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COVID-19: A Game Changer for Multifamily

The COVID-19 pandemic ended years of healthy multifamily fundamentals. Will the industry's pain be short-lived or the start of a new trend that is less favorable for the sector?

After nearly a decade of solid growth, multifamily asking rents dropped 0.4% nationally in April and May, with twice as many metros seeing rents decline (71) as increase (35), according to a study of 107 U.S. metros by Yardi Matrix. Metros with the most rent growth since the pandemic started—led by Portland, Maine (1.7% in April and May); Mobile, Ala. (1.3%); and Memphis (1.3%)—are primarily smaller markets, many in the Southeast and Midwest. Primary and secondary metros, with concentrations of urban properties in coastal centers, felt the most impact. Asking rents fell at least 0.6% in all primary markets, with the biggest decreases in Boston (-1.5%), Los Angeles (-1.4%) and San Francisco (-1.0%).

Demand has weakened, and renters are increasingly looking for more inexpensive stock. Newer luxury units with the highest rents have fared worse than more moderately priced units. Rents of luxury Lifestyle units nationally decreased by 1.2%, compared to a decline of only 0.5% for working-class Renter-by-Necessity units. New units coming online are taking longer to lease up, prompting owners of more expensive units to offer concessions or lower rents to attract tenants.

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