Yardi® Matrix

Multifamily National Report

November 2018

Rents Cool With Onset of Cold Weather

- U.S. multifamily rents fell by $2 in November, dropping to $1,419, while year-over-year growth fell by 10 basis points to 3.1%. Rents are down $3 from the peak of $1,422 in September.
- The small decline can be chalked up to normal seasonal fluctuation. Demand has remained strong as the occupancy rate has stayed stable for the last six months despite the growth in supply in many metros.
- Rent growth continues to be strongest in the West, Southwest and Southeast. Las Vegas and Phoenix have the highest rent growth, and five of the top 10 metros are in California.

2018 is shaping up to be another solid year for the multifamily market. Rent growth for the year is 3.1%, which slightly tops our estimate—and those of most market prognosticators—coming into the year. U.S. multifamily rents have stalled in the fourth quarter, but that reflects a typical seasonal pattern.

Demand continues to be the main driver. U.S. household formation is running at roughly 1.5 million per year, helping fill the 300,000 multifamily units of new supply. Occupancy rates of stable properties have remained above 95.0% for more than two years.

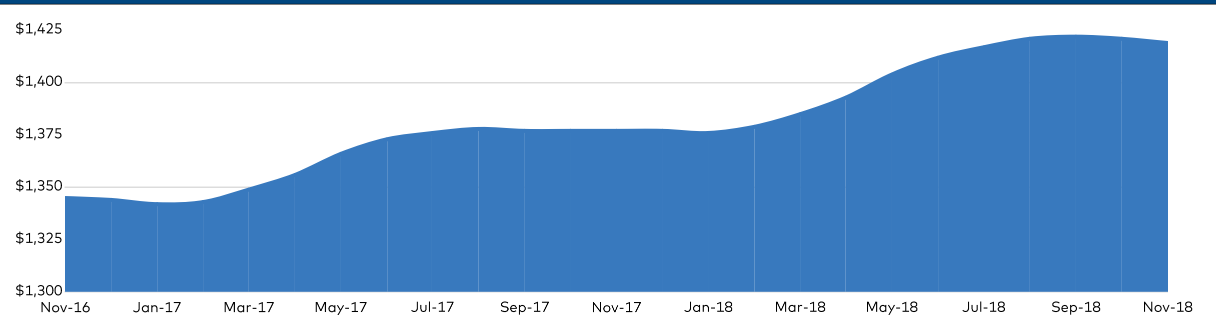
Robust job growth and a long-term population shift have propelled warm-weather and West Coast metros. Las Vegas (7.4% year-over-year) and Phoenix (6.6%) have the highest rent growth, while Atlanta (5.4%), Orlando (5.2%) and Tampa (3.9%) are all among the top metros.

Despite the brush with rent control (which failed to win a referendum in the November election) and increasing problem with affordability, rents continue to march upward in California. The Inland Empire (5.4%), San Jose (5.0%), Los Angeles (4.2%), San Francisco (4.0%) and Sacramento (3.8%) are all among the top 10 metros in rent growth. Job growth ranges between moderate and robust in those metros, but the big issue in most of the state is supply; California desperately needs new stock to house the number of people that want to live there.

The five California metros in the top 10 for rent growth all are among the bottom seven in deliveries as a percentage of stock. Sacramento and the Inland Empire are growing at less than 1% per year, while San Francisco, San Jose and Los Angeles are adding less than 1.5% to stock per year.

It's a testament to the economy's strength that most of the metros with the highest supply pipelines are maintaining occupancy rates and moderate rent growth. That includes Nashville (6.5% supply growth, 2.6% rent growth), Austin (5.0%, 3.5%), Denver (4.9%, 2.8%) and Miami (4.2%, 3.4%). On the flip side, Houston's rent growth lags at 1.3% despite healthy job creation numbers.

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.