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National Multifamily Report

December 2023



US Multifamily Rents Drop Despite Strong Demand

- The book closed on 2023 with multifamily rents producing extremely slight gains. The average U.S. asking rent fell \$4 in December to \$1,709, while year-over-year growth was unchanged, finishing 2023 at 0.3%.
- Since peaking in the summer, multifamily asking rents have declined by 1.0%, but the drop is mostly a function of supply increasing in high-growth markets. Overall demand remains firm, which limits the potential downside.
- Single-family rents outperformed multifamily in 2023, as demand has remained robust. U.S. average single-family rents declined by \$1 in December to \$2,123, while year-over-year growth rose 20 basis points to 1.2%.

Multifamily ended 2023 on a downswing, after average U.S. multifamily asking rents dropped for five straight months. The average asking rent fell \$17 over those five months to \$1,709. Discounting the 2020 pandemic year's 0.1% gain, 2023's full-year rent growth of 0.3% was the weakest rent performance since the 0.2% increase in 2010. And rents are likely to remain stuck in neutral during the early part of the new year.

With all that said, how worried should the market be going into 2024? While it is prudent to prepare for downside scenarios, conditions may not be as weak as they appear on the surface.

Maybe most importantly, household formation and the strong job market should continue to maintain demand. Apartment absorption totaled 285,000 in 2023 through November, per Matrix, which is in line with recent years when rents rose robustly. Absorption has remained healthy across

the country, even (and especially) in markets such as Austin, Orlando, Phoenix, Dallas and Nashville, where rent growth has temporarily turned negative due to the rapid increase in deliveries. Absorption also remains strong in metros such as Northern New Jersey, Boston and Washington, D.C.

And it is increasingly appearing as though the job market will hold up better than consensus expectations in the wake of the Federal Reserve's rate hikes. Almost two years with a sub-4.0% unemployment rate has kept household balance sheets in good shape, boosting consumer confidence and helping to maintain spending. While GDP growth is likely to slow in 2024, the chances of a hard landing are dimming. Meanwhile, demand is also coming from an increase in net immigration, which fell by almost half between 2018 and 2021. Net immigration has increased by more than 1 million annually in the last two years, and is projected to remain at that level in coming years.

National Average Rents

