



Yardi<sup>®</sup> Matrix

# National Multifamily Report

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August 2024



# Multifamily Rents Flat in August, as Change Is on the Horizon

- The multifamily market's run of rent gains ended in August, as seasonality and the high number of deliveries in the Sun Belt served to mute growth. The average U.S. advertised rent fell by \$1 in August to \$1,741, while year-over-year growth was unchanged at 0.8%.
- Despite the end of the six-month streak of positive rent growth, the news was not all bad. Demand continues to hold up, keeping the national occupancy rate unchanged at 94.7% in the face of rapid supply growth.
- Single-family rental rents hit a bump in August, with advertised rents falling \$7 nationally to \$2,164. The year-over-year growth rate dropped 40 basis points to 0.7%. The national occupancy rate fell 10 basis points to 95.3% in July.

Multifamily advertised rents were essentially flat in August as the market prepared to adjust to evolving economic conditions, which include potentially lower interest rates and slower growth. While likely to be incremental rather than drastic, change is nonetheless brewing.

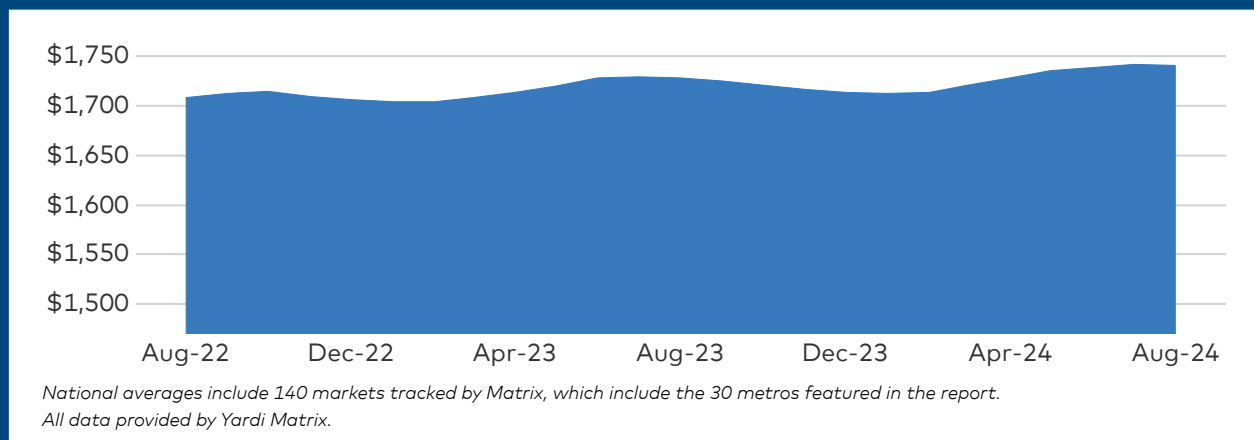
After months of debate about timing, a rate cut in late September now appears to be imminent. The Consumer Price Index has dropped under 3.0%, and with the housing component continuing to decelerate, inflation is getting close to the Fed's 2.0% target rate. Lower rates will be a relief to multifamily, potentially unlocking asset sales and refinancings, while reducing the pressure on properties that are underwater on their mortgages.

The flip side of rate relief, however, is that it is a result of the economy slowing. Recent revisions now estimate job gains for the 12 months ending in March at 800,000 fewer than originally reported.

That downgraded the job market from exceptionally robust to merely strong. The declining quits rate and weakness in office-using job growth are other signs of slowing, which could turn into a drag on consumers and apartment demand. Absorption has been a big story in recent years, and with supply growth on track to be strong through 2025, it is vital to multifamily's health.

Recent performance confirms the importance of the supply/demand balance. Of the Matrix top 30 metros, 13 have occupancy rates of 95.0% or more for stabilized properties. Over the past year, those 13 added an average of 2.5% to stock while posting average advertised rent growth of 1.7%. Conversely, there are 12 metros in the Matrix top 30 with occupancy rates for stabilized properties of less than 94.5%. Over the past year, those metros have added an average of 4.1% to stock while advertised rents have declined by an average of 1.8%.

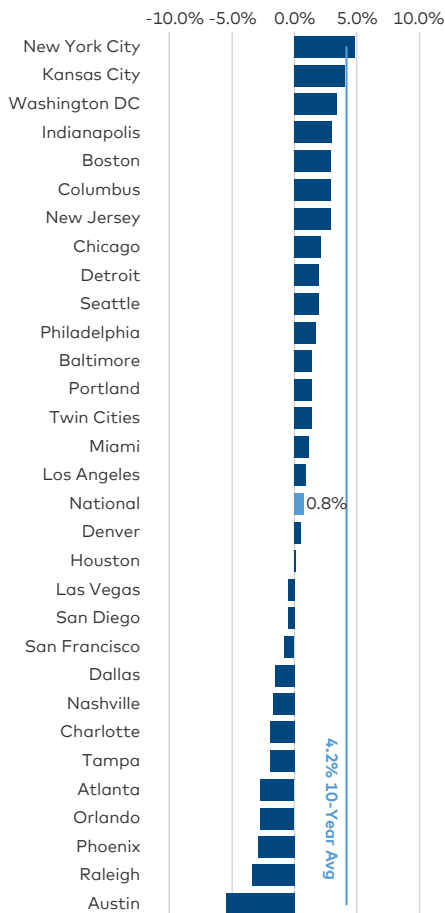
## National Average Rents



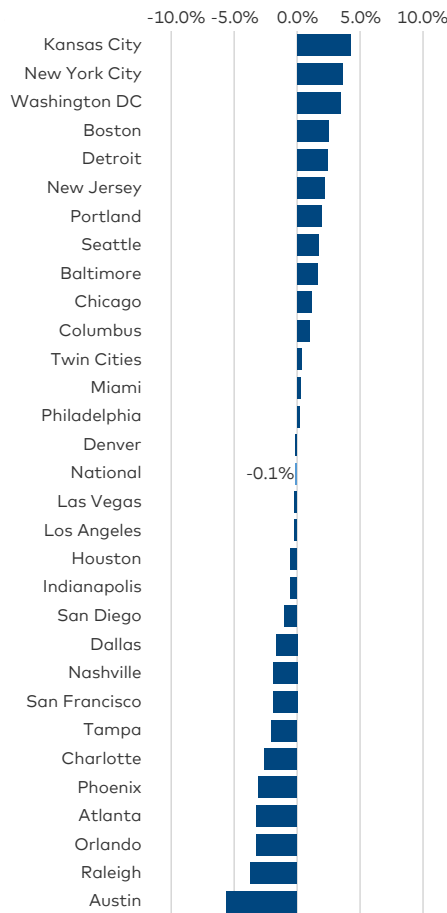
# Year-Over-Year Rent Growth: Occupancy Rates Tick Up in More Markets

- The national average advertised asking rent fell \$1 to \$1,741 in August, with the year-over-year growth rate holding steady at 0.8%. Gateway cities on the East Coast as well as secondary markets in the Midwest posted the highest rent growth, led by New York City (4.8% year-over-year), Kansas City (4.1%), Washington, D.C. (3.4%), Indianapolis (3.0%) and Boston (2.9%). Meanwhile, negative rent growth remains intense in many Sun Belt metros, led by Austin (-5.5%), Raleigh (-3.4%), Phoenix (-2.9%), Orlando and Atlanta (both -2.7%).
- The national occupancy rate in July was 94.7% for the fourth straight month, down 0.3% year-over-year. While rising metro-level occupancy rates have been rare over the last year, in July seven metros posted year-over-year increases, although most gains were modest. Las Vegas led growth, with a 0.9% increase year-over-year to 93.6%. The biggest year-over-year drops in occupancy rates were in Houston (-0.7%), Dallas, Kansas City, Austin and San Diego (all down 0.6%).

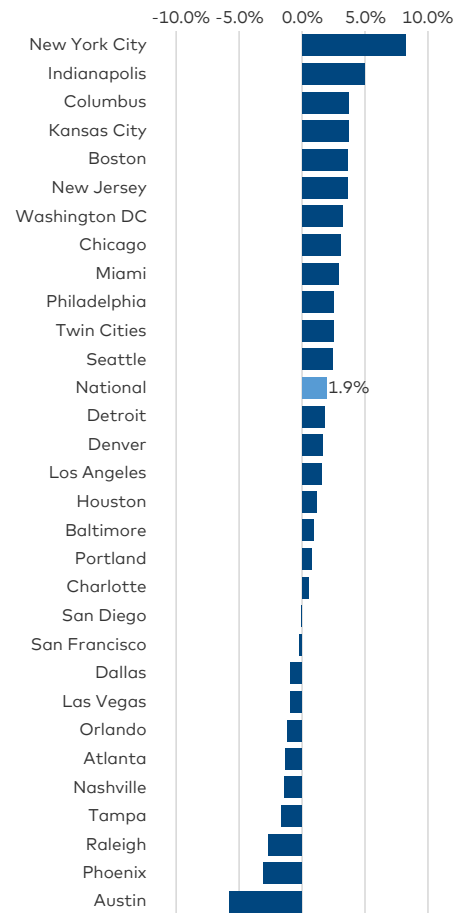
Year-Over-Year Rent Growth—  
All Asset Classes



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: Rents Flatten, Driven by Declines in Lifestyle

- U.S. advertised rents fell 0.1% month-over-month in August, with 19 metros declining.
- Rents rose 0.1% month-over-month in the Renter-by-Necessity segment and fell 0.2% in the luxury Lifestyle segment.

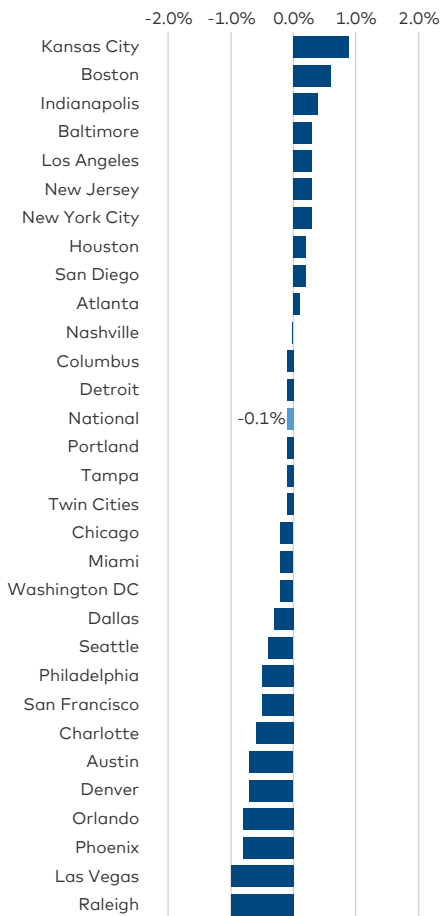
Nationally, asking rents fell \$1 month-over-month in August. Factors in the deceleration include seasonal fluctuations and a slowdown in many Sun Belt markets where supply growth has been high.

Because most deliveries are Lifestyle units, the influx of supply in recent years has led to more

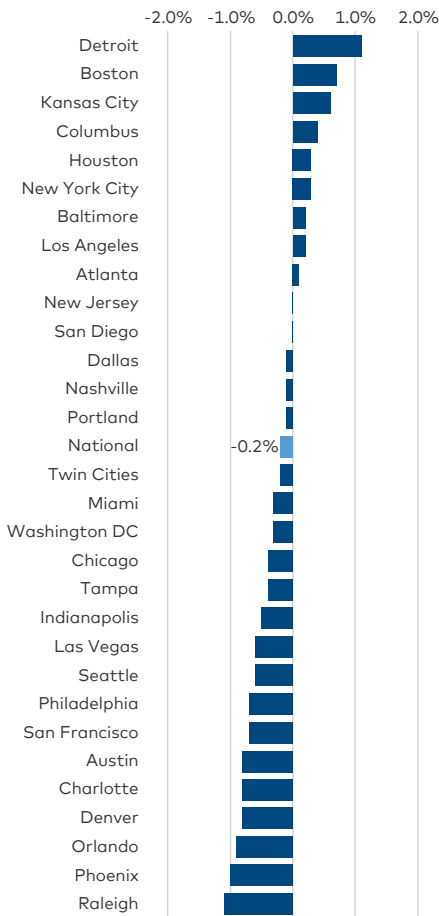
competition within the segment. Month-over-month rent growth in the Lifestyle segment was 1.0% or greater in just one metro, Detroit (1.1%). A handful of other metros posted modest gains. Meanwhile, Lifestyle rents fell in 19 of the top 30 Matrix metros, led by Raleigh (-1.1%), Phoenix (-1.0%) and Orlando (-0.9%).

As Lifestyle rents have fallen, growth has been concentrated in the Renter-by-Necessity segment. RBN rents increased in 13 of the top 30 Matrix metros, with growth led by Kansas City (1.1%), Indianapolis (0.9%), Boston, New Jersey and San Diego (all up 0.5%). The largest decline was recorded by Las Vegas (-1.6%).

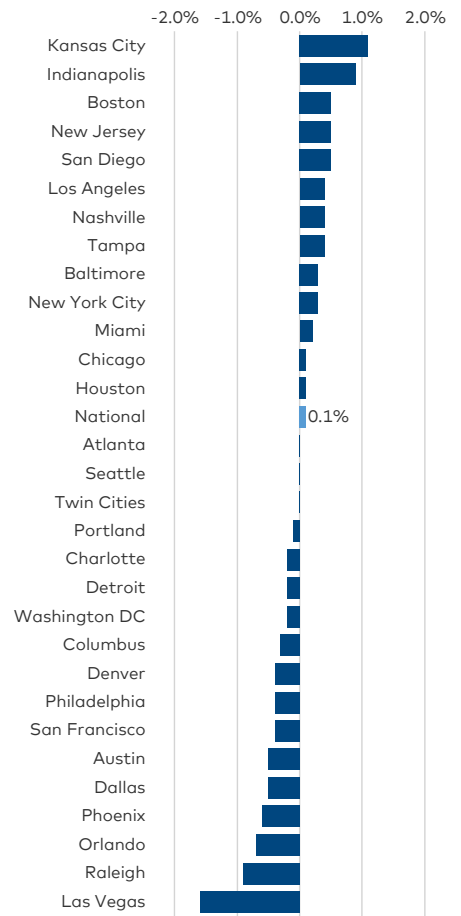
**Month-Over-Month Rent Growth—  
All Asset Classes**



**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: Lower Rates Spur Hope for More Deal Flow

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- Multifamily sales activity is flat year-over-year and well below the recent peak years of 2021 and 2022.
- However, the prospect of lower interest rates has increased optimism that transaction activity will pick up.
- Some multifamily sales are financed with negative leverage, a sign that buyers are optimistic about future rent growth.



Federal Reserve Chair Jerome Powell's stated intention to begin cutting rates this month unleashed optimism that the logjam in multifamily transaction markets is about to be broken. Volume year-to-date through July was \$33.8 billion, essentially flat compared to the same period in 2023 but on a pace well below the \$230 billion of sales in 2021 and \$200 billion in 2022, according to Yardi Matrix data.

Sales have not dropped due to a liquidity shortage, as there is plenty of dry powder targeted at multifamily. Cortland, for example, just closed a \$1.5 billion value-add apartment investment fund. Instead, the increased cost of debt since mid-2022 has produced a large bid-ask spread between buyers and sellers. Multifamily properties were trading at historic low 4% to 4.5% yields in 2021 and early 2022 when most mortgage rates were in the 3%-4% range. But 4% yields don't work when mortgage rates are 6%-7%. Buyers generally avoid negative leverage and sellers held on to properties rather than selling at reduced prices.

The ice has begun to thaw on transactions with the help of lower interest rates. Mortgage coupons today are in the 5.5% to 6% range for CMBS and GSEs and the 6% range for banks. Examples of large deals include KKR's \$2.1 billion acquisition of a 5,200-unit apartment portfolio from a Quatterra Multifamily fund in June, and Eq-

uity Residential Properties' agreement to buy 11 properties with 3,572 units from Blackstone for \$964 million.

Many deals have implied initial yields in the 5% range, which is negative leverage but also a sign that buyers are confident in income growth in the medium to long term. Many market players expect rent growth to remain weak for another year or so as deliveries flourish in the Sun Belt. But buyers are betting that rent growth will pop again beginning in late 2025 or 2026 as supply growth wanes while demand remains strong.

If mortgage rates drop further over the next year due to rate cuts, as the market anticipates, transaction activity should pick up as financing costs get more in line with equity yields. Lower rates will also provide relief for some multifamily loans that are underwater due to looming maturity defaults and now have a path forward with five-year fixed-rate agency or CMBS loans. The more rates recede, the less distress there will be.

Of course, the path forward might not be all rosy. The Fed might not cut rates as rapidly as hoped. What's more, a lower-rate, lower inflation scenario also implies a slowing economy, which is a headwind for multifamily demand. However, as of now the base-case scenario points to moderate optimism and increasing multifamily deal flow in coming quarters.

# Single-Family Build-to-Rent Segment: Lifestyle SFR Rents Slip in August

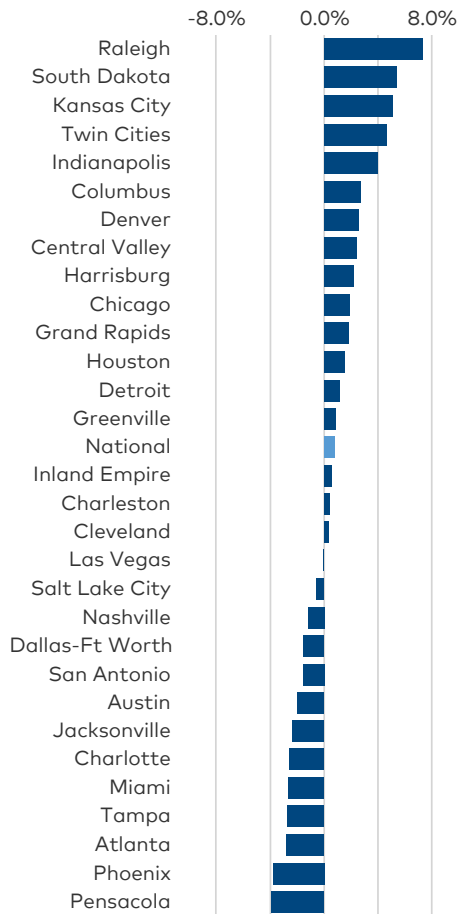
- Nationally, advertised rates for single-family rentals fell \$7 in August to \$2,164, while year-over-year growth dropped 40 basis points to 0.7%.
- U.S. SFR occupancy rates fell 10 basis points in July to 95.3%, led by a slight drop in RBN occupancy.

SFR had a rare month with negative rent growth in August, but it is likely a temporary blip as occupancy remains healthy. Overall SFR rents are up \$14 year-to-date and \$513, or 31.0%, since March 2020 at the start of the pandemic.

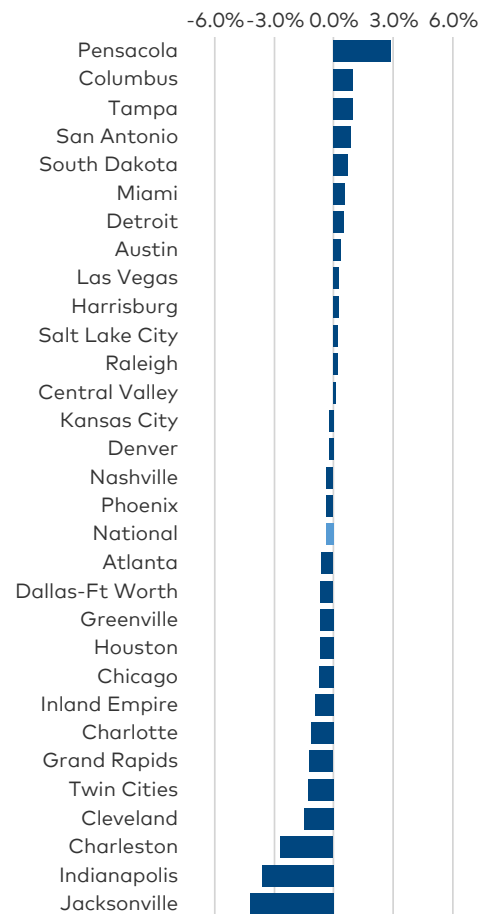
The drop in rents emanated entirely from the high-end Lifestyle segment, where the average rent fell \$9 month-over-month to \$2,244. While it is too soon to call this a trend after one month, the dent in Lifestyle SFR rents could be a sign that affordability is increasingly stretched. The average Lifestyle SFR rent is more than \$1,950 in 26 of the top 30 Matrix metros. Performance in the RBN SFR sector remains extremely strong, with rents unchanged at \$1,823 in August and the occupancy rate 96.6% as of July.

*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

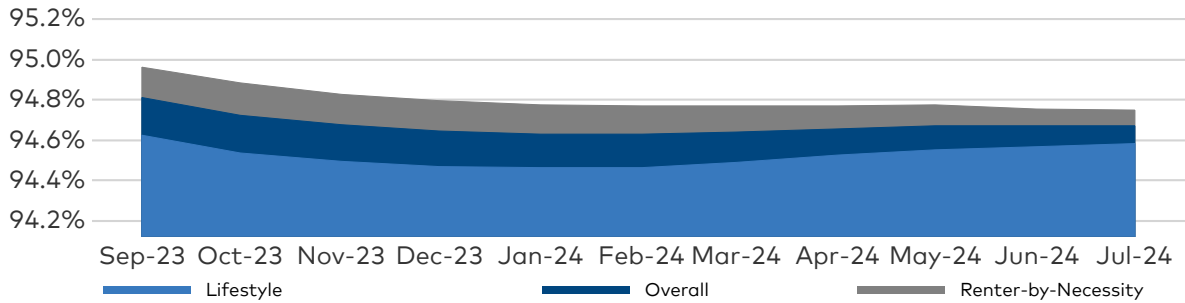
## Employment and Supply Trends; Forecast Rent Growth

Market	Forecast Rent Growth			T12 Completions as % of Total Stock as of Aug - 24
	YoY Rent Growth as of Aug - 24	as of 08/01/24 for YE 2024	YoY Job Growth (6-mo. moving avg.) as of Jun - 24	
New York City	4.8%	4.6%	1.1%	1.4%
Kansas City	4.1%	3.7%	1.3%	1.9%
Washington DC	3.4%	3.3%	0.7%	2.0%
Indianapolis	3.0%	3.1%	2.0%	2.5%
Columbus	2.9%	3.7%	0.6%	3.6%
New Jersey	2.9%	3.4%	1.2%	2.3%
Boston	2.9%	3.5%	0.5%	2.4%
Chicago	2.1%	3.5%	0.1%	1.6%
Seattle	2.0%	1.9%	1.1%	3.6%
Detroit	2.0%	2.4%	0.1%	0.9%
Philadelphia	1.7%	2.8%	1.4%	1.8%
Twin Cities	1.4%	1.8%	0.8%	3.8%
Portland	1.4%	0.6%	-1.3%	4.2%
Baltimore	1.4%	1.7%	-0.1%	1.1%
Miami Metro	1.2%	2.4%	2.4%	4.1%
Los Angeles	0.9%	-0.1%	0.6%	1.9%
Denver	0.5%	1.5%	0.7%	3.9%
Houston	0.1%	0.3%	2.4%	2.5%
Las Vegas	-0.5%	0.7%	3.5%	1.9%
San Diego	-0.5%	0.8%	0.8%	2.1%
San Francisco	-0.8%	0.2%	0.5%	2.9%
Dallas	-1.5%	-1.2%	1.7%	2.9%
Nashville	-1.7%	-0.9%	0.6%	5.6%
Tampa	-1.9%	-1.0%	1.9%	3.0%
Charlotte	-1.9%	-1.0%	1.5%	4.9%
Orlando	-2.7%	-1.4%	1.7%	5.1%
Atlanta	-2.7%	-2.4%	1.0%	4.2%
Phoenix	-2.9%	-2.2%	2.2%	4.1%
Raleigh	-3.4%	-1.7%	2.4%	5.9%
Austin	-5.5%	-4.1%	2.2%	6.2%

Source: Yardi Matrix

# Occupancy & Asset Classes

Occupancy--All Asset Classes by Month



Source: Yardi Matrix

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

Market	August 2024		
	Overall	Lifestyle	Renter-by-Necessity
Bridgeport–New Haven	5.4%	3.8%	6.6%
Louisville	5.4%	3.0%	6.8%
Milwaukee	4.8%	3.2%	5.9%
St Louis	3.8%	2.8%	4.6%
Winston–Salem–Greensboro	3.6%	3.6%	3.4%
Cincinnati	3.2%	-0.2%	4.6%
Cleveland–Akron	3.0%	-0.6%	3.9%
Richmond–Tidewater	2.8%	1.8%	3.3%
San Jose	2.8%	2.8%	2.7%
Central Valley	2.5%	1.3%	2.9%
Albuquerque	1.1%	0.1%	1.9%
Inland Empire	0.8%	0.6%	1.1%
Sacramento	0.8%	0.4%	1.1%
Orange County	0.7%	-0.2%	1.5%
Charleston	0.1%	-1.2%	2.0%
Greenville	-0.2%	-1.6%	1.4%
Salt Lake City	-1.6%	-2.0%	-1.2%
North Central Florida	-1.6%	-2.9%	-0.5%
Colorado Springs	-1.9%	-1.4%	-2.5%
San Antonio	-2.4%	-3.2%	-1.0%
Jacksonville	-2.7%	-3.3%	-1.4%
Southwest Florida Coast	-3.9%	-4.6%	-2.4%

Source: Yardi Matrix



# Definitions

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## 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.

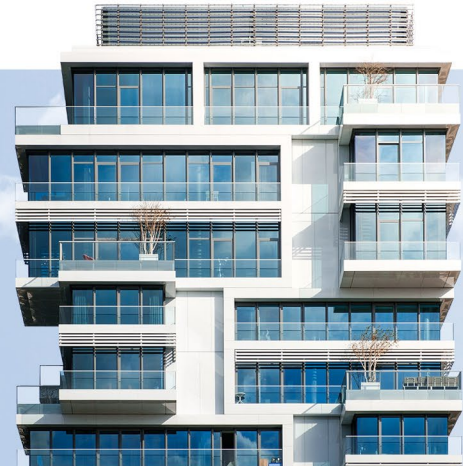
The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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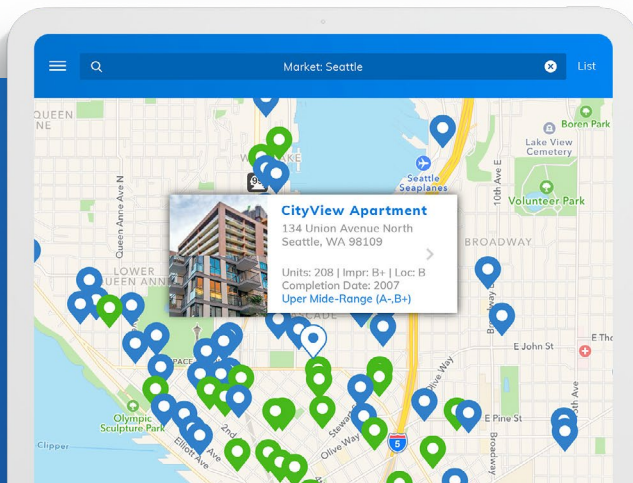
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- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators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