

## Rent Survey | May 2017

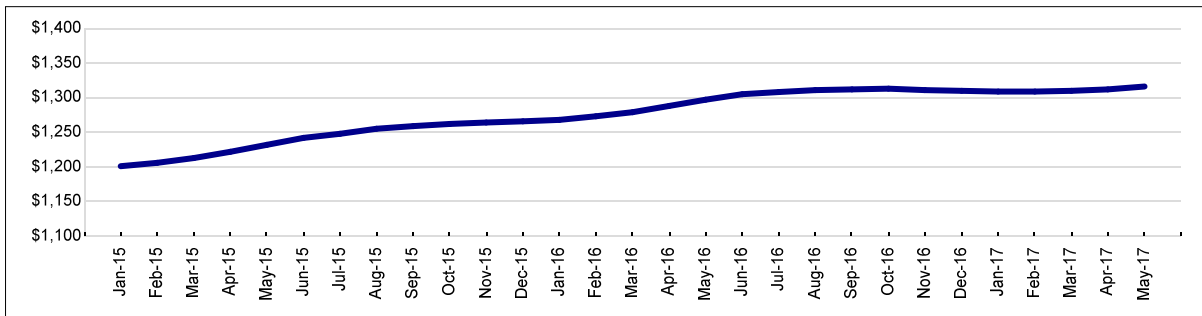
### Unlucky 13: Rate of Multifamily Rent Growth Slides Again

U.S. multifamily rents increased in May for the third month in a row, while the rate of growth continues to decelerate. Average U.S. monthly rents rose \$4 to \$1,316, according to Yardi Matrix's monthly survey of 121 markets. On a year-over-year basis, rents were up 1.5% nationwide in May, down 40 basis points from April, 90 basis points from March and well below the 5.3% growth rate of a year ago. Deceleration is more than firmly established, as the year-over-year growth rate has decreased for 13 straight months since reaching 5.4% in April 2016. The last time the year-over-year increase was as low as 1.5% was in April 2011.

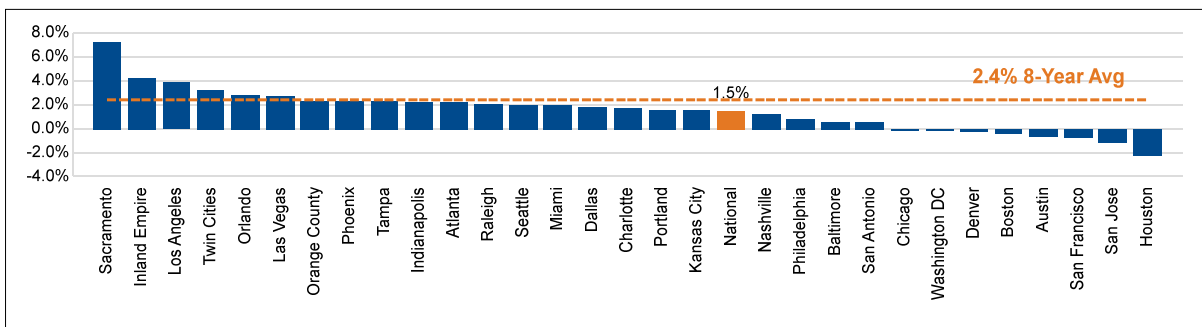
Driving the rent deceleration is the increase in supply nationally combined with issues that vary by market, such as slowing demand or affordability. We expect 360,000 units to come online in 2017, on top of 281,000 new units in 2016. Evidence that the supply is taking a toll comes from the difference in rent growth between upscale Lifestyle units, where the new developments are concentrated, and working-class Renter-by-Necessity (RBN) units. Nationally, Lifestyle rents have been flat (0.0%) year-over-year, while RBN rents are up a moderate 2.6%. On a metro level, Sacramento (7.3%) continues to lead in rent growth, followed by the Inland Empire (4.2%) and Los Angeles (3.9%). The biggest impact of the deceleration might be the high-growth warm-weather metros such as Orlando (2.8%), Phoenix (2.3%), Atlanta (2.2%) and Dallas (1.8%), where demand remains healthy but rent increases are being held back by new construction.

Although the slowing rate of rent growth is not unexpected—coming as it did on the heels of several years of outsized increases—the questions facing the market now include how low the rate of growth will go and how long growth will remain in the doldrums. The answers may well depend on how long the supply spigot remains open and how well the economy performs. We anticipate that supply will peak this year, although it will remain relatively robust in 2018 and 2019.

#### National Average Rents



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



National averages include 121 markets tracked by Matrix, not just the 30 metros featured in the report. All data provided by YardiMatrix.