



Yardi[®] Matrix

National Multifamily Report

January 2023



Rents Flat in January; Job Market Remains Strong

- After declining in the fourth quarter as growth decelerates, multifamily rents were flat in January. U.S. asking rents averaged \$1,701, unchanged from December. Year-over-year growth continues to decline, and is now 5.5%, down 70 basis points from the previous month.
- Participants at the annual National Multifamily Housing Council conference in Las Vegas last week were generally optimistic about demand fundamentals, but concerns centered around issues such as the wave of proposed rent control measures, increasing expenses and high mortgage rates.
- The single-family rental market remained strong amid volatility in the homebuying sector. The average U.S. asking rent increased \$1 in January to \$2,070, while the year-over-year increase fell by 85 basis points to 4.2%.

The multifamily market played par in January, with U.S. average asking rents remaining at \$1,701. All things considered, the performance is a positive indicator for the sector. Going into the year—since it would be impossible to maintain the growth of the last two years—the debate was about how much demand would decline and the impact on rents.

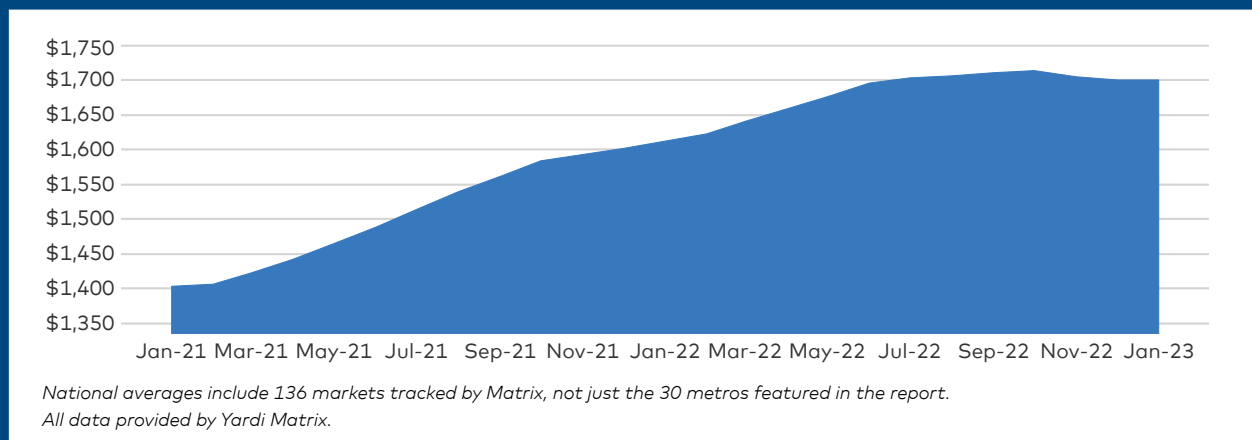
Early signs are encouraging. Rents remained consistent during the month in the middle of the seasonally slow winter season. And although markets where rents were well above trend in 2022—such as Miami, Tampa, Orange County and Nashville—have come back to the pack, overall growth is steady in most of Yardi Matrix's top 30 metros.

Another good sign is the economy, which would indicate that demand will remain healthy. Concerns about a hard-landing recession that would reduce household formation are being alleviated

by the continuing stellar performance of the job market. The economy created 517,000 new jobs in January on the heels of nearly 5 million new jobs in 2022, per the Bureau of Labor Statistics. January job growth was broad-based, led by leisure and hospitality (128,000), professional and business services (82,000), government (74,000) and health care (58,000). The unemployment rate dropped to 3.4%, while at the same time wage growth shows no signs of spiraling.

Nothing about the numbers would indicate a weakening of household finances that would lead housing demand to drop sharply. If there is a cloud in the outlook for the industry, it would be that the Federal Reserve might take the strong labor market as a sign to keep pushing short-term interest rates higher, which is a headwind for the commercial property market. The upshot, however, is that early data indicates solid evidence for a multifamily soft landing in 2023.

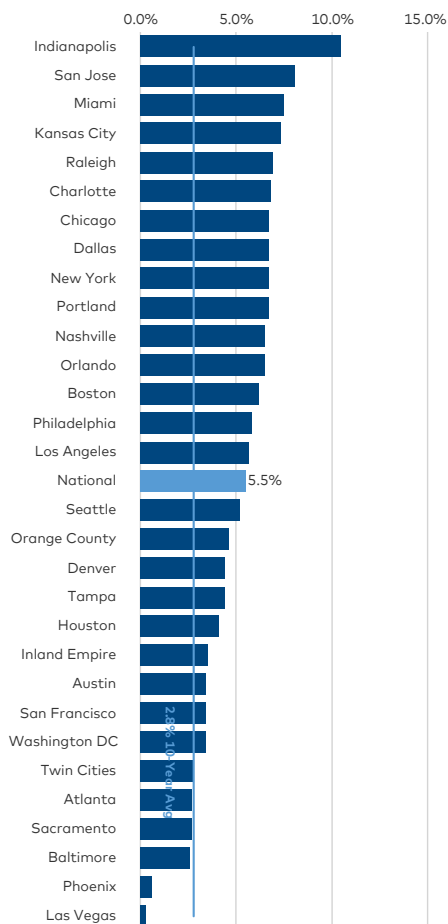
National Average Rents



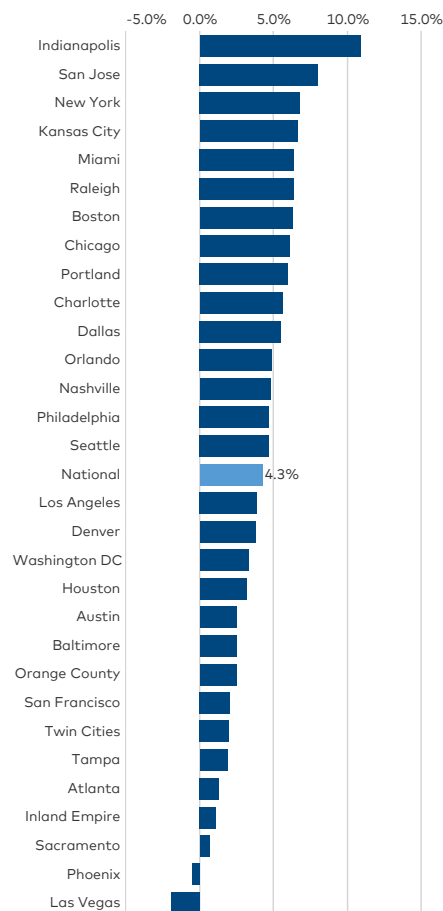
Year-Over-Year Rent Growth: Asking Rent Growth Slows but Demand Remains Positive

- National asking rent growth fell to 5.5% year-over-year in January, down 70 basis points from December. Yardi Matrix's top 30 metros were led by Indianapolis (10.5%), San Jose (8.1%), Miami (7.5%) and Kansas City (8.3%). Markets outside the top 30 that continue to perform well include Albuquerque (10.2%), Northern New Jersey (7.9%), St. Louis (7.2%) and Salt Lake City (7.0%). While rents are decelerating, growth is still strong across a broad range of markets.
- Demand for apartments remains healthy, even as household formation slowed in 2022 compared to a year earlier. Per Yardi Matrix, 269,000 apartment units were absorbed in the U.S. in 2022. Metros with at least 10,000 units absorbed include Dallas, Houston, Austin, Washington, D.C., Atlanta, Chicago, Miami and Los Angeles. On a percentage of stock basis, leaders were Nashville (5.0%), Austin (4.1%), the Twin Cities (3.3%), San Jose (3.1%) and Columbus (3.0%). The U.S. average occupancy rate fell 90 basis points to 95.3% during the year as more than 400,000 units were delivered.

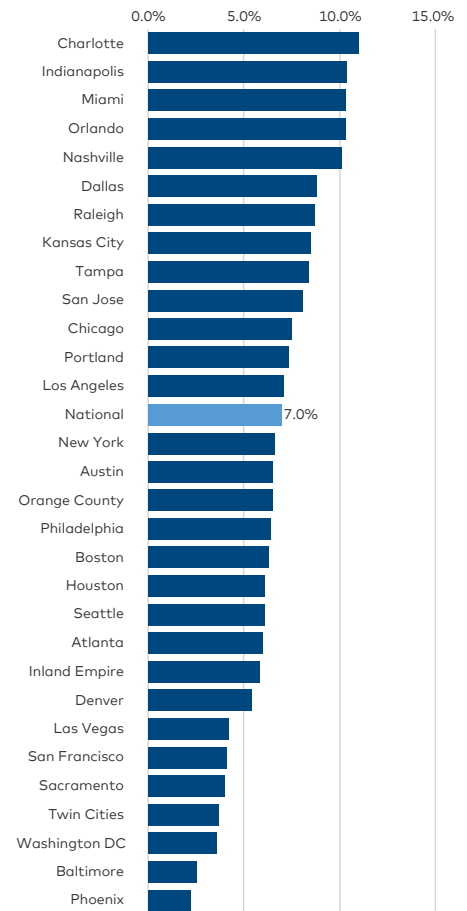
Year-Over-Year Rent Growth—
All Asset Classes



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: Mixed Results Across the Country

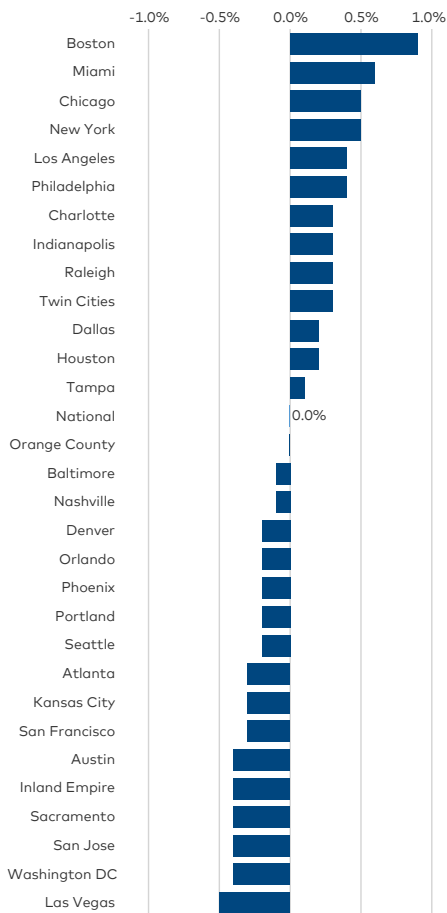
- After declining the last two months, the average U.S. multifamily asking rent was unchanged at \$1,701 in January.
- Rents rose slightly (0.1%) month-over-month in the Renter-by-Necessity segment and were unchanged in the luxury Lifestyle segment.

Average multifamily asking rents remained at \$1,701 in January. The monthly results were a mixed bag, as 14 of the top 30 Matrix markets recorded rent gains while 16 saw decreases. Monthly change isn't always a sign of longer-term trends.

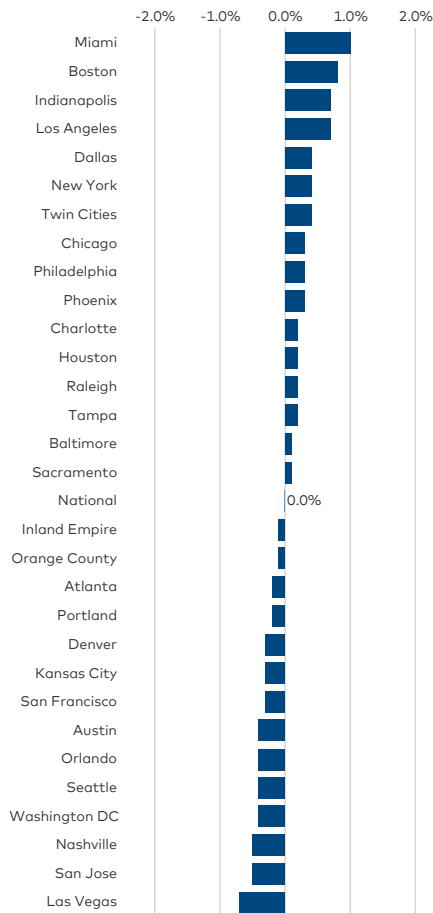
Increases were concentrated in gateway metros, topped by Boston (0.9%), Miami (0.6%), Chicago and New York (both 0.5%) and Philadelphia and Los Angeles (both 0.4%). The results were consistent with durable demand in large urban areas. Reasons include the growing number of companies that are requiring office attendance and a rebound in immigration.

Las Vegas saw the biggest monthly decline (-0.5%), while Sacramento, Austin, San Jose, the Inland Empire and Washington, D.C., all fell by 0.4%. Short-term losses are caused by either weakening demand (as in Sacramento or the Inland Empire) or increased supply (as in Austin).

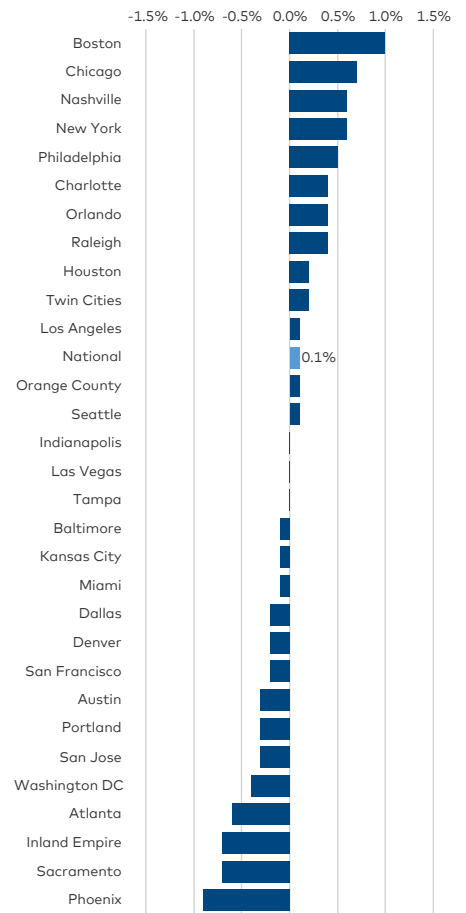
**Month-Over-Month Rent Growth—
All Asset Classes**



**Month-Over-Month Rent Growth—
Lifestyle Asset Class**



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



Source: Yardi Matrix

Transacted Rents: Renewal Rents Decelerating, but Remain Strong

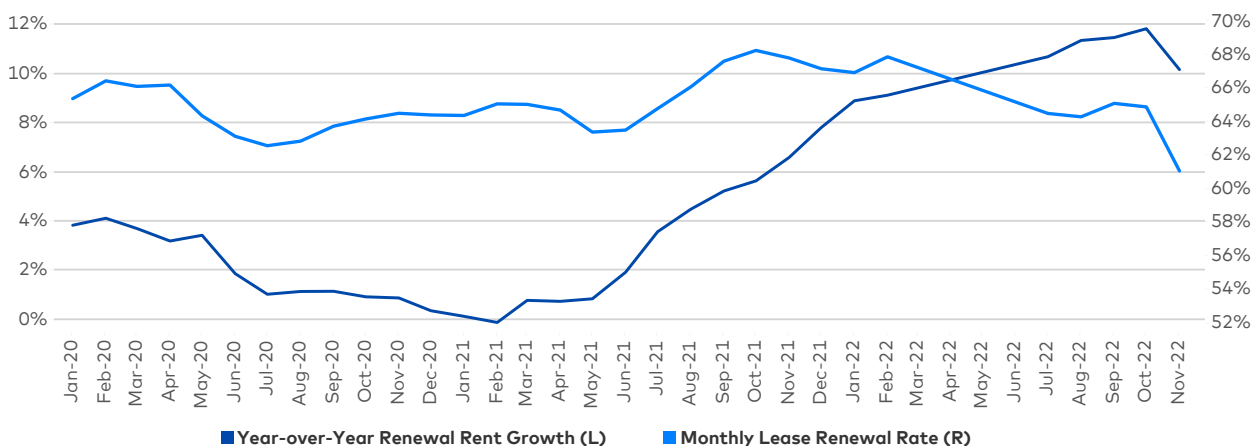
- Renewal rent increases nationally fell to 10.2% year-over-year through November, a 160-basis-point drop from October. Growth reflects the process of property owners bringing existing tenants up to the level of asking rents, which means renewal rate growth will continue to decelerate in coming months. Florida still has the highest gains, with Tampa (16.9%), Orlando (14.6%) and Miami (14.3%) among the top four metros nationally. The high rent growth in Florida led Orange County to pass a counterproductive rent control law that was ruled invalid by a state court. Even so, trade groups such as the National Multifamily Housing Council and National Apartment Association remain vigilant.
- National lease renewal rates fell to 61.1% in November, down from 64.9% in October and the lowest level since before the pandemic. The decline could reflect that tenants facing increases and lower wage growth are starting to shop for lower rents, although the month could be an outlier.

Market	YoY Renewal Rent Growth	Monthly Lease Renewal Rate
Tampa	16.9%	62.9%
Orlando	14.6%	65.5%
Charlotte	14.5%	62.0%
Miami Metro	14.3%	66.2%
Phoenix	13.6%	62.0%
Raleigh	13.6%	62.5%
Austin	13.5%	54.7%
Nashville	12.5%	53.8%
Las Vegas	12.3%	58.9%
Boston	11.7%	62.3%
Denver	10.6%	57.6%
Inland Empire	10.6%	54.8%
Indianapolis	10.1%	65.1%
Seattle	9.9%	50.4%
Baltimore	9.8%	65.6%

Market	YoY Renewal Rent Growth	Monthly Lease Renewal Rate
Dallas-Ft. Worth	9.8%	60.5%
Philadelphia	9.8%	74.8%
Portland	9.6%	55.3%
New York	9.6%	58.5%
Atlanta	9.6%	61.7%
Kansas City	8.6%	69.9%
Chicago	8.0%	61.9%
Sacramento	7.0%	51.6%
Twin Cities	6.7%	53.1%
Orange County	6.4%	59.6%
San Francisco	6.2%	43.4%
Houston	5.7%	60.5%
Washington DC	5.1%	54.5%
San Jose	4.1%	49.3%
Los Angeles	3.6%	42.5%

Source: Yardi Matrix Expert, data as of November 2022

National Lease Renewals and Renewal Rent Growth



Source: Yardi Matrix Expert

Supply, Demand and Demographics: How Will Multifamily React as Conditions Change?

- Despite the industry's overall health, multifamily operators are concerned with rising expenses.
- Line items such as property taxes, financing costs and insurance are increasing rapidly.
- Costs of insuring properties in high-risk areas are eroding property values and could make development more difficult to pencil.



Despite its strong performance in recent years, the multifamily market faces big-picture concerns about housing demand and the impact of higher rates on mortgage refinancing. Yet in 2023 property owners face many less-visible expense issues that have the potential to erode their bottom line.

Growth of line items outside the control of property owners—such as property taxes, financing costs, insurance and renovations related to climate change—are “out of control,” according to Joanna Zabriskie, CEO of BH Cos. Speaking at the National Multifamily Housing Council's Apartment Strategies Conference held last week in Las Vegas, Zabriskie declared: “2023 will be the year of expense control.” Among the ways companies can control costs are use of technology such as software products, virtual tours and paperless leases, she said.

Costs property owners can't control include financing and hedging. Fixed-rate mortgages are at least 200 basis points above where they have been in recent years, as 10-year Treasury yields jumped more than 160 basis points to 4.25% before falling recently to about 3.5%. Floating-rate costs rose even more. The base SOFR index,

which was at zero for several years, is near 4.3%, while the cost of interest rate caps is also high.

Insurance premiums continue to skyrocket, driven by post-Hurricane Ian developments in the reinsurance market and Winter Storm Elliott. Insured natural catastrophe losses have topped \$100 billion in three calendar years since 2017, which has raised concerns that insurers' models will not keep pace with the growing frequency and severity of catastrophes amid climate change. The combination of inflation and supply-chain issues has served to further escalate the cost of construction.

The rate environment for commercial property is particularly challenged in Florida, Texas and the Gulf Coast. And the ongoing imbalance between demand and supply for insurance in the most catastrophe-exposed assets will continue to put upward pressure on renewals. The continued volatility in the insurance market is increasing rates by 10% to 50% or more, subject to geography, exposures, deductibles and losses. Industry players are pushing for ways to mitigate rate growth, including reforming lenders' requirements that require insuring for maximum property losses.

Single-Family Build-to-Rent Segment: SFR Growth Concentrated in BTR

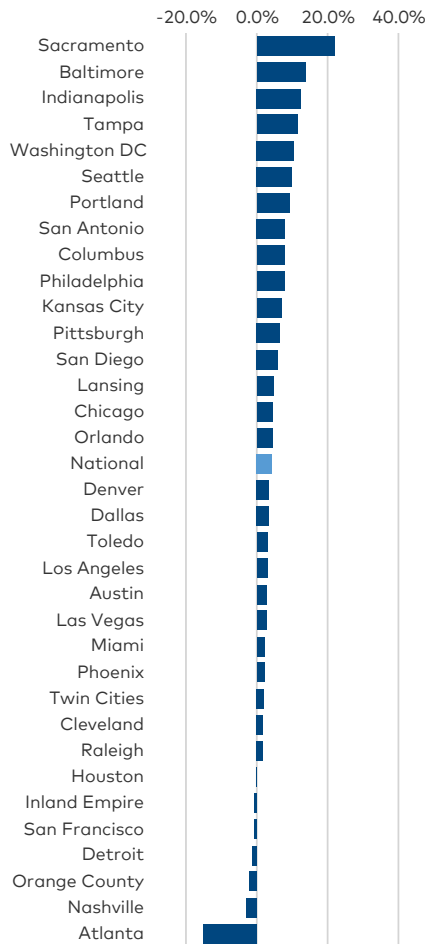
- National asking rates for single-family rentals were up 4.2% year-over-year in January, an 80-basis-point decrease in year-over-year growth from December.
- U.S. occupancy rates fell 10 basis points in December to 95.9%, down 1.2 percentage points from the same month a year ago.

The average national asking rate for SFRs increased slightly to \$2,070 in January, up \$1 from December. SFR asking rents have settled into a higher range over the last six months, while year-over-year growth decelerates.

The single-family home sale market is starting to improve after a slump in late 2022 caused by the combination of rising prices and higher mortgage rates. The Federal Housing Administration's mortgage cost index dropped to 5.9% in early February, about 100 basis points below its peak in the fall. As home purchases have slowed, SFR growth is increasingly coming from build-to-rent communities. In 2022, some 13,800 SFRs were delivered in communities of 50 units or more, according to Yardi Matrix's SFR database.

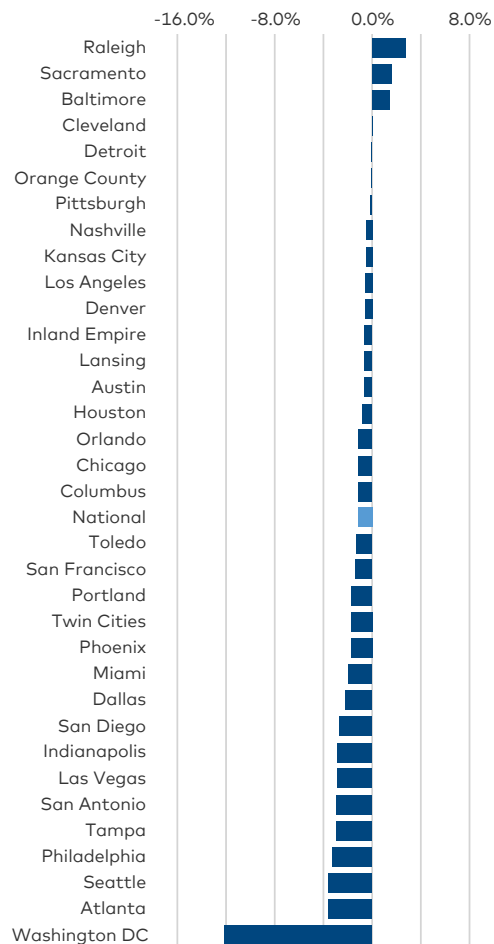
Note: Yardi Matrix covers single-family built-to-rent communities of 50 homes and larger.

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



Source: Yardi Matrix

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



Multifamily Rent-to-Income Ratios As of December 2022

Market	All Units	Lifestyle Units	Renter-by-Necessity Units
Orange County	34.8%	30.9%	37.5%
San Francisco	33.6%	29.6%	37.5%
Baltimore	33.3%	29.8%	35.2%
Washington DC	33.2%	30.3%	35.5%
Sacramento	33.2%	30.7%	36.9%
Orlando	33.0%	32.2%	34.2%
New York	32.6%	25.9%	41.2%
Inland Empire	32.4%	30.6%	33.9%
Los Angeles	31.9%	29.2%	34.3%
Tampa	31.6%	30.4%	33.2%
Portland	30.9%	29.6%	33.3%
Las Vegas	30.7%	28.6%	34.9%
Nashville	30.4%	27.2%	33.4%
Atlanta	30.4%	29.9%	31.5%
Denver	30.0%	28.1%	33.0%
Charlotte	29.5%	26.8%	35.2%
Philadelphia	29.3%	26.5%	31.0%
Twin Cities	28.8%	26.2%	31.1%
Miami	28.7%	28.1%	30.2%
Seattle	28.7%	25.9%	33.2%
Phoenix	28.6%	26.4%	31.1%
Chicago	28.5%	26.6%	29.7%
Raleigh	28.3%	27.4%	30.7%
Boston	27.9%	26.1%	32.0%
Houston	27.5%	25.4%	30.3%
Dallas	27.4%	25.8%	30.1%
Austin	26.1%	25.5%	27.6%
San Jose	25.9%	23.9%	28.9%
Indianapolis	25.8%	23.2%	27.5%
Kansas City	24.6%	22.6%	26.4%

*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*

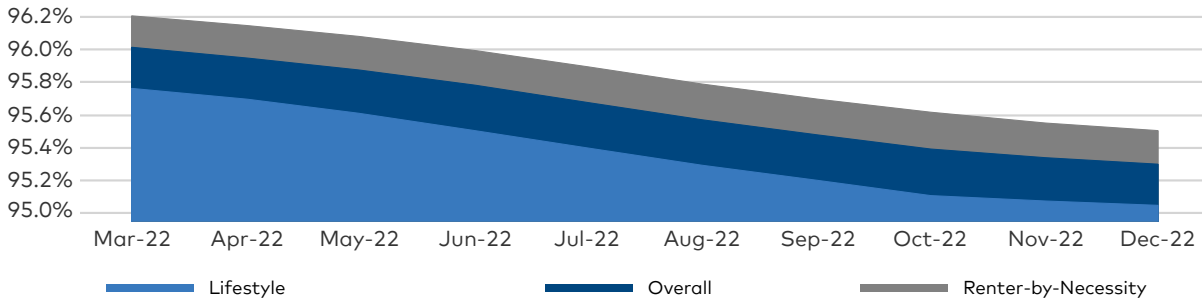
Employment and Supply Trends; Forecast Rent Growth

Market	YoY Rent Growth as of Jan - 23	Forecast Rent Growth as of 1/1/23 for YE 2023	YoY Job Growth (6-mo. moving avg.) as of Nov - 22	Completions as % of Total Stock as of Jan - 23
Indianapolis	10.5%	3.0%	2.8%	0.9%
San Jose	8.1%	3.7%	5.1%	1.1%
Miami Metro	7.5%	2.9%	5.3%	3.5%
Kansas City	7.3%	2.8%	1.6%	1.6%
Raleigh	6.9%	2.8%	4.5%	2.4%
Charlotte	6.8%	3.4%	5.4%	3.0%
Chicago	6.7%	2.3%	4.1%	1.8%
Portland	6.7%	2.9%	5.5%	2.8%
New York	6.7%	3.0%	5.4%	1.0%
Dallas	6.7%	2.4%	6.8%	2.2%
Orlando	6.5%	2.5%	5.0%	2.8%
Nashville	6.5%	3.4%	5.7%	3.6%
Boston	6.2%	3.2%	4.2%	2.4%
Philadelphia	5.8%	2.2%	3.9%	1.1%
Los Angeles	5.7%	2.6%	4.4%	1.9%
Seattle	5.2%	2.7%	5.3%	3.7%
Orange County	4.6%	2.5%	4.5%	0.8%
Denver	4.4%	2.2%	3.6%	3.8%
Tampa	4.4%	2.5%	4.6%	3.1%
Houston	4.1%	2.2%	6.2%	2.3%
Inland Empire	3.5%	3.2%	5.5%	0.3%
San Francisco	3.4%	3.1%	4.6%	2.6%
Washington DC	3.4%	2.3%	2.3%	1.8%
Austin	3.4%	3.0%	5.5%	4.8%
Twin Cities	2.8%	2.1%	3.6%	4.6%
Atlanta	2.7%	2.3%	5.4%	2.0%
Sacramento	2.7%	2.0%	3.4%	1.3%
Baltimore	2.6%	2.1%	3.0%	0.4%
Phoenix	0.6%	1.3%	4.0%	3.5%
Las Vegas	0.3%	2.2%	5.7%	1.0%

Source: Yardi Matrix

Occupancy & Asset Classes

Occupancy--All Asset Classes by Month



Source: Yardi Matrix

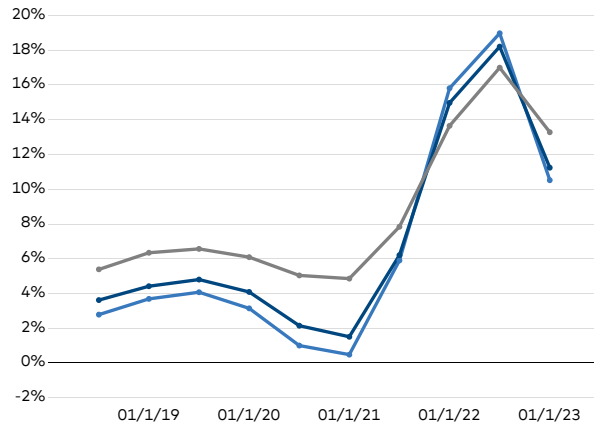
Year-Over-Year Rent Growth, Other Markets

Market	January 2023		
	Overall	Lifestyle	Renter-by-Necessity
Albuquerque	10.2%	9.3%	10.5%
Louisville	9.8%	5.9%	12.3%
Central East Texas	9.7%	6.5%	11.6%
Northern New Jersey	7.9%	7.8%	8.3%
SW Florida Coast	7.9%	7.1%	9.8%
NC Triad	7.6%	5.1%	11.0%
St. Louis	7.2%	6.3%	7.2%
Salt Lake City	7.0%	6.4%	7.6%
El Paso	6.7%	5.7%	7.0%
Bridgeport–New Haven	6.2%	5.6%	6.5%
Long Island	6.1%	5.5%	6.5%
Central Valley	5.0%	-1.2%	6.6%
San Fernando Valley	4.8%	3.8%	5.6%
Tucson	4.7%	-0.3%	6.3%
Colorado Springs	4.6%	4.9%	4.2%
Tacoma	3.7%	2.3%	5.2%
Jacksonville	3.2%	0.4%	8.4%
Reno	0.1%	-2.7%	2.6%

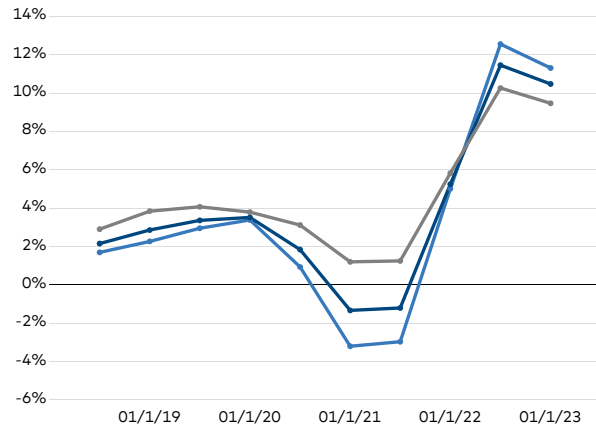
Source: Yardi Matrix

Market Rent Growth by Asset Class

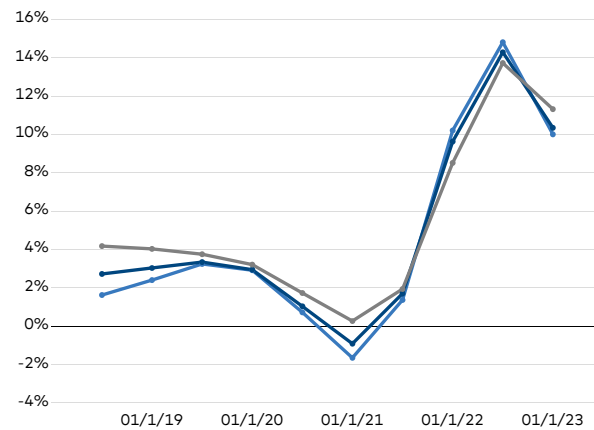
Atlanta



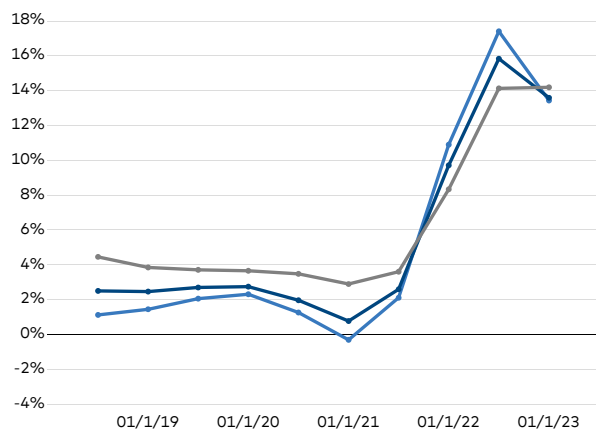
Boston



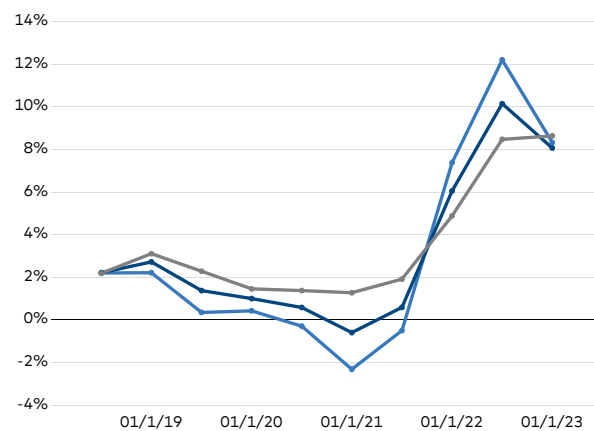
Dallas



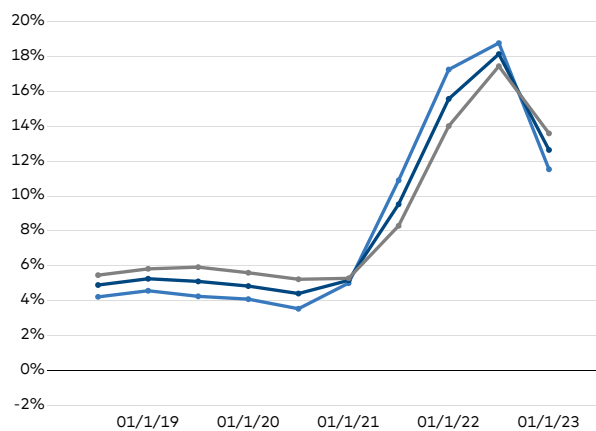
Denver



Houston



Inland Empire

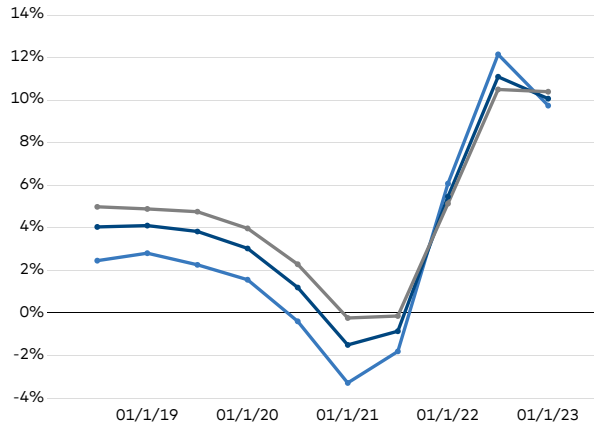


█ Trailing 12 Months Overall
 █ Trailing 12 Months Lifestyle
 █ Trailing 12 Months Renter-by-Necessity

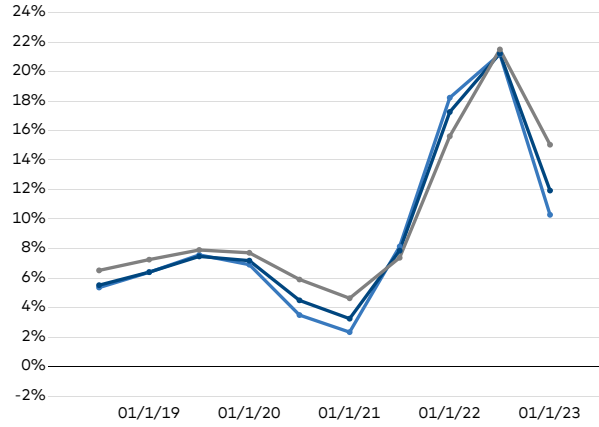
Source: Yardi Matrix

Market Rent Growth by Asset Class

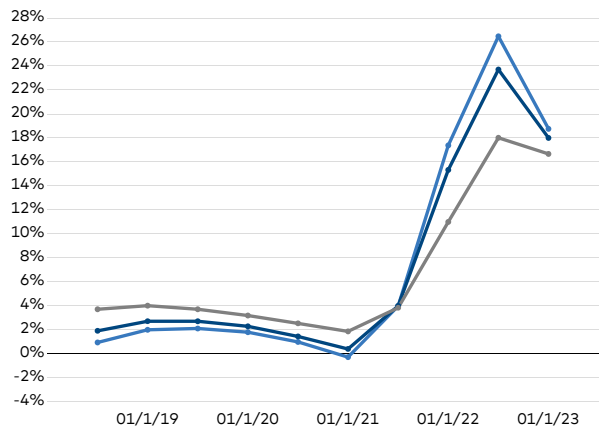
Las Vegas



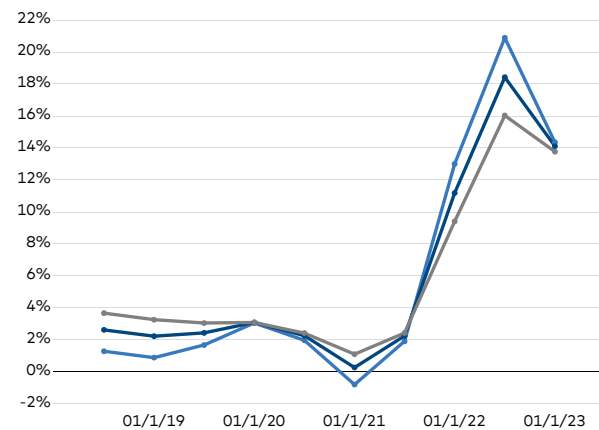
Los Angeles



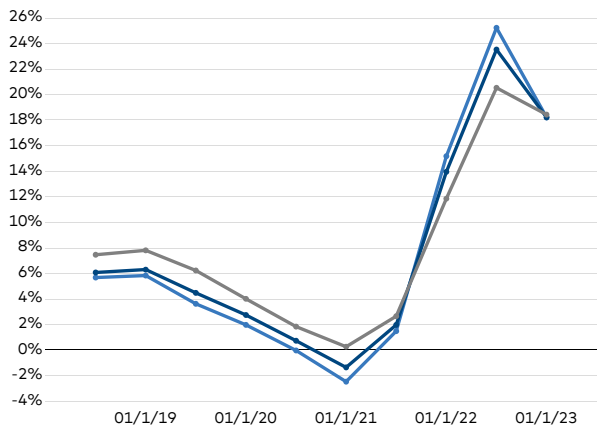
Miami



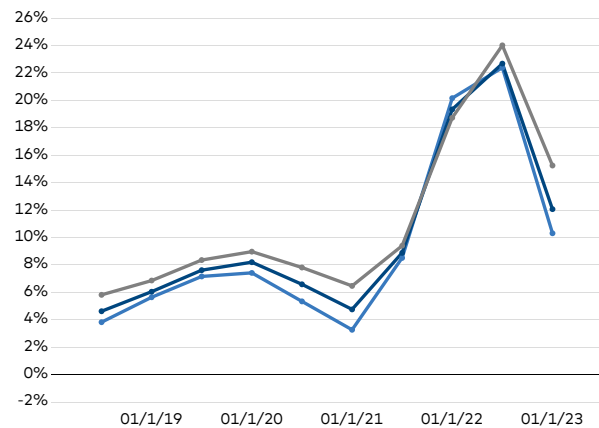
Orange County



Orlando



Phoenix

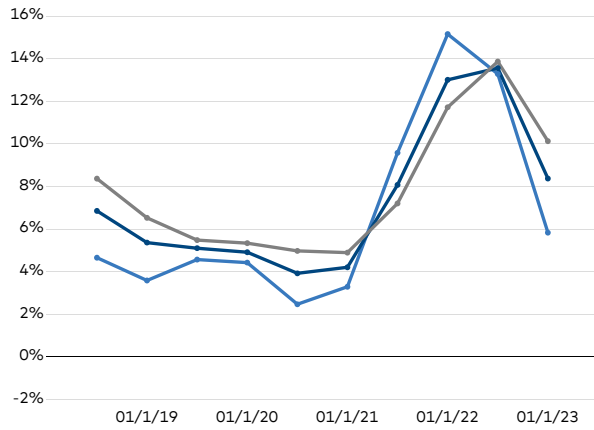


█ Trailing 12 Months Overall
 █ Trailing 12 Months Lifestyle
 █ Trailing 12 Months Renter-by-Necessity

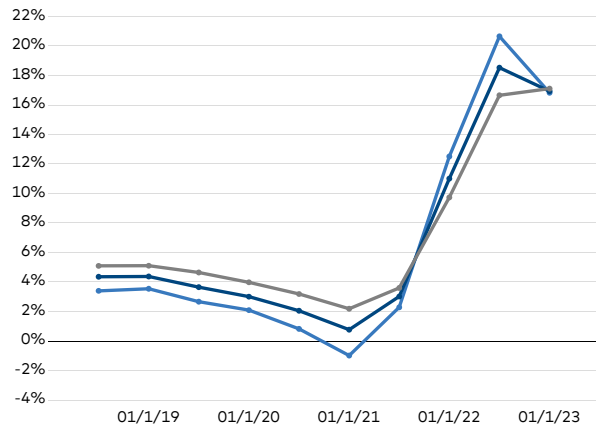
Source: Yardi Matrix

Market Rent Growth by Asset Class

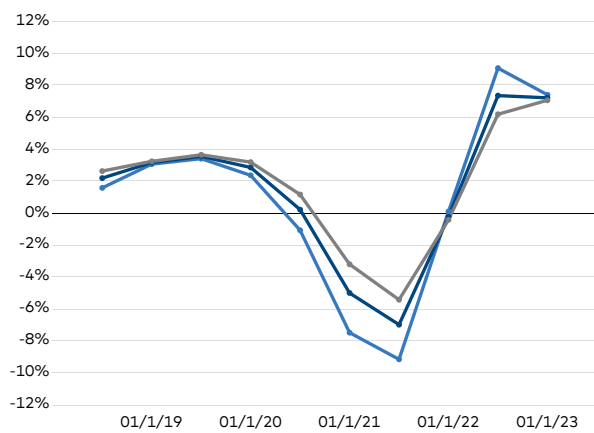
Sacramento



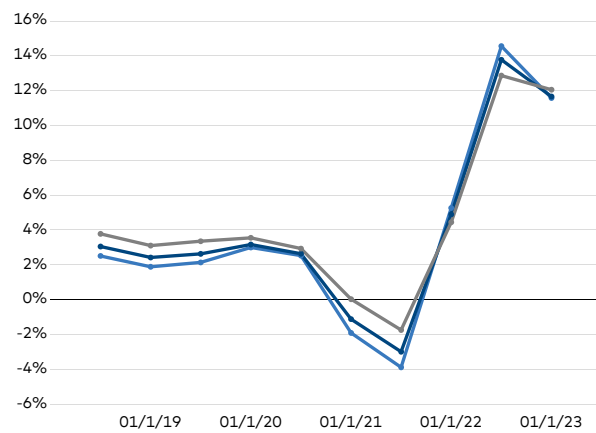
San Diego



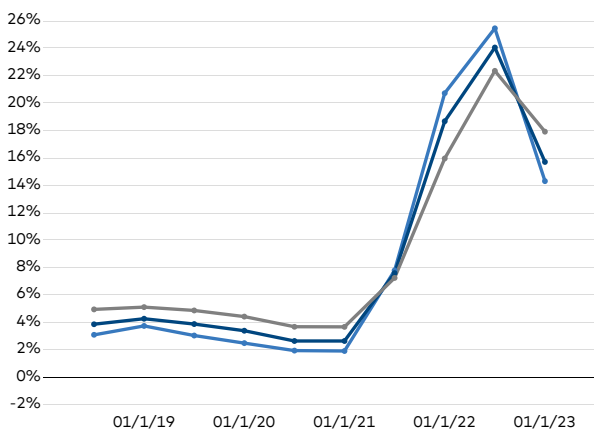
San Francisco



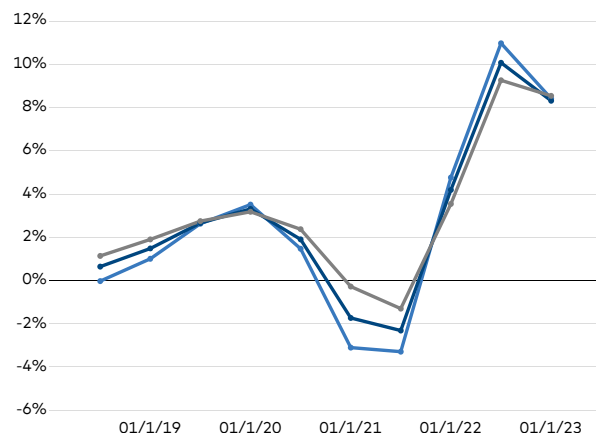
Seattle



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.

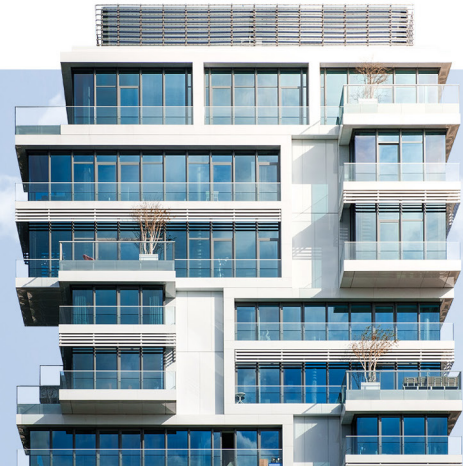
The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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



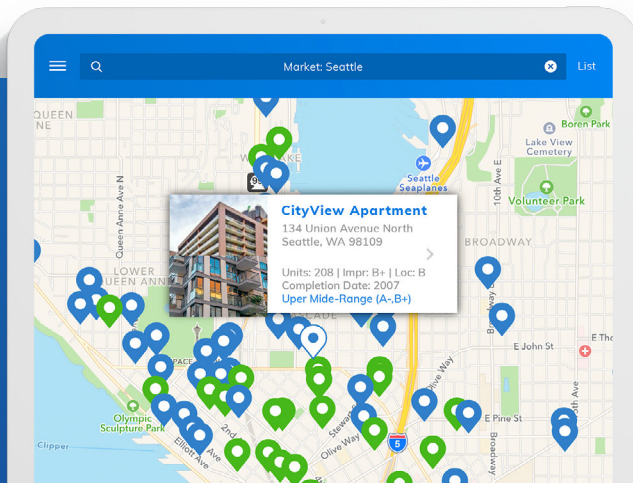
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