National Multifamily Report

January 2021

Bright Spots Begin to Emerge

- Multifamily rents declined by 0.2% in January on a year-over-year basis, a 20-basis-point increase from December.
- Overall rents increased by $3 to $1,392. In January, Yardi Matrix expanded its methodology to include all 130 Matrix markets in our national average calculation. As our market penetration continues to grow and we collect more data, we feel it appropriate to add new markets to our national calculations.
- Some gateway markets that have struggled for months have begun to show signs of bottoming out. San Jose (-13.0%) and Washington, D.C. (-4.5%) both saw MoM gains.

As we enter 2021, there seems to be a light at the end of the tunnel, as it relates to the economy and housing market. The U.S. is continuing the effort to roll out COVID-19 vaccinations nationwide, the number of workers that filed for unemployment declined for the week ending Jan. 23, and consumer spending held up well in December.

Although the number of workers that filed for unemployment declined to 847,000, that is still well above the pre-pandemic peak. But it is a step in the right direction, as some states have loosened restrictions on dining and gathering, allowing some service workers to return to work. If the U.S. economy continues to improve, we could see rents begin to rise in many markets in the coming months.

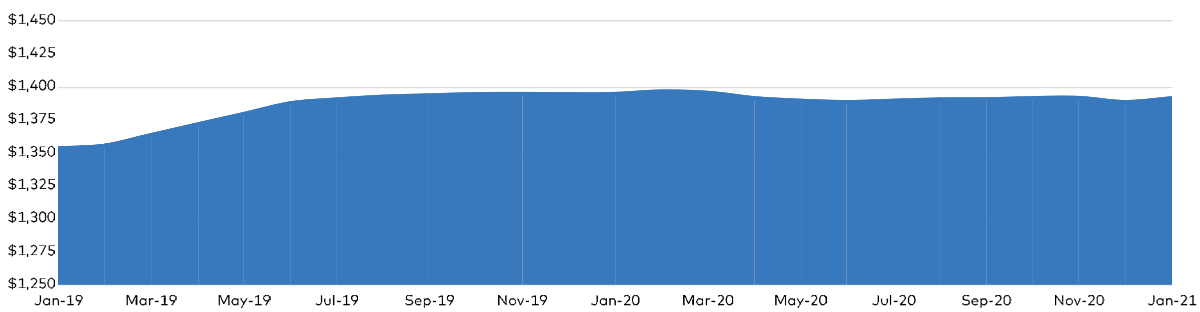
With the Biden administration inaugurated and Democrats in control in the Senate, it appears that a new stimulus package could be on the horizon, but the size remains a point of contention.

The big question for many gateway markets remains how permanent out-migration trends will be. Some industry sources are speculating that only about half of the moves out of the gateway markets that occurred during the pandemic are permanent.

The Inland Empire (7.4%), Sacramento (6.3%) and Indianapolis (4.5%) started the year off strong. These markets continue to benefit from lower costs compared to their dense neighbors.

Of the top 30 markets, more than half (16 out of 30) are still experiencing declines in year-over-year rents. While there are some promising signs in San Jose and Washington, D.C., among other markets, many metros still have a long road ahead.

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.

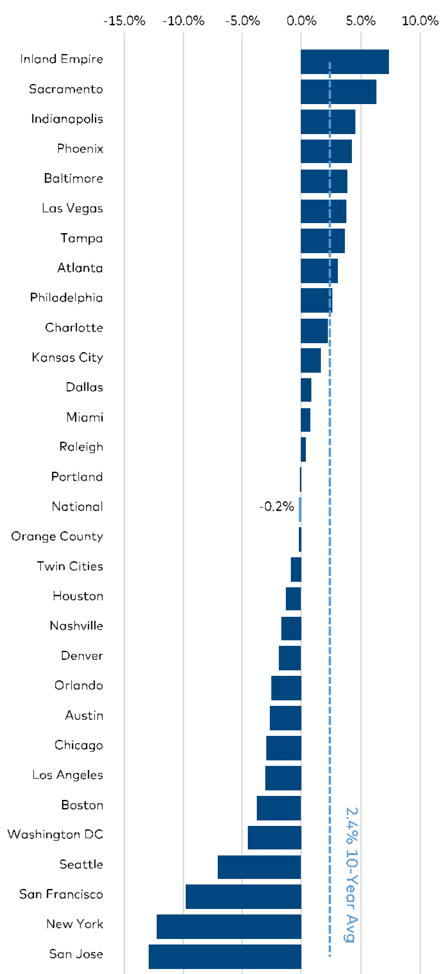
Year-Over-Year Rent Growth:
San Jose & Washington, D.C., Show Signs of Improvement

- National rents declined 0.2% year-over-year in January, a 20-basis-point improvement from December. However, national rents do not seem to give the full picture, as they have been relatively flat over the last year while many tertiary markets continue to thrive, with double-digit rent growth, and urban markets continue to struggle.

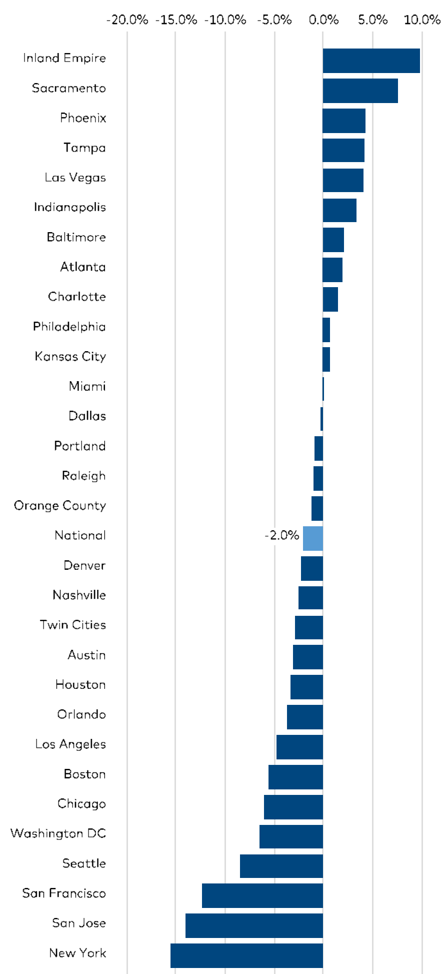
- Some gateway markets are beginning to show signs of bottoming out. Year-over-year rents in San Jose (-13.0%) improved by 40 basis points this month and YoY rents improved by 40 basis points in Washington, D.C. (-4.5%), as well. But New York (-12.2%), San Francisco (-9.8%), Boston (-3.8%) and Los Angeles (-3.0%) continued to see an increase in YoY declines.

- Strong rent growth in the Renter-by-Necessity asset class continued in January, with national rents up 1.3% on a YoY basis and 18 out of 30 markets experiencing positive RBN rent growth.

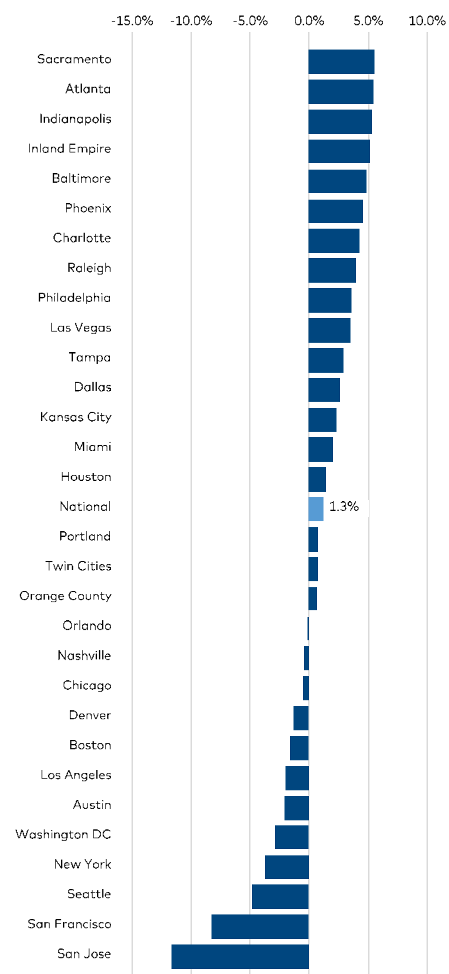
Year-Over-Year Rent Growth—All Asset Classes



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: Lifestyle Rents Rebound

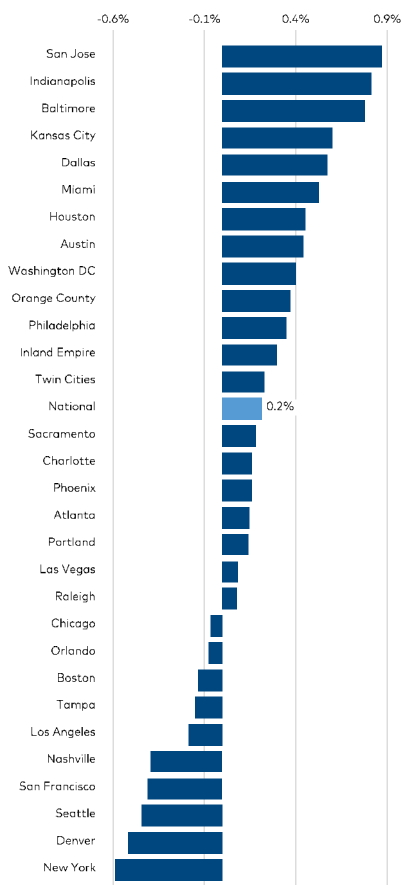
- Short-term rents increased by 0.2% nationwide in January, a 40-basis-point increase from December.
- Surprisingly, San Jose (0.9%) led the top 30 markets for MoM rent growth after falling at or near the bottom since the beginning of the pandemic.

Rents increased by 0.2% on a month-over-month basis in January. Nationally, Lifestyle rents increased by 0.1% MoM, the first positive Lifestyle increase since February 2020, further leading to the conclusion that many markets seem to have hit a bottom. Renter-by-Necessity assets continued to hold steady, with 0.3% MoM rent growth in January.

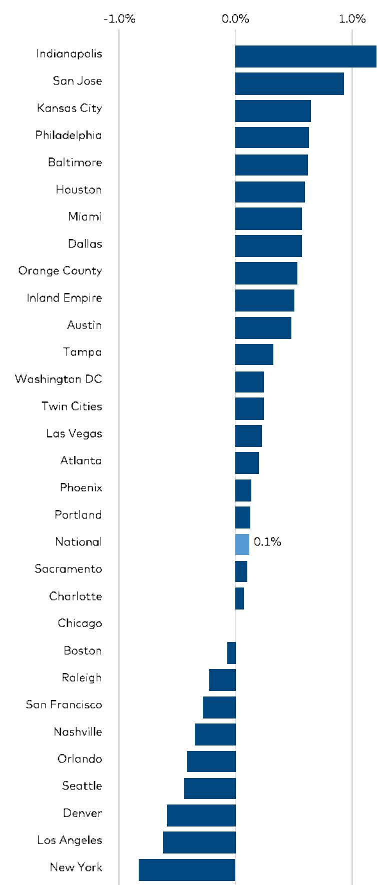
New York (-0.6%), Denver (-0.5%), Nashville (-0.4%) and San Francisco (-0.4%) were among the worst-performing markets this month. The declines in New York and San Francisco are attributed to the continual migration out of these markets that was happening prior to the pandemic and accelerated throughout 2020.

The declines in Denver and Nashville can be attributed to an influx of new supply. Both markets fall in the top three, only behind Austin in terms of completions as a percentage of total stock. Nashville (4.4% of existing stock) and Denver (4.2%) had significant deliveries in 2020.

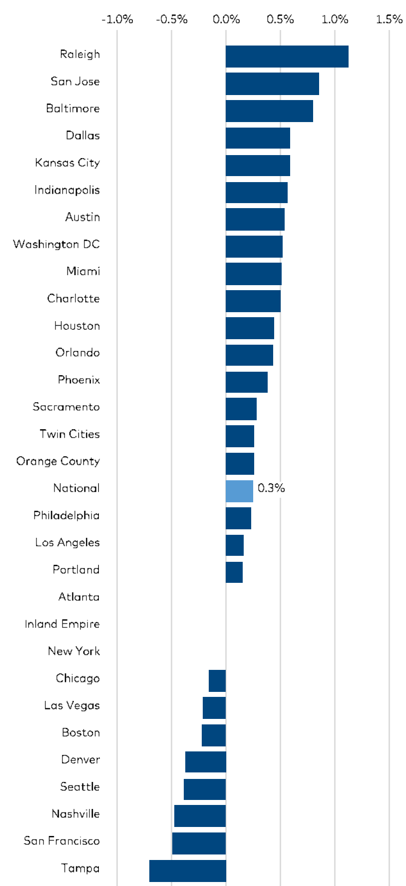
Month-Over-Month Rent Growth—
All Asset Classes



Month-Over-Month Rent Growth—
Lifestyle Asset Class



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



Source: Yardi Matrix

Employment and Supply Trends; Forecast Rent Growth

- Jobless claims remained elevated, with 847,000 total claims filed for the week ending Jan. 23. This is a decrease of 67,000 from the previous week's revised level.
- Although jobless claims decreased this week, there is still a long road to recovery ahead. But the economy is beginning to move in the right direction, with many states beginning to loosen restrictions, which has allowed some people to return to their workplaces.

At the beginning of the pandemic, many predicted that the largest rent declines would occur in the markets that saw the biggest employment losses. Yardi Matrix issued a report in April 2020 detailing the markets we believed were most at risk.

We looked at the top 10 markets with the highest percentage of jobs in "at-risk employment sectors," defined as leisure and hospitality, retail trade, and mining, logging and construction. The most at-risk markets included Las Vegas (49% of jobs in at-risk employment segments), the Southwest Florida Coast (44%), Orlando (41%), Ft. Lauderdale (36%) and Houston (35%).

The composition of employment in these metros led us to speculate that rents would be hit hard in these markets. That prediction did not play out. Las Vegas (3.8% rent growth), Ft. Lauderdale (1.3%) and the Southwest Florida Coast (1.0%) have all performed well throughout the pandemic despite the large concentration of at-risk jobs. On the other hand, Houston (-1.3%) and Orlando (-2.6%) have suffered, though not as dramatically as some initially feared.

Las Vegas and the Florida markets have benefited from strong migration into the metros from higher-cost states like California and New York, which could have contributed to the stability of these markets during the pandemic. Las Vegas and Florida are both tourist-heavy markets that prioritized reopening dining and other attractions as quickly as possible despite rises in coronavirus cases.

On the other hand, metros that fall in the bottom 10 for the percentage of jobs in at-risk employment sectors, like New York (9.8% of jobs in at-risk employment segments) and Northern New Jersey (8.5%), have seen rents decline since the pandemic began. Although some of the markets with the least amount of at-risk jobs, like Columbus and Milwaukee (both 9.6%) and Salt Lake City (9.2%), have seen strong rent growth.

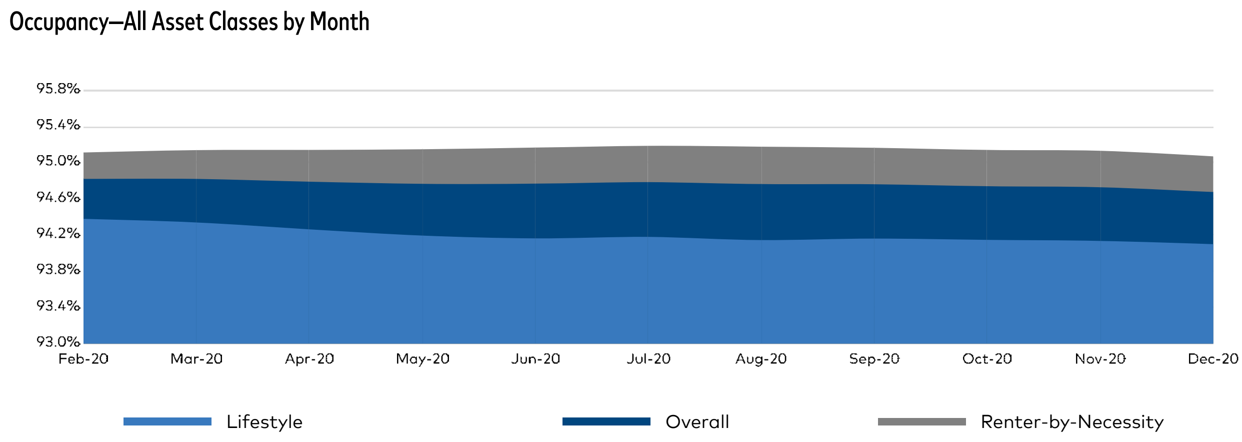
During this downturn, job loss or growth has not directly correlated to declines or gains in rents and occupancy across metros. Stronger connections between declines in rent and occupancy among metros can be found when looking at migration trends or the cost of rent. Markets with higher costs of living, namely the gateway markets, have lost the most residents, which in turn has led to the largest declines in rent and occupancy.

Employment and Supply Trends; Forecast Rent Growth

Market	YoY Rent Growth as of Jan - 21	Forecast Rent Growth (YE 2021)	YoY Job Growth (6-mo. moving avg.) as of Nov - 20	Completions as % of Total Stock as of Jan - 21
Las Vegas	3.8%	4.8%	-11.6%	0.9%
Indianapolis	4.5%	3.9%	-3.4%	1.2%
Austin	-2.7%	3.9%	-2.8%	4.4%
Phoenix	4.3%	3.7%	-3.0%	3.0%
Sacramento	6.3%	3.4%	-7.8%	1.5%
Atlanta	3.1%	3.3%	-4.0%	2.3%
Raleigh	0.3%	3.2%	-7.5%	3.0%
Nashville	-1.7%	3.0%	-5.8%	4.4%
Tampa	3.6%	2.9%	-4.1%	2.0%
Houston	-1.3%	2.8%	-5.3%	1.9%
Charlotte	2.2%	2.7%	-6.9%	3.7%
Denver	-1.9%	2.7%	-4.9%	4.2%
Philadelphia	2.7%	2.7%	-8.0%	1.7%
Kansas City	1.6%	2.5%	-4.3%	2.9%
Inland Empire	7.4%	2.4%	-8.0%	1.6%
Baltimore	3.9%	2.4%	-6.0%	1.4%
Dallas	0.8%	2.3%	-3.3%	3.3%
Twin Cities	-0.9%	2.1%	-7.3%	3.6%
Boston	-3.8%	1.8%	-10.3%	3.1%
Washington DC	-4.5%	1.6%	-6.1%	2.1%
Miami Metro	0.8%	1.6%	-7.1%	2.8%
Orange County	-0.2%	1.6%	-10.0%	0.8%
Orlando	-2.6%	1.5%	-8.9%	3.2%
Portland	-0.1%	1.5%	-7.7%	3.2%
Chicago	-3.0%	1.5%	-7.8%	2.3%
New York	-12.2%	1.5%	-12.4%	1.1%
Seattle	-7.1%	1.1%	-8.1%	3.2%
Los Angeles	-3.0%	0.3%	-9.1%	2.5%
San Francisco	-9.8%	-1.7%	-10.5%	2.2%
San Jose	-13.0%	-1.4%	-7.4%	3.0%

Source: Yardi Matrix

Occupancy & Asset Classes



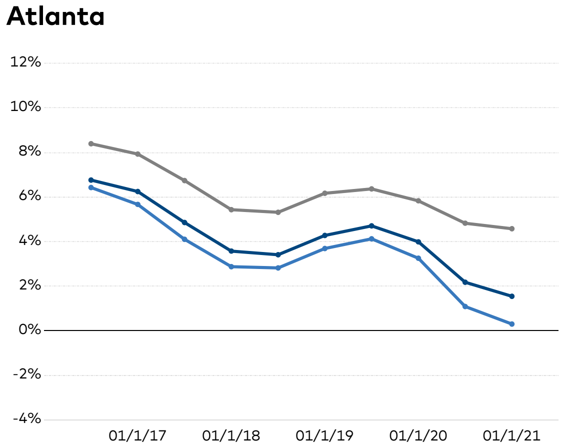
Source: Yardi Matrix

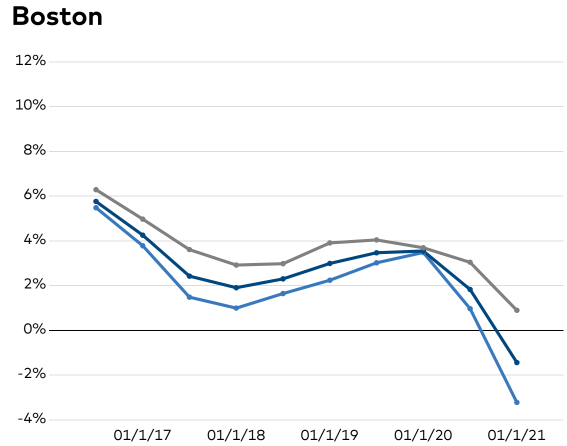
Year-Over-Year Rent Growth, Other Markets

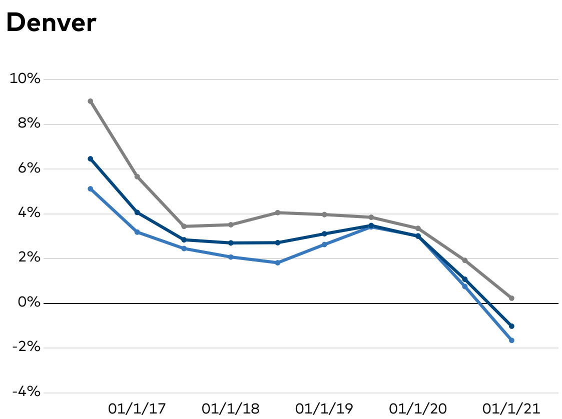
Market	January 2021		
	Overall	Lifestyle	Renter-by-Necessity
NC Triad	7.0%	6.4%	7.3%
Central Valley	6.2%	6.9%	6.5%
Albuquerque	6.0%	7.1%	5.2%
Tucson	5.8%	4.5%	6.4%
Tacoma	5.4%	5.2%	5.9%
Colorado Springs	5.2%	5.8%	4.8%
Indianapolis	4.5%	3.4%	5.4%
Central East Texas	4.1%	5.0%	3.1%
Reno	3.8%	3.6%	4.0%
Salt Lake City	3.8%	3.5%	4.0%
Long Island	3.6%	2.4%	4.2%
Jacksonville	3.5%	2.7%	4.8%
El Paso	2.9%	2.0%	3.3%
Bridgeport–New Haven	2.7%	2.6%	2.8%
Louisville	1.9%	2.1%	2.0%
St. Louis	1.7%	1.4%	2.2%
Northern New Jersey	-1.0%	-4.2%	1.9%
SW Florida Coast	1.0%	0.0%	2.4%
San Fernando Valley	-0.6%	-1.3%	-0.1%

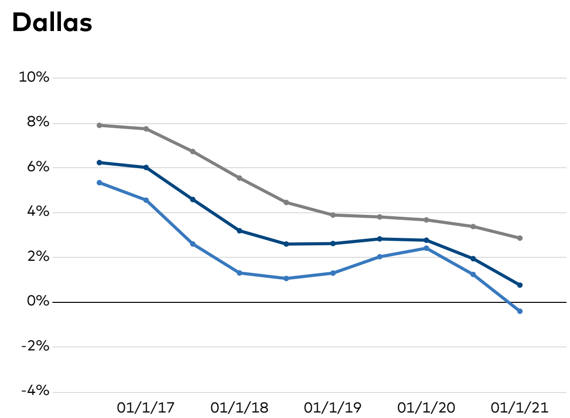
Source: Yardi Matrix

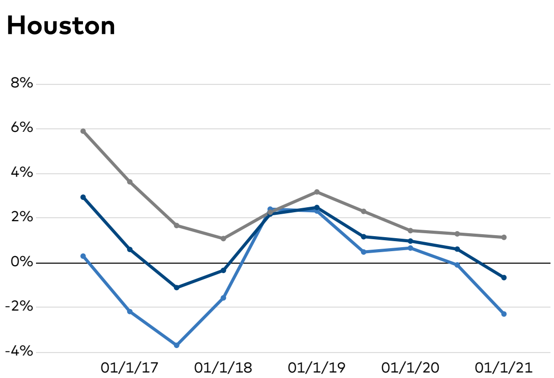
Market Rent Growth by Asset Class

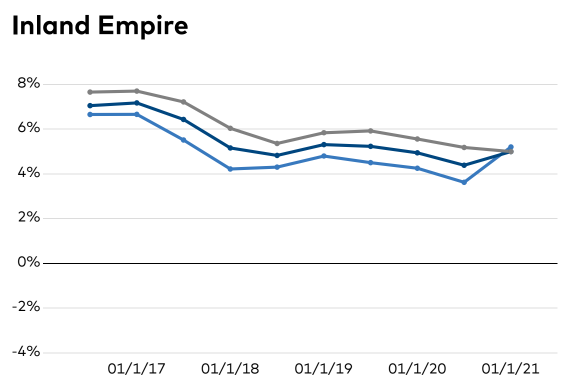










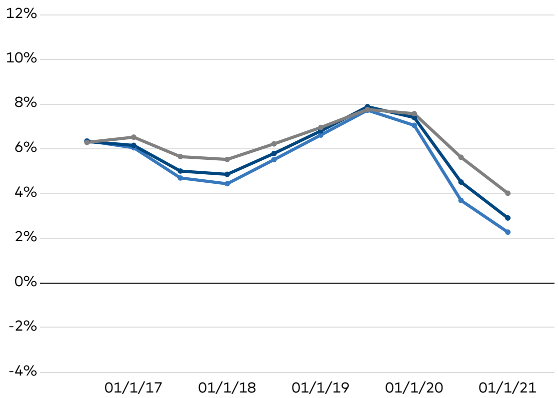


Trailing 12 Months Overall Trailing 12 Months Lifestyle Trailing 12 Months Renter-by-Necessity

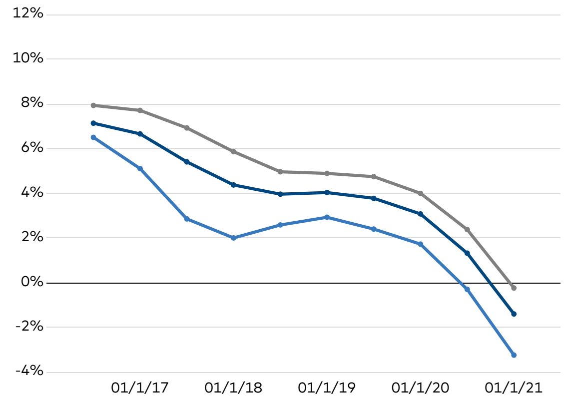
Source: Yardi Matrix

Market Rent Growth by Asset Class

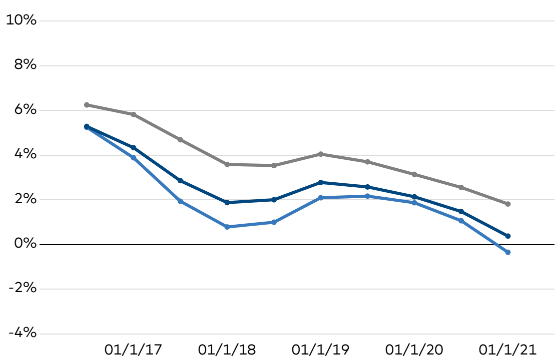
Las Vegas



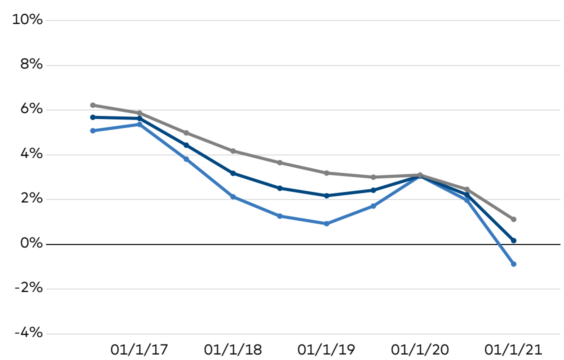
Los Angeles



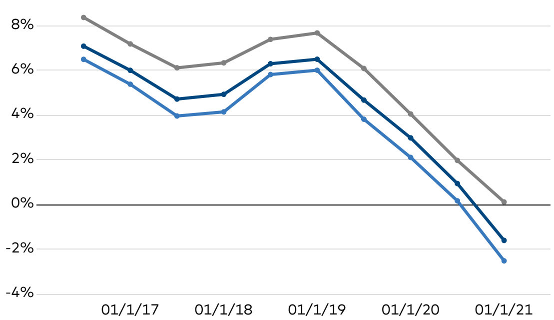
Miami



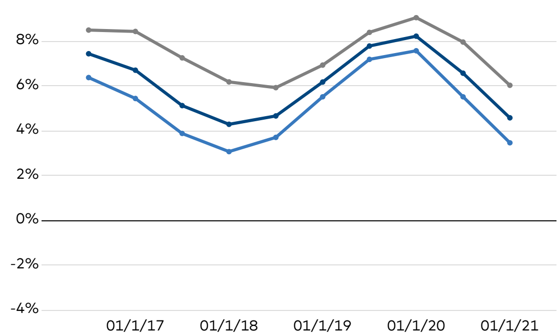
Orange County



Orlando



Phoenix

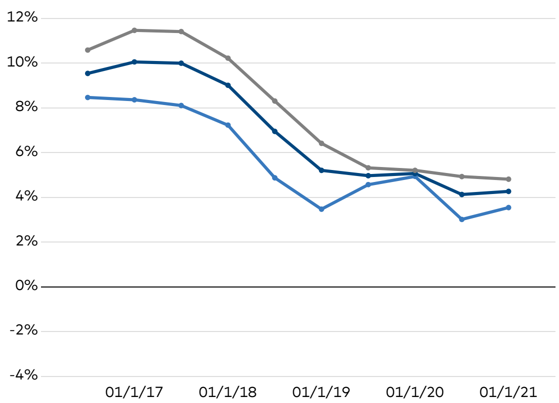


Trailing 12 Months Overall — Trailing 12 Months Lifestyle — Trailing 12 Months Renter-by-Necessity

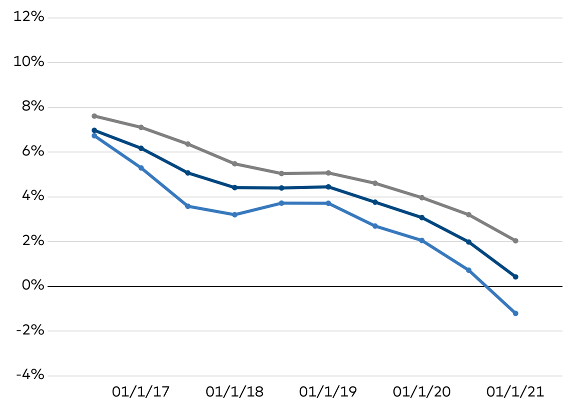
Source: Yardi Matrix

Market Rent Growth by Asset Class

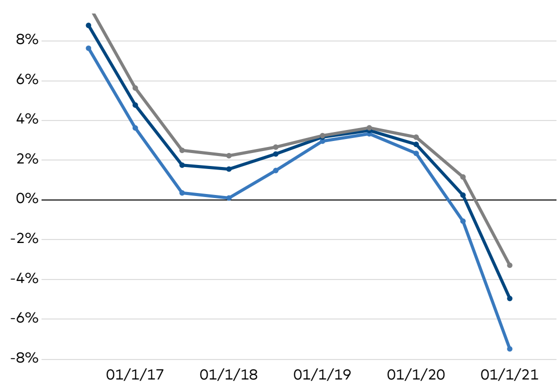
Sacramento



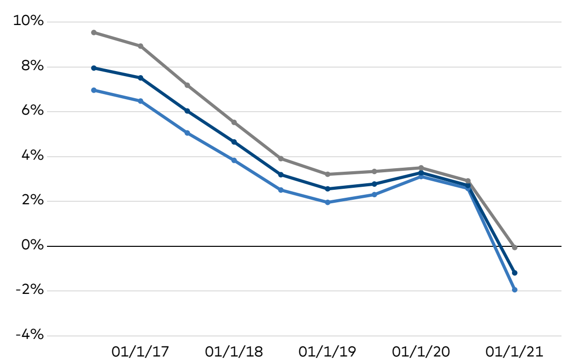
San Diego



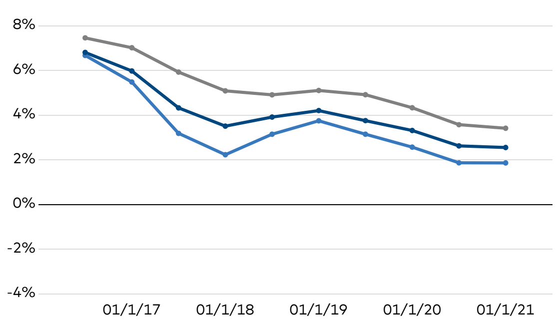
San Francisco



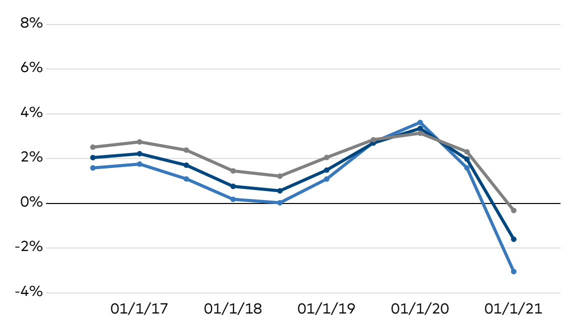
Seattle



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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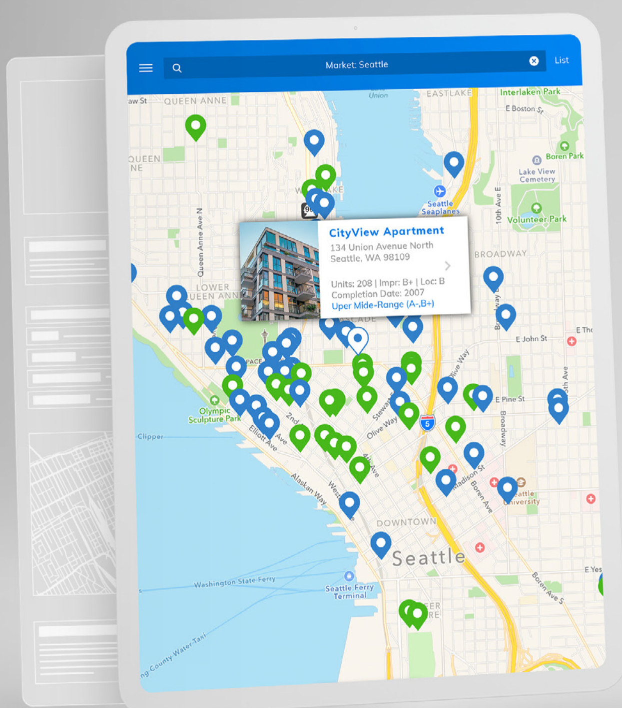

Yardi Matrix Multifamily provides accurate data on **18+ million units**, covering over **90% of the U.S. population.**

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

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