Yardi® Matrix

Multifamily Monthly

April 2018

Multifamily Rent Growth Springs Into Gear

- U.S. multifamily rents continued their strong seasonal gains in April, rising $4 to $1,377, and have now increased by $10 over the last two months, the market's best performance since last spring. On a year-over-year basis, rents are up 2.4% through April, down 20 basis points from the previous month but well within the 2.5% growth range that the market has averaged since early 2017.
- The healthy seasonal gains are a good sign that rent growth will remain resilient despite the headwinds faced by the market, particularly the peaking supply pipeline that has produced deceleration in some metros.
- Orlando maintained its lead atop the metro rankings for the third straight month, while Sacramento is showing signs of coming back to earth after a long period of explosive growth.

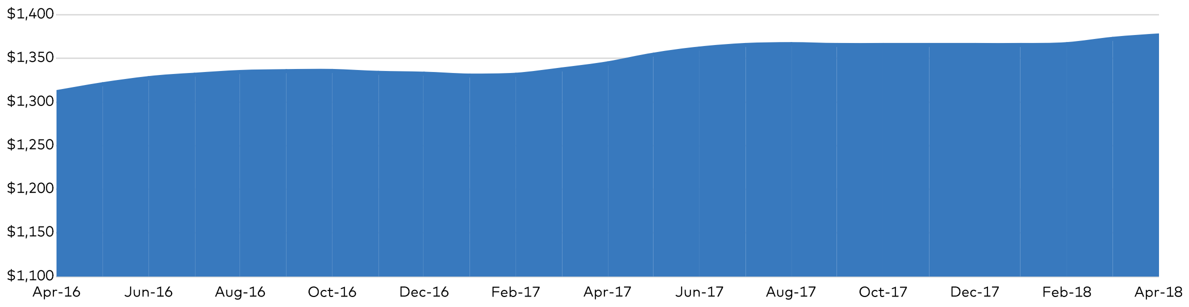
After two years of decelerating rent growth, the multifamily market's performance this spring posed a test: Rent growth historically has been highest in the spring—would that hold true this year or would rents stay flat as they did from summer 2017 through February 2018 due to the surging amount of deliveries that have caused the occupancy rate to drop in almost every metro?

In that regard, April's performance should be a relief to worrywarts, as U.S. rents grew by $4 during the month and are up $10 over two months. And growth was fairly widespread, with only Raleigh failing to see gains over the last quarter.

Standouts include the late-cycle markets that have seen the highest growth rates in recent months, such as Orlando, Tampa, Las Vegas and Phoenix. Sacramento remains among the top markets but is falling back to earth after a period of rapid gains. Some high-growth Western tech markets—such as San Jose, Seattle, Denver and San Francisco—where rent increases had decelerated the most between 2015 and the end of 2017, showed signs of perking up, with gains at above-trend levels in the latest three-month period.

The big picture is that even though the occupancy rate is dropping slowly closer to the historical average, the market is in a healthy position for the long term. Demand is expected to remain high, while overall housing stock is growing at roughly the same number as new households. Multifamily supply is out of skew in some metros and submarkets, either because the total number of units is too great or the type of supply is not balanced with the demand for units affordable to working families. In those areas, rents will flatten or even drop slightly. By and large, however, signs suggest rents will keep growing moderately or better.

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.