

A photograph of a city street scene. In the foreground, a man in a light blue shirt and jeans is pushing a black stroller across a crosswalk. To his right, a family consisting of a man, a woman, and two young children are walking across the same crosswalk. The man is holding a young child, and the woman is holding the hand of another young child. They are all walking towards the right side of the frame. The background shows tall brick buildings lining the street, with a clear sky and some trees visible in the distance.

# U.S. multifamily market report

Q4 2023

**AVISON  
YOUNG**

ZONING COMMISSION  
District of Columbia  
CASE NO.22-11A  
EXHIBIT NO.2D1

# 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.

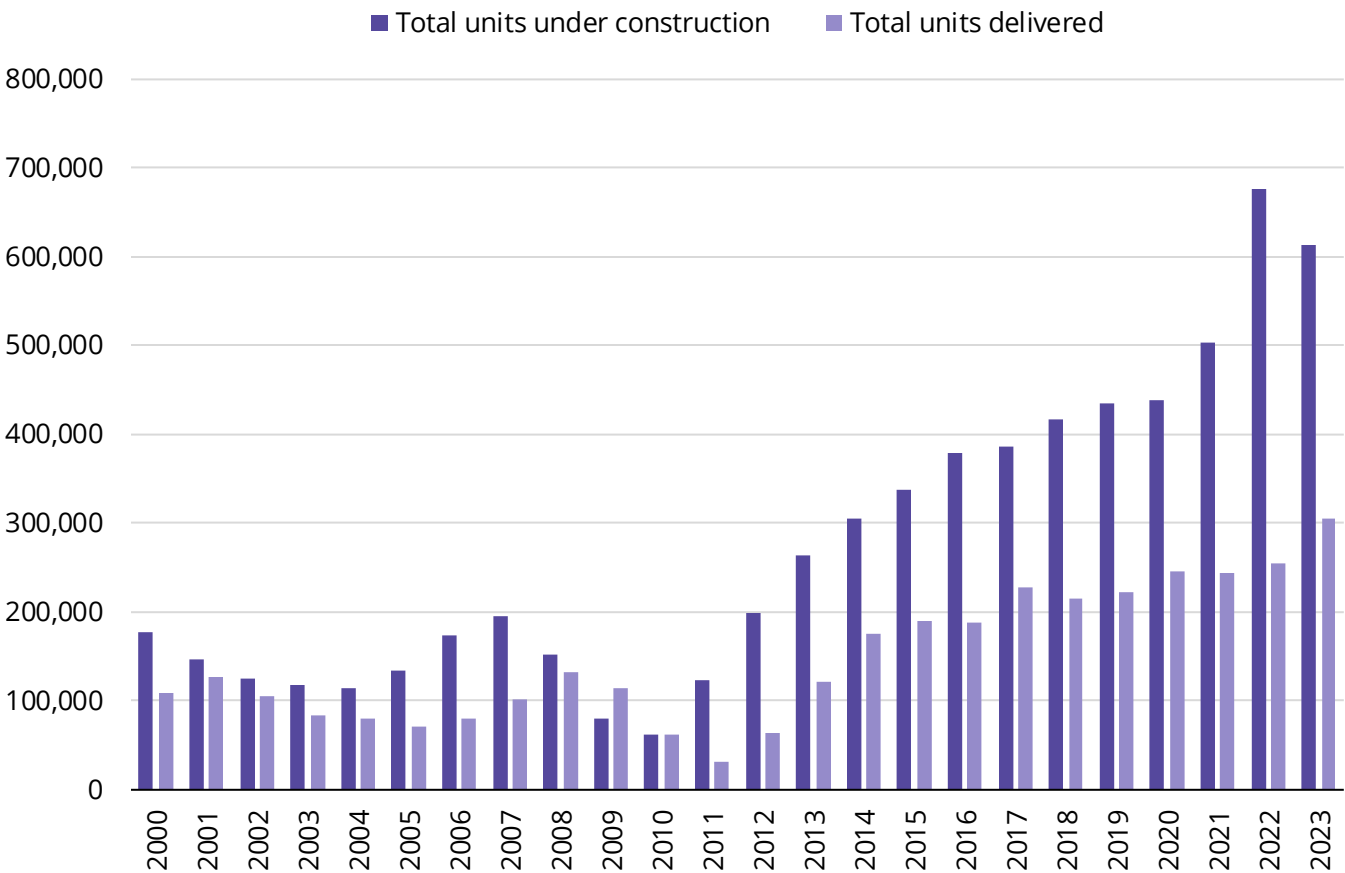


# U.S. multifamily conditions

Let's examine prevailing multifamily trends.

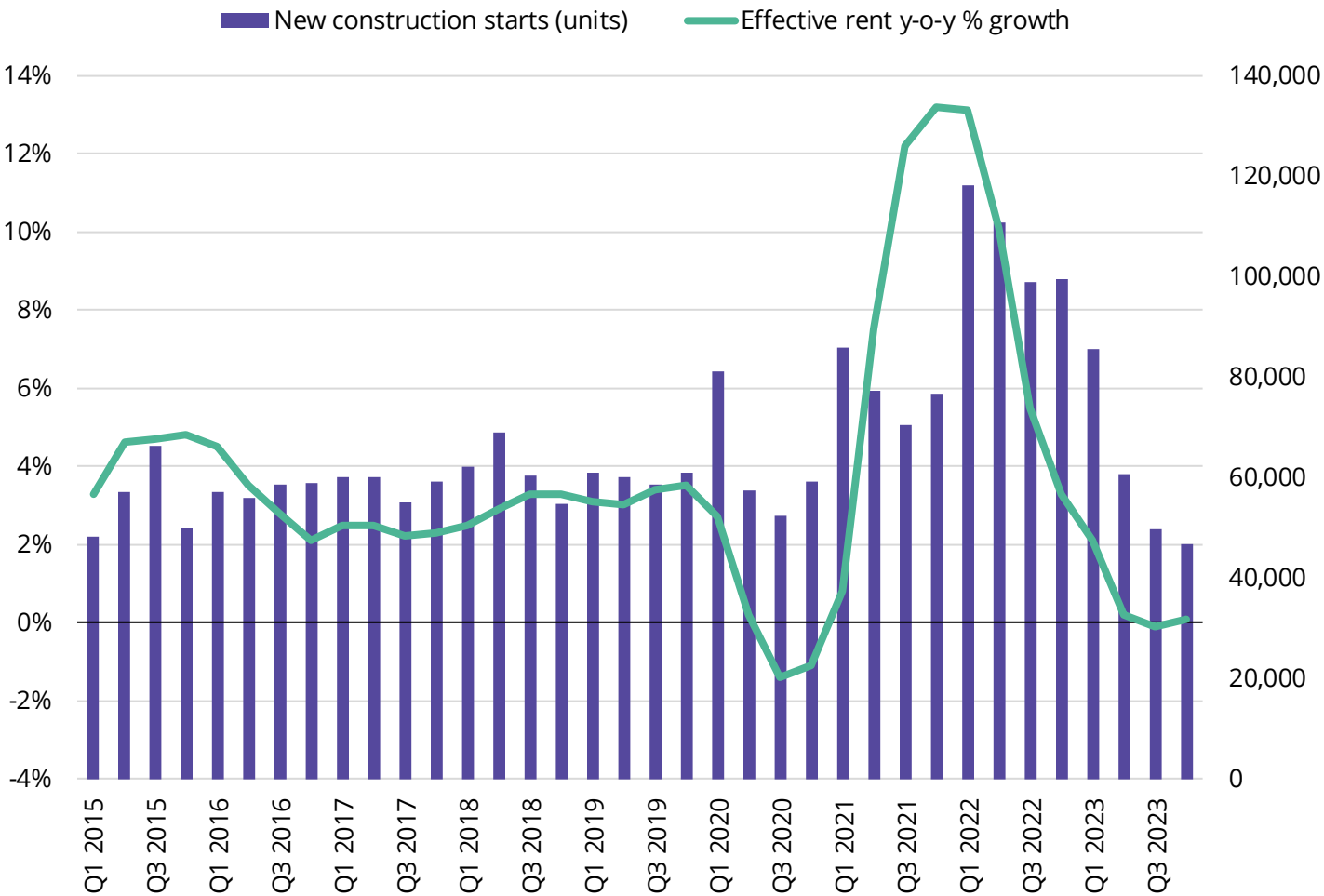


# Multifamily development activity



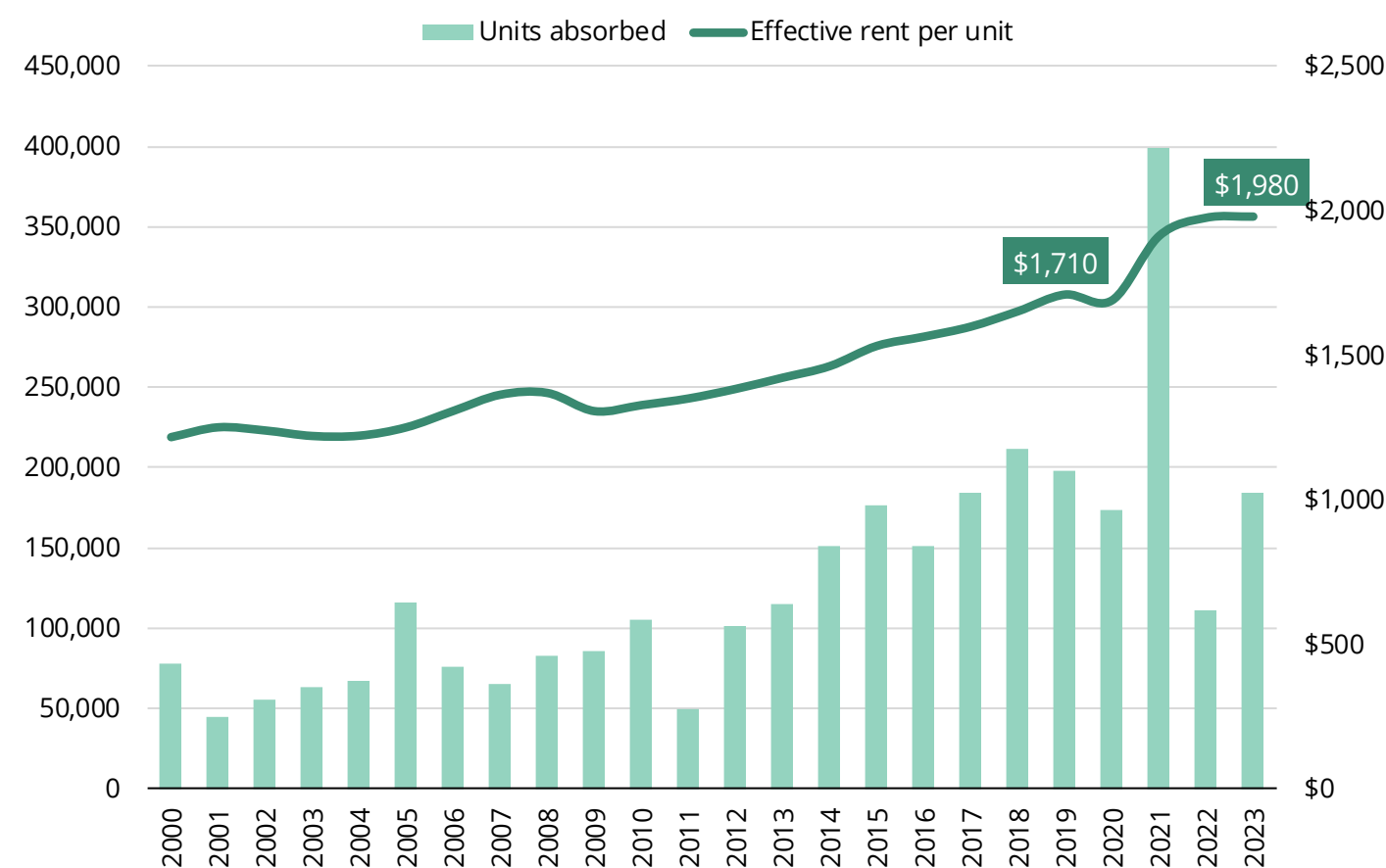
**Over 1 million new units were delivered between 2020 and 2023, increasing the overall inventory by 14.6% since 2019; meanwhile, development activity continues to hover at historic highs.**

# New construction starts and rents



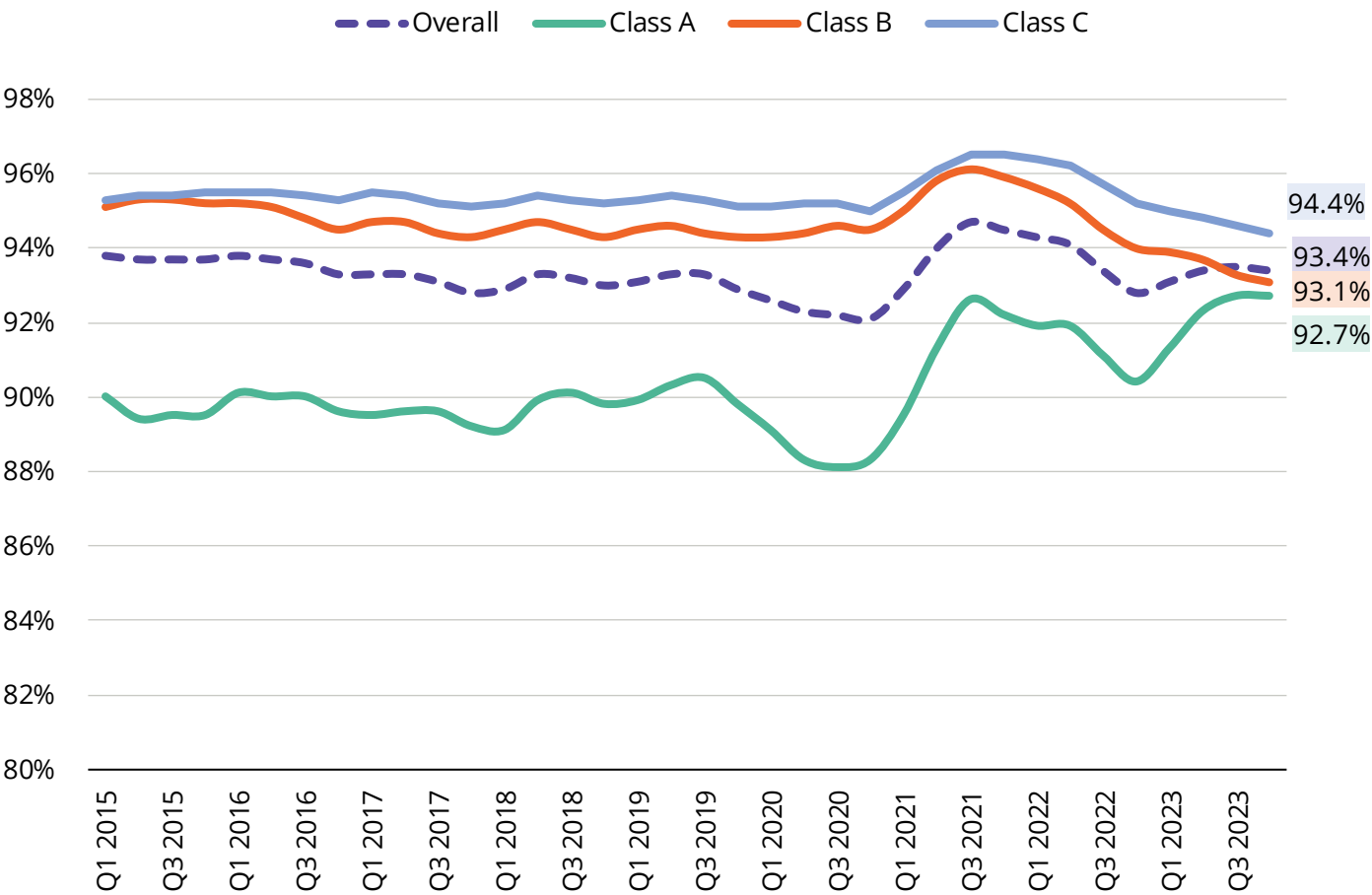
**New construction starts dropped by -53.0% in 2023 as rent growth continues to slow and interest rates remain elevated.**

# Multifamily demand and pricing



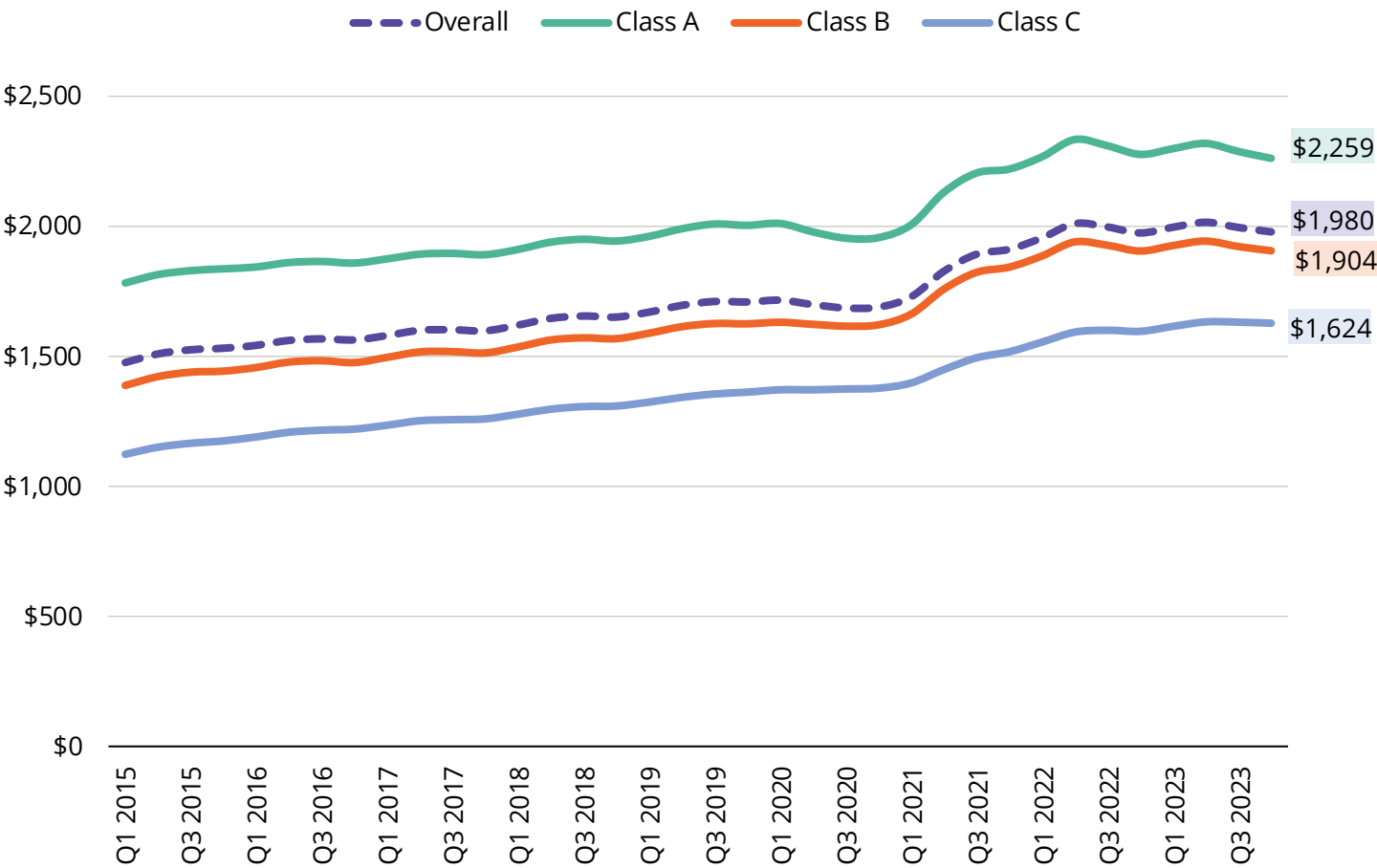
**Effective rents increased by just 0.2% from 2022-2023, though rates remain 15.8% above 2019 levels.**

# 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.

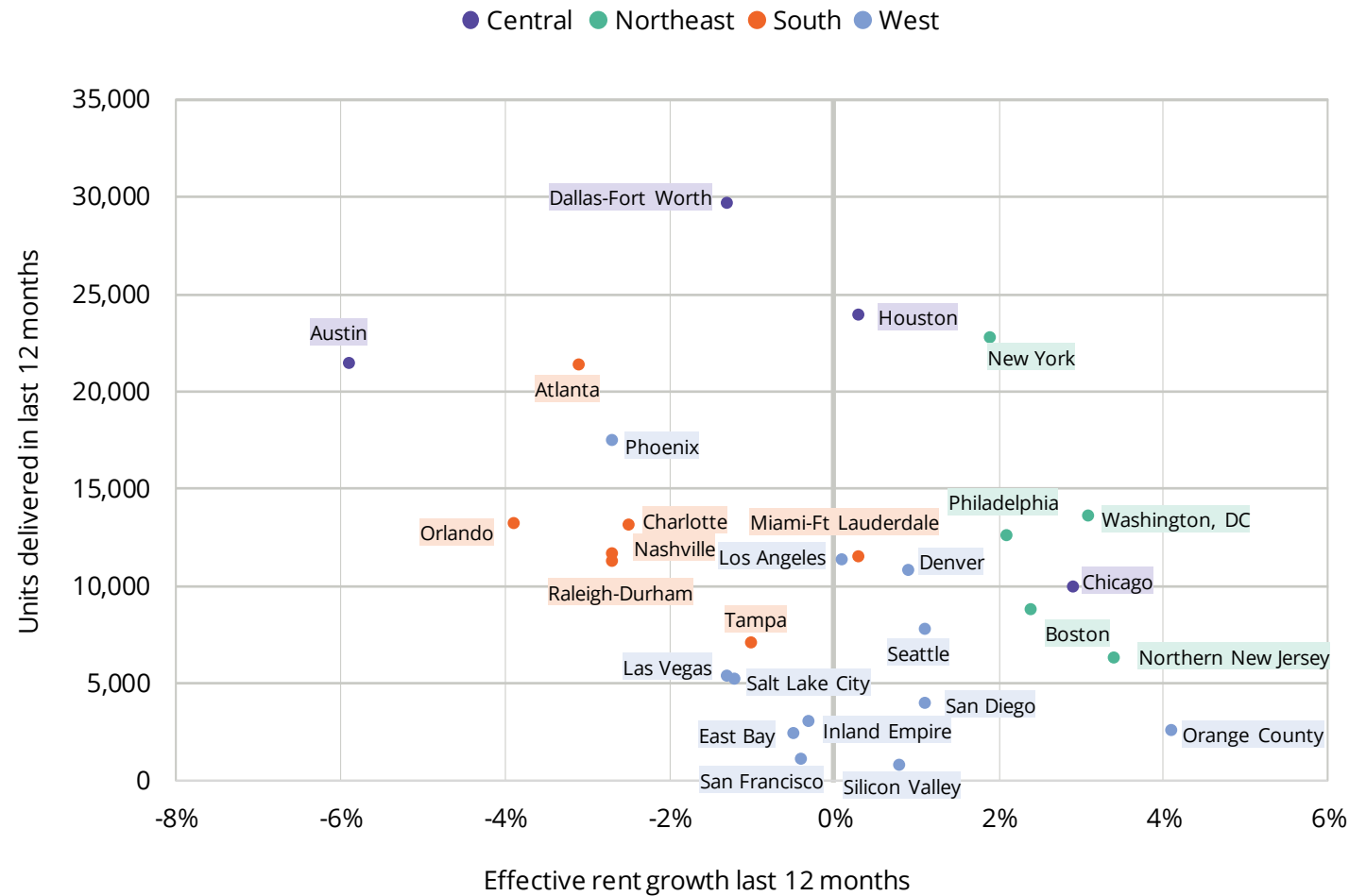
# Effective rent per unit by class



**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



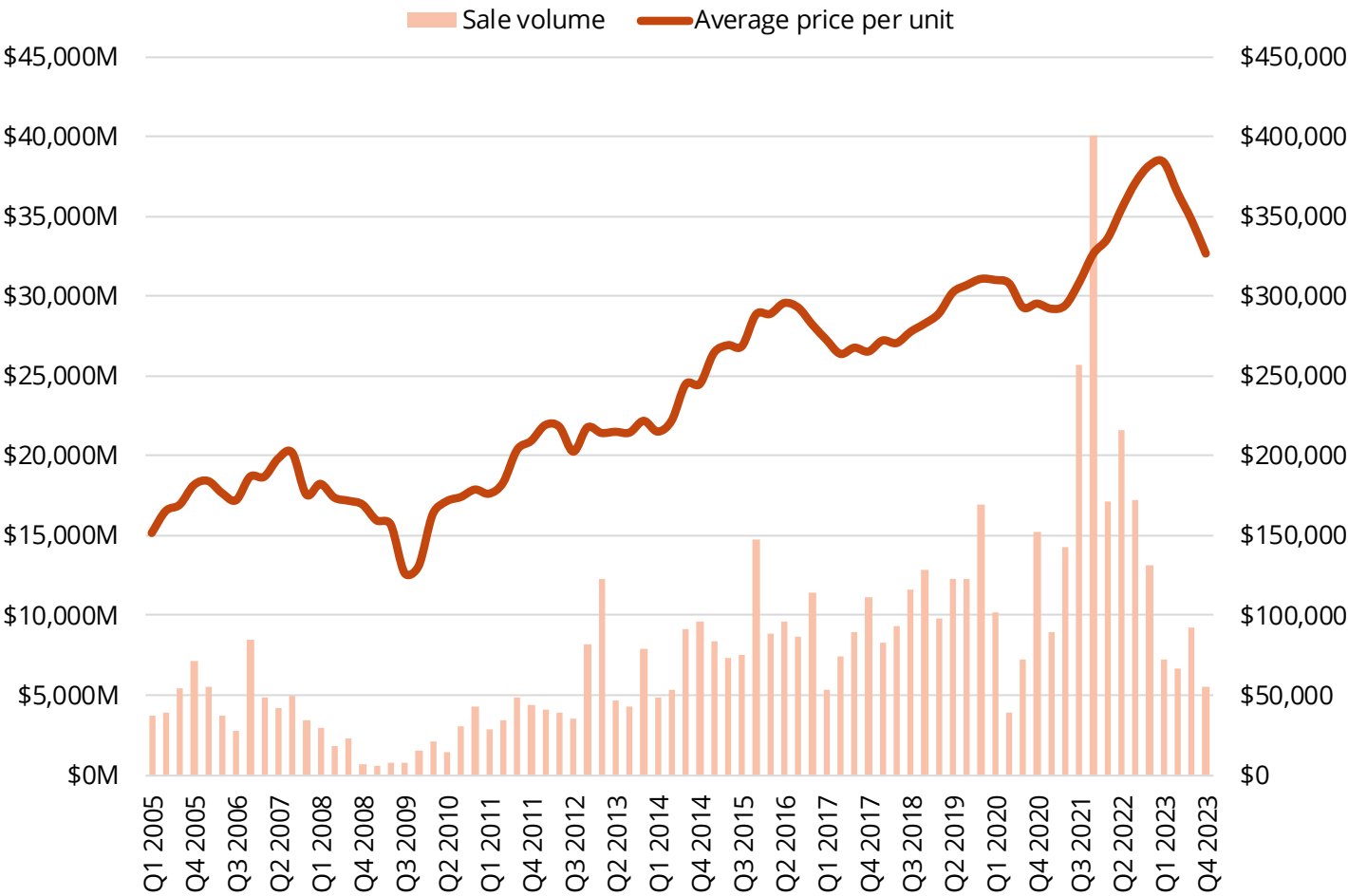
High-growth markets are facing downward pressure on rents as new product floods the market, while rents improved in Chicago and across the Northeast in 2023.

# U.S. multifamily capital markets conditions

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

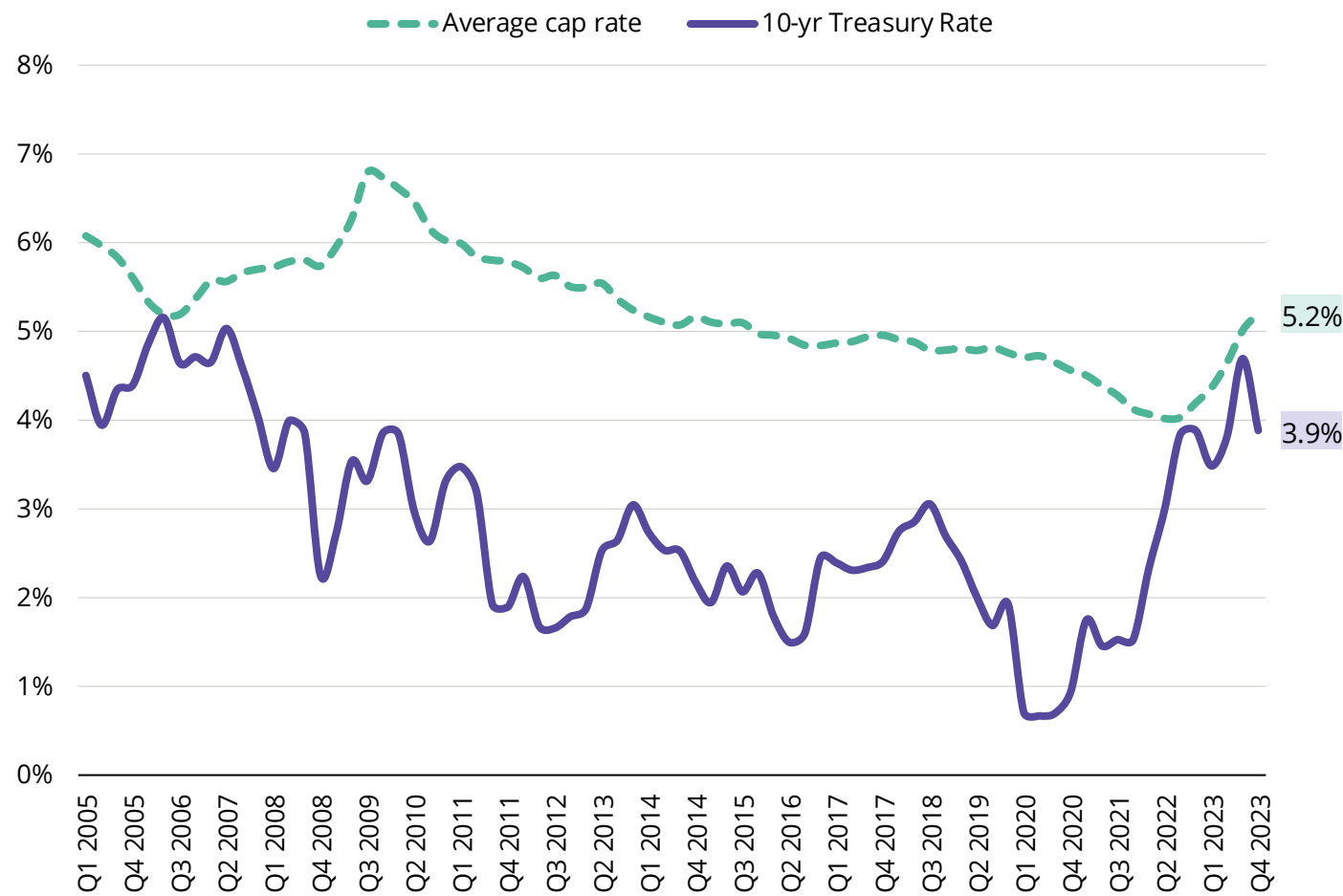


# Investment sales volume and pricing



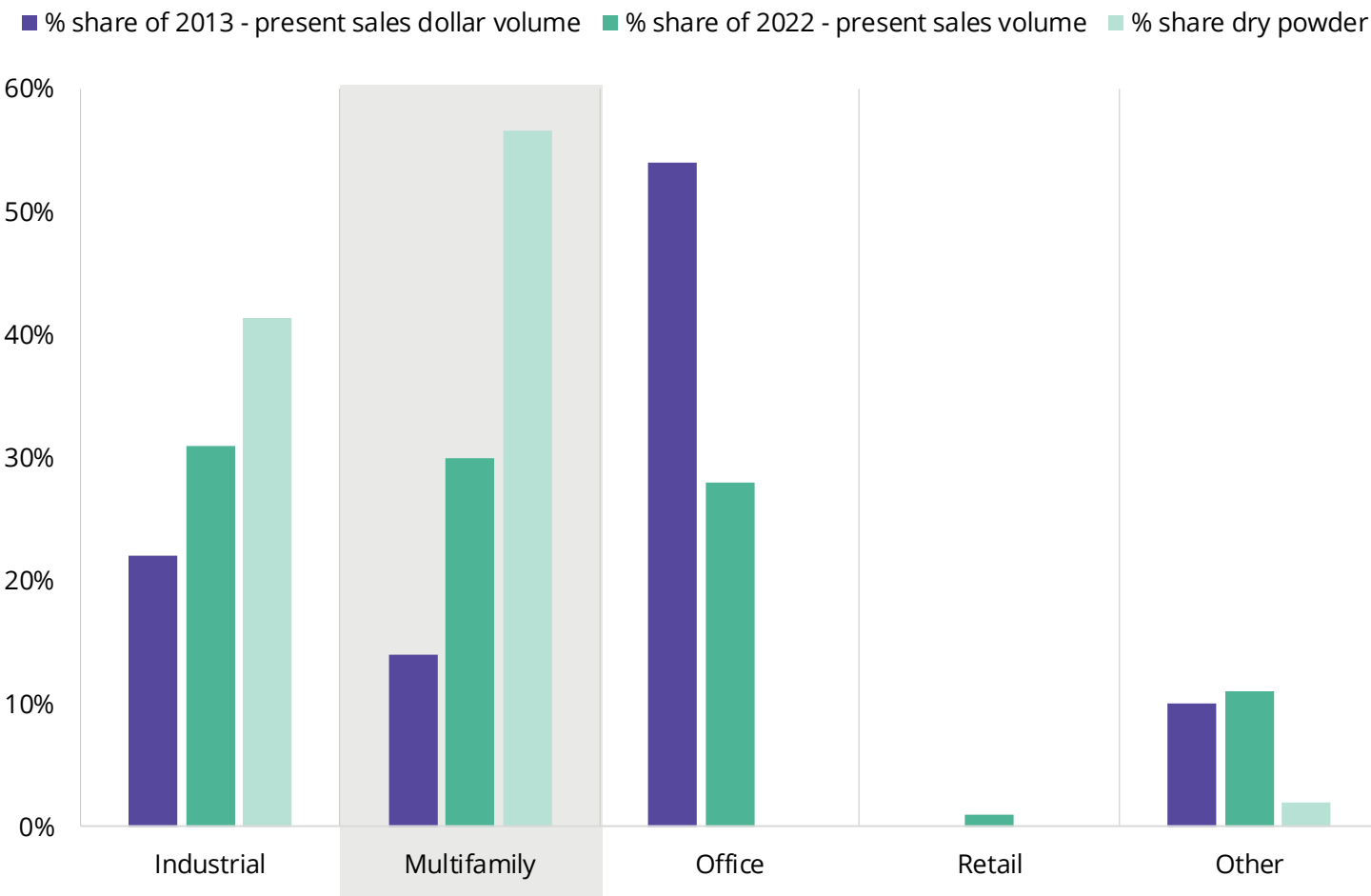
**After historic highs, 2023 sales volumes reached the lowest point since 2014 as pricing dropped by -14.5% in the last 12 months.**

# 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



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



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