Yardi® Matrix

National Multifamily Report

November 2023

US Multifamily Rents Drop, With Winter Slowdown Ahead

- Multifamily rents are stalling, reflecting both seasonality and reaching the tail end of the post-pandemic bull run. The average U.S. asking rent fell $6 to $1,713 in November, while year-over-year growth remained the same, at 0.4%.
- Performance continues to be mixed by region, with close to an even mix between metros of year-over-year gains and losses. Among the Matrix top 30 metros, the Northeast and Midwest remain rent growth leaders, while Sun Belt and West metros lag.
- U.S. average single-family rents declined by $8 to $2,117, but there is no sign of a let-up in demand. Year-over-year growth dropped 30 basis points to 0.7%.

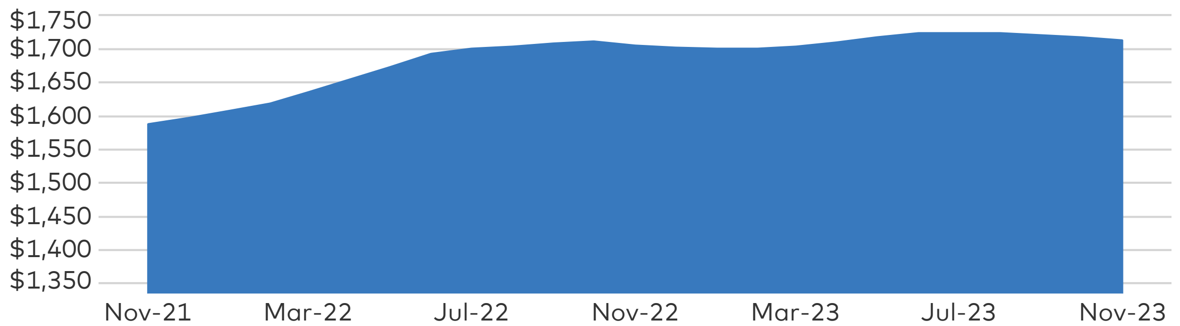
The U.S. multifamily market heads into the winter with three months of declining rents, looking to hold on to post-pandemic gains until the spring. Average U.S. asking rents fell $6 in November to $1,713, and rents are off $12 from the all-time high set in the summer of 2023. Rents typically don't change much in November, as relatively few people move during the holidays, but that pattern was disrupted in recent years, both on the upside and downside.

One could say the multifamily market is metaphorically hunkering down for the winter. Property owners face the prospect of weak near-term rent growth due to inflation, the loosening job market and a surge in deliveries in some markets, while values and capital markets liquidity deteriorate as interest rates remain higher-for-longer.

Uncertainty about pricing and the direction of interest rates has led to paralysis in property sales and mortgage activity, despite no shortage of capital for acquisitions or lending. Billions have been raised for debt funds and value-add opportunistic funds, which have been itching on the sidelines for more than a year. The problem, however, is whether the capital available is at a price that sellers/borrowers want to accept.

Illustrating the stalemate in transactions is the decision by the Federal Housing Finance Agency to reduce the 2024 allotments of government-sponsored enterprises Fannie Mae and Freddie Mac to $70 billion, $5 billion less than the agencies' $75 billion allotment in 2023. In a nod to the overwhelming need for affordable housing, the FHFA will require that at least half of the agencies' origination volume be dedicated to affordable housing, while loans meeting the standard for workforce housing set in the FHFA's Conservatorship Scorecard will be entirely exempt from the allocation limits.

National Average Rents



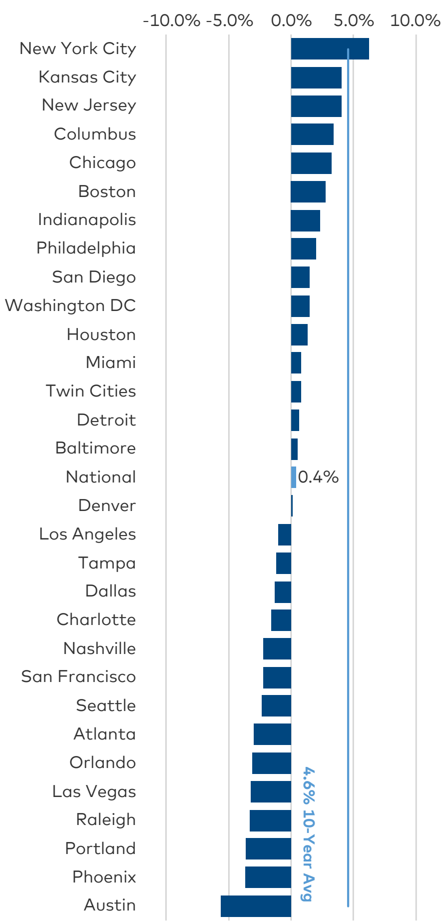
National averages include 140 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by Yardi Matrix.

Year-Over-Year Rent Growth: Negative Rent Growth Intensifies

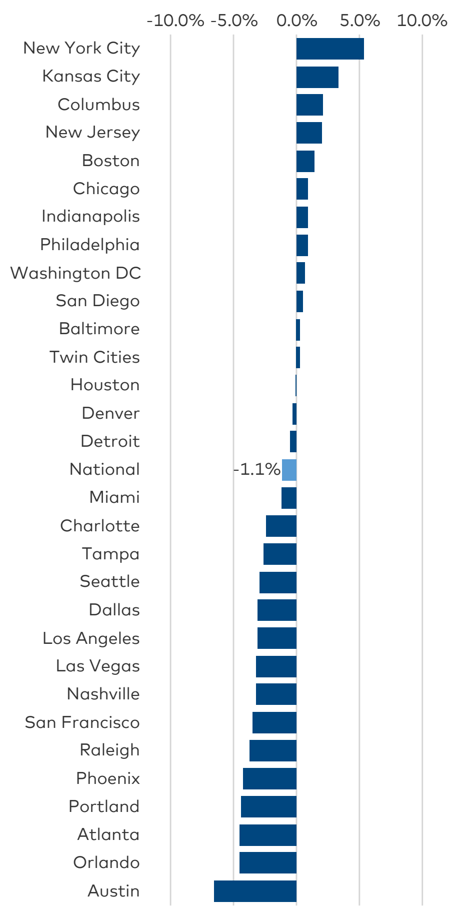
- The national average asking rent fell to $1,713 in November, down $6 from October, while the year-over-year growth rate was 0.4%, the same as the previous month and well below the double-digit highs seen throughout much of last year. The Northeast and Midwest continue to post the highest rent growth, led by New York City (6.2% year-over-year), Kansas City (4.0%), New Jersey (4.0%), Columbus (3.4%) and Chicago (3.2%). Negative rent growth is intensifying in a number of metros, as seven of Matrix's top 30 markets are down by 3.0% or more year-over-year. Most of these are Sun Belt markets with a high volume of deliveries.

- The national occupancy rate was unchanged at 94.9%, the same rate held since August. Occupancy rates were either down or unchanged year-over-year as of October in all but four markets: Chicago (up 0.4% year-over-year), Denver (0.3%), Seattle (0.1%) and Washington, D.C. (0.1%). The largest decline was in Atlanta (down 1.3%).

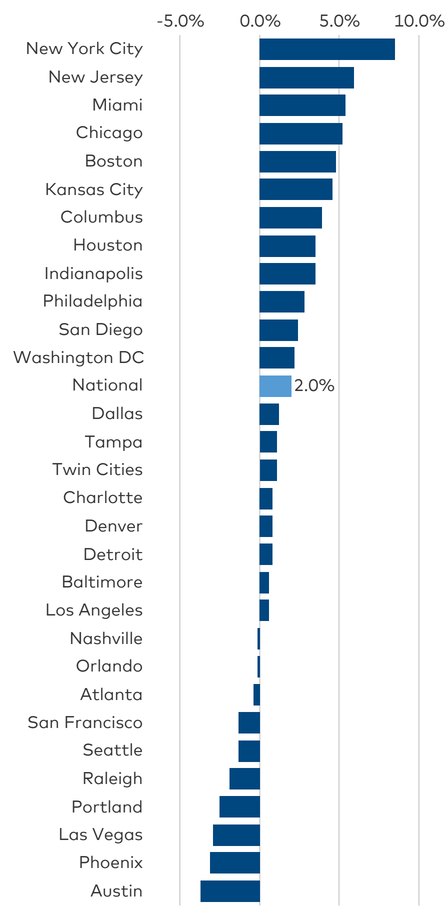
Year-Over-Year Rent Growth—All Asset Classes



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 and RBN Rents Drop in November

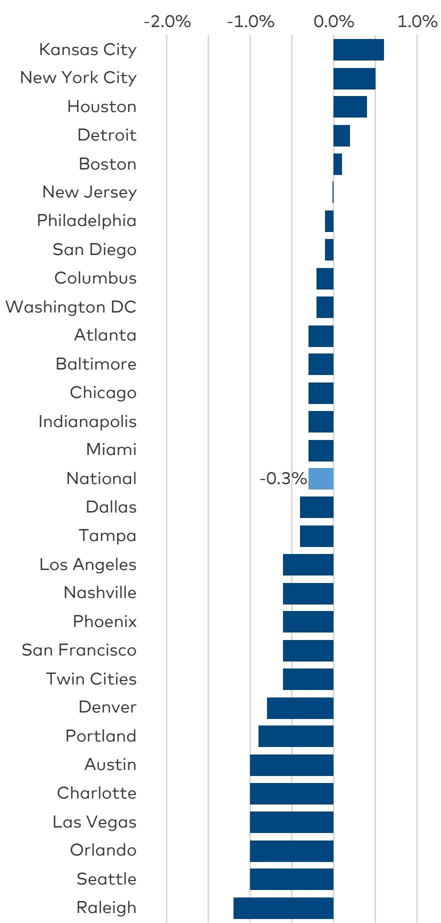
- The average U.S. multifamily asking rent decreased by $6, or 0.3%, in November.
- Rents are down 0.2% month-over-month in the Renter-by-Necessity (RBN) segment and down 0.4% in the luxury Lifestyle segment.

Asking rents fell in November due to declines in both the Lifestyle (-0.4%) and Renter-by-Necessity (-0.2%) segments. Rent growth was negative in 27 of the top 30 metros in Lifestyle and 20 in the RBN segment. The most significant declines in both segments were recorded in two North Carolina metros: Raleigh (down 1.1% in Lifestyle and 1.3% in RBN) and Charlotte (down 0.9% in Lifestyle and 1.1% in RBN).

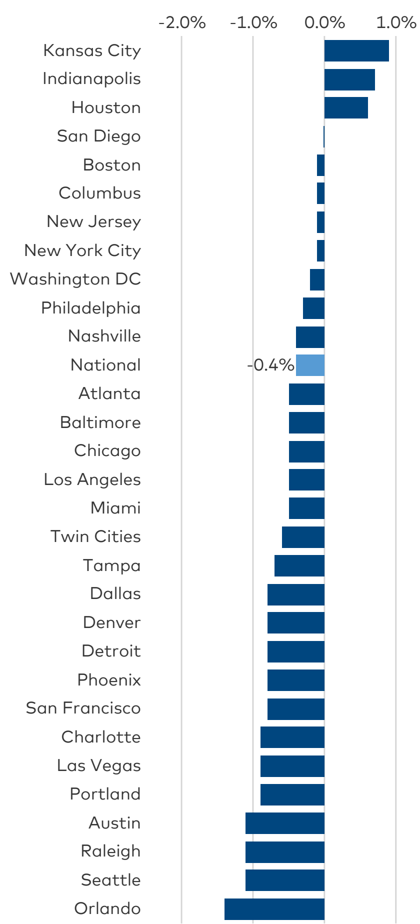
Only a few metros saw modest gains in overall rent, led by Kansas City (0.6%), New York (0.5%) and Houston (0.4%). Most top 30 Matrix metros either were unchanged or declined.

Markets with the most significant rent and occupancy declines are concentrated in areas that have had an influx of supply. Examples include Austin, Nashville and Charlotte, which have had the greatest number of completions as a percentage of total stock out of all top 30 Matrix metros.

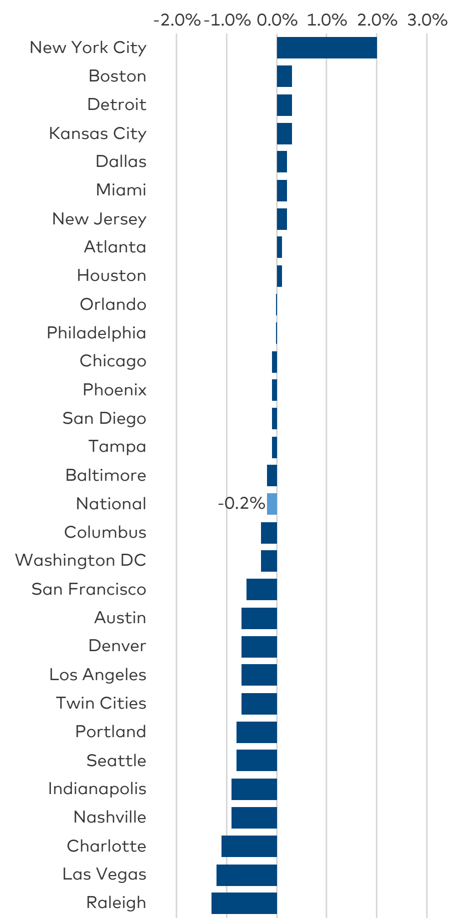
Month-Over-Month Rent Growth—All Asset Classes



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 Slows

- Renewal rent growth is tapering off as anticipated, in line with the deceleration of asking rents. Renewal rents, the change for residents that are rolling over existing leases, rose 6.0% nationally year-over-year in September, down 40 basis points from August. While there are a few exceptions, metros with the highest renewal rents are also the metros where asking rents continue to climb. Examples include New York (8.2%), Boston (7.4%), Indianapolis (7.2%), Kansas City (6.9%) and New Jersey (6.8%). By contrast, metros such as San Francisco (2.5%), Phoenix (2.6%) and Dallas (3.2%)—where asking rents have turned negative—are seeing weaker renewal rent growth.

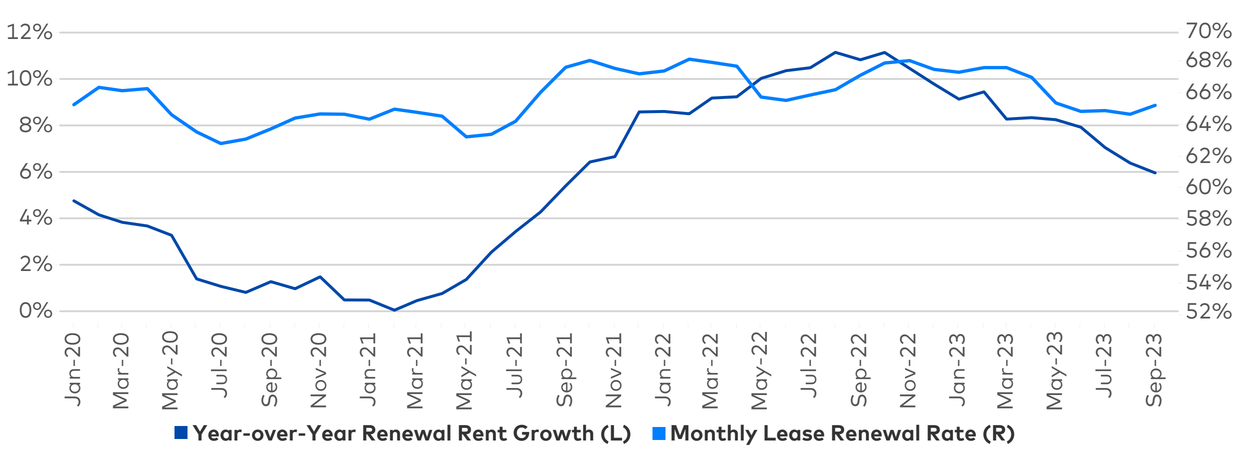
- The national lease renewal rate averaged 65.2% in September. Lease renewal rates have settled into a range, having been between 64.7% and 66.0% for the last five months. Lease renewal rates were highest in New Jersey (81.5%) and lowest in Los Angeles (47.4%).

Market	YoY Renewal Rent Growth	Monthly Lease Renewal Rate
Miami Metro	9.5%	69.7%
Orlando	9.1%	65.8%
New York City	8.2%	66.5%
San Diego	8.0%	57.0%
Portland	7.6%	62.8%
Boston	7.4%	65.6%
Indianapolis	7.2%	67.9%
Las Vegas	7.0%	62.0%
Kansas City	6.9%	67.7%
New Jersey	6.8%	81.5%
Columbus	6.3%	67.4%
Raleigh	6.2%	64.7%
Philadelphia	6.1%	78.3%
Chicago	6.0%	66.6%
Nashville	6.0%	61.3%

Market	YoY Renewal Rent Growth	Monthly Lease Renewal Rate
Tampa	5.6%	64.0%
Charlotte	5.5%	65.8%
Baltimore	5.4%	69.5%
Twin Cities	5.1%	66.1%
Seattle	5.1%	60.2%
Atlanta	5.1%	65.2%
Denver	4.8%	61.2%
Washington DC	4.4%	60.4%
Los Angeles	4.3%	47.4%
Detroit	4.2%	70.5%
Houston	4.1%	64.4%
Austin	3.9%	58.4%
Dallas–Ft. Worth	3.2%	63.2%
Phoenix	2.6%	59.8%
San Francisco	2.5%	52.6%

Source: Yardi Matrix Expert, data as of September 2023

National Lease Renewals and Renewal Rent Growth



Source: Yardi Matrix Expert

Supply, Demand and Demographics: Long-Term Rent Trend Solid, Despite Recent Slowdown

- In spite of recent weakness in rent growth, multifamily performance has been extremely strong since the onset of the pandemic.
- Nationally, asking rents are up 23.5% since March 2020, led by markets in the Sun Belt and the suburbs of primary metros.
- Above-trend rent gains demonstrate solid demand and the need to maintain supply growth.

There is a natural tendency to view the decline in the national average rent in bearish terms—that the multifamily market is somehow struggling. The average rent is up only 0.4% year-over-year and is negative in about half of U.S. markets. Looking at the market through a short-term lens, however, produces a myopic result.

Rent declines in some markets in recent months pale when viewed next to the growth since the start of the pandemic. The $1,713 average U.S. rent as of November 2023 is 23.5% higher than it was at the U.S. start of the pandemic in March 2020. COVID-19 had major impacts on living arrangements and migration in the U.S., as population flowed to less expensive, warmer markets and to suburban submarkets of major metros.

These trends are reflected in apartment demand and rent growth. Markets with the largest increase in average asking rents between March 2020 and October 2023 include low-cost and fast-growing locales such as Knoxville (51.5%), Albuquerque (45.5%), Savannah (44.9%), Charleston (41.8%) and Mobile (40.7%). Some areas with rapid gains are known for second and retirement homes, such as the Southwest Florida Coast (49.1%), West Palm Beach (43.3%) and Asheville, N.C., and Tucson (both 40.1%). Suburban satellite markets where rents increased rapidly include Central New Jersey (34.9%), the Inland Empire (34.8%), Suburban Atlanta (33.5%) and Allentown (32.8%).

Predictably, large/expensive markets have the smallest growth. Urban San Francisco (-2.5%) is the only market with rents below pre-pandemic levels, while metros with slow growth include San Jose (4.0%), Urban Los Angeles (10.3%), New York City (12.0%), Urban Chicago (14.4%) and Urban Philadelphia (16.9%). Still, demand and rent growth remain positive in most urban areas.

Even if rent growth remains muted, multifamily performance should stay strong because demand for housing exceeds supply. The recent slowdown reflects needed deliveries in some areas and the reality that household affordability is being stretched. The uptick in deliveries slated for the next two years will create some balance, but unless supply growth is sustained, the market will soon come to another period of imbalance. Delinquency rates will rise from extremely low levels, focused on value-add properties that were traded at aggressive yields and financed with short-term loans just before mortgage rates rose in 2022.

Single-Family Build-to-Rent Segment:
SFR Rents Fall but Demand Remains Robust

- Nationally, asking rates for single-family rentals fell $8 in November to $2,115, while year-over-year growth declined by 30 basis points to 0.7%.

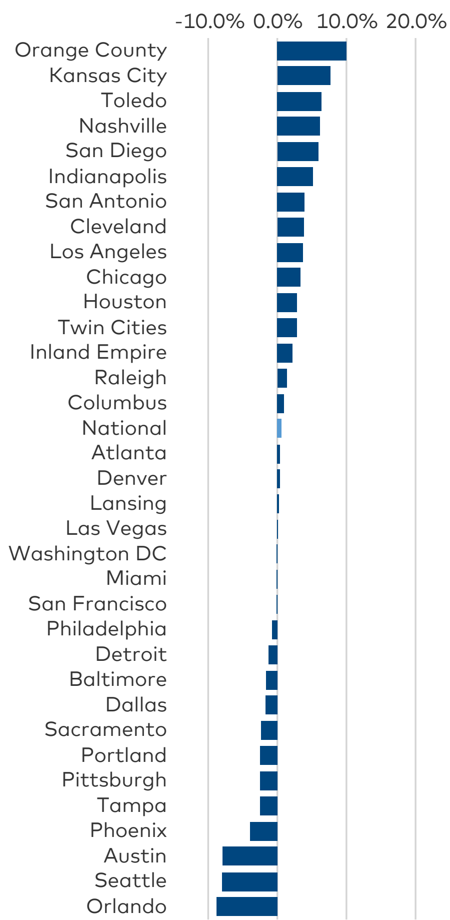
- U.S. SFR occupancy rates remained at 95.9% for the fifth straight month in October, and were up 20 basis points year-over-year.

SFR asking rents hit a bump in November, dropping $8, the steepest one-month decline in years. However, demand remains robust, as high mortgage rates continue to slow the pace of home sales. SFR occupancy rates have steadied at 95.9% and are likely to remain high. Rent growth is entirely concentrated in the RBN segment, which is up 3.2% year-over-year, while Lifestyle rents have fallen 0.1% during that time.

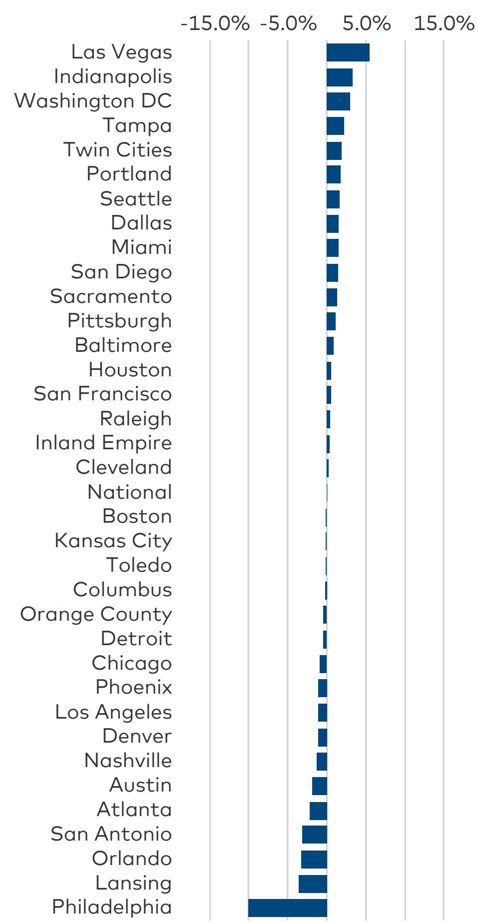
A record 58,000 SFR properties are under construction, per Yardi Matrix's database. The metros with the most active pipelines include Jacksonville (2,256 units under construction), Orlando (1,365), Savannah, Ga. (1,343) and Huntsville, Ala. (1,142).

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 November 2023

Market	All Units	Lifestyle Units	Renter-by-Necessity Units
C New Jersey	36.3%	35.7%	36.5%
Washington DC	35.5%	33.3%	36.8%
San Diego	33.8%	32.7%	36.8%
Baltimore	33.6%	30.6%	35.2%
San Francisco	32.5%	27.8%	37.6%
Orlando	32.3%	31.2%	33.6%
Los Angeles	32.0%	29.3%	34.2%
Tampa	32.0%	30.6%	33.7%
Nashville	32.0%	28.3%	34.9%
Boston	31.7%	30.1%	35.0%
Portland	31.7%	29.6%	35.0%
Denver	31.4%	29.9%	33.6%
New York	31.4%	28.7%	35.3%
Philadelphia	30.5%	26.9%	32.9%
Seattle	30.4%	28.2%	34.2%
N New Jersey	30.3%	25.4%	43.3%
Chicago	29.4%	27.8%	30.3%
Twin Cities	29.0%	26.7%	31.1%
Phoenix	28.6%	27.2%	30.5%
Las Vegas	28.6%	27.6%	30.2%
Charlotte	28.4%	27.3%	30.3%
Miami	28.2%	26.9%	32.2%
Atlanta	28.1%	27.5%	29.4%
Dallas	27.5%	26.7%	28.8%
Houston	27.5%	25.1%	31.2%
Raleigh	27.3%	26.9%	28.1%
Columbus	27.2%	25.5%	27.6%
Detroit	26.8%	24.1%	27.1%
Indianapolis	26.7%	23.6%	28.5%
Austin	25.9%	25.2%	27.8%
Kansas City	25.3%	24.3%	25.9%

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

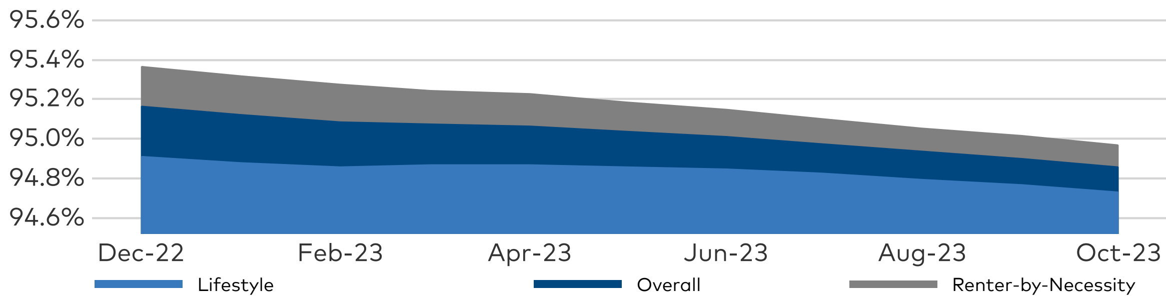
Employment and Supply Trends; Forecast Rent Growth

Market	YoY Rent Growth as of Nov - 23	Forecast Rent Growth as of 11/1/23 for YE 2023	YoY Job Growth (6-mo. moving avg.) as of Sep - 23	Completions as % of Total Stock as of Nov - 23
New York City	6.2%	5.3%	2.7%	1.2%
New Jersey	4.0%	3.8%	2.7%	2.3%
Kansas City	4.0%	4.7%	2.9%	2.2%
Columbus	3.4%	3.7%	1.0%	2.2%
Chicago	3.2%	5.5%	1.5%	1.7%
Boston	2.8%	5.4%	2.4%	2.3%
Indianapolis	2.3%	3.9%	2.9%	1.6%
Philadelphia	2.0%	3.4%	3.0%	1.3%
Washington DC	1.5%	3.1%	1.9%	2.1%
San Diego	1.5%	3.4%	2.4%	1.4%
Houston	1.3%	2.5%	3.3%	1.8%
Miami Metro	0.8%	1.4%	2.7%	3.7%
Twin Cities	0.8%	2.7%	1.8%	2.4%
Detroit	0.6%	2.2%	1.2%	0.8%
Baltimore	0.5%	1.5%	1.3%	1.2%
Denver	0.1%	2.1%	0.6%	2.9%
Los Angeles	-1.0%	1.2%	2.2%	2.4%
Tampa	-1.2%	1.4%	3.4%	3.5%
Dallas	-1.3%	1.3%	4.3%	2.0%
Charlotte	-1.6%	1.6%	3.6%	4.1%
Nashville	-2.2%	1.0%	3.8%	4.4%
San Francisco	-2.2%	1.1%	2.2%	2.4%
Seattle	-2.3%	1.2%	3.2%	2.3%
Atlanta	-3.0%	-1.7%	2.3%	3.1%
Orlando	-3.1%	-0.9%	3.0%	4.0%
Las Vegas	-3.2%	0.5%	4.2%	1.1%
Raleigh	-3.3%	2.3%	3.2%	4.0%
Portland	-3.6%	-0.9%	2.7%	2.3%
Phoenix	-3.7%	-2.6%	2.1%	3.7%
Austin	-5.6%	-2.1%	3.6%	4.9%

Source: Yardi Matrix

Occupancy & Asset Classes

Occupancy—All Asset Classes by Month



Source: Yardi Matrix

Year-Over-Year Rent Growth, Other Markets

Market	November 2023		
	Overall	**Lifestyle**	**Renter-by-Necessity**
Bridgeport–New Haven	4.9%	2.9%	6.6%
Milwaukee	4.4%	4.0%	4.4%
Cincinnati	4.4%	0.3%	5.8%
Louisville	4.2%	3.1%	4.7%
Cleveland–Akron	3.1%	0.3%	3.6%
St Louis	2.9%	0.0%	4.0%
Albuquerque	2.9%	0.7%	4.3%
Charleston	2.5%	0.5%	5.0%
Orange County	2.2%	1.7%	2.7%
Winston-Salem–Greensboro	1.6%	1.1%	2.0%
Richmond–Tidewater	1.3%	0.2%	2.0%
Central Valley	1.2%	1.2%	1.3%
Greenville	0.9%	-1.4%	3.1%
Sacramento	-0.6%	-0.8%	-0.6%
Inland Empire	-0.7%	-2.5%	1.1%
North Central Florida	-0.9%	-1.6%	-0.2%
San Antonio	-2.1%	-3.6%	0.2%
Salt Lake City	-2.2%	-2.6%	-2.0%
Colorado Springs	-2.3%	-0.8%	-4.0%
San Jose	-2.3%	-3.7%	-0.4%
Jacksonville	-3.2%	-4.2%	-1.6%
Southwest Florida Coast	-3.8%	-5.8%	0.8%

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.

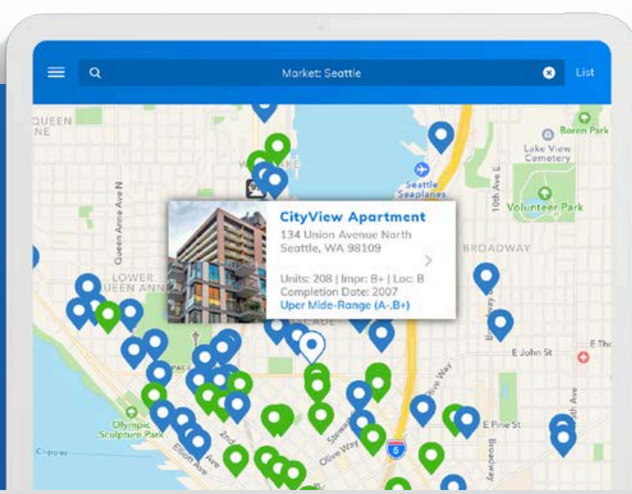
To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.

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.**

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