

Q2 2021

U.S. MULTIFAMILY FIGURES



Q2 2021 U.S. MULTIFAMILY FIGURES | EXECUTIVE SUMMARY

MULTIFAMILY DEMAND SOARS IN Q2

 Vacancy Rate
4.0%

 Completions*
275,300 Units

 Net Absorption*
352,800 Units

 Q-o-Q Rent Change
3.5%

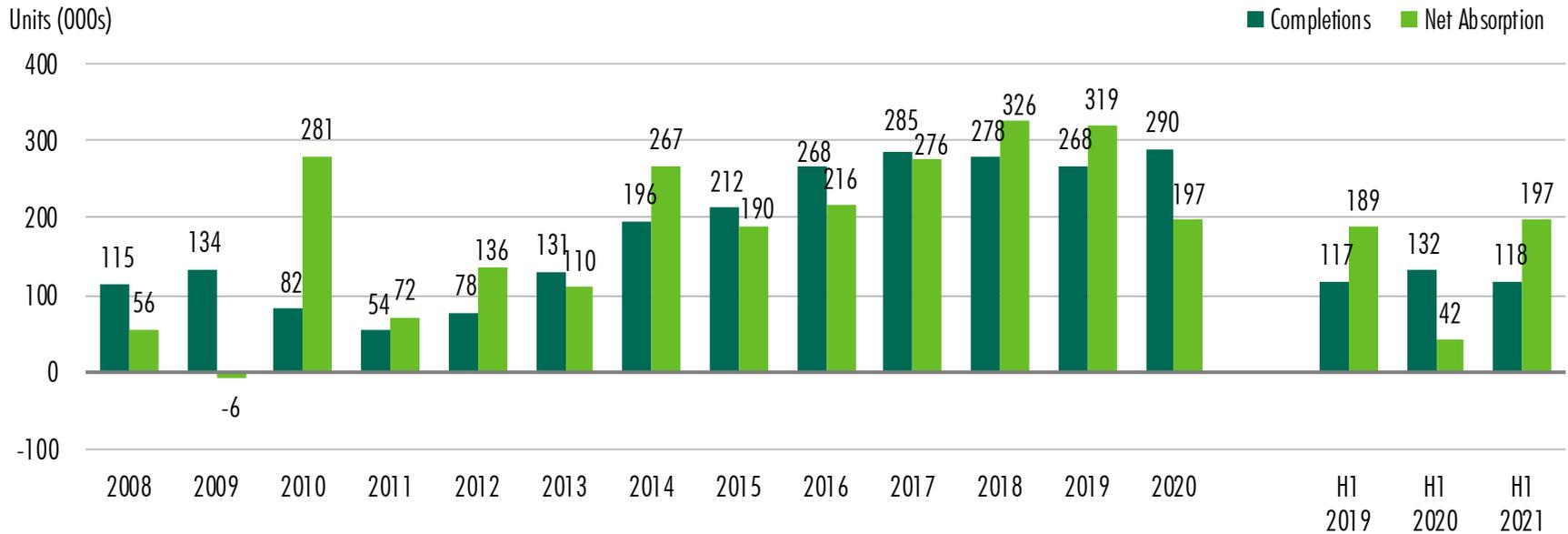
 Acquisitions Volume*
\$182 Billion

Arrows indicate change from the same quarter in the previous year, except for rent.
*Total past four quarters.

- The multifamily market gained considerable strength in Q2 with near-record quarterly absorption of 179,400 units.
- The overall vacancy rate fell by 70 basis points (bps) to a healthy 4.0% in Q2 and average rent rose by 3.5% from Q1—the second quarterly increase since Q1 2020.
- Q2 rents in most metro markets were higher than pre-COVID levels. Only 10 of the 69 markets tracked by CBRE had not reached their pre-COVID rent levels by Q2.
- Construction levels remained high with 65,600 units added in Q2, bringing the year-to-date total to 117,900. Net absorption of 197,300 units in H1 easily outpaced new supply.
- Continued broad economic recovery, employment growth, rising consumer confidence and more workers returning to the office will keep demand high through Q3.
- Market segments that had been particularly weakened by COVID restrictions—including Class A assets, gateway markets and urban core submarkets—all had notable performance gains in Q2 and are poised to strengthen further in quarters ahead.
- Multifamily investment volume increased by 34% quarter-over-quarter in Q2 to \$52.7 billion.

FIGURE 1

Q2 NET ABSORPTION HIGHEST IN OVER 15 YEARS

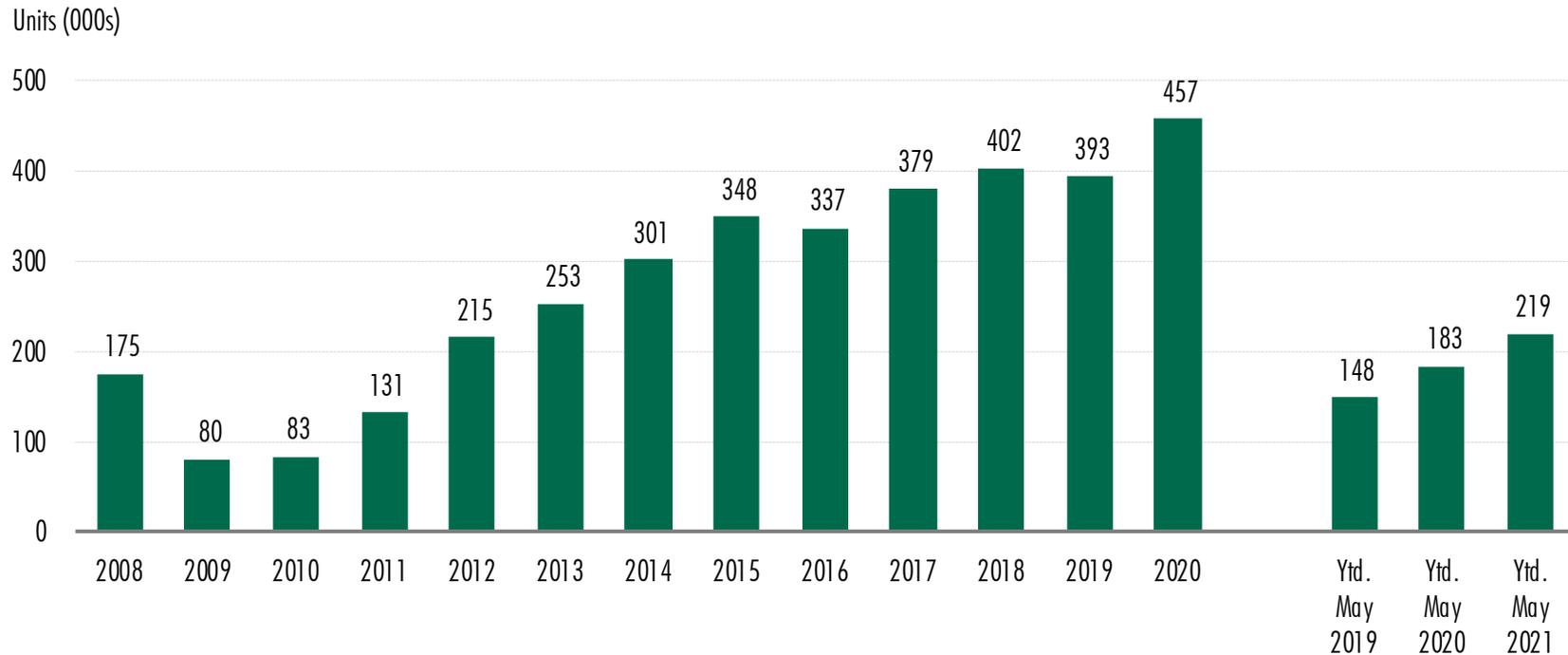


Source: CBRE Research, CBRE Econometric Advisors, Q2 2021. Based on 63 legacy markets tracked by CBRE EA.

- Net absorption of 179,400 units was the highest Q2 total since at least the mid-1990s, reflecting pronounced cyclical market expansion and recovery.
- H1 2021 net absorption totaled 197,300 units—nearly five times higher than the same period last year and 4.5% above pre-COVID H1 2019.
- The rise in demand has been fueled by job growth, improving consumer confidence, sharply rising home prices (making homebuying more challenging) and the lessening of COVID restrictions.
- Completions totaling 65,600 units in Q2 were down by 18.6% year-over-year but in line with the quarterly average of 68,100 units since 2018. However, annual completions are expected to exceed 300,000 units this year for a new cyclical peak.

FIGURE 2

YTD CONSTRUCTION STARTS UP 19% YEAR-OVER-YEAR



Source: CBRE Research, CBRE Econometric Advisors, Dodge Data & Analytics, Q2 2021.

- Construction starts through May totaled 218,800 units, 19.4% higher than the same time last year and 48.2% higher than in 2019.
- The under-construction pipeline of 771,600 units in May ensures that deliveries will remain high into 2023.
- Multifamily permit activity totaled 247,800 units in H1, up 22.3% year-over-year and 14.5% from H1 2019.

FIGURE 3

ROBUST DEMAND OUTPACES NEW SUPPLY IN MOST MARKETS

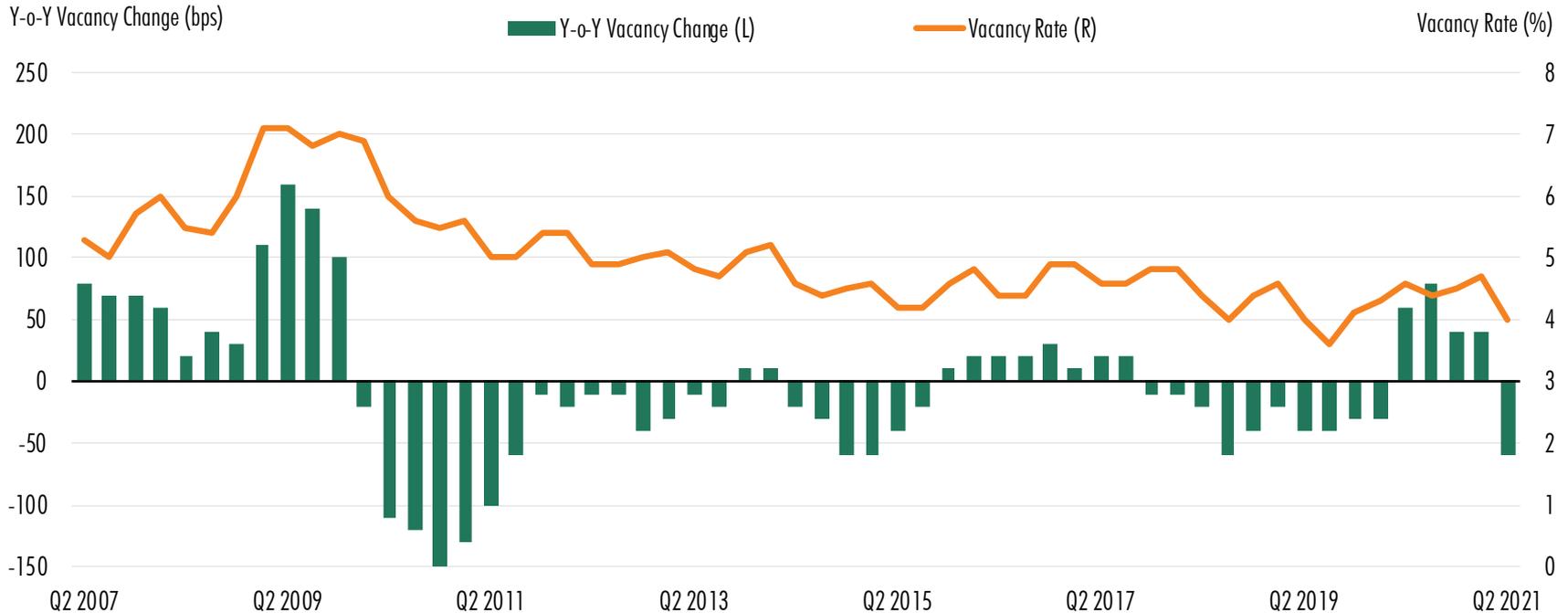
| Rank by Completions | Market | Completions Q2 2021 | Net Absorption Q2 2021 | Completions 4 Quarters Ending Q2 2021 | Net Absorption 4 Quarters Ending Q2 2021 | Completions As % of Inventory | Net Absorption As % of Inventory |
|---------------------|-----------------------|---------------------|------------------------|---------------------------------------|--|-------------------------------|----------------------------------|
| | Sum of Markets | 65,600 | 179,400 | 275,300 | 352,800 | 1.7 | 2.2 |
| 1 | New York | 5,600 | 14,900 | 25,300 | 2,900 | 1.1 | 0.1 |
| 2 | Houston | 4,500 | 10,600 | 16,300 | 19,000 | 2.6 | 3.0 |
| 3 | Dallas | 4,000 | 9,500 | 14,200 | 16,800 | 2.5 | 3.0 |
| 4 | Washington, D.C. | 3,200 | 7,400 | 13,400 | 10,300 | 2.2 | 1.7 |
| 5 | Minneapolis | 2,100 | 4,100 | 9,400 | 8,200 | 3.2 | 2.8 |
| 6 | Los Angeles | 3,200 | 10,800 | 8,800 | 17,300 | 0.8 | 1.6 |
| 7 | Seattle | 2,500 | 6,400 | 8,700 | 9,200 | 2.2 | 2.3 |
| 8 | Miami | 2,500 | 4,800 | 8,700 | 11,300 | 2.9 | 3.8 |
| 9 | Austin | 1,200 | 3,600 | 8,300 | 9,500 | 3.6 | 4.1 |
| 10 | Atlanta | 1,500 | 4,600 | 8,300 | 15,700 | 1.8 | 3.5 |
| 11 | Boston | 1,200 | 5,200 | 8,000 | 9,700 | 1.6 | 1.9 |
| 12 | Orlando | 2,600 | 4,900 | 7,800 | 10,100 | 3.6 | 4.7 |
| 13 | Chicago | 2,100 | 11,300 | 7,200 | 8,400 | 0.9 | 1.1 |
| 14 | Ft. Worth | 2,000 | 3,300 | 6,900 | 8,000 | 4.0 | 4.6 |
| 15 | Portland | 1,100 | 3,400 | 6,900 | 9,800 | 3.3 | 4.6 |
| 16 | Phoenix | 1,800 | 3,900 | 6,600 | 11,100 | 1.8 | 3.1 |
| 17 | Philadelphia | 1,300 | 2,500 | 6,600 | 7,900 | 2.1 | 2.5 |
| 18 | Charlotte | 2,000 | 2,900 | 6,400 | 8,200 | 3.7 | 4.8 |
| 19 | Nashville | 2,500 | 3,900 | 6,000 | 6,400 | 3.9 | 4.2 |
| 20 | Denver | 700 | 4,000 | 5,800 | 8,800 | 1.8 | 2.7 |
| 21 | San Antonio | 1,300 | 2,800 | 5,700 | 7,100 | 2.9 | 3.6 |
| 22 | Tampa | 1,200 | 3,500 | 5,200 | 10,000 | 2.0 | 3.9 |
| 23 | Ft. Lauderdale | 1,200 | 3,100 | 4,600 | 7,000 | 2.4 | 3.6 |
| 24 | Jacksonville | 800 | 1,700 | 4,400 | 5,900 | 4.0 | 5.4 |

- The major Florida metros of Miami/South Florida, Tampa, Orlando and Jacksonville collectively added 34,200 units over the past year, with net absorption totaling 50,500 units.
- Texas markets were also active, with a combined 51,400 units delivered in Houston, Dallas/Ft. Worth, Austin and San Antonio over the past year and net absorption of 60,400 units.
- Among the 24 leading markets for new supply, six (Austin, Charlotte, Ft. Worth, Jacksonville, Nashville and Orlando) had a completions-to-inventory ratio of more than 3.5%—a potential red flag for overbuilding. So far, however, these markets are maintaining high levels of demand, thereby justifying their robust development activity.
- For the first time in four quarters, none of the 69 metros tracked by CBRE had negative net absorption in Q2.

Source: CBRE Research, CBRE Econometric Advisors, Q2 2021. All ratios based on unrounded figures of four-quarter totals. Markets are MSAs or Metropolitan Divisions, whichever is smaller.

FIGURE 4

VACANCY RATE FALLS TO 4.0%

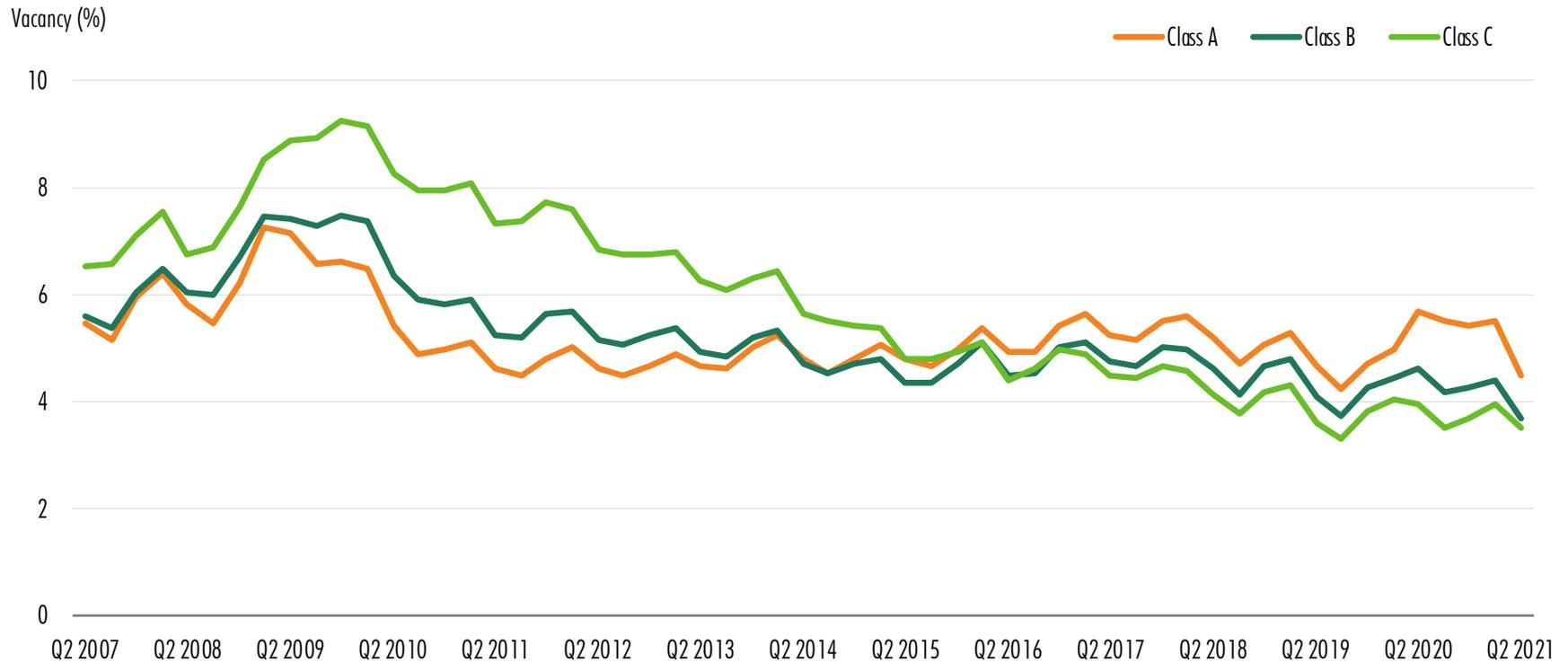


Source: CBRE Research, CBRE Econometric Advisors, Q2 2021.
Based on the 63 legacy markets tracked by CBRE EA.

- The overall vacancy rate fell by 70 bps quarter-over-quarter and 60 bps year-over-year to 4.0% in Q2—the lowest level in two years.
- Fourteen markets had vacancy rates under 3%: the Inland Empire (1.6%), Ventura, CA (1.7%), Providence (1.8%), Norfolk (2.0%), Honolulu (2.2%), Sacramento (2.3%), Madison, WI (2.4%), Orange County (2.4%), Long Island (2.6%), Detroit (2.6%), San Diego (2.6%), Hartford (2.7%) Salt Lake City (2.8%) and Colorado Springs (2.9%).

FIGURE 5

CLASS A VACANCY HAS BIGGEST DROP IN Q2

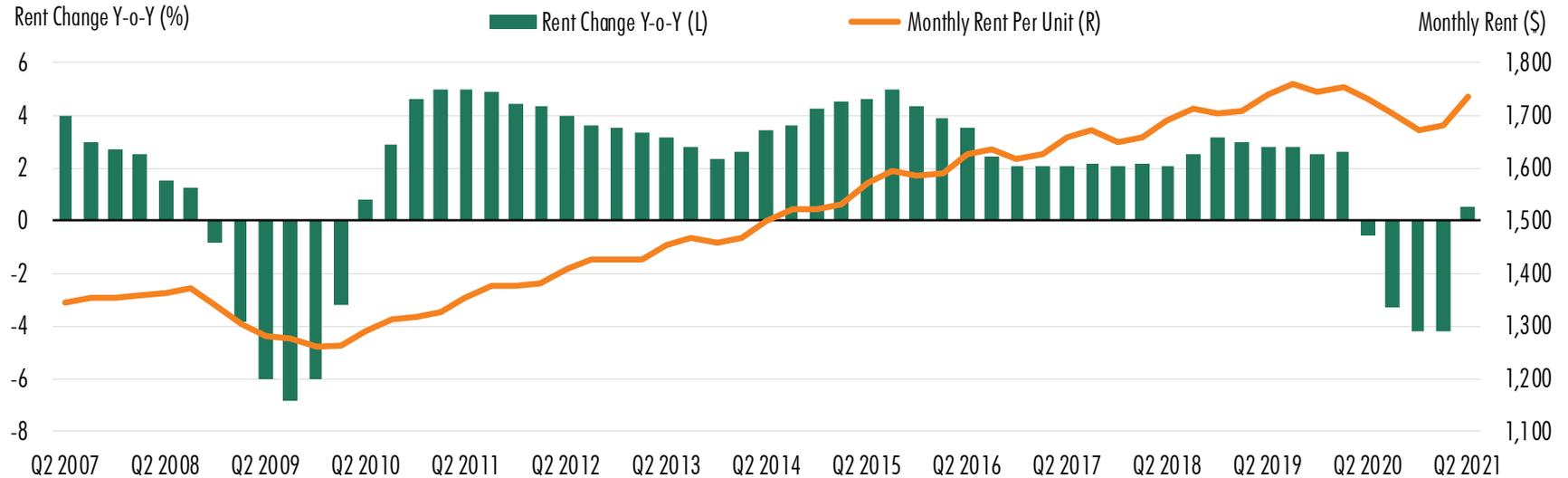


Source: CBRE Research, RealPage, Q2 2021.

- Q2's robust leasing activity resulted in a 1-percentage-point drop in the Class A vacancy rate to 4.5%. Class B vacancy fell by 70 bps to 3.7%, while Class C declined by 50 bps to 3.5%.
- Improvement in Class A performance was partly from the reversal of urban outmigration, although suburban submarkets still generally outperformed urban submarkets.

FIGURE 6

AVERAGE RENT RISES 3.5%



Source: CBRE Research, CBRE Econometric Advisors, RealPage, Q2 2021.
Effective "same-store" rents based on the 63 legacy markets tracked by CBRE EA.

- The average same-store effective rent rose by 3.5% quarter-over-quarter and 0.5% year-over-year to \$1,737 per month in Q2—the second quarterly increase after three quarters of decline.
- Large markets tend to skew the U.S. rent average. If San Francisco, San Jose and New York were taken out of the national average, the year-over-year average rent increase would be 4.2%.
- Q2's average rent was just 0.9% below the pre-COVID level of Q1 2020.
- Q2 rents were above pre-COVID levels in most markets. Only 10 of 69 metros tracked by CBRE were below their pre-COVID average. Eight of those markets were within 8 percentage points of their pre-COVID levels. Only San Francisco (83%) and San Jose (86%) were lower.

FIGURE 7

MOST MOUNTAIN WEST METROS EXPERIENCE DOUBLE-DIGIT RENT GROWTH

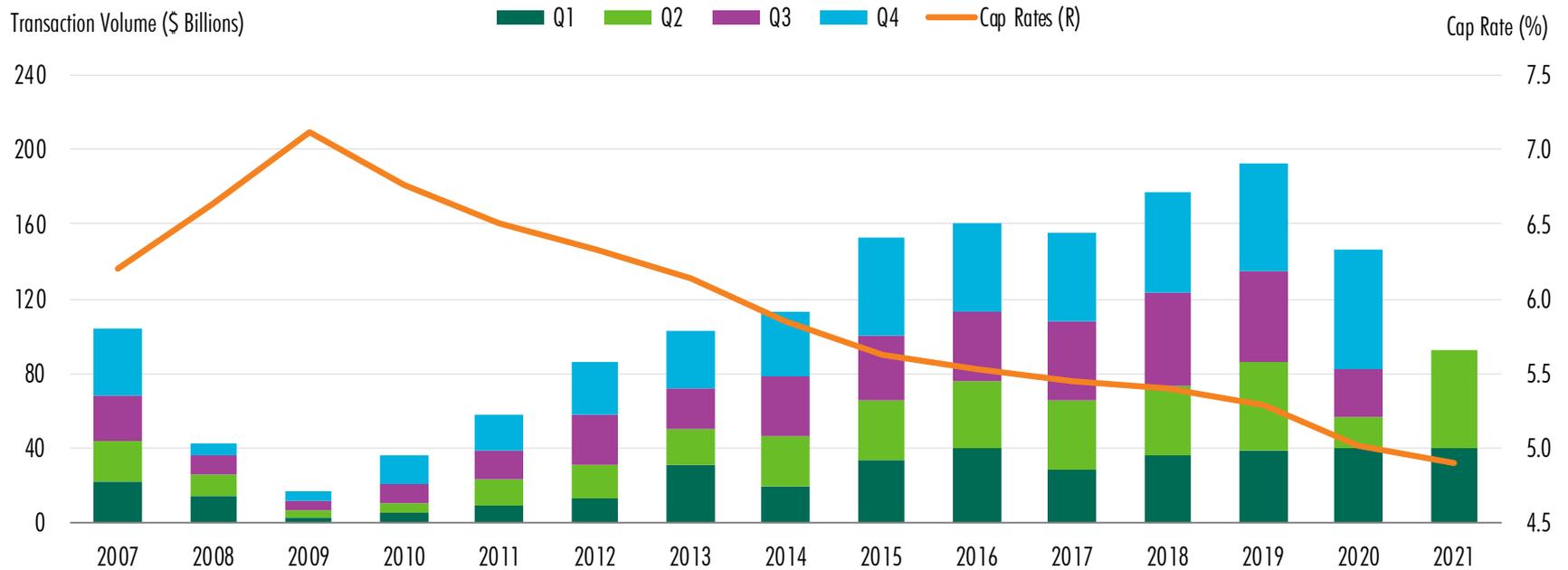
| Rank | Market | Rent Change Y-o-Y (%) | Rank | Market | Rent Change Y-o-Y (%) | Rank | Market | Rent Change Y-o-Y (%) |
|----------------------|------------------|-----------------------|----------------------|-----------------|-----------------------|-------------------------------|------------------|-----------------------|
| ALL MARKET | | | SOUTH CENTRAL | | | MIDWEST | | |
| | Sum of Markets | 0.5 | 1 | Tulsa | 6.3 | 1 | Indianapolis | 7.0 |
| PACIFIC | | | 2 | Ft. Worth | 6.2 | 2 | Detroit | 6.1 |
| 1 | Inland Empire | 14.8 | 3 | Austin | 6.0 | 3 | Columbus | 5.6 |
| 2 | Sacramento | 12.6 | 4 | El Paso | 5.4 | 4 | Dayton | 4.5 |
| 3 | Ventura | 11.9 | 5 | San Antonio | 5.2 | 5 | Kansas City | 4.3 |
| 4 | Honolulu | 9.0 | 6 | Oklahoma City | 5.2 | 6 | Cincinnati | 4.2 |
| 5 | San Diego | 6.7 | 7 | Dallas | 4.4 | 7 | Cleveland | 4.1 |
| 6 | Orange County | 6.0 | 8 | Corpus Christi | 3.6 | 8 | St. Louis | 3.8 |
| 7 | Portland | 4.8 | 9 | Houston | 2.3 | 9 | Milwaukee | 2.9 |
| 8 | Los Angeles | -0.2 | SOUTHEAST | | | 10 | Omaha | 2.7 |
| 9 | Seattle | -1.2 | 1 | Tampa | 12.3 | 11 | Madison, WI | 2.1 |
| 10 | Oakland | -2.0 | 2 | Atlanta | 11.5 | 12 | Minneapolis | 0.1 |
| 11 | San Jose | -10.3 | 3 | West Palm Beach | 11.4 | 13 | Chicago | -0.3 |
| 12 | San Francisco | -13.4 | 4 | Jacksonville | 11.2 | NORTHEAST/MID-ATLANTIC | | |
| MOUNTAIN WEST | | | 5 | Memphis | 9.9 | 1 | Baltimore | 7.0 |
| 1 | Phoenix | 15.3 | 6 | Greensboro | 9.7 | 2 | Providence | 6.8 |
| 2 | Tucson | 14.6 | 7 | Richmond | 9.6 | 3 | Long Island | 6.7 |
| 3 | Las Vegas | 13.6 | 8 | Ft. Lauderdale | 8.9 | 4 | Hartford | 5.8 |
| 4 | Albuquerque | 13.3 | 9 | Norfolk | 8.5 | 5 | Philadelphia | 4.3 |
| 5 | Colorado Springs | 11.7 | 10 | Charlotte | 8.5 | 6 | Newark | 2.3 |
| 6 | Salt Lake City | 10.2 | 11 | Lexington | 7.9 | 7 | Pittsburgh | 2.1 |
| 7 | Denver | 5.4 | 12 | Raleigh | 7.8 | 8 | Boston | -0.4 |
| | | | 13 | Birmingham | 7.4 | 9 | Washington, D.C. | -2.0 |
| | | | 14 | Greenville | 7.3 | 10 | New York | -7.5 |
| | | | 15 | Orlando | 6.6 | | | |
| | | | 16 | Miami | 5.4 | | | |
| | | | 17 | Louisville | 4.9 | | | |
| | | | 18 | Nashville | 4.1 | | | |

- Six of the seven Mountain West metros had double-digit year-over-year rent growth in Q2, led by Phoenix with 15.3%.
- All 18 Southeast markets had year-over-year rent growth, four of them with double-digit gains (Tampa, Atlanta, West Palm Beach and Jacksonville).
- The Inland Empire led the Pacific region with 14.8% year-over-year rent growth in Q2, followed by Sacramento with 12.6%.
- While outsized rent growth is a clear reflection of rising market demand, it likely will not be sustainable over the long term due to pressure on renter household finances.

Source: CBRE Research, CBRE Econometric Advisors, Q2 2021.
 Note: Based on effective "same-store" rents.

FIGURE 8

Q2 INVESTMENT VOLUME GREATLY EXCEEDS EXPECTATIONS



Source: CBRE Research, Real Capital Analytics, Q2 2021.

- Q2 multifamily investment volume increased by 34% quarter-over-quarter to \$52.7 billion in Q2.
- Except for Q4 volume—traditionally the highest quarterly level of any year—Q2 2021 volume was the highest quarterly level in at least 15 years.
- Very strong investor appetite has further compressed the average multifamily cap rate this year, especially in many red-hot investment markets like Phoenix, Dallas/Ft. Worth and Austin.
- Multifamily accounted for 36.6% of H1's total commercial real estate investment volume, followed by industrial at 20.6% and office at 18.9%

FIGURE 9

DALLAS/FT. WORTH LEADER FOR H1 INVESTMENT

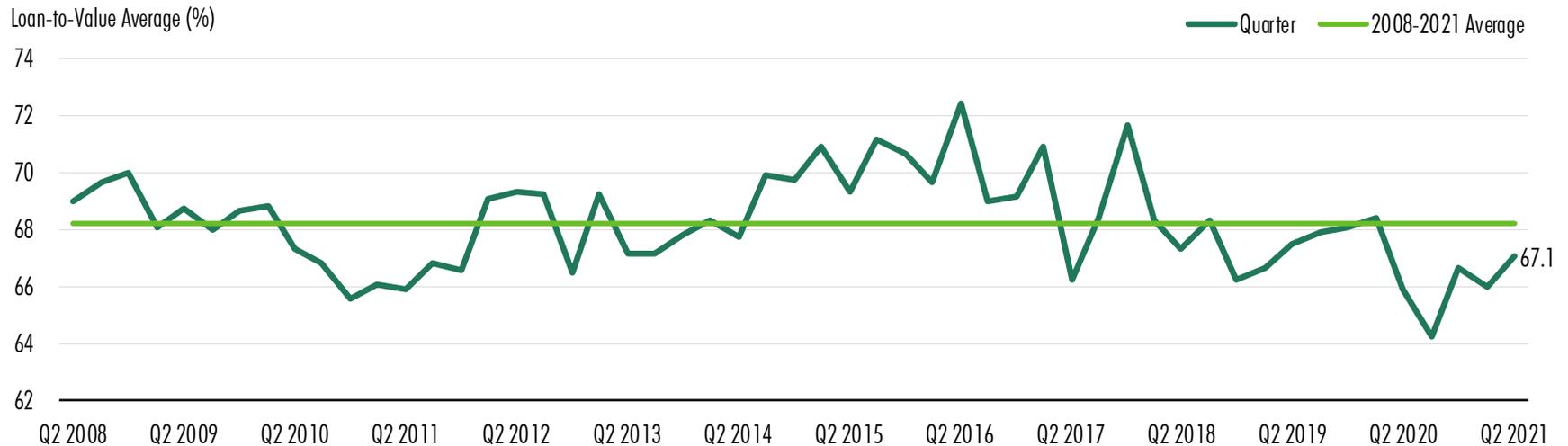
| | Market | Investment (\$ B) | % of Total | Cumulative % of Total | YoY Change (%) |
|----|------------------------|-------------------|------------|-----------------------|----------------|
| | U.S. Total | 92.14 | | | 64.0 |
| 1 | Dallas/Ft. Worth | 7.73 | 8.4 | 8.4 | 74.8 |
| 2 | Atlanta | 6.00 | 6.5 | 14.9 | 169.2 |
| 3 | Phoenix | 5.70 | 6.2 | 21.1 | 208.0 |
| 4 | Los Angeles/SoCal | 5.39 | 5.8 | 26.9 | 82.2 |
| 5 | New York Metro | 4.04 | 4.4 | 31.3 | -16.7 |
| 6 | Denver | 3.42 | 3.7 | 35.0 | 82.1 |
| 7 | Houston | 3.40 | 3.7 | 38.7 | 89.6 |
| 8 | Miami/So. Florida | 3.25 | 3.5 | 42.2 | 183.3 |
| 9 | Washington, D.C. | 2.90 | 3.1 | 45.4 | 45.7 |
| 10 | Austin | 2.86 | 3.1 | 48.5 | 128.5 |
| 11 | Orlando | 2.16 | 2.3 | 50.8 | 51.1 |
| 12 | Baltimore | 2.10 | 2.3 | 53.1 | 228.0 |
| 13 | San Francisco Bay Area | 1.60 | 1.7 | 54.9 | -35.4 |
| 14 | Boston | 1.55 | 1.7 | 56.5 | 30.7 |
| 15 | Chicago | 1.50 | 1.6 | 58.2 | 84.7 |
| 16 | San Antonio | 1.50 | 1.6 | 59.8 | 94.4 |
| 17 | Tampa | 1.44 | 1.6 | 61.4 | 46.0 |
| 18 | Charlotte | 1.44 | 1.6 | 62.9 | 83.4 |
| 19 | Las Vegas | 1.44 | 1.6 | 64.5 | 180.7 |
| 20 | Nashville | 1.42 | 1.5 | 66.0 | 85.9 |

- Dallas/Ft. Worth led all metros for multifamily investment in H1, with \$7.7 billion in total sales comprising 8.4% of the U.S. total. This was a 74.8% increase over the prior year and 50.4% gain over H1 2019.
- Atlanta was in second place with \$6 billion in H1 volume, more than double the prior year and 49.7% greater than H1 2019.
- Phoenix had the third highest H1 investment volume of \$5.7 billion, three times the H1 2020 total and 36% over H1 2019.

Source: CBRE Research, CBRE Econometric Advisors, Q2 2021. All ratios based on unrounded figures of four-quarter totals.

FIGURE 10

HIGHER LOAN-TO-VALUE RATIOS REFLECT COMPETITION & CONFIDENCE AMONG LENDERS



Source: CBRE Research, Fannie Mae, Freddie Mac, Q2 2021.

- CBRE’s quarterly loan-underwriting survey found slightly higher loan-to-value ratios in Q2. The increase reflects strong appetite for multifamily mortgages as well as lenders’ confidence in market performance.
- Declines in long-term interest rates have aided multifamily lending activity. After rising through most of Q1, the 10-year Treasury rate fell to 1.45% from 1.74% in Q2.
- Short-term rates remained near historical lows through Q2, leading to more short-term and floating-rate lending activity than usual.
- Fannie Mae and Freddie Mac have not dominated the multifamily mortgage market in 2021 as much as last year. Their combined H1 2021 volumes fell by 6.7% year-over-year to \$59.6 billion.
- Debt funds have been especially active in Q2, along with traditional lenders like life companies and banks. H1 mortgage volumes for these types of lenders are not yet available but CBRE origination activity, combined with total investment volume, confirms that multifamily financing activity remained very active in H1.



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