

Yardi® Matrix

Multifamily National Report

March 2019



Steady First Quarter for Multifamily

- U.S. multifamily rents increased by \$4 in March to \$1,430. However, year-over-year growth dropped by 20 basis points to 3.2%, as rent growth was slightly less than the same period in 2018.
- Nationally, rents were up 0.4% in the first quarter. The numbers demonstrate consistent growth, although not as strong as other first quarters in recent years. For example, rents grew by at least 0.8% in the first quarter between 2014 and 2016. Still, the market's consistency remains a point in its favor.
- Las Vegas (7.5%) and Phoenix (7.2%) continued to top the nation's growth in March on a year-over-year basis. Rent growth remains strong across the board, with Kansas City and Houston the only metros in our ranking that saw gains below 2.0% in March.

For multifamily, it's a small world, after all. Well, at least lately.

As the market's cycle advances, rent increases are dominated more and more by secondary and tertiary markets that are producing a disproportionate share of economic and population growth, and where rents are low enough that they can be raised without overly burdening tenants.

Metros in our top 30 with year-over-year growth of 4.0% or more include Las Vegas, Phoenix, Atlanta, the Inland Empire, Sacramento and Austin. Smaller metros with gains of 5.0% or more include Reno, Tucson and Tacoma. Metros with rent growth of 0.3% or more on a trailing three-month basis are Raleigh, Phoenix, the Twin Cities, Kansas City and Las Vegas, all relatively small markets.

What those markets share is above-trend job and/or population growth that has stimulated demand for multifamily. That has helped rents

to rise steadily even where there is healthy supply growth. Austin, for example, has added 4.0% to its total stock in the past year, while the Twin Cities metro is up 3.1% and Raleigh 3.0%. Rents in some high-growth markets (Sacramento and the Inland Empire are examples) do benefit from weak new supply. But markets can prosper despite a heavy supply pipeline if conditions—particularly demand and cost factors—are otherwise healthy enough.

To be sure, bigger markets are not performing poorly—not even close. San Francisco (3.9% year-over-year) and Los Angeles (3.4%) are seeing rent growth above the 3.2% national average, and primary metros Boston (3.1%), Chicago (2.7%) and Washington, D.C. (2.5%) are not far below it.

The dynamics continue to be healthy almost everywhere. That gives investors a choice between potentially higher growth and higher yields in faster-growing, less-liquid markets, or slower, steadier growth in larger, more liquid markets.

National Average Rents

