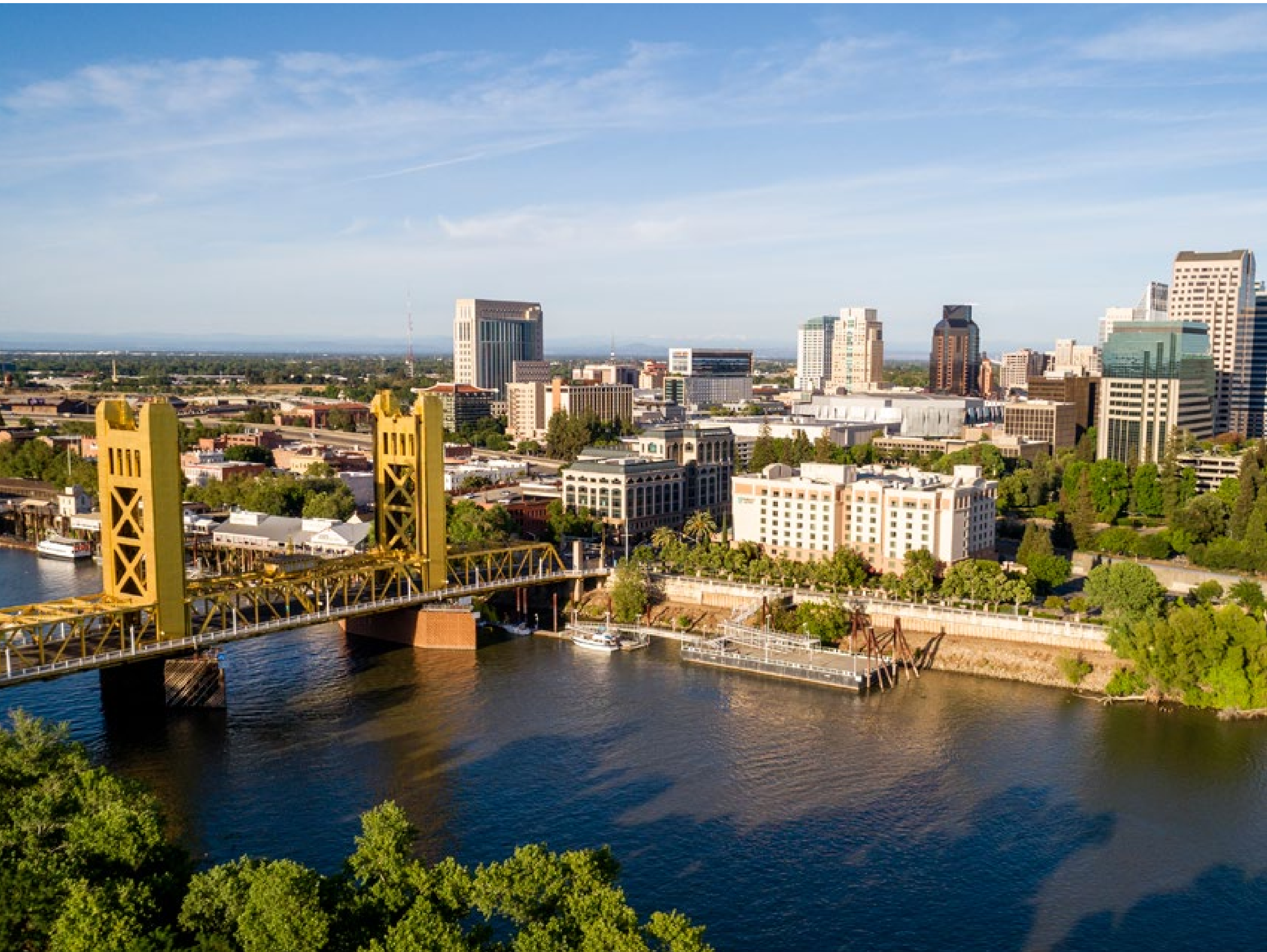
Yardi Matrix

National Multifamily Report

September 2020



COVID-19 Accelerated Decline of Underperforming Metros

- Multifamily rents decreased by $1 in September, to $1,463. Since the beginning of the pandemic, overall rents have only been up or down by a few dollars each month. Many initially feared that the decline would be much steeper than the $8 overall national rent decline we have seen since February.

- However, there are significant rent variations at the metro level. Higher-cost metros that have had some of the highest rents this cycle have seen dramatic declines. San Jose (-6.6%) and San Francisco (-5.8%), the two metros with the largest YoY declines in September, have seen overall rents decline by $205 and $136, respectively, since February.

- The two best-performing metros in September for YoY rents, the Inland Empire (3.4%) and Sacramento (3.1%), have seen overall rents increase by $35 and $37, respectively, since February.

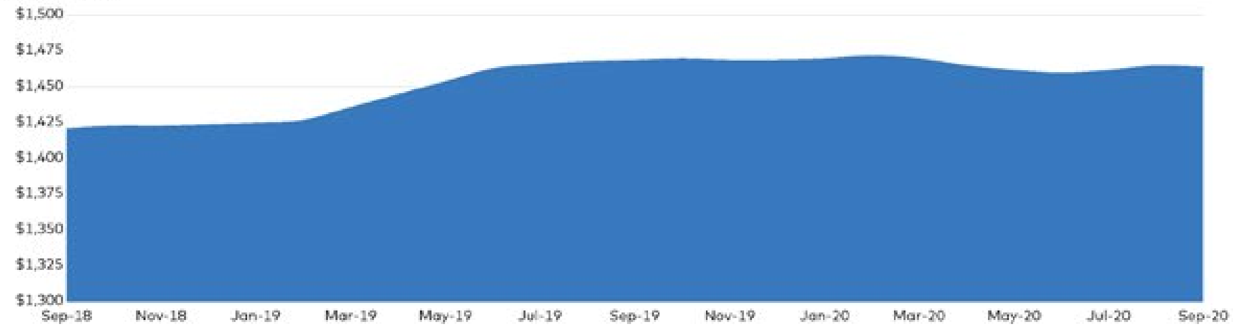
As we move into the fall and winter months, the return to normal remains slow and volatile. Political disruptions are causing further uncertainty, and consumer confidence fell to its lowest level in more than six years in August. In September, the unemployment rate declined to 7.9%, but there are still more than 12 million people unemployed.

With the extreme uncertainty surrounding the country today, the multifamily industry has held up better so far than many predicted. According to the National Multifamily Housing Council's Rent Payment Tracker, 92.2% of apartment households made a full or partial rent payment by September 27—a 1.5 percentage point decline from September 2019 and a 0.1 percentage point increase from August 2020.

There is little change between the best- and worst-performing metros in September and February. The best-performing metros in September—the Inland Empire (3.4%), Sacramento (3.1%), Phoenix (3.1%), Indianapolis (2.8%) and Charlotte (1.7%)—were also among the best performers in February, prior to the pandemic. The commonality among the top-performing metros is their lower cost of living.

On the flip side, metros like San Francisco (-5.8%) and Orlando (-2.5%) that have struggled to maintain rent growth during the pandemic were also facing struggles in February. YoY rents in these metros weren't negative as they are now, but San Francisco had 1.7% YoY rent growth and Orlando had 1.8% YoY rent growth in February, both falling near the bottom of our top 30 markets. Compared to Phoenix, where YoY rent growth was 7.6% in February, it seems as though the pandemic has accelerated declines in metros that were already low performers, while top-performing metros have been spared from large declines.

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.