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Multifamily National Report

September 2019

Multifamily Growth Slows but Still Strong

- Multifamily rent growth flattened in September, as the average U.S. multifamily rent declined by $1 to $1,471. Year-over-year rent growth fell 20 basis points but remains at a healthy 3.2%.
- U.S. rents rose 0.3% in the third quarter of 2019, and rents have grown 2.9% through the first three quarters of 2019. That represents a slight slowdown from the same periods over the last few years, but the performance is very respectable compared to long-term historical trends.
- Las Vegas (6.8%), Phoenix (6.1%) and Sacramento (4.7%) remain unshakeable at the top of the metro rankings, but beyond those markets there is a lot of movement. For example, growth has moderated in Florida metros Tampa and Orlando (both 2.4%) and Miami (2.2%).

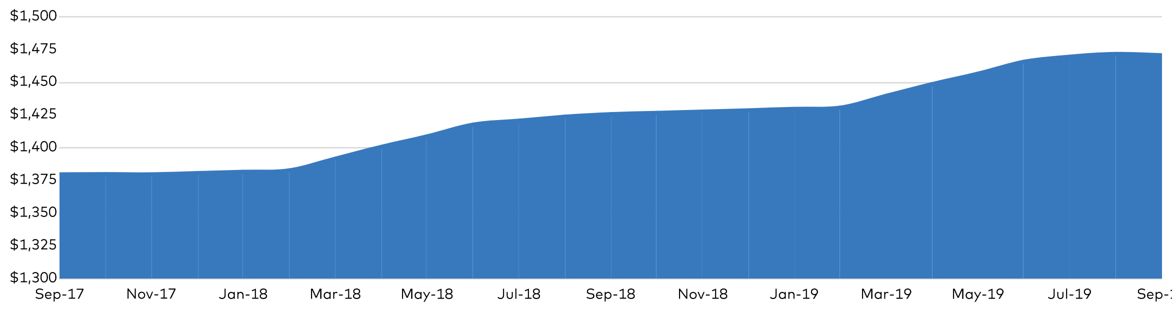
As volatility once again rears its head in the larger financial world, the multifamily market remains the picture of stability. Although the average U.S. multifamily rent was relatively flat—falling $1 to $1,471—in September, the market is on track for another year of above-average rent gains.

Now that three quarters are in the books, 2019 is looking to be another solid year. Rents nationally are up 2.9% year-to-date through September, so full-year growth is on track to reach 3.0% for the sixth time in the last seven years. Rents in the third quarter were up 0.3%, which is one of the weaker third-quarter performances in recent years, but there is no evidence to indicate that that slow, steady growth will not continue for a while. On a metro level, Houston is the only major city that has consistently underperformed its long-term history.

Contrast the recent up-and-down of the stock and bond markets with the consistent growth in the multifamily industry, and it's easy to see why investor demand for apartments remains so strong. While financial markets have also gained this year, over the last four quarters economic growth has declined, and the equity market news has gyrated daily over news about trade, manufacturing and global growth. That has caused (at times) short-term bond yields to increase above those of long-term bonds.

Meanwhile, apartment rents have increased by at least the 2.5% long-term average for seven years running, with no signs that this will slow down. The average national occupancy rate has been above 95.0% for several years, and housing trends would indicate that demand will remain strong for some time to come. Add to that the recent news that the government will support multifamily financing though the end of 2020 (more on that later), and it's no wonder that investors looking for a safe haven and surprise-free returns have identified multifamily as an asset class in which to increase allocations.

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.