Yardi® Matrix

National Multifamily Report

April 2020

Impact of COVID-19 on Multifamily Beginning to Emerge

- April rent growth began to show signs of reversal, as the country moved into month two of stay-at-home orders. April collections were strong, based on data published by the National Multifamily Housing Council, despite more than 33 million Americans filing for unemployment in the last seven weeks.
- Many states have begun to relax their shelter-in-place rules, but returning to life outside of lockdown will require changes to normal daily life for some time, absent a pharmaceutical solution.
- Major gateway markets and tech hubs have already seen declining rents on a month-over-month basis. Many of these markets have had some of the highest COVID-19 infections in the country, while others seemed to skate by unscathed. While pain will be felt nationwide, tourist-based and oil heavy markets will likely be the hardest hit.

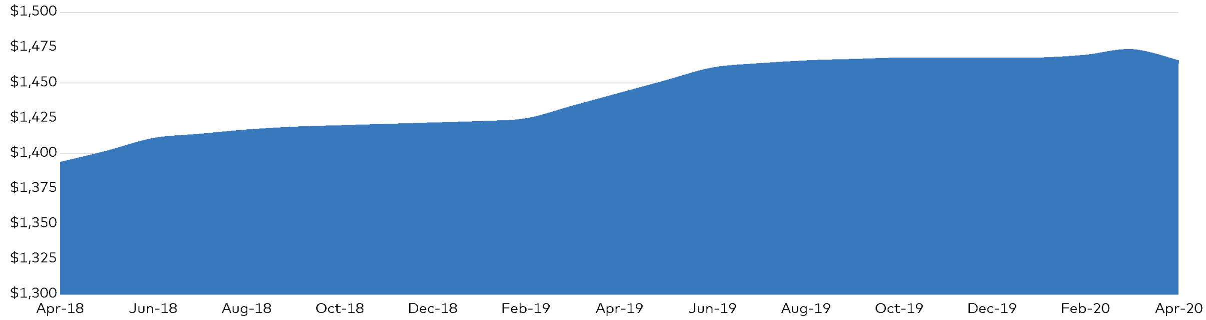
The United States continues to lead the world in COVID-19 cases, but is beginning to shift its focus to reopening the economy. The White House has issued guidelines for a three-phased approach to opening, and many cities and states are beginning phase one.

April rents signaled the beginning of trouble, growing by 1.6% on a year-over-year basis but declining $8 from March. This marks the biggest one-month decline in our dataset, including during the Great Recession, and puts rents right back where they were in August 2019. The pain in rents is likely to be intensified for the lifestyle asset class, as major cities struggle with younger people extinguishing their leases and moving home.

April rent collections surprised many to the upside. The National Multifamily Housing Council Rent Payment Tracker found that 91.5% of professionally managed apartment households made a full or partial rent payment by April 26. The number reflects a payment rate of 96.6% compared to the same time last month. The stimulus checks likely provided assistance to renters who found themselves unemployed. May collections started off strong, as well, with 80.2% of households making a full or partial payment by May 6, a payment rate of 98.1% compared to this time last year. But with the additional $600 in unemployment insurance provided through the CARES Act ending in July, many renters might choose to conserve their cash in the coming months as evictions are paused in many cities and states. Residents' notices to vacate are down in the Renter-by-Necessity class, as well, as they choose to stay put, especially in more affordable units.

Even though the COVID-19 pandemic has deeply disrupted the apartment rental process, the industry has responded quickly with virtual or self-guided tours and online leasing, which has enabled operations to continue.

National Average Rents

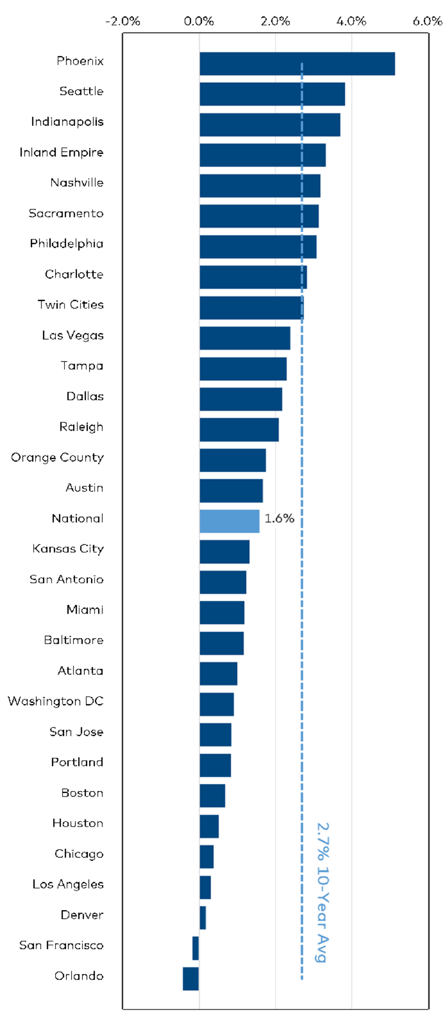


National averages include 127 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by YardiMatrix.

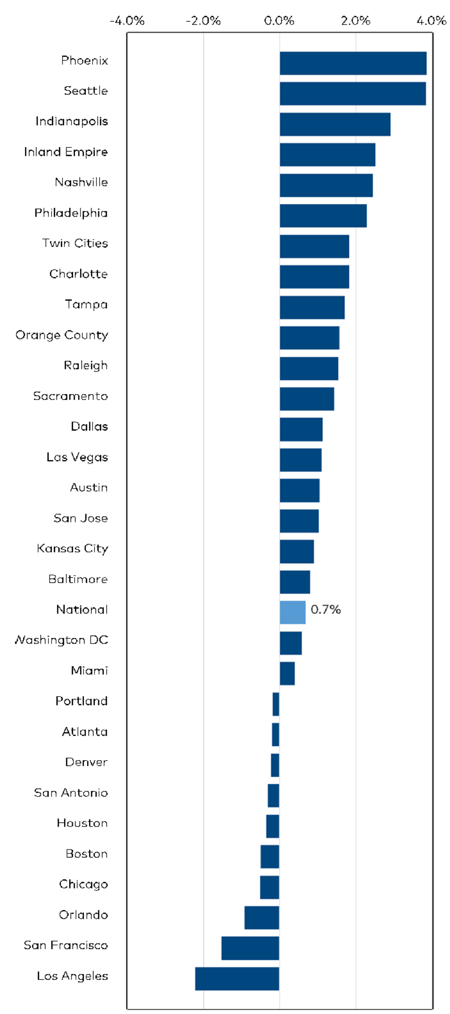
Year-Over-Year Rent Growth: April Rents Show Signs of Weakness, Pain Just Beginnning

- Rents increased 1.6% in April on a year-over-year basis, as national rent growth is beginning to show signs of weakness—during what would typically be prime leasing season. National rent growth reached its lowest level on a year-over-year basis since October 2017.
- Lifestyle rents are feeling the sharpest impact, with 10 of the top 30 markets already showing year-over-year declines in rent growth. Renter-by-Necessity rent growth remains positive in all of the top 30 markets, likely a result of the long run of strength for the asset class. But RBN rents are not immune, and one can expect negative rent growth on a year-over-year basis in the coming months.
- Orlando (-0.4%) and San Francisco (-0.2%) are showing the steepest declines in rents on a year-over-year basis. Orlando has not had negative growth since April 2011, and San Francisco has not been negative since August 2010.

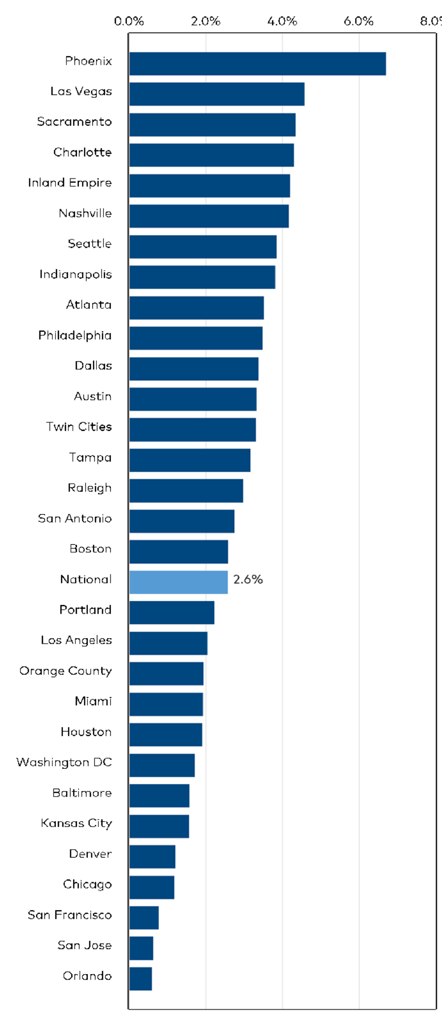
Year-Over-Year Rent Growth—All Asset Classes



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 Most Impacted by COVID-19

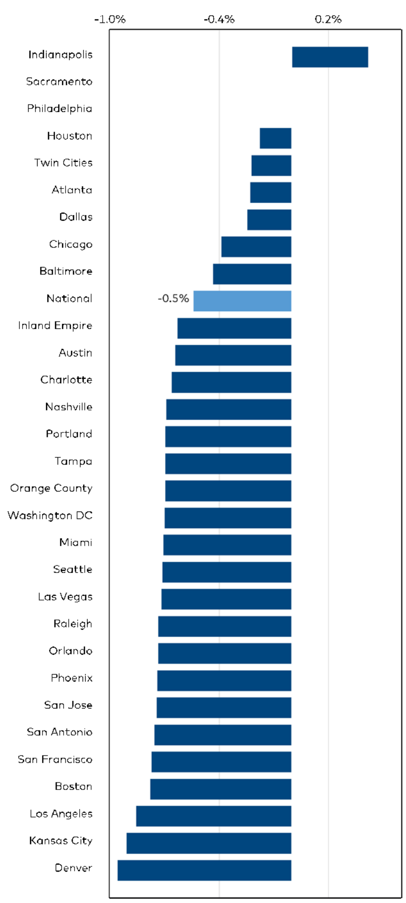
- Rents decreased 0.5% on a month-over-month basis in April, further showing the significant impact COVID-19 has already had on rents.
- Of the top 30 markets, 27 had negative rent growth on a month-over-month basis. Declining rents will likely continue throughout 2020 as the shift to the new normal continues.

Rents decreased 50 basis points nationally on a month-over-month basis. Due to the uncertainty surrounding the housing market and the economy, monthly rent changes play the most important role in today's market.

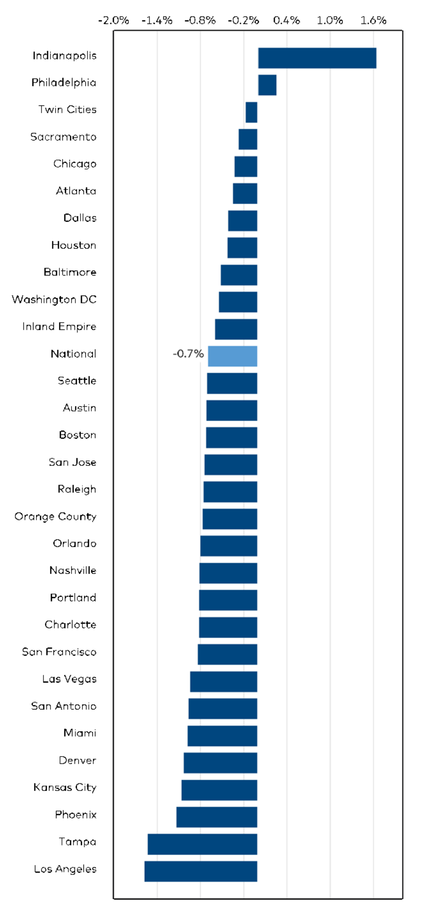
Nationwide, rents decreased $8 to $1,465. In the history of our dataset, that large of a one-month decline in rents has never been recorded, even during the Great Recession.

Gateway markets are among some of the most impacted on a month-over-month basis, likely due to the aggressive and early nature of the lockdowns put in place. Los Angeles (-0.9%), Boston and San Francisco (both -0.8%) will struggle, as plans for reopening lag the rest of the country. The decline in Lifestyle rents in Los Angeles (-1.6%) is much larger than the RBN decline (-0.4%). RBN rent growth continues to outperform Lifestyle in most markets, with 25 of the top 30 markets showing the same or steeper declines in Lifestyle rents on a MoM basis.

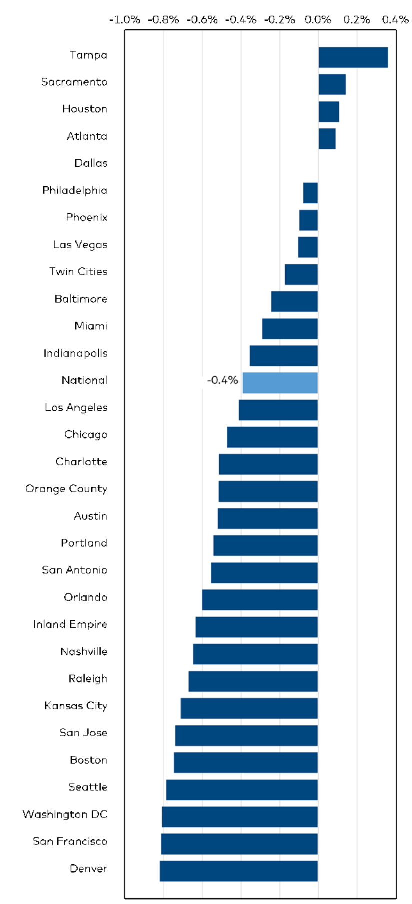
Month-Over-Month Rent Growth— All Asset Classes



Month-Over-Month Rent Growth— Lifestyle Asset Class



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



Source: Yardi Matrix

Employment, Supply and Occupancy Trends; Forecast Rent Growth

- Unemployment claims reached 3.2 million for the week ending May 2, bringing the total to over 33 million.
- Jobless claims have been concentrated in the leisure and hospitality, retail trade and mining, logging and construction sectors (the most at-risk sectors)—but secondary industry layoffs are beginning.
- Markets with the lowest concentration of at-risk employment sectors include Washington, D.C., San Francisco and New York; however, secondary industry layoffs will have an impact.

The number of unemployment claims continues to rise each week—reaching Depression levels. The April unemployment rate soared to 14.7%, the highest level since the BLS started recording monthly data in 1948.

Yardi Matrix examined the top 50 metros in total employment to determine which have the highest concentration of at-risk employment sectors. Las Vegas (49%), the SW Florida Coast (44%) and Orlando (41%) topped the list. These markets are heavily dependent on tourism and have seen a freefall in activity as Americans continue to social distance and refrain from air travel. These markets also have the highest concentration of leisure and hospitality employment. These fast-growing metros have enjoyed some of the top rent growth over the past few years, a circumstance we are forecasting will reverse, as the trouble in these metros is just beginning.

In the retail and wholesale trade sector, three Florida metros hold the top spots for most at-risk employment sectors: Ft. Lauderdale (18.7%), Miami (18.3%) and the SW Florida Coast (17.8%). In Florida, the four-week unemployment claims ending April 25 account for about 12.5% of the total labor force, falling in the top half of all 50 states. However, Florida has a significant backlog of unemployment claims, so that number is likely understated.

The SW Florida Coast (10.6%) shows up in the top three for a third time in the mining, logging and construction sector, followed by Houston (10.0%) and Denver (7.4%). Denver's economy should hold strong given its diversification among employment sectors and the high concentration of professional and business services jobs. In Colorado, 8.2% of the labor force is unemployed, placing it in the bottom 10 of all states. However, Houston's job market is a cause for concern, given the heavy employment in the oil industry. Overall, the state of Texas has held up relatively well so far, with 8.0% of the labor force unemployed, placing it in the bottom 10, as well.

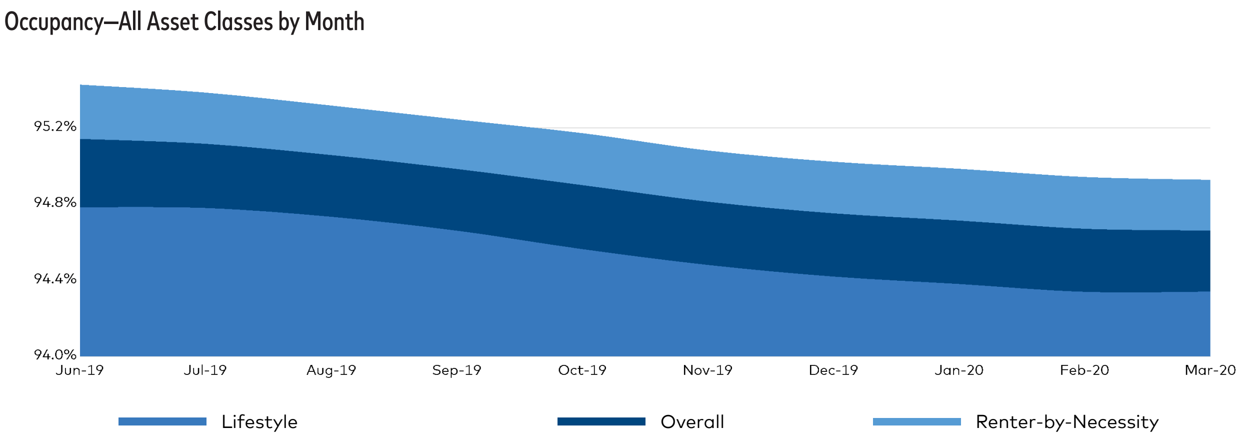
As cities and states relax their stay-at-home orders and non-essential businesses begin to reopen their doors, the question remains whether Americans will want to return to work in the short term. Right now, 38 states replace at least 100% of lost income through unemployment insurance with the normal weekly benefit plus the additional $600 provided weekly to the unemployed through the CARES Act. With this extra benefit in place until July, the short-term incentive to work is diminishing—especially in lower-cost states.

Employment, Supply and Occupancy Trends; Forecast Rent Growth

Market	YoY Rent Growth as of April - 20	Forecast Rent Growth (YE 2020)	YoY Job Growth (6-mo. moving avg.) as of March - 20	Completions as % of Total Stock as of April - 20	Occupancy Rates as of March - 19	Occupancy Rates as of March - 20
Indianapolis	3.7%	3.2%	0.7%	1.5%	94.4%	93.7%
Tampa	2.3%	2.8%	2.3%	2.0%	95.0%	94.5%
Philadelphia	3.1%	1.7%	0.8%	1.4%	95.6%	95.5%
Kansas City	1.3%	1.7%	0.9%	1.4%	94.7%	94.5%
San Jose	0.9%	1.5%	1.3%	1.8%	95.9%	95.4%
Twin Cities	2.8%	1.5%	0.0%	2.6%	96.8%	96.3%
Inland Empire	3.3%	1.1%	1.5%	1.2%	96.0%	95.6%
Baltimore	1.2%	1.0%	0.6%	0.9%	95.0%	94.5%
Seattle	3.8%	0.9%	2.4%	3.7%	95.5%	95.2%
Orange County	1.8%	0.7%	0.9%	1.6%	96.0%	96.0%
Los Angeles	0.3%	0.7%	1.2%	2.0%	96.4%	96.0%
Phoenix	5.2%	0.6%	3.2%	2.3%	95.5%	95.1%
Dallas	2.2%	0.4%	2.9%	3.2%	94.3%	93.8%
Washington DC	0.9%	0.3%	1.5%	2.2%	95.5%	95.2%
Sacramento	3.2%	0.2%	1.6%	0.7%	96.4%	95.6%
Houston	0.5%	0.2%	2.0%	1.6%	92.6%	92.3%
Chicago	0.4%	0.1%	0.3%	2.8%	94.5%	94.2%
Las Vegas	2.4%	-5.4%	1.4%	1.7%	95.2%	94.4%
Atlanta	1.0%	-3.2%	2.0%	2.4%	94.3%	93.7%
Raleigh	2.1%	-2.6%	1.8%	2.7%	94.7%	94.5%
Nashville	3.2%	-2.3%	3.1%	2.2%	95.0%	94.8%
Austin	1.7%	-1.6%	3.3%	4.7%	94.5%	94.3%
Portland	0.8%	-1.6%	1.1%	2.7%	95.4%	94.8%
Denver	0.2%	-1.0%	2.5%	4.9%	94.9%	94.2%
Orlando	-0.4%	-0.9%	2.1%	2.8%	95.2%	94.6%
Boston	0.7%	-0.8%	0.7%	3.0%	96.3%	96.1%
Miami Metro	1.2%	-0.8%	0.8%	3.5%	95.2%	95.0%
San Antonio	1.3%	-0.7%	2.4%	2.1%	93.1%	92.5%
Charlotte	2.8%	-0.6%	2.0%	4.3%	95.1%	94.5%
San Francisco	-0.2%	-0.2%	1.5%	2.4%	95.8%	95.5%

Source: Yardi Matrix

Occupancy & Asset Classes



Source: Yardi Matrix

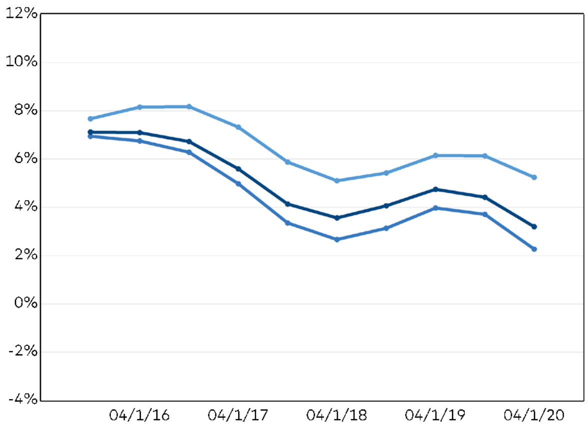
Year-Over-Year Rent Growth, Other Markets

Market	April 2020		
	Overall	Lifestyle	Renter-by-Necessity
Central Valley	5.3%	5.2%	5.3%
Albuquerque	4.3%	3.8%	4.8%
Tucson	4.3%	3.6%	4.6%
Indianapolis	3.7%	2.9%	3.8%
Colorado Springs	3.5%	2.2%	5.1%
Tacoma	3.2%	2.1%	4.1%
St. Louis	2.7%	1.3%	3.1%
NC Triad	2.5%	1.0%	4.2%
Long Island	2.2%	0.1%	3.0%
Louisville	1.9%	0.9%	2.4%
Jacksonville	1.9%	1.0%	3.4%
El Paso	1.9%	1.7%	2.2%
Northern New Jersey	1.7%	0.9%	2.4%
Central East Texas	1.3%	2.6%	0.4%
Salt Lake City	1.1%	0.1%	1.7%
Reno	1.0%	-0.7%	2.3%
Bridgeport–New Haven	1.0%	-0.2%	2.1%
San Fernando Valley	0.8%	-1.0%	1.9%
SW Florida Coast	-0.2%	-0.3%	0.0%

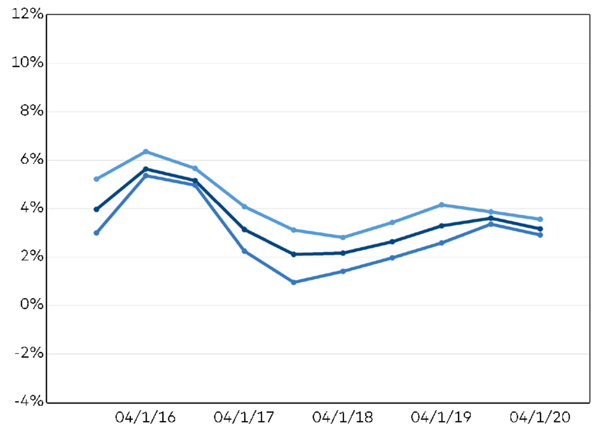
Source: Yardi Matrix

Market Rent Growth by Asset Class

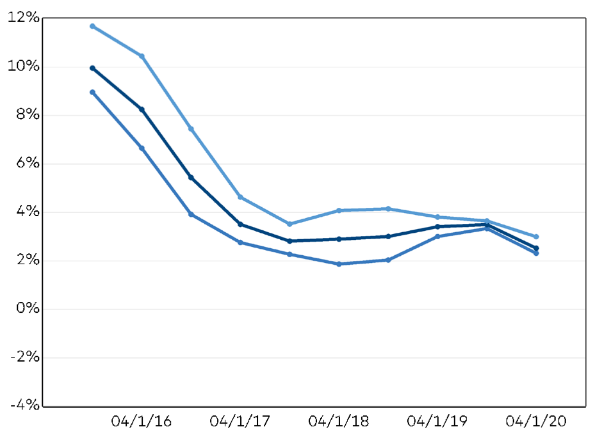
Atlanta



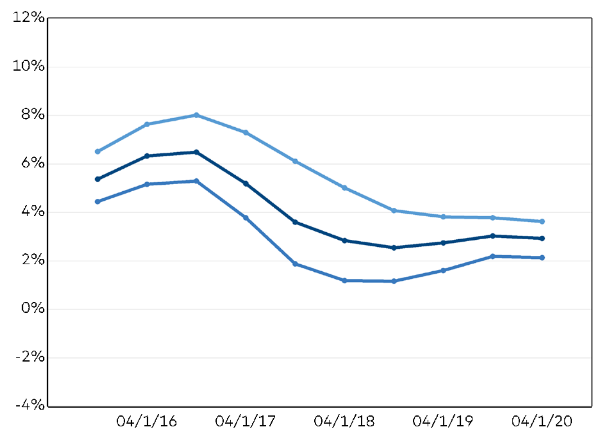
Boston



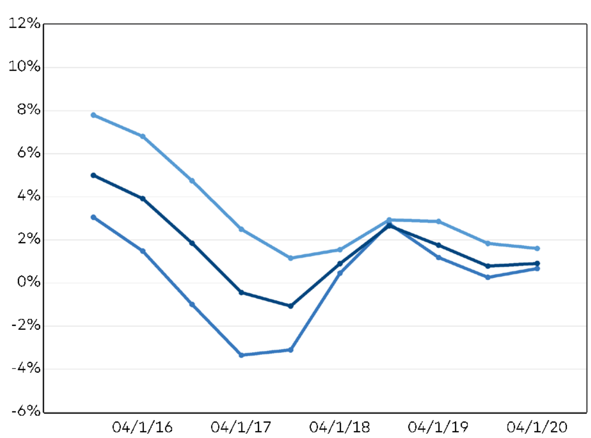
Denver



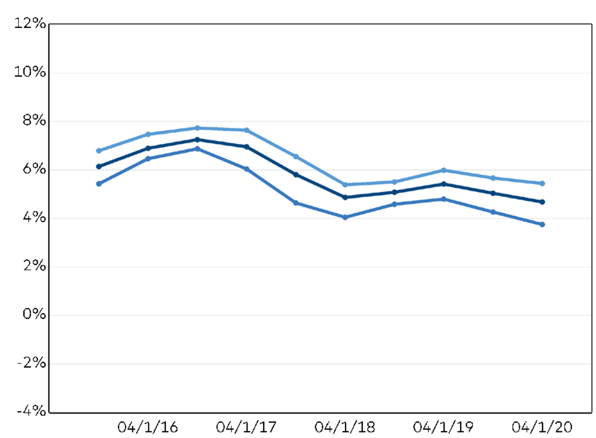
Dallas



Houston



Inland Empire

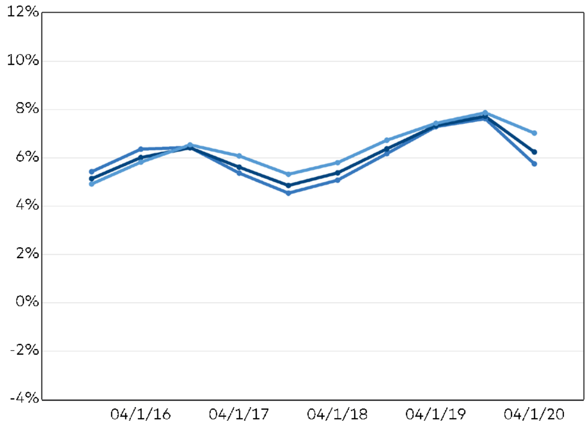


Trailing 12 Months Overall — Trailing 12 Months Lifestyle — Trailing 12 Months Renter-by-Necessity

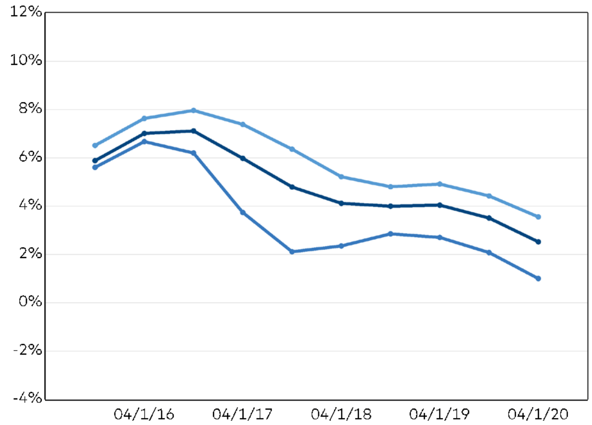
Source: Yardi Matrix

Market Rent Growth by Asset Class

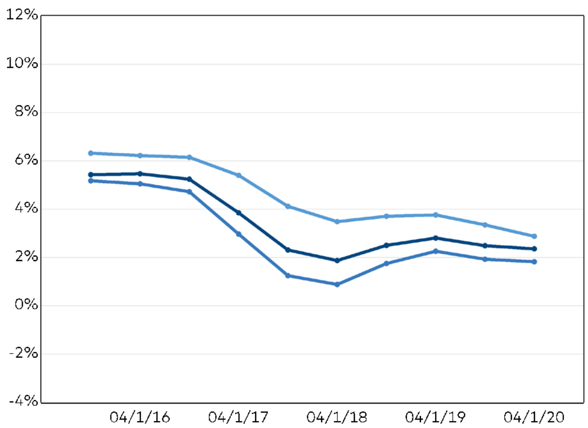
Las Vegas



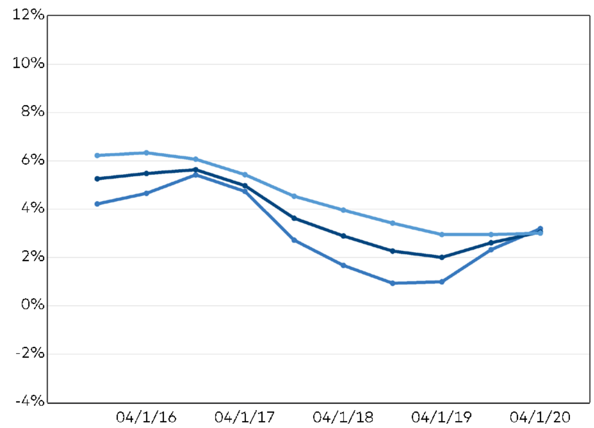
Los Angeles



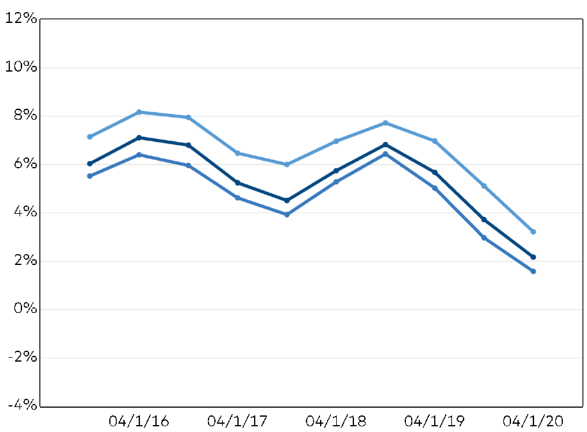
Miami



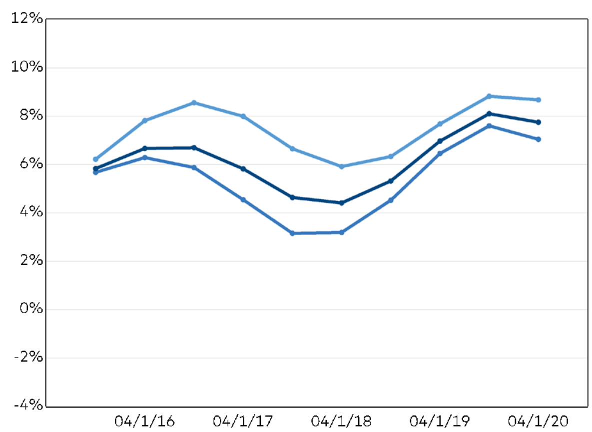
Orange County



Orlando



Phoenix

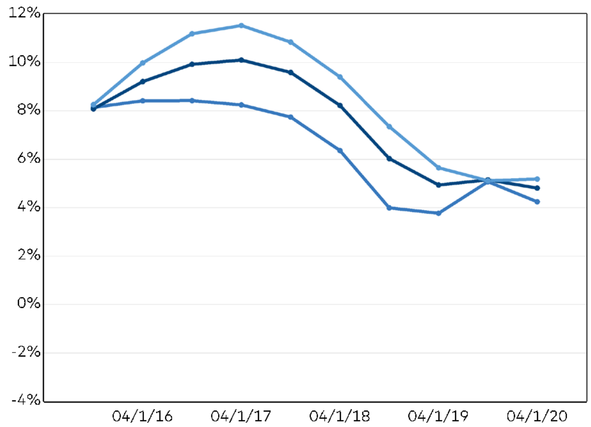


Trailing 12 Months Overall Trailing 12 Months Lifestyle Trailing 12 Months Renter-by-Necessity

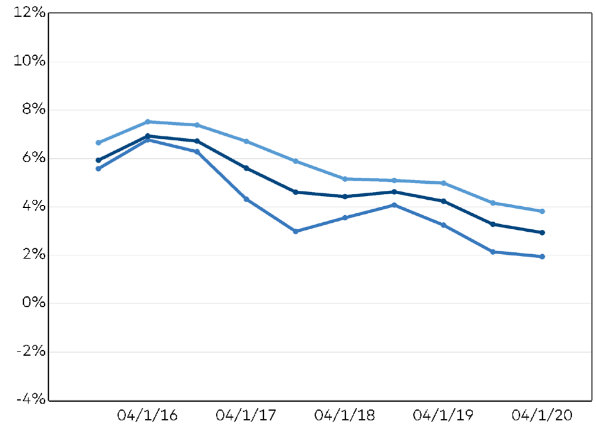
Source: Yardi Matrix

Market Rent Growth by Asset Class

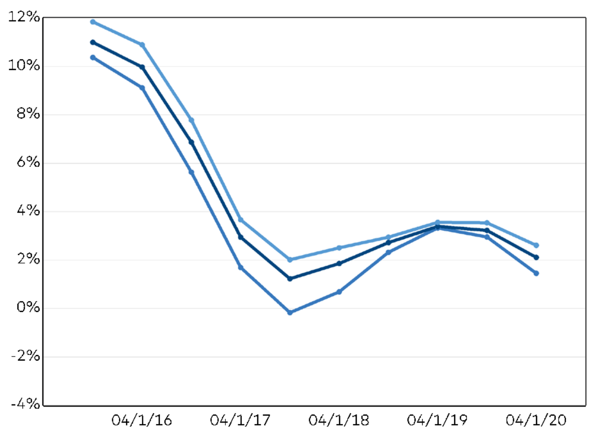
Sacramento



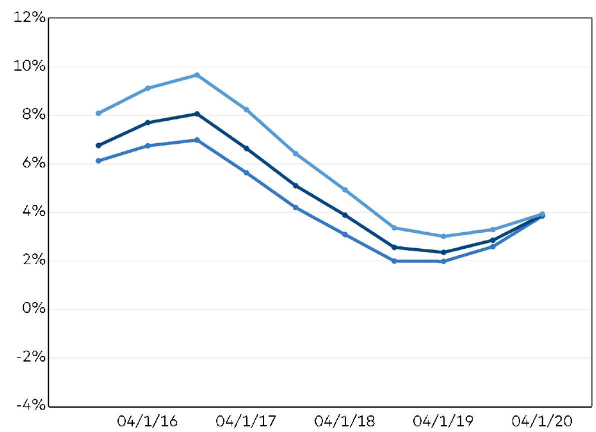
San Diego



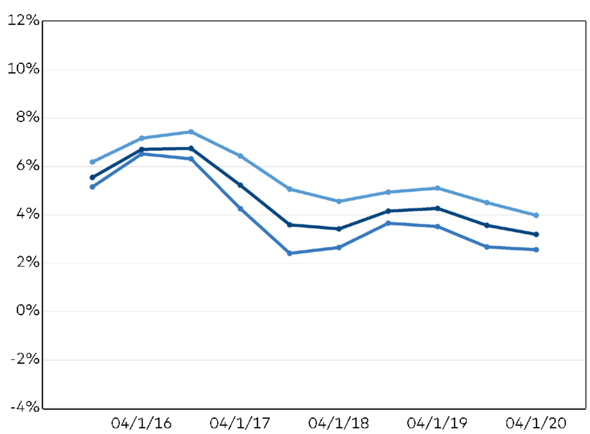
San Francisco



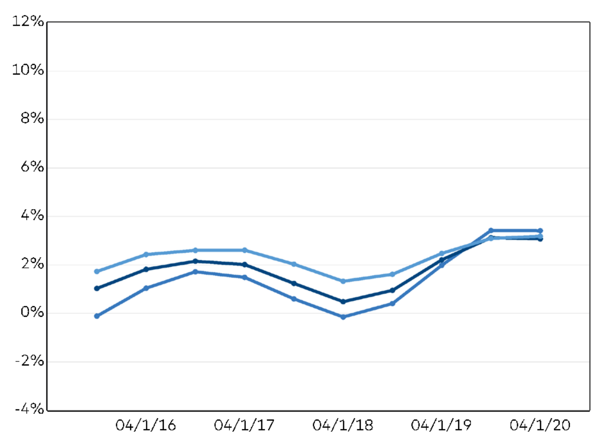
Seattle



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 core 60 markets with years of tracked data that makes a consistent basket of data
- All 133 markets, including any that have been recently released

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 of 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: 1 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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