

AXIOMETRICS INC.

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After Strong First Half, National Apartment Market Maintains Momentum in July

(DALLAS, TEXAS - August 31, 2011) – The latest research by [Axiometrics Inc.](#), a provider of data and analysis on the multi-family housing sector, indicates that the strong upward momentum on apartment rental rates in the first half of the year continued during July, as annual effective rent growth reached 5.36% for the month. This compares favorably to the peak growth rate of 5.94% for the U.S., which occurred during the previous expansion period in the second quarter of 2006.

Year-to-date effective rental rates (rents net of concessions) through the end of July increased by 4.80%, which is not only ahead of the 4.01% growth rate at the same point a year ago, but also ahead of the full-year growth rate for 2010 of 4.64%.

The national occupancy rate in July, 93.95%, has been essentially flat for the past two months.

“Effective rents increased 0.64% nationally between June and July, which was higher than for the same period in 2010, but the lowest monthly rate so far this year,” said [Ron Johnsey](#), president of Axiometrics Inc. “However, we believe that the low relative rank is more a testament of how strong 2011 has been so far than it is a sign that the market is slipping.”

Axiometrics has provided brief snapshots of 13 markets below.

- **WASHINGTON, D.C.** was one of the best performing markets during the downturn and early recovery period. In 2009, rents only declined about 0.9% in DC while nationally they were down 5.0%. The market then rebounded quickly in 2010 and posted 8.1% growth a year ago. The annual pace has slowed this year with rents up 5.0% compared to last July. Of course, the job growth situation has flipped directions this year. In February the market was creating 54,400 jobs on an annual basis, but by July the numbers showed the market had lost 9,000 jobs from the previous year. **2012 Outlook:** Rent growth of 6.9%, as well as strong absorption, with occupancy increasing by 90 basis points to 96.3%. Deliveries in 2012 will remain well below the prior peak but more projects are planned here than anywhere else in the U.S.
- **NEW YORK METRO** area was one of the hardest hit markets during the downturn. In June 2009, effective rents were down 11.2% from the previous year. The market rebounded strongly in 2010, with 7.7% rent growth, which ranked it 11th out of the top 88 markets. Annual growth of 5.4% in July is off of last year's pace, but it equals the national average. New York has the highest number of multifamily units permitted in the U.S. over the last year. Still, the total of 9,979 permitted units is well below the peak of 34,526 units in 2008. **2012 Outlook:** Rent growth of 5.9% and strong absorption, with occupancy increasing by 40 basis points to 97.0%. Deliveries in 2012 will remain well below the prior peak, but the number of planned projects, already at 33, is accelerating.
- **CHICAGO's** growth has been very consistent this year. The market finished 2010 with 7.0% annual effective rent growth and it was still growing at a 7.1% pace in July. It's impressive that not only has

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the market surpassed its previous peak for annual rent growth in a given period - 6.92% in 3Q00 - but it has also consistently stayed above that level. Chicago also had a big bump in occupancy growth over the past two years. Its occupancy rate was 96.5% in 2006, but it fell to 91.5% in early 2009. The market has tightened considerably since, with a July rate of 95.3%. **2012 Outlook:** Strong rent growth of 6.5%, and strong absorption, with occupancy increasing by 90 basis points to 96.0%. Deliveries in 2012 will remain well below the prior peak but planned projects, already numbering 30 projects, are accelerating.

- **BOSTON's** annual rent growth turned positive in April 2010 and steadily accelerated to a peak of 9.6% this April. Annual growth slowed the past three months to 6.3% in July, which caused it to slide from the 5th best market to 26th. The recent change in rank shows how strong the apartment market is right now for 25 other markets to have better than 6.3% annual rent growth. The peak annual growth we've reported for Boston was in 4Q00 at 16.9%. Boston has one of the highest occupancy rates in the country at 96.5%, but it has been even tighter in the past. In 2000 it averaged 98.1% for the entire year. **2012 Outlook:** Strong rent growth, 5.4%, and absorption with occupancy increasing by 50 basis points to 96.8%. Deliveries in 2012 will remain well below the prior peak but planned projects, already numbering 65 projects, are accelerating.
- **DALLAS** went from one of the worst rent growth markets in the country to one of the best over the past year. Annual effective rent growth improved from -1.2% in July 2010 to 8.1% in July 2011. Dallas is a market that not only blew past our original forecast this year, but has also surpassed its previous peak for rent growth, 5.3% in 3Q06. It is possible Dallas could come close to doubling its previous peak for annual growth by the end of this year. Dallas has 6,611 multifamily units permitted over the past year, the second most in the country. The good news is Dallas has the best annual job growth rate of the major markets in the country at 2.4%. The total of 48,700 jobs added the 12 months ending in June ranked third behind Boston and Houston. **2012 Outlook:** Strong rent growth, 6.4%, and absorption with occupancy increasing by 180 basis points to 95.3%. Deliveries in 2012 will remain well below the prior peak but planned projects, already numbering 59 projects, are accelerating.
- **HOUSTON** lagged behind the national average for rent growth throughout 2010 – very similar to Dallas. The switch was flipped at the beginning of this year and the market is now climbing in the rankings. Effective rents are up 4.5% on a year-to-date basis through July. They were only up 0.9% at the same point last year. Houston has suffered a lower occupancy rate than the other major Texas markets, bottoming out at 88.2% in February 2010. However, the rate has improved to 91.4% this July. Dallas and Austin avoided dropping below 90.0% occupancy during the downturn and they are now at 93.9% and 95.2%, respectively. **2012 Outlook:** Strong rent growth, 6.5%, and absorption with occupancy increasing by 280 basis points to 93.7%. Deliveries in 2012 will remain well below the prior peak but planned projects, already numbering 36 projects, are accelerating.
- **AUSTIN** ranks as the best market in Texas. The 10.1% annual effective rent growth in July was the best we've ever reported for Austin in our 15+ years in business. In May 2009, Austin and Dallas had practically the same level of rent. Austin's rent growth over the past two years has made it the highest rent per unit market in Texas. Its average rent of \$911 per unit is now \$66 a door higher than Dallas. Austin's occupancy rate of 95.4% is its best in more than 10 years. **2012 Outlook:** Strong rent growth, 7.1%, and absorption with occupancy increasing by 100 basis points to 95.9%. Deliveries in 2012 will remain well below the prior peak but planned projects, already numbering 50 projects, are accelerating.
- **SOUTH FLORIDA** was one of the first areas to begin a downward slide a few years ago, but it was also one of the first areas to rebound. Annual effective rent growth in Miami and Fort Lauderdale turned positive in January 2010, or five months before the national average turned positive. The whole region, including West Palm Beach, had already grown rents 5.0% over the previous year by the time the national average was beginning to show positive annual movement. Miami is still showing strong annual growth at 6.5%, but rents in West Palm Beach and Fort Lauderdale are only up 2.6% from last summer. Miami was getting better-than-average annual job growth at 1.7% in July, but West Palm Beach (0.8%) and Fort Lauderdale (0.3%) were still below the national average of 1.0%. **2012 Outlook:** Effective rent growth for Miami of 6.2%, Ft. Lauderdale 6.4%, and West Palm

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Beach 6.4%. Miami and Ft. Lauderdale will be the best occupied at 95.9% and 95.3%, respectively. West Palm Beach will be the weakest occupied at 93.6%, up by 60 basis points from 2011.

- **ATLANTA** has been performing below the national average, but it is a steadily improving market. While the current annual effective rent growth of 4.6% might not seem special compared to other markets around the country, the all-time peak we've reported for Atlanta was 5.6% in 2Q06. It is on pace to surpass that peak later this year. Atlanta is a market where we've seen "C" class product hit particularly hard. The occupancy rate for the C product class is 84.2%, while the B+ and A product is above 95.0%. A positive note on Atlanta is the lack of new supply coming to the market. The 1,206 multifamily units permitted over the past 12 months ranks it as the 26th highest in the U.S. The latest census numbers show Atlanta has the ninth largest population of any MSA in the country. Of course you have to look at total residential permitting, including single-family, but that number is down 90% from the peak in 2004. **2012 Outlook:** Strong rent growth, 4.7%, and absorption with occupancy increasing by 140 basis points to 92.6%. Deliveries in 2012 will remain well below the prior peak but planned projects, already numbering 43 projects, are accelerating.
- The entire **LOS ANGELES/SoCAL** area has lagged the nation during this recovery period. Of the markets in the area, Los Angeles has been trailing Orange County, Riverside, and San Diego. The news is not all bad, however. Los Angeles has been steadily improving since January, with 3.9% growth in just the past six months. If things continue to improve at this pace, the market could end up with close to 6% annual rent growth before the year is finished. Riverside and Orange County have already improved to 5.0% year-over-year rent growth. Also, the SoCal region could be one of the better rent growth areas in the years to come simply because it hasn't already gotten the type of boost other markets around the country have experienced. We've seen Los Angeles hit 11.4% annual growth in the past. **2012 Outlook:** Effective rent growth for Los Angeles of 6.1%, Orange County 6.3%, Riverside 5.8% and San Diego 6.4%. Orange County and San Diego will be the best occupied at 96.3% and 96.4%, respectively. Riverside and Los Angeles will be the weakest occupied at 94.9% and 95.3%, respectively.
- The **SAN FRANCISCO/BAY** area has been the hottest place in the country for rent growth. San Francisco's annual effective rent growth of 13.0% in July was bested only by San Jose's growth of 15.1%. San Francisco's average level of rent of \$2,242 is the second highest in the country behind New York. Its occupancy rate of 97.4% in July was higher than any market in the country. Even through the downturn it maintained an occupancy rate of at least 95.0%. Oakland has also been one of the top markets, with 8.8% annual rent growth and an occupancy rate of 96.5%. **2012 Outlook:** Effective rent growth for San Francisco of 6.8%, San Jose 9.1%, and Oakland 7.5%. San Francisco, San Jose and Oakland will be over 97.0% occupied.
- **BALTIMORE's** annual effective rent growth peaked in February at 6.2% and it has slowed each month since then. The current rate of annual growth is 4.2%. Baltimore had less ground to make up compared to most markets once the national expansion began in January 2010. Its rents only fell 0.6% in 2009 while the national average was down 5.0% from the prior year. Even though annual rent growth has slowed the past few months, the occupancy rate has improved each month since January. The current rate of 95.7% is still below the previous peaks from the last two expansion periods. We saw it as high as 96.7% in 3Q06 and 97.9% in 4Q00. **2012 Outlook:** Strong rent growth, 5.2%, and absorption with occupancy increasing by 30 basis points to 95.6%. Deliveries in 2012 will remain well below the prior peak but planned projects, already numbering 34 projects, are accelerating.
- **CHARLOTTE** was a middle-of-the-pack type of market up until the last few months. Its annual rent growth ranked 52 out of 88 markets at the end of 2010. Now it has the 11th best annual rent growth in the country at 7.6%. We've been tracking rents in Charlotte since 1995 and have never seen rent growth like this. The previous peak for year-over-year growth was 5.6% in 4Q06. The current occupancy rate of 94.0% is the highest since 2007. Annual job growth has remained weak in Charlotte with only 4,500 jobs created the 12 months ending in July, but new supply has remained low as well. There were actually fewer multifamily units permitted in the past 12 months (1,235) than the 12 months before that (1,459). **2012 Outlook:** Strong rent growth, 5.7%, and absorption with occupancy increasing by 110 basis points to 94.6%. Deliveries in 2012 will remain well below the

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prior peak but planned projects, already numbering 23 projects, are accelerating.

About Axiometrics

Axiometrics Inc. measures the performance of the apartment sector every month. The company tracks individual properties or portfolios owned by both private and publicly traded apartment REITs (Real Estate Investment Trusts), as well as properties owned and managed by private investors, developers, and management companies in more than 300 markets, totaling over 16,500 properties and 4.4 million units. Axiometrics delivers its data and analysis through a set of affordable, sophisticated tools that enable clients to improve property and investment performance at a fraction of the cost of the additional revenue generated. Learn more at www.axiometrics.com or call 214-953-2242.

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