Marcus & Millichap

2023

MULTIFAMILY

National
Investment Forecast

TO OUR VALUED CLIENTS

Multifamily vacancy rates started 2022 at a record low, but drifted higher over the course of the year as robust multifamily development and weakening consumer sentiment weighed on fundamentals. Property performance nevertheless stands well-ahead of where it was prior to the health crisis, with average effective rents nearly 26 percent higher than they were three years ago. In addition, the longer-term prospects of the sector remain positive with a broad-based housing shortage still in place.

The Federal Reserve's aggressive interest rate increases in response to elevated inflation has driven a surge in the cost of capital and forced investors to recalibrate their underwriting. This market disruption slowed the transaction flow in the second half of 2022 and pushed many investors to the sidelines. But entering 2023, it appears the Federal Reserve may adopt a more moderate approach, allowing financial markets to re-balance.

The multifamily investment climate faces a dynamic period ahead. The sector reported compelling price appreciation during the health crisis. How much that momentum carries forward this year is less certain. A record 400,000 units are expected to deliver, while housing demand could remain sluggish as the risk of recession rises. Most economists are suggesting, however, that any impending recession will be quite modest. Within this context, multifamily investors who focus on the recovery that will surely follow any impending downturn may find unique investment opportunities as a structural housing shortage continues to support the multifamily sector.

To help commercial real estate investors capitalize on the unique nuances of the investment climate, Marcus & Millichap presents the 2023 National Multifamily Investment Forecast. As always, our investment brokerage and financing specialists across the U.S. and Canada are at your disposal, providing street-level investment guidance to empower your decisions.

Thank you and here's to your continued success,

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Developed by Marcus & Millichap Research Services. Additional contributions were made by Marcus & Millichap investment brokerage professionals nationwide.

National Multifamily Index (NMI)

- Major markets in the Sun Belt dominate the top ranks of the National Multifamily Index for 2023. Net in-migration to Florida metros is on an upward bend, helping Fort Lauderdale, Orlando, Miami-Dade and Tampa-St. Petersburg all place in the top five of the Index. Similarly, three major Texas markets hold a spot in the top 10, headlined by Dallas-Fort Worth as the second-highest rated overall.
- Due to substantial new construction, some Sun Belt markets like Phoenix, Salt Lake City and Raleigh fall outside of the top 10 this year. Meanwhile, the middle portion of the Index includes primary metros that have improved their outlooks since last year as delayed pandemic recoveries took force. The bottom of the ranking house several Northeast and Midwest markets with lagging household gains, but low construction.

National Economy

- The economy has made a resounding recovery over the past two years following the impacts of COVID-19, although those gains have not come without costs. The Federal Reserve has been raising interest rates in the hopes of tempering elevated inflation, hindering growth. Consumers will be highly circumspect this year, while businesses have already responded to the anticipated drop in spending by re-evaluating staff levels.
- This year will likely feature a period of net job loss and a period of new hiring, resulting in overall muted employment creation that fails to keep pace with the growth of the labor pool, translating into higher unemployment. The labor market could also contract more meaningfully if high inflation is protracted, the war in Ukraine escalates, financial markets become more volatile, or another black swan event occurs.

National Apartment Overview

- Historic performance during the pandemic and production delays in 2022 led to an all-time high delivery slate for the apartment sector this year, creating a confluence amid waning apartment demand. This combination will push vacancy up and slow rent growth, but the longer-term outlook is bolstered by demographics and barriers to homeownership.
- The national affordability gap, the difference between the monthly payment on a median-priced house and average apartment rent, doubled last year as decade-high mortgage rates compounded elevated single-family home prices. Once economic headwinds abate, these barriers to homeownership will direct more residents to apartments and encourage tenants to rent longer into their lives.

Capital Markets

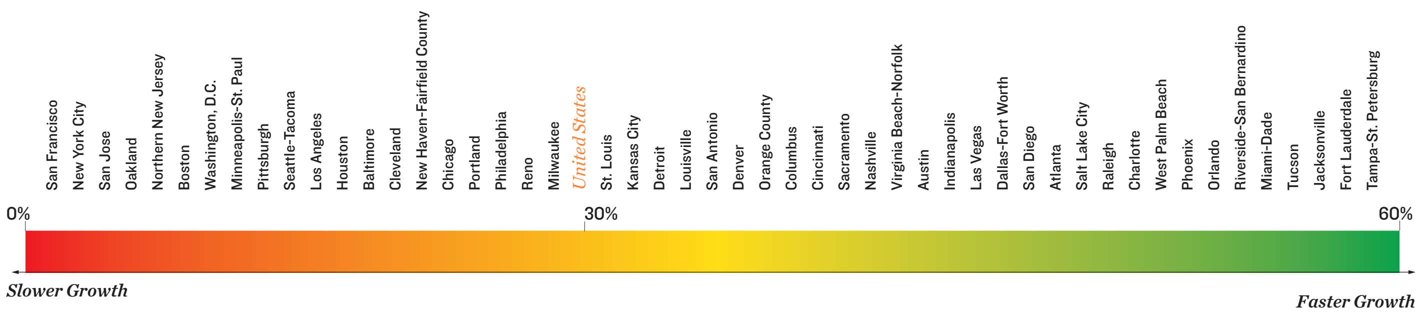
- After being exceedingly accommodative during the pandemic, the Federal Reserve rapidly tightened monetary policy last year in order to combat elevated inflation. The shear speed and magnitude of these changes have placed financial markets in a place of discontent as financial organizations, regulators and investors are working to adapt to the new environment.
- Lenders are taking a more cautious approach overall, with a heavy emphasis on debt service coverage, ensuring that operating incomes can cover debt costs. Conditions should improve over the course of the year, however, and once the Fed settles on rates, the bid-ask spread among investors should start to narrow, allowing lenders to more accurately determine valuations.

Investment Outlook

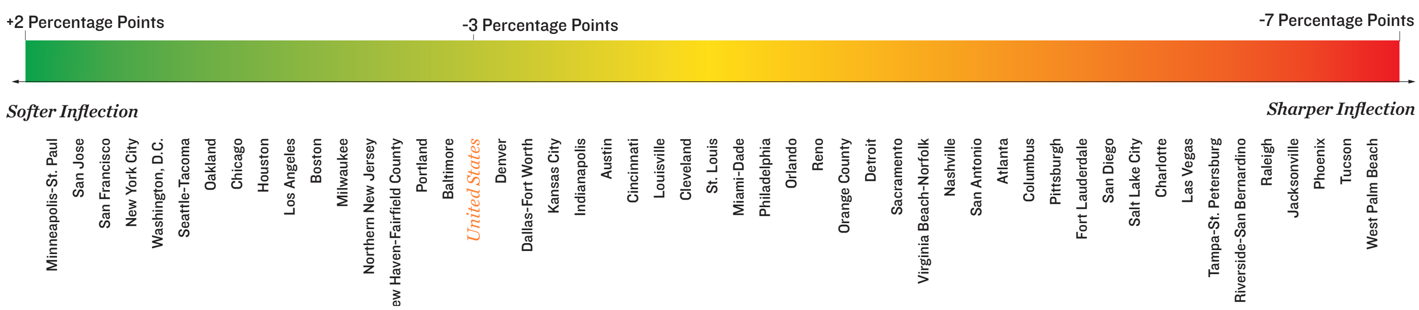
- While elevated rent growth helped deals close last year, those projections are slowing now, and the expectations gap between buyers and sellers has widened to a point that many transactions have not been able to move forward. More stable interest rates closer in line with historical levels should help to narrow that gulf moving forward, as investors gain confidence in the new landscape.
- Many multifamily investors have entered 2023 in a defensive posture, with a selective mindset toward potential transactions. Those that feel interest rates could climb further may wish to execute on deals in the short term, while others may be willing to incur the expenses now, with an eye toward refinancing down the line. Nonetheless, there continues to be compelling motivations to buy or sell apartment assets.

Metros That Led in Rent Growth During Pandemic Now Having Sharpest Comedown

Total Change in Rent From 2019 to 2023*



Rent Inflection in 2023 vs. Pandemic-Period Average*



Note: Rent Inflection is equal to the 2023 rent change forecast minus the average annual rent change for the period 2019-2023. All rents are effective rents.

Top 10 Markets by Rent Change

Fastest Growth	Rent Change Since 2019	Rent Change Inflection (percentage points)
Tampa-St. Petersburg	57.3%	-5.6
Fort Lauderdale	54.5%	-5.1
Jacksonville	52.9%	-6.2
Tucson	49.8%	-6.7
Miami-Dade	49.6%	-3.8
Riverside-San Bernardino	48.9%	-5.8
Orlando	48.1%	-3.9
Phoenix	47.4%	-6.6
West Palm Beach	45.0%	-6.7
Charlotte	42.8%	-5.3

Slowest Growth	Rent Change Since 2019	Rent Change Inflection (percentage points)
San Francisco	2.0%	1.2
New York City	8.5%	0.7
San Jose	12.0%	1.3
Oakland	15.5%	-0.1
Northern New Jersey	16.3%	-2.2
Boston	17.0%	-1.8
Washington, D.C.	17.7%	0.1
Minneapolis-St. Paul	17.7%	1.9
Pittsburgh	18.9%	-4.6
Seattle-Tacoma	21.2%	0
U.S.	**29.6%**	**-2.8**

** Forecast*

Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; RealPage, Inc.

2023 Performance Characteristics

- **Fast Growth/Sharp Inflection:** Markets that recorded the most robust rent growth since the end of 2019 are now poised for sharper inflections this year. An inflection is where rates will grow by a much smaller margin this year than has been typical since the pandemic began. These metros are predominantly in the Sun Belt and were popular relocation destinations, even before the health crisis. The resulting surge in housing demand, however, has eroded some of the living cost advantages that have historically driven these moves, contributing to a more substantial recalibration.

- **Middle of the Pack:** A wide variety of metros have posted solid rent growth about in line with the U.S. average, and are now cooling in conjunction with that national trend. These markets include larger cities in the popular relocation areas, such as Miami, as well as top performers in more challenged regions of the country — including Norfolk-Virginia Beach in the mid-Atlantic and New Haven-Fairfield County in the Northeast. Both have regional living cost advantages.

- **Slow Growth/Soft Inflection:** A handful of markets — including those in the Bay Area, as well as New York City, Seattle-Tacoma and Washington, D.C. — were more impacted by the pandemic and have taken longer to recover economically. This has translated into softer rent growth as these metros move along their recovery paths. Because the monthly rates in some other markets have climbed more quickly of late, the prospect of continuing to live in these prominent cities has improved as their rents advance at a more measured pace.

U.S. Multifamily Index

As Property Performance Normalizes, Demographic and Supply Factors Play Pivotal Roles in Rankings

Favorable demographic trends act as a backstop for leading metros. Major markets in the Sun Belt dominate the top ranks of the National Multifamily Index for 2023. While not immune to the various economic challenges facing the country, these metros have key demographic drivers that bolster their outlooks this year. Net in-migration to most major Florida metros is on an upward bend, as a warm climate and lower costs appeal to residents and employers alike. Fort Lauderdale and Orlando boast nationally high rates of hiring, household creation and rent growth, earning these metros the number one and three spots, respectively. Similar migration trends and a high preponderance to rent place Dallas-Fort Worth in the second spot, with Austin (#6) and Houston (#8) also ranking highly. One or more of these factors are at play in the high positioning of Atlanta (#7), Charlotte (#9) and West Palm Beach (#10) this year as well. Resilient performance post-pandemic comes with a caveat, however. Phoenix (#11), Jacksonville (#12), Salt Lake City (#13) and Raleigh (#15) all lie short of the top 10, due to substantial new construction that outweighs their favorable demographics in the short term.

Elevated development, tepid job growth characterize lower-ranked metros. Leading the middle third of the Index, Denver and San Diego sit in the 19th and 20th spots, aided by less new supply pressure. The fastest pace of inventory growth nationally, meanwhile, constrains Nashville (#28) nearer the bottom of this cohort, despite strong rent growth over the past three years. At the midpoint of the Index, Oakland (#26) is joined by Washington, D.C. (#27) and New York City (#29) as primary markets that have improved their positions since last year as delayed pandemic recoveries became more apparent. San Jose (#30) and San Francisco (#32) fall slightly lower, due to challenges in the technology sector. A quiet employment outlook also positions several markets in the last third of the Index. In many ways this cohort is the inverse of the leaders, with lagging household formation but tempered construction. Job attrition places New Haven-Fairfield County (#47), Boston (#48), Cleveland (#49) and Pittsburgh (#50) at the bottom of the Index.

Index Methodology

The NMI ranks 50 major markets on a collection of 12-month, forward-looking economic indicators and supply and demand variables. Markets are ranked based on their cumulative weighted average scores for various indicators, including projected job growth, vacancy, construction, housing affordability, rents, historical price appreciation and cap rate trends. Weighing the history, forecasts and incremental change over the next year, the Index is designed to show relative supply and demand conditions at the market level.

Users of the Index are cautioned to keep several important points in mind. First, the NMI is not designed to predict the performance of individual investments. A carefully chosen property in a bottom-ranked market could easily outperform a poor choice in a higher-ranked market. Second, the NMI is a snapshot of a one-year horizon. A market encountering difficulties in the near term may provide excellent long-term prospects, and vice versa. Third, a market's ranking may fall from one year to the next, even if its fundamentals are improving. The NMI is an ordinal Index, and differences in rankings should be interpreted carefully. A top-ranked market is not necessarily twice as good as the second-ranked market, nor is it 10 times better than the 10th-ranked market.

Market	Rank
Fort Lauderdale	1
Dallas-Fort Worth	2
Orlando	3
Miami-Dade	4
Tampa-St. Petersburg	5
Austin	6
Atlanta	7
Houston	8
Charlotte	9
West Palm Beach	10
Phoenix	11
Jacksonville	12
Salt Lake City	13
Riverside-San Bernardino	14
Raleigh	15
Seattle-Tacoma	16
Las Vegas	17
Portland	18
Denver	19
San Diego	20
Los Angeles	21
San Antonio	22
Orange County	23
Indianapolis	24
Tucson	25
Oakland	26
Washington, D.C.	27
Nashville	28
New York City	29
San Jose	30
Norfolk-Virginia Beach	31
San Francisco	32
Sacramento	33
Reno	34
Minneapolis-St. Paul	35
Columbus	36
Milwaukee	37
Kansas City	38
Chicago	39
Cincinnati	40
Louisville	41
Baltimore	42
Northern New Jersey	43
Philadelphia	44
St. Louis	45
Detroit	46
New Haven-Fairfield County	47
Boston	48
Cleveland	49
Pittsburgh	50

[1] *See National Multifamily Index Note on page 64*

After a Rapid Recovery, Future Economic Growth Clouded as Several Potential Challenges Lie Ahead

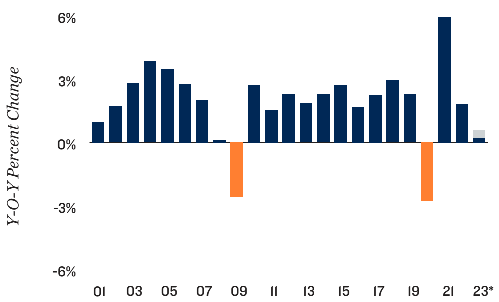
Businesses and consumers assume defensive postures. The economy has made a resounding recovery over the past two years following the impacts of COVID-19, although those gains have not come without costs. Robust fiscal and monetary policy support during the pandemic allowed business and consumer demand to return well ahead of supply, leading to a prolonged period of elevated inflation that is still lingering. As prices have climbed, spending by organizations and households in real terms has faltered. While some inflationary pressures are abating, such as shortages of certain materials, other more structural factors persist. The costs for key necessities, such as food, housing and medical care, are all going up. While some households are pulling from additional savings accumulated during the pandemic, not all individuals were able to set aside funds and are now borrowing more. Those debt service costs have hiked up as well, with the Federal Reserve raising interest rates in the hopes of tempering price jumps. As such, consumers will be highly circumspect this year, and businesses have already responded to the anticipated drop in spending by re-evaluating staff levels.

Employee-employer dynamics are inverting. Since May 2021, the number of open positions has exceeded the number of people looking for work, but this dynamic is changing course. Employers across a range of fields have pulled back on hiring or reduced staff amid the subdued outlook, while more Americans are looking for second jobs to help shore up household budgets. This year will likely feature a period of net job loss and a period of new hiring, resulting in overall muted employment creation that fails to keep pace with the growth of the labor pool, translating into higher unemployment. This will have a corresponding cooling effect on wage growth, which climbed by an above-average rate of nearly 5 percent last year. Less upward movement on pay should help balance out real income over time by reducing inflation pressure. The labor market could also contract more meaningfully if high inflation is protracted, the war in Ukraine escalates, financial markets become more volatile, or another black swan event occurs.

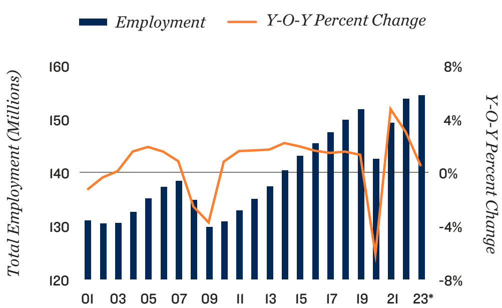
2023 National Economic Outlook

- **Household formation slows.** Economic uncertainty, paired with higher expenses, is tempering household formation after a surge in 2021 that carried into 2022. Given the rapid rise in mortgage rates, this downshift will trim the single-family buyer pool and curtail upward movement in home prices beyond what are already historical levels.
- **Infrastructure improvements a partial jobs counterbalance.** Amid a general hiring slowdown, new construction and engineering roles may propagate. The Infrastructure Investment and Jobs Act has boosted U.S. construction spending that will put an emphasis on both talent retention and new training, although the process will take time.
- **Fuel cost increases could resurface.** While the cost of oil and gas in the U.S. trended downward late last year, that trajectory could change. Strategic reserves are finite, and global supplies remain threatened by the war in Ukraine and OPEC production cutbacks. An escalation in either area could have substantial, widespread implications.
- **Climbing mortgage rates put housing market in new lane.** Rising interest rates, while instigated by the Federal Reserve to cool inflation, pose other risks. The prolonged period of low borrowing costs, both before and during the pandemic, aided asset value appreciation that may need to be reconciled this year. This is especially evident in the single-family home market, where mortgage rates reached multi-decade highs in 2022.

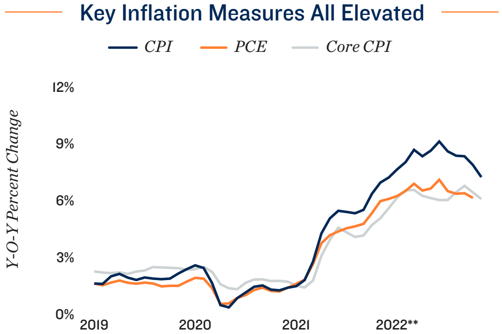
GDP Growth Trending Down



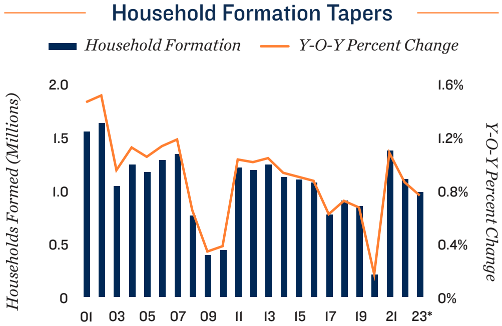
Hiring to Notably Slow in 2023



Key Inflation Measures All Elevated



Household Formation Tapers



* Forecast
** CPI and Core CPI through November; PCE through October

Multifamily Cools From White-Hot Stretch; Long-Term Tailwinds Materializing, Despite Choppy Waters Ahead

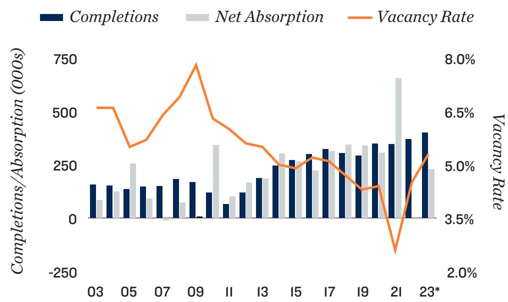
Meteoric momentum transitions to a recalibration. The U.S. apartment sector has been among the most resilient CRE segments throughout the past several business cycles, due in part to the essential nature of housing. Doubts at the onset of the pandemic quickly gave way to one of the strongest stretches of rental demand on record, with net absorption matching the 2017-2019 total in a span of just 21 months. The magnitude and speed of this momentum was never sustainable long term, but inflation and higher interest rates ushered in by the Federal Reserve in response have led to a demand normalization faster than many anticipated. Broad-based uncertainty will moderate hiring activity this year, further weighing on household formation, particularly young adults looking to start their careers. Meanwhile, the sector's historic performance and production delays in 2022 led to an all-time high delivery slate for this year, creating a confluence amid waning apartment demand. This combination will push vacancy up and slow rent growth, but the longer-term outlook is bolstered by demographics and barriers to homeownership.

Benefits of renting, challenges to buying a home will structurally reorient demand. Homebuying activity slowed abruptly last year as decade-high mortgage rates compounded elevated prices. This resulted in a slight softening in single-family sale prices, but relief for buyers has been offset by rising borrowing costs. The national affordability gap, the difference between the monthly payment on a median-priced house versus average apartment rent, doubled year-over-year to $904 in the third quarter of 2022. This much wider difference in costs serves as a renter attractant at a time when inflation has eroded household budgets. Another factor underscoring the long-term outlook for apartment demand is demographics. The largest segment of the millennial generation has just surpassed the median age of marriage, and is now approaching the median age for a first home purchase. Given elevated barriers to homeownership, demand that would have gone toward single-family dwellings will now be directed toward multifamily options. Even when economic headwinds abate, these considerations will direct more residents to apartments and encourage tenants to rent longer into their lives.

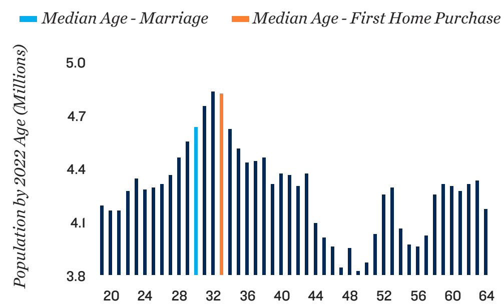
2023 National Apartment Outlook

- **Hottest pandemic markets see notable inflections.** In response to historic demand during the health crisis, locations like Austin, Charlotte, Nashville, Raleigh and Salt Lake City will register local inventory expansions exceeding 6 percent this year. The new rentals are warranted over the medium- to long-term, as these markets remain favored migration destinations with foundations for robust economic growth. In the near term, however, it may create supply and demand imbalances in certain areas.
- **Cost-of-living factors could impact migration trends.** As households adapt to higher prices amid persistent inflation, including rental costs, it may influence living preferences. Relatively affordable tertiary metros in the Sun Belt and Midwest could be beneficiaries of this trend in 2023, though job availability in these markets remains a major factor.
- **Affordable housing moves to center stage as rent control proves ineffective.** President Biden's Housing Supply Action Plan aims to reduce the nation's affordability concerns created by an ongoing housing shortage. If developers utilize the program's incentives, it may help fill some gaps in lower-income segments, especially in less-populated areas. The plan could be more practical than local rent control measures, which have largely discouraged development and created challenges, as seen in St. Paul last year.

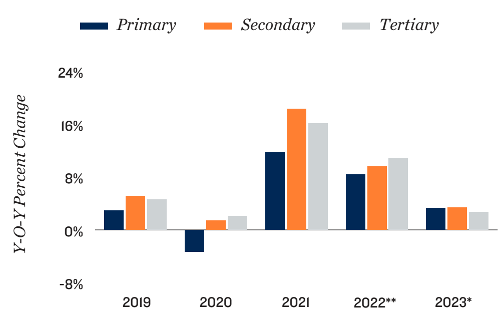
Supply and Demand Trends Normalize



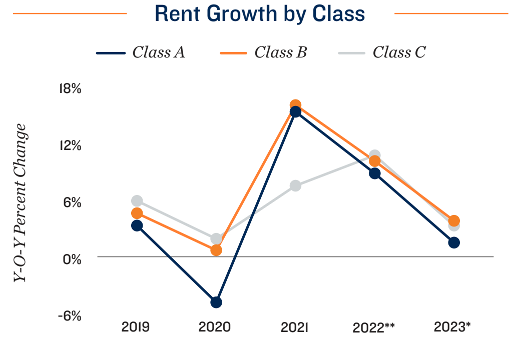
Millennials Entering Homebuying Age Deterred



Rent Growth by Market Type

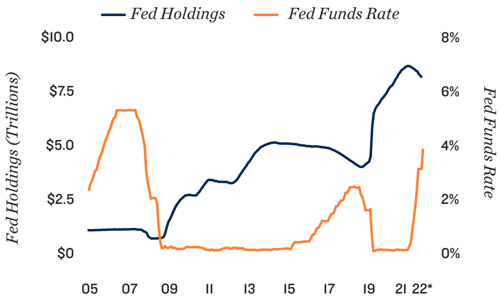


Rent Growth by Class

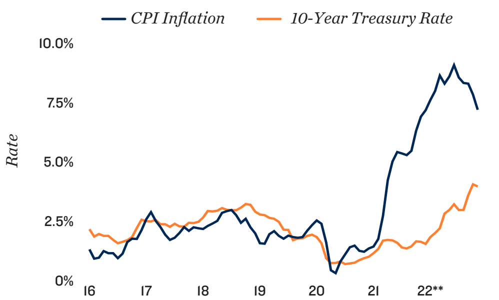


* Forecast
** Estimate

Monetary Policy Rapidly Tightening

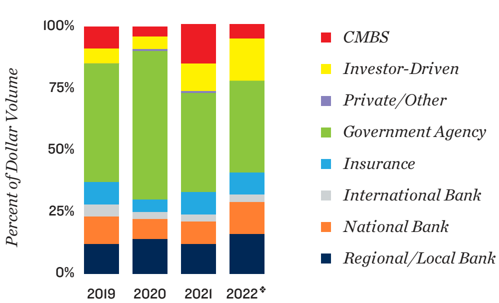


Inflation Eases, Interest Rates Still High



Treasury Yields All Elevated

Apartment Lender Composition



* Through Dec. 14
** Through November
❖ Estimate

Throwback to Higher Interest Rate Eras Puts Capital Markets on Back Foot Until Conditions Stabilize

Fed seeking soft landing to its disinflation trek. After being exceedingly accommodative during the pandemic, the Federal Reserve rapidly tightened monetary policy last year in order to combat elevated inflation. The Federal Open Market Committee began reducing the Fed's balance sheet in a quantitative tightening process and raised the target range on the federal funds rate from a lower bound of 0 at the start of 2022 to above 4 percent by year-end — the fastest pace of rate hikes since the early 1980s. The shear speed and magnitude of these changes have placed financial markets in a place of discontent as financial organizations, regulators and investors are working to adapt to the new environment. The central bank has stated its intention to hike rates further this year in order to drive down inflation. Downward movement is not expected in the near future unless the economy rapidly deteriorates. Instead, the goal is to bring interest rates to a level that sufficiently softens the labor market and steers general consumer demand closer in line with supply, then hold there without engendering a broader recession.

Despite available capital, several hurdles must be cleared to close deals. The Fed's aggressive monetary policy has created a challenging near-term capital markets environment for the multifamily sector. The main hindrance is not a lack of capital available to lend, but rather the greater cost now required to borrow. Closing out last year, lending rates for apartments were in the high-5 percent zone or above, which aligns closely with where cap rates have been in recent years. Given these narrower margins, lenders are taking a more cautious approach overall, with a heavy emphasis on debt service coverage, ensuring that operating incomes can cover debt costs. This has brought loan-to-value ratios down by roughly 10 percentage points from what they would have been in early 2022. Amid these tighter lending conditions, investors are having to take on less leverage. Buyers and sellers are also having trouble seeing eye-to-eye on transactions under the new financing requirements. Conditions are expected to improve over the course of the year, however, and once the Fed settles on rates, the bid-ask spread among investors should start to narrow, allowing lenders to more accurately determine valuations.

2023 Capital Markets Outlook

- **Agencies less active at present.** Agency lenders Freddie Mac and Fannie Mae have historically been major capital sources for multifamily properties. Neither agency lent out its full allotment last year, however, as both focused on their mission of providing financing to housing with an affordability component. As the share of agency lending among trades has dipped, banks and investor-driven funds have taken on larger portions of an overall tempered volume of recent sales.
- **Construction lending constrained.** Capital available for multifamily construction has retracted more than for investment sales of existing assets. Combined with rising material and labor costs as well as an uncertain near-term economic outlook, and the result will be fewer multifamily construction starts this year. While the current active pipeline is sizable, the pace of delivers will likely begin to drop off in the latter half of 2024.
- **Dual factors spotlight multifamily appeal.** While starting to trend down, high inflation continues to underscore the advantages of the typical one-year apartment lease term. Beyond the short-term ability to adjust rents more frequently, a structural housing shortage continues to highlight the long-term value proposition of apartments.

Widened Expectations Gap Restraining Activity, but Clarity to Emerge as Fed Stabilizes Policy

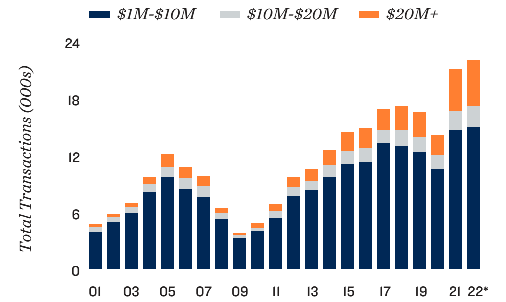
Tight cap rates act as constraint on a resilient sector. The vital role that apartments play in the nation's housing continuum has translated into substantial price appreciation over the past two decades. The resulting compression to cap rates placed yields in an unfavorable position as the Fed began to radically lift lending rates last year. Despite this complication, sales activity was still above historical norms in 2022, even while marking a notable step down from the record set in 2021. The complexities that began to appear last year are unlikely to go away in 2023, however. Unless a buyer is pursuing a cash-only deal, the margin between implied returns and debt service costs has become unfavorable. While elevated rent growth helped deals close last year, those projections are slowing now, and the expectations gap between buyers and sellers has widened to a point that many transactions have not been able to move forward. Once rate hikes from the Fed subside, however, investors and financiers will be better positioned to calibrate the market and stabilize pricing expectations. This would narrow the buyer-seller pricing gap, allowing transaction flow to revive.

Investors shift to case-by-case approach, structural factors to keep market moving. Many multifamily investors have entered 2023 in a defensive posture, with a selective mindset toward potential transactions. Despite the uncertainty surrounding global events and a subdued economic outlook, there continues to be compelling motivations to buy or sell. Recently formed investor-driven funds, in particular, are seeking opportunities for acquisitions, which may come from owners interested in exiting the market. Apartment holders could look to the price appreciation that has occurred in just the past five years, at roughly 37 percent nationally, and opt to realize that value. For investors with financial obligations coming due, higher interest rates may also prompt them to transition out of the asset instead of incurring additional debt costs. Those that feel interest rates could climb further may wish to execute on deals in the short term, while others may be willing to incur the expenses now, with an eye toward refinancing down the line.

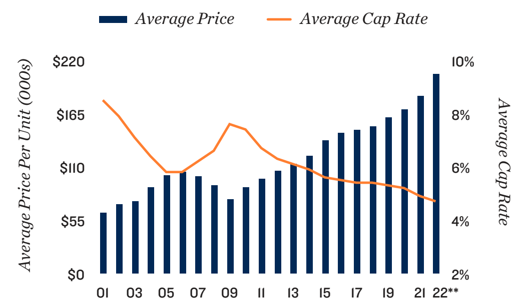
2023 Investment Outlook

- **Focus on U.S. dollar may benefit apartment investment.** Less aggressive actions by the European Central Bank have contributed to a slide in the value of the euro against the dollar. This relationship may spark more investment by Europeans in dollar-denominated assets, including commercial real estate. In general, European investment in U.S. CRE is about 15 percent higher when the euro is falling against the dollar.
- **Tertiary markets continue to capture more attention.** Over the past 20 years a larger share of investment activity has taken place in tertiary metros, climbing from 12 percent of transaction volume in 2000 to 33 percent in 2019. That trend accelerated during the pandemic. In 2022, about 39 percent of trades were in these smaller cities. The higher living costs and compressed cap rates of primary markets have spurred both renters and investors to target these smaller cities.
- **While overall rent growth trajectory is slowing, investors hunt for outlier scenarios.** Sales activity has improved across central business districts, returning to pre-pandemic levels last year. Amid tight financing margins and a softer overall outlook, investors are looking for dynamic options, such as those near stadium developments, neighborhood revitalizations, or new transit hubs that could spark strong localized rent growth.

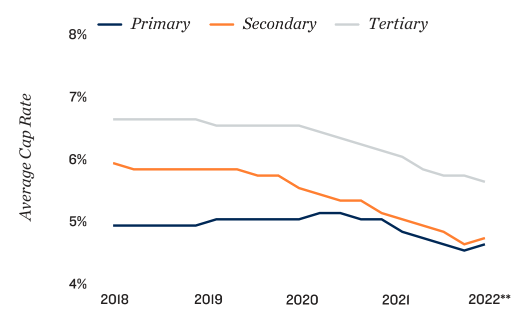
Apartment Transaction Activity



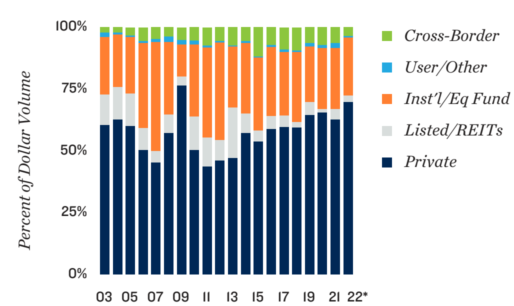
Price vs. Cap Rate



Cap Rate by Market Type



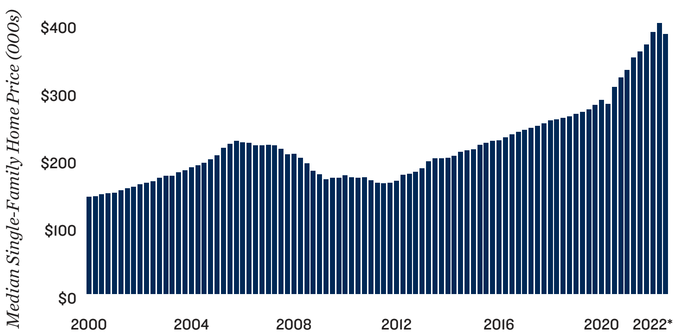
Apartment Buyer Composition

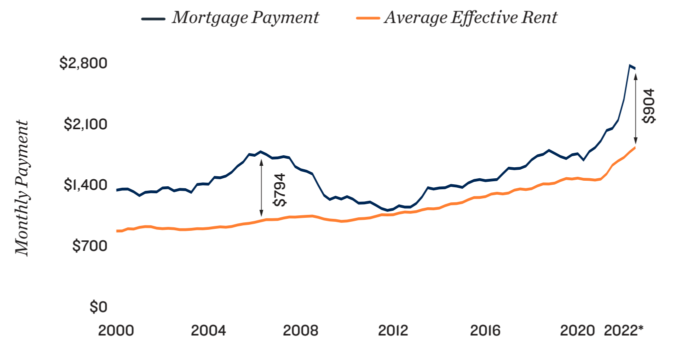


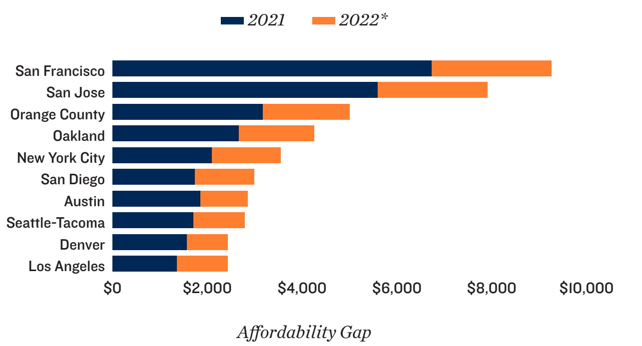
* Trailing 12-months through 3Q
** Estimate

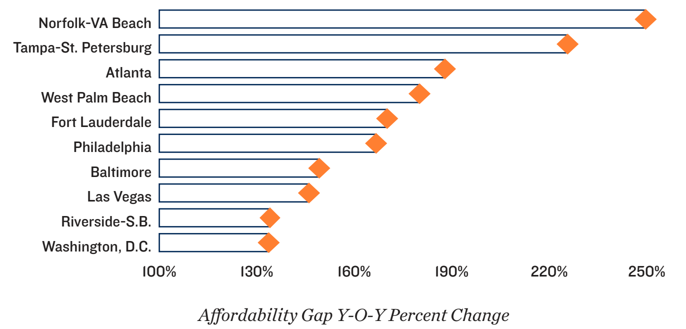
Cost-Saving Benefits of Apartments Become Very Apparent

Challenges of Entering Homeownership to Systemically Alter Housing Demand









2023 Housing Outlook

Prospective homebuyers face steep hurdles. Rapid upward movement in borrowing costs have compounded the home price run-ups catalyzed by pandemic trends. When the average 30-year fixed-rate mortgage climbed to the highest level since the Global Financial Crisis last year, buyers moved to the sidelines and home values retreated. However, the median home price was still 35 percent above 2019 levels, and a major correction is not expected, given the underlying dynamics. The number of home listings remains well below historic averages, and will likely remain limited as people stay put in 2023, with economic uncertainty and mild hiring activity depleting the motivations to relocate. Additionally, many owners are locked into lower rates and have little incentive to replace that mortgage in the new environment. The market is shifting in favor of buyers after a period of seller advantage, but meeting the financial criteria to purchase a house is a lofty hurdle for many young adults.

Millennials and Gen Z will be more inclined to rent. Broad-based inflation and career advancement uncertainty are leading many U.S. residents to tighten up their household budgets. Meeting the lender requirements and saving for a down payment are substantial obstacles for young adults in the pursuit of first-time homeownership. From a cost-saving aspect, apartments have become more attractive. In the Bay Area, Southern California and long-time migration favorites — such as Austin, Seattle-Tacoma and Denver — the difference between renting and owning now exceeds $2,500 per month on average. Meanwhile, robust in-migration to Florida and the greater Sun Belt has diminished single-family housing stock in most markets, driving up prices and making apartments comparatively more affordable, despite robust rent growth. These trends will change living preferences and create a more renter-disposed society, favoring the cost-saving benefits, flexibility and lifestyle advantages.

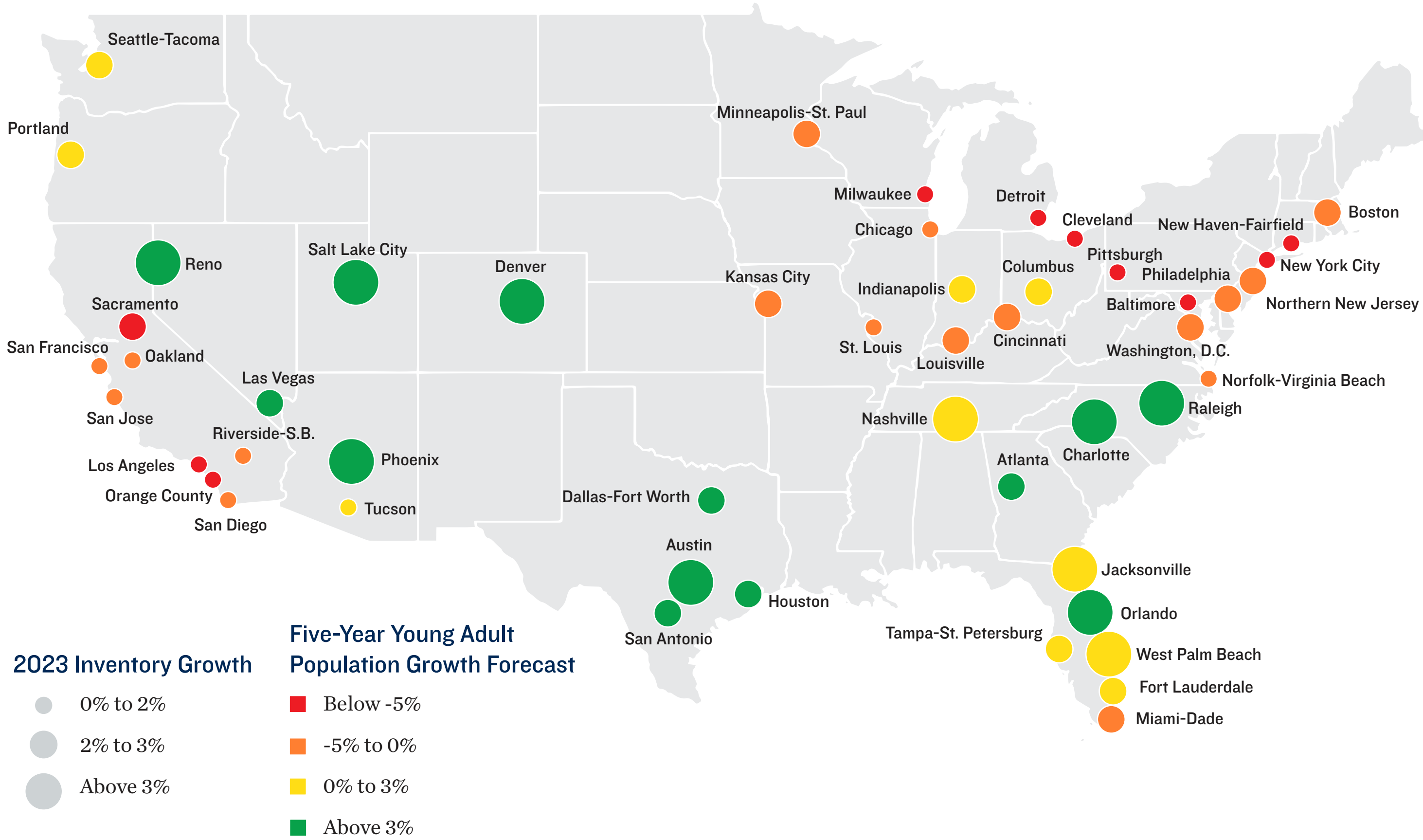
** As of 3Q 2022*

Mortgage payments based on quarterly median home price for a 30-year fixed rate mortgage, 90% LTV, taxes, insurance, and PMI

Sources: Marcus & Millichap Research Services; National Association of Realtors; RealPage, Inc.; Moody's Analytics; U.S. Census Bureau

Record Construction Mostly Aligned with Long-Term Demand Tailwinds

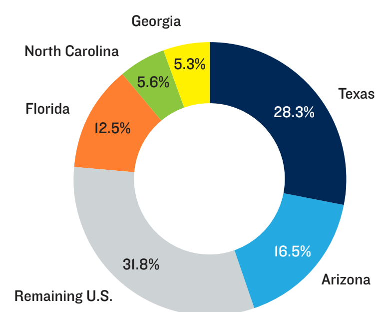
2023 Inventory Growth vs. 2023-2027 Young Adult Population Growth*



2023 Demand/Supply Outlook

- Historic rental demand across the Sun Belt during the pandemic encouraged developers to pick up the pace prior to last year's normalization. This response, paired with projects delayed in 2022, created gigantic delivery slates. Several locations with sizable inventory gains in 2023 could endure near-term oversupply. Strong young adult population growth trends, however, will help absorb the new units once the economy is on solid ground.
- Single-family rentals have rapidly grown in popularity over the past few years, serving as a middle ground for those looking to move out of apartments but unable to become homeowners. This could present mild competition for tenants in places where build-to-rent pipelines are substantial, like Texas, Arizona and Florida. Still, single-family rentals are only expected to siphon a minuscule share of demand, largely from Class A.
- Incentivizing affordable housing construction is a priority for the Biden administration. Development of these dwellings is the strongest in places with extreme affordability gaps and very tight Class C vacancy rates, offering relief rather than a significant source of competition.

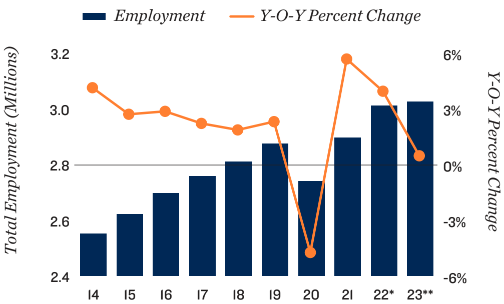
Single-Family Build-to-Rent Pipeline



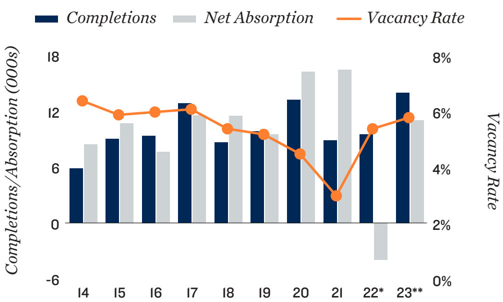
** Forecast*

Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; Moody's Analytics; RealPage, Inc.; U.S. Census Bureau

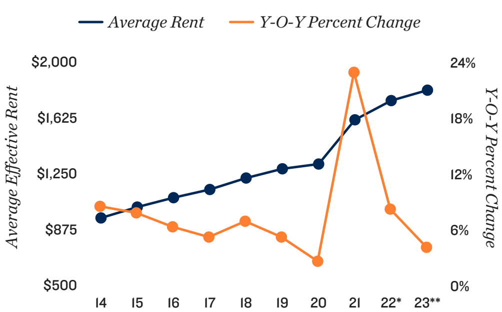
Employment Trends



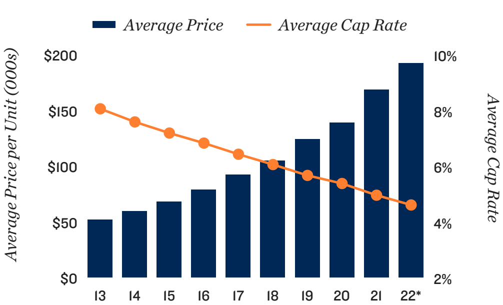
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

Expanding Life Science Epicenter Bolsters Atlanta's Pool of Young Professional Renters

Resilient demand drivers keep vacancy under long-term average. Atlanta lands among the top five major markets for household creation this year, as lower living costs and a growing life science sector attract many young white-collar workers from Northeastern markets. Balancing this growing demand, the metro is set to break records this year for units completed, which will somewhat alleviate the current housing shortage. North Gwinnett is set to receive the greatest number of new apartments, aligning with the suburban area's accelerating population growth, due in part to a relatively short commute and proximity to Emory University. The campus, east of Midtown, is already home to the CDC headquarters and is attracting biotech companies like Moderna, which plans to establish a regional headquarters in the area. Atlanta's immense existing talent pool may also help bring in more bio-centric companies, further aiding local demand. Elsewhere, other North Atlanta submarkets, such as Clarkston-Tucker, will likely retain low vacancy. These areas will hold onto renters who are delaying homeownership amid a rapidly widening affordability gap. Overall, the difference between a typical mortgage payment on a median-priced home and the average rent for an Atlanta apartment nearly quadrupled over the past two years.

Oncoming economic headwinds create additional investor opportunities. Southeast Atlanta's excellent school districts, nearby family entertainment and proximity to the inner city fueled a level of renter demand that led to a housing crunch over the last five years, supporting record-setting rent gains in 2022. As investors took note, sale prices soared and cap rates tightened, a trend that may change as lending criteria tightens. West Side Atlanta and South Fulton will likely attract yield-driven investors, as both submarkets have historically provided buyers with cap rates above the metrowide average. The composition of each locales' rental stock should lend itself to a collection of value-add executions, with West Side Atlanta recording the largest number of apartment renovations across the metro last year.

2023 Market Forecast

NMI Rank 7 — Despite historic supply, a minimal bump in vacancy relative to most markets assists Atlanta in finding a top-tier rank for 2023.

Employment up 0.5% — Job growth slows after the unemployment rate hit a record low last year. However, 15,000 new roles will still be added in 2023.

Construction 14,000 units — Annual completions exceed the previous record by 200 units, expanding local inventory by 2.6 percent. Gwinnett County has the largest number of units in the active pipeline.

Vacancy up 40 bps — Availability will increase as supply additions exceed totals from the previous two years. Upward pressure from tempered demand will also play a role in pushing vacancy to 5.8 percent.

Rent up 4.0% — Effective rent gains slow from last year's unsustainable levels, as a recent drawback in net absorption constrains growth. Nevertheless, the average rate will climb to $1,800 per month.

Investment — Firms, such as Honeywell, moving into Midtown will attract young professionals, which may spur investors who are active in the market to look at adjacent Buckhead and North Atlanta.

In-Migration and Challenging Homeownership Environment Mitigate Apartment Supply Wave's Pressure

Barriers to buying a home to help moderate vacancy decompression. In 2023, the metro is expected to see the sixth-largest volume of new residents among major U.S. markets, supporting the local labor force. Even with some companies rebalancing staff counts amid economic turbulence, higher-wage personnel from Austin's growing tech industry may favor high-end apartments amid elevated local home prices. The metro's affordability gap — the difference between the mean monthly mortgage payment on a median priced home and an average effective apartment rent — is the seventh-largest in the U.S., highlighting some of the benefits of staying in the renter pool. Technology firms are also still making long-term commitments to Austin. Apple begins construction on a 133-acre campus this February to house 5,000 employees on completion of the initial phase. Population and employment gains will, however, be slightly offset as Austin ties for third among major U.S. markets by rate of inventory expansion in 2023. Following significant household formation during the preceding two years, local apartment availability in the metro will slacken as construction outpaces net absorption. Economic uncertainty is also contributing to slower household creation and increasingly frequent renter consolidation, placing upward pressure on vacancy in the near term.

Tech company expansions aid submarkets with sparse pipelines. Moderating expectations for rent growth amid an influx of supply have coaxed investors with lower-risk tolerances to focus on Class A and B properties in employer-dense areas of the market. Northwest Austin is one such locale, following PayPal's announcement that it would be relocating 500 employees here by spring 2023 after signing a 10-year lease. Suburbs with few units slated for delivery, such as Far West and Northwest Austin, may note deal flow as well. Meanwhile, the fast-growing Interstate 35 Corridor, including San Marcos, saw persistently tight Class A vacancy last year, appealing to investors targeting new builds.

2023 Market Forecast

NMI Rank 6 — With the nation's most improved labor market since 2019, the growing renter pool solidifies the market's high 2023 rank.

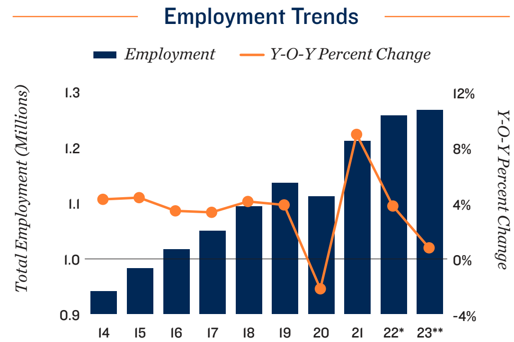
Employment up 0.8% — Total employment will expand by 10,000 positions in 2023, easing from last year's 46,000 jobs added.

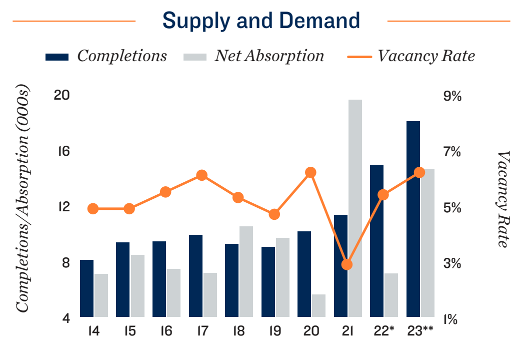
Construction 18,000 units — Completions will reach a record high this year as inventory expands by 6.3 percent. East and North Central Austin, as well as Round Rock-Georgetown, will receive the largest volume.

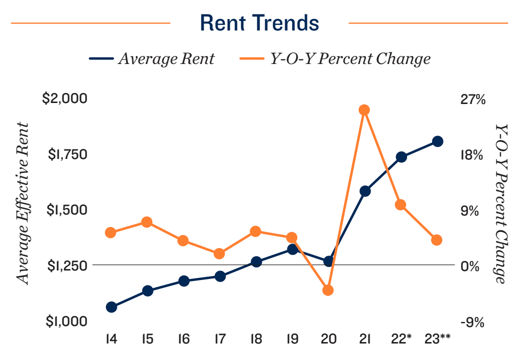
Vacancy up 80 bps — Vacancy will elevate to 6.2 percent by year-end, above the long-term average of 5.7 percent. Net absorption will remain positive, but fall below completions at 14,600 units.

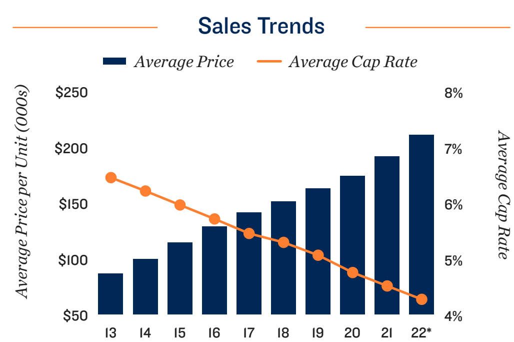
Rent up 4.0% — Following a 25.0 percent and 9.7 percent increase in the mean effective rent in 2021 and 2022, respectively, gains will slow as the average only rises to $1,800 per month.

Investment — The University of Texas welcomed its largest incoming class in fall 2022, potentially fueling investor interest in the Downtown-University and surrounding lower-cost submarkets.





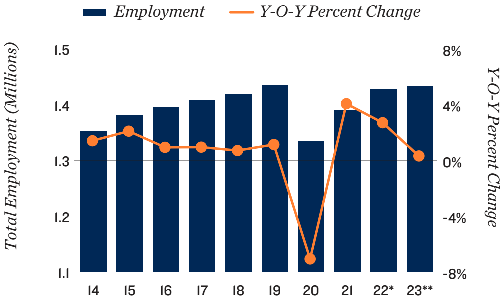




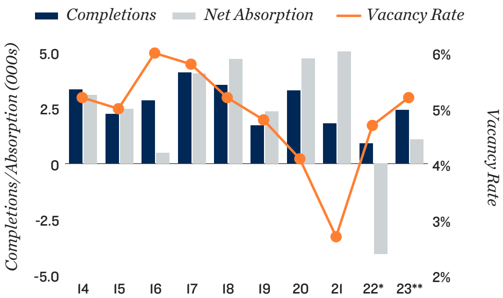
** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

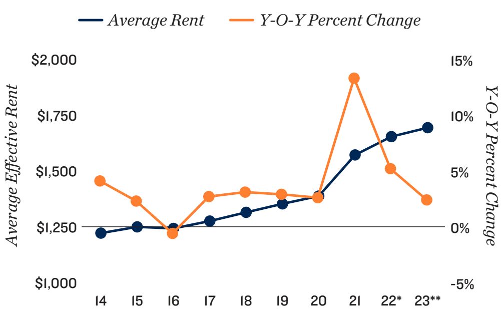
Employment Trends



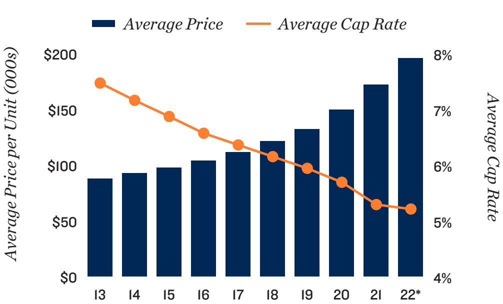
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

Economic Development Initiatives May Provide a Tailwind to Baltimore's Apartment Sector

Market conditions remain in healthy shape. Similar to many major U.S. markets, renter demand in Baltimore softened over the past year, as falling consumer sentiment and widespread inflation slowed the rate of household formation. Still, even though vacancy recorded a significant rise last year, the rate remained 10 basis points below the pre-pandemic level entering 2023. Looking ahead, Baltimore's unique employment base, which includes federal government agencies, world-class health care providers and a rapidly-growing logistics sector, should provide some stability during times of economic uncertainty. The Maryland Chamber of Commerce has also recently expanded the Baltimore Enterprise Zone, increasing the number of potential businesses that can receive economic support as new jobs are added. This could spur a rise in company relocations and expansions, which would benefit the local multifamily sector. However, forecasts suggest apartment deliveries in 2023 will more than double last year's pace, and many hotel/office-to-apartment conversion projects are expected to move forward in the coming quarters. As a result, vacancy will likely continue to inch up in the near- to mid-term.

First-year returns draw non-local buyers to Baltimore. Lower entry costs and the potential for higher yields relative to other major markets in the U.S. are attracting out-of-state investors to Baltimore's multifamily sector. In 2022, non-local buyers accounted for nearly half of all transactions, with many coming from California and New Jersey. Downtown Baltimore continues to be a submarket of focus in the metro. Buyers here are targeting older Class C buildings under 50 units most often, with cap rates that frequently climb above 5 percent. Investors with an appetite for Class A and B assets look to the metro's affluent waterfront locales, such as Canton and Federal Hill. Buyers may find similar opportunities in Anne Arundel County, where median household incomes are among the highest in the metro.

2023 Market Forecast

NMI Rank 42 — Baltimore earns a low ranking, mostly due to sluggish household formation, which has translated to softer rental demand.

Employment up 0.4% — By year-end, total employment will trail the metro's pre-pandemic peak by roughly 600 positions.

Construction 2,400 units — Supply additions will reach a three-year high in 2023, as developers increase apartment inventory by 1 percent. Baltimore's eastside is expected to receive the bulk of completions.

Vacancy up 50 bps — Net absorption is projected to fall short of deliveries in 2023, resulting in the second consecutive year of rising vacancy. By the end of this year, the rate will increase to 5.2 percent.

Rent up 2.4% — The pace of rent growth slows significantly from the all-time highs recorded during the health crisis. Still, the average effective rent will rise to $1,690 per month.

Investment — Apartment assets proximate to Sparrows Point will likely garner interest from investors, as many firms continue to target Tradepoint Atlantic for expansion.

Rent Control Initiatives Still a Longshot as Supply Wave Compounds Easing Renter Demand

State and local policies playing a heavy hand in where construction occurs. A late 2021 statewide zoning overhaul mandating land be set aside for multifamily housing in many western Massachusetts suburbs is already noticeably affecting development. Boston observed a record number of construction starts in the second quarter of last year, concentrated in exurban locales, soon after the legislation came into effect. In the near term, the 2.6 percent supply growth expected in 2023 will translate to a multiyear-high availability rate, helping to moderate rising rents after two years of robust gains. Nevertheless, the current pace of expansion falls well short of the nearly 200,000 additional units the Metropolitan Area Planning Council says are needed before 2030 to stabilize rents. Stock growth in the core could also be further constrained by rent control policy expected to be put forward by the Wu administration this year. While new restrictions could precipitate a further shift in supply gains to suburban zones, rent control has been illegal at the state level since 1994, presenting a significant hurdle for any price stabilization measures.

Boston city assets regain prominence as denser zones come back to life. Rapidly shifting outlooks altered the investment landscape last year, with mounting uncertainty driving buyers to well-performing assets. By late 2022, property occupancy at sale was observed at the highest level in more than half a decade, when the buyer pool shifted toward institutional actors. This is subject to change moving forward, however, if interest rates continue to rise. The ongoing debate over rent control has so far done little on its own to stifle transaction velocity in Boston proper, which constituted the largest proportion of metro trades in multiple years in 2022. Sentiment here has been buoyed by the return of economic activity in the core, with private investors looking to mid- and lower-tier properties in the city's more residential zones. Class B/C dwellings are typically seen changing hands with yields in the high-4 to mid-5 percent zone entering 2023.

2023 Market Forecast

NMI Rank 48 — Some ground is still to be made for returning rental metrics to pre-pandemic levels here, weighing down its NMI rank.

Employment down 0.4% — Boston's job base will report a minor contraction in 2023 as employers shed 10,000 active positions.

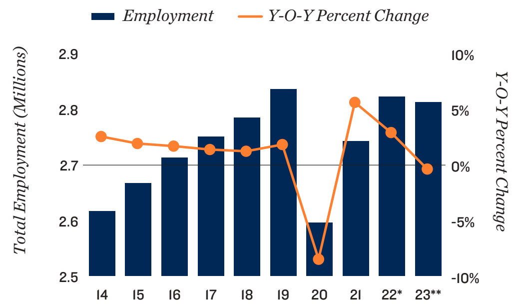
Construction 11,000 units — Annual completions breach the 10,000-unit threshold for the first time in more than two decades. Projects to be finalized this year are concentrated in Boston and close-in suburbs.

Vacancy up 150 bps — Record stock expansion, as renter demand wavers, pushes vacancy to 5.4 percent, its highest level since 2002. Supply additions near the core could lead to greater availability here.

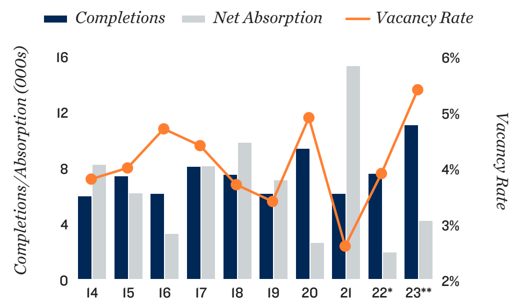
Rent up 1.6% — Rising availability allows rent gains to ease to a sustainable pace, bumping the average effective rent to $2,850 per month, a new market record.

Investment — Transaction velocity is easing in Northern Essex County, where bidder enthusiasm has narrowed the price gap between assets in these locales and core-adjacent zones.

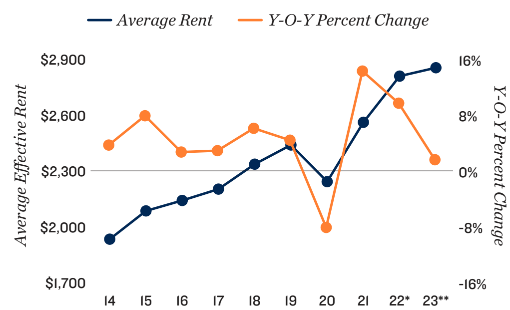
Employment Trends



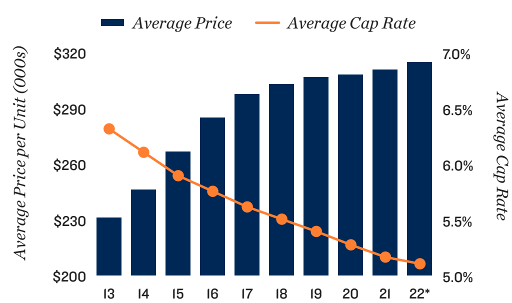
Supply and Demand



Rent Trends



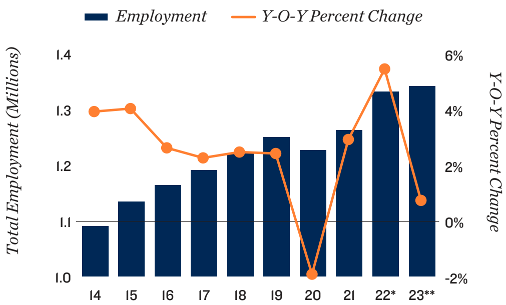
Sales Trends



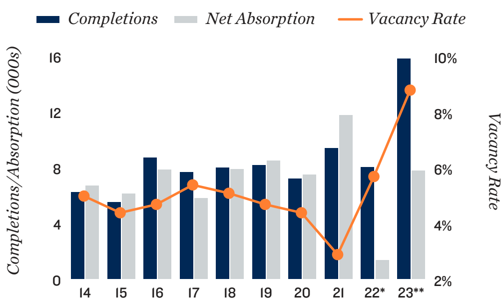
** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

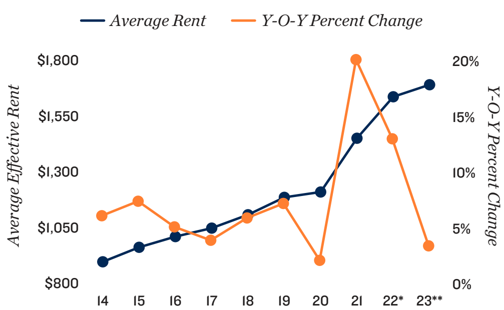
Employment Trends



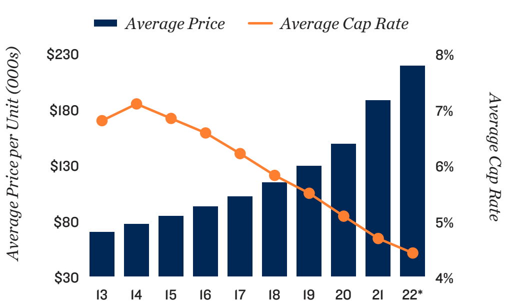
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

Long-Term Rental Position Favorable, as Nationally-Low Business Expenses Attract Expanding Firms

Talented labor pool bolsters corporate roster, aiding demand amid transitional period. A light tax environment and modest cost-of-living have translated to a relatively low cost of doing business in Charlotte, enhancing the Queen City's attractiveness to firms for operational expansions, recruitment and workforce development. Macy's, for example, is underway on a $600 million manufacturing and distribution hub in China Grove, which is anticipated to create more than 2,800 jobs following its completion in 2024. A highly-skilled local workforce is also motivating companies to invest further in Charlotte, a list that includes equipment manufacturer Bobcat. These structural features of the economy should continue to catalyze hiring and improve apartment fundamentals in the longer term. For now, a quieter job outlook during 2023 will mesh with a record-level stock expansion to lift overall vacancy to a decade-high rate. This year, however, appears to be a transitional period for the metro's multifamily sector. Eli Lilly, Red Bull and NASCAR join the list of firms with plans to expand large-scale operations into Charlotte, with their sizable personnel needs likely to create substantial demand for rentals as they come online through 2024.

Investors widen parameters to include outlying locales. Observing abrupt vacancy increases in Charlotte, active buyers may view properties near employment hubs as more resilient near-term investment opportunities. Complexes in Gaston County may have potential in this regard, as new warehouse commitments by Amazon and USPS support hiring that could widen the local renter base. Entry costs for lower-tier apartments here have remained under $100,000 per unit as of late, which may provide additional impetus for investment. Lower relative pricing may also steer buyers to York County, where mid-tier assets historically trade for less than $200,000 per unit. Other investors may target first-ring suburbs like South Park in a flight to quality. Here Class A rent growth exceeded 30 percent last year, potentially altering buyer-seller expectations for luxury pricing during 2023.

2023 Market Forecast

NMI Rank 9 — Charlotte ranks near the top of the Index, as weaker rental metrics this year are transposed by headline demographic trends.

Employment up 0.8% — Adding 10,000 positions to its job tally, Charlotte's pace of job creation ranks among the strongest nationally in 2023.

Construction 15,800 units — Stock expansion accelerates to a record-high 7.4 percent. North Charlotte is slated to receive the most supply at about 2,800 units, followed by UNC Charlotte at 2,500 doors.

Vacancy up 310 bps — This year's historic supply wave will outpace positive absorption, with vacancy expected to jump by its highest degree in 20 years to 8.8 percent.

Rent up 3.3% — Rent growth is projected to slow significantly, following last year's nearly 13 percent gain. By year-end 2023, the average monthly payment will reach $1,684.

Investment — Record deliveries this year may create opportunities to acquire institutional-grade assets. Local investors, meanwhile, hone in on areas with lower entry costs.

Renters' Return to Urban Lifestyles Gains Momentum; Investor Focus Shifts to Close-in Neighborhoods

Popularity returns to the Loop. Significant shifts in the metro's fundamentals will alter trends in the Windy City this year. Positive leasing activity in the CBD last year and a lower than historical average vacancy rate indicate downtown living in the West Loop and Fulton Market has gained momentum. Contributing to this change is a return to office by employees. Entering 2023, Chicago had returned to roughly 50 percent of the pre-pandemic office usage levels, ahead of some other major gateway metros. Gains in office space utilization are expected to continue this year, drawing in renters seeking a return to the live-work-play lifestyle. Significant development in the River North and Fulton Market neighborhoods suggests concession usage here will likely exceed other submarkets, further attracting luxury renters. The progression of demand in the CBD may adversely impact conditions in suburban locales that experienced notable absorption in recent years.

Performance and tax assessment draw investors to CBD-adjacent submarkets. Despite strong fundamentals in the inner city, investors maintain a preference for nearby submarkets to the north and south. Logan Square-Lincoln Park and the South Shore highlight the list of top destinations for capital deployment. Both will attract a diverse mix of investors, while above-average returns and marginal near-term inventory expansion persist. The restructured property tax assessment process has also had less of an impact on assets in these locales than buildings downtown. Whereas assessed values were found to have appreciated between roughly 20 percent and 50 percent in core-adjacent neighborhoods, values for properties in the Loop climbed by more than 120 percent on average over the prior 2018 evaluation. With tax implications based off the new assessment, comparatively lower overhead costs in these downtown-adjacent locations could benefit future returns. As a potential response, national investors have looked into these locales at a higher clip than prior years.

2023 Market Forecast

NMI Rank 39 — Despite moderate new supply pressure, stagnant household formation positions Chicago in the lower third of the Index.

Employment up 0.5% — The pace of hiring slows this year; however, the metro's job count eclipses the 2019 high, as 26,000 roles are added.

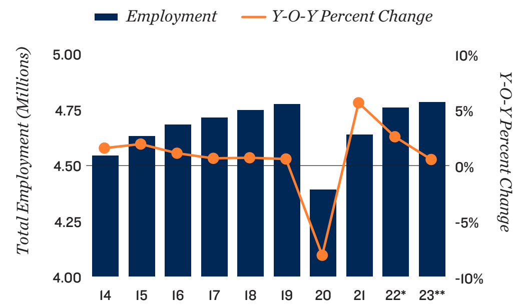
Construction 8,000 units — The metro is set to add about 2,100 more units this year than last, growing total inventory by 1.1 percent. Roughly one-third of these rentals will be in Downtown Chicago neighborhoods.

Vacancy up 80 bps — Historically tight conditions eased during the second half of 2022. This upward momentum will continue throughout the year as an influx of supply pushes vacancy up to 5.3 percent.

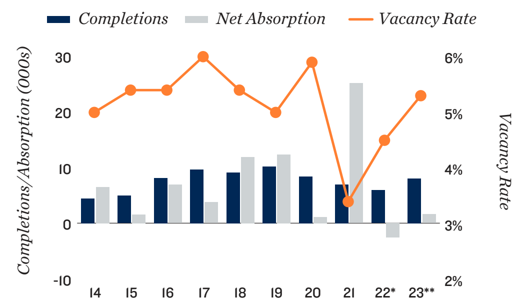
Rent up 4.8% — Increased availability and new construction temper the metro's growth rate. Still, the metro records one of the nation's highest gains, lifting the mean effective rent to $1,980 per month.

Investment — Private investors seeking sub-$10 million assets continue to identify outlying northern submarkets where first-year returns historically exceed the metrowide average.

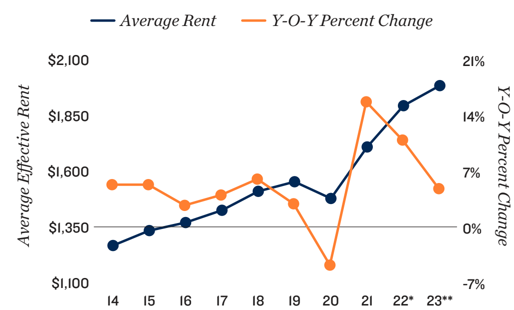
Employment Trends



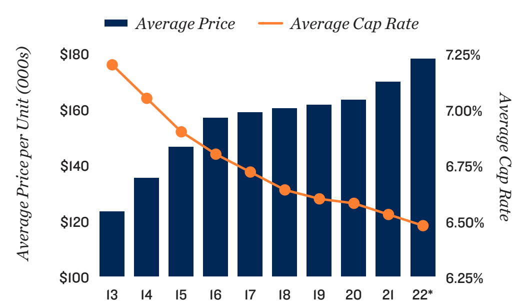
Supply and Demand



Rent Trends



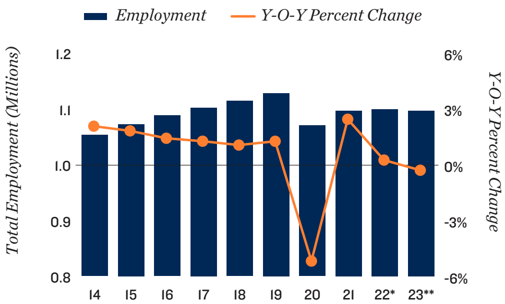
Sales Trends



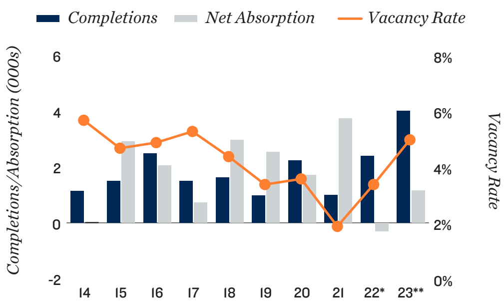
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

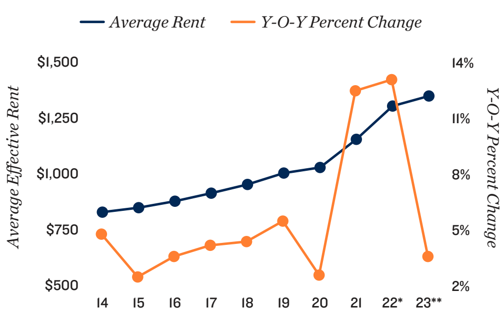
Employment Trends



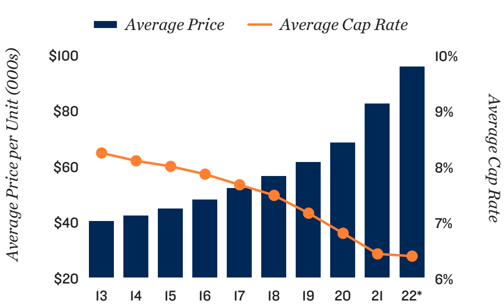
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

Robust Renter Demand in the CBD Amid Locally High First-Year Returns Appeals to Out-of-State Buyer Pool

Notable renter demand downtown, Honda plant a tailwind for northeast suburbs. In 2022, Cincinnati climbed into the top 10 markets for year-over-year rent growth, the only Midwest market to breach this list. These gains were predominantly driven by rising rents in the CBD, as Cincinnati had one of the least vacant downtowns in the nation throughout last year. Looking forward, construction in the urban core is expected to rise in 2023 to meet the existing high demand in the area; however, rent increases will align more closely with pre-pandemic trends as additional options and slowing economic growth temper leasing competition. Apartment absorption in suburban areas may benefit from new corporate investment. Honda announced that construction will begin in 2023 on an EV battery plant in Fayette County, situated between Cincinnati, Dayton and Columbus. The plant could potentially draw renters commuting to the site to northeast Cincinnati areas, such as Warren and Butler counties. These submarkets are slated to collectively receive fewer than 900 new units this year, guiding households into existing properties and facilitating rent growth.

Mid-tier assets downtown offer higher-than-average returns. Following a record number of transactions in 2021, rising interest rates began to slow deal flow in the second half of last year. Investors targeted properties located in areas with sustained rent gains, such as Central and North Central Cincinnati. Both submarkets led in average effective rent growth over the latter half of last year. Cap rates in these areas are also consistently above the metro average, reaching up into the mid-8 percent band. Amid a period of mounting capital costs, higher-yield mid-tier assets offered for a below-average per-unit pricepoint will clear financing hurdles more easily, facilitating trades in this category. Out-of-state investors are likely to find higher first-year returns and a lower price per unit than in their home markets, while still targeting a metro with strong rent growth.

2023 Market Forecast

NMI Rank 40 — Cincinnati's upward vacancy momentum, in tandem with a limited job outlook, give it a low-tier rank in the 2023 NMI.

Employment down 0.3% — Total employment in Cincinnati will fall by 3,000 positions in 2023, taking unemployment off its record low from last year.

Construction 4,000 units — Deliveries will more than double the trailing five-year average in 2023, reaching the highest number of units completed during an annual period in the metro since at least 2000.

Vacancy up 160 bps — Amid a period of high construction, vacancy will decompress to 5.0 percent. Following record-low availability in 2022, this measure is comparable to the 2015-2019 norm.

Rent up 3.5% — The rate of rent growth will subside from last year's record 13 percent surge, with the average effective monthly payment ending 2023 at $1,340.

Investment — Renters relocating, due to construction on Honda's EV battery plant just northeast of Cincinnati, may lead to further investment in Warren and Butler counties.

Company Expansion Poised to Draw Renters to CBD; Investors Target Vacant Offices for Redevelopment

Sherwin-Williams aids CBD commuter presence, Ford to grow suburban payroll. A return of full-capacity sporting events and concerts brought foot traffic in the urban core last year back to roughly 80 percent of pre-pandemic levels. Companies are also signaling an expected return to office in the CBD, and Sherwin-Williams has followed through on its commitment to build a global headquarters in the heart of Cleveland. While the office is not set to open until 2024, the company represents one of the metro's largest employers, and other businesses in the CBD are likely to follow suit with in-person schedules, drawing renters seeking to shorten their commutes. Meanwhile, at the end of last year, Ford announced it will expand its Ohio Assembly Plant in Lorain County, potentially doubling the workforce Ford currently employs in the area. The Westlake-North Olmsted-Lorain County submarket already reported the lowest multifamily vacancy rate in Cleveland entering this year, positioning it for long-term compression as renters on the expanding construction and manufacturing payrolls opt to move closer to the assembly plant. Local Class B/C properties, in particular, will benefit from these job relocations, further tightening what are already sub-2 percent segment vacancy rates here.

Suburban fundamentals encouraging amid uncertain economic conditions. Elevated borrowing costs will potentially draw more risk tolerant out-of-state investors to Cleveland for generally higher first-year returns and lower entry costs. Low vacancy in suburban areas, specifically, have enabled investors to target properties that are already highly occupied. Minimal changes in vacancy and strong rent growth in lake-side submarkets, such as Westlake-North Olmsted-Lorain County, could maintain interest. Additionally, office conversions have become increasingly viable in Cleveland, and are likely to persist in the future as hybrid work solidifies. The former Ohio Bell building is a notable vacant office space that is slated for conversion into downtown apartments.

2023 Market Forecast

NMI Rank 49 — The standstill household count and contracting job tally are renter demand inhibitors, ranking the metro near the bottom.

Employment down 0.3% — After more than 24,000 jobs were created in each of the past two years, total 2023 employment will shrink by 3,500 roles.

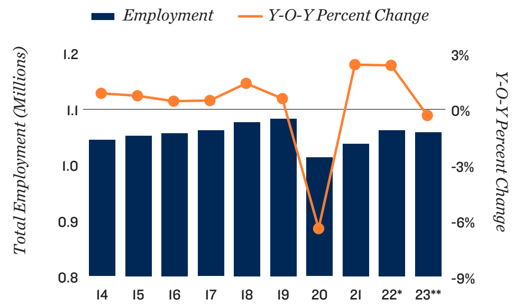
Construction 1,200 units — Inventory will expand by 0.7 percent, marking the third-largest volume of completions in the last five years. Elevated deliveries will place upward pressure on vacancy.

Vacancy up 100 bps — Negative net absorption of around 560 units will elevate the year-end vacancy rate to 5.0 percent, only just above the trailing 10-year average.

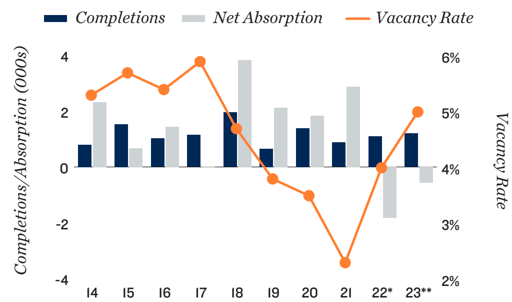
Rent up 1.7% — Rapid rent growth subsides in the market in 2023 as the average effective rate will inch up to $1,215 per month by year-end, more closely aligned with pre-pandemic growth trends.

Investment — Out-of-state investors have targeted bulk property deals in Westlake-North Olmsted-Lorain County in recent years, a trend that is likely to continue as Ford grows its presence there.

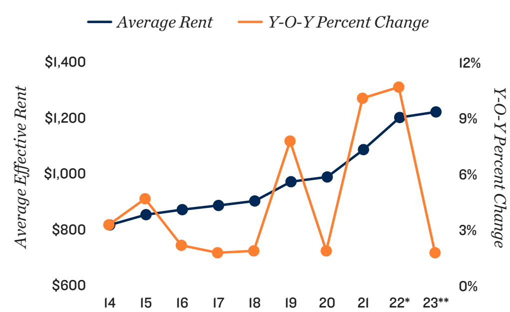
Employment Trends



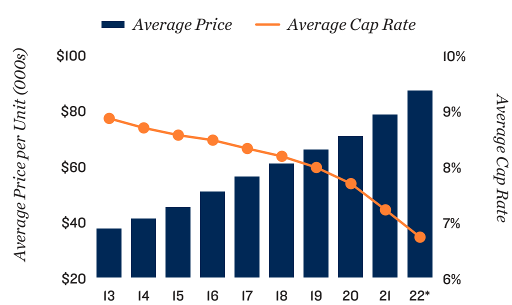
Supply and Demand



Rent Trends



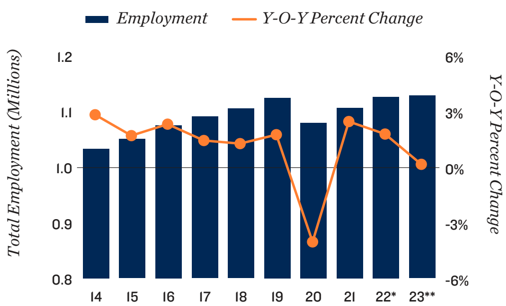
Sales Trends



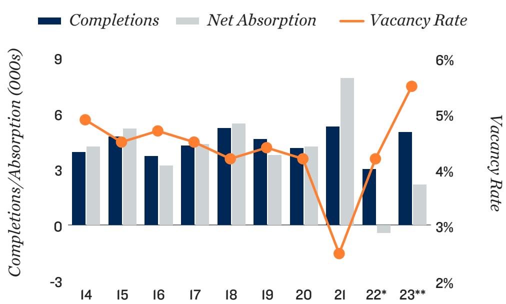
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

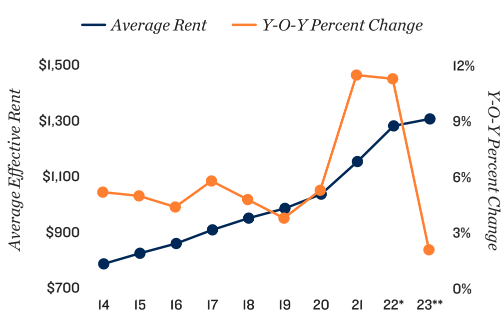
Employment Trends



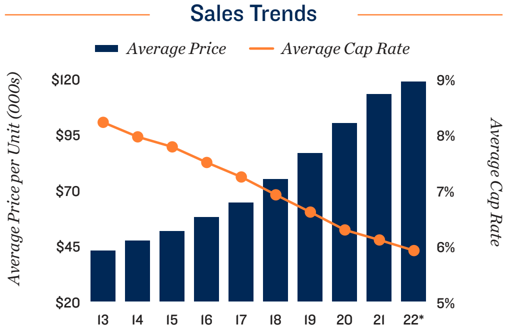
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

Intel's Move to New Albany Helps Maintain Job Growth Long Term, Despite Current Slowdown

Major project groundbreaking a tailwind for demand in outer submarket. Columbus is expected to have the second-fastest rate of population growth among major Midwest markets in 2023. This expansion is slated to occur as Intel constructs two semiconductor plants and Amgen builds a biomanufacturing plant, both in New Albany. Individuals working at these construction sites may opt to move closer to shorten their commute times, decisions that are expected to improve local renter demand. While the multifamily pipeline in the Westerville-New Albany-Delaware submarket was minimal at the onset of this year, the anticipated boost in local demand may motivate developers to move forward with planned projects in the area or propose new developments. Elsewhere, the westside of Columbus may emerge as a more attractive locale for renters. Hydrogen-electric-focused Hyperion also plans to construct a manufacturing facility here that will further elevate the metro's status as a Midwest tech hub. A potential downturn will, however, cause an uptick in overall metro vacancy and moderate rent gains in the near term.

Long-term corporate growth entices additional rental investors. Out-of-state investors were establishing or increasing their Columbus apartment footprints at an above-average rate prior to the onset of 2023, supporting what was a historically high number of $15 million-plus transactions. This trend may continue into this year as the metro's roster of tech companies and startups grow, fueling population and subsector job growth, particularly in Dublin and New Albany. Meanwhile, private capital that is active in the market may focus on Upper Arlington, where strong Class C fundamentals — including the metro's second-lowest Class C vacancy on record in September — and proximity to the Ohio State University foster demand for smaller complexes of various vintage. Fundamentals are likely to align more closely with pre-pandemic norms, and rising interest rates complicating Class C financing present undeniable headwinds in 2023.

2023 Market Forecast

NMI Rank 36 — Despite growth prospects, climbing vacancy and tapering rent gains result in a bottom-half placement in the Index this year.

Employment up 0.2% — After total employment rose above the pre-pandemic count in 2022, the metro will add an additional 2,000 positions this year.

Construction 5,000 units — Inventory will expand by 2.6 percent in 2023, just above the trailing five-year average. Downtown is slated to receive the largest volume of these new units.

Vacancy up 130 bps — Metro vacancy will elevate to 5.5 percent by year-end. Net absorption will remain positive, but will fall well below expected deliveries at around 2,200 units.

Rent up 2.0% — The mean effective rent will grow at a slower pace than last year's 11.2 percent gain, as vacancy reaches a 10-year high. The metro will see the mean at $1,300 per month by year-end.

Investment — Intel's move to central Ohio could draw investors to Licking County. Some buyers may acquire assets in bulk to quickly establish a footprint in an area prime for demand improvement.

Metroplex's Sturdy Generational Fundamentals Will Aid Local Investments Through Turbulence

Nation-leading household creation and apartment completions persist. Comparatively lower urban living costs, a central location allowing for quick flights to either side of the country and diverse job opportunities assist Dallas-Fort Worth in attracting the greatest net in-migration levels in the country. As these new residents move to the metroplex, a substantial share will opt for apartments, as the affordability gap between average monthly rent and a typical mortgage payment on a median priced home has nearly doubled over the last two years. Many potential first-time homeowners may renew their apartment leases amid high mortgage rates, also helping sustain rental demand. On the supply side, at least 25,000 new units will hit the market for the third time in four years, causing vacancy to climb amid a cooling economy and softer household formation. Nonetheless, over the longer term, this new construction does not pose a major threat. Already, a recent decline in permits suggests fewer completions beyond 2023. The metro has also been able to absorb sizable supply and bounce back from headwinds in the past. The market reported above-national inventory growth during the 2008 recession, yet still produced stronger vacancy compression than the country during the 2010-2016 period.

Investor attention influenced by housing and employment trends. Deal flow is slowing as rapid upward interest rate movement coaxes many sellers to postpone or renegotiate transactions. Suburban areas like Arlington will garner attention from stability-seeking investors, where last year's slower rent gains relative to rising home costs have encouraged first-time homebuyers to delay ownership, supporting rental occupancy. Moving slightly eastward, Southern Dallas could sustain much of its accelerated momentum from the previous year, as local job growth and industrial construction aid smaller cities here, such as Lancaster, Hutchins and Wilmer. Properties within these two submarkets may also attract yield-driven buyers, with mean cap rates surpassing the metrowide average.

2023 Market Forecast

NMI Rank 2 — The expanding job tally and robust in-migration bolster rental demand, giving Dallas a premier NMI ranking this year.

Employment up 0.7% — Job growth slows to 28,000 roles added this year, which still positions the metro as one of the top in the nation.

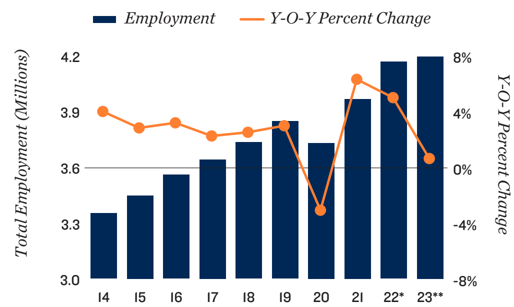
Construction 25,000 units — Construction will match the five-year average, leading the nation in completions. Intown Dallas, Far North Dallas and Frisco-Prosper will receive the largest number of new units.

Vacancy up 60 bps — Availability rises, after setting a record low during the previous year. Supply additions will lift the vacancy rate to 5.8 percent, even as net absorption reverses a negative trend.

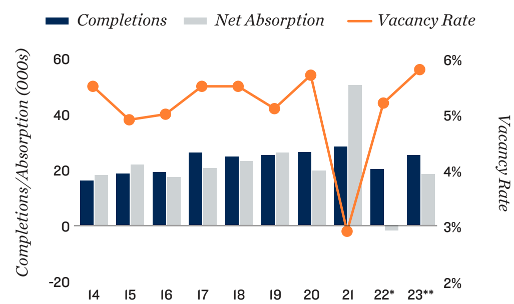
Rent up 4.5% — The pace of growth will slow toward the long-term average this year amid a cooling economy. The mean effective rent will climb to $1,620 per month by year-end.

Investment — A vast assortment of entertainment options attracting younger individuals looking to rent, improving apartment fundamentals, adds to factors influencing Arlington deal flow.

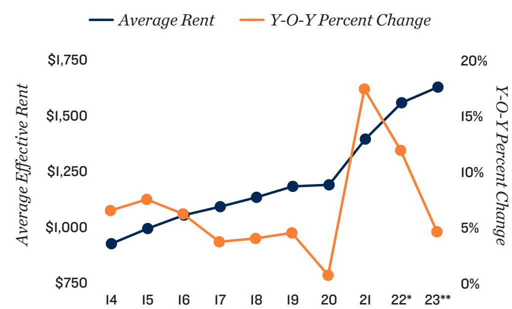
Employment Trends



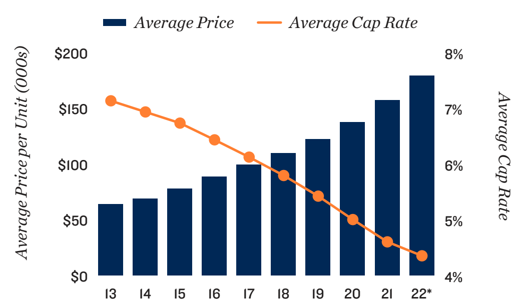
Supply and Demand



Rent Trends



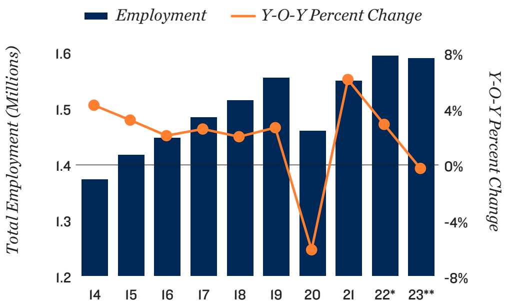
Sales Trends



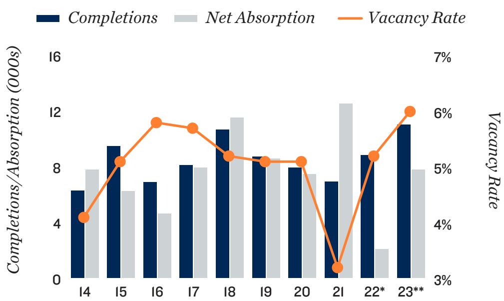
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

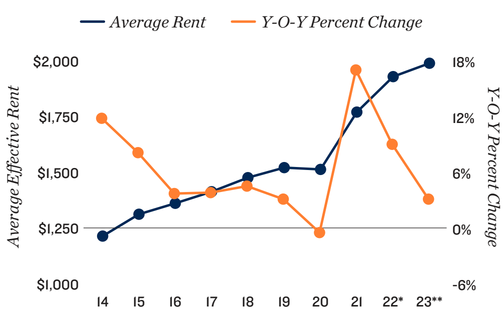
Employment Trends



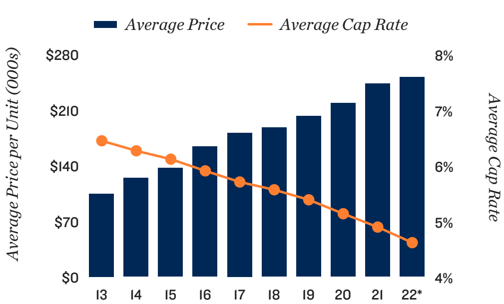
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

Denver Metro Passing Through an Inflection Point; Return to Urban Core Lifestyles Sparks Investment

Heightened construction persists as performance eases throughout the metro. Like much of the country, apartment availability in the Denver metro tightened significantly in early 2022, with both downtown and suburban vacancies falling to their lowest points since pre-2000. The market now faces a historic number of upcoming completions at a time when apartment absorption is cooling. Anticipated net in-migration for 2023 will fall below 20,000 people for a fourth consecutive year, partially attributed to the slowdown in hiring and recruitment efforts. These factors will weigh on market fundamentals in 2023, with the metro's average effective rent expected to rise at a muted pace relative to the robust gains in recent years. The supply surge of Class A units amid slow lease-up could spark higher concessions for the year. Lower-tier suburban apartment performance, however, should be less impaired, as demand for budget-friendly housing options subsists in a period of ongoing headwinds.

Investors favoring value-add assets in historic neighborhoods. National economic uncertainty continues to raise questions surrounding preferred investment opportunities. In the Mile High City, central historical neighborhoods have become a buyer favorite. Deal flow in downtown continues to account for the most activity among Denver submarkets, at roughly one-quarter of all transactions last year. Of these trades in the urban core, property exchanges near Capitol Hill have gained momentum, due to strong yields and lower entry costs. These assets can offer first-year returns in excess of 5 percent, often trading with sub-$5 million price tags. Properties here are predominantly early 20th century builds featuring vintage architecture to match their historic cultural surroundings, showing strong value-add potential for investors seeking options in popular residential areas. Remaining below the downtown average, assets here are offering lower entry costs for private buyers in a slowing institutional investor landscape.

2023 Market Forecast

NMI Rank 19 — While tapered from years past, Denver's solid migration patterns help place it within the top 20 of this year's ranking.

Employment down 0.3% — Employers will release a net 4,000 positions this year, still leaving the total job count 33,000 workers above 2019's peak.

Construction 11,000 units — Completions for the year will mark a new high in Denver, growing inventory 3.4 percent. Downtown will see over one-third of all new units, led by the Five Points and RiNo neighborhoods.

Vacancy up 80 bps — Availability will continue its upward trajectory this year, as it reaches the 6.0 percent mark for the first time since 2010. The rate will be 300 basis points above last year's pandemic floor.

Rent up 3.1% — An influx of high-tier Class A units will drive the market average rate to $1,985 per month this year, a slowdown, however, from the 9.0 percent gain experienced in 2022.

Investment — Trading in the Denver Tech Center area may pick up in 2023, despite higher capital costs, as company relocations from coastal cities should boost investor confidence here.

Long-Time Pillar of Local Economy Exhibits Resilience, Aiding Suburban Apartment Demand

Manufacturing employment opportunities draw renters. Apartments in suburban Detroit entered 2023 positioned to register relatively tight near-term vacancy. This expected performance benefits the local multifamily sector as properties outside the core account for 93 percent of Detroit's stock — the most of any major Midwest market. Anticipated gains in manufacturing employment will aid renter demand in these locales, as workers in the industry historically fall into the renter pool. Recently, Stellantis opened the first new Detroit-based assembly plant in nearly 30 years, located in the Warren-Roseville submarket, with the company also considering the metro for a battery plant. An imminent deal to bring a new auto parts manufacturer to the former American Motors Corp. headquarters in Detroit proper should also provide momentum that will support close-in suburban renter demand. Furthermore, the 7.6 million-plus square feet of industrial space currently underway metrowide signals a potential near-term rise in warehousing and logistics positions, a boon for Class B and C properties with available units.

Outer locales capture the investment spotlight. Investors looking to establish or expand their suburban Detroit rental footprints may target submarkets that represent epicenters of industrial hiring activity this year, such as Warren-Roseville. These areas' rosters of auto parts manufacturing companies have recently grown, which is expected to preserve tight conditions in the local Class B and C apartment sectors. Expansions by Our Next Energy will also draw attention to outer submarkets. The company's forthcoming battery plant in Van Buren Township is expected to foster a need for rentals in parts of Southern Wayne County, as workers begin to fill the 2,100 subsequent positions the facility is expected to create. Elsewhere, buyers with a preference for downtown rentals may target areas around Michigan Central Station, as Ford and Google have partnered to bring an innovation district to the area, with the goal of helping startups grow.

2023 Market Forecast

NMI Rank 46 — Low supply growth and a modest vacancy shift do not outweigh the downward pull of slow household formation in the Index.

Employment down 0.2% — Total employment will shrink by 5,000 positions this year, keeping the metro's job count below the pre-pandemic level.

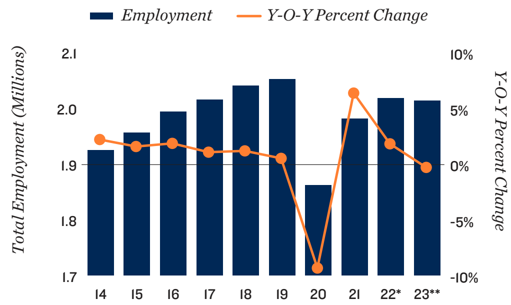
Construction 1,800 units — Inventory expands by 0.6 percent during 2023, with completions in the Downtown-Midtown-Rivertown and Troy-Rochester Hills submarkets accounting for 70 percent of deliveries.

Vacancy up 40 bps — Increasing annually for a second year in a row, vacancy will reach 4.2 percent in 2023. While this is the highest rate in nine years, it remains well below the long-term mean of 5.8 percent.

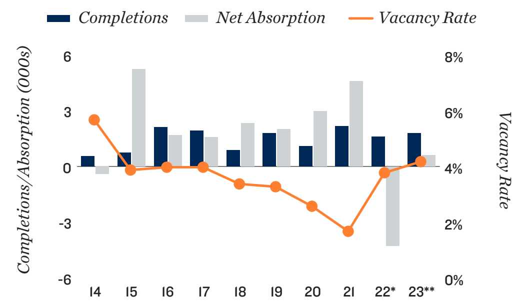
Rent up 2.0% — After collectively rising by more than 19 percent during the past two years, the pace of rent growth will moderate in 2023. The mean effective rent will climb to $1,300 per month by year-end.

Investment — Major employers, such as General Motors, announcing return-to-office plans aid CBD rental demand during 2023, catching the attention of active investors.

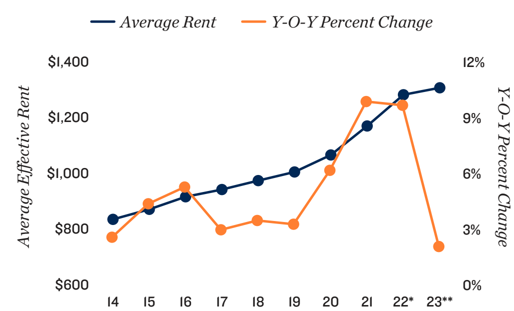
Employment Trends



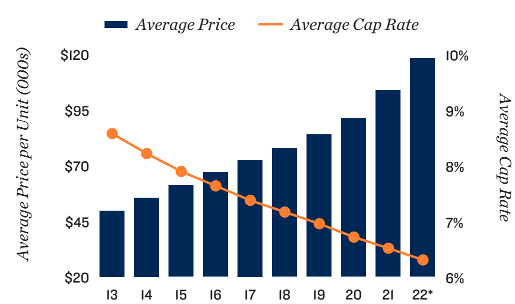
Supply and Demand



Rent Trends



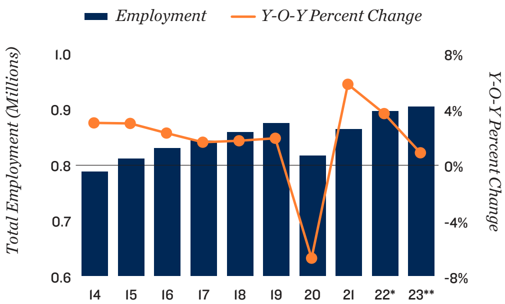
Sales Trends



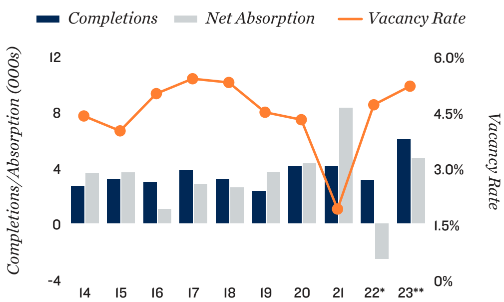
** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

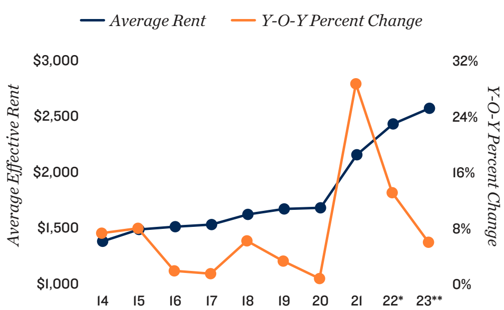
Employment Trends



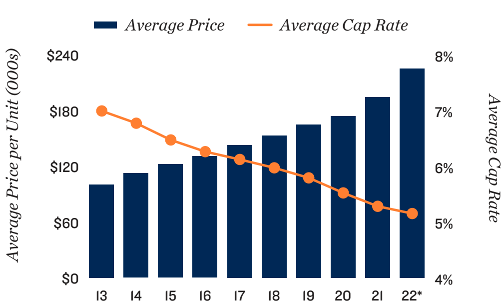
Supply and Demand



Rent Trends



Sales Trends



* *Estimate;* ** *Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

Hiring in the Tourism and Travel Industries Poised to Benefit Lower-Tier Housing Demand in Broward County

Rapid rent growth slows household formation. In-migration to the region has prompted an unprecedented stretch of rent growth. The average effective rate in Fort Lauderdale has risen by more than 45 percent since the onset of the pandemic, outpacing all other major South Florida markets. Many local residents felt sticker shock from the rapid increase during a period of widespread inflation, resulting in market conditions softening last year. This trend will likely remain in the near term, as a potential economic downturn is expected to temper apartment demand, resulting in slower rent growth and higher vacancy relative to levels observed during the health crisis. New supply will also be a factor, as 6,000 units are expected to deliver in 2023, marking an annual record. However, international travel is expected to accelerate this year, and notable cruise operators have reported that forward bookings for 2023 are above historical levels. Hiring in the leisure and hospitality segment may ramp up in response and help offset job losses in other sectors like the tech industry. While overall vacancy is expected to inch up, renter demand for lower-tier units should remain comparatively strong throughout this year

Buyers intrigued by long-term prospects in Fort Lauderdale. Since the onset of the health crisis, Broward County has been among the national leaders in effective rent growth and has caught investors' attention. Transaction velocity remained robust in 2022 amid rising interest rates, suggesting buyers are optimistic about local apartment demand drivers, despite near-term national economic headwinds. Investors seeking lower entry costs this year may target assets in submarkets like Pompano Beach-Deerfield Beach and Sunrise-Lauderhill, where pricing often falls below $225,000 per unit — the market average exiting 2022. In Central Fort Lauderdale and Pembroke Pines-West Miramar, institutional buyers engaged in the market may find opportunities for newer builds, given significant local construction activity as of late.

2023 Market Forecast

NMI Rank 1 — Continued job gains and robust household formation benefit rental metrics, securing the top spot for Fort Lauderdale.

Employment up 0.9% — Roughly 8,000 new jobs will be created in 2023, driven by hiring in the leisure and hospitality segment.

Construction 6,000 units — Supply additions are projected to reach a record high, with apartment inventory increasing by 3 percent. Deliveries will be concentrated in Central Fort Lauderdale and Hollywood.

Vacancy up 50 bps — Although vacancy is expected to rise this year, the magnitude will be much less than the 280-basis-point increase recorded in 2022. The rate will reach 5.2 percent by year-end.

Rent up 5.8% — Annual rent growth will return to a more sustainable level, following two consecutive years of double-digit gains. The average effective rate will elevate to $2,555 per month in 2023.

Investment — Entry costs roughly 7 percent less than any other major South Florida metro may draw buyer interest for apartment assets in Broward County as interest rates continue to climb.

Local Economic Tailwinds Sustain Long-Term Sentiment; Shifts in the Capital Landscape Sway Investor Strategies

Continued population and wage growth backstop the performance pullback. Prior to the health crisis, Houston ranked within the top three major metros in total population expansion. This year, the metro jumps a spot, backed by the sixth-largest percentage increase of 20- to 34-year-olds, the age cohort most likely to rent. The median household income is also improving, set to expand over 4 percent in 2023, the largest gain among major U.S. markets. The metro's emerging life science industry will partially support this gain, as Houston continues to offer career opportunities augmented by a relatively low cost-of-living. This is poised to generate relocation from young professionals, a tailwind that will help offset the broad-based slowdown in rental demand anticipated in 2023 amid a cooling national economy. Vacancy and rent growth, however, will continue their correction from pandemic performance. Houston's delivery slate reaches a three-year high during 2023, outpacing positive absorption. These dynamics are positioned to align year-end vacancy and the pace of rent growth with historic averages.

Rising interest rates create contrasting investment initiatives. Deal flow in Houston is likely to continue settling from a recent notable run. Calculated risk management may support extended holding periods for some local investors. However, other owners may transition out of long-term holds following robust price appreciation, creating opportunities for active buyers. Outer suburban locales of Northwest and Southeast Houston, which have historically represented popular targets for buyers seeking 100-plus-unit properties, may continue to appeal to regional and national institutional investors. Here, the first-year return spectrum is broad, spanning the mid-3 percent to 7 percent range. Of these assets, prices often exceed the $20 million mark, as institutional capital continues to deploy in the Houston metro. Elsewhere, active private buyers may seek opportunities to the west near Uptown, where submarkets possess sizable Class B and C inventories.

2023 Market Forecast

NMI Rank 8 — Houston nabs a top 10 spot, with an expanding young adult population backstopping comparatively higher rent growth.

Employment up 0.6% — A sharp slowdown in hiring follows last year's strong gains. Still, 20,000 new positions are added to the metro's total headcount.

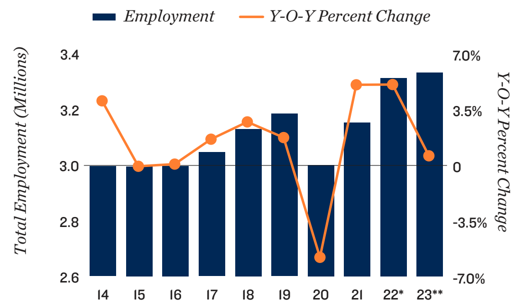
Construction 16,800 units — New supply will increase inventory by 2.3 percent, on pace with the market's 10-year average. Suburban development will eclipse a 90 percent share of all additions.

Vacancy up 130 bps — Availability in 2023 records yet another triple-digit-basis-point hike as mild absorption brings the rate to 7.3 percent, matching the year-end 2018 mark.

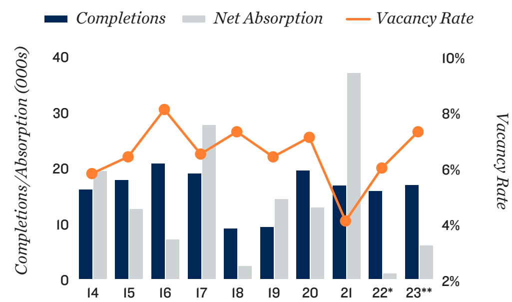
Rent up 3.7% — Spiking vacancy amid an influx of new units contributes to slowed rent growth for the year, bringing the average effective rate to $1,400 per month by the fourth quarter.

Investment — Active buyers targeting sub-$20 million assets look to western CBD properties in Montrose and River Oaks, given their appeal to young adults seeking city lifestyles and nearby employers.

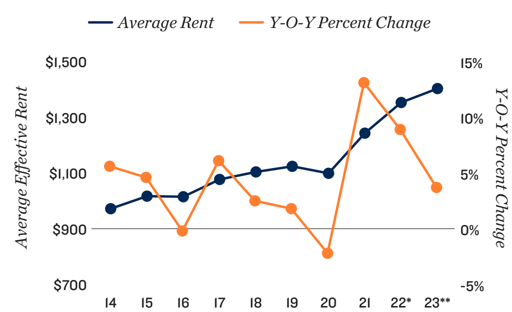
Employment Trends



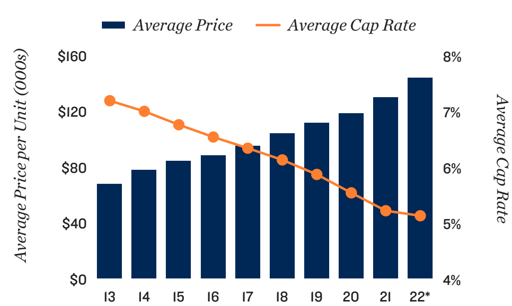
Supply and Demand



Rent Trends



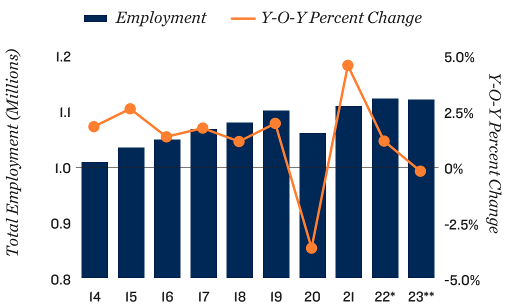
Sales Trends



*Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

Employment Trends



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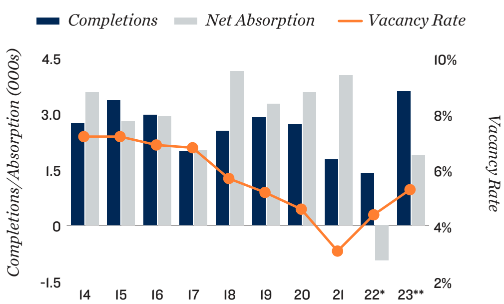

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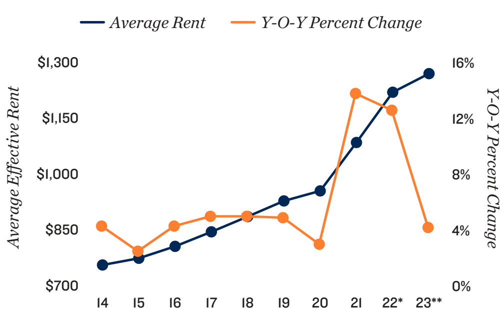
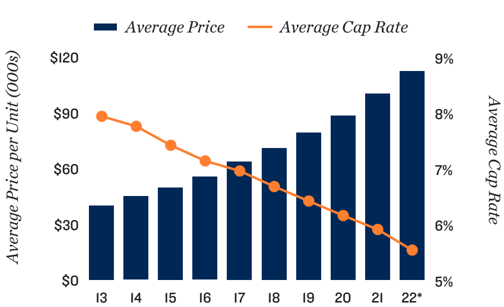


Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

Notable Supply Coming to the Metro's Largest Locale, While Opportunities Arise in Eastern Submarkets

Northern suburbs capture developers' attention. Indianapolis is relatively well-positioned to absorb an elevated level of new supply set to finalize this year, after pandemic-related disruptions pushed more projects into 2023. Rental inventory in the metro is set to expand by 2-plus percent this year, contributing to vacancy rising to 5.3 percent. Despite the spike relative to the early 2020 record low, the year-end projection is only 10 basis points above where availability was at the same point in 2019. Deliveries will be heaviest in the Carmel area, which has become a consistent theme for the northern submarket. Over the last 10 years, the suburb has drawn waves of development as continued revitalization efforts on Main Street have drawn new residents and employers to the area. The past decade's heightened construction activity has made Carmel-Hamilton County the largest submarket in Indianapolis, accounting for over 16 percent of inventory. Despite this robust building pace, the submarket has maintained below-market vacancy, supporting an average rent 20 percent above the metro mean last year.

Investors eye neighborhoods to the east of the CBD. Close-in suburbs remain popular targets for investors spanning east of Meridian Street to Interstate 465. With proximity to downtown amenities and below-market rates, strong renter demand continues amid hybrid work schedules. Assets here averaged a price per-unit below the market average last year, with a sizable share of properties exceeding the 100-unit mark, consistent with institutional buyers' criteria. After the run-up in lending rates curtailed buying activity late last year, out-of-state investors, which accounted for over half of these trades in 2022, will likely eye the locale once again if cap rates decompress and the market rebalances. Meanwhile, well-capitalized private buyers who can be more opportunistic during periods of market disruption may fill in some of the gaps, seeking assets in these locales where the development pipeline remains minimal, helping strengthen renter demand.

2023 Market Forecast

NMI Rank 24 — Near pre-pandemic vacancy and nationally strong rent growth highlight Indianapolis as the top ranked Midwest market.

Employment down 0.2% — Hiring tapers with a net loss of 2,000 jobs by year-end, but the total count will still be 19,500 positions ahead of 2019.

Construction 3,600 units — Completions for the year will more than double that of 2022, expanding inventory by 2.1 percent. Over one-quarter of this supply will go online in Downtown Indianapolis.

Vacancy up 90 bps — Notable development and moderate net absorption will contribute to vacancy rising this year. At 5.3 percent, the metric is still well below the metro's long-term average of 7.8 percent.

Rent up 4.1% — Following substantial gains over the last two years, easing demand will slow the pace of effective rent growth, bringing the rate to $1,265 per month on average.

Investment — Trading activity remains the highest in first-ring suburbs spanning the East and Southeast Indianapolis submarkets, as investors seek 30-plus-unit assets under the $10 million threshold.

Regional Population Expansions Catalyze Northeast Florida Investment Activity

Infrastructure upgrades a boon for apartment outlook. Last year, Jacksonville reported its largest rate of household formation since 2007, contributing to Florida's robust population growth. A heightened level of local household creation should continue in 2023 for several reasons. Recent expansions at the Port of Jacksonville have improved the metro's standing as a logistics hub, allowing ongoing population growth in Tampa and Orlando to benefit the local economy via warehousing and trade-related job creation. Although Jacksonville has historically had the highest vacancy rate among all major Florida metros, this trend may change as rent growth in Central Florida markets is expected to outpace the local rate of increase, eroding those locales' affordability advantage. Jacksonville's lower average monthly rates versus South Florida cities could attract renter households priced out of those locales as well. Developers appear confident these conditions will materialize, as robust construction totals become routine. A record for completions will be set in 2023, as over 3,500 units hit the market for a fifth straight year.

Expansion presents long-run opportunities. Central Jacksonville may attract active tertiary market-focused buyers willing to execute value-add strategies. The submarket's sizable stock of un-renovated properties built before 1970 signals available upside potential via significant property improvements. Upgrading an older building may provide additional stability in the locale, which has claimed the market's lowest Class B vacancy over the last five years. On the institutional investment side, Class A trading in Southside Jacksonville reported an uptick in sales activity last year, a trend that may revert this year as institutional buyers take a step back, re-evaluating the market amid elevated interest rates. However, a relatively high median household income and proximity to major employers will allow the submarket to retain comparatively strong rental fundamentals, presenting an opportunity for well-capitalized private buyers to fill the gap.

2023 Market Forecast

NMI Rank 12 — Jacksonville's resilient rental performance mitigates some supply-side concerns, placing the metro within the top 15.

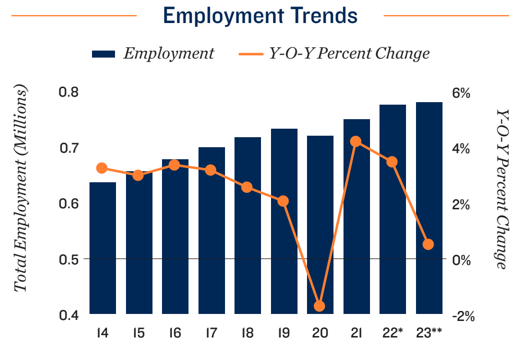
Employment up 0.5% — Job growth will slow to 4,000 new roles, after record-setting employment expansions were reported over the last two years.

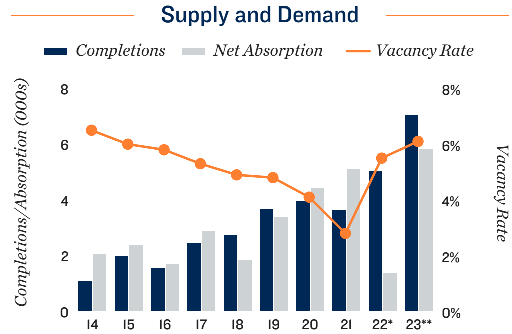
Construction 7,000 units — Completions in 2023 will outpace the previous year's record by 2,000 units, as hefty construction levels become the new normal in an era of noteworthy net in-migration.

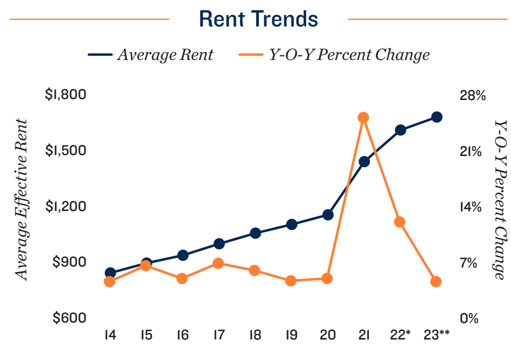
Vacancy up 60 bps — Availability will rise to 6.1 percent this year amid rapid supply additions. The rate will still hold under the long-term average as positive net absorption is noted for a 12th straight year.

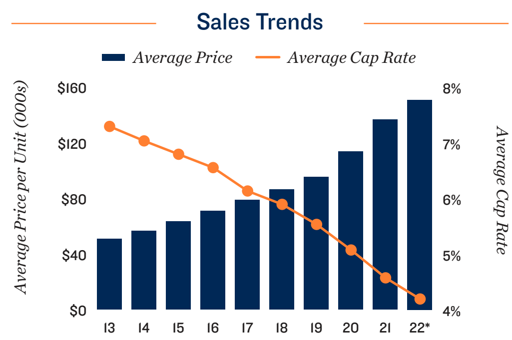
Rent up 4.4% — The pace of rent growth moderates in 2023 compared to last year's unsustainable gain. Nevertheless, the average rate will be lifted to $1,670 per month by year-end.

Investment — Northside Jacksonville's growing industrial sector and proximity to the recently expanded port at Blount Island Marine Terminal could improve rental performance, attracting active investors.





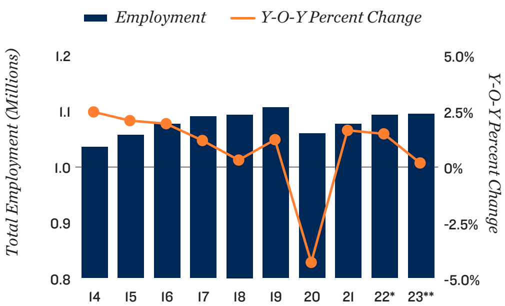




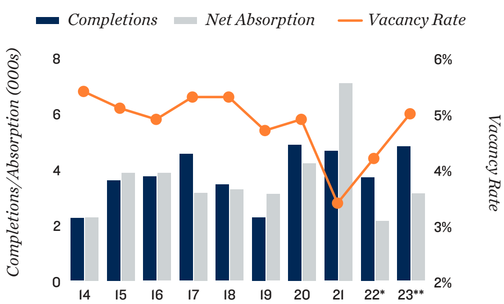
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

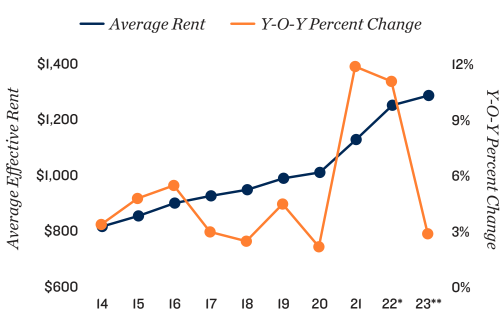
Employment Trends



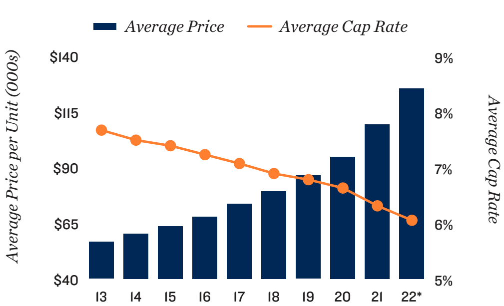
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

Corporate Relocations Draw Attention to Downtown, as Renter Demand in the Core Remains Firm

CBD poised for sustained renter demand amid vacancy headwinds. In September 2022, Blue Cross and Blue Shield announced its intention to move its global headquarters to Kansas City's central business district. The relocation of its 1,400 employees will not occur until 2025, leaving time for personnel to consider moving to the core in anticipation of shortening their commute. Looking back to the second half of last year, the metro had already noted quarterly compression in its downtown vacancy rate, distinguishing itself among major Midwest markets. This trend may continue this year, given a greater presence among healthcare employers. Late last year, the Oracle Corporation announced its acquisition of Cerner Corporation and their intention to maintain the health information technology services firm's presence in Kansas City, allowing the company to expand upon its status as the metro's largest private employer. While this bodes well for renter demand in the future, a sizable construction pipeline could challenge overall vacancy in 2023. The metro is expecting its second-largest volume of completions this year since at least 2000, which will likely weigh on availability and rent growth in the near term.

High-tier properties with nationally tight vacancy attract capital. Company moves to the CBD, such as the coming relocation of Blue Cross and Blue Shield, may draw investor focus to downtown. Institutional deal flow, despite being significantly curtailed, is likely to shift toward the core. Low-yield concerns may push for the targeting of multiple, older vintage assets with value-add potential. Out-of-state investment has also been a key activity driver in the last few years as Class A builds become more popular targets. In September last year, Kansas City posted one of the top 10 lowest Class A vacancy rates among major U.S. markets. Capital from West and East Coast metros is becoming more common as investors seek out deals for Class A properties with compelling fundamentals, yet comparatively lower entry costs and higher yields than in their home metros.

2023 Market Forecast

NMI Rank 38 — Near-flat household formation limits Kansas City's showing amid other Midwest metros in the 2023 NMI.

Employment up 0.2% — Total employment will expand by 2,000 positions this year, following a slowdown in company hiring.

Construction 4,800 units — Completions will reach 4,800 units, with Olathe-Gardner, Central Kansas City and South Kansas City-Grandview slated to receive over 60 percent of deliveries.

Vacancy up 80 bps — Availability will inch back up to 5.0 percent, more closely aligning with pre-pandemic averages. Net absorption will remain positive, but below deliveries at around 3,100 units.

Rent up 2.8% — Growth will ease this year, after two years of 11 percent gains in 2021 and 2022. The mean effective rent in Kansas City will reach $1,280 per month.

Investment — Catalent's expansion program to add two new analytical development laboratories may spur deal flow in the South Kansas City-Grandview submarket going into 2023.

Outside Investors and Larger Project Deliveries Headline Las Vegas' Apartment Sector Marquee

Elevated delivery volume coincides with strong demand for low-cost units. Las Vegas' economic recovery was nearly complete heading into 2023, with monthly tourism and convention levels approaching pre-pandemic marks and the local job count at a record standing. This momentum, however, may be halted if a national recession takes hold, as the metro's reliance on outside discretionary spending makes it more acutely impacted by domestic downturns than other markets. Nevertheless, Las Vegas will continue to record near-term population gains as households from nearby markets relocate to the area to reduce their cost-of-living. By year-end, the average effective rent will be at least $1,300 per month lower than all coastal Southern California markets and $300 below the national tally. Class B and C complexes stand to benefit most from these disparities. Meanwhile, the Class A sector may face hurdles, as segment vacancy was above the long-term mean at the start of 2023 and 5,000-plus rentals are slated for delivery this year.

Scale-focused buyers turn to the suburbs. Outside investors are favored to dictate a more tempered pace of deal flow in Las Vegas this year, as the metro's long-term growth expectations and discounted pricing to major West Coast markets will attract active buyers from other states. California-based firms should be most prominent; however, institutional buyers will hail from across the nation. These investors maintain a preference for Las Vegas, as the composition of the local rental stock historically translates to a relatively high number of larger-scale, $20 million-plus listings. Complexes featuring upward of 200 doors will likely be targets across the suburbs, with buyers exhibiting a preference for 1980s- to early 2000s-built assets with upside potential. Private investors with higher yield requirements will pursue smaller Class C properties. Central Las Vegas — specifically downtown and the university district — may garner buyer attention as renter demand for the area's lower-cost units should rise amid a period of economic volatility.

2023 Market Forecast

NMI Rank 17 — Despite a potential local economic slowdown, Las Vegas' nation-leading rate of household formation keeps it in the top 20.

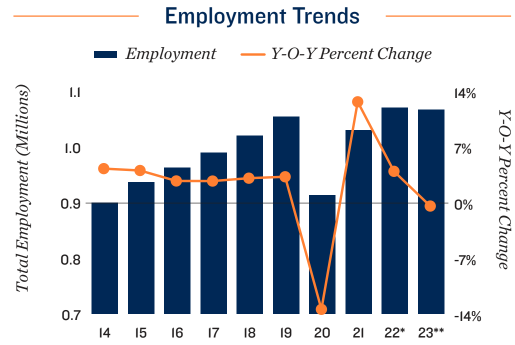
Employment down 0.4% — After climbing to a record tally last year, Las Vegas' job count declines moderately during 2023, falling by 4,000 positions.

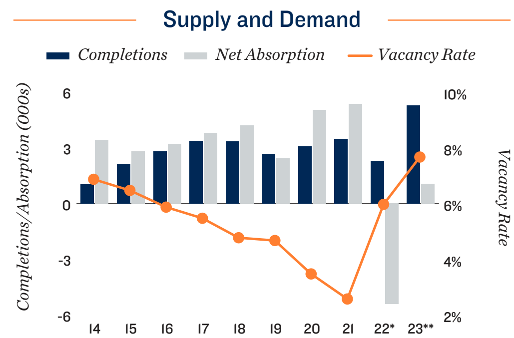
Construction 5,300 units — Delivery volume reaches a more than 20-year high, yet the increase to local rental stock is the lowest registered among major Mountain markets during 2023.

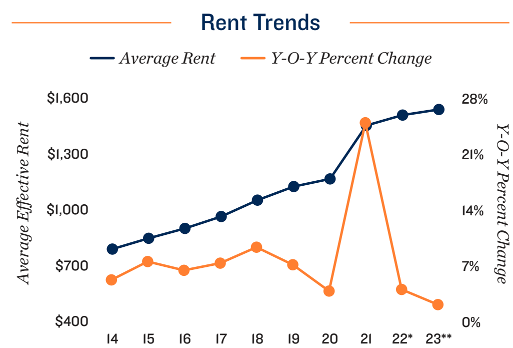
Vacancy up 170 bps — Positive absorption returns to the metro; however, a wave of luxury deliveries places upward pressure on vacancy. This combination lifts unit availability to a 10-year high of 7.7 percent.

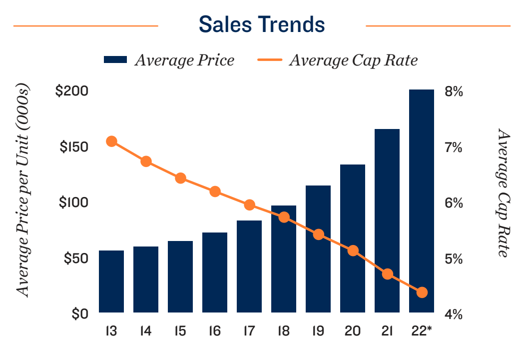
Rent up 2.0% — A notable vacancy increase requires more apartment owners to utilize concessions. While this tempers the pace of rent growth, the mean effective rate reaches a record $1,530 per month.

Investment — A five-year stretch of elevated apartment development has the potential to facilitate newly-built property trades, with stabilized multifamily assets likely garnering a premium.





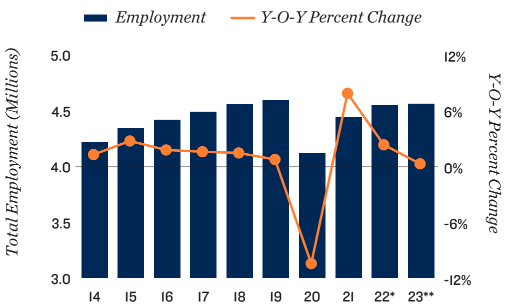




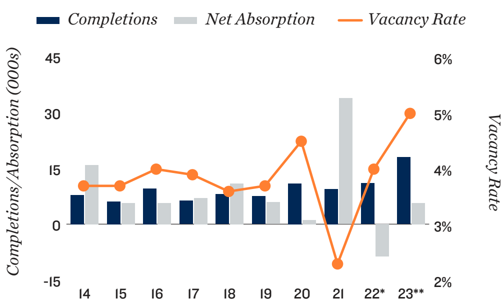
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

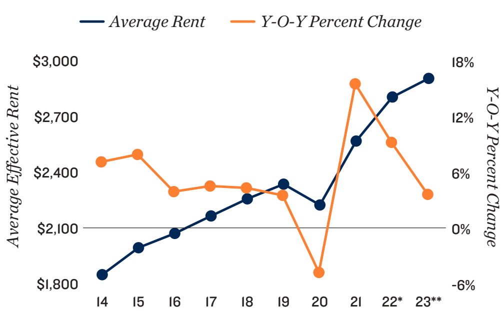
Employment Trends



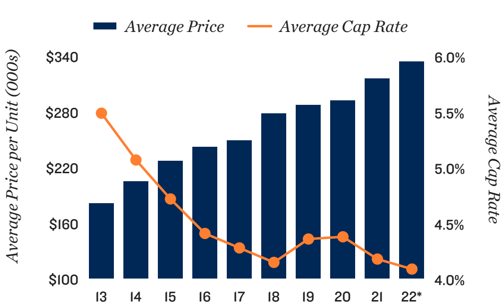
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

Impacts of Pandemic-Induced Decisions Felt; Risk Averse Investors Scour Lower-Cost Submarkets

Completions climb as protections wane. Apart from broader economic headwinds, Los Angeles County's apartment sector faces several local happenings that will push year-end vacancy to its highest point since 2010. Beginning in February, tenants across Los Angeles proper must pay their current monthly rent to avoid eviction, with a requirement to pay back all outstanding rent by August. While some tenant protections will remain, the expiration of the moratorium should place eviction activity beyond the pre-pandemic rate. Meanwhile, the volume of units slated for delivery in 2023 will rise by 7,000 on an annual basis. Greater Downtown Los Angeles is the epicenter of upcoming completions. Here, an estimated 10,000 apartments will be added at a time when local Class A vacancy is on par with the long-term average. This suggests local concessions usage and luxury availability will rise over the near term. Elsewhere, Westside Cities and the Greater San Fernando Valley should also feel some supply-side pressure, with each expected to add more than 2,900 units. The wave of rental additions noted across the metro should continue beyond 2023, as at least 50 conventional apartment projects broke ground last year.

Activity in Class C-heavy submarkets reflects buyers' outlook. Home to a nationally tight lower-tier vacancy rate despite its sizable inventory, the metro will remain a focal point for investors targeting older complexes with fewer than 30 units. The recent approval of Proposition ULA — which places a 4.0 percent to 5.5 percent tax on the sale of properties valued at more than $5 million in the city of Los Angeles — may provide near-term opportunities for buyers targeting these complexes, if owners execute disposition plans prior to the measure taking effect. Areas with some of the most affordable rents should continue to appeal to investors, as these locales should record stable demand for the foreseeable future. South Bay cities and Southeast Los Angeles may top investors' lists, as each locale entered this year with 1 to low-2 percent Class C vacancy.

2023 Market Forecast

NMI Rank 21 — A slowing economy partially offsets relatively healthy rental metrics and lower supply pressures for a top half rank.

Employment up 0.3% — Positive job creation is noted during 2023; however, the year-end total lands 67,000 roles below the pre-pandemic mark.

Construction 18,000 units — The pace of stock expansion accelerates this year, growing rental inventory by 1.6 percent. More than three-fourths of the units slated for delivery are in Los Angeles proper.

Vacancy up 100 bps — The impact of supply additions and expiring eviction protections outweigh positive net absorption. This increases vacancy to 5.0 percent, the highest year-end recording since 2010.

Rent up 3.6% — After rising by nearly 25 percent during the prior two-year interval, the pace of rent growth moderates in 2023. Still, the metro's average effective rate elevates to $2,900 per month.

Investment — The approval of Measure H last year has established rent control in Pasadena, a policy that will impact investor demand for pre-1995-built assets, which are subject to the new restrictions.

Additional Wave of Projects Places Upward Pressure on Vacancy as Opportunities for Investment Emerge

Supply gains translate to sharp increase in availability. As economic outlooks shift, Louisville's multifamily sector is rapidly transitioning away from the record-low vacancy reported early last year. In 2023, the effects of falling renter demand, as the local job market undergoes a minor contraction, will be compounded by accelerating stock expansion. At year-end, projects finalized during the preceding half-decade will constitute nearly 11 percent of inventory. This will put substantial upward pressure on availability in the market's selection of Class A and newer Class B stock, particularly in Jeffersonville and Louisville's suburban neighborhoods, where these projects are concentrated. While this will place overall vacancy at its highest level in more than a decade, key demand drivers should help prevent further slackening in this metric. More than 1,100 new residents are expected to arrive on a net basis this year, the largest number since 2017. Furthermore, multiple major retailers are targeting the market for expansion. Grocery giant Publix is set to open its first Kentucky outpost here, joining a Topgolf entertainment complex established in late 2022. Roughly 650 positions will be created between the two operations.

Interstate capital pours into Jefferson County. Low entry costs compared to other regional markets are drawing active out-of-state investors to Louisville. A significant portion of capital inflows stem from institutional sources who are targeting larger assets in residential neighborhoods east of the urban core. Here, recent inventory growth has the potential to create numerous capital placement opportunities for these well-resourced buyers. Investors operating in the sub-$10 million tranche may also target more affluent neighborhoods in Jefferson County during 2023, but buyers in this category also actively focus on submarkets closer to the urban core and adjacent zones. Clifton Heights, Old Louisville and Portland's ample selection of older Class C assets should preserve these locales' standing as popular submarkets for private investment.

2023 Market Forecast

NMI Rank 41 — Muted hiring trends combine with moderate rent growth to position Louisville on the lower-end of the 2023 NMI rankings.

Employment down 0.4% — Louisville's job base declines by 3,000 positions during 2023, losing less than one-fifth of the roles gained last year.

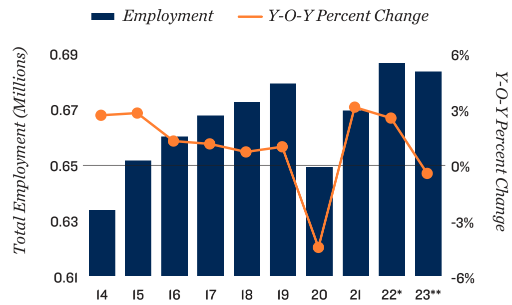
Construction 2,400 units — Rapid development continues, as delivery volume exceeds the 2,000-unit mark for a fourth consecutive year. This year alone, inventory will expand by 2.5 percent.

Vacancy up 120 bps — Ample supply pressure contributes to the second 100-basis-point-plus vacancy increase in two years. Availability rises to 5.9 percent, the highest level in this metric since 2009.

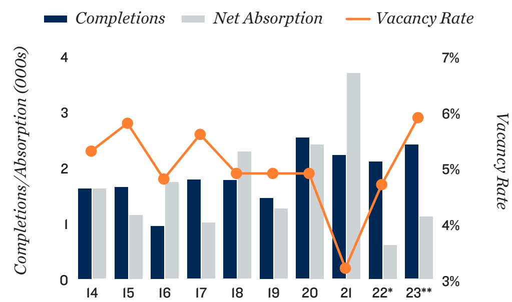
Rent up 2.6% — Sharply increasing availability moderates the pace of rent growth after two years of 11 percent-plus gains. The average monthly rate is expected to reach $1,180 by December.

Investment — Active investors also operate north of the Ohio River, where Jeffersonville and New Albany offer a diverse selection of lower- and mid-tier assets that have value-add potential.

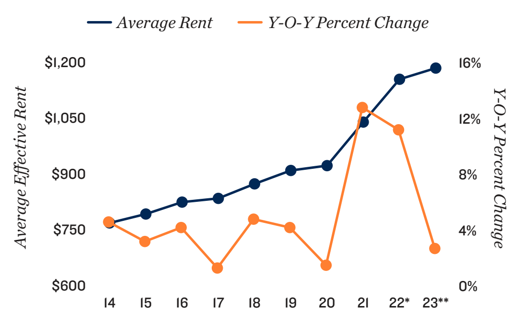
Employment Trends



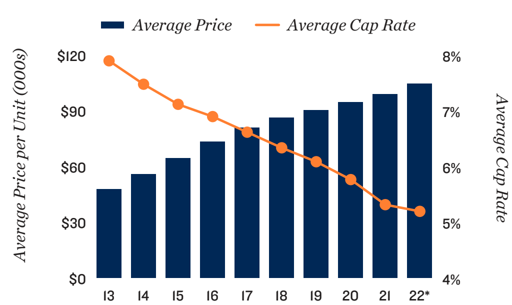
Supply and Demand



Rent Trends



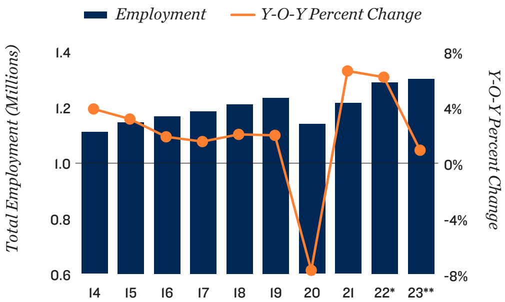
Sales Trends



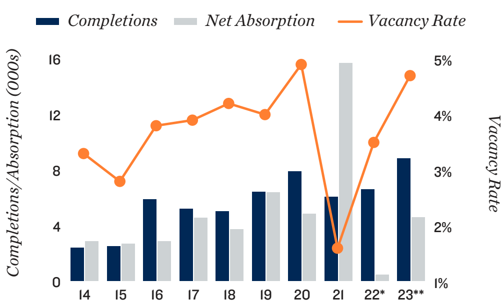
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

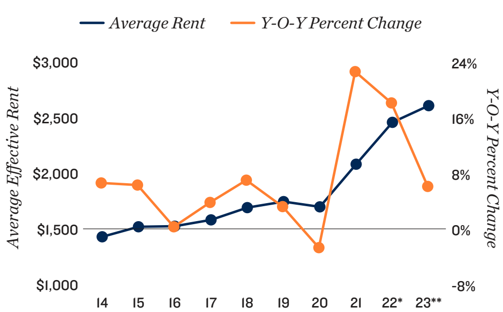
Employment Trends



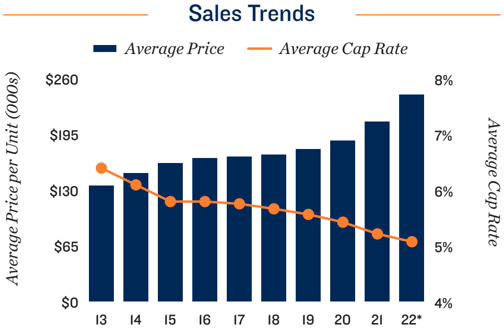
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

Tourism-Related Hiring Spearheads Renter Demand for Lower-Tier Apartments in Miami-Dade

Strong renter demand spurs record supply wave. Passenger arrivals at Miami International Airport surpassed 50 million for the first time on record in 2022. To accommodate this massive influx of visitors, hiring in the leisure and hospitality sector surged over the past year, returning to levels seen prior to the pandemic. As a result, renter demand for Class C apartments skyrocketed, with vacancy in the segment registering near 1 percent entering this year, one of the lowest rates among all major U.S. markets. No personal income tax, a warm climate and a business-friendly environment are also supporting employment opportunities through corporate relocations, facilitating robust net in-migration. With median single-family home prices ranking the highest among major Florida metros, many of these incoming residents will be steered toward the multifamily market, bolstering demand for mid- and higher-tier apartments. However, luxury rentals will face heightened competition from new supply in the near term, with roughly 8,800 units expected to deliver this year. Vacancy will likely continue to rise in response, as the economy begins to slow and newly-completed communities enter their lease-up period.

Investors are bullish on Miami's long-term outlook. Transaction velocity for multifamily assets in Miami reached an all-time high in 2022, outpacing the previous annual peak by more than 100 deals. This is an indication investors are optimistic on the long-term apartment demand drivers present in the region, despite near-term headwinds. Extremely tight Class C availability has underscored interest for lower-tier rentals, particularly in the metro's more affordable submarkets. Assets in areas like Little Havana, North Beach, Hialeah-Miami Lakes, Miami Gardens-Opa-locka and Homestead-South Dade are sought after, with first-year returns that still provide margins above elevated borrowing costs. Buyers selecting luxury product look to affluent locales like Downtown Miami, South Beach and Coral Gables, where entry costs frequently rise above $350,000 per unit.

2023 Market Forecast

NMI Rank 4 — Miami-Dade secures a top-10 rank, as hiring props up household formation and sustains nation-leading rent growth.

Employment up 0.9% — Job growth in Miami slows in 2023, following two consecutive years of employment gains exceeding 6 percent.

Construction 8,800 units — Annual deliveries will reach an all-time high this year, in response to the recent surge in renter demand. Developers will expand local apartment inventory by 2.8 percent.

Vacancy up 120 bps — A record supply wave, coupled with slowing household formation due to widespread inflation and a potential recession, results in vacancy rising for the second consecutive year.

Rent up 6.1% — In 2023, Miami is projected to outpace all other major Florida metros in rent growth. The average effective rate will rise to $2,600 per month by the end of this year.

Investment — Development activity has elevated in West Miami-Doral over the past five years, and may provide opportunities for multifamily investors moving forward.

Downtown Milwaukee Positioned to Weather the Storm; Ownership Shuffles in Wake of Uncertainty

Urban fundamentals strengthen, despite economic headwinds. Apartment vacancy capped off 2022 by rising sharply to its 2019 mark, as elevated construction activity gave renters more options in a metro where local supply growth has undercut the U.S. pace for the past 10 years. Backfilled with an even greater number of arrivals slated for this year, the metro now faces a continued period of rising vacancy, with another triple-digit-basis-point hike anticipated. A shift toward urban living preferences, however, bolsters demand in Milwaukee proper, as seen by Downtown-Shorewood's strong fundamentals helping outperform metrowide averages. Fiserv's recent relocation to the core highlights a series of office lease-ups by financial and business services companies that are supplementing demand for Class A and B units downtown, as many workers desire living options nearby. Locales adjacent to the CBD, such as Near North-West Side-Wauwatosa, should also see durable tenant demand, with lower monthly rents and availability than downtown. An expanding affordability gap — the difference between an average monthly payment on a median priced home and the average effective rent — and moderate median household income growth further support this demand shift.

Local and national buyer investment imbalanced. Trades in the Milwaukee metro have historically been weighted to the sub-$10 million tranche, with local purchasers generally accounting for roughly three-quarters of these deals. Last year, however, properties priced over $10 million changed hands more frequently, highlighted by out-of-state buyers acquiring assets in downtown and adjacent locales. This dynamic may reverse during 2023, as elevated interest rates require large institutional buyers to adjust their acquisition criteria. This may leave the door open for buyers with a deep well of local knowledge, including those that have recently exchanged out of properties and are looking to reinvest proceeds.

2023 Market Forecast

NMI Rank 37 — Tight vacancy keeps Milwaukee above the rank of 40, but rental demand remains subdued and household formation is slowing.

Employment up 0.2% — Construction and hospitality hiring bolster employment this year, with 2,000 total positions added to the metro.

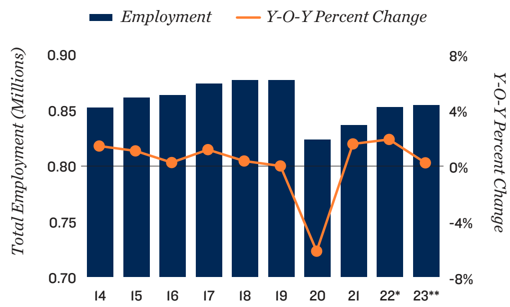
Construction 2,500 units — Additions in Southern Milwaukee County, spanning Franklin to Oak Creek, will lead deliveries this year, adding more than 500 units. Overall, the metro inventory count expands 1.6 percent.

Vacancy up 100 bps — Availability will increase to 4.5 percent this year, Milwaukee's highest year-end rate since 2017. Corporate relocations should help hold CBD vacancy below the market average.

Rent up 4.1% — After strong gains over the previous two years, rent growth tails off in 2023. Still, Milwaukee notes the nation's 10th-fastest pace this year, as the average effective rate reaches $1,525 per month.

Investment — Class B and C properties with value-add potential continue to fill the transaction pool. Close-in suburbs with large rosters of sub-50 complexes should remain targets among active buyers.

Employment Trends



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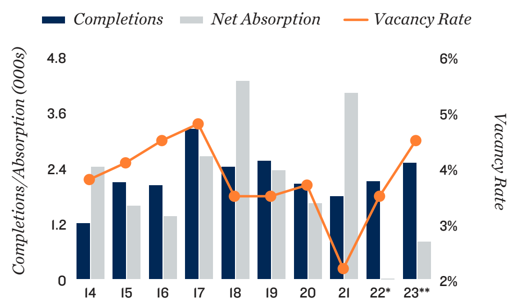
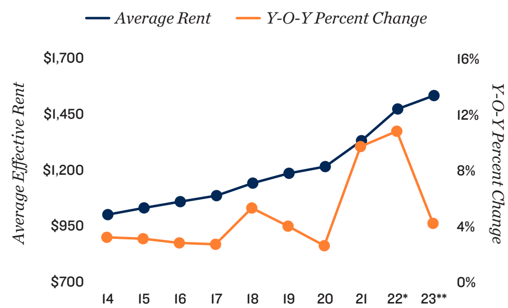
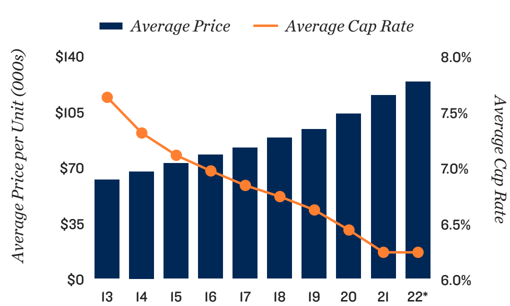


Rent Trends



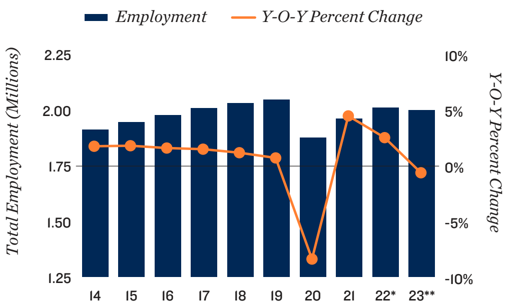
Sales Trends



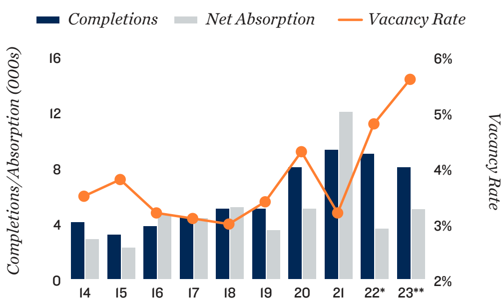
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

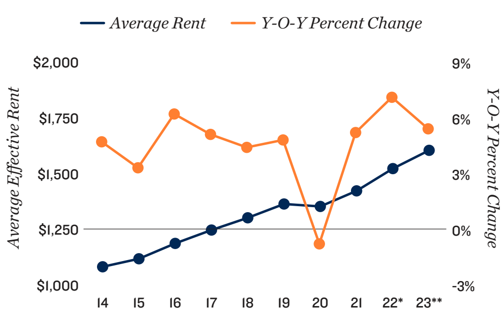
Employment Trends



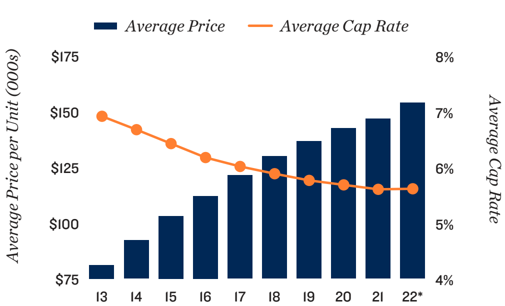
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

Development Readjusts to Rent Control Amendments; Deal Flow Disperses Across the Metro

Construction remains elevated, despite St. Paul's depleted pipeline. Heightened apartment additions since the onset of the health crisis were well-received in the midst of the post-lockdown surge in renter demand, helping alleviate tight availability early last year. Despite economic headwinds that have emerged since, the Twin Cities are set to register another year of historically high apartment additions. The difference in 2023, however, is a lack of supply coming to St. Paul. Here, construction initiatives paused after the city's rent control legislation was enacted in 2021. The effects of this have started to arise as rent growth here remains substantially lower than the rest of the CBD, while inventory growth spikes in the Minnetonka and Plymouth-Maple Grove submarkets. Amendments made to the ordinance in 2022 allow for a 20-year exemption for new and existing properties, and increases the capped growth rate to 8 percent. Proposals in the locale have since picked back up, although still below the city's typical supply expansion rate.

Deal flow shifting across the city and suburban west. Transaction velocity continues to settle, given the increasing cost of capital. Trading activity in St. Paul will be consistent with this. Although with exchanges here last year trading roughly 7 percent below the market's average price per unit, cap rates in the mid-5 percent range and recently amended local legislation, the locale may still draw some interest for more risk averse investors. Those looking for alternatives, however, may turn to Minneapolis and the western suburbs, locales that accounted for nearly half of all deal flow last year. Investors seeking sub-$10 million properties have historically identified South Minneapolis, near the Whittier and Wenonah neighborhoods. Meanwhile, suburban trades were most popular in the Plymouth-Maple Grove and St. Louis Park locales. Deals here frequently exceed the 100-unit mark, while outward migration from the urban core and moderate supply growth strengthen renter demand and investor confidence.

2023 Market Forecast

NMI Rank 35 — Comparatively faster rent growth here is outstripped by its quiet post-pandemic hiring, placing it in the Index's bottom 15.

Employment down 0.6% — The metro loses a net of 12,000 jobs this year, as employers slow hiring and lower overhead amid economic challenges.

Construction 8,000 units — An elevated pace of supply additions will continue in 2023, reaching the 8,000 mark for the fourth consecutive period. This will expand inventory 2.5 percent during the year.

Vacancy up 80 bps — Following a 160-basis-point hike in 2022, heightened development contributes to continued upward vacancy pressure this year, lifting the rate to a 14-year high of 5.6 percent.

Rent up 5.4% — The pace of rent growth will moderate compared to last year's strong gain. Mitigated by increased concession usage and rising vacancy, the average effective rate reaches $1,600 per month.

Investment — Longer-term hybrid work adoption is poised to aid renter demand in CBD-adjacent neighborhoods, preserving investor demand for listings in these locales.

Market Enters Transitionary Stretch as Chorus of New Apartments Amplify Local Vacant Stock

Metro's active pipeline is a national standout. Having enlarged by more than 130,000 residents over the past five years, Nashville's rising populace has spawned noteworthy apartment expansion, the peak of which may occur over the near term. After ranking as one of the top major U.S. markets for inventory growth last year, the metro is expected to claim the number one spot during 2023, as local rental stock increases by nearly 8 percent annually. Deliveries will be distributed throughout the metro, as a mix of close-in and suburban submarkets add at least 1,000 apartments. Central and North Nashville will note the largest influx of new supply, with local inventories rising by nearly 22 percent and 12 percent, respectively. While both areas are popular among younger, higher-earning professionals, each is likely to register a significant vacancy increase this year, with concessions utilized more frequently to stabilize projects. How these new units are received will alter the outlook for the Class A sector, as builders broke ground on at least 40 additional projects last year that will deliver units beyond 2023.

Investors alter game plans in wake of recent rent surge. The composition of the local rental stock historically supports a notable share of large-scale property trades and exchanges of newer-built assets, translating to a sizable out-of-state buyer pool. While these trends may persist in 2023, the substantial increase in rent over the past two years — up nearly 34 percent — could influence active investors to favor Class B and C complexes, in anticipation of renters flocking to these assets to lower their costs of living. Neighborhoods popular among young professionals and areas with locally discounted monthly rates stand to receive buyer attention. Proximity to Vanderbilt University and Music Row make the West End a target locale for buyers seeking older stock in the CBD. Elsewhere, Antioch and other southeast suburbs may attract buyers seeking larger complexes with value-add potential, as the area is home to the metro's second-lowest average rent.

2023 Market Forecast

NMI Rank 28 — Despite robust post-pandemic job growth, a nation-leading pace of stock expansion weighs on vacancy and the 2023 rank.

Employment up 0.2% — Growth of Nashville's already sizable healthcare sector will allow the metro to add 2,500 jobs overall during 2023.

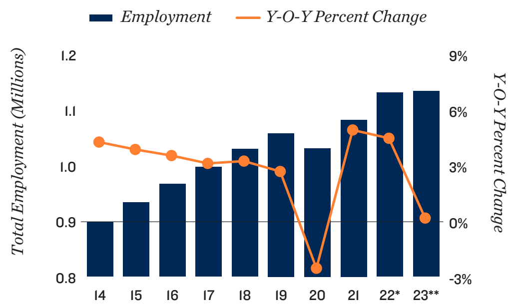
Construction 13,600 units — The metro's annual delivery total ranks as the 10th-highest among major U.S. markets. Completions in Nashville proper account for roughly three-fourths of this year's supply additions.

Vacancy up 200 bps — Record completions translate to a second straight year of notable vacancy increase. At 6.9 percent, year-end unit availability is 150 basis points above its long-term average.

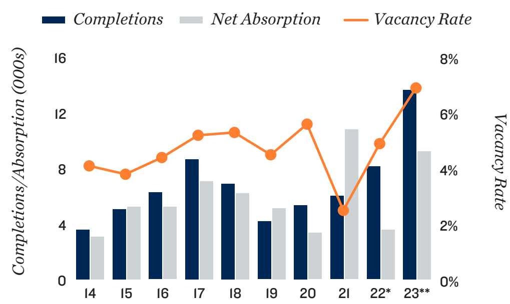
Rent up 3.0% — Increases in concession usage and vacancy temper the pace of rent growth, after a two-year span of robust gains. This moderation places the average effective rate at $1,740 per month.

Investment — National buyers actively targeting tertiary locales may consider listings in Murfreesboro, home to the lowest vacancy among Nashville submarkets and a minimal construction pipeline.

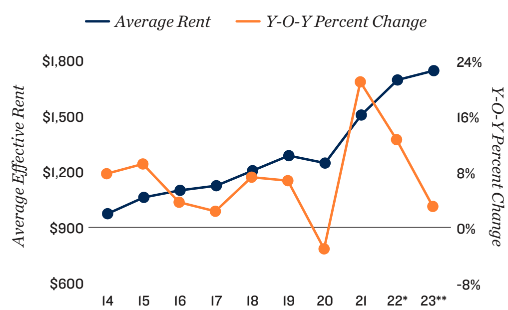
Employment Trends



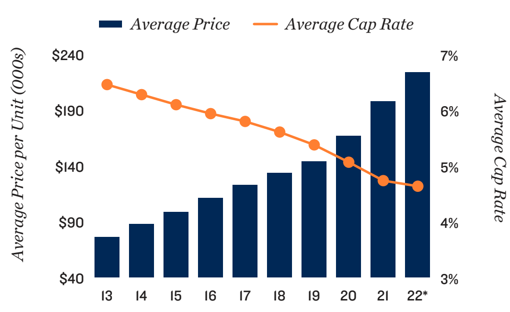
Supply and Demand



Rent Trends



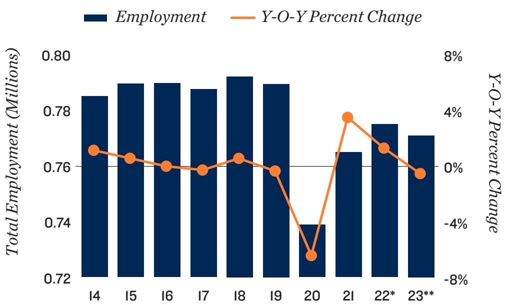
Sales Trends



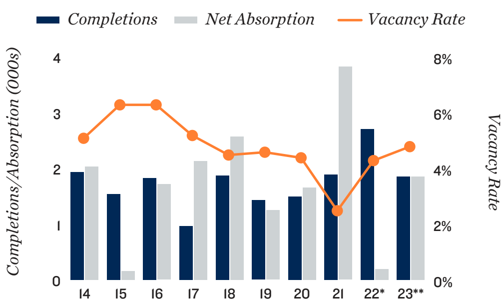
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

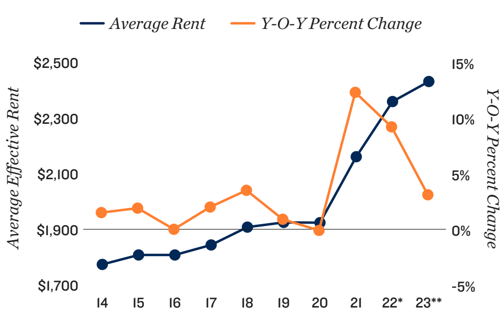
Employment Trends



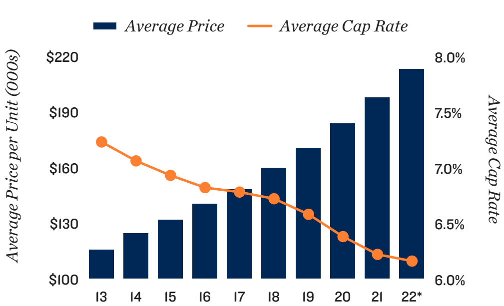
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

As Hybrid Workplaces Influence Renter Choices, Region Benefits from Unique Urban/Suburban Dynamic

Though a year of moderation lies ahead, the market retains various demand drivers. While short-term hurdles will lead to rising availability in 2023, underlying fundamentals in southwestern Connecticut remain solid. The rise of hybrid work has become a persistent, positive demand factor in Fairfield County. Nearly 80 percent of Manhattan employers surveyed in late 2022 conveyed plans to use hybrid schedules as their predominant post-pandemic policy, boding well for properties near thoroughfares bridging Connecticut and New York. Reduced trips to the office are incentivizing some workers to pursue housing in farther-flung suburbs, where renters enjoy a lower cost-of-living, in addition to a mix of suburban and urban amenities. New Haven's academic base provides another backstop for demand in the market's eastern half, where Yale's ecosystem fosters a diverse renter pool, bolstering all property tiers downtown. Furthermore, this region's growing biotech sector should furnish an additional source of luxury apartment demand in the long term.

Private buyers most active, often focusing on downtown locales. Despite mounting capital headwinds and increasing economic uncertainty, marketwide transaction velocity in 2022 outpaced the prior year. This could stem from the metro's notable yields — southwestern Connecticut boasts the highest average cap rate among major northeastern markets. Elevated yields can significantly ease the search for financing, facilitating a higher amount of trade activity. Private investors also make up a significantly higher proportion of capital inflows than nearby metros. This investment cohort is typically more adaptable to changing interest rates than institutional actors, who have much narrower yield targets. As of late, investors have been drawn to Downtown New Haven, due to a stable demand base formed by Yale students and employees at academically-linked firms. Further north, tighter conditions in Downtown Waterbury have prompted transactions here. Additionally, cap rates in this locale usually trend well ahead of the market average.

2023 Market Forecast

NMI Rank 47 — Rental demand restricted by a shrinking labor market this year places Southwestern Connecticut in the bottom five.

Employment down 0.5% — The region's employment base decreases by 4,000 positions, losing less than half of the jobs gained in 2022.

Construction 1,850 units — Annual finalizations taper to roughly two-thirds of last year's count, with construction activity in 2023 in line with the trailing five-year average.

Vacancy up 50 bps — A regional labor market contraction, in tandem with slowing household formation, will drive vacancy to 4.8 percent, in line with typical levels during the middle of the last decade.

Rent up 3.1% — Despite increasing vacancy, rents should maintain positive momentum through the end of 2023. The average effective rent will end the year at $2,428 per month.

Investment — Investors in the $10 million and under tranche pursuing assets near major commuter hubs will likely continue to parse through downtown Fairfield County locales.

Rental Market Begins to Slacken as Inflation Influences Local Policy and Investment Choices

Low vacancy and updated guidelines aid performance in lower-tier assets. New York's multifamily sector entered 2023 in a strong position, with last year's availability rate of 1.9 percent hovering just above a two-decade low. While the vacancy rate is expected to rise this year amid declining household formation, the upward pressure should be metered as metro employers continue boosting staff counts. More workers are anticipated to return to Manhattan and Brooklyn office hubs, which, in conjunction with a full recovery of domestic tourism, should stimulate recruitment in the leisure and hospitality sector and help to maintain tight conditions among Class C apartments. Starting in October 2022, the city's Rent Guidelines Board allowed rent-stabilized apartments rate increases of 3.25 and 5.00 percent on one- and two-year leases, respectively. These larger allotments are partly in recognition of the surging energy and labor costs that have translated to elevated operating expenses across the multifamily sector. Nevertheless, maintenance costs are increasing at a rate in excess of these rent guidelines, which could negatively impact the quality of much of this stock in the long term.

Rising operating costs color buyer choices. Buoyed by New York's consistently strong fundamentals, transaction velocity last year proceeded at roughly the same rate as 2021 in the face of increasing capital costs. Rising management expenses may be prompting some buyers to move away from rent stabilized stock, with sales of less vintage mid-tier assets featuring more prominently in 2022 than during the prior year. Updated rent guidelines could reduce this shift moving forward, though if inflation continues to exceed these, buyers may move capital to assets where monthly rents can be dictated by market conditions. Investors more familiar with the market may be quicker to spot opportunities amid current flux. Local buyers account for a higher proportion of recent sales activity by dollar volume when compared to historic norms.

2023 Market Forecast

NMI Rank 29 — Static household formation and slower rent growth keep New York from entering the upper echelon of rankings this year.

Employment up 0.9% — New York's employers retain positive recruitment momentum in 2023, adding 40,000 positions before year-end.

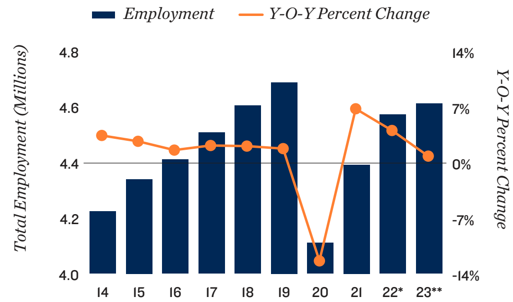
Construction 19,000 units — Annual development totals will fall below the 20,000-unit threshold for the second time in six years, as builders expand inventory by 0.9 percent across the Five Boroughs.

Vacancy up 40 bps — The 2.3 percent availability rate expected this year remains below the historical average in this metric. Class A units will likely be at the forefront of rising vacancy.

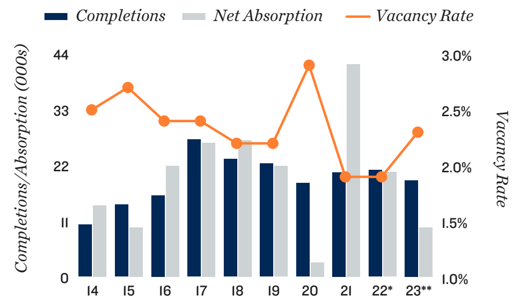
Rent up 2.4% — Bolstered by tight conditions early in the year and aforementioned rent guidelines, monthly rates will hold to an upward trajectory in 2023, ending at an average of $2,950 per month.

Investment — As rising prices complicate basic maintenance on older properties, some investors may hold off on executing value-add strategies on these assets while inflation persists.

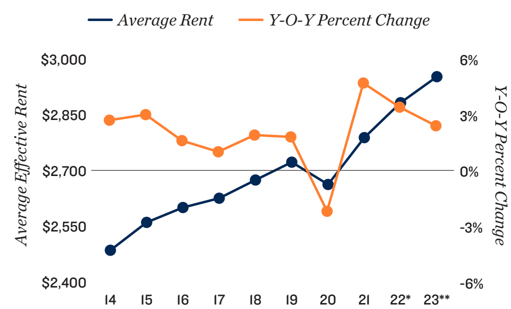
Employment Trends



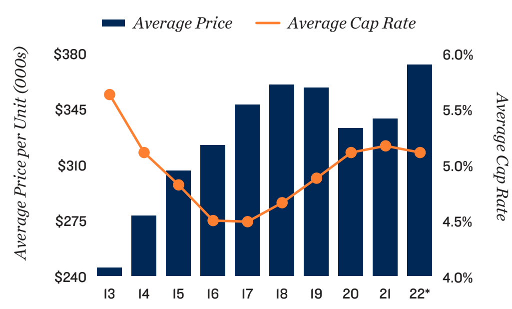
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

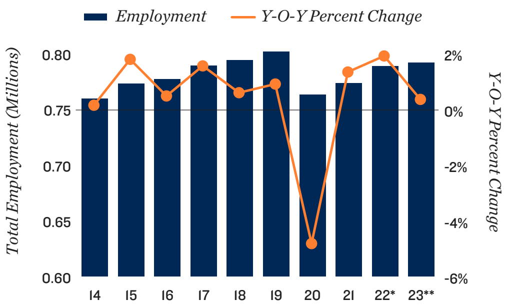
Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

Regional Affordability and Three-Pronged Employment Base Help Insulate Local Rental Sector

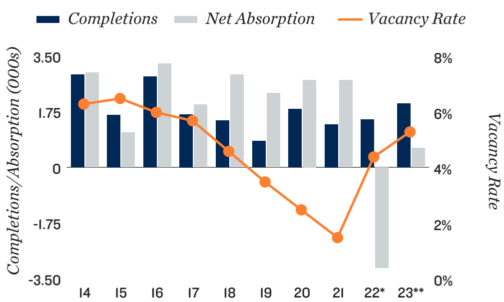
Historic stretch of apartment demand slows. Following six straight years of annual vacancy compression, multifamily fundamentals in Norfolk-Virginia Beach reversed course last year. A rise in evictions stemming from the expiration of Virginia's moratorium last June is largely to credit. Widespread inflation and several years of record rent growth have also played their part, slowing the rate of household formation and placing upward pressure on apartment availability. Rising vacancy will remain at the forefront during 2023; however, the region's high concentration of military, manufacturing and government jobs should prevent a sizable near-term jump in availability. Further insulating the market, a collection of major employers — including Newport News Shipbuilding, WR Systems, Embody and Rush Street Gaming — are collectively expected to create thousands of jobs over the next few years. Additionally, local effective rents are more affordable relative to larger mid-Atlantic markets. Together, these factors are poised to expand the local renter pool over the near term. Still, renter demand is projected to trail the 2,000 units slated for completion this year, elevating vacancy above 5 percent for the first time since 2018.

Metro stands out among smaller markets. Tertiary locales like Norfolk-Virginia Beach are appearing on more investors' radars, a trend that is expected to persist in the coming quarters. Deal flow reached an all-time high last year amid a rising interest rate environment, highlighting the confidence buyers have in local apartment performance. Moving forward, yield-driven investors may be most active in the cities of Norfolk and Portsmouth, where buyers have recently obtained cap rates above the 5 percent threshold. Investors may also exhibit a willingness to pay a premium for mid-tier assets in Virginia Beach, where asking rents are notably above the metro average and vacancy is below the market's mean. Also, assets in Suffolk may garner heightened interest from buyers in the coming quarters, as construction activity has ramped up here as of late.

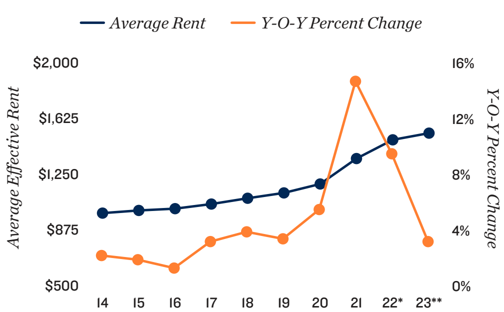
Employment Trends



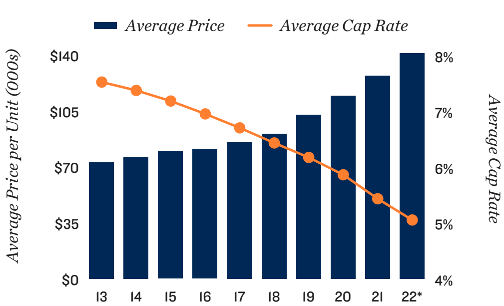
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

2023 Market Forecast

NMI Rank 31 — Norfolk-Virginia Beach places just outside the top 30 in its NMI debut, featuring comparatively low supply pressure.

Employment up 0.4% — The pace of hiring slows considerably from last year's 1.9 percent gain as local employers add 3,000 new jobs in 2023.

Construction 2,000 units — Delivery volume will accelerate relative to the pace in 2022 and reach a six-year high, as developers increase the metro's apartment inventory by 1.4 percent this year.

Vacancy up 90 bps — Net absorption returns to positive territory in 2023. Nevertheless, renter demand trails supply additions, elevating vacancy to 5.3 percent — the highest year-end rate in six years.

Rent up 3.1% — The pace of rent growth tapers from the historic highs observed in the prior two years. Still, the mean effective rate will reach $1,515 per month, despite a potential rise in concession usage.

Investment — Newport News Shipbuilding plans to hire 21,000 people over the next decade. This job creation is expected to heighten investor interest for apartments proximate to the shipyard.

Substantial Construction Pipeline and Capital Market Flux Lead to Opportunities in Western Counties

Robust supply additions test renter appetites for upper-tier space. One of the nation's foremost pharmaceutical and medical hubs, Northern New Jersey is welcoming a bevy of category firms, with Gilead, Embecta and adjacent initiatives in the process of establishing operations here. The metro also hosts a growing Fintech roster, with firms attracted by tax incentives at the state level. These entrants will augment the modest expansion expected in the job market this year, with a sizable number of well-compensated positions providing a solid demand backstop for upper-tier apartments. Looking east, the rise of hybrid workplace plans in Manhattan has prompted commuters to search for housing farther from the office as weekly trips decrease. The market also retains a substantial affordability gap, despite some housing market attrition, which should support Class A and B leasing. Availability will nevertheless see significant pressure from the supply side in the near term. Development activity shows no signs of abating, with 2023's expected annual completions achieving the second-highest total in over two decades. As of late last year, the overall supply pipeline approached 27,000 doors, indicating construction will continue at an elevated pace until at least 2025.

Investor focus shifts amid mounting capital costs. Financing headwinds complicated transaction activity as 2022 progressed, translating to a trading slowdown in the latter half of the year. Moving forward, buyers will prioritize strategically located, high-occupancy assets as lenders exhibit more discretion when funding acquisitions. Investor appetites hold in the market's inland west, particularly Passaic County. This locale was the lone submarket in which trades last year proceeded at a rate roughly equivalent to the prior 12-month span. In addition to boasting the tightest conditions in the metro at the tail end of 2022, yields here tend to be higher than along the Hudson Waterfront and other more heavily-developed zones. Limited development in Paterson and nearby locales should give an additional boost to existing stock as new supply is rapidly added elsewhere.

2023 Market Forecast

NMI Rank 43 — Rents here have risen comparatively slowly since 2019 and are projected to taper significantly this year, affecting its rank.

Employment up 0.5% — Northern New Jersey's job base continues to expand as employers fortify staff counts by 11,000 in 2023.

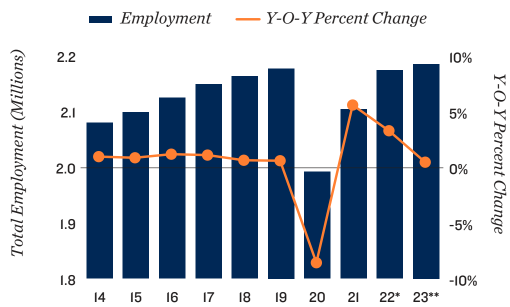
Construction 12,000 units — Builders extend the robust supply gains observed over the past half-decade, growing stock by 2.8 percent in 2023. Annual completions since 2017 have averaged over 10,000 doors.

Vacancy up 80 bps — Rapid stock expansion alleviates the tight conditions observed during the prior two years. Vacancy climbs to 4.5 percent by year-end, in line with the historical average.

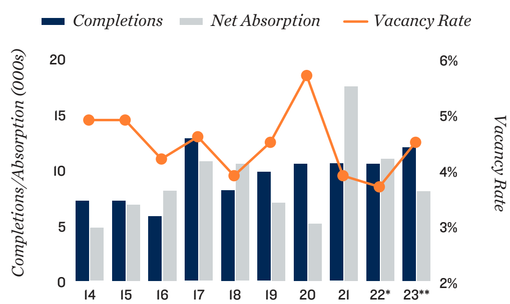
Rent up 1.1% — Rent growth eases this year after notching increases of no less than 8.0 percent during the two preceding annual periods, bringing the mean effective rent to $2,325 per month.

Investment — Investors seeking newer builds in the Class A and B segments often look to Morris and Passaic counties, where a narrow supply pipeline will limit competition for new renters.

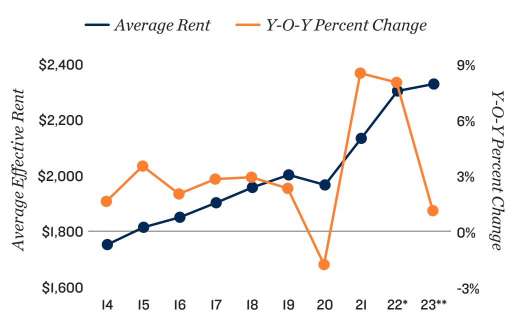
Employment Trends



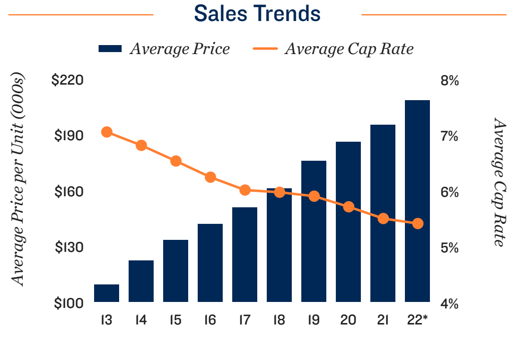
Supply and Demand



Rent Trends



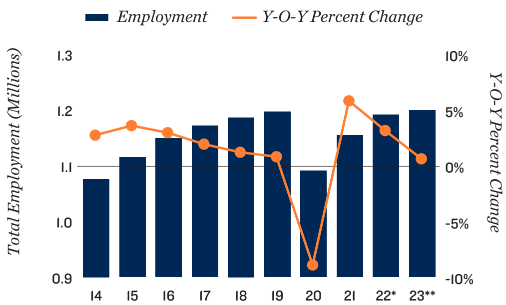
Sales Trends



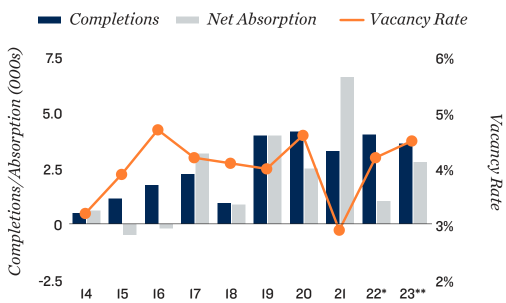
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

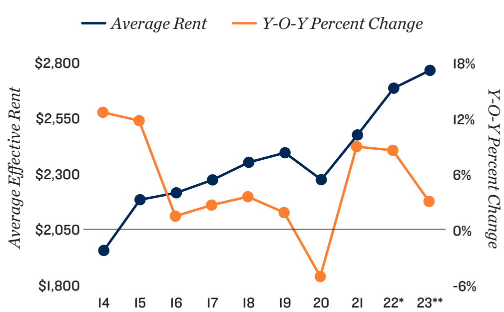
Employment Trends



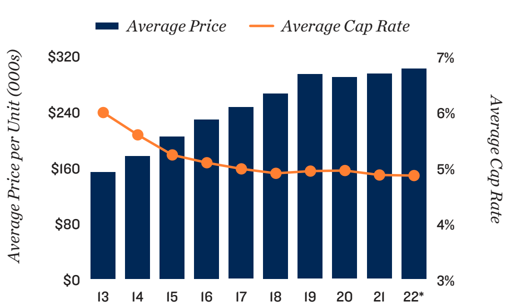
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

Renters Incentivized to Stay Put Amid Slow Return to Office, Providing Stability for Multifamily Metrics

Demand in East Bay supported by neighboring markets. Oakland is joining its Bay Area siblings in an ongoing economic recovery from the health crisis, benefiting local apartments. A smaller percentage of traditionally office-based jobs than in San Francisco or San Jose meant Oakland renters were already less predisposed to remote work than in other parts of the region, aiding properties during the earlier part of the pandemic. As more employees are now returning to workplaces across the entire Bay, Oakland rentals are poised to benefit further. Professionals with hybrid schedules can opt for a longer commute, but find comparatively lower monthly rates here. These trends supplement rental demand generated from local job growth. However, even with reinforced fundamentals, Oakland will not be immune to macroeconomic trends that are affecting the region, including layoffs in the technology sector as firms prepare for oncoming headwinds.

Relatively higher yields draw Bay Area investors. The rapid swell in interest rates last year that extends into 2023 has placed an added emphasis on cap rates. Yield-driven investors looking to expand their portfolios may be attracted to the East Bay, which retains higher returns than San Francisco and San Jose on average. Within the metro, the same dynamic exists between East Oakland and the rest of the core, which may help this locale retain more of its sales velocity this year. At the same time, well-capitalized investors could maintain a focus on core assets, favoring properties built in the last 20 years. Rent regulations within the city of Oakland were further restricted last year, with annual rate adjustments now set to the lesser of 60 percent of the change in CPI, or 3 percent. As such, buyers seeking value-add upside are likely to look more toward other areas of the market, even though some costs of capital improvements may still be passed on in the form of rent increases on a case-by-case basis via petition.

2023 Market Forecast

NMI Rank 26 — Despite having tight availability, nominal rent gains relative to the metro's year-end 2019 rate place Oakland in the middle.

Employment up 0.7% — A slowing economy will produce fewer jobs. Still, about 8,000 new roles should be created this year.

Construction 3,600 units — Construction will exceed the long-term average in 2023, expanding inventory 1.6 percent. Downtown Oakland will receive the majority of new units.

Vacancy up 30 bps — Supply additions over the last five years have doubled the long-term average. Even with demand growing from 2022, the vacancy rate will be pushed up to 4.5 percent this year.

Rent up 3.0% — Rent gains will cool after the previous year's above-average jump of 8.5 percent. The mean effective rate will nonetheless be lifted to $2,760 per month by year-end.

Investment — Class B/C properties near UC Berkeley could maintain low vacancy through oncoming economic headwinds, as the university continues to bolster its student population.

Areas of Locally-Discounted Rent and Sparse Building Top Private Investors' Lists Amid Wave of New Units

Divergent cities brace for noteworthy stock expansions. A sizable collection of $1 million-plus homes and an above-average share of professional and business services jobs continue to fuel a competitive Class A rental environment in Orange County, despite economic headwinds. At the tail end of last year, the metro claimed the lowest luxury vacancy rate among major U.S. markets, a ranking that may be challenged in the near term. Deliveries are slated to eclipse the 4,000-unit mark this year for the first time since 2017, with supply additions concentrated in two contrasting cities. The epicenter of local corporate operations, Irvine's apartment stock is expected to expand by 3.0 percent this year, as nearly 1,400 rentals are finalized. Upcoming deliveries, however, may benefit from a broader return to in-office operations and the city's sub-3 percent Class A vacancy rate. Meanwhile, a similar number of units are scheduled for completion in Santa Ana, expanding local stock by 7.0 percent. Here, new apartments seeking more than $3,000 per month may have a harder time stabilizing in 2023, as the city has historically offered residents some of the metro's lowest effective rates.

Transit improvements and areas of relative stability garner buyer attention. Regarded as having one of the nation's lowest Class B and C vacancy rates, Orange County will remain an attractive locale among Southern California buyers seeking mid- and long-term holds. Older complexes with fewer than 20 units should continue to account for the bulk of deal flow this year, with private investors targeting areas that offer upside potential via some of the metro's lowest average effective rents. Anaheim and North County cities like Fullerton and Buena Park fit this description, as do Santa Ana and Garden Grove. The latter two locales may register buyer competition prior to the completion of the OC Streetcar in 2024. The four-mile stretch of light rail passes through both cities and is expected to draw more potential renters to nearby apartments.

2023 Market Forecast

NMI Rank 23 — The metro receives a near-middle rank, as low vacancy and high homeownership costs mitigate mild population growth.

Employment down 0.6% — The local employment recovery hits a snag, as the year-end job count falls 36,000 positions below the pre-pandemic peak.

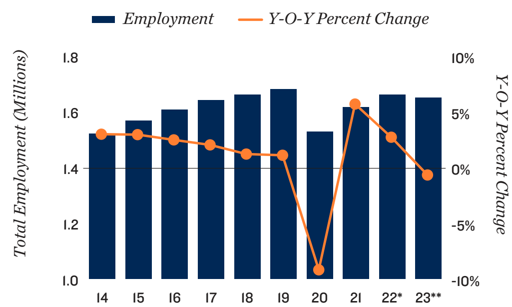
Construction 4,200 units — Developers finalize a six-year high volume of units this year, growing inventory by 1.6 percent. Supply additions, however, are minimal in Anaheim, the largest submarket by stock.

Vacancy up 80 bps — Unit availability rises for a second straight year to 3.8 percent. Still, Orange County finishes 2023 with the fourth-lowest vacancy rate among major U.S. markets.

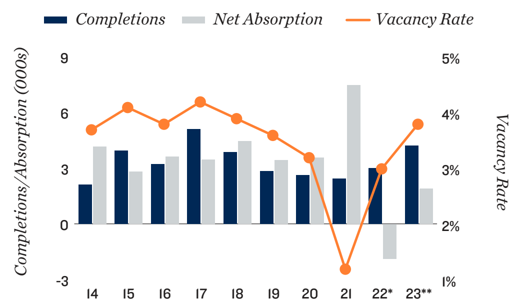
Rent up 2.2% — Positive absorption and relatively tight conditions across property classes elevate the mean effective rate to $2,820 per month, a figure that exceeds the national measure by nearly $1,000.

Investment — Recently enacted rent control in Santa Ana may deter some investors from pursuing local listings, creating an opportunity for private buyers seeking sources of stable, long-term cash flow.

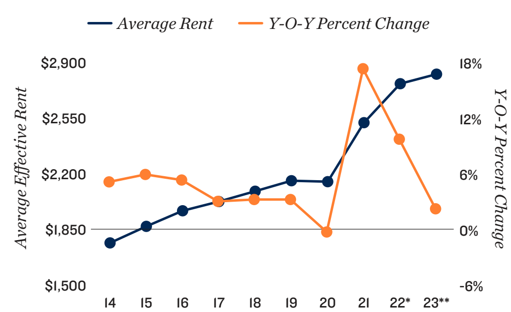
Employment Trends



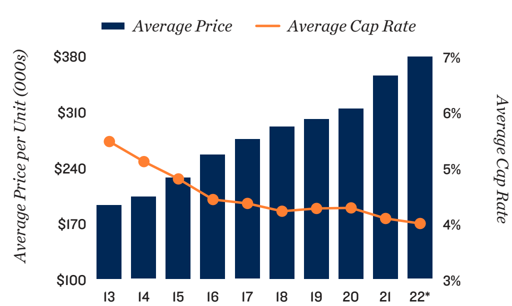
Supply and Demand



Rent Trends



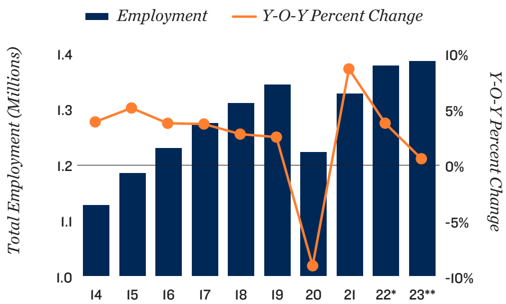
Sales Trends



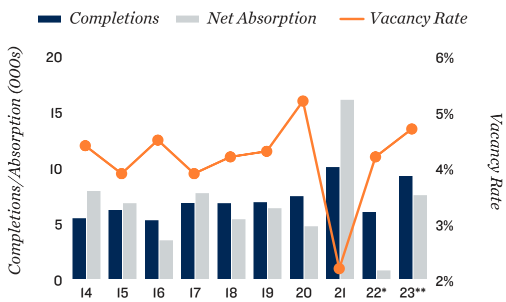
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

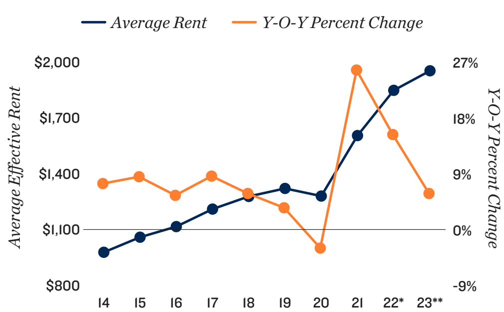
Employment Trends



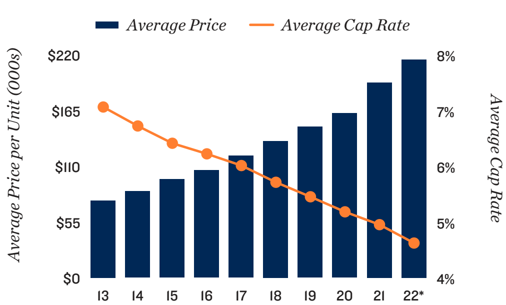
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

Favorable Living Costs, Tourism Backbone and Corporate Relocations Fortify Demand-Supply Balance

Desirable living conditions keep rental market leveled. Completions will elevate in 2023 as last year's postponed projects populate the pipeline. An above-average period of supply additions will help bring the market back to equilibrium, even with the stronger demand for rentals expected this year. Robust population growth is sustaining a household formation pace that nearly triples the national rate. Net in-migration is being driven by lower living costs compared to the Northeast and solid job availability, especially in the leisure sector. Orlando boasts the second-largest arts, entertainment and recreation employment base in the nation. Other aspects of the local economy are also expanding. A bevy of corporate relocations and expansions from Amazon, Astronics Test Systems, Iceland-based SAHARA, among others, will support the metro through potential upcoming economic volatility. All of these factors are contributing to renter demand, along with elevated interest rates, which have caused some prospective first-time homebuyers to postpone ownership amid a growing affordability gap between average rent and the typical mortgage payment. Tenacious housing needs will provide a backstop for vacancy among additional supply pressure and a cooling economy.

Stable investments, backed by robust fundamentals, continue to attract buyers. Investors' purchasing power has been constrained by the actions taken by the Fed to curb inflation, causing some sellers to shelve deals to wait out the interest rate hikes. However, some buyers are finding that the strong rent gains anticipated in Orlando this year could offset increased debt costs. Low vacancy and high rent growth may temper the impact on pricing compared to other markets amid intensified borrowing costs. The Downtown and I-Drive areas have reported recent lifts in transactions from previous years, likely due to the stability garnered from high median incomes and population density. Properties trading here are typically luxury apartments with cap rates below the metrowide average.

2023 Market Forecast

NMI Rank 3 — Swift household formation buoys a comparatively rapid rent growth trajectory, helping Orlando lay claim to a top-three spot.

Employment up 0.6% — Employment growth will slow to 8,000 jobs added in 2023 as national GDP growth levels off and local firms ease hiring.

Construction 9,200 units — Development activity accelerates to a level above the long-term average, as some projects were postponed in the wake of Hurricane Ian. The metro's inventory will expand by 3.6 percent.

Vacancy up 50 bps — Vacancy trends toward the metro's 10-year average, after a record-setting low during the previous year. An elevated number of completions will lift the rate to 4.7 percent.

Rent up 5.7% — Rent growth holds strong relative to the national mean in 2023 as the average effective rate rises to $1,945 per month, following the 15.2 percent surge registered last year.

Investment — Northwest Orlando's higher cap rates may attract yield-driven private capital to the extensive number of Class B/C properties in the area with potential for renovations.

Urban Core Set to Take on Bevy of New Supply; Active Capital Sources Target Upper-Tier Stock

Wave of projects initiated early last year begin to lease. Philadelphia's employers are expected to continue growing this year as returning tourism, as well as office usage, stimulate hiring in the hospitality and retail sectors. These factors should facilitate a diverse renter demand base in the Greater Center City area, though supply trends indicate slack conditions may be ahead. Record stock expansion in 2023 signals the onset of an urban development surge. Utilizing a city tax abatement that has since been reduced, builders initiated a notable amount of projects in Philadelphia proper in 2022. Much of this pipeline is concentrated in the city's northern neighborhoods, and may generate concessionary activity when added to market beginning late this year. Stock growth in suburban locales will be more metered, limiting upward vacancy pressure here and extending the availability gap seen between these zones and the CBD since 2020. Exacerbating this, most projects that broke ground last year are scheduled for delivery in 2024 and beyond, indicating the current pace of deliveries will continue for the next few years.

Class A investment robust, though supply gains may cause buyers to shift criteria. A flight-to-quality appears to be underway in Philadelphia as a higher percentage of upper-tier properties are changing hands, lifting average per-unit pricing on a double digits percentage basis over the past year, despite easing transaction velocity. A dynamic mix of Class A opportunities are garnering attention from a range of investors, including smaller assets within the sub-$10 million price tranche. Buyers are focusing near the core and in the northwestern suburbs, where many professionals relocated given the flexibility of hybrid work options. Nevertheless, urban assets in this tier will face more competition in the coming months, due to the high volume of luxury units slated for Philadelphia proper. Some smaller investors operating in this segment could look to the Class C sector, where availability is more consistent and annual rent growth was higher as of late 2022.

2023 Market Forecast

NMI Rank 44 — Although vacancy is limited, demand and rent gains have been regionally underwhelming, contributing to a lower rank.

Employment up 0.4% — Hiring velocity retains forward momentum in 2023 as Philadelphia-area employers recruit another 12,000 workers.

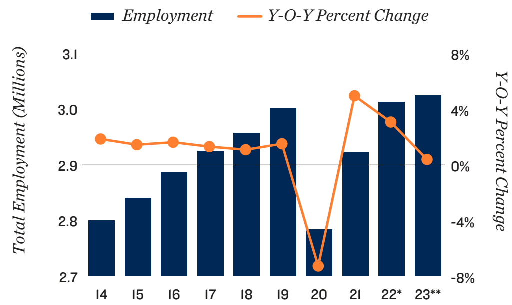
Construction 8,500 units — Developers complete an all-time high volume of units this year, outpacing the previous record achieved in 2020 by more than 1,800 apartments.

Vacancy up 90 bps — Historic supply additions will bring availability to 4.6 percent, the highest level in more than half a decade. The largest vacancy increases will be seen in core-adjacent zones.

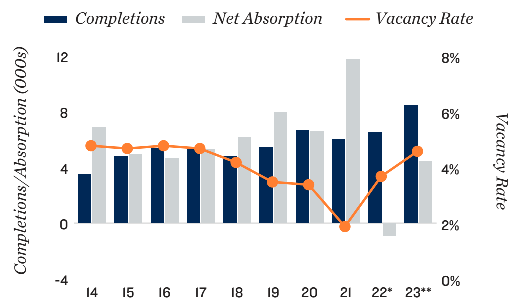
Rent up 2.0% — After two years of historic gains, this year's supply increase will help slow rent growth to a more sustainable pace. Still, the average effective rent will climb to $1,795 per month.

Investment — Investors drawn to the Class B segment may seek out opportunities in New Jersey and Delaware submarkets, which boasted tighter conditions and more rapid rent growth entering 2023.

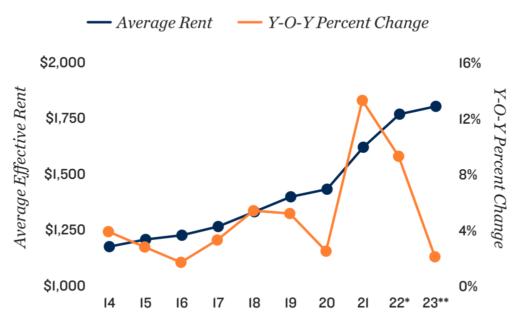
Employment Trends



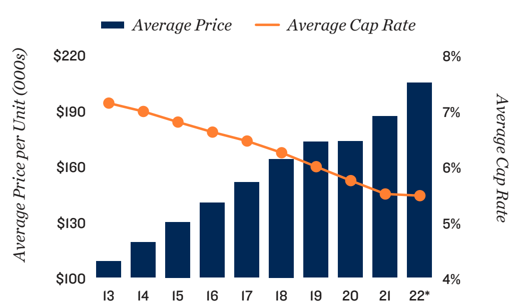
Supply and Demand



Rent Trends



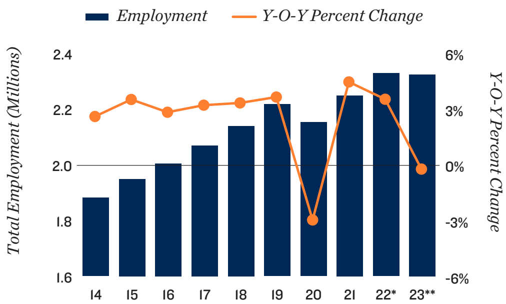
Sales Trends



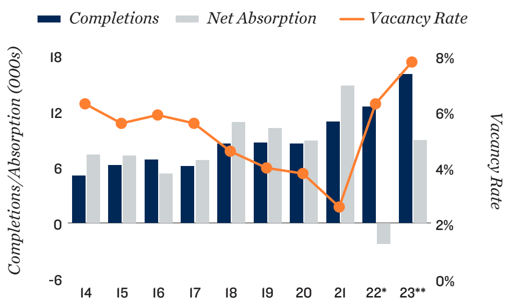
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

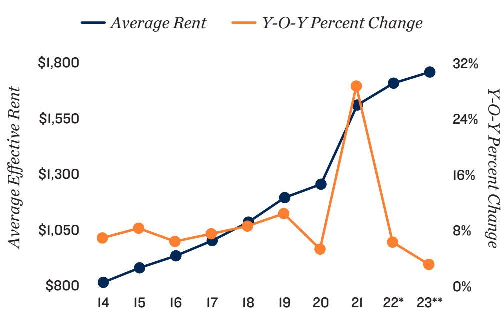
Employment Trends



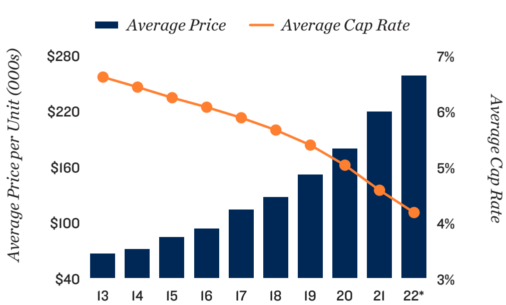
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

Semiconductor Investments Prelude to Economic Expansion; Buyers Persevere in Spite of Headwinds

Long-term hiring wave becomes clearer. Phoenix is approaching the forefront of the U.S. manufacturing economy, following expansions from semiconductor giants Intel and Taiwan Semiconductor Manufacturing Company (TSMC). These firms' investments, which total at $32 billion, should render Phoenix a key player in the global supply chain and initiate rapid hiring in years to come. Aside from its abundant land and skilled labor, the metro's low-income tax rates and tax reductions for foreign investments will continue to play a major role in establishing a robust industrial ecosystem, stoking labor gains in the Valley. TSMC's announced entrance has already urged more than 40 semiconductor suppliers to enter Phoenix, in addition to the 2,000-plus local technician jobs anticipated to be created within the firm by 2024. As most of these positions are likely to fall within the renter pool, the local multifamily sector should reap operational gains from the semiconductor industry's growth in the longer term. Though, for the time being, a historic supply infusion will be met with a short-term reset of the labor market, sustaining upward pressure on vacancy.

Demand drivers prop up investment activity. Trading velocity has dipped moderately, due to weaker performance across asset classes and mounting capital costs. Though, the metro's strong economic outlook — supported by a growing roster of multinational retailers and manufacturers — is softening some buyers' concerns arising from near-term economic headwinds. Areas likely to draw active investors include North Phoenix, where low- to mid-tier assets are situated near TSMC's construction site. Meanwhile, properties in Tempe continue to generate interest, with the presence of Arizona State University and many of the metro's tech employers enhancing local assets' resiliency amid sudden vacancy increases. Areas with high residential growth, such as Chandler, may see an uptick in Class A trades, which have been relatively quiet as of late. Investors anticipate improvements to top-tier demand here, as climbing home prices are steering households to rentals.

2023 Market Forecast

NMI Rank 11 — Phoenix's top-15 rank is anchored by solid household formation, which backstops renter demand amid elevated supply.

Employment down 0.2% — The local employment market resettles, shedding 5,000 jobs following the addition of nearly 80,000 positions in 2022.

Construction 16,000 units — Rental inventory is projected to expand by a record-high 4.1 percent in 2023, with the greatest number of new units coming online in Avondale, Goodyear and West Glendale.

Vacancy up 150 bps — A historic supply volume, paired with a shrinking job market, place upward pressure on vacancy. The year-end rate of 7.8 percent will be 110 basis points above the long-term mean.

Rent up 2.9% — Rent growth falls below the long-term pace, despite a modest improvement to net absorption. At $1,750 per month, the average effective rent has more than doubled since the end of 2015.

Investment — Higher interest rates and operational volatility cause value-add deals to lag behind opportunities, which present favorable long-term returns relative to the cost of borrowing.

Macroeconomic Headwinds Hit Allegheny County; Tight Conditions Aid Outlook Farther from the Core

Rising vacancy anticipated in Pittsburgh proper, but less slack expected in far suburbs. Some of the market's major tech sector employers, including Google parent Alphabet and Meta, are slowing or pausing recruitment moving into 2023. Workers in this segment have been a prominent source of demand for upper-tier apartments in recent years, particularly in the Greater Downtown area. The metro, nevertheless, retains some bright spots. Though unit additions are expected to tick up from last year, the active pipeline indicates stock expansion should remain well below the highs seen from 2015-2016 for the foreseeable future. Deliveries for this year are concentrated almost entirely in Pittsburgh and close-in suburbs. Limited supply-side pressure should keep operations relatively tight in the metro's farther-flung suburbs. The Westmoreland-Fayette Counties submarket retained sub-1 percent availability throughout 2022, generating market-leading rent growth in this timespan. Moving back to Pittsburgh, the market's academic institutions foster a stable demand base in Oakland-Shadyside, which should mitigate climbing availability here.

Vintage assets retain buyer interest as transaction velocity decelerates. Pittsburgh's average sale price per unit has nearly tripled over the past decade, prompting a portion of the metro's historically smaller, local buyer pool to adopt new acquisition strategies. Investors pursuing Class C assets have recently shifted from mid- to predominantly early-20th century buildings, indicating an increasing prominence of value-add deals. Smaller main street locales in the Westmoreland-Fayette Counties submarket, like Uniontown, are replete with assets in this category. The higher cap rates offered by this segment, in addition to commendably low local vacancy rates, can facilitate an easier search for financing, even as lenders tighten underwriting and exercise greater scrutiny in a climbing interest rate environment. Furthermore, a negligible construction pipeline should limit competition for assets outside of Allegheny County for the foreseeable future.

2023 Market Forecast

NMI Rank **50** — A subdued job market and limited household formation contribute to backtracking rents and solidify the low rank.

Employment down 0.8% — The local employment market will contract by 9,000 jobs this year, losing just over a third of last year's gains.

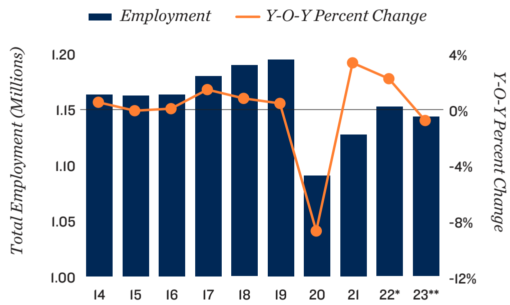
Construction 1,700 units — Builders are anticipated to expand stock by 1.2 percent this year, though additions remain well below previous highs. Completions will be nominal outside of Allegheny County.

Vacancy up 110 bps — The market will observe its second consecutive year of negative net absorption, bringing availability to 5.5 percent. Vacancy will rise the most acutely in the core and adjacent zones.

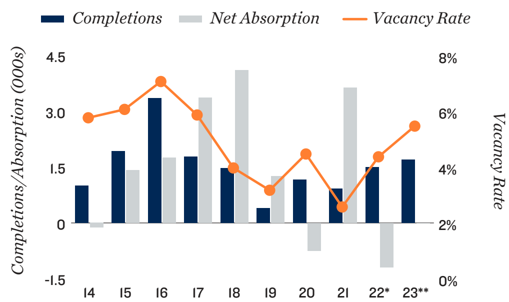
Rent down 0.8% — Climbing vacancy will prompt an increase in concessions usage this year, translating to a minor rent retreat. The average effective rent will close out 2023 at $1,408 per month.

Investment — Trades exceeding $15 million are infrequent in southwestern Pennsylvania, but institutional actors are sometimes seen targeting post-2000 builds in the core or affluent close-in suburbs.

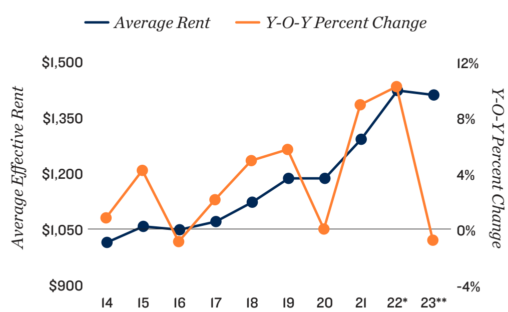
Employment Trends



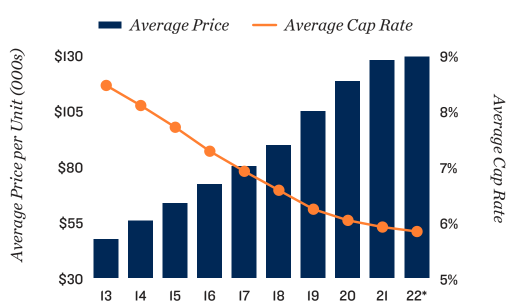
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

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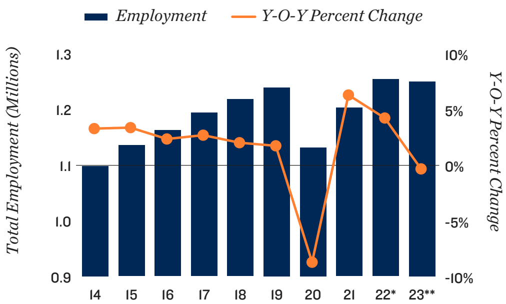
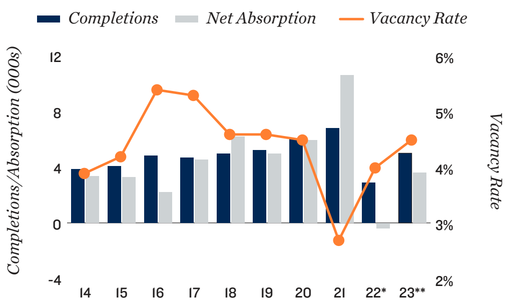
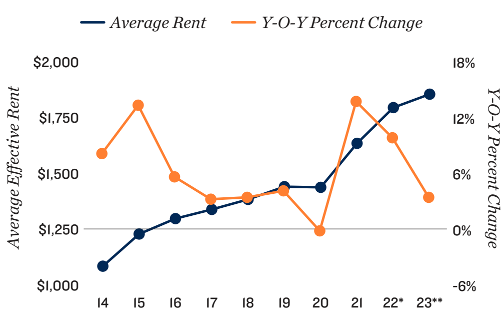
Employment Trends



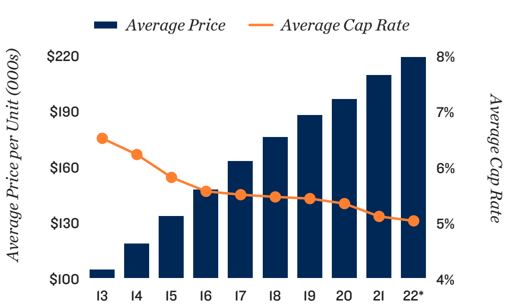
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

Microchip Production Lays Pathway for Future Growth; Rent Cap Urges Divergent Investment Strategies

Expansions reinforce long-term job perspective. Entering 2023, Portland's multifamily sector is in flux. A slowdown in global semiconductor sales has led Oregon's largest employer, Intel, to temporarily cut a significant number of positions, contributing to the anticipated loss of 4,000 jobs from the metro's total headcount at year-end. Though career uncertainty among renters will combine with an elevated supply volume to lift vacancy in the near term, the metro is still attracting expansions that will stoke multifamily tailwinds when it comes time to hire again. Intel intends to construct a $700 million data center in Hillsboro, and has yet to recruit for the $3 billion D1X expansion completed early last year. Class B and C rentals will see the largest vacancy improvements when these operations are fully online, as they typically accommodate renters in these fields.

Investors seek lower-cost opportunities with greater upside. Since the passing of Oregon's rent control bill in 2019, the investment landscape south of the Columbia River has largely been one of controlling costs and managing long-term revenue streams. The bill enforces a rental rate cap on units older than 15 years of age and introduced stricter requirements for evicting tenants. These barriers to entry, especially for value-add opportunities, should continue to direct buyers to properties with discounted pricing and expense-reducing features. As such, lower-tier properties in the Lloyd District are rapidly being taken off the market, with investors drawn to its abundance of sub-$200,000 entry costs and the subsidized property maintenance and utility management services the municipality offers as part of its Enhanced Service Districts program. Value-add investors, on the other hand, are often in Vancouver, with cap-exempt lower- and mid-tier properties there providing stronger upside than their Oregon counterparts. Buyers here anticipate long-run improvements in local renter demand, especially for Class B properties, after observing strong leasing for newer-built, top-tier projects.

2023 Market Forecast

NMI Rank	18	Continued household formation and a moderate vacancy rise relative to most markets contribute to a top half ranking.
Employment down 0.3%		Employers shed 4,000 positions, amounting to less than 10 percent of the job gains observed last year.
Construction 5,000 units		Development activity approaches the five-year trailing average, following a decade-low number of deliveries in 2022. Builders are slated to expand metro stock by 2.2 percent.
Vacancy up 50 bps		A larger pipeline, coupled with a shrinking job market, sustains upward vacancy momentum. Still, at 4.5 percent, availability remains lower than the year-end rates from 2016-2019.
Rent up 3.4%		Despite a modest improvement to demand, rent growth falls below the long-term pace for the first time in five years, placing the average effective rate at $1,850 per month.
Investment		Hillsboro's Enterprise Zone continues to draw operational expansions from semiconductor firms, spurring investor interest in apartments located there.

Tech Firms Plant Seeds for Long-Term Growth; Investors Continue to Eye Prospects, Despite Current Headwinds

Substantial supply growth leapfrogs demand. The announcement of several billion-dollar investments for corporate expansions into Raleigh has noticeably boosted apartment development. Builders broke ground on more than 50 multifamily projects last year, following Apple and Google's 2021 commitments to construct campuses in the Research Triangle. Still, it may be a few years before these expansions are fully online, and in the meantime, rental supply will jump 6.3 percent this year. This new inventory, paired with a more modest hiring outlook for 2023, will push vacancy up in the coming quarters. Multiple structural factors bode well for local recruitment efforts in the long-run, however. Three of Raleigh's universities rank among the top 30 in the nation, and the metro already boasts an established tech presence. These factors are contributing to a diversifying economy and are stoking tailwinds for local rentals. Automaker VinFast, and silicon carbide producer Wolfspeed, each intend to build multi-billion dollar manufacturing facilities in 2024. These projects are anticipated to create 9,200 positions, significantly adding to lower- and mid-tier rental demand, as such employees typically fall under these renter pools.

Investors maintain long-term confidence. Raleigh's fruitful economic outlook will serve to be a key motivator for trades amid mounting capital costs and economic uncertainty. Lower- and mid-tier properties in Downtown Raleigh and Downtown Durham should continue to generate significant interest from value-add investors, with assets proximate to the metro's universities providing strong upside following renovations. Though, this interest may shift to South Durham, as the area features Class B and C apartments in relative proximity to both VinFast's and Wolfspeed's new manufacturing facilities. While Class A trades have been somewhat muted, substantial supply as of late should provide more opportunities for investors to acquire institutional-grade assets.

2023 Market Forecast

NMI Rank 15 — Although Raleigh's elevated supply will weigh on vacancy, household formation and hiring carry on, benefiting its rank.

Employment up 0.7% — Job gains wind down in 2023, with local employers adding a mere 7,000 positions to the metro's total headcount.

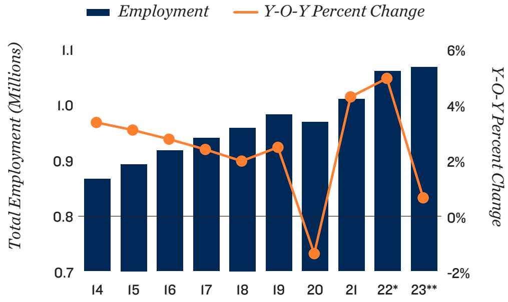
Construction 11,200 units — Raleigh welcomes its largest annual supply volume on record, as builders expand metro stock by 6.3 percent. Construction will be concentrated in the Southeast and urban core.

Vacancy up 260 bps — Unprecedented supply pressure initiates the largest vacancy expansion observed in over 20 years. At 7.6 percent, the year-end rate will be the metro's highest since 2009.

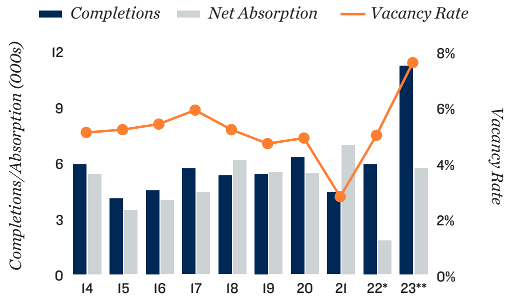
Rent up 2.5% — Rent growth falls below the long-term pace as renter demand is outstripped by supply two-fold. Still, at $1,660 per month, the average effective rate has advanced 40 percent since 2020.

Investment — Interest may pick up for Class C properties in South Cary, Chapel Hill and East Durham, in response to each area's sizable lower-tier vacancy compression over the past year.

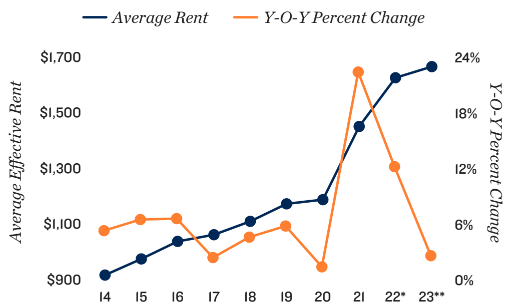
Employment Trends



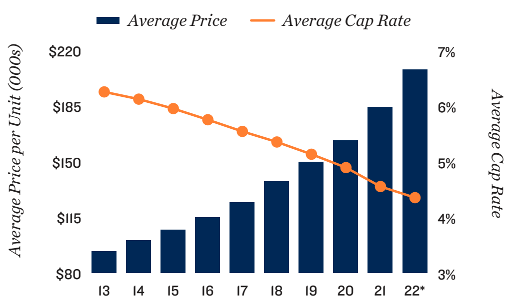
Supply and Demand



Rent Trends



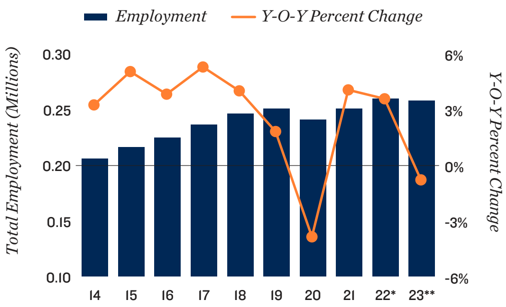
Sales Trends



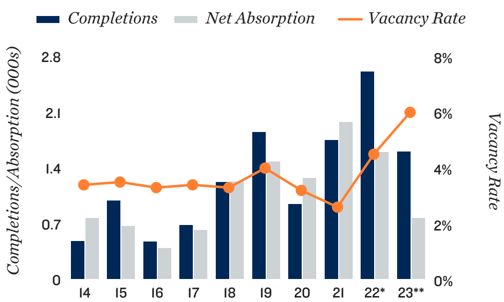
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

Employment Trends



Supply and Demand



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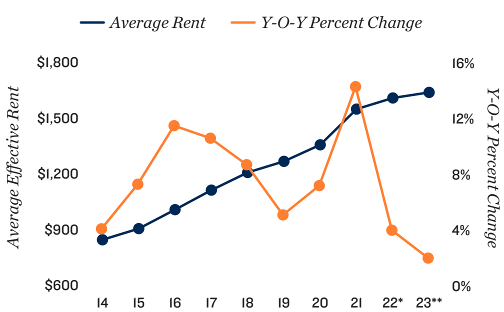
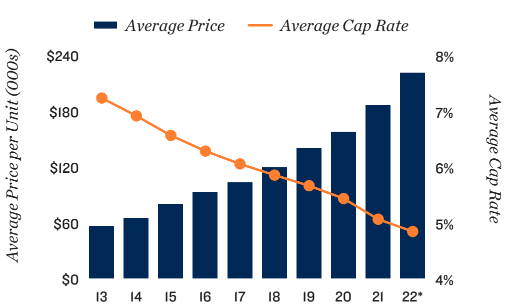


Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

Multifaceted Expansion Sets Metro Apart From Other Tertiary Rental Markets

Localized industrial growth enlarges renter pool. Providing companies with low-cost access to West Coast and Pacific Northwest populations, Reno is establishing itself as a regional distribution and manufacturing hub. The metro's growing roster of omnichannel retailers, logistics providers and renewable energy firms is supporting in-migration, which is fueling apartment demand. Observations from the past five years reflect a market in expansion. During this interval, the metro's populace swelled by more than 35,000 residents, and developers increased local rental inventory by 19 percent. Recent industrial leasing and Redwood Materials' plans to construct a sizable EV battery operation suggest rapid expansion will persist over the near term, with the 3 million square feet of industrial space scheduled for 2023 delivery further supporting this expectation. This bodes well for apartment operations, as employees of industrial-using firms historically fall into the renter pool. Still, overall demand for multifamily units is expected to trail the 1,600 new units slated for this year, raising vacancy to its highest point since 2010.

West Coast investors seek pricing discounts close to home. Reno's recent economic and population expansion places the metro in a more favorable position than prior to the last national recession. Out-of-state buyers — especially from California — are taking notice, and should lead what may be a tempered local sales landscape in 2023. Opportunities to acquire older suburban properties with triple-digit unit counts are likely to garner interest from value-add investors, as these larger assets can provide buyers with upside, following full interior renovations. The reimagination of Reno's downtown may also stir out-of-town interest for listings. Piggybacking off the adaptive reuse of Harrah's Casino into market rate apartments last year, construction is underway on a 370-unit project adjacent to Greater Nevada Field and several projects that are part of the $1 billion, mixed-use Neon Line District, which at build-out will transform 20 city blocks.

2023 Market Forecast

NMI Rank **34** Comparatively softer rental performance fosters a lower NMI debut, but robust household formation portends future gains.

Employment down 0.8% — Despite the loss of 2,000 positions in 2023, the year-end job count will exceed the pre-pandemic peak by 7,000 workers.

Construction 1,600 units — Supply additions moderate this year, yet developers will expand rental inventory by an above-average 3.2 percent. Upcoming completions are concentrated in Sparks and North Reno.

Vacancy up 150 bps — Upward vacancy movement is noted for a second straight year, as completions outpace demand. This performance pushes availability up to 6.0 percent, a 13-year high.

Rent up 1.9% — Vacancy above the long-term average will slow the pace of rent growth and potentially increase concession usage. Still, the mean effective rate rises to a new high of $1,630 per month.

Investment — Reno's investment pool is poised for further diversification, as a five-year stretch of elevated unit deliveries has the potential to support newer-built property listings.

Pillars of Local Apartment Leasing Hold Firm, Stoking Demand for Southern California's Lowest-Cost Rentals

Luxury sector at a crossroads as large-scale deliveries approach. The Inland Empire entered this year with an average effective rent at least $500 per month below all major Southern California markets. This affordability is poised to facilitate regional relocations to Riverside and San Bernardino counties during 2023, aiding apartment demand amid a period of economic volatility. Rapid industrial sector expansion should further fuel leasing at complexes, with transportation and warehousing-related jobs added as companies occupy the 25 million square feet of such space that comes online this year. Together, these positives may prevent a significant rise in multifamily vacancy from occurring over the coming quarters. Still, Class A demand stands to be tested. Following a two-year interval of relatively limited new supply, a collective of large-scale projects are slated to deliver units in 2023. Several multiphase developments in Ontario and Rancho Cucamonga highlight the list of upcoming completions that feature upward of 300 rentals. These properties and a group of new apartments in South Riverside County have the potential to push the metro's Class A vacancy rate beyond 5 percent for the first time in 10 years.

Specific property types stand out to investors. Local Class C vacancy was one of the nation's tightest at the onset of 2023, positioning lower-tier properties to provide owners with stable cash flow during a potential recessionary period. A collection of active Southern California investors will compete for these listings. Some may reinvest proceeds from a recent sale in their home market into Inland Empire rentals, exchanging into a higher cap rate at a lower price point. Private buyers will target the metro's stock of sub-30-unit Class C complexes. Those seeking regionally discounted pricing have historically found the most opportunities in the metro's largest cities, and more recently high desert locales off Interstate 15. Properties with a notable three-bedroom-unit mix should be coveted as well, as assets with this layout stand to benefit from household consolidation trends.

2023 Market Forecast

NMI Rank 14 — Still-favorable household formation, due to further job growth and regional affordability, grant the market a top 20 ranking.

Employment up 0.3% — A third straight year of positive hiring velocity pushes the year-end job count 91,000 positions beyond the pre-pandemic mark.

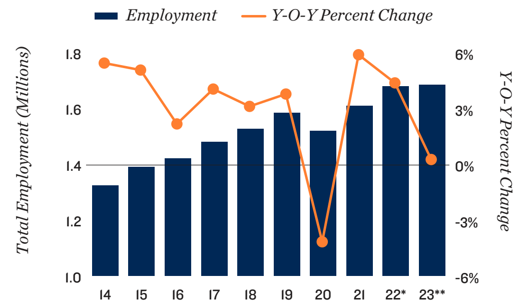
Construction 2,700 units — Annual delivery volume reaches its highest mark since 2007, expanding rental stock by 1.4 percent. Nearly all properties slated to deliver this year feature upward of 100 apartments apiece.

Vacancy up 120 bps — Unit availability increases for a second straight year to 4.7 percent, as a rise in completions outpaces positive absorption. Class C vacancy will remain well below the metrowide mean.

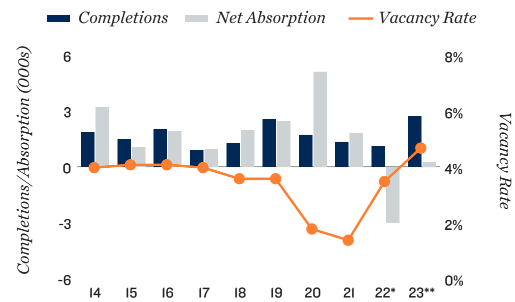
Rent up 4.0% — Demand for lower-cost rentals and a wave of new units allow the Inland Empire to lead Southern California markets in rent growth, raising the mean effective rate to $2,340 per month.

Investment — Tight Class C conditions may funnel a portion of renters into the Class B pool, prompting some institutional investors to target larger mid-tier complexes with upside potential.

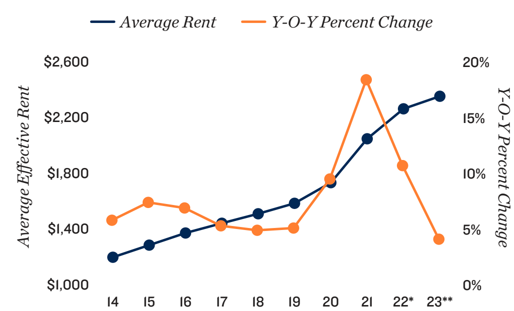
Employment Trends



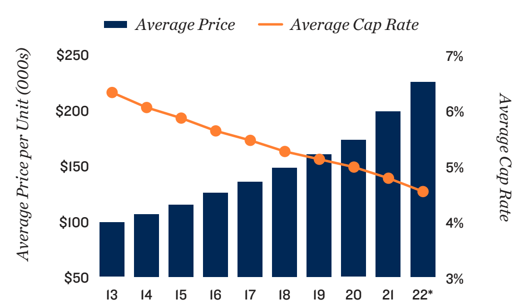
Supply and Demand



Rent Trends



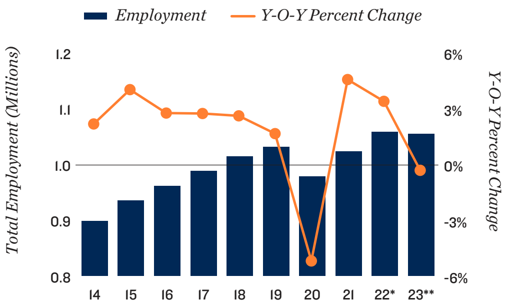
Sales Trends



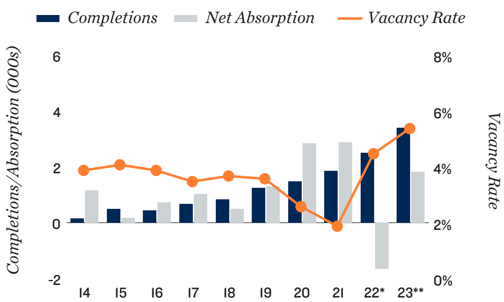
** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

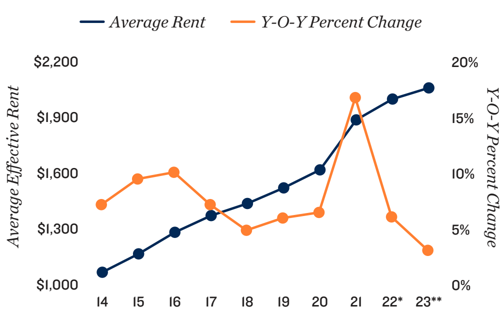
Employment Trends



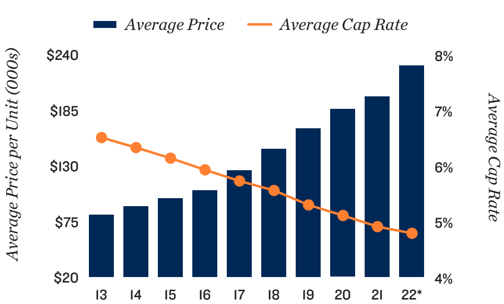
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

Regionally Low Rents and Entry Costs Subsidize Rental Demand and Investment Activity in California's Capital

Sturdy demand for lower-tier rentals a positive amid impact of new construction. Sacramento entered this year with the lowest average effective rent among major California markets, a standing that will continue throughout 2023. Regional affordability will help limit the extent of near-term vacancy increases, with local Class C availability likely to rank as one of the tightest nationally. Demand for lower-cost units may spill into the Class B sector as a result, aiding property performance in the mid-tier segment. Still, overall availability is expected to rise for a second consecutive year, albeit at a slower rate than last year's 260-basis-point increase. Record delivery volume will be a primary driver of the general vacancy upswing. Central Sacramento, in particular, is likely to face further hurdles stemming from its large construction pipeline, as nearly 1,300 units are slated for delivery this year in downtown and midtown.

Areas of corporate expansion and limited inventory growth appeal to investors. While the local job count eases this year, company expansions will be recorded in the metro. Solidigm is scheduled to open a research and development campus in Rancho Cordova, while Kubota Tractor Corp. is on pace to open its western headquarters in Elk Grove. Additionally, Kaiser Permanente is moving forward with growth plans in Folsom. Together, these projects signal economic diversification in a metro that is largely tied to the public sector. This progress has the potential to solidify investors' confidence in the metro's long-term growth prospects, and in turn future apartment demand. Class B and C properties proximate to areas of anticipated economic expansion represent likely areas of appeal among active California-based investors seeking upside and pricing discounts to their home markets. Submarkets with limited active pipelines, including Folsom-Orangevale-Fair Oaks, may record the strongest competition for available listings.

2023 Market Forecast

NMI Rank 33 — Sacramento's bottom half ranking is emphasized by its mildly shrinking job market and generally austere demographics.

Employment down 0.3% — After surpassing the pre-pandemic employment count last year, Sacramento's job tally will fall by 3,000 positions.

Construction 3,400 units — Developers will deliver a record number of units in Sacramento this year, increasing local rental stock by 2.2 percent. Outside of Sacramento proper, over 2,000 units are slated for delivery.

Vacancy up 90 bps — An influx of completions during 2023 will drive metro vacancy up to 5.4 percent, the highest year-end rate since 2012. Conditions in the Class C sector, however, should remain tight.

Rent up 3.0% — The average effective rate will rise to $2,050 per month as rent gains moderate in 2023, due to an elevated construction pipeline and record-high vacancy increasing concession usage.

Investment — More private investors may pursue Class B and C assets proximate to UC Davis, as enrollment gains and major facility expansions suggest long-term demand for campus-adjacent rentals.

Elevated Construction Reverts Performance to Moderate Levels as Investors Seek Central Assets

Near-term metro fundamentals weaken, however, outlook remains positive. Single-family home ownership is becoming increasingly out of reach for many Salt Lake City residents amid rising mortgage rates and elevated home prices, underscoring the long-term importance of multifamily properties in the market. Robust renter demand over the past few years has kept metro vacancy below that of all other major Rocky Mountain markets, and narrowed the spread between Class A and C rents to the tightest in the country. These conditions ultimately warrant the 80 percent year-over-year expansion to the development pipeline in 2023, although the aggressive pace of deliveries will impact fundamentals in the short term. This year, notable supply additions contribute to another triple-digit-basis-point vacancy hike, constraining rent growth to less than half of its 10-year average. Over time, demand will catch up to these additions, however, with most new inventory slated for the Downtown, West Valley City-Airport Area and Southwest Salt Lake City submarkets. These locales' proximity to a significant portion of employment hubs bodes well for the mid- to long-term performance of these units.

Investors' search for resiliency aligning with renters' cost concerns. Residential demand for lower-cost units amid significant rent growth last year highlights the appeal of Class C assets in 2023. Having the lowest average effective Class C rent across all Salt Lake City submarkets, lower-tier properties downtown were the only asset type to report vacancy compression entering 2023, with availability well below the market average. The West Valley City-Airport Area submarket is also a notable locale for Class C trades as properties here often exceed the metro's mean cap rate, while double-digit rent growth and sub-2 percent vacancy entering the year boost investor confidence. As national economic headwinds continue to influence trading activity, such assets should stay popular targets among buyers seeking potential resilience in desirable locales.

2023 Market Forecast

NMI Rank 13 — Rapid employment gains following the pandemic has translated to an expansive renter pool, granting a high 2023 ranking.

Employment up 0.5% — Nationwide economic uncertainty contributes to a slowdown in hiring for the metro, adding just 7,000 positions this year.

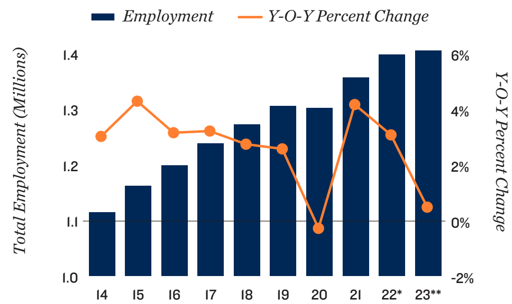
Construction 9,000 units — Deliveries are set to double the metro's five-year average in 2023. Downtown and South Salt Lake City will account for over half of this new inventory.

Vacancy up 120 bps — Availability expands to 5.7 percent this year, as significant inventory additions force Salt Lake City's second consecutive annual triple-digit-basis-point hike.

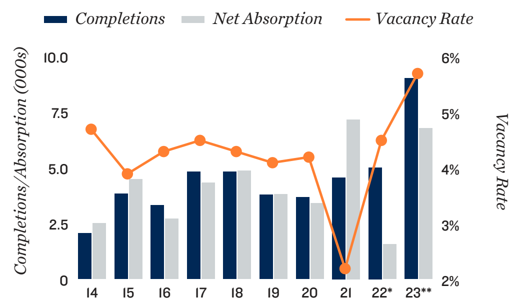
Rent up 3.1% — Expanding vacancy and slowed household formation contribute to a tapered rent growth pace this year, bringing the average effective rate to $1,675 per month.

Investment — Amid economic uncertainty, active investors may focus more on Ogden, where low inventory expansion helped asking rent growth near the metro's average last year.

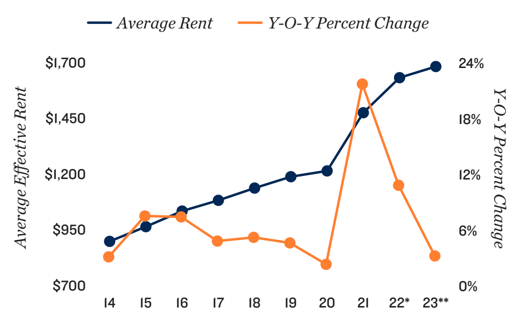
Employment Trends



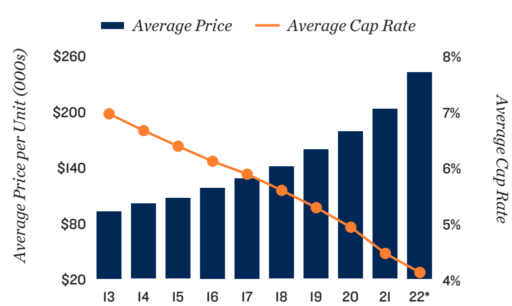
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

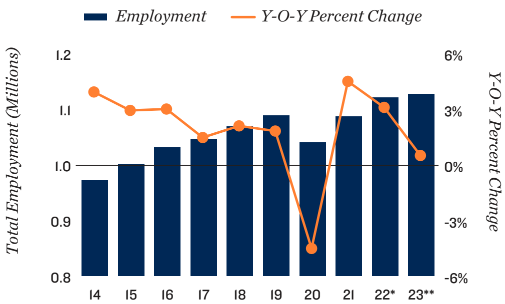
Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

Public-Private Initiatives Help Metro Weather Inbound Headwinds as Multifamily Performance Moderates

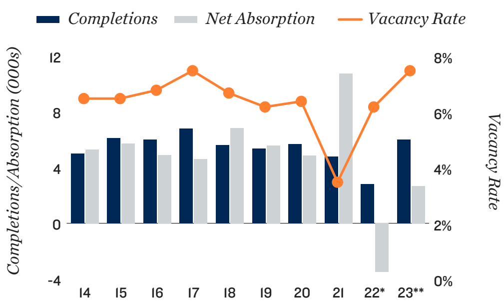
Public sector and related employers mitigate demand hurdles. Due to a high concentration of recession-resistant industries, San Antonio is uniquely poised to withstand an economic downturn. Aside from a plethora of state government organizations, the region boasts a substantial national defense sector — including a regional NSA headquarters. This agency underscores San Antonio's notable cybersecurity segment, which constitutes the second-largest cluster of category firms nationwide. Concerns stemming from rising cybercrime could keep segment employment steady, even as downsizing is observed elsewhere. Easing overall job growth is contributing to falling renter demand and moderating fundamentals, after record-low vacancy was observed early last year. In 2022, the market reported its first year of negative net absorption in over two decades. Availability is expected to continue trending upward this year, pushed up by a five-year high of supply growth. Vacancy appears to be returning to levels typical during the pre-pandemic economic cycle, when rates in the mid-6 to mid-7 percent range were often observed.

Investors seek assets proximate to metro's economic drivers. Prompted by the rapid growth of Texas markets, institutions are increasingly acting in partnership with smaller local parties to ease the acquisition process, although mounting financing headwinds will likely complicate this. Active investors are mostly targeting opportunities in San Antonio proper, with remaining focus concentrated to the city's north and east. Prominent locales include New Braunfels, Boerne and Converse, which offer entry costs well below market average. Near the core, investors are pursuing opportunities in northern areas around the 1604 Beltway. So far, buyers have been active near the intersection of this roadway and Interstate 10, which offers proximity to a number of major employers, in addition to the University of Texas at San Antonio. Rapid development in the metro's northwest should provide investors with ample capital placement opportunities here moving forward.

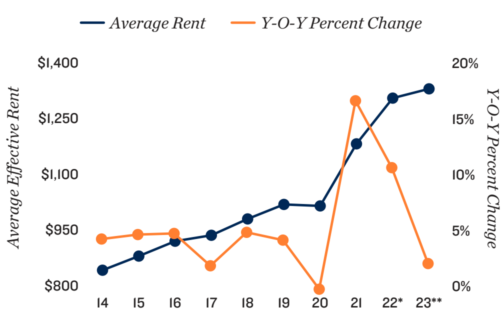
Employment Trends



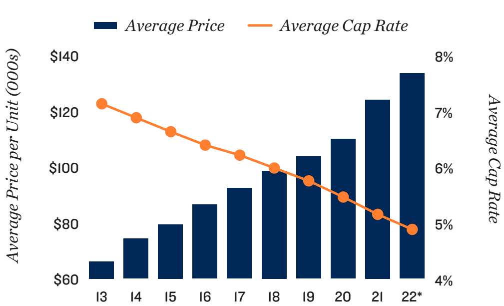
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

2023 Market Forecast

NMI Rank 22 — Elevated vacancy and muted rent gains subdue the ranking, but a growing base of young renters places it within the top half.

Employment up 0.5% — Employment growth eases to 6,000 new positions this year, after 34,000 open roles were filled in 2022.

Construction 6,000 units — Developers bring the highest number of units online since 2017, when over 6,800 rentals were finalized. Supply expands marketwide by 2.7 percent.

Vacancy up 130 bps — A robust delivery schedule, as renter demand softens, will drive vacancy to 7.5 percent. Supply gains will apply ample upward pressure to Class A availability.

Rent up 1.9% — Growth moderates after two years of double-digit percent gains, as the average effective rent bumps up to $1,325 per month. This marks a record high for the metro.

Investment — When active, investors are targeting the northwest Interstate 35 Corridor, especially New Braunfels — a key bedroom community for commuters to both Austin and San Antonio.

Out-of-Reach Home Prices and Rent Disparities Facilitate Tight Conditions Across Property Classes

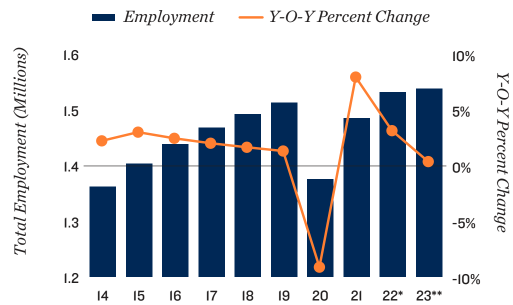
Developers' response to long-existing conditions comes to fruition. The difference between an average monthly mortgage payment and the mean effective rent well exceeded the $3,000 mark in San Diego County at the onset of this year. This significant gap will continue to price many households and individuals out of homeownership for the foreseeable future, fueling a level of apartment demand that will allow the metro to remain among the nation's tightest rental markets during 2023. Still, San Diego is not without near-term hurdles. A historically high volume of new units are slated for completion this year that will test demand for luxury rentals. Deliveries, however, are fairly well dispersed throughout the metro. Chula Vista and the far north and northwest reaches of San Diego proper will each add between 700 to 1,100 rentals, with Downtown San Diego's stock growing by more than 1,400 units. Fortunately, life science and tech-related hiring is expected to remain positive, aiding demand for these luxury apartments.

Sales activity reflects exemplary renter demand for lower-cost rentals. The disparity between the average Class B and Class C effective rent in San Diego is the largest among major West Coast markets. This discrepancy, which stood at more than $700 per month at the tail end of last year, has sustained extremely tight vacancy in the lower-tier sector, a condition that is expected to continue for the foreseeable future. In response, investors are placing focus on submarkets with large concentrations of Class C stock. Buyers with a preference for areas that are popular among young professionals will target Balboa Park-adjacent neighborhoods, including North Park and Golden Hill, and coastal neighborhoods like Pacific Beach. Across these locales, pricing for smaller complexes typically exceeds the metro mean. Investors targeting comparable properties at locally discounted price points should remain interested in East County cities and communities off Highway 94, where some of the metro's highest cap rates are found.

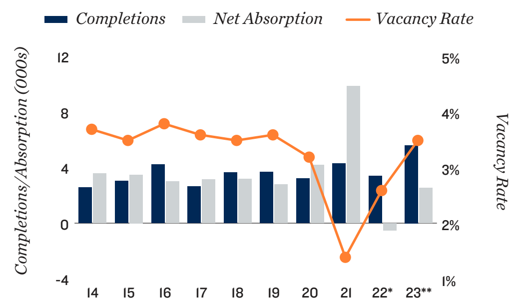
2023 Market Forecast

NMI Rank	20	San Diego sits in the Index's upper half as low vacancy and high ownership costs temper some current operational hurdles.
Employment up 0.4%		Spurred by life science and tech-related job creation, San Diego employers are expected to add 6,000 positions in 2023.
Construction 5,600 units		Driven by a collection of large-scale projects, delivery volume surpasses the prior five-year mean by 2,000 rentals. This will up apartment stock by 1.8 percent.
Vacancy up 90 bps		Class B and C conditions are expected to remain tight, supporting positive net absorption. Still, the upcoming influx of new units exceeds demand, pushing vacancy up to 3.5 percent.
Rent up 2.9%		The pace of rent growth tempers notably in 2023, placing the mean effective rate at $2,860 per month. New luxury projects in Downtown San Diego should heighten local concession usage.
Investment		Expansion projects across the metro's collective of major colleges may heighten investors' opinions of rentals proximate to campuses, as buyers anticipate future enrollment gains.

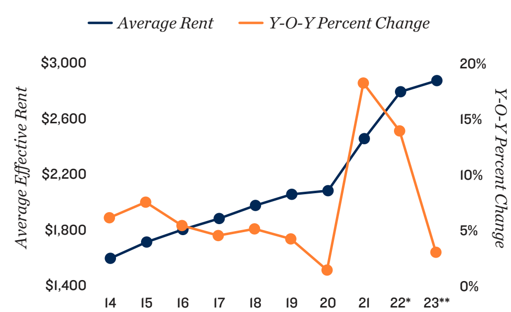
Employment Trends



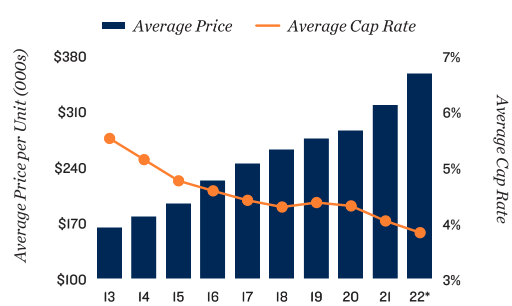
Supply and Demand



Rent Trends



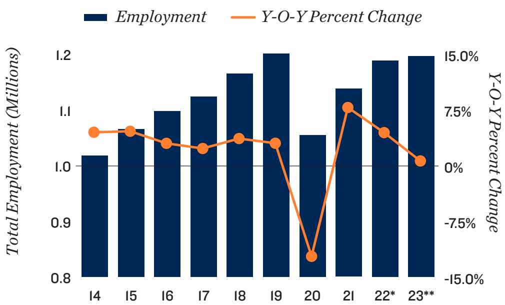
Sales Trends



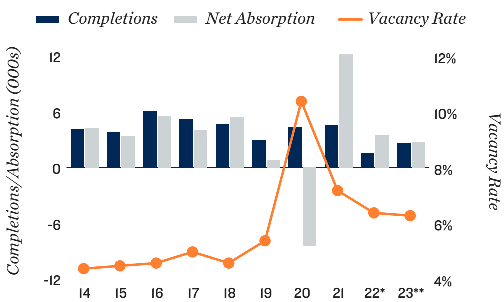
** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

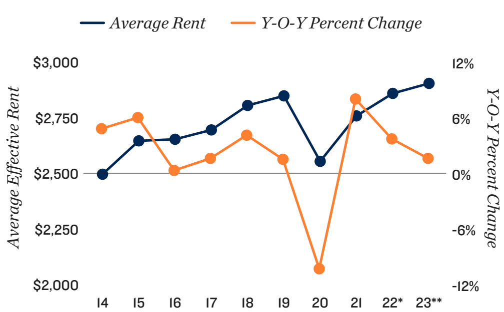
Employment Trends



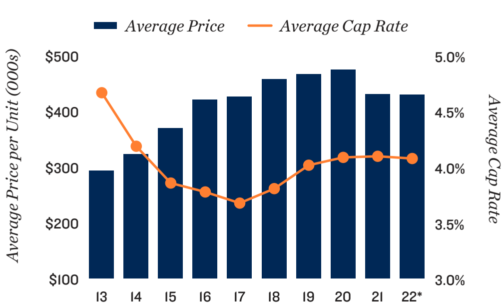
Supply and Demand



Rent Trends



Sales Trends



* *Estimate;* ** *Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

Amenities Bolster Demand for Downtown Rentals; Full Pandemic Recovery Contingent on Return to Office

Market conditions turning the corner. San Francisco was one of two major markets in the U.S. to record annual vacancy compression in 2022. In fact, CBD availability equaled the suburban rate for the first time since 2015, as amenities like restaurants, night life, shops and parks drew renters back downtown, despite lower office utilization from local employers. Although vacancy remains above the long-term average entering this year, the rate is much improved from the all-time high of 10.4 percent recorded in December 2020. Looking ahead, barriers to homeownership will continue to fuel renter demand and compress vacancy even further in 2023, even though there is potential for an economic slowdown. Local median single-family home prices are at least 10 percent above any other Bay Area metro and rank the highest among all major U.S. markets. However, despite minimal competition from the single-family sector and the encouraging momentum in operations, the prevalence of remote work has created uncertainty about how quickly a full recovery in apartment use could transpire. Vacancy may remain above historical norms in the near- to mid-term if hybrid and remote work schedules are permanently adopted.

Long-term prospects draw investor interest. San Francisco is a unique multifamily investment market. Development opportunities are limited, which gives buyers confidence that renter demand will outweigh new supply in the long term, leading to improved operating incomes. Submarkets within San Francisco proper have been the most liquid as of late. Rapidly declining vacancy over the past two years in the CBD has elevated investor interest for downtown assets. Meanwhile, properties in Richmond-Western Addition, Marina-Pacific Heights and the Haight-Mission area are also sought after, where median household incomes rank among the highest in the metro. Outside the city, investors have shown a willingness to pay a premium for assets in San Mateo-Burlingame and Redwood City-Menlo Park, where entry costs often rise above $450,000 per unit.

2023 Market Forecast

NMI Rank 32 — Rent growth slows in San Francisco, despite sparse vacancy, giving the metro a bottom-half placement in the 2023 NMI.

Employment up 0.7% — Hiring will slow considerably this year due to macroeconomic conditions, with employers adding 8,000 new jobs in 2023.

Construction 2,600 units — Construction activity nearly doubles last year's pace; however, the total remains below the long-term annual average of 2,900 units. Apartment inventory will increase by 1 percent in 2023.

Vacancy down 10 bps — San Francisco is the only major market in the U.S. that is projected to record annual vacancy compression in 2023. The rate will fall to 6.3 percent by year-end.

Rent up 1.6% — Although the pace of rent growth will slow from rates observed over the previous two years, the average effective rent is projected to rise to an all-time high of $2,900 per month.

Investment — Suburban locales, such as Pacifica, Daly City-Brisbane, Foster City-Redwood Shores and San Bruno-Millbrae, may draw interest from investors if hybrid and remote work schedules persist.

San Jose Boasts the Bay Area's Lowest Apartment Vacancy Rate; Slowing Development Aids Fundamentals

Possible return to office underpins renter demand. Entering this year, local vacancy was at 3.7 percent, 30 basis points below the pre-pandemic level and the lowest rate among Bay Area metros. Major firms, such as Apple, Google and Intuit, have expressed a desire to have employees in the office at least two to three days a week, and this may have contributed to the recent momentum. Many residents likely returned to the metro in anticipation of having to be physically present at work. Moving forward, there are several factors that will continue to fuel local multifamily demand. The expensive single-family housing market often steers new households to rentals rather than homeownership, creating a backstop for apartment demand. While the overall employment base is expected to take a small step back this year, growth in the emerging life sciences sector will continue to draw new residents to the area, bolstering the local renter pool. Although household formation is expected to slow in the near term, due to widespread inflation and a potential recession, construction activity will reach a four-year low in 2023. As a result, net absorption is expected to keep pace with supply additions, holding vacancy relatively steady throughout this year.

Investor interest is widespread. Deal flow returned to pre-pandemic levels in 2022, as a resurgence in leasing activity restored investor confidence for apartment assets in San Jose. Looking forward, buyers seeking value-add opportunities may target older Class C apartments in Downtown San Jose, where entry costs often fall below the market average. Properties with higher upside potential may be sought after in the near term, due to elevated interest rates. Meanwhile, assets in Mountain View-Los Altos and Santa Clara are a focus, due to their proximity to major employers like Google, Intuit, LinkedIn, Intel, Avaya and Nvidia. Furthermore, the lack of rent control and ease of access to the Silicon Valley's major job centers is a huge draw for investors in Sunnyvale. Owners seeking stable cash flow can find opportunities here as local vacancy is the lowest among South Bay submarkets.

2023 Market Forecast

NMI Rank 30 — San Jose keeps comparatively low vacancy, despite its shrinking job market, putting the metro in the middle of the pack.

Employment down 0.3% — Macroeconomic headwinds will create uncertainty for many employers, resulting in the loss of 4,000 jobs in 2023.

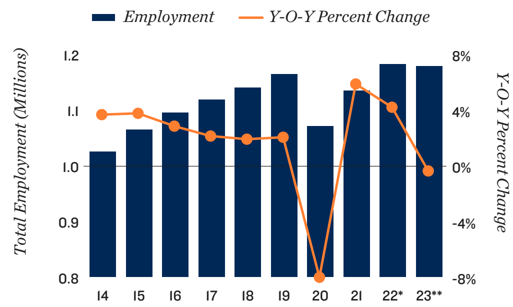
Construction 2,300 units — Developers are expected to increase local apartment inventory in San Jose by 1.3 percent. Deliveries will be concentrated in Mountain View-Palo Alto-Los Altos and North Sunnyvale.

Vacancy no change — Vacancy will remain relatively steady this year, following the 40-basis-point increase recorded in 2022. At 3.7 percent, the rate will be roughly 160 basis points below the national average.

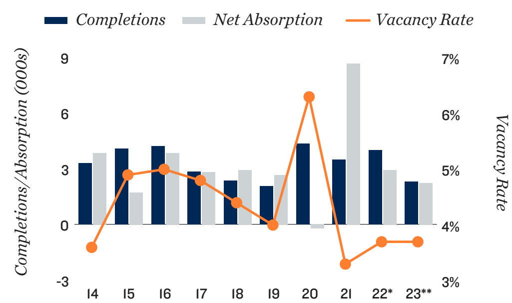
Rent up 3.7% — San Jose will lead all Bay Area metros in rent growth, as the average effective rate rises to $3,255 per month. Overall, the mean effective rent increased by more than 30 percent since 2020.

Investment — Value-add investors may look to take advantage of discounted entry costs, while the average sale price in San Jose remains below the previous high achieved in 2019.

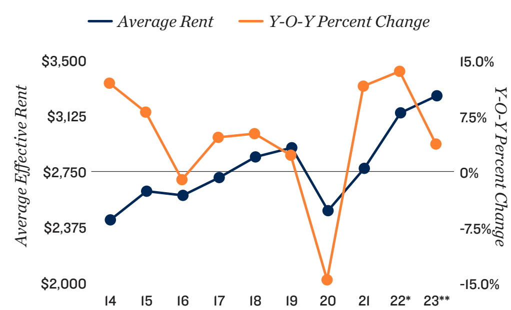
Employment Trends



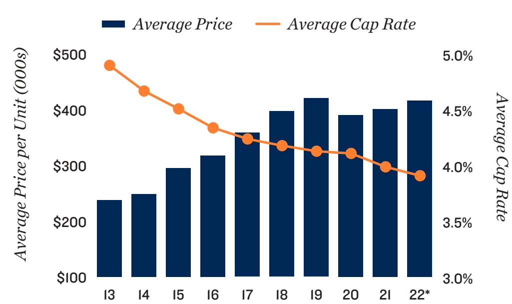
Supply and Demand



Rent Trends



Sales Trends

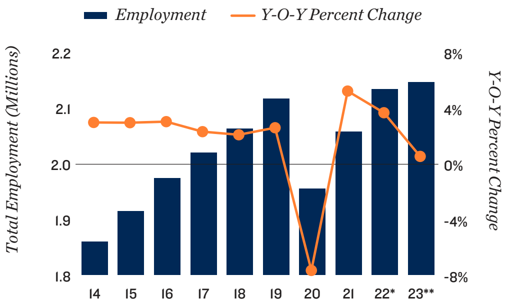


* Estimate; ** Forecast

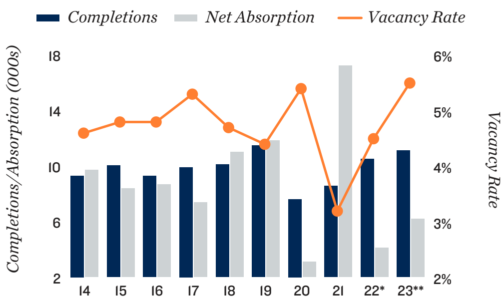
Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

Cost-Conscious Renters Anchor Multifamily Absorption; Investment Channels into Emerging Growth Hubs

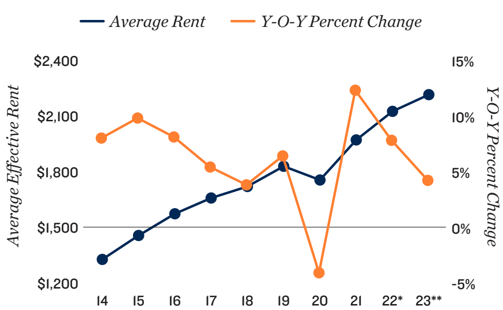
Employment Trends



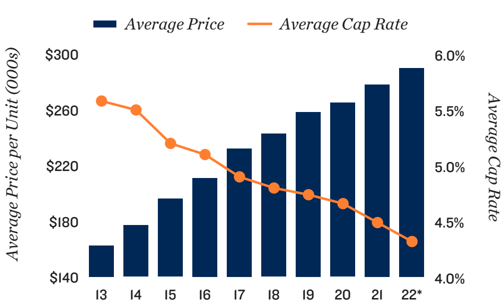
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

Significant affordability gap backstops renter demand. The difference between the metro's typical monthly mortgage payment on a median priced home and the mean rent obligation eclipsed $2,000 for the first time last year, more than doubling since the end of 2020. Amid high mortgage rates, home prices and inflation, many households will continue to delay homebuying this year, choosing instead to remain in a rental market that can offer greater budgetary and lifestyle flexibility. This is encouraging an increasing number of project starts, despite a quieter job outlook as tech firms slow hiring. Although renters are unlikely to match the pace of supply this year, tailwinds exist over longer horizons. An emerging life sciences sector, with entrants like Sonoma Biotherapeutics and Sana Biotechnology, will bolster long-term wage growth, helping to shore up Class A demand. Meanwhile, additions in the metro's logistics-related roster may boost demand for lower- and mid-tier rentals, as employees of these companies typically fall into the renter pool.

Buyers pursue opportunities in emerging industrial and office hotspots. Investors maintain interest in the long-term prospects of Seattle apartments amid rising capital costs, as a lack of housing affordability and a diversifying economy form a strong base for future rental demand. Tacoma historically hosts the highest number of trades from local private buyers, as the area frequently offers some of the lowest entry costs and highest returns in the metro. Lower-tier assets here should continue to draw attention, with industrial expansion widening the local Class C renter base. Elsewhere, out-of-state buyers, specifically from California, have been looking in Everett as of late. Here, opportunities to acquire mid-tier and luxury assets will drive deal flow, with improvements to local Class A and B rental demand expected after the area's office assets observed strongly positive net absorption last year, hosting move-ins from the likes of Orbis and RLI.

2023 Market Forecast

NMI Rank 16 — A sizable affordability gap anchors demand for apartments and props up rent gains, placing Seattle within the top 20.

Employment up 0.6% — Job growth slows relative to 2022, but the addition of 12,000 positions brings the metro's total headcount to a new peak.

Construction 11,100 units — Delivery volume increases for the third consecutive year, expanding metro inventory by 2.6 percent. Ongoing projects are largely concentrated in Downtown Seattle and adjacent areas.

Vacancy up 100 bps — Availability rises to 5.5 percent, as a near-record construction volume places substantial upward pressure on vacancy and mitigates the benefits of improving renter demand.

Rent up 4.2% — Effective rent growth in 2023 will mirror the long-term pace, bringing the metro's average rate up to a record $2,210 per month at end-of-year.

Investment — The University of Washington's record-high freshman enrollment could prompt buyers to seek opportunities in the University District, benefiting lower- and mid-tier properties here.

Supply-Induced Headwinds Reach the Urban Core; Business Expansions a Bright Spot for Mid-Tier Builds

Manufacturing sector a long-term aid, amid 2023 vacancy uptick. This year will see the highest number of units completed in St. Louis since at least 2000. Substantial construction over the course of last year and 2023 will sustain an upward shift in vacancy, following a span of record-low rates. Vacancy will, however, remain below the metro's long-term average. As availability trends upward, St. Louis' average effective rent will grow at a more moderate pace, tempering that could reduce the rate of household consolidation. Meanwhile, a potential economic slowdown may cause the local job count to reduce this year. Still, St. Louis should register pockets of promising federal and corporate expansion. Along with the continued construction of the National Geospatial-Intelligence Agency's headquarters in North St. Louis, Israel Chemicals Ltd. will begin construction on a battery plant in the Carondelet neighborhood. This will be the first large-scale manufacturing site for lithium iron phosphate in the U.S. and may draw other industry-related companies, supplementing manufacturing positions long term, with industry wages mostly aligned with Class B/C rental rates.

Class A buyers look downtown, suburbs present stronger fundamentals. Completions this year will be concentrated in the CBD, as downtown and Central West End-Forest Park collectively receive their second-highest volume of deliveries since 2007. The wave of new units may draw some institutional-level investors pursuing newer builds to the core. Conversely, private buyers favoring areas with low construction and tighter vacancy are likely to target Maryland Heights-Creve Coeur and St. Clair-Madison Counties. The latter submarket, in particular, noted one of the lowest vacancy rates in the metro late last year, despite being the second-largest locale by inventory. Measured availability in these areas may prompt local rent gains above the market average in 2023.

2023 Market Forecast

NMI Rank 45 — St. Louis' placement is impeded by its slow-moving household formation and relatively quiet hiring following the health crisis.

Employment down 0.2% — St. Louis' job count will contract on an annual basis in 2023 by around 2,500 positions.

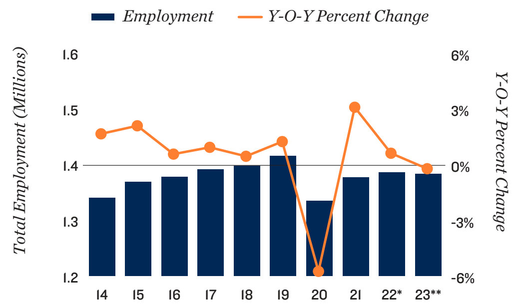
Construction 2,700 units — The metro will note its highest number of completions since 2000, expanding rental stock by 1.6 percent. Projects outside the CBD are primarily concentrated in St. Charles County.

Vacancy up 80 bps — Renters are expected to absorb a net of 1,200 units this year, a total below expected deliveries. This will elevate vacancy to 5.2 percent, a rate 120 basis points below the long-term average.

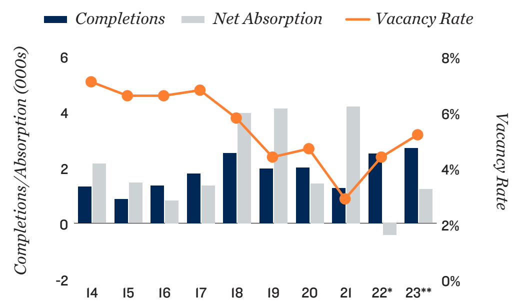
Rent up 2.4% — Slowing from last year's 8.7 percent rise, the average effective rent will reach $1,260 per month in 2023. Rent gains will be moderated by an incoming supply wave and increasing vacancy.

Investment — Active out-of-market investors may explore St. Louis' assets, as lower entry costs and higher yields could be appealing to buyers with higher risk tolerances in the current environment.

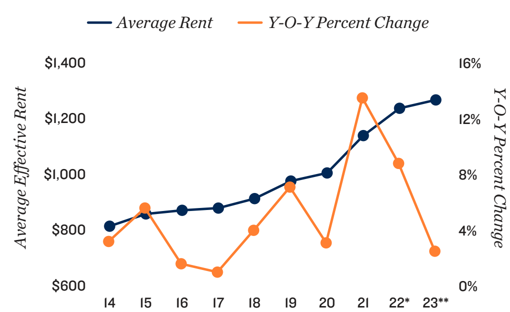
Employment Trends



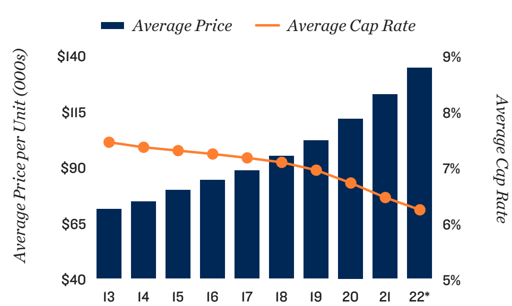
Supply and Demand



Rent Trends



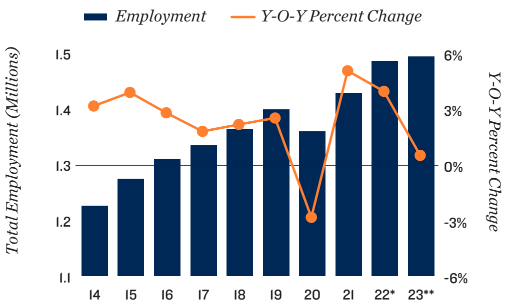
Sales Trends



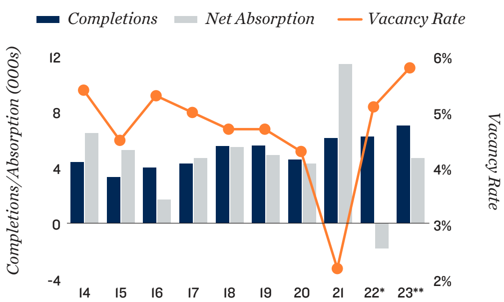
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

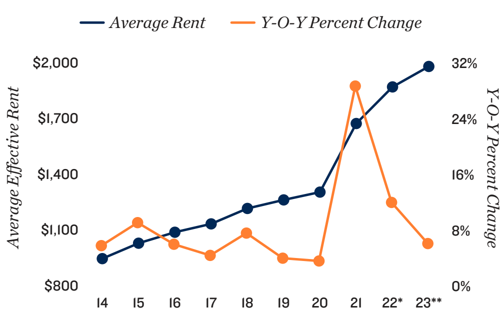
Employment Trends



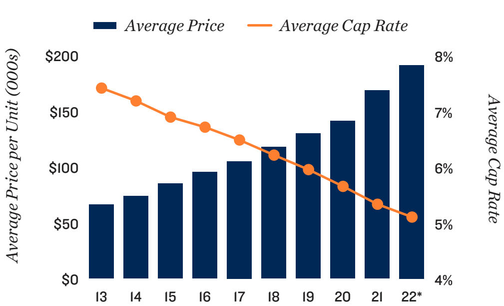
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

Strong Demand and Supply Drivers Still Present; Natural Disaster Adds Layer to Investment Appeal

Regional demand meets friction this year. Household formation is expected to remain comparatively elevated in 2023 after last year's near two-decade record. The metro's lower living costs help attract professionals from Northeastern markets, with expanding financial and health service industries diversifying Tampa's economic base and bolstering employment opportunities for relocating job seekers. At the same time, many new residents will opt for apartments due to a range of factors. Higher mortgage rates are compounding the region's rapid home price run-ups that occurred during the pandemic, putting a spotlight on the relative affordability and flexibility of multifamily living. Additionally, homeowner's insurance in the state nearly tripled the national rate last year, and costs are expected to rise further in the wake of the latest natural disaster. Tampa's core avoided the worst of Hurricane Ian, but southern areas like Sarasota-Bradenton had more direct impacts, which will slow growth amid rebuilding efforts this year. The market as a whole faces its own set of hurdles, linked to the sizable amount of new supply coming online. Inventory expansion is necessitated by longer-term tailwinds, but will surpass demand during a year of economic uncertainty and weigh on fundamentals near term.

Metro retains desirability amid broad economic headwinds. As the economy softens, the renter stability provided by a higher median income level and an older population will attract active investors to Pinellas County. Outside the core, the Sarasota-Bradenton suburbs are generating buyer attention as the area appeals to renters seeking lower costs and larger spaces, translating into tighter vacancy rates. In the near term, Hurricane Ian's devastation could provide some risk-tolerating buyers with new opportunities in the area. Damaged properties may be sold at prices lower than normal, and land plots for redevelopment may come to market. Although higher insurance premiums are a substantial challenge, public support from the state may be coming down the line.

2023 Market Forecast

NMI Rank 5 — Tampa exhibits the strongest rent gains relative to the year-end 2019 rate, bolstering its upper-level ranking in the 2023 NMI.

Employment up 0.5% — Firms will slow hiring to prepare for oncoming headwinds. Ultimately, about 8,000 new roles will be added on a net basis.

Construction 7,000 units — Completions hit a new high this year, exceeding 2022's supply addition by 800 units. Deliveries will increase the metro's rental inventory by 2.6 percent.

Vacancy up 70 bps — A third consecutive year of finalizations surpassing 6,000 rentals will push the vacancy rate to 5.8 percent, even as net absorption reverts back to a positive trend this year.

Rent up 5.9% — The pace of average effective rent growth will normalize after the previous year's unsustainable gains, but hold above the long-term average. The rate climbs to $1,970 per month.

Investment — North Tampa may garner investor interest, as its proximity to the University of South Florida could allow the submarket to retain lower vacancy levels through labor market headwinds.

Healthcare and Education Sectors Reinforce Renter Demand; Low-Cost Basis Draws Investors

Renter base solidified by ongoing job gains and local affordability. Hiring in the healthcare and educational sectors led Tucson to recover its pre-pandemic headcount late last year, and local employment should continue to grow in 2023. A strong talent pipeline and an established tech firm presence are enticing corporate expansions into Tucson from several autonomous vehicle startups, such as Pony.ai and TuSimple, buoying job growth. These opportunities, paired with an average monthly rent at least $300 below any major Southwestern market, continue to spur above-average in-migration, anchoring renter demand. Although there was an uptick in metro vacancy in 2022, the rate has remained 130 basis points below the long-term mean, sustaining effective rent growth at nearly three times the historical pace. Still, supply additions are expected to eclipse 2,000 units for the first time on record, bringing vacancy and subsequently rent growth closer in line with historical norms in 2023.

Southwest buyers eye regionally discounted pricing. Tucson's expanding population and continued hiring are generating notable interest from regional investors, sustaining a strong position for the metro. California-based buyers are frequent, drawn by significantly discounted pricing relative to nearby markets and generally favorable demographics. Amid an elevated interest rate, more investors may turn to tertiary metros, such as Tucson, that can offer comparatively higher cap rates. As such, Class B and C properties located in Central Tucson should continue to be on yield-driven investors' radars, as first-year returns for these assets commonly rise above 4 percent. Prices here also tend to be some of the lowest in the metro, often falling below $150,000 per unit, translating to a buyer pool primarily comprised of private entities. Meanwhile, a sizable pipeline in suburbs north of Tucson proper could stir interest from value-add investors for local lower- and mid-tier assets, as the new Class A stock could ripple into higher local market rates.

2023 Market Forecast

NMI Rank 25 — Tucson lands at the midpoint, thanks to solid household formation and persistent rent growth since 2019.

Employment up 0.3% — Hiring slows from recent gains, as employers add 1,000 jobs after returning to the pre-pandemic headcount late last year.

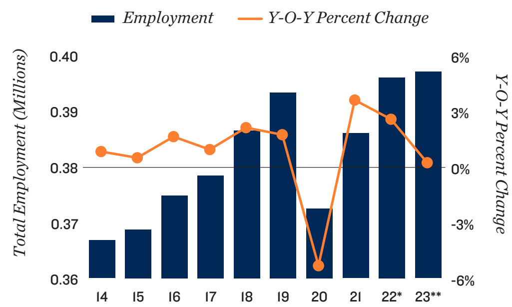
Construction 2,100 units — Builders are anticipated to outpace last year's addition of 1,000 units more than two-fold. Completions in 2023 will expand metro stock by 2.5 percent.

Vacancy up 100 bps — Positive absorption is recorded this year; however, unit availability is expected to rise across property classes, lifting vacancy to 6.7 percent, a rate slightly below the long-term mean.

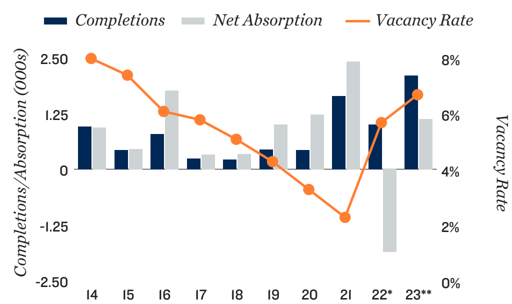
Rent up 3.3% — Rising vacancy and elevated supply pressures subdue upward momentum on rents, placing the year-end average effective rate at $1,240 per month.

Investment — In a market observing sudden vacancy increases, some buyers may view assets proximate to the University of Arizona as a less risky option that could provide stable long-term cash flows.

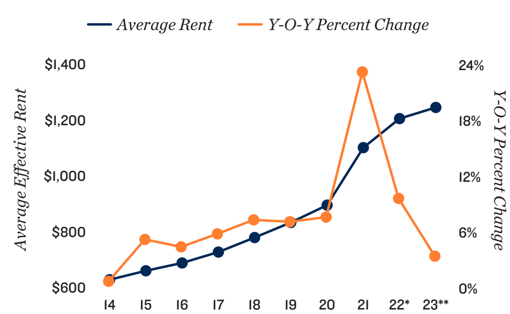
Employment Trends



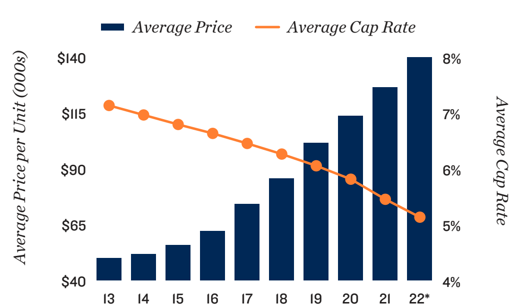
Supply and Demand



Rent Trends



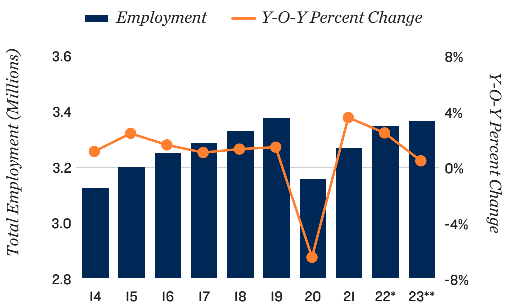
Sales Trends



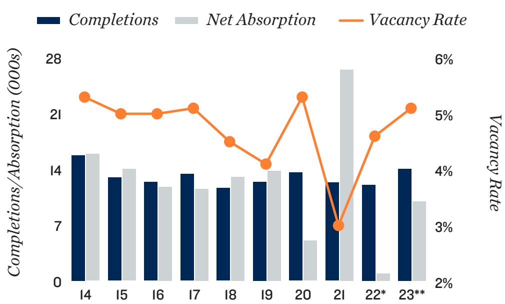
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

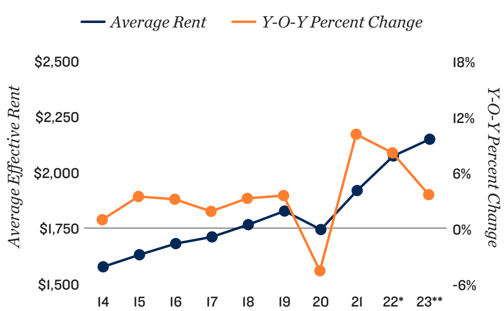
Employment Trends



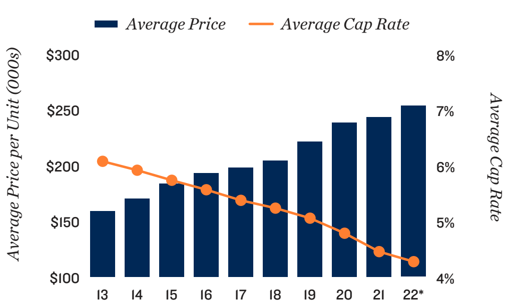
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

Metro's Favorable Track Record Holds Investors' Confidence, Despite Spawning Substantial Development

Growing economy spurs new builds. The D.C. metro continues to draw highly-educated young professionals, due to a diverse economy supporting employment opportunities, despite a broader slowdown in growth and increased economic uncertainty in the near term. From 2012 to 2022, the population increased by roughly 500,000, and projections indicate the market will gain an average of more than 35,000 new residents per year over the next decade. Supporting this trend will be the new headquarter locations coming from firms like Boeing, Raytheon Technologies, RapidFlight and Pangiam. A robust talent pool and proximity to the federal government are key factors contributing to these relocations and expansions, which bode well for apartment demand long term. However, development has been ramping up in recent quarters and is approaching record levels, with roughly 35,000 units underway entering this year. Construction activity is most pronounced in areas proximate to prominent metro rail stations, while suburban locales in Prince William County, Prince George's County and Fredericksburg-Stafford will be less affected from new supply. Although renter demand remains strong, vacancy is expected to rise in the coming quarters as new communities undergo the process of stabilization.

Investors bullish on long-term prospects. D.C.'s unique employment base, which has been historically less impacted by economic downturns relative to other metros, is a major draw for multifamily investors. Deal flow reached an all-time high in 2022, even amid elevated interest rates, highlighting the confidence investors have in the long-term demand drivers present in the market. Buyers looking to maximize their upside potential often look to areas like Anacostia, Prince George's County and Woodbridge, where entry costs often fall below the metro average. Investors have also shown a willingness to pay a premium for assets in affluent neighborhoods near public transit like Tysons Corner, Alexandria, Arlington, Bethesda, Rosslyn, H Street-NoMa and Navy Yard.

2023 Market Forecast

NMI Rank 27 — A comparatively small rise in vacancy aids Washington, D.C.'s ranking, but slow rent growth since 2019 keeps it at the median.

Employment up 0.4% — Washington, D.C. boasts the fourth-largest employment growth rate among major U.S. metros in 2023.

Construction 14,000 units — Annual deliveries reach the highest level since 2016, as developers increase apartment inventory by 2.1 percent. Central and Northeast D.C. will receive the bulk of new supply.

Vacancy up 50 bps — A robust delivery pipeline will place upward pressure on availability for the second consecutive year. The metro's vacancy rate is projected to reach 5.1 percent by year-end.

Rent up 3.6% — Increasing vacancy will likely lead to a rise in concessions, which will slow the rate of rent growth relative to last year. Still, the average effective rent will climb to $2,145 per month.

Investment — The addition of more than 60,000 units over the past five years may provide opportunities for investors seeking newer assets to acquire institutional-grade product.

Economic Development Incentives Bring New Firms to West Palm Beach, Spurring Rapid Net In-Migration

Influx of new residents drive unprecedented rent gains. Since 2019, West Palm Beach has led all major South Florida markets in population growth, gaining more than 55,000 new residents. Initiatives from the Business Development Board of Palm Beach County spurred many corporate relocations and expansions from firms like Citadel and KruseCom, which, in turn, strengthened in-migration to the region. The recent surge in apartment demand sparked an unprecedented stretch of rent growth, with the average effective rate increasing by more than 40 percent since the onset of the pandemic. Leasing activity slowed in response, as this rapid appreciation occurred during a time when consumers were tightening their budgets due to widespread inflation. Moving forward, market conditions will likely soften more in the near term, as a slowing economy is set to further temper the rate of household formation. However, the metro's large renter-by-choice baby boomer population should provide a bit of stability during times of economic uncertainty. Additionally, the region's warm climate and favorable tax rates are expected to draw more young adults to the area. This will create more diversity in the local renter pool, helping bolster long-term apartment demand in the metro.

Local assets provide upside potential. Robust rent gains over the past two years have elevated investor interest for apartment assets in West Palm Beach, with transaction velocity rising above historical levels in 2022. Climbing interest rates also put a spotlight on the market, as the average first-year return is at least 30 basis points higher than any other major Florida metro. Class C apartments in West Palm Beach proper and Boynton Beach are common targets, with average yields that are 60 basis points above the market mean. Higher-tier assets also change hands in these locales, and may garner heightened interest moving forward if the metro continues to attract corporate relocations. Entry costs for apartments in this segment generally exceed $350,000 per unit.

2023 Market Forecast

NMI Rank 10 — A wide affordability gap merges with continued recruitment and household formation to create a top-10 outlook for rentals.

Employment up 0.7% — Employers will add 5,000 new jobs in 2023, with gains most pronounced in the leisure and hospitality sector.

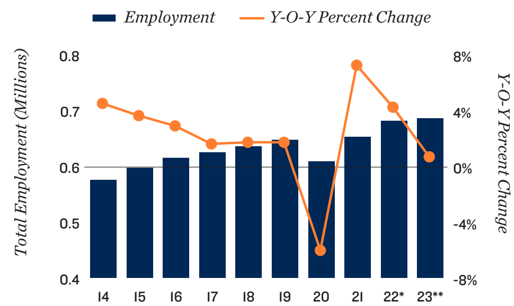
Construction 4,400 units — Annual supply additions surpass the 4,000-unit threshold for the first time in more than two decades, as developers increase apartment inventory by 3.5 percent.

Vacancy up 90 bps — A slowing rate of household formation due to widespread inflation, coupled with a record supply wave, will place upward pressure on vacancy. The rate will rise to 6.6 percent by year-end.

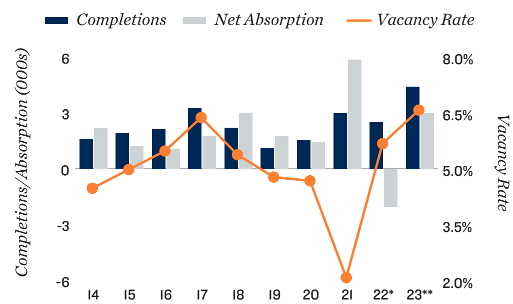
Rent up 2.3% — Rent growth returns to more sustainable levels, following two consecutive years of robust gains. The average effective rate is projected to reach $2,455 per month.

Investment — Class C assets will likely continue to be highly sought after, as rents in this sector have grown by nearly 25 percent in the past year, compared to the national average of 13.3 percent.

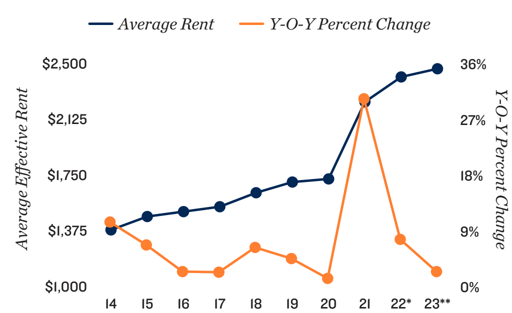
Employment Trends



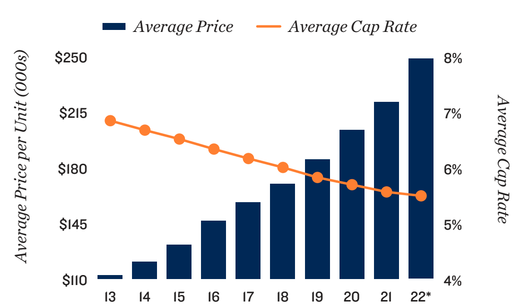
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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[1] National Multifamily Index Note: Employment and apartment data forecasts for 2023 are based on the most up-to-date information available as of December 2022 and are subject to change.

[2] Statistical Summary Note: Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2022. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.

Sources: Marcus & Millichap Research Services; American Health Care Association; Austin Chamber of Commerce; Blue Yonder; Centers for Disease Control and Prevention; Centers for Medicare & Medicaid Services; CoStar Group, Inc.; Creditintell; Economy.com; Employment and Training Administration; Experian; Federal Reserve; Freddie Mac; Global Business Travel Association; Kastle Systems; Google Community Mobility Reports; Harvard Joint Centers for Housing Studies; John Burns Real Estate Consulting; major U.S. port authorities; McKinsey & Company; Moody's Analytics; Mortgage Bankers Association; National Association of Realtors; National Center for Health Statistics; Nareit; New York Times; NMHC; Oxford Economics; Philips; Placer.ai; Primary Care Collective; Real Capital Analytics; RealPage, Inc.; Small Business Administration; Standard & Poor's; The Conference Board; The Larry A. Green Center; Thomasnet; Trepp; U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics; U.S. Bureau of Transportation Statistics; U.S. Census Bureau; U.S. Department of Education; U.S. Department of Labor: U.S. Transport Security Administration; U.S. Travel Association

2023 U.S. MULTIFAMILY INVESTMENT FORECAST

	Employment Growth[2]				Completions (Units)[2]				Vacancy Rate[2]				Effective Monthly Rate[2]				Average Price/Unit[2]			
	2020	2021	2022*	2023**	2020	2021	2022*	2023**	2020	2021	2022*	2023**	2020	2021	2022*	2023**	2020	2021	2022*	
Atlanta	-4.7%	5.7%	4.0%	0.5%	13,248	8,890	9,500	14,000	4.5%	3.0%	5.4%	5.8%	$1,304	$1,601	$1,730	$1,800	$138,900	$168,400	$192,200	Atlanta
Austin	-2.1%	8.9%	3.8%	0.8%	10,112	11,297	14,900	18,000	6.2%	2.9%	5.4%	6.2%	$1,262	$1,577	$1,730	$1,800	$174,000	$191,600	$210,900	Austin
Baltimore	-7.0%	4.1%	2.7%	0.4%	3,287	1,803	900	2,400	4.1%	2.7%	4.7%	5.2%	$1,384	$1,568	$1,650	$1,690	$149,700	$172,100	$195,800	Baltimore
Boston	-8.4%	5.6%	2.9%	-0.4%	9,300	6,081	7,500	11,000	4.9%	2.6%	3.9%	5.4%	$2,238	$2,557	$2,805	$2,850	$308,100	$310,700	$314,800	Boston
Charlotte	-1.9%	2.9%	5.5%	0.8%	7,206	9,366	8,000	15,800	4.4%	2.9%	5.7%	8.8%	$1,203	$1,444	$1,630	$1,684	$148,500	$187,800	$218,600	Charlotte
Chicago	-8.0%	5.6%	2.6%	0.5%	8,394	6,952	5,900	8,000	5.9%	3.4%	4.5%	5.3%	$1,474	$1,705	$1,890	$1,980	$163,300	$169,800	$177,900	Chicago
Cincinnati	-5.2%	2.5%	0.3%	-0.3%	2,231	992	2,400	4,000	3.6%	1.9%	3.4%	5.0%	$1,020	$1,146	$1,295	$1,340	$68,300	$82,400	$95,600	Cincinnati
Cleveland	-6.4%	2.4%	2.4%	-0.3%	1,383	878	1,100	1,200	3.5%	2.3%	4.0%	5.0%	$982	$1,080	$1,195	$1,215	$70,600	$78,400	$87,000	Cleveland
Columbus	-4.0%	2.5%	1.8%	0.2%	4,140	5,283	3,000	5,000	4.2%	2.5%	4.2%	5.5%	$1,030	$1,147	$1,275	$1,300	$99,800	$113,000	$118,500	Columbus
Dallas-Fort Worth	-3.0%	6.4%	5.0%	0.7%	26,137	28,049	20,000	25,000	5.7%	2.9%	5.2%	5.8%	$1,182	$1,387	$1,550	$1,620	$137,500	$157,400	$179,200	Dallas-Fort Worth
Denver	-6.1%	6.1%	2.9%	-0.3%	7,905	6,905	8,800	11,000	5.1%	3.2%	5.2%	6.0%	$1,509	$1,766	$1,925	$1,985	$218,400	$242,500	$251,000	Denver
Detroit	-9.3%	6.4%	1.9%	-0.2%	1,081	2,164	1,600	1,800	2.6%	1.7%	3.8%	4.2%	$1,059	$1,163	$1,275	$1,300	$91,200	$103,700	$118,100	Detroit
Fort Lauderdale	-6.7%	5.8%	3.7%	0.9%	4,090	4,100	3,100	6,000	4.3%	1.9%	4.7%	5.2%	$1,664	$2,139	$2,415	$2,555	$173,800	$194,400	$225,000	Fort Lauderdale
Houston	-5.8%	5.1%	5.1%	0.6%	19,379	16,719	15,700	16,800	7.1%	4.1%	6.0%	7.3%	$1,096	$1,240	$1,350	$1,400	$118,100	$129,900	$143,700	Houston
Indianapolis	-3.6%	4.6%	1.2%	-0.2%	2,715	1,774	1,400	3,600	4.6%	3.1%	4.4%	5.3%	$950	$1,080	$1,215	$1,265	$88,300	$100,200	$112,200	Indianapolis
Jacksonville	-1.7%	4.2%	3.5%	0.5%	3,913	3,605	5,000	7,000	4.1%	2.8%	5.5%	6.1%	$1,144	$1,430	$1,600	$1,670	$113,600	$136,500	$150,700	Jacksonville
Kansas City	-4.3%	1.6%	1.5%	0.2%	4,865	4,637	3,700	4,800	4.9%	3.4%	4.2%	5.0%	$1,004	$1,122	$1,245	$1,280	$94,900	$109,300	$125,400	Kansas City
Las Vegas	-13.3%	12.7%	4.0%	-0.4%	3,088	3,480	2,300	5,300	3.5%	2.6%	6.0%	7.7%	$1,157	$1,444	$1,500	$1,530	$132,400	$164,200	$199,600	Las Vegas
Los Angeles	-10.4%	7.9%	2.4%	0.3%	10,918	9,469	11,000	18,000	4.5%	2.3%	4.0%	5.0%	$2,219	$2,563	$2,800	$2,900	$291,900	$315,800	$333,700	Los Angeles
Louisville	-4.4%	3.1%	2.5%	-0.4%	2,528	2,211	2,100	2,400	4.9%	3.2%	4.7%	5.9%	$918	$1,035	$1,150	$1,180	$94,500	$98,800	$104,400	Louisville
Miami-Dade	-7.7%	6.6%	6.2%	0.9%	7,891	6,038	6,600	8,800	4.9%	1.6%	3.5%	4.7%	$1,691	$2,074	$2,450	$2,600	$187,700	$209,400	$240,800	Miami-Dade
Milwaukee	-6.1%	1.6%	1.9%	0.2%	2,054	1,784	2,100	2,500	3.7%	2.2%	3.5%	4.5%	$1,207	$1,323	$1,465	$1,525	$103,400	$114,900	$123,500	Milwaukee
Minneapolis-St. Paul	-8.3%	4.5%	2.6%	-0.6%	8,008	9,265	9,000	8,000	4.3%	3.2%	4.8%	5.6%	$1,348	$1,418	$1,518	$1,600	$142,300	$146,700	$153,800	Minneapolis-St. Paul
Nashville	-2.5%	4.9%	4.5%	0.2%	5,321	5,990	8,100	13,600	5.6%	2.5%	4.9%	6.9%	$1,242	$1,501	$1,690	$1,740	$166,500	$197,600	$223,700	Nashville
New Haven-Fairfield County	-6.4%	3.5%	1.3%	-0.5%	1,490	1,884	2,700	1,850	4.4%	2.5%	4.3%	4.8%	$1,921	$2,158	$2,356	$2,428	$183,600	$197,500	$212,800	New Haven-Fairfield County
New York City	-12.3%	6.8%	4.1%	0.9%	18,432	20,530	21,000	19,000	2.9%	1.9%	1.9%	2.3%	$2,660	$2,786	$2,880	$2,950	$332,700	$338,600	$372,700	New York City
Norfolk-Virginia Beach	-4.8%	1.4%	1.9%	0.4%	1,835	1,352	1,500	2,000	2.5%	1.5%	4.4%	5.3%	$1,173	$1,344	$1,470	$1,515	$114,600	$127,300	$141,400	Norfolk-Virginia Beach
Northern New Jersey	-8.5%	5.6%	3.3%	0.5%	10,503	10,535	10,500	12,000	5.7%	3.9%	3.7%	4.5%	$1,963	$2,130	$2,300	$2,325	$186,000	$195,000	$208,300	Northern New Jersey
Oakland	-8.9%	5.9%	3.2%	0.7%	4,131	3,265	4,000	3,600	4.6%	2.9%	4.2%	4.5%	$2,269	$2,470	$2,680	$2,760	$289,000	$294,200	$301,400	Oakland
Orange County	-9.1%	5.8%	2.8%	-0.6%	2,615	2,432	3,000	4,200	3.2%	1.2%	3.0%	3.8%	$2,144	$2,515	$2,760	$2,820	$313,800	$355,000	$378,700	Orange County
Orlando	-9.0%	8.6%	3.8%	0.6%	7,361	9,972	6,000	9,200	5.2%	2.2%	4.2%	4.7%	$1,272	$1,597	$1,840	$1,945	$162,200	$192,400	$215,200	Orlando
Philadelphia	-7.2%	5.0%	3.1%	0.4%	6,671	6,001	6,500	8,500	3.4%	1.9%	3.7%	4.6%	$1,424	$1,612	$1,760	$1,795	$173,300	$186,900	$204,900	Philadelphia
Phoenix	-2.9%	4.5%	3.6%	-0.2%	8,545	10,905	12,500	16,000	3.8%	2.6%	6.3%	7.8%	$1,247	$1,602	$1,700	$1,750	$179,100	$219,100	$257,700	Phoenix
Pittsburgh	-8.7%	3.4%	2.2%	-0.8%	1,166	915	1,500	1,700	4.5%	2.6%	4.4%	5.5%	$1,184	$1,289	$1,420	$1,408	$118,300	$127,700	$129,200	Pittsburgh
Portland	-8.7%	6.3%	4.2%	-0.3%	5,991	6,815	2,900	5,000	4.5%	2.7%	4.0%	4.5%	$1,433	$1,630	$1,790	$1,850	$196,200	$209,000	$218,800	Portland
Raleigh	-1.3%	4.3%	5.0%	0.7%	6,260	4,406	5,900	11,200	4.9%	2.8%	5.0%	7.6%	$1,182	$1,445	$1,620	$1,660	$163,200	$184,300	$207,800	Raleigh
Reno	-3.8%	4.1%	3.6%	-0.8%	941	1,745	2,600	1,600	3.2%	2.6%	4.5%	6.0%	$1,348	$1,540	$1,600	$1,630	$157,300	$185,600	$220,700	Reno
Riverside-San Bernardino	-4.1%	5.9%	4.4%	0.3%	1,710	1,330	1,100	2,700	1.8%	1.4%	3.5%	4.7%	$1,720	$2,035	$2,250	$2,340	$172,700	$198,500	$225,000	Riverside-San Bernardino
Sacramento	-5.2%	4.6%	3.4%	-0.3%	1,474	1,851	2,500	3,400	2.6%	1.9%	4.5%	5.4%	$1,609	$1,878	$1,990	$2,050	$185,600	$198,300	$228,600	Sacramento
Salt Lake City	-0.3%	4.2%	3.1%	0.5%	3,675	4,553	5,000	9,000	4.2%	2.2%	4.5%	5.7%	$1,207	$1,468	$1,625	$1,675	$178,000	$202,300	$241,900	Salt Lake City
San Antonio	-4.5%	4.5%	3.1%	0.5%	5,670	4,774	2,800	6,000	6.4%	3.5%	6.2%	7.5%	$1,010	$1,177	$1,300	$1,325	$110,000	$124,100	$133,500	San Antonio
San Diego	-9.1%	8.0%	3.2%	0.4%	3,202	4,279	3,400	5,600	3.2%	1.4%	2.6%	3.5%	$2,069	$2,443	$2,780	$2,860	$285,200	$317,700	$356,800	San Diego
San Francisco	-12.2%	7.9%	4.5%	0.7%	4,338	4,543	1,600	2,600	10.4%	7.2%	6.4%	6.3%	$2,550	$2,754	$2,855	$2,900	$474,200	$430,200	$429,200	San Francisco
San Jose	-8.0%	5.9%	4.2%	-0.3%	4,339	3,475	4,000	2,300	6.3%	3.3%	3.7%	3.7%	$2,481	$2,766	$3,140	$3,255	$389,900	$400,900	$416,100	San Jose
Seattle-Tacoma	-7.6%	5.2%	3.7%	0.6%	7,601	8,537	10,500	11,100	5.4%	3.2%	4.5%	5.5%	$1,750	$1,966	$2,120	$2,210	$264,700	$277,800	$289,700	Seattle-Tacoma
St. Louis	-5.7%	3.1%	0.7%	-0.2%	2,004	1,268	2,500	2,700	4.7%	2.9%	4.4%	5.2%	$998	$1,132	$1,230	$1,260	$111,500	$122,500	$134,400	St. Louis
Tampa-St. Petersburg	-2.8%	5.1%	4.0%	0.5%	4,570	6,107	6,200	7,000	4.3%	2.2%	5.1%	5.8%	$1,294	$1,663	$1,860	$1,970	$141,100	$168,300	$191,100	Tampa-St. Petersburg
Tucson	-5.3%	3.6%	2.6%	0.3%	435	1,644	1,000	2,100	3.3%	2.3%	5.7%	6.7%	$890	$1,096	$1,200	$1,240	$113,600	$126,400	$139,900	Tucson
Washington, D.C.	-6.5%	3.6%	2.5%	0.4%	13,541	12,299	12,000	14,000	5.3%	3.0%	4.6%	5.1%	$1,740	$1,915	$2,070	$2,145	$238,200	$243,100	$253,300	Washington, D.C.
West Palm Beach	-6.0%	7.3%	4.3%	0.7%	1,526	2,977	2,500	4,400	4.7%	2.1%	5.7%	6.6%	$1,714	$2,232	$2,400	$2,455	$203,800	$221,200	$248,400	West Palm Beach
United States	**-6.1%**	**4.7%**	**3.0%**	**0.5%**	**347,171**	**345,664**	**370,000**	**400,000**	**4.4%**	**2.6%**	**4.5%**	**5.3%**	**$1,415**	**$1,635**	**$1,794**	**$1,850**	**$169,600**	**$183,400**	**$206,200**	**United States**

** Estimate ** Forecast*

2 See Statistical Summary Note on Page 64.

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