

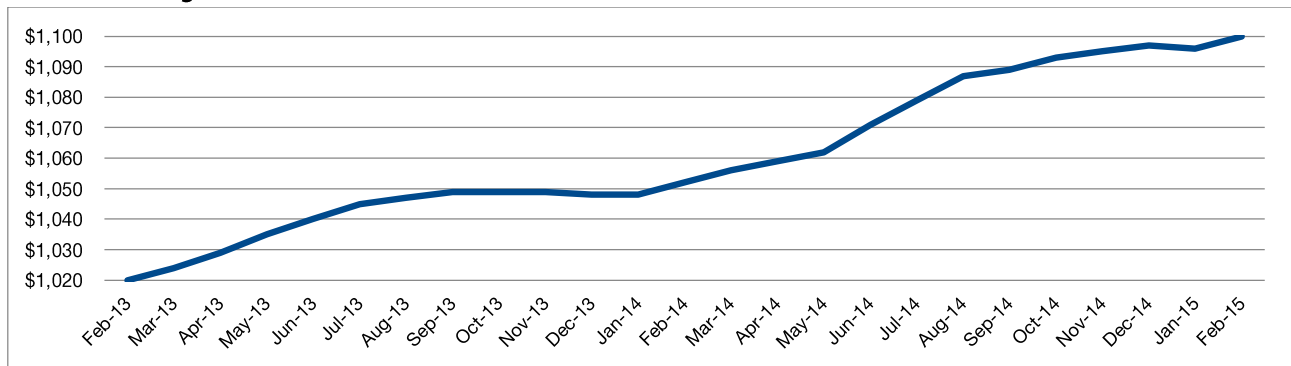
## Rent Survey February 2015

### Tech, Southern Metros Top-Performing Multifamily Markets

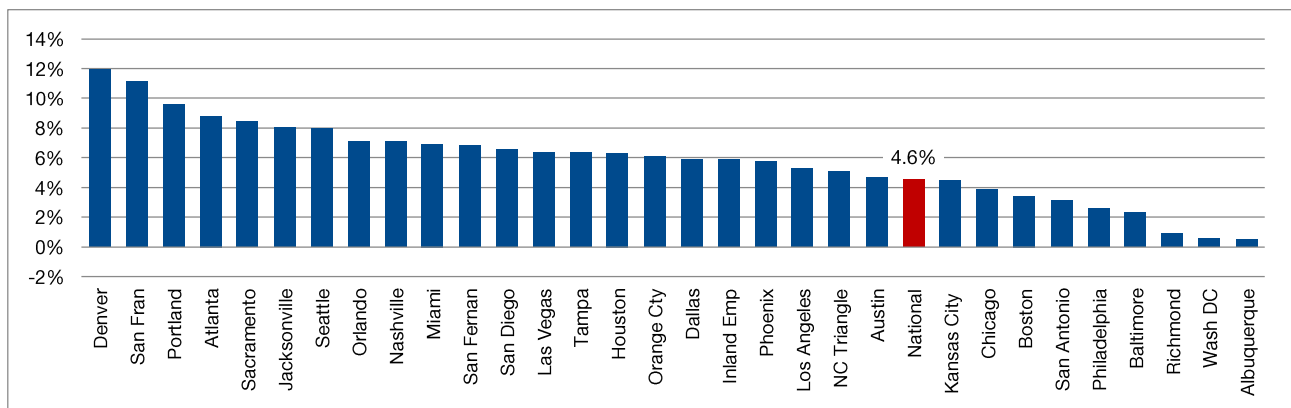
- Nationally, rents rose by 4.6% year-over-year to \$1,100, according to Yardi Matrix's February 2015 survey. On a month-over-month basis, rents in the 84 surveyed markets have been basically flat since October.
- Metros with the fastest rent growth over the past year are concentrated on those with robust tech industries especially attractive to Millennials (Denver, San Francisco, Portland), and Southern markets with solid growth in jobs and population (Atlanta, Miami, Jacksonville, Orlando, Nashville).
- Denver tops year-over-year and trailing 12-month comparison charts for February 2015 but appears to have slowed in a trailing 3-month basis. Continued rent growth will be tested by the large amount of new supply. Rents rose to \$1,163 in February, up from \$1,039 in January 2014, an 11.9% jump.
- Not surprisingly given its hyper supply and already high rent levels, Washington DC's 0.5% rent growth over the last year was the weakest in the nation. Lifestyle has experienced the highest degree of volatility in this market. Rent growth in DC is likely to remain flat unless the construction pipeline slows.

\* National averages include 84 markets tracked by Matrix, not just the 31 metros featured in the report.

#### National Average Rents



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



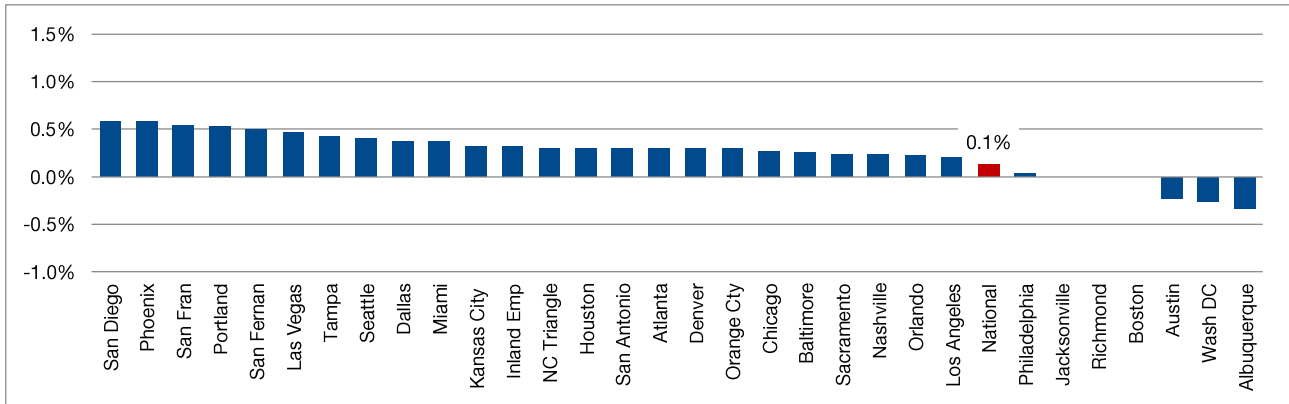
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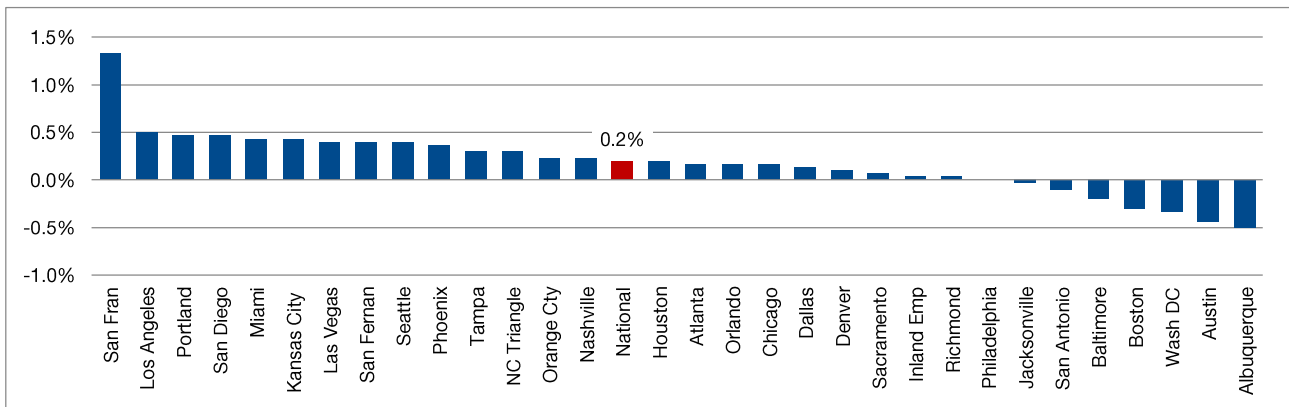
## Trailing 3 Months: Phoenix Heats up, Denver Cools, Rents in DC Stall

- San Diego, Phoenix and San Francisco top the list of metros on a trailing 3-month basis. All three cities continue to be red-hot, boosted by gains in tech employment and an influx of young workers.
- Meanwhile, rents in Washington DC, Albuquerque, Austin and Boston have slowed, at least temporarily. Austin bears watching, as rent growth dropped over the past three months relative to its 12-month level, possibly a sign that supply is taking a toll on rents.
- Another metro to keep an eye on is Jacksonville, which posted strong year-over-year rent growth but was negative over the past three months.

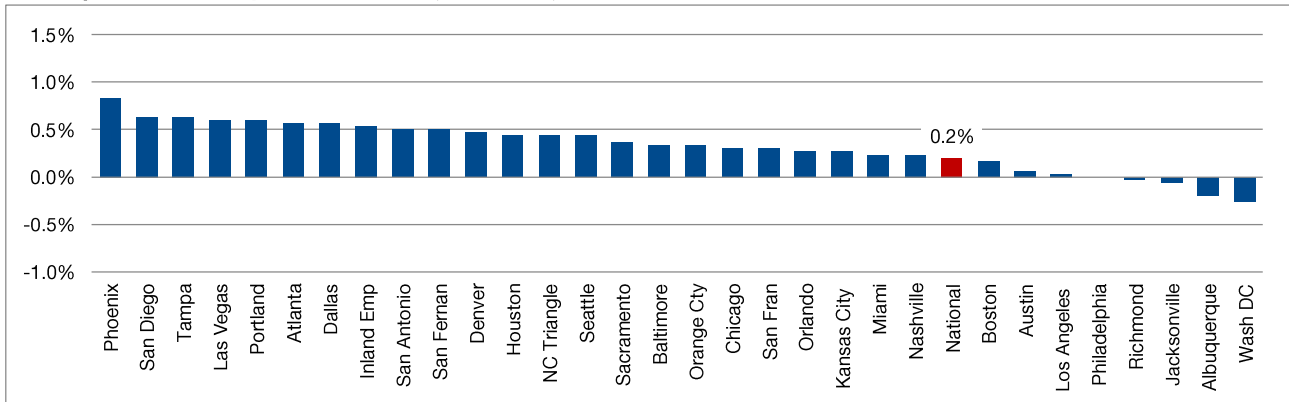
### Trailing 3 Months Sequential – All Asset Classes



### Trailing 3 Months Sequential – Lifestyle Asset Class



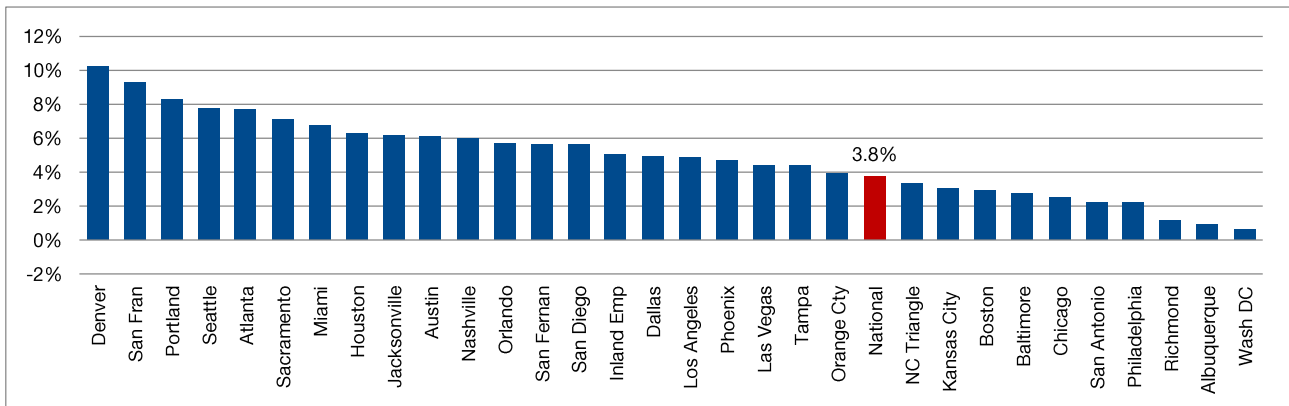
### Trailing 3 Months Sequential – Rent by Necessity Asset Class



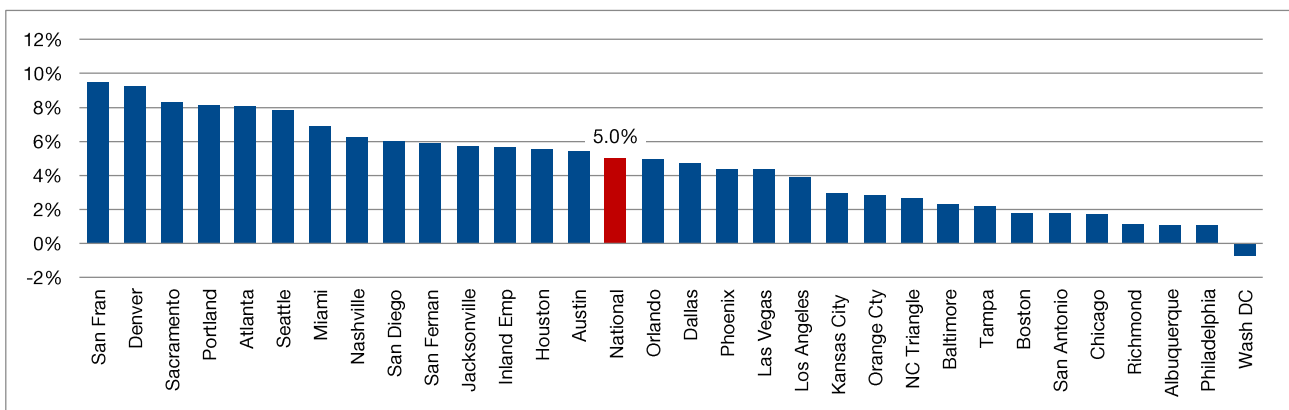
## Trailing 12 Months: West is Best, East is Least

- Six of the top seven metros in terms of rent growth over a trailing 12-month period are growing metros in the West that are popular destinations for Millennials (Denver, Los Angeles, Portland, Sacramento, San Francisco and Seattle). The sole exception is Atlanta, which ranked third.
- On the other side of the coin, five of the bottom eight metros are in the Northeast or Eastern Seaboard (Washington DC, Richmond, Philadelphia, Baltimore and Boston). These metros tend to have slower job growth and relatively high rents that will be difficult to increase without higher wage growth.
- Rent growth has been slightly above average in Austin, Houston and Dallas, although those markets face a great deal of supply and/or the possibility of slower growth as a result of the drop in oil prices.

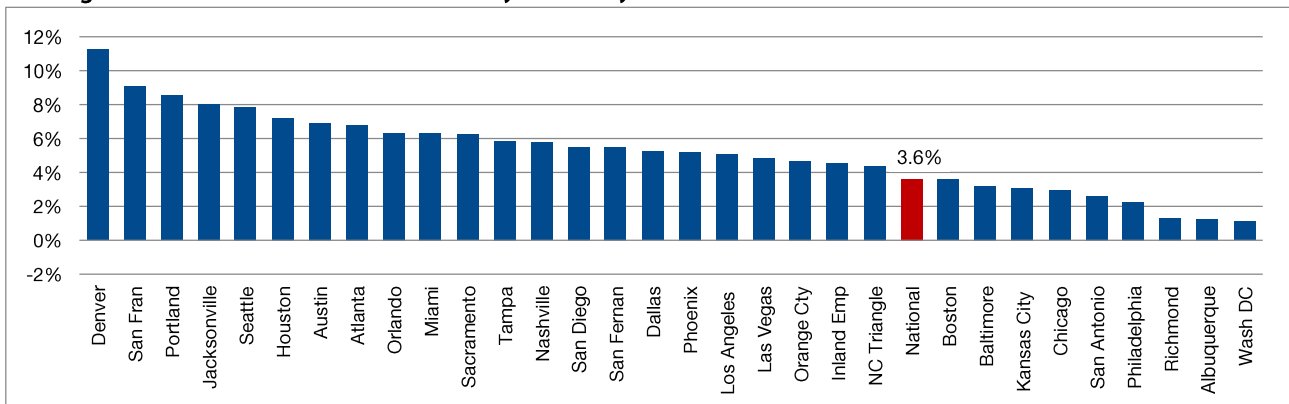
### Trailing 12 Months Year-Over-Year – All Asset Classes



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



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



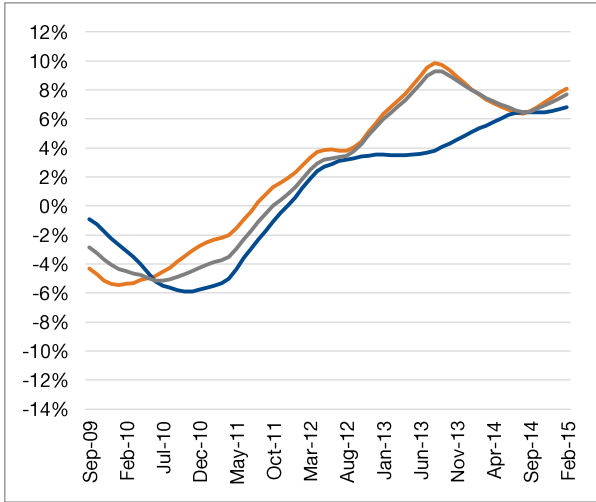
## Employment vs Rent Growth

- Metros with strong employment growth and moderate or low growth in supply carry the potential for strong absorption and rent growth. Sacramento, Dallas, Las Vegas and Nashville top Yardi Matrix's ranking of job growth relative to supply.
- Conversely, rent growth is expected to be weak in markets such as Washington DC, Albuquerque, Richmond and Kansas City that have weak employment growth. By this measure, robust supply growth is a concern even in some metros with strong job growth, such as Seattle, Austin and Boston.

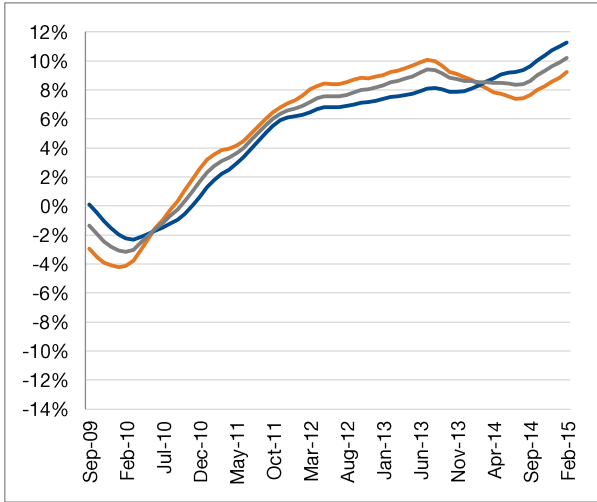
Market	YoY Job Growth (6-mo moving avg) As of Dec 2014	Completions as a % of Total Stock As of Dec 2014	Forecast Rent Growth (YE2015)
San Francisco	2.87%	4.00%	11.09%
Portland	2.90%	3.52%	10.00%
Denver	2.70%	4.78%	9.50%
Sacramento	2.30%	0.31%	9.00%
Houston	4.00%	2.49%	7.50%
Atlanta	2.40%	1.16%	7.50%
Seattle	3.20%	5.53%	7.50%
Miami	3.20%	4.51%	7.00%
San Fernando	1.60%	0.88%	6.50%
Austin	3.30%	5.97%	6.50%
TN Metro	2.90%	1.12%	6.00%
Orlando	3.20%	4.80%	6.00%
San Diego	2.80%	1.84%	5.75%
Phoenix	2.60%	1.83%	5.75%
Las Vegas	2.70%	0.82%	5.50%
Inland Empire	2.40%	2.21%	5.50%
Orange County	1.90%	1.84%	5.50%
Tampa	1.30%	2.79%	5.50%
Dallas	3.90%	1.94%	5.25%
Los Angeles	1.60%	2.49%	5.00%
Jacksonville	2.00%	1.79%	4.00%
Carolina Triangle	2.70%	4.22%	4.00%
San Antonio	2.60%	4.25%	4.00%
Chicago	0.90%	1.94%	3.50%
Boston	2.00%	5.61%	3.50%
Kansas City	1.10%	2.42%	3.00%
Baltimore	1.30%	2.46%	2.50%
Philadelphia	0.35%	1.35%	1.75%
Richmond	1.20%	1.76%	1.50%
Albuquerque	0.10%	2.00%	1.00%
Washington DC	0.50%	3.74%	0.75%

# Market Rent Growth by Asset Class

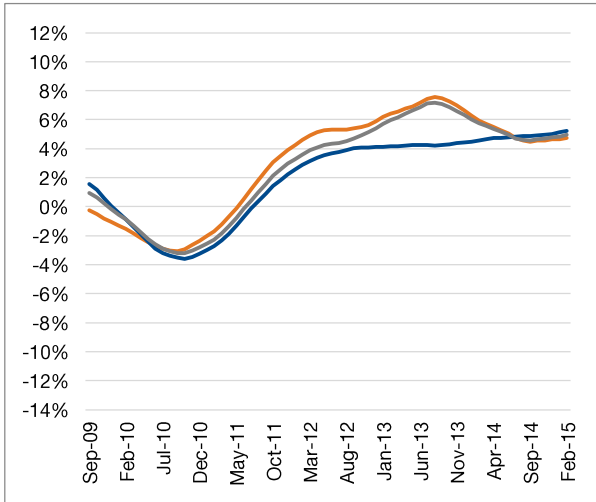
Atlanta



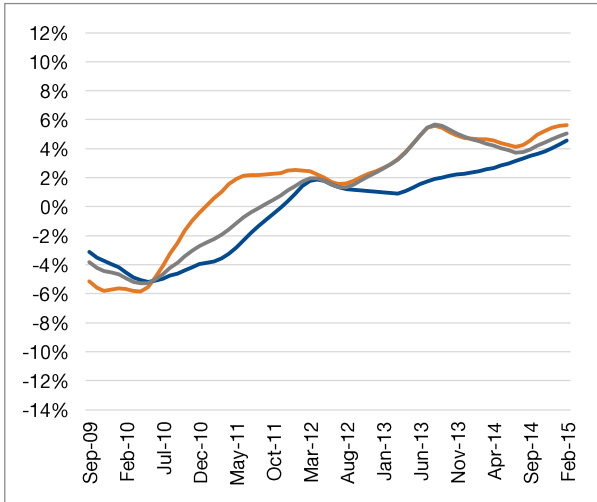
Denver



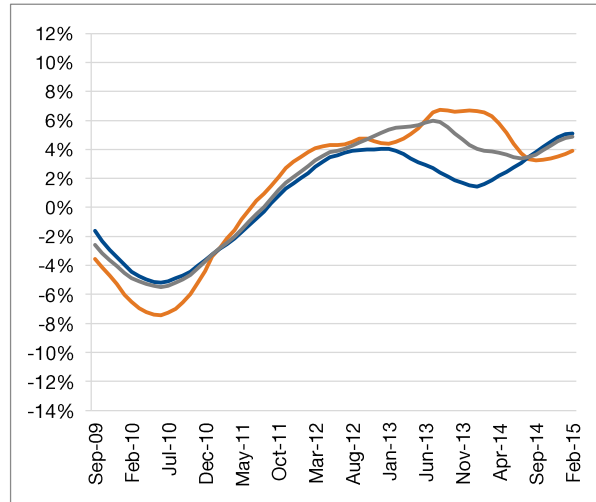
Dallas



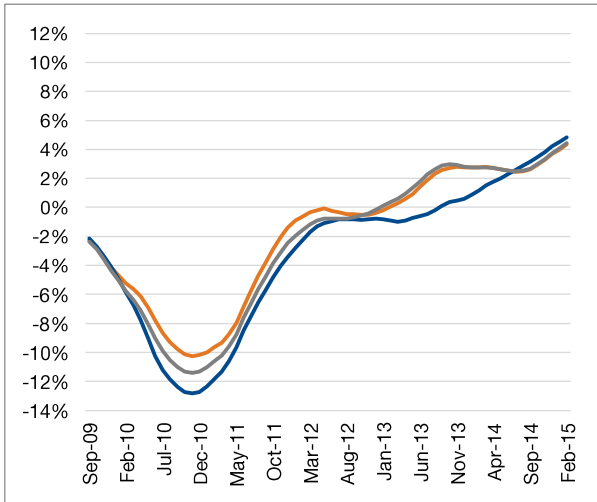
Inland Empire



Los Angeles

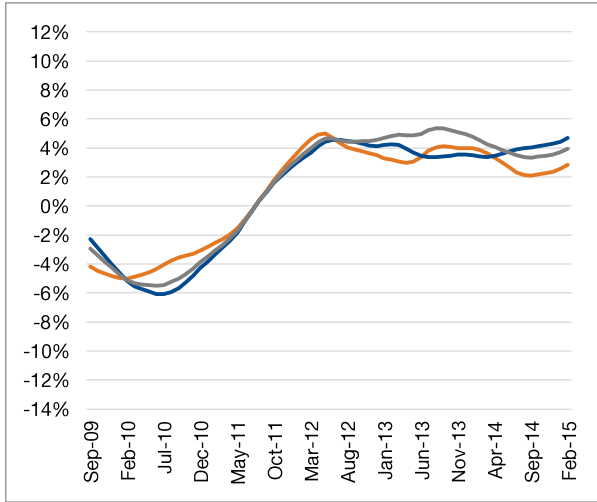


Las Vegas

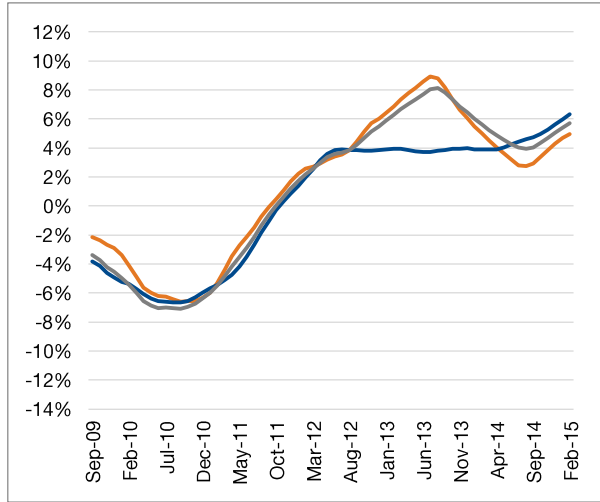


— Trailing 12 Months Overall 
 — Trailing 12 Months Lifestyle 
 — Trailing 12 Months Rent by Necessity

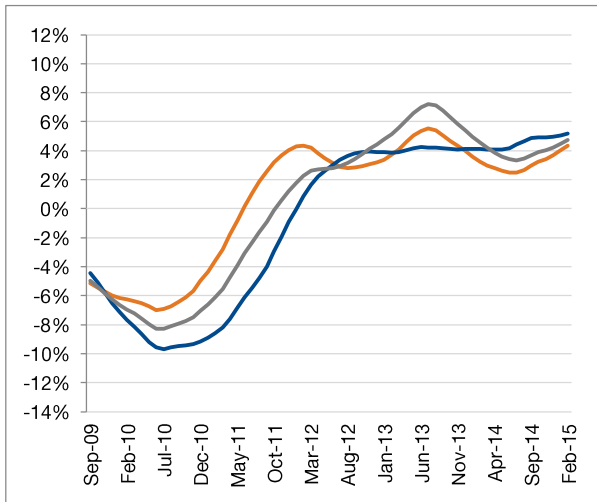
### Orange County



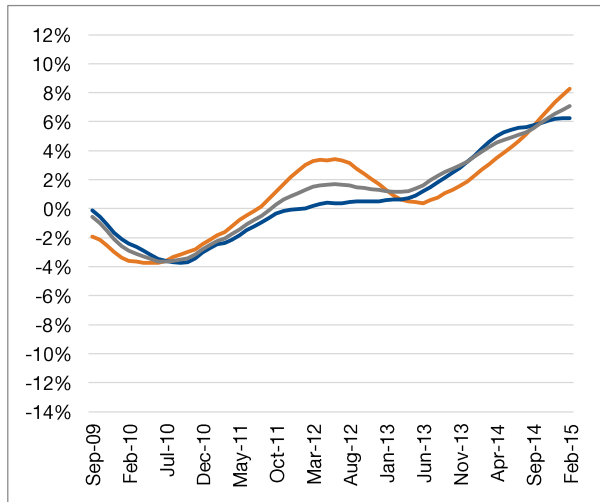
### Orlando



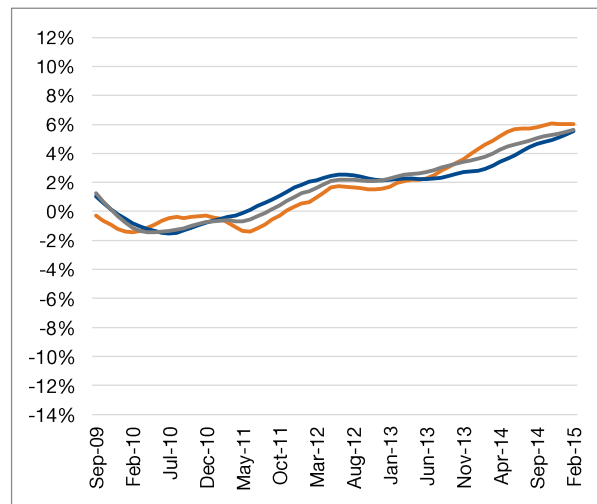
### Phoenix



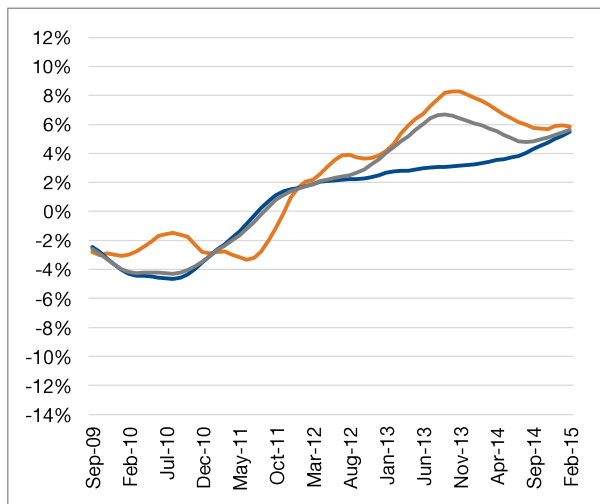
### Sacramento



### San Diego

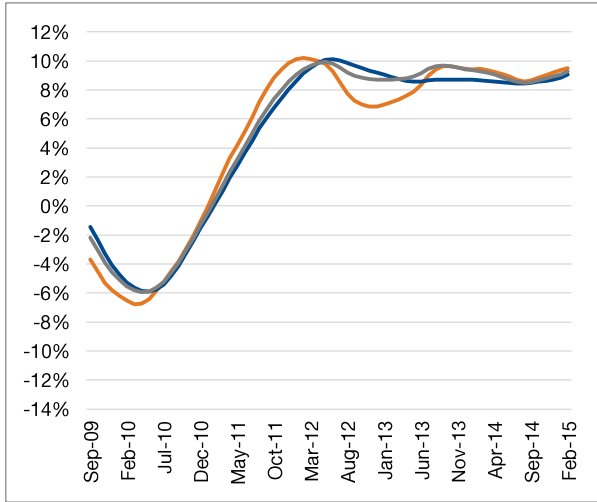


### San Fernando

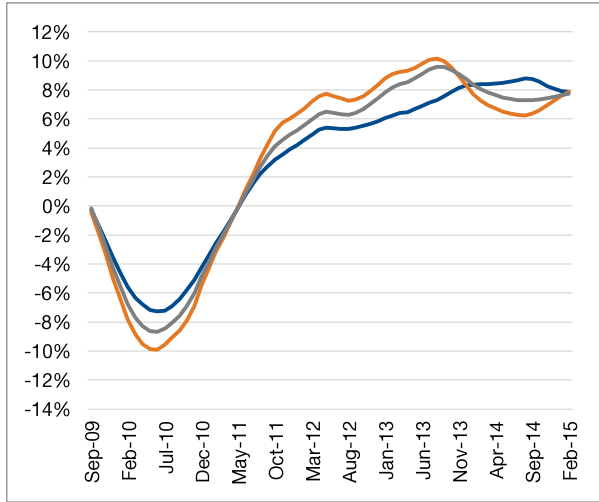


Trailing 12 Months Overall Trailing 12 Months Lifestyle Trailing 12 Months Rent by Necessity

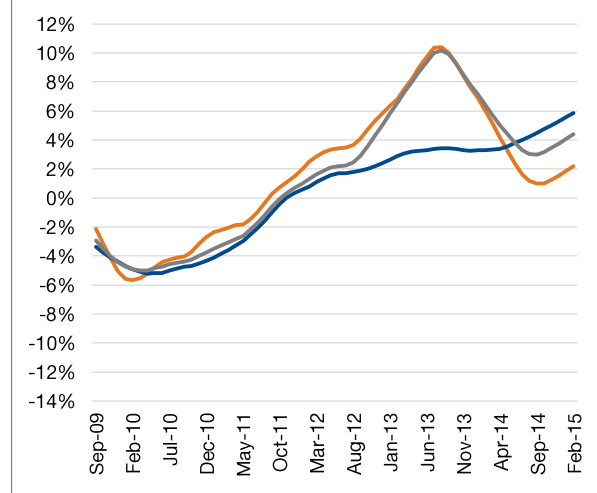
### San Francisco



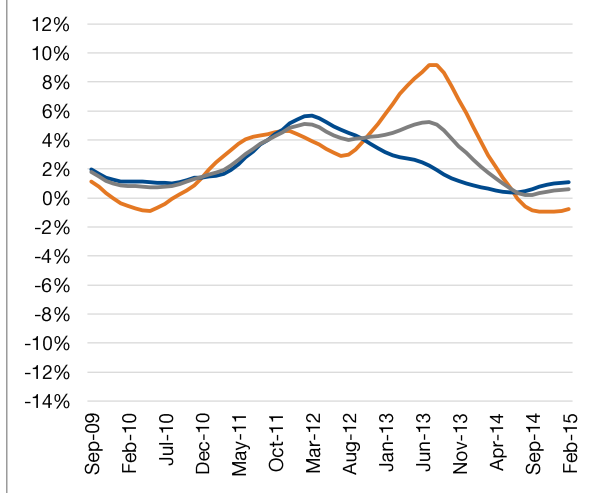
### Seattle



### Tampa



### Washington DC



■ Trailing 12 Months Overall 
 ■ Trailing 12 Months Lifestyle 
 ■ Trailing 12 Months Rent by Necessity

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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.

**Households renting out of necessity** 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.

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