

YARDI

2018 Multifamily Market Update

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The Yardi Matrix View- A Sharpshooter's Game Short-Term, Back to Intellectual Hubs Longer-Term

So what's different from the last time we spoke?

- **<u>U.S. economy is in VERY good shape</u>**
  - GDP/Employment up and growth is humming >3%, but appear to be leveling out at this growth rate
  - Trade and immigration policies appear to be driving the downshift in the pace of growth
  - Oil Prices Up => $70/bbl – will stay high ($80/bbl?) for what looks like 18-24 months – Iran/Venezuela/Saudi/Russia impacts
    - As a meaningful producer, not a clear negative anymore, positive for the Oil Patch
  - Wages rising ~2.6% and labor market tight – people being pulled off the sidelines
  - Inflation rising, but unlikely to break 2.5%; Short-Term interest rates up, 10 Yr range with 3% to 3.5%; Watch Yield Curve!

- **<u>Multifamily market faces increasing Cross-Winds:</u>**
  - Demand (Jobs/Population) is strong, but shifting to lower cost cities; and homeownership rate is/will gradually rise
  - Financing costs up – find situations where change in NOI outruns impact of increasing rates
  - Multifamily Capital is abundant – debt and equity – acquisition and development – cap rates steady, spreads compressing
  - New Supply deliveries are weighing down on several markets, and the level of new supply is flattening but not declining