Yardi Matrix

National Multifamily Report

January 2025

Multifamily Rents Off to Positive Start in 2025

- The multifamily market started the year on a positive note, breaking a six-month streak of declining rents. The average U.S. advertised asking rent increased $3 nationally in January to $1,746, while year-over-year rent growth rose by 20 basis points to 0.8%.
- Market players at last week's National Multifamily Housing Council annual conference were generally optimistic that 2024's strong demand will continue. However, there are headwinds with the economy and interest rates that will provide challenges.
- Single-family build-to-rent rental rates also rebounded after several down months. SFR BTR advertised rents increased $5 month-over-month in January to $2,157, with year-over-year growth improving 20 basis points from last month to -0.2%.

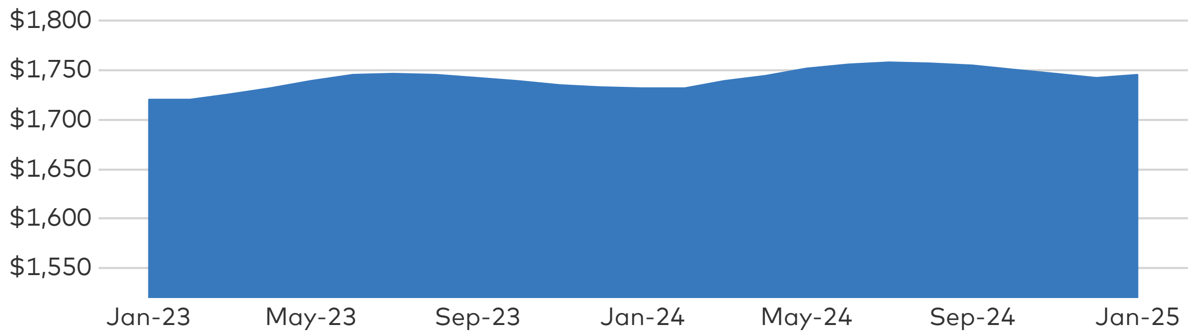
Multifamily got the year rolling in a positive direction, with rents in January breaking a six-month negative growth streak. The average U.S. advertised asking rent rose by $3 to $1,746 in January, with rent growth continuing to be led by metros in the Northeast (New York City, New Jersey, Philadelphia) and Midwest (Detroit, Kansas City, Chicago).

One of the questions the industry faces in 2025 is whether demand will repeat 2024's red-hot level. Yardi Matrix recorded roughly 400,000 units absorbed in 2024, one of the highest years on record. January's performance is an encouraging sign, and many of the drivers of apartment demand still appear to be in place. For example, the economy continues to crank out jobs, including 256,000 in December. The percentage of young adults that live with their parents has declined in recent years after peaking during the pandemic.

Meanwhile, high mortgage rates and the lack of for-sale homes on the market are leading to extremely high apartment retention rates. Mike Carney, a vice president of investment research at Heitman, said during the research panel at last week's NMHC Apartment Strategies conference that move-outs to homeownership are at all-time lows in his firm's property portfolio.

Despite the strong absorption, the robust supply pipeline has caused the occupancy rate to decrease in many markets. Nationally, the occupancy rate for stabilized properties fell to 94.5% in December, according to Matrix, its lowest level since the first quarter of 2014. That reflects the large number of deliveries in fast-growing markets such as Austin, Raleigh-Durham, Charlotte, Nashville, Denver and Phoenix, where advertised rent growth is negative and the occupancy rate is falling despite strong demand.

National Average Rents



National averages include 140 markets tracked by Matrix, which include the 30 metros featured in the report.
All data provided by Yardi Matrix.