CBRE

Q1 2019
U.S. MULTIFAMILY
FIGURES

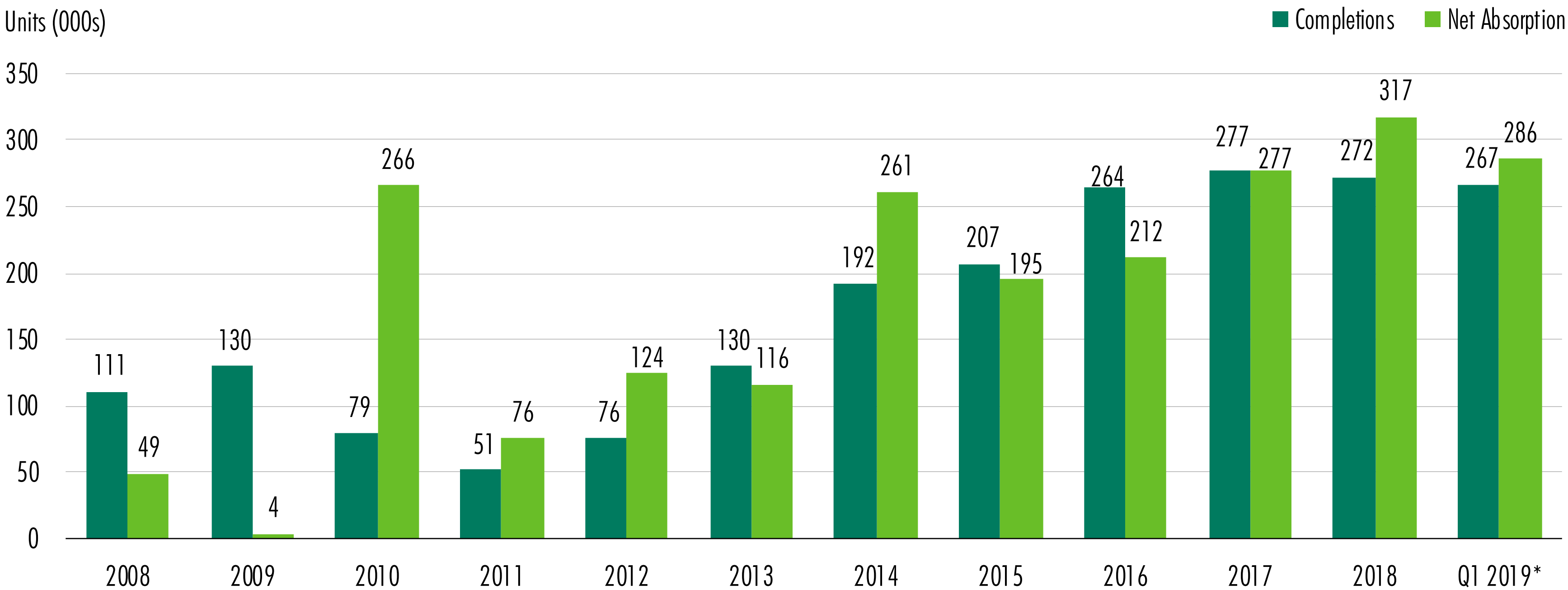
Q1 2019 U.S. MULTIFAMILY FIGURES – EXECUTIVE SUMMARY
MULTIFAMILY MARKET REMAINS IN BALANCE

Vacancy Rate	Completions*	Net Absorption*	Y-o-Y Rent Change	Acquisitions Volume*
4.6%	**266,700 Units**	**285,800 Units**	**3.0%**	**$175 Billion**

Arrows indicate change in growth rate from the same quarter in the previous year.
*Total past four quarters.

- The U.S. multifamily market remained healthy in Q1, with a favorable vacancy rate and solid rent growth.
- The construction pipeline—starts and units under construction—remained very active, but completions in Q1 fell to the lowest level in four years.
- Net absorption moderated in Q1, but the trailing four-quarter total reached 285,800 units—higher than the 266,700 units delivered.
- The overall vacancy rate of 4.6% in Q1 was down 20 basis points (bps) year-over-year.
- Rent growth climbed to an annual rate of 3%, up from 2.1% a year ago.
- Multifamily acquisitions totaled $36.4 billion in Q1, up 1.3% year-over-year. The trailing four-quarter total of $175 billion was up 8.1% year-over-year.

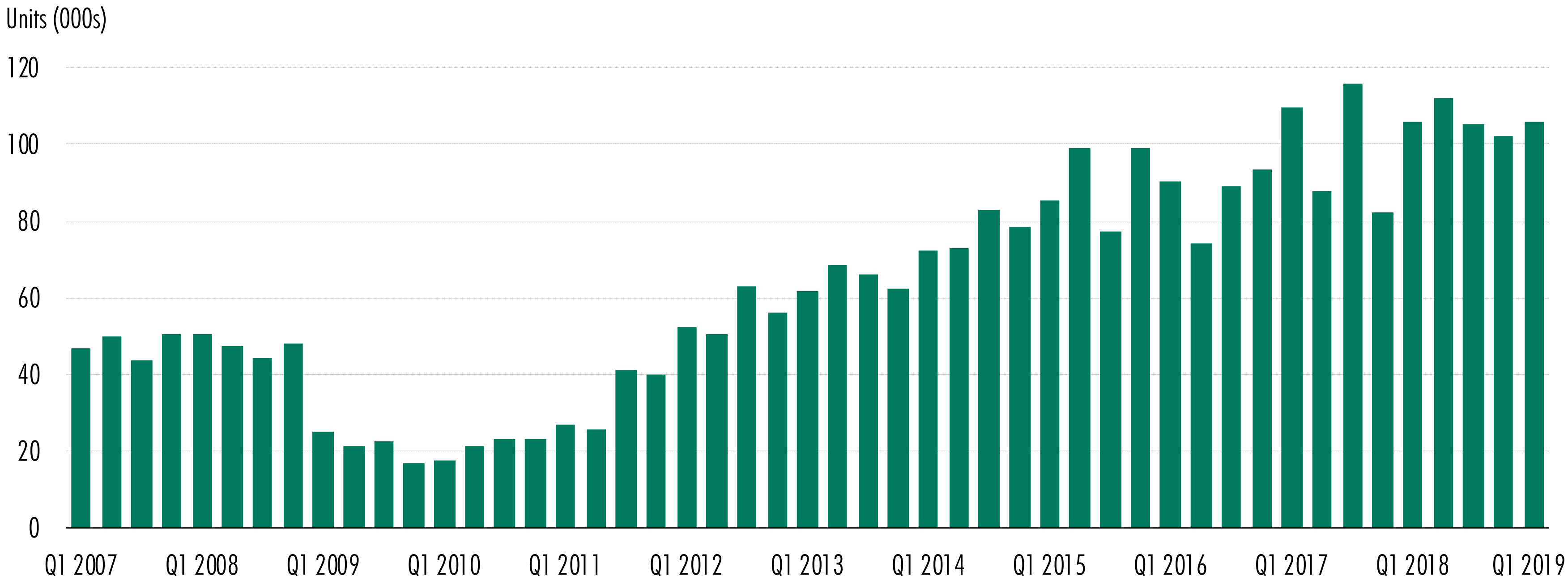
FIGURE 1
DELIVERIES & NET ABSORPTION REMAIN NEAR PEAK LEVELS



Source: CBRE Research, CBRE Econometric Advisors, Q1 2019. Based on the 66 markets tracked by CBRE EA. (For the ranking tables, contiguous metros are combined, such as Dallas and Ft. Worth. Counting these combined metros, the CBRE EA coverage is 56 metros.) Completions and net absorption of newly-built communities are counted in the quarter in which the property reaches occupancy stabilization. *Four quarters ending Q1 2019.

- Net absorption totaled only 16,200 units in Q1. The seasonal slowdown in leasing usually results in low Q1 net absorption totals, but this year's Q1 total was the lowest first quarter since 2015.
- Net absorption over the four quarters ending Q1 2019, however, was an impressive 285,800 units—higher than the 266,700 units delivered over the same period.
- Construction remains active, but the completions total fell in Q1 to 39,300 units. This was the lowest quarterly delivery total since Q1 2015.

FIGURE 2
LITTLE SLOWDOWN IN CONSTRUCTION STARTS



Source: CBRE Research, CBRE Econometric Advisors, Dodge Data & Analytics, Q1 2019. *Q1 2019 = 3 months ending February 2019.

- Despite the lower level of deliveries in Q1, multifamily construction is not waning; construction starts totaled 105,900 units in the three months ending February 2019, essentially the same as in Q1 2018.
- The number of multifamily units under construction rose 4.6% year-over-year to 627,700 units in Q1 as of February—the highest quarterly level recorded in the current cycle.
- Both starts and under-construction totals indicate that construction deliveries will remain close to 2018 levels through at least 2020.

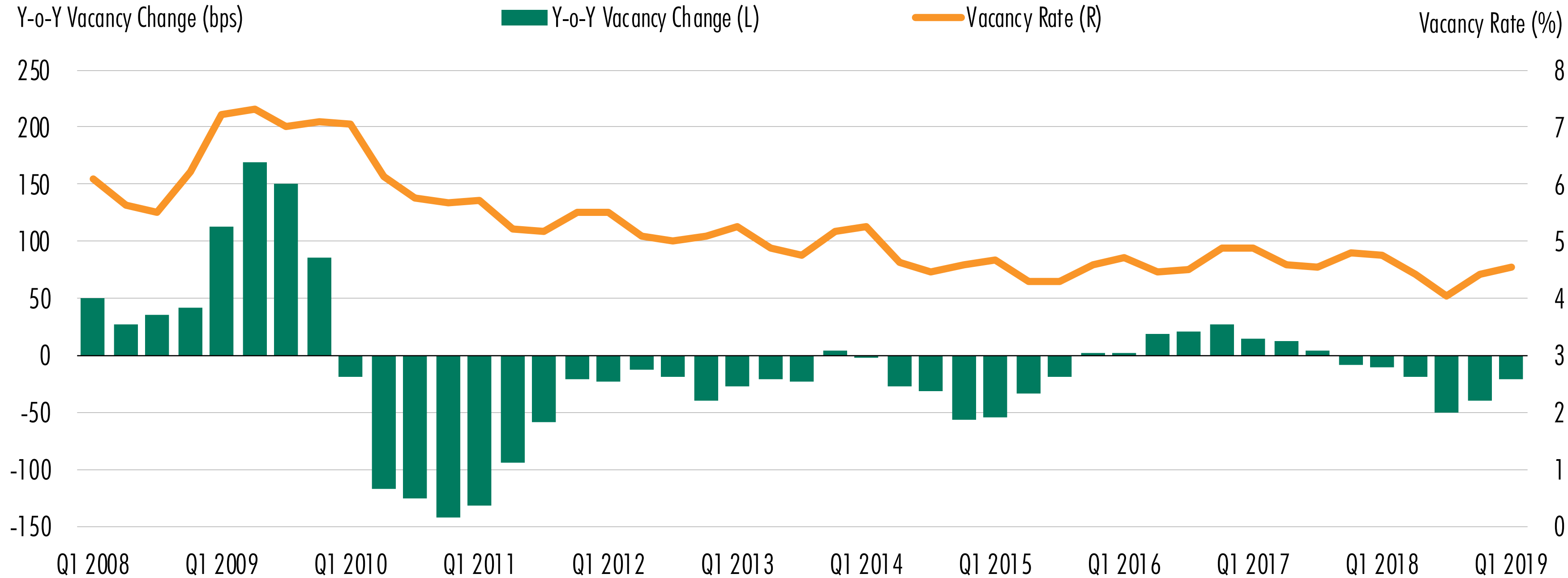
FIGURE 3
NEW YORK LEADS FOR NEW SUPPLY

Rank by New Supply	Metro Market	Completions 4 Quarters Ending Q1	Completions As % of Inventory	Net Absorption 4 Quarters Ending Q1	Net Absorption As % of Inventory	Net Absorption As % of Completions
	Sum of Markets	266,700	1.8	285,800	1.9	107
1	New York Metro	33,300	1.5	39,400	1.8	118
2	Dallas/Ft. Worth	18,600	2.6	16,400	2.3	88
3	Los Angeles/So. California	18,300	1.2	19,300	1.3	105
4	Seattle	14,000	3.7	14,000	3.7	100
5	Washington, D.C.	13,300	2.3	15,500	2.6	117
6	Denver	13,200	4.2	13,100	4.1	99
7	Boston	10,200	2.1	12,000	2.5	118
8	San Francisco Bay Area	9,400	1.6	8,200	1.4	87
9	Miami/South Florida	9,100	1.6	9,200	1.6	101
10	Chicago	8,000	1.1	10,900	1.5	136
11	San Antonio	7,700	4.5	7,700	4.5	100
12	Orlando	7,500	3.6	5,700	2.8	76
13	Austin	7,400	3.4	8,400	3.9	114
14	Atlanta	7,400	1.7	9,500	2.2	128
15	Minneapolis	6,400	2.4	5,800	2.2	91
16	Portland	5,700	2.9	5,800	2.9	102
17	Phoenix	5,600	1.6	7,600	2.1	136
18	Charlotte	5,500	3.4	5,200	3.2	95
19	Tampa	5,400	2.3	4,600	1.9	85
20	Philadelphia	5,300	1.7	6,500	2.1	121
21	Nashville	5,200	3.8	5,300	3.8	102

Source: CBRE Research, CBRE Econometric Advisors, Q1 2019. All ratios based on unrounded figures.

- The New York Metro area remains the country's leader for both construction and net absorption, with 33,300 units delivered and 39,400 absorbed in the four quarters ending in Q1.
- Nearly half of all new supply was delivered in just eight markets, led by New York, Dallas/Ft. Worth, Los Angeles and Seattle.
- Among the 20 markets with the highest delivery totals, San Antonio had the highest completions-to-inventory ratio—a red flag for possible overbuilding. Denver had the second highest. Both markets had equally high demand, mitigating the risk of overbuilding.
- Austin's and Charlotte's completions to-inventory ratios fell to 3.4%. Nashville also had a notable reduction in deliveries, and its completions-to-inventory ratio fell to 3.8%.

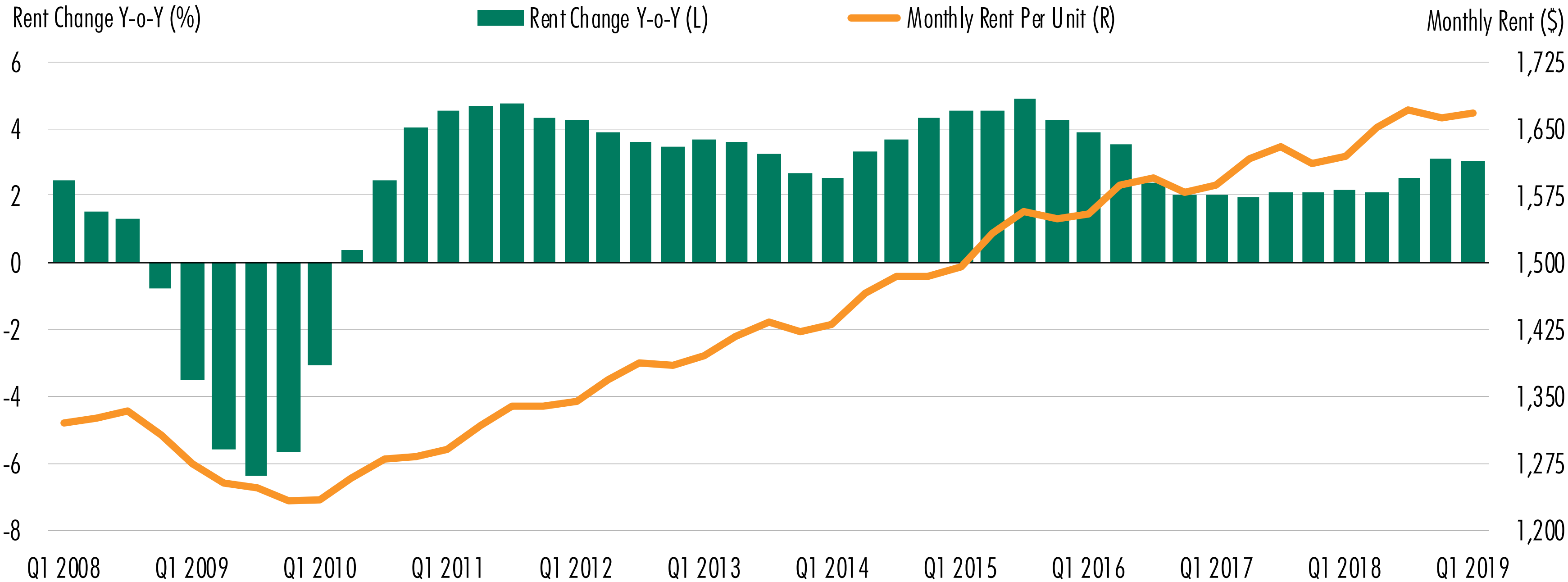
FIGURE 4
VACANCY DROPS 20 BPS YEAR-OVER-YEAR



Source: CBRE Research, CBRE Econometric Advisors, Axiometrics Inc., Q1 2019. Based on the 66 metro markets tracked by CBRE EA.

- Multifamily vacancy fell by 20 bps year-over-year to 4.6% in Q1. For the past six quarters, the vacancy rate has fallen on a year-over-year basis, reversing the trend of slightly rising vacancy in 2016 and 2017. The multifamily sector's vacancy rate has remained under 5% for the past five years.
- Minneapolis had the lowest vacancy rate of all metros in Q1 at 3.2%, followed by New York and Providence, both at 3.3%. Four other markets had vacancy rates under 4%: Sacramento (3.5%), Detroit (3.5%), Boston (3.6%) and Los Angeles/Southern California (3.8%). Houston had the largest year-over-year increase in vacancy—up 130 bps to 7.3% but essentially unchanged from Q4. The year-over-year increase was primarily the result of a falloff in Hurricane Harvey-related demand.
- Among the larger markets (90,000+ units), Cincinnati and Pittsburgh had the largest year-over-year declines in vacancy, down by 120 bps to 4.2% and 110 bps to 4.5%, respectively.

FIGURE 5
RENTS RISE 3% YEAR-OVER-YEAR



Source: CBRE Research, CBRE Econometric Advisors, Axiometrics Inc., Q1 2019. Effective same-store rents based on the 66 metro markets tracked by CBRE EA.

- Monthly effective apartment rents averaged $1,669 per unit in Q1, up 3% from the prior year based on “same-store” comparisons. The Q1 rent per sq. ft. averaged $1.97.
- Since the market trough in Q4 2009, rents have risen by 35.3% or an average of 3.3% per year.
- While multifamily rents have risen considerably this decade, leading to increased concerns over affordability, single-family home prices have risen substantially more. Since the cyclical low of $163,800 in January 2010, the median sales price of a single-family home rose by 59.4% or an average of 5.2% per year to $261,100 in March 2019.

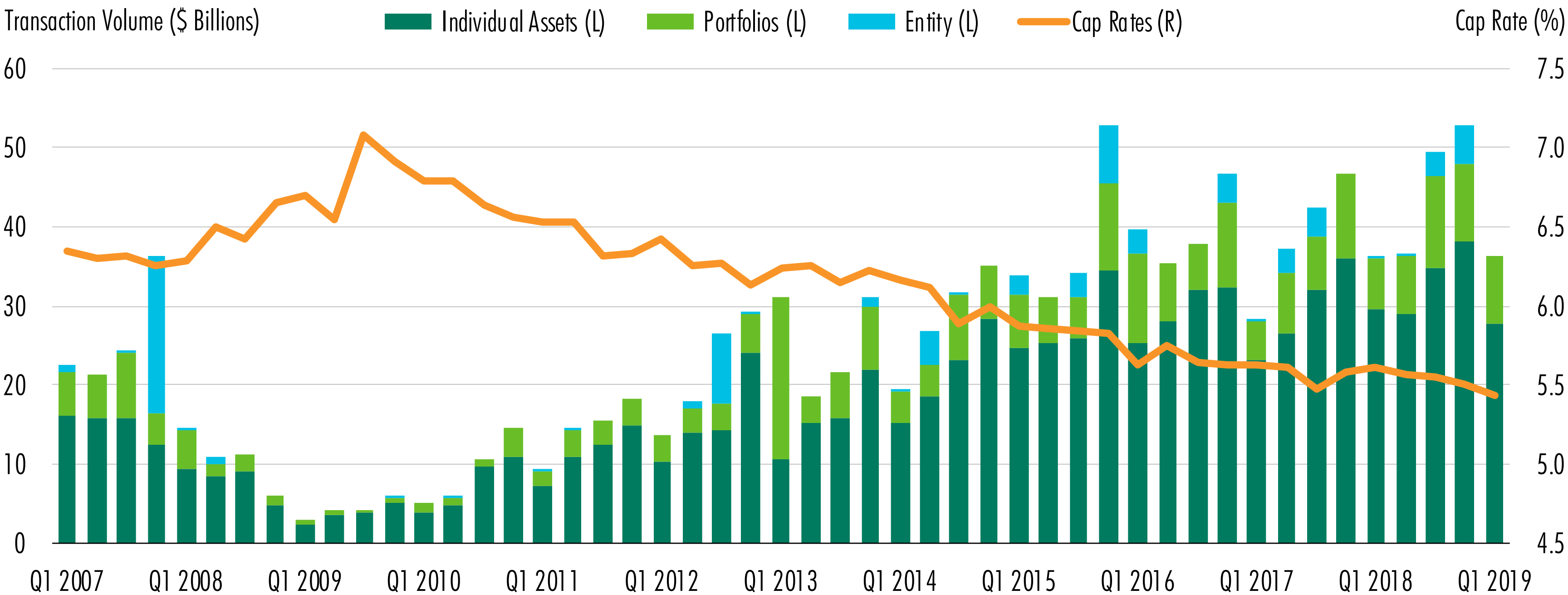
FIGURE 6
LAS VEGAS & PHOENIX ARE RENT-GROWTH LEADERS

Rank	Metro Market	Rent Change Y-o-Y (%)	Rank	Metro Market	Rent Change Y-o-Y (%)
	Sum of Markets	3.0			
1	Las Vegas	8.0	21	Seattle	3.3
2	Phoenix	8.0	22	Nashville	3.2
3	Atlanta	5.4	23	San Antonio	3.2
4	Sacramento	5.1	24	San Francisco Bay Area	3.2
5	Inland Empire	4.8	25	Minneapolis	3.1
6	Austin	4.7	26	Philadelphia	3.0
7	Tampa	4.3	27	Pittsburgh	2.9
8	Charlotte	4.2	28	Indianapolis	2.8
9	Raleigh	4.1	29	Washington, D.C.	2.8
10	Jacksonville	4.1	30	Miami/South Florida	2.8
11	Providence	4.0	31	Dallas/Ft. Worth	2.6
12	Salt Lake City	4.0	32	Portland	2.5
13	Denver	3.9	33	Norfolk	2.5
14	Orlando	3.8	34	Baltimore	2.4
15	Detroit	3.8	35	Chicago	2.4
16	Boston	3.7	36	New York Metro	2.3
17	Cincinnati	3.6	37	St. Louis	1.8
18	Columbus	3.5	38	Kansas City	1.7
19	Los Angeles/So. California	3.4	39	Cleveland	1.7
20	San Diego	3.4	40	Houston	0.2

- Las Vegas and Phoenix led the U.S. for annual rent growth in Q1, both with 8% gains.
- Atlanta followed with 5.4% annual rent growth and Sacramento with 5.1%. Another eight markets had gains of between 4% and 5%, well above the national rate of 3%.
- Q1 statistics by class and other major categories are not yet available. In Q4 2018, Class C rents had risen by 4.7% year-over-year, while both Class A and Class B rents were up 1.7%.

Source: CBRE Research, CBRE Econometric Advisors, Q1 2019. Metros with an inventory of 90,000+ units. Based on effective "same-store" rents.

FIGURE 7
Q1 INVESTMENT VOLUME INCHES UP 1% OVER PRIOR YEAR



Source: CBRE Research, Real Capital Analytics, Q1 2019.

- Q1 multifamily investment volume of $36.4 billion was up 1.3% year-over-year.
- Multifamily was the only major property type to have a year-over-year increase in investment volume in Q1. The $106 billion total for all commercial real estate sectors was down by 11.4% year-over-year.
- Real Capital Analytics reports that multifamily cap rates fell by 17 bps year-over-year in Q1, providing further evidence of investors' sustained interest in the sector and willingness to buy at relatively higher prices.

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