

# Beware of the Headlines

## NMHC Reports Further Decline in Apartment Market Conditions



COSTAR INSIGHT

## Multifamily Rent Growth Slows, Goes From a Leader to Underperformer

The High-Flying Markets of 2021 Hit a Wall of Supply

## Apartment Rent Growth Set to Keep Slowing This Year

Tenants maxed out on rental spending combined with new apartment supply are expected to moderate increases



THE WALL STREET JOURNAL.

# Beware of the Headlines

**Read past the headlines**

**Mixing issues of selling assets (debt market issues)  
and apartment fundamentals for supply/demand**

**Markets Matter**

**Submarkets Matter**



# Markets Matter

## The Nation's Top Inventory Growth Submarkets

Submarket	Market	Annual Supply	Annual Inventory Growth	Existing Units 1Q 23
Burleson/Johnson County	Fort Worth	1,335	20.1%	7,993
Mandarin	Jacksonville	2,274	19.9%	13,696
Central Phoenix	Phoenix	1,845	15.9%	13,427
Frisco	Dallas	4,019	14.9%	30,918
North Fort Worth/Keller	Fort Worth	1,838	13.4%	15,510
East Austin	Austin	2,690	13.3%	22,974
Central Nashville	Nashville	3,294	13.1%	28,386
South Arlington/Mansfield	Fort Worth	1,300	12.4%	11,742
Round Rock/Georgetown	Austin	1,660	12.0%	15,519
Gilbert	Phoenix	2,609	12.0%	24,286
Avondale/Goodyear/West Glendale	Phoenix	2,439	10.8%	20,831
Northeast DC	Washington, DC	2,620	10.6%	27,349
New Tampa/East Pasco County	Tampa	1,827	10.5%	19,186
Rosenberg/Richmond	Houston	1,222	10.4%	12,985
Southeast Atlanta	Atlanta	1,353	10.3%	14,519

Source: RealPage Market Analytics

REALPAGE

**Where is the Midwest?**

**Pipeline after 2024 when new supply drops due financing constraints and construction cost issues?**



# Markets Matter



RealPage "Same Store" Rent (annual change, %)	1Q 2023	4Q 2022	3Q 2022	2Q 2022	1Q 2022
Northeast	5.9	7.3	9.7	12.0	11.9
Midwest	5.6	7.0	8.8	10.5	10.4
South	4.5	6.8	11.6	16.6	17.9
West	3.3	5.9	10.5	15.1	16.0
<i>Total U.S.</i>	4.5	6.6	10.6	14.5	15.3

**“Rent growth is falling”**

**From 10.4% to 5.6% (Midwest)  
All classes and across an entire  
region**



# Midwest Cities

- Detroit -** ~1,500 units 2022 followed by ~2,100 in 2023. Then?  
In-fill development and some conversions  
Shortage of affordable units
- Gr Rapids -** ~5,000+ units proposed in suburbs  
~2,500 units proposed downtown
- Cleveland -** Vacancy is increasing following supply additions  
Limited supply in the pipeline – market and affordable  
Downtown new supply mostly office conversions



# Midwest Cities

- Kansas City -** Near record new supply – strong absorption  
Growth corridor DT into Midtown and Country Club Plaza  
Street Car line extension DT driving new deals
- Minneapolis -** High preleasing in new deals  
DT slow to come back  
Warehouse District and NE Minneapolis strongest  
Rent control measures St Paul – cutting investor demand
- St Louis -** City – Ltd new supply – Central Corridor/Central West & Grove  
Sub – St. Charles County very active + Jefferson county  
Shortage of affordable units



# Chicago Highlights

**Healthy absorption DT - 2,250 units 2023E – West Loop strong**

**Deliveries under 3,000 in 2023, 3,750 in 2024, 2025??**

**Net Rent growth (YOY) – 3.3% Class A, 6.3% Class B**

**LaSalle Street corridor – office conversions – TIF/HB2621**

**Suburbs net rent up 5.4% YOY**

**Occupancy 97%+**

**LIHTC construction costs getting attention**

**INVEST South/West**

**Many projects but total unit count for supply remains modest**

