Yardi Matrix

National Multifamily Report

October 2020

Growing Divergence Between Primary, Secondary Markets

- Multifamily rents were flat for the third consecutive month in October, but the national numbers appear misleading, as the sector is experiencing an ever-increasing divergence between outperforming and underperforming markets. On a year-over-year basis, rents fell 0.6% nationwide.
- Secondary and tertiary markets are performing the best, as high costs and limited community amenities drive outmigration from gateway markets. The Inland Empire (6.0%), Sacramento (5.0%), Las Vegas (3.9%) and Phoenix (3.8%) lead our top 30 markets, with each market benefiting from migration out of the Bay Area and Los Angeles.
- Not surprisingly, New York (-10.0%), San Francisco (-8.2%), Washington, D.C. (-3.7%), Boston (-3.1%), Chicago (-2.9%) and Los Angeles (-2.8%) all fell at or near the bottom of our rankings.

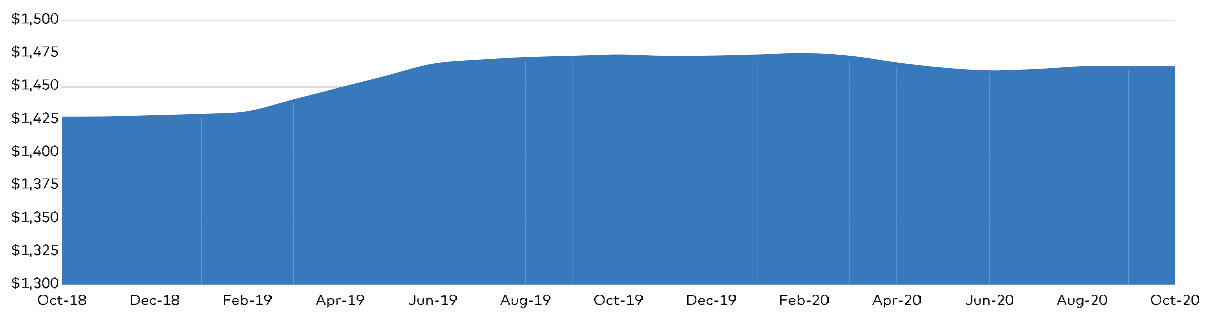
With each passing month, outmigration from large gateway markets to secondary and tertiary tech hubs is amplifying. At this point, the apparent winners are markets in close proximity to large gateways but with significantly lower costs of living.

The Inland Empire (6.0%) and Sacramento (5.0%) lead our top 30 market rankings for year-over-year rent growth, as the neighboring Los Angeles and San Francisco continue to bear the brunt of renters moving out. The average rent in the Inland Empire ($1,669) is 23% less than the average rent in Los Angeles, and the average rent in Sacramento ($1,609) is 34% less than the average rent in San Francisco. As many workers, especially those in creative and knowledge-based industries, enjoy increased flexibility to work remotely, many individuals are weighing the costs and limitations of gateway markets versus the benefits of smaller cities and are choosing to relocate.

The same is happening in tertiary markets, with Boise (8.1%), Huntsville (6.8%) and Portland, Maine (6.5%) leading all markets in rent growth. These tertiary markets have a strong tech presence and are attracting people from expensive coastal markets. Other popular tech hubs including Tampa (2.8%), Atlanta (1.9%), Charlotte (1.6%) and Raleigh (0.6%) may have lower rent growth, but that is likely a function of continued significant new supply. Demand remains strong, as gateway residents are not only moving to nearby secondary metros but also relocating to other tech hubs in the Sun Belt and Southwest.

Primary markets will not suffer forever, but their recovery will depend on how much newly relocated individuals enjoy their adopted homes and cities and whether they choose to stay.

National Average Rents



National averages include 132 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by YardiMatrix.