

U.S. Apartment Vacancy Index

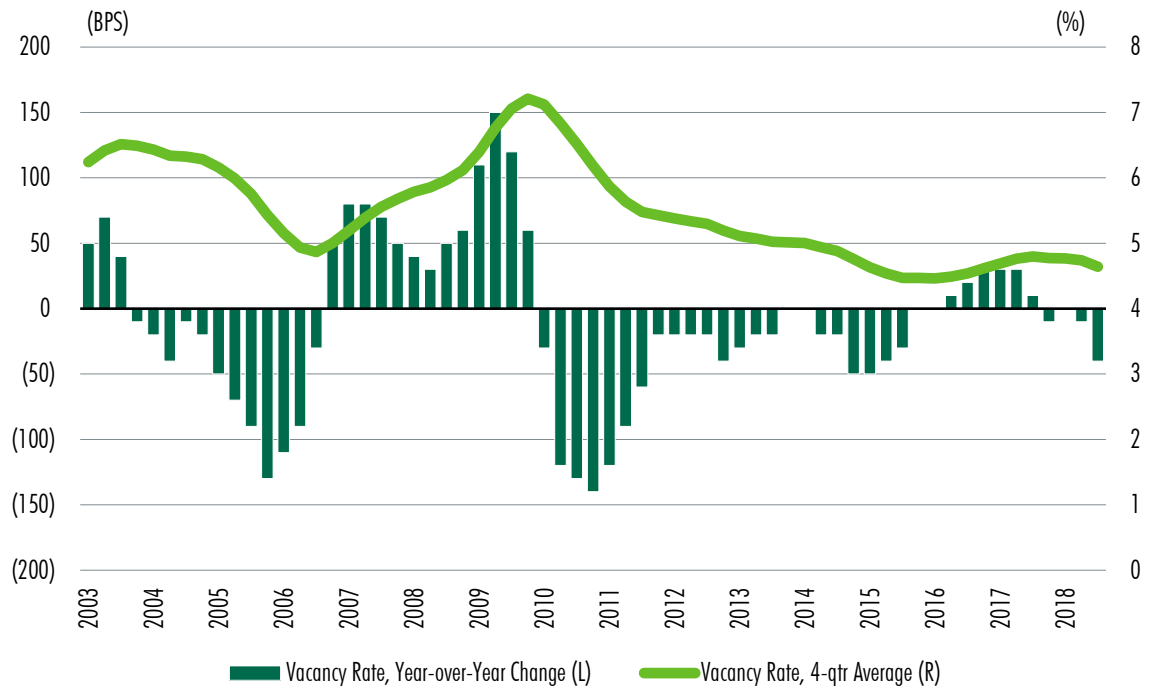
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WITH FALLING VACANCY, THE APARTMENT SECTOR SENDS MORE MIXED SIGNALS IN Q3 2018

Preliminary data for Q3 2018 show a relatively surprising year-over-year drop in the vacancy rate for EA’s same-store national sample of professionally-managed apartments—to 4.2%, from Q3 2017’s 4.6%. The quarter-over-quarter change—a 40-bps drop—reflects the seasonality usually present in third-quarter results for the apartment sector. However, with vacancy down 40 bps from last year as well, this quarter’s data suggest that the balance between national supply and demand may be stronger than recent quarters’ reporting has indicated.

Overall, the movements in vacancy are difficult to interpret as an established trend. It is, however, safe to say that the market has stabilized and is unlikely to move in any one direction too quickly. In markets with strong late-cycle employment growth (Tampa, Orlando, San Francisco and Phoenix, for example), demand is more than keeping pace with the rising supply trend. Coastal markets remain very tight—many with vacancy rates well below 4.0%.

Figure 1: Year-over-Year Increase in Vacancy Remains Steady



Source: CBRE Econometric Advisors; Axiometrics, Inc.; Q3 2018.

Fifty-three EA markets recorded year-over-year vacancy rate declines during the quarter. Eight recorded increases, while four (Cleveland, Dallas, Sacramento and Salt Lake City) went unchanged. Houston’s vacancy rate declined 80 bps—lower than previous quarters—as Hurricane Harvey’s effects have worked their way into the data.

The quarter's largest year-over-year vacancy rate declines were observed in Birmingham (-150 bps), Pittsburgh (-140 bps), Oklahoma City (-120 bps), Phoenix (-110 bps), Dayton (-100 bps) and Norfolk (-90 bps). Three gateway markets saw vacancy decline— San Francisco (-40), Washington D.C. (-70 bps), and Los Angeles (-20 bps).

Figure 2: Vacancy Rates in Metropolitan Markets

MARKET NAME	Q3 2018 (%)	Q3 2017 (%)	CHANGE (BPS)
Sum of Markets	4.2	4.6	-40
Albuquerque, NM	5.0	5.0	10
Atlanta, GA	4.7	5.2	-50
Austin, TX	4.8	5.2	-40
Baltimore, MD	4.9	5.3	-40
Birmingham, AL	5.1	6.6	-150
Boston, MA	3.3	3.7	-40
Charlotte, NC	4.4	4.5	-10
Chicago, IL	5.0	4.9	10
Cincinnati, OH	3.7	4.3	-60
Cleveland, OH	4.2	4.2	0
Columbus, OH	3.6	3.7	-10
Colorado Springs, CO	4.2	3.4	90
Dallas, TX	4.9	4.9	0
Dayton, OH	4.0	5.0	-100
Denver, CO	4.6	4.9	-30
Detroit, MI	2.7	2.9	-20
El Paso, TX	6.0	6.4	-30
Fort Lauderdale, FL	4.6	5.4	-80
Fort Worth, TX	4.5	4.7	-20
Greensboro, NC	4.9	5.4	-50
Greenville, SC	4.5	5.2	-70
Hartford, CT	3.8	4.1	-30
Honolulu, HI	3.5	6.0	-250
Houston, TX	6.1	6.9	-80
Indianapolis, IN	5.0	5.7	-70
Jacksonville, FL	4.3	4.7	-40
Kansas City, MO	4.6	4.8	-20
Las Vegas, NV	4.3	5.0	-70
Lexington, KY	4.7	5.1	-40
Long Island, NY	2.1	2.2	-10
Los Angeles, CA	3.5	3.6	-20
Louisville, KY	4.1	4.3	-20
Memphis, TN	4.6	5.2	-60
Miami, FL	4.0	4.1	-10
Minneapolis, MN	2.6	2.4	20
Nashville, TN	4.5	4.6	-10
New York, NY	2.8	3.1	-40
Newark, NJ	3.1	2.6	60

Norfolk, VA	4.2	5.0	-90
Oakland, CA	3.8	3.6	20
Oklahoma City, OK	6.4	7.7	-120
Omaha, NE	3.8	3.6	20
Orange County, CA	3.8	3.6	10
Orlando, FL	3.4	3.6	-20
Oxnard, CA	3.2	3.5	-40
Philadelphia, PA	3.6	3.9	-30
Phoenix, AZ	4.4	5.4	-110
Pittsburgh, PA	3.8	5.2	-140
Portland, OR	3.8	4.5	-70
Providence, RI	2.3	3.1	-80
Raleigh, NC	4.7	5.1	-40
Richmond, VA	3.4	3.9	-50
Riverside, CA	3.4	3.8	-40
Sacramento, CA	3.2	3.2	0
Salt Lake City, UT	3.8	3.8	0
San Antonio, TX	6.2	6.5	-30
San Diego, CA	3.5	3.7	-30
San Francisco, CA	3.5	3.8	-40
San Jose, CA	3.6	3.8	-20
Seattle, WA	4.1	4.3	-20
St. Louis, MO	5.1	5.4	-30
Tampa, FL	4.0	4.5	-50
Tucson, AZ	5.0	5.3	-30
Tulsa, OK	7.1	7.7	-60
Washington, DC	3.9	4.7	-70
West Palm Beach, FL	5.5	5.8	-40

Source: CBRE Econometric Advisors; Axiometrics, Inc.; Q3 2018.

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