

## Rent Survey | September 2016

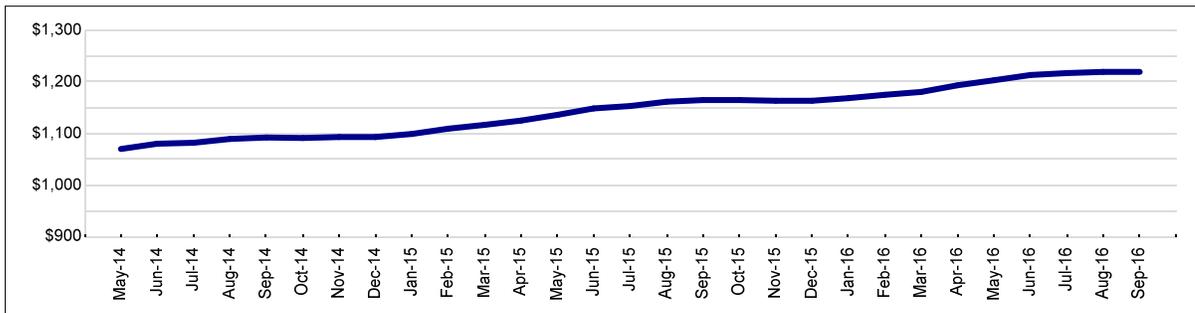
### Multifamily Rent Deceleration Persists

The deceleration of multifamily rents continued in September. Although basically flat, average U.S. monthly rents dropped for the first time since November 2015, falling to \$1,219, compared to \$1,220 in August, according to Yardi Matrix's monthly survey of 123 markets. On a year-over-year basis, rents grew 4.7% nationwide in September, a 30-basis-point decline from August and a 200-basis-point fall from the recent high in October 2015.

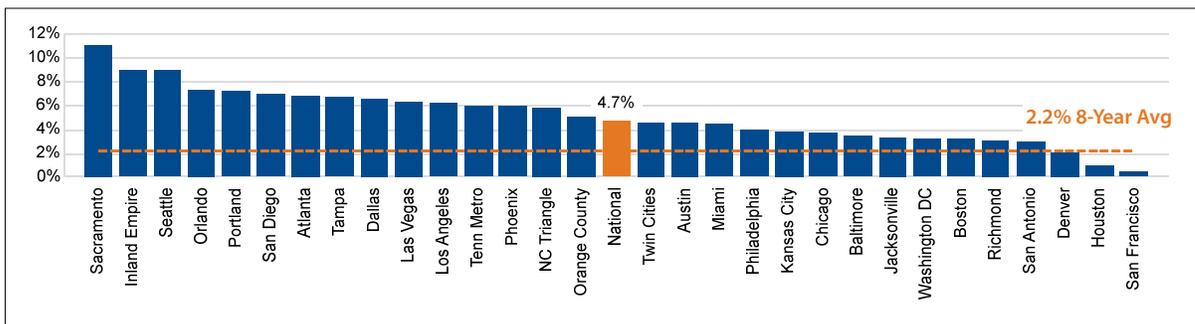
While rent growth keeps decreasing, multifamily fundamentals remain strong. Occupancy has remained unchanged since May and is staying near historic highs. The employment sector, while not as robust as it once was, has been creating jobs at a steady pace. Demand for multifamily housing is forecast to remain high, as Millennial household formation continues and Boomers seek to downsize and re-enter the rental market. Despite the deceleration trends, 26 of Yardi Matrix's top 30 markets experienced year-over-year rent growth of 3% or better in September. Once again, year-over-year rent increases were led by Sacramento (11.1%), followed by the Inland Empire and Seattle (both at 9.0%). Rent growth has significantly outpaced economic expansion and wage growth in the last three years, and the recent deceleration aligns with historical rent growth rates.

Completions of new apartment units are projected to reach 360,000 in 2016, marking the largest number of annual completions in the current cycle. New supply, coupled with slower albeit strong and steady macroeconomic fundamentals, will maintain a downward pressure on rent growth. Significant supply increases are occurring in San Francisco, Denver and Houston, metros where rent growth was 2% or below on a year-over-year basis in September. As supply is absorbed and construction moderates, these metros will likely revert back to a stable long-term growth rate.

#### National Average Rents



#### Year-Over-Year Rent Growth—All Asset Classes



National averages include 119 markets tracked by Matrix, not just the 30 metros featured in the report. All data provided by YardiMatrix.