National Multifamily Report

October 2023

Supply Growth Slows US Multifamily Rents

- Amid increasing concerns about slowing growth and the impact of higher-for-longer interest rates, multifamily rents dropped—but only slightly—for the second straight month. The average U.S. asking rent fell $3 to $1,718 in October, while year-over-year growth fell to 0.4%, down 40 basis points from September.

- Rent growth has turned negative in a growing number of metros, even as demand remains strong. Softening rents are mostly an issue in metros with a robust number of deliveries and decreasing levels of affordability.

- U.S. average single-family rents declined by a slight $2 to $2,121. Year-over-year growth dropped 30 basis points to 1.0%, but demand is holding steady and occupancy rates remain firm.

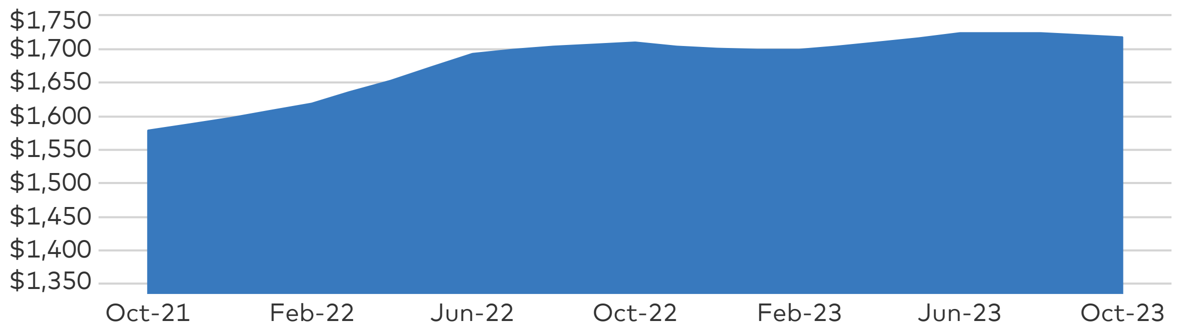
Multifamily fundamentals in October continued along their recent path. Rents overall fell slightly, as modest positive growth in metros in the Northeast and Midwest was offset by modest negative growth in metros in the Sun Belt and West. Overall rents fell $3 in October, while year-over-year growth is at 0.4%.

While the economy continues to produce solid results, market attention is focusing on the seeming inevitability of slowing job growth and the capital markets conundrum of higher interest rates. The longer rates stay in the 4.5% to 5% range (or higher), the more multifamily properties will face capital gaps when loans come up for refinancing.

Despite the gloomy tone, multifamily demand and absorption continue at levels consistent with strong pre-pandemic years. Through three quarters in 2023, more than 250,000 apartment units were absorbed nationally, according to Yardi Matrix. That is below the record-high 600,000 units absorbed in 2021, but in line with 300,000-plus units absorbed each year between 2017 and 2020. In other words, whatever else is happening, people continue to rent apartments at a steady rate. Rent declines are largely a function of supply. Among the Matrix top 30 metros, rent growth was negative year-over-year in 10 of the 12 metros with the highest supply growth as a percentage of stock.

There is concern that apartment demand will slow if the economic growth turns negative in line with consensus forecasts. A downturn would likely reduce renter activity. At the same time, multifamily demand is boosted by long-term trends that aren't likely to fade. The cost gap between renting and homeownership has rarely, if ever, been higher, which keeps households in apartments. Demand is also created by the hybrid work trend as people seek more space for work.

National Average Rents



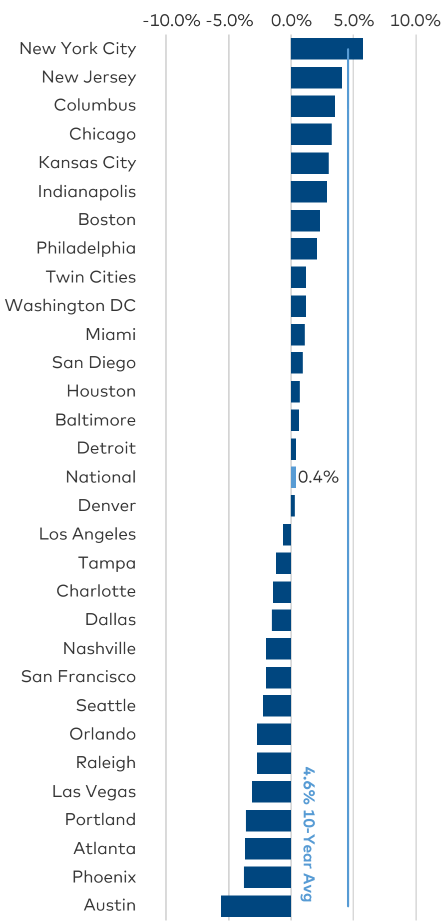
National averages include 140 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by Yardi Matrix.

Year-Over-Year Rent Growth: Rent Growth Turns Negative in More Metros

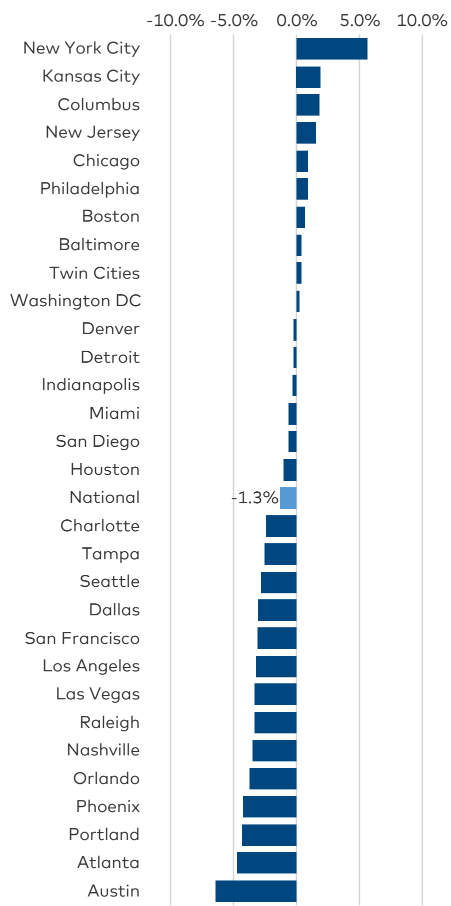
- The national average asking rent fell to $1,718 in October, down $3 from September, while the year-over-year growth rate dropped to 0.4%, down from 0.8% the previous month and 6.5% in December 2022. Rent growth continues to be led by metros in the Northeast and Midwest: New York City (5.8% year-over-year), New Jersey (4.1%), Columbus (3.5%), Chicago (3.2%) and Kansas City (3.0%). Rent growth is turning negative in a growing number of metros, as 14 of Matrix's top 30 markets are down year-over-year. Most of these markets, particularly in the Sun Belt, are feeling the effects of the recent influx of supply.

- The national occupancy rate fell to 94.9%, its first decline in four months. Occupancy rates were either down or unchanged year-over-year as of September in all but four markets: Chicago (up 0.5% year-over-year), Denver (0.3%), New York (0.1%) and Seattle (0.1%). Six Matrix top 30 markets dropped by one percentage point or more, with the largest decline in Atlanta (down 1.3%).

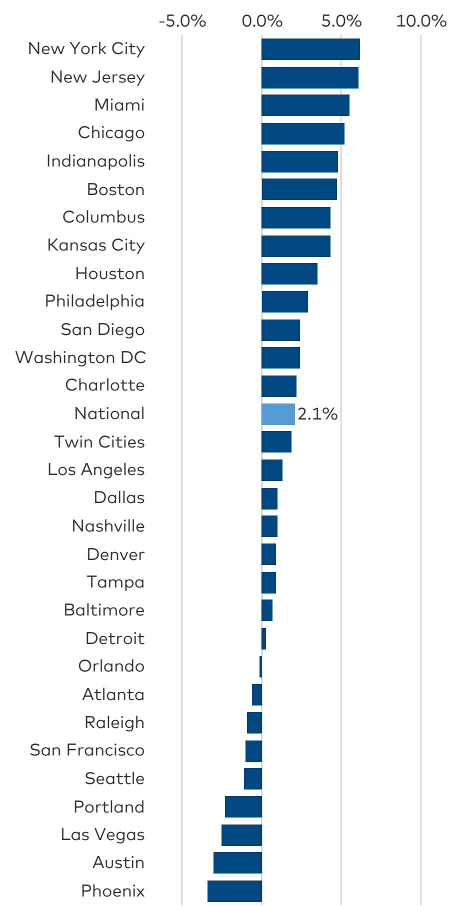
Year-Over-Year Rent Growth— All Asset Classes



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: Lifestyle Rents Drop in October

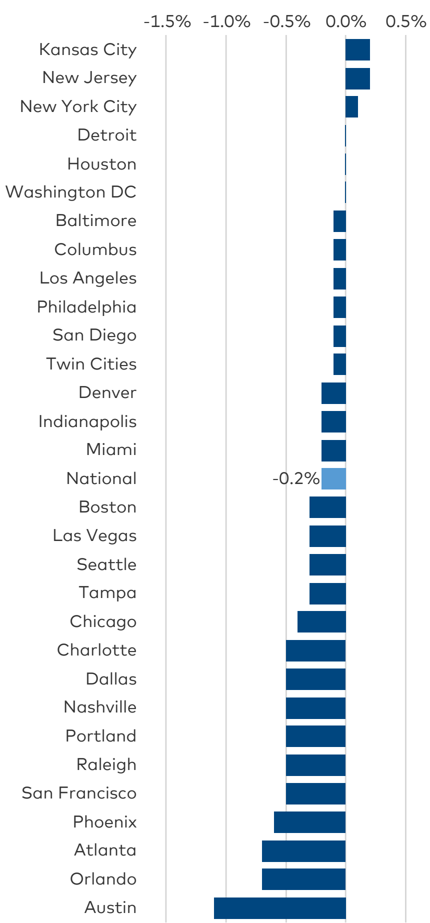
- The average U.S. multifamily asking rent decreased by $3, or 0.2%, in October.
- Rents remained unchanged month-over-month in the Renter-by-Necessity (RBN) segment and fell 0.4% in the luxury Lifestyle segment.

Asking rents fell in October due to the Lifestyle property segment, which declined 0.4% during the month while Renter-by-Necessity rents were unchanged. Rent growth was negative in 27 of the top 30 metros in Lifestyle but only 15 in the RBN segment. Significant declines were recorded in both segments in Austin (down 1.2% in Lifestyle and 0.7% in RBN) and Orlando (down 0.8% in Lifestyle and 0.5% in RBN).

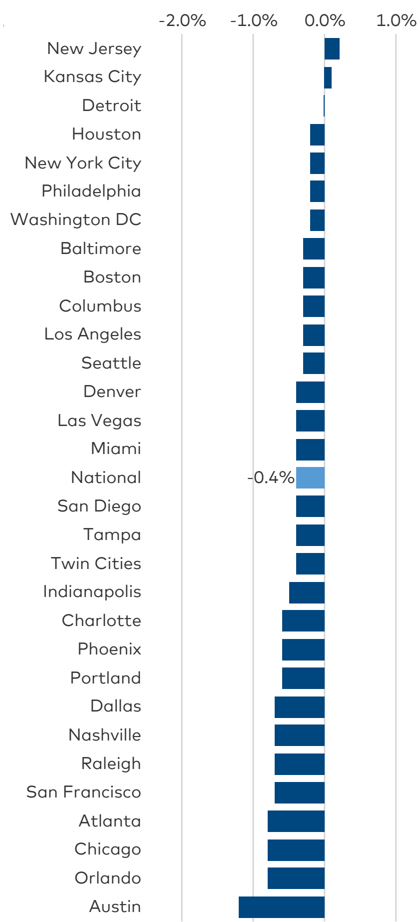
New Jersey (0.2%), Kansas City (0.2%) and New York (0.1%) were the only metros to see modest gains in overall rent, as all other top 30 Matrix metros either were unchanged or declined.

Absorption remains strong in many markets in which rent growth is negative, including Austin, Phoenix, Orlando, Raleigh, Charlotte and Nashville. Rents are receding in these metros due to the robust delivery pipeline and rapid rent increases in recent years that have reduced affordability.

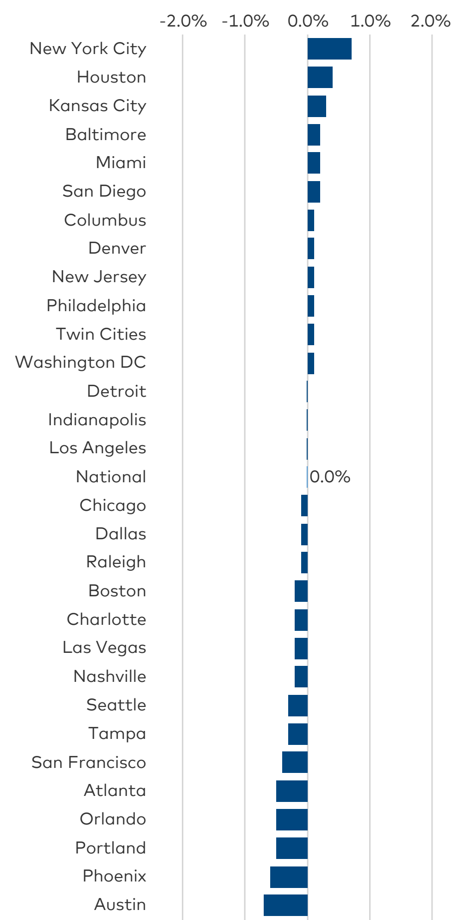
Month-Over-Month Rent Growth—All Asset Classes



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 Declines to 2-Year Low

- Renewal rent growth continues to moderate as expected, in line with flattening asking rent growth. Renewal rents, the change for residents that are rolling over existing leases, rose 5.9% nationally year-over-year in August, the lowest growth rate since September 2021. Most, although not all, of the metros with the highest renewal rents are markets where asking rents continue to increase. Examples include New York (11.0%), Boston (9.2%), Indianapolis (8.6%), Kansas City (8.5%) and New Jersey (7.2%). Conversely, metros such as San Francisco (-5.0%), Phoenix (3.5%) and Seattle (4.4%)—where asking rents have turned negative—are seeing weaker renewal rent growth.

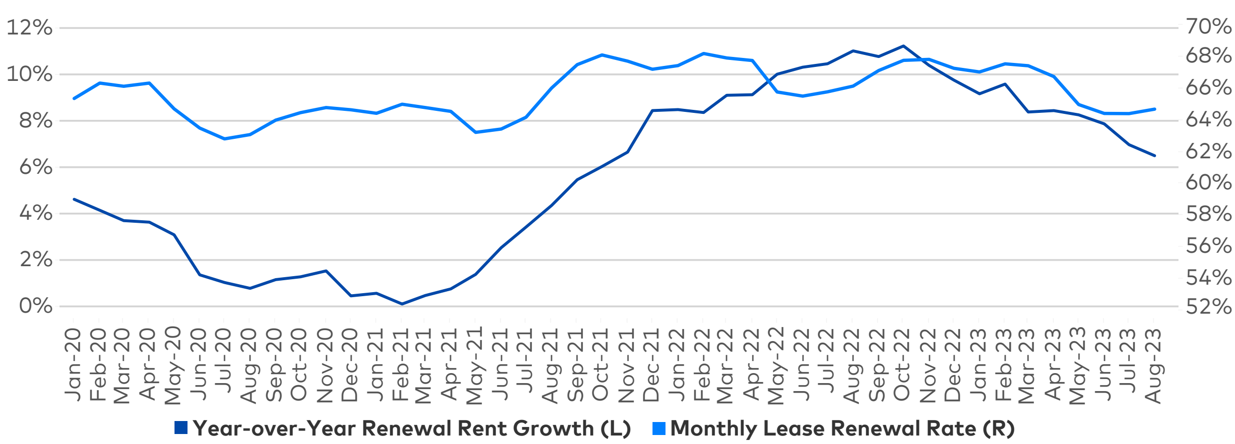
- The national lease renewal rate averaged 64.4% in August. Lease renewal rates have settled into a range, having been between 64.4% and 65.0% for the last five months. Lease renewal rates were highest in New Jersey (81.3%) and lowest in San Francisco (48.2%).

Market	YoY Renewal Rent Growth	Monthly Lease Renewal Rate
Miami Metro	11.0%	70.4%
New York City	11.0%	65.0%
Boston	9.2%	64.1%
San Diego	9.1%	58.0%
Indianapolis	8.6%	67.0%
Kansas City	8.5%	67.5%
Orlando	7.6%	65.3%
Raleigh	7.5%	63.8%
Portland	7.5%	60.4%
New Jersey	7.2%	81.3%
Tampa	7.1%	64.2%
Los Angeles	7.0%	47.4%
Charlotte	6.8%	62.9%
Chicago	6.6%	65.1%
Philadelphia	6.5%	77.1%

Market	YoY Renewal Rent Growth	Monthly Lease Renewal Rate
Las Vegas	6.5%	62.5%
Nashville	6.5%	59.4%
Denver	6.0%	59.4%
Austin	6.0%	57.7%
Columbus	5.8%	67.5%
Atlanta	5.7%	64.4%
Washington DC	5.7%	60.2%
Detroit	5.4%	70.6%
Dallas - Ft. Worth	5.2%	62.3%
Houston	4.9%	64.4%
Baltimore	4.8%	69.2%
Seattle	4.4%	59.0%
Phoenix	3.5%	59.1%
Twin Cities	3.2%	64.2%
San Francisco	-5.0%	48.2%

Source: Yardi Matrix Expert, data as of August 2023

National Lease Renewals and Renewal Rent Growth



Source: Yardi Matrix Expert

Supply, Demand and Demographics: Can the Surge in Economic Growth Be Sustained?

- The U.S. economy grew at 4.9% in the third quarter, an unexpectedly high rate, led by consumer spending.
- Multifamily rents have decelerated in 2023, due in part to the robust supply response to strong demand for housing.
- Multifamily starts are dropping as deals don't pencil, which could lead to more rent growth in coming years.

Multifamily demand remains strong, as the U.S. economy continues to confound prognosticators. Despite rising interest rates that led to consensus forecasts of a near-certain recession in 2023, GDP rose by 4.9% in the third quarter and the economy averaged almost 300,000 new jobs per month through October.

Now the question is whether the economy's performance is a last gasp before a downturn or a sign of ongoing vigor. Third-quarter growth was led by buoyant consumer spending and corporate inventories, while federal investments in segments such as infrastructure, green technology and chip manufacturing provide a longer-term boost.

The increase in policy rates from zero in the spring of 2022 to 5.25% to 5.5% have had mixed effects. Increasing borrowing costs and reduced bank credit are acting as a drag on growth, but consumers benefit from higher interest payments that put money in their pockets, particularly senior citizens. Personal interest income rose by $78 billion in September to $1.8 trillion, up 0.3% for the month and 0.9% during the quarter.

Higher rates also complicate the picture for housing, which comprises about one-third of the Consumer Price Index. Home prices and rents surged in the wake of the pandemic as robust household formation outstripped the supply of housing, which has been underbuilt since the global financial crisis in 2008. Multifamily developers responded by increasing production to decades-long highs, prompting rent growth to decelerate. More than 1.1 million units are under construction in 2023, and Yardi Matrix forecasts 1.5 million units delivered between 2023 and 2025.

However, the much-needed increase in supply is set to ebb due to the rapid and steep interest rate increases. Commercial banks have cut back on lending, particularly on non-cash-flowing assets. The increase in the cost of construction debt to 8-10% or more makes it difficult to pencil new housing. Consequently, new multifamily and single-family starts are dropping, which could set up another demand/supply imbalance and higher housing inflation after the supply surge ends.

This is not to say the Federal Reserve was wrong to raise rates, which were too low for too long. But the effort to manage lower inflation without a downturn is difficult and carries with it unintended consequences, which are being felt in the economy and commercial property market.

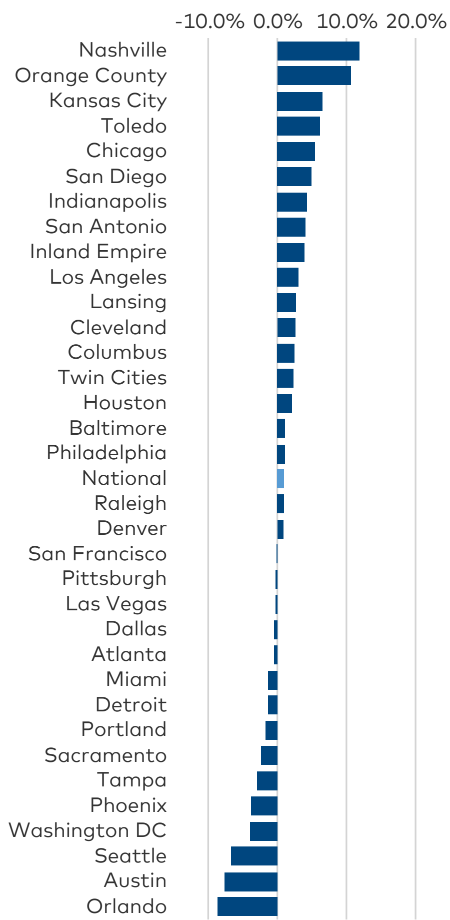
Single-Family Build-to-Rent Segment: SFR Operators Look to Shave Costs

- Nationally, asking rates for single-family rentals fell $2 in October to $2,121, while year-over-year growth declined by 30 basis points to 1.0%.
- U.S. SFR occupancy rates were 95.9% in September, up 10 basis points year-over-year.

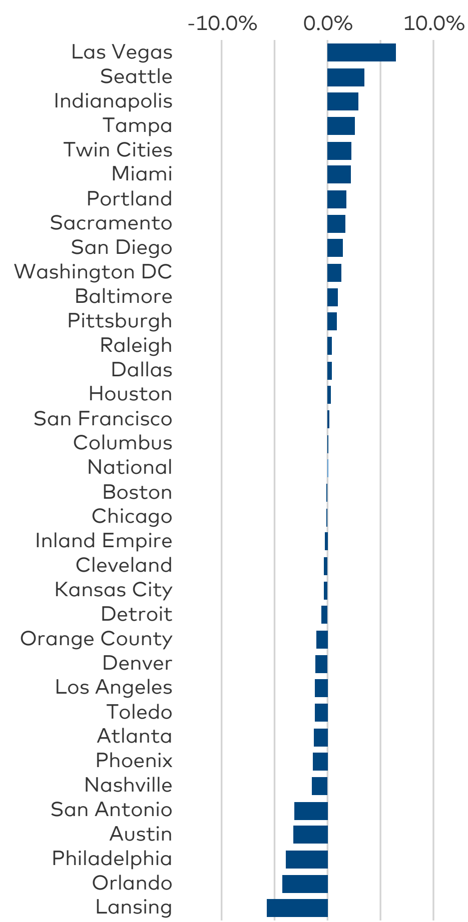
SFR operators are focusing on operational efficiency, which is critical given recent above-trend increases in expenses. Total SFR operating expenses rose by 12.2% on a trailing 12-month basis for the period ending in September 2023, according to Matrix expert data, which is culled from aggregating the financials of Yardi software users. The average expense per unit rose to $9,149 per unit during that period. Categories with the biggest growth include marketing (28.1%), insurance (23.4%) and repairs and maintenance (19.6%). Maintenance accounts for about 17% of total expenses, while insurance comprises only about 5%. However, insurance is growing rapidly, especially in metros subject to an increasing number of weather-related payouts.

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 October 2023

Market	All Units	Lifestyle Units	Renter-by-Necessity Units
San Diego	35.4%	33.4%	40.2%
Washington DC	35.3%	33.2%	36.6%
New York	32.4%	28.1%	39.0%
Baltimore	31.9%	29.4%	33.3%
Central New Jersey	31.7%	32.9%	31.2%
Orlando	31.7%	31.4%	32.1%
Los Angeles	31.6%	29.1%	33.6%
Tampa	31.5%	28.5%	35.6%
Philadelphia	31.0%	28.7%	32.5%
Denver	30.9%	29.9%	32.4%
Nashville	30.8%	28.4%	32.7%
Portland	30.4%	28.2%	34.2%
Northern New Jersey	30.2%	27.3%	38.4%
Seattle	29.9%	27.6%	33.8%
Miami	29.6%	25.3%	40.8%
Twin Cities	29.5%	26.8%	32.2%
San Francisco	29.5%	26.4%	32.5%
Chicago	29.5%	26.8%	31.1%
Boston	28.9%	26.0%	34.8%
Phoenix	28.9%	27.7%	30.3%
Atlanta	28.8%	28.1%	30.2%
Charlotte	28.5%	26.6%	32.2%
Las Vegas	28.3%	27.4%	30.2%
Dallas	27.6%	26.4%	29.6%
Houston	27.5%	25.1%	31.2%
Raleigh	27.1%	26.6%	28.0%
Columbus	27.0%	24.5%	27.7%
Detroit	26.6%	23.8%	26.9%
Kansas City	26.4%	24.3%	27.8%
Austin	26.2%	26.0%	27.1%
Indianapolis	25.3%	23.1%	26.5%

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

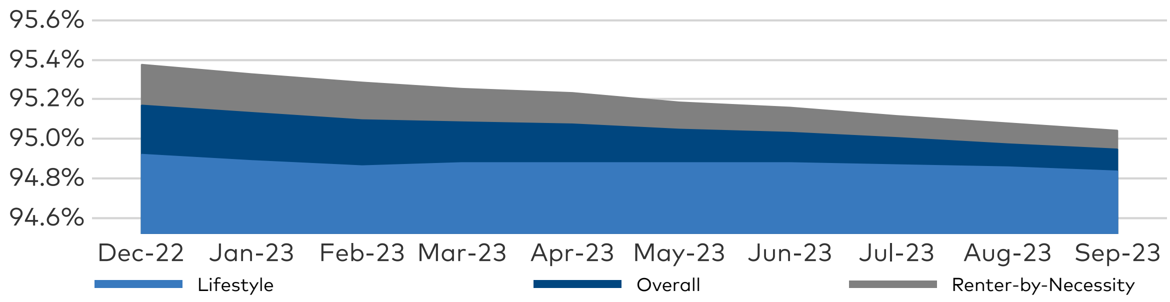
Employment and Supply Trends; Forecast Rent Growth

Market	YoY Rent Growth as of Oct - 23	Forecast Rent Growth as of 10/1/23 for YE 2023	YoY Job Growth (6-mo. moving avg.) as of Sep - 23	Completions as % of Total Stock as of Oct - 23
New York City	5.8%	5.3%	2.7%	1.4%
New Jersey	4.1%	3.8%	2.7%	2.3%
Columbus	3.5%	3.7%	1.0%	2.1%
Chicago	3.2%	5.5%	1.5%	1.6%
Kansas City	3.0%	4.7%	2.9%	2.3%
Indianapolis	2.9%	3.9%	2.9%	1.3%
Boston	2.3%	5.4%	2.4%	2.3%
Philadelphia	2.1%	3.4%	3.0%	1.3%
Twin Cities	1.2%	2.7%	1.8%	2.3%
Washington DC	1.2%	3.1%	1.9%	2.2%
Miami Metro	1.1%	1.4%	2.7%	3.3%
San Diego	0.9%	3.4%	2.4%	1.3%
Houston	0.7%	2.5%	3.3%	2.0%
Baltimore	0.6%	1.5%	1.3%	1.2%
Detroit	0.4%	2.2%	1.2%	0.6%
Denver	0.3%	2.1%	0.6%	2.9%
Los Angeles	-0.6%	1.2%	2.2%	2.2%
Tampa	-1.2%	1.4%	3.4%	3.7%
Charlotte	-1.4%	1.6%	3.6%	4.1%
Dallas	-1.5%	1.3%	4.3%	2.0%
Nashville	-2.0%	1.0%	3.8%	4.3%
San Francisco	-2.0%	1.1%	2.2%	2.4%
Seattle	-2.2%	1.2%	3.2%	2.1%
Raleigh	-2.7%	2.3%	3.2%	3.9%
Orlando	-2.7%	-0.9%	3.0%	4.0%
Las Vegas	-3.1%	0.5%	4.2%	1.3%
Portland	-3.6%	-0.9%	2.7%	2.4%
Atlanta	-3.7%	-1.7%	2.3%	2.7%
Phoenix	-3.8%	-2.6%	2.1%	3.8%
Austin	-5.6%	-2.1%	3.6%	4.6%

Source: Yardi Matrix

Occupancy & Asset Classes

Occupancy—All Asset Classes by Month



Source: Yardi Matrix

Year-Over-Year Rent Growth, Other Markets

Market	October 2023		
	Overall	Lifestyle	Renter-by-Necessity
Bridgeport–New Haven	4.6%	2.2%	6.7%
Cincinnati	4.3%	0.7%	5.7%
Milwaukee	3.9%	3.4%	3.9%
Louisville	3.4%	0.8%	5.1%
Cleveland–Akron	3.1%	0.8%	3.6%
Charleston	2.5%	1.5%	3.8%
St Louis	2.3%	0.4%	2.9%
Central Valley	1.8%	1.2%	2.0%
Orange County	1.3%	0.5%	2.0%
Richmond–Tidewater	0.9%	0.1%	1.7%
Greenville	0.9%	-2.0%	3.8%
North Central Florida	0.5%	-0.6%	1.4%
Winston-Salem–Greensboro	0.4%	-0.6%	1.3%
Inland Empire	-0.4%	-1.8%	0.8%
Sacramento	-0.8%	-0.8%	-0.9%
Salt Lake City	-1.9%	-2.8%	-1.3%
San Antonio	-2.1%	-3.8%	0.2%
Southwest Florida Coast	-2.3%	-4.5%	2.9%
San Jose	-2.7%	-4.0%	-0.7%
Jacksonville	-3.3%	-4.3%	-1.1%

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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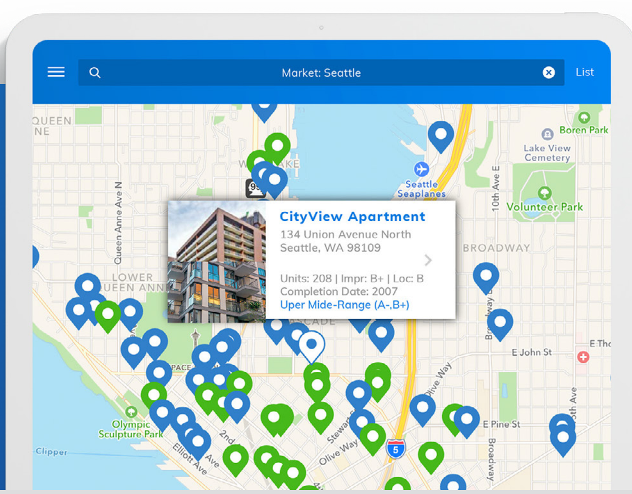
MULTIFAMILY KEY FEATURES

- 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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