Yardi® Matrix

Multifamily National Report

December 2019

Weak End to a Solid Year

- The average U.S. rent fell $1 in December to $1,474, with the growth rate falling 10 basis points from November. That said, U.S. multifamily rents finished a remarkably consistent 2019 up 3.0%. Year-over-year growth remained between 3.0% and 3.3% the entire year.

- Rents were essentially flat for the fourth quarter, which is a normal seasonal trend. The last time rents grew significantly during the end of the year was 2014 and 2015.

- Rent growth continues to be strong in all regions, led by secondary markets in the West and Southeast. Phoenix, Las Vegas, Sacramento and Nashville were among the top-performing metros all year. However, growth decelerated significantly during the year in some metros, notably San Jose, Orlando and Denver.

2019 will go down as a year without much drama in the multifamily sector, but market players would take a few more years just like it. U.S. rent growth was a solid 3.0%, and the year-over-year rate stayed within a 30-basis-point band all year.

Fundamentally, the market is sound, with no red flags on the immediate horizon. Despite deliveries of roughly 300,000 units for the year, the occupancy rate for stabilized properties was 94.9% as of November, down only 10 basis points over the last year. The healthy job market, averaging 180,000 new jobs per month, and the unemployment rate of 3.5% helped produce steady absorption.

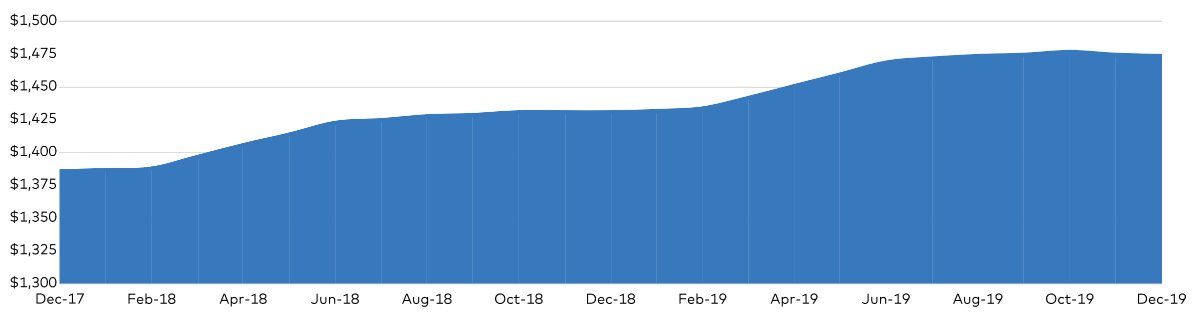
On the metro level, gains have been fairly distributed. Of the top 30 metros in our ranking, 21 saw rents increase by 2.6% or more, led by Phoenix (7.7%), Las Vegas (5.4%) and Sacramento (5.1%). Growth also accelerated during the year in mature metros such as Philadelphia (3.9%), Washington, D.C. (3.8%) and Boston (3.6%).

The news was weaker in several markets that saw rents decelerate over the course of 2019. Orlando's rent growth ended the year at 1.3% after it was 5.2% in January. San Jose started at 4.7% and ended up -0.3%. San Francisco started at 4.5% and ended at 1.6%. And Denver started at 3.4% and ended at 1.5%.

The Bay Area is weakening due to concern over growth in startup technology firms, the feeble IPO market and the lack of affordable housing, which is prompting large employers to seek cheaper markets. Other metros are digesting heavy supply pipelines. Orlando saw occupancy drop 50 basis points year-over-year to 94.8% as of November. Deliveries in Denver added 4.4% to stock, among the highest rates of new supply nationwide.

All of these metros have a strong economic base, so it would seem likely that growth will rebound. Despite pockets of concern, 2020 should be a healthy year.

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.