Yardi Matrix

National Multifamily Report

February 2021

Economic Recovery Is Underway

- Multifamily rents declined by 0.1% on a year-over-year basis in February. But while national rent growth was negative this month, year-over-year rents have steadily shifted closer to positive since October. If this trend continues, February could be the last month where we see a national decline.
- Overall rents increased by $3 in February to $1,399. This is the ninth consecutive month where overall rents have increased or remained flat, pointing to signs of recovery.
- Outside of the gateway and top 30 markets, we saw a large pop in month-over-month rents in many secondary and tertiary markets. Out of our 133 markets surveyed this month, 111 had positive MoM rent growth.

The U.S. economic recovery is underway, with many economists projecting close to 6% GDP growth for 2021. Economic activity was boosted in January and February by the passage of a COVID relief bill in December 2020.

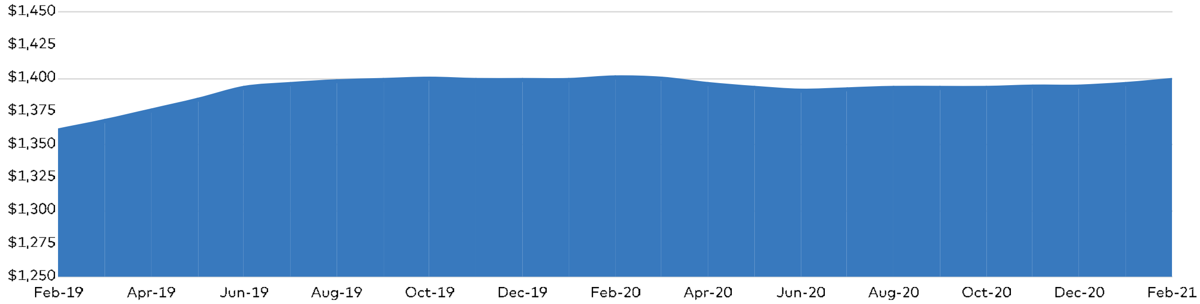
Another $1.9 trillion stimulus bill was just passed that will boost economic activity even further. The newest bill will send $1,400 checks to most Americans, aid schools and colleges in reopening, and provide funding for vaccine distribution, among other things. All of this government stimulus is expected to propel the U.S. to a growth rate that has not been seen in decades, but economists warn to keep an eye on inflation.

The trends that we have been discussing since the beginning of the pandemic continued into February. Lower-cost markets are outperforming, while expensive gateway markets that were the most locked down due to COVID-19 restrictions continue to struggle—although not at the rate we initially saw.

Rents in New York, San Jose and San Francisco (-9.9%) are still down significantly on a year-over-year basis, but their month-over-month declines have tapered from the dramatic declines we saw in the summer and fall.

The Inland Empire (7.6%) and Sacramento (6.4%) continued to hold the top spots for year-over-year rent growth in February. Both markets are also among the top three for occupancy growth. Occupancy in the Inland Empire was up 2.2% on a YoY basis in January, and occupancy in Sacramento was up 1.2% during the same period. While migration and lower costs are at play, other fundamentals like limited new supply contributed to strong rent growth. Both markets only saw 1.6% of existing stock completed in the 12 months ending in February 2021.

National Average Rents

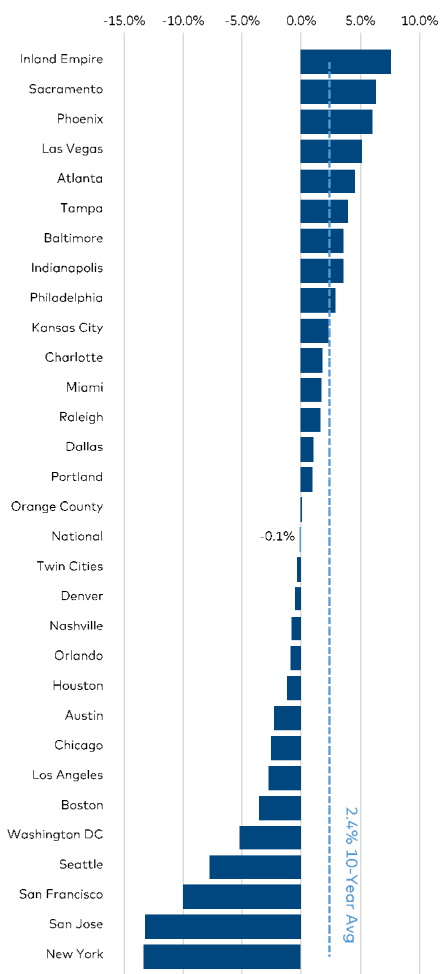


National averages include 132 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by YardiMatrix.

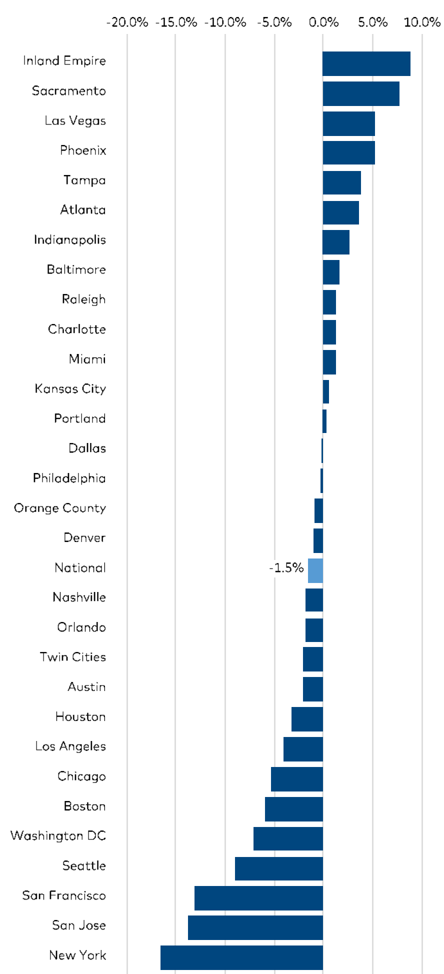
Year-Over-Year Rent Growth: Remote Work Continues to Affect Gateway Markets

- National rents declined 0.1% year-over-year in February, a 10-basis-point improvement from January. On a year-over-year basis, 16 out of our top 30 markets remained flat or had negative rent growth, but the magnitude of the declines continues to improve.
- The rent declines in the gateway markets do not seem to differentiate between Lifestyle and Renter-by-Necessity assets—both classes had rent declines on a YoY basis. Seattle (-7.7% YoY) continued to struggle in February, likely due to tight COVID-19 restrictions and its heavy reliance on tech employment, which has mostly shifted to remote work.
- Surprisingly, Midwest markets continued to perform well on a year-over-year basis. Indianapolis (3.6%) and Kansas City (2.3%) led the Midwest markets for rent growth. Both of these markets are lower cost and have not seen a large influx of new supply.

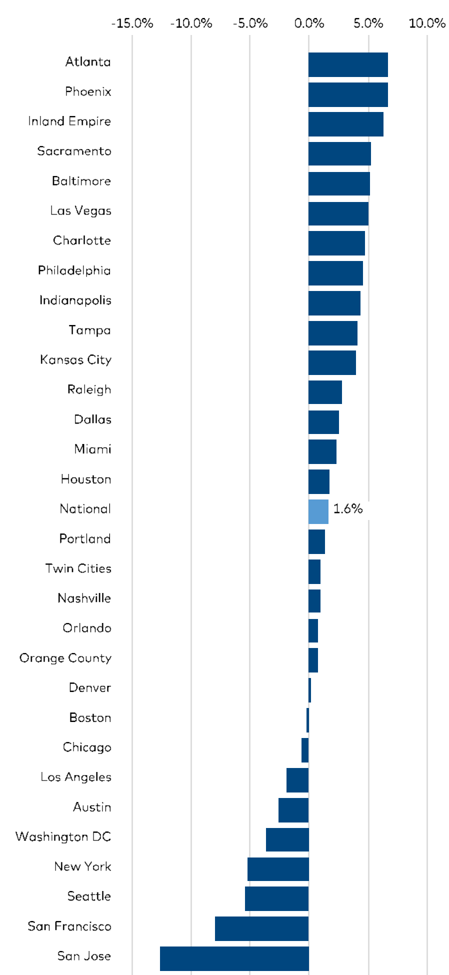
Year-Over-Year Rent Growth—All Asset Classes



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: Spring Leasing Season Expected to Accelerate Rent Growth

- National rents increased by 0.2% month-over-month in February, up 10 basis points from January.
- Phoenix (0.9%) and Miami (0.8%) had the highest short-term rent growth. Miami's increased rents made it the only outlier among the gateway markets.

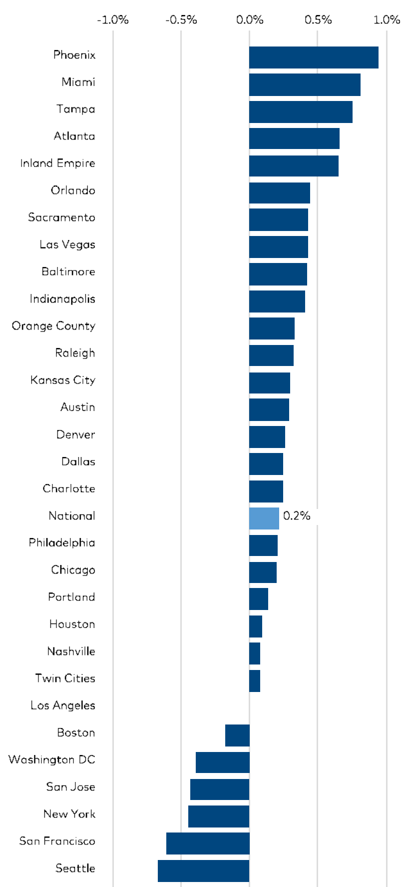
Rents increased by 0.2% on a month-over-month basis in February. Out of our top 30 markets, 23 had positive MoM rent growth. As we head into the springtime, the traditional peak of leasing season, we expect the positive MoM rents to continue and even accelerate, especially as the economy recovers.

The bottom markets for MoM rent growth, San Francisco (-0.8%) and Seattle (-0.7%), continue to feel the pain from remote work, migration and higher costs of living.

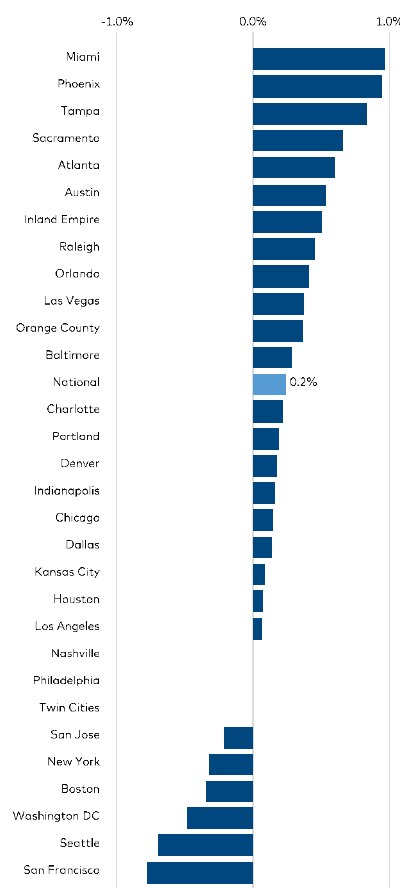
There is little difference between Lifestyle and Renter-by-Necessity rents in the gateway markets, as both are declining. New York, San Jose and Washington, D.C. (all -0.4%) are among the lowest-performing markets on a month-over-month basis.

The opposite is true in some other markets: Phoenix, Miami, Tampa (0.7%) and Atlanta (0.7%) are seeing strong rent gains in both the Lifestyle and Renter-by-Necessity asset classes.

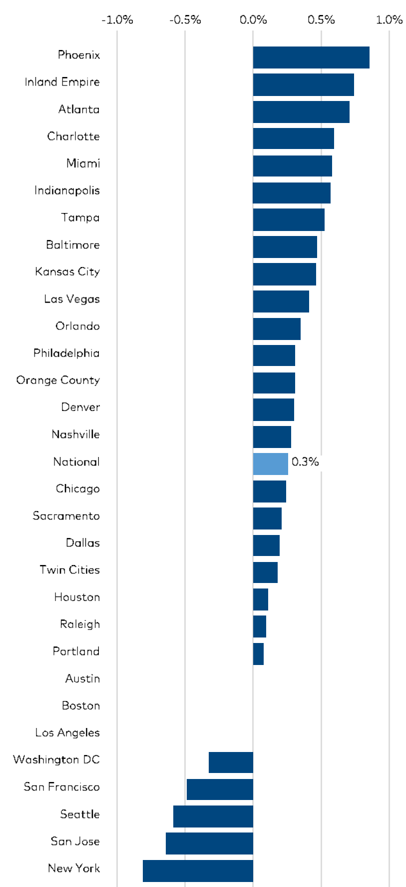
Month-Over-Month Rent Growth— All Asset Classes



Month-Over-Month Rent Growth— Lifestyle Asset Class



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



Source: Yardi Matrix

Employment and Supply Trends; Forecast Rent Growth

- Jobless claims fell 42,000 to 712,000 in the week ending March 6. Claims are down about 200,000 from an early January peak and are close to a pandemic low point that occurred in November 2020.
- The decline in jobless claims points to an economic recovery fueled by hiring. In February, employers added 379,000 jobs. Government stimulus helped to boost household income and spending, and there is another stimulus package on the way that will certainly boost income and spending even further.

The unprecedented amount of stimulus that has already been released into the economy and new relief that is on the way, coupled with the rapid pace of vaccinations, has set up the U.S. economy for a record-breaking 2021.

We are forecasting most markets to have positive rent growth by the end of 2021, except for select gateway markets that will take longer to recover. Many young people that would typically occupy urban cores moved in with their parents when the pandemic began. We are starting to see this trend unwind, with young people moving out again. But a hindrance to the recovery in urban cores will be the percentage of the workforce that makes a permanent shift to remote work.

Prior to the pandemic, about 10% of the U.S. labor force worked remotely. Once the pandemic is behind us, it is estimated that as much as 25% could do so permanently. This shift will undoubtedly have an impact on the recovery of urban cores.

Metros that have a large concentration of workers in the technology industry will likely be the most impacted, as many technology companies are offering their employees a permanent remote option without reducing their salaries. Zillow, headquartered in Seattle, announced that 90% of its employees will be given the option to work from home. Salesforce, headquartered in San Francisco, announced that the "9-to-5 workday is dead" and offered employees a choice among three models: flex, fully remote and office-based. Slack, also headquartered in San Francisco, announced that it will allow employees to work remotely forever.

The long-term impact of these company announcements has yet to be seen, but it will make the urban core recovery more difficult. There will be employees that decide San Francisco or Seattle is too expensive and will choose to relocate to a lower-cost market.

However, ultimately urban cores will benefit from college graduates backfilling some of the lost population. It may just take some time for these downtowns to bounce back.

While the work-from-home trend creates a tough outlook for the urban cores, many tertiary metros are benefiting from the shift. Two of our top markets for YoY rent growth, Boise (10.8%) and Huntsville (8.4%), have become magnets for remote workers due to their lower costs.

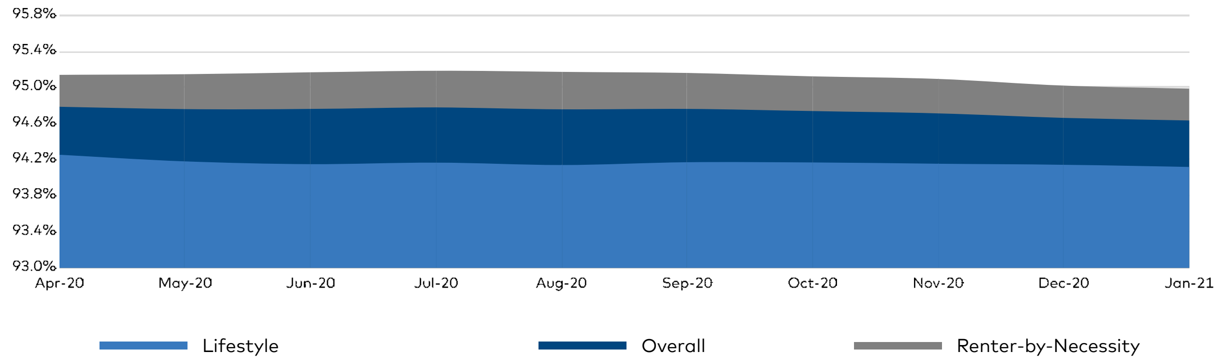
Employment and Supply Trends; Forecast Rent Growth

Market	YoY Rent Growth as of Feb - 21	Forecast Rent Growth (YE 2021)	YoY Job Growth (6-mo. moving avg.) as of Dec - 20	Completions as % of Total Stock as of Feb - 21
Las Vegas	5.2%	5.7%	-11.0%	0.9%
Phoenix	6.0%	4.0%	-2.8%	3.1%
Austin	-2.3%	3.9%	-2.1%	4.4%
Raleigh	1.6%	3.7%	-6.7%	3.6%
Houston	-1.2%	3.6%	-5.1%	2.1%
Indianapolis	3.6%	3.5%	-2.7%	1.4%
Dallas	1.1%	3.3%	-3.0%	2.9%
Atlanta	4.6%	3.2%	-3.5%	2.7%
Charlotte	1.8%	3.0%	-6.4%	3.6%
Sacramento	6.4%	3.0%	-7.5%	1.6%
Denver	-0.5%	2.9%	-4.7%	4.1%
Inland Empire	7.6%	2.8%	-7.7%	1.6%
Kansas City	2.3%	2.7%	-3.9%	3.0%
Nashville	-0.8%	2.6%	-5.4%	2.5%
Boston	-3.5%	2.6%	-9.4%	3.2%
Portland	0.9%	2.6%	-7.7%	3.3%
Philadelphia	2.9%	2.2%	-7.4%	1.7%
Washington DC	-5.2%	2.2%	-5.7%	1.9%
Baltimore	3.6%	2.2%	-5.3%	1.5%
Twin Cities	-0.4%	2.1%	-7.1%	3.7%
Miami Metro	1.8%	2.0%	-6.9%	2.9%
Orlando	-1.0%	2.0%	-8.3%	3.2%
New York	-13.3%	1.9%	-11.4%	1.0%
Orange County	0.0%	1.8%	-9.5%	0.9%
Chicago	-2.6%	1.8%	-7.4%	2.0%
Tampa	3.9%	1.8%	-4.0%	2.4%
Seattle	-7.7%	1.4%	-7.7%	3.1%
Los Angeles	-2.8%	0.7%	-8.9%	2.6%
San Jose	-13.3%	-2.0%	-7.2%	2.8%
San Francisco	-9.9%	-1.8%	-10.2%	2.4%

Source: Yardi Matrix

Occupancy & Asset Classes

Occupancy—All Asset Classes by Month



Source: Yardi Matrix

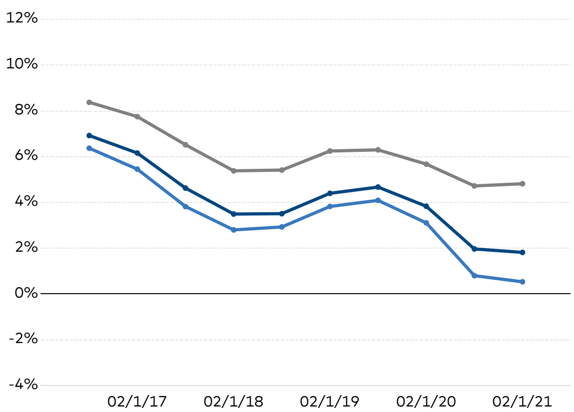
Year-Over-Year Rent Growth, Other Markets

Market	February 2021		
	Overall	Lifestyle	Renter-by-Necessity
Central Valley	7.5%	8.3%	7.3%
Tucson	7.3%	5.5%	8.2%
NC Triad	7.0%	7.3%	6.6%
Albuquerque	6.1%	8.0%	4.8%
Reno	5.7%	7.0%	4.8%
Tacoma	5.5%	5.1%	6.0%
Colorado Springs	5.3%	5.1%	5.4%
Long Island	4.5%	1.8%	5.7%
Jacksonville	3.7%	2.6%	5.0%
Salt Lake City	3.7%	3.1%	4.1%
Indianapolis	3.6%	2.6%	4.4%
Bridgeport–New Haven	3.6%	2.8%	4.1%
El Paso	3.5%	3.0%	3.7%
Central East Texas	3.0%	2.9%	3.2%
Louisville	2.3%	1.8%	2.4%
Northern New Jersey	-2.2%	-6.0%	1.6%
SW Florida Coast	1.9%	0.7%	3.3%
St. Louis	1.7%	-0.4%	2.6%
San Fernando Valley	0.0%	-1.1%	0.6%

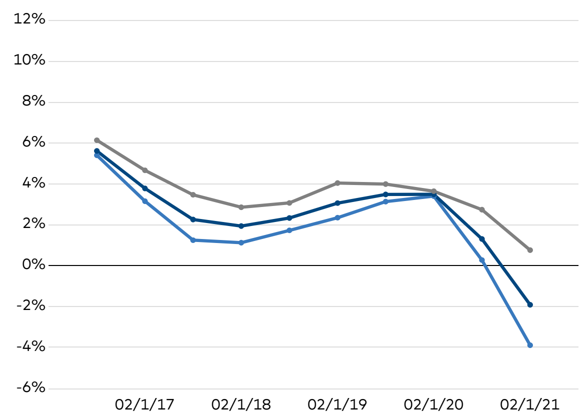
Source: Yardi Matrix

Market Rent Growth by Asset Class

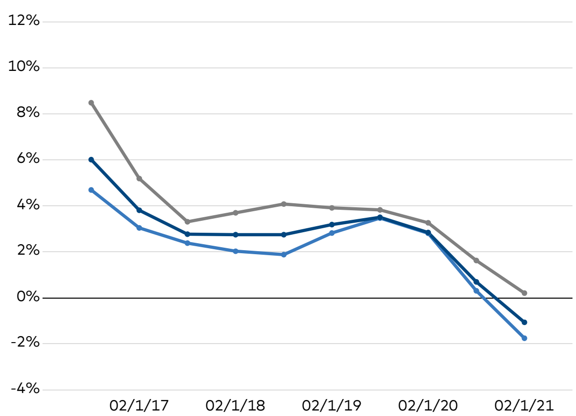
Atlanta



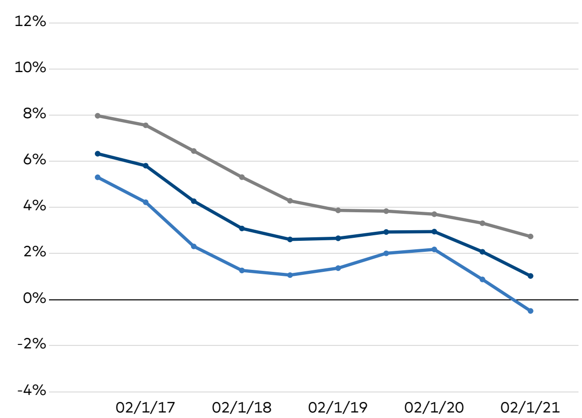
Boston



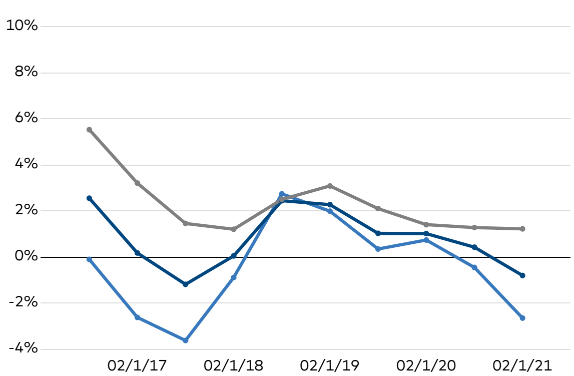
Denver



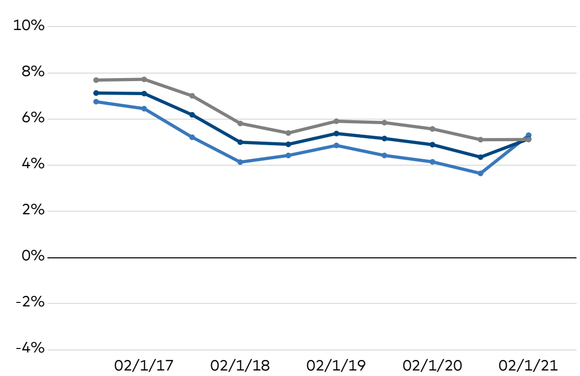
Dallas



Houston



Inland Empire

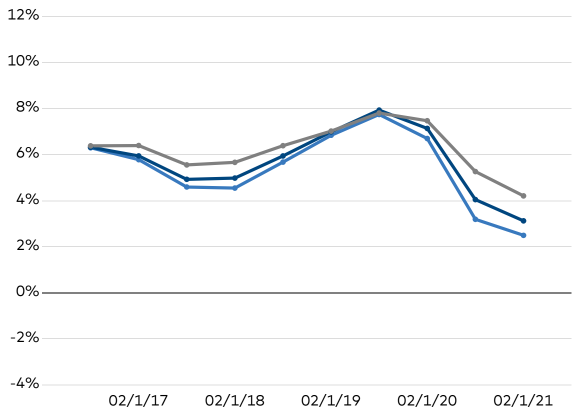


Trailing 12 Months Overall   Trailing 12 Months Lifestyle   Trailing 12 Months Renter-by-Necessity

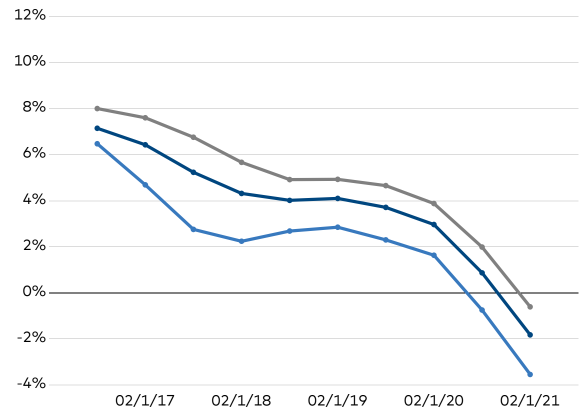
Source: Yardi Matrix

Market Rent Growth by Asset Class

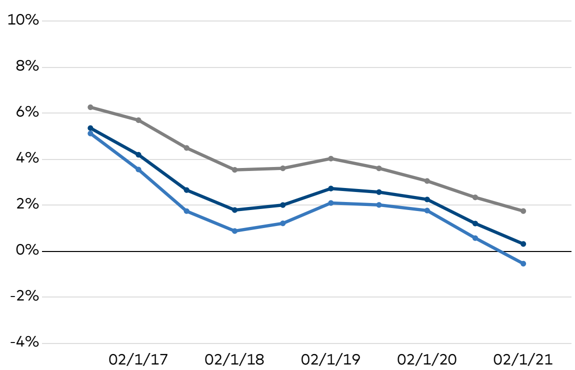
Las Vegas



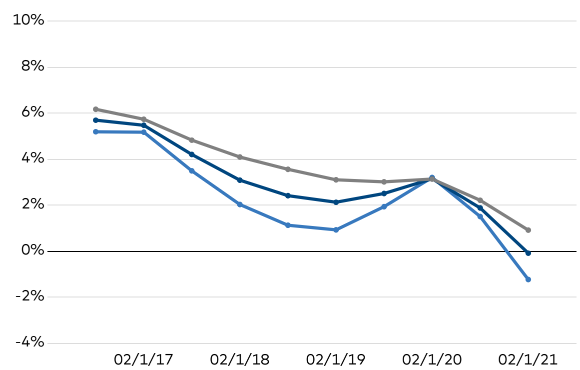
Los Angeles



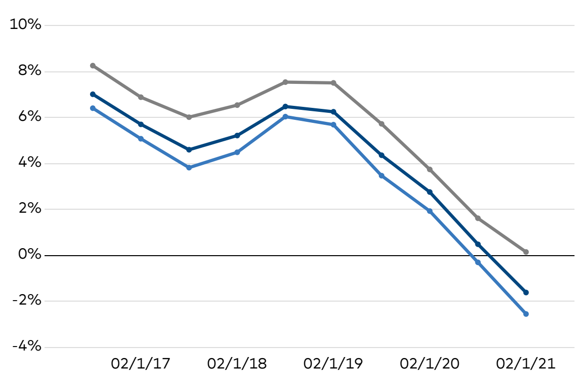
Miami



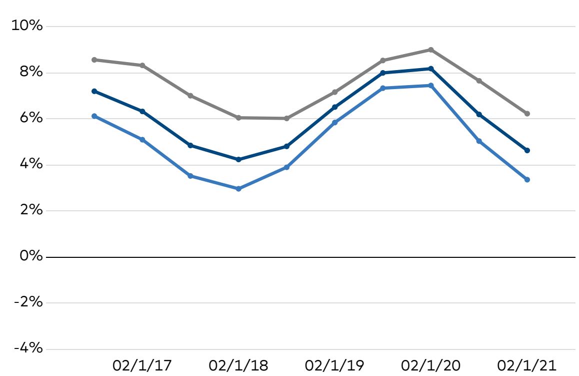
Orange County



Orlando



Phoenix

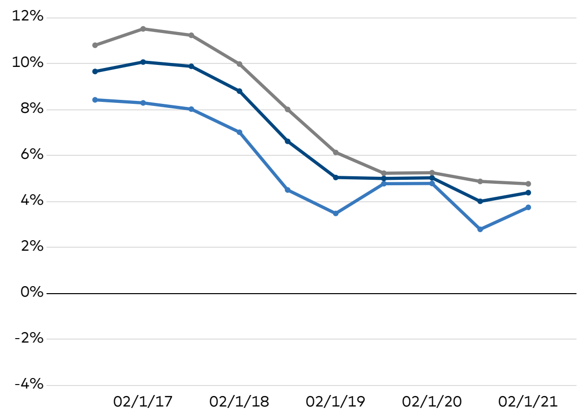


Trailing 12 Months Overall   Trailing 12 Months Lifestyle   Trailing 12 Months Renter-by-Necessity

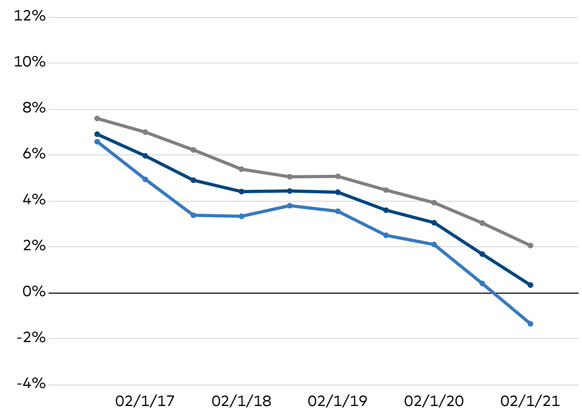
Source: Yardi Matrix

Market Rent Growth by Asset Class

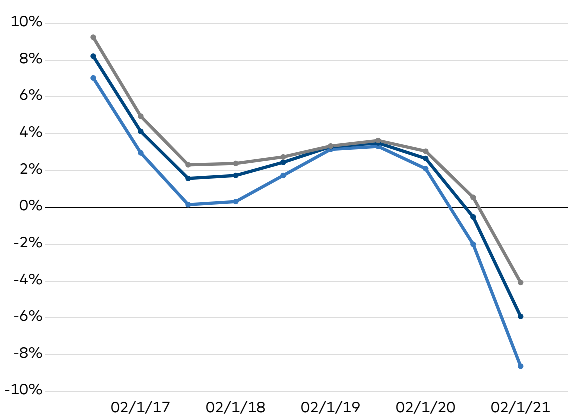
Sacramento



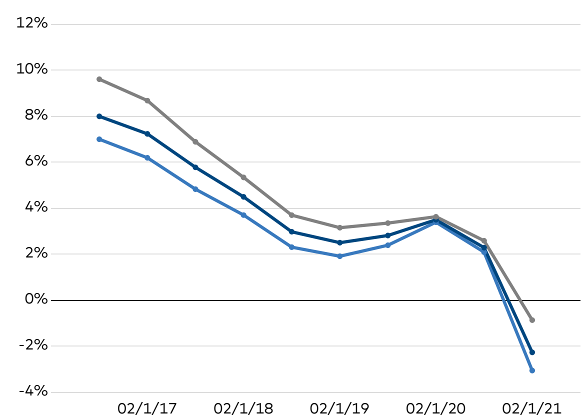
San Diego



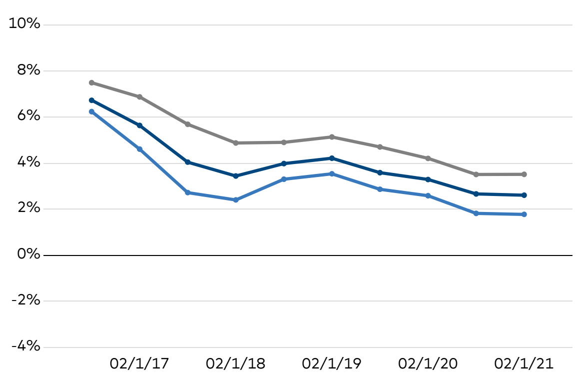
San Francisco



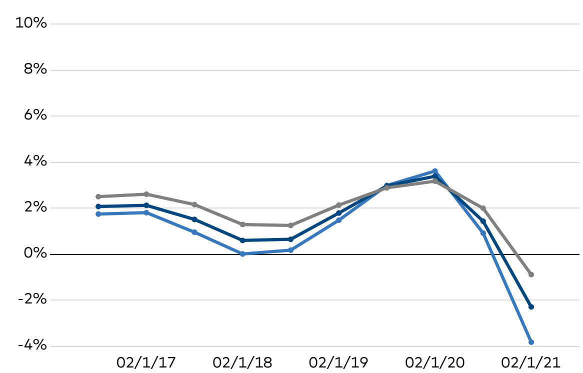
Seattle



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 all 133 markets with years of tracked data that makes a consistent basket of data

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

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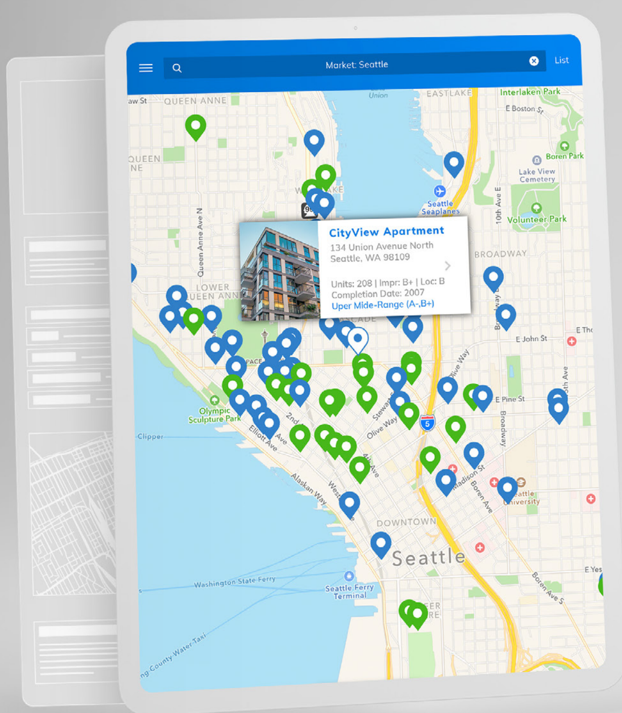

Yardi Matrix Multifamily provides accurate data on **18+ million units**, covering over **90% of the U.S. population.**

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

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