Yardi Matrix

National Multifamily Report

May 2022

Multifamily Posts Broad Gains in May

- Multifamily performance continues to outpace every year other than 2021. The average U.S. asking rent rose $19 in May to an all-time high of $1,680. Year-over-year growth decelerated by 40 basis points to 13.9%. That's 130 basis points off the peak last summer, but still exceptional performance.
- Demand and rent growth continue to increase throughout the country. Rent growth rose at least 10% year-over-year in 26 of Yardi's top 30 metros.
- The average single-family asking rent increased by $19 in May to $2,038, as year-over-year growth dropped by 70 basis points to 12.7%. Although the national occupancy rate fell 0.2%, the sector will continue to ride strong demand, especially as home sales wane due to higher interest rates.

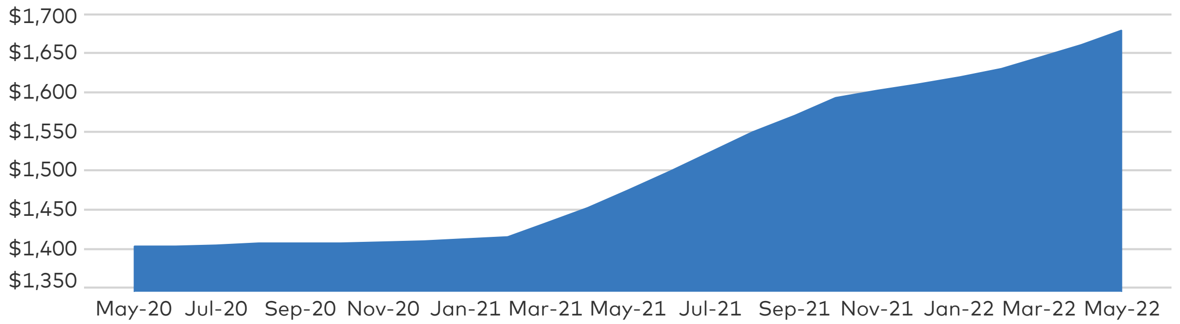
Multifamily rents continue to defy gravity, increasing a robust $19 in May to a U.S. average of $1,680. Decelerating economic growth and concerns about gas prices and inflation have not eroded multifamily demand much nor slowed down the upward climb of rents. On average, U.S. rents increased 1.1% in May, rising 3.0% over the past three months and 13.9% over the past year. Rent growth in recent months is consistently a bit less than it was in 2021, but considerably above any previous year.

Although the biggest gains were recorded in rapidly growing Sun Belt metros—Miami, Orlando and Tampa are all above 20% growth year-over-year—rent increases and demand were well above trend throughout the entire country. The Twin Cities, at 5.2% year-over-year, was the only metro in the Matrix top 30 with rent growth below 8.7%.

Each region has its drivers of demand and rent. Metros in the Sun Belt and states such as Florida, Texas and Arizona are benefiting from migration stemming from the inflow of population and jobs. Gateway metros continue to rebound from the pandemic slump, backfilling the renters who moved to suburbs and/or more affordable locales with a new set of households that want an urban experience. Occupancy rates in San Jose, New York, Chicago and San Francisco rose at least 1.5 percentage points over the past year.

Signs of the inevitable cooling may well come from the weakening occupancy rates in some high-growth metros. Seven metros—led by Las Vegas (-1.1% year-over-year), Sacramento and Phoenix (-0.7%)—have seen occupancy rates decline over the past year. A robust delivery pipeline could be the root cause in some, but new supply in others is on par with the national average. While rents are up at least 13% year-over-year in each, it may portend an easing of demand.

National Average Rents



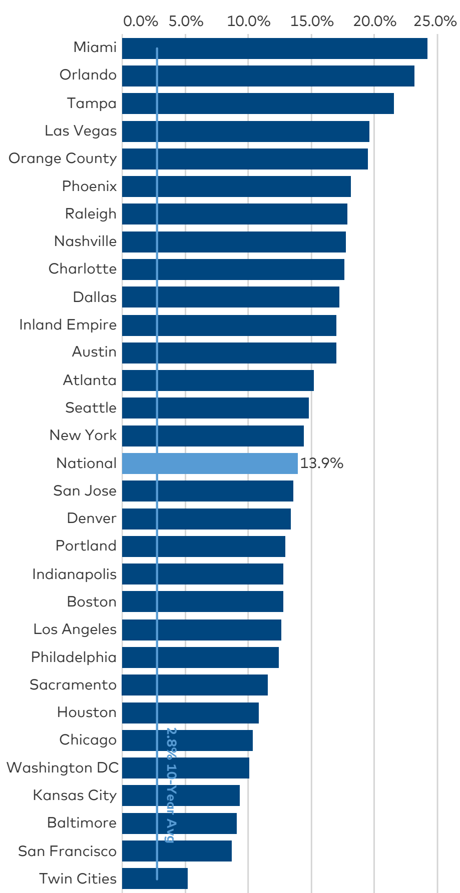
National averages include 132 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by Yardi Matrix.

Year-Over-Year Rent Growth: Florida Metros Lead in Rent Growth

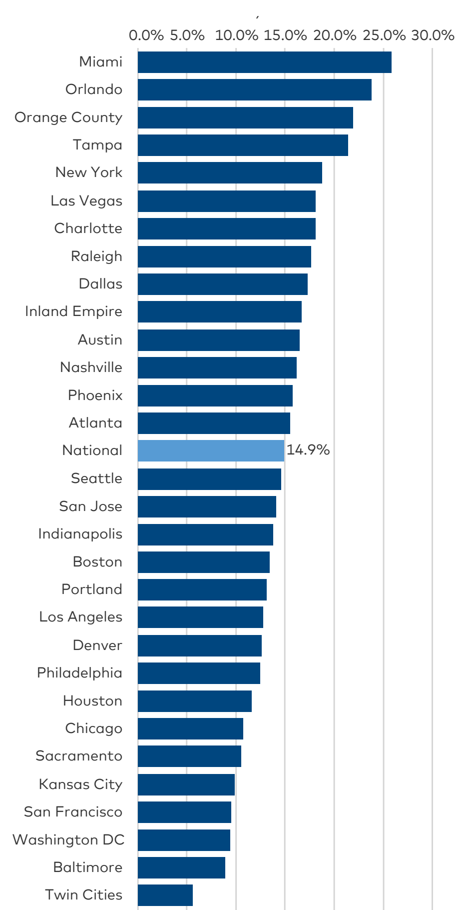
- Rent growth persisted in May. Florida metros led the way in year-over-year rent increases, with Miami (24.2%), Orlando (23.2%) and Tampa (21.6%) at the top of the rankings. Asking rents increased by at least 10% in 23 of the top 30 markets. Even the metros with the lowest growth—Baltimore (9.1%), San Francisco (8.7%) and the Twin Cities (5.2%)—continued to sustain reasonably strong performance.

- Demand appears to be cooling slightly in Sun Belt and Western metros, while larger metros that lost occupancy in the pandemic continue to recover. Occupancy rates year-over-year decreased in seven metros in April, led by Las Vegas (-1.1 percentage points), Phoenix (-0.7) and Sacramento (-0.7), a possible sign that in-migration is weakening. Occupancy rates increased most year-over-year in New York (2.1), San Jose (2.0) and Chicago (1.5).

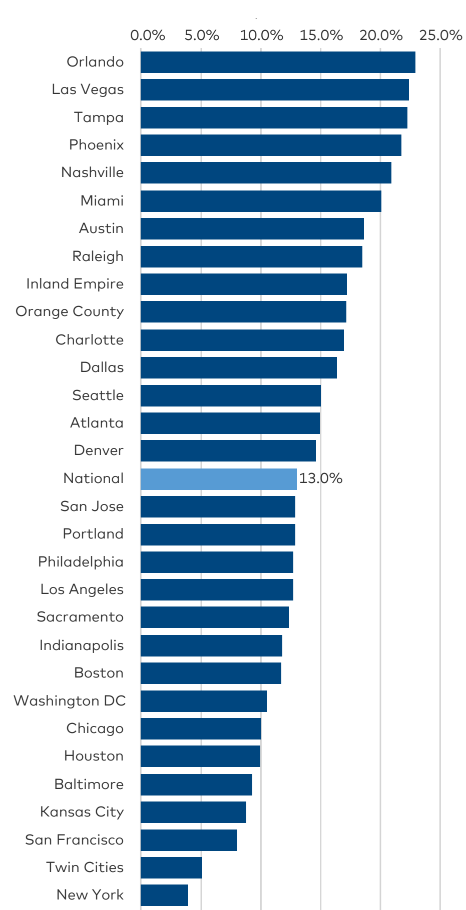
Year-Over-Year Rent Growth— All Asset Classes



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 Units Show Most Gains in May

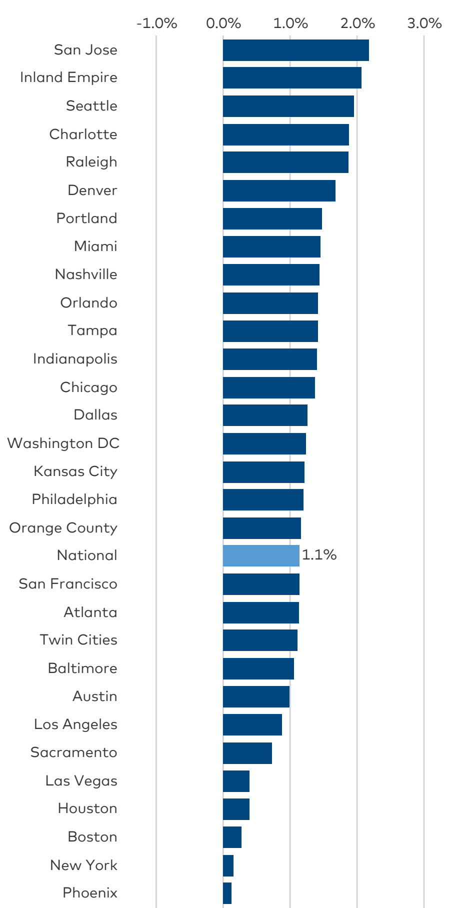
- Asking rents nationally increased 1.1% month-over-month in May, 20 basis points higher than in April.
- Lifestyle unit rents increased to 1.2% in May, while Renter-by-Necessity units increased by 1.0%.

National asking rents increased by $19 month-over-month in May, up 1.1% from April. While it represents a slight decline from the growth in 2021, the increase is well above pre-pandemic averages for May. Nationally, asking rents have increased $70 overall year-to-date.

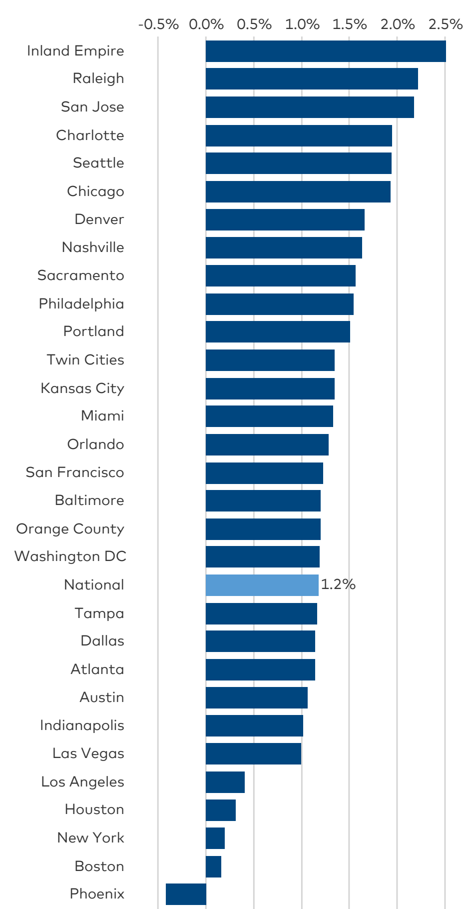
West Coast metros led the gains in May, with San Jose (2.2%), the Inland Empire (2.1%) and Seattle (2.0%) posting the highest increases month-over-month. Metros with the lowest increases were Phoenix and New York (each 0.1%) and Boston at 0.3%.

Higher-end Lifestyle units registered month-over month gains in asking rents in 29 of 30 metros. Coastal metros led in both RBN and Lifestyle rent increases in May, including the Inland Empire (2.5% Lifestyle, 1.6% RBN), San Jose (2.2% Lifestyle, 2.1% RBN), Charlotte (1.9% Lifestyle, 1.8% RBN) and Seattle (1.9% Lifestyle and RBN).

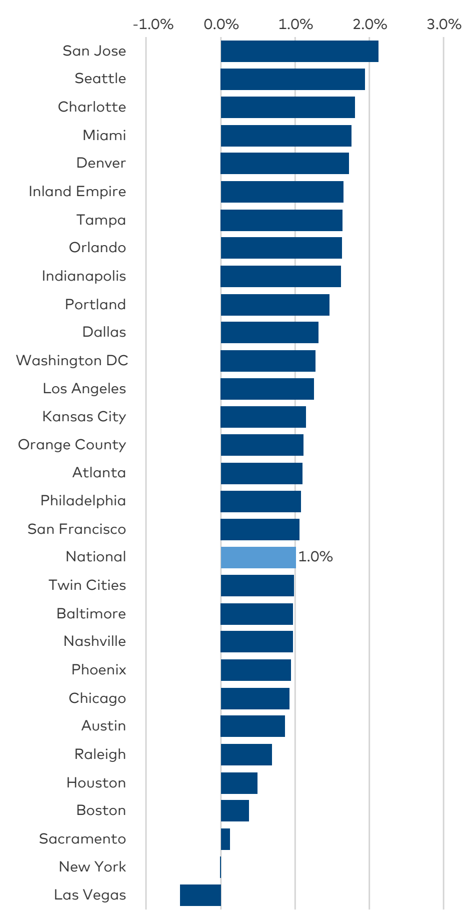
Month-Over-Month Rent Growth—All Asset Classes



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 surge in interest rates in 2022 has led to questions about the impact on multifamily pricing.
- Mortgage coupons have increased by 125 to 150 basis points since the first quarter due to the increase of the 10-year Treasury yield and rate caps on floaters.
- With rising prices and economic uncertainty, investors would be wise to maintain conservative underwriting.

After decades of steady declines, interest rates have surged in 2022 as the Federal Reserve has raised policy rates to combat persistent inflation. The 10-year Treasury topped 3% recently for the first time since 2018 and was priced to yield roughly 2.75% at the end of May, about 125 basis points above January levels. The Fed is expected to continue the hikes throughout the year, so rates are likely to move higher.

The sudden spike in rates has left many in the multifamily industry wondering about the impact on deal flow and property values, which surged in 2021 to all-time highs amid extraordinary liquidity. Few industries are as sensitive to interest rates as commercial real estate, which is financed with copious amounts of debt.

Borrowing costs have increased along with the rise in Treasury yields. Most multifamily loans originated before the surge carried coupons of 2.75% to 4.25%, depending on leverage, sponsor and terms, but rates are now 125 to 150 basis points higher. Floating-rate debt is more expensive, as well, as the cost of interest-rate caps has shot up. Acquisition yields, which average about 4.5%, are certain to rise if debt costs remain at the higher levels.

Transaction activity is slowing as investors take in the new landscape. Buyers using leverage of 70% or more are finding that financing is drying up, and deals with aggressive bids have fallen through. Property values—which rose around 20% in 2021—are down 10-15%, based on reports from investors and sellers. However, the change in pricing has been slow to be recorded because many sellers are holding out rather than accepting lower bids.

The recent run-up in prices has been driven by the tremendous amount of liquidity and the performance of multifamily. Investors are allocating capital to the segment because of its stable cash flow, the favorable supply-demand fundamentals, and the belief that cash flow will grow as rents continue to rise at above-trend levels. The expectations for solid rent growth in coming years should prevent acquisition yields from ballooning, even if rates keep increasing.

Even taking the bullish expectations into account, however, investors and lenders must heed the lesson of the Global Financial Crisis and maintain discipline, avoiding underwriting unrealistic assumptions into transactions.

Single-Family Build-to-Rent Segment: SFR Investment Continues to Rise

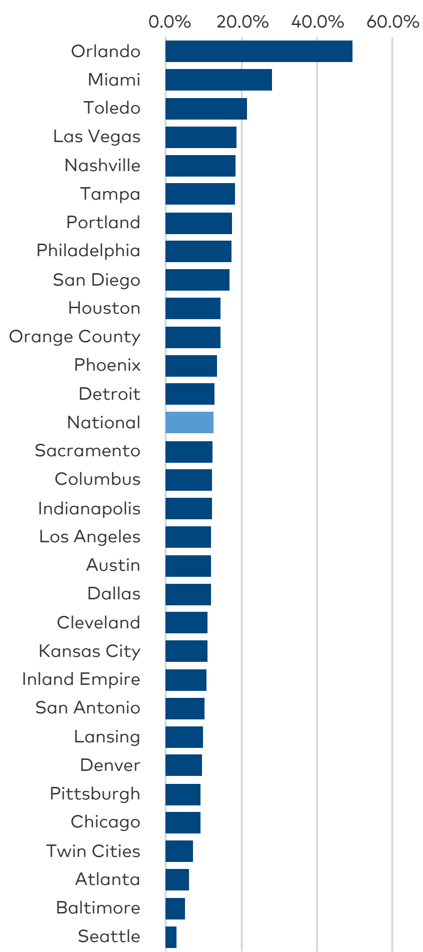
- Single-family rental national asking rent growth remained strong in May, rising 12.7% year-over-year.
- Nationally, occupancy rates decreased 20 basis points in May, with occupancy increases in only 10 of Yardi's 33 metros.

Asking rents in the single-family rental (SFR) sector continue to grow on par with multifamily. National SFR asking rents increased 12.7% in May, with three metros posting growth over 20%: Orlando (49.5%), Miami (28.0%) and Toledo (21.5%).

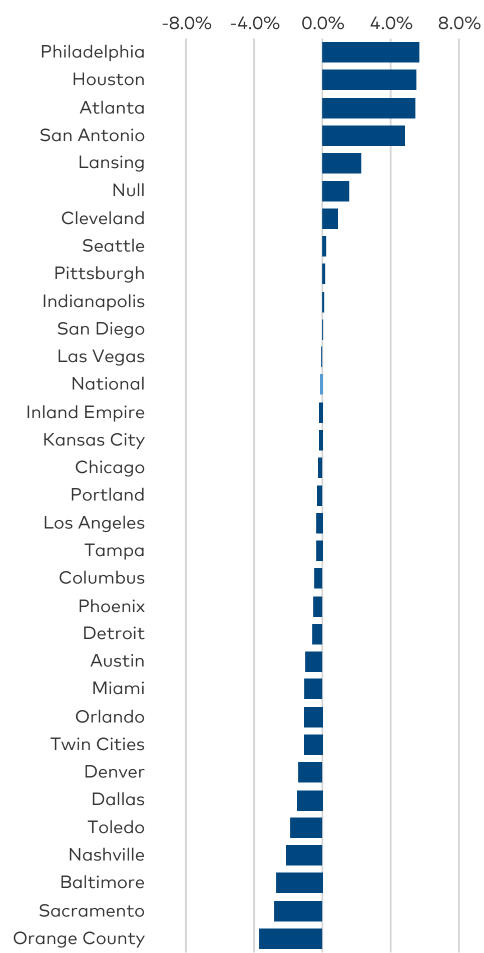
Homeownership continues to be further out of reach for many potential buyers, while others are losing bids to the intensifying competition from institutional investors, increasing the demand for SFRs. The growing preference for suburban housing has added to demand for single-family rentals. New investment and development are on the rise, as more investors enter the sector despite the increased borrowing costs.

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



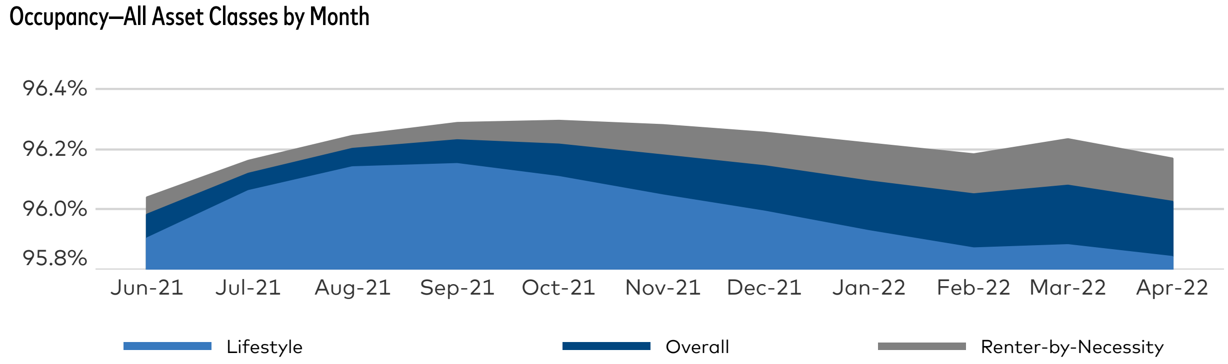
Source: Yardi Matrix

Employment and Supply Trends; Forecast Rent Growth

Market	YoY Rent Growth as of May - 22	Forecast Rent Growth as of 05/31/22 for YE 2022	YoY Job Growth (6-mo. moving avg.) as of Mar - 22	Completions as % of Total Stock as of May - 22
Miami Metro	24.2%	9.9%	6.1%	4.8%
Orlando	23.2%	9.1%	8.2%	5.0%
Tampa	21.6%	8.1%	5.0%	2.8%
Las Vegas	19.6%	8.5%	12.5%	1.7%
Orange County	19.5%	6.2%	5.8%	0.6%
Phoenix	18.1%	7.7%	4.3%	3.3%
Raleigh	17.9%	7.0%	4.9%	2.7%
Nashville	17.8%	7.0%	5.7%	4.6%
Charlotte	17.6%	8.1%	3.4%	3.8%
Dallas	17.2%	5.9%	6.7%	2.7%
Inland Empire	17.0%	9.1%	6.1%	1.1%
Austin	17.0%	8.3%	8.9%	4.7%
Atlanta	15.2%	7.6%	5.8%	2.1%
Seattle	14.8%	6.7%	5.5%	4.1%
New York	14.4%	5.9%	5.4%	0.8%
San Jose	13.6%	6.4%	5.8%	3.6%
Denver	13.4%	5.8%	5.1%	2.9%
Portland	13.0%	7.6%	5.4%	2.2%
Indianapolis	12.8%	7.2%	4.2%	1.3%
Boston	12.8%	5.4%	4.7%	2.2%
Los Angeles	12.6%	7.0%	7.0%	2.5%
Philadelphia	12.4%	5.3%	4.2%	2.1%
Sacramento	11.6%	7.7%	5.0%	1.5%
Houston	10.8%	5.7%	5.2%	2.5%
Chicago	10.3%	5.1%	4.8%	2.3%
Washington DC	10.0%	4.0%	3.8%	2.3%
Kansas City	9.3%	5.7%	2.0%	2.3%
Baltimore	9.1%	5.4%	4.1%	0.9%
San Francisco	8.7%	7.8%	6.4%	2.7%
Twin Cities	5.2%	3.5%	2.8%	2.9%

Source: Yardi Matrix

Occupancy & Asset Classes



Source: Yardi Matrix

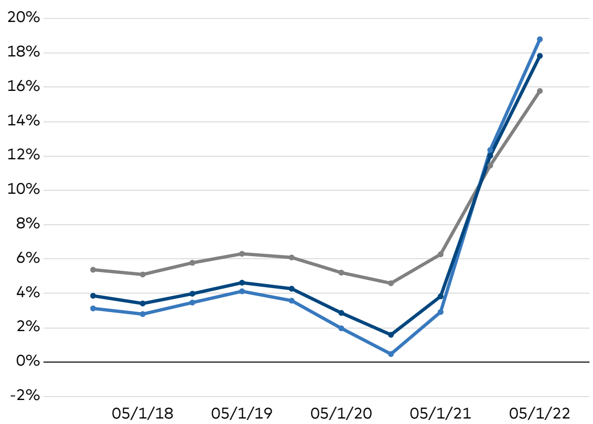
Year-Over-Year Rent Growth, Other Markets

Market	May 2022		
	Overall	**Lifestyle**	**Renter-by-Necessity**
SW Florida Coast	28.3%	28.5%	28.8%
Jacksonville	20.1%	19.1%	21.3%
Tucson	18.6%	15.9%	20.1%
Salt Lake City	18.5%	19.1%	17.7%
NC Triad	15.9%	13.7%	19.1%
Albuquerque	14.5%	14.5%	14.8%
El Paso	13.5%	11.9%	14.1%
Central Valley	13.3%	12.2%	13.5%
San Fernando Valley	13.2%	12.3%	13.5%
Indianapolis	12.8%	13.8%	11.8%
Tacoma	12.6%	13.7%	11.4%
Northern New Jersey	12.1%	14.5%	9.7%
Colorado Springs	11.3%	10.5%	12.5%
St. Louis	10.8%	11.2%	10.7%
Central East Texas	10.8%	11.3%	10.6%
Bridgeport–New Haven	9.7%	10.7%	9.0%
Long Island	9.0%	9.7%	8.7%
Louisville	8.9%	9.9%	8.6%
Reno	8.9%	8.2%	9.4%

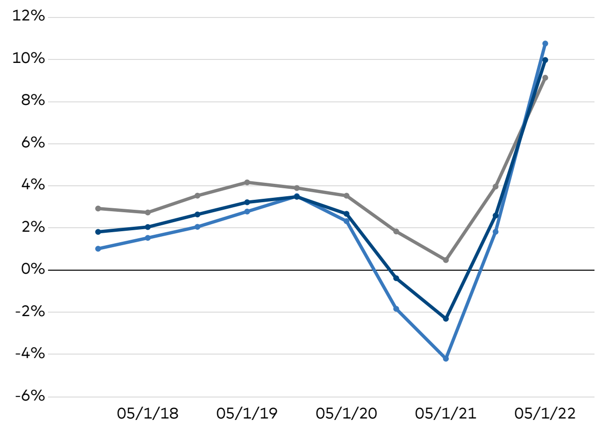
Source: Yardi Matrix

Market Rent Growth by Asset Class

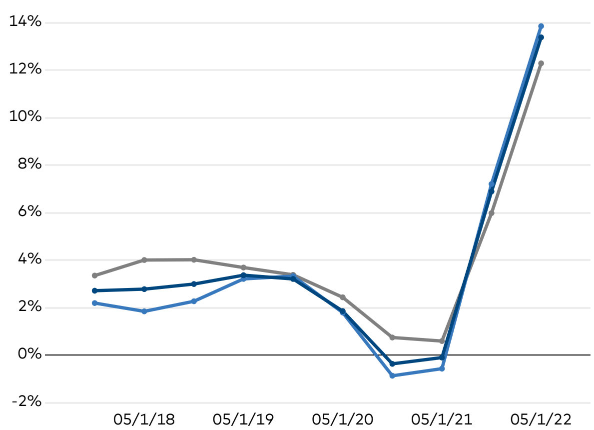
Atlanta



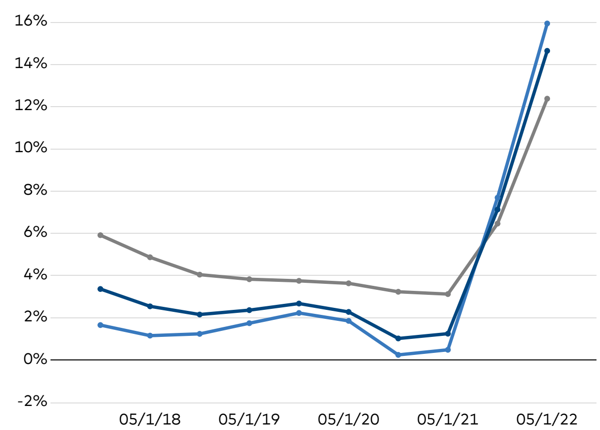
Boston



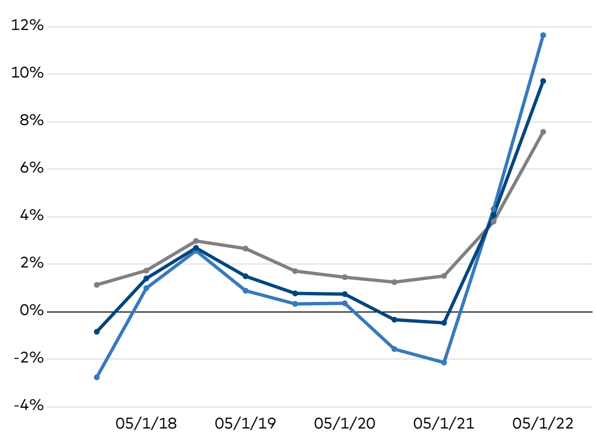
Denver



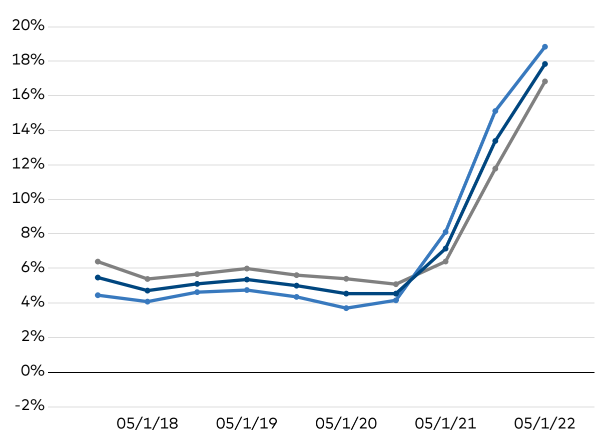
Dallas



Houston



Inland Empire

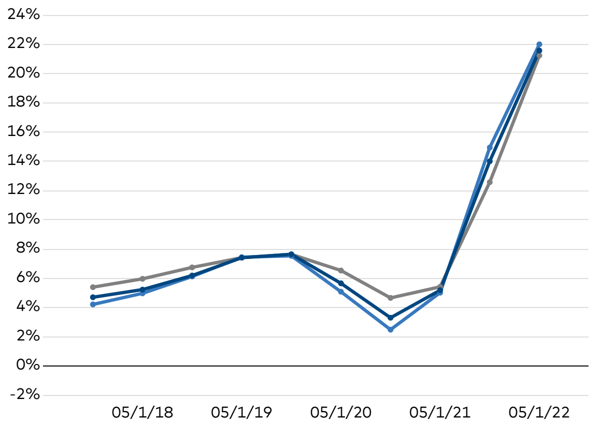


Trailing 12 Months Overall   Trailing 12 Months Lifestyle   Trailing 12 Months Renter-by-Necessity

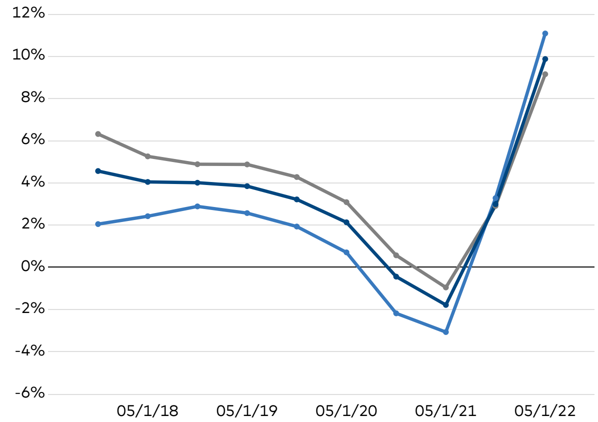
Source: Yardi Matrix

Market Rent Growth by Asset Class

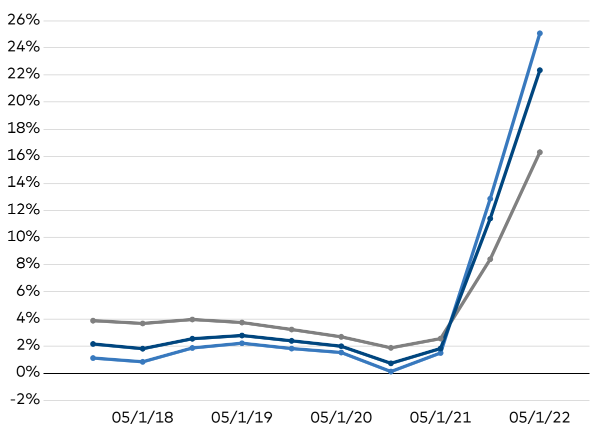
Las Vegas



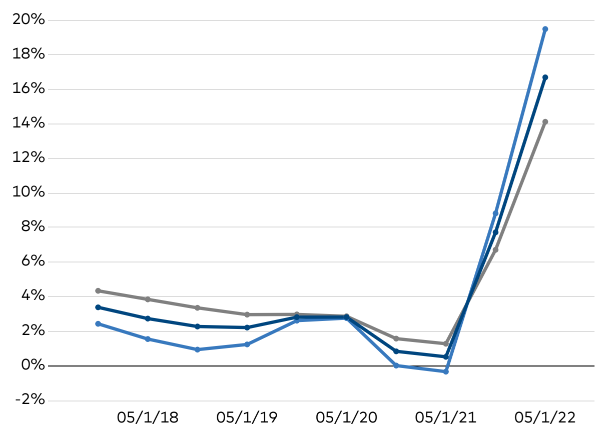
Los Angeles



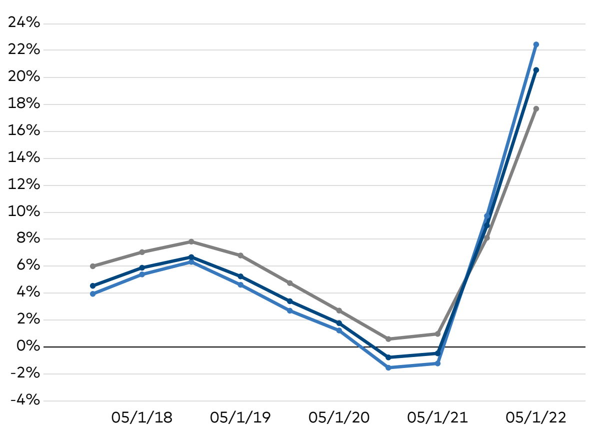
Miami



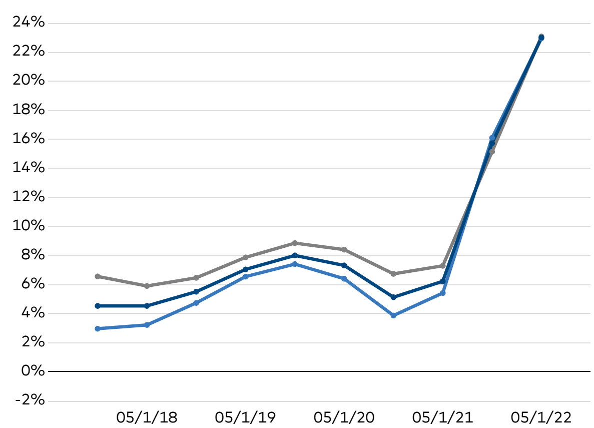
Orange County



Orlando



Phoenix

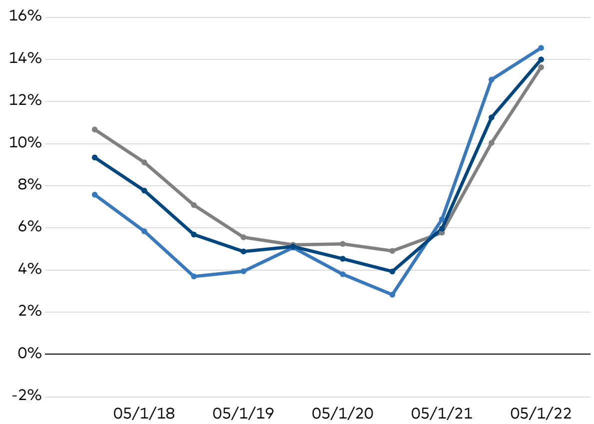


Trailing 12 Months Overall   Trailing 12 Months Lifestyle   Trailing 12 Months Renter-by-Necessity

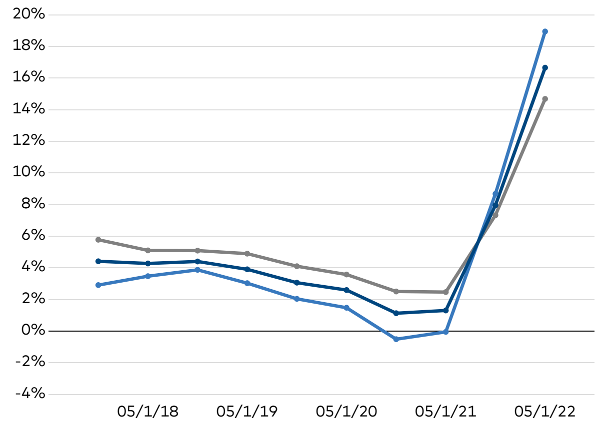
Source: Yardi Matrix

Market Rent Growth by Asset Class

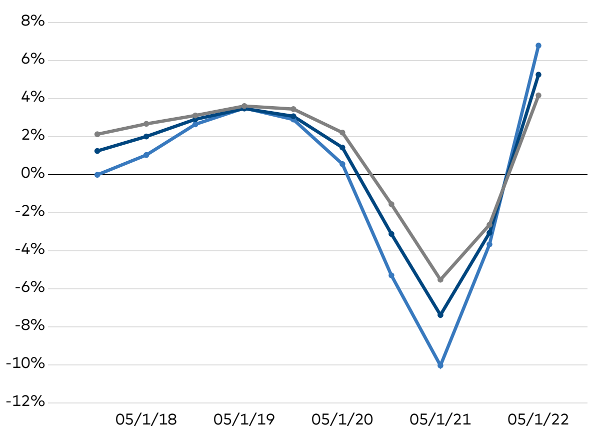
Sacramento



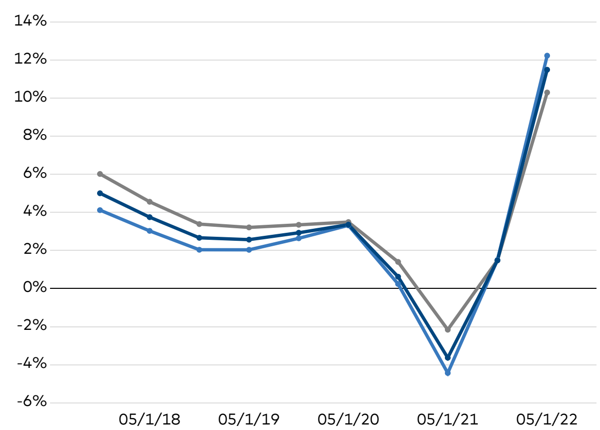
San Diego



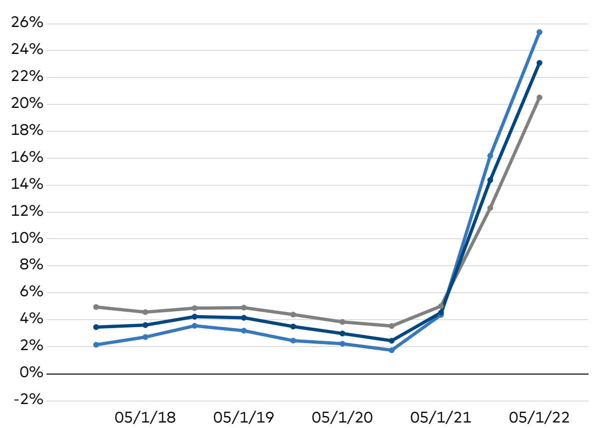
San Francisco



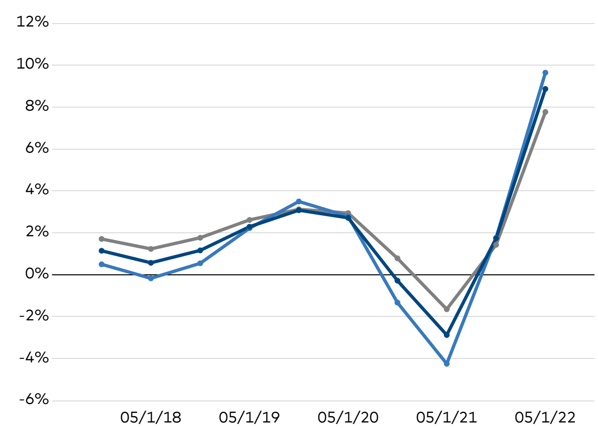
Seattle



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.

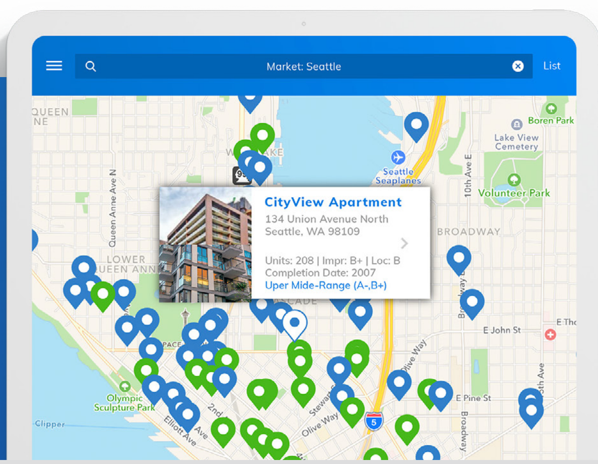
To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.

Yardi Matrix

Power your business with the industry's leading data provider

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.**

YARDI

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Learn more at yardimatrix.com/**multifamily**

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