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Big Cities Hold the Keys for Apartment REITs

New supply of multifamily units will weigh on occupancies though not on ratings.

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Contents

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Executive Summary

Owners of apartment rentals have enjoyed beneficial dynamics since the end of the last recession, with generally strong employment conditions and an economy that favored renting over homeownership. Conditions have been cooling, however, and certain markets are beginning to experience supply levels in excess of demand. We expect multifamily REITs with greater exposure to the more challenging markets in and around New York City and Washington to see slower rent growth and possibly higher vacancies during the next year or two. Nonetheless, we do not anticipate any meaningful deterioration in their ability to generate solid net operating income and meet their financial obligations given meaningfully diverse regional portfolio distribution, historically solid balance sheets, and strong management teams. In this article, we take a high-level view of how the market conditions in these major markets are likely to help or hurt overall results for each of the REITs during 2018 and 2019.

Key Takeaways

- Five major metros have an outsize influence on the performance of four of the largest multifamily REITs.
- Heightened deliveries of new apartments in and around New York City and Washington, D.C., will drag on near-term rent growth this year and next.
- Exposure to better-performing Pacific Coast metros will serve to mitigate weaker markets.
- Regionally diverse portfolios, solid balance sheets, and strong management teams will enable the affected REITs to comfortably weather relatively weaker market conditions.

Companies Mentioned

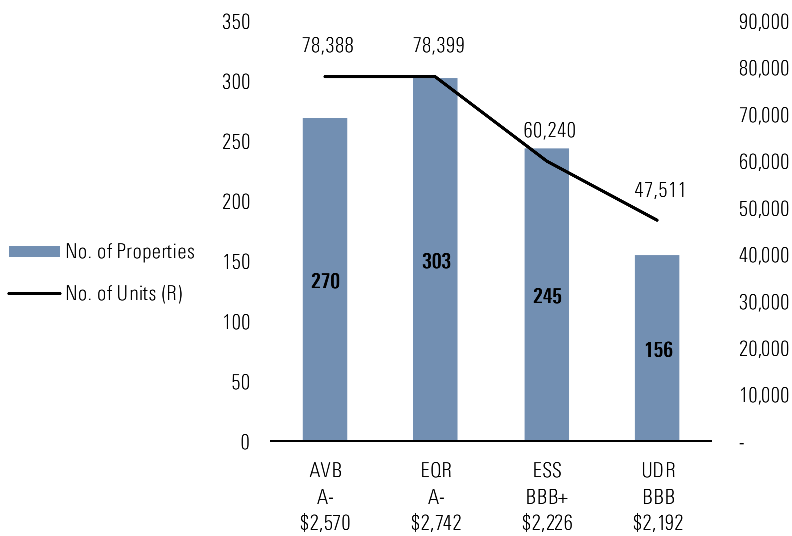
Name (Ticker)	Rating	Outlook	Coupon	Maturity	Price	Yield	Spread
AvalonBay Communities, Inc. (AVB)	A-	Stable	3.20%	01/15/2028	92.66	4.13%	+108
Equity Residential (EQR)	A-	Stable	3.50%	03/01/2028	95.25	4.09%	+104
Essex Property Trust, Inc. (ESS)	BBB+	Stable	3.63%	05/01/2027	95.06	4.30%	+125
UDR, Inc. (UDR)	BBB	Stable	3.50%	01/15/2028	93.31	4.36%	+130

Source: Interactive Data, as of 5/21/2018.

Introduction

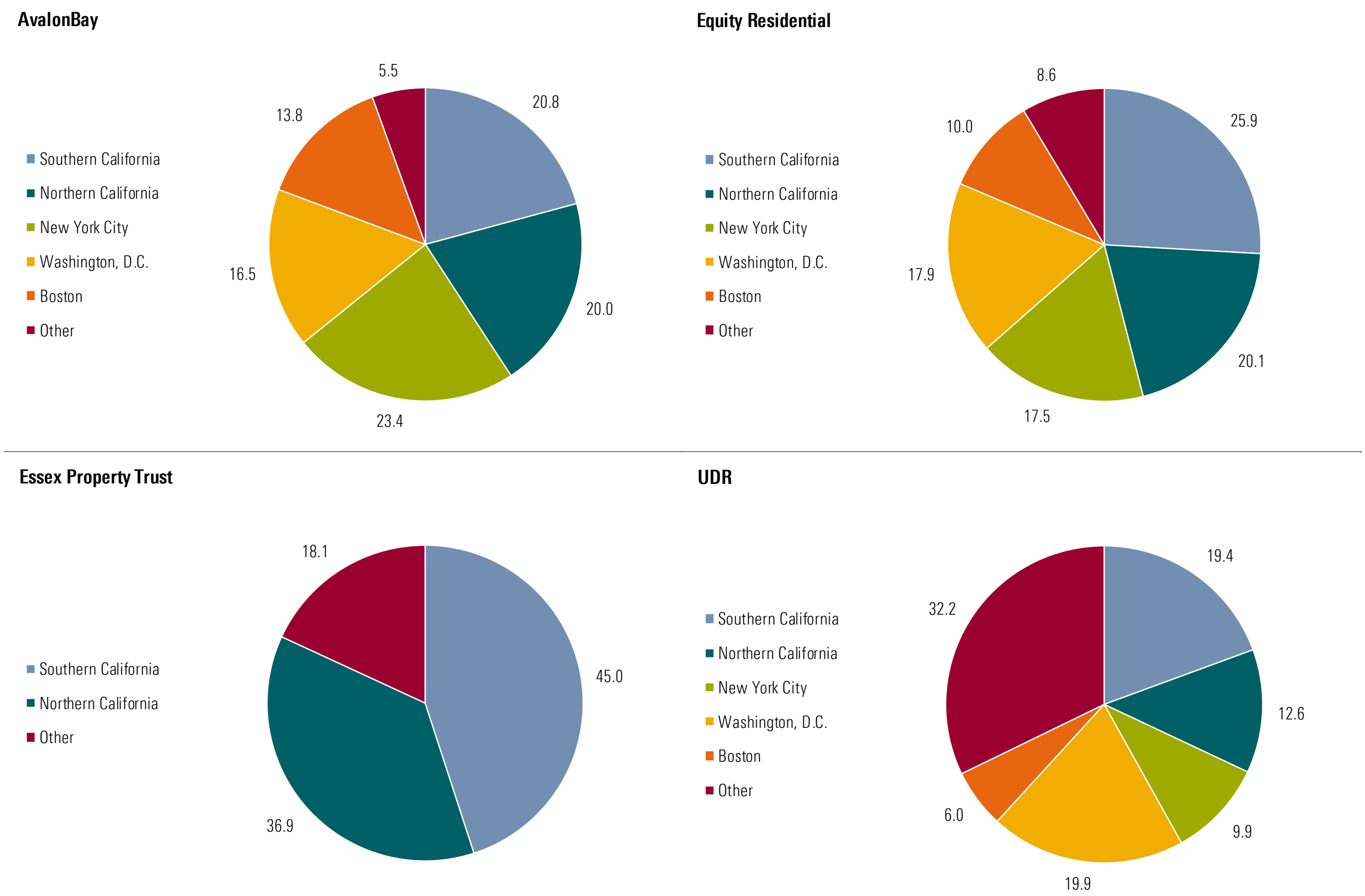
Five major metros account for the bulk of the apartment portfolios for four of the largest multifamily REITs rated by Morningstar Credit Ratings (Exhibit 1). The cities and surrounding areas of New York City, Washington, D.C., Boston, Los Angeles, and San Francisco collectively contribute 90% or more to the net operating income of AvalonBay Communities, Inc. (A-, stable) and Equity Residential (A-, stable), and more than 65% for UDR, Inc. (BBB, stable). Essex Property Trust, Inc. (BBB+, stable) has portfolio holdings only on the Pacific Coast, though it does derive more than 80% of its net operating income from the Los Angeles and San Francisco Bay areas (Exhibit 2). These five markets have a large influence on the portfolio performance of each of these REITs, and each market has its own character and unique set of demand drivers.

Exhibit 1 Portfolio Data—Properties, Units, and Average Monthly Rent



Source: the companies, SNL, Morningstar Credit Ratings, LLC. Data as of 3/31/2018.
Note: dollar figures represent average monthly rent.

Exhibit 2 Regional Distribution of Portfolios (%)



Source: the companies, Morningstar Credit Ratings, LLC. Data as of 3/31/2018.

New York City Metro

The greatest impact from market conditions in New York City is likely to be felt by Equity Residential, as it has more than 17% of its NOI coming from the city, with the large majority of its New York City portfolio in Manhattan. With more than 6,600 units in Manhattan at an average monthly rent of more than $3,800, we expect a significant portion of its portfolio to achieve below normal rent growth over the next two years.

AvalonBay Communities and UDR will be less affected. At more than 23%, AvalonBay has a higher percentage of its NOI coming from the New York metro area, though it has a much smaller presence in Manhattan relative to Equity Residential; it has a fewer than 2,500 units in Manhattan, about 2,900 units on Long Island and 4,000 in northern New Jersey. UDR gets about 10% of its NOI from its New York City portfolio, all of which is in Manhattan.

Exhibit 3 Key Multifamily Market Metrics—New York City Metro

Metric	New York
Year end 2017 population	14,528,340
Year end 2017 apartment inventory (units)	1,308,642
Year end 2017 occupancy	97.4%
Year end 2017 average monthly rent	$2,637
2017 rent growth	1.1%
Two-year forward employment growth (%)	1.5%
Two-year forward supply growth (units)	35,424
Two-year forward supply growth (%)	2.7%
Two-year forward absorption (units)	29,070
Year end 2019 occupancy	97.0%
Two-year forward occupancy change	-0.4%
Two-year forward rent growth	1.8%

Source: CoStar. Data as of 3/31/2018.

CoStar is forecasting modest 1.8% rent growth for New York City in 2018 and 2019 combined, as supply growth is expected to outpace absorption and push vacancy slightly higher to 3.0% by year-end 2019 (Exhibit 3). As slow as the rent growth forecast is, it's better than the 0.5% average annual growth over the past 10 years. Employment growth is expected to be very close to the national average annual rate of 0.7% reported in a publication of the U.S. Bureau of Labor Statistics, at 1.5% for the two-year period. Despite the anticipated supply growth, rents are likely to continue to increase, albeit slowly. There have been reports in local real estate publications of slight decreases in effective rents in Manhattan and Brooklyn in recent months, when concessions are taken into account. AvalonBay noted in its latest earnings call that concessions are fairly common at new properties still in lease-up, and less so in established properties.

Demand for apartments in New York City comes from employment in the financial services, media, entertainment, and tourism industries, and universities and medical centers, among others. According to the U.S. Bureau of Labor Statistics, health and education were the city's leading sources of job growth in the 12 months ended March 2018, at a rate of 2.8% for its largest employment sector (Exhibit 4). Though New York City is known as a major world financial center, it's the city's sixth ranking sector in number of employed and grew by just 0.7% during the period.

Exhibit 4 Top Employment Trends—New York City Metro

Sector	Employment (000)	Trend
Total nonfarm	9,672	⇧
Education and health services	1,984	⇧⇧
Trade, transportation, and utilities	1,739	⇧
Professional and business services	1,537	⇧
Government	1,311	⇔
Leisure and hospitality	876	⇔

Source: U.S. Bureau of Labor Statistics, Morningstar Credit Ratings, LLC. Data as of 5/2/2018.

Rent growth was muted in Manhattan in 2017, at just 0.4%, according to data from Marcus & Millichap. There was also little rent growth across Brooklyn and the Bronx, at 1.1% and 1.3%, respectively, while Queens reported no growth at all. Only Staten Island reported significant growth in 2017 at 4.4%, because of strong demand and low vacancy allowing landlords to increase rents. In a recent article on Bloomberg.com, real estate firms Miller Samuel Inc. and Douglas Elliman Real Estate reported year-over-year effective rent declines in March of 3.8% in Manhattan, 6.3% in Brooklyn and 6.4% in Queens. New York City is usually considered to be one of the best apartment markets in the U.S., since home purchases are very expensive in many parts of the city, and inventory is often only modestly ahead of demand. Citywide vacancy has averaged just 3.2% over the past 10 years, according to CoStar, which would ordinarily translate to large rent increases. However, the faster pace of new construction in the past few years, in particular of upscale units that compete with the products offered by Equity Residential and AvalonBay, has kept rent increases constrained. As well, rent stabilization and rent control are relatively more common than in other metros, which tends to keep tenants in place longer than market rentals and thereby has a constraining effect on landlords' ability to raise rents.

Washington, D.C., Metro

AvalonBay, Equity Residential, and UDR will face weak fundamental drivers in 2018 and into 2019 in the Washington, D.C., metro. All have similar exposure to the area, in the mid- to high teens percent of NOI, with more than half of their metro area properties in the Virginia suburbs. AvalonBay has more than 12,000 units in the area, almost 8,000 of which are in Virginia. Of Equity Residential's nearly 16,000 units, more than 9,000 are in Virginia. Roughly 72% of UDR's 8,575 area properties are in Virginia.

Exhibit 5 Key Multifamily Market Metrics—Washington, D.C. Metro

Metric	Washington, D.C.
Year end 2017 population	6,224,030
Year end 2017 apartment inventory	481,778
Year end 2017 occupancy	93.3%
Year end 2017 average monthly rent	$1,707
2017 rent growth	0.6%
Two-year forward employment growth (%)	2.2%
Two-year forward supply growth (units)	28,735
Two-year forward supply growth (%)	6.0%
Two-year forward absorption (units)	24,351
Year end 2019 occupancy	92.8%
Two-year forward occupancy change	-0.5%
Two-year forward rent growth	3.1%

Source: CoStar. Data as of 3/31/2018.

For the Washington, D.C., metro, CoStar's forecast calls for almost 29,000 new units to be delivered in 2018 and 2019, a substantial inventory increase of 6.0% (Exhibit 5). This is expected to outpace absorption by about 4,400 units, driving vacancy higher to 7.2% by year-end 2019. As a result of continued supply pressure, average rents are forecast to increase by only 3.1% through 2018 and 2019. A significant portion of the supply growth is in the District of Columbia, which contains only about one fifth of the combined metro area exposure of the three REITs with exposure to the metro. Rent growth expectations are better in Virginia, where the pace of new apartment development is lower than in the district. On its first-quarter earnings call, UDR pointed out that Class B properties in the district were faring better than Class A properties, as Class A is under more competitive pressure from newer properties, similar to supply trends in New York City. Employment growth in the wider metro area is expected to be somewhat better than the national average, at 2.2% for 2018 and 2019 combined. AvalonBay expects rent growth in the district to be weak because of new deliveries amounting to about 5% of current inventory this year and next.

The primary demand drivers are the U.S. government, its contractors and agencies, as well as telecommunications, universities, and medical centers. According to BLS data, only the hospitality sector produced greater than 2% job growth during the 12 months ended March 2018. Government, the area's second-leading source of employment, contracted by 0.4% (Exhibit 6).

Exhibit 6 Top Employment Trends—Washington, D.C. Metro

Sector	Employment (000)	Trend
Total nonfarm	3,289	⇧
Professional and business services	748	⇧
Government	706	⇔
Education and health services	447	⇧
Trade, transportation and utilities	406	⇧
Leisure and hospitality	326	⇧

Source: U.S. Bureau of Labor Statistics, Morningstar Credit Ratings, LLC. Data as of 5/2/2018.

Boston Metro

Despite a heavy development pipeline, Boston is expected to provide at least adequate demand and rent growth in the near future. There appears to be sufficient ongoing employment growth in technology and life sciences to support housing demand at recent levels. Exposures to the Boston metro area are considerably smaller than exposures to the big California markets or New York City or the Washington metro area. AvalonBay derives about 14% of its NOI from Boston, with Equity Residential at 10% and UDR at 6%.

Exhibit 7 Key Multifamily Market Metrics—Boston Metro

Metric	Boston
Year end 2017 population	4,845,920
Year end 2017 apartment inventory	194,082
Year end 2017 occupancy	94.4%
Year end 2017 average monthly rent	$2,143
2017 rent growth	2.3%
Two-year forward employment growth (%)	2.1%
Two-year forward supply growth (units)	15,442
Two-year forward supply growth (%)	8.0%
Two-year forward absorption (units)	12,672
Year end 2019 occupancy	93.5%
Two-year forward occupancy change	-0.9%
Two-year forward rent growth	5.1%

Source: CoStar. Data as of 3/31/2018.

Boston, which has more than 15,400 new units expected in 2018 and 2019, tops the major markets discussed in this study, with a sizable two-year inventory increase of 8.0%, according to CoStar (Exhibit 7). The forecast also calls for nearly 12,700 units to be absorbed, limiting the vacancy increase to 90 basis points. Year-end vacancy of 5.6% is a bit higher than the 10-year average of 5.2%. The forecasts for rent growth in 2018 diverge quite a bit, as Marcus & Millichap calls for an increase of just 1.1% while

CoStar projects a 3.5% increase. Given the pace of supply growth over this year and next, we believe that the more conservative near-term rent growth forecast from Marcus & Millichap is more realistic. Expected employment growth of 2.1% over the two-year period, however, is better than the national average forecast. Management at Equity Residential recently pointed out that although supply growth is at an above-normal pace, job growth has been strong enough to absorb the new units, and that renewal rent increases have averaged a respectable 4% in recent months.

Apartment demand is fueled by financial firms, technology, life sciences, and universities and medical centers (Exhibit 8). Professional and business services, Boston's second-largest source of employment, had 2.5% growth during the 12 months ended March 31, 2018, according to BLS data. Government employment was off by 1.0%, while largest sector education and health services saw growth of 1.1%.

Exhibit 8 Top Employment Trends—Boston Metro

Sector	Employment (000)	Trend
Total nonfarm	2,699	⇔
Education and health services	575	⇧
Professional and business services	479	⇧⇧
Trade, transportation and utilities	422	⇔
Government	309	⇩
Leisure and hospitality	258	⇧

Source: U.S. Bureau of Labor Statistics, Morningstar Credit Ratings, LLC. Data as of 3/20/2018.

Boston had the best 2017 rent growth among the three major Northeast Corridor apartment markets, at 2.3%, according to CoStar. Marcus & Millichap reported a rent increase of 3.9%. Long-term rent growth has averaged 1.8% since 2008 based on CoStar's data. An active development pipeline increased inventory by 3.4% during the year, yet vacancy increased by only 20 basis points to 5.6%.

Los Angeles Metro

Employment growth is expected to drive sufficient demand to absorb most of the new apartment deliveries this year and next, while supporting above-normal rent growth. Essex, which has a portfolio exclusively in Pacific Coast markets, and will likely outperform its peers because of this concentration where supply and demand are likely to be better matched compared with those of the Northeast markets. Essex has the most exposure to the wider Southern California market, with 45% of its NOI generated there. For the purposes of market reporting, Southern California includes Los Angeles and Orange Counties, plus San Diego County and other nearby areas. Essex's Southern California exposure is well-distributed among the three major areas, with 47% of its units in Los Angeles, with the rest split between Orange County and San Diego. AvalonBay and Equity Residential also have large presences in Southern California, with 21% and 26% of NOI, respectively, and each with the majority of units in Los

Angeles. UDR also has a meaningful presence in Southern California, with 19% of NOI, of which more than half comes from Orange County.

Exhibit 9 Key Multifamily Market Metrics—Los Angeles Metro

Metric	Los Angeles	Orange County
Year end 2017 population	10,194,130	3,187,960
Year end 2017 apartment inventory	908,423	235,327
Year end 2017 occupancy	96.2%	95.3%
Year end 2017 average monthly rent	$1,794	$1,936
2017 rent growth	3.4%	3.2%
Two-year forward employment growth (%)	1.9%	2.1%
Two-year forward supply growth (units)	19,747	7,931
Two-year forward supply growth (%)	2.2%	3.4%
Two-year forward absorption (units)	17,555	5,569
Year end 2019 occupancy	96.1%	94.4%
Two-year forward occupancy change	-0.2%	-0.8%
Two-year forward rent growth	5.4%	4.6%

Source: CoStar. Data as of 3/31/2018.

CoStar forecasts expected deliveries of nearly 20,000 units in Los Angeles County and 8,000 units in Orange County in 2018 and 2019, for two-year inventory increases of 2.2% and 3.4%, respectively (Exhibit 9). This level of inventory growth is expected to push vacancy higher by 20 basis points in Los Angeles County and by 80 basis points in Orange County by the end of 2019. The forecast calls for two-year rent growth of 5.4% in Los Angeles County and 4.6% in Orange County. Employment growth is expected to be roughly 2% for the two-year period in both counties, moderately better than the national average annual rate. Outlooks for Southern California are mixed; while Equity Residential expects that pricing power will be “challenged” because of expected increases in apartment inventory, while AvalonBay describes the region as “the healthiest region in the portfolio” as new deliveries are expected to be far lower next year.

The region’s key demand drivers are entertainment, tourism, media, technology, and manufacturing (Exhibit 10). According to BLS data, the region's second leading employment sector education and health services reported growth of 3.0%, while the fifth-place sector leisure and hospitality grew by 3.6% during the 12 months ended March 31, 2018.

Exhibit 10 Top Employment Trends — Los Angeles Metro

Sector	Employment (000)	Trend
Total nonfarm	6,098	⇧
Trade, transportation and utilities	1,088	⇔
Education and health services	1,037	⇧⇧
Professional and business services	922	⇧
Government	761	⇔
Leisure and hospitality	755	⇧⇧

Source: U.S. Bureau of Labor Statistics, Morningstar Credit Ratings, LLC. Data as of 5/2/2018.

Rent growth in Los Angeles County was a respectable 3.4% in 2017, according to CoStar, the highest among the markets discussed here, and roughly twice the 10-year average of 1.6%. Marcus & Millichap reported an increase of 5.7%. Vacancy declined by 40 basis points to 3.8% by year-end, as CoStar reported only a little more than 5,400 new units delivered with net absorption of nearly 9,700 units. The long-term average vacancy since 2008 was 4.5%.

Orange County has roughly one third of the population of Los Angeles County, and barely more than one-fourth of the apartment inventory. Its 2017 rent growth per CoStar was 3.2% (10-year average 1.9%), and vacancy rose by 50 basis points to 4.7% (10-year average 5.2%), as completions of new units surged in the first three quarters of 2017.

San Francisco Bay Metro

Rapid apartment supply growth in San Jose and the East Bay should not prevent solid rent increases in Northern California through 2019, as the price of home ownership remains stubbornly high. The Northern California market includes San Francisco, San Jose and the East Bay. Essex has the greatest exposure to the wider Northern California market, which accounts for 37% of its NOI. Within Northern California, Essex has the most exposure to the San Jose and East Bay markets among the REIT peer group. AvalonBay and Equity Residential also have large presences in Northern California, each with 20% of NOI, and well distributed among the three major markets. UDR also has a presence in Northern California, with 13% of NOI, which comes entirely from San Francisco and San Jose where UDR's 2,700-plus units produced average revenue of $3,486 per unit per month in the first quarter of 2018.

Exhibit 11 Key Multifamily Market Metrics—San Francisco Bay Metro

Metric	San Francisco	San Jose	East Bay
Year end 2017 population	1,647,300	1,987,140	2,816,400
Year end 2017 apartment inventory	158,143	138,045	163,511
Year end 2017 occupancy	95.2%	94.7%	95.7%
Year end 2017 average monthly rent	$2,894	$2,567	$2,038
2017 rent growth	0.8%	2.7%	2.6%
Two-year forward employment growth (%)	1.9%	1.9%	2.2%
Two-year forward supply growth (units)	5,907	7,789	7,730
Two-year forward supply growth (%)	3.7%	5.6%	4.7%
Two-year forward absorption (units)	6,581	6,716	6,344
Year end 2019 occupancy	95.8%	94.2%	95.1%
Two-year forward occupancy change	0.6%	-0.5%	-0.6%
Two-year forward rent growth	4.3%	7.5%	5.1%

Source: CoStar. Data as of 3/31/2018.

The CoStar forecast calls for deliveries of nearly 6,000 units in San Francisco and 7,800 units in San Jose in 2018 and 2019, for two-year inventory increases of 3.7% and 5.6%, respectively (Exhibit 11). The restrained pace of apartment development in San Francisco is expected to allow vacancy to drop by 60 basis points to 4.2% by the end of 2019, while in San Jose, accelerated inventory growth is forecast to lift vacancy by 50 basis points to 5.8%. The forecast calls for two-year rent growth of 4.3% in San Francisco and a very healthy 7.5% in San Jose, despite higher vacancy. In the East Bay market, just more than 7,700 new units are expected, pushing vacancy 60 basis points higher to 4.9% by the end of 2019. Two-year rent growth is forecast at 5.1%. In all three markets, employment growth is forecast to be at or close to 2% over the two-year period. During a first-quarter earnings call, Essex noted that California Gov. Jerry Brown signed an executive order in response to the extensive damage caused by wildfires limiting rent increases to 10% in selected counties through 2018. The REIT also noted that there is an emerging movement to repeal a law banning rent control on any housing built since 1995, causing concern that a return to rent control could further constrain a housing supply that is already believed to be inadequate in many parts of the state.

The primary demand drivers for rentals are technology, life sciences, financial firms, and tourism. According to BLS data, the professional and business services sector is the largest contributor to employment; it had solid growth of 2.5% during the 12 months ended March 31, 2018. Third-leading sector education and health services grew at a respectable rate of 1.9%. Though the information sector ranks ninth in terms of number employed, it made a meaningful contribution to the area's employment growth with a 5.1% increase. Leisure and hospitality, a key sector in the region and fifth leading employer, had virtually no net change in employment during the period (Exhibit 12).

Exhibit 12 Top Employment Trends—San Francisco Bay Metro

Sector	Employment (000)	Trend
Total nonfarm	2,416	⇧
Professional and business services	486	⇧⇧
Trade, transportation and utilities	381	⇔
Education and health services	358	⇧
Government	326	⇔
Leisure and hospitality	269	⇔

Source: U.S. Bureau of Labor Statistics, Morningstar Credit Ratings, LLC. Data as of 5/2/2018.
Note: BLS figures do not include San Jose.

Rent growth in San Francisco was subdued in 2017, according to CoStar, at just 0.8%, the lowest among the markets discussed here, and well below the market's 10-year average of 2.4%. Vacancy declined by 30 basis points to 4.8% by year-end (10-year average 4.6%), as CoStar reported only a little less than 3,500 new units delivered with net absorption of nearly 3,900 units.

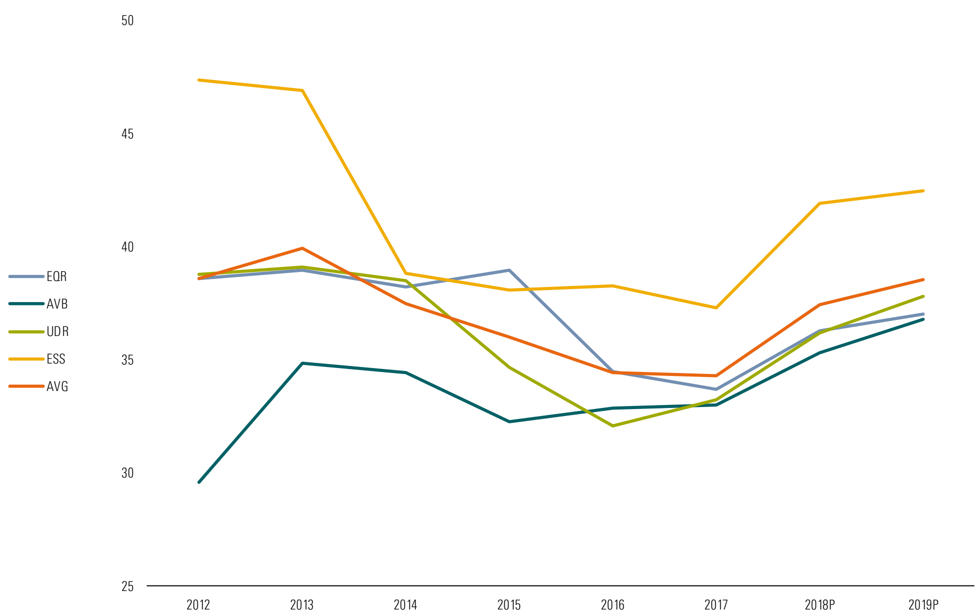
San Jose is a slightly larger market than San Francisco, with a population approaching 2 million, compared with 1.65 million for San Francisco. San Jose's 2017 rent growth per CoStar was 2.7%, just above its 10-year average of 2.6%, and vacancy fell by 80 basis points to 5.3% (10-year average 5.0%), as completions of new units slowed during 2017 to less than 1,500, the fewest since 2011.

East Bay, which includes Oakland and several neighboring cities, is larger in population than either San Francisco or San Jose, at just more than 2.8 million, and has 5,000 more apartment units than San Francisco and 25,000 more than San Jose. Rent growth for 2017 was 2.6% (10-year average 2.9%), and vacancy rose by 10 basis points to 4.3% (10-year average 4.2%) while less than 1,500 new units were completed.

Multifamily REIT Leverage and Liquidity

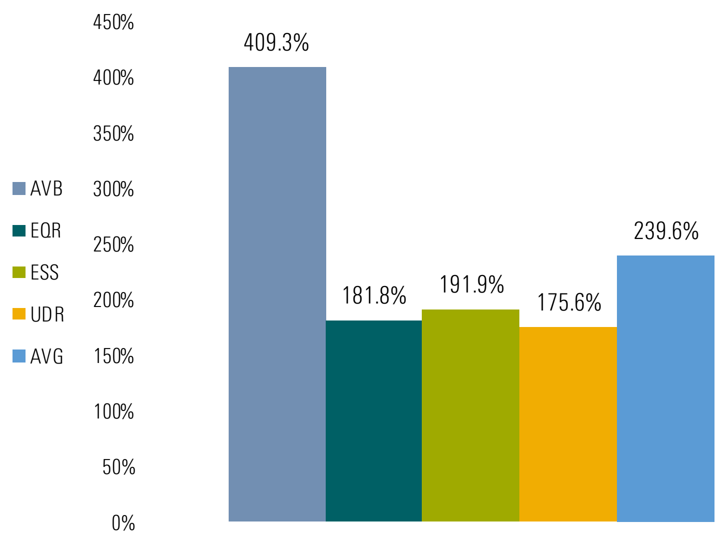
Multifamily REITs, including the four highlighted herein, have taken a disciplined approach to their balance sheets since the last recession while operating to generate efficient performance during the concurrent favorable market conditions. In Exhibit 12, leverage for the four REITs has declined over the past five years to 34.3% debt/gross assets on average at year-end 2017 from a high of 40.0% at year-end 2013. As well, we anticipate these REITs will have more than sufficient sources of capital over the next two years to manage obligations coming due, especially debt maturities, even before considering their sizable unencumbered asset portfolios (Exhibit 13). Given the low leverage achieved and flexibility afforded by robust levels of liquidity, Morningstar Credit Ratings does not expect any deterioration in credit profiles as a result of weaker market fundamentals, even for those multifamily REITs exposed to disruptive supply conditions.

Exhibit 13 Multifamily REIT Leverage—Debt/Gross Assets (%)



Source: the companies, SNL, Morningstar Credit Ratings, LLC. Data as of 3/31/2018.

Exhibit 14 Multifamily REIT Liquidity—Sources / Uses (%)

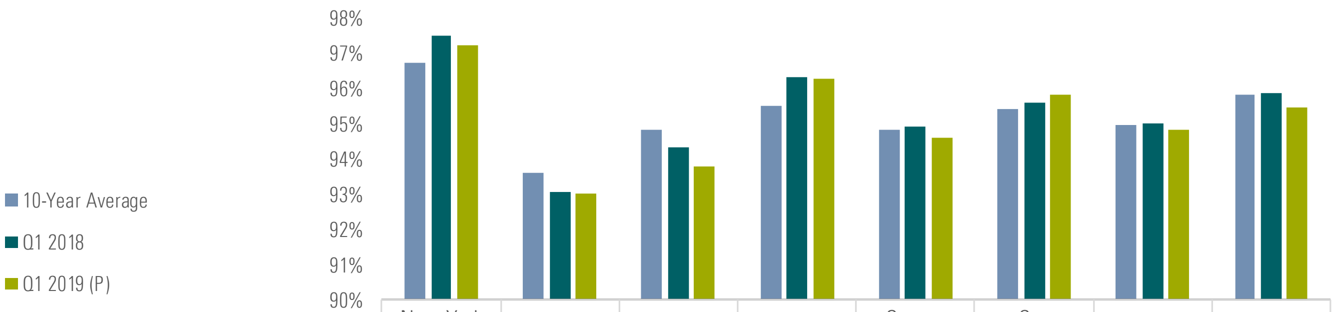


Source: the companies, SNL, Morningstar Credit Ratings, LLC. Data as of 3/31/2018.
Note: Sources include cash and investments, availability under credit facilities, and projected AFFO for 2018 and 2019. Uses represent debt maturities for 2018, 2019 and 2020.

Appendix

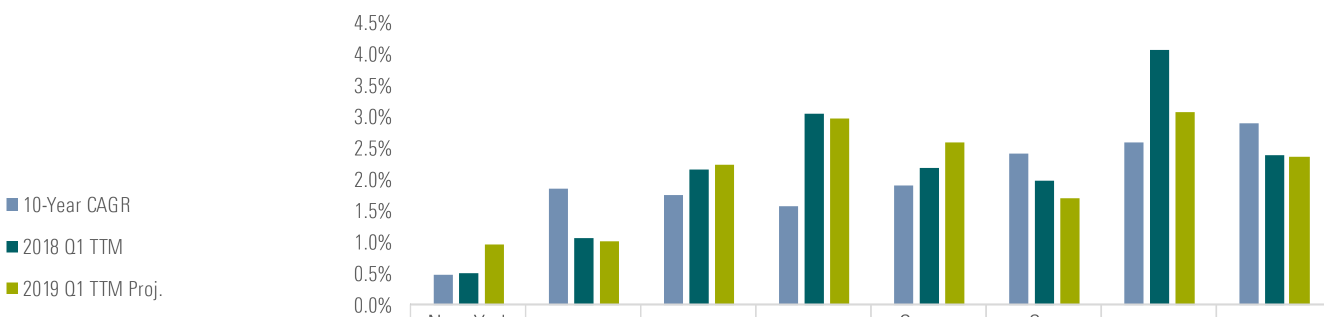
Exhibits 15 and 16 Major Metro Occupancy and Rent Growth

Occupancy by Metro



	New York City	Washington	Boston	Los Angeles	Orange County	San Francisco	San Jose	East Bay
10-Year Average	96.8%	93.6%	94.8%	95.5%	94.8%	95.4%	95.0%	95.8%
Q1 2018	97.5%	93.1%	94.3%	96.4%	94.9%	95.6%	95.0%	95.9%
Q1 2019 (P)	97.3%	93.0%	93.8%	96.3%	94.6%	95.8%	94.8%	95.5%

Rent Growth by Metro

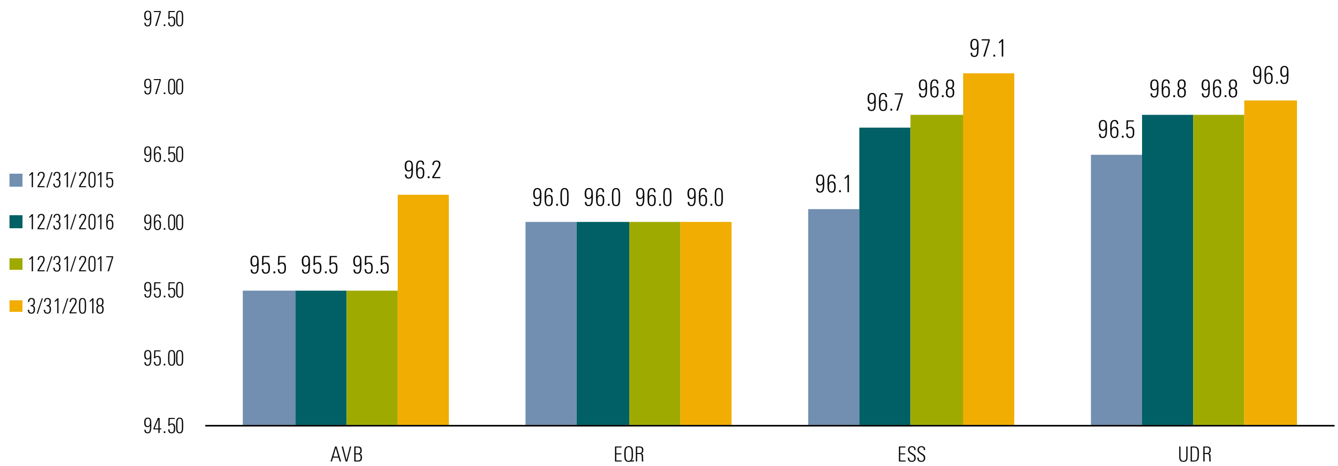


	New York City	Washington	Boston	Los Angeles	Orange County	San Francisco	San Jose	East Bay
10-Year CAGR	0.5%	1.9%	1.8%	1.6%	1.9%	2.4%	2.6%	2.9%
2018 Q1 TTM	0.5%	1.1%	2.2%	3.0%	2.2%	2.0%	4.1%	2.4%
2019 Q1 TTM Proj.	1.0%	1.0%	2.2%	3.0%	2.6%	1.7%	3.1%	2.4%

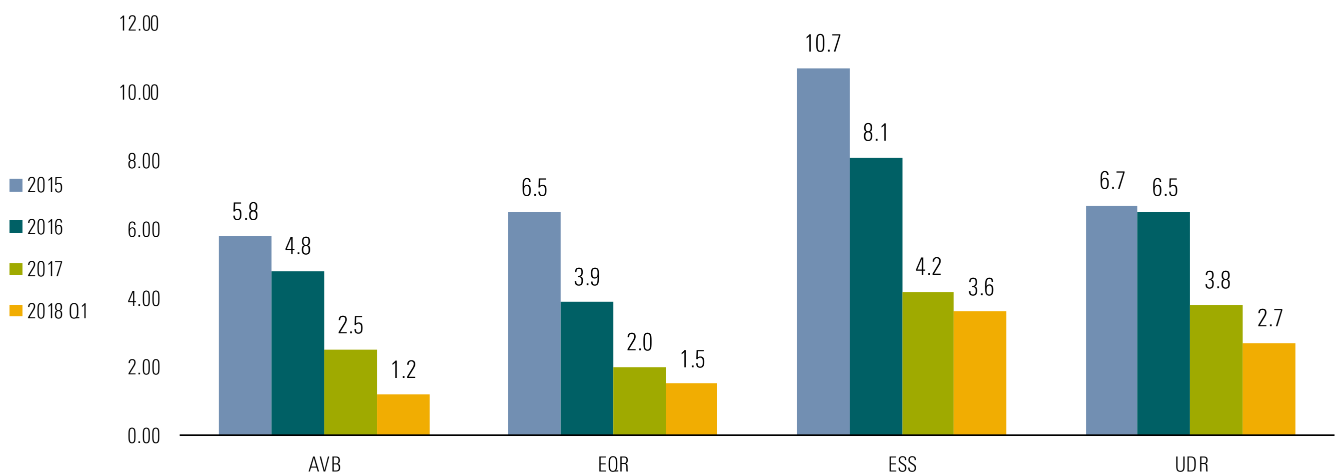
Source: CoStar. Data as of 3/31/2018.

Exhibits 17 and 18 Multifamily REIT Occupancy and Net Operating Income Growth

Multifamily Same-Store Occupancy (%)



Multifamily Same-Store Net Operating Income (%)



Source: the companies, SNL, Morningstar Credit Ratings, LLC. Data as of 3/31/2018. Note:2018 Q1 NOI growth is year-over-year versus 2017 Q1.

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