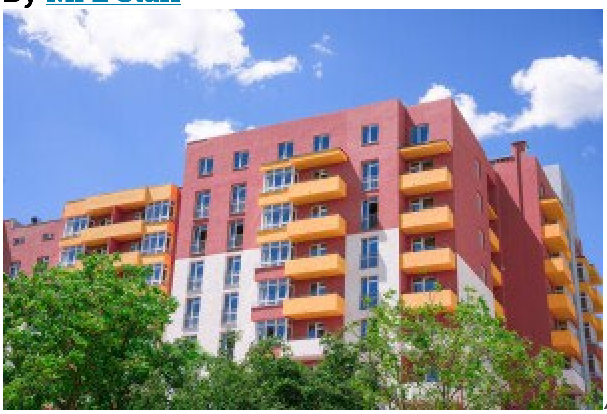
Posted on: June 10, 2024

Multifamily Executive

Asking Rent Grows Modestly in May

While rents are rising in a normal seasonal pattern, the growth is mitigated by the record delivery pipeline in many markets.

By MFE Staff


Adobe Stock

Rents rose for the fourth straight month, but gains were moderate, according to Yardi Matrix's May National Multifamily Report. The average U.S. asking rent increased by $6 to $1,733, and the year-over-year growth was unchanged at 0.6%.

The Northeast and Midwest continue to record the highest rent growth, led by New York City (4.8% year over year); Columbus, Ohio (3.6%); and Kansas City, Missouri, and New Jersey (both at 3.4%). Washington, D.C., passed Chicago in May, posting rent growth of 3% year over year to round out the top five.

Demand remains strong, but growth is being mitigated by the rapid deliveries in many markets, especially the Sun Belt. Although rents are rising in a normal seasonal pattern, the 1% year-to-date increase is about half of the average growth rate for the five years before the pandemic, the report says.

Rents rose 0.3% month over month in May. With 26 metros posting modest month-over-month gains, Denver and New York (both at 0.9%) and Raleigh, North Carolina (0.8%) led the pack. Phoenix; the Twin Cities; and Charlotte, North Carolina, posted modest month-over-month declines (all down 0.1%).

On an annual basis, nine of the 30 top metros registered year-over-year rent growth of -1.5% or worse—all of which are Sun Belt markets with very high delivery pipelines. Austin, Texas, continues to be the hardest hit by negative rent growth (-5.8%).

“Each of these markets has had strong absorption over the past year, but the supply glut has eroded occupancy rates and rent growth, at least temporarily,” the report reads.

The national occupancy rate was unchanged at 94.5% in April. No metro has recorded a year-over-year increase, and the national rate has not surpassed 95% since April 2023.

The occupancy rate has dropped over the past year in 29 of the 30 metros, with Las Vegas being the only metro that was unchanged. Occupancy rates have slipped below 93% in four metros: Atlanta (92.4%), Houston (92.5%), Austin (92.9%), and Dallas (92.9%).

High interest rates present another challenge, Yardi says. With sales down over 20% year over year in May, transaction activity remains weak.

“Through mid-May, $19.3 billion of multifamily transactions were completed nationally, 24% below the year-earlier period and far below the recent peak years, according to Matrix. Opportunities are still available, but investors may have to search harder or move out of comfort zones into segments such as distress, ‘hidden gem’ markets and niche property types,” the report says.

The report says that niche sectors, including affordable housing and single-family rentals (SFRs), are ripe with opportunity.

For SFRs, asking rent rose $6 in May to $2,166, and year-over-year growth decreased 10 basis points to 1.4%. Occupancy rates fell 10 basis points to 95.3% in May, Yardi Matrix reports.