



Yardi Matrix

National Multifamily Report

June 2024



Multifamily Meets First-Half Expectations

- Multifamily performance remained healthy in June, as strong demand is largely keeping up with rapid supply growth. The average U.S. advertised rent increased by \$4 to \$1,739, while year-over-year growth fell by 20 basis points to 0.6%.
- Although the market has headwinds such as above-trend expense growth and a large number of deliveries in some metros, absorption is steady due to strong employment gains, the low unemployment rate, foreign immigration and weak home sales.
- The single-family rental market experienced its first hiccup of 2024, with the average advertised rent declining by \$3 in June to \$2,166, while the year-over-year growth rate fell 30 basis points to 1.1%. Occupancy rates remained high at 95.4% in May.

The first half of 2024 is in the books, and multifamily performance was encouraging. Advertised rents increased 1.5% nationally in H1 2024 and 1.0% during the second quarter, according to Yardi Matrix. To put that in perspective, during the five years preceding the pandemic, advertised rent growth averaged 2.5% per year in the first half and 1.7% in the second quarter. During the two post-pandemic boom years in 2021 and 2022, advertised rents rose an average of 6.1% during the first half and 3.9% in the second quarter.

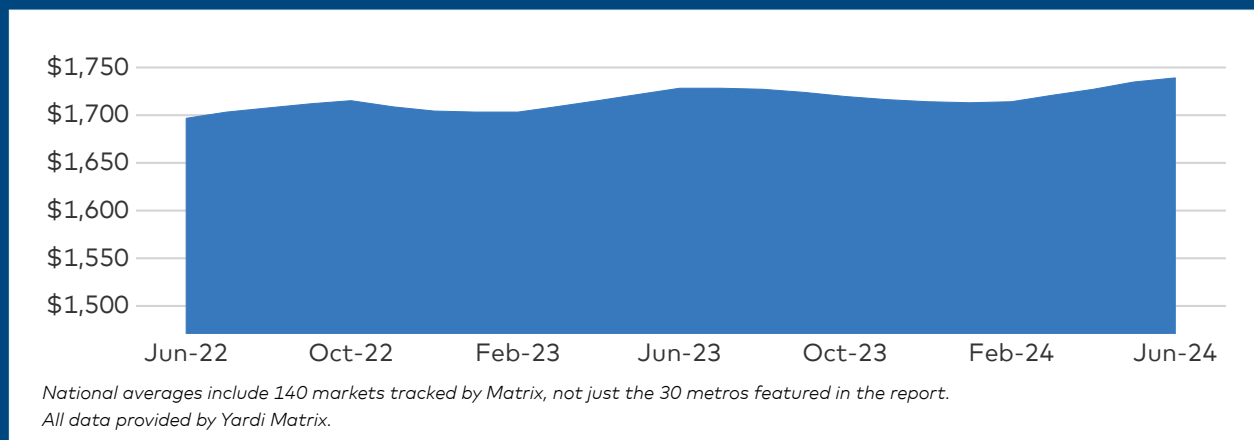
Given the market environment, a moderately positive result is a win. Demand has cooled from the 600,000-plus units absorbed in 2021, but the market is on track to absorb more than 300,000 units again in 2024, which is a healthy amount. The U.S. job engine keeps chugging along, and demand is boosted by the U.S. housing shortage, foreign immigration and

the low number of home sales, which keeps in place some renters who would prefer to buy homes but cannot.

Multifamily owners do have issues to solve, including interest rates and expenses. May's 2.6% annualized inflation print was the lowest number in three years, but the Federal Reserve's recent caution means interest rates seem set on a higher-for-longer path. That means transaction activity will continue to be slow and relief may not be coming soon for owners that need to refinance maturing debt.

Expenses have grown at above-trend levels for two years. Although growth is cooling this year, many property owners are being stretched by costs at a time when rent growth is slowing. Income growth in many markets is being driven by renewal rents, which grew 4.3% nationally as of April, per Matrix.

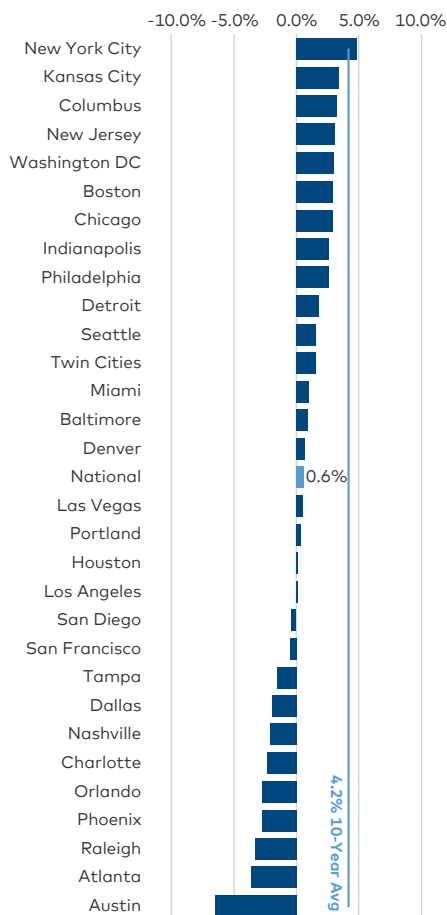
National Average Rents



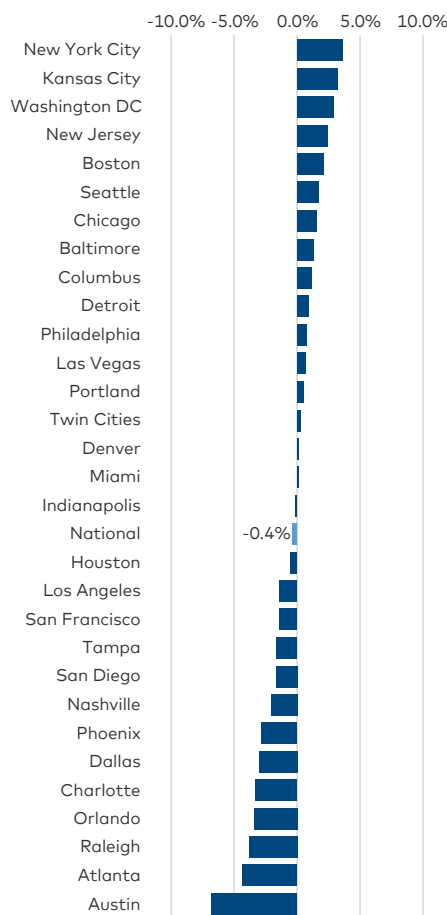
Year-Over-Year Rent Growth: Deceleration Intensifies in the Sun Belt

- The national average advertised asking rent rose to \$1,739 in June, with the year-over-year growth rate falling slightly to 0.6%. Rent growth is highest in the Northeast and Midwest, led by New York City (4.8% year-over-year), Kansas City (3.4%), Columbus (3.2%) and New Jersey (3.1%). Rounding out the top five is Washington, D.C. (3.0%), where rent growth has steadily increased since the beginning of the year. Meanwhile, after a brief slowdown, negative rent growth is once again intensifying in several Sun Belt metros, led by Austin (-6.5%), Atlanta (-3.6%) and Raleigh (-3.3%).
- The national occupancy rate was 94.5% in May, unchanged from April and down 0.5% year-over-year. Las Vegas (93.3%) was the only metro with a year-over-year increase (0.4%). Despite posting solid rent growth, occupancy rates are falling in Indianapolis (-1.0%) and Kansas City (-0.9%), a possible indication that rent growth might cool in these metros.

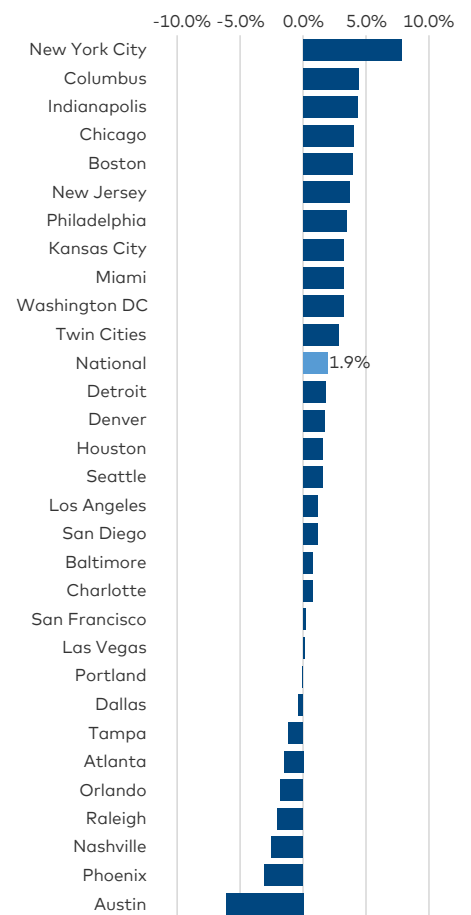
Year-Over-Year Rent Growth—
All Asset Classes



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: Modest Gains While Austin Leads Declines

- U.S. rents rose 0.2% month-over-month in June, with 21 metros posting modest gains.
- Rents rose 0.3% month-over-month in the Renter-by-Necessity segment and 0.2% in the luxury Lifestyle segment.

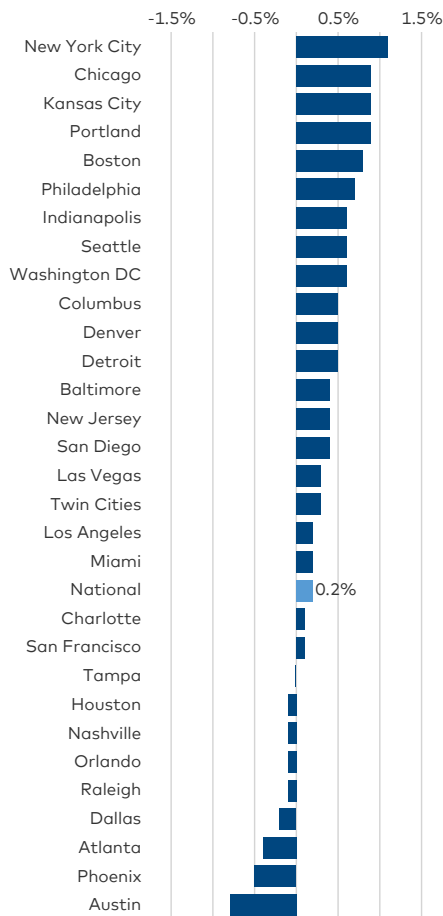
Monthly rent gains in June were led by New York City (1.1%), and Chicago, Kansas City and Portland (all 0.9%). Eight of the top 30 metros posted modest declines, with the largest drop recorded in Austin (down 0.8%).

Rent growth was positive in the majority of top 30 metros in both Lifestyle and RBN. New York

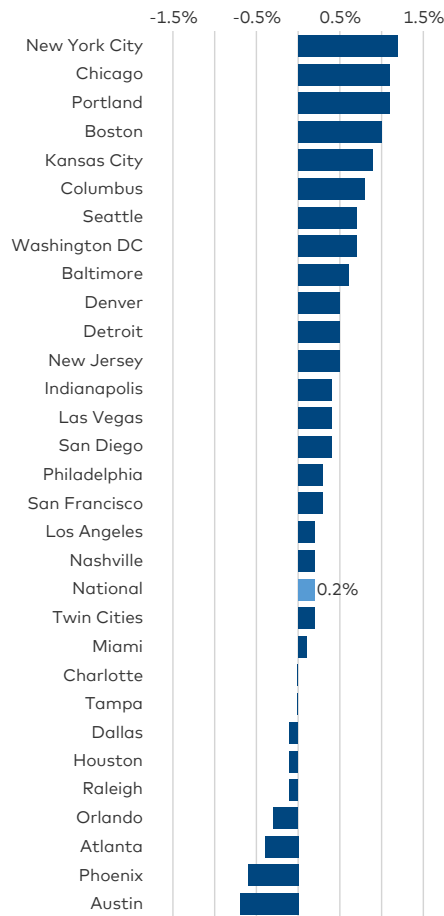
(1.2%), Chicago and Portland (both 1.1%) recorded the largest increases in Lifestyle, while Indianapolis and Philadelphia (both 0.9%) led in RBN. Austin posted the largest declines in both categories, as the metro was down 0.7% in Lifestyle and 1.2% in RBN.

Strong absorption is tempering the effects of high supply growth in several Sun Belt metros. Rents are stabilizing in markets such as Charlotte (0.1% month-over-month in June) and Raleigh, Orlando and Nashville (all -0.1% month-over-month)—where deliveries over the past year are more than 5.0% of stock.

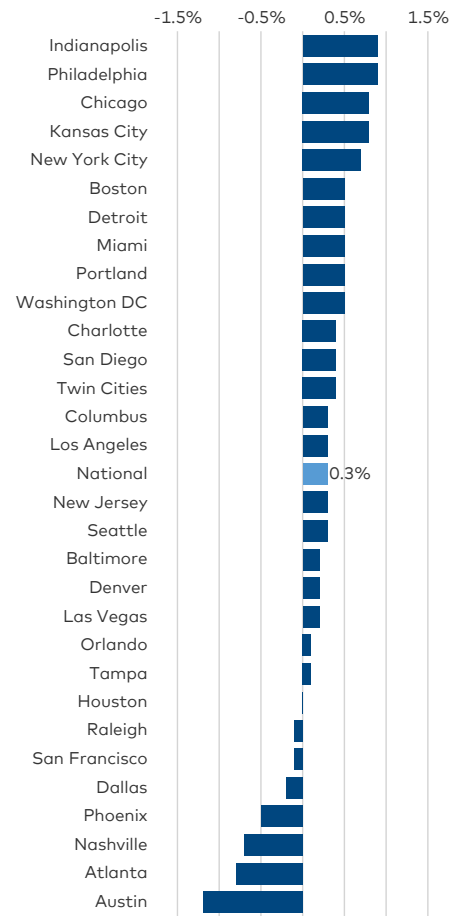
**Month-Over-Month Rent Growth—
All Asset Classes**



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



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



Source: Yardi Matrix

Supply, Demand and Demographics: Expense Growth Painful Where Rent Increases Cool

- Expenses have risen rapidly over the past two years, with cost increases led by insurance, marketing and administration.
- The increase in expenses comes at a time when rent growth has started to cool and debt-service costs are rising.
- If expense growth does not moderate, it could exacerbate loan defaults and curtail needed development.



Over the years, expenses have often been an afterthought for multifamily owners relative to income metrics such as rents, occupancy and fee-based services. Now, however, as income growth has slowed and high mortgage rates are pushing up debt-service costs, operators are paying more attention to expense line items.

Overall, expenses per multifamily unit nationally rose by 8.0% year-over-year to \$8,890 in 2023, after increasing by 8.2% in 2022, according to an examination of more than 20,000 properties that use Yardi operating software. Expense growth in 2023 was led by property insurance, which rose 29% year-over-year; marketing (12.7%); administrative (10.8%); and repairs/maintenance (9.8%). (Expense data is aggregated from properties that use Yardi property management software.)

The 8.1% average increase in total expenses over the last two years was more than double the 3.4% average growth rate of the previous four years. Of the 129 markets reviewed by Matrix, 99 recorded increases in expenses of 5.0% or more and 28 saw increases of 10.0% or more in 2023. Florida accounted for eight of the top 18 metros in expense growth, although markets with the highest recent increases in expenses tend to have the lowest average in-place expenses, while higher-expense metros have recorded smaller increases over the last two years.

Luckily for the industry, robust rent growth post-pandemic meant net operating income has for the most part grown faster than increases in expenses. But with rent growth cooling and Matrix forecasting 560,000 deliveries nationally this year, income growth is no longer a given. Multifamily advertised rents rose only 0.6% year-over-year through May. Weak growth should continue the rest of the year, especially in Sun Belt markets such as Austin, Nashville, Orlando, Phoenix and Charlotte that have a large delivery pipeline and falling occupancy rates.

The pain is not only being felt in market-rate assets. Affordable multifamily owners, already operating on thin margins, are finding that rent increases set by public agencies are not enough to cover the rapid growth in insurance and other expenses. Plus, affordable operators have seen an uptick in non-payments due to fraud or struggles of low-income tenants with depleted finances.

Expense growth seems to be moderating. Through April 2024, expenses rose at a 4.2% annual rate, per Matrix, and insurance premium growth has cooled. The upshot is that if expense growth does not moderate, consequences will include rising mortgage defaults and a curtailment of needed new development. For owners, improving operating efficiency by streamlining processes and implementing new technologies is essential.

Single-Family Build-to-Rent Segment: SFR Rents Dip Slightly, But Remain Near Peak

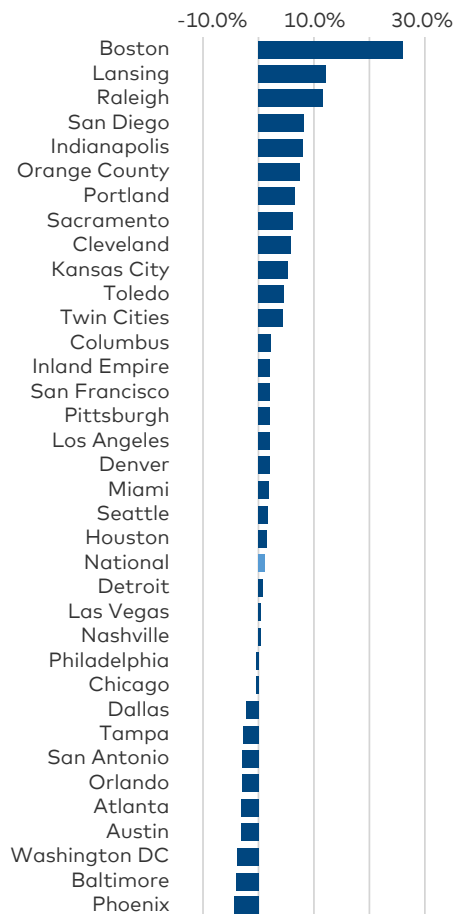
- Nationally, advertised rates for single-family rentals fell \$3 in June to \$2,166, while year-over-year growth dropped 30 basis points to 1.1%.
- U.S. SFR occupancy rates were unchanged at 95.4% in May, with RBN at 96.8% and Lifestyle at 95.0%.

The average national advertised rent for SFR properties fell slightly in June, the first drop since late 2023. However, rents are only \$3 from their all-time high and the sector is outperforming multifamily, with rents up 1.1% year-over-year.

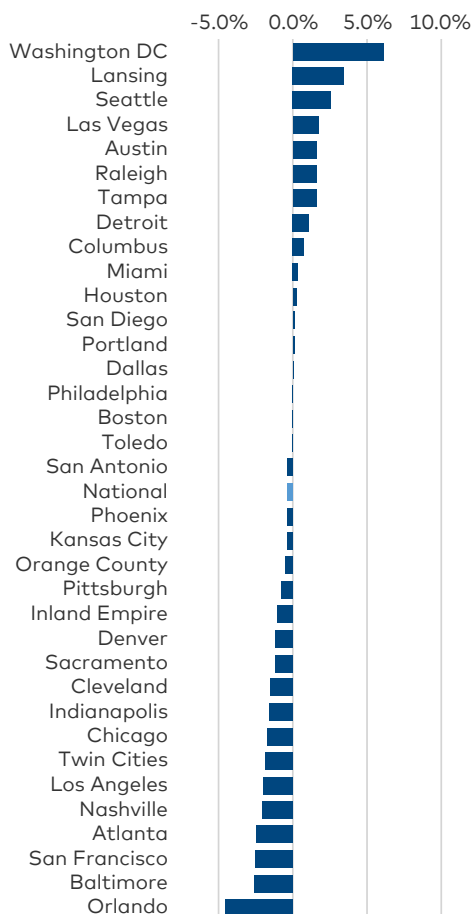
As with multifamily, metro performance is mixed. Gainers include Lansing, Mich., where advertised rents are up 12.1% year-over-year while occupancy rates are up 3.4%; and Raleigh, where rents are up 11.6% year-over-year and occupancy rates are up 1.6%. Metros that have struggled recently include Phoenix, where advertised rents are -4.5% year-over-year and occupancy rates are -0.4%, and Baltimore, where advertised rents are -4.1% year-over-year while occupancy rates are -2.6%.

Note: Yardi Matrix covers single-family build-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

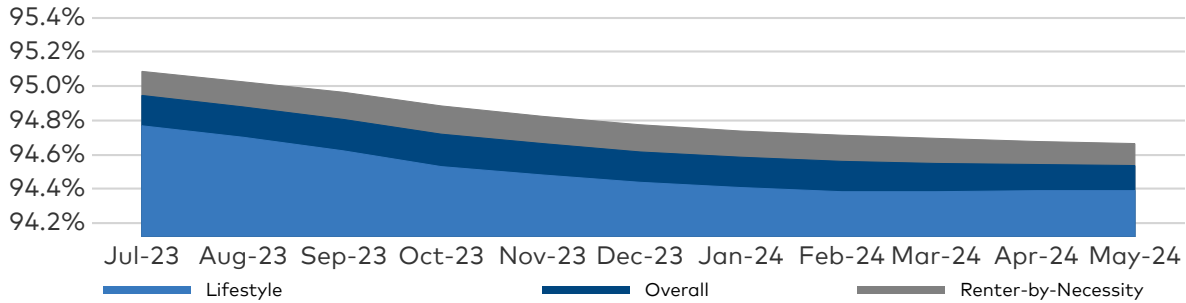
Employment and Supply Trends; Forecast Rent Growth

Market	YoY Rent Growth as of Jun - 24	Forecast Rent Growth as of 06/01/24 for YE 2024	YoY Job Growth (6-mo. moving avg.) as of Apr - 24	T12 Completions as % of Total Stock as of Jun - 24
New York City	4.8%	3.3%	1.1%	1.2%
Kansas City	3.4%	2.8%	1.2%	2.1%
Columbus	3.2%	3.2%	0.9%	2.9%
New Jersey	3.1%	2.8%	1.2%	2.3%
Washington DC	3.0%	2.4%	0.9%	1.7%
Boston	2.9%	2.3%	0.5%	2.6%
Chicago	2.9%	2.4%	0.3%	1.8%
Indianapolis	2.6%	2.3%	2.1%	2.5%
Philadelphia	2.6%	2.2%	1.4%	2.0%
Detroit	1.8%	2.1%	0.1%	1.0%
Seattle	1.6%	1.4%	1.0%	3.5%
Twin Cities	1.6%	1.6%	1.1%	3.7%
Miami Metro	1.0%	1.7%	2.5%	4.2%
Baltimore	0.9%	0.7%	0.0%	1.3%
Denver	0.7%	1.0%	1.0%	3.5%
Las Vegas	0.5%	0.6%	3.5%	1.1%
Portland	0.4%	-0.6%	-1.0%	3.6%
Houston	0.1%	0.4%	2.6%	2.7%
Los Angeles	0.1%	-0.6%	0.2%	2.1%
San Diego	-0.4%	0.2%	0.9%	1.7%
San Francisco	-0.5%	0.1%	0.3%	3.0%
Tampa	-1.5%	-0.9%	2.2%	2.4%
Dallas	-2.0%	-1.0%	2.0%	2.9%
Nashville	-2.1%	-1.2%	0.9%	5.2%
Charlotte	-2.3%	-0.8%	1.6%	5.5%
Orlando	-2.8%	-1.1%	2.2%	5.3%
Phoenix	-2.8%	-1.2%	2.4%	3.3%
Raleigh	-3.3%	-1.6%	2.5%	5.6%
Atlanta	-3.6%	-2.2%	1.1%	3.3%
Austin	-6.5%	-4.0%	2.6%	5.8%

Source: Yardi Matrix

Occupancy & Asset Classes

Occupancy--All Asset Classes by Month



Source: Yardi Matrix

Year-Over-Year Rent Growth, Other Markets

Market	June 2024		
	Overall	Lifestyle	Renter-by-Necessity
Louisville	5.5%	3.8%	6.7%
Bridgeport-New Haven	3.9%	2.4%	5.1%
Milwaukee	3.8%	2.7%	4.5%
Cleveland-Akron	3.4%	3.5%	3.3%
St Louis	3.2%	1.4%	4.4%
Cincinnati	2.8%	0.3%	3.9%
Winston-Salem-Greensboro	2.6%	2.9%	2.1%
Central Valley	2.6%	1.7%	2.8%
Richmond - Tidewater	2.4%	1.3%	3.1%
Orange County	1.4%	1.0%	1.9%
San Jose	1.1%	0.4%	1.9%
Albuquerque	1.1%	-0.3%	2.0%
Sacramento	1.0%	2.3%	0.1%
Charleston	0.7%	-0.7%	2.9%
Inland Empire	0.4%	0.0%	0.8%
Greenville	-0.2%	-2.0%	1.7%
Salt Lake City	-1.1%	-1.6%	-0.7%
North Central Florida	-2.2%	-3.8%	-0.8%
Colorado Springs	-2.6%	-1.5%	-3.9%
San Antonio	-2.9%	-3.8%	-1.5%
Jacksonville	-3.7%	-4.4%	-2.8%
Southwest Florida Coast	-4.1%	-5.2%	-1.1%

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.

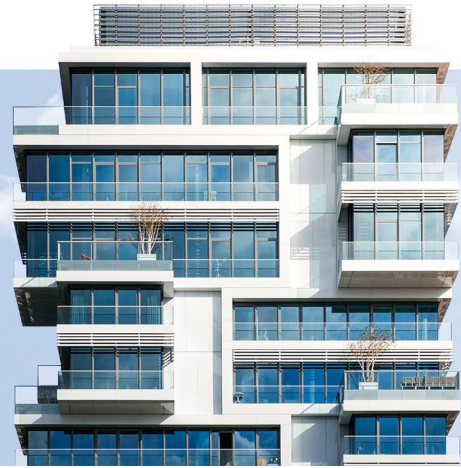
The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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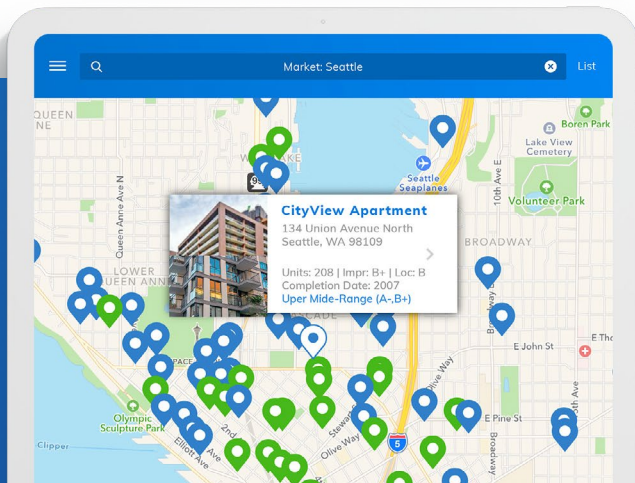
Yardi® Matrix

Power your business
with the industry's
leading data provider



MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
- 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



Yardi Matrix Multifamily
provides accurate data on
19.7+ million units, covering over
92% of the U.S. population.



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