Yardi® Matrix

Multifamily Monthly

May 2018

Holding Pattern: Rents Up, Rate of Growth Down in May

- U.S. multifamily rents increased in May, rising $4 to $1,381. However, growth was weaker than last spring, prompting the year-over-year increase to fall to 2.0%, down from 2.5% in April. The 50-basis-point drop is the largest one-month decline in more than six years.
- Rents continue to grow moderately in most metros and are up $15 year-to-date, but that's weaker than last year's $25 increase for the same period—hence the decline in the rate of growth. Increases are being held back by the spate of projects coming online.
- Outsize gains are becoming rare. Orlando maintained its top spot with 5.3% year-over-year growth, followed by Las Vegas at 4.9%. After that, though, no metro had an increase above 4.0%.

U.S. multifamily rents are on the rise—up $14 over the last three months and 1.1% year-to-date through May—but growth is weaker than at any time in the current cycle. Year-over-year growth fell to 2.0% in May, down 70 basis points over the last two months and at its lowest point since 2011.

What are we to make of the conflicting signals? At the moment, not too much. May's performance continued a two-year pattern of rent deceleration primarily attributable to pressure from deliveries in most metros. That has taken a toll on occupancy rates and growth, even in markets with strong demand. With more than 600,000 units under construction and likely to be completed within two years, deliveries will continue to pressure rents.

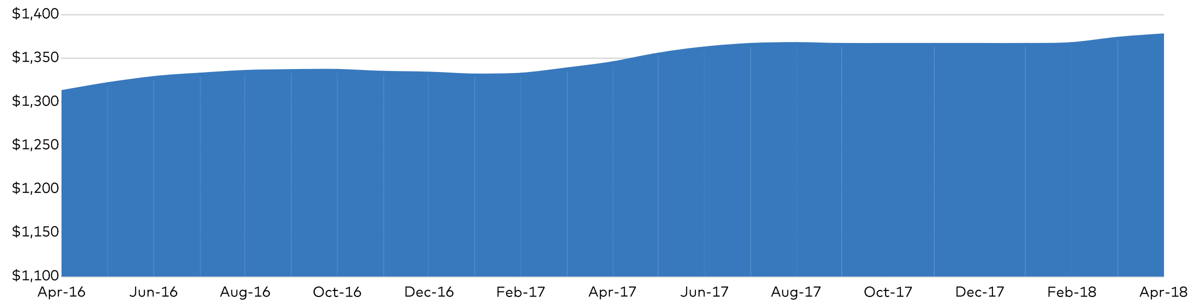
However, the impact of the new supply will be concentrated in:

1) Submarkets with the most deliveries. Occupancy patterns are inconsistent within metros, and areas with the most construction have been hit the hardest.

2) Luxury apartments, which constitute almost 90% of new construction. Lifestyle rents are negative year-over-year in high-delivery metros Seattle, Portland, Nashville, Austin and Washington, D.C.

As we've said before, to point out these facts is not to be bearish. The economy is favorable, with steady job growth, near full employment and consumer spending seemingly poised for a boost from the tax cuts. We expect overall demand will hold up. But it is important to adjust expectations in the near term. Growth will come—from the right locations and efficient management.

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.