Yardi® Matrix

National Multifamily Report

November 2022

After Record Run-Up, Multifamily Rents Skid in November

- Facing a variety of economic headwinds and deteriorating demand, multifamily rents finally turned negative in November. U.S. asking rents fell $9 during the month to $1,719, while year-over-year growth dropped to 7.0%, the lowest level in 17 months.

- All of Yardi Matrix's top 30 metros continue to display positive rent growth year-over-year, though more recent performance shows some weakness. Almost two-thirds of the top 30 had negative growth over the last three months and more than 90% had negative growth over the last month.

- The single-family rental market is following the same pattern. The average U.S. asking rent dropped $5 in November to $2,091, while the year-over-year increase fell by 80 basis points to 5.9%.
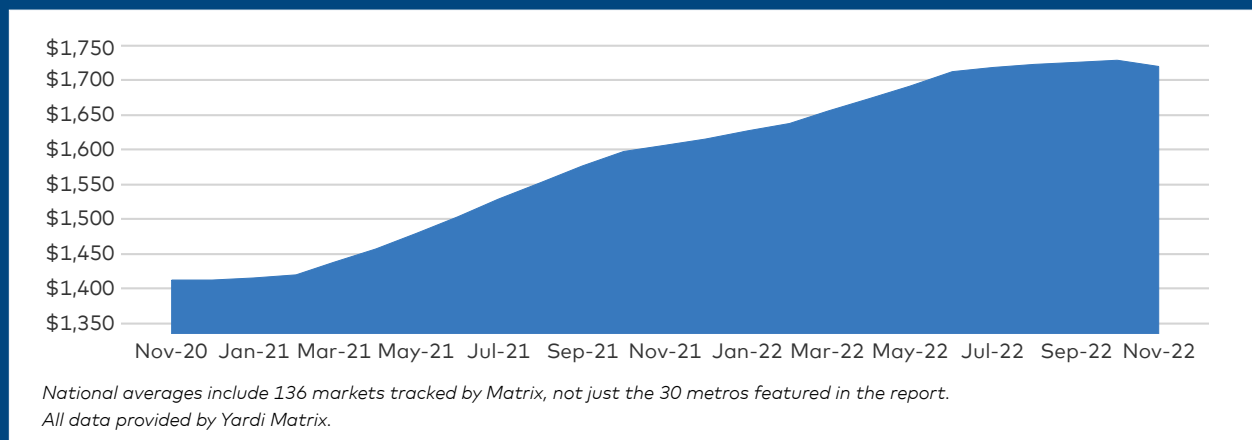
With the economy softening, demand for units slowing and rising interest rates creating headwinds for housing, multifamily asking rent growth finally took a turn downward in November. The average U.S. multifamily rent fell $9 to $1,719 in November, the largest one-month decline in rents in well over a decade.

The deterioration in rents was not unexpected nor is it necessarily a sign of a deep recession. Rent increases have far exceeded normal growth patterns for nearly two years. Average asking rents increased by 22% nationally between January 2021 and October 2022, a rate that would be unsustainable under optimal conditions. Now, however, the decades-high inflation rate has left household balance sheets in a weaker position than a year ago, while economic growth is slowing as the Federal Reserve raises interest rates.

Demand for multifamily is waning in line with the weaker consumer sentiment. Absorption of apartments has been positive in 2022, but well below 2021 levels that were boosted by strong job growth and household savings coming out of the pandemic. More than $2 trillion of excess savings helped households maintain strong consumer spending, but those funds are dwindling and may eventually run out. A new survey by the National Association for Business Economics found that a majority of economists place a more than 50% probability that a recession will occur in 2023.

Still, the slowdown is in line with Yardi Matrix's forecasts going into the year. Average U.S. rents are up 6.4% year-to-date, and the national occupancy rate, while slipping in recent months, remains a solid 95.6%. And while rent growth has turned negative in many metros over recent months, every one of Matrix's top 30 metros maintains positive year-over-year growth.

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:
Indianapolis Takes Over as Top Rent Growth Metro

■ National asking rent growth fell to 7.0% year-over-year, with Indianapolis (11.4%) taking over the top spot among Yardi Matrix's top 30 metros. To illustrate how much the market has decelerated, the growth in Indianapolis would barely have ranked it in the top 20 metros just a few months ago. Indianapolis, still among the least expensive of the major metros, is one of a handful where rents have continued to increase. The average asking rent rose $4 in November to $1,224, which is nearly 30% below the $1,719 national average.

■ The weakening of demand can be seen in declining occupancy rates. Nationally, the average occupancy rate for stabilized properties was 95.6% in October, down 60 basis points year-over-year. However, the occupancy rate has fallen by 1.0% or more over the last year in nearly half of the top 30 metros, with the biggest declines in Las Vegas (-2.5% to 93.6%), Tampa (-1.9% to 94.8%) and Phoenix (-1.9% to 94.1%).
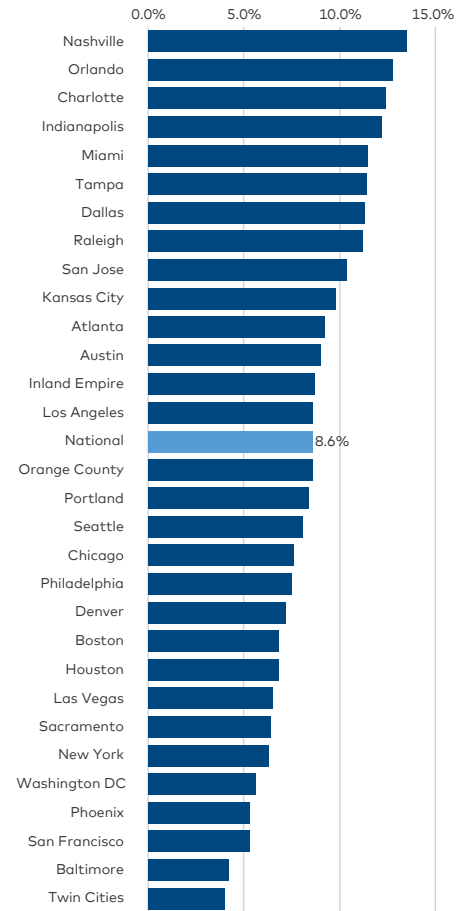
Year-Over-Year Rent Growth— All Asset Classes
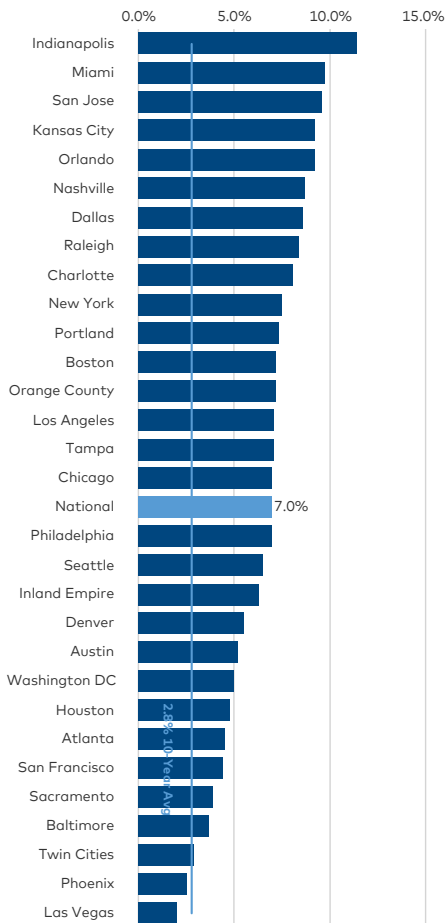
Year-Over-Year Rent Growth— Lifestyle Asset Class
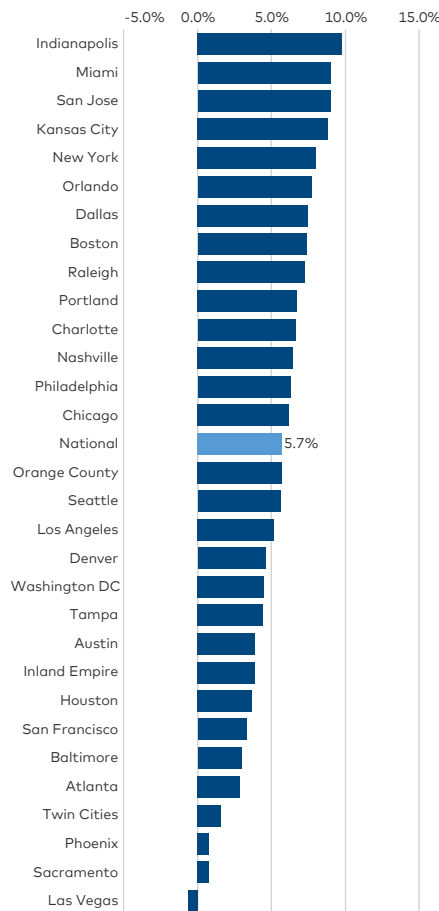
Year-Over-Year Rent Growth— Renter-by-Necessity Asset Class

Source: Yardi Matrix

# Short-Term Rent Changes:
Asking Rates Drop Sharply in November

- The average U.S. multifamily asking rent fell $9, or 0.5%, in November.

- The decline in rents was concentrated in the high-end Lifestyle segment, which recorded a drop of 0.8%. Renter-by-Necessity rents fell by 0.2% in November.

After several months of deceleration, the expected pullback in rents started in November. The 0.5% decline is the biggest monthly drop in rents since the global financial crisis. Some of the weakness can be attributed to normal seasonal factors, since rents tend to flatten in the winter, when fewer people move. However, the market clearly is feeling the effects of high inflation that has caused consumer sentiment to drop and led to less demand for housing.

New York (0.4%) and Indianapolis (0.3%) were the only two metros to record a monthly gain in asking rents in November. Meanwhile, 26 metros recorded monthly declines, the lowest being Boston (-1.3%) and Las Vegas (-1.2%). Austin (-0.8%) and Atlanta and Denver (both -0.9%) are among the high in-migration markets that are starting to show signs of weakness due to a combination of slowing demand and rapid supply growth.
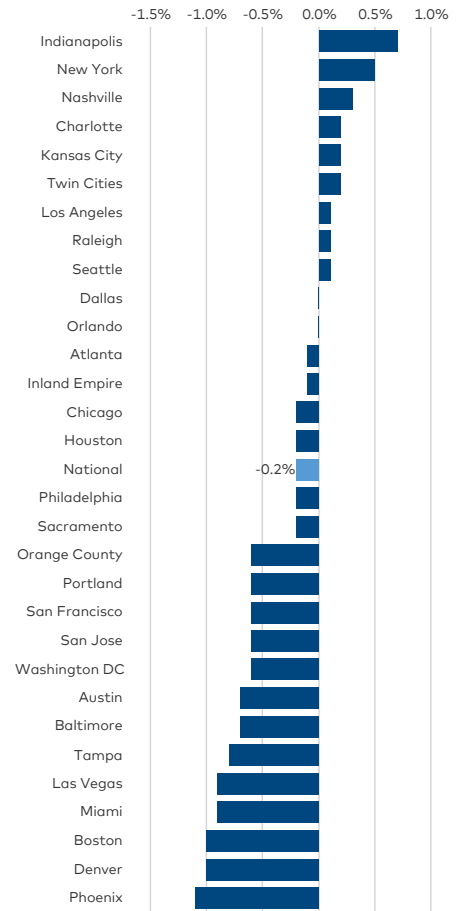
Month-Over-Month Rent Growth—All Asset Classes
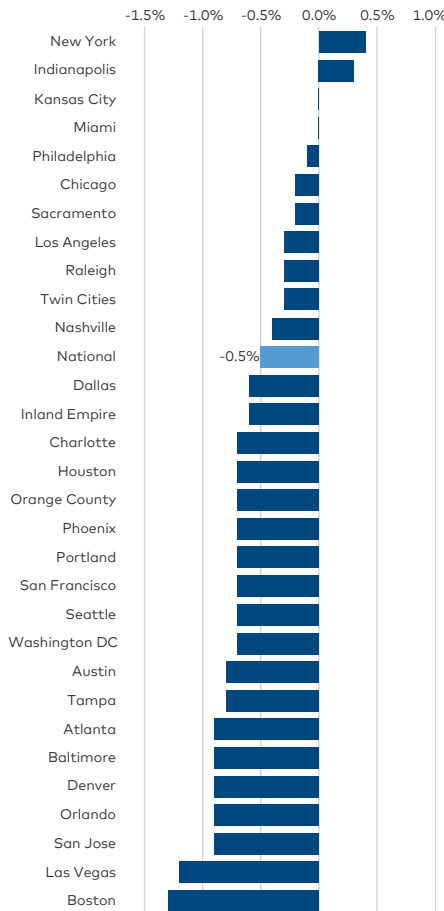
Month-Over-Month Rent Growth—Lifestyle Asset Class
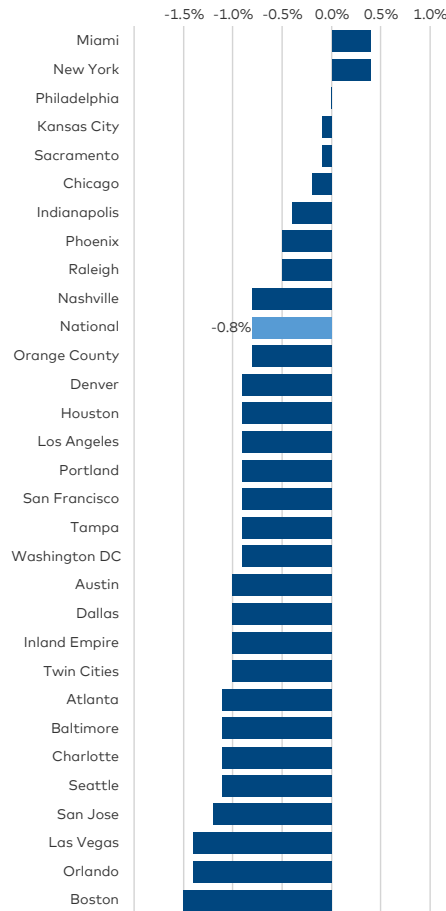
Month-Over-Month Rent Growth—Renter-by-Necessity Asset Class

Source: Yardi Matrix

Transacted Rents:
Operators Focus Rent Growth on Renewals

■ National renewal rents continue to show strength, increasing 11.1% year-over-year through September, up slightly from August, as property owners were still in the process of bringing rents of existing tenants closer to asking rates. However, as asking rates for new tenants have turned negative, the growth in renewal rents will certainly slow in coming months, as well. Renewal rents remain highest in Miami (20.5%), Tampa (19.3%), Raleigh (18.0%) and Orlando (16.2%), markets in which asking rents rose dramatically over the last two years but now are decelerating.

■ National lease renewals were 63.8% in September, and they continue to drop from the peak of 68.2% in the fourth quarter of 2021. Metros with the highest lease renewal rates include Philadelphia (76.3%), Kansas City (69.7%), Miami (66.5%) and Indianapolis (64.7%), while San Francisco (47.3%) and San Jose (49.3%) are among the lowest.

Market	YoY Renewal Rent Growth	Monthly Lease Renewal Rate
Miami Metro	20.5%	66.5%
Tampa	19.3%	63.2%
Raleigh	18.0%	65.9%
Orlando	16.2%	65.6%
Charlotte	15.3%	59.8%
Austin	15.2%	58.9%
Phoenix	15.1%	62.8%
Las Vegas	15.0%	64.6%
Nashville	14.3%	57.3%
Dallas–Ft. Worth	13.9%	61.6%
Atlanta	12.1%	64.4%
Boston	11.5%	63.5%
Denver	10.5%	58.4%
Kansas City	10.5%	69.7%
New York	10.4%	69.3%

Market	YoY Renewal Rent Growth	Monthly Lease Renewal Rate
Sacramento	10.2%	59.3%
Indianapolis	9.7%	64.7%
Baltimore	9.7%	70.3%
Inland Empire	9.6%	55.9%
Orange County	9.2%	63.6%
Portland	9.1%	58.9%
Philadelphia	8.6%	76.3%
Washington DC	7.5%	58.2%
Chicago	7.2%	64.1%
Seattle	7.0%	55.1%
Twin Cities	7.0%	60.5%
Houston	6.7%	62.7%
Los Angeles	6.6%	46.4%
San Jose	5.7%	49.3%
San Francisco	3.7%	47.3%

Source: Yardi Matrix Expert, data as of October 2022

National Lease Renewals and Renewal Rent Growth

Source: Yardi Matrix Expert

Supply, Demand and Demographics:
Rising Rates Cut Into GSE Activity

- With higher interest rates eating into deal flow, government-sponsored enterprises Fannie Mae and Freddie Mac are unlikely to lend their total $78 billion allocations in 2022.

- Higher rates have led to waning demand for refinancings and new property sales.

- The FHFA reduced the GSEs' 2023 allocation slightly due to expectations of a continued slowdown.

A sign of the depth of the slowdown in transaction activity is that government-sponsored enterprises Fannie Mae and Freddie Mac may not lend all the capital allocated to them by the federal government.

Through the end of October, Fannie and Freddie were nowhere near the $78 billion allocations they were granted by the Federal Housing Finance Agency (FHFA). Fannie originated $54.7 billion and Freddie $51.2 billion in the first 10 months of the year, according to the agencies' public filings. There seems to be little chance that the agencies will meet their lending capacity, lending around $70 billion by year-end.

The GSEs have seemingly had unlimited capacity in recent years given the strong demand for multifamily debt and increasing property values. However, market conditions changed rapidly this year as rates increased and economic prospects grew more uncertain.

The main cause is tepid borrower demand. GSE mortgage rates started the year in the 3% range, even less on some high-quality, low-leverage loans. But now GSE loan coupons generally are in the 5.5% to 6.5% range, and higher for small-balance loans. Unless a borrower is desperately in need of financing, most are inclined to wait.

Another issue is that property sales, a big source of originations, have come to a screeching halt as the bid-ask spread has widened. Buyers that factor the higher cost of capital and want to avoid negative leverage are seeking increased yields, and sellers are resisting unless they are committed to making a deal. Meanwhile, the GSEs themselves may be content not to bid aggressively, given the uncertainty about the direction of multifamily rents and the larger economy. The recent pullback raises questions about how the GSEs can fulfill their mission in affordable housing. The FHFA requires that half of GSE loans be backed by properties with an affordable component.

The GSEs' mission includes being a source of liquidity when other lenders are inactive, so Fannie, Freddie and HUD will not abandon the market even as they are being careful about extending credit. In a bow to market realities, the FHFA recently cut the GSEs' 2023 allocation to $75 billion, $3 billion less than 2022. Interest rates are likely to remain elevated through 2023, and demand for mortgages is not expected to recover quickly.

# Single-Family Build-to-Rent Segment: SFR Rents, Occupancy Decelerating

■ National asking rates for single-family rentals increased 5.9% year-over-year in November, a decrease of 85 basis points from October year-over-year.

■ U.S. occupancy rates decreased 1.4% year-over-year through October, remaining strong at 95.9%.

The average national asking rate for SFRs dipped slightly to $2,091 in November. Despite the deceleration, 10 metros led by Sacramento and Washington, D.C., recorded asking rate gains of at least 10% during the month.

Rising interest rates continue to be a big story in the SFR segment, as the drop in home sales impacts when and where people move. For example, fewer SFR tenants can afford to buy a home. According to John Burns Real Estate Consulting, SFR operators report that the percentage of tenants that move out to buy a home has dropped over the last few years. In the third quarter of 2022, 17% of SFR tenants moved out to buy a house, compared to 23% in 3Q 2021 and 26% in 3Q 2020, according to Burns.

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

Year-Over-Year Rent Growth—Single-Family Rentals
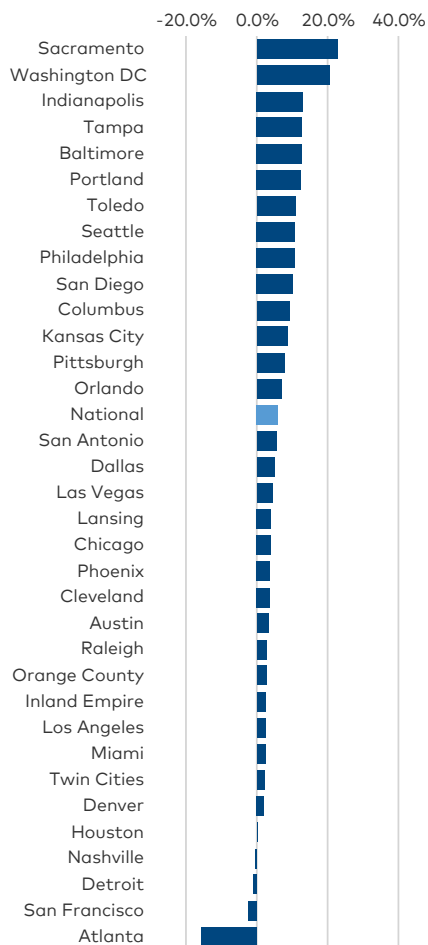
Year-Over-Year Occupancy Change—Single-Family Rentals
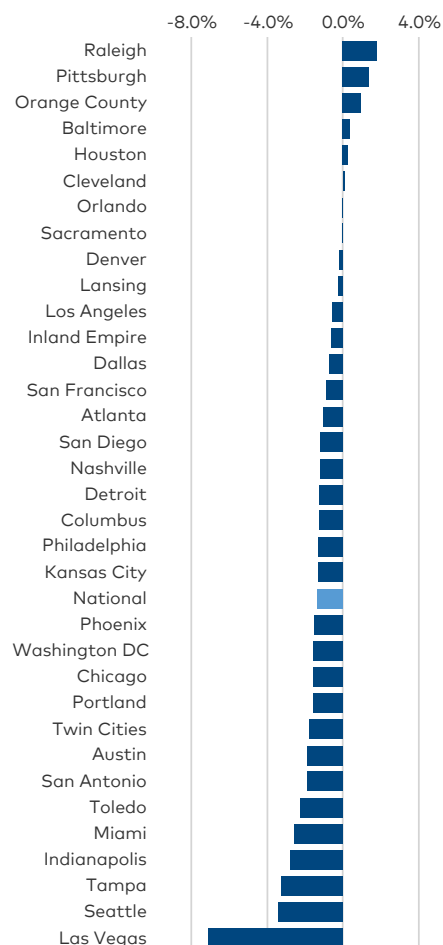
Source: Yardi Matrix

Multifamily Rent-to-Income Ratios
as of September 2022

Market	All Units	Lifestyle Units	Renter-by-Necessity Units
Orange County	34.0%	30.8%	37.3%
Orlando	32.8%	31.9%	33.8%
Los Angeles	31.9%	27.8%	36.1%
Boston	31.6%	31.7%	28.0%
Inland Empire	31.6%	29.8%	33.3%
New York	31.5%	27.2%	35.3%
Miami	31.1%	29.8%	35.0%
Las Vegas	30.8%	28.6%	36.2%
Nashville	29.5%	26.1%	31.9%
Austin	29.0%	30.1%	26.6%
Portland	28.9%	27.6%	31.5%
Philadelphia	28.9%	26.9%	30.2%
Phoenix	28.8%	27.2%	30.7%
Seattle	28.8%	24.9%	29.7%
San Jose	28.4%	24.6%	31.0%
Washington DC	28.4%	25.8%	30.8%
Twin Cities	28.2%	26.0%	29.4%
Sacramento	28.1%	26.1%	30.7%
Raleigh	27.8%	26.8%	30.2%
Houston	26.5%	24.9%	28.8%
Indianapolis	26.2%	24.5%	27.4%
Tampa	26.1%	20.8%	30.9%
San Francisco	25.9%	23.4%	30.0%
Charlotte	25.7%	31.6%	28.5%
Baltimore	25.1%	35.3%	33.6%
Kansas City	24.6%	23.0%	25.7%
Chicago	24.2%	30.2%	29.0%
Dallas	22.0%	29.7%	27.5%
Denver	21.7%	32.7%	29.4%
Atlanta		30.5%	29.5%

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 Nov - 22	Forecast Rent Growth as of 11/30/22 for YE 2022	YoY Job Growth (6-mo. moving avg.) as of Sep - 22	Completions as % of Total Stock as of Nov - 22
Indianapolis	11.4%	11.5%	3.1%	1.2%
Miami Metro	9.7%	9.1%	5.6%	3.9%
San Jose	9.6%	10.7%	5.2%	3.1%
Kansas City	9.2%	9.1%	1.4%	1.4%
Orlando	9.2%	10.1%	5.8%	3.0%
Nashville	8.7%	8.9%	6.1%	4.5%
Dallas	8.6%	9.6%	7.2%	2.8%
Raleigh	8.4%	8.6%	4.4%	2.9%
Charlotte	8.1%	8.9%	4.9%	3.4%
New York	7.5%	6.1%	5.8%	1.0%
Portland	7.3%	9.4%	5.3%	3.1%
Orange County	7.2%	7.6%	4.6%	1.0%
Boston	7.2%	8.8%	4.3%	2.3%
Los Angeles	7.1%	7.5%	4.7%	2.2%
Tampa	7.1%	8.3%	4.8%	2.9%
Philadelphia	7.0%	7.5%	4.1%	1.0%
Chicago	7.0%	7.4%	4.4%	1.8%
Seattle	6.5%	6.9%	5.7%	4.5%
Inland Empire	6.3%	5.8%	5.7%	0.3%
Denver	5.5%	6.8%	4.0%	3.2%
Austin	5.2%	6.3%	6.2%	5.0%
Washington DC	5.0%	6.2%	2.7%	2.2%
Houston	4.8%	6.0%	6.1%	2.1%
Atlanta	4.5%	5.2%	5.9%	2.0%
San Francisco	4.4%	5.7%	5.1%	2.7%
Sacramento	3.9%	4.4%	3.8%	1.7%
Baltimore	3.7%	5.0%	3.4%	0.8%
Twin Cities	2.9%	3.9%	3.2%	4.7%
Phoenix	2.5%	3.3%	3.9%	3.5%
Las Vegas	2.0%	3.2%	7.2%	1.3%

Source: Yardi Matrix

Occupancy & Asset Classes

Occupancy—All Asset Classes by Month
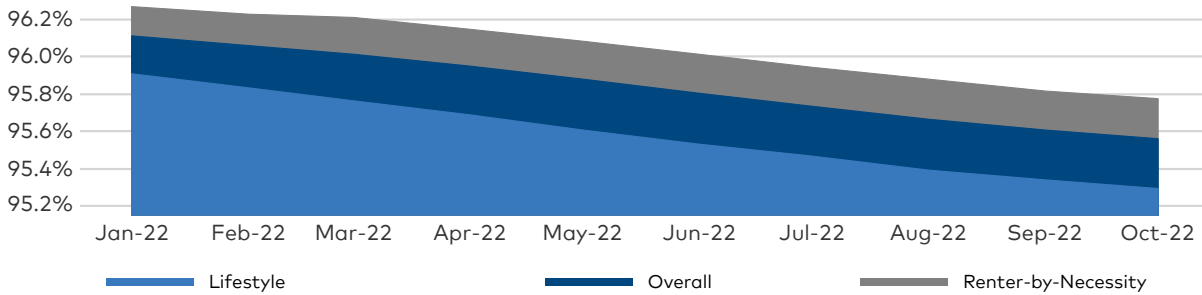
Source: Yardi Matrix

Year-Over-Year Rent Growth, Other Markets

Market	November 2022		
	Overall	**Lifestyle**	**Renter-by-Necessity**
Albuquerque	10.5%	7.2%	12.6%
Central East Texas	10.4%	8.5%	12.4%
NC Triad	9.8%	6.9%	13.4%
El Paso	9.6%	8.1%	10.1%
SW Florida Coast	9.5%	8.3%	12.5%
Louisville	9.4%	5.2%	11.9%
Northern New Jersey	9.3%	11.0%	8.1%
Salt Lake City	8.9%	6.6%	11.1%
St. Louis	8.3%	8.1%	8.7%
Bridgeport–New Haven	7.2%	7.9%	6.8%
Tucson	6.9%	1.6%	9.7%
Central Valley	6.1%	0.8%	7.7%
Long Island	5.4%	4.7%	5.9%
San Fernando Valley	5.4%	3.3%	6.9%
Colorado Springs	5.4%	4.4%	6.7%
Tacoma	5.3%	3.7%	7.0%
Jacksonville	4.6%	0.8%	12.0%
Reno	1.2%	-0.3%	2.5%

Source: Yardi Matrix

Market Rent Growth by Asset Class

Atlanta
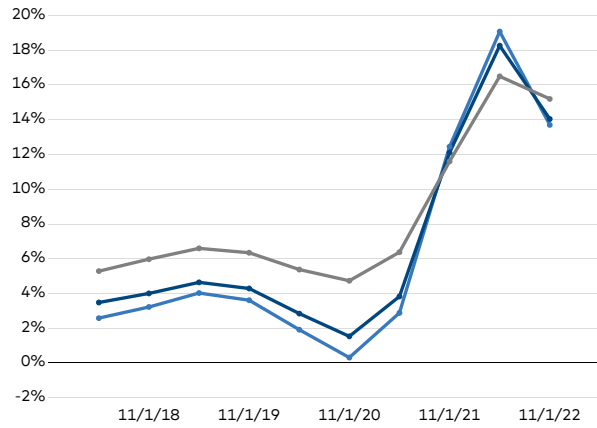
Boston
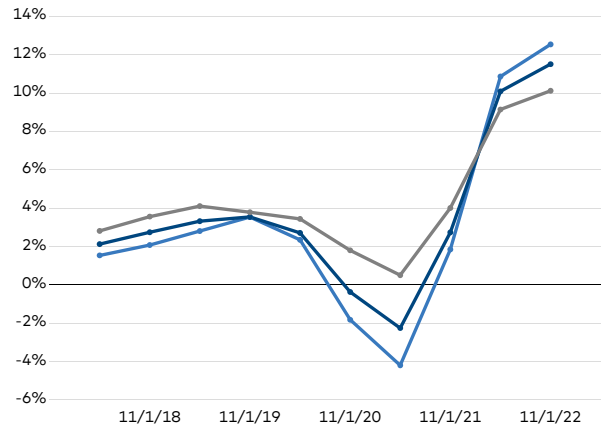
Dallas
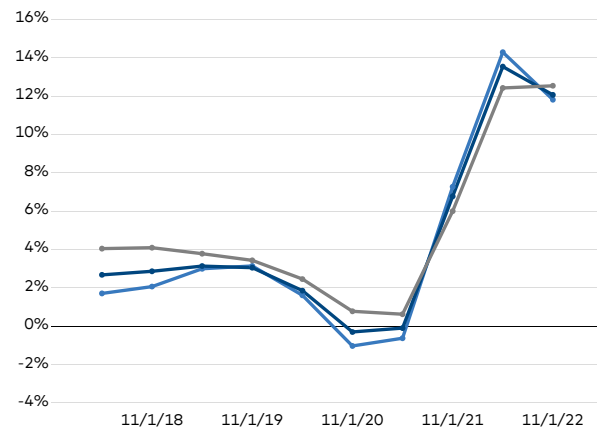
Denver
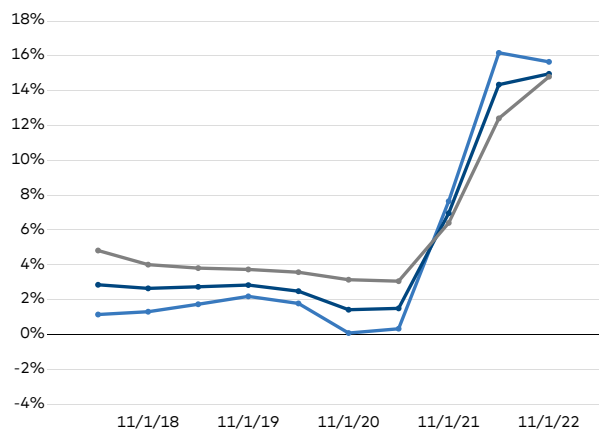
Houston
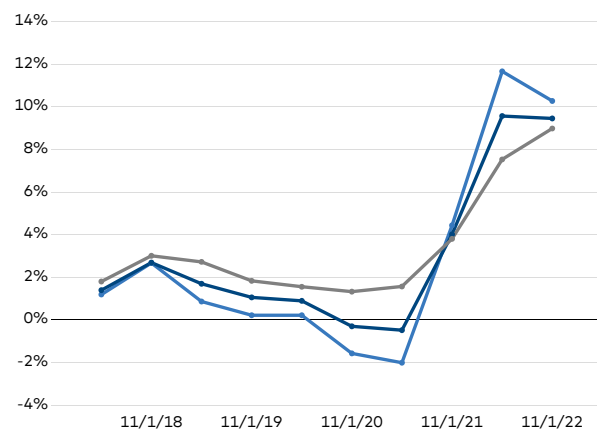
Inland Empire
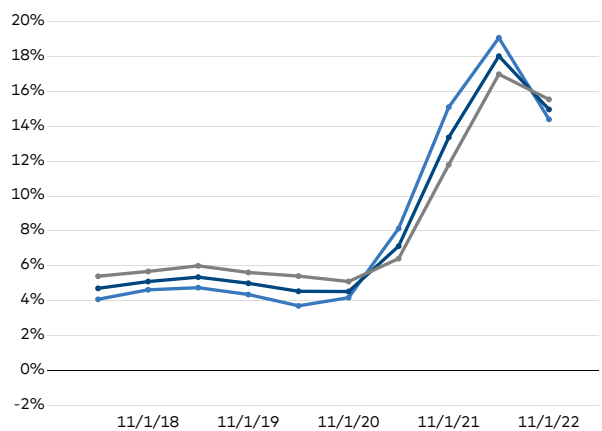
Trailing 12 Months Overall — **Trailing 12 Months Lifestyle** — **Trailing 12 Months Renter-by-Necessity**

Source: Yardi Matrix

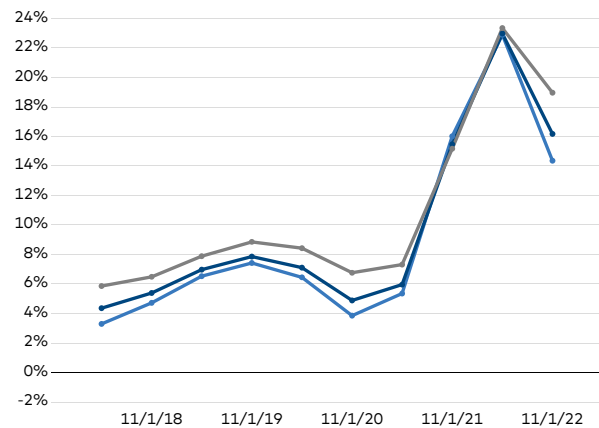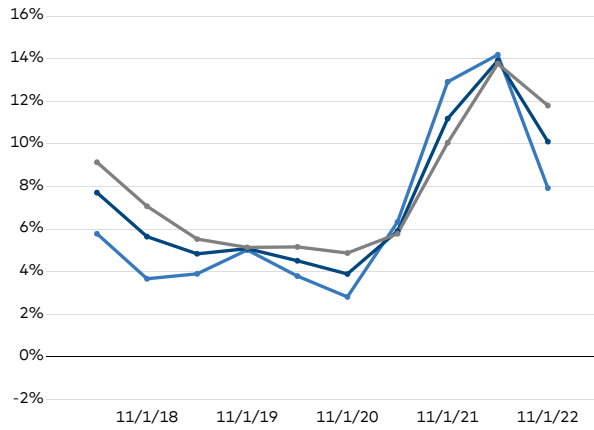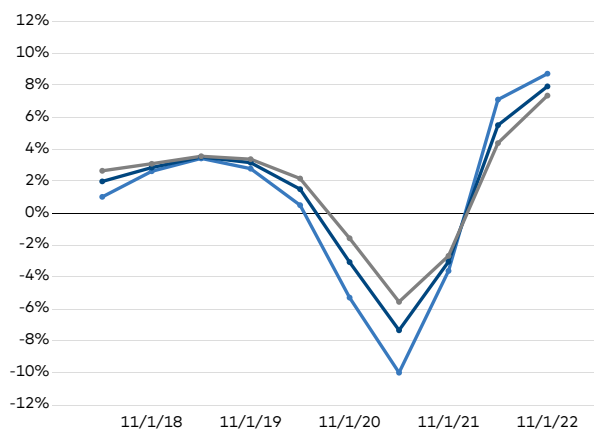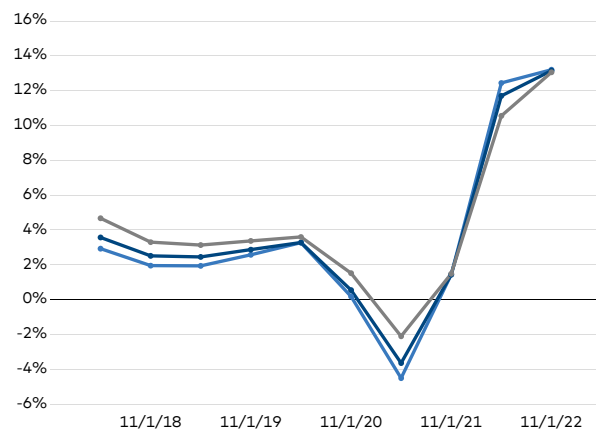# Market Rent Growth by Asset Class

Las Vegas
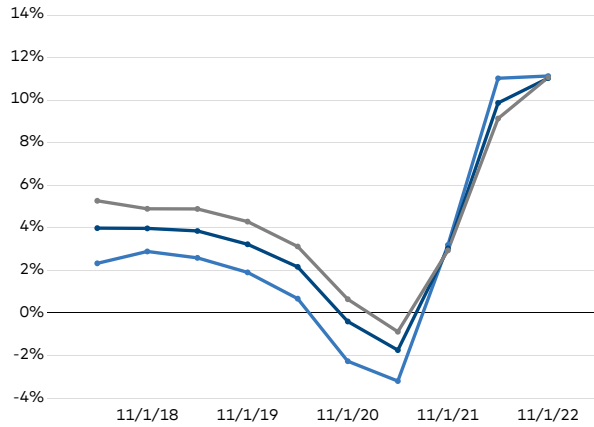
Los Angeles
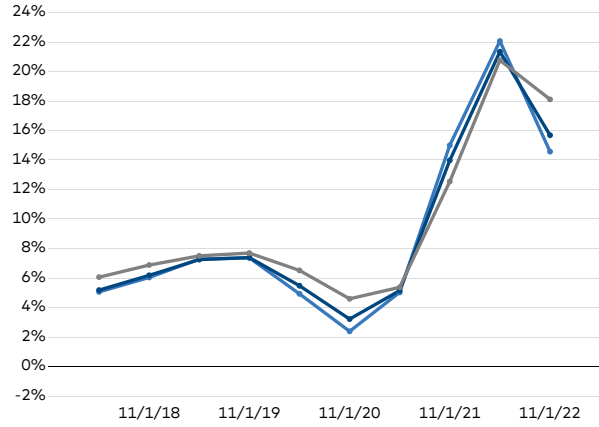
Miami
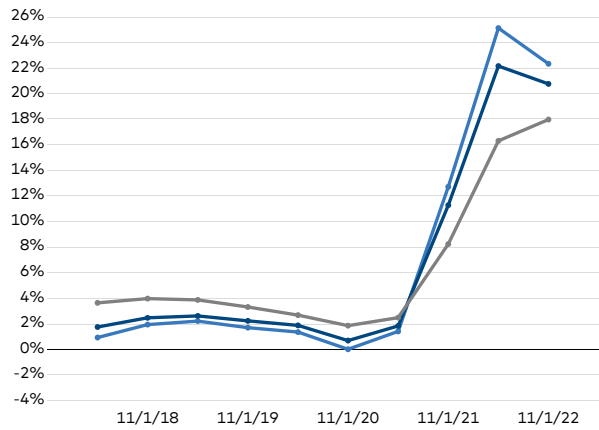
Orange County
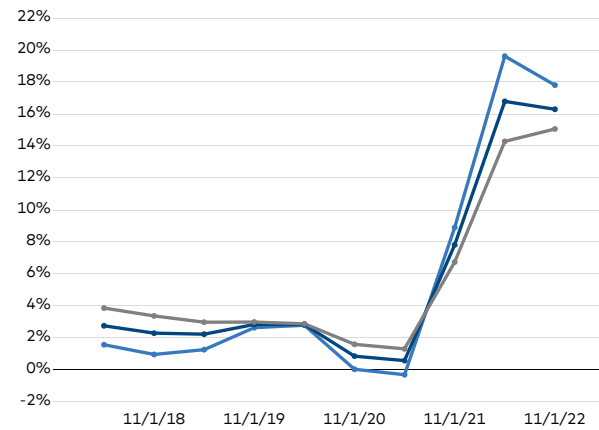
Orlando
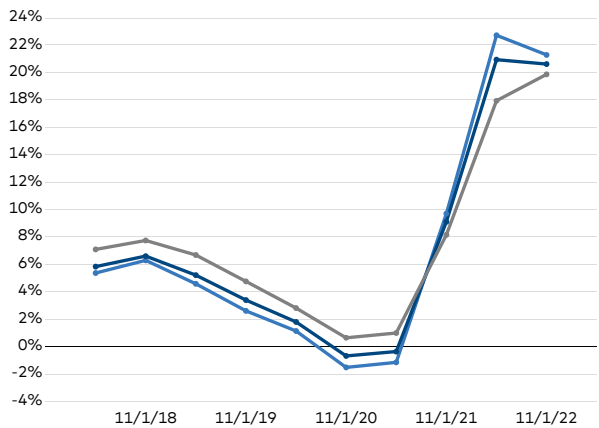
Phoenix

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

Source: Yardi Matrix

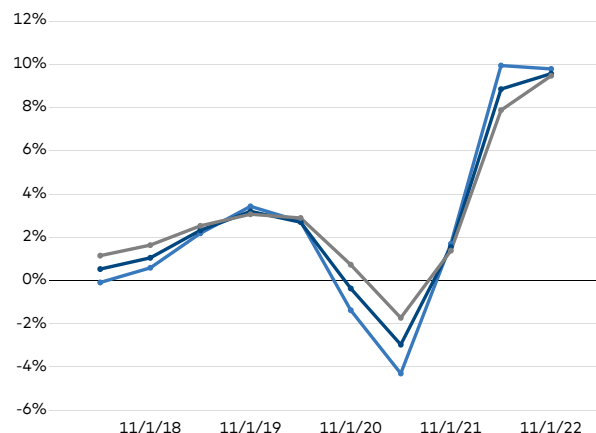# Market Rent Growth by Asset Class

Sacramento

San Diego
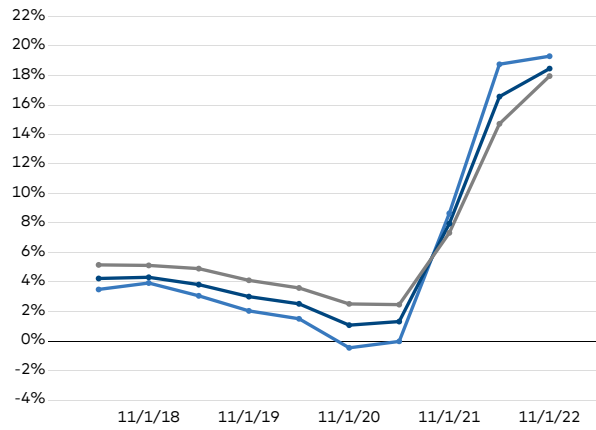
San Francisco

Seattle

Tampa
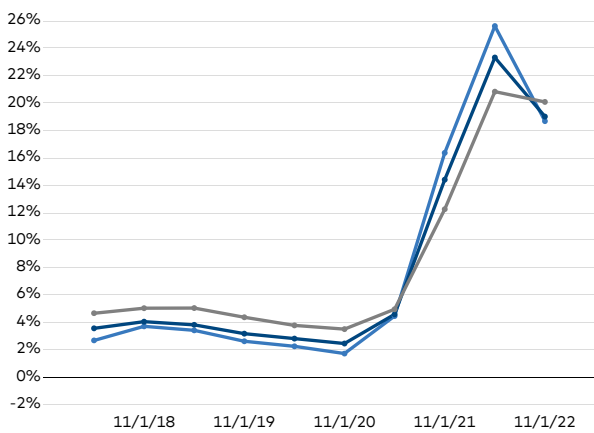
Washington, D.C.

—— 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.
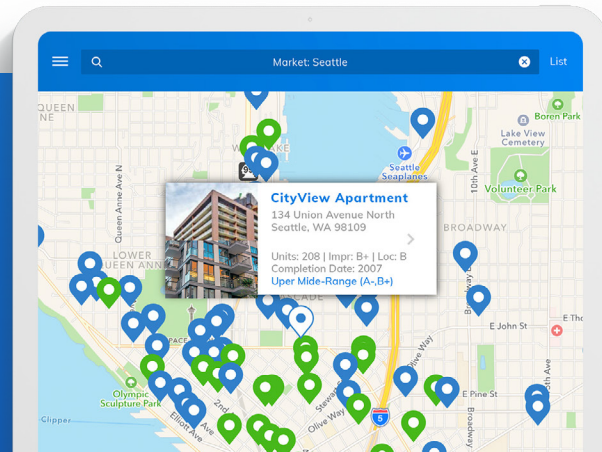
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Market: Seattle   List

CityView Apartment
134 Union Avenue North
Seattle, WA 98109

Units: 208 | Impr: B+ | Loc: B
Completion Date: 2007
Uper Mide-Range (A-,B+)

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