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Quarterly Rent Growth in U.S. Apartments Reaches a 14-Year High of 1.9%, According to RealPage® MPF Research Division Report

Strong demand pushes occupancy to 95.6 percent

CARROLLTON, Texas--(BUSINESS WIRE)-- Effective rents for new leases in the 100 largest U.S. apartment markets increased 1.9 percent during the second quarter, according to MPF Research, an industry-leading market intelligence division of RealPage, Inc. (NASDAQ: RP). Quarterly apartment rent growth reached a 14-year high, producing numbers that haven't been seen since late 2000.

The annual effective rent growth pace, as of the second quarter, came in at 3.5 percent, trending upward from 3.2 percent in the first quarter of 2014 and 2.9 percent in the fourth quarter of 2013. Monthly rents across the nation now average $1,153.

MPF Research analysts highlight the nation's latest apartment rent growth statistics, as well as other key performance indicators for rental housing in a discussion found at www.realpage.com/MPFQ2-2014-Report.

"Apartment owners and operators continue to have strong pricing power right now," said MPF Research vice president Greg Willett. "Sizable rent hikes are occurring, especially in middle-market to bottom-tier properties, reflecting the especially tight occupancy rates seen for those units. If there's a surprise in recent results, it's that significant rent growth is also being generated at the very top of the apartment product spectrum. Even in projects finished just a year or so ago, higher rents are being realized when leases turn over, despite the fact that there's competition from additional brand new developments just entering the market."

Apartment occupancy across the nation's 100 largest markets registered at 95.6 percent as of the second quarter. Occupancy improved from 95.0 percent as of the first quarter, with most of that increase simply reflecting that there's a normal seasonal bump when leasing activity accelerates during the warmer weather months. More telling is that the second quarter 2014 occupancy rate moved slightly ahead of the second quarter 2013 figure of 95.3 percent.

Two storylines are contributing to those strong occupancy results, according to Willett. "While the existing inventory has been very full in most locations for several years, metros that were economic recovery laggards are now realizing strong apartment demand. Thus, the occupancy numbers are improving rapidly in spots like Atlanta, Jacksonville, Sacramento and Riverside. Even Las Vegas, which has one of the biggest holes in performance to fill anywhere across the country, is moving notably in the right direction."

Strong leasing activity at new completions is also shaping the occupancy figures, Willett reports. "Units at brand new properties are being leased about as quickly as they can be delivered in most cases. Thus, new supply in lease-up isn't dampening overall occupancy to the degree that is typical."

Demand for apartments across the 100 biggest markets nationally came in at 129,162 units during the second quarter, more than doubling the completion volume of 55,561 units. For the 12-month period ending in June, demand was seen for 219,812 units, compared to the new supply tally of 203,912 units.

Ongoing apartment construction at the end of the second quarter stood at 383,186 units in the top 100 markets. Construction starts have been roughly equal to completions during recent quarters, thus ongoing construction figures have been holding between 350,000 and 400,000 units for a year and a half.

Delving a bit further into the impressive quarterly rent growth numbers, effective rents for new leases climbed 4.4 percent in San Jose and 3.0 percent to 3.7 percent across Denver-Boulder, San Francisco, Chicago and Oakland. A long list of metros saw pricing jump 2.1 percent to 2.8 percent for the quarter, with the group including Atlanta, Boston, Nashville, Charlotte, Fort Worth, Portland, Dallas, Houston, Providence and Los Angeles.

In metros across the Midwest and Northeast, the extreme winter weather sharply curtailed rent growth. But most of those metros, such as Chicago and Boston, saw big rent comebacks and notable price increases as the weather warmed.

Quarterly Rent Growth Leaders
Q2 2014

Rank	Metro	Quarterly Rent Growth
1	San Jose	4.4%
2	Denver-Boulder	3.7%
3	San Francisco	3.2%
4	Chicago	3.1%
5	Oakland	3.0%
6	Atlanta	2.8%
7 (tie)	Boston	2.4%
7 (tie)	Nashville	2.4%
9 (tie)	Charlotte	2.3%
9 (tie)	Fort Worth	2.3%
9 (tie)	Portland	2.3%
12 (tie)	Dallas	2.2%
12 (tie)	Houston	2.2%
14 (tie)	Providence	2.1%
14 (tie)	Los Angeles	2.1%

Annual Rent Growth Leaders
Year-Ending Q2 2014

Rank	Metro	Annual Rent Growth
1	Oakland	9.4%
2	San Jose	8.9%
3	Denver-Boulder	8.4%
4	Portland	7.4%
5	Houston	5.6%
6	Atlanta	5.5%
7	Seattle-Tacoma	5.3%
8	Sacramento	5.2%
9	San Francisco	5.1%
10	Miami	5.0%
11	Nashville	4.8%
12	Fort Lauderdale	4.5%
13	West Palm Beach	4.3%
14	Austin	4.1%
15	Fort Worth	4.0%

Annual rent growth leaders continue to feature concentrations of markets across the Pacific Northwest, Texas and Florida. Effective rents for new leases have climbed 9.4 percent during the past year in Oakland, 8.9 percent in San Jose, 8.4 percent in Denver-Boulder, and 7.4 percent in Portland. Metros with effective rents for new leases up 5.0 percent to 5.6 percent yearly include Houston, Atlanta, Seattle-Tacoma, Sacramento, San Francisco and Miami. Rents have jumped 4.0 percent to 4.8 percent during the past year across Nashville, Fort Lauderdale, West Palm Beach, Austin and Fort Worth.

Look for the apartment market's performance to cool a bit right at the end of 2014, according to MPF Research. "Reflecting normal seasonality, during the fourth quarter, there's a tendency to give back part of the gains realized earlier," Willett said. "We'll be especially vulnerable to that pattern this year, given the large block of product scheduled for completion right at the end of the year. However, the performance seen during the first half of 2014 has been so strong that the market is now on track to realize revenue growth that's well above the level that generally was anticipated coming into the year."

About RealPage

RealPage, Inc. is a leading provider of comprehensive property management software solutions for the multifamily, commercial, single-family and vacation rental housing industries. These solutions help property owners increase efficiency, decrease expenses, enhance the resident experience and generate more revenue. Using its innovative SaaS platform, RealPage's on-demand software enables easy system integration and streamlines online property management. Its product line covers the full spectrum of property management solutions, including leasing, accounting, revenue management, marketing solutions, resident services, renter insurance, utility management, spend management and apartment market research. Founded in 1998 and headquartered in Carrollton, Texas, RealPage currently serves over 9,200 clients worldwide from offices in North America, Europe and Asia. For more information about the company, visit http://www.realpage.com.

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