Yardi® Matrix

National Multifamily Report

October 2024

Multifamily, SFR Rents Decline in October

- As the market prepares for a change of administration and policies, multifamily advertised rents fell $3 in October to $1,748. Year-over-year growth, 0.9% in October, has been range-bound between 0.7% and 0.9% since January.
- The regional dividing line caused by supply growth continues. In the Matrix top 30 metros, the top 11 metros for rent growth are all in the Northeast, Mid-Atlantic and Midwest, while the bottom nine are all in the Southeast or Southwest, where deliveries are high.
- Single-family rental rates had their worst performance in years in October, as advertised rents fell $8 nationally to $2,164, dropping the year-over-year growth rate 30 basis points to 0.3%. Like multifamily in general, high-supply markets are feeling a (likely temporary) pinch.

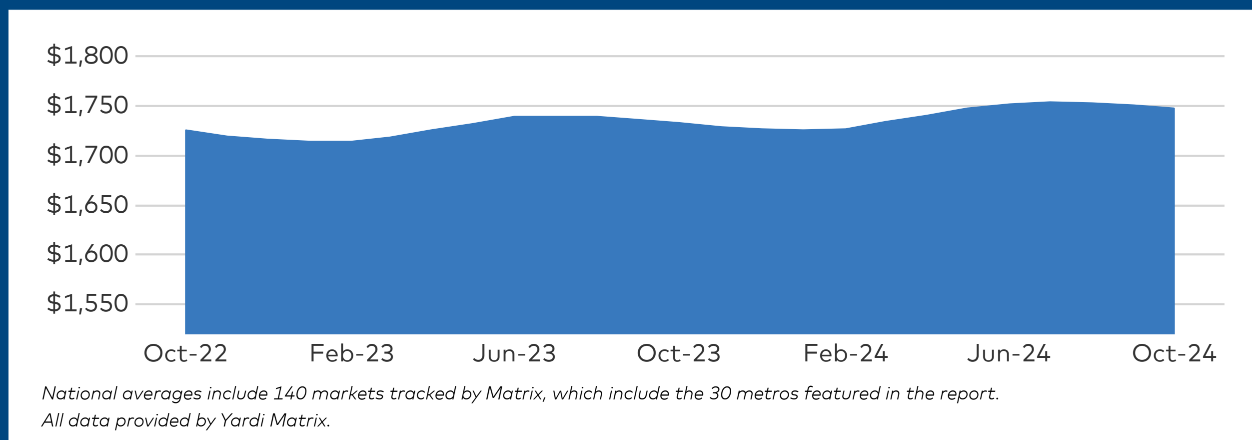
U.S. multifamily rents dropped in October, as the average U.S. advertised rent fell $3 to $1,748. Demand, however, remains strong enough to balance the increase in deliveries in most markets. Through September 2024, 329,000 apartment units have been absorbed, putting the market in line for one of its better recent years. Supply has grown slightly more than absorption, prompting the U.S. occupancy rate for stabilized properties to drop 10 basis points to 94.7%.

While the overall trend remains favorable, the outlook became cloudier on Election Day. Vice President Kamala Harris would have kept in place policies similar to President Biden's, but President-elect Donald Trump campaigned to implement changes that include a promise to deport millions of undocumented immigrants and their families, who have been a source of demand in recent years.

While it's too soon to forecast specific policy changes, financial markets braced for higher inflation owing to Trump's promise to increase tariffs on many imported goods. The 10-year Treasury rate rose 20 basis points to 4.45% during the day after the election. Higher Treasury rates are an impediment to transaction activity and make it more difficult to refinance underwater mortgages. Meanwhile, in the wake of the election, the 30-year mortgage rate rose to 7.1%, a full percentage point above the recent low in July. Higher home mortgage rates make homeownership more expensive relative to renting, which keeps residents in place, a plus for multifamily demand.

Also on Election Day, California voters rejected a ballot measure that would have enabled municipalities to expand rent control. Passage would have undermined efforts to address the state's affordability problem.

National Average Rents



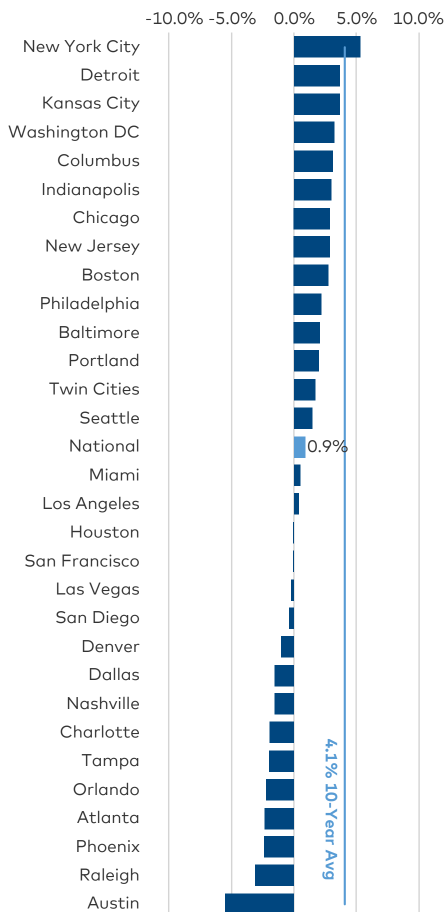
National averages include 140 markets tracked by Matrix, which include the 30 metros featured in the report.
All data provided by Yardi Matrix.

Year-Over-Year Rent Growth: Rents Slow and Occupancy Rates Stabilize

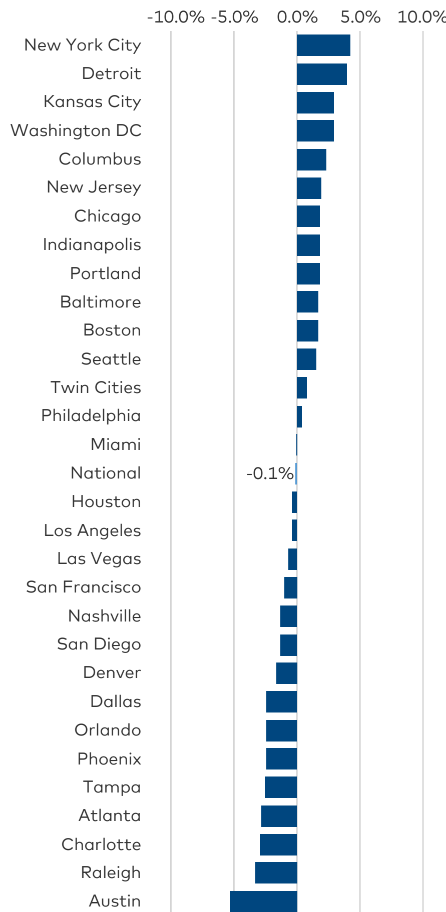
- The national average advertised asking rent fell $3 to $1,748 in October, with the year-over-year growth rate unchanged at 0.9%. Gateway metros on the East Coast and secondary markets in the Midwest recorded the highest rent growth, led by New York City (5.3% year-over-year), Detroit (3.7%), Kansas City (3.7%), Washington, D.C., (3.2%) and Columbus (3.1%). Meanwhile, negative rent growth remains intense in many Sun Belt metros, led by Austin (-5.5%), Raleigh (-3.1%), Phoenix (-2.4%), Atlanta (-2.3%) and Orlando (-2.2%).

- The national occupancy rate in October was 94.7%, while growth was unchanged year-over-year. Most markets had modest changes. Las Vegas outperformed, with rates rising 100 basis points year-over-year to 93.7%. Las Vegas benefits from strong job growth, with employment up 3.6% in the 6 months ending in August. Job growth has been particularly robust in the leisure and hospitality and trade, transportation and utilities sectors.

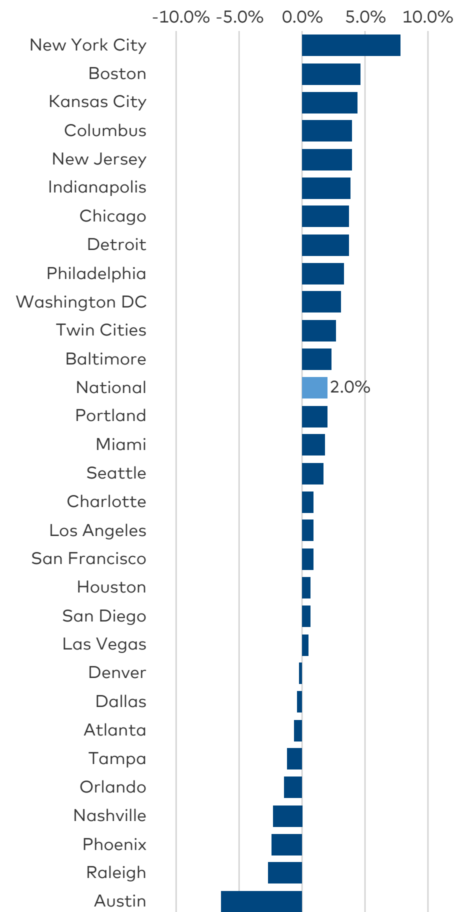
Year-Over-Year Rent Growth—All Asset Classes



Year-Over-Year Rent Growth—Lifestyle Asset Class



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



Source: Yardi Matrix

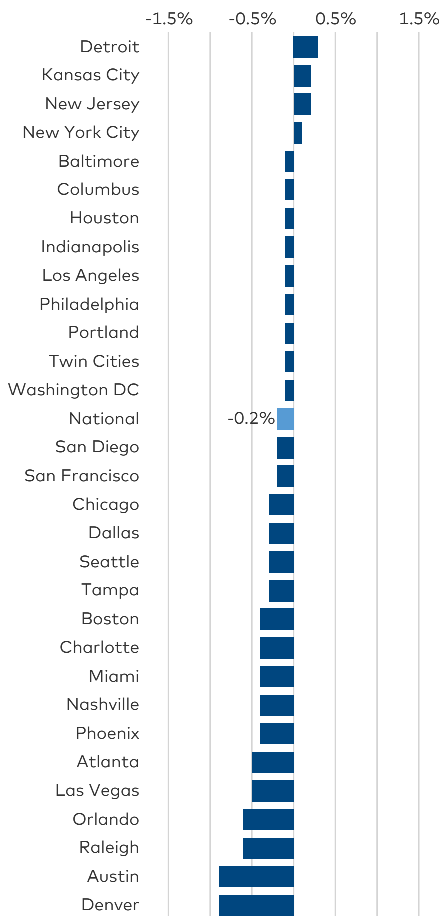
Short-Term Rent Changes: Lifestyle Segment Drives Rent Drops

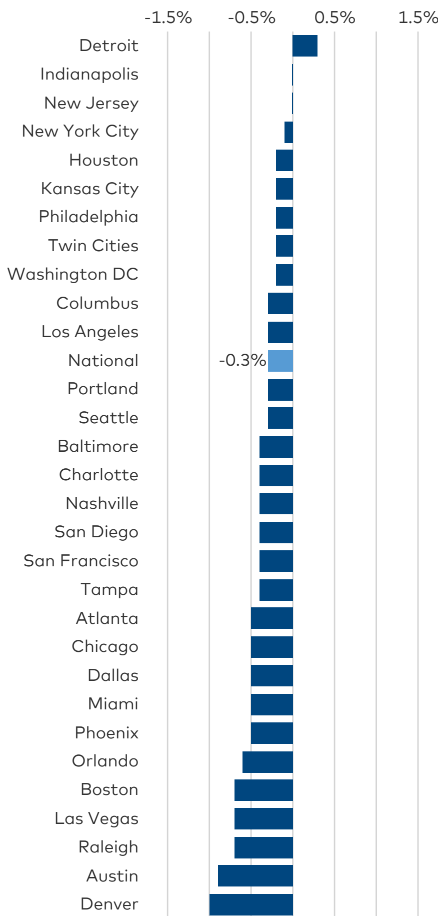
- U.S. advertised rents fell 0.2% month-over-month in October, with declines in 26 of the top 30 metros.
- Advertised rents fell 0.3% in the luxury Lifestyle segment during the month.

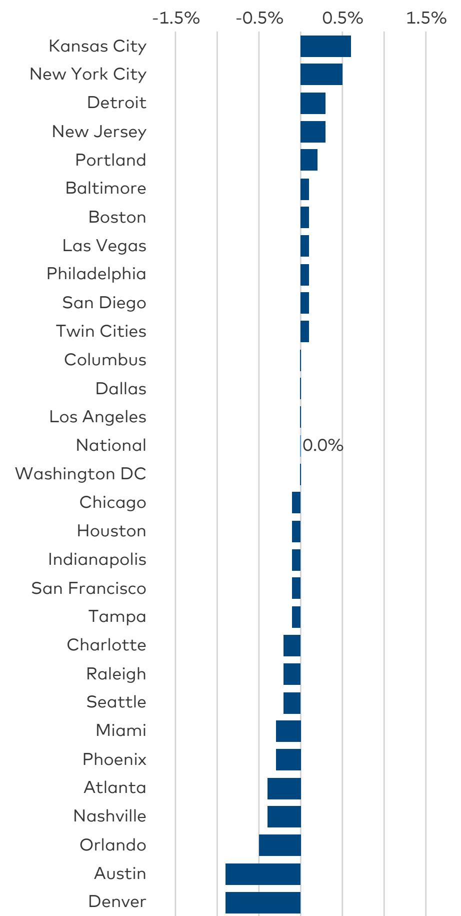
Asking rents fell in October, led by an 0.3% drop in Lifestyle rents, while Renter-by-Necessity rents were unchanged. Rent growth was either unchanged or negative in 29 of the top 30 metros in Lifestyle but only 19 in RBN.

Detroit was the only market to post a month-over-month gain in Lifestyle as well as one of the only metros to record a gain in RBN (up 0.3% in both segments). Detroit benefits from a rebound in manufacturing and auto industry growth combined with a low number of completions.

Meanwhile, both segments recorded significant declines in high-supply markets, including Denver (down 1.0% in Lifestyle and 0.9% in RBN) and Austin (down 0.9% in both). Over the last year, Austin has added 7.6% to its stock while Denver has added 4.6%. The wave of new supply impacts Lifestyle rents in particular as competition is concentrated within this segment.







Source: Yardi Matrix

Supply, Demand and Demographics: Supply A Key Issue, Now and in the Future

- Supply is a big issue in multifamily. In the short term, rent growth is flat or negative in markets with large deliveries.
- Medium-term, the slowdown in deliveries is likely to set off another round of rent growth in 2026 and beyond.
- Long-term, the U.S. is underhoused. Policymakers need to find ways to produce units at all price levels.

There is no bigger issue in multifamily than supply. In the near term, supply growth is robust and is the biggest determinant of rent growth in metros and regionally. In the medium term, the decline in starts through 2024 will cause deliveries to drop sharply in 2026 and 2027, potentially providing a boost to rent growth. In the long term, the U.S. is severely underhoused, and unless the construction of new units increases significantly, the growing affordability problem will only get worse.

Yardi Matrix's supply forecast has recently been updated to reflect multi-year high deliveries in all rental segments in 2024. That includes 554,000 market-rate multifamily units, 71,500 affordable multifamily units and 36,700 single-family rental units. Deliveries in all of the segments covered by Matrix are concentrated in high-growth markets, which not surprisingly are recording negative rent growth year-over-year as supply temporarily outstrips demand.

Dallas, for example, is a leader in projected market-rate multifamily deliveries in 2024 (24,900 units), and also has a significant amount of affordable (1,400) and SFR deliveries (3,260). Phoenix is the leader in forecast SFR deliveries (5,500 units), and is also among the leaders in market-rate (22,000) and affordable (2,100). Austin is the leader in projected affordable deliveries in 2024 (3,700), among the tops in market-rate (24,500) and has 780 SFR units forecast to be delivered. Even though demand remains robust, advertised rents in those markets were negative year-over-year as of October (Austin is -5.5%, Phoenix is -2.4% and Dallas -1.5%) and it will likely take several quarters to absorb the new supply.

The Matrix forecast calls for deliveries to drop slightly next year and much more sharply in 2026. The 2025 forecast is 508,000 for market-rate, 74,000 for affordable and 29,500 for SFR. For 2026, our projection is 371,000 market-rate, 57,000 affordable and 23,000 SFR units. The reduction in deliveries could jumpstart a new round of rent growth in 2026, unless demand falters. That said, a decline in demand is not the base case, given the growth in the top renter age cohorts and the continuing high cost of homeownership that keeps families in rentals.

It would be foolish, however, to think of housing as only a short-term issue, as the U.S. has underbuilt housing since the Great Recession. For example, Washington, D.C.-based advocacy group Up For Growth just released a report estimating that a 3.8 million-unit deficit built up over years where the number of households grew faster than the housing stock. Even though there is a short-term glut in some markets, over the next decade policymakers must find ways to streamline the development process and fund programs such as the Low Income Housing Tax Credit (LIHTC) in order to create stock that meets the needs of households at all income levels.

Single-Family Build-to-Rent Segment: Census Reports Large Movement Into SFRs

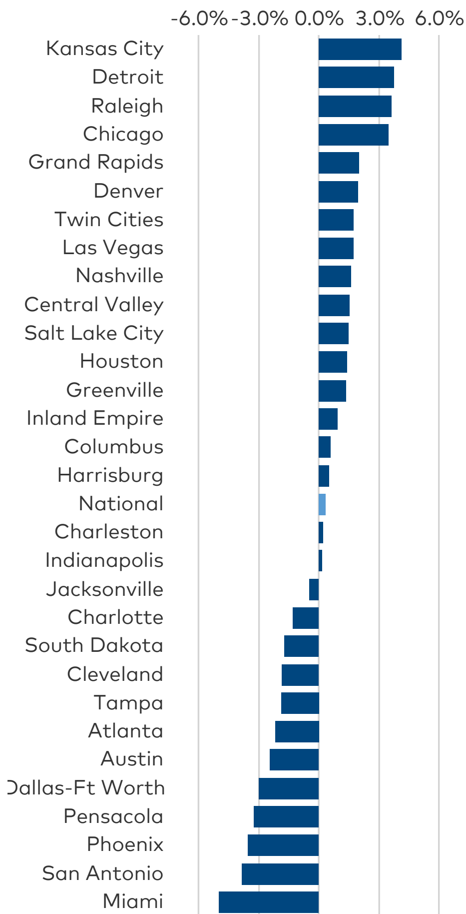
- Nationally, advertised rates for single-family rentals fell $8 in October to $2,164, while year-over-year growth dropped 30 basis points to 0.3%.

- SFR occupancy rates fell 10 basis points in September to 95.1%, due to Lifestyle occupancy dropping 10 basis points to 94.7%.

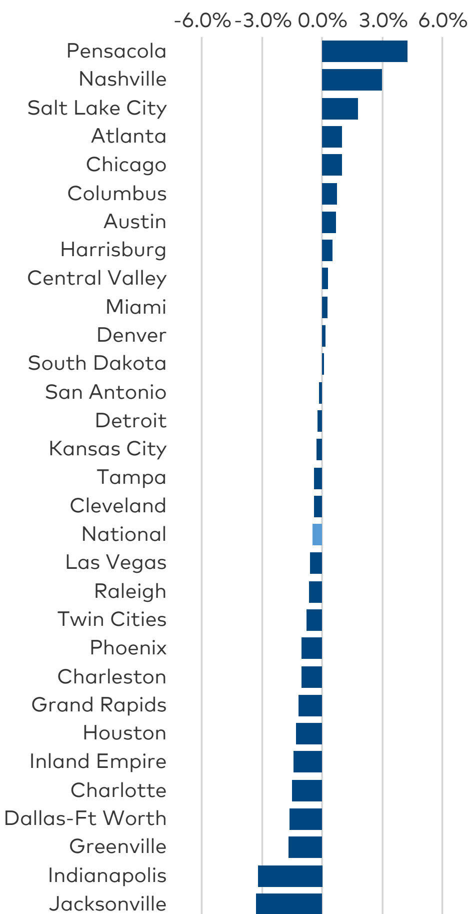
SFR demand has been strong, and we expect it to remain that way. The U.S. Census Bureau recently reported that more than 2.5 million households moved into SFRs over the past year. The reasons cited by those surveyed were varied, led by a desire for a new or improved home (15.3%). Other reasons include a new job or transfer (10.9%), cheaper housing (9.4%), and establishing a new household (8.7%). The diversity of reasons is a good sign because it indicates that changes to any one social or economic factor are unlikely to have an outsized impact on demand. What's more, factors such as the desire to improve housing amenities and renting being a better value than owning are likely to remain in effect for some time.

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



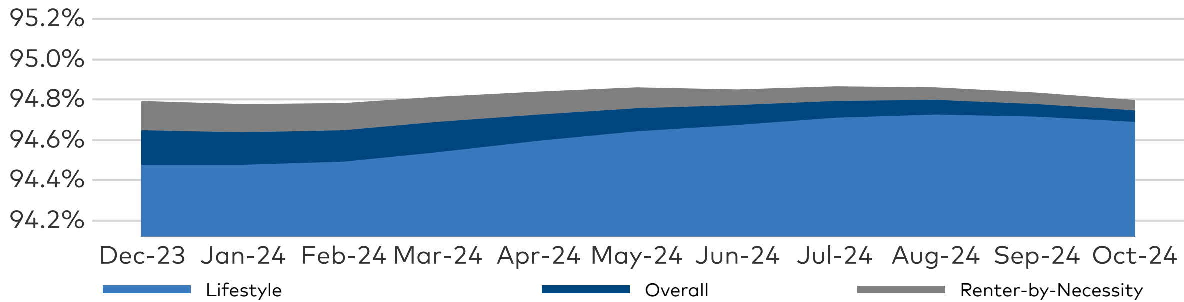
Source: Yardi Matrix

Employment and Supply Trends; Forecast Rent Growth

Market	YoY Rent Growth as of Oct - 24	Forecast Rent Growth as of 10/01/24 for YE 2024	YoY Job Growth (6-mo. moving avg.) as of Aug - 24	T12 Completions as % of Total Stock as of Oct - 24
New York City	5.3%	4.7%	1.5%	1.4%
Detroit	3.7%	1.8%	0.2%	1.0%
Kansas City	3.7%	4.0%	1.4%	2.1%
Washington DC	3.2%	3.2%	0.6%	2.0%
Columbus	3.1%	3.3%	0.7%	3.4%
Indianapolis	3.0%	3.4%	2.2%	2.5%
Chicago	2.9%	2.8%	0.1%	1.5%
New Jersey	2.9%	3.3%	1.6%	3.0%
Boston	2.8%	3.3%	0.7%	2.5%
Philadelphia	2.2%	2.1%	1.6%	2.0%
Baltimore	2.1%	1.4%	-0.1%	1.3%
Portland	2.0%	0.3%	-0.7%	4.1%
Twin Cities	1.7%	1.3%	0.5%	4.0%
Seattle	1.5%	1.6%	1.2%	3.8%
Miami Metro	0.5%	2.0%	2.4%	4.4%
Los Angeles	0.4%	0.0%	1.0%	1.8%
Houston	0.0%	0.3%	2.3%	2.5%
San Francisco	0.0%	-0.7%	0.6%	2.6%
Las Vegas	-0.2%	-0.4%	3.6%	2.8%
San Diego	-0.4%	0.3%	0.7%	2.0%
Denver	-1.0%	0.9%	0.3%	4.6%
Nashville	-1.5%	-1.4%	0.7%	6.2%
Dallas	-1.5%	-1.3%	1.5%	3.2%
Charlotte	-1.9%	-1.5%	1.6%	5.4%
Tampa	-2.0%	-1.3%	1.8%	3.6%
Orlando	-2.2%	-2.1%	1.6%	4.7%
Atlanta	-2.3%	-2.6%	1.2%	3.3%
Phoenix	-2.4%	-2.8%	2.3%	4.5%
Raleigh	-3.1%	-2.6%	2.4%	6.1%
Austin	-5.5%	-4.5%	1.7%	7.6%

Source: Yardi Matrix

Occupancy & Asset Classes



Source: Yardi Matrix

Year-Over-Year Rent Growth, Other Markets

Market	October 2024		
	Overall	Lifestyle	Renter-by-Necessity
Louisville	4.5%	3.3%	5.0%
Bridgeport–New Haven	4.4%	3.0%	5.7%
Milwaukee	3.9%	1.4%	5.6%
Cleveland–Akron	3.9%	2.7%	4.0%
Richmond–Tidewater	3.1%	2.3%	4.2%
Cincinnati	3.1%	0.1%	4.2%
St Louis	3.1%	1.1%	4.3%
Winston–Salem–Greensboro	2.4%	1.8%	3.4%
San Jose	2.4%	2.4%	2.6%
Central Valley	2.2%	1.2%	2.4%
Albuquerque	1.7%	0.3%	2.8%
Orange County	1.7%	1.2%	2.0%
Sacramento	1.6%	2.2%	1.2%
Inland Empire	1.1%	0.9%	1.1%
Greenville	0.2%	-0.5%	0.8%
Charleston	0.1%	-1.3%	2.8%
North Central Florida	-1.0%	-1.8%	0.0%
Colorado Springs	-1.8%	-2.0%	-1.1%
Jacksonville	-2.2%	-2.8%	-1.1%
Salt Lake City	-2.3%	-2.3%	-2.5%
San Antonio	-2.5%	-2.6%	-2.1%
Southwest Florida Coast	-3.7%	-4.5%	-1.8%

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

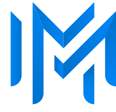
- High Mid-Range—has substantial income but insufficient wealth to acquire home/condo
- Low Mid-Range—Office workers, police officers, technical workers, teachers, etc
- Workforce—blue-collar households, which may barely meet rent demands and likely pay distortional share of income toward rent

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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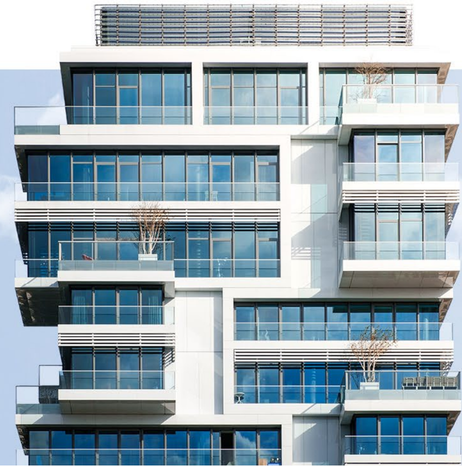

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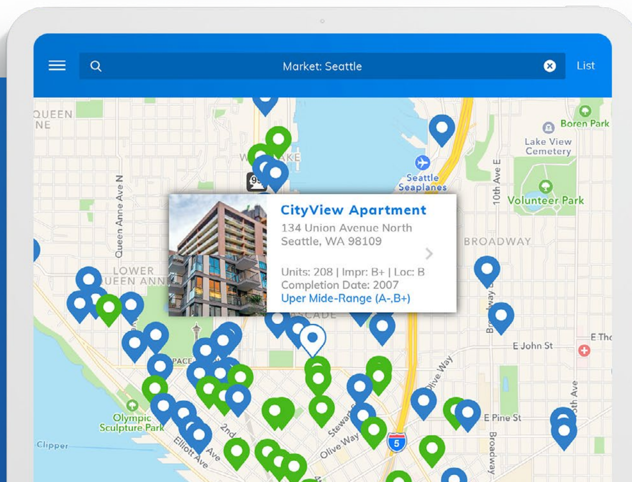
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



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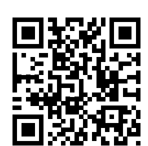

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