Yardi® Matrix

Multifamily Monthly

February 2018

Sacramento's Long Reign Ends; Multifamily Rents Steady

- U.S. multifamily rents remained steady in February, rising $1 to $1,364. On a year-over-year basis, rent growth was 2.7% through February, down 10 basis points from the prior month.
- Rents have barely budged over the last eight months. Average U.S. rents hit $1,363 in July, and have remained within a $2 range—between $1,363 and the all-time high of $1,365 set in August 2017—ever since. We expect growth to remain moderate this year, as metros deal with a host of issues that include the growing amount of new supply and demand for units affordable to middle-income Americans.
- Orlando has surged to the top of the metro ranking, with year-over-year growth of 7.0%, marking the first time in 21 months—since June 2016—that Sacramento was not the top metro.

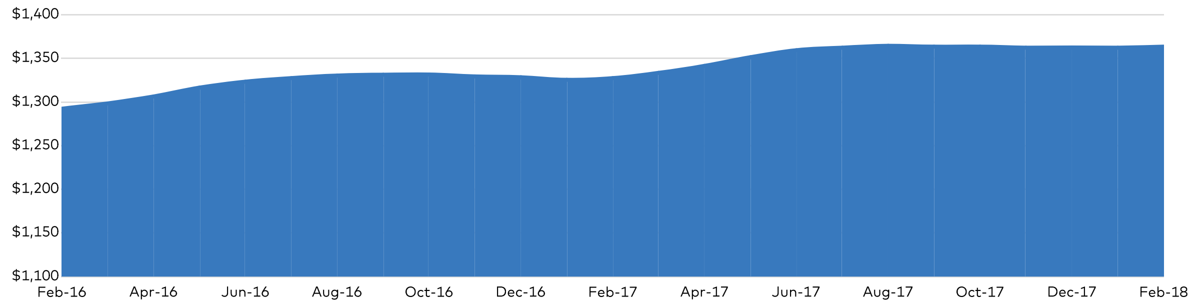
U.S. multifamily rents barely budged again in February, and have been virtually unchanged since last summer. The deceleration was expected, coming after a long period of above-trend growth and just as deliveries were reaching a cycle peak. We forecast a slowdown, so growth of 2.7% is not surprising. Nor is it something to be disappointed with, since it is very close to the long-term average.

If there is anything in the results to keep an eye on, it is that February's growth was the weakest seasonal gain since the recovery took hold. In other words, you would have to go back seven years to find a February in which rents increased less. Multifamily rents are seasonal, with most growth traditionally coming in the first half of the year. Demand for apartments should get a marginal boost from the new tax law, which reduces some of the tax benefits of homeownership, especially in states with high single-family home prices. So it's possible that rent growth will soon pick up as it normally does in the spring months.

If not, then it could be a sign that the headwinds are stronger than many anticipated. Not only are there concerns about property fundamentals but now economic uncertainty has started to creep into the picture. Interest rates are rising amid worries about inflation, and the baffling rush to implement tariffs on steel and aluminum threatens to cancel the business confidence boost provided by the ongoing regulatory relief and corporate tax cuts that are going into effect this year.

Meanwhile, a recent surge has raised Orlando to the top spot in the Matrix metro rankings. Its 7.0% year-over-year growth pushes Sacramento (second at 6.8%) out of that placement for the first time since June 2016.

National Average Rents



National averages include 125 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by YardiMatrix.