

# Early Edition

## 2Q23 U.S. Apartment Market Report

### Rent Growth Remains Well Below Normal So Far in 2023

While rent growth continues to cool rapidly, apartment demand is rebounding so far in 2023. Net absorption came in just shy of surging new supply levels in 2nd quarter 2023, stabilizing occupancy rates after a precipitous decline in 2022.

Apartment demand appears to be normalizing as expected so far this year. That's good news, but it's still not enough to keep pace with new supply – and likely won't be as completions peak later this year and well into 2024.

Asking rents, meanwhile, continue to grow but at very muted levels – as they have in every month so far in 2023. Same-store effective asking rents rose just 0.46% between May and June 2023. That was the smallest increase for any June in the last decade aside from the lockdown period of June 2020.

Apartment operators continue to prioritize occupancy rates over rents. Occupancy came easy back in 2021 because there was so much more demand than supply. The tables have turned. And now supply is doing exactly what it's supposed to do – giving renters more options and putting downward pressure on rent growth.

Year-over-year rent change is now on pace to flatten or even turn slightly negative later this summer.

-Jay Parsons | *Chief Economist*

### Solid, But Not Spectacular, Demand Rebound in 2nd Quarter 2023

Apartment market performance in 2nd quarter 2023 yields mixed results. On one hand, the U.S. recorded positive quarterly absorption of roughly 83,000 units. This was the largest quarterly absorption figure since 1st quarter 2022 when the nation saw unseasonably strong absorption totaling some 84,000 units. On the other hand, 2nd quarter 2023 absorption clocks in at just 60% of the 2nd quarter average during the 2010s decade.

Meanwhile, vacancy rates have climbed 2.1% over the past 12 months. Further explaining the increase in vacancy is a record amount of new construction. About 107,000 new units came online in the April to June time frame, pushing the trailing 12-month figure to some 376,000 new apartment units. This coupled with improving-yet-still-modest absorption informs the continued occupancy contraction.

In short, this appears to be a point in the real estate cycle that the market hasn't confronted in many years. New supply is robust enough to weigh on performance fundamentals. This doesn't mean the market is overexpanding its inventory base on aggregate though. Rather, new supply is doing what it is supposed to do at this point in the cycle. Faced with a decade's long undersupply of housing, today's rapid supply increase is re-shifting the balance of supply and demand. Short-term challenges may arise, but the deepest challenges will remain highly localized.

-Carl Whitaker | *Director of Research and Analysis*

# 2Q23 REPORT EARLY EDITION

## SUPPLY

Quarterly Supply (units) **107,416** Annual Supply (units) **376,443**

Annual Inventory Change **2.0%**

## RENT

Monthly Rent

**\$1,809**

Rent Per Square Foot

**\$1.992**

Quarterly Change

**1.1%**

Annual Change

**2.4%**

## DEMAND

Quarterly Demand (units) **83,449**

Annual Demand (units) **-44,096**

## OCCUPANCY

Current Rate **94.7%**

Quarterly Change

**-0.1**

Annual Change

**-2.1**

## REVENUE CHANGE

Quarterly Change

**1.0%**

Annual Change

**0.3%**

Existing Units  
**19,082,477**

Sampled Units  
**9,320,736**

Percent Sampled  
**48.8%**

1. Newark	7.0%
2. Cincinnati	6.6%
3. Indianapolis	6.1%
4. Miami	5.5%
5. San Diego	5.1%

## Top 5 Markets for Annual Rent Growth

## Top 5 Markets for Occupancy

1. Newark	97.0%
2. New York	97.0%
3. Milwaukee	96.9%
4. San Diego	96.6%
5. Anaheim	96.2%

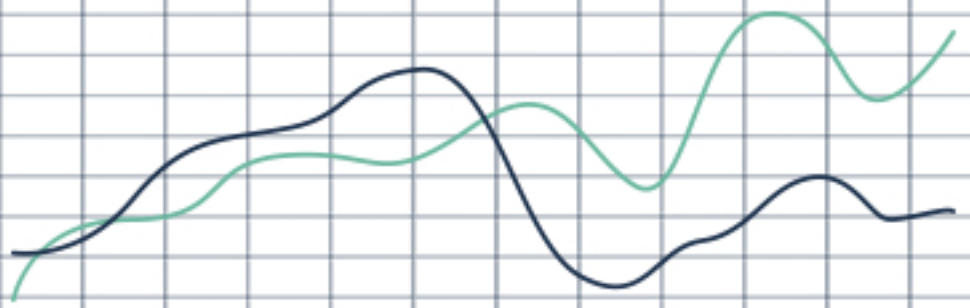
1. Phoenix	16,763 units
2. Atlanta	16,715 units
3. Dallas	16,367 units
4. Houston	14,292 units
5. Austin	13,280 units

## Top 5 Markets for Annual Supply

## Top 5 Markets for Annual Demand

1. Nashville	5,647 units
2. Charlotte	5,544 units
3. Phoenix	5,182 units
4. Austin	4,495 units
5. Newark	4,371 units

# 2Q24 ONE-YEAR FORECAST



Annual Supply (units)

**651,284**

Annual Demand (units)

**635,355**

Occupancy

**94.9%**



Annual Occupancy  
Change

**0.1**



Annual Revenue  
Change

**2.5%**



Annual Rent  
Change

**2.4%**



Annual Job Change

**72,909**

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## 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.

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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.

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