SREIF
Culverhouse College of Business

2024 National Market Report - Multi-Family

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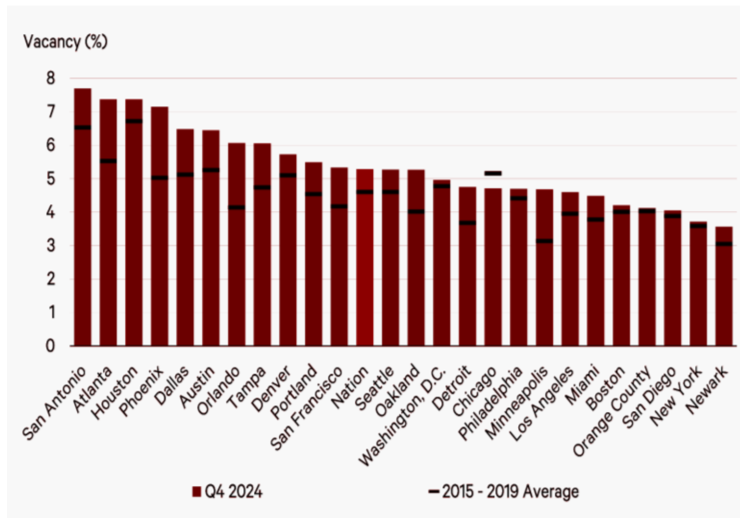
Market Overview

As we head into Q4, the multifamily market across the United States is characterized by a mix of challenges and opportunities influenced by supply-demand dynamics. The average advertised asking rent dipped by another $3 to $1,750 in September, resulting in flat year-over-year growth of 0.9%. Occupancy remains stable at 94.8% for the fourth consecutive month, indicating a consistent demand for rental units. The 50-basis-point interest rate cut in September, along with strong employment numbers, has sparked renewed optimism about the sector's fundamentals. However, rent growth is largely influenced by ongoing supply growth; Yardi Matrix found that in the top 30 metros, rent growth was positive in eight of the ten areas with the least supply growth, while eight of the ten metros with the most supply growth saw negative trends. Markets with balanced supply and strong employment are likely to perform well, but oversupplied areas may need to consider incentives or concessions to maintain occupancy. Overall, while the sector appears resilient due to positive indicators, effectively navigating through the excess supply will be crucial in the short to medium term.

Multifamily Vacancy Rates vs. Pre-Pandemic Averages (CBRE)



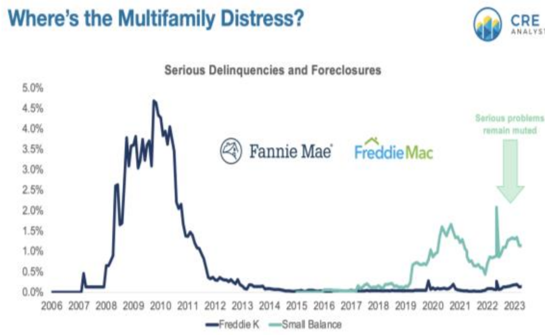
According to CBRE, 17 out of 69 markets are set to grow their inventories by 7% in 2024 and 2025. Vacancy rates will rise above their pre-pandemic averages in 2024. Austin, Dallas, Nashville and Alanta have the highest job growth projections across the board due to larger supply. CBRE predicts that despite near-term economic weakness and high vacancy rates, enough demand in the market will keep the occupancy rate above 94%.

	MARKET INDICATORS	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
▲	12 Mo. Absorption Units	920	521	319	410	371
▼	Vacancy Rate	6.6%	7.1%	6.0%	4.5%	3.9%
▲	Asking Rent/Unit ($)	$1,118	$1,115	$1,118	$1,118	$1,101
▼	Under Construction Units	650	1,008	1,032	1,596	1,885
▲	Inventory Units	32,242	31,884	31,210	30,646	30,357

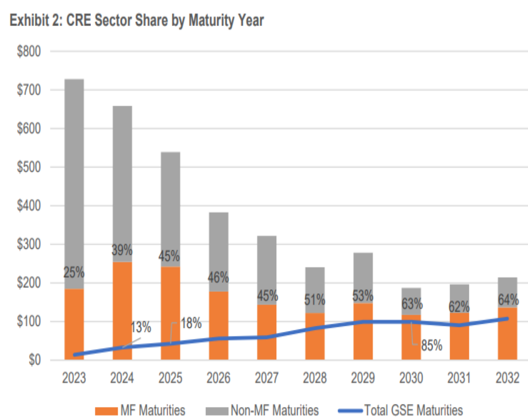
Demand for apartment units is booming again. The U.S. economy absorbed 138,000 units in the third quarter of 2024 (the fourth-highest level on record), up from the 133,000 units absorbed in the second quarter (the fifth highest on record). Resurgent international migration trends in recent years, alongside a stout labor market, continue to power some of the best multifamily demand on record.

Rent growth is showing signs of reacceleration. For much of the past year, rent growth has largely moved sideways, hovering in the 1.5% range year-over-year (YOY). But in the last two quarters, we have seen rent growth rise to 2% as resurgent demand is beginning to exert upward pressure.

New construction continues to pull back. There are 609,000 units currently under construction, down 36% from the peak levels in the first quarter of 2023. Fewer units are breaking ground given the interest rate backdrop and higher overall vacancies. On the other side of this current wave of supply, the stage is set for vacancy to tighten and rents to move meaningfully higher.



Multifamily Loan Maturities
Multifamily maturities total nearly $500 billion in 2024 and 2025 (42% of all CRE maturities). This number is expected to increase to 63% in 2030.



Multifamily Distress
The multifamily sector in commercial real estate is increasingly concerned about distress, particularly regarding floating-rate Freddie Mac loans, which have seen a 440% rise in distress over the past year, totaling $61 billion. Despite these trends, analysts suggest that while distress may grow, a systemic crisis is unlikely. The market will likely have both winners and losers, but there are no signs of a broader collapse at this time.

National rent trends have been skewed by the high-profile pullbacks in some pandemic hotspots. Austin, TX, Raleigh, NC, and Phoenix, AZ continue to experience rent corrections (though the pace of declines is moderating), and rent growth in markets like Atlanta, GA, Dallas/Fort Worth, TX , and Central Florida (Tampa and Orlando) has moved sideways. But in most markets, rents are rising. More than half of the tracked markets had rent growth above 3%, and 26 markets posted rent growth of more than 4%. Six markets also posted rent growth above 5%, led by Buffalo, NY (6.7% YOY), followed by Hartford, CT (5.9%), Tulsa, OK (5.4%), Louisville, KY (5.3%), Northern NJ (5.2%) and Richmond, VA (5.1%).

Sources: Cushman & Wakefield, CRE Analyst, Fannie Mae, Freddie Mac, CBRE