

A survey of industry decision-makers about business plans, expectations and trends in the apartment housing industry

# MARKET → Momentum

## Investment Increases

Metros at the top of the list for attracting additional investment are at different stages of the market cycle. Atlanta is a late-recovery market that became a top performer comparatively recently. Dallas has been in great shape throughout this cycle, but now has so much construction activity that performance momentum is becoming questionable. Washington, D.C. has been a weaker performer lately. Some survey respondents likely expect that results will improve, while others simply could see less downside risk in the near term.

## Investment Decreases

The appearance of Dallas on both the increasing investment and the decreasing investment lists reflects that perspective of whether your glass is half full or half empty. It's really unlikely that Dallas can continue to produce the performance results seen so far in this market cycle. But those results are all-time records by a huge margin, so there's room for results to cool yet still be attractive. Houston is already struggling. Phoenix is vulnerable to loss of momentum, given job growth is slowing at the same time that deliveries are hitting the highs seen in past cycles.

41%  
have  
no plans  
to  
decrease  
investment

**In which markets do you plan to increase investment over the next 6 to 12 months?**

- 1. Atlanta**
- 2. Dallas, Washington D.C. (Tied)**

**In which markets do you plan to decrease investment over the next 6 to 12 months?**

- 1. Dallas**
- 2. Houston, Phoenix (Tied)**

### Stronger Rent Performers

Atlanta and the Southern California markets are doing very well now, and they appear to be positioned favorably for the near term. Minneapolis is perhaps a surprising choice. Vacancy is low, and slowing development activity suggests occupancy will remain very tight. However, Minneapolis is a spot where RealPage statistics show operator reluctance to position rents aggressively, even when other market fundamentals appear to support strong rent growth.

### Weaker Rent Performers

Houston and San Francisco are among the handful of metros where annual rent change already has hit negative territory and some further losses of pricing power wouldn't be surprising. Austin's rents are still growing, but only at about half the pace seen earlier. The number of projects under construction clearly points to a competitive leasing environment in the Texas capital.

### Stronger Resident Retention

There are no surprises on this list. Dallas, Atlanta and Washington, D.C. are metros where propensity to renew an expiring lease runs somewhat above the national norm and is holding steady. Furthermore, renewal lease rent growth tends to run alongside new-resident lease growth in Dallas and Atlanta and actually exceeds the rent bump that comes with new-resident leases in Washington, D.C.

### Weaker Resident Retention

Propensity to renew expiring leases tends to run in line with national figures in Houston and Austin, but there has been some loss of momentum in the statistics recently. That cooling is more evident in terms of the level of rent growth in renewal leases than in the share of households actually renewing. Propensity to renew expiring leases falls below the national norm in Denver, San Antonio and Orlando. San Antonio, in fact, routinely registers the lowest propensity to renew among the 50 largest metros.

**28%**  
said  
they do not  
anticipate  
flat or  
negative  
rent  
growth  
in any of  
their  
markets.

**19%**  
did not  
cite  
markets  
where  
residents  
are  
renewing  
less  
frequently.

**Which markets have the potential for the highest rent growth over the next 6 to 12 months?**

1. Atlanta
2. Minneapolis
3. Southern California

**In which markets are you anticipating flat or negative rent growth over the next 6 to 12 months?**

1. Houston
2. Austin
3. San Francisco

**Compared to a year ago, which markets have experienced an increased frequency of resident retention/renewals?**

1. Dallas
2. Atlanta, Washington D.C. (Tied)

**Compared to a year ago, which markets have experienced a decreased frequency of resident retention/renewals?**

1. Houston
2. Denver
3. San Antonio, Orlando, Austin