Yardi Matrix

National Multifamily Report

April 2023

Multifamily Rents Rise, but Gains Are Muted

- The multifamily market continues to display resilience in the face of headwinds, as rents increased for the second straight month in April. The average U.S. asking rent rose $5 in April to $1,709, while year-over-year growth decelerated to 3.2%, down 80 basis points from March.
- Rent growth is broadly positive nationally, but regional differences are emerging. High-demand Sun Belt metros are feeling the impact of reduced affordability and robust deliveries, while primary metros have less supply growth and some benefit from rebounding immigration.
- Single-family unit rents hit a new all-time high of $2,089 in April, but year-over-year rates once again decelerated, dropping 60 basis points to 2.3%. Occupancy rates decreased in March to 95.5%, but have stabilized after peaking at 97.0% in 2021.

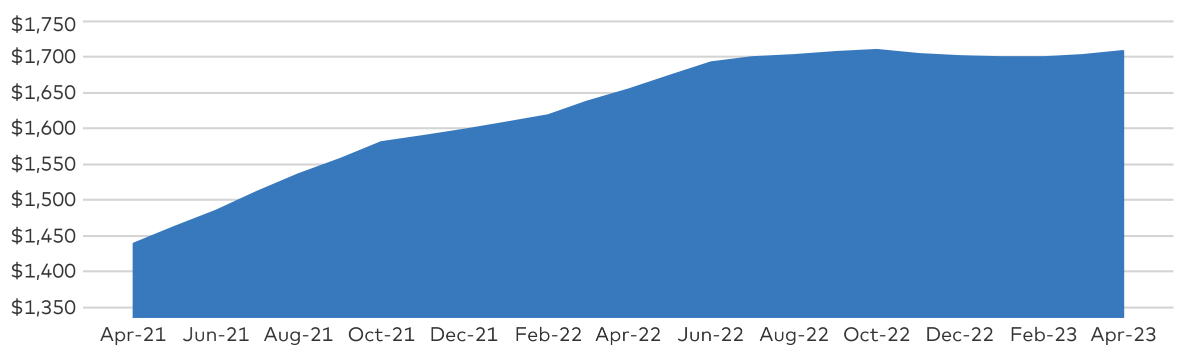
Solid demand has kept multifamily rents rising in 2023, but at a slower rate than previous years. The average U.S. asking rent increased $5 in April to $1,709, far below the outsize post-pandemic gains but also half the growth produced in the same month between 2015 and 2019. Early indications at the start of the spring confirm our forecast for moderate rent growth in 2023.

Demand is boosted by the tight job market and strong consumer balance sheets, although the question is how much longer those conditions will persist. First quarter GDP growth was 1.1%, as consumer spending outweighed waning business inventories. However, economic growth is likely to ebb in coming quarters due to factors including a slowdown in housing sales and construction from higher interest rates, dwindling post-pandemic consumer savings, a squeeze on credit as banks try to de-risk loan portfolios and the reduction of the Federal Reserve's balance sheet.

Multifamily rent gains remain positive year-over-year everywhere but the Desert West metros Phoenix and Las Vegas, but at the same time there is a rotation among the top-performing markets. An influx of deliveries and declining affordability have slowed growth in the Sun Belt, while a return to the office, tepid supply growth and increased immigration have lifted primary markets in the Northeast and Midwest. Indianapolis (7.7%) and Kansas City (6.4%) lead the top 30 Matrix metros in rent growth, while primary metros New York (6.2%), Boston (5.2%) and Chicago (5.0%) round out the top 5.

Another trend as we get further into the cycle and affordability gets constrained is that rent growth is increasingly concentrated in Renter-by-Necessity properties (5.1% year-over-year, 0.3% trailing three months) relative to luxury Lifestyle properties (1.5% year-over-year, 0.1% trailing three months).

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.