Yardi Matrix

National Multifamily Report

July 2022

Economy, Cooling Demand Slow Rent Growth

- Multifamily performance continued to improve steadily in July, albeit modestly. National asking rents increased $10 last month, bringing the average rent in the U.S. to a record $1,717. Year-over-year growth decelerated by 110 basis points to 12.6%, 260 basis points off the February peak of 15.2%.

- Demand and rent growth remained strong throughout the country. Rent growth increased at least 10% year-over-year in 24 of Yardi Matrix's top 30 metros. National occupany rates were 96.0% for the third month in a row.

- The single-family sector continues to grow at a steady pace. The average single-family asking rent increased by $7 in July to $2,092, while year-over-year growth dropped by 60 basis points to 11.2%.

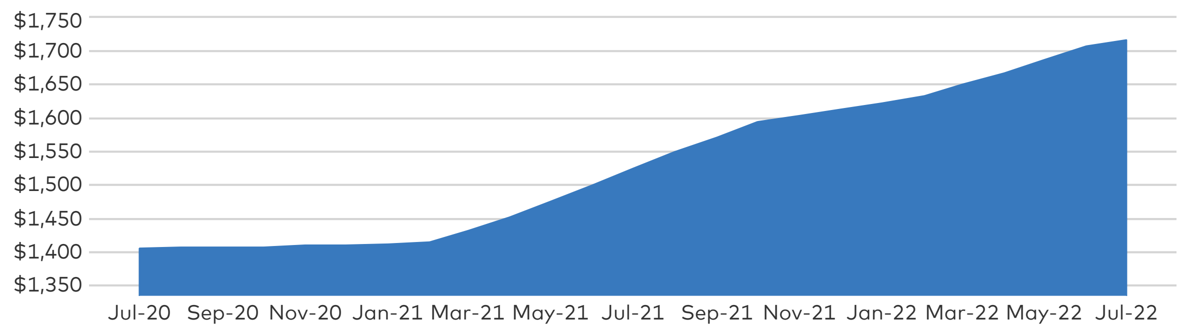
Deceleration in multifamily rents came into full view in July. Average U.S. multifamily rents rose $10 to $1,717 during the month, the lowest increase since January. Year-over-year growth slid more than a full percentage point to 12.6%. Rent growth remains lofty just about everywhere by historical standards, but the rate of increase in high-growth metros is falling. For example, year-over-year rent growth in Orlando (20.2% in July), Miami (19.5%) and Tampa (17.4%) is still high but dropped 3 to 4 percentage points in each market compared to the previous month.

The moderating rent growth may be a product of an inevitable return to the mean, coincidental to the suddenly slowing economy, or some combination of the two. Record rent growth in 2021 was driven by record-high absorption of 580,000 units in 2021, per Yardi Matrix. Absorption has "slowed" to roughly half that pace in 2022, more in line with a normal healthy year.

Meanwhile, economic growth is slowing, and consumer confidence is waning as the Federal Reserve has raised policy rates 150 basis points over the last two months in an effort to slow inflation. A weaker economy could cool gains, though apartment asking rents may not immediately respond to the Fed's actions because rising mortgage rates have slowed the for-sale housing market. That might help demand for apartments as first-time homebuyers continue to rent and wait for a more opportune time to buy.

Occupancy rates nationally remain firm, but are declining in some high-growth metros, owing to the robust number of new deliveries and a slowdown in net migration. The national occupancy rate of stabilized properties remains at 96.0%, a strong performance that is led by gateway/coastal metros, which occupy the top seven slots in year-over-year occupancy rate growth.

National Average Rents



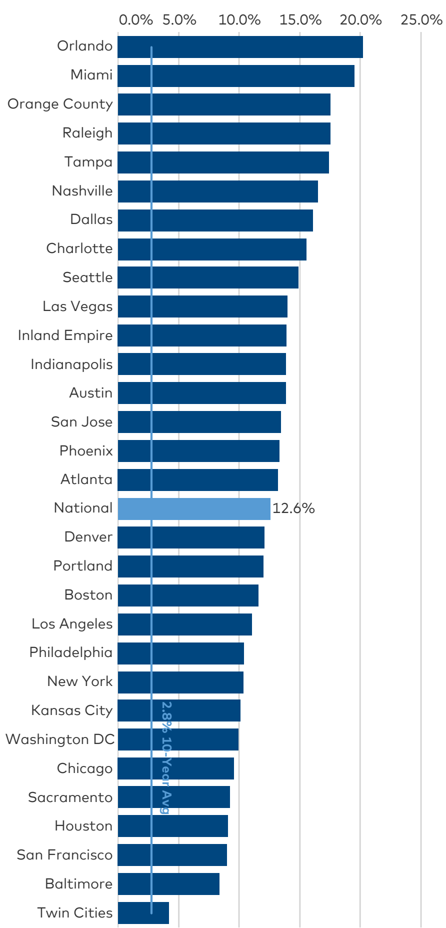
National averages include 136 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by Yardi Matrix.

Year-Over-Year Rent Growth:
Occupancy Rebounding in Gateway Metros

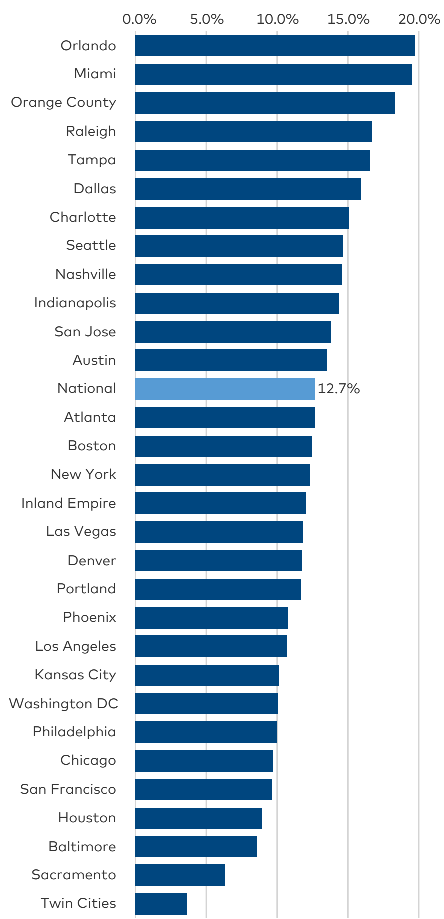
- July marked another month of strong rent growth but at a decelerated pace than months prior. Florida metros continued to lead the way in rent increases, with Orlando (20.2%), Miami (19.5%) and Tampa (17.4%) all in the top five. San Francisco (9.0%), Baltimore (8.4%) and the Twin Cities (4.2%) had the weakest rent growth while sustaining reasonably solid performance.

- Occupancy rates increased by 100 basis points or more year-over-year through June in four markets, led by San Jose (1.7%), New York, Chicago and San Francisco (all 1.0%). Absorption was especially strong in San Jose, where the occupancy rate increased to 96.7% while new deliveries over the last year added 3.2% to stock. Apartment demand in the metro is benefiting from a return of young workers to offices and high single-family home prices that put homeownership out of reach for many.

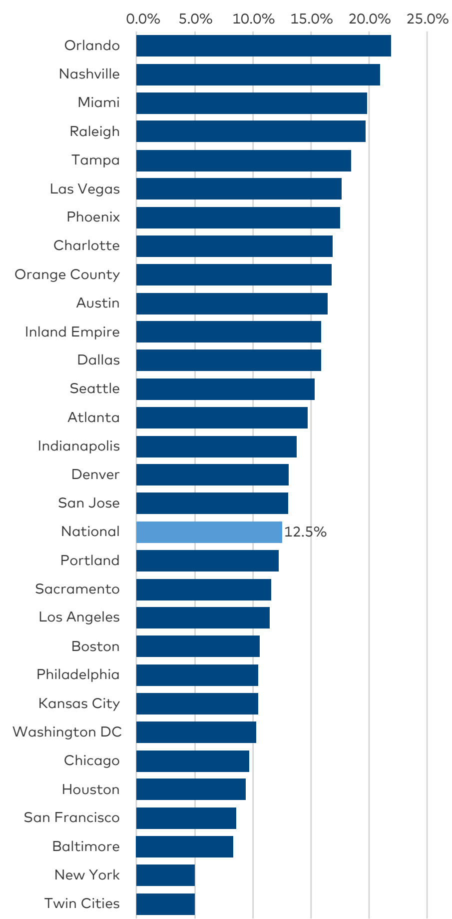
Year-Over-Year Rent Growth—All Asset Classes



Year-Over-Year Rent Growth—Lifestyle Asset Class



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



Source: Yardi Matrix

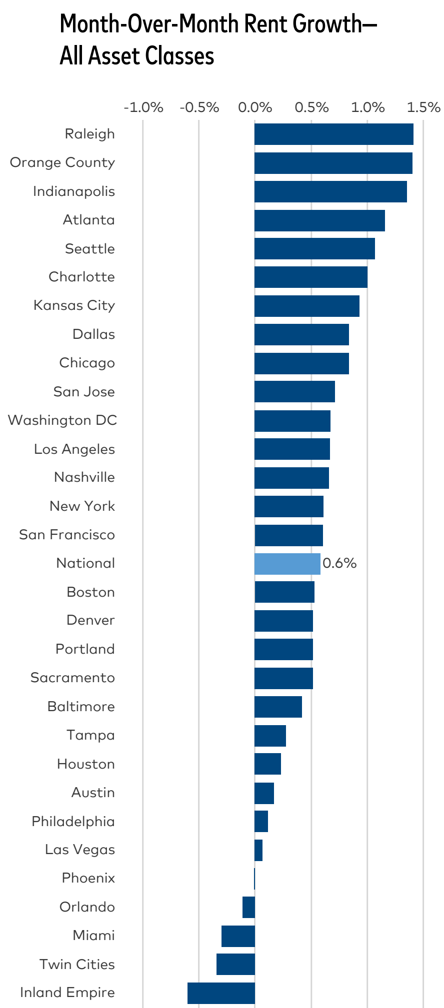
Short-Term Rent Changes: Rent Growth Shifts to RBN in July

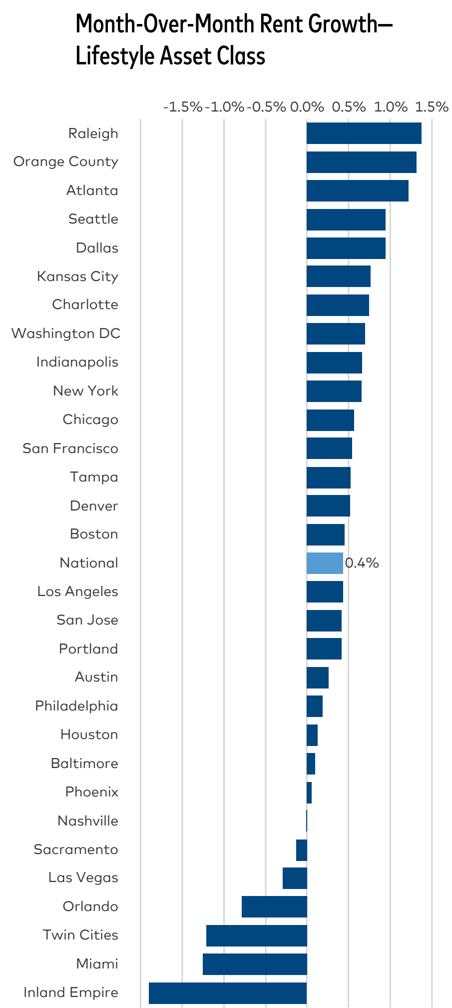
- National asking rents rose by 0.6% in July, 60 basis points lower than the increase in June.
- Renter-by-Necessity unit rents increased by 80 basis points in July, while rents in higher-end Lifestyle units increased by 40 basis points.

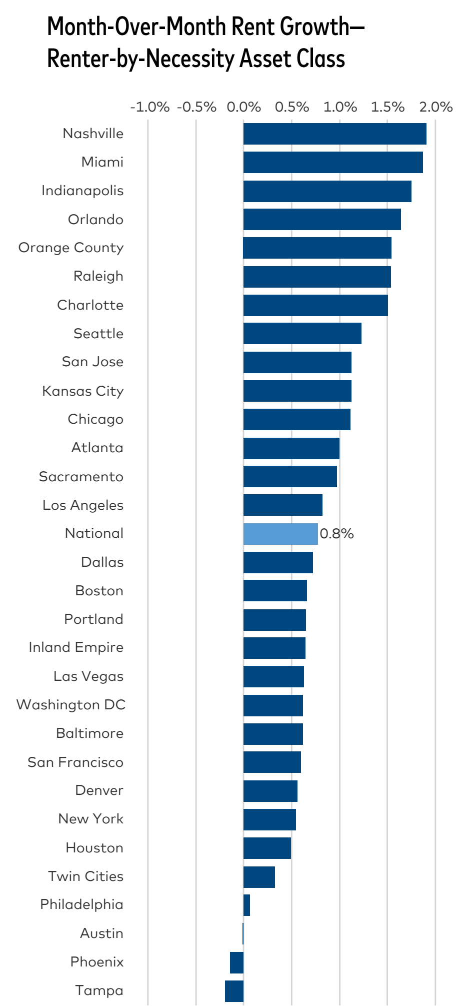
National asking rents increased by $10 month-over-month in July, after climbing at least $17 in each of the previous four months. The deceleration of rent growth in July can be partly explained by normal seasonal patterns, but is also likely due to the current slowdown in the economy.

Asking rents increased in 25 of Yardi Matrix's top 30 metros in July. Raleigh (1.4%), Orange County (1.4%) and Atlanta (1.2%) posted the highest increases month-over-month. The metros with decreases in July were Orlando (-0.1%), Miami and the Twin Cities (-0.3% each), and the Inland Empire (-0.6%).

Lifestyle unit rents were hit the hardest in July as renters' budgets tightened. The rate of increase decelerated from 1.2% to 0.4%. Metros with the highest rent increases were Raleigh (1.4%), Orange County (1.3%) and Atlanta (1.2%). The highest decreases in Lifestyle rents were recorded by the Twin Cities (-1.2%), Miami (-1.3%), and the Inland Empire (-1.9%).







Source: Yardi Matrix

Supply, Demand and Demographics: Strategies for Fixing the Shortage

- A new study commissioned by the National Multifamily Housing Council and the National Apartment Association details the severe shortage of multifamily housing in America.
- The report estimates that the U.S. needs to build 4.3 million multifamily units by 2035 to meet the needs of the growing population.
- The NMHC-NAA study recommends streamlining the entitlement process and incentivizing more affordable units.

A big part of the recent growth in apartment rents has been the supply-demand imbalance. The U.S. currently has a 600,000-unit apartment shortfall with another 3.7 million units needed through 2035 to meet demand, according to a new study conducted by Hoyt Advisory Services on behalf of the National Multifamily Housing Council and the National Apartment Association.

The study enumerates apartment demand based on population growth, demographic and social trends, homeownership rates, and obsolescence of older stock. The number of U.S. households is projected to rise to 141.3 million in 2035 from 127.7 million in 2021, even though population growth projections have been downgraded due to the declining birthrate and reduced immigration.

Social factors impacting demand include delayed marriage and childbearing and the increased age of first-time homebuyers. Demographic factors include historically lower homeownership rates among minorities and the aging of the population as births decline and life expectancy rises. Age 55-plus households will comprise a growing share of apartment demand, especially in slow-growth metros.

About 1.5 million units (40% of the total) will be needed by 2035 in three states: Texas, California and Florida. Growth as a share of existing stock will be led by secondary markets such as Austin, Boise, Las Vegas, Raleigh, and Orlando. Half of the population growth is projected to be concentrated in nine metros, led by Dallas, Phoenix, Houston, Miami and Atlanta. Seattle is the lone top-nine metro not in the Sun Belt. The aging of existing stock provides some urgency; 78% of U.S. apartments were built before 2000, and each year 0.5% of stock becomes obsolete.

Yardi Matrix tracks nearly 1 million multifamily units under construction, and forecasts more than 400,000 deliveries annually for several years. While that is good news, a long, sustained period of growth for market-rate and affordable housing is needed to fix America's housing shortage.

Proposed solutions from NMHC and NAA include streamlining the entitlement process to bypass duplicative and time-consuming reviews, expediting approvals for affordable units, providing density bonuses for projects with affordable components, passing tax abatements to rehabilitate older housing, and adopting strategies to leverage use of underused land.

Single-Family Build-to-Rent Segment: Interest Rates a Mixed Blessing for SFR

- National asking rents in the single-family rental (SFR) sector increased 11.2% year-over-year, a 60 basis-point decrease from June.
- National occupancy rates decreased 30 basis points in June, with rates declining in 24 of the top 35 Yardi Matrix metros.

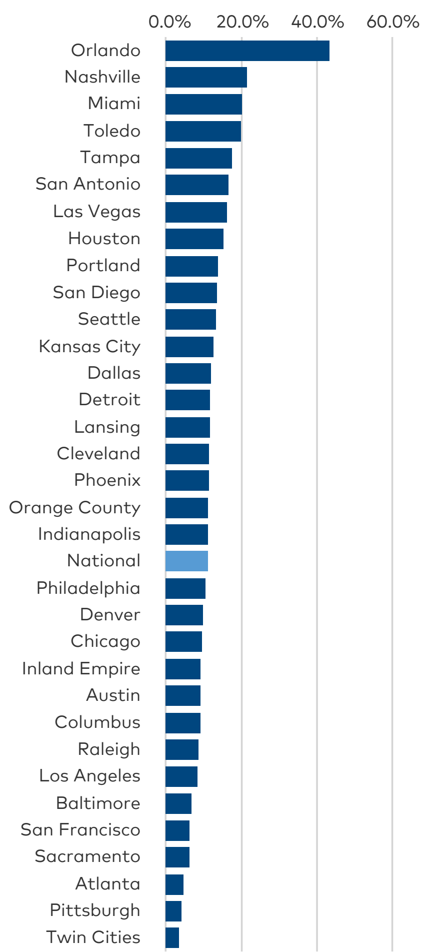
The average asking rent nationally increased $7 in July to $2,092. Twenty-one of Yardi Matrix's top 35 metros posted year-over-year rent growth of 10% or more. The highest increases were in Orlando (43.3%), Nashville (21.5%) and Miami (20.0%).

The SFR sector will be impacted by rising interest rates as higher financing costs and fewer home sales will likely reduce the acquisition pipeline. As such, Yardi Matrix anticipates rent growth to moderate as the economy weakens.

However, demand should remain firm as consumers who can no longer afford to purchase a home are likely to turn to the SFR sector.

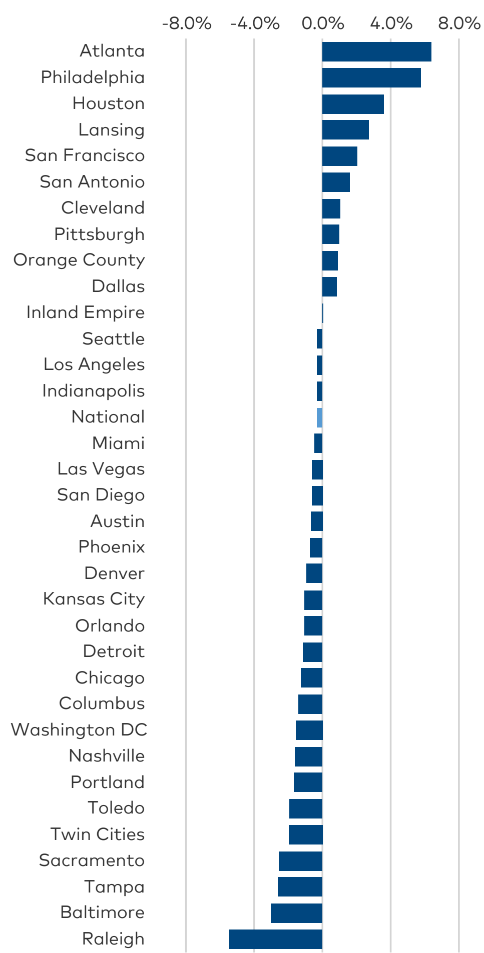
Note: Yardi Matrix covers single-family built-to-rent communities of 50 homes and larger.

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



Source: Yardi Matrix

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



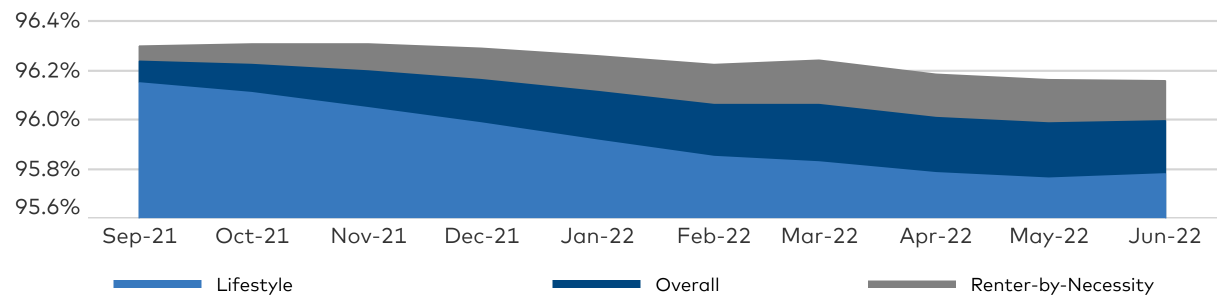
Employment and Supply Trends; Forecast Rent Growth

Market	YoY Rent Growth as of Jul - 22	Forecast Rent Growth as of 07/31/22 for YE 2022	YoY Job Growth (6-mo. moving avg.) as of May - 22	Completions as % of Total Stock as of Jul - 22
Orlando	20.2%	9.5%	7.8%	5.0%
Miami Metro	19.5%	10.2%	5.8%	4.4%
Orange County	17.6%	8.0%	5.9%	0.6%
Raleigh	17.5%	9.9%	4.7%	2.6%
Tampa	17.4%	10.6%	5.1%	3.2%
Nashville	16.5%	8.8%	6.3%	4.4%
Dallas	16.1%	9.8%	7.2%	2.5%
Charlotte	15.6%	8.9%	3.7%	3.6%
Seattle	14.9%	10.0%	6.0%	4.5%
Las Vegas	14.0%	8.5%	11.7%	1.0%
Indianapolis	13.9%	8.2%	4.2%	1.5%
Inland Empire	13.9%	9.3%	6.2%	0.8%
Austin	13.9%	8.0%	8.2%	5.0%
San Jose	13.4%	9.4%	5.9%	3.2%
Phoenix	13.3%	5.6%	4.0%	3.4%
Atlanta	13.2%	6.7%	6.1%	1.9%
Denver	12.1%	8.1%	5.3%	2.9%
Portland	12.0%	7.7%	5.5%	3.0%
Boston	11.6%	5.7%	4.8%	2.1%
Los Angeles	11.1%	7.9%	6.9%	2.3%
New York	10.4%	6.4%	5.8%	0.9%
Philadelphia	10.4%	8.8%	4.3%	2.0%
Kansas City	10.1%	7.6%	2.0%	1.7%
Washington DC	10.0%	6.5%	3.6%	2.4%
Chicago	9.6%	8.1%	4.9%	1.9%
Sacramento	9.2%	7.1%	5.0%	1.6%
Houston	9.1%	6.7%	5.6%	2.5%
San Francisco	9.0%	7.1%	6.5%	2.2%
Baltimore	8.4%	5.6%	4.0%	0.8%
Twin Cities	4.2%	4.6%	2.9%	3.4%

Source: Yardi Matrix

Occupancy & Asset Classes

Occupancy—All Asset Classes by Month



Source: Yardi Matrix

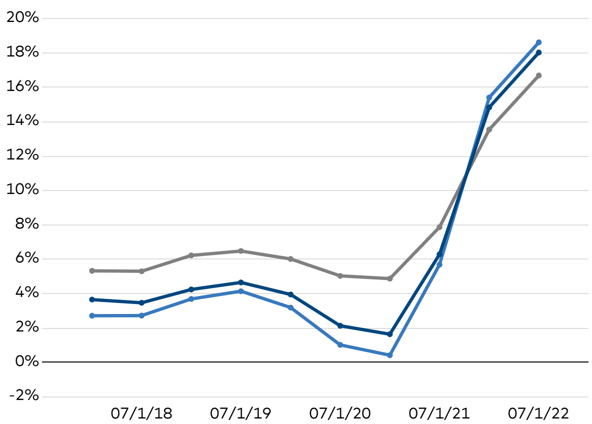
Year-Over-Year Rent Growth, Other Markets

Market	July 2022		
	Overall	Lifestyle	Renter-by-Necessity
SW Florida Coast	22.3%	20.6%	27.3%
NC Triad	16.3%	13.3%	20.1%
Salt Lake City	16.2%	16.0%	16.6%
Tucson	14.4%	10.1%	16.4%
El Paso	14.3%	15.1%	14.1%
Indianapolis	13.9%	14.4%	13.7%
Albuquerque	13.7%	10.5%	16.0%
Jacksonville	13.5%	11.6%	16.8%
Northern New Jersey	12.9%	15.9%	9.9%
Central Valley	12.3%	8.5%	13.3%
Central East Texas	12.0%	11.3%	12.6%
Louisville	11.2%	12.9%	10.6%
San Fernando Valley	11.1%	10.5%	11.5%
Tacoma	10.3%	10.5%	10.2%
Colorado Springs	8.9%	7.6%	10.1%
St. Louis	8.8%	7.8%	9.1%
Bridgeport–New Haven	8.3%	8.4%	8.4%
Long Island	7.9%	7.8%	8.1%
Reno	6.4%	5.2%	7.3%

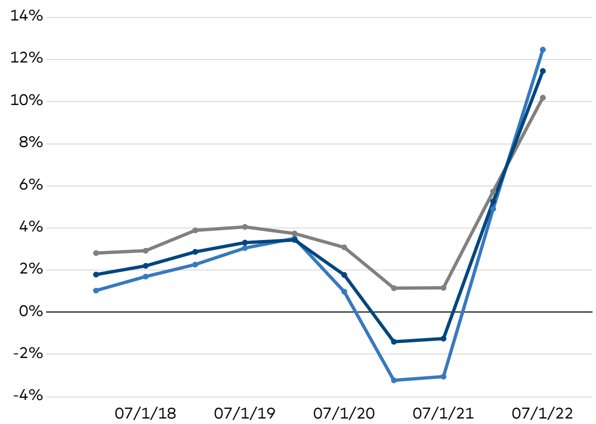
Source: Yardi Matrix

Market Rent Growth by Asset Class

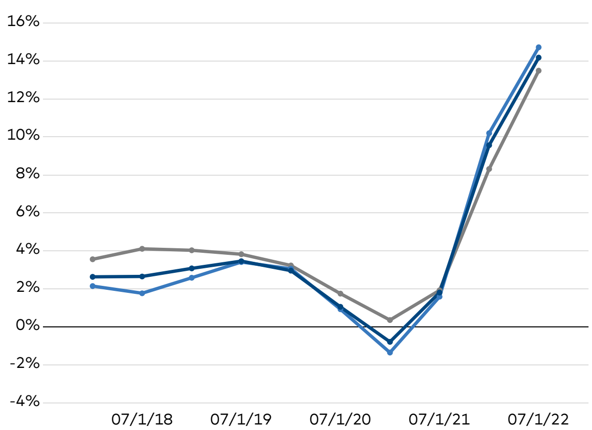
Atlanta



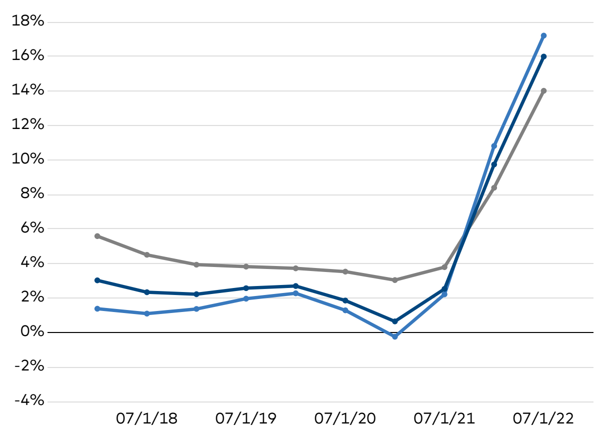
Boston



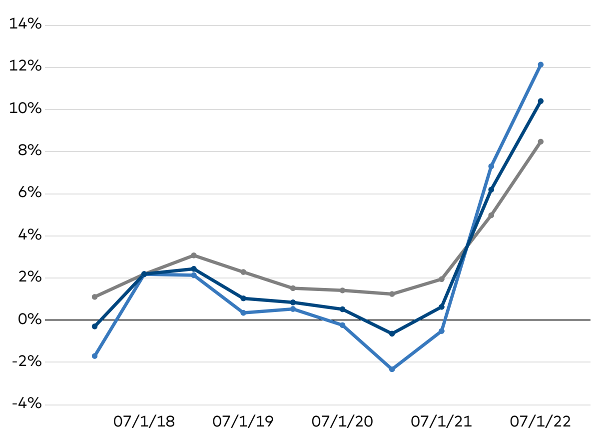
Denver



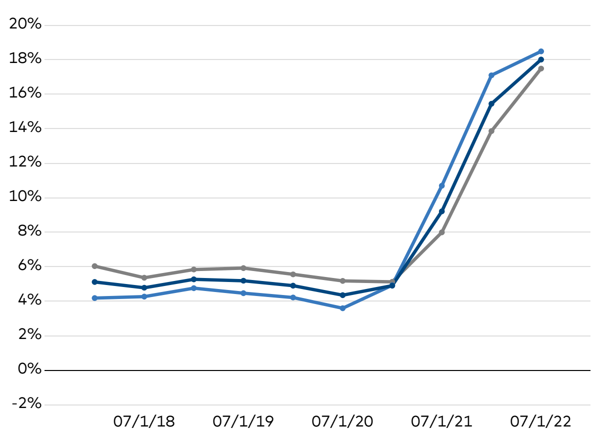
Dallas



Houston



Inland Empire

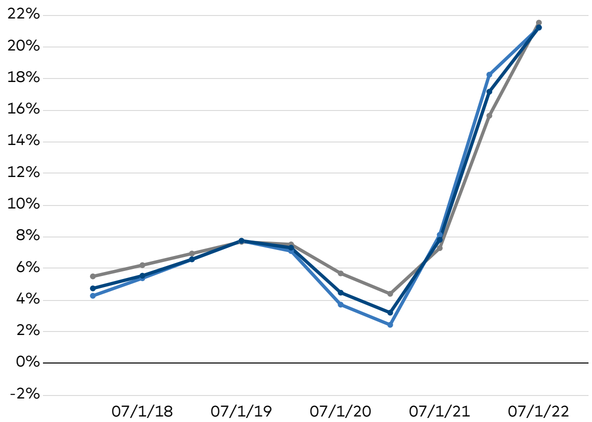


Trailing 12 Months Overall Trailing 12 Months Lifestyle Trailing 12 Months Renter-by-Necessity

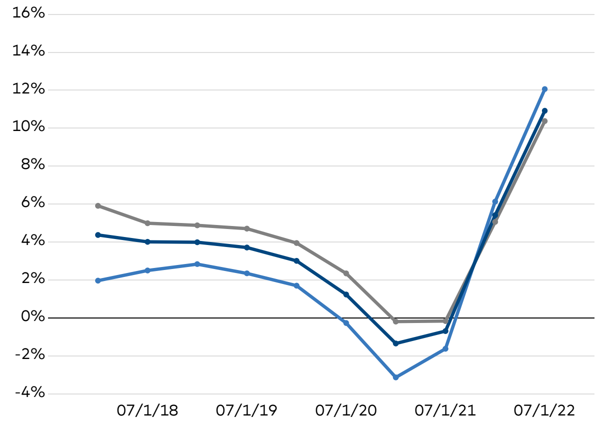
Source: Yardi Matrix

Market Rent Growth by Asset Class

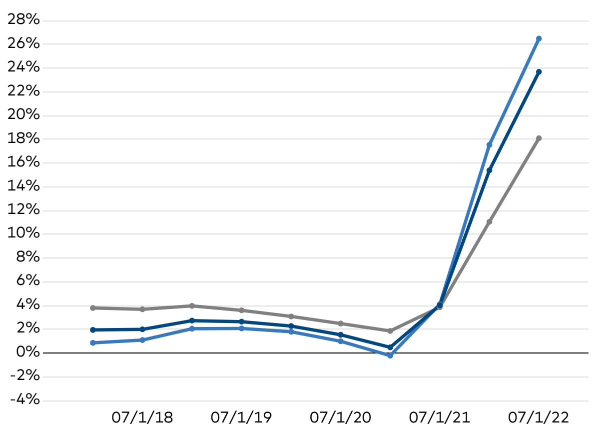
Las Vegas



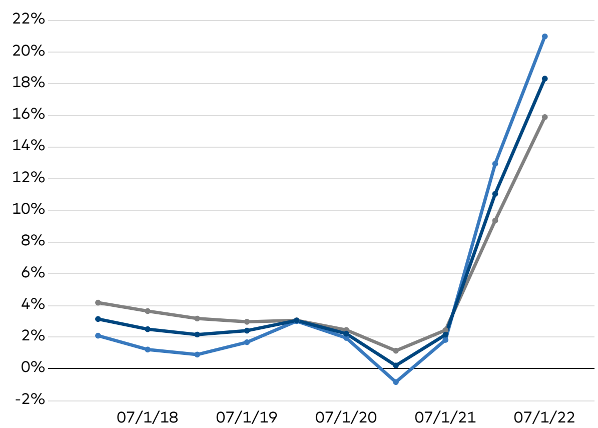
Los Angeles



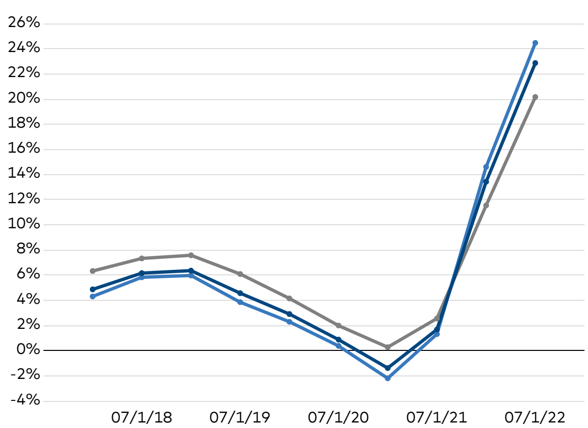
Miami



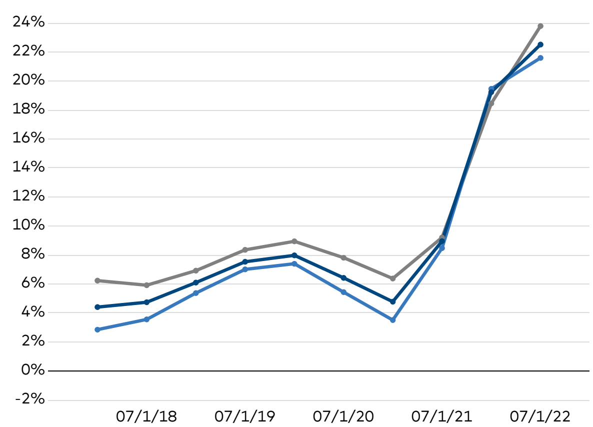
Orange County



Orlando



Phoenix

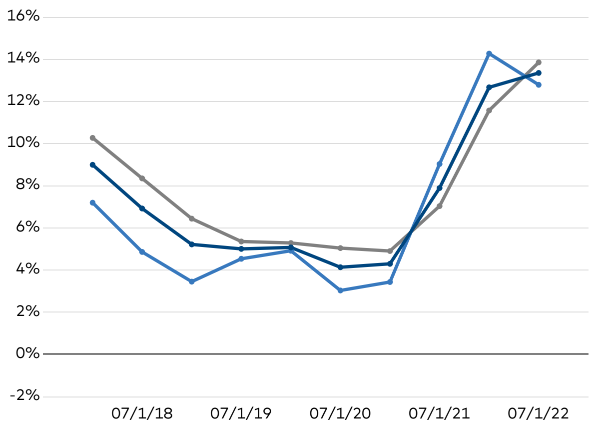


Trailing 12 Months Overall   Trailing 12 Months Lifestyle   Trailing 12 Months Renter-by-Necessity

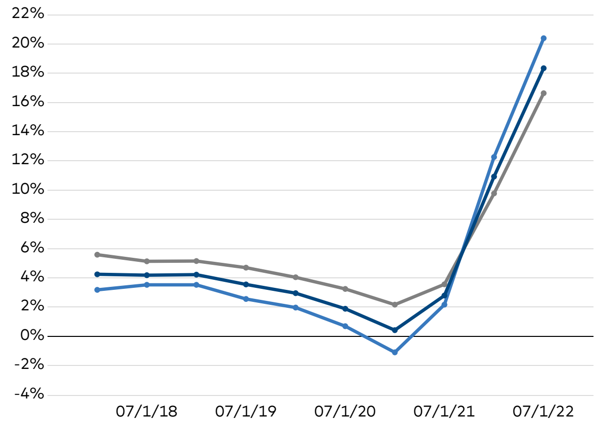
Source: Yardi Matrix

Market Rent Growth by Asset Class

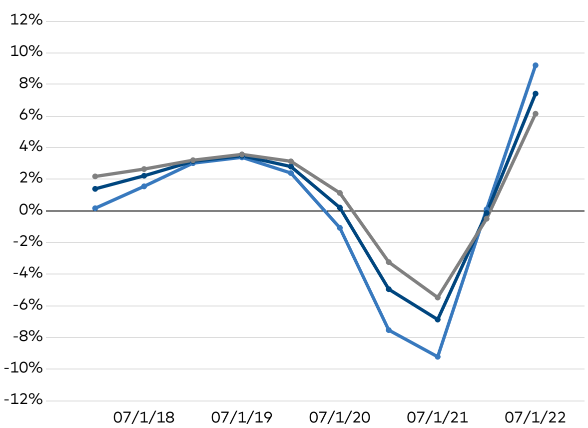
Sacramento



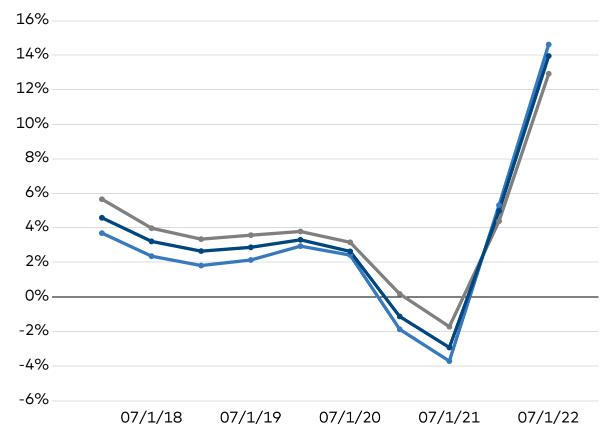
San Diego



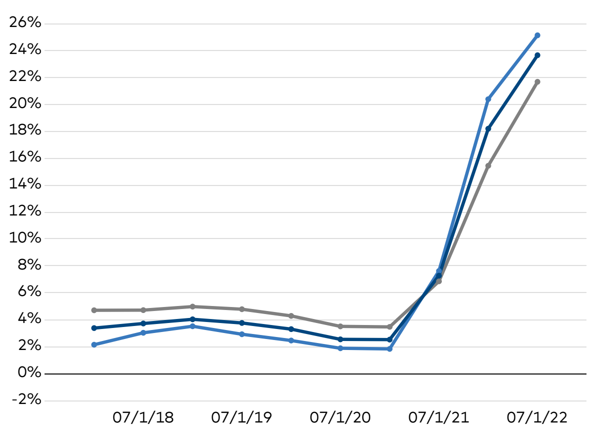
San Francisco



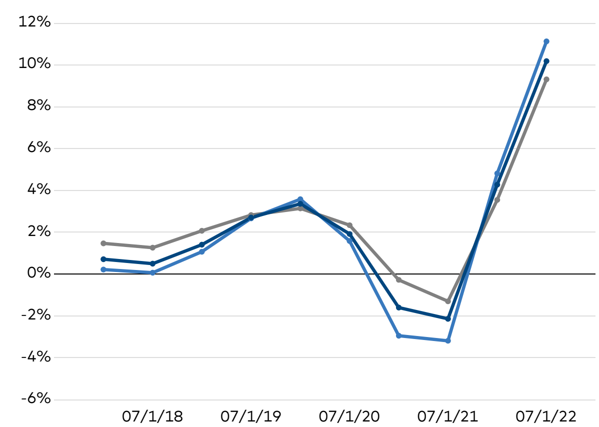
Seattle



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.

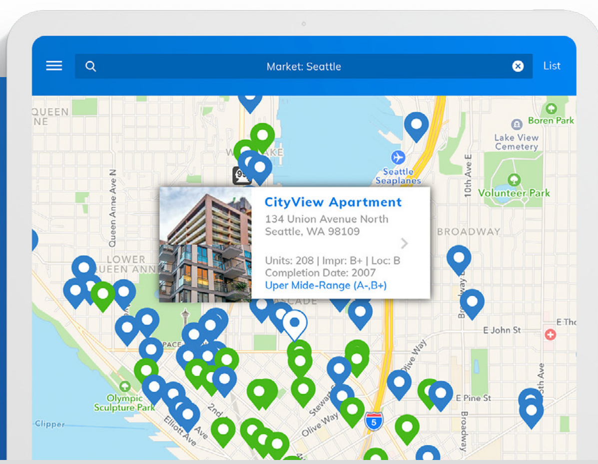
To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.

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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