

U.S. Apartment Completions Reach a 14-Year High, According to RealPage® MPF Research Division Report

Occupancy continues to tighten and rent growth continues to accelerate despite the introduction of more supply

CARROLLTON, Texas--(BUSINESS WIRE)-- New apartments are coming on stream across the U.S. at the highest levels seen in more than a decade, according to [MPF Research](#), an industry-leading market intelligence division of [RealPage, Inc.](#) (NASDAQ: [RP](#)). Properties finished in the nation's 100 largest metros during the third quarter of 2014 totaled 66,813 units, the biggest block of new supply introduced during a three-month period since late 2000. The annual completion pace stood at 226,615 units at the end of September, likewise hitting a total last seen in late 2000.

The new product delivery pace will accelerate even further during the next few months. Properties totaling another 90,078 units are scheduled to wrap up construction during the fourth quarter of 2014, bringing completions targeted during the calendar year to 257,767 units.

MPF Research analysts highlight the nation's latest apartment completion statistics, as well as other key performance indicators for rental housing in a discussion found at www.realpage.com/MPFq3-2014-Report.

"The wave of new supply coming for the past year or two now is beginning to crest," according to MPF Research vice president Greg Willett. "The timing looks right for this cycle, as the job production needed to stimulate household formation also has gained some momentum this year."

Continuing the pattern seen for the past few years, demand for apartments is surpassing delivery volumes, even as those completion tallies climb. Demand numbers registered at 78,571 units in the third quarter and 254,993 units in the year-ending in September.

"There's a strong appetite for rental units," Willett said. "While the economy isn't performing at ideal levels, there's enough momentum to stimulate significant growth of renter households. The overall performance numbers in the apartment sector are also being helped by the limited number of first-time homebuyers. Loss of apartment residents to purchase remains at a trickle."

Apartment occupancy across the nation's 100 largest markets registered at 95.7 percent as of the third quarter. Occupancy improved from 95.6 percent as of the second quarter and from 95.4 percent as of 2013's third quarter.

The apartment rent growth pace is accelerating during 2014, and the trend continued in the third quarter. Effective rents for new leases jumped 1.3 percent during the quarter, taking the annual rent growth pace to 3.7 percent.

The San Francisco Bay Area and Denver remain the country's rent growth leaders, maintaining the positions seen over the past couple of years. Effective rents for new leases are climbing at annual rates of 9.1 percent in Oakland, 9 percent in Denver-Boulder and San Jose, and 7.4 percent in San Francisco.

At the next tier of performance, annual effective rent growth is coming in at 6.4 percent in Atlanta, 6 percent in Seattle, 5.8 percent in Portland and Sacramento, and 5.3 percent in West Palm Beach.

Completing the list of annual rent growth leaders among the country's big markets are Houston and Las Vegas, each realizing 4.6 percent pricing increases.

"Las Vegas is a newcomer to the list of rent growth leaders," Willett said. "The performance seen over the last couple of quarters is a dramatic shift from earlier results, since Las Vegas previously was one of the country's laggards for rent growth. Job production and apartment occupancy now are improving rapidly in Las Vegas, and pricing power is returning in the apartment sector. In the big picture, however, this one still has some work to do. It's the only big market in the nation where today's rents still trail pre-recession prices."

Annual Rent Growth Leaders

Year-Ending Q3 2014

Rank	Metro	Annual Rent Growth
1	Oakland	9.1%
2 (tie)	Denver-Boulder	9.0%
2 (tie)	San Jose	9.0%
4	San Francisco	7.4%
5	Atlanta	6.4%
6	Seattle-Tacoma	6.0%
7 (tie)	Portland	5.8%
7 (tie)	Sacramento	5.8%
	West Palm	
9	Beach	5.3%
10 (tie)	Houston	4.6%
10 (tie)	Las Vegas	4.6%

A couple of metros where apartment investors deployed sizable blocks of capital fell to the bottom of the list for rent change. Washington DC, which is now dealing with record numbers of new apartments coming on stream, is experiencing minor rent cuts. Effective rents for new leases dipped 0.1 percent during the year ending in third quarter. Pricing also is essentially flat in New York, where rents are inching up just 0.1 percent on an annual basis.

Ongoing apartment construction in the nation's 100 largest apartment markets registered at 387,397 units at the end of the third quarter. Ongoing building activity has been holding fairly steady at some 350,000 to 400,000 units since early 2013. However, that figure could come down quickly during the next few months, if the large block of new supply scheduled to finish during the fourth quarter actually gets completed as targeted.

"Look for a minor bump in the road in the apartment market's performance right at the end of the year, given so much new supply will be added during a period when demand is seasonally weak," according to Willett. "However, completions in 2015 should return to a level in line with 2013's deliveries, allowing performance momentum to return quickly."

"There's about to be a brief window when renters looking for comparative bargains have a good chance of finding them, but that opportunity won't last long," Willett said.

For more information on apartment market trends, visit: www.realpage.com/mpf-research.

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 www.realpage.com.

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