National Multifamily Report

April 2022

Slowdown in Multifamily Rents? Not Yet

- Despite the U.S. economy's recent hiccups, multifamily performance continues to be stellar. The average U.S. asking rent rose $15 in April to (yet another) all-time high of $1,659. Year-over-year growth moderated by 50 basis points but remains high at 14.3%.
- Although there is a small handful of weak numbers, multifamily demand and rent growth remain incredibly strong throughout the country. Of our top 30 metros, rent growth was up at least 8.8% over the last year in all but one. Rent growth was positive in each of the top 30 metros over the last one-month, three-month and 12-month periods.
- The average single-family asking rent in the U.S. topped $2,000 for the first time and stood at an all-time high of $2,018 in April. Year-over-year growth dropped 110 basis points to 13.2%.

Coming off a record year of growth, in a weakening economy, there was not much doubt that multifamily growth would slow down in 2022, but by how much? So far, two months into the spring leasing season, the market is holding up well.

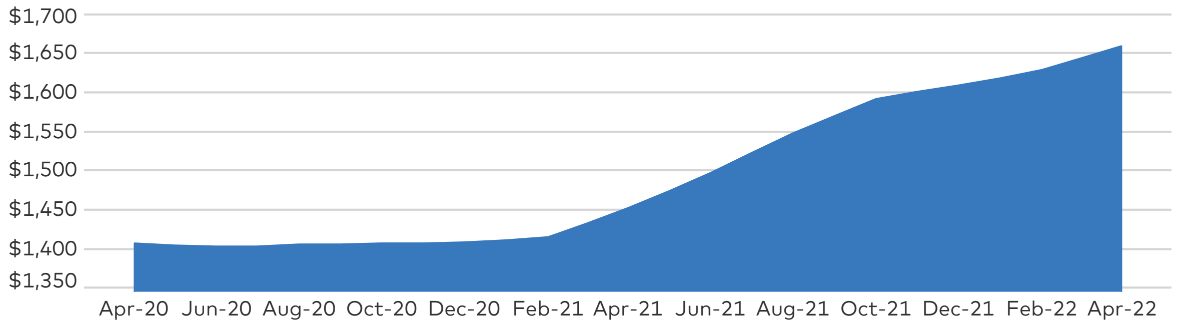
The average U.S. multifamily asking rent increased $15 in April, $30 over the last two months, and $50 year-to-date. The year-over-year growth rate declined to 14.3%, and it has been at least 14% for five straight months.

Rent growth continues to be strong across regions and market sizes. Markets in Florida and the Southwest maintained their grips on the top spots in the year-over-year rankings, but in recent months metros including Boston, New York, San Jose and Philadelphia that are recovering from COVID-19 downturns have been among the best performers.

Certainly, deceleration will happen, and there are warning signs on the horizon. The U.S. economy unexpectedly contracted by 1.4% in the first quarter of 2022, owing to issues that include surging inflation, ongoing supply-chain issues, shrinking business inventories, and the omicron outbreak in January. The Federal Reserve is expected to maintain its tightening policies that could further dampen growth.

The demand-supply equation for multifamily, however, should remain favorable even in the event of a modest economic slowdown. The job market is strong, and household finances remain healthy, as evidenced by a robust increase in consumer spending during the first quarter. Higher mortgage rates have put a crimp in the for-sale housing market, which is likely to keep some renters in apartments, while household formation growth is expected to remain strong.

National Average Rents

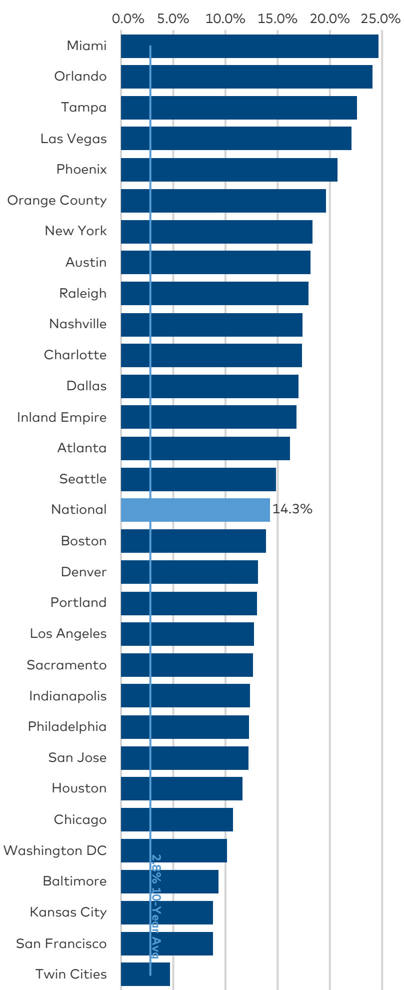


National averages include 132 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by Yardi Matrix.

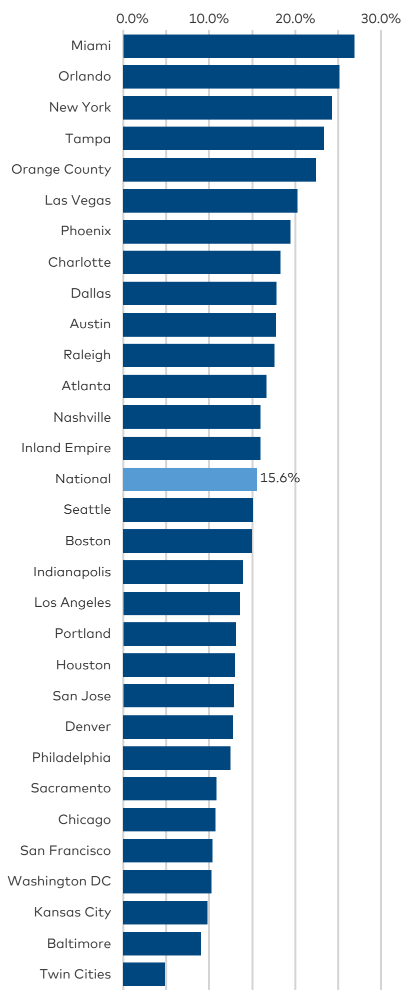
Year-Over-Year Rent Growth: Increases Remain Robust, With Slight Slippage

- Rent growth continued to be significant in April. Miami led the way with a 24.6% year-over-year increase, down 1.7 percentage points from March. Asking rents increased by 20% or more in five of the top 30 metros and 10% or more in 26 of the top 30 markets. Even the metros with the lowest growth—Baltimore (9.3%), Kansas City and San Francisco (8.8%), and the Twin Cities (4.7%)—still have reasonably strong performance.
- Demand in the Sun Belt and West appears to be cooling off slightly, while metros that lost occupancy in the pandemic continue to recover. Occupancy rates year-over-year decreased in four metros in March, led by Las Vegas (-0.8%), possibly a sign that in-migration is weakening. Phoenix and Sacramento (-0.5%) and the Inland Empire (-0.4%) also saw occupancy rates fall, while New York and San Jose led with gains of 2.4%.

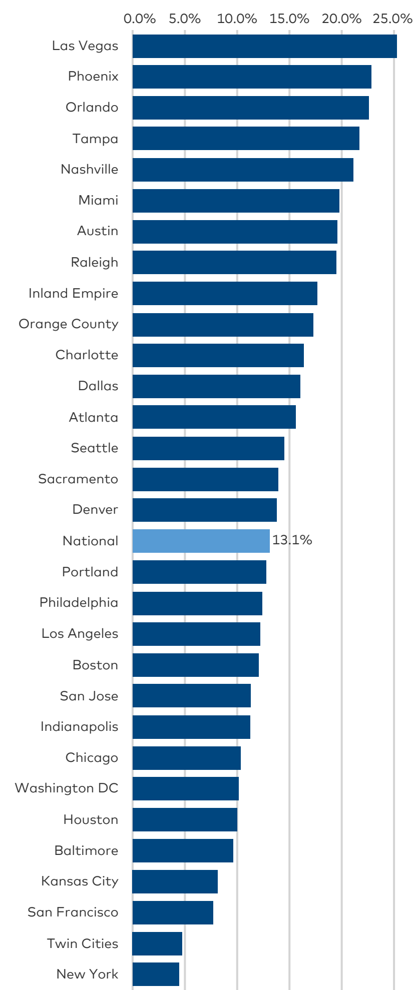
Year-Over-Year Rent Growth— All Asset Classes



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: Monthly Growth in April Points East

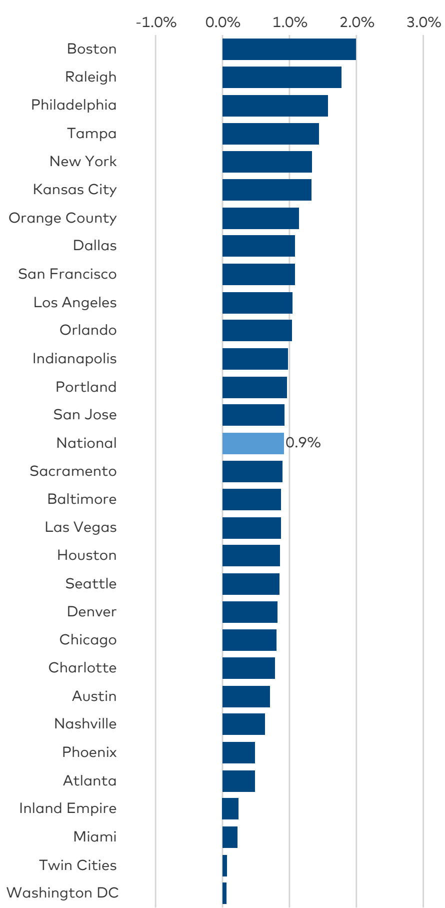
- Nationally, asking rents increased 0.9% month-over-month in April, the same monthly rate of increase as March.
- Renter-by-Necessity units increased 1.0% month-over-month, while high-end Lifestyle units rose by 0.8%.

Asking rents increased by $15 in April, up 0.9%. Although the amount and rate of growth are down somewhat from 2021, both measures are well above the monthly rent growth in any previous year. Rents are up $50 since the beginning of 2022.

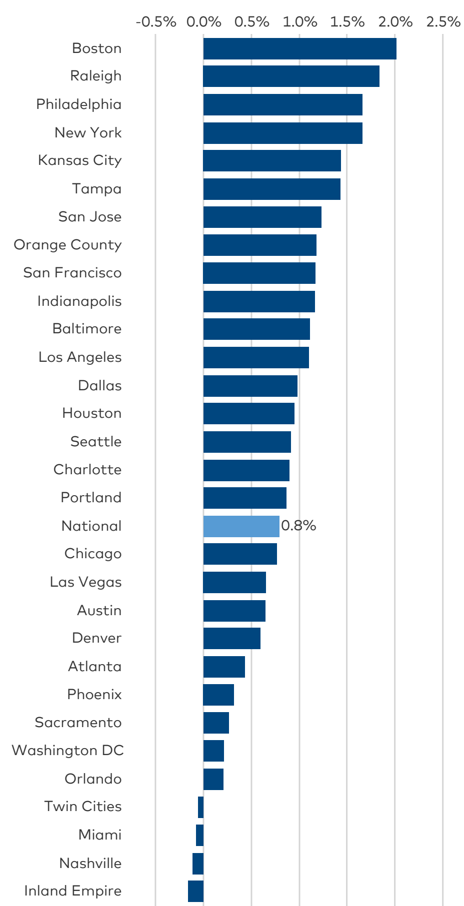
On a metro basis, April's gains were led by the metros in the Acela Corridor and the Sun Belt: Boston (2.0% month-over-month), Raleigh (1.8%), Philadelphia (1.6%), Tampa (1.4%) and New York (1.3%). Metros with the lowest increases were Washington, D.C. (0.0%), the Twin Cities (0.1%) and Miami (0.2%).

Orlando and Nashville had bifurcation between asking rents in April based on property quality. In Orlando, rents were up 2.9% in April for RBN and 0.2% for Lifestyle. In Nashville, rents grew 2.1% for RBN and -0.1% for Lifestyle. The bifurcation could show that demand for lower-price units in the market is increasing.

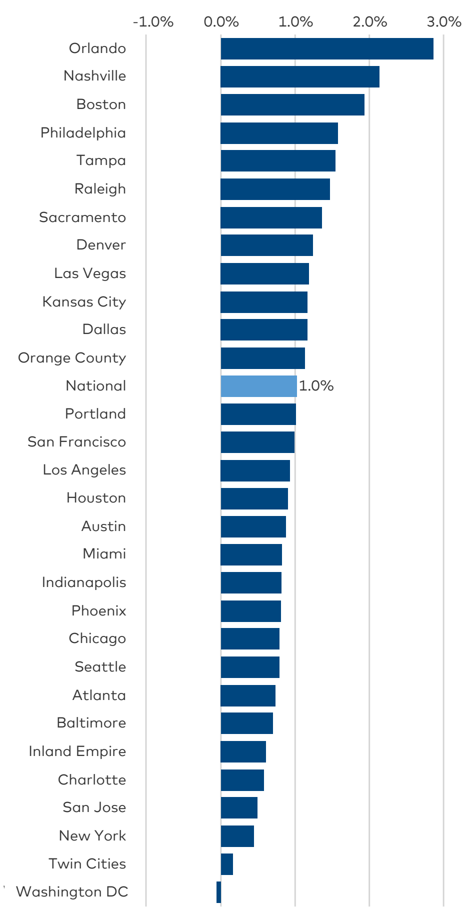
Month-Over-Month Rent Growth—All Asset Classes



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

- Multifamily rent growth is driven in part by a large-scale shortage of housing in the U.S.
- Analysts estimate the U.S. is anywhere between 2 million and 5 million housing units short of what is needed.
- Housing starts are on the rise, including strong growth in multifamily development, but it will take some years to return to equilibrium.

Explosive rent growth over the past year-plus was driven not just by pent-up demand and growing household formations but by a large undersupply of new units. An average of 16 million to 17 million homes were built between the 1980s and 2010, but that number fell to less than 11 million in the 2010s.

Now the U.S. is several million housing units short, according to analysts who spoke at the National Multifamily Housing Council's recent research conference. Chris Porter, chief demographer at John Burns Real Estate Consulting, estimated the shortfall is 1.7 million units. Leonard Kiefer, deputy chief economist at Freddie Mac, said the country went from a surplus of 1.9 million units of housing in 2010 to a 3.8 million-unit shortfall in 2020.

The chief culprit is not enough development. After the housing bubble triggered the financial crisis in 2008-09, banks reduced financing for single-family and multifamily projects. Construction has picked up in recent years (new multifamily supply was about 400,000 units in 2021, while more than 800,000 units were under construction, per Yardi Matrix data), but development is being held back in many markets where it is needed.

Why? Land is constrained, and the high cost of land and construction labor and supplies makes new projects difficult to pencil out. Regulatory hurdles add time and costs (32% to the average project, per NMHC). And NIMBY protests are ubiquitous in many metros nationwide, as residents apply political pressure to stop new developments. Of course, the balance between how much is needed and the ease of development varies by state and region.

Meanwhile, the demand for housing is evolving. High-income and older households increasingly rent more compared to previous decades. Homebuyers are being squeezed out by rising prices, competition from investors for rentals, and people buying second homes.

The shortfall isn't permanent. Population growth has slowed, and Porter noted that after years of underbuilding, housing starts have reached 1.8 million annually, above the 40-year 1.4 million average. "We are now headed into a period of unsustainably high construction," he said, which eventually will swing the pendulum in the other direction.

Single-Family Build-to-Rent Segment: SFR Demand Continues to Grow

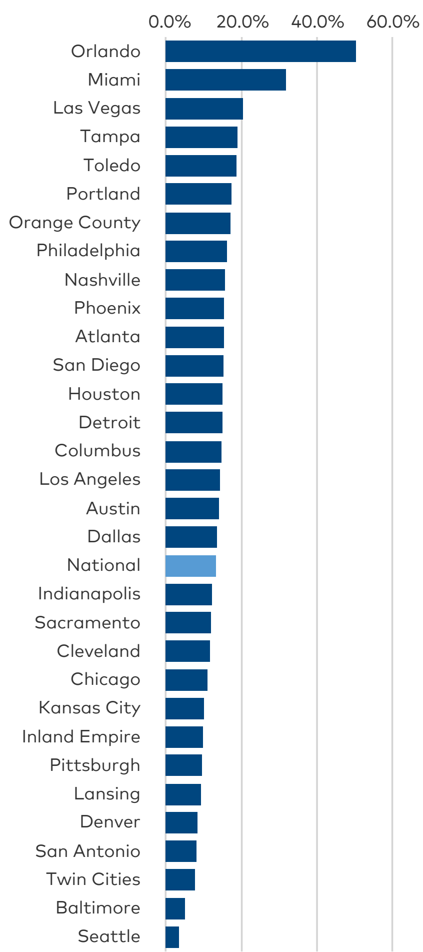
- Single-family rental asking rent growth remained strong in April, rising 13.2% year-over-year.
- Nationally, occupancy rates were unchanged in April, although there was a wide variation among metros.

Asking rents in the single-family rental (SFR) sector continue to soar on par with multifamily. National SFR asking rents grew 13.2% in April, with three metros showing growth over 20%: Orlando (50.3%), Miami (31.7%) and Las Vegas (20.3%).

Rapidly rising house prices and increasing interest rates are keeping homeownership out of reach for some potential buyers, while others are losing bids to the growing competition from institutional investors. The increasing preference for suburban housing has added to demand for single-family rentals. New development is on the rise as more and more investors enter the sector, though that will be tested as development and borrowing costs increase.

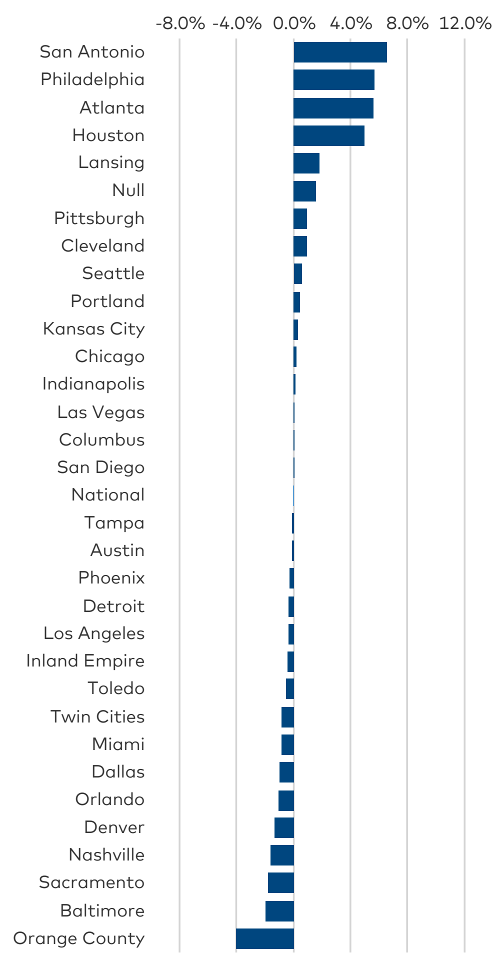
Note: Yardi Matrix covers single-family built-to-rent communities of 50 homes and larger.

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



Source: Yardi Matrix

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

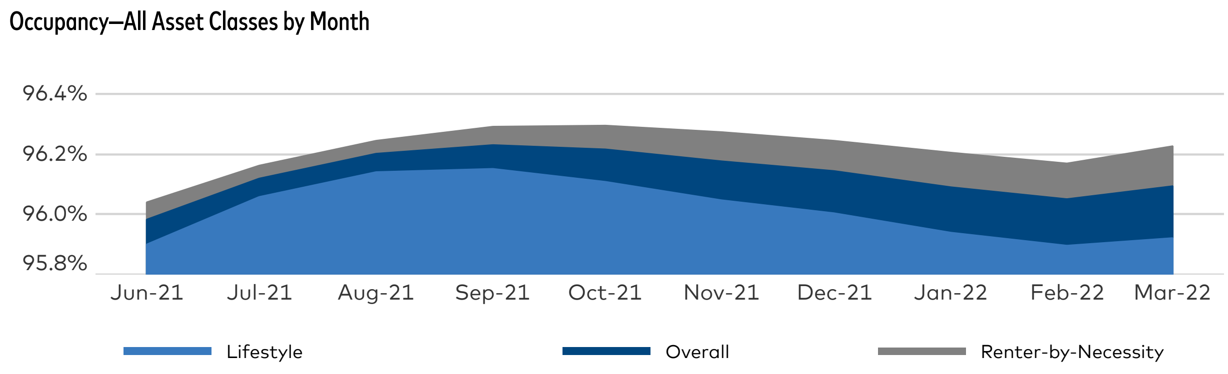


Employment and Supply Trends; Forecast Rent Growth

Market	YoY Rent Growth as of Apr - 22	Forecast Rent Growth as of 04/30/22 for YE 2022	YoY Job Growth (6-mo. moving avg.) as of Feb - 22	Completions as % of Total Stock as of Apr - 22
Miami Metro	24.6%	9.9%	6.3%	5.1%
Orlando	24.1%	9.1%	8.6%	4.8%
Inland Empire	16.8%	9.1%	6.1%	1.3%
Las Vegas	22.1%	8.5%	12.6%	1.7%
Austin	18.1%	8.3%	9.0%	4.8%
Tampa	22.6%	8.1%	5.2%	2.6%
Charlotte	17.3%	8.1%	3.4%	4.1%
San Francisco	8.8%	7.8%	6.3%	2.7%
Phoenix	20.7%	7.7%	4.7%	2.9%
Sacramento	12.7%	7.7%	5.0%	1.4%
Atlanta	16.2%	7.6%	5.8%	2.2%
Portland	13.0%	7.6%	5.4%	2.0%
Indianapolis	12.3%	7.2%	4.1%	1.3%
Raleigh	17.9%	7.0%	4.9%	2.9%
Nashville	17.4%	7.0%	5.7%	4.4%
Los Angeles	12.7%	7.0%	7.1%	2.5%
Seattle	14.8%	6.7%	5.2%	3.8%
San Jose	12.2%	6.4%	5.6%	3.8%
Orange County	19.7%	6.2%	6.0%	0.9%
New York	18.3%	5.9%	5.4%	0.7%
Dallas	17.0%	5.9%	6.5%	2.9%
Denver	13.1%	5.8%	5.1%	2.8%
Houston	11.6%	5.7%	5.3%	2.6%
Kansas City	8.8%	5.7%	2.1%	2.5%
Boston	13.9%	5.4%	4.6%	2.5%
Baltimore	9.3%	5.4%	3.9%	0.8%
Philadelphia	12.2%	5.3%	4.3%	1.7%
Chicago	10.7%	5.1%	4.6%	1.9%
Washington DC	10.1%	4.0%	3.7%	2.1%
Twin Cities	4.7%	3.5%	2.8%	2.7%

Source: Yardi Matrix

Occupancy & Asset Classes



Source: Yardi Matrix

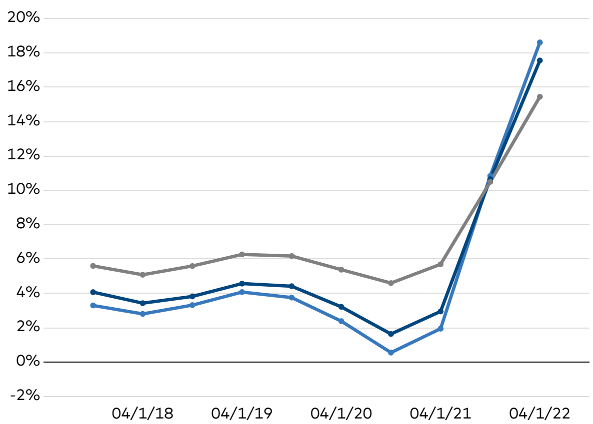
Year-Over-Year Rent Growth, Other Markets

Market	April 2022		
	Overall	Lifestyle	Renter-by-Necessity
SW Florida Coast	32.6%	34.1%	31.2%
Jacksonville	20.9%	21.8%	19.8%
Salt Lake City	20.0%	19.7%	20.1%
Tucson	19.4%	18.2%	20.0%
NC Triad	16.5%	14.4%	19.3%
Albuquerque	15.9%	15.1%	16.8%
El Paso	14.2%	12.7%	14.6%
Central Valley	13.7%	12.4%	13.9%
San Fernando Valley	13.5%	15.5%	12.4%
Colorado Springs	12.6%	11.5%	14.2%
Tacoma	12.4%	12.1%	12.9%
Indianapolis	12.3%	14.0%	11.2%
Northern New Jersey	12.3%	14.5%	9.9%
St. Louis	11.1%	9.7%	11.7%
Central East Texas	9.9%	10.8%	9.5%
Reno	9.8%	9.6%	9.9%
Bridgeport–New Haven	9.7%	10.3%	9.4%
Louisville	9.2%	10.5%	8.7%
Long Island	8.6%	9.7%	8.2%

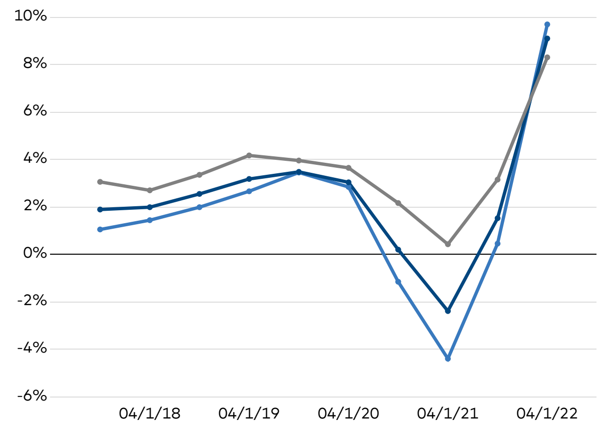
Source: Yardi Matrix

Market Rent Growth by Asset Class

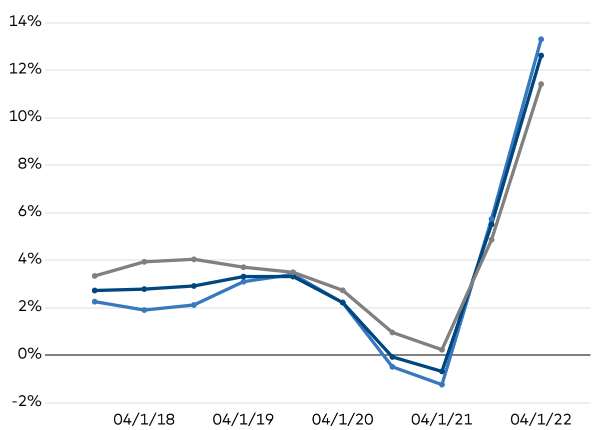
Atlanta



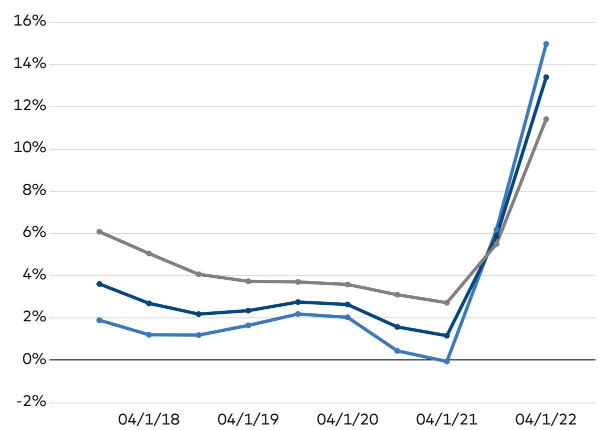
Boston



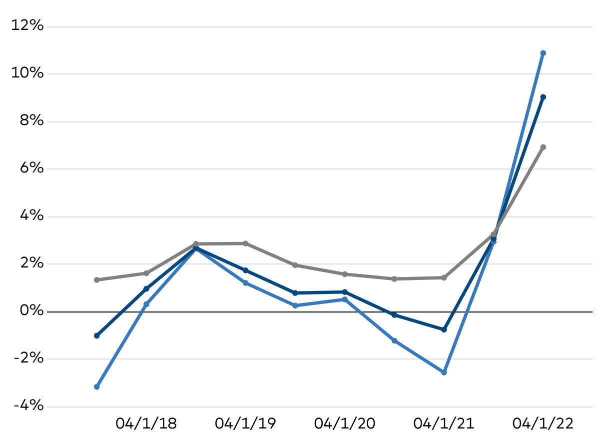
Denver



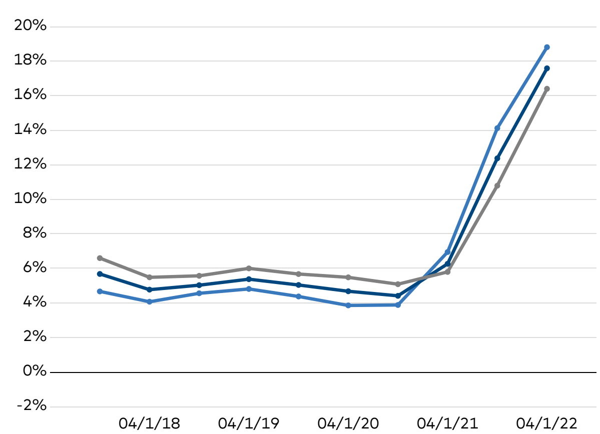
Dallas



Houston



Inland Empire

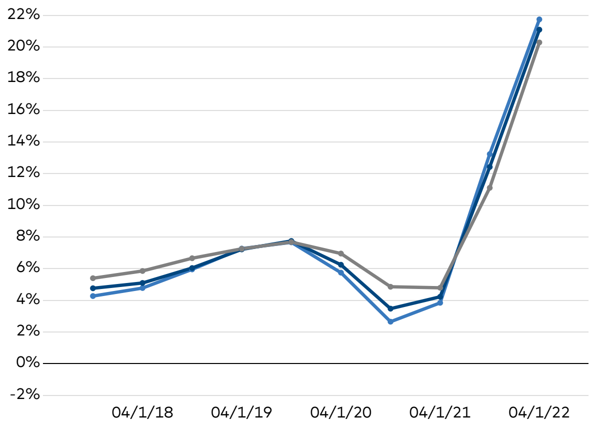


Trailing 12 Months Overall · Trailing 12 Months Lifestyle · Trailing 12 Months Renter-by-Necessity

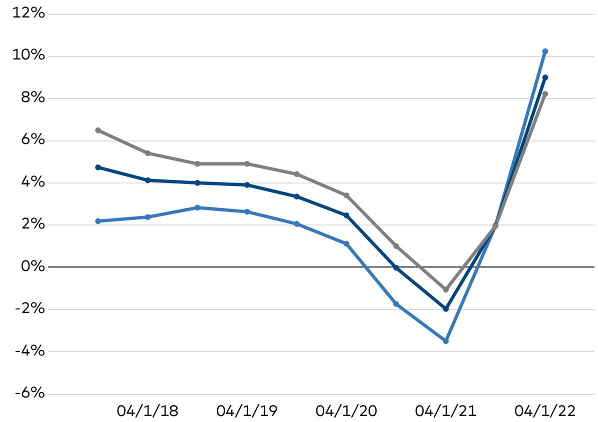
Source: Yardi Matrix

Market Rent Growth by Asset Class

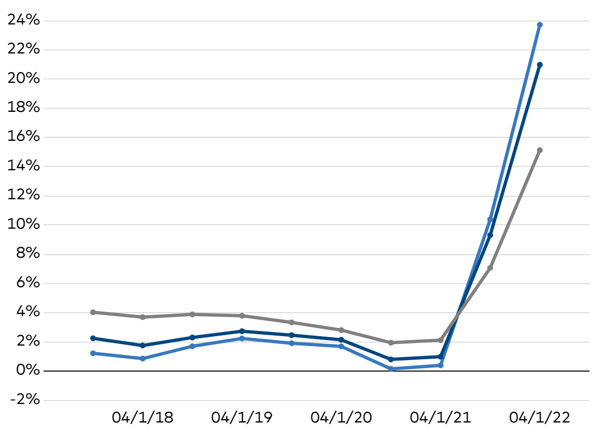
Las Vegas



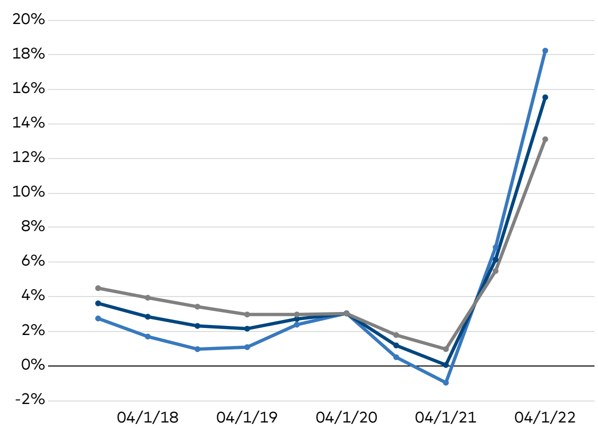
Los Angeles



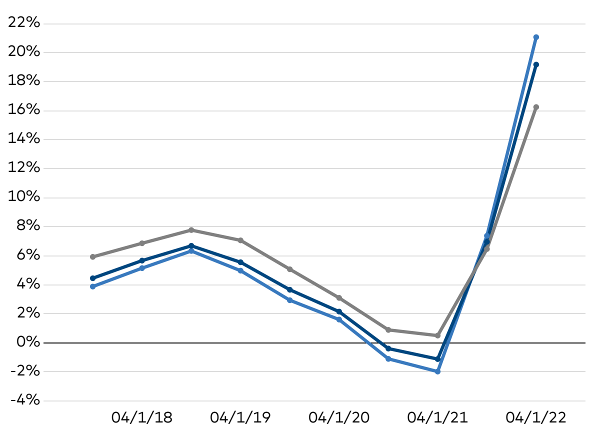
Miami



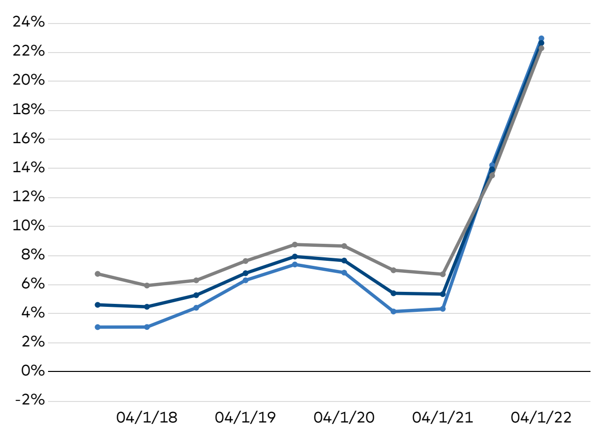
Orange County



Orlando



Phoenix

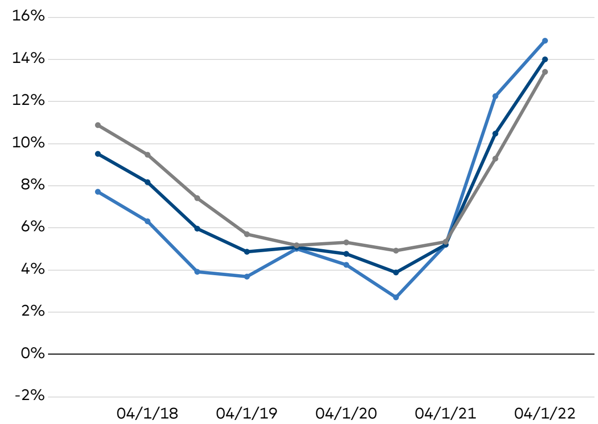


Trailing 12 Months Overall — Trailing 12 Months Lifestyle — Trailing 12 Months Renter-by-Necessity

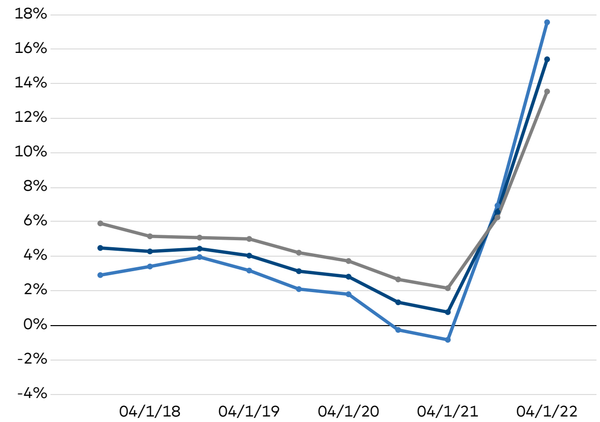
Source: Yardi Matrix

Market Rent Growth by Asset Class

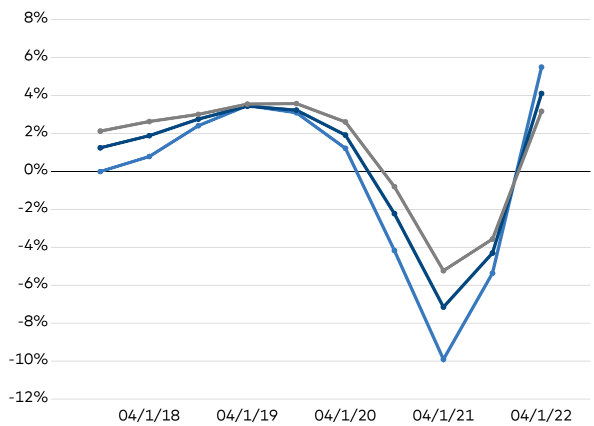
Sacramento



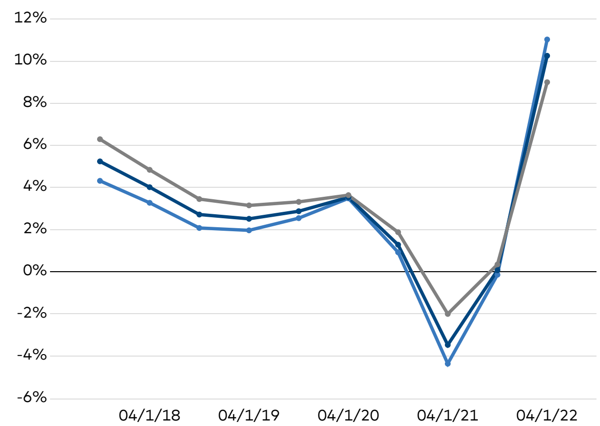
San Diego



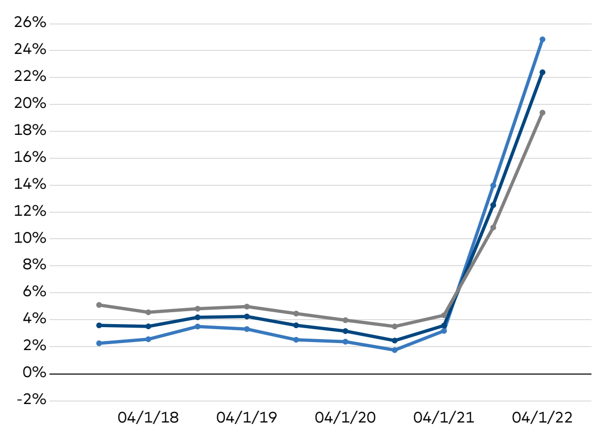
San Francisco



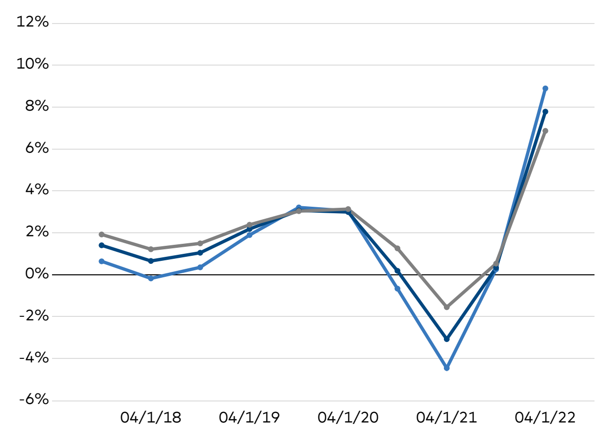
Seattle



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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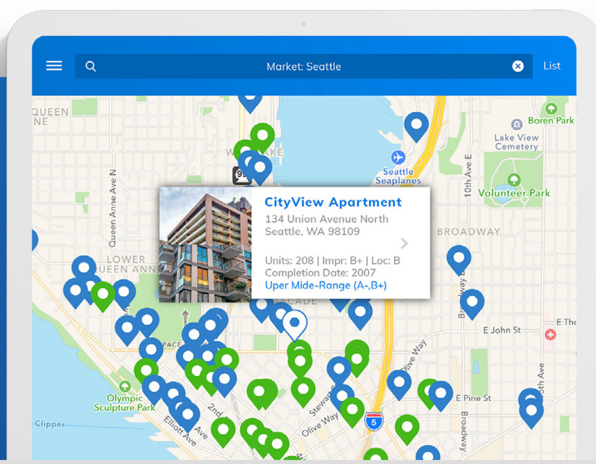
MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



Yardi Matrix Multifamily provides accurate data on **19.7+ million units**, covering over **92% of the U.S. population.**

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