



Yardi[®] Matrix

National Multifamily Report

October 2023



Supply Growth Slows US Multifamily Rents

- Amid increasing concerns about slowing growth and the impact of higher-for-longer interest rates, multifamily rents dropped—but only slightly—for the second straight month. The average U.S. asking rent fell \$3 to \$1,718 in October, while year-over-year growth fell to 0.4%, down 40 basis points from September.
- Rent growth has turned negative in a growing number of metros, even as demand remains strong. Softening rents are mostly an issue in metros with a robust number of deliveries and decreasing levels of affordability.
- U.S. average single-family rents declined by a slight \$2 to \$2,121. Year-over-year growth dropped 30 basis points to 1.0%, but demand is holding steady and occupancy rates remain firm.

Multifamily fundamentals in October continued along their recent path. Rents overall fell slightly, as modest positive growth in metros in the Northeast and Midwest was offset by modest negative growth in metros in the Sun Belt and West. Overall rents fell \$3 in October, while year-over-year growth is at 0.4%.

While the economy continues to produce solid results, market attention is focusing on the seeming inevitability of slowing job growth and the capital markets conundrum of higher interest rates. The longer rates stay in the 4.5% to 5% range (or higher), the more multifamily properties will face capital gaps when loans come up for refinancing.

Despite the gloomy tone, multifamily demand and absorption continue at levels consistent with strong pre-pandemic years. Through three quarters in 2023, more than 250,000 apartment units were absorbed nationally, according to Yardi Ma-

trix. That is below the record-high 600,000 units absorbed in 2021, but in line with 300,000-plus units absorbed each year between 2017 and 2020. In other words, whatever else is happening, people continue to rent apartments at a steady rate. Rent declines are largely a function of supply. Among the Matrix top 30 metros, rent growth was negative year-over-year in 10 of the 12 metros with the highest supply growth as a percentage of stock.

There is concern that apartment demand will slow if the economic growth turns negative in line with consensus forecasts. A downturn would likely reduce renter activity. At the same time, multifamily demand is boosted by long-term trends that aren't likely to fade. The cost gap between renting and homeownership has rarely, if ever, been higher, which keeps households in apartments. Demand is also created by the hybrid work trend as people seek more space for work.

National Average Rents

