Apartment Markets Across America Continue to Stabilize in 2023

According to CBRE's latest research, the U.S. multifamily market demonstrated signs of stabilization in the second quarter of 2023, showing a rebound in absorption and a slight increase in vacancy.

During Q2 2023, the multifamily vacancy rate rose by 10 basis points (bps) compared to the previous quarter, reaching 5.0%. This increase was slower than the 30 bps rise in Q1 2023 and the 70 bps rise in Q4 2022. Notably, net absorption surged to 70,200 units in Q2 2023, marking the highest level since Q1 2022 and indicating a recovery in renter demand.

Kelli Carhart, Executive Managing Director and leader of Multifamily Capital Markets for CBRE, commented, "Despite a significant supply pipeline, renter demand remains robust, leading to stabilization in vacancy and rent growth across most markets. With inflation easing, we expect increased investment activity in the latter half of 2023, despite potential capital markets volatility."

The average monthly net effective rent witnessed a 2.6% year-over-year increase in Q2 2023, consistent with the pre-pandemic five-year average of 2.7%, although significantly lower than the record 15.2% in Q1 2022.

In Q2 2023, new construction deliveries reached 91,400 units, setting a four-quarter record of 351,500. However, declining construction starts in recent quarters are expected to lead to fewer new deliveries in 2024 and beyond.

<u>Other highlights from CBRE's Q2 2023 Multifamily Sector report include:</u>

- The Northeast/Mid-Atlantic region experienced the highest year-over-year rent growth in Q2 2023, led by Newark (5.6%), Providence (5.3%), and Hartford (5.2%). The Midwest had the second-highest rent growth at 4.3%, followed by the Southeast (2.0%), South-Central (1.7%), Pacific (1.4%), and the Mountain West (-0.9%).

- Most markets (58 out of 69) tracked by CBRE recorded positive net absorption in Q2 2023, with Chicago (4,600 units), Orlando (4,100), and Denver (4,000) leading the way.

- The top five markets for new deliveries over the past four quarters—New York, Washington, D.C., Dallas, Orlando, and Phoenix—accounted for 25% of the national total.

- Nearly all markets (67 out of 69) tracked by CBRE had vacancy rates at or above 3.0%, with 58 markets exceeding 4.0%. New York had the lowest vacancy rate at just 3.1%, falling below its historical average of 3.5%.

Key Takeaways for Investors:

Stabilization in the Multifamily Market: The U.S. multifamily market showed signs of stabilization in Q2 2023, with a slower increase in vacancy rates compared to previous quarters. This indicates a potential recovery in the rental market and presents opportunities for investors.

Rebound in Absorption: Net absorption increased to 70,200 units in Q2 2023, the highest since Q1 2022. This surge in demand for rental units suggests a growing interest from renters, which can be favorable for investors seeking rental income.

Rent Growth and Investment Activity: Despite a heavy supply pipeline, renter demand remains solid, leading to stabilization in rent growth across most markets. As inflation eases, there is anticipation of increased investment activity in the latter half of 2023. Investors should monitor market trends and capitalize on potential opportunities.

Record Construction Deliveries: Q2 2023 witnessed a record high of 91,400 new construction deliveries, contributing to a four-quarter total of 351,500 units. However, declining construction starts in recent quarters may result in fewer new deliveries in 2024 and beyond, potentially impacting supply dynamics.

Heads Up for Investors:

Capital Markets Volatility: Despite the positive outlook, investors should be aware of potential capital markets volatility, which may impact investment decisions. Evaluating risks and diversifying portfolios can help mitigate potential uncertainties.

Regional Rent Growth Variations: Rent growth rates varied across regions, with the Northeast/Mid-Atlantic and Midwest leading the way. Investors should closely assess the growth potential and economic factors of different regions before making investment decisions.

Vacancy Rate Variation: Vacancy rates differed significantly among markets, with New York having the lowest rate. Investors should consider market-specific vacancy trends and historical averages to gauge the potential for rental demand in different areas.

Long-Term Rental Market Prospects: While the multifamily market shows signs of stabilization, investors should also assess long-term prospects, including demographic shifts, employment trends, and housing demand, to make informed decisions for sustainable returns.

In conclusion, the Q2 2023 Multifamily Sector report presents an optimistic outlook for the multifamily market, indicating signs of recovery and potential opportunities for investors. However, staying informed about market trends, regional variations, and economic factors is crucial for making sound investment choices in the dynamic multifamily real estate sector.

Rent is finally cooling. See how much prices have changed in your area.

The rental market is experiencing a cooling trend after a rapid surge in rents between 2020 and 2022, which was the fastest in nearly a century. Rent growth around the country is now returning to pre-pandemic levels, with an average increase of 1 to 3 percent per year. Certain hot spots, like Austin and Atlanta, are even seeing price declines.

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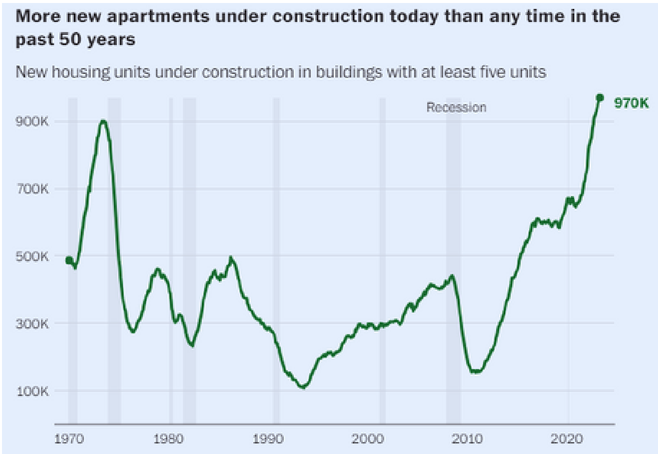

See this link for the data : Change in average rent, June 2022 to June 2023

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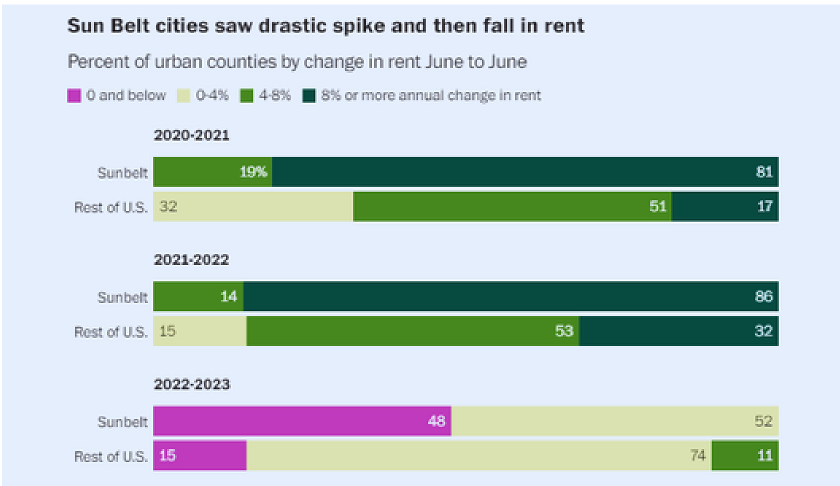
Luxury properties, catering to high-income individuals who moved during the pandemic, have experienced the biggest price declines, while mid- and lower-tier rental properties have seen modest price increases.



In Atlanta, rental prices surged significantly between 2019 and 2022, and though there has been a recent decline in 2023, renters are still paying more than pre-pandemic levels. The market is adding new apartment units, but the declining demand has put pressure on existing complexes to maintain steady rents.

See this link for the data :Counties where rents have risen and fallen most in the past year

Overall, the rental market is evolving, with incentives and shifts in demand impacting price trends. While some cost savings are now available due to incentives, rents are expected to remain higher than pre-pandemic levels in the most volatile markets.

Evergreen Capital Perspective:

Evergreen Capital Company acknowledges the current cooling trend in the rental market after a rapid surge in rents between 2020 and 2022. While this presents opportunities for value investments in certain hot spots like Austin and Atlanta, we approach with caution and conduct thorough market analysis. The decline in demand has created a mismatch between available units and renters, affecting rental prices in the Sun Belt region. We see potential in mid-tier properties, but note the decline in rents for luxury apartments. As we navigate this evolving market, our focus remains on prudent investment decisions, continuous market monitoring, and maximizing returns while managing risks for our clients.

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Multifamily Vs. Inflation: How to Safeguard Your Passive Investments

The challenge investors face in preserving their wealth against inflation and the importance of strategies that counter inflation while generating passive income. Multifamily syndications are highlighted as a powerful investment option that offers protection against inflation and provides consistent cash flow. The post explores how multifamily investing can safeguard wealth during inflationary periods and why it outperforms other investment types in economic challenges, emphasizing its ability to secure passive investments.

The Impact of Inflation on Investments:

Inflation erodes the purchasing power of money, making it essential for investors to seek alternatives that counter its effects. Multifamily syndications have shown resilience against inflation, as properties tend to hold and appreciate their value over time, offering stability regardless of economic conditions.

Multifamily Syndications as a Hedge Against Inflation:

Multifamily investing is a powerful way to combat inflation and safeguard wealth. With consistent rental demand and the ability to adjust rental rates, multifamily properties offer a natural hedge against rising prices. Their appreciation over time and benefits of diversification make them an attractive choice for generating cash flow during inflation.

Appreciation and Cash Flow:

Multifamily investments thrive on appreciation and cash flow, preserving and multiplying investors' wealth. Growing rental demand boosts property values, while reliable rental income covers expenses and generates passive income. This dynamic combination safeguards against inflation and ensures success in the multifamily market. Position yourself for long-term prosperity by capitalizing on rental housing demand and urbanization.

Multifamily as an Outperforming Asset Class:

Historical data from economic downturns, such as the 2009 financial crisis, shows that multifamily investments have outperformed other types of assets during times of economic hardship. The demand for rental housing often increases during economic downturns, making multifamily properties a resilient and stable investment choice.

During the 2009 economic crash, multifamily investments demonstrated remarkable stability. While stock markets experienced significant declines, multifamily properties continued to generate cash flow and retain their value, showcasing their ability to weather economic storms.

Safeguarding Your Passive Investments:

To safeguard your passive investments against inflation and capitalize on the benefits of multifamily syndications, it is crucial to partner with experienced real estate operators like Blue Path Holdings. Our team of experts employs sophisticated strategies to optimize cash flow and deliver long-term value to our investors.

Evergreen Capital thought:

*Multifamily syndications have emerged as a compelling solution to safeguard passive investments against inflation while generating consistent cash flow. With the power of appreciation, cash flow, and historical outperformance during economic hardships, multifamily properties offer a robust hedge against the erosive effects of inflation. Partner with **Evergreen Capital Company**, and together, let's navigate the multifamily real estate market to secure your financial future. Schedule a call today or download our free content to embark on a journey of financial resilience and prosperity.*