Yardi: National Average Rent Falls $1 to $1,463; Rent Growth Steady at 3%

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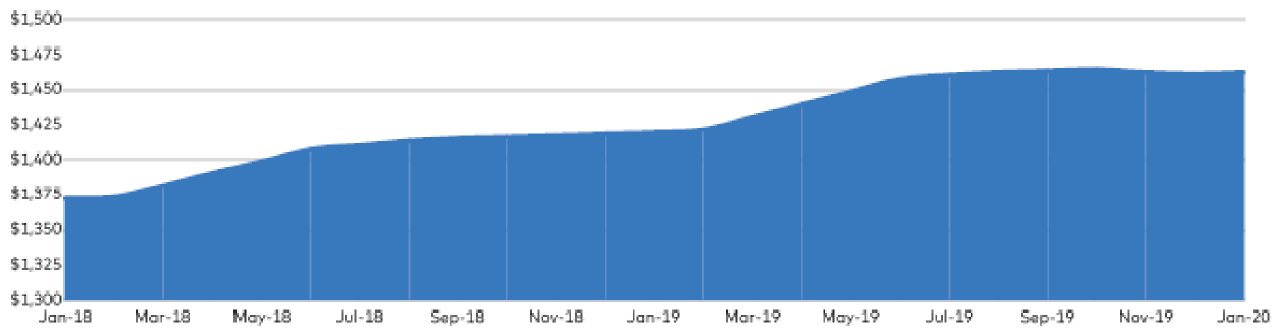
The national average rent fell by $1 in January 2020, down to $1,463, while year-over-year rent growth has remained at 3%, according to the latest Yardi Matrix Multifamily National Report. January marks the third consecutive month of declines for the average U.S. rent, which Yardi Matrix attributes to seasonality and expects to continue for a few more months.

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.

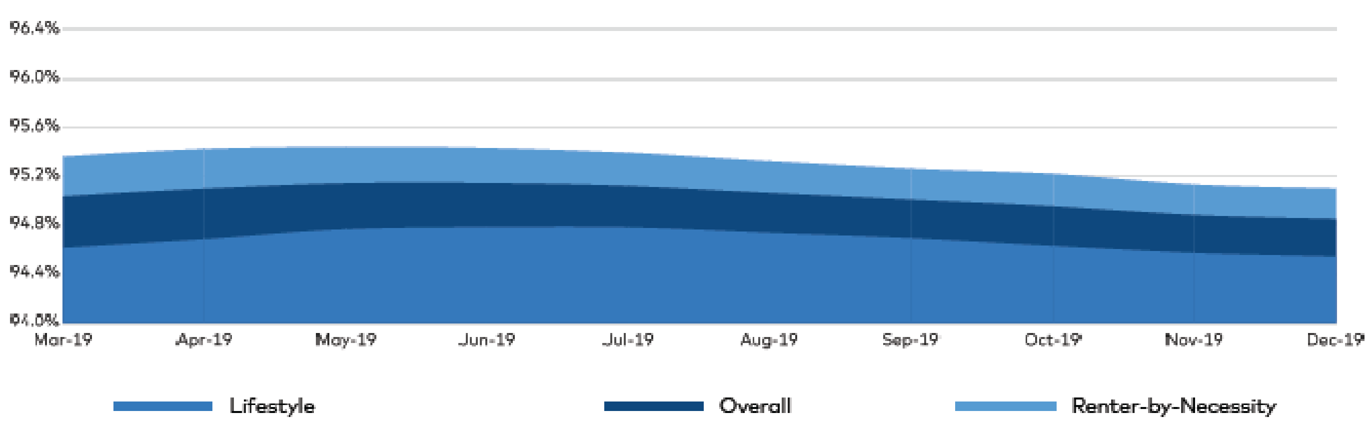
Year-over-year rent growth has risen in 16 out of the top 30 markets displaying growth above the national average, and no markets posted negative YOY rent growth. Phoenix leads the top markets with 7.4% YOY rent growth, followed by Las Vegas at 5.4% and Sacramento, Calif., at 5.1%. The top 10 markets are concentrated in the West and Southeast, with the exception of Boston at 4%.

Rent growth in Nashville, Tenn. (4.5%) and Charlotte, N.C. (4.2%) is noted to benefit from recent corporate relocations. AllianceBernstein has moved to Nashville and brought more than 1,000 jobs, and Honeywell has brought 750 jobs to Charlotte. Tampa and Orlando, Fla., have fallen from their peaks in 2015 and 2016, with 1.6% YOY rent growth in Orlando this month and 2.5% in Tampa.

National supply deliveries totaled just over 300,000 units in 2019. Moving into 2020, Yardi expects deliveries to decline owing to the rising cost of labor and materials and a drop in loan originations. Occupancy has fallen slightly at the national level, down to 94.8%.

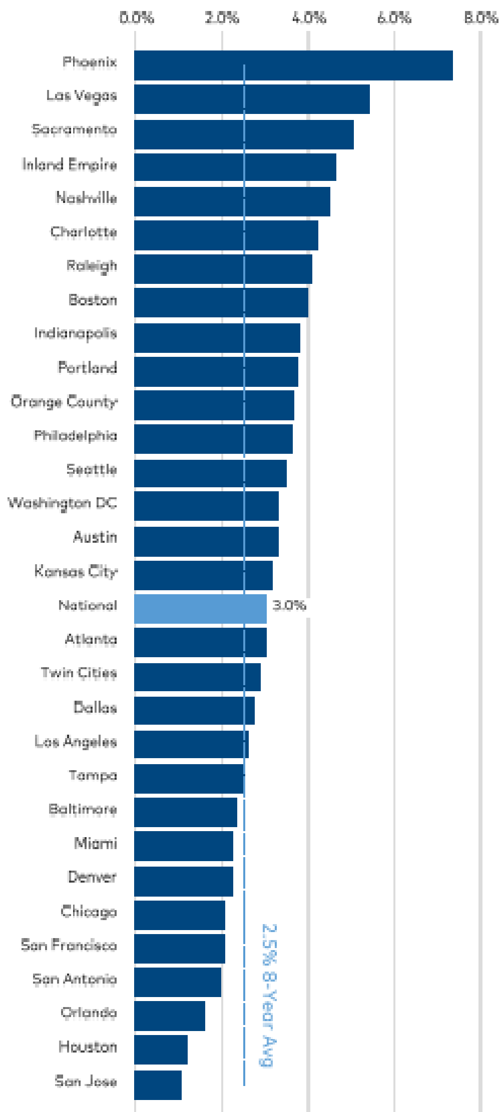
Rent growth was flat on a trailing three-month (T-3) basis, which compares the last three months of rent growth with the previous three months. Phoenix and Sacramento posted the highest gains at the metro level, both at 0.2%. Most markets showed little movement in either direction on a T-3 basis this month, with the biggest rent growth declines in Austin and Orlando, both at -0.3%. Yardi attributes this short-term rent softening to large ratios of new supply under construction to total stock—11% in Austin and 8% in Orlando.

Occupancy—All Asset Classes by Month



Source: Yardi Matrix

Year-Over-Year Rent Growth—All Asset Classes



The economy is in a “steady growth pattern,” according to Yardi, with little change expected in 2020. Strong job growth across a variety of sectors is among the engines driving the economy forward. However, as the election approaches, Yardi anticipates a rise in transaction activity in the first and second quarter, followed by slowdown in the summer and fall, despite strong fundamentals.

The ongoing housing shortage has encouraged rising rents in high-end and workforce housing alike. New unit deliveries are expected to fall under 300,000 units for 2020, with new supply concentrated in primary and “top tier” secondary markets influenced by the tech sector.