Yardi Matrix

National Multifamily Report

January 2022

2022: Out With the Old, In With the ... Same?

- Normally a tepid month for rent growth, January saw solid multifamily rent gains. Average U.S. asking rents rose $8 to a record $1,604. Year-over-year growth increased to 13.9%, a new high and up 30 basis points over December, but that number will decline as monthly increases decelerate compared to a year ago.

- An $8 monthly increase pales in light of the $22 average monthly gains between March and October 2021, but January's strong seasonal performance is a sign that the sector's fundamental drivers have not been exhausted.

- Single-family rentals also started the year strong. SFR rents are up 13.5% year-over-year through January. The national occupancy rate increased by 0.2% year-over-year through January.

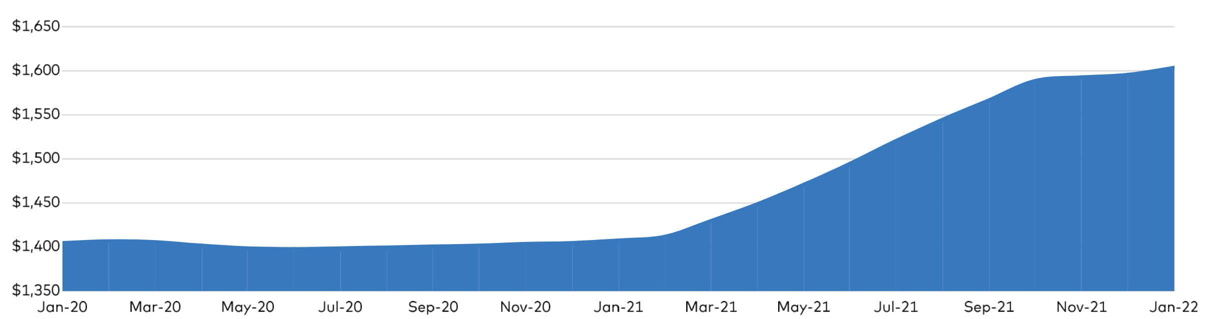
January is normally a seasonally weak month for rents, but multifamily asking rents bucked the deceleration trend, rising $8 during the month to an all-time high of $1,604. How hot is the market? It took only seven months for the average asking rent to hit $1,600 from $1,500, and only 10 months to reach $1,500 from $1,400.

While rents are unlikely to remain in the 13% growth range throughout 2022, January's performance is a sign that demand remains robust. Some 460,000 multifamily units were absorbed in 2021, according to Yardi Matrix data, more than double the previous year and more than 50% above the previous annual high.

Absorption in 2021 was led by Dallas and Houston. Five of the next six highest were gateway metros Miami, New York, Chicago, Washington and Los Angeles, all of which absorbed some 20,000 units or more. More important, as a percentage of stock, all but one of the seven gateway metros topped the 4.0% national average. The exception, New York, came in at a strong 3.8%. With absorption exceeding the growth of new stock, the national occupancy rate of stabilized properties rose 130 basis points year-over-year through December to 96.1%.

Freddie Mac's 2022 multifamily outlook sums up the solid circumstances. "The strong economic conditions along with unprecedented levels of demand for multifamily housing have combined to create robust apartment market conditions in 2021," the report said. "While there are still uncertainties, such as increasing inflation or more transmissible variants of the COVID-19 virus ... the multifamily market is expected to be on solid ground in the short term."

National Average Rents



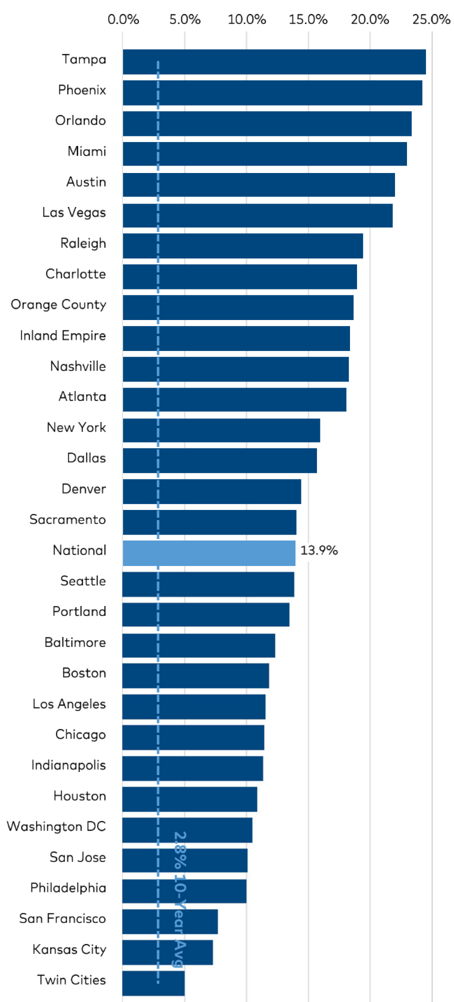
National averages include 132 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by Yardi Matrix.

Year-Over-Year Rent Growth:
New York's Rebound Led by Luxury Units

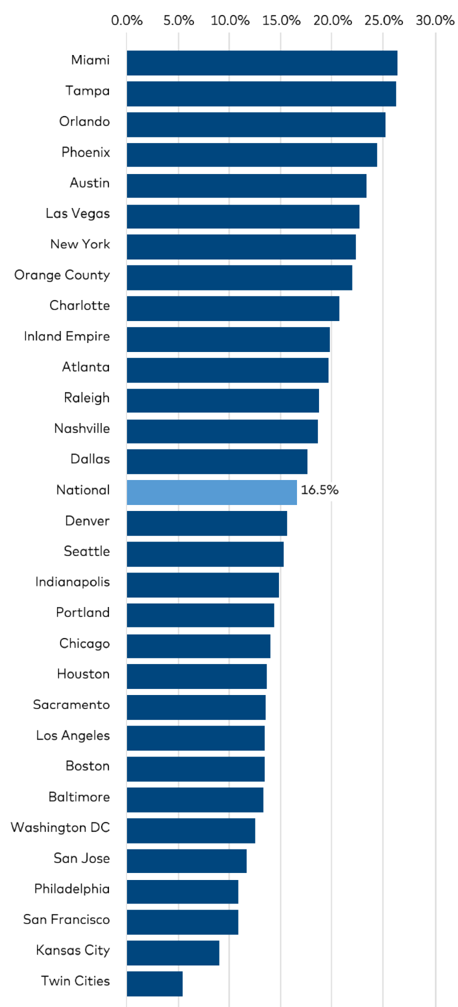
- Asking rent growth continues to be red-hot year-over-year. Rates increased by 20% or more in six of the top 31 metros, and by 10% or more in 28 of the top 31, almost 90% of the markets. Even the results in the outlier markets—San Francisco (7.6%), Kansas City (7.2%) and the Twin Cities (5.0%)—are far from poor.

- Luxury Lifestyle units (16.5%) continue to outperform Renter-by-Necessity (RBN) units (11.5%) nationally. New York City has a large bifurcation between Lifestyle (22.2% year-over-year) and RBN (1.8%). Much of the divergence can probably be explained by the rebound of Manhattan and the return of young workers. Manhattan was the borough affected the most by the pandemic and has bounced back strongly since the spring of 2021. Plus, Lifestyle properties tend to be less subject to rent controls than RBN properties.

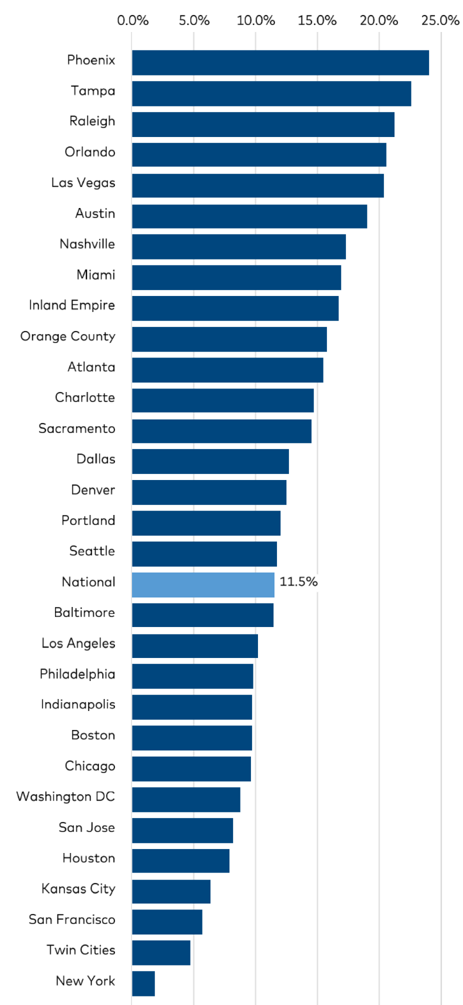
**Year-Over-Year Rent Growth—
All Asset Classes**



**Year-Over-Year Rent Growth—
Lifestyle Asset Class**



**Year-Over-Year Rent Growth—
Renter-by-Necessity Asset Class**



Source: Yardi Matrix

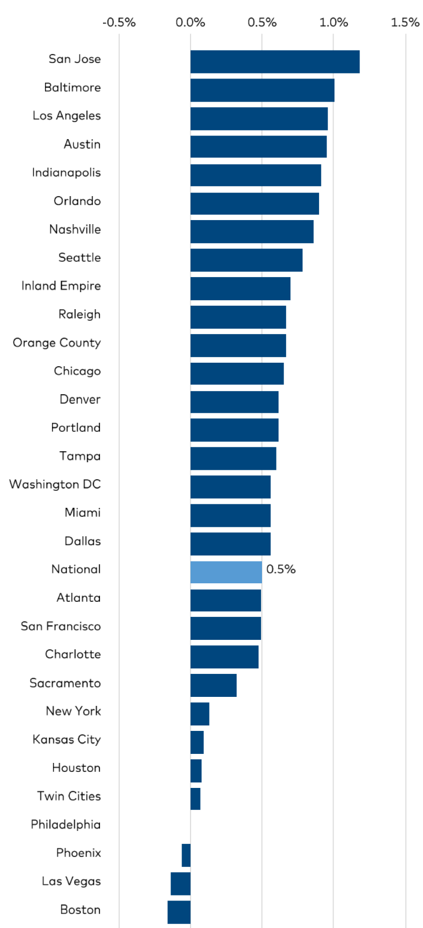
Short-Term Rent Changes: San Jose Up, While Phoenix and Las Vegas Cool

- Asking rents nationally increased 0.5% in January, a 40-basis-point increase from December.
- Rents in high-end Lifestyle rose by 0.5%, while Renter-by-Necessity units increased by 0.6% month-over-month in December.

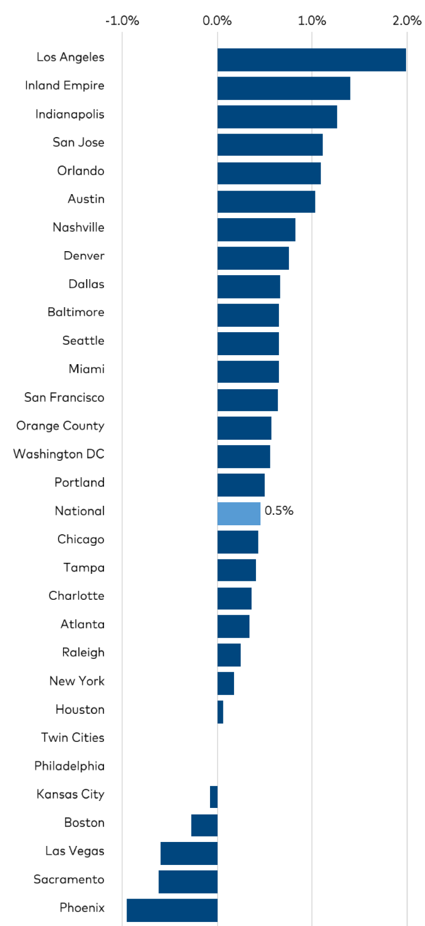
After decelerating in December, asking rents increased by $8 in January. It was a good sign for the market because January is normally the middle of the winter seasonal slowdown. In fact, rents increased by a total of $9 in the previous six Januaries between 2015 and 2020. The growth this year shows that conditions that produce strong demand remain present.

On a metro basis, the monthly numbers were inconsistent. Gains were led by San Jose, which together with San Francisco are the only markets in which rents remain below pre-pandemic levels. Those two markets are rebounding despite many tech workers remaining remote. Phoenix and Las Vegas, which have been among rent growth leaders for years, both came in at -0.1% in January. While it's too early to say those metros are cooling, growth can't stay at current levels forever.

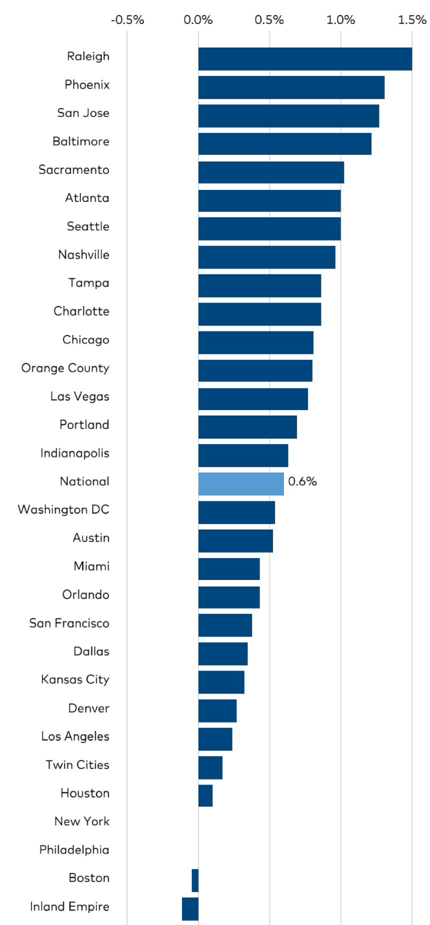
Month-Over-Month Rent Growth—All Asset Classes



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

- The multifamily capital markets are extremely strong, as investors want to hold assets with stable cash flows.
- Apartment sales reached an all-time high of roughly $200 billion in 2021, more than 50% above the previous record.
- Multifamily debt origination is also expected to reach all-time highs, approaching $500 billion in 2022.

Multifamily capital markets conditions are exceptional entering 2022. Investors are seeking to deploy debt and equity in assets with strong fundamentals, while property owners want to take advantage of rock-bottom interest rates. Added together, that has produced record-high transaction flow and prices. Acquisition yields continue to shrink even as Treasury yields rise.

Activity is driven by the flood of capital into commercial real estate, with multifamily and industrial the main targets. Investors are looking for stable assets with potential for appreciation. The biggest limit to deal flow is the number of sellers willing to put properties on the market.

Multifamily posted record volume in both the equity and debt markets in 2021. Multifamily transaction activity totaled $198 billion in 2021, 55% more than 2019's pre-pandemic high-water mark of $128.6 billion and more than double 2020's total of $95.4 billion, according to Yardi Matrix. Price per unit also reached an all-time high, at $191,000, more than 20% above the previous high of $157,000 in 2020, according to Yardi Matrix data.

Conditions are just as strong on the debt side. Freddie Mac estimates that 2022 multifamily mortgage volume will total $475 billion to $500 billion, up from $360 billion in 2020 and $450 billion in 2021. Freddie and Fannie Mae, the leading multifamily financing vehicles, securitized a combined record $129.7 billion of mortgages in 2021, according to "Commercial Mortgage Alert," topping 2020's record $127.3 billion. Fannie and Freddie each received an extra $8 billion in allocations this year, bringing their total to $78 billion apiece.

The agencies are not alone. Banks, life companies and securitization programs are also eager to originate multifamily loans. Some $17.4 billion of CMBS in 2021 was backed by multifamily, up nearly 200% from a year ago, per CMA, while record CLO issuance of $45.4 billion was fueled by loans on value-add multifamily properties that are looking for short-term debt. Almost 70% of CLO issuance ($31.7 billion) was backed by multifamily assets.

"Every capital source has a really strong appetite for placing (multifamily) mortgage debt this year," says Jamie Woodwell, vice president of research and economics for the Mortgage Bankers Association.

Single-Family Build-to-Rent Segment: SFRs Gain Favor With Investors

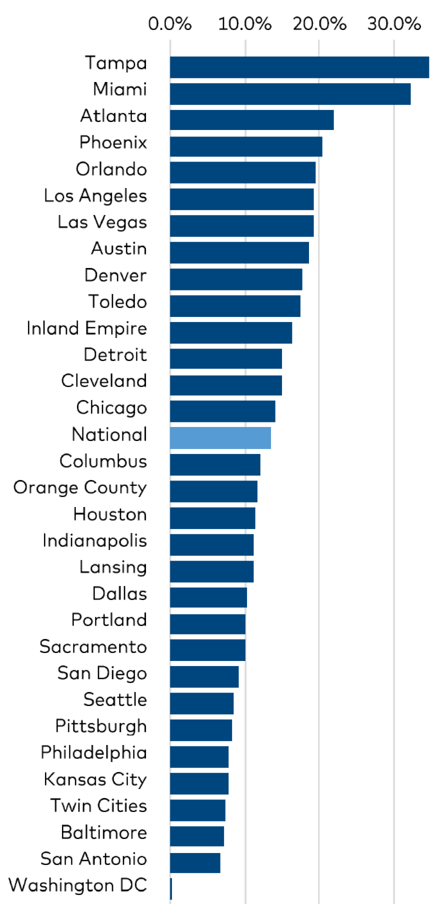
- Single-family rental asking rent growth once again declined slightly, but through January was up 13.5% year-over-year.
- Occupancy rates remain healthy, increasing by 0.2% nationally year-over-year.

Single-family asking rents continue to be a bright spot on the investment horizon, growing by 13.5% nationally year-over-year through January. Demand remains strong, driven by households that want more space and amenities such as yards for pets and small children to play.

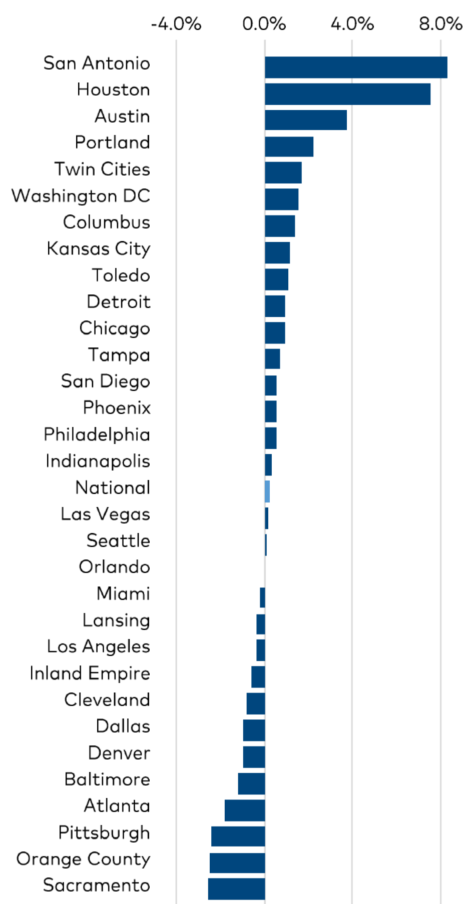
What's more, although the sector remains relatively small, it is gaining favor with investors. John Burns Real Estate Consulting reports that upwards of $50 billion of capital is competing for SFR investments. Although that sounds like a great deal of money, Burns estimates that it amounts to about 125,000 homes, or roughly 1% of the SFR market. Still, the variety of investor types, which includes large institutions and foreign capital, and the diversity of equity and debt strategies involved is a good sign of a developing market.

Note: Yardi Matrix covers Single-Family Built-to-Rent communities of 50 homes and larger.

Year-Over-Year Rent Growth—Single-Family Rentals



Year-Over-Year Occupancy Change—Single-Family Rentals



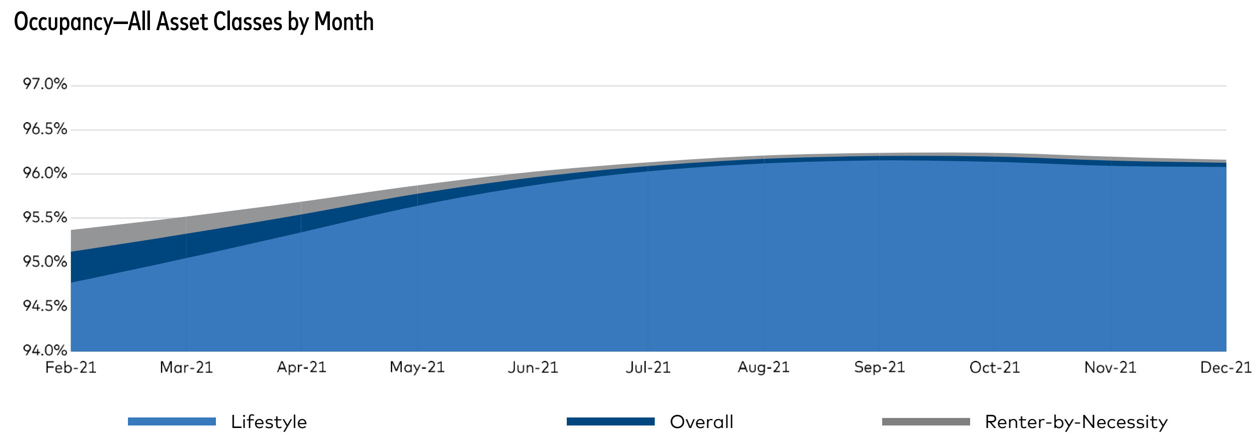
Source: Yardi Matrix

Employment and Supply Trends; Forecast Rent Growth

Market	YoY Rent Growth as of Jan - 22	Forecast Rent Growth as of 01/31/22 for YE 2022	YoY Job Growth (6-mo. moving avg.) as of Nov - 21	Completions as % of Total Stock as of Jan - 22
Tampa	24.5%	6.6%	5.2%	2.7%
Raleigh	19.5%	6.5%	5.5%	2.8%
San Francisco	7.6%	6.5%	4.8%	3.1%
Las Vegas	21.8%	6.5%	9.5%	2.1%
Atlanta	18.1%	6.2%	5.2%	2.6%
Phoenix	24.2%	6.2%	6.3%	2.6%
Orlando	23.4%	6.1%	6.7%	4.6%
Inland Empire	18.4%	6.1%	4.6%	1.3%
Sacramento	14.0%	6.0%	3.8%	1.0%
Denver	14.4%	5.9%	5.2%	2.8%
Miami Metro	23.0%	5.8%	5.1%	5.2%
Los Angeles	11.5%	5.6%	5.9%	2.1%
San Jose	10.1%	5.5%	4.2%	3.6%
Charlotte	18.9%	5.4%	3.9%	4.4%
Portland	13.5%	5.2%	5.5%	2.4%
Seattle	13.8%	5.1%	5.9%	3.3%
Austin	22.0%	5.0%	7.3%	5.4%
Nashville	18.2%	4.9%	5.3%	3.6%
New York	16.0%	4.7%	5.6%	0.4%
Chicago	11.4%	4.7%	3.6%	1.7%
Orange County	18.7%	4.6%	7.4%	0.9%
Houston	10.9%	4.3%	4.5%	2.8%
Baltimore	12.3%	4.3%	4.3%	0.7%
Boston	11.8%	4.3%	6.3%	2.2%
Indianapolis	11.4%	4.0%	3.0%	1.2%
Dallas	15.6%	3.6%	5.5%	2.8%
Kansas City	7.2%	3.6%	4.7%	2.3%
Philadelphia	10.0%	3.5%	4.7%	2.3%
Washington DC	10.4%	3.4%	4.2%	2.0%
Twin Cities	5.0%	3.3%	4.0%	3.5%

Source: Yardi Matrix

Occupancy & Asset Classes



Source: Yardi Matrix

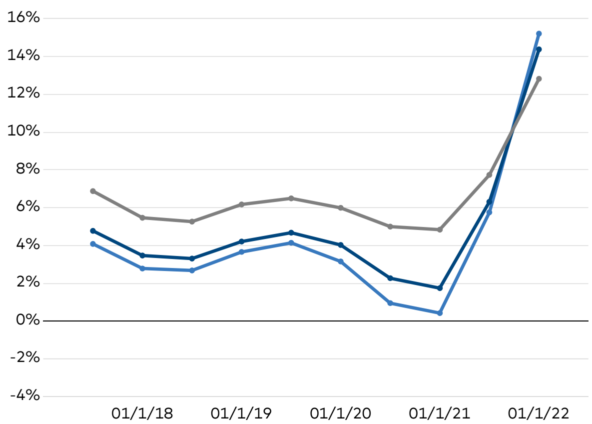
Year-Over-Year Rent Growth, Other Markets

Market	January 2022		
	Overall	Lifestyle	Renter-by-Necessity
SW Florida Coast	33.6%	35.3%	31.0%
Jacksonville	23.4%	25.7%	19.9%
Tucson	17.8%	18.8%	17.6%
Salt Lake City	17.1%	16.8%	18.1%
Albuquerque	16.8%	18.0%	16.0%
NC Triad	15.4%	16.3%	13.9%
Central Valley	15.1%	15.7%	15.1%
Colorado Springs	14.2%	13.2%	15.3%
El Paso	14.1%	15.2%	13.7%
Reno	13.7%	12.6%	14.7%
San Fernando Valley	12.9%	16.6%	10.7%
Tacoma	12.6%	12.8%	12.6%
Indianapolis	11.4%	14.7%	9.7%
St. Louis	10.7%	9.6%	11.3%
Central East Texas	9.5%	10.1%	9.1%
Long Island	8.8%	8.5%	9.1%
Northern New Jersey	8.8%	10.4%	7.3%
Louisville	8.8%	10.3%	8.3%
Bridgeport–New Haven	7.4%	6.9%	8.4%

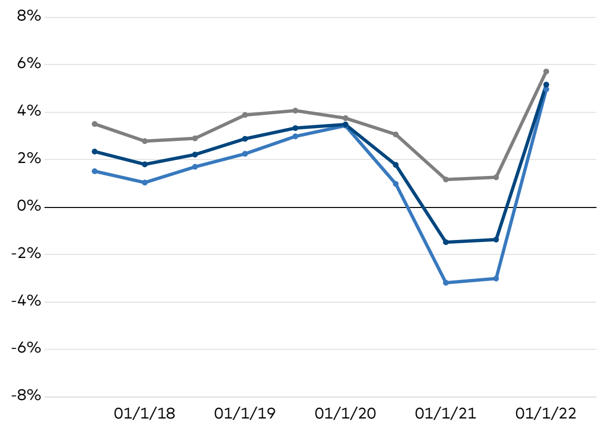
Source: Yardi Matrix

Market Rent Growth by Asset Class

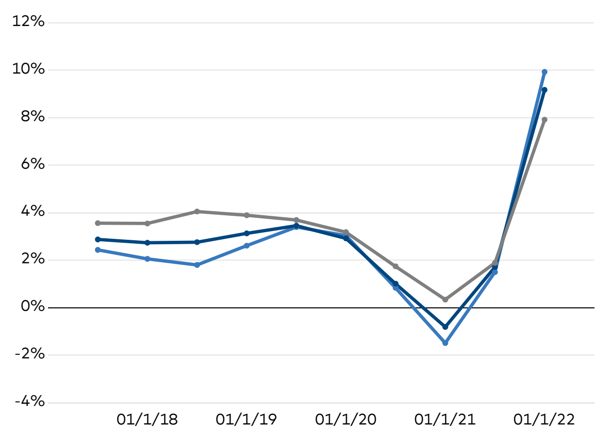
Atlanta



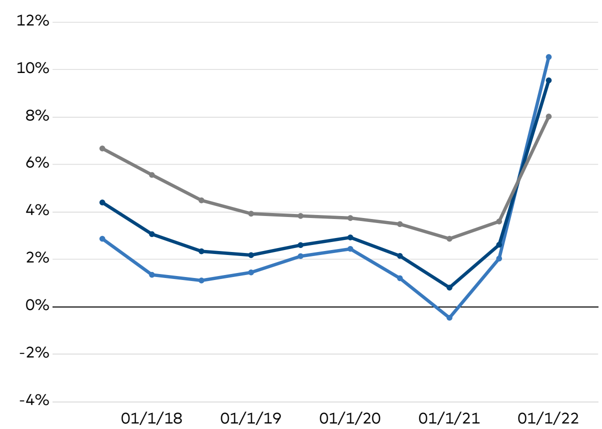
Boston



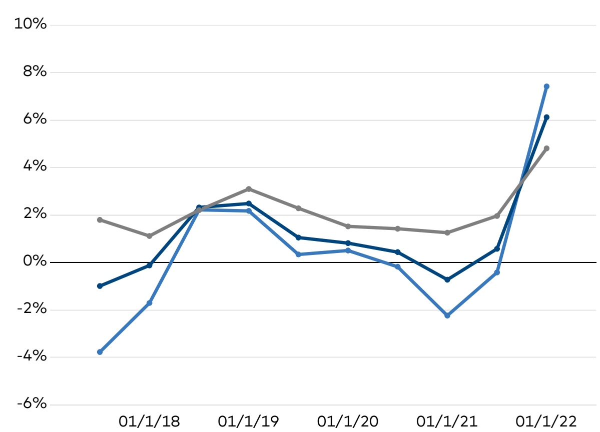
Denver



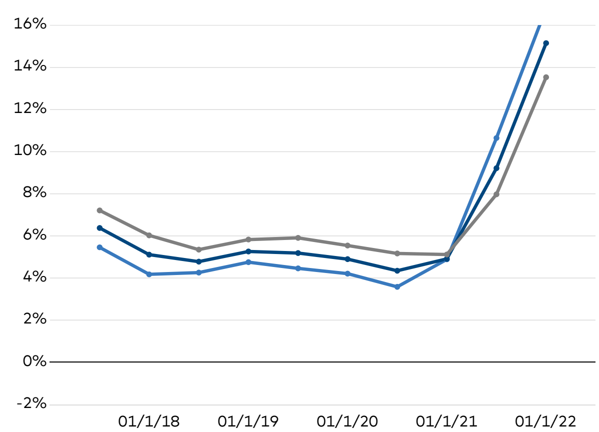
Dallas



Houston



Inland Empire

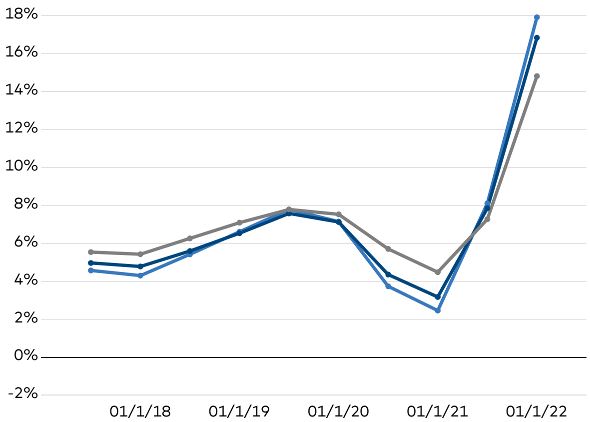


Trailing 12 Months Overall   Trailing 12 Months Lifestyle   Trailing 12 Months Renter-by-Necessity

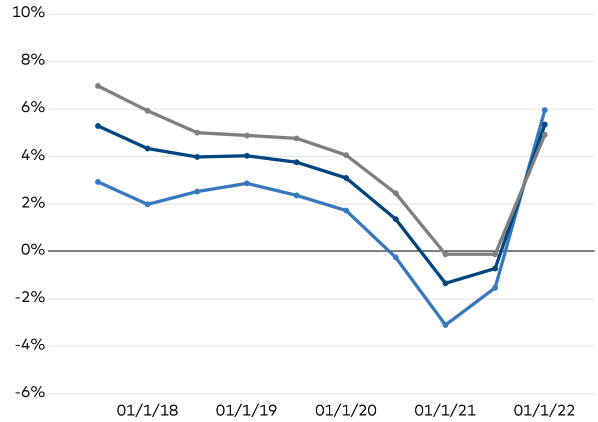
Source: Yardi Matrix

Market Rent Growth by Asset Class

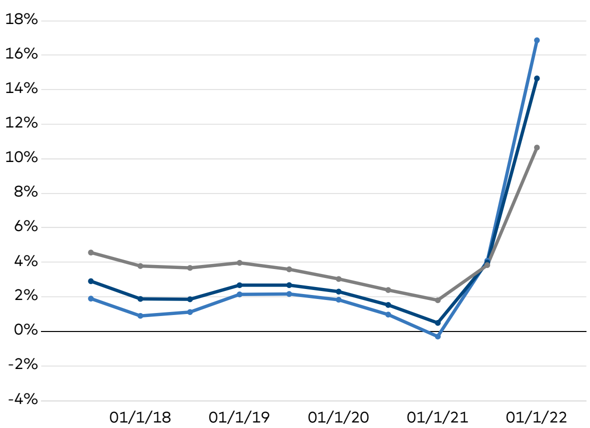
Las Vegas



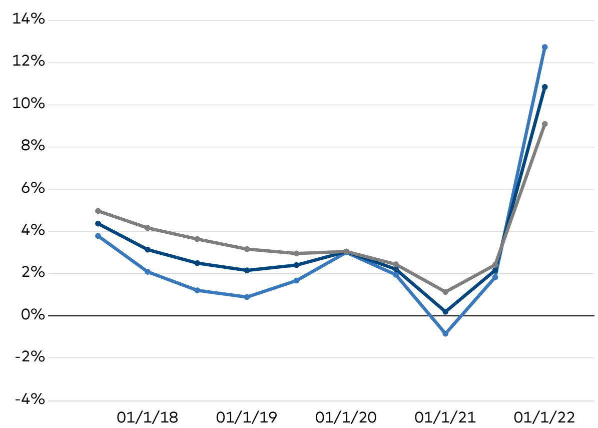
Los Angeles



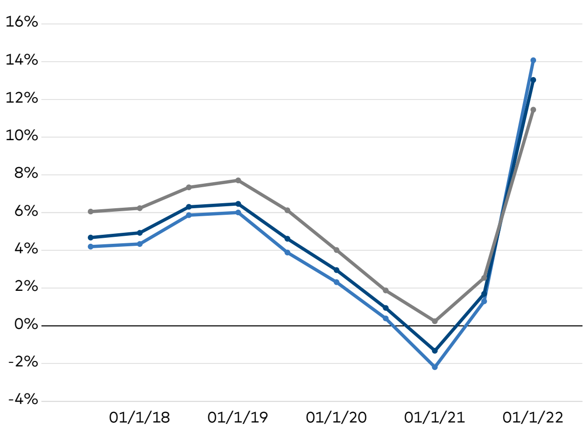
Miami



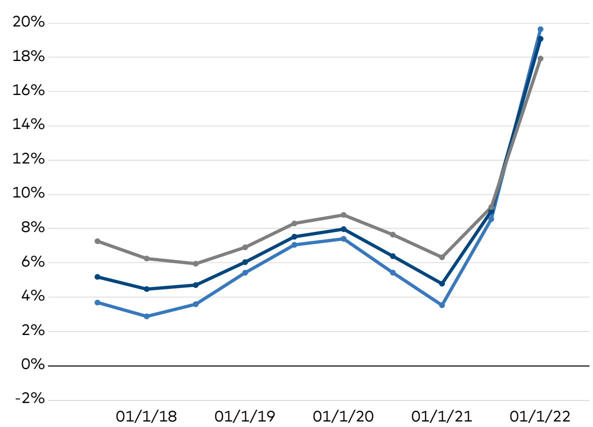
Orange County



Orlando



Phoenix

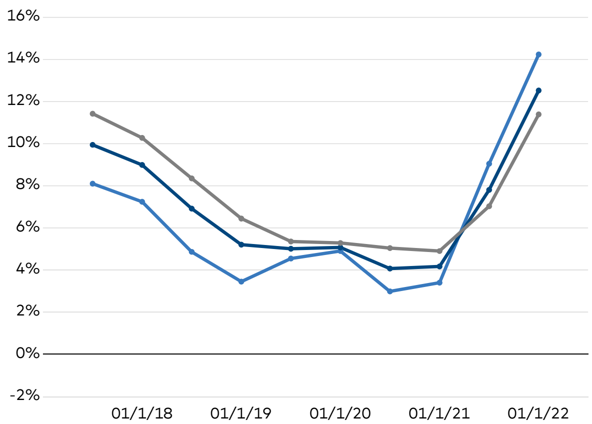


Trailing 12 Months Overall   Trailing 12 Months Lifestyle   Trailing 12 Months Renter-by-Necessity

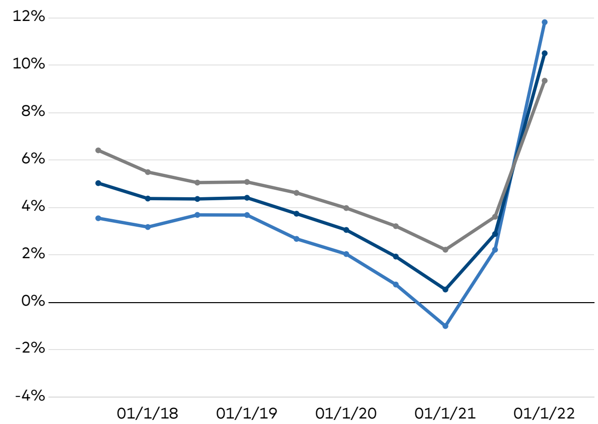
Source: Yardi Matrix

Market Rent Growth by Asset Class

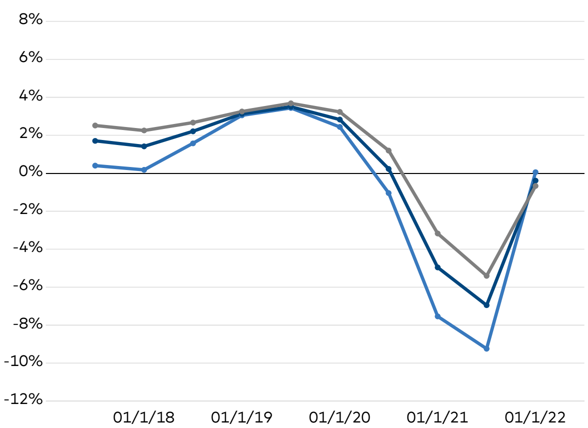
Sacramento



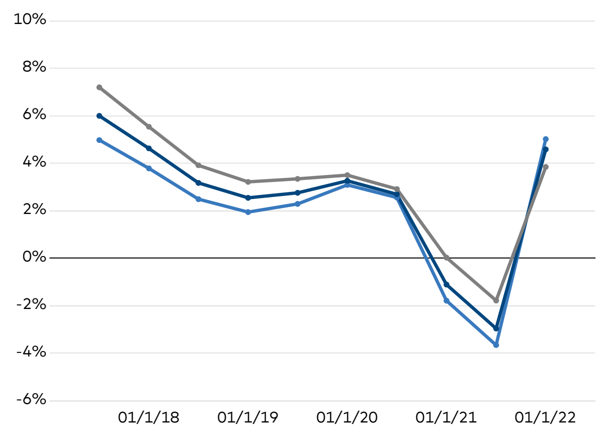
San Diego



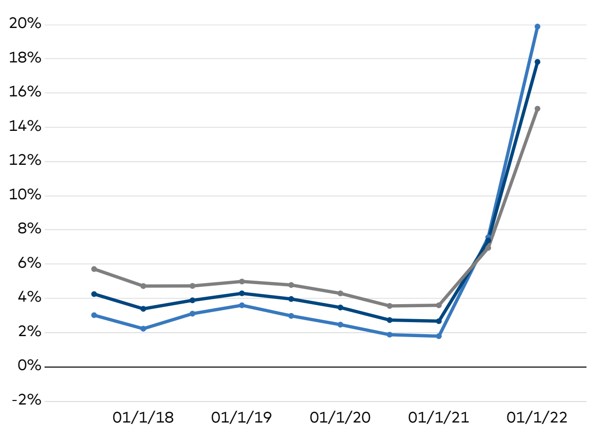
San Francisco



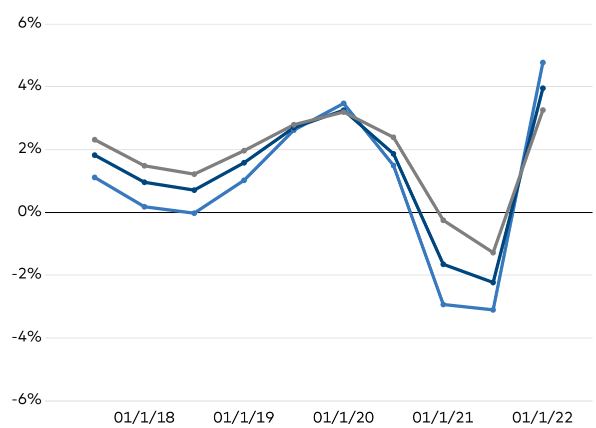
Seattle



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 140 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 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: One 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.

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