Yardi® Matrix

National Multifamily Report

March 2020

Full Extent of COVID-19 Outbreak Yet to Appear

- March seemed to exhibit most signs of a normal spring month for apartment rents. However, major impacts from the spread of COVID-19 will likely begin to show on April 1.
- As unemployment claims eclipse records and government stimulus reaches unseen heights, the question arises: Who will be able to pay rent in the coming months?
- Some major metros with high concentrations of employment in hospitality, trade, retail and energy may already be showing signs of slowdown in rents. With second quarter GDP projected to fall between 10% and 20%, governments at the federal, state and local levels are rolling out moratoriums on eviction and requiring rent flexibility and forebearance.

The United States is now the leading nation for active COVID-19 cases, as the month of March turned out to be an unprecedented social and economic period in our nation's history.

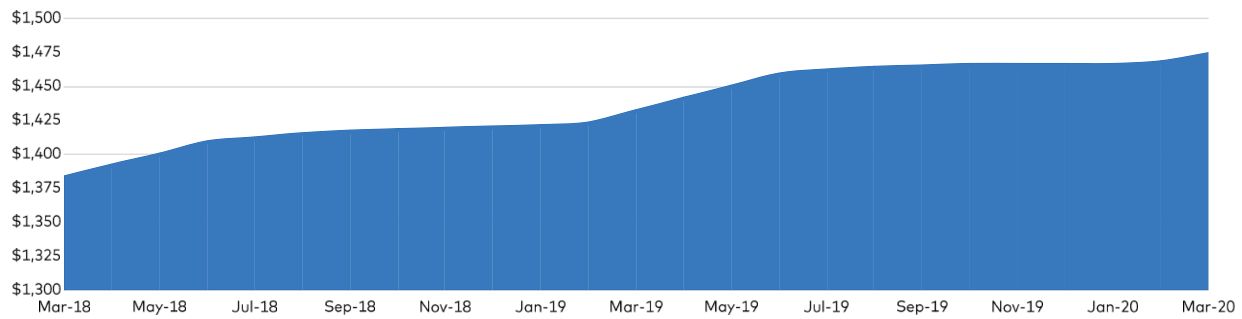
On the surface, March appears to be a normal month; rents grew 2.9% on a year-over-year basis, and increased $6 from February as the typical spring rental season began. However, with each passing week, the coronavirus tightened its grip on the U.S. economy, and the fallout has been catastrophic.

In the last two weeks of the month alone, unemployment claims are expected to range between five and six million, far surpassing any two-week stretch in history. As a result, the federal government has already passed three stimulus measures, with the third totaling roughly $2.1 trillion. The rapid and wide-reaching fiscal and monetary response is far greater than all stimulus packages combined during the financial crisis.

Both private and public responses to the growing crisis are affecting the multifamily industry, and April 1 is likely to be a bellwether for the months to come. With so many Americans unemployed and the first stimulus checks still likely a month away from being delivered, many apartment renters will be hard-pressed to cover their rent payments.

The FHA has announced it will refrain from evictions for those affected by COVID-19 and unable to cover their monthly housing expenses. Many states have approved similar measures. The National Multifamily Housing Council has issued guidance for landlords to stop evictions for impacted residents for 90 days, and many large owners and operators have publicly agreed to the recommendation. As a result, agency lenders Fannie Mae and Freddie Mac have said they will provide flexible terms for loan payments, as have other lenders.

National Average Rents

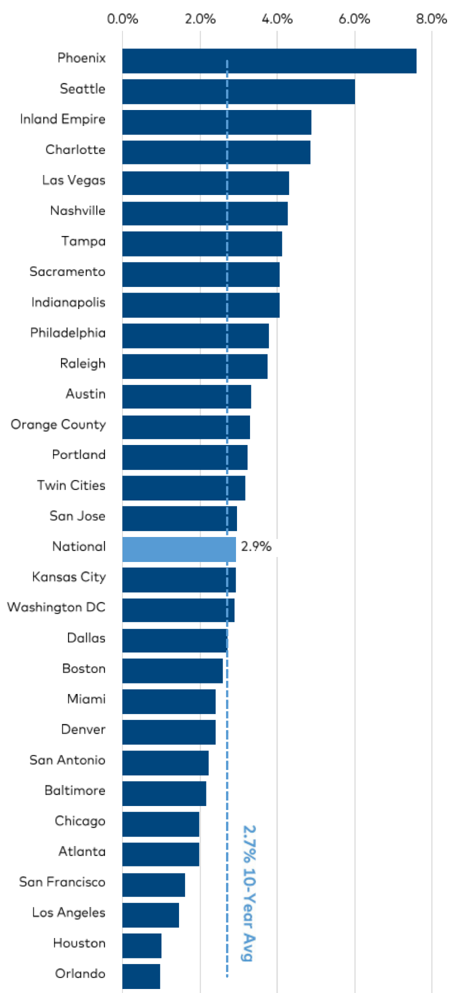


National averages include 127 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by YardiMatrix.

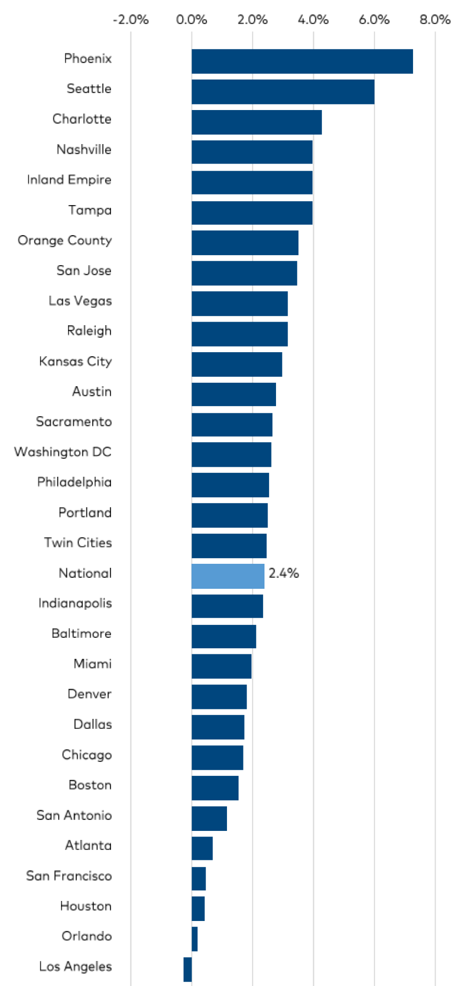
Year-Over-Year Rent Growth:
March Appears Normal, But Some Weakness Begins to Show

- Rents increased 2.9% in March on a year-over-year basis, as rent growth cooled somewhat from the first two months of 2020. While the March data may not reflect the full impact the coronavirus had on multifamily real estate this month, there are a few early indicators worth noting.
- Once again, Phoenix (7.6%) led all major markets, followed by Seattle (6.0%). Rent growth in Seattle has been steadily accelerating over the past year, but will likely slow, as the Pacific Northwest was the original epicenter of COVID-19 in the United States.
- Markets showing initial signs of a slowdown include Orlando and Houston (both 1.0%), as the leisure and hospitality and oil industries were hit tremendously hard by the pandemic. Orlando's rent growth in March reached its lowest level since 2011 as theme parks, cruise lines and other tourism ground to a halt. With oil hitting an 18-year low, Houston's economy will likely continue to contract.

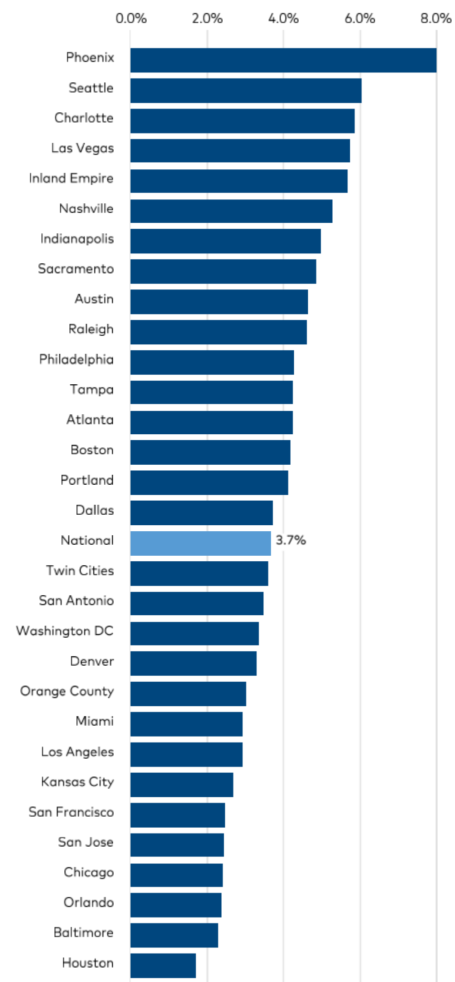
Year-Over-Year Rent Growth—All Asset Classes



Year-Over-Year Rent Growth—Lifestyle Asset Class



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



Source: Yardi Matrix

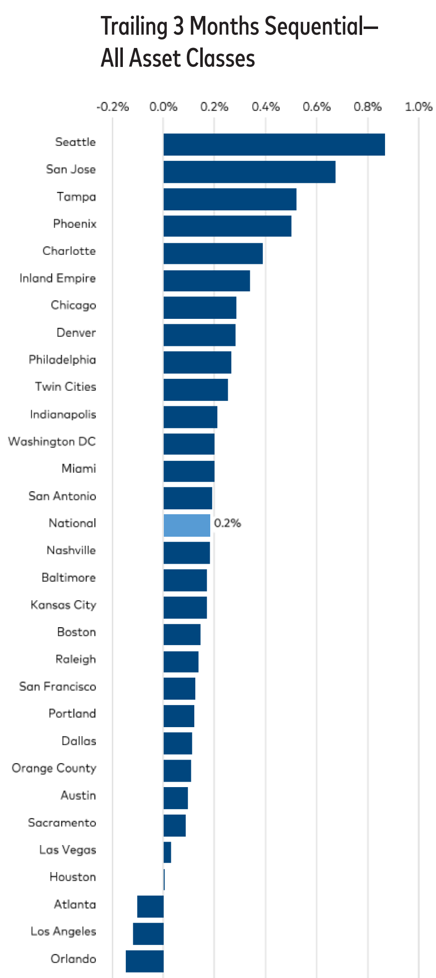
Short-Term Rent Changes:
Some Smaller Markets Hit Hard By COVID-19

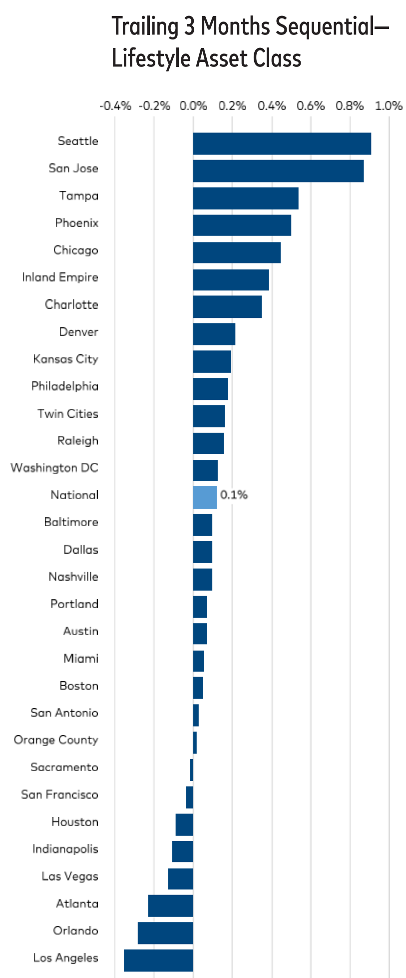
- Rent growth increased 0.2% on a trailing three-month (T-3) basis in March, also alluding to a normal ramp-up as the traditional rental season begins.
- Spring rent growth will likely be flat or negative in 2020 as the effect of shelter-in-place and social distancing weighs on landlords.

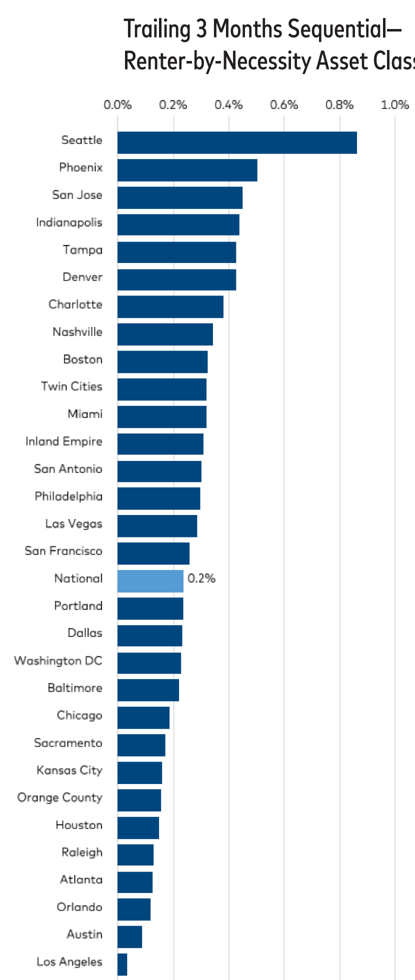
Rents increased 20 basis points nationally on a trailing three-month (T-3) basis, which compares the last three months to the previous three months.

Due to the uncertainty surrounding the housing market and the economy, monthly rent changes play a more important role in today's market. Nationwide, rents increased $6 to $1,474. March is often the first month of material rent growth each year as the spring rental season begins. 2020, however, will likely be different, as renters stay in place and landlords seek renewals, keeping rents flat to entice residents to stay.

Digging into the metro numbers, a few smaller markets stand out with month-over-month declines. Honolulu (-3.1%) and Midland-Odessa (-1.3%) rank at the bottom of all Yardi Matrix markets. Both economies are heavily dependent on two of the hardest-hit employment sectors, leisure and hospitality and oil extraction.



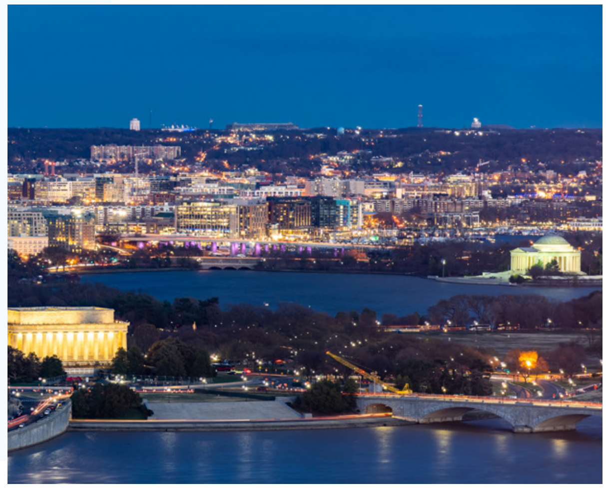




Source: Yardi Matrix

Employment, Supply and Occupancy Trends; Forecast Rent Growth

- Unemployment claims reached 3.2 million for the week ending March 21, the highest report on record.
- The hardest-hit industries include leisure and hospitality, retail, airlines and energy. Most office-using employment has remained strong, at least in the short term.
- Markets with high concentrations of employment in heavily impacted sectors include Orlando, Las Vegas, Orange County, Charleston, Houston, New Orleans, Oklahoma City, Denver and Pittsburgh.



Most states are currently operating under some form of shelter-in-place mandate, and as a result much of the service economy has ground to a halt. In-home dining has replaced meals in restaurants, crushing the food and beverage industry. FaceTime and video conferencing have replaced almost all leisure and business travel, leading the airline industry to need a near $60 billion bailout as part of the recently passed Coronavirus Aid, Relief and Economic Security (CARES) Act. Crude oil fell below $20 per barrel for the first time in 18 years, and while indications are that U.S. oil production remains at high levels, many producers are now pumping oil at a loss. In a span of weeks, the U.S. economy has been decimated by the coronavirus.

But as with most recessions and expansions, not all sectors and markets are impacted equally. Looking specifically at three employment sectors—leisure and hospitality; mining, logging and construction (which includes the oil industry); and retail and wholesale trade—we identified markets with the highest concentration of employment. Both the local economy and rental market are poised to take a dramatic hit in the coming months.

Midland-Odessa topped the list, as 56% of its labor force works in these three sectors. Nearly 30% of the workforce is in the oil and gas industry, and as rig counts have plummeted with the price of oil, unemployment and outmigration are bound to take their toll.

Las Vegas, the Southwest Florida Coast and Orlando are all in the top five, with more than 40% of their workforce dedicated to the three sectors hit the hardest. All three markets are heavily geared toward leisure and hospitality, which may be able to recover quickly once the shelter-in-place orders are lifted, but the speed of the recovery will depend on how long the health crisis endures. Also impacting the rate of recovery will be the financial position of many Americans when life returns to a more normal state. The recent stimulus package will certainly help, as unemployment benefits were greatly expanded and most Americans will receive a direct influx of cash, but if the virus is not contained for a few months or longer, the current stimulus may run its course.

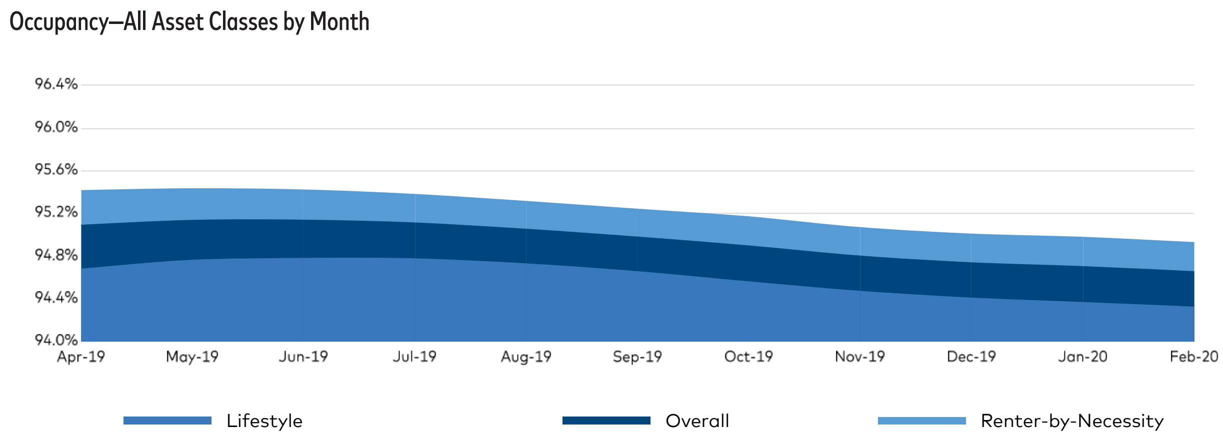
In time, COVID-19 will pass and our domestic economy will recover. However, there will be many markets that face deep economic losses before they return to pre-virus levels.

Employment, Supply and Occupancy Trends; Forecast Rent Growth

Market	YoY Rent Growth as of Mar - 20	Forecast Rent Growth (YE 2020)	YoY Job Growth (6-mo. moving avg.) as of Dec - 19	Completions as % of Total Stock as of Mar - 20	Occupancy Rates as of Feb - 19	Occupancy Rates as of Feb - 20
Seattle	6.0%	5.8%	3.3%	3.9%	95.4%	95.2%
Las Vegas	4.3%	5.4%	2.2%	1.6%	95.1%	94.4%
Orlando	1.0%	5.4%	3.4%	2.6%	95.1%	94.5%
Portland	3.2%	5.2%	1.9%	3.3%	95.3%	94.8%
Phoenix	7.6%	3.7%	2.8%	2.5%	95.5%	95.1%
Tampa	4.1%	3.6%	2.1%	2.1%	95.0%	94.4%
Indianapolis	4.1%	3.5%	0.8%	1.6%	94.3%	93.7%
Boston	2.6%	3.5%	1.5%	2.8%	96.3%	96.2%
Houston	1.0%	3.3%	2.7%	1.6%	92.6%	92.3%
Inland Empire	4.9%	3.2%	2.2%	1.2%	96.0%	95.6%
Twin Cities	3.2%	3.1%	0.0%	2.7%	96.8%	96.3%
Atlanta	2.0%	2.9%	2.0%	2.4%	94.2%	93.7%
San Jose	2.9%	2.7%	2.8%	2.2%	95.8%	95.4%
Kansas City	2.9%	2.7%	1.4%	1.8%	94.6%	94.6%
San Antonio	2.2%	2.7%	2.6%	1.7%	92.9%	92.5%
San Francisco	1.6%	2.6%	2.3%	2.5%	95.8%	95.5%
Dallas	2.7%	2.6%	3.2%	3.3%	94.2%	93.8%
Austin	3.3%	2.6%	2.5%	4.7%	94.4%	94.3%
Chicago	2.0%	2.3%	1.0%	2.9%	94.5%	94.2%
Miami Metro	2.4%	2.3%	1.9%	4.0%	95.3%	95.0%
Nashville	4.3%	2.3%	1.8%	2.4%	94.8%	94.7%
Denver	2.4%	2.1%	2.1%	5.1%	94.8%	94.2%
Orange County	3.3%	1.8%	1.2%	1.3%	96.0%	96.0%
Philadelphia	3.8%	1.8%	1.1%	1.2%	95.6%	95.5%
Los Angeles	1.5%	1.8%	1.4%	2.0%	96.4%	96.1%
Sacramento	4.1%	1.4%	1.6%	0.7%	96.3%	95.6%
Charlotte	4.9%	1.2%	2.5%	4.1%	95.1%	94.6%
Raleigh	3.7%	1.1%	2.3%	3.5%	94.7%	94.5%
Baltimore	2.2%	1.0%	1.2%	0.8%	94.9%	94.4%
Washington DC	2.9%	0.9%	1.4%	2.2%	95.4%	95.2%

Source: Yardi Matrix

Occupancy & Asset Classes



Source: Yardi Matrix

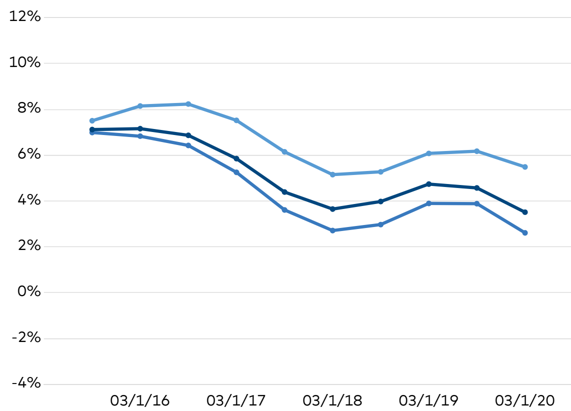
Year-Over-Year Rent Growth, Other Markets

Market	March 2020		
	Overall	Lifestyle	Renter-by-Necessity
Central Valley	6.4%	5.4%	6.7%
Albuquerque	6.1%	5.3%	6.8%
Colorado Springs	5.8%	4.6%	6.9%
Tucson	5.1%	4.2%	5.4%
Tacoma	4.7%	3.9%	5.7%
Indianapolis	4.1%	2.4%	5.0%
NC Triad	3.9%	2.2%	5.5%
St. Louis	3.6%	2.8%	4.1%
Jacksonville	3.1%	2.5%	4.5%
Salt Lake City	3.0%	2.0%	3.5%
Louisville	2.9%	1.0%	3.5%
Reno	2.9%	2.3%	3.6%
El Paso	2.8%	2.8%	2.6%
Long Island	2.7%	1.2%	3.3%
Northern New Jersey	2.6%	1.8%	3.4%
Bridgeport–New Haven	2.6%	2.5%	2.5%
San Fernando Valley	2.4%	2.6%	2.3%
Central East Texas	1.7%	2.9%	0.9%
SW Florida Coast	0.9%	1.3%	0.5%

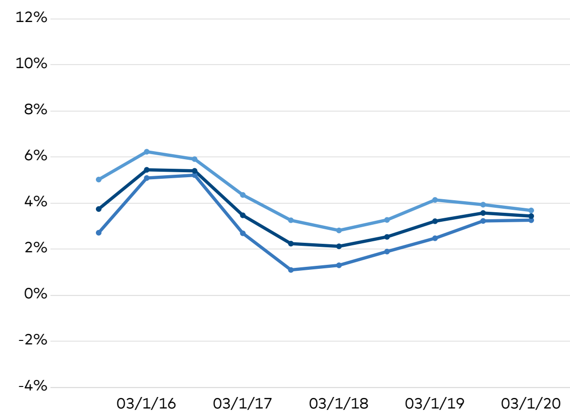
Source: Yardi Matrix

Market Rent Growth by Asset Class

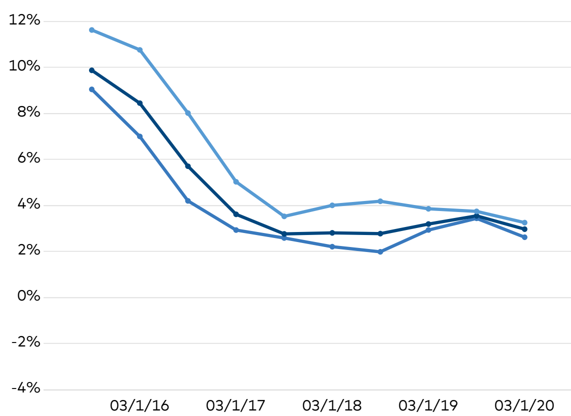
Atlanta



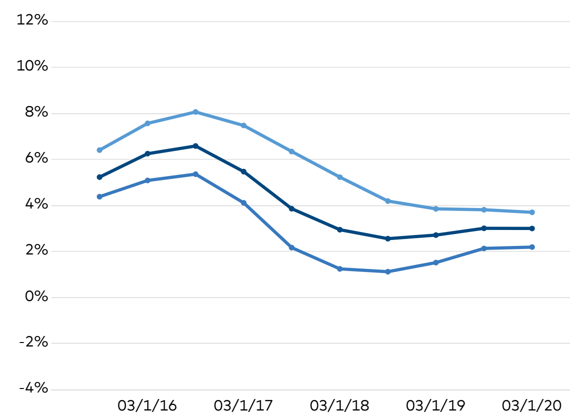
Boston



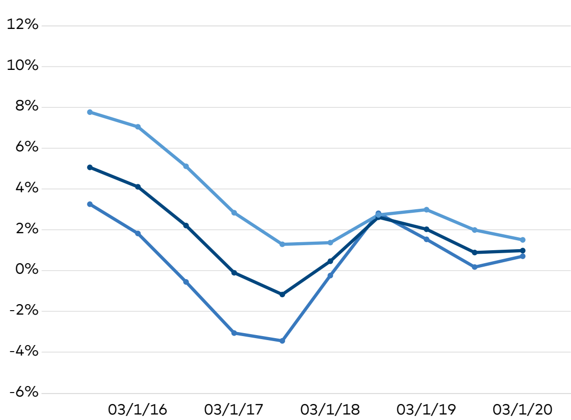
Denver



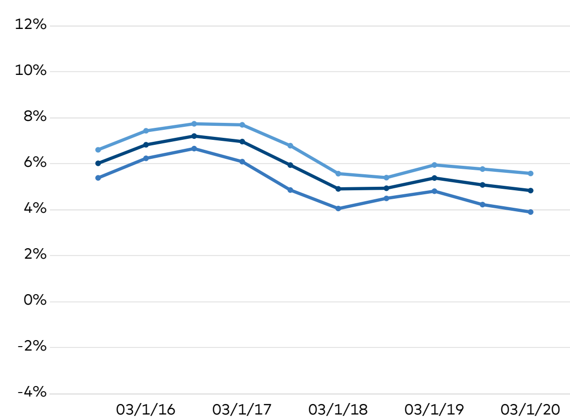
Dallas



Houston



Inland Empire

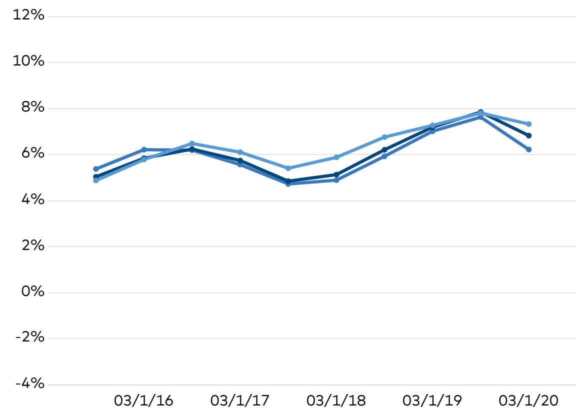


Trailing 12 Months Overall   Trailing 12 Months Lifestyle   Trailing 12 Months Renter-by-Necessity

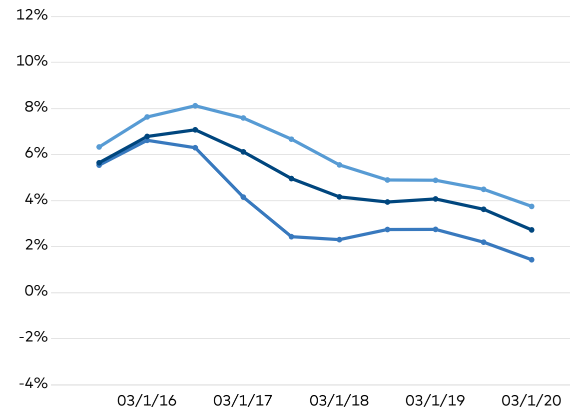
Source: Yardi Matrix

Market Rent Growth by Asset Class

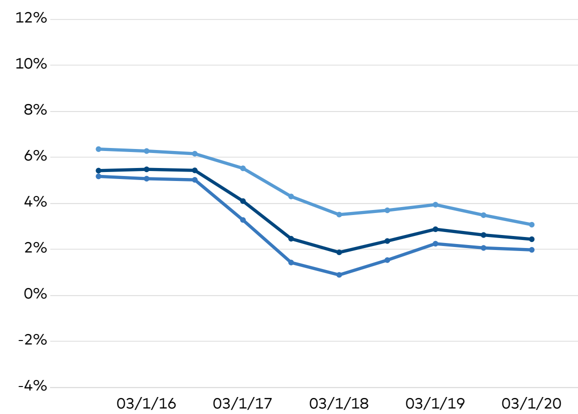
Las Vegas



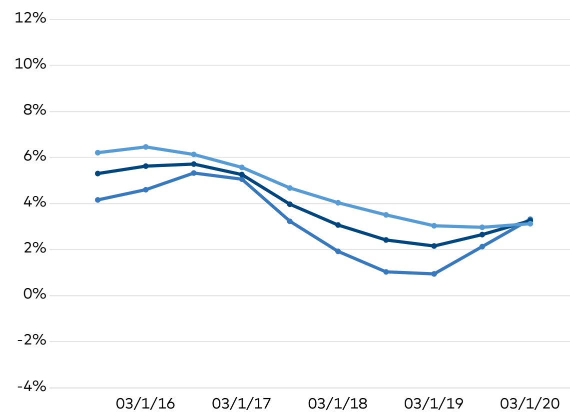
Los Angeles



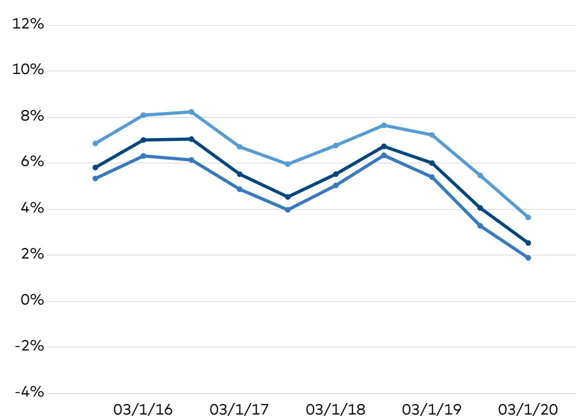
Miami



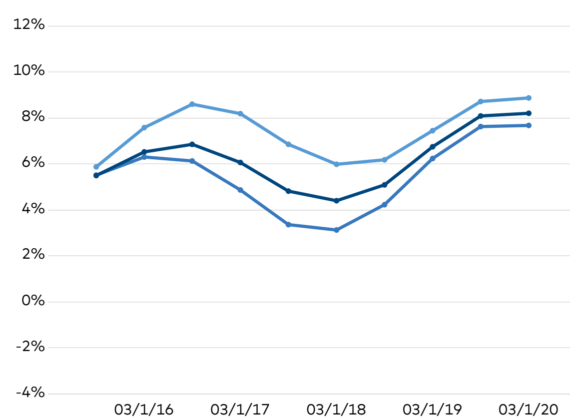
Orange County



Orlando



Phoenix

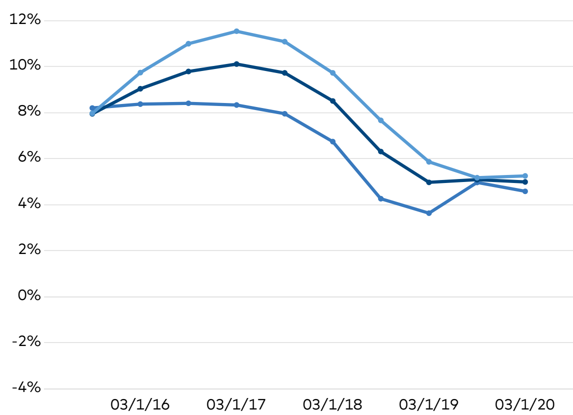


Trailing 12 Months Overall — Trailing 12 Months Lifestyle — Trailing 12 Months Renter-by-Necessity

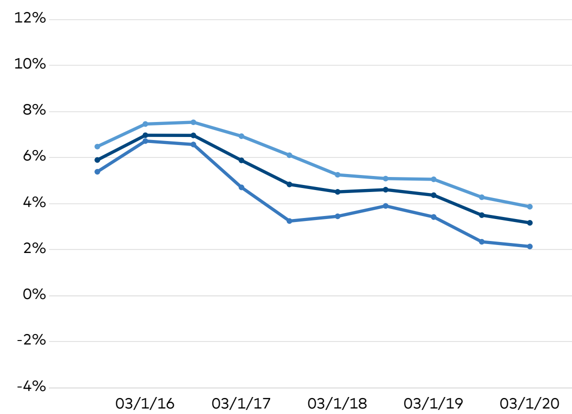
Source: Yardi Matrix

Market Rent Growth by Asset Class

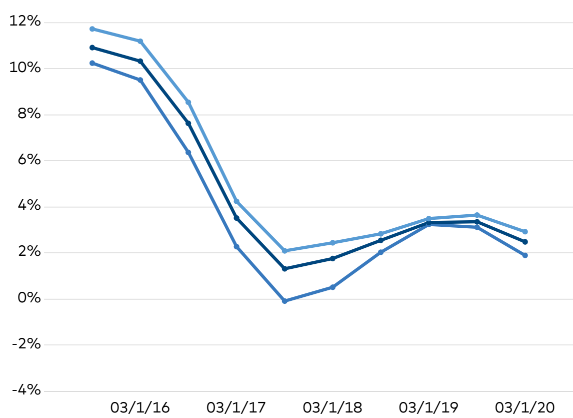
Sacramento



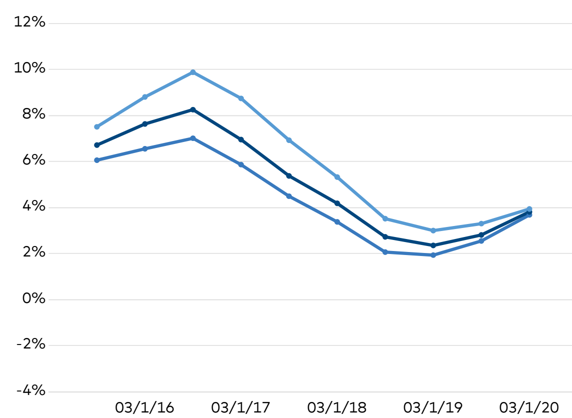
San Diego



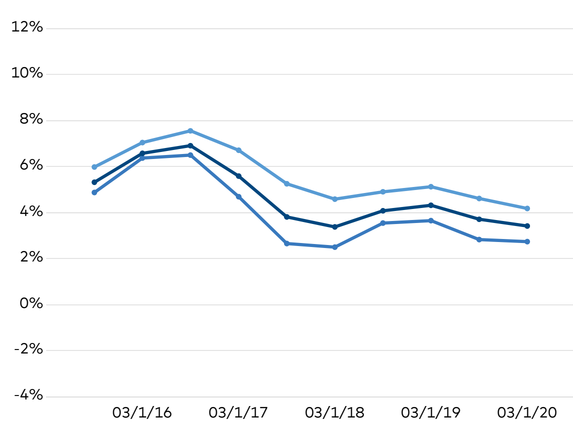
San Francisco



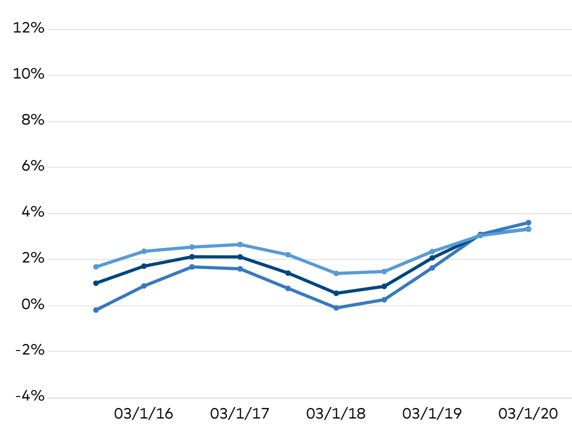
Seattle



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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