Yardi® Matrix

Multifamily National Report

March 2019

Steady First Quarter for Multifamily

- U.S. multifamily rents increased by $4 in March to $1,430. However, year-over-year growth dropped by 20 basis points to 3.2%, as rent growth was slightly less than the same period in 2018.
- Nationally, rents were up 0.4% in the first quarter. The numbers demonstrate consistent growth, although not as strong as other first quarters in recent years. For example, rents grew by at least 0.8% in the first quarter between 2014 and 2016. Still, the market's consistency remains a point in its favor.
- Las Vegas (7.5%) and Phoenix (7.2%) continued to top the nation's growth in March on a year-over-year basis. Rent growth remains strong across the board, with Kansas City and Houston the only metros in our ranking that saw gains below 2.0% in March.

For multifamily, it's a small world, after all. Well, at least lately.

As the market's cycle advances, rent increases are dominated more and more by secondary and tertiary markets that are producing a disproportionate share of economic and population growth, and where rents are low enough that they can be raised without overly burdening tenants.

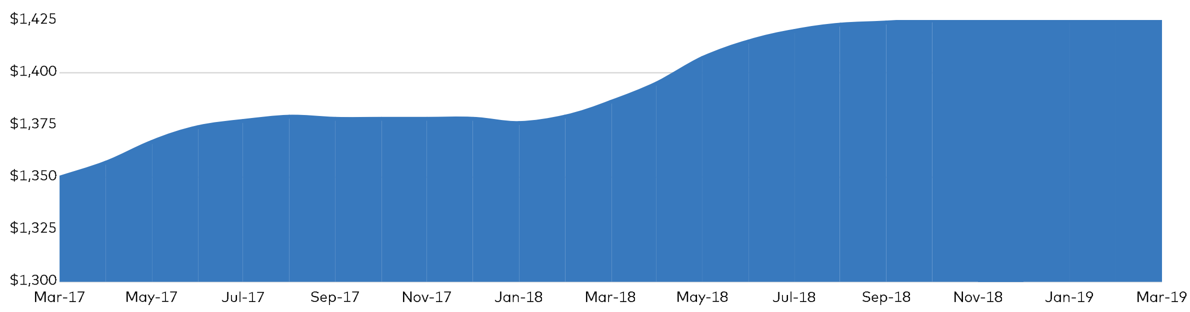
Metros in our top 30 with year-over-year growth of 4.0% or more include Las Vegas, Phoenix, Atlanta, the Inland Empire, Sacramento and Austin. Smaller metros with gains of 5.0% or more include Reno, Tucson and Tacoma. Metros with rent growth of 0.3% or more on a trailing three-month basis are Raleigh, Phoenix, the Twin Cities, Kansas City and Las Vegas, all relatively small markets.

What those markets share is above-trend job and/or population growth that has stimulated demand for multifamily. That has helped rents to rise steadily even where there is healthy supply growth. Austin, for example, has added 4.0% to its total stock in the past year, while the Twin Cities metro is up 3.1% and Raleigh 3.0%. Rents in some high-growth markets (Sacramento and the Inland Empire are examples) do benefit from weak new supply. But markets can prosper despite a heavy supply pipeline if conditions—particularly demand and cost factors—are otherwise healthy enough.

To be sure, bigger markets are not performing poorly—not even close. San Francisco (3.9% year-over-year) and Los Angeles (3.4%) are seeing rent growth above the 3.2% national average, and primary metros Boston (3.1%), Chicago (2.7%) and Washington, D.C. (2.5%) are not far below it.

The dynamics continue to be healthy almost everywhere. That gives investors a choice between potentially higher growth and higher yields in faster-growing, less-liquid markets, or slower, steadier growth in larger, more liquid markets.

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.