National Multifamily Report

September 2023

US Multifamily Rents Slip in September

- Weighted down by the slowing economy and a heavy delivery pipeline in some markets, U.S. multifamily rents dipped in September. The average U.S. asking rent fell $6 to $1,722 during the month, while year-over-year growth fell to 0.8%, down 60 basis points from August.
- Market performance remains bifurcated, as the Top 30 rankings are dominated by metros in the Northeast and Midwest. Most of the 14 metros with negative year-over-year growth are located in the Sun Belt or West.
- Single-family rents fell for the second straight month, down $4 nationally to $2,104. Year-over-year growth dropped 10 basis points to 0.4%. Occupancy was unchanged at 95.9%, a sign that demand continues to be robust.

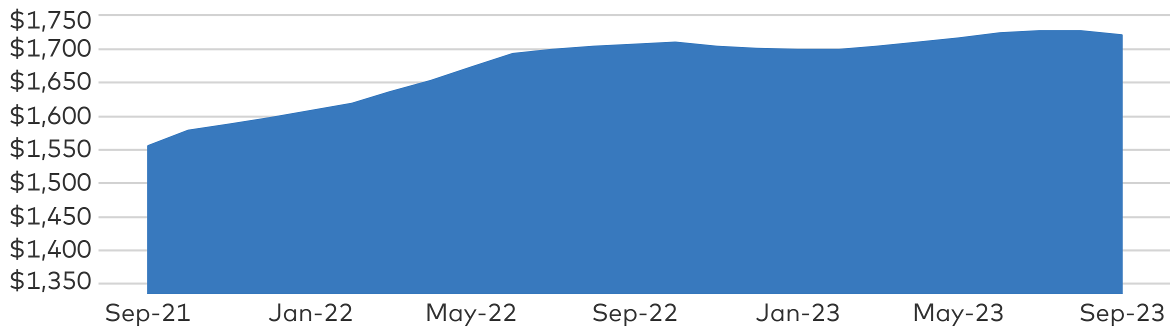
Multifamily rents turned negative in September, with the average U.S. rent declining $6 from August and $3 during the third quarter. It marked the first time since the global financial crisis in 2009, when national rents decreased in September. Year-over-year growth fell to 0.8%, the lowest number since the pandemic recovery in early 2021.

The question now is whether the monthly drop signals more bad news for multifamily. The industry faces headwinds, including a slowing economy. Consumers are losing some strength as the post-pandemic boom in household savings dwindles, while millions of households will have less to spend as they resume paying student loans. Energy prices are rising, and even large-scale strikes could have an impact if they continue at length. Meanwhile, higher interest rates are working their way through the economy. Companies with greater debt-service costs have less to spend on productive uses.

Multifamily property owners in particular are feeling the sting, since the 10-year Treasury climbed past 4.5%. Multifamily property values have dropped at least 20% based on capitalization rates alone. Mortgage rates are over 6% for the government-sponsored agencies and even higher for other types of lenders. Even though delinquency rates remain subdued, many borrowers are being forced to either pay down the loan balance or renegotiate an extension with lenders.

While it is important to acknowledge the headwinds, we also should put them in perspective. Much of the negative rent growth stems from the robust delivery pipeline that is putting pressure on rents in some metros (more on this on page 6). Demand and absorption remain positive in almost every metro—and occupancy rates have steadied—due to ongoing strong job growth and household formation. So while rent growth will slow for a while, the market remains healthy.

National Average Rents

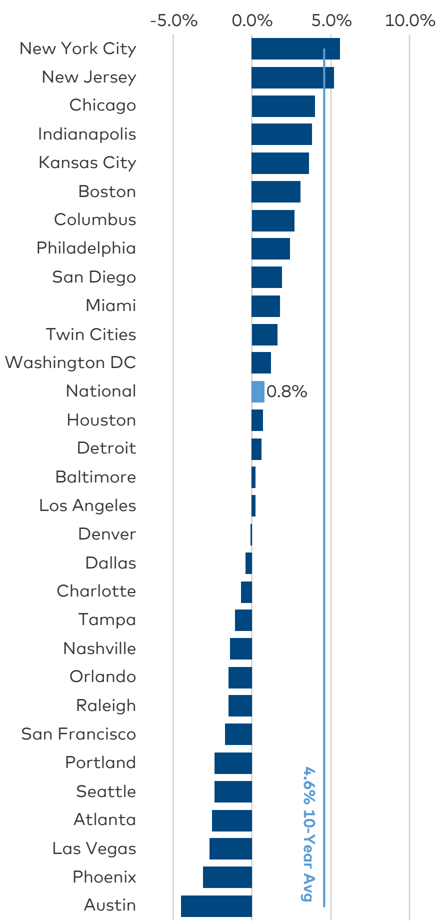


National averages include 140 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by Yardi Matrix.

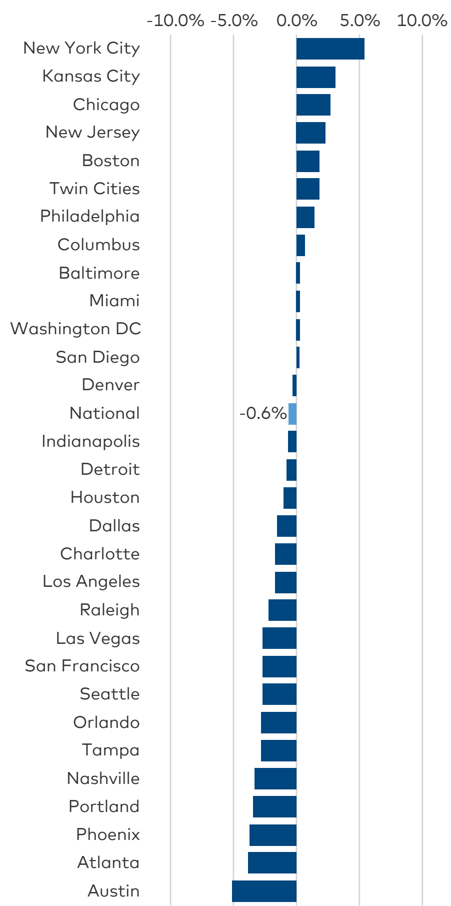
Year-Over-Year Rent Growth: Northeast, Midwest Metros in the Lead

- The national average asking rent fell to $1,722 in September, down $6 from August, while the year-over-year growth rate dropped to 0.8%, down 60 basis points from August and 490 basis points from the beginning of the year. Rent growth continues to be led by metros in the Northeast and Midwest: New York City (5.6% year-over-year), New Jersey (5.2%), Chicago (4.0%), Indianapolis (3.8%) and Kansas City (3.6%). The Northeastern markets in particular have benefited from low completions and steady demand, which allow New York (98.1%) and New Jersey (97.4%) to post high occupancy rates as the high-supply Sun Belt markets see declines.
- Over the last three months, the national occupancy rate has held steady at 95.0%. Occupancy rates were down year-over-year as of August in all but four of Matrix's top 30 markets: Chicago (up 0.5% year-over-year), Boston (0.1%), Denver (0.1%) and New York (unchanged). Six Matrix top 30 markets dropped by one percentage point or more, with the largest decline in Detroit (down 1.3%).

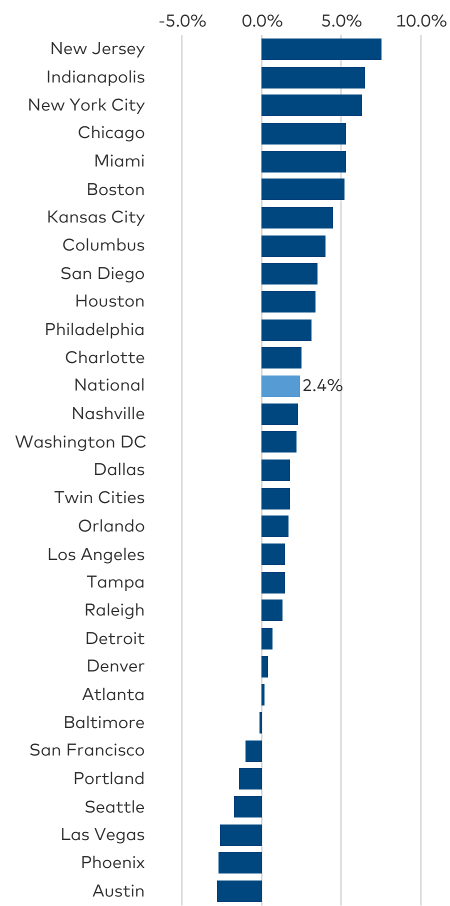
Year-Over-Year Rent Growth— All Asset Classes



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: Both Renter-by-Necessity, Lifestyle Decline

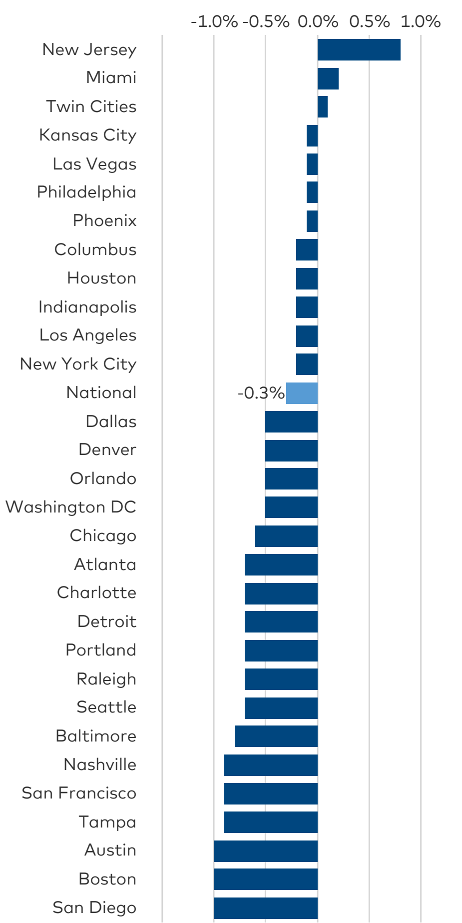
- The average U.S. multifamily asking rent decreased by $6, or 0.3%, in September.
- Rents fell 0.2% month-over-month in the Renter-by-Necessity (RBN) segment and 0.5% in the luxury Lifestyle segment.

Asking rent growth in September saw declines in both the Renter-by-Necessity (-0.2%) and Lifestyle (-0.5%) segments. Rents increased in only six of the top 30 Matrix metros for RBN, and in only five for Lifestyle. Significant declines were recorded in both segments in Austin (down 1.0% in Lifestyle and 0.9% in RBN) and Boston (down 1.0% in both).

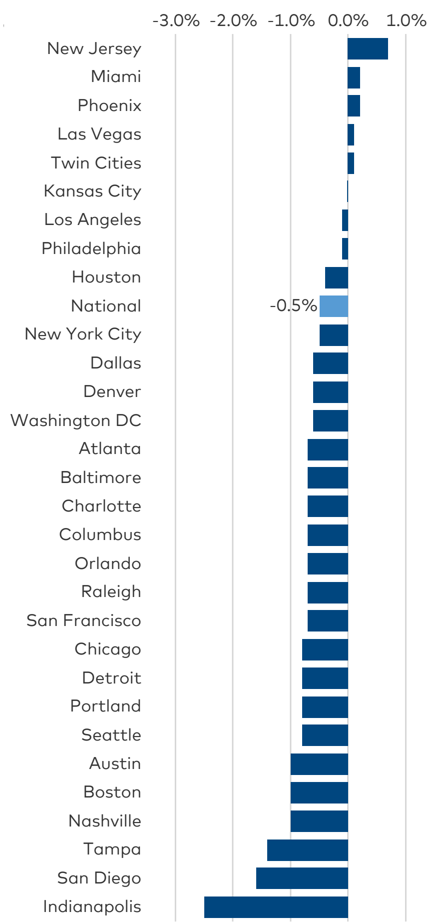
New Jersey (0.8%) led monthly gains in overall asking rents, with Miami (0.2%) and the Twin Cities (0.1%) rounding out the top three as all other metros saw declines.

The downturn in rent growth is reflective of the surge in new supply, exacerbated by the post-pandemic development boom. With greater competition in the market, Lifestyle rents have been hit the hardest, decreasing by 1.0% or more month-over-month in September in six metros, with Indianapolis (-2.5%) falling the most.

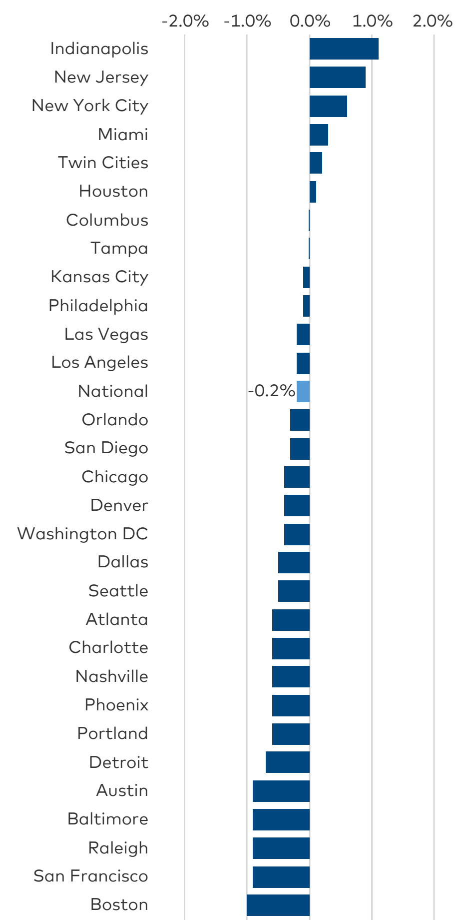
Month-Over-Month Rent Growth—All Asset Classes



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 Continues to Fall

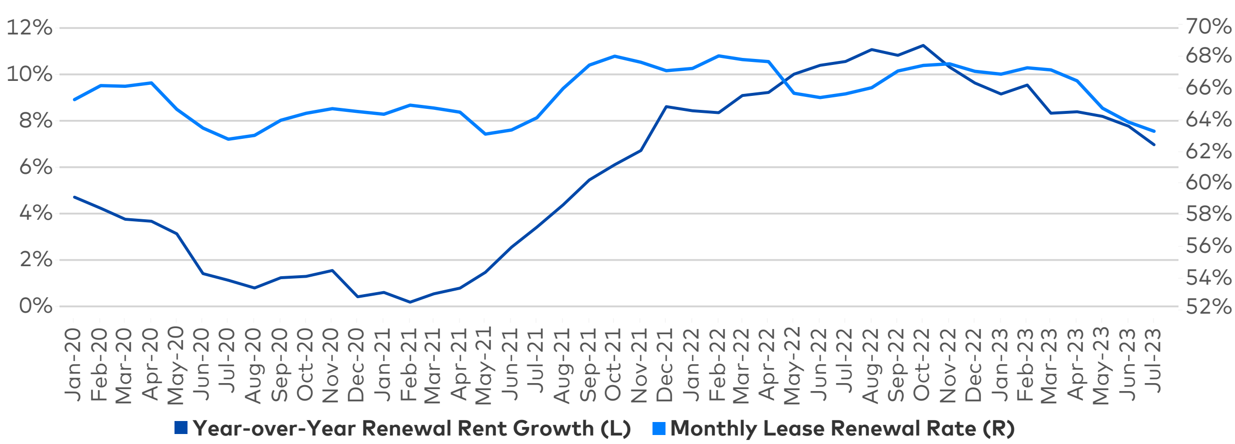
- Renewal rent growth again decelerated in August, to 6.4% year-over-year, down 60 basis points from July. Renewal rents, the change for residents that are rolling over existing leases, have gradually declined since peaking at 11.1% in August 2022. At 10.3%, Miami was the only metro to record double-digit growth in renewal rents, as most metros fell to a more normalized rate. Indeed, 20 of the Matrix top 30 markets saw growth between 5.2% and 8.0% year-over-year, while San Francisco posted the least growth at 3.3%. Austin's 7.5% renewal rent growth stands in sharp contrast to its negative growth in asking rents.
- The national lease renewal rate averaged 60.4% in August. Renewal rates were highest in New Jersey (80.7%), Philadelphia (76.2%) and Detroit (70.5%), metros with some combination of weak supply growth and high occupancy rates.

Market	YoY Renewal Rent Growth	Monthly Lease Renewal Rate
Miami Metro	10.3%	65.9%
Raleigh	9.9%	61.9%
Boston	8.9%	65.3%
Indianapolis	8.8%	67.2%
Orlando	8.7%	63.8%
Kansas City	8.0%	67.0%
Charlotte	7.6%	60.5%
Tampa	7.6%	62.2%
Austin	7.5%	56.8%
San Diego	7.5%	55.4%
Los Angeles	7.3%	47.8%
Philadelphia	7.1%	76.2%
Nashville	7.1%	59.4%
Atlanta	6.7%	63.2%
Chicago	6.7%	64.7%

Market	YoY Renewal Rent Growth	Monthly Lease Renewal Rate
Portland	6.7%	60.3%
Las Vegas	6.3%	60.7%
Detroit	6.2%	70.5%
Washington DC	6.0%	59.2%
New Jersey	5.9%	80.7%
Seattle	5.6%	58.2%
Columbus	5.5%	65.3%
Dallas–Ft. Worth	5.4%	61.2%
Denver	5.3%	58.9%
Twin Cities	5.2%	65.7%
Houston	4.6%	62.4%
Baltimore	4.3%	64.4%
Phoenix	4.2%	55.7%
New York City	3.8%	65.4%
San Francisco	3.3%	49.7%

Source: Yardi Matrix Expert, data as of July 2023

National Lease Renewals and Renewal Rent Growth



Source: Yardi Matrix Expert

Supply, Demand and Demographics: The Three Categories of Metro Performance

- The multifamily market faces some national headwinds, but metro performance is based on local factors.
- Metros in the Northeast and Midwest have moved to the top of the rent rankings.
- High-demand metros in the Sun Belt face rapid supply growth, while metros in the West have regulatory questions.

The multifamily market heads into the fourth quarter with some headwinds. Not only is it the season when rent growth typically flattens but expectations are that the economy and job market will weaken after a period of strong gains. Every market, though, should be viewed through its own supply/demand drivers. We see three broad categories of metro-level performance in the near future.

Most recently, multifamily rent performance has been strongest in metros in the Northeast and Midwest. The top eight metros for year-over-year rent growth in the Matrix top 30 in September were in those regions, led by New York City, New Jersey, Chicago, Indianapolis and Kansas City. The regions are not the fastest-growing parts of the country but have resilient economies and stable apartment demand. Absorption ranges between strong (New Jersey, Boston, Chicago) and moderate (Indianapolis, Kansas City), while deliveries are generally weak, keeping demand in line with supply. As a result, modest rent growth should continue.

A second metro type is the fast-growing tech hub/secondary markets, where year-over-year rent growth has leveled or turned negative, mostly because of the heavy supply pipeline. Examples include Phoenix, Austin, Atlanta, Raleigh, Nashville and Tampa. These metros are suffering a hangover from the extraordinary rent growth of 2021-22, which would have been impossible to maintain. For example, between January 2020 and September 2023, average rents went up 39% in Tampa, 27% in Nashville and 23% in Austin. And while absorption remains strong—particularly in Phoenix, Austin and Nashville—the rapid migration that boosted rents post-pandemic has slowed. Until the wave of new supply is digested, rent growth in these metros will remain weak.

A third metro profile is in the West, where markets including San Francisco, Portland, Seattle and Denver have had flat or negative rent growth year-over-year. The issue for these metros (and New York City) is less about supply/demand factors—absorption year-to-date remains positive in all—but the regulatory environment that has grown increasingly difficult. Much-needed new supply is held up by entitlement process delays, and rent control lowers properties' net income at a time of rising expenses. Operators in these metros must be prepared to deal with the regulatory environment.

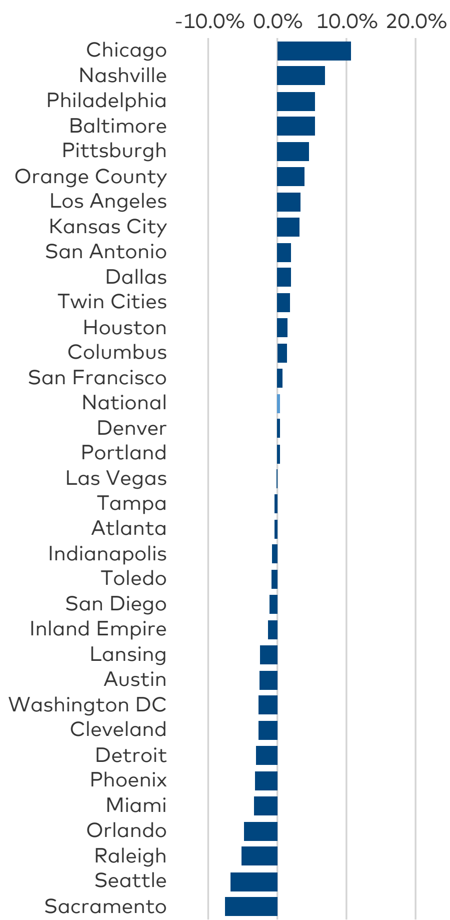
Single-Family Build-to-Rent Segment: SFR Investors Look for Stalled Projects

- Nationally, asking rates for single-family rentals dropped $4 in September to $2,104, while year-over-year growth declined by 10 basis points to 0.4%.
- U.S. SFR occupancy rates were unchanged at a strong 95.9% in August.

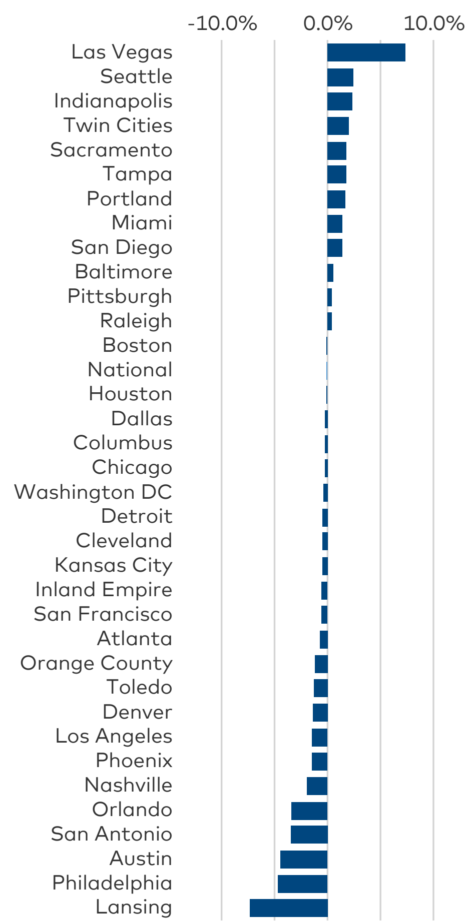
With scattered purchases drying up this year, investors are developing different plans for SFR growth. Strategies focus on the build-to-rent market, which is complicated by land and entitlement issues and the difficulty of lining up financing from banks that are tightening standards and demanding developers put up significant amounts of equity. That has prompted some SFR/BTR investors to pursue a tactic that involves buying land zoned for SFR or with approvals in place but development stalled by ownership lacking the means to get started. In some cases, owners may not have the capital to satisfy lenders, or maybe the owner doesn't believe the deal will pencil. Private SFR funds are searching for projects in this type of limbo.

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 July 2023

Market	All Units	Lifestyle Units	Renter-by-Necessity Units
San Diego	38.9%	36.5%	42.5%
Washington DC	34.3%	31.5%	36.0%
San Francisco	33.5%	26.5%	39.4%
New York	32.4%	31.3%	33.6%
C. New Jersey	32.3%	36.1%	30.4%
Los Angeles	32.1%	30.5%	33.3%
Baltimore	31.9%	31.0%	32.4%
Orlando	31.8%	30.1%	33.9%
Tampa	31.5%	29.7%	33.5%
Philadelphia	31.1%	29.6%	32.1%
Nashville	30.8%	28.6%	32.8%
Denver	30.5%	29.1%	32.4%
Seattle	30.3%	27.9%	34.2%
Charlotte	29.8%	27.6%	33.6%
Portland	29.6%	27.3%	33.5%
Atlanta	29.3%	29.0%	30.1%
Phoenix	29.2%	27.7%	30.9%
Chicago	28.8%	26.4%	30.2%
Las Vegas	28.6%	27.5%	30.7%
N. New Jersey	28.4%	26.8%	33.7%
Miami	28.0%	25.7%	34.7%
Twin Cities	27.9%	25.9%	29.8%
Boston	27.7%	25.5%	32.2%
Columbus	27.6%	24.1%	28.7%
Raleigh	27.4%	25.8%	31.0%
Houston	27.3%	25.1%	29.7%
Dallas	27.0%	25.9%	28.8%
Austin	26.1%	26.0%	26.4%
Detroit	26.0%	25.1%	26.1%
Indianapolis	25.6%	24.8%	26.0%
Kansas City	24.7%	23.4%	25.6%

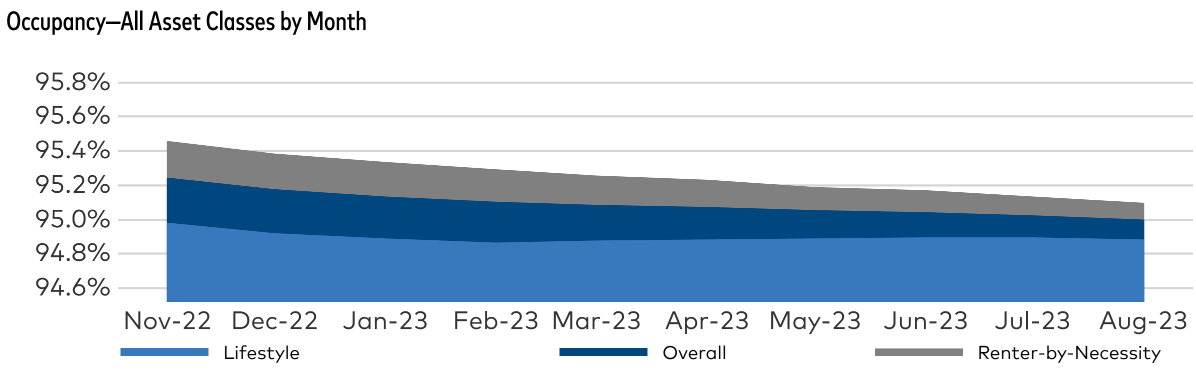
Rent-to-Income ratios sorted by all units, highest to lowest. Source: Yardi Systems Screening Data
The Yardi Matrix data service covers rent-to-income ratios monthly back to January 2019 for 112 markets broken out by property type

Employment and Supply Trends; Forecast Rent Growth

Market	YoY Rent Growth as of Sep - 23	Forecast Rent Growth as of 9/1/23 for YE 2023	YoY Job Growth (6-mo. moving avg.) as of Jul - 23	Completions as % of Total Stock as of Sep - 23
New York City	5.6%	3.2%	3.0%	1.0%
New Jersey	5.2%	3.6%	2.9%	2.3%
Chicago	4.0%	3.8%	1.8%	1.5%
Indianapolis	3.8%	4.1%	3.2%	1.1%
Kansas City	3.6%	4.0%	3.1%	2.2%
Boston	3.1%	3.8%	2.5%	2.4%
Columbus	2.7%	3.8%	1.1%	1.5%
Philadelphia	2.4%	3.0%	3.0%	1.2%
San Diego	1.9%	3.5%	3.0%	0.7%
Miami Metro	1.8%	2.6%	3.1%	3.2%
Twin Cities	1.6%	2.8%	1.9%	2.3%
Washington DC	1.2%	2.8%	2.0%	1.8%
Houston	0.7%	2.6%	3.8%	1.7%
Detroit	0.6%	3.1%	1.4%	0.8%
Baltimore	0.2%	2.0%	1.3%	1.0%
Los Angeles	0.2%	1.6%	2.3%	1.8%
Denver	-0.1%	3.1%	0.9%	2.8%
Dallas	-0.4%	1.7%	4.7%	1.7%
Charlotte	-0.7%	2.0%	3.5%	3.8%
Tampa	-1.1%	2.3%	4.0%	3.6%
Nashville	-1.4%	2.6%	4.2%	4.0%
Orlando	-1.5%	1.8%	3.8%	3.5%
Raleigh	-1.5%	2.9%	3.2%	3.7%
San Francisco	-1.7%	1.8%	2.4%	2.3%
Seattle	-2.4%	1.3%	3.6%	2.1%
Portland	-2.4%	1.5%	2.9%	2.4%
Atlanta	-2.5%	1.0%	2.6%	2.1%
Las Vegas	-2.7%	1.4%	4.8%	1.2%
Phoenix	-3.1%	0.9%	2.2%	3.6%
Austin	-4.5%	1.6%	4.2%	4.3%

Source: Yardi Matrix

Occupancy & Asset Classes



Source: Yardi Matrix

Year-Over-Year Rent Growth, Other Markets

Market	September 2023		
	Overall	**Lifestyle**	**Renter-by-Necessity**
Bridgeport–New Haven	4.3%	2.2%	6.0%
Cincinnati	4.2%	1.1%	5.6%
Louisville	3.7%	0.0%	5.7%
Charleston	3.2%	1.8%	4.6%
Milwaukee	2.7%	3.2%	2.4%
St Louis	2.6%	1.3%	3.1%
Central Valley	2.6%	0.9%	3.0%
Cleveland–Akron	2.5%	0.2%	3.1%
Richmond–Tidewater	2.3%	1.4%	2.9%
Greenville	2.0%	-0.1%	4.0%
Winston–Salem–Greensboro	1.2%	0.1%	2.5%
North Central Florida	1.0%	0.2%	1.6%
Orange County	0.7%	-0.5%	1.7%
Inland Empire	0.3%	-1.1%	1.4%
Southwest Florida Coast	-0.8%	-3.2%	5.3%
Sacramento	-1.0%	-2.5%	0.1%
Salt Lake City	-1.5%	-2.4%	-0.3%
San Jose	-1.8%	-2.3%	-1.0%
Jacksonville	-1.9%	-3.0%	-0.1%
San Antonio	-2.1%	-4.1%	1.0%

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.

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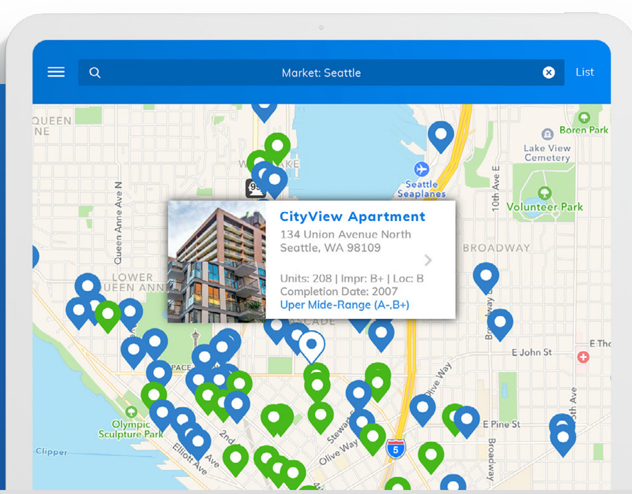
MULTIFAMILY KEY FEATURES

- 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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