Yardi® Matrix

Multifamily National Report

December 2018

Multifamily: Calm Amid the Storm

- U.S. multifamily rents remained at $1,419 in December, and year-over-year growth was 3.2%, also unchanged from November. Rent growth has been flat since the summer.
- 2018 proved to be a solid year for the multifamily sector, and 3.2% rent growth slightly exceeded going-in expectations. Despite the recent volatility in the financial markets, we foresee more of the same in 2019, with strong demand producing rent growth just shy of 3% nationally.
- Las Vegas (7.3%), Phoenix (6.5%) and the Inland Empire (5.5%) are the Top 3 metros, highlighting a trend of outperformance among secondary markets. Rent growth in 2019 will again be led by metros in the Southwest, West and South regions.

The multifamily sector just wrapped up its eighth straight year of robust performance. Since January 2011, rents nationally have increased by 31%, while annual rent growth has been at least 2.9% in every year save 2017. Rent growth has topped 3% in six of the last eight years.

That's impressive performance, but it also breeds worry that the cycle has extended almost as far as it can. Real estate rarely has performed so well for so long. That said, there are reasons to believe multifamily fundamentals will remain vigorous in 2019 and beyond.

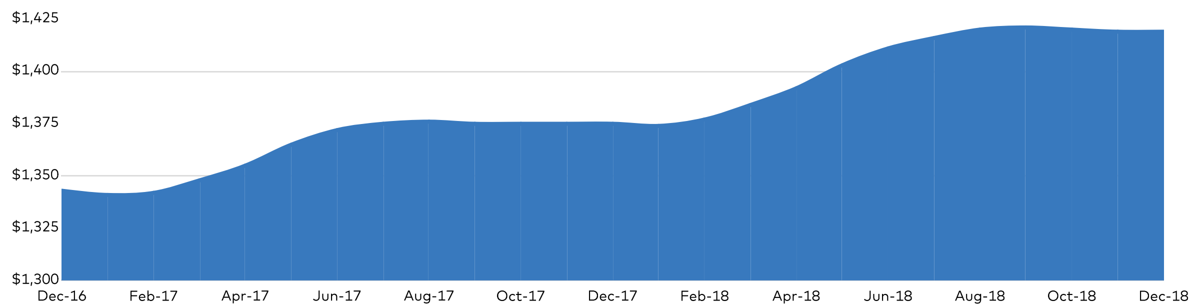
The chief reason is that the strong demand underpinning the sector's success shows no signs of letting up. Since the beginning of the run in 2011, some 8.9 million households have formed in the U.S., an annual average of 1.1 million. And the number of prime renter-age individuals is expected to grow for another few years.

Meanwhile, job growth remains robust, and social factors—such as student loan debt that limits first-time homebuyers, families remaining renters longer, and retirees downsizing and moving into rentals—are also likely to maintain demand for multifamily.

Multifamily could be taking a trajectory much like hotels, which have had nine consecutive years of above-trend revenue growth. Hotels benefit from business profitability and travel, but also from lifestyle changes that lead individuals to spend more on experiences.

The biggest obstacle to rent growth remains the supply pipeline, as the market approaches another year of about 300,000 deliveries. Submarkets in the urban cores of secondary markets including Dallas, Denver and Nashville, are likely to see growth stymied in the short term.

National Average Rents



National averages include 127 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by YardiMatrix.