

MATRIX MONTHLY

YARDI® Matrix

Rent Survey | February 2017

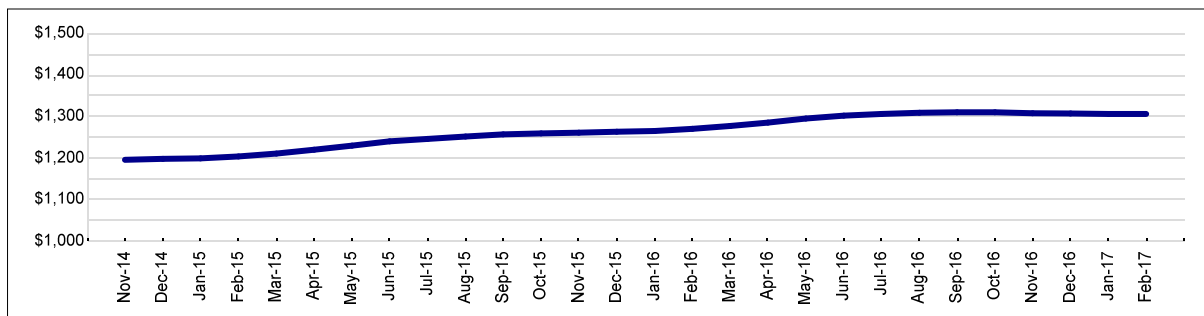
Multifamily Rents Flat in February

Average U.S. monthly rents were unchanged in February, as the rate of increase trends back to the long-term average. Rents remained at \$1,306, according to Yardi Matrix's monthly survey of 124 markets. On a year-over-year basis, rents were up 2.8% nationwide in February, down 40 basis points from January and roughly half the 5.5% growth rate of a year ago. Although they have ridden up and down a little, rents are the same as they were in July 2016.

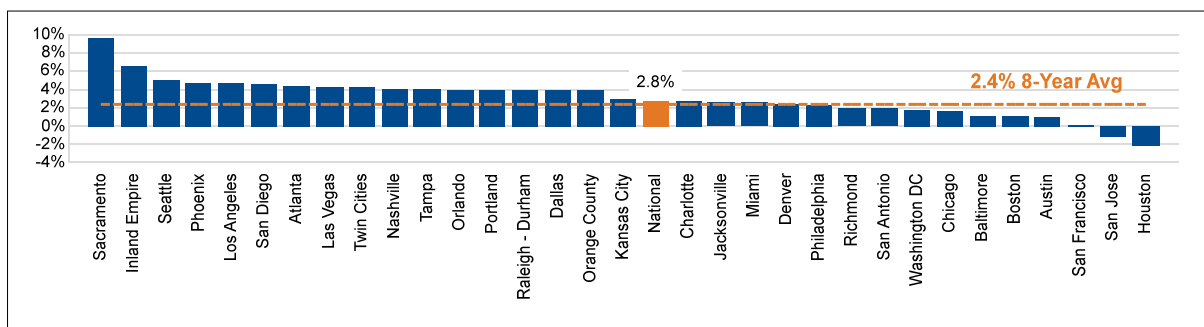
Other than Sacramento—which rose 9.7% year-over-year and has topped the ranking of metros for many months—and the Inland Empire (which rose 6.5%), most of the largest U.S. metros are reverting to modest growth levels. Rent growth was between 2% and 5% year-over-year in 20 of the top 30 metros, with California dominating both the top and bottom of the list. The Golden State claimed four of the top six metros, with Sacramento and the Inland Empire joined by Los Angeles (fifth at 4.7%) and San Diego (sixth at 4.6%). Meanwhile, two other California markets ranked among the bottom three markets: San Jose (-1.1%) and San Francisco (0.2%), which have flattened after a long stretch of high growth due largely to affordability issues. Houston remained last, at -2.1%, though with energy prices stabilizing and job growth starting to pick up, the market has likely seen its bottom.

We continue to stress that the deceleration is not unexpected or a sign of long-term weakness in the sector. Household formation should remain robust in 2017, and although new supply might overshoot demand in the short term, we expect occupancy rates to remain close to all-time highs. The key to multifamily fundamentals this year will be the performance of the economy. Even if the market does not live up to the financial sector's elevated expectations or the high-growth agenda takes longer to have an impact, at a minimum the economy should continue to grow moderately, which is still a good scenario for commercial real estate.

National Average Rents



Year-Over-Year Rent Growth—All Asset Classes



National averages include 124 markets tracked by Matrix, not just the 32 metros featured in the report. All data provided by YardiMatrix.