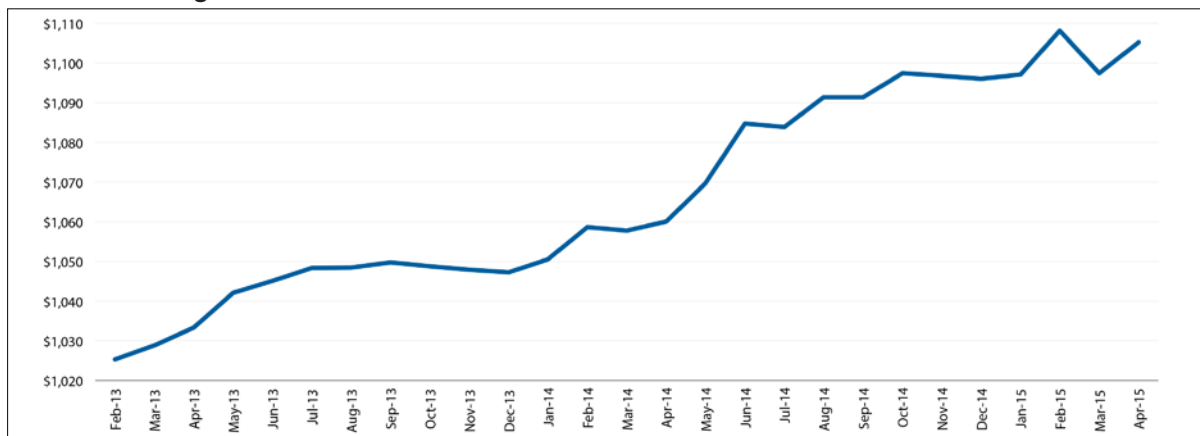


## Rent Survey | April 2015

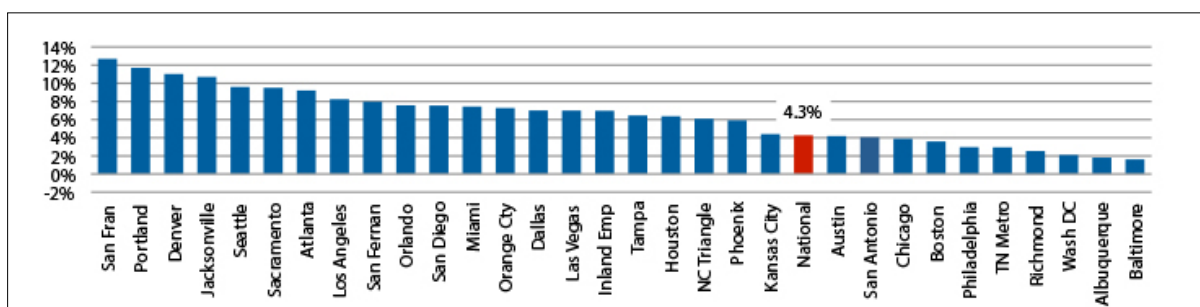
### Rents Resume Upward March, Led by West, Southeast Metros

- Nationally, average multifamily rents grew by \$8 to \$1,105 in April, according to Yardi Matrix's April 2015 survey. The 0.7% month-over-month increase came after an \$11 decline in March, leaving the survey slightly lower than its all-time high of \$1,108 in February.
- Rents grew 4.3% year-over-year nationally, led by San Francisco, Portland, Denver and Seattle, metros with strong job growth that show no signs of a letup in rent escalation. Of the top 16 markets in year-over-year increases, 10 are located in the West and four (Jacksonville, Atlanta, Orlando and Miami) are located in the Southeast. Texas markets Dallas, Houston, Austin and San Antonio are clustered around the national average.
- Over the past six months, rents have risen 0.7%, as the harsh winter may have delayed some from moving into apartments and put a damper on rent growth in cold-weather climates. On a 6-month moving average basis, rents increased by 4.4% compared to 2.8% for the year-earlier period.
- Growth has been stronger in primary markets and higher-end segments. Rents in the 30 markets covered in the survey have increased 3.1% since October, while smaller metros that are part of the survey but not included in the rankings have decreased by 1.4%.
- Despite the growth in supply of higher-end Lifestyle units, rents in the segment increased at a faster-than-expected 6.1% on a trailing 3-month basis over the prior year period. Our 2015 forecast for Lifestyle rent growth is 4.5%.
- Rent growth in Houston slipped to 0.6% on a trailing 3-month basis driven by a deceleration of rent growth in higher-end properties.

#### National Average Rents



#### Year-Over-Year Rent Growth—All Asset Classes

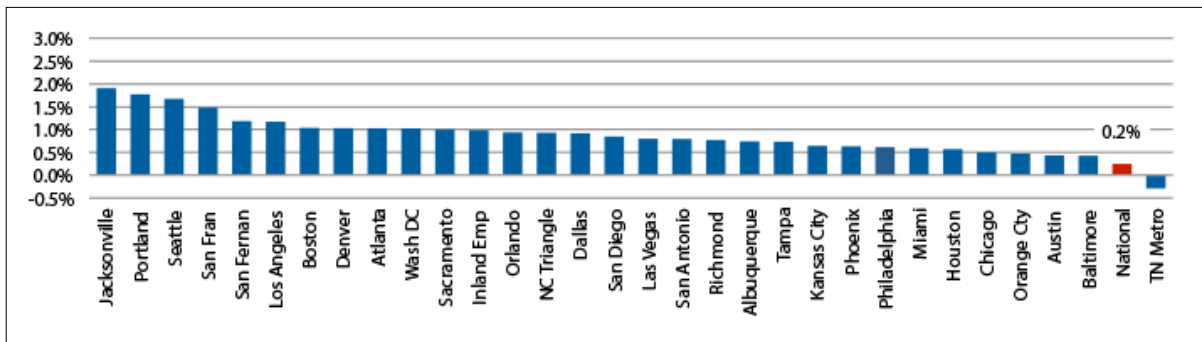


National averages include 84 markets tracked by Matrix, not just the 30 metros featured in the report. All data provided by YardiMatrix.

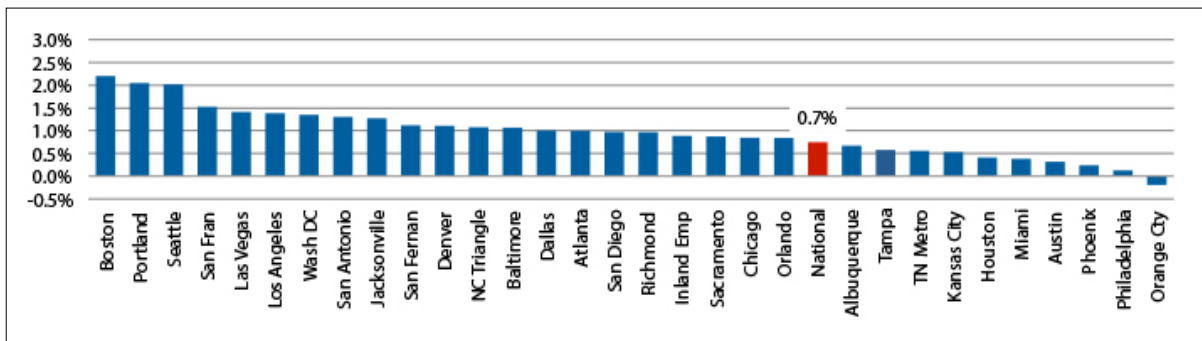
## Trailing 3 Months: Boston, Washington DC Show Signs of Life

- While the top four metros – Jacksonville (up 1.9%), Portland (1.8%), Seattle (1.7%) and San Francisco (1.5%) – remained the same as last month in our ranking on a trailing 3-month basis, there were big movements in the rankings of metros that could show signs of momentum changes.
- The biggest change involves Boston, which rose to 7th from 26th in the March survey. On a T3-month basis, Boston rents grew 1.0%, led by a 2.2% increase in the lifestyle segment. Similarly, Washington rents rose 1.0%, climbing to 10th from 27th. Rent growth in the Northeast and Mid-Atlantic has been sluggish, so the improved relative performance may indicate the beginning of a trend.
- Metros that fell in the rankings this month include Dallas (from 5th to 15th), San Diego (from 8th to 16th), Las Vegas (from 6th to 17th), Phoenix (from 7th to 23rd) and Chicago (from 9th to 27th).
- Philadelphia, Orange County, Austin, Baltimore and Tennessee all remained in the bottom third.

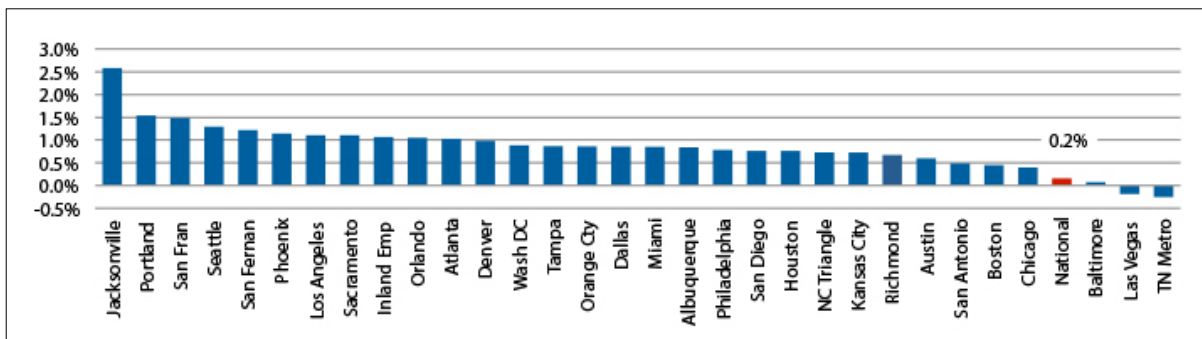
### Trailing 3 Months Sequential – All Asset Classes



### Trailing 3 Months Sequential – Lifestyle Asset Class



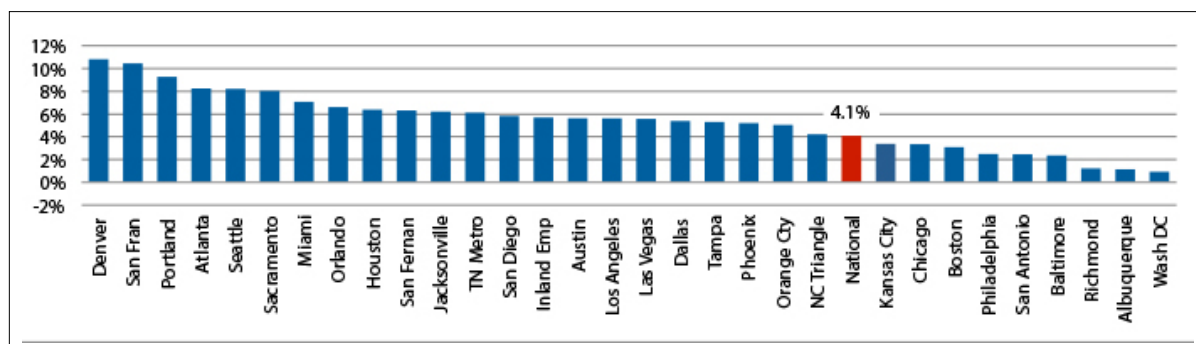
### Trailing 3 Months Sequential – Rent by Necessity Asset Class



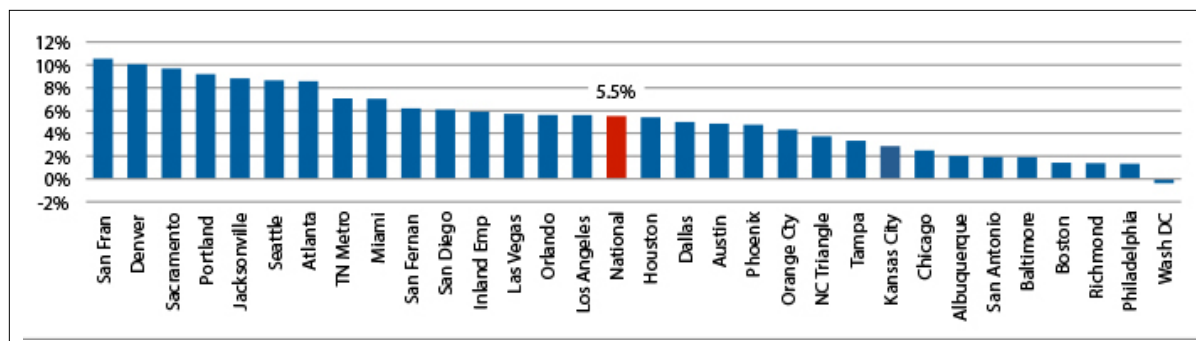
## Trailing 12 Months: Ranking Dominated by Metros in West, South

- For the second straight month, Yardi Matrix's ranking of trailing 12-month rent growth was led by the trio of hot Western markets: Denver, San Francisco and Portland, while Seattle and Sacramento also were in the top six.
- Southern markets Atlanta (4th), Miami (7th) and Orlando (8th) were among the top eight metros, while the top 10 was rounded out by Houston (9th) and San Fernando (10th).
- Metros in the Mid-Atlantic and Northeast – Washington DC (31st), Richmond (29th), Baltimore (28th), Philadelphia (27th) and Boston (26th) – continued to lag on the bottom of the ranking. However, Washington and Boston have improved over the last quarter, which indicates that they might be poised to move up.
- The 4.1% T12-month national rent average in April was up 20 basis points from March. Rent growth is stronger for higher-end Lifestyle properties (5.5%) than working-class Rent By Necessity assets (4.0%).

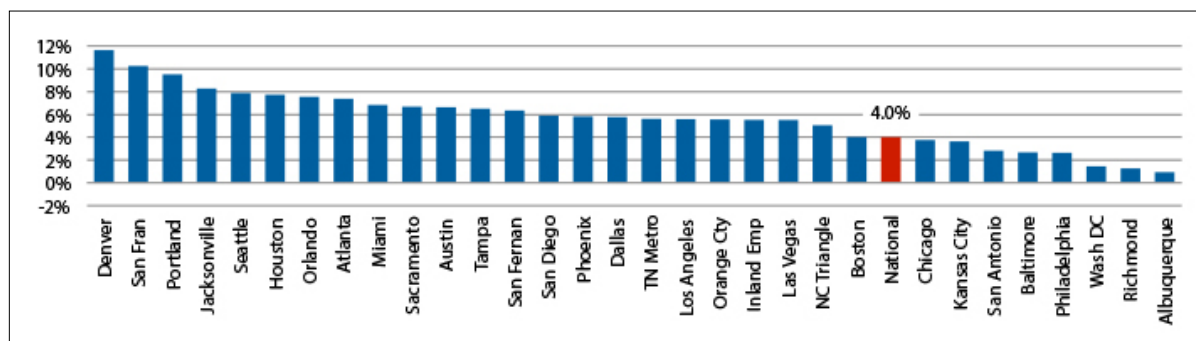
### Trailing 12 Months Year-Over-Year—All Asset Classes



### Trailing 12 Months Year-Over-Year—Lifestyle Asset Class



### Trailing 12 Months Year-Over-Year—Rent by Necessity Asset Class



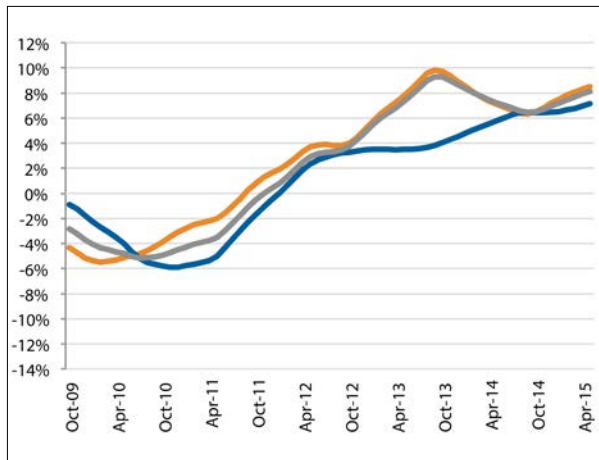
## Employment/Supply Trends and Forecast Rent Growth

- Job growth remains robust in the major markets surveyed by the Matrix Monthly. In 23 of the 31 metros surveyed, the 6-month moving average job growth exceeded the rate of multifamily completions as a percentage of supply over the 12 months ending in April.
- The upshot is that demand is expected to be strong, which should produce solid absorption in most markets despite the rate of growth in supply.
- San Francisco, Seattle and Denver are among the markets in which supply growth is about the same as or exceeds the rate of job growth, but pent-up demand and in-migration is good enough that none of these markets should have any problem filling new units.
- Markets in which job growth is far in excess of supply growth include: Atlanta, Inland Empire, Las Vegas and Sacramento. Washington, North Carolina Triangle and Chicago are at the other end of the spectrum.

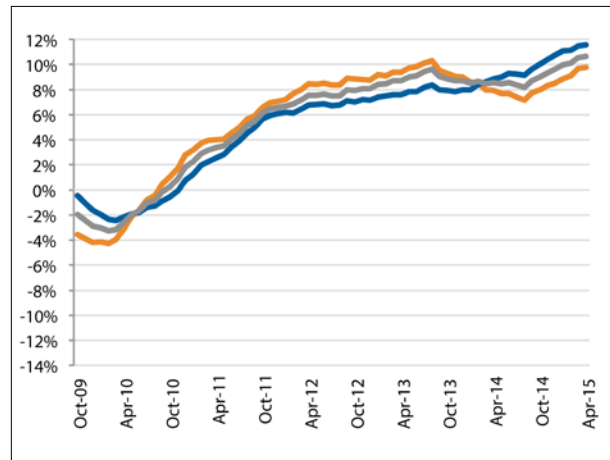
Market	YoY Job Growth (6-mo moving avg) As of Feb 2015	Completions as a % of Total Stock As of April 2015	Forecast Rent Growth (YE 2015)
San Francisco	2.8%	3.1%	11.1%
Portland	3.0%	2.4%	10.0%
Denver	3.9%	3.8%	9.5%
Sacramento	2.9%	0.4%	9.0%
Houston	3.6%	2.6%	7.5%
Seattle	3.2%	4.0%	7.5%
Atlanta	4.0%	1.0%	7.5%
Miami	3.7%	3.4%	7.5%
Austin	3.3%	5.3%	6.5%
San Fernando	2.3%	0.5%	6.5%
Orlando	4.0%	2.8%	6.0%
TN Metro	3.4%	2.1%	6.0%
Phoenix	2.7%	1.5%	5.8%
San Diego	2.7%	1.9%	5.8%
Inland Empire	4.2%	1.4%	5.5%
Las Vegas	3.7%	1.0%	5.5%
Orange County	3.0%	1.8%	5.5%
Tampa	2.8%	2.3%	5.5%
Dallas	3.9%	1.9%	5.5%
Los Angeles	2.3%	2.0%	5.0%
NC Triangle	3.1%	4.5%	4.0%
Jacksonville	2.8%	1.3%	4.0%
San Antonio	3.4%	2.7%	4.0%
Boston	1.7%	2.6%	3.5%
Chicago	0.7%	1.9%	3.5%
Kansas City	2.5%	1.5%	3.0%
Baltimore	1.3%	1.3%	2.5%
Philadelphia	1.2%	0.6%	1.8%
Richmond	1.1%	1.1%	1.5%
Albuquerque	1.2%	0.8%	1.0%
Washington DC	1.3%	3.1%	0.8%

## Market Rent Growth by Asset Class

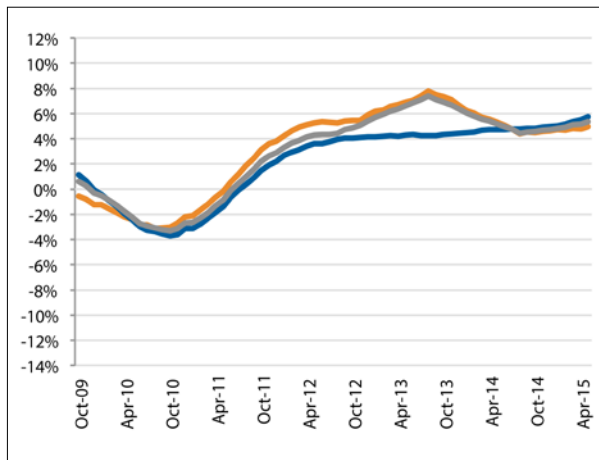
Atlanta



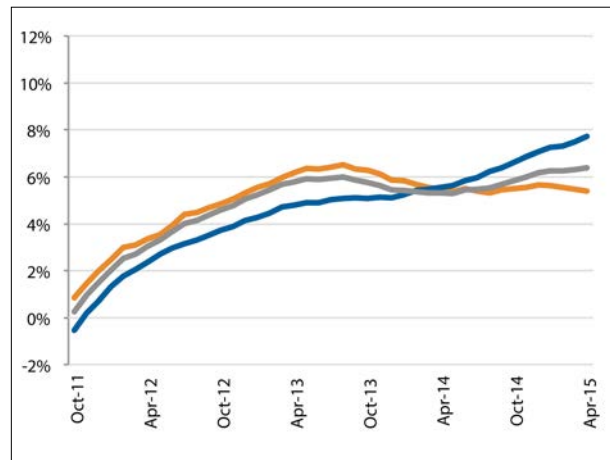
Denver



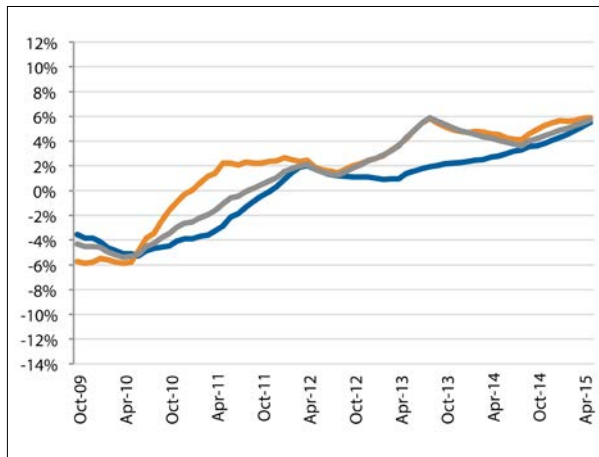
Dallas



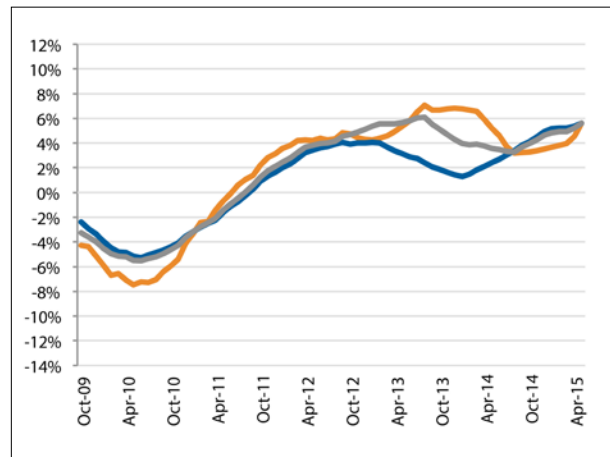
Houston



Inland Empire



Los Angeles

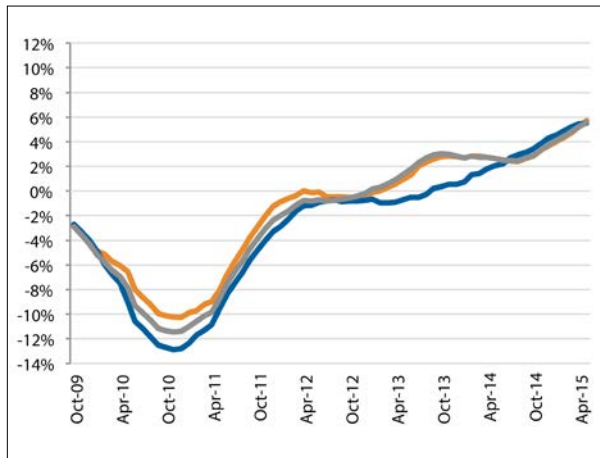


Trailing 12 Months Overall

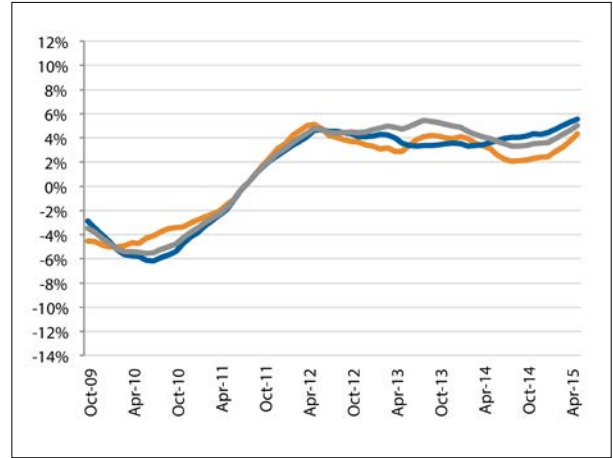
Trailing 12 Months Lifestyle

Trailing 12 Months Rent By Necessity

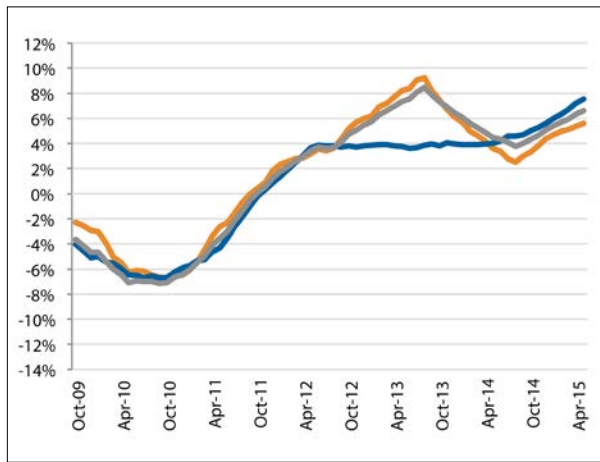
## Las Vegas



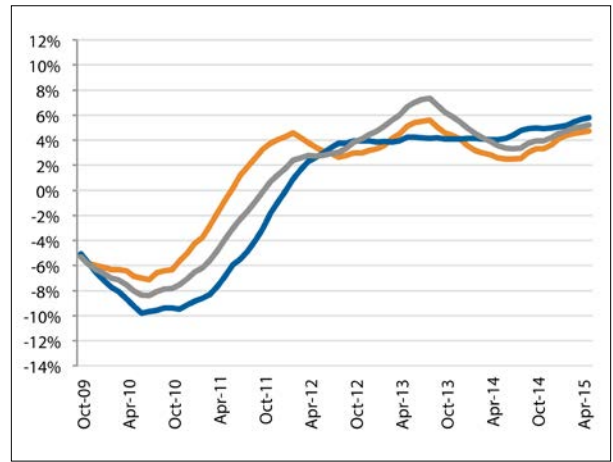
## Orange County



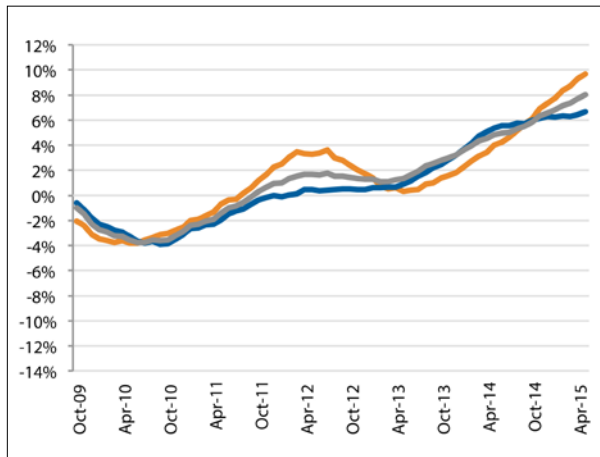
## Orlando



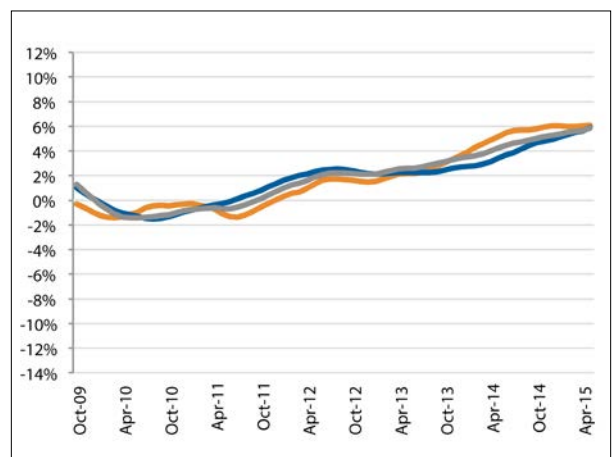
## Phoenix



## Sacramento



## San Diego

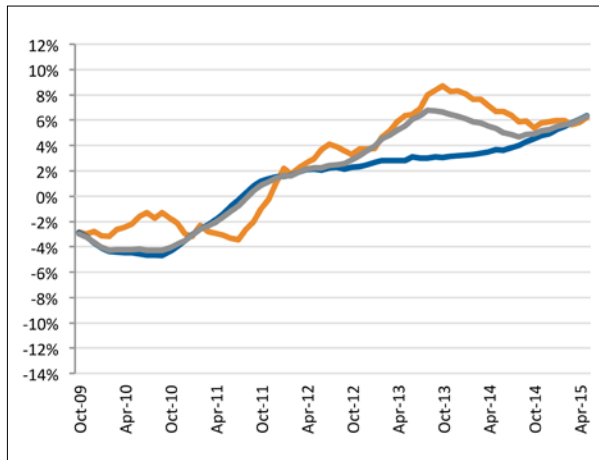


Trailing 12 Months Overall

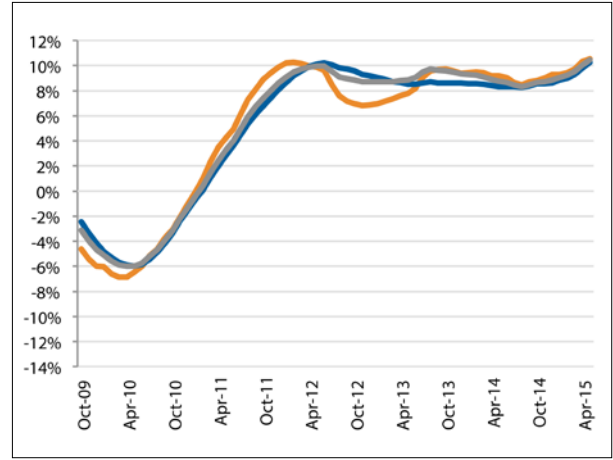
Trailing 12 Months Lifestyle

Trailing 12 Months Rent By Necessity

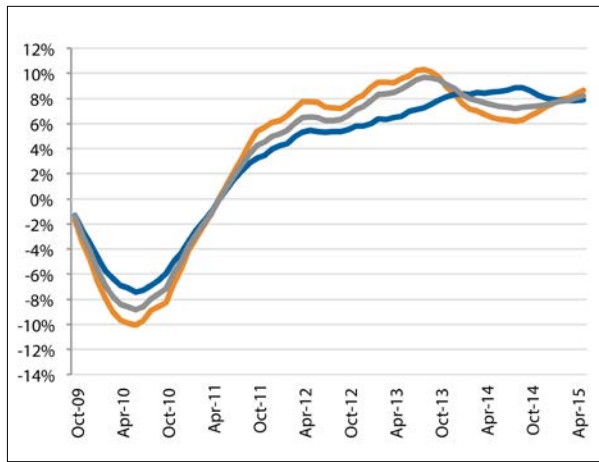
### San Fernando



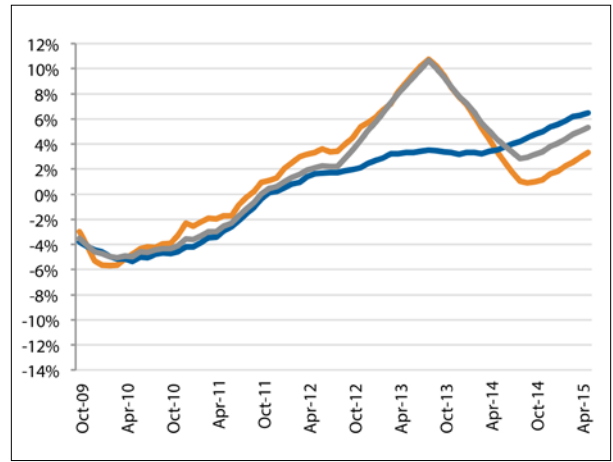
### San Francisco



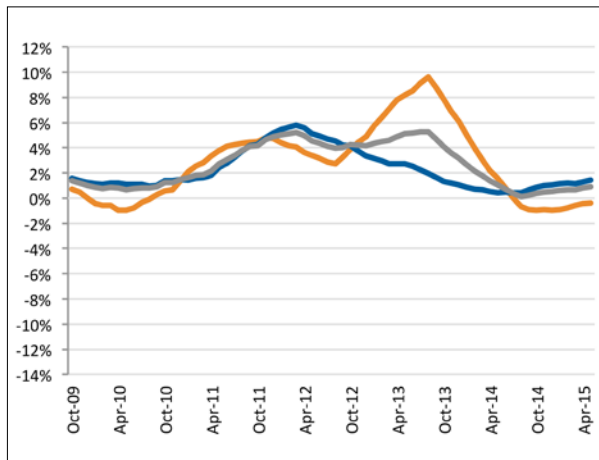
### Seattle



### Tampa



### Washington DC



Trailing 12 Months Overall      Trailing 12 Months Lifestyle      Trailing 12 Months Rent By Necessity

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## Definitions

**Lifestyle households (renters by choice)** have wealth sufficient to own, but have chosen to rent. Discretionary households, most typically a retired couple, or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

**Renter By Necessity households** span a range. In descending order, household types can be:

- *A young professional double-income-no kids, household* with substantial income, but without wealth needed to acquire a home or condominium;
- *Students*, who also may span a range of income capability, extending from *affluent*, to *barely getting by*;
- *Lower middle-income ("gray collar") households* composed of: Office workers; policemen; firemen; technical workers, teachers...
- *Blue collar households*, who may barely meet rent demands each month, and who likely pay a disproportionate share of their income toward rent.
- *Subsidized households*, who pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low-income, may extend as well to middle-income households in some high-cost markets, such as New York City.
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Context® rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of Context® is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster, more efficiently, with more accurate end results.

The Pierce-Eislen Context® rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

To learn more about YardiMatrix™ and subscribing, please visit [www.pi-ei.com](http://www.pi-ei.com) or call Ron Brock, Jr at 480-663-1149 x2404.

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