



Multifamily Net Operating Income Growth Across the Country: Trepp's Preliminary Findings

Key Takeaways:

- Preliminary data show single-digit multifamily net operating income (NOI) growth, which may be a surprise when looking at the uptick in rent and the cost of living.
- The southeast and southwest regions outpaced the rest of the U.S. in terms of NOI growth.

If you were to open your favorite news source any day in the past year, it is likely that one of the headlines involved the multifamily sector. Whether due to rising rents across the country, exodus' from apartments and major urban centers, or the now skyrocketing demand for apartments in certain cities the multifamily commercial real estate has been the center of attention. The Trepp research team is adding to those headlines, by taking a deep dive into multifamily CMBS loan financials and putting some numbers behind the madness.

The Analysis

In this report, Trepp analyzed Freddie Mac loans for which net operating income (NOI), revenues, and expenses were reported for full-year 2020 and full-year 2021. Currently, only 25% of Freddie Mac multifamily loans have reported 2021 financials, making this preliminary research. Trepp will release a more in-depth report in the coming months which will take a deeper dive into the complete financials.

Trepp separated NOI, revenue, and expense changes geographically, diagnosing where changes to loan financials have been the most prominent. On the national level, NOI, revenues, and expenses all saw increases but a deeper analysis showed there was more to the story.

NOI Growth Across the Country

From the loans reported so far, nationally, NOI has grown approximately 4.01%. A deeper analysis of the data shows just how prominent NOI growth has been in the Mountain, Southeastern and Southwestern geographical regions. After states like Arizona (Mountain), Florida (South Atlantic), Texas (West South Central), Georgia (South Atlantic), and the Carolinas (South Atlantic) experienced a heavy influx of population growth thanks to the pandemic, the NOI changes we have seen are not surprising.

By state, the largest NOI changes for loans with more than \$500 million in investment were South Carolina (12.57%), Arizona (11.10%), Georgia (9.81%), Utah (9.81%) and North Carolina (8.41%). By region, the Mountain (8.57%), South Atlantic (6.84%), and Southeast Central (6.15%) regions all saw notable NOI growth.

On the other side of the spectrum, some states and regions did not fare as well in 2021. For states with more than \$500 million in investment, New York (-2.39%), Washington (-2.26%), and Missouri (-0.23%) all saw negative NOI changes. Regionally, Northwest Central posted the only overall negative NOI growth at -0.73% but both the Mid-Atlantic and Pacific regions saw NOI growth under 1%.

FIGURE 1: REGIONAL NOI CHANGES

NEW ENGLAND	MID-ATLANTIC	NORTHEAST CENTRAL	NORTHWEST CENTRAL	SOUTH ATLANTIC	SOUTHEAST CENTRAL	SOUTHWEST CENTRAL	MOUNTAIN	PACIFIC	NATIONAL
3.48%	0.68%	3.10%	-0.73%	6.84%	6.15%	2.50%	8.57%	0.84%	4.01%

Source: Trepp

FIGURE 2: NOI, REVENUE, AND EXPENSE % CHANGE

STATE	TOTAL LOAN BALANCE (\$MILLIONS)	NOI CHANGE	REVENUE CHANGE	EXPENSES CHANGE
AK	28.13	9.51%	9.52%	9.54%
AL	536.22	5.97%	4.66%	3.16%
AR	192.36	-21.78%	-14.67%	-8.08%
AZ	2,916.66	11.10%	9.16%	6.24%
CA	15,555.01	1.38%	2.53%	4.33%
CO	3,798.88	5.96%	6.11%	6.37%
CT	750.16	8.00%	6.59%	5.05%
DC	413.52	-8.86%	-7.79%	-6.71%
DE	234.39	12.99%	10.73%	7.16%
FL	8,156.43	8.04%	7.01%	5.77%
GA	2,884.71	9.81%	8.91%	7.89%
HI	157.77	3.58%	4.30%	5.67%
IA	253.88	-18.53%	-4.57%	6.91%
ID	180.74	9.48%	9.47%	9.45%
IL	2,226.83	2.54%	2.87%	3.24%
IN	728.61	7.19%	6.37%	5.62%
KS	409.56	2.52%	4.15%	5.78%
KY	389.01	8.32%	6.05%	3.77%
LA	309.63	1.03%	4.24%	7.51%
MA	1,320.52	1.74%	5.86%	11.58%
MD	4,023.87	3.51%	4.83%	6.49%
ME	788	12.70%	4.65%	-7.51%
MI	1,713.10	2.23%	4.05%	5.99%
MN	777.30	1.07%	3.01%	5.11%
MO	732.79	-0.23%	2.84%	6.12%

STATE	TOTAL LOAN BALANCE (\$MILLIONS)	NOI CHANGE	REVENUE CHANGE	EXPENSES CHANGE
MS	194.31	5.80%	6.54%	7.26%
MT	20.92	21.53%	11.66%	-0.59%
NC	2,118.28	8.41%	8.24%	8.01%
ND	34.48	-13.87%	-4.89%	3.74%
NE	247.54	4.26%	2.21%	0.34%
NH	149.93	-3.54%	2.90%	9.33%
NJ	1,327.44	1.67%	3.04%	4.61%
NM	485.93	9.77%	7.28%	3.75%
NV	2,388.65	8.10%	7.28%	5.93%
NY	2,768.57	-2.39%	0.65%	3.93%
OH	2,158.40	2.83%	3.95%	5.15%
OK	399.93	9.19%	8.75%	8.36%
OR	1,506.63	1.27%	2.78%	4.84%
PA	2,122.82	3.82%	4.11%	4.40%
RI	114.02	5.98%	6.52%	7.23%
SC	709.16	12.57%	9.23%	6.31%
SD	65.03	8.68%	8.04%	7.26%
TN	1,309.90	5.60%	6.18%	6.95%
TX	11,626.61	2.70%	4.43%	5.94%
UT	921.94	9.81%	7.63%	3.45%
VA	3,529.09	4.26%	4.40%	4.59%
VR	455.98	-3.28%	-1.89%	-1.38%
WA	3,133.16	-2.26%	0.56%	4.79%
WI	475.29	3.61%	3.96%	4.32%
WV	62.19	10.93%	8.86%	6.02%
WY	1.51	-7.00%	3.86%	14.92%

Source: Trepp

Revenue and Expense Changes

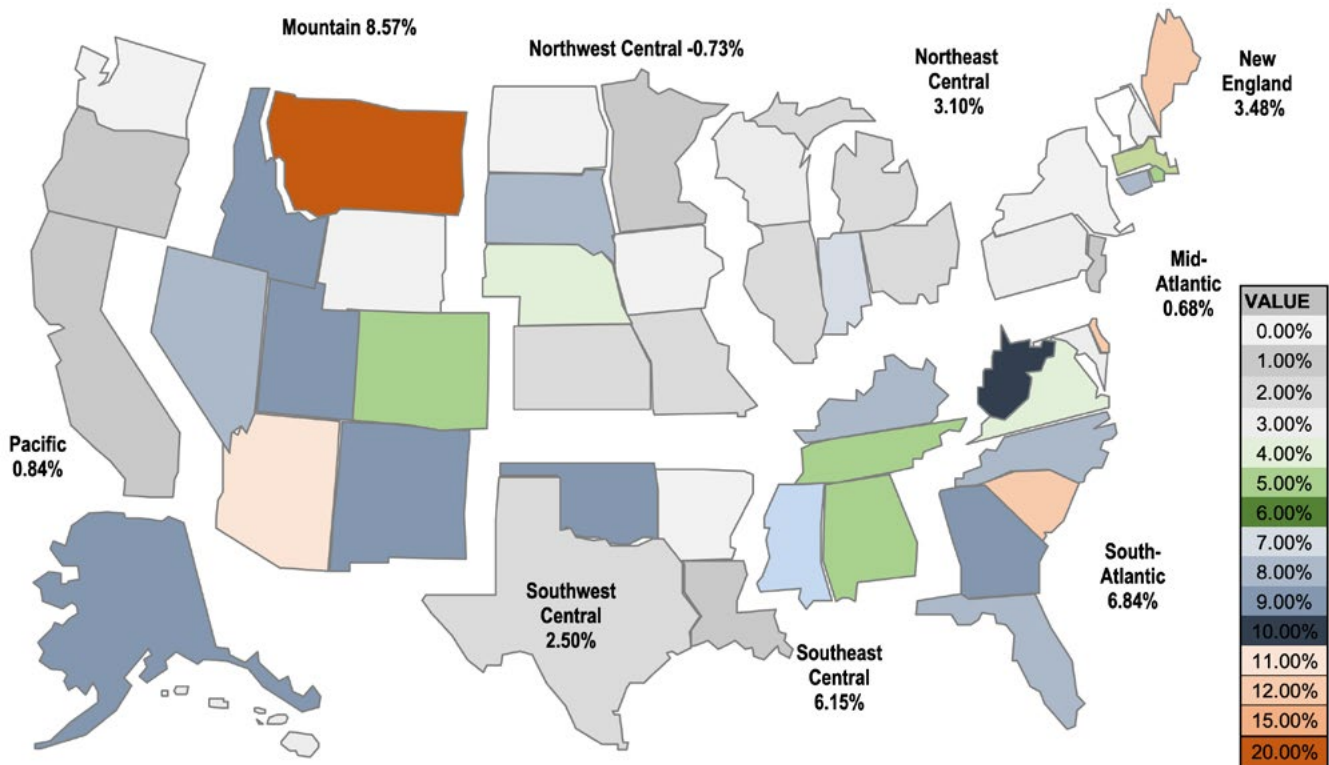
In line with the NOI changes, revenues saw a 4.48% growth year-over-year, while expenses rose 5.16%. At face value, it might seem like expenses rising at a faster rate than revenues would cause a downturn in NOI, but a deeper analysis shows that revenue is 2.16x expenses on average, meaning that if the two grow at a relatively even pace, like what occurred in 2021, NOI would continue to be positive.

What's to Come


Despite headlines of massive demand and growth in the multifamily sector, Trepp was not surprised to see only single-digit growth in NOI. Due to the fact that we looked at Freddie Mac (government-issued) loans, the majority of these properties are likely rent-stabilized and experienced organic rent growth that trickled down into the single-digit NOI growth that we have seen so far.

In the next report, Trepp will examine NOI changes across value-added propositions like CRE CLOs. This will likely show double-digit growth and provide a further breakdown of where there has been and will be opportunity in the sector.


FIGURE 3: NOI % CHANGE BY STATE (2020-2021)



Source: Trepp


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