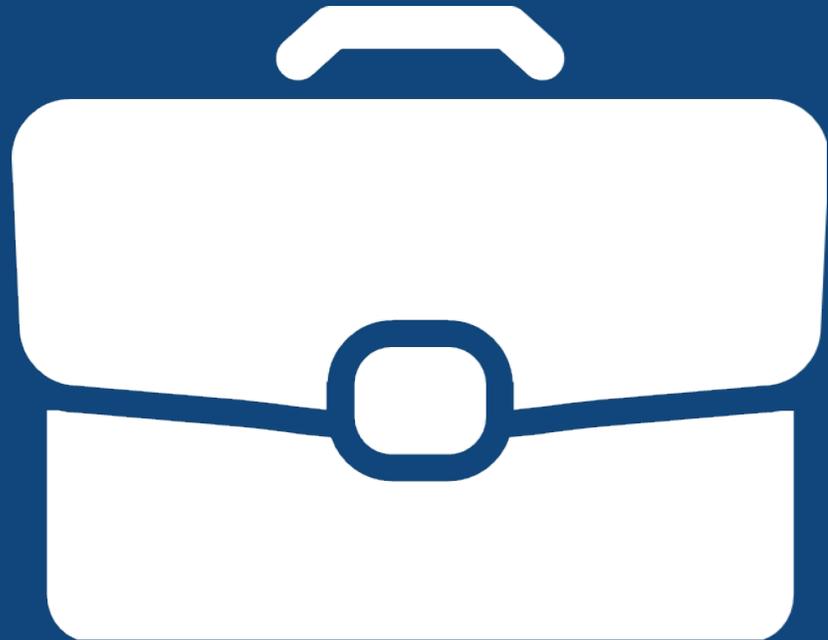




# 2021 U.S. Apartment Market Outlook

Greg Willett, *Chief Economist, RealPage, Inc.*  
Adam Couch, *Market Analyst, RealPage, Inc.*



December Job Loss

**-140,000**

Unemployment Rate

**6.7%**

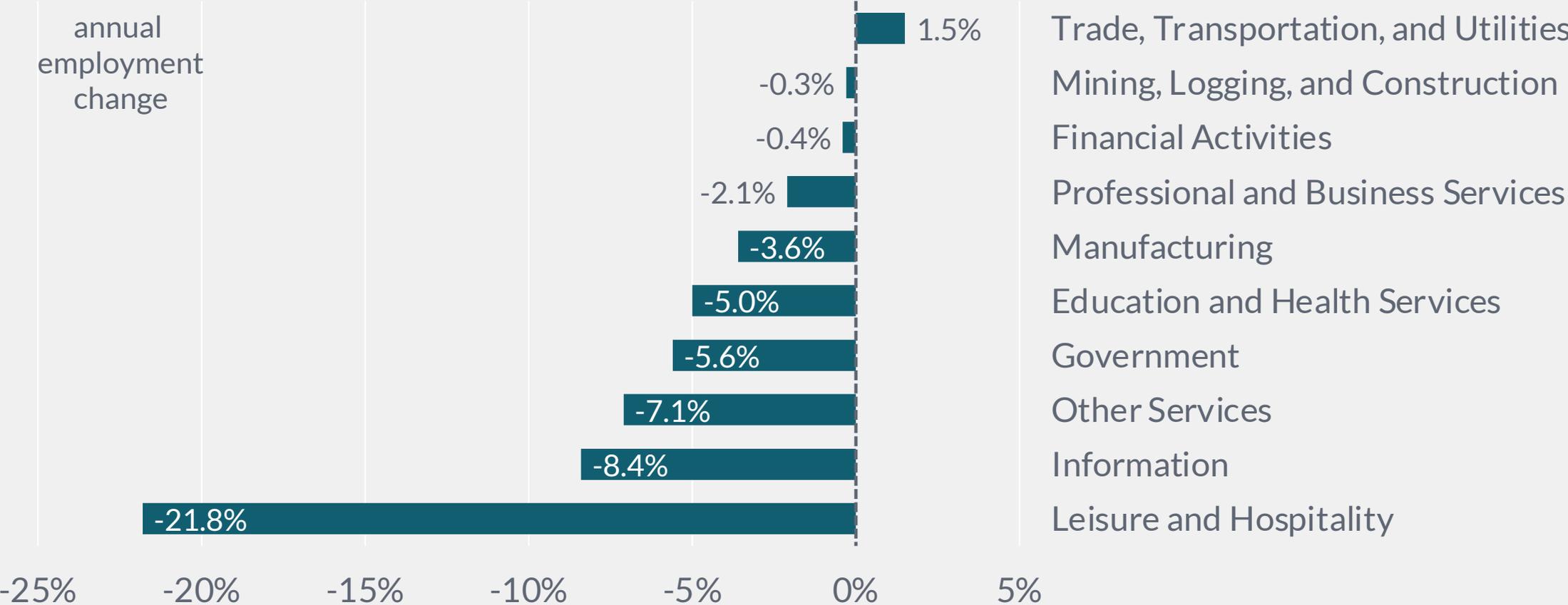
Source: Bureau of Labor Statistics

# We ended 2020 with the job count down by about 9 million positions for the calendar year and with the recovery process stalling



Source: Bureau of Labor Statistics

# While employment has stabilized in some sectors, losses remain huge in select industries, especially the hospitality sector

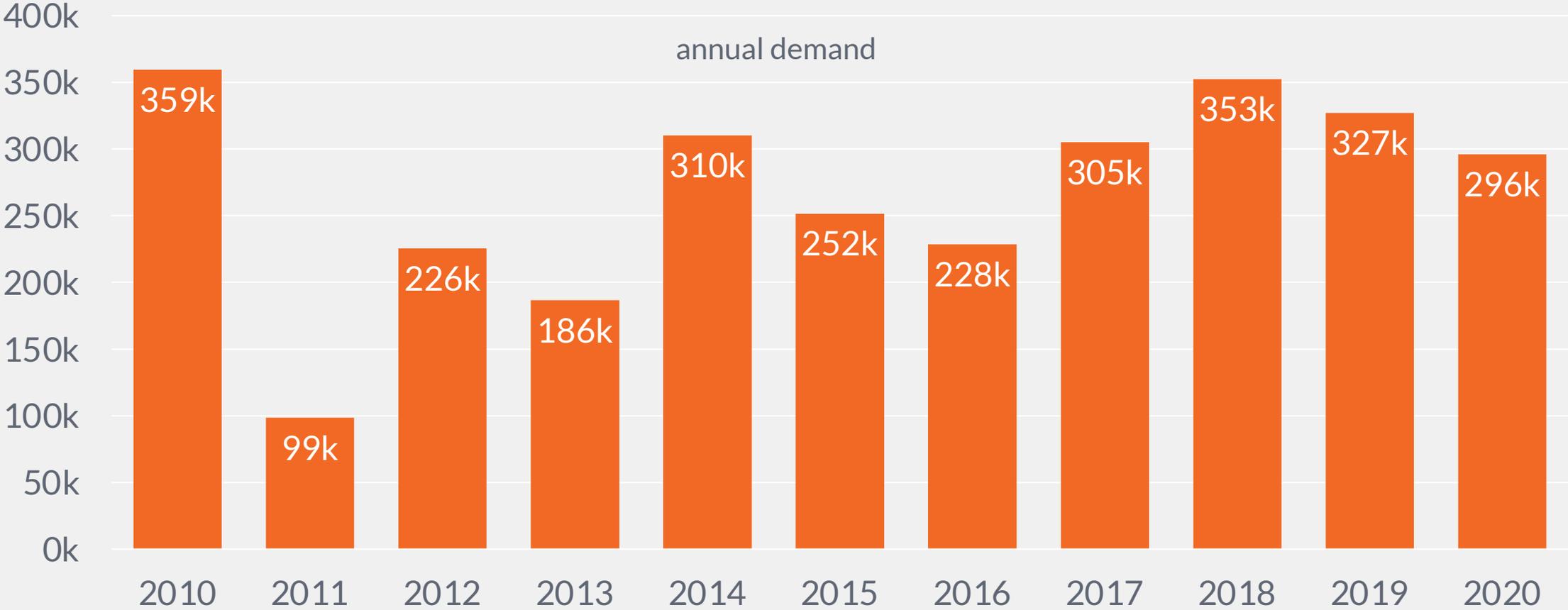


Source: Bureau of Labor Statistics

- RealPage's apartment performance outlook assumes **employment growth** totaling about 5 million jobs in 2020 and roughly 2 million jobs in 2021.

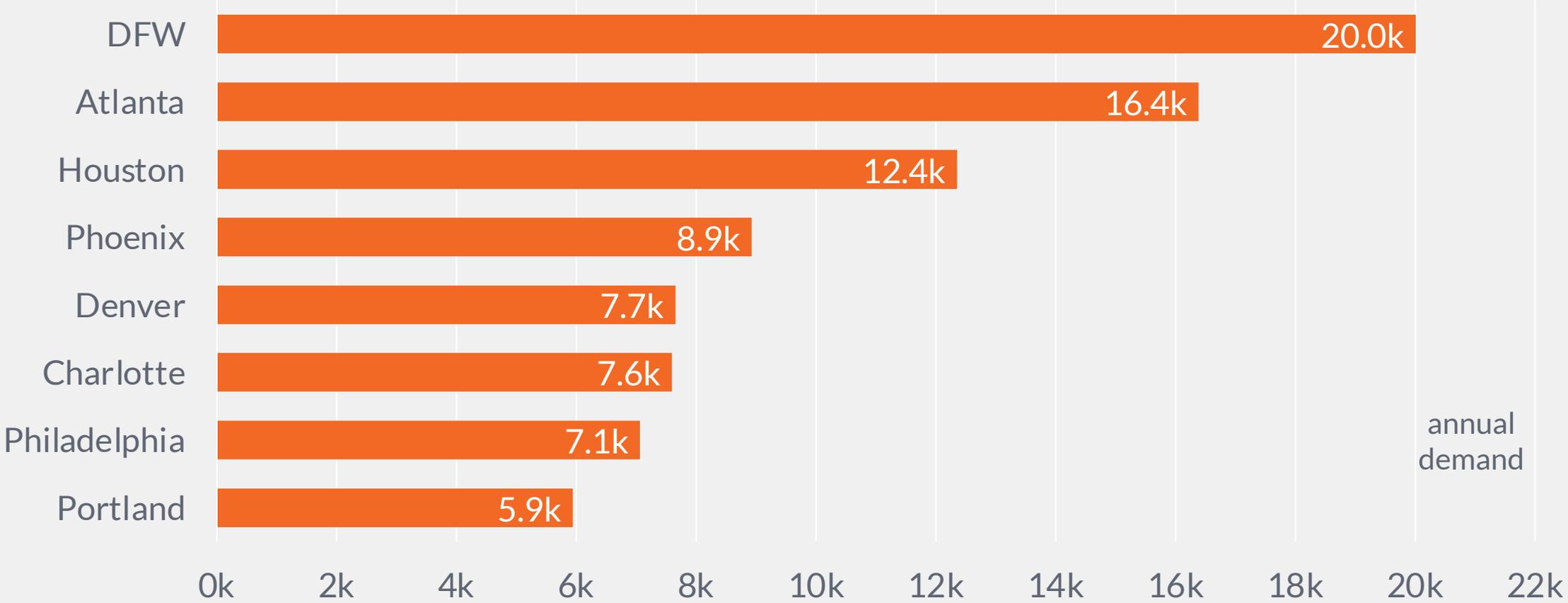
Source: RealPage, Inc.

# A strong apartment absorption performance during 2020's last half brought calendar year demand back to a healthy level



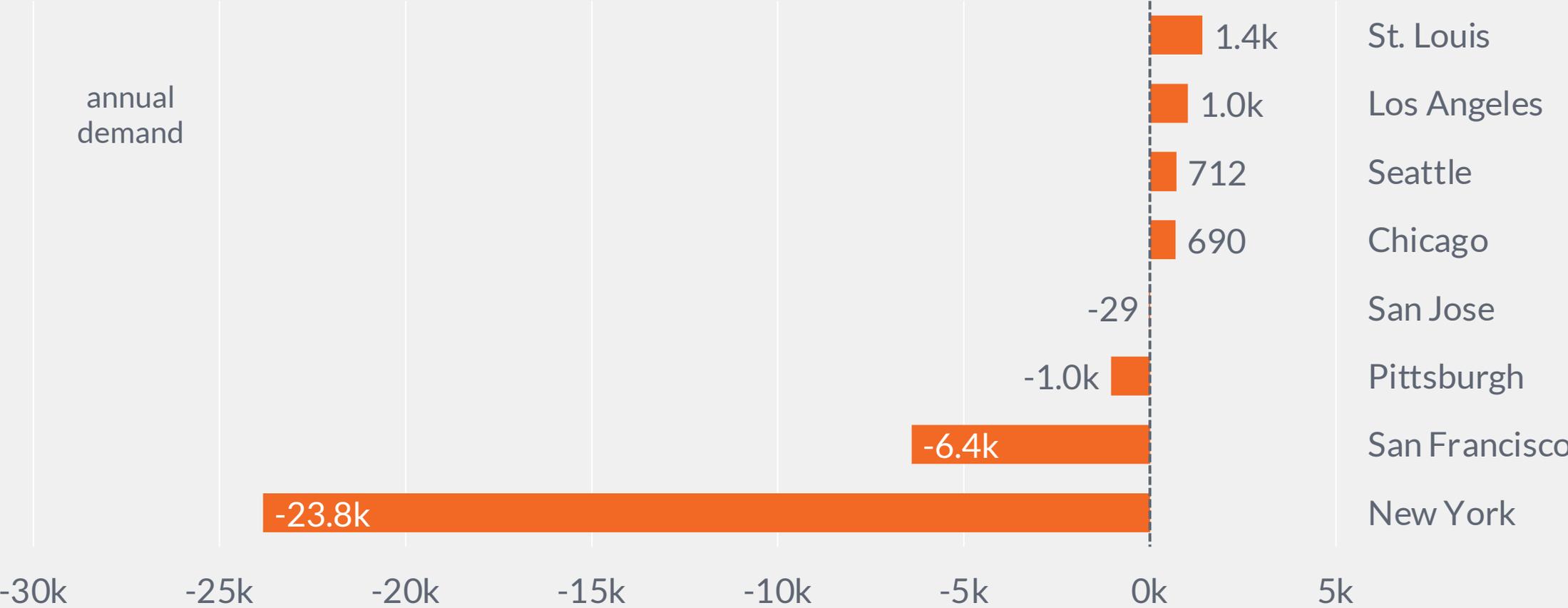
Source: RealPage, Inc.

# Several Sun Belt markets topped the apartment demand leaderboard in 2020



Source: RealPage, Inc.

# New York and the Bay Area suffered net move-outs in 2020, while there was minimal demand in other gateway locations

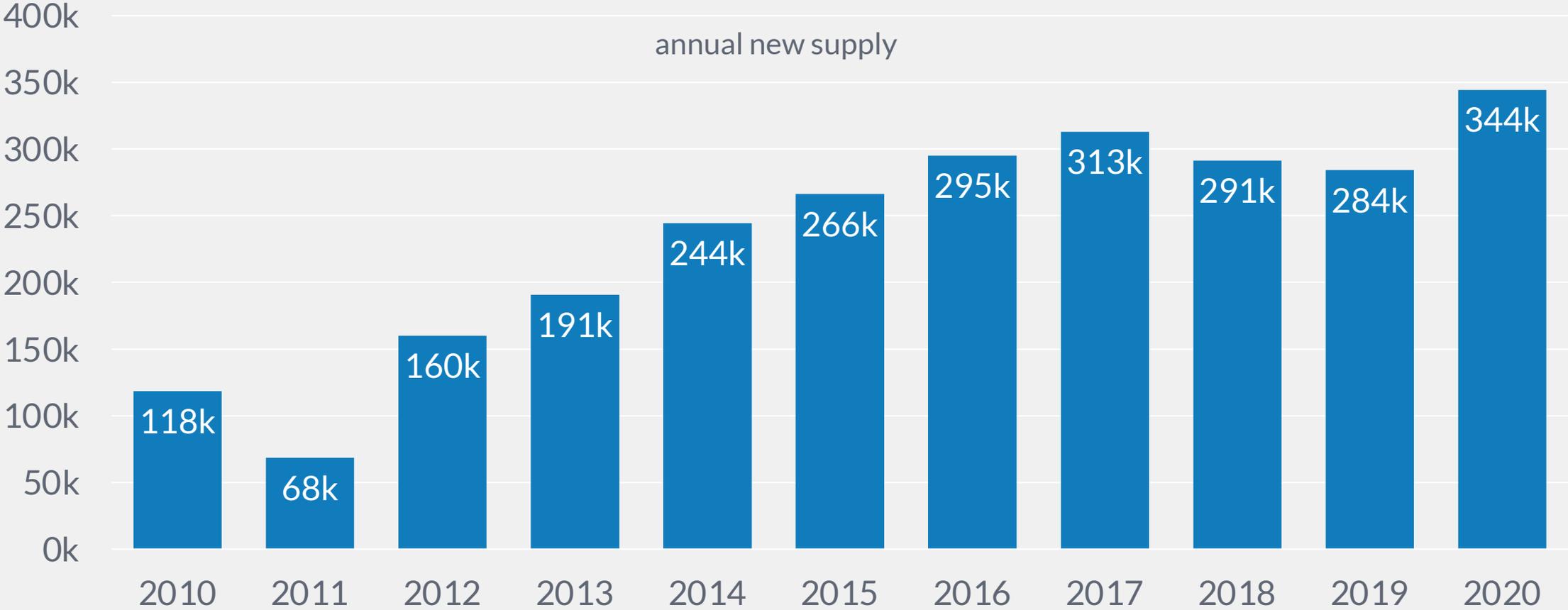


Source: RealPage, Inc.

- Look for **2021 apartment demand** across the country's **150 largest metros** to total approximately **307,000 units**.

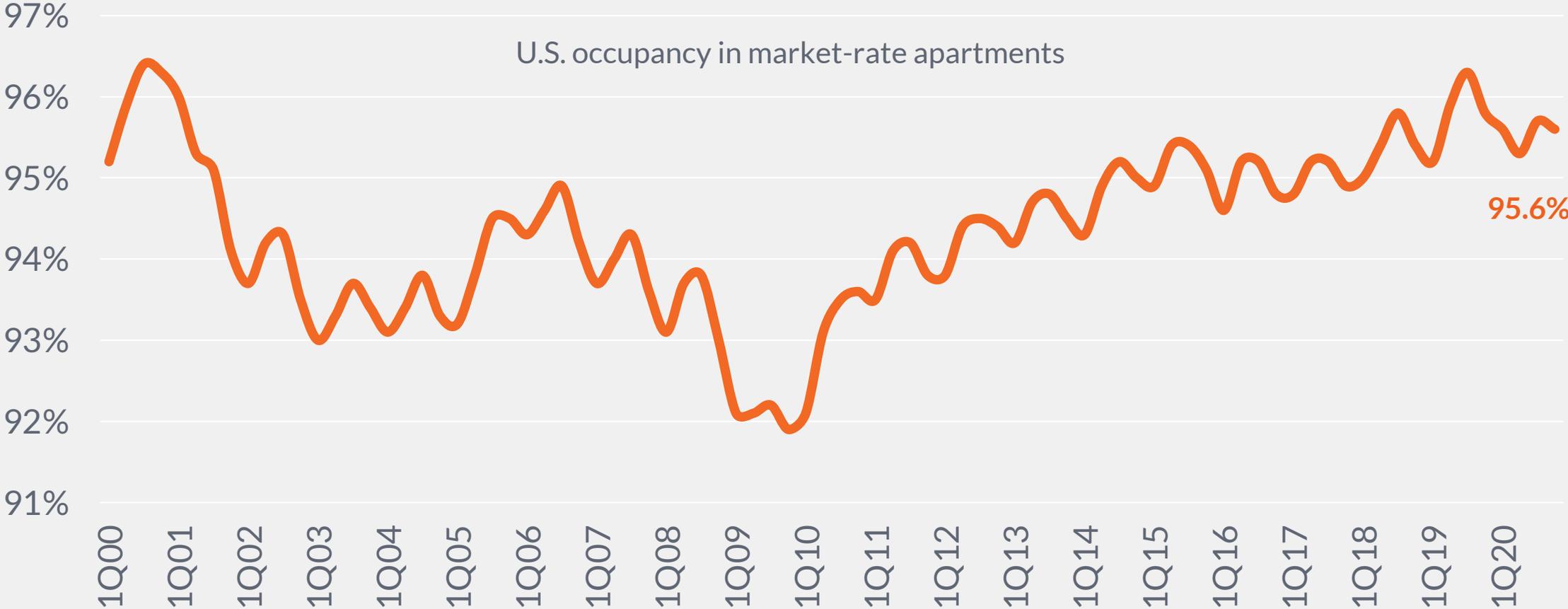
Source: RealPage, Inc.

# Apartment deliveries in 2020 reached 344,00 units, the nation's biggest block of new supply completed since the mid-1980s



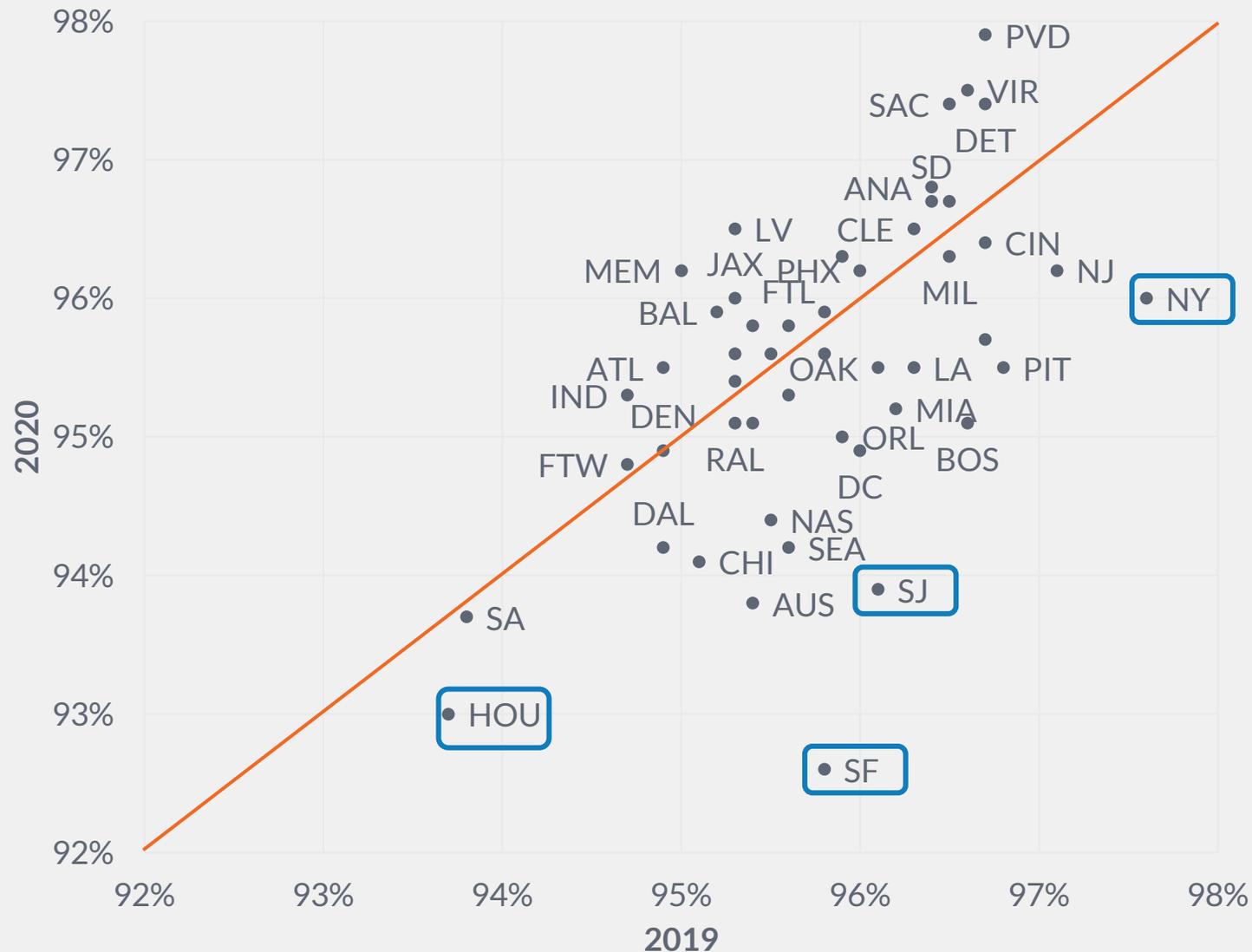
Source: RealPage, Inc.

# U.S. apartment occupancy ended 2020 in solid shape, down only 10 basis points year-over-year



Source: RealPage, Inc.

The key exceptions to encouraging occupancy are in the Bay Area and New York, plus the West Texas Oil Patch.



Source: RealPage, Inc.

**U.S. occupancy is now at**

**94.6%**

**in Class A product**

**95.7%**

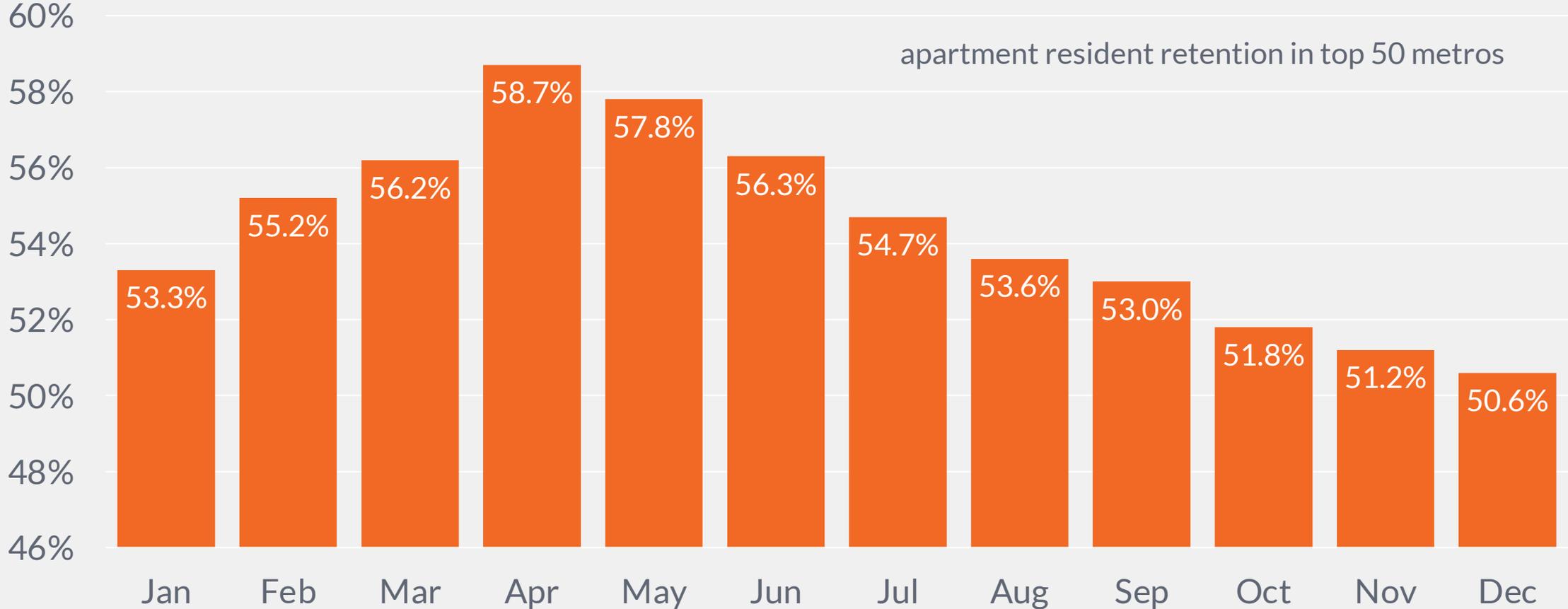
**in Class B product**

**96.3%**

**in Class C product**

Source: RealPage, Inc.

# Resident retention rates when leases expire have come down, after a big spike in retention registered in the early days of the pandemic

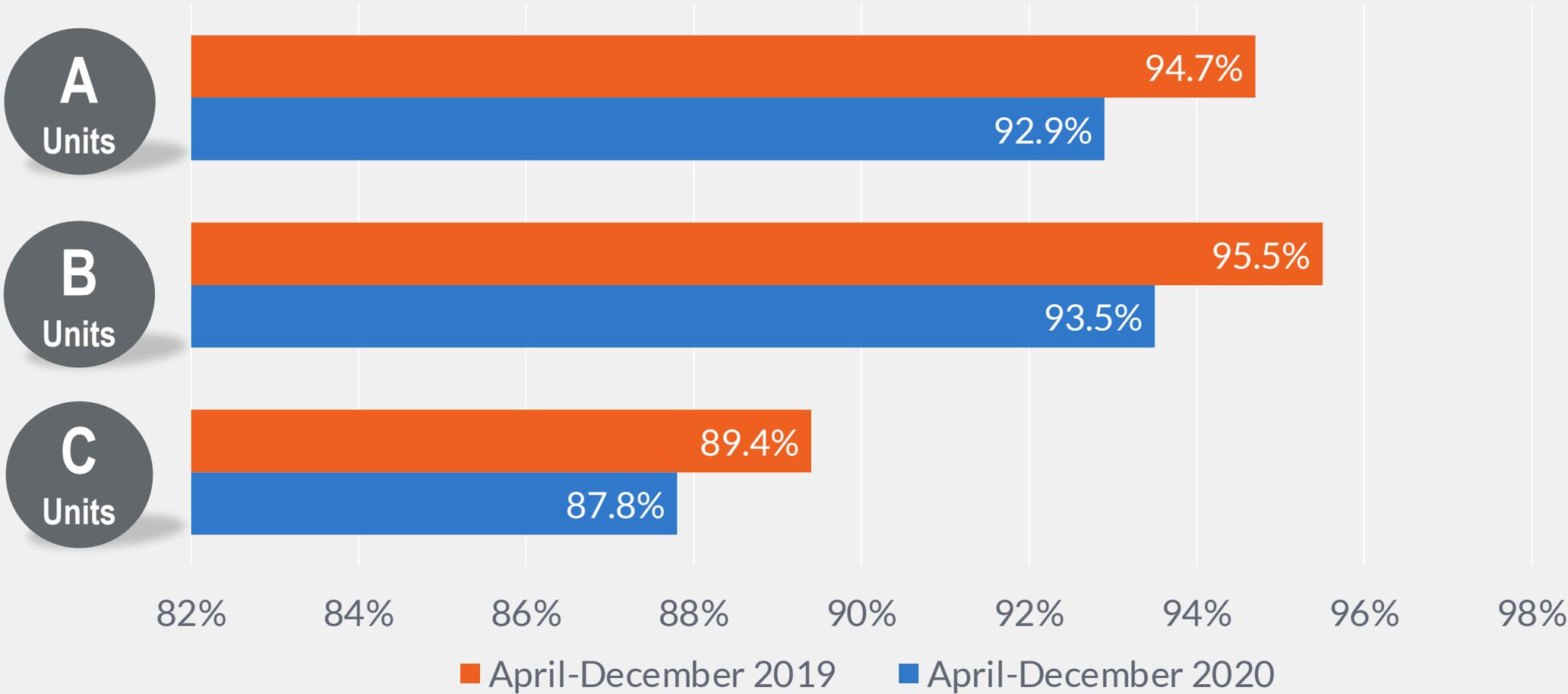


Source: RealPage, Inc.

- On average, 94.7% of households in professionally-managed properties paid their rent in April through December, with that figure off the year-earlier level by 1.5 percentage points.

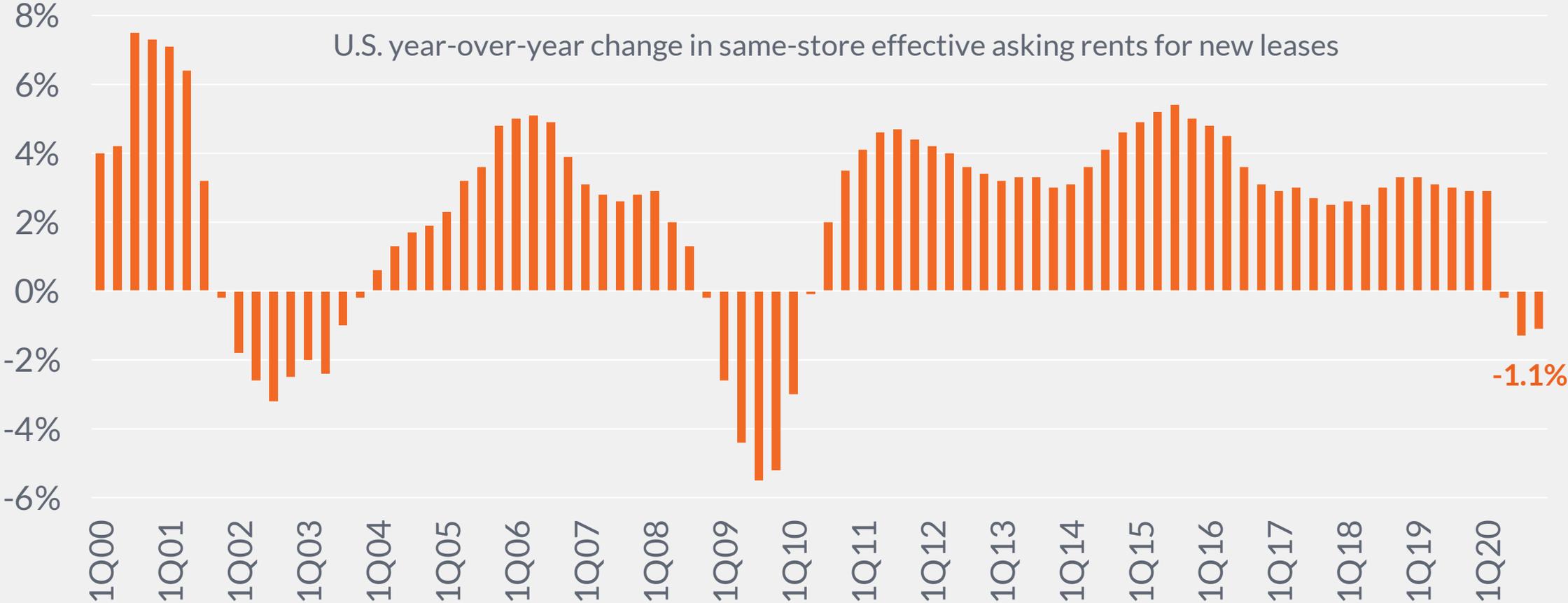
Source: National Multifamily Housing Council

# Typical rent payments in April through December held stronger in Class A and B units than in the Class C stock



Source: RealPage, Inc.

# Effective asking rents are off a bit year-over-year, but the loss is small viewed relative to cuts seen in the Great Financial Crisis (2008-2009)



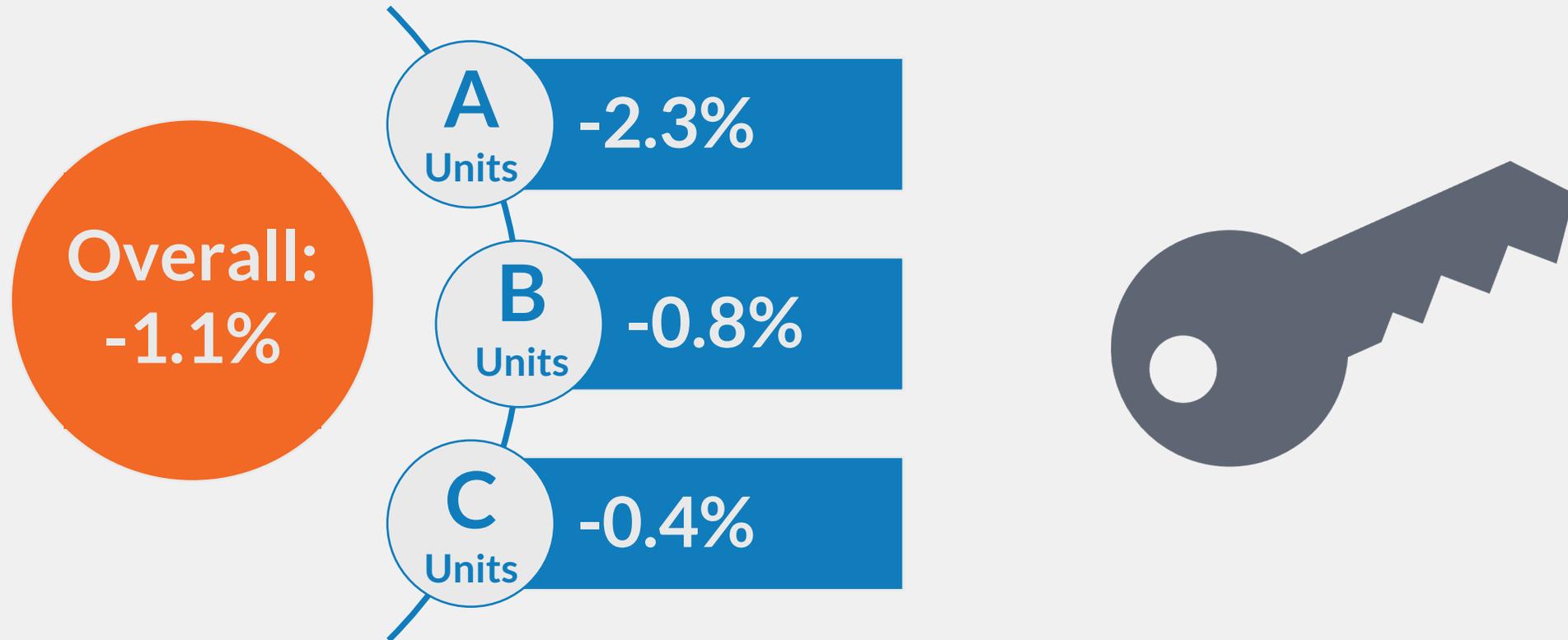
Source: RealPage, Inc.

## Rent change performances in 2020 varied notably from one market to another, with the big declines in gateway metros grabbing the headlines

Notable Rent Growth +3% or More	Mild Rent Growth +1% to 2.9%	Flat Rents -0.9% to +0.9%	Mild Rent Loss -1.0% to -2.9%	Notable Rent Loss -3% or More
Riverside	Baltimore	Raleigh/Durham	Anaheim	Chicago
Sacramento	Cincinnati	San Diego	Dallas	Washington, DC
Memphis	Atlanta	Portland	Pittsburgh	Austin
Virginia Beach	St. Louis	Fort Lauderdale	Minneapolis	Oakland
Greensboro/Winston-Salem	Salt Lake City	San Antonio	Denver	Seattle
Phoenix	Fort Worth		Newark	Los Angeles
Detroit	Cleveland		Houston	Boston
Providence	Philadelphia		Miami	New York
Las Vegas	Charlotte		Orlando	San Jose
Jacksonville	Kansas City		Nashville	San Francisco
Columbus	Milwaukee			
Indianapolis				
Tampa				

Source: RealPage, Inc.

# Annual change in effective asking rents is at



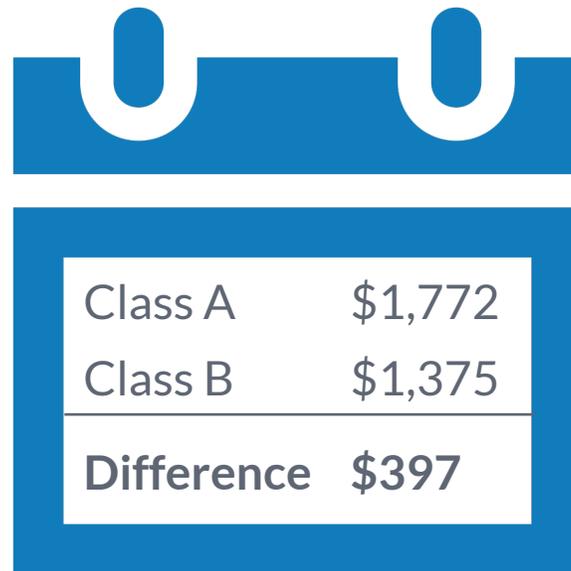
Source: RealPage, Inc.

Top-heavy rent cuts mean the rent premium between Class A and B product is shrinking



Class A	\$1,878
Class B	\$1,378
Difference	\$500

February 2020



Class A	\$1,772
Class B	\$1,375
Difference	\$397

December 2020

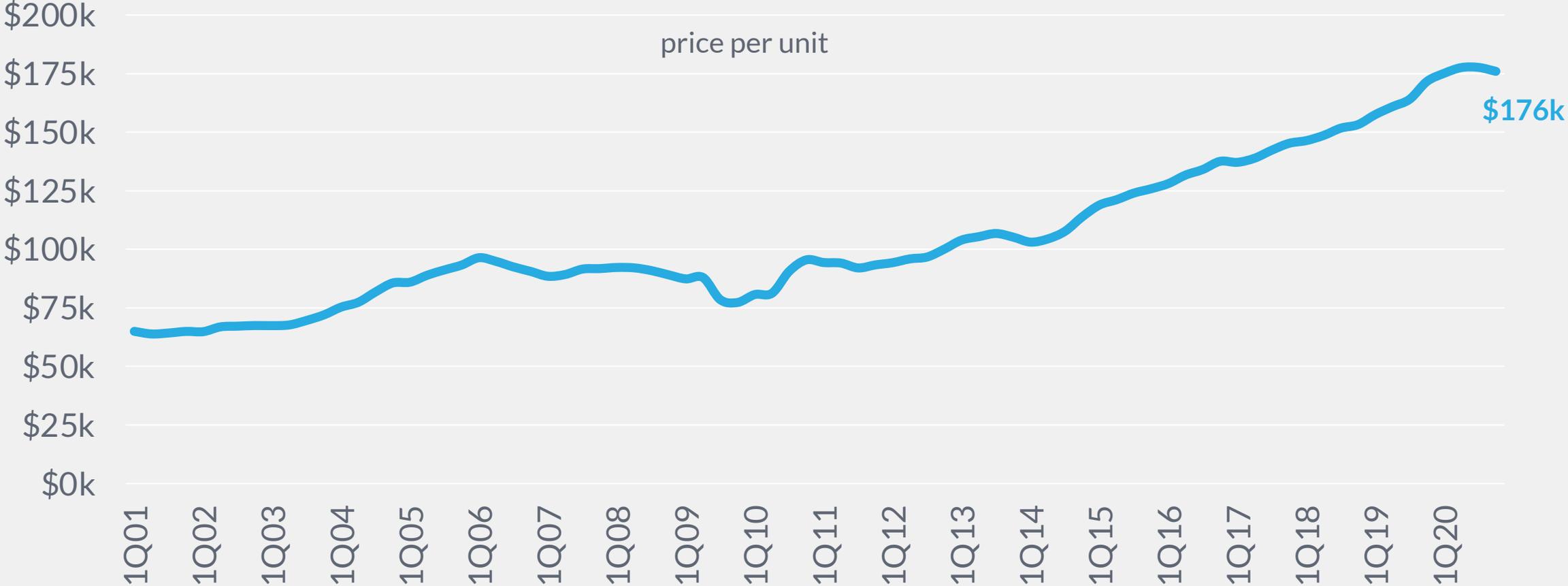
Source: RealPage, Inc.

# Apartment sales cooled in 2020, but the decline wasn't as pronounced as might have been expected



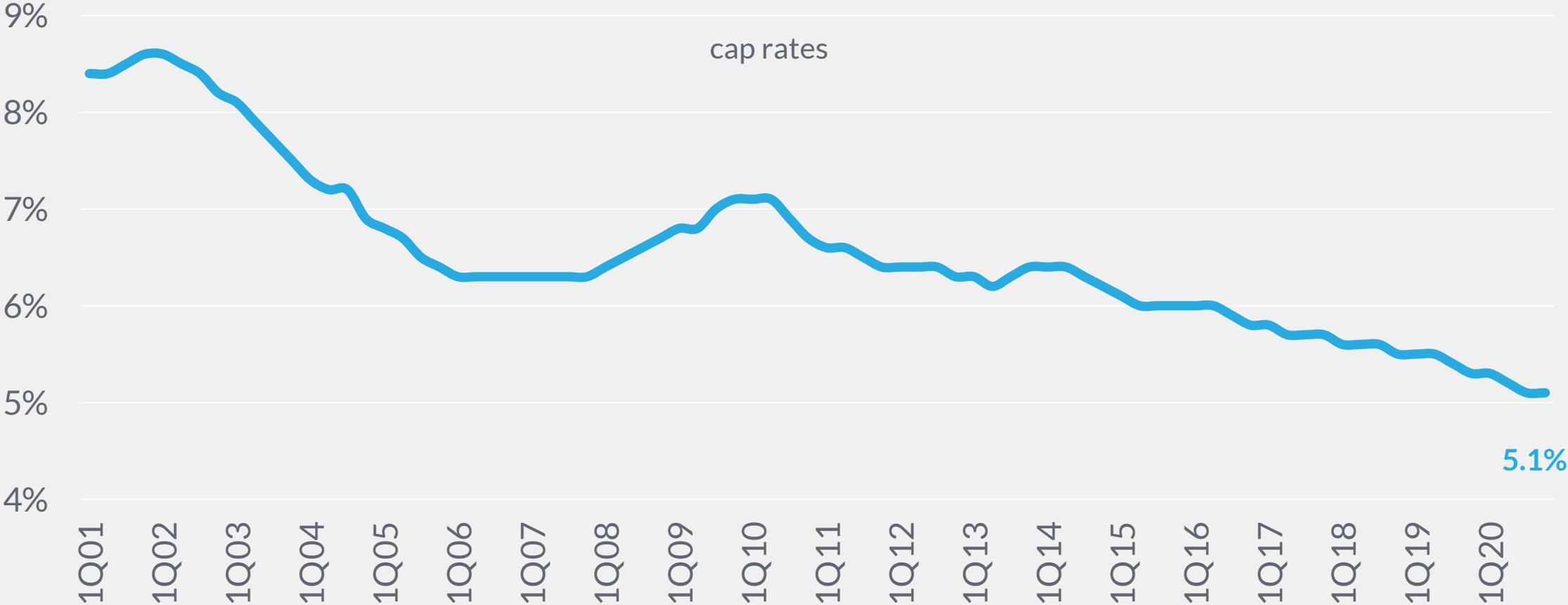
Source: Real Capital Analytics

# The typical apartment sales price is holding at the all-time highs recorded in the pre-pandemic time frame



Source: Real Capital Analytics

# Cap rates for apartments continue to inch downward, with the standard now just a tick above 5%

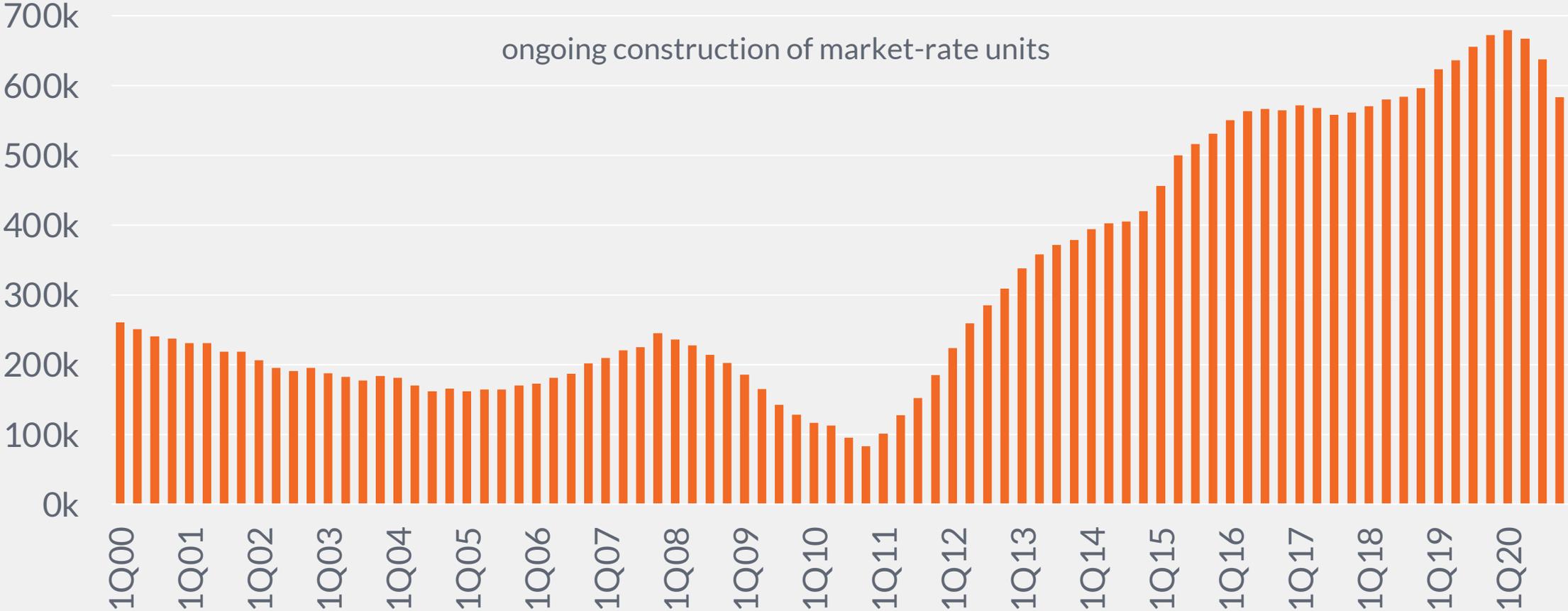


Source: Real Capital Analytics

**All eyes are on supply levels in 2021, with some metros about to experience significant delivery increases**



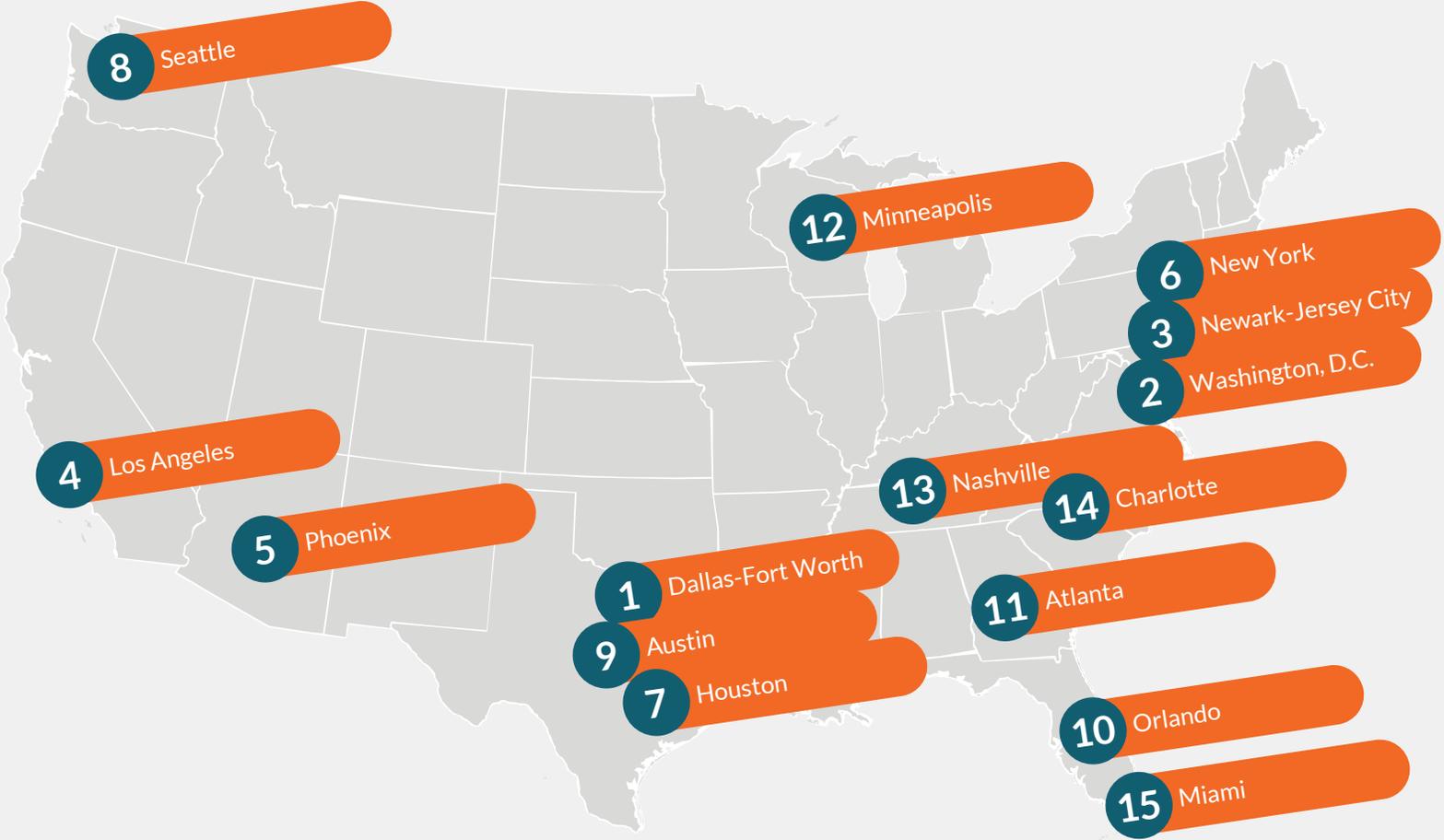
# Ongoing apartment construction has cooled from its peak, but building remains quite substantial by long-term standards



Source: RealPage, Inc.

# Markets that added lots of new supply over the past decade or so tend to still have substantial blocks of product on the way

Metro	Units Under Construction
Dallas-Forth Worth	36,380
Washington, DC	31,773
Newark-Jersey City	29,779
Los Angeles	29,535
Phoenix	24,740
New York	22,024
Houston	21,466
Seattle	19,858
Austin	18,719
Orlando	14,798
Atlanta	14,724
Minneapolis	14,288
Nashville	14,049
Charlotte	13,664
Miami	13,395



Source: RealPage, Inc.

# U.S. scheduled apartment deliveries jump to just over 400,000 units in calendar 2021, and another sizable block of new supply anticipated in 2022



Source: RealPage, Inc.



**DFW** remains the country's leader for ongoing construction with 36,000 units on the way.

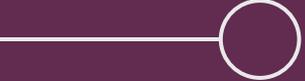
**Austin's** inventory growth rate is especially aggressive at 7.2%.



Source: RealPage, Inc.

○ Fairly limited (and slowing) deliveries in 2021 should help boost the overall performance in metro Atlanta.

In contrast, completions should be substantial (and rising) across Orlando, Nashville, Charlotte and Miami.



**Washington, DC, Newark/Jersey City and New York** likely will struggle to absorb big blocks of new supply in 2021.

**Philadelphia and Baltimore**, however, look well positioned to handle modest completions.



**Minneapolis** is the Midwest's construction leader, with activity having moved ahead of the volume in **Chicago**.

Source: RealPage, Inc.



Construction is surging in **Phoenix**, and **Salt Lake City** will rank among the country's building leaders in terms of inventory growth rate.

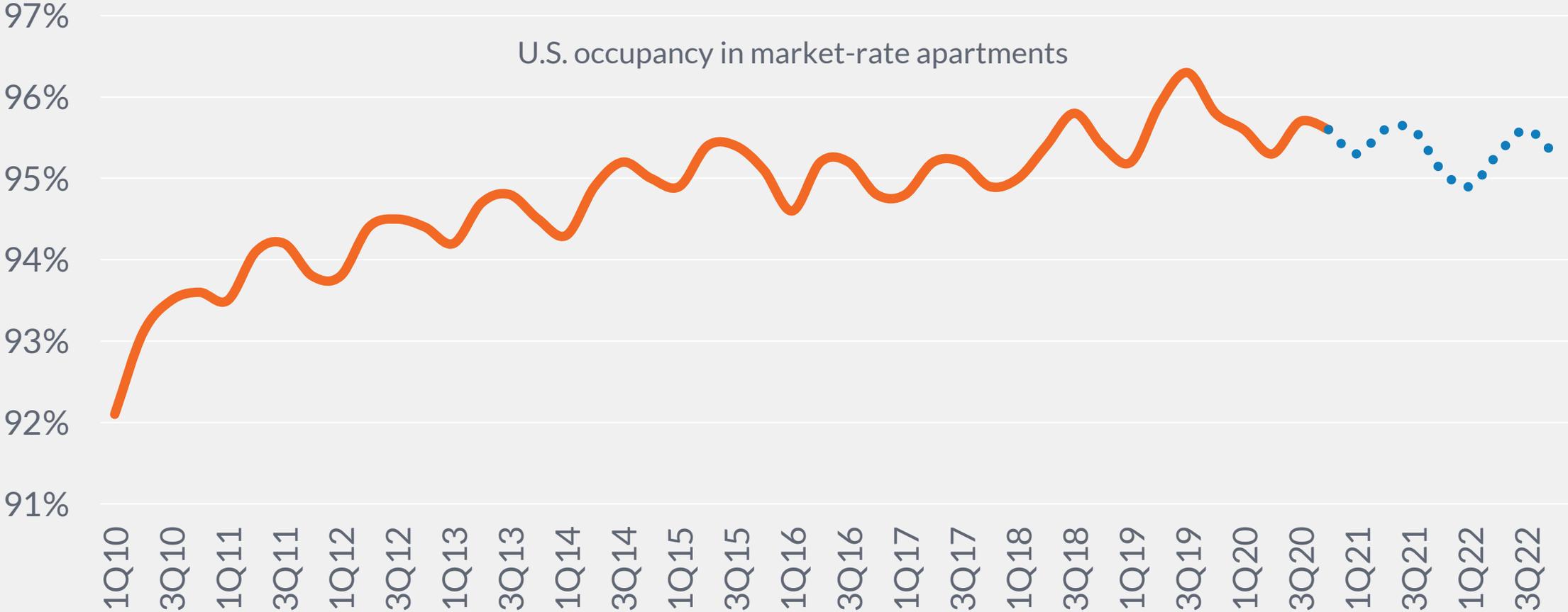
Source: RealPage, Inc.



Los Angeles, the San Francisco Bay Area metros, and Seattle are already struggling markets about to be pounded with big increases in deliveries.

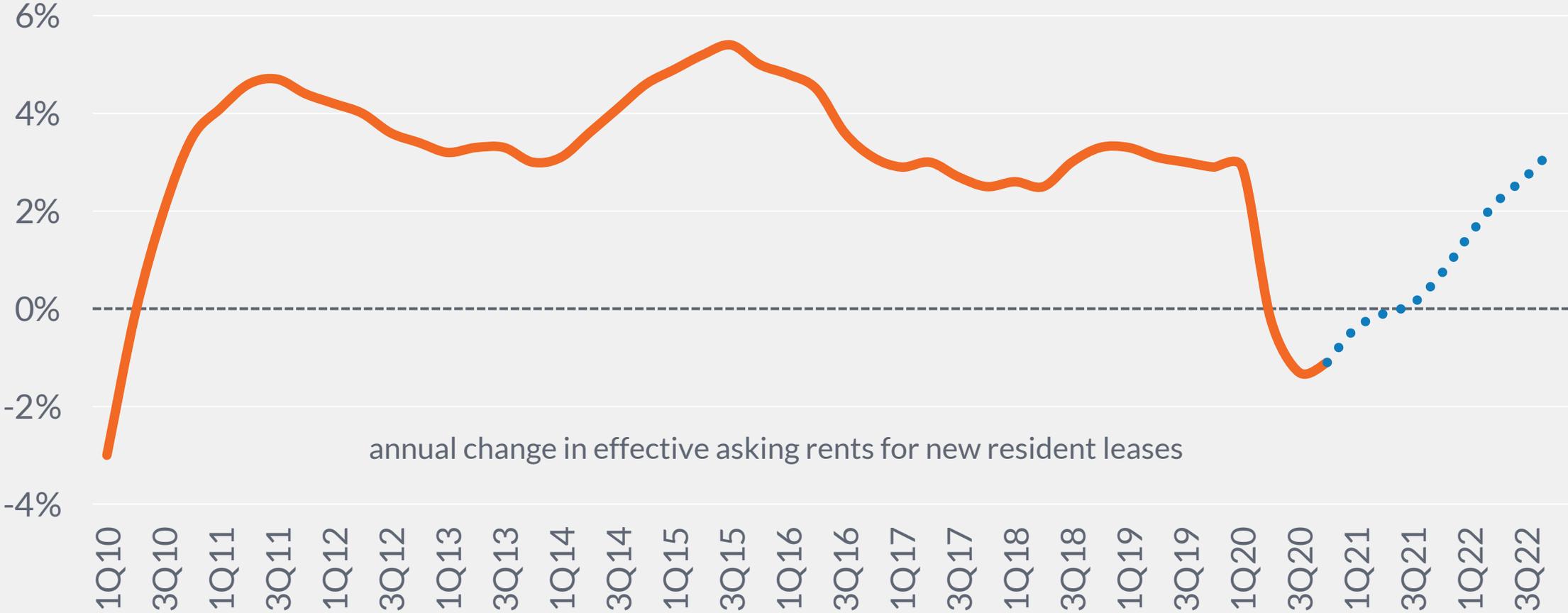
Look for limited completions to help Sacramento and the Inland Empire retain strong performance momentum.

# Look for occupancy to hover around the 95% mark throughout the next couple of years, with shifts mainly reflecting normal seasonality



Source: RealPage, Inc.

# Look for effective asking rent change to remain in negative territory during the first half of this year, but growth should strengthen in 2022



Source: RealPage, Inc.

Monthly rents in 30 of the 50 largest markets throughout the nation are already back to (or above) pre-pandemic levels

Monthly rents are back to 1Q20 levels in:	
Baltimore	Virginia Beach
Cincinnati	Atlanta
Cleveland	Denver
Columbus	Jacksonville
Detroit	Las Vegas
Fort Worth	Phoenix
Greensboro/Winston-Salem	Portland
Indianapolis	Raleigh/Durham
Kansas City	Riverside
Memphis	Sacramento
Milwaukee	Salt Lake City
Philadelphia	Tampa
Pittsburgh	Newark-Jersey City
Providence	Charlotte
St. Louis	San Diego

Source: RealPage, Inc.

**A few markets should  
register full rent  
recovery this year**

**Monthly rents will return to 1Q20  
levels this year in:**

West Palm Beach

Anaheim

Fort Lauderdale

Source: RealPage, Inc.

**Full rent recovery pushes into 2022 or later in select spots, with some key metros – the Bay Area, New York, Los Angeles and Chicago – not expected to get there until mid-decade**

Monthly rents will return to 1Q20 levels in 2022 or beyond in:	
Dallas	Oakland
San Antonio	Washington, DC
Minneapolis	Boston
Nashville	Chicago
Houston	Los Angeles
Miami	New York
Austin	San Francisco
Orlando	San Jose
Seattle	

Source: RealPage, Inc.

○ The near-term outlook **favors suburban properties** over those in the urban core.

**Class B projects** probably should achieve the best results, doing a little better than the Class C stock and much better than most Class A properties.



**THANK YOU!**