



U.S. Multifamily Outlook

Winter 2022

Another Strong Year Expected For Multifamily in 2022

Healthy Economic Growth
Rising Apartment Occupancy
Capital Flowing to Multifamily

Market Analysis

Winter 2022

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Another Year of Bullish Conditions on Tap for Multifamily

- The multifamily market appears poised for another solid year in 2022, although it is not likely to match 2021's unexpected exceptional performance. We anticipate demand for apartments will remain robust, highlighted by strong economic growth and household formation. Meanwhile, capital conditions will be favorable, driven by investors' insatiable appetite for stable income and low mortgage rates.
- U.S. economic growth in 2022 will decelerate from its decade-long high of roughly 6% in 2021 but should remain above trend. The economy is benefiting from lingering monetary stimulus, job growth, higher wages and consumer wealth, while supply-chain issues have continued into 2022. Inflation and the labor shortage are the biggest headwinds, but most of the negative ramifications from those matters won't be felt until 2023 or later.
- After asking rents rose 13.5% nationally in 2021, it's an easy call to forecast a moderation in rent increases. However, we still expect overall U.S. rent growth to reach 4.8% in 2022, well above the long-term 2.7% average. The conditions that drove higher rents in 2021—including pent-up demand coming out of the pandemic, strong job growth, soaring home prices and healthy consumer savings—have not fully subsided.
- Absorption hit record levels in 2021, prompting occupancy rates to flirt with all-time highs. In that light, concerns about oversupply have become moot and builders are ramping up projects. As of the beginning of 2022, more than 750,000 market-rate apartment units were under construction. After 350,000 units delivered in 2021, we expect about 385,000 to 400,000 more in 2022.
- The amount of investment capital chasing multifamily, both equity and debt, is enormous. Property values are rising rapidly, driven by lower acquisition yields and increases in net income as asking rents shoot higher. Some \$166 billion of multifamily transactions were completed in 2021, up 75% from 2020, and the only limit is the number of properties put up for sale. Debt availability is also robust, led by Fannie Mae and Freddie Mac, which have increased capital allocations in 2022. Multifamily debt has also driven record levels of lending by private equity funds.