Yardi Matrix

National Multifamily Report

August 2022

After Long Run, Rent Growth Stalls in August

- Multifamily rents finally hit a wall in August, presaging a deceleration that may extend through the second half of 2022. The economy is starting to feel the effects of higher interest rates, while migration is slowing and the increasing lack of affordability is affecting high-growth metros.

- The average U.S. asking rent decreased $1 in August to $1,718, marking the first month since June 2020 without significant growth. Year-over-year growth decelerated by 170 basis points to 10.9%. Nationally, asking rents are up 6.6% year-to-date. The U.S. occupancy rate was steady at 96.0%.

- The single-family sector continues to mirror the activity in multifamily. The average single-family asking rent decreased by $2 in August to $2,090, while year-over-year growth dropped by 170 basis points to 9.5%.

U.S. multifamily asking rents flattened in August—declining $1 to $1,718, the first month-over-month decline since June 2020. Year-over-year growth slid more than a full percentage point for the second month in a row to 10.9%. However, rent growth remains solid in each of Yardi Matrix's Top 30 metros, and nationally rents are up 6.6% year-to-date, higher than any year prior to 2021.

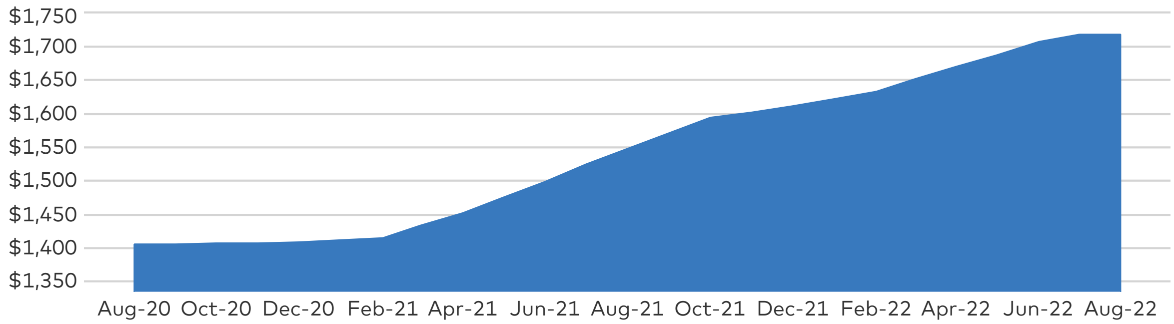
The moderating rent growth is due to typical seasonality, slowing migration and the cooling economy. Rent growth tends to slow in the fall, but this year comes at the tail end of the unprecedented increases. The deceleration in August was strongest in many of the markets that have had the most growth over the past two years, a sign that affordability is becoming an issue. For example, year-over-year rent growth dropped 7 to 8 percentage points over the last two months in Orlando (16.9% in August), Miami (16.7%) and Tampa (14.0%).

The cooling housing market is a positive demand driver for multifamily, but inflation and a slowing job market are eroding residents' ability to pay. Rent declines were concentrated in high-end Lifestyle properties, which dropped 0.2% nationally in August. Lifestyle rent growth was negative in 21 of Yardi Matrix's Top 30 metros.

Despite the flattening rent growth, much about the market remains positive. Year-to-date rent growth is still higher than any previous year aside from 2021, and occupancy rates have been above 96% for the past 14 months.

The national occupancy rate was 96.0% for the fifth month in a row in July, although there are large variations among metros. Markets with declining occupancy rates include Las Vegas, Phoenix, Sacramento and Atlanta, high-growth metros with slowing in-migration and/or robust supply growth.

National Average Rents



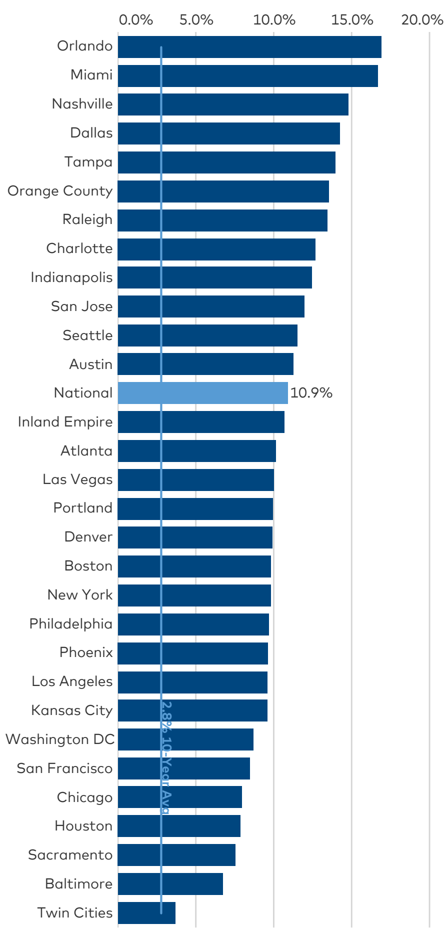
National averages include 136 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by Yardi Matrix.

Year-Over-Year Rent Growth:
Sun Belt Markets Show Strongest Rent Growth

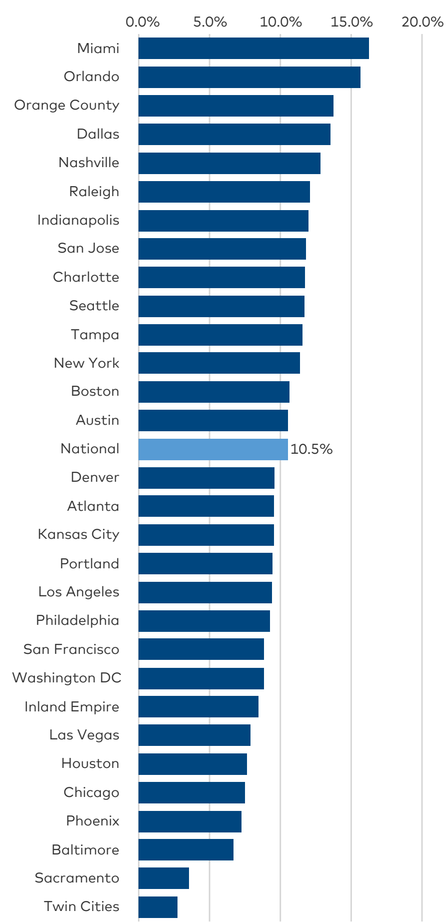
- Rent growth continues to decelerate in most metros. Year-over-year rent growth in August was once again strongest in the Sun Belt, led by Orlando (16.9%), Miami (16.7%) and Nashville (14.8%). The metros with the least amount of rent growth were the Twin Cities (3.7%), Baltimore (6.7%) and Sacramento (7.5%).

- Rent growth remains strong—8-10% year-over-year—in gateway metros, which benefit from the increases in occupancy as the strong job market and rising wages have increased household formations. Metros with the largest increases in occupancy over the last year were San Jose (1.5%), Chicago and San Francisco (both 0.8%) and New York (0.6%). At 97.8%, New York had the highest occupancy rate among major metros. Las Vegas (-1.8%), Phoenix (-1.4%) and Sacramento (-1.0%) had the largest occupancy rate decreases.

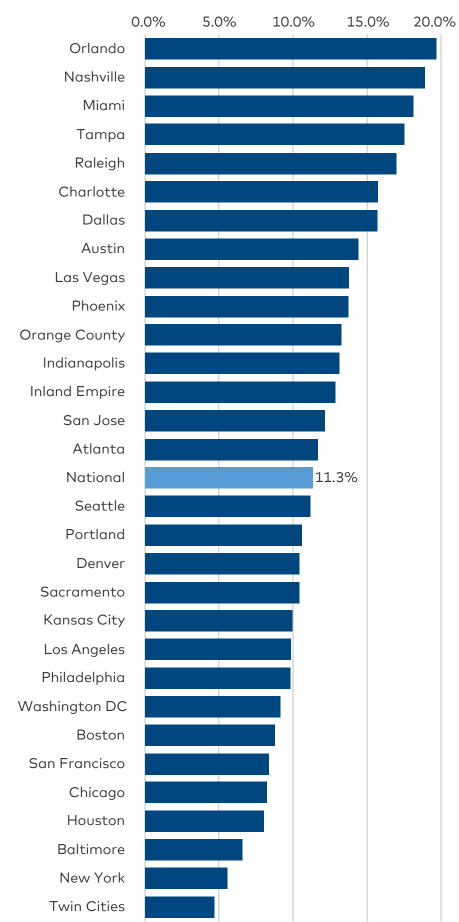
**Year-Over-Year Rent Growth—
All Asset Classes**



**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: Rents Flatten in August

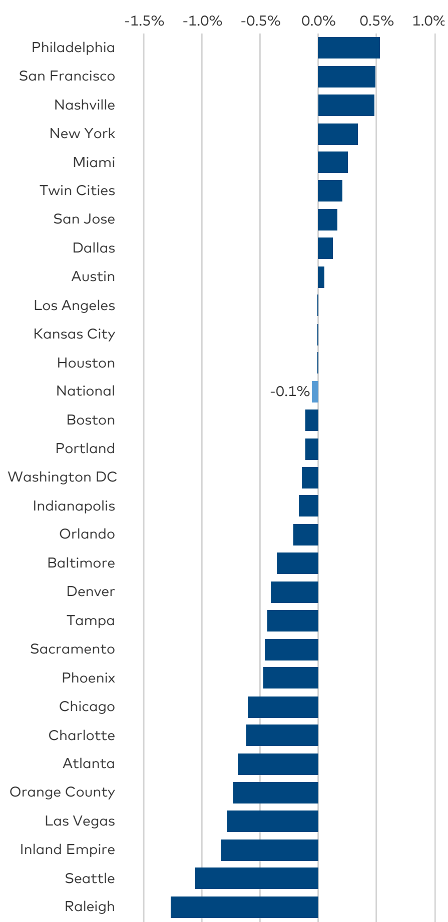
- National asking rents decreased by 0.1% in August; however, rents are still up a total of 6.6% since the beginning of the year.
- Renter-by-Necessity unit rents increased by 20 basis points in August, while rents in Lifestyle units decreased by 20 basis points.

Nationally, asking rents decreased by $1 month-over-month in August. The deceleration was caused by factors that include seasonality and a cooling of markets where rents increased at extraordinarily high rates over the last two years.

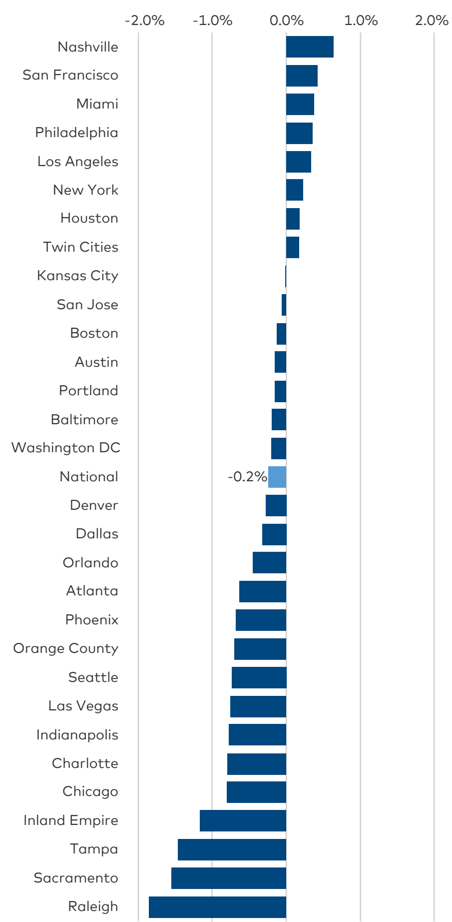
Asking rents increased in only 10 of Yardi Matrix's top 30 markets in August, led by Philadelphia, San Francisco and Nashville (all 0.5%). New York and Miami also posted solid performance (0.3%). Metros with the largest decreases in asking rents include Raleigh (-1.3%), Seattle (-1.1%) and the Inland Empire and Las Vegas (both 0.8%).

Rent declines were concentrated in the higher-end Lifestyle units. Lifestyle rents decreased in 21 of Yardi Matrix's Top 30 metros. The metros with the largest Lifestyle rent decreases were Raleigh (-1.9%), Sacramento and Tampa (both -1.5), the Inland Empire (-1.2%) and Chicago, Charlotte and Las Vegas (all 0.8%).

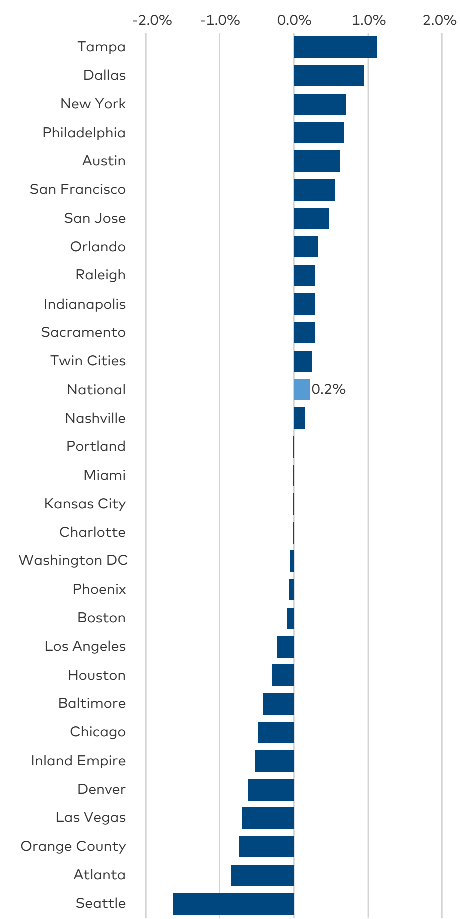
Month-Over-Month Rent Growth— All Asset Classes



Month-Over-Month Rent Growth— Lifestyle Asset Class



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



Source: Yardi Matrix

Supply, Demand and Demographics: Migration Drives Multifamily Demand

- With U.S. population growth slowing, multifamily demand will increasingly be driven by other factors, such as in-migration and household formation.
- A new Harvard study reports that there has been a post-pandemic shift to suburbs away from most urban areas, even those in fast-growing states.
- The strong job market has helped individuals form households, boosting demand in urban gateway markets.

With the birthrate on a long downward slide and legal immigration dropping to its lowest level in decades, apartment demand is increasingly driven by domestic migration and the particularities of household formation.

The slowing population growth is inarguable. The U.S. birth rate for women between the ages of 15 and 44 was 55.8 births per 1,000 women in 2020, a decline of almost 20 percent from the rate of 69.3 in 2007. Net international immigration fell to 247,000 in 2021, down from more than 1 million in 2016, according to the U.S. Census Bureau. A recent report by the National Multifamily Housing Council and National Apartment Association noted that population growth dropped from 1% per year from 1991 to 2011 to 0.6% over the past decade and is projected to slow to 0.4% per year through 2035.

Post-pandemic, high-cost states with large urban centers including California, New York and Illinois have lost population, while states in the Sun Belt and Southwest have gained. The migration can be explained by factors that include families looking for less expensive housing while some remote workers are no longer tied to offices.

While it is tempting to discuss the subject in generalities, a closer look at the thousands of submarkets in the U.S. reveals more nuance. Population decline occurred in most urban areas, even those in fast-growing states. Examples of this include Dallas, Orlando and Charlotte. Of the 68 counties in the U.S. with at least 1 million people, 58 (85%) had net outflows in 2021, according to a recent report by the Harvard Joint Center for Housing Studies. In stark contrast, 80% of counties in the outlying parts of these large metro areas had net inflows, according to Riordan Frost, a senior analyst who authored the report.

The nuance doesn't end there, though. Since the spring of 2021, apartment demand and occupancy rates have risen in urban areas with declining population (such as New York, the Bay Area and Chicago). How so? Well, the answer appears tied to the number of individuals per household. The strong job market and rising wages have provided opportunity for individuals to form households away from family and roommates.

Long-term, slow population growth is a hurdle for housing demand. In the short term, however, demand is being shaped by a plethora of demographic, social and economic trends.

Single-Family Build-to-Rent Segment: Rent Growth Moderating for SFR

- National asking rents in the single-family rental (SFR) sector increased 9.5% year-over-year, a decrease of 170 basis points from July.

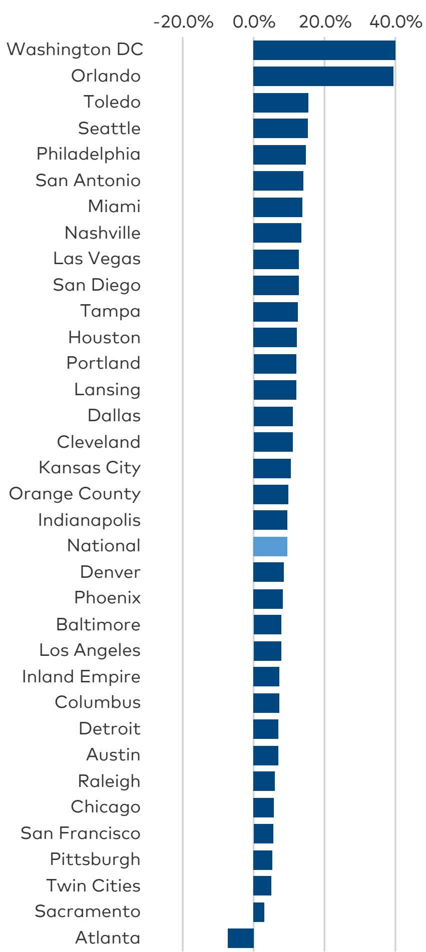
- Nationally, occupancy rates decreased 1% in July, with rates increasing in only nine of the top 35 Yardi Matrix metros.

The average asking rents for SFR decreased $2 in August as occupancy rates declined slightly. The deceleration could be a sign of the softening of the housing market, though overall SFR rent levels and occupancy rates remain healthy. Of Yardi Matrix's top 35 metros, 17 posted year-over-year rent growth of 10% or more as of August. Metros with the highest increases were Washington, D.C. (40.1%) and Orlando (39.6%).

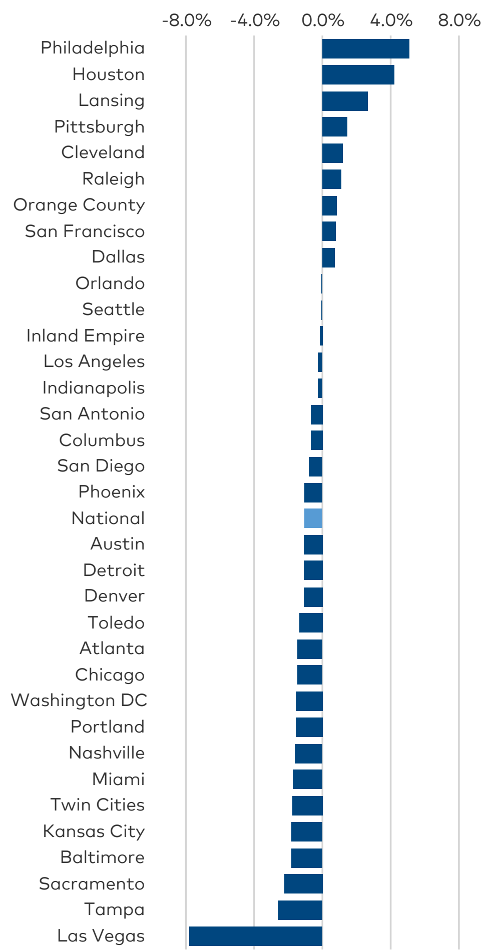
Rent growth in the SFR sector appears to be moderating, and higher financing costs and fewer home sales are likely to reduce the acquisition pipeline. However, demand should remain firm as purchasing a home grows further out of reach for more consumers, driving them to the SFR sector.

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

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



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



Source: Yardi Matrix

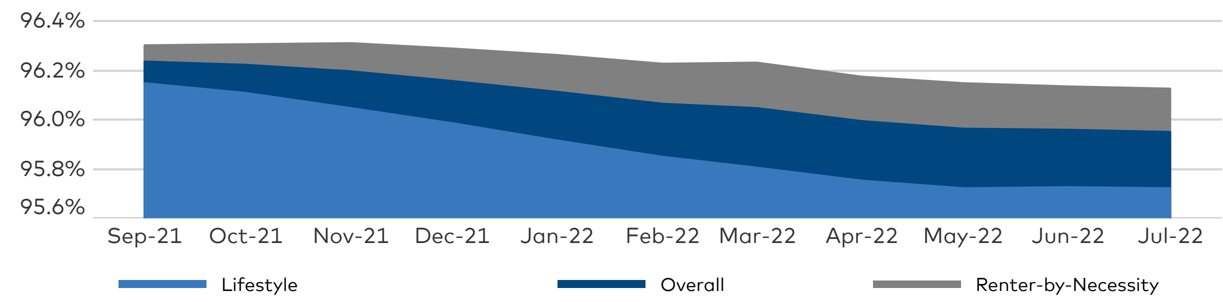
Employment and Supply Trends; Forecast Rent Growth

Market	YoY Rent Growth as of Aug - 22	Forecast Rent Growth as of 08/31/22 for YE 2022	YoY Job Growth (6-mo. moving avg.) as of Jun - 22	Completions as % of Total Stock as of Aug - 22
Orlando	16.9%	10.3%	7.5%	4.2%
Miami Metro	16.7%	10.1%	5.7%	4.4%
Nashville	14.8%	12.5%	6.5%	4.4%
Dallas	14.2%	11.7%	7.4%	2.6%
Tampa	14.0%	10.2%	5.1%	3.2%
Raleigh	13.5%	12.9%	4.5%	2.1%
Orange County	13.5%	8.3%	5.7%	1.0%
Charlotte	12.7%	10.1%	4.0%	3.3%
Indianapolis	12.5%	11.0%	4.0%	1.5%
San Jose	11.9%	12.0%	5.8%	3.2%
Seattle	11.5%	10.7%	6.1%	4.3%
Austin	11.3%	8.0%	7.8%	4.6%
Inland Empire	10.7%	8.0%	6.2%	0.7%
Atlanta	10.1%	7.7%	6.3%	1.7%
Las Vegas	10.0%	8.0%	10.9%	1.2%
Denver	9.9%	9.1%	5.0%	2.7%
Portland	9.9%	9.2%	5.4%	3.0%
Boston	9.8%	9.3%	4.7%	2.3%
New York	9.8%	6.4%	5.9%	1.0%
Philadelphia	9.7%	7.8%	4.2%	1.6%
Phoenix	9.6%	5.6%	3.9%	3.3%
Los Angeles	9.6%	8.0%	6.6%	2.0%
Kansas City	9.6%	9.9%	2.0%	2.0%
Washington DC	8.7%	7.5%	3.4%	2.4%
San Francisco	8.5%	8.0%	6.3%	1.9%
Chicago	8.0%	9.2%	4.7%	2.1%
Houston	7.9%	6.3%	5.8%	2.4%
Sacramento	7.5%	7.1%	4.8%	1.9%
Baltimore	6.7%	5.6%	4.0%	0.9%
Twin Cities	3.70%	4.60%	2.90%	3.7%

Source: Yardi Matrix

Occupancy & Asset Classes

Occupancy—All Asset Classes by Month



Source: Yardi Matrix

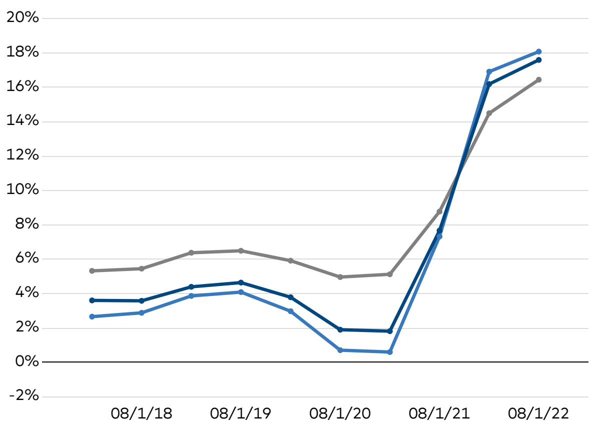
Year-Over-Year Rent Growth, Other Markets

Market	August 2022		
	Overall	Lifestyle	Renter-by-Necessity
SW Florida Coast	17.3%	15.7%	21.7%
Salt Lake City	14.5%	11.9%	16.9%
Northern New Jersey	13.5%	16.5%	10.3%
NC Triad	13.3%	11.4%	15.9%
El Paso	12.8%	12.0%	13.2%
Indianapolis	12.5%	12.0%	13.1%
Albuquerque	12.0%	8.4%	14.6%
Central East Texas	11.0%	9.1%	12.7%
Louisville	10.8%	10.9%	10.7%
Tucson	10.7%	6.0%	13.0%
Central Valley	10.0%	2.6%	12.1%
Jacksonville	9.5%	6.3%	15.2%
San Fernando Valley	9.2%	9.7%	9.0%
St. Louis	8.9%	7.0%	9.8%
Tacoma	8.6%	8.2%	9.2%
Long Island	8.4%	9.7%	7.6%
Bridgeport–New Haven	7.7%	8.8%	6.9%
Colorado Springs	7.0%	5.7%	8.5%
Reno	4.2%	4.1%	4.4%

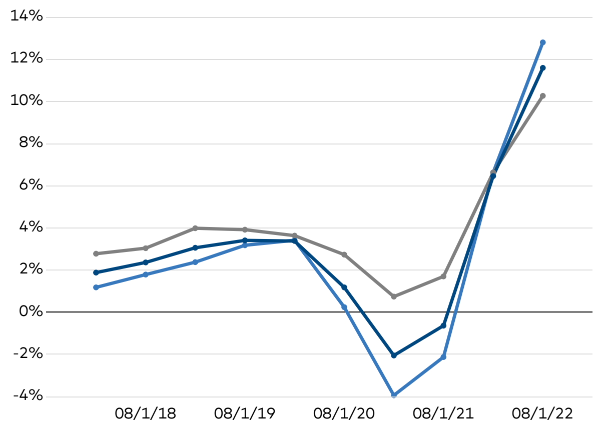
Source: Yardi Matrix

Market Rent Growth by Asset Class

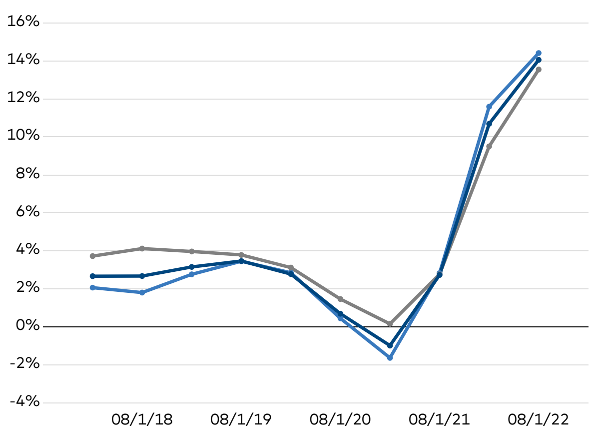
Atlanta



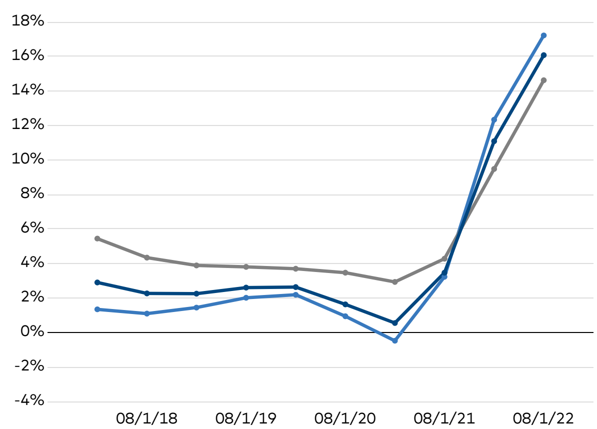
Boston



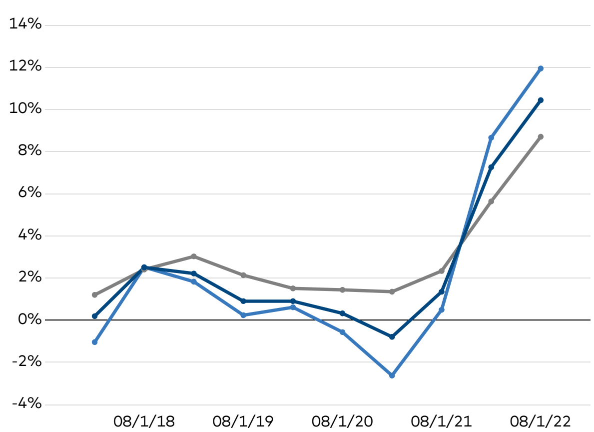
Denver



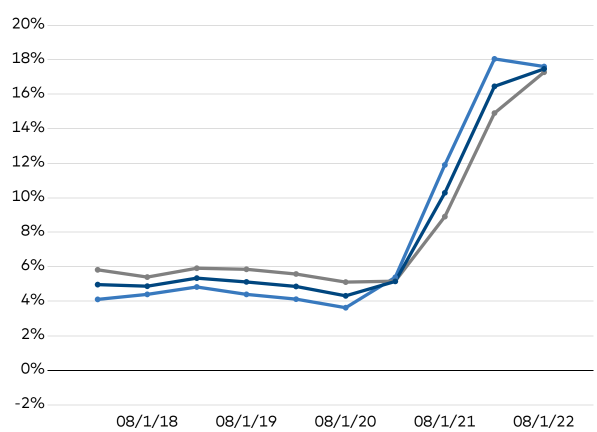
Dallas



Houston



Inland Empire

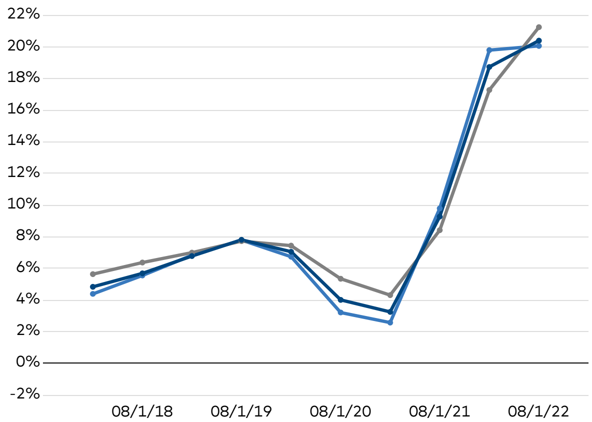


Trailing 12 Months Overall　Trailing 12 Months Lifestyle　Trailing 12 Months Renter-by-Necessity

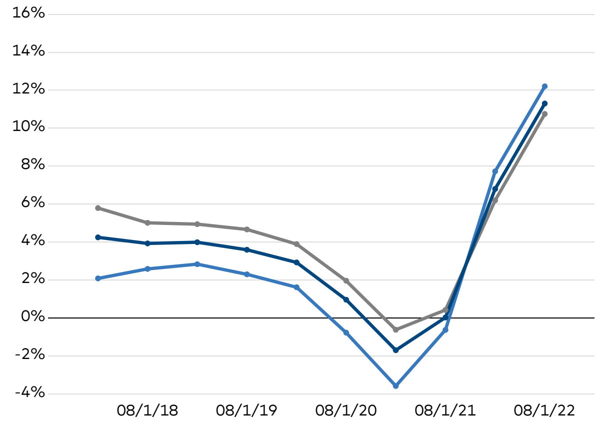
Source: Yardi Matrix

Market Rent Growth by Asset Class

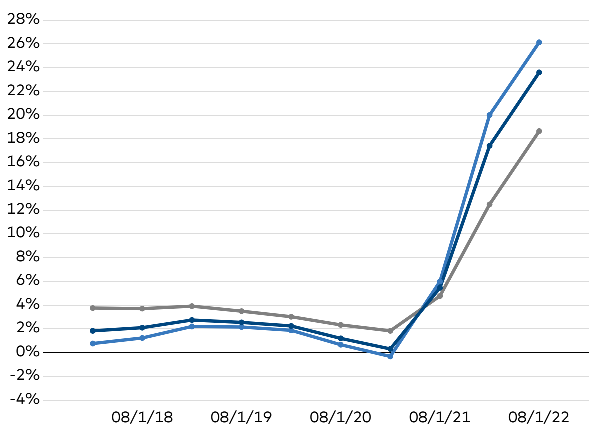
Las Vegas



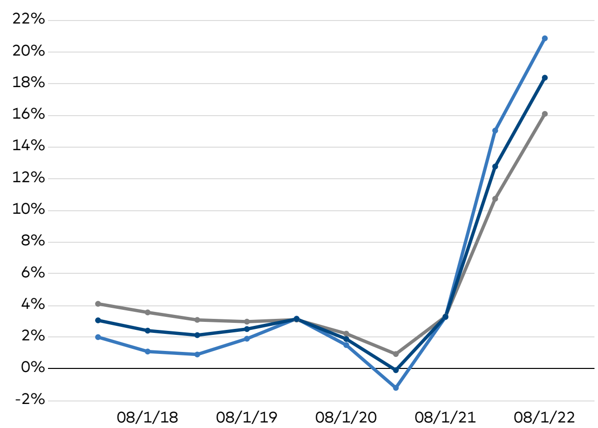
Los Angeles



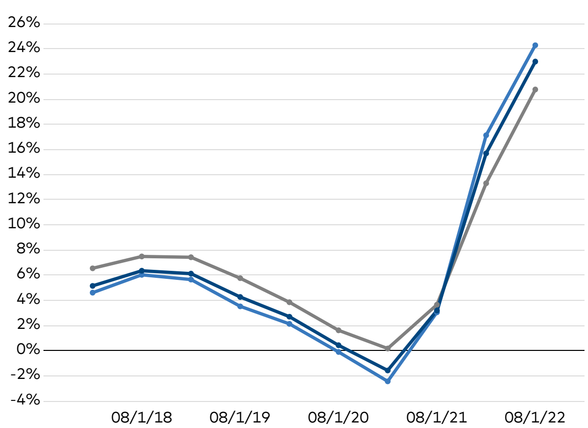
Miami



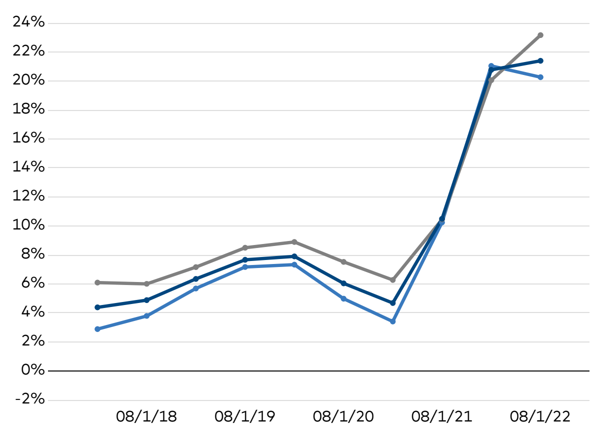
Orange County



Orlando



Phoenix

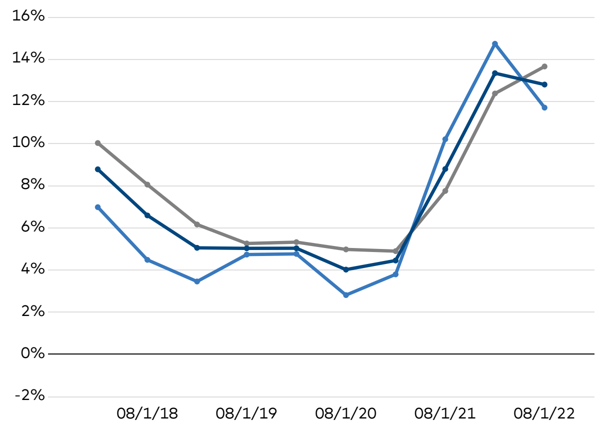


Trailing 12 Months Overall   Trailing 12 Months Lifestyle   Trailing 12 Months Renter-by-Necessity

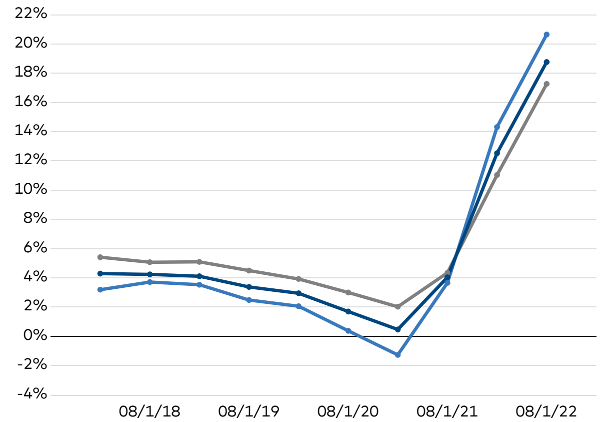
Source: Yardi Matrix

Market Rent Growth by Asset Class

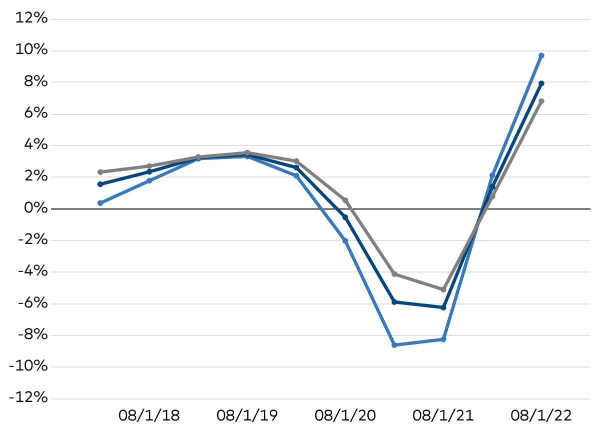
Sacramento



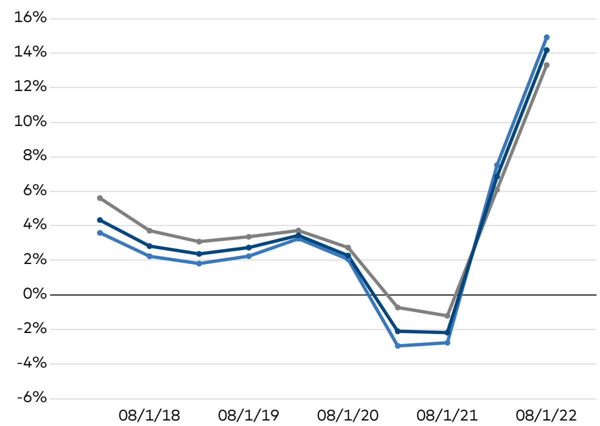
San Diego



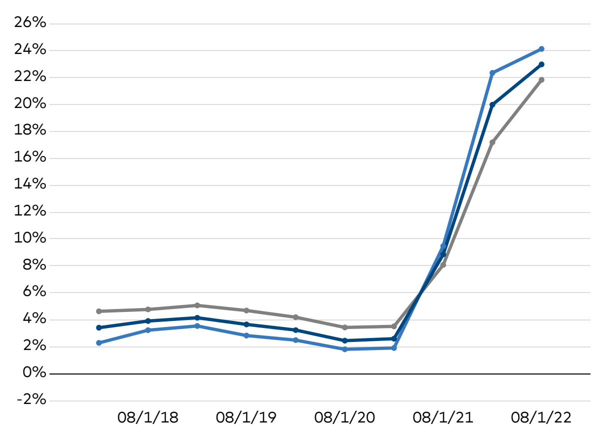
San Francisco



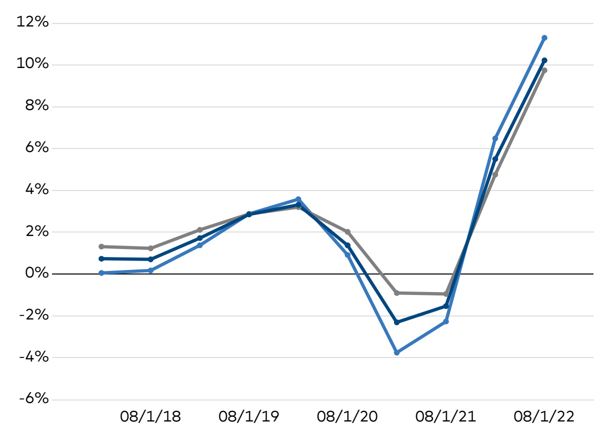
Seattle



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 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

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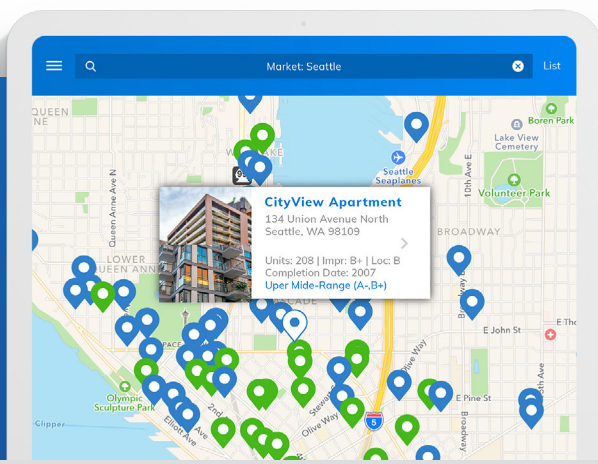
MULTIFAMILY KEY FEATURES

- 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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Contact us

Contacts

Jeff Adler
Vice President & General Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(303) 615-3676

Paul Fiorilla
Associate Director of Research
Paul.Fiorilla@Yardi.com
(800) 866-1124 x5764

Doug Ressler
Media Contact
Doug.Ressler@Yardi.com
(480) 695-3365

Yardi Matrix