Yardi Matrix

National Multifamily Report

July 2020

Editorial Note

We have, for more than five years, published these reports monthly with no reference to our proprietary Matrix expert data set (which is drawn from the data run through the Yardi software operating platforms), as the surveyed and transactional data sets were broadly consistent.

However, over the last three months, a significant variance in occupancy has emerged in Manhattan, Chicago, San Francisco, Los Angeles and Miami. The transaction-based data is showing occupancy 3-4% lower than our publicly reported postal delivery data-based method. I believe it our duty, so as not to mislead the investment community, to make you aware of this variance.

Jeff Adler

Rents Show Signs of Stabilization—For Now

- Multifamily rents increased by $2 in July, to $1,460, putting an end to the four-month trend of declines. However, year-over-year rent growth remained negative at -0.3%, unchanged from June.
- Gateway markets continued their steep year-over-year declines, with San Jose (-5.0%) and San Francisco (-4.1%) leading the way. This is a stark contrast from last July, when rents in San Jose grew by 2.0% and rents in San Francisco grew by 2.8%.
- With millions of Americans still unemployed, all eyes have shifted to the new stimulus package currently being debated. With the Senate scheduled to go into recess on August 7, the race is on to find a compromise between Democrats and Republicans.

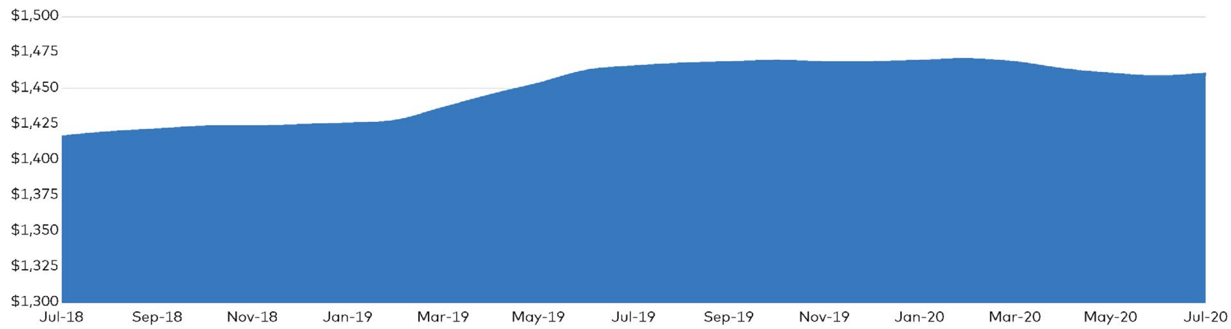
The COVID-19 pandemic continues to be an ever-changing situation that is extremely unpredictable. In May and even into the beginning of June, the situation looked brighter, with many restrictions lifted and many Americans returning to work. The hopes of another stimulus package were beginning to fade. However, in recent weeks, many states have taken a step backwards on the coronavirus response, which has significantly slowed the economic recovery.

Another stimulus package is all but guaranteed, although the details are still being debated. One aspect of the package is almost certain: a stimulus payment. The payment will likely look similar to the last one, with $1,200 distributed to Americans earning $75,000 or less per year. If this payment can be distributed in August, it could help many renters make their August rent payments, as the initial additional unemployment insurance is scheduled to end in July. Some form of extra unemployment insurance is likely.

Rent payments continue to be on par with last year, with 91.3% of apartment households making a full or partial rent payment by July 20, according to the National Multifamily Housing Council's Rent Payment Tracker. With another stimulus check, August rent payments will likely be in line with the strong payment trends we have seen since the beginning of the pandemic.

In the short term, month-over-month rents showed signs of improvement in July, with 25 of the top 30 markets performing better in July than June, although MoM rents tend to be more volatile and we could see a reversal of this trend next month. Many tech hub markets—like Denver (-1.2%), Orlando (-2.1%) and Austin (-1.5%)—are performing significantly better on a MoM basis than YoY. This is to be expected, as rents fell significantly over the last few months and there is little room left to fall further. Could this be the start of a turnaround?

National Average Rents

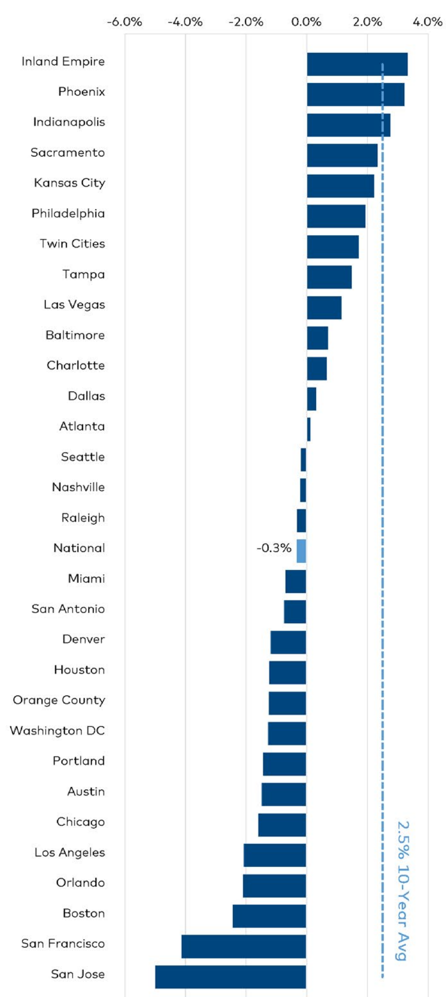


National averages include 127 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by YardiMatrix.

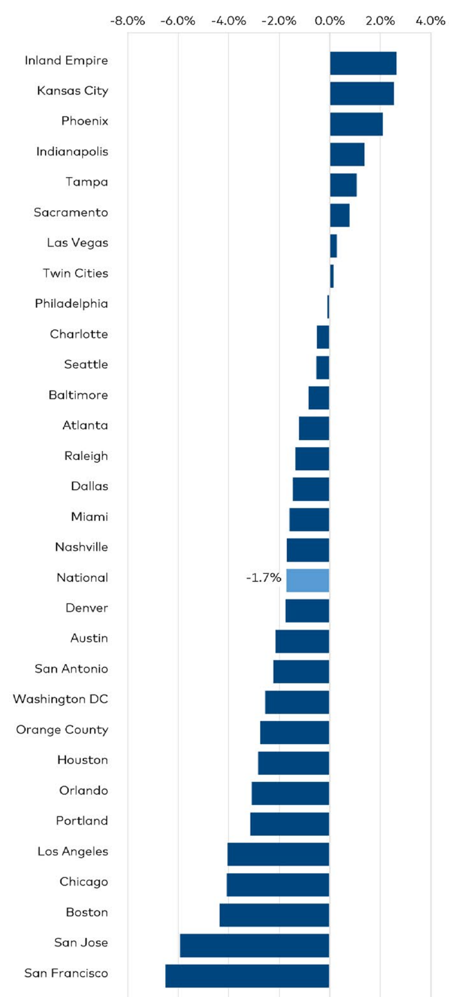
Year-Over-Year Rent Growth: Renter-by-Necessity Asset Class Holding Strong

- Rents decreased 0.3% in July on a year-over-year basis, unchanged from June. Of the top 30 markets, year-over-year rent growth is negative in 17 markets.
- West Coast and gateway markets continue to show the steepest declines in rents, with San Jose (-5.0%) and San Francisco (-4.1%) leading the declines yet again. Volatile markets like Las Vegas (1.2% growth) and Phoenix (3.2% growth) have held up relatively well so far. The Las Vegas market was an initial concern, given the heavy reliance on tourism, but the metro is likely benefiting from its position as a lower-cost alternative to expensive West Coast markets.
- The Renter-by-Necessity asset class is holding strong, with national rents increasing 1.2% in July on a YoY basis. Only five of the top 30 markets had negative RBN rents. Lifestyle rents fell 1.7% nationwide in July, with the largest declines in gateway and coastal markets.

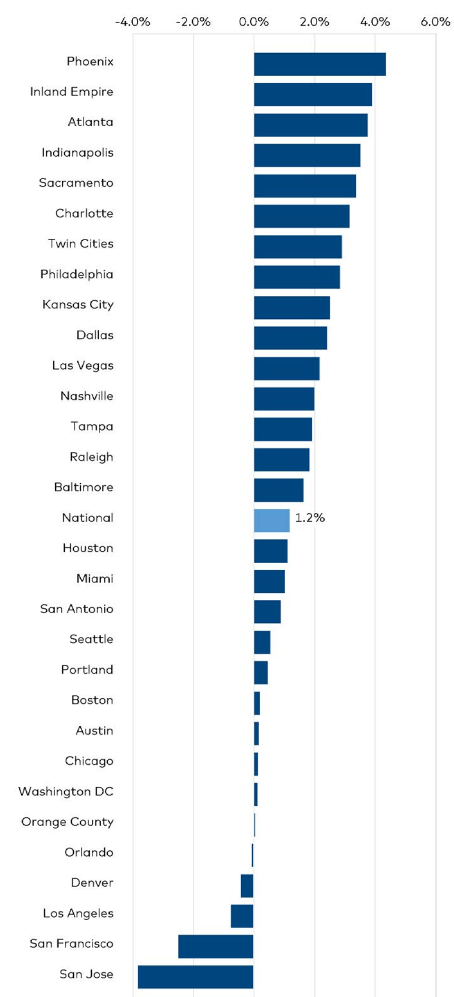
Year-Over-Year Rent Growth—All Asset Classes



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:
Most Markets Show MoM Improvements

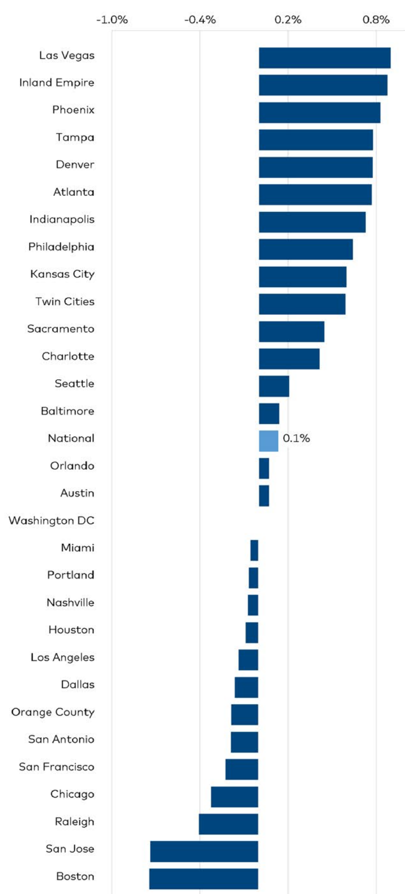
- Rents increased 10 basis points on a month-over-month (MoM) basis in July, a 20-basis-point increase from June.
- Of the top 30 markets, MoM rent growth is negative in 13, an improvement from 19 negative markets in June. Boston and San Jose (both -0.7%) saw the largest declines.

Rents increased 10 basis points nationally on a month-over-month basis, the first positive MoM number since February 2020. Nationwide, rents increased $2 to $1,460.

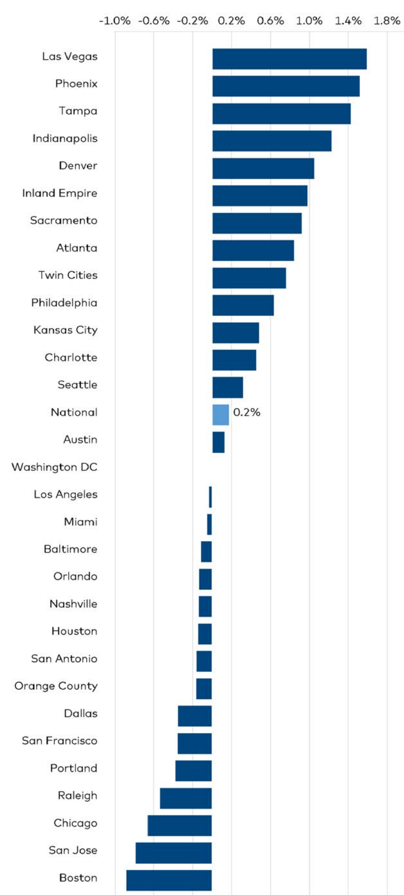
Las Vegas (0.9%), Phoenix and Denver (both 0.8%) posted strong month-over-month rent growth in the Lifestyle asset class. Lifestyle rents in Phoenix and Las Vegas increased by 1.5% and 1.6%, respectively, compared to a 0.2% and 0.1% MoM decline in Renter-by-Necessity rents. The increase in Lifestyle rents could indicate renters are already leaving expensive California markets for less expensive Western markets, where they are able to afford the Lifestyle price since rents can be as little as half what they are in San Francisco or San Jose.

On a MoM basis, 25 of the top 30 markets performed better in July than in June. Atlanta, Denver and Phoenix (all 0.8%) saw the largest increases from May to July, all with 1.0% growth.

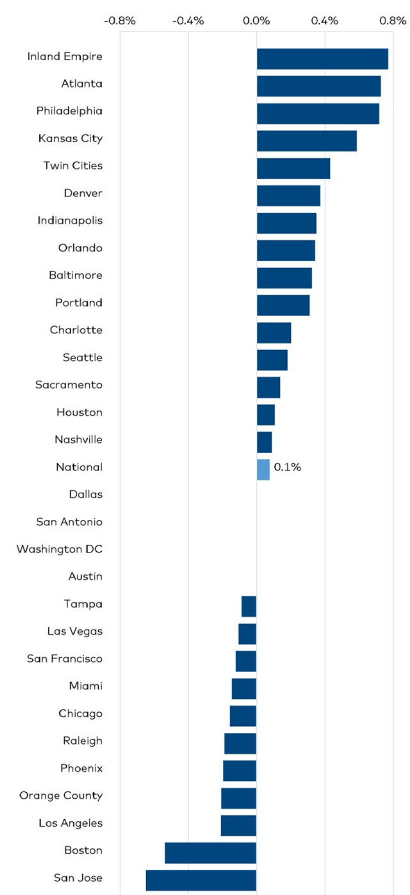
Month-Over-Month Rent Growth—All Asset Classes



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 1.4 million for the week ending July 18, bringing the total jobless claims since mid-March to more than 50 million. Weekly jobless claims continue to hold steady above the one million mark.
- Different proposals for how to help the millions of Americans that remain jobless have been brought to the table. Democrats and Republicans have still to compromise. It remains to be seen whether the additional unemployment insurance will stay the same, at an extra $600 per week, or will be based on a percentage of lost wages.

A few months ago, if the question of the hottest job markets in the country were to come up, the Texas markets would most definitely be part of the conversation. In December, the four Texas metros in our top 30 markets (Austin, Dallas, San Antonio and Houston) all had more than 2% year-over-year job growth. That job growth abruptly came to a halt when the pandemic began. As of May 2020, YoY job growth fell 1.4% in Houston, 1.0% in San Antonio, 0.6% in Austin and 0.3% in Dallas.

Airlines will likely be one of the biggest contributors of future job losses in Texas. United Airlines is already preparing for one of the largest layoffs. United said that it will lay off more than 4,700 workers in Houston and Dallas beginning October 1, 2020. American Airlines has announced the need to reduce its workforce by as many at 25,000 starting in October. American is based in Fort Worth, with about 30,000 employees in North Texas, so the Dallas market will most definitely be impacted once the specific layoffs are announced.

Job losses are not the only roadblock that Texas is facing. Occupancy in all four Texas markets has declined significantly from last year. San Antonio leads the way with a 120-basis-point decline in occupancy from last year. Austin falls closely behind with a 90-basis-point decrease, and Houston and Dallas each declined 80 basis points. Not only are occupancies declining but each market already had low occupancy rates compared to peer cities, and current market occupancy sits between 92% and 93%. The trend of falling occupancy is common, as there were drops in all of the top 30 markets on a year-over-year basis.

Dallas is currently one of the best-performing Texas markets when it comes to rent growth. Rents increased by 0.3% on a YoY basis in July, with the metro one of the few where rents have yet to turn negative year-over-year. Austin is the hardest-hit Texas market for YoY rent growth, due in part to the large amount of new supply that was recently completed, with more in the pipeline. Year-over-year rent growth fell 1.5% in July, a sharp reversal from the 4.7% YoY rent growth seen in July 2019.

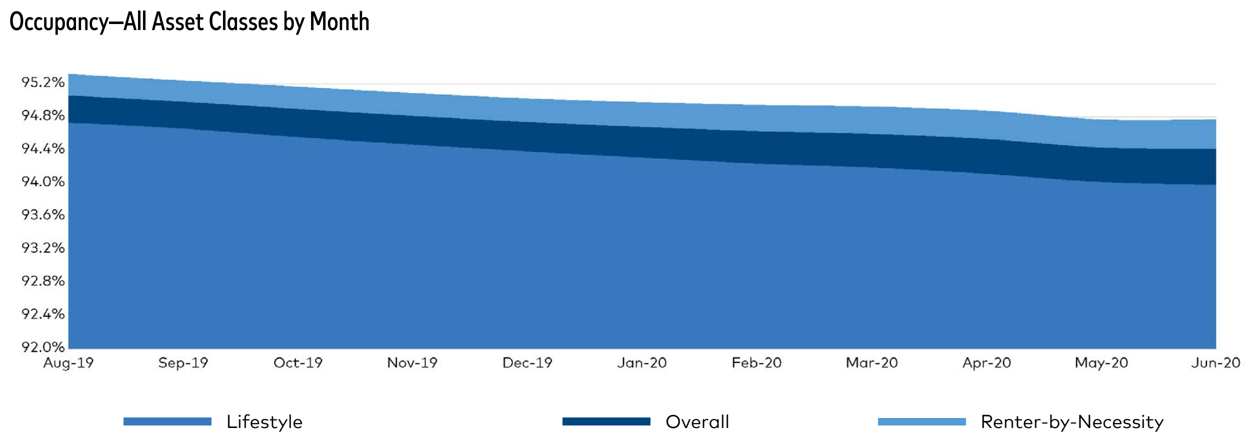
However, Texas is poised to recover quickly, given its lower cost and density compared to many coastal markets. Texas is typically seen as an extremely business-friendly state, where many companies from California choose to relocate. This occurred before the pandemic and is only likely to accelerate once a vaccine is available and companies begin to reevaluate their office space.

Employment, Supply and Occupancy Trends; Forecast Rent Growth

Market	YoY Rent Growth as of July - 20	Forecast Rent Growth (YE 2020)	YoY Job Growth (6-mo. moving avg.) as of May - 20	Completions as % of Total Stock as of July- 20	Occupancy Rates as of June - 19	Occupancy Rates as of June - 20
Indianapolis	2.8%	1.4%	-3.0%	1.2%	94.5%	93.6%
Kansas City	2.2%	1.1%	-2.8%	1.1%	95.1%	94.5%
Dallas	0.3%	0.8%	-0.3%	3.0%	94.4%	93.6%
Inland Empire	3.4%	0.7%	-3.2%	1.6%	96.1%	95.6%
Tampa	1.5%	0.7%	-1.3%	2.0%	94.9%	94.5%
Phoenix	3.2%	0.4%	0.0%	2.3%	95.3%	95.0%
Nashville	-0.2%	0.1%	-1.7%	2.2%	95.4%	94.6%
Charlotte	0.7%	0.0%	-2.6%	3.9%	95.2%	94.2%
Las Vegas	1.2%	-5.4%	-6.8%	1.5%	95.2%	94.4%
San Jose	-5.0%	-4.0%	-3.0%	1.8%	95.9%	94.8%
Portland	-1.5%	-3.3%	-3.4%	3.2%	95.6%	94.6%
Atlanta	0.2%	-3.2%	-2.0%	2.6%	94.3%	93.6%
Orlando	-2.1%	-2.3%	-3.1%	3.0%	95.2%	94.0%
Seattle	-0.2%	-2.1%	-2.8%	3.0%	95.7%	94.8%
San Antonio	-0.8%	-1.9%	-1.0%	2.6%	93.3%	92.1%
Baltimore	0.7%	-1.9%	-3.8%	1.0%	95.0%	94.4%
Orange County	-1.3%	-1.8%	-4.8%	1.4%	96.0%	95.7%
San Francisco	-4.1%	-1.6%	-3.9%	2.2%	95.8%	95.0%
Raleigh	-0.3%	-1.6%	-2.9%	2.9%	94.8%	94.2%
Sacramento	2.4%	-1.3%	-3.1%	1.5%	96.4%	95.8%
Philadelphia	2.0%	-1.2%	-4.4%	1.2%	95.7%	95.3%
Washington DC	-1.3%	-1.2%	-2.1%	2.2%	95.6%	95.0%
Boston	-2.5%	-1.2%	-5.3%	3.1%	96.5%	95.6%
Houston	-1.2%	-1.0%	-1.4%	1.9%	92.9%	92.1%
Denver	-1.2%	-0.9%	-1.4%	6.0%	95.2%	94.0%
Austin	-1.5%	-0.8%	-0.6%	4.6%	94.8%	93.9%
Miami Metro	-0.7%	-0.8%	-3.6%	3.7%	95.1%	94.8%
Twin Cities	1.7%	-0.8%	-4.5%	2.7%	97.0%	95.8%
Chicago	-1.6%	-0.7%	-4.1%	3.2%	94.6%	93.9%
Los Angeles	-2.1%	-0.4%	-3.7%	2.1%	96.4%	95.5%

Source: Yardi Matrix

Occupancy & Asset Classes



Source: Yardi Matrix

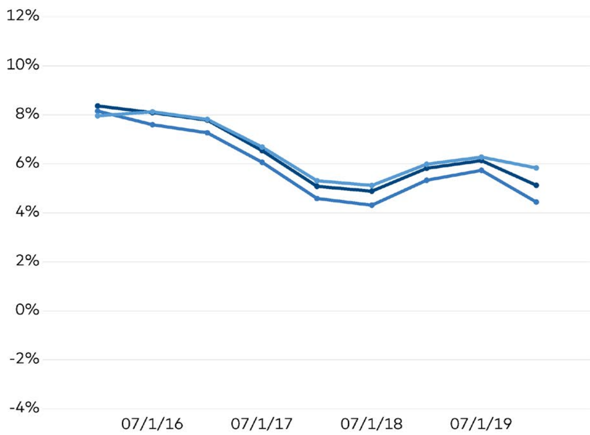
Year-Over-Year Rent Growth, Other Markets

Market	July 2020		
	Overall	Lifestyle	Renter-by-Necessity
Central Valley	4.1%	3.8%	4.3%
Tucson	4.1%	2.7%	4.7%
NC Triad	3.5%	1.8%	5.6%
Tacoma	3.1%	2.0%	4.4%
El Paso	2.8%	4.2%	2.3%
Indianapolis	2.8%	1.4%	3.5%
St. Louis	2.6%	1.4%	3.2%
Colorado Springs	2.5%	2.4%	2.7%
Albuquerque	2.2%	1.3%	2.7%
Long Island	2.1%	-0.6%	3.4%
Central East Texas	1.9%	3.0%	1.0%
Louisville	1.6%	0.2%	2.5%
Jacksonville	1.4%	0.1%	2.5%
Reno	1.0%	-1.5%	2.6%
Salt Lake City	0.9%	0.1%	1.6%
San Fernando Valley	-0.6%	-2.6%	0.6%
Bridgeport–New Haven	0.5%	-1.4%	2.0%
Northern New Jersey	0.2%	-1.0%	1.5%
SW Florida Coast	-0.1%	-0.1%	0.3%

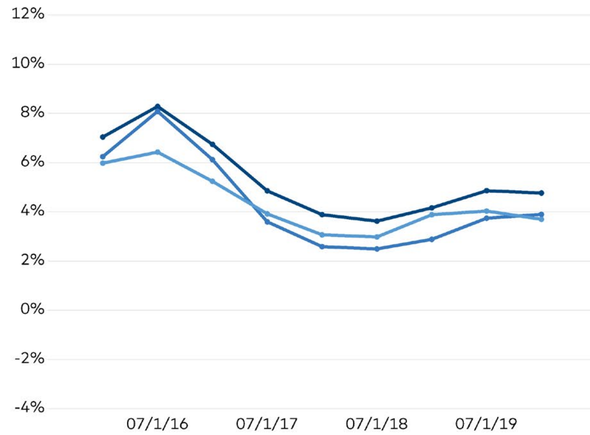
Source: Yardi Matrix

Market Rent Growth by Asset Class

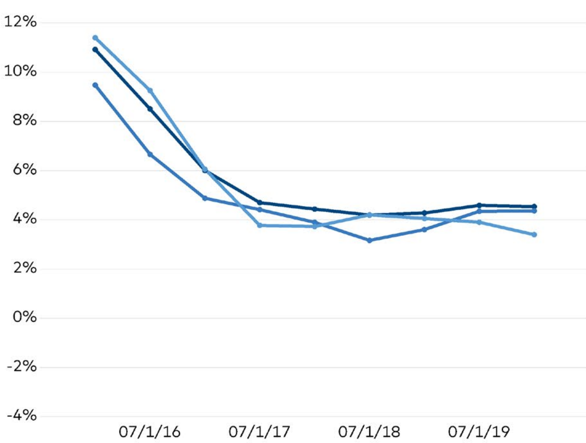
Atlanta



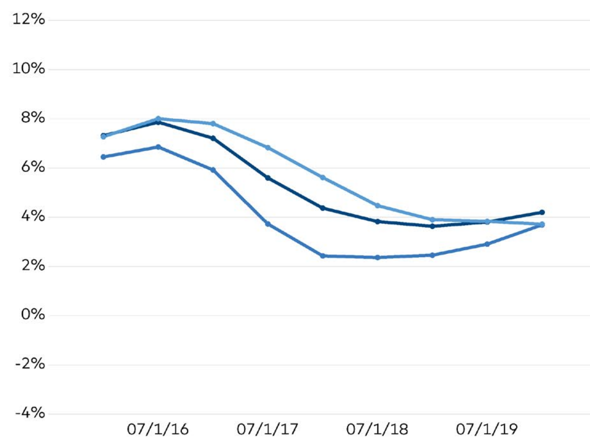
Boston



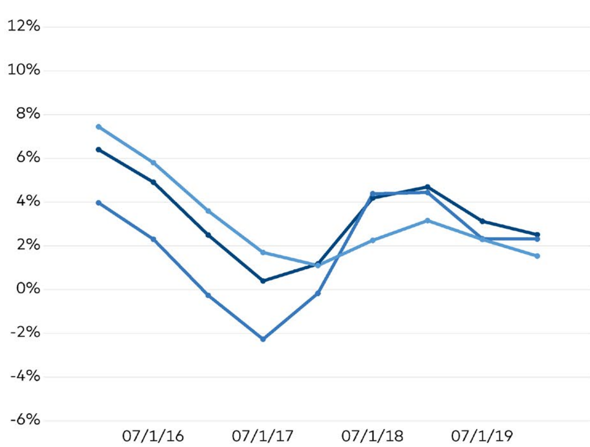
Denver



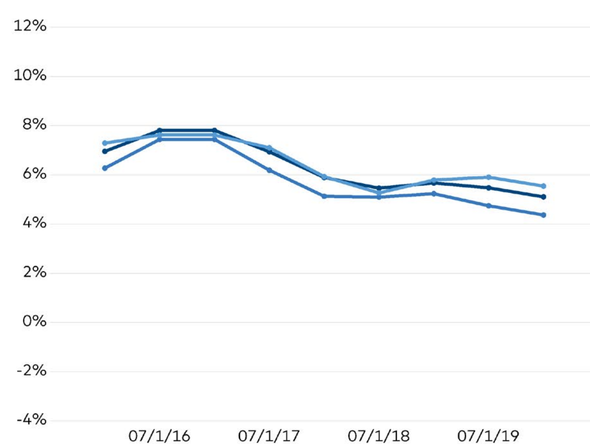
Dallas



Houston



Inland Empire

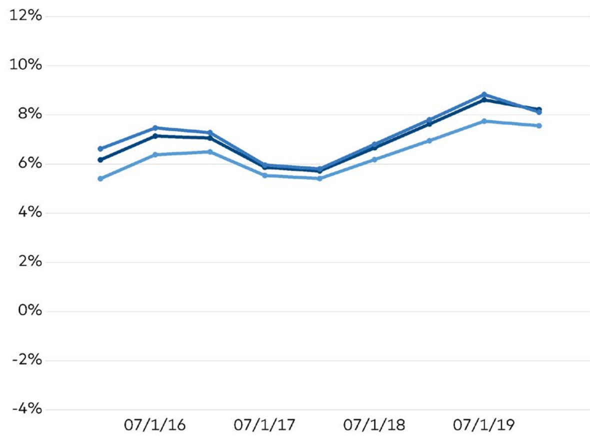


Trailing 12 Months Overall | Trailing 12 Months Lifestyle | Trailing 12 Months Renter-by-Necessity

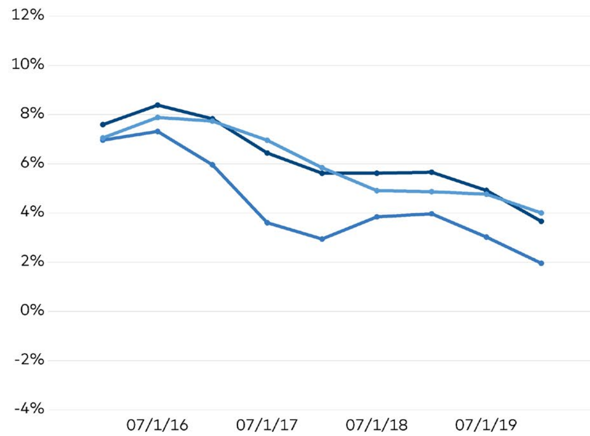
Source: Yardi Matrix

Market Rent Growth by Asset Class

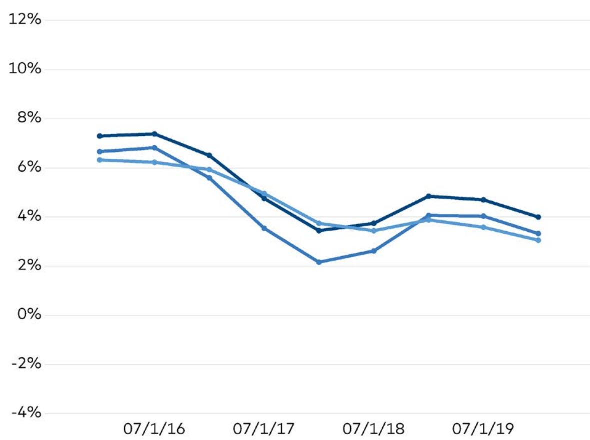
Las Vegas



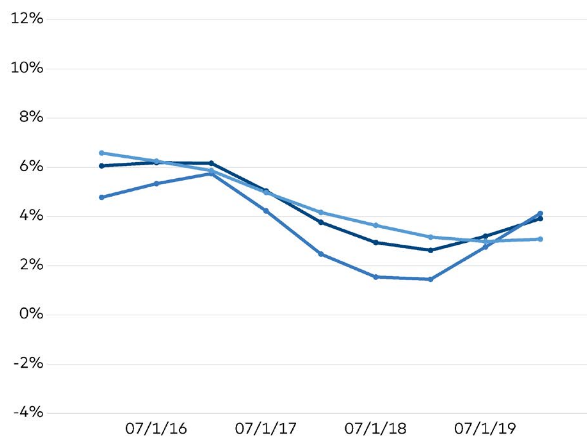
Los Angeles



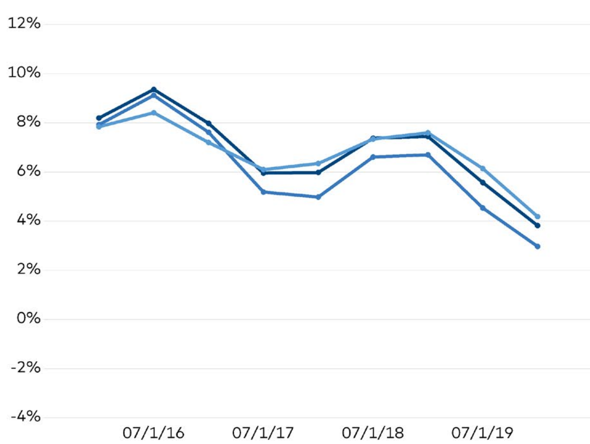
Miami



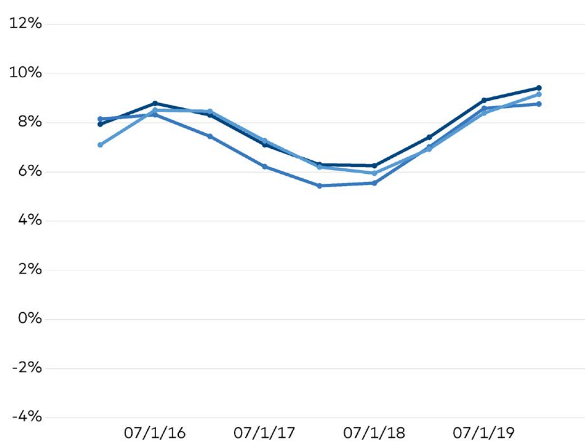
Orange County



Orlando



Phoenix

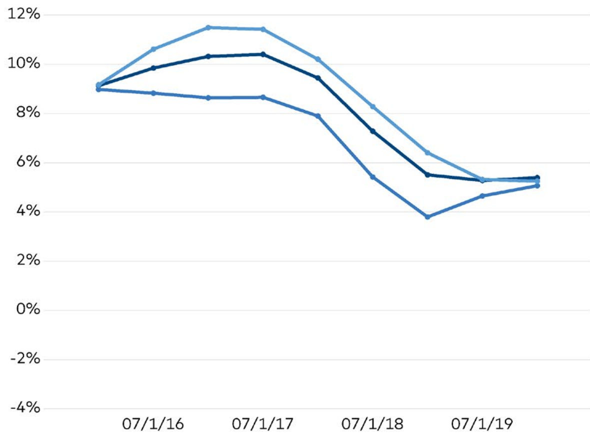


Trailing 12 Months Overall   Trailing 12 Months Lifestyle   Trailing 12 Months Renter-by-Necessity

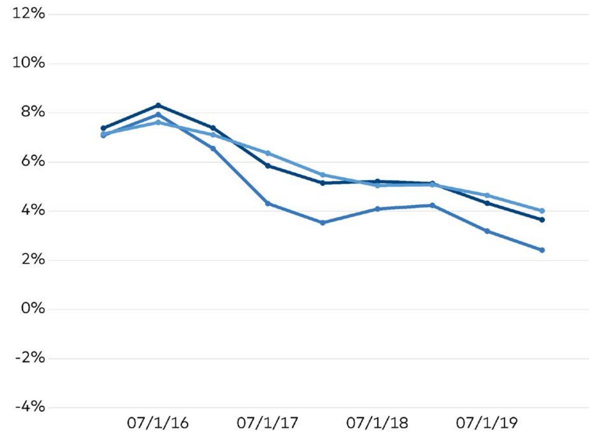
Source: Yardi Matrix

Market Rent Growth by Asset Class

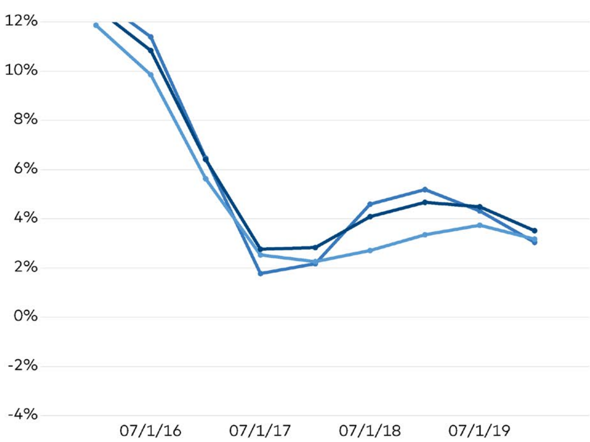
Sacramento



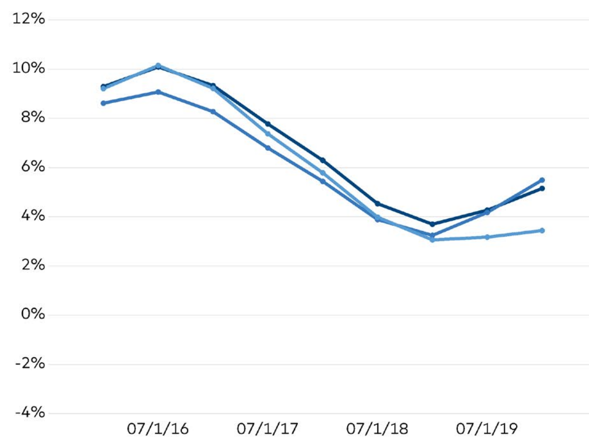
San Diego



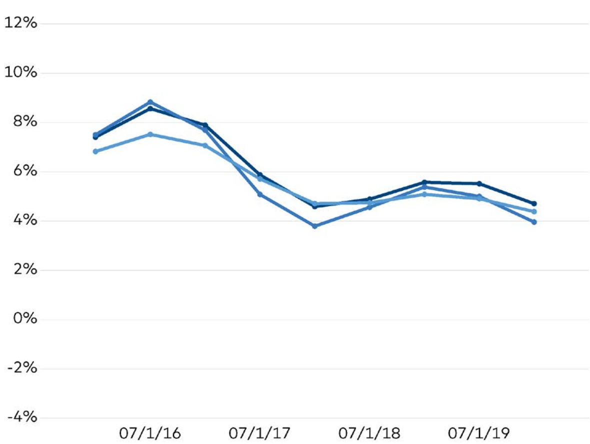
San Francisco



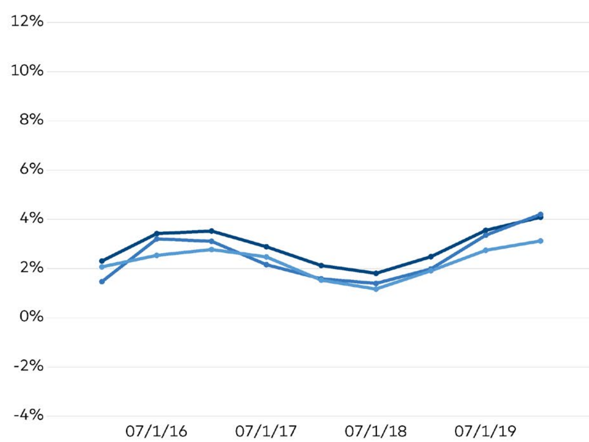
Seattle



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 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.

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