YARDI® Matrix

## RESEARCH

# Multifamily's Robust Demand

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# Boomers to Lead Robust Multifamily Demand

The apartment sector has flourished in recent years as the U.S. economy has rebounded from the global financial crisis, leading occupancies, rents and property values to soar. New supply, which bottomed during the credit crisis, has bounced back to historical averages, prompting concerns that oversupply is rearing its ugly head. However, based on an analysis of economic, demographic and social trends, we believe that those fears are unjustified. By and large, the results of the analysis point to outsize growth in renter demand over the next decade and possibly beyond.

Much of the increased demand has been attributed to the now-familiar story of the Millennials, the 80-plus million-strong cohort that is growing into prime renter age and increasingly moving into urban apartments. Millennials will continue to be a key component of multifamily demand in coming years, even as they start to age out of the 20- to 34-year-old prime renter cohort. Less noticed, however, is the increase in demand coming from the other end of the age spectrum, the Baby Boomers, who are now in their 50s and 60s. Based on demographic and social trends that are likely to continue, today's Boomers will be a key driver of demand for apartments—whether traditional multifamily, single-family rentals or age-specific senior housing—going forward.

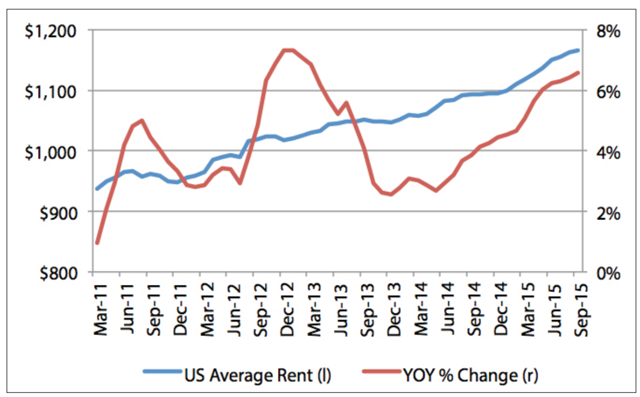
## Current Cycle

The U.S. multifamily market is in a sweet spot. Occupancies are at or near all-time highs in most markets. Rents are rising at almost unprecedented levels. According to Yardi Matrix, rents in the U.S. rose a cumulative 20.2% between January 2011 and September 2015 and are not showing signs of slowing down. In fact, rents climbed 6.8% year-over-year as of September 2015, the fastest rate on record during the current market cycle. Elevated renter-household formation on the heels of several years of weak supply has been the primary force behind rent growth. Vacancy rates are at or near all-time lows in most markets, and it will take more than a year or two of heavy supply to change the supply-demand dynamic.

Property values are also soaring, as apartments have outperformed all other commercial real estate segments. As of August 2015, U.S. multifamily property values were up 114% from the January 2010 trough and had eclipsed the last peak in December 2007 by 33%, according to the Moody's/RCA Commercial Property Price Index (CPPI). For perspective, prices in other core commercial property sectors increased 84% since the trough and are only 8% above the most recent peak.

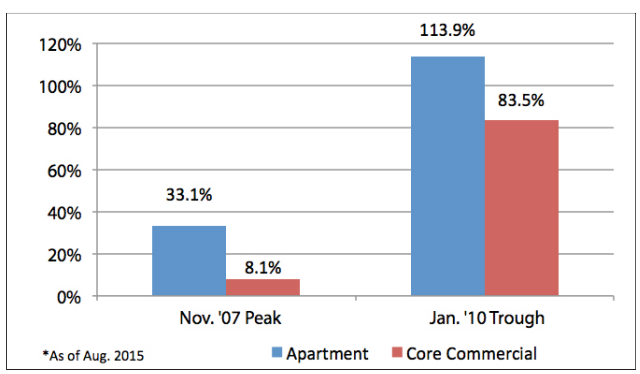
The apartment sector's strong performance reflects a variety of trends, including the desire of global

**Average U.S. Multifamily Rent**




Source: YardiMatrix

**Change in Value: Apartment vs. Core Commercial***




Source: Moody's/RCA CPPI