Yardi Matrix

National Multifamily Report

February 2025

Multifamily Rents Flat in February as Test Approaches

- With economic uncertainty on the rise, U.S. multifamily rents continued in a holding pattern in February. The average U.S. advertised asking rent increased $1 nationally in February to $1,751, while year-over-year rent growth was unchanged at 1.2%.
- Multifamily rent growth performance continues to be exceptionally regional. The top 10 in the Matrix ranking of major metros comes entirely from the Midwest and Northeast.
- Single-family build-to-rent advertised rates were unchanged at $2,165, while year-over-year growth remained at 0.2%. There is a wide variance among metros, with Detroit (6.0%), the Inland Empire (5.2%) and Nashville (5.1%) leading the way and Austin (-4.6%) at the bottom.

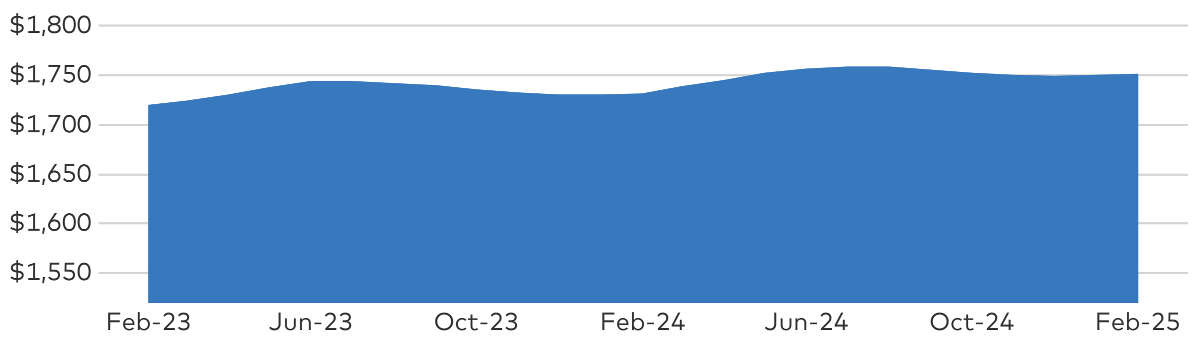
Multifamily performance tends to be subdued in the winter months in advance of the spring moving season, and this year is no exception. Advertised rents have treaded water of late, which is not a knock given that 2024 recorded its highest number of deliveries in decades.

The market, however, is about to be tested. Will rent growth pick up in March as befits the usual seasonal pattern? One issue is the rate of absorption in markets with high supply. In the list of Matrix top 30 metros, 10 recorded supply growth of 4.0% or more as a percentage of stock and six added at least 6.0% over the past year. Advertised rent growth was negative year-over-year in all six of the metros with the highest supply growth. Will continued strong demand allow for rents to turn positive in these markets or will they need months to absorb the deliveries? Matrix projects 2025 deliveries to be strong again before falling in 2026.

Another question revolves around the economy. After years of stability and consistent job growth, the country is getting a dose of new policy that has roiled the financial markets. Some estimates put the number of layoffs in February at more than 170,000, the largest number since the global financial crisis. Potentially, tariffs could add to inflation, which likely would prevent short-term interest rates from falling. Tariffs have been postponed, but the uncertainty about policy is leading some businesses to wait for clarity before investing.

The goal of tariffs is to reorder supply chains and increase domestic production of products that were offshored to cheaper locations. Even if that's successful, the benefits will not be immediate. It takes years to build manufacturing capacity. How it plays out in the short term is unclear. If nothing else, the coming months will be consequential for multifamily.

National Average Rents



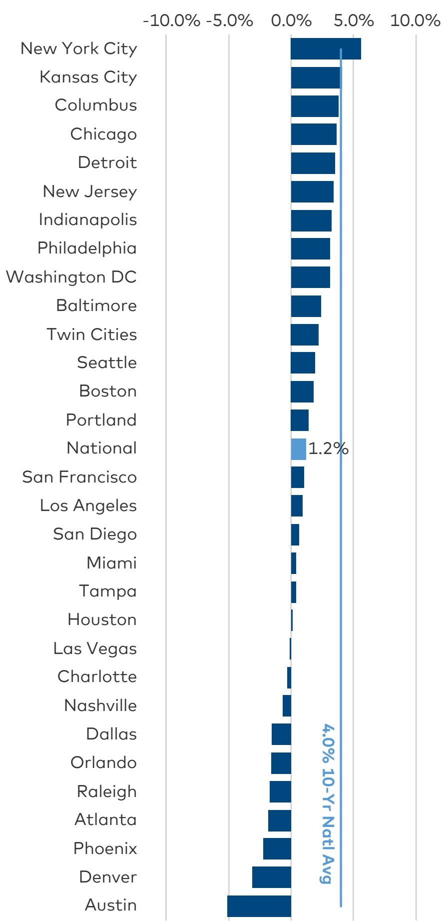
National averages include 140 markets tracked by Matrix, which include the 30 metros featured in the report.
All data provided by Yardi Matrix.

Year-Over-Year Rent Growth: New York, Midwest Lead Rent Growth

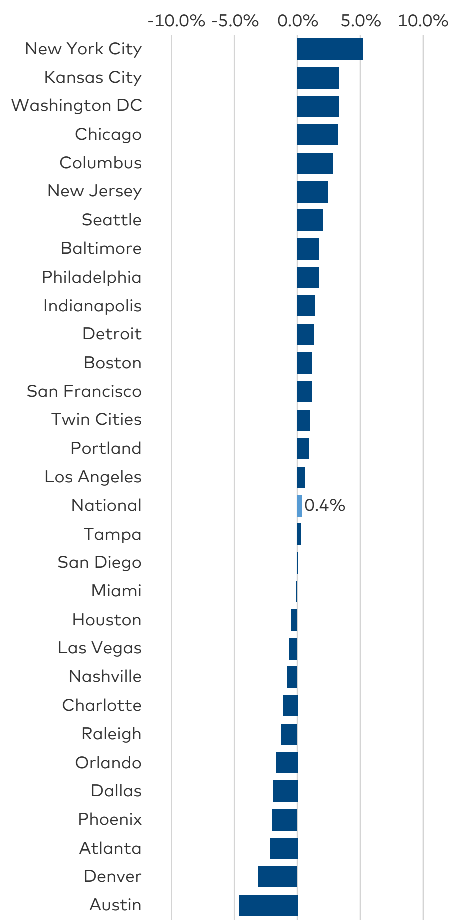
- The national average advertised asking rent rose $1 to $1,751 in February, with the year-over-year growth rate unchanged at 1.2%. New York led our ranking of major metros at 5.6% year-over-year, with the top five rounded out by Midwest metros Kansas City (4.1%), Columbus (3.8%), Chicago (3.6%) and Detroit (3.5%). Meanwhile, advertised rent growth remains negative in many Sun Belt metros, such as Austin (-5.1%), Denver (-3.1%), Phoenix (-2.2%), Atlanta (-1.8%) and Raleigh (-1.7%).

- The national occupancy rate in February was unchanged at 94.5%, but occupancy has been falling in many high-supply markets. Negative growth was led by Denver (-0.9% year-over-year), Nashville (-0.5%), Dallas, Phoenix and Orlando (all down 0.4%). Completions as a percentage of total stock were over 4.0% in these markets, creating competition for units to be absorbed. Meanwhile, only a handful of markets posted modest gains, led by San Francisco, Las Vegas and Baltimore (all 0.3%).

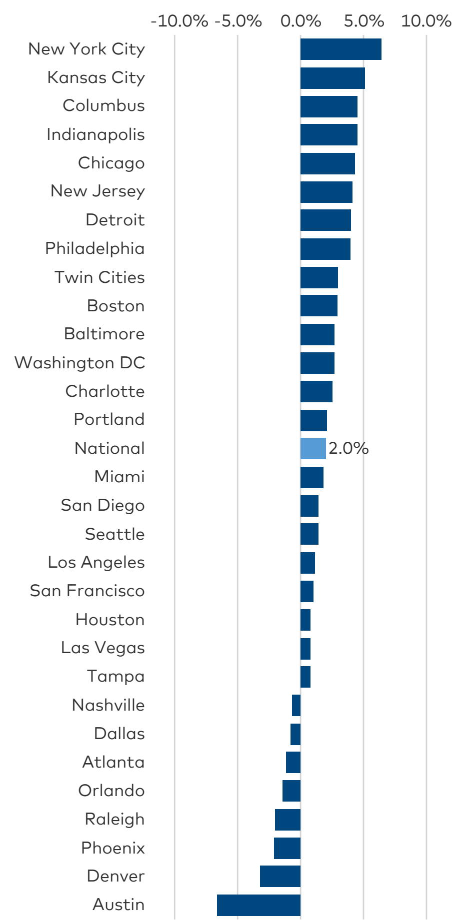
Year-Over-Year Rent Growth— All Asset Classes



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:
Denver, Austin Contend With High Supply

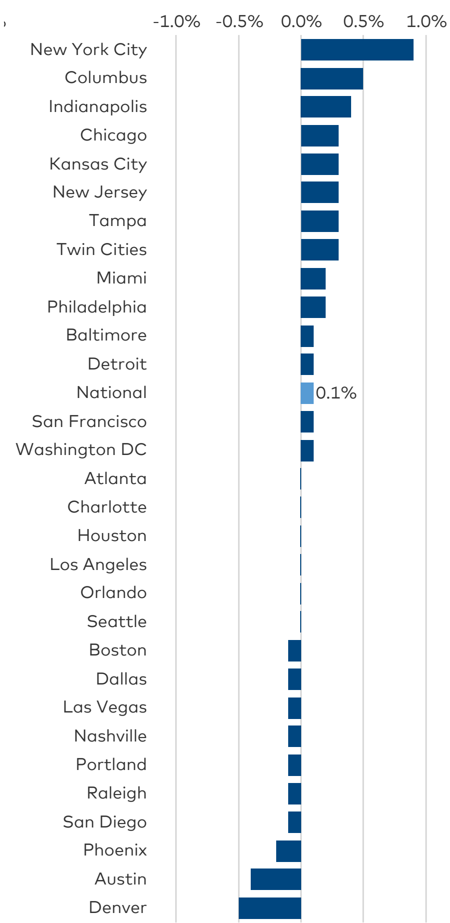
- U.S. advertised rents rose 0.1% month-over-month in February, with declines in 10 of the top 30 metros.
- Advertised rents increased 0.1% in the Renter-by-Necessity segment during the month.

Nationally, asking rents increased $1 month-over-month in February, driven by a 0.1% rise in Renter-by-Necessity while Lifestyle was flat.

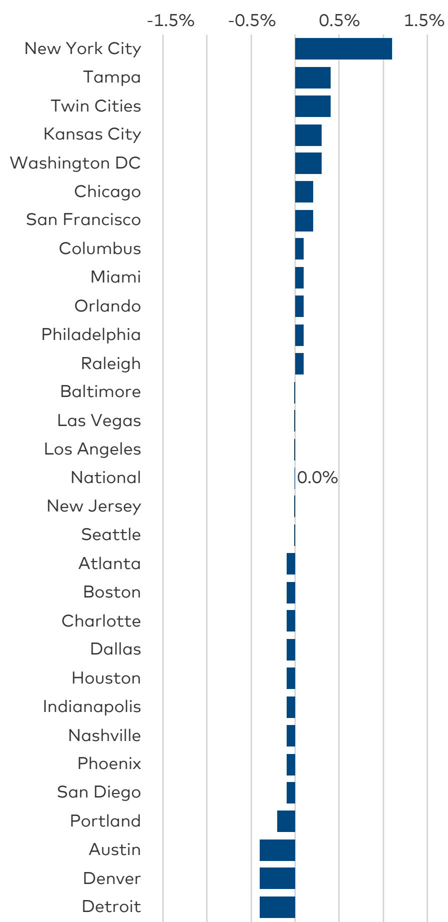
Short-term rent growth was led by New York and Columbus. In New York, advertised rents grew 0.9% month-over-month, including 1.1% in Lifestyle and 0.5% in RBN. In Columbus, rents rose 0.5% month-over-month, including 0.1% in Lifestyle and 0.6% in RBN.

Meanwhile, high-supply markets continue to record some of the largest declines as absorption fails to keep pace with deliveries. In Austin, advertised rents fell 0.4% month-over-month, including -0.4% in Lifestyle and -0.5% in RBN. Austin had more than 27,000 units delivered over the past year, while only about 10,000 units were absorbed. In Denver, rents fell 0.5% month-over-month, including -0.4% in Lifestyle and -0.5% in RBN. Year-over-year, more than 19,000 units were delivered, while approximately 5,500 units were absorbed.

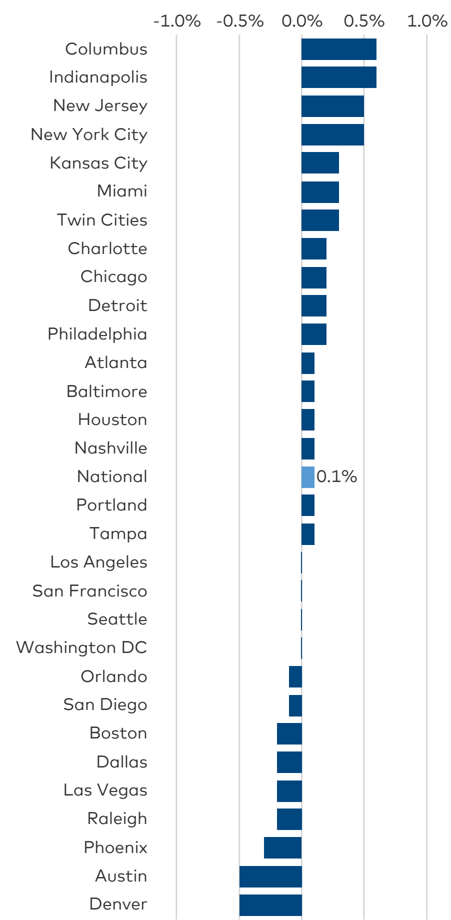
Month-Over-Month Rent Growth—All Asset Classes



Month-Over-Month Rent Growth—Lifestyle Asset Class



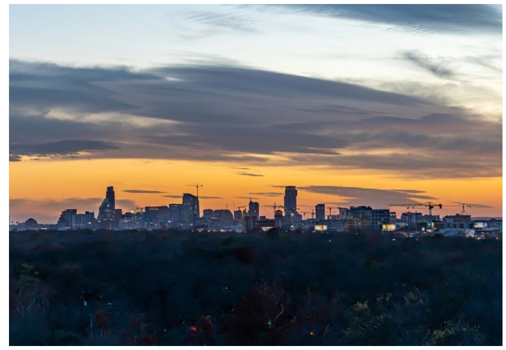
Month-Over-Month Rent Growth—Renter-by-Necessity Asset Class



Source: Yardi Matrix

Supply, Demand and Demographics: Which Markets Would Feel the Pinch of Weaker Demand?

- After peaking in 2024, U.S. multifamily supply will decelerate in coming years, as starts have dropped.
- Fewer deliveries will help high-supply markets absorb the recent wave of new product, but the impact could be mitigated by weaker demand.
- Factors that will be important for metro performance include local economic growth, occupancy rates and the amount of excess supply that needs to be absorbed.



Supply growth was the key factor in multifamily rent growth in 2024. In 2025, the durability of demand will be just as critical—if not more so. Last year, more than 500,000 units were absorbed nationally, including affordable housing and single-family rental build-to-rent properties, per Matrix. Strong demand meant markets with tepid supply growth saw advertised rents rise, while they fell in high-supply markets.

The equation is changing in 2025. Supply growth is decelerating. Total multifamily starts fell to 363,000 in 2024, barely more than half of the 2022 cycle peak of 709,000. Consequently, Matrix forecasts deliveries will fall from 613,000 (counting affordable, BTR and senior housing) in 2024 to 525,000 in 2025 and 414,000 in 2026.

That begs the question: Will demand remain robust? If so, fewer deliveries would allow high-supply markets to absorb new units and enable rents to grow again. However, early indications are that demand is weakening as absorption drivers are slowing. Layoffs are increasing due to the impact of budget cuts in the federal government and related programs and industries including technology. Immigration is slowing sharply. The Atlanta Federal Reserve's GDP model is forecasting negative growth for Q1 2025.

What markets might feel the pinch of slowing demand the most? One category is Sun Belt markets that, despite robust absorption, are already finding it difficult to fill new units. New lease trade-outs, which measure the difference between new leases and corresponding previous leases for the same unit, are down by 4% or more year-over-year in high-supply markets that include Austin, Nashville, Phoenix, Raleigh and sections of Atlanta and Dallas. High-supply markets stand to benefit from reduced deliveries over the next few years, giving those markets some time to digest excess stock. Slowing demand, however, would increase pressure on properties in the lease-up phase and lengthen the period it will take to absorb the wave of excess supply.

Another category is markets with low occupancy rates, especially those that have seen a recent downward trend. Metro-level occupancy rates averaged 93.3% or less as of January in Atlanta, Houston, Austin, Dallas and Phoenix. Metros in which occupancy rates have recently trended down could also feel a pinch. Matrix Top 30 markets in which occupancy rates have dropped at least 0.4% year-over-year include Orlando, Phoenix, Dallas, Nashville and Denver.

Markets with high occupancy rates could have some buffer. Top 30 metros with occupancy rates of 96.0% or higher include New York City, New Jersey, San Diego, Boston, Los Angeles and Chicago. To be sure, high vacancy rates can be a sign of an over-regulated market where development is artificially constrained. The takeaway is that each market has unique demand-supply drivers for investors to weigh as they navigate the current uncertain environment.

Single-Family Build-to-Rent Segment:
SFR Comprises Larger Share of Multifamily Pipeline

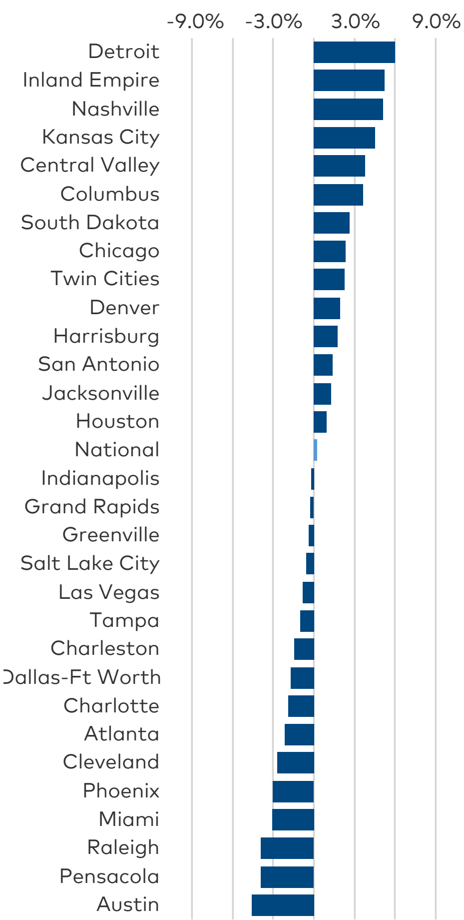
- Nationally, advertised rates for single-family rentals were flat in February at $2,165, while year-over-year growth was unchanged at 0.2%.
- U.S. SFR occupancy rates were stable in February at 94.7%, but fell 0.7% year-over-year.

SFR starts and deliveries are decreasing this year and next but at a slower rate than multifamily. Matrix forecasts multifamily deliveries to drop 14% this year compared to 2024, while build-to-rent single-family is projected to fall 6%.

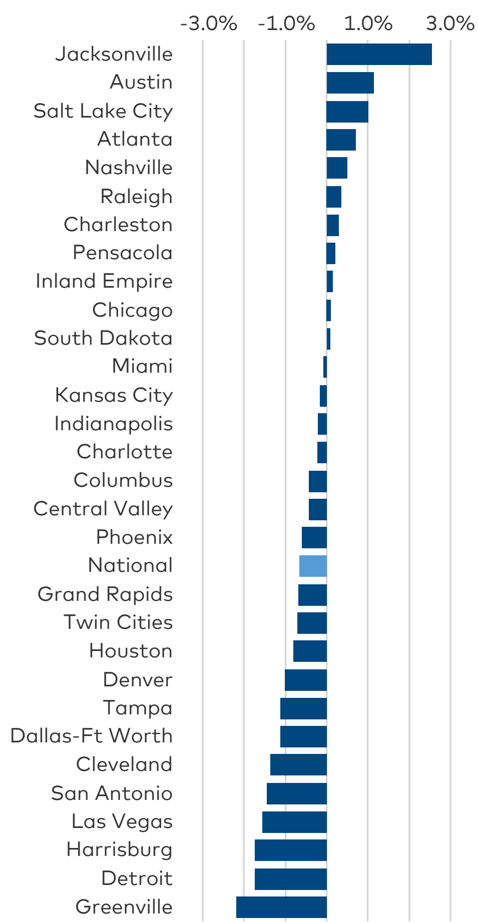
Although BTR completions are forecast to drop, the segment's growth as a share of multifamily supply remains high. In 2019, BTR comprised less than 2% of multifamily completions. The segment is forecast to comprise 6.3% of supply in 2025 and a sector-high 6.8% in 2026. SFR/BTR deliveries over the course of the next two years are projected to be led by Phoenix (8,670 units), Dallas (6,422), Atlanta (5,135), Austin (2,940) and Charlotte (2,798).

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



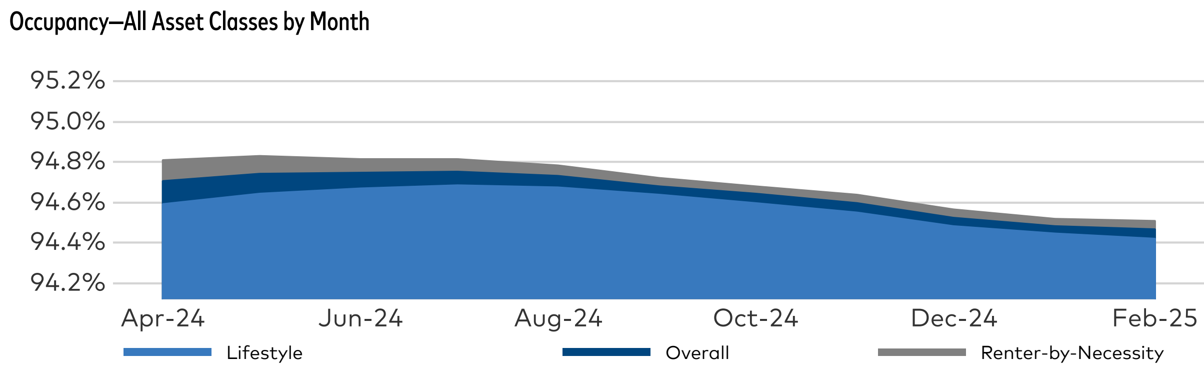
Source: Yardi Matrix

Employment and Supply Trends; Forecast Rent Growth

Market	YoY Rent Growth as of Feb-2025	Forecast Rent Growth as of 2/01/25 for YE 2025	YoY Job Growth (6-mo. moving avg.) as of Dec-24	T12 Completions as % of Total Stock as of Feb-25
New York City	5.6%	3.5%	1.7%	1.6%
Kansas City	4.1%	3.0%	1.3%	2.8%
Columbus	3.8%	2.1%	-0.2%	3.5%
Chicago	3.6%	2.1%	0.0%	1.9%
Detroit	3.5%	2.8%	0.5%	0.5%
New Jersey	3.4%	3.0%	1.6%	2.4%
Indianapolis	3.2%	2.1%	2.4%	3.0%
Philadelphia	3.1%	2.1%	1.4%	1.7%
Washington DC	3.1%	2.2%	0.8%	2.3%
Baltimore	2.4%	1.7%	0.4%	0.7%
Twin Cities	2.2%	1.2%	-0.2%	3.7%
Seattle	1.9%	1.1%	0.9%	4.0%
Boston	1.8%	0.7%	0.9%	2.9%
Portland	1.4%	0.6%	0.1%	3.8%
San Francisco	1.0%	0.7%	0.6%	2.8%
Los Angeles	0.9%	1.1%	1.4%	1.9%
San Diego	0.6%	0.8%	0.7%	2.2%
Tampa	0.4%	0.4%	1.3%	5.5%
Miami Metro	0.4%	1.4%	1.9%	4.5%
Houston	0.1%	0.7%	2.0%	2.4%
Las Vegas	-0.1%	-0.4%	1.8%	3.3%
Charlotte	-0.3%	-0.7%	2.2%	6.4%
Nashville	-0.7%	-1.0%	0.7%	6.1%
Dallas	-1.5%	-0.7%	1.6%	3.9%
Orlando	-1.6%	-1.0%	1.2%	6.1%
Raleigh	-1.7%	-1.4%	2.3%	6.3%
Atlanta	-1.8%	-1.2%	1.1%	3.8%
Phoenix	-2.2%	-1.7%	1.9%	4.9%
Denver	-3.1%	-1.9%	0.6%	6.0%
Austin	-5.1%	-3.5%	1.6%	9.2%

Source: Yardi Matrix

Occupancy & Asset Classes



Source: Yardi Matrix

Year-Over-Year Rent Growth, Other Markets

Market	February 2025		
	Overall	Lifestyle	Renter-by-Necessity
Bridgeport–New Haven	5.2%	4.1%	6.4%
Cleveland–Akron	4.4%	2.3%	5.0%
St Louis	3.4%	1.3%	4.4%
Milwaukee	3.1%	1.7%	4.3%
San Jose	3.1%	3.6%	2.4%
Albuquerque	2.9%	2.7%	3.0%
Richmond–Tidewater	2.8%	1.6%	3.6%
Louisville	2.7%	2.5%	2.7%
Greenville	2.6%	2.4%	3.0%
Cincinnati	2.6%	-0.1%	3.7%
Winston–Salem–Greensboro	2.4%	2.5%	2.0%
North Central Florida	2.3%	-0.3%	4.8%
Central Valley	2.0%	1.7%	2.2%
Orange County	1.7%	1.6%	1.7%
Sacramento	1.6%	2.1%	1.4%
Inland Empire	1.2%	0.9%	1.5%
Charleston	-0.8%	-1.3%	0.3%
Salt Lake City	-1.2%	-1.0%	-1.6%
Jacksonville	-1.7%	-2.1%	-1.2%
San Antonio	-1.7%	-2.3%	-1.1%
Colorado Springs	-3.1%	-2.7%	-3.4%
Southwest Florida Coast	-4.0%	-4.4%	-2.9%

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.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x14006.

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