



2024 U.S. Multifamily Outlook



Housing Demand Persists

Deliveries Impact
Rent Growth

Capital Markets a
2024 Challenge

Market Analysis

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Multifamily Positioned Well, But Capital Markets a Challenge

- Multifamily faces a mixed outlook in 2024. Property performance remains healthy for most apartments, but challenges will come from a wave of deliveries, rapid growth in expenses, a potential economic slowdown, and the increase in mortgage rates.
- The U.S. economy has remained surprisingly resilient, helping to maintain strong demand for housing, led by robust employment growth and moderate gains in consumer spending. However, economic growth is likely to slow in 2024 due to the effects of a higher-for-longer interest rate scenario. For commercial real estate, that means a market reset with higher acquisition yields, higher financing costs, and lower leverage and values.
- We expect rent growth will be positive in 2024 but diminished by slowing absorption, supply growth and declining affordability after extraordinary gains in 2021-22. Growth will be led by metros in the Midwest, Northeast and smaller Southern and Mountain areas where demand remains consistent and deliveries are subdued. New York and Chicago will continue robust recoveries owing to strong demand and weak supply growth. Rapidly growing Sun Belt and West markets will see a temporary pause in rent increases due to the large number of units coming online, but long-term prospects remain bullish.
- Supply growth is at decades-long highs, with more than 1.2 million units under construction. Deliveries should top 500,000 units in 2024, with concentrations in rapidly growing markets in the South and West. However, the rise in construction financing is putting a lid on new starts, so 2024 is expected to be a peak year for deliveries.
- Multifamily expenses—particularly insurance but also labor, materials and maintenance—are rising rapidly. With income growth slowing, operating efficiency and cost-cutting will be focuses of the industry.
- Transaction volume fell by 70% in 2023 as falling values and rate volatility created pricing uncertainty. Activity is likely to remain weak in 2024, but could rebound later in the year if rate hikes have ended. Lenders are being cautious and borrowers are reluctant to lock in loans at high rates. Maturity defaults will be a growing issue as loans come due and properties qualify for proceeds that are less than the existing mortgages.