Yardi Matrix

National Multifamily Report

July 2021

Another Record-Breaking Month for Multifamily

- Multifamily asking rents increased by an extraordinary 8.3% year-over-year in July, another record increase. Since the beginning of the year, rents have jumped 8.0%. Overall, average rents grew $26 in July to $1,510.

- Gateway metros are recovering quickly with substantial month-over-month rent gains. San Jose (3.6%) leads, followed by Boston (3.2%), New York (3.0%), Miami (2.7%), San Francisco (1.8%), Chicago, Washington, D.C. (both 1.5%), and Los Angeles (1.2%).

- Single-family (Built-to-Rent) rents continue to grow at an even faster pace than multifamily, with national rents up 12.8% year-over-year. Occupancy continues to rise as well, up 1.2% year-over-year.

The recovery of the multifamily industry is no longer limited to the Southeast and Southwest metros that have fared well during the pandemic. The demand for multifamily has produced a remarkable recovery across the country.

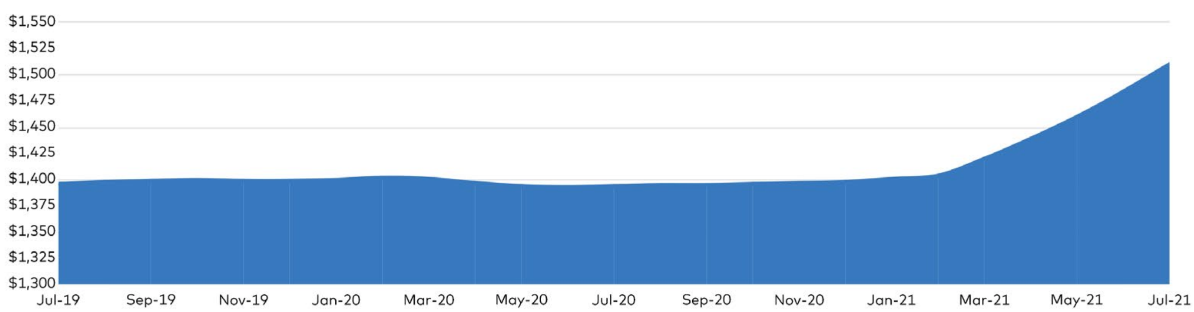
The eye-popping 8.3% YoY growth in asking rents shown by Yardi Matrix data is supported by many publicly traded REITs that are demonstrating similar increases. REITs that are concentrated in the Sun Belt are showing even higher gains, which reach double digits in some cases. To be clear, these numbers specifically represent a surge in asking rents. Rent increases for renewals are growing at a slower pace.

Of the 140 metros that Yardi Matrix covers, 50 had double-digit YoY rent growth in July. Almost all, 129 out of 140, had positive YoY growth. The Gateway metros have come roaring back, and this could be the last month of negative YoY rent numbers in San Francisco and New York.

Occupancy rates are rising, as well. Overall occupancy increased to 95.3% in June, up 0.6% from a year ago. Occupancy for Lifestyle assets is up even more, 1.1% year-over-year, while Renter-by-Necessity occupancy is up only up 0.3%. Renters have likely built up surplus savings or have seen their wages increase in the past few months and are searching for higher-end apartments.

While rents and occupancy are increasing at the fastest level in years, another factor is the expiration of the federal eviction moratorium at the end of July. With the ban no longer in place, it remains to be seen whether a nationwide surge in evictions is imminent. Throughout the pandemic, the National Multifamily Housing Council (NMHC)'s Rent Payment Tracker has consistently shown strong collections. In June 2021, 95.6% of apartment households made a full or partial rent payment, a 0.3% decline from June 2020 and a 0.4% decline from June 2019.

National Average Rents

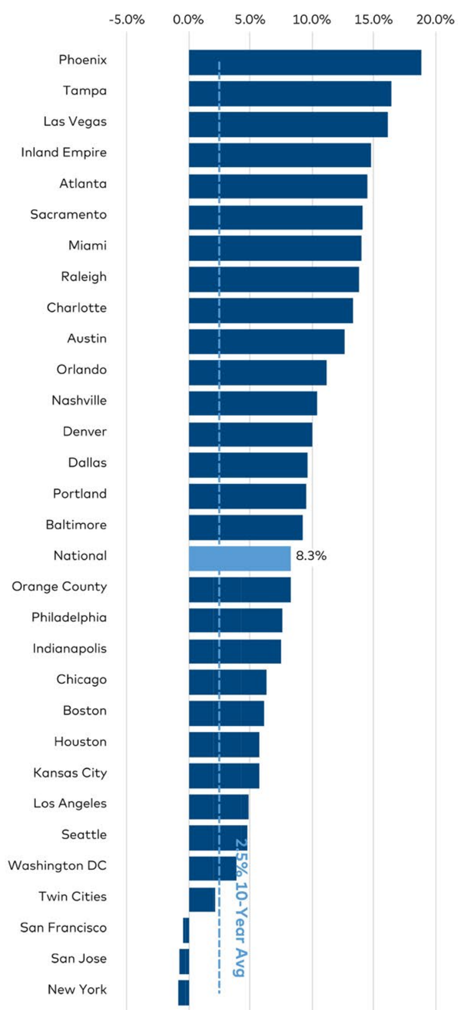


National averages include 132 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by YardiMatrix.

Year-Over-Year Rent Growth: Phoenix Maintains the Top Spot

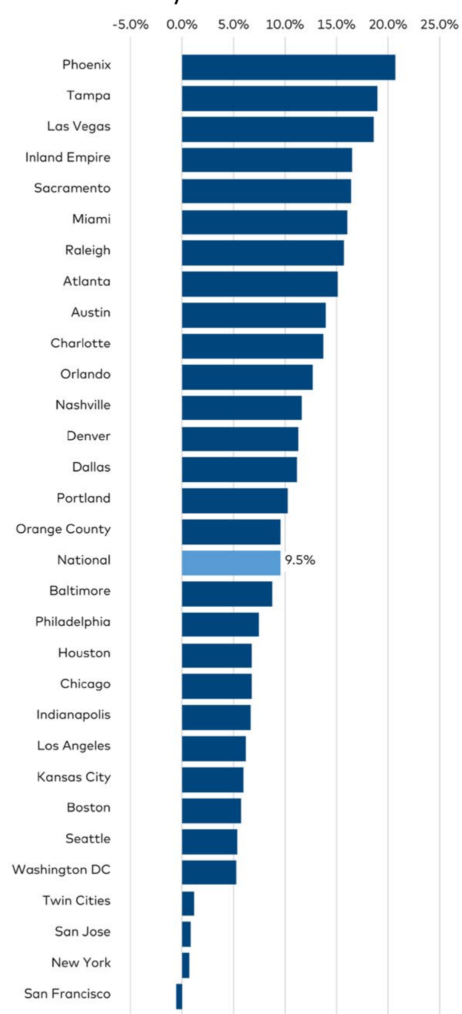
- Out of our top 30 markets, 13 had double-digit YoY rent growth.
- Phoenix (18.9%), Tampa (16.4%), and Las Vegas (16.1%) topped the list with astounding growth in asking rents. San Francisco (-0.5%), San Jose (-0.7%), and New York (-0.8%) are recovering quickly and could be back in positive territory as soon as next month.
- Nationally, Lifestyle rent growth (9.5%) continues to outpace Renter-by-Necessity growth (7.0%). Phoenix tops the list in both categories with Lifestyle rents up a remarkable 20.7% on a YoY basis and RBN rents up 15.8%. The surge in Lifestyle rents continues to fuel the narrative that renters have built up excess savings over the last year and are willing to splurge for higher-end units.

Year-Over-Year Rent Growth— All Asset Classes

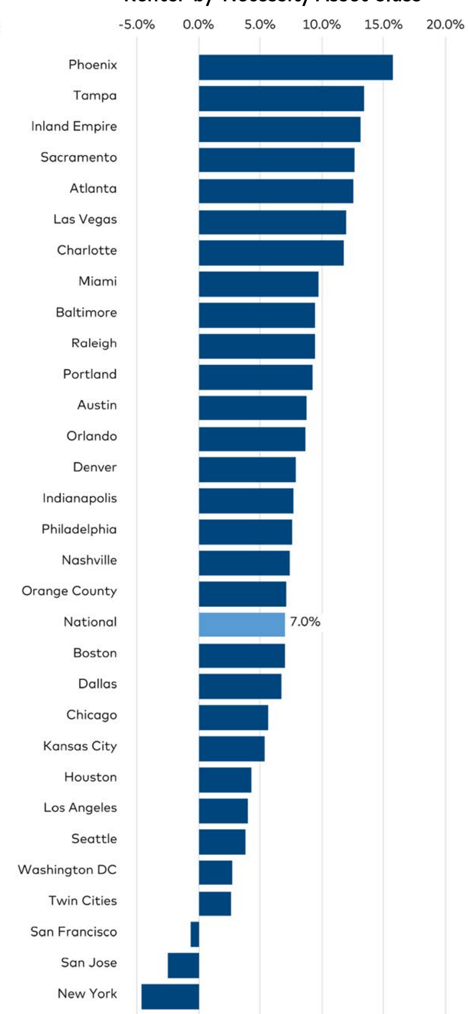


Source: Yardi Matrix

Year-Over-Year Rent Growth— Lifestyle Asset Class



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



Short-Term Rent Changes: Gateway Metros Are Rebounding

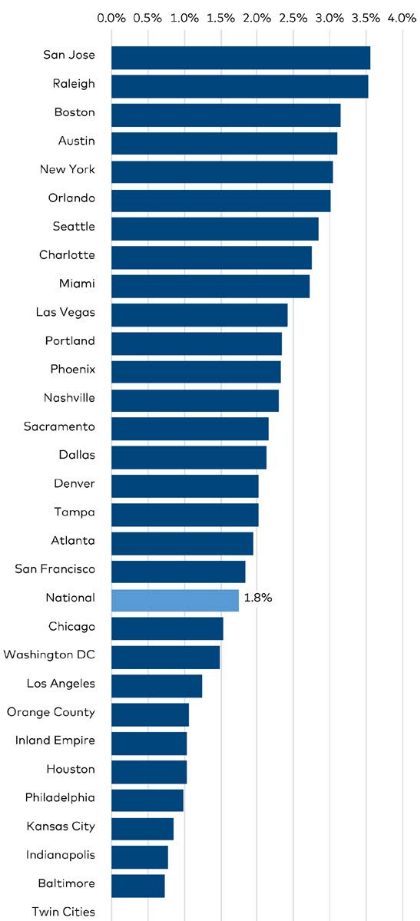
- Rents increased by 1.8% in July on a month-over-month basis. Twenty-six out of the top 30 metros had MoM rent growth of 1.0% or greater.
- San Jose (3.6%) and Raleigh (3.5%) topped the list this month. San Jose had its strongest month since the pandemic began.

Strong demand for apartments has produced a remarkable recovery across the country. Lower-cost metros that fared well during the pandemic continue to outperform, but Gateway metros are also roaring back.

In New York, rents rebounded 3.0% on a MoM basis, and in San Francisco, rents are up 1.8%. Both markets remain below their pre-COVID rents, but if recent trends continue, they will likely return to 2019 levels this year. Lifestyle rents are growing even faster in New York, up 4.3% MoM. It seems clear that many residents who left these metros amid the pandemic are returning.

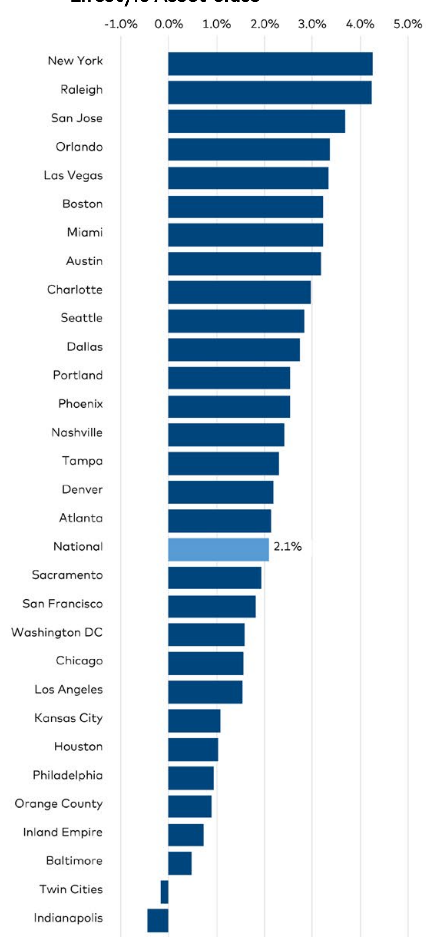
Midwest cities that performed well earlier in the pandemic are now at the bottom of the list. Twin Cities (0.0%), Baltimore (0.7%), Indianapolis and Kansas City (both 0.8%) are holding steady but are returning to the pre-pandemic trend of slow growth.

Month-Over-Month Rent Growth— All Asset Classes

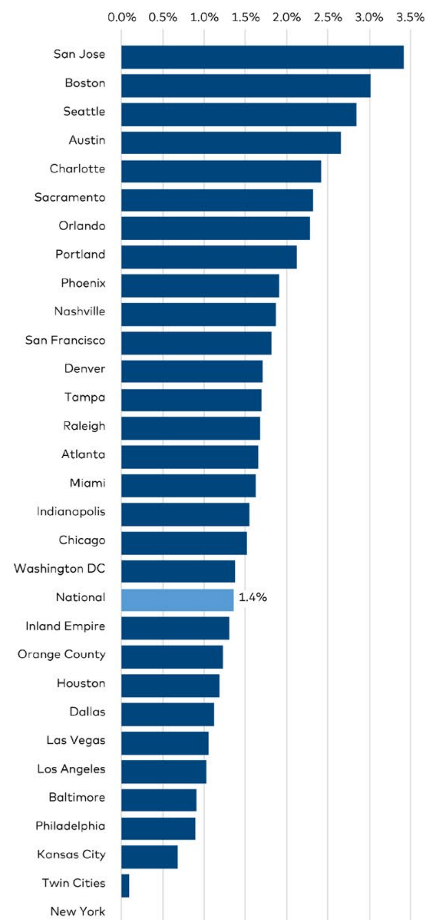


Source: Yardi Matrix

Month-Over-Month Rent Growth— Lifestyle Asset Class



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



Employment and Supply Trends; Forecast Rent Growth

- Jobless claims declined to 400,000 in the week ending July 24, a decrease of 24,000. The U.S. continues to grapple with a labor shortage and companies are increasing wages and benefits to attract workers.
- The largest increases in initial unemployment claims were in Michigan (+13,500), Texas (+10,700), and Kentucky (+8,900).
- As schools reopen and additional unemployment benefits wear off in a month, we expect the number of people re-entering the workforce to continue to increase.

As the economy recovers from the pandemic, the surge in inflation poses a potential headwind. June saw the third straight month-over-month gain, with the YoY rate at 5.4%, according to the Consumer Price Index. Although the large increase in headline inflation can be attributed to a comparison with 2020's weak economy, there is no doubt that prices have risen over the last few months.

Economists are debating whether this current inflationary period is transitory will hinder recovery in the longer term. One argument for the transitory nature of inflation is that the "trimmed mean" and "median" rates published by the Federal Reserve Bank of Cleveland show much lower YoY inflation of 2.9% and 2.2%. These two measures exclude outlier items such as used cars and trucks, which saw prices increase by 21% YoY in the second quarter.

As consumer prices climb, wages are also on the rise. Average hourly wages grew 3.6% in June YoY - the most in a decade. Since consumer prices are increasing faster than wages, many workers have effectively seen their pay decline as they pay more for goods. Households that aren't buying more inflation-prone items, such as used cars or gasoline, are less likely to experience such a drop in buying power.

The recent increase in wages is driven, in part, by the labor shortage that has affected most of the country, especially in the service sector. Some observers are confident that once the extended unemployment benefits wear off in September, a return to the workforce will quickly follow. But challenges such as rising COVID-19 cases, lack of childcare, and early retirement remain.

Multifamily, and real estate in general, has always served as a hedge against inflation. Asking rents for multifamily are rising at their fastest rate in decades, while the single-family rental market is experiencing the same rapid price appreciation. The surge in rents does not seem likely to fade any time soon as there is a significant undersupply of multifamily housing in most metros, creating robust demand.

The Federal Reserve maintains that this period of inflation is transitory, but as most expense categories are increasing for households, the Fed might begin to wind down its easy money policies sooner than expected.

Single-Family Rentals: Strong SFR Demand in Florida

- Tampa (31.7%) held on to the top spot this month for SFR rent growth. Miami (26.3%) and Phoenix (24.2%) followed closely behind.

- Tampa and Miami also had the largest increases in occupancy on a YoY basis. Occupancy in Tampa increased 3.5% and 3.0% in Miami from a year ago.

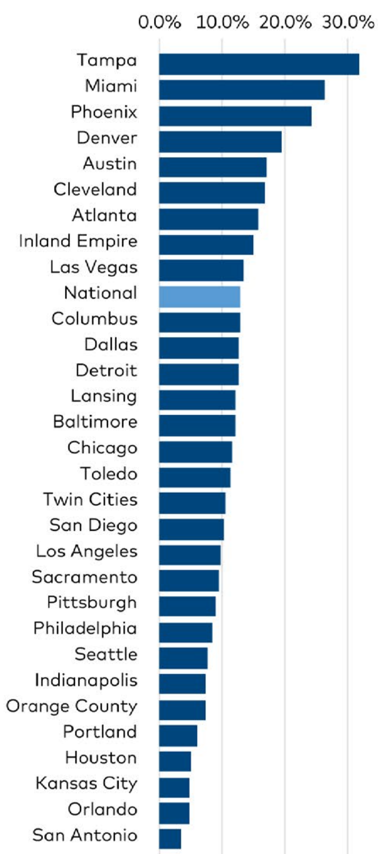
Nationally, rents are up 12.8% on a year-over-year basis. All of our top 30 metros had positive YoY rent growth and 19 of the 30 had double-digit YoY rent growth.

Occupancy was up 1.2% nationally year-over-year. Twenty-six out of the top 30 metros had occupancy gains, while Sacramento and Orlando (both 0.0%) were flat and Philadelphia and Houston (both -0.8%) declined slightly.

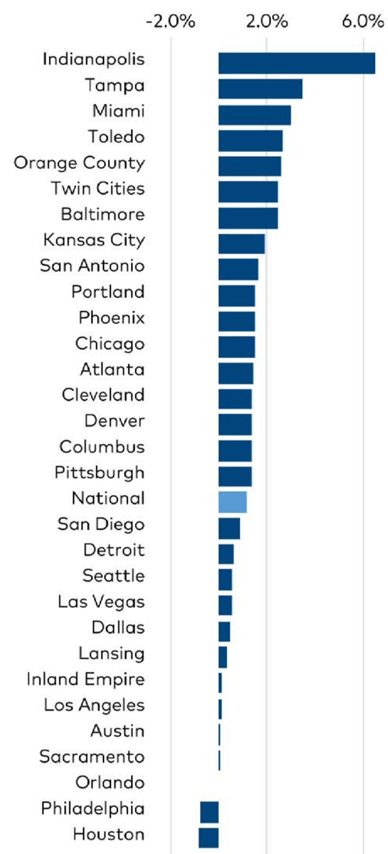
Demand for SFRs remains strong across the country. The Southeast and Southwest are seeing the strongest gains, but even Midwest metros are showing double- digit gains.

Cleveland (16.7%), Columbus (12.7%), and Detroit (12.4%) have performed well over the last year, likely driven by the same fundamentals that are driving SFR demand across the country: a desire for more space, coupled with rapid home-price appreciation that is keeping many would-be buyers on the sidelines for now.

Year-Over-Year Rent Growth— Single-Family Rentals



Year-Over-Year Occupancy Change— Single-Family Rentals



Source: Yardi Matrix

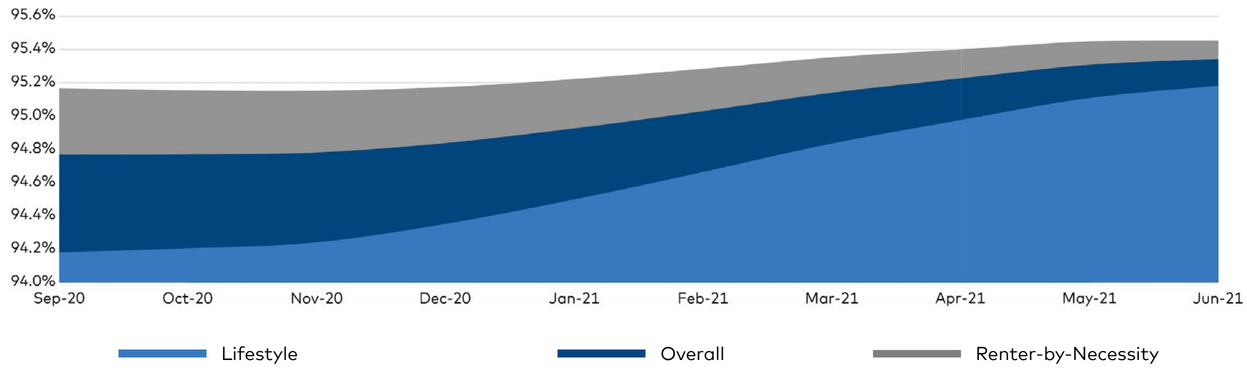
Employment and Supply Trends; Forecast Rent Growth

Market	YoY Rent Growth as of Jul - 21	Forecast Rent Growth as of 7/31/21 for YE 2021	YoY Job Growth (6-mo. moving avg.) as of May - 20	Completions as % of Total Stock as of Jul - 21
Phoenix	18.9%	15.7%	0.1%	3.0%
Tampa	16.4%	14.6%	1.2%	2.8%
Inland Empire	14.8%	13.1%	-0.8%	1.0%
Las Vegas	16.1%	12.8%	-4.4%	1.3%
Atlanta	14.5%	12.6%	-1.0%	2.8%
Raleigh	13.9%	12.1%	0.7%	3.7%
Miami Metro	14.0%	12.0%	-2.1%	2.8%
Sacramento	14.1%	11.9%	-1.7%	0.7%
Austin	12.6%	11.6%	1.5%	4.2%
Orlando	11.2%	11.6%	-5.5%	3.3%
Nashville	10.4%	10.8%	0.6%	1.1%
Charlotte	13.3%	10.3%	0.2%	3.8%
Denver	10.1%	10.0%	-1.4%	2.6%
Dallas	9.7%	9.5%	0.5%	2.8%
Portland	9.6%	9.1%	-3.3%	3.1%
Chicago	6.3%	8.9%	-3.4%	1.7%
Orange County	8.3%	8.0%	-4.0%	1.2%
San Antonio	7.0%	7.7%	1.0%	3.4%
Washington DC	3.9%	7.4%	-2.2%	2.0%
Indianapolis	7.5%	7.2%	-0.1%	1.1%
Seattle	4.8%	7.0%	-2.5%	3.0%
Baltimore	9.2%	7.0%	-1.4%	1.3%
Kansas City	5.7%	6.5%	0.0%	3.4%
Houston	5.7%	6.4%	-2.7%	2.0%
Philadelphia	7.6%	6.3%	-1.8%	1.8%
Los Angeles	4.9%	6.0%	-5.7%	2.9%
Boston	6.2%	6.0%	-2.7%	3.0%
San Francisco	-0.5%	4.8%	-5.3%	2.9%
Twin Cities	2.1%	4.5%	-3.2%	3.7%
San Jose	-0.7%	4.4%	-3.9%	3.1%

Source: Yardi Matrix

Occupancy & Asset Classes

Occupancy—All Asset Classes by Month



Source: Yardi Matrix

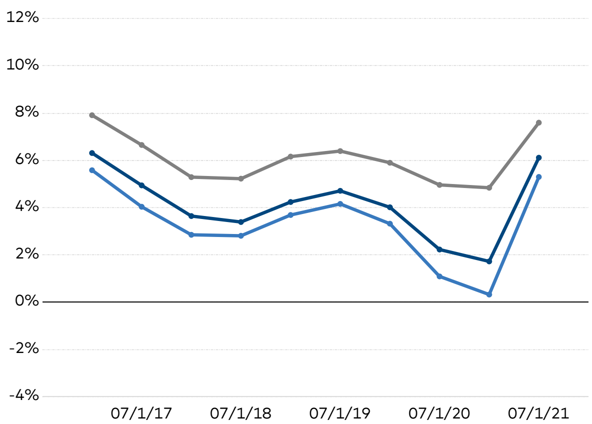
Year-Over-Year Rent Growth, Other Markets

Market	July 2021		
	Overall	Lifestyle	Renter-by-Necessity
Jacksonville	17.4%	20.6%	11.7%
SW Florida Coast	16.6%	18.5%	13.0%
Colorado Springs	16.1%	16.4%	15.8%
Tucson	15.6%	16.8%	15.0%
Reno	14.7%	16.1%	13.8%
Albuquerque	14.3%	22.9%	9.3%
Central Valley	13.6%	16.8%	12.9%
Tacoma	11.7%	12.0%	11.1%
Salt Lake City	11.3%	11.3%	11.2%
NC Triad	10.3%	10.9%	10.1%
Long Island	9.4%	9.4%	9.4%
San Fernando Valley	8.6%	10.7%	7.2%
El Paso	7.7%	7.9%	7.2%
Indianapolis	7.5%	6.7%	7.7%
Bridgeport–New Haven	7.2%	6.3%	7.8%
St. Louis	5.6%	4.2%	6.1%
Central East Texas	5.4%	5.5%	5.3%
Louisville	4.9%	5.7%	4.9%
Northern New Jersey	1.7%	-1.1%	4.5%

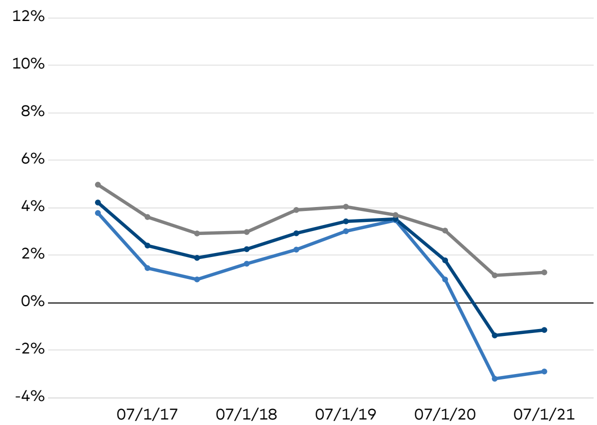
Source: Yardi Matrix

Market Rent Growth by Asset Class

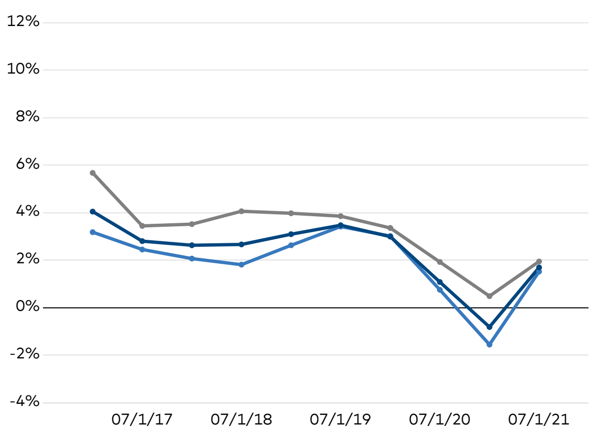
Atlanta



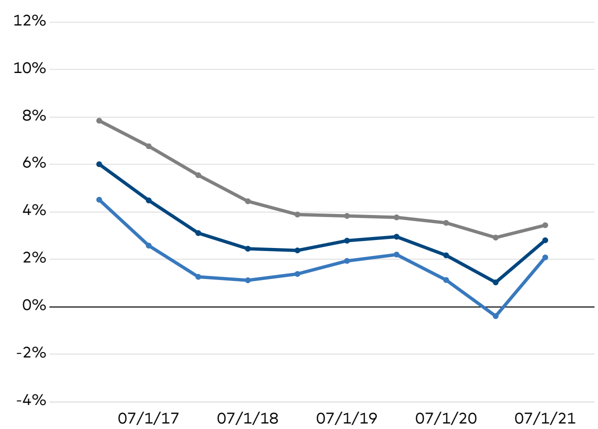
Boston



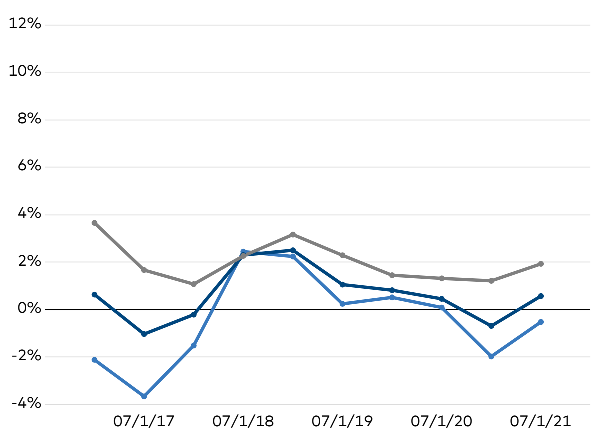
Denver



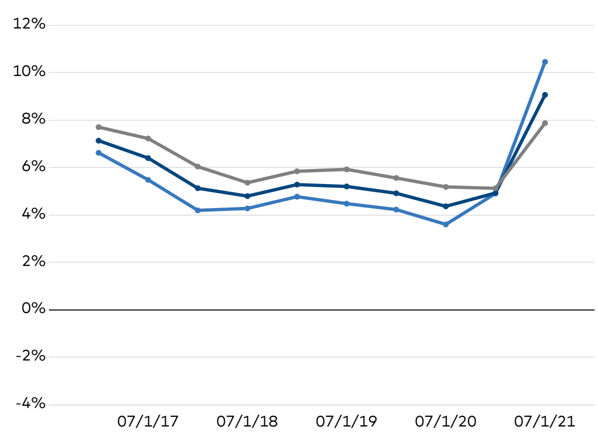
Dallas



Houston



Inland Empire

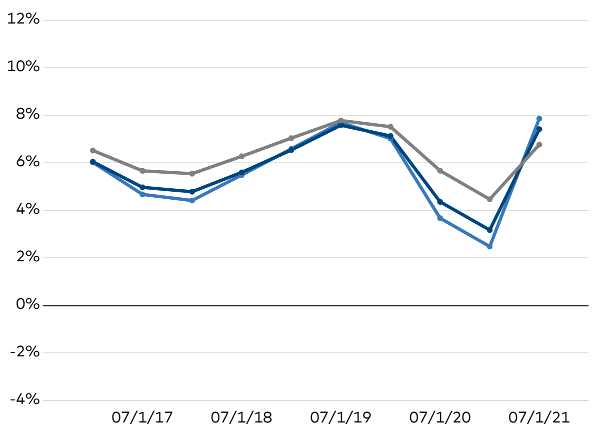


Trailing 12 Months Overall   Trailing 12 Months Lifestyle   Trailing 12 Months Renter-by-Necessity

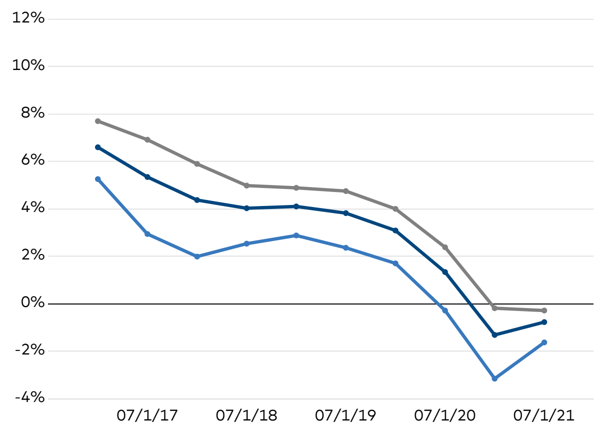
Source: Yardi Matrix

Market Rent Growth by Asset Class

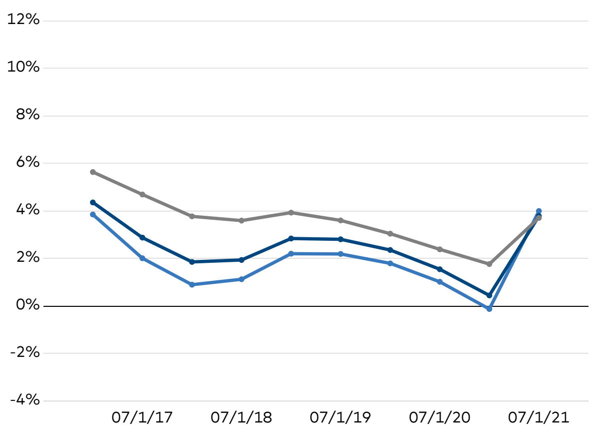
Las Vegas



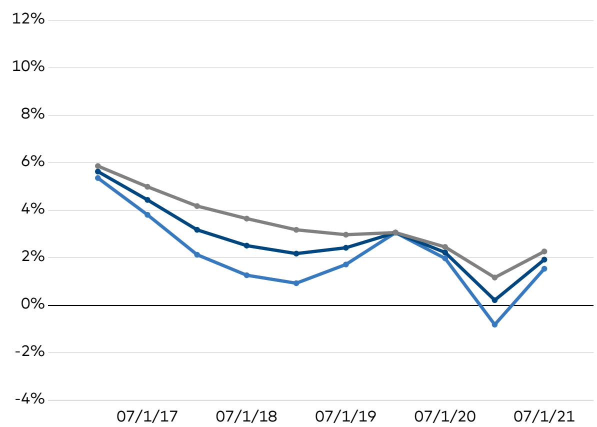
Los Angeles



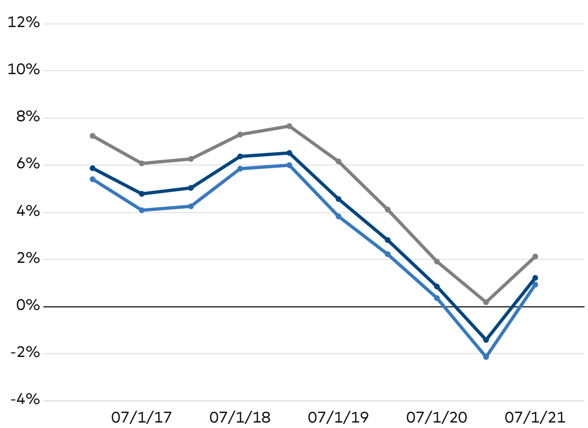
Miami



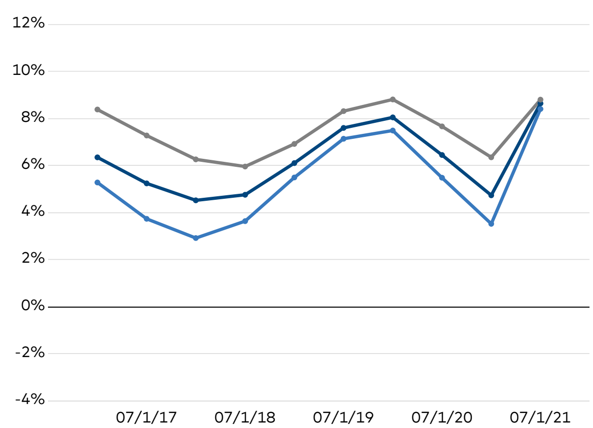
Orange County



Orlando



Phoenix

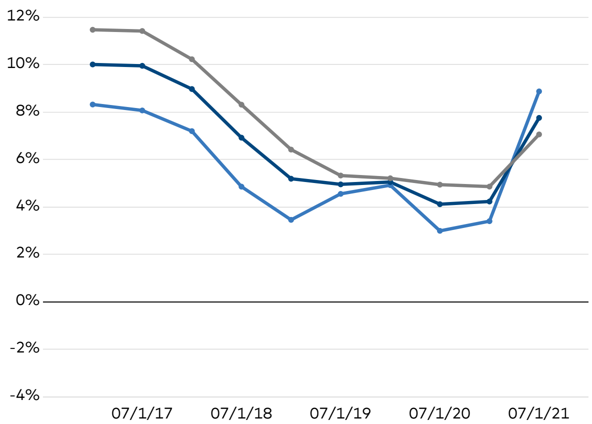


Trailing 12 Months Overall   Trailing 12 Months Lifestyle   Trailing 12 Months Renter-by-Necessity

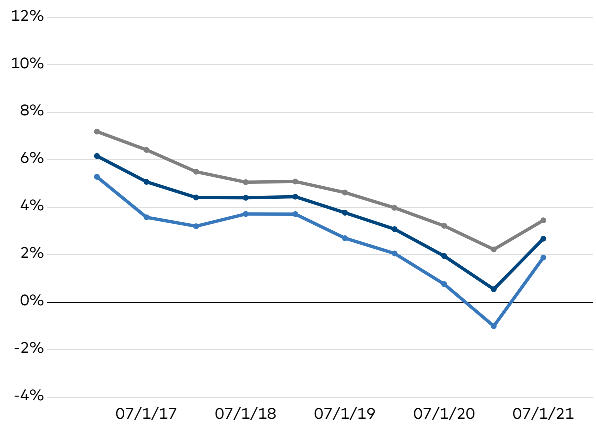
Source: Yardi Matrix

Market Rent Growth by Asset Class

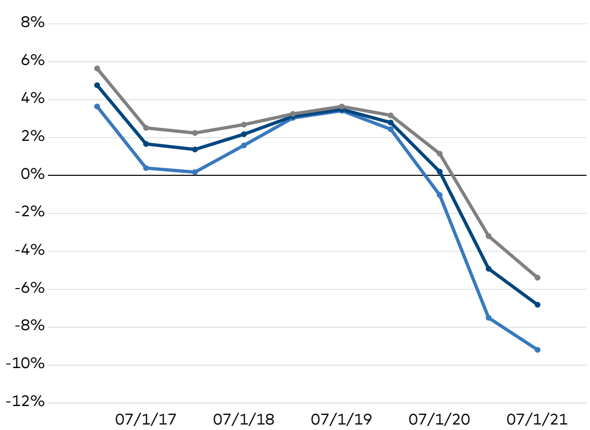
Sacramento



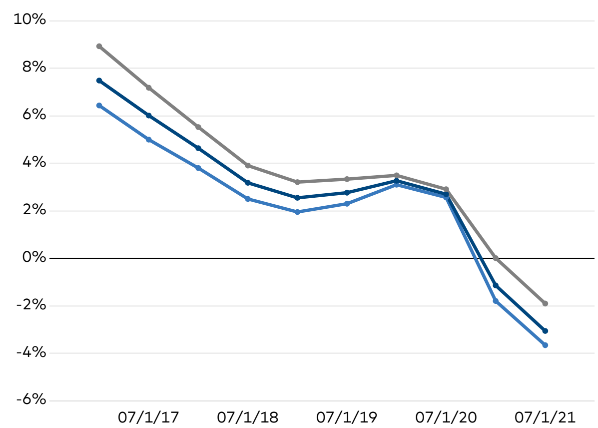
San Diego



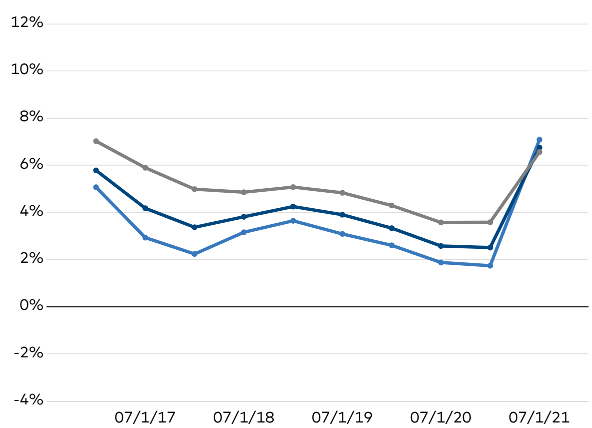
San Francisco



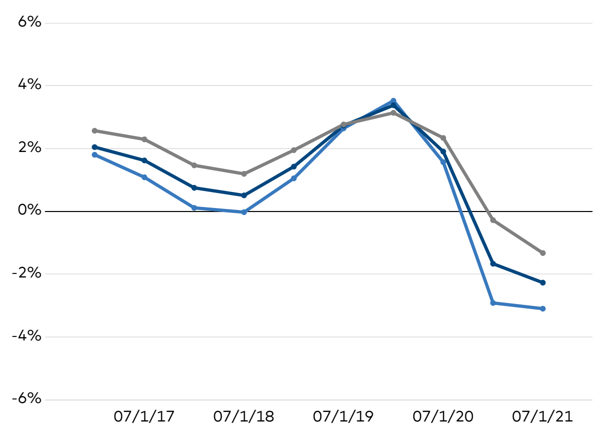
Seattle



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 all 140 markets with years of tracked data that makes a consistent basket of data

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 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: One 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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