

January 2021

**Contacts**

**Jeff Adler**

*Vice President & General  
Manager of Yardi Matrix*  
Jeff.Adler@Yardi.com  
(303) 615-3676

**Jack Kern**

*Director of Research and  
Publications*  
Jack.Kern@Yardi.com  
(800) 866-1124 x2444

**Paul Fiorilla**

*Director of Research*  
Paul.Fiorilla@Yardi.com  
(800) 866-1124 x5764

**Chris Nebenzahl**

*Editorial Director*  
Chris.Nebenzahl@Yardi.com  
(800) 866-1124 x2200

**Maddie Harper**

*Senior Research Analyst*  
Madeline.Harper@Yardi.com  
(800) 866-1124 x2115

## The Rise and Fall of Concessions: Is the Market Resetting?

- With multifamily demand diminished by job losses and social distancing measures imposed due to COVID-19, concessions rose sharply in the spring and fall of 2020. The impact varied widely between geographies and property types. Not surprisingly, the growth of concessions tracked other broad measures of multifamily performance, such as occupancy and rent growth.
- Concessions increased the most in the upper tier of the market: gateway metros and Class A and high-rise properties. Gateway markets had the largest percentage increase in concessions and the highest value of concessions as a share of monthly rent.
- Concessions grew the least in tertiary markets and in Class C and low-rise properties. The percentage of Class C and garden apartments that use concessions declined by the end of the year, a sign that demand shifted to low-cost properties.
- Strategies employed by owners to optimize income—such as offering concessions or lowering asking rent—are affected by competitive pressures, which may differ by metro. Metros with the highest percentage of properties offering concessions are those with a pandemic-driven drop in demand and those with copious amounts of supply coming online.
- Gateway markets have seen the biggest growth in concessions during the pandemic, but secondary metros are among the leaders in the percentage of properties that employ the tactic over time. Concessions are highest on a per-unit basis in metros with the highest average rents—particularly San Jose, San Francisco and New York—and the largest decline in occupancy rates and asking rents since the start of the pandemic.
- Concessions peaked in the middle of the year and then declined in the fourth quarter. This could be a sign that the market is stabilizing or that owners are shifting strategies to attract and retain tenants. The decline could signal that new asking-rent levels are being set that will be carried into the post-pandemic market.