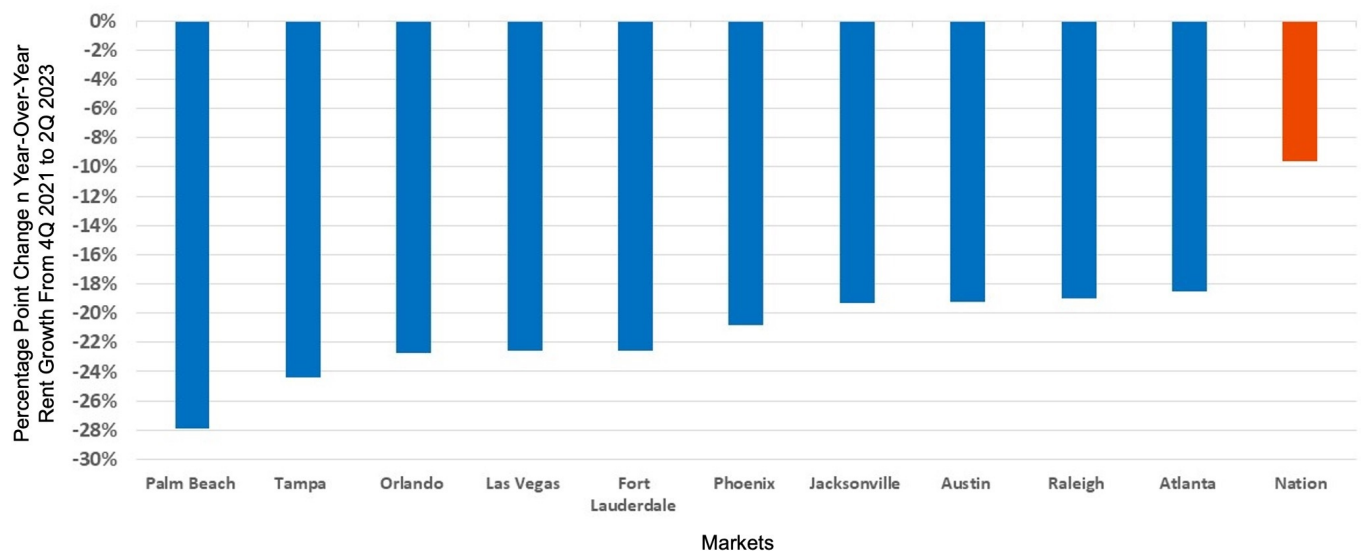


## COSTAR INSIGHT

# Multifamily Rent Growth Slows Goes From a Leader to Underperformer

The High-Flying Markets of 2021 Hit a Wall of Supply

## Former Rent Growth Leaders Have Lost the Most Momentum



Source: CoStar, June 2023



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Multifamily rent growth in the United States is experiencing its largest retreat on record, with rents growing just 1.1% since the end of 2021 after hitting an all-time high of 10.7%.

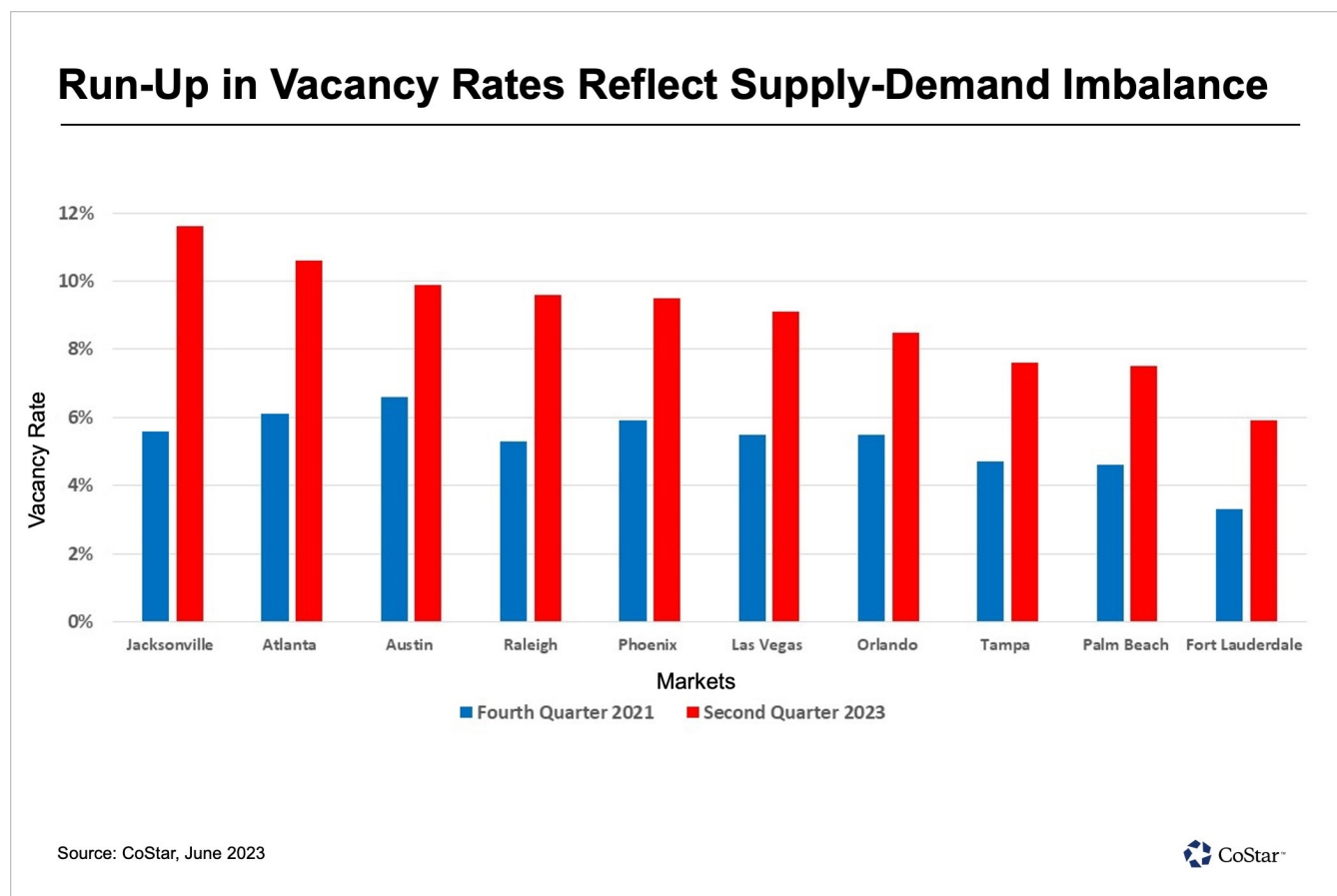
[The 10 markets](#) that led the explosive rent growth during 2021 have witnessed rent deceleration two or three times faster than the nation. Palm Beach, Florida, stands out

as the market that has watched rent growth slow the most, going from growth of 27.9% year over year to zero over the past six quarters.

On average, these 10 markets saw rents decline by 20 percentage points in the past year and a half. Worst of all, seven of the markets — Atlanta; Austin, Texas; Jacksonville, Florida; Las Vegas; Orlando, Florida; Phoenix; and Raleigh, North Carolina — all are now registering negative rent growth.

Record multifamily completions combined with soft demand created the perfect storm of negative market conditions, especially in Sun Belt locations. Vacancy rates in the 10 markets noted above skyrocketed by 250 basis points to 600 basis points compared to only a 210-basis-point increase nationally over the last 18 months.

Jacksonville saw its vacancy rate jump from 5.6% at the end of 2021 to 11.6% today. Atlanta isn't far behind with vacancy up 450 basis points to 10.6%. Pushing the Atlanta vacancy rate up has been 24,500 new units coming on line with just 1,800 units of demand.



Markets that have not seen such large supply-demand imbalances have maintained respectable rent growth numbers. For example, Cincinnati's rent growth stands at 4.6%, above its pre-pandemic average of 3%, and its vacancy rate sits at 5.4%, below the national average. Columbus, Ohio, has been another standout market over the past year and a half, with year-over-year rent growth holding at 3.7%.

Over the next three to four quarters, supply outstripping demand should continue nationally, which will keep downward pressure on rents. Sun Belt markets, like the 10 mentioned that have seen the largest pullback in rent growth, are experiencing the highest rates of new construction and therefore will be most at risk for further rent deceleration, including outright rent declines.

In contrast, Midwest and Northeast markets remain the most stable given their more modest construction pipelines and are projected to see rent growth in the 2% to 3% range into 2024.

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