

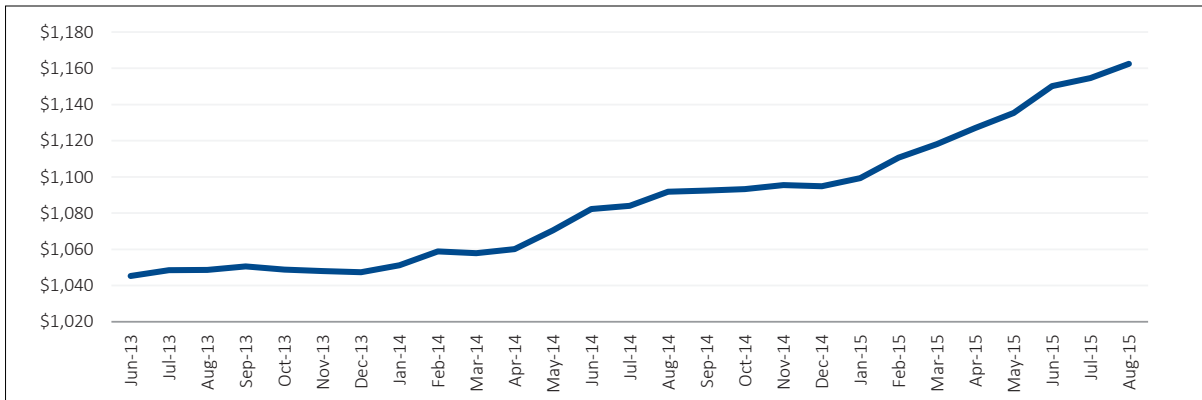
MATRIX MONTHLY

Rent Survey | August 2015

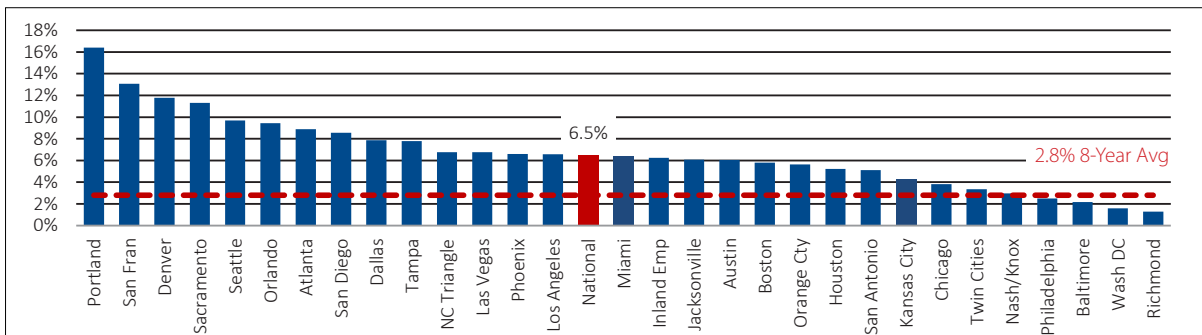
Multifamily Rent Growth Remains Strong, To Be Tested

- U.S. multifamily rent growth maintained its bullish growth in August, rising by \$7 to yet another record high of \$1,162, according to a survey of the 107 markets covered by Yardi Matrix. Perhaps more importantly, the numbers in August matched July's 6.5% year-over-year increase, which indicates that rent growth does not seem to be slowing down.
- That said, the recent volatility in the equity market will pose a significant test to the segment going forward. Although the major causes of the sudden 10% decline in stock values -- the collapse of stock prices and currency depreciation in China, slower growth in emerging markets and fears that U.S. stocks were overvalued after a bull run -- are not directly related to real estate, recent history demonstrates that exogenous shocks can play an outsized role in roiling the U.S. economy.
- Our view is that U.S. multifamily fundamentals will remain strong. The demographic and demand trends that have produced historically low apartment vacancy rates will not be easily turned around. It is possible but unlikely that contagion from the problems in China and the eurozone could cut into U.S. exports and lead to slower GDP growth in the U.S. It is somewhat more possible that panicked financial markets could create a liquidity-type crisis that could bleed into the general economy, but at this point we also see that as unlikely.
- There are potential upsides to U.S. real estate as well. One is that the Federal Reserve will maintain low interest rates, which, whatever the general economic impact, has helped to boost commercial real estate values. Another is that the instability elsewhere will lead global investors to allot even more capital to the sector.

National Average Rents



Year-Over-Year Rent Growth—All Asset Classes



National averages include 107 markets tracked by Matrix, not just the 30 metros featured in the report. All data provided by YardiMatrix.