MARKET INSIGHTS | NATIONAL | WINTER 2025

January 2025

$1,729 Average Rent

92.2% Average Occupancy

$96.3B YoY Sales Volume

0.9% YoY Rent Change

January 27, 2025

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Multifamily demand remained strong in 2024, a trend expected to persist into the new year, supported by positive rent growth due to sustained job growth and healthy consumer spending. The supply and demand imbalance began to stabilize in the second half of 2024 and will continue in 2025. Over 50% of major markets across the nation have surpassed their construction peaks, and rent growth performance continues to correlate with supply and absorption at the local level. The Midwest and Northeast regions offer the best conditions for rent growth, primarily due to the slower pace of new deliveries in recent years. Demand remains robust in Sunbelt regions like Atlanta and Dallas due to rapid population growth and favorable business conditions. The significant drop in construction starts and deliveries in 2025 will drive rent growth, occupancy rates, and transaction volume, particularly in suburban regions.

The multifamily sector is the preferred commercial sector for investment in 2025, despite high and fluctuating interest rates and the relatively flat cap rates of recent years. Trends from the previous downturn show pricing consistently tracking with increased transaction volume, which occurred in the second half of 2024. Institutional investors with significant capital are reentering the making after waiting on the sidelines for the past two years for more favorable market conditions.

Employment

Total nonfarm payroll employment rose by 256,000 in December, and employment trended up in health care, government, and social assistance. Retail trade added jobs in December, following a job loss in November. Payroll employment rose by 2.2 million in 2024 (an average monthly gain of (186,000), less than the increase of 3.0 million in 2023 (an average monthly gain of 251,000).

The national unemployment rate was 4.1% in December 2025, in line with the previous seven-month unemployment rate trend of either 4.1% or 4.2%. During the same period, the number of unemployed people was 6.9 million. These measures are higher than the previous 12 months when the number of unemployed people was 6.3 million and the jobless rate was 3.8%.

As of November 2024, unemployment rates were higher than a year earlier in 308 of the 389 metropolitan areas, lower in 60 areas, and unchanged in 21 areas. A total of 65 areas had jobless rates of less than 3.0%, and six areas had rates of at least 8.0%. Nonfarm payroll employment increased over the year in 32 metropolitan areas and was essentially unchanged in 357 areas. The national unemployment rate in November was 4.0%, not seasonally adjusted, up from 3.5% a year earlier.

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National Employment (Thousands)	Dec-24	% Δ from Dec 2023	Net gain
Total Nonfarm	160,458	1.4%	2,189
Mining And Logging	634	-1.2%	-8
Construction	8,242	2.4%	191
Manufacturing	12,898	-0.7%	-93
Trade, Transportation, and Utilities	29,842	0.7%	194
Information	3,020	-0.3%	-8
Financial Activities	9,317	0.6%	52
Professional and Business Services	23,045	0.3%	80
Private Education and Health Services	26,962	3.8%	982
Leisure and Hospitality	16,784	1.8%	299

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Source: Bureau of Labor Statistics

Rental Market

Multifamily demand rebounded in the first half of 2024 after the market reached an infection point towards the end of 2022. Excess supply has started to quell, indicating the beginnings of market stabilization. During the second half of 2024, the rent growth rate hovered around 1.2%. Supply was reduced to 22,000 units as of Q3 2024, contributing to occupancy holding steady for the first time in three years, at 92.1%. Occupancy is expected to increase in 2025, coinciding with the steady readjusting of household formations as renter affordability becomes more tangible, especially in the mid-tier segment. The Midwest and Northeast regions currently lead the nation in rent growth due in part to supply constraints during the pandemic years. National rent growth currently stands at 0.9%, and rent growth is projected to increase to 3.5% by the end of 2025 in the top 50 U.S. markets.

$2,053 Median Monthly Mortgage Payment

$1,729 Average Monthly Rent (YTD)

Source: CoStar, RealPage Analytics

Average Rent / Vacancy

Asking Rent / Bedroom

Multifamily Construction

Multifamily demand rebounded in 2024 as consumer confidence strengthened. Over 535,000 units were absorbedthrough the first half of Q4 2024, the highest absorption since 2021. National construction activity tapered to 724,000 units at the end of September 2024, down from its peak of 1.17 million units under development in Q1 2023. Completions for 2024 is projected to be in the 672,000 to 692,000 range, representing a 40-year high and continuing a three-year trend of supply outpacing demand. In 2025, deliveries will decline sharply to about 342,000 units as absorption quickens pace, a positive indicator that the multifamily market is entering a stabilization period. The lingering effects of inflation on construction lending have restricted some developers from proceeding with proposed projects, contributing to greater absorption.

Construction activity remains highly concentrated in the fastest-growing areas, particularly in the Sunbelt states where oversupply continues to exert downward pressure on occupancy rates and rent growth. Still, demand is strong in these regions due to favorable economic conditions and business expansion. The significant decrease in deliveries as the year unfolds will result in more balanced market conditions. Notably, Atlanta's supply forecast for 2025 indicates that deliveries will be half of those in 2024, and deliveries in the Houston market are expected to decrease by 10,000 units by the end of the year.

132,770 Multifamily Completions Past 12 Months

61.6K Single Family Permits

437K Multifamily Permits (5+ Units)

$407.5K Median Single Family Price

Completions / Net Absorption

Units by Metro Delivering in 2024 (Top 40)

90,114 Units Under Construction (YTD)

88,513 12 Month Delivered Units

	Construction	UC	Months
New York	61,106	3.9%	28,519
Dallas-Fort Worth	36,369	4.1%	41,006
Phoenix	27,299	6.7%	24,627
Miami	25,364	12.7%	8,530
Charlotte	24,012	10.3%	16,581
Los Angeles	21,064	2.0%	8,512
Austin	20,775	6.5%	31,323
Atlanta	19,239	3.6%	24,478
Washington	18,914	3.3%	15,899
Boston	16,096	5.7%	7,155

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Multifamily Sales

Sales volume was over $96.3 billion at the end of 2024, exceeding the previous year's total transaction volume of $85.7 billion. Higher-tier, 50-unit and above properties accounted for over half of the transaction volume, and the average transaction cap rate in this asset class was 5.5%. The average price per unit was $285,684, and the market price per unit was $314,000. Mid-tier properties had an estimated average cap rate of 6.3% and an average price per unit of $173,480. In 2025, strong absorption will keep pace with the lower amounts of new supply, stabilizing occupancy rates, which generally coincide with peak capitalization rates.

While transaction activity has been dominated since late 2022 with private equity due to lending challenges and the consequential rise of interest-driven capitalization rates, institutional investors and REITs who remained on the sidelines for the past two years are reentering the market. Fund-level equity groups have been buying three deals for every one of their sales on a national scale, according to CoStar. A modest increase in transaction volume is projected in the first half of 2025, driven by greater consumer confidence in the economy and improved rates of return on property investment.

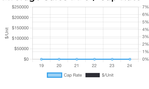
$57.8B 12 Mo. Transaction Volume

7.4% 12 Mo. YoY Change

$293.3K Price Per Unit

1.0% Annual Price Change

Average Sales PPU / Cap Rate



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