Q2

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

NAA NATIONAL APARTMENT ASSOCIATION | REALPAGE Outperform

MARKET Momentum

Investment Increases

Favored markets for near-term investment once again exhibit mixed profiles and, in turn, varied purchase strategies. Miami/South Florida moves to the top of the rankings in this edition. The rating reflects long-term potential returns over today's middle-of-the-pack revenue production. Similarly, later performance prospects rather than current results explain sustained interest in Washington, D.C. On the other hand, Dallas, Atlanta and Seattle are among the top markets for revenue growth right now. Investors are betting these fast-growing economies will generate apartment demand that keeps pace with aggressive construction volumes.

In which markets do you plan to increase investment during the next six to 12 months?

1. Miami/S. Florida
2. Dallas
3. Washington, D.C.
4. Atlanta
5. Seattle

Investors favor Miami, but hesitate on Houston

Investment Decreases

Houston, currently registering the biggest rent cuts among the country's large apartment markets, lands on the list of markets where investors expect to trim activity in the near term. However, improvement in Houston's apartment market fundamentals could lie just over the horizon, from the perspective of RealPage analysts. Most of the properties still under construction now are close to completion at the same time that job growth is accelerating once more. In San Francisco, rents are rising again, regaining the ground that was lost in a brief period of price cuts in late 2016. Thus, some improvement in investor sentiment could emerge over the near term for the Bay Area.

In which markets do you plan to decrease investment during the next six to 12 months?

1. Houston
2. San Francisco
3. Baltimore
4. Phoenix
5. Dallas

NAA Research and RealPage, Inc. have partnered to produce a quarterly apartment market momentum survey. What are the hottest markets and which markets are the ones to watch? Each quarter we ask professionals in all facets of the apartment industry six questions about their plans for market expansion and contraction, their expectations for rent growth, and resident retention trends in markets across the United States.

Stronger Rent Performers

Survey respondents place Seattle in the top position for rent growth expectations. RealPage forecasts also favor the market, although it could be tough to sustain today's eight percent annual increase. Southern California markets now are off the survey's list of anticipated rent-growth leaders. This changing perception likely reflects cooling regional job production. While the area's apartment market remains tight, the flow of renter prospect traffic perhaps has slowed.

Seattle rises to the top

Which markets have the potential for the highest rent growth during the next six to 12 months?

1. Seattle
2. Dallas
3. Central Florida (Tampa/Orlando)
4. Atlanta
5. Boston

Weaker Rent Performers

Some general loss of confidence in near-term pricing power registers among Market Momentum respondents. Only 10 percent now say that they will avoid flat to negative rent changes in all markets, whereas more than a quarter of the respondents expected to sidestep downturns a few months ago. Houston remains the rent-growth trouble spot cited most frequently. Nashville is the notable newcomer to the list. Compared to earlier findings, expectations are improving in San Francisco.

Pricing trouble spots spread

In which markets are you anticipating flat or negative rent growth during the next six to 12 months?

1. Houston
2. Washington, D.C.
3. New York City
4. Nashville
5. Austin

Stronger Resident Retention

Atlanta gets top marks for improving resident retention compared to year-ago levels, according to survey respondents. Other spots scoring well for this measure include Washington, D.C., Charlotte, Raleigh and Seattle. The biggest shift is that Dallas – rated No. 1 for resident retention in the previous survey – now fails to make the cut. The product delivery pace is accelerating in Dallas, perhaps spurring more movement from one property to another in some neighborhoods.

Retention experiences vary, even in individual markets

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

1. Atlanta
2. Washington, D.C.
3. Charlotte/Raleigh (tie)
4. Seattle

Weaker Resident Retention

Houston has the worst rating for resident retention, a finding that corresponds to the metro's weak showing for rent growth. Atlanta, Charlotte and Washington, D.C., are additional metros on this list of weak-retention markets even though they also show up on the list of strong-retention markets. Experiences clearly vary from one owner or operator to another. Denver, rated as a resident-retention trouble spot in the last edition, earns better marks this time.

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

1. Houston
2. Atlanta
3. San Antonio
4. Charlotte
5. Washington, D.C.