



Multifamily Real Estate Markets Update (August 2020)

Transaction volume is expected to significantly decrease compared to 2019, and declining rent growth and income growth will hit the coastal markets the hardest. Nationwide, rents have declined in four consecutive months as of June.

Below are key takeaways from the following reports:

Multifamily 2020 Midyear Outlook – *Freddie Mac* – [Link](#)

Matrix National Multifamily Report – June 2020 – *Yardi Matrix* – [Link](#)

Multifamily 2020 Midyear Outlook

Freddie Mac

- Cap rates remained stable through the second quarter, as interest rates dropped
- Total multifamily origination volume is expected to decline by 40% in 2020 compared to 2019
- Renters are expected to be more impacted than homeowners from COVID
 - Renters are more susceptible to Industries that were hit harder from the lockdowns
 - Unemployment levels remain elevated, which will impact the ability to pay rent for those affected
- Declining income growth and collections are not estimated to impact a well-positioned property given the prior several years' above-average income growth and appreciation
- Coastal metro areas will see larger gross income declines
 - Markets like San Jose, San Francisco and Miami will be hurt more than markets like Chicago, St. Louis and Knoxville

Matrix National Multifamily Report – June 2020

Yardi Matrix

- U.S. multifamily rents decreased by \$2 in June, falling to \$1,457, continuing the four-month trend of declines
 - Year-over-year growth turned negative for the first time since December 2010, falling to -0.4%, a 70-basis-point decline from May
- Average U.S. rents declined by 0.8% in the first half of 2020 and 0.4% in the second quarter
 - Compared to 2.6% rent growth in the first half of 2019 and 1.2% growth in the second quarter
 - Rent growth typically slows down in the second half of the year, but we could see a reversal of that trend if the fall becomes the new leasing season
- West Coast and tech hub markets were among the hardest hit in the first half of 2020
 - San Jose and San Francisco rents are down 4.6% and 3.8% respectively, since the beginning of the year