



Yardi Matrix

# National Multifamily Report

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May 2024



# Rents Rise as Demand Balances Supply Growth

- Rents rose for the fourth straight month in May, but gains have been moderate. The average U.S. asking rent increased by \$6 to \$1,733, while year-over-year growth was unchanged at 0.6%.
- Multifamily performance continues to reflect a balancing act. Rents are rising in a normal seasonal pattern, as demand and absorption remain strong, but the growth is mitigated by the rapid delivery pipeline in many markets, particularly the Sun Belt.
- The single-family rental market is outperforming multifamily. The average rent increased \$6 in May to \$2,166. Although the year-over-year growth rate fell 10 basis points, at 1.4% it remains higher than the growth rate for apartments. Occupancy rates fell 10 basis points to 95.3% in April.

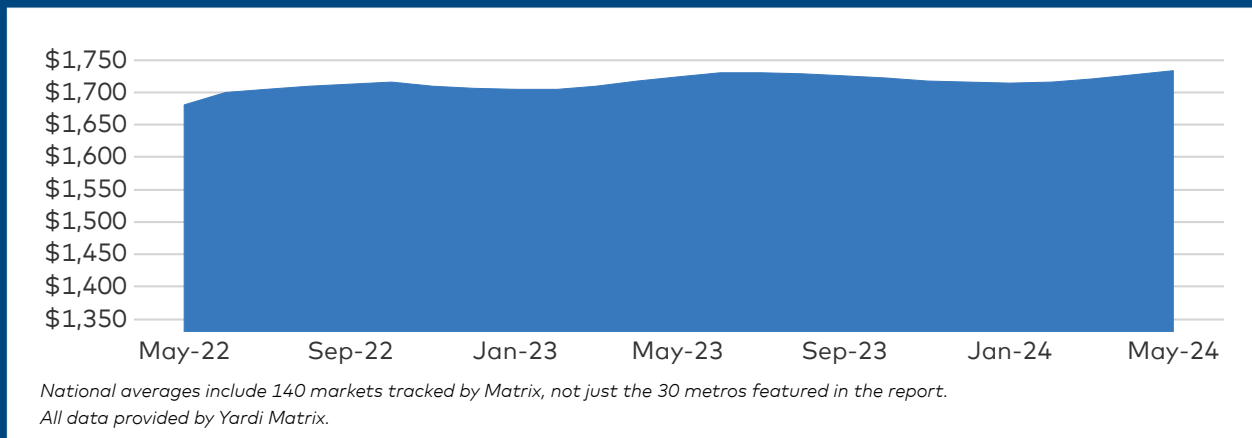
May's multifamily performance was a mixed bag, reflecting the balance of conditions in the market. Rents rose \$6 nationally to \$1,733, while year-over-year growth remained tepid at 0.6%. Occupancy rates were down 0.6% year-over-year through April. Rents are rising seasonally, but the 1.0% year-to-date increase is about half of the average growth rate for the five years before the pandemic.

The good news is that demand remains positive as the economy continues to create jobs, with 2.8 million added in the 12 months ending in April, according to the Bureau of Labor Statistics. Job growth is starting to slow and the unemployment rate has ticked up, but it remains under 4.0%. Demand is also fueled by growth in foreign immigration and high mortgage rates, which have slowed home sales and keep homeownership out of reach for some would-be first-time homebuyers.

There are counterbalancing headwinds, though, led by the rapid supply growth in Sun Belt markets. Looking at the Matrix top 30 metros, there are nine with year-over-year rent growth of -1.5% or worse, all of which are high-growth Sun Belt markets with an extensive delivery pipeline that we forecast will persist through the end of 2025. Each of these markets has had strong absorption over the past year, but the supply glut has eroded occupancy rates and rent growth, at least temporarily. Occupancy rates have fallen below 93.0% in Dallas, Houston, Austin and Atlanta.

With inflation not falling as quickly as expected, high interest rates present another challenge. Transaction activity remains weak, with sales down more than 20% year-over-year. Property owners must contend with refinancing debt in a high-rate environment and trying to cut rapidly growing expenses.

## National Average Rents

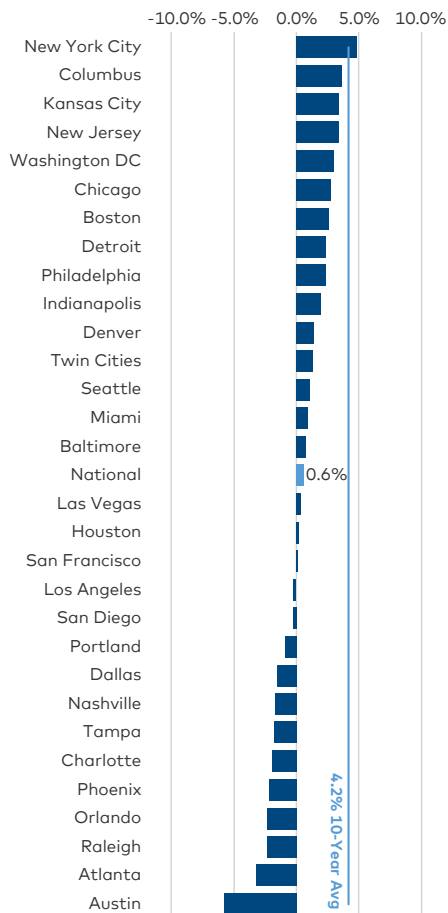




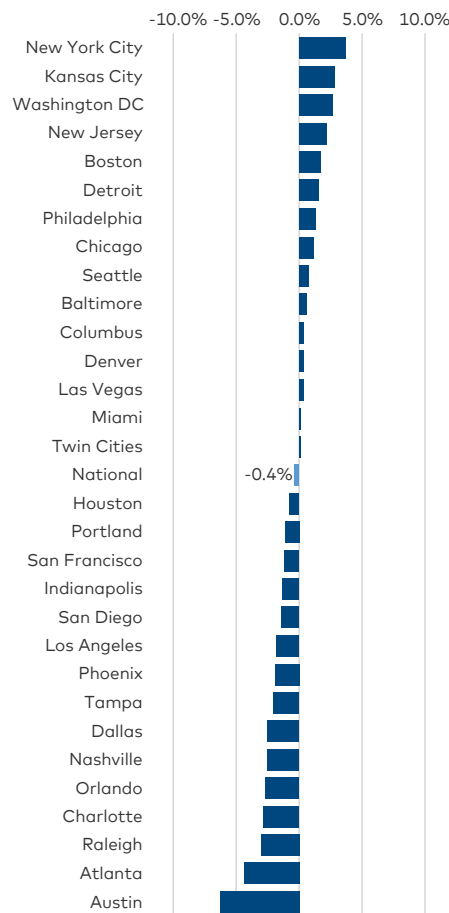
# Year-Over-Year Rent Growth: National Rents Rise Modestly

- The national average asking rent rose to \$1,733 in May, with the year-over-year growth rate at 0.6%. The Northeast and Midwest continue to record the highest rent growth, led by New York City (4.8% year-over-year), Columbus (3.6%), Kansas City and New Jersey (both 3.4%). Notably, Washington, D.C., usurped Chicago this month, posting rent growth of 3.0% year-over-year to round out the rest of the top five. Meanwhile, Austin continues to be the hardest hit by negative rent growth (-5.8%), but most other Sun Belt markets are down by 2.4% or less.
- For the third straight month, the national occupancy rate was unchanged at 94.5% in April. No metro has recorded a year-over-year increase, and the national rate has not surpassed 95.0% since April of last year. The occupancy rate has dropped over the past year in 29 of Matrix's top 30 metros, with Las Vegas being the only metro that was unchanged. Occupancy rates have slipped below 93.0% in four metros: Atlanta (92.4%), Houston (92.5%), Austin (92.9%) and Dallas (92.9%).

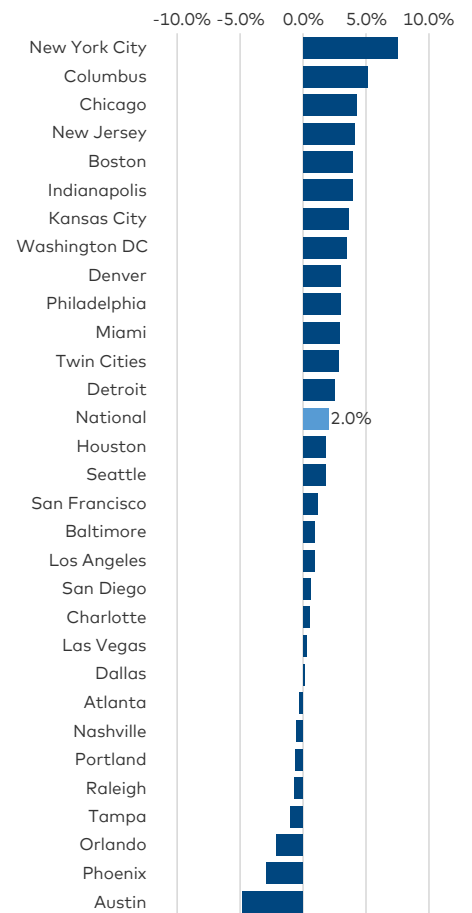
Year-Over-Year Rent Growth—  
All Asset Classes



Year-Over-Year Rent Growth—  
Lifestyle Asset Class



Year-Over-Year Rent Growth—  
Renter-by-Necessity Asset Class



Source: Yardi Matrix

# Short-Term Rent Changes: Some Sun Belt Markets Rebound in May

- U.S. rents rose 0.3% month-over-month in May, with 26 metros posting modest gains.
- Rents rose 0.3% month-over-month in the Renter-by-Necessity segment and 0.4% in the luxury Lifestyle segment.

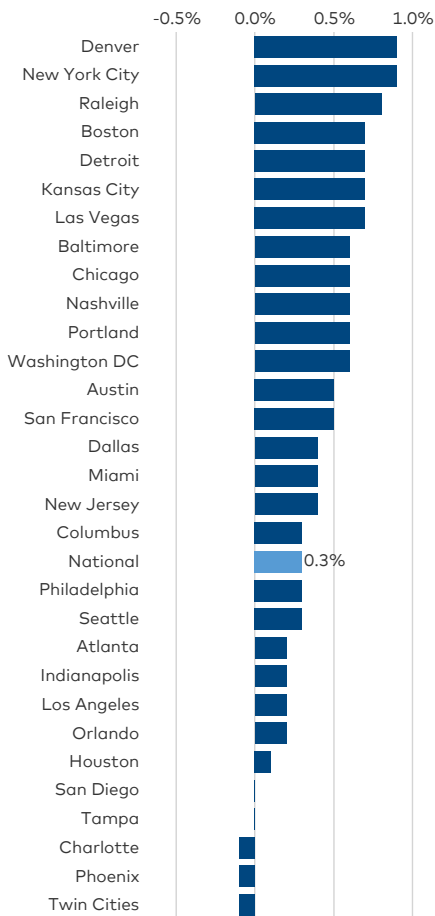
Overall, monthly rent gains were led by Denver and New York (both 0.9%), and Raleigh (0.8%). The few markets that posted modest declines include Phoenix, the Twin Cities and Charlotte (all down 0.1%).

Rent growth was positive in the majority of top 30 metros in both Lifestyle and RBN. New York

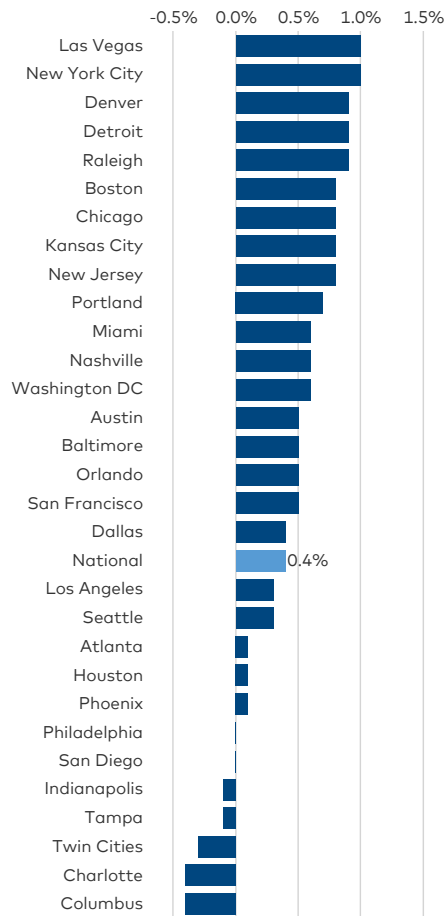
and Las Vegas recorded the largest increases in Lifestyle (both 1.0%), while Denver (0.9%) and Washington, D.C. (0.8%) led in RBN. Detroit rose 0.9% in Lifestyle and 0.7% in RBN.

After several months of rent declines, some high-supply markets such as Austin recorded increases in May, fueled by strong absorption. Austin, which was -5.8% year-over-year in May, posted month-over-month gains of 0.5% in Lifestyle and 0.4% in RBN. Raleigh-Durham, which was -2.4% year-over-year, posted 0.9% growth in Lifestyle and 0.7% growth in RBN. Nashville, -1.7% year-over-year, posted a 0.6% increase in Lifestyle and a 0.4% increase in RBN.

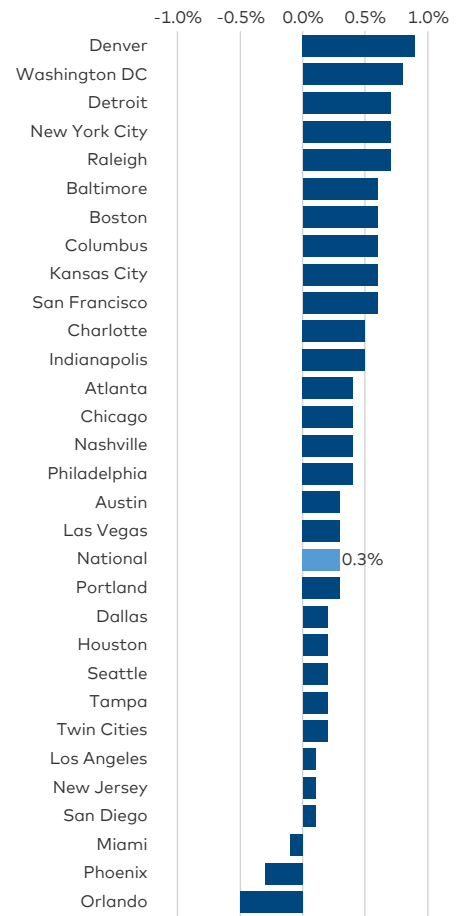
**Month-Over-Month Rent Growth—  
All Asset Classes**



**Month-Over-Month Rent Growth—  
Lifestyle Asset Class**



**Month-Over-Month Rent Growth—  
Renter-by-Necessity Asset Class**



Source: Yardi Matrix

# Supply, Demand and Demographics: Searching for Deals Requires an Opportunistic Eye

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- With property sales remaining low as interest rates stay higher for longer, investors must work harder to find deals.
- Areas that are ripe for opportunities include distressed assets, out-of-favor markets that are performing well and niche property segments.
- A growing share of multifamily development has an affordable component.



Going into 2024, investors largely expected (hoped?) that interest rates would fall during the year and put an end to the logjam of transaction activity. However, inflation did not fall as projected and the Federal Reserve has adopted a higher-for-longer approach, so transaction activity remains stalled. Through mid-May, \$19.3 billion of multifamily transactions were completed nationally, 24% below the year-earlier period and far below the recent peak years, according to Matrix. Opportunities are still available, but investors may have to search harder or move out of comfort zones into segments such as distress, “hidden gem” markets and niche property types.

Despite high mortgage rates that put many multifamily properties underwater when they come up for refinancing, distress has been rare, as loans have largely been extended. We do not expect a large wave of defaults among the bulk of multifamily properties that have healthy performance metrics. Distress, however, will rise in pockets of, including construction loans in high-supply Sun Belt markets where lease-ups will be slow, loans with poorly capitalized sponsors that are unable to put up capital for extensions, and value-add properties financed with low-rate, short-term debt in the 18-24 months before rates started to rise in the spring of 2022.

Investors also might look for deals in Midwest-

ern and Northeastern markets that have been less in favor in recent years. Although these markets have their own set of challenges and cannot match the rapid growth of the Sun Belt, apartment demand has stayed strong while supply has remained muted, keeping occupancies high and rent growth steady. Midwest metros benefit from re-industrialization of the economy and affordable rents, while the Northeast benefits from return-to-office and rising immigration.

Niche sectors that are ripe include affordable housing and single-family rentals. As rents rise and affordability in many markets is strained, concepts from the affordable housing segment are increasingly bleeding into conventional multifamily. That means federal and state policymakers around the country increasingly require projects to have fully or partially affordable components achieved through programs including tax subsidies in exchange for limiting rents. Federal agencies and some states offer loan incentive programs for properties with affordable components.

Weak home sales mean that institutional investment in SFR is increasingly coming through the build-to-rent segment. A record 64,000 BTR units in communities of 50 or more units are under construction, and Matrix expects an all-time high of 32,000 BTR unit deliveries in 2024.

# Single-Family Build-to-Rent Segment: Quality Control, Amenities Spur Build-to-Rent

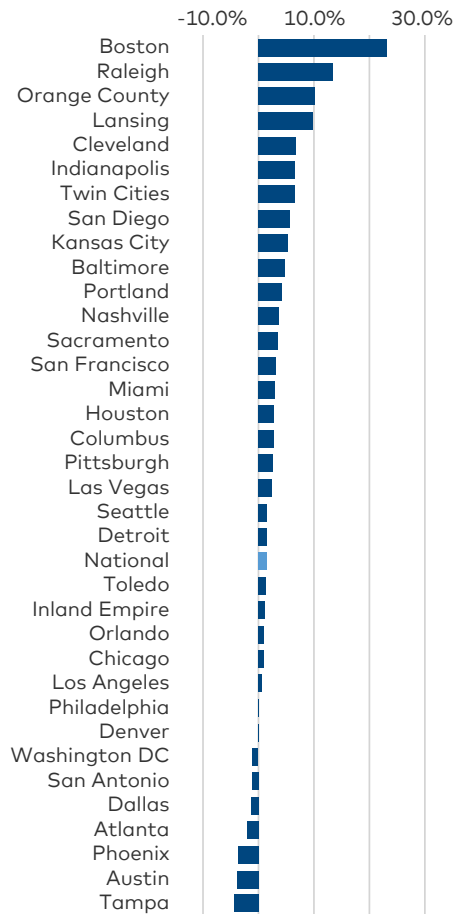
- Nationally, asking rates for single-family rentals rose \$6 in May to \$2,166, while year-over-year growth decreased 10 basis points to 1.4%.
- U.S. SFR occupancy rates fell 10 basis points to 95.3% in April, with RBN at 96.7% and Lifestyle at 95.0%.

Institutional SFR growth is increasingly coming from build-to-rent, and not just because of financial conditions. SFR operators are finding value in being able to control the quality of construction, while property management and on-

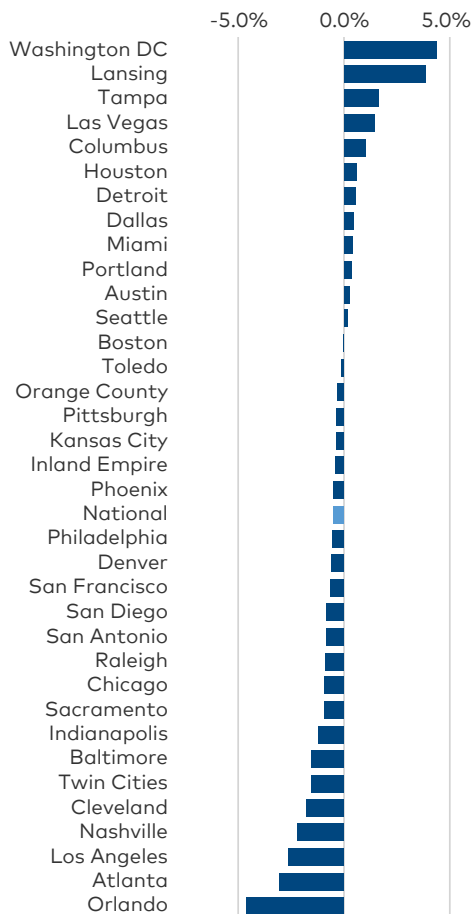
site maintenance are more efficient when units are adjacent. Developers are constructing communities with amenities that attract tenants, including shared facilities such as pools, clubhouses and trails; attached garages; and on-site maintenance. Other highly desired amenities include better parking, storage and yards, even if small. Developers can also design units to include smart home technology such as EV charging in garages and resilient design to accommodate frequent moving.

*Note: Yardi Matrix covers single-family build-to-rent communities of 50 homes and larger.*

**Year-Over-Year Rent Growth—  
Single-Family Rentals**



**Year-Over-Year Occupancy Change—  
Single-Family Rentals**



Source: Yardi Matrix

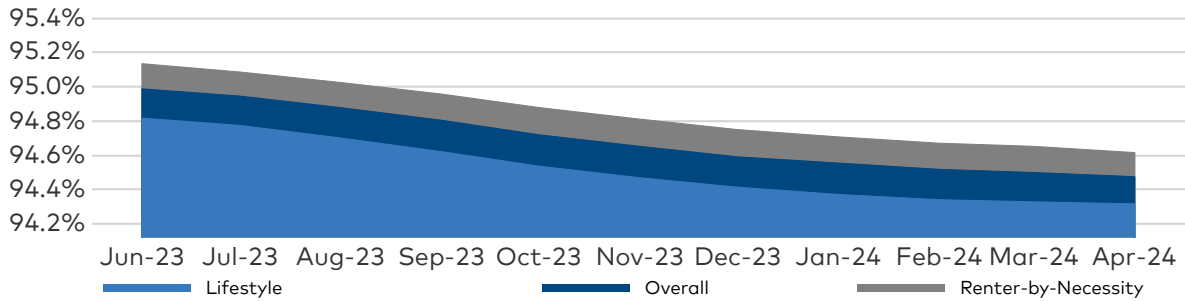
## Employment and Supply Trends; Forecast Rent Growth

Market	YoY Rent Growth as of May - 24	Forecast Rent Growth as of 05/01/24 for YE 2024	YoY Job Growth (6-mo. moving avg.) as of Mar - 24	T12 Completions as % of Total Stock as of May - 24
New York City	4.8%	3.2%	1.1%	1.1%
Columbus	3.6%	3.1%	1.1%	3.1%
Kansas City	3.4%	2.5%	1.2%	2.0%
New Jersey	3.4%	2.7%	1.2%	2.9%
Washington DC	3.0%	2.2%	1.1%	2.1%
Chicago	2.8%	2.2%	0.4%	1.8%
Boston	2.6%	2.0%	0.6%	2.3%
Detroit	2.4%	1.8%	0.1%	1.0%
Philadelphia	2.4%	2.1%	1.5%	1.8%
Indianapolis	1.9%	2.4%	2.2%	2.4%
Denver	1.4%	0.8%	1.3%	3.6%
Twin Cities	1.3%	1.6%	1.2%	3.8%
Seattle	1.1%	1.2%	0.9%	3.5%
Miami Metro	0.9%	1.5%	2.6%	4.1%
Baltimore	0.8%	0.7%	0.2%	1.4%
Las Vegas	0.4%	0.4%	3.4%	0.9%
Houston	0.2%	0.4%	2.6%	2.8%
San Francisco	0.1%	-0.1%	0.3%	3.1%
Los Angeles	-0.2%	-0.6%	0.0%	2.2%
San Diego	-0.3%	0.1%	0.9%	2.1%
Portland	-0.9%	-0.8%	-0.7%	3.4%
Dallas	-1.5%	-1.1%	2.0%	2.9%
Nashville	-1.7%	-1.1%	1.1%	5.3%
Tampa	-1.8%	-0.9%	2.3%	2.7%
Charlotte	-2.0%	-0.9%	1.7%	5.8%
Phoenix	-2.2%	-1.3%	2.5%	3.3%
Orlando	-2.3%	-1.2%	2.4%	4.8%
Raleigh	-2.4%	-1.7%	2.6%	5.2%
Atlanta	-3.2%	-2.2%	1.1%	3.3%
Austin	-5.8%	-4.1%	2.8%	5.6%

Source: Yardi Matrix

# Occupancy & Asset Classes

Occupancy--All Asset Classes by Month



Source: Yardi Matrix

## Year-Over-Year Rent Growth, Other Markets

Market	May 2024		
	Overall	Lifestyle	Renter-by-Necessity
Louisville	4.8%	0.8%	7.3%
Cincinnati	3.5%	1.2%	4.4%
Milwaukee	3.4%	2.1%	4.3%
Bridgeport–New Haven	3.3%	1.3%	5.0%
Winston–Salem–Greensboro	3.1%	3.3%	2.7%
Central Valley	3.1%	1.8%	3.4%
St Louis	3.1%	1.2%	3.8%
Richmond–Tidewater	2.1%	1.7%	2.5%
Orange County	2.1%	2.2%	2.2%
Cleveland–Akron	2.1%	-0.6%	2.9%
Charleston	1.6%	-0.4%	4.6%
Albuquerque	1.4%	-0.2%	3.0%
San Jose	1.3%	1.0%	1.8%
Sacramento	-0.1%	1.7%	-1.1%
Greenville	-0.2%	-1.4%	1.1%
Inland Empire	-0.3%	-1.2%	0.5%
Salt Lake City	-1.1%	-1.9%	-0.3%
San Antonio	-2.6%	-3.1%	-1.6%
North Central Florida	-2.6%	-3.7%	-1.7%
Jacksonville	-3.4%	-3.8%	-3.1%
Colorado Springs	-3.4%	-2.0%	-4.9%
Southwest Florida Coast	-4.3%	-6.0%	0.2%

Source: Yardi Matrix



# Definitions

## Reported Market Sets:

National multifamily rent and occupancy values derived from all 136 markets with years of tracked data that makes a consistent basket of data.

**Market:** Generally corresponds to a Standard Metropolitan Statistical Area (SMSA), as defined by the United States Bureau of Statistics, though large SMSA are split into 2 or more markets.

**Metro:** One or more Matrix markets representing an economic area. Shown with combined Matrix markets when necessary, and do not necessarily fully overlap an SMSA.

**Average Market Rent:** Average rent rolled up from the unit mix level to metro area level and weighted by number of units. Rent data is stabilized, meaning rent values for properties are only included 12 months after the properties' completion date.

**Rent Growth, Year-Over-Year:** Year-over-year change in average market rents, as calculated by same month.

**Forecasted Rent Growth:** Year-over-year change in average forecasted market rents, as calculated by same month.

**Renewal Lease Rent Per Unit:** Monthly rent per unit for renewal leases.

**Renewal Lease Rent Change Percent:** Percentage of monthly rent change between renewals and their corresponding previous leases for the same resident. Only includes renewal leases where the lease term length is no more than 3 months longer or shorter than the previous lease.

**Expiring Lease Renewal Percent:** Percentage of expiring leases for which residents have renewed. Excludes leases from which the tenant moved out prior to the month of the expiration.

**Rent-to-Income Ratio:** Rent is the monthly rent as stated, no fees or utilities. Income is as stated on applications.

**Occupancy Rates:** Ratio of occupied unit count and total unit count, as provided by phone surveys and postal records. Excludes exception properties: closed by disaster/renovation, affordable and other relevant characteristics.

**Completions as % of Total Stock:** Ratio of number of units completed in past 12 months and total number of completed units.

**Employment Totals:** Total employment figures and categories provided by the Bureau of Labor Statistics, seasonally adjusted.

**Single-Family Rental:** A property where 50% or more of the units are either stand-alone buildings OR have direct access garages with no neighbors above or below the unit.

## Ratings:

Lifestyle/Renters by Choice

- Discretionary—has sufficient wealth to own but choose rent

Renters by Necessity

- High Mid-Range—has substantial income but insufficient wealth to acquire home/condo
- Low Mid-Range—Office workers, police officers, technical workers, teachers, etc
- Workforce—blue-collar households, which may barely meet rent demands and likely pay distortional share of income toward rent

Market Position	Improvement Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

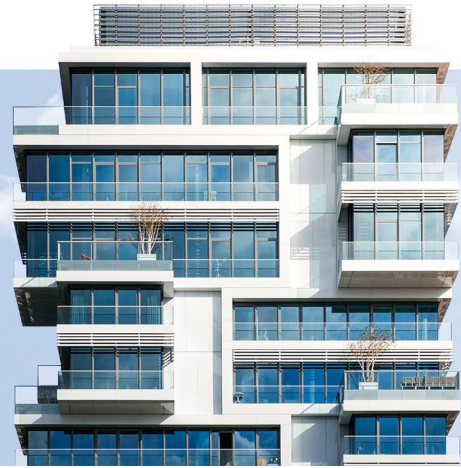
The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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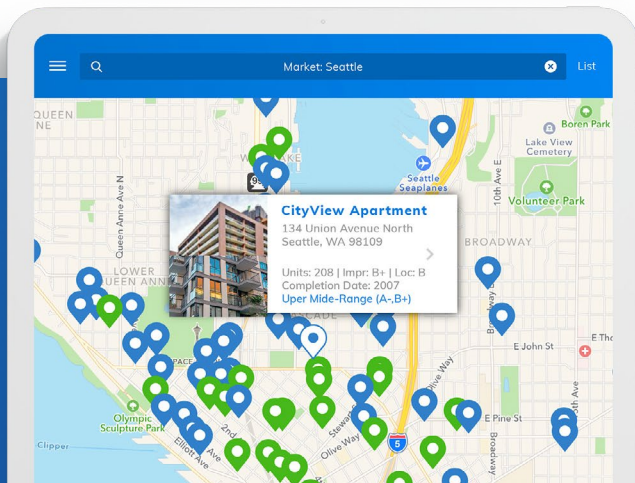
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- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
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