Yardi Matrix

National Multifamily Report

January 2024

Demand Keeps Multifamily Rents Firm Amid Supply Boom

- Ongoing strong demand is keeping U.S. multifamily rents steady, even as supply growth exerts downward pressure. The average U.S. asking rent was unchanged in January at $1,710, while year-over-year growth rose 10 basis points to 0.5%.
- The Northeast and Midwest continue to outperform in the short term. Demand is created by the strong economy and job growth, while large urban markets are benefiting from two years of high immigration inflows.
- Single-family rental performance remains robust. U.S. average single-family rents rose $2 in January to $2,130, while year-over-year growth rose 20 basis points to 1.5%. Seven of the top 13 metros for rent growth are in the Midwest.

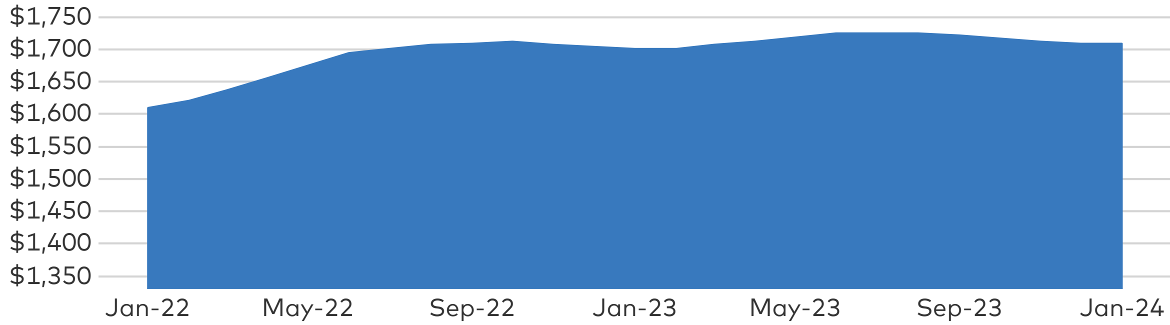
The topic of supply was intertwined in virtually every aspect of the National Multifamily Housing Council's annual conference, held Jan. 29 to Feb. 1 in San Diego. Whether the issue was how much rent growth in 2024 will be affected by the current wave of deliveries, the impact of the high cost of construction financing on future deliveries, or how to create the new supply needed to meet the nation's housing needs and alleviate the affordable housing crisis, the discussion kept returning to the question of supply.

Multifamily rent growth is now at 0.5% year-over-year nationally. Another year of weak growth is expected in 2024, largely due to the rapid increase in deliveries that stems from the sector's strong performance, high liquidity, and favorable treatment in the 2017 tax bill. Yardi Matrix forecasts a record 540,000 units to be delivered in 2024 and another 460,000 units completed in 2025.

New supply, however, is not spread evenly. Deliveries are greatest in high-demand and fast-growing tertiary markets such as Huntsville, Ala.; Port St. Lucie, Fla.; Colorado Springs; Boise, Idaho; and secondary markets such as Austin, Miami, Charlotte, Denver, Phoenix and Nashville. Despite continued strong absorption in Sun Belt and Western regions, rent growth will be weak in 2024 while the new units get leased up. Many markets in the Northeast and Midwest have the opposite situation: Demand is only moderately positive, but occupancy is stable and rents are rising, as supply growth is weak.

Completions will peak in 2024, but starts are declining as debt capital grows more expensive. Per Matrix, multifamily starts peaked at 678,000 units in 2022. Then, after waning in the second half of 2023, they finished the year at roughly 500,000 starts. Starts will continue to decline in 2024, especially in market-rate apartments.

National Average Rents



National averages include 140 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by Yardi Matrix.