Yardi Matrix

National Multifamily Report

September 2021

Asking Rent Growth Breaks Records

- Asking rents nationwide continue to break records, though the market shows signs of deceleration. Nationally, asking rents were up 11.4% year-over-year in September. However, monthly rent growth was $16, a rate of 1.0%, which is the lowest monthly gain since the market began to accelerate in March.

- Sun Belt tech hubs are still leading the nation in rent growth, as markets in the Southeast and Southwest benefit from rapid domestic migration and job growth. The migration story has been playing out for a number of years, but accelerated quickly during the pandemic.

- Single-family (built-to-rent) rents continue to grow at an even faster pace than multifamily, with national rents up 14.3% year-over-year. Occupancy keeps rising as well, up 1.2% year-over-year.

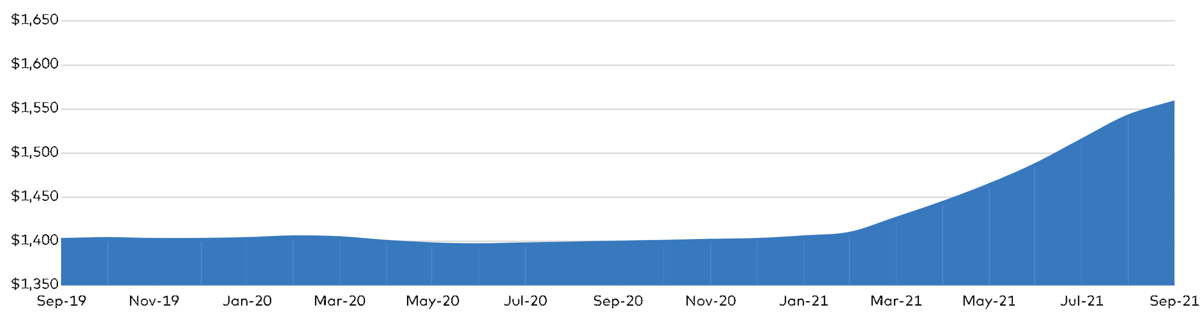
The U.S. apartment market continues to set record growth rates, as asking rents increased 11.4% on an annual basis in September. Rents are at an all-time high of $1,558, up an astounding 11.1% year-to-date through three quarters. Said a panelist at an NMHC event this week: "In 40 years, I've never seen rent increases like we've seen these last few months. Never."

That said, while the year-over-year numbers keep accelerating, we may be seeing the early stages of moderation. Rents rose $16, or 1.0%, in September, certainly robust growth by historical standards but the lowest rate of increase in six months. Nationwide, rents have increased at least $15 every month since March 2021. The rent growth is fueled by robust demand combined with the long-term supply shortage, which has produced extremely high occupancy levels. Nationwide, occupancy increased 10 basis points in September to reach 95.9% for the first time ever in Yardi's survey.

Metros in the Southwest and Florida continue to dominate the rent growth. Phoenix, Tampa, Las Vegas and Miami all registered extraordinary annual asking rent growth greater than 20% in September. Primary markets are beginning to gain momentum, as well. Even though they rank near the bottom of our top 30 markets, year-over-year rent growth between 4% and 8% is welcome for primary markets San Francisco, New York, Los Angeles, Chicago, Boston and Washington, D.C.

Lifestyle (13.4% nationwide growth) rents continue to outpace Renter-by-Necessity (9.5%). Many renters can afford the higher rents commanded by Lifestyle apartments, but affordability concerns may resurface as rents continue to rise.

National Average Rents



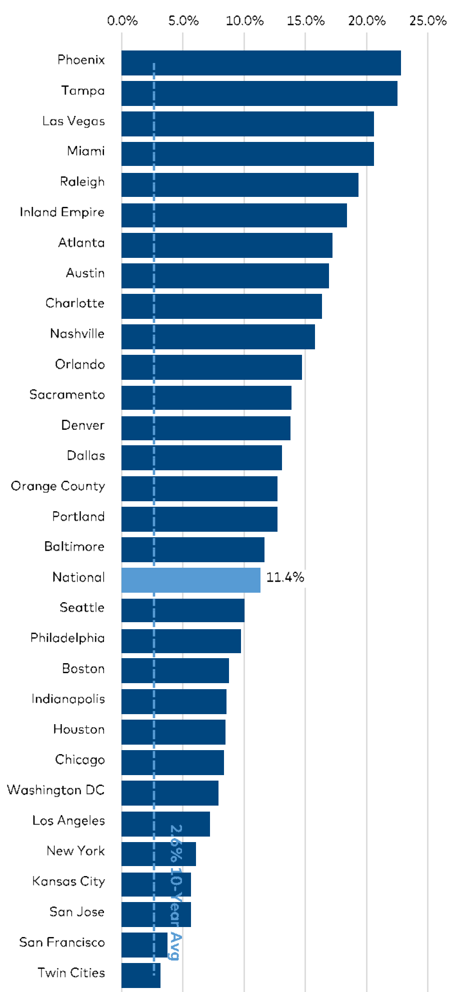
National averages include 132 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by YardiMatrix.

Year-Over-Year Rent Growth: Positive for All Top 30 Metros

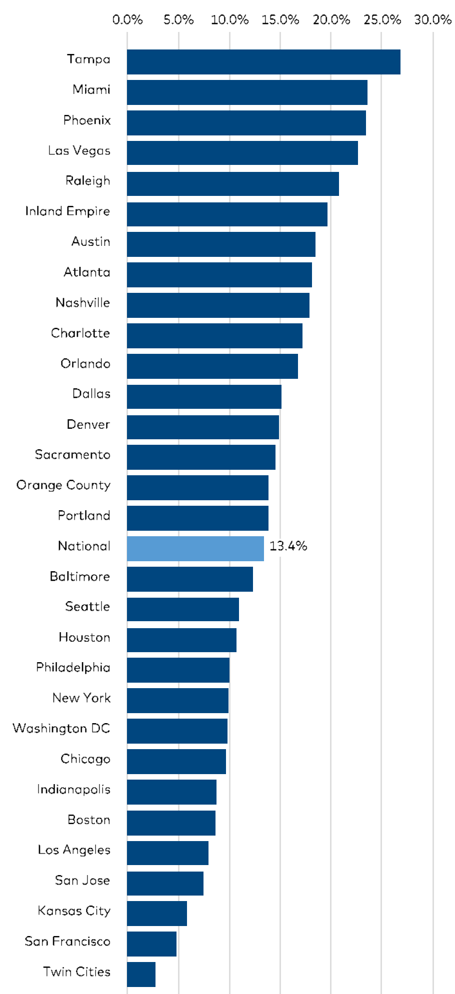
- As has been the case since late 2016, year-over-year rent growth has been dominated by Sun Belt markets. In September, the top 15 markets for annual rent growth were all in the Sun Belt, while coastal and Midwestern markets made up the lower half of our top 30 rankings. However, rent growth is healthy in all of our top 30 markets, and markets such as Baltimore (11.4%) and Philadelphia (9.7%) are experiencing record increases.

- Looking below the top 30 markets, Florida secondary markets rise to the top, as migration and low in-place rents drive growth in the Sunshine State. West Palm Beach (28.8%), the Southwest Florida Coast (27.1%) and Jacksonville (22.6%) are in the top 5 of all 140 markets tracked by Yardi Matrix.

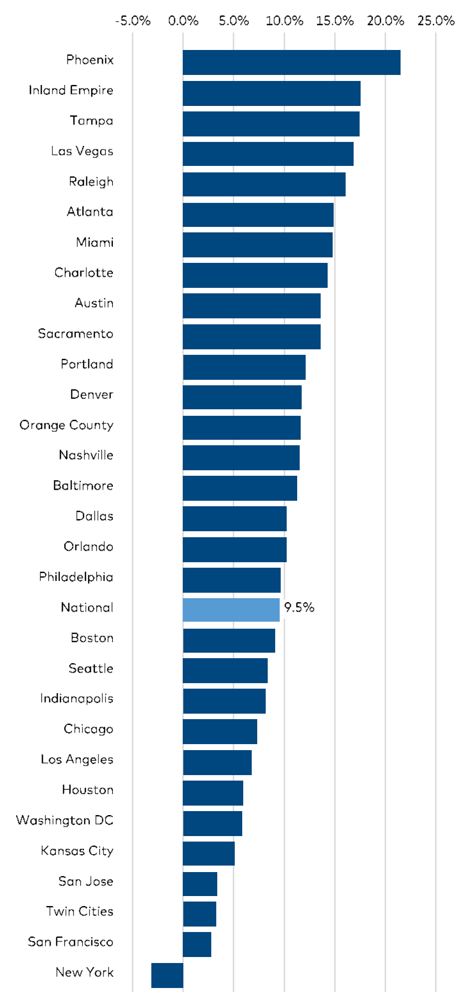
**Year-Over-Year Rent Growth—
All Asset Classes**



**Year-Over-Year Rent Growth—
Lifestyle Asset Class**



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



Source: Yardi Matrix

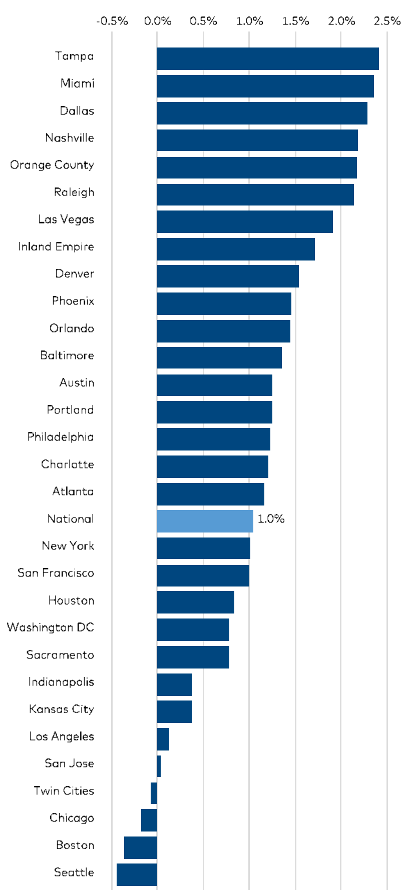
Short-Term Rent Changes: Seattle Shows Signs of a Rebound

- Rents increased by 1.0% in September on a month-over-month basis, marking an 80-basis-point deceleration from August.
- Seasonality is also beginning to show up in certain markets, as Seattle, Boston, the Twin Cities and Chicago posted negative month-over-month growth.

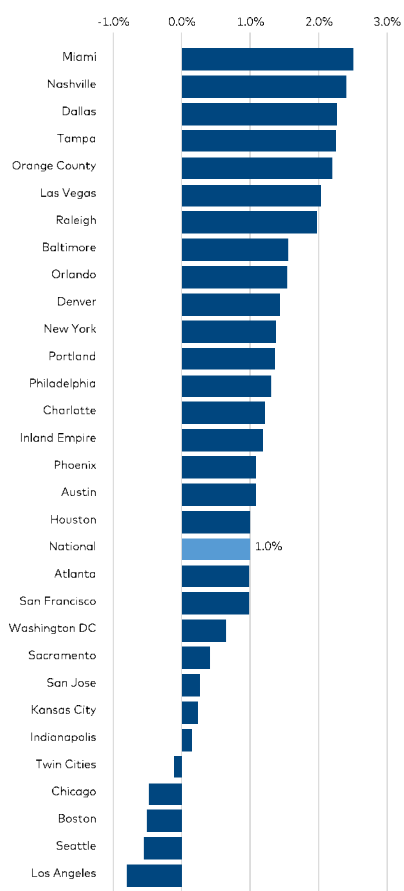
Asking rents increased 1.0% month-over-month nationwide in September, which in a normal year would be thrilling for apartment owners and operators. Historically, September has been the month when rent growth begins to soften ahead of winter. However, the one percentage point increase this year represents a significant slowdown in rent gains. Monthly rent increases have been above 1.2% every month since February, and August monthly rent was nearly double the growth seen in September.

Dallas (2.4%) and Nashville (2.2%) are two markets that may be accelerating into the fourth quarter. Both markets have strong employment and migration trends to support rent growth, and while other markets are beginning to slow, rent growth in both markets is accelerating on a month-over-month basis.

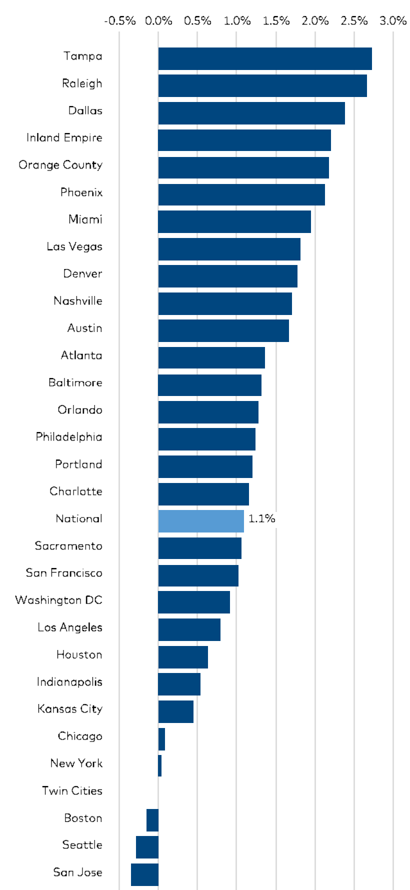
Month-Over-Month Rent Growth—All Asset Classes



Month-Over-Month Rent Growth—Lifestyle Asset Class



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



Source: Yardi Matrix

Employment and Supply Trends; Forecast Rent Growth

- 2021 rent forecasts reach historic levels backed by astounding year-to-date growth.
- As a new real estate cycle begins, some underlying concerns of affordability and regional migration continue.
- Rent growth and absorption have been led by properties in the suburbs, where fundamentals remained positive even during the pandemic.

2021 has been far from a typical year for the multifamily sector. For many owners and operators, the swift tailwinds of historic rent growth have been met with the strong headwinds of rising materials costs, labor shortages and backlogs in supply chains for critical products. Overall, the apartment sector has continued to perform well, especially for Lifestyle apartments. As the calendar moves to the fall, which has historically been a slower time for demand, the focus in the industry will shift to how long the current growth trajectory can continue.

Prior to the pandemic, the main headlines in multifamily focused on affordability, the lack of housing development and aging Millennials. While the global health crisis has dominated the conversation for the past 18 months, the fundamental concerns from 2019 remain, and in certain instances have gotten worse. Wage gains, especially at the bottom end of the scale, have increased meaningfully. Rents in the most expensive markets fell drastically and have recovered slowly.

With that said, as the economy normalizes and the multifamily industry remains strong, the long-term issues will likely reappear in time. As we have seen over the past 12 months, demand for housing of all forms is extremely high. America is undersupplied in both for-sale and rental housing. Will local and federal governments become more development friendly? If not, we will likely see an increase in calls for counterproductive rent control and other housing regulations.

Looking at the short term, the year-end 2021 forecasts are incredibly high, but they are supported by strong growth. Although growth will slow in 2022, rent gains will remain strong by historical levels.

The job market will continue to grow, even if the Federal Reserve begins to taper asset purchases and eventually raises interest rates. Barring rapid and drastic monetary tightening, which is highly unlikely, the actions of the Fed will not significantly slow down the multifamily momentum.

The multifamily industry is well positioned and enjoying historically strong performance today. However, as we move into a new real estate cycle, the long-term fundamental concerns of affordability and geographic preference for working and living will remain.

Single-Family Build-to-Rent Segment: Strong Fundamentals Fuel Institutional Investor Demand

- Single-family rentals continue to grow at an astounding pace. Nationwide, rents are up 14.3%, with some metros eclipsing 30% in annual rent growth.
- Given the limited existing supply and excessive demand, expect strong continued growth in the SFR sector.

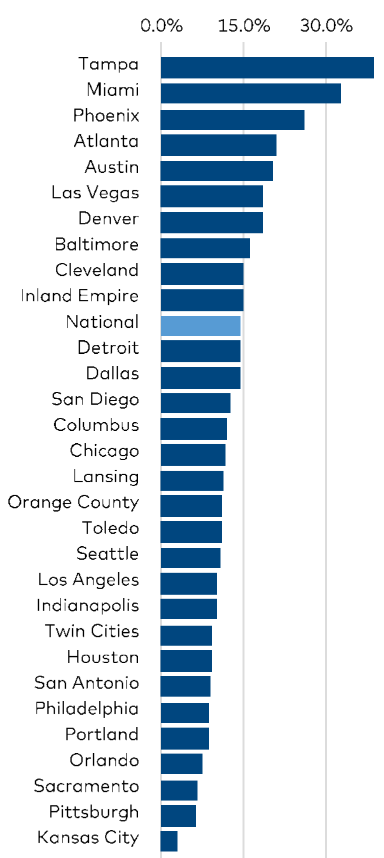
The single-family rental sector continues to outpace conventional multifamily, with rents increasing nationally by 14.3% on an annual basis in September. Nationwide, occupancy increased by 1.2% from last September, with performance driven by demand for larger homes and additional privacy.

As with conventional multifamily, markets in Florida lead the way for SFR rent growth. Rents are up 38.8% year-over-year in Tampa and 32.7% in Miami. Other rent growth leaders are Millennial hubs including Phoenix, Atlanta, Austin and Denver. As Millennials get older and enter prime home-buying age, many have been priced out of the for-sale home market. Single-family rentals have been the next best alternative, especially for families with children or pets who desire more space.

The Texas markets of Houston, San Antonio and Austin have led the way on the occupancy side, with major gains in the past year.

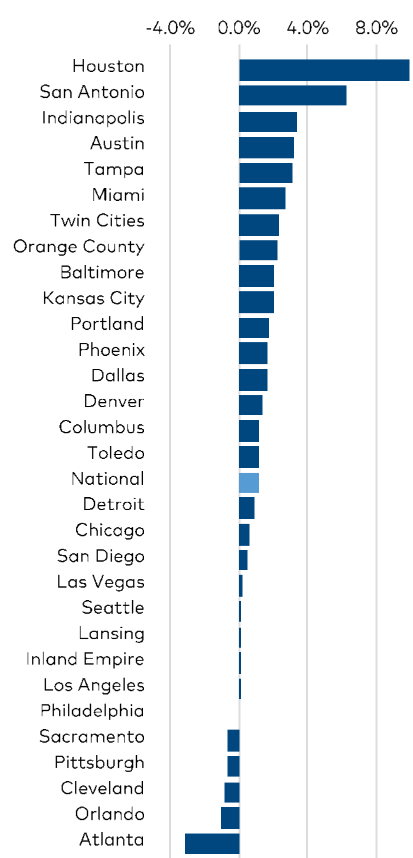
Note: Yardi Matrix covers Single-Family Built-to-Rent communities of 50 homes and larger.

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



Source: Yardi Matrix

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



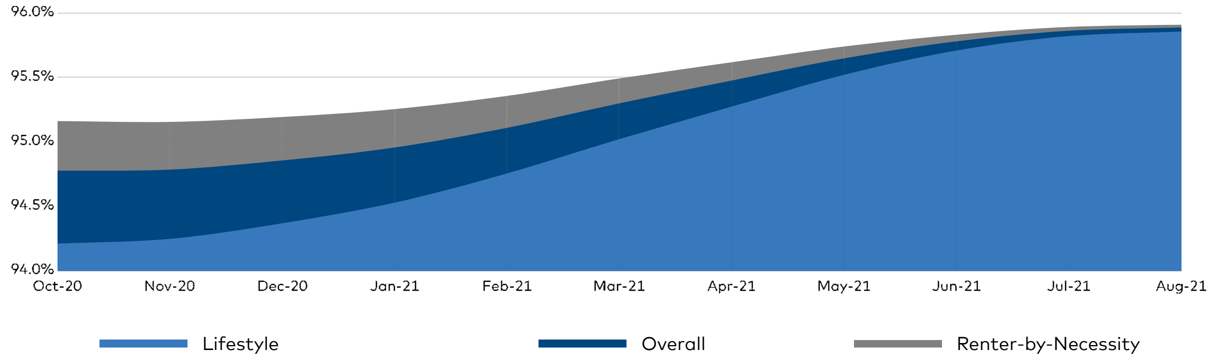
Employment and Supply Trends; Forecast Rent Growth

Market	YoY Rent Growth as of Sep - 21	Forecast Rent Growth as of 9/30/21 for YE 2021	YoY Job Growth (6-mo. moving avg.) as of Jul - 21	Completions as % of Total Stock as of Sep - 21
Tampa	22.6%	23.8%	3.9%	2.7%
Las Vegas	20.6%	22.8%	4.5%	1.6%
Phoenix	22.8%	21.4%	3.7%	3.1%
Miami Metro	20.6%	20.7%	2.1%	4.0%
Charlotte	16.4%	20.0%	3.4%	5.1%
Raleigh	19.3%	20.0%	4.2%	3.5%
Seattle	10.0%	19.5%	2.1%	3.0%
Atlanta	17.2%	18.9%	2.9%	2.8%
Inland Empire	18.4%	18.7%	3.2%	1.4%
Orlando	14.7%	17.8%	0.5%	3.7%
Austin	17.0%	17.7%	5.0%	4.7%
Nashville	15.8%	15.8%	4.5%	2.4%
Denver	13.7%	15.5%	2.8%	2.6%
Portland	12.7%	14.5%	1.8%	3.0%
San Jose	5.6%	14.1%	0.3%	3.7%
Boston	8.7%	13.4%	3.5%	3.1%
Sacramento	13.9%	13.2%	1.9%	0.3%
New York	6.0%	13.1%	1.7%	0.7%
Dallas	13.0%	13.0%	3.5%	2.7%
Chicago	8.4%	12.1%	1.2%	1.6%
Washington DC	7.8%	11.5%	1.7%	1.8%
Orange County	12.7%	10.9%	2.4%	1.0%
Houston	8.4%	10.5%	0.9%	2.4%
Philadelphia	9.7%	10.5%	3.1%	1.7%
Los Angeles	7.2%	10.3%	0.2%	2.5%
Baltimore	11.6%	10.3%	2.6%	1.1%
Indianapolis	8.5%	9.1%	2.8%	1.1%
Kansas City	5.7%	7.8%	3.4%	2.7%
San Francisco	3.7%	6.7%	0.1%	3.3%
Twin Cities	3.1%	5.7%	1.7%	3.6%

Source: Yardi Matrix

Occupancy & Asset Classes

Occupancy—All Asset Classes by Month



Source: Yardi Matrix

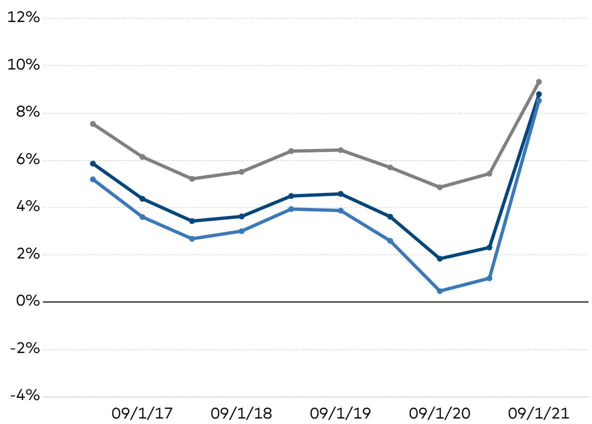
Year-Over-Year Rent Growth, Other Markets

Market	September 2021		
	Overall	Lifestyle	Renter-by-Necessity
SW Florida Coast	27.1%	30.0%	22.3%
Jacksonville	22.6%	27.0%	16.0%
Tucson	18.8%	23.0%	16.8%
Albuquerque	16.4%	22.3%	13.1%
Reno	15.4%	14.8%	16.0%
NC Triad	15.4%	15.5%	15.2%
Colorado Springs	14.8%	13.1%	16.3%
Salt Lake City	14.7%	14.2%	15.2%
Central Valley	14.3%	19.7%	12.9%
Tacoma	12.7%	12.9%	12.1%
El Paso	12.0%	13.6%	11.3%
Long Island	10.8%	9.9%	11.3%
San Fernando Valley	9.8%	9.2%	10.3%
Indianapolis	8.5%	8.8%	8.1%
Bridgeport–New Haven	7.5%	7.4%	7.7%
Louisville	7.4%	8.5%	7.0%
St. Louis	6.3%	8.2%	5.5%
Central East Texas	6.1%	6.0%	6.3%
Northern New Jersey	4.9%	3.5%	6.3%

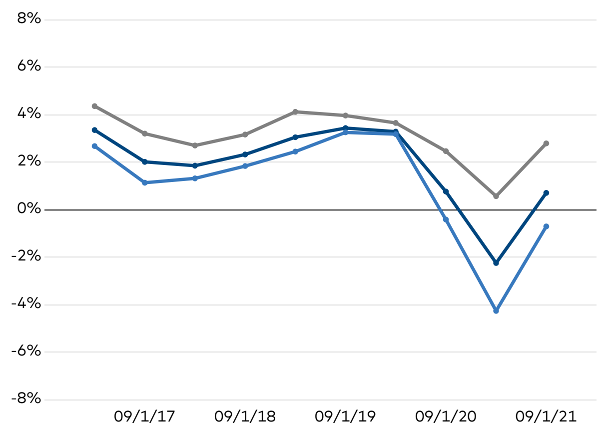
Source: Yardi Matrix

Market Rent Growth by Asset Class

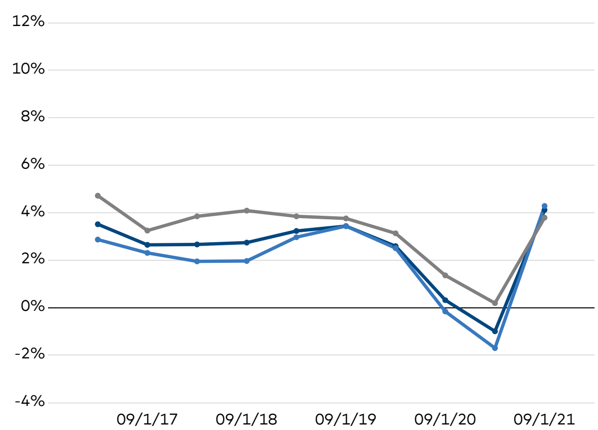
Atlanta



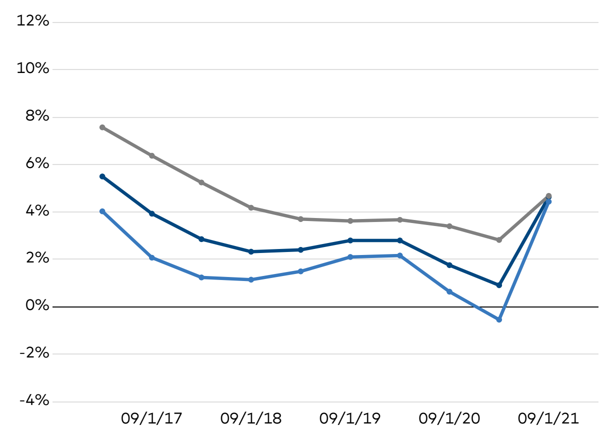
Boston



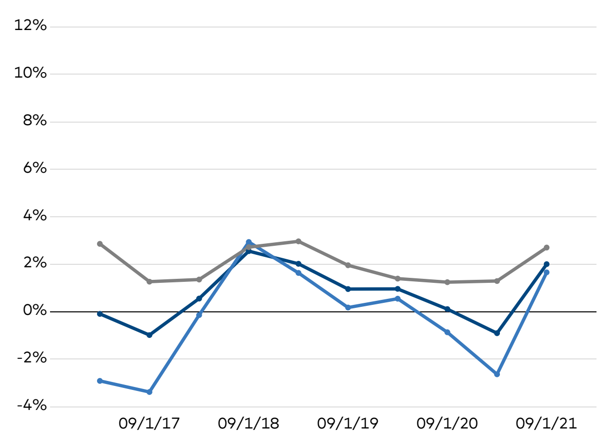
Denver



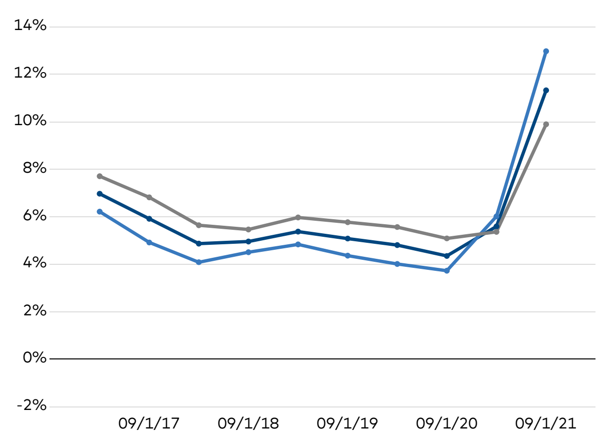
Dallas



Houston



Inland Empire

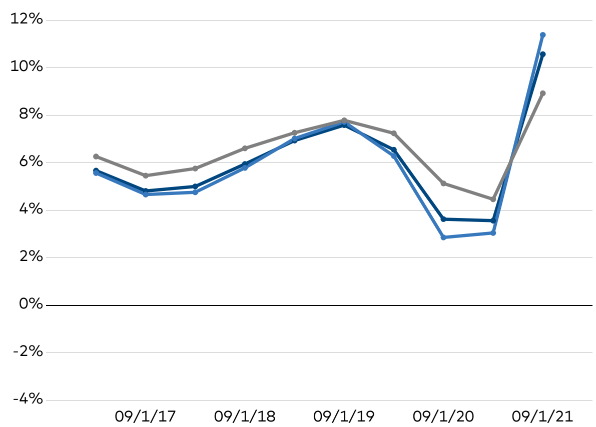


Trailing 12 Months Overall — Trailing 12 Months Lifestyle — Trailing 12 Months Renter-by-Necessity

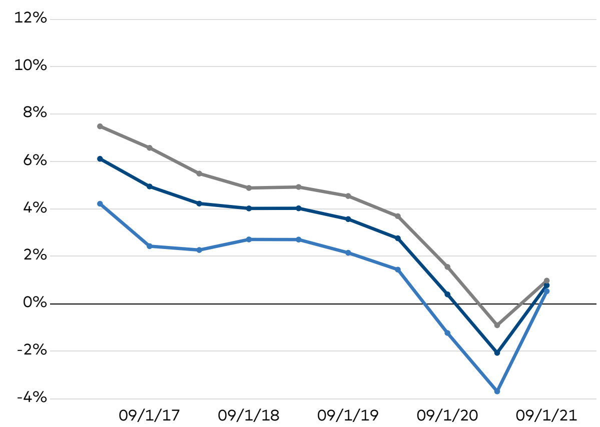
Source: Yardi Matrix

Market Rent Growth by Asset Class

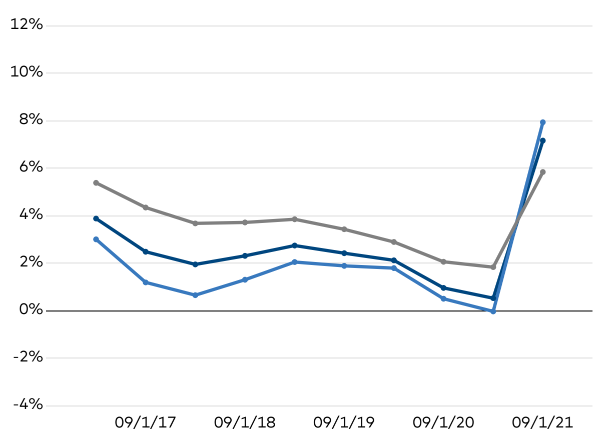
Las Vegas



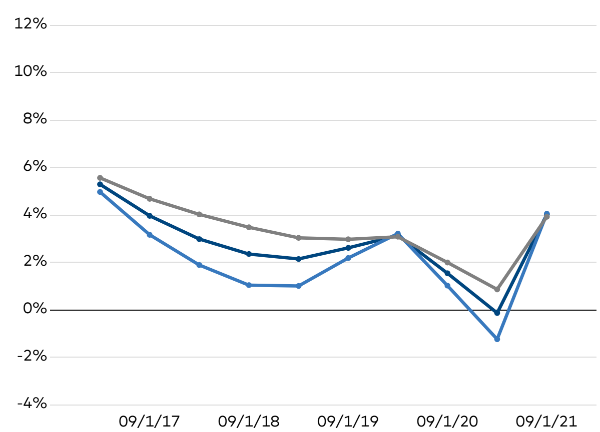
Los Angeles



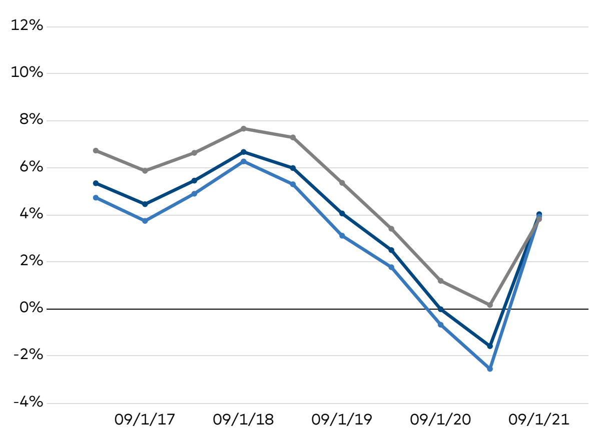
Miami



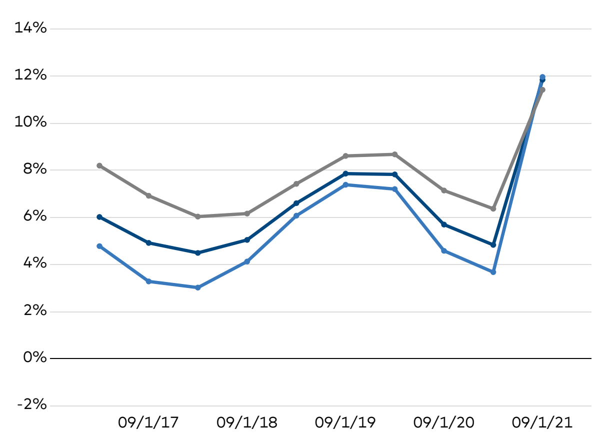
Orange County



Orlando



Phoenix

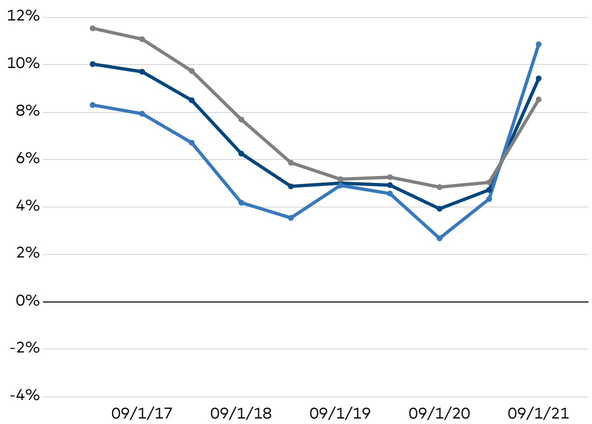


Trailing 12 Months Overall　Trailing 12 Months Lifestyle　Trailing 12 Months Renter-by-Necessity

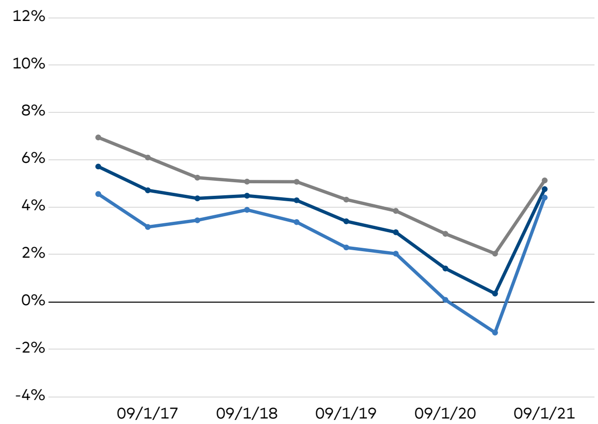
Source: Yardi Matrix

Market Rent Growth by Asset Class

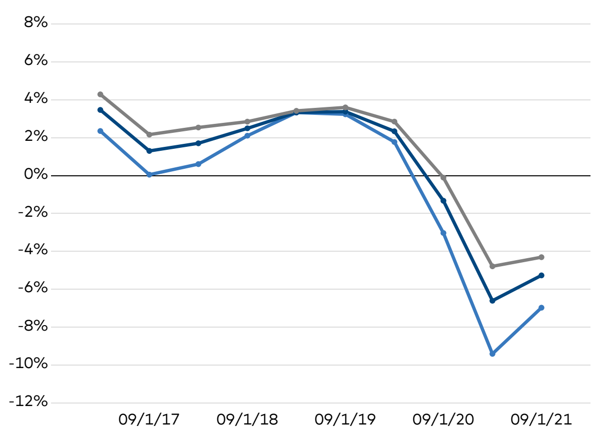
Sacramento



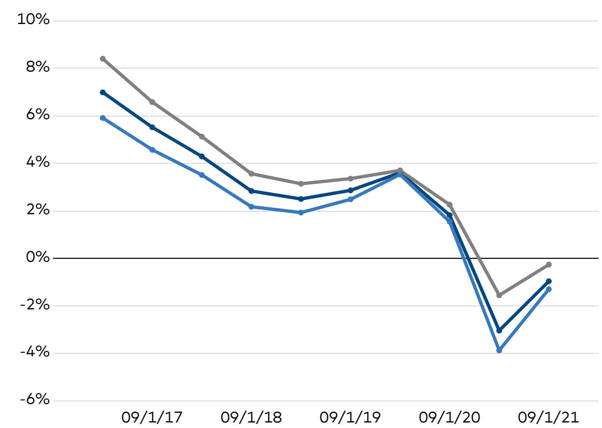
San Diego



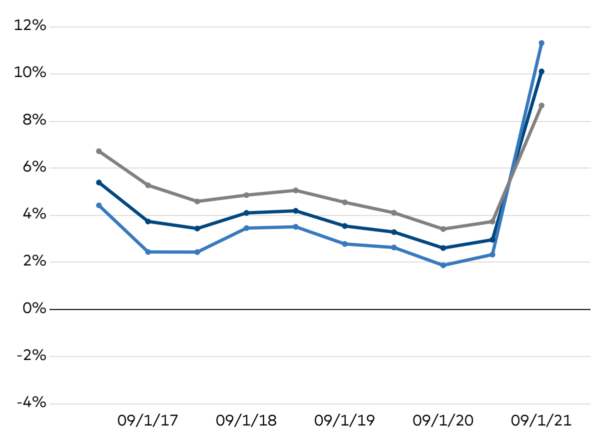
San Francisco



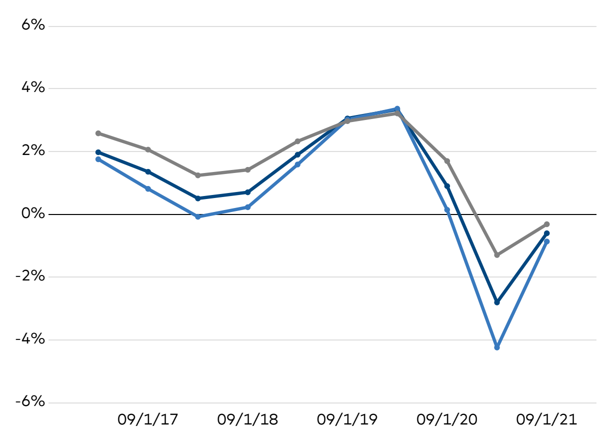
Seattle



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 rent values and occupancy derived from all 140 markets with years of tracked data that makes a consistent basket of data

Average Rents: Average Same-Store index rent (mean), rolled up from unit mix level to metro area level, weighted by units

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

Rent Growth, Quarterly: Year-over-year change in average market rents, as calculated by same-quarter average. Partially completed quarters are only compared to partial quarters.

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

Market rent: Converted rent that reflects the effect of differences in relevant attributes that hold reasonably quantifiable value

Actual (effective) rent: Monthly rate charged to residents to occupy an apartment and is shown as-is without additional concessions or adjustments.

Same-Store index rent: Rents adjusted to new supply as it joins the market

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

Employment Data Geography: Comprises entirety of United States, which Matrix data covers 90% of US metro population. Reported information is for MSAs that overlap Matrix Markets.

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.

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

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
- Other Categories
- Student—may span range of income capability
- Military—subject to relocation
- Subsidized—Partially to fully subsidized by a governmental agency subsidy. Can extend to middle-income households in high-cost markets.

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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