

Yardi® Matrix

Multifamily National Report

June 2019



First Half Ends With a Flourish for Multifamily

- A year of moderate rent growth turned serious in June, as the average U.S. multifamily rent increased by \$12 to \$1,465. Year-over-year growth increased to 3.3%, up by 40 basis points from May.
- Average U.S. rents grew by 2.6% in the first half of 2019, and 2.0% in the second quarter. Although growth tends to slow down in the second half of most years, the multifamily market's extended run of strong performance does not appear to be winding down soon.
- Las Vegas (8.4% year-over-year growth) and Phoenix (8.1%) remain blazing hot, but the strong gains are not limited to any particular region. Rents in every metro on our Top 30 list increased by at least 1.3% on a trailing 12-month basis in the second quarter.

Multifamily rent growth started slowly in 2019 compared to some recent years, raising the specter of an end to the long string of positive growth, or even a slowdown to levels closer to the 2.5% long-term average. However, rents rose robustly in the second quarter, and the market's consistent growth once again shows no signs of waning.

After a \$12 jump in June, average rents increased by 2.0% in the second quarter of 2019, and they are up 2.6% so far this year. Those are not the biggest percentage increases achieved in recent years, but both come close to the best performance seen in this extremely favorable economic cycle.

As has been the case for years, favorable fundamentals are behind the shift. The economy has added 172,000 jobs per month this year, a slowdown from the 200,000-per-month average since the recovery began in 2010 but solid growth considering the below-4.0% unemployment rate and the lateness of the economic cycle.

Meanwhile, the latest Census Bureau numbers show that the number of renter households climbed to an all-time high in the first quarter of 2019. After exploding for several years in the wake of the Great Recession, renter household growth was relatively flat for the last two years. But the number increased by more than 600,000 in the first quarter to 43.8 million.

Absent an unforeseen exogenous event, demand for multifamily shows no signs of abating. That doesn't address whether rent growth can remain elevated, but rents have stayed at above-trend levels during several years of robust supply increases and ongoing issues with affordability, so it seems foolish to discount the market's potential to maintain its performance over the near term.

While fast-growing South and West markets remain atop the rent growth rankings, the only two metros to fall below 2.5% growth over the last 12 months were Miami (2.2%) and Houston (0.8%).

National Average Rents

