

Rent Survey | January 2017

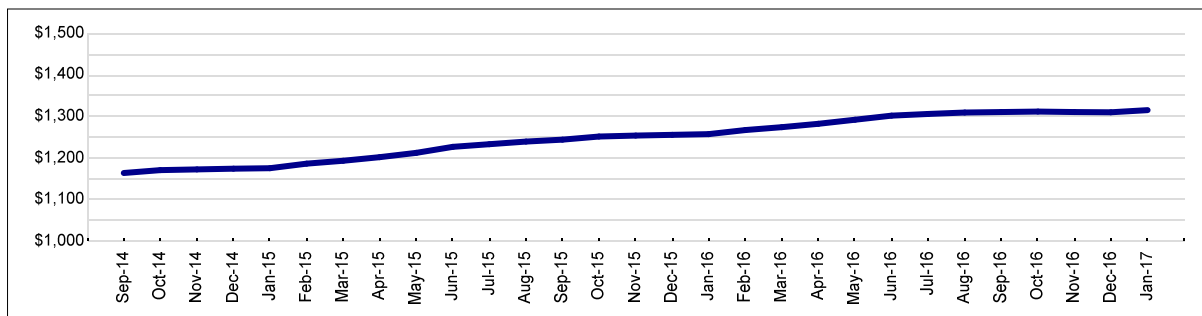
Multifamily Rents Flex Muscles in 2017 Kick-Off

Average U.S. monthly rents rose by \$5 in January, demonstrating strength to start the year after a seasonal flattening at the end of 2016. Rents increased to \$1,315, according to Yardi Matrix's monthly survey of 124 markets. On a year-over-year basis, rents were up 4.6% nationwide in January, a 30-basis-point increase from December, though still 240 basis points below the recent high of 7.0% in January 2016.

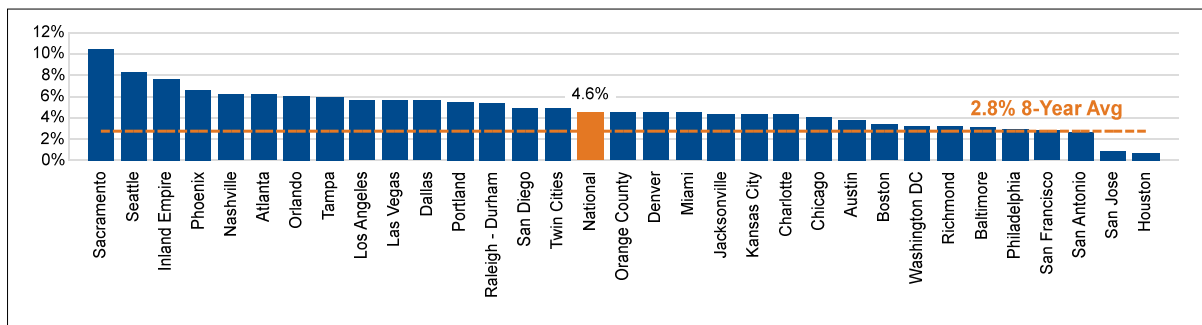
With a handful of exceptions, rent gains continue to be led by the high-population growth centers in the West and South. In fact, of the 15 metros that beat the national average in our Matrix Monthly survey of top 30 markets, all but one (Minneapolis) could be characterized that way. Sacramento (10.5%) once again tops the survey, followed by Seattle (8.4%), where high demand has led to resiliency in rent growth despite a large amount of new supply, and the Inland Empire (7.6%), which, like Sacramento, has high barriers to development and is underserved by new supply. Interestingly, the worst-performing metros—Houston (0.7%), San Jose (0.9%) and San Antonio and San Francisco (2.8%)—are situated in the same regions. Houston and San Jose are the only two metros below the long-term average of 2.7%.

The surprisingly robust start to the year demonstrates the industry's ongoing positive fundamental drivers, which aren't expected to change significantly in 2017, even if rents are likely to decelerate slightly due to the growth in supply in many metros. Positive demand drivers include the increase in the number of Millennials and Baby Boomers, the growing propensity for older Americans to rent and the healthy economy that has produced steady improvement in employment and household formations. All of these factors are multi-year trends that have more years to run, which has led to a great deal of optimism in the multifamily market, although concerns remain about the amount of supply being added in many metros.

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.