Yardi Matrix

National Multifamily Report

August 2023

U.S. Economy Holding Up, Supporting Multifamily Demand

- Multifamily performance continues to hold up well, as rents and occupancy were relatively flat in August. The average U.S. asking rent rose $1 to $1,728 during the month, while year-over-year growth fell to 1.5%, down 20 basis points from July.

- In the short term, supply growth remains a driving factor in metro-level rent growth. Most metros with the highest year-over-year asking rent growth, such as New York, Chicago, Indianapolis and San Diego, benefit from a weak new supply pipeline.

- Single-family rents fell slightly, down $6 nationally to $2,104. Year-over-year, national SFR rent growth fell 70 basis points to 0.5%. SFR demand remains strong overall, but there is some evidence of deceleration in the high-end segment.

Economic growth continues to be stronger than expected, providing a backdrop to consistent multifamily demand. U.S. asking rents rose slightly in August, while occupancy rates remained strong at 95.0%, according to Yardi Matrix.

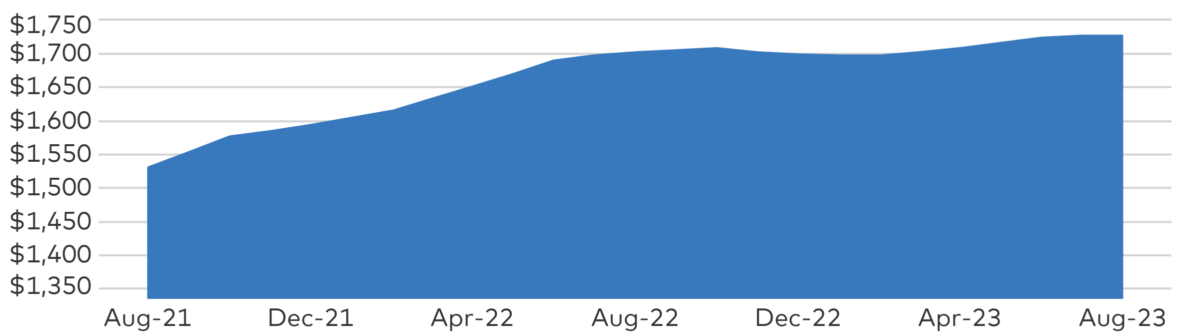
Apartment demand is supported by the healthy economy. GDP grew at an annualized 2.1% during the second quarter, and the employment market continues apace. The economy added 3.1 million jobs over the 12 months ending in August, and unemployment is hovering at historic lows, at 3.8% as of August. All that supports household formation and demand for apartments.

Through July, some 190,000 multifamily units have been absorbed in the U.S., per Matrix. That is behind the pace of 2021's record total of almost 600,000, but is otherwise healthy. Among the top 30 Matrix metros, absorption in absolute numbers in 2023 has been led by Washington, D.C., Phoenix, Miami, Chicago and Denver. For absorption as a percentage of stock, Charlotte, Tampa and Nashville are among the best-performing metros so far this year.

While multifamily conditions are generally favorable, headwinds do exist. Property expenses such as insurance are rising rapidly (as we discuss later in this report). Inflation is decreasing, but it remains stubbornly high, and Federal Reserve chair Jay Powell has indicated that the central bank might increase interest rates further. The current federal funds rate of 5.25% to 5.5% creates capital problems for property owners as they refinance low-rate mortgages coming due. Plus, the effect of higher rates is likely to slow down the economy.

On a housekeeping note, we have added Kansas City and dropped Richmond from the Matrix top 30 metros list in order to create a better regional balance for the Midwest.

National Average Rents



National averages include 140 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by Yardi Matrix.