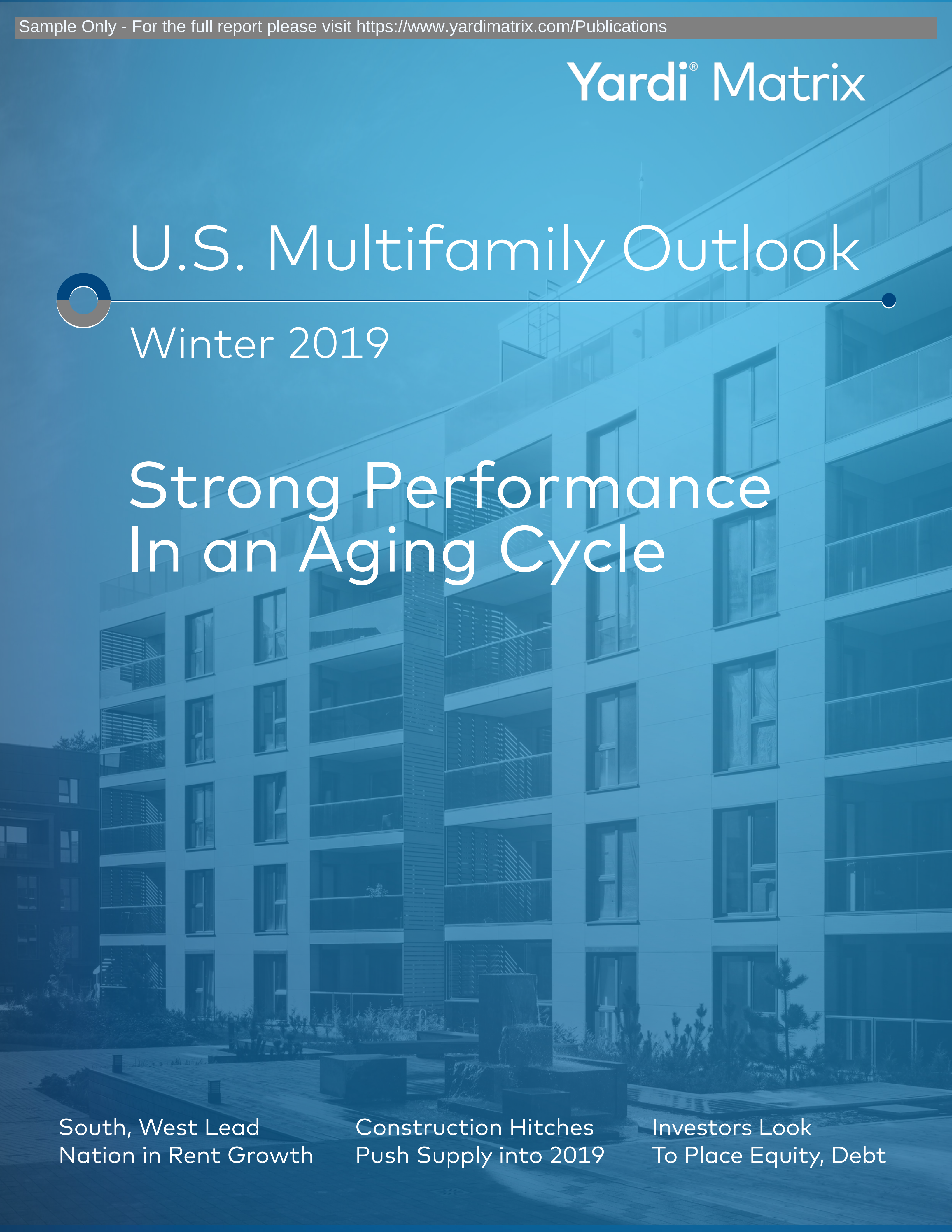

Yardi® Matrix

U.S. Multifamily Outlook

Winter 2019

Strong Performance In an Aging Cycle

South, West Lead Nation in Rent Growth

Construction Hitches Push Supply into 2019

Investors Look To Place Equity, Debt

Market Analysis

Winter 2019

CONTACTS

Jeff Adler
Vice President & General Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(800) 866-1124 x2403

Jack Kern
Director of Research and Publications
Jack.Kern@Yardi.com
(800) 866-1124 x2444

Paul Fiorilla
Associate Director of Research
Paul.Fiorilla@Yardi.com
(800) 866-1124 x5764

Chris Nebenzahl
Institutional Research Manager
Chris.Nebenzahl@Yardi.com
(800) 866-1124 x2200

Still Room to Run for Multifamily, Despite Prolonged Cycle

- Although the recovery is starting to show signs of strain and market players are increasingly gaming out downside scenarios, 2019 should be another good year for the multifamily industry. Demand is expected to stay healthy as long as job growth remains positive and young adults and retirees choose apartments.

- The economy is showing signs of strain and stock market volatility demonstrates heightened concern about the economy among investors, but job growth and consumer spending are likely to remain healthy. GDP might not approach 3% again, but neither do we see it slowing below 2%.

- We foresee another year of moderate rent increases in the 2.5% to 3.0% range nationally, led by metros in the South and West with strong in-migration and job growth. Some of the greatest gains will come from fast-growing tertiary markets such as Tacoma, Colorado Springs and Reno. New York City rents will be relatively flat again, but no metro will see negative growth.

- We expect roughly 300,000 deliveries nationally in 2019, the fourth straight year at that level. Although rents will be tested in some metros by a spate of deliveries, recent experience has shown that supply will be absorbed when demand is there.

- Investors just can't quit commercial real estate. As the economic cycle ages, investors are increasing allocations to safer asset types, which means a larger portion of CRE dollars moving into multifamily and industrial.