Yardi Matrix

National Multifamily Report

December 2021

2021 in the Books: A Record Year for Multifamily

- U.S. multifamily rents rose modestly in December, increasing by $2 to a record $1,594, closing the book on an extraordinary year in which asking rents rose by 13.5% year-over-year. Rent growth in 2021 was more than double any previous year recorded by Matrix.
- Although we expect rent growth to decelerate in 2022, it should be a strong year nonetheless by historical standards, closer to the 5% annual increases recorded in the middle of the past decade. Demand for apartments remains robust, and the national occupancy rate has been at or near record highs for the last six months.
- Single-family rentals also remain in high demand, with the national occupancy rate up 0.4% year-over-year through December. SFR asking rents rose 13.8% in 2021.

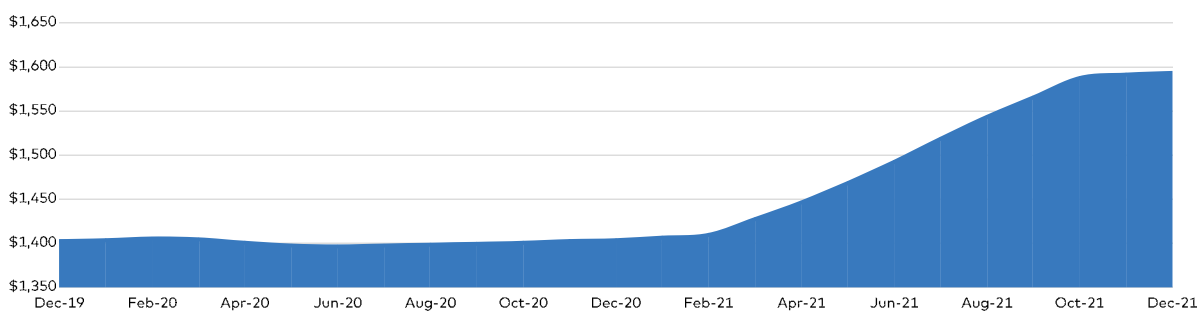
December was a normal winter month, with nominal multifamily rent increases, but the year it closed was anything but normal. U.S. multifamily asking rents rose 13.5% during the year, 8 percentage points higher than the previous peak year in 2015. The average U.S. asking rent rose $190 during the year.

A confluence of factors—some predictable but most unforeseen—led to the unprecedented gains. It was foreseeable that there was some pent-up demand coming out of the pandemic, especially with household savings rising as people sheltered. But through November nearly 600,000 apartment units were absorbed, about 50% more than the previous annual high, set in 2015, according to Matrix data.

We anticipate that 2022 will be another strong year for multifamily performance, albeit not like the frenzied highs of 2021. Underpinning this forecast is that the economy should remain strong. Evercore ISI, for example, forecasts 4.5% real GDP growth with 3.5% inflation growth in 2022. Evercore's growth forecast is based on a multitude of factors, including massive monetary stimulus, higher wages, the unprecedented surge in consumer wealth and savings, the economy continuing to reopen, the easing of supply chain issues, and strong corporate profits.

Consumers' financial health should continue to feed growth of new households while the rapid increase in home prices will funnel much of that demand to multifamily and single-family rentals. Headwinds, including inflation and a new wave of COVID-19 infections, should keep the growth to moderate levels.

National Average Rents



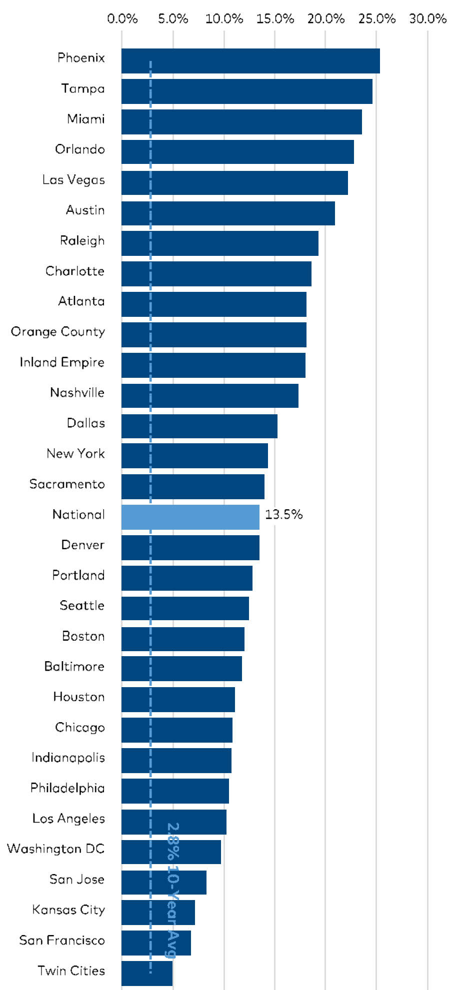
National averages include 132 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by Yardi Matrix.

Year-Over-Year Rent Growth: New York Rebounds Amid National Growth

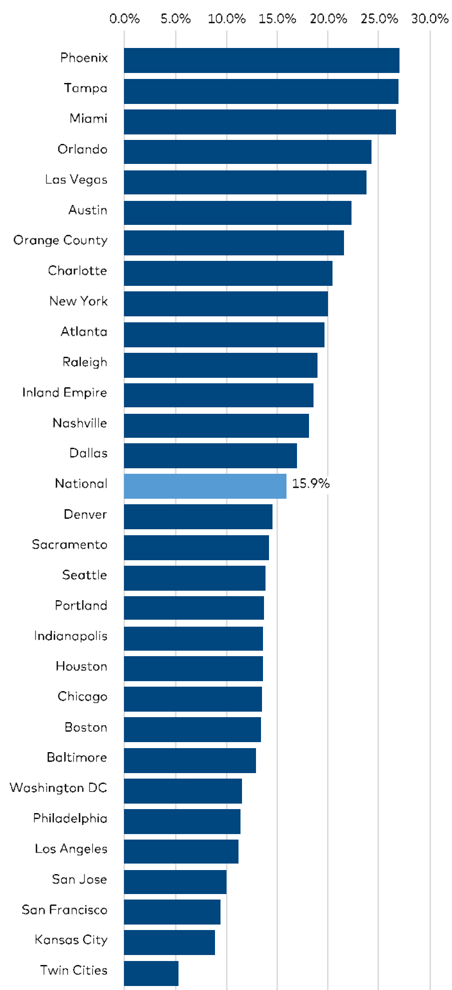
- Robust rent growth continues throughout all regions of the U.S. Asking rents increased by double-digit percentages year-over-year through December in 26 of the top 30 metros, while another six registered gains of 20% or more: Phoenix (25.3%), Tampa (24.6%), Miami (23.5%), Orlando (22.7%), Las Vegas (22.2%) and Austin (20.9%).

- Some of the impressive annual growth figures can be attributed to the fact that rents were generally flat in 2020, so the increases are off a smaller base. Even so, the growth since the spring is notable. For example, New York, where asking rent growth was negative for 14 straight months and didn't return to positive territory until July, registered a 14.2% gain year-over-year in December. Although Manhattan office attendance remains weak, rental demand is returning.

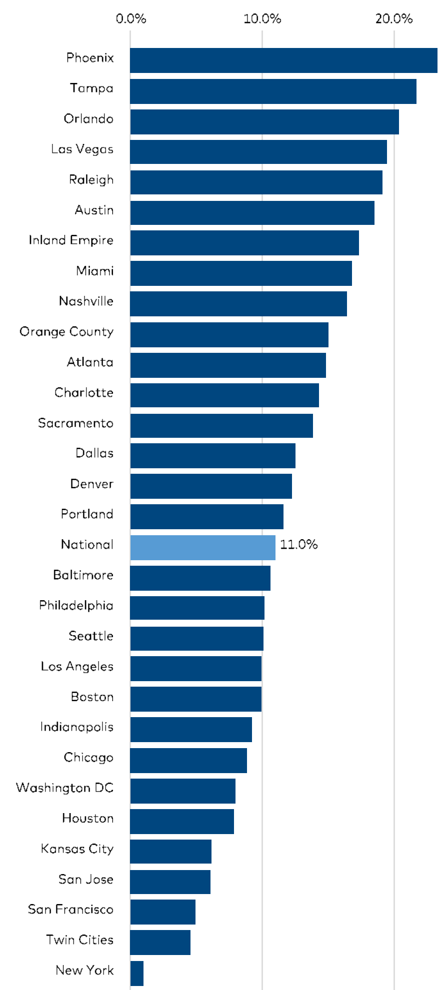
Year-Over-Year Rent Growth— All Asset Classes



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:
Wide Variance in Monthly Growth

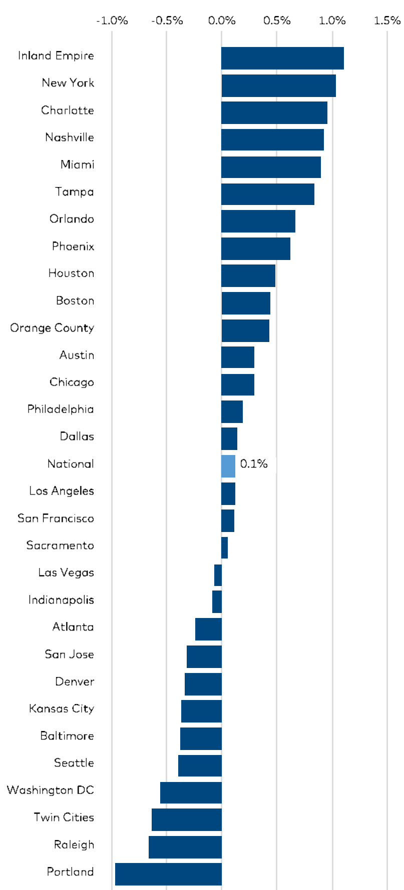
- Asking rents nationally increased 0.1% in December, a 20-basis-point deceleration from November.
- Rents in high-end Lifestyle as well as Renter-by-Necessity units increased by 0.2% month-over-month in December.

Asking rent growth decelerated once again in December. That's not surprising given December is normally a slow month for moving households and rents tend to flatten during winter, but 2021 was anything but typical.

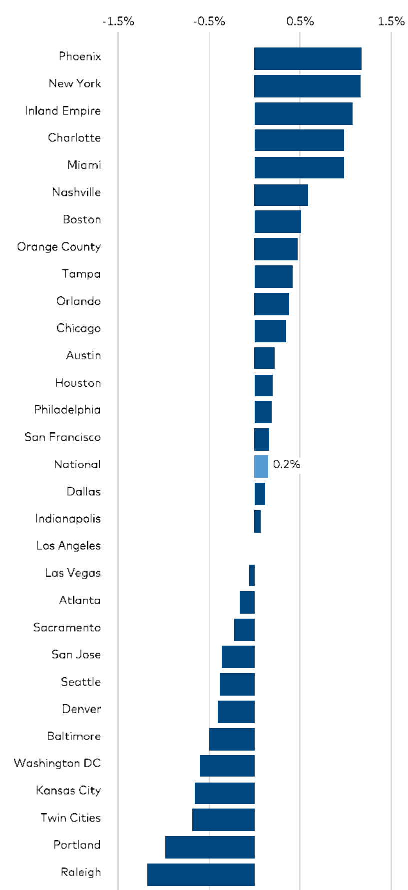
While overall rents were relatively flat from November to December, metro numbers varied widely. Eighteen of our top 30 saw month-over-month gains, led by the Inland Empire (1.1%), New York and Charlotte (each 1.0%). Another six metros increased by 0.5% or more.

A dozen saw asking rents decrease in December, with the worst performance coming in Portland (-1.0%), Raleigh (-0.7%) and the Twin Cities and Washington, D.C. (both -0.6%). One-month changes are too small of a sample to be considered a trend, but they bear watching. Over three months, no metro had negative asking rent growth.

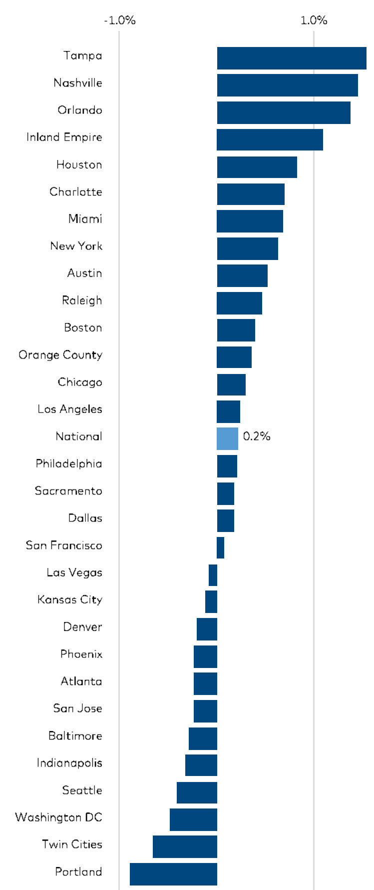
Month-Over-Month Rent Growth—All Asset Classes



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 brought about huge changes in migration patterns that are still developing.
- Demand for less-expensive secondary markets with warm weather has led to rapid rent growth.
- Only four markets nationwide remain below pre-pandemic rent levels.

Looking at rents by metro since the pandemic started reveals much about demand and where growth could be concentrated going forward.

Between March 2020 and December 2021, asking rents in Matrix's top 30 metros rose by $194, or 13.5%. By metro, however, the differences are stark. Asking rents have increased by 20% or more in nine of the top 30 and 10% or more in 19 of the top 30. Meanwhile, only four metros, largely coastal centers—San Jose, San Francisco and New York, as well as Midland, Texas—have current asking rents below pre-pandemic levels.

Sheltering in place and working from home have loosened the link between home and work and limited the cultural advantages of large cities. That led to a migration from high-cost gateway centers in the spring of 2020. Where households are going can be seen by rent growth data.

The top choices are the South and Southwest. Between March 2020 and December 2021, asking rents grew by 31.1% in Phoenix, 28.5% in Tampa, 28.2% in Las Vegas, 22.9% in Atlanta, 21.4% in Orlando, 20.7% in Raleigh-Durham and 20.6% in Charlotte.

Another type of migration occurred between expensive coastal markets and less-expensive nearby secondary markets. Asking rents since the pandemic started grew by 25.4% in the Inland Empire, 20.2% in Sacramento and 18.3% in Orange County. Other metros that reflect this type of migration include Baltimore (11.7%), Colorado Springs (14.7%), Northern New Jersey (8.9%) and Long Island (8.6%).

Metros where average rent remains below pre-pandemic levels include San Jose (-4.8%), San Francisco (-2.1%) and New York (-0.1%). That mostly reflects the cost of housing and decline of office usage, especially technology jobs in the Bay Area. Even so, all is not lost, as demand is rapidly returning to coastal centers. Year-over-year through November, occupancy of stabilized apartments was up 3.2% in New York, 2.9% in Chicago, 2.5% in San Jose and 2.0% in San Francisco.

The pandemic continues to affect commerce and travel, and the future of migration remains unknown, but clearly the shift to the South and West will endure.

Single-Family Build-to-Rent Segment: Year Ends With Strong Gain

- Single-family rental asking rent growth decelerated slightly, but ended the year up 13.8% year-over-year through December.
- Occupancy rates rose 0.4% nationally year-over-year, although there was a wide divergence in metro-level performance.

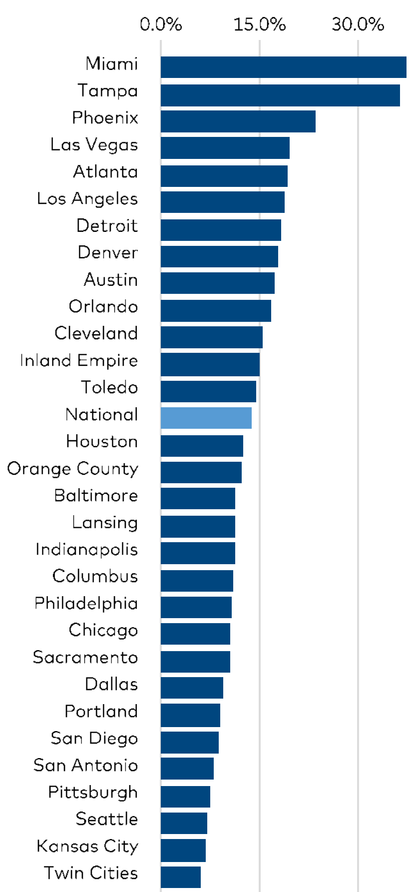
Single-family asking rents increased by 13.8% nationally in 2021. While it would be the height of confidence to expect a repeat of that level in the coming year, the outlook for 2022 is bright. The SFR sector wasn't created in 2021, but it was an important maturation point.

After a decade of fits and starts, 2021 might be seen in retrospect as the year the industry matured. Institutions poured billions of investment capital into the sector like never before. With big-name institutions on board, banks are becoming more comfortable financing SFRs.

What's more, the evergreen issue of how to grow single-family portfolios at a time of rising home costs was solved by the growth and acceptance of the build-to-rent sector.

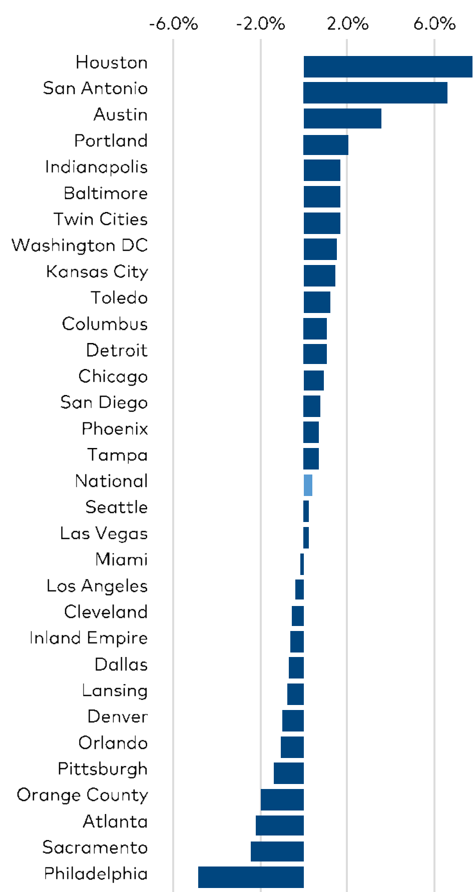
Note: Yardi Matrix covers Single-Family Built-to-Rent communities of 50 homes and larger.

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



Source: Yardi Matrix

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

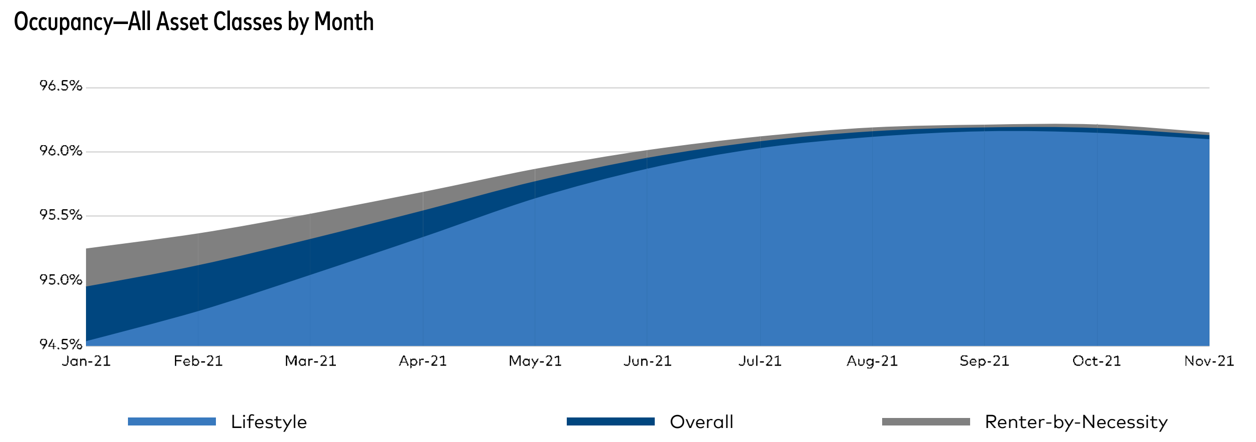


Employment and Supply Trends; Forecast Rent Growth

Market	YoY Rent Growth as of Dec - 21	Forecast Rent Growth as of 12/29/21 for YE 2021	YoY Job Growth (6-mo. moving avg.) as of Oct - 21	Completions as % of Total Stock as of Dec - 21
Phoenix	25.3%	25.8%	6.5%	2.9%
Tampa	24.6%	23.9%	5.6%	2.8%
Miami Metro	23.5%	23.5%	5.5%	5.0%
Orlando	22.7%	23.1%	7.0%	5.1%
Las Vegas	22.2%	22.8%	11.5%	1.9%
Austin	20.9%	21.8%	7.6%	4.9%
Raleigh	19.2%	21.3%	6.1%	3.2%
Orange County	18.2%	18.3%	8.3%	1.0%
Atlanta	18.2%	18.2%	5.5%	2.9%
Charlotte	18.6%	17.7%	4.7%	5.1%
Nashville	17.3%	17.1%	6.3%	3.1%
Inland Empire	18.0%	16.5%	5.5%	1.1%
Dallas	15.2%	15.6%	5.7%	2.8%
Sacramento	14.0%	15.2%	4.5%	0.7%
Portland	12.8%	14.5%	6.0%	2.9%
Denver	13.5%	14.2%	5.6%	2.7%
New York	14.2%	14.1%	6.6%	0.4%
Houston	11.1%	12.7%	4.5%	2.8%
Seattle	12.4%	12.6%	6.2%	3.0%
Boston	11.9%	12.5%	7.3%	2.2%
Indianapolis	10.7%	12.4%	3.9%	1.0%
Baltimore	11.7%	12.1%	5.2%	0.8%
Philadelphia	10.5%	10.9%	5.7%	1.9%
Washington DC	9.7%	10.9%	4.7%	2.1%
Los Angeles	10.3%	10.7%	6.1%	2.1%
Chicago	10.8%	10.6%	4.2%	1.7%
Kansas City	7.1%	9.3%	5.3%	2.9%
San Jose	8.3%	8.1%	4.3%	3.0%
Twin Cities	4.9%	6.4%	4.7%	3.4%
San Francisco	6.7%	6.3%	5.0%	3.1%

Source: Yardi Matrix

Occupancy & Asset Classes



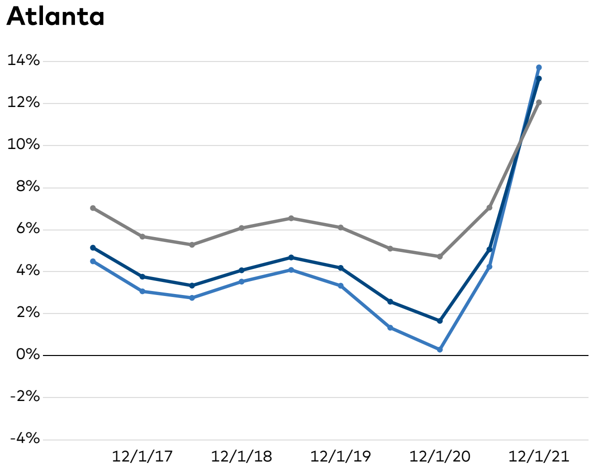
Source: Yardi Matrix

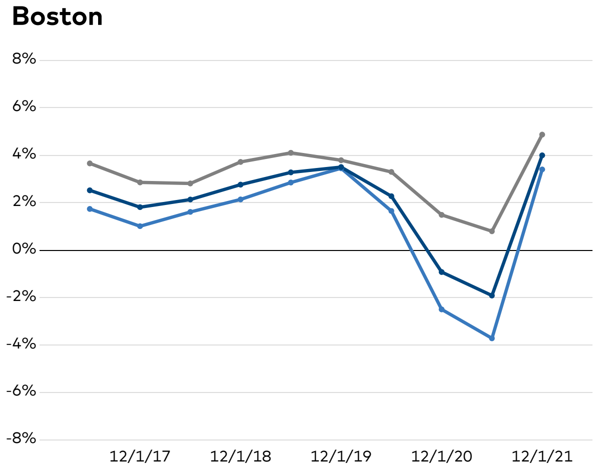
Year-Over-Year Rent Growth, Other Markets

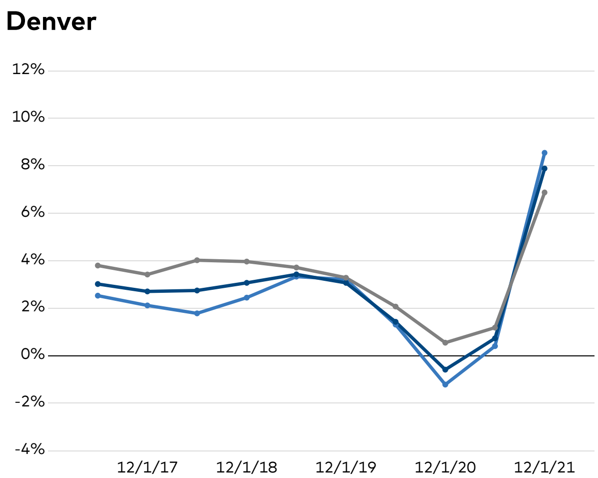
Market	December 2021		
	Overall	Lifestyle	Renter-by-Necessity
SW Florida Coast	33.5%	36.0%	29.1%
Jacksonville	23.1%	25.7%	19.4%
Albuquerque	17.9%	21.6%	15.7%
Tucson	17.5%	19.0%	16.9%
Salt Lake City	16.5%	16.4%	16.9%
Central Valley	15.3%	16.4%	15.0%
Colorado Springs	14.7%	14.1%	15.2%
NC Triad	14.7%	16.5%	11.8%
El Paso	13.6%	14.3%	13.2%
Tacoma	13.1%	13.5%	12.8%
San Fernando Valley	12.8%	15.3%	11.5%
Reno	12.4%	11.8%	12.8%
Indianapolis	10.7%	13.6%	9.2%
St. Louis	9.7%	10.0%	9.9%
Central East Texas	9.0%	9.2%	8.9%
Northern New Jersey	8.9%	10.4%	7.5%
Long Island	8.6%	8.9%	8.7%
Bridgeport–New Haven	8.1%	7.1%	8.9%
Louisville	6.9%	8.0%	6.9%

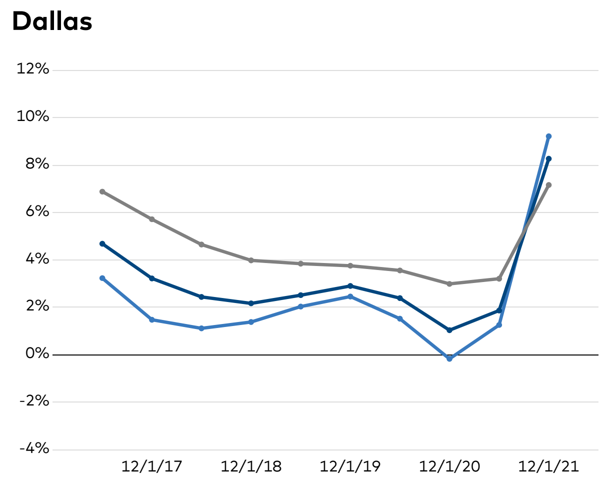
Source: Yardi Matrix

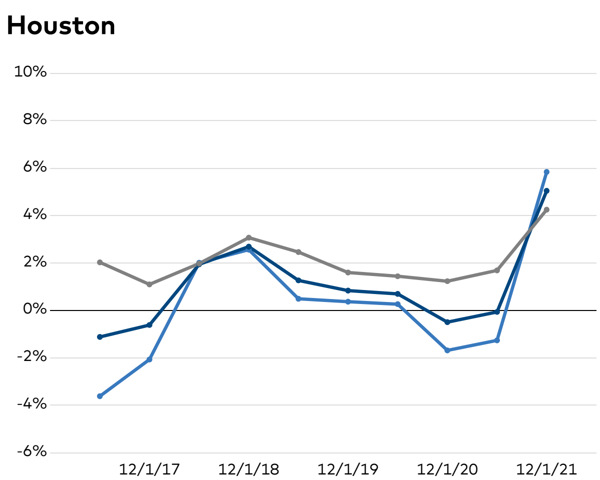
Market Rent Growth by Asset Class

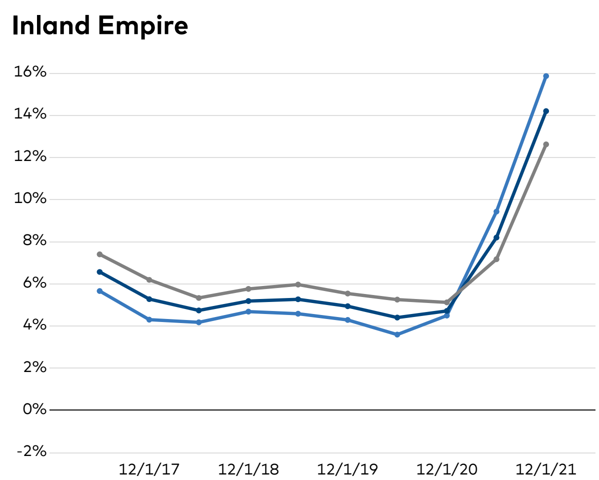










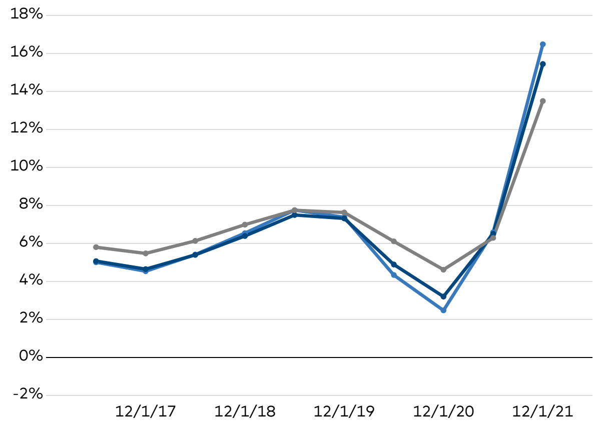


Trailing 12 Months Overall   Trailing 12 Months Lifestyle   Trailing 12 Months Renter-by-Necessity

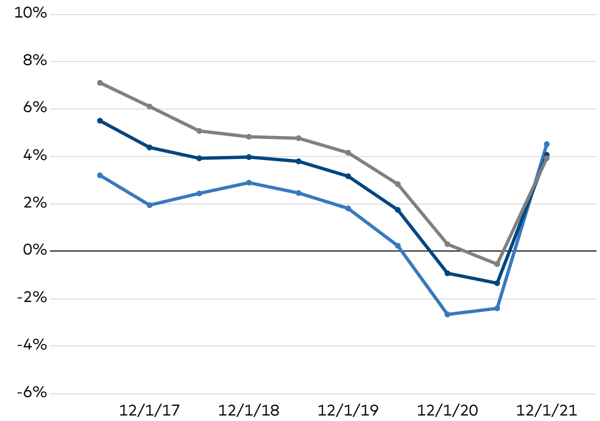
Source: Yardi Matrix

Market Rent Growth by Asset Class

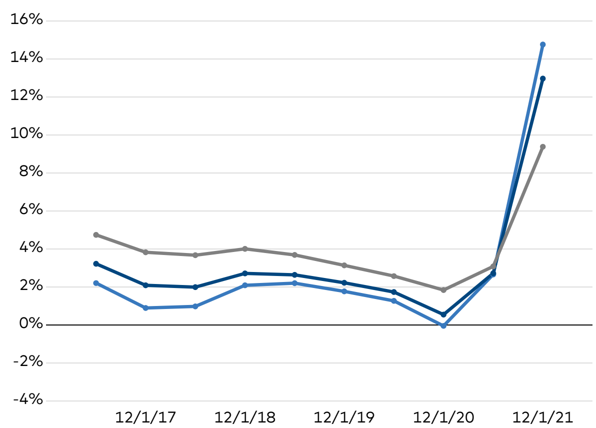
Las Vegas



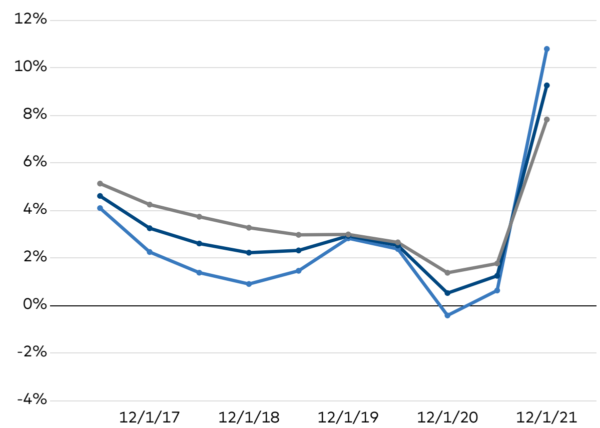
Los Angeles



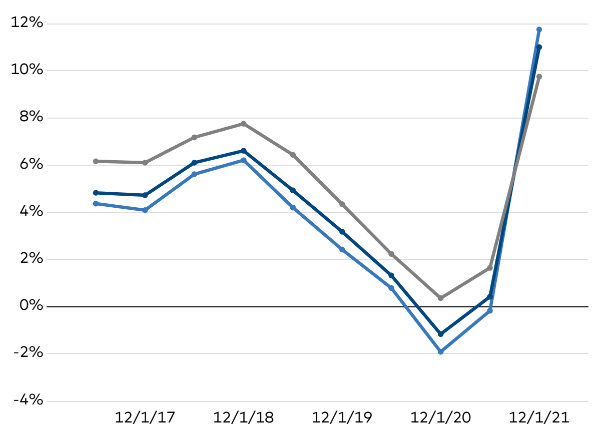
Miami



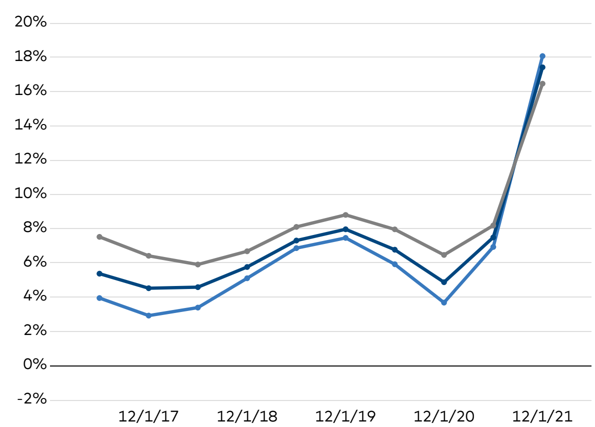
Orange County



Orlando



Phoenix

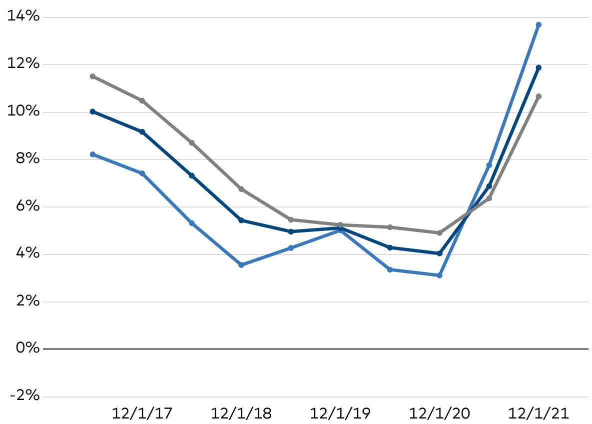


Trailing 12 Months Overall   Trailing 12 Months Lifestyle   Trailing 12 Months Renter-by-Necessity

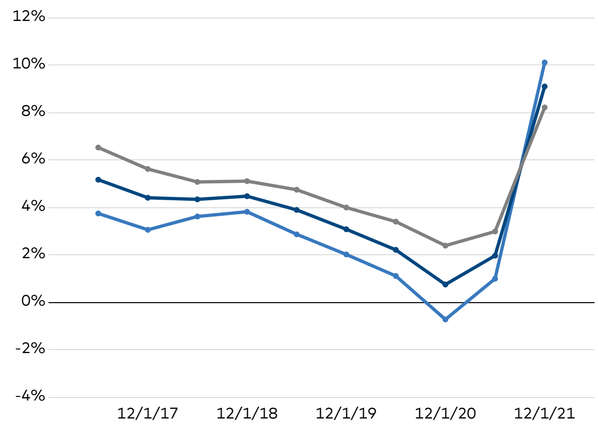
Source: Yardi Matrix

Market Rent Growth by Asset Class

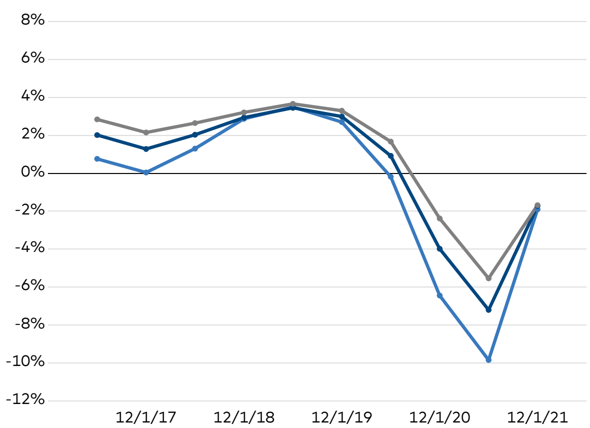
Sacramento



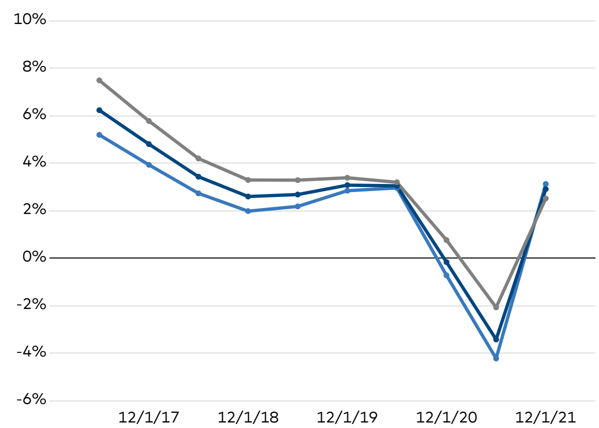
San Diego



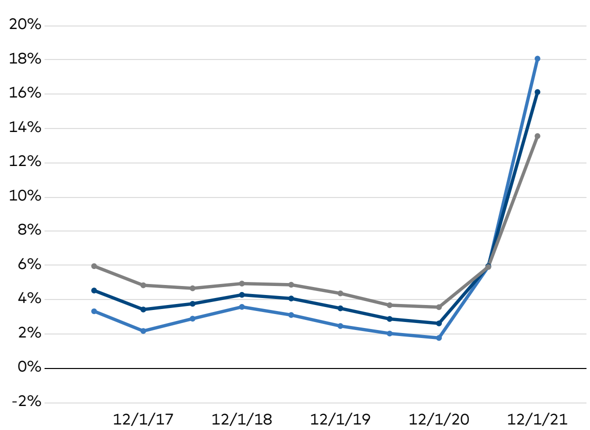
San Francisco



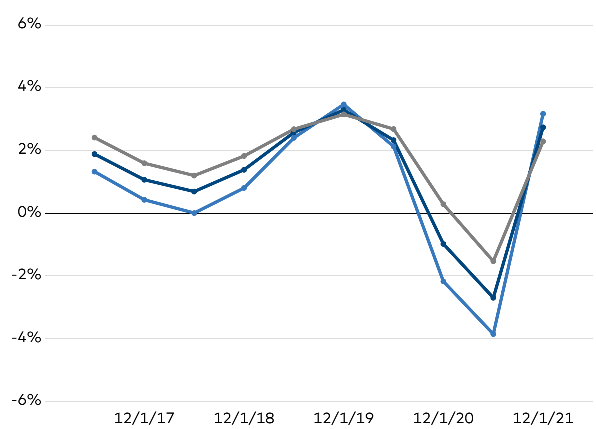
Seattle



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 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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