Yardi Matrix

National Multifamily Report

April 2023

Multifamily Rents Rise, but Gains Are Muted

- The multifamily market continues to display resilience in the face of headwinds, as rents increased for the second straight month in April. The average U.S. asking rent rose $5 in April to $1,709, while year-over-year growth decelerated to 3.2%, down 80 basis points from March.
- Rent growth is broadly positive nationally, but regional differences are emerging. High-demand Sun Belt metros are feeling the impact of reduced affordability and robust deliveries, while primary metros have less supply growth and some benefit from rebounding immigration.
- Single-family unit rents hit a new all-time high of $2,089 in April, but year-over-year rates once again decelerated, dropping 60 basis points to 2.3%. Occupancy rates decreased in March to 95.5%, but have stabilized after peaking at 97.0% in 2021.

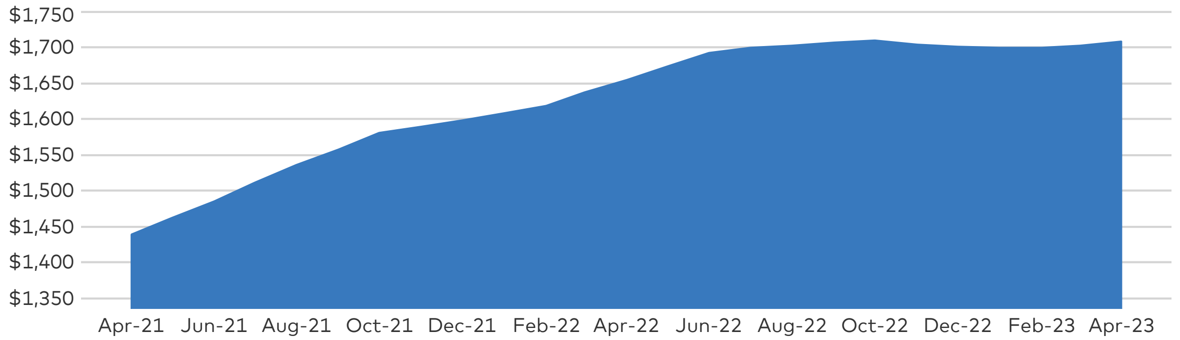
Solid demand has kept multifamily rents rising in 2023, but at a slower rate than previous years. The average U.S. asking rent increased $5 in April to $1,709, far below the outsize post-pandemic gains but also half the growth produced in the same month between 2015 and 2019. Early indications at the start of the spring confirm our forecast for moderate rent growth in 2023.

Demand is boosted by the tight job market and strong consumer balance sheets, although the question is how much longer those conditions will persist. First quarter GDP growth was 1.1%, as consumer spending outweighed waning business inventories. However, economic growth is likely to ebb in coming quarters due to factors including a slowdown in housing sales and construction from higher interest rates, dwindling post-pandemic consumer savings, a squeeze on credit as banks try to de-risk loan portfolios and the reduction of the Federal Reserve's balance sheet.

Multifamily rent gains remain positive year-over-year everywhere but the Desert West metros Phoenix and Las Vegas, but at the same time there is a rotation among the top-performing markets. An influx of deliveries and declining affordability have slowed growth in the Sun Belt, while a return to the office, tepid supply growth and increased immigration have lifted primary markets in the Northeast and Midwest. Indianapolis (7.7%) and Kansas City (6.4%) lead the top 30 Matrix metros in rent growth, while primary metros New York (6.2%), Boston (5.2%) and Chicago (5.0%) round out the top 5.

Another trend as we get further into the cycle and affordability gets constrained is that rent growth is increasingly concentrated in Renter-by-Necessity properties (5.1% year-over-year, 0.3% trailing three months) relative to luxury Lifestyle properties (1.5% year-over-year, 0.1% trailing three months).

National Average Rents



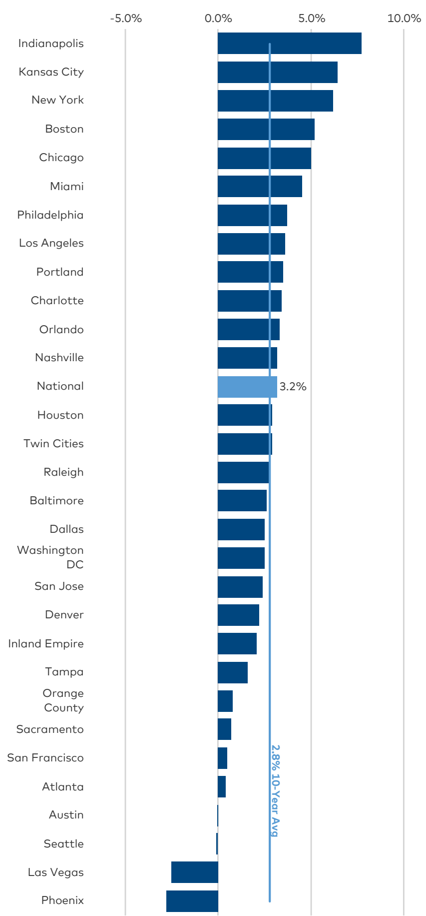
National averages include 136 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by Yardi Matrix.

Year-Over-Year Rent Growth: Modest Rent Increases as Occupancy Rates Decline

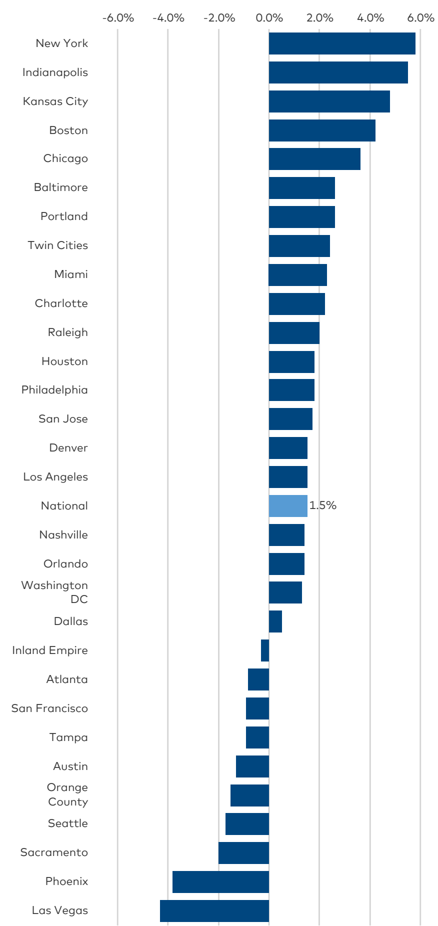
- Rents increased as the spring leasing season got underway, with the national average asking rent rising to $1,709 in April, up $5 from the previous month. Although rents are increasing, the amount of growth is modest compared to recent years. The year-over-year growth rate continued to decelerate, dropping to 3.2%, down 80 basis points from March and 250 basis points from the beginning of the year. Growth is led by metros in the Midwest and Northeast: Indianapolis (7.7% year-over-year), Kansas City (6.4%), New York (6.2%), Boston (5.2%) and Chicago (5.0%).

- The national occupancy rate was unchanged at 95.0% in March, an indication that demand is holding up in the face of recession fears. On a year-over-year basis, occupancy rates fell by 100 basis points, with the biggest declines in Las Vegas (-1.8 percentage points) and Tampa (-1.7). New York was the only metro without a decline in occupancy compared to last year, maintaining 97.9% occupancy in March.

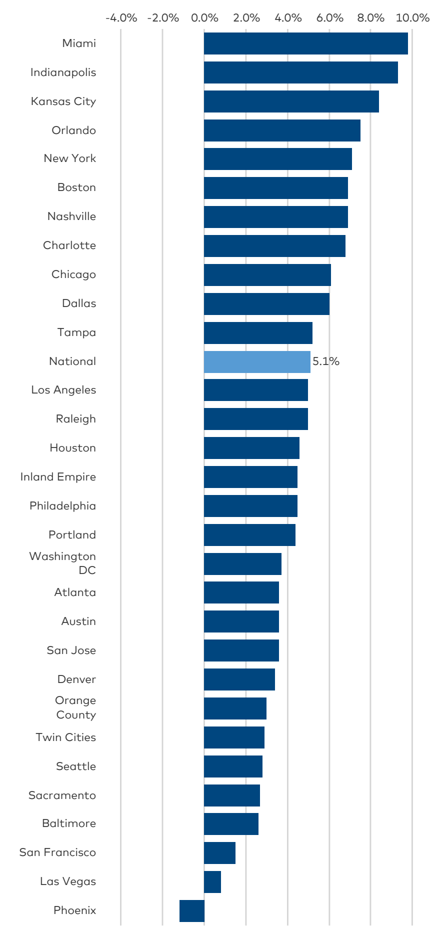
Year-Over-Year Rent Growth— All Asset Classes



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: RBN Segment Leads Rent Gains

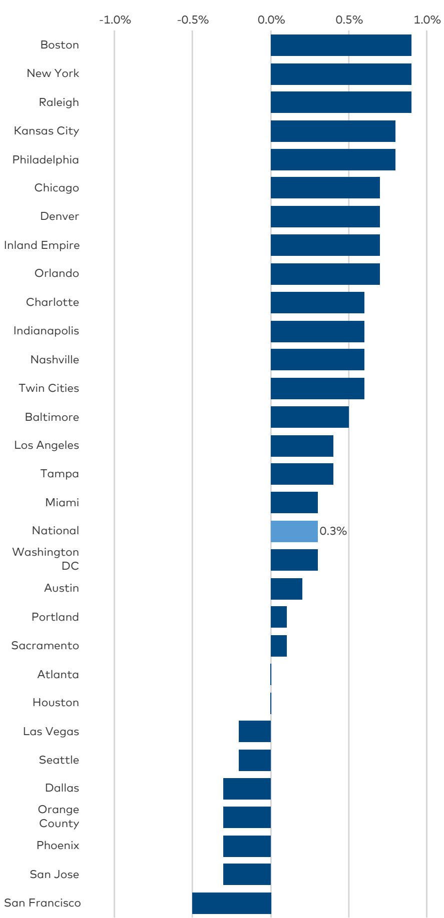
- The average U.S. multifamily asking rent increased by $5, or 0.3%, in April.
- Rents increased 0.3% month-over-month in the Renter-by-Necessity segment and 0.2% in the luxury Lifestyle segment.

Asking rents increased in April amid strong seasonal demand, with growth in both the RBN and Lifestyle segments. Twenty-two of the top 30 Matrix metros recorded gains in RBN rents, while 20 saw increases in Lifestyle rents.

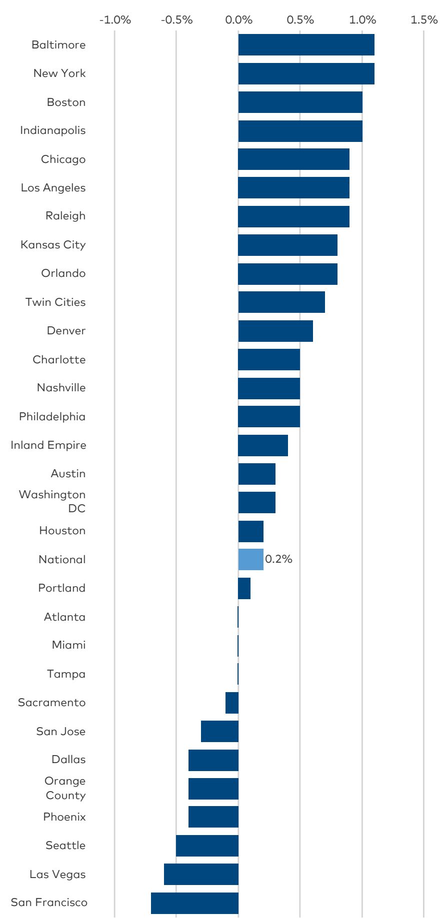
Raleigh (0.9%) led monthly gains in asking rents. Comprising the remainder of the top five were Northeast and Midwest metros New York (0.9%), Boston (0.9%), Kansas City and Philadelphia (both 0.8%) and Chicago (0.7%).

A bifurcation between Lifestyle and RBN rent growth is developing, particularly in West and Southwest metros, suggesting that demand is concentrated in more affordable product. Examples include Sacramento (0.2% RBN, -0.1% Lifestyle), Dallas (0.2% RBN, -0.4% Lifestyle), Seattle (0.2 RBN, -0.5% Lifestyle) and Las Vegas (0.6% RBN, -0.6% Lifestyle).

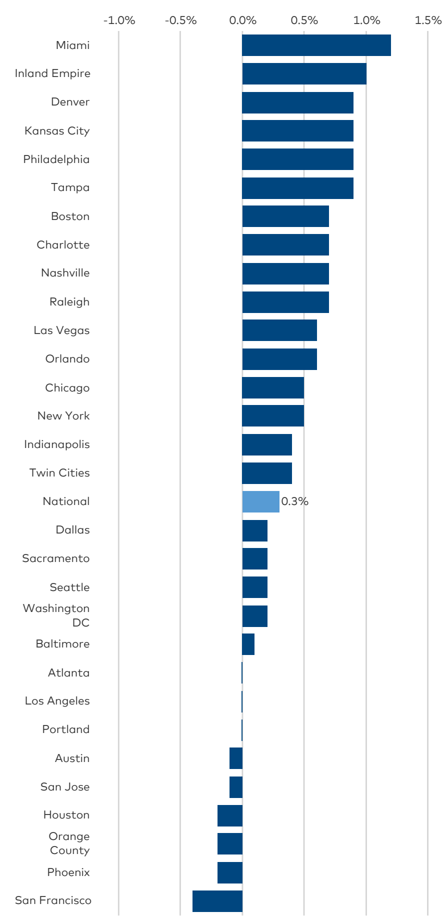
Month-Over-Month Rent Growth—All Asset Classes



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 Persist at High Rates

- Renewal rent growth nationally was unchanged in February, remaining high at 9.4% year-over-year. Renewals represent the increases for tenants that are rolling over existing leases, which typically lag growth in asking rents of vacant units. U.S. asking rent growth dipped to 3.2% year-over-year through April, so renewal rents will eventually decline, as well. Renewal lease rates persisting so high is an indication of the outsize increases for new leases and the lack of supply, as tenants that wish to move into units with a lower rate have limited options.

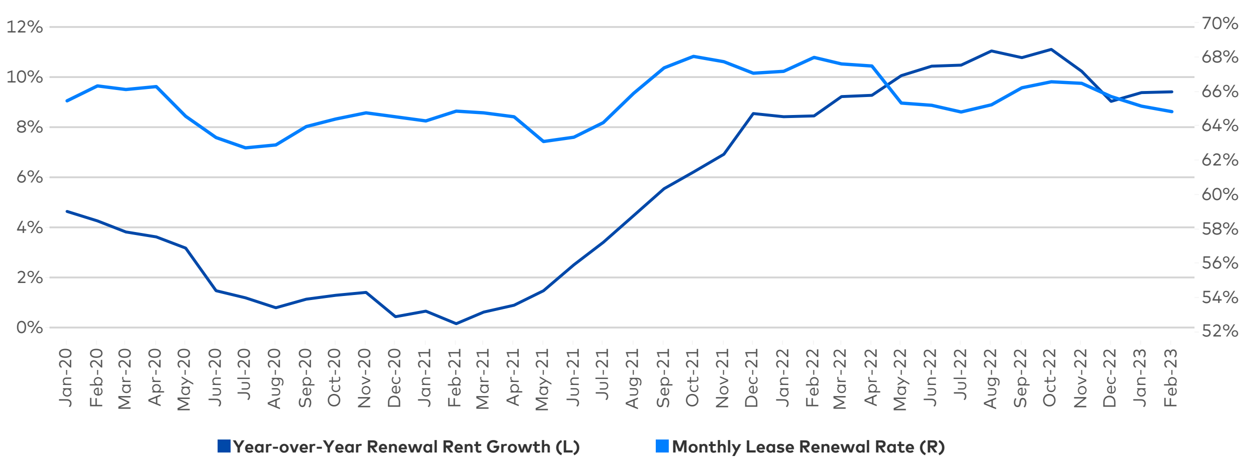
- National lease renewal rates were 64.0% in February, down 30 basis points from 65.2% in January. Renewal rates peaked at 66.6% in October 2022, and have gradually come down. Markets with the highest rates include Philadelphia (79.1%), Miami (70.2%) and Kansas City (69.1%).

Market	YoY Renewal Rent Growth	Monthly Lease Renewal Rate
New York	16.2%	64.0%
Miami Metro	13.7%	70.2%
Orlando	13.0%	64.9%
Raleigh	12.6%	65.1%
Los Angeles	12.2%	46.5%
Portland	11.0%	60.3%
Austin	11.0%	60.4%
Charlotte	10.3%	62.7%
Tampa	10.2%	66.4%
Indianapolis	9.6%	66.3%
Inland Empire	9.6%	57.9%
Seattle	9.6%	57.8%
Orange County	9.5%	63.9%
Nashville	9.5%	62.5%
Kansas City	9.3%	69.1%

Market	YoY Renewal Rent Growth	Monthly Lease Renewal Rate
Las Vegas	8.9%	63.8%
Dallas–Ft. Worth	8.8%	66.5%
Chicago	8.5%	67.0%
Phoenix	8.4%	59.8%
Atlanta	8.0%	66.8%
Boston	7.9%	64.8%
San Jose	7.5%	53.1%
Sacramento	7.3%	57.0%
Denver	6.8%	60.9%
Philadelphia	6.5%	79.1%
Baltimore	6.0%	68.6%
San Francisco	5.6%	49.7%
Twin Cities	5.2%	64.7%
Houston	3.7%	65.2%
Washington DC	3.5%	59.8%

Source: Yardi Matrix Expert, data as of February 2023

National Lease Renewals and Renewal Rent Growth



Source: Yardi Matrix Expert

Supply, Demand and Demographics: Multifamily Distress Expected to Rise, but How Much?

- Concerns about distress are rising with slowing economic growth and tighter bank underwriting standards.
- Several hundred billion dollars of multifamily mortgages will be maturing over the next few years.
- How much distress increases depends on factors that include demand, market performance and loan seasoning.

Prognostications about distress in commercial real estate are a hot topic, owing to the increase in interest rates, the likelihood that the economy will cool due to the Federal Reserve's rate hikes, and the tightening lending standards as banks run into trouble. First Republic's collapse and distressed sale to J.P. Morgan last week is just the latest example.

The problem is that a significant number of multifamily loans will be maturing in coming years under conditions that are worse than they were at issuance. Fixed-rate loan coupons increased by 200 basis points or more over the last year as interest rates have risen, and the increase is even more for floaters with interest-rate caps. Plus, consensus forecasts of a recession in the second half of 2023 and lenders tightening standards in the wake of bank failures have reduced loan proceeds by 20-25% compared to past years.

Roughly 15% of the $2 trillion of multifamily loans outstanding are maturing between now and the end of 2025 and more than half are maturing by 2030, according to Yardi Matrix's database. Multifamily delinquency rates are 2% for CMBS and less than 1% for other lender types, but an increase is likely coming.

How much distress increases depends on several factors—for one thing, how much the economy and demand hold up. Demand is boosted by strong household formation and the tight labor market, but that could change in a recession. The direction of rates and investor appetite for debt will determine how much of a capital gap owners will have to fill.

Markets matter, as well. Multifamily performance is largely stellar nationwide, but individual properties may struggle in submarkets with big supply pipelines or cities with rent control where expenses are rising faster than income. Another issue is loan seasoning. Loans originated more than three years ago have had the benefit of seasoning and unprecedented rent growth—U.S. asking rents rose 22% in 2021-22—which will counteract tighter underwriting.

Given multifamily's strong recent performance and having the benefit of government-sponsored enterprises that lend in downturns, distress in the sector is likely to be concentrated in pockets: properties with weak sponsors in weak submarkets, or those with short-term loans originated in 2020-22 that have not had the benefit of income growth.

Single-Family Build-to-Rent Segment: Build-to-Rent Stock on the Rise

- National asking rates for single-family rentals increased by $6 to $2,089 in April, while year-over-year growth declined by 60 basis points to 2.3%.

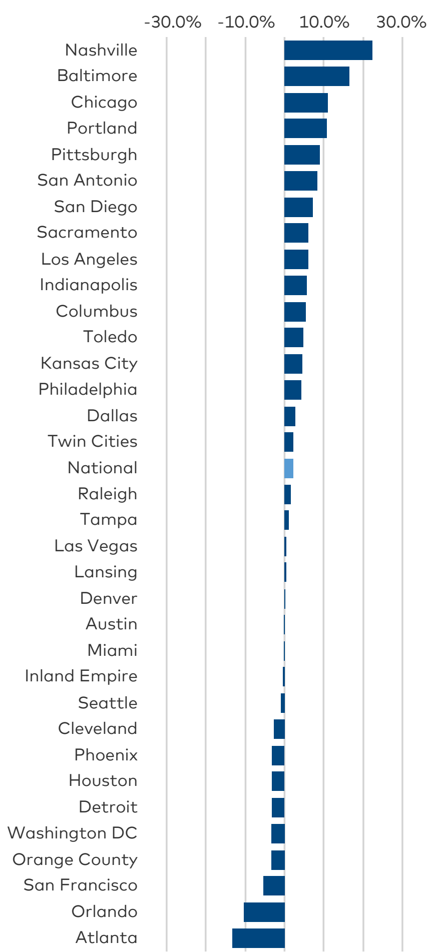
- U.S. occupancy rates were flat in March at 95.5%, down 1.2 percentage points from the same month a year ago.

Single-family rents are growing modestly, while rents continue to decelerate year-over-year. Rents nationally have increased for three straight months and reached an all-time high of $2,089 in April. Occupancy rates have come down from extremely high numbers during the pandemic, settling at 95.5% nationally.

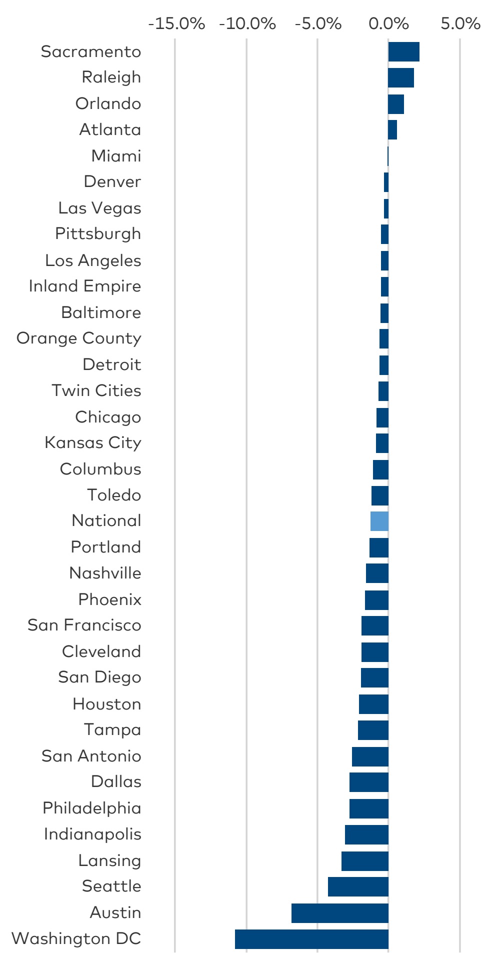
Build-to-rent single-family rental stock reached a new high in 2022 as home sales become more difficult due to higher rates and reduced affordability. According to Yardi Matrix, some 14,581 SFRs in communities of 50 units or more were delivered in 2022, a 46.9% increase over the 9,928 SFR units delivered in 2021. While it is early, 2023 volume is on track to match last year's.

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 March 2023

Market	All Units	Lifestyle Units	Renter-by-Necessity Units
Sacramento	40.8%	39.0%	43.9%
New York	33.4%	28.1%	39.7%
Washington DC	33.2%	29.9%	35.6%
Orange County	32.4%	29.4%	34.5%
Baltimore	32.1%	30.4%	32.9%
Los Angeles	32.1%	28.2%	35.0%
Tampa	31.9%	30.7%	33.3%
Orlando	31.9%	30.8%	33.5%
San Francisco	30.9%	26.3%	35.2%
Portland	30.8%	27.4%	36.3%
Inland Empire	30.6%	28.8%	32.4%
Philadelphia	30.5%	28.4%	31.7%
Nashville	30.4%	27.6%	33.0%
Las Vegas	30.3%	29.9%	31.2%
Atlanta	29.9%	29.5%	30.9%
Denver	29.5%	27.3%	32.9%
San Jose	29.2%	24.5%	34.3%
Charlotte	29.1%	28.1%	31.5%
Chicago	28.8%	27.3%	29.7%
Twin Cities	28.7%	26.7%	30.8%
Houston	28.4%	25.9%	31.4%
Phoenix	28.4%	27.2%	29.8%
Boston	28.1%	25.7%	34.3%
Dallas	28.1%	27.2%	29.6%
Seattle	27.9%	26.5%	30.4%
Miami	27.4%	27.0%	28.3%
Raleigh	27.4%	26.7%	29.1%
Austin	26.9%	26.3%	28.5%
Indianapolis	26.2%	24.1%	27.9%
Kansas City	24.2%	22.6%	25.5%

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

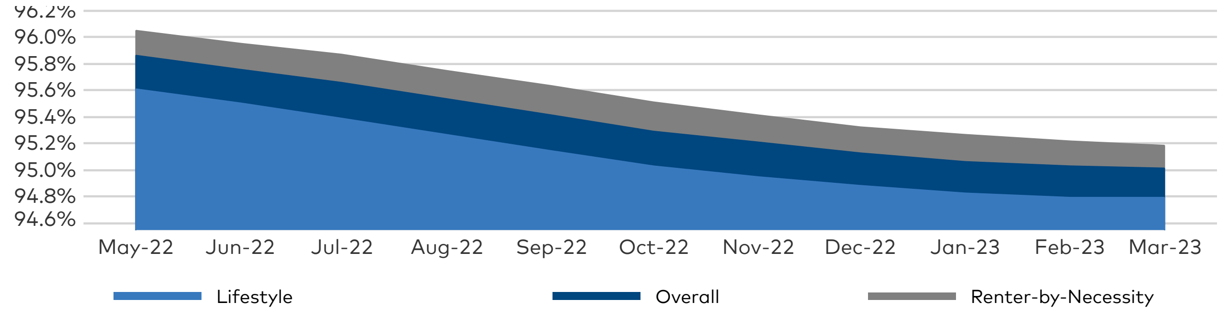
Employment and Supply Trends; Forecast Rent Growth

Market	YoY Rent Growth as of Apr - 23	Forecast Rent Growth as of 4/1/23 for YE 2023	YoY Job Growth (6-mo. moving avg.) as of Feb - 23	Completions as % of Total Stock as of Apr- 23
Indianapolis	7.7%	2.9%	3.7%	0.5%
Kansas City	6.4%	2.8%	3.3%	1.6%
New York	6.2%	2.7%	4.4%	0.8%
Boston	5.2%	2.8%	2.7%	2.7%
Chicago	5.0%	2.2%	2.9%	1.5%
Miami Metro	4.5%	2.4%	4.1%	3.6%
Philadelphia	3.7%	1.8%	3.7%	0.9%
Los Angeles	3.6%	2.6%	3.0%	1.6%
Portland	3.5%	3.0%	3.7%	2.4%
Charlotte	3.4%	3.2%	3.8%	2.4%
Orlando	3.3%	2.1%	5.7%	2.7%
Nashville	3.2%	2.9%	5.6%	3.8%
Houston	2.9%	2.4%	4.9%	1.9%
Twin Cities	2.9%	2.6%	2.2%	4.0%
Raleigh	2.8%	3.0%	4.2%	2.6%
Baltimore	2.6%	2.9%	1.2%	0.7%
Dallas	2.5%	2.1%	5.7%	1.8%
Washington DC	2.5%	2.3%	2.1%	1.9%
San Jose	2.4%	2.9%	4.2%	1.8%
Denver	2.2%	2.0%	2.1%	3.3%
Inland Empire	2.1%	2.5%	2.6%	0.4%
Tampa	1.6%	1.8%	4.6%	3.0%
Orange County	0.8%	2.2%	3.3%	1.1%
Sacramento	0.7%	1.8%	3.2%	1.4%
San Francisco	0.5%	2.4%	3.5%	2.1%
Atlanta	0.4%	2.0%	3.8%	2.3%
Austin	0.0%	3.3%	6.5%	5.3%
Seattle	-0.1%	2.8%	3.8%	3.6%
Las Vegas	-2.5%	2.8%	6.3%	1.7%
Phoenix	-2.8%	1.5%	3.1%	3.4%

Source: Yardi Matrix

Occupancy & Asset Classes

Occupancy—All Asset Classes by Month



Source: Yardi Matrix

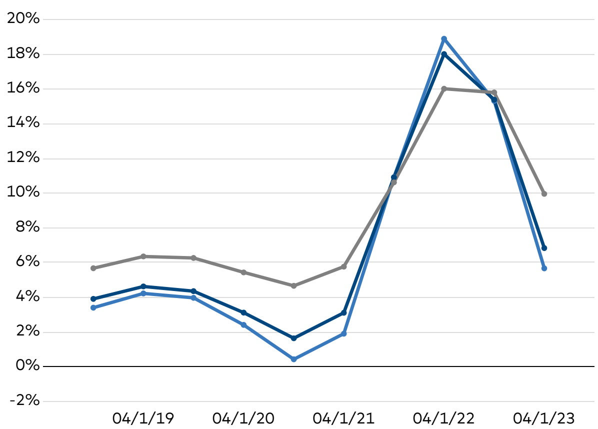
Year-Over-Year Rent Growth, Other Markets

Market	April 2023		
	Overall	**Lifestyle**	**Renter-by-Necessity**
El Paso	7.8%	11.4%	6.6%
Northern New Jersey	7.5%	7.0%	8.1%
Albuquerque	7.0%	5.8%	7.8%
Central East Texas	6.8%	5.6%	7.9%
Louisville	5.2%	1.0%	7.6%
St. Louis	4.8%	3.2%	5.7%
Long Island	4.1%	2.9%	4.8%
Bridgeport–New Haven	4.1%	2.6%	5.5%
SW Florida Coast	3.7%	2.5%	7.0%
NC Triad	3.7%	1.0%	7.5%
San Fernando Valley	3.3%	2.8%	3.5%
Central Valley	2.8%	-1.7%	3.9%
Jacksonville	2.5%	-1.5%	9.2%
Salt Lake City	2.3%	0.4%	4.0%
Tucson	2.2%	-1.3%	3.7%
Colorado Springs	2.0%	0.2%	3.8%
Tacoma	1.0%	-0.7%	2.8%
Reno	-0.8%	-2.4%	0.4%

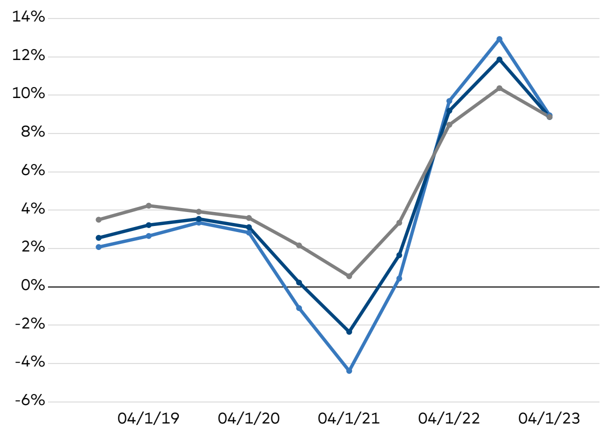
Source: Yardi Matrix

Market Rent Growth by Asset Class

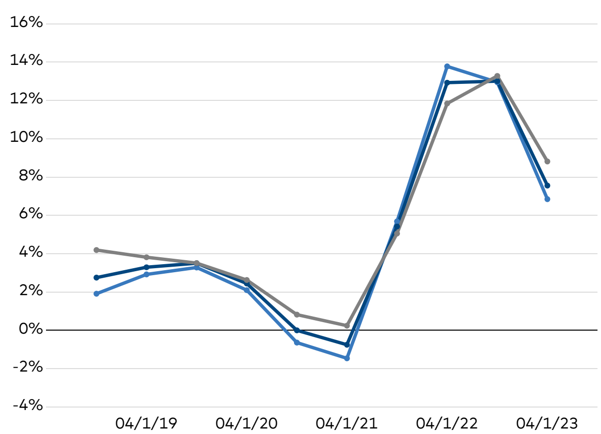
Atlanta



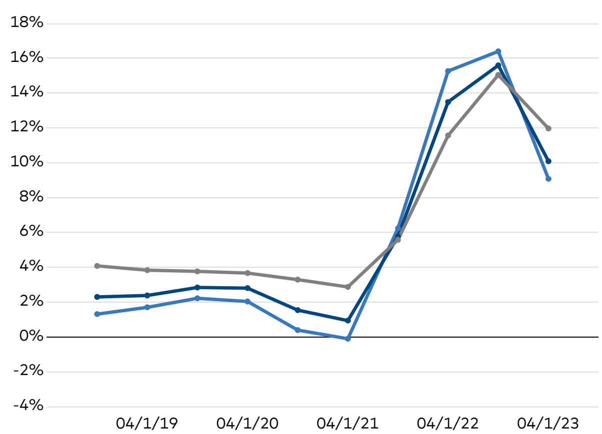
Boston



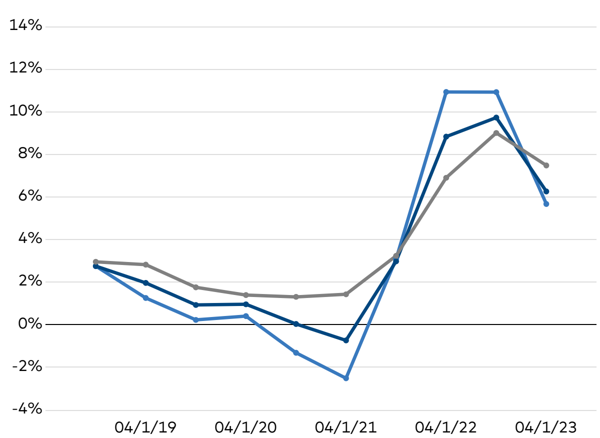
Dallas



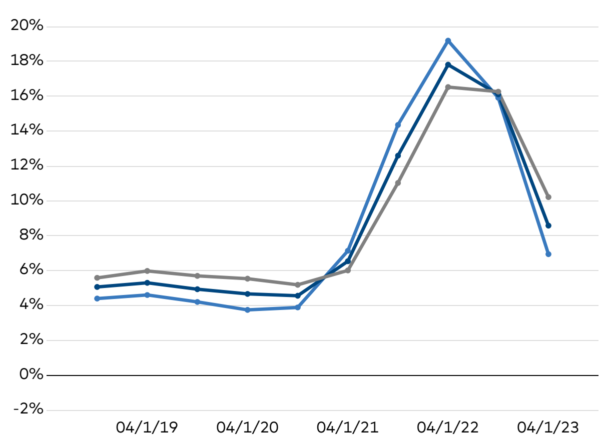
Denver



Houston



Inland Empire

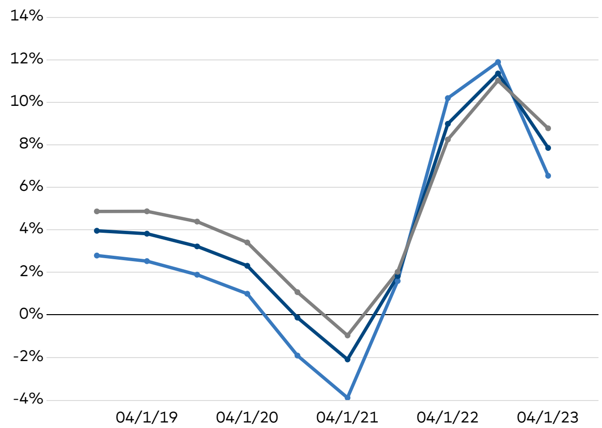


Trailing 12 Months Overall — Trailing 12 Months Lifestyle — Trailing 12 Months Renter-by-Necessity

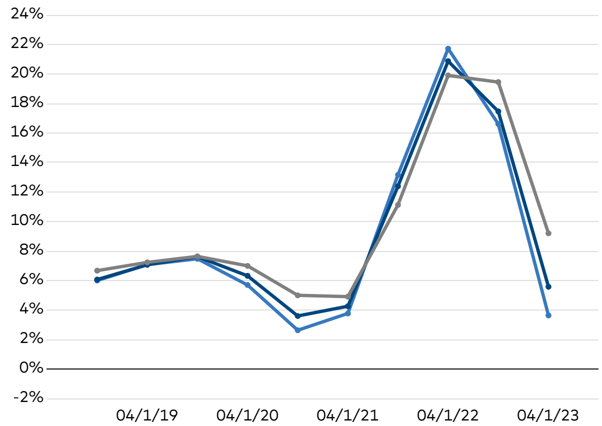
Source: Yardi Matrix

Market Rent Growth by Asset Class

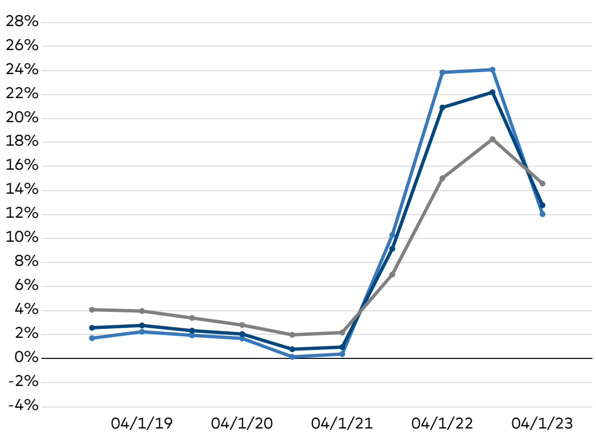
Las Vegas



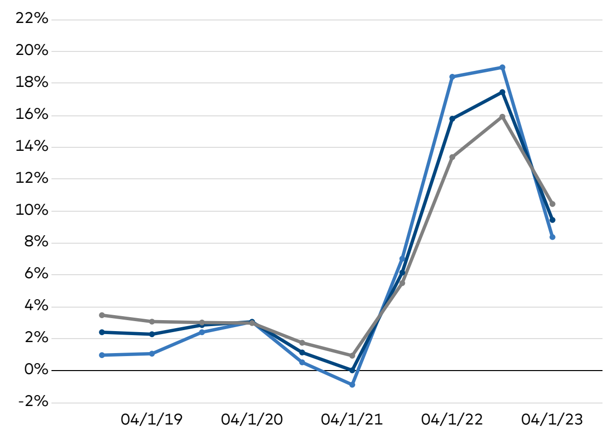
Los Angeles



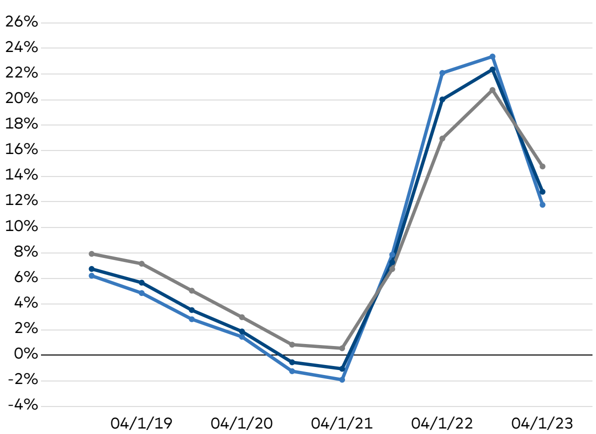
Miami



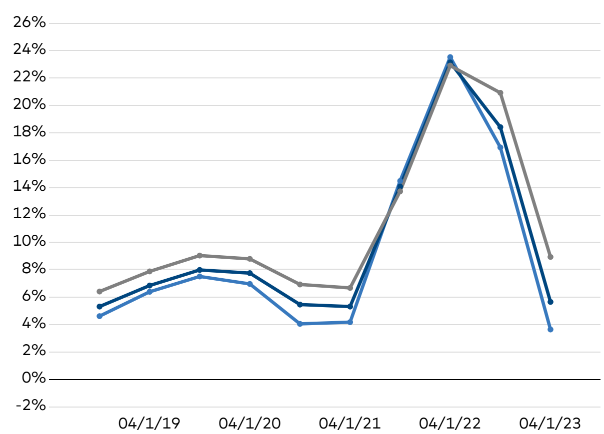
Orange County



Orlando



Phoenix

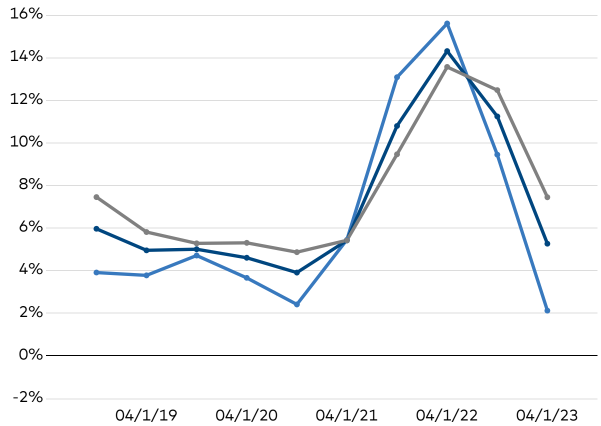


Trailing 12 Months Overall | Trailing 12 Months Lifestyle | Trailing 12 Months Renter-by-Necessity

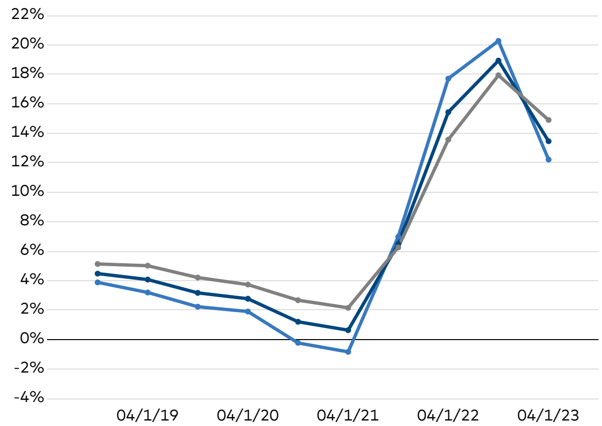
Source: Yardi Matrix

Market Rent Growth by Asset Class

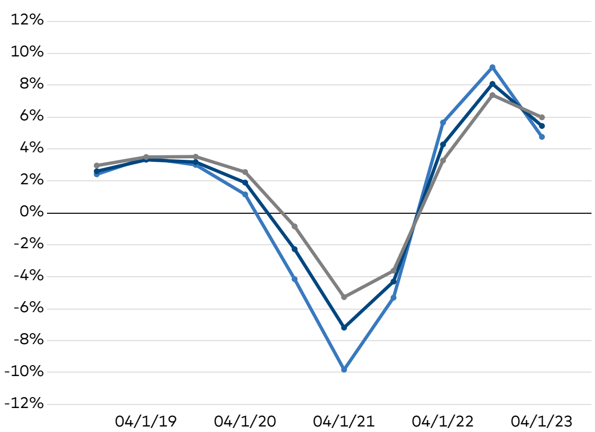
Sacramento



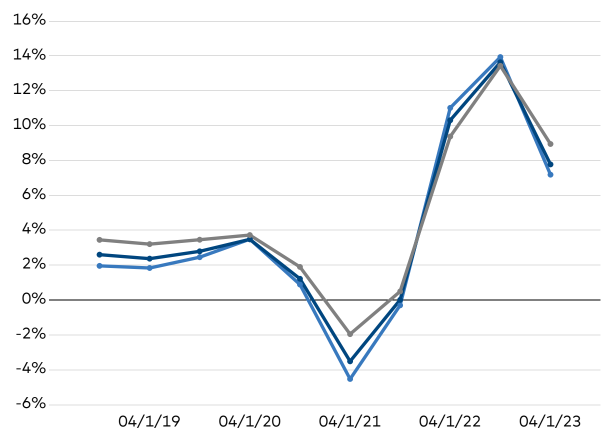
San Diego



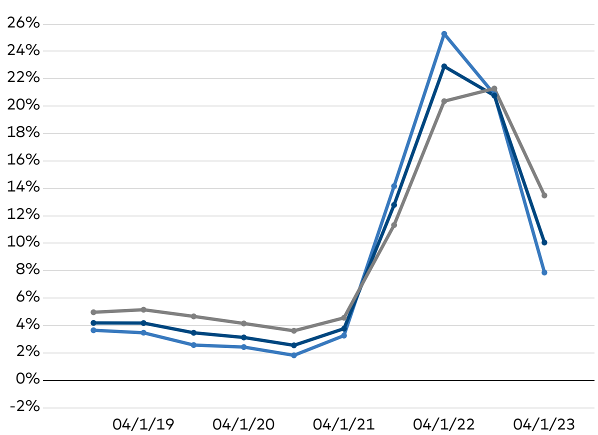
San Francisco



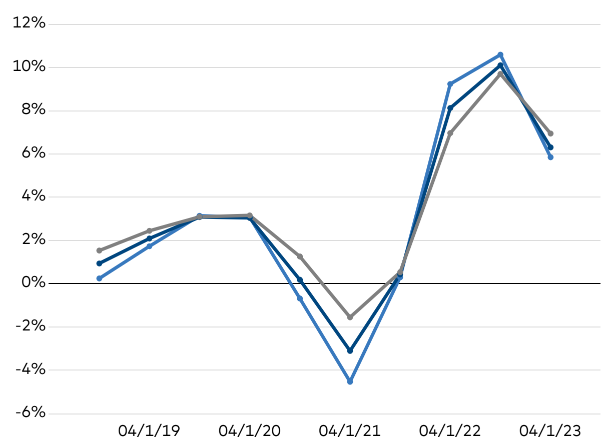
Seattle



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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