Yardi® Matrix

National Multifamily Report

November 2020

Midwest Markets Show Strength

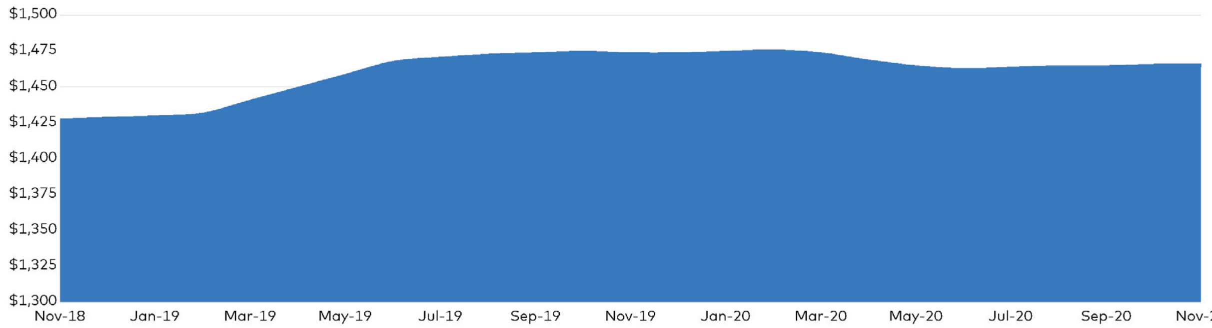
- Multifamily rents declined by 0.5% in November on a year-over-year basis, but more than 100 secondary and tertiary markets are doing better than the national average. Our published report covers a selection of the top 30 markets; however, our data service covers 135 markets, some of which may be referenced below.
- The Inland Empire (6.6%) and Sacramento (5.9%) led our top 30 markets for the second month in a row, with Phoenix (4.3%) and Indianapolis (3.9%) trailing closely behind.
- All gateway markets showed larger declines in year-over-year rents this month than last month. Manhattan (-10.2%) led the pack, followed by San Francisco (-8.6%), Washington, D.C. (-3.9%), Chicago (-3.4%), Boston (-3.3%) and Los Angeles (-2.9%).

The pandemic-induced rent declines in the gateway markets continued into November. With the decreases getting steeper as the months go on, many are wondering, "When will rents reach the bottom and start to bounce back?" The positive vaccine news bodes well for the gateway markets, but it will likely take more than a vaccine for residents to return. Many prior residents have adjusted to their lives in the suburbs or have moved to an entirely different market and will need major incentives to return.

Midwestern markets like Indianapolis (3.9%) and Kansas City (2.4%) that rarely get the spotlight have seen consistent rent growth throughout the pandemic. In Chicago, the closest gateway market to Indianapolis and Kansas City, the average rent is about 34% more expensive than Kansas City and 32% more expensive than Indianapolis. Other top-performing Midwest markets include Detroit (4.3%), South Bend (3.9%), Toledo (3.2%), Columbus (3.1%) and Dayton (2.8%). In fact, all Midwest markets had positive year-over-year rent growth in November except for the Twin Cities (-0.5%) and Chicago (-3.4%).

The four Texas markets, which a year ago all had strong rent growth, have struggled—especially Austin (-4.1%) and Houston (-1.4%). Austin has been known as a strong tech hub market, with plenty of high-paying jobs. However, during the pandemic, these strong tech jobs have not been enough to offset the economic damage that has occurred at the lower end of the wage scale. Austin has lost about 22% of its leisure and hospitality jobs on a year-over-year basis—the most of the four Texas markets. Although the financial activities job sector has grown by about 11% on a YoY basis, it has not been enough to offset job losses in other sectors. New supply has also been a factor, with about 4.4% of stock completed so far this year.

National Average Rents

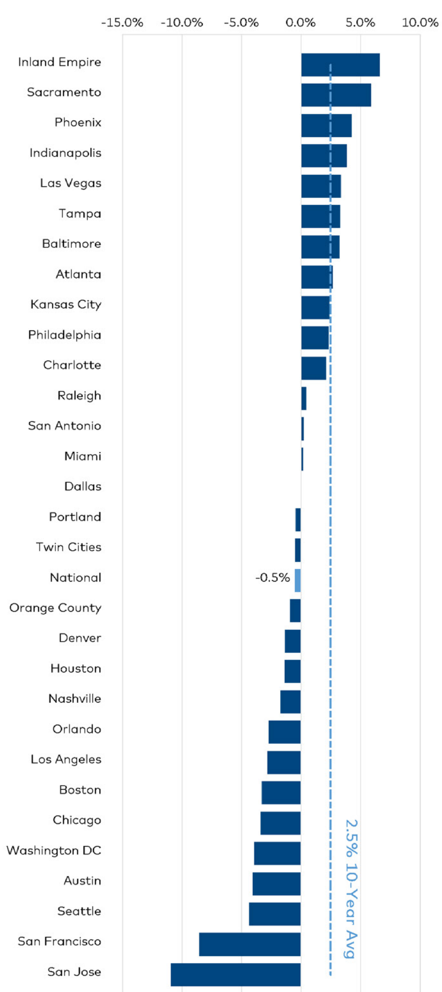


National averages include 132 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by YardiMatrix.

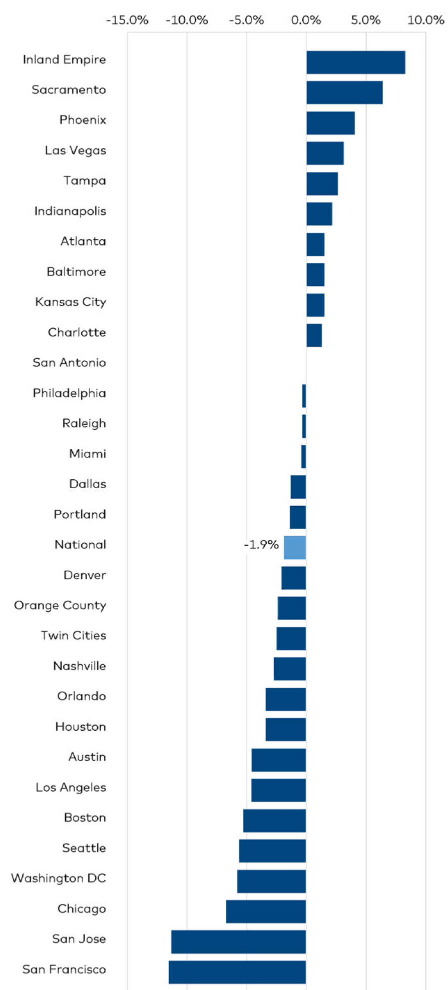
Year-Over-Year Rent Growth: Lower-Cost Metros Remain the Winners

- National rents declined 0.5% year-over-year in November, the sixth consecutive month of decrease. But many Midwest and even some Northeast markets are performing extremely well. Scranton-Wilkes-Barre topped the list with 9.7% year-over-year rent growth in November. Scranton could be benefiting from an exodus out of expensive gateway markets like New York and Washington, D.C. Baltimore (3.3%) and Philadelphia (2.4%) are also beneficiaries of an exodus from those two major hubs.
- San Jose (-11.0%) and San Francisco (-8.6%) remained at the bottom of the top 30 markets for rent growth for the sixth straight month. The migration out of these two markets continues to benefit the Inland Empire (6.6%) and Sacramento (5.9%), the best-performing markets in our top 30.
- Lifestyle assets (-1.9%) continue to trail Renter-by-Necessity assets (1.0%) nationally.

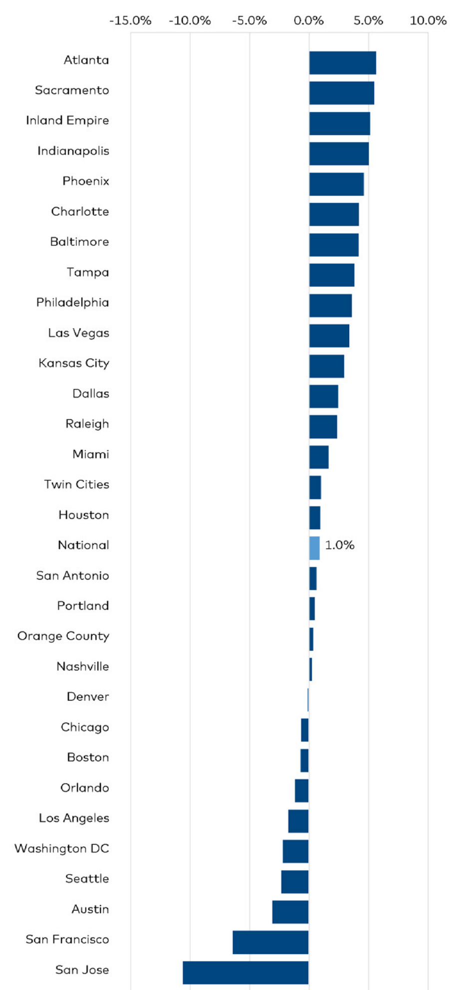
Year-Over-Year Rent Growth— All Asset Classes



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:
Is the Bounceback in Miami Rents Here to Stay?

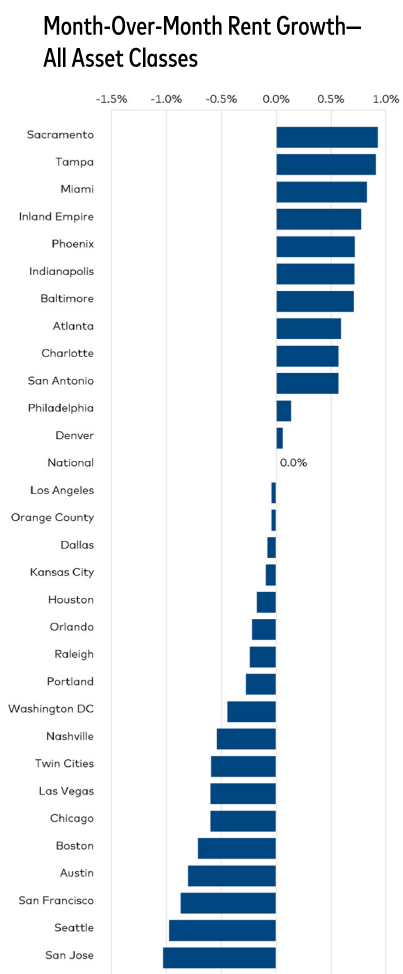
- Short-term rent growth was flat in November nationwide. However, many lower-cost metros like Sacramento and Tampa (both 0.9%) continued to perform well.

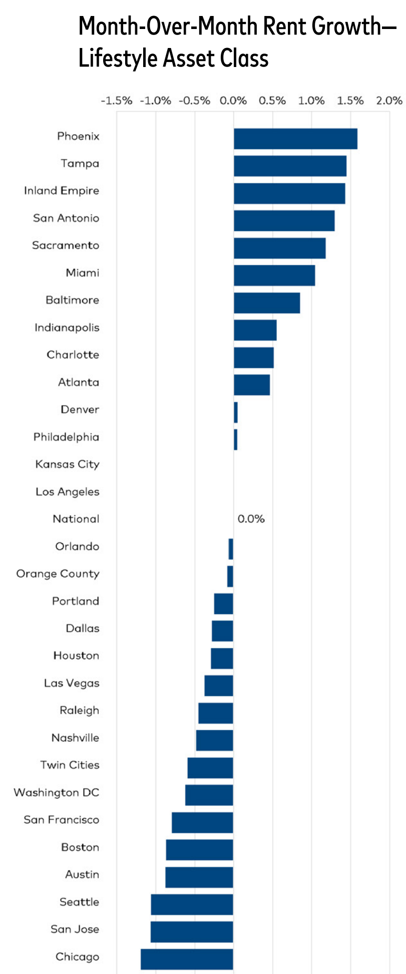
- San Jose and Seattle (both -1.0%) fall at the bottom of the rankings, with the most severe rent declines focused in their downtown cores.

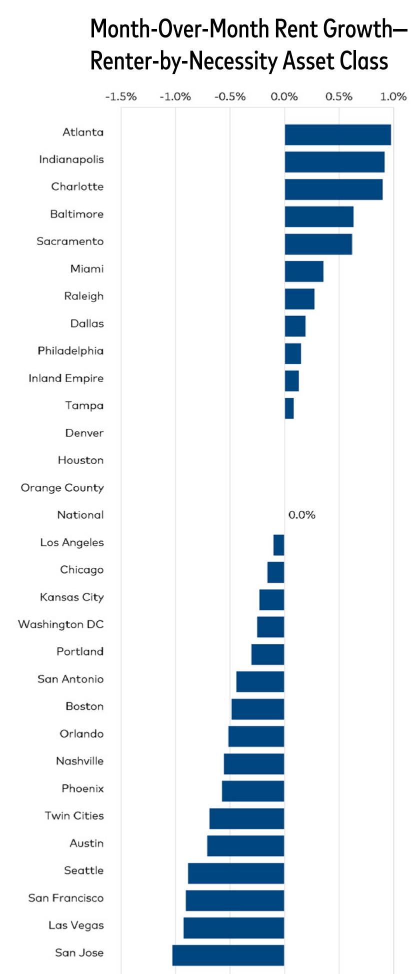
Rents were flat month-over-month in November. Warm weather metros led the pack, as is typical for this time of year. But even some colder markets like Indianapolis and Baltimore (both 0.7%) are performing well.

Austin (-0.8%), a warmer metro that typically enjoys strong leasing during the winter months, has been struggling amid the pandemic. Job losses in the leisure and hospitality sector, coupled with an increase in supply, have likely led to the rent declines.

Most gateway markets' rents declined on a month-over-month basis in November, with the exception of Miami (0.8%). This is the first time MoM rents have been positive in Miami since February. While expensive submarkets like Brickell and Coral Gables are still struggling, others like Liberty City, Goulds and Miami Gardens have had strong rent growth this year.







Source: Yardi Matrix

Employment and Supply Trends; Forecast Rent Growth

- In November, about 245,000 jobs were added—well below market expectations. This latest report is just another reminder that the labor market still has a long way to go. But even with the weak payroll report, the unemployment rate declined to 6.7%.
- Jobless claims remain elevated, with more than 700,000 new unemployment claims filed each week. Another round of government stimulus seems likely but will be smaller than many had hoped. However, any amount of new stimulus will be welcomed, as many Americans are struggling.

The need for more space has become apparent to many Americans that have been forced to use their apartments or homes as offices, schools and gyms as the pandemic has shuttered these buildings. This need has driven many people to single-family rentals—an asset class that has provided shelter for many investors during a chaotic year. Given the housing shortage and rapidly rising single-family home prices, many people cannot afford to purchase a single-family home or are choosing not to own, so they are renting a home instead.

Many institutional investors entered the SFR market during the Great Recession, when they were able to buy distressed properties in bulk. While there is little distress in the housing market this time around, there could still be potential SFR opportunities focused in the Sun Belt and Western regions. Since the ability to buy SFRs in bulk is limited, many investors have relied on one-off acquisitions. However, in the last few years, a new model has emerged where the SFR market mirrors the model of larger apartment buildings, a trend called "build to rent."

American Homes 4 Rent, one of the three SFR REITs, is leading the way. AMH plans to build between 1,200 and 1,500 units in 2020 and an additional 1,600 to 1,700 homes from its National Builder and traditional acquisition channels. The demand for these build-to-rent homes is clear: Occupancies and rents have increased for SFR REITs, while turnover has declined during the pandemic.

While operating costs for SFRs differ from those for operating a traditional multifamily building, margins are typically similar to traditional apartments. The biggest differentiators between operating SFRs and multifamily rentals are the more expensive maintenance and turnover costs and property taxes, though they are offset by a lower turnover rate. In addition, certain expenses, like trash and grounds maintenance, are borne by the resident.

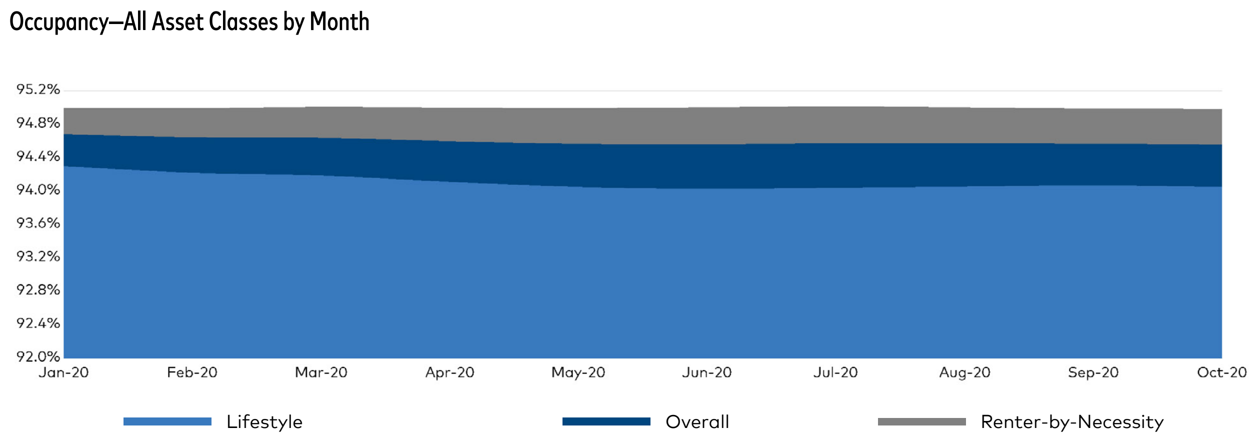
The SFR sector was an early adopter of certain technologies, such as remote leasing and maintenance monitoring, which have proven their worth during the pandemic, and which we expect to further accelerate. The growth of the single-family rental sector is something to watch, especially with the build-to-rent model; we are currently building out coverage of the segment, and expect to initiate formal coverage in the future.

Employment and Supply Trends; Forecast Rent Growth

Market	YoY Rent Growth as of Nov - 20	Forecast Rent Growth (YE 2020)	YoY Job Growth (6-mo. moving avg.) as of Sep - 20	Completions as % of Total Stock as of Nov - 20
Inland Empire	6.6%	7.0%	-9.9%	1.6%
Sacramento	5.9%	5.8%	-9.8%	1.5%
Las Vegas	3.4%	5.1%	-15.8%	1.3%
Phoenix	4.3%	4.5%	-4.2%	2.7%
Indianapolis	3.9%	3.7%	-5.9%	1.0%
Baltimore	3.3%	3.3%	-8.6%	1.4%
Atlanta	2.7%	2.9%	-6.1%	2.1%
Charlotte	2.2%	2.7%	-8.9%	2.8%
Kansas City	2.4%	2.7%	-6.2%	1.9%
Tampa	3.4%	2.6%	-5.6%	1.6%
Philadelphia	2.4%	2.5%	-10.5%	1.5%
Raleigh	0.5%	1.3%	-9.7%	3.4%
Dallas	0.0%	0.8%	-4.7%	2.8%
Miami Metro	0.2%	0.7%	-9.0%	3.2%
Twin Cities	-0.5%	0.3%	-9.5%	2.5%
Portland	-0.5%	0.1%	-9.5%	2.8%
San Francisco	-8.6%	-9.1%	-12.2%	1.9%
Seattle	-4.4%	-4.5%	-10.0%	3.0%
Washington DC	-3.9%	-4.2%	-7.5%	1.7%
Austin	-4.1%	-3.7%	-5.1%	4.3%
Los Angeles	-2.9%	-2.8%	-10.9%	2.0%
Boston	-3.3%	-2.8%	-12.9%	2.7%
Chicago	-3.4%	-2.7%	-9.6%	2.0%
Orlando	-2.8%	-2.4%	-10.5%	2.8%
San Jose	-11.0%	-11.6%	-9.2%	1.8%
Denver	-1.4%	-1.3%	-6.5%	4.4%
Houston	-1.4%	-0.6%	-6.4%	2.0%
Nashville	-1.8%	-0.6%	-7.7%	2.6%
Orange County	-1.0%	-0.1%	-12.5%	1.1%
San Antonio	0.3%	-0.1%	-5.5%	2.5%

Source: Yardi Matrix

Occupancy & Asset Classes



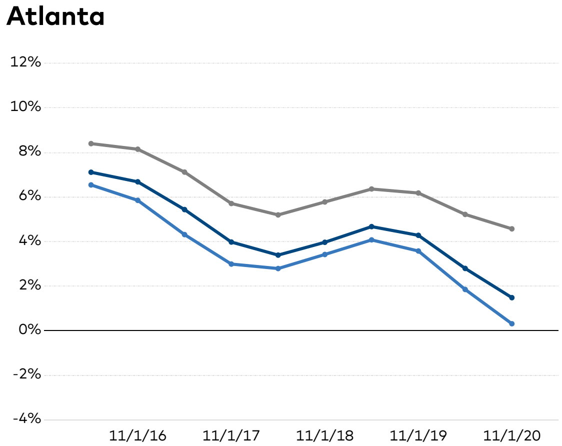
Source: Yardi Matrix

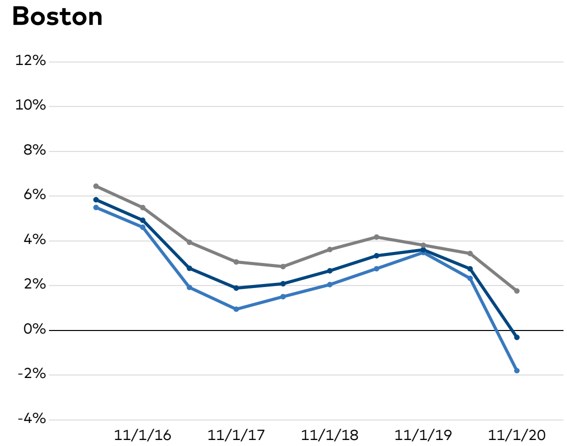
Year-Over-Year Rent Growth, Other Markets

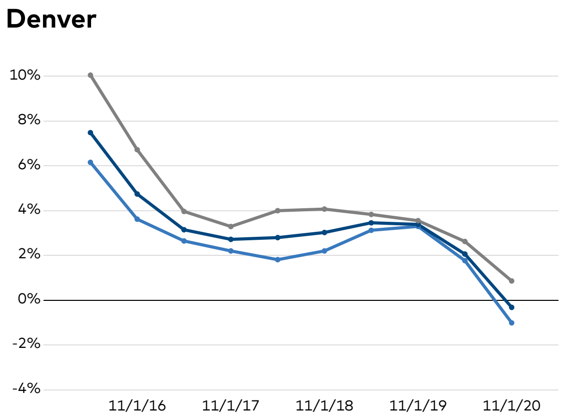
Market	November 2020		
	Overall	Lifestyle	Renter-by-Necessity
NC Triad	6.2%	5.3%	7.1%
Central Valley	6.1%	5.5%	6.6%
Tucson	5.7%	2.2%	7.3%
Albuquerque	4.9%	4.5%	5.1%
Reno	4.8%	5.4%	4.4%
Colorado Springs	4.7%	4.7%	4.7%
Tacoma	4.7%	4.5%	4.9%
Indianapolis	3.9%	2.2%	5.1%
Jacksonville	3.8%	3.2%	4.9%
Central East Texas	3.7%	4.4%	2.9%
Long Island	3.6%	2.3%	4.2%
Salt Lake City	2.7%	1.9%	3.2%
El Paso	2.6%	2.5%	3.1%
Bridgeport–New Haven	2.1%	0.9%	3.2%
Louisville	1.9%	1.4%	2.1%
St. Louis	1.4%	-0.1%	2.2%
SW Florida Coast	0.5%	0.1%	1.4%
San Fernando Valley	-0.1%	-0.8%	0.2%
Northern New Jersey	-0.4%	-3.6%	2.5%

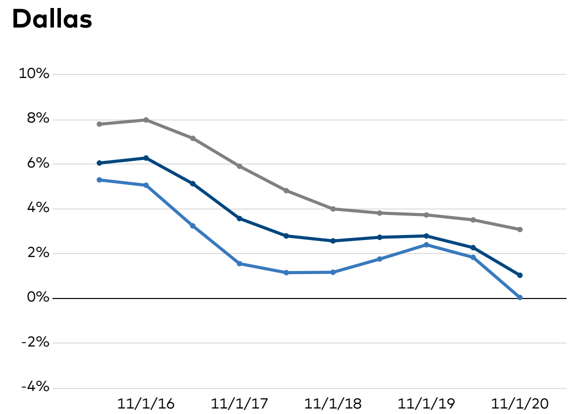
Source: Yardi Matrix

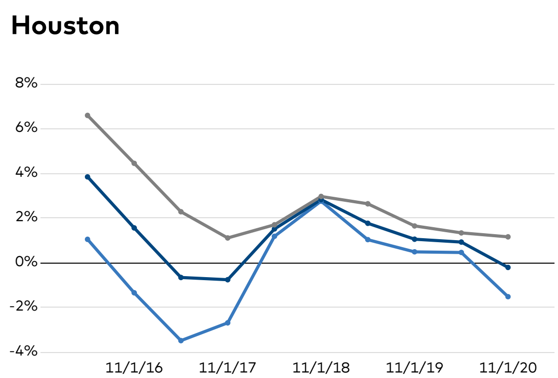
Market Rent Growth by Asset Class

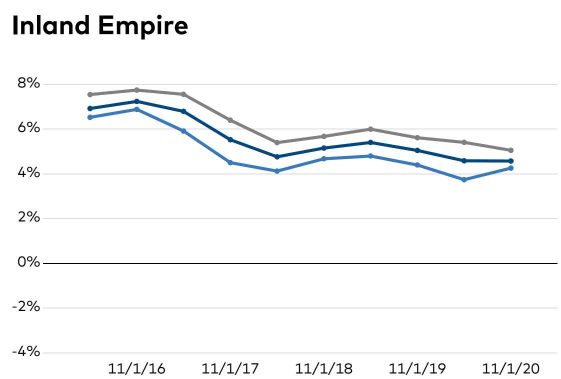










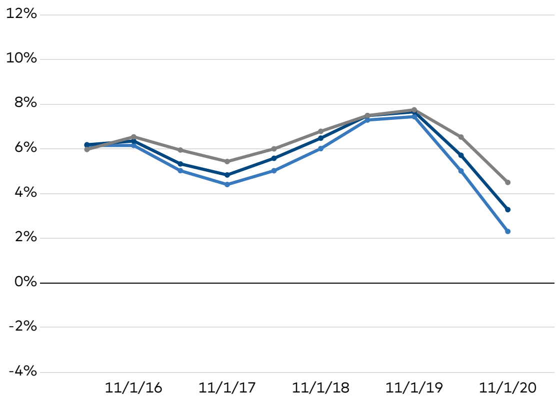


Trailing 12 Months Overall   Trailing 12 Months Lifestyle   Trailing 12 Months Renter-by-Necessity

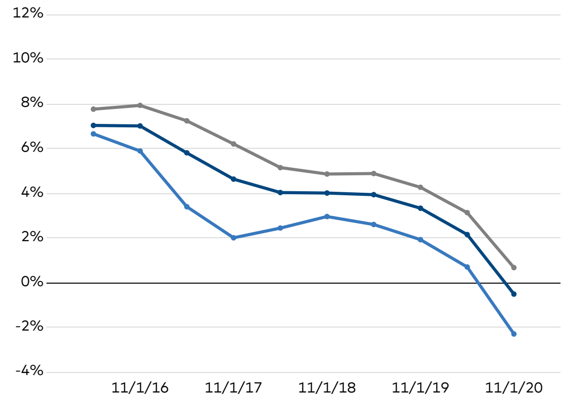
Source: Yardi Matrix

Market Rent Growth by Asset Class

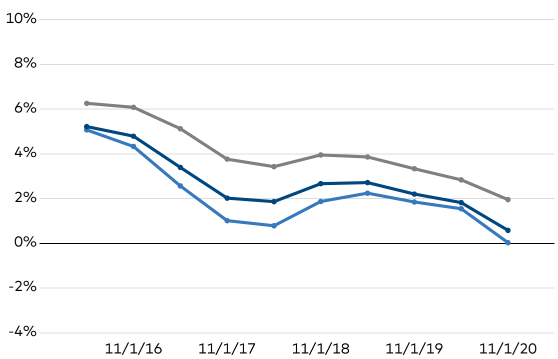
Las Vegas



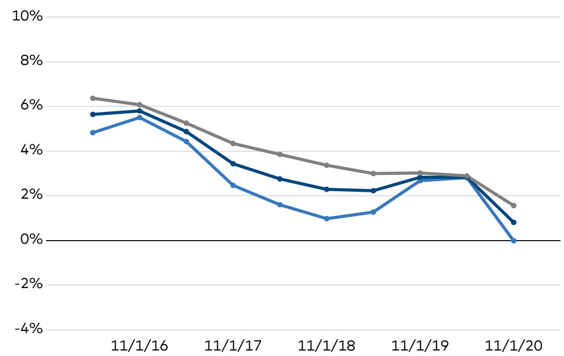
Los Angeles



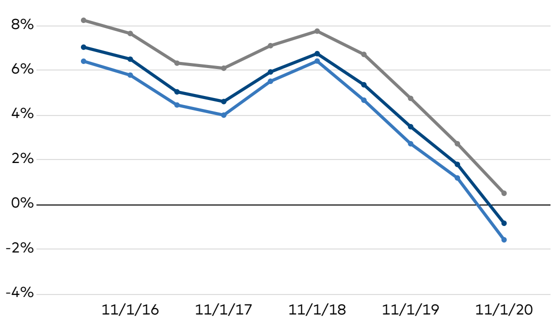
Miami



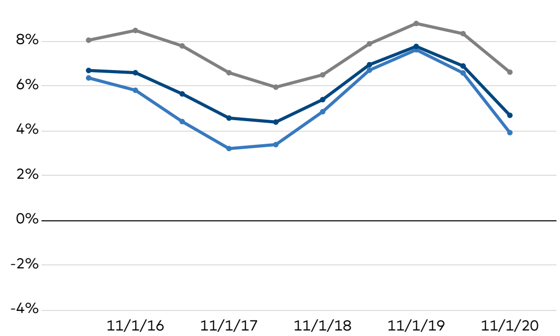
Orange County



Orlando



Phoenix

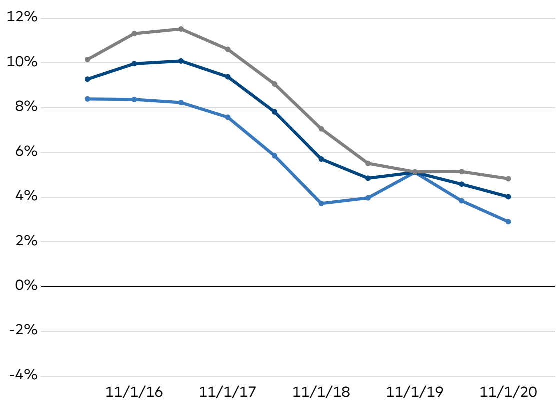


Trailing 12 Months Overall   Trailing 12 Months Lifestyle   Trailing 12 Months Renter-by-Necessity

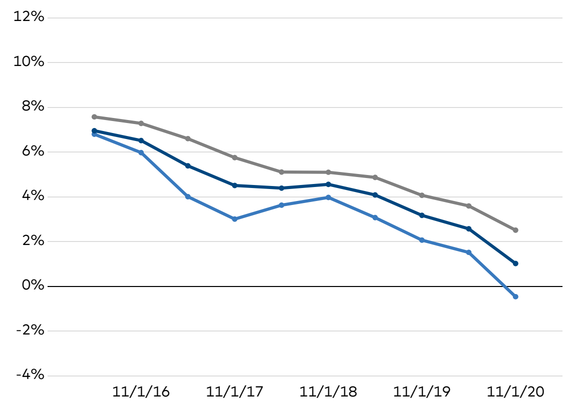
Source: Yardi Matrix

Market Rent Growth by Asset Class

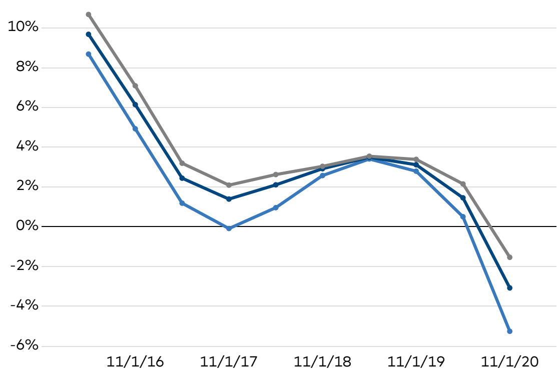
Sacramento



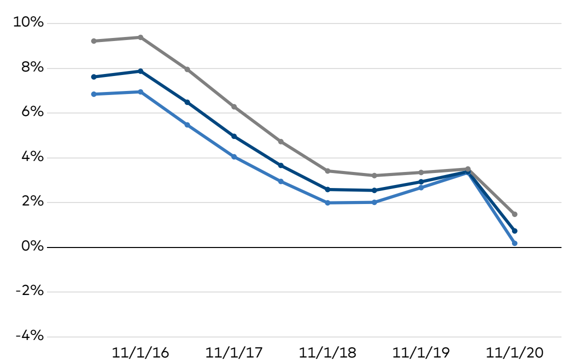
San Diego



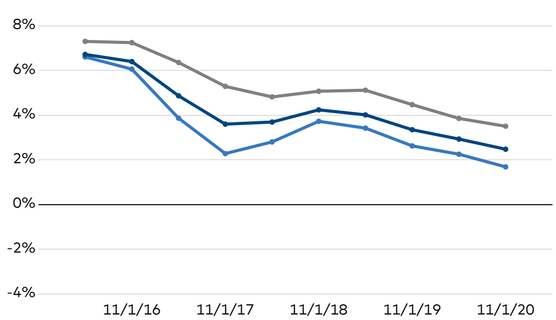
San Francisco



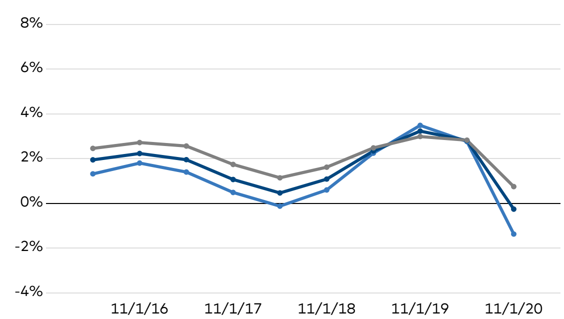
Seattle



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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