Yardi® Matrix

U.S. Multifamily Outlook

Winter 2020

Strong Fundamentals Support Lasting Growth

No Letup in Demand

Occupancy Remains Healthy

Dollars Flow to the Sector

Market Analysis

Winter 2020

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Still Room to Run for Multifamily, Despite Prolonged Cycle

- The multifamily market has performed consistently well for several years, and little is expected to change in 2020. The healthy job market and demographics have produced robust demand. We expect economic growth to remain moderate.

- Rent growth nationally has only briefly dipped below the 2.5% long-term average since early in the cycle, as the occupancy rate remains above trend and wages grow at a reasonable level. Rent gains should remain healthy in most metros, continuing to be led by rapidly growing metros in the Southwest and Southeast. Affordability is a growing problem, however, and the high cost of rents is starting to put a strain on increases in many of the higher-cost metros.

- More than 1.5 million units have been delivered over the last five years, and we expect new supply of roughly 300,000 again in 2020. Deliveries have slowed in part because of the labor shortage that has lengthened start-to-finish construction times. Supply growth is heaviest in tech centers and popular lifestyle markets such as Seattle, Denver, Raleigh and Nashville.

- Although absorption remains robust in most markets and the national occupancy rate of stabilized properties is near 95.0%, rent growth is slowing in some markets as new supply is digested.

- Investor demand for multifamily is likely to remain insatiable. Transaction volume was just below record highs in 2019, and acquisition yields have stayed at record lows for several years. The sector will remain in demand among equity investors for its stable cash flows. On the debt side, Fannie Mae and Freddie Mac have a combined $160 billion of allocations for 2020, while other lenders including CMBS and private equity are trying to increase multifamily originations.