NYMT Multifamily

Multifamily Real Estate Markets Update (May 2020)

Apartment retention rates are up, but rent growth is down. Operators are seeing increased short-term rentals on renewals due to COVID-19, but new leases are not achieving rent growth due to lower pricing on longer-term commitments. Metros that lean heavily on Industries that are impacted the most by coronavirus are starting to see the effects in rent growth.

Below are key takeaways from the following reports:

Apartment Retention Hit Record High in April, But Revenue Growth Hit Nine-Year Low – *RealPage* – Link

Matrix National Multifamily Report – March 2020 – *Yardi Matrix* – Link

Apartment Retention Hit Record High in April, But Revenue Growth Hit Nine-Year Low

RealPage

- U.S. apartment retention hit a record high in April
    - 57.9% of apartment renters with leases expiring elected to renew
    - Class C properties had the highest retention rate, renewing 59.7% of expiring leases
        - In comparison, Class B retained 56.4% and Class A retained 50.6%
- Although renewals were high, rent growth was down
    - Rental revenues grew just 2.73% year over year through April, which is the lowest rate since February 2011
- Short term renewals and month-to-month extensions spiked in April
    - The national average renewal term dropped to 11.3 months in April, a six-year low for renewals initiated in that month
- New leases, on the other hand, hit a record high national average lease term for April at 12.2 months
    - Operators are offering lower pricing in exchange for longer commitments

Matrix National Multifamily Report – March 2020

Yardi Matrix

- Looking back at March, the full extent of COVID-19 has yet to appear
    - Through March, apartment rents look to be equivalent to a normal spring month
        - Impacts of COVID-19 will likely be shown on April 1
    - Since unemployment claims and government stimulus have reached unprecedented levels, renters' ability to pay rent in the coming months is still in question
    - Metros with high employment concentrations in hospitality, trade, retail and energy may already be showing signs of slowing rents
        - Second Quarter GDP is expected to fall between 10% and 20%
- Rents increased 2.9% in March on a year-over-year basis
    - Coronavirus impact on multifamily may not be fully reflected in March, but rather in the coming months
- Phoenix continues to lead all Major markets in rent growth with 7.6% YOY
    - Seattle second with 6.0%
- Some markets such as Orlando and Houston are starting to slow, both at just 1.0% rent growth
    - Orlando's Rent growth is at its lowest level since 2011, due to slowdowns in theme parks, cruise lines and other tourism
    - Houston's economy will slow due to tanking oil prices
- Spring rent growth will likely be flat or negative in 2020 as the effect of shelter-in-place and social distancing weighs on landlords