

Management

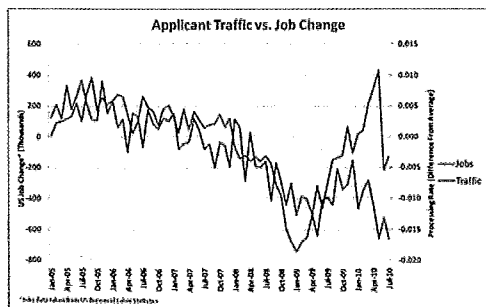
Trend Watch: Applicant Traffic Update

By Mike Lapsley, president and CEO, RentGrow, Inc.

As we have seen over the last few years, jobs equal residents for apartment operators. A year ago at this time, things were beginning to look up with reductions in job losses as well as an increase in applicant traffic. However, in the spring of 2010, non-census job losses began to increase once again and with this came another reduction in applicant traffic, surpassing the decline in early 2009.

Applicant Traffic is Down Compared to 2009

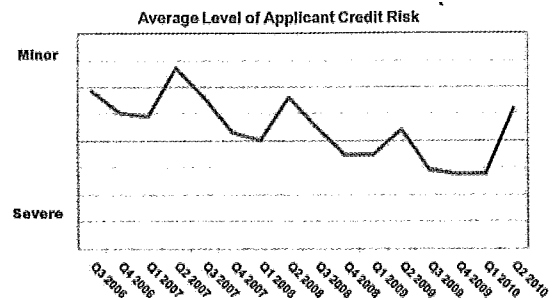
While a recent spike can be seen in the jobs data below, most of this US job growth was due to US Census hiring and was temporary employment. Year to date, applicant traffic has declined almost 5% from 2009 and over 15% compared to the average for the last decade.



Applicant Credit Quality Is Improving

Although national consumer credit scores have fallen over the last two years, the credit quality of those Americans applying for apartments is showing improvement, as demonstrated in the chart below. While there is an annual spike in applicant credit quality during the summer months, this year's increase was substantially larger than any recent

year, resulting in a lower national rejection rate in 2010 compared to 2009.



Looking Ahead

Without substantial growth in US jobs, apartment applicant traffic will continue to linger at or near historic lows. The next few months look to remain at similar levels, although demand will increase over time as people stop taking advantage of other housing options, such as living with family or friends. While applicant credit quality is improving, no increase in quality could offset the significant impact of the decrease in applicant traffic.

Conclusion

It appears that the US road to economic recovery will be rocky. Although recent job growth driven primarily by US Census Bureau employment cultivated optimism that the economy was recovering, it's unlikely that we will see an increase in applicant traffic until permanent jobs are created and unemployment numbers decline.

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