ALN APARTMENT DATA, INC
www.alndata.com

ALN's Apartment Monthly News

Volume 20, Issue 1
January 2011

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Revenue is the Key

We all look at Occupancy Rates and Rental Rates for a sign of how a market is doing. But how is that market doing if the Occupancy Rate comes down a little and the Rental Rates go up a bit? By combining the Occupancy Rate and the Rental Rate into what we call "Revenue Performance" we can see how those two statistics work together.

First, we need to take out all admitted concessions from the Rental Rates. This is known as the 'Effective Rental Rate'. When you multiply the Effective Rental Rate by the Occupancy Rate, you get the average Revenue Performance. The change, year over year, will give you a better idea of a market's performance than looking at any other single number. It is entirely possible for the revenue to increase when occupancy falls; conversely, it is possible for revenue to fall when rents increase. It is also important to understand that not all units in the market were leased at this higher rate, so this number shows us what was put into place over the course of the year—bottom lines lag behind but will follow this pattern as natural turnover progresses.

2009 was a particularly brutal year for most of the industry. 16 of the 23 markets that ALN tracks saw a decline in Revenue per Unit (RPU). Las Vegas got hit with a decline of 8.5% while Atlanta suffered through a drop of nearly 7.5%. In fact, six markets saw a decline in revenue of more than 5% for the year.

Only Amarillo was able to salvage much from 2009. Their Revenue was up 3.8% that year and followed with a 3.7% growth in 2010. The only other markets which were able to show positive revenue growth in 2009 were all in Florida, which had seen their drop occur well before most of the rest of the country. Tallahassee, Ft. Myers/Naples, Pensacola and Melbourne posted a small gain in Revenue for 2009. Each of these Florida markets were able to grow even more in 2010.

In fact, 2010 was much better than 2009 for virtually all of ALN's markets. 21 markets saw an increase in Revenue led by Austin which posted nearly an 11% increase. Both Dallas and Fort Worth also enjoyed nice gains of 6.6% and 5.9% respectively. In fact, 6 markets posted gains of 5% or greater and many markets recovered all of the losses they experienced in 2009 including Austin, San Antonio, West Palm Beach, Tampa, Fort Worth and Dallas.

Market	2010 Revenue Change	2009 Revenue Change	2009-2010 Revenue Change
Austin, TX	11.0%	-4.7%	5.7%
Dallas, TX	6.6%	-6.2%	0.0%
Fort Worth, TX	5.9%	-4.2%	1.5%
San Antonio, TX	5.7%	-0.4%	5.3%
Tallahassee, FL	5.4%	1.5%	7.1%
West Palm Beach, FL	5.4%	-2.4%	2.9%
Corpus Christi, TX	4.1%	-4.4%	-0.5%
Amarillo, TX	3.7%	3.8%	7.6%
Atlanta, GA	3.4%	-7.5%	-4.3%
Lubbock, TX	3.3%	-6.4%	-3.3%
Ft. Myers/Naples, FL	3.2%	0.9%	4.2%
Houston, TX	3.1%	-4.5%	-1.5%
Pensacola, FL	3.1%	0.8%	3.9%
Tucson, AZ	2.9%	-5.3%	-2.6%
Tampa, FL	2.5%	-1.0%	1.5%
Phoenix, AZ	2.3%	-5.3%	-3.1%
Orlando, FL	1.9%	-2.7%	-0.8%
Little Rock, AR	1.6%	-2.7%	-1.1%
Melbourne, FL	1.5%	1.3%	2.9%
Jacksonville, FL	0.6%	-0.7%	-0.1%
Abilene, TX	0.3%	N/A	N/A
Gainesville, FL	-0.2%	-3.0%	-3.2%
Las Vegas, NV	-6.1%	-8.5%	-14.1%

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ALN METRO SUMMARY	OVERALL MARKET							SAME STORE						
	OCCUPANCY		CHANGE		EFFECTIVE RENT			OCCUPANCY		CHANGE		EFFECTIVE RENT		
	Dec-09	Dec-10	bps	%CHG	Dec-09	Dec-10	%CHG	Dec-09	Dec-10	bps	%	Dec-09	Dec-10	%CHG
Austin	89.1%	93.4%	431	4.8%	$787	$833	5.8%	90.7%	93.7%	300	3.3%	$770	$830	7.7%
Dallas	86.7%	90.5%	379	4.4%	$751	$767	2.1%	88.4%	90.8%	236	2.7%	$734	$761	3.7%
Fort Worth	86.0%	89.2%	315	3.7%	$658	$671	2.0%	87.1%	89.4%	229	2.6%	$650	$669	2.8%
Houston	84.9%	87.1%	222	2.6%	$741	$745	0.5%	86.0%	87.4%	139	1.6%	$724	$737	1.8%
San Antonio	88.0%	90.9%	298	3.4%	$688	$704	2.3%	89.1%	91.0%	192	2.2%	$673	$702	4.3%
Lubbock	90.3%	91.9%	156	1.7%	$609	$618	1.4%	90.8%	91.9%	105	1.2%	$592	$618	4.3%
Amarillo	89.1%	91.9%	283	3.2%	$588	$591	0.5%	89.2%	91.9%	275	3.1%	$587	$591	0.6%
Abilene	92.7%	93.2%	50	0.5%	$590	$587	-0.5%	92.7%	93.2%	50	0.5%	$583	$587	0.6%
Corpus Christi	90.0%	91.6%	165	1.8%	$677	$692	2.1%	90.8%	92.2%	140	1.5%	$673	$690	2.6%
TEXAS AVERAGE	86.5%	89.6%	309	3.6%	$730	$744	1.9%	87.8%	89.8%	204	2.3%	$714	$739	3.4%
Tampa St. Petersburg	88.9%	90.9%	201	2.3%	$770	$772	0.2%	89.3%	91.0%	173	1.9%	$761	$768	0.9%
Orlando/Daytona Beach	88.5%	90.5%	206	2.3%	$808	$805	-0.4%	88.9%	91.0%	200	2.3%	$802	$799	-0.4%
Jacksonville	85.4%	86.5%	114	1.3%	$731	$726	-0.8%	85.5%	86.5%	98	1.1%	$718	$726	1.0%
Gainesville**	88.2%	89.5%	131	1.5%	$866	$852	-1.6%	88.8%	89.5%	70	0.8%	$843	$852	1.1%
Ft. Myers/Naples	86.8%	88.1%	127	1.5%	$759	$772	1.7%	86.8%	88.1%	127	1.5%	$759	$772	1.7%
West Palm Beach	90.2%	92.2%	197	2.2%	$1,017	$1,049	3.1%	90.4%	92.7%	224	2.5%	$1,020	$1,042	2.1%
Tallahassee	85.8%	89.7%	395	4.6%	$810	$818	1.0%	85.8%	89.7%	395	4.6%	$807	$818	1.3%
Pensacola	87.9%	90.1%	219	2.5%	$719	$723	0.6%	88.8%	90.8%	198	2.2%	$712	$722	1.5%
Melbourne	87.5%	87.9%	42	0.5%	$646	$653	1.0%	87.5%	87.9%	42	0.5%	$646	$653	1.0%
FLORIDA AVERAGE	88.2%	90.0%	187	2.1%	$792	$794	0.3%	88.5%	90.2%	172	1.9%	$784	$791	0.8%
Phoenix	86.3%	89.2%	284	3.3%	$686	$679	-1.0%	86.8%	89.2%	236	2.7%	$679	$679	0.1%
Tucson	87.7%	89.6%	193	2.2%	$577	$581	0.8%	87.7%	89.6%	193	2.2%	$577	$581	0.8%
ARIZONA AVERAGE	86.6%	89.3%	268	3.1%	$666	$661	-0.7%	87.0%	89.3%	228	2.6%	$659	$661	0.3%
Atlanta	87.0%	89.1%	200	2.3%	$745	$753	1.0%	87.9%	89.4%	152	1.7%	$735	$747	1.6%
Las Vegas	88.6%	89.9%	131	1.5%	$775	$717	-7.5%	88.6%	89.9%	131	1.5%	$775	$717	-7.5%
Little Rock	93.0%	93.3%	35	0.4%	$634	$642	1.3%	93.3%	93.3%	9	0.1%	$633	$642	1.5%

** Includes student properties

On a monthly basis, ALN surveys all apartment communities in each of the 23 markets that we cover and an average of 92% of these surveys are successfully completed. The above statistics reflect only Conventional, Midrise, and High-Rise apartment communities. In addition, unless otherwise noted, these statistics do not included Income Restricted, Student Housing, or Senior Independent Housing.

In-depth, property level research and data is available for all property types (including Senior and Income Restricted) through ALN OnLine, which includes Market and Effective Rents, Occupancy, Floor Plan & Unit Mix information, Market & Submarket statistics, Market Surveys, Historical Trends & Customizable Reports. By using ALN OnLine, you are able to see monthly fluctuations in any submarket you need which will greatly enhance your ability to respond to changes quickly and efficiently.

Why does ALN Update Monthly?

Most data providers update their data quarterly. For some, that is often enough. However, this industry moves way too quickly and many opportunities are missed when waiting on slow reacting data providers to catch up with your market. Only ALN can provide you with monthly updated data on 23 markets throughout the southern U.S.

The four hottest markets, at lease in improvement from 2009 to 2010, were:

1. **Austin**: one of the hottest markets in the country, Austin may slow down a bit as the State of Texas deals with a projected $24 billion shortfall over the next two years. As the capital of Texas, they might take a bigger hit than other areas of the state, but they are so hot right now that no one is likely to notice if it slows a bit!

2. **Dallas**: a remarkable turnaround in one year. Expect Dallas to break ground on a lot of new units soon. 8000 starts is not out of the question and although that is very low historically, it is double the starts of the last two years and would very likely lead the nation in this category.

3. **Atlanta**: this market is the sleeper right now. Having been beat up in 2009, even the locals here are reluctant to see this recovery for what it is. The turn- around occurred in early 2010 but the typical 4th Quarter slowdown sent shockwaves through the market. 2011 looks awfully bright for Atlanta.

4. **Fort Worth**: recovered everything they lost in 2009 and then some. Will not have nearly as much construction as Dallas, so expect occupancy and rental rates to see significant improvements over the next two years.

Honorable Mention (and our second "sleeper"): Phoenix. Has seen some great improvement over the past 18 months or so and looks to be healing from some devastating times over the past few years.