Yardi Matrix

National Multifamily Report

February 2024

Multifamily Rents Stable Heading Into Spring

- U.S. multifamily rents rose slightly in February, their first increase in seven months, in a sign that the market is stable. The average U.S. asking rent rose $1 during the month to $1,713, while year-over-year growth was unchanged at 0.6%.
- The Northeast and Midwest continue to outperform over the short term, led by New York City. At 5.4%, the Big Apple not only leads major metros in rent growth over the last year but at 0.6% also was the top performer during the month of February.
- Single-family rents slipped slightly, but fundamentals remain strong. U.S. average single-family rents fell $2 in Febuary to $2,133, while year-over-year growth fell 50 basis points to 1.2%. Rent growth was led by Boston, Raleigh and Orange County.

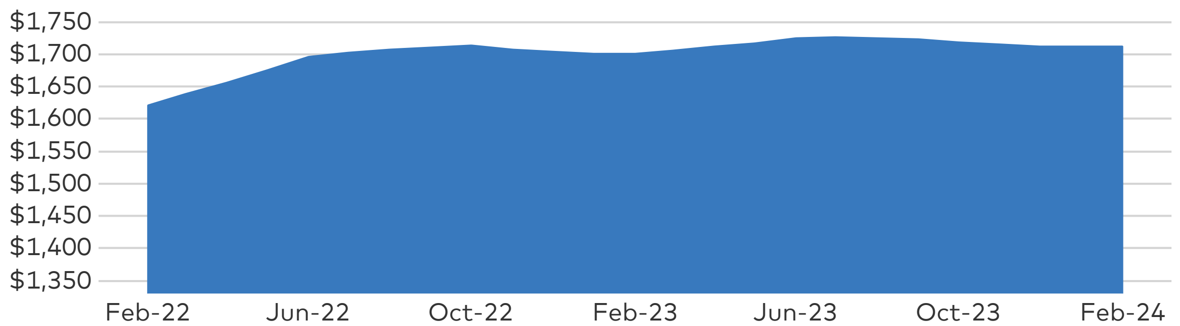
Multifamily rents rose by $1 nationally in February and are basically at the same level as 18 months ago. The stability on the surface belies a host of changing trends that are keys to determining the direction the market takes from here.

One story is the supply-demand equation. Demand has remained healthy throughout the period that rents have been flat, as strong absorption was more than matched by an unusually high number of deliveries. The national occupancy of stabilized properties fell by 60 basis points year-over-year to 94.5% as of January, after peaking in late 2021 at 96.2%. Occupancy rates will likely slide further, particularly in markets with large numbers of units under construction, as we forecast 1 million units to come online through the end of 2025.

Another part of the equation is regional. Markets in the Northeast and Midwest continue to record rent growth as rents are being dialed back in high-supply Sun Belt markets. New York City (5.6% year-over-year) and New Jersey (3.8%) are atop the rankings of major metros, fueled by the strong economy, high wages and a boost from a surge of immigration over the past two years. Despite having among the highest rents in the country—the average rent is $4,829 in Manhattan, $3,593 in Brooklyn and $2,346 in New Jersey—the rent-to-income ratio is relatively low in those markets.

Meanwhile, affordability is a driver of rent performance in Midwest metros Columbus (3.6% year-over-year), Kansas City (3.3%) and Indianapolis (3.0%), all in the top six in the February rent rankings. Occupancy rates have dropped over the past year in all three—Indianapolis by 120 basis points, Kansas City by 90 and Columbus by 70—but rents continue to grow moderately, in large part because they remain well below the national average.

National Average Rents



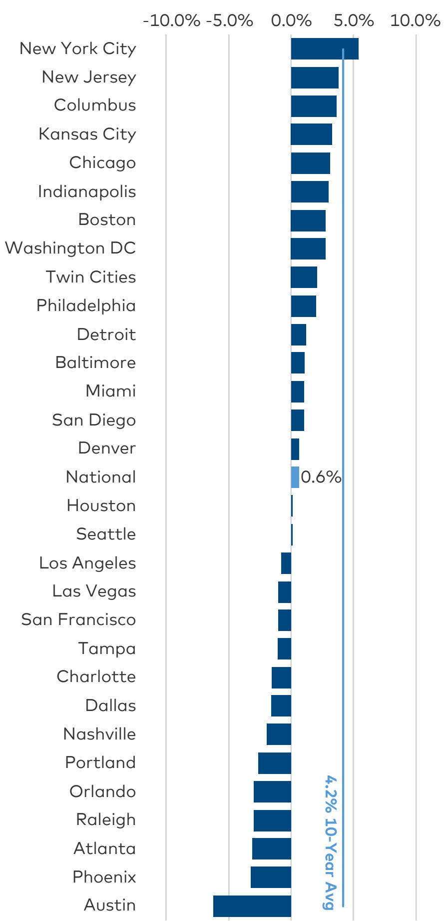
National averages include 140 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by Yardi Matrix.

Year-Over-Year Rent Growth: Northeast and Midwest Metros Lead

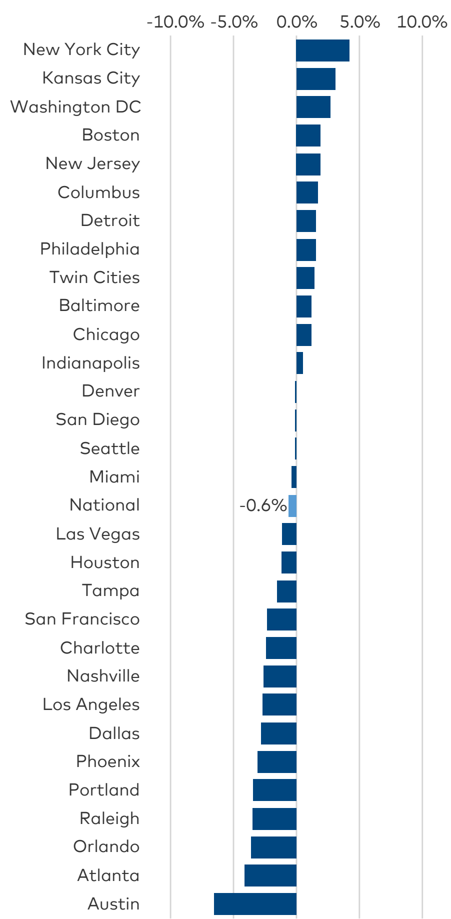
- The national average asking rent rose slightly to $1,713 in February, with the year-over-year growth rate remaining unchanged at 0.6%. Rent growth continues to be highest in the Northeast and Midwest, led by New York City (5.4% year-over-year), New Jersey (3.8%), Columbus (3.6%), Kansas City (3.3%) and Chicago (3.1%). Negative rent growth is intensifying in an increasing number of metros, as five of Matrix's top 30 markets are down by 3.0% or more year-over-year. Austin posted the largest decline, at 6.2%, a consequence of the influx of supply in the metro and across the Sun Belt.

- The national occupancy rate was 94.5% in February, slightly down from the previous month and down 60 basis points year-over-year. Occupancy rates are either down or flat year-over-year in all but San Francisco (0.1%). Three Matrix top 30 markets are down by 1.0% or more: Atlanta (-1.2%), Indianapolis (-1.2%) and Austin (-1.0%).

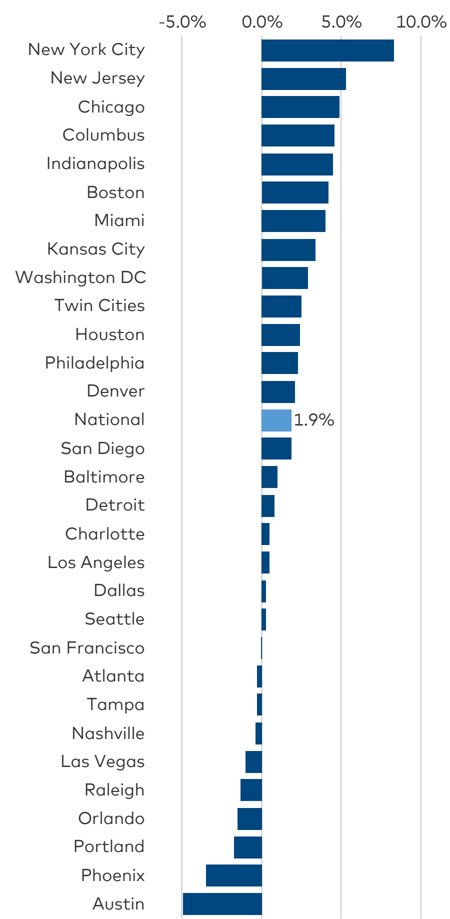
Year-Over-Year Rent Growth—All Asset Classes



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 Outperforms Lifestyle

- U.S. rents slightly increased in February, with varying performance at the metro level.
- Rents rose 0.1% month-over-month in the Renter-by-Necessity segment and were unchanged in the luxury Lifestyle segment.

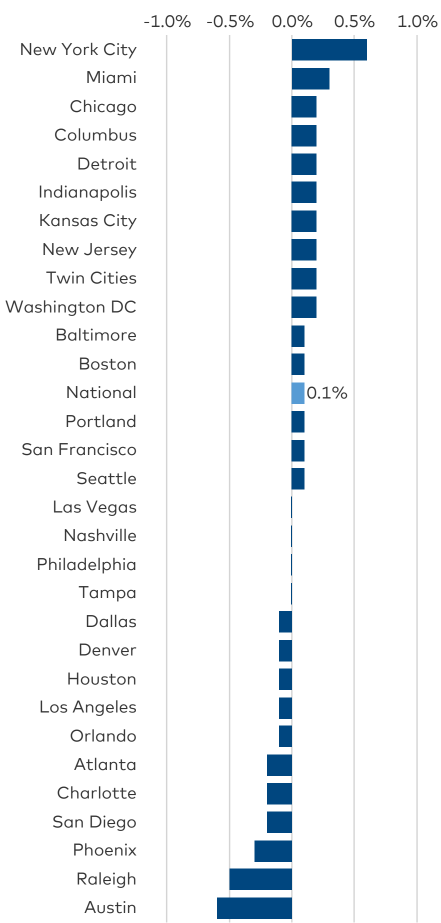
Rent growth was negative in 13 of the top 30 metros in Lifestyle and eight of the top 30 in RBN. Monthly rent gains were led by New York (0.6%), Miami (0.3%) and Chicago (0.2%).

The most significant declines in both segments were recorded in Austin (down 0.6% in Lifestyle and 0.4% in RBN) and Raleigh (down 0.5% in Lifestyle and 0.4% in RBN). All other markets either were unchanged or posted a modest change.

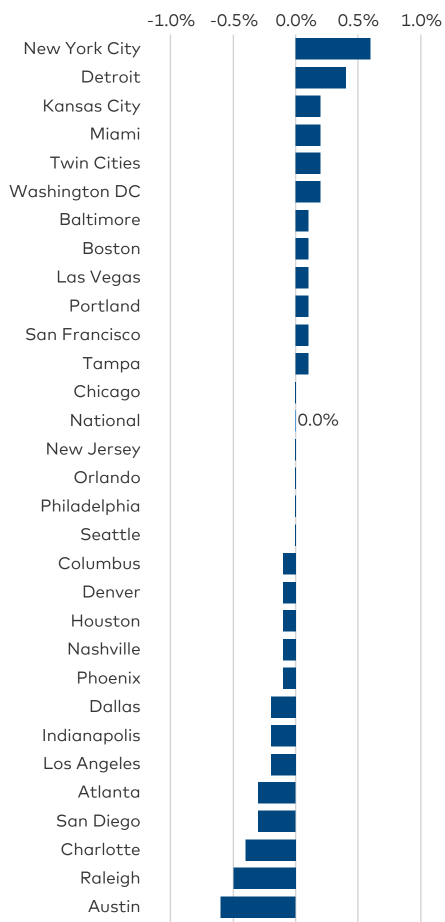
Markets with the most significant rent and occupancy declines are concentrated in areas that have had a high volume of deliveries. Examples include Austin, Miami and Charlotte.

In contrast, metros with fewer completions are posting strong rent growth. Of the eight major metros that added less than 2.0% to total stock over the 12 months, only one (Las Vegas) recorded negative rent growth.

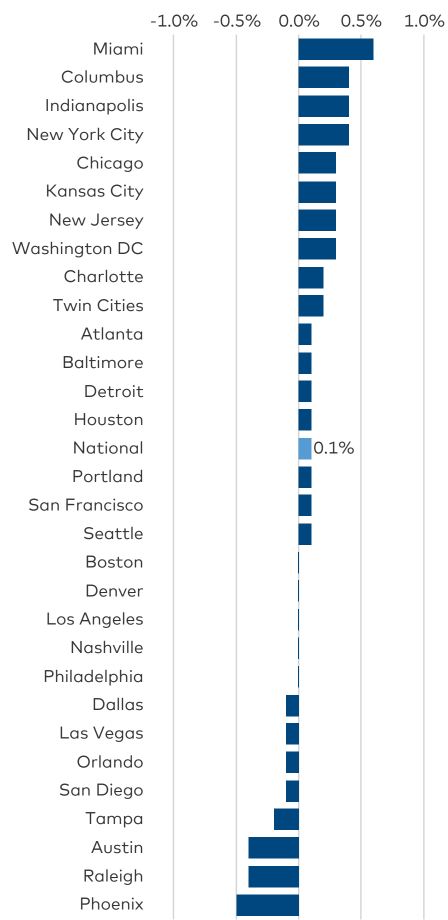
Month-Over-Month Rent Growth— All Asset Classes



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 Moderate

- Renewal rent growth is slowing, in line with the deceleration in asking rents. Renewal rents, the change for residents that are rolling over existing leases, fell to 4.6% nationally year-over-year in January, down 20 basis points from December. Boston had the highest renewal rent growth (9.5%), followed by Miami (8.3%) and Kansas City (8.0%). Only two metros had negative renewal rent growth: Austin (-1.2%) and New York (-1.0%). Interestingly, Austin also had the greatest decline in asking rent, while New York had the largest increase.

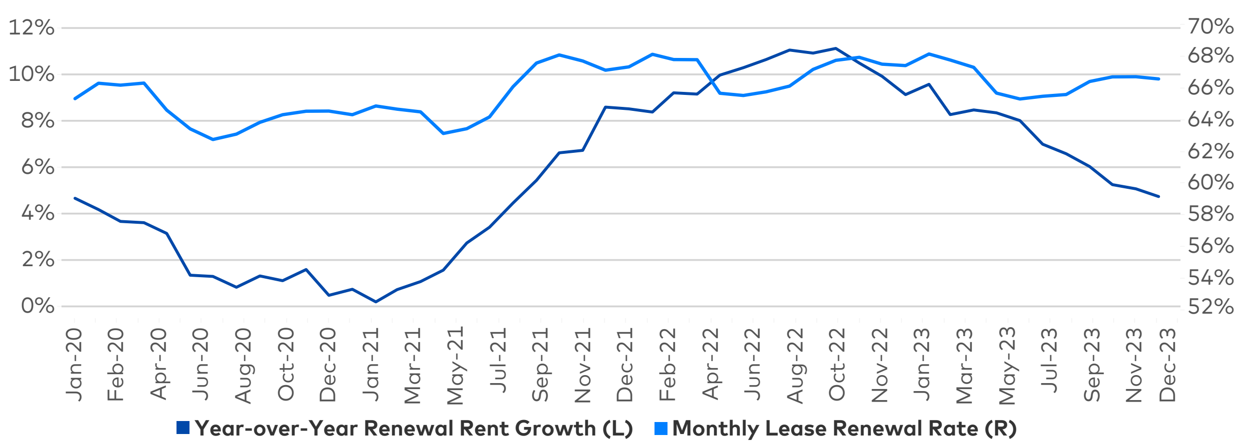
- The national lease renewal rate averaged 64.8% in January. This is the first time that the national renewal rate has fallen below 65.0% since July 2021, as the range for the last six months has been between 65.4% and 66.8%. Lease renewal rates were highest in New Jersey (82.2%) and lowest in Los Angeles (45.3%).

Market	YoY Renewal Rent Growth	Monthly Lease Renewal Rate
Boston	9.5%	66.6%
Miami Metro	8.3%	72.8%
Kansas City	8.0%	68.1%
Orlando	7.0%	68.0%
San Diego	6.9%	61.2%
Indianapolis	6.3%	67.6%
Chicago	6.3%	65.9%
Nashville	5.7%	63.2%
Atlanta	5.6%	65.9%
New Jersey	5.2%	82.2%
Los Angeles	5.1%	45.3%
Philadelphia	5.0%	77.7%
Columbus	4.5%	70.4%
Tampa	4.3%	67.1%
Seattle	4.1%	63.3%

Market	YoY Renewal Rent Growth	Monthly Lease Renewal Rate
Portland	4.1%	62.5%
Dallas–Ft. Worth	3.7%	63.5%
Denver	3.4%	65.7%
Raleigh	3.4%	67.3%
Washington DC	3.1%	61.8%
Detroit	2.5%	69.5%
Phoenix	2.1%	63.0%
Baltimore	1.8%	70.3%
Charlotte	1.7%	63.7%
Twin Cities	1.4%	66.1%
Houston	0.9%	67.0%
San Francisco	0.3%	50.2%
Las Vegas	0.0%	61.9%
New York City	-1.0%	68.7%
Austin	-1.2%	58.2%

Source: Yardi Matrix Expert, data as of January 2024

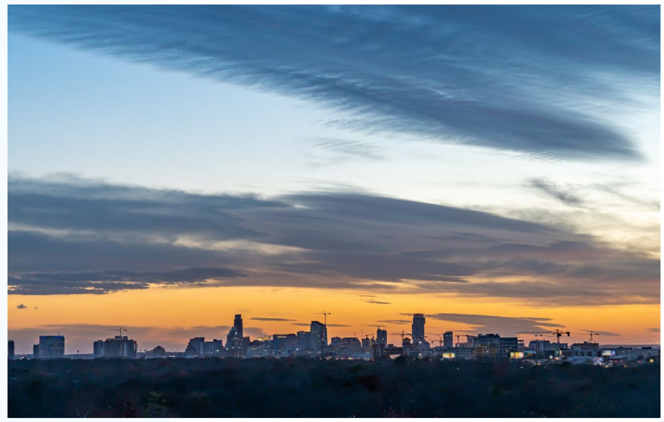
National Lease Renewals and Renewal Rent Growth



Source: Yardi Matrix Expert

Supply, Demand and Demographics: Sun Belt No Longer the Apple of Investors' Eyes

- After drawing a growing share of investor dollars in the last cycle, the Sun Belt is experiencing a turn in sentiment.
- Investors are concerned that the region's heavy supply pipeline damages prospects for near-term rent growth.
- Demand remains strong in high-supply markets, driven by economic and population growth.



After being the darlings of multifamily investors for more than a decade, markets in the Sun Belt and Southwest have felt significantly cooled sentiment in recent months, as the heavy delivery pipeline has eroded rent growth.

Markets such as Austin, Charlotte, Tampa, Phoenix and Denver—which were at the top of the rent tables for several years—have slid to the bottom over the last year. For example, year-over-year rent growth in Austin fell to -6.2% last month after peaking at 24.0% in February 2022, while Tampa rents fell to -1.1% last month after peaking at 26.7% in February 2022.

The biggest reason for the deceleration is the impact of new deliveries. Metros such as Raleigh, Charlotte, Austin, Miami, Nashville and Orlando all added more than 4.0% to stock in the previous 12 months. Austin (-6.2), Raleigh (-3.0%), Orlando (-3.0%), Nashville (-1.9%) and Charlotte (-1.5%) were among the metros recording negative rent growth during that time.

And the delivery pipeline isn't slowing. According to Matrix, Austin has 64,000 units under construction, 21.8% of existing stock, that will come online over the next few years. It's not the only metro so situated. Charlotte has 37,000 units under construction (17.4% of stock), Miami has 27,900 units (17.3%), Salt Lake City has 21,000 (16.8%), Raleigh–Durham has 30,000 (16.6%) and Nashville has 28,000 (15.9%).

Rents have also decelerated due to affordability, after a large spike during 2021 and 2022. Since early 2020, the average rent is up 45% in Miami, 34% in Orlando, 33% in Phoenix, 32% in Salt Lake City, 31% in Charlotte, 26% in Nashville and 20% in Austin.

However, despite the negative investment sentiment, demand for apartments in most of these markets remains healthy. In 2023, absorption was strong nationally, led at the metro level by the same Sun Belt markets with high-supply growth. Nashville topped the U.S. among major metros in absorption as a percentage of stock at 3.8% (6,850 units), followed by Miami (3.6%, 13,010), Orlando (3.5%, 9,175), Phoenix (3.5%, 12,183) and Austin (3.5%, 10,000).

Economic and population growth is the lifeblood of multifamily. While high-demand markets are likely to record weak rent growth over the next year or two, the seeds of a rebound have been planted, as starts are declining and deliveries will drop in 2026 and 2027. In any event, multifamily almost always works best as a medium- to long-term investment strategy.

Single-Family Build-to-Rent Segment: SFR Rents, Occupancy Remain Solid

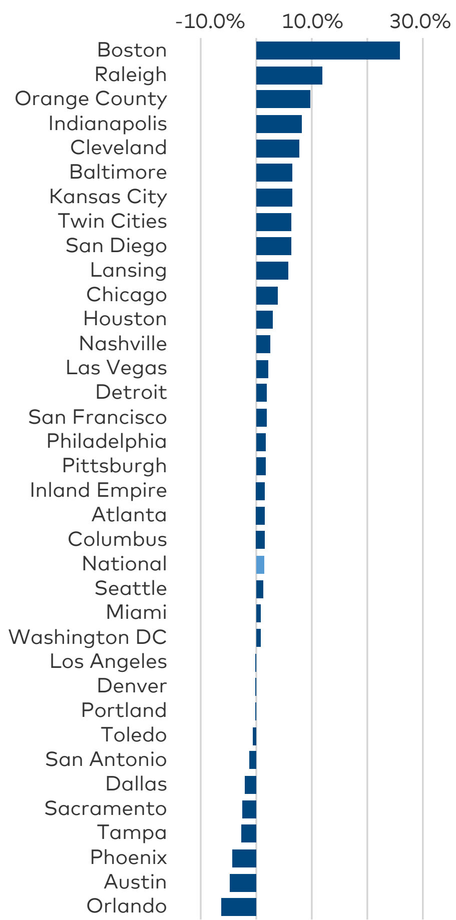
- Nationally, asking rates for single-family rentals declined $2 in February to $2,133, while year-over-year growth fell 50 basis points to 1.2%.
- U.S. SFR occupancy rates were unchanged in January at 95.6%. Occupancy is 97.3% at RBN properties and 95.2% for Lifestyle units.

SFR fundamentals remained rock solid in February, as demand is boosted by high mortgage rates and the ongoing lack of inventory in the for-sale market.

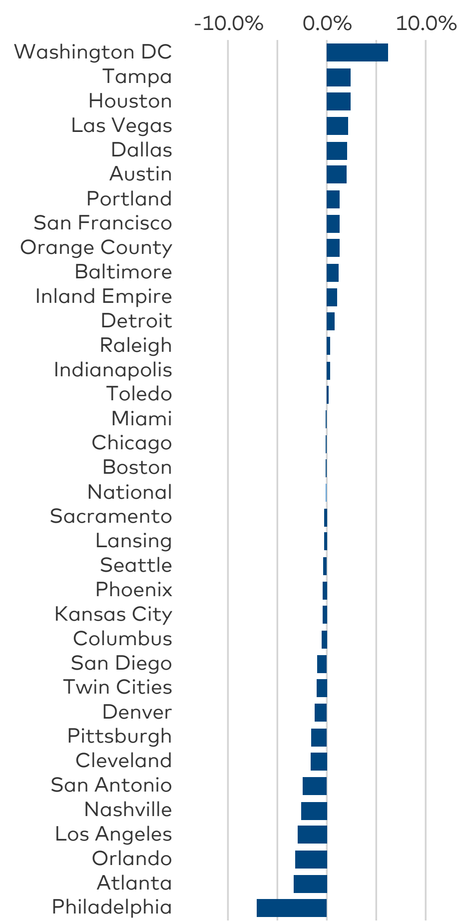
The difficulty homebuilders face in obtaining construction loans is creating opportunity for institutional SFR investors, some of which are buying homes and development sites from builders. Selling in bulk to institutions can save homebuilders money because it involves fewer customizations and reduces sales and marketing expenses. For their part, institutions can get a better price buying in bulk. A record 64,000 SFR units are currently under construction, per Matrix's database.

Note: Yardi Matrix covers single-family build-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 January 2024

Market	All Units	Lifestyle Units	Renter-by-Necessity Units
Washington DC	34.5%	31.4%	36.5%
Baltimore	33.6%	31.9%	34.4%
Orlando	31.9%	30.9%	33.4%
San Diego	31.8%	30.7%	34.6%
Denver	31.5%	30.2%	33.2%
Los Angeles	31.3%	28.6%	33.9%
Central New Jersey	31.3%	31.9%	31.1%
Chicago	30.8%	27.3%	33.1%
Portland	30.8%	27.9%	35.7%
Tampa	30.7%	28.8%	33.2%
Philadelphia	30.0%	27.6%	31.5%
Nashville	29.8%	28.8%	30.8%
Boston	29.2%	26.7%	35.8%
San Francisco	28.9%	24.9%	33.3%
Atlanta	28.9%	28.2%	30.7%
Las Vegas	28.3%	27.3%	30.9%
Charlotte	28.3%	26.5%	32.8%
Twin Cities	28.1%	26.1%	30.3%
Phoenix	28.0%	26.5%	29.8%
Houston	27.6%	25.9%	30.5%
Seattle	27.5%	25.6%	31.0%
New York	27.3%	26.8%	28.1%
Columbus	27.2%	25.5%	27.9%
Dallas	27.1%	26.0%	29.2%
Raleigh	27.0%	26.7%	27.8%
Detroit	26.8%	25.2%	26.9%
Austin	26.7%	25.7%	30.2%
Miami	26.5%	26.1%	27.5%
Indianapolis	26.3%	23.8%	27.9%
Kansas City	25.4%	24.2%	26.3%
Northern New Jersey	24.8%	24.7%	25.3%

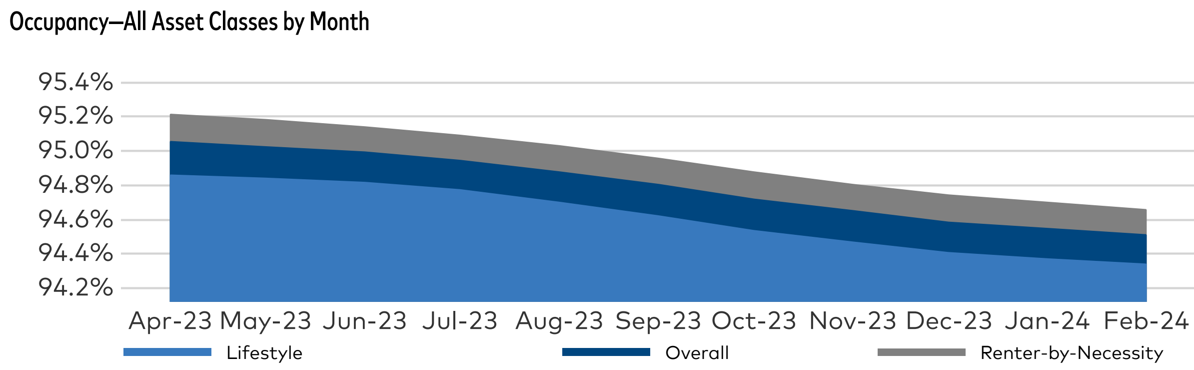
Rent-to-Income ratios sorted by all units, highest to lowest. Source: Yardi Systems Screening Data
The Yardi Matrix data service covers rent-to-income ratios monthly back to January 2019 for 112 markets broken out by property type

Employment and Supply Trends; Forecast Rent Growth

Market	YoY Rent Growth as of Feb - 24	Forecast Rent Growth as of 02/01/24 for YE 2024	YoY Job Growth (6-mo. moving avg.) as of Dec - 23	Completions as % of Total Stock as of Feb - 24
New York City	5.4%	3.1%	1.8%	1.2%
New Jersey	3.8%	2.9%	2.0%	3.0%
Columbus	3.6%	3.2%	0.6%	3.3%
Kansas City	3.3%	2.7%	1.9%	2.2%
Chicago	3.1%	1.3%	1.1%	1.9%
Indianapolis	3.0%	2.4%	2.5%	1.7%
Washington DC	2.8%	1.6%	1.6%	2.3%
Boston	2.8%	1.4%	2.4%	2.3%
Twin Cities	2.1%	1.4%	1.5%	3.4%
Philadelphia	2.0%	1.5%	2.8%	1.5%
Detroit	1.2%	1.4%	0.4%	0.9%
Baltimore	1.1%	0.6%	1.3%	1.3%
San Diego	1.0%	0.8%	1.8%	1.5%
Miami Metro	1.0%	1.1%	2.7%	4.9%
Denver	0.6%	0.5%	0.3%	3.1%
Houston	0.1%	1.5%	2.5%	2.5%
Seattle	0.1%	0.2%	2.3%	3.0%
Los Angeles	-0.8%	0.4%	2.0%	2.4%
Las Vegas	-1.0%	-0.4%	4.1%	1.5%
San Francisco	-1.0%	-0.9%	1.8%	2.7%
Tampa	-1.1%	-0.4%	2.4%	3.0%
Charlotte	-1.5%	0.1%	3.1%	5.0%
Dallas	-1.6%	-1.0%	3.7%	2.5%
Nashville	-1.9%	-0.6%	2.7%	4.9%
Portland	-2.6%	-1.6%	2.1%	2.7%
Raleigh	-3.0%	-0.6%	3.7%	4.8%
Orlando	-3.0%	-1.5%	2.2%	4.0%
Atlanta	-3.1%	-0.9%	2.2%	3.6%
Phoenix	-3.2%	-1.4%	1.9%	3.5%
Austin	-6.2%	-3.5%	2.8%	4.9%

Source: Yardi Matrix

Occupancy & Asset Classes



Source: Yardi Matrix

Year-Over-Year Rent Growth, Other Markets

Market	February 2024		
	Overall	Lifestyle	Renter-by-Necessity
Louisville	4.9%	2.7%	6.2%
Milwaukee	3.9%	2.8%	4.9%
Bridgeport–New Haven	3.9%	2.3%	5.4%
Cincinnati	3.9%	1.3%	5.0%
Cleveland–Akron	3.5%	1.5%	3.9%
St Louis	2.5%	0.4%	3.4%
Richmond–Tidewater	2.5%	2.0%	2.7%
Charleston	2.4%	1.0%	4.6%
Orange County	2.2%	2.0%	2.4%
Albuquerque	2.2%	0.1%	3.7%
Central Valley	2.2%	2.1%	2.1%
Winston–Salem–Greensboro	1.6%	1.0%	2.1%
Greenville	0.6%	-1.1%	2.5%
San Jose	0.5%	0.0%	1.1%
Inland Empire	0.1%	-0.7%	0.9%
Sacramento	0.0%	0.5%	-0.4%
Colorado Springs	-1.5%	-0.7%	-2.6%
Salt Lake City	-1.8%	-2.2%	-1.8%
San Antonio	-2.2%	-3.1%	-0.6%
North Central Florida	-2.2%	-3.7%	-1.0%
Jacksonville	-3.1%	-3.9%	-1.8%
Southwest Florida Coast	-5.4%	-6.6%	-2.1%

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.

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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