

Rent Survey | June 2016

No Spring Break for Multifamily Rent Gains

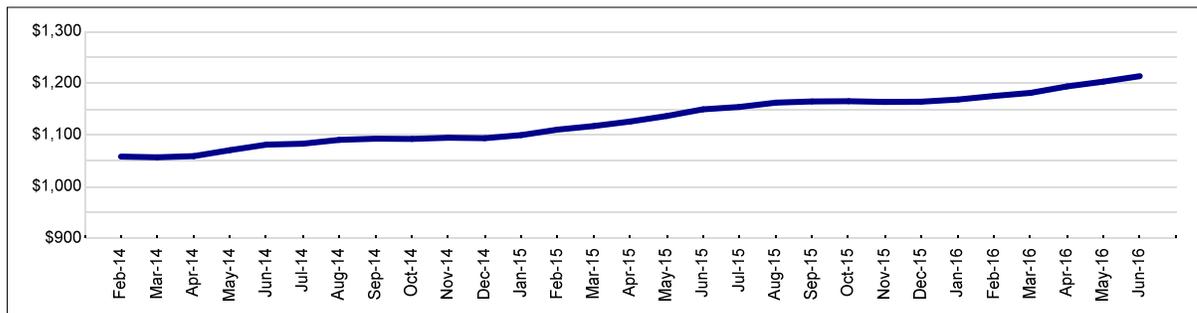
Showing no signs of moderating, U.S. apartment rents rose another \$10 in June, the third straight month of double-digit gains, according to Yardi Matrix's monthly survey of 119 markets. Rents climbed 0.9% in June to yet another all-time high of \$1,213.

Rents were up 2.7% in the second quarter, and 5.6% year-over-year. Despite the robust gains, though, year-over-year rent growth fell 30 basis points in June and was down 110 basis points from the recent high in October, so rents are in some sense moderating.

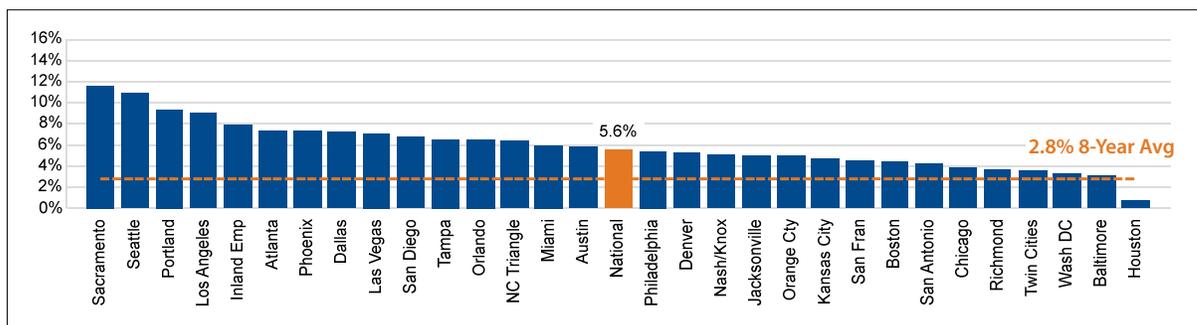
That said, year-to-date, average U.S. rents are up 4.2%, which is almost as much as our full-year forecast. Seasonally, the second quarter is usually above trend for apartments (rents rose 2.9% in the second quarter of 2015), so while the bulk of 2016 rent gains may be behind us, rent growth may continue to surprise on the upside. With household formations on an upswing for reasons that include the healthy employment market and rising Millennial population, demand remains high. That means that occupancies of stabilized properties are level or improving in some metros, even as a growing amount of supply comes online. Yardi Matrix's national vacancy rate for stabilized assets was 96.1% in May for the third straight month. Increases were recorded that month in a number of metros, including Boston at 40 basis points; the Twin Cities, Tampa and Orlando at 30 basis points; Washington, D.C. , at 20 basis points; and Philadelphia at 10 basis points.

The big question of the day has to do with Brexit, or Britain's vote to exit the European Union, which is roiling global financial markets. We foresee little immediate impact on the U.S. multifamily market, largely because the U.S. is a relatively small trading partner, but the real danger is the potential that the process of splitting the European Union could create upheaval in global financial markets (more later).

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.