

## Rent Survey | March 2016

## Multifamily Rents March Up as Market Turns Cautious

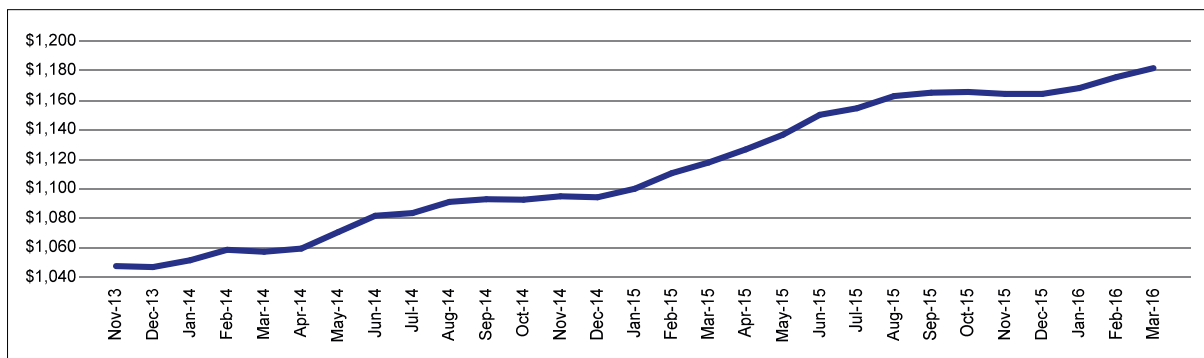
Multifamily rents wrapped up a solid first quarter, with the average national rental rate rising \$6 in March to yet another all-time high of \$1,181. Rents rose 0.5% month-over-month in February, and were up 1.5% for the first quarter.

Despite the good performance, rent growth continues to moderate. On a year-over-year basis, national rents were up by 5.7% in March, but that was down 20 basis points from February and 70 basis points from January. The bottom line is that although few (if any) property owners would be unhappy with 5.7% annual rent increases, growth was even better in the first quarter a year ago.

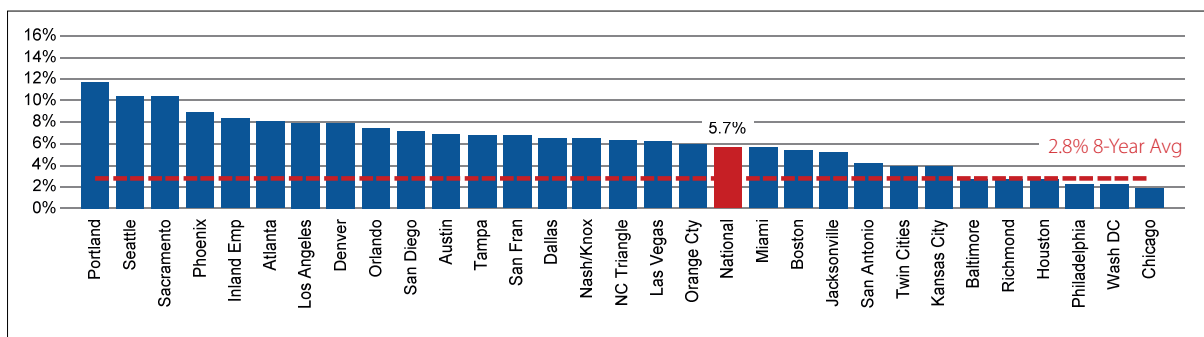
The commercial real estate market is starting to feel as if it is at an inflection point. Property fundamentals remain strong, but the capital markets are showing signs that maybe the bull run is winding down. Property yields (capitalization rates) have stopped falling and are unlikely to drop further, as buyers are becoming less aggressive and mortgage rates are rising. Spreads of agency mortgage debt have increased about 25 basis points, while CMBS has essentially priced itself out of competition. That has enabled banks and life companies to raise their rates, as well. Higher mortgage rates raise the cost of capital for buyers, which means they have to reduce bids to make the same return.

The irony, of course, is that the sector's buoyant post-recession rebound was led by the capital markets, while fundamentals improved slowly. Whatever the case, it is too early to say whether the market is turning or if today's concerns are a product of global volatility and will prove to be temporary.

## National Average Rents



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



National averages include 111 markets tracked by Matrix, not just the 30 metros featured in the report. All data provided by YardiMatrix.