EQUITABLE HOUSING INSTITUTE

Promoting housing affordability by removing regulatory barriers

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Wage increases are nearing rent increases nationally, and DC area continues its relatively low rent increases

National rent picture

The gap between wage and housing rent increases narrowed greatly in the year ending in March 2017. Wage increases (or "growth") amounted to about 2.5% nationwide during that period.[1] As EHI learned in a Yardi Matrix webinar unveiling Yardi's Spring 2017 multi-family outlook, the comparable rent increase (or "growth") averaged 2.8% during that period.[2] (Yardi Matrix, a major, online commercial real estate research and data firm, tracks multi-family housing in 124 metropolitan housing markets.)

Rent increases nationally averaged about half what they had been for the previous 12-month period, when rent growth was well above the historical average.[3] A major reason, as Yardi notes, is that new housing supply has moderated rents.[4] Construction of new units is peaking now, at the highest rate in a decade. Yardi's 2017 forecast is for a 2.8% increase in the multi-family supply nationwide.[5]

According to Yardi, the widespread reduction in rent growth is "nothing to worry about" for multi-family builders, if the economy's fundamentals remain strong. Multi-family investment (some of it from overseas) remains robust.[6]

Lower rent growth is especially helpful to low- and moderate-income people, because most of them rent, and housing costs generally consume much more of their incomes. For background on recent rental cost trends in DC and nationwide, and on EHI's role, please click on EHI HELPS ITS HOME REGION TO MUCH-IMPROVED RENTAL HOUSING

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[1] U.S. Bureau of Labor Statistics, *Employment Cost Index – March 2017,* Table 8 (wages and salaries for civilian workers only).

[2] Yardi Matrix, *U.S. Multifamily Outlook, Spring 2017,* p. 5 (table).

[3] Yardi Matrix, *U.S. Multifamily Outlook, Spring 2017,* p. 5.

[4] *Id.,* p. 6.

[5] Yardi Matrix, *U.S. Multifamily Outlook, Spring 2017,* p. 7 (table).

[6] *Id.,* p. 2.

COST RECORD and DC-AREA RENT INCREASES CONTINUE MODERATE THROUGH OCTOBER 2016.

DC region rent picture

In the DC region, wage increases averaged 2.8% during the year ending in March 2017,[7] well ahead of rent increases, which grew only 1.4% overall. [8] However, non-luxury apartments had rent increases averaging 2.8%--far more than luxury units, for which rents increased an average of only 1%.[9] The non-luxury segment has less construction and more demand.[10] The DC Region is forecast to add multi-family units at almost the national average (13,443 new units—a 2.7% increase) in 2017.[11]

The fundamentals for rental investment are still strong in the DC region, as in most major United States markets. The DC region's occupancy rate remains high (95.6% of units were occupied, as of February 2017), and the number of jobs in the region increased about 2.2% in the year ending in February—above the national average of 2.1%.[12] Plenty of multi-family capital continues to flow to the region. As in the nation as a whole, a major moderating factor in the region's rent growth has been the robust amount of recent housing construction.[13] Yardi expects rent growth in the DC region to continue to be relatively low, at about 1.9% overall this year.[14]

The DC-area trend toward lower rent growth, now in its fifth year, is gratifying to EHI, because that region is where EHI has concentrated its local advocacy. For a related article on the overall housing supply and home building picture, click on HOUSING SUPPLY AND FOR-SALE DATA 2017.

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[7] U.S. Bureau of Labor Statistics, *Employment Cost Index – March 2017*, Table 13 (wages and salaries for civilian workers only).

[8] Yardi Matrix, *U.S. Multifamily Outlook, Spring 2017,* p. 5 (table).

[9] Yardi Matrix, *Sturdy DC: Multifamily Report, Spring 2017,* p. 3 (Yardi terms luxury apartments "Lifestyle" units, and non-luxury apartments "Renter-by-Necessity (RBN)" units.

[10] Yardi Matrix, *U.S. Multifamily Outlook, Spring 2017,* p. 8.

[11] *Id.*

[12] Yardi Matrix, *Sturdy DC: Multifamily Report, Spring 2017,* pp. 2, 4.

[13] *Id.,* p. 2.

[14] *Id.*