

Fannie, Freddie Apartment Financing Looks To Heat Up After Trepid First Half

 product.costar.com/home/news/shared/2047661062

Housing Giants Still Have Billions To Lend



Multifamily loans from Fannie Mae and Freddie Mac look to rebound in the second half of 2021. (Getty Images)

As the capital markets open back up for acquisitions, the two behemoths of apartment financing have been noticeable laggards. Industry experts say that should change in the second half of the year.

New business volume from the Federal National Mortgage Association and Federal Home Loan Mortgage Corp., better known as Fannie Mae and Freddie Mac, has been subdued particularly in the second quarter. Some blame changes put in place by the former White House administration in its role overseeing the two government-sponsored enterprises.

But a new president is in power, and a Supreme Court ruling last month cleared the way for a change of leadership and potential new direction for the two housing finance firms.

The Biden administration replaced Mark Calabria last month with a temporary new head of the Federal Housing Finance Agency, which regulates Fannie Mae and Freddie Mac. Under Calabria's tenure, the companies had seen their multifamily lending capabilities reduced. The ceiling for each was capped at \$70 billion for 2021, a reduction that followed previous downward cap revisions in 2019 and 2018.

As a result, Freddie Mac and Fannie Mae volumes have been muted in the first half of the year. "I think both [Fannie Mae and Freddie Mac] were a little concerned about making sure that they had liquidity throughout the entire year," Don King, executive vice president and chief production officer for Walker & Dunlop's multifamily finance team, said in an interview with CoStar News. "As a result, Freddie was not super aggressive at the beginning of 2021, not really chasing deals aggressively."

Fannie Mae had a different issue, in that its January new business volume of \$10 billion was largely a 2020 hangover, and it is likely that most of the February volume of \$6.2 billion was also a remnant of the prior year's business, King said. As a result, Fannie Mae was not that aggressive later in the first half of 2021.

Since February, Fannie Mae's monthly new business volume has dwindled successively to just \$2.9 billion in May, according to figures Fannie Mae provided to CoStar.

To get even close to hitting its ceiling of \$70 billion in volume for the year, Fannie Mae's monthly totals would have to match close to the February level of \$6.2 billion.

Freddie Mac did not respond to a request for 2021 lending activity.

Hitting their caps each year is one of the enterprises' goals, financing executives said.

"They have a cap they have to manage. They've got \$70 billion each to lend. So, they don't want to be over because if they are over, they have to stop lending for the year. If they go under, they feel like they're going to get less to lend the following years," Paul Ahmed, senior vice president for CBRE Capital Markets' debt and structured finance team, told CoStar. "They do a really good job of managing almost to the penny on billions of dollars of loans. It's pretty incredible."

Going into June, the enterprises signaled their intention to step up loan acquisition production. Both made changes in underwriting and programs that are likely to fuel increased volume. One change was removing a requirement for borrowers to establish cash reserves in order to deal with the potential property income volatility brought on by the pandemic.

"One of the more positive moves from [Fannie Mae and Freddie Mac] is the reduction of the stringent criteria that was put in place surrounding commercial income," Rick Wolf, head of small loan production at Greystone, a national multifamily lender, said in a statement. "This

is definitely a step in the right direction as the [finance companies] move back to pre-COVID standards.”

The changes come amid positive signs of recovery in both the broader economy as well as the apartment industry.

The multifamily market is coming off its second-highest second-quarter transaction volume this century, according to CoStar data. Preliminary sales numbers place transaction volume at more than \$40.6 billion. The only second-quarter tally that was higher came in 2019.

The total multifamily deal volume in the first half of 2021 also almost matches the record-high first half of 2019, and it surpasses the total amount of trades that closed in 2020, according to CoStar.

Looking beyond 2021, the changes coming at the FHFA also bode well, according to analysis from Moody’s Investors Service. The new temporary director, Sandra L. Thompson, gives the Biden administration greater control over the direction and oversight of Fannie Mae and Freddie Mac.

A new permanent leader, chosen by the president, will also provide the administration with greater latitude to reverse or modify changes that the previous administration made, Moody’s noted.

“Fannie Mae and Freddie Mac’s market share [in multifamily financing] is likely to increase because the current administration will likely look to utilize the [government-sponsored enterprises] to further its goals of increasing access to credit and availability of affordable housing,” Moody’s said.

The Construction Labor Problem Will Only Get Worse

 globest.com/2021/07/13/the-construction-labor-problem-will-only-get-worse

Analysis

More workers are needed in the construction industry for housing supply to increase.

By **Les Shaver** | July 13, 2021 at 07:19 AM

Of the 9.2 million unfilled jobs in the economy, nearly 300,000 are in the construction sector, according to the Bureau of Labor Statistics.

This problem may get worse before it gets better.

“We expect labor to be a rising challenge for construction firms as the overall labor market heals in the coming quarters,” NAHB Chief Economist Robert Dietz **wrote** in a recent blog post.

Reciting the latest BLS stats, Dietz says that the economy added 850,000 jobs, but the unemployment rate, at 5.9%, didn't really move. While residential construction added 15,200 jobs on a net basis for the month, nonresidential construction lost 22,600.



GlobeSt. NET LEASE Fall 2021 Event

This conference brings together the industry's most influential & knowledgeable real estate executives from the net lease sector.

Get More Information

Dietz says that more workers are needed in the construction industry for housing supply to increase. To accomplish this, labor force participation needs to be better than its current 61.6% rate for both construction and the overall economy.

Other observers have pointed out issues with labor in the construction industry.

Dr. Masaki Oishi, co-founder and chairman of MarketSpace Capital, **says a labor shortage exists** in “the really experienced construction workers.” But it isn’t as acute for construction workers who don’t have specialized skill sets.

“It seems that a lot of construction workers were laid off during the pandemic and really haven’t come back yet,” Oishi says. “That could be because the number of projects going forward hasn’t come back to former levels yet. But it could also be because they’ve just been out of work for so long that they don’t really have the motivation to jump right back in.”

To build enough new housing to keep pace with the demand created by economic, demographic and migration factors, developers need workers. Oishi, like many other business executives, thinks government policy is at least partially to blame.

“There was a lot of support for workers who were laid off during the COVID pandemic,” Oishi says. “That is a good thing. But if the government is going to continue to subsidize a certain lifestyle where we’re essentially paying people to stay at home, that will not help the labor shortage. I think there does have to be some carrot-and-stick incentives to get people back to work.”

While labor problems should linger into the future, Dietz says materials price increases are starting to subside.

Data from Random Lengths shows that the cost of framing lumber has dropped roughly 50% over the past seven weeks, but prices paid by builders have declined by a fraction of that amount. In fact, NAHB says the **prices quoted to builders are at record highs**.

NAHB cites the supply chain as a significant reason for that disconnect. Eventually, builders should realize those savings, though. However, pricing for OSB and other materials remains high and some deliveries are still being delayed.

Materials prices have forced builders to take action. While 62% of builders report frequently raising sales prices, 59% indicate they have pre-ordered materials to manage supply-chain concerns. Forty-five percent have put price escalation clauses in sales contracts. Another 11% took the dramatic action of canceling sales contracts because of material challenges.

Trending Stories

[Blackstone Buys Affordable Housing Portfolio Stake for \\$5.1B](#)

[Asking Rates Stabilized in June, Suggesting ‘Return To Normalcy’](#)

[Median Inflation Expectations Hit New Series High](#)

[The Construction Labor Problem Will Only Get Worse](#)

[Watch For These Emerging Tech Hubs To Take On SF, Seattle](#)

Apartment Rents Reach New High in June

 globest.com/2021/07/16/apartment-rents-reach-new-high-in-june

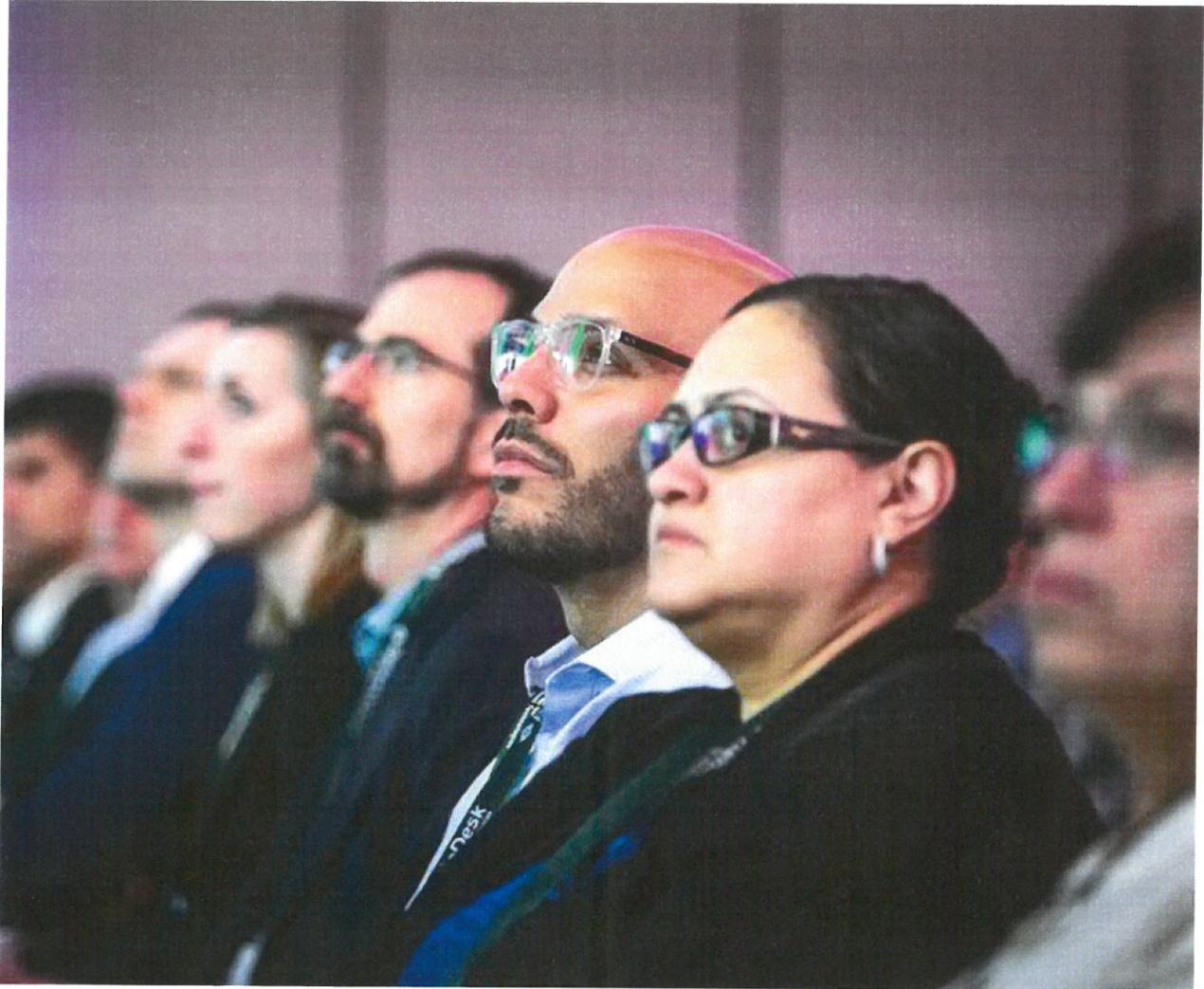
By Les Shaver

The US median rent price rose 8.1% year-over-year and 3.2% month-over-month to a new high of \$1,575 in June, according to the Realtor.com Monthly Rental Report.

Forty-four of the 50 largest metros broke new records led by Riverside, Memphis, Tampa and Phoenix, which posted gains above 20% year-over-year. Riverside rents grew 24.3% from last year and 4.6% from May.

Driving up rental prices was the shortage of affordable housing inventory, which forced more prospective homebuyers into the rental market in June, according to Realtor.com

“The surge we’re seeing in rental prices is likely to exacerbate the K-shaped, or uneven, nature of the pandemic recovery in the US Rents are rising at a faster pace than income, which is adding to the challenges faced by lower-income Americans as they struggle to recover from job losses and other hardships brought about by COVID,” said Realtor.com Chief Economist Danielle Hale in a prepared statement. “Looking forward, rents aren’t expected to slow unless we see a fundamental shift in the number of homes for sale and for rent.”



GlobeSt. APARTMENTS Fall 2021Event

Join 1000+ of the industry's top owners, investors, developers, brokers & financiers at THE MULTIFAMILY EVENT OF THE YEAR!

Get More Information

While rents typically fluctuate less than 1% monthly, rents rose more than 1% in June in all but two of the 50 largest US metros. Miami led the way with a 7.7% increase over May. Realtor.com says that gain that would be exceptional over 12 months let alone one.

Helping drive these rent increases is a lack of available homes for rents, according to Realtor.com. In 44 of the top 50 housing markets, rents hit the highest levels seen in two years. Nearly half of those metros posted month-over-month gains at or above the unusually high national rate.

While strong across the board, rental demand varied across unit types. As people demanded more space, two-bedroom rents increased at the fastest pace of all unit sizes in June, up 10.2% year-over-year to a new high of \$1,770. In just two years, two-bedroom rents rose \$212 per.

Still, one-bedrooms (+8.0%) and studio (+4.0%) rents also posted substantial gains in June, with one-bedroom rents reaching a new high of \$1,466. While studio rents saw steep declines during COVID, they rose 5.8% over 2019 to a new two-year high of \$1,294.

RealPage also noted strong rent growth. The company said that **effective US asking rents are up 2%** in June alone, an uptick that pushed year-over-year pricing increases up 6.3%. That's the highest 12-month increase recorded since early 2001. And the average US monthly apartment rent rings in at \$1,513, also a high watermark.

First Quarter 2021 Market Rate Multifamily Market Summary

 lument.com/first-quarter-2021-market-rate-multifamily-market-summary

July 2, 2021

Multifamily market performance improved and the sector outlook brightened in the first quarter of 2021, as the pace of recovery from the pandemic recession gained momentum. Although challenges remain, the principal concerns that worried investors and lenders – the fading appeal of urban living, the decline of the gateway markets, and the growing preference for homeownership among younger householders – abated and confidence in prevailing multifamily business models was restored.

Absorption

Individual property data from Yardi Matrix adjusted to eliminate distortions from new property additions indicate that net unit absorption increased in the top 50 U.S. markets during the first quarter, rising above 62,000 units in a 6,961,000-unit occupied stock sample. The figure was the largest one-quarter net since 2Q19, representing 33% and 57% increases over the prior and year-before quarters, respectively.

CoStar arrived at similar conclusions based on automated listing service data. This source recorded the largest single absorption tally since 2Q18 and the most seasonally-soft winter quarter in at least 20 years.

Notably, the distribution of tenant leasing behavior across metros suggests a reversal of the out-migration from the primary markets observed earlier in the pandemic. Metros with the largest relative quarter-over-quarter 1Q21 demand gains included Chicago, the East Bay, New York City, San Diego, San Francisco, Seattle, and Washington, D.C. Other markets exhibiting demand strength included large secondary Midwest cities (Detroit, Minneapolis), low-tax Sunbelt metros (Dallas, Nashville, Palm Beach, and Phoenix), and rising tech poles (Denver, Raleigh, and Salt Lake).

By the same token, several markets that benefited in 2020 from primary market out-migration reported distinctly slower demand growth over the winter. Occupied stock gains in the Inland Empire, Las Vegas, and Sacramento receded materially from 4Q20 levels, further evidence that some householders who sought refuge in primary market satellites returned to bright city lights when suburban leases expired or the confines of their parents' homes grew claustrophobic.

Occupancy

Following six months of elevated supply, deliveries receded over the winter, allowing occupancy to firm. Yardi individual property data indicate that completions in the top 50 markets totaled about 55,500 units, down from more than 110,000 in the last quarter 2020 and 170,000 in the six-month period ended in December.

Consequently, **stabilized same-store occupancy** advanced 0.11% (11 basis points) sequentially to a 94.30% quarterly average – the highest rate since the beginning of the pandemic. The level stood at 94.33% in March, down only three basis points (bps) year-on-year, and within four bps of the February 2020 pre-pandemic level.

A combination of supply pressure, tenant price resistance and the spatial freedom enjoyed by tenants working from home resulted in distinct underperformance in the Class A segment last year. Average class occupancy fell -44 bps to 93.72% between 1Q20 and 4Q20, while Class B properties recorded a four bps increase to 94.39% in the same period.

But Class A demand appeared to reach an inflection point in November, as tenants began to return to urban neighborhoods. November-to-March class occupancy spurts were observed in Chicago (124 bps), Miami (154 bps), New York (154 bps) and, impressively, San Francisco (229 bps), trimming the gap between A and B occupancy from 58 bps in November to 44 bps in March.

Trends in the Class C segment were steady. Class occupancy averaged 94.49% during 1Q21, down from 94.53% during the fall quarter, and 94.84% in 1Q20. The fill rate improved to 94.51% in March from 94.48% in December.

Rent Trends

Rent trends gained momentum in the winter quarter and popped in April. Same-store property rents in the top 50 markets increased on a unit-weighted average 1.02% annual pace in the first quarter, up from 4Q20's comparable 0.59% rate, and 2.32% in April, a post-pandemic high.

Class A rent trends improved materially. After falling on a -1.53% trajectory in 4Q20, annual class comparisons improved to -0.82% in 1Q21, -0.20% in March and +1.11% in April. Class C assets posted the fastest 1Q21 (2.45%) and April (3.00%) annual growth, followed by class-B on 1.88% and 2.93%.

Metros benefiting from the primary market exodus continued to record rapid rent growth, while the primary markets searched for traction. April trends in the Inland Empire (9.91%), Phoenix (8.83%), Sacramento (8.82%) and Colorado Springs (8.22%) ranked in the peer group top four, and Las Vegas (7.64%) and Norfolk/Richmond (6.99%) were sixth and eighth. The Sunbelt growth and low-tax alternative markets filled out the top 10, led by Palm Beach (7.75%), Atlanta (7.03%), Tampa (5.94%) and Jacksonville (5.77%). A few of the better performing Midwest markets (Columbus, Detroit, Indianapolis); an assortment of low

business and tax cost competitors (Charlotte, Fort Lauderdale, Fort Worth and Salt Lake); and steady middle Atlantic markets (Baltimore, Philadelphia) occupied spots in the top 50 second quintile, posting annual gains between 4.0% (Fort Worth) and 5.3% (Columbus).

San Diego (3.79%) and Chicago (0.38%) were the sole primary markets to crack the peer group top 40, ranking 20th and 39th, respectively. The balance of the primary markets continued to post negative comparisons in April, with New York, San Francisco and San Jose still down more than 10% year-on-year. Average rent rebounded from January lows, however, with most segments gaining 0.7% or more, the exceptions being San Francisco, Seattle and Washington, D.C.

Tenants Begin to Return to the City Center

Now that the worst of the pandemic is behind us and commerce in cities beginning to normalize, will tenants who relocated from central city neighborhoods return? We took a deep dive in the numbers to assess the prospects.

For metros with singular, readily identifiable city centers (the top 50, less Norfolk, Orange County and Raleigh) we calculated the distance between each of more than 30,000 stabilized, same-store properties in the Yardi coverage universe and their respective city centers using latitude and longitude coordinates. Rent and occupancy trends were calculated for each and analyzed to determine the relevance of city center proximity on performance.

The results evidence that occupancy and rent trends were highly inversely correlated to distance from the city center during the pandemic. Indeed, a simple linear regression between distance cohort performance and distance demonstrates that proximity explains 85% of 1Q21 year-on-year change of distance cohort occupancy and 83% of annual rent change. Distance cohorts are mapped in the graph below.

Properties located within 0.25 miles of the city center experienced average occupancy losses of 411 bps to 89.18%. With the exception of the 0.51 to 1.00 mile proximity group (-237 bps) and the 1.01 to 2.00 mile cohort (-249 bps), performance in each cohort improved as distance

increased. The pattern was replicated for rents, but in this instance only the 0.501 to 1.00 mile cohort (-6.67%) under-performed a more proximate cohort: the 0.261 to 0.50 mile group (-5.81%).

This quantifies a relatively well-established phenomenon, but the statistics also provide a few insights of greater novelty. For example, the data strongly suggest that the performance inflection point fell on about five miles from the centroid, with properties beyond five miles reporting materially stronger metrics than more proximate cohorts. Performance consistently improved as proximity declined, reaching an apex beyond 25 miles.

The data also demonstrate that the proximity tide turned over the winter. Sequential quarter occupancy improvement among cohorts located within two miles of the city center ranged from 45 bps to 61 bps, while more distant samples improved 21 bps or fewer. In other words, the renter tide that went out of the city last year began to come back in the New Year.

Although sequential quarter rent growth remained in negative territory within a three-mile radius, each of these samples recorded significant sequential rate of change improvement. By contrast, cohorts beyond the three-mile radius chalked rent growth deceleration.

The evidence implies that the tenant out-migration observed during the pandemic reversed direction over the winter. It is too early to assess the strength and longevity of this phenomenon, but the data suggest that core urban occupancy performance may improve faster than widely perceived. Urban rent strength, on the other hand, has not fully stabilized and will take time, perhaps a matter of years, to fully recover.

Capital Markets

Apartment transaction activity decelerated seasonally during the first quarter following brisk fourth quarter trade. Yardi recorded a 36% sequential quarter decrease in the top 50 U.S. markets, but tabulated an 11% gain over the prior year period.

The average price paid per unit declined -2.7% from 4Q20 to \$178,865, but climbed 9.30% year-on-year. Real Capital Analytics reported that its apartment property price index increased 7.1% year-on-year and 2.1% sequentially, bettered among core CRE segments only by industrial properties.

Buyers moved down the price scale, elevating Class B garden and workforce housing investment share from 32% of total volume in 4Q20 to 39%. The shift in emphasis came at the expense of Class A share, which dipped from 27% to 21%. This migration from Class A purchases was manifested by weakness in mid- and high-rise sales, as infill assets remained out of favor with buyers.

Cap rates compressed further, boosted in part, by stronger pricing for elevator buildings. Available government sponsored enterprise (GSE) and data service reports indicate that purchase cap rates of major market institutional-quality buildings in 1Q21 averaged about 4.53%, down about two basis points from 4Q20. With respect to yield, buyers made little or no distinction between garden and mid- or high-rise designs.

In the debt capital markets, higher 10-year Treasury rates pushed coupon interest levels higher. Trepp data indicate that mortgage interest rates averaged about 3.0% in 1Q21, up from 2.7% in the prior quarter. At the same time, Treasury spreads were firm in the 175 bps area. Underwriting ratios appeared to ease moderately and typical debt leverage rose as asset performance exceeded expectations during the pandemic recession. Average GSE loan-to-value (LTV) ratios increased about 1% and debt yields broadly fell.

Outlook

The multifamily sector continued to outperform expectations in 2021 and is well positioned to prosper as the economy and housing markets normalize. Although disparities remain between markets, the gateway cities are rebounding with considerable strength, and pent-up demand for space is being expressed across markets and neighborhoods as renters and would-be renters contemplate new options after months of relative isolation. Indeed, the spring and summer leasing season is shaping up to be one of the strongest since the late 1990s. Strong property cash flows and investment returns appear baked into the cake through year-end. Inflation, economic and asset price overheating, and interest rates represent the only major threats, and these are unlikely to derail the recovery in the near term. John Maynard Keynes's quip regarding the long-term has never felt so apt: enjoy the ride.



Yardi Matrix

National Multifamily Report

June 2021



Multifamily Rent Growth Reaches Unprecedented Levels

- Multifamily asking rents increased by a whopping 6.3% on a year-over-year basis in June. This is the largest YoY national increase in the history of our data set.
- Rents grew an astonishing \$23 in June to \$1,482—another record-breaking increase. Lifestyle rents are growing at a faster pace than Renter-by-Necessity rents, something we have not seen since 2011 and another sign of a hot market.
- Single-family (Built-to-Rent) rents grew even faster, at an 11% year-over-year pace.
- To be clear, the increases represent growth in what landlords are asking for unleased apartments. Increases are smaller for tenants that are rolling over existing leases.

A slew of factors has pushed asking rent growth across the country to levels not seen in decades.

Migration is pushing up rents in Southwest and Southeast metros like Phoenix (17.0%), Tampa and the Inland Empire (both 15.1%), Las Vegas (14.6%) and Atlanta (13.3%). These metros were lower cost compared to larger gateway metros, but with double-digit rent increases, the affordability of these metros has begun to decline.

During the last year and a half, the unprecedented amount of government stimulus has helped to boost the economy. Stimulus checks, enhanced unemployment benefits and more than \$45 billion of direct renter payments has helped to prop up the multifamily industry. All of this stimulus led to consistent levels of collections across the country.

Household savings has also increased by more than \$2.5 trillion since the beginning of the pan-

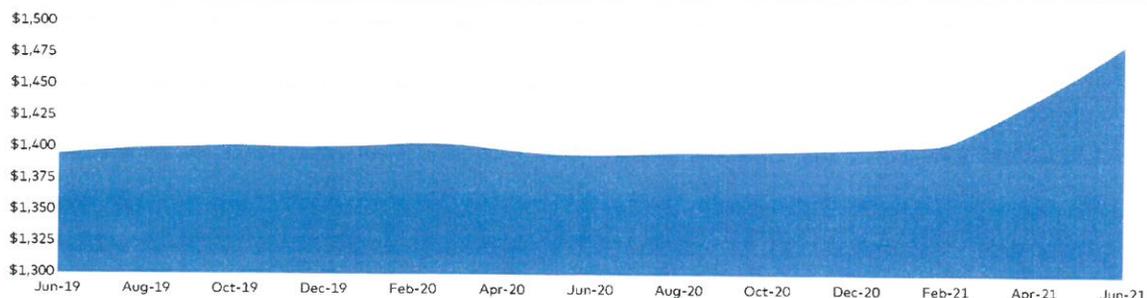
demic due to lockdowns that prevented the ability to spend on travel and other activities.

The hot housing market is another driving force behind the strong gains. The S&P Case-Shiller Index found that home prices are up 14% year-over-year through June. Many potential home buyers have been forced out of the market, and in turn, decided to rent an apartment for another year.

Another pressure on the cost of housing is the lack of new supply. The U.S. is on track to build 1.5 million units in 2021, according to the Census Bureau, but that will not be enough to satisfy the demand for housing.

Rent growth will not be able to continue at these levels indefinitely, but conditions for above-average growth are likely to persist for months.

National Average Rents

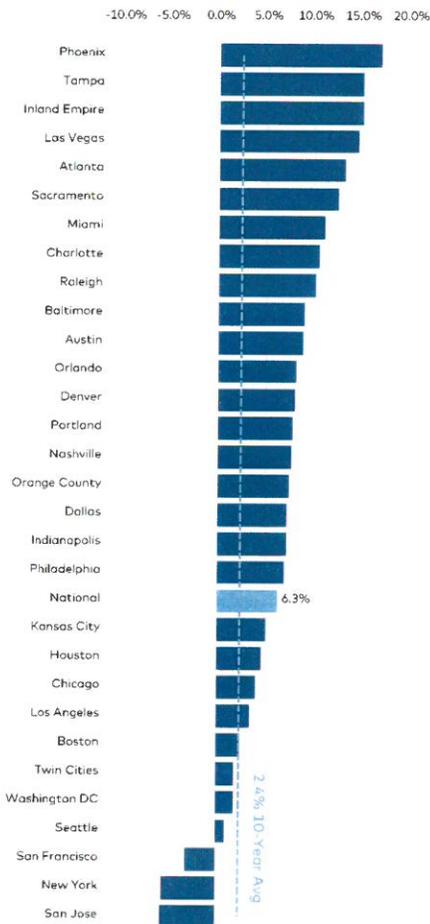


National averages include 132 markets tracked by Matrix, not just the 30 metros featured in the report. All data provided by YardiMatrix.

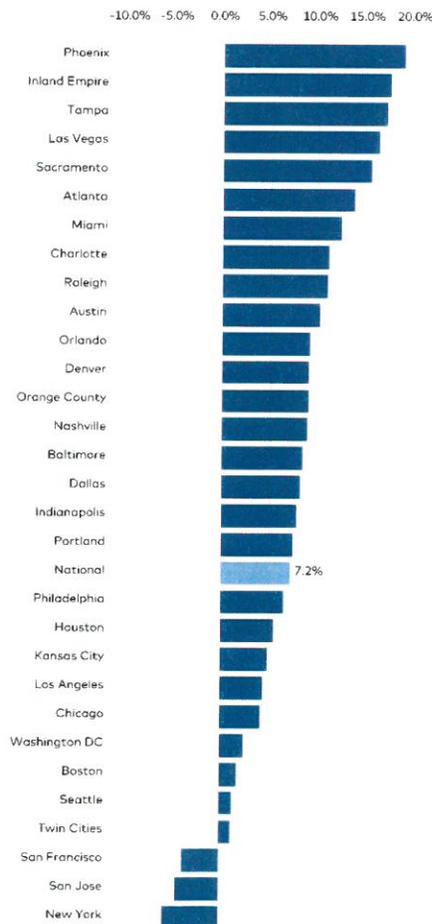
Year-Over-Year Rent Growth: Lifestyle Rent Growth Outpacing Renter-by-Necessity

- Multifamily asking rents increased by 6.3% on a year-over-year basis in June, the largest YoY increase in the history of our data set. Out of our top 30 markets, 27 had positive YoY rent growth.
- Phoenix (17.0%), Tampa and the Inland Empire (both 15.1%) topped the list with unprecedented year-over-year rent growth. Nine of the top 30 markets had double-digit YoY rent growth in June, driven by strong migration to these metros.
- Year-over-year Lifestyle rents (7.2%) grew faster than Renter-by-Necessity rents (5.8%) in June for the first time since 2011. Renters have benefited from increased government support, strong wage growth and increased personal savings rates, which has enabled renters to seek out higher-cost apartments.

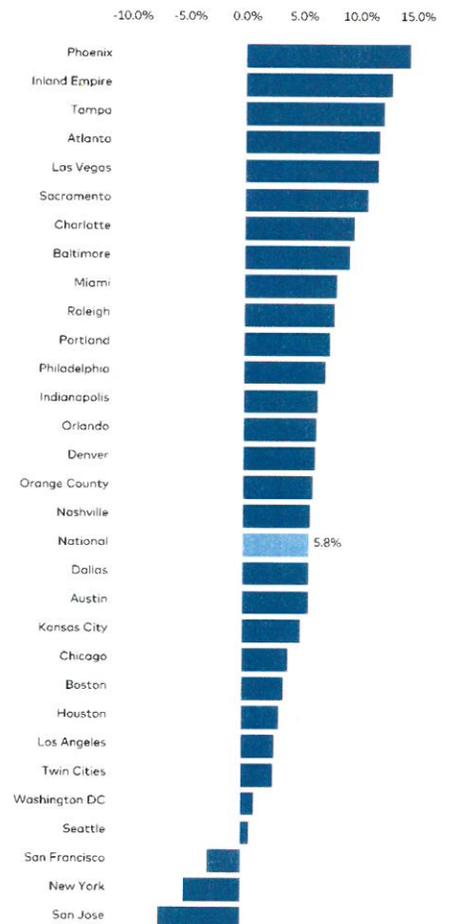
Year-Over-Year Rent Growth—
All Asset Classes



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: All Top 30 Metros Performing Well

- Rents increased nationally by 1.6% in June on a month-over-month basis. For the third month in a row, all 30 metros had positive month-over-month rent growth.
- Tampa, Phoenix (both 2.5%), Austin (2.4%), and Miami (2.3%) had the strongest MoM gains.

The strong demand for apartments is clear in the month-over-month numbers. Rents in 28 of the top 30 markets are up more than 1% MoM.

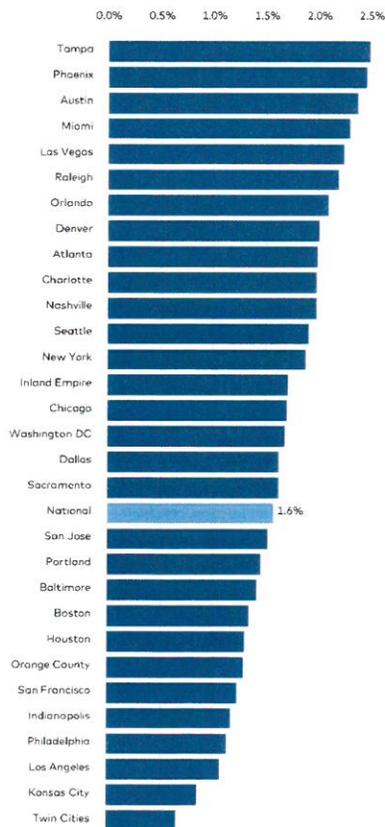
The migration to the Southwest and Southeast is driving rent increases to never-before-seen

levels. But even on a national basis, all of the top 30 metros are performing well.

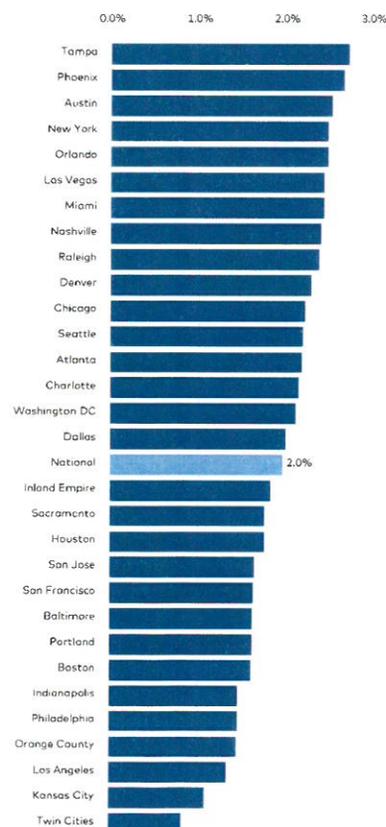
People are returning to urban cores in droves. New York, Seattle (both 1.9%), Chicago and Washington, D.C. (both 1.7%) are rebounding. Recent graduates who moved in with their parents during the pandemic are beginning to form their own households in the urban cores.

Just like the YoY numbers, Lifestyle rents (2.0%) are outpacing RBN rents (1.2%) on a MoM basis. Migration from higher-cost metros to lower-cost metros like Tampa and Phoenix is one factor driving the elevated prices in the Lifestyle sector.

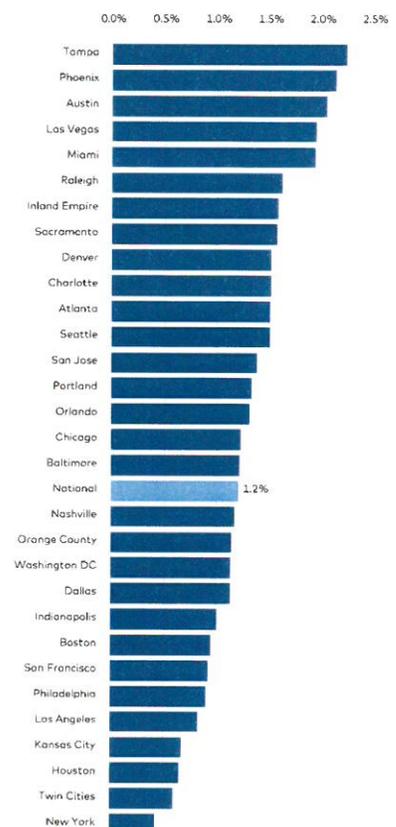
Month-Over-Month Rent Growth—
All Asset Classes



Month-Over-Month Rent Growth—
Lifestyle Asset Class



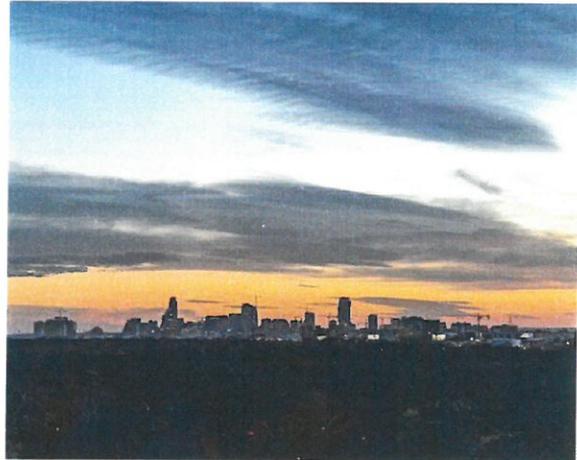
Month-Over-Month Rent Growth—
Renter-by-Necessity Asset Class



Source: Yardi Matrix

Employment and Supply Trends; Forecast Rent Growth

- Jobless claims unexpectedly rose to 373,000 for the week ending July 3. Even though many states have ended their emergency unemployment programs, there are still more than 10 million Americans enrolled, according to the Department of Labor.
- The unemployment rate rose to 5.9% in June, as a result of an increase in the labor participation rate, as new job formation was strong at 850,000. We expect strong job formation and declining unemployment as schools reopen and supplemental unemployment insurance benefits burn off.



The growth that we have seen in asking rents over the last few months across the country has reached levels not seen in decades. Four metros—Phoenix (17.0% YoY rent growth), Tampa and the Inland Empire (both 15.1%), and Las Vegas (14.6%)—have been on a tear for the last year, with no sign of slowing down.

Phoenix has been the poster child for migration this year. People are moving from higher-cost cities across the country, but especially from California, to Phoenix. The single-family housing market is performing equally as strong as the rental housing market, with prices up almost 22% on a year-over-year basis, according to the S&P Case Shiller Index.

Limited new supply in Phoenix is one factor contributing to the spike in rental and home prices. As of June, 3.2% of stock had been delivered in the last 12 months. Even though this falls in the top 10 of our 30 largest metros, it is not enough to keep up with the demand.

Overall rents in Phoenix have increased by \$200 in the last year. The rapid rise in rents is even more pronounced when comparing the Lifestyle increases to the Renter-by-Necessity. Lifestyle

rents in Phoenix have increased almost \$265 over the last year, while Renter-by-Necessity rents have increased \$145 in the same time period.

Many people moving into Phoenix are coming from higher-cost locations, where they are accustomed to higher rents. But for longtime residents of Phoenix, the swift price increases are driving them to downsize or find a lower-cost location to live.

Tampa has also seen an influx of new residents since last year. The same bifurcation in the Lifestyle and Renter-by-Necessity rents is present here. Lifestyle rents increased by \$255 during the last year, while Renter-by-Necessity rents increased by \$130 in the same time period.

Looking at the Inland Empire and Las Vegas, the trend is the same. People migrating into these cities are able to afford these large price increases. But the longtime residents are deeply affected by the accelerated rent growth.

These metros cannot sustain double-digit rent growth forever, but based on the lack of new supply and other demographic factors, it will likely continue for the foreseeable future.

Single-Family Rentals: Roaring Demand Continues

- We are now tracking the single-family rental asset class! Our national data set includes more than 90,000 units in 700 communities across the U.S.
- Tampa (31.3%), Phoenix (23.9%) and Miami (23.6%) topped the list this month with astounding YoY rent growth in June.

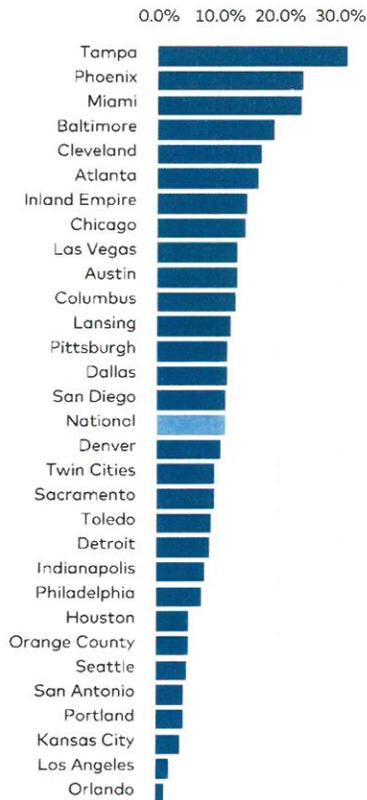
On a national level, rents are up 11.1% year-over-year. The demand for the SFR sector is holding strong as people continue to seek more space. The competitive housing market, driven in part by a lack of supply, is also sending would-be buyers to the SFR space.

All of our top 30 metros had positive YoY rent growth in June. More than half (17 out of 30) had double-digit rent growth.

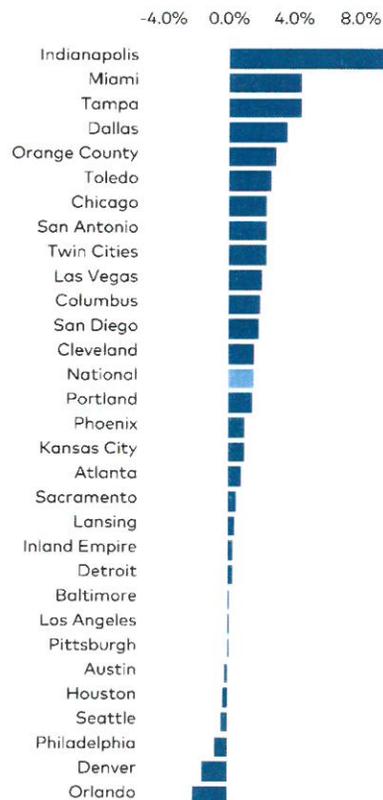
The top SFR markets align with the top markets for multifamily rent growth (Tampa and Phoenix). The rapid rent increases in these two metros can be attributed to the migration to these hot spots.

Nationally, occupancy was up 1.9% in May on a YoY basis. Across the top 30 metros, 24 had flat or increasing occupancy on a YoY basis in May.

**Year-Over-Year Rent Growth—
Single-Family Rentals**



**Year-Over-Year Occupancy Change—
Single-Family Rentals**



Source: Yardi Matrix

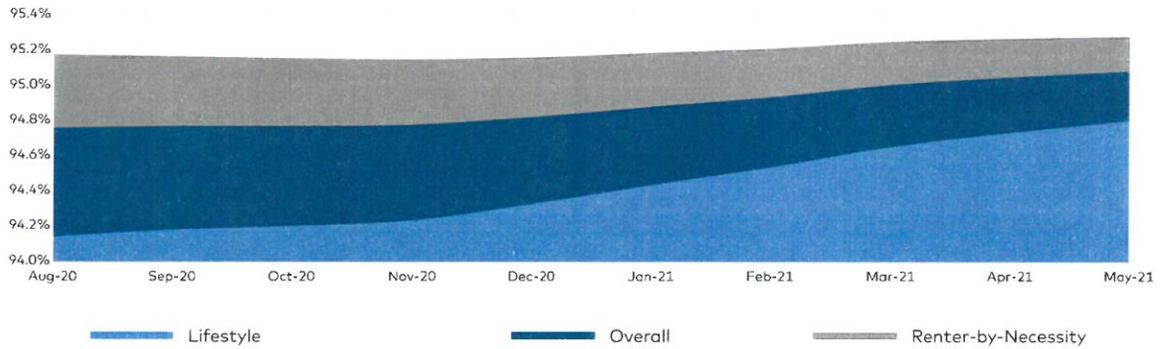
Employment and Supply Trends; Forecast Rent Growth

Market	YoY	Forecast	YoY Job Growth	Completions as
	Rent Growth as of Jun - 21	Rent Growth as of 6/30/21 for YE 2021	(6-mo. moving avg.) as of May - 20	% of Total Stock as of Jun - 21
Phoenix	17.0%	8.7%	0.1%	3.2%
Inland Empire	15.1%	7.1%	-0.8%	1.0%
Tampa	15.1%	6.4%	1.2%	2.6%
Las Vegas	14.6%	6.2%	-4.4%	1.0%
Miami Metro	11.2%	6.1%	-2.1%	3.2%
Sacramento	12.6%	5.7%	-1.7%	1.1%
Atlanta	13.3%	5.6%	-1.0%	2.9%
Portland	7.8%	5.2%	-3.3%	2.7%
Austin	8.9%	5.1%	1.5%	4.4%
Indianapolis	7.2%	4.6%	-0.1%	1.3%
Charlotte	10.6%	4.5%	0.2%	4.3%
Chicago	4.1%	4.5%	-3.4%	1.8%
Orlando	8.1%	4.3%	-5.5%	3.5%
Philadelphia	7.0%	4.0%	-1.8%	1.9%
Orange County	7.5%	4.0%	-4.0%	1.0%
Denver	8.1%	3.9%	-1.4%	3.2%
Nashville	7.7%	3.8%	0.6%	1.6%
San Jose	-5.8%	3.8%	-3.9%	2.8%
Dallas	7.3%	3.8%	0.5%	2.9%
Raleigh	10.2%	3.5%	0.7%	3.6%
Houston	4.7%	3.4%	-2.7%	2.1%
Kansas City	5.2%	3.2%	0.0%	3.0%
New York	-5.7%	3.1%	-5.0%	0.8%
Baltimore	9.0%	2.9%	-1.4%	1.3%
Twin Cities	1.9%	2.7%	-3.2%	3.7%
Washington DC	1.8%	2.6%	-2.2%	2.0%
Los Angeles	3.5%	2.6%	-5.7%	2.8%
Boston	2.4%	2.5%	-2.7%	2.9%
Seattle	0.9%	1.9%	-2.5%	2.9%
San Francisco	-3.2%	1.9%	-5.3%	2.9%

Source: Yardi Matrix

Occupancy & Asset Classes

Occupancy—All Asset Classes by Month



Source: Yardi Matrix

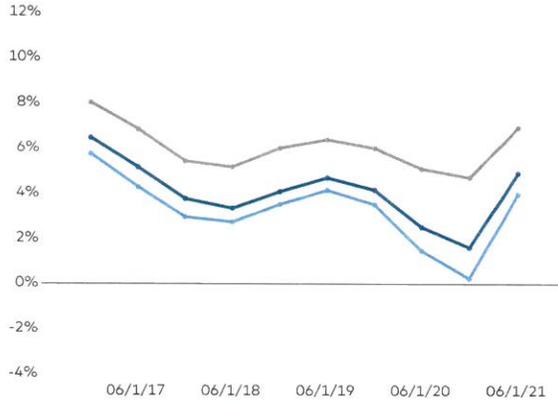
Year-Over-Year Rent Growth, Other Markets

Market	June 2021		
	Overall	Lifestyle	Renter-by-Necessity
NC Triad	9.9%	11.0%	8.7%
Long Island	8.4%	8.4%	8.5%
El Paso	7.3%	7.9%	6.8%
Indianapolis	7.2%	7.9%	6.5%
Bridgeport–New Haven	7.2%	7.0%	7.2%
San Fernando Valley	6.2%	7.1%	5.6%
St. Louis	5.0%	4.4%	5.3%
Louisville	4.4%	5.3%	4.3%
Central East Texas	4.2%	3.9%	4.6%
Tucson	14.4%	15.3%	14.1%
Colorado Springs	14.3%	14.4%	14.2%
Reno	14.3%	15.6%	13.4%
Albuquerque	13.6%	18.6%	10.6%
SW Florida Coast	13.3%	15.1%	10.2%
Jacksonville	12.7%	14.4%	9.3%
Central Valley	12.4%	15.5%	11.8%
Tacoma	11.3%	11.4%	10.9%
Salt Lake City	10.5%	10.3%	10.7%
Northern New Jersey	0.7%	-2.4%	3.7%

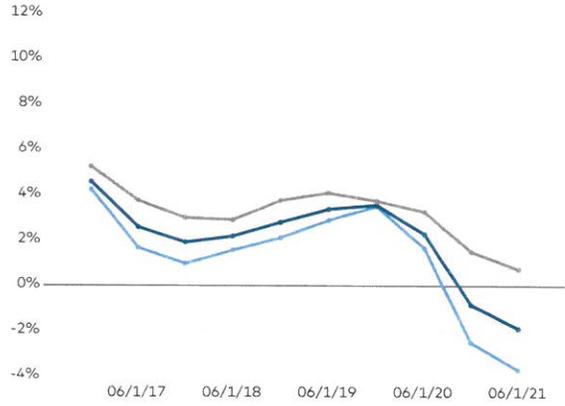
Source: Yardi Matrix

Market Rent Growth by Asset Class

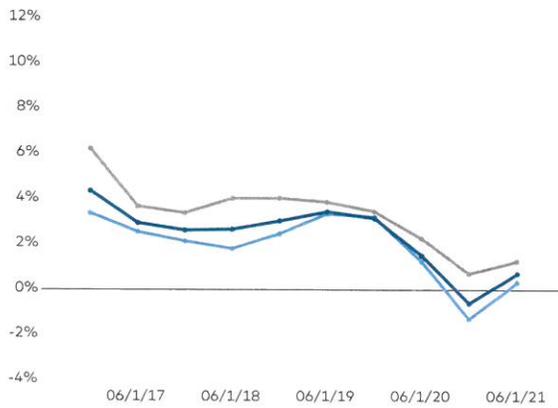
Atlanta



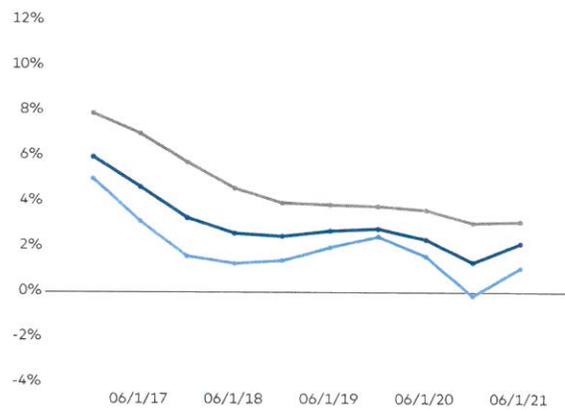
Boston



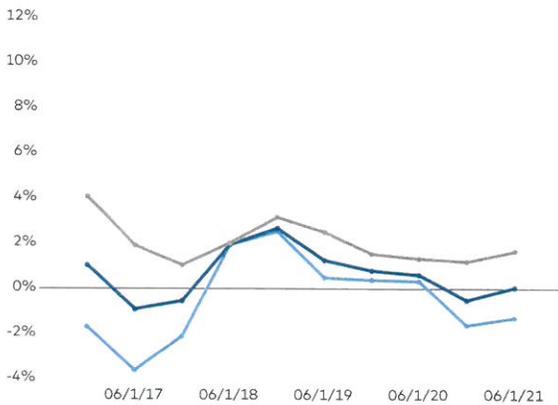
Denver



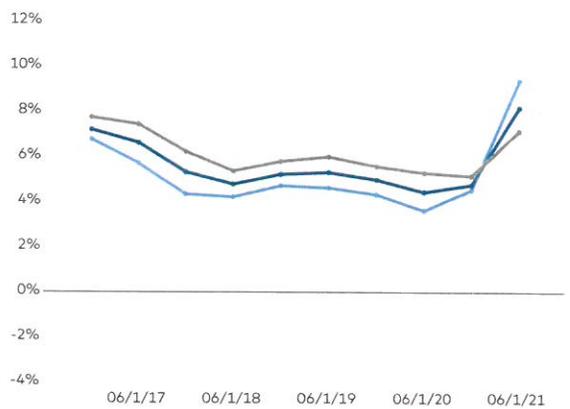
Dallas



Houston



Inland Empire

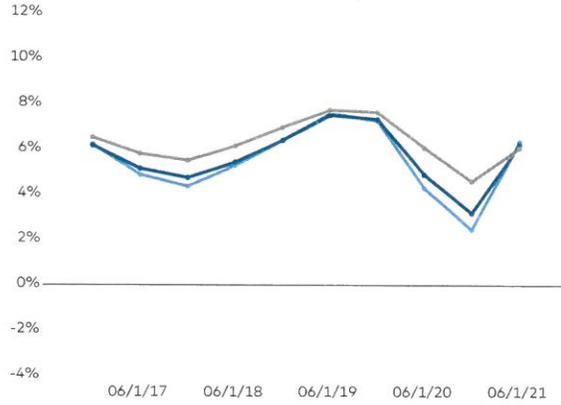


█ Trailing 12 Months Overall
 █ Trailing 12 Months Lifestyle
 █ Trailing 12 Months Renter-by-Necessity

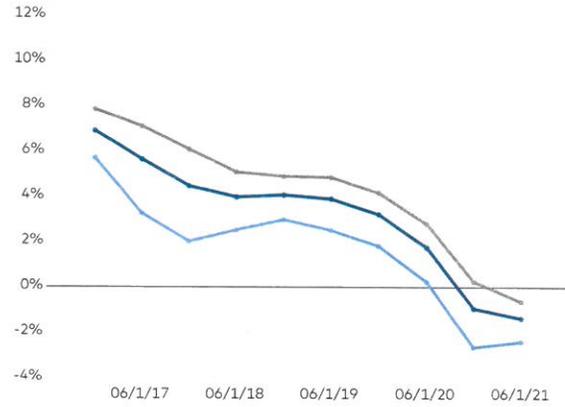
Source: Yardi Matrix

Market Rent Growth by Asset Class

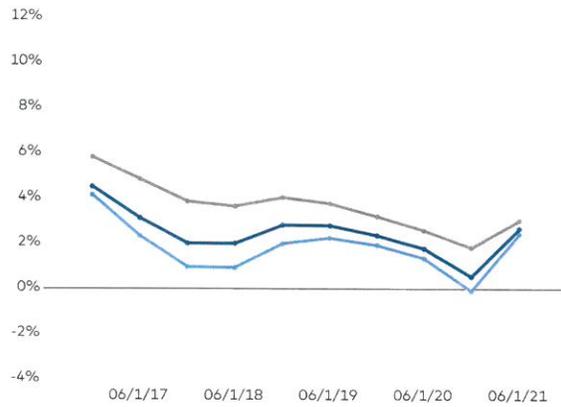
Las Vegas



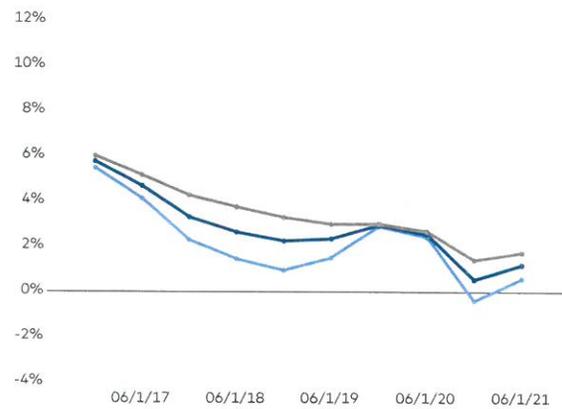
Los Angeles



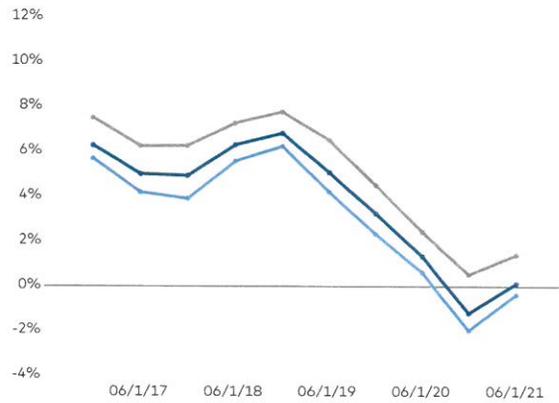
Miami



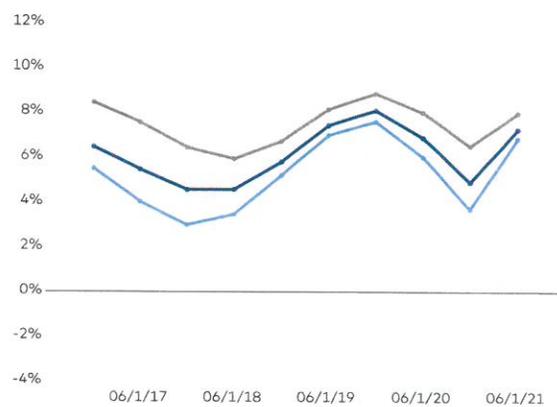
Orange County



Orlando



Phoenix

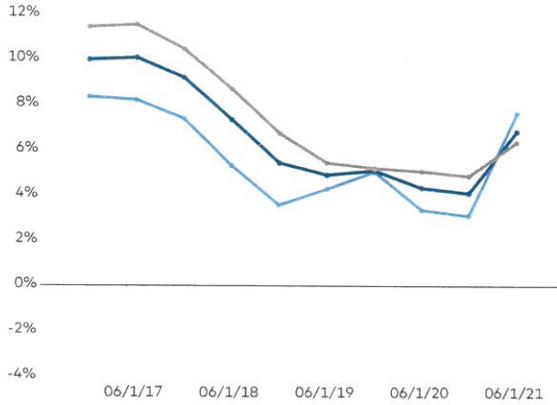


█ Trailing 12 Months Overall
 █ Trailing 12 Months Lifestyle
 █ Trailing 12 Months Renter-by-Necessity

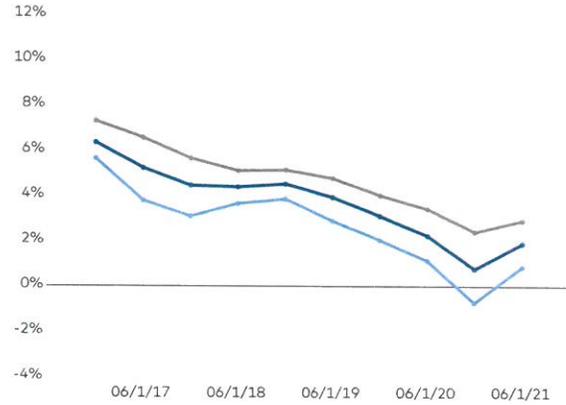
Source: Yardi Matrix

Market Rent Growth by Asset Class

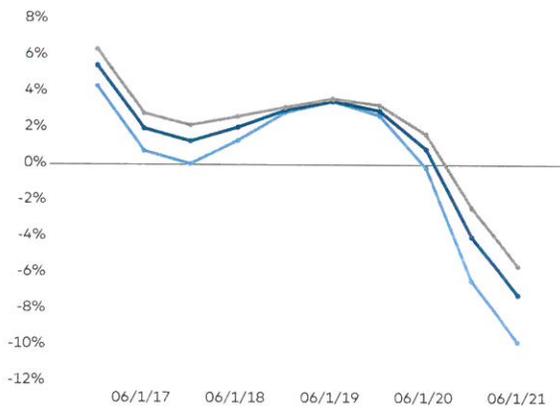
Sacramento



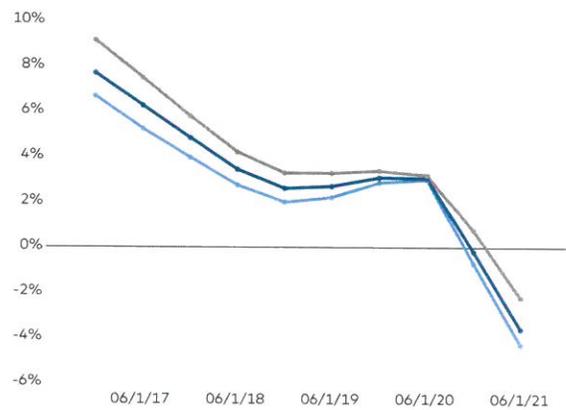
San Diego



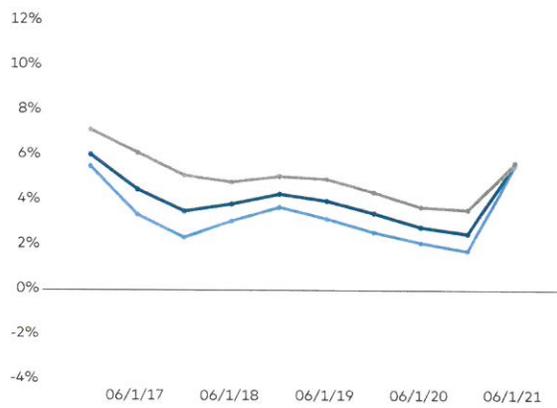
San Francisco



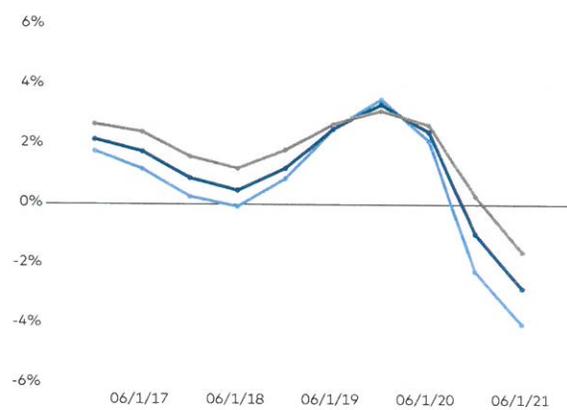
Seattle



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 all 134 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 or call Ron Brock, Jr., at 480-663-1149 x2404.

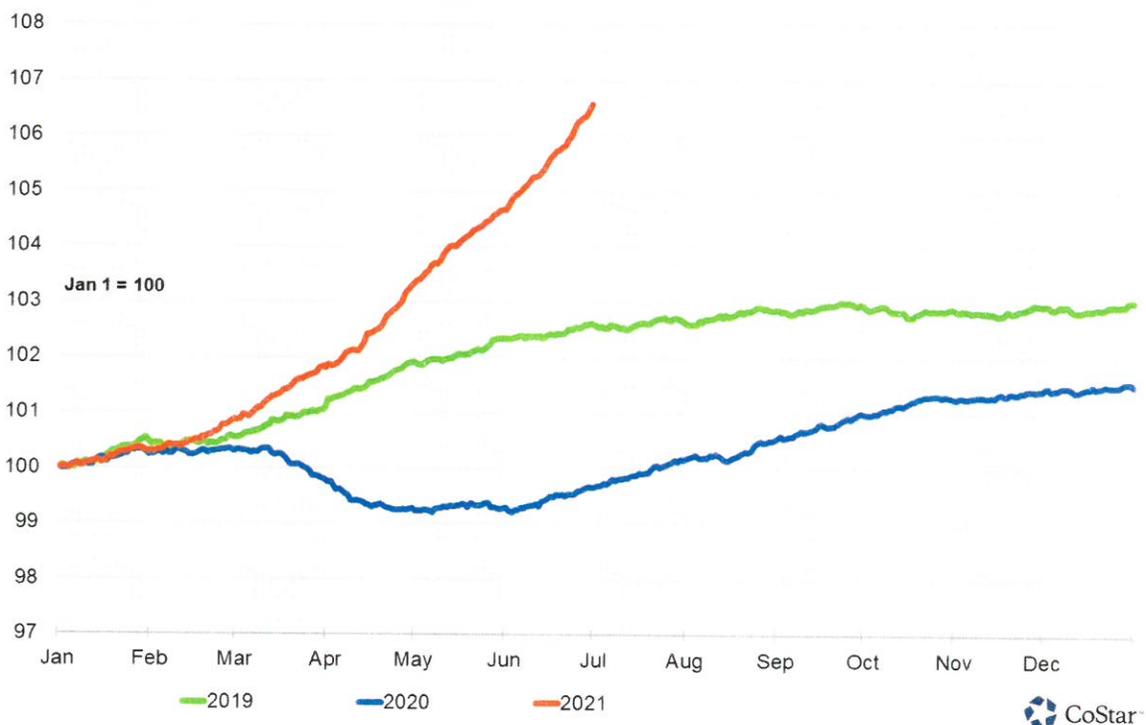
Apartment Rent Growth Soars to Record High in San Diego

 product.costar.com/home/news/shared/2012421989

CoStar Insight

Luxury Communities Are Driving the Surge

San Diego Rent Index by Year



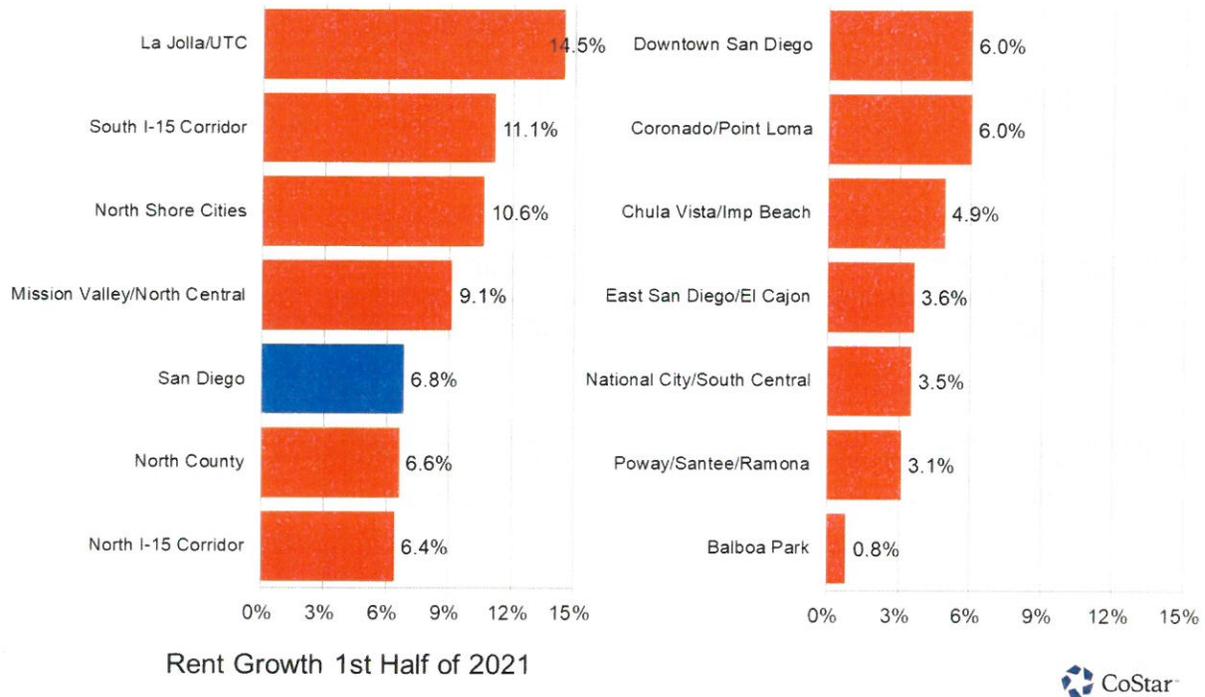
Rent growth across the San Diego apartment market is soaring in 2021. On the back of unprecedented demand, landlords have achieved nearly unparalleled pricing power as the stabilized vacancy rate, which tracks all properties that are older than 18 months or have reached 90% occupancy following delivery, fell to 2.2% at the midway point of this year.

Local landlords are reporting 100% occupancies everywhere from Chula Vista and El Cajon to Oceanside and Mission Valley. This level of demand is just something that that market hasn't seen in the past 20 years.

It's a reversal of fortunes from only a year earlier, when annual rent growth entered the second half of 2020 at 0%.

Annual rent growth ended the second quarter of 2021 at a record high of 8.4%, far outpacing the previous high of 7% recorded at the end of the third quarter in 2015.

First Half of 2021 Rent Growth by Submarket



The current environment is a tale of explosive rent growth in 2021. Rents grew by almost 7% during the first six months of the year, the strongest such stretch on record.

Discounting the second quarter of 2020, when rents fell due to the impact of the coronavirus, rent growth had averaged 1.9% during second quarters dating back to 2015. The second quarter of 2021 recorded rent growth of 4.6%, easily the strongest second-quarter rent growth in 20 years in San Diego.

Three San Diego submarkets posted double-digit rent growth in the first half of the year, with the University Town Center area exceeding 14%. Even downtown San Diego reached 6%. The surge in performance has been buoyed by luxury communities, where rents grew more than 9% in the past six months, compared with 7.3% in mid-tier inventory.

However, San Diego's county board of supervisors passed a measure that commenced in mid-June and lasts for 60 days that set the local rent cap at inflation, or about 4.1%. Importantly, that rate is for renewals, and CoStar's data reflects average asking market rents, which hit \$2,020 per month following the second quarter.

That measure is unlikely to apply the brakes to growth for asking rents in the near term, which have continued accelerating in July. But demand is unlikely to remain elevated near record-high levels, given that occupancies are already north of 98% in many areas of the region, and there just aren't enough available apartments to continue absorbing at that pace.

San Diego is still under an eviction moratorium, which is helping to keep units filled. Although it is scheduled to sunset at the end of September, after the latest extension, many landlords are operating under that assumption that it will be extended again.

In the interim, local governments are flush with money that is intended to help renters backpay rent to their landlords, although reportedly the pace of distributing the more than \$200 million in federal and state funds is frustratingly slow.