National Multifamily Report

May 2023

Demand Still Firm, Multifamily Rents Rise in May

- Multifamily demand remains strong despite the threat of a slowing economy looming on the horizon. The average U.S. asking rent rose $7 in May to $1,716, while year-over-year growth decelerated to 2.6%, down 70 basis points from April and the lowest level since March 2021.
- While performance displays resilience, the data is not unambiguously positive as it has been for most of the last two years. Rent growth has turned negative year-over-year in several metros as occupancy rates weaken amid slackening demand and rapid growth in new deliveries.
- The average single-family unit rent reached $2,100 for the first time in May, little more than a year after topping the $2,000 mark. Year-over-year growth fell 40 basis points to 2.1%. SFRs are boosted by waning home sales, as the average 30-year mortgage rate is again above 6.5%.

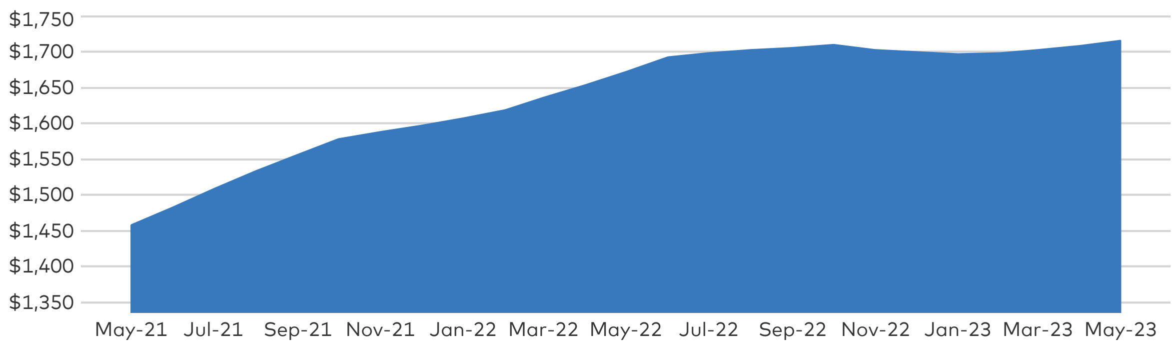
Like the U.S. economy, which has confounded attempts by the Federal Reserve to curb the hot job market, U.S. multifamily performance remains steady. Average U.S. asking rents rose $7 in May to $1,716, and are up $18, or 1.0%, since January. The seasonal outline of growth is not far off a typical pre-pandemic year, although the rate of increase is lower.

One reason rent increases are slowing is the number of metros with negative year-over-year growth in May. Las Vegas (-2.8%) and Phoenix (-2.6%), negative for months, were joined by Austin (-1.0%), Seattle (-0.9%), San Francisco, Atlanta and Sacramento (-0.4%), and Orange County (-0.2%). In part, negative growth is a reversion to the mean after two years with unusually high gains. Seven of the eight top 30 metros that are above the national average rent growth rankings are in the Midwest or primary markets that did not see large post-pandemic rent gains.

Another factor in the weaker rent growth is declining occupancy rates driven by slowing household formation, competition from new deliveries, lack of affordable units and diminishing demand as corporate layoffs start to increase and consumer confidence wanes. Occupancy rates as of April were negative compared to the same month a year ago in 28 of the Matrix top 30 metros, with New York (0.1%) and San Jose (0.0%) the only exceptions. Seventeen of the top 30 posted occupancy rate declines of 100 basis points or more, led by Las Vegas (-1.7%) and Dallas and Sacramento (-1.5%).

Still, the market tone remains positive. Renting is still cheaper than homeownership, and first-time buyers are renting longer, as for-sale inventory is low. The stickiness of high-income renters likely contributes to the recent resurgence in high-end Lifestyle properties, in which rents rose 0.4% in May and 0.3% on a sequential three-month basis.

National Average Rents



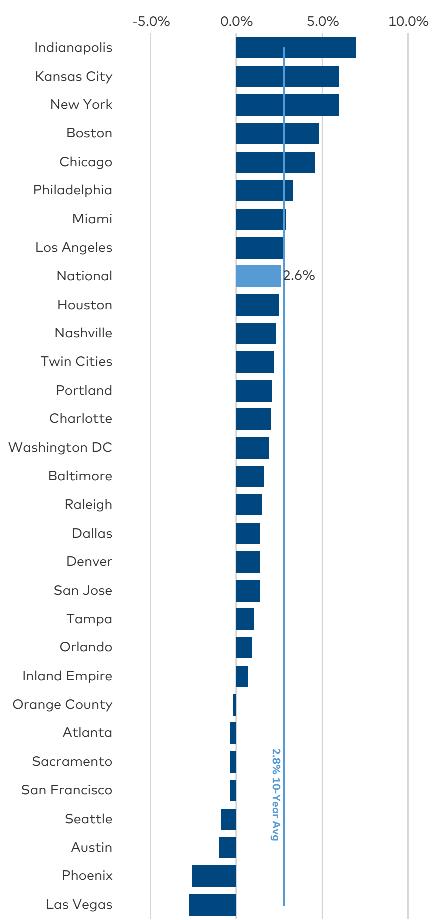
National averages include 136 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by Yardi Matrix.

Year-Over-Year Rent Growth: Growth Slows, Turns Negative in Some Metros

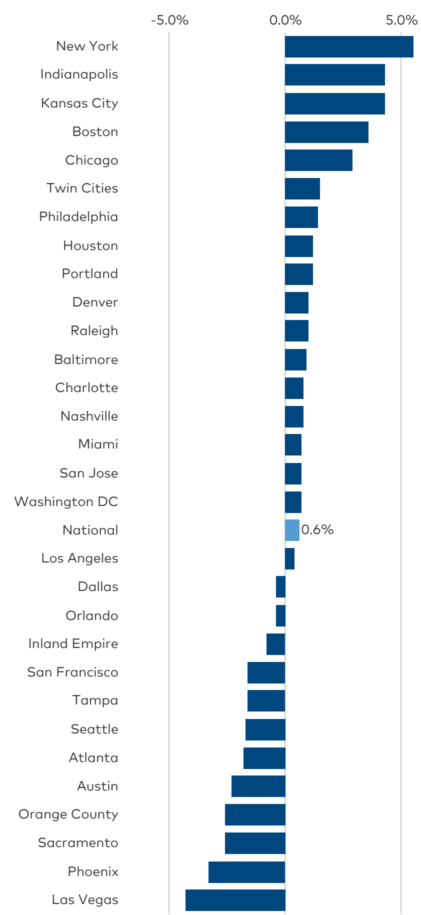
- The national average asking rent rose to $1,716 in May, up $7 from April, while the year-over-year growth rate dropped to 2.6% in May, down 70 basis points from April and 300 basis points from the beginning of the year. Growth continues to be led by metros in the Midwest and Northeast: Indianapolis (7.0% year-over-year), Kansas City (6.0%), New York (6.0%), Boston (4.8%) and Chicago (4.6%). Meanwhile, year-over-year growth has turned negative in eight metros, and more could follow in coming months as rent increases decelerate from record-high growth over the past two years.

- The national occupancy rate remained at 95.0% in April, signaling resiliency of demand in the face of broader economic uncertainty. On a year-over-year basis, occupancy rates fell in all but one Matrix top 30 market: New York, which maintained 98.0% occupancy in April. The largest occupancy decline was in Las Vegas (-1.8%).

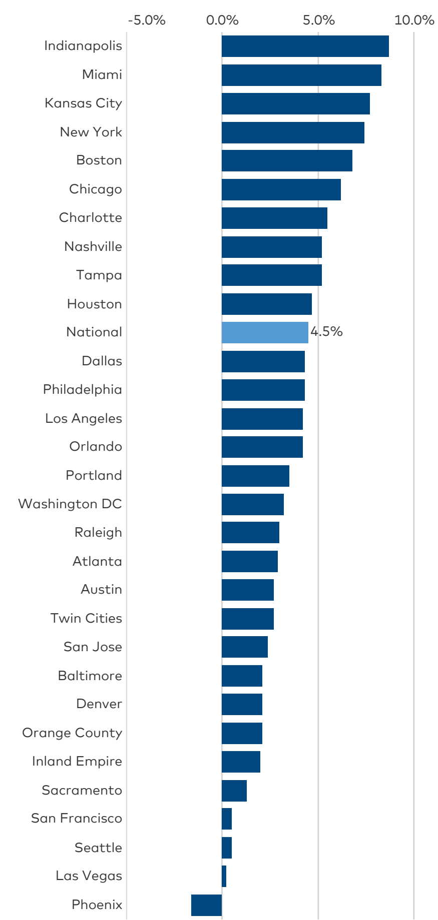
Year-Over-Year Rent Growth— All Asset Classes



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 Get Boost in May

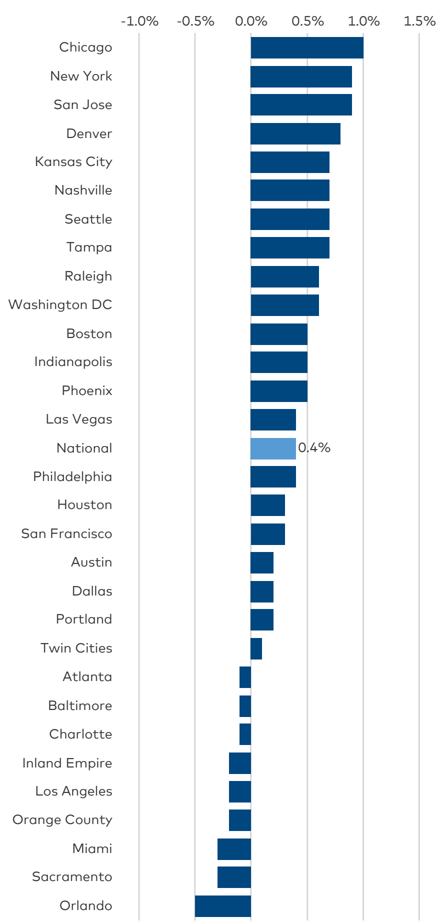
- The average U.S. multifamily asking rent increased by $7, or 0.4%, in May.
- Rents increased 0.4% in the luxury Lifestyle segment and 0.3% month-over-month in the Renter-by-Necessity segment.

Asking rents increased in May, with growth in both the RBN and Lifestyle segments. Rents increased in 25 of the top 30 Matrix metros in RBN and 22 in Lifestyle. Chicago (1.0%) led monthly gains in asking rents, with New York (0.9%), San Jose (0.9%), Denver (0.8%) and Seattle (0.7%) rounding out the rest of the top five.

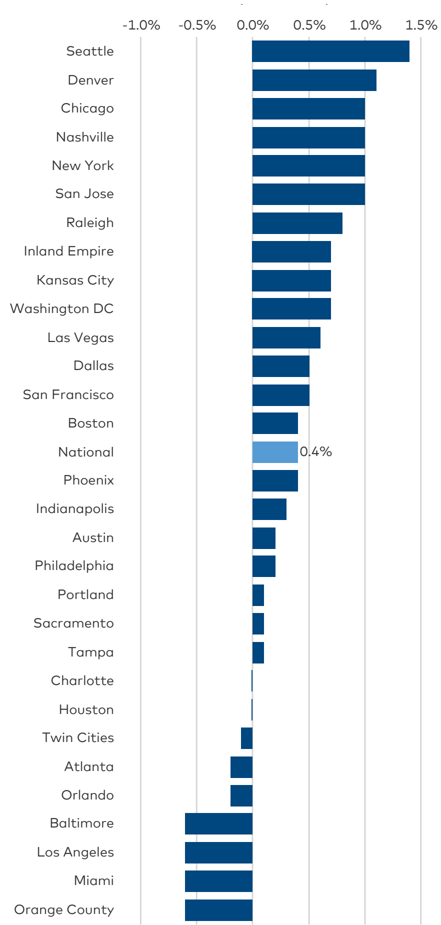
Contrary to typical late-cycle norms, the luxury Lifestyle segment outperformed the Renter-by-Necessity segment last month and has kept pace during the last three months. For example, sequential three-month rent growth in the Inland Empire was 0.5% for Lifestyle and 0.2% for RBN.

Lifestyle rents increased by 1.0% or more in May in six metros: Seattle (1.4%), Denver (1.1%), and Nashville, Chicago, New York and San Jose (1.0%). One factor in the Lifestyle resurgence is that the paucity of home sales is preventing high-income renters from buying homes and keeping them in luxury apartments.

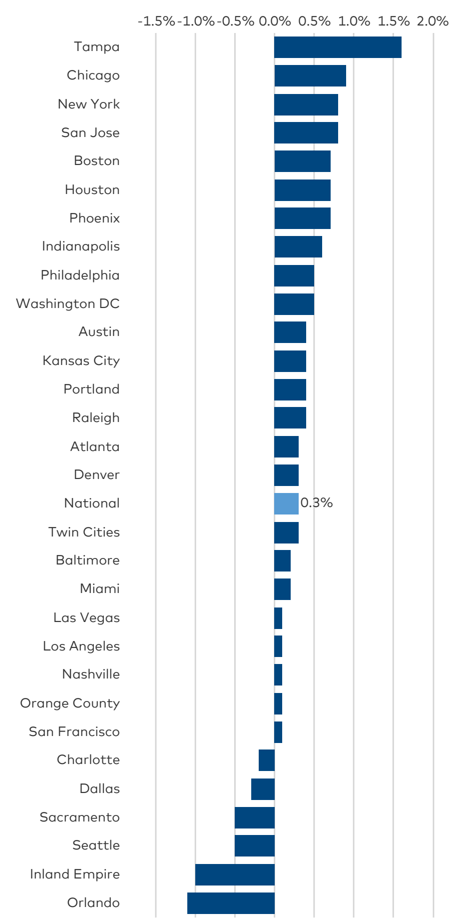
Month-Over-Month Rent Growth—All Asset Classes



Month-Over-Month Rent Growth—Lifestyle Asset Class



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



Source: Yardi Matrix

Transacted Rents:
Renewal Rates Decelerating

- Renewal rent growth remains high but has been decelerating as more residents have gotten increases that put them closer to asking rents and have more options to move as occupancy rates slip. Renewal rents, the change for residents that are rolling over existing leases, rose 8.2% year-over-year nationally in March, down from 9.4% in February. Metros where renewal rents dropped in March from February include Los Angeles (4.8% in March from 12.2% in February), San Francisco (1.4% from 5.6%), Chicago (4.2% from 8.5%), and Austin (9.5% from 11.5%). Demand in New York remained firm, with 16.8% year-over-year renewal growth in March, up from 16.2% in February.

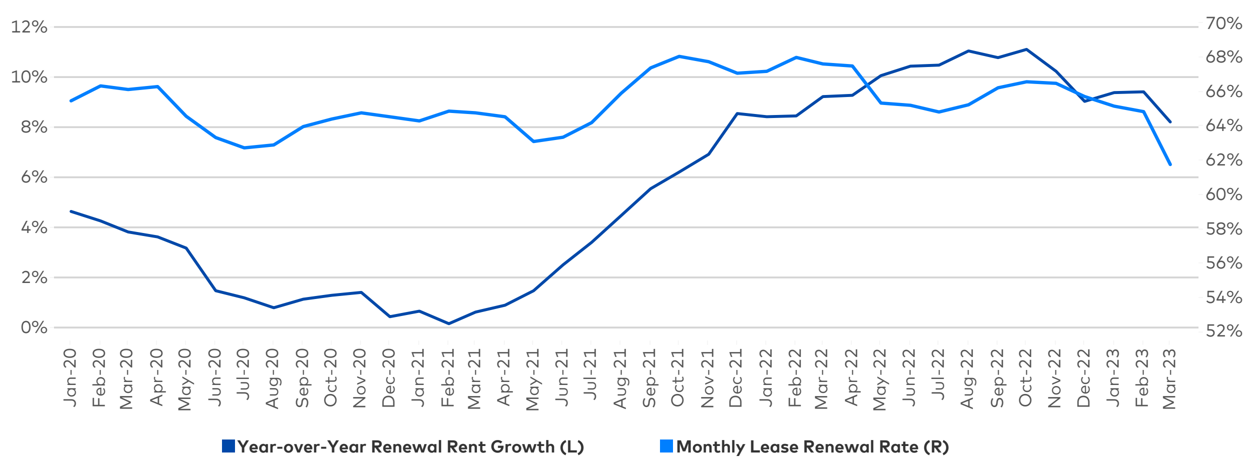
- National lease renewal rates were 61.8% in March, down from 64.9% in February. Renewal rates are starting to feel pressure from the number of new deliveries in some markets, which gives renters more choices to move.

Market	YoY Renewal Rent Growth	Monthly Lease Renewal Rate
New York	16.8%	64.7%
Miami Metro	13.1%	69.1%
Orlando	12.8%	60.6%
Raleigh	11.9%	65.9%
Tampa	10.1%	60.1%
Nashville	10.0%	61.3%
Portland	9.5%	55.5%
Austin	9.5%	57.7%
Indianapolis	9.4%	63.8%
Seattle	9.3%	55.6%
Charlotte	9.2%	60.2%
Inland Empire	8.9%	55.9%
Las Vegas	8.6%	56.1%
Boston	7.8%	64.5%
Philadelphia	7.6%	77.6%

Market	YoY Renewal Rent Growth	Monthly Lease Renewal Rate
Kansas City	7.5%	66.2%
Dallas–Ft. Worth	7.2%	62.6%
Baltimore	7.2%	67.1%
Sacramento	7.1%	48.6%
Denver	7.1%	57.2%
Orange County	7.0%	58.5%
Atlanta	6.8%	60.6%
Phoenix	6.6%	56.7%
Houston	6.4%	59.9%
Twin Cities	6.3%	62.0%
San Jose	5.7%	49.1%
Los Angeles	4.8%	43.5%
Chicago	4.2%	65.5%
Washington DC	2.4%	56.3%
San Francisco	1.4%	46.9%

Source: Yardi Matrix Expert, data as of March 2023

National Lease Renewals and Renewal Rent Growth



Source: Yardi Matrix Expert

Supply, Demand and Demographics: Deliveries a Short-Term Headwind in Some Metros

- One million multifamily properties are under construction at the same time the red-hot demand of recent years is cooling.
- Supply growth is concentrated in a subset of markets in which construction increased in response to demand.
- Rent growth will slow temporarily in metros with rapid supply growth, but the long-term prognosis is healthy.

Multifamily demand soared during the pandemic, but has slowed this year and could decelerate even further if the economy weakens as expected in the second half. Some 4.2 million households were formed between September 2020 and the end of 2022, fueling demand for housing, per the U.S. Census Bureau. The number of households dropped in 1Q 2023, though, which means that apartment deliveries could play a bigger role in rent increases than in recent years.

The slowing demand comes as roughly one million apartment units are under construction in the U.S. and almost 900,000 units will come online by the end of 2024, per Yardi Matrix. The impact won't be spread evenly, though, as deliveries will be focused in 10 to 15 of the fastest-growing markets. Some of those markets—such as Dallas, where more than 36,000 units are forecasted to be delivered during that time—should be able to easily absorb deliveries because the new units represent a manageable growth rate relative to household growth.

In other metros, the supply growth may outstrip demand, at least in the short term. Matrix has identified eight major metros in which more than 10,000 units are forecast to be delivered by the end of 2024 and that will add at least 8% to current stock. Those eight metros are Austin (46,016 deliveries, 17.1% of stock); Miami (21,825 units, 14.2%); Raleigh-Durham (22,876 units, 13.5%); Charlotte (25,715 units, 12.8%); Salt Lake City (12,827 units, 11.4%); Nashville (18,422 units, 10.9%); Jacksonville (11,490 units, 10.2%); and Phoenix (28,135 units, 8.8%).

Supply is growing rapidly in these metros precisely because they have experienced rapid growth in population and employment, a trend that is likely to continue going forward due to their lifestyle amenities, inexpensive housing and attractive economic conditions. However, it may take some time to absorb all of the new supply, limiting near-term rent growth. The key for investors is to examine the dynamics of each submarket before allocating capital.

The supply issue could be short-lived since new starts are likely to slow as the current round of projects is completed. The tightening of bank lending and the rising cost of construction materials and land have made new projects more difficult to pencil, while labor shortages and protracted entitlement processes will also serve to slow new starts.

Single-Family Build-to-Rent Segment: SFR Demand Remains Strong

- Nationally, asking rates for single-family rentals increased by $7 to $2,100 in May, while year-over-year growth declined by 40 basis points to 2.1%.

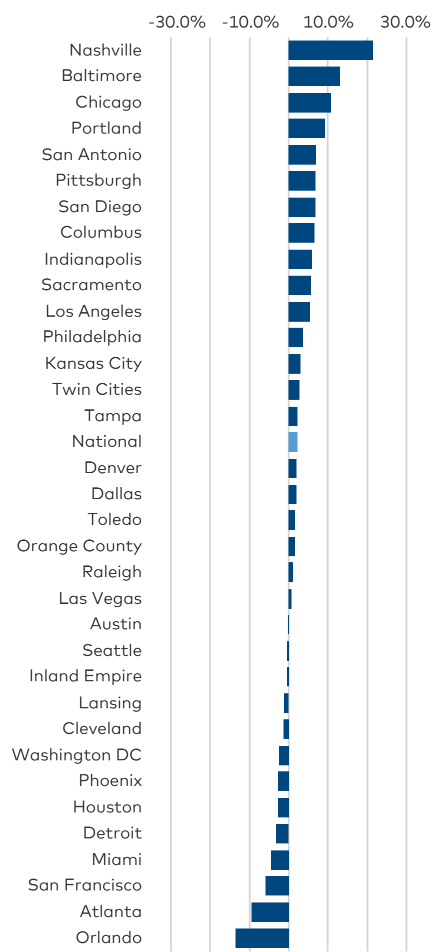
- U.S. occupancy rates were unchanged at 95.6%, down 1.0 percentage points from the same month a year ago.

Single-family rents have moderated from 2022's double-digit growth, while occupancy rates have settled at 95.6% nationally, down more than 200 basis points from the peak witnessed during the pandemic. Among the markets in which SFR rents have decelerated are Miami (-4.5%), Phoenix (-2.6%), Austin (-0.3%) and Raleigh (1.2%).

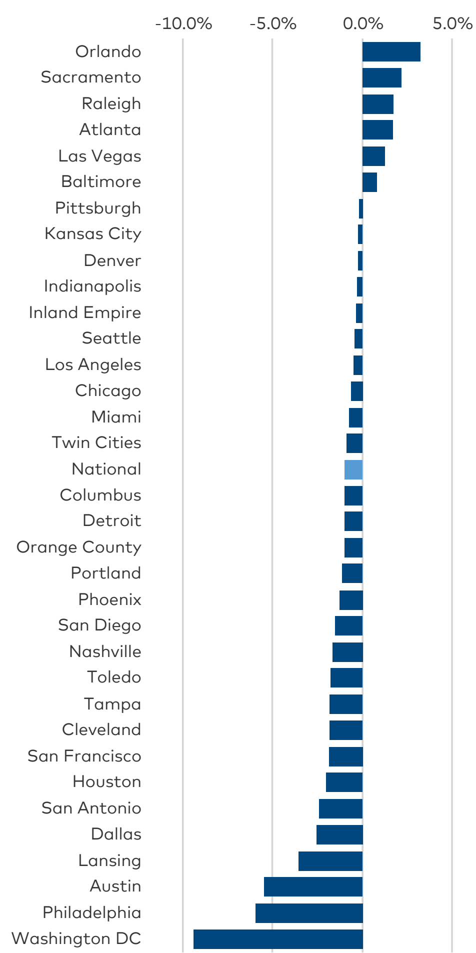
Institutional SFR growth remains focused on build-to-rent product, as home sales have declined in recent months due to the lack of inventory and rising mortgage rates. Although home prices have remained surprisingly firm, the number of homes on the market for sale remains less than half of what it was in the years before the pandemic.

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 April 2023

Market	All Units	Lifestyle Units	Renter-by-Necessity Units
New York	36.5%	31.2%	44.6%
Washington DC	34.2%	30.2%	37.4%
Sacramento	32.7%	28.0%	41.5%
Los Angeles	32.4%	29.9%	34.3%
San Francisco	32.4%	29.7%	35.0%
Orange County	32.4%	30.3%	34.0%
Tampa	31.7%	30.7%	33.2%
Baltimore	31.7%	29.5%	33.0%
Orlando	31.7%	30.3%	34.0%
Inland Empire	31.5%	29.7%	33.0%
Nashville	31.2%	30.6%	32.0%
Atlanta	29.8%	29.2%	31.2%
Phoenix	29.8%	27.9%	32.5%
Denver	29.6%	27.7%	32.7%
Portland	29.5%	28.1%	31.8%
Chicago	29.3%	26.4%	31.2%
Charlotte	28.8%	26.8%	33.9%
Philadelphia	28.8%	26.9%	30.1%
Las Vegas	28.6%	27.4%	31.4%
Seattle	28.6%	26.4%	32.4%
Houston	28.0%	26.2%	30.4%
Raleigh	28.0%	27.2%	30.3%
Twin Cities	27.4%	24.9%	30.4%
Dallas	27.1%	26.1%	29.4%
San Jose	26.9%	24.2%	30.2%
Boston	26.8%	25.7%	30.1%
Miami	26.3%	24.6%	30.2%
Austin	26.2%	25.6%	27.6%
Indianapolis	26.1%	25.0%	27.1%
Kansas City	25.7%	24.1%	27.1%

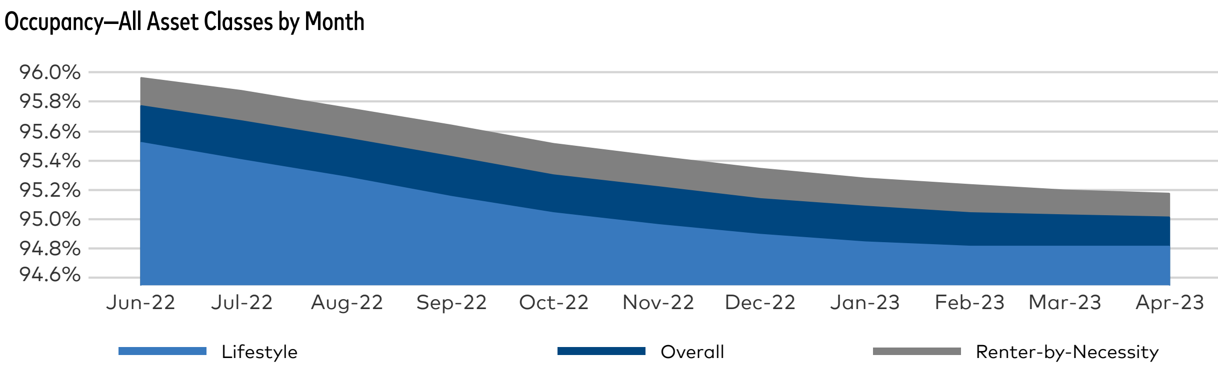
Rent-to-Income ratios sorted by all units, highest to lowest. Source: Yardi Systems Screening Data
The Yardi Matrix data service covers rent-to-income ratios monthly back to January 2019 for 112 markets broken out by property type

Employment and Supply Trends; Forecast Rent Growth

Market	YoY Rent Growth as of May - 23	Forecast Rent Growth as of 5/1/23 for YE 2023	YoY Job Growth (6-mo. moving avg.) as of Mar - 23	Completions as % of Total Stock as of May - 23
Indianapolis	7.0%	2.9%	3.5%	0.5%
New York	6.0%	2.7%	3.9%	0.8%
Kansas City	6.0%	2.8%	3.2%	1.3%
Boston	4.8%	2.8%	2.6%	2.7%
Chicago	4.6%	2.2%	2.4%	1.3%
Philadelphia	3.3%	1.8%	3.4%	0.9%
Miami Metro	2.9%	2.4%	3.8%	3.5%
Los Angeles	2.7%	2.6%	2.7%	1.6%
Houston	2.5%	2.4%	4.6%	1.7%
Nashville	2.3%	2.9%	5.3%	4.0%
Twin Cities	2.2%	2.6%	2.0%	3.5%
Portland	2.1%	3.0%	3.4%	2.2%
Charlotte	2.0%	3.2%	3.5%	3.0%
Washington DC	1.9%	2.3%	2.1%	1.8%
Baltimore	1.6%	2.9%	1.1%	0.6%
Raleigh	1.5%	3.0%	3.9%	2.8%
Denver	1.4%	2.0%	1.7%	2.7%
San Jose	1.4%	2.9%	4.0%	1.7%
Dallas	1.4%	2.1%	5.5%	1.9%
Tampa	1.0%	1.8%	4.6%	3.8%
Orlando	0.9%	2.1%	5.2%	2.5%
Inland Empire	0.7%	2.5%	1.8%	0.4%
Orange County	-0.2%	2.2%	3.0%	1.1%
Sacramento	-0.4%	1.8%	2.9%	1.3%
San Francisco	-0.4%	2.4%	3.1%	2.1%
Atlanta	-0.4%	2.0%	3.5%	2.2%
Seattle	-0.9%	2.8%	3.7%	3.2%
Austin	-1.0%	3.3%	6.0%	5.4%
Phoenix	-2.6%	1.5%	2.8%	3.0%
Las Vegas	-2.8%	2.8%	5.9%	1.7%

Source: Yardi Matrix

Occupancy & Asset Classes



Source: Yardi Matrix

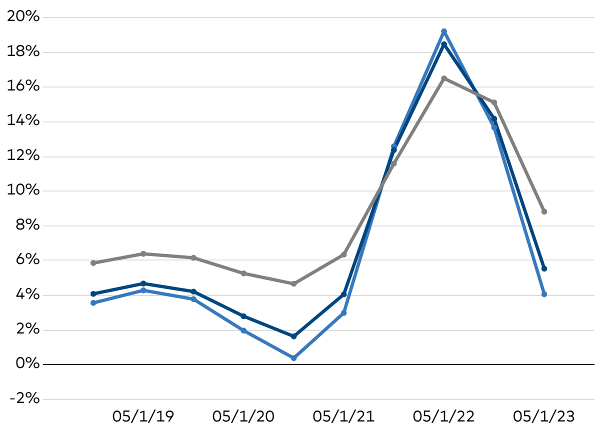
Year-Over-Year Rent Growth, Other Markets

Market	May 2023		
	Overall	Lifestyle	Renter-by-Necessity
Northern New Jersey	7.0%	6.2%	8.2%
Albuquerque	6.7%	4.5%	8.2%
El Paso	6.7%	9.9%	5.5%
Central East Texas	6.5%	4.2%	7.5%
St. Louis	5.3%	3.6%	6.0%
Louisville	4.9%	0.9%	7.3%
Bridgeport–New Haven	4.2%	3.3%	5.1%
NC Triad	3.0%	0.5%	6.6%
Long Island	2.9%	3.1%	2.8%
Central Valley	2.9%	0.7%	3.4%
San Fernando Valley	2.7%	1.3%	3.6%
Tucson	2.0%	-0.7%	3.1%
SW Florida Coast	2.0%	0.6%	4.9%
Tacoma	1.5%	-0.3%	3.2%
Jacksonville	0.9%	-2.2%	6.1%
Colorado Springs	0.6%	-0.6%	1.6%
Salt Lake City	0.1%	-1.0%	1.2%
Reno	-1.4%	-3.3%	-0.1%

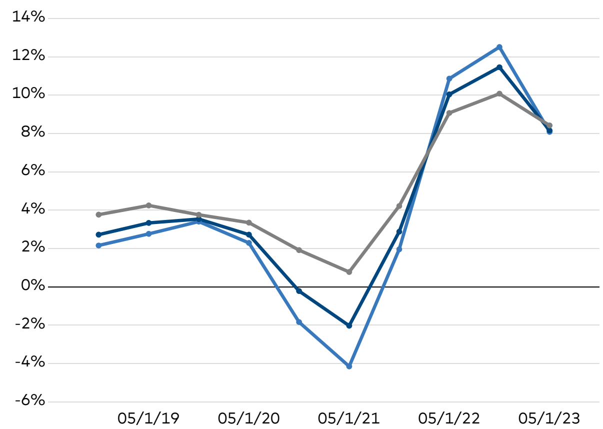
Source: Yardi Matrix

Market Rent Growth by Asset Class

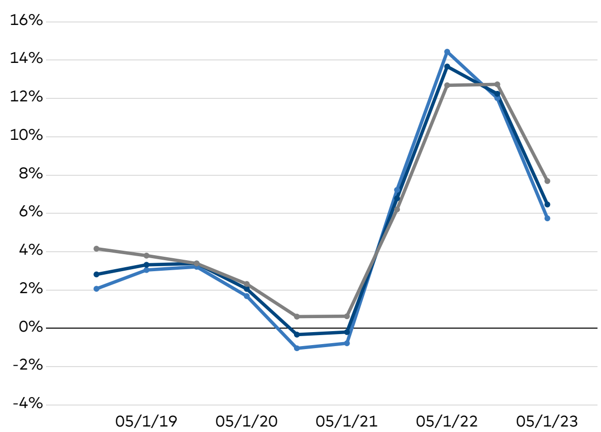
Atlanta



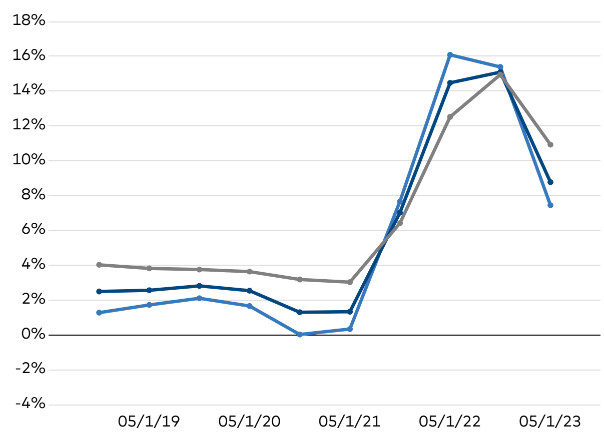
Boston



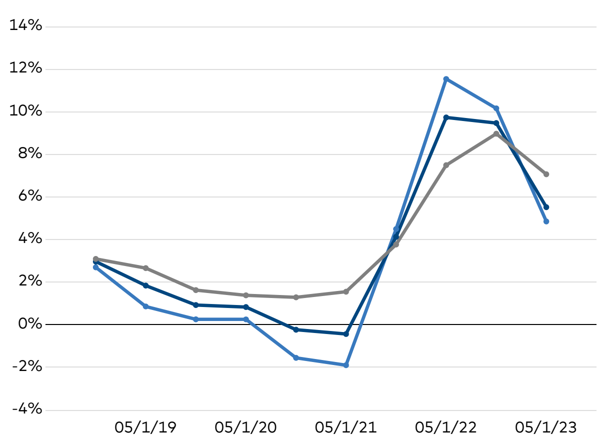
Dallas



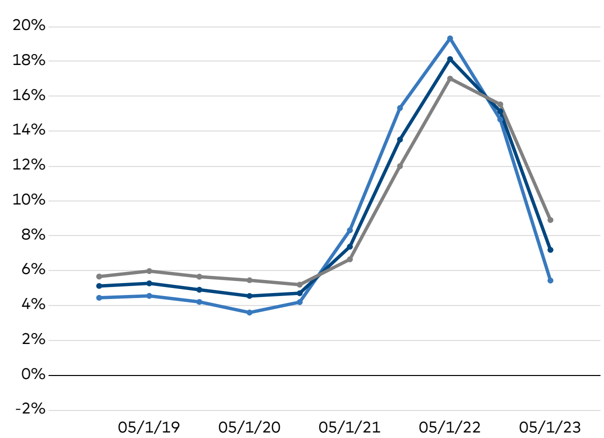
Denver



Houston



Inland Empire

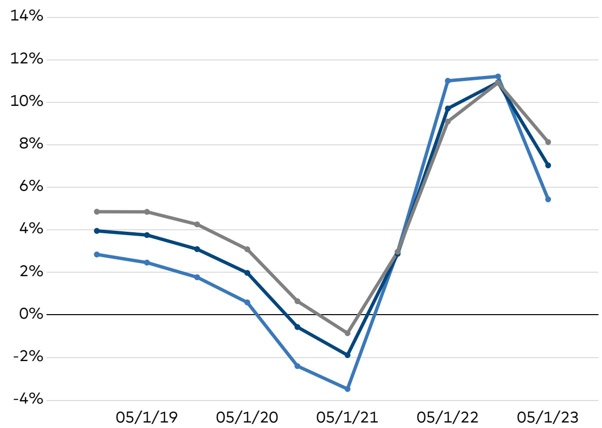


Trailing 12 Months Overall — Trailing 12 Months Lifestyle — Trailing 12 Months Renter-by-Necessity

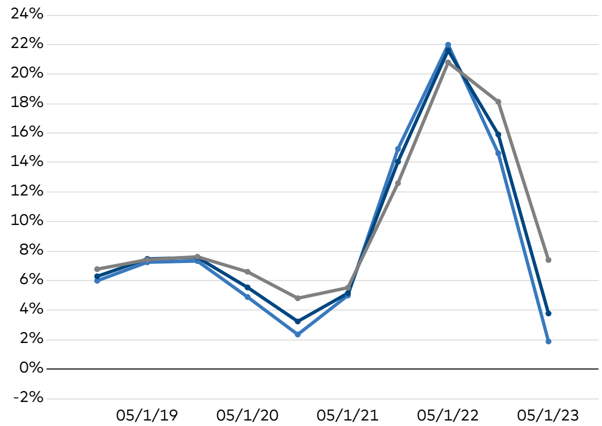
Source: Yardi Matrix

Market Rent Growth by Asset Class

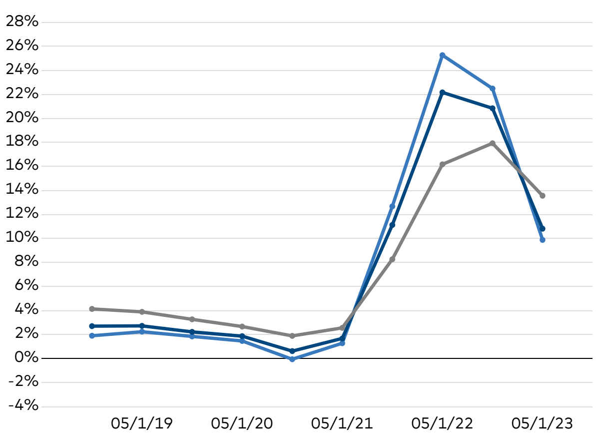
Las Vegas



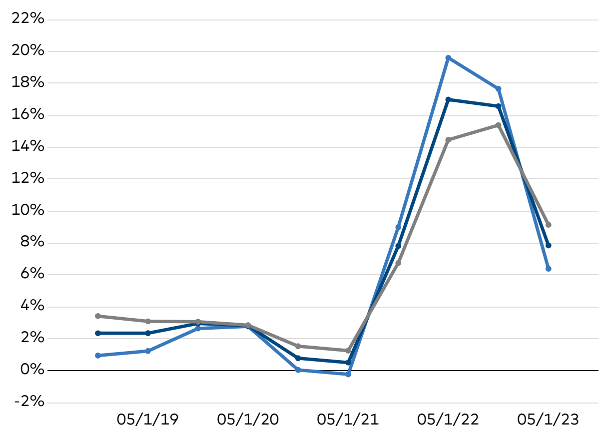
Los Angeles



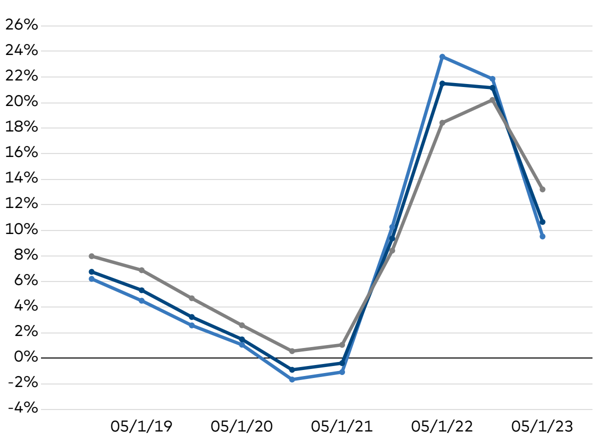
Miami



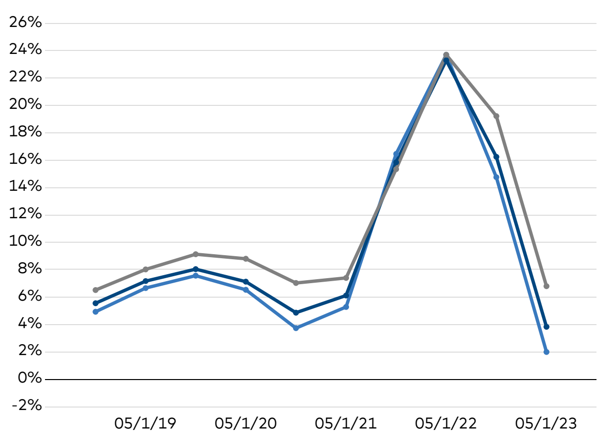
Orange County



Orlando



Phoenix

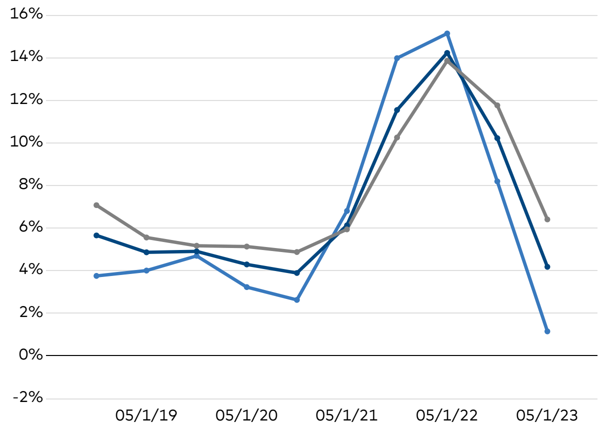


Trailing 12 Months Overall   Trailing 12 Months Lifestyle   Trailing 12 Months Renter-by-Necessity

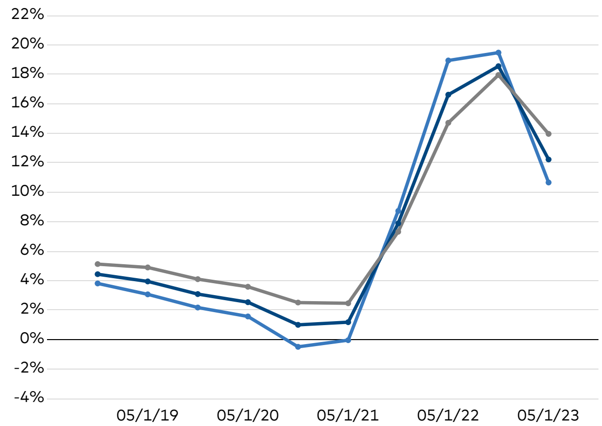
Source: Yardi Matrix

Market Rent Growth by Asset Class

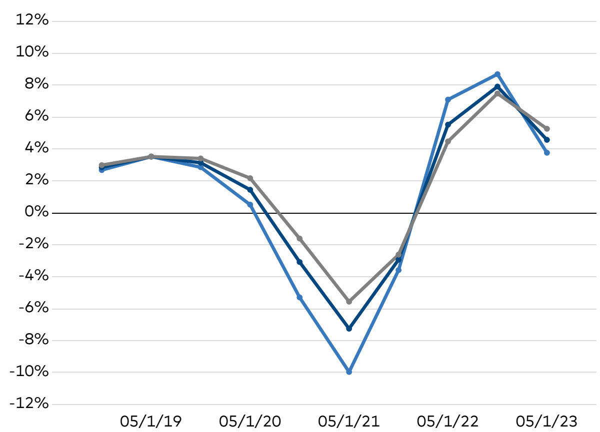
Sacramento



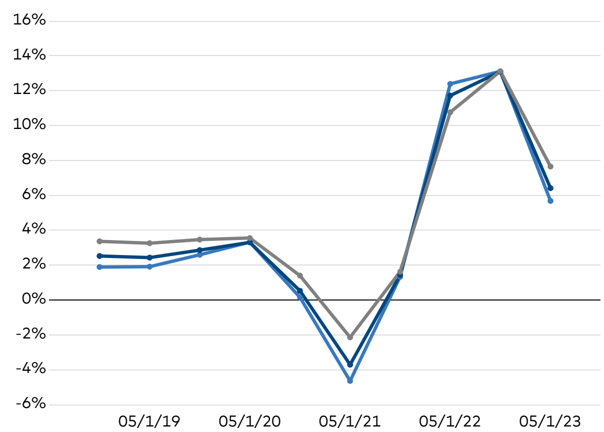
San Diego



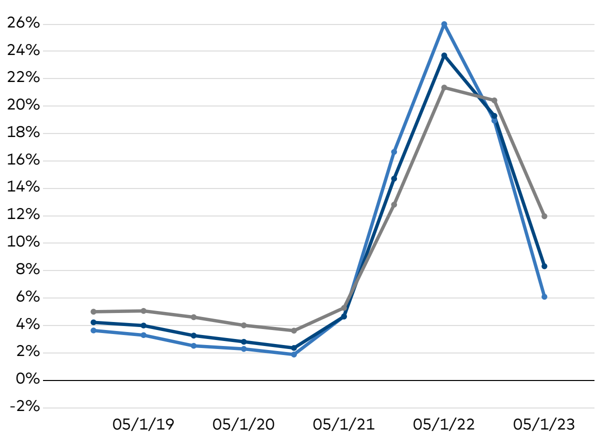
San Francisco



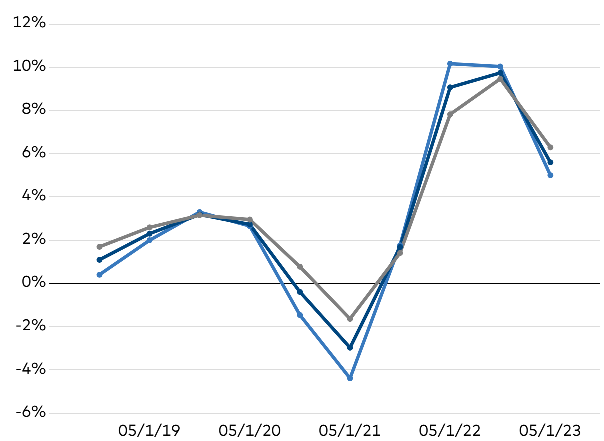
Seattle



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 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.

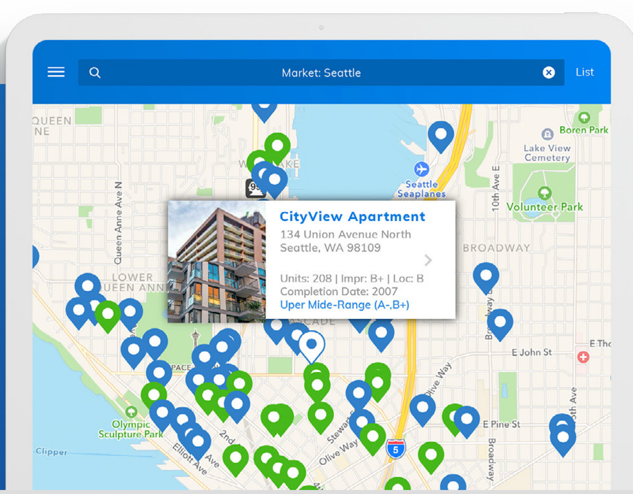
To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.

Yardi Matrix

Power your business with the industry's leading data provider

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.**

YARDI

(800) 866-1144
Learn more at yardimatrix.com/**multifamily**

Contact us

Contacts

Jeff Adler
Vice President & General Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(303) 615-3676

Paul Fiorilla
Associate Director of Research
Paul.Fiorilla@Yardi.com
(800) 866-1124 x5764

Doug Ressler
Media Contact
Doug.Ressler@Yardi.com
(480) 695-3365

Yardi Matrix