

October 2020

Contacts

Jeff Adler

*Vice President & General
Manager of Yardi Matrix*
Jeff.Adler@Yardi.com
(303) 615-3676

Jack Kern

*Director of Research and
Publications*
Jack.Kern@Yardi.com
(800) 866-1124 x2444

Paul Fiorilla

Director of Research
Paul.Fiorilla@Yardi.com
(800) 866-1124 x5764

Chris Nebenzahl

Editorial Director
Chris.Nebenzahl@Yardi.com
(800) 866-1124 x2200

Multifamily Absorption Resumes After COVID-19 Slump: How Durable Is Demand?

Apartment demand rebounded in the third quarter in many metros, a good sign for the industry after a weak first half that was caused in large part by the fallout from COVID-19. The rebound helped to stabilize the multifamily market and prevented asking rents from declining as much as would have been expected considering the historic decline in economic performance in the second quarter.

Increased absorption in July and August was led by many secondary metros in the Southeast and West—including Dallas, Denver, Atlanta, Phoenix and Charlotte—resuming the strong demand that those markets experienced over the decade before the pandemic hit.

The recovery remains stalled, however, in high-priced gateway markets, which have had the largest population defections and may face the longest and most difficult recoveries. San Francisco, Chicago, Los Angeles and San Jose had steep drops in rent growth and absorption year-to-date through August, while New York rents have also declined sharply amid weak absorption.

The study of 17 million apartment units in Yardi Matrix's database demonstrates that rent growth so far this year has been closely tied to the overall expense of apartments by market. Metros with higher average rents generally saw negative growth, while rent growth in less expensive metros was modestly positive or flat. That is consistent with renters being more budget conscious at a time of economic hardship. Higher-end units have had the largest decreases in rents and occupancy post-COVID-19.

The recent rebound demonstrates the resilience in apartment demand, although it's too soon to say how long it will last if the economy suffers a setback from a second wave of infections during the winter. Multifamily performance will decline if unemployment remains high and consumers feel uncertain about their prospects.