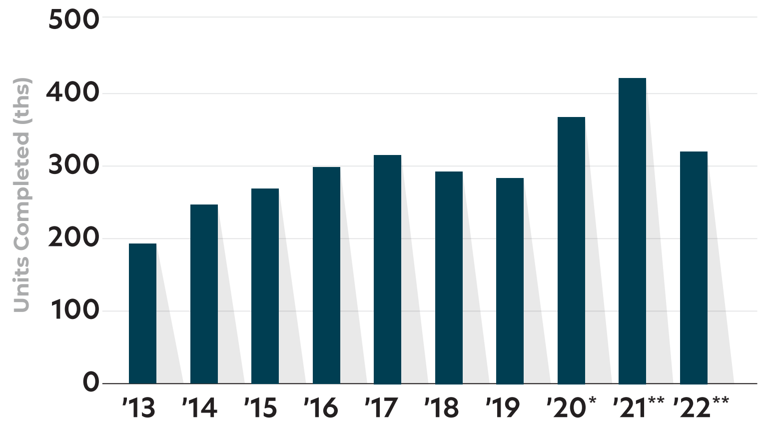
# NATIONAL TRENDS

BERKADIA®

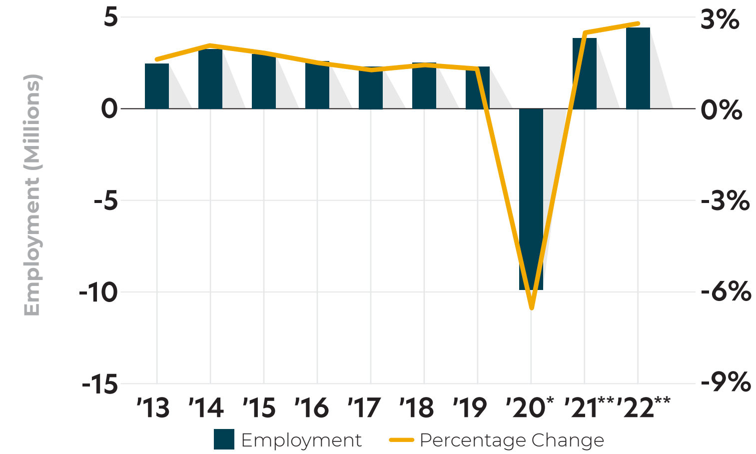
## REVIEW

With apartment occupancy rising nationally in recent years and hitting a cycle high during 2019, development has ramped up in kind. This led to the addition of more than 364,400 units last year, a more than 20-year peak. As apartment operators faced increased competition, the coronavirus pandemic impacted the nation. U.S. payrolls contracted 6.5% last year, as more jobs were lost than throughout the Great Recession. With many Americans facing economic insecurity, health concerns, and shelter-in-place orders, renter mobility was hindered, as net absorption was nearly half the additions. As a result, average apartment occupancy decreased 60 basis points to 95.2% by year-end 2020, though still 10 basis points higher than the five-year average. Contributing to occupancy remaining healthy was assistance to renters through the CARES Act and local government aid programs. Rent collections of professionally managed properties averaged 94.9% since May 2020, compared to 96.0% during the same time in 2019. To assist renters, operators also increased concessions, which resulted in monthly effective rent contracting 1.0% and finishing 2020 at $1,410. While apartment fundamentals remained stable, deal flow continued, albeit at a much slower pace. Transactions averaged $180,887 per unit, up 6.7% from 2019. Simultaneously, average cap rate reduced 20 basis points to 5.2% in 2020. Through November 2020, deal volume totaled $481.6 billion, a decrease of 34.4% from 2019.

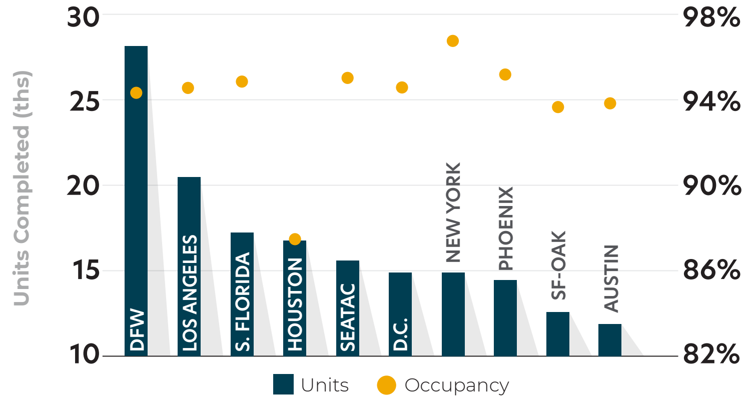
**U.S. CONSTRUCTION PIPELINE**



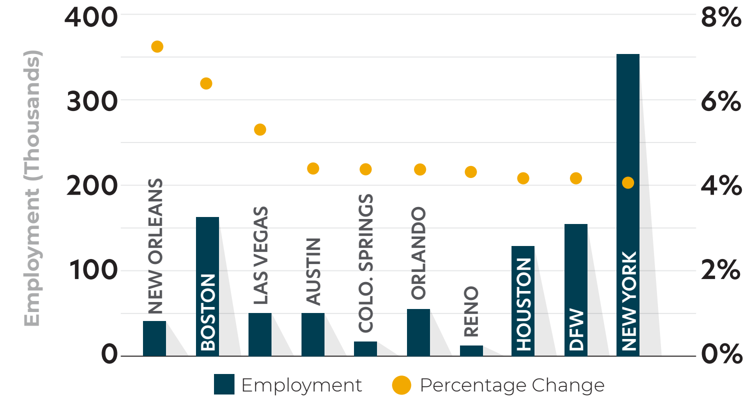

**U.S. EMPLOYMENT**




**TOP METROS: 2021 SUPPLY GROWTH**




**TOP METROS: 2021 EMPLOYMENT GROWTH**




## 2020 PERFORMANCE HIGHLIGHTS

**EMPLOYMENT CHANGE**
-9,879,900
Down **6.5%** YOY

**OCCUPANCY**
95.2%
Down **60 bps** YOY

**EFFECTIVE RENT**
$1,410
Down **1.0%** YOY

**CONSTRUCTION**
364,449
Up **29.1%** YOY

Data and images pertaining to employment, income, permits, population, rents, single-family housing, and occupancy are year-end figures. Absorption, construction, and apartment sales figures are full-year totals. *Numbers for 2020 are projected values; **2021/2022 figures are forecast projections. Apartment market data criteria and methodologies vary by market.

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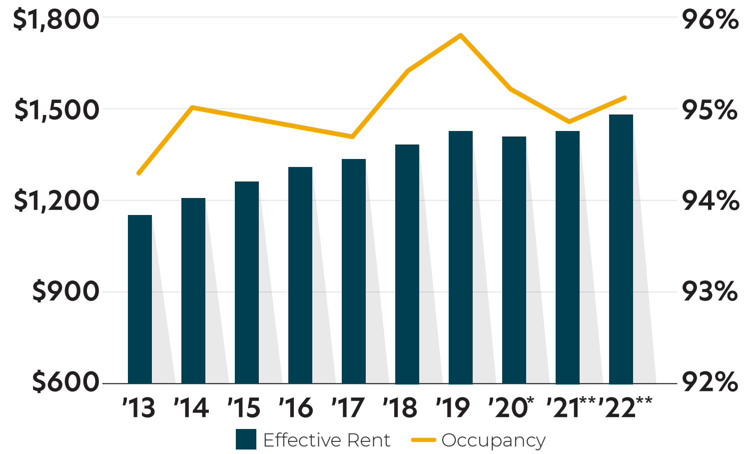
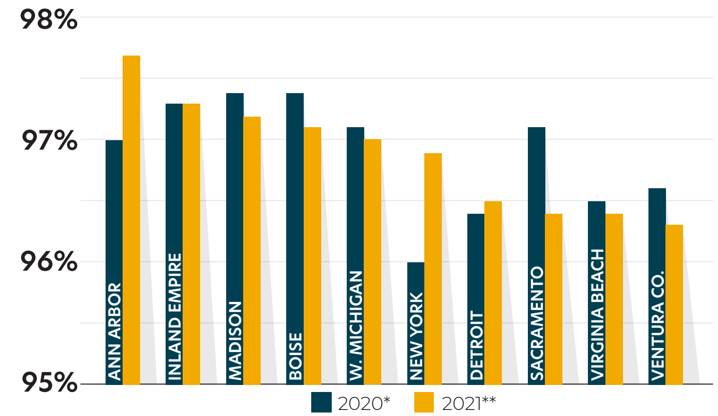
## FORECAST

As the U.S. economy slowly recovers, apartment fundamentals will improve. Employers are forecast to accelerate hiring over the next two years as the workforce is projected to grow 2.6% this year and 2.9% next year. The strongest rebound is expected among the white-collar industries: financial activities and professional and business services. These higher-paying positions will be the target of Class A apartment operators as more than 735,200 units are scheduled to begin lease-up nationwide over the next two years, most of which are Class A. This trend is embodied in the Dallas-Fort Worth market, where a national-leading 51,559 units are on pace to come online by year-end 2022, and professional and business services hiring will lead all other sectors. As Americans have more job opportunities, annual apartment leasing is forecast to return to pre-pandemic levels. Renting will remain a preferred option for residents with a higher barrier to homeownership, as New York, Dallas-Fort Worth, and South Florida are projected to lead in leasing activity. Nationally, apartment occupancy is forecast to reach 95.1% by year-end 2022, down 10 basis points from the close of 2020 due to supply-side pressure. At the same time, operators are projected to advance monthly effective rent 1.0% to $1,424 this year and 4.1% next year to $1,482. On the market level, rent appreciation will be highest among secondary and tertiary metros with above-average job growth, like Inland Empire and Colorado Springs.

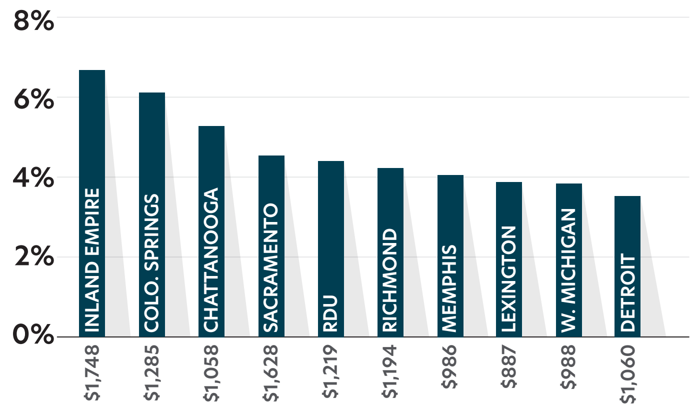
### U.S. EFFECTIVE RENT AND OCCUPANCY



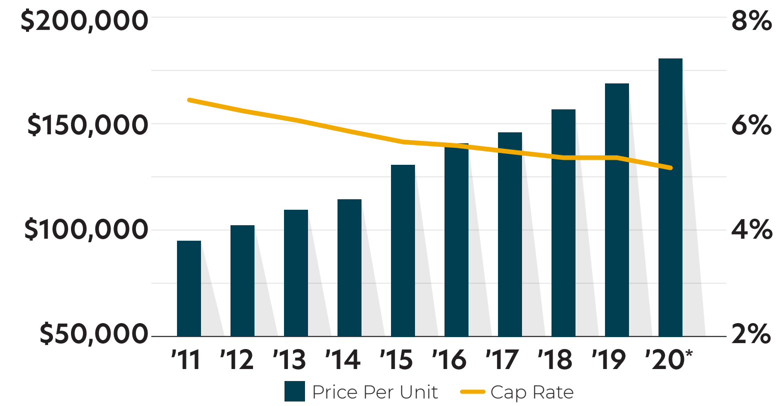

### TOP METROS: HIGHEST OCCUPANCY




### TOP METROS: 2021 EFFECTIVE RENT GROWTH




### U.S. APARTMENT INVESTMENT




## 2021 PERFORMANCE HIGHLIGHTS

**EMPLOYMENT CHANGE**
3,695,100
Up **2.6%** YOY

**OCCUPANCY**
94.8%
Down **40 bps** YOY

**EFFECTIVE RENT**
$1,424
Up **1.0%** YOY

**CONSTRUCTION**
417,219
Up **14.5%** YOY

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