Yardi® Matrix

National Multifamily Report

June 2023

Multifamily Demand Steady, but Rent Growth Slows

- Multifamily rents are rising as demand remains healthy, but growth is slowing in some markets. The average U.S. asking rent rose $7 in June to $1,726, while year-over-year growth fell to 1.8%, down 70 basis points from May and—outside of the pandemic year—the lowest growth rate since 2011.
- Readers of the Matrix monthly report might notice that the Top 30 metros have been refreshed to provide a regionally diverse mix that reflects the highest amount of population and multifamily stock, along with the most growth.
- Single-family rental rates increased $5 in June to $2,103, while year-over-year growth fell 80 basis points to 1.3%. Occupancy rates are holding up, reflecting robust demand as home sales sputter.

The multifamily market can best be described as resilient. Though down from the 2021 peaks, occupancy rates have settled at a solid 95.0%. Likewise, rents are growing within a normal seasonal pattern, albeit well below the post-pandemic boom and even below pre-pandemic trends.

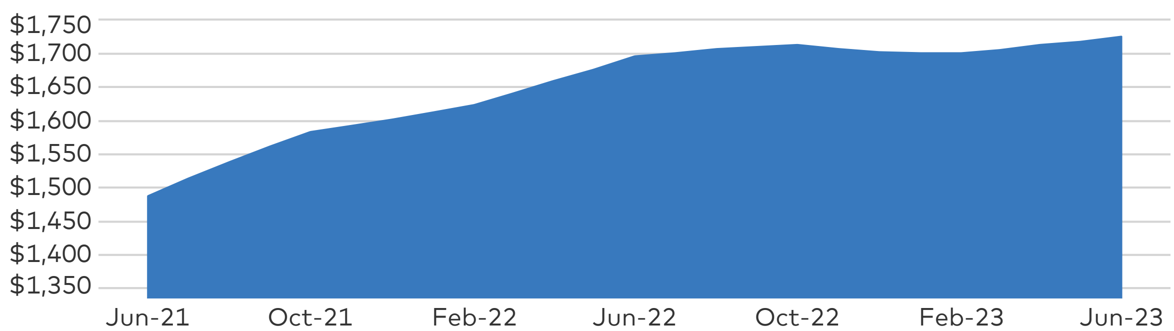
The average U.S. asking rent increased $7 in June to $1,726. Rents were up $20, or 1.2%, in the second quarter, and are up $23, or 1.4%, during the first half of 2023. First-half rent growth averaged more than 6.0% during the last two years, but closer to 2.5% in 2014-19. Demand has remained strong, driven by the job market, which added 1.5 million jobs during the first half of 2023, and weak home sales, which are presenting a challenge to first-time home buyers.

Worries coming into the year about a hard landing for multifamily seem to be unfounded, but the market's ongoing growth is somewhat fragile, given the Federal Reserve's attempt to cool the job market. That effort does not appear to be over, as officials have signaled more rate hikes to come. Thus, the ongoing crisis for properties in need of refinancing is far from over.

Furthermore, a growing number of metros are posting negative growth year-over-year. Nine of our top 30 metros were negative in June, mostly in the Sun Belt and West, where demand has cooled to normal from red-hot as a wave of new supply comes online.

A housekeeping note to longtime readers: We have refreshed the metros highlighted in this report to reflect the largest and geographic diversity. Those added to the top 30 include Columbus, Detroit, New Jersey (Central and Northern), Richmond and San Diego. We removed the Inland Empire, Kansas City, Orange County, Sacramento and San Jose.

National Average Rents



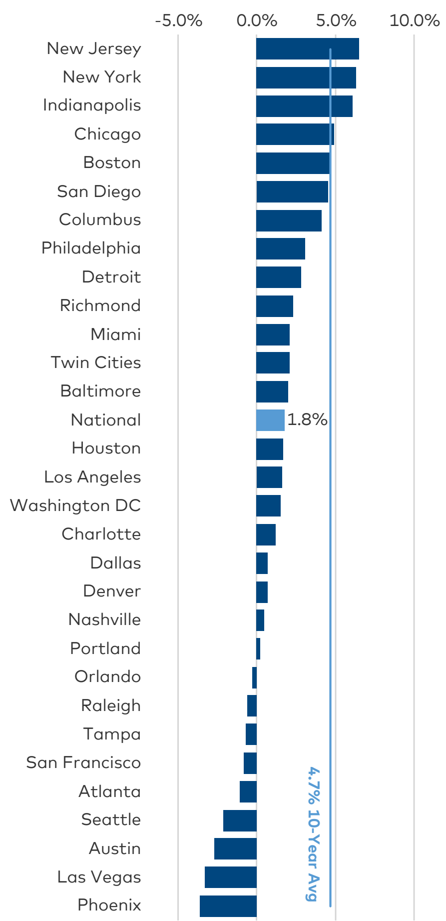
National averages include 136 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by Yardi Matrix.

Year-Over-Year Rent Growth: Modest Gains as Growth Slows

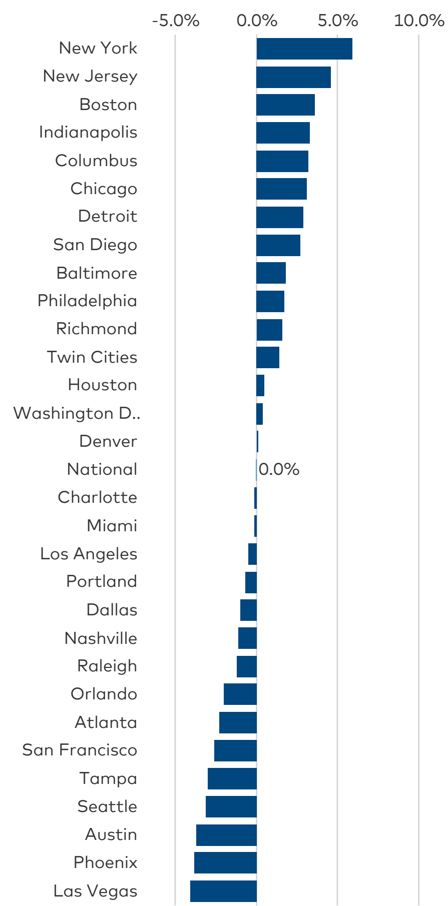
- The national average asking rent rose to $1,726 in June, up $7 from May, while the year-over-year growth rate dropped to 1.8% , down 74 basis points from May and 370 basis points from the beginning of the year. Growth continues to be led by metros in the Northeast and Midwest: New Jersey (6.5% year-over-year), New York (6.3%), Indianapolis (6.1%), Chicago (4.9%) and Boston (4.7%). New Jersey's lead has been fed by New Yorkers fleeing to the suburbs; the growth in its high-wage pharmaceutical, telecommunications and finance industries; as well as an influx of immigration.

- For the fourth consecutive month, the national occupancy rate was 95.0% in June, displaying resiliency despite the ongoing broader economic uncertainty of the past year. On a year-over-year basis, occupancy rates fell in June in all but two Matrix top 30 markets: Chicago (0.2% year-over-year) and New York (0.1%). The largest occupancy decline was in Richmond-Tidewater (-1.7%).

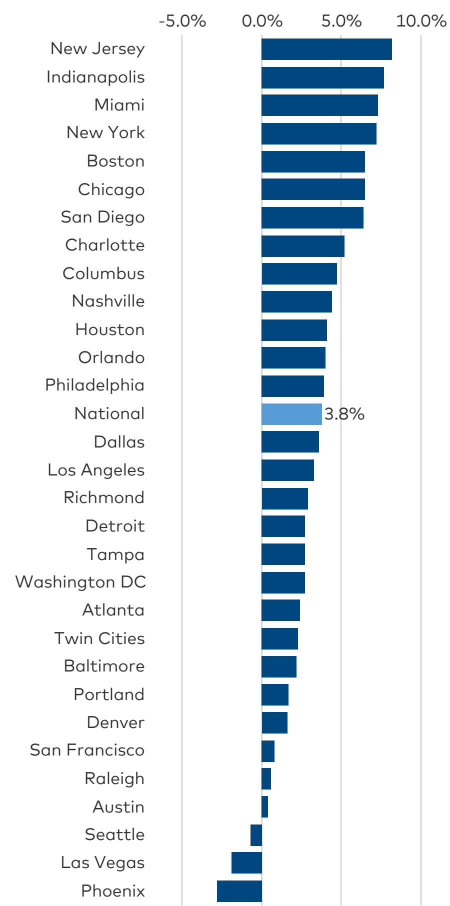
Year-Over-Year Rent Growth— All Asset Classes



Year-Over-Year Rent Growth— Lifestyle Asset Class



Year-Over-Year Rent Growth— Renter-by-Necessity Asset Class



Source: Yardi Matrix

Short-Term Rent Changes: Lifestyle Rents Perform Well in June

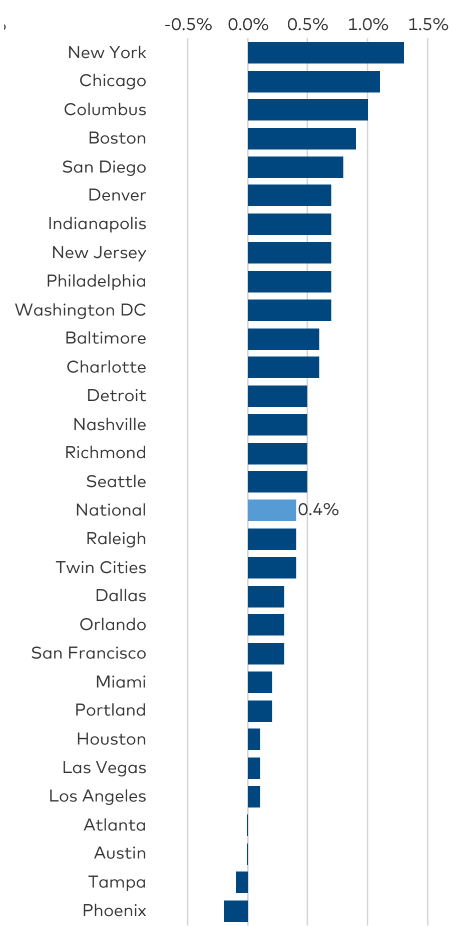
- The average U.S. multifamily asking rent increased by $7, or 0.4%, in June.
- Rents increased 0.4% month-over-month in both the luxury Lifestyle and Renter-by-Necessity (RBN) segments.

Asking rents increased in June, with growth in both the Renter-by-Necessity and Lifestyle segments. Rents increased in 26 of the top 30 Matrix metros in RBN and 25 in Lifestyle. New York (1.3%) led monthly gains in asking rents, with Chicago (1.1%), Columbus (1.0%), Boston (0.9%) and San Diego (0.8%) rounding out the top five.

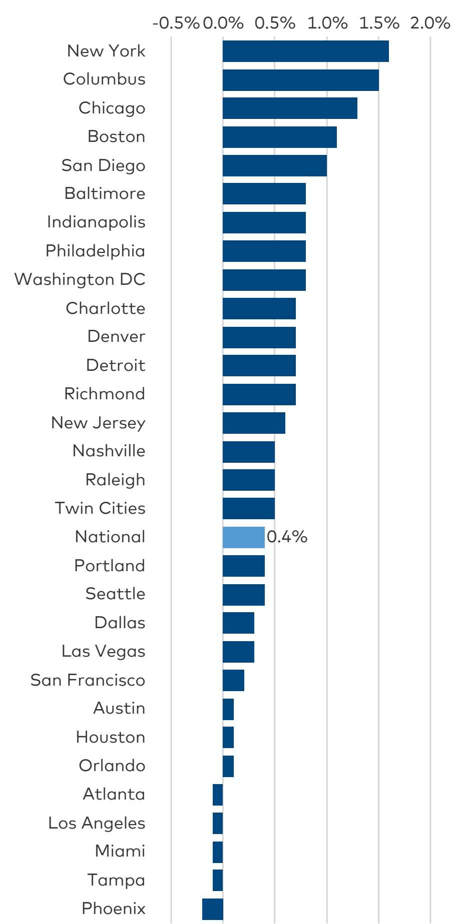
Interestingly, the luxury Lifestyle segment outperformed the RBN segment in several metros last month and has kept pace during the last three months. For example, sequential three-month rent growth in Las Vegas was 0.3% for Lifestyle and -0.1% for RBN.

Lifestyle rents increased by 1.0% or more from May to June in five metros: New York (1.6%), Columbus (1.5%), Chicago (1.3%), Boston (1.1%) and San Diego (1.0%). The upturn in the Lifestyle segment can be attributed in part to the lack of for-sale homes on the market, which is keeping would-be buyers in luxury apartments.

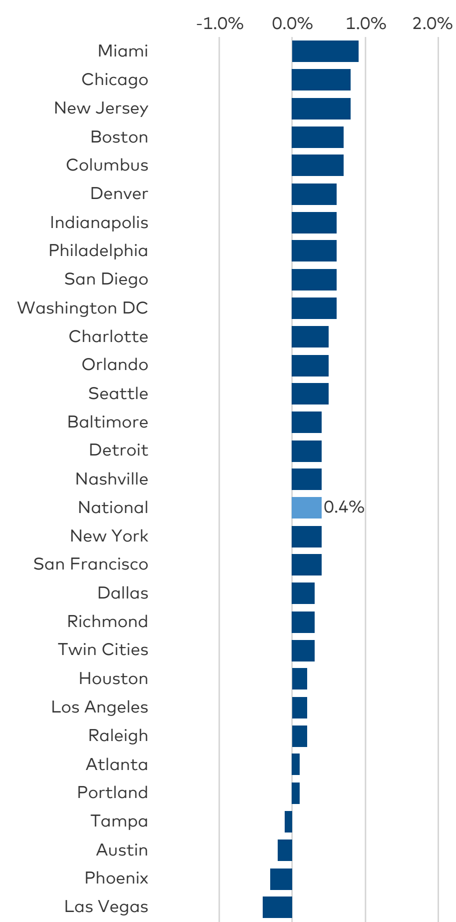
Month-Over-Month Rent Growth—All Asset Classes



Month-Over-Month Rent Growth—Lifestyle Asset Class



Month-Over-Month Rent Growth—Renter-by-Necessity Asset Class



Source: Yardi Matrix

Transacted Rents: Renewal Rates Resist Slowdown

- Renewal rent growth is decelerating but very slowly, reflecting the strength of demand and the large gap between existing residents and asking rents. Renewal rents, the change for residents that are rolling over existing leases, rose 8.5% year-over-year nationally in April, down from 8.6% in March. Renewal rents in April increased the most in the Southeast, led by Miami (13.8%), Orlando (12.2%), Raleigh (11.1%) and Richmond (10.9%). Renewal rents in New York remain high, but dropped to 10.8% in April, down from 16.8% in March. Interestingly, renewal rents remain high in Seattle (10.6%) and Austin (10.1%), metros where asking rent growth has turned negative.

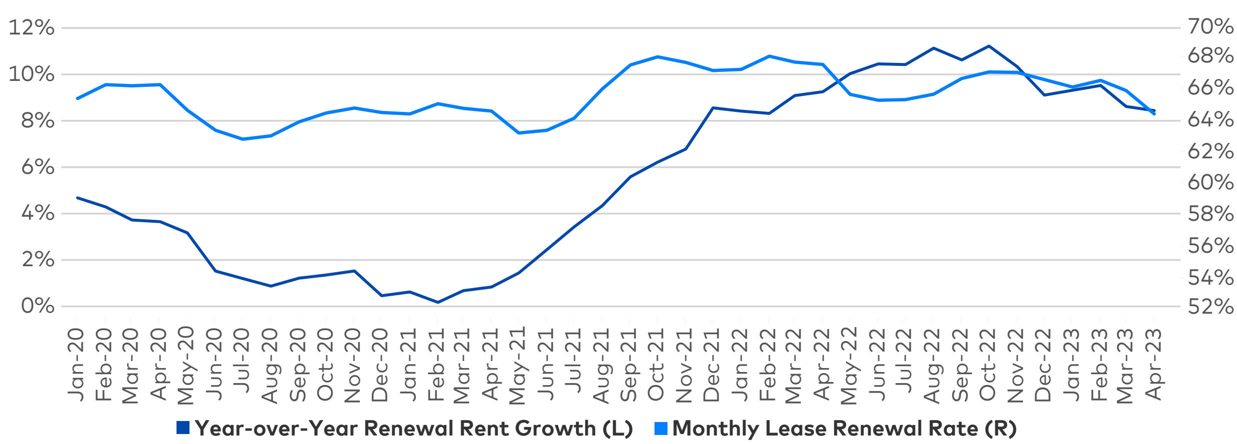
- National lease renewal rates were 64.4% in April, down from 65.9% in March. New Jersey, at 82.3%, had the highest renewal rate, reflecting the lack of available options, as occupancy rates are above 97.0% in both Northern and Central New Jersey.

Market	YoY Renewal Rent Growth	Monthly Lease Renewal Rate
Miami Metro	13.8%	70.7%
Orlando	12.2%	64.1%
Raleigh	11.1%	63.1%
Richmond	10.9%	61.4%
Boston	10.9%	67.9%
Indianapolis	10.9%	66.1%
New York	10.8%	65.6%
Seattle	10.6%	57.5%
Austin	10.1%	61.4%
San Diego	9.9%	59.5%
Nashville	9.8%	59.7%
Atlanta	9.2%	64.3%
Las Vegas	9.0%	62.8%
Columbus	8.9%	67.2%
Tampa	8.9%	62.9%

Market	YoY Renewal Rent Growth	Monthly Lease Renewal Rate
Charlotte	8.8%	62.0%
Dallas–Ft. Worth	8.1%	64.1%
Portland	7.8%	60.8%
New Jersey	7.6%	82.3%
Detroit	7.1%	69.5%
Phoenix	7.1%	58.7%
Chicago	6.9%	65.7%
Denver	6.7%	59.4%
Philadelphia	6.7%	79.7%
Baltimore	6.7%	68.5%
San Francisco	5.5%	51.8%
Houston	4.3%	62.9%
Washington DC	4.1%	58.2%
Twin Cities	3.9%	67.0%
Los Angeles	3.3%	47.0%

Source: Yardi Matrix Expert, data as of April 2023

National Lease Renewals and Renewal Rent Growth



Source: Yardi Matrix Expert

Supply, Demand and Demographics: Borrowers Eschew High-Cost Mortgages

- The cost of debt has jumped significantly since the spring of 2022, when the Federal Reserve started increasing policy rates.
- Lenders, including Fannie Mae and Freddie Mac, have seen mortgage volume plunge as a result of a wide market bid-ask spread.
- More borrowers prefer five-year fixed-rate loans that can be prepaid after three years to provide flexibility when rates are expected to decline.

The increase in interest rates over the last 15 months has changed the mortgage market for multifamily. Borrowers have less appetite for debt, and short-term fixed-rate loans are becoming increasingly popular.

The Federal Reserve has raised policy rates by 5% since the spring of 2022, putting many property owners in a bind as they try to refinance low-rate debt. Bonds issued by multifamily government-sponsored enterprises issued in 2023 carry a weighted average coupon of 6.0%, more than double the 2.9% average in 2021 and much higher than the 3.2% WAC in 2020.

One impact is that properties qualify for less debt than they did when rates were low. The average loan-to-value ratio in 2023 is 58.0%, far below the cycle peak of 69.9% in 2021. Many owners must kick in equity or take out mezzanine financing to pay off maturing debt.

Expensive debt has quashed transaction activity and reduced demand. For the first time in recent memory, Fannie Mae and Freddie Mac won't meet allocations, now at $75 billion. "If rates remain at 6.25% to 6.5%, I don't see us getting to $75 billion—not even close," one GSE executive said at the recent CRE Finance Council annual conference. "Without transaction activity, it's hard to see volume get anywhere near $70 billion." Along those lines, the agencies changed the production mandate for mission-driven affordable and green loans to half of originations as opposed to a specific number of units.

Originated loan terms have shifted toward short terms and fixed rates. Floating-rate coupons start at 8%, and buying rate caps is expensive. But few borrowers want to lock in long-term fixed rates; a growing number of borrowers prefer five-year fixed-rate loans that can be prepaid after three years. Freddie Mac recently issued its first securitization of five-year loans since 2016. Five-year fixed-rate loans are more than a quarter of Freddie originations, after being less than 5% in 2022.

Single-Family Build-to-Rent Segment: High Home Mortgage Rates Boost SFR Demand

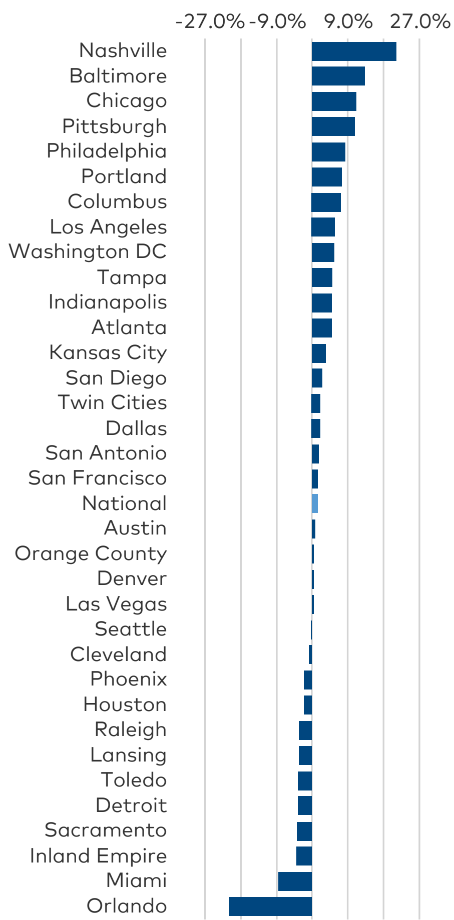
- Nationally, asking rates for single-family rentals increased by $5 to $2,103 in June, while year-over-year growth declined by 80 basis points to 1.3%.
- U.S. occupancy rates averaged 95.9% in June, down 30 basis points from the same month a year ago.

Single-family home prices remain high even as mortgage rates have jumped, straining affordability for first-time buyers. Optimal Blue's 30-year FHA fixed-mortgage rate index was at 6.6% in late June, roughly double 2020-21 levels.

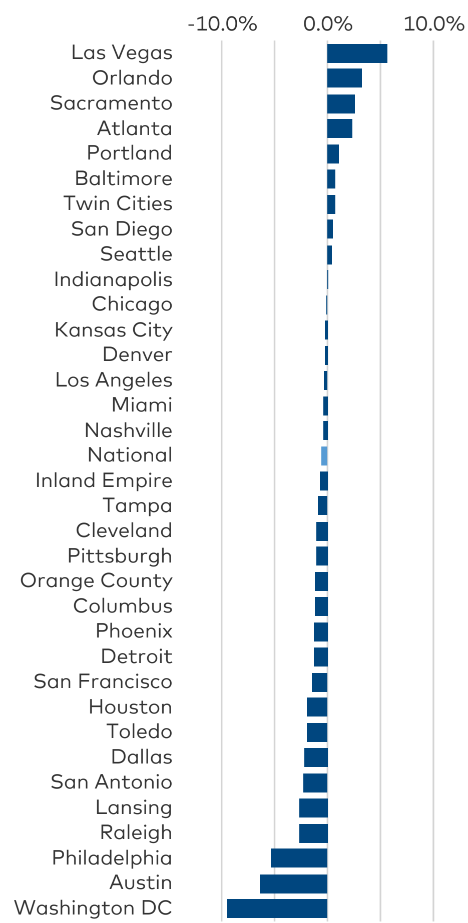
Higher mortgage costs have pushed the differential between renting and owning to more than $1,000 per month, according to John Burns Real Estate Consulting. The number of homes for sale dropped during the pandemic and has remained low during the recovery period, as homeowners that locked in low-interest-rate mortgages are reluctant to sell and give up that cheap financing. Only 582,000 homes were available for sale in May, half of pre-pandemic levels, according to Realtor.com.

Note: Yardi Matrix covers single-family built-to-rent communities of 50 homes and larger.

Year-Over-Year Rent Growth—Single-Family Rentals



Year-Over-Year Occupancy Change—Single-Family Rentals



Source: Yardi Matrix

Multifamily Rent-to-Income Ratios
As of April 2023

Market	All Units	Lifestyle Units	Renter-by-Necessity Units
New York	36.5%	31.2%	44.6%
San Diego	35.0%	32.3%	38.6%
Washington DC	34.2%	30.2%	37.4%
Los Angeles	32.4%	29.9%	34.3%
San Francisco	32.4%	29.7%	35.0%
Tampa	31.7%	30.7%	33.2%
Baltimore	31.7%	29.5%	33.0%
Orlando	31.7%	30.3%	34.0%
Richmond	31.3%	29.4%	32.7%
Nashville	31.2%	30.6%	32.0%
C New Jersey	30.0%	35.9%	27.2%
Atlanta	29.8%	29.2%	31.2%
Phoenix	29.8%	27.9%	32.5%
Denver	29.6%	27.7%	32.7%
Portland	29.5%	28.1%	31.8%
Chicago	29.3%	26.4%	31.2%
N New Jersey	29.1%	26.3%	38.3%
Charlotte	28.8%	26.8%	33.9%
Philadelphia	28.8%	26.9%	30.1%
Las Vegas	28.6%	27.4%	31.4%
Seattle	28.6%	26.4%	32.4%
Houston	28.0%	26.2%	30.4%
Raleigh	28.0%	27.2%	30.3%
Twin Cities	27.4%	24.9%	30.4%
Dallas	27.1%	26.1%	29.4%
Boston	26.8%	25.7%	30.1%
Detroit	26.6%	24.3%	26.9%
Miami	26.3%	24.6%	30.2%
Austin	26.2%	25.6%	27.6%
Indianapolis	26.1%	25.0%	27.1%

Rent-to-Income ratios sorted by all units, highest to lowest. Source: Yardi Systems Screening Data
The Yardi Matrix data service covers rent-to-income ratios monthly back to January 2019 for 112 markets broken out by property type

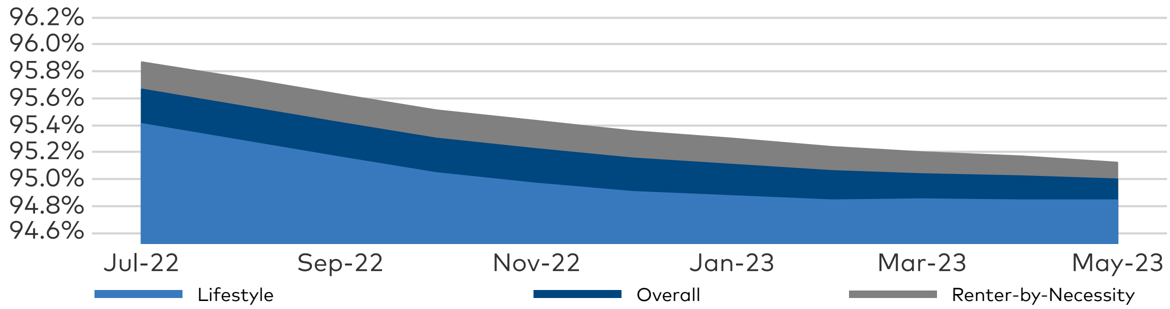
Employment and Supply Trends; Forecast Rent Growth

Market	YoY Rent Growth as of Jun - 23	Forecast Rent Growth as of 6/1/23 for YE 2023	YoY Job Growth (6-mo. moving avg.) as of Apr - 23	Completions as % of Total Stock as of Jun - 23
New Jersey	6.5%	3.2%	3.5%	2.3%
New York	6.3%	3.5%	3.7%	0.8%
Indianapolis	6.1%	3.8%	3.4%	0.6%
Chicago	4.9%	3.3%	2.2%	1.2%
Boston	4.7%	3.4%	2.5%	2.3%
San Diego	4.5%	3.0%	3.6%	0.9%
Columbus	4.1%	3.5%	1.1%	1.4%
Philadelphia	3.1%	2.5%	3.1%	0.9%
Detroit	2.8%	2.9%	1.3%	0.8%
Richmond	2.3%	2.8%	2.2%	1.7%
Twin Cities	2.1%	2.5%	1.8%	3.2%
Miami Metro	2.1%	2.0%	3.5%	3.6%
Baltimore	2.0%	1.5%	1.2%	0.6%
Houston	1.7%	2.1%	4.4%	1.8%
Los Angeles	1.6%	1.2%	2.5%	1.8%
Washington DC	1.5%	2.2%	2.0%	1.9%
Charlotte	1.2%	1.5%	3.3%	3.2%
Denver	0.7%	2.9%	1.2%	2.5%
Dallas	0.7%	1.1%	5.2%	1.8%
Nashville	0.5%	2.2%	4.9%	3.8%
Portland	0.2%	1.2%	3.2%	2.3%
Orlando	-0.3%	1.2%	4.9%	2.2%
Raleigh	-0.6%	2.6%	3.7%	3.2%
Tampa	-0.7%	1.9%	4.5%	3.3%
San Francisco	-0.8%	1.4%	2.8%	2.0%
Atlanta	-1.1%	0.4%	3.3%	2.3%
Seattle	-2.1%	0.7%	3.8%	2.9%
Austin	-2.7%	1.2%	5.4%	5.3%
Las Vegas	-3.3%	0.8%	5.5%	1.6%
Phoenix	-3.6%	0.3%	2.7%	3.2%

Source: Yardi Matrix

Occupancy & Asset Classes

Occupancy—All Asset Classes by Month



Source: Yardi Matrix

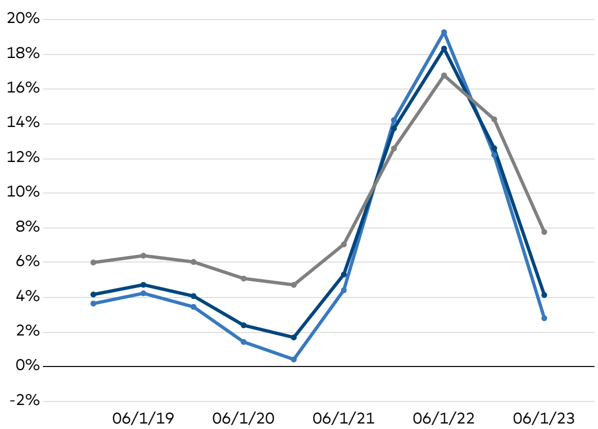
Year-Over-Year Rent Growth, Other Markets

Market	June 2023		
	Overall	Lifestyle	Renter-by-Necessity
Albuquerque	6.4%	3.9%	8.0%
El Paso	6.4%	7.5%	6.0%
Northern New Jersey	6.1%	4.6%	7.9%
Bridgeport–New Haven	6.0%	4.6%	6.9%
Central East Texas	5.6%	2.8%	7.1%
Louisville	4.9%	1.1%	6.9%
St. Louis	4.8%	3.7%	5.3%
Long Island	2.5%	1.9%	2.7%
San Fernando Valley	2.3%	0.8%	3.1%
Central Valley	2.1%	-1.7%	3.2%
NC Triad	1.7%	-0.1%	4.6%
Tucson	1.5%	-0.1%	2.1%
SW Florida Coast	1.2%	-0.7%	5.8%
Tacoma	-0.1%	-1.1%	0.7%
Colorado Springs	-0.3%	-0.5%	-0.4%
Salt Lake City	-0.4%	-2.3%	1.2%
Jacksonville	-0.6%	-3.3%	4.4%
Reno	-2.5%	-4.2%	-1.3%

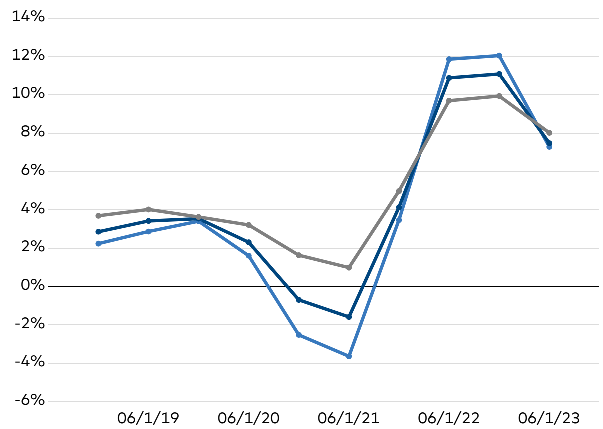
Source: Yardi Matrix

Market Rent Growth by Asset Class

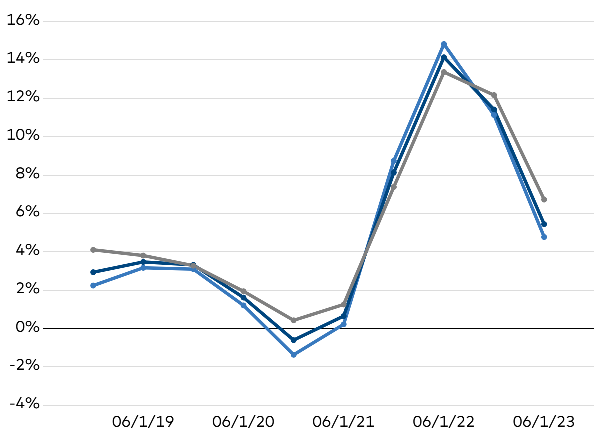
Atlanta



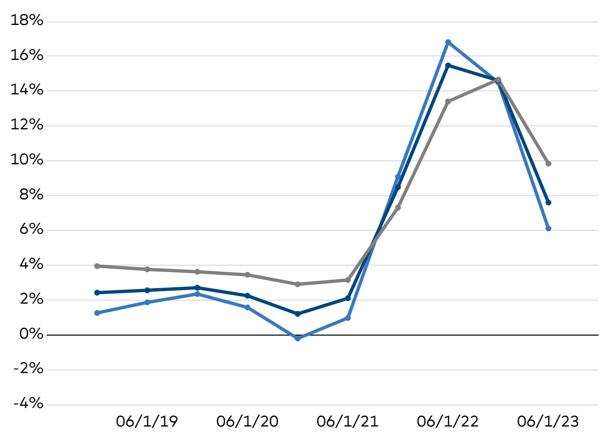
Boston



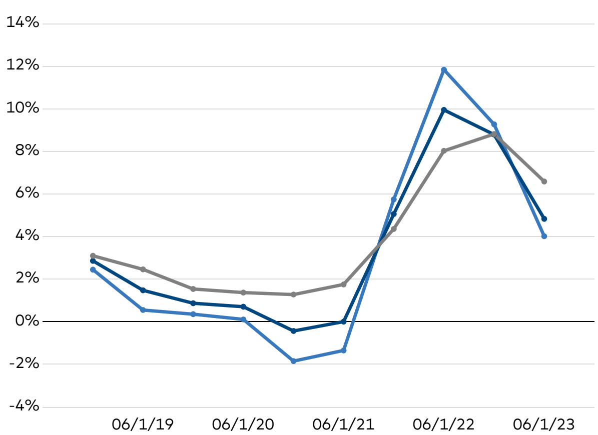
Dallas



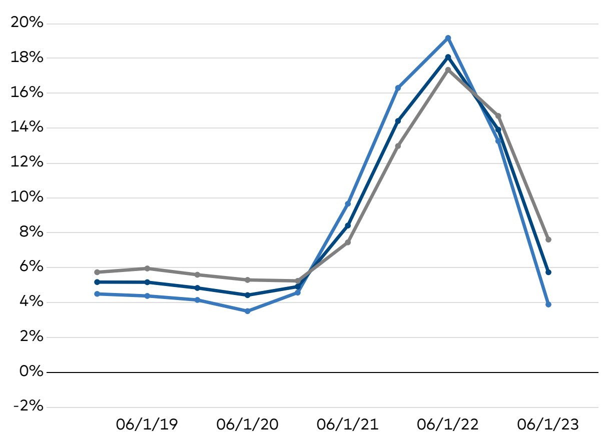
Denver



Houston



Inland Empire

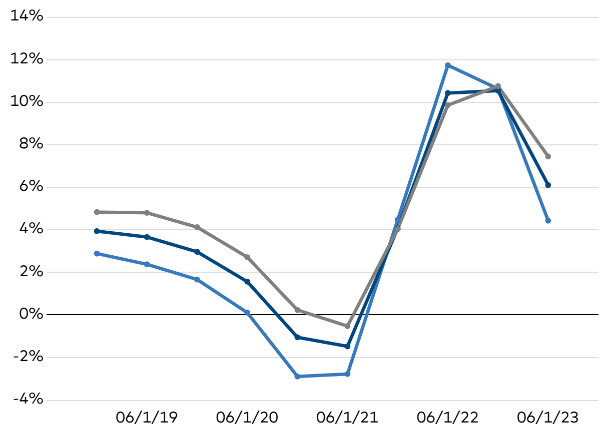


Trailing 12 Months Overall Trailing 12 Months Lifestyle Trailing 12 Months Renter-by-Necessity

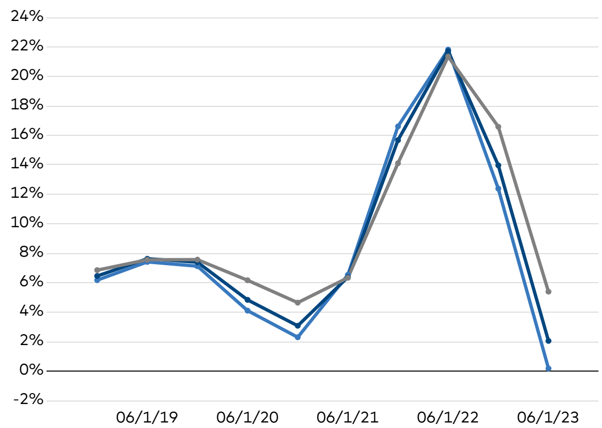
Source: Yardi Matrix

Market Rent Growth by Asset Class

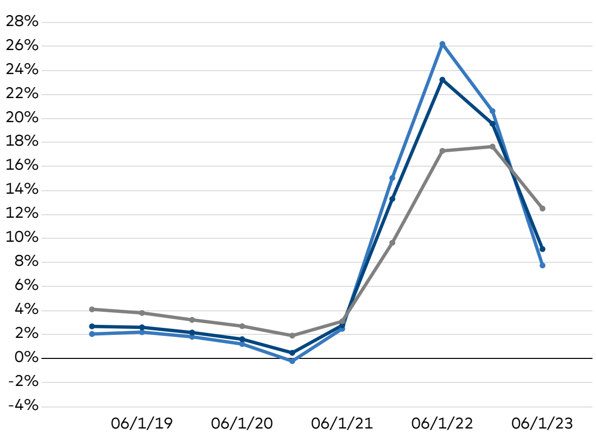
Las Vegas



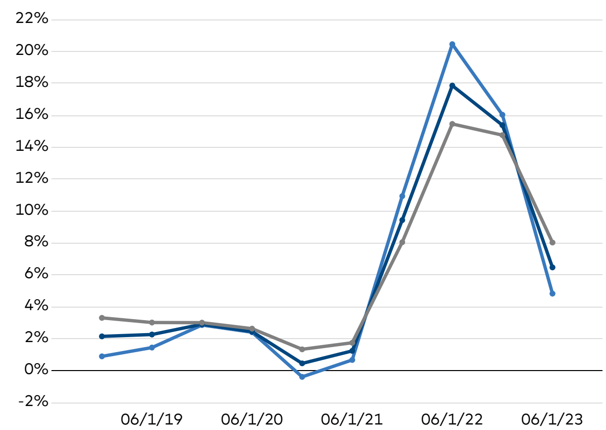
Los Angeles



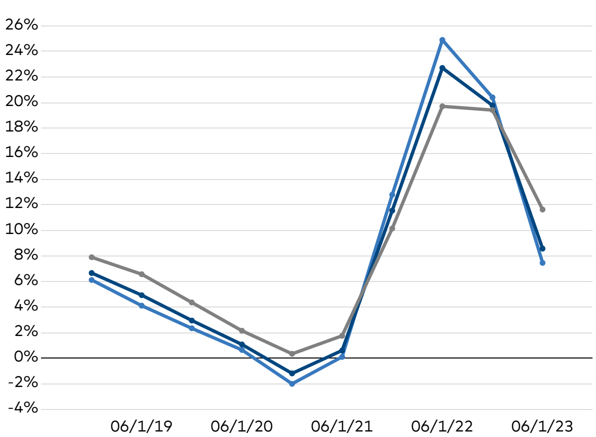
Miami



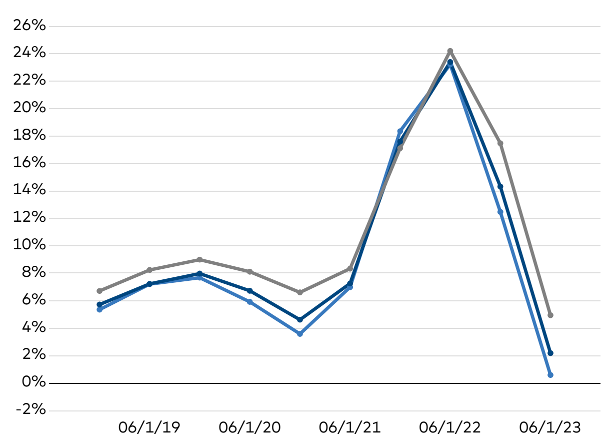
Orange County



Orlando



Phoenix

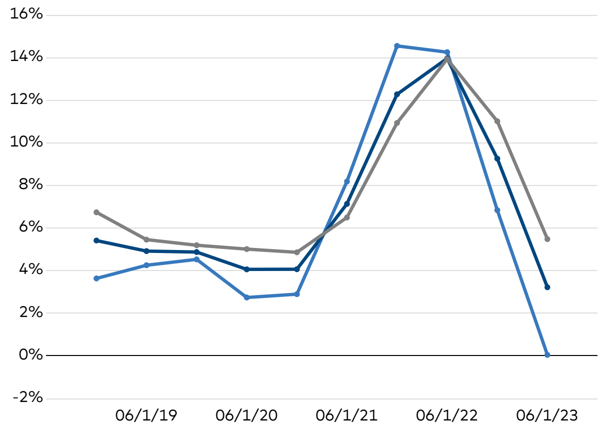


Trailing 12 Months Overall   Trailing 12 Months Lifestyle   Trailing 12 Months Renter-by-Necessity

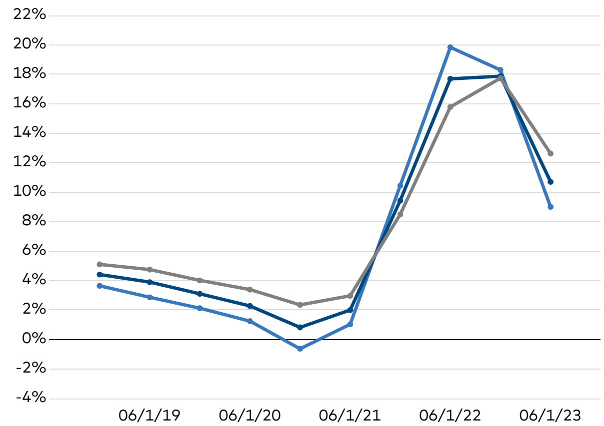
Source: Yardi Matrix

Market Rent Growth by Asset Class

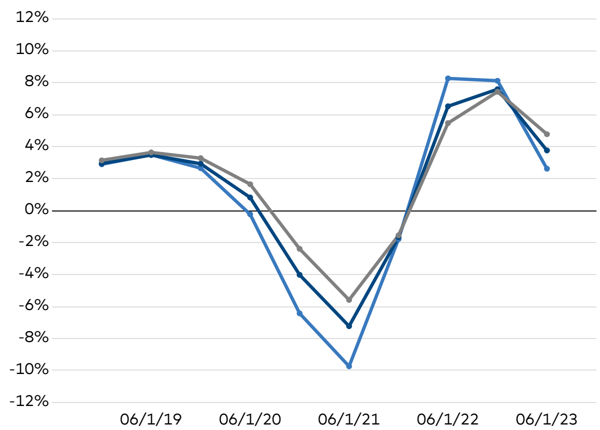
Sacramento



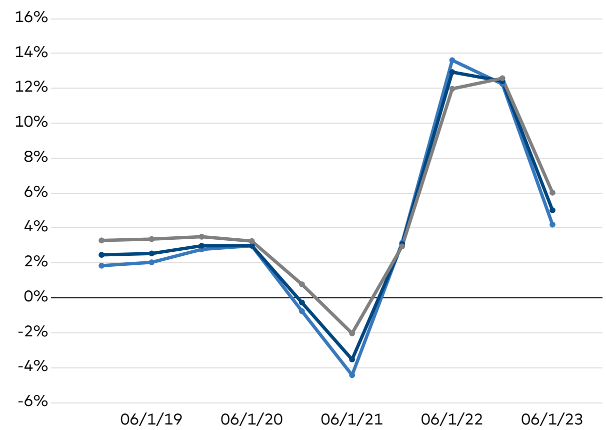
San Diego



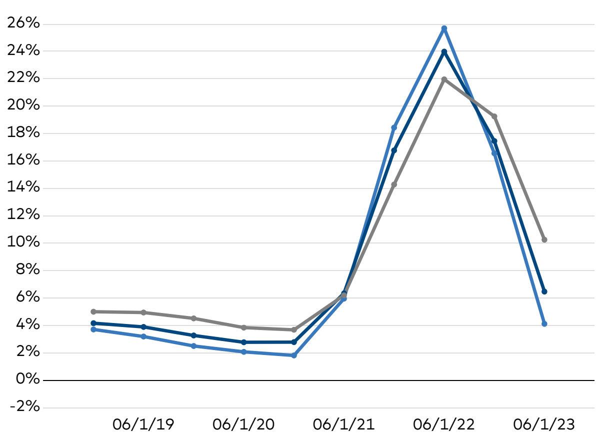
San Francisco



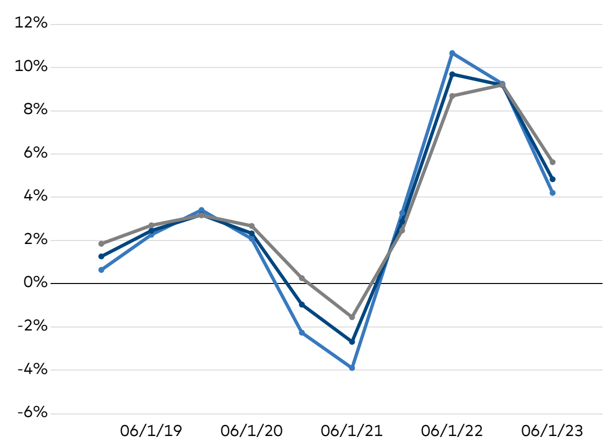
Seattle



Tampa



Washington, D.C.



Trailing 12 Months Overall — Trailing 12 Months Lifestyle — Trailing 12 Months Renter-by-Necessity

Source: Yardi Matrix

Definitions

Reported Market Sets:

National multifamily rent and occupancy values derived from all 136 markets with years of tracked data that makes a consistent basket of data.

Market: Generally corresponds to a Standard Metropolitan Statistical Area (SMSA), as defined by the United States Bureau of Statistics, though large SMSA are split into 2 or more markets.

Metro: One or more Matrix markets representing an economic area. Shown with combined Matrix markets when necessary, and do not necessarily fully overlap an SMSA.

Average Market Rent: Average rent rolled up from the unit mix level to metro area level and weighted by number of units. Rent data is stabilized, meaning rent values for properties are only included 12 months after the properties' completion date.

Rent Growth, Year-Over-Year: Year-over-year change in average market rents, as calculated by same month.

Forecasted Rent Growth: Year-over-year change in average forecasted market rents, as calculated by same month.

Renewal Lease Rent Per Unit: Monthly rent per unit for renewal leases.

Renewal Lease Rent Change Percent: Percentage of monthly rent change between renewals and their corresponding previous leases for the same resident. Only includes renewal leases where the lease term length is no more than 3 months longer or shorter than the previous lease.

Expiring Lease Renewal Percent: Percentage of expiring leases for which residents have renewed. Excludes leases from which the tenant moved out prior to the month of the expiration.

Rent-to-Income Ratio: Rent is the monthly rent as stated, no fees or utilities. Income is as stated on applications.

Occupancy Rates: Ratio of occupied unit count and total unit count, as provided by phone surveys and postal records. Excludes exception properties: closed by disaster/renovation, affordable and other relevant characteristics.

Completions as % of Total Stock: Ratio of number of units completed in past 12 months and total number of completed units.

Employment Totals: Total employment figures and categories provided by the Bureau of Labor Statistics, seasonally adjusted.

Single-Family Rental: A property where 50% or more of the units are either stand-alone buildings OR have direct access garages with no neighbors above or below the unit.

Ratings:

Lifestyle/Renters by Choice

- Discretionary—has sufficient wealth to own but choose rent

Renters by Necessity

- High Mid-Range—has substantial income but insufficient wealth to acquire home/condo
- Low Mid-Range—Office workers, police officers, technical workers, teachers, etc
- Workforce—blue-collar households, which may barely meet rent demands and likely pay distortional share of income toward rent

Market Position	Improvement Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.

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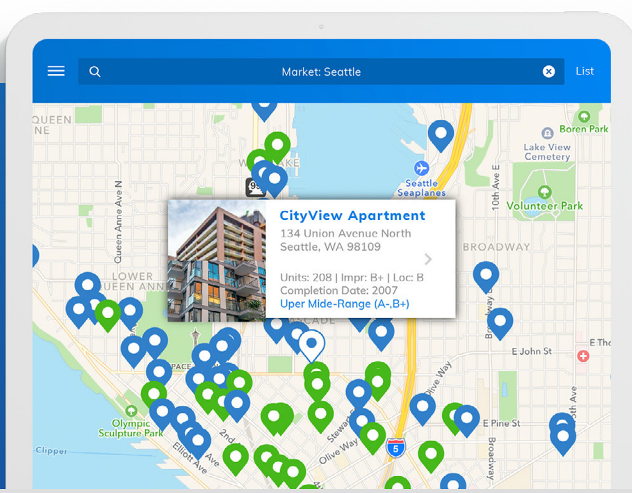
- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



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