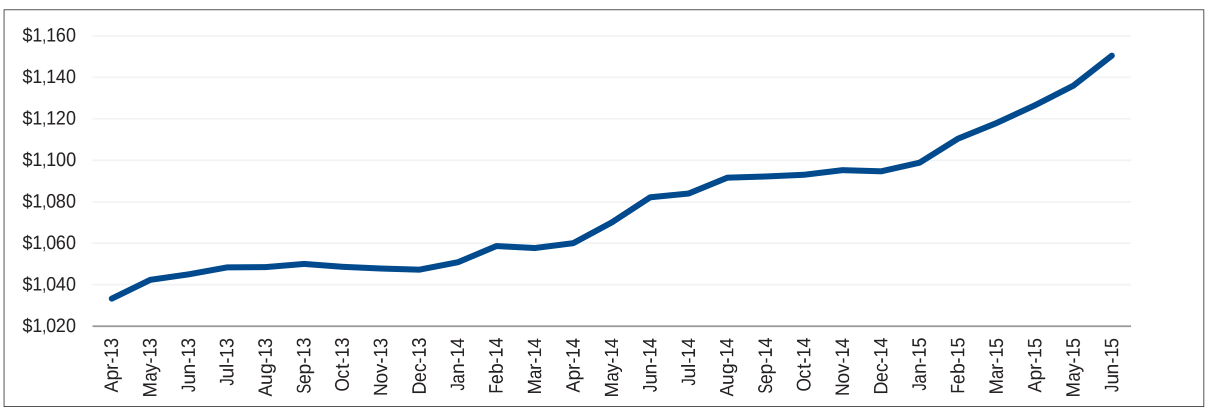
Rent Survey | June 2015

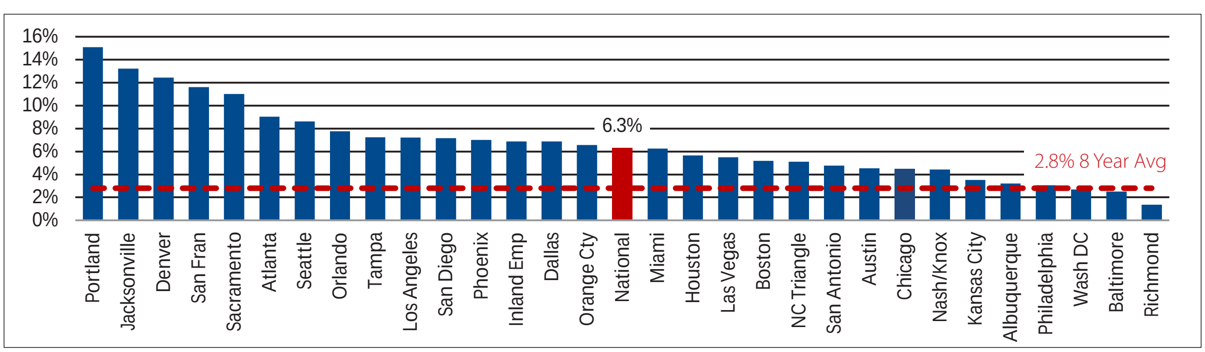
No Signs of a Slowdown: Rent Growth Accelerates in Spring

- Multifamily rents continue to flourish at historically robust levels, pushed upwards by job growth, pent-up demand from Millennials and favorable demographic factors. Nationally, rents hit a record high of $1,150 in Yardi Matrix's June survey, up 6.3% year-over-year.
- Rent growth, which has been above-trend for the last couple of years, actually has accelerated. The average national rent grew 1.3% month-over-month and is up 2.9% over the past three months compared to 1.1% and 2.3% in 2014, respectively. The rapid growth is to some extent seasonal, since multifamily rents tend to increase more in the spring. However, the one-month and three-month increases represent the fastest rent growth in several years.
- As has been the case recently, the growth was led by the buoyant West Coast and Sunbelt markets. Portland (15.1%), Denver (12.4%), San Francisco (11.6%) and Sacramento (11.0%) led the growth on a year-over-year basis, while Jacksonville (13.2%) and Atlanta (9.0%) are among the southern markets with explosive growth.
- Although the Northeast, Mid-Atlantic and Midwest continue to trail on a relative basis, rent growth is strong across the country. Rents trail the long-term average in only a handful of markets, and only six failed to achieve 4.0% year-over-year growth: Richmond (1.4%), Baltimore (2.5%), Washington DC (2.7%), Philadelphia (3.0%) Albuquerque (3.2%) and Kansas City (3.5%).
- Demand for housing of all types – apartments and single-family homes – is expected to remain strong. Sales of both new and existing homes in May rose to their highest levels in six years, according to the National Association of Realtors.

National Average Rents



Year-Over-Year Rent Growth—All Asset Classes



National averages include 100 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

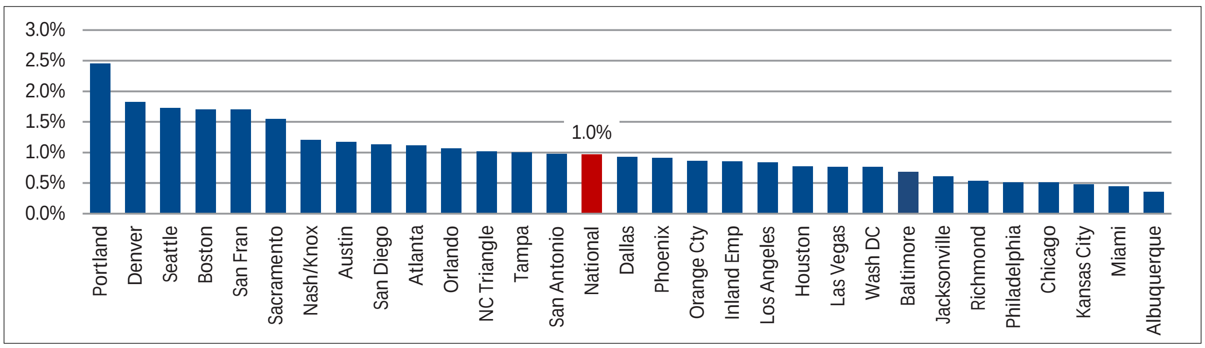
- On a sequential 3-month basis, rents in Yardi Matrix's survey grew by an average 1.0% per month, one of the best performances in recent years. Rents grew at a 6% annualized rate or better in all but a few markets.

- Rents in West Coast markets continue to grow at a remarkable rate, led by Portland, where the average rent grew an astonishing 2.5% per month, led by a 2.9% increase in higher-end Lifestyle units. Denver, San Francisco, Seattle and Sacramento also continued to escalate.

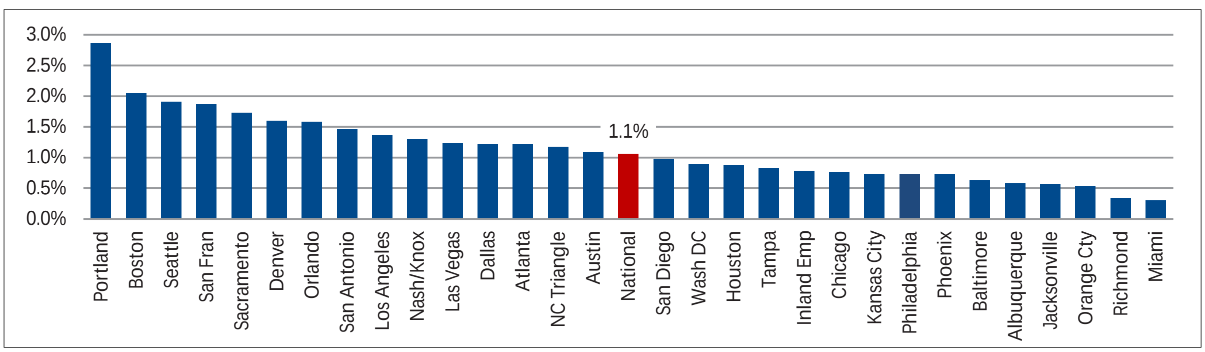
- Boston and Nashville continued a recent surge that signals renewed strength for some recently wavering markets. Rents grew an average 1.7% over the last three months in Boston, in part due to a strong seasonal bounce after a harsh winter.

- Austin rounded out the top 10, demonstrating resilience in the face of new supply and Houston is holding up well under the pressure of new supply deliveries and lower energy prices.

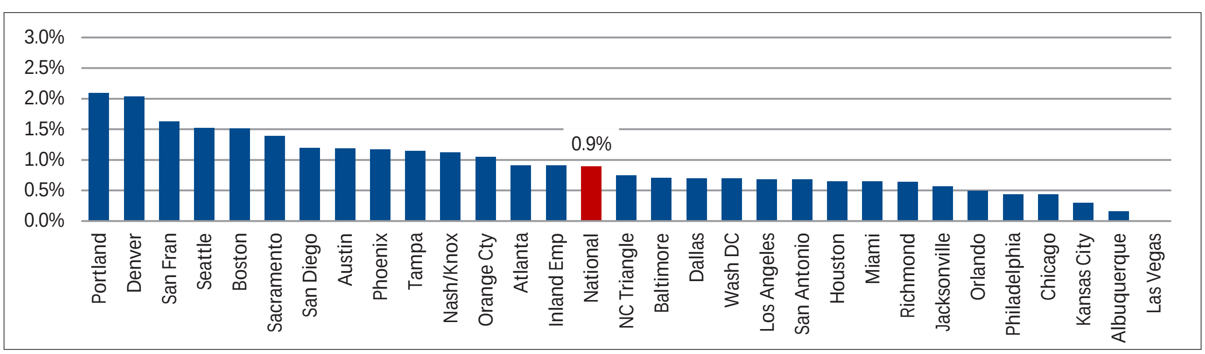
Trailing 3 Months Sequential—All Asset Classes



Trailing 3 Months Sequential—Lifestyle Asset Class



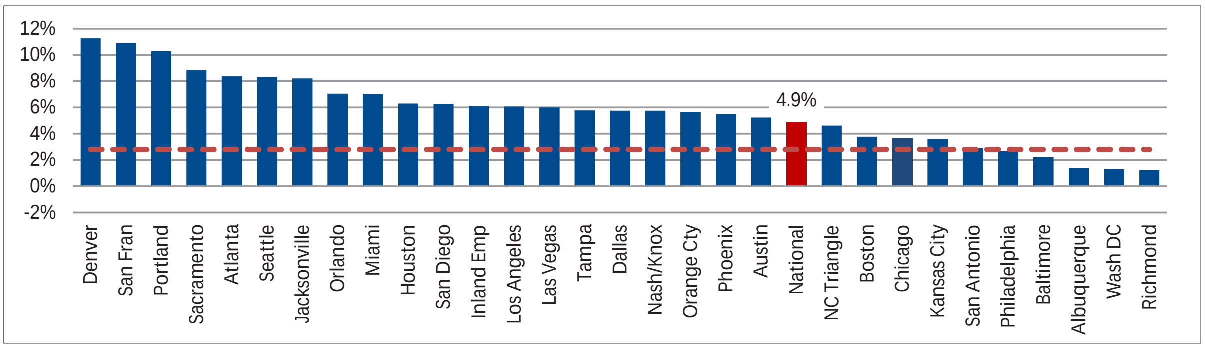
Trailing 3 Months Sequential—Rent by Necessity Asset Class



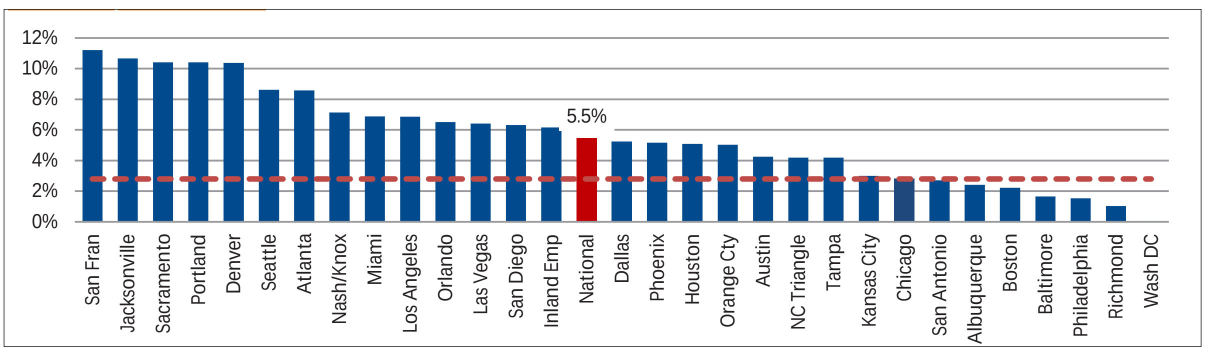
Trailing 12 Months: Ranking Dominated by Metros in West, South

- On a trailing 12-month basis, rents rose by 4.9% nationally in Yardi Matrix's survey. Rent growth was led by higher-end Lifestyle properties, which rose by 5.5% year-over-year compared to 4.7% for Rent by Necessity properties.
- Although the T12-month metric smooths out seasonal increases, the survey shows that growth is broad-based. Half of the 30 metros in our ranking saw rent growth of 6.0% or more and only three grew by less than 2%.
- Recent strong rent growth combined with the long-term absorption trend indicates that gains are likely to intensify in the second half. We expect that robust employment gains, combined with above-trend household formations as Millennials move out of parents' homes, will produce enough demand to absorb near-term supply.

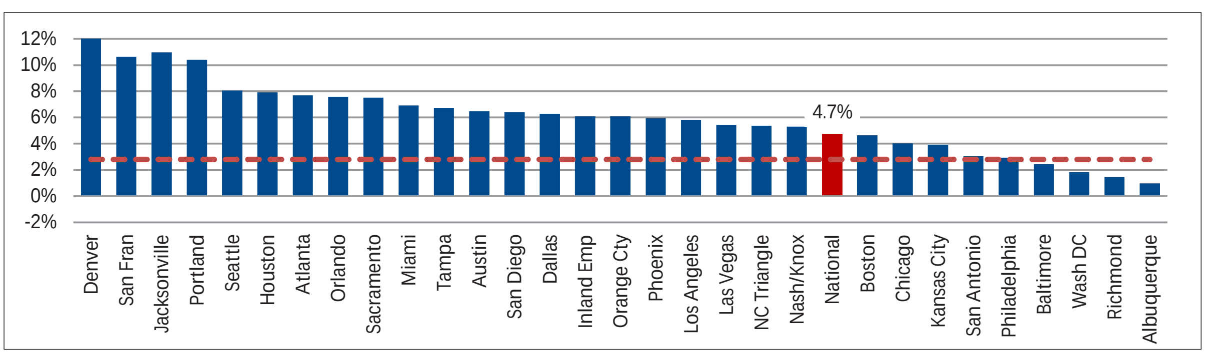
Trailing 12 Months Year-Over-Year—All Asset Classes



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



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



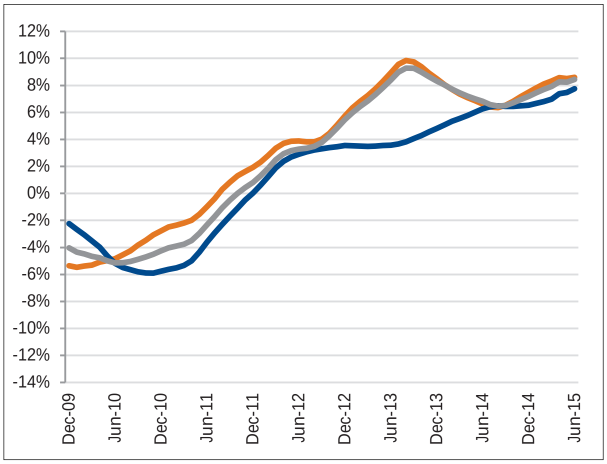
Employment/Supply Trends and Forecast Rent Growth

- Halfway into 2015, Yardi's forecast rent growth is shaping up to be prescient in most markets.
- We forecast outsized increases of 8% or more in five of the hottest Western growth markets (San Francisco, Portland, Denver, Sacramento and Seattle), and all are on track to outperform our sky-high expectations. Year-over-year, three of those markets are up by 11% or more, and Seattle is up 9.8%.
- Markets in which year-over-year increases are in line with our expectations include: Phoenix, San Antonio, Richmond and Miami.
- We underestimated the strength of some markets, particularly Jacksonville (4.0% forecast, up 10.8%), NC Triangle (4.0% forecast, up 5.7% year-over-year) and Orlando (6.0% forecast, up 7.7%).
- With rent growth so strong, only a handful of markets have underperformed our expectations: Austin (6.5% forecast, up 4.7%), Houston (7.5% forecast, up 6.1% year-over-year) and Nashville (6.0% forecast, up 5.0%).

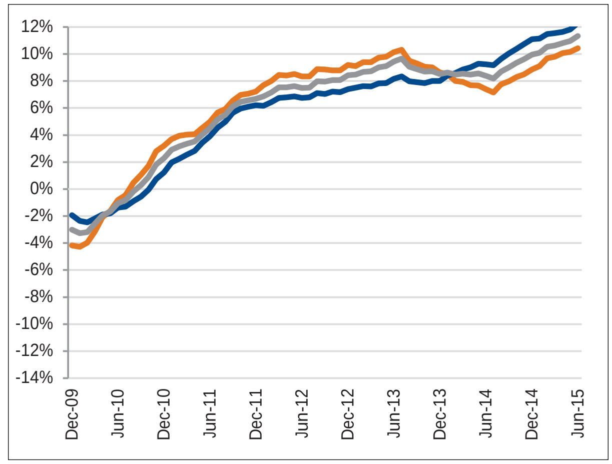
Market	YoY Job Growth (6-mo moving avg) As of Apr 2015	Completions as a % of Total Stock As of June 2015	Forecast Rent Growth (YE 2015)	YTD Rent Growth As of June 2015
San Francisco	2.8%	2.8%	11.1%	12.0%
Portland	3.0%	2.3%	10.0%	11.7%
Denver	3.5%	4.1%	9.5%	11.6%
Sacramento	2.8%	0.6%	9.0%	9.8%
Seattle	3.4%	4.4%	8.0%	8.7%
Houston	3.3%	2.6%	7.5%	6.1%
Atlanta	3.9%	1.5%	7.5%	8.7%
Miami	3.6%	3.8%	7.5%	6.9%
Austin	3.0%	4.9%	6.5%	4.7%
Orlando	4.1%	2.9%	6.0%	7.7%
Nash/Knox	2.9%	2.1%	6.0%	5.0%
Phoenix	2.8%	1.5%	5.8%	6.0%
San Diego	2.9%	1.6%	5.8%	6.9%
Inland Empire	4.2%	1.4%	5.5%	6.8%
Las Vegas	3.3%	1.0%	5.5%	6.8%
Orange County	3.2%	1.6%	5.5%	6.7%
Tampa	2.7%	2.7%	5.5%	6.5%
Dallas	3.9%	1.8%	5.5%	6.5%
Los Angeles	2.4%	2.6%	5.0%	6.5%
NC Triangle	3.0%	4.6%	4.0%	5.7%
Jacksonville	2.8%	1.4%	4.0%	10.8%
San Antonio	3.5%	2.0%	4.0%	3.8%
Boston	1.7%	2.8%	3.5%	4.4%
Chicago	0.9%	1.9%	3.5%	4.3%
Kansas City	2.6%	1.2%	3.0%	4.1%
Baltimore	1.5%	1.1%	2.5%	1.7%
Twin Cities	0.0%	3.7%	2.5%	3.3%
Philadelphia	1.2%	1.0%	1.8%	3.0%
Richmond	1.0%	1.4%	1.5%	1.1%
Washington DC	1.6%	2.7%	0.8%	1.7%

Market Rent Growth by Asset Class

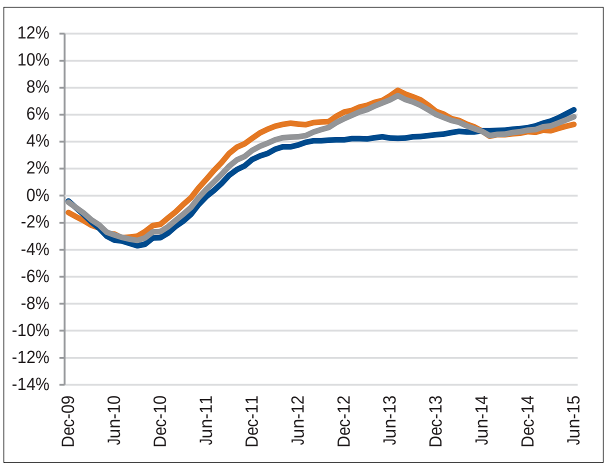
Atlanta



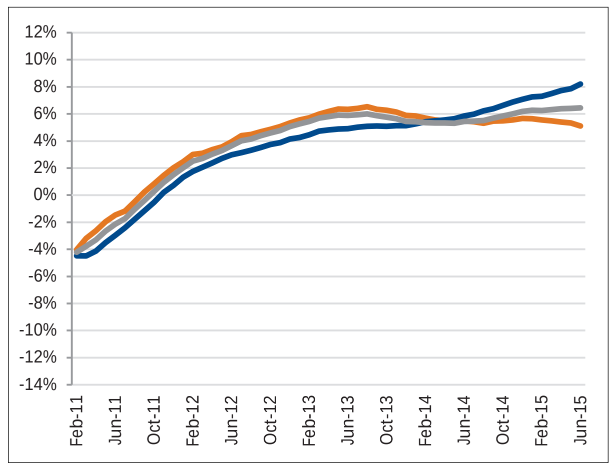
Denver



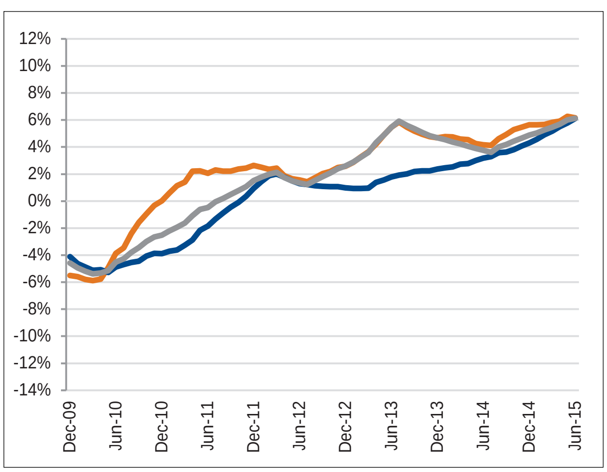
Dallas



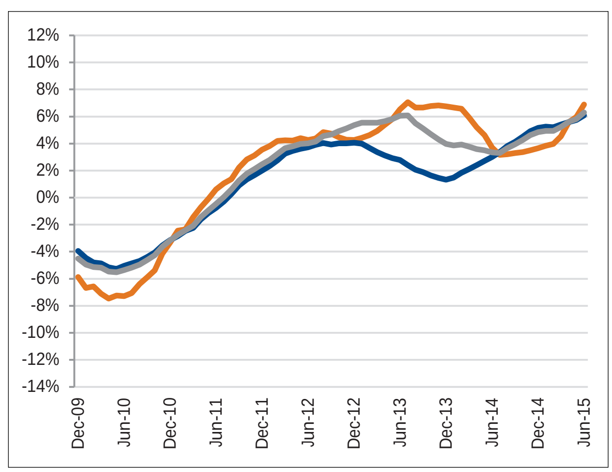
Houston



Inland Empire

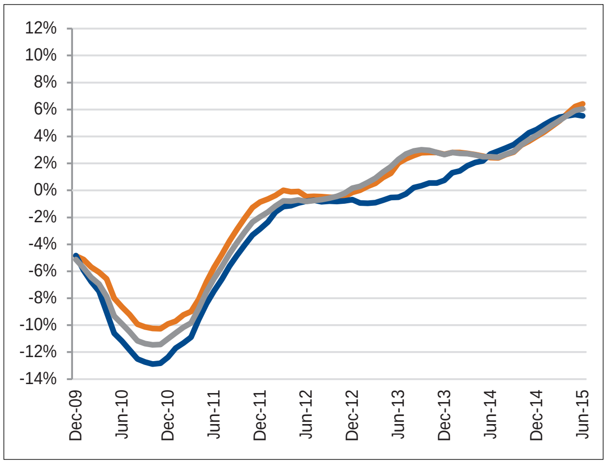


Los Angeles

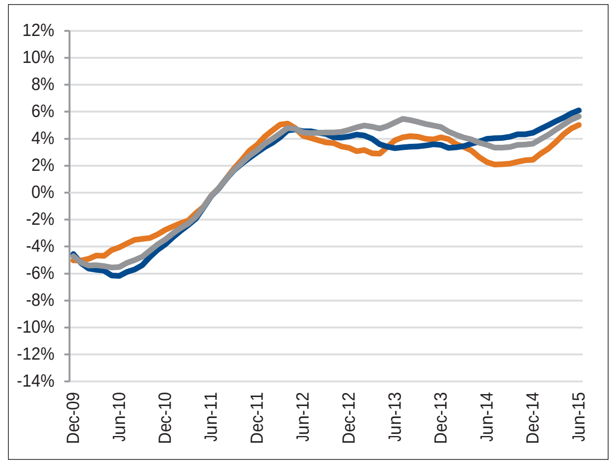


Trailing 12 Months Overall   Trailing 12 Months Lifestyle   Trailing 12 Months Rent By Necessity

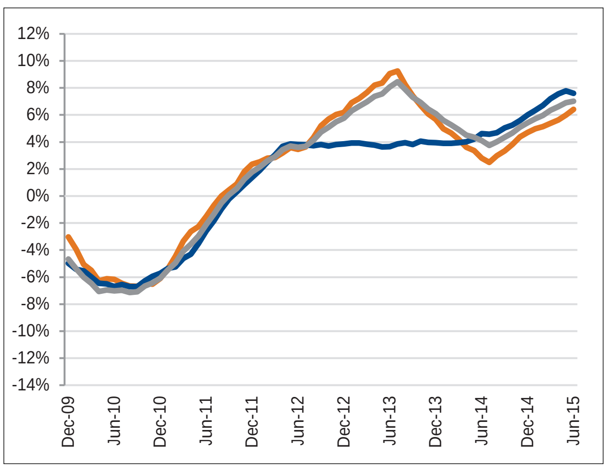
Las Vegas



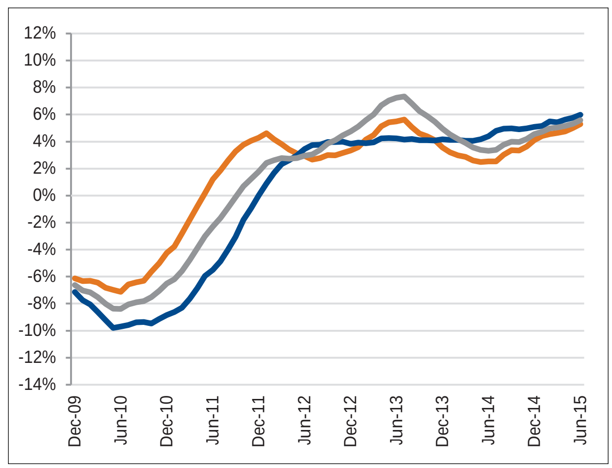
Orange County



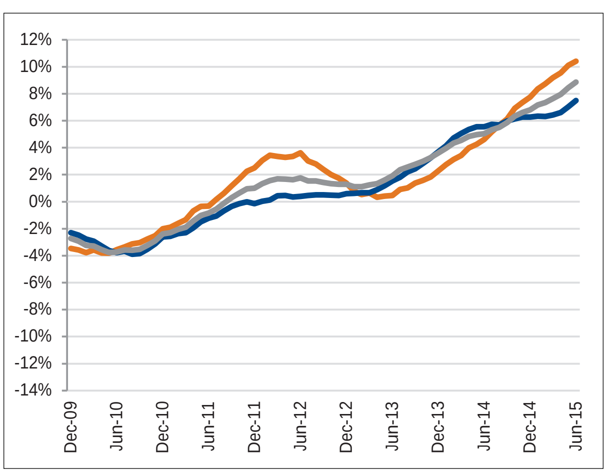
Orlando



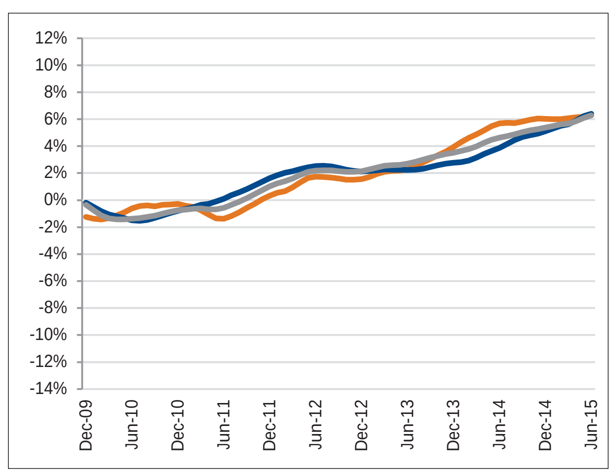
Phoenix



Sacramento

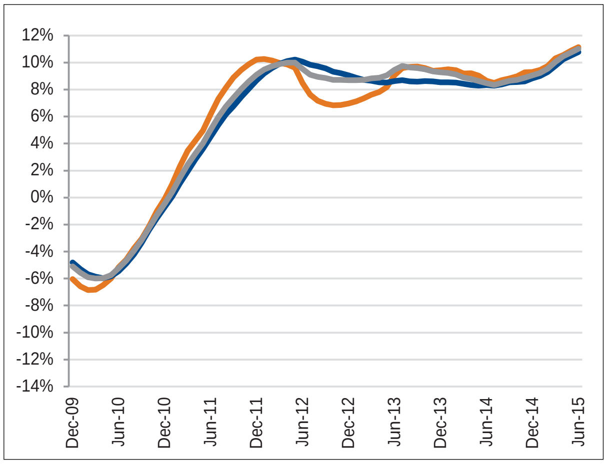


San Diego

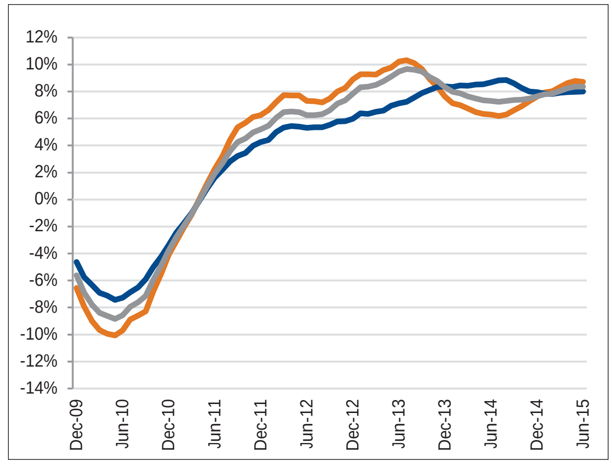


Trailing 12 Months Overall — Trailing 12 Months Lifestyle — Trailing 12 Months Rent By Necessity

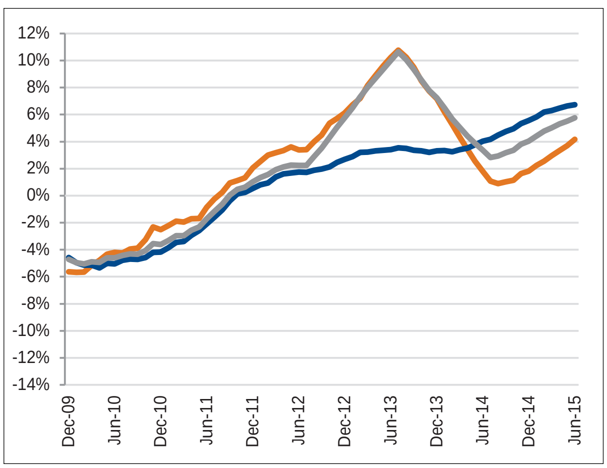
San Francisco



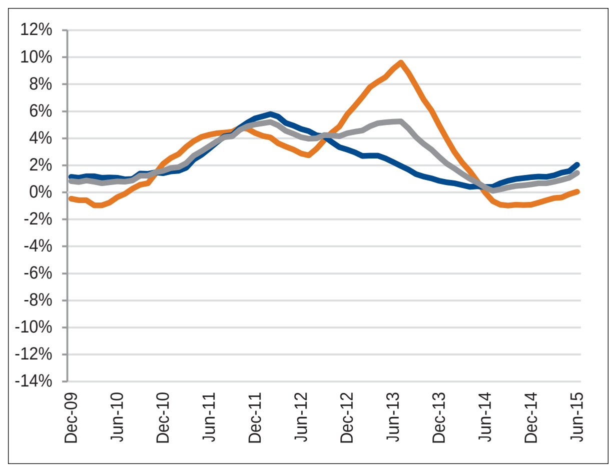
Seattle



Tampa



Washington DC



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

Appendix: Year-over-Year Rent Growth for Non-Reported Markets

Market	June 2015		
	Overall	Lifestyle	Rent-by-Necessity
San Fernando Valley	8.2%	7.4%	8.5%
Bridgeport - New Haven	3.4%	4.5%	2.9%
Central East Texas	3.5%	4.4%	3.4%
Central Valley	5.3%	3.0%	5.8%
Colorado Springs	5.9%	5.5%	6.5%
El Paso	0.8%	0.6%	0.6%
Indianapolis	1.6%	0.7%	1.9%
Long Island	1.8%	-5.0%	4.3%
Louisville	3.2%	-1.3%	4.5%
Northern New Jersey	4.4%	6.1%	3.7%
Reno	7.6%	9.0%	6.9%
SW Florida Coast	9.2%	7.3%	10.9%
Tacoma	7.9%	6.8%	8.7%
Triad	3.6%	3.7%	3.4%
Tucson	1.5%	0.9%	1.6%
St. Louis	3.1%	2.0%	3.3%

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 or call Ron Brock, Jr at 480-663-1149 x2404.

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