Yardi® Matrix

Multifamily National Report

February 2019

Multifamily Growth: No Signs of Slowing

- U.S. multifamily rents rose $2 in February to $1,426 and year-over-year growth remained at 3.6%, as January was revised upward from 3.3% to 3.6%. Annual growth is the highest it has been since late 2016.
- Rent growth has steadily increased since bottoming at 2.2% in the fall of 2017. The consistent growth is a sign of the strength of the sector's fundamentals and an indication that the cycle has a ways to run.
- Phoenix (8.0%) has taken over the top spot in the rankings, edging out the former leader, Las Vegas (7.9%). Sacramento, Atlanta and the Inland Empire also have year-over-year growth topping 5.0%. Portland, Kansas City and Houston are the only metros below 2.0% growth year-over-year.

The staying power of the cycle is a major concern in a market that has had an unusually long run without a downturn. Multifamily, however, continues to defy those worries, and the latest numbers are evidence that the market has strength to perform well for a while, even if the economy or other commercial real estate segments slow down.

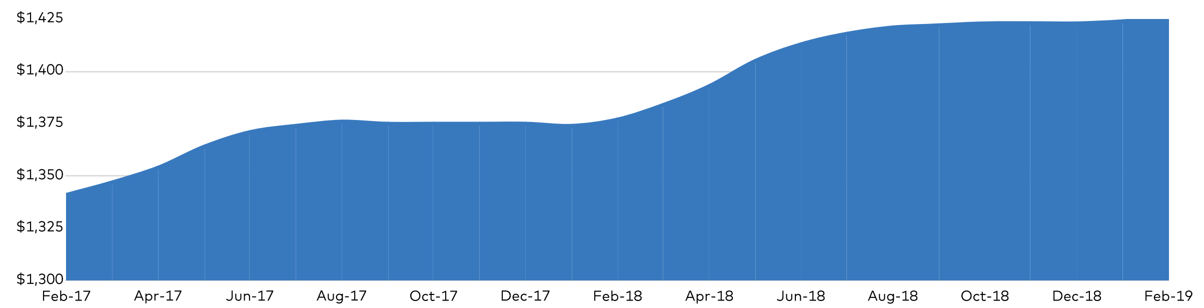
Multifamily rent growth accelerated through the first stage of the recovery, peaking in 2016 in the mid-5% range. The growth made sense coming on the heels of a housing supply gap—demand rose sharply as the economy recovered, while new supply of all housing (single- and multifamily) dropped by more than half coming out of the financial crisis. Rents then decelerated for more than a year to a low point of 2.2% in late 2017 as supply and demand came more into balance.

At that point, it looked like rents could remain in the 2% range, since multifamily supply has reverted roughly back to pre-crisis levels and demand was expected to level out. Instead, the market has slowly rebounded, with the growth rate climbing up to 3.6%. And it looks as if the optimistic outlook is coming to pass. Demand has shown no signs of slowing, as the job market has remained very strong, with unemployment below 4% and wage growth accelerating to more than 3%.

Metros with strong population gains and healthy job growth have benefited the most from the demand picture. Phoenix and Las Vegas are well above the rest, with growth dominated by Southwest and West Coast markets. Other top rent growth markets—such as Sacramento and the Inland Empire—are near the top due to the combination of robust demand and weak supply growth.

The market is just about to enter the part of the year where most of the annual rent growth typically occurs. All signs point to this year being no different. Occupancy rates have ticked down slightly, but absorption has been no problem.

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.