National Multifamily Report

June 2022

Multifamily Growth Rolls Along in June

- Multifamily performance remained strong in June despite economic deceleration in some other markets. The average U.S. asking rent increased $19, bringing overall rent to a new all-time high of $1,706. Year-over-year growth decelerated by 50 basis points to 13.7%. That's 130 basis points off the February peak of 15.2%, but still exceptional performance.
- Demand and rent growth remained strong throughout the country. Rent growth increased at least 10% year-over-year in 25 of Yardi's top 30 metros. National occupany rates were 96%.
- The single-family sector continues to grow on par with multifamily as homeownership becomes out of reach for more households. The average single-family asking rent increased by $23 in June to an all-time high of $2,071, as year-over-year growth dropped by 90 basis points to 11.8%.

The multifamily market started to show signs of deceleration in June but was still performing at extremely high levels. Year-over-year rent growth was 13.7% in June, down 50 basis points from May. While rent growth in 2022 is still higher than any previous year on record, that was the fourth consecutive month that year-over-year rent growth declined.

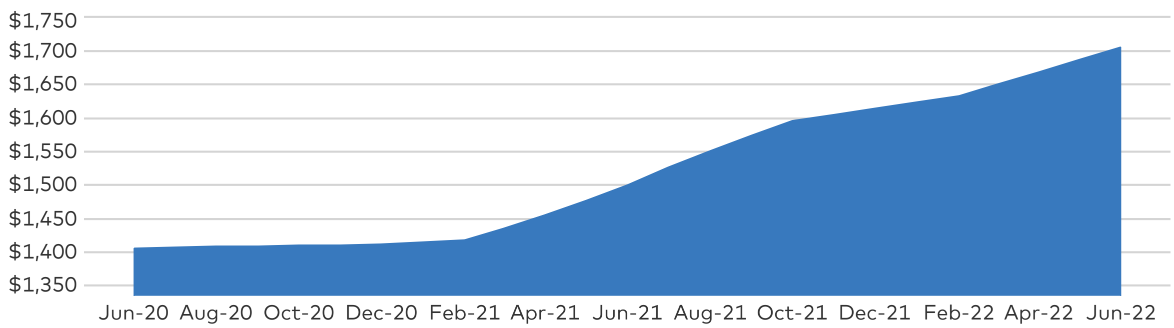
Despite that deceleration, U.S. asking rents increased $19 in June to a U.S. average of $1,706. U.S. rents increased an average of 1.1% in June, 3.3% during the second quarter and 5.7% through mid-year.

As the economy begins to cool down, the strong labor market will allow rents to continue to increase but at slower rates as the year progresses. Inflation and increasing interest rates have started to cool down the for-sale market, keeping more households in multifamily and single-family rental markets. However, inflation rates will take a while to ebb, causing consumers to cut into savings as their ability to afford increasing rental rates lessens.

While the U.S. economy will probably show contraction again for the second quarter, multifamily is still poised for strong growth this year. Household formation is expected to increase steadily, even as migration is showing signs of slowing.

Rent growth remains strong in Sun Belt and West Coast metros, despite signs of slowing migration and/or household formation. Occupancy rates have decreased year-over-year in markets such as Las Vegas (-1.6%), Phoenix (-1.1%), Sacramento (-1.0%) and the Inland Empire (-0.8%). Meanwhile, occupancy continues to recover in the larger metros that saw population loss during the pandemic, such as San Jose (2.0%), New York (1.5%) and Chicago (1.4%).

National Average Rents



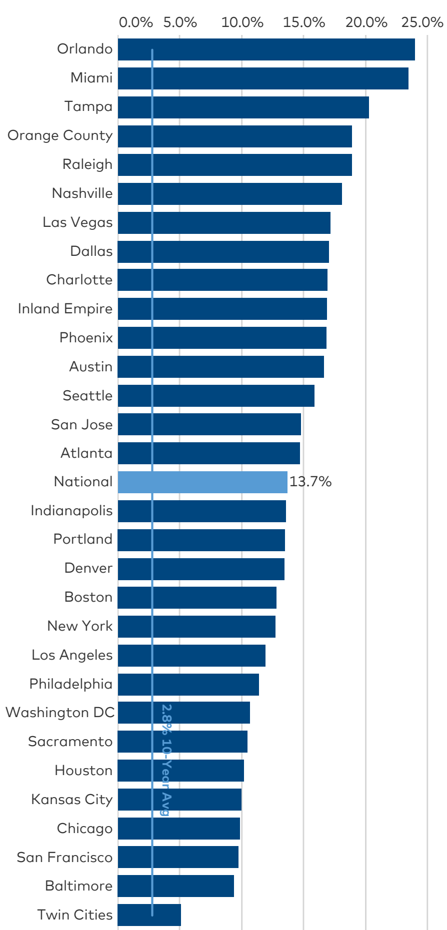
National averages include 136 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by Yardi Matrix.

Year-Over-Year Rent Growth: Occupancy Rates Point to Shift in Migration Patterns

- June was another strong month for rent growth. Florida metros continued to lead the way in year-over-year rent increases, with Orlando (24.0%), Miami (23.4%) and Tampa (20.3%) showing the greatest growth. The cities with the least amount of growth—San Francisco (9.7%), Baltimore (9.4%) and the Twin Cities (5.1%)—continued to sustain reasonably solid performance. Asking rents increased by at least 10% in 25 of the top 30 markets.

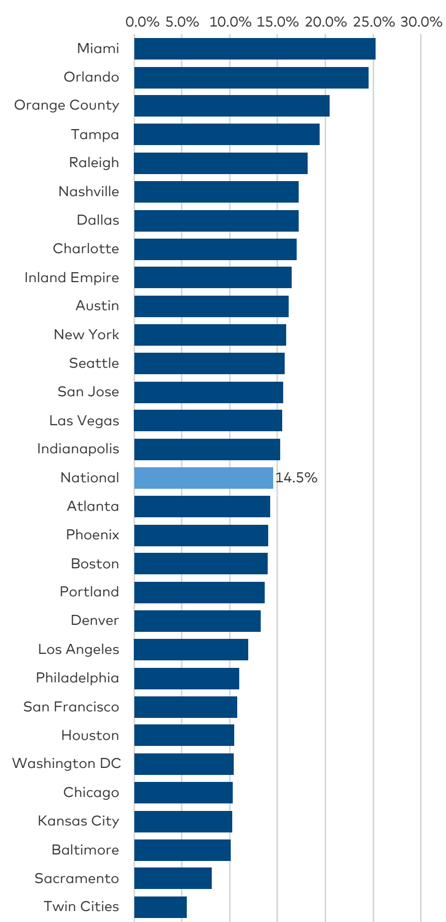
- Demand is continuing to cool in Sun Belt and Western metros, which could presage a deceleration in rent growth in coming months. Occupancy rates year-over-year decreased in 11 metros in May, led by Las Vegas (-1.6 percentage points), Phoenix (-1.1) and Sacramento (-1.0), a likely sign that in-migration is weakening. Occupancy rates increased most year-over-year in San Jose (2.0), New York (1.5) and Chicago (1.4).

Year-Over-Year Rent Growth— All Asset Classes

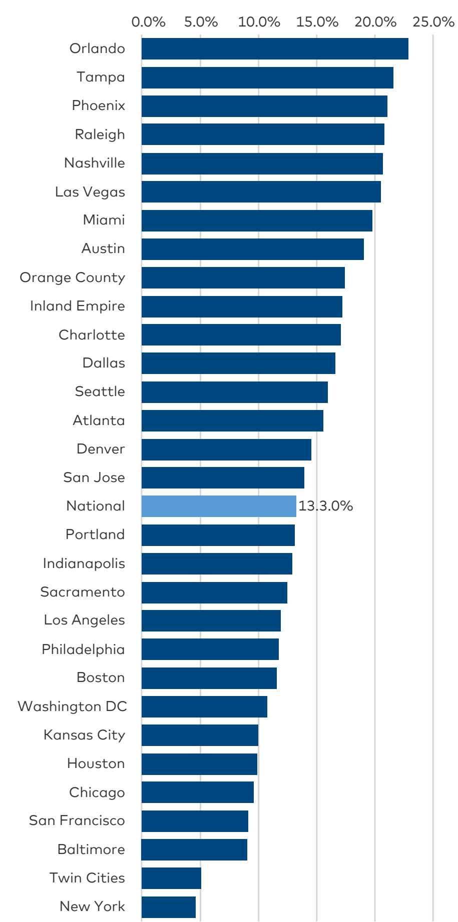


Source: Yardi Matrix

Year-Over-Year Rent Growth— Lifestyle Asset Class



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



Short-Term Rent Changes: Strong Headwinds in June

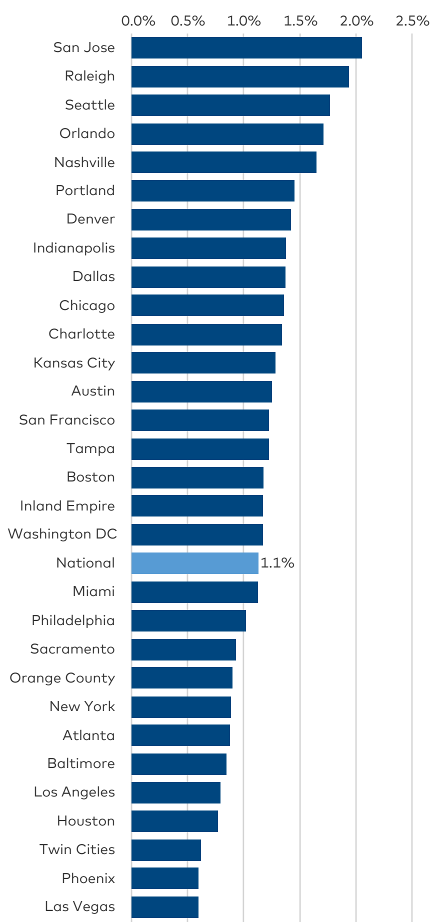
- Asking rents nationally increased 1.1% month-over-month in June, the same increase posted in May.
- Lifestyle unit rents increased by 1.2% in June, while Renter-by-Necessity units increased by 1.1%.

National asking rents increased by $19 month-over-month in June, up 1.1% from May. 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 $73 overall year-to-date.

All metros posted gains in June, with San Jose (2.1%), Raleigh (1.9%) and Seattle (1.8%) posting the highest increases month-over-month. Metros with the lowest increases were the Twin Cities, Phoenix and New York (each 0.6%). Gains of at least the national average (1.1%) were achieved in 19 of Yardi's top 30 metros.

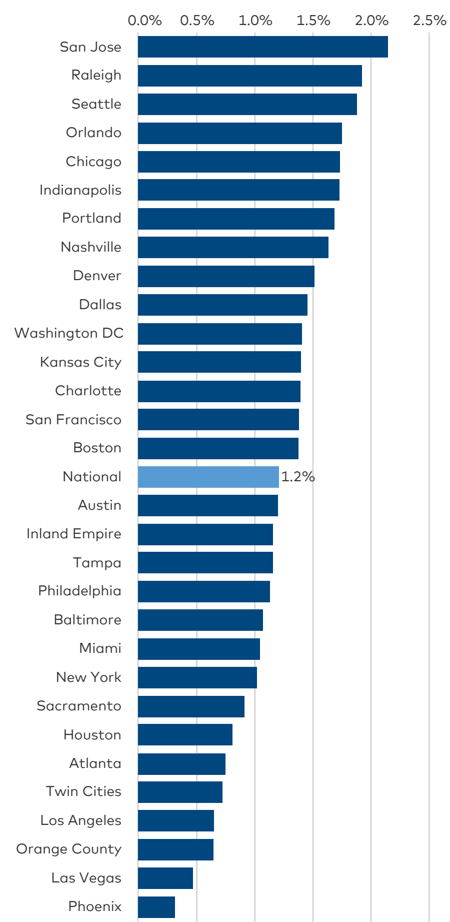
All metros posted gains in both higher-end Lifestyle units and Renter-by-Necessity (RBN) units. San Jose (2.1% Lifestyle, 1.9% RBN), Raleigh (1.9% Lifestyle, 1.7% RBN), Seattle (1.9% Lifestyle, 1.5% RBN) and Orlando (1.7% Lifestyle, 1.5% RBN) showed the highest increases in both categories.

Month-Over-Month Rent Growth—All Asset Classes

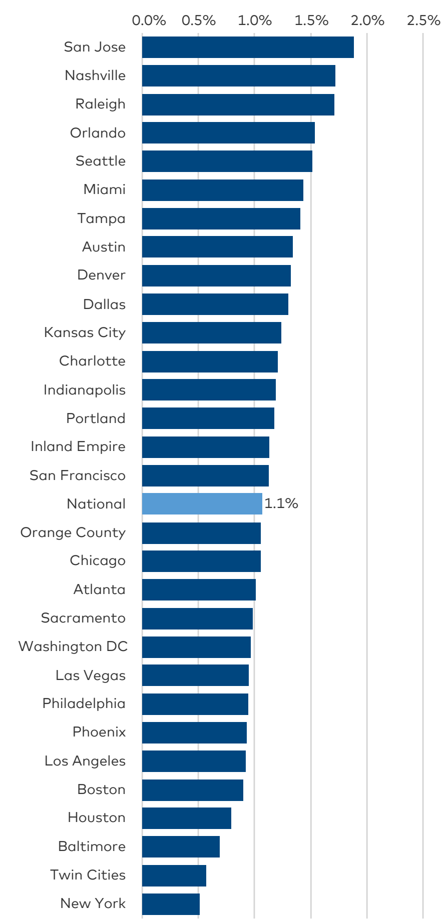


Source: Yardi Matrix

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

- Robust household formation coming out of the pandemic appears to be the biggest driver of rents in 2021.
- Foreign immigration has dropped by roughly three-quarters over the last five years.
- Affordability drives migration. Some popular metros for in-migration have begun to lose residents as housing costs soar.

As record-high rent growth is on track to decelerate with economic growth, the highest-demand metros will likely have the softest landing. But how to decide where demand will endure?

Demand is mostly a function of household formation, migration and immigration. Of those three, household formation has been perhaps the most underrated element. Robust household formation coming out of the pandemic appears to be the biggest driver of rents in 2021. The "headship rate" rebounded in 2021, according to the San Francisco Federal Reserve. In other words, people who lived with family or friends during the pandemic formed independent households as employment and savings surged.

Foreign immigration has dropped by roughly three-quarters over the last five years, down to about 270,000 in 2020, due to pandemic restrictions and tightening policy. The impact has been felt in areas where immigrants settle, especially large gateway markets such as New York, Chicago and the Bay Area. These metros have relied on immigrants for population growth to make up for decades-long negative domestic migration. But reduced immigration also impacts border states such as Texas, Arizona and Florida.

The migration of remote workers to the suburbs or Sun Belt is a familiar story, but probably a smaller part of the picture. During the first phase of the pandemic, data showed a clear migration away from more expensive markets to those that were less expensive. Since 1Q21, however, rents and absorption have been strong everywhere, including high-cost gateway markets hard hit in 2020. And rents have grown so much in Sun Belt and Western markets that they are relatively less affordable than they were a few years ago.

U.S. households have grown increasingly less mobile in recent decades, a trend that continued post-pandemic, per the Census Bureau. Freddie Mac noted in a recent paper that after years of outsize population growth, metros such as Denver, Nashville and Austin have begun to lose residents as housing costs soar.

Notes Freddie: "The pandemic amplified existing urban de-concentration by threefold from large, expensive metro areas to smaller, more affordable destinations. Data also shows that in fast-growing metro areas, the continued shortage of housing and high house-price-to-income ratios eventually lead to increased out-migration as homebuyers seek more affordable destinations."

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

- The average U.S. asking rent in the single-family rental (SFR) sector rose $23 in June, bringing overall rent to an all-time high of $2,071.

- Occupancy rates nationally decreased 10 basis points in June, with eight metros seeing increases of 10 basis points or higher.

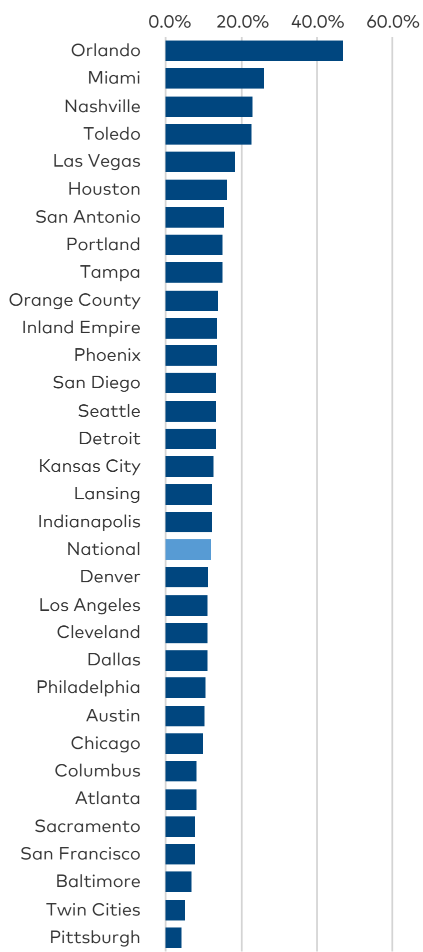
National asking rents in the SFR sector grew 1.1% in June, on par with multifamily. Year-over-year SFR asking rents increased 11.8% in June, with four metros posting growth over 20%: Orlando (46.7%), Miami (25.9%), Nashville (23.0%) and Toledo (22.5%).

As homeownership grows further out of reach for many potential buyers, the demand for SFR continues to increase. The demographic of the average SFR tenant is changing, as well. Millennials and blue-collar workers with children and pets are comprising a majority of the renter demographic.

The strong demand together with supply shortages continues to draw investor interest to the sector.

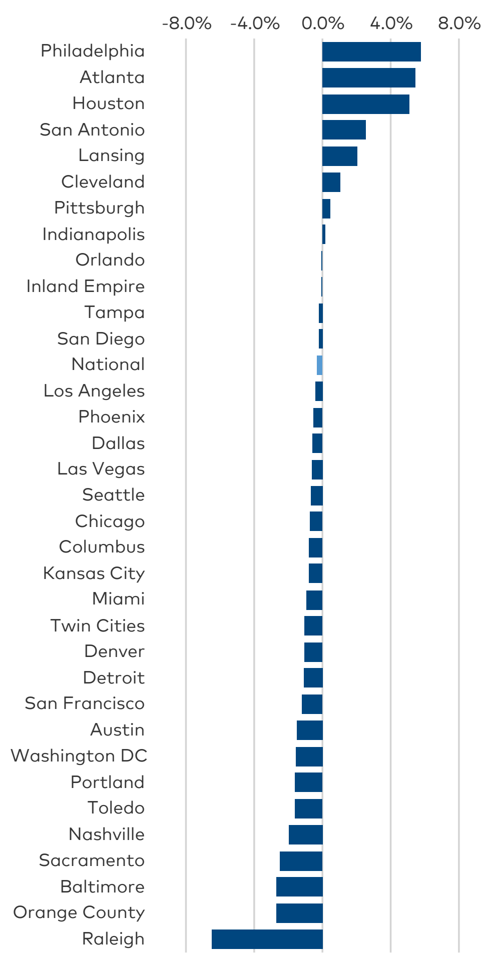
Note: Yardi Matrix covers single-family built-to-rent communities of 50 homes and larger.

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



Source: Yardi Matrix

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

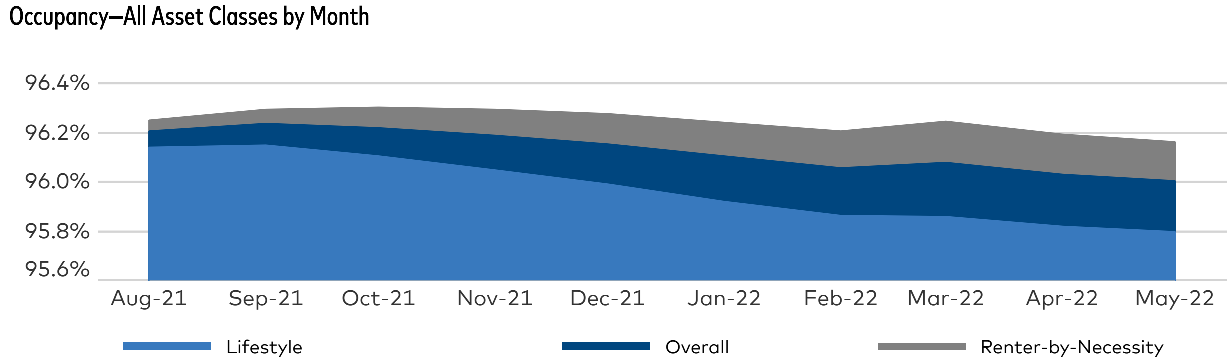


Employment and Supply Trends; Forecast Rent Growth

Market	YoY Rent Growth as of Jun - 22	Forecast Rent Growth as of 06/30/22 for YE 2022	YoY Job Growth (6-mo. moving avg.) as of May - 22	Completions as % of Total Stock as of Jun - 22
Orlando	24.0%	9.5%	7.8%	4.9%
Miami Metro	23.4%	10.2%	5.8%	4.7%
Tampa	20.3%	10.6%	5.1%	3.1%
Raleigh	18.9%	9.9%	4.7%	2.8%
Orange County	18.9%	8.0%	5.9%	0.6%
Nashville	18.1%	8.8%	6.3%	4.5%
Las Vegas	17.1%	8.5%	11.7%	1.1%
Dallas	17.0%	9.8%	7.2%	2.6%
Charlotte	16.9%	8.9%	3.7%	3.7%
Inland Empire	16.8%	9.3%	6.2%	0.9%
Phoenix	16.8%	5.6%	4.0%	3.3%
Austin	16.6%	8.0%	8.2%	4.8%
Seattle	15.9%	10.0%	6.0%	4.1%
San Jose	14.8%	9.4%	5.9%	3.5%
Atlanta	14.7%	6.8%	6.1%	2.0%
Indianapolis	13.5%	8.2%	4.2%	1.4%
Denver	13.5%	8.1%	5.3%	2.8%
Portland	13.5%	7.7%	5.5%	2.9%
Boston	12.8%	5.7%	4.8%	2.4%
New York	12.7%	6.4%	5.8%	0.9%
Los Angeles	11.9%	7.9%	6.9%	2.3%
Philadelphia	11.4%	8.8%	4.3%	2.1%
Washington DC	10.6%	6.5%	3.6%	2.4%
Sacramento	10.5%	7.1%	5.0%	1.4%
Houston	10.2%	6.7%	5.6%	2.5%
Kansas City	9.9%	7.6%	2.0%	2.1%
Chicago	9.8%	8.1%	4.9%	2.1%
San Francisco	9.7%	7.1%	6.5%	2.9%
Baltimore	9.4%	5.6%	4.0%	0.6%
Twin Cities	5.1%	4.7%	2.9%	2.9%

Source: Yardi Matrix

Occupancy & Asset Classes



Source: Yardi Matrix

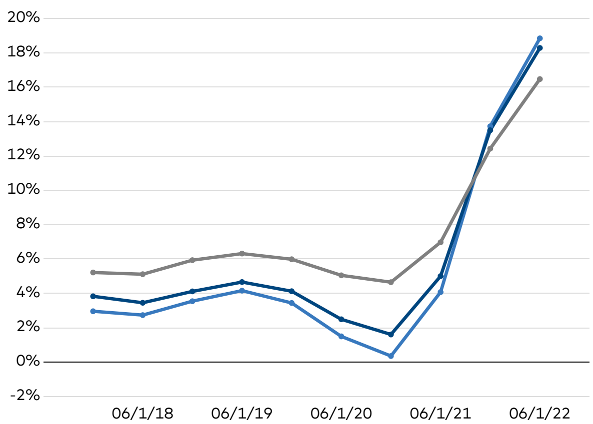
Year-Over-Year Rent Growth, Other Markets

Market	June 2022		
	Overall	Lifestyle	Renter-by-Necessity
SW Florida Coast	27.2%	26.8%	29.1%
Jacksonville	18.6%	17.0%	20.7%
Salt Lake City	18.1%	18.1%	17.6%
NC Triad	17.3%	15.1%	20.0%
Tucson	16.3%	12.6%	18.0%
Albuquerque	15.4%	13.5%	16.7%
El Paso	14.5%	14.1%	14.7%
Indianapolis	13.5%	15.3%	12.9%
Central Valley	13.1%	10.9%	14.0%
Northern New Jersey	13.1%	16.6%	9.7%
San Fernando Valley	12.5%	12.9%	12.0%
Central East Texas	11.7%	11.0%	12.8%
Louisville	11.4%	11.8%	11.2%
Tacoma	10.9%	10.8%	11.1%
Bridgeport–New Haven	9.8%	10.3%	9.4%
Colorado Springs	9.7%	8.8%	10.9%
St. Louis	9.4%	8.5%	9.8%
Long Island	9.1%	9.2%	9.1%
Reno	7.6%	5.9%	8.9%

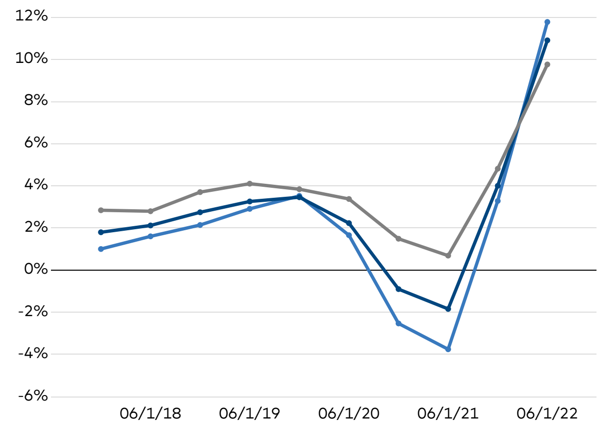
Source: Yardi Matrix

Market Rent Growth by Asset Class

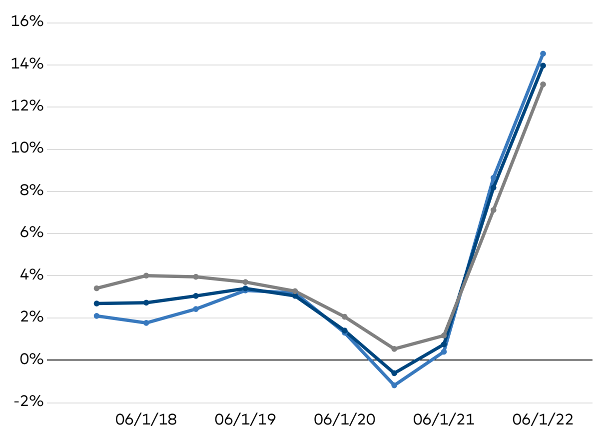
Atlanta



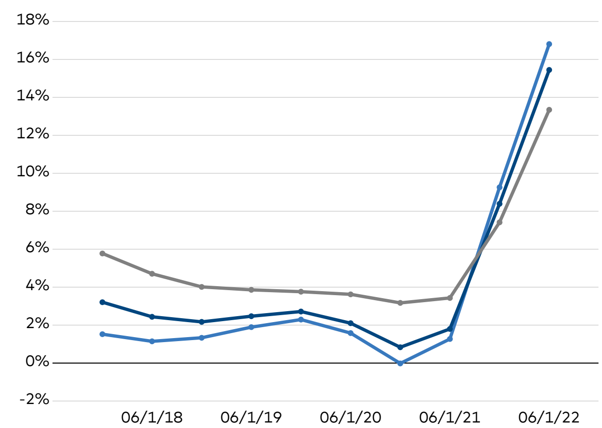
Boston



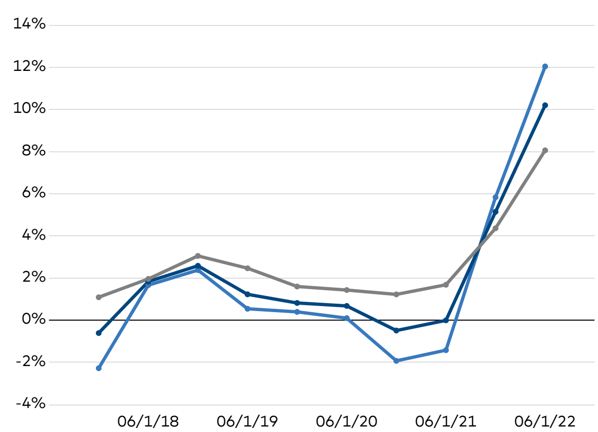
Denver



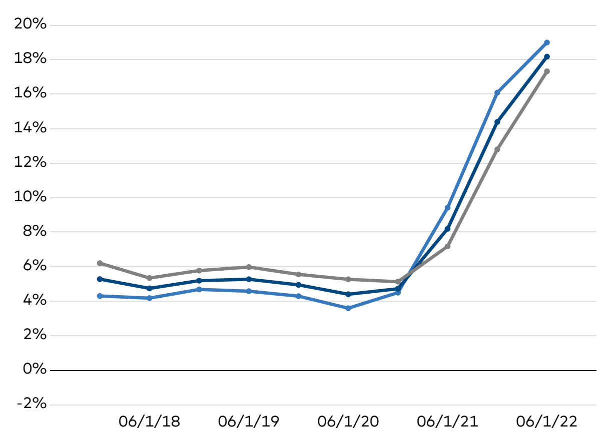
Dallas



Houston



Inland Empire

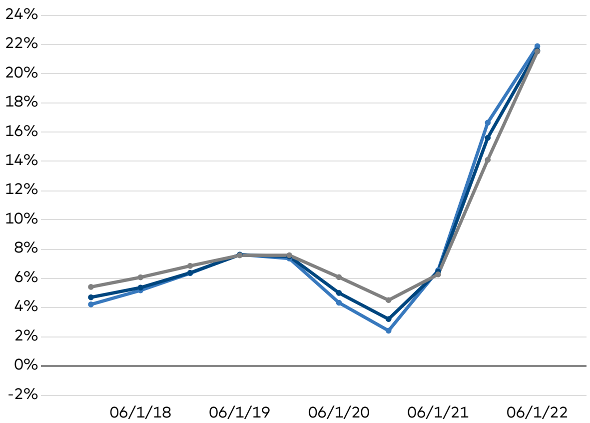


Trailing 12 Months Overall   Trailing 12 Months Lifestyle   Trailing 12 Months Renter-by-Necessity

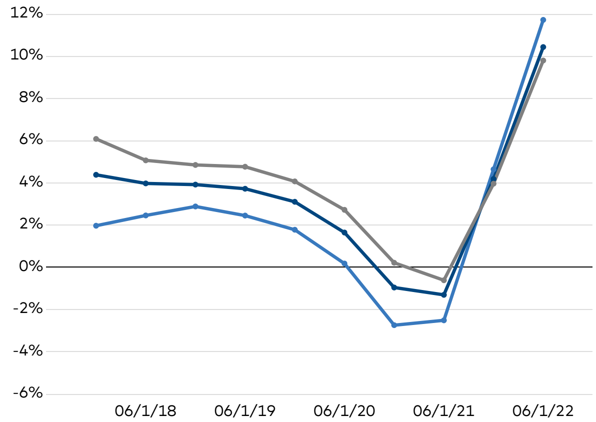
Source: Yardi Matrix

Market Rent Growth by Asset Class

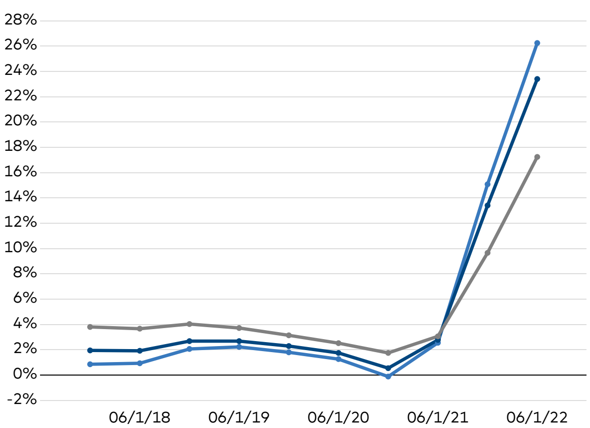
Las Vegas



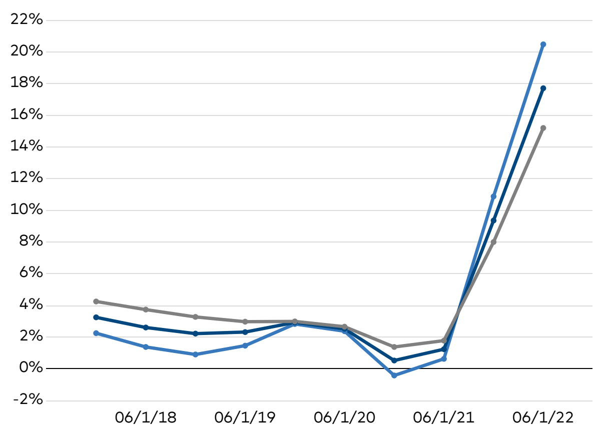
Los Angeles



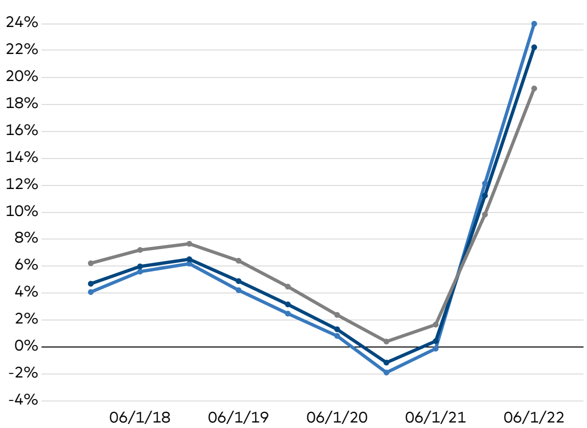
Miami



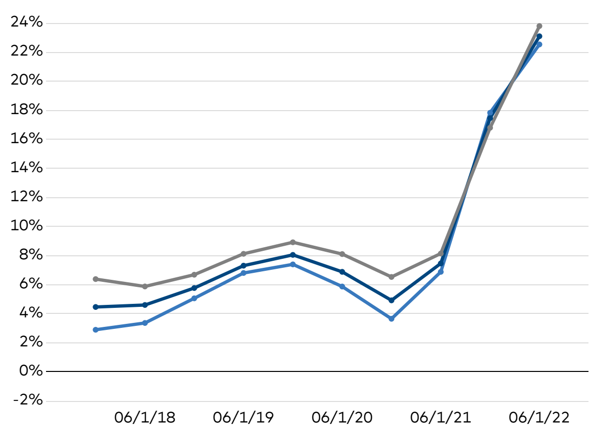
Orange County



Orlando



Phoenix

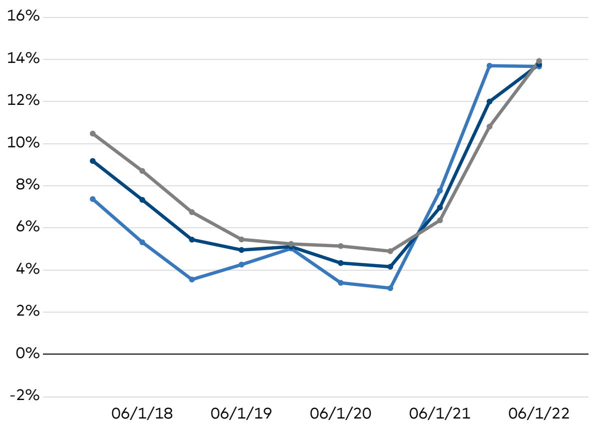


Trailing 12 Months Overall   Trailing 12 Months Lifestyle   Trailing 12 Months Renter-by-Necessity

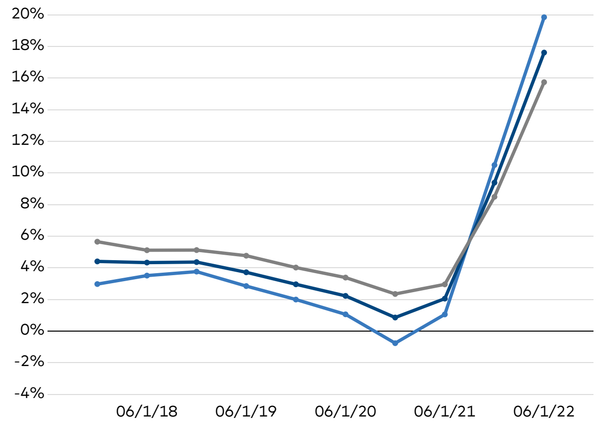
Source: Yardi Matrix

Market Rent Growth by Asset Class

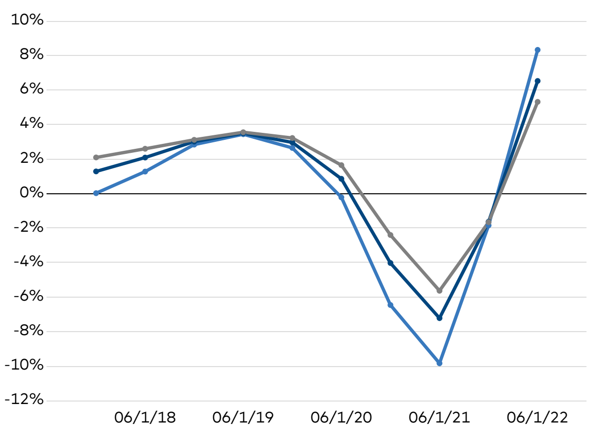
Sacramento



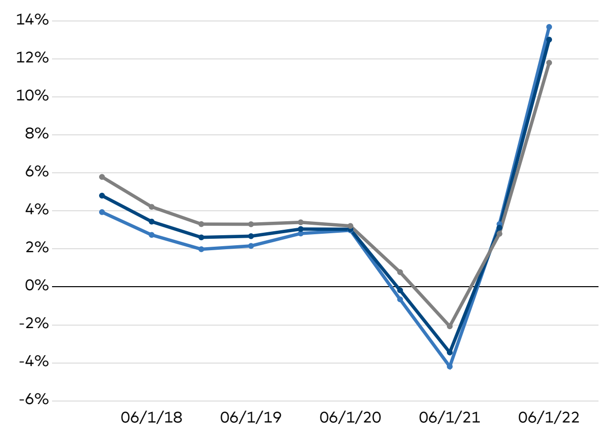
San Diego



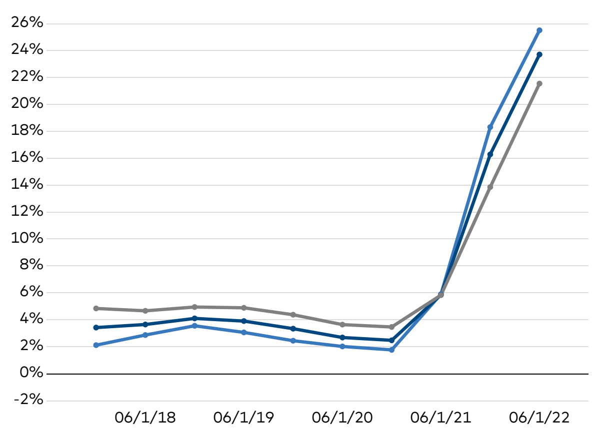
San Francisco



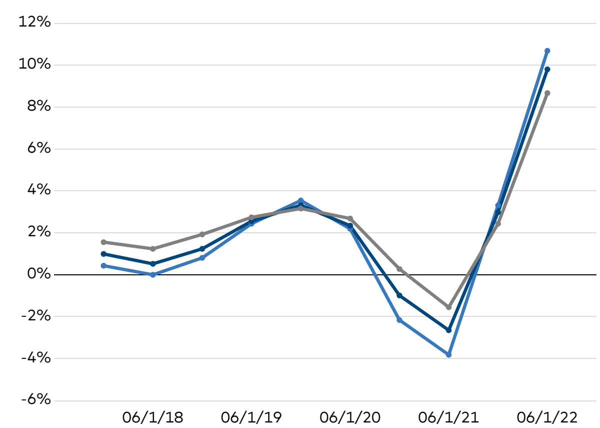
Seattle



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 136 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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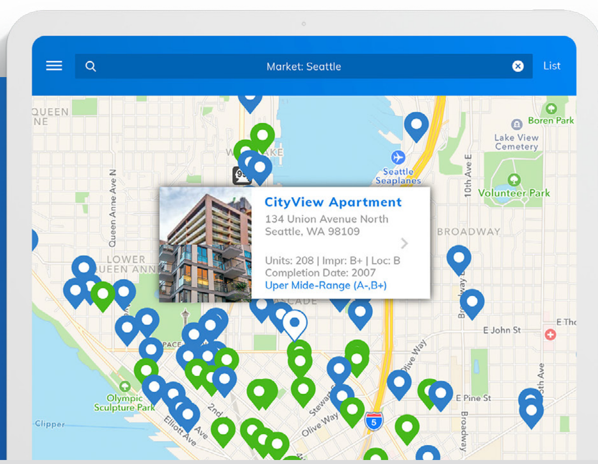
Power your business with the industry's leading data provider

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.**

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