Yardi Matrix

# National Multifamily Report

October 2022

# Rate Hikes Loom Over the Industry as Rents Moderate

- Multifamily rents rose modestly in October amid weakening demand and decelerating year-over-year growth. U.S. asking rents increased $3 in October to $1,727. Year-over-year growth fell to 8.2%, the lowest level since the summer of 2021.
- The deceleration in asking rents remains gradual, as every one of the Matrix top 30 metros produced year-over-year rent increases. But there are worries about how the multifamily market will react to the rapid increase in short-term interest rates as the Federal Reserve attempts to reduce inflation.
- The single-family rental market is cooling from its recent red-hot performance. The average U.S. asking rent was unchanged at $2,088 in October, while the year-over-year increase fell by 160 basis points to 6.6%.

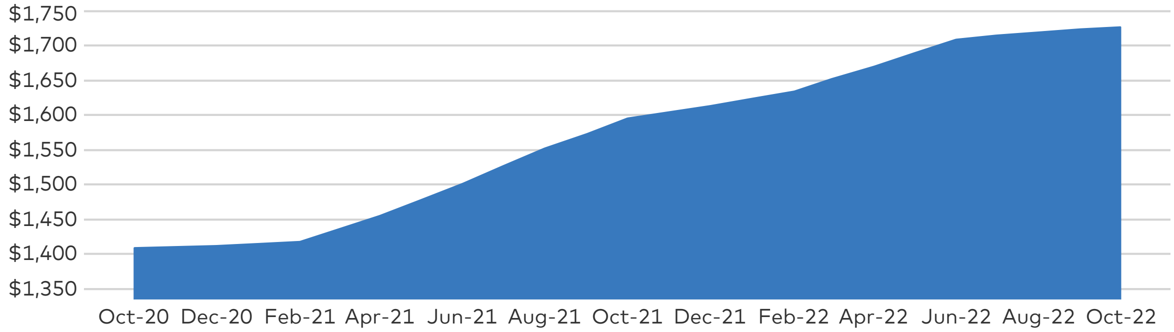
Deceleration of multifamily rents continued in October, with the average U.S. asking rent posting a small increase over the previous month while year-over-year growth fell by 130 basis points to 8.2%, down from its 15.3% peak in the first quarter. Despite softening rent growth, 25 of Matrix's top 30 metros have year-over-year growth of 5.0% or more. The U.S. occupancy rate has dropped 50 basis points over the past year, but the national 95.5% rate remains above the long-term average.

Despite the overall strong performance reflected in the current data, much of the attention in the industry has been taken over by the rapid growth in interest rates and the impact on demand and property values. The Federal Reserve last week increased short-term borrowing rates another 75 basis points, bringing the target range from 3.75% to 4%, the highest level since 2008. Just as important, Fed Chair Jerome Powell indicated that rates will keep increasing.

The inevitable economic slowdown raises questions about when the impact will start to be felt and how much the sector will be affected. Demand has weakened since the first quarter due to slowing job growth and concerns over the macroeconomic environment. The robust household formation that drove demand in 2021 is no longer in effect.

With debt costs higher and still rising, property sales and new construction are set to slow. It's difficult to trade when values are uncertain and banks are sure to cut back on financing construction for projects that have not yet broken ground, even though the country faces a housing shortage. Still, high rates create a sliver of good news for multifamily. With home mortgage rates up to 7.3% as of early November, first-time homebuyers are being frozen out of the market, according to the National Association of Realtors, and will be forced to remain in rentals.

**National Average Rents**




*National averages include 136 markets tracked by Matrix, not just the 30 metros featured in the report.*
*All data provided by Yardi Matrix.*