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Yardi Matrix

National Multifamily Report

August 2020

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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

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Secondary Markets Outperform Primary Markets

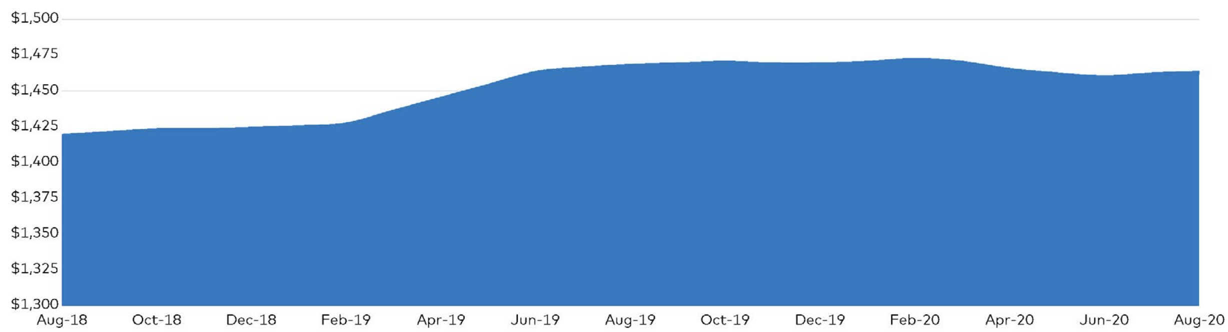
- Multifamily rents increased by $1 in August, to $1,463, the second consecutive month of overall growth since the pandemic began in March. However, on a year-over-year basis national rents declined by 0.3%, unchanged from July.
- The Lifestyle asset class continues to be hit the hardest, with 22 of 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.