Yardi® Matrix

U.S. Multifamily Outlook

Summer 2021

Multifamily Emerges Strong From the Pandemic

Rent Growth Surges Nationally

Gateway Markets Rebound

Capital Providers Favor Apartments

Market Analysis

Summer 2021

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Conditions Ripe for Strong Second-Half Performance

- Multifamily has emerged from COVID-19 in an extremely strong position. While the pandemic had a negative impact on demand and performance, particularly in urban core submarkets, on a national level rents in most metros remained positive. Pent-up demand and the recovering economy have produced robust rent growth this spring.

- The U.S. economy is growing at its fastest rate in decades, as progress with the COVID-19 vaccine has allowed people to resume normal activities. The huge uptick in savings during the pandemic and federal stimulus—combined with pent-up demand for restaurants, travel and entertainment—has turbocharged growth. Potential headwinds include rising inflation and whether employers can find enough workers.

- Fueled by robust demand, rent growth came roaring back in the first half of 2020. Some 174,000 units were absorbed nationally through May, putting 2021 on track to be among the hottest years since the 2008 recession. Eye-popping second-quarter growth put asking rents up 6.3% year-over-year as of June. Many secondary markets continued to post dazzling increases, and gateway markets such as New York and San Francisco are rapidly rebounding from the pandemic.

- New supply, which dipped only moderately during the pandemic, is expected to bounce back to about 334,000 units in 2021. Solid growth is almost across the board in fast-growing secondary metros such as Dallas and Phoenix, tertiary metros such as Northwest Arkansas and Wilmington, N.C., and gateway metros like Miami and Boston. The rising cost of materials is complicating the pipeline and could lead to a slowdown in starts.

- Capital markets remain one of the strongest aspects of the multifamily business. Buoyed by the optimistic demand expectations, stability of income and high returns relative to other investment segments, investors have flocked to multifamily. Also helping matters is the liquidity in the debt markets, with a bevy of lending options led by Fannie Mae and Freddie Mac, CMBS, life companies and private equity lenders. Loan coupons are near all-time lows.