Yardi® Matrix

Multifamily National Report

October 2018

Sizzling Rent Growth in the Southwest

- U.S. multifamily rents were flat for the second straight month in October, dropping $1 to $1,420, while year-over-year growth was unchanged at 3.3%.
- Nationally, rent growth is hitting its seasonal slowdown phase, but there is a wide discrepancy in metro performance. Rent gains have accelerated over the last three months in warm-weather markets that include Las Vegas, Phoenix and Atlanta, while Seattle, Boston and San Jose have cooled off.
- We expect that the full-year rent increase for 2018 will remain near the year-to-date figure of 3.3%, with occupancy rates stable at current high levels.

The people have spoken, and the results of the midterm elections indicate there will be change in the political landscape with the Republican-run House flipping to Democrats, who will now have the power to write the federal budget and act as a brake on the Trump administration. Several state governorships also changed parties as a result of the election.

Whatever the resulting change in policy, there doesn't appear to be much change in the performance of the multifamily market. Rent growth nationally is consistently in the low-3% range, with occupancy remaining stable despite the growth in supply. The market's groove will be hard to knock off course as long as employment and wage growth maintain their current path.

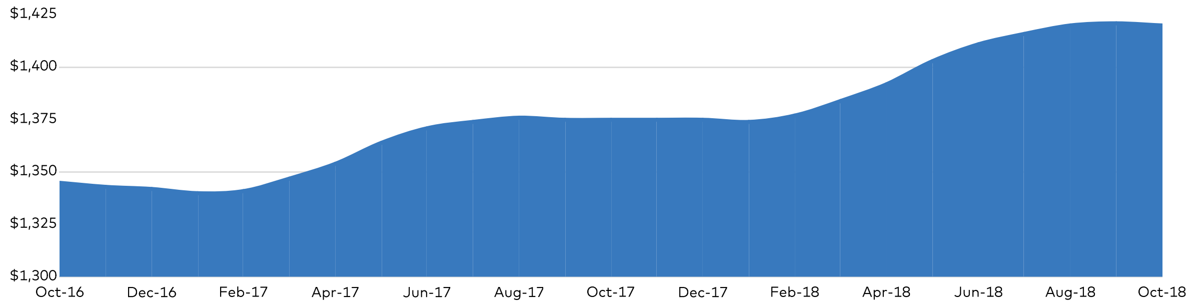
The strong gains are led by Southwest markets Las Vegas and Phoenix, both of which have seen strong acceleration since the beginning of the year. Las Vegas leads U.S. metros with 7.4% year-over-year growth through October, up from 5.8% in January, while Phoenix rose to 7.0% in October from 4.0% in January.

Both markets benefit from their long-term population shifts and healthy job growth. Affordability and the impacts of 2017 tax reform have positioned Las Vegas to benefit from the outmigration of people and businesses from California and other high-cost regions. Phoenix is attractive due to its weather, while its economy increasingly attracting a diverse set of businesses.

The strength of the national market is demonstrated by the fact that rent growth is less than 2% in only a handful of metros, and the lowest is Houston at 1.6%. No market is even remotely in trouble.

Short-term trends show that some metros have had recent rent decreases concentrated in the high-end segment. Boston (-0.7%), Seattle and San Jose (-0.6%), Chicago (-0.5%), and Portland and Washington D.C. (-0.4%) saw declines in Lifestyle rents on a trailing-three month basis. Those losses can be primarily attributed to an increase in deliveries of luxury units.

National Average Rents



National averages include 127 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by YardiMatrix.