Yardi Matrix

National Multifamily Report

February 2023

Multifamily Rents Level in February

- Multifamily rents were flat in February, as U.S. asking rates averaged $1,702, unchanged from January. Year-over-year growth continued its downward slide, and is now 4.8% nationally, down 70 basis points from the previous month and the lowest level in nearly two years.
- Asking rent growth remains positive year-over-year in almost every metro, but 23 of Matrix's top 30 metros recorded negative growth over the last three months and 17 were negative in February. Affordability, household growth and deliveries of new stock are key rent drivers.
- The story was much the same in the single-family rental market, as the average U.S. asking rent was flat at $2,071. The year-over-year increase fell by 80 basis points to 3.4%, far below the 14.8% growth rate a year ago.

Multifamily rents are playing a waiting game, as rents have essentially leveled over the seasonal winter slowdown. National asking rents were unchanged in February at $1,702. That's not atypical; rents grew by an average of only $2 in February in the six years before the post-pandemic boom. The big question is whether demand and rents pick up as normal in the spring. Demand has come down from 2021 levels, though it remains positive in most markets.

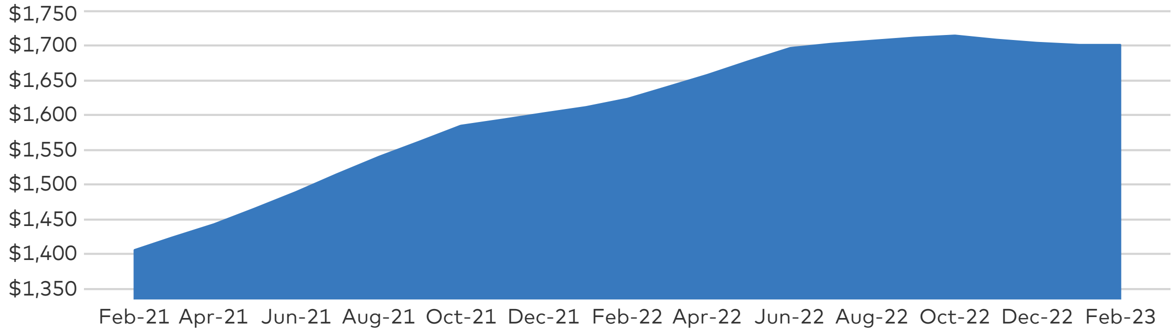
Deliveries also are widely different among metros. Despite strong growth and demand for housing, high levels of new inventory have pushed down occupancy rates and rent growth in metros such as Austin, Charlotte and Phoenix.

Matrix data shows that metros are in different parts of the performance cycle. Many of the high flyers that recorded outsize increases over the last two years are now negative or barely positive year-over-year. Las Vegas (-1.6%) and Phoenix (-1.2%) saw negative rent growth over the past year, while Austin (2.0%), Atlanta (2.2%) and Sacramento (2.3%) are barely above water.

Meanwhile, low-volatility Midwest metros Indianapolis (9.0%) and Kansas City (7.9%) have cycled to the top, in part because they remain inexpensive and have not increased inventory as much as their high-growth Sun Belt peers. New York (7.0%) and Chicago (6.3%) are displaying resiliency as attractive cultural centers where people want to live, if not work.

Near-term performance will hinge not only on demand-supply dynamics at the local level but affordability and the economy. Although metrics such as the job market and consumer spending growth remain healthy, the Federal Reserve has resolved to induce job losses to reduce inflation, which will impact multifamily demand.

National Average Rents



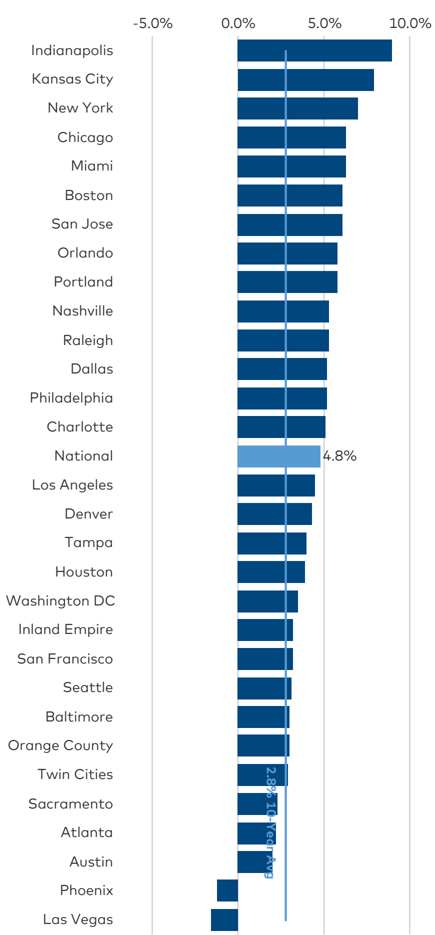
National averages include 136 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by Yardi Matrix.

Year-Over-Year Rent Growth: Midwest Metros Lead the List

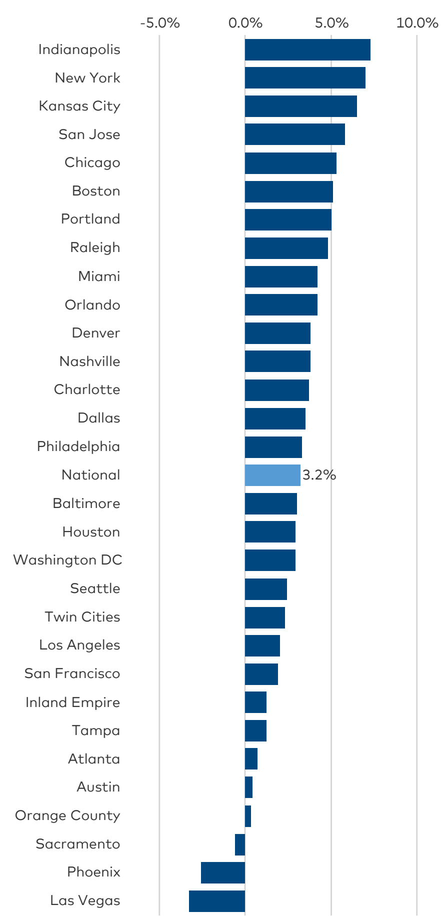
- National asking rent growth fell to 4.8% year-over-year in February, down 70 basis points from January. Demand has weakened as household formation slows. Some 19,000 apartment units were absorbed in the U.S. in January, per Yardi Matrix data. The national occupancy rate remained at 95.2%, which is 100 basis points off its late-2021 peak.

- The Midwest claims three of the top five spots in the Matrix top 30 metro list for year-over-year rent growth: Indianapolis (9.0%), Kansas City (7.9%) and Chicago (6.3%). Indianapolis is extremely affordable, with the average asking rent of $1,210 nearly 30% below the national average. Recent job creation is below the national average, but is up from pre-pandemic levels. Indianapolis' economy is diversifying, with growth concentrated in logistics, construction, manufacturing and biotechnology/pharma. Another factor in the robust rent growth is that multifamily deliveries have not kept up with demand, except in the downtown and some of the northern suburbs in Hamilton County.

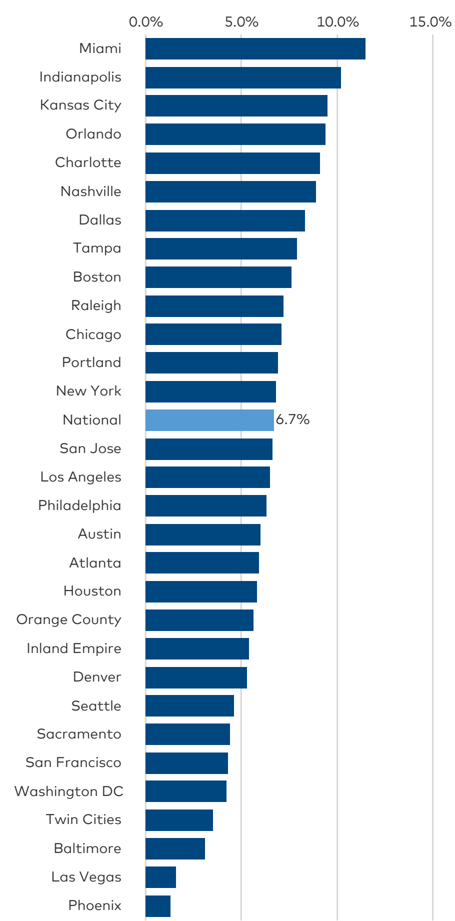
Year-Over-Year Rent Growth— All Asset Classes



Year-Over-Year Rent Growth— Lifestyle Asset Class



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



Source: Yardi Matrix

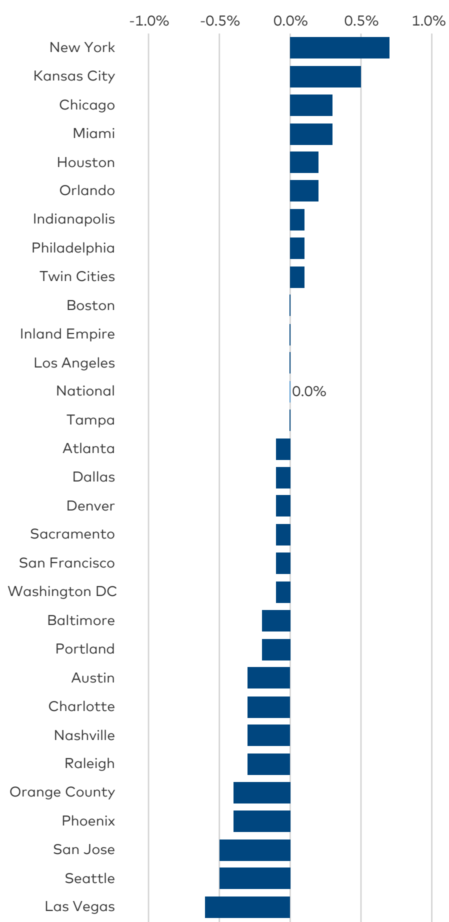
Short-Term Rent Changes: Monthly Growth Gap Between Lifestyle, RBN Units

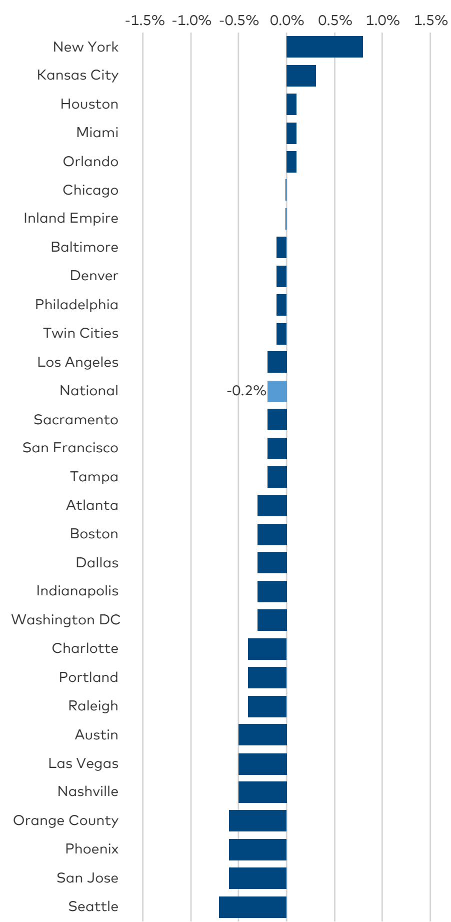
- The average U.S. multifamily asking rent was unchanged at $1,702 in February.
- Rents declined month-over-month (-0.2%) in the luxury Lifestyle segment and rose 0.2% in the Renter-by-Necessity segment, suggesting affordability is impacting demand.

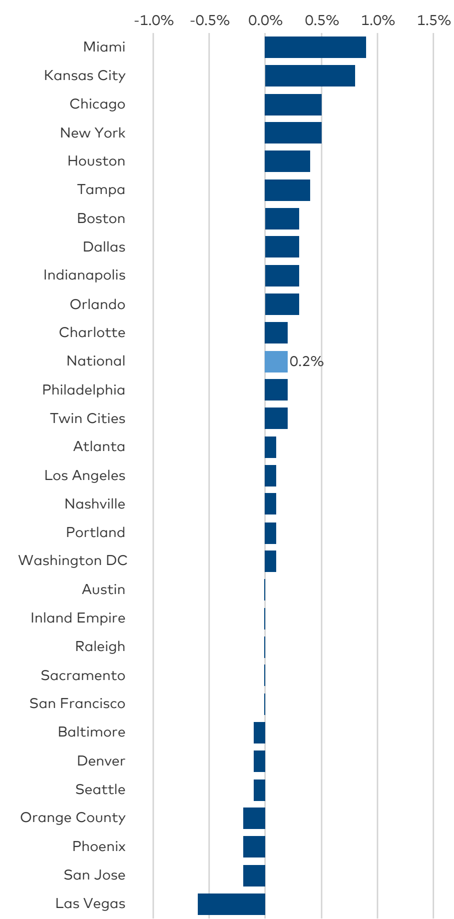
Month-over-month rent growth was flat nationally, but there is an emerging gap between performance of high-end Lifestyle properties and Renter-by-Necessity (RBN) units that suggests affordability is coming into play. Average asking rents dropped nationally (-0.2%) for Lifestyle properties while rising 0.2% for RBN units.

In the Matrix top 30 metros, Lifestyle segment losers outnumbered gainers by nearly 5:1, as 24 metros saw monthly decreases in asking rents while only five recorded increases. New York (0.8%) and Kansas City (0.3%) far outpaced other metros in Lifestyle increases, while Phoenix, Orange County and San Jose (-0.6%) and Seattle (-0.7%) had the biggest decreases.

The story was different in RBN, where metros with monthly gains (19) far outnumbered those with declines (7). Metros with the biggest increases were Miami (0.9%) and Kansas City (0.8%). Both saw overall growth come almost entirely from RBN units.







Source: Yardi Matrix

Transacted Rents: Downward Trend in Lease Renewal Rates

- Renewal rent growth nationally fell to 8.8% year-over-year through December, a 130-basis-point drop from November. December marks the lowest rate of renewal rent growth since early 2022, but the rate remains high by historical standards and will soon decelerate in the manner of asking rents. Property owners in metros with the largest increases in renewal rents—Miami (16.8%), Raleigh (13.7%), and Tampa (13.0%)—are bringing existing renters up to asking-rate levels. But all have seen recent significant declines in asking rents, and renewal growth is sure to follow.

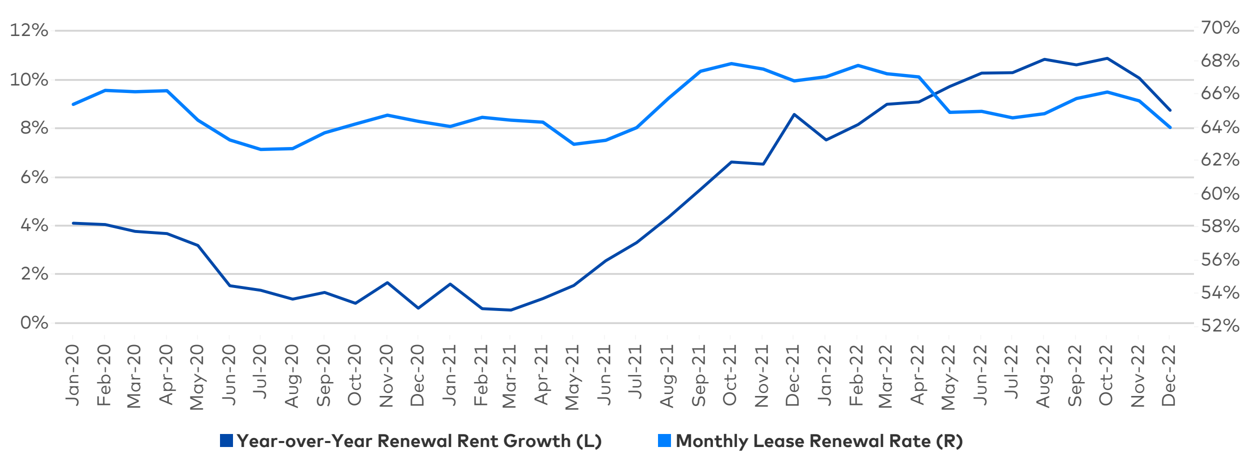
- National lease renewal rates fell to 64.0% in December, down from 65.6% in November. Renewal rates are low in metros with high rent costs, such as Los Angeles (43.3%), San Francisco (46.5%) and San Jose (46.5%), where renters are more transient and are shopping for better deals.

Market	YoY Renewal Rent Growth	Monthly Lease Renewal Rate
Miami Metro	16.8%	70.9%
Raleigh	13.7%	62.9%
Tampa	13.0%	63.8%
Kansas City	12.8%	66.3%
Nashville	12.4%	60.9%
Orlando	12.3%	67.0%
Dallas–Ft. Worth	11.9%	65.3%
Charlotte	11.8%	61.6%
Austin	11.6%	60.5%
Philadelphia	11.0%	78.7%
Phoenix	11.0%	61.2%
Las Vegas	10.5%	65.0%
Boston	10.3%	65.8%
Indianapolis	9.9%	67.2%
Sacramento	9.8%	54.4%

Market	YoY Renewal Rent Growth	Monthly Lease Renewal Rate
Inland Empire	9.4%	59.8%
Seattle	9.0%	55.2%
Baltimore	8.8%	64.4%
Denver	8.7%	61.6%
Atlanta	8.3%	64.5%
Portland	7.6%	62.1%
Orange County	7.3%	60.6%
Houston	7.0%	60.4%
San Francisco	6.9%	46.5%
San Jose	6.4%	46.5%
Los Angeles	6.2%	43.3%
Chicago	5.6%	64.3%
Twin Cities	4.3%	61.4%
Washington DC	1.6%	57.7%
New York	-3.5%	59.9%

Source: Yardi Matrix Expert, data as of December 2022

National Lease Renewals and Renewal Rent Growth



Source: Yardi Matrix Expert

Supply, Demand and Demographics: Hoping for Lower Interest Rates No Longer a Plan

- With inflation rising more than expected in February, Federal Reserve chair Jay Powell said interest rates will continue to rise.
- Stubborn inflation is a blow to the idea that rates had peaked and the cost of debt capital would ease.
- Multifamily operators must focus on efficiency, while opportunities for growth will come from distress.

February's higher-than-expected inflation data dashed hopes that costs were on track to retreat quickly while the job market and economic growth remain strong. The multifamily market must prepare to operate in a higher rate environment in 2023 and likely into 2024.

The consumer price index rose 0.5% in January and is up 6.4% year-over-year. Both numbers exceeded consensus expectations. What's more, the Federal Reserve's preferred "supercore" metric—which excludes housing and energy and focuses on services and wage inflation—rose even more: 0.6% for the month.

Fed chairman Jerome Powell said in recent Congressional testimony that short-term interest rates are likely to increase more and stay high longer than the market was hoping in the aftermath of December's data. The current short-term rate of 4.5% to 4.75% will likely increase to 5% to 5.5% in coming months. Hoping that the market will quickly return to a low-rate environment is no longer much of a plan.

With rates up, transaction activity will remain low and capitalization rates may continue increasing, which equates to more downside for property values. The cost of mortgage debt, which had moderated, is rising again. In early March, the 10-year Treasury rate was hovering near 4.0%, while the floating-rate SOFR index was more than 4.5%. Loan spreads of 200 basis points would put loan coupons in the 6% range for fixed rates and 6.5% for floaters.

Despite ongoing investor demand, transaction activity dropped sharply in the first quarter due to the pricing uncertainty. Many sellers don't want to transact while prices are down. If rates continue to rise, property values will take longer to recover. What's more, the longer rates stay high, the more distress will become a factor. Properties that have maturing low-rate mortgages originated before 2022 will see lower proceeds when refinancing at current higher rates. Adding to the stress is an increase in expenses such as insurance and taxes. Already, owners are starting to hand back keys to lenders, and the problem will grow if rates go higher and/or property performance slips due to a weakening economy.

Multifamily owners must focus on operating more efficiently, while investors looking to deploy capital will find opportunities arising from distress.

Single-Family Build-to-Rent Segment: Study Shows Need for More SFRs

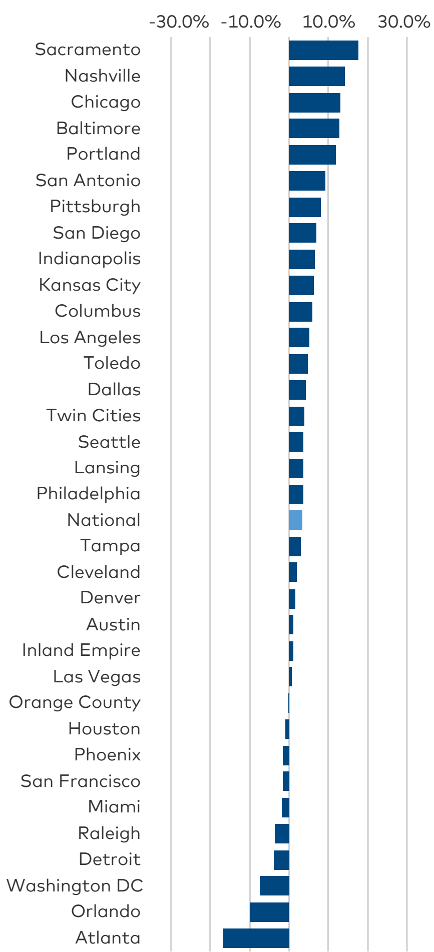
- National asking rates for single-family rentals were up 3.4% year-over-year in February, an 80-basis-point decrease in year-over-year growth from January.
- U.S. occupancy rates fell 10 basis points in December to 95.7%, down 1.3 percentage points from the same month a year ago.

Single-family rental households increased in the decade between 2011 and 2021, but the supply of SFR inventory did not keep pace, according to a new study released this week by the National Rental Home Council, an industry trade group.

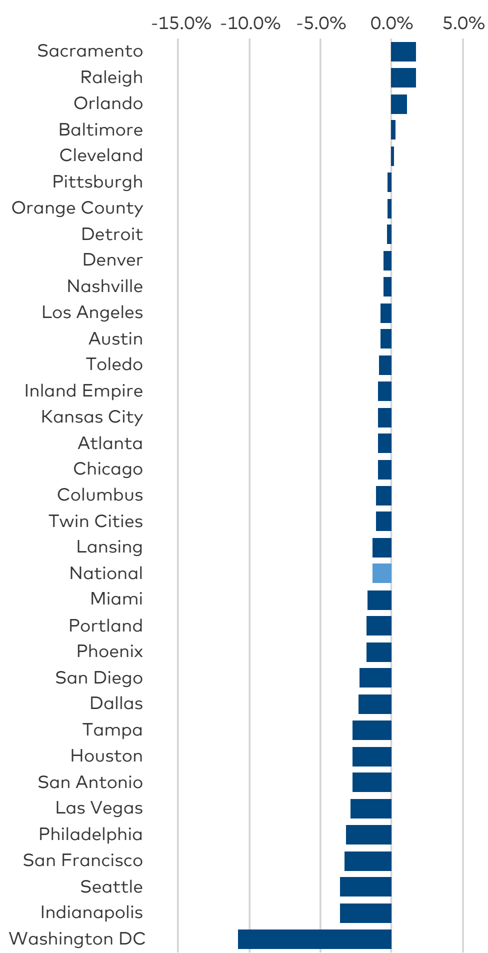
The report by the Washington, D.C.-based organization found that there were 3.1% more SFR households in 2021 than a decade earlier. Meanwhile, SFRs declined 1.6 percentage points as a share of overall housing stock. The report highlights not only the overall housing shortage in the U.S. but the need for more single-family rental units. The SFR development pipeline includes 107,000 units in communities of 50 or more units, per Yardi Matrix's database of build-to-rent properties.

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 January 2023

Market	All Units	Lifestyle Units	Renter-by-Necessity Units
Sacramento	42.9%	29.1%	59.5%
Los Angeles	33.4%	28.5%	37.2%
Washington DC	33.2%	29.3%	35.9%
Orange County	33.1%	29.6%	35.8%
Orlando	33.0%	31.3%	35.5%
Baltimore	32.8%	29.4%	34.2%
Inland Empire	31.0%	29.9%	31.9%
Tampa	30.8%	29.1%	32.5%
Nashville	30.7%	27.6%	33.1%
Las Vegas	30.1%	29.0%	32.3%
Philadelphia	30.0%	27.2%	31.9%
Chicago	29.9%	26.9%	31.5%
Portland	29.7%	27.9%	32.6%
Twin Cities	29.6%	27.4%	31.6%
Atlanta	29.4%	29.1%	29.9%
San Francisco	29.1%	26.0%	32.0%
New York	29.1%	27.1%	31.6%
Phoenix	29.0%	27.3%	30.9%
Charlotte	29.0%	27.8%	31.2%
Denver	28.7%	27.2%	30.9%
Seattle	28.5%	26.1%	32.4%
Houston	28.2%	25.6%	31.1%
San Jose	28.2%	23.8%	32.6%
Boston	27.9%	25.3%	34.2%
Dallas	27.9%	26.8%	29.7%
Raleigh	27.4%	26.9%	28.7%
Miami	27.0%	23.9%	36.0%
Austin	25.9%	25.2%	28.1%
Indianapolis	25.2%	23.3%	26.6%
Kansas City	24.6%	23.3%	25.8%

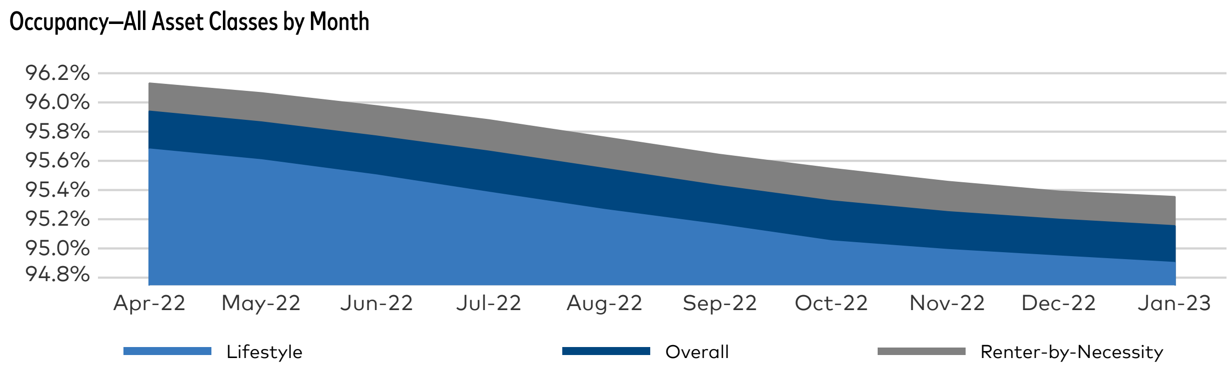
Rent-to-Income ratios sorted by all units, highest to lowest. Source: Yardi Systems Screening Data
The Yardi Matrix data service covers rent-to-income ratios monthly back to January 2019 for 112 markets broken out by property type

Employment and Supply Trends; Forecast Rent Growth

Market	YoY Rent Growth as of Feb - 23	Forecast Rent Growth as of 2/1/23 for YE 2023	YoY Job Growth (6-mo. moving avg.) as of Dec - 22	Completions as % of Total Stock as of Feb - 23
Indianapolis	9.0%	3.1%	2.5%	0.7%
Kansas City	7.9%	2.7%	1.7%	1.8%
New York	7.0%	3.2%	5.0%	1.1%
Miami Metro	6.3%	3.0%	5.1%	3.3%
Chicago	6.3%	2.4%	3.9%	1.7%
San Jose	6.1%	3.3%	4.8%	1.2%
Boston	6.1%	3.4%	4.0%	2.4%
Orlando	5.8%	2.5%	4.6%	2.9%
Portland	5.8%	2.9%	5.4%	2.6%
Raleigh	5.3%	3.0%	4.6%	2.6%
Nashville	5.3%	3.4%	5.3%	3.4%
Dallas	5.2%	2.3%	6.5%	2.0%
Philadelphia	5.2%	2.0%	3.7%	0.9%
Charlotte	5.1%	3.6%	5.3%	2.7%
Los Angeles	4.5%	2.8%	4.0%	1.5%
Denver	4.3%	2.1%	3.5%	3.8%
Tampa	4.0%	2.5%	4.6%	2.9%
Houston	3.9%	2.3%	6.0%	2.2%
Washington DC	3.5%	2.4%	2.1%	2.2%
San Francisco	3.2%	2.6%	4.3%	2.8%
Inland Empire	3.2%	2.9%	5.2%	0.4%
Seattle	3.1%	2.9%	5.1%	3.8%
Orange County	3.0%	2.6%	4.4%	1.0%
Baltimore	3.0%	2.5%	2.7%	0.3%
Twin Cities	2.9%	2.1%	3.5%	4.5%
Sacramento	2.3%	1.8%	3.2%	1.3%
Atlanta	2.2%	2.3%	5.1%	2.1%
Austin	2.0%	3.1%	5.0%	4.9%
Phoenix	-1.2%	1.4%	3.9%	3.4%
Las Vegas	-1.6%	2.3%	5.1%	1.3%

Source: Yardi Matrix

Occupancy & Asset Classes



Source: Yardi Matrix

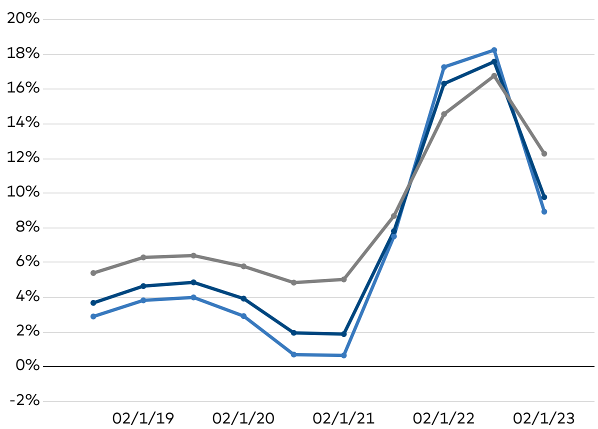
Year-Over-Year Rent Growth, Other Markets

Market	February 2023		
	Overall	Lifestyle	Renter-by-Necessity
Albuquerque	8.9%	7.0%	10.3%
El Paso	8.6%	9.3%	8.4%
Central East Texas	8.6%	4.9%	10.7%
Louisville	8.4%	5.4%	9.9%
Northern New Jersey	8.0%	7.7%	8.4%
St. Louis	7.0%	5.7%	7.7%
Bridgeport–New Haven	6.6%	5.6%	7.3%
NC Triad	6.0%	3.0%	9.8%
SW Florida Coast	5.4%	4.9%	6.9%
Long Island	4.8%	2.9%	5.7%
Central Valley	4.5%	0.0%	5.7%
Salt Lake City	4.5%	2.8%	6.1%
San Fernando Valley	4.2%	2.3%	5.4%
Colorado Springs	3.8%	3.4%	4.5%
Tucson	3.7%	-1.2%	5.6%
Jacksonville	3.0%	-0.1%	8.5%
Tacoma	3.0%	1.0%	5.2%
Reno	-0.8%	-3.2%	1.1%

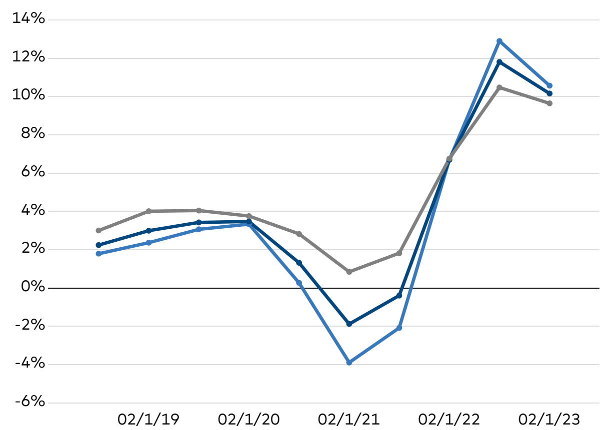
Source: Yardi Matrix

Market Rent Growth by Asset Class

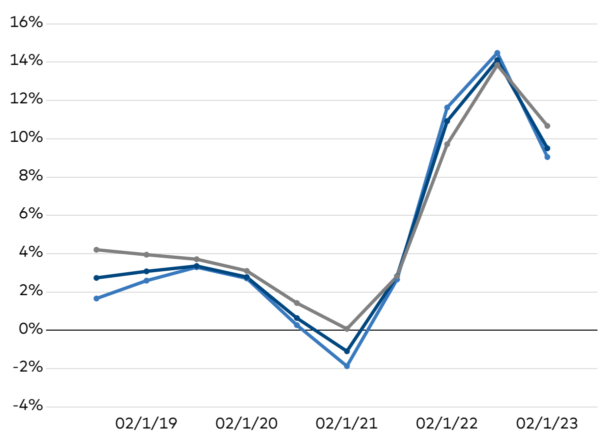
Atlanta



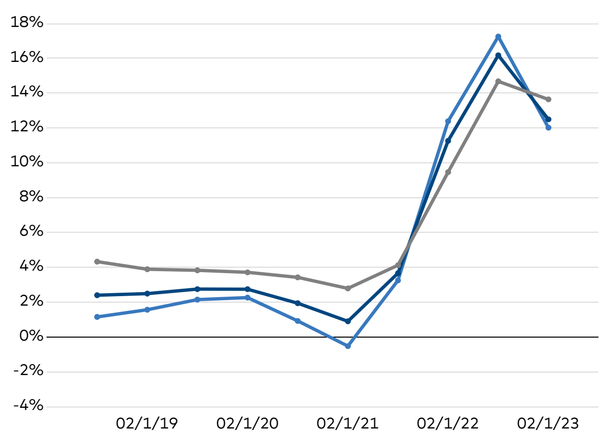
Boston



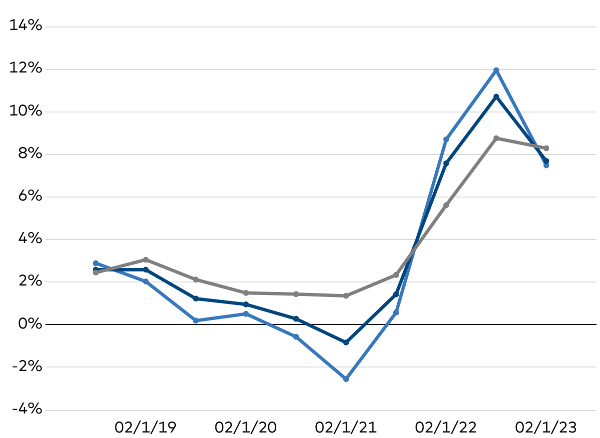
Dallas



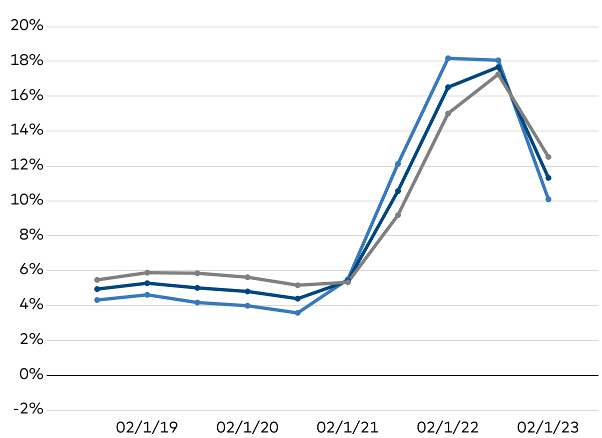
Denver



Houston



Inland Empire

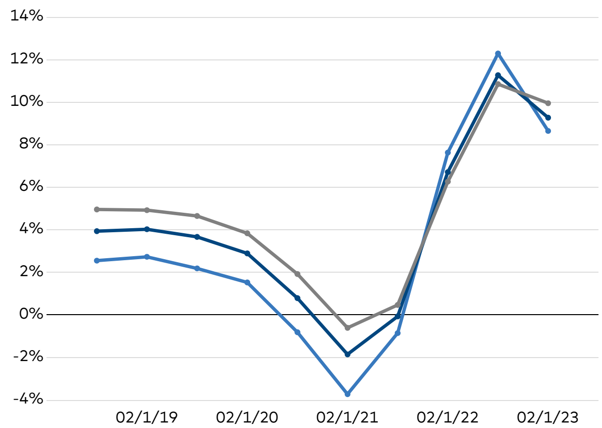


Trailing 12 Months Overall   Trailing 12 Months Lifestyle   Trailing 12 Months Renter-by-Necessity

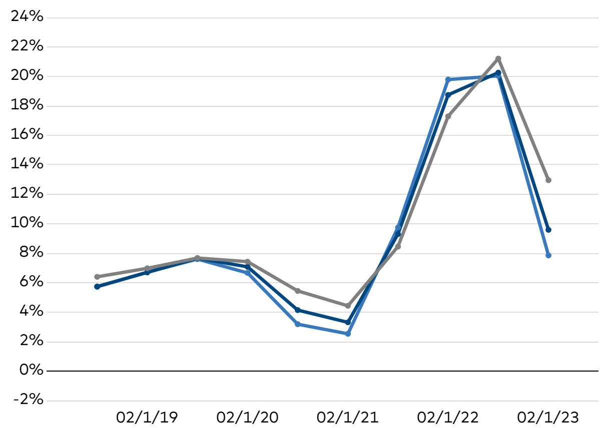
Source: Yardi Matrix

Market Rent Growth by Asset Class

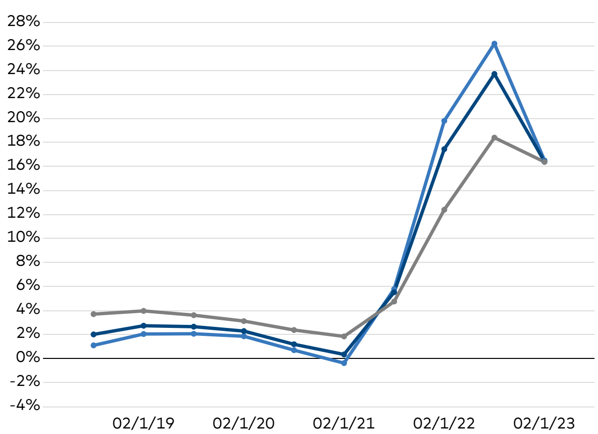
Las Vegas



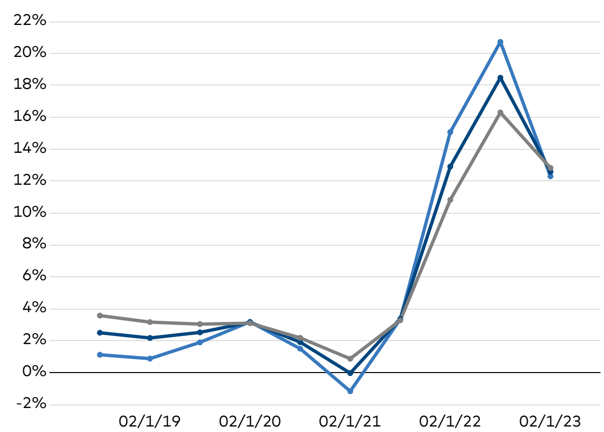
Los Angeles



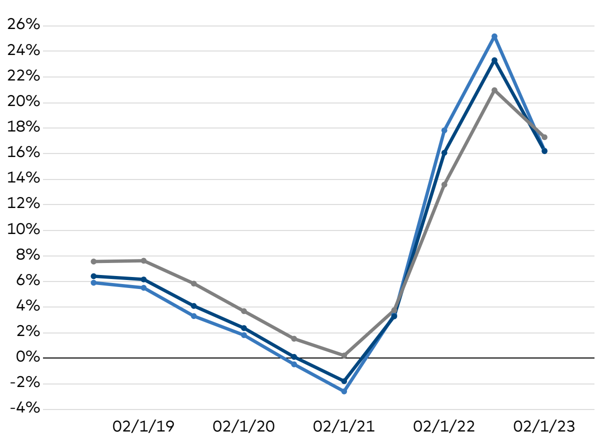
Miami



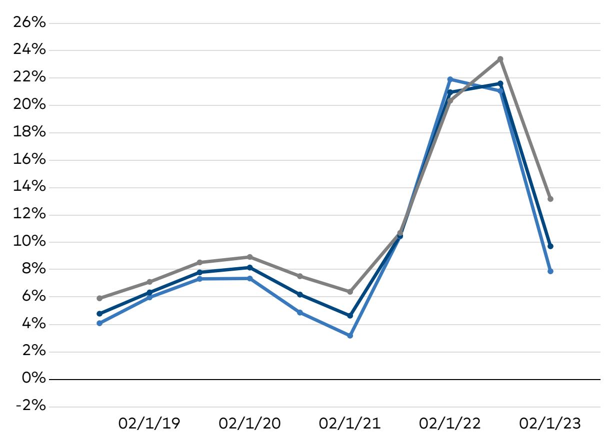
Orange County



Orlando



Phoenix

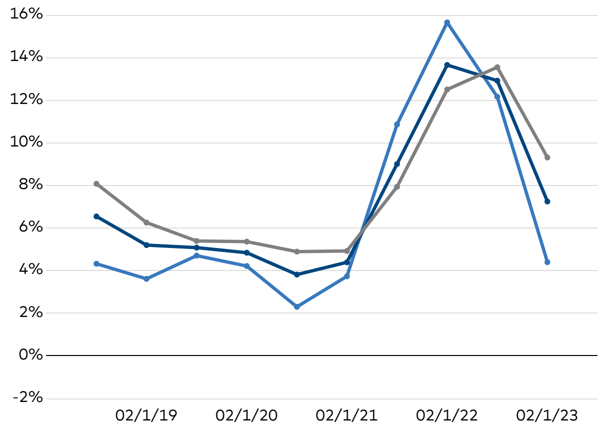


Trailing 12 Months Overall   Trailing 12 Months Lifestyle   Trailing 12 Months Renter-by-Necessity

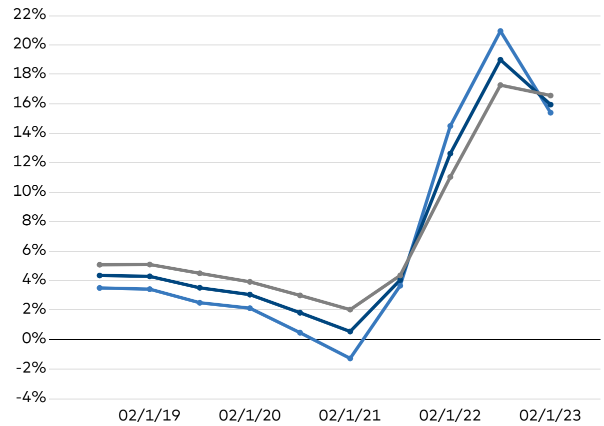
Source: Yardi Matrix

Market Rent Growth by Asset Class

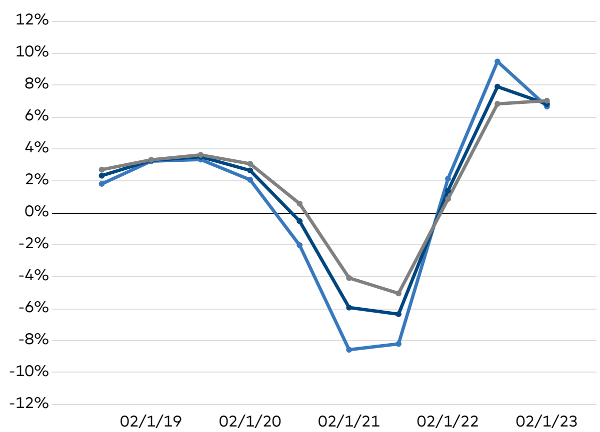
Sacramento



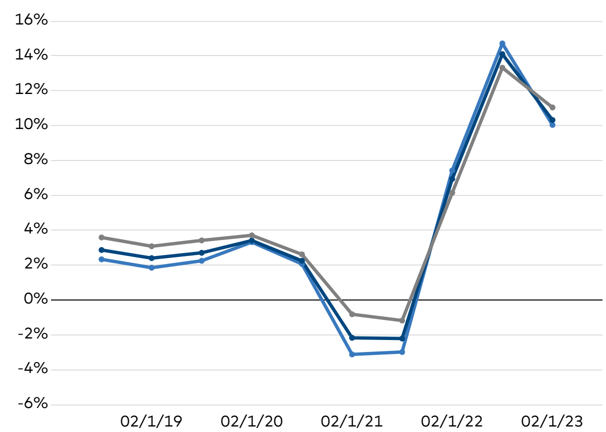
San Diego



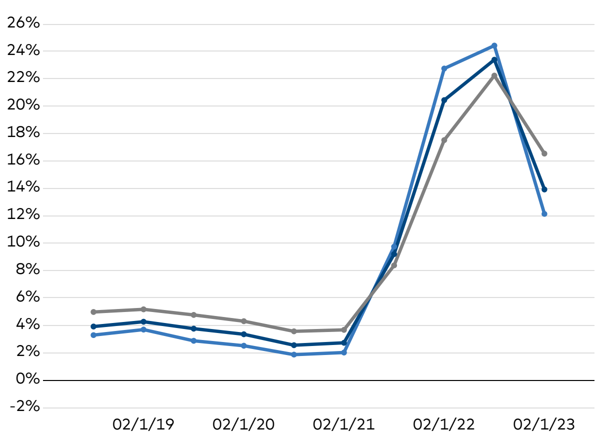
San Francisco



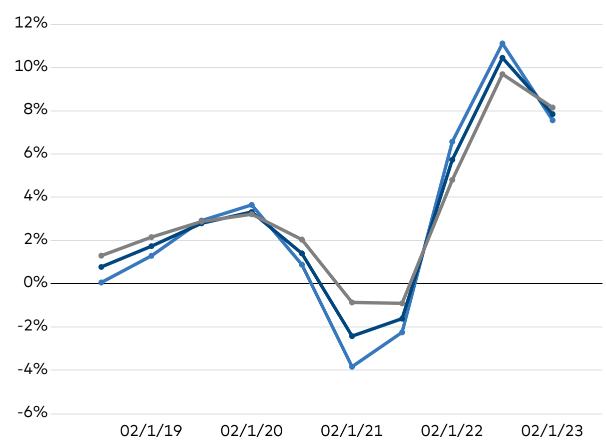
Seattle



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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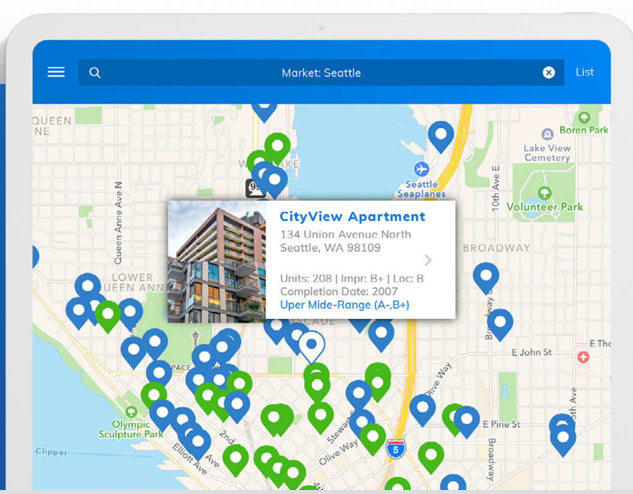
MULTIFAMILY KEY FEATURES

- 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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