Yardi Matrix

National Multifamily Report

August 2023

U.S. Economy Holding Up, Supporting Multifamily Demand

- Multifamily performance continues to hold up well, as rents and occupancy were relatively flat in August. The average U.S. asking rent rose $1 to $1,728 during the month, while year-over-year growth fell to 1.5%, down 20 basis points from July.

- In the short term, supply growth remains a driving factor in metro-level rent growth. Most metros with the highest year-over-year asking rent growth, such as New York, Chicago, Indianapolis and San Diego, benefit from a weak new supply pipeline.

- Single-family rents fell slightly, down $6 nationally to $2,104. Year-over-year, national SFR rent growth fell 70 basis points to 0.5%. SFR demand remains strong overall, but there is some evidence of deceleration in the high-end segment.

Economic growth continues to be stronger than expected, providing a backdrop to consistent multifamily demand. U.S. asking rents rose slightly in August, while occupancy rates remained strong at 95.0%, according to Yardi Matrix.

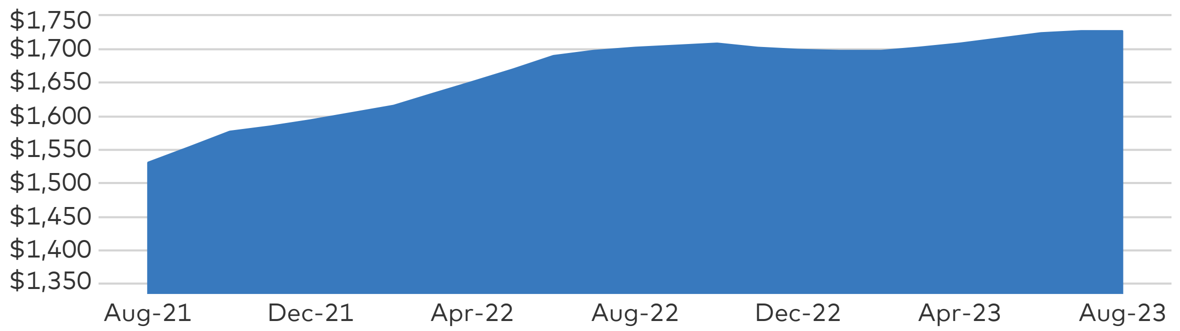
Apartment demand is supported by the healthy economy. GDP grew at an annualized 2.1% during the second quarter, and the employment market continues apace. The economy added 3.1 million jobs over the 12 months ending in August, and unemployment is hovering at historic lows, at 3.8% as of August. All that supports household formation and demand for apartments.

Through July, some 190,000 multifamily units have been absorbed in the U.S., per Matrix. That is behind the pace of 2021's record total of almost 600,000, but is otherwise healthy. Among the top 30 Matrix metros, absorption in absolute numbers in 2023 has been led by Washington, D.C., Phoenix, Miami, Chicago and Denver. For absorption as a percentage of stock, Charlotte, Tampa and Nashville are among the best-performing metros so far this year.

While multifamily conditions are generally favorable, headwinds do exist. Property expenses such as insurance are rising rapidly (as we discuss later in this report). Inflation is decreasing, but it remains stubbornly high, and Federal Reserve chair Jay Powell has indicated that the central bank might increase interest rates further. The current federal funds rate of 5.25% to 5.5% creates capital problems for property owners as they refinance low-rate mortgages coming due. Plus, the effect of higher rates is likely to slow down the economy.

On a housekeeping note, we have added Kansas City and dropped Richmond from the Matrix top 30 metros list in order to create a better regional balance for the Midwest.

National Average Rents



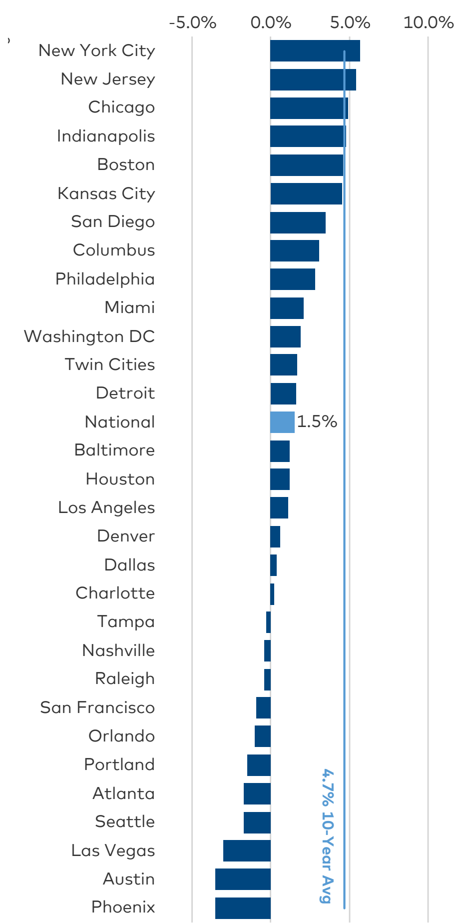
National averages include 140 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by Yardi Matrix.

Year-Over-Year Rent Growth: Asking Rent Gains Moderate

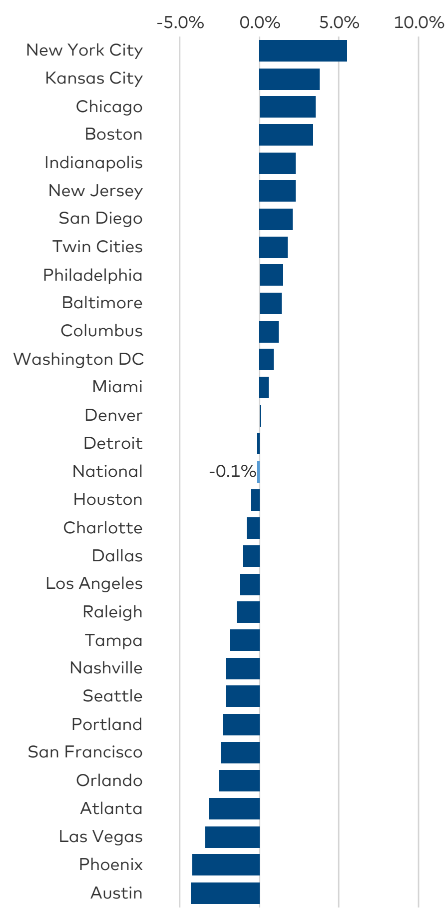
- The national average asking rent rose to $1,728 in August, up $1 from July, while the year-over-year growth rate dropped to 1.5%, down 20 basis points from July and 420 basis points from the beginning of the year. Rent growth continues to be led by metros in the Northeast and Midwest: New York City (5.7% year-over-year), New Jersey (5.4%), Chicago (4.9%), Indianapolis (4.8%) and Boston (4.6%). These markets benefit from a relative scarcity of completions, which allow New York (98.0%) and New Jersey (97.3%) to boast high occupancy rates.

- For the past four months, the national occupancy rate has remained unchanged at 95.0%. Occupancy rates were down year-over-year as of July in all but three of Matrix's top 30 markets: Chicago (up 0.3% year-over-year), and New York and Denver, which were unchanged. Eight Matrix top 30 markets dropped by one percentage point or more, with the largest occupancy declines in Austin, Detroit and Atlanta (all down 130 basis points).

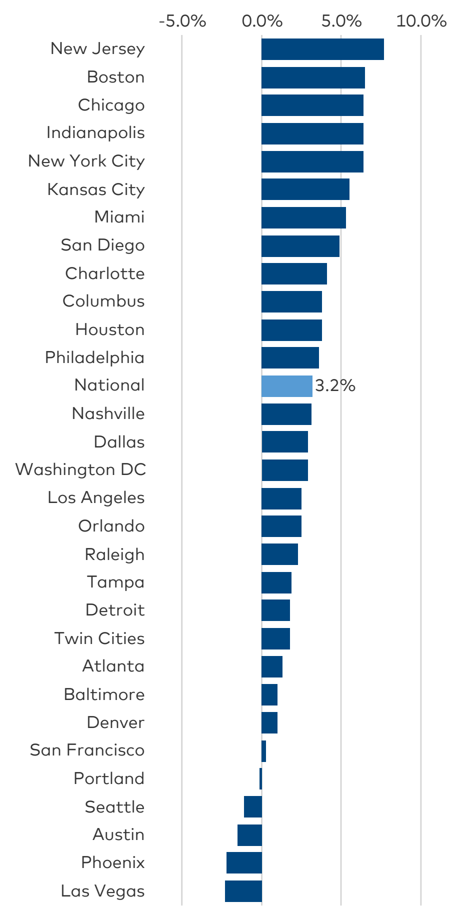
Year-Over-Year Rent Growth—All Asset Classes



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:
Greater Demand For Renter-by-Necessity Units

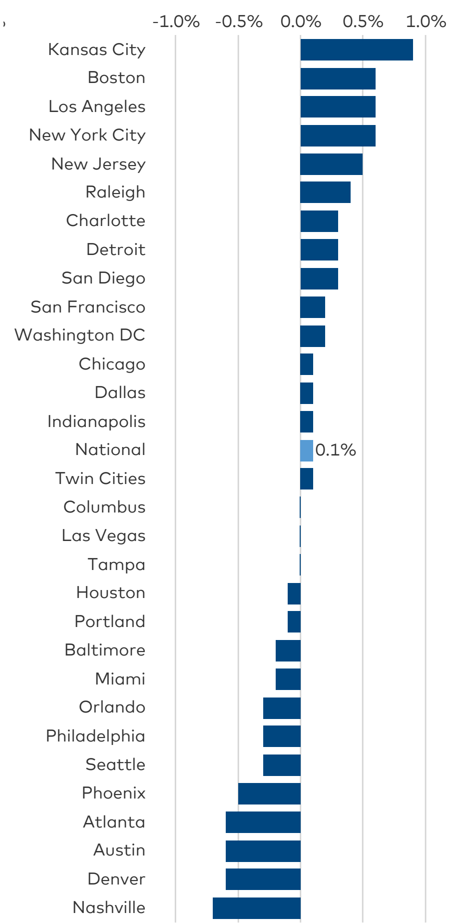
- The average U.S. multifamily asking rent increased by $1, or 0.1%, in August.
- Rents increased 0.1% month-over-month in the Renter-by-Necessity (RBN) segment and fell 0.1% in the luxury Lifestyle segment.

Asking rent growth in August was concentrated in the Renter-by-Necessity segment, which increased by 0.1% while Lifestyle rents declined 0.1%. Rents increased in 16 of the top 30 Matrix metros for RBN, but in only 13 for Lifestyle.

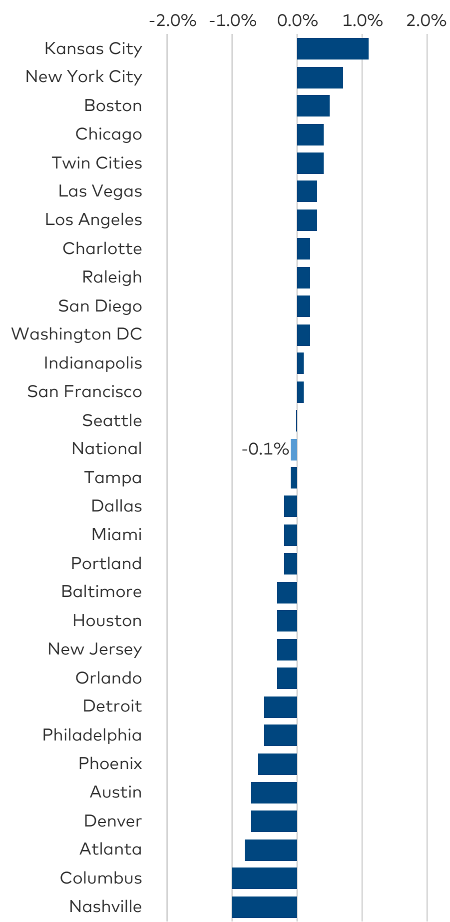
Kansas City (0.9%) led monthly gains in overall asking rents, with Boston (0.6%), Los Angeles (0.6%), New York (0.6%) and New Jersey (0.5%) rounding out the top 5.

The composition of rent growth reflects a substantial supply increase in some areas, as most deliveries are Lifestyle units, which increases competition within the segment. Lifestyle rents decreased by 1.0% or more month-over-month in August in two metros: Columbus (-1.0%) and Nashville (-1.0%). Lifestyle rents increased by 1.0% or more in August in just one metro: Kansas City (1.1%).

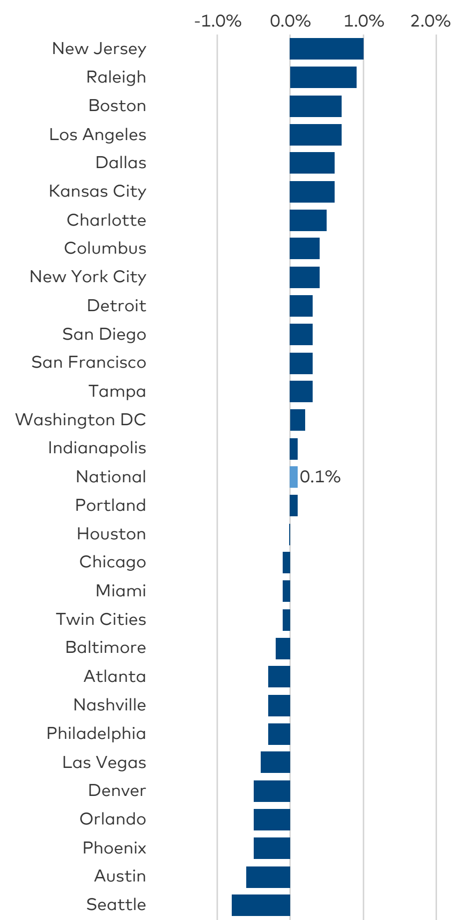
Month-Over-Month Rent Growth—All Asset Classes



Month-Over-Month Rent Growth—Lifestyle Asset Class



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



Source: Yardi Matrix

Transacted Rents: Renewal Rent Growth Slows Again

- Renewal rent growth fell to 7.8% year-over-year as of June, down 40 basis points from May. Renewal rents, the change for residents that are rolling over existing leases, has slowed since peaking at 11.1% in 4Q 2022 as more tenants get caught up to asking rent rates. Only a handful of metros continue to see double-digit growth in renewal rents. Miami has had the largest renewal rent growth at 12.4% while San Francisco had the smallest at 1.8%. Growth was between 5.6% and 9.7% year-over-year in 26 of the Matrix top 30 markets.

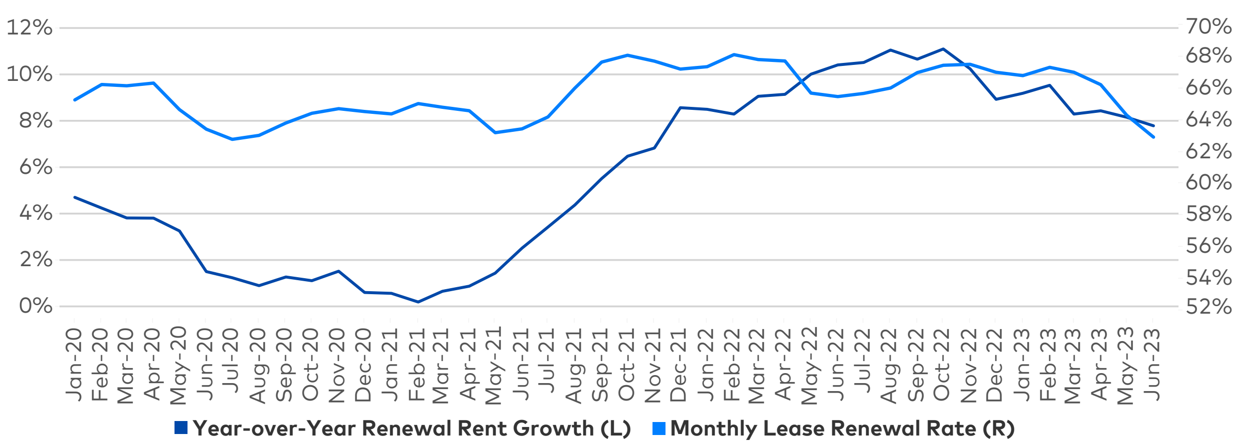
- National lease renewal rates were 62.9% in June. Renewal rates have been steadily declining since mid-2022, which is attributable to the large amount of new supply that has come online. As new deliveries are made available, occupancy rates decline, which compels properties to offer greater concessions and consequently creates the incentive for more renters to move.

Market	YoY Renewal Rent Growth	Monthly Lease Renewal Rate
Miami Metro	12.4%	66.3%
New York City	10.6%	67.3%
Orlando	10.4%	63.3%
Raleigh	9.7%	63.5%
Indianapolis	9.4%	64.8%
Austin	9.0%	55.9%
San Diego	8.7%	55.4%
Nashville	8.4%	56.5%
Portland	8.4%	59.8%
Columbus	7.8%	65.2%
Dallas–Ft. Worth	7.5%	61.8%
Boston	7.5%	63.0%
Washington DC	7.4%	57.8%
New Jersey	7.3%	79.9%
Charlotte	7.2%	58.4%

Market	YoY Renewal Rent Growth	Monthly Lease Renewal Rate
Kansas City	7.2%	66.7%
Tampa	7.2%	61.8%
Las Vegas	7.2%	60.5%
Philadelphia	7.0%	73.8%
Seattle	7.0%	57.5%
Atlanta	6.7%	63.6%
Los Angeles	6.6%	45.1%
Denver	6.5%	58.6%
Houston	6.3%	62.8%
Baltimore	6.2%	64.0%
Detroit	6.1%	70.3%
Chicago	5.9%	62.7%
Phoenix	5.7%	56.6%
Twin Cities	5.6%	63.9%
San Francisco	1.8%	52.4%

Source: Yardi Matrix Expert, data as of June 2023

National Lease Renewals and Renewal Rent Growth



Source: Yardi Matrix Expert

Supply, Demand and Demographics: Insurance, Labor Lead to Huge Hike in Expenses

- Led by massive growth in insurance costs, expenses incurred by multifamily owners are rising rapidly.
- Overall expenses increased 9.3% in the year ending June 2023, according to Yardi Matrix Expert data.
- While income has grown more rapidly than expenses in recent years, property owners must address the expense side of the ledger to maintain net cash flow.

After several years of stellar income growth, multifamily is facing headwinds that include not only decelerating rent gains but a rapid uptick in expenses. During the trailing 12-month period ending June 2023, expenses for multifamily properties nationally grew by an average of 9.3%, up 63% from the 5.7% increase during the previous 12 months, according to Yardi Matrix Expert data. During that period, the average property operating expense rose $740 per unit to $8,694, according to Matrix.

Costs rose significantly in most categories, led by insurance, which increased by an average of 18.8% in the 12 months ending June 2023, per Matrix. Insurance is rising because of the growing number of significant weather-related events, such as hurricanes, extreme temperatures and wildfires, that have created large insurer payouts, particularly in the Southeast, California and Texas.

Other areas with large increases over the last year include repairs and maintenance (14.4%), administrative (11.8%), and utilities and payroll (both 7.8%). Perhaps surprisingly, taxes increased by only 5.9%, per Matrix.

The biggest rise in expenses in the last year was in small metros, led by Huntsville, Ala. (20.0%), Spokane, Wash. (18.5%) and Honolulu (17.7%). Owing to the large jump in insurance prices, six of the top 20 markets for total expense growth were in Florida, including Tampa (16.2%), Orlando (15.1%) and Jacksonville (13.8%).

Expense growth is widespread. Some 85.1% of U.S. multifamily properties recorded increases between 5.0% and 14.9% in the last year, per Matrix. Nevertheless, expenses in these metros remain far lower than in large coastal metros with higher costs of living. For example, costs in New York City fell by 1.5% year-over-year as of June, but the metro's per-unit expenses of $18,484 are still more than twice Tampa's average costs of $9,024 per unit.

While costs are growing, revenue has increased more rapidly than operating expenses, which represent 43% of gross income, per Matrix. Most multifamily properties remain ahead of the game since average U.S. asking rents are up more than 20% since January 2021. That said, with rent growth slowing, property owners increasingly must implement strategies to pare expense growth to maintain and grow net income.

Single-Family Build-to-Rent Segment: RBN Outperforming Lifestyle in SFR

- Nationally, asking rates for single-family rentals dropped $6 in August to $2,104, while year-over-year growth declined by 70 basis points to 0.5%.

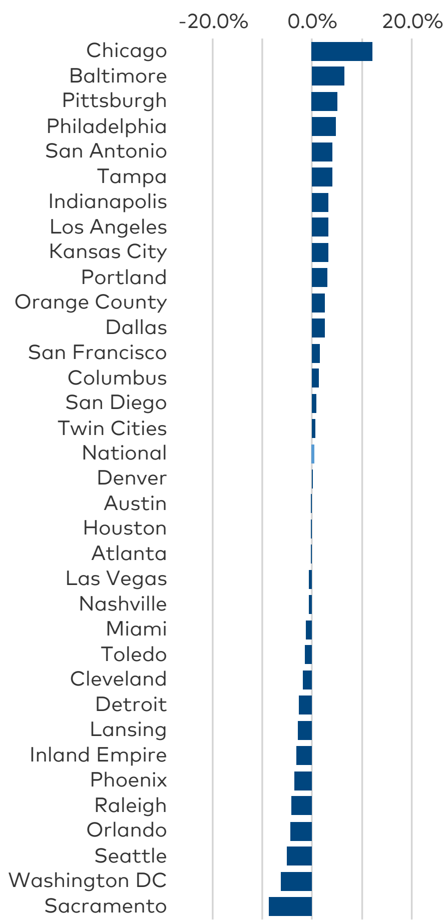
- U.S. occupancy rates fell by 10 basis points to 95.7% in July.

Single-family rental performance remains strong, although there is a slight softening at the high end of the market. Both rents and occupancy rates have moderated this summer, with the weakening concentrated in the Lifestyle segment.

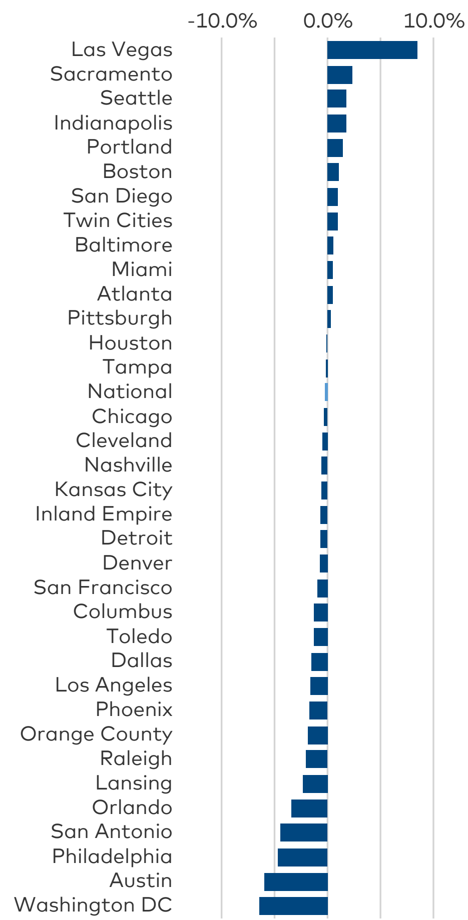
Year-over-year rent growth has turned negative in the Lifestyle segment, at -0.4% as of August, while Renter-by-Necessity rents have increased by 2.9%. The same dynamic holds in occupancy. Year-over-year through July, Lifestyle occupancy rates have declined 100 basis points to 95.3%, while RBN occupancy rates have increased 290 basis points to 97.7%. The numbers reflect weakening affordability as prices rise. Consumers increasingly are looking for moderately priced housing.

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 June 2023

Market	All Units	Lifestyle Units	Renter-by-Necessity Units
San Diego	37.1%	34.8%	41.0%
Washington DC	33.7%	31.6%	35.3%
New York	33.4%	33.1%	33.8%
Orlando	31.3%	30.6%	32.3%
Baltimore	31.2%	29.0%	32.4%
Los Angeles	31.1%	30.3%	31.8%
Tampa	30.9%	29.2%	33.0%
Portland	30.7%	29.7%	32.2%
N. New Jersey	30.4%	29.0%	34.7%
Denver	29.9%	28.4%	32.0%
Chicago	29.8%	27.6%	31.1%
Nashville	29.7%	28.2%	31.4%
C. New Jersey	29.5%	34.7%	27.8%
Atlanta	29.5%	29.4%	29.8%
Seattle	29.4%	28.1%	31.6%
Charlotte	29.3%	28.4%	31.3%
Philadelphia	29.3%	25.9%	31.7%
Las Vegas	29.2%	28.2%	31.4%
Phoenix	28.8%	27.4%	30.4%
Raleigh	28.7%	28.3%	29.9%
Boston	28.7%	27.1%	32.1%
San Francisco	28.5%	26.2%	30.8%
Miami	27.5%	28.2%	25.5%
Columbus	27.5%	23.3%	28.5%
Dallas	27.2%	26.2%	29.0%
Twin Cities	27.2%	24.6%	29.8%
Houston	26.6%	23.9%	30.5%
Detroit	26.3%	23.9%	26.6%
Austin	26.2%	25.6%	27.8%
Indianapolis	25.6%	24.0%	26.8%
Kansas City	25.1%	23.4%	26.7%

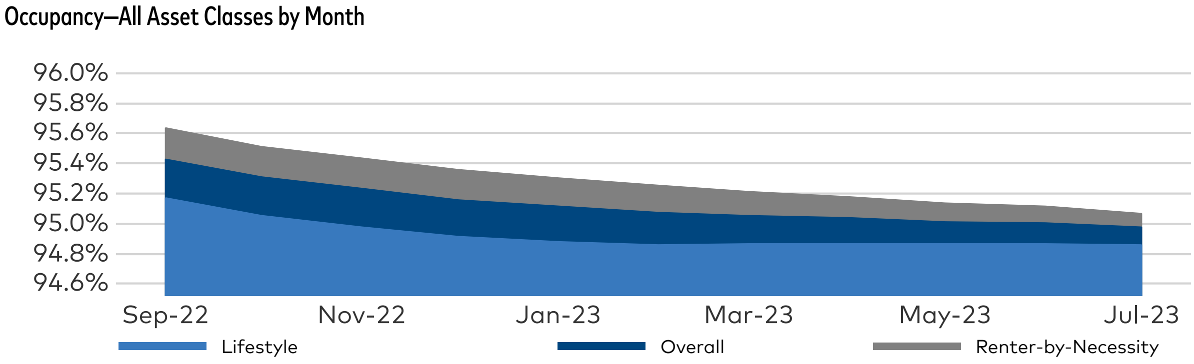
Rent-to-Income ratios sorted by all units, highest to lowest. Source: Yardi Systems Screening Data
The Yardi Matrix data service covers rent-to-income ratios monthly back to January 2019 for 112 markets broken out by property type

Employment and Supply Trends; Forecast Rent Growth

Market	YoY Rent Growth as of Aug - 23	Forecast Rent Growth as of 8/1/23 for YE 2023	YoY Job Growth (6-mo. moving avg.) as of Jun - 23	Completions as % of Total Stock as of Aug - 23
New York City	5.7%	3.2%	3.3%	1.1%
New Jersey	5.4%	3.6%	3.1%	2.5%
Chicago	4.9%	3.8%	2.0%	1.1%
Indianapolis	4.8%	4.1%	3.4%	0.9%
Boston	4.6%	3.8%	2.5%	2.4%
Kansas City	4.5%	4.0%	3.2%	1.7%
San Diego	3.5%	3.5%	3.2%	0.8%
Columbus	3.1%	3.8%	1.2%	1.2%
Philadelphia	2.8%	3.0%	3.1%	1.0%
Miami Metro	2.1%	2.6%	3.2%	3.0%
Washington DC	1.9%	2.8%	2.1%	1.9%
Twin Cities	1.7%	2.8%	1.9%	2.4%
Detroit	1.6%	3.1%	1.5%	0.7%
Houston	1.2%	2.6%	4.1%	1.7%
Baltimore	1.2%	2.0%	1.5%	0.8%
Los Angeles	1.1%	1.6%	2.4%	1.7%
Denver	0.6%	3.1%	1.0%	2.8%
Dallas	0.4%	1.7%	5.0%	1.5%
Charlotte	0.2%	2.0%	3.4%	3.6%
Tampa	-0.3%	2.3%	4.2%	3.4%
Raleigh	-0.4%	2.9%	3.3%	3.5%
Nashville	-0.4%	2.6%	4.5%	3.9%
San Francisco	-0.9%	1.7%	2.5%	2.1%
Orlando	-1.0%	1.8%	4.2%	2.8%
Portland	-1.5%	1.5%	3.1%	2.4%
Seattle	-1.7%	1.3%	3.8%	2.7%
Atlanta	-1.7%	1.0%	3.0%	2.3%
Las Vegas	-3.0%	1.4%	5.1%	1.3%
Austin	-3.5%	1.6%	4.7%	4.9%
Phoenix	-3.5%	0.9%	2.4%	3.3%

Source: Yardi Matrix

Occupancy & Asset Classes



Source: Yardi Matrix

Year-Over-Year Rent Growth, Other Markets

Market	August 2023		
	Overall	Lifestyle	Renter-by-Necessity
Cincinnati	5.1%	2.4%	6.2%
Louisville	4.6%	1.0%	6.6%
Bridgeport–New Haven	4.5%	2.1%	6.6%
Cleveland–Akron	4.2%	1.5%	4.9%
Charleston	4.1%	3.0%	5.6%
Milwaukee	3.4%	3.6%	3.4%
St Louis	3.2%	2.2%	3.5%
Greenville	2.6%	0.7%	4.4%
Richmond–Tidewater	2.4%	1.5%	2.9%
Central Valley	2.1%	-1.0%	2.9%
Winston-Salem–Greensboro	1.7%	0.6%	2.9%
Orange County	1.6%	0.1%	2.9%
North Central Florida	1.0%	-0.7%	2.2%
Southwest Florida Coast	0.0%	-2.1%	4.9%
Inland Empire	-0.1%	-1.9%	1.5%
San Jose	-0.5%	-0.9%	0.1%
San Antonio	-0.6%	-2.2%	1.6%
Salt Lake City	-0.6%	-1.9%	0.3%
Sacramento	-0.7%	-2.8%	0.5%
Jacksonville	-1.0%	-2.3%	1.5%

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

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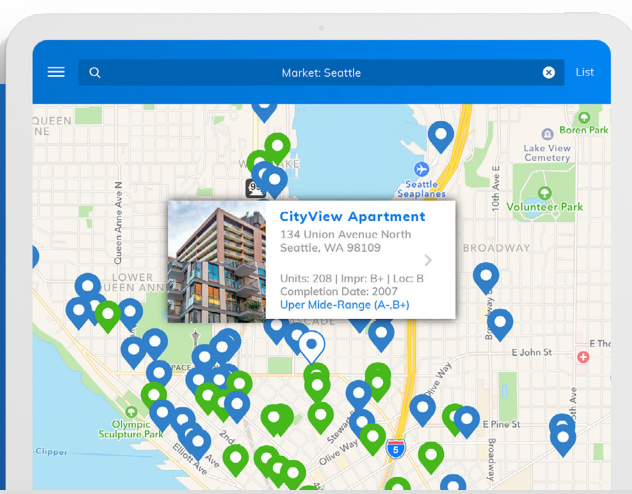
MULTIFAMILY KEY FEATURES

- 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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