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# National Multifamily Report

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May 2023



## Demand Still Firm, Multifamily Rents Rise in May

- Multifamily demand remains strong despite the threat of a slowing economy looming on the horizon. The average U.S. asking rent rose \$7 in May to \$1,716, while year-over-year growth decelerated to 2.6%, down 70 basis points from April and the lowest level since March 2021.
- While performance displays resilience, the data is not unambiguously positive as it has been for most of the last two years. Rent growth has turned negative year-over-year in several metros as occupancy rates weaken amid slackening demand and rapid growth in new deliveries.
- The average single-family unit rent reached \$2,100 for the first time in May, little more than a year after topping the \$2,000 mark. Year-over-year growth fell 40 basis points to 2.1%. SFRs are boosted by waning home sales, as the average 30-year mortgage rate is again above 6.5%.

Like the U.S. economy, which has confounded attempts by the Federal Reserve to curb the hot job market, U.S. multifamily performance remains steady. Average U.S. asking rents rose \$7 in May to \$1,716, and are up \$18, or 1.0%, since January. The seasonal outline of growth is not far off a typical pre-pandemic year, although the rate of increase is lower.

One reason rent increases are slowing is the number of metros with negative year-over-year growth in May. Las Vegas (-2.8%) and Phoenix (-2.6%), negative for months, were joined by Austin (-1.0%), Seattle (-0.9%), San Francisco, Atlanta and Sacramento (-0.4%), and Orange County (-0.2%). In part, negative growth is a reversion to the mean after two years with unusually high gains. Seven of the eight top 30 metros that are above the national average rent growth rankings are in the Midwest or primary markets that did not see large post-pandemic rent gains.

Another factor in the weaker rent growth is declining occupancy rates driven by slowing household formation, competition from new deliveries, lack of affordable units and diminishing demand as corporate layoffs start to increase and consumer confidence wanes. Occupancy rates as of April were negative compared to the same month a year ago in 28 of the Matrix top 30 metros, with New York (0.1%) and San Jose (0.0%) the only exceptions. Seventeen of the top 30 posted occupancy rate declines of 100 basis points or more, led by Las Vegas (-1.7%) and Dallas and Sacramento (-1.5%).

Still, the market tone remains positive. Renting is still cheaper than homeownership, and first-time buyers are renting longer, as for-sale inventory is low. The stickiness of high-income renters likely contributes to the recent resurgence in high-end Lifestyle properties, in which rents rose 0.4% in May and 0.3% on a sequential three-month basis.

### National Average Rents

