



Yardi[®] Matrix

National Multifamily Report

November 2022



After Record Run-Up, Multifamily Rents Skid in November

- Facing a variety of economic headwinds and deteriorating demand, multifamily rents finally turned negative in November. U.S. asking rents fell \$9 during the month to \$1,719, while year-over-year growth dropped to 7.0%, the lowest level in 17 months.
- All of Yardi Matrix's top 30 metros continue to display positive rent growth year-over-year, though more recent performance shows some weakness. Almost two-thirds of the top 30 had negative growth over the last three months and more than 90% had negative growth over the last month.
- The single-family rental market is following the same pattern. The average U.S. asking rent dropped \$5 in November to \$2,091, while the year-over-year increase fell by 80 basis points to 5.9%.

With the economy softening, demand for units slowing and rising interest rates creating headwinds for housing, multifamily asking rent growth finally took a turn downward in November. The average U.S. multifamily rent fell \$9 to \$1,719 in November, the largest one-month decline in rents in well over a decade.

The deterioration in rents was not unexpected nor is it necessarily a sign of a deep recession. Rent increases have far exceeded normal growth patterns for nearly two years. Average asking rents increased by 22% nationally between January 2021 and October 2022, a rate that would be unsustainable under optimal conditions. Now, however, the decades-high inflation rate has left household balance sheets in a weaker position than a year ago, while economic growth is slowing as the Federal Reserve raises interest rates.

Demand for multifamily is waning in line with the weaker consumer sentiment. Absorption of apartments has been positive in 2022, but well below 2021 levels that were boosted by strong job growth and household savings coming out of the pandemic. More than \$2 trillion of excess savings helped households maintain strong consumer spending, but those funds are dwindling and may eventually run out. A new survey by the National Association for Business Economics found that a majority of economists place a more than 50% probability that a recession will occur in 2023.

Still, the slowdown is in line with Yardi Matrix's forecasts going into the year. Average U.S. rents are up 6.4% year-to-date, and the national occupancy rate, while slipping in recent months, remains a solid 95.6%. And while rent growth has turned negative in many metros over recent months, every one of Matrix's top 30 metros maintains positive year-over-year growth.

National Average Rents

