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# Multifamily Investor Demand To Continue Evolving in 2023

Multifamily transaction activity slowed sharply in the second half of 2022, though perhaps not as much as feared, while investor demand continued to gravitate toward the Sun Belt.

Those trends are continuing into 2023. Deal flow is stalled by pricing uncertainty and multifamily investors are increasingly focused on markets with growth in jobs and population. Whether and how much deal flow picks up in 2023 will depend to a large degree on stability in the capital markets.

U.S. multifamily sales totaled \$187.0 billion in 2022, down 16.1% from \$222.9 billion in 2021 (all data cited comes from Yardi Matrix's database). Despite the decrease, 2022's transaction volume was the second-highest annual total ever. Sales activity became more difficult as 2022 unfolded and the Federal Reserve pushed short-term interest rates up by 400 basis points, including an unprecedented four straight months of 75-basis-point increases. The Fed's actions produced a sharp rise in commercial mortgage rates, which have a significant impact on pricing.

The impact on transactions was apparent in quarterly activity. First-half volume totaled \$111.7 billion—\$50.9 billion in the first quarter and \$60.8 billion in the second quarter—and then volume decelerated to \$46.6 billion in the third quarter and \$28.7 billion in the fourth quarter.

Investor demand was so strong that the market was on pace for another record year before the capital markets disruption. First-half 2022 volume was 60.4% above the first half of the 2021 record year. But volume in the second half of 2022 was 51.8% below the same period in 2021, with fourth quarter 2022 volume 70% below 4Q 2021.

