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# National Multifamily Report

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June 2020



## Sharp Declines in Rent During the First Half of 2020

- U.S. multifamily rents decreased by \$2 in June, falling to \$1,457, continuing the four-month trend of declines. Year-over-year growth turned negative for the first time since December 2010, falling to -0.4%, a 70-basis-point decline from May.
- Average U.S. rents declined by 0.8% in the first half of 2020 and 0.4% in the second quarter. This is a stark contrast from 2.6% rent growth in the first half of 2019 and 1.2% growth in the second quarter. Rent growth typically slows down in the second half of the year, but we could see a reversal of that trend if the fall becomes the new leasing season.
- West Coast and tech hub markets were among the hardest hit in the first half of 2020. Since the beginning of the year, rents are down 4.6% in San Jose and 3.8% in San Francisco.

The year started off strong, with 3.0% year-over-year rent growth in January and 2.9% growth in February. It looked like 2020 was shaping up to be another year of steady growth, albeit late in the economic cycle. The devastating effect of COVID-19 on the economy that began in March would have been impossible to predict at the beginning of the year.

Rents declined by \$2 in June, falling to \$1,457. Since January, U.S. multifamily average rents have declined by \$12. A few months ago, many were hopeful that economic expansion would return by July, but with a rise in cases in many southern states, the economic recovery will likely be pushed out further than many initially hoped.

Early indicators are pointing to an exodus from many densely populated urban centers. It remains to be seen whether there will be a long-term decline in demand in gateway markets—and therefore a long-term decline in rents—or whether this

is a pandemic-induced trend and we will see a return to major cities once there is a vaccine.

On the contrary, many Midwest markets have fared relatively well. Since January, rents in Indianapolis and the Twin Cities have grown by 0.8% and 0.7%, respectively, and rents in Kansas City have increased by 1%. These markets have significantly lower population densities than gateway cities and therefore remain attractive, considering social distancing requirements and work-from-home policies.

June 2020 rent collections were in line with June 2019 collections. July 2020 collections are, so far, about 2% below July 2019 collections, but nothing to be concerned about yet, with 87.6% of apartment households paying some form of rent by July 13. This is the final month of the extra \$600 per week in unemployment benefits, unless they are extended. August rent collections will be a good indicator of the financial situation for many.

### National Average Rents

