Yardi Matrix

National Multifamily Report

December 2023

US Multifamily Rents Drop Despite Strong Demand

- The book closed on 2023 with multifamily rents producing extremely slight gains. The average U.S. asking rent fell $4 in December to $1,709, while year-over-year growth was unchanged, finishing 2023 at 0.3%.

- Since peaking in the summer, multifamily asking rents have declined by 1.0%, but the drop is mostly a function of supply increasing in high-growth markets. Overall demand remains firm, which limits the potential downside.

- Single-family rents outperformed multifamily in 2023, as demand has remained robust. U.S. average single-family rents declined by $1 in December to $2,123, while year-over-year growth rose 20 basis points to 1.2%.

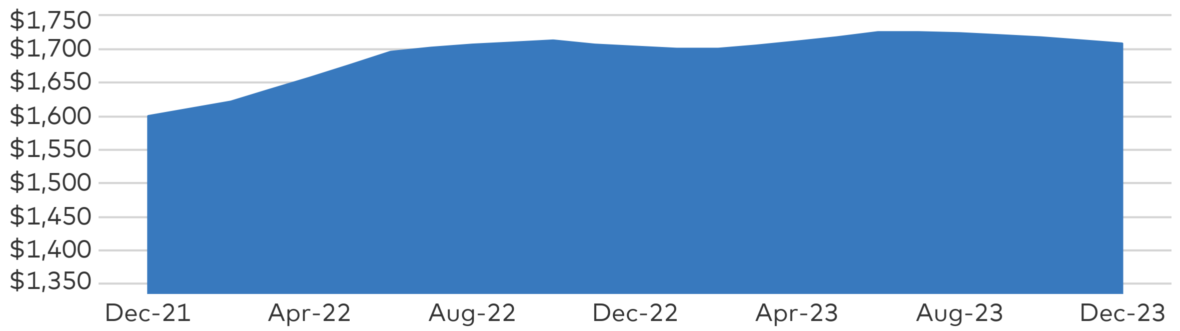
Multifamily ended 2023 on a downswing, after average U.S. multifamily asking rents dropped for five straight months. The average asking rent fell $17 over those five months to $1,709. Discounting the 2020 pandemic year's 0.1% gain, 2023's full-year rent growth of 0.3% was the weakest rent performance since the 0.2% increase in 2010. And rents are likely to remain stuck in neutral during the early part of the new year.

With all that said, how worried should the market be going into 2024? While it is prudent to prepare for downside scenarios, conditions may not be as weak as they appear on the surface.

Maybe most importantly, household formation and the strong job market should continue to maintain demand. Apartment absorption totaled 285,000 in 2023 through November, per Matrix, which is in line with recent years when rents rose robustly. Absorption has remained healthy across the country, even (and especially) in markets such as Austin, Orlando, Phoenix, Dallas and Nashville, where rent growth has temporarily turned negative due to the rapid increase in deliveries. Absorption also remains strong in metros such as Northern New Jersey, Boston and Washington, D.C.

And it is increasingly appearing as though the job market will hold up better than consensus expectations in the wake of the Federal Reserve's rate hikes. Almost two years with a sub-4.0% unemployment rate has kept household balance sheets in good shape, boosting consumer confidence and helping to maintain spending. While GDP growth is likely to slow in 2024, the chances of a hard landing are dimming. Meanwhile, demand is also coming from an increase in net immigration, which fell by almost half between 2018 and 2021. Net immigration has increased by more than 1 million annually in the last two years, and is projected to remain at that level in coming years.

National Average Rents



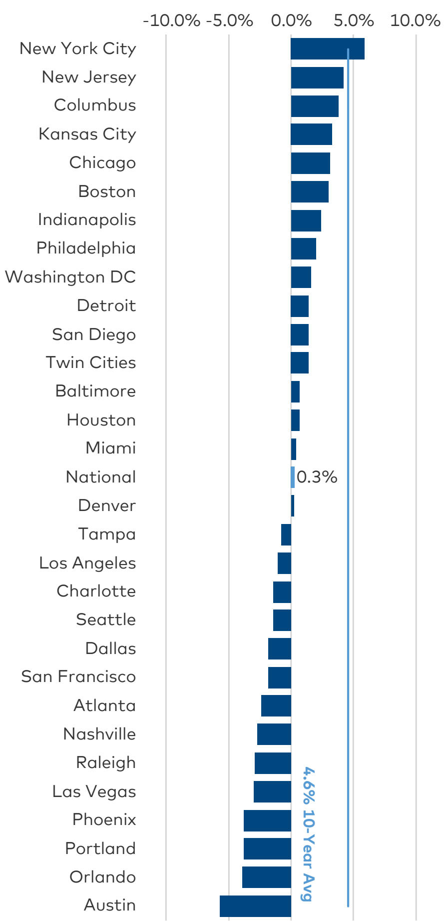
National averages include 140 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by Yardi Matrix.

Year-Over-Year Rent Growth: Deceleration Trend Intensifies

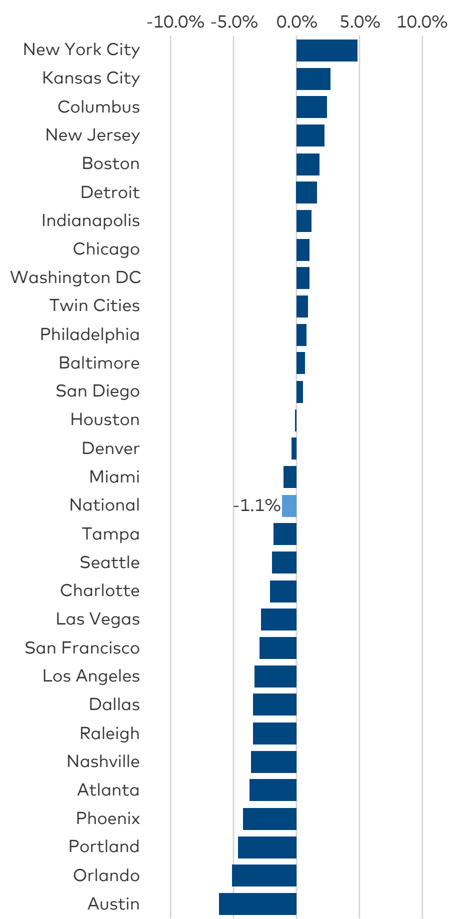
- The national average asking rent fell to $1,709 in December, down $4 from November. The year-over-year growth rate, which was 6.4% in December 2022, was unchanged at 0.3%. Rent growth continues to be highest in the Northeast and Midwest, led by New York City (5.9% year-over-year), New Jersey (4.2%), Columbus (3.8%), Kansas City (3.3%) and Chicago (3.1%). Negative rent growth is intensifying in a number of metros, as five of Matrix's top 30 markets are down by 3.0% or more year-over-year. Austin posted the largest decline, at 5.7%, an effect of the high volume of units delivered in many Sun Belt markets.

- The national occupancy rate was unchanged from the previous month at 94.8%. Occupancy rates were either down or unchanged year-over-year as of November in all but five markets: Chicago (up 0.2% year-over-year), Seattle (0.2%), Denver (0.1%), Washington, D.C. (0.1%) and the Twin Cities (0.1%). The largest decline was in Atlanta (down 1.3%).

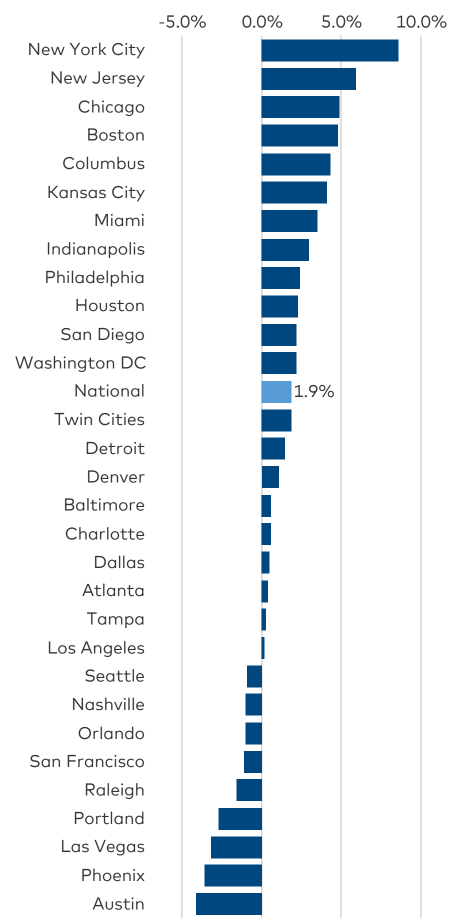
Year-Over-Year Rent Growth— All Asset Classes



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: Lifestyle, RBN Both Drop in December

- The average U.S. multifamily asking rent decreased by $4, or 0.2%, in December.

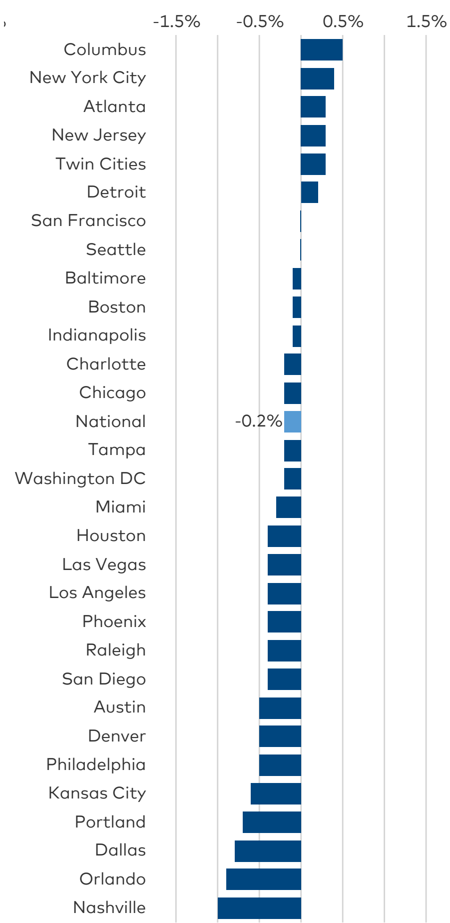
- Rents are down 0.1% month-over-month in the Renter-by-Necessity segment and 0.2% in the luxury Lifestyle segment.

Asking rents fell in December in both the Lifestyle (-0.2%) and Renter-by-Necessity (-0.1%) segments. Rent growth was negative in 22 of the top 30 metros in Lifestyle and 21 in the RBN segment. The most significant declines in both segments were recorded in two Sun Belt metros: Nashville (down 0.9% in Lifestyle and 1.2% in RBN) and Orlando (down 0.9% in both Lifestyle and RBN).

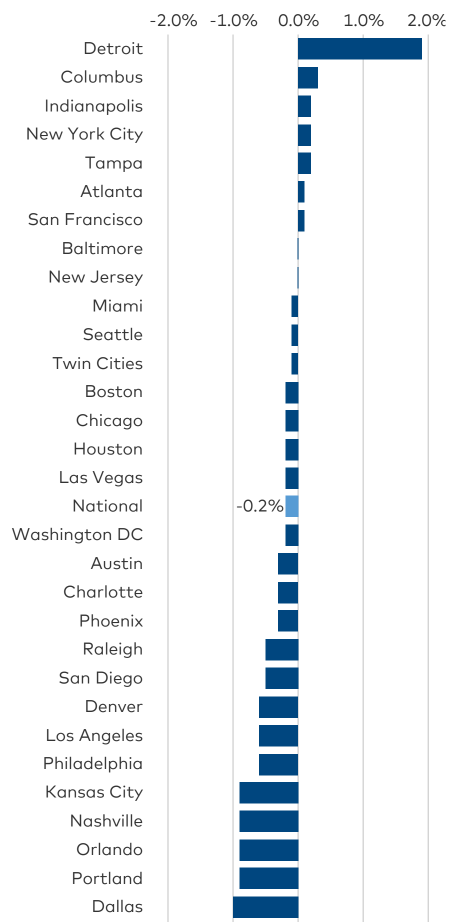
A handful of metros recorded gains in overall rent, led by Columbus (0.5%), New York City (0.4%) and Atlanta (0.3%). Most top 30 Matrix metros either were unchanged or declined.

Rent and occupancy continue to decline in areas that have had a high volume of deliveries. Examples include Austin, Miami, Charlotte and other Sun Belt markets that have had a large number of completions as a percentage of total stock. Meanwhile, metros such as New York with fewer deliveries are posting strong rent growth.

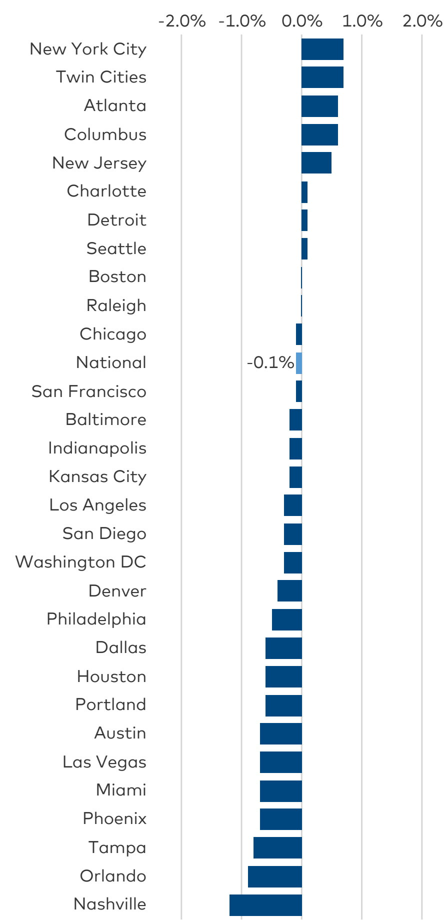
Month-Over-Month Rent Growth—All Asset Classes



Month-Over-Month Rent Growth—Lifestyle Asset Class



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



Source: Yardi Matrix

Transacted Rents: Renewal Rent Growth Moderates

- Rent growth for renewal leases is moderating, reflecting the broader rent growth slowdown. Renewal rents, the change for residents that are rolling over existing leases, rose 5.2% nationally year-over-year in October, down 80 basis points from September. Interestingly, Las Vegas had the highest renewal rent growth (12.4%) despite negative asking rent growth. By contrast, metros with both the lowest renewal rent growth and negative asking rent growth include Phoenix (1.0% renewal rate) and Austin (2.9%). While supply growth in Las Vegas is weak, Phoenix and Austin have had a robust delivery pipeline, which drives greater competition from new units.

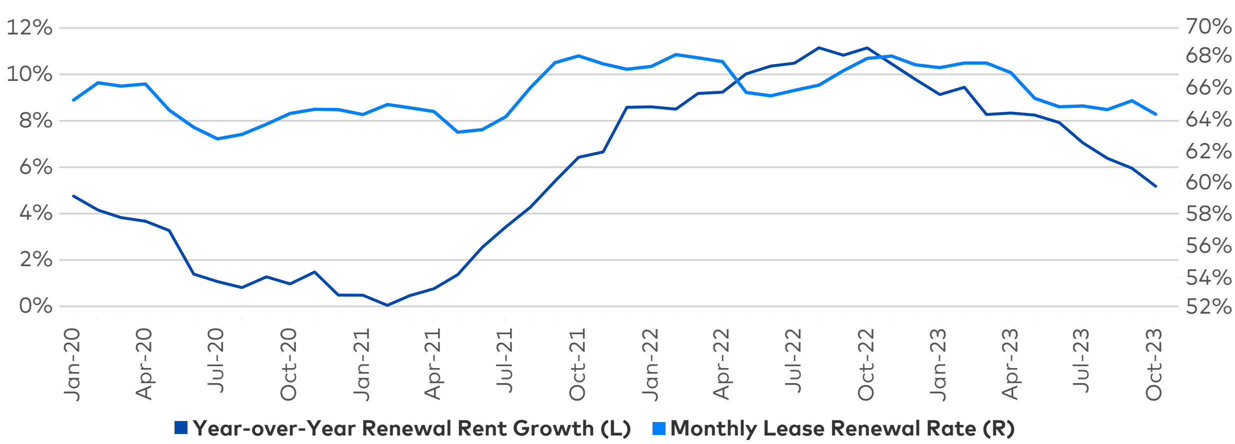
- The national lease renewal rate averaged 64.4% in October. Lease renewal rates have settled into a range, having been between 64.4% and 66.0% for the last six months. Lease renewal rates were highest in New Jersey (80.8%) and lowest in Los Angeles (45.3%).

Market	YoY Renewal Rent Growth	Monthly Lease Renewal Rate
Las Vegas	12.4%	62.5%
Miami Metro	9.8%	69.9%
Columbus	8.2%	66.0%
Kansas City	8.1%	68.1%
San Diego	7.8%	52.6%
Boston	6.2%	63.8%
Orlando	6.1%	65.6%
Chicago	6.0%	66.3%
Indianapolis	5.8%	68.3%
New Jersey	5.5%	80.8%
Raleigh	5.3%	63.9%
Philadelphia	5.1%	79.8%
Tampa	5.1%	62.4%
Portland	5.1%	62.4%
Atlanta	4.7%	64.3%

Market	YoY Renewal Rent Growth	Monthly Lease Renewal Rate
Seattle	4.6%	59.4%
Los Angeles	4.5%	45.3%
Houston	4.5%	66.8%
Twin Cities	4.4%	65.3%
Charlotte	4.3%	62.8%
Denver	4.3%	60.0%
Dallas–Ft. Worth	4.0%	62.3%
Nashville	3.6%	57.7%
Baltimore	3.2%	66.5%
New York City	3.1%	60.5%
Austin	2.9%	55.5%
Washington DC	2.7%	60.7%
San Francisco	2.1%	49.9%
Detroit	1.0%	71.0%
Phoenix	1.0%	60.2%

Source: Yardi Matrix Expert, data as of November 2023

National Lease Renewals and Renewal Rent Growth



Source: Yardi Matrix Expert

Supply, Demand and Demographics: Multifamily's Pressing Questions in 2024

- The multifamily industry faces some important challenges in 2024 related to expenses, income, deliveries and interest rates.
- The market is on track for more than 500,000 units to be delivered in 2024, but starts are slowing.
- Recent interest rate declines are a positive development for potential distress, but owners are not out of the woods yet.

2024 promises to be consequential for multifamily. Some of the trends we will be keeping our eye on include:

- Will expense growth moderate? Expenses such as labor, maintenance and insurance jumped sharply for multifamily owners in 2022-23. Some categories of that growth will subside as inflationary pressures abate, but other categories may not. For example, insurance premiums likely will keep increasing, as insurers must cover for the growing number of weather-related payouts.

- The direction of rent growth. Heading into 2024, the average national asking rent has been dropping. Given the deceleration in many markets from supply growth and declining affordability, along with normal seasonal trends, rents are likely to remain flat until the spring. Will rent growth resume after that, or will the hangover continue? We expect modest but positive rent growth in most markets this year.

- What will happen with multifamily starts? Strong demand for housing, interest in multifamily investments and low financing rates have helped propel an apartment construction boom that is concentrated in fast-growing Sun Belt markets. As we enter 2024, roughly 1.2 million apartment units are under construction, and Matrix forecasts just shy of 1 million units to be completed through the end of 2025. However, the sharp rise in interest rates has put a damper on new starts, as financing rates start at 8-9% and lenders are demanding more equity contributions from builders. Matrix expects starts to remain weak, but the impact on deliveries likely won't be felt until 2026.

- The direction of interest rates. The late December 100-basis-point drop in the 10-year Treasury rate was a relief to a commercial real estate market dealing with potential maturity defaults as owners refinance loans in a higher-rate environment. The market now expects no more Fed rate hikes, with several cuts during 2024. Any drop in mortgage rates reduces the potential refinancing gap for multifamily owners, but loan coupons remain well above levels from Q1 2022, when the Federal Reserve started increasing policy rates. Rates continuing downward would alleviate some distress, but the market optimism in that regard may not be justified. Multifamily distress will be concentrated in short-term loans on value-add properties originated in 2020-22 with low rates and optimistic income assumptions.

Single-Family Build-to-Rent Segment: SFR Rents, Occupancy Remain Steady

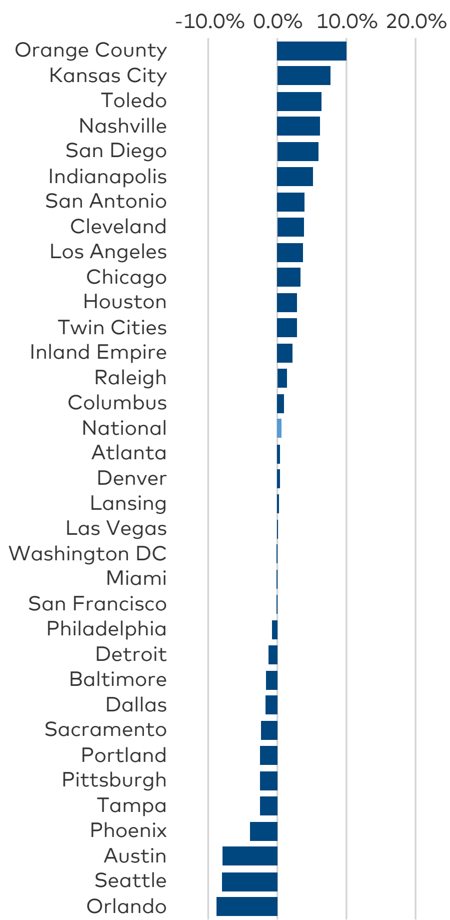
- Nationally, asking rates for single-family rentals fell $1 in December to $2,123, while year-over-year growth increased by 20 basis points to 1.2%.

- U.S. SFR occupancy rates fell by 10 basis points in November, but are up 0.1% year-over-year and remain strong at 95.8%.

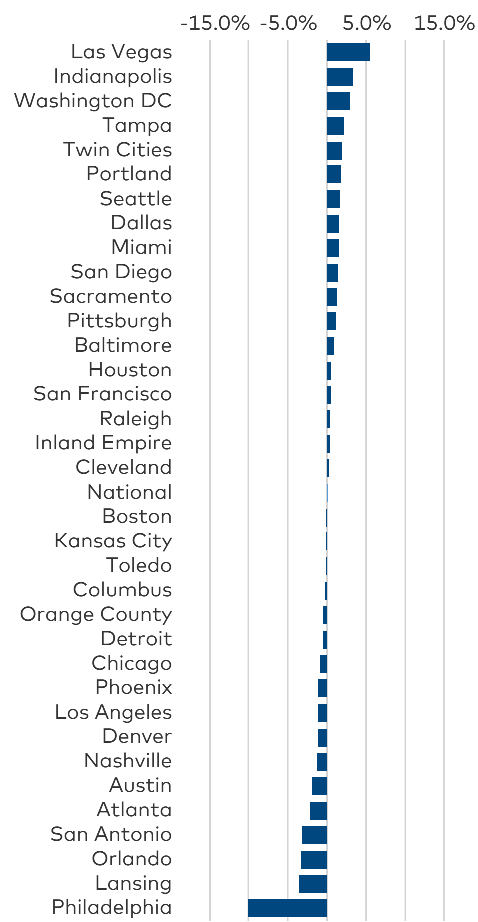
With some first-time homebuyers priced out of the market by record-high home prices and lofty mortgage rates, demand for SFRs remains robust. However, increased attention to the sector has brought with it legislative scrutiny via bills at the state and national level that aim to stop institutions from buying single-family rentals. The proposals include measures that would either ban or impose financial penalties on institutional owners. While these bills have limited chances of passing, it should be noted that they are counterproductive. Institutions own less than 1% of single-family homes and less than 5% of SFRs, too little to significantly impact pricing. The best solution to high housing costs is to build more to meet demand, not restrict supply.

Note: Yardi Matrix covers single-family build-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

Multifamily Rent-to-Income Ratios
As of November 2023

Market	All Units	Lifestyle Units	Renter-by-Necessity Units
Washington DC	35.4%	32.7%	37.0%
Central New Jersey	34.8%	33.8%	35.2%
San Diego	33.6%	30.6%	43.0%
Boston	32.9%	30.8%	37.3%
Los Angeles	32.9%	29.4%	36.1%
Baltimore	32.8%	30.7%	34.0%
Orlando	32.2%	31.3%	33.4%
New York	32.0%	32.7%	31.2%
Denver	31.9%	29.7%	34.9%
Nashville	31.4%	27.4%	34.8%
Tampa	31.3%	29.3%	34.1%
Portland	30.9%	28.3%	35.1%
San Francisco	30.8%	26.9%	34.8%
Atlanta	29.7%	28.7%	31.8%
Chicago	29.6%	28.2%	30.4%
Seattle	29.5%	27.2%	33.7%
Twin Cities	29.4%	26.6%	32.0%
Las Vegas	29.2%	28.5%	31.0%
Philadelphia	29.2%	26.3%	31.2%
Northern New Jersey	29.1%	25.9%	37.8%
Charlotte	29.1%	27.6%	32.0%
Houston	28.1%	25.7%	31.6%
Dallas	28.1%	27.0%	30.0%
Miami	28.0%	26.9%	31.0%
Phoenix	28.0%	26.7%	29.6%
Detroit	27.2%	26.1%	27.3%
Columbus	27.2%	24.7%	27.8%
Austin	26.9%	26.0%	29.9%
Raleigh	26.8%	25.7%	29.7%
Indianapolis	26.5%	24.1%	28.0%
Kansas City	25.3%	23.7%	26.6%

Rent-to-Income ratios sorted by all units, highest to lowest. Source: Yardi Systems Screening Data
The Yardi Matrix data service covers rent-to-income ratios monthly back to January 2019 for 112 markets broken out by property type

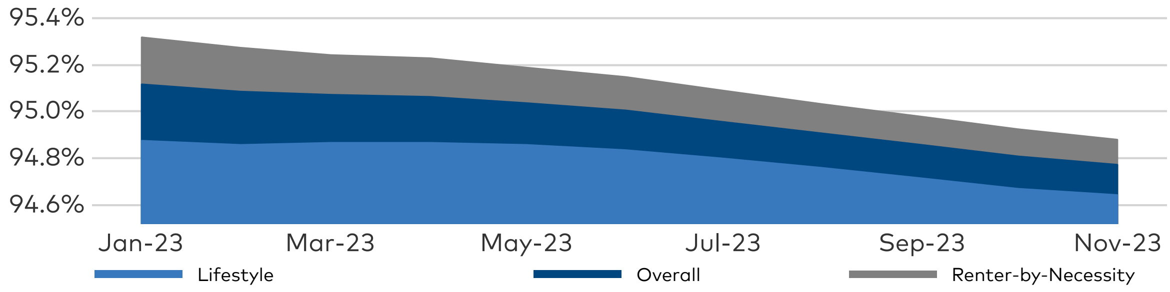
Employment and Supply Trends; Forecast Rent Growth

Market	YoY Rent Growth as of Dec - 23	Forecast Rent Growth as of 12/1/23 for YE 2023	YoY Job Growth (6-mo. moving avg.) as of Oct - 23	Completions as % of Total Stock as of Dec - 23
New York City	5.9%	4.5%	2.5%	1.1%
New Jersey	4.2%	4.1%	2.5%	2.3%
Columbus	3.8%	2.4%	0.9%	2.6%
Kansas City	3.3%	3.3%	2.7%	2.4%
Chicago	3.1%	4.5%	1.4%	1.8%
Boston	3.0%	4.0%	2.4%	2.0%
Indianapolis	2.4%	3.2%	2.7%	1.7%
Philadelphia	2.0%	2.9%	3.0%	1.1%
Washington DC	1.6%	2.4%	1.9%	2.0%
San Diego	1.4%	2.6%	2.2%	1.5%
Detroit	1.4%	0.7%	1.0%	0.9%
Twin Cities	1.4%	1.9%	1.8%	2.8%
Houston	0.7%	0.7%	3.1%	1.9%
Baltimore	0.7%	0.7%	1.4%	1.2%
Miami Metro	0.4%	1.6%	2.7%	4.5%
Denver	0.2%	1.5%	0.5%	2.8%
Tampa	-0.8%	0.2%	3.1%	3.4%
Los Angeles	-1.1%	0.2%	2.1%	2.3%
Seattle	-1.4%	0.2%	2.8%	2.5%
Charlotte	-1.4%	0.7%	3.6%	4.4%
Dallas	-1.8%	0.6%	4.2%	2.2%
San Francisco	-1.8%	-0.3%	2.1%	2.6%
Atlanta	-2.4%	-1.2%	2.2%	3.3%
Nashville	-2.7%	-0.1%	3.4%	4.2%
Raleigh	-2.9%	0.6%	3.4%	4.2%
Las Vegas	-3.0%	-0.5%	4.2%	1.1%
Portland	-3.8%	-1.4%	2.7%	2.2%
Phoenix	-3.8%	-1.5%	2.0%	3.7%
Orlando	-3.9%	-0.4%	2.7%	4.5%
Austin	-5.7%	-2.3%	3.4%	4.7%

Source: Yardi Matrix

Occupancy & Asset Classes

Occupancy—All Asset Classes by Month



Source: Yardi Matrix

Year-Over-Year Rent Growth, Other Markets

Market	December 2023		
	Overall	Lifestyle	Renter-by-Necessity
Bridgeport–New Haven	4.6%	1.5%	7.1%
Cincinnati	3.9%	0.1%	5.4%
Milwaukee	3.8%	2.9%	3.9%
Louisville	3.6%	2.6%	4.2%
Orange County	3.1%	3.1%	3.1%
St Louis	3.0%	0.5%	3.9%
Cleveland–Akron	2.5%	-0.2%	3.0%
Charleston	2.5%	0.9%	4.6%
Albuquerque	1.6%	0.2%	2.7%
Winston-Salem–Greensboro	1.6%	0.9%	2.4%
Richmond–Tidewater	1.2%	0.2%	1.7%
Greenville	1.0%	-0.5%	2.5%
Central Valley	0.9%	0.4%	1.1%
North Central Florida	-0.2%	-1.5%	0.9%
Inland Empire	-0.2%	-1.7%	1.2%
Sacramento	-0.6%	-0.4%	-0.9%
San Jose	-1.4%	-2.6%	0.4%
Salt Lake City	-2.3%	-2.7%	-2.2%
San Antonio	-2.3%	-3.6%	-0.6%
Colorado Springs	-2.6%	-1.5%	-4.0%
Jacksonville	-3.3%	-4.2%	-1.8%
Southwest Florida Coast	-3.9%	-5.7%	0.6%

Source: Yardi Matrix

Definitions

Reported Market Sets:

National multifamily rent and occupancy values derived from all 136 markets with years of tracked data that makes a consistent basket of data.

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.

Average Market Rent: Average rent rolled up from the unit mix level to metro area level and weighted by number of units. Rent data is stabilized, meaning rent values for properties are only included 12 months after the properties' completion date.

Rent Growth, Year-Over-Year: Year-over-year change in average market rents, as calculated by same month.

Forecasted Rent Growth: Year-over-year change in average forecasted market rents, as calculated by same month.

Renewal Lease Rent Per Unit: Monthly rent per unit for renewal leases.

Renewal Lease Rent Change Percent: Percentage of monthly rent change between renewals and their corresponding previous leases for the same resident. Only includes renewal leases where the lease term length is no more than 3 months longer or shorter than the previous lease.

Expiring Lease Renewal Percent: Percentage of expiring leases for which residents have renewed. Excludes leases from which the tenant moved out prior to the month of the expiration.

Rent-to-Income Ratio: Rent is the monthly rent as stated, no fees or utilities. Income is as stated on applications.

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.

Employment Totals: Total employment figures and categories provided by the Bureau of Labor Statistics, seasonally adjusted.

Single-Family Rental: A property where 50% or more of the units are either stand-alone buildings OR have direct access garages with no neighbors above or below the unit.

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

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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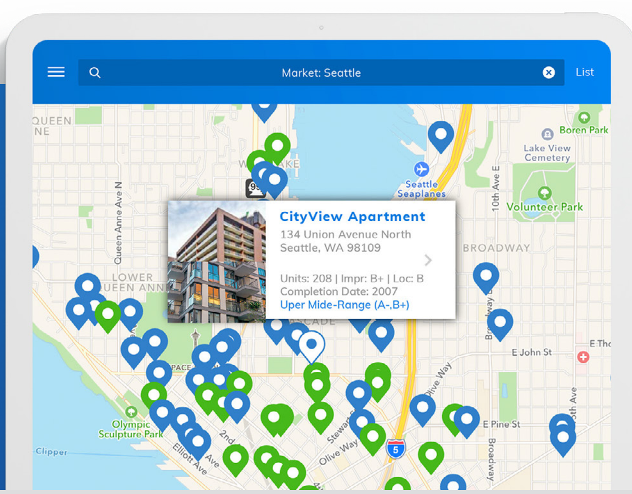
MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



Yardi Matrix Multifamily provides accurate data on **19.7+ million units**, covering over **92% of the U.S. population.**

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