

Rent Survey | December 2016

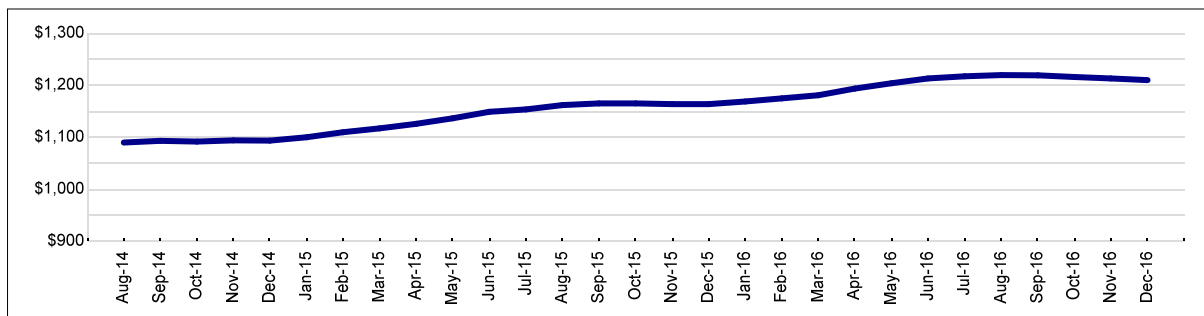
Multifamily Rents Finish 2016 Up 4%; Deceleration Continues

Average U.S. monthly rents dropped by \$4 in December, as growth continues to cool. Rents fell to \$1,210, according to Yardi Matrix's monthly survey of 124 markets. On a year-over-year basis, rents grew 4.0% nationwide in December, a 30-basis-point decline from November and a 270-basis-point drop from the recent high of 6.7% in October 2015.

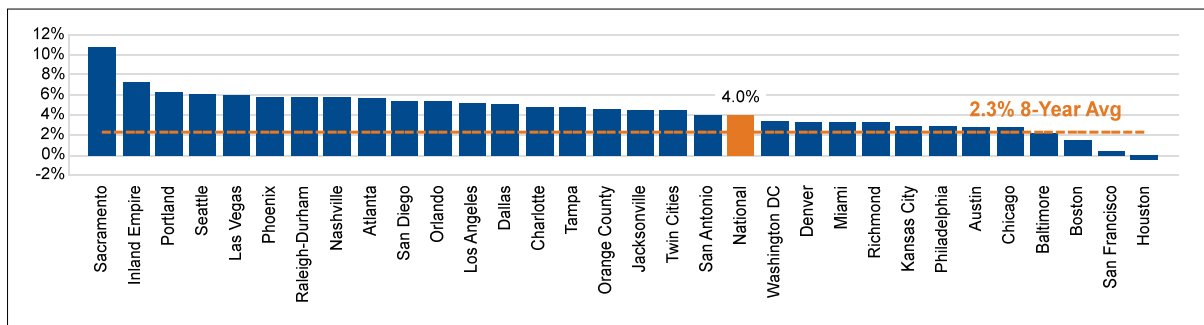
Rents have now dropped for four straight months, although the total decline is fairly minimal, only \$10 total. Some of the drop can be attributed to normal seasonal factors, but it is clear that rents are in a period of deceleration after growing at high levels for the previous two years. Growth in some metros has flattened considerably—examples include Houston (-0.5% year-over-year), San Francisco (0.4%), Boston (1.5%), Austin (2.8%) and Miami and Denver (3.3%)—while in other metros it remains robust but not at the frothy levels of a year ago. Examples of metros in which growth has cooled but remains healthy include Portland (6.2% year-over-year), Seattle (6.1%), Atlanta (5.6%) and Dallas (5.1%).

As we have stressed in recent months, fundamentals remain sound and deceleration is not alarming, given that gains remain well above the long-term 2.3% average. The current level of growth is on par with our forecast for 3.9% increases in 2017. Clearly, this year remains difficult to predict, what with the prospect of major changes in taxes, tariffs, regulatory policy and foreign policy. That said, with the economy creating jobs at a 2 million-per-year rate and GDP growth showing strength, we expect no let-up in apartment absorption. We do expect rent growth to continue moderating during the first half of the year, as a large amount of new supply comes online and apartment owners must compete to maintain high occupancy levels. Growth should get a boost in the second half, as the impact of economic stimulus takes effect and the increase in new supply begins to slow.

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.