



**CBRE**

# **MULTIFAMILY DEMAND DRIVERS**

**MAY 8, 2019**

## DEMAND DRIVERS

Cyclical and secular forces continue to keep current multifamily renters and attract more

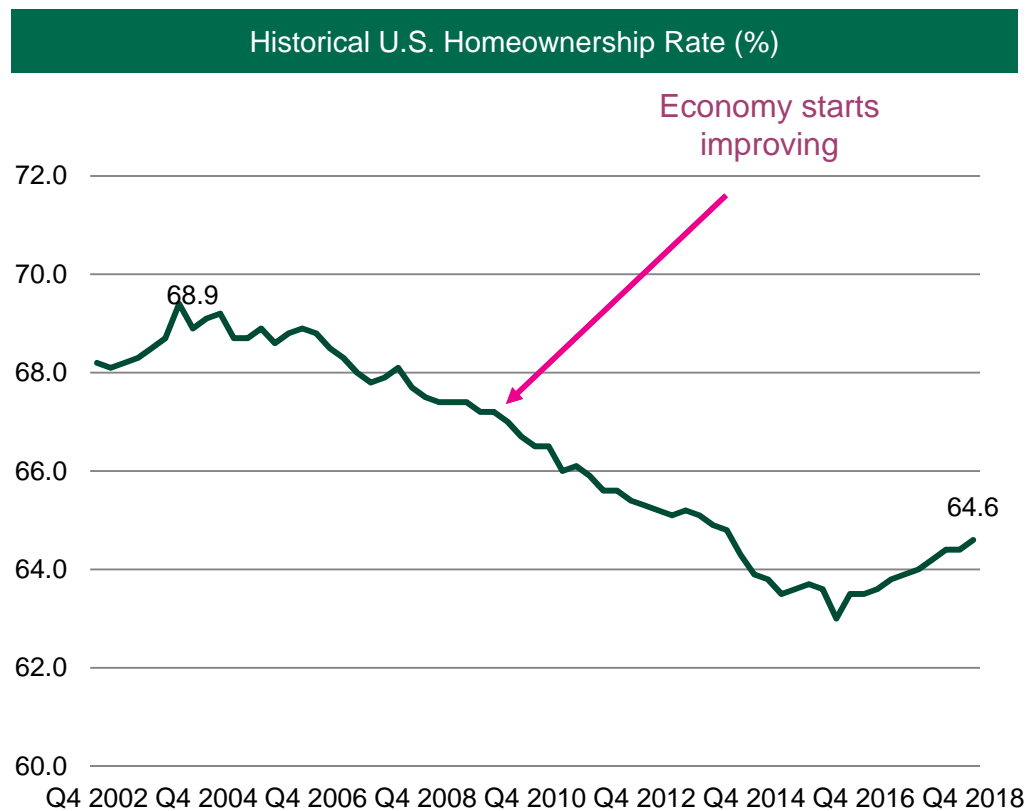


- **Economic growth**
  - Household formation correlated with economic health
- **Lifestyle/Cultural Changes**
  - Delaying marriage and starting families
  - Rise in urban living
  - Preference for housing tenure flexibility, etc.
- **Homeownership Costs**
  - Costs prohibitive to many renters
  - Lack of savings
  - Student debt
  - Mismatch between what is affordable and what desired



# SECULAR DEMAND DRIVERS

## 1. Demographics remain favorable



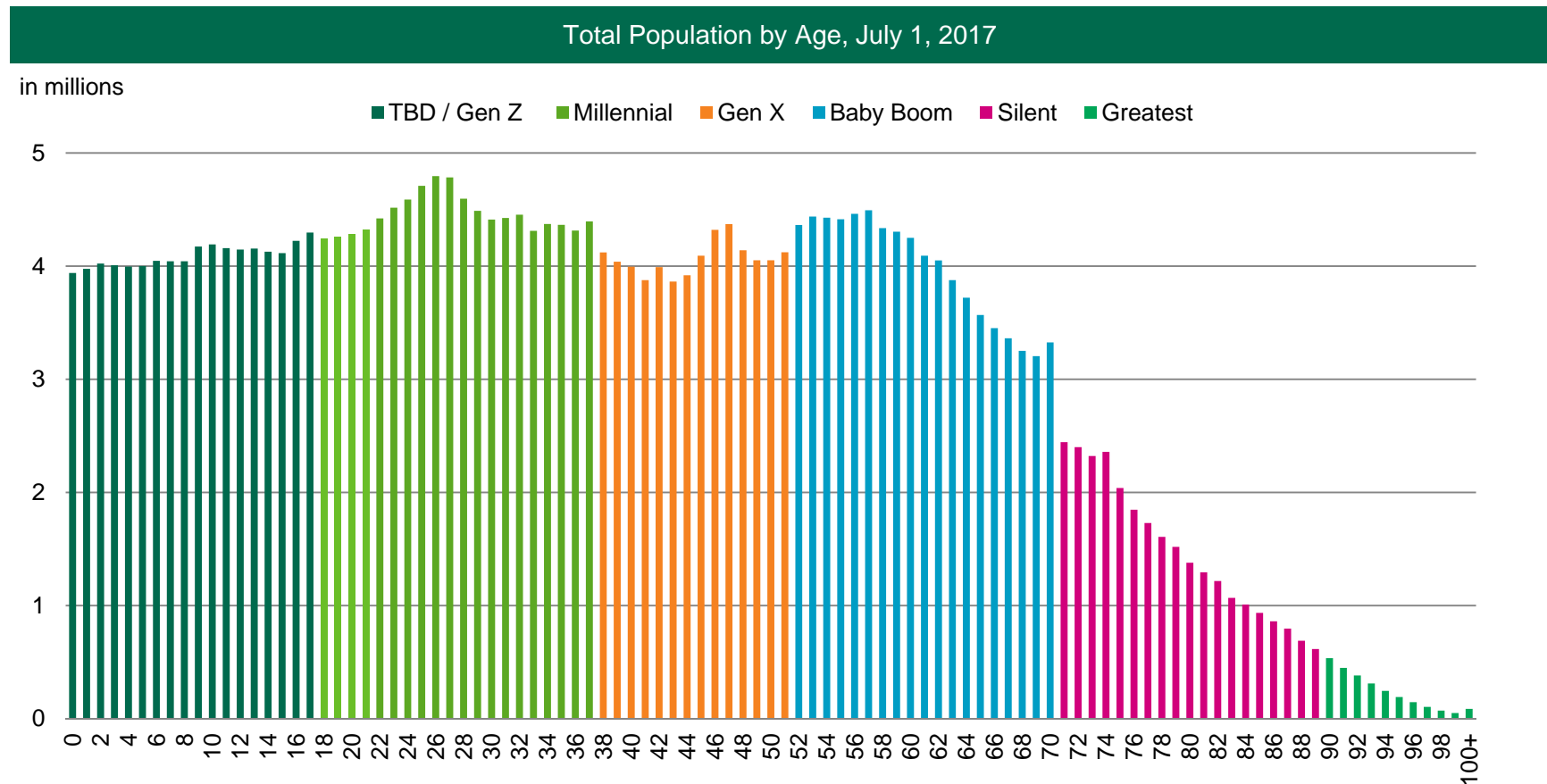
Source: CBRE Research, U.S. Census Bureau, Q4 2018. Seasonally-adjusted rates.



- Younger millennials still in traditional rental tenure life stages
- Millennials turning 25-40 in 2019
- Homeownership rates rising for two years, but this moderate rise not significantly impacting multifamily demand
- Homeownership likely to rise a half point in 2019 – due to demographic composition of U.S. population

# U.S. POPULATION BY AGE, 2017

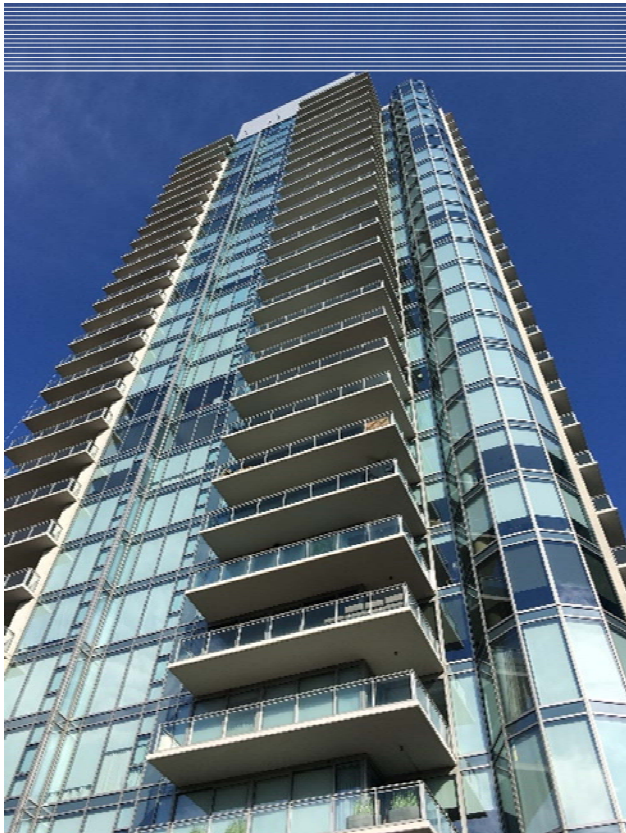
Demographics are shaping demand



Source: CBRE Research, U.S. Census Bureau.

## SECULAR DEMAND DRIVERS

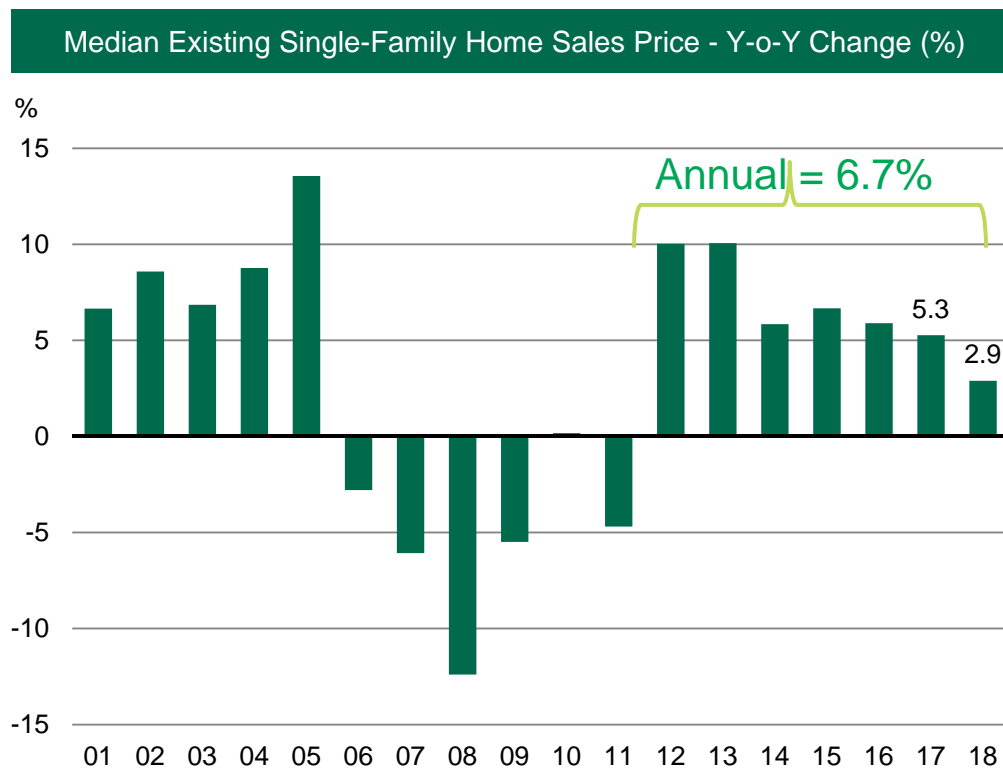
### 2. Many lifestyle/cultural changes favor multifamily renting over homeownership



- **Delayed marriage, families.** Younger adults marrying later and starting families later – both trigger points for moving out of multifamily
- **Baby boomers/empty nester coming back to multifamily.** Many older homeowners are choosing rental multifamily
- **Urban living.** Multifamily rental tenure's popularity rising due to attractiveness of urban living (and availability of appealing communities)
- **Housing tenure flexibility.** Many households prefer renting for its tenure flexibility (for mobility)

# STRUCTURAL DEMAND DRIVERS

## 3. Buying a house may not be financially attainable



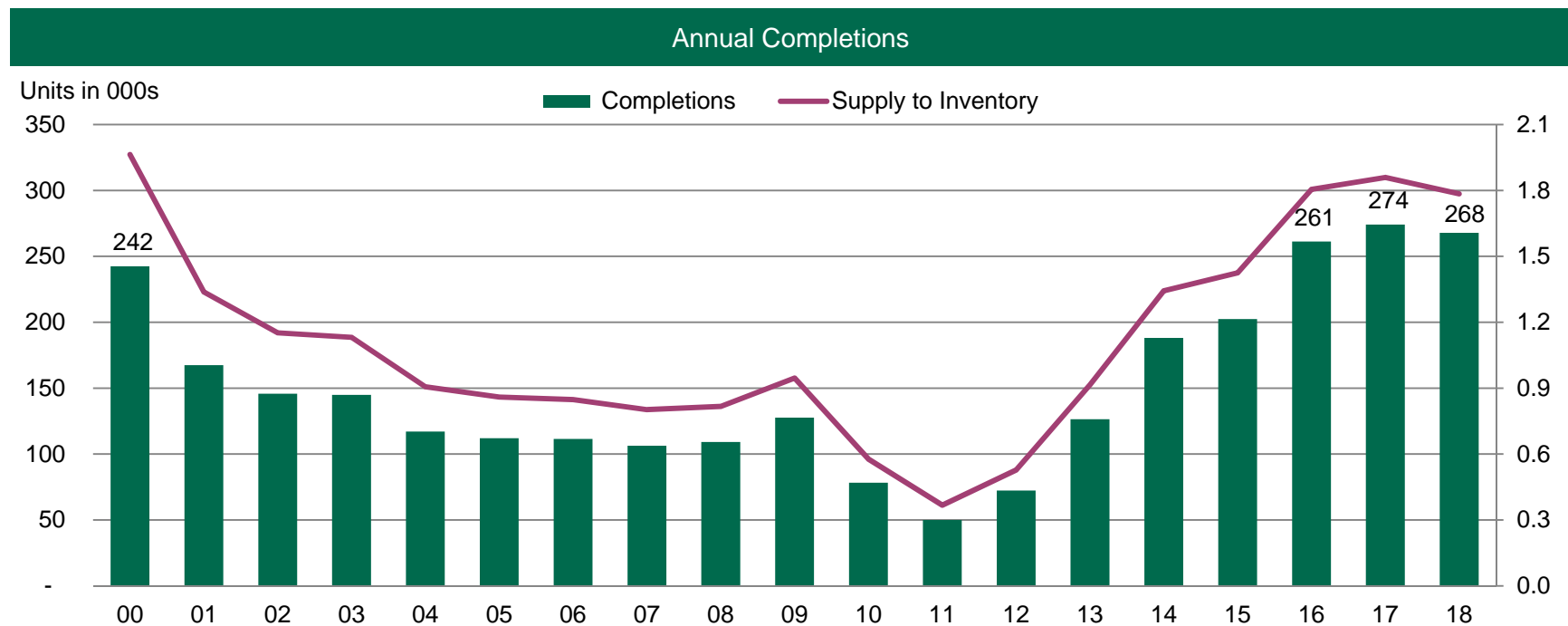
Source: CBRE Research, National Association of Realtors, Freddie Mac, U.S. Census Bureau, Q4 2018. December 2018 median = \$255,200. Total increase seven years of 2012-2018 = 57%.



- High housing costs in many markets
- Rising cost of housing in most markets
- Limited supply of new or existing moderately-priced housing
- Credit approvals and hurdles still difficult
- Saving for down payment hindered by student debt
- Single-family construction starts – still only slightly above half of last cycle
- Few condos are being built (though that is beginning to change)

# U.S. MULTIFAMILY CONSTRUCTION

268,000 units delivered in 2018 - slightly under 2017 total



Source: CBRE Research, CBRE Econometric Advisors, Q4 2018. Total for 66 metro markets tracked by CBRE EA. Completed units are counted in the quarter in which property has stabilized. 2000 was peak of late 1990s/early 2000 expansion period.