YARDI MATRIX
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US MULTIFAMILY OUTLOOK

Spring, 2015

Bull Run for Apartments Continues

Payroll Growth Fuels Demand

Rent Gains Strong in West

Market Analysis

Spring, 2015

Contacts
Paul Fiorilla
Associate Director of Research
Paul.Fiorilla@Yardi.com
(800) 866-1124 x5764

Dana Seeley
Senior Research Analyst
Dana.Seeley@Yardi.com
(800) 866-1124 x2035

Jack Kern
Director of Research and Publications
Jack.Kern@Yardi.com
(800) 866-1124 x2444

Executive Summary

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Rents in the U.S. have been growing at a torrid rate for several years, up more than 20% since 2010, as absorption has far outstripped demand. Can the market continue to fire on all cylinders? We think so, at least for the next one to two years. Our forecast calls for the positive economic and fundamental environment for multifamily to continue throughout 2015. Demand is strong, capital market forces are robust and the US economy is in a "Goldilocks" pattern, growing fast enough to create jobs but not fast enough to bring about inflation and higher interest rates.

We expect absorption to remain strong this year, mainly because job growth will continue at its 2 million-plus pace. Segments such as technology, health care and consumer spending should remain robust and the overall economy should benefit from reduced energy prices. Demographics will also remain favorable. Coming after a six-year period of weak household growth on the heels of the recession, more than 2 million households were formed in 2014 – the most in three decades. With so much pent-up demand, particularly from young adults who are moving out of their parents' homes, we expect household formations will remain high over the next couple of years. What's more, homeownership continues to be out of reach for many who lack sufficient income or good enough credit ratings to meet banks' stringent requirements.