Yardi Matrix

National Multifamily Report

December 2020

Bifurcation Among Markets Widens to End 2020

- Multifamily rents declined by 0.8% in December on a year-over-year basis, a 30-basis-point decline from November.

- Overall rents declined by $4 to $1,462, the largest one-month decline since the beginning of the pandemic, when overall rents dropped by $5 in April.

- The extreme bifurcation between gateway markets and lower-cost metros continues. The Inland Empire (7.3% year-over-year rent growth) and Sacramento (6.1%) sit atop the list, where they have been for the last four months. San Jose (-13.7%) and New York (-11.7%) fall at the bottom of the list. San Jose has been at the bottom of the list for seven consecutive months, with the metro's overall rents falling by 14.1% since March.

2020 will go down as the year COVID-19 changed everything. As the pandemic became rampant, many initially feared that rents would rapidly decline. But many metros have emerged from 2020 unscathed, and some have even enjoyed significant rent growth. Others have not been so lucky, especially expensive coastal markets.

Initial fears also included an imminent decline in collections. Up until November, that fear proved to be untrue. According to NMHC's Rent Payment Tracker, more than 94% of professionally managed apartment rents were fully or partially paid through October. Noticeable declines began to emerge in November and December, although most tenants still seemed to be prioritizing rent payments, with 93.8% of rent payments fully or partially paid by the end of December.
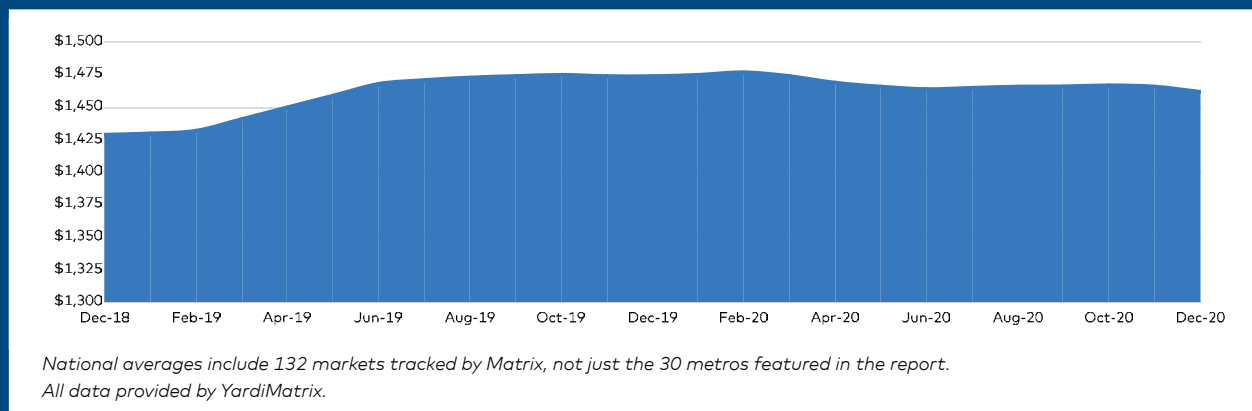
With the latest pandemic relief bill passed, including direct payments to most Americans

and an additional $300 in weekly unemployment benefits, collections should hold up. Additionally, with the Senate now controlled by Democrats, additional stimulus in the coming months is likely.

The labor market was turned upside down in 2020, losing almost 1.4 million jobs in March and 20.8 million jobs in April. In May, jobs began to be added back, although at a significantly slower pace than they were lost. Job gains continued until December, when 140,000 jobs were lost—likely due to business closures as a result of a dramatic increase in coronavirus caseloads.
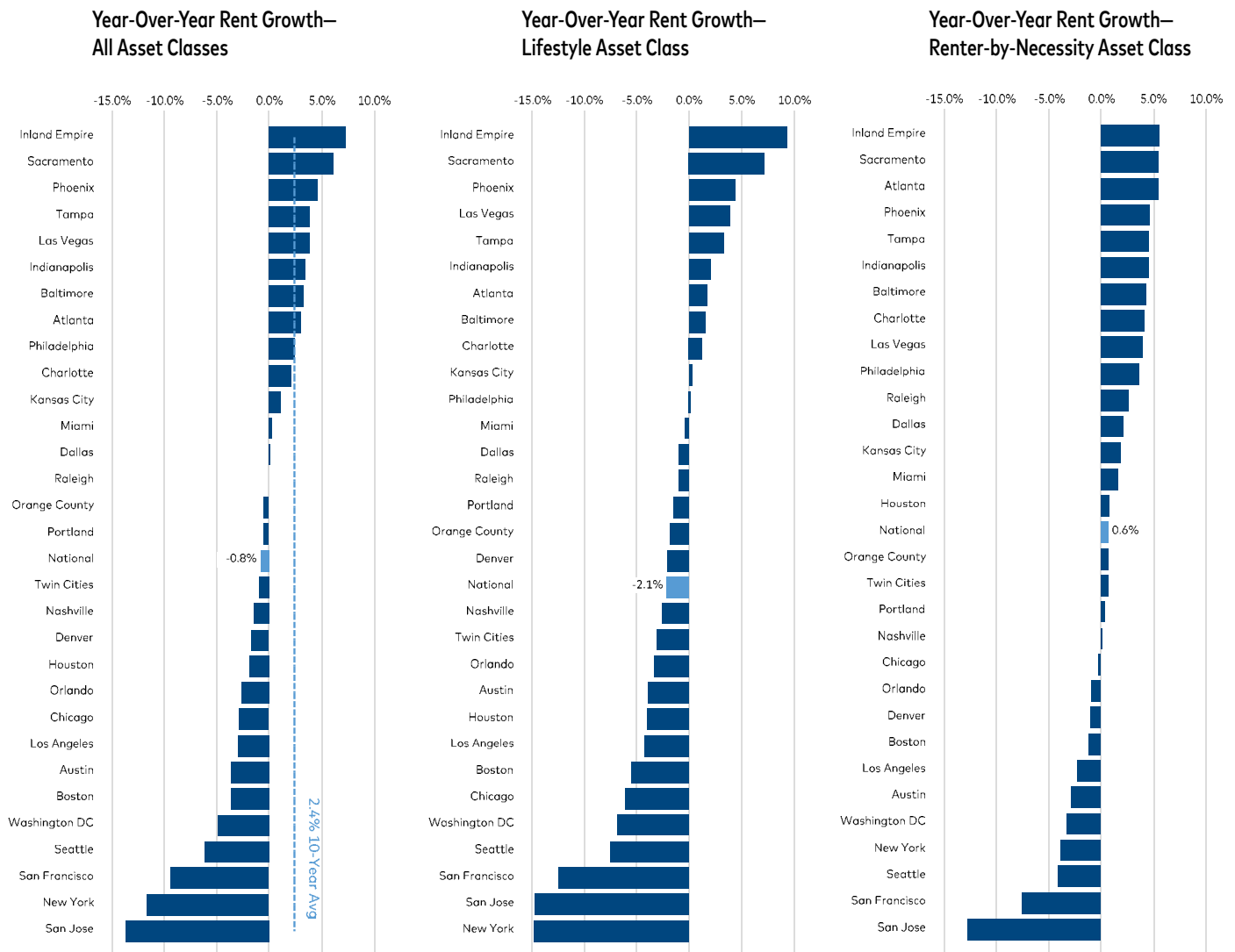
When the pandemic first began, many predicted a rapid decline followed by a very strong V-shaped recovery. Nine months into 2021, we are still on shaky economic ground. In the second half of 2021, the vaccine distribution process across the U.S. should be coming to an end, and we can begin the road to full economic recovery.

Occupancy Rates

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.

Year-Over-Year Rent Growth:
Inland Empire and Sacramento Finish 2020 on Top

■ National rents declined 0.8% year-over-year in December, the seventh consecutive month of declines and a 30-basis-point drop from November. The extreme difference in rent changes between expensive gateway markets and lower-cost metros continues. The Inland Empire (7.3%) and Sacramento (6.1%) are the clear winners of 2020, both finishing the year with rent growth well above their 2019 levels. The metros both ended 2019 with 4.8 percent YoY rent growth.

■ *Despite a turbulent 2020, almost half of our top 30 markets finished the year with flat or positive YoY rent growth. However, many high-cost markets continued to experience rent declines, the worst being San Jose (-13.7%), New York (-11.7%) and San Francisco (-9.4%).*

■ Lifestyle rents continue to be hit, declining by 2.1% YoY on a national level. Renter-by-Necessity rents, on the other hand, increased by 0.6% YoY nationally.

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:
Warm Weather Metros Show Strongest Gains

■ Short-term rents declined by 0.3% nation-wide in December, a 20-basis-point decline from November.

■ Tampa (0.9%) led the top 30 markets on a MoM basis in December, with the Inland Empire, Phoenix and Orange County (all 0.5%) following behind.
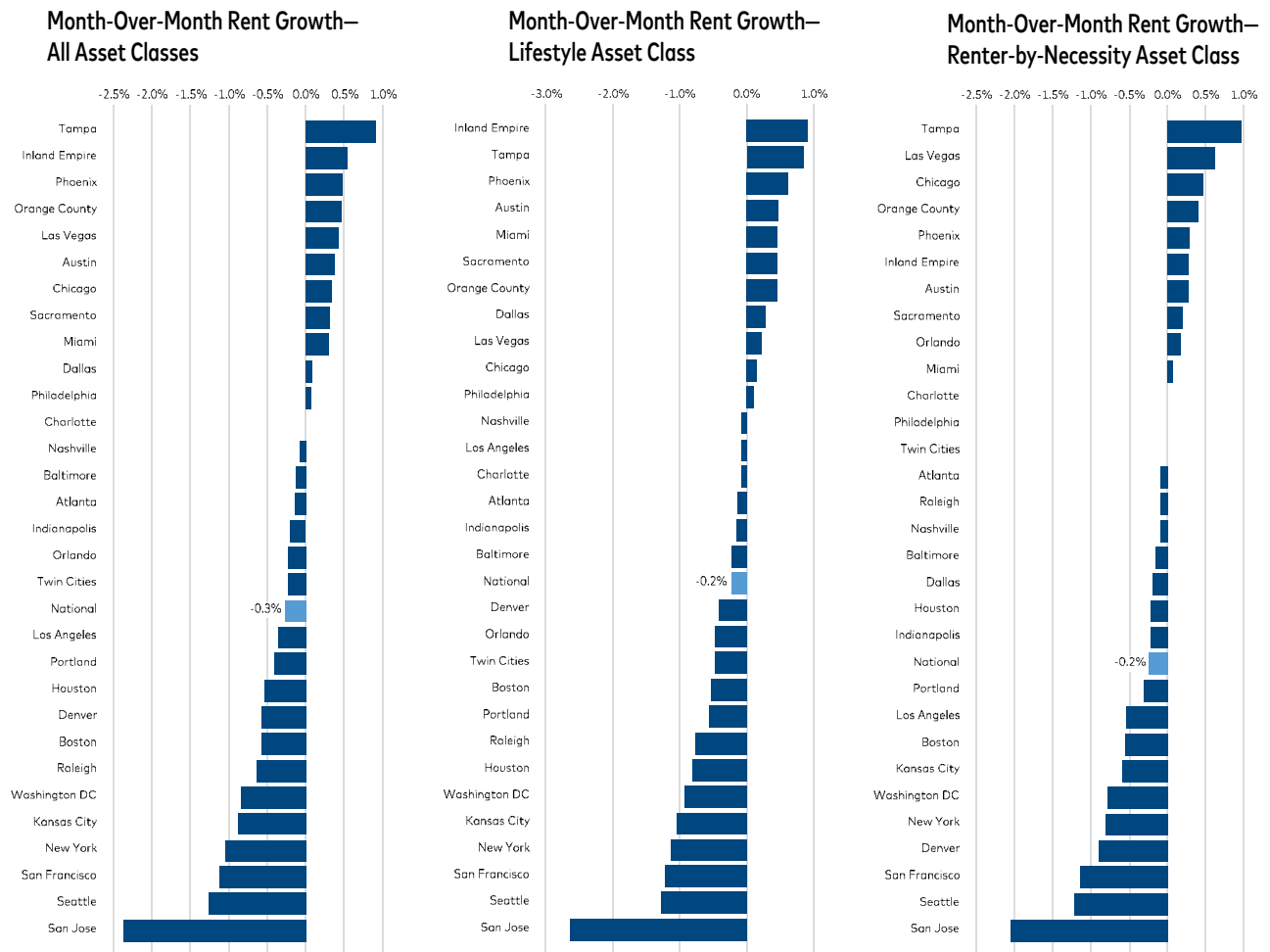
Rents declined by 0.3% on a month-over-month basis in December. Seasonality continued to be a factor, with all top six metros located in warm climates.

The weakness in MoM rents continued, with 18 of the top 30 markets experiencing a decline

this month. Breaking out rents between Life-style and Renter-by-Necessity, both are feeling the pain, with 19 of the top 30 markets experiencing negative Lifestyle rents and 17 experiencing negative RBN rents.

The largest MoM declines occurred in high-cost markets, with San Jose (-2.4%), Seattle (-1.3%) and San Francisco (-1.1%) leading the pack.

Austin (0.4%) rebounded this month, from the bottom five markets in November to the top five markets in December. This is the first positive MoM number for Austin since the pandemic began.

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 surge in coronavirus cases ended the seven-month streak of job growth. The economy lost 140,000 jobs in December, while the unemployment rate held steady at 6.7%.

- Jobless claims remain elevated, with 787,000 total claims for the week ending Jan. 2. The pandemic relief bill that was recently passed will provide some much-needed assistance, and more relief is likely on the way.

Throughout 2020, the differences in rent growth between expensive coastal markets and their lower-cost neighboring metros continue to grow. One of the main reasons for this has been the mass exodus out of the gateway markets.

The driving factor out of these markets has been job losses. Most of these job losses have been concentrated in tourist-centric industries like restaurants, nightlife and entertainment. As gateway markets are some of the most expensive to live in and with job losses disproportionately impacting service workers, it became impossible for many to pay rent, so the only choice was to move.

Another contributing factor to the mass exodus is the ability for employees to work remotely. With most amenities in these urban areas closed, the desirability of living in an urban setting and paying high rents has been lost.

The two most noticeable examples of this are occurring in New York and California. In New York (specifically Manhattan, Brooklyn and Queens) rents declined by 11.7% on a YoY basis in December, while occupancy declined by 4.1% on a YoY basis in November, to 94.4%. More specifically, rents in Manhattan have declined by 12.4% on a YoY basis, according to our Yardi Matrix survey, and upwards of 26% according to other sources, while occupancy has declined by 6.4%.

Neighboring Long Island and White Plains enjoyed steady rent growth in 2020. Rents increased by 3.8% on Long Island and 2.5% in White Plains on a YoY basis. These metros have benefited from strong population inflows from the city, although the question of whether these moves are temporary or permanent remains.

Another example of this bifurcation among metros is in California. San Francisco saw rents decline by 9.4% on a YoY basis in December, according to our Yardi Matrix survey, and upwards of 15.7% according to other sources. Los Angeles saw rents decline by 3.0% in the same time period. On the other hand, rents in the neighboring Sacramento and Inland Empire have increased by 6.1% and 7.3% on a YoY basis. The movement out of these expensive markets to lower-cost markets is evident in that Lifestyle rents in the Inland Empire and Sacramento are up 9.4% and 7.2%, well above the gains in the RBN sector of 5.6% and 5.4%. Most metros saw the opposite of this, with rents increasing more in the RBN sector than the Lifestyle sector.

Employment and Supply Trends; Forecast Rent Growth

Market	YoY Rent Growth as of Dec - 20	Forecast Rent Growth (YE 2021)	YoY Job Growth (6-mo. moving avg.) as of Nov - 20	Completions as % of Total Stock as of Dec - 20
Indianapolis	3.5%	4.4%	-3.4%	1.2%
Sacramento	6.1%	4.1%	-7.8%	1.5%
Phoenix	4.6%	3.9%	-3.0%	2.8%
Las Vegas	3.8%	3.8%	-11.6%	1.3%
Austin	-3.6%	3.6%	-2.8%	4.9%
Tampa	3.9%	3.5%	-4.1%	2.0%
Atlanta	3.0%	3.3%	-4.0%	2.3%
Inland Empire	7.3%	3.2%	-8.0%	1.8%
Nashville	-1.5%	3.1%	-5.8%	2.6%
Raleigh	0.0%	3.0%	-7.5%	3.0%
Orange County	-0.5%	2.9%	-10.0%	0.8%
Philadelphia	2.4%	2.8%	-8.0%	1.6%
Houston	-1.9%	2.7%	-5.3%	1.9%
Baltimore	3.3%	2.6%	-6.0%	1.3%
Charlotte	2.2%	2.6%	-6.9%	2.4%
Dallas	0.1%	2.4%	-3.3%	2.7%
Denver	-1.7%	2.2%	-4.9%	4.6%
Twin Cities	-1.0%	2.1%	-7.3%	2.9%
Kansas City	1.1%	1.8%	-4.3%	1.9%
Chicago	-2.9%	1.7%	-7.8%	2.2%
New York	-11.7%	1.6%	-12.4%	1.1%
Miami Metro	0.2%	1.5%	-7.1%	3.0%
Orlando	-2.7%	1.5%	-8.9%	2.9%
Portland	-0.6%	1.4%	-7.7%	2.7%
Boston	-3.7%	1.2%	-10.3%	3.0%
Los Angeles	-3.0%	1.1%	-9.1%	2.2%
Seattle	-6.2%	0.9%	-8.1%	3.0%
Washington DC	-4.9%	0.8%	-6.1%	1.8%
San Francisco	-9.4%	0.0%	-10.5%	1.9%
San Jose	-13.7%	-0.7%	-7.4%	1.8%

Source: Yardi Matrix

Occupancy & Asset Classes

Occupancy Rates

Occupancy—All Asset Classes by Month

| Lifestyle | Overall | Renter-by-Necessity |

Source: Yardi Matrix

Average Rent
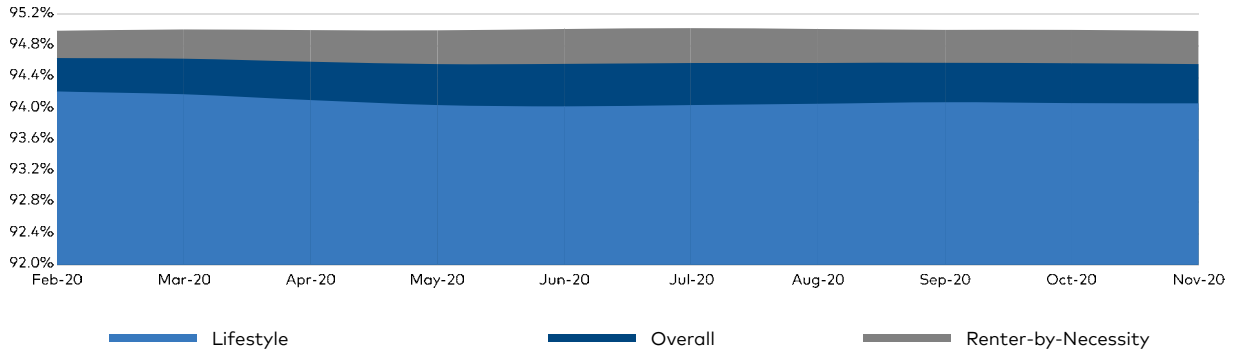
Year-Over-Year Rent Growth, Other Markets

Market	December 2020		
	Overall	**Lifestyle**	**Renter-by-Necessity**
NC Triad	6.6%	5.3%	8.0%
Albuquerque	6.0%	7.3%	5.3%
Tucson	5.9%	4.1%	6.6%
Central Valley	5.5%	5.1%	6.0%
Colorado Springs	5.1%	5.2%	4.9%
Tacoma	4.8%	5.0%	4.6%
Reno	4.6%	4.9%	4.4%
Jacksonville	3.9%	3.2%	5.3%
Long Island	3.8%	3.1%	4.1%
Salt Lake City	3.8%	2.8%	4.4%
Indianapolis	3.5%	2.0%	4.6%
Central East Texas	3.4%	4.2%	2.7%
El Paso	3.3%	2.7%	3.8%
Bridgeport–New Haven	2.3%	1.4%	3.2%
Louisville	1.8%	1.2%	2.1%
St. Louis	1.6%	0.3%	2.4%
SW Florida Coast	0.4%	-0.1%	1.5%
San Fernando Valley	0.1%	-0.3%	0.2%
Northern New Jersey	-1.3%	-4.5%	1.6%

Source: Yardi Matrix

Market Rent Growth by Asset Class

Atlanta
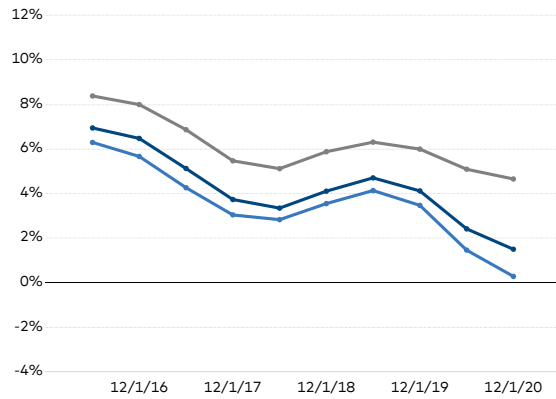
Boston
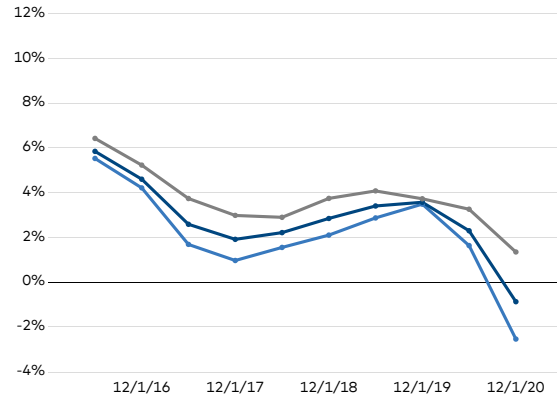
Denver
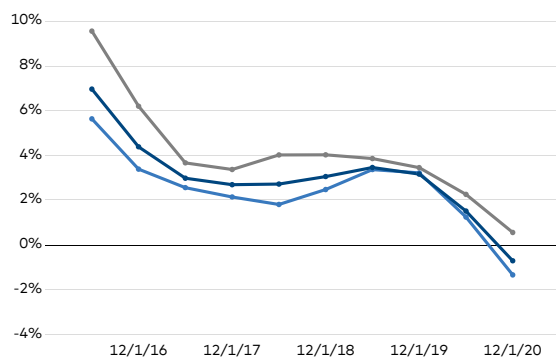
Dallas
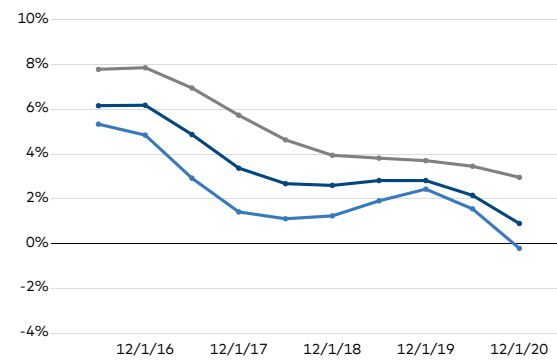
Houston
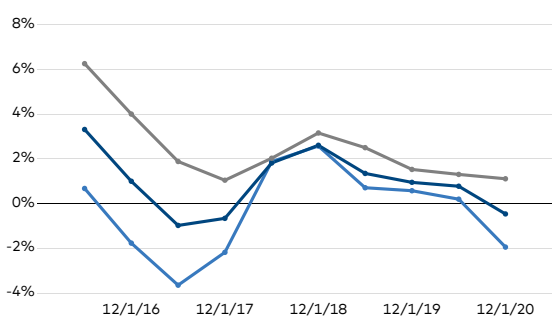
Inland Empire
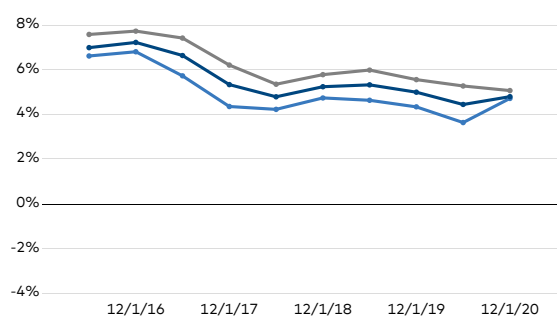
——— Trailing 12 Months Overall　　——— Trailing 12 Months Lifestyle　　——— Trailing 12 Months Renter-by-Necessity

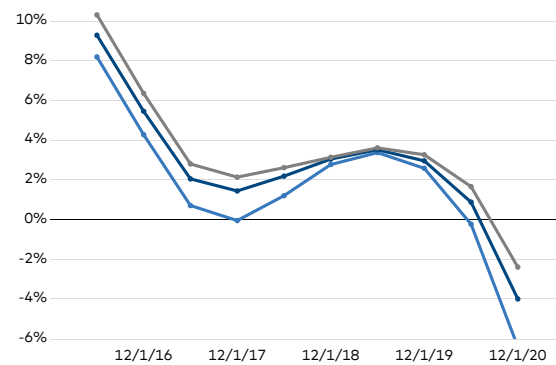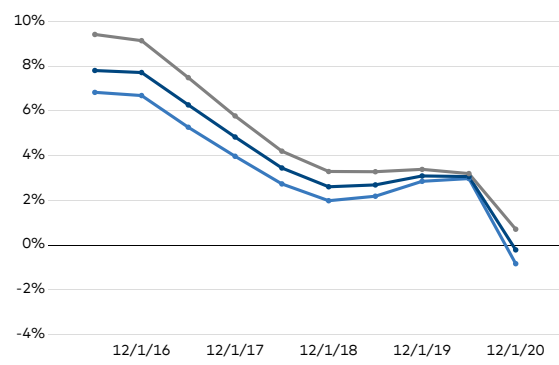*Source: Yardi Matrix*

Market Rent Growth by Asset Class

Las Vegas
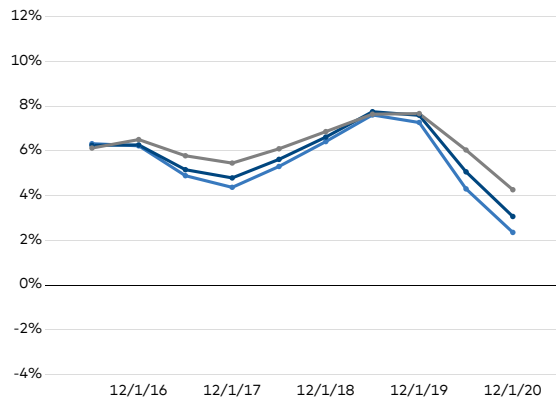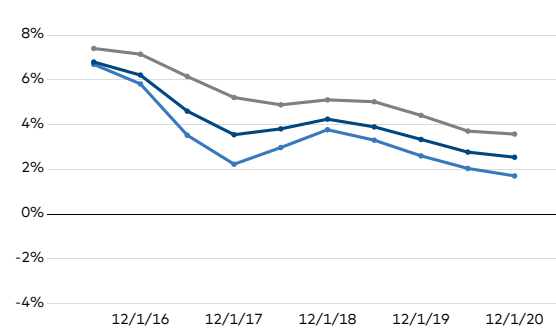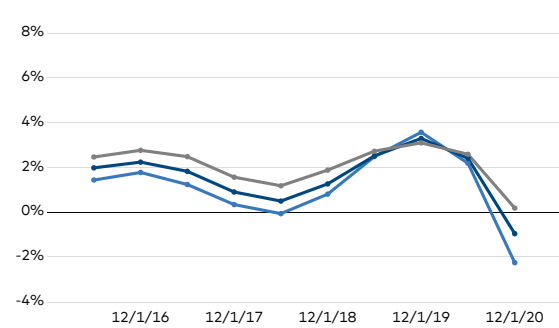

Los Angeles
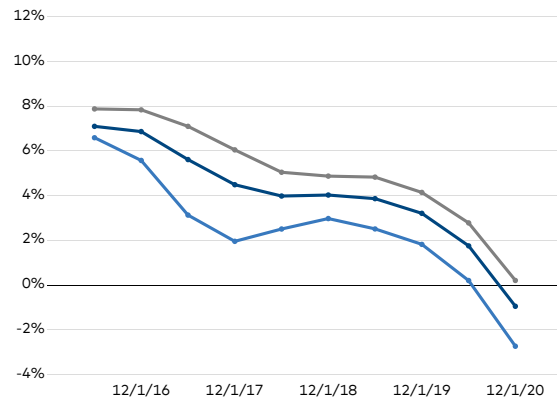
Miami
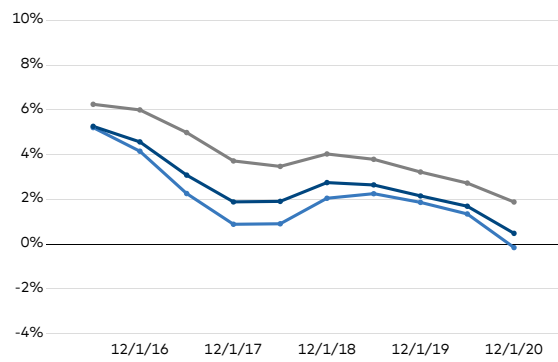
Orange County
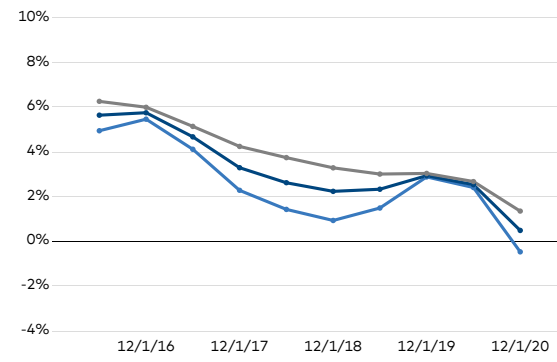
Orlando
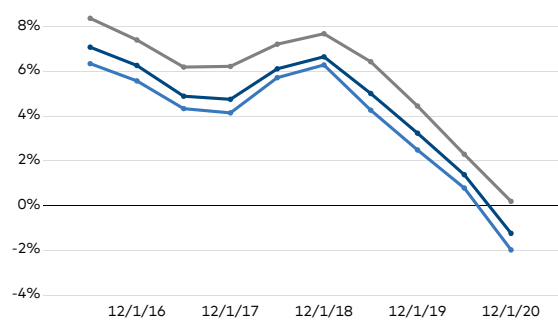
Phoenix
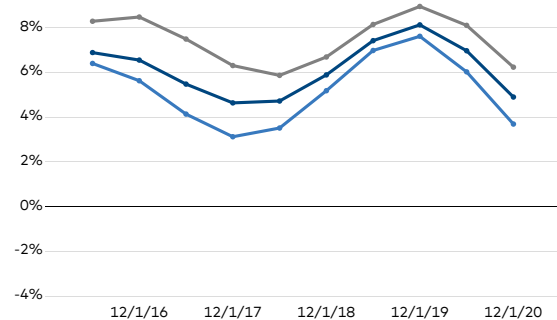
Trailing 12 Months Overall — Trailing 12 Months Lifestyle — Trailing 12 Months Renter-by-Necessity

Source: Yardi Matrix

Market Rent Growth by Asset Class

Sacramento
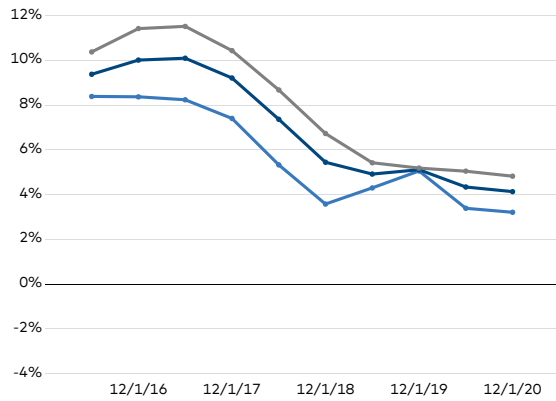
San Diego
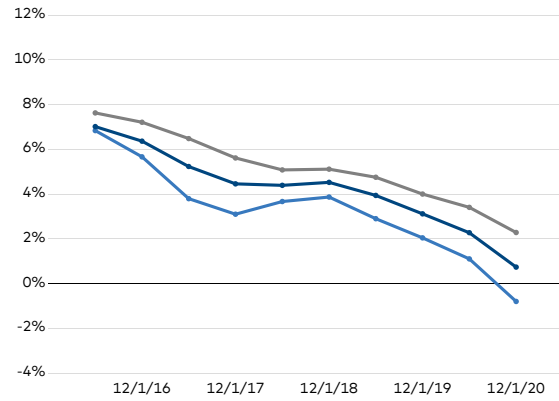
San Francisco

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.
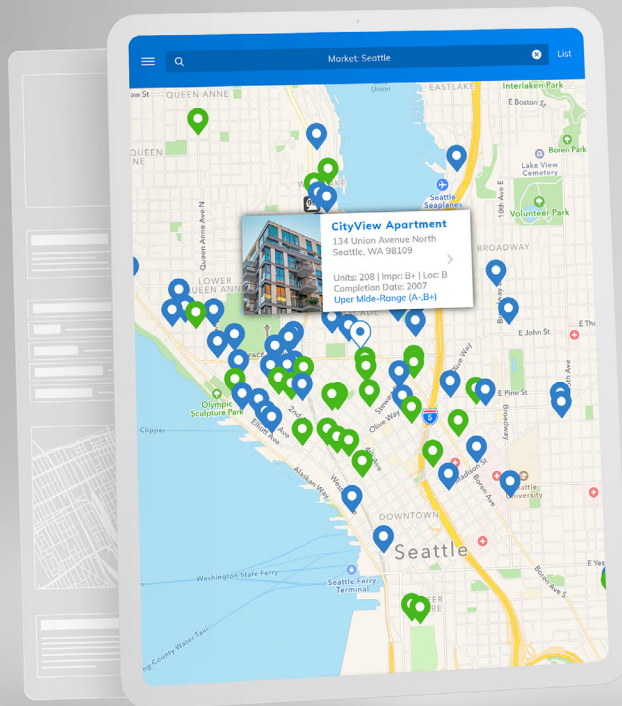
The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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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