

APARTMENT MARKET OUTLOOK IN 2022-2023

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Emerging Trends in Real Estate Markets Post-COVID
Texas Real Estate Research Center at Texas A&M University and
the Federal Reserve Bank of Dallas

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IMPACT OF RISING MORTGAGE RATES ON HOME SALES

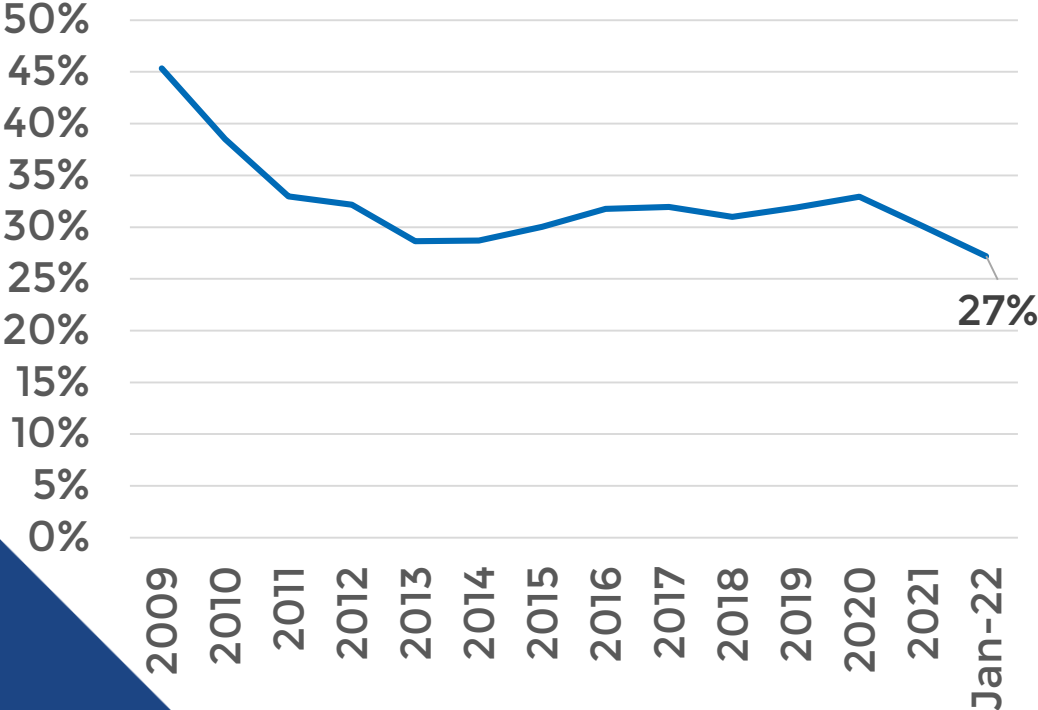
Two opposing effects of higher mortgage rates on home demand

1) **Affordability effect:** Higher mortgage rates worsens home affordability which will favor renting (+\$330/month additional mortgage payment on typical home vs. \$200 in average weekly wage)

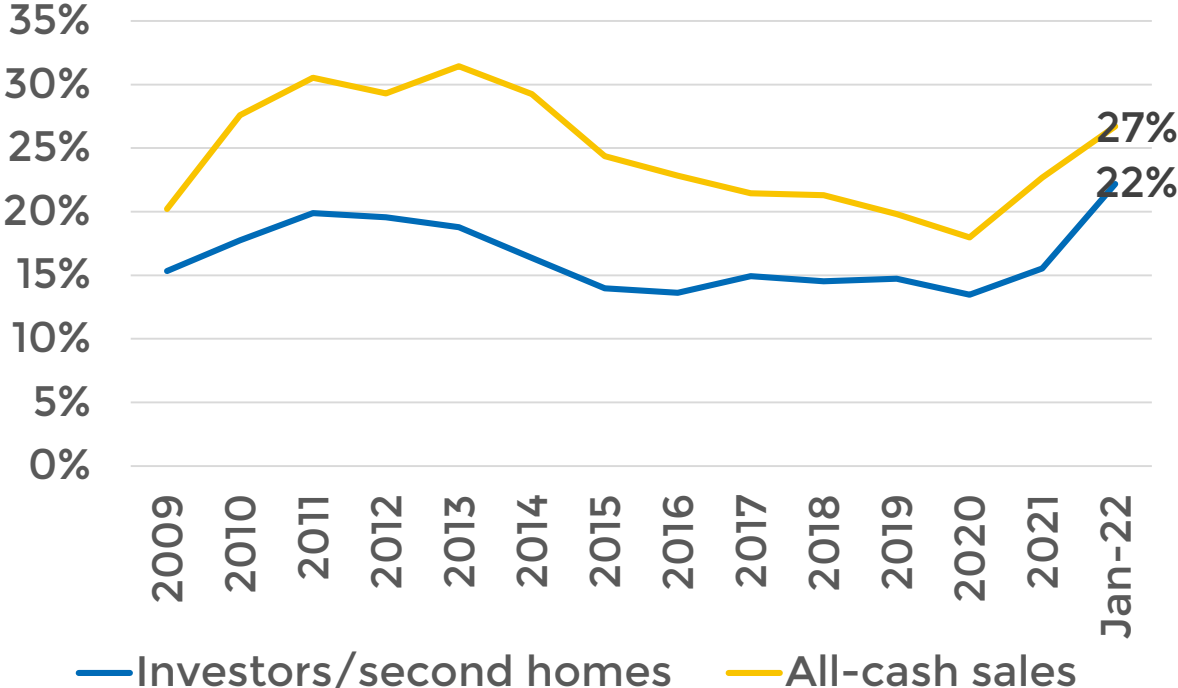
2) **Expectations / Rate lock-in effect:** potential buyers jump into the market now in anticipation of higher mortgage rates

IMPACT OF RISING MORTGAGE RATES ON MIX OF BUYERS: HOMEOWNERS VS. INVESTORS (FOR RENT)

First-time Buyer Share



Cash sales and investor/vacation home buyers

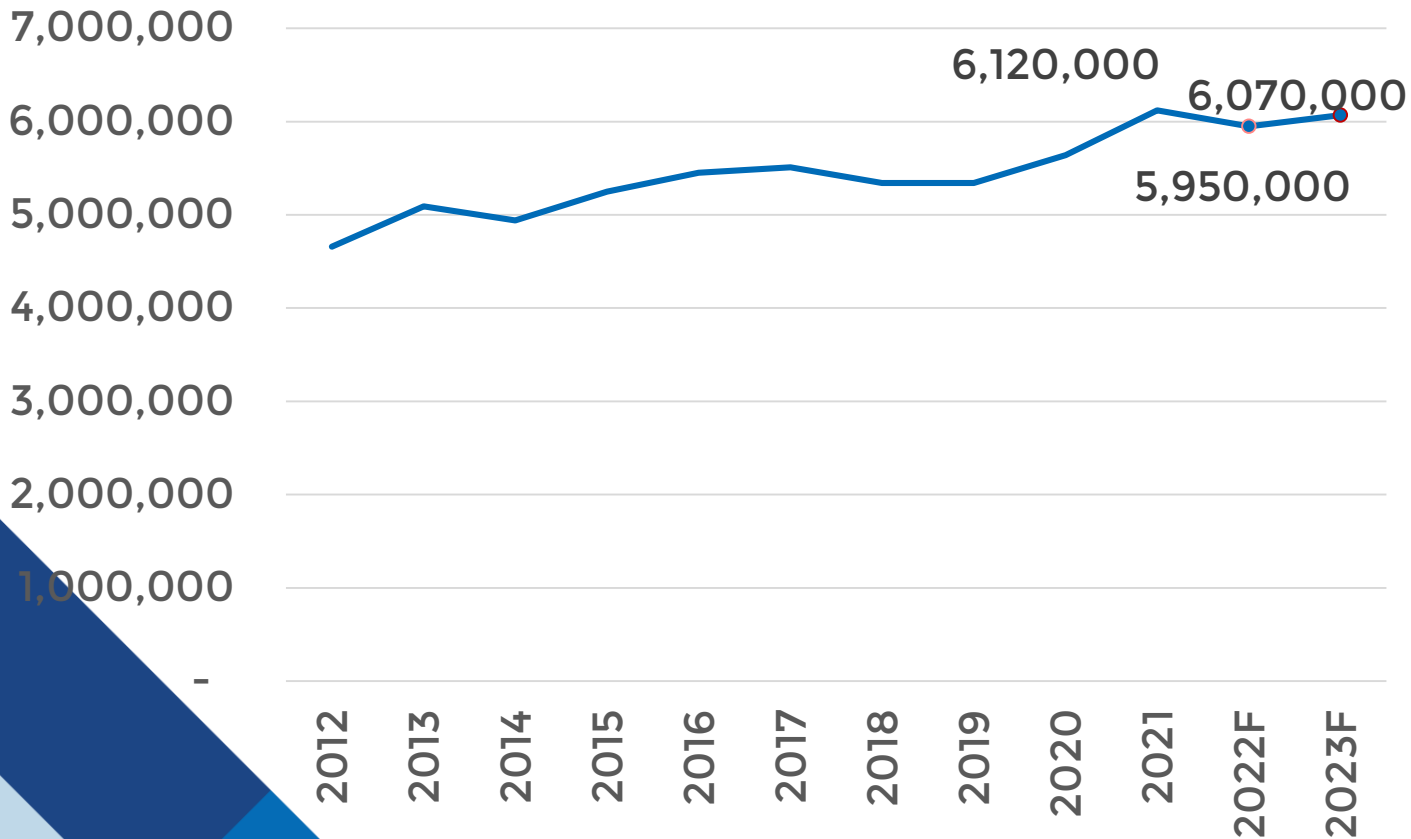


Source: NAR REALTORS® Confidence Index Survey



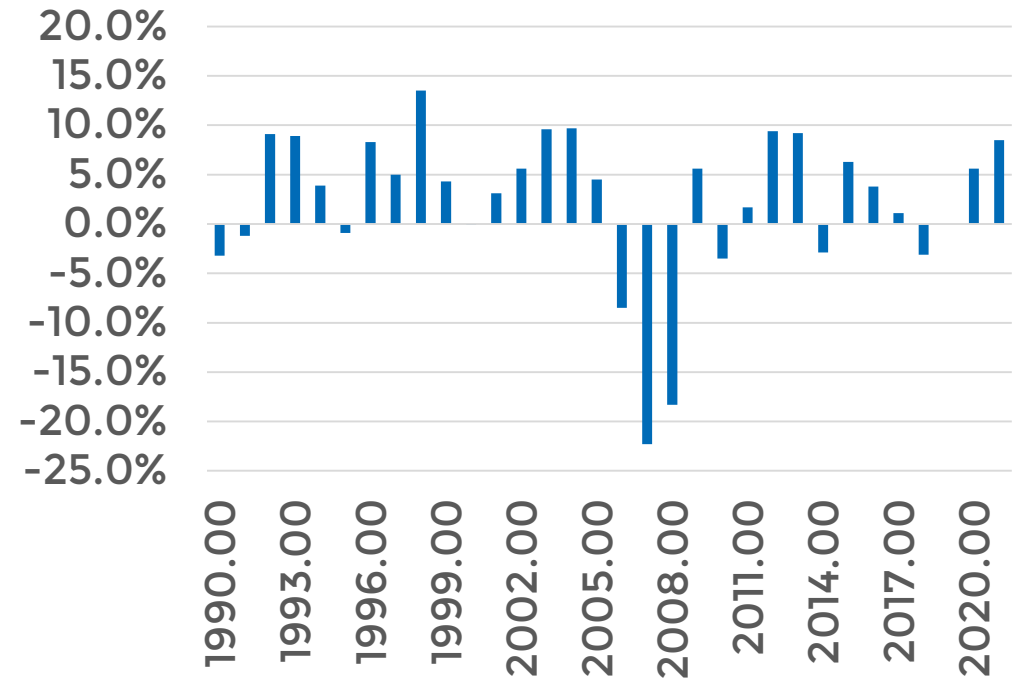
MODEST DECLINE (NOT A CRASH) IN EXISTING-HOME SALES IN 2022 -2.8% (2022); +2% (2023)

Existing Home Sales Outlook 2022-2023



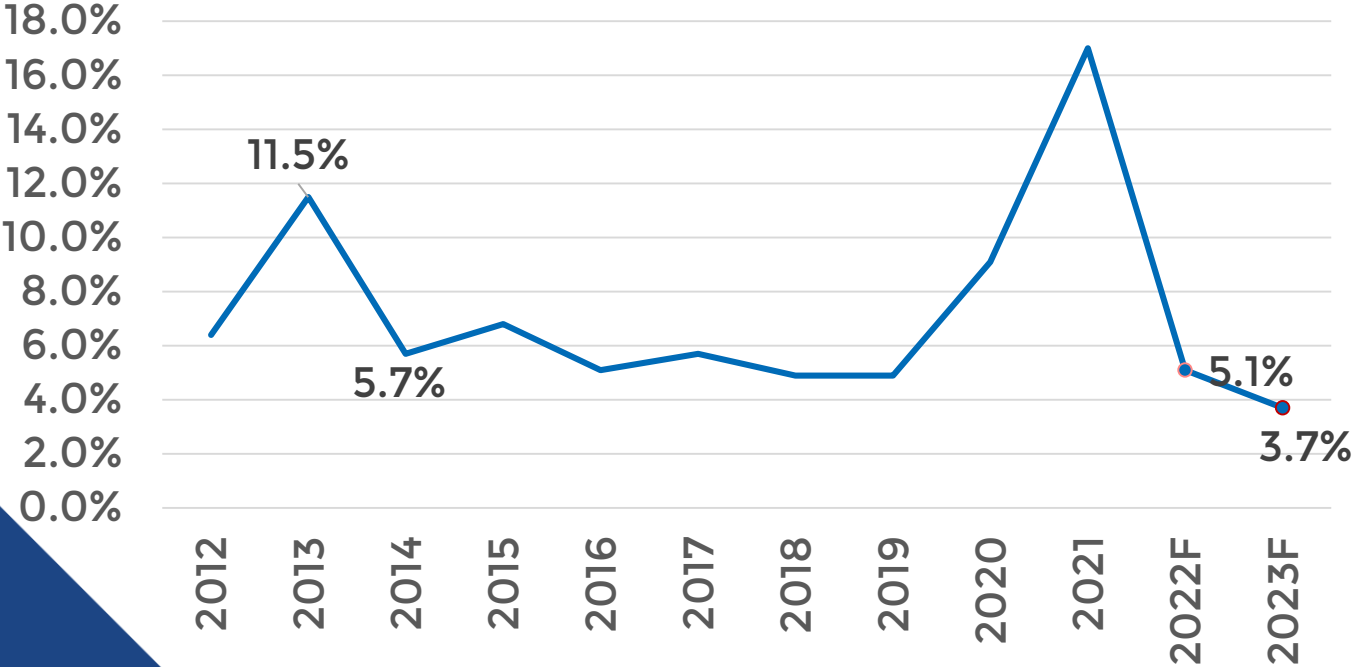
Source: NAR

Y/Y Percent Change in Existing-Home Sales

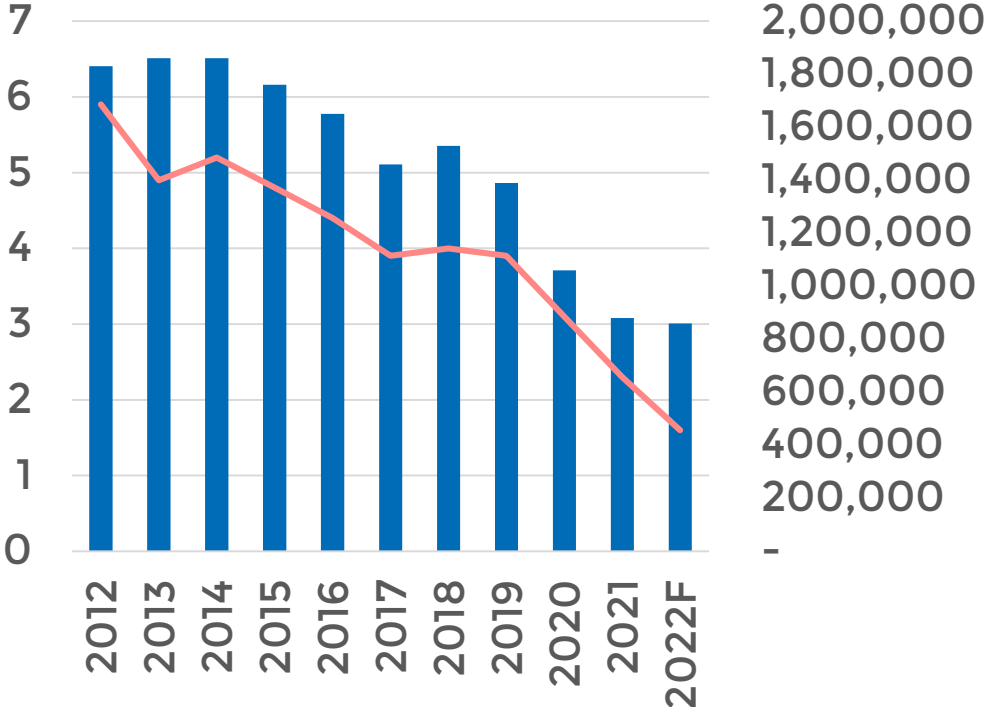


SLOWER HOME PRICE APPRECIATION (NOT A DECLINE) IN 2022 AS INVENTORY REMAINS LOW

Percent Change in the Median Existing-Home Sales Price

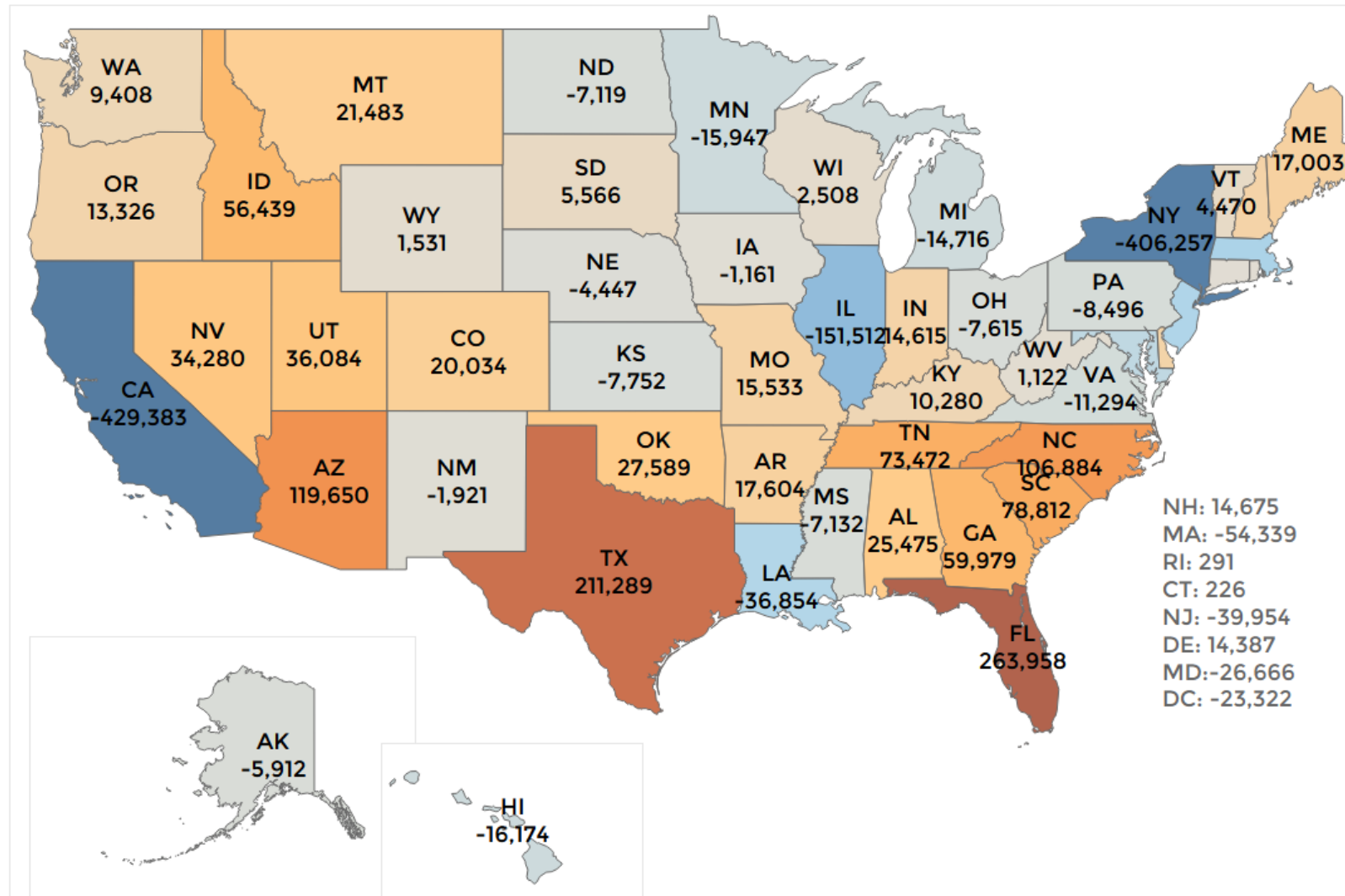


Listings at end of the Year (R-axis) and Average Months' Supply (L-axis)



TEXAS: SECOND LARGEST NET DOMESTIC MIGRATION IN 2020 AND 2021

Change in population due to net domestic migration in 2020 and 2021



TEXAS METRO AREAS ARE LARGE EMPLOYMENT GENERATORS

142 of 401 metro areas and submarkets (35%) have net job gains as of December 2021 compared to pre-pandemic peak employment (February 2020)

Highest net job gains ('000)

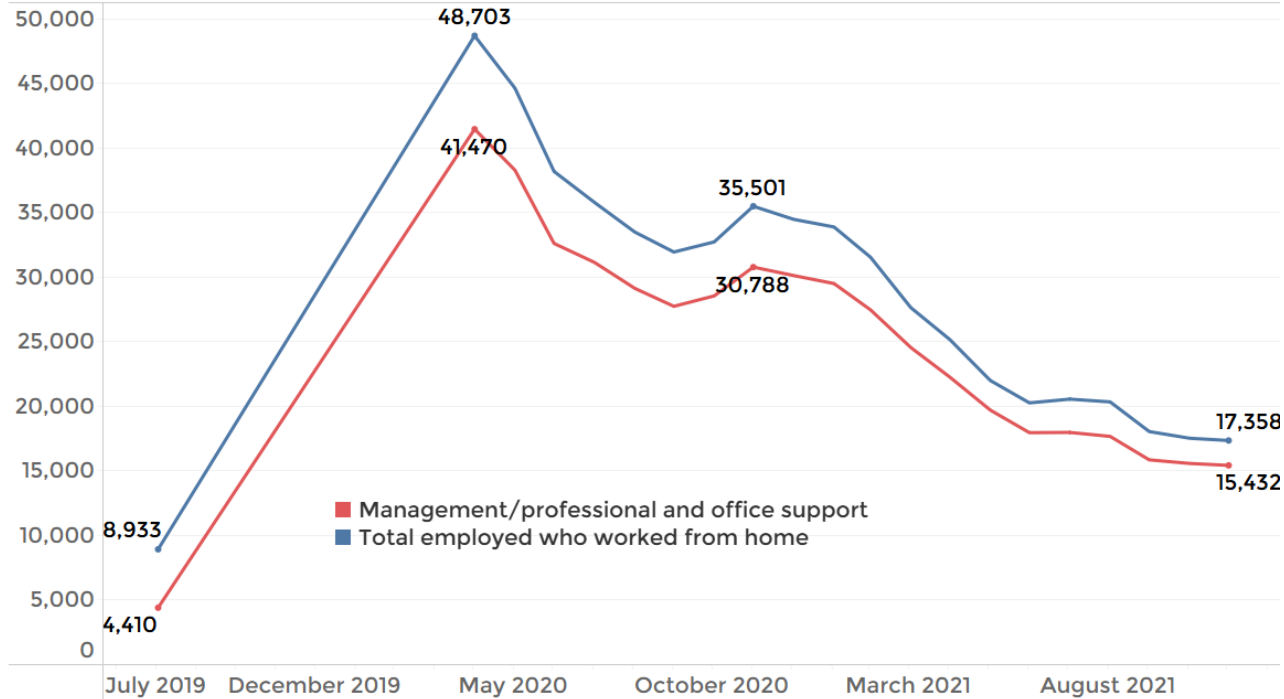
Dallas-Fort Worth-Arlington, TX	113.1	^
Phoenix-Mesa-Scottsdale, AZ	57.8	
Austin-Round Rock, TX	49.2	
Salt Lake City, UT	33.3	
Tampa-St. Petersburg-Clearwater, FL	30.1	
Provo-Orem, UT	22.8	
Jacksonville, FL	20.5	
San Antonio-New Braunfels, TX	15.0	
Nashville-Davidson-Murfreesboro-Franklin, TN	14.8	
Atlanta-Sandy Springs-Roswell, GA	14.8	
Kansas City, MO-KS	13.2	
Fayetteville-Springdale-Rogers, AR-MO	12.9	
Ogden-Clearfield, UT	12.8	
Lakeland-Winter Haven, FL	12.2	
Baltimore City MD	12.1	
Indianapolis-Carmel-Anderson, IN	11.7	
Raleigh, NC	11.7	
Elkhart-Goshen, IN	9.5	
Memphis, TN-MS-AR	9.4	
Denver-Aurora-Lakewood, CO	8.2	
Colorado Springs, CO	8.1	
St. George, UT	7.8	∨

Highest net job losses ('000)

New York-Newark-Jersey City, NY-NJ-PA	-504.2
New York City NY	-329.6
Los Angeles-Long Beach-Anaheim, CA	-287.8
San Francisco-Oakland-Hayward, CA	-123.8
Chicago-Naperville-Elgin, IL-IN-WI	-123.1
Boston-Cambridge-Nashua, MA-NH Metro NECTA	-79.5
Minneapolis-St. Paul-Bloomington, MN-WI	-73.8
Orlando-Kissimmee-Sanford, FL	-68.7
Miami-Fort Lauderdale-West Palm Beach, FL	-62.1
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	-58.6
Las Vegas-Henderson-Paradise, NV	-58.2
San Diego-Carlsbad, CA	-58.1
Washington-Arlington-Alexandria, DC-VA-MD-WV	-52.5
Philadelphia City, PA	-50.8
New Orleans-Metairie, LA	-48.8
Detroit-Warren-Dearborn, MI	-48.4
Houston-The Woodlands-Sugar Land, TX	-44.7
Urban Honolulu, HI	-44.6
Bergen-Hudson-Passaic, NJ	-40.5
Pittsburgh, PA	-39.3
St. Louis, MO-IL	-34.1
Cleveland-Elyria, OH	-33.0
Putnam-Rockland-Westchester, NY	-31.9
Milwaukee-Waukesha-West Allis, WI	-28.6

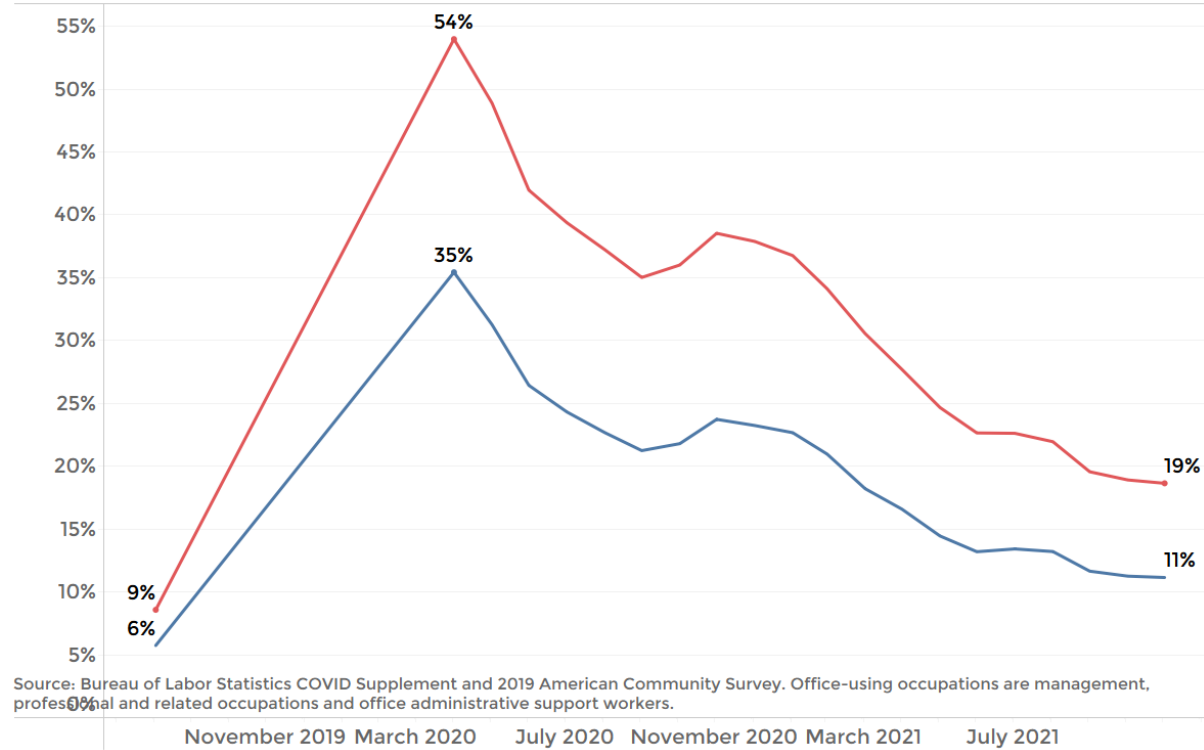
WORKERS STARTED TO HEAD BACK TO THE OFFICE

Employed 16 years old and over who teleworked as of December 2021 (in thousands)



Source: Bureau of Labor Statistics COVID Supplement and 2019 American Community Survey. Office-using occupations are management, professional and related occupations and office administrative support workers.

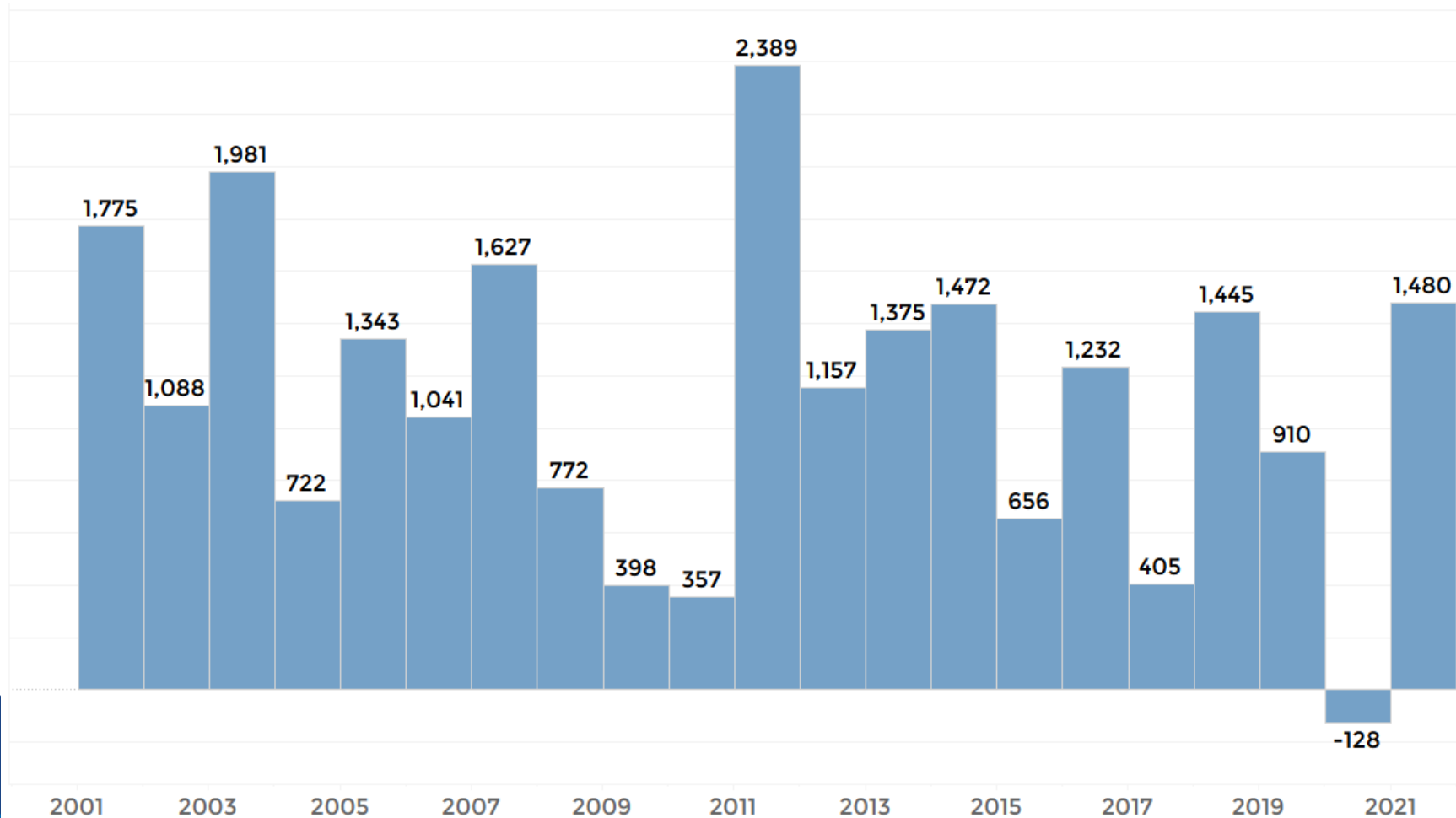
Percent of employed 16 years old and over who teleworked as of December 2021



Source: Bureau of Labor Statistics COVID Supplement and 2019 American Community Survey. Office-using occupations are management, professional and related occupations and office administrative support workers.

NET HOUSEHOLD FORMATION IN 2021 AS ECONOMIC CONDITIONS IMPROVED

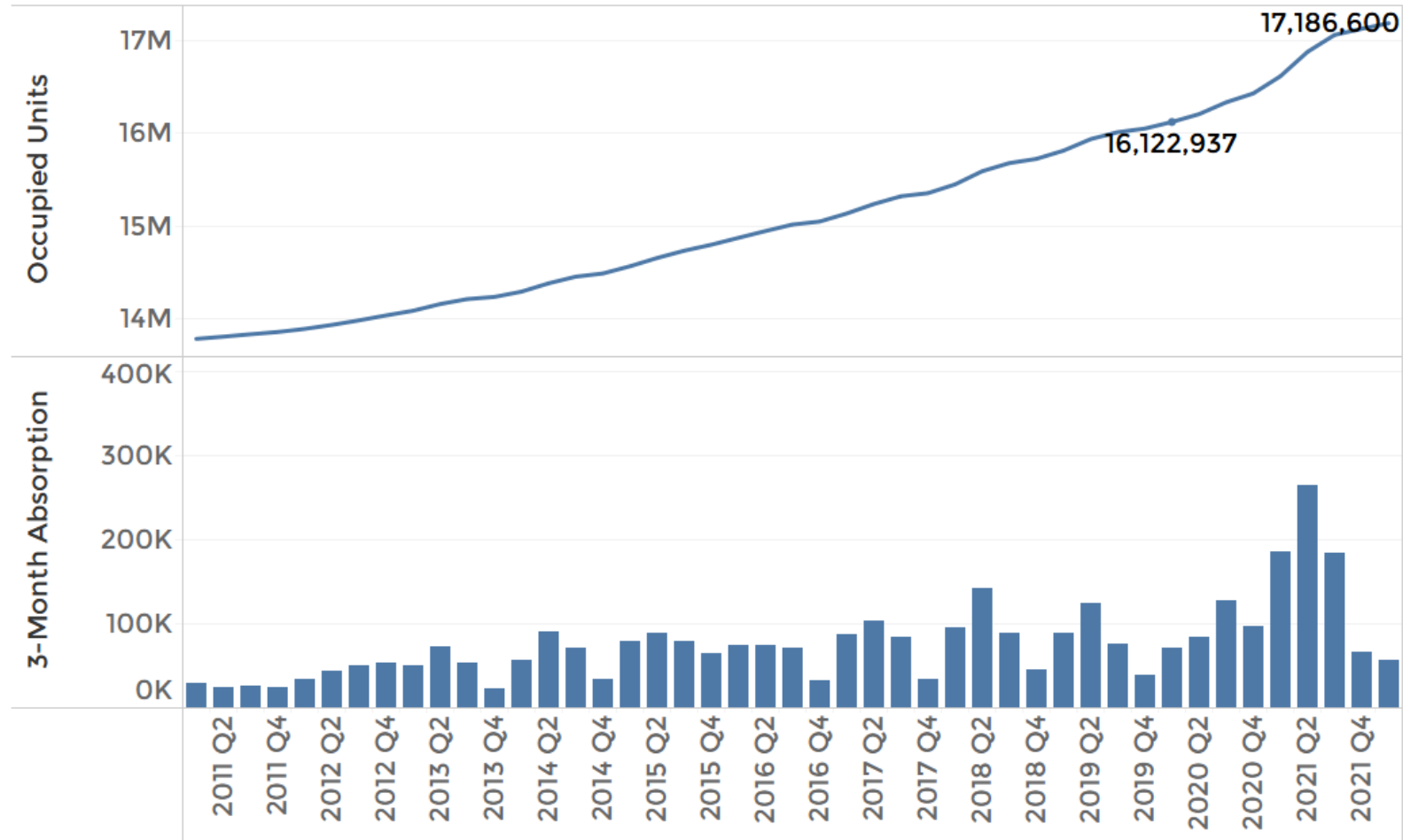
Net Household Formation (in thousands)



Source: US Census Bureau, Current Population Survey (as of March)

2021 SURGE IN APARTMENT DEMAND (NET ABSORPTION) IS NORMALIZING

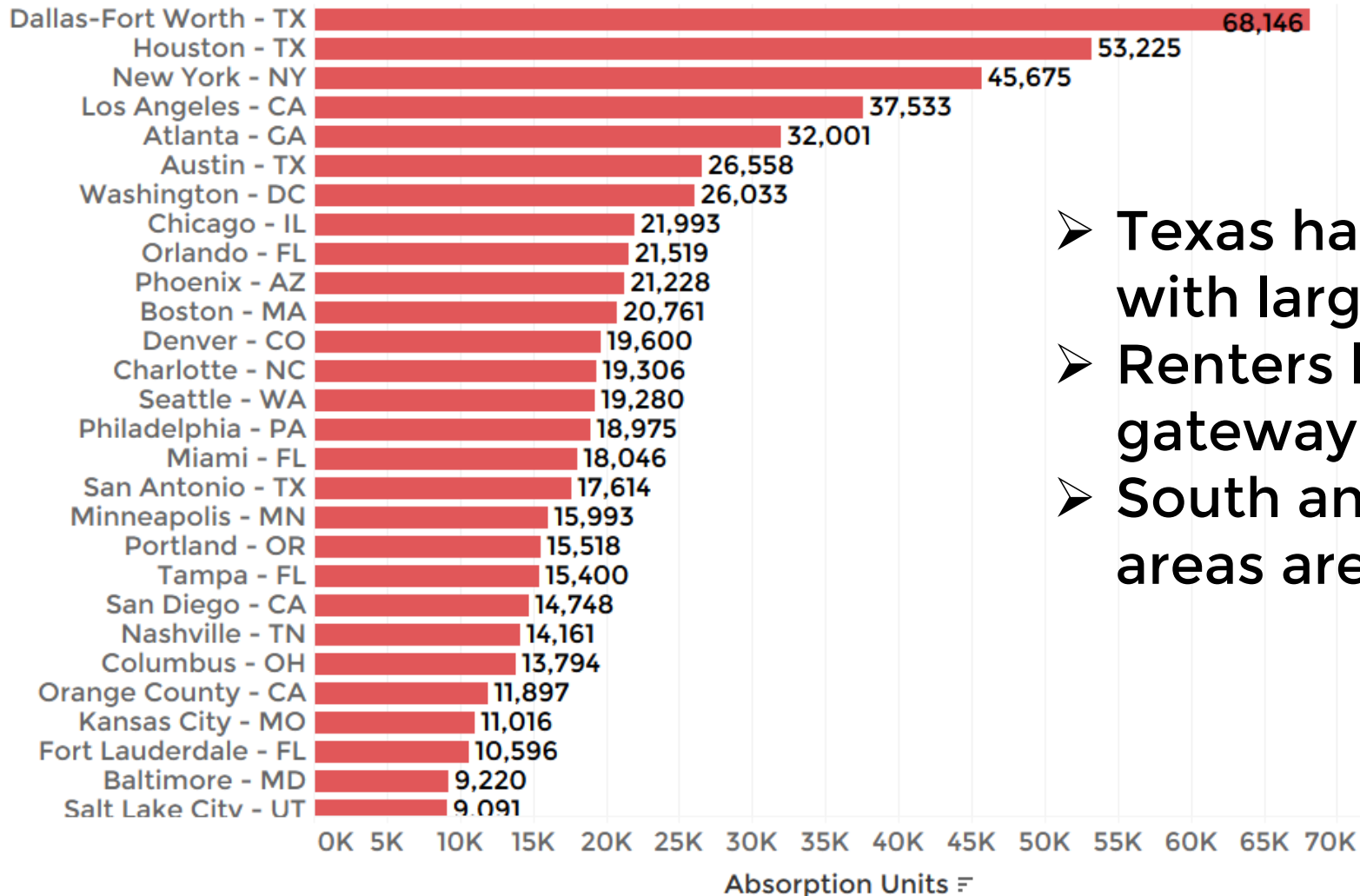
Occupied Multifamily Units and 3-Month Net Absorption in 390 Metro Areas as of February 23



Source of data: CoStar

METRO AREAS WITH LARGEST 12-MONTH NET ABSORPTION DURING 2020 Q2 - February 2022

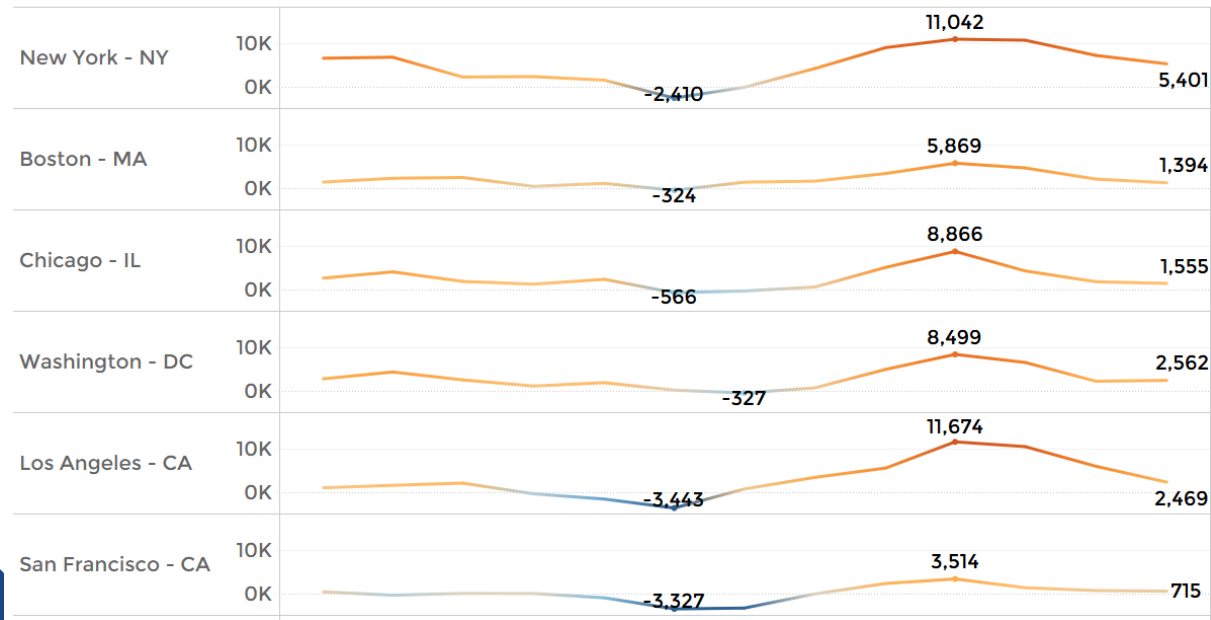
Absorption Since 2020 Q2 - February 2022
Population Over 1M



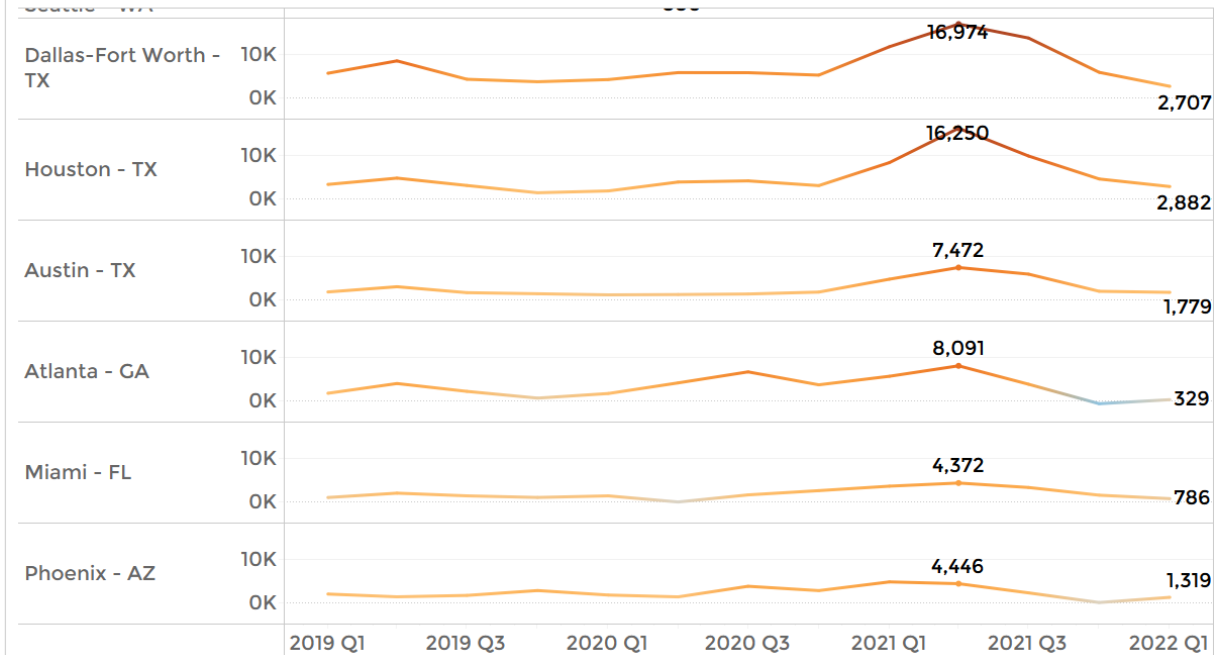
- Texas has 3 of top 10 markets with largest net absorption
- Renters have come back in gateway cities
- South and West Region metro areas are attracting movers

NET ABSORPTION OF APARTMENT UNITS IN MAJOR MARKETS

Quarterly Absorption of Multifamily Units during 2019 Q1 to 2022 Q1



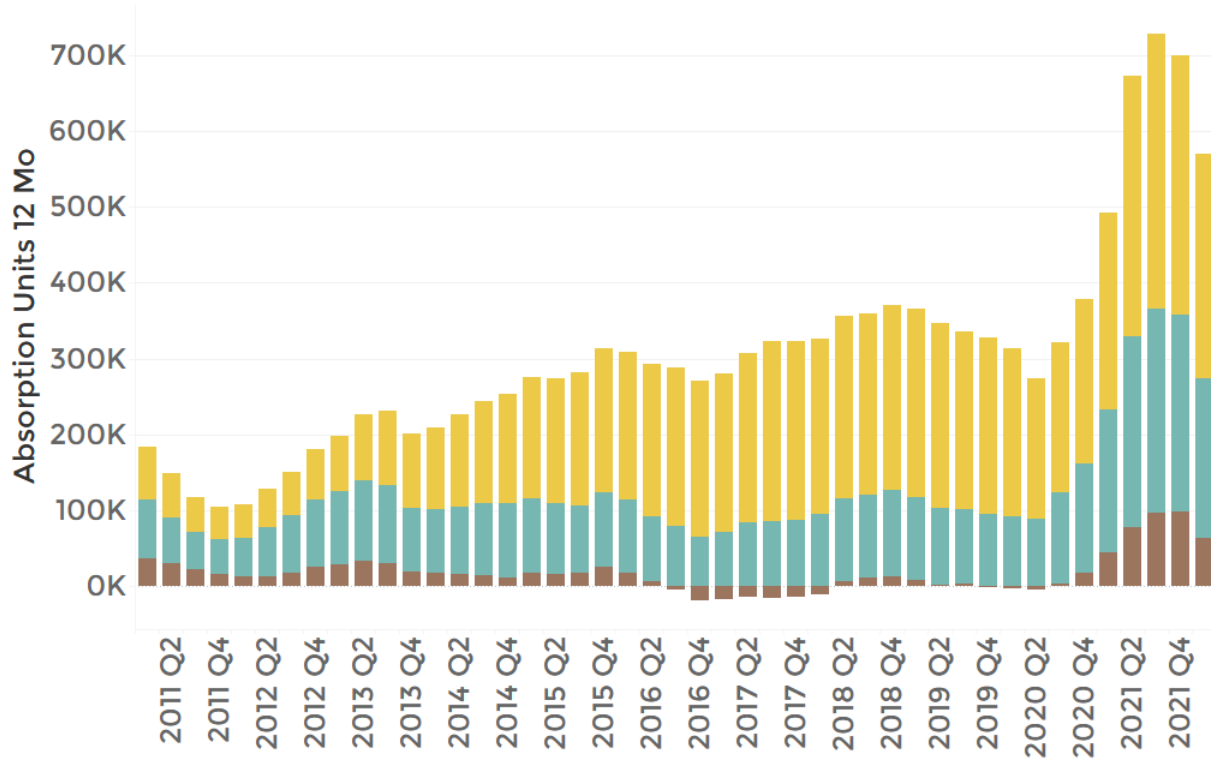
Quarterly Absorption of Multifamily Units during 2019 Q1 to 2022 Q1



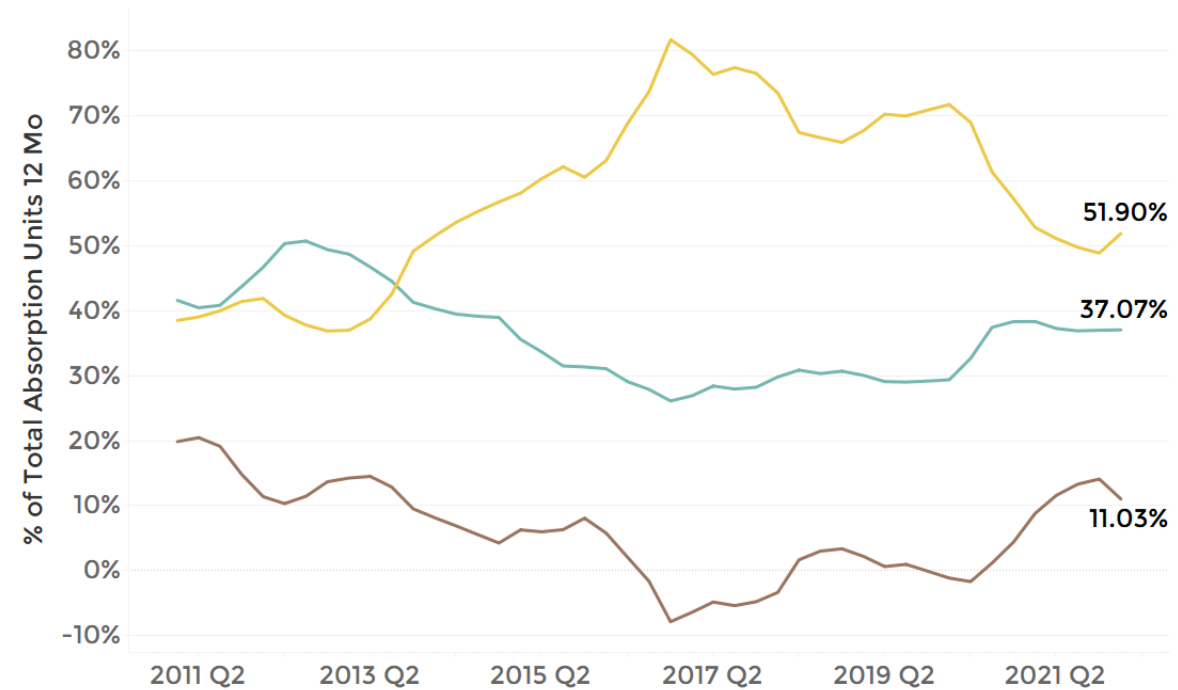
Source of data: CoStar

RISING SHARE OF CLASS B/C UNITS ABSORBED DUE TO AFFORDABILITY? NON-CBD LOCATION PREFERENCE ?

12-Month Net Absorption of Multifamily Units



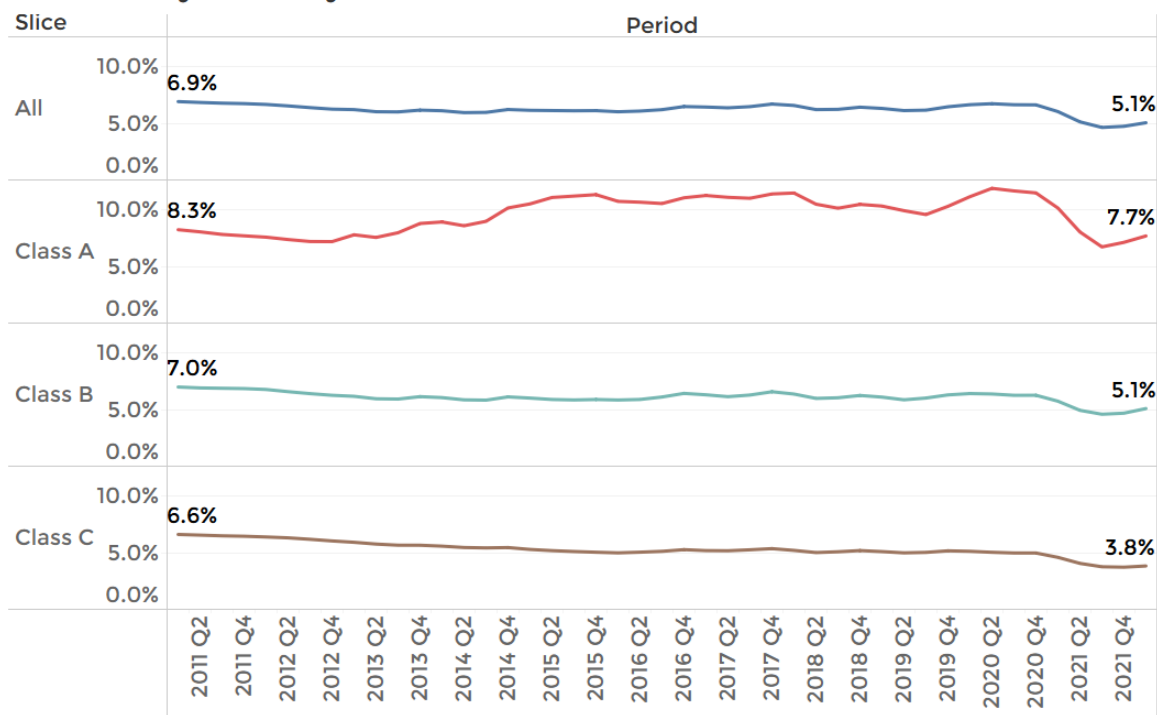
Distribution of 12-Month Net Absorption of Multifamily Units



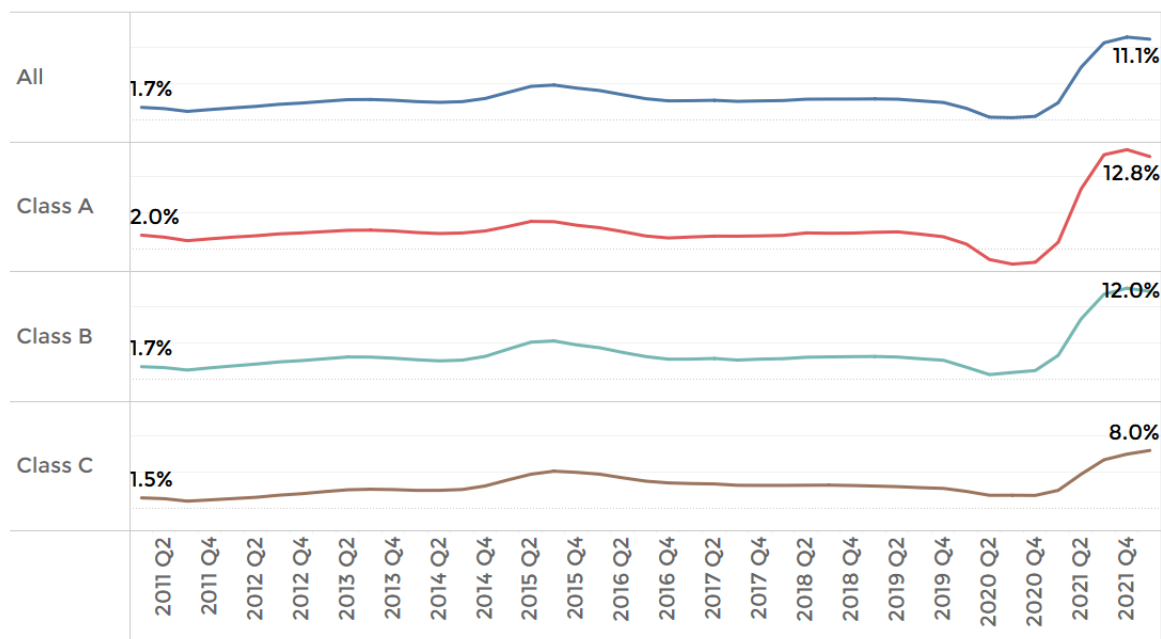
Source of data: CoStar

VACANCY RATES ARE SLIGHTLY RISING (BUT STILL LOW) AND RENT GROWTH HAS PLATEAUED (BUT STILL HIGH)

Multifamily Vacancy Rate



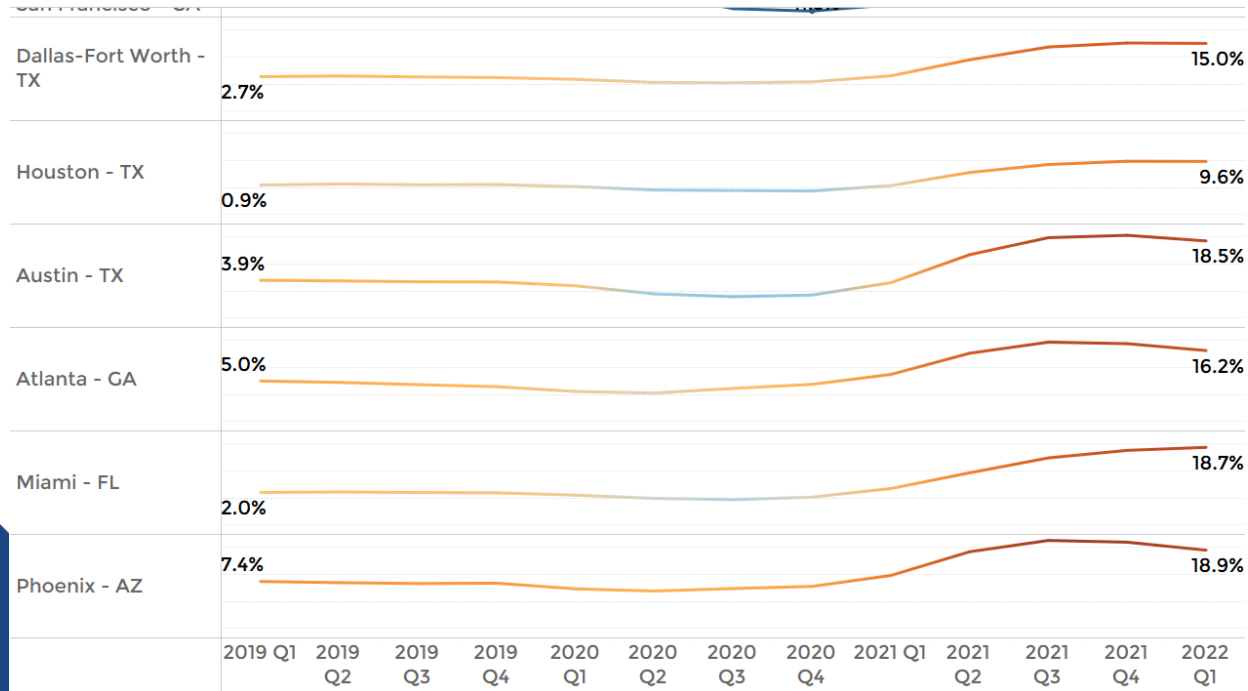
Y/Y Percent Change in Asking Rent as of February 23



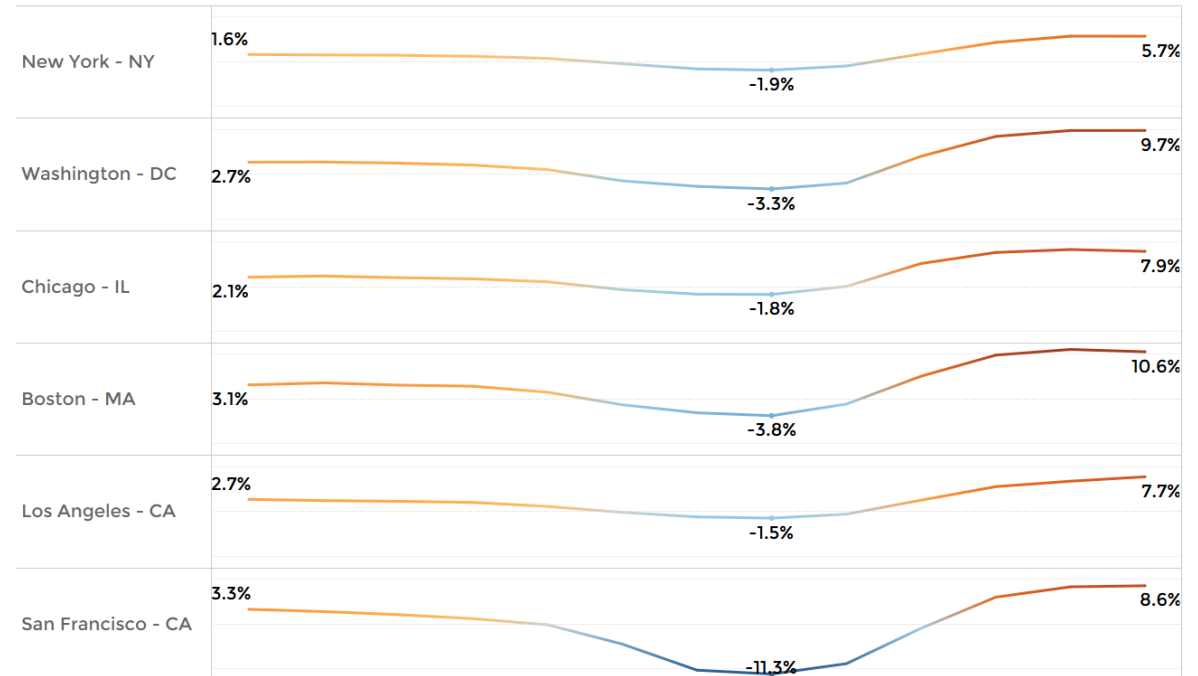
Source: NAR analysis of CoStar data

DOUBLE-DIGIT ASKING RENT GROWTH IN KEY TEXAS METROS

Multifamily Asking Rent Y/Y Growth as of 2022 Q1

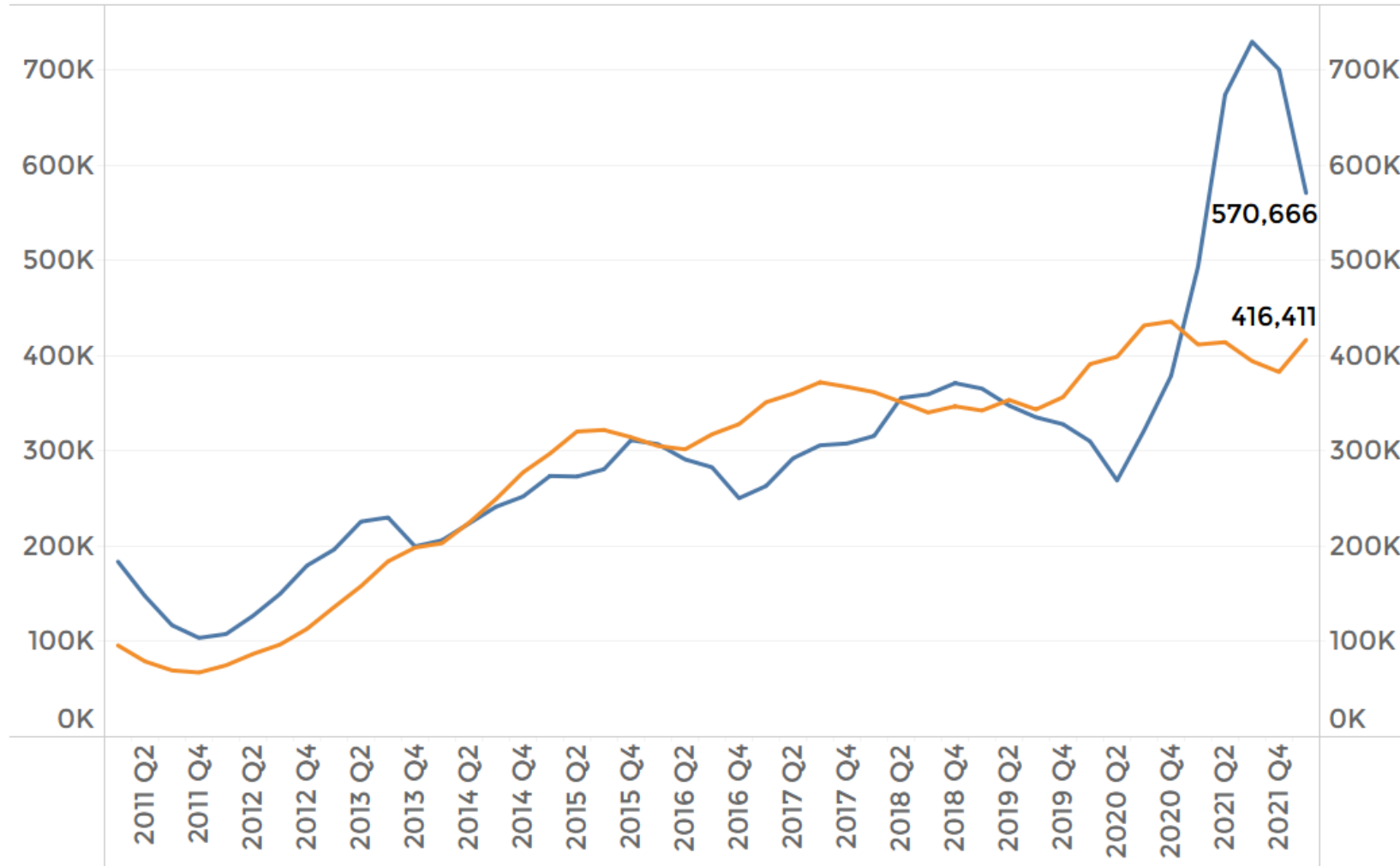


Multifamily Asking Rent Y/Y Growth as of Feb 23



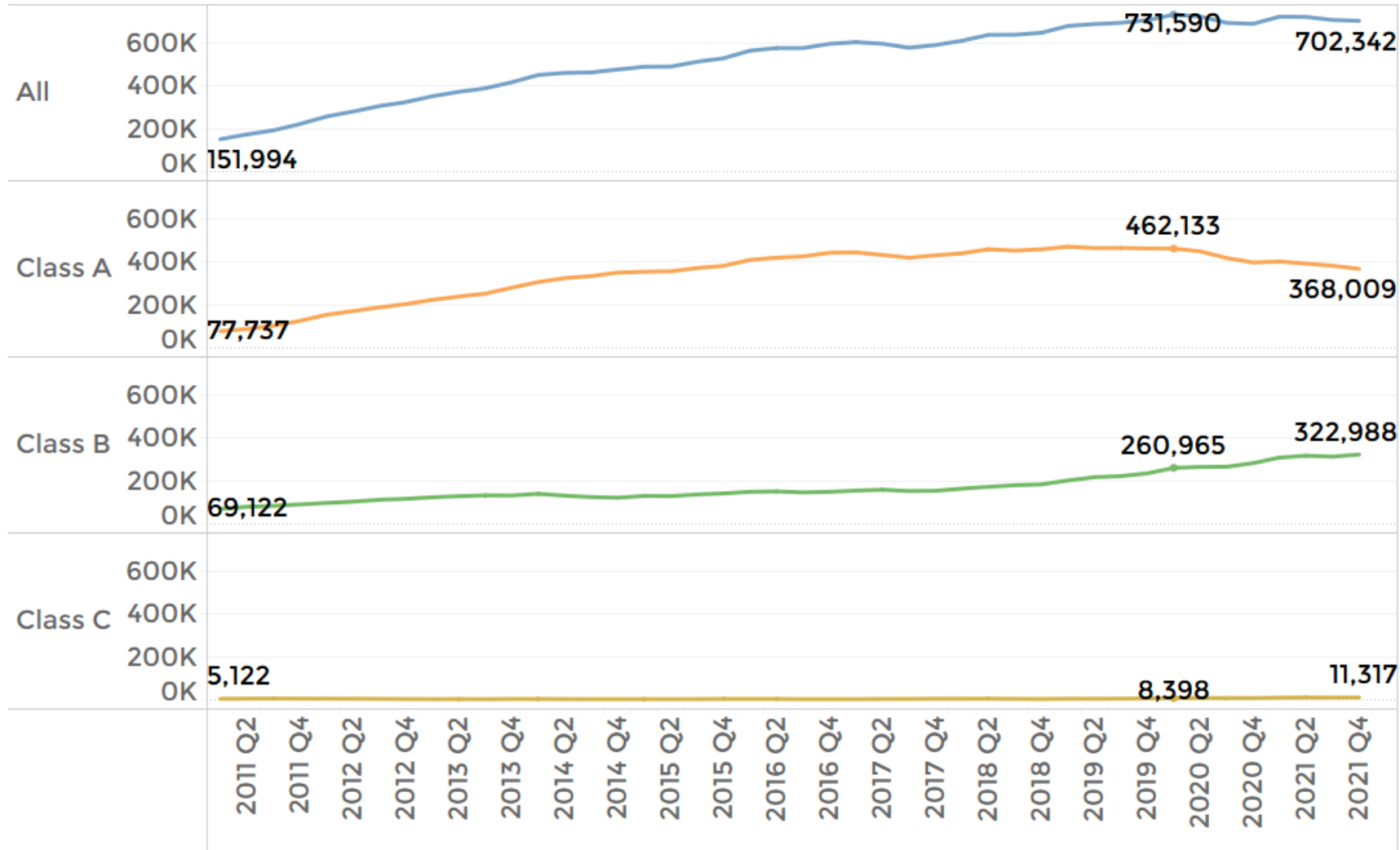
DEMAND (ABSORPTION) IS STILL OUTPACING SUPPLY (DELIVERIES) WHICH WILL PROP UP RENT GROWTH

Net absorption outpacing net deliveries



DEVELOPERS/BUILDERS ARE BUILDING MORE CLASS B/C UNITS (MORE AFFORDABLE)

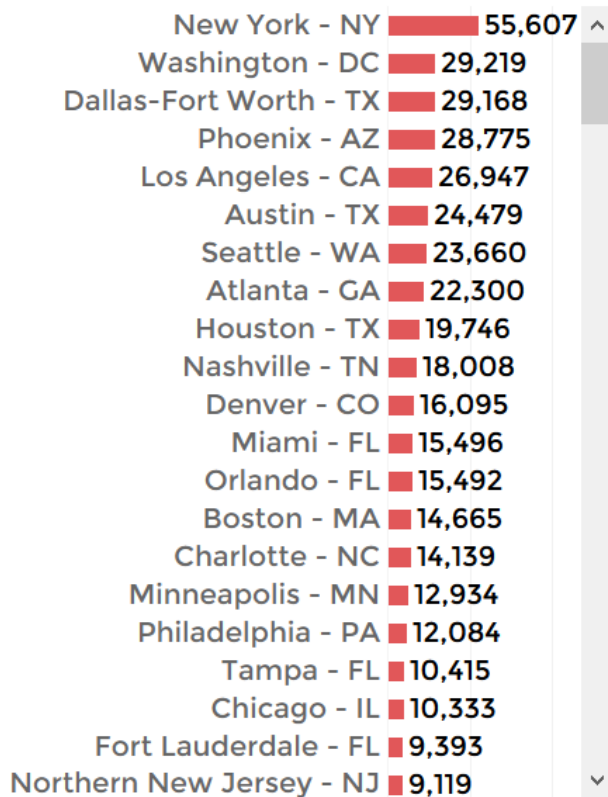
Multifamily Units Under Construction as of 2021 Q4



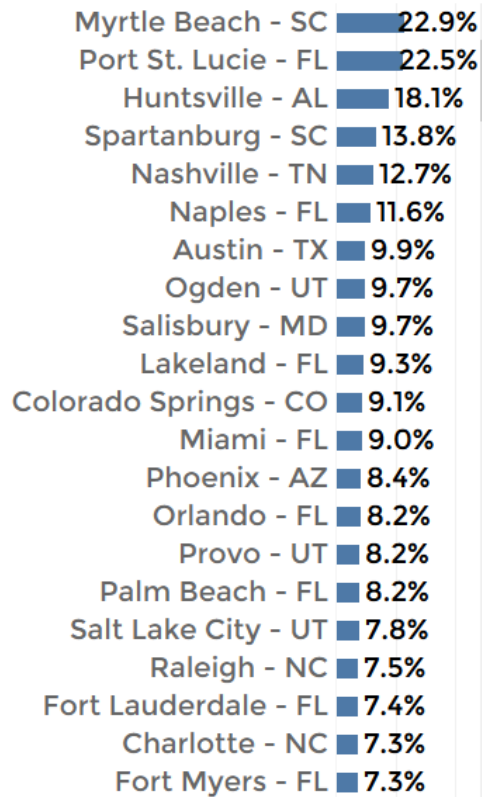
SOUTH REGION AND MOUNTAIN DIVISION STATES ARE ATTRACTING DEVELOPERS

Top Metro Areas for Apartment Construction as of 2021 Q4 Among Metro Areas with Population of Over 250,000

Number of Apartment Units



As a Percent of Existing Stock



Source: NAR analysis of CoStar data

APARTMENT MARKET WILL CONTINUE TO PERFORM STRONGLY IN 2022

NAR Commercial Real Estate Outlook

	2019	2020	2021	2022F
<i>Vacancy Rate</i>				
Multifamily	6.3%	6.7%	5.1%	4.8%
Office	9.6%	10.3%	12.2%	13.5%
Industrial	5.0%	5.5%	4.9%	5.0%
Retail	4.5%	4.9%	4.9%	4.6%
<i>Asking Rent Growth</i>				
Multifamily	2.7%	0.7%	7.8%	10.0%
Office	3.7%	0.6%	-1.0%	-0.8%
Industrial	5.5%	4.8%	6.7%	7.4%
Retail	2.3%	1.6%	1.8%	2.9%

THANK YOU.



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