Yardi Matrix

National Multifamily Report

June 2020

Sharp Declines in Rent During the First Half of 2020

- U.S. multifamily rents decreased by $2 in June, falling to $1,457, continuing the four-month trend of declines. Year-over-year growth turned negative for the first time since December 2010, falling to -0.4%, a 70-basis-point decline from May.
- Average U.S. rents declined by 0.8% in the first half of 2020 and 0.4% in the second quarter. This is a stark contrast from 2.6% rent growth in the first half of 2019 and 1.2% growth in the second quarter. Rent growth typically slows down in the second half of the year, but we could see a reversal of that trend if the fall becomes the new leasing season.
- West Coast and tech hub markets were among the hardest hit in the first half of 2020. Since the beginning of the year, rents are down 4.6% in San Jose and 3.8% in San Francisco.

The year started off strong, with 3.0% year-over-year rent growth in January and 2.9% growth in February. It looked like 2020 was shaping up to be another year of steady growth, albeit late in the economic cycle. The devasting effect of COVID-19 on the economy that began in March would have been impossible to predict at the beginning of the year.

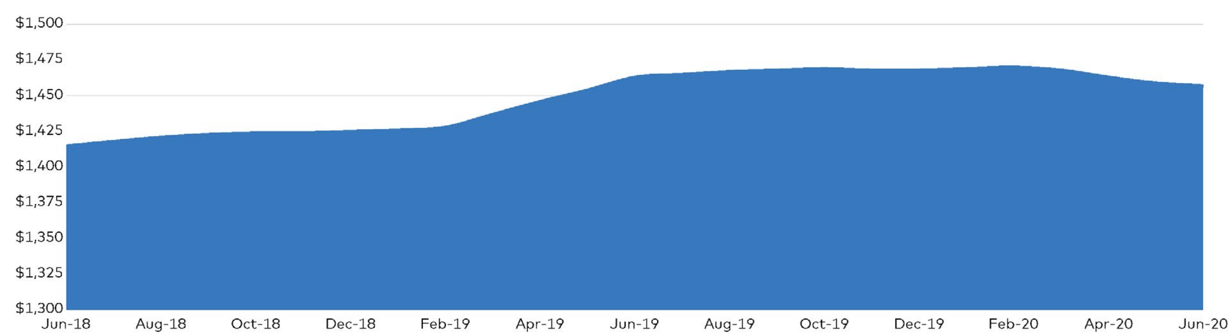
Rents declined by $2 in June, falling to $1,457. Since January, U.S. multifamily average rents have declined by $12. A few months ago, many were hopeful that economic expansion would return by July, but with a rise in cases in many southern states, the economic recovery will likely be pushed out further than many initially hoped.

Early indicators are pointing to an exodus from many densely populated urban centers. It remains to be seen whether there will be a long-term decline in demand in gateway markets—and therefore a long-term decline in rents—or whether this is a pandemic-induced trend and we will see a return to major cities once there is a vaccine.

On the contrary, many Midwest markets have fared relatively well. Since January, rents in Indianapolis and the Twin Cities have grown by 0.8% and 0.7%, respectively, and rents in Kansas City have increased by 1%. These markets have significantly lower population densities than gateway cities and therefore remain attractive, considering social distancing requirements and work-from-home policies.

June 2020 rent collections were in line with June 2019 collections. July 2020 collections are, so far, about 2% below July 2019 collections, but nothing to be concerned about yet, with 87.6% of apartment households paying some form of rent by July 13. This is the final month of the extra $600 per week in unemployment benefits, unless they are extended. August rent collections will be a good indicator of the financial situation for many.

National Average Rents

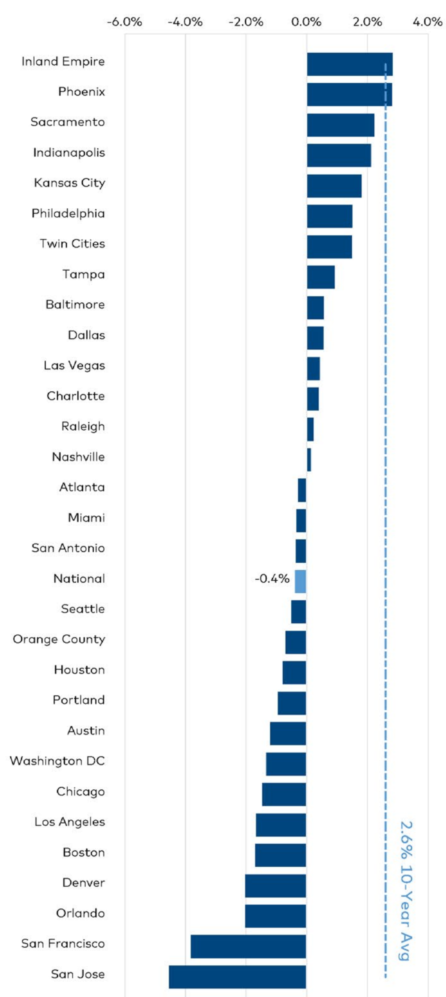


National averages include 127 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by YardiMatrix.

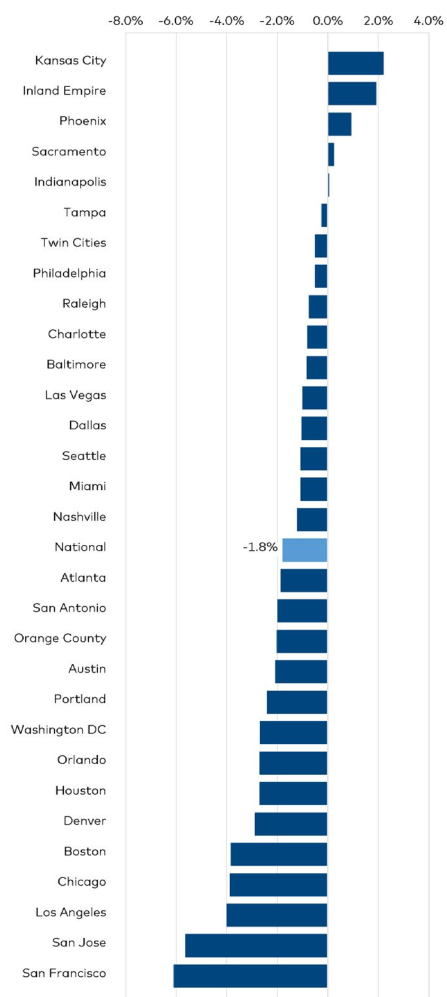
Year-Over-Year Rent Growth: West Coast and Tech Hub Markets Feel the Most Pain

- Rents decreased 0.4% in June on a year-over-year basis, down 70 basis points from a revised 0.3% in May. Given the rapid decline in rents since March, we may not see positive year-over-year rent growth for the remainder of 2020.
- West Coast and tech hub markets experienced the steepest declines in year-over-year rents in June, with San Jose (-4.6%) and San Francisco (-3.8%) topping the list. On the other hand, more affordable California markets like Sacramento (2.2%) and the Inland Empire (2.9%) have held up relatively well. The ability to work remotely and the desire to live in a less densely populated area are likely contributing to the strength of the latter two California markets.
- The rapid YoY rent decline in the Lifestyle asset class continued into June, with a 1.8% decrease nationally. Four of the five markets with the largest Lifestyle declines are gateway markets.

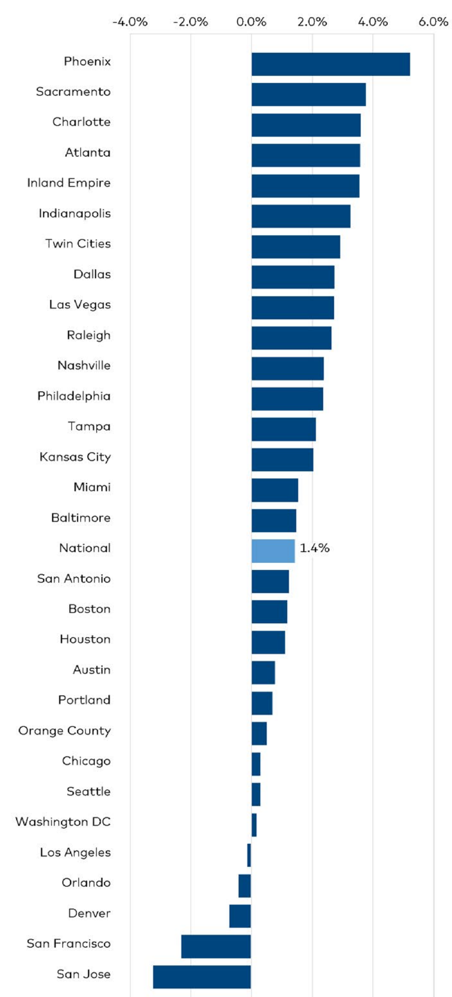
Year-Over-Year Rent Growth— All Asset Classes



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: California Markets Show Diverging Trends

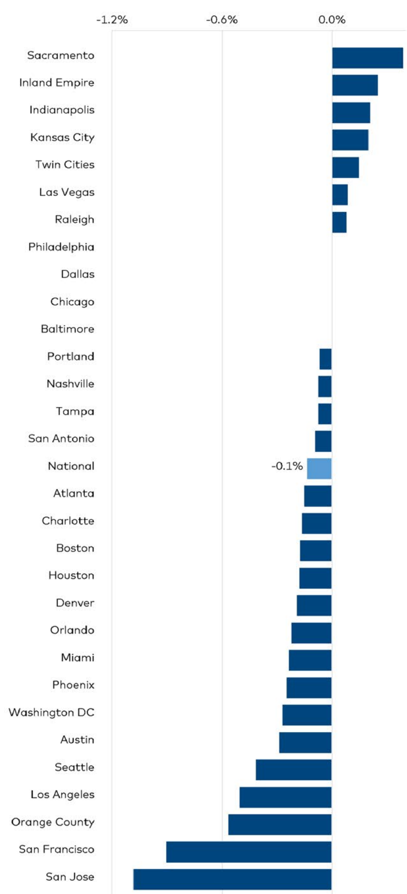
- Rents decreased 0.1% on a month-over-month basis in June, a 20-basis-point improvement over May.
- Four of the five markets with the largest declines in rents on a month-over-month basis are in California, with San Jose (-1.1%) and San Francisco (-0.9%) dropping the most.

Rents decreased 10 basis points nationally on a month-over-month basis. Nationwide, rents decreased $2 to $1,457. Since January, rents have declined by $12.

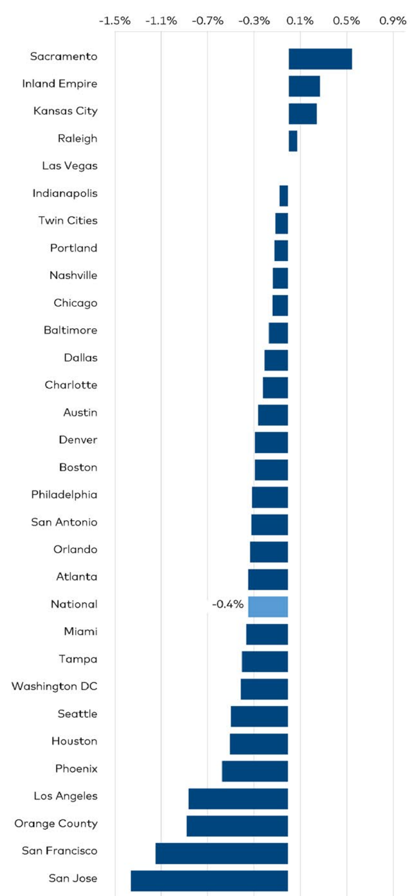
Of the top 30 markets, rent growth is negative in 19 markets. Tech hub markets like Seattle (-0.4%), Austin (-0.3%) and Phoenix (-0.2%) have been hit particularly hard. All have large amounts of inventory coming online, and Austin and Phoenix are among the markets with a surge in coronavirus cases.

Month-over-month rent growth for Lifestyle assets was lower than rent growth for the Renter-by-Necessity asset class in 28 of the top 30 markets. The Inland Empire (0.3%) and Sacramento (0.4%) were the outliers, with Lifestyle rent growth that was greater than RBN rent growth. Rent growth in the Lifestyle asset class in the two California markets could be explained by an exodus of people from expensive California markets like San Jose and San Francisco.

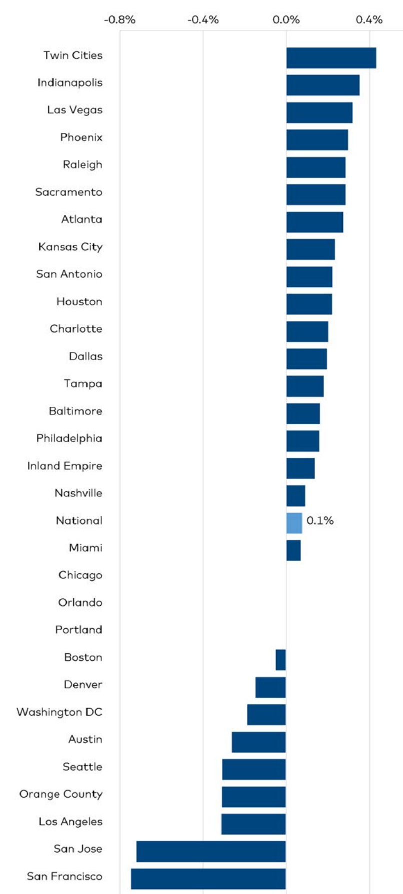
Month-Over-Month Rent Growth—All Asset Classes



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 totaled 1.3 million for the week ending July 4, bringing the total jobless claims since mid-March to almost 50 million. However, there is some positive employment news: Preliminary numbers show 2.7 million jobs gained in May and 4.8 million in June, suggesting that some of the layoffs were temporary.
- Another stimulus package seems even more likely now than it did a month ago, as coronavirus cases continue to skyrocket in many Southern states and the economy doesn't recover as quickly as many had hoped.

A decision on the next stimulus package will likely be made by the end of July. Second quarter GDP is scheduled to be released by the end of July, as well. Estimates currently range from -30% to -50%. The passage of another stimulus package could help to boost spending for the second half of the year.

We have recently updated our new-supply forecast to take into consideration the economic fallout from COVID-19. We are estimating that a little over 280,000 units will be delivered nationally in 2020, and deliveries will continue to decline into 2021 and 2022. The forecast assumes that the rate of progress from prospective to planned, planned to under construction, and under construction to lease-up will slow significantly this year, ranging from a 40% to 60% slowdown in the progress of properties moving through different phases. We are also projecting an increase in the rate of attrition for planned and prospective properties. Our forecast is based on an increase in attrition of between 125% and 150%.

The three markets where we are forecasting the most deliveries as a percentage of existing stock for 2020 are Wilmington (7.4% of existing stock forecasted to be delivered), Reno (6.9%) and the Southwest Florida Coast (6.6%). We are projecting a low amount of deliveries in many gateway markets that were among the hardest hit by COVID-19 and the lockdowns. Completions in Manhattan for 2020 will account for about 0.7% of existing stock, while Washington, D.C., completions will account for about 1.3% of existing stock and Los Angeles completions will account for about 2.5% of existing stock.

Denver is one of many tech hub markets where we have seen a surge in deliveries over the last few years. The impact of a large amount of deliveries, along with the pandemic, has led occupancy to decrease by 1.2% from a year ago—one of the largest declines among the top 30 markets. By the end of the year, we project completions will account for about 3.6% of existing stock. Peak completions as a percentage of existing stock occurred in 2018, when 6.8% of existing stock was completed. Denver has seen years of steady population growth, coupled with strong rent growth. But the pandemic brought those positive years to an end. In June, YoY rent growth was -2.0%. Denver is poised to recover quickly from the economic downturn, given strong in-migration and a highly educated workforce that is less likely to be affected by layoffs. However, the metro will likely need some time to adjust to the large amount of inventory that has come online in the last few years.

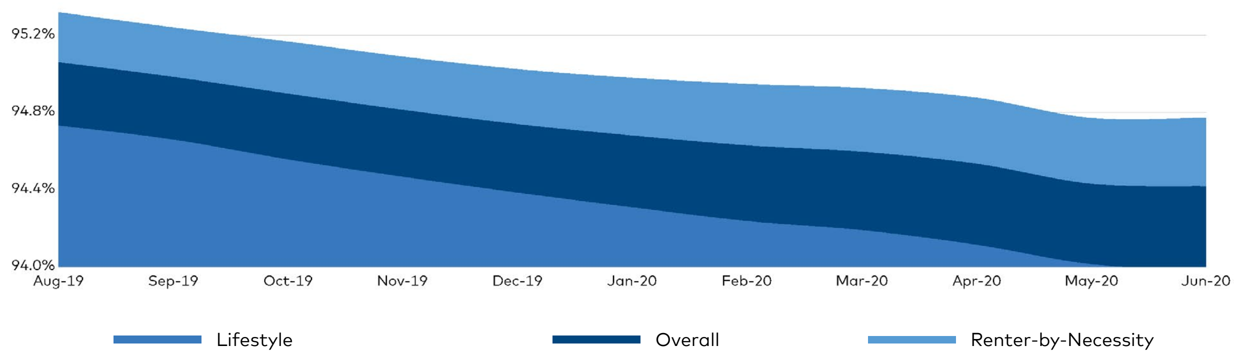
Employment, Supply and Occupancy Trends; Forecast Rent Growth

Market	YoY Rent Growth as of June - 20	Forecast Rent Growth (YE 2020)	YoY Job Growth (6-mo. moving avg.) as of May - 20	Completions as % of Total Stock as of June- 20	Occupancy Rates as of May - 19	Occupancy Rates as of May - 20
Las Vegas	0.5%	-8.3%	-6.8%	1.3%	95.2%	94.4%
Seattle	-0.5%	-7.1%	-2.8%	3.3%	95.7%	94.8%
Portland	-1.0%	-6.9%	-3.4%	2.8%	95.6%	94.6%
Twin Cities	1.5%	-6.6%	-4.5%	2.5%	97.0%	95.8%
Miami Metro	-0.4%	-6.3%	-3.6%	3.2%	95.1%	94.8%
Denver	-2.0%	-5.9%	-1.4%	5.5%	95.2%	94.0%
Atlanta	-0.3%	-5.9%	-2.0%	2.2%	94.3%	93.6%
Orlando	-2.0%	-5.3%	-3.1%	2.9%	95.2%	94.0%
Phoenix	2.8%	-5.3%	0.0%	2.2%	95.3%	95.0%
Boston	-1.7%	-5.1%	-5.3%	2.7%	96.5%	95.6%
Baltimore	0.6%	-4.6%	-3.8%	0.9%	95.0%	94.4%
Philadelphia	1.5%	-4.2%	-4.4%	1.3%	95.7%	95.3%
Washington DC	-1.3%	-3.9%	-2.1%	1.9%	95.6%	95.0%
Indianapolis	2.1%	-3.8%	-3.0%	1.4%	94.5%	93.6%
Raleigh	0.2%	-3.7%	-2.9%	3.2%	94.8%	94.2%
Tampa	0.9%	-3.6%	-1.3%	2.2%	94.9%	94.5%
Inland Empire	2.9%	-3.4%	-3.2%	1.7%	96.1%	95.6%
Houston	-0.8%	-3.4%	-1.4%	1.8%	92.9%	92.1%
Charlotte	0.4%	-3.4%	-2.6%	3.9%	95.2%	94.2%
Kansas City	1.8%	-3.3%	-2.8%	1.5%	95.1%	94.5%
Nashville	0.2%	-3.3%	-1.7%	1.9%	95.4%	94.6%
Los Angeles	-1.7%	-3.1%	-3.7%	1.9%	96.4%	95.5%
Chicago	-1.5%	-3.1%	-4.1%	2.4%	94.6%	93.9%
San Francisco	-3.8%	-2.9%	-3.9%	2.3%	95.8%	95.0%
San Jose	-4.6%	-2.0%	-3.0%	2.3%	95.9%	94.8%
San Antonio	-0.4%	-1.9%	-1.0%	2.6%	93.3%	92.1%
Austin	-1.2%	-1.5%	-0.6%	4.2%	94.8%	93.9%
Dallas	0.6%	-1.5%	-0.3%	2.8%	94.4%	93.6%
Sacramento	2.2%	-0.8%	-3.1%	1.1%	96.4%	95.8%
Orange County	-0.7%	-0.5%	-4.8%	1.6%	96.0%	95.7%

Source: Yardi Matrix

Occupancy & Asset Classes

Occupancy—All Asset Classes by Month



Source: Yardi Matrix

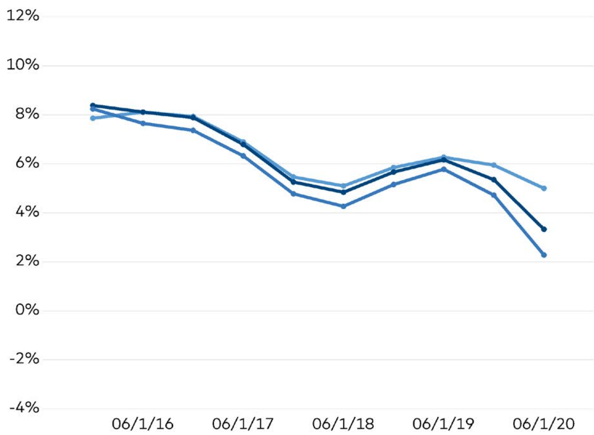
Year-Over-Year Rent Growth, Other Markets

Market	June 2020		
	Overall	Lifestyle	Renter-by-Necessity
Central Valley	4.70%	3.70%	5.10%
Tucson	3.70%	1.20%	4.80%
NC Triad	3.40%	1.40%	5.90%
St. Louis	2.90%	1.30%	3.50%
Colorado Springs	2.90%	2.70%	3.10%
Albuquerque	2.80%	1.50%	3.50%
El Paso	2.50%	3.80%	2.30%
Central East Texas	2.40%	3.30%	1.80%
Tacoma	2.40%	1.40%	3.60%
Indianapolis	2.10%	0.10%	3.30%
Louisville	1.90%	0.30%	2.80%
Long Island	1.50%	-1.10%	2.70%
San Fernando Valley	-0.90%	-3.00%	0.30%
Northern New Jersey	0.90%	-0.30%	2.30%
Salt Lake City	0.80%	-0.80%	2.30%
Jacksonville	0.70%	-0.90%	2.80%
Reno	0.60%	-1.10%	1.50%
SW Florida Coast	-0.50%	-0.70%	0.30%
Bridgeport–New Haven	-0.30%	-2.40%	1.60%

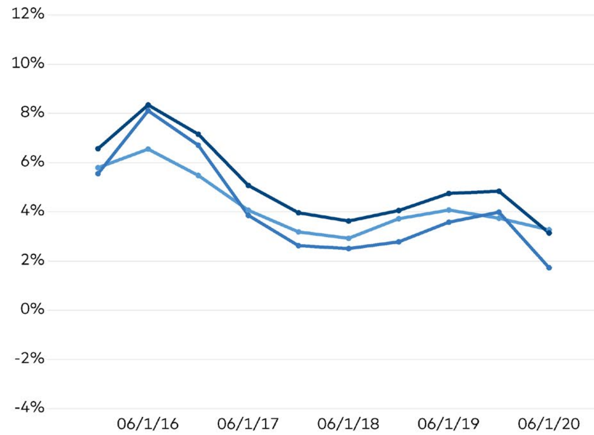
Source: Yardi Matrix

Market Rent Growth by Asset Class

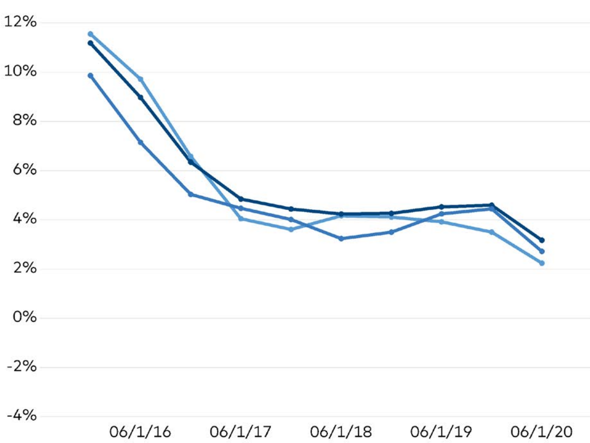
Atlanta



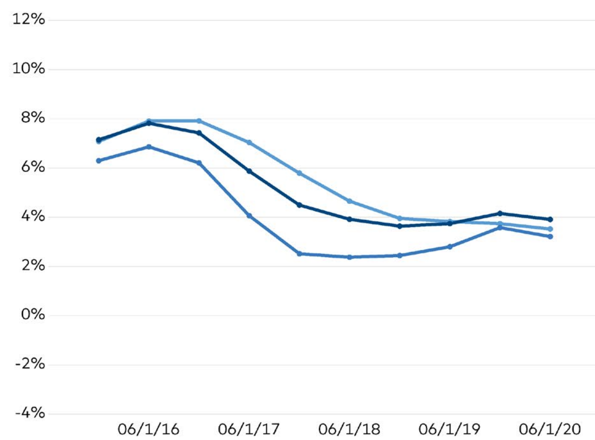
Boston



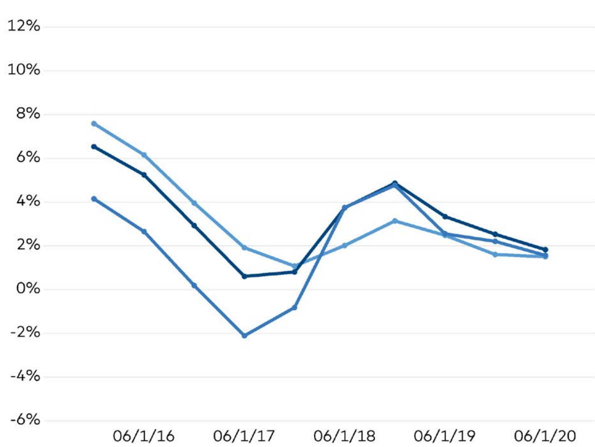
Denver



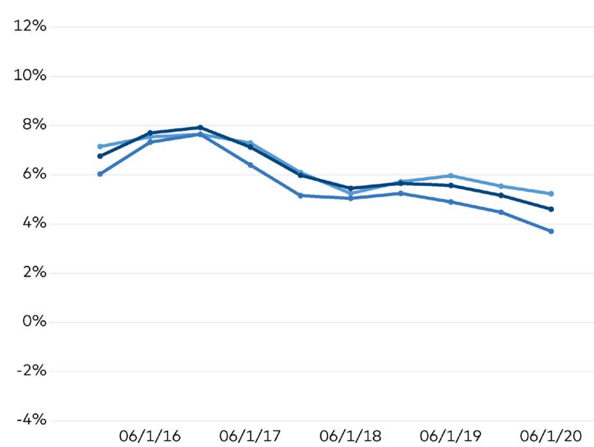
Dallas



Houston



Inland Empire

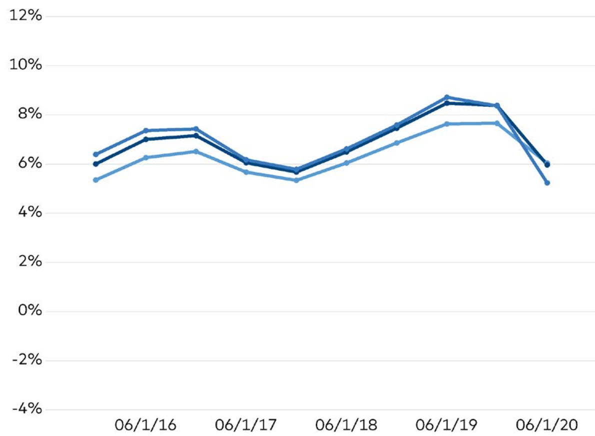


Trailing 12 Months Overall — Trailing 12 Months Lifestyle — Trailing 12 Months Renter-by-Necessity

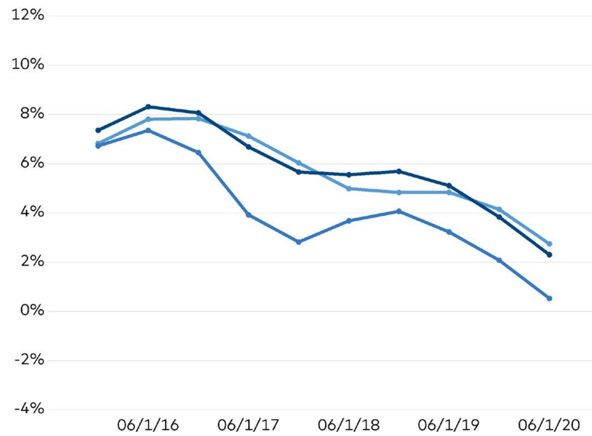
Source: Yardi Matrix

Market Rent Growth by Asset Class

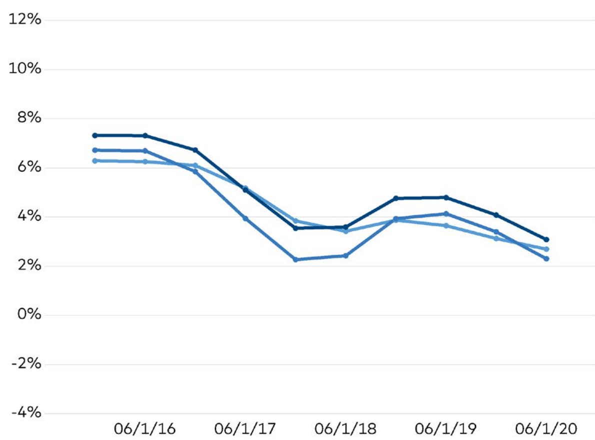
Las Vegas



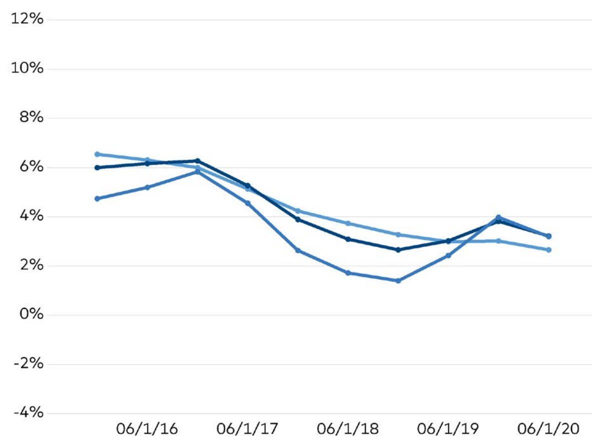
Los Angeles



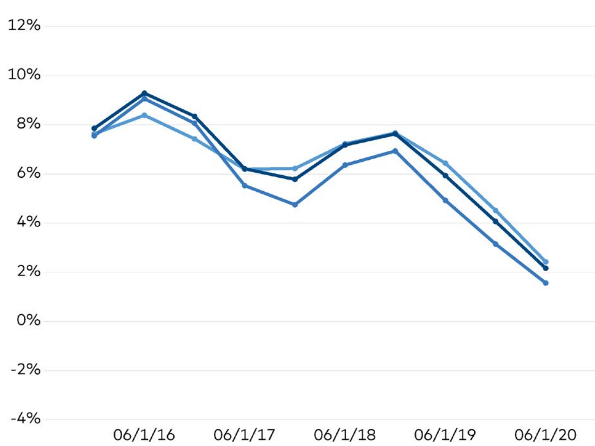
Miami



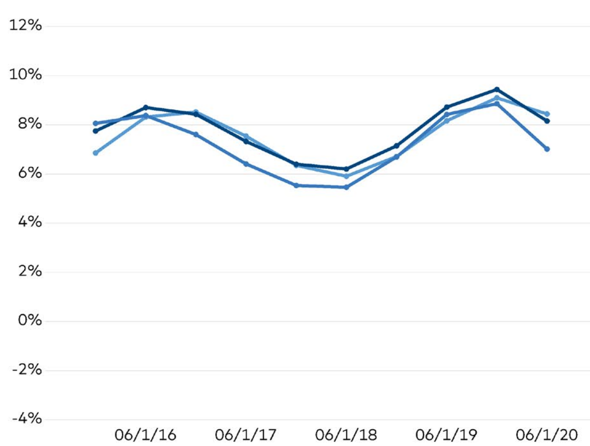
Orange County



Orlando



Phoenix

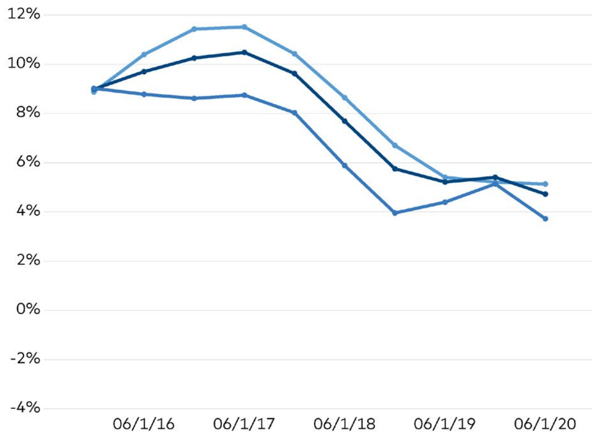


Trailing 12 Months Overall   Trailing 12 Months Lifestyle   Trailing 12 Months Renter-by-Necessity

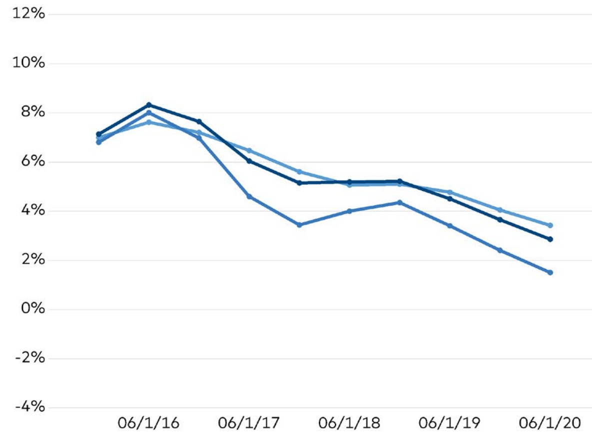
Source: Yardi Matrix

Market Rent Growth by Asset Class

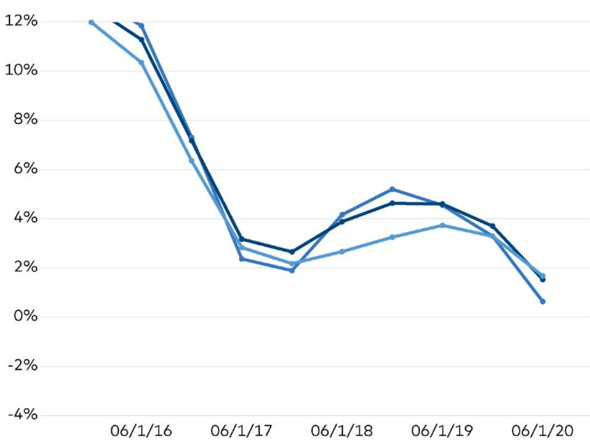
Sacramento



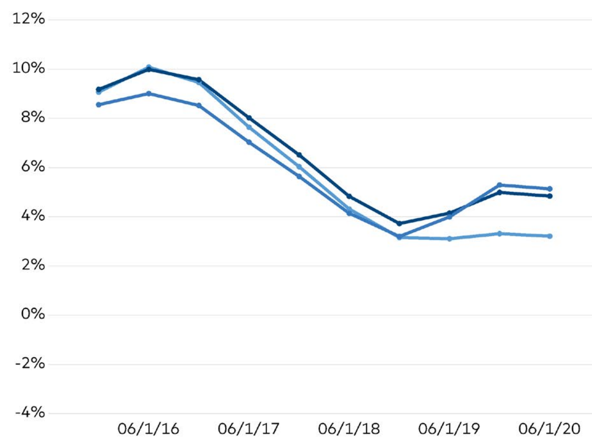
San Diego



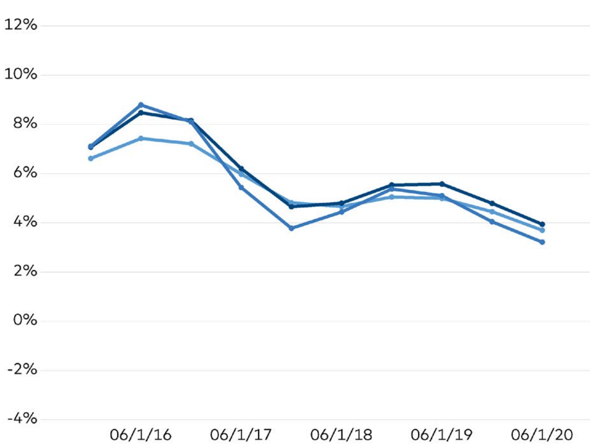
San Francisco



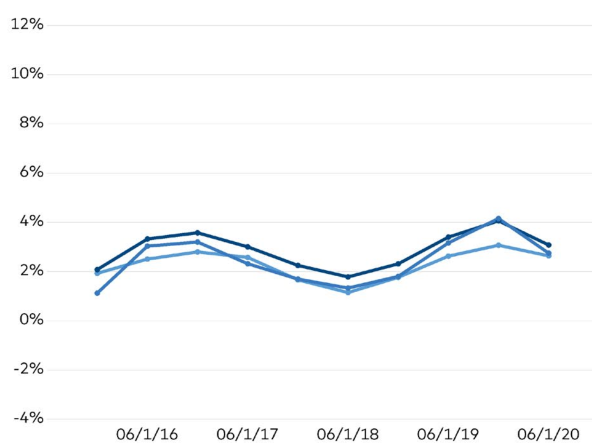
Seattle



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

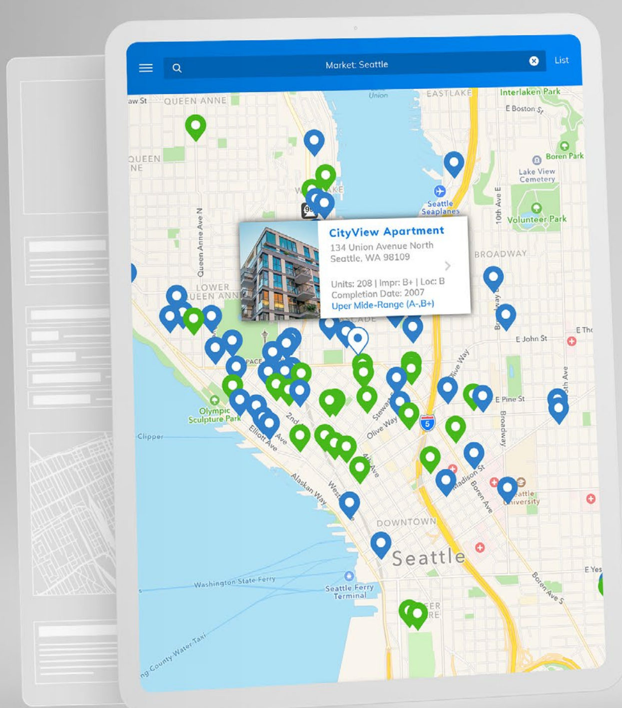
The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

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.

Yardi® Matrix

Power your business with the industry's leading source for originating, pre-underwriting and managing assets for profitable loans and investments.



Yardi Matrix Multifamily provides accurate data on **18+ million units**, covering over **90% of the U.S. population.**

Key features

- Pierce the LLC every time with true ownership and contact info
- Leverage patented improvement and location ratings, unit mix, rental, occupancy and current manager information
- Gain complete new supply pipeline information at the asset, competitive set and market level
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access exclusive aggregated and anonymized residential revenue and expense comps

Get the latest market trends and forecasts at yardimatrix.com/**publications**

(800) 866-1144 | yardimatrix.com/multifamily

YARDI

Contacts

Jeff Adler
Vice President & General Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(800) 303-615-3676

Jack Kern
Director of Research & Publications
Jack.Kern@Yardi.com
(800) 866-1124 x2444

Paul Fiorilla
Associate Director of Research
Paul.Fiorilla@Yardi.com
(800) 866-1124 x5764

Maddie Winship
Senior Research Analyst
Madeline.Winship@Yardi.com
(800) 866-1124 x2115

Chris Nebenzahl
Editorial Director
Chris.Nebenzahl@Yardi.com
(800) 866-1124 x2200

Yardi Matrix