Yardi Matrix

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.

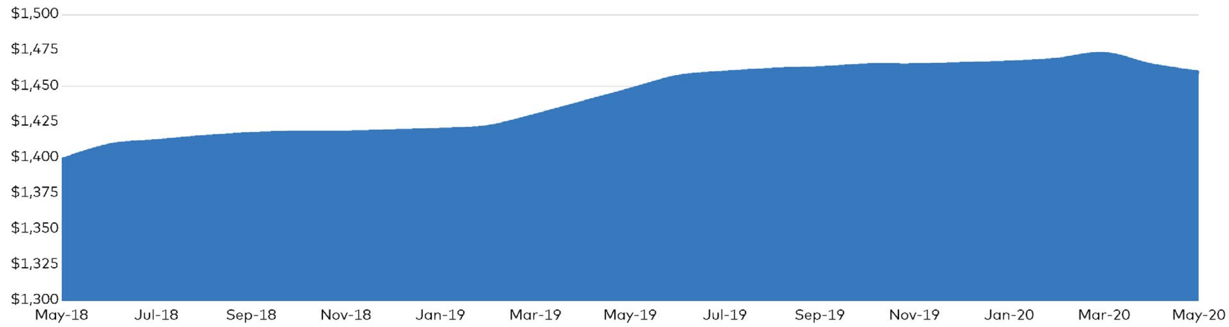
May rents continued a downward trend, increasing by 0.8% on a year-over-year basis but declining $5 from April and $13 from March. This rapid decline will likely continue through the summer as the nation continues to practice social distancing. As some unemployed slowly return to work in the coming months,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

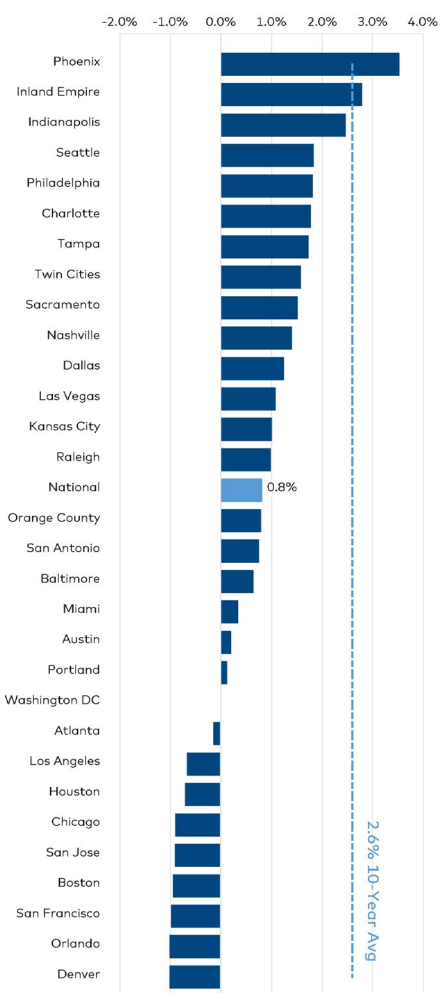


National averages include 127 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by YardiMatrix.

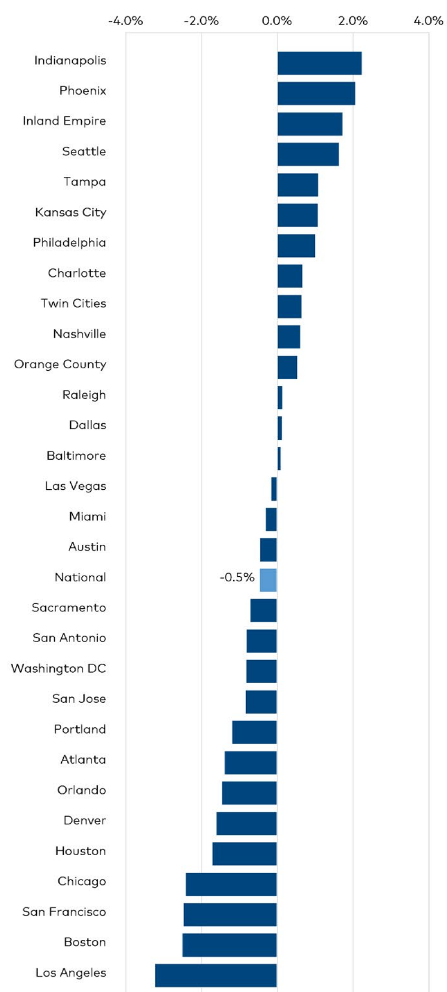
Year-Over-Year Rent Growth: Weakness in Lifestyle Rents Continues Into May

- Rents increased 0.8% in May on a year-over-year basis, but national rent growth continues to soften—reaching its lowest level on a YoY basis since February 2011. May has historically been a strong month for rent growth, with 3.5% YoY growth in May 2019 and 2.9% in May 2018. It is unlikely we will see substantial gains typical of leasing season for at least the next several months.
- Gateway markets are seeing the sharpest declines in YoY rents. Boston and San Francisco (both -1.0%) lead the pack, with Chicago (-0.9%) and Los Angeles (-0.7%) following closely behind. These metros have been some of the slowest to reopen following the lockdowns.
- The YoY decline in Lifestyle rents that appeared in April continued into May. The downward spiral in Los Angeles (-3.2%), San Francisco and Boston (both -2.5%) could be partly to blame for the downturn of the short-term corporate rental market as tenants flee gateway cities.

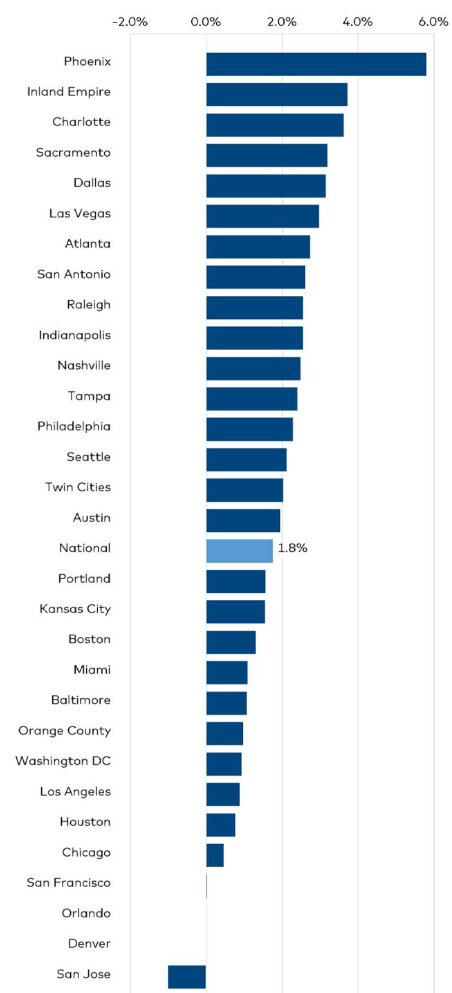
Year-Over-Year Rent Growth— All Asset Classes



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: Rapid Deterioration in Rents Continues

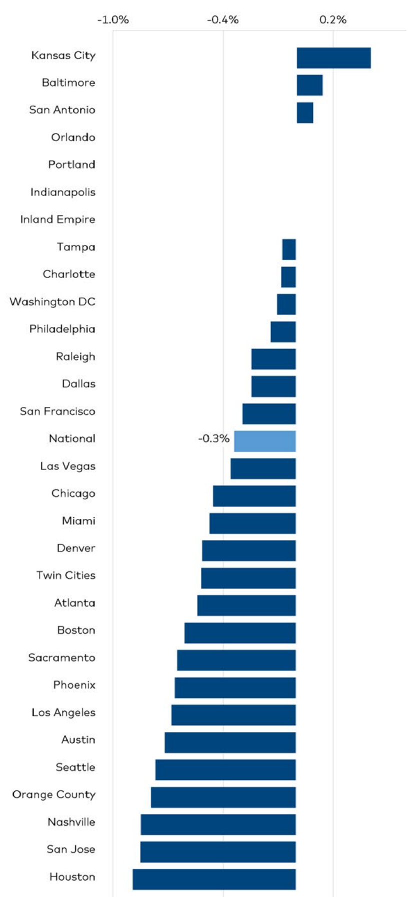
- Rents decreased 0.3% on a month-over-month basis in May, slightly better than the 0.5% decline in April.
- Kansas City (0.4%), San Antonio and Baltimore (both 0.1%) were the only markets to be positive from April to May; 23 markets remain negative on a month-over-month basis.

Rents decreased 30 basis points nationally on a month-over-month basis. Due to the uncertainty surrounding the housing market and the economy, monthly rent changes play the most important role in today's market.

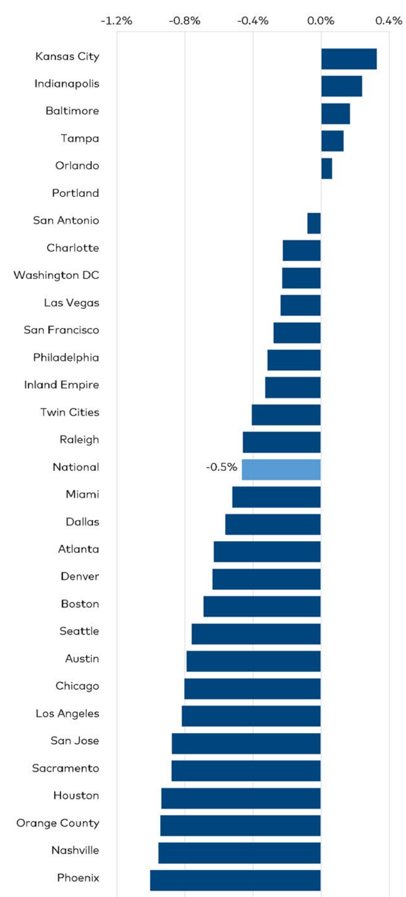
Nationwide, rents decreased $5 to $1,460. Over the last two months overall, rents have declined by $13. If rents continue this rapid downward trend, we could be looking at alarming numbers by the end of the summer.

The markets with the most severe MoM declines include Houston and San Jose (both -0.9%) and Nashville, Orange County and Seattle (all -0.8%). Houston tends to be among the most volatile markets in a normal month, and given the rapid decline in oil prices the road to recovery in Houston could be extended. San Jose, Orange County and Seattle were among the first markets to impose stringent lockdowns. Seattle only planned to enter Phase 1 of reopening on June 5.

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 reached 2.1 million for the week ending May 23, bringing the total to over 40 million unemployed since mid-March, or one-quarter of the workforce.
- Unemployment has been concentrated in the leisure and hospitality sector, which saw a 48.1% contraction in jobs between February and April. Finance and professional services sectors have been among the most insulated from job losses, primarily due to the ability to work remotely.
- Conversations around a new stimulus package continue to be prevalent.

While unemployment claims are declining from their crisis high in March, there is little good news surrounding employment in the U.S., as one-quarter of the workforce is unemployed.

The CARES Act currently provides an additional $600 a week in unemployment benefits on top of the standard state payment, but this is set to expire at the end of July unless another stimulus bill is passed. The HEROES Act was passed by the House of Representatives on May 15 and proposes to extend the extra unemployment benefits through January 2021, among other provisions. The $3 trillion HEROES Act will likely face significant opposition in the Senate. The extra $600 a week is a necessity for many Americans to pay their bills, most notably rent, and if it does run out, we could see rent collections decline rapidly.

As a contrast to Yardi Matrix's paper examining the markets with the highest concentration of at-risk employment sectors, we wrote an opposing paper examining the top 50 metros in total employment to determine which have the most durable employment sectors. We define the three "durable employment sectors" as jobs in government, finance, and professional and technical services.

The markets with the highest concentration of durable jobs are Lansing (44.0%), Washington, D.C. (41.8%) and Sacramento (34.5%). Month-over-month rents in the Lansing metro bounced back in May, increasing 0.6%, following a 0.5% decline in April. Washington, D.C., and Sacramento both posted negative rents (-0.1% and -0.7%, respectively), but could be poised for a strong rebound, given the economic stability that comes with being a federal or state capital.

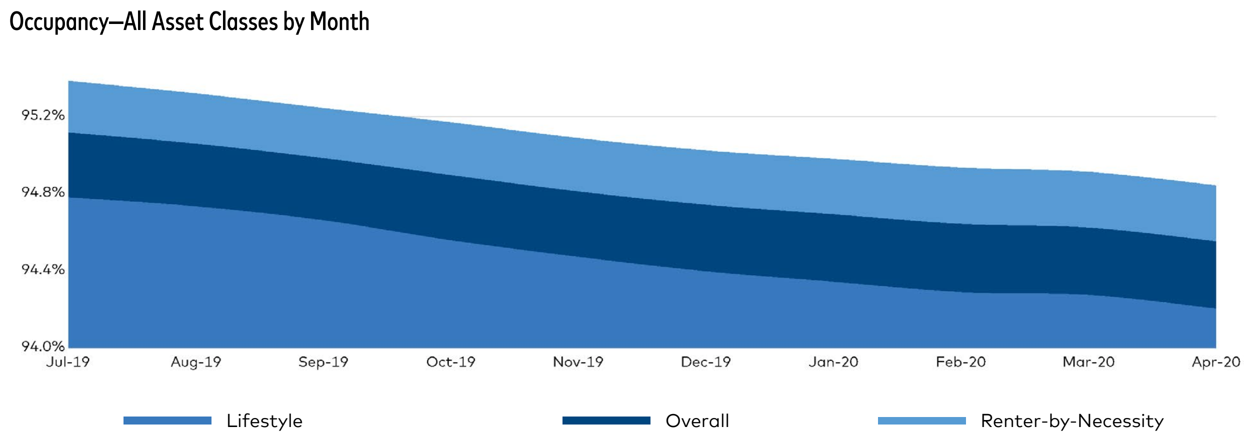
Markets at the bottom of the list for durable employment sectors include Las Vegas (19.8%), Milwaukee (20.5%) and Memphis (20.6%). Las Vegas is a particularly vulnerable market, given its heavy reliance on tourism. Las Vegas' comeback will likely be drawn out, as Americans are hesitant to travel. With the large amount of jobs lost in Las Vegas, collections could be an issue if the extra unemployment benefits are not renewed. Rents declined in Las Vegas by 0.4% on a MoM basis in May, but this is likely just the beginning of a tough summer. MoM rent growth in Milwaukee and Memphis has held up so far (0.4% and 0.7%, respectively), but high concentrations of manufacturing and transportation jobs could lead to further deterioration in rents as more layoffs loom.

Employment, Supply and Occupancy Trends; Forecast Rent Growth

Market	YoY Rent Growth as of May - 20	Forecast Rent Growth (YE 2020)	YoY Job Growth (6-mo. moving avg.) as of March - 20	Completions as % of Total Stock as of May - 20	Occupancy Rates as of April - 19	Occupancy Rates as of April - 20
Sacramento	1.5%	5.6%	1.6%	0.9%	96.4%	95.7%
Indianapolis	2.5%	3.3%	0.7%	1.4%	94.4%	93.7%
Tampa	1.7%	2.2%	2.3%	1.9%	95.0%	94.5%
Twin Cities	1.6%	1.3%	0.0%	2.6%	96.9%	96.1%
Kansas City	1.0%	1.1%	0.9%	1.3%	94.9%	94.5%
Baltimore	0.7%	0.8%	0.6%	0.8%	95.1%	94.5%
Philadelphia	1.8%	0.8%	0.8%	1.3%	95.7%	95.5%
Los Angeles	-0.7%	0.7%	1.2%	2.1%	96.5%	95.8%
Inland Empire	2.8%	0.6%	1.5%	1.7%	96.0%	95.4%
Seattle	1.8%	0.4%	2.4%	3.8%	95.7%	95.1%
Washington DC	0.0%	0.4%	1.5%	2.1%	95.5%	95.2%
Las Vegas	1.1%	-8.7%	1.4%	1.1%	95.2%	94.3%
Atlanta	-0.2%	-4.4%	2.0%	2.1%	94.3%	93.6%
Miami Metro	0.4%	-3.8%	0.8%	3.2%	95.2%	94.9%
Orlando	-1.0%	-3.8%	2.1%	3.0%	95.2%	94.5%
Portland	0.1%	-3.5%	1.1%	2.8%	95.4%	94.6%
Chicago	-0.9%	-2.9%	0.3%	2.5%	94.7%	94.1%
San Jose	-0.9%	-2.6%	1.3%	1.6%	95.9%	95.3%
Charlotte	1.8%	-2.5%	2.0%	3.6%	95.1%	94.5%
Raleigh	1.0%	-1.9%	1.8%	2.8%	94.8%	94.3%
San Antonio	0.8%	-1.9%	2.4%	2.1%	93.2%	92.2%
Houston	-0.7%	-1.8%	2.0%	1.6%	92.7%	92.2%
Austin	0.2%	-1.5%	3.3%	4.8%	94.6%	94.2%
Boston	-1.0%	-1.4%	0.7%	2.7%	96.4%	95.8%
Phoenix	3.5%	-1.3%	3.2%	2.1%	95.5%	95.0%
Nashville	1.4%	-1.2%	3.1%	1.8%	95.2%	94.7%
Dallas	1.3%	-1.0%	2.9%	2.8%	94.3%	93.7%
Denver	-1.0%	-0.6%	2.5%	5.2%	95.1%	94.0%
Orange County	0.8%	-0.6%	0.9%	2.1%	96.0%	95.9%
San Francisco	-1.0%	-0.2%	1.5%	2.2%	95.8%	95.4%

Source: Yardi Matrix

Occupancy & Asset Classes



Source: Yardi Matrix

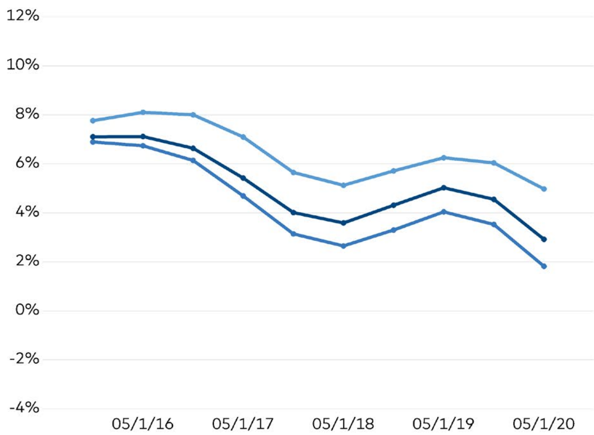
Year-Over-Year Rent Growth, Other Markets

Market	May 2020		
	Overall	Lifestyle	Renter-by-Necessity
Central Valley	4.4%	4.6%	4.5%
Albuquerque	3.6%	2.8%	4.2%
Colorado Springs	3.0%	2.1%	4.0%
St. Louis	3.0%	1.8%	3.3%
Tucson	3.0%	1.5%	3.5%
NC Triad	2.8%	0.1%	6.1%
Indianapolis	2.5%	2.2%	2.6%
Tacoma	2.2%	1.5%	2.9%
Long Island	2.1%	-2.0%	4.0%
El Paso	1.9%	2.5%	2.1%
Northern New Jersey	1.5%	0.8%	2.4%
Louisville	1.4%	-0.8%	2.4%
Central East Texas	1.1%	2.3%	0.3%
San Fernando Valley	-0.5%	-2.2%	0.5%
Jacksonville	0.5%	-0.8%	2.3%
SW Florida Coast	-0.4%	-0.3%	-0.5%
Reno	0.4%	-2.1%	2.2%
Salt Lake City	0.4%	-1.2%	1.4%
Bridgeport–New Haven	0.0%	-1.0%	0.7%

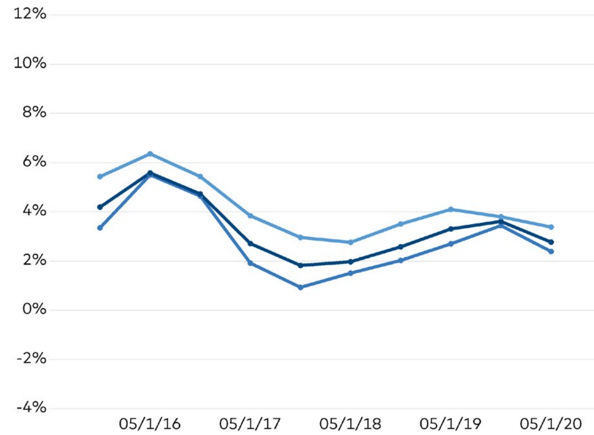
Source: Yardi Matrix

Market Rent Growth by Asset Class

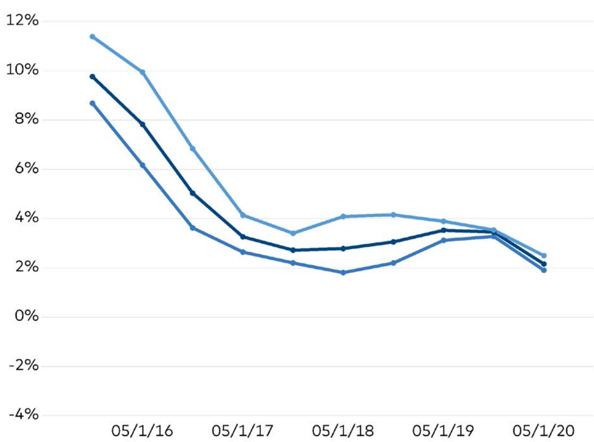
Atlanta



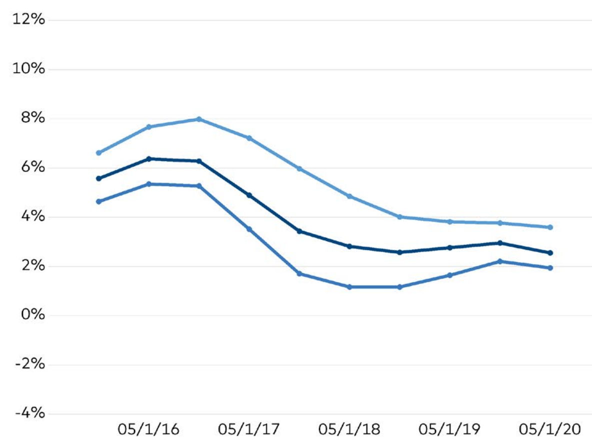
Boston



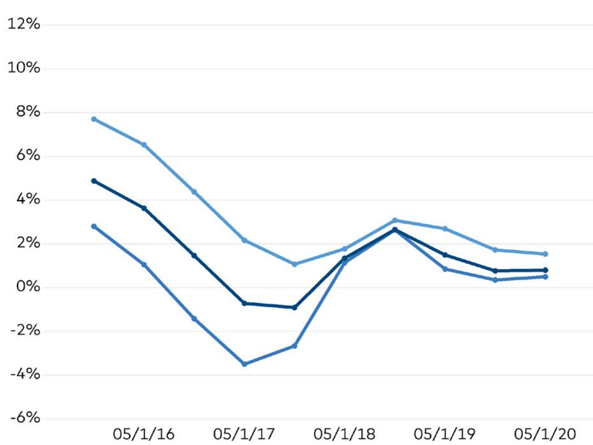
Denver



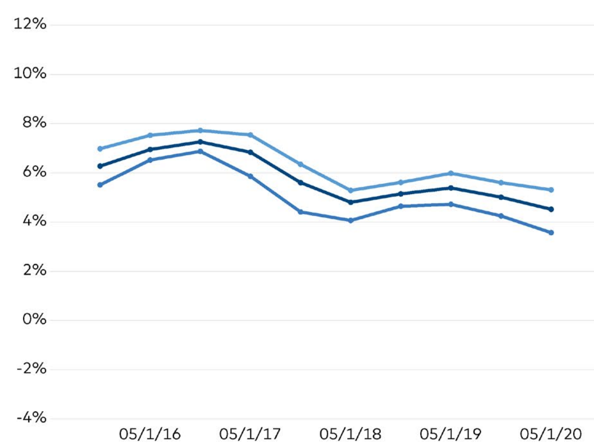
Dallas



Houston



Inland Empire

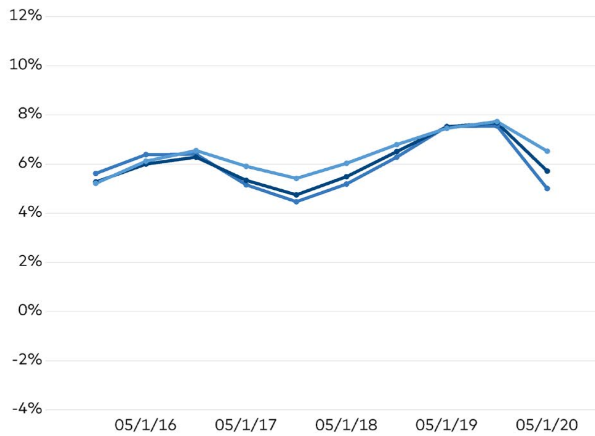


Trailing 12 Months Overall   Trailing 12 Months Lifestyle   Trailing 12 Months Renter-by-Necessity

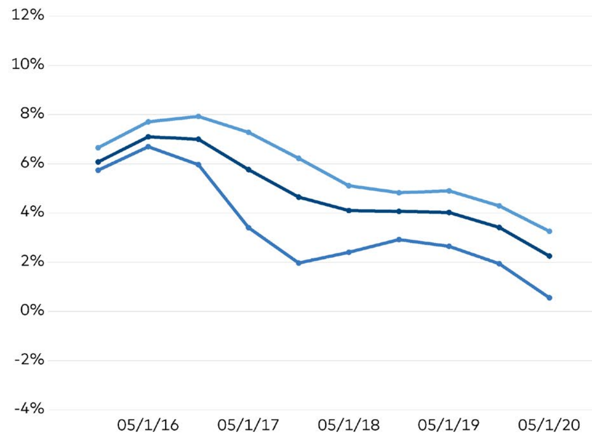
Source: Yardi Matrix

Market Rent Growth by Asset Class

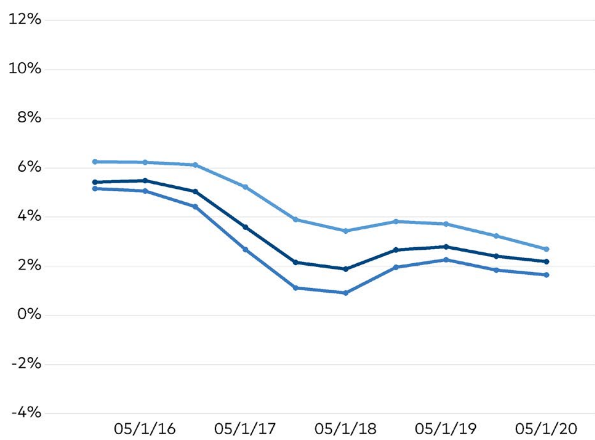
Las Vegas



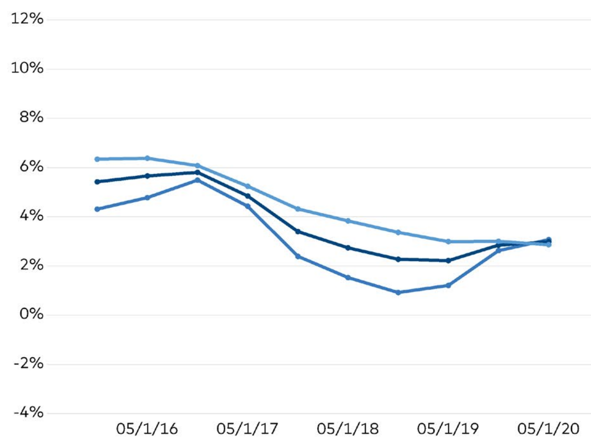
Los Angeles



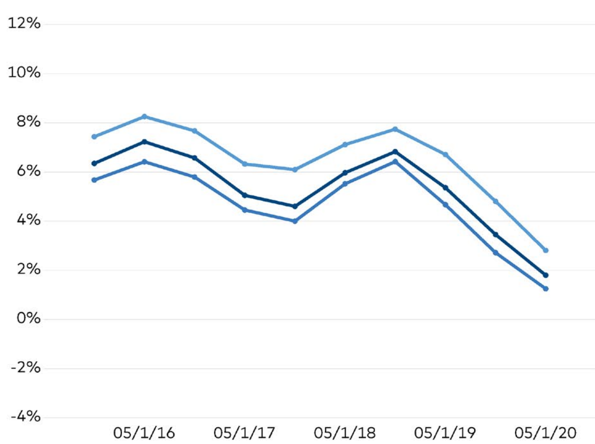
Miami



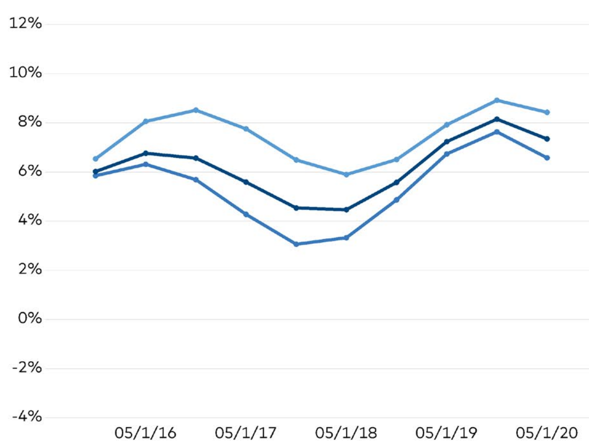
Orange County



Orlando



Phoenix

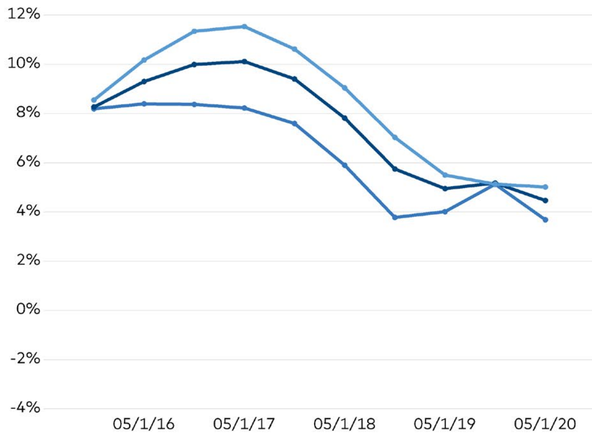


Trailing 12 Months Overall — Trailing 12 Months Lifestyle — Trailing 12 Months Renter-by-Necessity

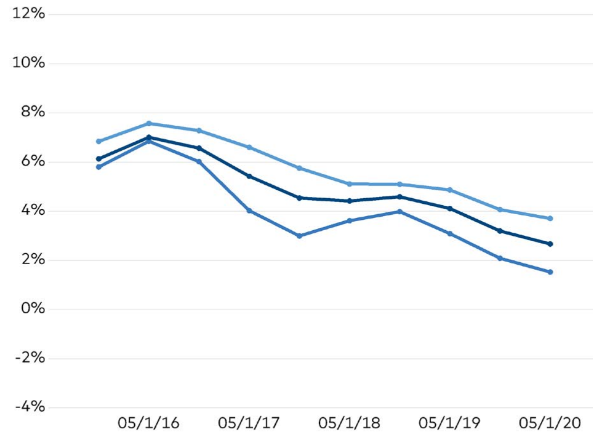
Source: Yardi Matrix

Market Rent Growth by Asset Class

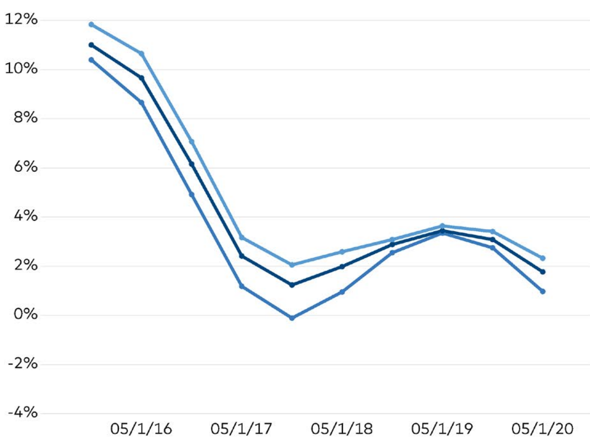
Sacramento



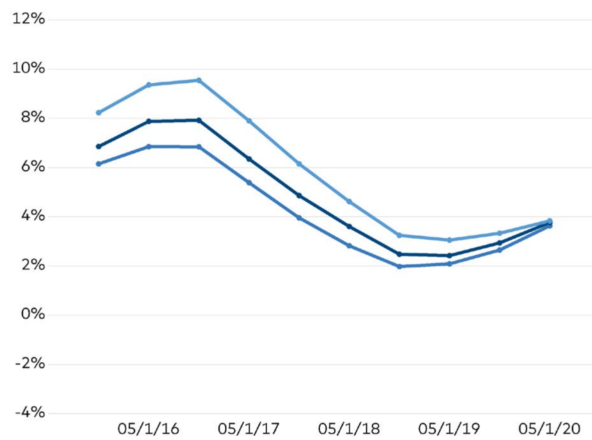
San Diego



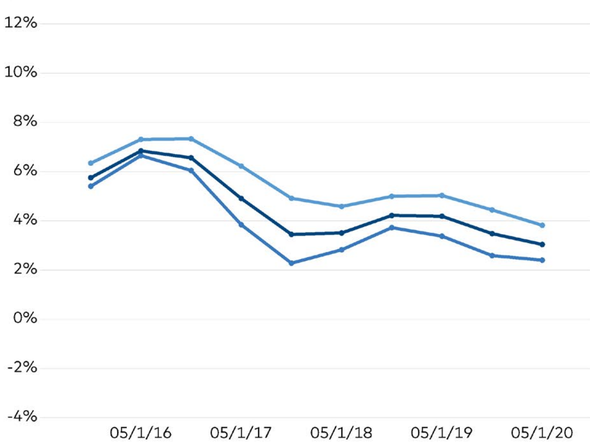
San Francisco



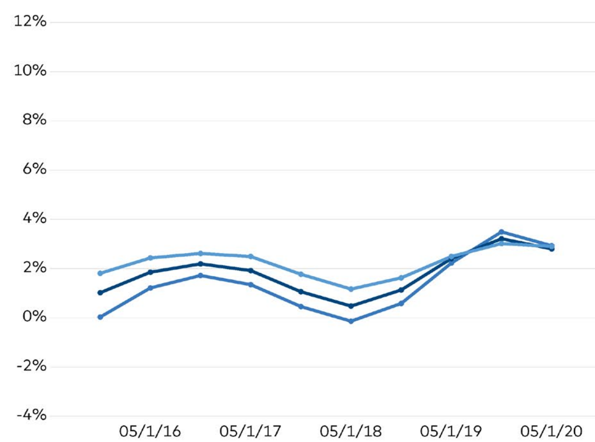
Seattle



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.

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