EARLY EDITION
4Q23 U.S. Apartment Market Report

REALPAGE

Last Year's High Apartment Supply Will be Bested by This Year's Record Rate

Jay Parsons
Chief Economist

Nearly 440,000 apartment units completed in 2023, and another 672,000 are scheduled to deliver in 2024. After that, completions will dramatically plunge due to the recent slowdown in starts linked to higher financing costs and softer fundamentals.

High supply is great news for renters and a hurdle for investors. Renters suddenly have far more options than they've had in recent years, and that's putting downward pressure on rent growth. Rents flattened in 2023 following back-to-back years of high rent growth.

The upside: Following a sluggish 2022, apartment demand rebounded in 2023 thanks to cooling inflation (including rents) and improving consumer confidence. In particular, 4th quarter – normally a seasonally slow leasing period – turned out to be a surprise bright spot. Net absorption totaled 58,200 units in 2023's 4th quarter, meaning there were 58,200 more occupied apartments than in the previous quarter. That was the third-strongest 4th quarter in 25 years, topped only by 2020 and 2021 – and by a wide margin.

While that's a strong demand tally by any measure, it wasn't enough to keep pace with supply surging to the highest levels since 1987. As a result, apartment occupancy dropped 0.9 points year-over-year to 94.2% – still within the long-term normal range, even if much lower than the peaks of 2021-22.

Demand Improves, But Rent Cuts Persist in Highest Supply Markets

Apartment demand in 4th quarter 2023 showed continued improvement – a welcomed sight considering the degree of new supply that's concurrently delivering. Quarterly rent change readings in most places turned negative, though this was expected due to normal seasonal patterns. Still, the magnitude of rent cuts in the nation's highest-supply markets was notable. For example, the nation's rent change laggard – Austin – cut rents 6.0% in 2023, while inventory growth in the Texas capital expanded 6.0% in 2023. Other major markets where deep rent cuts were influenced by rapid inventory growth in 2023 included Jacksonville, Phoenix, Orlando, Salt Lake City, Raleigh/Durham, Nashville and Charlotte. It may then seem counterintuitive then that several of those markets also posted some of the best quarterly absorption, such as in Phoenix, Austin, Raleigh/Durham and Orlando.

The takeaway is simple: the amount of supply delivering is greater than absorption, which, in turn, influences softer rent change. That is true on both a national basis and in most markets nationwide. Though occupancy rates dipped to a multi-year low in many major markets, the pace of contraction slowed throughout 2023. In fact, only one major market (New York) saw occupancy rates decline faster in 2023 than in 2022.

Carl Whitaker
Senior Director
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This suggests that occupancy rates continued to work towards stabilization in 2023, even as demand remained solid. Still, considering occupancy and supply pressure, it's likely that rent growth remains modest-at-best throughout 2024. The nation's strongest rent performers in 2024 will likely achieve about 2% growth or greater. Meanwhile, markets posting rent cuts in 2024 may not be all that uncommon. Supply is expected to be the primary influence on those leading (and lagging) markets this year.

4Q23 REPORT EARLY EDITION
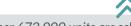
SUPPLY

129,015
Quarterly Supply (units)

439,394
Annual Supply (units)

2.3%
Annual Inventory Change

Another 672,000 units are scheduled to complete in 2024

DEMAND

The third-strongest 4th quarter in 25 years

58,200
Quarterly Demand (units)

233,741
Annual Demand (units)

REVENUE CHANGE

Quarterly Change
-1.6%

Annual Change
-0.8%

OCCUPANCY

Still in line with the long-term norm, even if much lower than 2021 & 2022

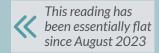Current Rate
94.2%

Quarterly Change
-0.3

Annual Change
-0.9

RENT

Monthly Rent
$1,805

Rent Per Square Foot
$1.986

Quarterly Change
-1.3%

Annual Change
0.2%

This reading has been essentially flat since August 2023

Existing Units	Sampled Units	Percent Sampled
19,315,776	9,396,910	48.6%

Top 5 Markets for
Annual Rent Growth

1.	Chicago	3.6%
1.	Cincinnati	3.6%
3.	Newark	3.4%
4.	Milwaukee	3.3%
5.	Boston	3.2%

These two Midwest markets tied for top rent growth in calendar 2023

Top 5 Markets for
Occupancy

1.	New York	97.1%
2.	Newark	96.6%
3.	Anaheim	96.3%
4.	Milwaukee	96.1%
5.	San Diego	95.7%

Newark and Milwaukee are the only two markets to claim top readings in both rent change and occupancy in 2023

Top 5 Markets for
Annual Demand

1.	Houston	15,606 units
2.	Phoenix	12,027 units
3.	Austin	11,388 units
4.	Washington, DC	10,834 units
5.	Charlotte	10,317 units

Over a quarter of Charlotte's absorption came from the UNC Charlotte submarket

Top 5 Markets for
Annual Supply

1.	Houston	20,222 units
2.	Dallas	20,062 units
3.	Atlanta	20,001 units
4.	Phoenix	17,167 units
5.	Austin	17,025 units

All five of these markets will receive even higher volumes of new supply in 2024

Bottom 5 Markets for
Annual Rent Change

1.	Austin	-6.0%
2.	Jacksonville	-5.0%
3.	Atlanta	-4.7%
4.	Phoenix	-4.3%
5.	Orlando	-4.0%

RealPage forecasts 4Q23 to be the trough of Austin's rent cuts with performance slowly improving throughout 2024

An improvement from 3Q23's reading of -4.8%

Rankings among the top 50 apartment markets in the U.S.

4Q24 ONE-YEAR FORECAST

ANNUAL SUPPLY (UNITS)
672,285

About a 53% increase in annual supply over 2023

ANNUAL DEMAND (UNITS)
699,263

Demand is forecasted to top 30,000 units in Dallas, Phoenix, Austin and Los Angeles

OCCUPANCY
94.6%

Right in line with the 20-year average

ANNUAL OCCUPANCY CHANGE
0.4

ANNUAL REVENUE CHANGE
2.7%

ANNUAL RENT CHANGE
2.3%

ANNUAL JOB CHANGE*
528,000

*Job change among the 150 largest apartment markets tracked by RealPage

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, lessnon-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.