Multifamily Real Estate Markets Update (January 2020)

Apartment demand is expected to decrease in 2020, even after strong absorption in 2019. Rent control will affect certain markets negatively with increased regulations. Rent Growth remains strong, although November reporting shows a slight decline. Most markets are strong across the board, and suburban areas will likely outperform urban multifamily investments.

Below are key takeaways from the following reports:

2020 U.S. Real Estate Market Outlook – CBRE – Link

Multifamily National Report (November 2019) – Yardi Matrix – Link

2020 U.S. Real Estate Market Outlook

CBRE

- Apartment demand is projected at 240,000 units in 2020, which is down 20% from the 2019 projection of 300,000 units.
- Supply will approach the cyclical peak in 2020
  - Permits, starts and completions were at or near this cycle's highest levels in 2019
  - Permits and starts will decrease in 2020, but deliveries will stay strong with multifamily completions expected to reach 280,000 units
- Rent Control will have an increasing impact in 2020
  - New York, California and Oregon saw a decline in multifamily investments due to new rent control regulations
  - Illinois and Washington State will likely see a decline in multifamily investments with similar regulations expected to be implemented
- Building and buying in suburban areas will outperform urban areas by maintaining lower vacancy and higher rent growth

National Multifamily Report (November 2019)

Yardi Matrix

- Multifamily rent decreased in November, as the average U.S. multifamily rent fell by $3 to $1,473
- Year-over-year rent growth declined to 3.1%, a decline of 20 basis points
  - Although this is a slight decline, rent growth has remained at 3% or higher since the spring of 2018
- Strong demand continues in the multifamily sector, with 320,000 units absorbed as of November 2019
  - This marks the sixth consecutive year with more than 250,000 units absorbed
- Rent growth is strong across the board, but there is some decline in the Pacific Northwest
  - San Jose, San Francisco and Seattle all showed three-month drops of 0.4% or more