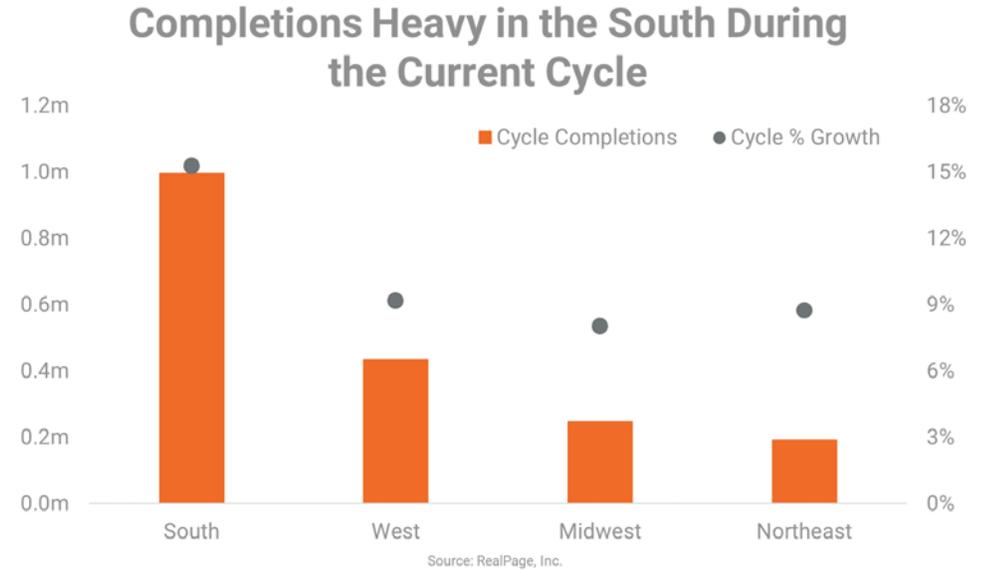


While rent growth for the nation's apartment base has moderated recently, prices are still going up. Rents have been growing for eight consecutive years now, despite a sustained period of elevated construction activity. The West region of the country has logged especially strong rent hikes during the current economic cycle, and while the pace of progress is slowing, West region metros continue to account for a large share of the country's price positioning power.

In total, average U.S. apartment rents have grown 31.6% over the current cycle, which began in 2010. The West has been responsible for a big portion of that growth, with rates mounting an incredible 40.7%. Meanwhile, increases were softer in the South (27.9%), Northeast (25.7%) and Midwest (25.4%). On average, the West logged

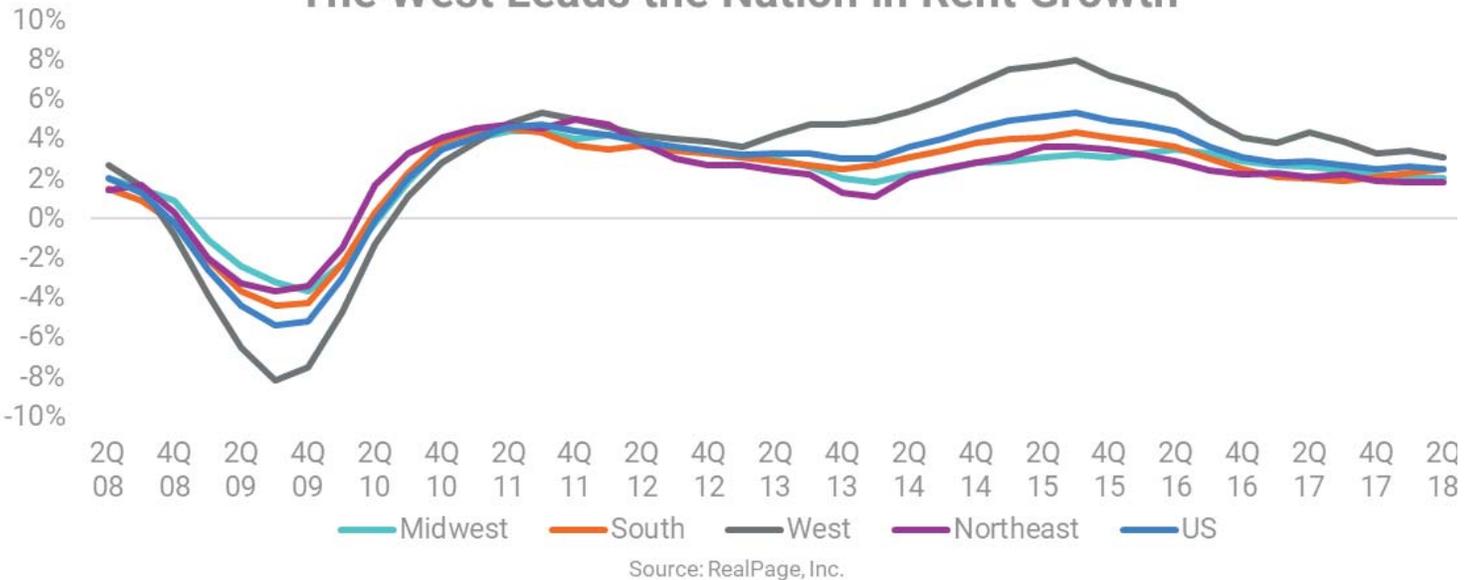


annual rent change of 4.4% during the current cycle, well above the nation (3.4%), the South (3%), the Midwest and the Northeast (both at 2.8%).

More recently, rent growth has moderated. In the year-ending June, U.S. rents were up 2.5%, the softest upturn the nation

has seen since 2010. In fact, rent growth is now 280 basis points (bps) below the increases the nation was seeing at the recent peak in 3rd quarter 2015. While the West region of the country saw the steepest slowdown during that time frame (490 bps), the typically ex-

The West Leads the Nation in Rent Growth



APARTMENT ADVISORY

JULY 2018

Region	2Q 2018 Occupancy	Average Cycle Occupancy	Total Cycle Occupancy Change	2Q 2018 Annual Rent Change	Average Cycle Rent Change	Total Cycle Rent Change
West	96.0%	95.3%	160 bps	3.1%	4.4%	40.7%
US	95.4%	94.7%	160 bps	2.5%	3.4%	31.6%
South	94.7%	93.9%	210 bps	2.5%	3.0%	27.9%
Northeast	96.2%	95.7%	90 bps	1.8%	2.8%	25.7%
Midwest	95.5%	94.9%	160 bps	2.0%	2.8%	25.4%

Source: RealPage, Inc.

pensive area had more to give, and is still recording price hikes above the national norm at 3.1%. Meanwhile, annual growth was more moderate at 2.5% in the South, 2.0% in the Midwest and 1.8% in the pricey Northeast.

Helping rental rates continue an upward – though more moderated – trend, apartment occupancy in the U.S. has averaged at 94.7% throughout the current cycle. The Northeast saw the strongest average cycle occupancy at 95.7%, while the West wasn't far behind at 95.3%. The

Midwest logged average occupancy below the national norm at 94.9%, while the South averaged a bit lower at 93.9%.

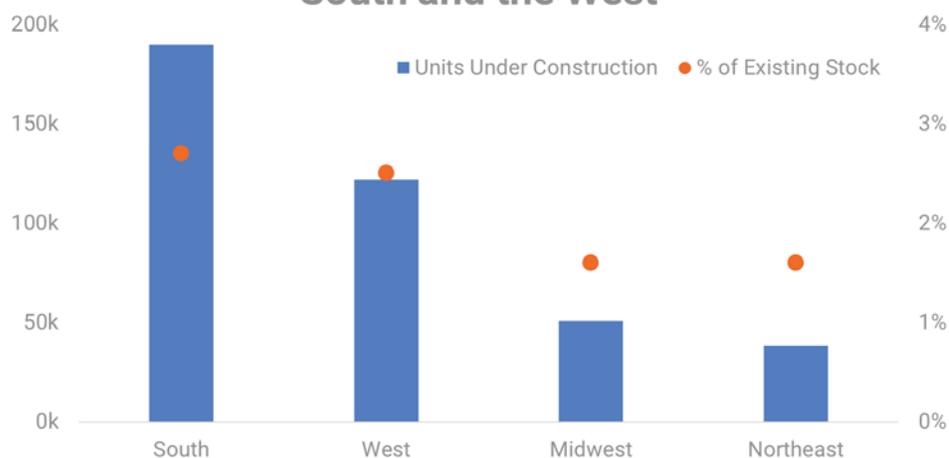
Across the board, 2nd quarter occupancy is up from those average cycle rates. In fact, apartment occupancy in the U.S. has evened out, after climbing notably throughout the first four years of the cycle. As of June, the national rate was at 95.4%, marking four years of occupancy showings that hovered right at or just above the 95% mark. Regional performances were

tightly compressed, with most registering occupancy right around 96%. The construction-heavy South was the only area of the country to record occupancy below the U.S. average at 94.7%. However, that rate was up a sizable 210 basis points from the reading the South was recording before the cycle started.

Looking ahead, U.S. apartment rents will likely remain moderate as the completion volumes are unlikely to ease much in the year ahead. While the South has been the spot where construction activity has been most extensive, deliveries are ramping up in the West as well. Units currently under construction in the West are expected to increase the region's inventory base by 2.5%, comparable to the 2.7% increase expected in the South.

While demand drivers remain strong in the West region, the weight of supply is likely to continue to limit the traditionally high-performing markets in the region in the near term.

Construction Volumes Notable in the South and the West



Source: RealPage, Inc.