National Multifamily Report

November 2021

Multifamily Rent Growth Decelerates

- Multifamily rents rose again in November, but only slightly, as the anticipated deceleration in rent growth finally appears to be taking hold. The average U.S. asking rent increased by $4 in November to a record-high $1,590.
- Nationally, asking rents were up 13.5% year-over-year in November, a slight increase over October. Demand continues to be torrid, with the average U.S. occupancy rate of stabilized properties maintained at 96.1% in October, up 1.4% year-over-year.
- Also remaining hot is the single-family rental market, with rent growth up 14.7% year-over-year in November. Although the single-family rental market is more varied than multifamily, occupancy rates rose 0.6% nationally year-over-year through October.

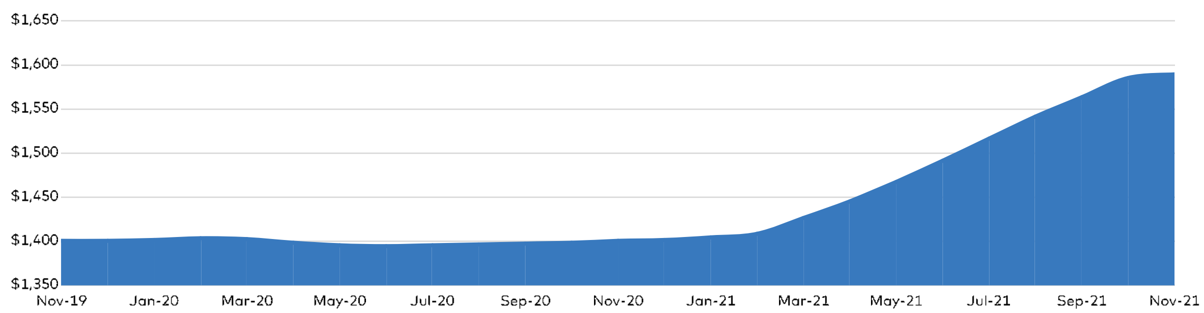
Coming out of the worst of the pandemic, the multifamily market experienced eight straight months of exceptionally high rent growth, with the average U.S. multifamily asking rent rising about $180 between March and October. A slowdown is inevitable, and it started in November, when the average asking rent rose "only" $4.

Even so, the market remains healthy. While November's rent performance represents a significant deceleration from the $20-plus increases per month of the spring and summer, it also is the largest average rent increase in the month of November since before the Great Recession. Typically, rents flatten in November, as demand wanes and fewer people move. Going forward, rent growth seems likely to level off, both because of seasonality and because the extraordinary gains should revert to the mean.

Although a slow deceleration remains the likeliest scenario in coming months, it might be jumping the gun to count on normality returning after the events of the last two years. Multifamily demand remains exceptionally strong. Nearly 590,000 units were absorbed over the 12 months through October, and economic conditions could prove ripe for steady demand.

More than 6 million jobs were added year-to-date through November, producing a worrisome rise in inflation but also wage growth. That combined with household savings that remain elevated from the pandemic have given consumers strong purchasing power. At the same time, rising home prices have kept some high-income households as renters. All in all, conditions remain relatively favorable for multifamily.

National Average Rents

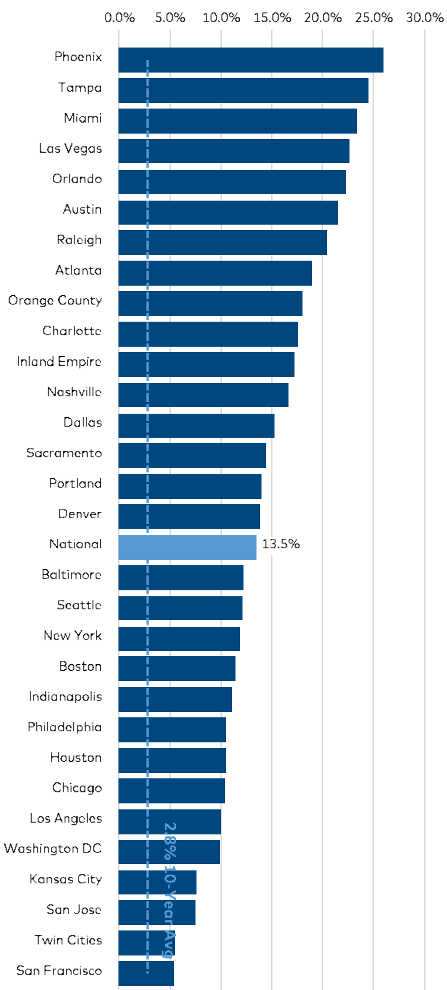


National averages include 132 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by YardiMatrix.

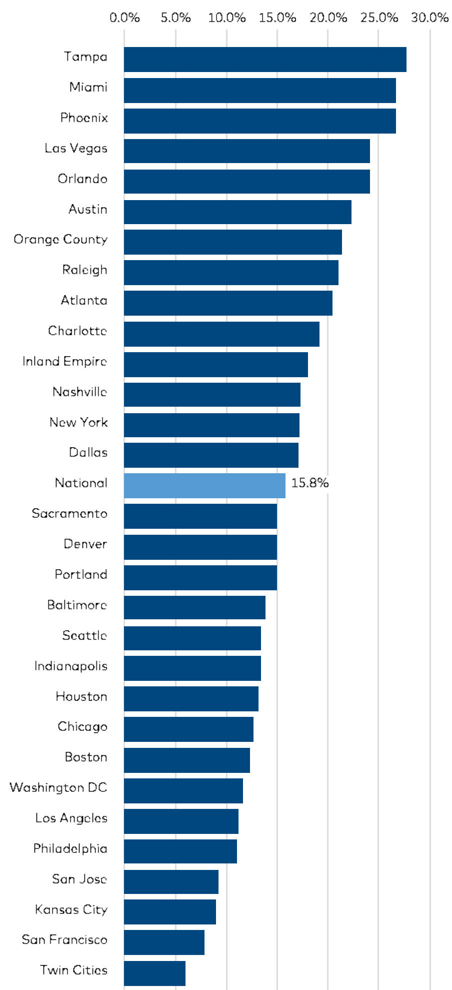
Year-Over-Year Rent Growth: Double-Digit Gains Across the Country

- Although metros in the Southeast and Southwest have consistently topped rankings of rent growth, strong gains can be found across the country. Of our top 30 metros, 25 had rent growth of 10.0% or more year-over-year through November, while Washington, D.C., is at a 9.9% increase. And the lowest increases among the remaining four metros are 5.4% in San Francisco and 5.6% in the Twin Cities.
- One of the trends that has gone across the grain over the last year is that growth in luxury Lifestyle properties has outstripped growth in working-class Renter-by-Necessity properties. Lifestyle property asking rents are up 15.8% nationally year-over-year, compared to 10.9% for RBN. Lifestyle rents are rising the most in less expensive markets in the South and Southwest.

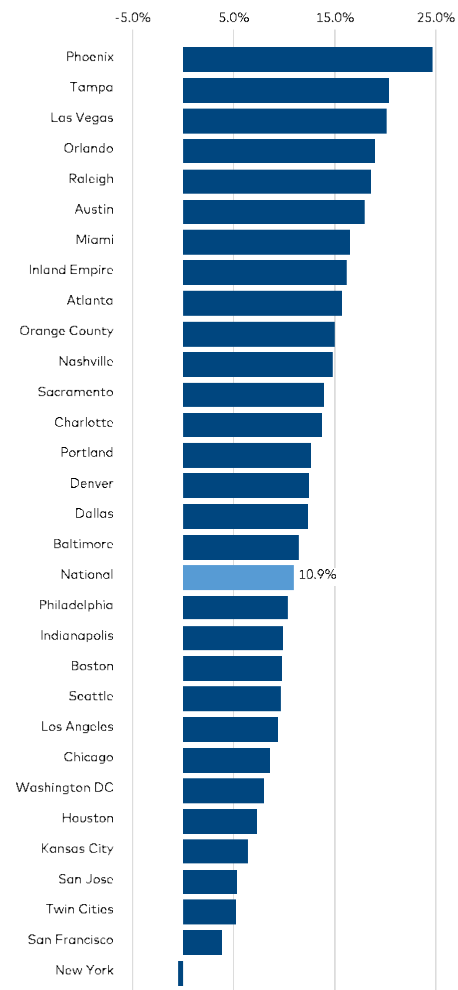
Year-Over-Year Rent Growth— All Asset Classes



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:
Rent Increases Moderate in November

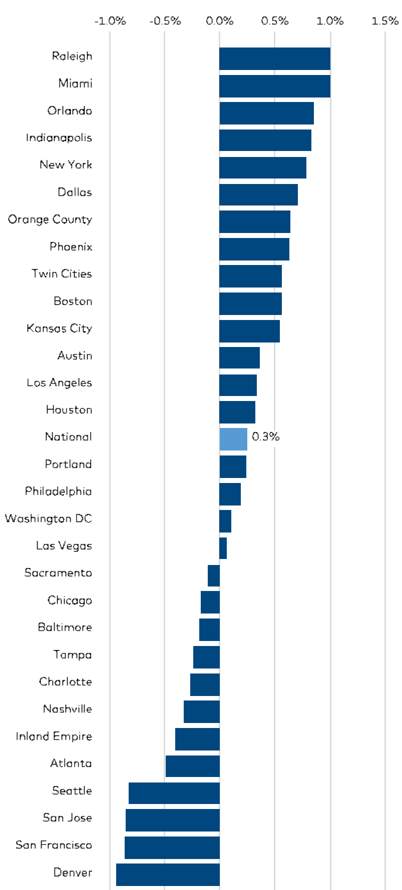
- Asking rents nationally increased 0.3% in November, a 120-basis-point deceleration from October.
- Rents in high-end Lifestyle units increased by 0.1% month-over-month in November, while Renter-by-Necessity units increased by 0.4%.

November marked a sharp decline in asking rent growth. One month after the average increase in asking rents was 1.5%, only two of the top 30 metros—Raleigh and Miami—reached growth of 1.0%, and a dozen metros saw rents decrease.

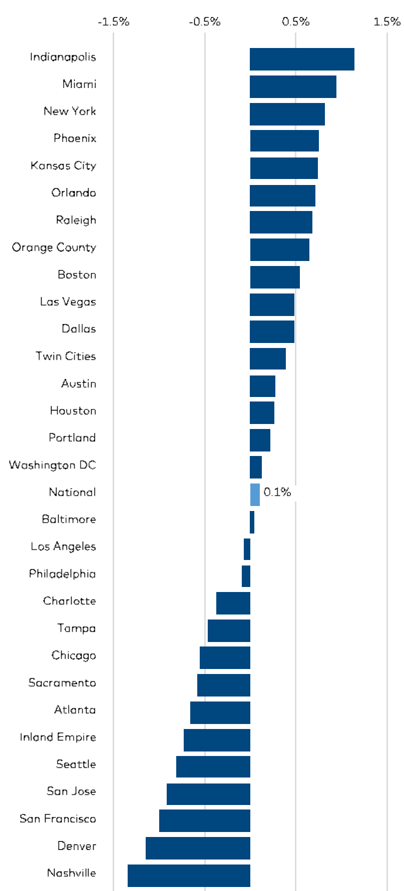
While some of the metro-level declines were negligible, others pared back recent gains. The worst-performing metros for the month were Seattle (-0.8%) and San Jose, San Francisco and Denver (all -0.9%).

November also marked a cooldown in the rents of Lifestyle properties. Over the past year, Lifestyle properties have outperformed, but in November Lifestyle (0.1%) trailed Renter-by-Necessity (0.4%). In a curious quirk, Nashville led the top 30 metros in RBN rents at 1.8% while trailing in Lifestyle rents at -1.3%.

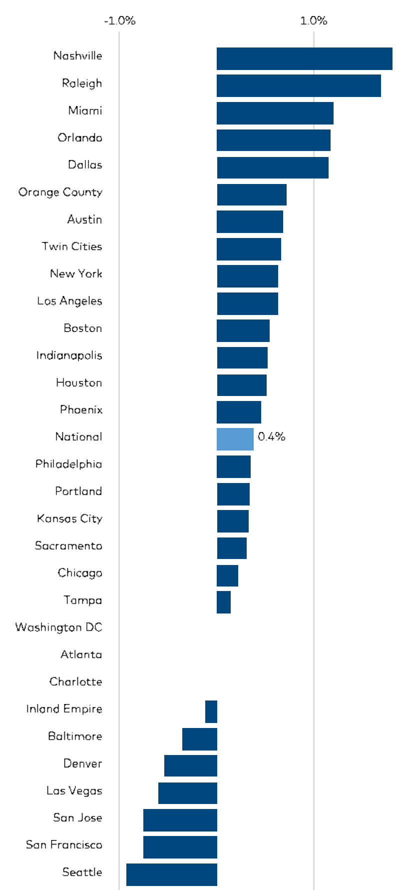
Month-Over-Month Rent Growth—All Asset Classes



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

- The pandemic has helped to muddy some traditional metrics that are used to gauge rent growth.
- Measures such as employment and occupancy growth remain important, but social and regulatory factors also are key drivers of performance.
- Despite progress, gateway metros are still recovering.

Many in the industry are wondering how long multifamily rent growth will remain at above-trend levels. Maybe a more pertinent question, though, is how to measure which factors are driving rent growth.

Correlations involving economic metrics are never exact or simple, but before the pandemic one could normally analyze rent growth through a lens of job growth (a proxy for demand) and apartment supply. Strong job and population growth tends to produce robust demand and absorption as long as new supply remains at reasonable levels. However, in the wake of the pandemic, many of the typical predictors of rent growth are mixed at best.

To illustrate, as of November, 16 of our Matrix top 30 metros have asking rent growth topping the 13.7% year-over-year national average. Of those 16 with above-trend growth, in only seven has six-month employment growth topped the average of the top 30, only five have below-average supply growth, and only four have had year-over-year occupancy growth above the 1.4% national average (while another two were at 1.4%).

To point out a few examples, Phoenix and Las Vegas, which are among the leaders in asking rent growth (both topping 22% year-over-year), are among the weakest in occupancy growth over the past year. Asking rents are also up more than 22% in Miami and Orlando, despite a large amount of new deliveries and job growth numbers that are average.

Meanwhile, rent growth remains relatively weak in eight of the 13 metros with year-over-year occupancy growth above the national average. That includes gateway metros such as Chicago (2.9% occupancy growth) and New York (2.8%) that are still recovering from an exodus of renters during the pandemic.

The point isn't that traditional measures of analyzing multifamily fundamentals are no longer relevant. Economic growth, cost, the regulatory environment and attractive lifestyle amenities will always be determinants of the demand for housing. That said, the disruption of the pandemic and social changes that it caused have created some nuances that shouldn't be ignored when underwriting multifamily investments over the next few years.

Single-Family Build-to-Rent Segment: Strong Performance Continues

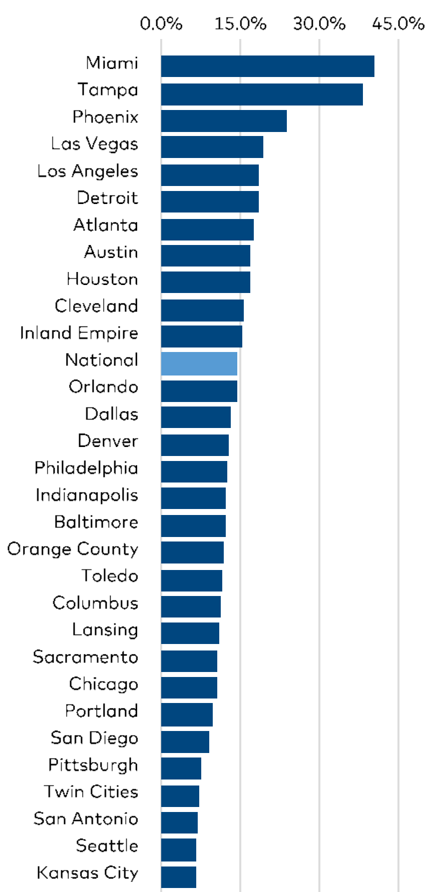
- Single-family rental asking rents once again showed resilience, and were up 14.3% year-over-year through November.
- Occupancy rates have risen 0.6% nationally over the last 12 months, although rates declined in nine of the top 30 markets.

Single-family asking rents are up by 14.3% nationally, outperforming multifamily. Miami (40.5%), Tampa (38.2%) and Phoenix (23.9%) once again lead in rent growth, but every metro has posted solid gains. The smallest increases were recorded in Kansas City (6.4%), Seattle (6.5%) and San Antonio (6.8%). Ironically, San Antonio (6.7% increase) was also among the leaders in growth in occupancy rates. Texas metros Houston (up 8.2%) and Austin (up 3.3%) also saw strong increases in occupancy and demand.

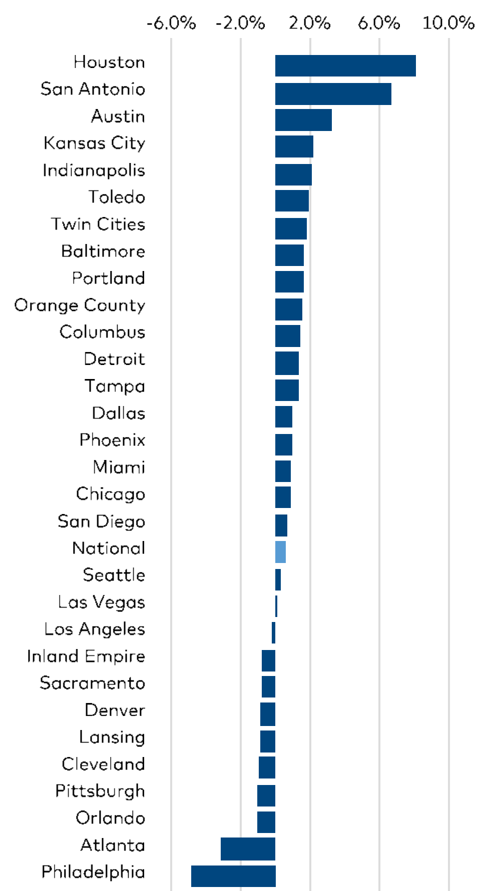
Demand for single-family rentals should remain robust. Home prices are soaring, up by nearly 20% year-over-year nationally, as some families seek the amenities of a detached house without the financial commitment of a mortgage. That has produced growth in the number of investors that buy homes to rent or are building communities of single-family rental homes.

Note: Yardi Matrix covers Single-Family Built-to-Rent communities of 50 homes and larger.

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



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



Source: Yardi Matrix

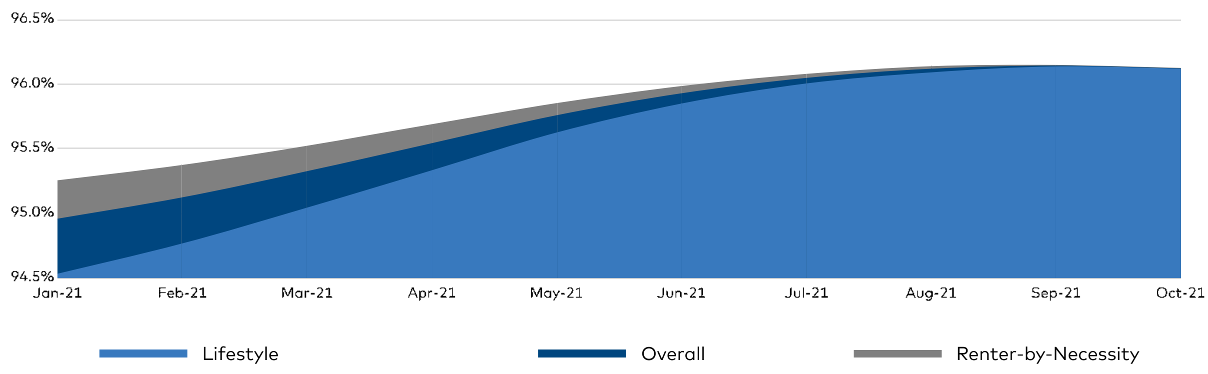
Employment and Supply Trends; Forecast Rent Growth

Market	YoY Rent Growth as of Nov - 21	Forecast Rent Growth as of 11/30/21 for YE 2021	YoY Job Growth (6-mo. moving avg.) as of Sep - 21	Completions as % of Total Stock as of Nov - 21
Phoenix	25.9%	27.3%	7.0%	3.1%
Tampa	24.4%	26.3%	6.4%	2.5%
Miami Metro	23.3%	24.1%	6.5%	4.4%
Las Vegas	22.6%	23.7%	13.2%	1.7%
Orlando	22.3%	23.0%	6.8%	4.7%
Austin	21.4%	22.8%	8.4%	5.3%
Atlanta	18.9%	22.4%	6.3%	3.0%
Nashville	16.6%	20.2%	7.5%	3.0%
Raleigh	20.5%	20.1%	7.0%	3.3%
Charlotte	17.6%	20.0%	5.9%	5.3%
Orange County	18.0%	19.7%	8.8%	0.9%
Inland Empire	17.2%	18.8%	6.6%	1.1%
Denver	13.8%	16.8%	6.3%	2.9%
Sacramento	14.4%	15.8%	5.5%	0.5%
Dallas	15.2%	15.6%	6.5%	3.0%
Baltimore	12.2%	14.9%	6.2%	1.0%
Seattle	12.1%	14.8%	6.2%	2.6%
Portland	13.9%	14.5%	6.4%	3.1%
New York	11.9%	14.0%	7.8%	0.6%
Houston	10.5%	12.6%	4.9%	2.9%
Boston	11.3%	12.5%	8.6%	2.5%
Chicago	10.4%	12.4%	5.0%	1.5%
Washington DC	9.9%	12.4%	5.2%	1.9%
Indianapolis	11.1%	12.4%	5.3%	1.0%
Philadelphia	10.5%	11.1%	7.1%	1.7%
Los Angeles	10.0%	11.0%	6.6%	2.4%
San Jose	7.5%	10.8%	4.6%	3.6%
Kansas City	7.6%	8.7%	6.3%	3.0%
San Francisco	5.4%	8.2%	5.5%	3.2%
Twin Cities	5.6%	6.1%	5.7%	3.6%

Source: Yardi Matrix

Occupancy & Asset Classes

Occupancy—All Asset Classes by Month



Source: Yardi Matrix

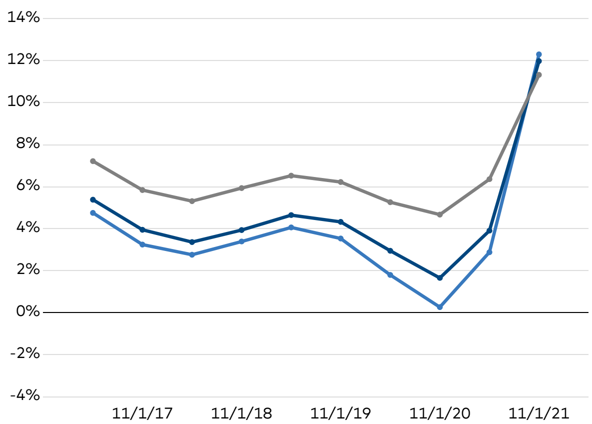
Year-Over-Year Rent Growth, Other Markets

Market	November 2021		
	Overall	Lifestyle	Renter-by-Necessity
SW Florida Coast	32.1%	35.0%	26.8%
Jacksonville	23.7%	26.9%	18.6%
Tucson	18.3%	20.1%	17.7%
Albuquerque	17.6%	21.0%	15.4%
Salt Lake City	17.5%	19.2%	16.5%
NC Triad	15.0%	16.0%	13.4%
Central Valley	15.0%	15.4%	15.0%
Colorado Springs	14.4%	13.9%	14.9%
Tacoma	14.2%	13.8%	14.6%
Reno	12.8%	11.7%	13.7%
El Paso	12.7%	13.0%	12.4%
San Fernando Valley	12.6%	14.6%	11.4%
Indianapolis	11.1%	13.3%	9.9%
Long Island	10.0%	9.4%	10.4%
St. Louis	9.5%	10.0%	9.7%
Northern New Jersey	8.0%	9.4%	6.6%
Central East Texas	8.0%	8.5%	7.6%
Louisville	7.9%	9.6%	7.5%
Bridgeport–New Haven	7.8%	7.1%	8.4%

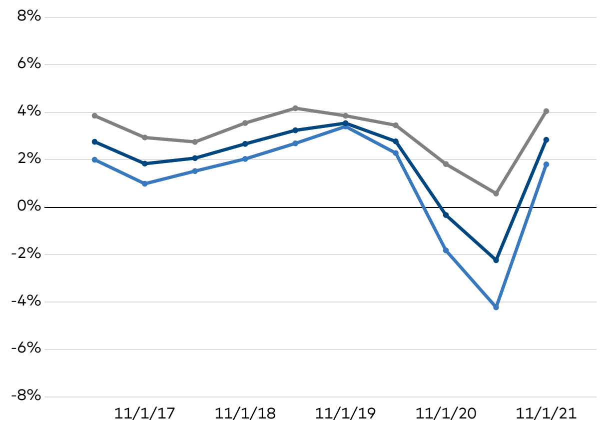
Source: Yardi Matrix

Market Rent Growth by Asset Class

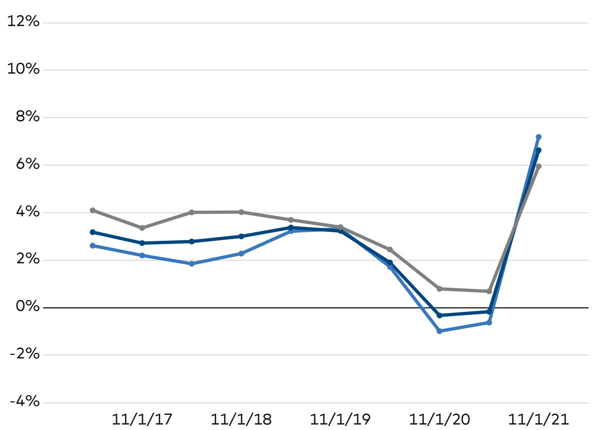
Atlanta



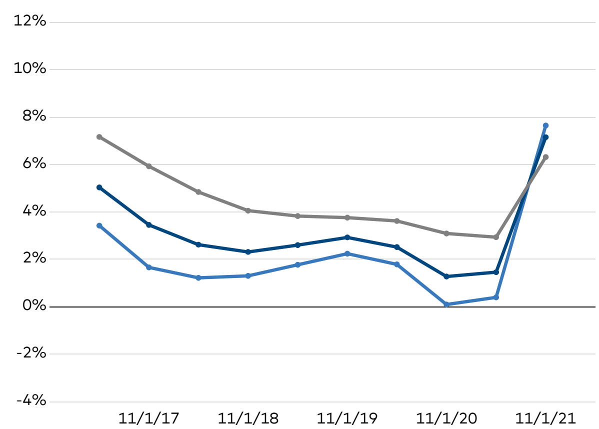
Boston



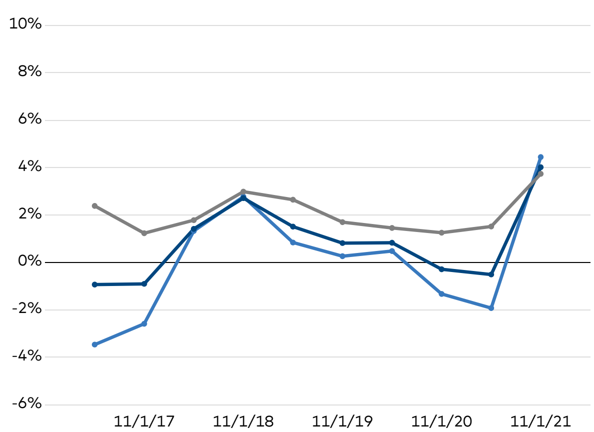
Denver



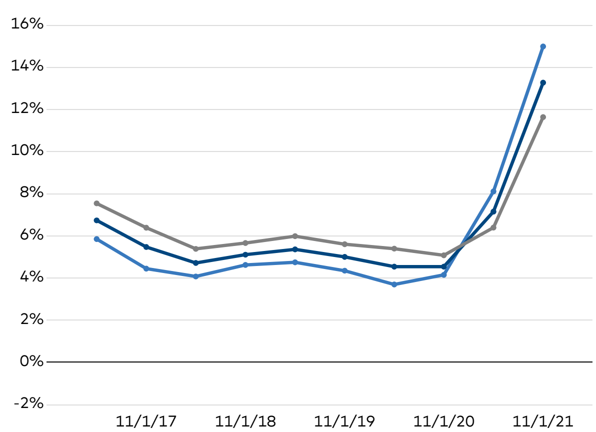
Dallas



Houston



Inland Empire

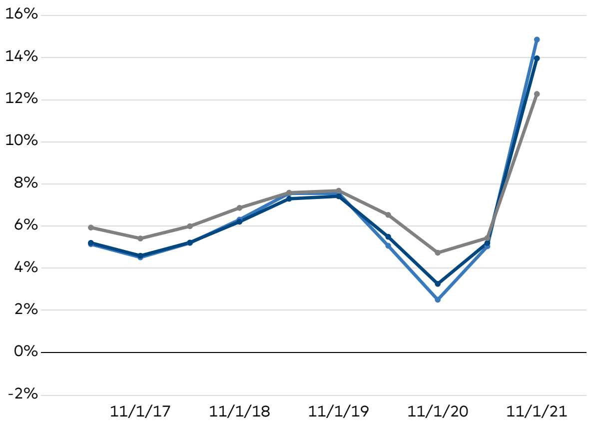


Trailing 12 Months Overall   Trailing 12 Months Lifestyle   Trailing 12 Months Renter-by-Necessity

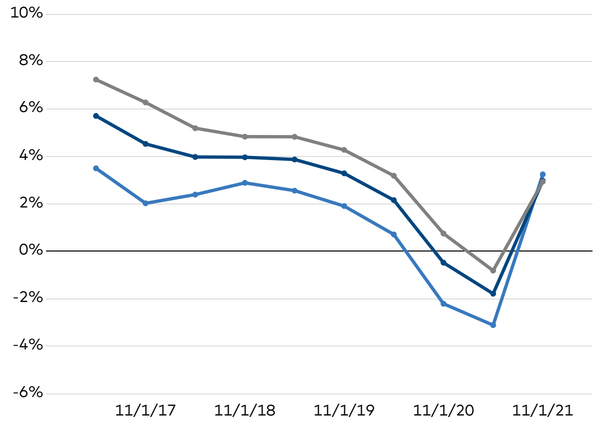
Source: Yardi Matrix

Market Rent Growth by Asset Class

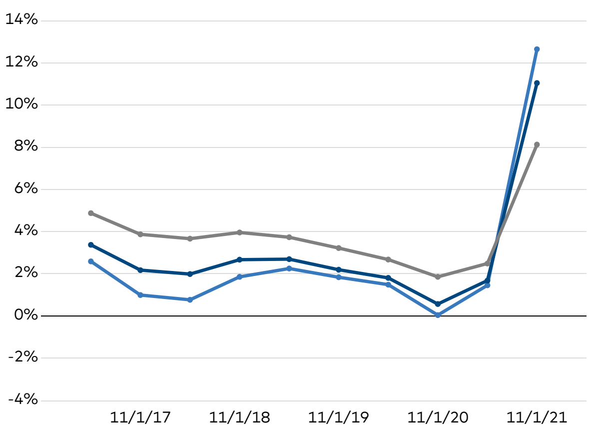
Las Vegas



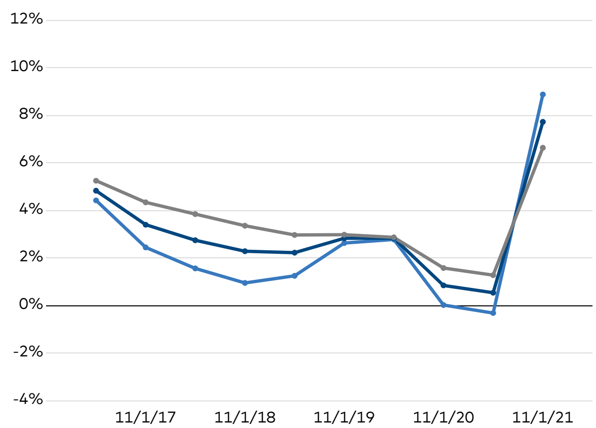
Los Angeles



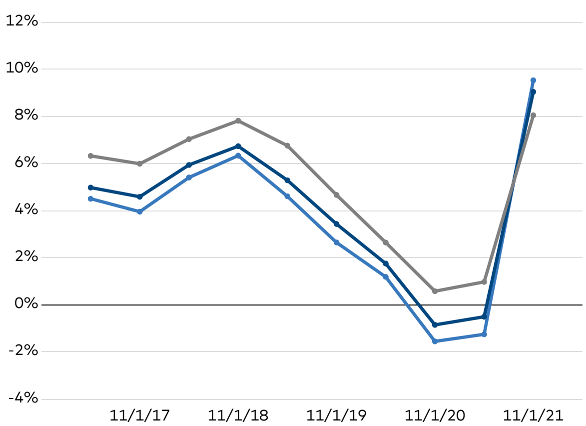
Miami



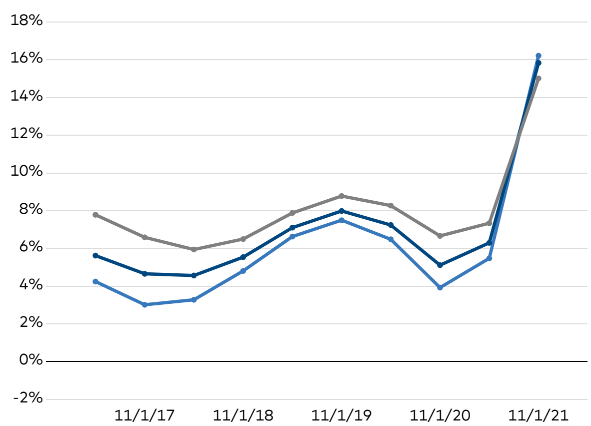
Orange County



Orlando



Phoenix

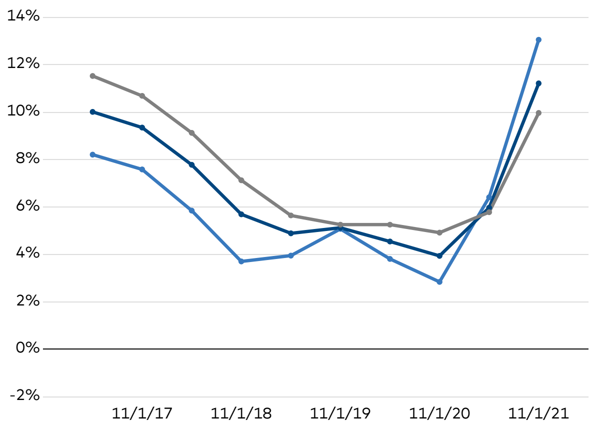


Trailing 12 Months Overall   Trailing 12 Months Lifestyle   Trailing 12 Months Renter-by-Necessity

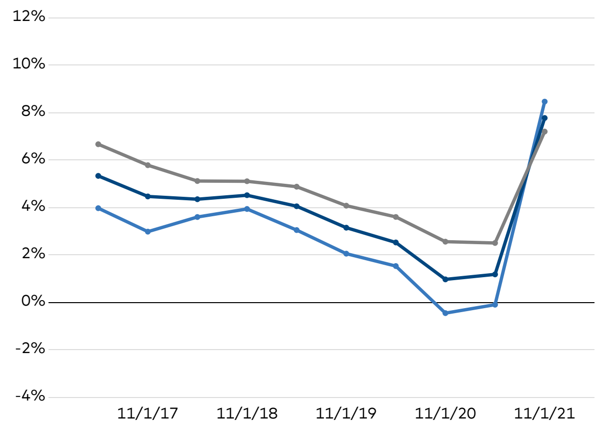
Source: Yardi Matrix

Market Rent Growth by Asset Class

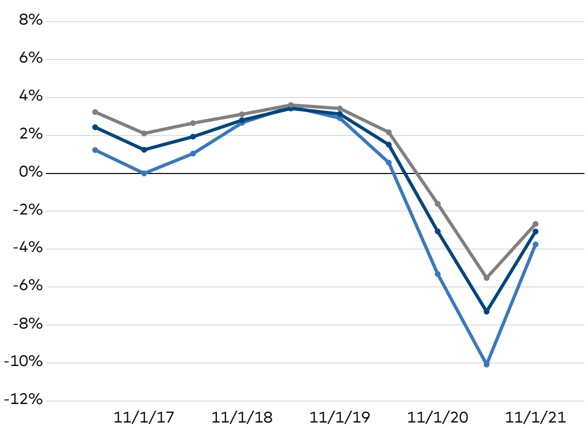
Sacramento



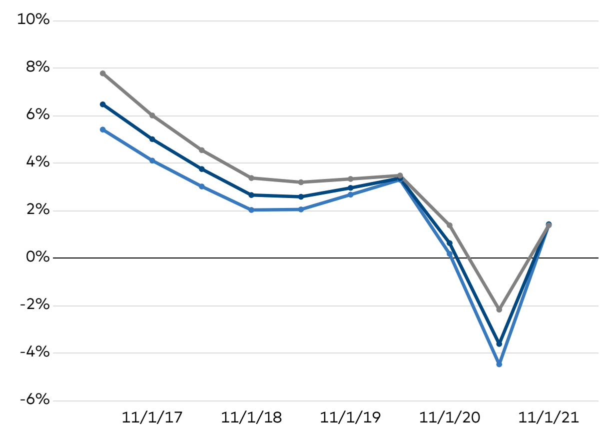
San Diego



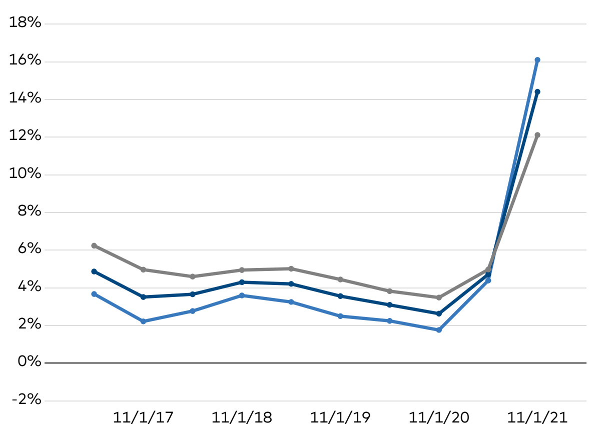
San Francisco



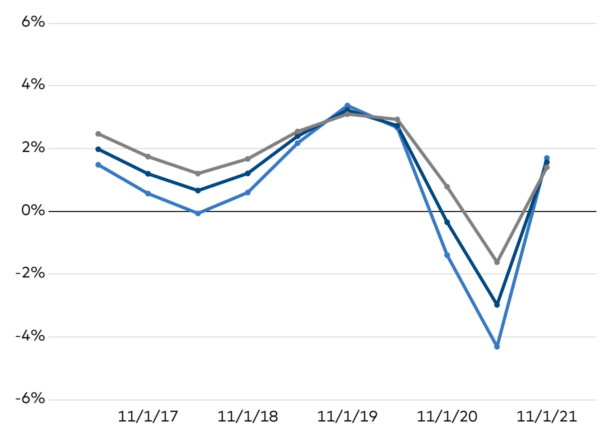
Seattle



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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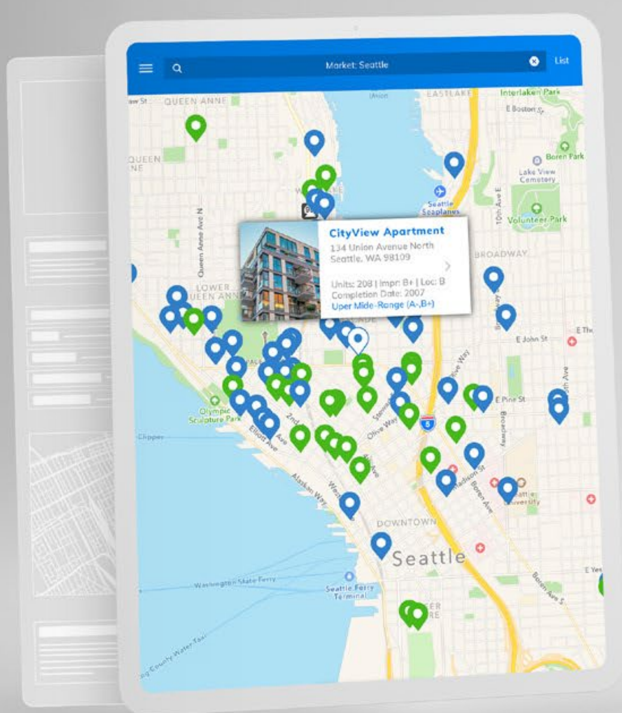

Yardi Matrix Multifamily provides accurate data on **19+ million units**, covering over **90% of the U.S. population**.

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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