YARDI

2019 Multifamily Market Update

Jeff Adler
Vice President, Matrix

Jack Kern
Director, Research and Publications

Today's Agenda

- Macroeconomic Outlook
- Multifamily Demand Refresh
- Political Risk Analysis
- Deep Dive Into Supply
- Multifamily Fundamentals
- Update on Affordability

The Yardi Matrix View

- **U.S. economy is a glass half full/glass half empty situation**
  - GDP growth in Q3 was OK (~1.9%), and we expect Q4 to be a bit lower, with a lot more noise
  - U.S. oil production is keeping inflation low below 2% – and low inflation is a global phenomenon
  - The yield curve has been inverted for 5 months, but flattened following the Sept 18 and Oct 30 rate cuts
  - The European and Chinese economies are in poor shape
  - The U.S. service sector labor market is extremely tight, and wages continue to rise
  - Manufacturing and farming sectors are struggling
  - There is a highly elevated risk of recession mid 2021

- **Demographic and lifestyle changes are fueling strong demand for multifamily, north of 425K units/year**
  - An aging population, increasing divorce rates, and more younger people living at home all contribute to strong demand
  - Total housing production is unlikely to catch up to household formation, putting upward pressure on rents, occupancy rates and pressures for rent control

- **We've taken a first stab at analyzing political risk, which has become more important when making investment decisions**
  - Our analysis found that gateway markets have the most political risk, with Boston and Washington DC faring better than the rest
  - This is just our first take, and we welcome any feedback as we expand this analysis to another 30-40 markets