

A woman with long dark hair, wearing a red trench coat over a black and white striped shirt and a black patterned scarf, stands next to a blue bicycle. She is looking to her left. The background is a blue door with glass panels and a white wall.

U.S. multifamily market report

Q3 2024

**AVISON
YOUNG**

U.S. multifamily market trends

240,000

**units absorbed in
2024 YTD**

Multifamily demand continues to increase with absorption increasing by 80% for Q1-Q3 2024 vs. Q1-Q3 2023 and hovering 30% below 2021 absorption levels when demand last peaked.

Homeownership growth rates for millennials have slumped to a YoY average 0.6% between 2020-2024, compared to the YoY average rate of 2.2% between 2015-2019, as elevated mortgage rates keep renters renting.

39.3%

**of major multifamily markets have
seen rents decline last 12 months**

In markets experiencing rent decline, the multifamily inventory has increased by an average of 26.0% since 2019.

Meanwhile major markets on the east and west coasts are seeing effective rents increase again, with Silicon Valley, Washington, DC, and Boston leading at +3.0% growth over the last 12 months.

49.2%

**Increase in multifamily sales
in Q3 2024 vs. Q1 2024**

The Fed's recent decision to place downward pressure on interest rates help spur sales activity in Q3 2024. Sales activity reached its highest point since Q3 2023 when the 10-year Treasury rate stood at 4.1% compared to 4.0% in Q3 2024.

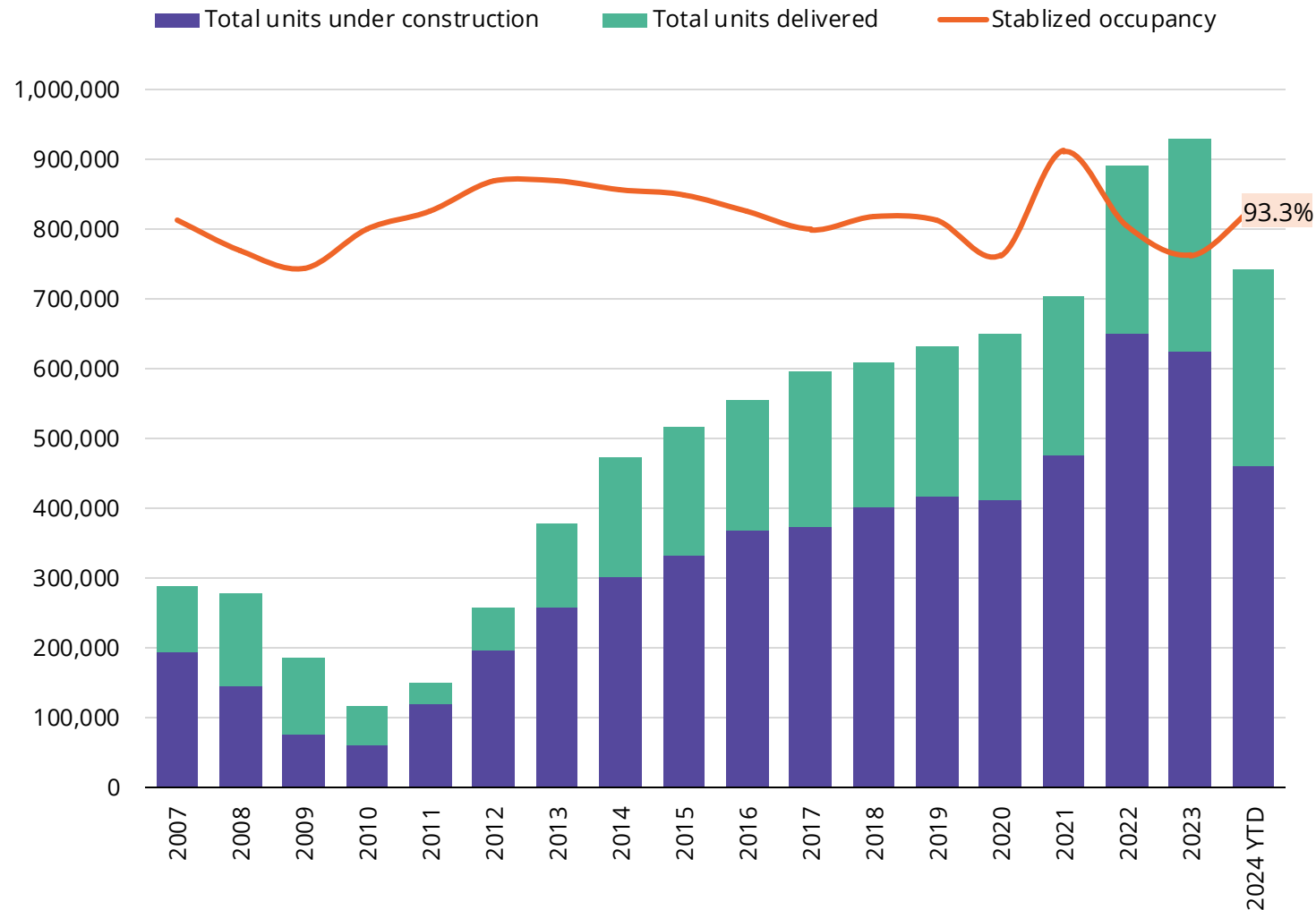
Multifamily continues to remain the favored product, accounting for 37.3% of total investment activity since Q2 2023 and 38.6% of total sales volume in Q3 2024.

U.S. multifamily conditions

Let's examine prevailing multifamily trends.

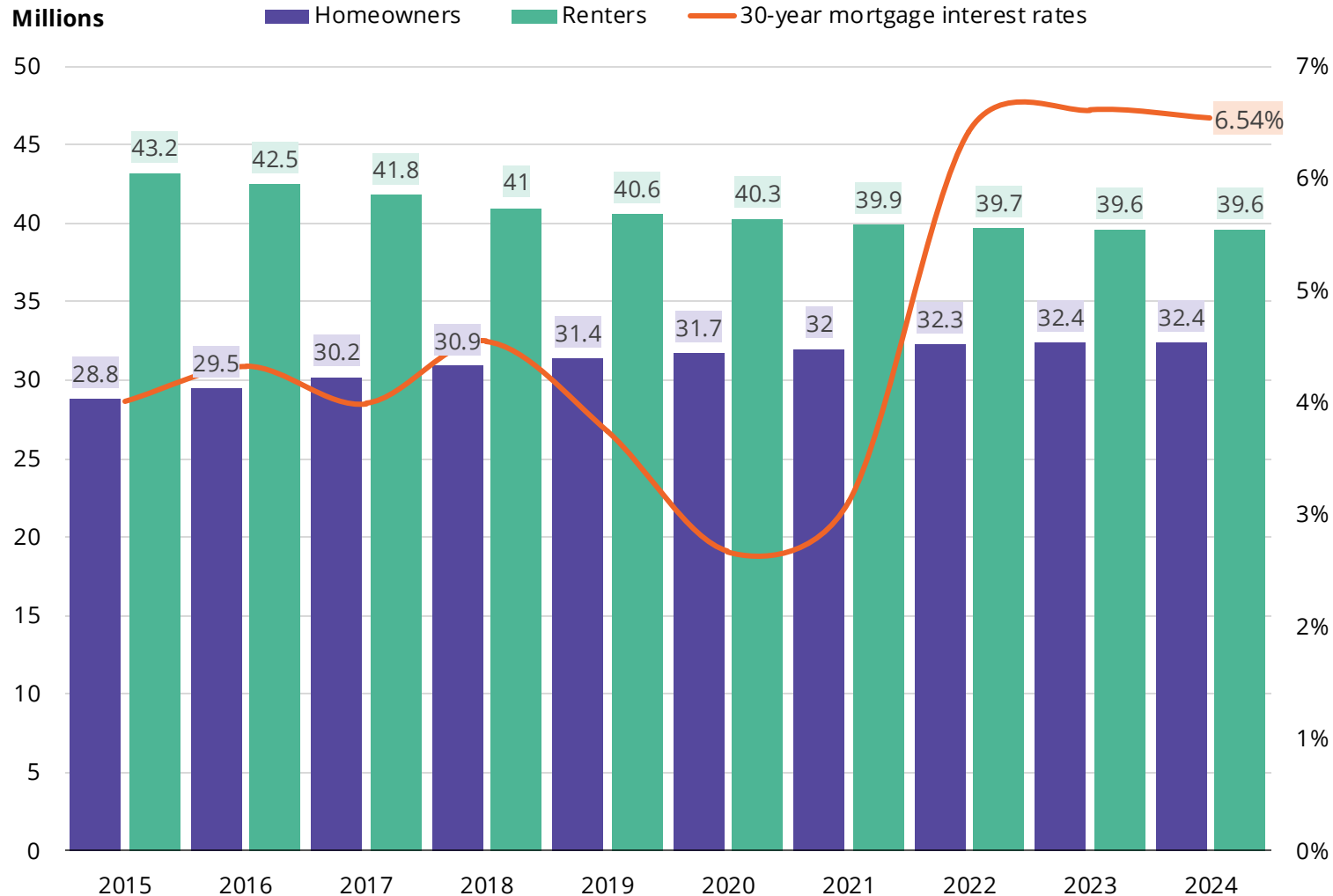


Multifamily development activity



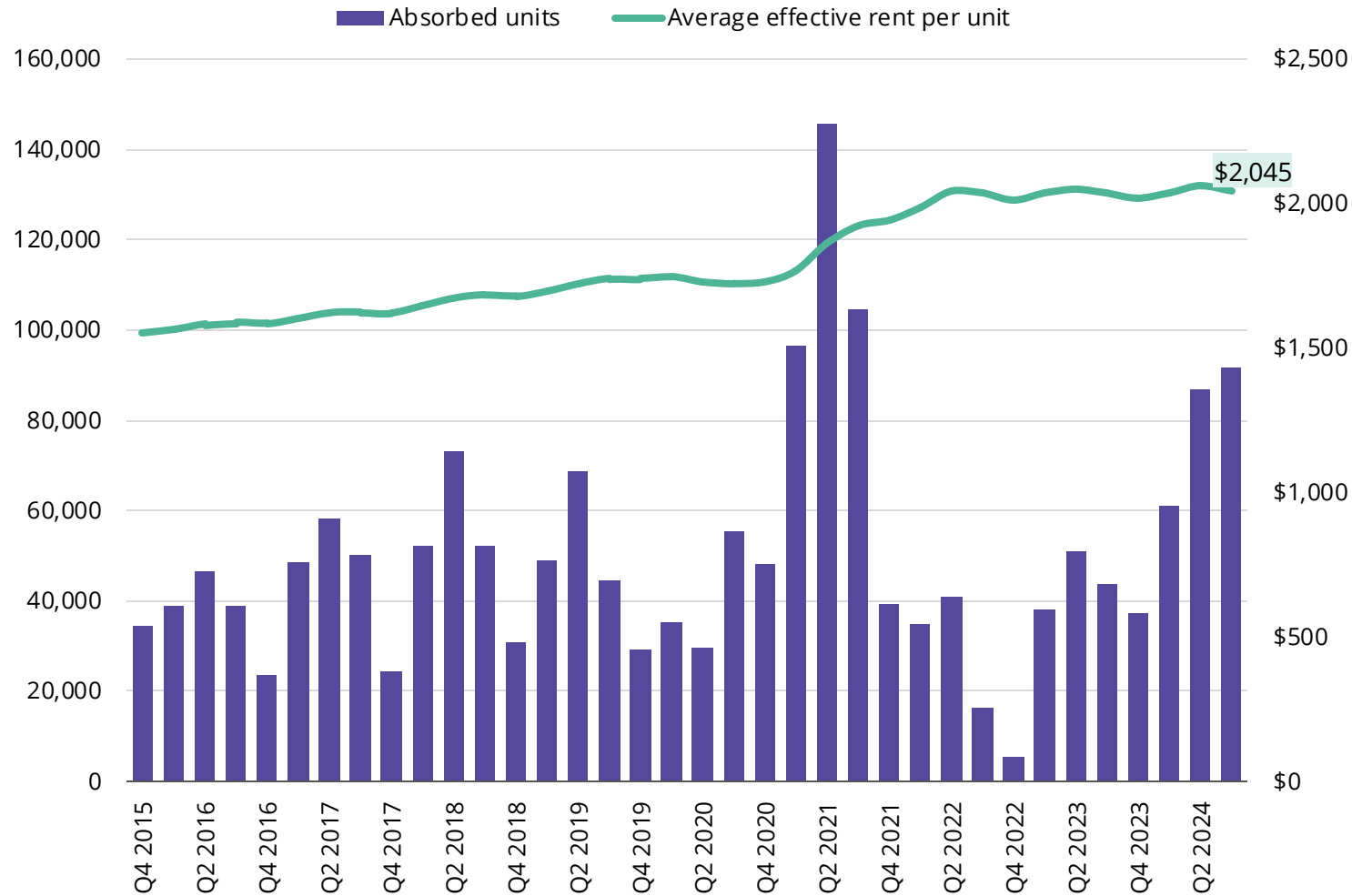
Supply has increased by 18.4% since 2019 and is expected to increase by 5.5% over the next 24 months.

Millennials: homeownership vs. renting



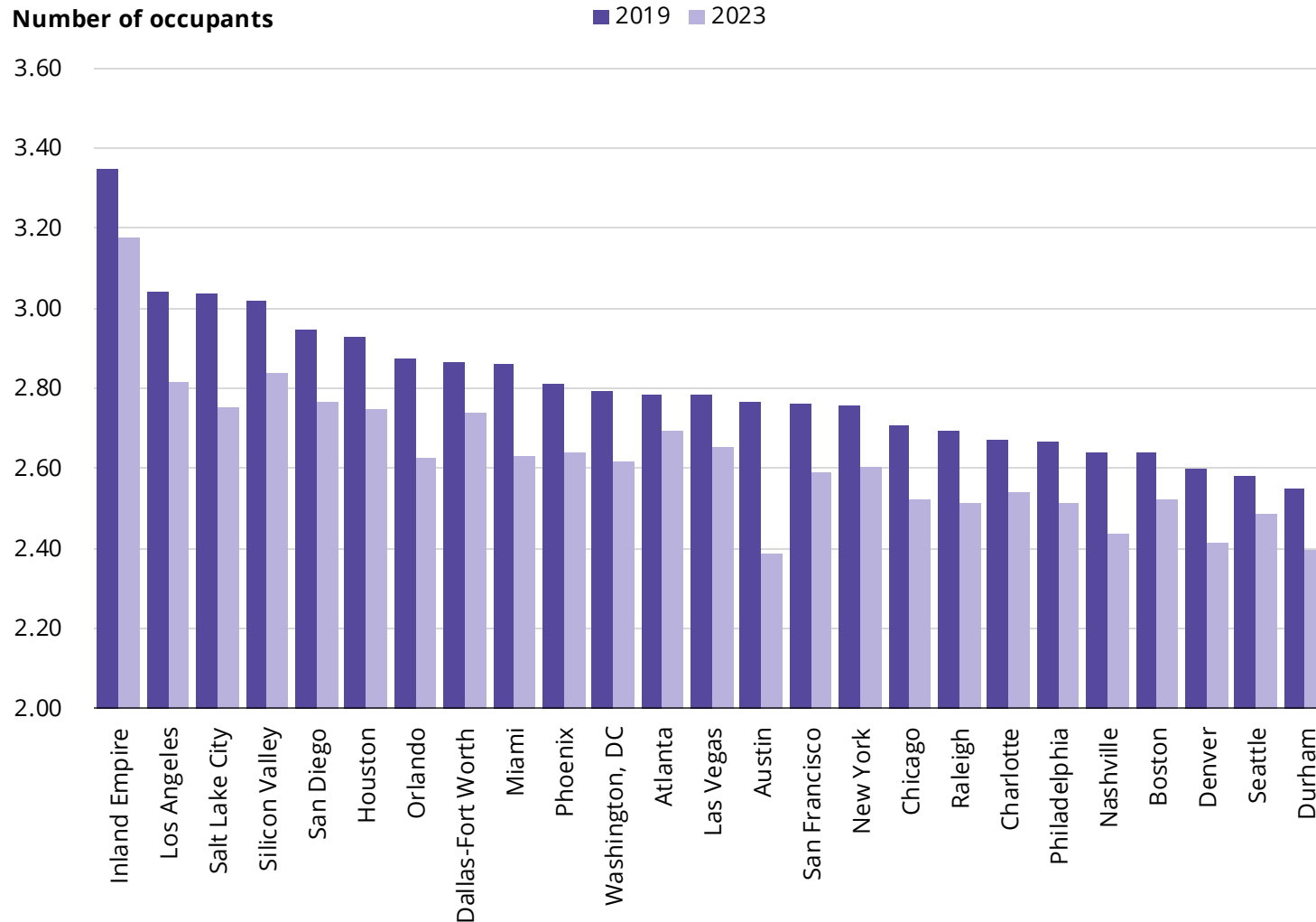
Millennial homeownership increased at a YoY average rate of 2.2% between 2015-2019, but as interest rates increase, homeownership growth rates have slumped to a YoY average 0.6% between 2020-2024.

Multifamily absorption and interest rates



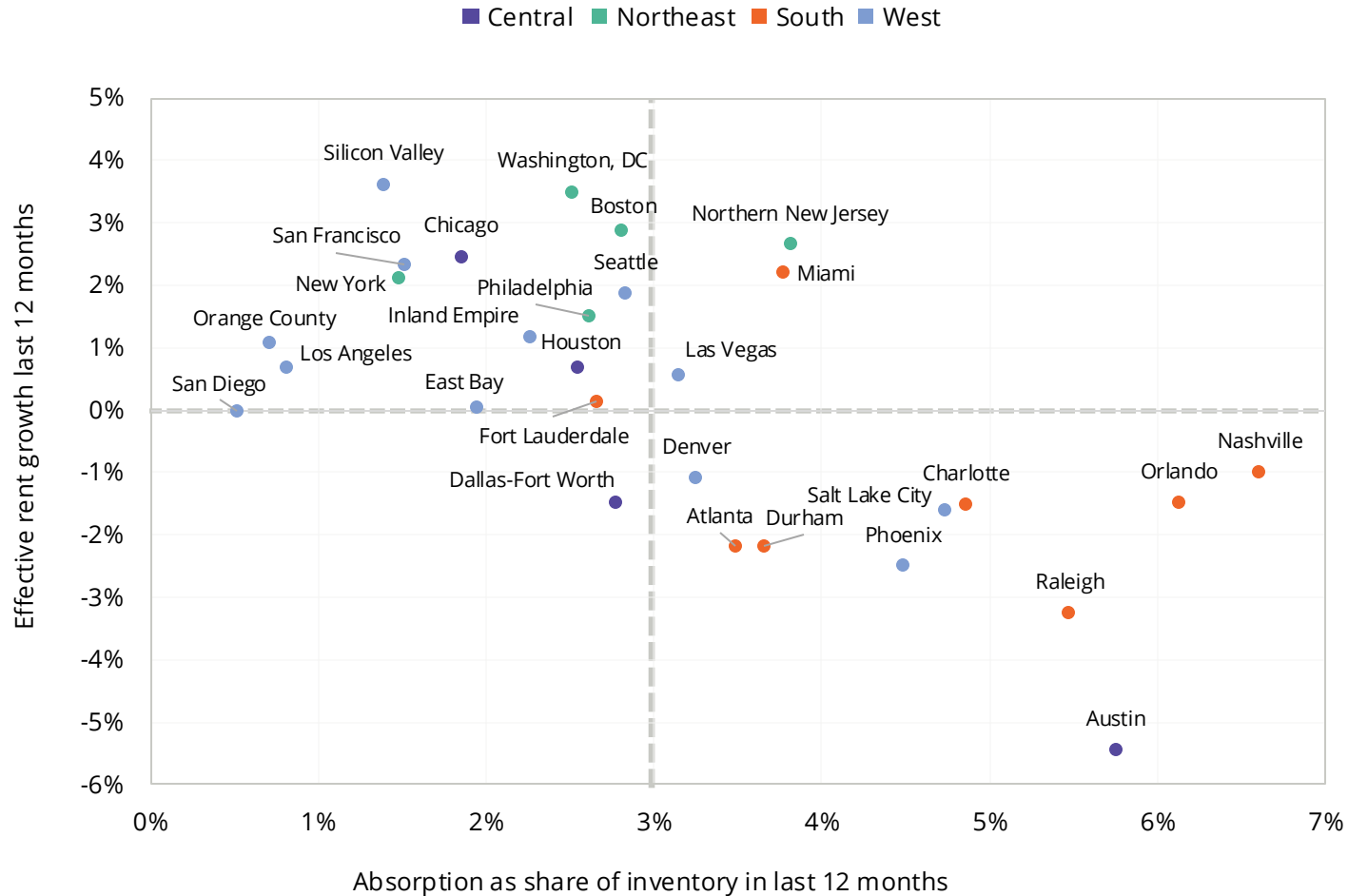
Multifamily absorption continues to climb and remains just 31.0% below 2021 levels when demand peaked. However, rental growth has stalled and remains at 2022 levels following the surge of deliveries.

Occupants per housing unit by market



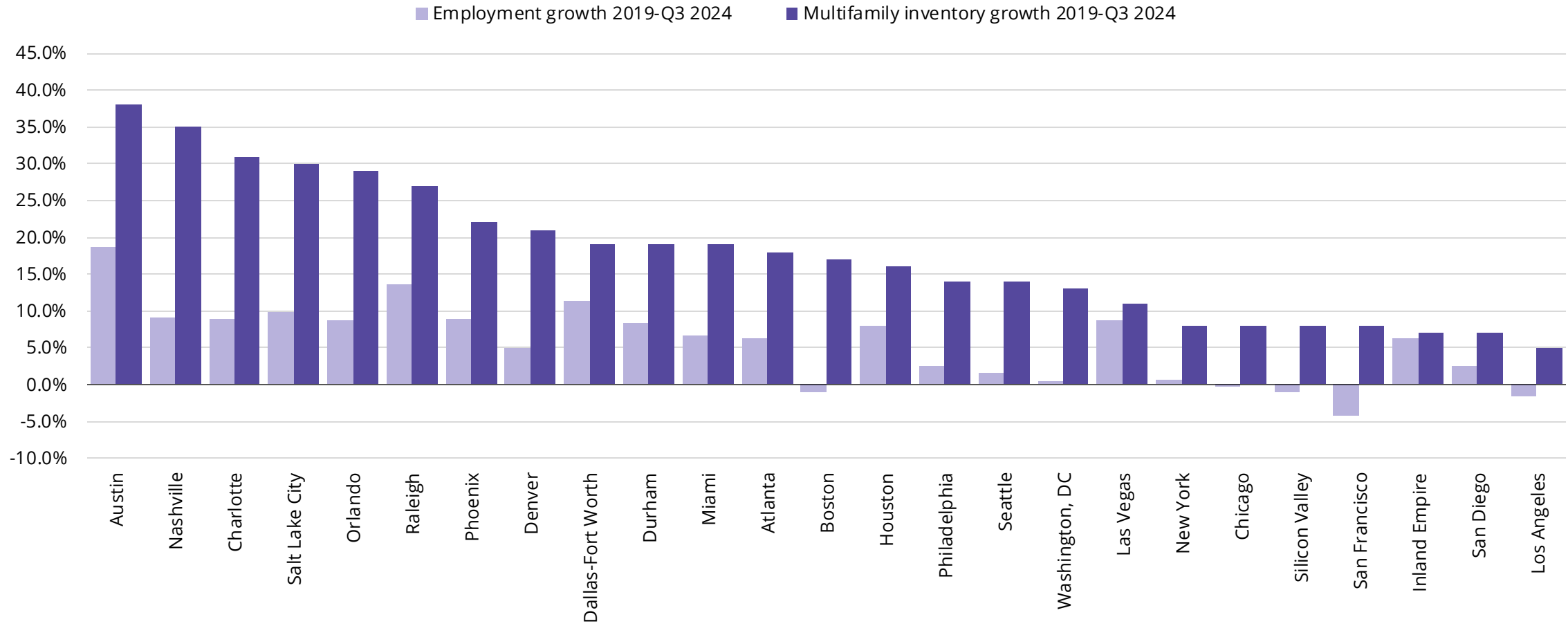
The number of occupants per housing unit has declined across every major market, as people seek to live on their own or with a fewer number of roommates.

Effective rents and absorption by market



Almost 40.0% of major markets are seeing rents decline as supply continues to increase. However, absorption has continued to increase across every market.

Employment vs. multifamily inventory growth by MSA

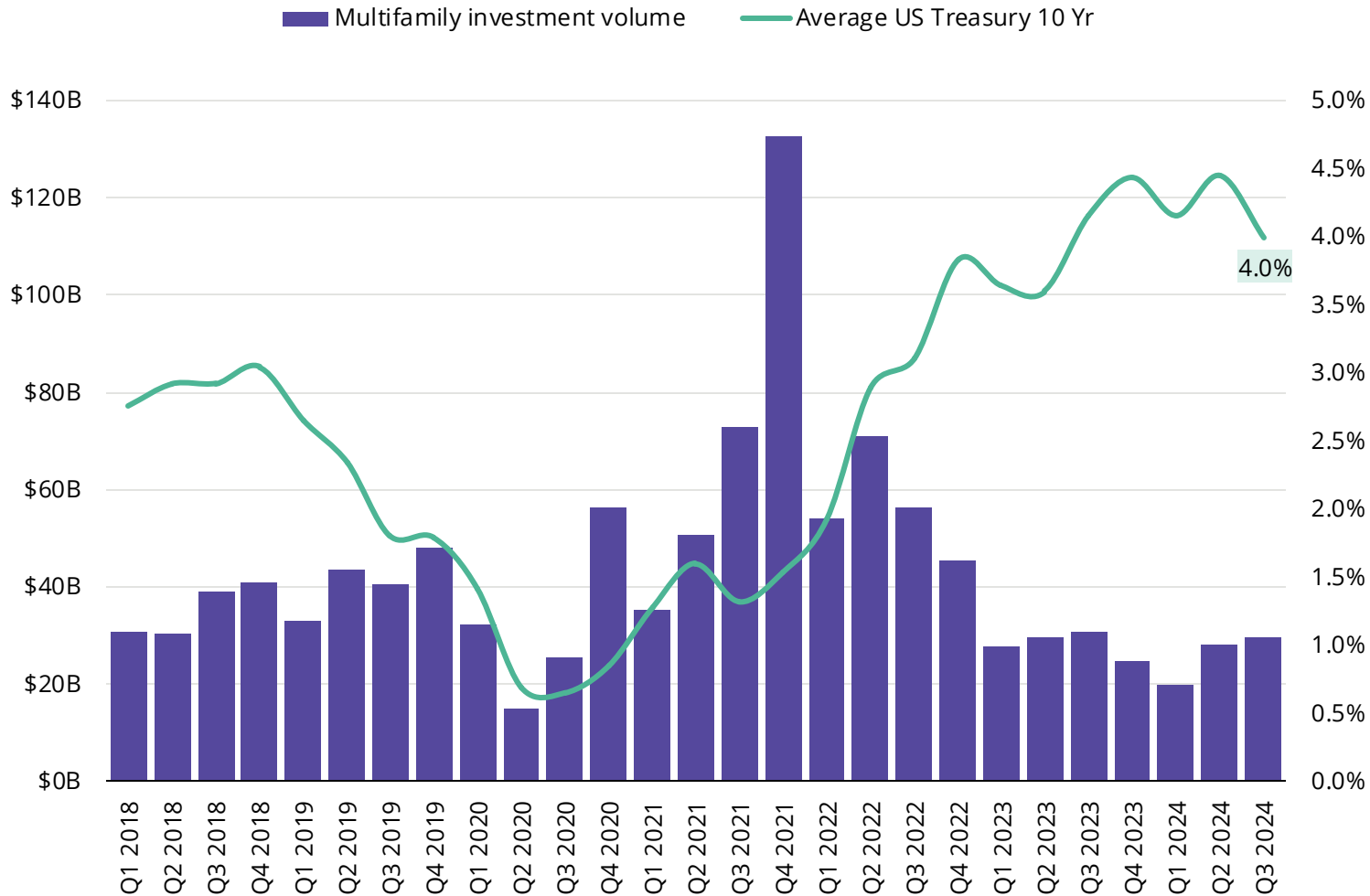


U.S. multifamily capital markets conditions

Let's examine capital market
conditions.

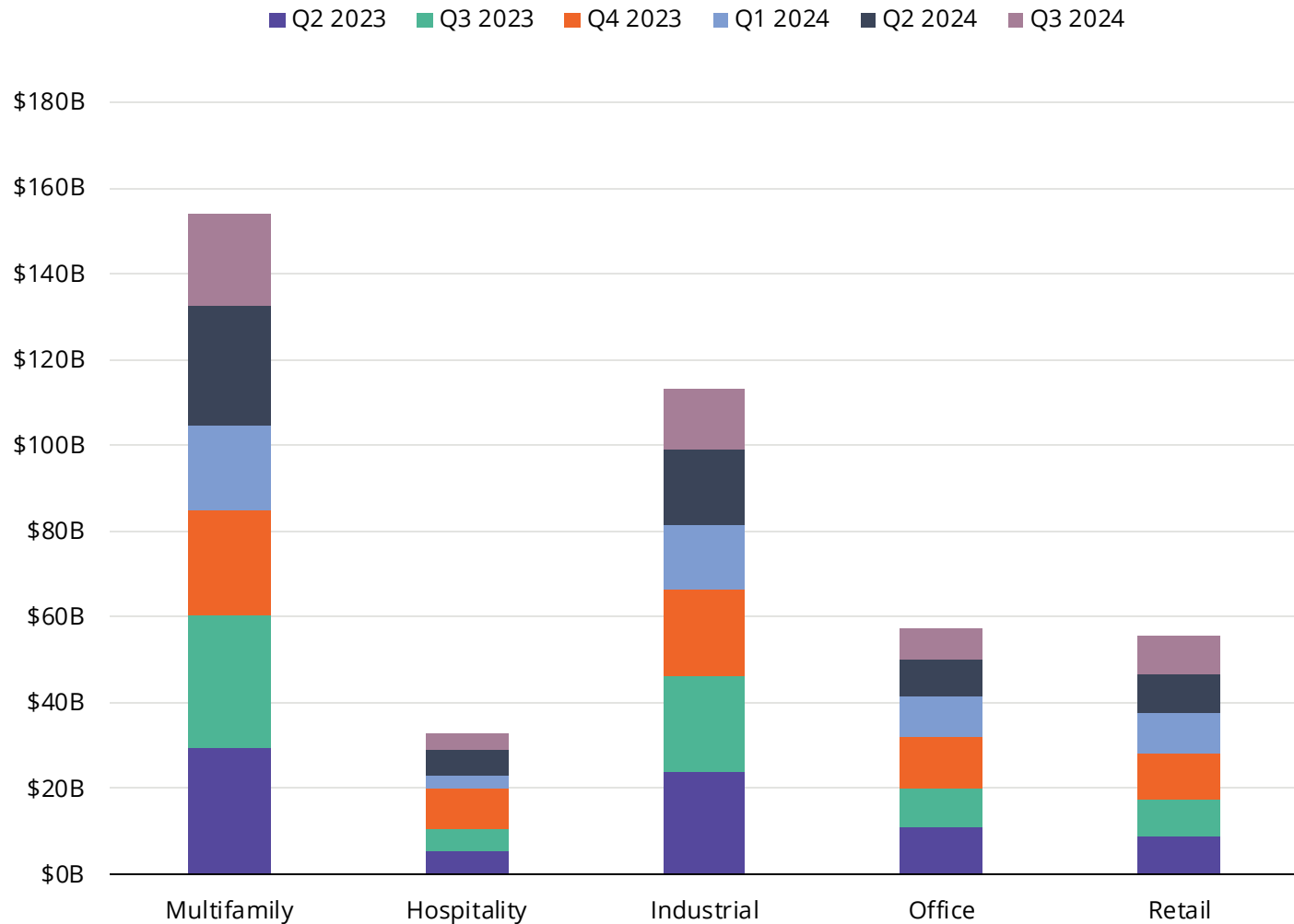


Sales volume and U.S. Treasury rates



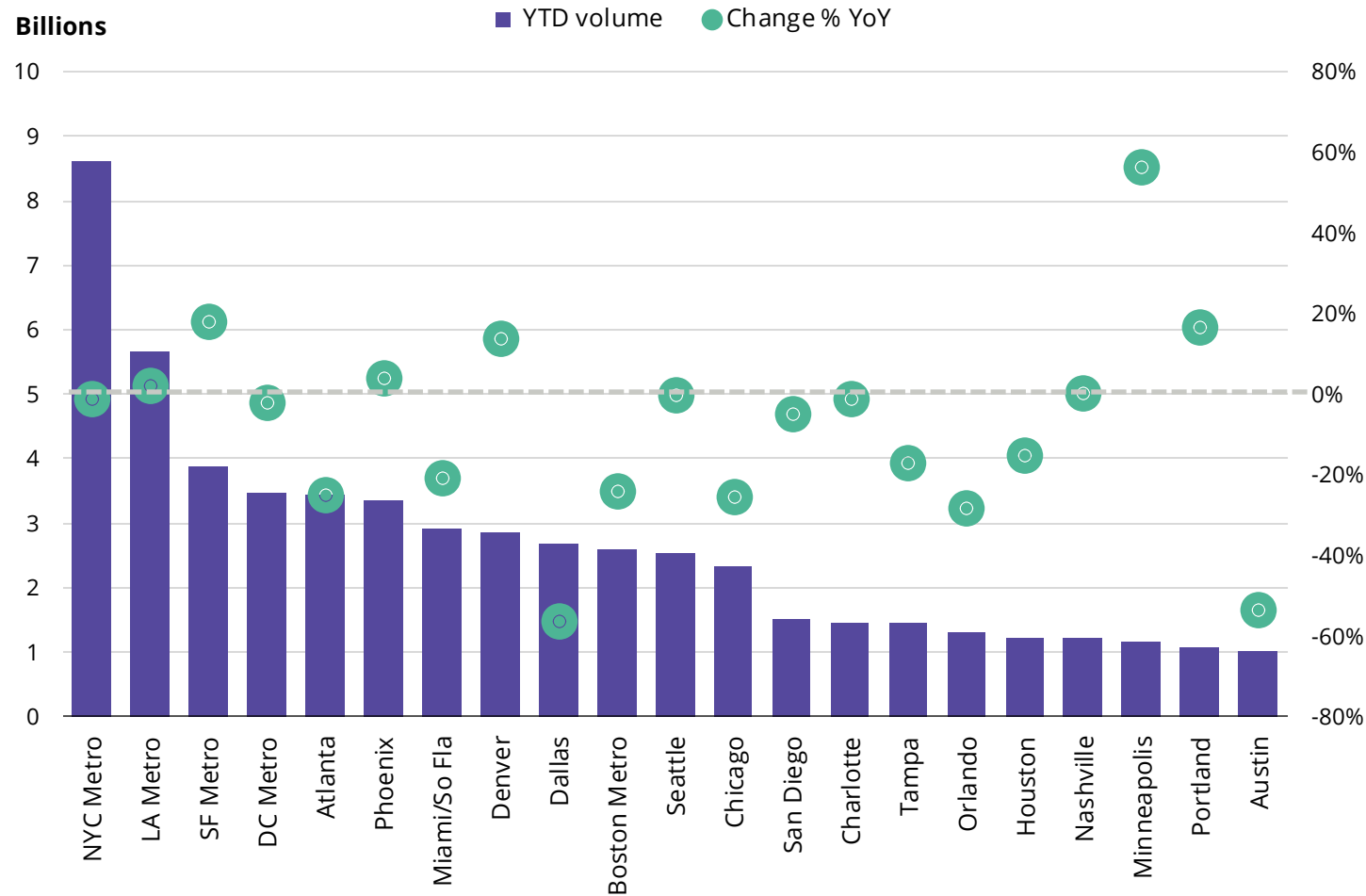
Investment volumes increased by 49.2% in Q3 2024 compared to Q1 2024, following the Fed's recent decision to place downward pressure on interest rates.

Sales volume by property type



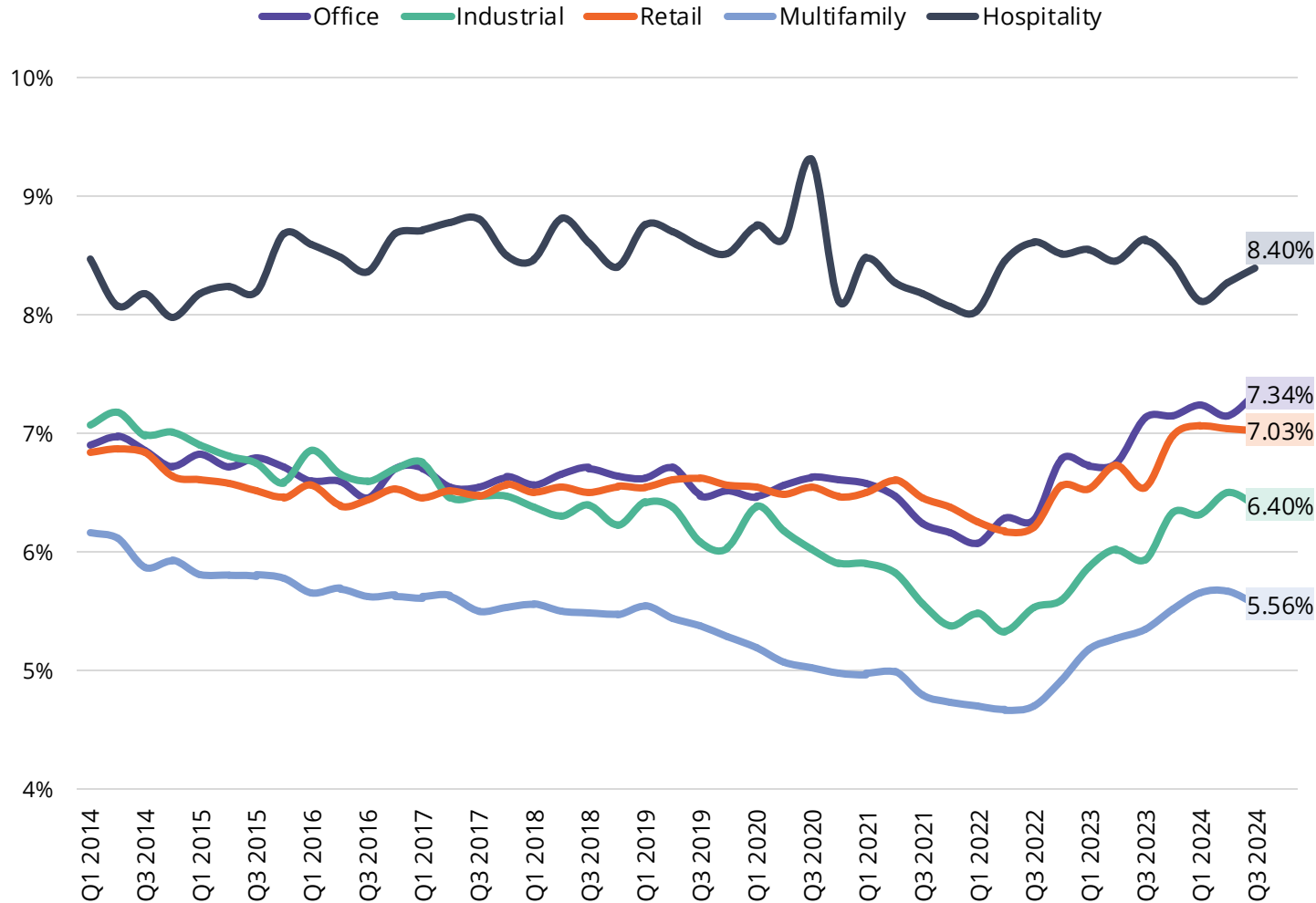
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Top U.S. markets for multifamily investment sale volume



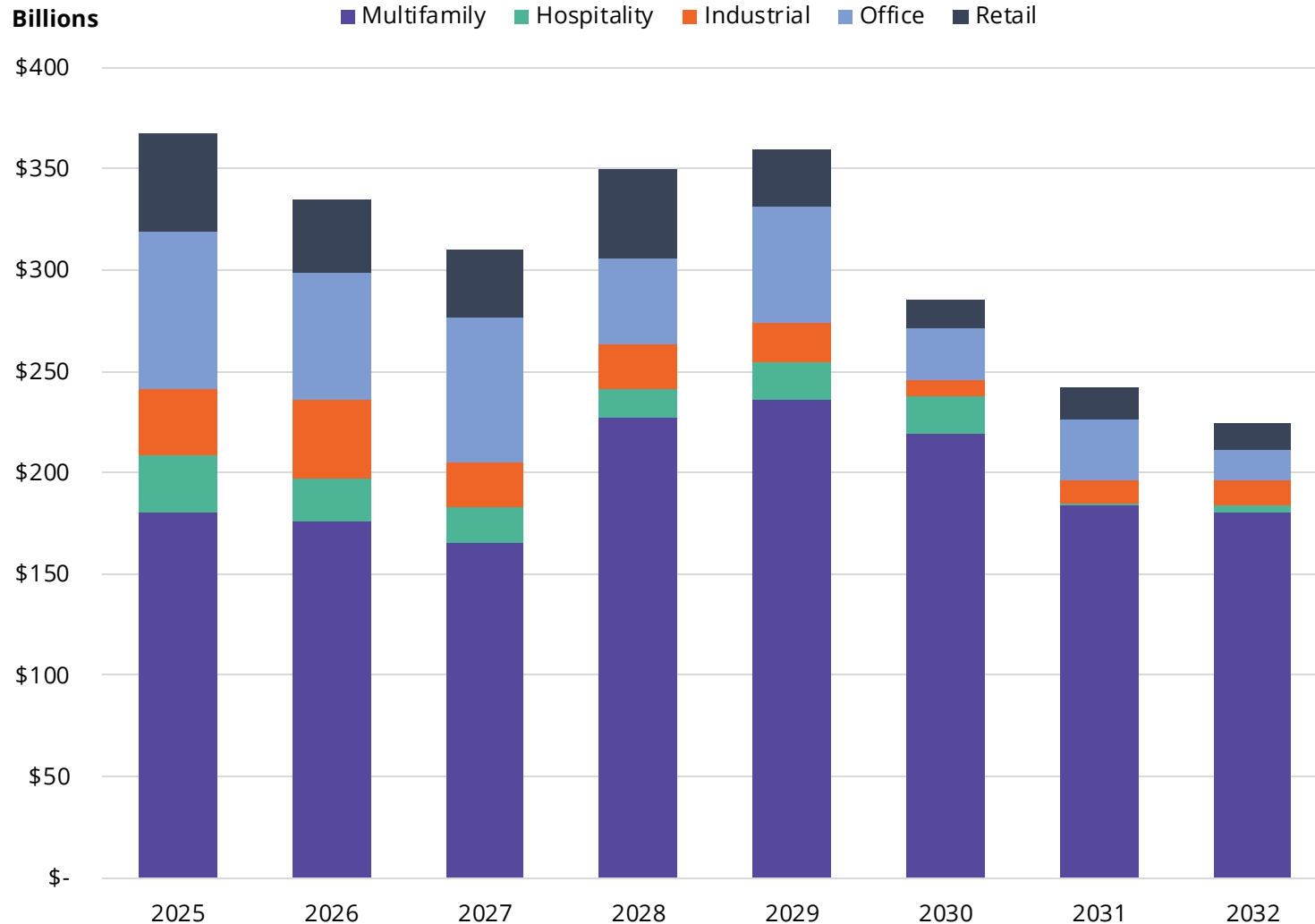
New York, Los Angeles, and San Francisco lead for total multifamily investment volume, while San Francisco, Denver, Minneapolis, and Portland have seen an uptick in sales activity over the last 12 months.

Average cap rates



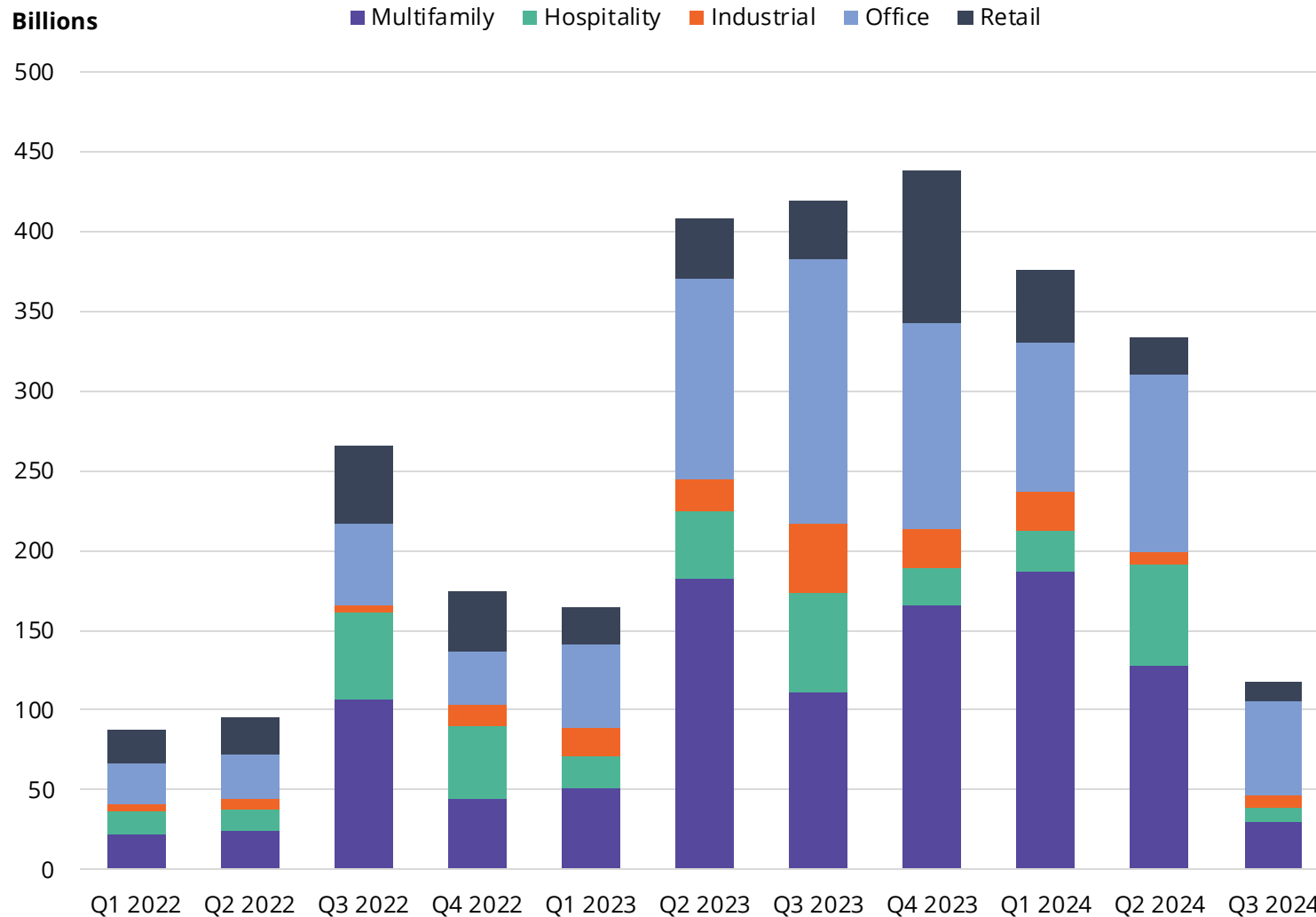
Cap rate expansion has generally been observed over time for major property verticals, corresponding with the Fed rate-hiking cycle. The compression of industrial cap rates over the last 10 years illustrates how investor sentiment has shifted toward the sector, with it being viewed as more stable and critical to the US economy than in 2014.

Loan maturities by property type



Office and multifamily loans comprise an overwhelming majority of maturing loans over the coming years. Many of these loans were originated in lower interest rate environments and will require substantial cash injections in order to refinance, or a sale at a suppressed valuation.

Foreclosure initiations by quarter



Correlating with the hike in interest rates beginning in Q1 2023, a large quantity of foreclosures were initiated. Office and multifamily make up the majority. However, the Fed's September interest rate cut, coupled with improving multifamily and office market conditions, have helped mitigate foreclosure initiation this quarter.

For more market insights and
information visit **avisonyoung.com**

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