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**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

**Justin Dean**

*Senior Analyst*  
Justin.Dean@Yardi.com  
(800) 866-1-124 x2071

# Steep Multifamily Occupancy Declines an Urban Phenomenon

- Roughly one out of every 14 multifamily properties in the U.S. has seen occupancy rates drop by 5% or more over the last 12 months, according to a study of Yardi Matrix's database. However, the loss is concentrated in urban assets in gateway metros, which limits the potential for distress.
- The study shows a large bifurcation in market performance and recovery period. Some markets are back to pre-pandemic performance levels already, while it could take 3 years or more for rents to recover in the most affected urban submarkets.
- The study tracked 78,000 properties with 14.4 million units in Matrix's database. In the year ending February 2021, 7.3% of properties nationally saw occupancy rates drop by 5% or more and 1.8% of properties saw occupancy rates drop by 10% or more.
- The decline in property-level performance was concentrated in urban centers, particularly Manhattan, San Francisco, Chicago and Los Angeles. Severe drops in demand are rare. Only nine metros saw as many as 2% of properties suffer a decline in occupancy of 10% or more over the last year.
- While the data demonstrates the troubles some segments of the market face, the industry can take solace in the finding that the poor performance in demand and occupancy is limited. The results show that the amount of distress anticipated by some is likely to remain limited, and whatever does occur will almost certainly be concentrated in high-cost gateway centers that will have a much bigger hill to climb to get back to pre-pandemic revenue levels when normality returns.

## End of Strong Multifamily Cycle

The multifamily market was a decade into a strong performance cycle when the effects of COVID-19 started to be felt in March 2020. Rent growth was up 3.0% year-over-year nationally in February 2020, averaging 3.2% during the previous 120 months. Growth was positive in virtually every metro during the entire cycle. The occupancy rate for stabilized properties in February 2020 was 94.9%, and it had been near that level for most of the last decade.