

Yardi® Matrix

Multifamily National Report

August 2018



Occupancies, Rents Rise in Resilient Multifamily Market

- Buoyed by the strong economy and continued healthy demand, average U.S. multifamily rents rose \$2 in August to \$1,412, up 3.1% year-over-year and 10 basis points from July. Rents have grown steadily all year, and have reached record highs seven months in a row.
- The sector's performance is highlighted by rising occupancy rates in the face of robust supply growth. Since January, the occupancy rate for stabilized properties has increased 25 basis points—particularly impressive, considering that 2018 is on pace for a third straight year of some 300,000 new units.
- Growth continues to be led by metros in the South and West, which occupy the top nine spots in the ranking.

How much time is left in the commercial real estate cycle is a topic of much discussion. There are few modern examples of cycles that last more than eight years, so every quarter the market goes without a downturn seems to be tempting fate in the eyes of many observers.

The multifamily market, however, shows no signs of nearing the end of its cycle. While it might be overstating the case to say that the sector is picking up steam, August rent data indicates that deceleration no longer seems to be an accurate term for the state of the market.

Thus far in 2018, occupancy rates for stabilized properties have increased by 25 basis points in the face of heavy supply growth. Meanwhile, rent growth on the national level has gradually increased to 3.1% year-over-year, the highest it has been since January 2017. Rents have risen steadily since bottoming at 2.2% in September 2017. That sure doesn't look like a market in the throes of deceleration. But can it continue?

The numbers indicate that the multifamily market is being driven by strong fundamental metrics. The economy is on track to add about 2.5 million jobs in 2018 amid low unemployment and slowly increasing wage growth. Combined with other factors, such as the secular increase in the number of renter-age young adults and urban migration, the growth of new renter households seems poised to continue.

That demand—which is helping to prop up occupancies and fuel rent growth—looks to have some staying power. We remain cautious about how much rents can increase; the upside is limited by supply growth in many metros and how much renters can afford. Yet the outlook seems to justify confidence in the sector. Investors continue to pour money into multifamily assets, with at least two major institutions in recent months pledging \$2 billion for acquisitions. That has helped acquisition yields to stay steady, despite the upticks in interest rates over the past year.

National Average Rents

