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Expense Growth Bedevils Multifamily Properties

Growth in total expenses for multifamily properties abated somewhat in the second half of 2023 but remains high, while the increase in property insurance premiums continued to accelerate throughout the year.

Overall expenses per multifamily unit nationally rose by 7.1% year-over-year to \$8,950 as of January 2024, according to an examination of more than 20,000 properties that use Yardi operating software. Expense growth was led by property insurance, which rose 27.7% year-over-year; marketing (12.3%); administrative (9.6%); and repairs and maintenance (8.8%). (All expense data cited in the report is derived from properties that use Yardi property management software.)

Driven by inflationary pressures, total expenses at multifamily properties have increased rapidly in the past two years, peaking at 8.7% in 2022. Before that, the average annual expense growth rates were 4.9% in 2021, 1.6% in 2020, 3.6% in 2019 and 3.8% in 2018.

While expense growth remains high but is starting to decelerate, insurance costs climbed in 2023. Property insurance costs per unit rose an average of 27.7% in the year ending January 2024, and have risen 129% nationally since 2018 to an average of \$636 per unit. Property insurance premium growth rates were 16.0% in 2022, 15.1% in 2021, 16.7% in 2020, 13.4% in 2019 and 5.6% in 2018.

