

Yardi Matrix Viewpoint

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A Word from Jeff Adler Vice President, Yardi Matrix



As leaves fall to the ground and the end of another year is in sight, it appears that the economy and the real estate market have steadied. Property values seem to be high and a bit stagnant, and real estate fundamentals are solid if unspectacular. New supply, which has slowed throughout the year and will come in slightly above 2016 levels, has led to decelerating but stabilizing multifamily rent growth. Valuations have plateaued as transaction activity has declined compared to 2016. Job growth and inflation are positive, yet domestic output remains slow and steady.

That said, there are very promising signs on the horizon, especially for multifamily players. Long-term demographic tailwinds will overpower short-term supply and affordability headwinds, as the Millennial population will sustain housing demand for years to come. Retiring Baby Boomers will downsize, and many will turn to renting as they elect a more flexible lifestyle. Long-term interest rates seem poised to remain low for the foreseeable future, providing ample financing options for investors across the real estate industry.

One trend we think will continue to show promise is the increased importance of mixed-use and flexible space, specifically in urban cores. Restaurants are leasing out space as offices, new developments are designed for both commercial and residential purposes, and retail is rapidly becoming more experiential. Blended real estate, where one property serves a wide variety of needs and users, will likely be a focus for developers, investors and property managers alike.

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MULTIFAMILY

