

Rent Survey | March 2017

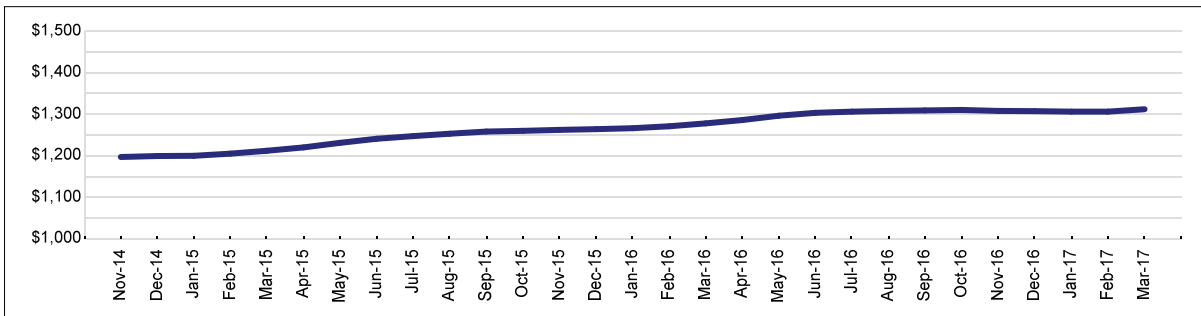
Multifamily Market Springs to Life with Solid Gain

After a lackluster winter, rents posted solid gains in March, although the rate of growth continued to decelerate. Average U.S. monthly rents rose \$6 to \$1,312, according to Yardi Matrix's monthly survey of 121 markets. On a year-over-year basis, rents were up 2.7% nationwide in March, down 10 basis points from February and exactly half the 5.4% growth rate of a year ago.

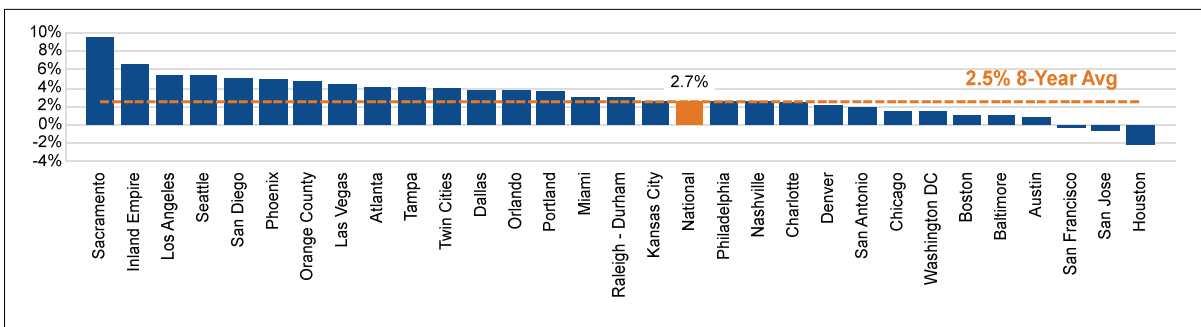
March's performance marked the first monthly increase in five months and the most significant gain since June, when rents also rose 0.5% month-over-month. Rents overall were flat in the seven months between July and February. To some degree that is seasonal, as the spring typically ushers in higher rents because tenants tend to move more as the weather improves, but the slowdown also reflected the effect in some markets of the growing supply pipeline and issues of affordability. While it is no doubt good to see rents go up again, March's numbers don't change our basic view of the market. We have forecast rents to moderate from the unsustainably high levels they reached at times in 2015 and 2016, but at the same time supply/demand fundamentals are healthy in most markets, and rents should rise in the 3% range for the year.

Among the issues the multifamily market will face this year is how demand reacts to changes in the economy. The Federal Reserve raised short-term interest rates in March, as the economy continues to produce 200,000-plus jobs per month, while the Consumer Price Index is topping the 2% target rate after an extended period of weak growth. Further healthy economic expansion could lead to more rate increases in 2017, which would raise borrowing rates and put pressure on historically low property yields. At the same time, the failure to repeal the Affordable Care Act demonstrates that the pro-growth changes in tax and regulatory policy and the increase in infrastructure spending that were envisioned by the market will be (at best) watered down or delayed by process or (at worst) stalled completely due to fractures among the parties in Washington.

National Average Rents



Year-Over-Year Rent Growth—All Asset Classes



National averages include 121 markets tracked by Matrix, not just the 32 metros featured in the report. All data provided by YardiMatrix.