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National Multifamily Report

September 2023



US Multifamily Rents Slip in September

- Weighted down by the slowing economy and a heavy delivery pipeline in some markets, U.S. multifamily rents dipped in September. The average U.S. asking rent fell \$6 to \$1,722 during the month, while year-over-year growth fell to 0.8%, down 60 basis points from August.
- Market performance remains bifurcated, as the Top 30 rankings are dominated by metros in the Northeast and Midwest. Most of the 14 metros with negative year-over-year growth are located in the Sun Belt or West.
- Single-family rents fell for the second straight month, down \$4 nationally to \$2,104. Year-over-year growth dropped 10 basis points to 0.4%. Occupancy was unchanged at 95.9%, a sign that demand continues to be robust.

Multifamily rents turned negative in September, with the average U.S. rent declining \$6 from August and \$3 during the third quarter. It marked the first time since the global financial crisis in 2009, when national rents decreased in September. Year-over-year growth fell to 0.8%, the lowest number since the pandemic recovery in early 2021.

The question now is whether the monthly drop signals more bad news for multifamily. The industry faces headwinds, including a slowing economy. Consumers are losing some strength as the post-pandemic boom in household savings dwindles, while millions of households will have less to spend as they resume paying student loans. Energy prices are rising, and even large-scale strikes could have an impact if they continue at length. Meanwhile, higher interest rates are working their way through the economy. Companies with greater debt-service costs have less to spend on productive uses.

Multifamily property owners in particular are feeling the sting, since the 10-year Treasury climbed past 4.5%. Multifamily property values have dropped at least 20% based on capitalization rates alone. Mortgage rates are over 6% for the government-sponsored agencies and even higher for other types of lenders. Even though delinquency rates remain subdued, many borrowers are being forced to either pay down the loan balance or renegotiate an extension with lenders.

While it is important to acknowledge the headwinds, we also should put them in perspective. Much of the negative rent growth stems from the robust delivery pipeline that is putting pressure on rents in some metros (more on this on page 6). Demand and absorption remain positive in almost every metro—and occupancy rates have steadied—due to ongoing strong job growth and household formation. So while rent growth will slow for a while, the market remains healthy.

National Average Rents

