National Multifamily Report

August 2020

Editorial Note

We have, for more than five years, published these reports monthly with no reference to our proprietary Matrix expert data set (which is drawn from the data run through the Yardi software operating platforms), as the surveyed and transactional data sets were broadly consistent.

However, over the last three months, a significant variance in occupancy has emerged in Manhattan, Chicago, San Francisco, Los Angeles and Miami. The transaction-based data is showing occupancy ~4% lower than our publicly reported postal delivery data-based method. In the case of Manhattan, its occupancy is significantly worse. I believe it our duty, so as not to mislead the investment community, to make you aware of this variance.

Jeff Adler

Secondary Markets Outperform Primary Markets

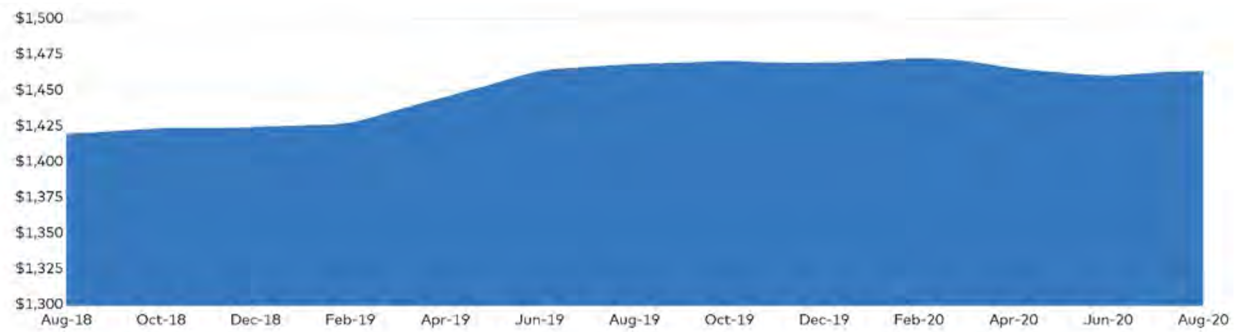
- Multifamily rents increased by $1 in August, to $1,463, the second consecutive month of overall growth since the pandemic began in March. However, on a year-over-year basis national rents declined by 0.3%, unchanged from July.
- The Lifestyle asset class continues to be hit the hardest, with 22 of the top 30 markets experiencing negative rent growth in August. The Renter-by-Necessity asset class has held up well since the beginning of the pandemic, with only eight of the top 30 markets experiencing negative rent growth in August and with national RBN rents increasing by 1.0%.
- Another one million Americans filed for unemployment in the week ending August 22. With the expiration of the additional unemployment benefits, many Americans are struggling.

Millions of Americans are still unemployed, and with only minimal additional unemployment benefits currently forthcoming, the multifamily industry remains cautious on collections in the coming months. According to the National Multifamily Housing Council's Rent Payment Tracker, 92.1% of apartment households made a full or partial rent payment by August 27—a 1.9 percentage point decline from August 2019 and a 1.2 percentage point decline from July 2020. Collections have yet to decline a material amount, but if unemployed Americans are left without additional stimulus in the coming months, we could see a different story play out in the fall and winter months.

On a year-over-year basis, national rents declined by 0.3%. But that is not to say that all markets are performing poorly. Out of our 132 Matrix markets, 108 performed better than the national average in August, leading to the conclusion that the larger markets, with significant rent declines, are pulling down the national average.

Of our top 30 markets, the best performer, Indianapolis, had 3.5% year-over-year rent growth in August. Comparing the best market in the top 30 to the other Matrix markets, there are 16 secondary markets that performed significantly better on a year-over-year basis than Indianapolis. Topping the list are Huntsville (5.7%), Boise (5.1%), Fort Wayne (5.0%), Portland, Maine (4.9%) and Grand Rapids (4.4%). These markets have benefited from lower population densities, affordable housing and the ability to attract tech talent. Prior to the pandemic, we were closely watching Huntsville and Boise, as we think they have all the characteristics to be included in the next set of tech hub markets. Since COVID-19, employment has declined in each of these metros, but both are still outperforming the national unemployment rate, at 6.0% in each market, compared to the national unemployment rate of 10.2%.

National Average Rents



National averages include 132 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by YardiMatrix.

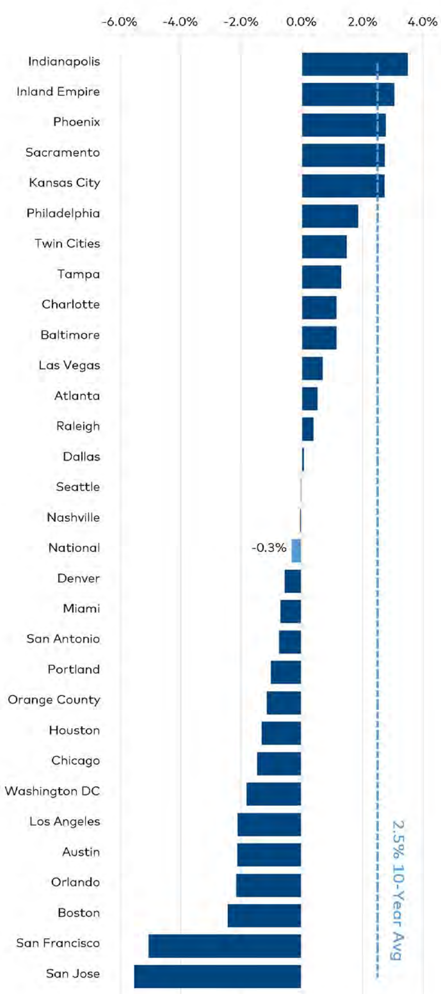
Year-Over-Year Rent Growth:
San Francisco & Bay Area Continue Downward Spiral

- Rents decreased 0.3% in August on a year-over-year basis, unchanged from July. Of the top 30 markets, year-over-year rent growth is negative in 16 markets, a slight improvement from the 17 negative markets in July, with Raleigh (0.4%) flipping positive in August.

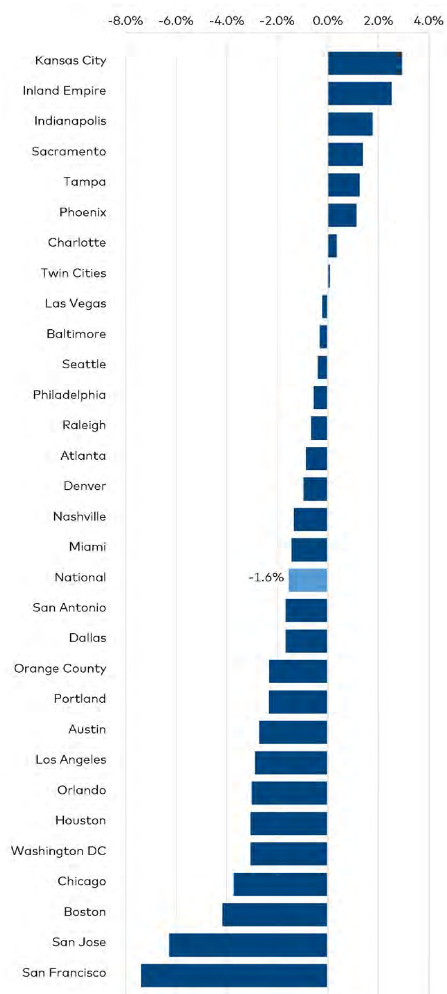
- The three markets with the largest year-over-year rent declines remained unchanged from July: San Jose (-5.5%), San Francisco (-5.1%) and Boston (-2.5%). Rents in San Jose and San Francisco have continued to deteriorate rapidly since March, while rents in Boston have remained steady. Since March, overall rents have declined by $143 in San Jose and $97 in San Francisco.

- Lifestyle rents declined by 1.3% on a year-over-year basis in August, with 22 of the top 30 markets experiencing negative rent growth. On the other hand, the Renter-by-Necessity asset class is still holding strong, with only eight of the top 30 markets experiencing negative rent growth.

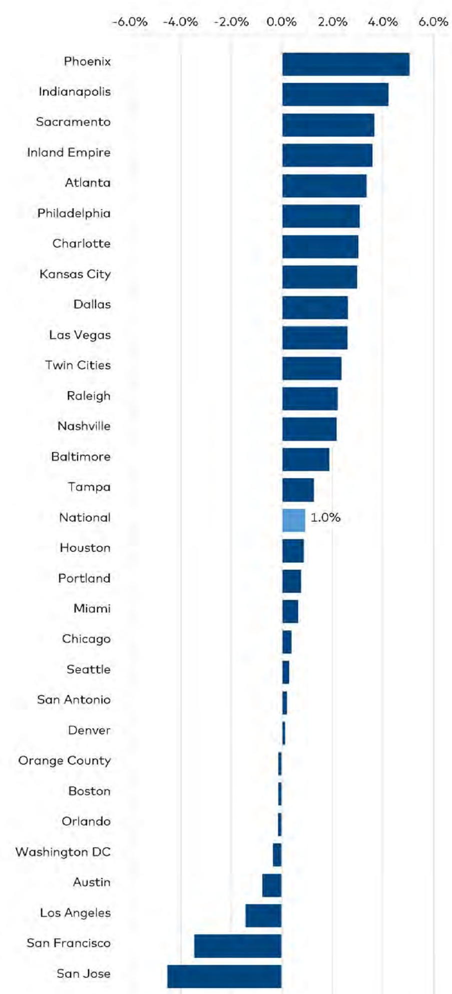
**Year-Over-Year Rent Growth—
All Asset Classes**



**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: Southern California Outperforms Northern California

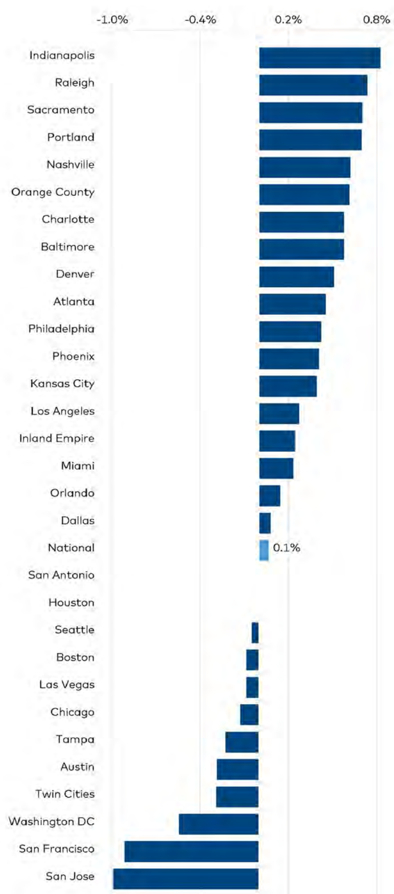
- Rents increased 10 basis points on a month-over-month (MoM) basis in August, unchanged from July.
- Of the top 30 markets, MoM rent growth is negative in 10, an improvement from 13 negative markets in July and 19 in June.

Rents increased 10 basis points nationally on a month-over-month basis, the second month in a row with a positive MoM number since the start of the pandemic. Nationwide, rents increased $1 to $1,463.

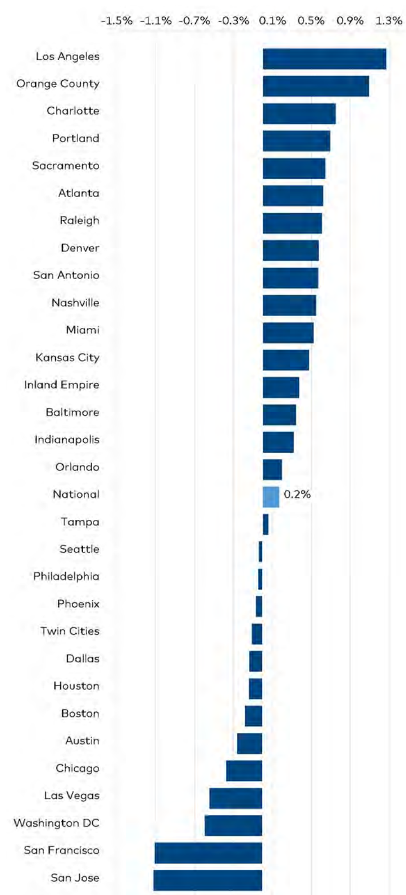
San Jose (-1.0%) and San Francisco (-0.9%) led the way with the sharpest overall MoM declines, along with the sharpest MoM declines in the Lifestyle and Renter-by-Necessity asset classes. On the flip side, Southern California markets are outperforming. Los Angeles (0.3%) and Orange County (0.6%) turned positive in August on a MoM basis and performed the best among the top 30 markets in the Lifestyle asset class, with Los Angeles Lifestyle MoM rents increasing by 1.3% and Orange County increasing by 1.1%. Both markets are considered expensive when compared to the rest of the country, but they are a lower-cost alternative to San Francisco and San Jose.

All Texas markets showed improvement in MoM rents, increasing to flat or positive from July.

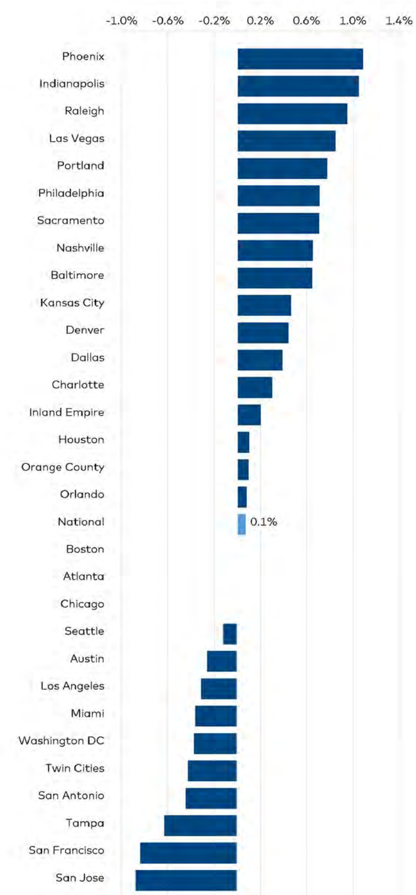
Month-Over-Month Rent Growth—All Asset Classes



Month-Over-Month Rent Growth—Lifestyle Asset Class



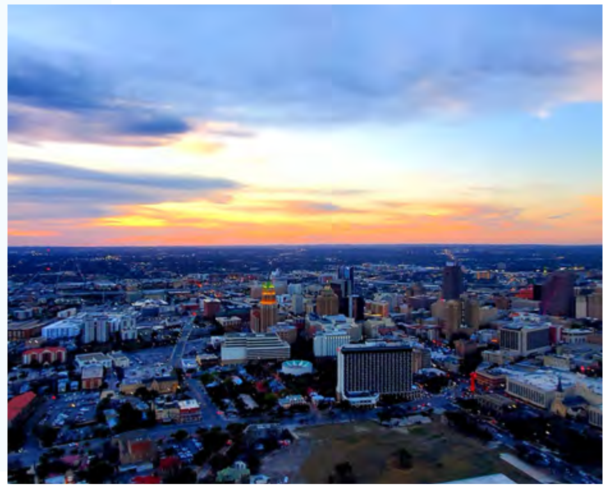
Month-Over-Month Rent Growth—Renter-by-Necessity Asset Class



Source: Yardi Matrix

Employment, Supply and Occupancy Trends; Forecast Rent Growth

- Unemployment claims totaled 1.0 million for the week ending August 22. Weekly jobless claims briefly dipped below one million during the week of August 8, but have held steady above the one million mark since.
- However, since May, employers have added more than nine million workers to payroll. August payroll numbers are expected soon, and economists are projecting another one million jobs will be added. If the rebound in jobs in August is as strong as expected, the unemployment rate could drop below 10% for the first time since the pandemic began.



Tech hubs were some of the best-performing markets prior to the pandemic, driven by educated workforces and generally more affordable housing options than gateway markets. Since the beginning of the pandemic, many tech hub markets have had inconsistent rent growth on a month-over-month basis, with negative rent growth one month and positive the next.

Among the markets that flipped negative on a month-over-month basis in August were Austin (-0.3%), Tampa (-0.2%) and Seattle (-0.1%). Tampa fared the worst, declining 100 basis points in August on a MoM basis. Tampa is one of 12 markets where Lifestyle rent growth is outperforming Renter-by-Necessity rent growth. The Lifestyle asset class in Tampa is likely benefiting from an exodus out of New York, where renters are used to extremely expensive rental prices, causing them to be unfazed by the price of a Lifestyle rental unit in Tampa.

The downward pressure on rents in Austin could be from the large amount of completions in the last few months. As of August, roughly 4% of total stock had been delivered in the past year. Another factor that could be affecting the declining rents in Austin and Tampa is the increasing homeownership rate. The homeownership rate for the second quarter of 2020 was 67.9%, an increase of 3.8 percentage points from the second quarter of 2019 and 2.6 percentage points higher than the first quarter of 2020. With interest rates at all-time lows, many multifamily renters who were thinking about homeownership down the line are speeding up their timelines to take advantage of the low rates.

Tech hub markets that performed better in August than July include Nashville (0.6%), Raleigh (0.7%) and Portland (0.7%). Raleigh made the biggest rebound, with rent growth increasing by 110 basis points in August.

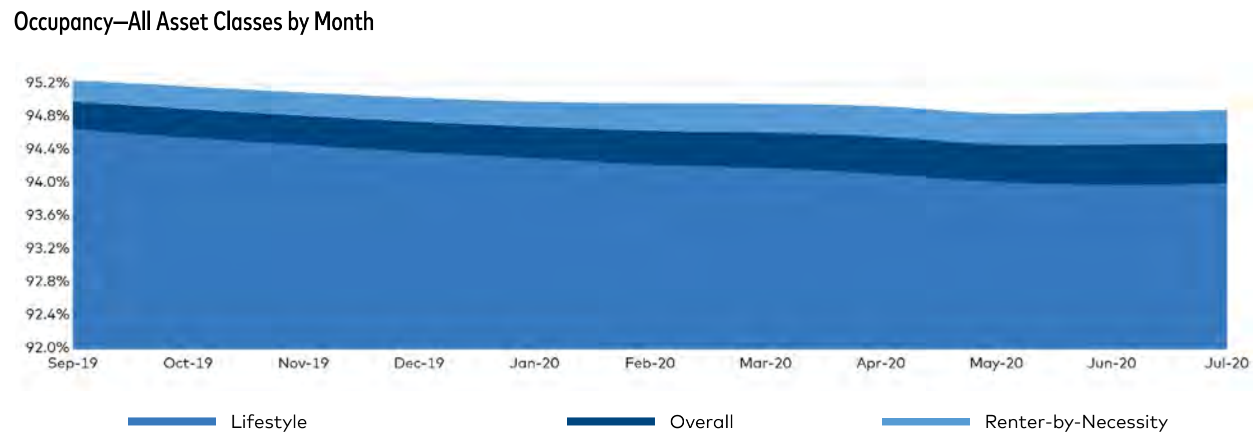
While job growth in Nashville and Raleigh was significantly affected by the COVID-19 pandemic, these two markets fall in the top half of our Matrix top 30 markets for YoY job growth as of June 2020. Job growth in Nashville as of June 2020 was -3.2%, while job growth in Raleigh was -4.8%. While still negative compared to the hardest-hit markets—such as Las Vegas and Boston, where job growth was -9.4% and -7.7%, respectively—Nashville and Raleigh are performing relatively well given the circumstances. Coronavirus cases have been trending downward in Tennessee and North Carolina over the last few weeks, which should help boost job growth in the coming months as more businesses return to normal.

Employment, Supply and Occupancy Trends; Forecast Rent Growth

Market	YoY Rent Growth as of Aug - 20	Forecast Rent Growth (YE 2020)	YoY Job Growth (6-mo. moving avg.) as of Jun - 20	Completions as % of Total Stock as of Aug - 20	Occupancy Rates as of Jul - 19	Occupancy Rates as of Jul - 20
Sacramento	2.8%	1.1%	-5.0%	2.0%	96.3%	95.9%
Inland Empire	3.1%	0.8%	-5.2%	1.6%	96.1%	95.9%
Kansas City	2.7%	0.7%	-3.9%	1.9%	95.0%	94.5%
Tampa	1.3%	0.0%	-2.4%	1.6%	94.9%	94.6%
San Jose	-5.5%	-5.6%	-4.6%	1.6%	95.8%	94.5%
Orlando	-2.2%	-4.7%	-5.3%	2.9%	95.2%	94.0%
Charlotte	1.2%	-4.2%	-4.4%	3.8%	95.1%	94.4%
Las Vegas	0.7%	-4.1%	-9.4%	1.6%	95.2%	94.7%
San Francisco	-5.1%	-3.9%	-6.0%	1.8%	95.8%	94.9%
Orange County	-1.2%	-3.6%	-7.0%	1.2%	96.0%	95.7%
Atlanta	0.5%	-3.6%	-3.2%	1.9%	94.2%	93.8%
Boston	-2.5%	-3.5%	-7.7%	3.4%	96.5%	95.4%
Miami Metro	-0.7%	-3.5%	-4.9%	3.2%	95.0%	94.9%
Portland	-1.0%	-3.2%	-5.1%	2.9%	95.6%	94.7%
Raleigh	0.4%	-2.6%	-4.8%	3.0%	94.7%	94.2%
Denver	-0.6%	-2.5%	-2.8%	5.3%	95.1%	94.2%
Chicago	-1.5%	-2.4%	-5.7%	2.4%	94.6%	93.8%
Phoenix	2.8%	-2.4%	-1.1%	2.7%	95.2%	95.0%
Seattle	-0.1%	-2.4%	-4.9%	2.6%	95.6%	94.7%
Washington DC	-1.8%	-2.4%	-3.8%	2.2%	95.6%	94.8%
Los Angeles	-2.1%	-2.3%	-5.5%	2.0%	96.4%	95.4%
San Antonio	-0.8%	-2.1%	-2.1%	2.3%	93.3%	92.4%
Houston	-1.3%	-1.8%	-2.7%	2.1%	93.0%	92.2%
Nashville	-0.1%	-1.6%	-3.2%	3.4%	95.4%	94.5%
Indianapolis	3.5%	-1.5%	-4.0%	1.0%	94.4%	93.7%
Dallas	0.1%	-1.1%	-1.4%	3.3%	94.4%	93.7%
Twin Cities	1.5%	-0.6%	-5.9%	2.8%	96.9%	96.0%
Austin	-2.1%	-0.4%	-2.0%	3.9%	94.9%	94.0%
Baltimore	1.2%	-0.4%	-5.4%	1.0%	95.0%	94.5%
Philadelphia	1.9%	-0.3%	-6.1%	1.6%	95.7%	95.3%

Source: Yardi Matrix

Occupancy & Asset Classes



Source: Yardi Matrix

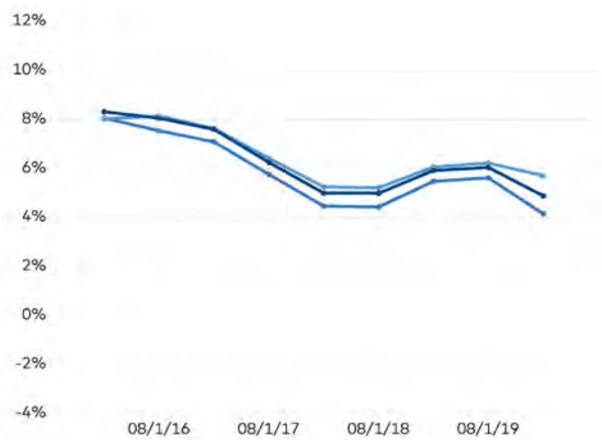
Year-Over-Year Rent Growth, Other Markets

Market	August 2020		
	Overall	Lifestyle	Renter-by-Necessity
Central Valley	4.3%	4.4%	4.4%
NC Triad	3.9%	2.6%	5.5%
Tacoma	3.5%	2.0%	4.8%
Indianapolis	3.5%	1.8%	4.2%
Tucson	3.4%	1.8%	4.2%
Colorado Springs	3.3%	3.2%	3.5%
Central East Texas	2.8%	3.9%	1.9%
Albuquerque	2.7%	1.2%	3.6%
El Paso	2.4%	2.8%	2.3%
Long Island	2.4%	0.0%	3.5%
Louisville	2.4%	0.8%	3.4%
St. Louis	2.4%	1.4%	2.9%
Jacksonville	2.0%	0.9%	3.3%
Reno	1.7%	-0.1%	2.6%
Northern New Jersey	-0.7%	-1.9%	0.5%
Salt Lake City	0.7%	-0.5%	1.4%
SW Florida Coast	-0.5%	-0.8%	0.3%
San Fernando Valley	-0.1%	-1.2%	0.7%
Bridgeport–New Haven	0.1%	-1.4%	1.2%

Source: Yardi Matrix

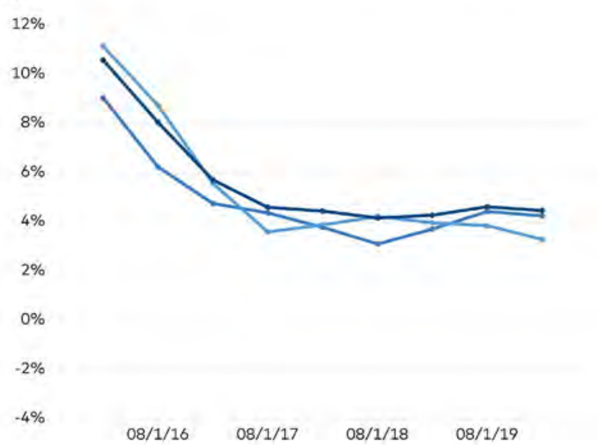
Market Rent Growth by Asset Class

Atlanta

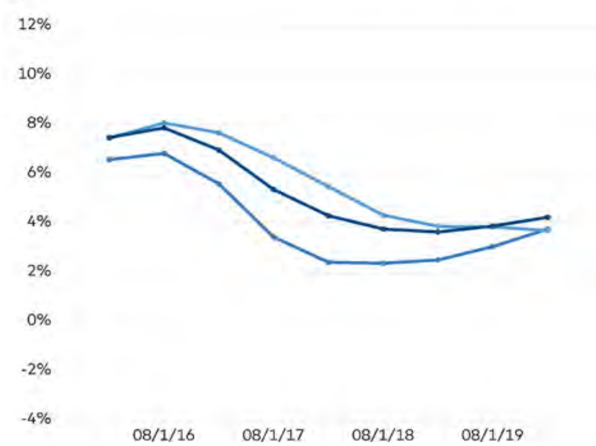


Boston

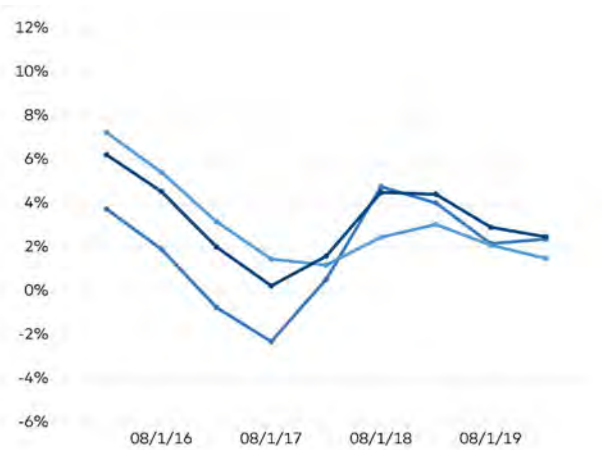
Denver



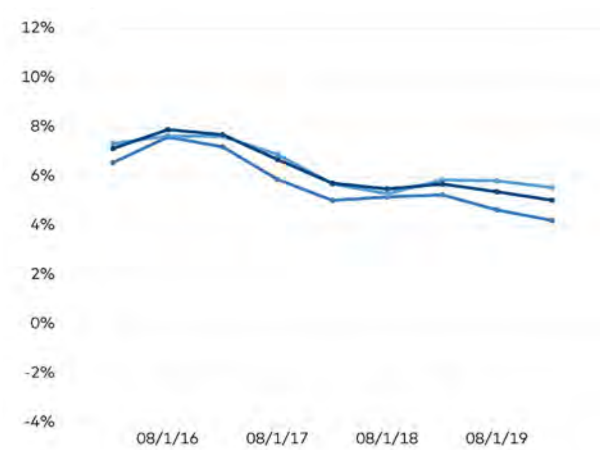
Dallas



Houston



Inland Empire



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

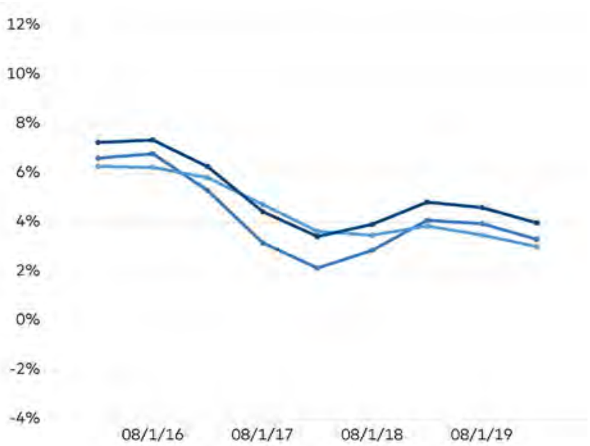
Source: Yardi Matrix

Market Rent Growth by Asset Class

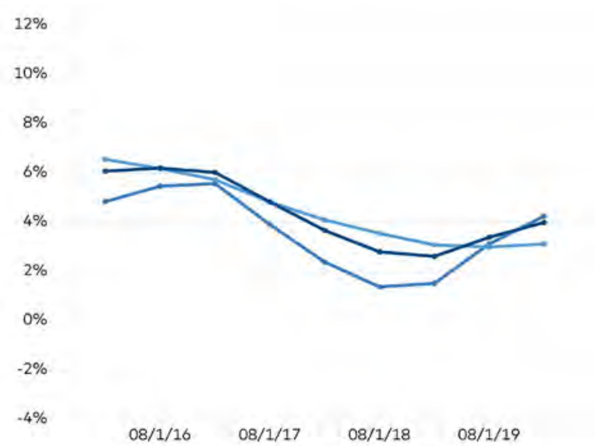
Las Vegas

Los Angeles

Miami



Orange County



Orlando

Phoenix

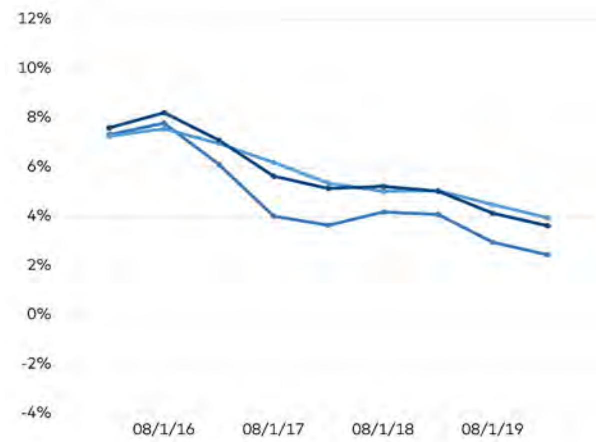
Trailing 12 Months Overall — Trailing 12 Months Lifestyle — Trailing 12 Months Renter-by-Necessity

Source: Yardi Matrix

Market Rent Growth by Asset Class

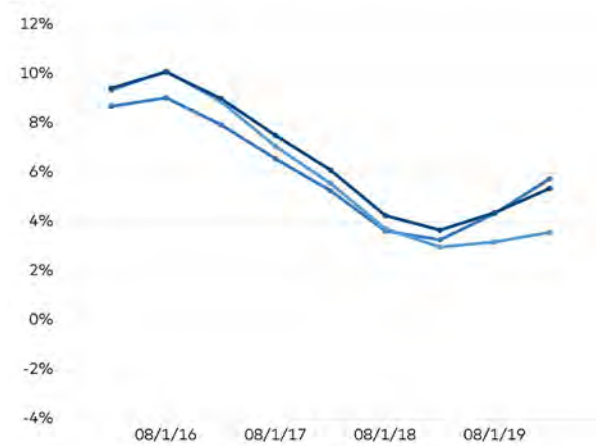
Sacramento

San Diego



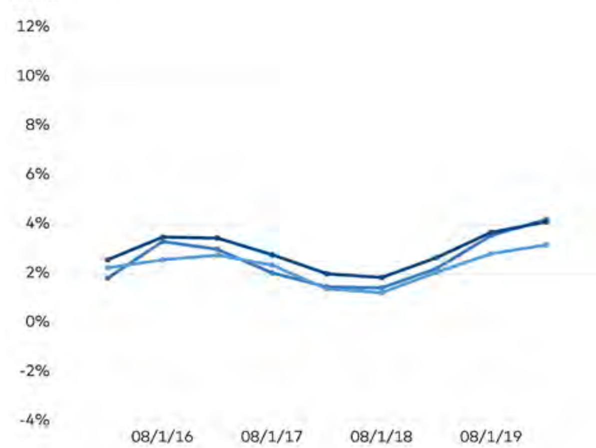
San Francisco

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

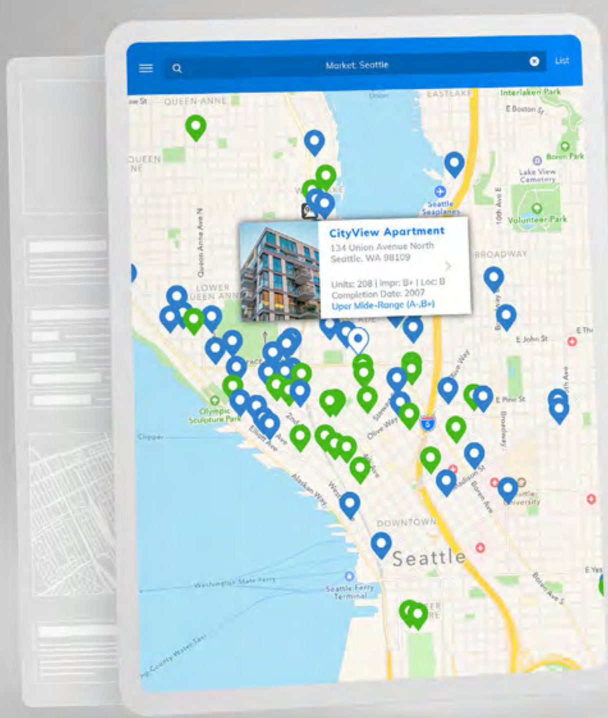
The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

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.

Yardi® Matrix

Power your business with the industry's leading source for originating, pre-underwriting and managing assets for profitable loans and investments.



Yardi Matrix Multifamily provides accurate data on **18+ million units,** covering over **90% of the U.S. population.**

Key features

- Pierce the LLC every time with true ownership and contact info
- Leverage patented improvement and location ratings, unit mix, rental, occupancy and current manager information
- Gain complete new supply pipeline information at the asset, competitive set and market level
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access exclusive aggregated and anonymized residential revenue and expense comps

Get the latest market trends and forecasts at yardimatrix.com/**publications**

(800) 866-1144 | yardimatrix.com/multifamily

YARDI

Contacts

Jeff Adler
Vice President & General Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(800) 303-615-3676

Jack Kern
Director of Research & Publications
Jack.Kern@Yardi.com
(800) 866-1124 x2444

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

Maddie Winship
Senior Research Analyst
Madeline.Winship@Yardi.com
(800) 866-1124 x2115

Chris Nebenzahl
Editorial Director
Chris.Nebenzahl@Yardi.com
(800) 866-1124 x2200

Yardi Matrix