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National Multifamily Report

February 2023



Multifamily Rents Level in February

- Multifamily rents were flat in February, as U.S. asking rates averaged \$1,702, unchanged from January. Year-over-year growth continued its downward slide, and is now 4.8% nationally, down 70 basis points from the previous month and the lowest level in nearly two years.
- Asking rent growth remains positive year-over-year in almost every metro, but 23 of Matrix's top 30 metros recorded negative growth over the last three months and 17 were negative in February. Affordability, household growth and deliveries of new stock are key rent drivers.
- The story was much the same in the single-family rental market, as the average U.S. asking rent was flat at \$2,071. The year-over-year increase fell by 80 basis points to 3.4%, far below the 14.8% growth rate a year ago.

Multifamily rents are playing a waiting game, as rents have essentially leveled over the seasonal winter slowdown. National asking rents were unchanged in February at \$1,702. That's not atypical; rents grew by an average of only \$2 in February in the six years before the post-pandemic boom. The big question is whether demand and rents pick up as normal in the spring. Demand has come down from 2021 levels, though it remains positive in most markets.

Deliveries also are widely different among metros. Despite strong growth and demand for housing, high levels of new inventory have pushed down occupancy rates and rent growth in metros such as Austin, Charlotte and Phoenix.

Matrix data shows that metros are in different parts of the performance cycle. Many of the high flyers that recorded outsize increases over the last two years are now negative or barely positive

year-over-year. Las Vegas (-1.6%) and Phoenix (-1.2%) saw negative rent growth over the past year, while Austin (2.0%), Atlanta (2.2%) and Sacramento (2.3%) are barely above water.

Meanwhile, low-volatility Midwest metros Indianapolis (9.0%) and Kansas City (7.9%) have cycled to the top, in part because they remain inexpensive and have not increased inventory as much as their high-growth Sun Belt peers. New York (7.0%) and Chicago (6.3%) are displaying resiliency as attractive cultural centers where people want to live, if not work.

Near-term performance will hinge not only on demand-supply dynamics at the local level but affordability and the economy. Although metrics such as the job market and consumer spending growth remain healthy, the Federal Reserve has resolved to induce job losses to reduce inflation, which will impact multifamily demand.

National Average Rents

