Yardi® Matrix

Multifamily National Report

June 2018

Multifamily Finishes First Half With Strong Kick

- The first half ended well for the U.S. multifamily market, as rents rose $12 in June to an all-time high of $1,405. Year-over-year, rents are up 2.9% as of June, a 20-basis-point increase over the previous month. The strong performance is a good sign that demand generally is holding up and that robust supply growth is not an impediment to rent growth in most markets.

- Rents grew by 2.1% during the second quarter and 2.6% during the first half. Those numbers compare favorably to most years except the peak years of the cycle in 2015 and 2016.

- Recent performance has been strong across the board, although gains continue to be highest in booming secondary markets such as Orlando (7.4%), Las Vegas (5.6%) and the Inland Empire (5.6%).

The resilient U.S. multifamily market demonstrated its strength and consistency in the first half of 2018. Despite headwinds presented by consistent supply growth and lack of affordability in many major metros, rents continue to grow steadily. Average U.S. rents increased by $29 in the second quarter, up 2.1% for the quarter, 2.6% for the first half and 2.9% year-over-year.

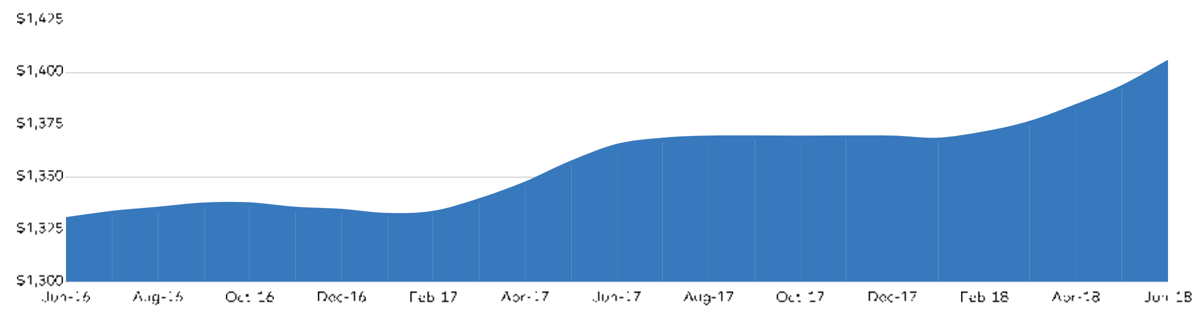
The quarterly number is the highest since rents grew by 2.3% in the second quarter of 2015. The first-half growth number was last topped in the first half of 2016, when rents increased by 2.9%. The healthy showing might put to rest fears that rent deceleration from the peak 2015/16 years will turn into flattening or negative growth.

Rents changed little between last June and the end of the first quarter, which raised some doubts about the strength of property income growth. For one thing, the market is in the middle of a four-year period in which 1.2 million units are being added, leading to a cooling off in some previously high-growth metros such as Nashville, Portland and Austin. Other concerns include affordability—which has sharply curtailed rent increases in markets such as New York and San Francisco—and whether the long economic cycle is finally coming to an end.

All those issues created legitimate questions about the ongoing strength of the market. However, the doubts seem to have been answered by the healthy and widespread gains we are seeing so far this year.

Strong apartment rent growth in the spring is normal and isn't indicative of the future. But the picture that emerges from the first-half numbers is reassuring. Late-stage metros boosted by a wave of population growth, low housing costs and healthy employment gains continue to see outsize rent gains. Meanwhile, technology-led metros such as San Jose, San Francisco and Seattle—where rents have decelerated sharply—rebounded with robust second-quarter gains.

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.