

Apartment Vacancy Reaches Lowest Q4 Level

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Renters across the U.S. are snapping up apartments faster than builders can bring them to the market, with nationwide multifamily vacancy tightening to a historic low by the end of 2019, according to a new report by CBRE.

The overall multifamily vacancy rate fell to 4.1 percent in the fourth quarter, down 40 basis points from the previous year and the lowest Q4 level since 2000, the report finds. Net absorption reached 299,400 units in 2019, exceeding the 254,600 new units that were delivered.



At the same time, construction activity is solid with a pipeline approaching peak levels and showing no signs of a slowdown through at least 2021. The pace of deliveries eased last year, with 254,600 units delivered, down 7 percent from 2018, and 71,600 units delivered in the fourth quarter.

Multifamily investment also reached a record last year, with investment volume rising by 4.4 percent to \$184 billion—the greatest annual amount since 2001, according to Real Capital Analytics data cited by CBRE. Full-year mortgage production volume by Fannie Mae and Freddie Mac rose to a combined \$148.6 billion, up 3.6 percent from the previous year and the highest level on record.

COSTS SOAR, BUT MORE SLOWLY

The cost of housing has surged since the financial crisis, both in terms of apartment rents and single-family home prices. Multifamily rents have climbed 38.9 percent since the market nadir of Q4 2009, or an average of 3.3 percent per year. Last year's annual rent growth was less buoyant but still healthy, at 2.6 percent in the fourth quarter, with average rent reaching \$1,704 per unit.

Phoenix led the way among metro areas with 8 percent annual rent growth in the fourth quarter, trailed by Las Vegas (5.8 percent), Nashville (5.4 percent), Raleigh (4.6 percent), Charlotte (4.5 percent) and Austin (4.2 percent). The Mountain West region stretching from Phoenix to Salt Lake City took the crown for rent growth among U.S. regions, with only Denver experiencing a subpar increase of 2.3 percent.