INSTITUTIONAL INSIGHTS

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MULTIFAMILY MARKET INTELLIGENCE

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Markets with Momentum

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Select Markets Exhibit Surprising Performance Momentum in Early 2024

New year starts off with slight rent climb. Key multifamily performance statistics from February show that rents for new apartment leases have begun to inch up again, despite the volume of new supply reaching a multidecade high. Preliminary calculations place the nation's average effective monthly rent up $6 from December 2023's low. While the two-month uptick was minor, the shift in direction is significant, given that move-in rents dropped gradually throughout the back half of last year. Rents for lease renewals were also up in early 2024, helped by solid resident retention that is being boosted by a record price premium to buy housing instead of renting.

The national vacancy rate stabilizes. Overall vacancy in February, based on preliminary data, held at the year-end 2023 rate of 5.9 percent. In a particularly encouraging result, vacancy among stabilized Class A communities was unchanged during the first two months of 2024, even when sizable rent concessions were offered at the newest luxury properties still going through the initial lease-up process. Metros registering the most performance momentum so far this year are generally in areas where solid results were anticipated due to comparatively modest scheduled new supply. However, rent growth and vacancy levels also look better than seemed likely in select spots where inventory expansion is occurring at a fast pace.

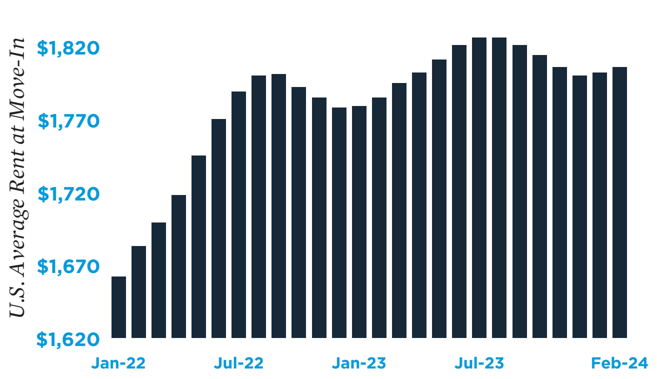
Bay Area

San Francisco and San Jose make strong moves. While the three-metro San Francisco Bay Area has been an apartment performance laggard since 2020, rents are suddenly climbing quickly. Preliminary calculations put the region's February average monthly rent up $42 from late 2023's low. Metro San Francisco and the South Bay are driving the area's rent upturns, whereas growth is lesser in East Bay neighborhoods. Vacancy in the Bay Area as of February was at 4.9 percent, down 30 basis points in two months. Healthy job growth, including among tech employers expanding their artificial intelligence capabilities, is helping create housing demand that surpasses the Bay Area's minuscule housing construction activity.

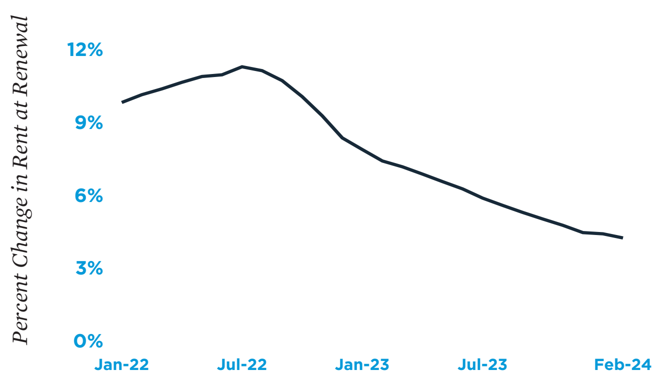
Chicago

The Windy City makes additional progress. Many apartment investors cited Chicago as a bright spot in their portfolios during 2023, encouraged especially by performance in the suburbs. That momentum continued in early 2024, with average move-in rents for February up another $23 since December, according to preliminary calculations. The bump in monthly rates occurred across all product segments. Chicago's apartment vacancy rate also shifted down 10 basis points during the first two months of the year to 5.0 percent, comparable to the long-term average for the market.

Rents for New Leases Picking Up

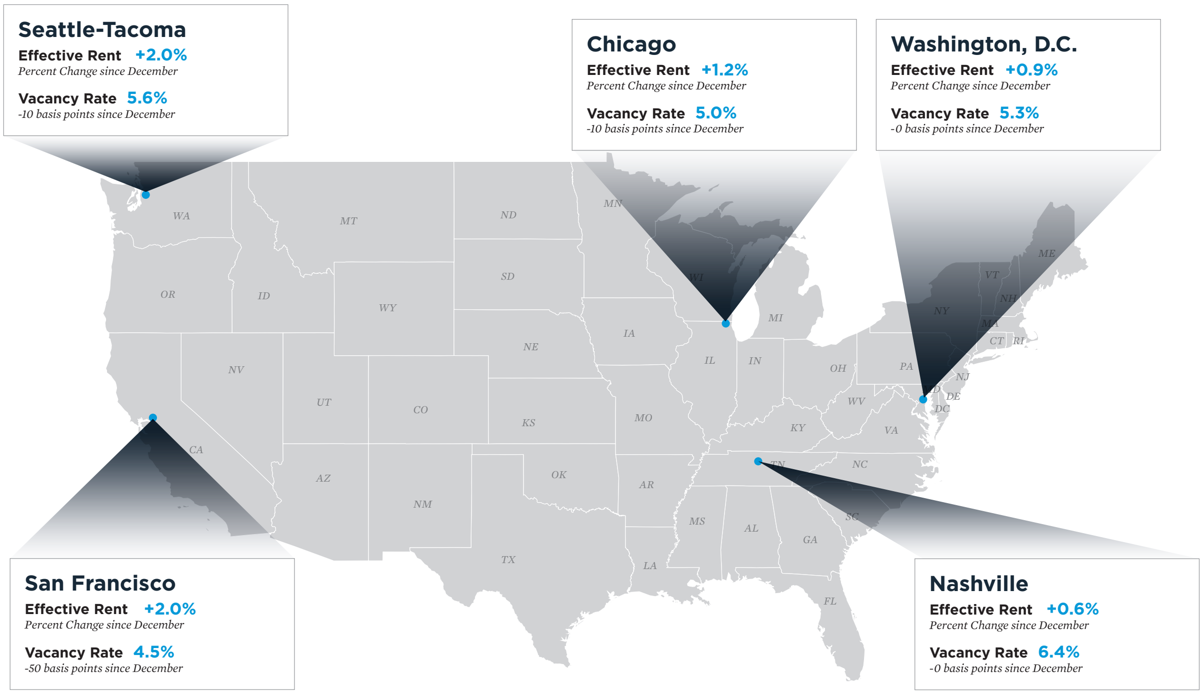


Lease Renewal Rent Growth Trends



Both new lease rent and renewal rate percent change are U.S. averages
Sources: IPA Research Services; RealPage, Inc.

Performance Highlights Through First Two Months of 2024



Washington, D.C.

Nation's Capital sees growth. Initial calculations for typical move-in rents in February show a $20 rent bump since December. Northern Virginia neighborhoods are the star performers, posting new lease rent growth notably stronger than the mild upturns recorded within the District or in the metro's Maryland suburbs. Washington, D.C., renewal lease rates were up 5 percent on average as of early 2024. The local apartment vacancy rate as of February came in just over 5 percent, holding steady since late 2023.

Seattle-Tacoma

The major northwest market posts a rebound. Preliminary data showed that the average monthly rent for move-ins was up $21 between December and February, with renewal lease rent growth at just over 5 percent. The metro's vacancy dynamic has also made progress. The preliminary February rate of 5.6 percent was down 10 basis points since December. Seattle-Tacoma is among the few coastal markets experiencing apartment construction in line with volumes seen in some of the Sun Belt's key building centers. Ongoing development totaling 29,000 units translates to 6.7 percent near-term inventory expansion. Numerous deliveries underway in select neighborhoods will spell varied rent growth from one submarket to another.

Nashville

Music City surpasses expectations. After the average new lease rent in supply-heavy Nashville dropped roughly 4 percent during the last half of 2023, typical pricing in February's initial data showed a $10 improvement over December. While that is not a stunning upturn, any rent growth is good news given substantial construction. Areas posting rent momentum include city of Nashville neighborhoods that ring the urban core – but not Central Nashville itself – as well as the upscale suburbs of Franklin and Brentwood. At nearly 6.5 percent in the February calculation, Nashville vacancy was higher than ideal, but the result held at the rate seen in late 2023.

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Note: February 2024 performance metrics are preliminary
Sources: IPA Research Services; RealPage, Inc.