

# NATIONAL

## Multifamily Report

**BERKADIA**<sup>®</sup>

a Berkshire Hathaway and Jefferies Financial Group company



## Jobs Added / Lost

LAST 12 MONTHS

7,919,000

↑ 5.7%

## Unemployment

MID-YEAR 2021

5.9%

↓ 520 BPS YOY

# NATIONAL EMPLOYMENT

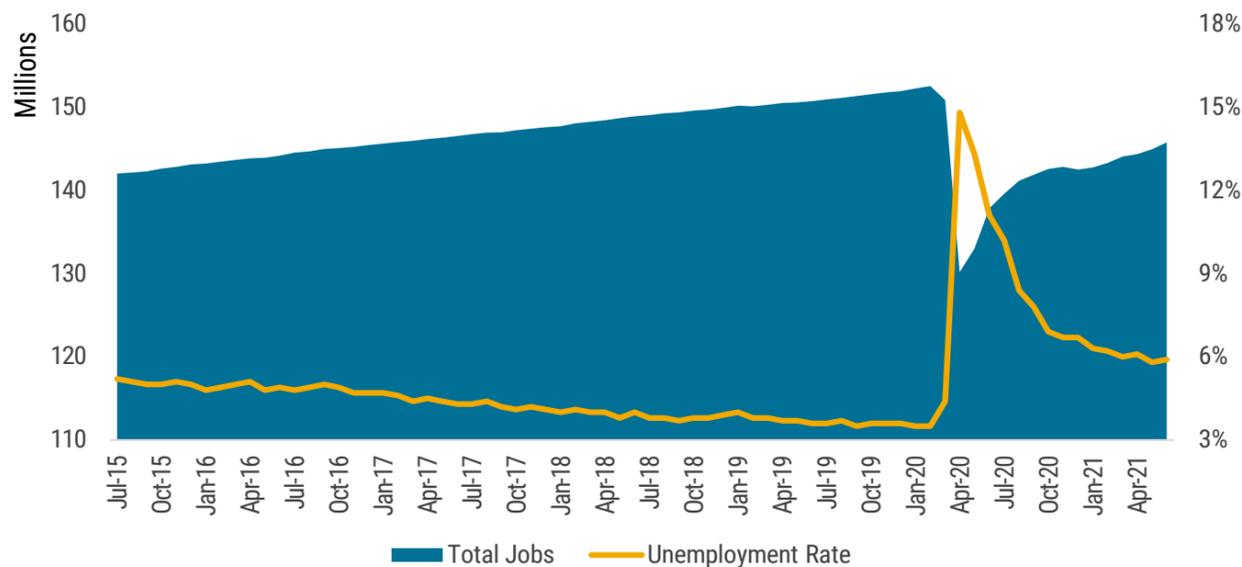
The U.S. economy continued to show steady recovery as employment approached pre-pandemic levels by mid-2021. The rebound in national payrolls was driven by the resurgence in the leisure and hospitality hiring. Leisure and hospitality employers created nearly 2.6 million of the approximately 7.9 million net jobs added to the national workforce in the last 12 months.

Aiding the industry was nearly every state lessening or eliminating pandemic restrictions. This was a boom to restaurants and similar businesses prohibited from or limited to allowing occupancy. Tourism-dependent markets like Orlando, Orange County, and Las Vegas also saw a boom in visitors with the reopening and expanding services of venues like Disney, one

of the largest leisure and hospitality employers in the country. This was reflected in apartment fundamentals for these areas outperforming national trends.

Even with the additions, the industry is facing a long road to recovery, with headcounts at 87% of pre-pandemic levels, compared to 96% recover of total employment. Conversely, the financial activities and the professional business and services sectors have nearly fully recovered payrolls by mid-2021. These white-collar positions typically pay on average \$78,400 and \$69,450 annually, respectively. These workers represent rent-by-choice residents or individuals priced out of homeownership who seek amenity rich Class A apartment product.

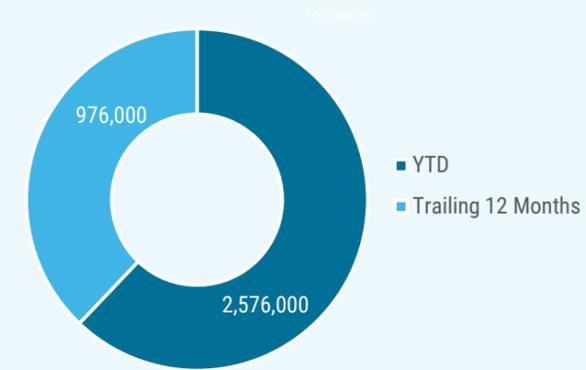
## Employment Trends



SOURCE: MOODY'S ANALYTICS

## Who's Hiring?

### LEISURE & HOSPITALITY INDUSTRY



10% OF ALL JOBS IN THE NATION

\$25,120 AVERAGE ANNUAL SALARY

## Top Leisure & Hospitality Employers



228,000 JOBS



150,000 JOBS



100,000 JOBS

## In The News

- ➔ [PwC planning to hire 100,000 workers over 5 years](#)
- ➔ [Allied Universal is looking to hire 35,000 workers](#)
- ➔ [Amazon will hire 75,000 logistics workers](#)
- ➔ [Chipotle hoping to hire 15,000 workers](#)
- ➔ [Lowe's looking to hire 50,000 new employees](#)
- ➔ [TSA to hire over 6,000 airport security screening officers](#)



# NATIONAL DELIVERIES & ABSORPTION

## 2021 Units\*

DELIVERED

397,857

ABSORBED

335,288

## 2022 Units\*

DELIVERED

404,159

ABSORBED

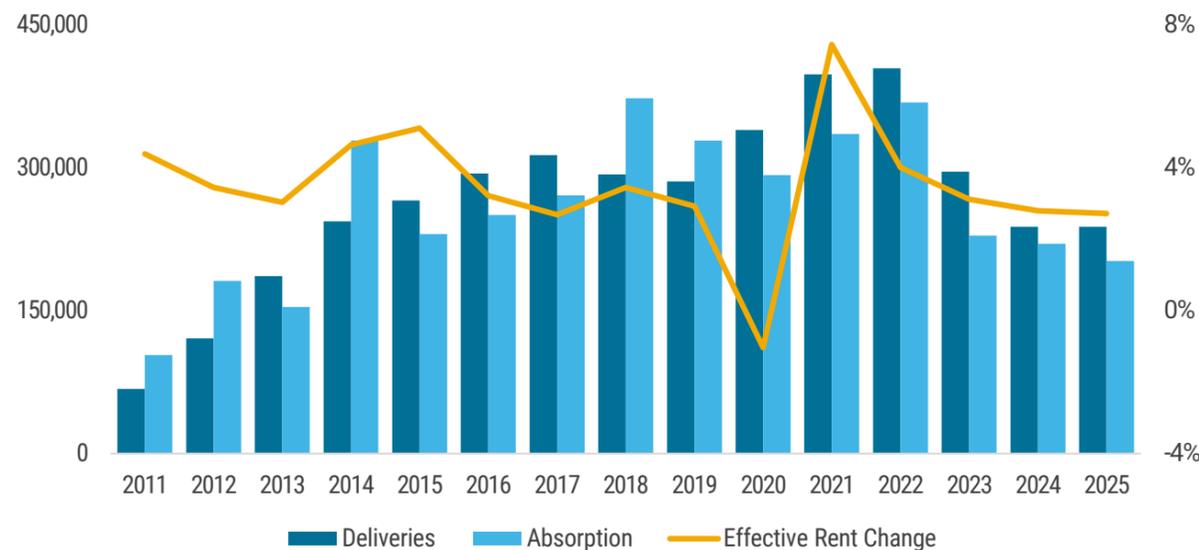
368,105

\*Projected

With apartment occupancy rising in recent years, multifamily developers ramped up activity nationwide. Deliveries were on pace to hit a historic high in 2020, but the pandemic led to labor shortages, supply chain disruptions, and a significant increase in building costs. This led to builders extended several under construction apartment communities completion dates. As such, deliveries are expected to ramp up this year and in 2022. Builders have brought more than 175,000 market-rate units online in the first half 2021, part of nearly 398,000 units scheduled to come online this year. Annual deliveries would be up approximately 17% from the year before. Additions are forecast to reach a peak next year with more than 404,000 units coming online.

While apartment inventory growth will present a strain for apartment operators with significant pipelines, demand for rentals will persist. In the short term, many residents are turning to apartments due to limited single-family homes available for sale combined with the 24% annual rise in price to \$370,600 in June 2021. This was reflected with net absorption outpacing apartment deliveries by a nearly 37% margin in the last year. Annual leasing activity is expected to return to pre-pandemic levels, with nearly 294,500 net units forecast to be absorbed over the next four quarters. In the long term, apartment demand is expected to persist as renters in the key age group of 18 to 35 years old increase by 2.2 million people over the next five years.

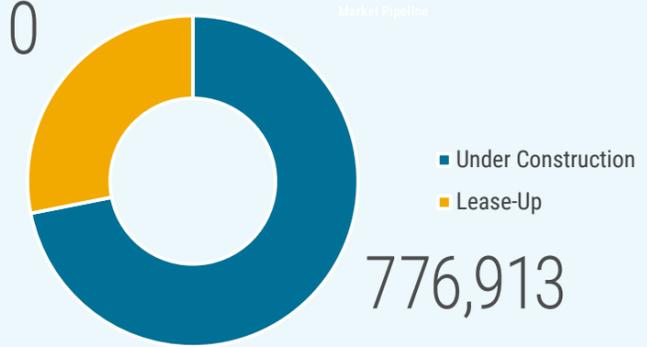
## Deliveries, Absorption, & Effective Rent Change



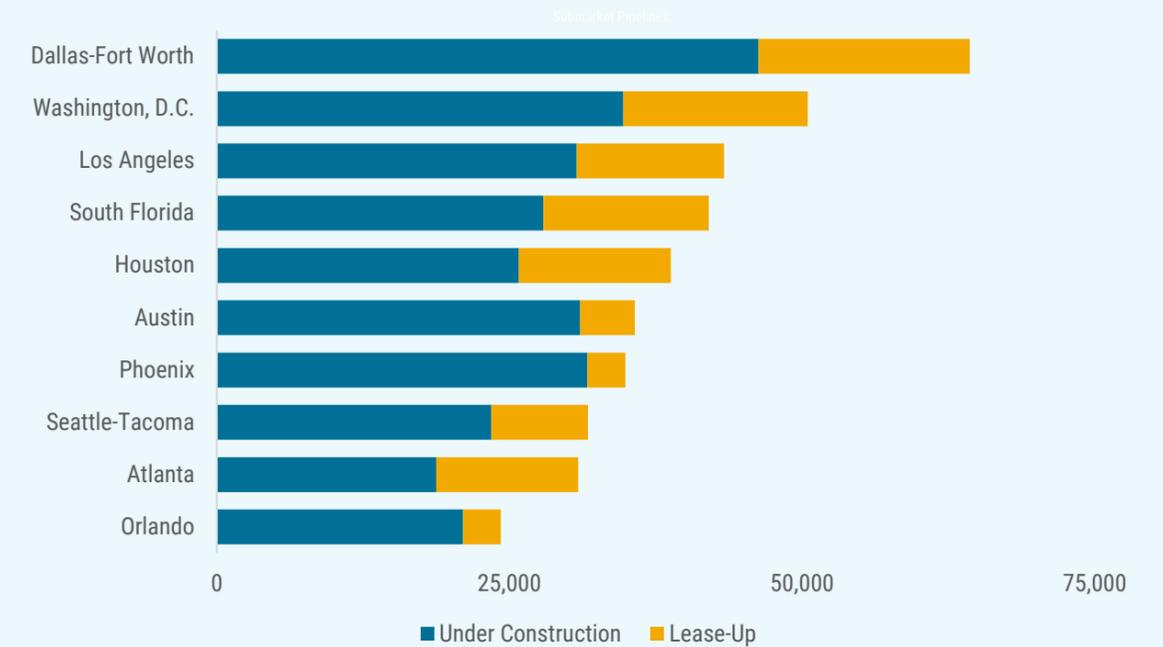
SOURCE: REALPAGE

## National Pipeline

303,810



## Top 10 Market Pipelines



For a complete list of properties in the pipeline, [CLICK HERE](#)



# NATIONAL RENT & OCCUPANCY

## Effective Rent

2Q 2021  
\$1,480  
↑ 4.3% YOY

## Occupancy

2Q 2021  
96.2%  
↑ 80 BPS YOY

Like the pandemic-induced recession, the dip in national apartment fundamentals was short lived. Average effective rent and occupancy hit their troughs last year and have since rebounded in 2021. Apartment operators advanced monthly effective rent on average 4.8% in the first half of 2021. The increase represented a positive swing from the 1.0% decrease in effective rent last year. Underpinning the bounce back was robust rental demand in the last six months. Renters occupied nearly 267,400 additional units, while more than 175,400 units came online to elevate average occupancy 60 basis points so far this year.

With apartment occupancy at 96.2% in the second quarter of 2021, operators trimmed

pandemic-induced concessions and applied positive momentum to leasing costs. This was most prominent among Class A stock, where operators on average increased effective rent 5.2% year over year. Even with rent rising across all product type, renters prioritized meeting housing costs. By the end of June 2021, 95.6% of renters at professionally managed communities made a full or partial rent payment, only 30 basis points lower than the average in June 2020.

Apartment operators may face challenges in the near term due to an expected supply-demand imbalance. Even so, occupancy is forecast to remain higher than the five-year average, providing leeway for a projected 4.5% rent growth by mid-2022.

## National Effective Rent & Occupancy



SOURCE: REALPAGE

## Top Market Performance

| MARKET (BY OCCUPANCY) | 2Q21 OCCUPANCY | YOY (BPS) | 2Q21 EFFECTIVE RENT | YOY   |
|-----------------------|----------------|-----------|---------------------|-------|
| Inland Empire         | 98.5%          | 210       | \$1,780             | 14.6% |
| Orange County, CA     | 97.6%          | 180       | \$2,198             | 5.9%  |
| San Diego             | 97.4%          | 150       | \$2,101             | 6.4%  |
| Detroit               | 97.3%          | 120       | \$1,059             | 6.2%  |
| Salt Lake City        | 96.9%          | 180       | \$1,333             | 9.7%  |
| Tampa-St. Petersburg  | 96.9%          | 190       | \$1,415             | 12.7% |
| Tucson                | 96.8%          | 100       | \$943               | 14.6% |
| Phoenix               | 96.8%          | 130       | \$1,374             | 16.1% |
| Richmond              | 96.6%          | 80        | \$1,242             | 9.5%  |
| Philadelphia          | 96.5%          | 40        | \$1,498             | 4.0%  |

| MARKET (BY RENT GROWTH) | 2Q21 OCCUPANCY | YOY (BPS) | 2Q21 EFFECTIVE RENT | YOY   |
|-------------------------|----------------|-----------|---------------------|-------|
| Phoenix                 | 96.8%          | 130       | \$1,374             | 16.1% |
| Tucson                  | 96.8%          | 100       | \$943               | 14.6% |
| Inland Empire           | 98.5%          | 210       | \$1,780             | 14.6% |
| Las Vegas               | 96.5%          | 140       | \$1,219             | 13.8% |
| Tampa-St. Petersburg    | 96.9%          | 190       | \$1,415             | 12.7% |
| Atlanta                 | 96.1%          | 180       | \$1,400             | 11.9% |
| Salt Lake City          | 96.9%          | 180       | \$1,333             | 9.7%  |
| Richmond                | 96.6%          | 80        | \$1,242             | 9.5%  |
| South Florida           | 96.5%          | 140       | \$1,831             | 7.9%  |
| Birmingham              | 94.9%          | 0         | \$1,059             | 7.2%  |



# NATIONAL SALES

## 2021 Year to Date\*



VOLUME

\$13.5B



PRICE PER UNIT (AVG)

\$305,594



TRANSACTIONS

188



CAP RATE (AVG)

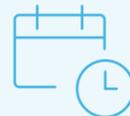
4.5%

## What's Trading?\*



UNITS (AVG)

\$305,594



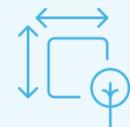
YEAR BUILT (AVG)

2000's



BUILDINGS (AVG)

12



ACRES (AVG)

17.95

\*\$50M+  
SOURCE: REAL CAPITAL ANALYTICS

## Top Buyers\*\*

| BUYER  | LOCATION         |
|--|------------------|
| Blackstone   | New York, NY     |
| Cortland   | Atlanta, GA      |
| TIAA   | New York, NY     |
| California Statewide Communities Development Authority | Walnut Creek, CA |
| MG Properties  | San Diego, CA    |

## Top Sellers\*\*

| SELLER               | LOCATION       |
|----------------------|----------------|
| Alliance Residential | Phoenix, AZ    |
| Greystar             | Charleston, SC |
| Blackstone           | New York, NY   |
| Equity Residential   | Chicago, IL    |
| Crow Holdings        | Dallas, TX     |

\*\*Past 24 Months



# NATIONAL SALES

\$50+ Million Transactions



## RESIDENCES AT WESTGATE

Pasadena, CA

| UNITS        | YEAR BUILT    |
|--------------|---------------|
| 340          | 2015          |
| PRICE / UNIT | SALES PRICE   |
| \$697,059    | \$237,000,000 |



## ARRIVE SILVER SPRING

Silver Spring, MD

| UNITS        | YEAR BUILT    |
|--------------|---------------|
| 891          | 1969          |
| PRICE / UNIT | SALES PRICE   |
| \$245,791    | \$219,000,000 |



## THE LEX AT LOWRY

Denver, CO

| UNITS        | YEAR BUILT    |
|--------------|---------------|
| 710          | 1969          |
| PRICE / UNIT | SALES PRICE   |
| \$284,296    | \$201,900,000 |



## BRIO

Bellevue, WA

| UNITS        | YEAR BUILT    |
|--------------|---------------|
| 259          | 2019          |
| PRICE / UNIT | SALES PRICE   |
| \$656,371    | \$170,000,000 |



## FORUM FITZSIMONS

Aurora, CO

| UNITS        | YEAR BUILT    |
|--------------|---------------|
| 397          | 2017          |
| PRICE / UNIT | SALES PRICE   |
| \$400,000    | \$158,800,000 |



## CAMDEN MUSIC ROW

Nashville, TN

| UNITS        | YEAR BUILT    |
|--------------|---------------|
| 431          | 2016          |
| PRICE / UNIT | SALES PRICE   |
| \$366,458    | \$157,900,000 |



## ELEMENT MUSIC ROW

Nashville, TN

| UNITS        | YEAR BUILT    |
|--------------|---------------|
| 431          | 2016          |
| PRICE / UNIT | SALES PRICE   |
| \$366,450    | \$157,900,000 |



## GRIFFIS MISSION VALLEY

San Diego, CA

| UNITS        | YEAR BUILT    |
|--------------|---------------|
| 350          | 2007          |
| PRICE / UNIT | SALES PRICE   |
| \$444,857    | \$155,700,000 |



## BLUE RIDGE AT PALOMINO PARK

Highlands Ranch, CO

| UNITS        | YEAR BUILT    |
|--------------|---------------|
| 456          | 1996          |
| PRICE / UNIT | SALES PRICE   |
| \$341,418    | \$155,700,000 |



## NAUTILUS POINT

Annapolis, MD

| UNITS        | YEAR BUILT    |
|--------------|---------------|
| 608          | 1961          |
| PRICE / UNIT | SALES PRICE   |
| \$253,289    | \$154,000,000 |

\*BERKADIA TRANSACTION

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Sources: RealPage; Moody's Analytics; Real Capital Analytics; Forbes; National Multifamily Housing Council

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