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National Multifamily Report

May 2020



Multifamily Rents Continue on Downward Path

- May rent growth continued its downward trend as many states began to open non-essential businesses. Collections in May continued to be strong despite bleak employment news.
- During what would typically be the middle of prime leasing season, rents declined nationally by 0.3% on a month-over-month basis. The steepest declines in rents on a MoM basis were seen in major gateway markets that were among the first to impose strict lockdowns. Smaller markets are not immune and have seen substantial rent declines on a MoM basis, as well.
- Gateway markets have been among the first to see negative year-over-year rent growth. Washington, D.C., is the only gateway market where rents have not yet turned negative on a YoY basis, but that will likely change in the coming months.

The United States has begun a phased approach to reopening non-essential businesses. However, the economic turmoil caused by the pandemic is far from over. The shape and timing of the recovery continue to be heavily debated, and only time will tell if we will see a "V," "U," "W," "L" or "swoosh" shaped recovery. While many are hoping for a quick recovery, it seems unlikely at this point, absent a rapidly deployed pharmaceutical solution.

May rents continued a downward trend, increasing by 0.8% on a year-over-year basis but declining \$5 from April and \$13 from March. This rapid decline will likely continue through the summer as the nation continues to practice social distancing. As some unemployed slowly return to work in the coming months, the fall could become this year's rental season.

May rent collections continued to be strong, with 93.3% of apartment households paying some form of rent by May 27, according to the National

Multifamily Housing Council. Even with strong collections, rents continue to decline, particularly for the Lifestyle asset class, likely due to some renters downgrading to more affordable apartments or moving in with family or friends. The Renter-by-Necessity asset class stands to outperform the Lifestyle asset class during this downturn, but it will still be impacted, as 22 of the top 30 markets showed MoM declines in the RBN asset class.

With the extra \$600 per week in unemployment benefits set to run out at the end of July, it remains to be seen how renters will fare if the extra assistance is not extended. A decline in collections seems imminent, but as of right now, renters are prioritizing their rent payments.

Many apartment communities have slowly begun reopening, with the question of how to safely reopen amenities like the pool and gym beginning to dominate the conversation.

National Average Rents

