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RealPage® MPF Research Division Reports Further Slowing in Rent Growth for the U.S. Apartment Market in the Third Quarter

Occupancy and Rents Both Still Rise, Yielding Revenue Growth of 1.2 Percent Quarterly, 3.8 Percent Annually

CARROLLTON, Texas--(BUSINESS WIRE)-- Effective rents for new leases of U.S. apartments climbed 1.0 percent during the third quarter and 3.3 percent during the 12 months ending in September, according to MPF Research, an industry-leading market intelligence division of RealPage, Inc. (NASDAQ: RP). The annual rent growth pace has slowed throughout 2012 after the rate of increase reached 4.8 percent at the end of last year. MPF Research analysts highlight the nation's latest apartment rent growth statistics as well as other key performance indicators in a discussion at www.realpage.com/MPFQ3-2012-Report.

Annual rent growth a little over 3 percent, while slightly above the long-term historical norm, is similar to the average results posted during past periods when occupancy was sustained at strong levels, according to MPF Research. Comparable price increases registered most recently from 2005 through the middle of 2008, and before that in the middle to late 1990s.

"Property owners and operators are becoming a little more conservative than they have been in pushing rents due to more mobility in the resident base," said Greg Willett, MPF Research vice president. "People are simply beginning to move around more than they did over the past few years." Reasons include:

- Some households are opting for the new product that's beginning to be delivered in modestly larger numbers;
- Some households are moving down in product quality due to affordability constraints;
- Rental single-family homes are proving attractive to some households; and finally
- Loss of renters to purchase, while still very low by historical standards, is starting to head upward a little.

"With replacement renters readily available to backfill any lost residents, occupancy figures remain very high," Willett said. "However, the renter churn does mean that there has to be more total leasing activity than would take place without folks moving around. Unit turnover does tend to make those running apartment communities somewhat less aggressive in their pricing decisions."

Average occupancy in U.S. apartments reached 95.4 percent in the third quarter, up from 95.2 percent in the second quarter and 94.9 percent in the third quarter of 2011. When the apartment occupancy rate bottomed during the recession, the late 2009 figure was 92 percent.

Combining the rent growth of 1.0 percent and the occupancy bump of 0.2 points, total revenues improved 1.2 percent in the third quarter. For the year-ending in September, revenue growth was 3.8 percent, reflecting the 3.3-percent rent increase and the 0.5-point occupancy upturn.

Apartment demand registered at 61,800 units across the country's 100 largest metros during the third quarter, according to the MPF Research data. That product absorption figure well surpassed completions totaling 26,400 units. During the 12 months that ended in September, demand for 146,100 units topped deliveries totaling 80,200 units.

"While demand has cooled somewhat from the especially strong levels seen in 2010 and 2011, the fact that so much of the existing product base is completely full comes into play in those statistics," according to Willett. "Although deliveries are beginning to increase product availability in some spots, most markets won't record meaningful upturns in their new unit counts until next year."

Among large individual metros, San Jose and San Francisco continue to rank as the country's rent growth leaders. Effective prices for new leases jumped an even 8.0 percent during the year-ending in September in San Jose. San Francisco's annual rent growth pace proved similar at 7.5 percent. Even in these top-of-the-chart markets, however, the pace of rent growth has cooled notably. Annual rent growth peaked in late 2011 at 13.2 percent in San Jose and at 14.6 percent in San Francisco.

Metros now posting annual rent growth between 6 and 7 percent are Oakland, Charlotte, New York, Columbus, Hartford and Denver-Boulder. Houston and Nashville complete the list of the country's top 10 metros for annual rent growth as of the third quarter. Pricing is up 5.5 percent in Houston and 5.1 percent in Nashville.

Rent Growth Leaders in the Year-Ending 3Q 2012

Rank	Metro	Annual Rent Growth
1	San Jose	8.0%
2	San Francisco	7.5%
3	Oakland	6.7%
4 (tie)	Charlotte	6.3%
4 (tie)	New York	6.3%
6 (tie)	Columbus	6.1%
6 (tie)	Hartford	6.1%
8	Denver -Boulder	6.0%
9	Houston	5.5%
10	Nashville	5.1%

Boston and Austin, which were regulars on the list of rent growth leaders during the past couple of years, saw their price hikes slow during recent months. In contrast, Portland and San Antonio registered accelerating growth that was nearly enough to push them onto the list of the top 10 performers. During the year-ending in third quarter, rents rose 4.9 percent in Boston, 4.8 percent in Portland, 4.6 percent in Austin and 4.5 percent in San Antonio.

Apartment developers continue to scramble to get more product coming out of the ground. The number of apartments physically under construction at the end of the third quarter climbed to 194,000 units across the nation's 100 largest metros. While that's still well below the long-term historical norm, ongoing construction has more than doubled from its cyclical low point of 93,300 units in late 2010. Just during the past quarter, ongoing construction jumped about 20 percent from a figure of 162,000 units at the end of the second quarter.

"Development activity is accelerating and will climb further," said Willett. "Still, it's important to realize that we're only returning to a fairly normal construction volume, after starts during the recession fell to record lows for the modern era. Many locales today are starved for additional inventory."

About RealPage

Located in Carrollton, Texas, a suburb of Dallas, RealPage provides on-demand (also referred to as "Software-as-a-Service" or "SaaS") products and services to apartment communities and single family rentals across the United States. Its on-demand product lines include OneSite® property management systems that automate the leasing, renting, management and accounting of conventional, affordable, tax credit, student living, senior living and military housing properties; LeaseStar™ multichannel managed marketing that enables owners to originate, syndicate, manage and capture leads more effectively and at less overall cost; YieldStar® asset optimization systems that enable owners and managers to optimize rents to achieve the overall highest yield, or combination of rent and occupancy, at each property; Velocity™ billing and utility management services that increase collections and reduce delinquencies; LeasingDesk® risk mitigation systems that are designed to reduce a community's exposure to risk and liability; OpsTechnology® spend management systems that help owners manage and control operating expenses; and Compliance Depot™ vendor management and qualification services to assist a community in managing its compliance vendor program. Supporting this family of SaaS products is a suite of shared cloud services including electronic payments, document management, decision support and learning. RealPage's MyNewPlace® subsidiary is one of the largest lead generation apartment and home rental websites, offering apartment owners and managers qualified, prospective residents through subscription, pay-per-lead and LeaseMatch™ pay-per-lease programs. Through its Propertyware subsidiary, RealPage also provides software and services to single-family rentals and low density, centrally-managed multifamily housing. For more information, call 1-87-REALPAGE or visit www.realpage.com.

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