Yardi® Matrix

Multifamily National Report

September 2018

Multifamily Demand Remains Strong

- U.S. multifamily rents were essentially flat in September, dropping $1 to $1,412, while year-over-year growth was unchanged at 3.0%. It was the first month rents had not increased since January.
- Rents rose 0.3% in the third quarter and were up 3.1% year-to-date through September. The increases are down from the peak years of the cycle (rents were up 4.6% through three quarters in 2015), but looking through a long-term lens represent very solid growth.
- Maybe the most encouraging metric is that the occupancy rate of stabilized properties has increased in recent months, a sign that demand remains solid in the face of a heavy development pipeline.

Although multifamily rents fell slightly in September, the overall picture painted by the data is positive. A $1 decline is insignificant, especially at the start of the fall, when rent growth traditionally begins to hibernate for winter. The 0.3% growth in the third quarter is slightly disappointing compared to same-period results in recent years. However, through three quarters, the average national rent has grown $42, or 3.1%, which is a good year by most any book and (if we're being honest) exceeds expectations for the market when the year started.

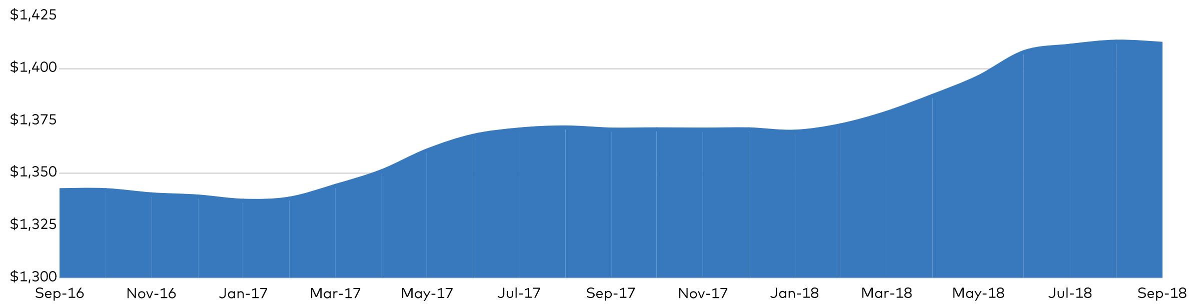
But the really good news comes from demand. One of the major concerns of the market has been how occupancy rates would hold up to the steady wave of new supply. National occupancy rates slipped by about 100 basis points in 2016-2017 after deliveries topped 300,000 per year starting in 2015. Even though occupancies were coming down from record highs, the trend line created some apprehension.

Overall occupancy rates of stabilized properties bottomed at 95.0% in late 2017/early 2018, but since then have slowly climbed back up to 95.4%. Renter-by-Necessity properties have an even higher rate, at 95.6%, reflecting demand for units that working households can afford. This is encouraging for a couple of reasons.

One is that it confirms our view of market fundamentals: Long-term demand for rentals is likely to remain high for a variety of demographic and social reasons. The renter-age population is growing, the economy is strong and there is demand from retirees downsizing from single-family houses.

The other encouraging sign is at the metro level. Some metros with a robust delivery pipeline that had the biggest declines in occupancy rates have bounced back. Basically, demand was strong and the market has been able to absorb the excess units over time. More on this later. Deliveries will remain in the 300,000-unit range through 2019, and we will continue to monitor the impact.

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.