Yardi® Matrix

National Multifamily Report

July 2023

As Demand Slows, Multifamily Supply Is Key to Rents

- The multifamily market exhibited strength in July, as the economy continues to outperform expectations. The average U.S. asking rent rose $2 to $1,729, while year-over-year growth fell to 1.6%, down 30 basis points from June.
- After dominating the rent growth rankings for several years, Sun Belt metros have come back to the pack. The Sun Belt market with the highest year-over-year growth rate is Richmond, which ranks ninth among Yardi Matrix's top 30 metros (a list that was recently updated).
- Single-family rents were unchanged in July at $2,108, although they remained at an all-time high, thanks to robust occupancy rates. Year-over-year, national SFR rent growth fell 20 basis points to 1.2%.

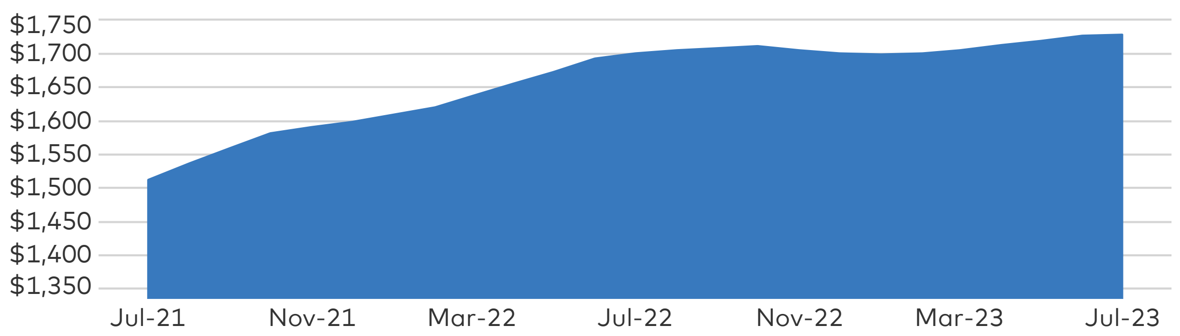
Multifamily performance was solid in July, as rents nationally rose $2 to $1,729, or 1.6% year-over-year. Demand remains propped up by the healthy job market, as the U.S. economy added 1.7 million jobs in the first half of 2023. While we still expect the economy to cool in coming quarters, the fact that second quarter job and GDP numbers were strong while inflation recedes has confounded the economic consensus. As long as that continues, consumer balance sheets will stay strong and apartment demand is likely to be firm. Through the end of May, apartment absorption totaled 120,000 units nationally, per Yardi Matrix, down from red-hot post-pandemic conditions but in line with historical norms.

We continue to see a rotation in the rankings of rent growth among metros. Seven of the top eight metros—led by Indianapolis and New York (5.5% each), New Jersey (5.4%) and Chicago (5.2%)—are in the Midwest or Northeast (the exception being San Diego). Richmond (2.5%) and Miami (2.2%) round out the top 10. Metros with the lowest rent growth are Las Vegas (-3.5%), Phoenix (-3.1%) and Austin (-2.8%).

There are several reasons for the market rotation, including affordability in the wake of rapid rent increases and slowing domestic migration. Even so, supply growth has emerged as the key factor in metro-level rent growth. Of the 12 metros in Matrix's top 30 list with supply growth of 2.5% or more year-over-year, six recorded negative rent growth this month. Austin (4.4% increase in total stock year-over-year through July), Nashville (4.1%) and Raleigh (3.5%) led in supply growth.

Meanwhile, most of the top metros based on rent growth were among the weakest in supply growth. Indianapolis and New York each added only 0.7% to stock over the past year, while Chicago added just 1.1%.

National Average Rents



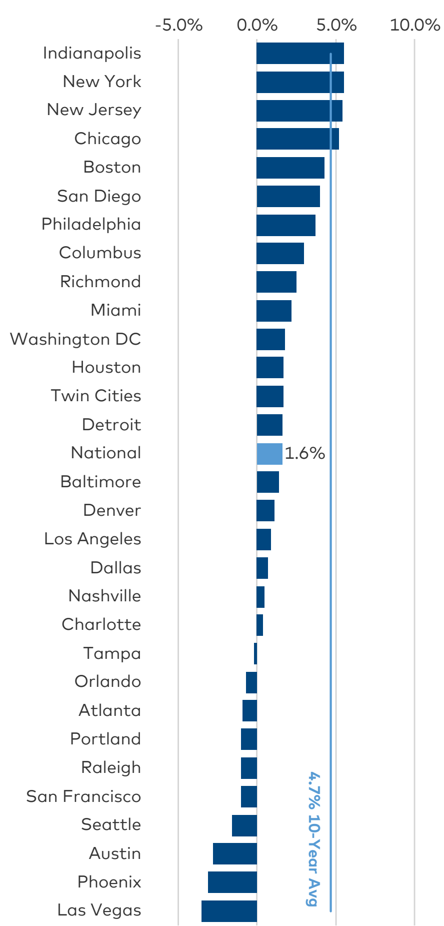
National averages include 140 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by Yardi Matrix.

Year-Over-Year Rent Growth:
Minimal Gains as Growth Decelerates

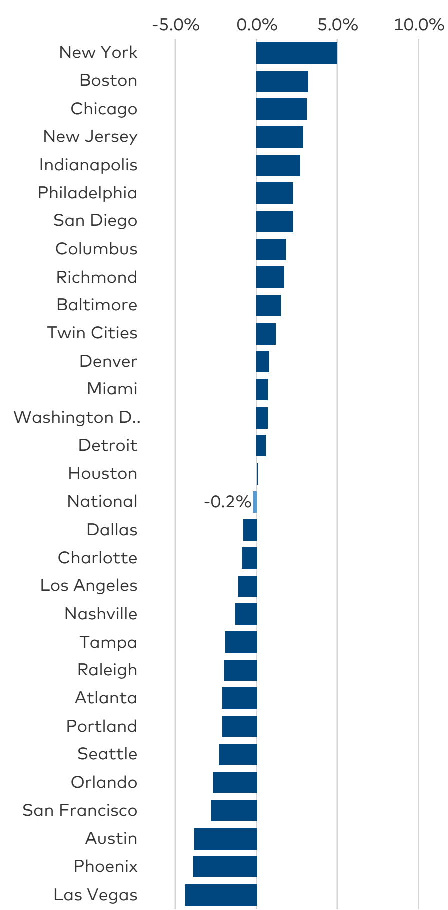
- The national average asking rent rose to $1,729 in July, up $2 from June, while the year-over-year growth rate dropped to 1.6%, down 30 basis points from June and 400 basis points from the beginning of the year. Rent growth continues to be led by metros in the Northeast and Midwest: Indianapolis (5.5% year-over-year), New York (5.5%), New Jersey (5.4%), Chicago (5.2%) and Boston (4.3%). While economic performance is generally strong, a big factor in rent growth in these metros is the low number of completions and high occupancy rates. The occupancy rate in New York City is 98.1% and New Jersey is 97.2%.

- The national occupancy rate has steadied at 95.0%, unchanged for four months. Occupancy rates were down year-over-year as of June in all but two of Matrix's top 30 markets: Chicago (up 0.2% year-over-year) and New York (0.1%). Eleven Matrix top 30 markets dropped by one percentage point or more, with the largest occupancy decline in Richmond-Tidewater (-1.8%).

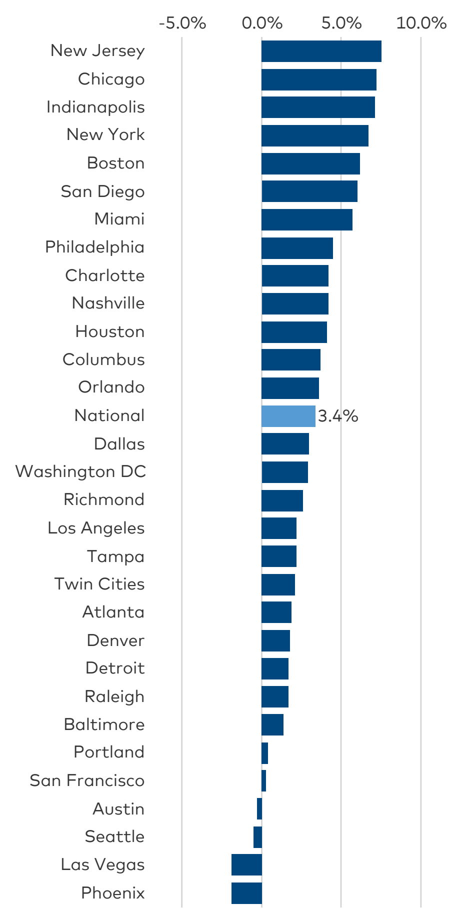
Year-Over-Year Rent Growth—All Asset Classes



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: Growth Concentrated in Renter-by-Necessity Units

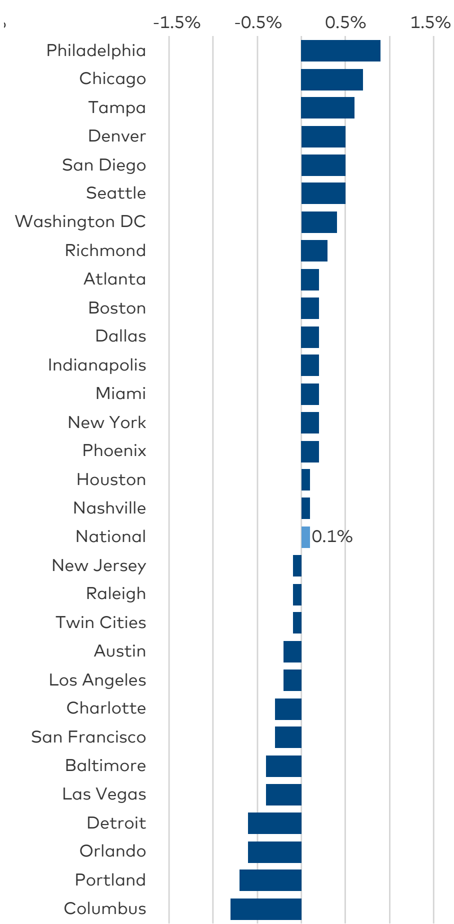
- The average U.S. multifamily asking rent increased by $2, or 0.1%, in July.
- Rents increased 0.2% month-over-month in the Renter-by-Necessity (RBN) segment and were unchanged in the luxury Lifestyle segment.

Asking rent growth in July was concentrated in the Renter-by-Necessity segment, which increased by 0.2% while Lifestyle rents were flat. Rents increased in 19 of the top 30 Matrix metros for RBN, but only in 13 for Lifestyle.

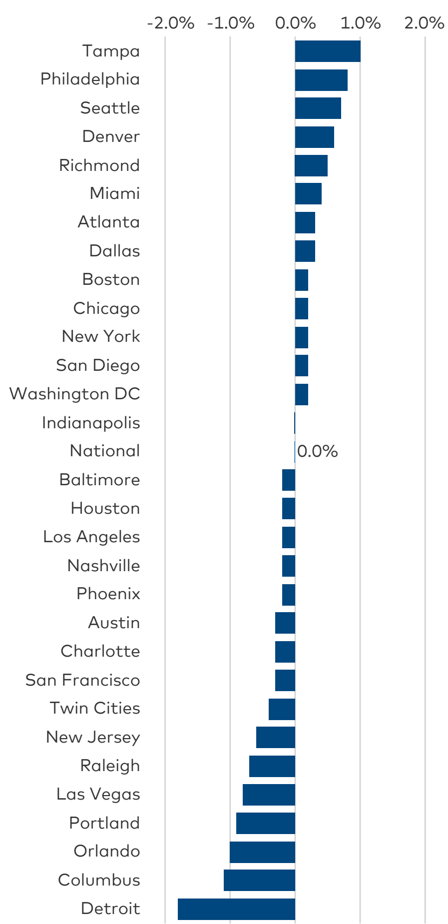
Philadelphia (0.9%) led monthly gains in overall asking rents, with Chicago (0.7%), Tampa (0.6%), Denver (0.5%) and San Diego (0.5%) rounding out the top 5.

The makeup of rent growth attests to the significant growth in supply, as new deliveries are almost all Lifestyle units and add to the competition in the segment. Lifestyle rents decreased by 1.0% or more month-over-month in July in three metros: Orlando (-1.0%), Columbus (-1.1%) and Detroit (-1.8%). Lifestyle rents increased by 1.0% or more in July in just one metro: Tampa (1.0%).

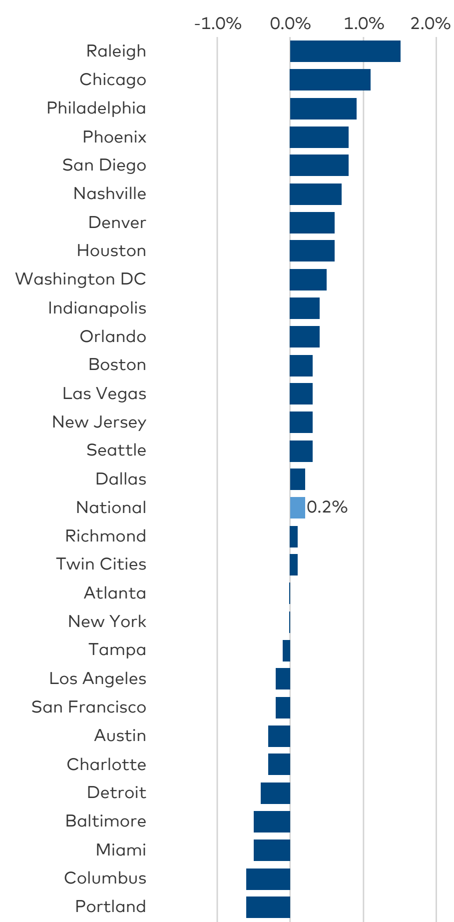
Month-Over-Month Rent Growth—All Asset Classes



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 Decelerate, but Slowly

- Renewal rent growth remains stubbornly high, a sign of the large gap that grew between existing residents and asking rents over the past two years. Renewal rents, the change for residents that are rolling over existing leases, rose 8.1% year-over-year nationally in May, down from 8.5% in April but three times greater than May's asking rent growth (2.7% year-over-year). Renewal rents in May increased the most in the Southeast, led by Miami (13.3%), Orlando (12.0%), Raleigh (10.7%) and Charlotte (10.5%). Renewal rents remain high in Tampa (9.4%) and Seattle (8.2%), metros where asking rent growth has turned negative.

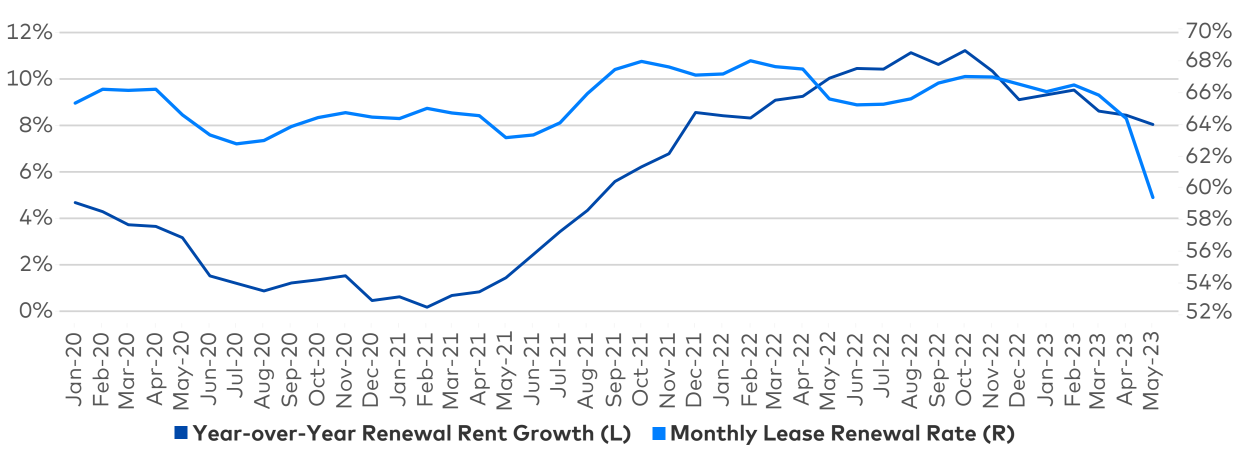
- National lease renewal rates were 59.4% in May, down from 64.4% in April. New Jersey, at 80.5%, had the highest renewal rate, reflecting the lack of available options, as occupancy rates are above 97.0% in both Northern and Central New Jersey.

Market	YoY Renewal Rent Growth	Monthly Lease Renewal Rate
Miami Metro	13.3%	62.4%
Orlando	12.0%	59.2%
Raleigh	10.7%	53.3%
Charlotte	10.5%	58.7%
Boston	10.4%	58.9%
Richmond	10.0%	59.9%
San Diego	10.0%	55.7%
Tampa	9.4%	58.2%
Nashville	9.3%	54.0%
Indianapolis	9.1%	59.0%
Columbus	8.8%	61.0%
Washington DC	8.7%	53.2%
Philadelphia	8.2%	69.7%
Seattle	8.2%	53.9%
Baltimore	7.9%	60.7%

Market	YoY Renewal Rent Growth	Monthly Lease Renewal Rate
Atlanta	7.8%	59.6%
New York	7.7%	60.9%
New Jersey	7.6%	80.5%
Austin	7.5%	54.1%
Detroit	7.3%	66.0%
Las Vegas	7.1%	56.4%
Portland	7.0%	56.2%
Dallas–Ft. Worth	6.7%	58.7%
Chicago	6.6%	61.4%
Denver	6.4%	55.1%
Phoenix	6.4%	55.1%
Los Angeles	6.0%	40.3%
Twin Cities	5.5%	62.7%
Houston	5.0%	57.5%
San Francisco	2.7%	46.7%

Source: Yardi Matrix Expert, data as of May 2023

National Lease Renewals and Renewal Rent Growth



Source: Yardi Matrix Expert

Supply, Demand and Demographics: Regulatory Focus Brings Mixed Blessings

- The rapid growth in multifamily rents has increased policymakers' scrutiny of the industry.
- Some legislative efforts—including rent controls and fee regulations—add to the costs of owning apartments.
- A more productive response is embodied in the Biden administration's plan to incentivize and fund affordable supply.

The unprecedented rapid growth in rents over the last few years has put a bullseye on the multifamily industry with policymakers across the country, with mixed results. The negative side includes an increasing number of jurisdictions pushing for rent control and the Biden administration's plan to require more notification by apartment owners around "junk fees." Yet higher rents have also highlighted the pressing need for more stock, jumpstarting efforts to relax zoning laws to build more housing and to fund subsidies for affordable housing.

More than 20 states and many other municipalities are considering legislation to implement controls on rent increases. Such measures have been shown to reduce the amount of new construction, while incentivizing landlords to take stock out of circulation and/or allow units to deteriorate without making repairs. The end result is less supply and higher rents.

Another problematic approach involves the Biden administration's effort to require property owners to more clearly declare fees for services that include applications, credit checks, online payments and property services. While transparency is admirable, most property owners are already compliant, and increasing federal regulations adds to the cost of operations.

What will help to produce more affordable housing is support for development and subsidies for units targeted for rent-burdened households, an increasing percentage of which pay more than 30% of income for shelter. To that end, the Biden administration launched an initiative to increase affordable housing stock. Some of the components include an $85 million fund that will be allocated to municipalities that relax land use and zoning regulations—such as allowing denser housing or reducing parking requirements—in order to produce more affordable housing units. Other elements of the plan include:

- A $27 billion fund to expand financing for affordable, energy-efficient and resilient housing.
- Leveraging federal funds for commercial-to-residential conversions.
- Simplifying underwriting for large loans (up to $125 million) that are financed by the FHA.
- Allowing larger loans to participate in the Low Income Housing Tax Credit (LIHTC) program.

Single-Family Build-to-Rent Segment: SFR/BTR Market Grows Rapidly

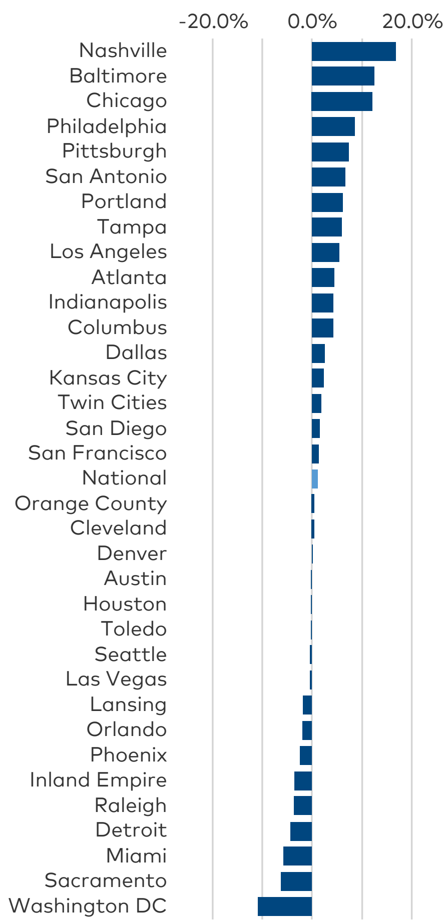
- Nationally, asking rates for single-family rentals were unchanged in July, remaining at $2,108, while year-over-year growth declined by 20 basis points to 1.2%.
- U.S. occupancy rates also did not change, remaining at 95.8% in July.

Single-family rents have leveled, but remain at all-time-high rates, as demand continues to be strong. Directionally, rents in the sector are the same as in multifamily, with growth decelerating after two years of rapid gains. Metros with the highest year-over-year growth through July are Nashville (16.9%), Baltimore (12.5%) and Chicago (12.1%). SFR occupancy rates have declined only 0.4% over the past year, while multifamily occupancy is down 0.8%.

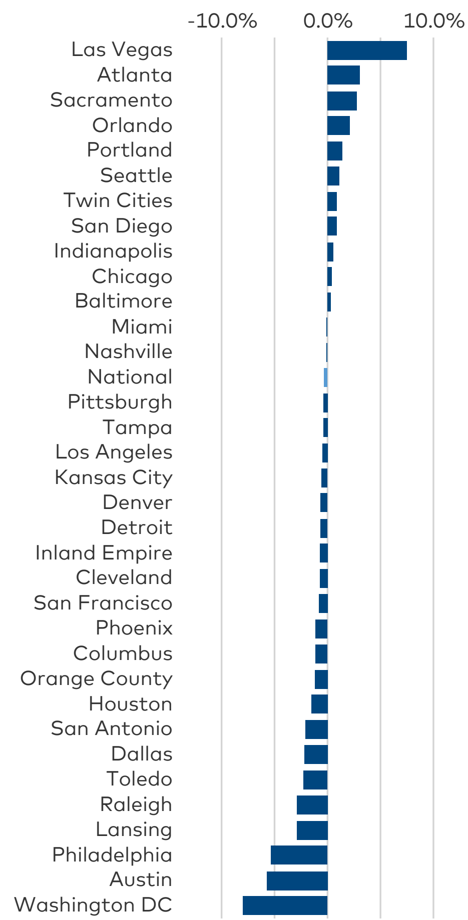
The SFR/BTR market is expanding rapidly. At mid-year, just shy of 50,000 units in communities with 50 or more units were under construction, and another 72,000 units were in the pipeline, per Yardi Matrix's database.

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 May 2023

Market	All Units	Lifestyle Units	Renter-by-Necessity Units
New York	35.9%	33.6%	38.4%
San Diego	34.6%	31.9%	38.3%
Washington DC	34.6%	31.0%	37.1%
Los Angeles	33.1%	31.1%	34.8%
Orlando	32.4%	31.6%	33.7%
San Francisco	31.8%	30.3%	33.4%
Baltimore	31.5%	28.4%	33.2%
Portland	30.4%	28.3%	33.7%
Nashville	30.3%	28.0%	32.4%
Tampa	30.3%	28.7%	32.3%
Denver	30.2%	28.5%	32.8%
Richmond	29.8%	28.6%	30.8%
C. New Jersey	29.7%	30.8%	29.3%
Atlanta	29.3%	28.6%	31.0%
Chicago	29.2%	26.9%	30.7%
Phoenix	29.2%	27.6%	31.2%
Charlotte	29.2%	27.9%	32.1%
Philadelphia	28.8%	27.1%	29.9%
Seattle	28.7%	27.2%	31.3%
Boston	28.5%	27.0%	31.7%
Las Vegas	28.5%	27.6%	30.5%
Raleigh	28.4%	28.0%	29.6%
N. New Jersey	28.2%	26.0%	35.3%
Dallas	27.2%	26.4%	28.9%
Austin	27.2%	26.7%	28.5%
Houston	27.1%	25.1%	30.1%
Columbus	27.0%	24.9%	27.6%
Twin Cities	26.9%	25.1%	28.9%
Indianapolis	26.6%	25.2%	27.6%
Detroit	26.5%	26.8%	26.5%
Miami	25.6%	24.5%	28.4%

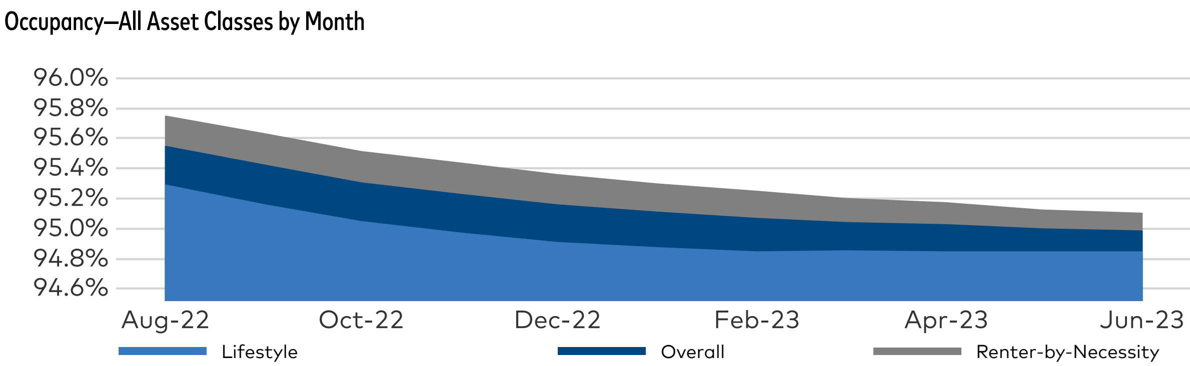
Rent-to-Income ratios sorted by all units, highest to lowest. Source: Yardi Systems Screening Data
The Yardi Matrix data service covers rent-to-income ratios monthly back to January 2019 for 112 markets broken out by property type

Employment and Supply Trends; Forecast Rent Growth

Market	YoY Rent Growth as of Jul - 23	Forecast Rent Growth as of 7/1/23 for YE 2023	YoY Job Growth (6-mo. moving avg.) as of May - 23	Completions as % of Total Stock as of Jul - 23
Indianapolis	5.5%	3.8%	3.4%	0.7%
New York	5.5%	3.4%	3.5%	0.7%
New Jersey	5.4%	3.2%	3.3%	2.4%
Chicago	5.2%	3.4%	2.0%	1.1%
Boston	4.3%	3.4%	2.4%	2.6%
San Diego	4.0%	3.0%	3.4%	1.0%
Philadelphia	3.7%	2.5%	3.0%	0.9%
Columbus	3.0%	3.5%	1.1%	1.5%
Richmond	2.5%	2.8%	2.3%	2.0%
Miami Metro	2.2%	2.0%	3.4%	3.3%
Washington DC	1.8%	2.2%	2.0%	1.8%
Twin Cities	1.7%	2.5%	1.8%	2.7%
Houston	1.7%	2.1%	4.2%	1.5%
Detroit	1.6%	2.9%	1.4%	0.7%
Baltimore	1.4%	1.5%	1.2%	0.7%
Denver	1.1%	2.9%	1.3%	2.7%
Los Angeles	0.9%	1.2%	2.4%	1.7%
Dallas	0.7%	1.1%	5.0%	1.6%
Nashville	0.5%	2.2%	4.7%	4.1%
Charlotte	0.4%	1.5%	3.2%	3.0%
Tampa	-0.2%	1.9%	4.4%	3.3%
Orlando	-0.7%	1.2%	4.5%	2.5%
Atlanta	-0.9%	0.4%	3.1%	2.3%
San Francisco	-1.0%	1.4%	2.6%	2.1%
Portland	-1.0%	1.2%	3.1%	2.4%
Raleigh	-1.0%	2.6%	3.5%	3.5%
Seattle	-1.6%	0.7%	3.8%	2.9%
Austin	-2.8%	1.2%	5.0%	4.4%
Phoenix	-3.1%	0.3%	2.4%	2.8%
Las Vegas	-3.5%	0.8%	5.2%	1.7%

Source: Yardi Matrix

Occupancy & Asset Classes



Source: Yardi Matrix

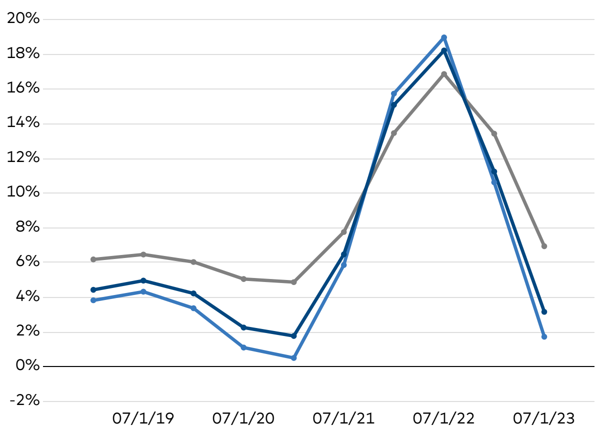
Year-Over-Year Rent Growth, Other Markets

Market	July 2023		
	Overall	Lifestyle	Renter-by-Necessity
Albuquerque	5.8%	2.9%	7.9%
El Paso	5.4%	6.2%	5.0%
Louisville	5.3%	1.6%	7.2%
Northern New Jersey	5.1%	3.1%	7.4%
Bridgeport–New Haven	5.0%	2.8%	6.8%
Central East Texas	4.7%	2.6%	5.8%
St. Louis	3.8%	1.8%	4.7%
NC Triad	2.2%	0.6%	3.9%
Central Valley	1.5%	-2.2%	2.4%
San Fernando Valley	1.5%	0.3%	2.2%
Long Island	1.4%	0.1%	2.0%
SW Florida Coast	0.6%	-0.8%	4.4%
Tucson	0.5%	0.1%	0.7%
Tacoma	-0.3%	-1.5%	0.6%
Salt Lake City	-0.5%	-2.3%	1.2%
Jacksonville	-1.1%	-3.2%	2.7%
Colorado Springs	-1.7%	-2.2%	-1.3%
Reno	-2.1%	-3.1%	-1.3%

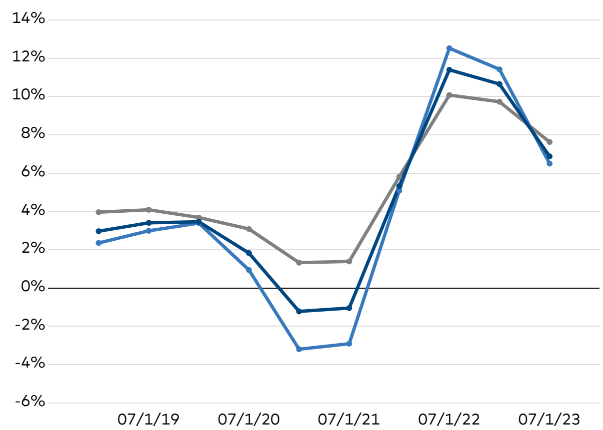
Source: Yardi Matrix

Market Rent Growth by Asset Class

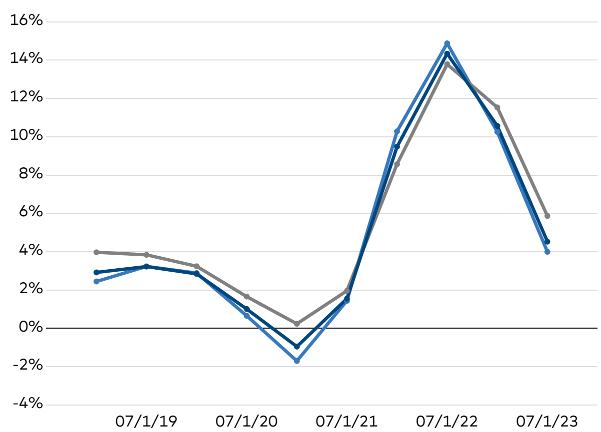
Atlanta



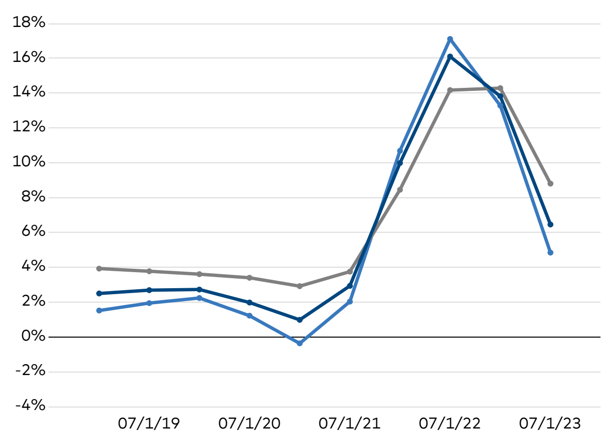
Boston



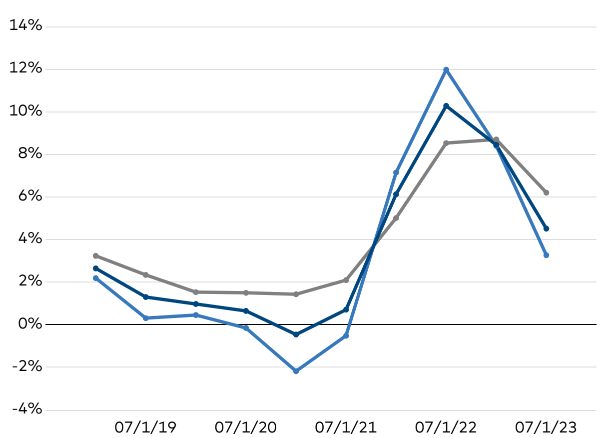
Dallas



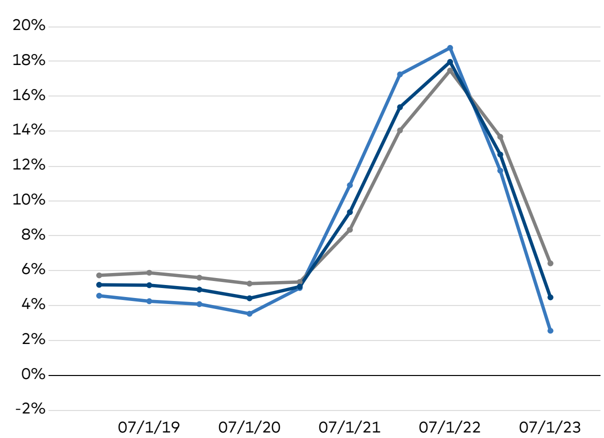
Denver



Houston



Inland Empire

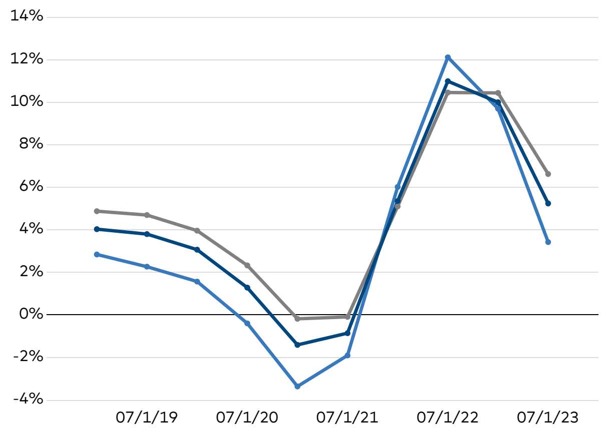


Trailing 12 Months Overall   Trailing 12 Months Lifestyle   Trailing 12 Months Renter-by-Necessity

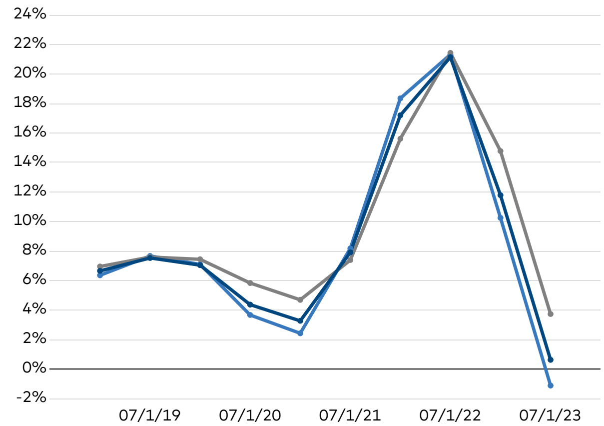
Source: Yardi Matrix

Market Rent Growth by Asset Class

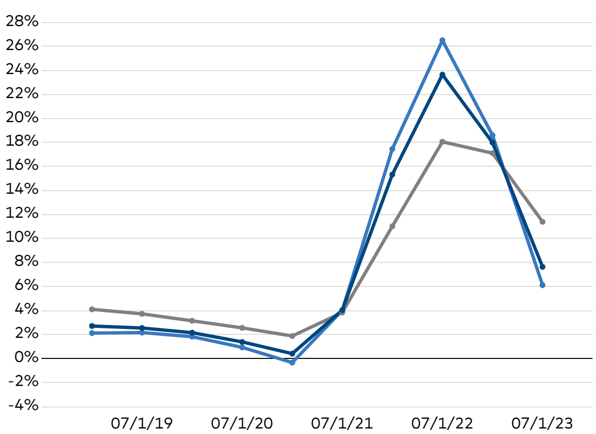
Las Vegas



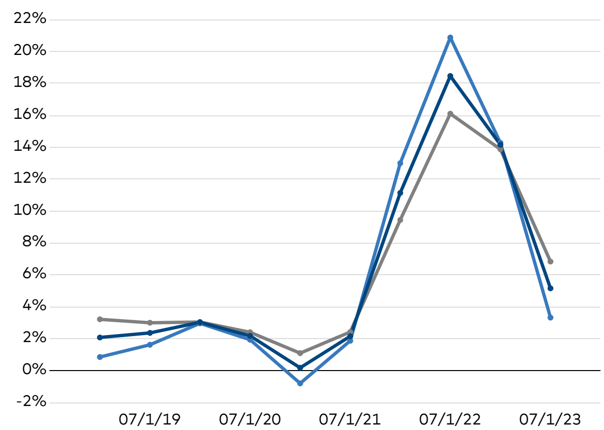
Los Angeles



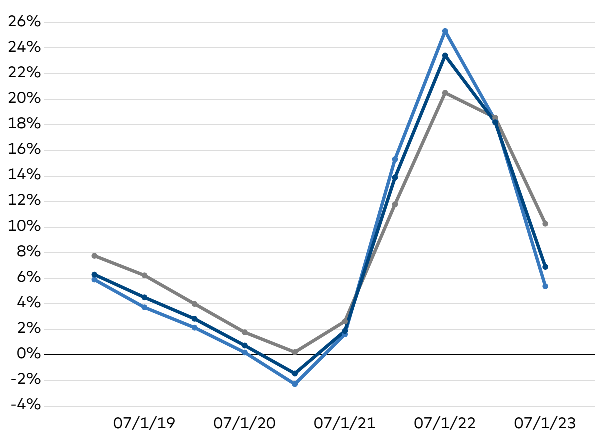
Miami



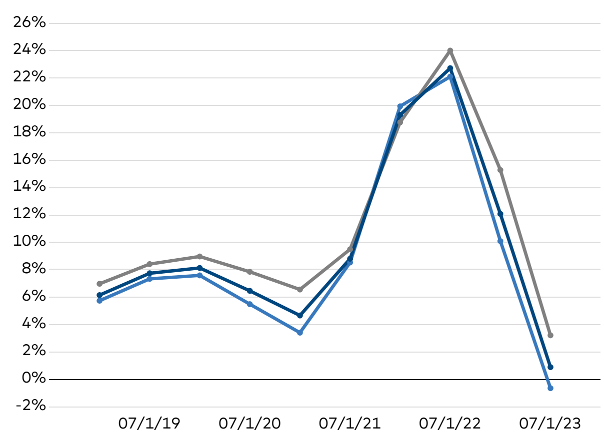
Orange County



Orlando



Phoenix

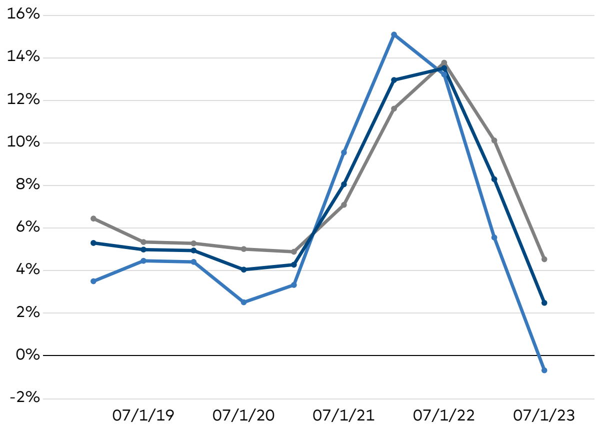


Trailing 12 Months Overall   Trailing 12 Months Lifestyle   Trailing 12 Months Renter-by-Necessity

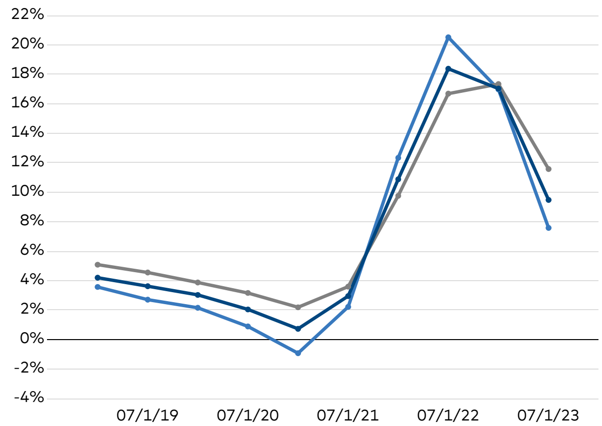
Source: Yardi Matrix

Market Rent Growth by Asset Class

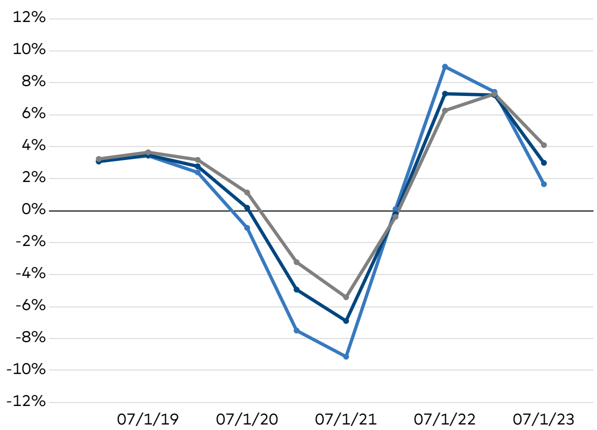
Sacramento



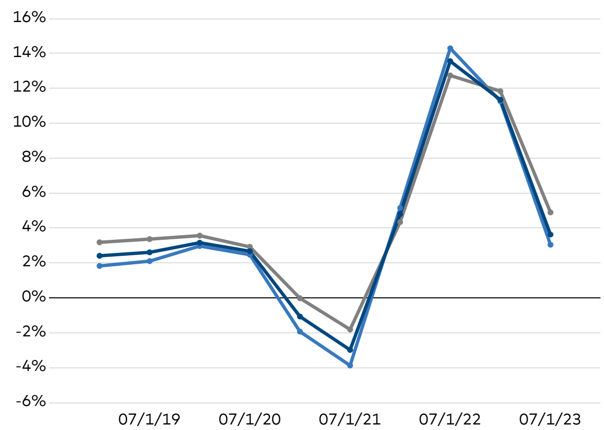
San Diego



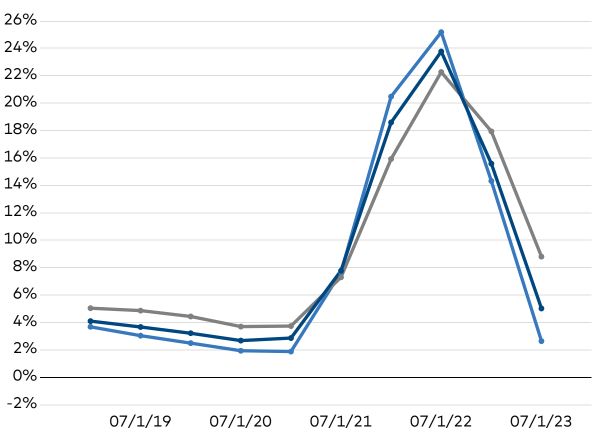
San Francisco



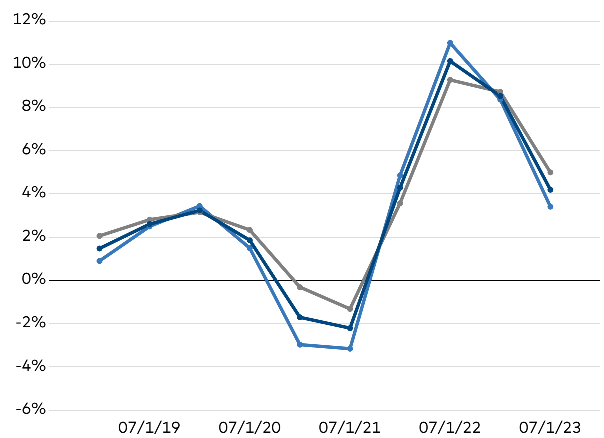
Seattle



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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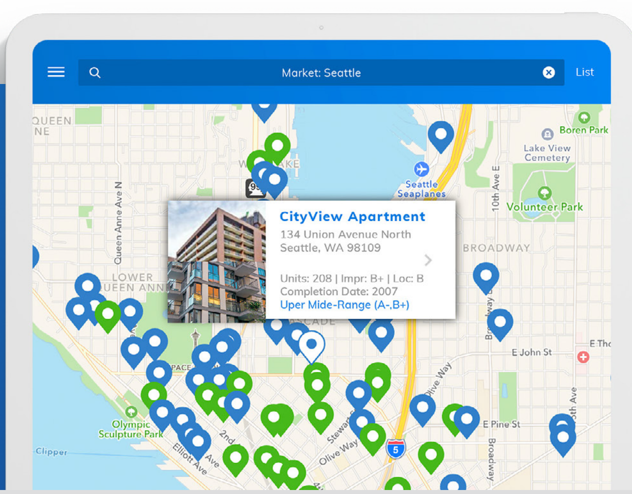
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



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