



2018 Multifamily Market Update



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THE YARDIMATRIX VIEW- A Sharpshooter's Game Short-Term, Back to Intellectual Hubs Longer-Term

So what's different from the last time we spoke?

- **U.S. economy is in VERY good shape**

- GDP/Employment up and growth is humming >3%, but appear to be leveling out at this growth rate
- Trade and immigration policies appear to be driving the downshift in the pace of growth
- Oil Prices Up => \$70/bbl – will stay high (\$80/bbl?) for what looks like 18-24 months – Iran/Venezuela/Saudi/Russia impacts
 - As a meaningful producer, not a clear negative anymore, positive for the Oil Patch
- Wages rising ~2.6% and labor market tight – people being pulled off the sidelines
- Inflation rising, but unlikely to break 2.5%; Short-Term interest rates up, 10 Yr range with 3% to 3.5%; Watch Yield Curve!

- **Multifamily market faces increasing Cross-Winds:**

- Demand (Jobs/Population) is strong, but shifting to lower cost cities; and homeownership rate is/will gradually rise
- Financing costs up – find situations where change in NOI outruns impact of increasing rates
- Multifamily Capital is abundant – debt and equity – acquisition and development – cap rates steady, spreads compressing
- New Supply deliveries are weighing down on several markets, and the level of new supply is flattening but not declining