National Multifamily Report

September 2020

COVID-19 Accelerated Decline of Underperforming Metros

- Multifamily rents decreased by $1 in September, to $1,463. Since the beginning of the pandemic, overall rents have only been up or down by a few dollars each month. Many initially feared that the decline would be much steeper than the $8 overall national rent decline we have seen since February.

- However, there are significant rent variations at the metro level. Higher-cost metros that have had some of the highest rents this cycle have seen dramatic declines. San Jose (-6.6%) and San Francisco (-5.8%), the two metros with the largest YoY declines in September, have seen overall rents decline by $205 and $136, respectively, since February.

- The two best-performing metros in September for YoY rents, the Inland Empire (3.4%) and Sacramento (3.1%), have seen overall rents increase by $35 and $37, respectively, since February.

As we move into the fall and winter months, the return to normal remains slow and volatile. Political disruptions are causing further uncertainty, and consumer confidence fell to its lowest level in more than six years in August. In September, the unemployment rate declined to 7.9%, but there are still more than 12 million people unemployed.

With the extreme uncertainty surrounding the country today, the multifamily industry has held up better so far than many predicted. According to the National Multifamily Housing Council's Rent Payment Tracker, 92.2% of apartment households made a full or partial rent payment by September 27—a 1.5 percentage point decline from September 2019 and a 0.1 percentage point increase from August 2020.

There is little change between the best- and worst-performing metros in September and February. The best-performing metros in September—the Inland Empire (3.4%), Sacramento (3.1%), Phoenix (3.1%), Indianapolis (2.8%) and Charlotte (1.7%)—were also among the best performers in February, prior to the pandemic. The commonality among the top-performing metros is their lower cost of living.

On the flip side, metros like San Francisco (-5.8%) and Orlando (-2.5%) that have struggled to maintain rent growth during the pandemic were also facing struggles in February. YoY rents in these metros weren't negative as they are now, but San Francisco had 1.7% YoY rent growth and Orlando had 1.8% YoY rent growth in February, both falling near the bottom of our top 30 markets. Compared to Phoenix, where YoY rent growth was 7.6% in February, it seems as though the pandemic has accelerated declines in metros that were already low performers, while top-performing metros have been spared from large declines.

National Average Rents

National averages include 132 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by YardiMatrix.

Year-Over-Year Rent Growth: Lower-Cost Metros Continue to Outperform

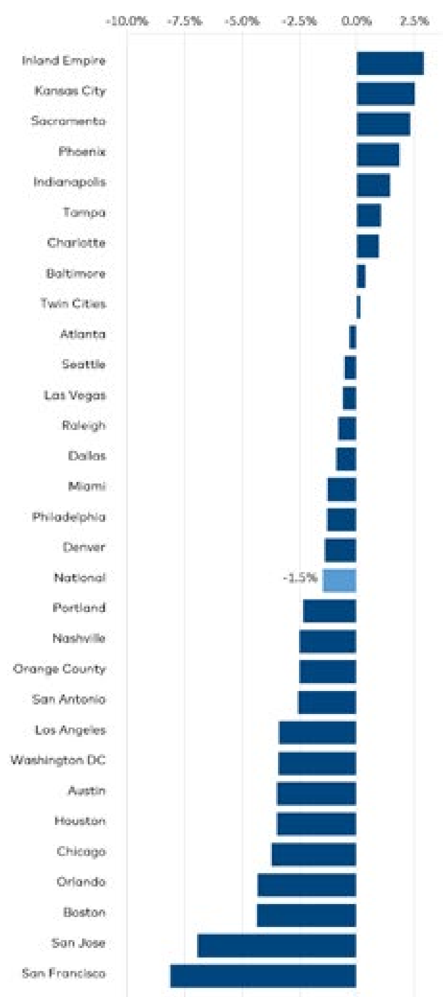
- Rents decreased 0.3% in September on a year-over-year basis, a 10-basis-point decline from a revised 0.2% decline in August. September YoY data continued with the trend that we have seen since the onset of the pandemic: Metros with the highest rents have suffered the most, while less expensive metros have fared better than expected.

- San Jose (-6.6%) and San Francisco (-5.8%) led with the sharpest year-over-year declines yet again. Austin (-2.9%) moved up to tie with Boston (-2.9%) for third place in largest YoY declines. YoY rent growth in Austin has continued to decline each month since February, when YoY rent growth was 3.7%.

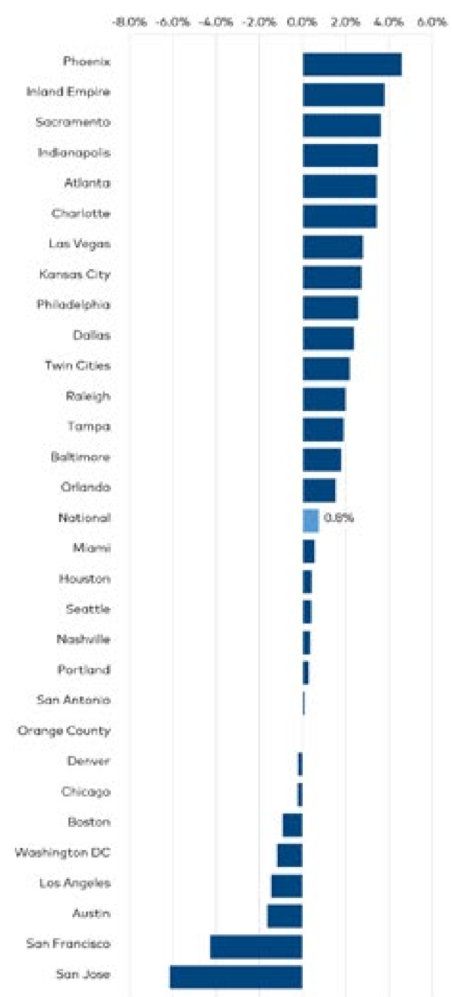
- The Lifestyle asset class is continuing to suffer, with 22 of the top 30 metros experiencing negative YoY rent growth, compared to 16 metros experiencing YoY overall rent declines.

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

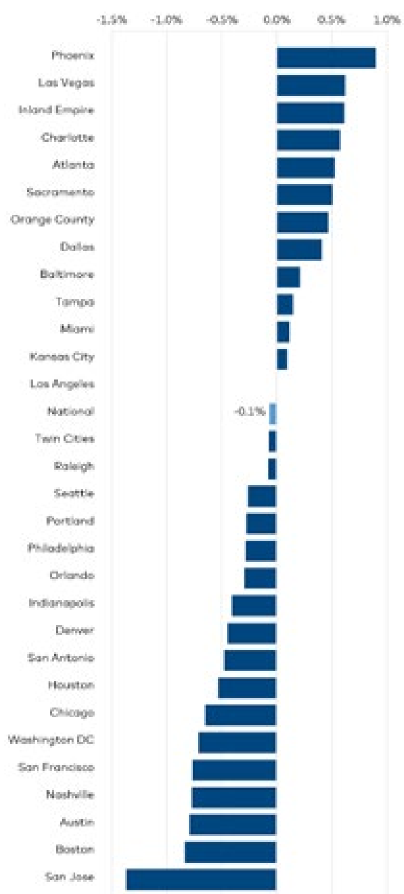
Short-Term Rent Changes:
Florida Rent Increases Driven by RBN Asset Class

- Rents decreased 10 basis points on a month-over-month (MoM) basis in September, a 30-basis-point decline from a revised 0.2% increase in August.
- Of the top 30 markets, overall MoM rent growth is negative in 17 metros. San Jose (-1.4%) was the worst-performing metro.

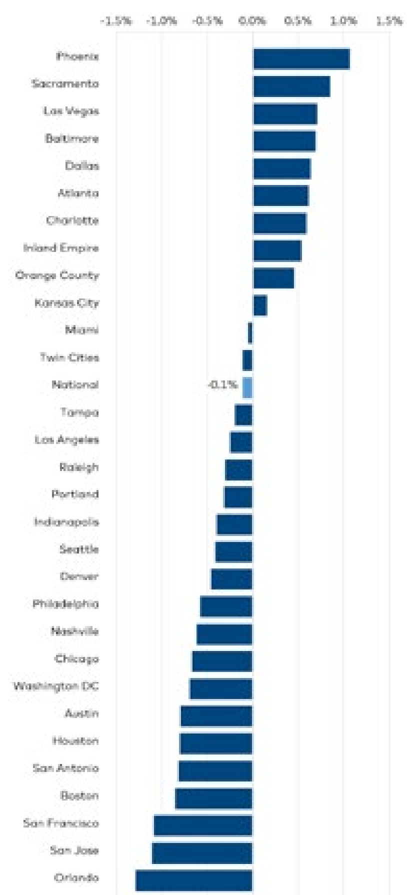
Rents decreased 10 basis points nationally on a month-over-month basis. Nationwide, rents decreased $1 to $1,463. Since February, overall rents have only declined $8, performing better than most feared at the onset of the pandemic. However, there is significant variation between metros, with expensive coastal cities continuing to see the largest rent declines.

The three Florida metros included in our top 30 are average performers on a MoM overall rent basis. However, as in most other metros, Lifestyle rents are showing larger MoM declines than the Renter-by-Necessity asset class. All three metros had positive MoM rent growth in the Renter-by-Necessity asset class. Orlando presents the most drastic difference between Lifestyle and Renter-by-Necessity rent growth. In Orlando, Lifestyle rents declined by 1.3%, while RBN rents increased by 1.4% on a MoM basis in September. The recent announcement of layoffs by Disney could further affect rents in Orlando in the coming months.

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 837,000 for the week ending Sept. 26, and the unemployment rate dropped to 7.9%.
- While the unemployment rate continues to improve, another metric to keep an eye on is the number of permanent job losses. In September, the number of permanent job losses increased by 345,000 to 3.8 million; this measure has increased by 2.5 million since February. Among the unemployed, the number of people on temporary layoff decreased by 1.5 million in September to 4.6 million.

As furloughs inevitably become permanent job losses, the economic recovery remains at risk. The labor force participation rate is declining, down 0.3 percentage points to 61.4% in September, a decline of 2.0 percentage points since February. As the pandemic continues, many schools remain online, and some parents have had to sacrifice their jobs to take care of their children or elderly parents.

Another looming threat to the job market is the corporate layoffs that are beginning to emerge. Disney recently announced that it is laying off 28,000 people, of which 67% are part-time workers. Orlando and Orange County will likely be affected by this announcement, especially in the Renter-by-Necessity segment. Overall rents in Orlando and Orange County have declined by 1.8% since February. However, both have held up relatively well in the Renter-by-Necessity asset class, with RBN rents increasing by 1.6% YoY in Orlando and declining by 0.1% YoY in Orange County.

On Oct. 1, American Airlines furloughed 19,000 employees and United Airlines furloughed 13,000. Many of these furloughs include flight attendants based throughout the United States, so this news will likely affect multiple metros. This announcement will be one to watch moving forward to see if the furloughs become permanent layoffs.

MGM Resorts announced that 18,000 previously furloughed employees will become permanent layoffs. Las Vegas has performed better than expected during the pandemic, with 0.8% YoY rent growth in September. Many feared that, because the metro relies so heavily on tourism, rent would inevitably decline as the conference and tourism industry came to a halt. Las Vegas is particularly strong in the Lifestyle asset class, where most other metros are struggling, perhaps indicating growth in in-migration from higher-cost metros like Los Angeles. On a MoM basis, Lifestyle rents increased by 0.7% in September.

Another large layoff announcement that could affect multiple metro areas due to the company's geographic diversity came from Cineworld, which announced that all its movie theaters nationwide will suspend operations, impacting 40,000 jobs.

Unfortunately, although the economic recovery has begun, we are likely not out of the woods with permanent job losses and large corporate layoffs. Eight months into the pandemic, with little aid in sight, companies are being forced to make tough staffing decisions.

Employment, Supply and Occupancy Trends; Forecast Rent Growth

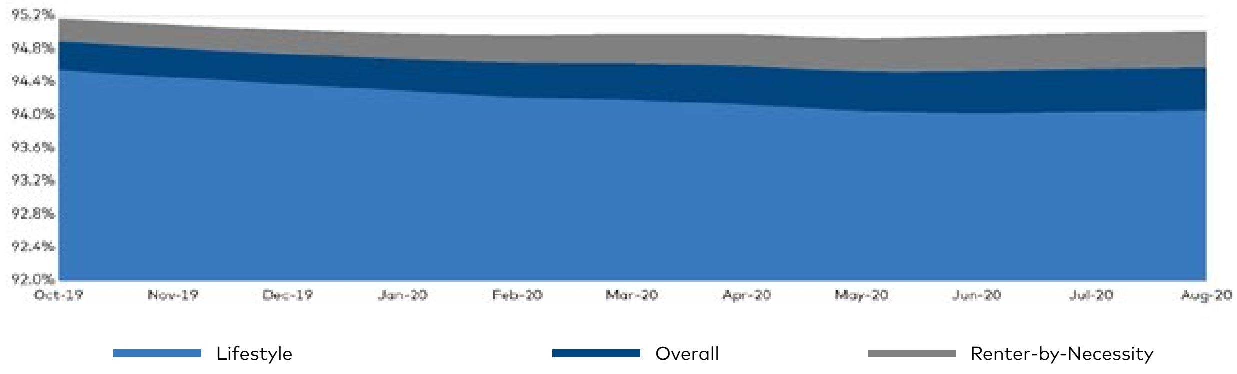
Market	YoY Rent Growth as of Sep - 20	Forecast Rent Growth (YE 2020)	YoY Job Growth (6-mo. moving avg.) as of Jul - 20	Completions as % of Total Stock as of Sep - 20	Occupancy Rates as of Aug - 19	Occupancy Rates as of Aug - 20
Indianapolis	2.8%	2.0%	-4.8%	1.2%	94.4%	94.3%
Sacramento	3.1%	1.9%	-6.8%	1.5%	96.1%	96.2%
Phoenix	3.1%	1.6%	-2.2%	2.8%	95.1%	95.2%
Inland Empire	3.4%	1.1%	-6.9%	1.6%	96.0%	96.3%
Kansas City	2.7%	0.6%	-4.7%	1.7%	94.9%	94.6%
Tampa	1.4%	0.3%	-3.5%	1.6%	94.8%	94.8%
Baltimore	1.3%	0.2%	-6.6%	1.1%	94.9%	94.6%
San Jose	-6.6%	-6.7%	-6.3%	1.5%	95.8%	94.2%
San Francisco	-5.8%	-4.9%	-8.2%	1.6%	95.7%	*94.7%
Los Angeles	-2.3%	-4.2%	-7.4%	1.9%	96.4%	*95.4%
Orlando	-2.5%	-3.6%	-7.2%	2.6%	95.1%	94.0%
Boston	-2.9%	-3.2%	-9.8%	2.7%	96.5%	95.4%
Chicago	-1.7%	-3.0%	-7.2%	2.1%	94.5%	*93.7%
Miami Metro	-0.6%	-3.0%	-6.3%	3.0%	95.0%	*94.8%
Atlanta	1.0%	-2.7%	-4.4%	2.0%	94.1%	94.0%
Washington DC	-2.2%	-2.6%	-5.2%	1.9%	95.6%	94.8%
Austin	-2.9%	-2.2%	-3.2%	3.6%	94.9%	94.0%
San Antonio	-1.2%	-2.0%	-3.4%	2.2%	93.2%	92.6%
Seattle	-0.1%	-1.9%	-6.8%	2.9%	95.5%	94.6%
Houston	-1.8%	-1.8%	-4.0%	2.1%	93.0%	92.3%
Raleigh	0.3%	-1.7%	-6.5%	3.3%	94.9%	94.4%
Nashville	-1.6%	-1.7%	-4.8%	2.7%	95.4%	94.5%
Orange County	-1.2%	-1.7%	-9.3%	1.2%	96.0%	95.7%
Las Vegas	0.8%	-1.5%	-11.7%	1.6%	95.1%	95.0%
Charlotte	1.7%	-1.3%	-5.9%	3.7%	95.0%	94.6%
Portland	-1.2%	-1.0%	-6.6%	2.5%	95.5%	94.8%
Dallas	0.4%	-0.9%	-2.6%	3.1%	94.3%	93.8%
Denver	-1.0%	-0.8%	-4.3%	5.0%	95.0%	94.4%
Philadelphia	1.4%	-0.4%	-7.7%	1.3%	95.6%	95.4%
Twin Cities	1.4%	-0.1%	-7.4%	3.0%	96.8%	96.0%

Source: Yardi Matrix

**Market level occupancy is under review.*

Occupancy & Asset Classes

Occupancy—All Asset Classes by Month



Source: Yardi Matrix

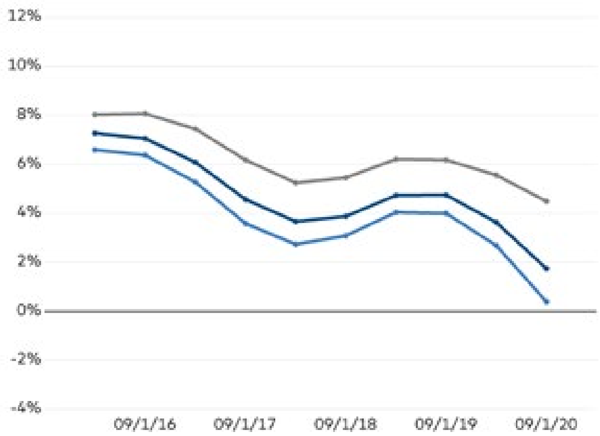
Year-Over-Year Rent Growth, Other Markets

Market	September 2020		
	Overall	Lifestyle	Renter-by-Necessity
Tucson	4.0%	2.9%	4.4%
Central Valley	3.7%	3.7%	3.8%
NC Triad	3.7%	2.6%	5.4%
Tacoma	3.5%	2.6%	4.5%
Colorado Springs	3.3%	3.9%	2.9%
Long Island	3.2%	0.4%	4.4%
Central East Texas	2.9%	3.9%	2.0%
Reno	2.8%	2.2%	3.1%
Indianapolis	2.8%	1.5%	3.5%
St. Louis	2.7%	1.5%	3.2%
Louisville	2.6%	1.2%	3.2%
Albuquerque	2.6%	1.7%	3.1%
Jacksonville	2.4%	1.5%	3.5%
El Paso	1.9%	2.5%	1.7%
Bridgeport–New Haven	1.3%	0.1%	2.2%
Salt Lake City	0.9%	-0.9%	2.3%
Northern New Jersey	-0.6%	-1.7%	0.6%
San Fernando Valley	-0.4%	-2.0%	0.5%
SW Florida Coast	0.4%	-0.1%	0.9%

Source: Yardi Matrix

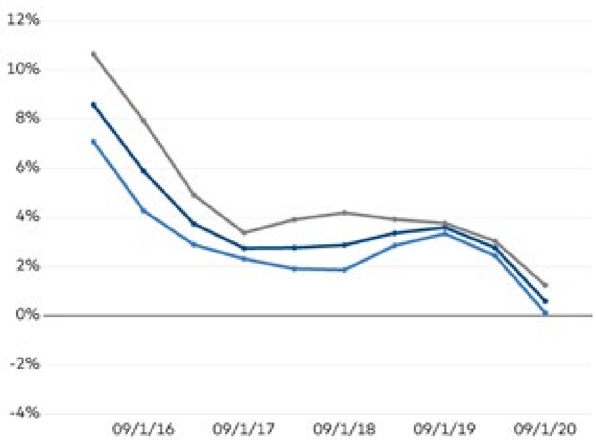
Market Rent Growth by Asset Class

Atlanta



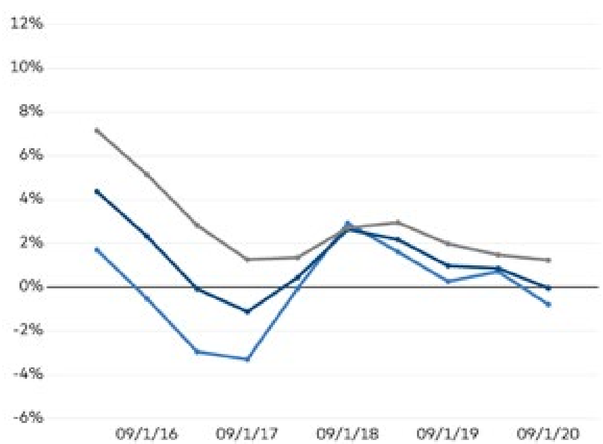
Boston

Denver

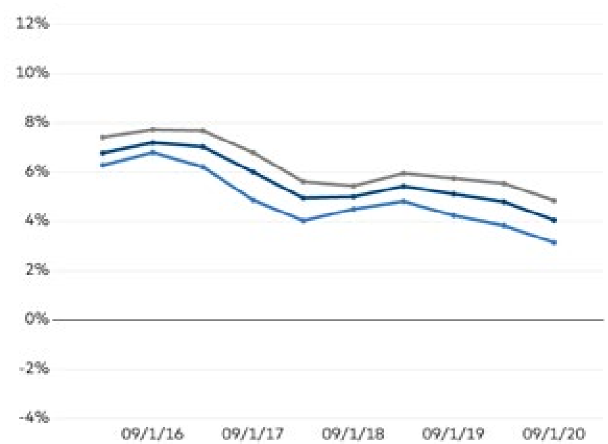


Dallas

Houston



Inland Empire

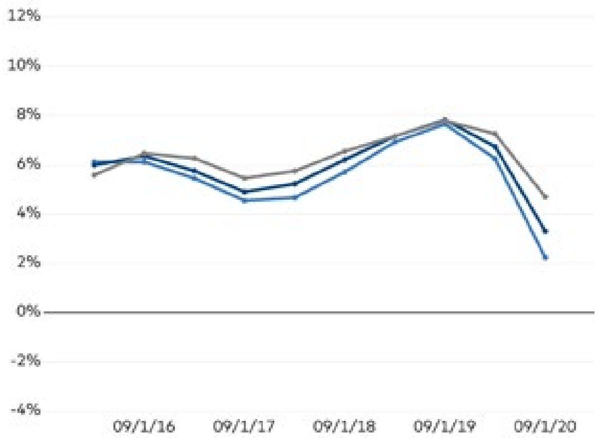


Trailing 12 Months Overall   Trailing 12 Months Lifestyle   Trailing 12 Months Renter-by-Necessity

Source: Yardi Matrix

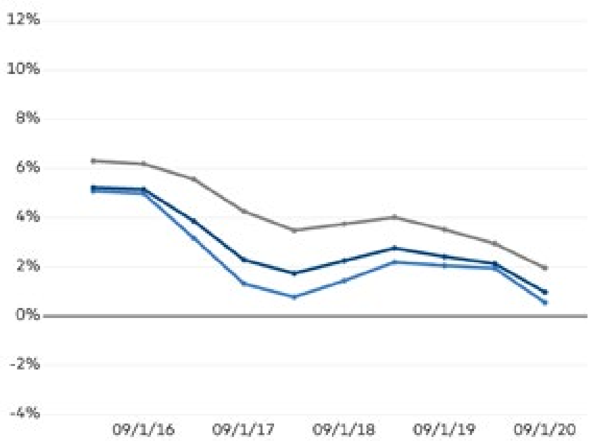
Market Rent Growth by Asset Class

Las Vegas

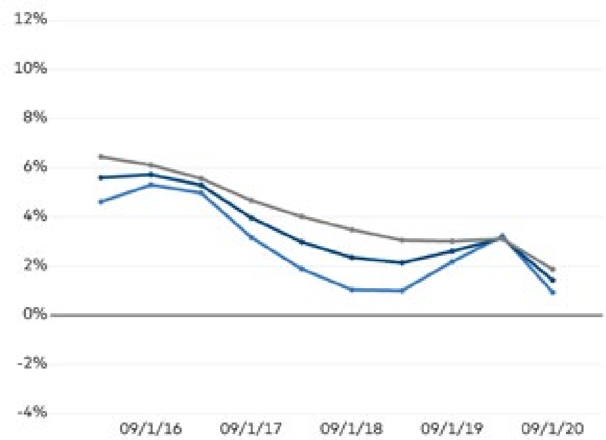


Los Angeles

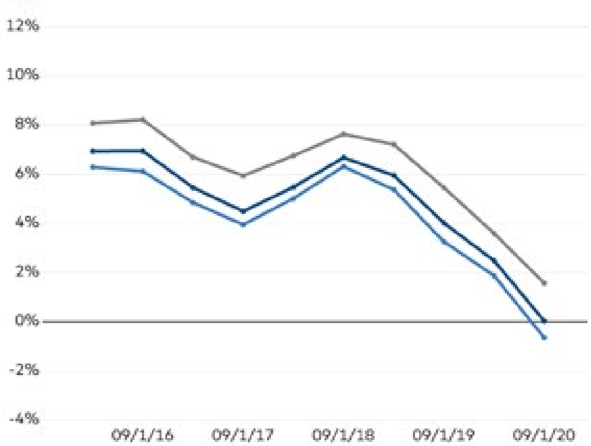
Miami



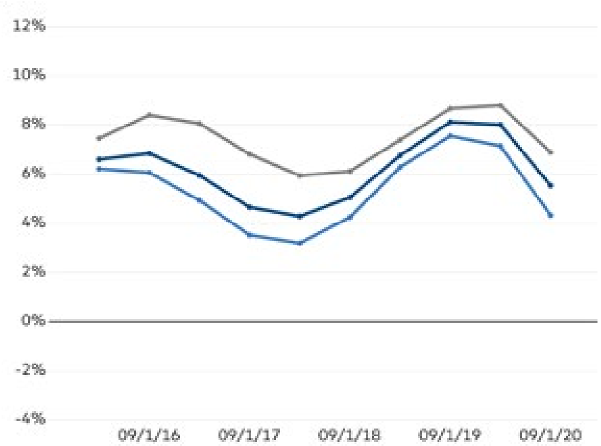
Orange County



Orlando



Phoenix

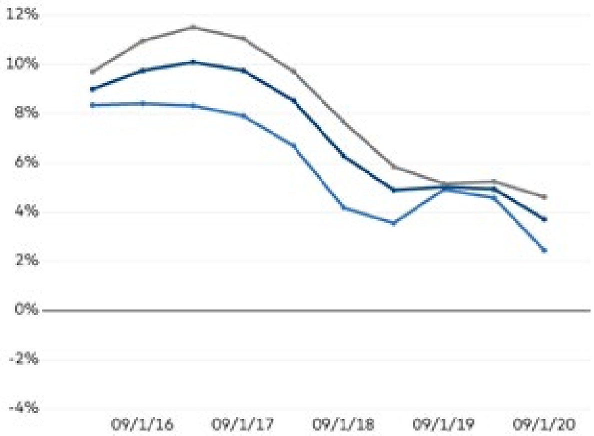


Trailing 12 Months Overall — Trailing 12 Months Lifestyle — Trailing 12 Months Renter-by-Necessity

Source: Yardi Matrix

Market Rent Growth by Asset Class

Sacramento

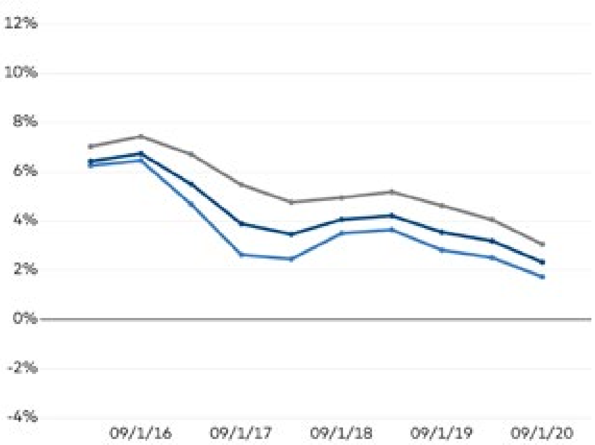


San Diego

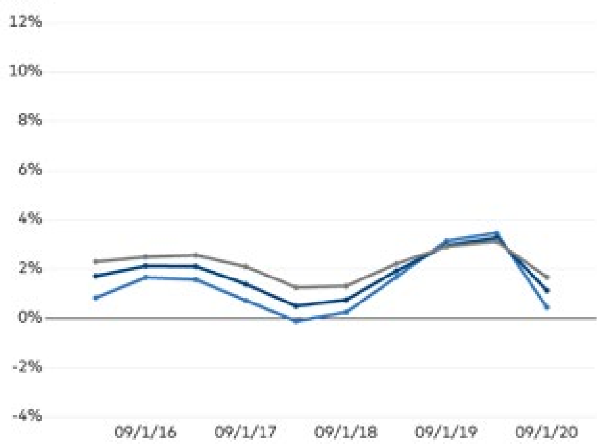
San Francisco

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
(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

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