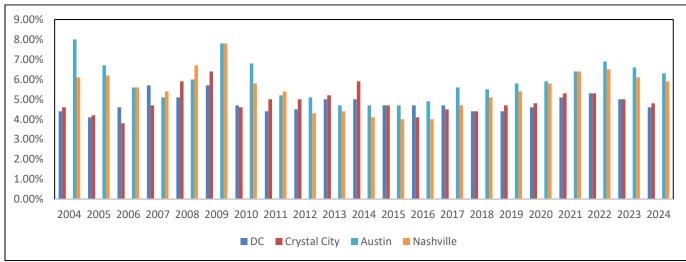# Multifamily Market Commentary – April 2019
The Multifamily Impact of Amazon's HQ2 Will Likely Be Minimal

After much anticipation and speculation regarding the location of its second headquarters, Amazon finally announced that it would bring 25,000 new employees to two different locations: Crystal City, Virginia, in the Washington, D.C. metro area, and Long Island City in the New York City metro area. Since then, Amazon has rescinded its plan to proceed with HQ2 in Long Island City due to opposition from local community activists and politicians, focusing on Crystal City instead. Amazon also recently affirmed that it would be creating 5,000 new jobs in downtown Nashville and more than 800 new jobs in Austin.

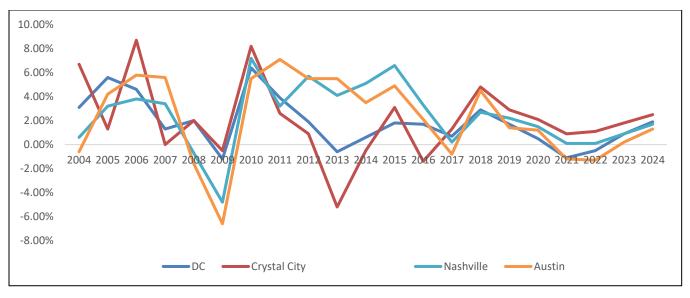**Amazon Metros' Market Performance Expected to Remain Stable**

Amazon's expansion into these metro areas fueled instant speculation about the potential impact on local housing markets, including multifamily rental properties. Rent growth among the Amazon-chosen metros has been largely non-volatile and has followed a similar pattern since 2004, though Nashville has experienced higher peaks and lower troughs. Fortunately, the multifamily markets of these "Amazon" metros have a substantial amount of new multifamily rental supply underway that should be able to easily absorb the anticipated demand.

Annual Multifamily Vacancies of Amazon Metros
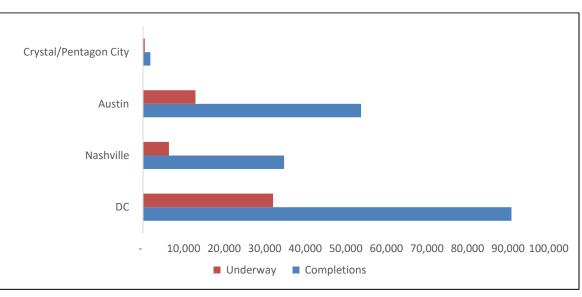

Source: CBRE Economic Advisers

Nashville with Higher Peaks and Lower Troughs Since 2004 than Other Amazon Metros

Source: CBRE Economic Advisers

Supply Over Time Remains Reasonable – For Now

The Austin, Nashville, and Washington D.C. metro areas have more than 51,000 units underway combined. This supply is expected to deliver by the end of 2020. The metro areas of Austin, Nashville, and D.C. have also had over 180,000 units completed since 2013. If both were to stop building after the delivery of what is currently in their pipelines, they would still have more than enough new supply to absorb Amazon's new employees.

Construction Completed & Underway in Amazon Markets

Source: CBRE Economic Advisers

Solid Demographics Support Amazon's Arrival

The submarket of Long Island City, despite its elevated level of new multifamily supply of more than 30,000 new units since 2013, would likely have been able to accommodate the potential demand from Amazon. The same holds true for the Crystal City submarket, with just 440 new multifamily units underway. Nashville, too, is in a great position to absorb its incoming 5,000 new Amazon employees over the past few years, thanks to the nearly 7,000 units scheduled to deliver by the end of 2020

Crystal City: Looking Good in the Nation's Capital

The multifamily demographics of the Washington D.C. area are a bit more attractive on paper than its New York City metro counterpart. Even though its population of about five million people is just one-third the size of New York City, the population growth rate is slightly better and even exceeds the national average (0.70 percent) at 0.80 percent. The Washington D.C. metro area also attracts a significant portion of Millennials. Indeed, Millennials account for about 0.60 percent of the Washington, D.C. metro's population growth rate, compared to just 0.10 percent nationally. Another advantage the D.C. area has is its median household income of $104,000, much higher than the national average of $64,000.

Nashville: Music City Sings a Fine Tune

While Nashville may not be as large as D.C. or New York City, its multifamily market still has plenty going for it. Nashville's population grew by 1.3 percent and its prime renting cohort population expanded by an enviable 1.6 percent in 2018. Lastly, it's also much more affordable. The median household income in Nashville is slightly less than that of New York City, at $68,000 per year, but still higher than the national average of $64,000.

New York City: A (Not So) Easy Choice

Of all the metro areas Amazon considered for its second headquarters, New York City has the biggest population and employment bases at 14.6 million and 7.1 million, respectively. However, looking further at New York City's demographic profile, it lags the nation in a few categories.

- Population growth has been slow at just 0.3 percent as of fourth quarter 2018.
- The population of Millennials, the prime renting cohort, has contracted by 0.3 percent year over year as of fourth quarter 2018.

Due to the presence of other technology companies, such as Google, Oracle, Facebook, and Etsy, in New York City, Long Island City presented Amazon with a unique advantage over its competition as it would have had an actual headquarters location, as opposed to just regional office space.

The Amazon Effect Continues

Amazon had an opportunity most companies would love: being wooed by many of the nation's largest metros, with most offering attractive incentives. While Amazon may have made a smart choice in selecting Washington, D.C., it was clearly caught off-guard by the small but powerful anti-Amazon faction in New York City. Luckily for Amazon, the other metros chosen should be able to integrate the company rather easily. Amazon's impact in Crystal City and Nashville is expected to be profound, but it is unlikely to impact those areas as significantly as it would have less economically advantaged metros.

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