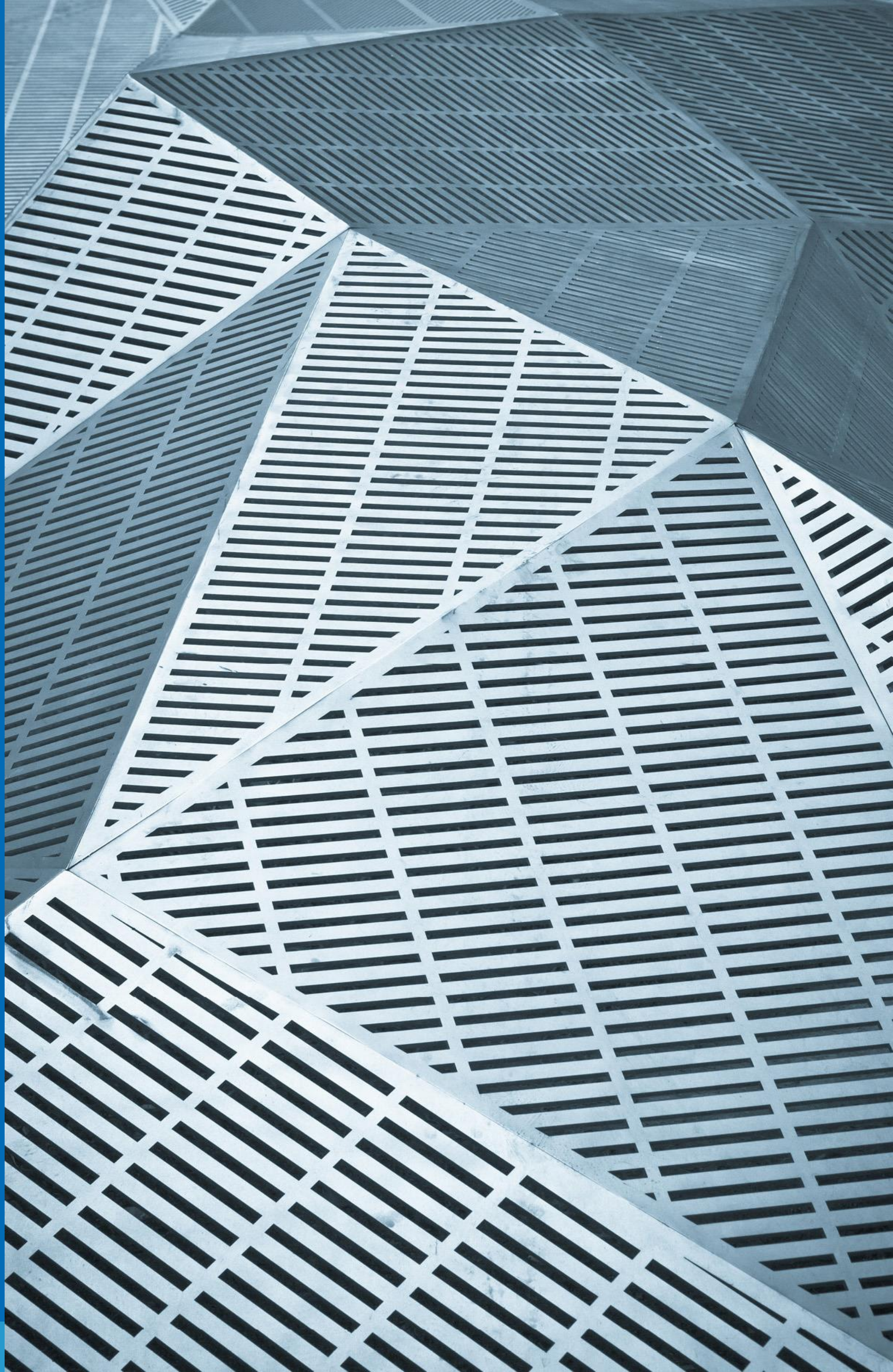
4Q21 United States Multifamily Capital Markets Report

NEWMARK



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Key Takeaways

Sales Volume

Multifamily investment sales volume reached an unprecedented $148.9 billion in the fourth quarter of 2021. Annual sales volume rose to a record high of $335.3 billion, an increase of 128.2% year-over-year. Investment as a percentage of the overall US commercial real estate market rose to 41.5% in 2021, the highest allocation to multifamily on record.

Rent Growth

Rent growth was historically strong in 2021 as landlords were able to raise rents well above pre-pandemic levels. Annualized effective rent growth averaged 6.8% for the year, with outperformance coming in Sunbelt markets. Landlords continued to take advantage of the ability to raise rents through new lease trade-outs, which averaged 16.0% nationally in the fourth quarter of 2021.

Dry Powder

Dry powder rose to $249.2 billion in 2021, a record level of capital set aside to be deployed into commercial real estate. Of the dry powder raised specifically targeting residential real estate, opportunistic and value-add strategies represent 73.4% of all capital raised.

Supply and Demand

Absorption surged to 673,478 units in 2021, far outpacing the new supply of 358,734 units. Markets throughout Texas and Florida garnered the highest levels of new supply over the past 12 months, led by Dallas. Strong demand over the trailing 12 months in Los Angeles, New York and Washington, D.C. is an encouraging sign of momentum in large, supply-constrained markets.

Total Returns

Fueled by pent-up demand, annual total returns increased to 19.9% in 2021, the highest rate since 2005 and more than double the long-term average of 8.6%. Total returns were highest in markets that experienced strong appreciation growth such as Las Vegas, Phoenix and Raleigh-Durham.

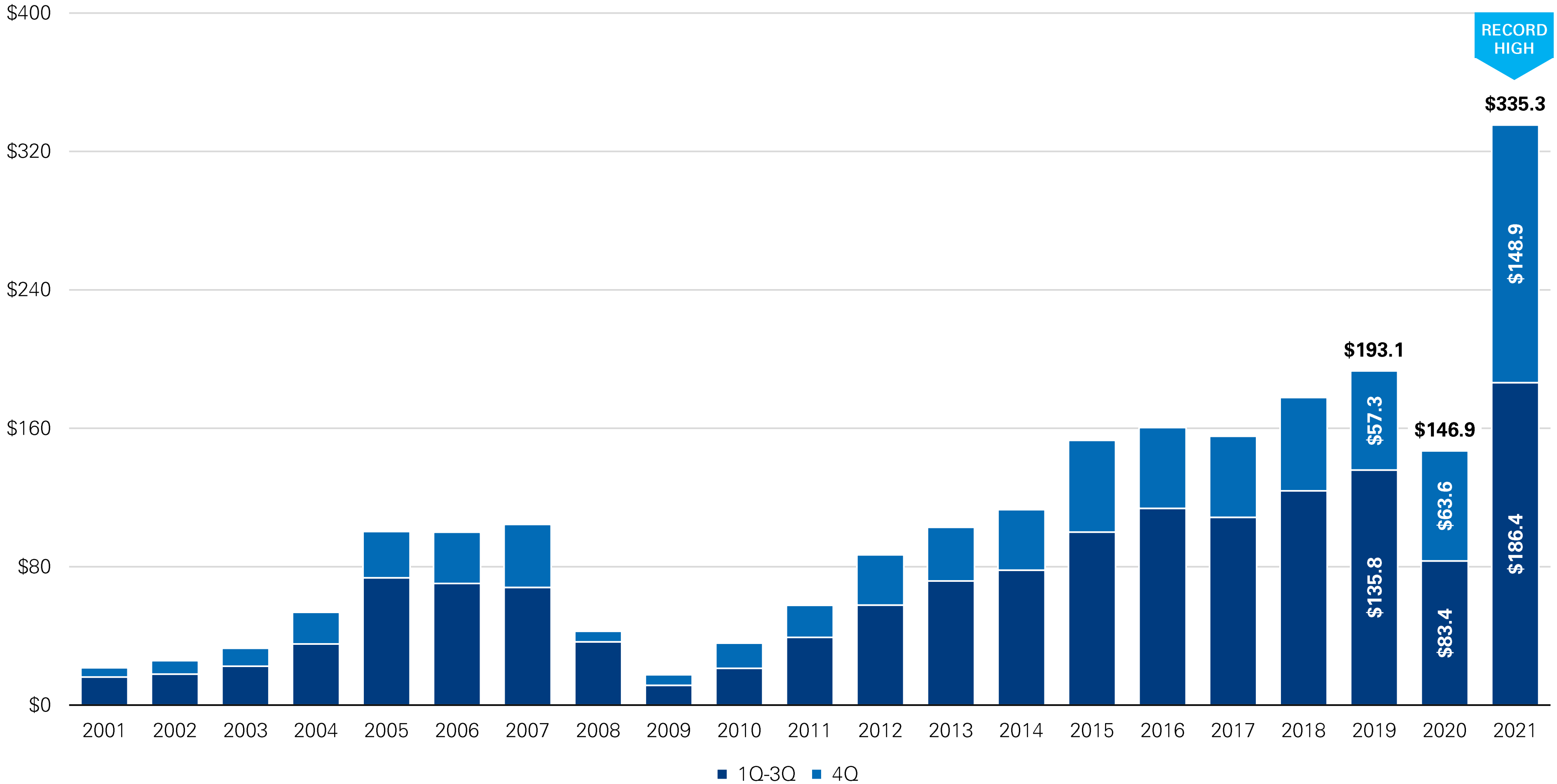
Debt Markets

Multifamily mortgage debt outstanding rose to $1.8 trillion, a 1.5% increase quarter-over-quarter. While the GSE's debt outstanding rose slightly over the past quarter, banks, life companies and debt funds all increased lending capacity in 2021. With $832.5 billion in multifamily mortgage maturities estimated over the next five years, the investment sales and financing markets are likely to remain robust.

Sales Volume

United States; Dollars in Billions

Multifamily investment sales volume reached an unprecedented $148.9 billion in the fourth quarter of 2021, which was more than the full-year volume for all of 2020. Similarly, annual sales volume rose to a record high of $335.3 billion, an increase of 128.2% year-over-year. Additionally, 2021's full-year volume eclipsed the previous peak in 2019 by 73.6%.

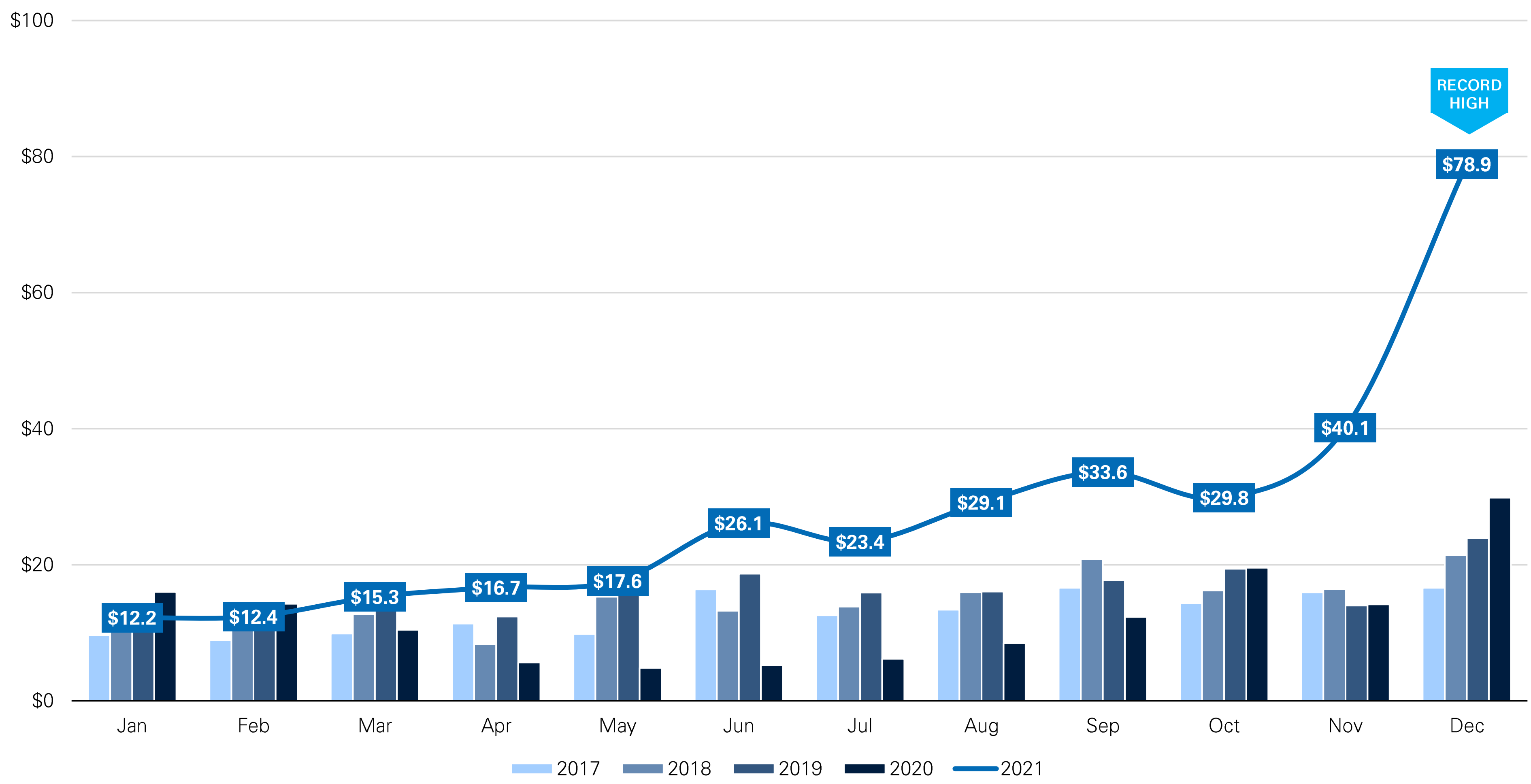


Source: Newmark Research, Real Capital Analytics

Monthly Sales Volume

United States; Dollars in Billions

Monthly sales volume averaged $27.9 billion in 2021, outpacing the $14.0 billion average in 2017 to 2020 by 99.3%. Volume accelerated in the second half of the year, culminating in a record-breaking monthly total in December, with $78.9 billion invested. Four multistate portfolio transactions exceeding $2 billion closed in November and December, contributing to the year-end surge.

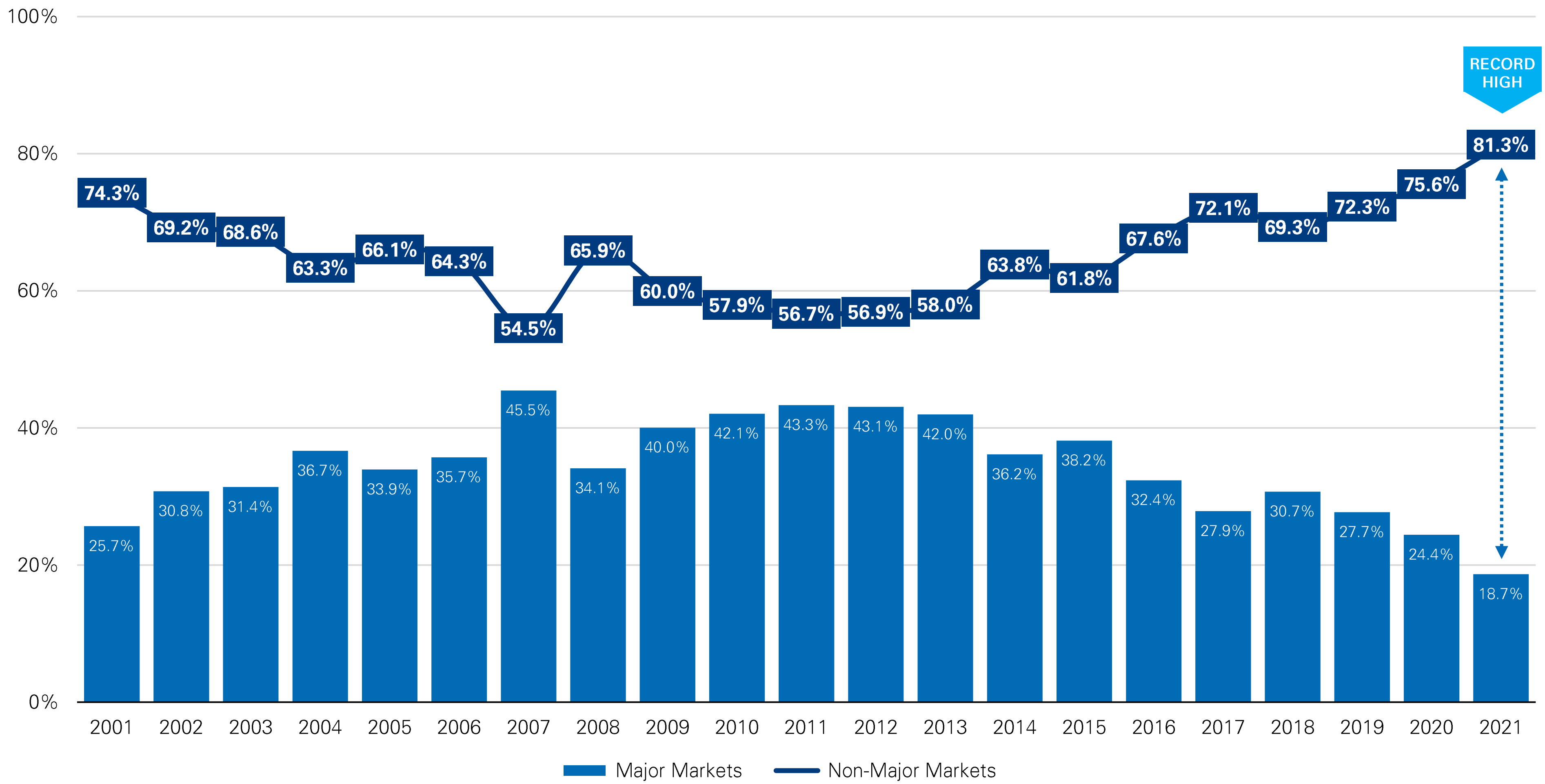


Source: Newmark Research, Real Capital Analytics

Capital Flow Analysis

United States; Dollars in Billions

Robust demand and deal activity in growth markets, particularly throughout the Sunbelt, spurred an all-time high allocation of 81.3% towards nonmajor markets. The 62.6% delta represents the widest gap between major markets and nonmajor markets on record. Over the past five years, investor allocation to nonmajor markets has increased 920 basis points.



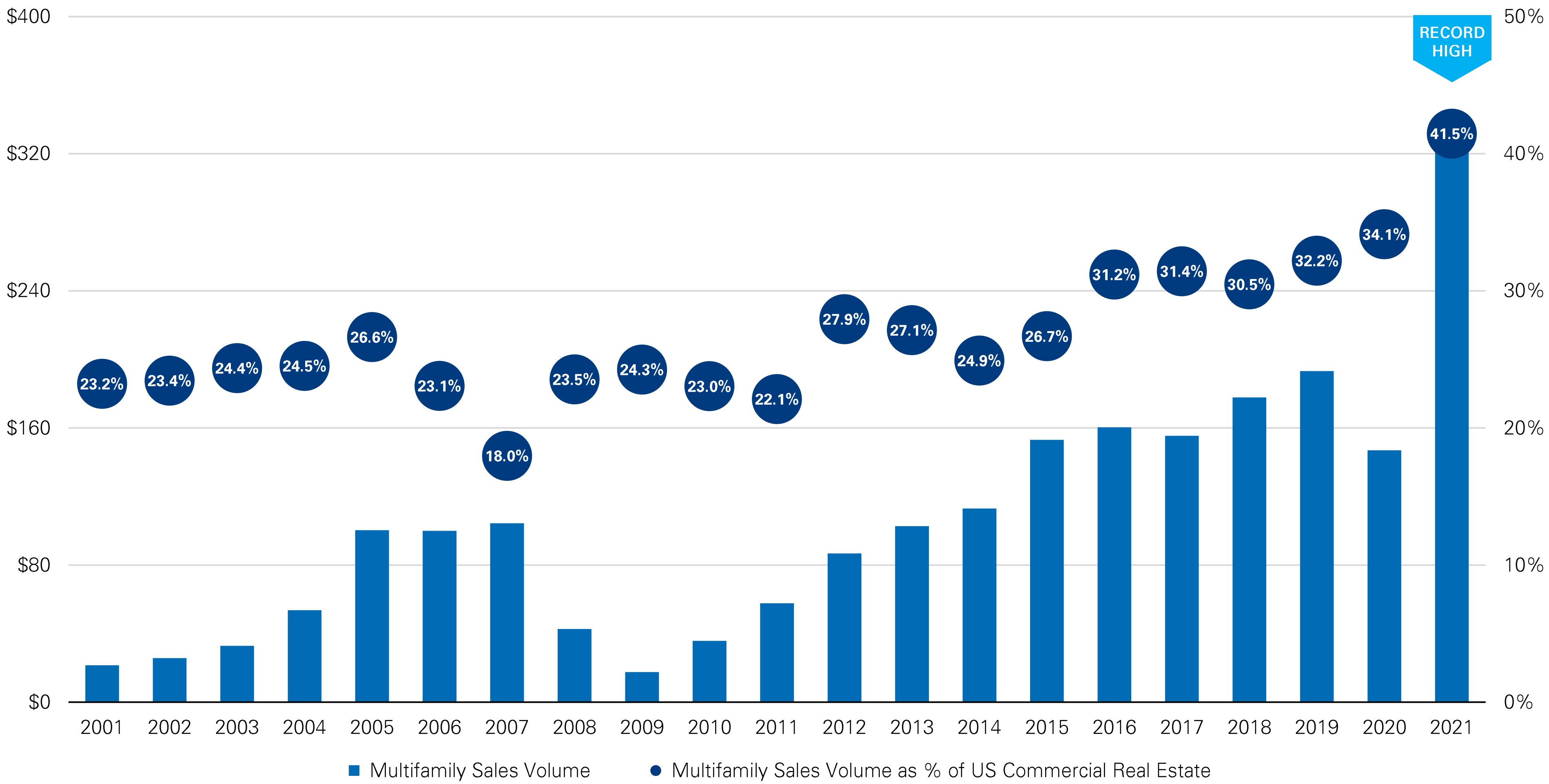
Source: Newmark Research, Real Capital Analytics

* Major markets: Boston, Chicago, Los Angeles metro, New York metro, San Francisco metro, Washington, D.C. metro. Non-major markets: all other markets.

Allocation to Multifamily

United States; Dollars in Billions

Multifamily investment as a percentage of the overall US commercial real estate market rose to 41.5% in 2021, the highest allocation to multifamily on record. Multifamily sales volume outpaced the combined volumes of industrial, office and hotel.

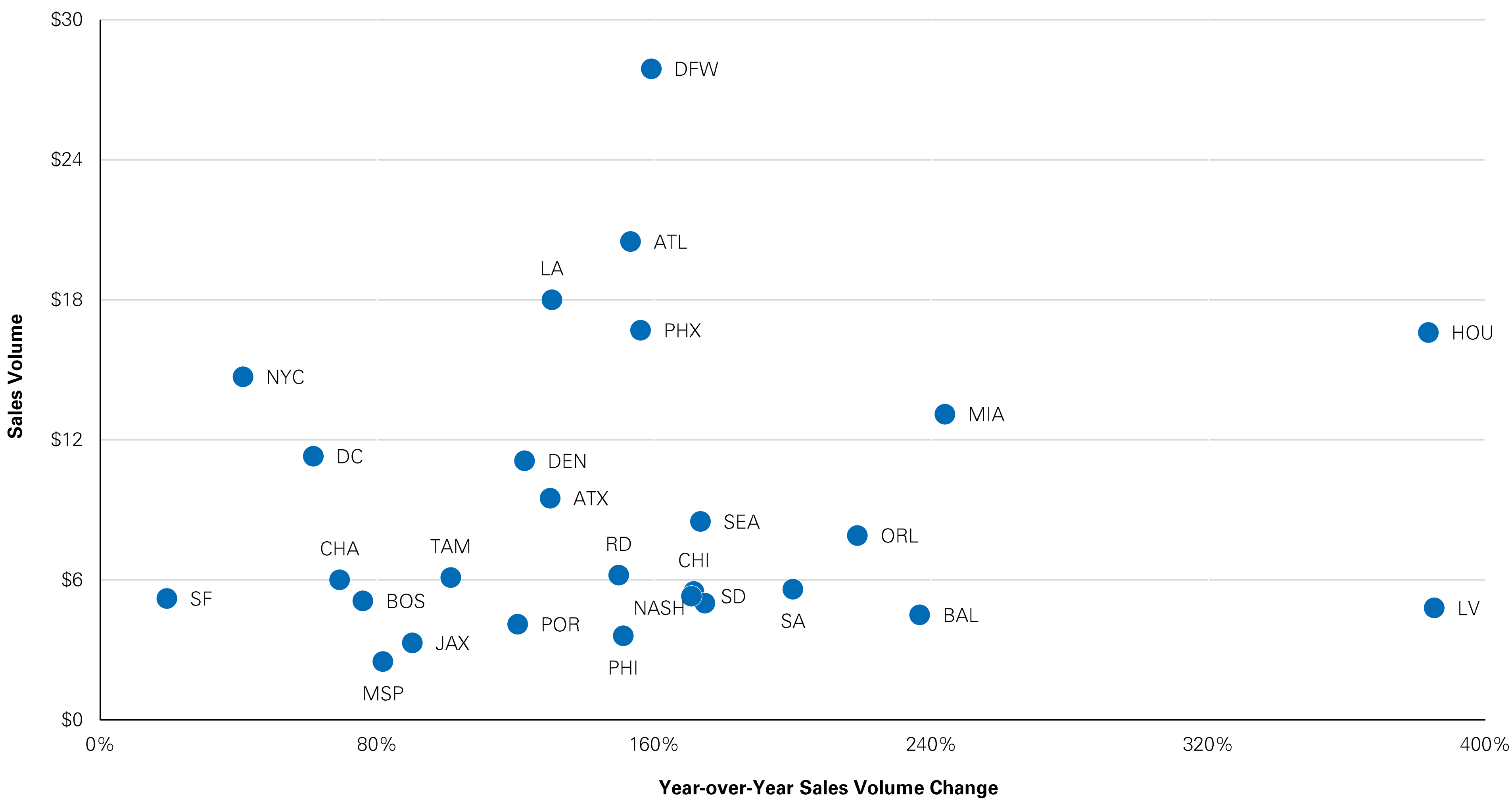


Source: Newmark Research, Real Capital Analytics

Sales Volume by Market

Select Markets; Past 12 Months; Dollars in Billions

Dallas remained the top market with $27.9 billion in transaction volume over the past 12 months. This is the sixth consecutive year Dallas has been the most liquid multifamily market. Established Sunbelt markets, such as Atlanta and Phoenix, recorded $20.5 billion and $16.7 billion volume, respectively.



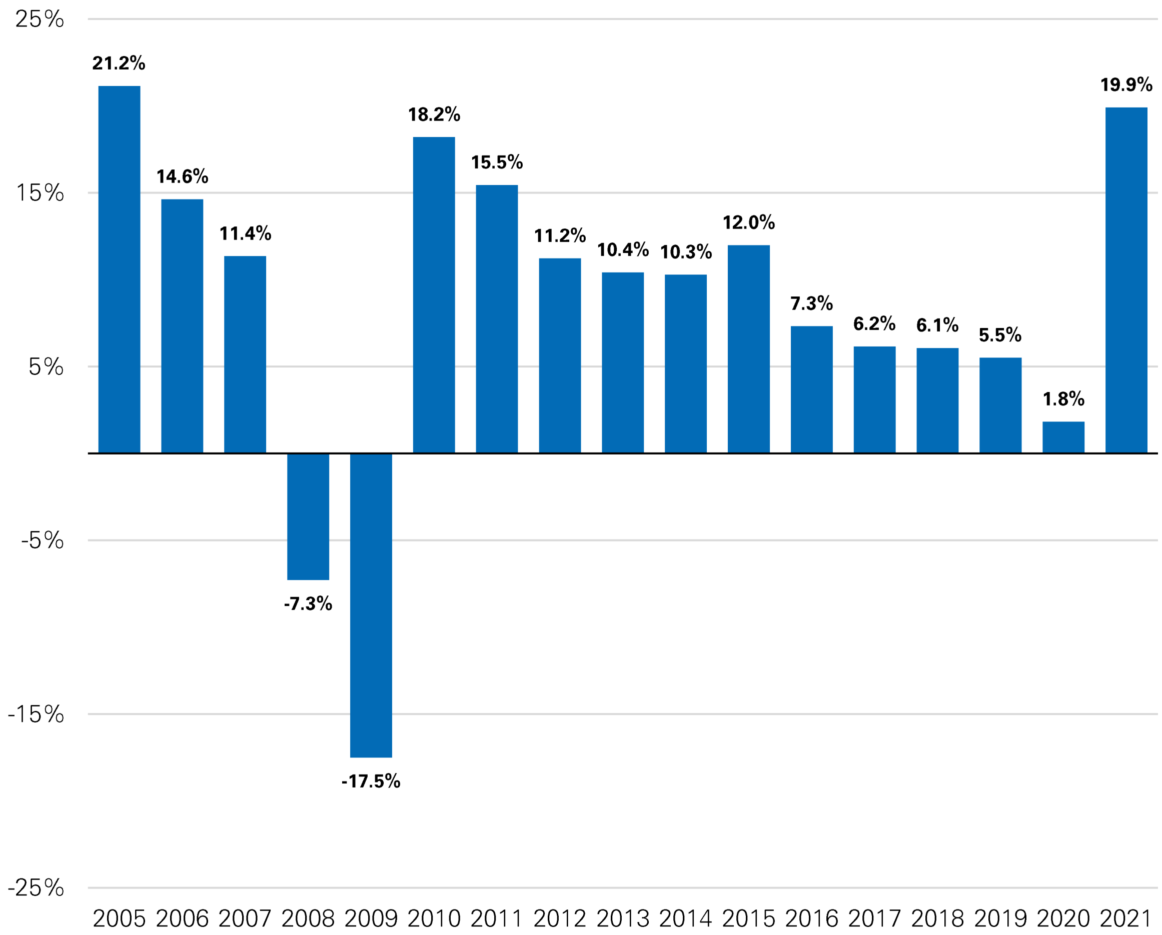
Source: Newmark Research, Real Capital Analytics

Total Returns

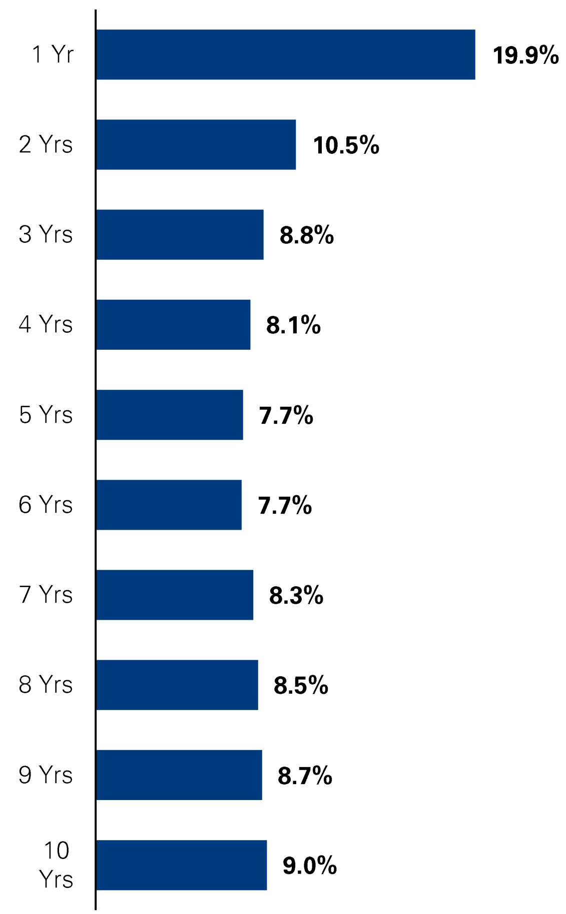
United States

As appreciation and net operating income growth for multifamily product recovered in 2021, annual total returns for multifamily rose to 19.9% in 2021. Fueled by pent-up demand, the 19.9% total return is the highest rate since 2005 and more than double the long-term average of 8.6%.

CALENDAR YEAR RETURNS



ANNUALIZED RETURNS

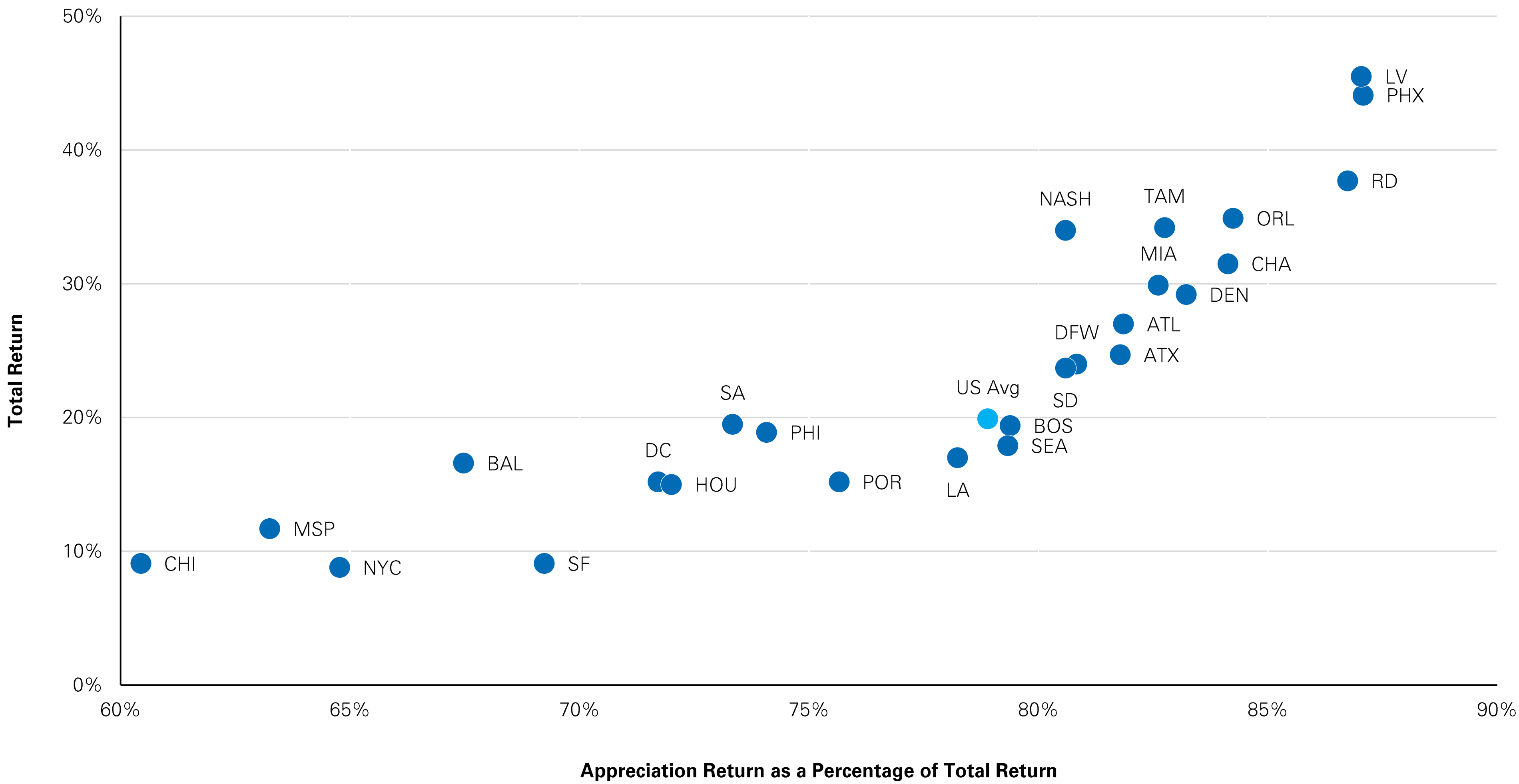


Source: Newmark Research, Real Capital Analytics; NCREIF

Total Returns by Market

Select Markets; Past 12 Months

Total returns were highest in markets that experienced strong appreciation growth in 2021, such as Las Vegas (45.5%), Phoenix (44.1%) and Raleigh-Durham (37.7%). Excluding Houston, Sunbelt markets outperformed the US average total return of 19.9% over the past 12 months.



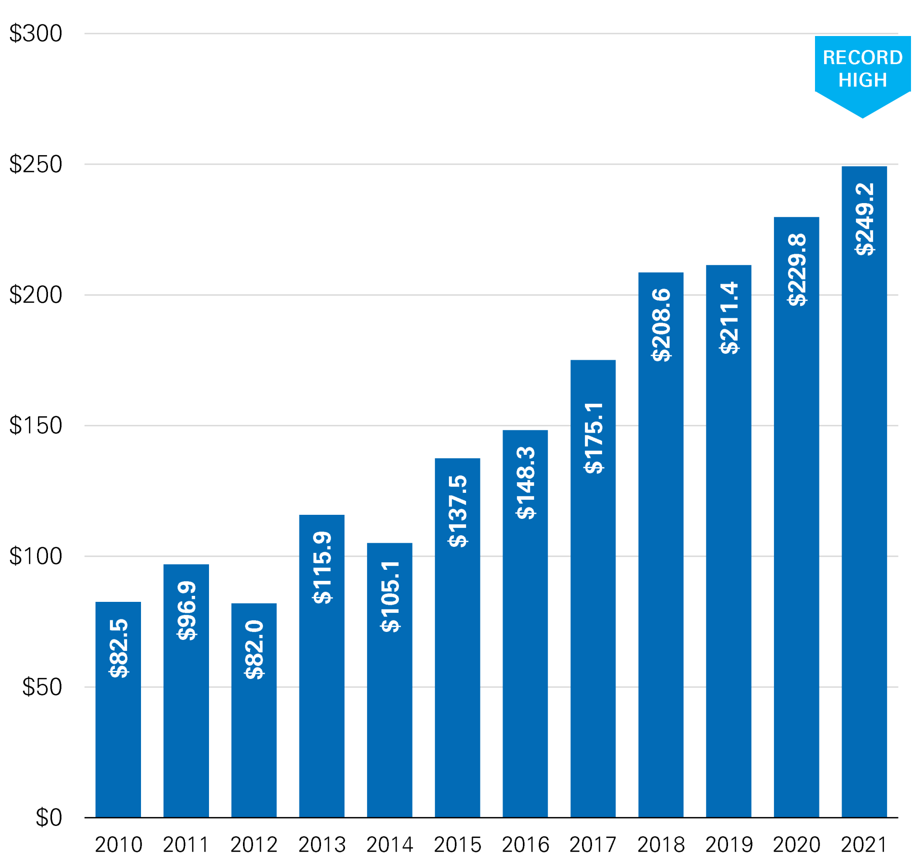
Source: Newmark Research, NCREIF, Real Capital Analytics

Dry Powder

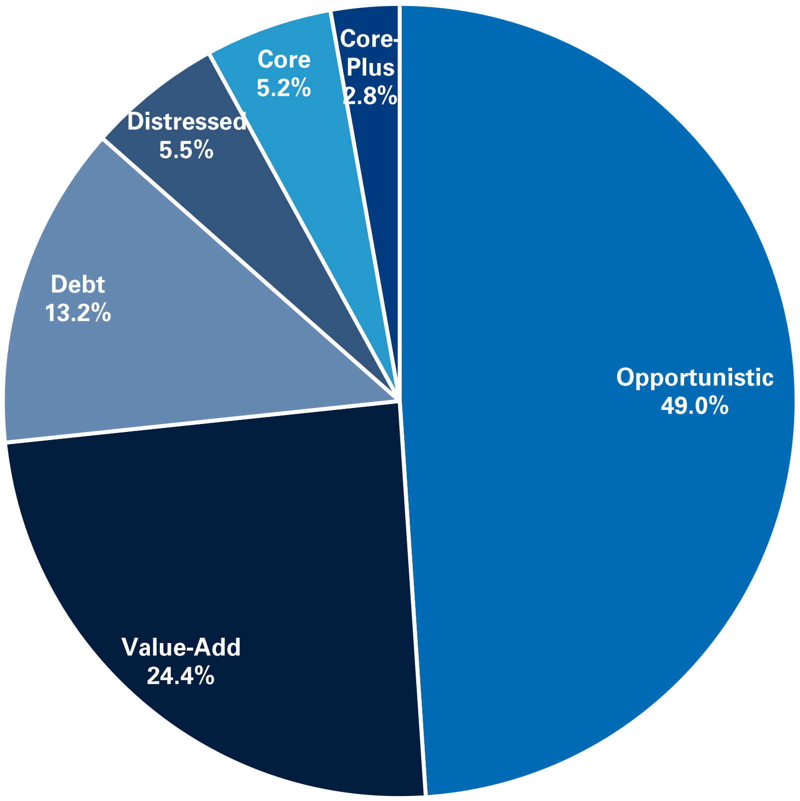
United States; 12 Month Average

Dry powder rose to $249.2 billion in 2021, a record level of capital set aside to be deployed into commercial real estate. Of the dry powder raised specifically targeting residential real estate, opportunistic and value-add strategies represent 73.4% of all capital raised.

DRY POWDER (ALL PROPERTY TYPES)



2021 VINTAGE RESIDENTIAL FUND TARGETS BY STRATEGY

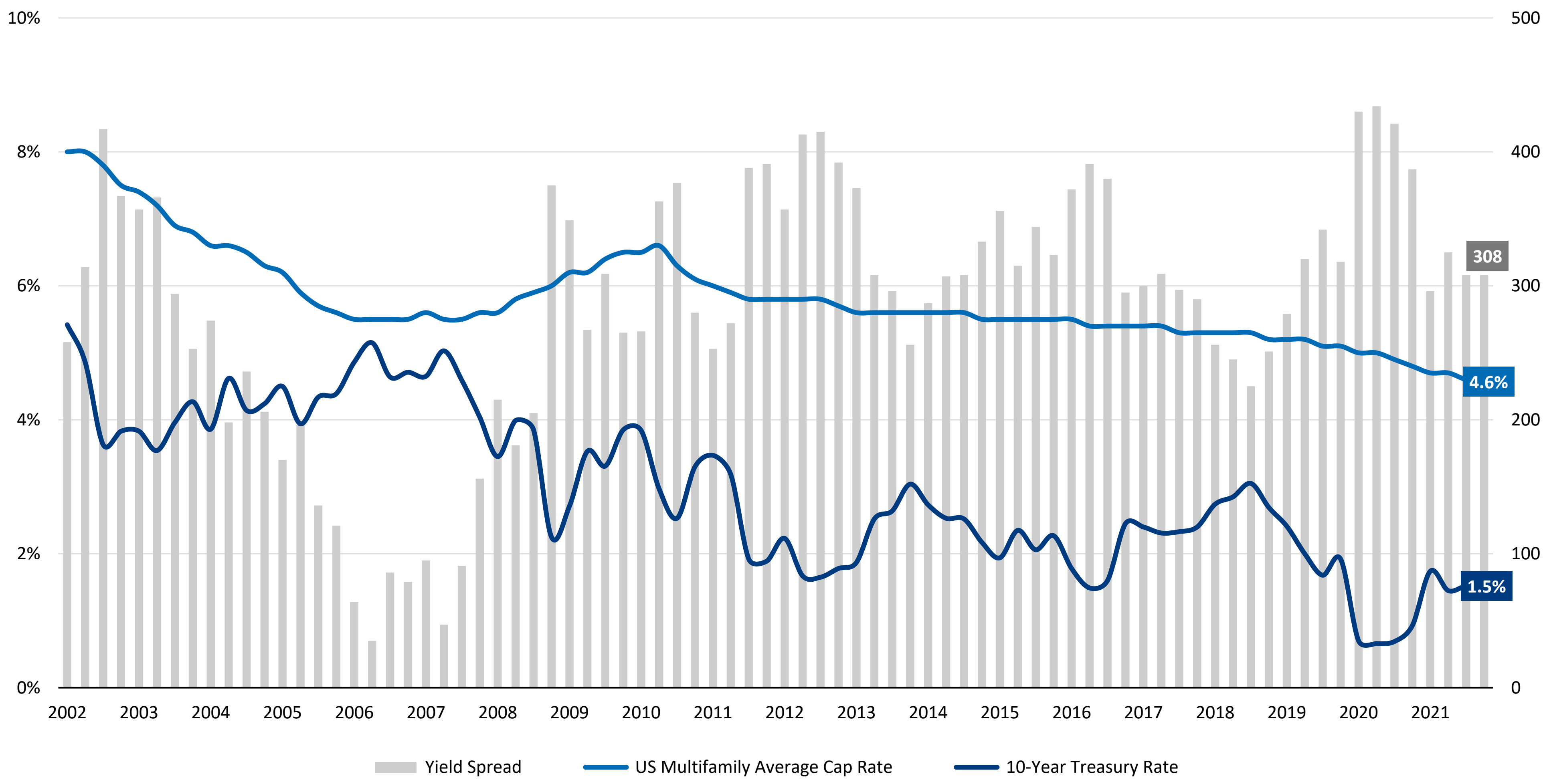


Source: Newmark Research, Preqin

Yield Spread

United States

The spread between multifamily cap rates and the 10-year Treasury rate was flat through the second half of 2021, as cap rates held at 4.6% and the 10-year Treasury rate remained steady at 1.5%. The spread between the two is likely to narrow further in 2022, as the FOMC plans to raise rates throughout the year.

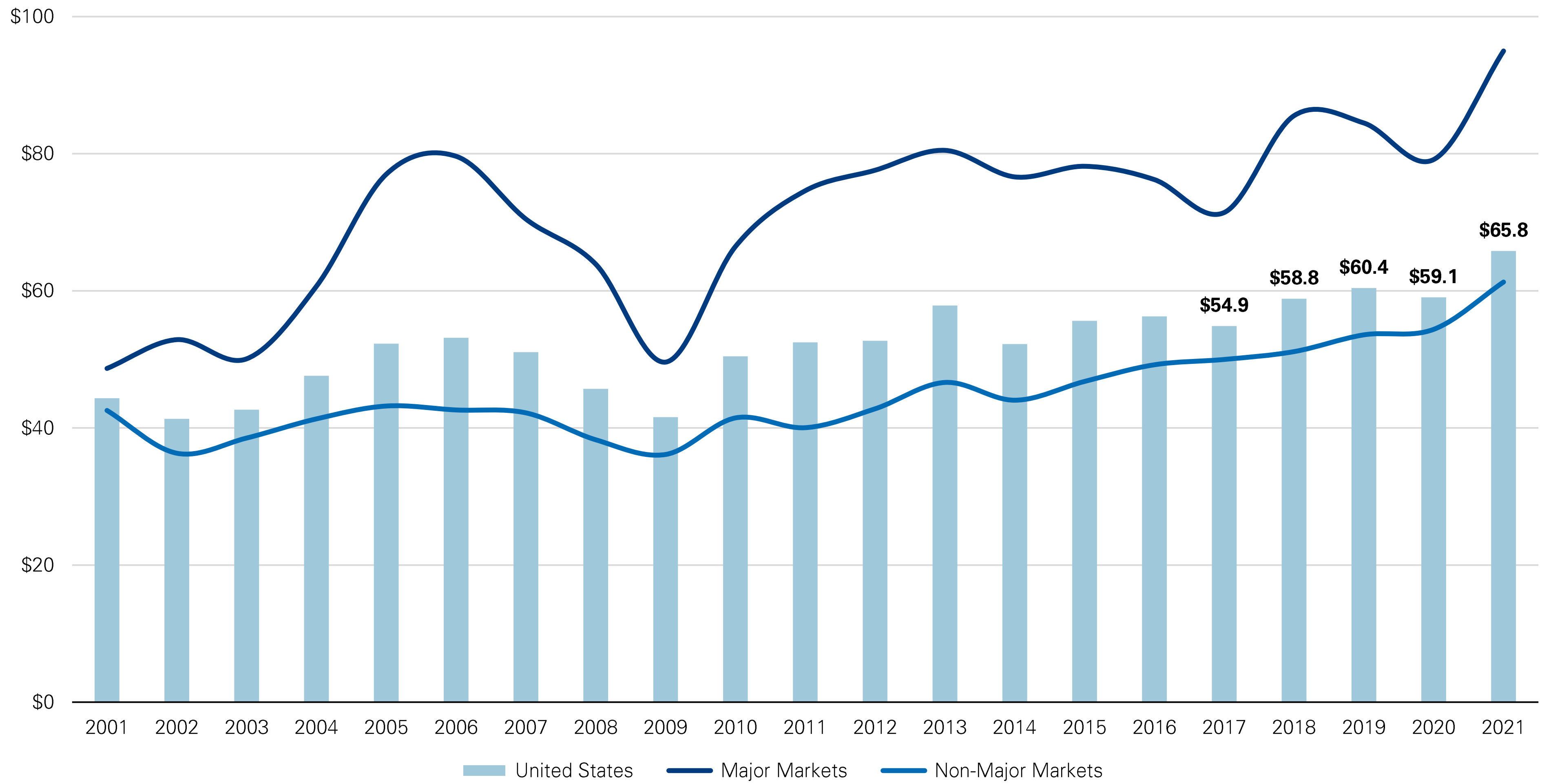


Source: Newmark Research, Federal Reserve Bank of St. Louis, Real Capital Analytics (Transactions $25M+)

Institutional Deal Size

United States; Dollars in Millions

The average deal size across institutional multifamily transactions reached $65.8 million in 2021, representing a 19.9% over the past five years. Nonmajor market deal sizes have increased steadily, signaling a less volatile pricing landscape than major markets, which have seen average deal sizes fluctuate significantly in recent history.



Source: Newmark Research, Real Capital Analytics (Transactions $25M+, excluding entity-level)

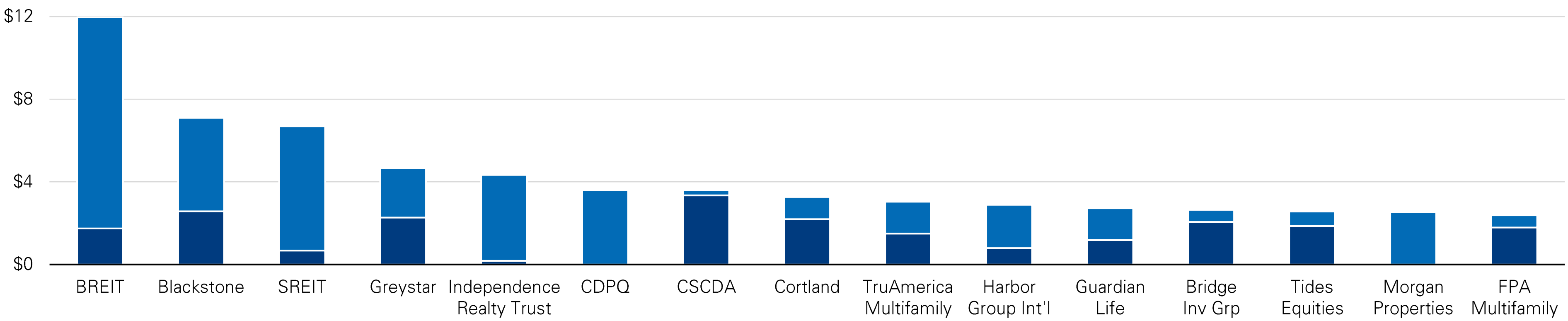
* Major markets: Boston, Chicago, Los Angeles metro, New York metro, San Francisco metro, Washington, D.C. metro. Non-major markets: all other markets.

Top Buyers and Sellers

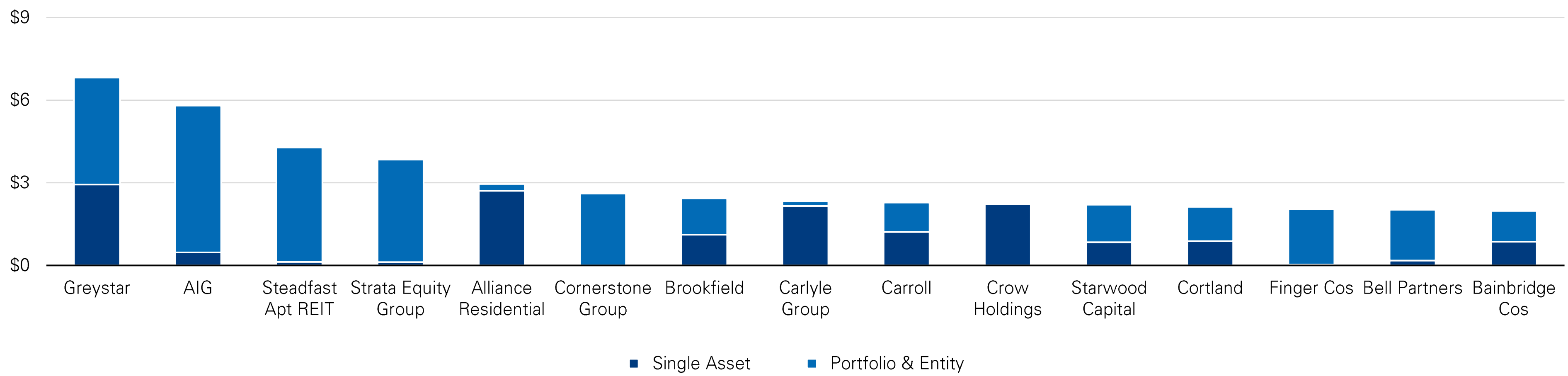
Past 12 Months; Dollars in Billions

Top buyers turned to the portfolio and entity markets to scale in 2021. Blackstone and Starwood's nontraded REITs, BREIT and SREIT, acquired $16.2 billion through large-scale transactions, accounting for 89.0% of their total acquisitions for the year. Non-traded REITs have played a significant role in the core and core-plus market in recent years.

TOP BUYERS



TOP SELLERS

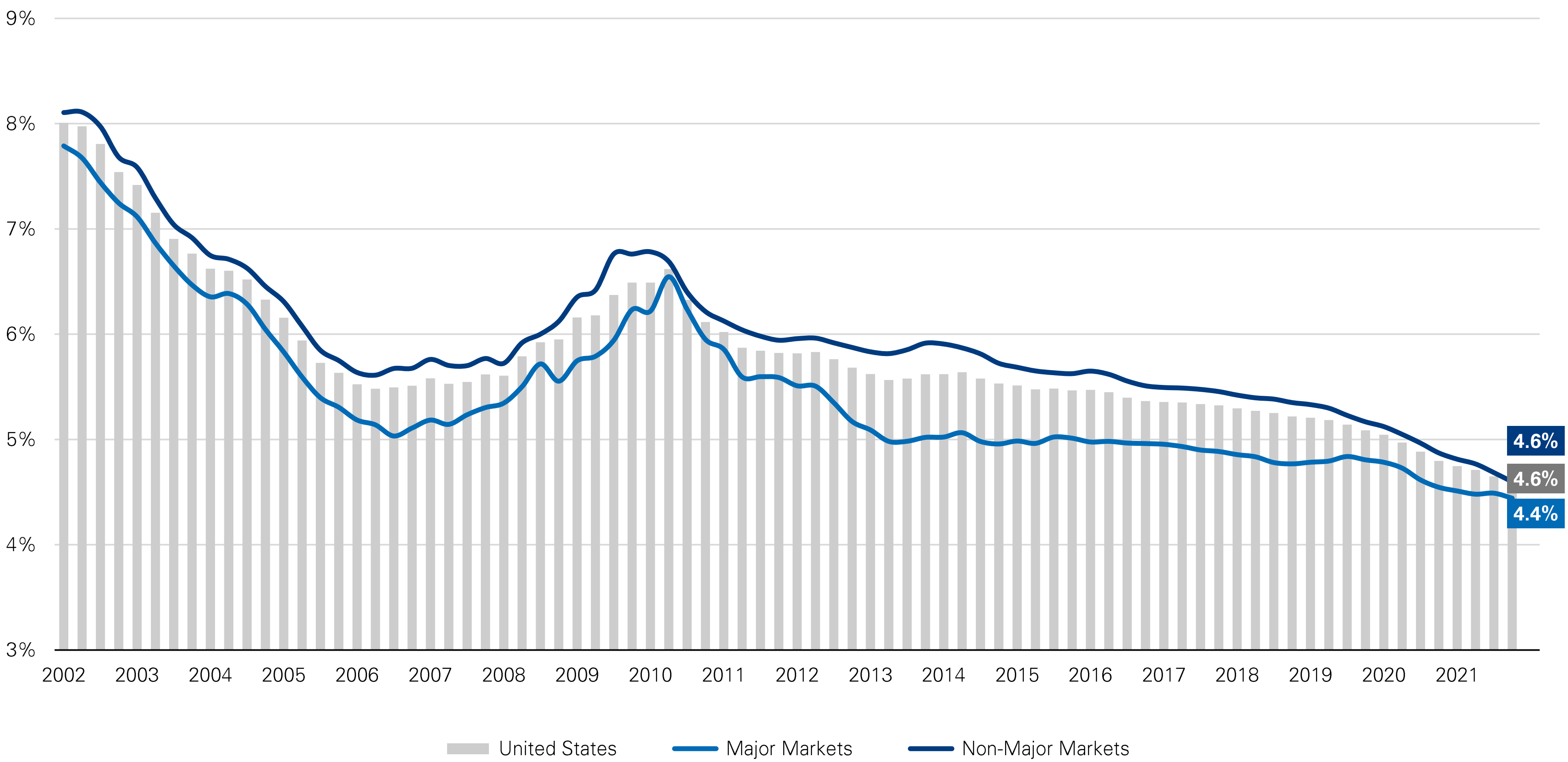


Source: Newmark Research, Real Capital Analytics

Cap Rates

United States; 12 Month Average

Cap rates continued their downward compression in 2021, with the US average and nonmajor market cap rates both falling to 4.6% and major markets slightly lower at 4.4%. The spread between major and nonmajor market cap rates is the tightest since 2010. Over the last 10 years, cap rate compression has been more drastic in nonmajor markets, falling 134 basis points since 2011, compared with 115 basis points in major markets since 2011.



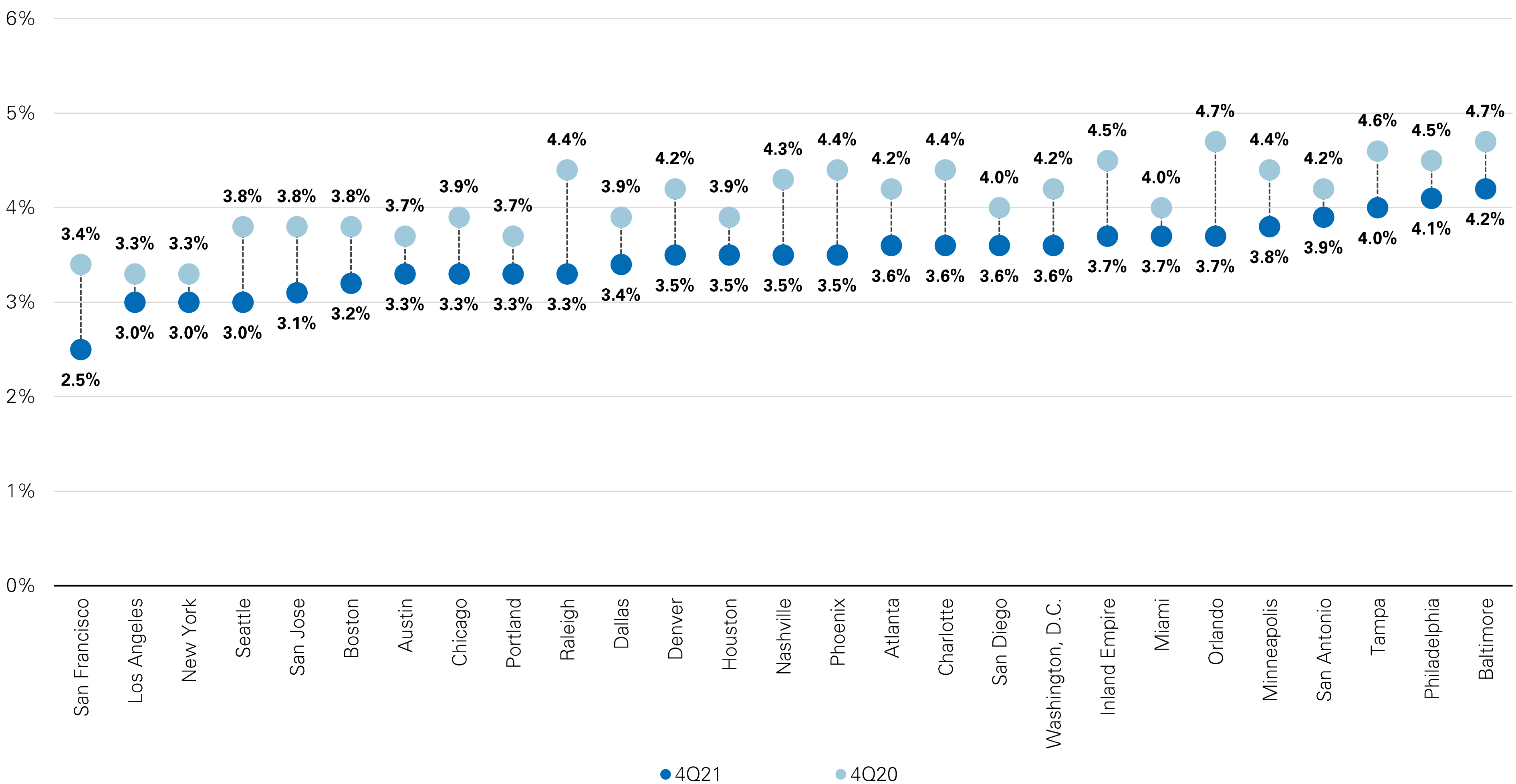
Source: Newmark Research, Real Capital Analytics (Transactions $25M+)

* Major markets: Boston, Chicago, Los Angeles metro, New York metro, San Francisco metro, Washington, D.C. metro. Non-major markets: all other markets.

Cap Rates by Market

Select Markets

Cap rate compression has been the most prevalent in markets throughout the Southeast and Southwest, with Raleigh-Durham (110 bps), Orlando (100 bps) and Phoenix (90 bps) all experiencing the largest year-over-year cap rate compression.

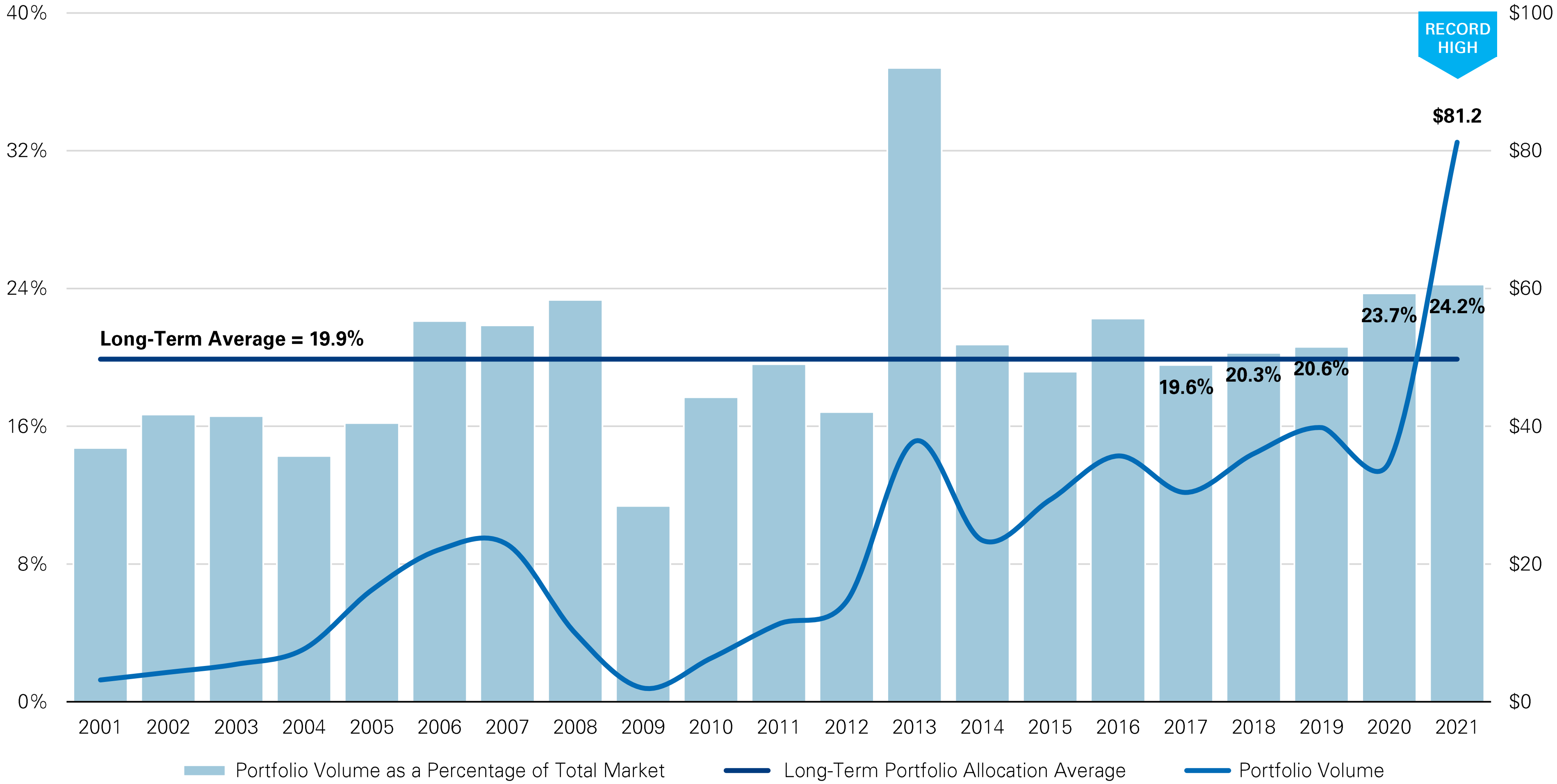


Source: Newmark Research, NCREIF

Accelerating Portfolio Activity

United States; Dollars in Billions

Portfolio volume accelerated to a record high of $81.2 billion in 2021, which accounted for 24.2% of the overall multifamily market. Appetite for portfolio transactions has grown in each of the past five years and is up 460 basis points since 2017 and 430 basis points above the long-term average. The surge in portfolio activity is in part due to strong demand for recapitalizations.

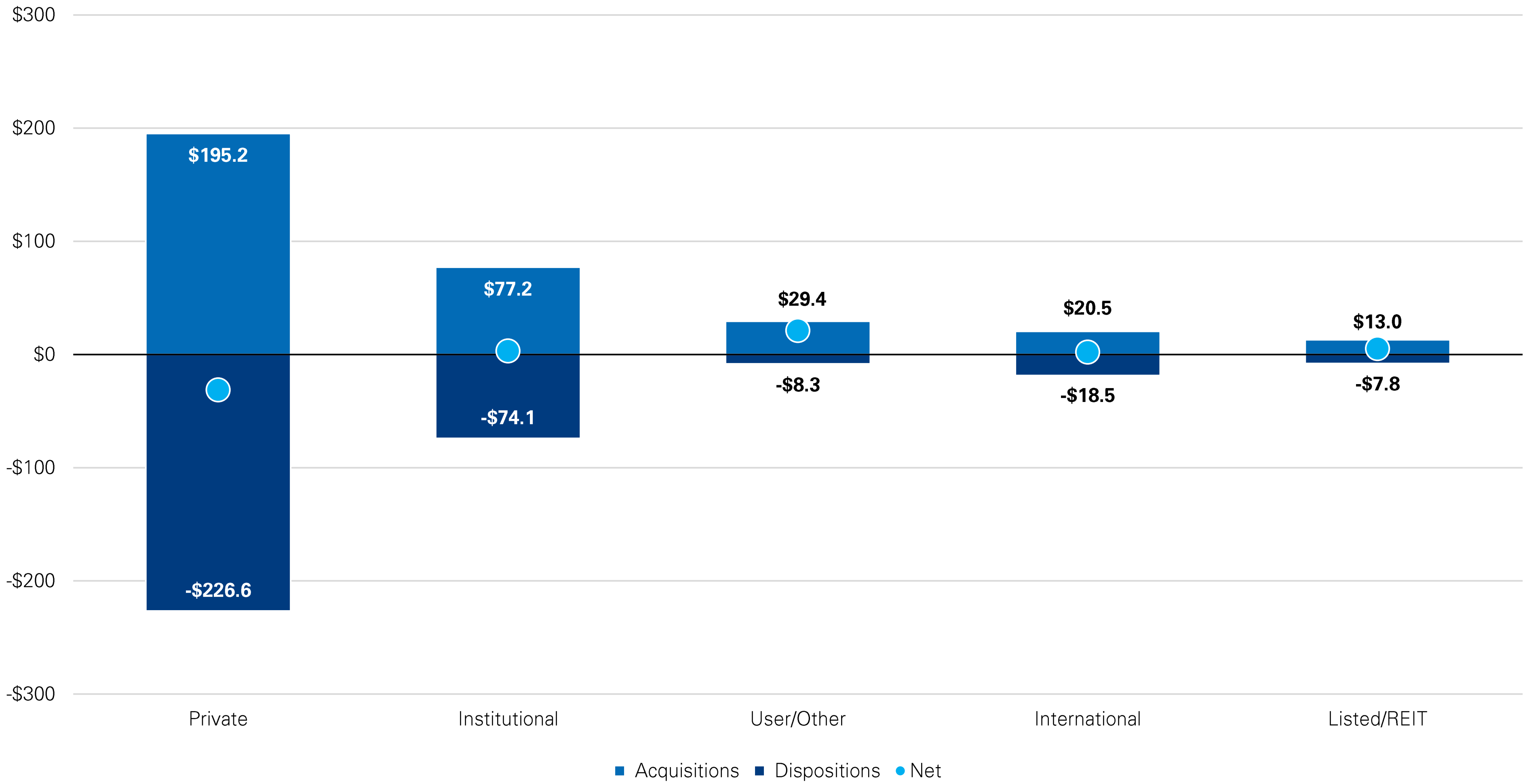


Source: Newmark Research, Real Capital Analytics

Investor Composition

Past 12 Months; Dollars in Billions

Private capital groups remain the most active buyers and sellers nationally, with $195.2 billion in acquisitions, compared with $226.6 billion in dispositions. Of all the groups, private capital was the only net seller in 2021, with other capital groups being net buyers.

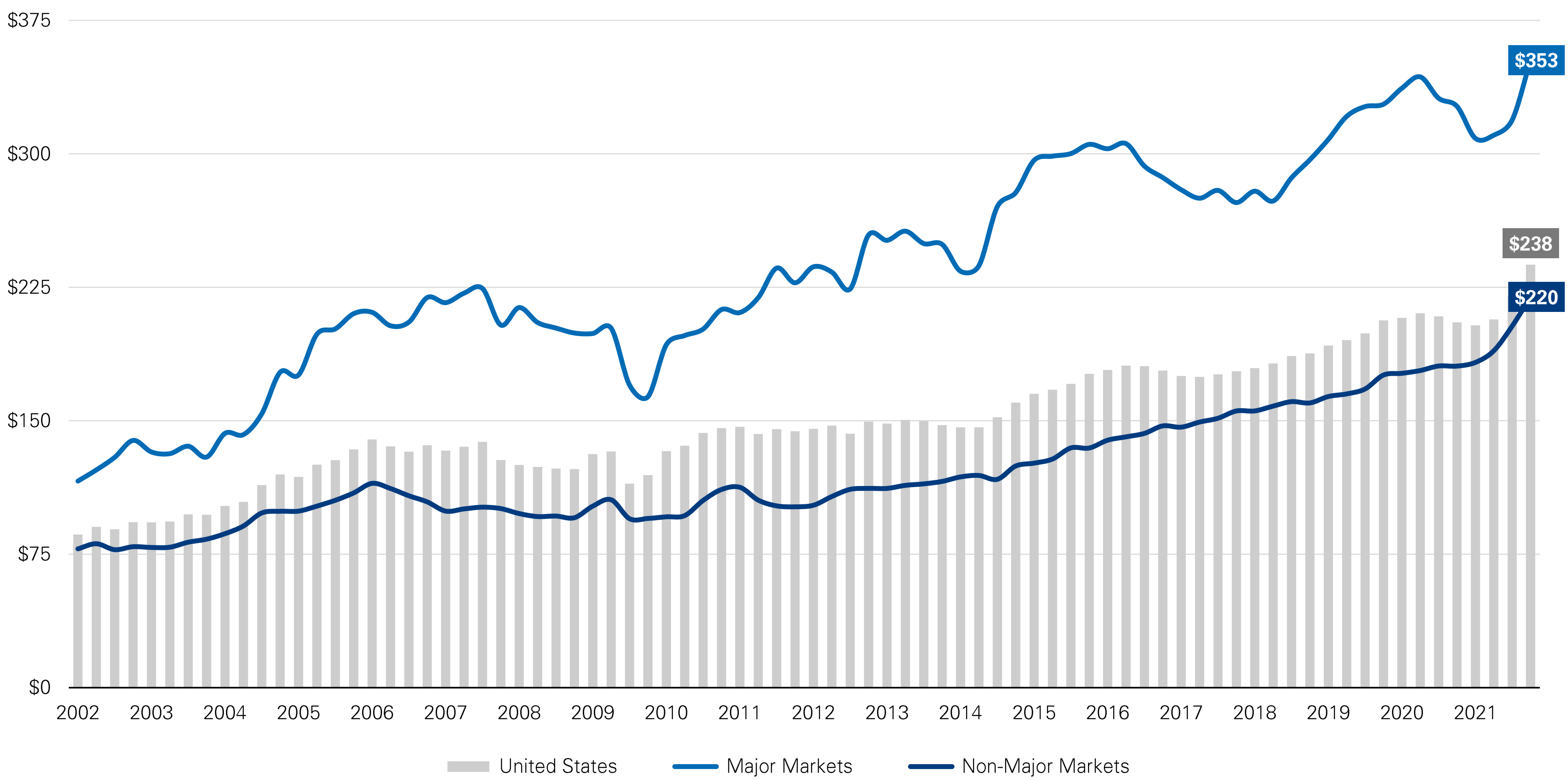


Source: Newmark Research, Real Capital Analytics

Price Per Unit

United States; 12 Month Average

The average price per unit for multifamily rose to $237,736 nationally, up 19.0% year-over-year, led by a 23.7% year-over-year increase in pricing in nonmajor markets. Additionally, nonmajor market has outperformed, with prices increasing 50.0% over the past five years, compared to 26.0% for major markets.



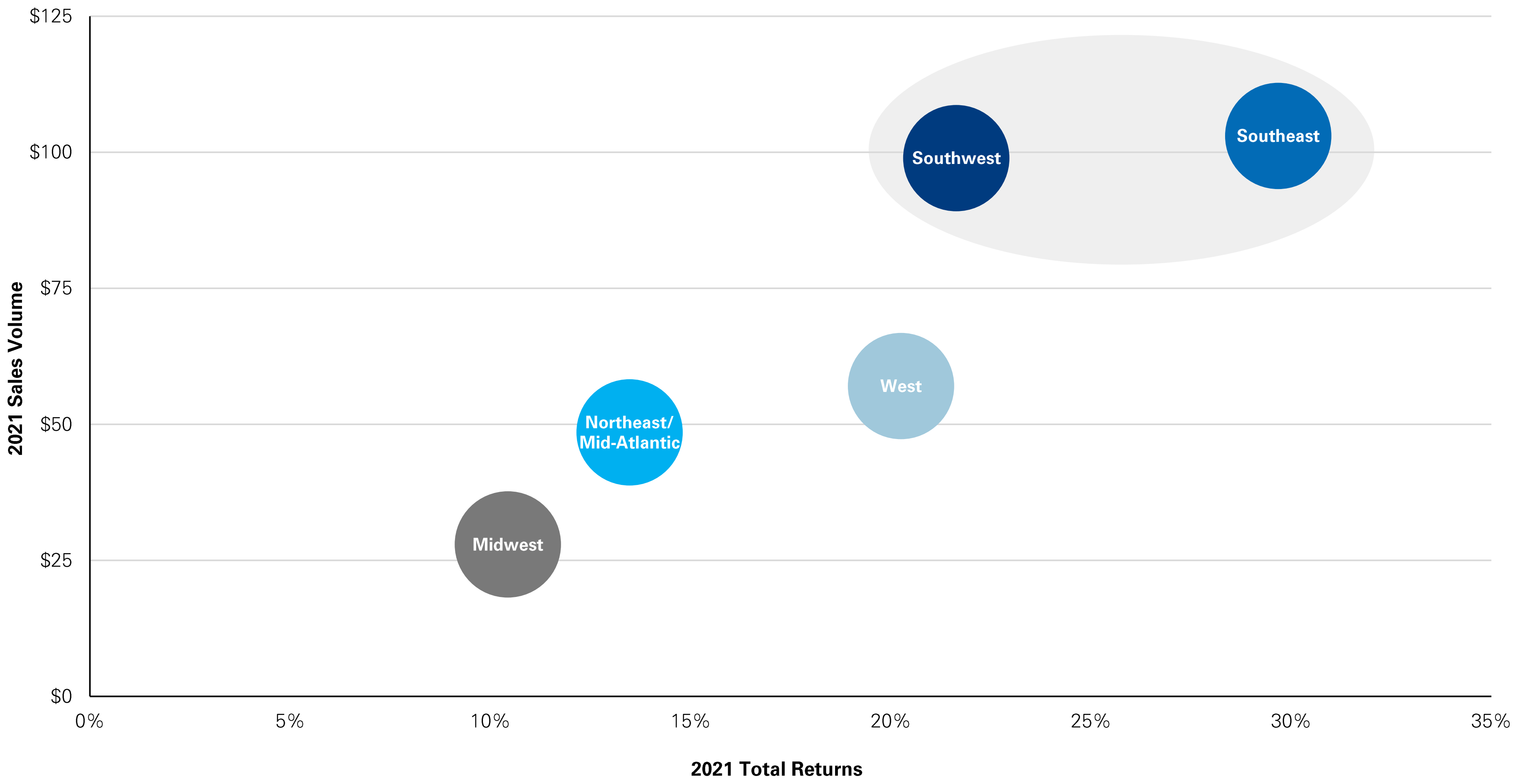
Source: Newmark Research, Real Capital Analytics (Transactions $25M+)

* Major markets: Boston, Chicago, Los Angeles metro, New York metro, San Francisco metro, Washington, D.C. metro. Non-major markets: all other markets.

Pursuit of Performance

By Region; Dollars in Billions

Over the past 12 months, total returns in the Southwest and Southeast region far outperformed those in the rest of the country. Southeast returns totaled 29.7%, while multifamily product in the Southwest region returned 21.6% on average. Investment into these regions followed suit, as they garnered 60.2% of all multifamily investment in 2021.

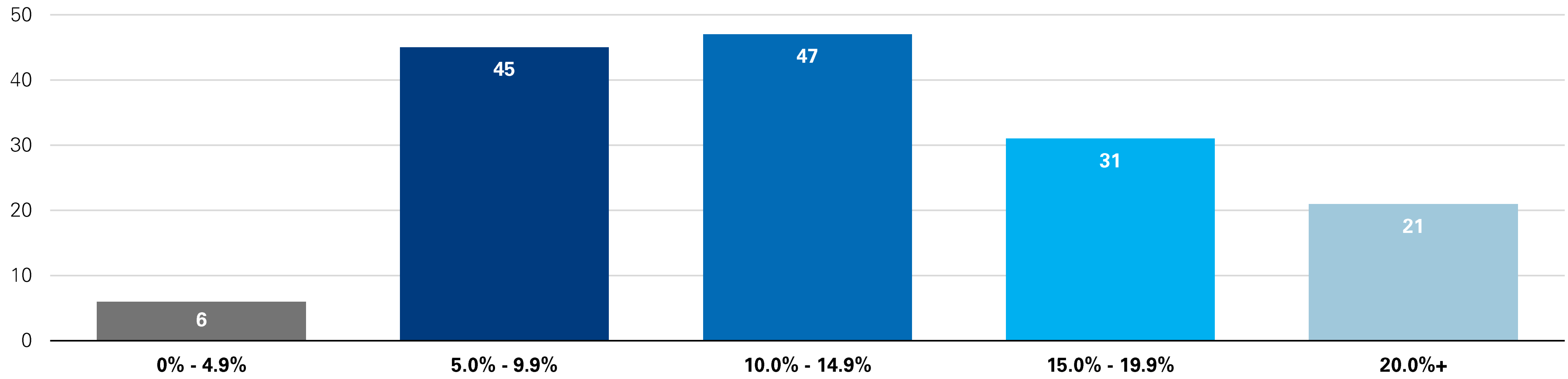


Source: Newmark Research, Real Capital Analytics, NCREIF

Year-Over-Year Rent Growth Distribution

Top 150 Markets; 4Q21 vs. 4Q20

On a year-over-year basis, rent growth was historically strong in 2021 as landlords were able to raise rents well above pre-pandemic levels. With 92 of the top 150 markets experiencing 5.0% to 14.9% growth and 51 markets averaging rent growth of 15.0% or higher, only six markets had rents grow less than 5.0% in 2021 and no market saw a decline in rent.



Select Markets

0% - 4.9%	
Madison	4.6%
Minneapolis	4.3%
Fargo	4.1%
Midland/Odessa	3.5%
Youngstown	1.9%
Champaign	1.8%

5.0% - 9.9%	
St. Louis	9.9%
Columbus	9.3%
Louisville	9.2%
Newark-Jersey City	8.9%
Washington, D.C.	8.8%
Kansas City	8.8%
San Francisco	8.2%
Cleveland	7.7%
Oakland	7.5%
Buffalo	5.1%

10.0% - 14.9%	
Sacramento	14.7%
San Antonio	14.4%
Boston	13.5%
Portland	12.9%
Indianapolis	12.4%
Houston	12.1%
Chicago	11.7%
Los Angeles	11.5%
Philadelphia	10.9%
San Jose	10.7%

15.0% - 19.9%	
Miami	19.3%
Nashville	19.0%
Charlotte	18.6%
Orange County	16.7%
Dallas	16.5%
Inland Empire	16.4%
San Diego	16.0%
New York	15.5%
Denver	15.4%
Greenville	15.3%

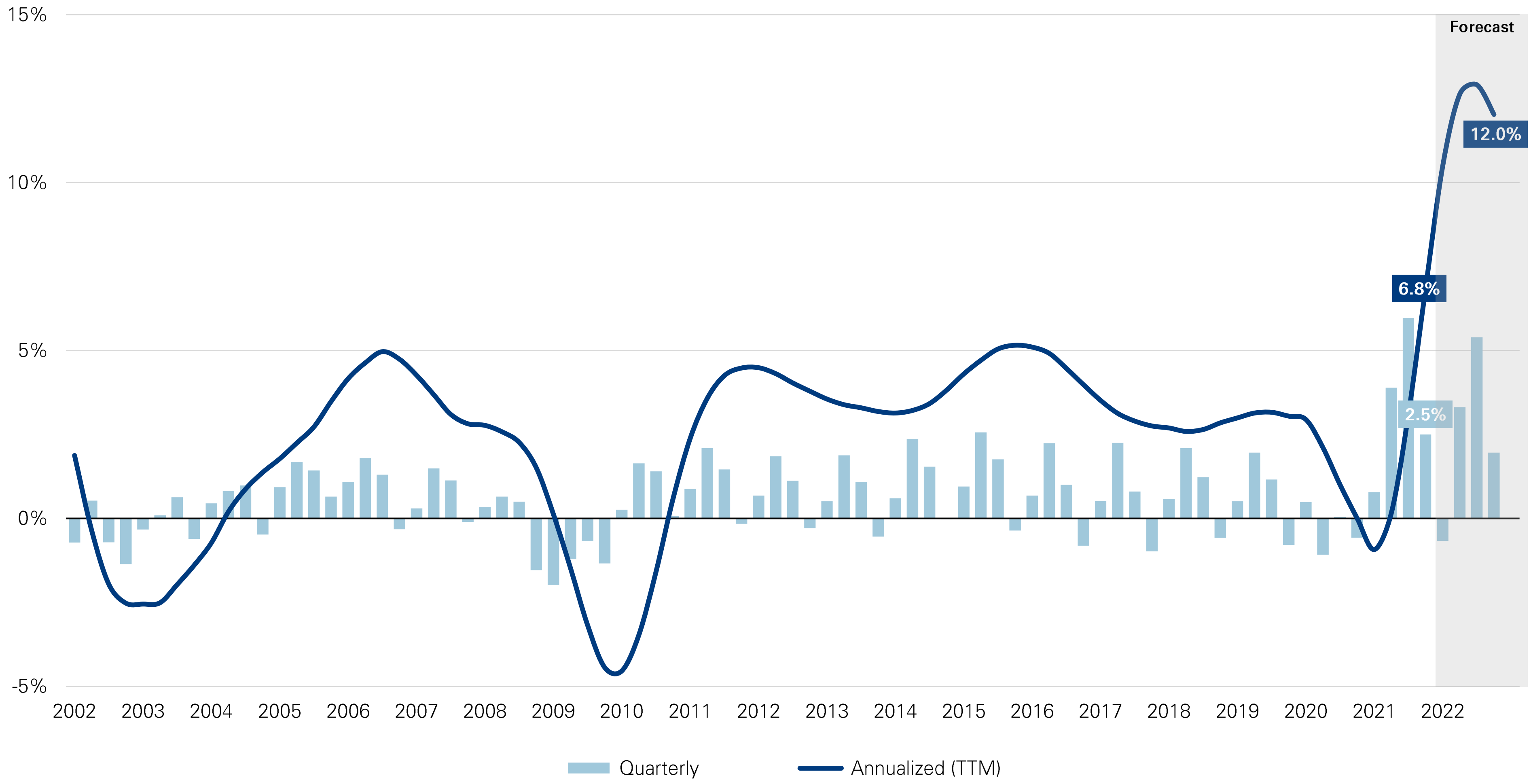
20.0%+	
West Palm Beach	28.6%
Phoenix	26.5%
Tampa	26.3%
Austin	23.9%
Orlando	23.8%
Las Vegas	23.7%
Jacksonville	22.8%
Atlanta	21.2%
Raleigh-Durham	20.6%
Salt Lake City	20.4%

Source: Newmark Research, RealPage

Effective Rent Growth

Annual Effective Rent Growth

Annualized effective rent growth averaged 6.8% in 2021, compared with 0.0% at the end of the previous year. Rent growth is projected to continue to rise in 2022, reaching an annualized rate of 12.0% by year-end.

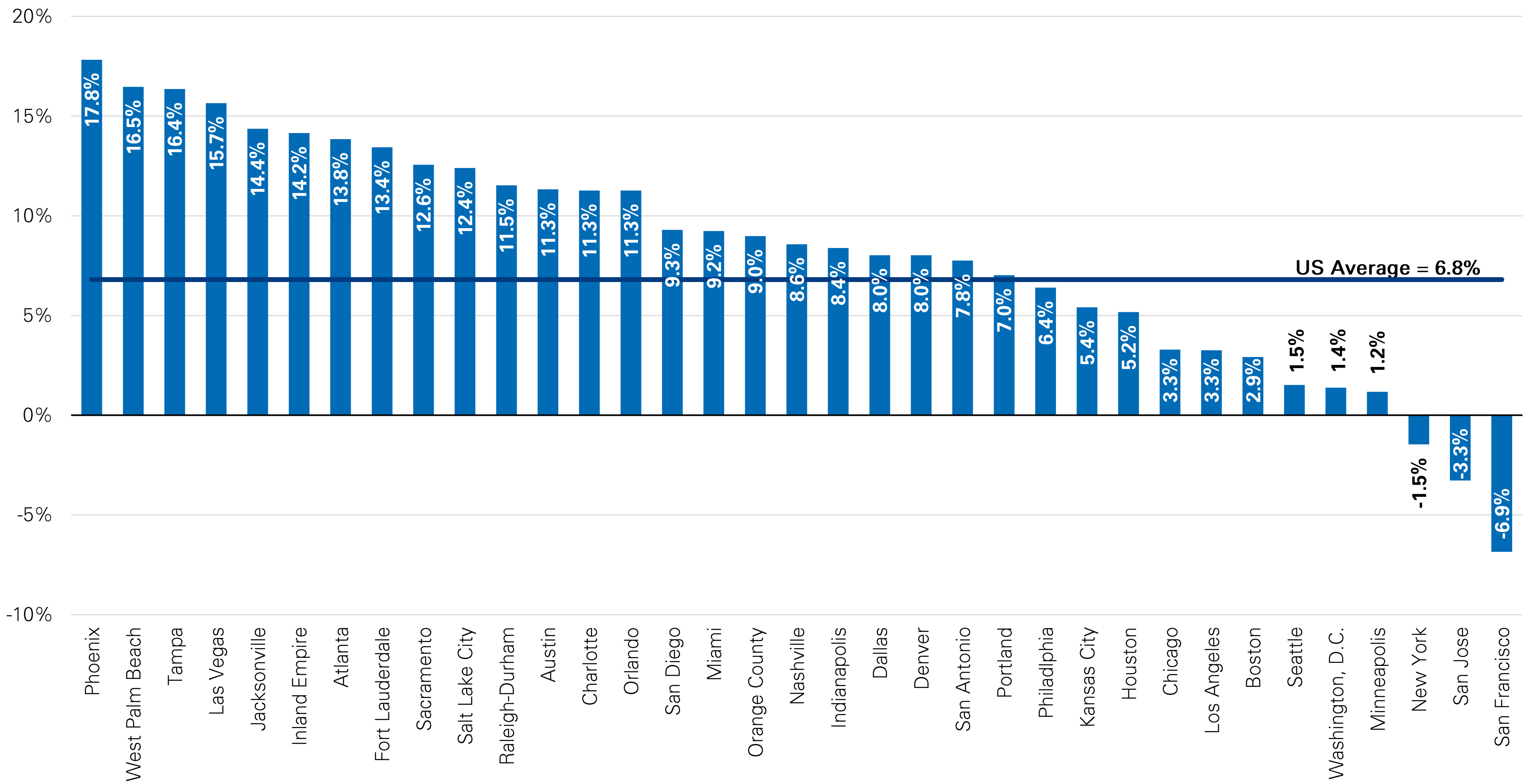


Source: Newmark Research, RealPage

Effective Rent Growth by Market

Annualized

Sunbelt markets continue to thrive, with seven markets in the top ten in terms of annualized rent growth, led by Phoenix (17.8%), West Palm Beach (16.5%) and Tampa (16.4%). Major markets remain laggards; however, momentum is beginning to shift.



Source: Newmark Research, RealPage

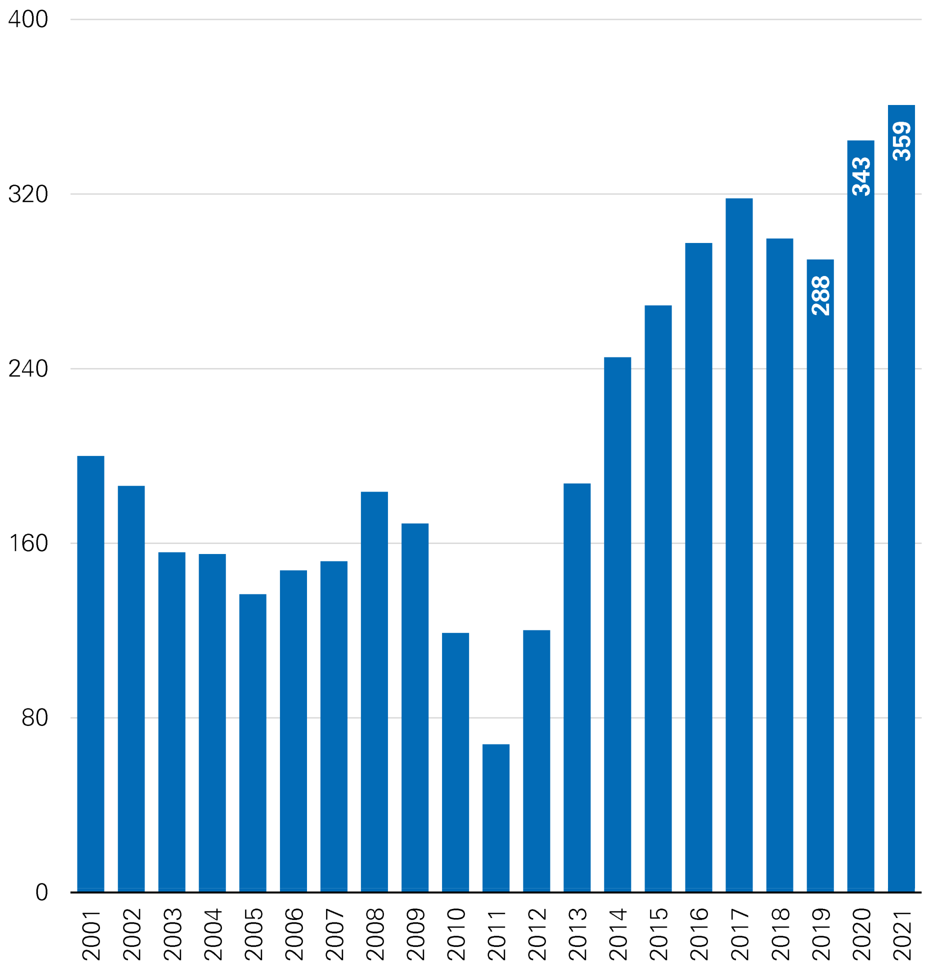
* Major markets: Boston, Chicago, Los Angeles metro, New York metro, San Francisco metro, Washington, D.C. metro. Non-major markets: all other markets.

New Supply

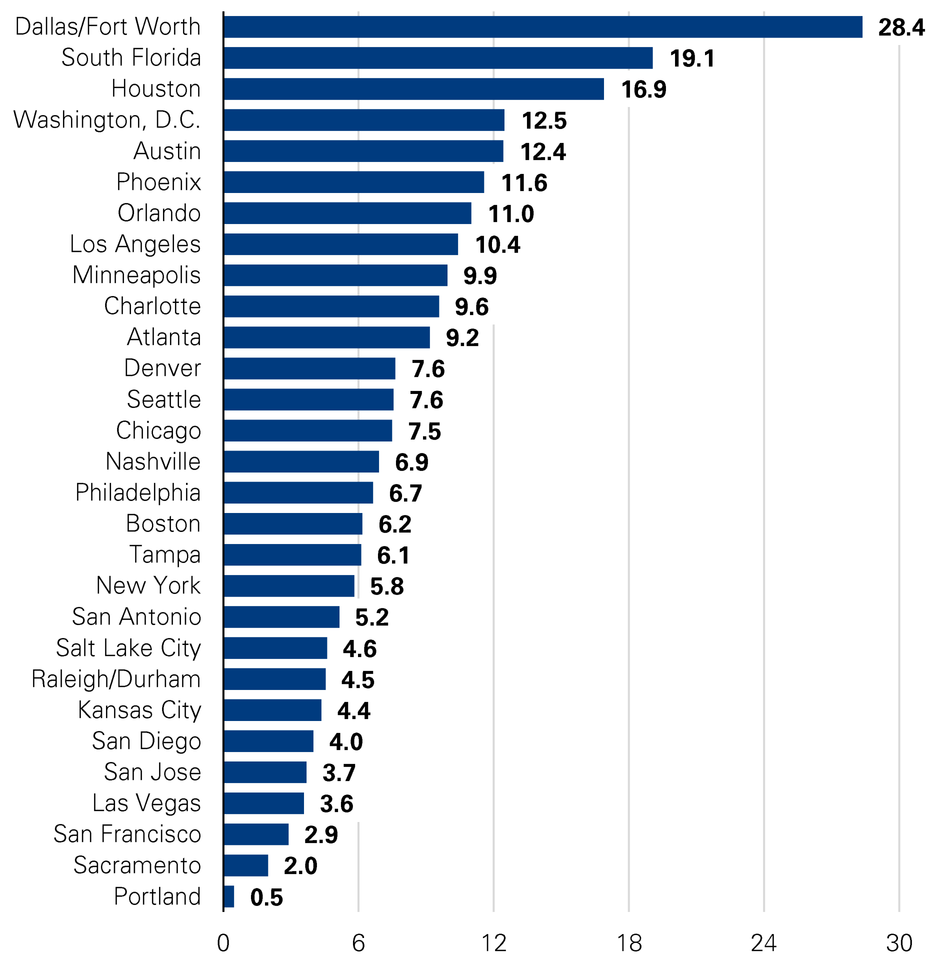
Units in Thousands

New supply rose to a record high of 358,734 units in over the past 12 months, surpassing the previous record set in 2020 by 4.7%. New supply is forecasted to rise to 425,875 units in 2022, an increase of 18.7% compared to 2021. Markets throughout Texas and Florida garnered the highest levels of new supply over the past 12 months, led by Dallas with 28,370 units delivered.

UNITED STATES



BY MARKET (PAST 12 MONTHS)



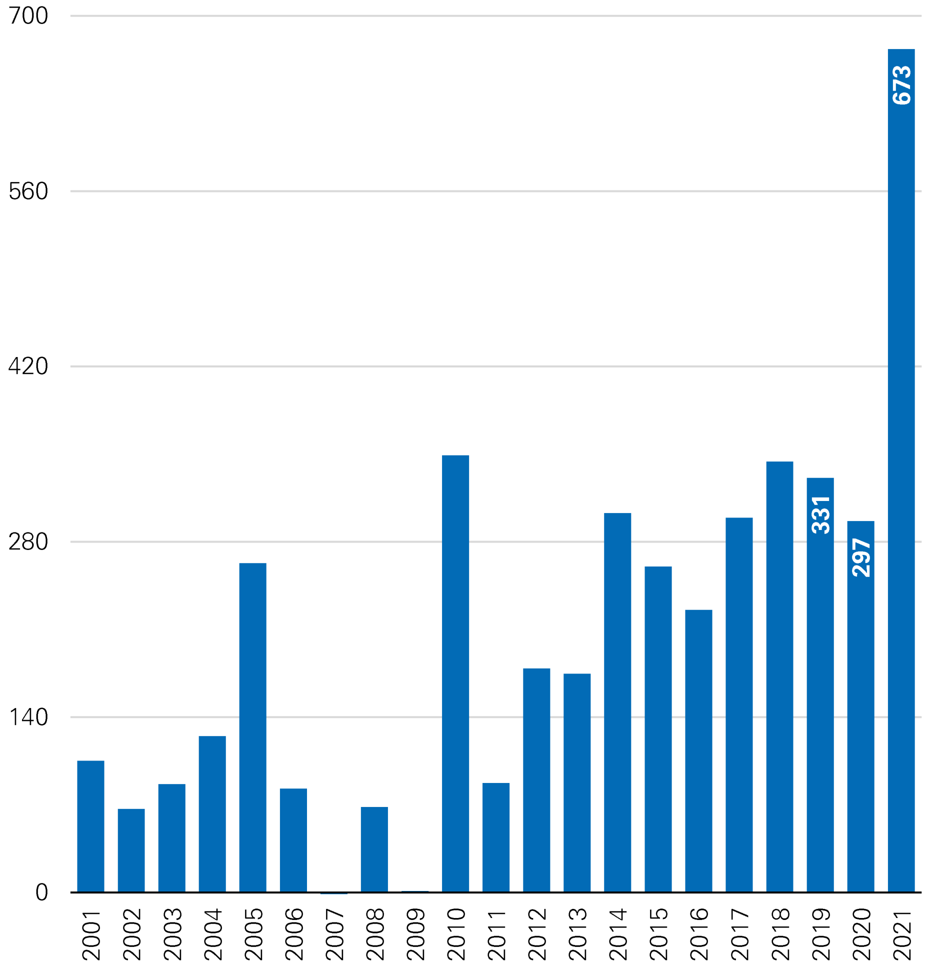
Source: Newmark Research, RealPage

Absorption

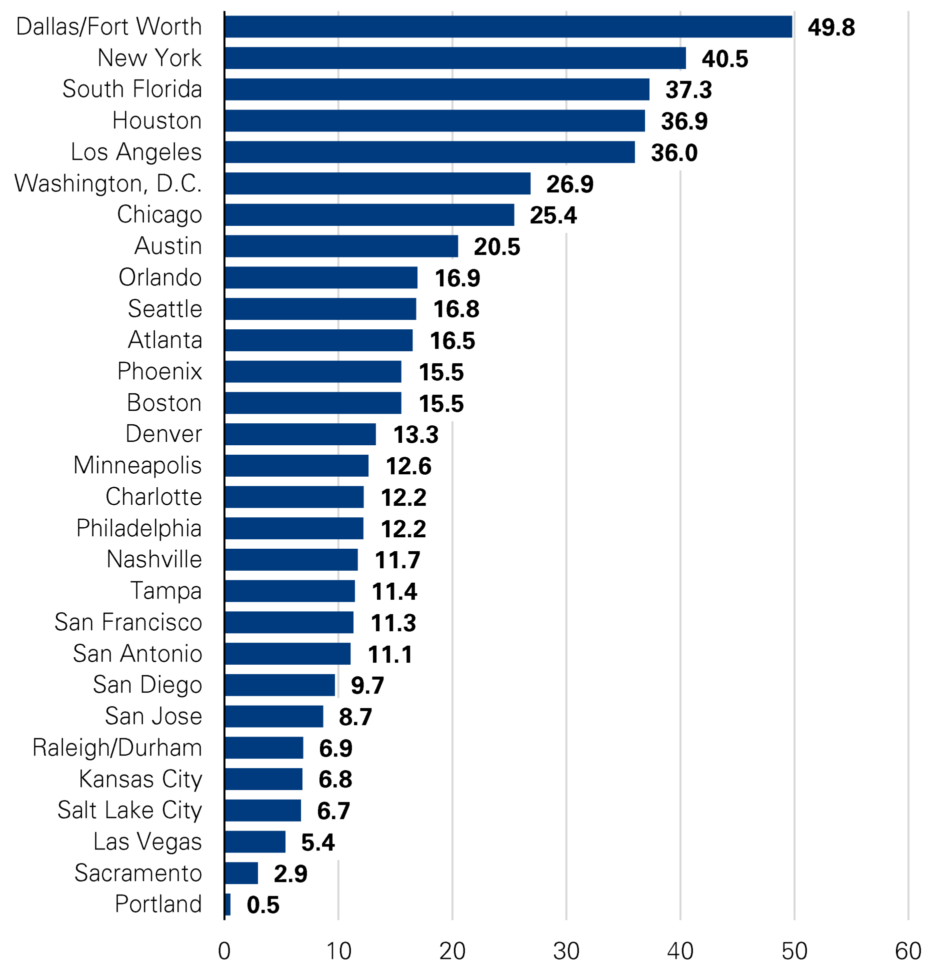
Units in Thousands

Demand for apartments surged 127.1% over the past 12 months to a new record of 673,478 units. Unlike new supply, demand is projected to moderate in 2022. Supply-constrained markets, such as New York, Los Angeles and Washington, D.C., also experienced strong absorption over the past 12 months as urban areas continue to recover.

UNITED STATES



BY MARKET (PAST 12 MONTHS)

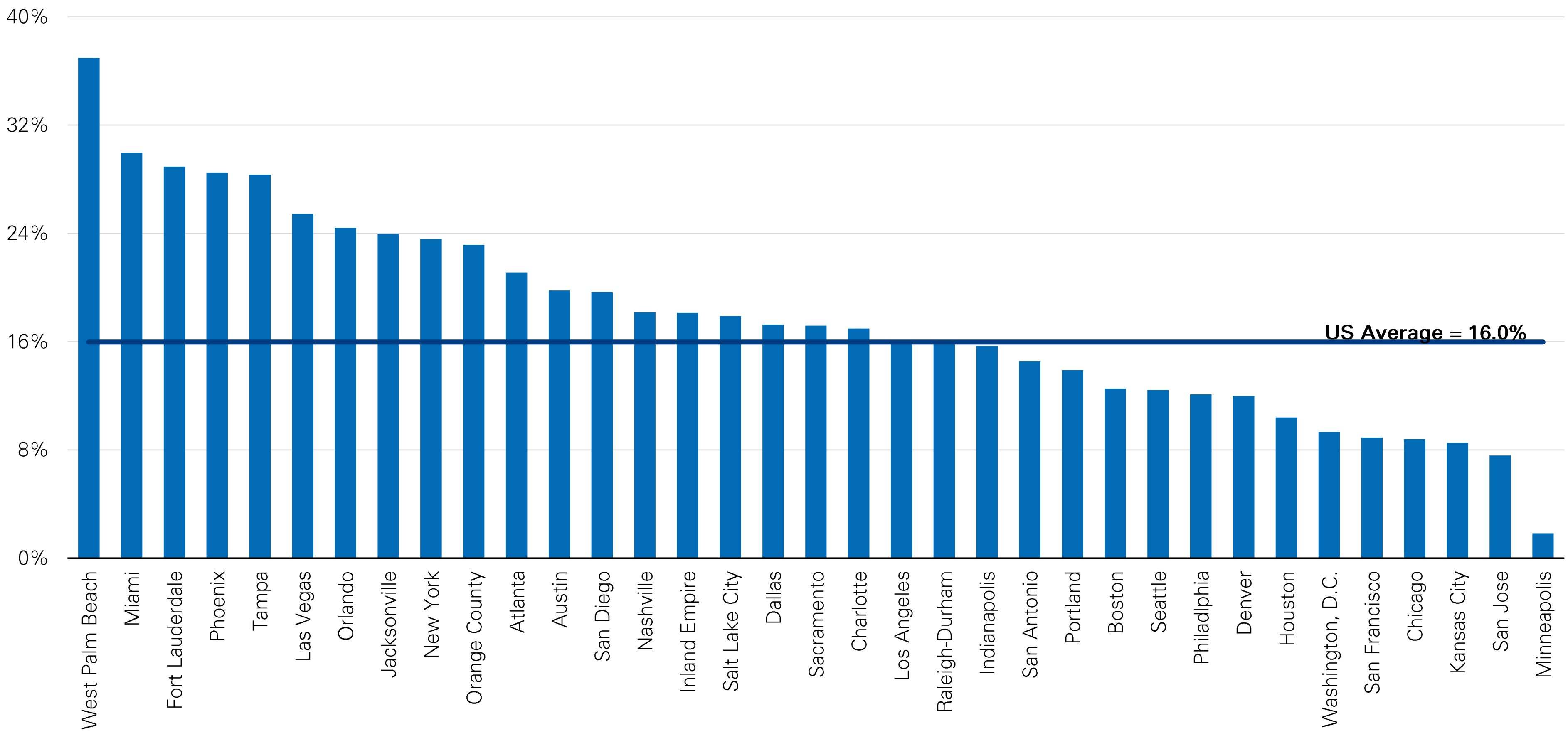


Source: Newmark Research, RealPage

New Lease Trade-Outs

Select Markets

Landlords continued to take advantage of flexibility in the rental market in 2021, employing the ability to raise rents through new lease trade-outs, which averaged 16.0% nationally. Though still well above the long-term average, new lease trade-outs decreased 150 basis points from an all-time high of 17.5% in the third quarter of 2021, signaling a reversion to the mean.



Source: Newmark Research, RealPage

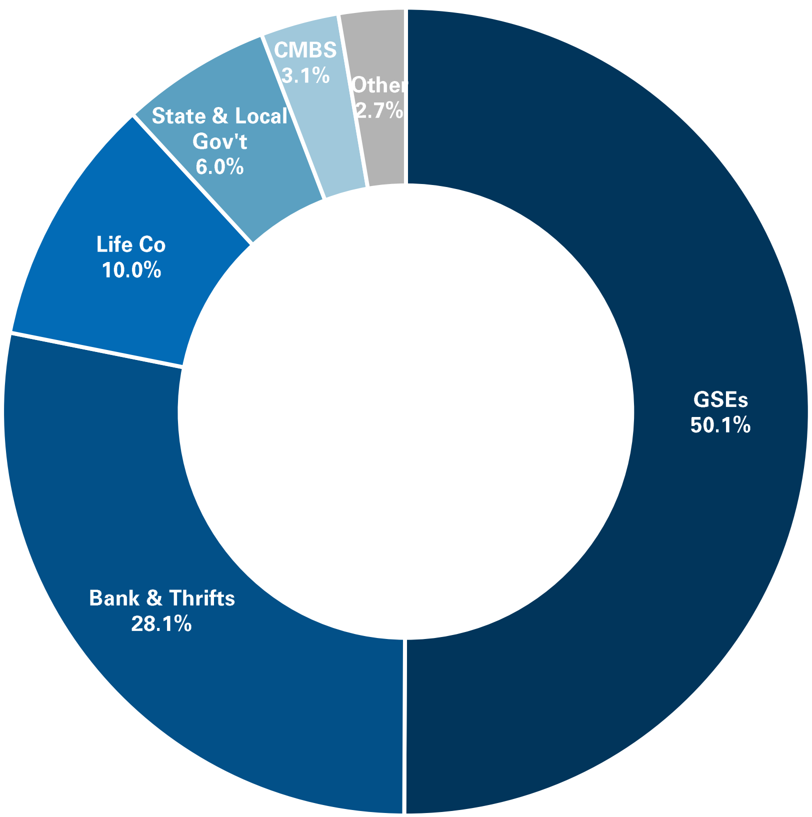
* New lease trade-out refers to the difference in rent a new occupant of a unit is paying, compared to the rent the unit's previous occupant was paying.

Mortgage Debt Outstanding

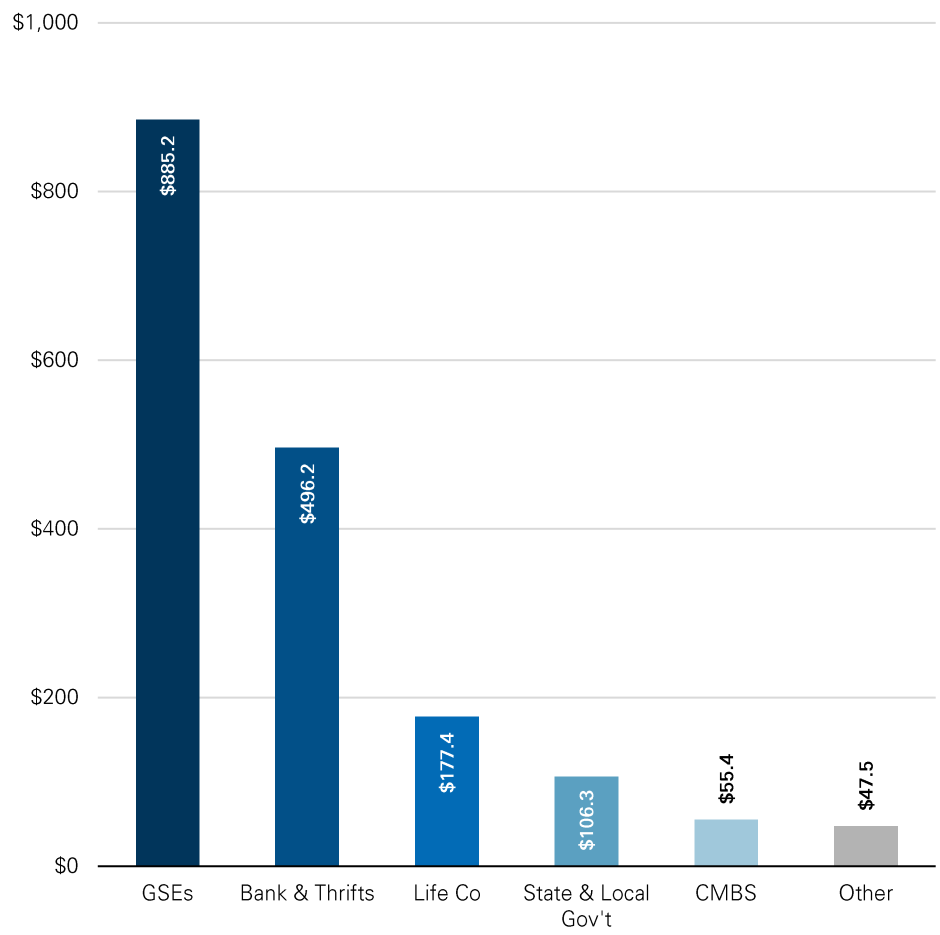
United States

Multifamily mortgage debt outstanding increased to $1.8 trillion, a 1.5% increase quarter-over-quarter. While the GSE's debt outstanding increased slightly over the past quarter, banks, life companies and debt funds all increased lending capacity in 2021.

DEBT OUTSTANDING BY GROUP AS A PERCENTAGE



DEBT OUTSTANDING BY GROUP (DOLLARS IN BILLIONS)

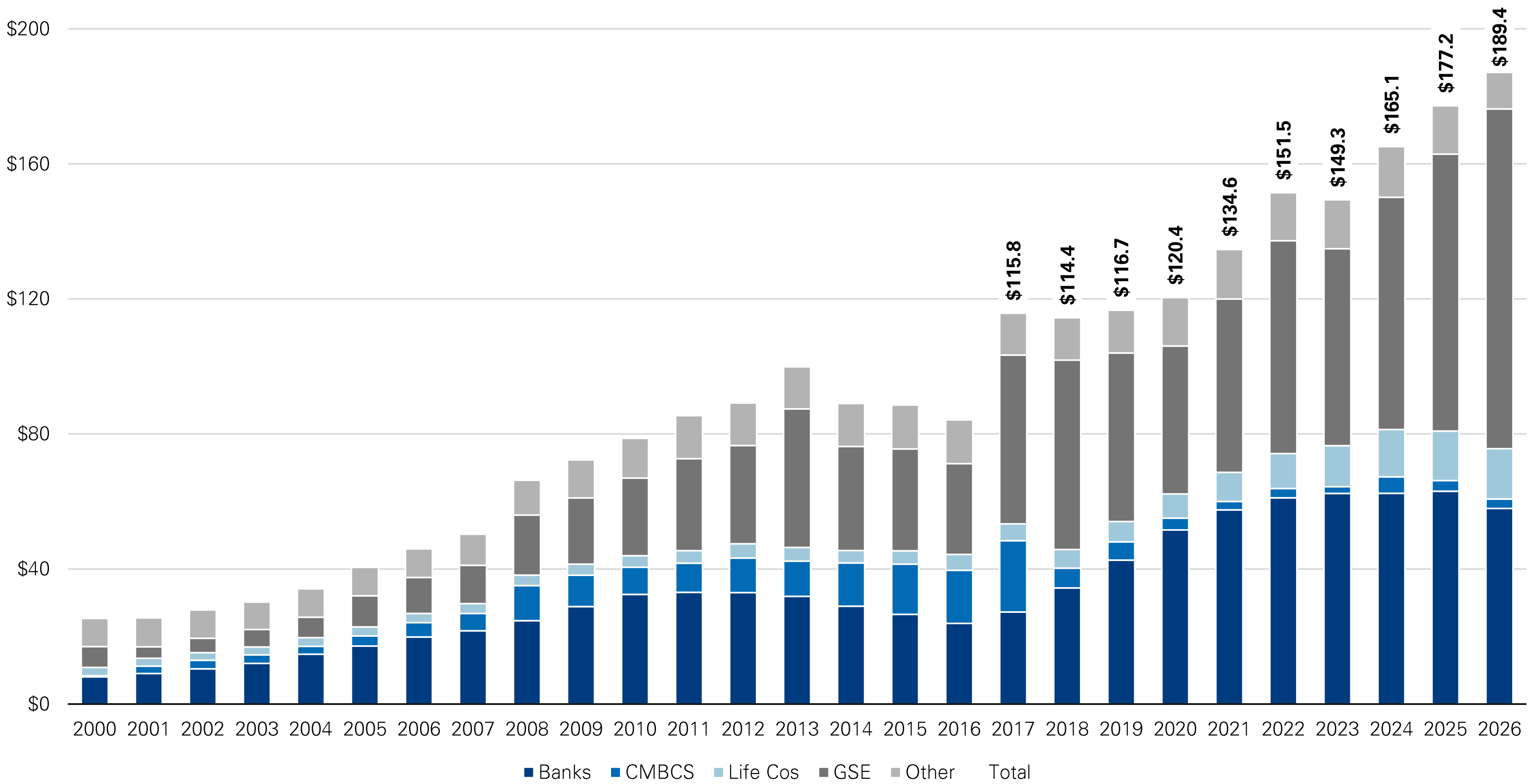


Source: Newmark Research, Mortgage Bankers Association

Mortgage Maturities

United States; Dollars in Billions

With $832.5 billion in multifamily mortgage maturities estimated from 2022 through 2026, both the multifamily investment sales and financing markets are likely to remain robust. Mortgage maturities are expected to grow 25.0% over the next five years, after increasing 16.3% over the previous five-year period.



Source: Newmark Research, Trepp

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