



U.S. Multifamily Outlook Summer 2024

Economy Strong but Slowing
Rent Growth Bifurcated by Region
Sales, Loan Activity Still Weak

Market Analysis

Summer 2024

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Multifamily Perseveres, Waiting for Rates to Fall

- Multifamily performance continues to be strong, but it is not without challenges. Demand remains steady from consistent job growth and immigration, but some fundamental metrics including rent growth and occupancy have deteriorated since the market peak in 2022. Plus, the capital markets will remain a headwind until rates recede.
- The U.S. economy is holding up, but we expect growth to slow in the second half of the year. Employment and consumer activity are positive, but there are some worrying signs and there is stress on lower-income households. Inflation is likely to decelerate, but not fast enough to entice the Federal Reserve to cut interest rates meaningfully.
- Higher-for-longer rates are a mixed blessing. Demand is boosted by weaker home sales, as would-be homebuyers can't afford to buy and homeowners with low mortgage rates stay in place. But high mortgage rates put stress on sales and refinancings.
- Rent growth is weak, and likely will remain so. Absorption so far this year continues to be healthy, at a pace of nearly 300,000 units nationally, but supply growth is putting pressure on rents in the Sun Belt. Rent growth is steady in the Midwest and Northeast, where demand is moderate but the pace of deliveries is much slower.
- Supply growth will be high in 2024 and 2025 but wane after that. We forecast a record 553,000 new units to be completed in 2024. Deliveries are very uneven, concentrated in high-growth Sun Belt and Mountain West markets where 10% or more of stock will be added over the next two years. After the current round of properties is finished, deliveries will slow, since starts are declining due to financing costs and tightening of construction credit.
- Transaction activity remains weak, as rates are still high. Sellers waiting for rates to fall have been unwilling to transact, but there is plenty of dry powder looking to buy when prices fall to levels that would allow those investors to meet yield targets.
- Debt continues to be a sticking point. Agencies are active, debt funds have increased market share and CMBS is rebounding, but many banks are sidelined. Loans are being extended rather than refinanced, as borrowers and banks try to avoid foreclosures. Well-capitalized sponsors can withstand stress, but distress is rising among value-add properties that were financed with short-term debt shortly before rates rose.