



Yardi Matrix

# National Multifamily Report

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March 2022



## Record Gains Despite Emerging Headwinds

- Multifamily performance was strong once again in March, though rent growth has decelerated slightly from 2021 levels. The average U.S. asking rent rose \$14 in March to an all-time high of \$1,642, with year-over-year growth dropping 50 basis points to 14.8%.
- Asking rents increased by \$34 nationally, up 2.1%, in the first three months of 2022, which is record growth for a first quarter. However, rent growth is unlikely to keep pace with 2021, as last year's explosive movement started in the second quarter. Plus, economic growth is set to slow as inflation takes hold and the war in Ukraine pushes energy prices up and creates an element of uncertainty.
- Rents for single-family rentals continue to rise, though the rate of growth is decelerating. The average U.S. rent rose \$14 to \$1,999 in March, while year-over-year growth dropped 90 basis points to 14.1%.

The big picture that emerges from March multifamily data is that the market remains healthy, though signs point to the inevitable deceleration in some markets. Meanwhile, economic conditions and global events contain headwinds that justify the expectations of moderation and caution.

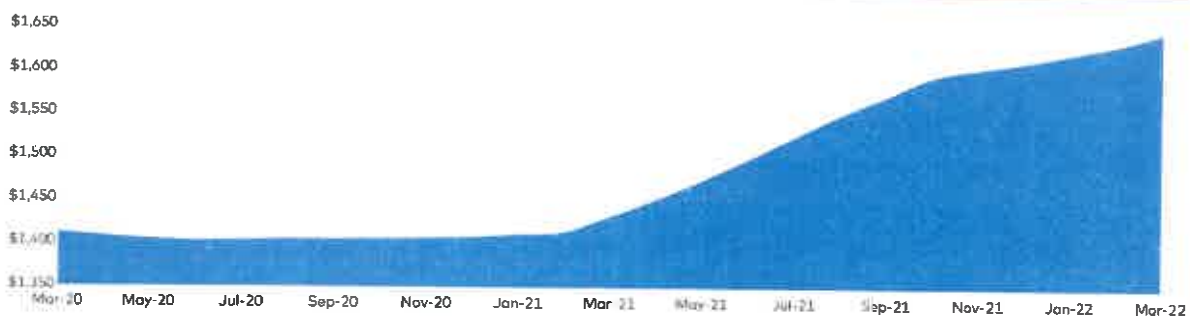
Rents continue their steady rise. U.S. asking rents went up \$34, or 2.1%, in the first quarter, more than in any prior year. The average U.S. asking rent increased by \$14 in March, which pales only in comparison to 2021's meteoric rise. Nationally, asking rents are a remarkable \$212 higher than they were last March.

Rent growth continues to be a national phenomenon, led by the migration to the Southeast and Southwest. The top five metros—Miami, Orlando, Tampa, Las Vegas and Phoenix—all sported asking rent increases of 23% or more.

The above-trend gains are spread out across regions and market size, with only three of the top 30 metros below 10.0% in growth. Demand for housing continues to be robust, led by young workers whose rapidly rising wages provide the wherewithal to form independent households apart from parents and roommates.

However, household formation is likely to moderate in 2022. Although official numbers for 2021 have not been released, some estimates put the number of new households formed in 2021 in the two million range, which makes sense given record multifamily absorption of nearly 500,000. Household growth and absorption are likely to slow to more normal levels in 2022, to about half of last year. That would presage healthy—albeit more moderate—gains in multifamily fundamentals.

National Average Rents

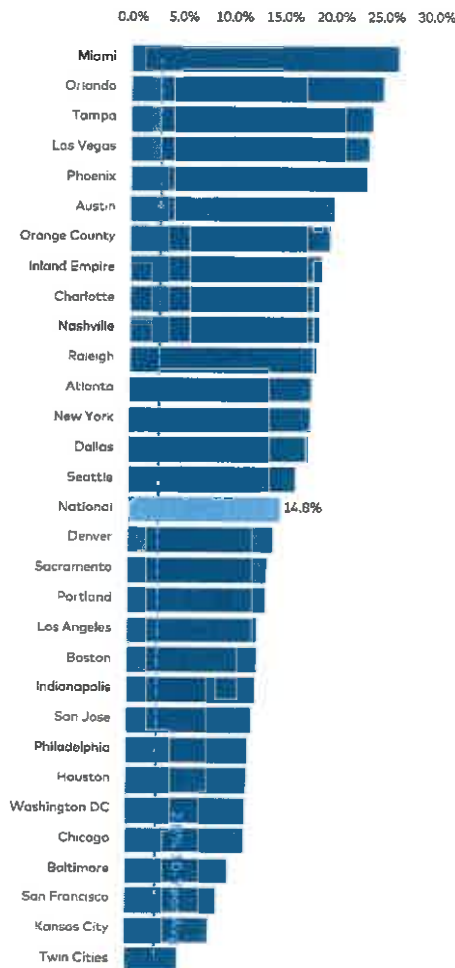


National averages include 132 markets tracked by Matrix, not just the 30 metros featured in the report.  
All data provided by Yardi Matrix.

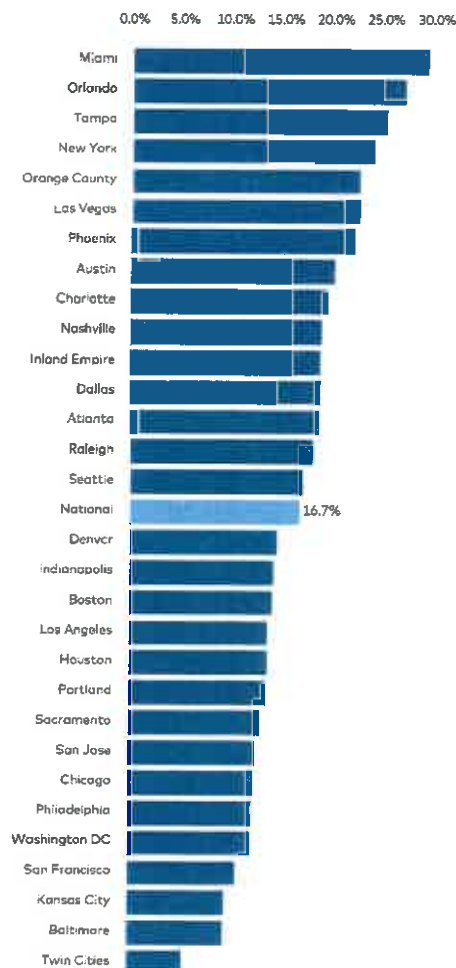
## Year-Over-Year Rent Growth: Occupancy Cools in Some High-Growth Metros

- Rent growth continues to climb despite increased calls for regulation throughout the country. Miami led the way again in March, with a 26.3% increase in rents year-over-year. Asking rents are still increasing by 20% or more in five of the top 30 metros and 10% or more in 87% of the markets. The outlier markets—Baltimore (9.9%), San Francisco (8.7%), Kansas City (8.1%) and the Twin Cities (5.1%)—still show significant growth.
- Signs point to demand in the Sun Belt and West cooling off slightly. Occupancy rates in several markets have decreased over the last year as demand hasn't kept pace with deliveries. Phoenix showed the largest decrease in occupancy (-0.5%) in March, followed by the Inland Empire and Las Vegas (-0.4%) and Sacramento (-0.3%).

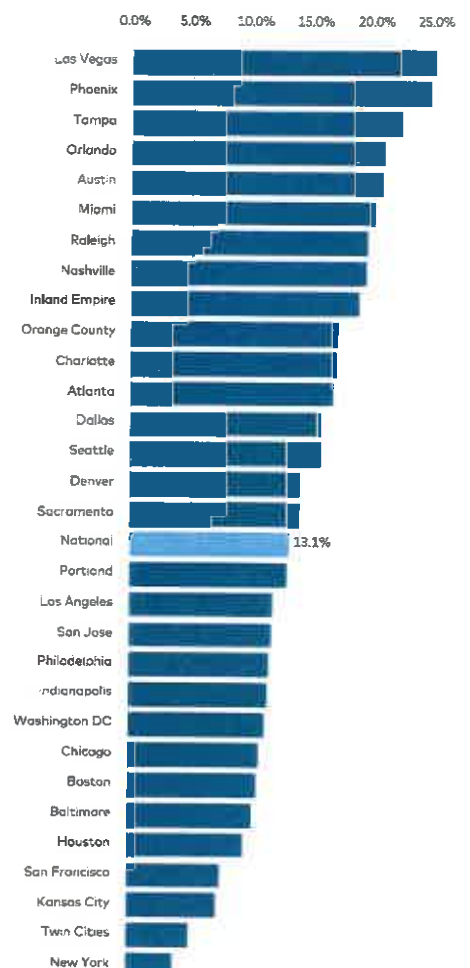
**Year-Over-Year Rent Growth—  
All Asset Classes**



**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: Tech Hub Markets Lead in March

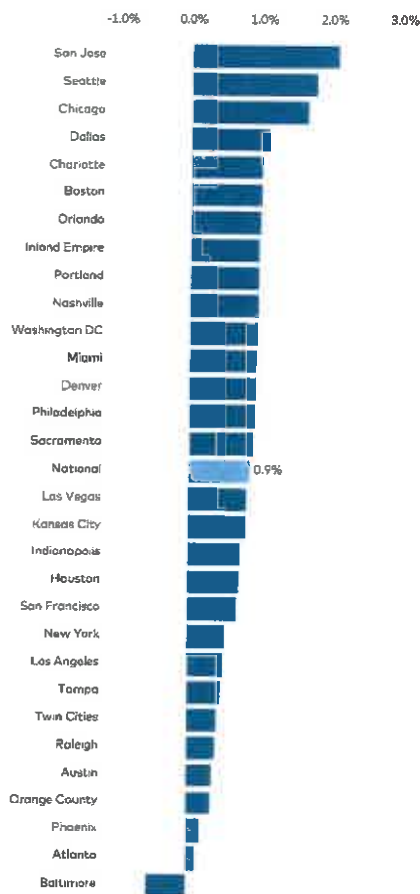
- Nationally, asking rents increased 0.9% month-over-month in March, 0.3% higher than in January and February.
- Renter-by-Necessity units increased 0.8% month-over-month, with high-end Lifestyle units also rising by 0.8%.

Asking rents increased by \$14 in March, up 0.9% from February. March is typically the beginning of spring seasonal growth, and that increase was slightly lower than 2021, when rents went up \$18 (1.3%), but still higher than a typical year.

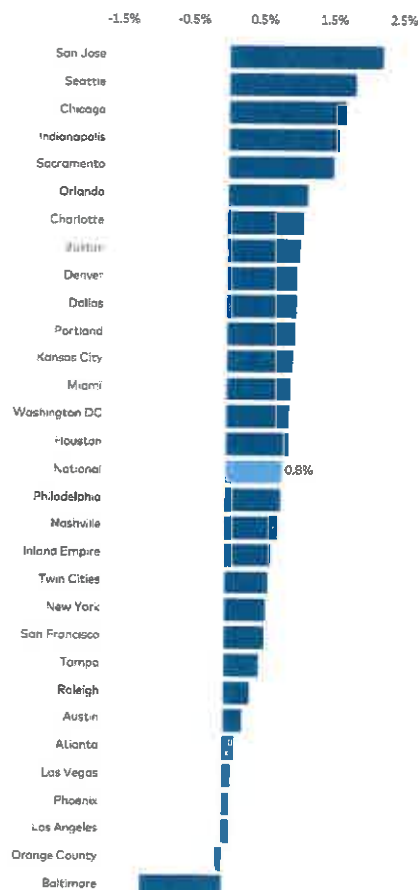
On a metro basis, March's gains were led by the tech hub markets of San Jose (2.1% month-over-month) and Seattle (1.8%), followed by Chicago (1.6%) and Dallas (1.1%). Metros with the lowest increases were Atlanta (0.1%) and Baltimore (-0.6%).

Las Vegas Renter-by-Necessity asking rents (2.0%) far outpaced Lifestyle rents (0.1%). Though that was only one month, the bifurcation could show that demand for lower-priced units in the market is increasing while the demand for higher-priced units may be cooling.

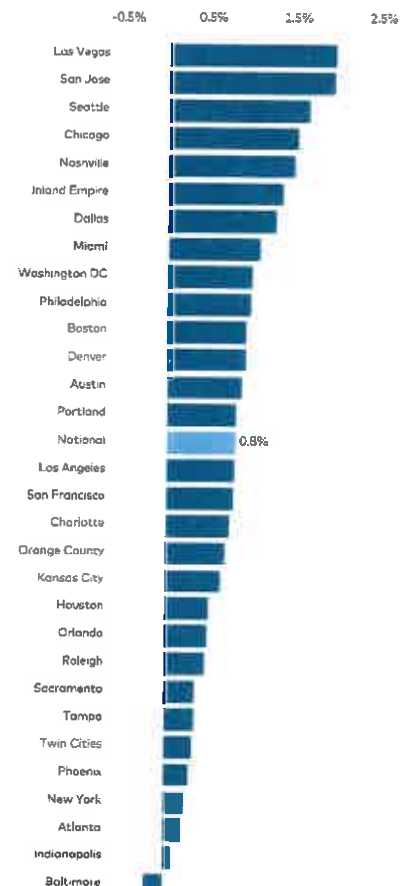
Month-Over-Month Rent Growth—  
All Asset Classes



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

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- The multifamily market is healthy, but headwinds are present that could lead to some cooling.
- Above-trend inflation from housing and energy prices is likely to persist more than anticipated at the beginning of the year.
- Rising interest rates are likely to increase the cost of capital for property acquisitions and complicate refinancing.



Multifamily has produced exceptional gains amid bullish performance in recent years. The industry has a proverbial "wall of capital" that has pushed property sales and prices to new highs, while a long-term lack of supply and robust household formation should maintain rents and occupancies at healthy levels.

All that said, there are worries, starting with the state of the economy and potential for trouble from exogenous events. Inflation is a cause for concern, and the war in Ukraine raises the possibility that it will persist at high levels for longer than expected. The Consumer Price Index hit 7.9% in 2022 and may not fully account for the growth in the cost of housing, since record-high rising rents get filtered into the index over several months.

On a bigger-picture basis, the consensus expectation earlier this year that energy prices would decelerate has been thrown a wrench by the war in Ukraine and boycotts of Russian oil. What's more, supply chain and political issues are slowing or reversing the long trend of globalization, which has been a significant factor in the low-inflation trend in recent decades.

The most immediate impact for commercial real estate is the rapid growth in interest rates as the Federal Reserve attempts to cool inflation expectations. The 10-year U.S. Treasury in late March yielded 2.4%, the highest level in three years, and all signs point to rates continuing to rise. Higher rates come at a time when multifamily acquisition yields are at all-time lows, averaging about 4.5% and dipping into the 3% range for assets in prime locations or those with revenue upside. Low cap rates caused little concern when the risk-free rate was 1% and the typical mortgage coupon was 2.5% to 3.5%, but when the cost of capital gets more expensive, low yields can complicate transactions and refinancings.

Properties acquired at low cap rates must achieve significant rent growth to make yield targets if the 10-year Treasury rate rises above 3%, notes Ken Rosen, professor emeritus at the University of California, Berkeley, and chairman of real estate research firm Rosen Consulting. If cap rates rise 1-2%, "you can't get enough rent growth for that to work," Rosen said last week on a panel at the Pension Real Estate Association 2022 Spring Conference. "I worry that (real estate professionals) forgot what it's like in a normalized cap rate environment."

# Single-Family Build-to-Rent Segment: SFR Community Growth Rises Amid Strong Demand

- Single-family rental asking rent growth continued to stay strong in March, rising 14.1% year-over-year.
- Rents accelerated while occupancy rates increased slightly, with a change of 0.1% nationally year-over-year.

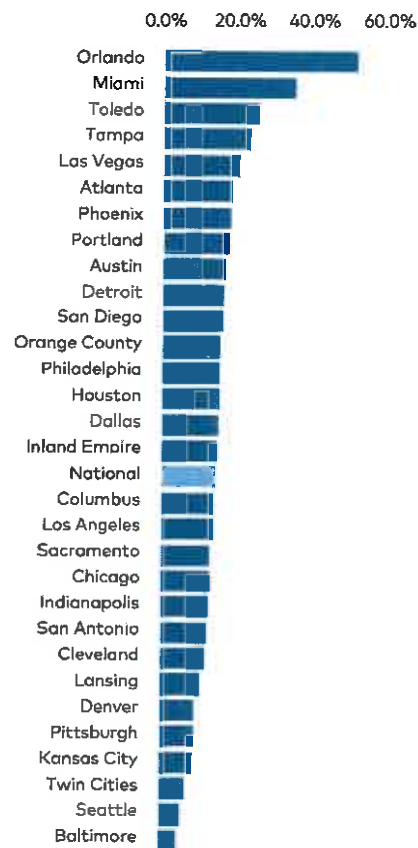
Asking rents in the single-family rental (SFR) sector continue to soar on par with multifamily. Rapidly rising house prices and growing competition from institutional investors are prevailing, putting homeownership out of reach for some potential buyers, while the increasing preference for

suburban housing has added to demand for single-family rentals. Asking rents grew 20% or more in seven metros, led by Orlando (51.8%), Miami (35.1%), Toledo (25.3%) and Tampa (23.3%). New development is on the rise.

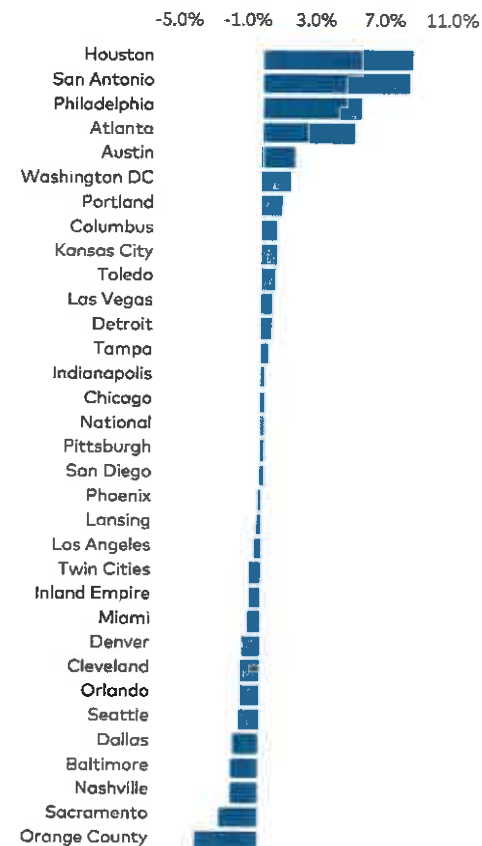
Data from the National Rental Home Council and John Burns Real Estate Consulting shows that build-to-rent homes accounted for 26% of properties added to the SFR sector in fourth quarter 2021, up from 3% in third quarter 2019.

*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

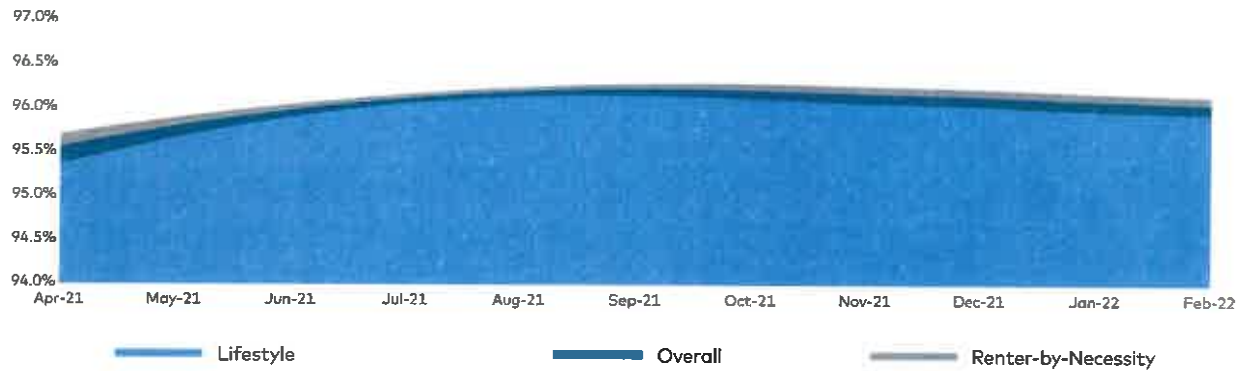
## Employment and Supply Trends; Forecast Rent Growth

Market	YoY Rent Growth as of Mar- 22	Forecast Rent Growth as of 03/31/22 for YE 2022	YoY Job Growth (6-mo. moving avg.) as of Dec - 21	Completions as % of Total Stock as of Mar - 22
Miami Metro	26.3%	10.5%	5.2%	5.2%
Orlando	24.8%	8.9%	6.7%	5.0%
Tampa	23.8%	8.1%	5.2%	2.6%
Las Vegas	23.4%	8.4%	8.8%	1.9%
Phoenix	23.2%	7.7%	6.2%	2.8%
Austin	19.9%	8.6%	7.3%	5.0%
Orange County	19.7%	6.4%	7.2%	1.0%
Inland Empire	18.8%	7.8%	4.4%	1.2%
Charlotte	18.6%	8.0%	3.5%	4.2%
Nashville	18.6%	6.7%	5.0%	3.5%
Raleigh	18.3%	7.4%	5.0%	2.5%
Atlanta	17.9%	7.7%	5.1%	2.5%
New York	17.8%	5.1%	5.0%	0.5%
Dallas	17.5%	5.6%	5.4%	2.8%
Seattle	16.4%	6.4%	6.0%	3.6%
Denver	14.1%	6.4%	5.2%	2.7%
Sacramento	13.5%	6.6%	3.7%	1.3%
Portland	13.3%	5.9%	5.6%	2.6%
Los Angeles	12.6%	7.3%	6.2%	2.4%
Boston	12.5%	5.3%	5.7%	2.5%
Indianapolis	12.4%	6.9%	2.7%	1.2%
San Jose	12.1%	6.6%	4.6%	3.5%
Houston	11.7%	6.0%	4.8%	2.7%
Philadelphia	11.7%	5.9%	4.2%	2.2%
Washington DC	11.5%	4.3%	4.0%	1.9%
Chicago	11.4%	5.1%	3.4%	1.8%
Baltimore	9.9%	5.5%	3.8%	0.8%
San Francisco	8.7%	7.5%	5.0%	3.2%
Kansas City	8.1%	5.4%	4.4%	2.4%
Twin Cities	5.1%	3.7%	3.9%	3.0%

Source: Yardi Matrix

## Occupancy & Asset Classes

Occupancy—All Asset Classes by Month



Source: Yardi Matrix

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

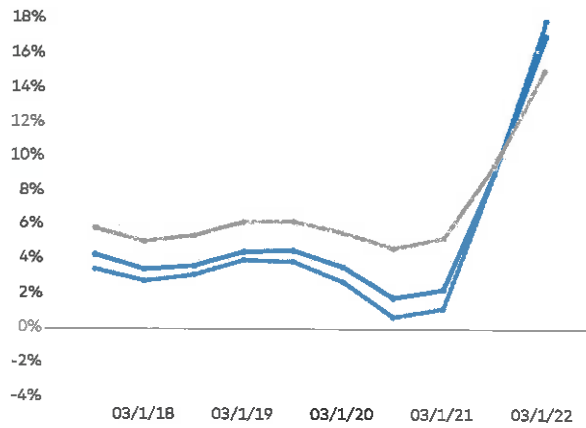
Market	March 2022		
	Overall	Lifestyle	Renter-by-Necessity
SW Florida Coast	36.9%	38.6%	34.9%
Jacksonville	22.5%	24.0%	20.8%
Tucson	19.9%	18.9%	20.5%
Salt Lake City	19.4%	20.1%	19.1%
NC Triad	16.7%	16.1%	17.4%
Albuquerque	16.1%	17.4%	15.7%
Central Valley	15.3%	15.1%	15.4%
El Paso	14.5%	13.6%	14.6%
Colorado Springs	13.5%	12.5%	14.9%
San Fernando Valley	13.0%	15.0%	11.8%
Tacoma	12.7%	13.1%	12.6%
Northern New Jersey	12.6%	14.9%	10.3%
Indianapolis	12.4%	14.1%	11.4%
Reno	11.9%	10.2%	13.3%
Central East Texas	10.7%	12.0%	9.7%
St. Louis	10.2%	9.8%	10.3%
Long Island	9.0%	10.7%	8.4%
Bridgeport–New Haven	9.0%	9.2%	9.1%
Louisville	8.3%	9.5%	7.8%

Source: Yardi Matrix

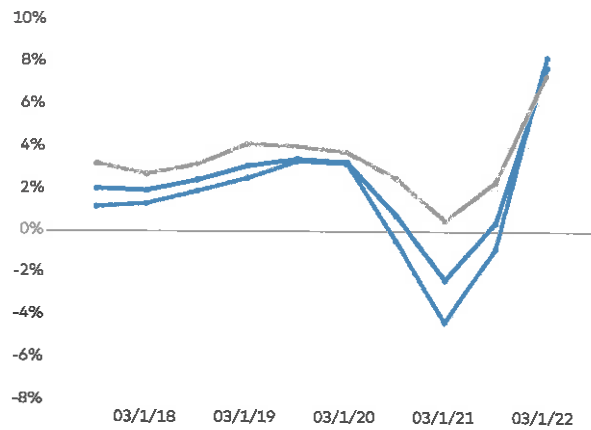


# Market Rent Growth by Asset Class

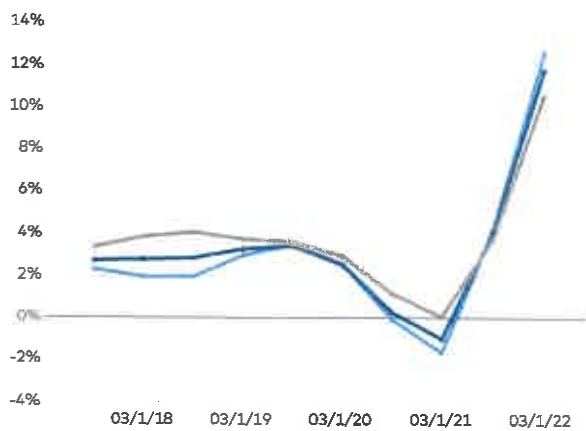
## Atlanta



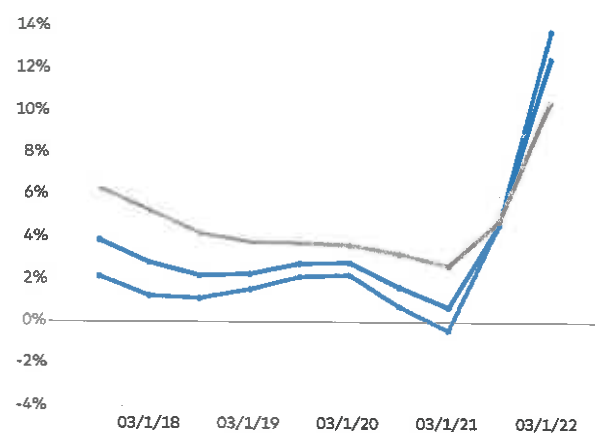
## Boston



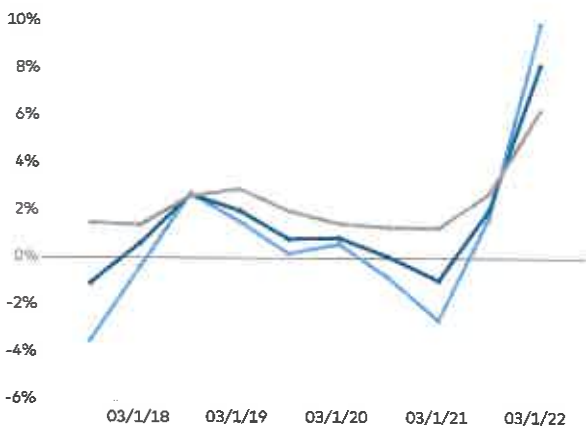
## Denver



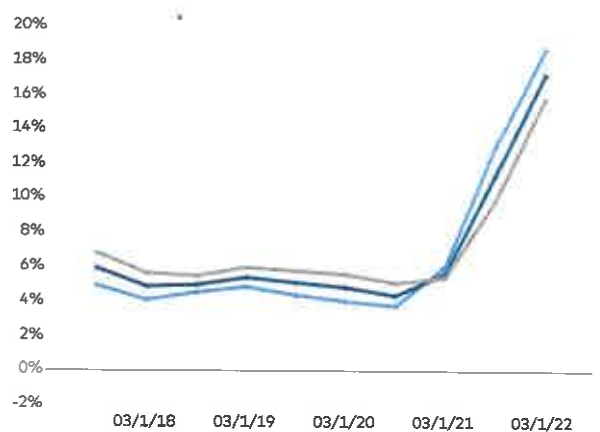
## Dallas



## Houston



## Inland Empire

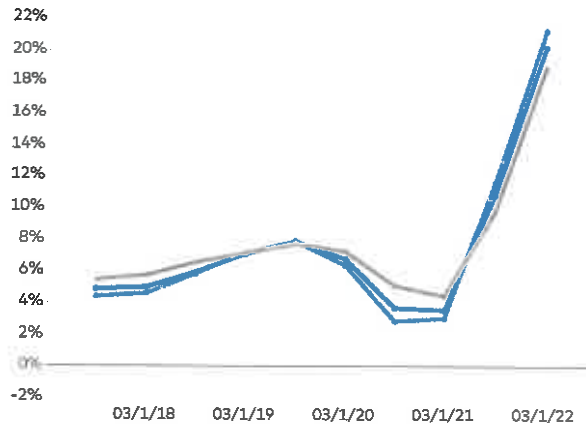


Trailing 12 Months Overall    Trailing 12 Months Lifestyle    Trailing 12 Months Renter-by-Necessity

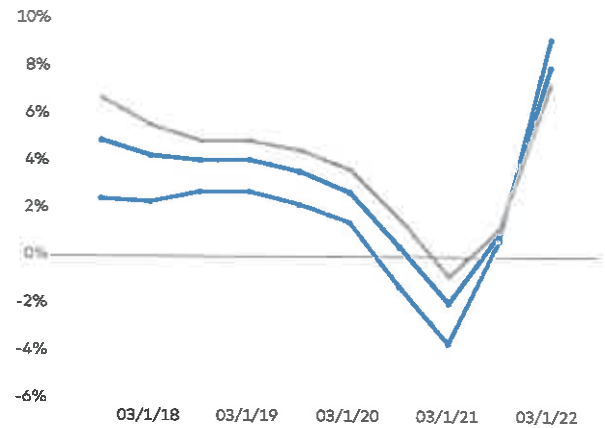
Source: Yardi Matrix

# Market Rent Growth by Asset Class

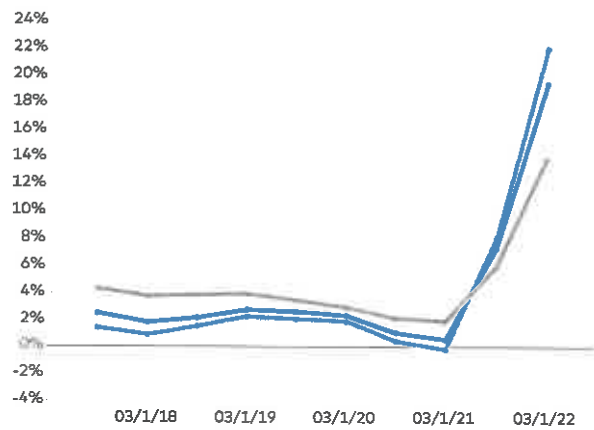
## Las Vegas



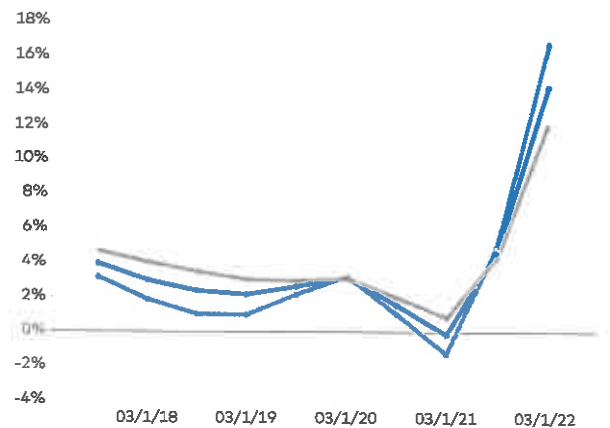
## Los Angeles



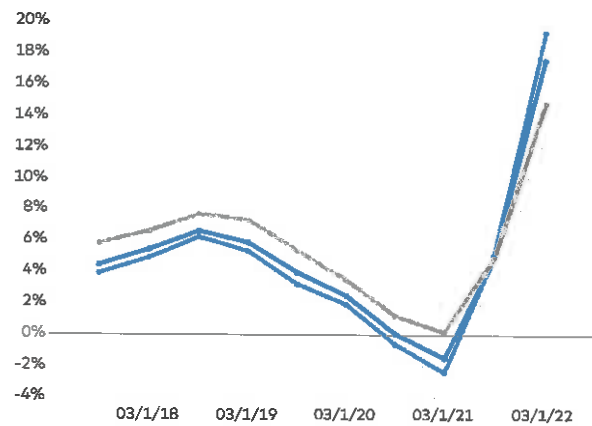
## Miami



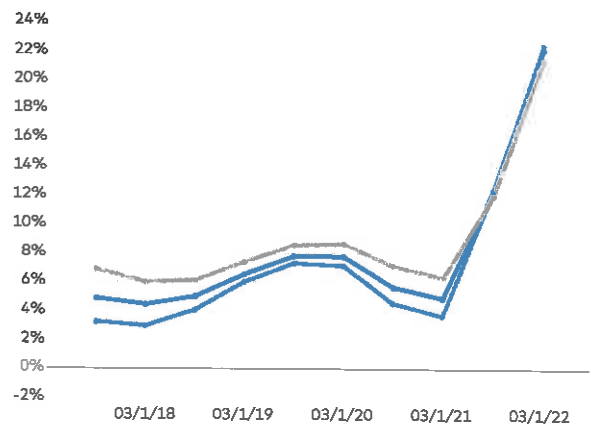
## Orange County



## Orlando



## Phoenix

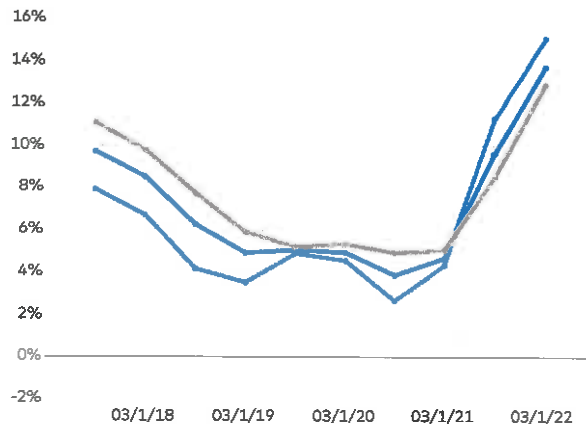


Trailing 12 Months Overall    Trailing 12 Months Lifestyle    Trailing 12 Months Renter-by-Necessity

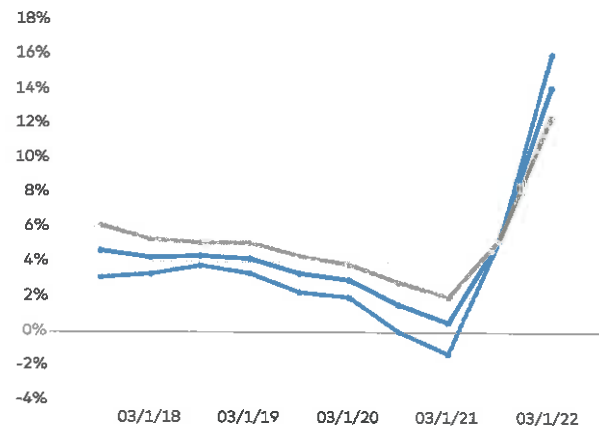
Source: Yardi Matrix

# Market Rent Growth by Asset Class

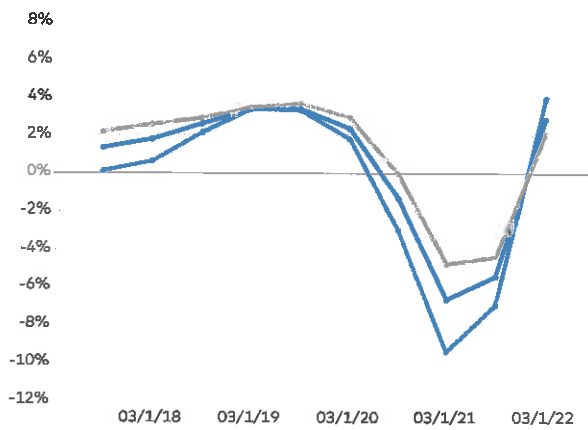
## Sacramento



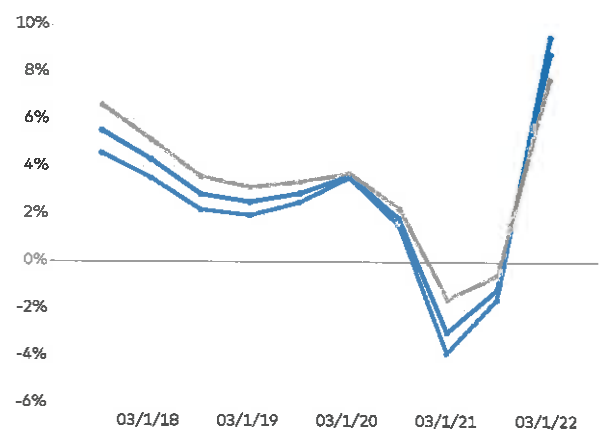
## San Diego



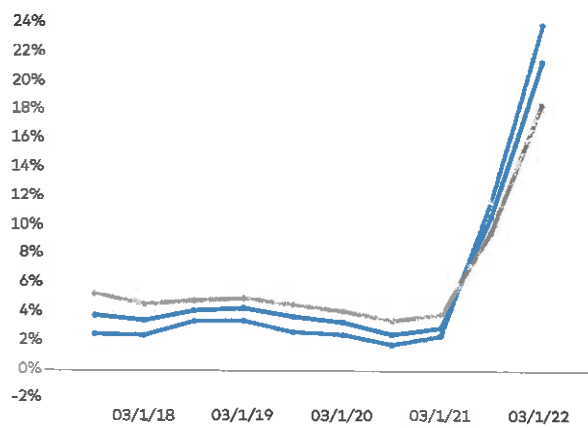
## San Francisco



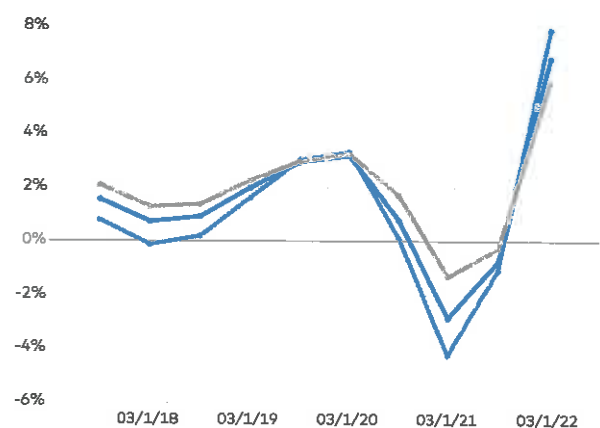
## Seattle



## 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](http://www.yardimatrix.com) or call Ron Brock, Jr., at 480-663-1149 x2404.