

Yardi® Matrix

Multifamily National Report

May 2019



Multifamily Rents Increase, But Slow

- U.S. multifamily rents increased by \$5 in May to \$1,442. Because rents increased less than they did in the same month in 2018, year-over-year growth fell 50 basis points from April to 2.5%.
- Although rent gains are in line with the long-term average, 2019 is shaping up to be weaker than the last few, much more robust, years. Year-over-year rent growth has dropped 80 basis points over two months and 110 basis points over three months.
- After sharing the spotlight with Las Vegas last month as the top metros, Phoenix pulled ahead in May atop our list of major metros with a 6.8% growth rate. Las Vegas is second at 6.6%, followed by Sacramento (4.1%) and Atlanta (3.9%).

The average U.S. multifamily rent has grown \$14 over the last three months, which is a decent performance but far short of the levels of recent years. Year-to-date through May, rents were up 1.2%—again, good but not up to the recent past. In fact, over the last six years, only in 2017 (1.7%) did rent growth fail to reach 2.0% year-to-date through May. The last year in which rents rose less than 1.2% through May was 2011, when the economy was pulling out of the recession.

This is notable because the bulk of rent growth tends to occur in the first half of the year. If the past is any guide, 2019 would be hard-pressed to continue the bullish outcomes of the last six years if things don't improve quickly. Of course, it's too soon to draw conclusions from one moderate season of rent increases. Rent growth slowed below 3.0% for most of 2017 before rising back again through most of 2018 and early 2019.

Most markets continue to be in good shape, with

only a handful producing rent growth of less than 1.5% year-over-year. Occupancy levels of stabilized properties have dropped slightly—down by 30 basis points to 94.9% year-over-year through April—which indicates that the growth in supply is taking its toll in some markets. For example, Houston's occupancy rate was down more than 100 basis points to 92.4% in April. Although the metro's job growth remains strong and deliveries have moderated post-Harvey, Houston's 0.4% rent growth as of May has it wallowing at the bottom of the metro rankings.

Other metros seemingly impacted by the amount of deliveries include Kansas City, Denver and Seattle. Kansas City has added 3.0% to its multifamily stock over the past year, and the occupancy rate of stabilized properties has fallen by 60 basis points to 94.4%. The metro's growth is a paltry 1.0% year-over-year. Demand is not an issue in Denver or Seattle, but deliveries are putting a damper on rent increases.

National Average Rents

