Yardi Matrix

National Multifamily Report

March 2024

Solid Rise for Multifamily Rents in March

- U.S. multifamily rents in March recorded their largest gain in 20 months, signaling a normal seasonal growth pattern. The average U.S. asking rent rose $8 during the month to $1,721, while year-over-year growth increased by 30 basis points to 0.9%.
- While 13 of the metros in the Matrix top 30 have had negative rent growth over the past year, the situation is improving. Only four metros recorded negative rent growth over the first quarter and only two were negative in March.
- Single-family rents also had a good month, increasing by $9 in March to $2,144. However, the year-over-year growth rate fell 20 basis points to 1.2%. Similar to multifamily, high-supply markets including Austin, Orlando, Phoenix and Dallas have seen rent growth soften.

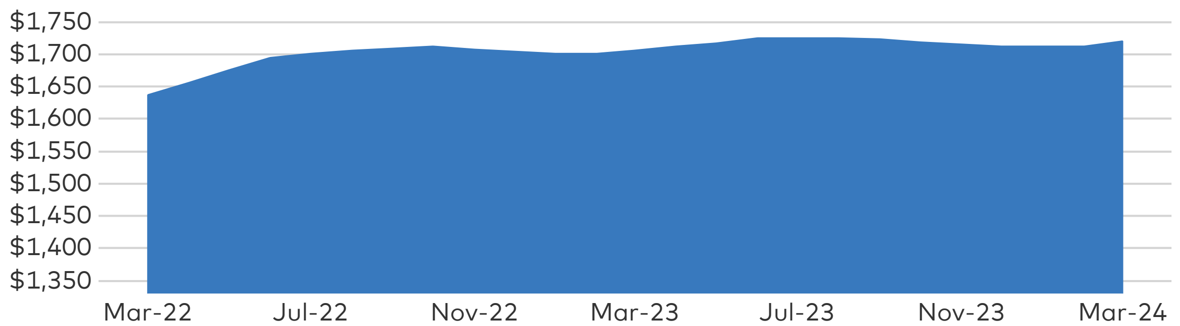
March's multifamily data should provide some level of comfort for the many market observers worried about the sector's performance this year owing to slowing economic growth or the robust supply pipeline. Not only did the average U.S. rent increase by $8 for the month but it appears that normal seasonal patterns are returning after several years of unconventional performance that started with the pandemic lockdowns in the spring of 2020. The 0.5% growth for the month and first quarter are in line with the 0.6% average for March and the first quarter in the five years preceding 2020.

Multifamily's March performance demonstrates resilience in the face of challenges. Demand remains healthy as the economy continues to churn out jobs, with household growth boosted by strong wage growth and immigration. Midwest markets continue to pack the top of the rent growth rankings, benefiting from affordable prices and the rebound in manufacturing and industrial spending as U.S. policy starts to reduce its dependence on China. Examples include Columbus (4.5% year-over-year), Kansas City (3.7%) and Indianapolis (3.5%), which trailed only New York City (5.0%) in the top 30 for the month.

Also a good sign is that rents are rising again even in markets where occupancy rates are declining due to the heavy supply growth. For example, rents rose an average 1.4% in March in Orlando, where total stock has increased by more than 4% over the last 12 months. Another example is Charlotte, where rents increased by 1.3% in March although total supply has grown 5.5% in the last year.

While one month of data doesn't constitute a trend and rent growth likely will remain constrained due to affordability and new supply, the tone early in 2024 is encouraging.

National Average Rents



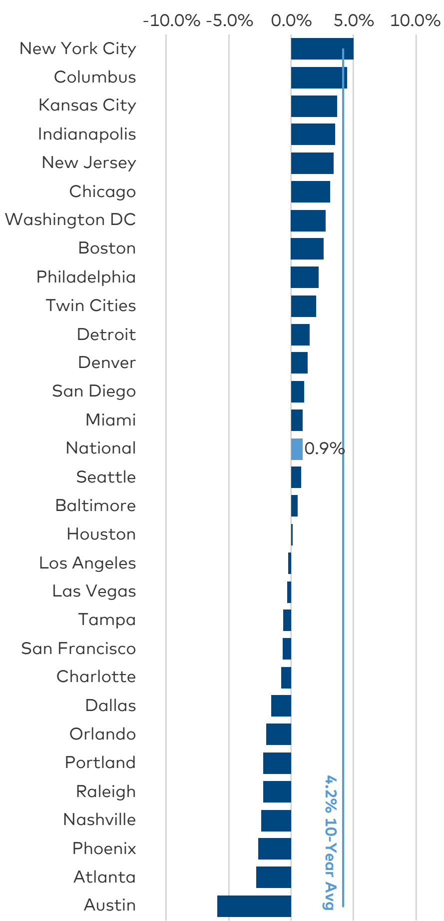
National averages include 140 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by Yardi Matrix.

Year-Over-Year Rent Growth: Intense Rent Declines Grow Rare

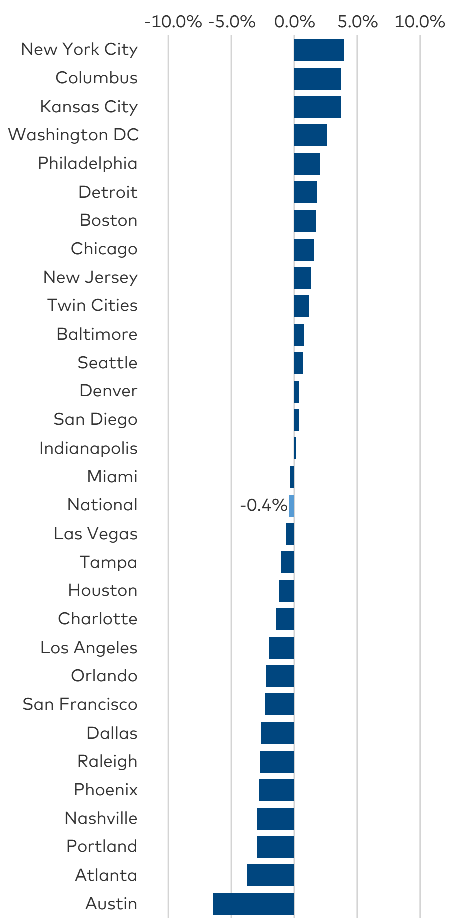
- The national average asking rent rose to $1,721 in March, with the year-over-year growth rate increasing to 0.9%. Markets in the Midwest and Northeast remain atop the Matrix top 30 metro rankings, led by New York City (5.0% year-over-year), Columbus (4.5%), Kansas City (3.7%), Indianapolis (3.5%) and New Jersey (3.4%). Negative rent growth is slowing for a number of metros that were recording signficant rent declines for the last several months, as Austin (-5.9%) is the only metro in Matrix's top 30 markets that is down by 3.0% or more year-over-year. Austin continues to contend with a high volume of deliveries.

- The national occupancy rate was 94.5% in February, down 10 basis points from the previous month, and has been persistently below 95.0% since June of last year. San Francisco (0.1%) was the only metro to record a year-over-year increase in occupancy rate. Meanwhile, 21 metros are down by 0.5% or more, with Atlanta and Indianapolis posting the largest declines (both down 1.2%).

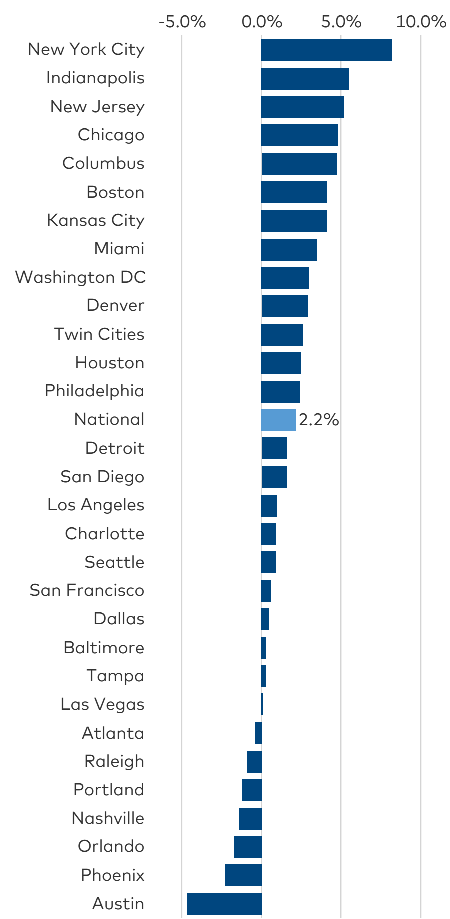
Year-Over-Year Rent Growth— All Asset Classes



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: Both Lifestyle and RBN See Gains

- U.S. rents rose in March, with several metros posting considerable gains.

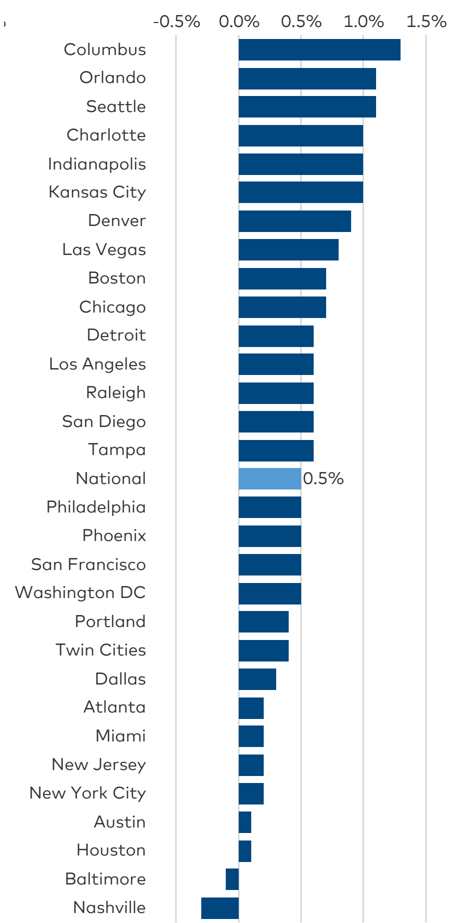
- Rents rose 0.5% month-over-month in both the Renter-by-Necessity and the luxury Lifestyle segment.

Overall, monthly rent gains were led by Columbus (1.3%), Orlando and Seattle (both 1.1%). Meanwhile, Nashville (-0.3%) and Baltimore (-0.1%) were the only metros to post declines.

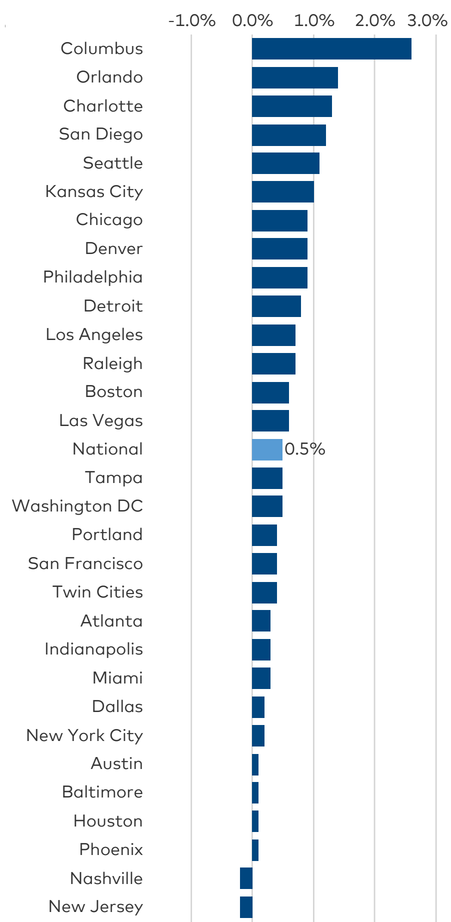
Rent growth was negative in just two of the top 30 metros in Lifestyle and three of the top 30 in RBN, but these declines were modest, as no metro recorded a decline of 0.5% or more in either category. In contrast, rent increases were sizeable for a number of metros, with six seeing an increase of 1.0% or more in Lifestyle and five in RBN.

While rents are quickly on the rise, occupancy continues to drop, which implies the presence of new household formations and a strong job market supplying the income for rent. All Matrix top 30 metros have posted positive year-over-year job growth numbers, while all but three (San Francisco, Seattle and New York City) have seen their year-over-year occupancies fall.

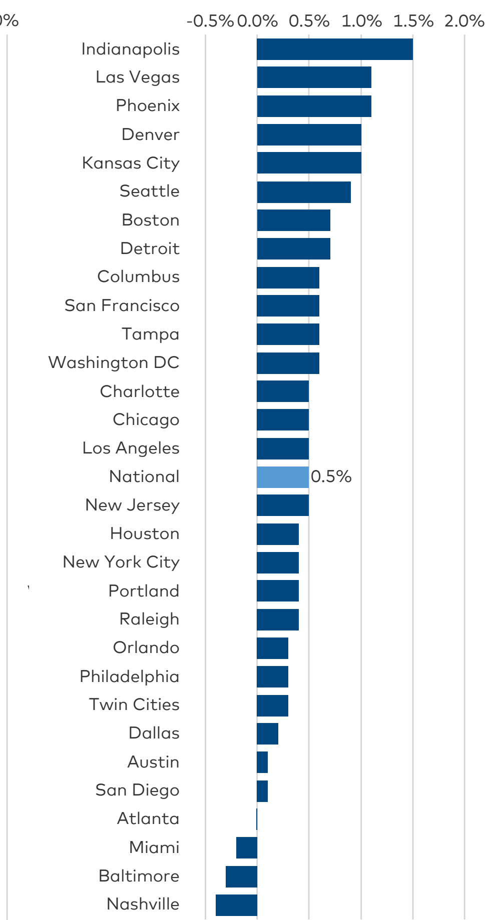
Month-Over-Month Rent Growth— All Asset Classes



Month-Over-Month Rent Growth— Lifestyle Asset Class



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



Source: Yardi Matrix

Transacted Rents: Renewal Rents Continue to Fall

- Renewal rent growth once again decelerated in January, to 4.6%. Renewal rents, the change for residents that are rolling over existing leases, has been down every month since May of last year and down 370 basis points from May's peak. Indianapolis had the highest renewal rent growth (8.0%), followed by San Diego (7.8%) and Orlando (7.7%). Only two metros had negative renewal rent growth, Las Vegas (-2.0%) and Austin (-1.5%)—which is consistent with the year-over-year declines in asking rents in these metros, as well.

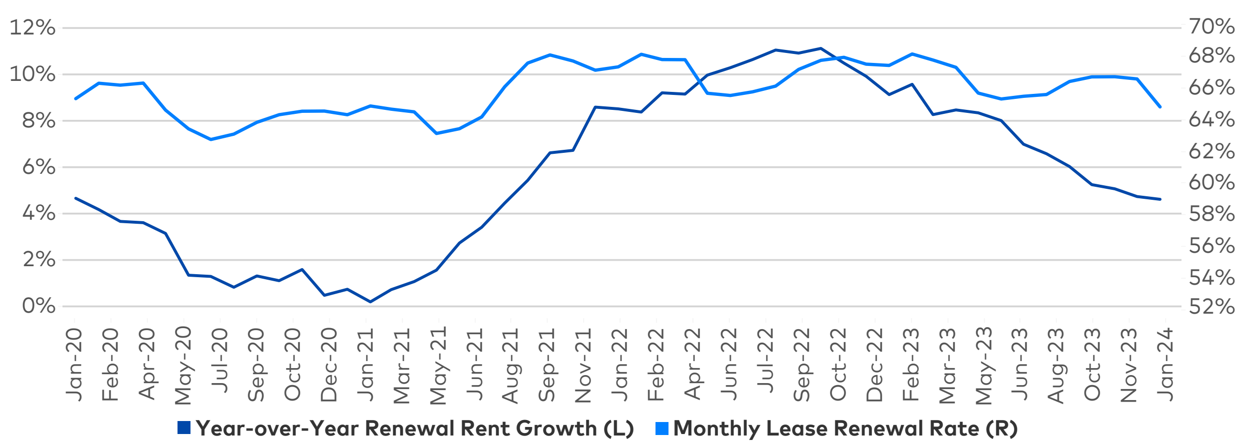
- The national lease renewal rate averaged 64.8% in January, the first time that the rate has fallen below 65.0% in more than two years. Indeed, this drop is exceptional, as the rate had settled in a range between 65.2% and 68.0% for the last 10 months. Lease renewal rates were highest in New Jersey (82.6%) and lowest in San Francisco (53.5%).

Market	YoY Renewal Rent Growth	Monthly Lease Renewal Rate
Indianapolis	8.0%	67.4%
San Diego	7.8%	59.7%
Orlando	7.7%	65.4%
Kansas City	7.6%	69.0%
Miami Metro	7.5%	70.4%
Boston	6.9%	65.4%
Tampa	6.8%	63.4%
Philadelphia	6.7%	77.4%
Detroit	6.6%	69.4%
Columbus	5.9%	69.1%
Charlotte	5.5%	64.0%
New Jersey	5.4%	82.6%
Seattle	4.6%	62.8%
Washington DC	4.6%	60.8%
Denver	4.6%	62.5%

Market	YoY Renewal Rent Growth	Monthly Lease Renewal Rate
Portland	4.2%	62.4%
Chicago	4.0%	65.2%
Nashville	3.7%	60.0%
Atlanta	3.7%	64.3%
Raleigh	3.6%	64.8%
Los Angeles	3.2%	57.6%
Dallas–Ft. Worth	3.1%	61.4%
Baltimore	2.6%	68.1%
Houston	2.1%	66.5%
New York City	2.0%	59.1%
Twin Cities	1.6%	62.8%
San Francisco	1.3%	53.5%
Phoenix	0.1%	60.9%
Austin	-1.5%	58.2%
Las Vegas	-2.0%	61.9%

Source: Yardi Matrix Expert, data as of January 2024

National Lease Renewals and Renewal Rent Growth



Source: Yardi Matrix Expert

Supply, Demand and Demographics: Distress Delayed as Borrowers Extend

- Sharply higher mortgage rates since 2022 have made refinancing low-coupon loans problematic.
- So far, distress has been slow to arrive, as deliquency rates remain low and lenders negotiate extensions with borrowers.
- Loan structures that reduce coupons below 6% and/or give borrowers prepayment flexibility are popular at the moment.

The potential for distress has been highly scrutinized ever since the Federal Reserve pushed interest rates up by more than 500 basis points starting in the spring of 2022. After a decade of low-coupon mortgages, property owners face rising debt-service payments and less leverage at reduced property values.

There is no shortage of maturities. In Yardi Matrix's database of 58,000 multifamily loans totaling $1.1 trillion, loans on 6,800 properties totaling nearly $150 billion are set to mature by the end of 2025, and $525 billion will mature through the end of 2029. That situation has led to forecasts that the market faces a wave of defaults and may even result in potential bank failures.

Yet distress has been slow to arrive. The 30-day delinquency rate for the $1 trillion of loans held by Fannie Mae and Freddie Mac, the largest multifamily lenders, was less than 0.50% as of the end of 2023, while commercial banks were about 1.0%. The CMBS multifamily delinquency rate was higher, but still only 1.8% as of February 2024, per Trepp. Community banks have the most stress, primarily because some have high exposure to construction and other CRE loans.

While there have been a handful of high-profile defaults on portfolios in markets such as San Francisco, which was hit hard by out-migration during the pandemic and continues to struggle, lenders have been quick to extend loans with borrowers who are willing to pay down some of the loan balance or add extra reserves. The result not only avoids defaults but also reduces origination volume. Fannie and Freddie issued only $23.4 billion of loans through mid-March, per the CRE Finance Council, suggesting combined annual originations of about $100 billion. The two agencies have authorization to write up to $70 billion apiece for the year. They are likely to focus on mission-driven loans on affordable and "green" projects.

Mortgage rates have come down 75-100 basis points since peaking last fall, which is helpful. Loan coupons now start below 6% for stable assets with low leverage. Because many borrowers expect interest rates to go down further over the next two years, few want to lock in long-term loans at current rates that start in the low 6% range. The GSEs have traditionally focused on long-term loans, but now borrowers are demanding fixed-rate loans with five-year terms that give them prepayment flexibility. CMBS, a bit player in multifamily lending for years, is gaining traction with a product that allows borrowers to reduce the coupon rate by paying a percentage of the balance as a fee. While multifamily distress no doubt will tick up, the trendline overall is positive.

Single-Family Build-to-Rent Segment: SFR Has Capital Challenges as Fundamentals Stay Strong

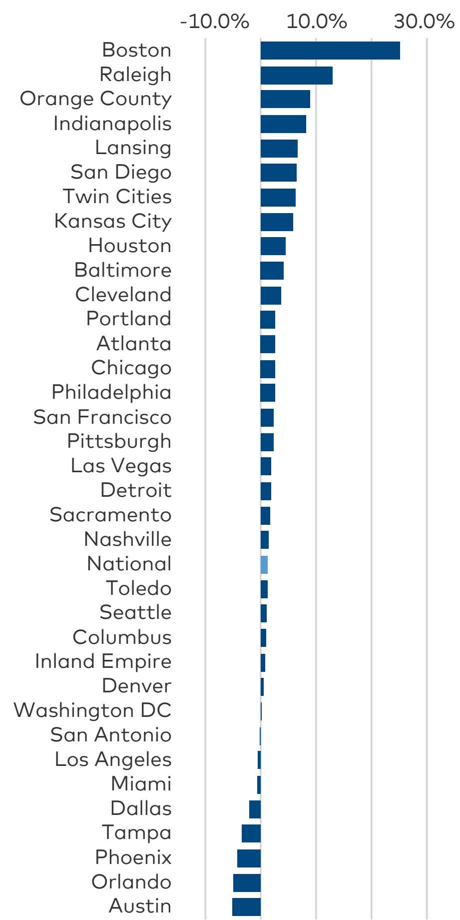
- Nationally, asking rates for single-family rentals rose $9 in March to $2,144, while year-over-year growth fell 20 basis points to 1.2%.
- U.S. SFR occupancy rates softened slightly in February, falling by 10 basis points to 95.3%.

The tone at the recent IMN Build-to-Rent Forum in Nashville was largely positive, although the segment faces challenges. Panelists noted that fundamentals are healthy, driven by strong demand for single-family homes, while home sales remain weak and the cost of buying has become prohibitive for many families. The median home mortgage payment is about 40% higher than the median rent in the U.S.

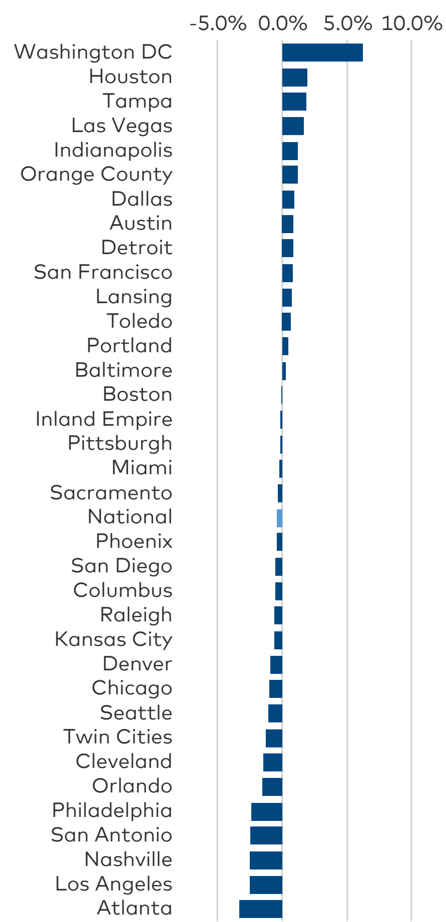
Yet the capital side of the equation remains problematic, as the high cost of capital has largely eliminated scattered-site acquisitions and reduced investors' return expectations. Despite that, SFR distress is rare, as occupancy rates and rents are still high.

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 February 2024

Market	All Units	Lifestyle Units	Renter-by-Necessity Units
Central New Jersey	35.6%	31.1%	37.4%
Washington DC	34.1%	31.3%	35.8%
San Diego	33.0%	30.7%	38.6%
Baltimore	32.7%	30.5%	33.9%
Denver	32.6%	30.2%	36.4%
Los Angeles	32.0%	29.6%	34.6%
Orlando	31.8%	31.0%	33.0%
Tampa	31.6%	30.2%	33.3%
Portland	31.2%	28.1%	36.6%
Miami	31.1%	29.0%	37.7%
Philadelphia	30.2%	27.0%	31.8%
Nashville	30.0%	28.4%	31.5%
San Francisco	29.7%	25.4%	34.5%
Boston	29.7%	27.6%	34.7%
Chicago	29.4%	26.3%	31.4%
Atlanta	29.1%	28.3%	30.8%
New York	29.1%	27.7%	31.6%
Las Vegas	28.6%	28.1%	30.0%
Phoenix	28.5%	27.3%	30.1%
Charlotte	28.4%	27.7%	29.9%
Seattle	28.3%	26.1%	32.2%
Twin Cities	28.0%	25.9%	30.0%
Houston	28.0%	26.0%	31.2%
Dallas	27.6%	26.6%	29.6%
Columbus	27.6%	25.1%	28.5%
Raleigh	27.4%	26.7%	29.3%
Austin	27.3%	26.7%	29.3%
Detroit	26.8%	23.3%	27.2%
Indianapolis	26.7%	24.6%	28.2%
Northern New Jersey	26.4%	24.5%	30.8%
Kansas City	25.4%	23.9%	26.8%

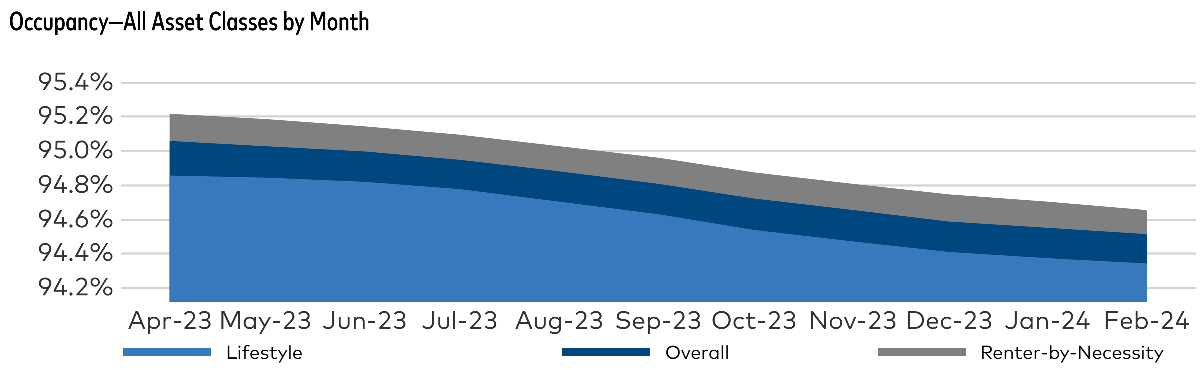
Rent-to-Income ratios sorted by all units, highest to lowest. Source: Yardi Systems Screening Data
The Yardi Matrix data service covers rent-to-income ratios monthly back to January 2019 for 112 markets broken out by property type

Employment and Supply Trends; Forecast Rent Growth

Market	YoY Rent Growth as of Mar - 24	Forecast Rent Growth as of 03/01/24 for YE 2024	YoY Job Growth (6-mo. moving avg.) as of Dec - 23	Completions as % of Total Stock as of Mar - 24
New York City	5.0%	3.1%	1.8%	1.1%
Columbus	4.5%	3.2%	0.6%	3.1%
Kansas City	3.7%	2.7%	1.9%	2.1%
Indianapolis	3.5%	2.4%	2.5%	1.8%
New Jersey	3.4%	2.9%	2.0%	3.0%
Chicago	3.1%	1.3%	1.1%	1.6%
Washington DC	2.8%	1.6%	1.6%	2.1%
Boston	2.6%	1.4%	2.4%	1.9%
Philadelphia	2.2%	1.5%	2.8%	1.5%
Twin Cities	2.0%	1.4%	1.5%	3.7%
Detroit	1.5%	1.4%	0.4%	1.1%
Denver	1.3%	0.5%	0.3%	3.3%
San Diego	1.0%	0.8%	1.8%	1.5%
Miami Metro	0.9%	1.1%	2.7%	4.6%
Seattle	0.8%	0.2%	2.3%	3.3%
Baltimore	0.5%	0.6%	1.3%	1.3%
Houston	0.1%	1.5%	2.5%	2.6%
Los Angeles	-0.2%	0.4%	2.0%	2.5%
Las Vegas	-0.3%	-0.4%	4.1%	1.4%
Tampa	-0.6%	-0.4%	2.4%	3.1%
San Francisco	-0.7%	-0.9%	1.8%	2.7%
Charlotte	-0.8%	0.1%	3.1%	5.5%
Dallas	-1.6%	-1.0%	3.7%	2.6%
Orlando	-2.0%	-1.5%	2.2%	4.2%
Raleigh	-2.2%	-0.6%	3.7%	5.0%
Portland	-2.2%	-1.6%	2.1%	3.1%
Nashville	-2.4%	-0.6%	2.7%	4.8%
Phoenix	-2.6%	-1.4%	1.9%	3.4%
Atlanta	-2.8%	-0.9%	2.2%	3.4%
Austin	-5.9%	-3.5%	2.8%	5.0%

Source: Yardi Matrix

Occupancy & Asset Classes



Source: Yardi Matrix

Year-Over-Year Rent Growth, Other Markets

Market	March 2024		
	Overall	Lifestyle	Renter-by-Necessity
Louisville	5.0%	1.7%	6.9%
Milwaukee	4.6%	3.6%	5.4%
Bridgeport - New Haven	3.9%	1.8%	5.8%
Cincinnati	3.8%	0.6%	5.1%
St Louis	3.1%	0.0%	4.5%
Richmond - Tidewater	2.8%	2.3%	3.2%
Winston-Salem - Greensboro	2.5%	2.9%	1.9%
Charleston	2.5%	0.8%	4.5%
Albuquerque	2.2%	1.4%	2.8%
Orange County	2.2%	1.9%	2.5%
Cleveland - Akron	2.0%	-2.0%	3.2%
Central Valley	2.0%	1.0%	2.3%
Greenville	1.2%	0.1%	2.2%
Sacramento	0.6%	1.6%	0.0%
San Jose	0.6%	-0.1%	1.3%
Inland Empire	-0.4%	-1.0%	0.3%
Colorado Springs	-0.9%	-0.2%	-1.7%
Salt Lake City	-1.1%	-2.1%	-0.4%
North Central Florida	-1.7%	-2.9%	-0.8%
San Antonio	-1.9%	-2.9%	-0.7%
Jacksonville	-3.6%	-4.1%	-2.6%
Southwest Florida Coast	-5.9%	-6.9%	-3.0%

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.

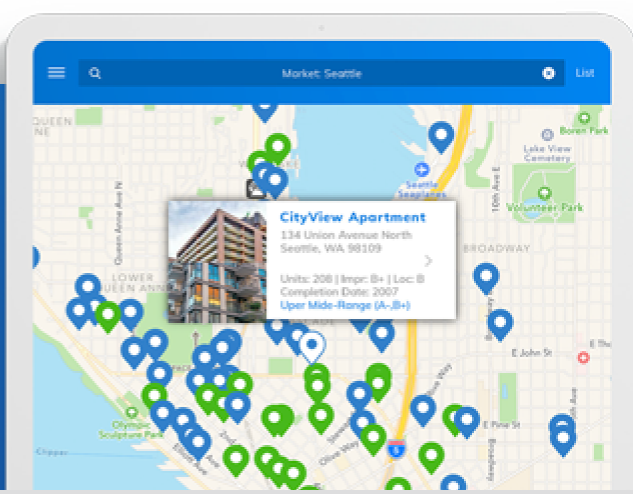
To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.

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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