

# Early Edition

## 4Q22 U.S. Apartment Market Report

### Apartment Demand Turns Negative for the First Time Since 2009

Net demand for apartments ended in negative territory for calendar 2022. But, unlike the last time demand went negative in 2009, renter turnover was curiously low in 2022. Instead, the problem was at the front door: Demand for new leases all but evaporated due to low consumer confidence and high inflation.

In other words: After a historic wave of household formation and relocations in 2021, Americans chose to mostly stay put in 2022.

We've never before seen a period like this – weak demand for all types of housing despite robust job growth and sizable wage gains. It wasn't just apartment demand that shot up in 2021 and plunged in 2022. The same pattern played out to varying degrees in other rentals and in for-sale homes.

And yet, there's no massive wave of renter turnover. There's no big jump in unpaid rent. There's no indication renters are doubling up to any significant degree. And there's no "flight to affordability."

Indicators suggest pent-up demand for apartments in 2023 – but first we need to see consumer confidence rebound.

### Rent Growth and Occupancy Continued to Soften in Final 2022 Readings

The return of more normal seasonal trends – that is, occupancy contraction and rent cuts – was evident in 4th quarter 2022. Although counter to trends from this time last year, the reversion towards more normalized trends was expected after a banner year for apartment demand in 2021.

Rent and occupancy cuts experienced in 4th quarter 2022, however, weren't evenly dispersed.

Tech markets where economic growth has slowed – such as Austin, San Jose and Raleigh/Durham – experienced the steepest rent cuts. Those markets were also joined by select non-coastal West region markets such as Las Vegas, Phoenix and Sacramento in experiencing a slowdown from 2020 and 2021 inbound migration booms.

Conversely, eight major U.S. markets recorded – modest – quarterly rent increases. Northern New Jersey and South Florida led for 4th quarter rent increases, followed by more modest bumps in generally quiet Midwest markets like Cincinnati and St. Louis.

The forecast for 2023 now calls for rent growth that effectively matches the pre-pandemic norm seen throughout the 2010s decade.

Florida and Southern California markets, alongside the bigger, more established Sun Belt markets such as Dallas/Fort Worth and Atlanta remain expected leaders throughout 2023.

While long-term demand appears favorable in the rising star Sun Belt markets such as Austin, Charlotte, Nashville and Raleigh/Durham, the annual outlook on rents and occupancy is slightly diminished as massive inventory growth of 8% to 9% is expected in 2023.



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# 4Q22 REPORT EARLY EDITION

## SUPPLY

Quarterly Supply (units)

98,082

Annual Supply (units)

345,685

This figure  
will jump  
significantly in  
the coming year

Annual  
Inventory  
Change

1.8%

As expected,  
demand continued  
to slip in the last  
three months of  
2022

Quarterly Demand (units)  
-44,718



## DEMAND

Annual Demand (units)  
-103,485



## RENT

About \$350  
above the  
pre-pandemic  
rate from 1Q20

Monthly Rent

\$1,781

Rent Per  
Square Foot

\$1.962

Quarterly Change

-1.0%

Annual Change

6.6%

Still  
historically  
high, despite  
recent cuts



## OCCUPANCY

95.1%  
Current Rate

Just a tick above  
the effectively full  
mark and below the  
five-year average

-0.7↓

Quarterly Change

-2.3↓

Annual Change



## REVENUE CHANGE

Quarterly Change

-1.8%

Annual Change

4.3%

Softened by  
record high  
operating  
expenses

Existing Units  
18,869,096

Sampled Units  
9,405,986

Percent Sampled  
49.8%

## Top 5 Markets for Annual Rent Growth

1. Miami-Miami Beach-Kendall, FL
2. San Diego-Carlsbad, CA
3. Newark-Jersey City, NJ-PA
4. Fort Lauderdale-Pompano Beach-Deerfield Beach, FL
5. Orlando-Kissimmee-Sanford, FL

*The only market on this list where annual rent growth has improved YOY*

13.0%  
10.8%  
10.3%  
10.1%  
10.0%



## Top 5 Markets for Occupancy



1. New York-White Plains, NY
2. Newark-Jersey City, NJ-PA
3. Anaheim-Santa Ana-Irvine, CA
3. Milwaukee-Waukesha-West Allis, WI
5. San Diego-Carlsbad, CA

*The only market on this list where occupancy has maintained its year-ago pace*

97.7%  
97.3%  
96.8%  
96.8%  
96.7%

## Top 5 Markets for Annual Demand

1. New York-White Plains, NY
2. Newark-Jersey City, NJ-PA
3. Austin-Round Rock, TX
4. Nashville-Davidson--Murfreesboro--Franklin, TN
5. Seattle-Bellevue-Everett, WA

*About half this market's five-year annual demand average*

11,710 units  
6,782 units  
5,174 units  
4,596 units  
2,594 units



## Top 5 Markets for Annual Supply



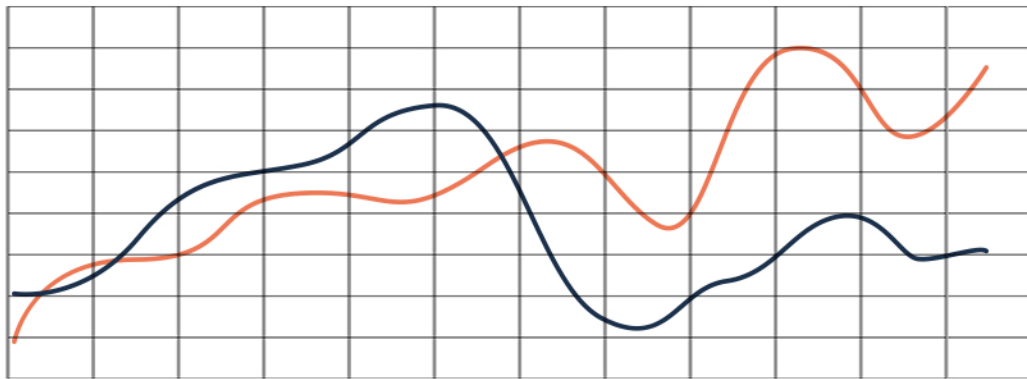
1. Dallas-Plano-Irving, TX
2. Houston-The Woodlands-Sugar Land, TX
3. Austin-Round Rock, TX
4. Phoenix-Mesa-Scottsdale, AZ
5. New York-White Plains, NY

*An all-time high in both markets*

*A four-year high*

16,214 units  
15,140 units  
14,949 units  
14,596 units  
13,106 units

# 4Q23 ONE-YEAR FORECAST



Annual Supply  
(units)

575,591

The highest  
volume on  
record

Annual Demand  
(units)

492,862

Occupancy  
94.9%

Annual  
Occupancy  
Change -0.3

Annual Revenue Change

2.6%

Annual Rent Change

2.9%

More in line  
with historical  
norms

Annual Job Change

443,236



# 4Q22 Early Edition

## Methodology Overview

**Existing Units:** Existing units are estimated starting with 2010 Census counts of multifamily properties featuring five or more units. Estimates are adjusted historically to reflect the number of conventional apartment units identified by RealPage Analytics, less non-conventional rental units captured by the Census. After adjustments are made to the 2010 existing unit base, RealPage Analytics adds subsequent conventional properties completed and converted, and subtracts units taken out of the rental pool for conversion or demolition.

**Percent Sampled:** The number of properties sampled as a percent of existing units in a geographic area.

**Sampled Units:** The total number of units in a geographic area sampled during the period.

## SUPPLY

**Supply (units):** The number of new units completed in a quarter or a 12-month period. An apartment unit is counted as new supply once construction of the unit completes and the unit becomes available for physical occupancy. A property is considered complete when the last unit in the project has completed.

**Annual Inventory Change:** The number of new units completed as a percent of existing units during a 12-month period.

## DEMAND

**Demand (units):** The number of units absorbed during a quarter or 12-month period. RealPage Analytics defines demand or absorption (the words are used interchangeably) as the change in physically occupied units (existing units multiplied by the occupancy rate) from one period to another. Net move-outs (a synonym for negative demand) can occur simply because the size of the existing inventory shrinks due to properties converting from conventional to an alternative multifamily dwelling type or due to demolitions.

## OCCUPANCY

**Current Rate:** Occupancy measures the percentage of existing stock physically occupied at a point-in-time based on sampled units of stabilized properties, sourced from RealPage Analytics surveys and point-in-time extractions from rent rolls serviced by RealPage software. Preleased units and properties in lease-up are not part of the occupancy calculation. A property is considered stabilized once it becomes 85% occupied.

**Quarterly Change:** The change in the occupancy rate from one quarter to another. Change is expressed in percentage points.

**Annual Change:** The change in the occupancy rate from the period indicated over the same period in the previous year. Change is expressed in percentage points.

## RENT

**Monthly Rent:** The average rental rate charged for an apartment unit on a monthly basis, less concessions. RealPage Analytics always reports monthly rent as the effective rate (asking rent less concessions).

**Rent Per Square Foot:** Average monthly rent divided by the average square footage of the apartment unit, less concessions.

**Effective Rent Change (Monthly/Quarterly/Annual):** The percentage change in effective rent from a previous time period, such as month, quarter, or year. Effective Rent Change is calculated from same-store sample sets.

## REVENUE CHANGE

**Revenue Change (Quarterly/Annual):** The average revenue change per available square foot for the period indicated over the same period in the previous year (Same-Store); sourced from RealPage lease transactions.

## ONE-YEAR FORECAST

Completions (often referred to as supply) are forecasted in both rate and growth terms. The one-year or four-quarter forecast is based on identified supply sourced from RealPage's project-by-project pipeline research.

Absorption (often referred to as demand) is derived from occupancy and supply forecasts and reflects the expected change in occupied units from period-to-period.

Occupancy is forecasted in both rate and growth terms. Occupancy rates are forecasted on a quarterly basis from which growth is derived.

Employment forecasts presented in RealPage Analytics analysis are calculated from recent employment trends and performance. The resulting forecasts are reconciled with external projections to ensure alignment with broader economic sentiment.

RealPage's unparalleled market intelligence platform provides 100% visibility into 425 apartment markets, enabling stakeholders to view, visualize and leverage insights, information and reports at market, submarket and property levels.

For more data or to schedule a media interview, contact:

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