

Rent Survey | October 2016

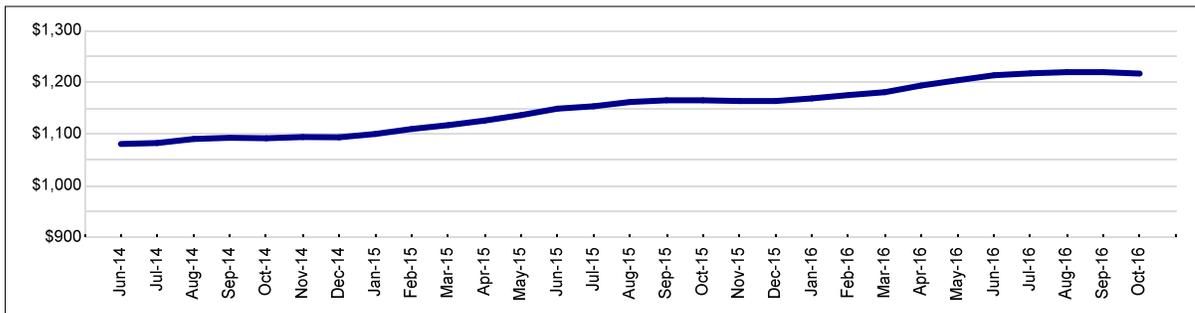
Multifamily Rents Moderate, but Remain Strong

Continuing a trend of steady deceleration, average U.S. monthly rents fell by \$3 in October, to \$1,216, according to Yardi Matrix's monthly survey of 123 markets. Although relatively slight, the decline in rents was the biggest drop in three years, since the average fell by \$3 in October 2013. On a year-over-year basis, rents grew 4.4% nationwide in October, a 30-basis-point decline from September and a 230-basis-point fall from the recent high of 6.7%, in October 2015. The decline demonstrates a reversion to more "normal" rent growth that we forecast at the beginning of the year. Given the seasonal nature of apartment rents, the consistency of growth in recent years represents more of a historical outlier than the current moderation.

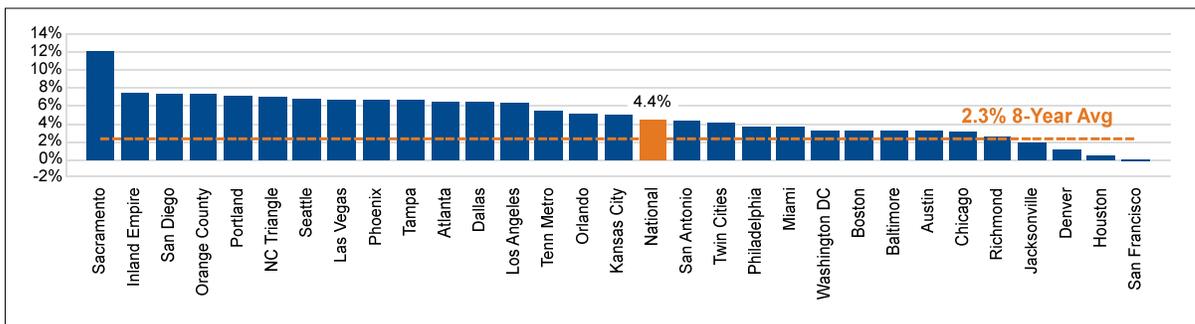
What is causing the deceleration? There are a number of factors, but two stand out. One is that the outsize growth of 9-plus percent seen in so many metros through late 2015 and early 2016 has moderated. Sacramento, which tops our survey with a surprising 12.1% year-over-year growth, is the only metro above 7.4%. The other key factor is that the spate of supply of high-end Lifestyle apartments has effectively put a lid on rent growth in some metros, in some cases in tandem with a slowing rate of job growth. The rate of growth remains higher for lower-cost Renter-by-Necessity units than upscale Lifestyle units.

The deceleration is far from being a sign that the sector is overheated. Fundamentals in most markets continue to be strong. Occupancies of stabilized properties are not far from cyclical highs, while the growing population coupled with strong job numbers is producing above-trend household formation that leads to demand for apartments. Some 26 of our top 30 metros are above the 2.3% long-term average for rent growth, and we expect that to continue in most markets. Metro where rent growth has dropped swiftly (i.e., San Francisco, Houston and Denver) have issues with supply, affordability and/or job growth.

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.