

October 16, 2020

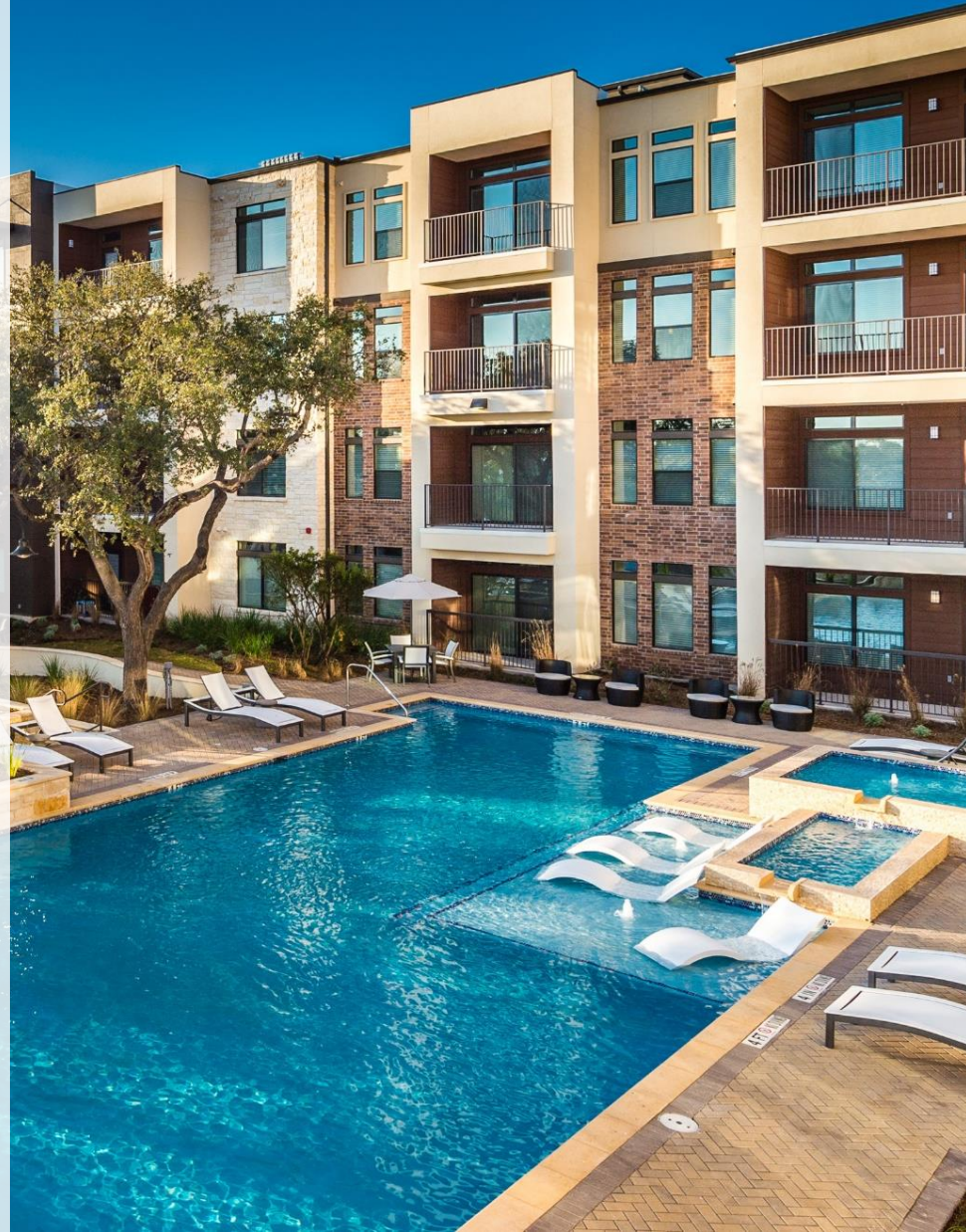
U.S. MULTIFAMILY MARKET

JEANETTE I. RICE, CRE®

CBRE

Presentation to

Dallas/Fort Worth Association
for Business Economics



1. Market Fundamentals

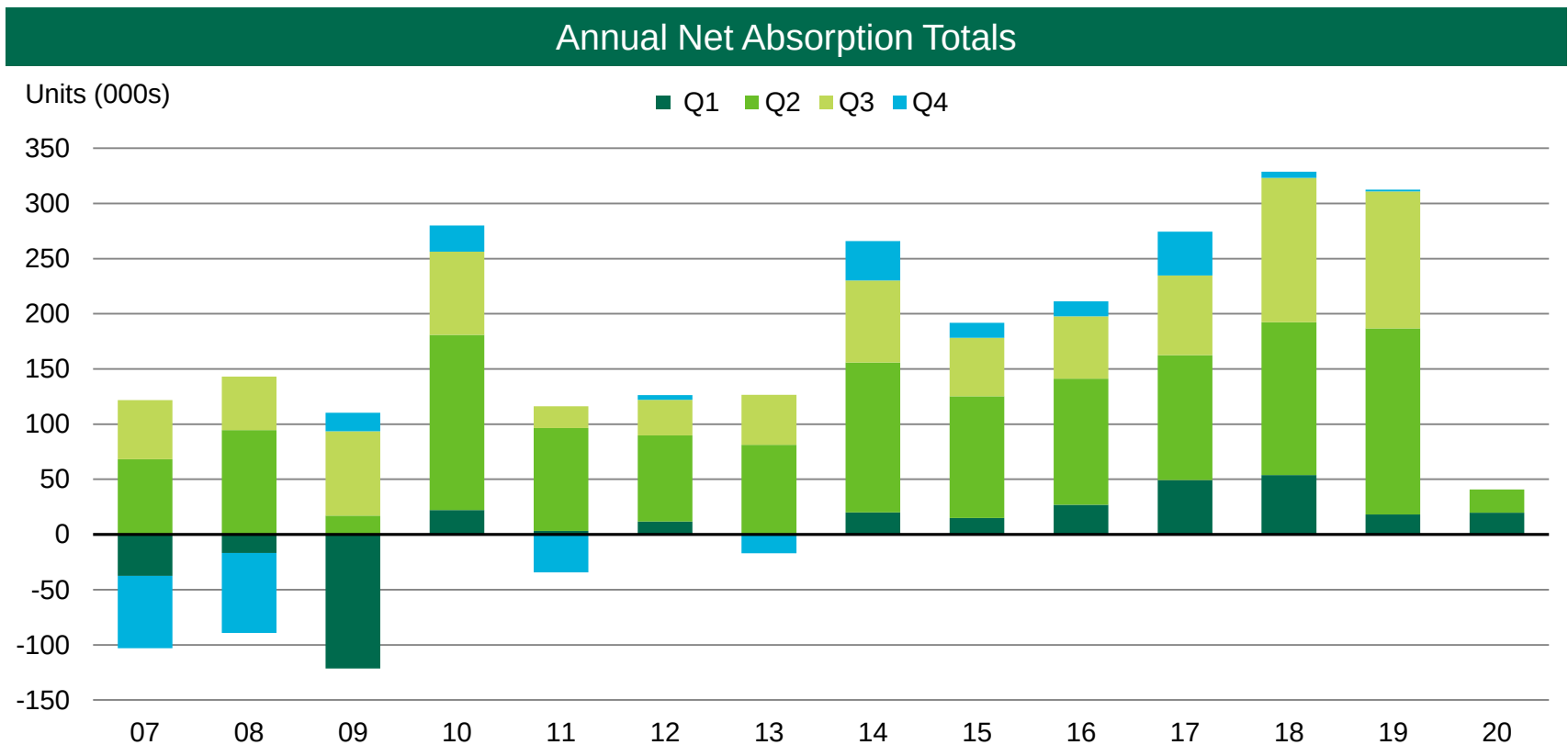
- Pre-Covid
- Covid Period – Overall & Key Variations
- Outlook

2. Capital Markets





DEMAND - HISTORICAL NET ABSORPTION



Source: CBRE Research, CBRE Econometric Advisors, Q2 2020. Total for 66 metro markets tracked by CBRE EA. Absorption is counted in the quarter in which property has stabilized.

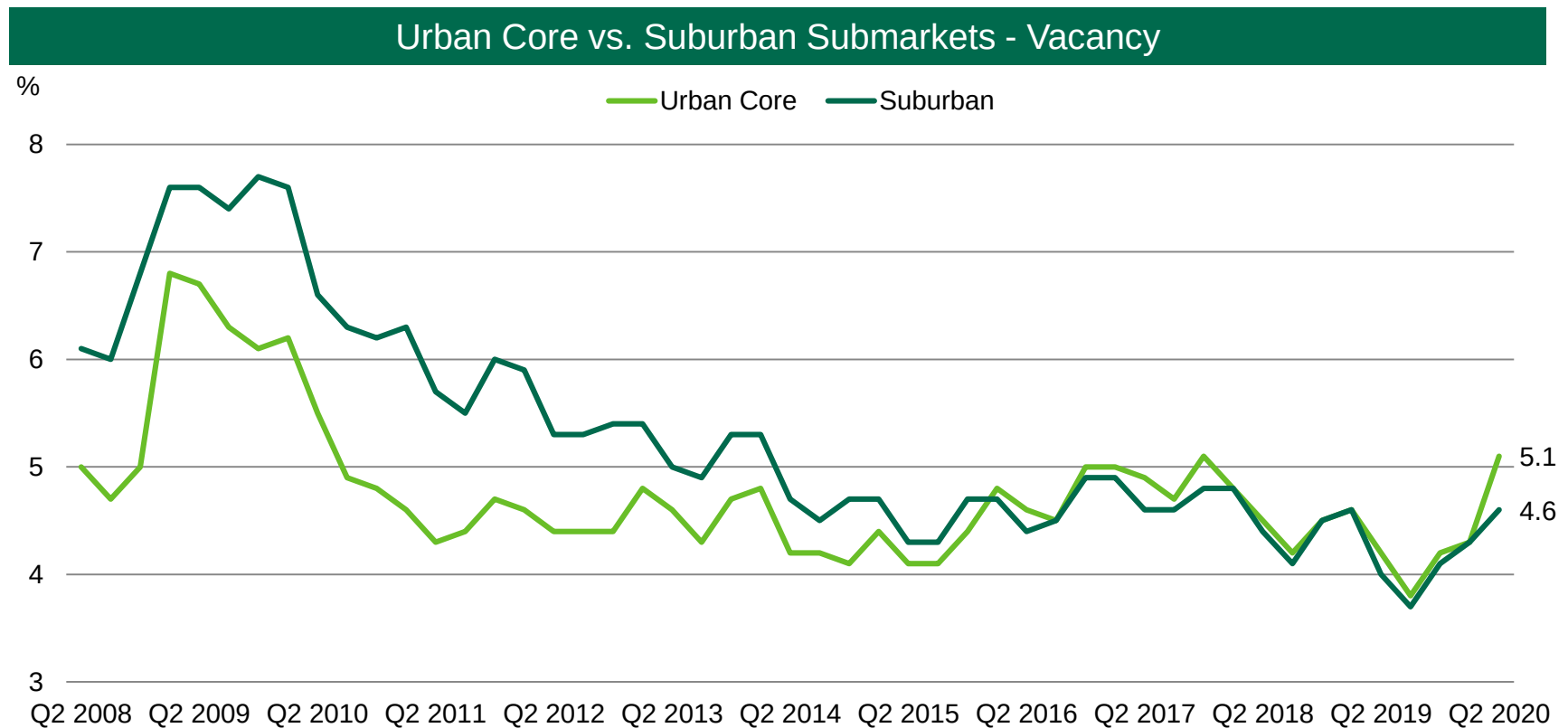
COVID PERIOD METRICS

1. Vacancy
 - September = 4.2%
 - Change from March = +20 bps
2. Effective Rent Change
 - March to Sept = -1.5%
 - YoY = -0.8%
3. Concessions, Sept.
 - Average Discount = 8.3%
 - Properties Offering Concessions = 13.6%
4. New Supply
 - Q3 = 99,300 units
5. Net Absorption
 - Q3 = 157,500 units



VACANCY – URBAN VS. SUBURBAN VACANCY TRENDS

COVID-19 has impacted urban core submarkets far more than garden assets

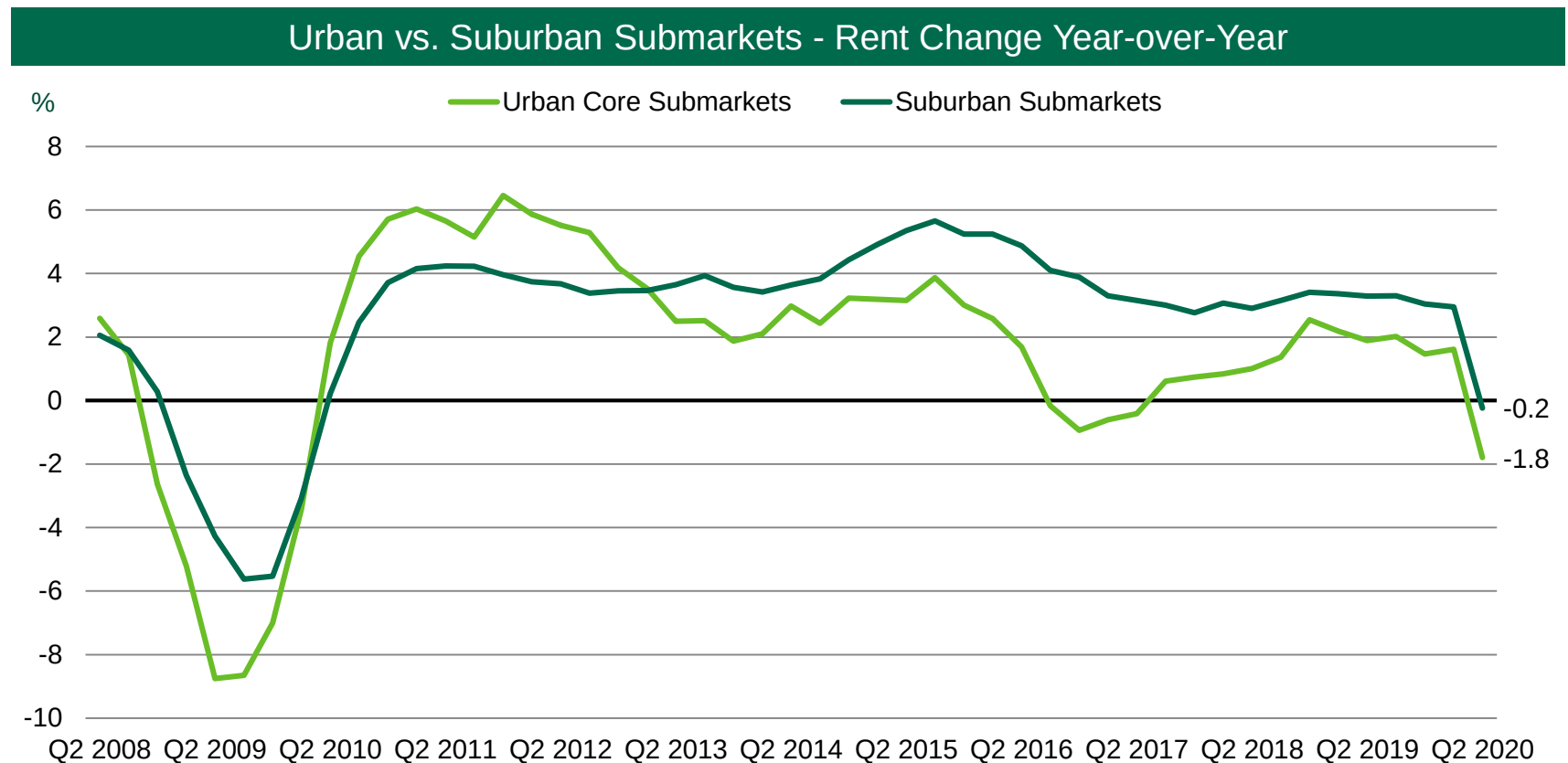


Source: CBRE Research, CBRE Econometric Advisors, Q2 2020.



RENT – URBAN VS. SUBURBAN RENT TRENDS

Suburban rent growth outpaced urban prior to COVID-19; in COVID-19 period, the gap has widened



Source: CBRE Research, CBRE Econometric Advisors, Q4 2019.

URBAN VS. SUBURBAN RENT TRENDS

REAL ESTATE

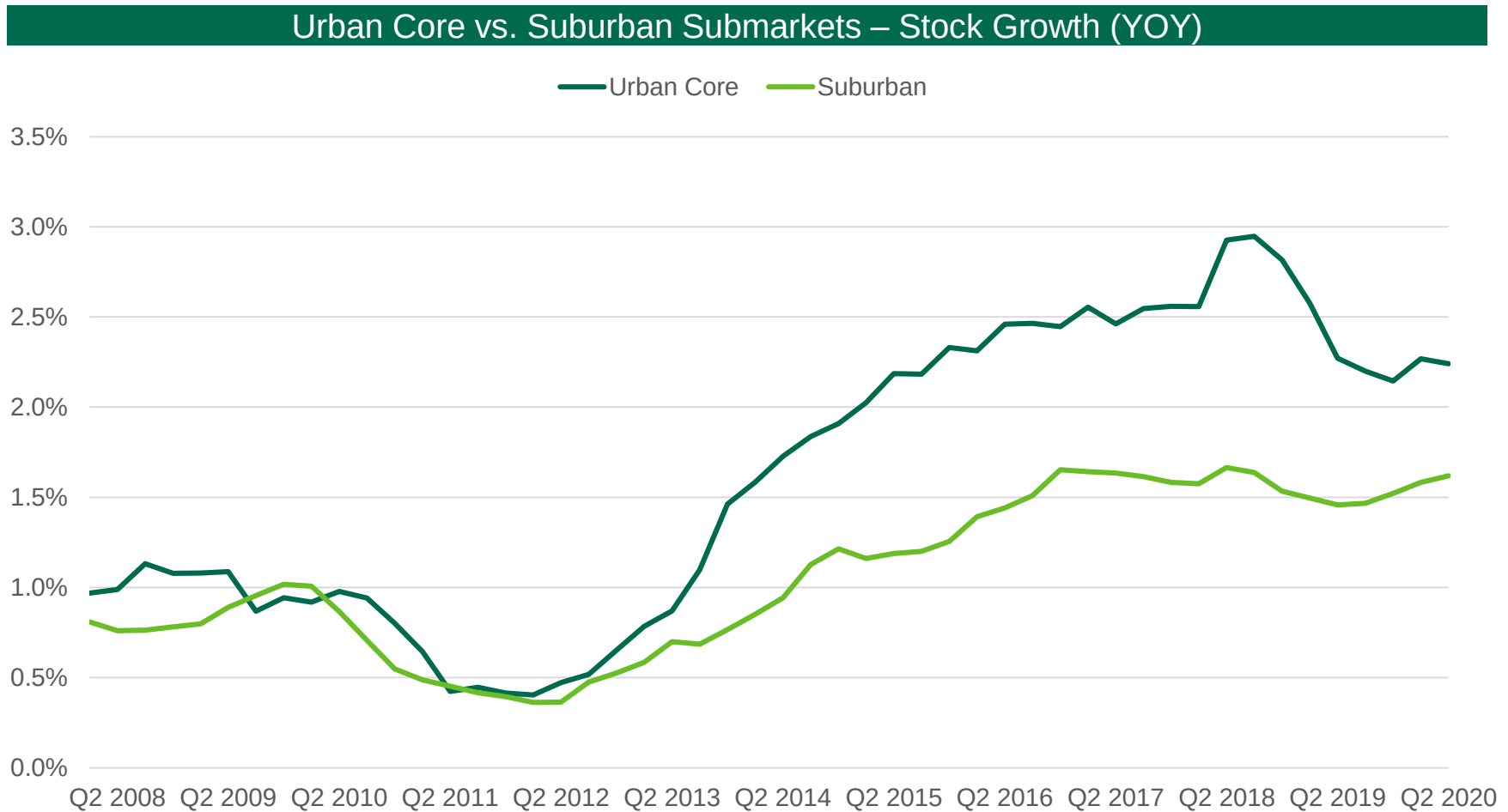
Renters Flock to Suburbia, Upending Decadelong Urbanization Trend

	Factor	Challenges
Economy	Income	Loss of job, reduced income, loss of confidence in future income and employment opportunity.
COVID-19 Related	WFH/WFA	With work-from-home/work-from-anywhere practices common for office workers, living near the workplace is far less relevant.
	Urban Amenities	Limited availability of entertainment, restaurants/bars, cultural amenities, sports, etc.
	Public Transit	Many renters uncomfortable taking public transit; private transportation options limited, too expensive or impractical in many cities.
	Living Space	More living space desired as renters (and their families) spend more time at home.
	Outdoor Space	Many renters desire greater access to outdoor options as an outlet for long hours in apartments.
Secular Trends	High Rents	Cost-benefit calculus: with less benefits from urban living, justification of high cost of urban living comes into question.
	Lifestyle	Millennials moving into life stages where urban living is often traded in for less-dense housing options in other submarkets and/or markets.



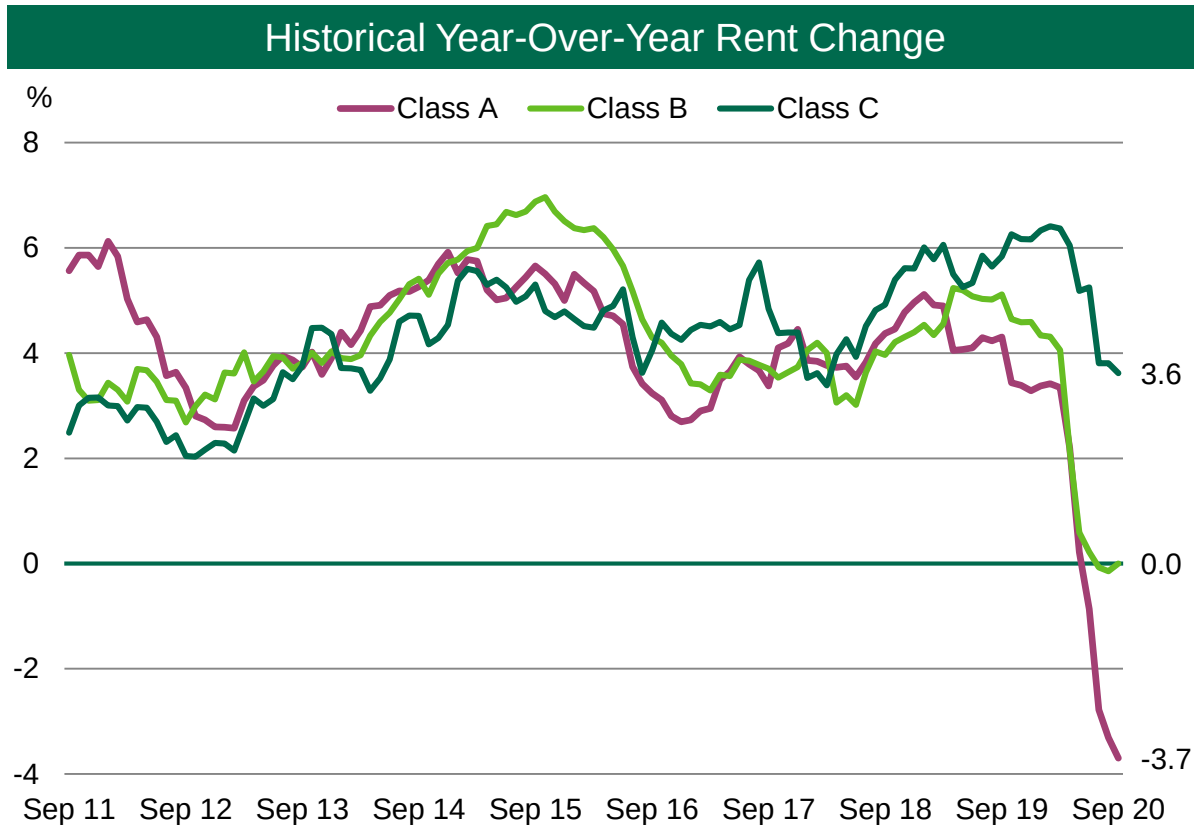
Source: CBRE Research, CBRE Econometric Advisors, Q4 2019.

URBAN VS. SUBURBAN SUPPLY GROWTH



Source: CBRE Research, CBRE Econometric Advisors, Q4 2019.

CLASS – RENT CHANGE YEAR-OVER-YEAR

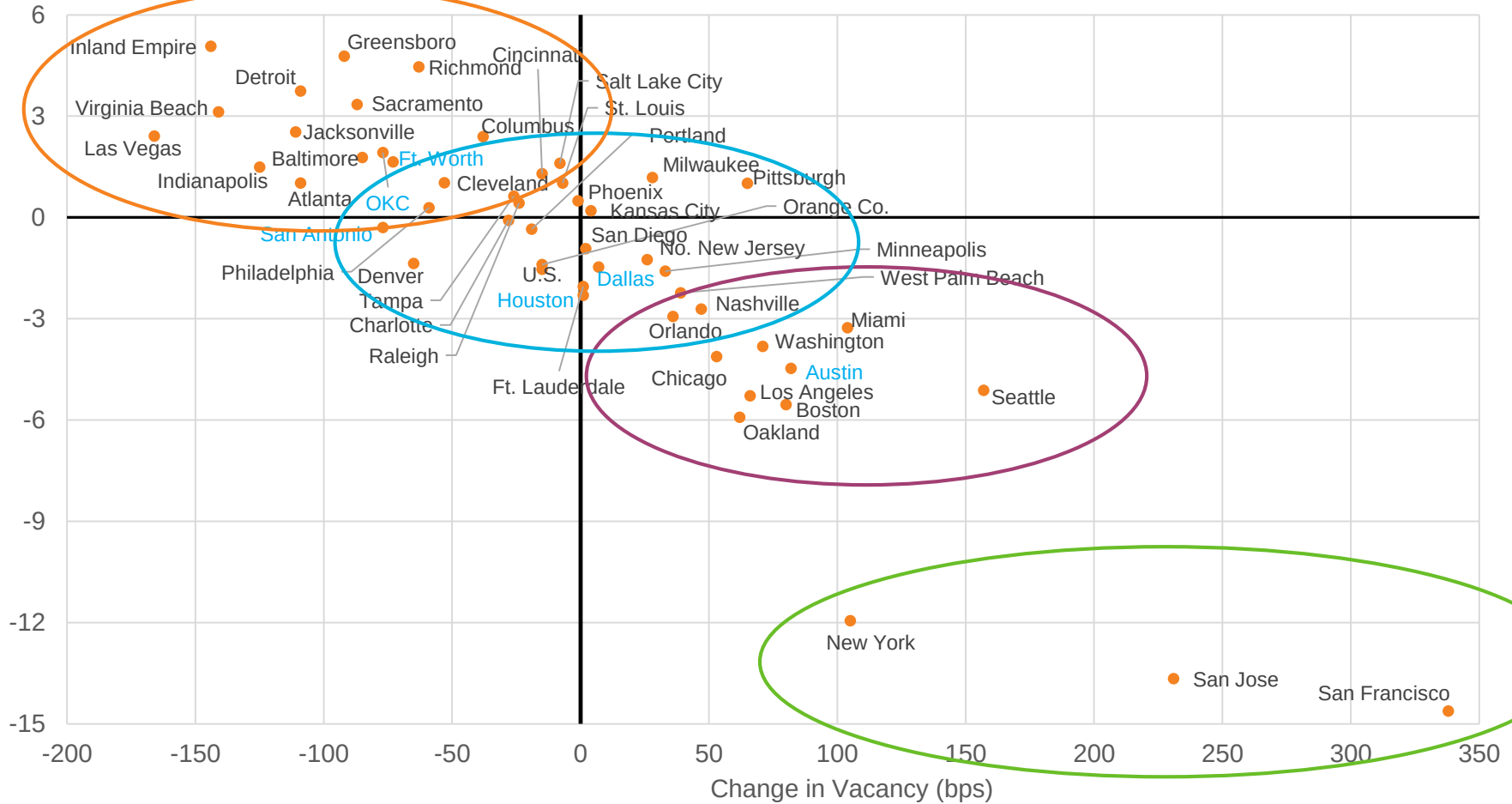


Class	Pct Change March – Sept
A	-4.6
B	-0.6
C	0.9

Source: CBRE Research, RealPage, Q3 2020.

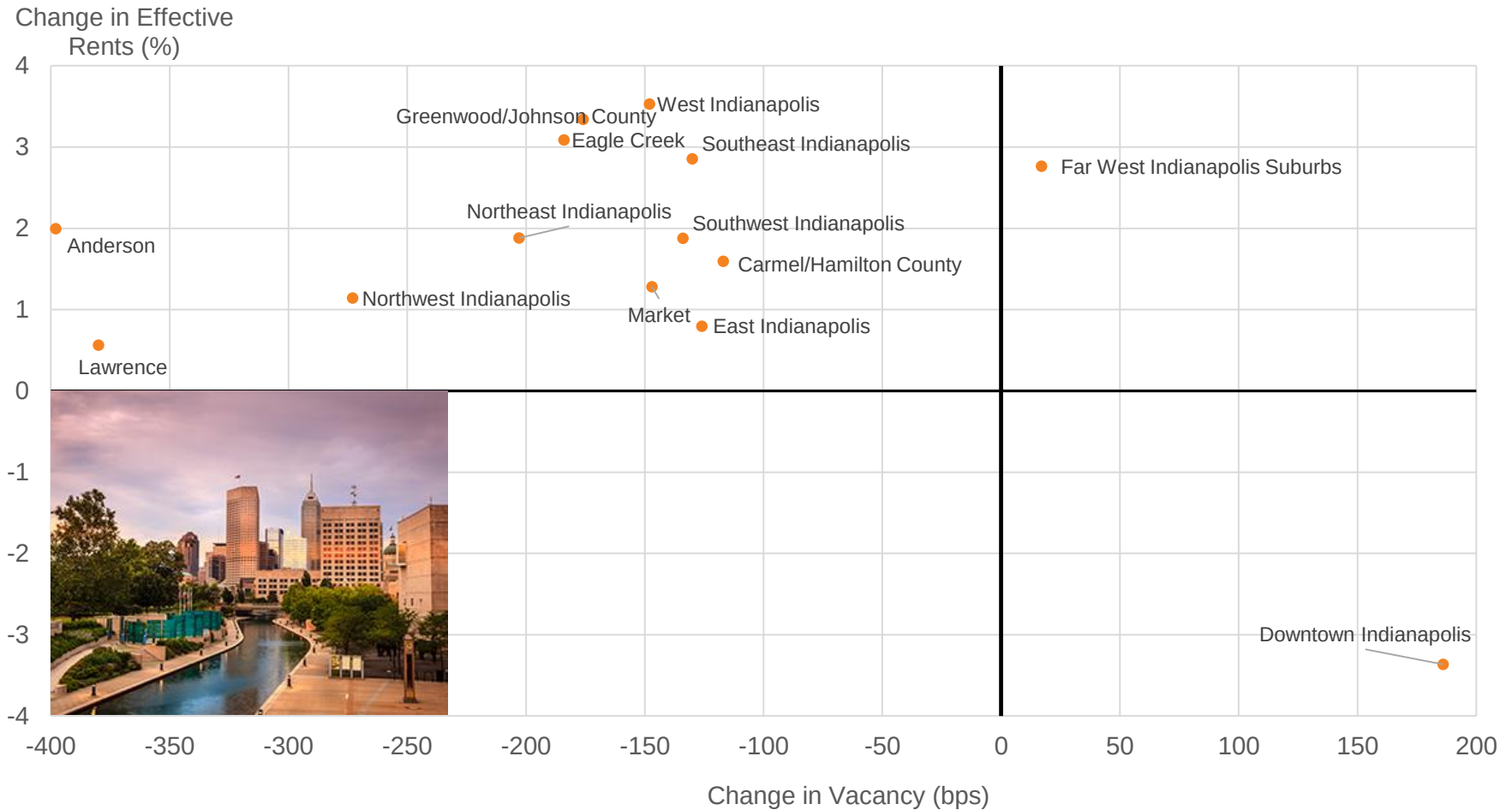
REGIONS/METROS - PERFORMANCE DIFFERENCES – CHANGE MARCH TO SEPTEMBER 2020

Change in Effective
Rents (%)



Source: CBRE Research, RealPage, Q3 2020..

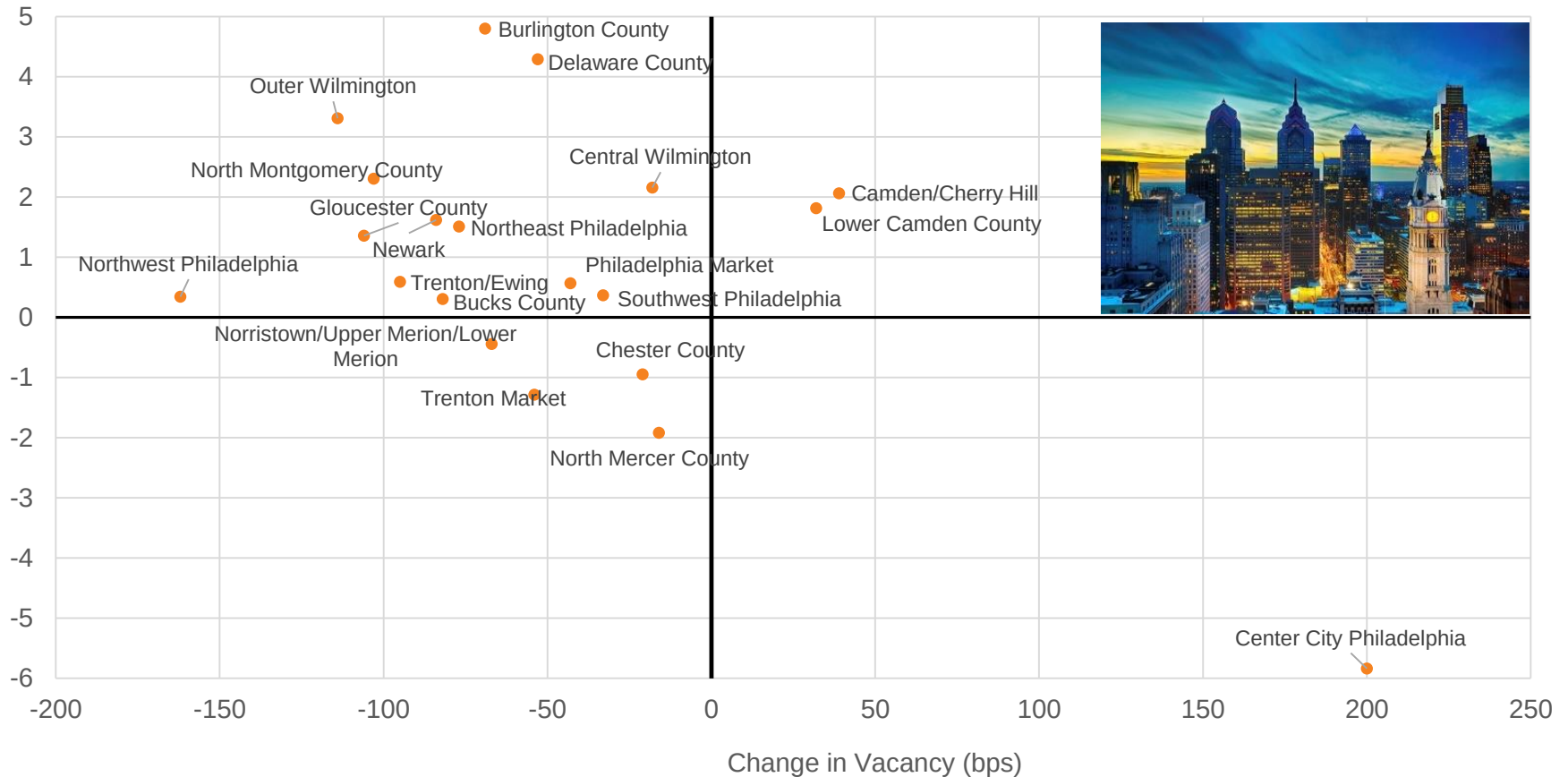
SUBMARKET PERFORMANCE DIFFERENCES - RENT & VACANCY CHANGE - INDIANAPOLIS



Source: CBRE Research, RealPage, August 2020..

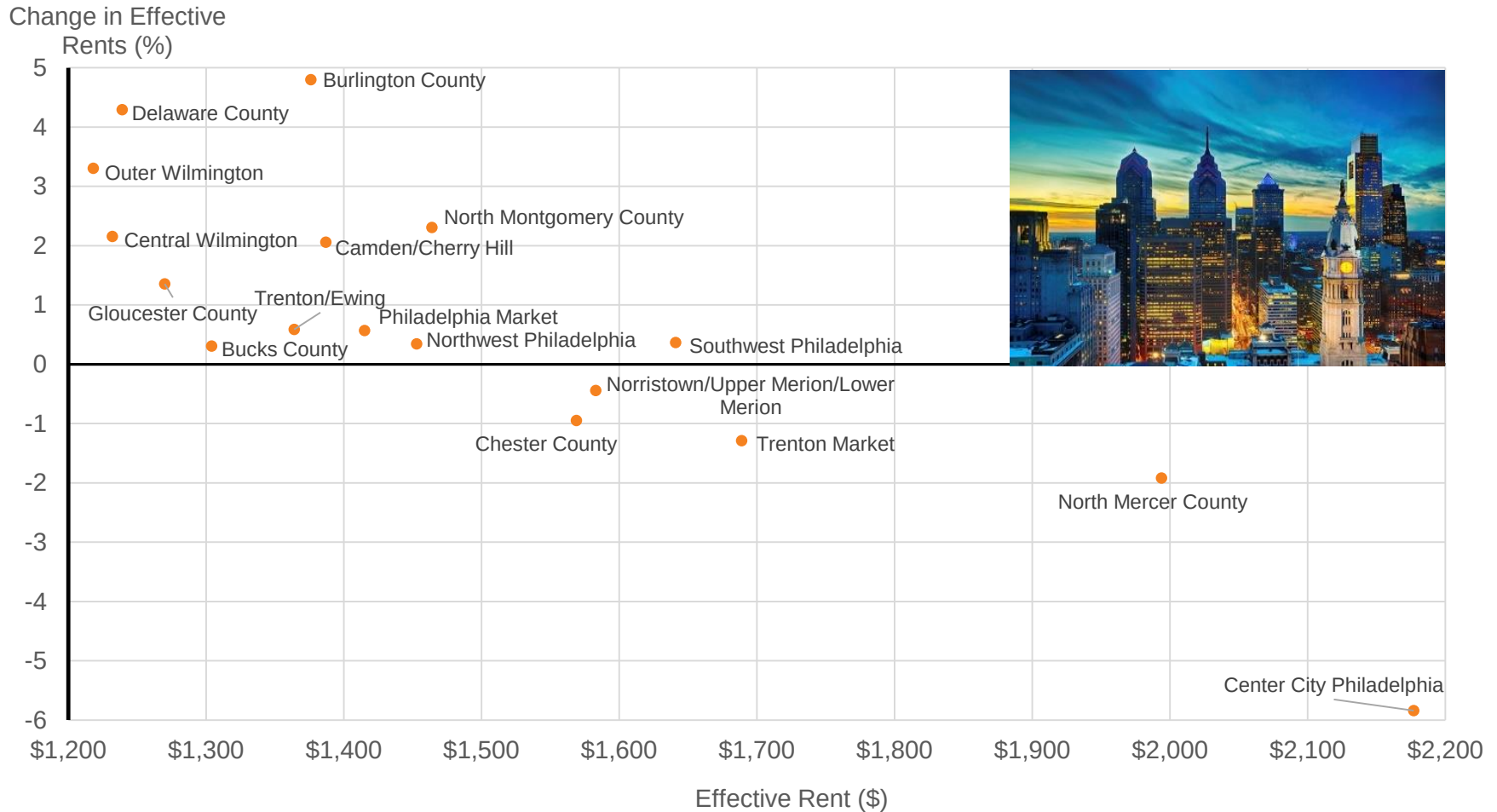
SUBMARKET PERFORMANCE DIFFERENCES - RENT & VACANCY CHANGE - PHILADELPHIA

Change in Effective
Rents (%)



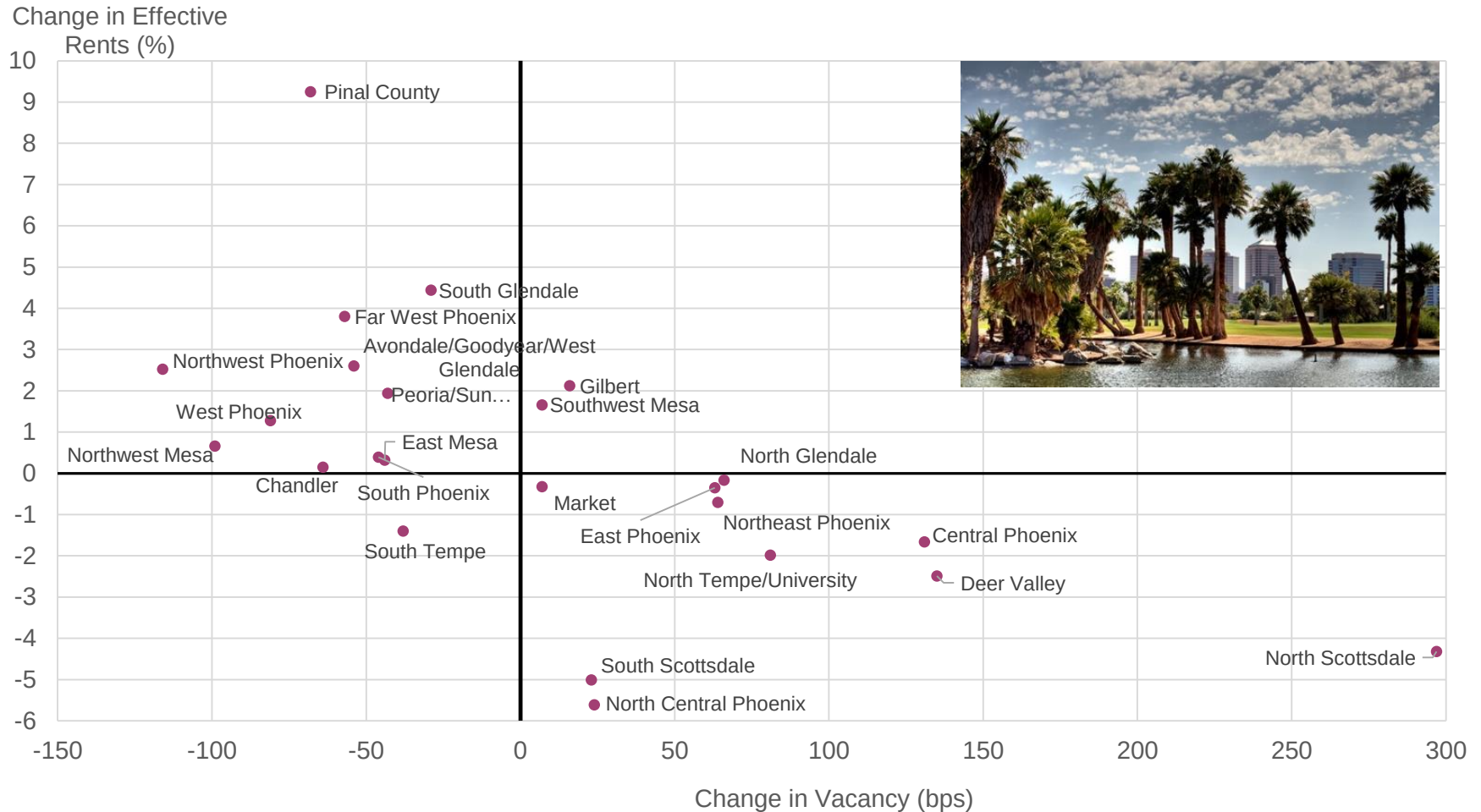
Source: CBRE Research, RealPage, August 2020..

SUBMARKET PERFORMANCE DIFFERENCES - RENT CHANGE & AUGUST RENT - PHILADELPHIA



Source: CBRE Research, RealPage, August 2020..

SUBMARKET PERFORMANCE DIFFERENCES - RENT & VACANCY CHANGE - PHOENIX



Source: CBRE Research, RealPage, August 2020..

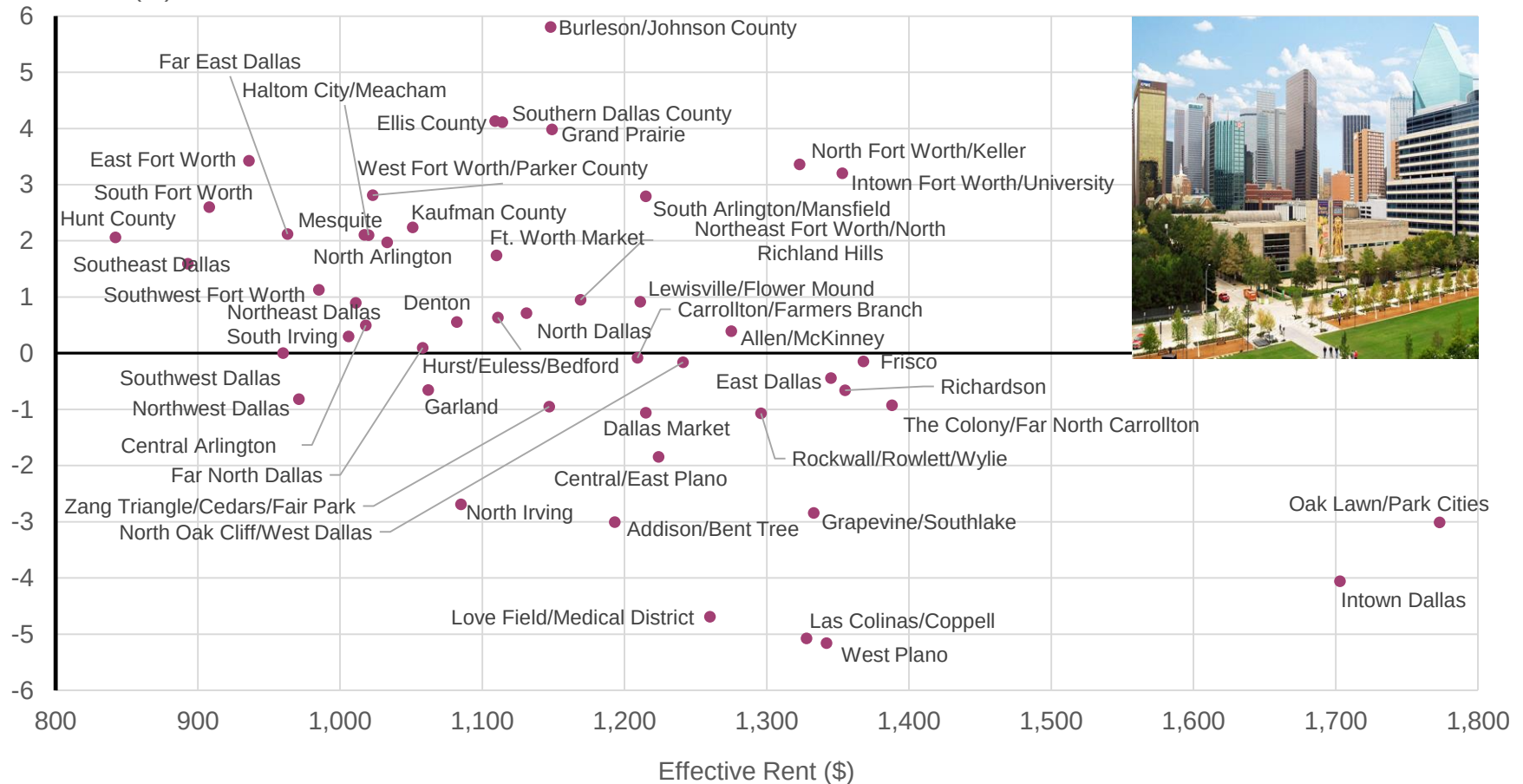
SUBMARKET PERFORMANCE DIFFERENCES - RENT & VACANCY CHANGE – DALLAS/FT. WORTH



Source: CBRE Research, RealPage, August 2020..

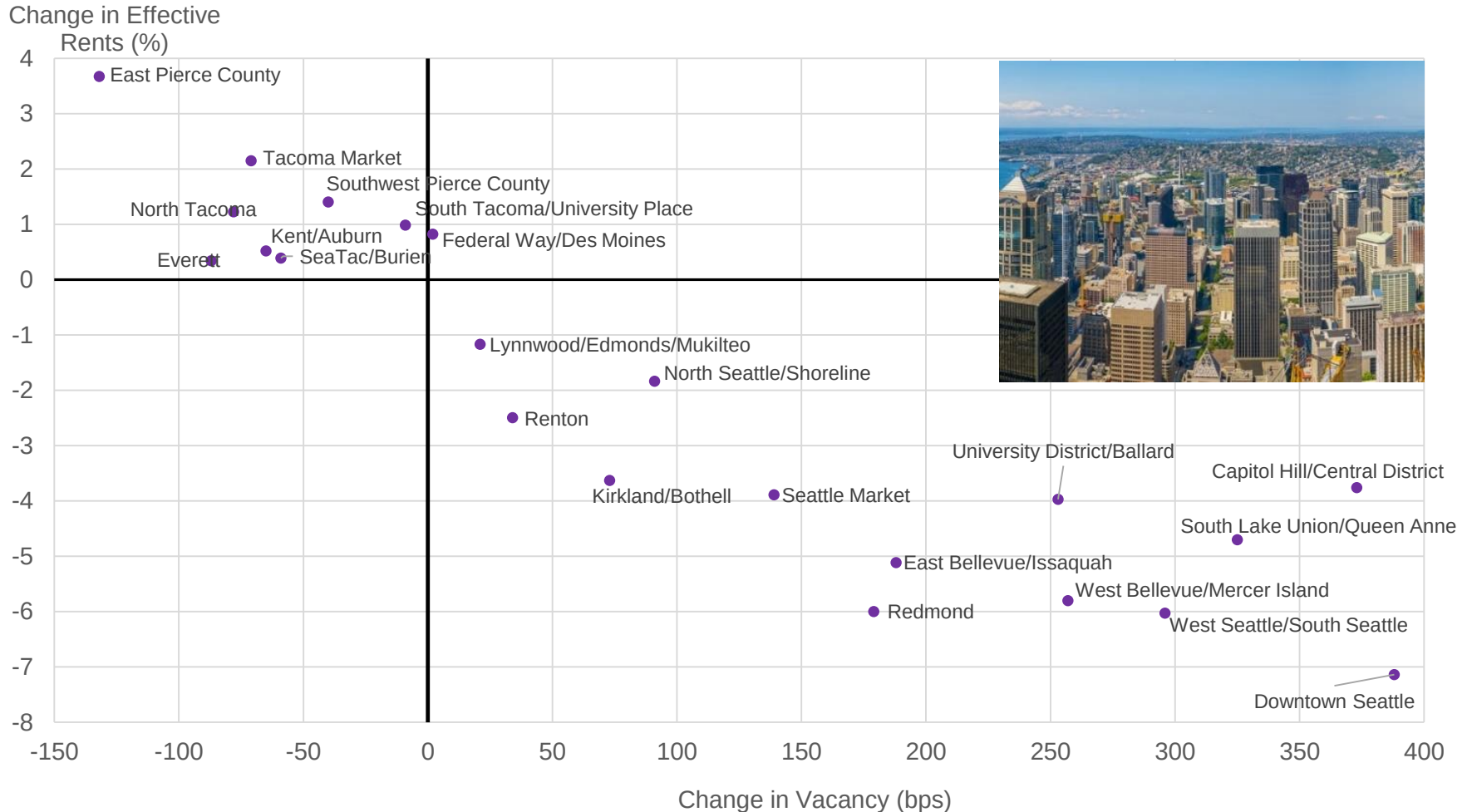
SUBMARKET PERFORMANCE DIFFERENCES - RENT CHG & AUGUST RENT – DALLAS/FT. WORTH

Change in Effective Rents (%)



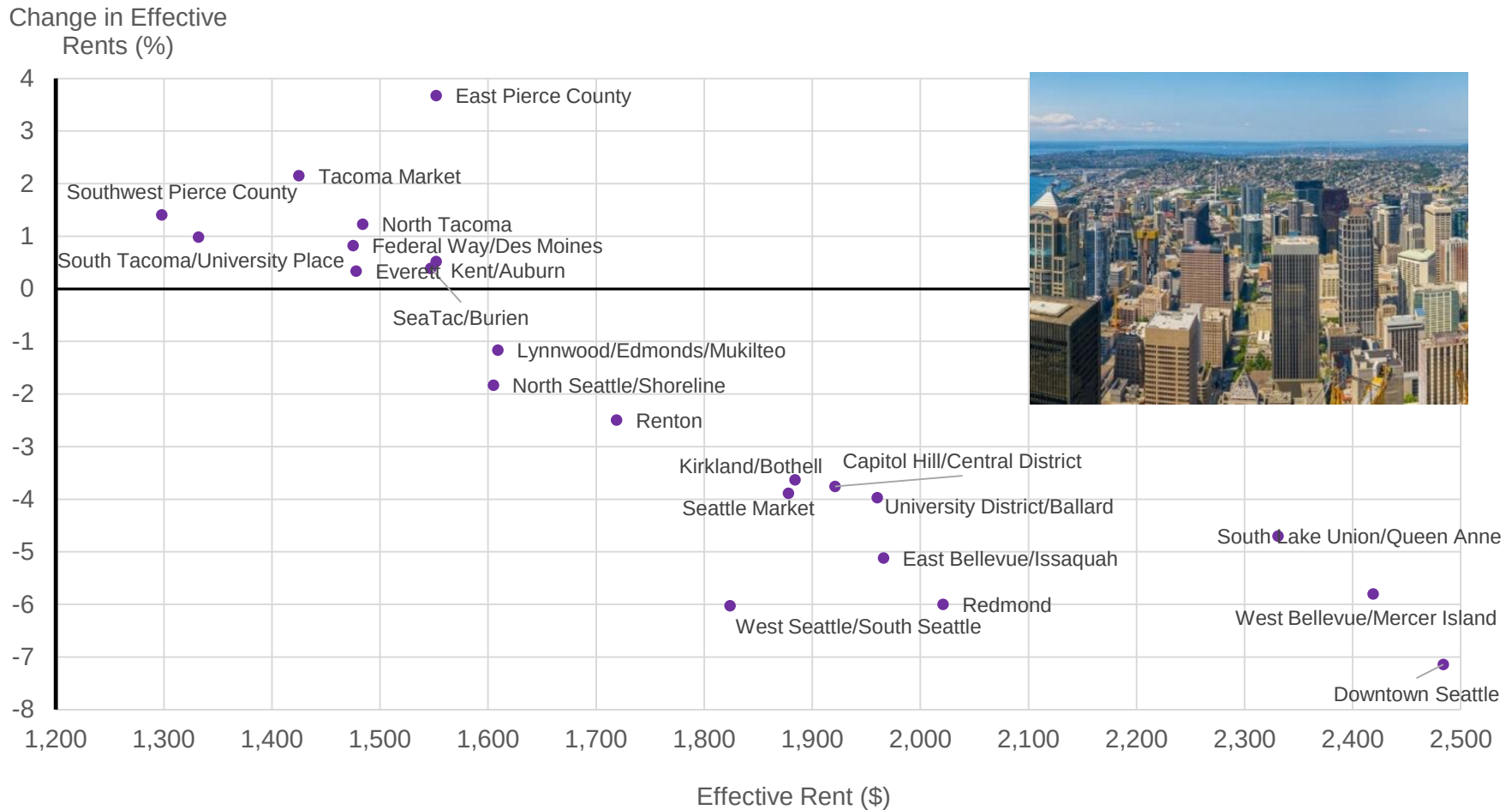
Source: CBRE Research, RealPage, August 2020..

SUBMARKET PERFORMANCE DIFFERENCES - RENT & VACANCY CHANGE - SEATTLE



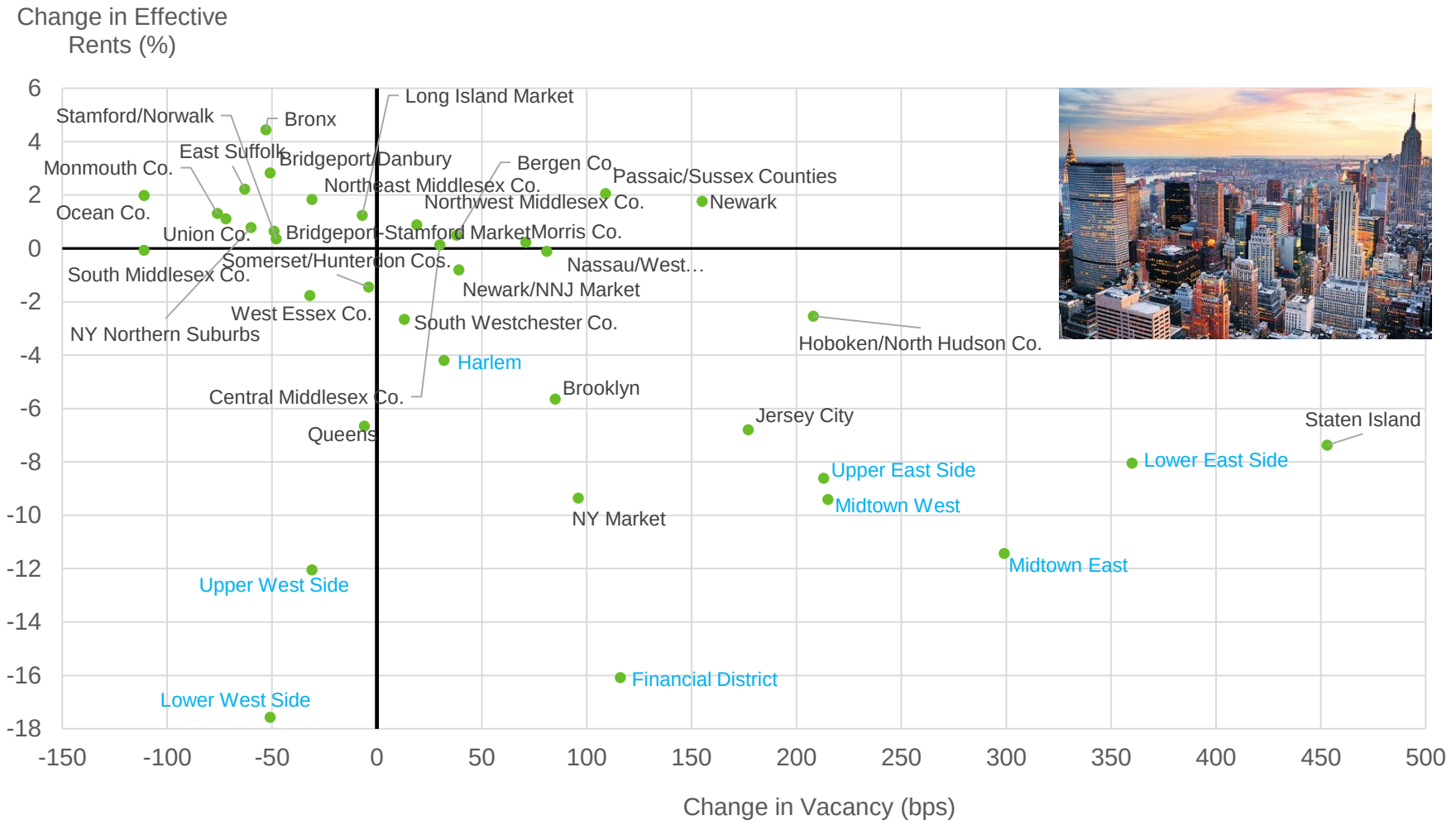
Source: CBRE Research, RealPage, August 2020..

SUBMARKET PERFORMANCE DIFFERENCES - RENT CHANGE & AUGUST RENT - SEATTLE



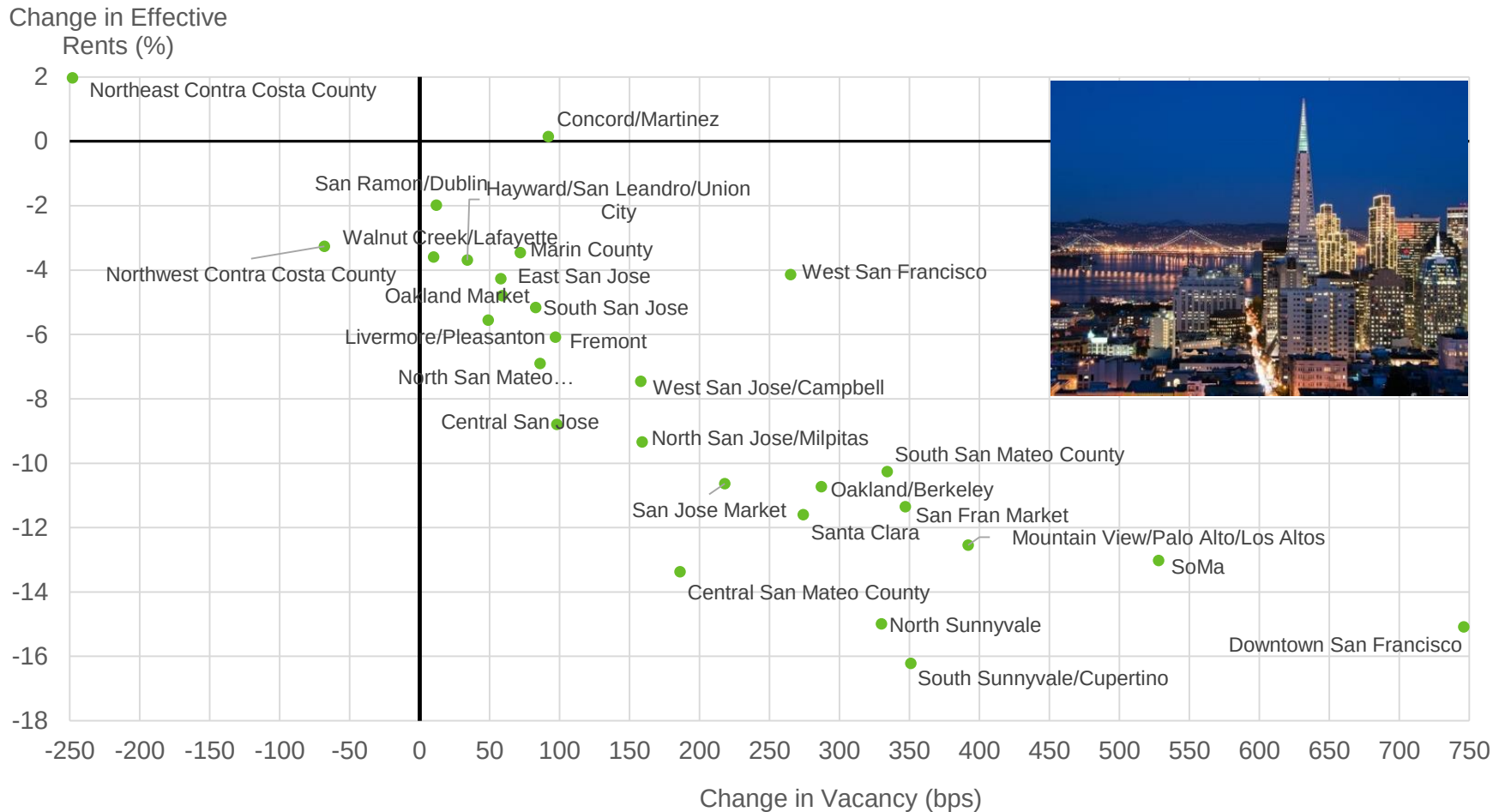
Source: CBRE Research, RealPage, August 2020..

SUBMARKET PERFORMANCE DIFFERENCES - RENT & VACANCY CHANGE – NEW YORK



Source: CBRE Research, RealPage, August 2020. Manhattan submarkets in blue.

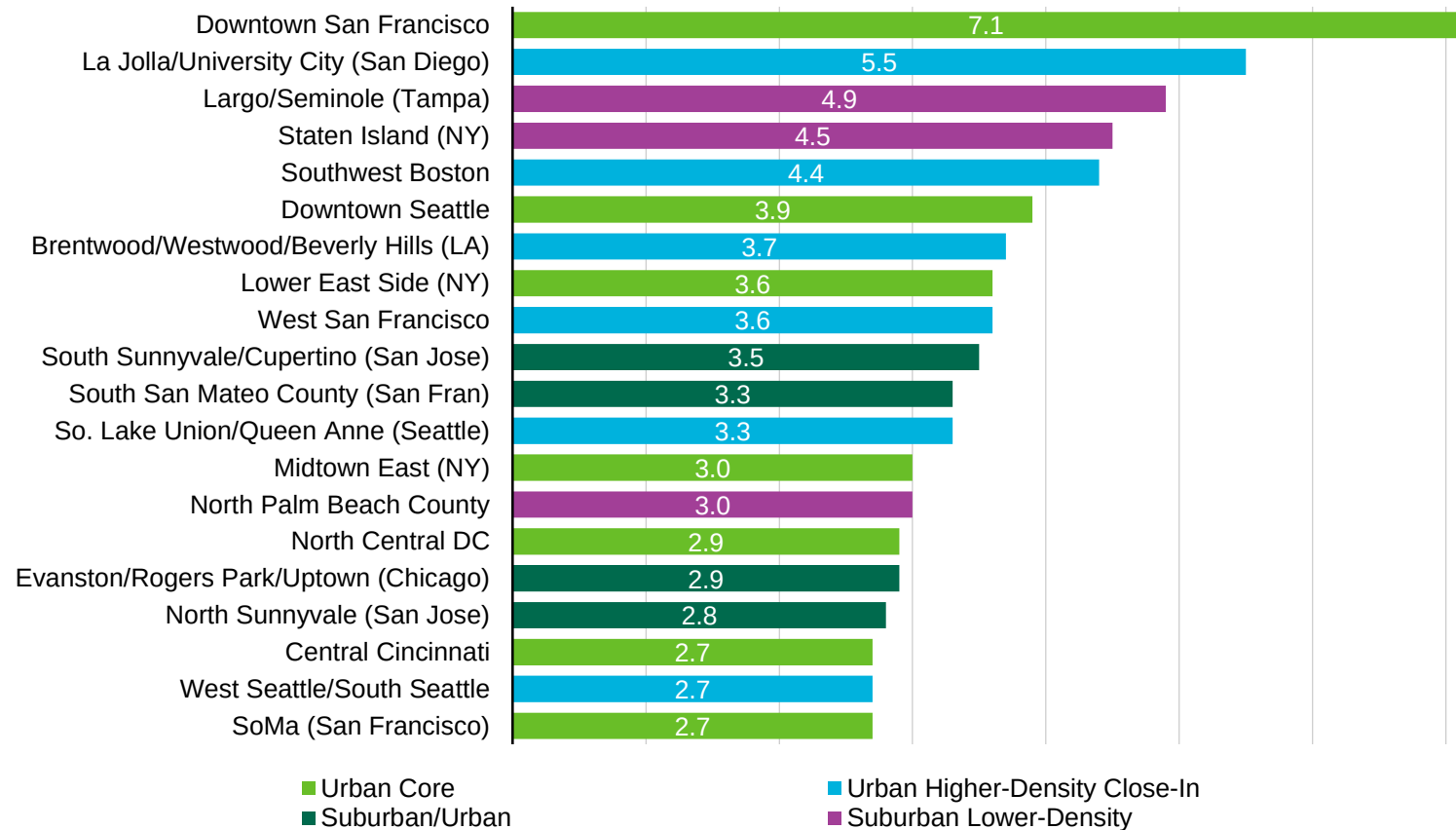
SUBMARKET PERFORMANCE DIFFERENCES - RENT & VACANCY CHANGE – SAN FRANCISCO



Source: CBRE Research, RealPage, August 2020.

SUBMARKETS WITH GREATEST LOSS OF RENTERS – URBAN & GATEWAY PRIMARILY

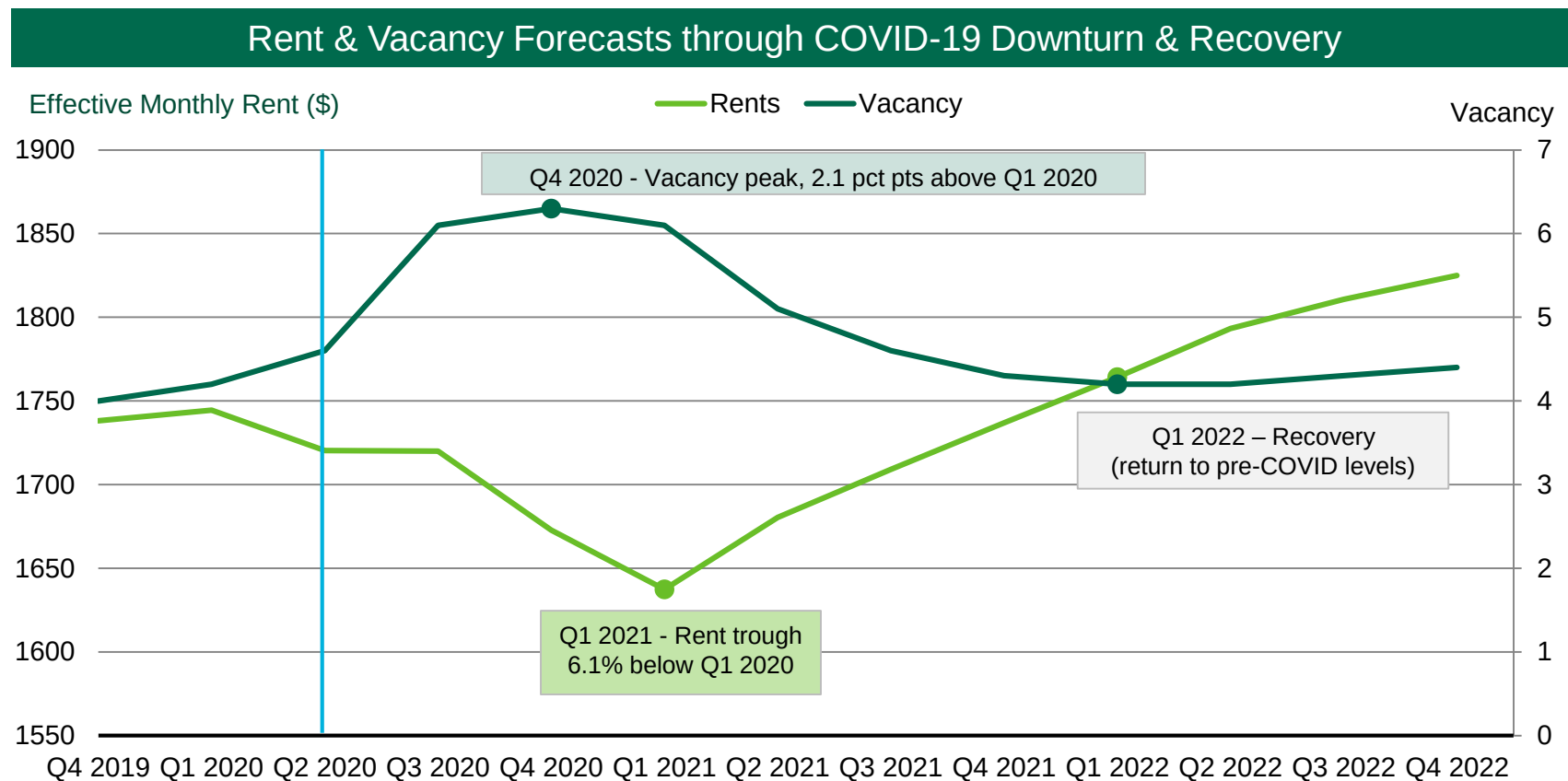
Submarkets with Greatest Outmigration of Renters (Net Absorption for April through August Relative to Inventory)



Source: CBRE Research, RealPage, August 2020..

OUTLOOK – RENT & VACANCY CYCLE

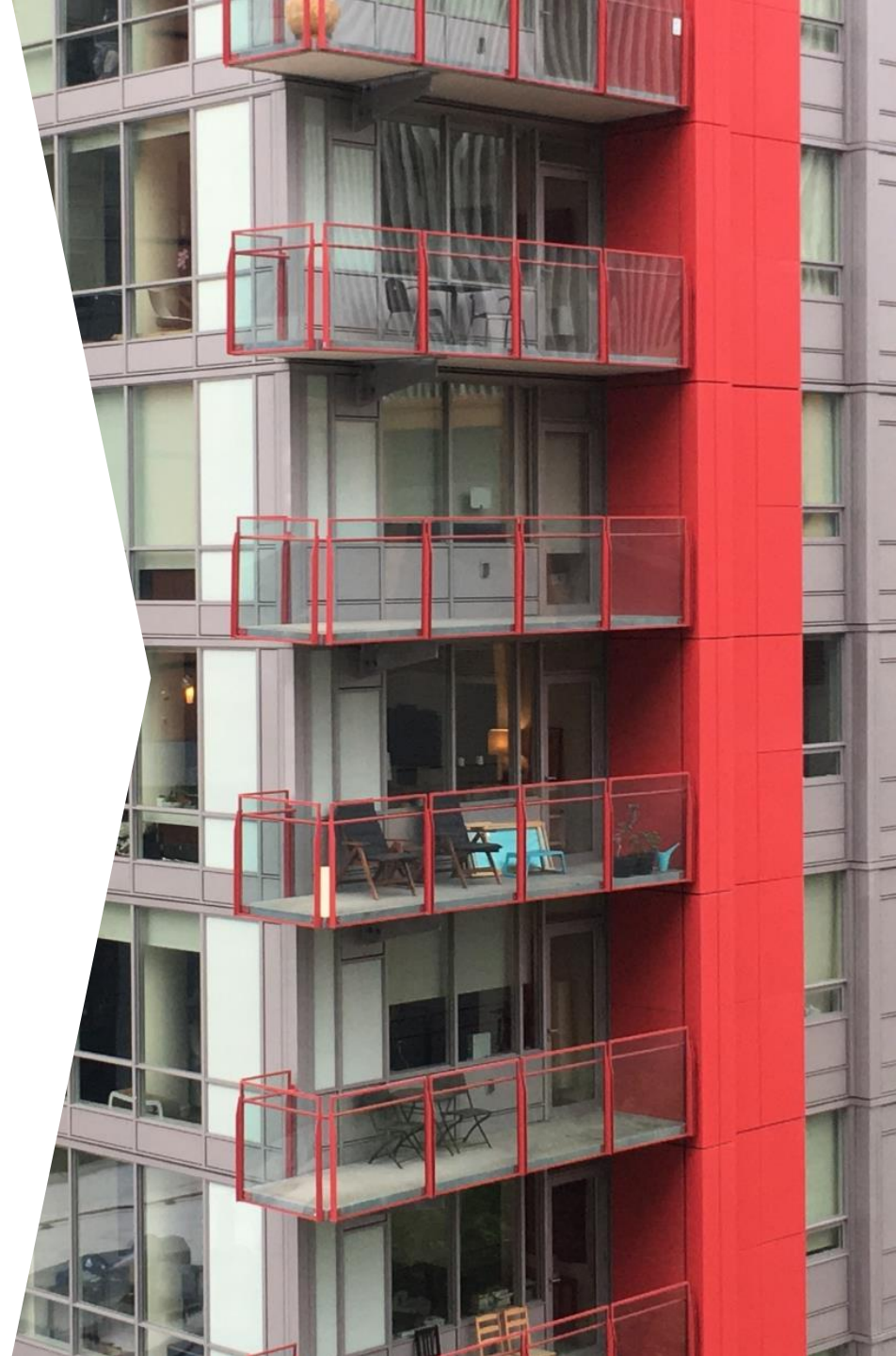
Vacancy expected to trend up through Q4 2020; effective rents expected to trend down through Q1 2021; full recovery (back to pre-COVID levels) by Q1 2022



Source: CBRE Research, CBRE Econometric Advisors, Q2 2020.

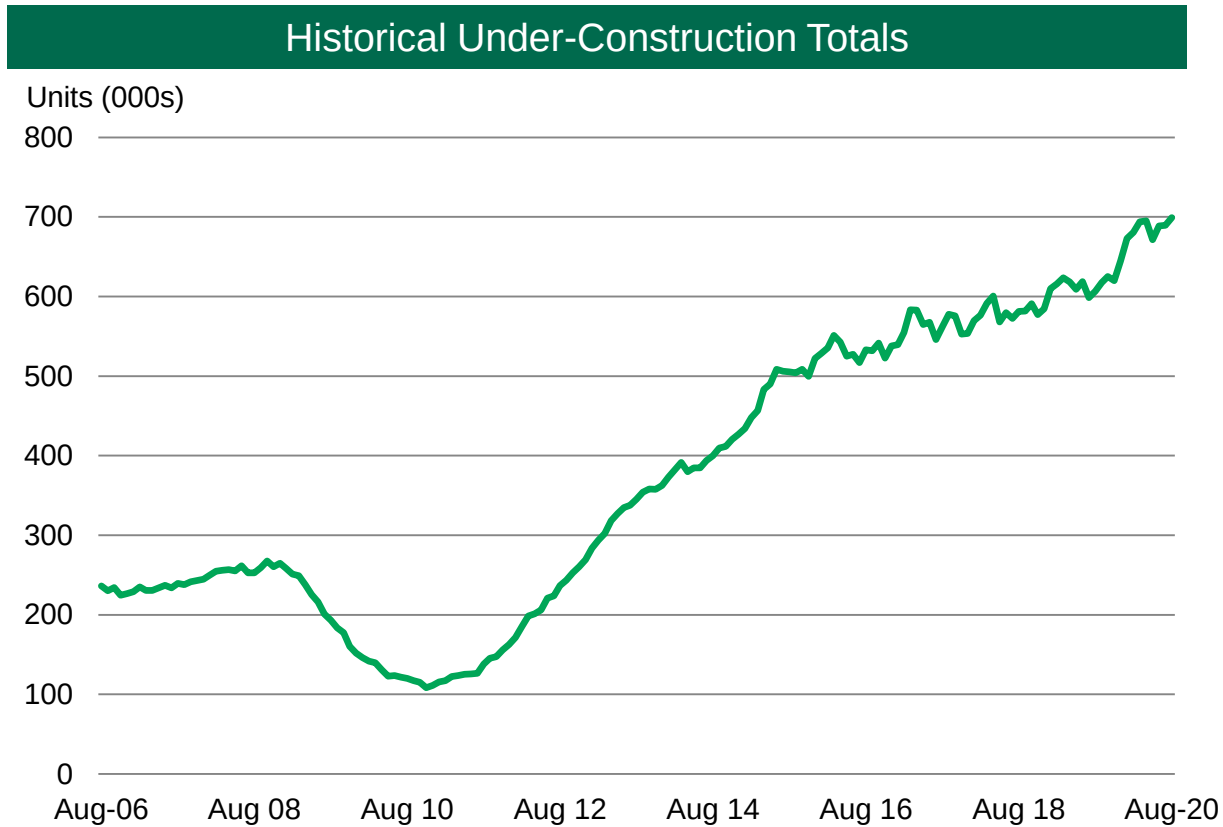
LEADERS & LAGGARDS

Leaders	Middle	Laggards
Suburban – less dense, lower price	Suburban – higher density, higher priced	- Urban – high-end urban core - similar urban submarkets
Class B and Class C		Class A
- Midwest - Southeast - Mountain West - Smaller Metros	South Central	- West Coast - Gateway
		- Communities in lease-up - Anything impacted by new supply

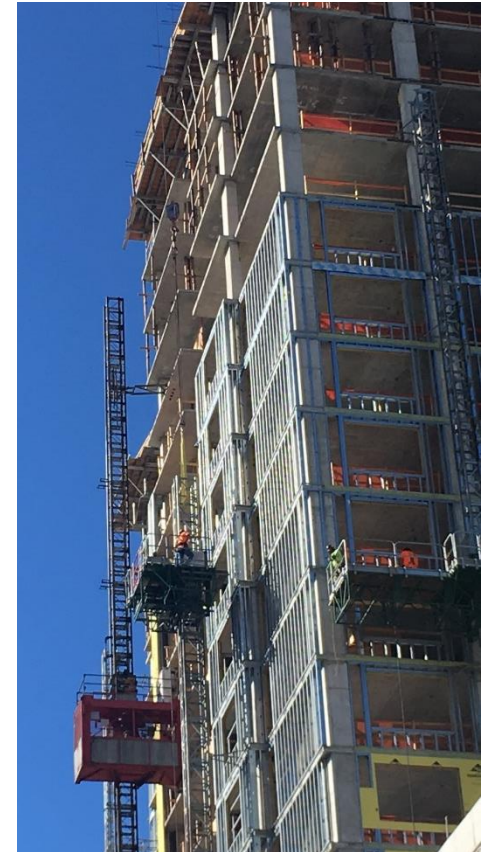


SUPPLY - CONSTRUCTION PIPELINE

Pipeline reached new peak in August 2020

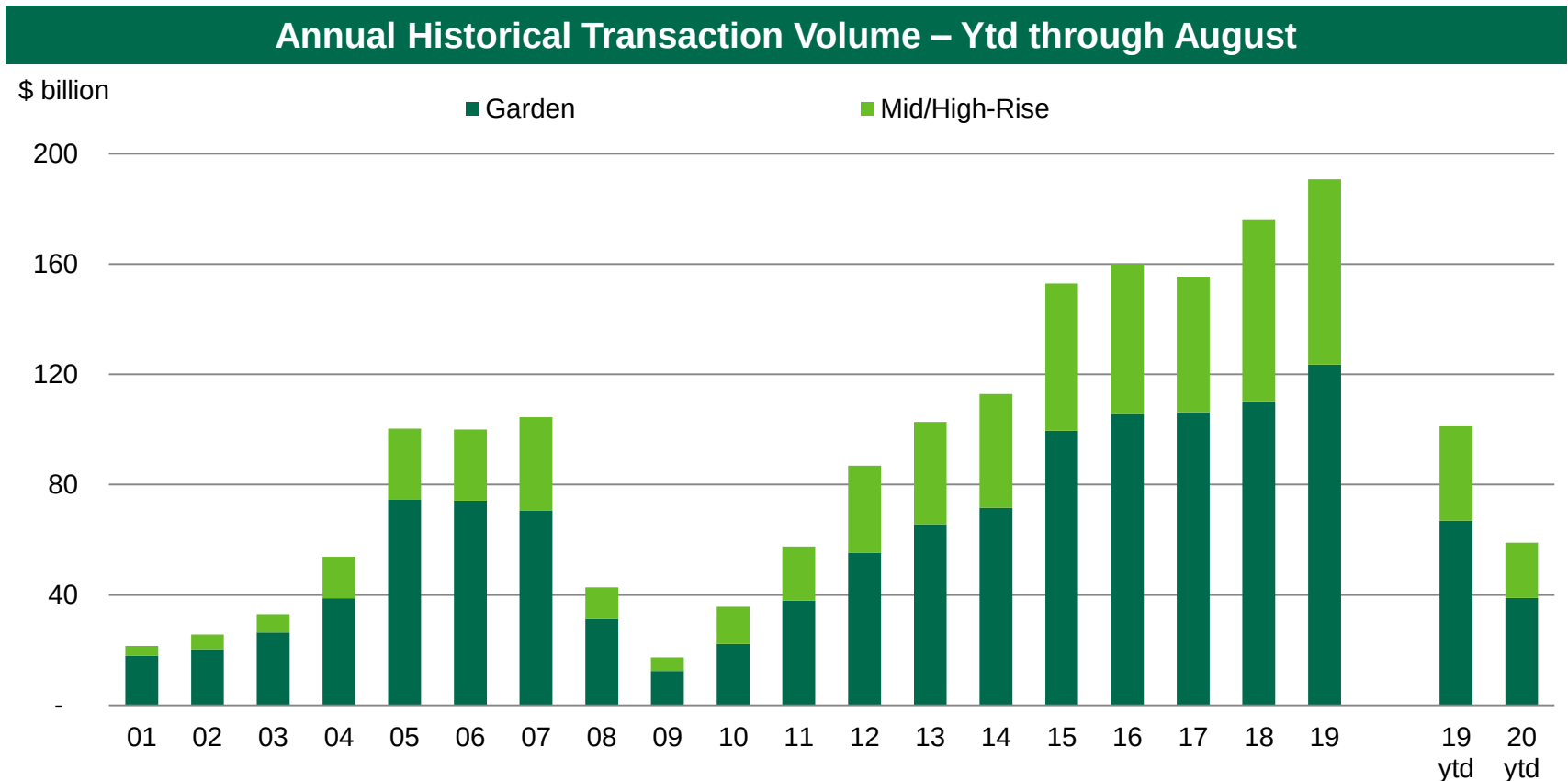


Source: CBRE Research, CBRE Econometric Advisors, Q3 2020.



INVESTMENT VOLUME – ANNUAL MULTIFAMILY HISTORY

2019 highest volume in RCA history at \$191 billion; 8% increase over 2018; significant cooling in Q2 and Q3 2020 ytd (63% decline)



Source: CBRE Research, Real Capital Analytics, Q3 2020.

INVESTMENT PRICING – Q3 CAP RATE SURVEY

U.S.

CAP RATE SURVEY SPECIAL REPORT Q3 2020

A survey of CBRE investment and valuation professionals conducted between August 12, 2020 and August 26, 2020

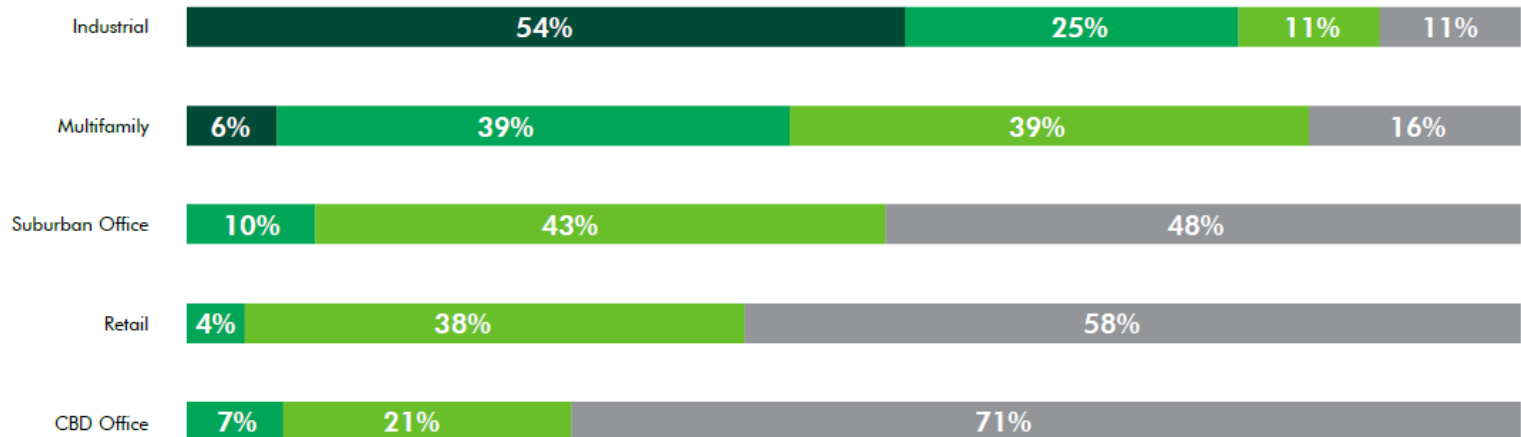
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Cap Rate Change Since H2 2019

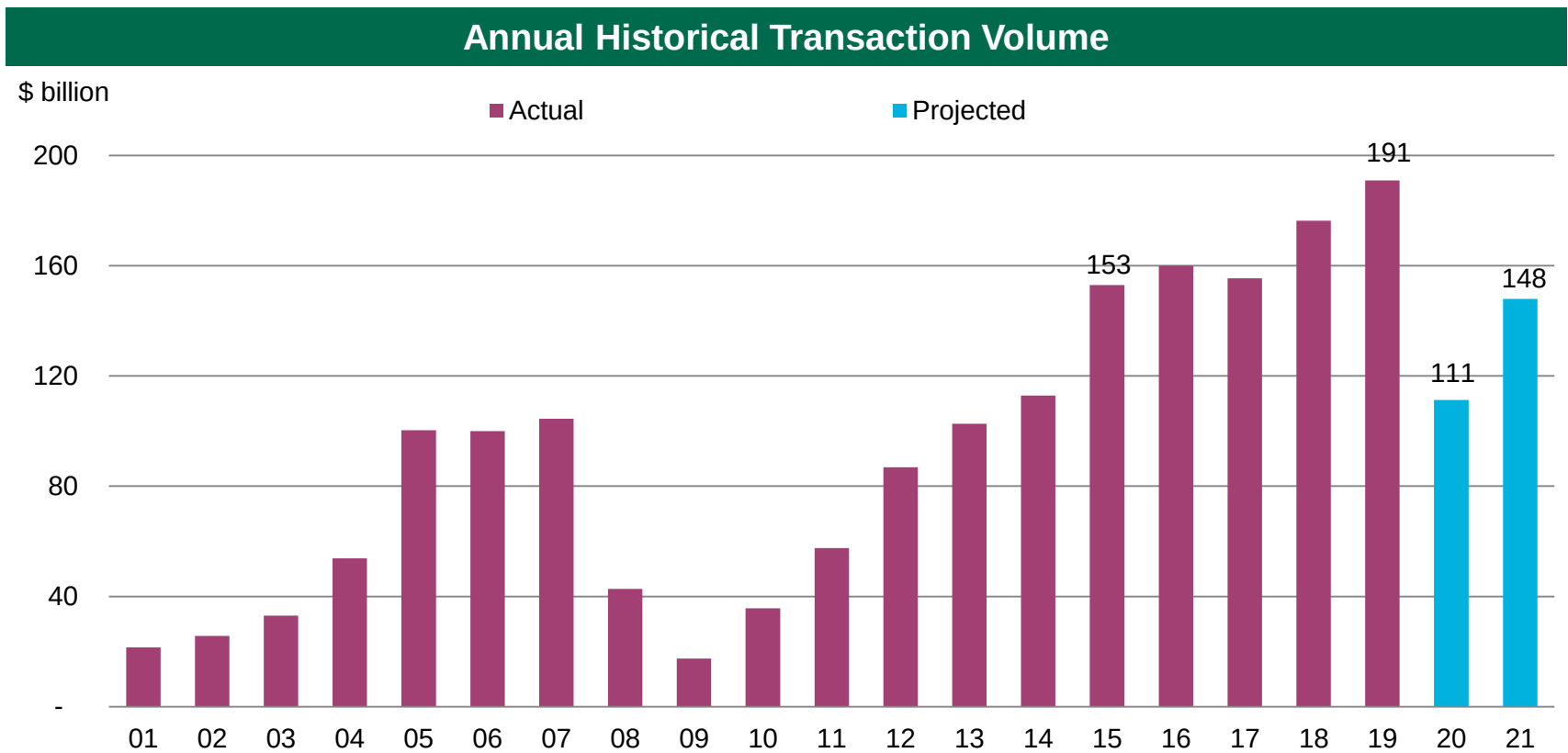
Markets	Infill	Suburban
Up	7	4
Stable	16	14
Down	5	9

HOW LONG DO YOU THINK IT WILL BE BEFORE INVESTMENT ACTIVITY RETURNS TO PRE-PANDEMIC LEVELS?

1-3 Months 3-6 months 6-12 months More than 12 months



INVESTMENT VOLUME – A LOOK TO 2021



Source: CBRE Research (projections), Real Capital Analytics (historical), Q3 2020.



THANK YOU

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