

Rent Survey | November 2016

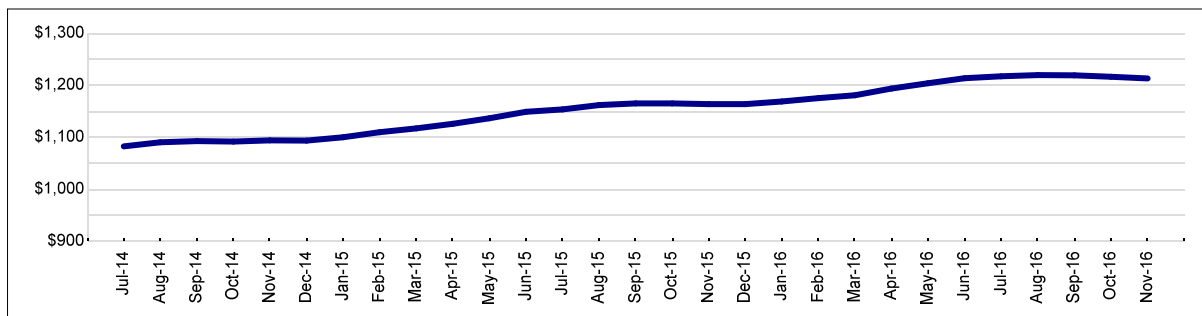
Moderation Continues for Multifamily Rents

Average U.S. monthly rents fell slightly in November for the third straight month, as growth continues to moderate. Rents dropped by \$2 in November, to \$1,214, according to Yardi Matrix's monthly survey of 123 markets, and are down \$5 from the peak reached in August. On a year-over-year basis, rents grew 4.3% nationwide in November, a 10-basis-point decline from October and a 240-basis-point drop from the recent high of 6.7%, in October 2015.

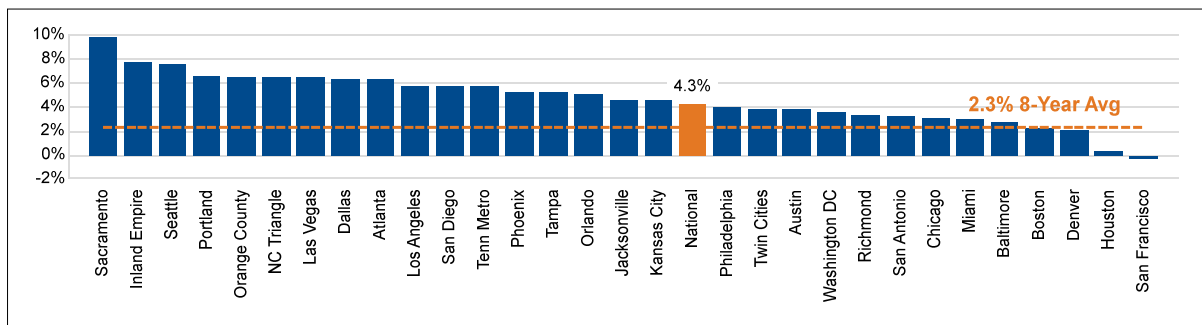
Reasons for the decline include seasonality and the ongoing supply-demand imbalance in the luxury sector of many markets. Rent growth normally slows or reverses in the latter part of the year, as fewer people move during the holidays. The other reason for the slowdown is the drop in growth in the high-end Lifestyle segment, which declined by 0.2% in the trailing three-month period. The increased supply of Lifestyle units puts pressure on the segment's performance, particularly in markets with weakening job growth. Sacramento still leads the nation year-over-year, though the metro's growth rate has moderated to 9.0%.

Despite the moderation, we once again stress that the multifamily market will be in good shape going forward. Rent growth remains 200 basis points above the long-term average and fundamentals are strong. The occupancy rate for stabilized properties—at 95.8%—has moved only slightly despite the addition of 300,000 new units in 2016. That reflects robust absorption in most metros that we expect will continue, no matter who occupies the White House. In fact, while the results of the recent U.S. election—with Donald Trump winning the presidency and Republicans gaining complete control of Congress—will bring major change in policies, producing both opportunities and challenges for commercial real estate, the basic strength of the multifamily market is likely baked in by demographics and social trends.

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.