US Multifamily Rents Lag at Start of 2018

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US multifamily rent growth waned in the beginning of 2018. According to research from **Rent Café**, apartment rents increased 2% in the start of the year, the weakest growth for the same period of time since 2010. Overall, cities with the largest apartment units saw the most rent growth, including Las Vegas, Orlando, Denver and Los Angeles, all of which saw 4% to 6% rent growth. Manhattan, Austin, DC, and Chicago showed no year-over-year rent growth. Detroit beat Las Vegas for the highest rent growth in a large city with a 5.3% increase. Stockton and Tampa had the highest rent growth in the mid-sized cities category, and markets like Reno, Odessa and Yonkers made the top of the list for the small cities category. To find out more about these rent growth patterns, we sat down with **Nadia Balint** of Rent Café for an exclusive interview.

GlobeSt.com: Why has rent growth momentum slowed at the start of this year?

Nadia Balint: Following several consecutive years of record deliveries, apartment supply is expected to hit a new peak this year, with tens of thousands of new units to be delivered in many of the nation's primary rental markets such as New York, Washington DC, Los Angeles, Chicago, Austin, and others, slowing down overall growth. Slow-growing wages and lots of new units, most at the high end of the market, chasing after the same renters is inevitably affecting rent prices.

GlobeSt.com: Which cities have been most impacted by slowed rental rate growth, and why? Is there a pattern here?

Balint: Typically, larger early-cycle markets are seeing rents sliding or stagnating this year, with prices in New York, Austin, DC, Chicago, and San Francisco changing by less than 1% year over year, held back by the large volume of new multifamily projects coming online. Large percentage gains are becoming rare in most markets, unlike the growth spurt we witnessed two years ago, with the largest annual rent increases in Detroit (5.3%), Las Vegas (5.1%) and Denver (4.7%).

GlobeSt.com: Markets like Los Angeles and San Francisco are continuing to see rental rate growth, as are emerging metros in the Western US, like Denver and Phoenix. Why have these markets continued to see healthy rent growth?

Balint: Job gains and a steady increase in for-sale prices — which creates a high barrier to homeownership — have strengthened demand for rental apartments in some cities. Moreover, rental rate growth is driven by low-priced apartments, where the competition is stronger, while developers focus on high-end apartments. This is not the case in San Francisco, however, where rents are currently stagnating, posting a 0.6% year over year growth in May.

GlobeSt.com: How do you expect the weaker growth to impact multifamily investment this year?

Balint: The focus has shifted to smaller markets over the past year, which are seeing a lot of activity. The top 25 largest year over year rent increases in May were in small-sized cities, like Reno, NV, Hollywood, FL, and Boise, ID. Nationwide, job growth and population gains are high in small and mid-size cities, as people are attracted by a more affordable cost of living and lower taxes, so development is naturally progressing towards areas with potential to grow.

GlobeSt.com: Do you expect rental rate growth to pick up in the second half of the year?

Balint: Continuing a two-year trend of rent deceleration, and more deliveries expected to pressure rents, we anticipate the same pattern for the rest of the year, keeping in mind that demand is holding up and the economy is favorable.
