Yardi® Matrix

Multifamily National Report

July 2019

Multifamily Rent Growth Remains a Good Bet

- The average U.S. multifamily rent increased by $3 in July to $1,469. Year-over-year growth increased to 3.4%, up 10 basis points from June. Rent growth has remained at the 3.0% level or higher all year.
- In this prolonged positive cycle going back at least six years, the consistency and geographic diversity of rent growth remain the most remarkable elements. Fast-growing metros in the South and Southwest, metros with strong technology industries, established metros in the Northeast and Midwest—all are producing healthy gains.
- Las Vegas (8.0% year-over-year growth) continues to produce the fastest rent growth, even as it catches up to the national average in rent. Las Vegas rents are only 25% below the national average.

Multifamily rents continued their impressive and consistent performance, increasing by $3 in July to $1,469. Other than persistent weakness in a very small number of metros, particularly Houston, one has to strain very hard to find bad news in the national apartment rent numbers.

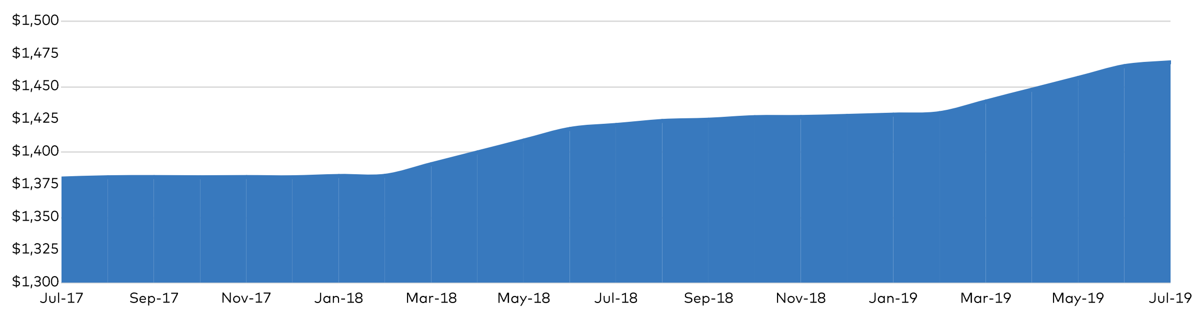
Rapidly growing Southwest standbys Las Vegas (8.0%) and Phoenix (7.1%) continue to have the top gains. Sacramento is no longer top dog, but it is still among the biggest gainers. These metros continue to produce robust increases, even as they are no longer as inexpensive relative to the rest of the country as they used to be.

The list of top rent gainers includes Southeast metros Charlotte (4.6%), Raleigh (4.4%), Atlanta (4.3%) and Nashville (4.0%). Rents in each of these metros are rising rapidly despite a healthy amount of new supply. Nashville, where new supply represents 4.5% of existing stock, and Charlotte (4.0% of existing stock) are among the national leaders in completions as a percentage of stock over the last 12 months. Raleigh's new apartments represent 3.3% of stock, while only Atlanta, at 2.1%, is close to the national average in deliveries.

Metros known for their concentrations of technology industries—Boston, Portland and Seattle (all 0.9% on a trailing three-month basis)—have had the fastest-growing rents in recent months. Even Chicago has come to life, with gains of 0.8% over the last three months and 3.5% for the year. Only Miami (2.4%) and Houston (0.8%) are below the long-term average among major metros.

The healthy fundamental performance takes place amid questions about the economy. In the short run, lower interest rates convey benefits for multifamily. Property owners are rushing to lock in long-term mortgage rates, and multifamily should see strong capital inflows from investors seeking healthy and safe returns. But there is potential for market volatility and slower growth.

National Average Rents



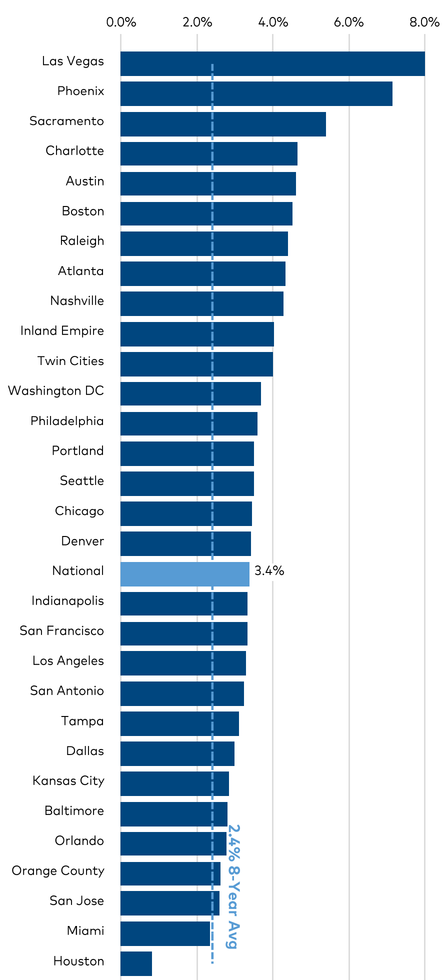
National averages include 127 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by YardiMatrix.

Year-Over-Year Rent Growth
Lifestyle Rent Growth Continues to Converge with RBN

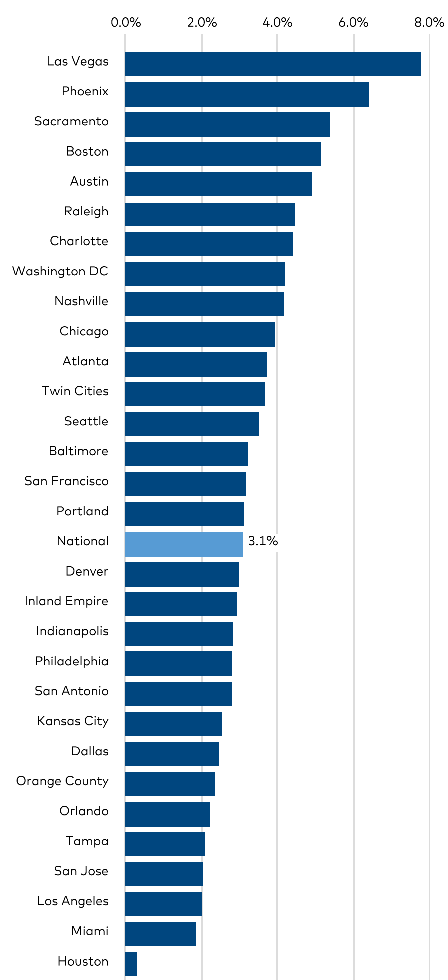
- Rent growth continued its strong 2019 trend, increasing 3.4% on a year-over-year basis in July. Annual rent growth has topped 3% on a year-over-year basis for each of the past 13 months.

- Lifestyle rents continued their positive momentum, increasing 3.1% in July, the strongest growth for the segment since September 2016. Coming out of the Great Recession, rents for high-end luxury units grew at a faster pace than workforce housing, but in 2011 the trend reversed. For the last six years, Renter-by-Necessity rents have grown faster, as nearly 2 million luxury units have been delivered, dampening rent growth at the high end. The spread between RBN and Lifestyle rent growth widened until late 2017, and while RBN rents are still increasing faster than Lifestyle, the gap has narrowed to 50 basis points, its lowest since May 2012. Despite increasing headline risk of affordability issues with multifamily, the Lifestyle segment remains strong and growth is accelerating.

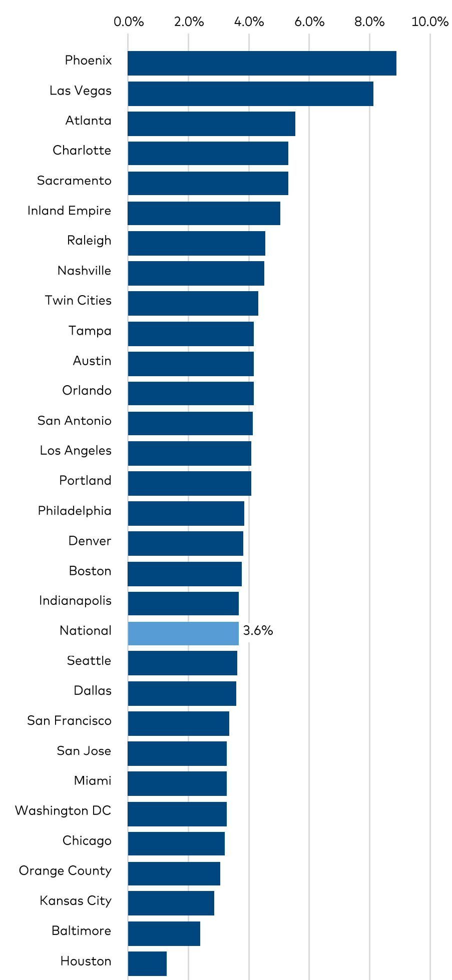
Year-Over-Year Rent Growth—
All Asset Classes



Year-Over-Year Rent Growth—
Lifestyle Asset Class



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



Source: Yardi Matrix

Trailing 3 Months:
Robust Gains in Tech Metros

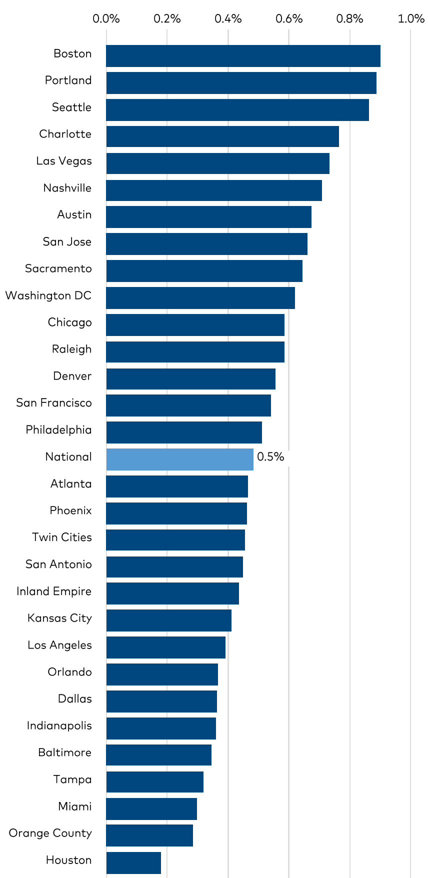
- Rents increased 0.5% nationally in July on a trailing three-month basis, a 20-basis-point decrease from June.
- For the second straight month, rents of luxury Lifestyle properties rose faster than Renter-by-Necessity units.

Rents increased 0.5% nationally on a trailing three-month (T-3) basis, which compares the last three months to the previous three months. The T-3 ranking demonstrates short-term changes and not necessarily long-term trends.

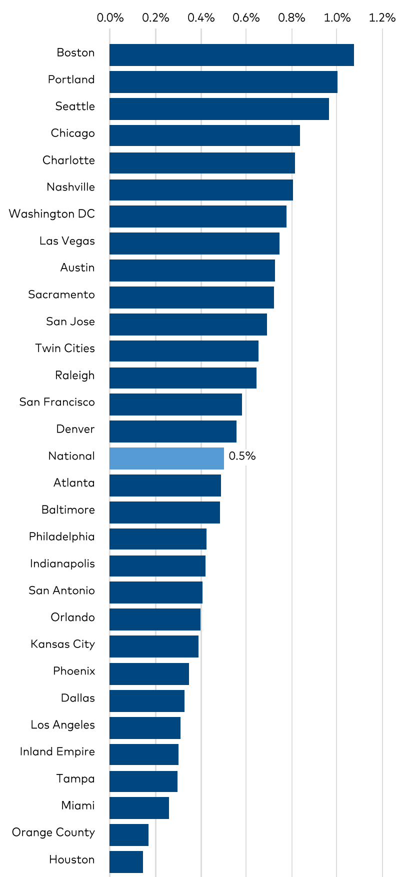
Gains once again were led by technology-centric metros Boston, Portland and Seattle (all 0.9%). Each of those metros saw T-3 increases of 1.0% or more in the Lifestyle segment, a demonstration of robust across-the-board demand, especially for newer amenity-laden units marketed to high-income tenants. Other metros with strong T-3 growth in Lifestyle rents include Chicago, Charlotte, Nashville and Washington, D.C. (all 0.8%). In each of these metros, Lifestyle rents rose at least 20 basis points more than RBN.

Nationally, Lifestyle units gained 0.5% on a T-3 basis, vs. 0.4% for RBN. Occupancy rates as of June were higher for RBN, at 95.3% compared to 94.7% for Lifestyle, but neither has changed much over the past year. The data indicates strong demand across the board, even as rents continue to rise.

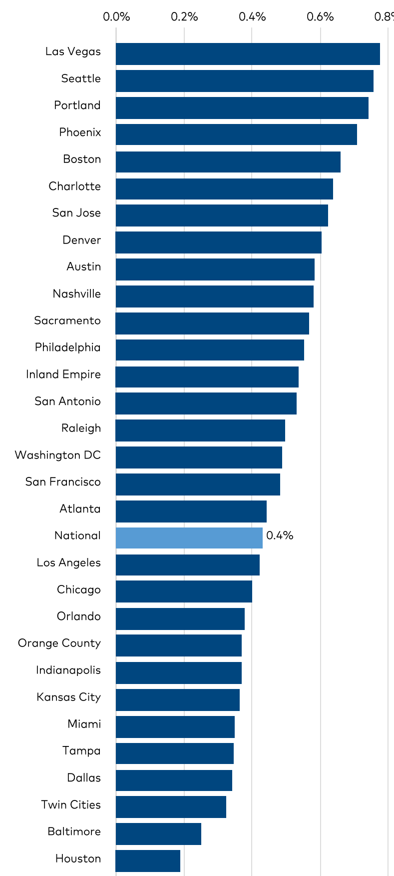
Trailing 3 Months Sequential—All Asset Classes



Trailing 3 Months Sequential—Lifestyle Asset Class



Trailing 3 Months Sequential—Renter-by-Necessity Asset Class



Source: Yardi Matrix

Employment, Supply and Occupancy Trends; Forecast Rent Growth

- After a couple of years of weak multifamily rent growth, Washington, D.C., has surged to 3.7% year-over-year gains through July.
- The metro seems an unlikely spot for acceleration, given its high costs, robust supply growth in recent years and relatively tepid increases in employment.
- Occupancy rates remain high despite the new supply. Washington's redeveloped neighborhoods present an attractive lifestyle choice for young and middle-age professionals.

City Spotlight: Washington, D.C.

If asked to name metros with potential for increasing rent growth a couple of years ago, few would have chosen Washington, D.C. It's located in a slow-growth region, with high rents, a burgeoning supply pipeline and below-average job growth.

However, the nation's capital has turned its fortunes around. Following a stint of rent increases below 1.0% year-over-year through much of 2017 and 2018, Washington has exhibited rent gains on a straight upward line since last fall. As of July, Washington's multifamily rent was up 3.7%, above the 3.4% national average.

What happened? Basically, Washington capitalized on demand from Millennials and older professionals, and the turnaround in rehabilitated areas—such as the renovated Wharf—has helped produce popular live-work-play destinations. The metro is demonstrating the benefits of creating livable neighborhoods where people want to be. And all of this is taking place before the "Amazon effect" kicks into gear. That's when Amazon brings its second headquarters to what is now Crystal City and will be rebranded National Landing in Arlington, Va. Amazon is expected to add as many as 25,000 jobs to HQ2 over the next decade, and other companies are likely to follow.

Washington fundamentals don't appear ripe for growth. The average rent is $1,850, nearly $400 more than the national average. Job growth has consistently underperformed, averaging less than 1% annually over the 12 months through June. And supply growth has been robust, with more than 70,000 units added since 2014, most on the high end.

All of the negatives are being overcome, though, at least for now. Neighborhoods such as Georgetown, the newly redeveloped Wharf and Arlington are (or have become) hotspots. Units are being filled by a combination of Millennial professionals, affluent Generation X households that are renting into their 40s because they enjoy the comfort of luxury apartments and the lifestyle amenities of D.C. neighborhoods, and even downsizing Baby Boomers who want to enjoy the perks of the city. Multifamily occupancy has held up well over time, despite the influx of supply. The average occupancy rate of stabilized properties was 95.4% as of June, and has been over 95% for five years.

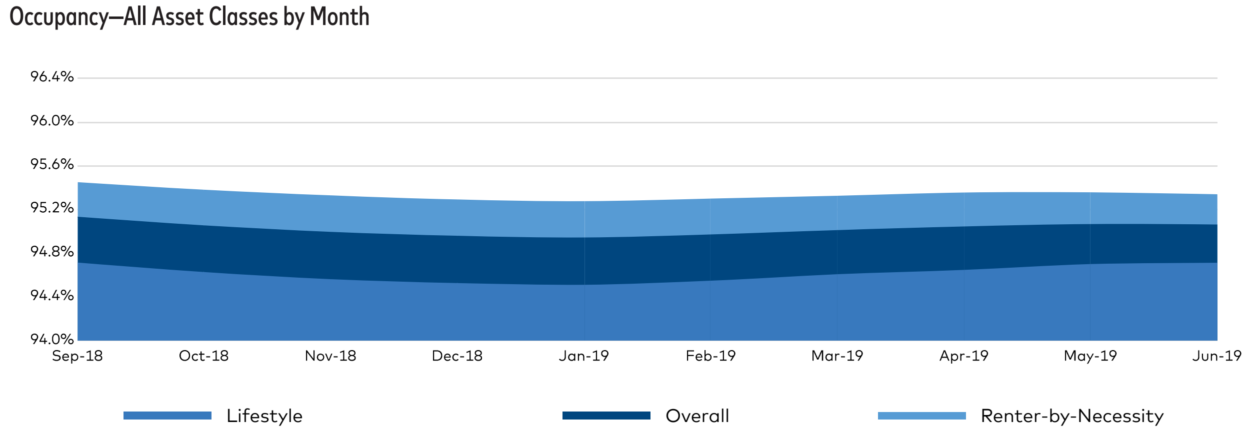
The Washington economy will always be dependent on the federal government, but there are many other thriving industries. For now, Washington is retaining its reputation as a bulletproof spot for investors.

Employment, Supply and Occupancy Trends; Forecast Rent Growth

Market	YoY Rent Growth as of July - 19	Forecast Rent Growth (YE 2019)	YoY Job Growth (6-mo. moving avg.) as of June - 19	Completions as % of Total Stock as of July - 19	Occupancy Rates as of June - 18	Occupancy Rates as of June - 19
Las Vegas	8.0%	5.4%	2.7%	1.7%	95.2%	95.4%
Phoenix	7.1%	5.3%	3.1%	3.0%	95.2%	95.4%
Nashville	4.3%	4.1%	2.8%	4.5%	95.2%	95.1%
Orlando	2.8%	4.0%	3.7%	3.0%	95.8%	95.1%
Raleigh	4.4%	4.0%	1.1%	3.3%	94.6%	94.7%
Twin Cities	4.0%	4.0%	0.1%	2.7%	97.2%	97.0%
Seattle	3.5%	3.9%	2.6%	4.9%	95.7%	95.8%
Sacramento	5.4%	3.8%	2.5%	0.6%	96.4%	96.5%
Austin	4.6%	3.7%	2.2%	3.6%	94.6%	94.6%
Inland Empire	4.0%	3.6%	1.7%	1.0%	96.1%	96.1%
Atlanta	4.3%	3.5%	1.0%	2.1%	94.3%	94.2%
Boston	4.5%	3.5%	2.1%	2.8%	96.4%	96.3%
Los Angeles	3.3%	3.5%	0.7%	2.0%	96.7%	96.4%
Tampa	3.1%	3.5%	2.1%	2.3%	95.5%	95.0%
Kansas City	2.8%	3.4%	2.1%	2.7%	95.2%	94.8%
Miami Metro	2.4%	3.4%	1.3%	3.9%	95.1%	95.0%
Charlotte	4.6%	3.3%	2.4%	4.0%	95.2%	95.1%
Dallas	3.0%	3.3%	3.0%	2.8%	94.6%	94.4%
San Jose	2.6%	3.3%	2.5%	1.9%	96.2%	95.8%
Indianapolis	3.3%	3.1%	0.7%	1.4%	94.5%	94.4%
Philadelphia	3.6%	3.0%	1.2%	0.8%	95.7%	95.7%
Chicago	3.5%	2.8%	1.4%	2.1%	94.8%	94.5%
San Francisco	3.3%	2.8%	2.3%	1.8%	96.1%	95.9%
Denver	3.4%	2.6%	1.9%	4.3%	95.3%	95.0%
San Antonio	3.2%	2.6%	0.8%	2.9%	92.9%	92.9%
Washington DC	3.7%	2.6%	1.8%	1.5%	95.5%	95.5%
Orange County	2.6%	2.3%	1.1%	1.2%	95.9%	96.0%
Baltimore	2.8%	2.0%	0.8%	0.9%	94.6%	95.0%
Houston	0.8%	1.9%	2.6%	1.1%	93.6%	92.7%
Portland	3.5%	1.9%	2.1%	3.1%	95.8%	95.6%

Source: Yardi Matrix

Occupancy & Asset Classes



Source: Yardi Matrix

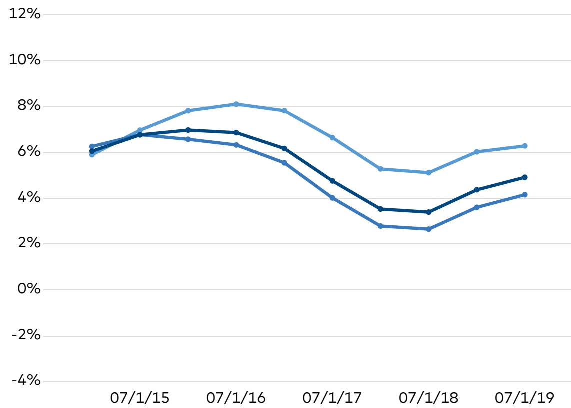
Year-Over-Year Rent Growth, Other Markets

Market	July 2019		
	Overall	Lifestyle	Renter-by-Necessity
Tucson	5.8%	6.0%	6.0%
Colorado Springs	5.7%	5.1%	6.9%
Tacoma	5.2%	5.1%	5.1%
NC Triad	4.9%	5.9%	4.3%
Albuquerque	4.9%	5.8%	4.6%
Central Valley	4.9%	1.1%	5.8%
Long Island	4.5%	4.1%	4.5%
Salt Lake City	4.0%	2.6%	5.0%
San Fernando Valley	3.8%	3.0%	4.1%
Louisville	3.6%	2.9%	4.3%
Indianapolis	3.3%	2.8%	3.6%
Bridgeport–New Haven	2.9%	3.5%	2.5%
Reno	2.7%	2.0%	3.2%
St. Louis	2.6%	1.8%	2.8%
Northern New Jersey	2.1%	1.4%	3.0%
El Paso	1.9%	0.4%	2.5%
Central East Texas	1.7%	2.8%	1.5%
SW Florida Coast	1.2%	0.7%	2.0%

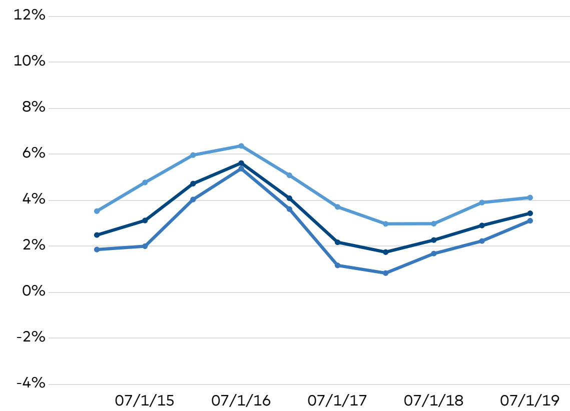
Source: Yardi Matrix

Market Rent Growth by Asset Class

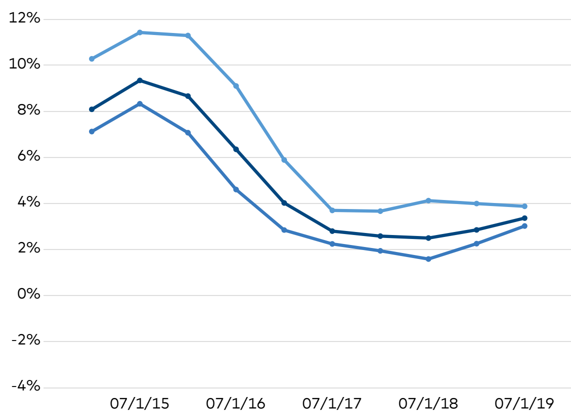
Atlanta



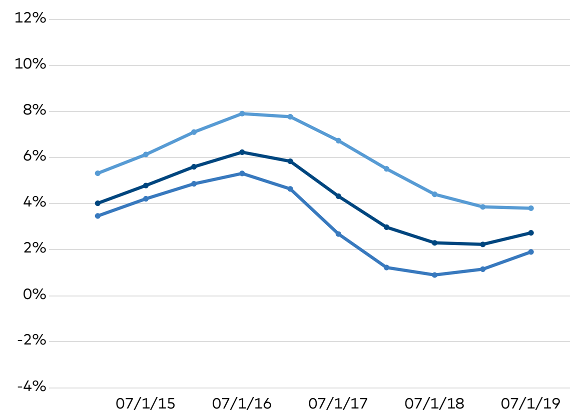
Boston



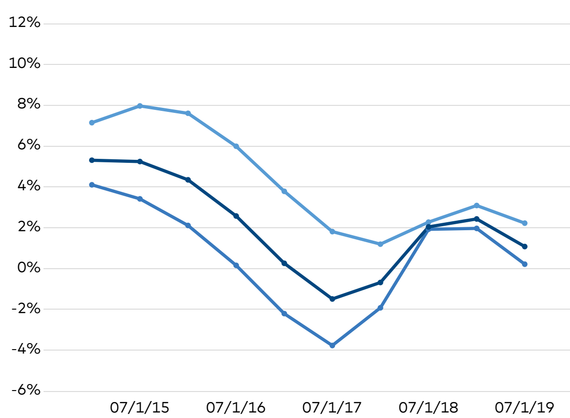
Denver



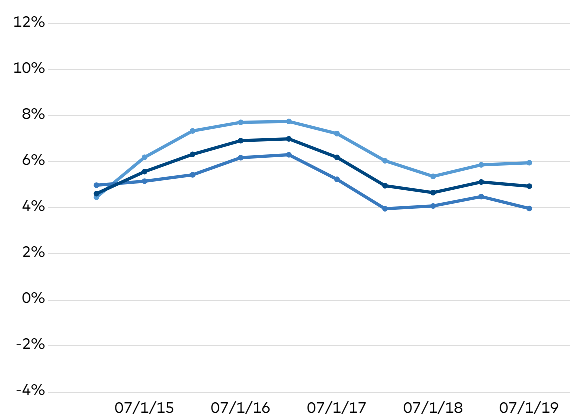
Dallas



Houston



Inland Empire

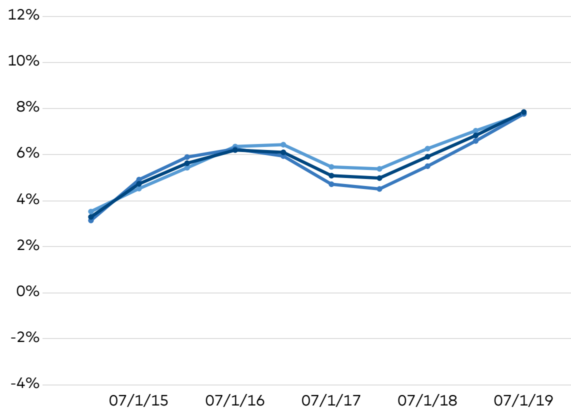


Trailing 12 Months Overall — Trailing 12 Months Lifestyle — Trailing 12 Months Renter-by-Necessity

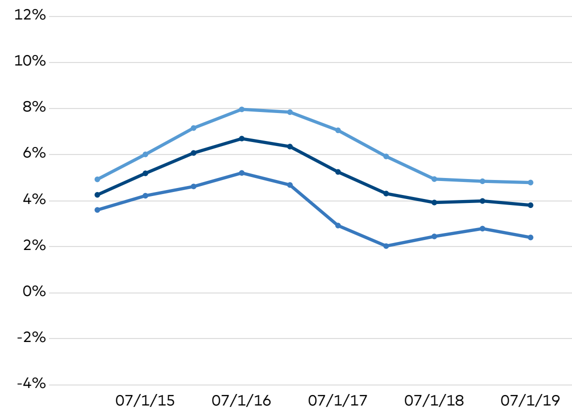
Source: Yardi Matrix

Market Rent Growth by Asset Class

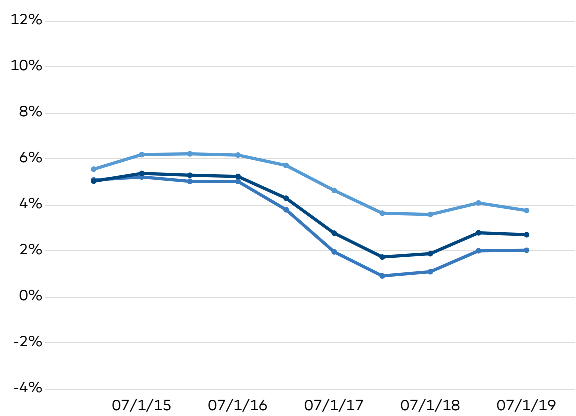
Las Vegas



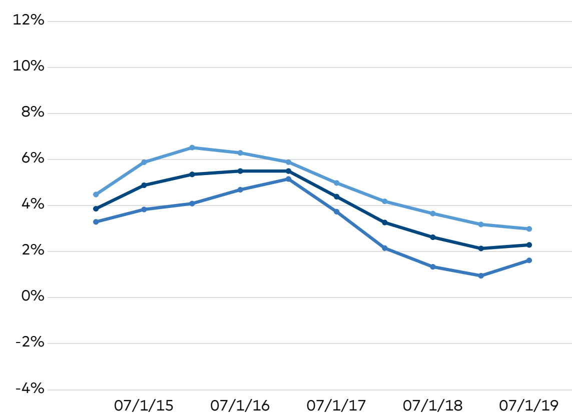
Los Angeles



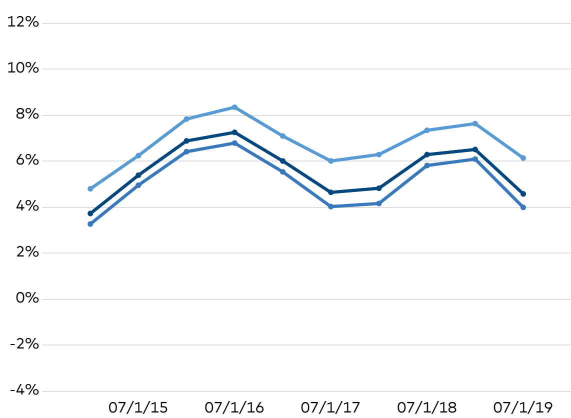
Miami



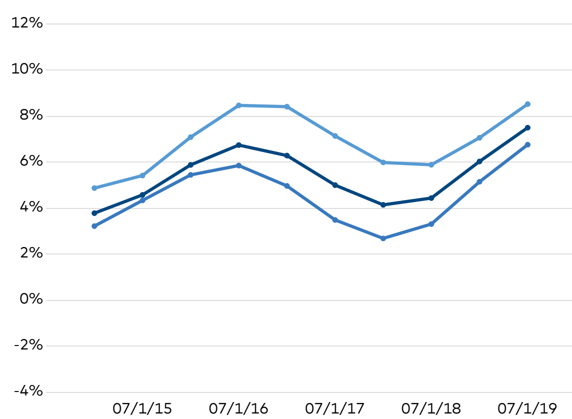
Orange County



Orlando



Phoenix

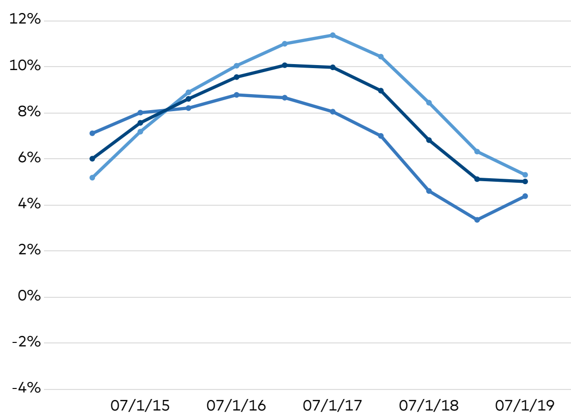


Trailing 12 Months Overall   Trailing 12 Months Lifestyle   Trailing 12 Months Renter-by-Necessity

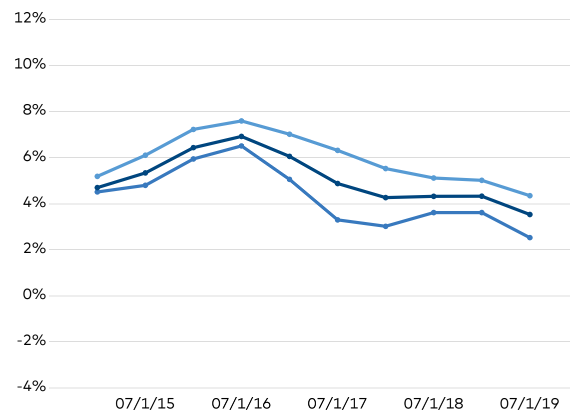
Source: Yardi Matrix

Market Rent Growth by Asset Class

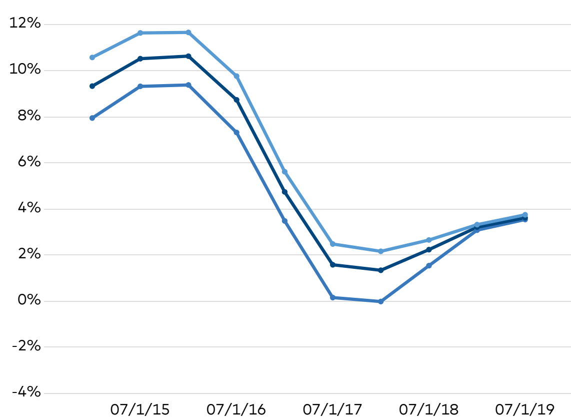
Sacramento



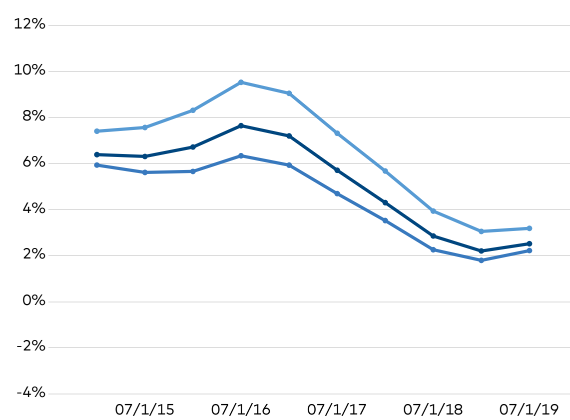
San Diego



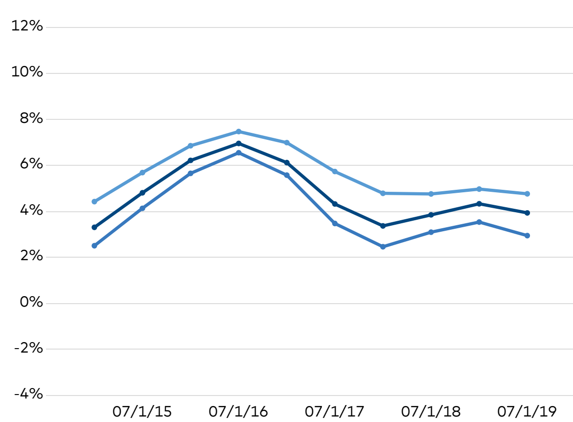
San Francisco



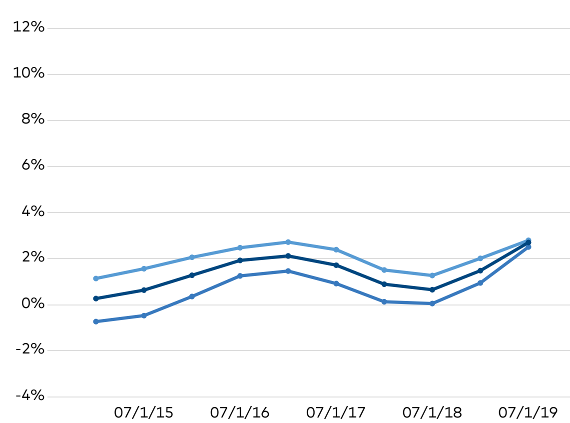
Seattle



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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