



U.S. Multifamily Outlook

Winter 2021

COVID-19 Continues To Weigh on Multifamily

Rents Fall in Gateway Markets

Construction Deliveries Slow

Capital Providers Eye Apartments

Market Analysis

Winter 2021

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COVID-19 Continues to Weigh on Multifamily

- After a year ravaged by a global pandemic and political division, nothing would be more satisfying in 2021 than a return to normal. While there does appear to be light at the end of the tunnel, it will take some months to get most of the country vaccinated and get businesses operating as normal.
- Job growth has been mostly positive since the summer, but the economy remains nearly 10 million jobs off its peak. Millions of renters continue to struggle to make monthly payments. The \$900 billion stimulus package passed at the end of 2020 provided some relief, especially the \$25 billion renter assistance, \$25 billion for Housing and Urban Development (HUD) programs and \$300 per week unemployment aid. However, another package is likely to be needed in 2021 to keep many families and property owners afloat.
- Nationally, rent growth fell only slightly in 2020, but there was a huge variation among metros. Rents and occupancy levels fell sharply in high-cost gateway markets, as renters left crowded and expensive coastal centers. More affordable markets in the Sun Belt, Southwest, Midwest and Mid-Atlantic saw modest rent growth.
- The pandemic slowed construction. What would have been a year of peak development instead turned into less than 300,000 deliveries. With more than 750,000 units under construction, new supply should stay in the 300,000 range for a few years.
- Despite the myriad issues the industry is facing, capital flow remains strong. Sales activity dropped about 35% in 2020, but there's no shortage of dry powder looking to buy apartments. Agency lenders have had their allocations clipped slightly, but debt availability is strong, as well.
- We expect 2021 to be better than 2020, particularly the second half, but the year won't be without tumult. Gateway markets will continue to struggle, and the industry will have to deal with weak rent collections, eviction bans, forbearance requests, lobbying for renter aid and a new federal mortgage oversight regime.