

Yardi® Matrix

Multifamily National Report

January 2020



Steady Start to 2020

- The average U.S. rent fell \$1 in January to \$1,463, marking the third consecutive month of declining rents. Year-over-year growth, however, remained steady at 3.0%.
- The slight month-over-month decline in rents can be attributed to seasonality and could continue for the next few months, until we move into spring. Occupancy dipped slightly to 94.8%, but remains within range of 95%.
- 2020 is nonetheless off to a steady start, with 16 of the top 30 markets posting year-over-year rent growth above the national average and no markets displaying negative year-over-year rent growth. Phoenix (7.4%), Las Vegas (5.4%) and Sacramento (5.1%) are the top markets, and we expect the strongest growth to continue in the Western and Southwestern markets in 2020.

The multifamily market continued its steady performance into the first quarter. Average U.S. rents fell \$1 in January and year-over-year rent growth remained at 3.0%.

As we begin a new year, the state of the economy continues to be top of mind. Despite the coronavirus scare that has temporarily shocked the markets, the economy is experiencing slow but steady growth. The slowing economy has had little effect on multifamily, but one potential headwind to keep in mind for 2020 is regulatory risk, as evidenced by statewide rent control (California, New York and Oregon), and increased local regulation on security deposits (Cincinnati) and resident acceptance criteria (Seattle). However, this risk does not present an insurmountable barrier nationally.

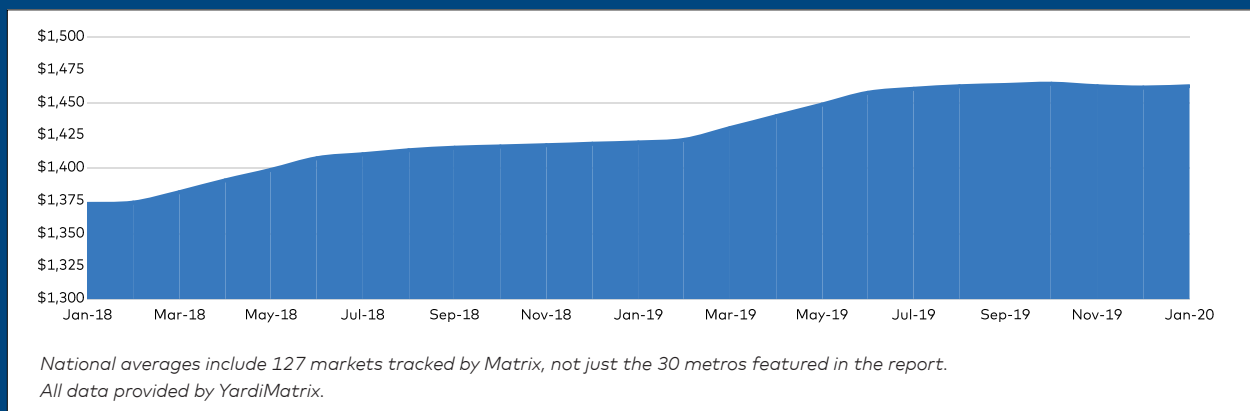
Nashville (4.5%) and Charlotte (4.2%) have benefited from corporate relocations from higher-cost cities. AllianceBernstein, a New York-based firm, recently relocated to Nashville and brought more

than 1,000 jobs. Honeywell recently moved its headquarters from New Jersey to Charlotte and brought 750 jobs to the city. Nashville and Charlotte continue to have among the lowest unemployment rates, at 2.4% and 3.1%, respectively.

The Florida markets have been top performers over the last few years, but they are beginning to show some signs of weakness. Orlando (1.6%) and Tampa (2.5%) each had peak rent growth in 2015 and 2016, but have declined since. A significant amount of deliveries over the last two years—13,964 units in Orlando and 12,140 in Tampa, or about 6% of existing stock in each market—has contributed to softening rent growth.

National supply deliveries came in just above 300,000 units in 2019. Moving into 2020, expect a decline in national deliveries, as multifamily construction loan originations are at a five-year low and the increased cost of labor and materials continues to be an issue.

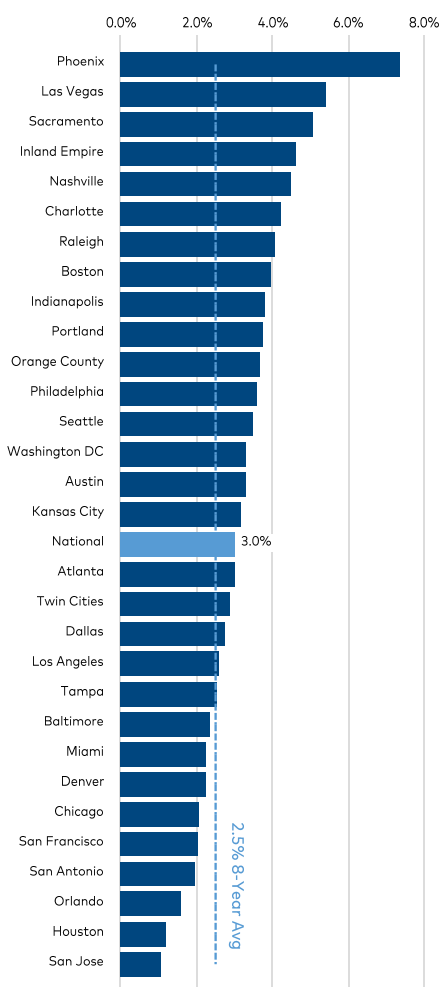
National Average Rents



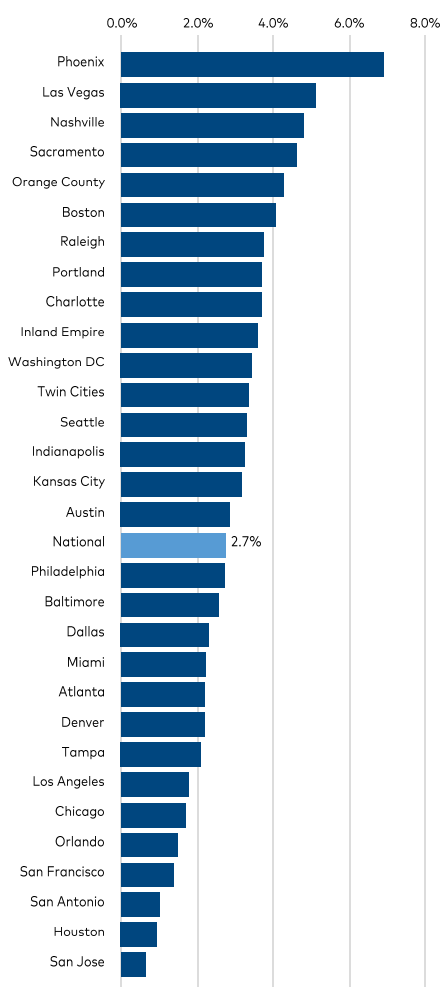
Year-Over-Year Rent Growth: Still Highest in Southeast and West

- Rent growth remained unchanged from December, at 3.0% on a year-over-year basis. Stagnant or decelerating rents are common during the winter months and could continue as we move through the first quarter.
- Once again, Phoenix (7.4%) and Las Vegas (5.4%) lead our rankings. The top 10 markets are mainly concentrated in the West and Southeast—except for one lone Northeastern market, Boston (4.0%). Boston has performed well over the last few months, consistently outperforming the national average, supported by a highly educated workforce, strong employment growth and heightened levels of multifamily demand.
- San Jose (1.1%) saw the biggest increase in rent growth, with a 140 basis-point rise marking a return to positive after being the only negative market for rent growth in December.

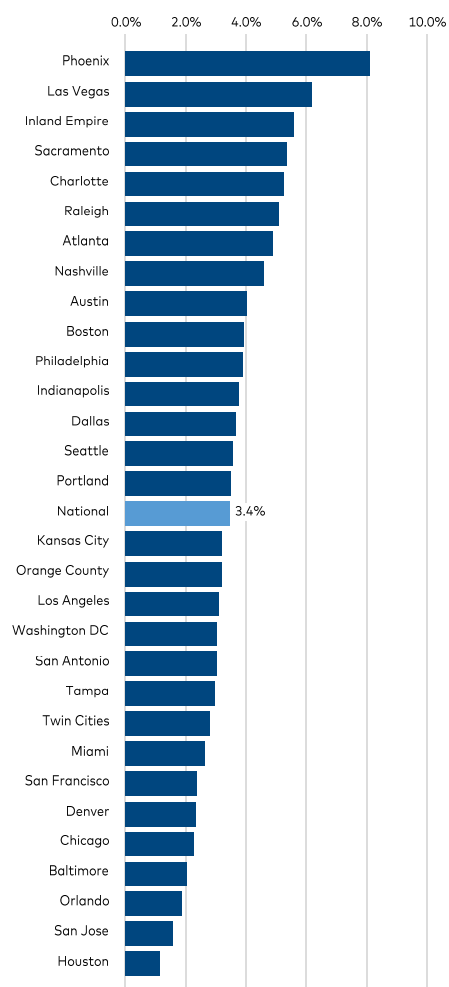
Year-Over-Year Rent Growth—
All Asset Classes



Year-Over-Year Rent Growth—
Lifestyle Asset Class



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



Source: Yardi Matrix

Trailing 3 Months: Sacramento and Phoenix Lead in Short-Term Growth

- Rent growth was flat nationally in January on a trailing three-month (T-3) basis.
- Most markets showed little movement on a T-3 basis, with the biggest decreases seen in Austin and Orlando (both -0.3%). Nine markets remained unchanged from December.

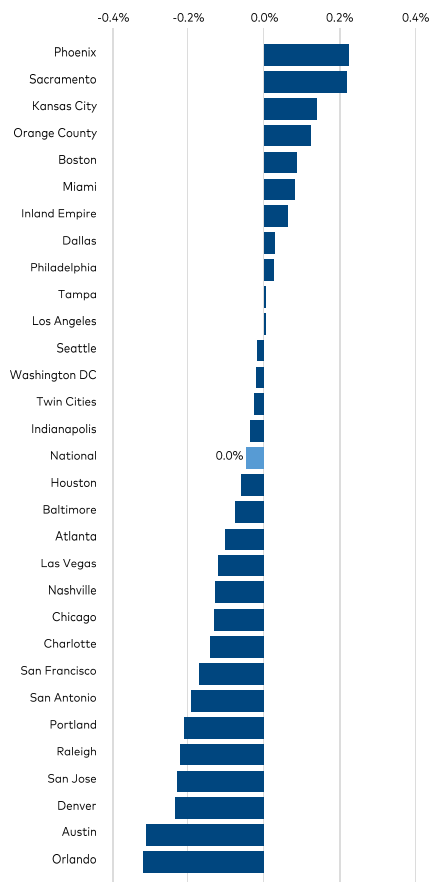
Rents were flat nationally on a trailing three-month (T-3) basis, which compares the last three months to the previous three months. The T-3 ranking demonstrates short-term changes and not necessarily long-term trends.

Gains were led by Phoenix and Sacramento (both

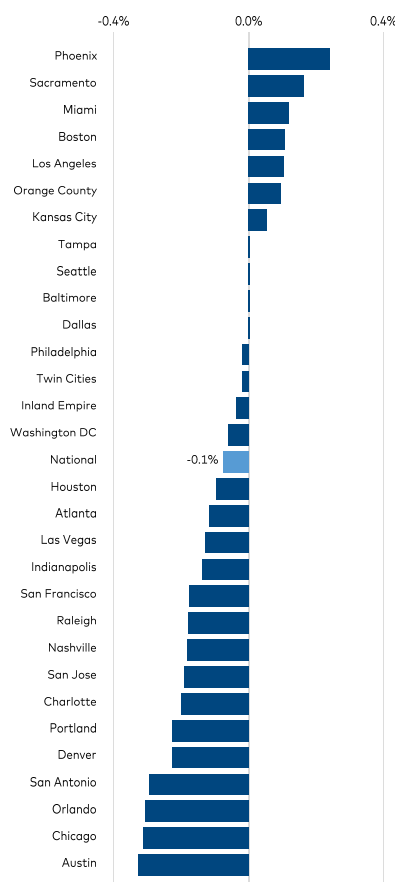
0.2%). Both metros benefit from warm climates, limiting the effect of seasonality. Maricopa County, where Phoenix is located, topped the list of counties across the country for population growth between 2017 and 2018. In Sacramento, strong employment growth has been led by the mining, logging and construction sector, which increased 5.8% year-over-year—likely the result of greater demand for multifamily construction.

Austin and Orlando saw the biggest declines in rent growth on a T-3 basis. New supply under construction as a percentage of existing stock in Austin and Orlando is 11% and 8%, respectively. The large new-supply pipelines are likely contributing to the softening of rents in the short term.

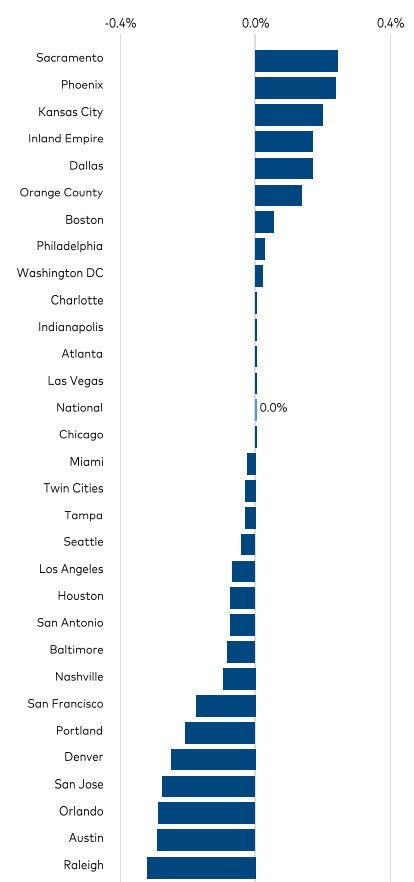
Trailing 3 Months Sequential—
All Asset Classes



Trailing 3 Months Sequential—
Lifestyle Asset Class



Trailing 3 Months Sequential—
Renter-by-Necessity Asset Class



Source: Yardi Matrix

Employment, Supply and Occupancy Trends; Forecast Rent Growth

- The economy shows mixed signals of both slowdown and growth, as the job market propels forward into a new decade.
- Political uncertainty as the election nears will likely lead to a busy first and second quarter for transaction activity, followed by a slower summer and fall as buyers grow cautious of a changing administration.
- Multifamily fundamentals remain strong and steady, despite a potential slowdown in transactions. Development is slowing modestly, but rent growth and occupancy will benefit.



As the final 2019 economic fundamentals become clearer, the crosswinds remain, and discussions are intensifying over where the economy is headed. Some say that 2019 GDP growth, which came in at 2.3%, was the slowest since 2016, and they are correct. Others will mention that 2.3% growth was higher than economists were predicting and therefore the economy is showing signs of strength. They are correct, as well. So is the economy getting stronger or weaker? In fact, the economy is mostly maintaining a steady growth pattern, with little expected change coming in 2020.

Job growth is still strong and carrying the economy forward, as it has throughout the current expansion. Technology has caught the headlines, but strong gains in education and healthcare, professional and business services, and leisure and hospitality have also contributed significantly to the labor force.

With the next presidential election coming in just over nine months, growing uncertainty in the multifamily industry has begun to emerge. Multifamily fundamentals remain in good shape, and valuations will likely reflect the steady growth of the market. However, many industry leaders anticipate a slowdown in transaction activity beginning this summer and carrying through the election. The first two quarters should re-

main strong for deal flow, but the nomination of a far left Democratic candidate would likely give pause to multifamily acquisitions, due to the prospect of higher taxes, nationwide rent control, or more restrictive legislation.

If a Democratic candidate with more center-left views emerges, transactions may continue without interruption. The current administration has had little impact on transaction activity, allowing the industry to maintain its continued growth.

Global uncertainties and health risks have pushed the 10-year Treasury back toward 1.50%, and the mortgage market remains well capitalized for borrowers. With the decline in the 10-year, the yield curve remains ever so slightly positive, so recession fears have abated for the time being.

The nationwide housing shortage continues to provide wind in the sails of steadily growing rents for both high-end and workforce housing. New supply remains concentrated mainly in primary and top-tier secondary markets with heavy influence from the tech sector. Expect 2020 deliveries to decline slightly from previous years, falling under 300,000 units. As the recovery continues and the presidential race moves forward, the multifamily market remains well balanced and poised to continue its steady march forward.

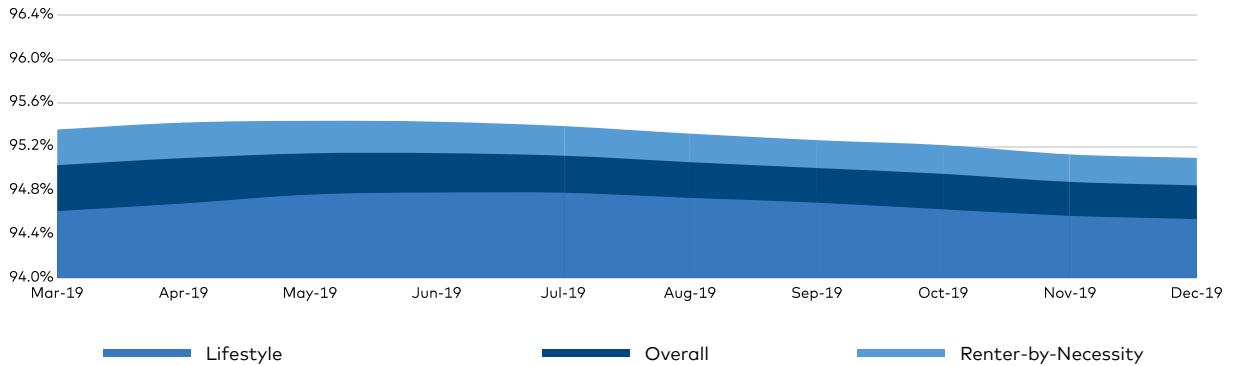
Employment, Supply and Occupancy Trends; Forecast Rent Growth

Market	YoY Rent Growth as of Jan - 20	Forecast Rent Growth (YE 2020)	YoY Job Growth (6-mo. moving avg.) as of Nov - 19	Completions as % of Total Stock as of Jan - 20	Occupancy Rates as of Dec - 18	Occupancy Rates as of Dec - 19
Seattle	3.5%	5.8%	3.2%	4.2%	95.2%	95.3%
Las Vegas	5.4%	5.4%	2.1%	1.4%	95.0%	94.8%
Orlando	1.6%	5.4%	3.5%	3.3%	95.2%	94.7%
Portland	3.8%	5.2%	1.9%	3.1%	95.3%	95.2%
Phoenix	7.4%	3.7%	2.8%	2.7%	95.3%	95.0%
Tampa	2.5%	3.6%	2.1%	2.5%	95.0%	94.6%
Indianapolis	3.8%	3.5%	0.8%	1.6%	94.3%	94.0%
Boston	4.0%	3.5%	1.4%	2.6%	96.2%	96.4%
Houston	1.2%	3.3%	2.7%	1.5%	92.6%	92.8%
Inland Empire	4.6%	3.2%	2.2%	1.4%	96.0%	95.7%
Twin Cities	2.9%	3.1%	0.0%	2.3%	96.8%	96.5%
Atlanta	3.0%	2.9%	1.9%	2.7%	94.3%	94.0%
San Jose	1.1%	2.7%	2.7%	2.1%	95.6%	95.6%
Kansas City	3.2%	2.7%	1.5%	1.6%	94.6%	94.6%
San Antonio	2.0%	2.7%	2.4%	1.6%	93.1%	93.0%
San Francisco	2.0%	2.6%	2.3%	2.4%	95.8%	95.6%
Dallas	2.7%	2.6%	3.1%	3.3%	94.2%	94.1%
Austin	3.3%	2.6%	2.3%	3.8%	94.5%	94.7%
Chicago	2.1%	2.3%	1.1%	3.0%	94.5%	94.3%
Miami Metro	2.2%	2.3%	2.0%	4.1%	95.2%	94.9%
Nashville	4.5%	2.3%	1.8%	2.2%	94.7%	95.1%
Denver	2.2%	2.1%	2.0%	4.6%	94.8%	94.6%
Orange County	3.7%	1.8%	1.2%	1.2%	96.0%	95.9%
Philadelphia	3.6%	1.8%	1.1%	1.0%	95.5%	95.5%
Los Angeles	2.6%	1.8%	1.4%	2.1%	96.4%	96.1%
Sacramento	5.1%	1.4%	1.6%	0.8%	96.2%	95.8%
Charlotte	4.2%	1.2%	2.4%	4.7%	95.0%	94.9%
Raleigh	4.0%	1.1%	2.1%	3.8%	94.7%	94.8%
Baltimore	2.3%	1.0%	1.0%	0.9%	94.7%	94.6%
Washington DC	3.3%	0.9%	1.3%	2.0%	95.4%	95.3%

Source: Yardi Matrix

Occupancy & Asset Classes

Occupancy--All Asset Classes by Month



Source: Yardi Matrix

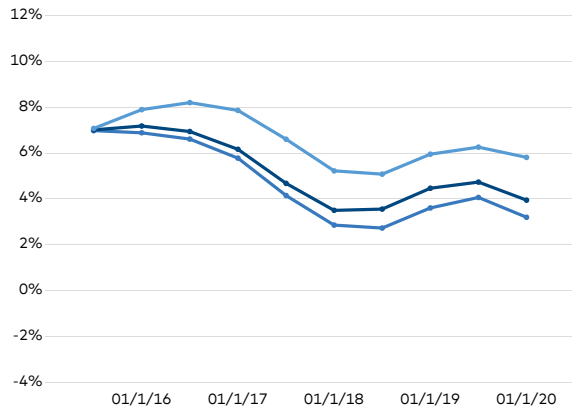
Year-Over-Year Rent Growth, Other Markets

Market	January 2020		
	Overall	Lifestyle	Renter-by-Necessity
Colorado Springs	7.0%	5.6%	8.4%
Central Valley	5.6%	4.0%	6.0%
Albuquerque	5.5%	7.2%	4.7%
Tucson	5.1%	3.8%	5.7%
Tacoma	4.6%	3.8%	5.5%
NC Triad	4.6%	4.2%	5.1%
Long Island	3.8%	1.5%	4.8%
Indianapolis	3.8%	3.2%	3.8%
St. Louis	3.4%	3.8%	3.5%
Jacksonville	3.1%	2.7%	3.8%
Salt Lake City	3.0%	2.8%	3.2%
Louisville	2.7%	0.7%	3.5%
Central East Texas	2.5%	2.6%	2.3%
San Fernando Valley	2.3%	2.3%	2.5%
Reno	2.3%	2.1%	2.6%
SW Florida Coast	2.1%	2.3%	1.6%
Northern New Jersey	2.1%	1.3%	3.1%
El Paso	2.0%	1.7%	2.3%
Bridgeport-New Haven	1.9%	2.2%	1.8%

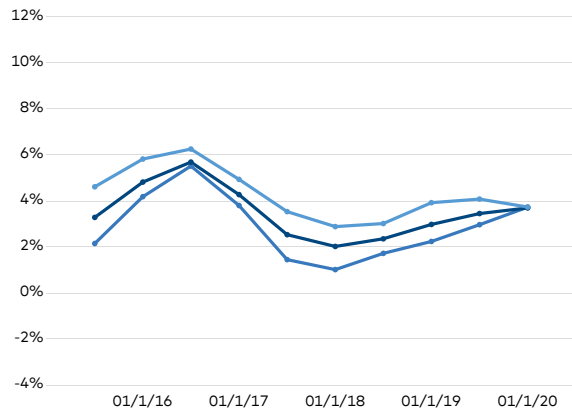
Source: Yardi Matrix

Market Rent Growth by Asset Class

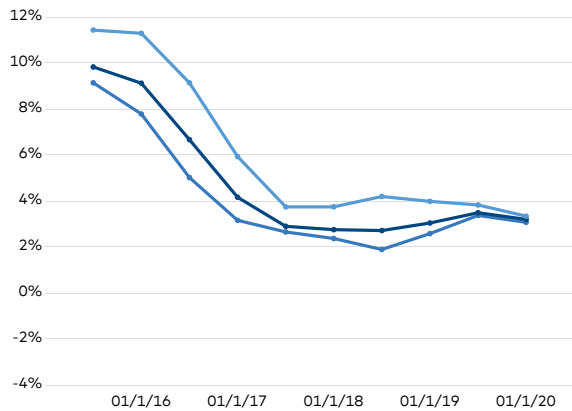
Atlanta



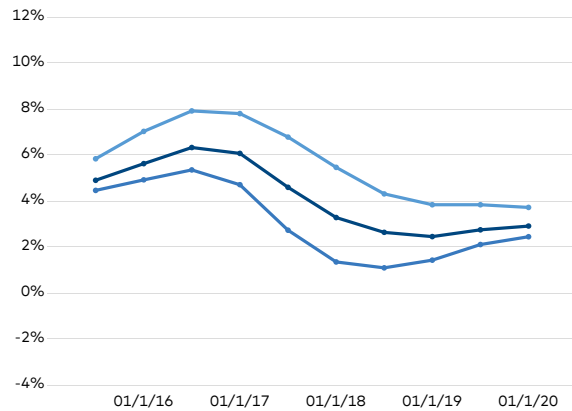
Boston



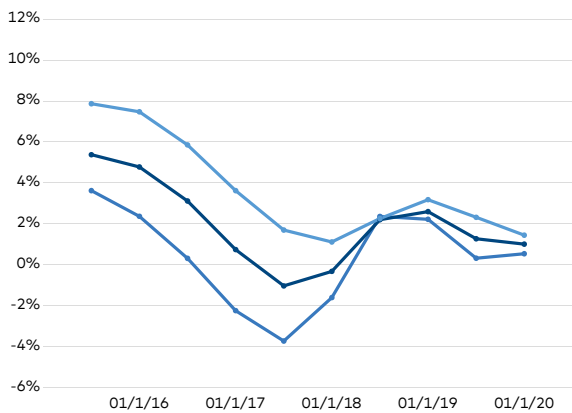
Denver



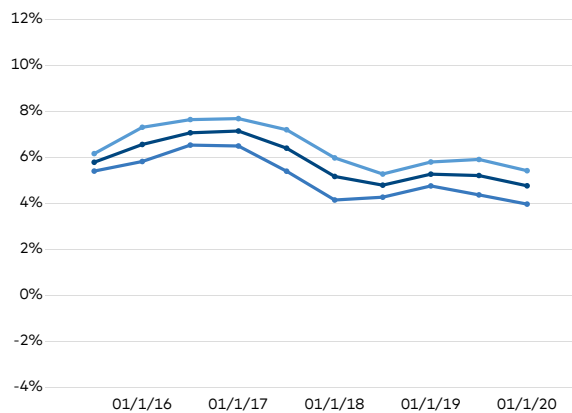
Dallas



Houston



Inland Empire

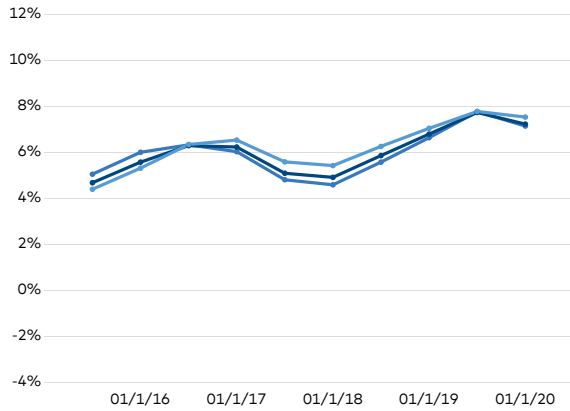


Trailing 12 Months Overall
 Trailing 12 Months Lifestyle
 Trailing 12 Months Renter-by-Necessity

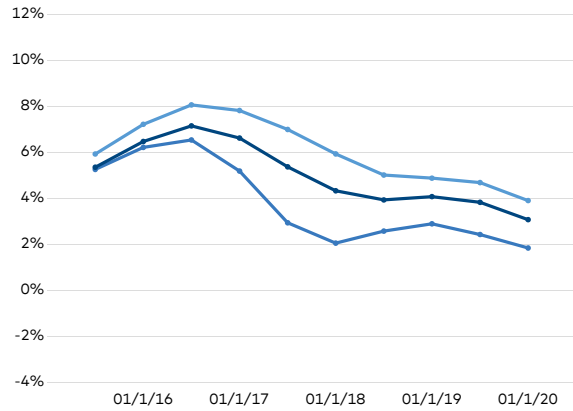
Source: Yardi Matrix

Market Rent Growth by Asset Class

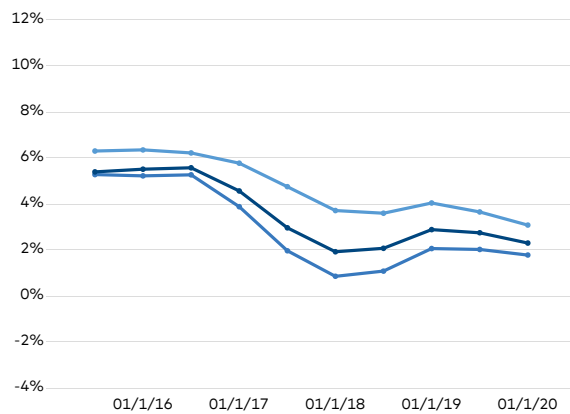
Las Vegas



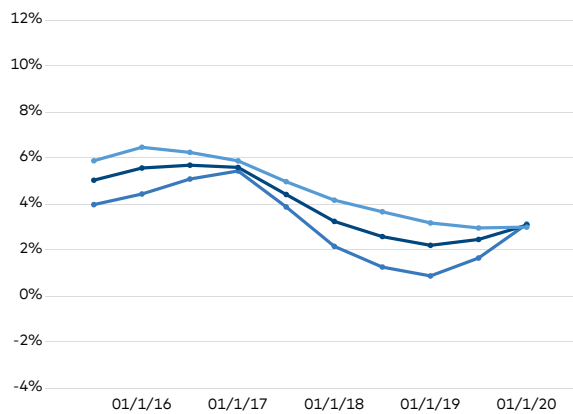
Los Angeles



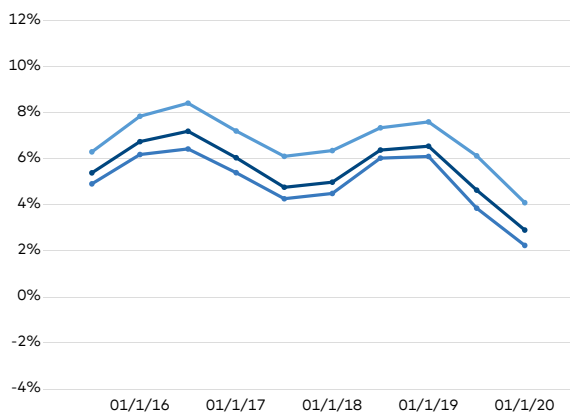
Miami



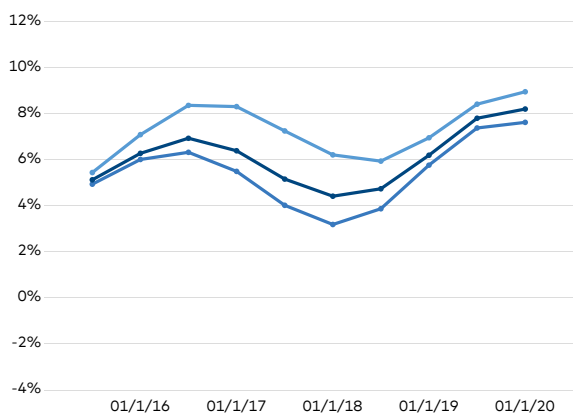
Orange County



Orlando



Phoenix

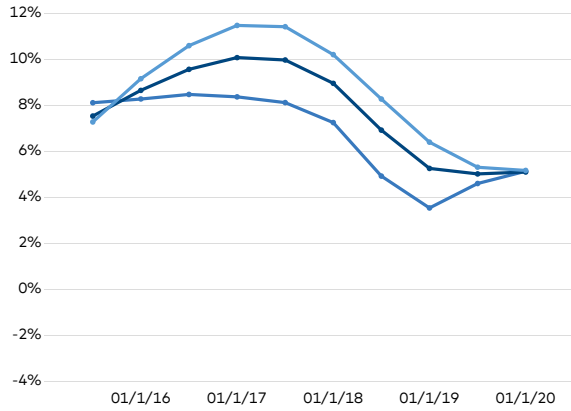


Trailing 12 Months Overall
 Trailing 12 Months Lifestyle
 Trailing 12 Months Renter-by-Necessity

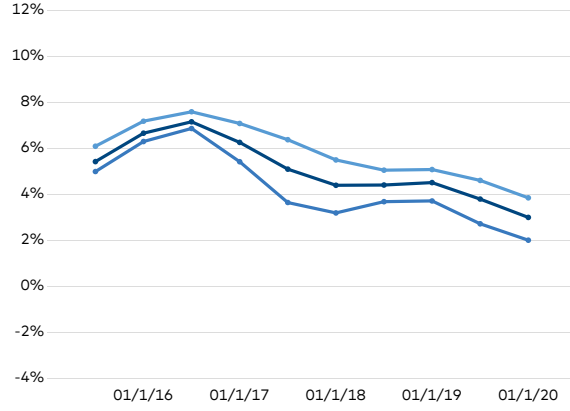
Source: Yardi Matrix

Market Rent Growth by Asset Class

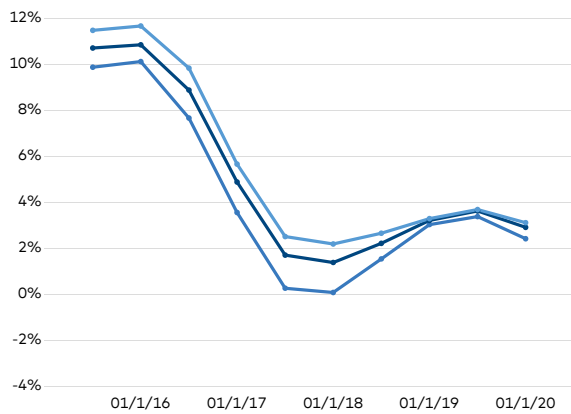
Sacramento



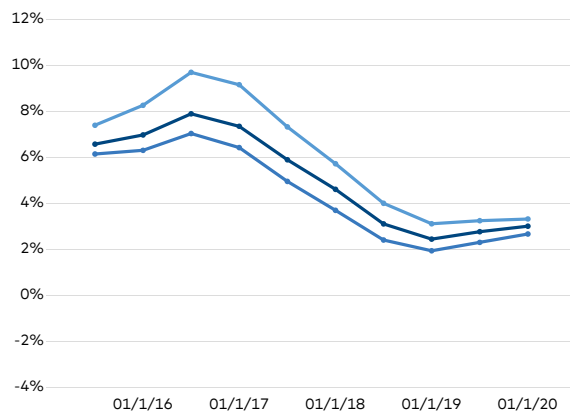
San Diego



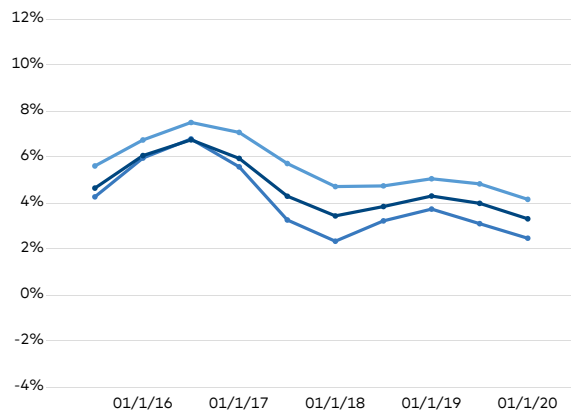
San Francisco



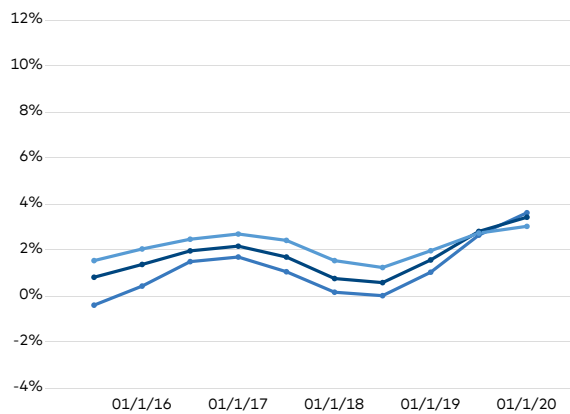
Seattle



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 rent values and occupancy derived from core 60 markets with years of tracked data that makes a consistent basket of data
- All 133 markets, including any that have been recently released

Average Rents: Average Same-Store index rent (mean), rolled up from unit mix level to metro area level, weighted by units

Rent Growth, Year-Over-Year: Year-over-year change in average market rents, as calculated by same month

Rent Growth, Quarterly: Year-over-year change in average market rents, as calculated by same quarter average. Partially completed quarters are only compared to partial quarters.

Forecast Rent Growth: Year-over-year change in average forecasted market rents, as calculated by same month

Market rent: Converted rent that reflects of the effect of differences in relevant attributes that hold reasonably quantifiable value.

Actual (effective) rent: Monthly rate charged to residents to occupy an apartment and is shown as-is without additional concessions or adjustments.

Same-Store index rent: Rents adjusted to new supply as it joins the market

Employment Totals: Total employment figures and categories provided by Bureau of Labor Statistics, seasonally adjusted

Employment Data Geography: Comprises entirety of United States, which Matrix data covers 90% of US metro population. Reported information is for MSAs that overlap Matrix Markets.

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: 1 or more Matrix markets representing an economic area. Shown with combined Matrix markets when necessary, and do not necessarily fully overlap an SMSA.

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

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
- Other Categories
- Student—may span range of income capability
- Military—subject to relocation
- Subsidized—Partially to fully subsidized by a governmental agency subsidy. Can extend to middle-income households in high-cost markets.

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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