

Yardi® Matrix

Multifamily National Report

July 2018



Healthy Demand Lifts Multifamily Rents Amidst Supply Growth

- The multifamily market continues to demonstrate steadiness, as average U.S. rents rose \$3 in July to an all-time high of \$1,409. Year-over-year, rents are up 2.8%, down 10 basis points from June.
- Rents are up \$41, or 3.0% year-to-date, which is in line with growth figures during the same period in recent years. That's encouraging because it once again shows that the expansion has not run out of steam despite headwinds of increased supply and affordability issues.
- Growth continues to be led by secondary markets in the throes of strong late-cycle economic performance.

Buoyed by strong second-quarter economic growth and healthy demand, multifamily rents advanced again in July. One could say the market is experiencing typical summer growth, a good sign considering the length of the cycle, which has some worried that the party might be nearing its end.

Recent numbers may show otherwise, however. Rent increases are healthy almost across the board, led by growing secondary markets that include Orlando (6.9%), Las Vegas (5.8%), the Inland Empire (5.5%) and Phoenix (4.9%). The strength is extended to technology centers such as San Jose, Seattle, San Francisco, Boston and Portland, which have been among the leaders in rent gains over the past three months.

Highlighting the market's performance is the 20-basis-point increase in the occupancy rate (to 95.3%) among stabilized properties year-to-date.

Metros such as Dallas, Charlotte, Nashville and Denver have improved their occupancy rates despite copious amounts of new supply. With deliveries in their third year of cycle peaks, the increase in occupancy rates demonstrates the resilience of apartment demand.

Economic conditions remain favorable for the multifamily industry, especially in secondary markets that are leading the nation in employment growth. Domestic migratory patterns are also driving demand in key markets in Florida and the Desert Southwest. Households received an income boost via the 2017 tax reform package, which has allowed many to afford higher rents. However, economic headwinds are mounting in the form of tariffs and a lower bound to the unemployment rate. We anticipate continued steady growth for the apartment sector, but supply and macroeconomic challenges will likely limit outsize growth.

National Average Rents

