



U.S. multifamily market report

Q1 2024

**AVISON
YOUNG**

U.S. multifamily market trends

3.4%

Average annual inventory growth since 2020

Development activity will peak in 2024 following the delivery of almost 500,000 new units.

Meanwhile, sunbelt markets continue to see elevated development activity; of those with +10% of the multifamily inventory currently under construction, rents have declined by an average of 1.8% over the last 12 months.

52.0%

Of top U.S. markets saw for-sale housing pricing increase in last 12 months

Over half of the top U.S. markets have seen for-sale housing prices increased by +1%, while just 36% of those markets have seen multifamily rents grow by +1%.

Increased pricing within the for-sale market is helping retain demand for multifamily assets; in Q1 2024, multifamily absorption reached its highest level since 2021 when demand peaked.

5.2%

Average multifamily cap rate in Q1 2024 for major U.S. markets

Cap rates remained unchanged from Q4 2023 levels and Q1 2024 sales volumes dropped to its lowest level since Q2 2020. Meanwhile the 10-year Treasury rate returned to Q3 2023 levels as inflation remains persistently high.

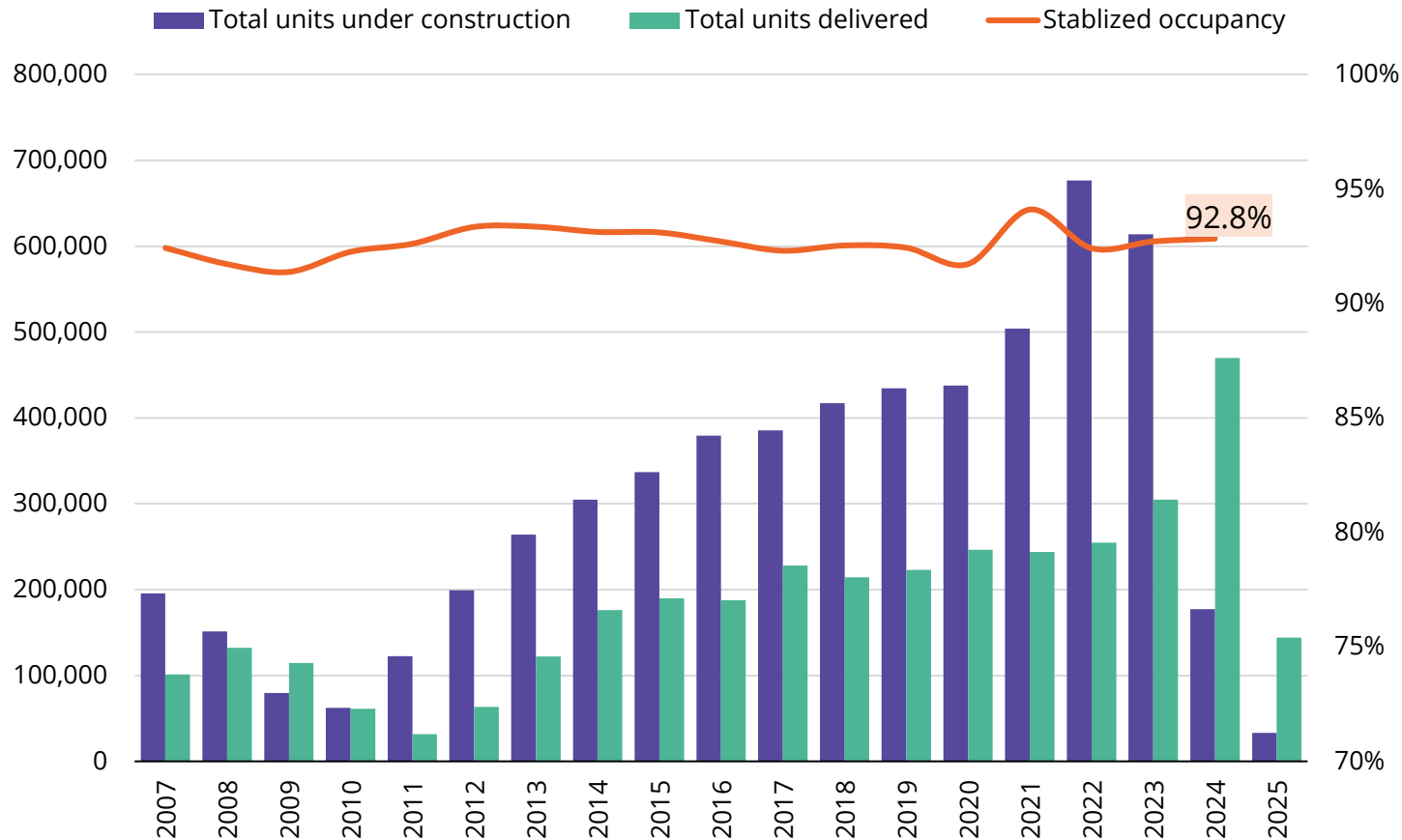
Despite this, multifamily continues to remain a favored asset class for investors, accounting for 35% of dry powder volumes.

U.S. multifamily conditions

Let's examine prevailing multifamily trends.

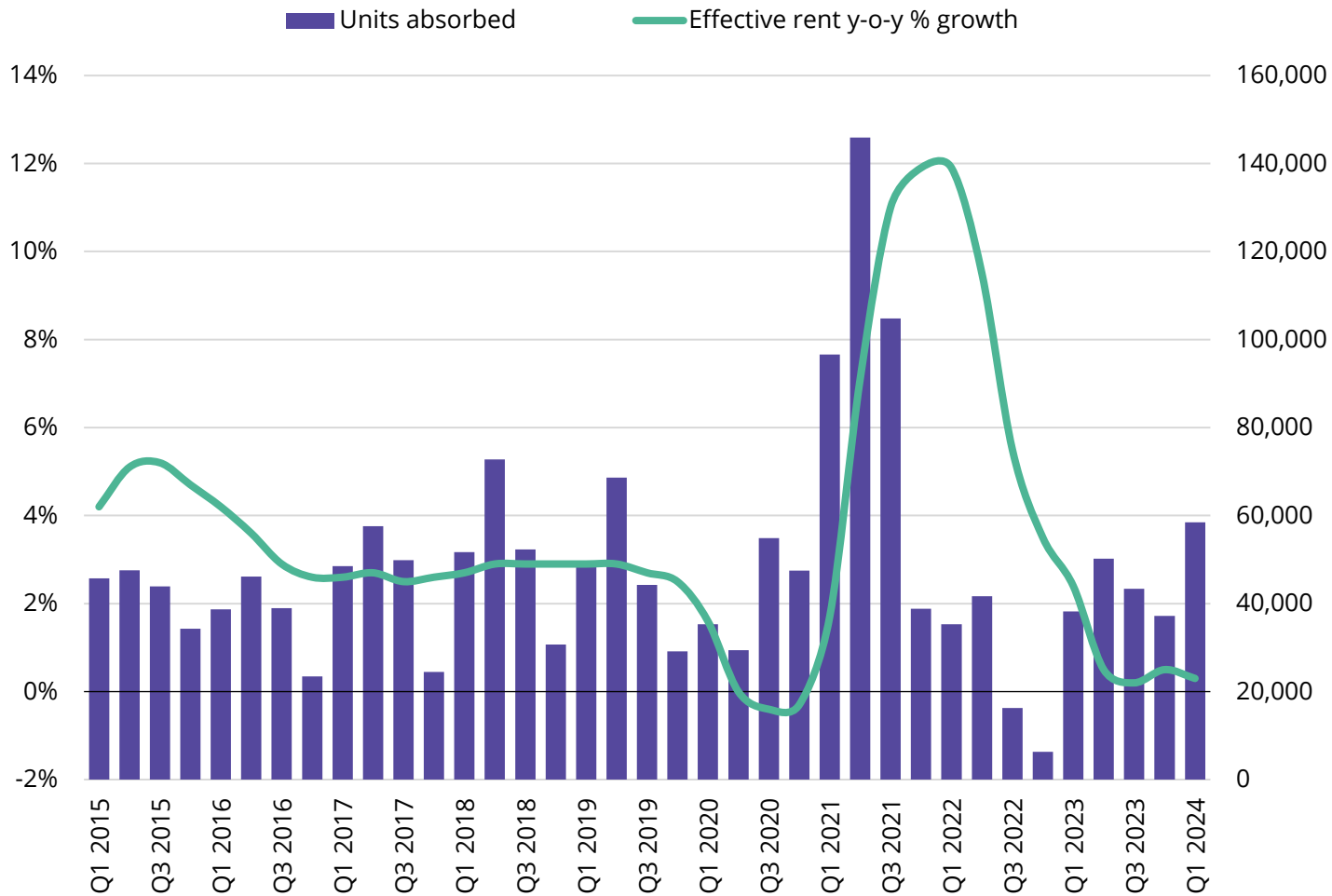


Multifamily development activity



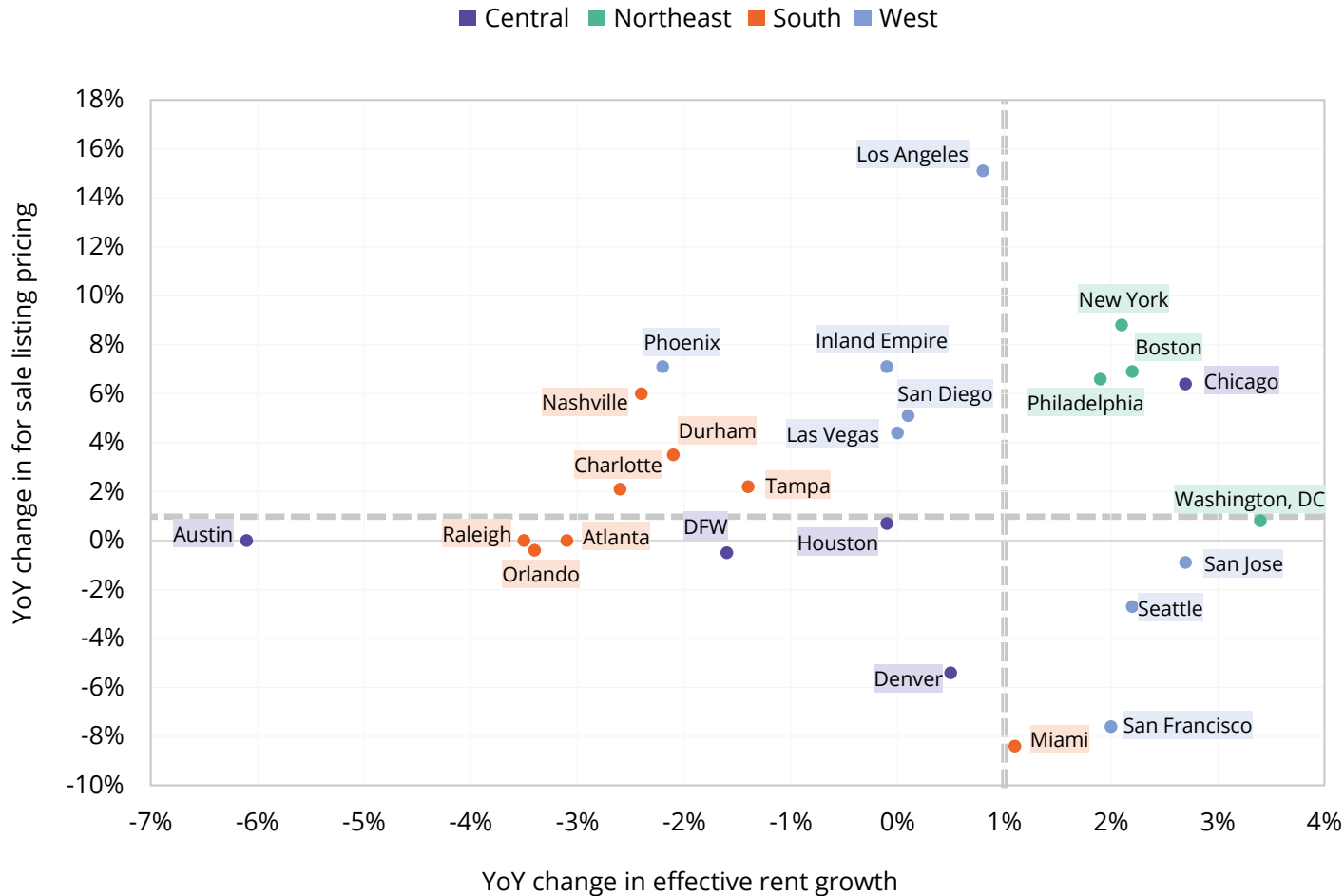
Development activity will peak in 2024 following the delivery of almost 500,000 new units; despite the uptick in construction levels, Q1 2024 stabilized occupancy has continued to grow since 2022.

Absorption and effective rent growth



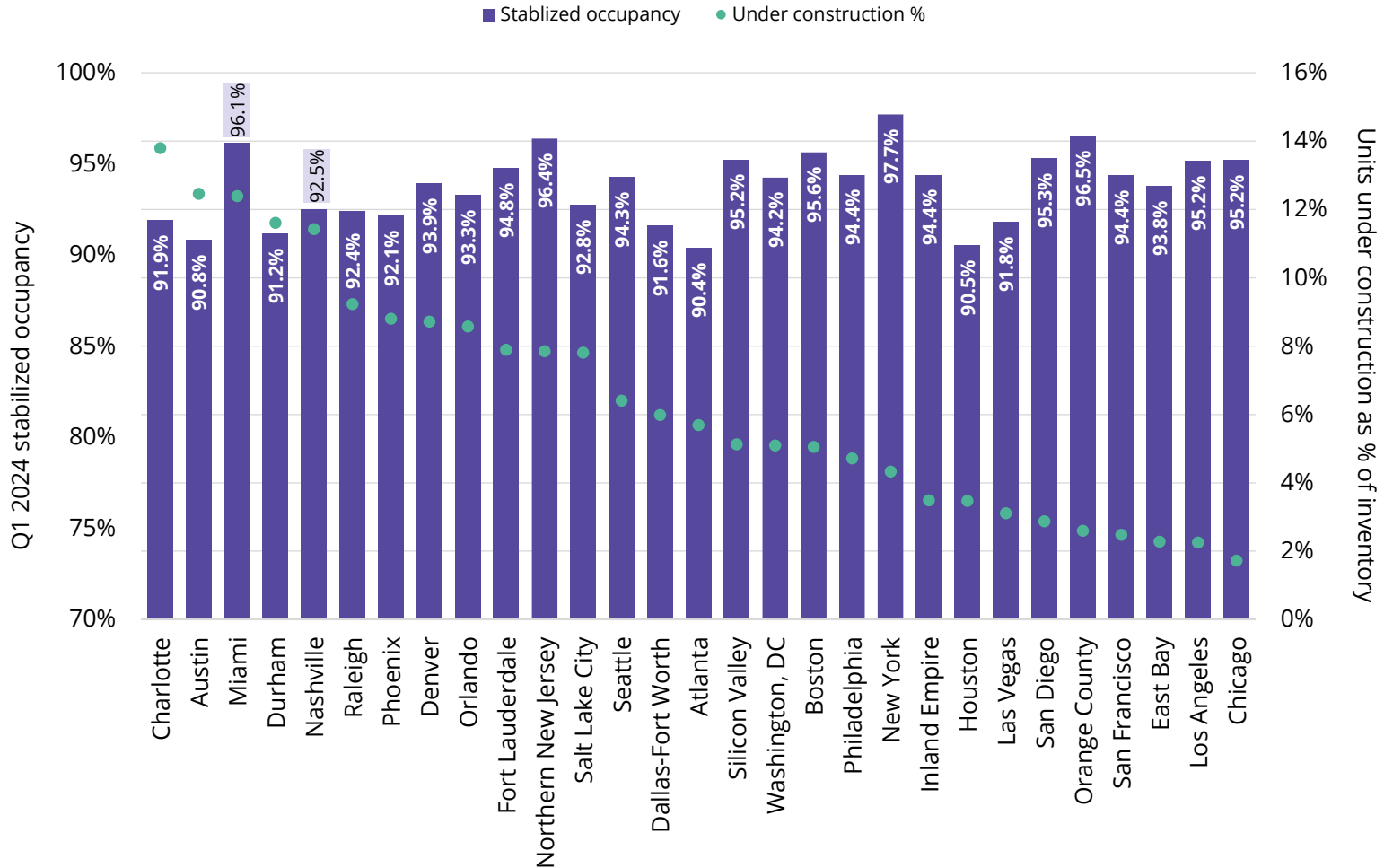
Absorption reached its highest level in Q1 2024 since 2021, when demand peaked; meanwhile rent growth has been minimal following the flood of new deliveries.

Change in for sale listing pricing and rents



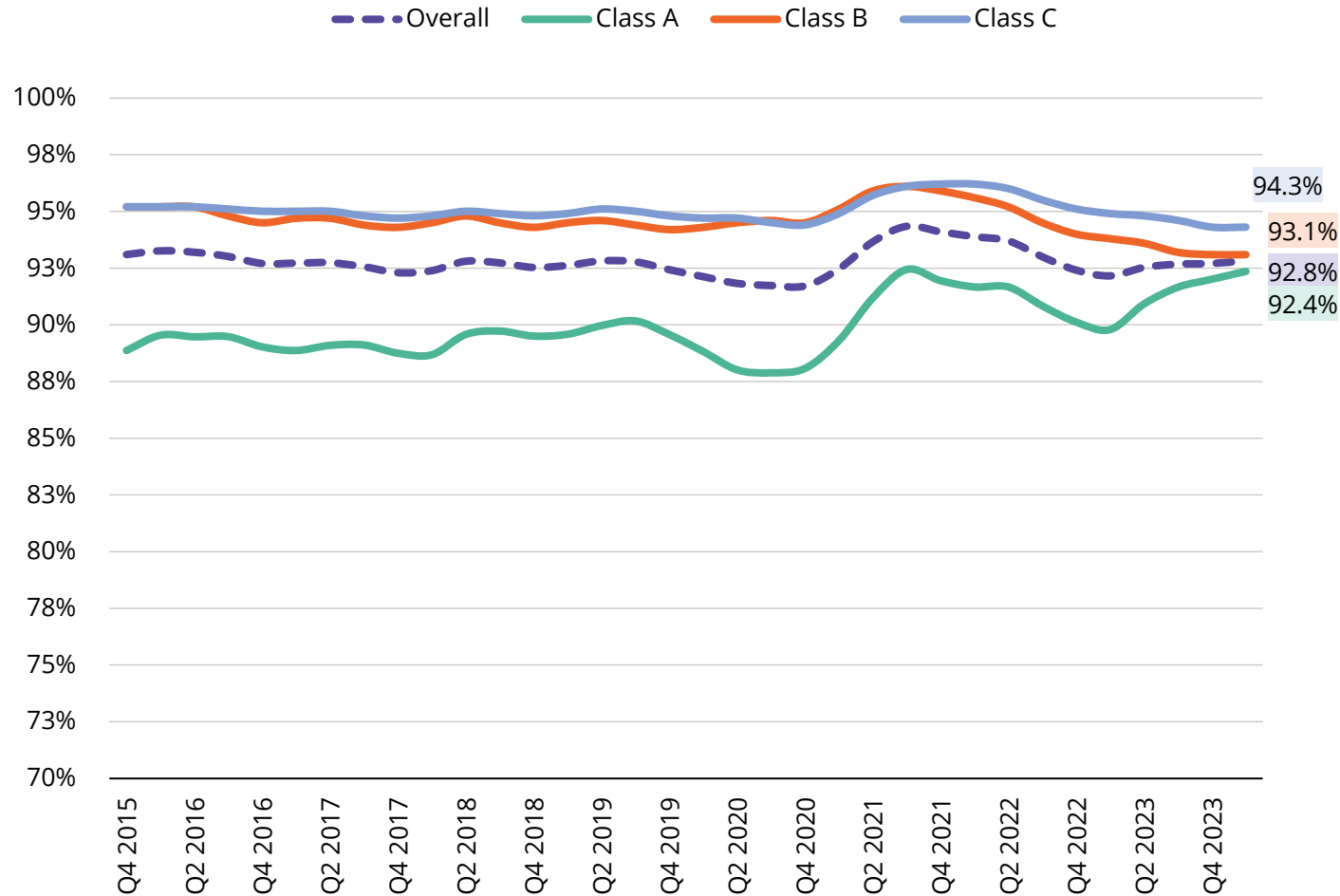
Over the last 12 months, 52% of major U.S. MSAs have seen for-sale housing prices increase by +1%, while just 36.0% of markets have seen rents grow by +1%.

Occupancy and development activity by market



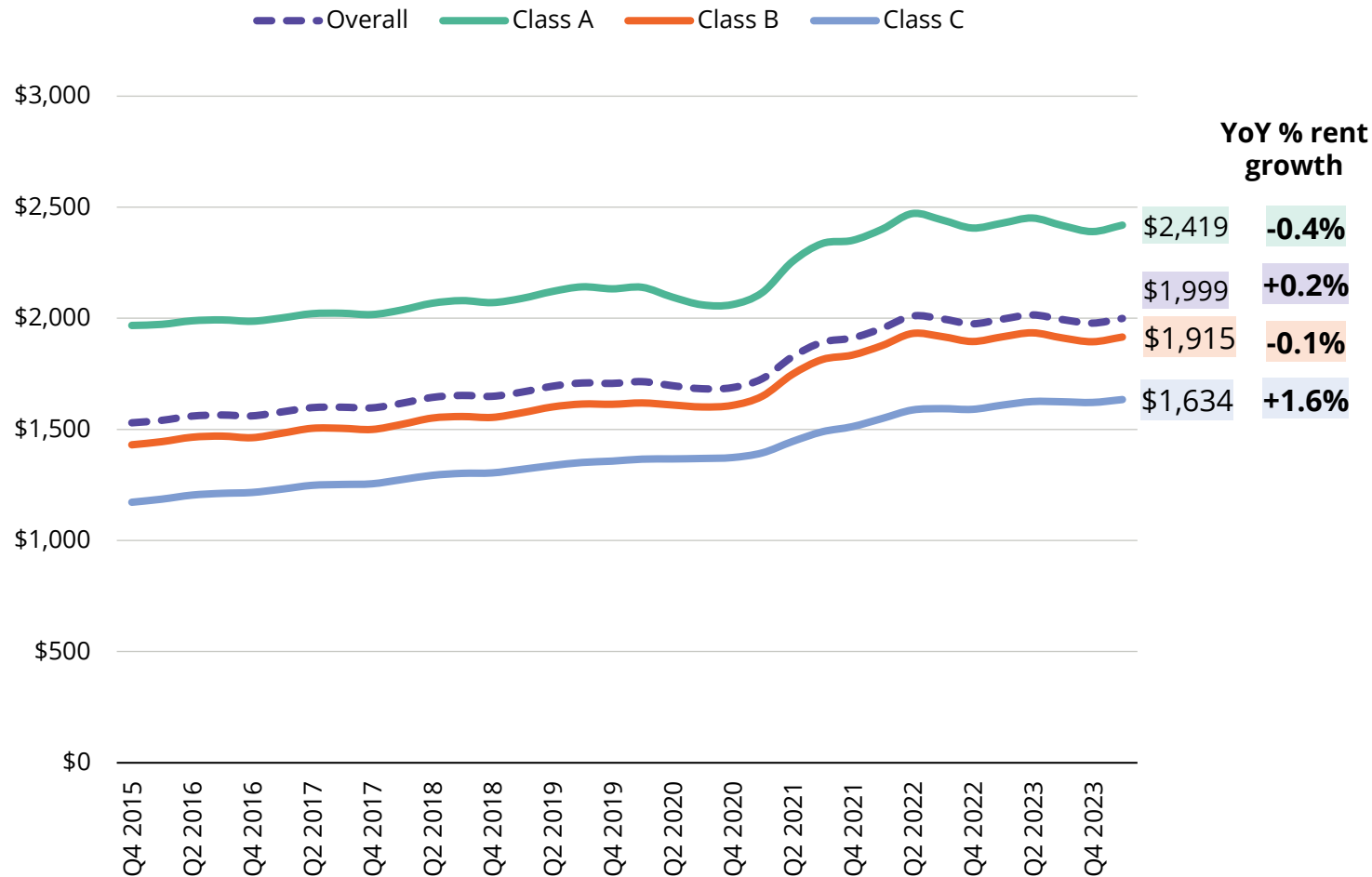
Markets with +10.0% of inventory currently under construction have seen rents decline by an average of 1.8% over the last 12 months.

Stabilized occupancy by class



Occupancy within the class A market continues to improve, while occupancy within the class B and C markets stabilized in Q1 2024, following seven consecutive quarters of negative absorption.

Effective rent per unit by class



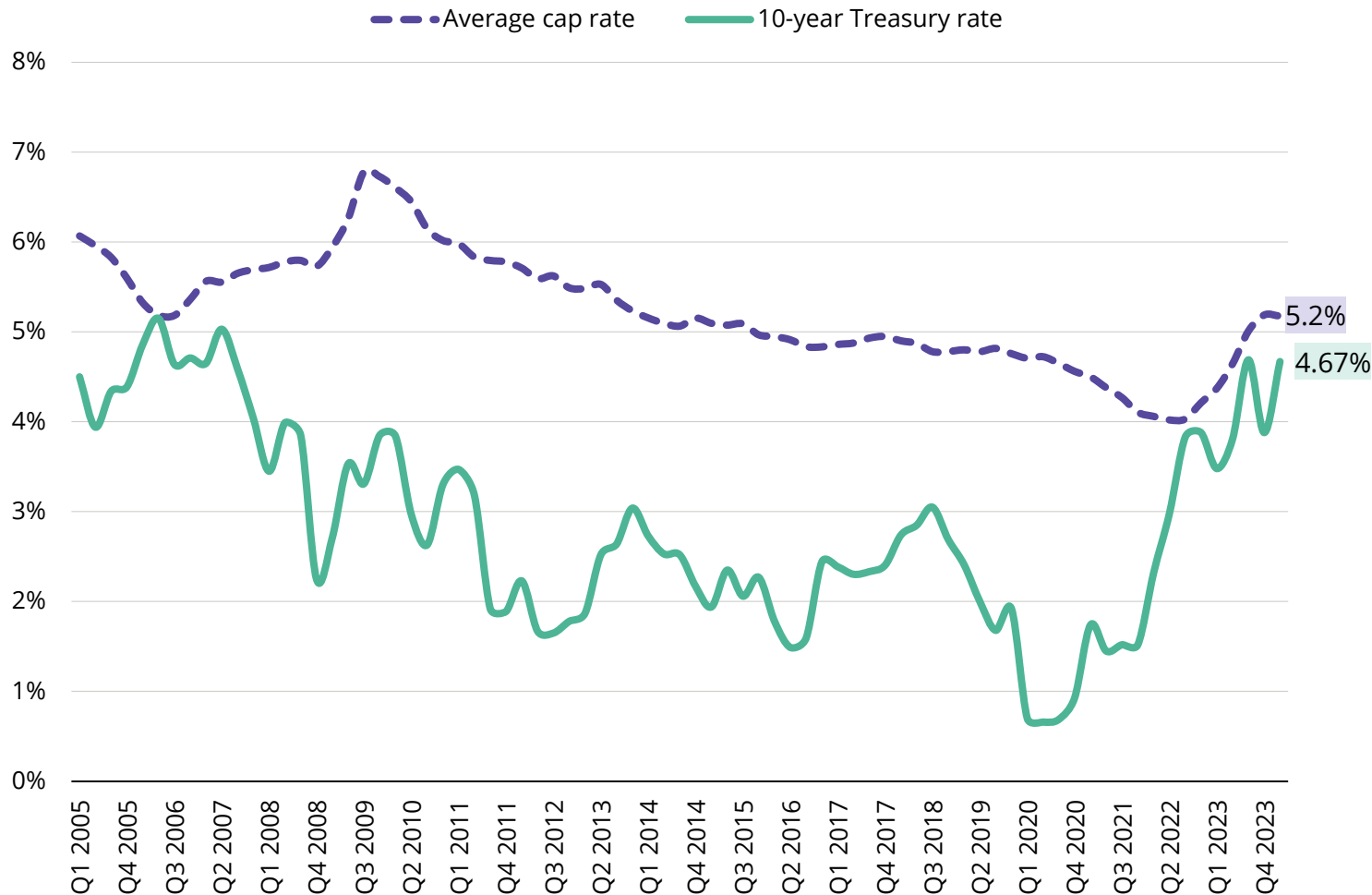
Rent growth has been minimal among class A and B assets, while older class C assets have seen rent growth increase by 1.6% over the last 12 months.

U.S. multifamily capital markets conditions

Let's examine capital market conditions.

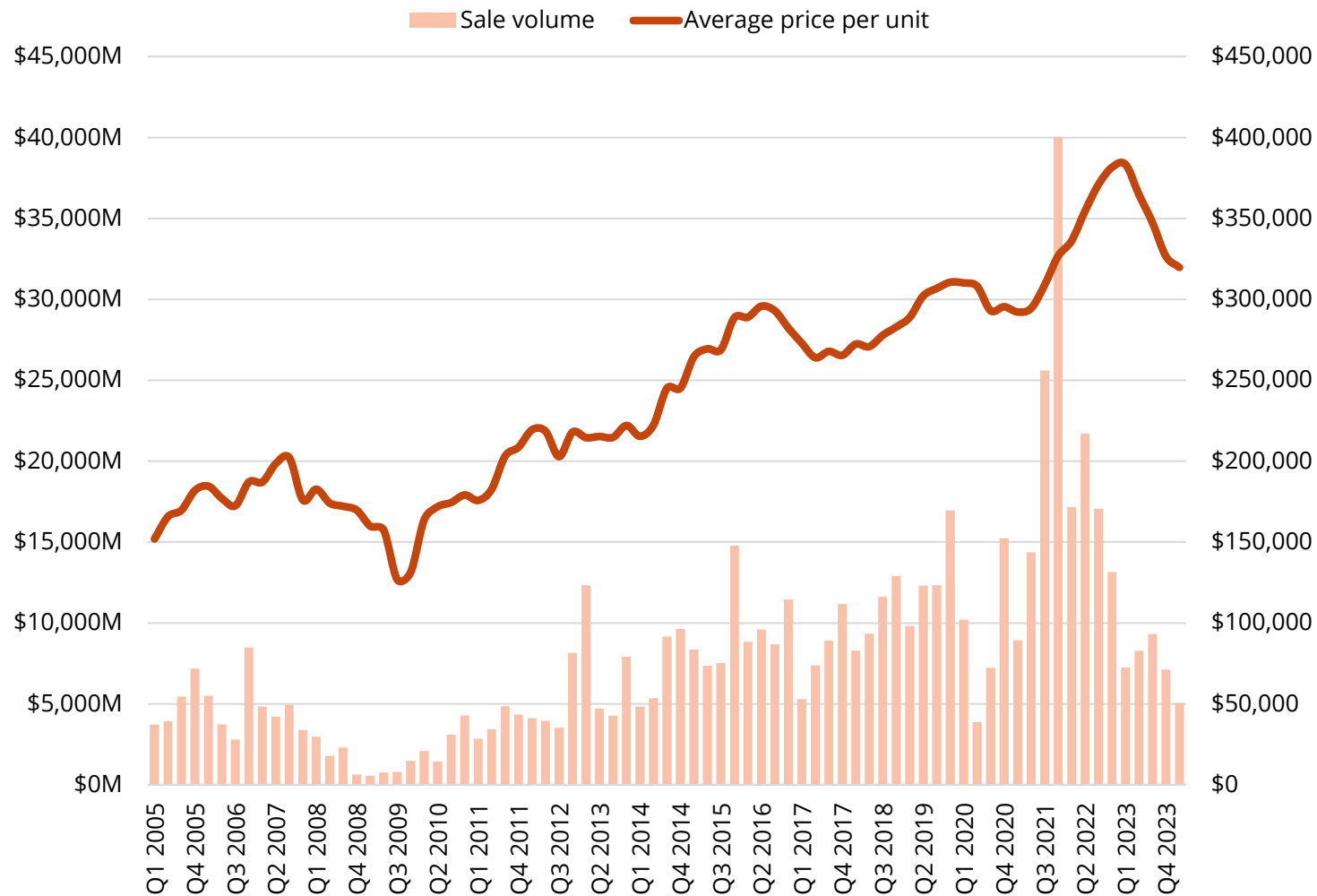


Multifamily average cap rate and 10-year Treasury



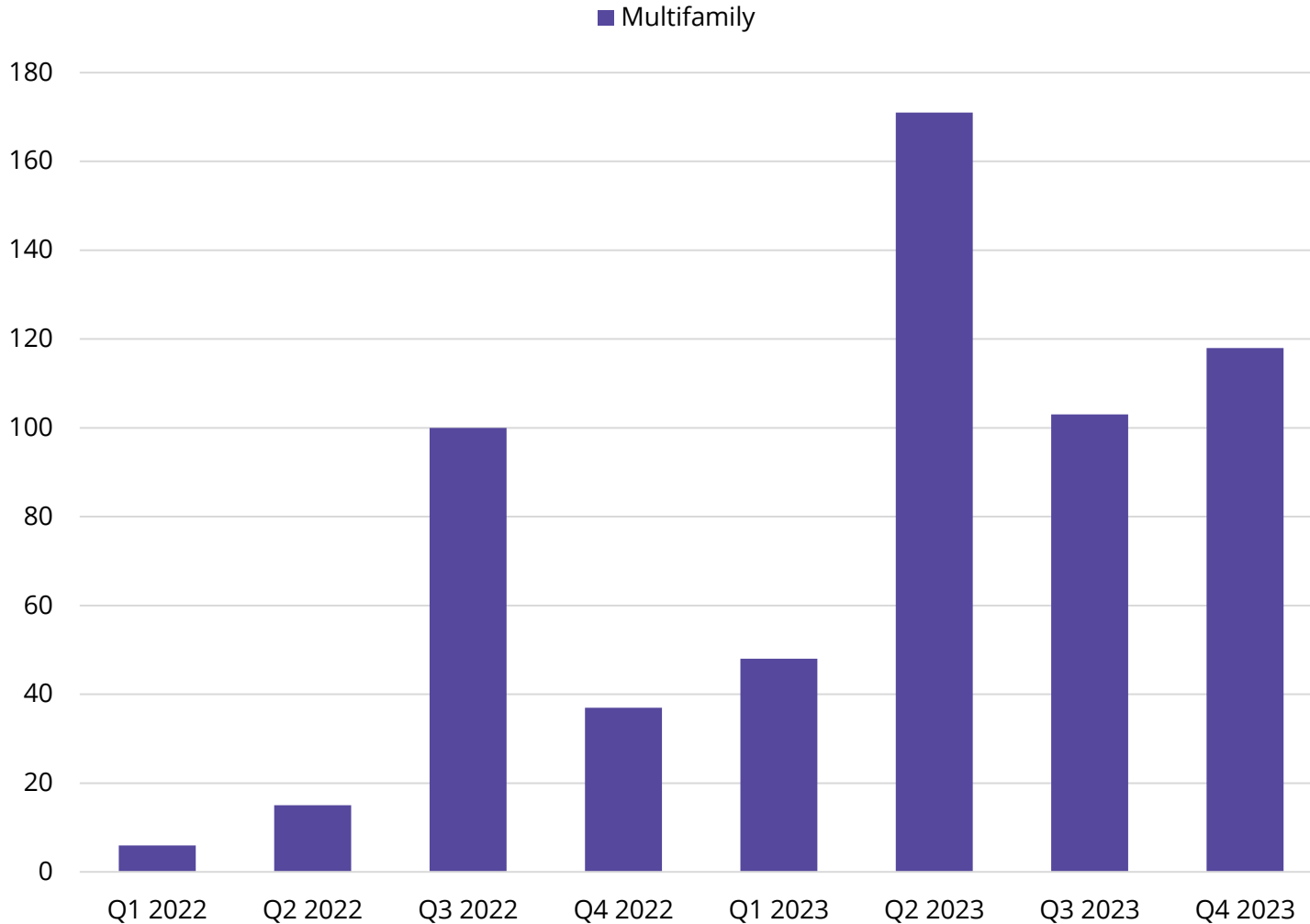
Cap rates remained unchanged in Q1 2024 at 5.2% while the 10-year Treasury rate returned to Q3 2023 levels as inflation remains persistently high.

Investment sales volume and pricing



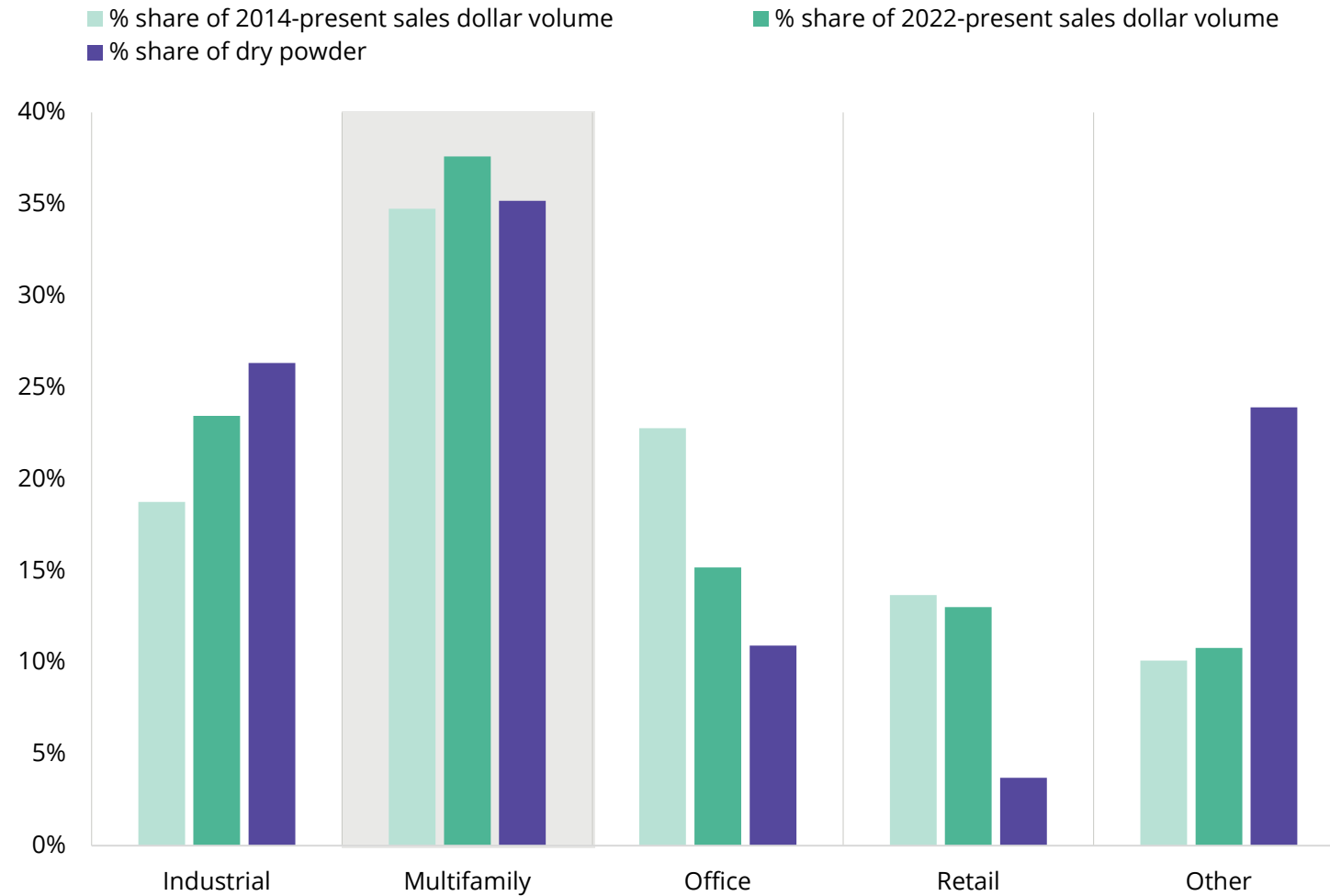
Average sales pricing per unit dropped by 16.6% over the last 12 months while sales volumes dropped to levels last seen in Q2 2020.

Foreclosure initiations by quarter



Multifamily assets comprised 40.2% of foreclosures across all property types in 2023, following interest rate increases in Q1 2023.

Sales volume vs. dry powder



Multifamily continues to remain a favored asset class for dry powder as investor sentiment has greatly shifted towards the office market.

For more market insights and
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