

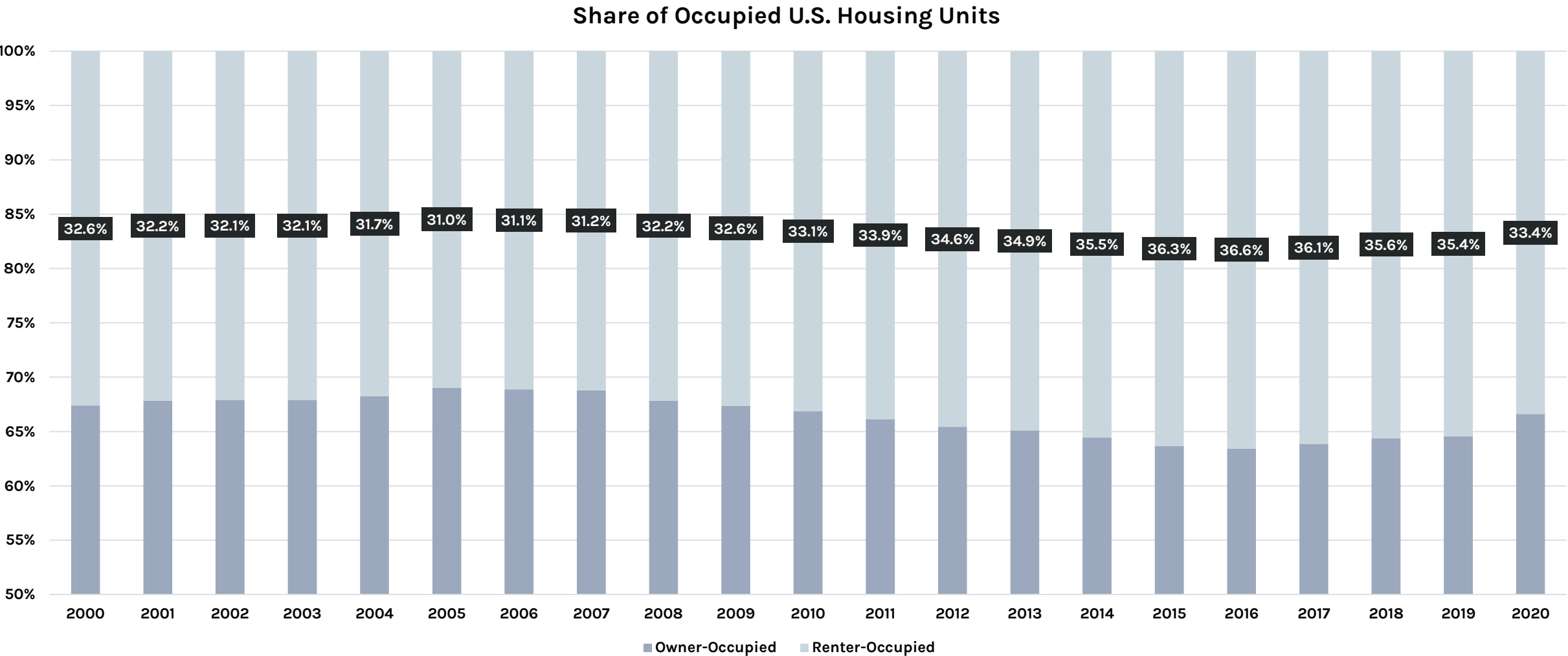
How Rent Impacts CPI

CPI-U uses wtd. avg. of rent + lodging away from home + owners' equivalent rent + insurance

- Here we are going to focus on “rent of primary residence,” as it is most relevant to the REIT sector
- Rent receives an ~8% weighting in the overall CPI, or a ~25% contribution to the overall housing component of the index
- Renters are currently slightly under-represented in overall CPI depending on the numbers used for housing stock. The government itself reports a ~33% share of renters versus occupied housing units!
- There are ~23.5 million multifamily rental units in the U.S., or ~17% of the overall housing stock
- Additionally, single-family rentals (SFR) are becoming increasingly important in real time – estimates vary but have seen anywhere from ~14 to ~18 million units, or ~11% of the overall housing stock at the midpoint
- Based on these high-level numbers the weighting within housing should probably be closer to ~30% right now, and there could be a widening gap between “Actual” and “Reported” housing inflation

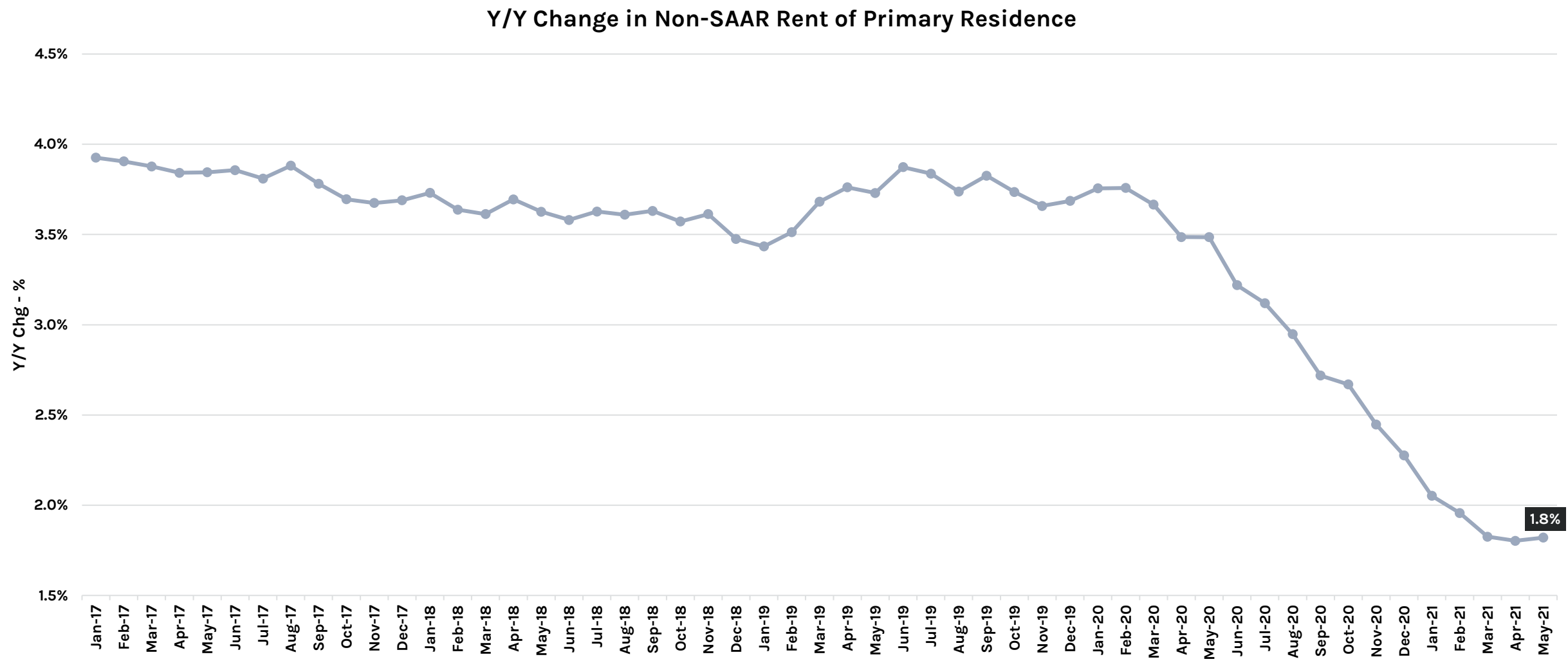
Historical U.S. Share of Renting vs. Owning

2020 COVID disruption brought the share of renters back down to 2010-2011 levels



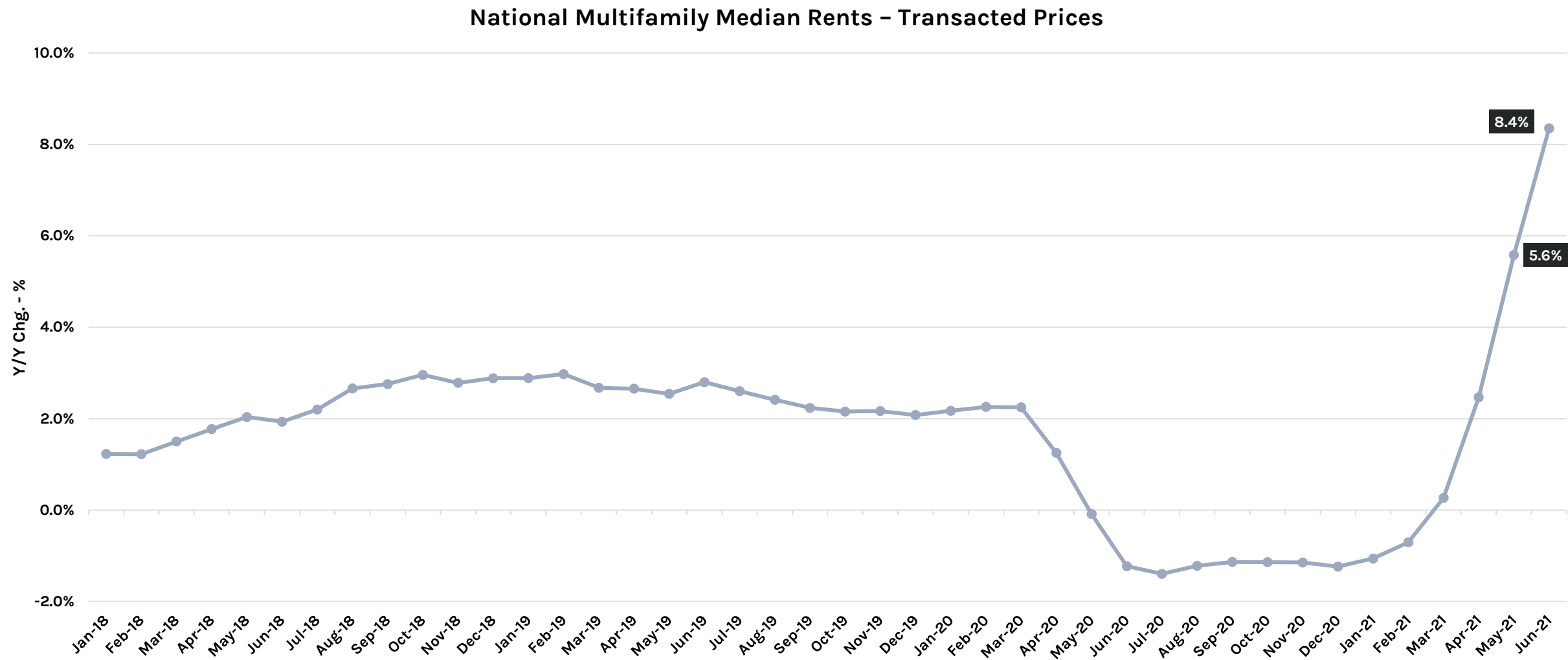
How Has the Rent Component Been Trending?

Important to consider that June's +1.8% contributed to a +5.0% May CPI print



Look to Transacted Rents as a Leading Indicator

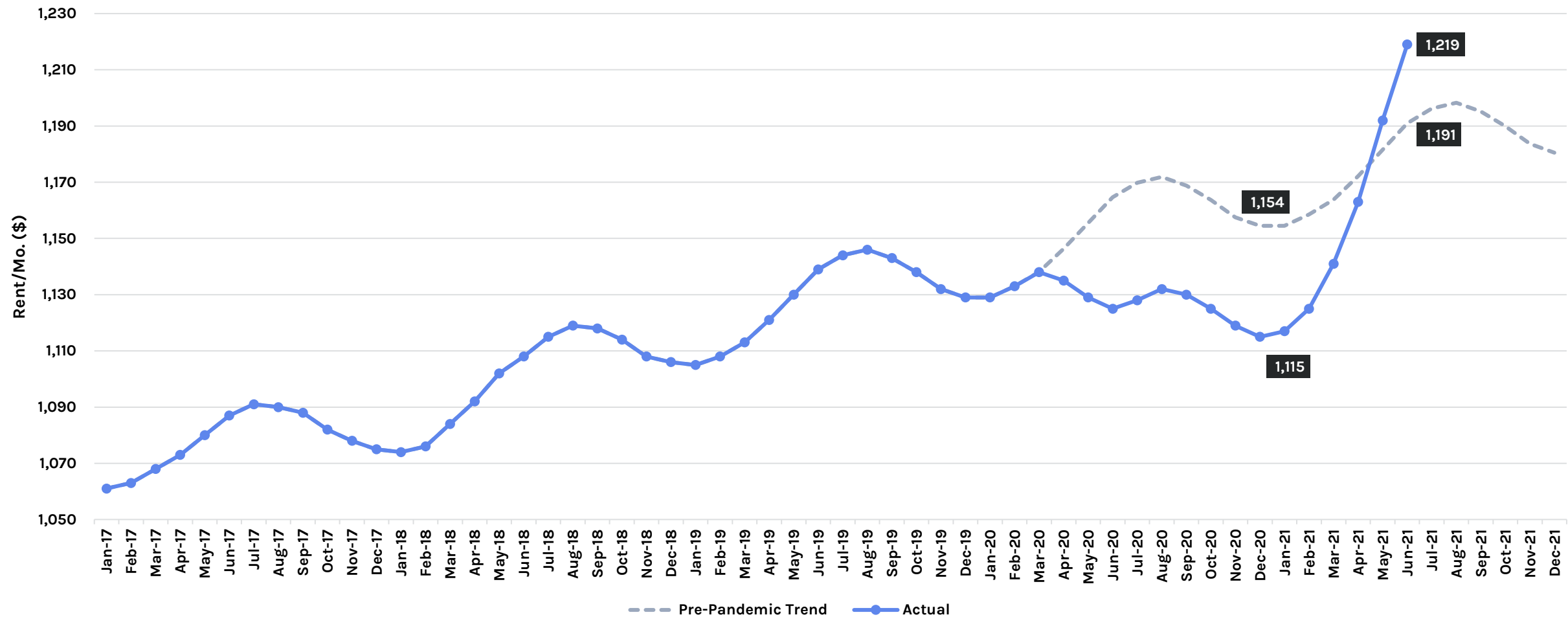
Y/Y changes turned positive in March '21 and continue to accelerate



Pandemic Pricing in Rearview Mirror, Inflation on Horizon

Contracted pricing troughed ~3% below trend in December; trending +2.5% above trend for June

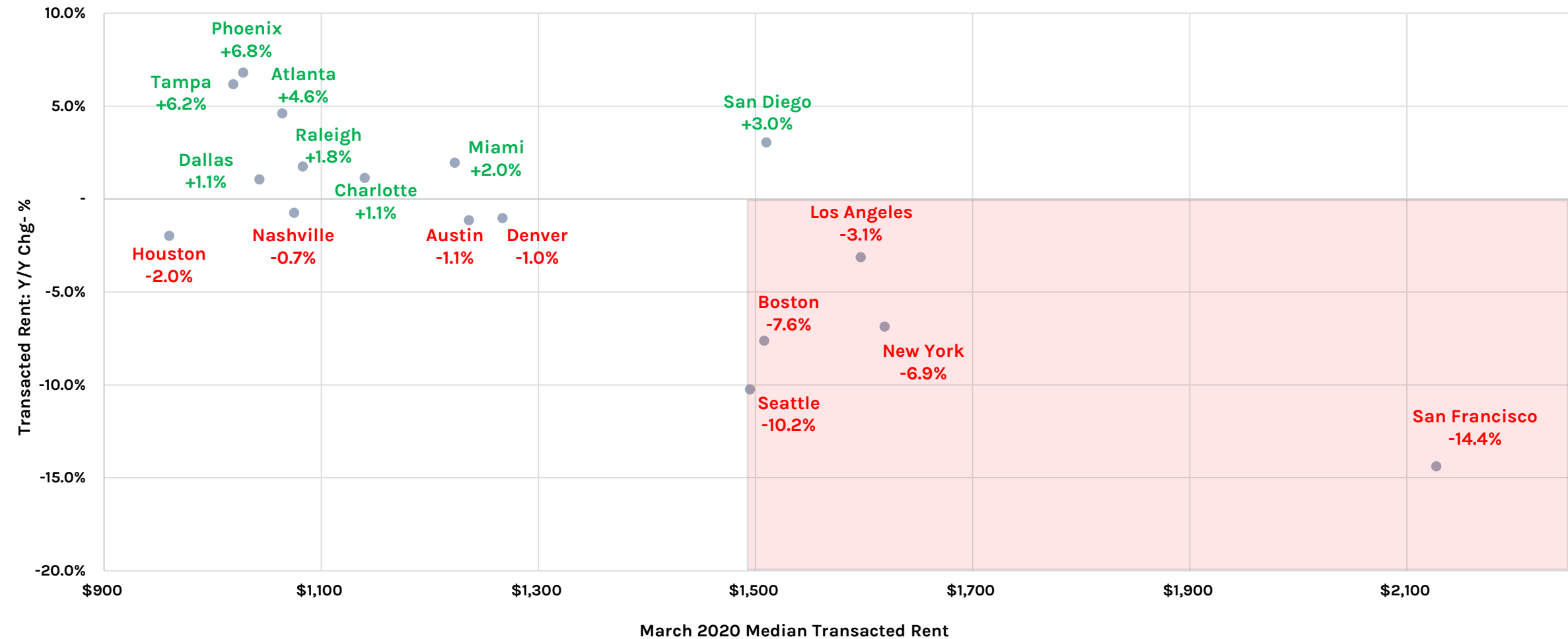
National Multifamily Median Rents - Actual vs. Pre-Pandemic Trend



Coastal Gateway Markets Took Outsized Hit

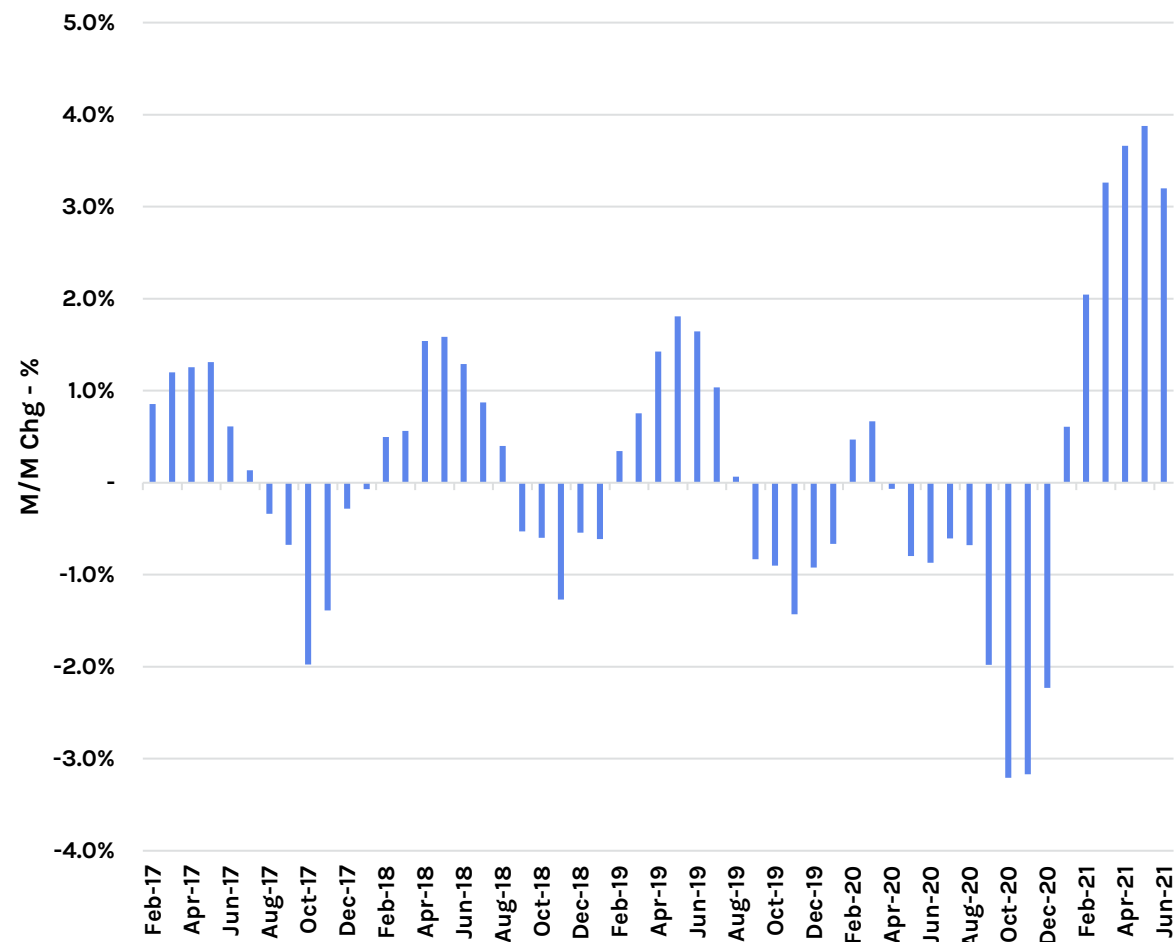
Median transacted rents declined in the double-digit range Y/Y in several key markets

Market-by-Market Y/Y Change in Median Multifamily Transacted Rents

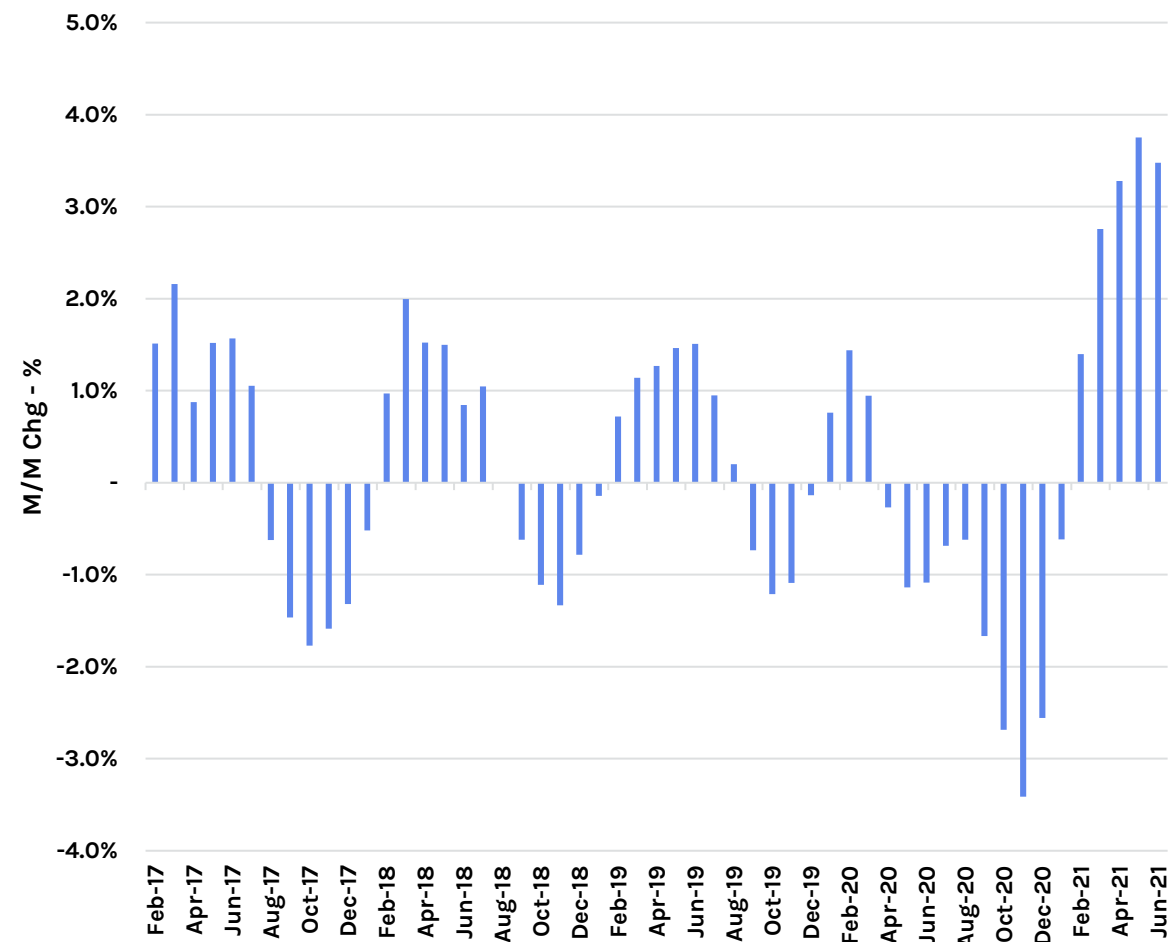


Unusual Seasonal Patterns in Coastal Gateway Markets

Boston Median Transacted Rents

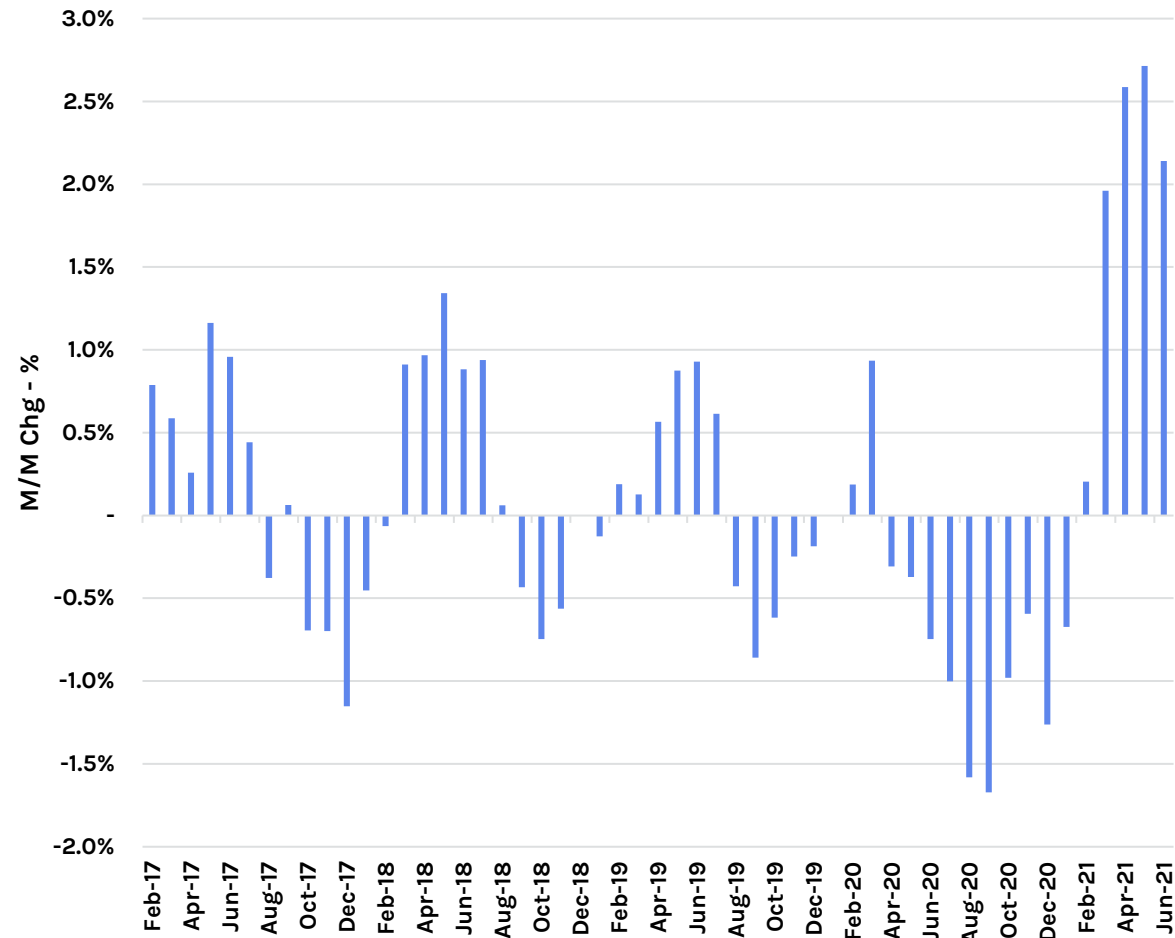


Seattle Median Transacted Rents

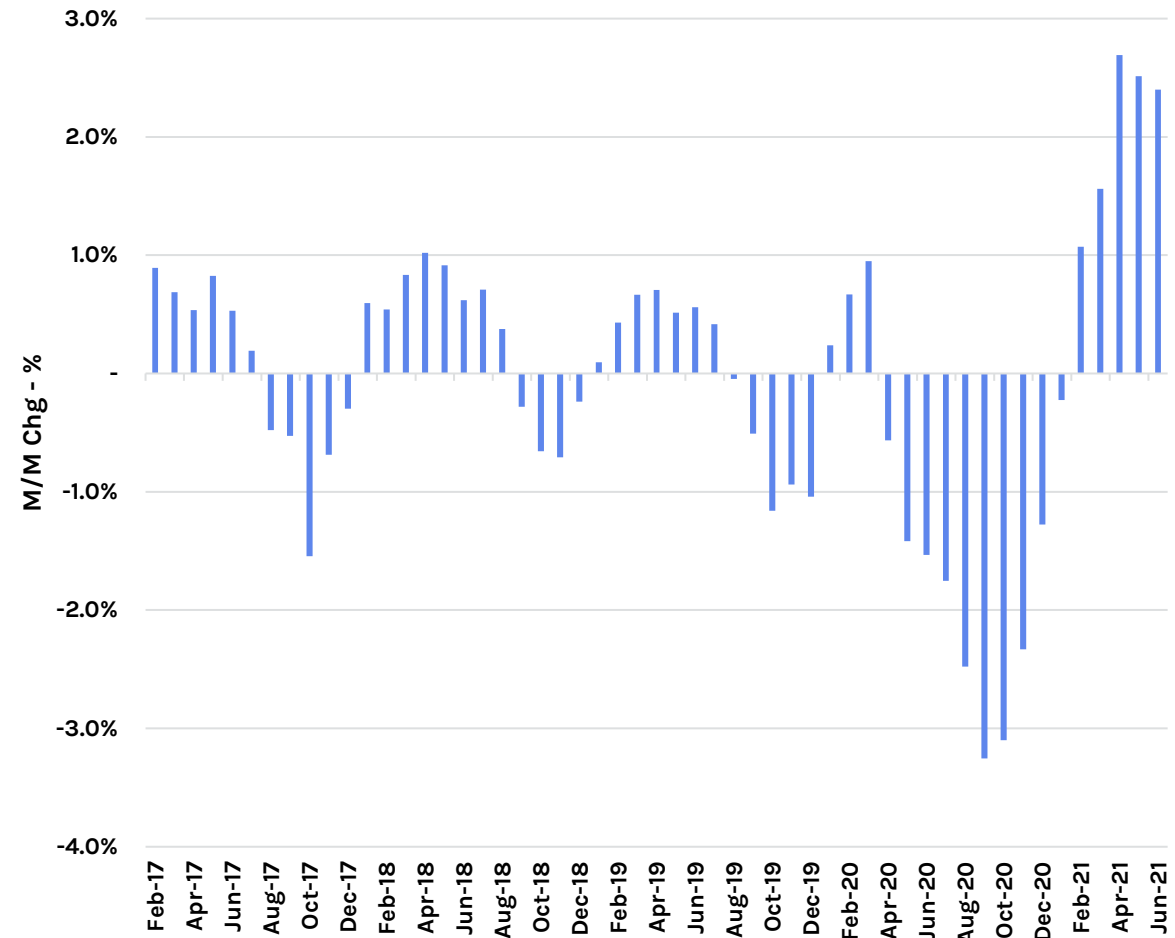


Unusual Seasonal Patterns in Coastal Gateway (cont'd)

New York Median Transacted Rents

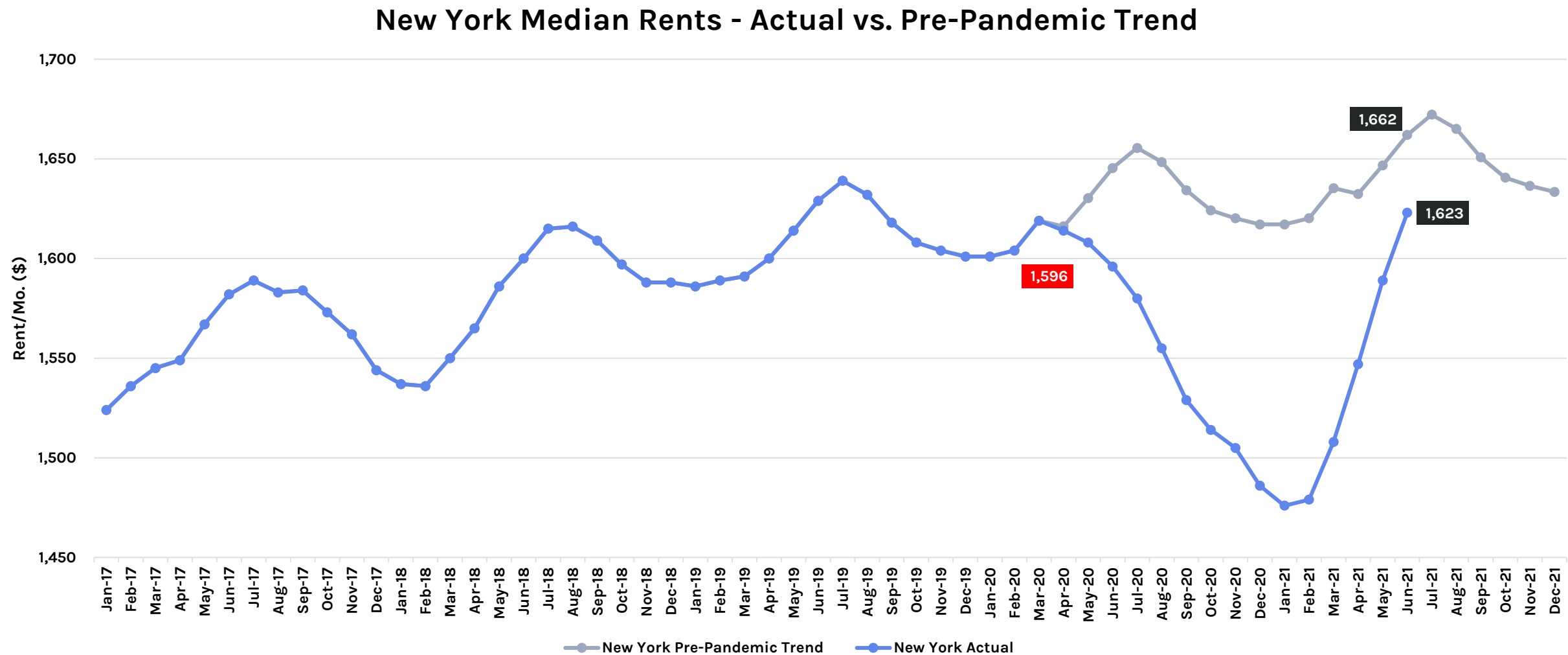


San Francisco Median Transacted Rents



New York Rents Returning to Trend

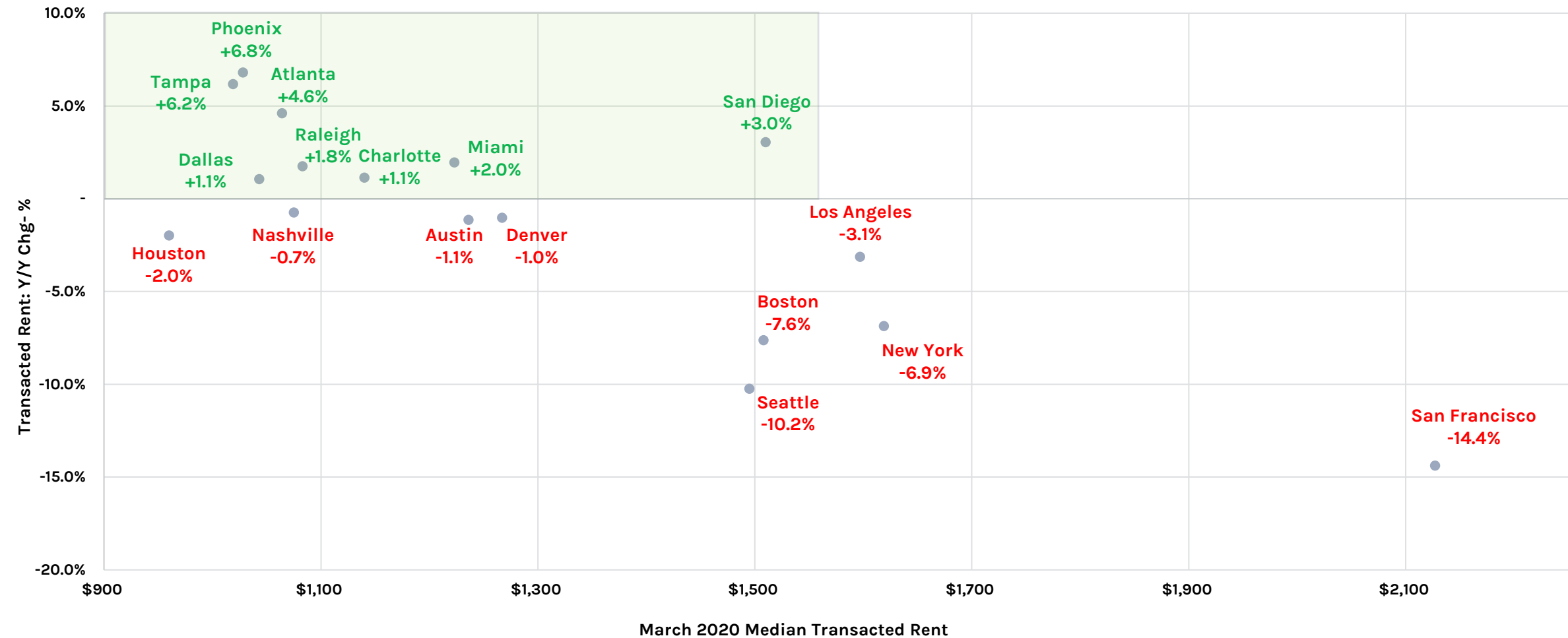
June transacted rents still -2.3% below trend, but up +1.7% Y/Y and over +2.0% M/M



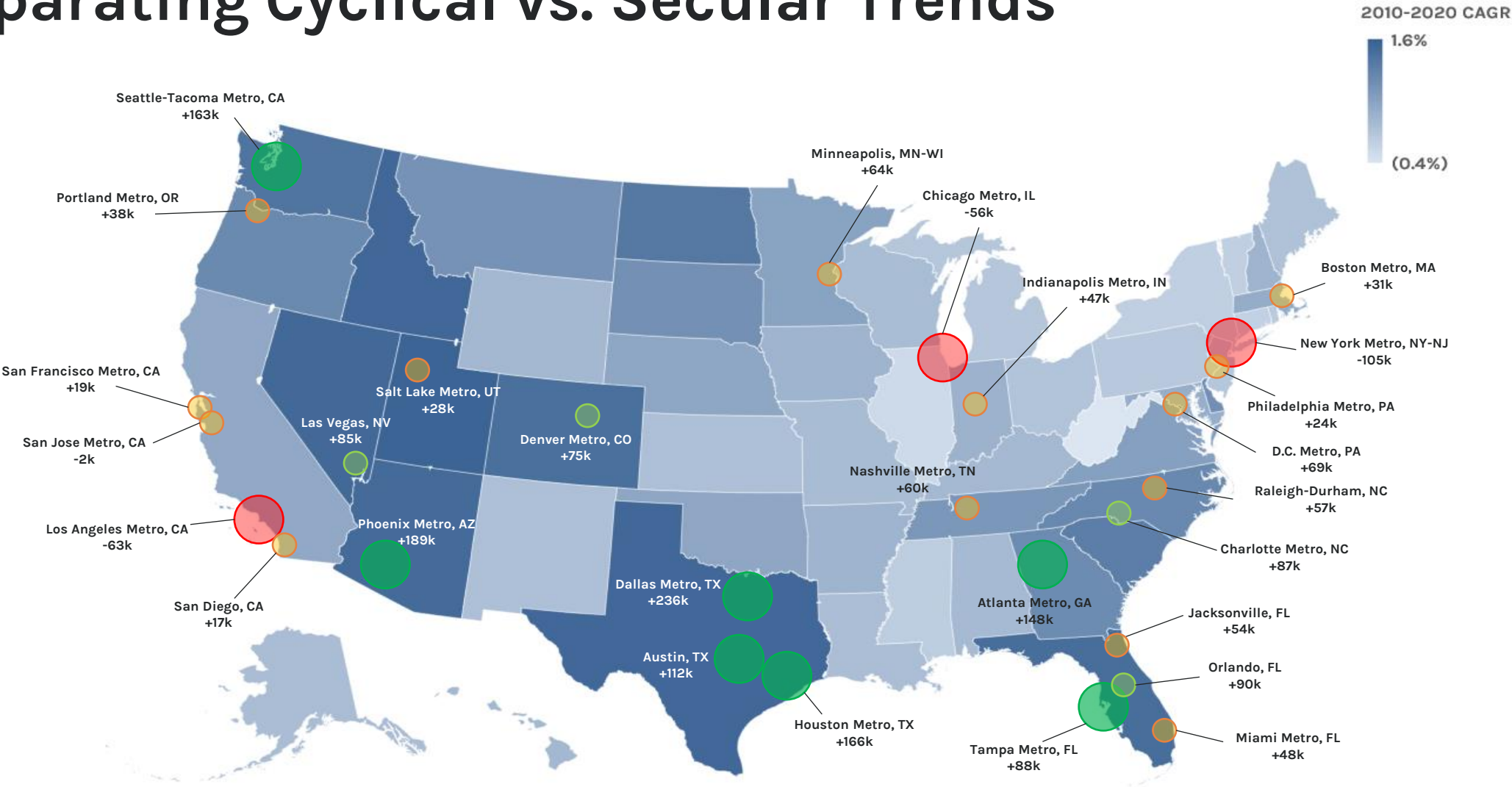
Rent Growth Concentrated in Sunbelt Markets

Several key markets for CPT, MAA maintained above-trend growth through the pandemic

Market-by-Market Y/Y Change in Median Multifamily Transacted Rents



Separating Cyclical vs. Secular Trends



Powered by Bing
© GeoNames, Microsoft, TomTom

For more information, contact us at:

sales@hedgeye.com
(203) 562-6500