Yardi® Matrix

Multifamily National Report

August 2019

Multifamily Growth Continues like Clockwork

- The multifamily market's healthy growth was displayed in August, when the average U.S. multifamily rent increased by $2 to $1,472. Although year-over-year growth fell 10 basis points from July to 3.3%, rent growth has remained exceptionally consistent, and has been at least 2.7% since the beginning of 2018.
- Rent growth is healthy to above-trend in virtually every major market. Las Vegas (7.6%), Phoenix (7.0%) and Sacramento (5.0%) have been among the top metros for rent growth for some time, while other markets have been taking turns at the next level.
- Consistency extends in a number of directions. For example, the growth for the luxury Lifestyle segment has increased to roughly the same level as that of the Renter-by-Necessity segment.

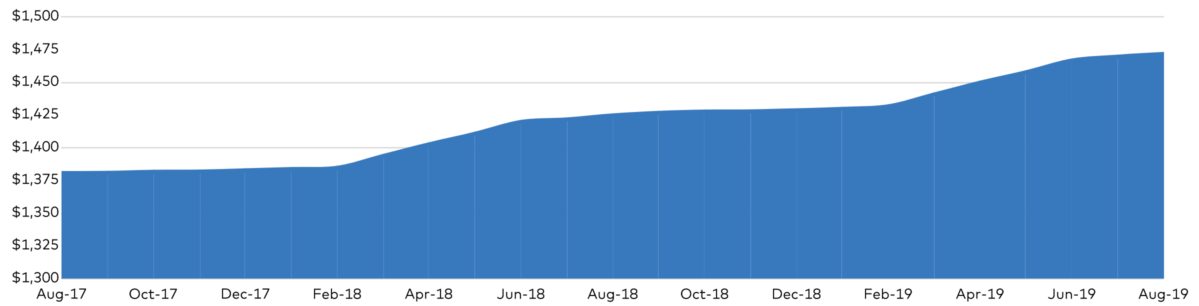
Another month, another good performance by the multifamily market in August, as the average U.S. rent increased by $2 to $1,472. Although year-over-year growth declined slightly from the previous month to 3.3%, long-term growth has been steady at more than 3.0% for a year and above the long-term average since the end of 2017.

The market's accomplishments are not a mystery—the combination of strong demographic trends, social changes that create demand for apartments, demand for new housing and the country's long period of economic growth have propelled the segment. With the exception of the economy's performance, most of those trends are long term in nature. So while the signs of economic risk (further discussed later) such as the inversion of the yield curve have to be taken seriously, long-term trends remain more favorable for multifamily than for other segments of the economy or even commercial real estate, which will be helpful if and when the economy starts to slow down.

The general story for much of the cycle has been the strength of markets that have burgeoning technology industries and in-migration of young workers—and that hasn't changed, even as individual metros move around the rankings. For example, Boston's rent growth lagged a year ago, but in recent months a surge has pushed gains to 5.1% year-over-year. Although overall job growth in Beantown has cooled slightly, it has seen strong increases in high-paying industries and demand for luxury units has been robust. Over the last three months, Boston Lifestyle units rose 0.7%.

Austin has also experienced a recent lift. With a steady growth of technology jobs and young knowledge workers, total employment was up 2.2% year-over-year through July, while office-using employment was up more than twice that. Occupancy has remained steady in stabilized properties—at 94.8% as of July—despite growth in stock, up 3.7% year-over-year through August. Lifestyle rents increased 0.7% over the last three months.

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.