Rent Survey | April 2017

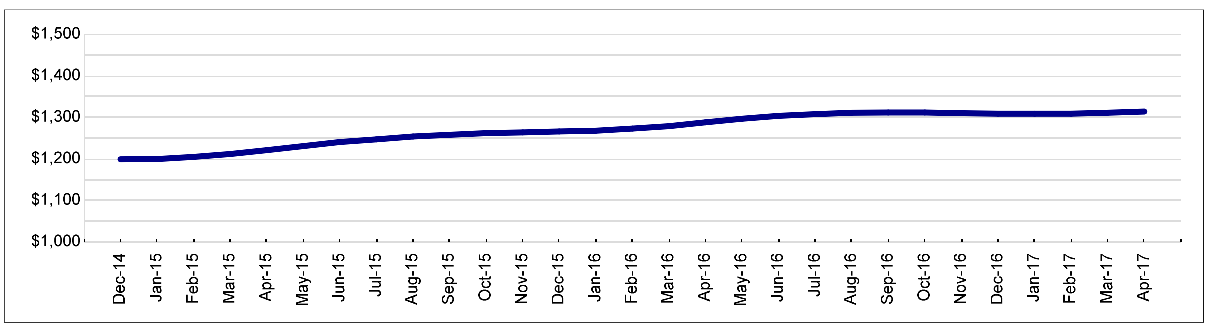
Multifamily Rents Up; Rate of Growth Continues to Slow

Multifamily rents rose slightly in April, but the rate of growth slid once again and now stands below the long-term average growth rate. Average U.S. monthly rents rose $3 to $1,314, according to Yardi Matrix's monthly survey of 121 markets. On a year-over-year basis, rents were up 2.0% nationwide in April, down 50 basis points from March and well below the 5.5% growth rate of a year ago. The 2.0% year-over-year increase is the lowest it's been since April 2011, when rents were up only 1.5%.

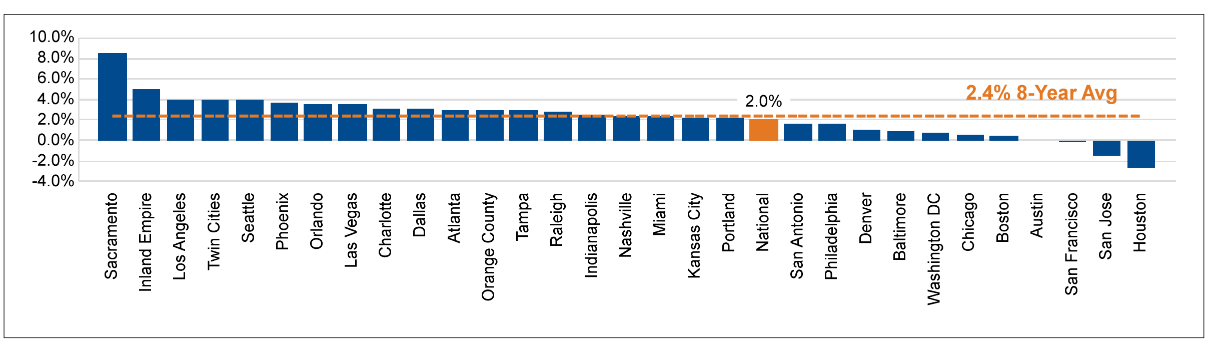
As we have said for months, the deceleration is expected, given the rapid increase in supply and the inevitable return to growth that is more in line with income gains. Rents have (in most metros and most segments) far exceeded the rate of income growth in recent years, when the number of renters increased rapidly while supply nosedived in the wake of the last recession. Now rents are peaking and have become difficult to afford for the average resident in many metros, while supply is at cyclical peaks. We expect upwards of 363,000 units to come online in 2017, with the number of deliveries declining in 2018 and 2019.

Evidence of the impact of new supply includes the difference in growth between property segments. Nationally, rents of working-class Renter-by-Necessity (RBN) properties have increased by a solid 3.3% year-over-year, while upscale Lifestyle properties have risen by only 0.7%. Roughly 80% of the new supply is in the Lifestyle segment, which is aimed at high-income Millennials and downsizing Baby Boomers, while demand in many metros is driven by middle-class renters. The biggest impact is being felt in metros that have heavy supply growth, and the effect is exacerbated when rents are above trend. Examples of the biggest differences between RBN and Lifestyle rent growth include: Houston 5.3% (0.5% RBN, -4.7% Lifestyle); Los Angeles 4.8% (5.8% RBN, 1.0% Lifestyle); Dallas 4.4% (5.6% RBN, 1.2% Lifestyle); Charlotte 4.4% (6.3% RBN, 1.9% Lifestyle); Sacramento 4.2% (10.1% RBN, 5.9% Lifestyle); and Miami 3.9% (4.7% RBN, 0.6% Lifestyle).

National Average Rents



Year-Over-Year Rent Growth—All Asset Classes



National averages include 121 markets tracked by Matrix, not just the 32 metros featured in the report. All data provided by YardiMatrix.