Yardi Matrix

National Multifamily Report

July 2023

As Demand Slows, Multifamily Supply Is Key to Rents

- The multifamily market exhibited strength in July, as the economy continues to outperform expectations. The average U.S. asking rent rose $2 to $1,729, while year-over-year growth fell to 1.6%, down 30 basis points from June.
- After dominating the rent growth rankings for several years, Sun Belt metros have come back to the pack. The Sun Belt market with the highest year-over-year growth rate is Richmond, which ranks ninth among Yardi Matrix's top 30 metros (a list that was recently updated).
- Single-family rents were unchanged in July at $2,108, although they remained at an all-time high, thanks to robust occupancy rates. Year-over-year, national SFR rent growth fell 20 basis points to 1.2%.

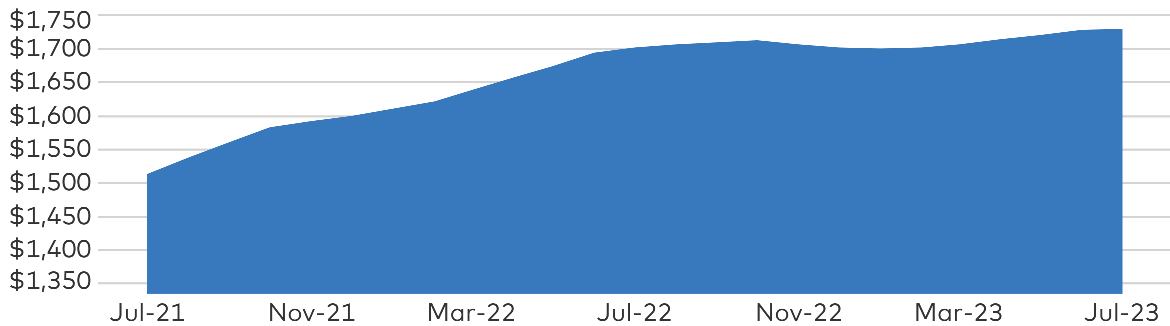
Multifamily performance was solid in July, as rents nationally rose $2 to $1,729, or 1.6% year-over-year. Demand remains propped up by the healthy job market, as the U.S. economy added 1.7 million jobs in the first half of 2023. While we still expect the economy to cool in coming quarters, the fact that second quarter job and GDP numbers were strong while inflation recedes has confounded the economic consensus. As long as that continues, consumer balance sheets will stay strong and apartment demand is likely to be firm. Through the end of May, apartment absorption totaled 120,000 units nationally, per Yardi Matrix, down from red-hot post-pandemic conditions but in line with historical norms.

We continue to see a rotation in the rankings of rent growth among metros. Seven of the top eight metros—led by Indianapolis and New York (5.5% each), New Jersey (5.4%) and Chicago (5.2%)—are in the Midwest or Northeast (the exception being San Diego). Richmond (2.5%) and Miami (2.2%) round out the top 10. Metros with the lowest rent growth are Las Vegas (-3.5%), Phoenix (-3.1%) and Austin (-2.8%).

There are several reasons for the market rotation, including affordability in the wake of rapid rent increases and slowing domestic migration. Even so, supply growth has emerged as the key factor in metro-level rent growth. Of the 12 metros in Matrix's top 30 list with supply growth of 2.5% or more year-over-year, six recorded negative rent growth this month. Austin (4.4% increase in total stock year-over-year through July), Nashville (4.1%) and Raleigh (3.5%) led in supply growth.

Meanwhile, most of the top metros based on rent growth were among the weakest in supply growth. Indianapolis and New York each added only 0.7% to stock over the past year, while Chicago added just 1.1%.

National Average Rents



National averages include 140 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by Yardi Matrix.