

U.S. Apartment Vacancy Hits 2-Year High As Rents Plunge In Sun Belt

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As historic levels of apartment units deliver across the country, nationwide vacancy has reached its highest point since 2021, with the market dynamics shifting in favor of tenants.

Completed rental projects with five or more units have jumped by more than 60% year-over-year, with more than 484,000 units delivering in March. There have only been three periods with more deliveries than this since the 1980s, according to a new report from Redfin. (<https://www.businesswire.com/news/home/20230511005893/en>)

The vacancy rate for U.S. apartments hit a two-year high of 6.4% in the first quarter, according to the Redfin report.

“The balance of power in the rental market is tipping back in tenants’ favor as supply catches up with demand. That’s easing affordability challenges and giving renters a little wiggle room to negotiate in some areas,” Redfin (<https://www.bisnow.com/tags/redfin>) Deputy Chief Economist Taylor Marr said.

Sun Belt markets have continued to weaken (<https://www.bisnow.com/national/news/multifamily/report-apartments-in-sun-belt-markets-set-up-for-significant-collapse-of-demand-114160>) from the astronomic rise (<https://www.bisnow.com/national/news/multifamily/multifamily-companies-turn-to-sunbelt-markets-in-2022-as-coastal-cities-disappoint-111783>) they saw during the pandemic. Austin and Phoenix were in the top five metro areas with the highest number of multifamily building permits in March.

Austin saw the largest decrease in asking rents with a 14.3% drop in April, according to Redfin. Phoenix and Las Vegas came in second and third with rents falling by 9.6% and 7.1%, respectively.

Not all markets are experiencing pain as the Midwest and Northeast have continued to see rents rise. Providence, Rhode Island, saw the biggest increase at 16%. This was followed by Raleigh, North Carolina, and Indianapolis, with 12.4% and 10.9% increases.

Although new deliveries are at record highs, some apartment REIT executives say the recent slowdown in new construction starts will benefit the industry (<https://www.bisnow.com/national/news/multifamily/continued-decrease-in-construction-starts-to-bring-relief-to-apartment-market-118779>) as fewer projects pencil out. This could reduce competition in the coming years and help landlords raise rents.

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