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National Multifamily Report

December 2022



Strong Growth in 2022, but Multifamily Rents Feel Strain

- Multifamily rents fell again in December under the strain of weakening demand. U.S. asking rents dropped \$4 during the month to \$1,715, while year-over-year growth declined by 80 basis points to 6.2%, the lowest level since May 2021.
- For the full year in 2022, rents increased by 6.2%, the second-highest annual growth this century, only behind 2021's growth of nearly 15%. With the market entering 2023 with a variety of concerns about the economy and affordability, we expect rent growth in 2023 will be closer to historical levels.
- Deceleration is also hitting the single-family rental market. The average U.S. asking rent dropped \$8 in December to \$2,083, while the year-over-year increase fell by 100 basis points to 4.8%.

The book has now been closed on an eventful 2022, in which U.S. multifamily asking rents rose 6.2%. The year started as a continuation of 2021, with rents rising through the normally tepid first quarter and posting strong gains in the spring. However, as the economy and demand began to cool in the fall, rents began their inevitable deceleration. Nationally, asking rents fell 0.2% in December and 0.6% in the fourth quarter.

In 2023, we expect the market to behave in a more traditional manner, at least nationally. Asking rents should remain flat or fall slightly through the spring, when growth typically is strongest. Then rents will rise moderately, though nowhere near the outsize levels of the last two years.

Our outlook is colored by the demand-supply equation. Demand for apartments is moderating from 2021 record levels as the economy cools, excess household savings are depleted,

affordability is stretched and the post-pandemic migration is played out. Meanwhile, 2023 should be a strong year for new supply. More than 400,000 units are expected to come online in 2023. Deliveries will be concentrated in markets with high population growth such as Austin, Nashville, Charlotte and Orlando, which to some degree will dampen the increases in rent growth that come with high in-migration.

Gateway markets are bouncing back, owing to the combination of weak supply growth and rebounding demand. More companies are requiring a return to the office, and—after being down significantly for several years—immigration reached one million in the year ending July 2022, per the U.S. Census Bureau. Not all of those immigrants were new to the U.S., but it's still a good sign for big metros where immigrants tend to land. Despite headwinds, there are positive forces that will keep the industry healthy in 2023.

National Average Rents

