Yardi® Matrix

National Multifamily Report

September 2022

Rent and Occupancy Rates Flatten in September

■ Multifamily rents fell flat in September, as the market continues to decelerate along with the rest of the economy. The average national asking rent was $1,718, the same rate as August. Year-over-year growth decelerated 150 basis points to 9.4%. National occupancy rates remained steady at 95.9%.

■ After five months of declining lease renewals, the lease renewal rate increased 60 basis points in August to 59.1%. Year-over-year renewal rent growth also increased 50 basis points, to 10.8%. In addition, rent-to-income ratios rose 9 basis points nationally for all units in August.

■ Rents decreased in the single-family sector for the second month in a row in September. The average single-family asking rent decreased by $7 to $2,081, while year-over-year growth dropped by 170 basis points to 7.8%. Overall occupancy also decreased 10 basis points, to 1.1%.

U.S. multifamily asking rents stabilized at $1,718 in September as the economy continued to cool and the Fed increased rates to bring down inflation. Year-over-year rent growth slid more than a full percentage point for the third month in a row, bringing it below 10% for the first time since July 2021. However, rent growth remains solid in each of Yardi Matrix's top 30 metros.

Two new enhancements have been added to this report, including lease renewal percentages and renewal rent growth (page 5) and rent-to-income ratios (page 8). These will be included in our monthly reports moving forward.
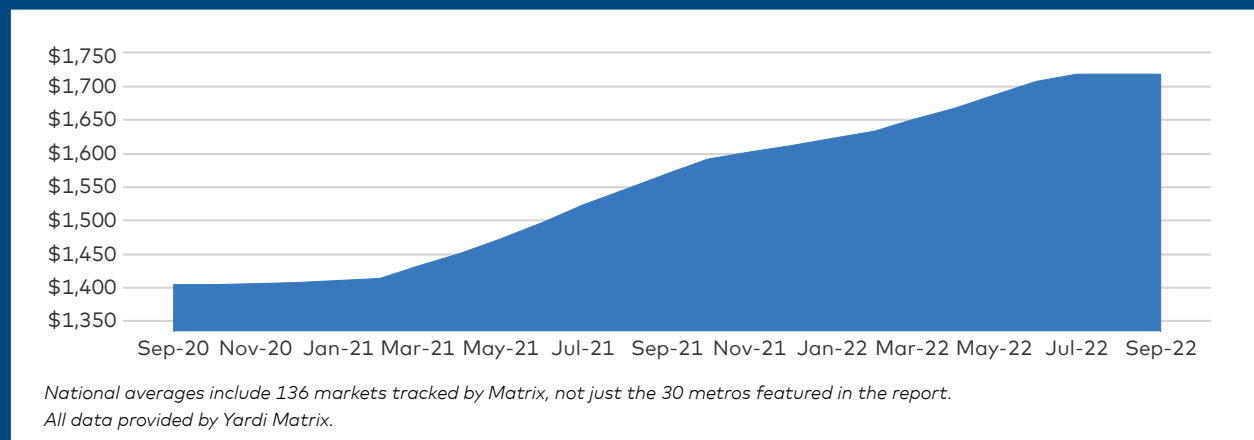
Monthly lease renewals increased in August after falling each month since February of this year. With the Fed hiking up interest rates, homebuying has grown out of reach for many, and renewal rent growth, while high, is typically lower than rent growth for a new lease.

National rent-to-income ratios for all units were 29.0% in August, 9 basis points higher than July. Rent-to-income ratios were higher for Renter-by-Necessity units at 30.6%, but dropped 3 basis points from July, while Lifestyle units had an average rent-to-income ratio of 27.4% in August, an increase of 14 basis points over the month.

The cooling economy is beginning to show its effect on multifamily. However, key fundamentals remain strong. Rent decreases continue to be concentrated in high-end Lifestyle units, which dropped 0.3% nationally in September. Rents increased 0.2% for Renter-by-Necessity units and stabilized nationally for all units.

Despite the flattening rent growth, much about the market remains positive. National asking rents are still at record highs, and national occupancy rates have been hanging around 96% since June of 2021.

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 Continue to Shine

■ The deceleration trend continues for rent growth in nearly all metros. Nine of Yardi Matrix's top 30 metros maintained year-over-year rent growth over 10% in September, with all nine metros in the Sun Belt corridor. The top performers were Miami (14.3%), Orlando (13.3%) and Nashville (13.2%).

■ The strong job market has helped gateway metros rebuild from the rapid outmigration during the pandemic. With 50% of companies using a hybrid working environment and 20% back in the office, according to a Gallup Poll, migration has shifted closer to office locations again. This is evident as five of the six metros with increased occupancy rates year-over-year were in gateway metros: San Francisco (70 bps), New York and Chicago (both 40 bps), and Los Angeles ad Washington, D.C. (both 20 bps). New York (97.9%) also maintained the highest occupancy rate.
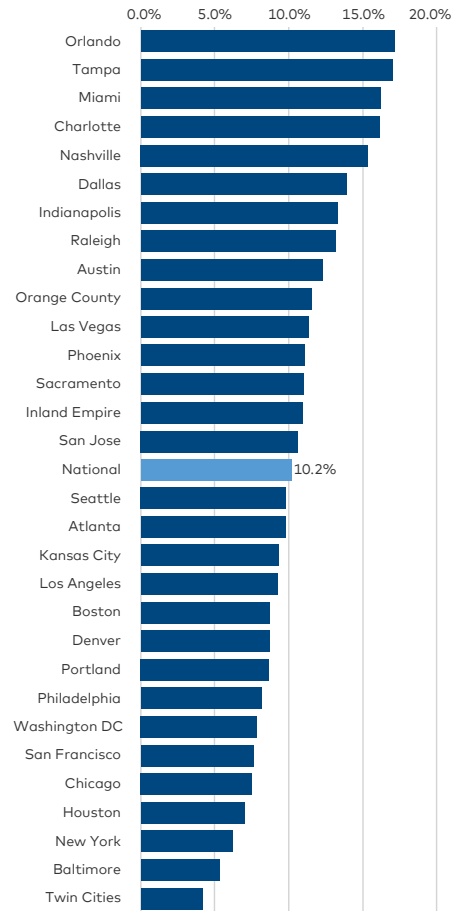
Year-Over-Year Rent Growth— All Asset Classes
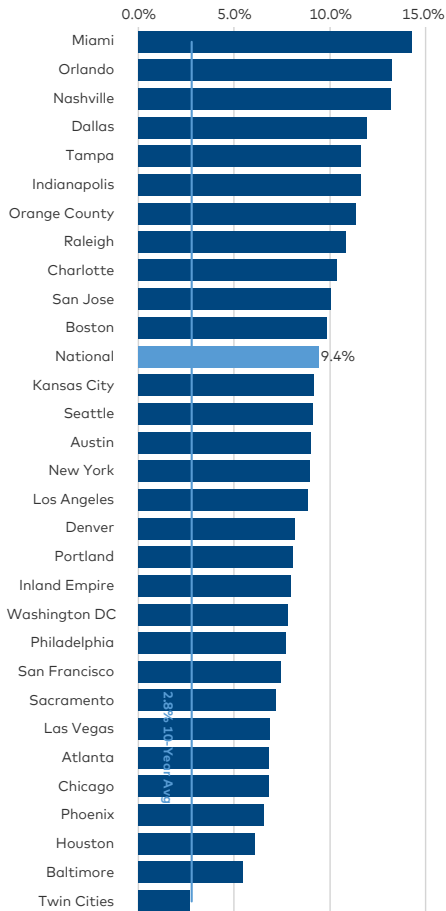
Year-Over-Year Rent Growth— Lifestyle Asset Class
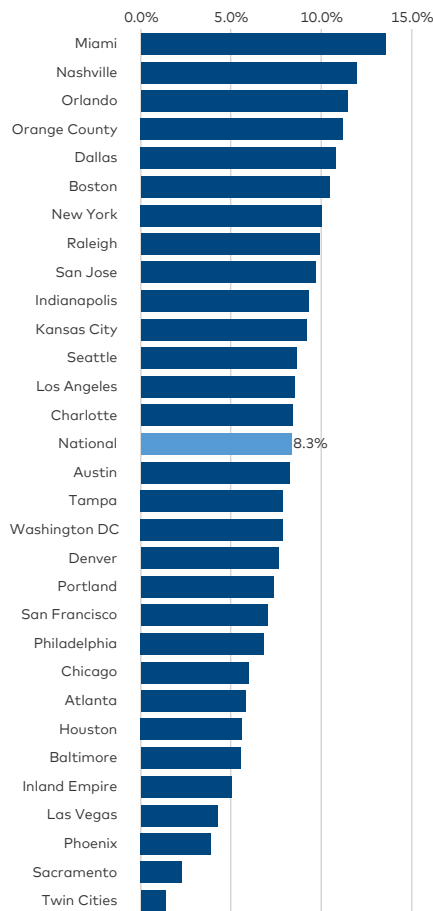
Year-Over-Year Rent Growth— Renter-by-Necessity Asset Class

Source: Yardi Matrix

# Short-Term Rent Changes:
Rents Remain Steady for Gateway Metros

■ National asking rents stayed constant at $1,718 in September as rents cooled across the country.

■ Renter-by-Necessity unit rents increased by 20 basis points again in September, while rents in Lifestyle units decreased by 30 basis points.

The accelerated rent growth from the pandemic has officially ended. Nationally, asking rents did not change from August to September as the economy and multifamily markets continue to cool. However, rents are still up 6.6% since the beginning of the year. In a typical year, rents had only risen an average of 2.9% by September.

Although asking rents for Lifestyle units have decreased 30 basis points nationally since August, Lifestyle unit rents in gateway metros are performing much better, thanks to the strong job market. Lifestyle rents increased in Boston (0.8%), Los Angeles (0.4%) and Washington, D.C. (0.1%), while Miami's rents did not change and New York's (-0.1%) rents only experienced a slight decrease.

Despite the leveling of national asking rents, many metros still had strong growth. The metros with the highest monthly rent increases in September were Sacramento, Boston and Orange County (all 0.7%), Los Angeles (0.5%) and Nashville (0.4%).
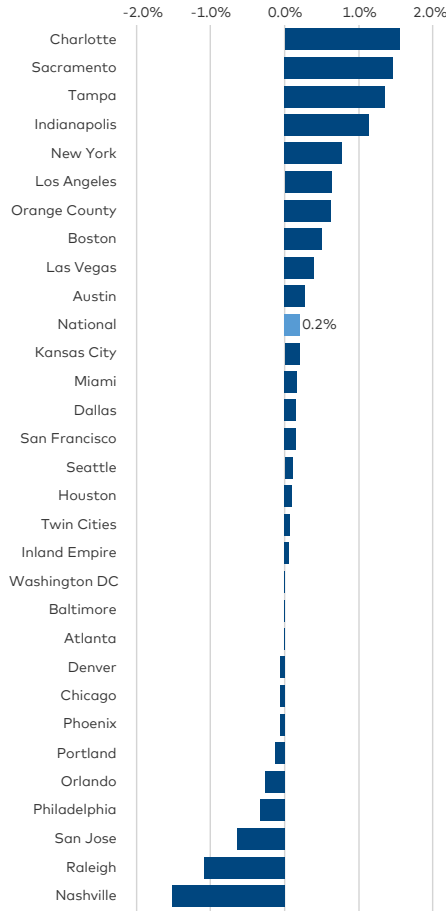
Month-Over-Month Rent Growth—All Asset Classes
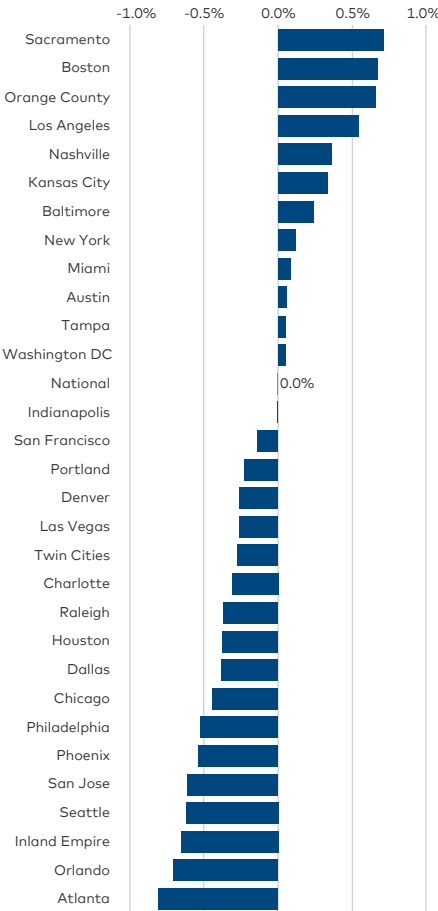
Month-Over-Month Rent Growth—Lifestyle Asset Class
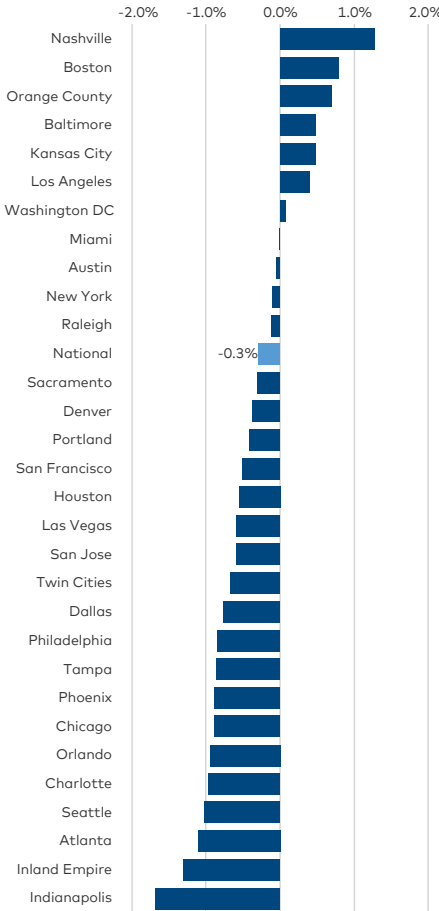
Month-Over-Month Rent Growth—Renter-by-Necessity Asset Class

Source: Yardi Matrix

Transacted Rents:
## National Lease Renewals Tick Up After Months of Decline

■ National lease renewals increased 60 basis points in August to 59.1%, the first increase since February of this year. Lease renewals have fallen 8 percentage points since February after peaking at 67.7% in October 2021. In that same timeframe, national renewal rents rose $125, from an average of $1,405 in February to $1,530 in August, an increase of 8.9%. The metros with the highest lease renewal rates in August were Philadelphia (69.6%), Kansas City (66.2%) and Baltimore (66.1%).

■ National renewal rents increased 10.8% on a year-over-year basis in August, an increase of 50 basis points from July. Renewal rents have increased 18.3% since the start of the pandemic in March 2020, but for comparison, national multifamily asking rates have increased 21.9% over that same time.

Market	YoY Renewal Rent Growth	Monthly Lease Renewal Rate
Miami Metro	20.8%	63.9%
Orlando	18.8%	63.6%
Raleigh	16.1%	62.1%
Charlotte	16.0%	58.5%
Tampa	15.7%	62.1%
Las Vegas	15.5%	59.9%
Phoenix	15.3%	58.6%
Boston	13.4%	61.0%
New York	13.1%	55.2%
Seattle	12.9%	48.8%
Dallas–Ft. Worth	12.6%	58.2%
Atlanta	12.4%	59.9%
Baltimore	11.5%	66.1%
Nashville	11.0%	56.4%
Austin	10.2%	56.6%

Market	YoY Renewal Rent Growth	Monthly Lease Renewal Rate
Kansas City	10.1%	66.2%
Indianapolis	9.4%	61.4%
Portland	8.6%	54.6%
Inland Empire	8.5%	50.6%
Philadelphia	8.4%	69.6%
Sacramento	8.2%	55.0%
Orange County	7.6%	57.7%
Houston	7.4%	58.7%
Denver	6.8%	56.8%
Los Angeles	6.7%	41.3%
San Jose	6.6%	43.2%
Chicago	6.3%	59.5%
Washington DC	5.9%	52.2%
Twin Cities	5.2%	55.2%
San Francisco	3.7%	39.1%

Source: Yardi Matrix Expert, data as of August 2022

National Lease Renewals and Renewal Rent Growth
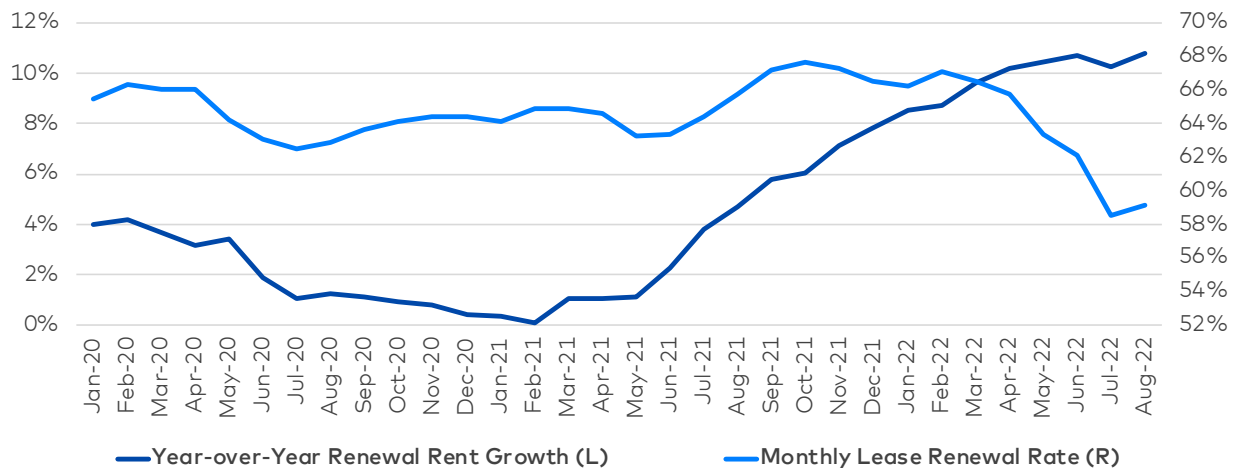
Source: Yardi Matrix Expert

Supply, Demand and Demographics:
Migration Drives Multifamily Demand

- Multifamily rents have hit a standstill due to the cooling economy, slowing household formation and shifting migration trends.

- Multifamily absorption through August was 223,000, a return to the prepandemic norm.

- The Fed's rate increases will hurt some families but could boost multifamily demand if single-family home sales drop and homeownership becomes out of reach, preventing some first-time buyers from purchasing.

After a year-and-a-half of record-setting growth, multifamily rents have hit the brakes. Asking rents have flattened this summer at $1,718 for three months in a row. That comes after rents rose more than 20% since January 2021.

To some extent, the pause is seasonal. Rents traditionally grow the most in the spring. However, we expect the deceleration to continue at least through the winter due to a confluence of trends.

One reason is the cooling economy and household formation. Much of the record demand in 2021, when roughly 600,000 units were absorbed nationally, came from the strength of consumer balance sheets emerging from the pandemic.

The rebound in jobs—more than 10 million have been created since January 2021—along with robust wage growth, strong household balance sheets and personal savings has given individuals the financial wherewithal to rent apartments or buy homes, forming their own households.

Another factor is that the migration set off by the pandemic is slowing down in some markets that benefited the most from the COVID-19-induced shutdowns. A combination of job loss and increased working from home led families to look for less expensive housing. The pandemic produced an outflow of households from high-cost gateway markets to Sun Belt metros, especially in Florida, Texas and Arizona.

This year, demand has returned to more "normal" levels, with 223,000 units absorbed through August, per Yardi Matrix. However, absorption has flattened or turned negative in some formerly hot markets such as Atlanta, San Antonio and Phoenix, where occupancy rates are slipping as supply growth outpaces demand. After years of above-trend rent growth, these metros no longer offer the cost benefit they did a few years ago.

Underpinning the deceleration is the cooling economy as the Federal Reserve increases rates to reduce demand. The Fed's actions are intended to put some people out of work and reduce wage growth, which serves to counteract household formation.

The outlook for multifamily remains strong, although the market may be coming to an end of its extraordinary run of rent growth. Demand is slowing as migration and household formation drop to normal levels.

Single-Family Build-to-Rent Segment: SFR Rent Growth Also Decelerating

■ National asking rents for single-family rentals increased 7.8% year-over-year in September, a decrease of 170 basis points from August.

■ Nationally, occupancy rates decreased 1.1% in August. Occupancy rates increased in only eight of the top 32 Yardi Matrix SFR metros.

The average national asking rents for SFR decreased $7 to $2,081 in September, the second month in a row of decelerating rents. The deceleration is a possible sign of the softening of the housing market, as occupancy rates also decreased in most markets. However, year-over-year rents are still solid. Nine of the top 32 Yardi Matrix SFR metros posted year-over-year rent growth of 10% or more as of September. Metros with the highest increases were Washington, D.C. (39.7%), Orlando (35.6%) and Toledo (15.1%).

The outlook for the SFR sector remains strong despite moderating rents. With 61% of homebuyers priced out of the market, according to Porch.com, many turn to SFR homes to accommodate their needs.

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

Year-Over-Year Rent Growth—Single-Family Rentals
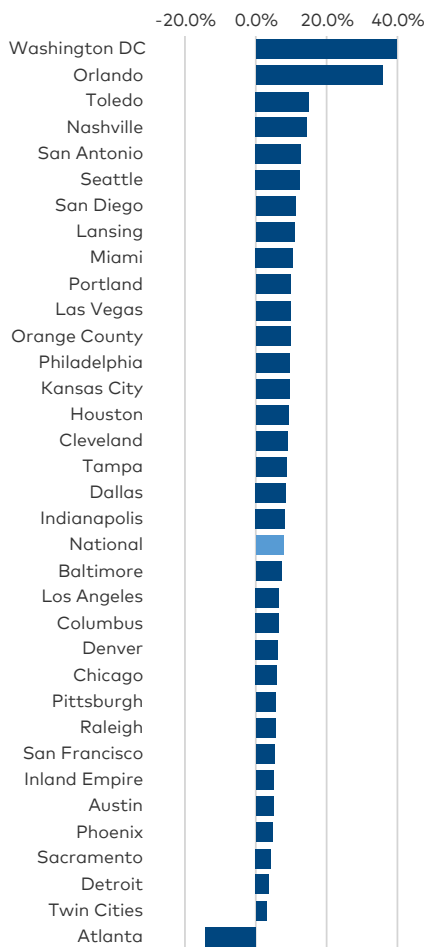
Year-Over-Year Occupancy Change—Single-Family Rentals
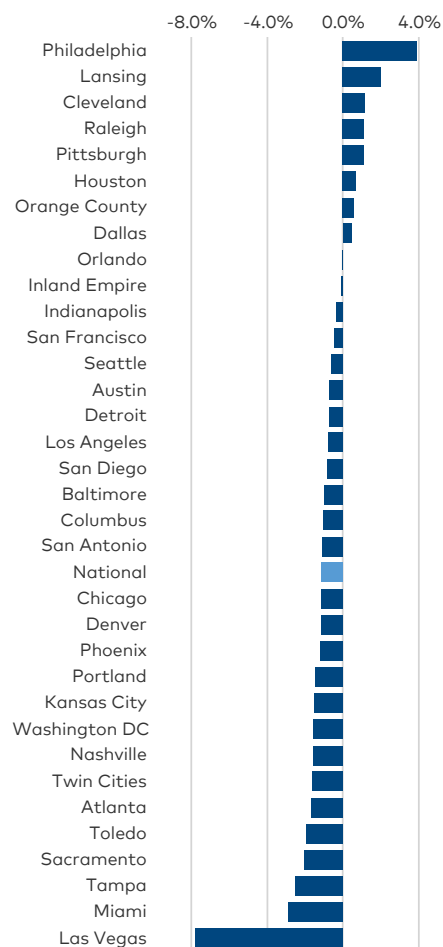
Source: Yardi Matrix

Multifamily Rent-to-Income Ratios
as of August 2022

Market	All Units	Lifestyle Units	Renter-by-Necessity Units
New York	33.9%	31.2%	36.8%
Orange County	33.6%	29.7%	37.6%
Washington DC	33.0%	30.4%	34.8%
Sacramento	32.4%	28.8%	38.7%
Los Angeles	32.4%	28.1%	36.1%
San Francisco	32.1%	28.5%	36.2%
Inland Empire	31.9%	30.5%	33.1%
Baltimore	31.4%	28.8%	32.7%
Orlando	31.4%	30.5%	32.5%
Portland	31.1%	29.8%	33.2%
Tampa	31.1%	29.5%	32.8%
Seattle	30.4%	28.2%	34.0%
Nashville	30.3%	25.8%	35.1%
Las Vegas	29.3%	27.7%	32.9%
Philadelphia	29.3%	27.6%	30.4%
Denver	28.9%	27.3%	31.2%
Phoenix	28.8%	27.1%	30.8%
Atlanta	28.7%	28.3%	29.7%
San Jose	28.3%	26.9%	30.2%
Twin Cities	28.1%	26.1%	30.0%
Boston	28.0%	25.8%	32.9%
Charlotte	27.9%	26.4%	31.6%
Chicago	27.8%	25.0%	29.3%
Raleigh	27.6%	27.1%	29.0%
Dallas	27.5%	26.4%	29.2%
Miami	27.3%	26.5%	29.6%
Houston	27.0%	24.9%	30.1%
Austin	26.5%	25.6%	28.7%
Indianapolis	25.9%	23.3%	27.5%
Kansas City	24.2%	22.8%	25.2%

Rent-to-Income ratios sorted by all units, highest to lowest. Source: Yardi Systems Screening Data
The Yardi Matrix data service covers rent-to-income ratios monthly back to January 2019 for 112
markets broken out by property type

Employment and Supply Trends;
Forecast Rent Growth

Market	YoY Rent Growth as of Sep - 22	Forecast Rent Growth as of 09/30/22 for YE 2022	YoY Job Growth (6-mo. moving avg.) as of Jul - 22	Completions as % of Total Stock as of Sep - 22
Miami Metro	14.3%	10.4%	5.7%	4.4%
Orlando	13.3%	10.2%	6.9%	3.9%
Nashville	13.2%	12.4%	6.5%	3.9%
Dallas	11.9%	10.8%	7.5%	2.8%
Indianapolis	11.6%	11.0%	3.7%	1.3%
Tampa	11.6%	10.0%	5.0%	3.4%
Orange County	11.3%	7.3%	5.3%	0.9%
Raleigh	10.8%	12.1%	4.4%	2.4%
Charlotte	10.4%	9.5%	4.3%	3.6%
San Jose	10.1%	11.8%	5.6%	3.0%
Boston	9.9%	9.1%	4.6%	2.2%
Kansas City	9.2%	9.7%	1.8%	1.9%
Seattle	9.1%	10.1%	6.0%	3.8%
New York	9.0%	6.6%	6.0%	1.0%
Austin	9.0%	7.8%	7.4%	4.7%
Los Angeles	8.9%	7.6%	5.8%	2.1%
Denver	8.2%	8.0%	4.6%	2.6%
Portland	8.1%	9.1%	5.2%	2.7%
Inland Empire	7.9%	7.6%	5.9%	0.4%
Washington DC	7.8%	7.3%	3.2%	2.5%
Philadelphia	7.7%	7.7%	4.2%	1.2%
San Francisco	7.5%	8.5%	5.9%	2.2%
Sacramento	7.2%	5.5%	4.5%	1.7%
Las Vegas	6.9%	6.5%	9.7%	1.3%
Atlanta	6.8%	6.4%	6.3%	1.5%
Chicago	6.8%	7.8%	4.6%	2.0%
Phoenix	6.5%	5.4%	3.9%	3.4%
Houston	6.1%	6.2%	6.0%	2.4%
Baltimore	5.5%	5.3%	3.8%	0.9%
Twin Cities	2.70%	4.60%	3.00%	4.0%

Source: Yardi Matrix

Occupancy & Asset Classes

Occupancy—All Asset Classes by Month
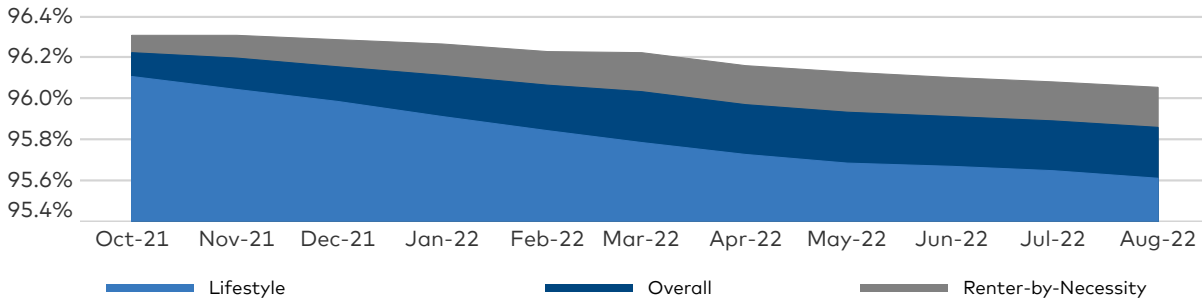
Source: Yardi Matrix

Year-Over-Year Rent Growth, Other Markets

Market	September 2022		
	Overall	**Lifestyle**	**Renter-by-Necessity**
SW Florida Coast	13.5%	12.4%	15.8%
Northern New Jersey	12.9%	15.5%	10.2%
Salt Lake City	12.8%	10.5%	14.9%
Indianapolis	11.6%	9.3%	13.3%
Central East Texas	11.3%	9.1%	13.9%
Louisville	10.9%	11.1%	11.0%
El Paso	10.8%	8.9%	11.6%
Albuquerque	10.6%	7.2%	12.9%
NC Triad	10.0%	8.2%	12.4%
Tucson	9.0%	2.1%	12.5%
Long Island	8.5%	10.9%	7.2%
St. Louis	8.5%	8.0%	8.6%
San Fernando Valley	8.1%	8.0%	8.2%
Central Valley	8.1%	1.5%	9.9%
Jacksonville	7.6%	4.0%	14.0%
Tacoma	7.2%	6.6%	8.0%
Colorado Springs	7.1%	5.8%	8.4%
Bridgeport–New Haven	6.4%	6.2%	6.8%
Reno	2.8%	1.1%	4.2%

Source: Yardi Matrix

Market Rent Growth by Asset Class

Atlanta
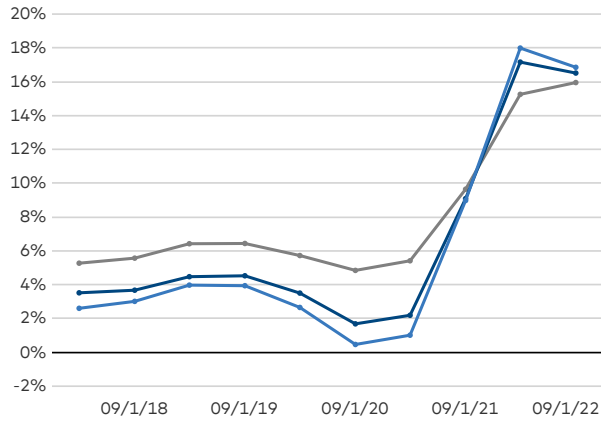
Boston
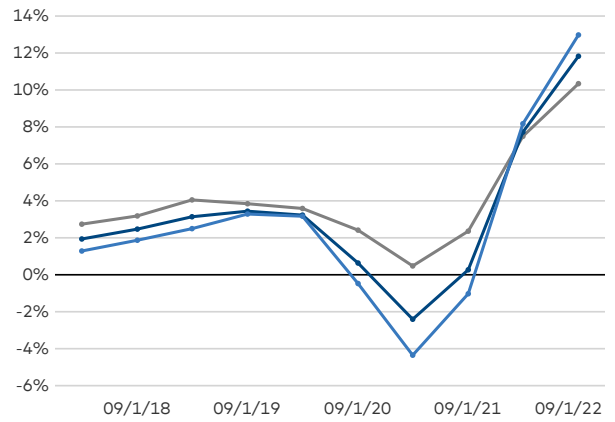
Dallas
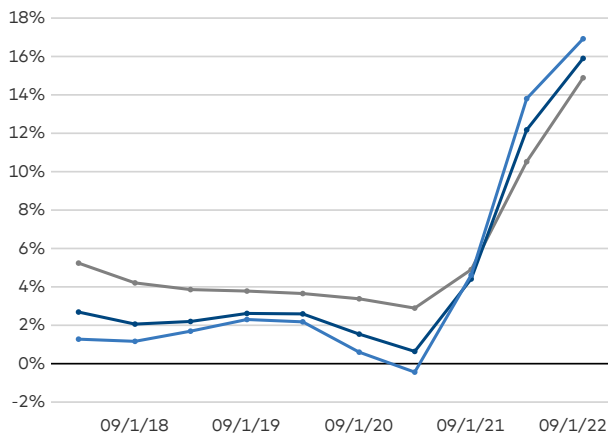
Denver
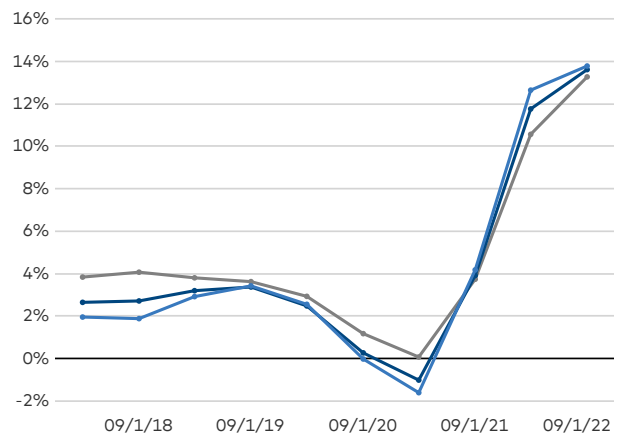
Houston
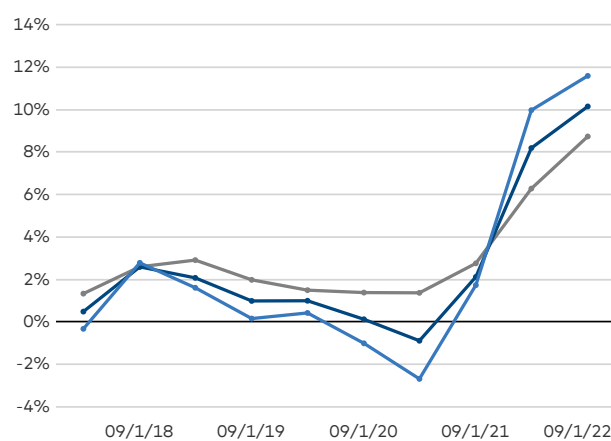
Inland Empire
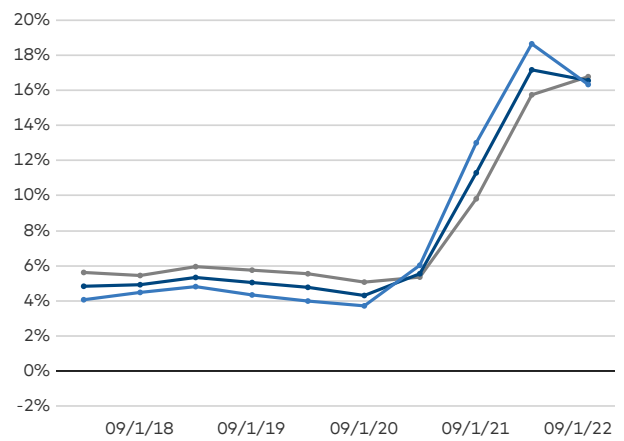
Trailing 12 Months Overall　　**Trailing 12 Months Lifestyle**　　**Trailing 12 Months Renter-by-Necessity**

Source: Yardi Matrix

Market Rent Growth by Asset Class
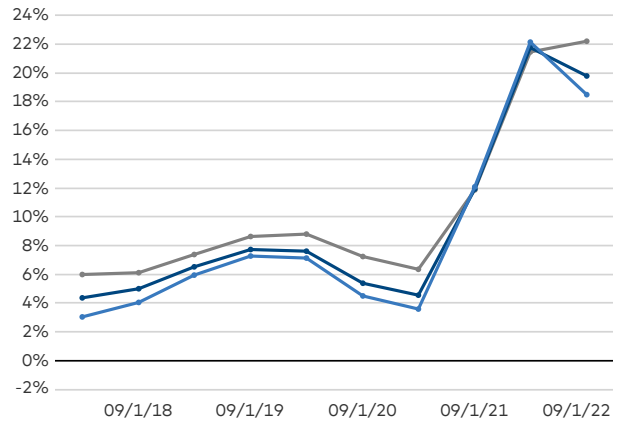
Las Vegas
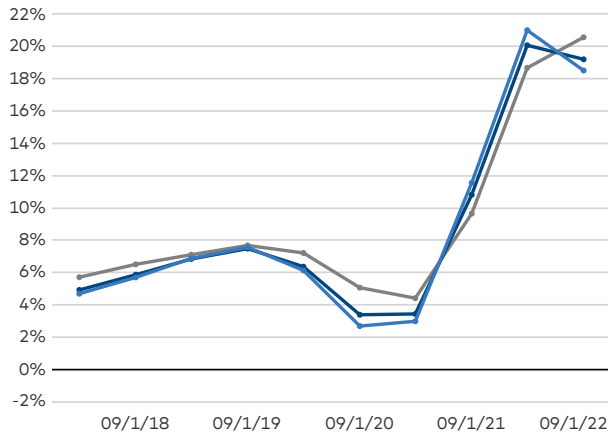
Los Angeles
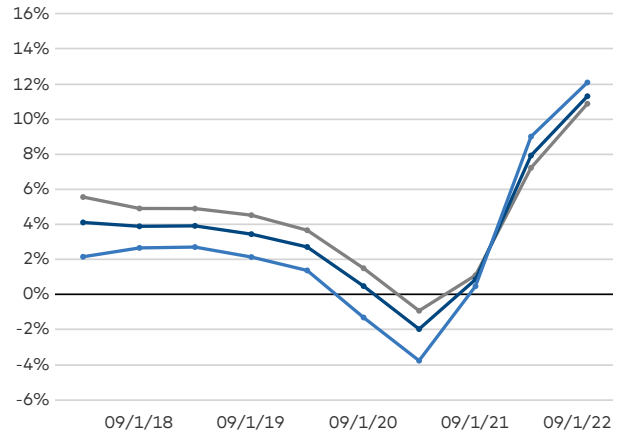
Miami
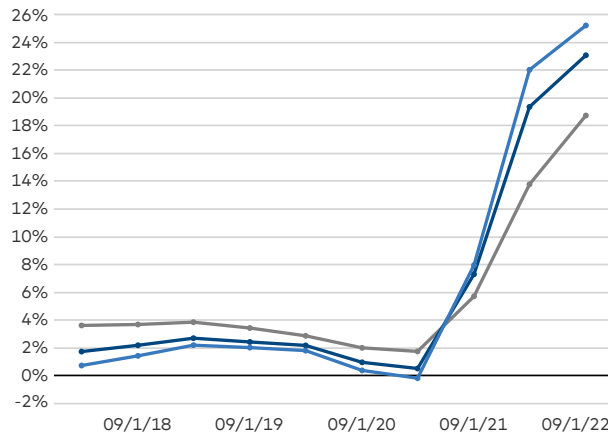
Orange County
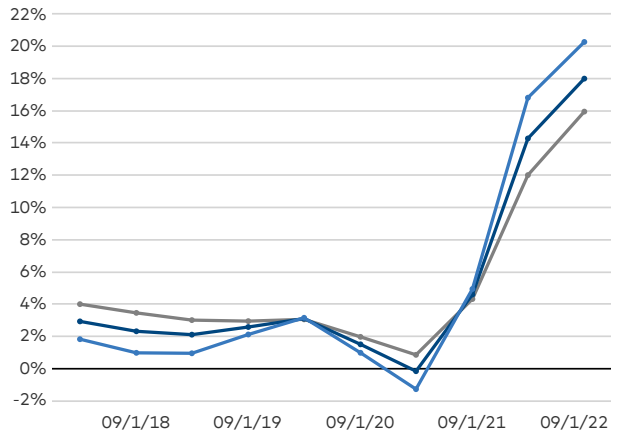
Orlando
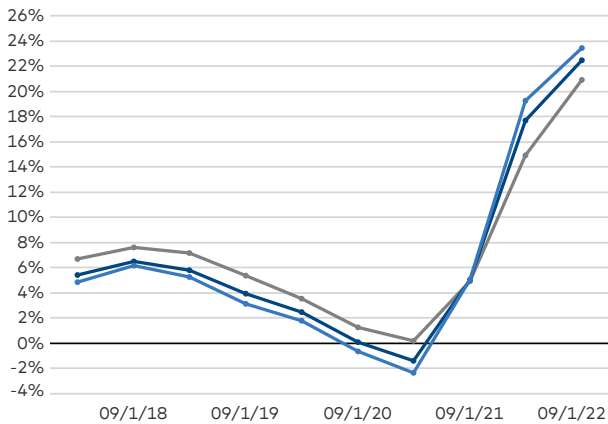
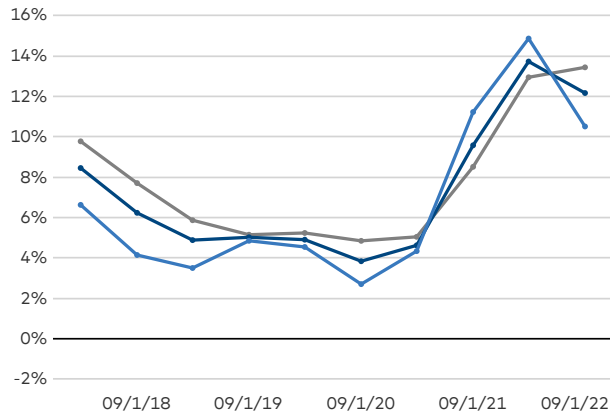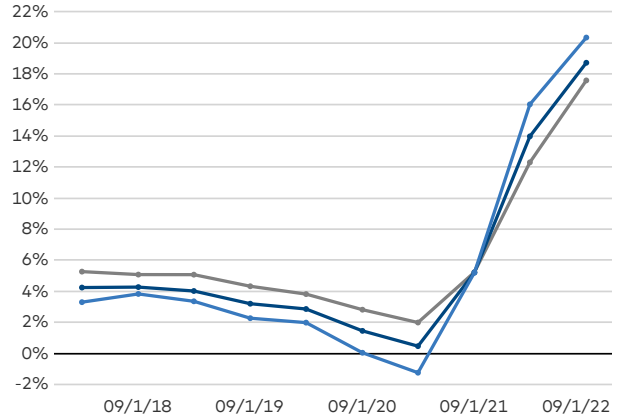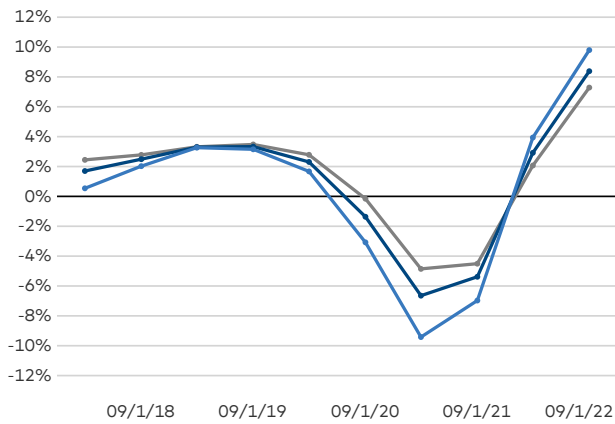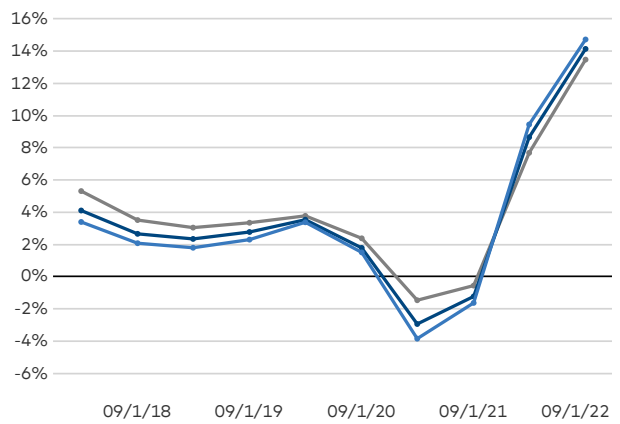## Phoenix

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

Source: Yardi Matrix

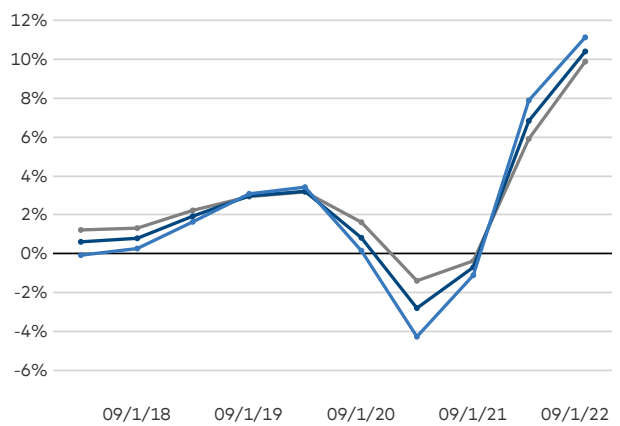# Market Rent Growth by Asset Class

Sacramento

San Diego

San Francisco

Seattle

Tampa
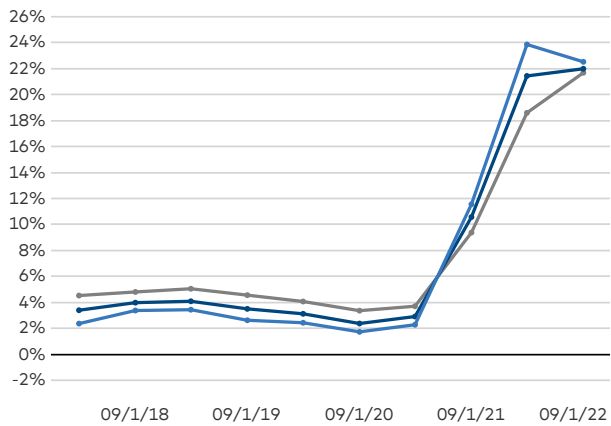
Washington, D.C.

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

Source: Yardi Matrix

Definitions

Reported Market Sets:

National multifamily rent and occupancy values derived from all 136 markets with years of tracked data that makes a consistent basket of data.

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.

Average Market Rent: Average rent rolled up from the unit mix level to metro area level and weighted by number of units. Rent data is stabilized, meaning rent values for properties are only included 12 months after the properties' completion date.

Rent Growth, Year-Over-Year: Year-over-year change in average market rents, as calculated by same month.

Forecasted Rent Growth: Year-over-year change in average forecasted market rents, as calculated by same month.

Renewal Lease Rent Per Unit: Monthly rent per unit for renewal leases.

Renewal Lease Rent Change Percent: Percentage of monthly rent change between renewals and their corresponding previous leases for the same resident. Only includes renewal leases where the lease term length is no more than 3 months longer or shorter than the previous lease.

Expiring Lease Renewal Percent: Percentage of expiring leases for which residents have renewed. Excludes leases from which the tenant moved out prior to the month of the expiration.

Rent-to-Income Ratio: Rent is the monthly rent as stated, no fees or utilities. Income is as stated on applications.

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.

Employment Totals: Total employment figures and categories provided by the Bureau of Labor Statistics, seasonally adjusted.

Single-Family Rental: A property where 50% or more of the units are either stand-alone buildings OR have direct access garages with no neighbors above or below the unit.

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

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.
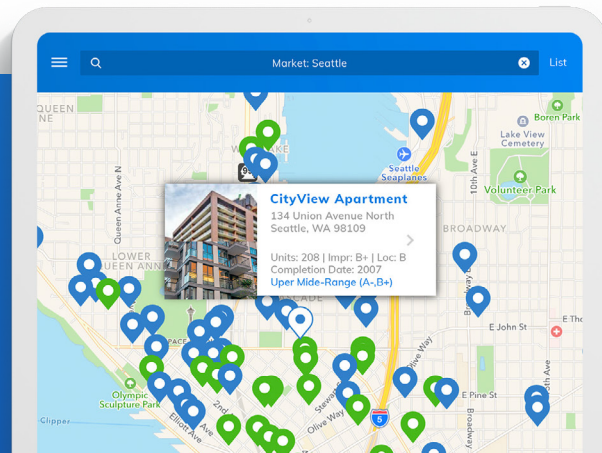
Yardi® Matrix

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

CityView Apartment
134 Union Avenue North
Seattle, WA 98109

Units: 208 | Impr: B+ | Loc: B
Completion Date: 2007
Uper Mide-Range (A-,B+)

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

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