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Yardi® Matrix

U.S. Multifamily Outlook

Spring 2018

Performance In an Aging Cycle

South, West Lead Nation in Rent Growth

Construction Hitches Push Supply into 2019

Investors Look To Place Equity, Debt

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Market Analysis

Spring 2018

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Multifamily Still Solid, But Worries Mount as Cycle Ages

Despite a fair number of headwinds that include decelerating rent gains, growing supply, the advanced age of the economic cycle and the increase in interest rates, the multifamily market remains in a healthy state. Overall demand continues to be bolstered by positive demographic drivers and the consistent growth in jobs that has kept the nation near full employment.

With no signs that the economy is about to slow down, the apartment market is in a good spot, although the heady days from earlier in the cycle are past. We expect U.S. rent growth will remain moderate overall, led by growing Southern and Western metros in which supply growth has not gotten too far ahead of demand.

Economy: The economy remains healthy and growing.

- GDP growth clocked in at 2.3 percent for 2017 and first quarter 2018.
- More than 200,000 jobs have been added per month thus far in 2018.
- Consumers are confident, as tax cuts will increase income, despite stagnant wage growth.
- Long-term fiscal issues are a likely result of short-term benefits.

Rents: Supply/demand fundamentals and the steady economy point to solid rent growth in most metros.

- Rents are forecast to increase 2.9% nationwide in 2018.
- The fastest rent growth is in late-stage markets in the South and West.
- Affordability and new deliveries prevent increases from being higher.

Supply: Deliveries continue, but have begun to plateau after topping 300,000 in 2016 and 2017.

- Roughly 625,000 units are currently under construction.
- Completions are likely to remain in a range similar to the last few years.
- Development has been slowed by construction delays due to worker shortages and rising materials costs.

Capital Markets: Commercial real estate continues to thrive on an overabundance of capital flowing into the industry.

- Institutions remain attracted to healthy dividends.
- Money is flowing as much as ever into debt and equity funds, although developers are beginning to show hesitation due to rising costs.
- Due to steady cash-flow history, multifamily remains a favored class within the industry.