



U.S. multifamily market report

Q2 2024

**AVISON
YOUNG**

U.S. multifamily market trends

152,000

**units absorbed in
H1 2024**

Multifamily demand has reached its highest rate since Q3 2021, as elevated interest rates have limited the ability for renters to move into homeownership.

70% of the top markets for population growth over the last 12 months are in Sun Belt markets, helping drive continued occupancy growth across these markets.

42.9%

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

Almost half of U.S. multifamily markets have seen rents decline over the last 12 months. More than 80% of the top U.S. markets experiencing rent declines are in Sun Belt cities.

Following slowed rent growth, a wave in new deliveries, and elevated interest rates, development activity has cooled across the U.S., declining by almost 20% since 2023.

5.87%

**average multifamily
cap rate in Q2 2024**

Elevated rates have slowed capital markets activity and helped increase multifamily cap rates from 5.50% in 2023 to 5.87% in Q2 2024.

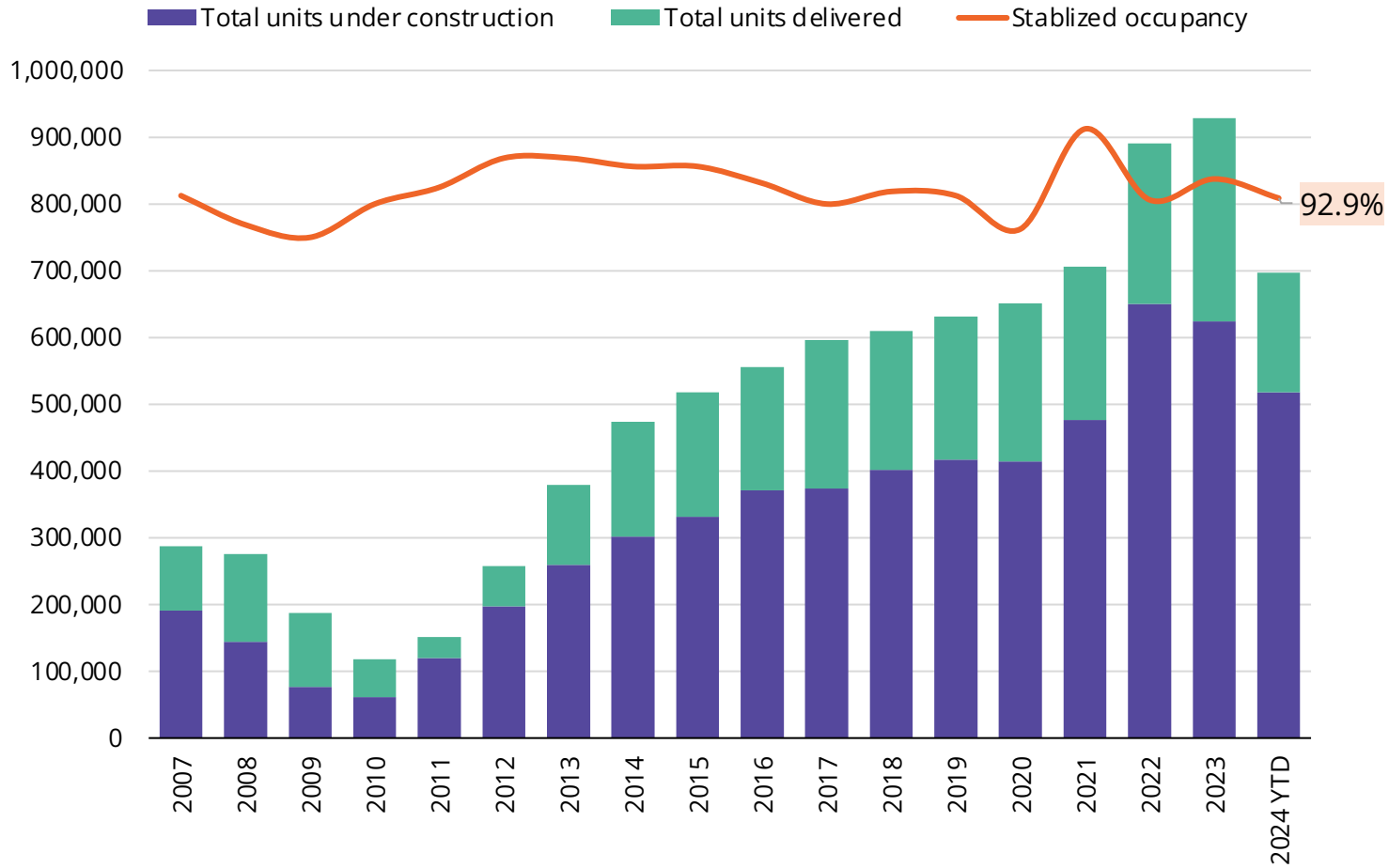
Multifamily remains a favored asset class among investors, with the apartment sector leading for investment volume since 2023 and acting as the leading sector for institutional investment allocation in Q2 2024.

U.S. multifamily conditions

Let's examine prevailing multifamily trends.

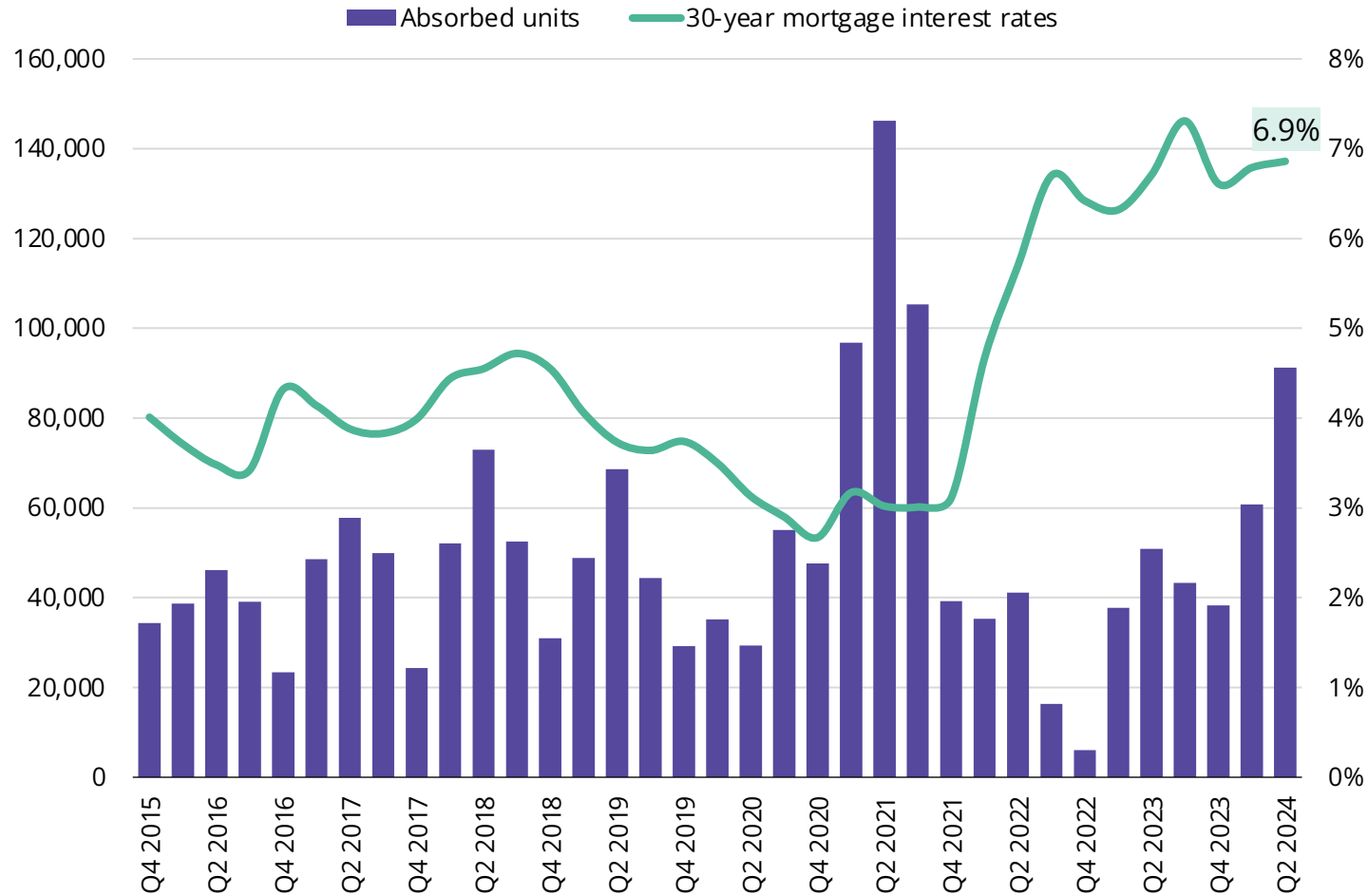


Multifamily development activity



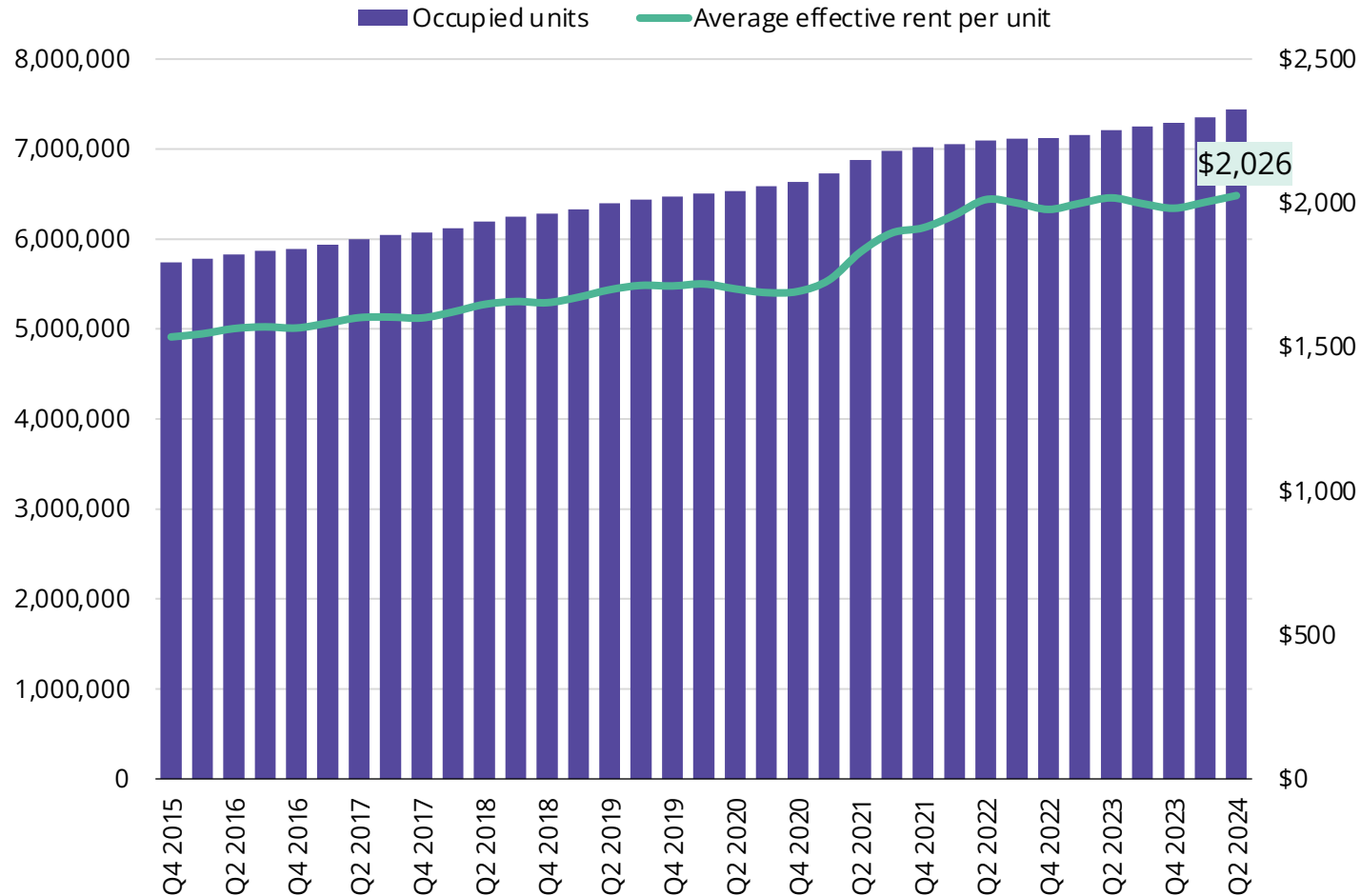
Development activity continues to slow following a wave of new deliveries, while occupancy rates continue to hover around 93%.

Multifamily absorption and interest rates



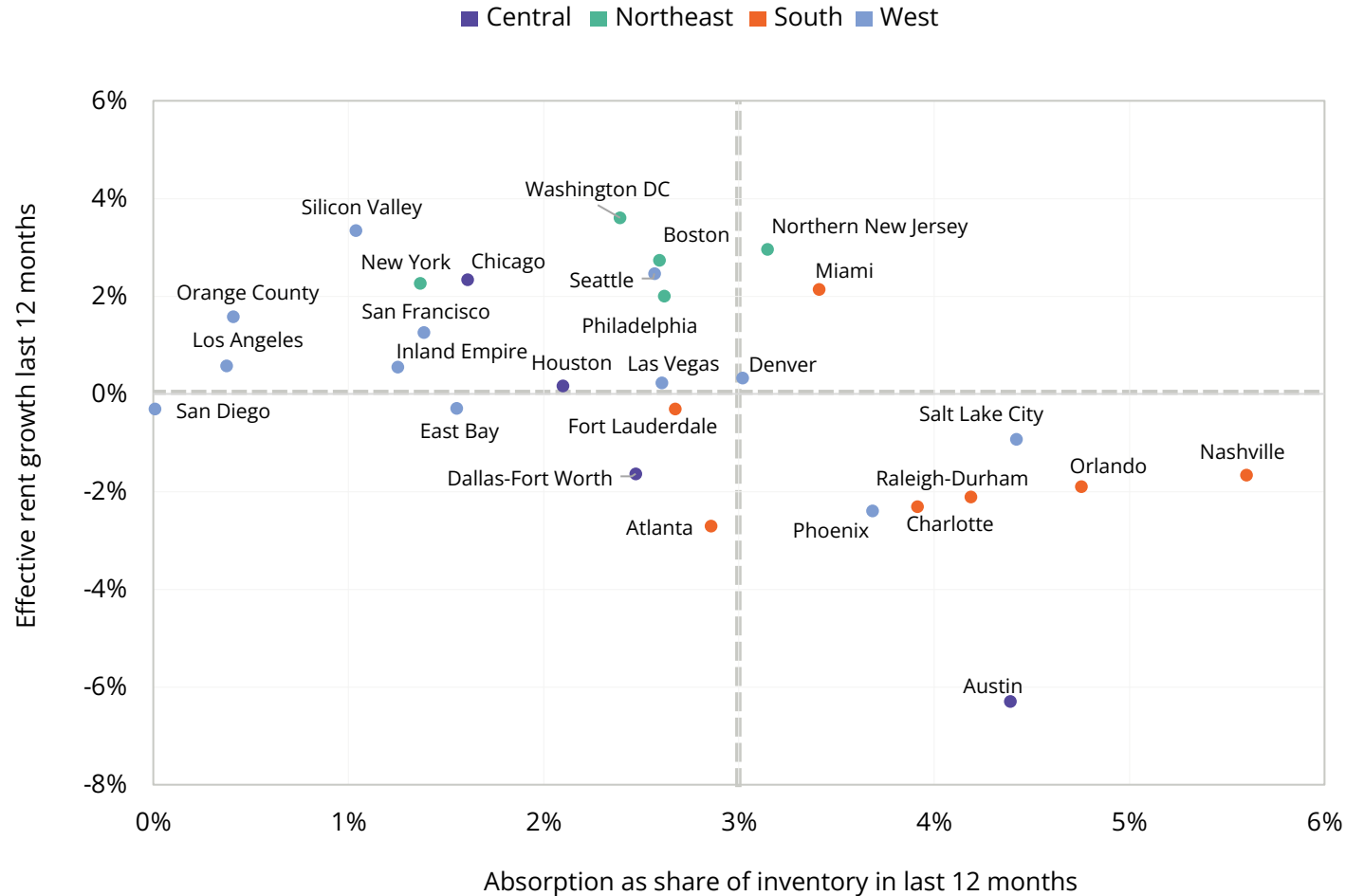
Multifamily reached its highest rate since Q3 2021, as elevated interest rates have limited the ability for renters to move into homeownership; in 2024 alone, 152,000 units have been absorbed, compared to 243,000 in H1 2021 when demand peaked.

Multifamily occupancy and effective rents



Occupancy continues to grow across major U.S. multifamily markets while rents have followed, though at a slower rate compared to 2020-2021.

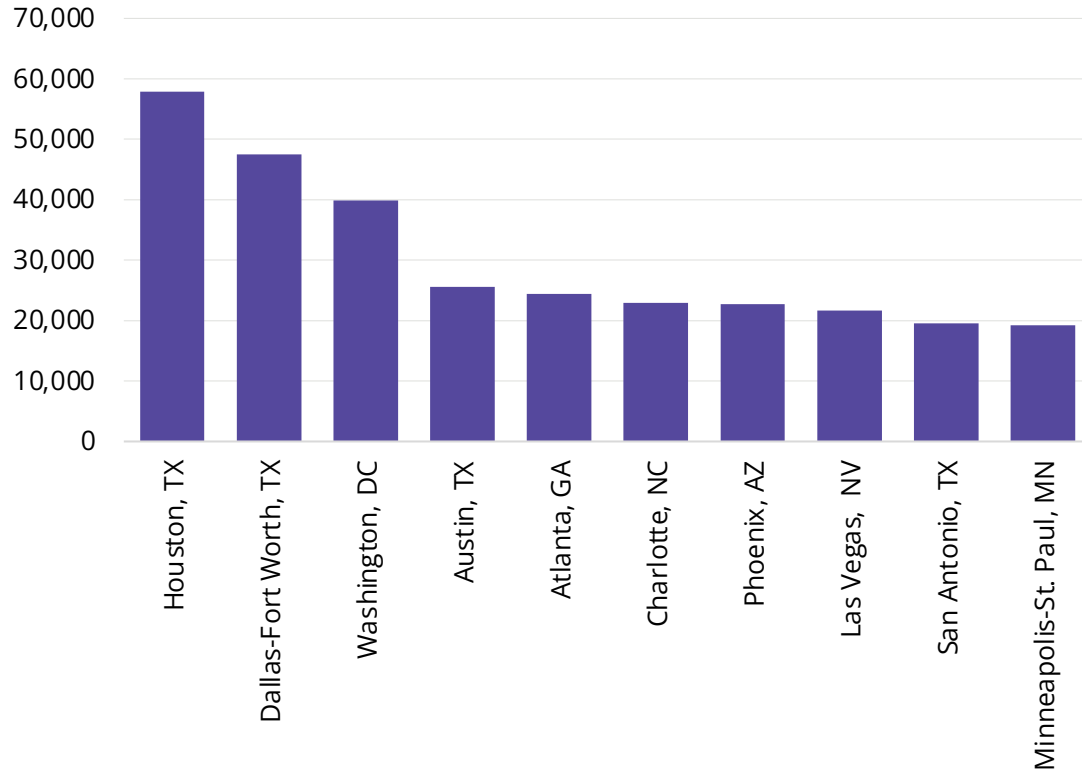
Effective rents and absorption by market



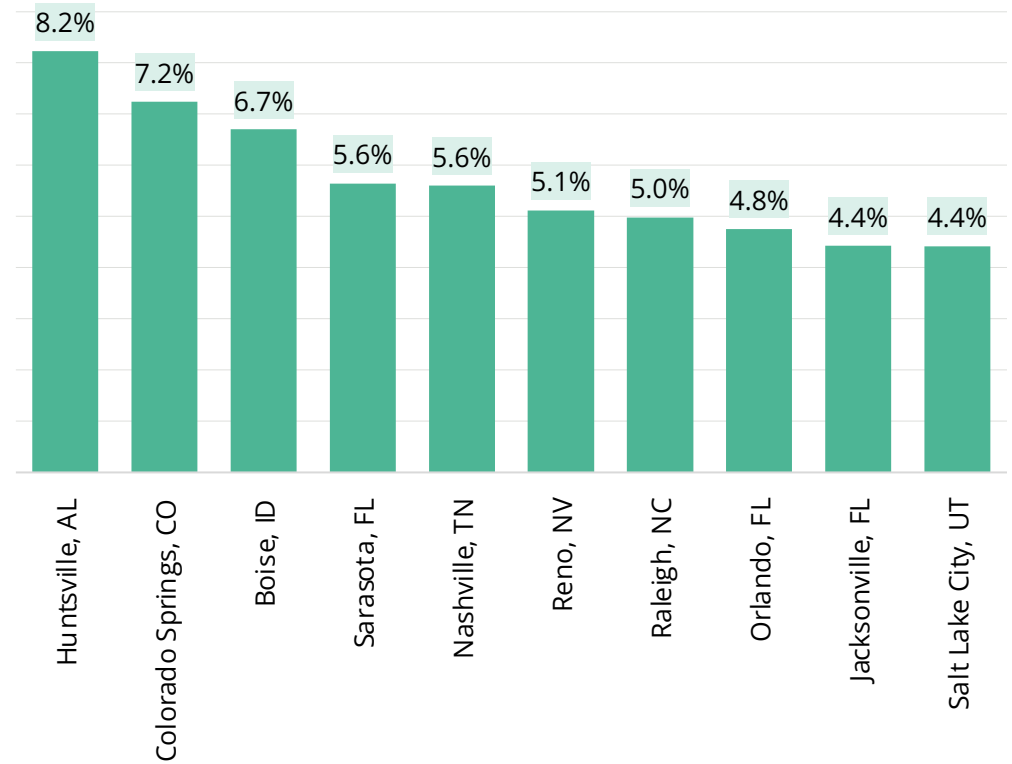
Major markets are leading in rent growth, while Sun Belt markets continue to see strong demand but are facing downward pressure on rents.

Trending markets for demand and construction activity

Top markets for population growth in last 12 months



Top markets for absorption as % of inventory in last 12 months

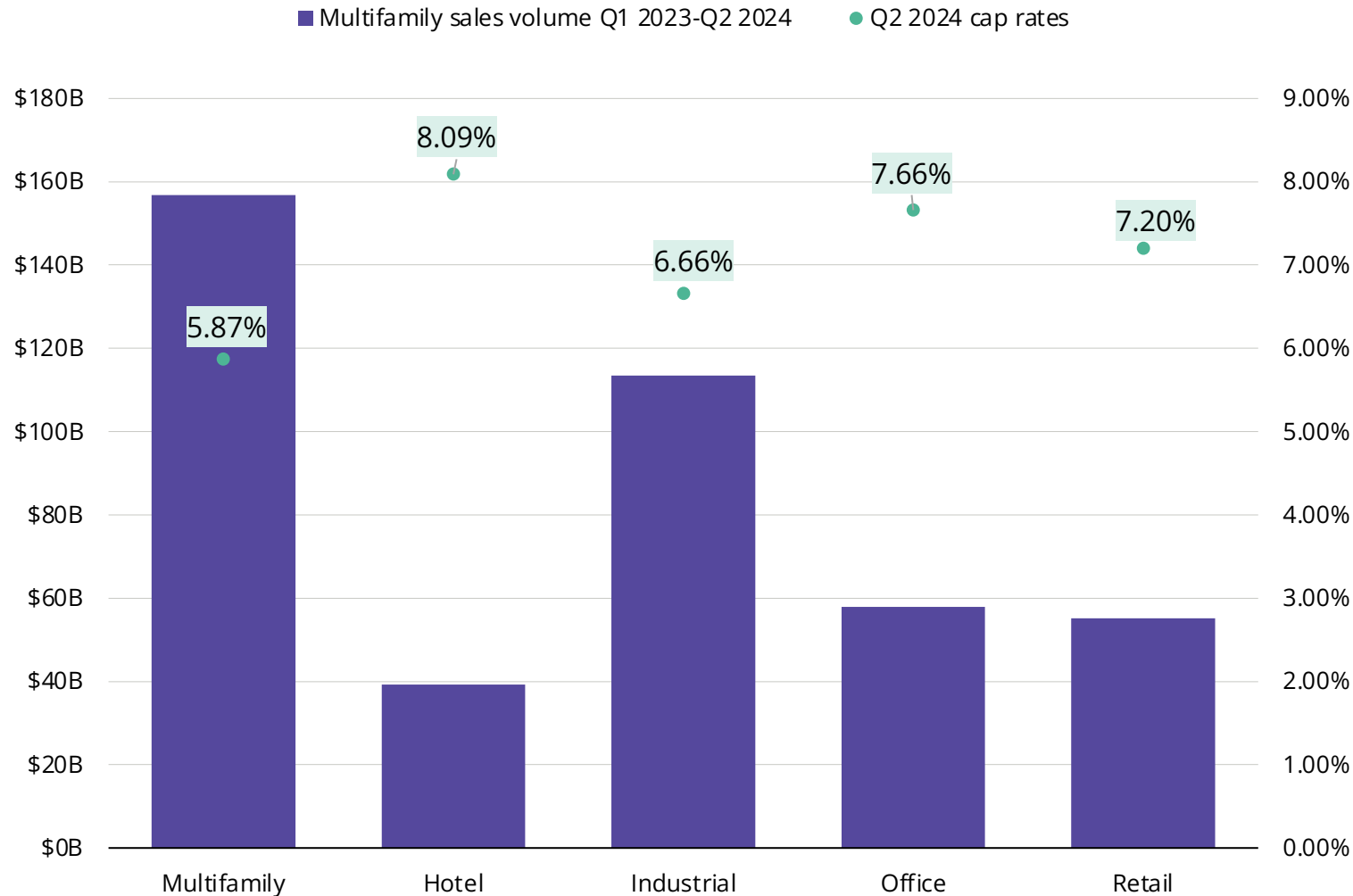


U.S. multifamily capital markets conditions

Let's examine capital
market conditions.

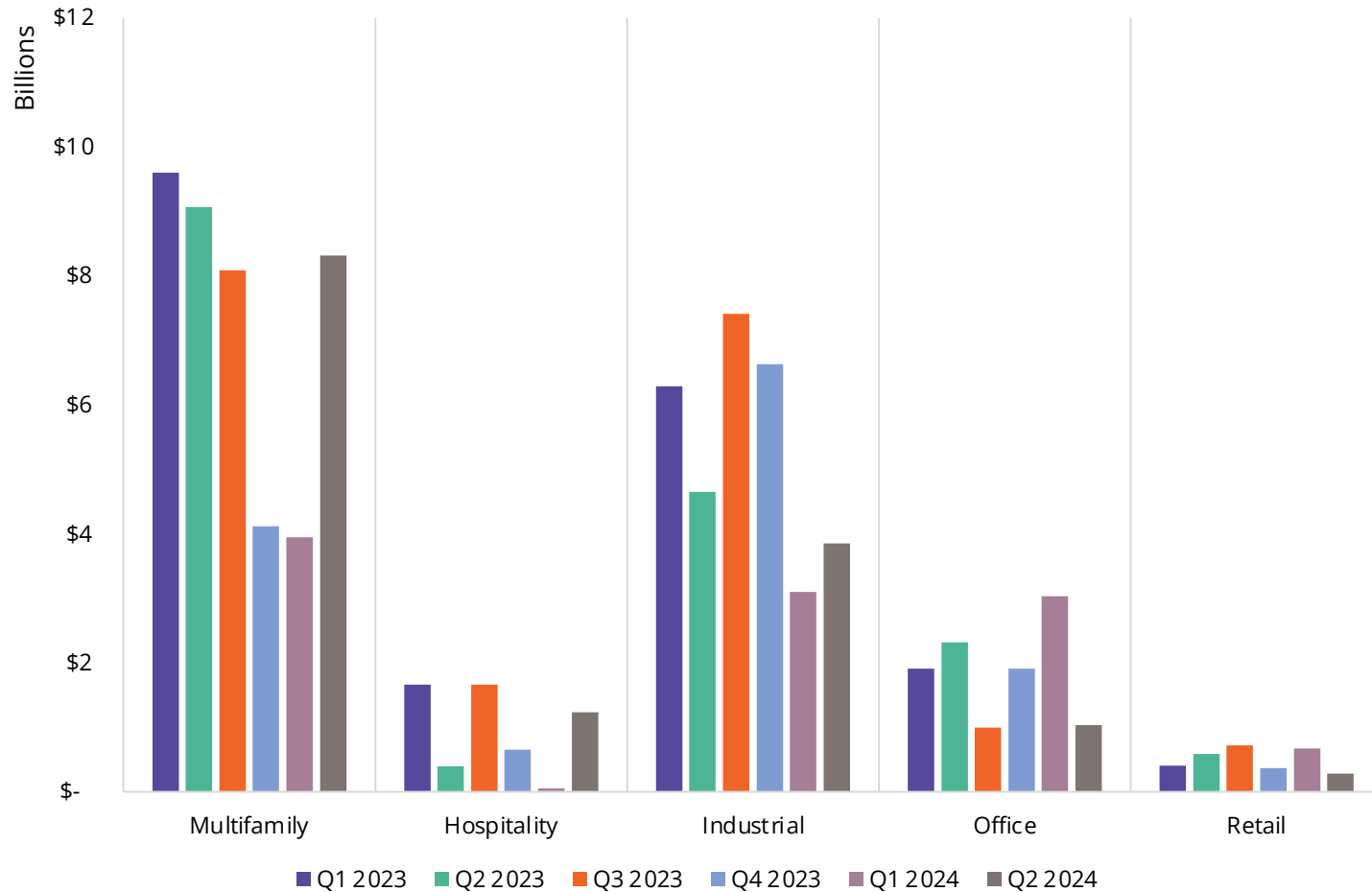


Sales volume and cap rates by asset type



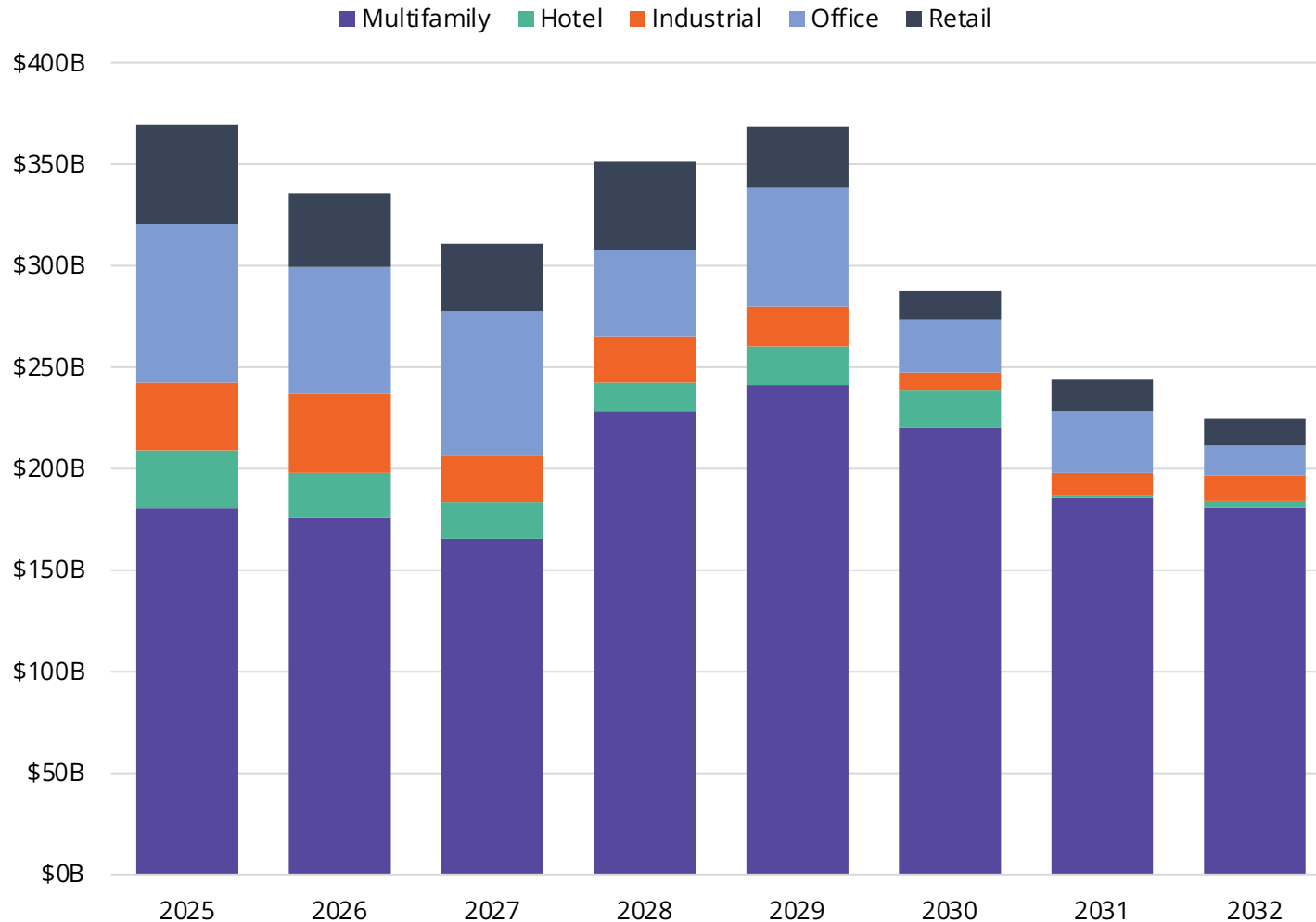
Through the first half of 2024, the multifamily sector has seen an uptick in investment sales volume quarter-over-quarter. Meanwhile, multifamily cap rates have risen from 5.50% to 5.87% since 2023, but remain below other asset types.

Institutional investment allocation



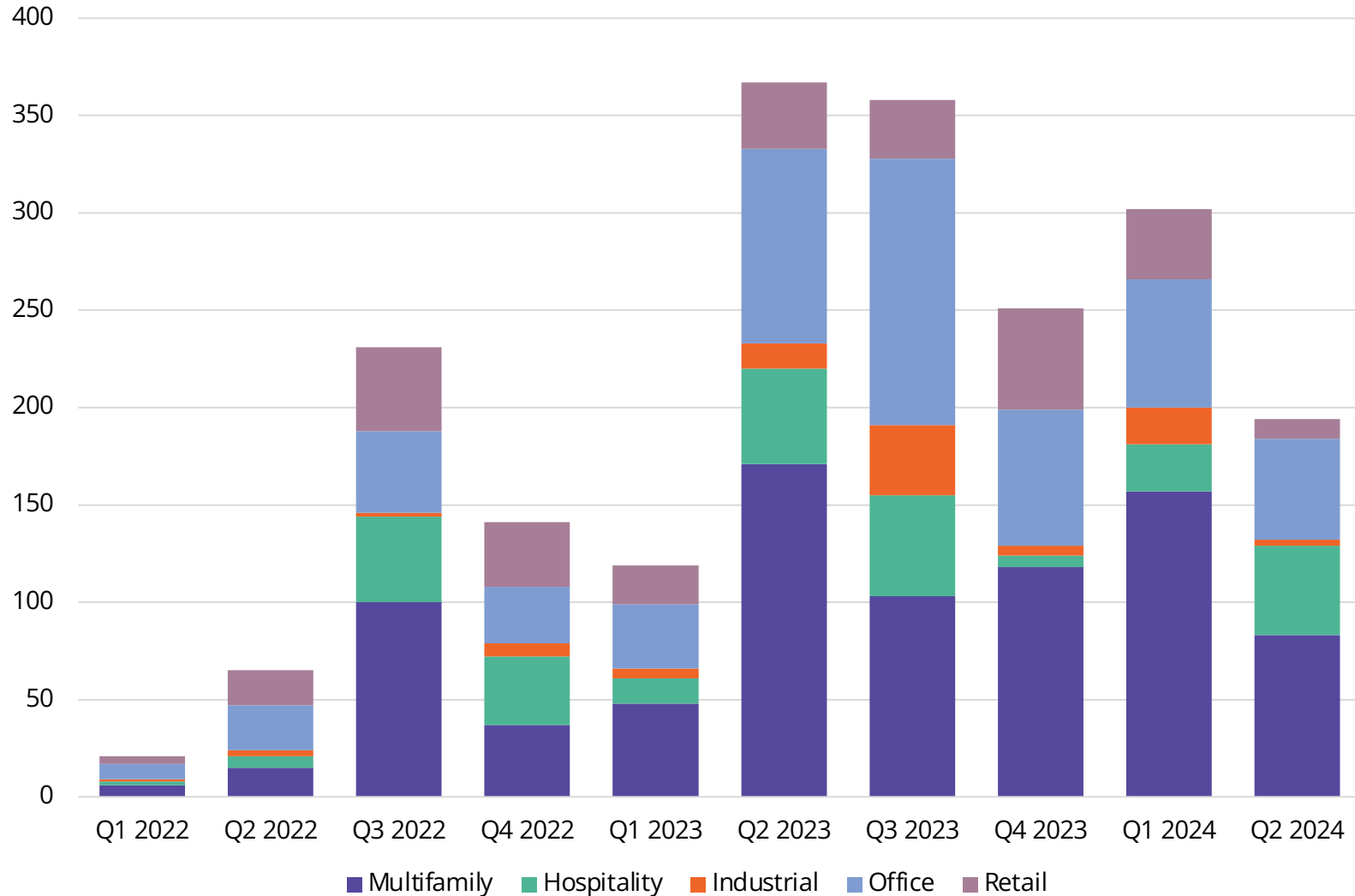
A reflection on the shifting sentiment of institutional investors, multifamily leads other major property sectors in acquisitions quarter-over-quarter after doubling between Q1 and Q2 2024.

Loan maturities by property type



More than 50% of loan maturities occurring by 2028 are within multifamily loans. 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



Over 40% of foreclosures in the last 18 months have been multifamily assets following rate hikes, but activity has slowed following a rise in lender-initiated sales.

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