

Rent Survey | August 2017

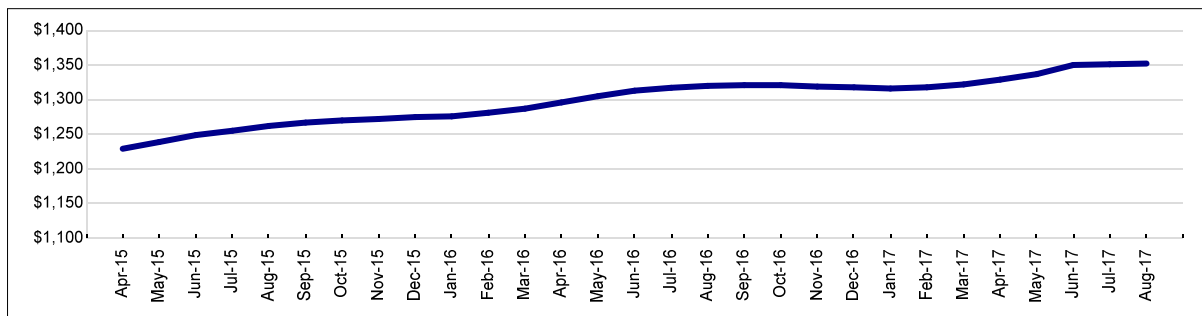
Construction Delays Supporting Multifamily Rents

Amid a slowdown in completions, average U.S. monthly rents were basically flat in August, rising \$1 to \$1,352, according to Yardi Matrix's monthly survey of 121 markets. On a year-over-year basis, rents were up 2.4% nationwide, a 20-basis-point decline from July. Although overall gains have slowed during the summer months, August kept alive a streak during which rents have increased every month this year.

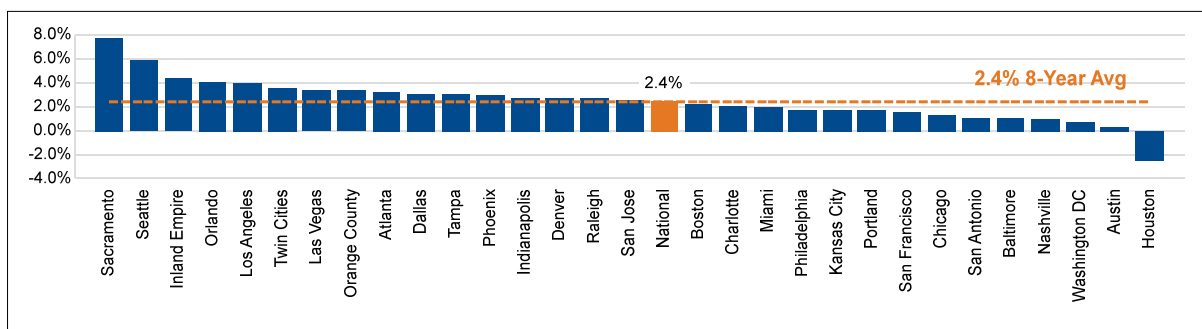
With the economy holding up well and multifamily demand remaining consistently strong, the big story in the market is supply. The amount of new luxury units has been arguably the most important factor in rent growth over the past year. That has particularly impacted markets with a large supply pipeline—such as Houston, Austin, San Francisco, Washington, D.C., and Nashville—where rent growth has decelerated rapidly. However, there are signs that new supply is slowing. Deliveries averaged 17,700 per month in 2016, but fell to 14,500 in the first quarter of 2017, 12,700 in the second quarter and fewer than 10,000 in July and August. Yardi Matrix's database shows that roughly one-third of the 480,000 units currently under construction in the U.S. are being delayed by an average of 7.5 months. Northern New Jersey, which has a large immigrant population, leads in the percentage of properties delayed; about half of the 9,500 units under construction in the metro are facing delays in completion. While construction timetables are not an exact science, the calculation takes into account how long project completion is taking compared to historical norms.

The primary reason for the delays is the critical shortage of construction workers, which is not a new trend but is being exacerbated by the Trump administration's more restrictive immigration policies. As a result, we are reducing our forecast for new deliveries in 2017 to 300,000, considerably fewer than the 360,000 we had expected and only slightly more than the 281,000 that came online in 2016. We now believe that the supply cycle will peak in 2018, with 360,000 new units delivered.

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.