



# U.S. multifamily market report

Q4 2023

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**AVISON  
YOUNG**

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# U.S. multifamily market trends

**-53.0%**

## Decline in new construction starts in 2023

Over 1 million new units delivered between 2020 and 2023, increasing the overall inventory by 14.6% since the pandemic.

Occupancy among stabilized class A assets increased in the last three quarters, while class B and C markets experienced negative absorption for eight consecutive quarters.

**50.0%**

## Of top U.S. markets saw effective rents decline in 2023

Western and Southern markets accounted for 85.7% of markets experiencing effective rent declines.

Across the U.S., class A assets saw effective rents decline by -0.7% in 2023, compared to +0.1% within the class B market and +1.9% among class C assets.

**-14.5%**

## Drop in average sale pricing over last 12 months

2023 saw a substantial decline in transaction activity, reaching its lowest point since 2014. Slowed rent growth coupled with increased interest rates push average cap rates up to 5.2% in 2023, compared to 4.2% in 2022.

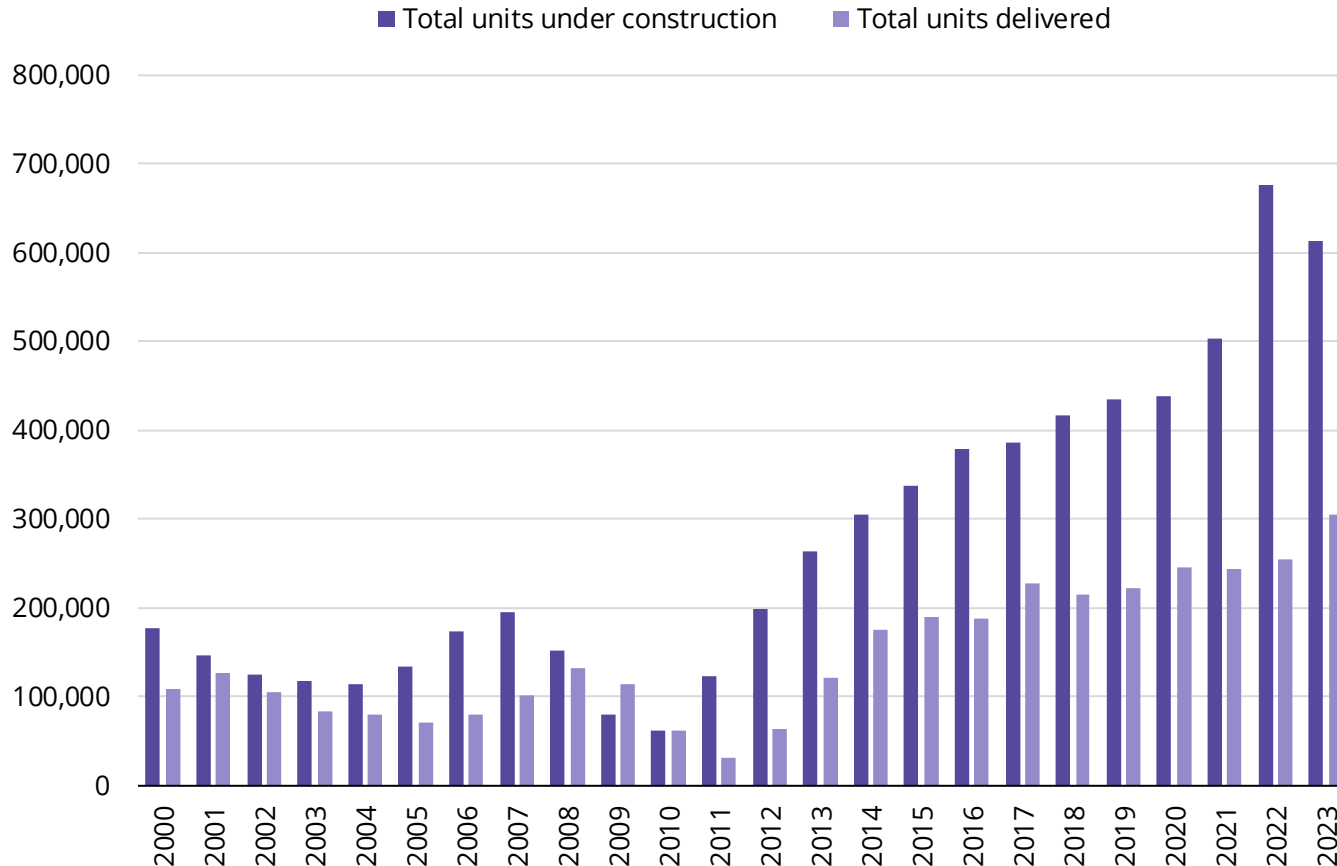
However, the 10-year Treasury rate dropped to 3.9% in December, its lowest level since July 2023, with the expectation of the Fed cutting rates in 2024.

# U.S. multifamily conditions

Let's examine prevailing multifamily trends.

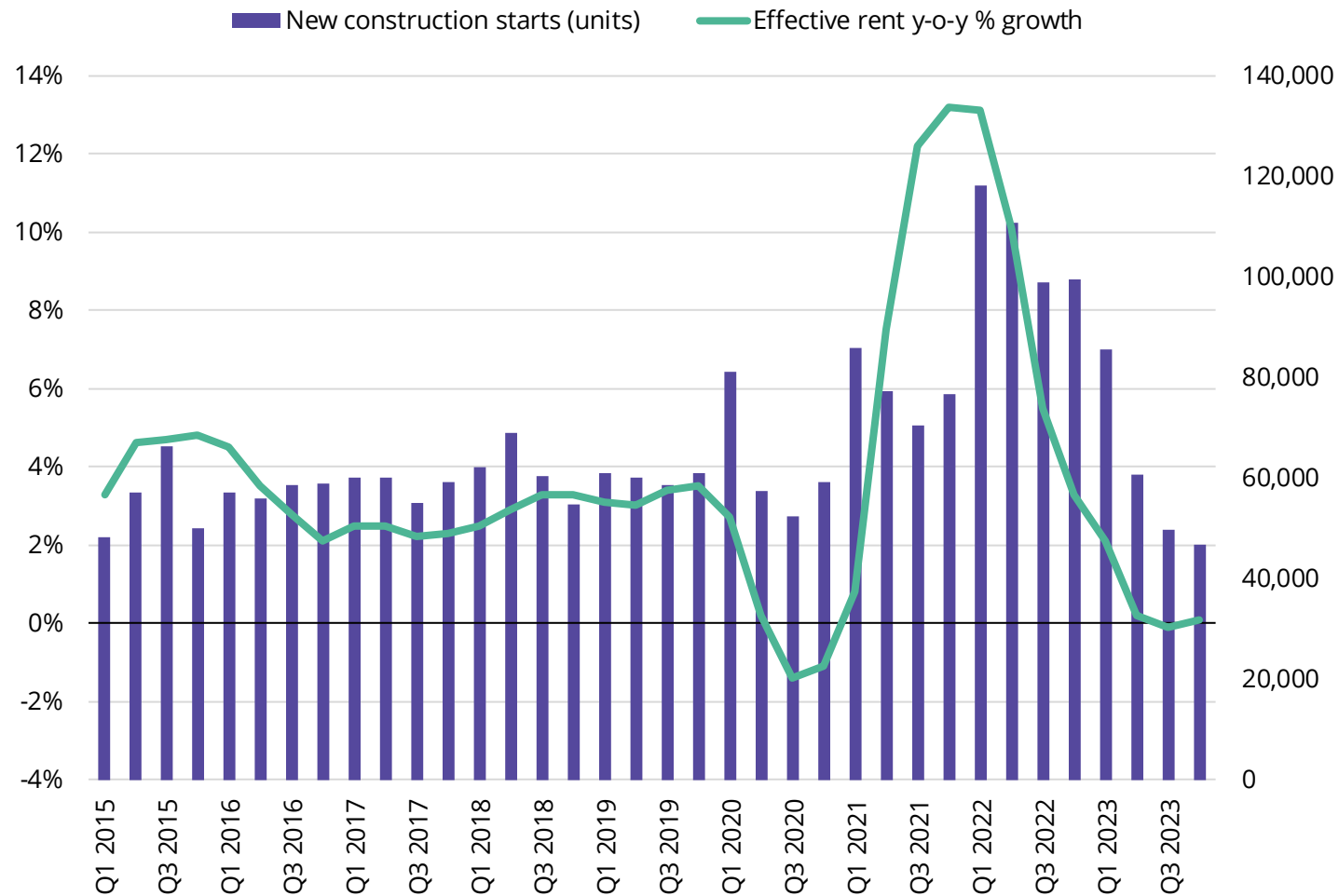


# Multifamily development activity



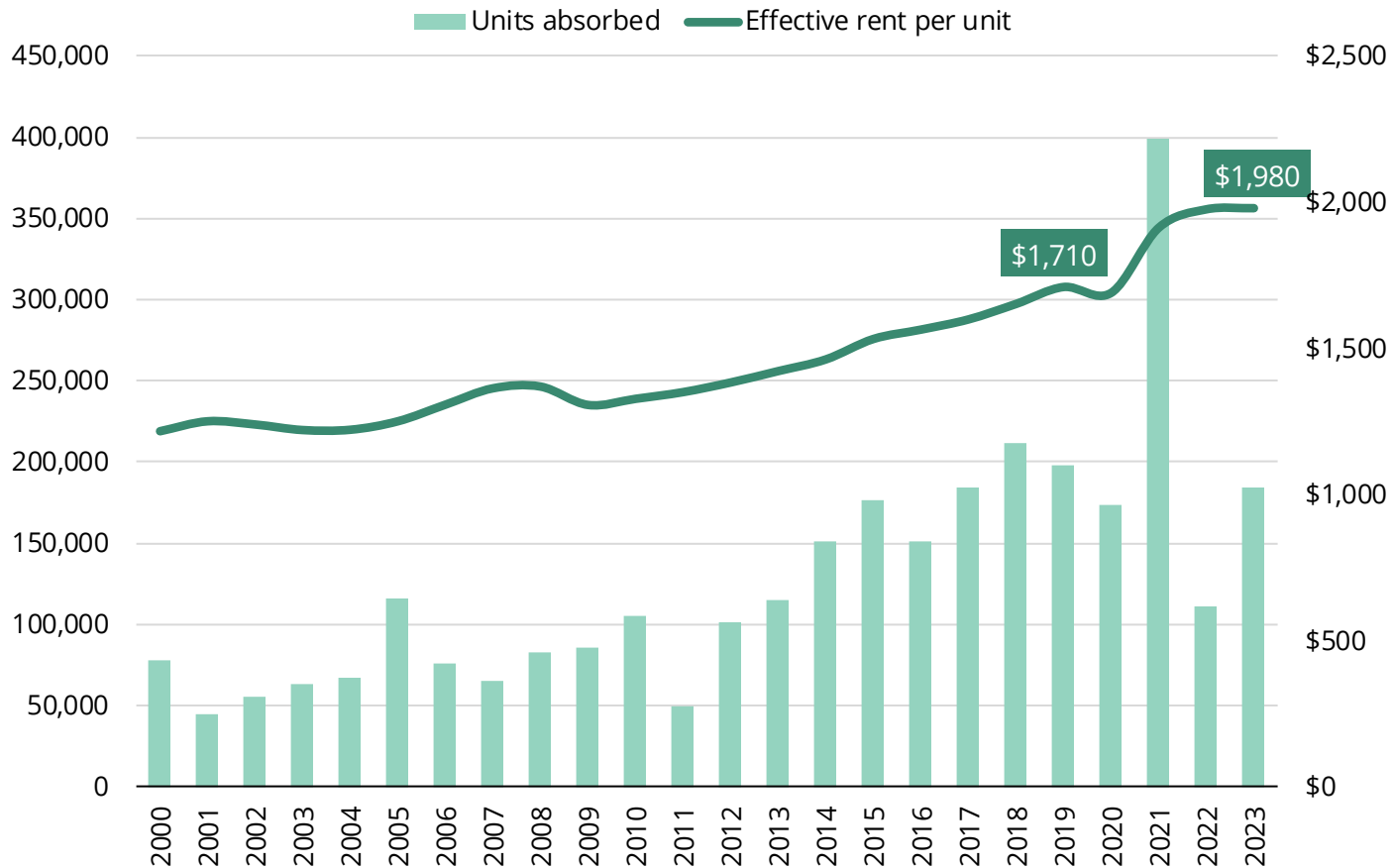
**Over 1 million new units were delivered between 2020 and 2023, increasing the overall inventory by 14.6% since 2019; meanwhile, development activity continues to hover at historic highs.**

# New construction starts and rents



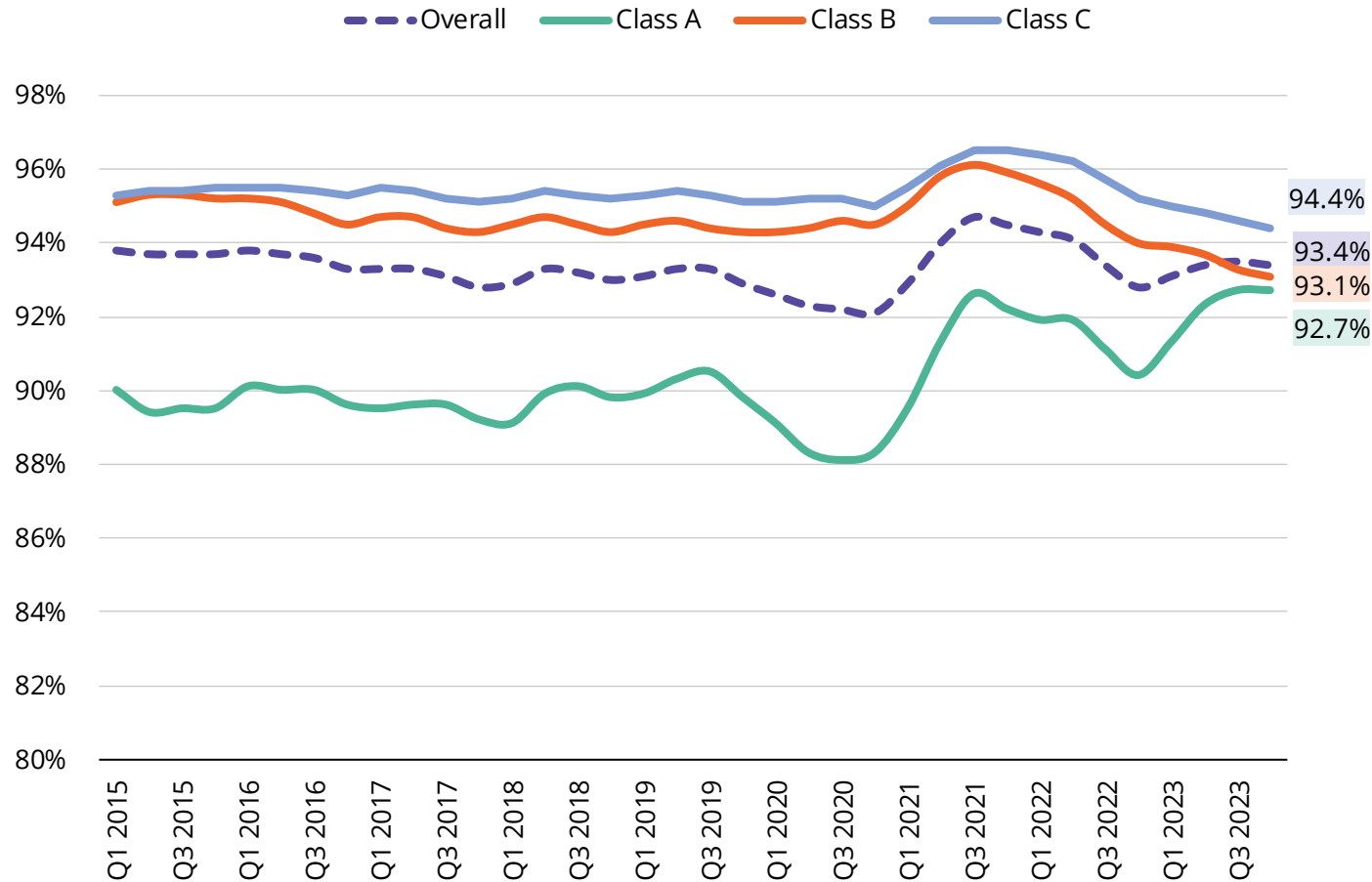
**New construction starts dropped by -53.0% in 2023 as rent growth continues to slow and interest rates remain elevated.**

# Multifamily demand and pricing



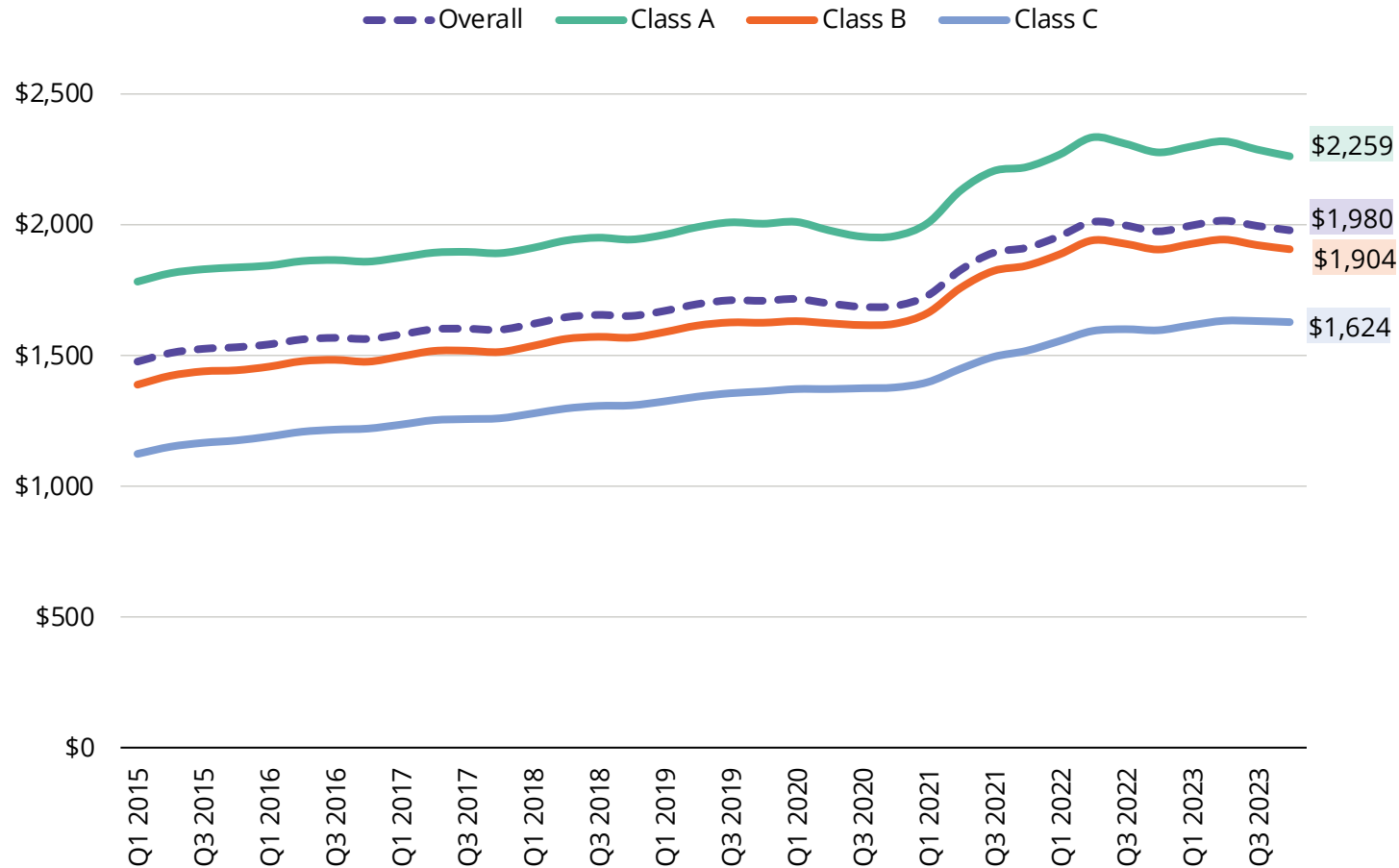
**Effective rents increased by just 0.2% from 2022-2023, though rates remain 15.8% above 2019 levels.**

# Occupancy by class



**Occupancy among stabilized class A assets increased in the last three quarters, while class B and C markets have experienced negative absorption for eight consecutive quarters.**

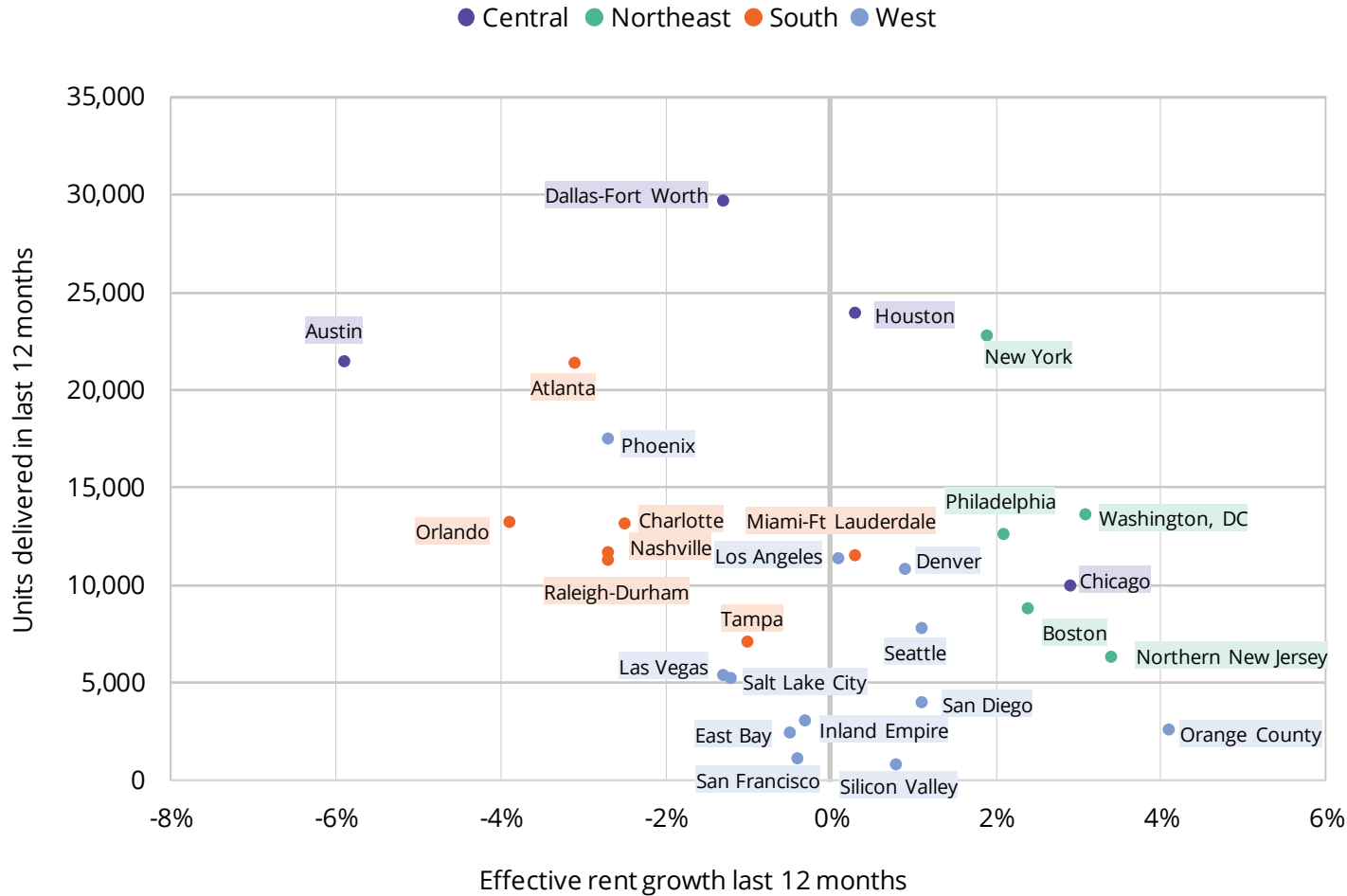
# Effective rent per unit by class



**Class A assets saw effective rents decline by -0.7% in 2023, compared to 0.1% within the class B market and +1.9% among class C assets.**



# Development and rent growth by market



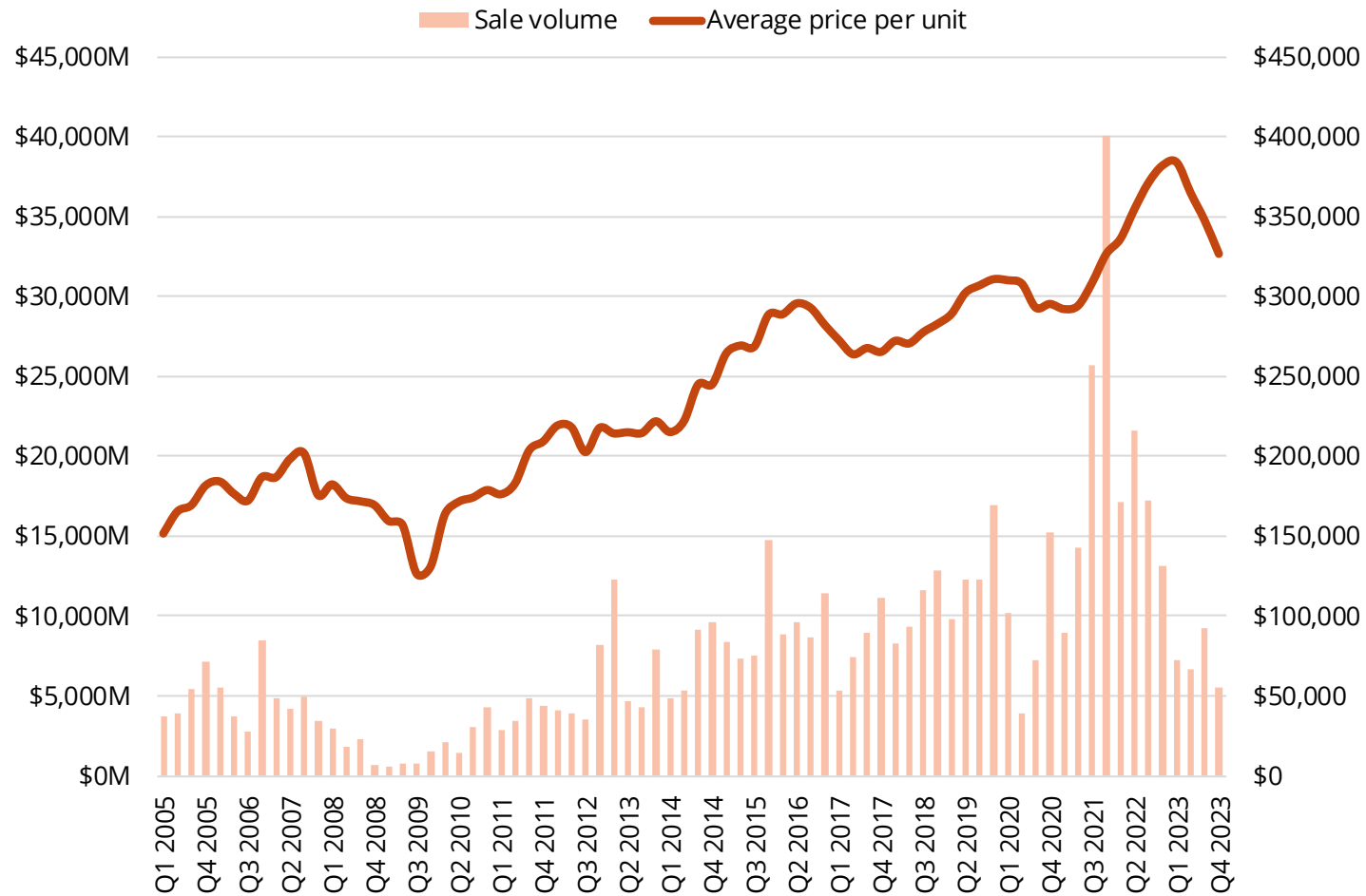
**High-growth markets are facing downward pressure on rents as new product floods the market, while rents improved in Chicago and across the Northeast in 2023.**

# U.S. multifamily capital markets conditions

Transaction activity slowed in 2023 following minimal rent growth and increased interest rates.

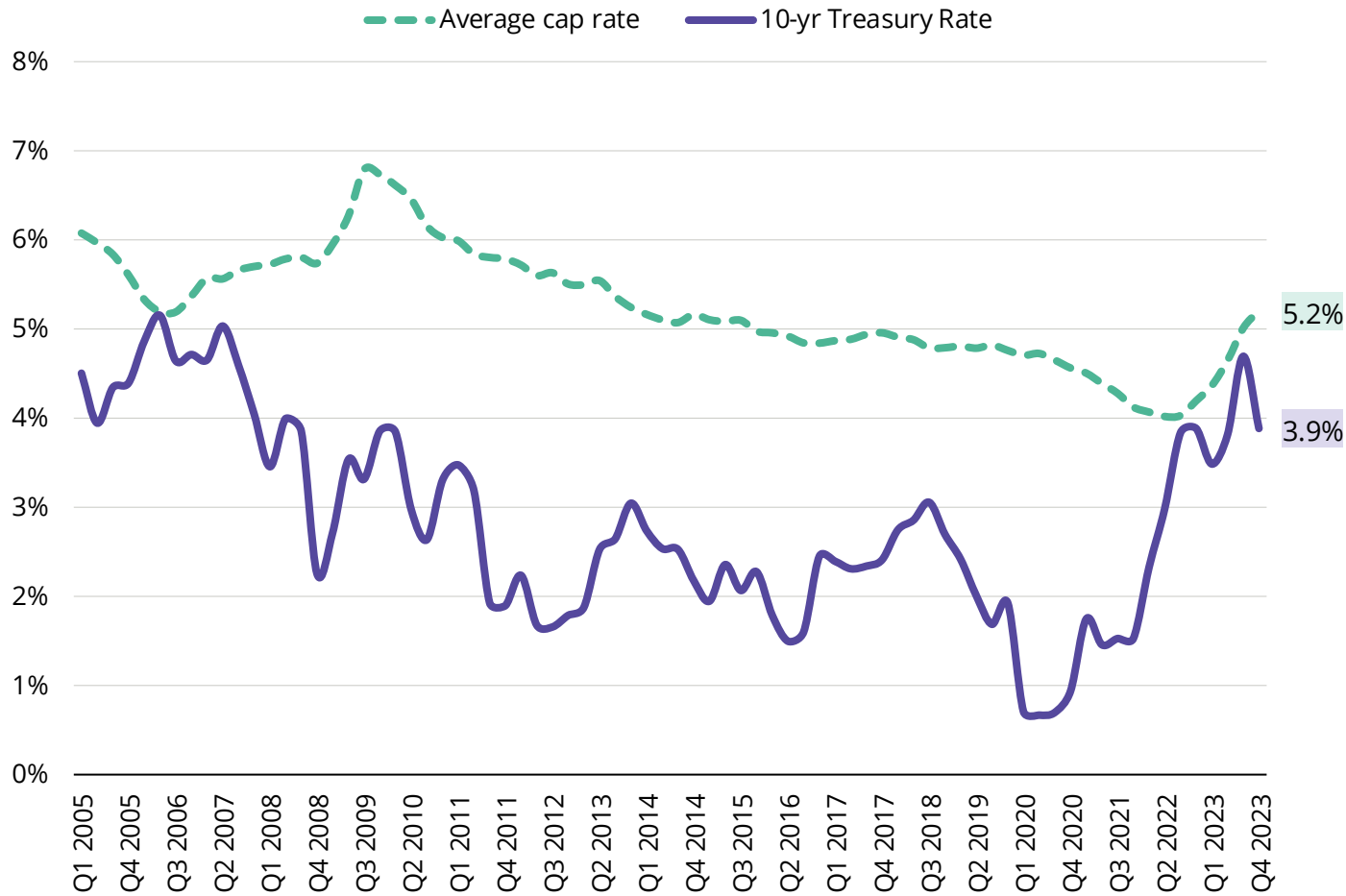


# Investment sales volume and pricing



**After historic highs, 2023 sales volumes reached the lowest point since 2014 as pricing dropped by -14.5% in the last 12 months.**

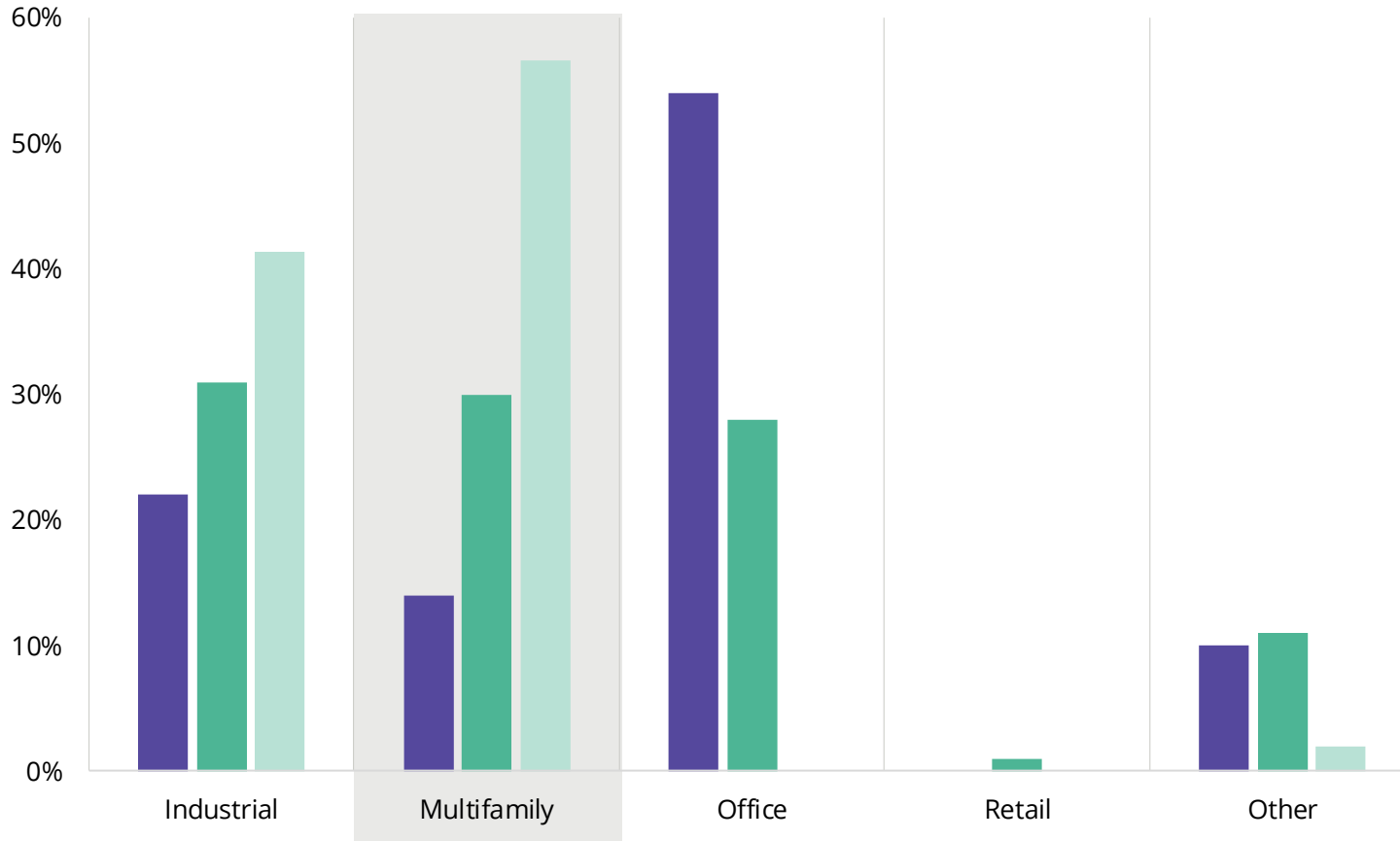
# Multifamily average cap rate and 10-year Treasury



**Cap rates continued to climb in Q4 2023, while Treasury Rates reached the lowest level since July 2023 – with the expectation of the Fed cutting rates in 2024.**

# Dry powder vs. historical sales activity

■ % share of 2013 - present sales dollar volume ■ % share of 2022 - present sales volume ■ % share dry powder



**Multifamily assets are expected to comprise a significant share of future investment volumes, a major shift from past cycles.**

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