

Yardi® Matrix Multifamily Monthly

March 2018



Rents Climb in March; Orlando Maintains Top Spot

- After being basically flat since last summer, U.S. multifamily rents rose \$4, to \$1,371, in March. Even so, growth dropped 10 basis points on a year-over-year basis to 2.5%, as rent acceleration did not keep pace with previous years.
- March's performance is decidedly mixed. It is encouraging to see rents growing at a time when the overall trend is toward deceleration. Rents had not moved more than \$1 in either direction since last July. On the other hand, first-quarter rent gains were weaker than previous years. Rents increased by \$5 and were up 0.4% in the first quarter. That's the smallest increase for a first quarter since 2011.
- After surpassing Sacramento last month, Orlando maintained its lead atop the metro rankings, which are dominated by warm-weather metros with surging demand.

Multifamily rents in March produced their best performance since last summer. Average U.S. rents increased by \$4, which has to be a relief to an industry wondering whether the positive growth cycle has run its course—or if it hasn't, then how much steam is left. Rents have decelerated since peaking at a 5.4% year-over-year growth rate in early 2016. The average national rent was the same in February as it was in July 2017.

With mounting concerns over peaking supply, declining occupancy rates and affordability issues in many metros, it is natural to wonder whether flattening growth since last summer was a natural seasonal pattern or if rents would remain flat for an extended period. Some 620,000 units have been added to total stock over the last two years, resulting in a 100-basis-point drop in occupancy.

Although the questions about growth are far

from settled, the \$4 increase in March is encouraging. Gains are led mostly by secondary and tertiary metros—Orlando (7.0%), Las Vegas (5.2%), the Inland Empire (4.4%), Phoenix (4.3%) and Tampa (4.2%) were among the top six—experiencing healthy demand due to strong late-stage economies and affordable housing costs. What's more, national average rent growth has settled around 2.5%, ranging between 2.3% and 2.7% for 14 straight months. It wouldn't surprise us if it remained in that range for another 14 months.

The next few months will be telling, however. Rent growth in the first quarter was weak compared to the first quarter of recent years. Gains averaged 1.0% in the first quarter of the last three years. We would expect growth to continue over the next quarter, though. And we expect it to remain concentrated in metros with migrating jobs and population.

National Average Rents

