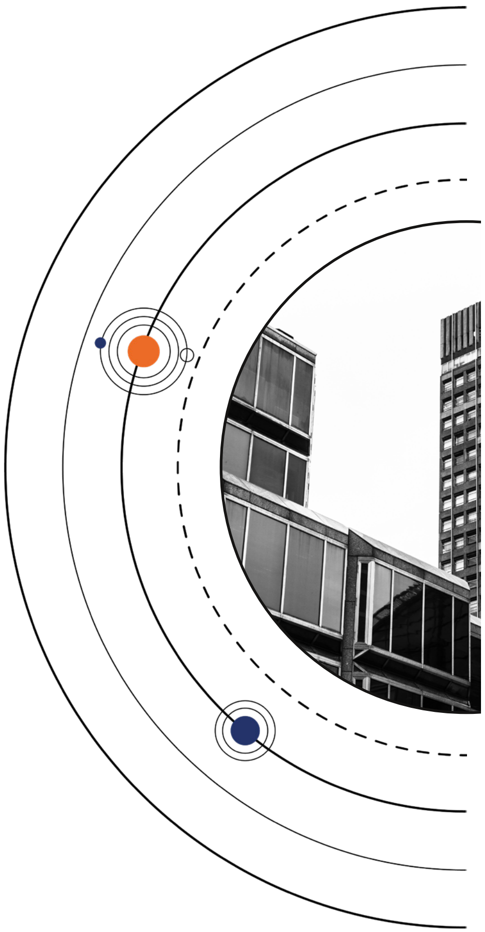
SVN RESEARCH

State of the Market Report

MULTIFAMILY | 2025

National Overview



NATIONAL OVERVIEW: SPONGE-LIKE DEMAND

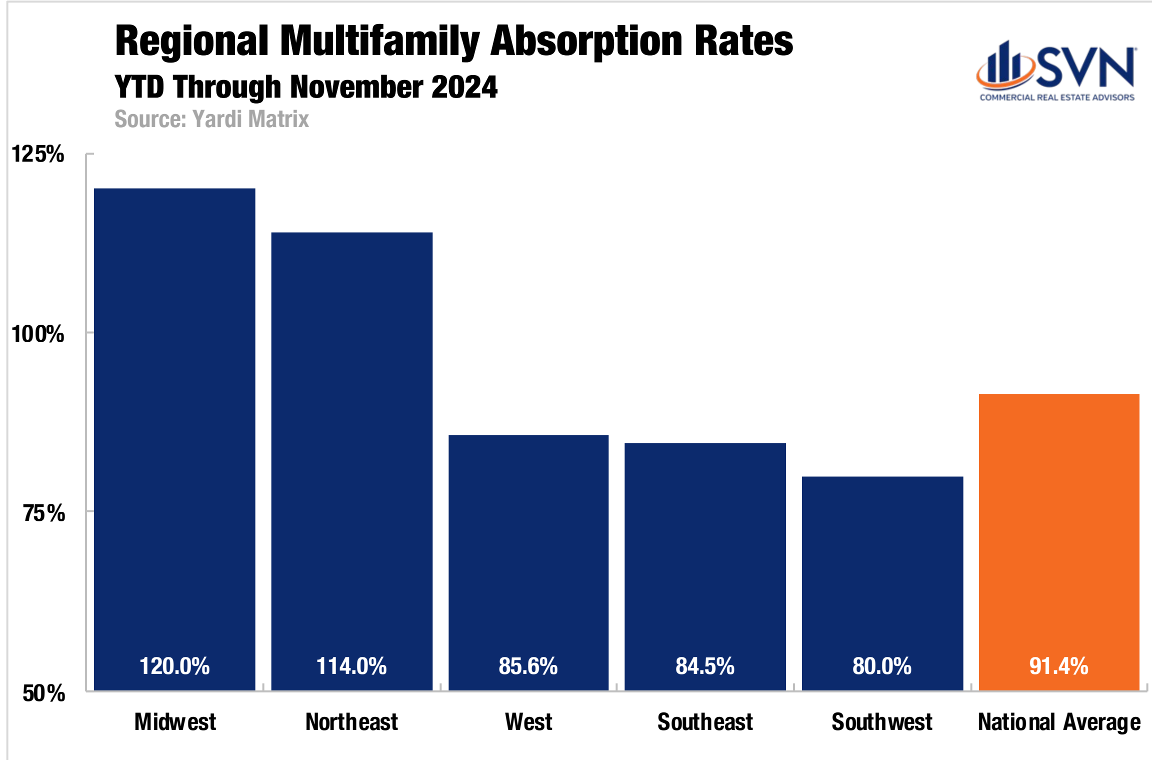
Take a casual glance at Multifamily performance in 2024, and you could be forgiven for wincing a little. However, if you dig beneath the surface, the story of the Multifamily's performance last year is nuanced — and there is a lot more strength to the sector than headline data suggests.

After rents and valuations soared during the immediate post-pandemic period, the Multifamily sector returned to Earth in 2023 and 2024, forcing operators in several regions to adjust to more modest returns amid an elevated interest rate regime. Moreover, a historic increase in new Multifamily housing supply proved to be the biggest foot on the sector's brake pedal last year.

According to year-end data from the Census Bureau and Department of Housing and Urban Development, builders completed roughly 591,000 units nationally in 2024 — a pace not seen since Nixon's last year in office. Further, Multifamily completions are up 34% from 2023, which had already been the strongest construction year for the sector since 1987.

Such momentous construction activity was destined to dampen the Apartment sector's rent growth. Nonetheless, the long-term need for affordable, high-quality housing remains intact as migration, family formations, home-buying financial constraints, and aging-in-place trends have raised the floor for apartment demand.

While housing supply needs vary by region, national absorption rates illustrate how today's consistent apartment demand is still soaking up newly constructed units. According to [Yardi Matrix's December 2024 National Multifamily Report](), through the first 11 months of 2024, 404,000 of the 442,000 units constructed nationally were absorbed — a high rate by historical standards.



Still, the elevated pace of Multifamily completions has some market watchers worried about a potential supply gut — but a key point keeping analysts bullish on long-term Multifamily prospects is demographic trends.

According to the Congression Budget Office (CBO), the US is projected to add an average of 1.16 million households per year between 2024 and 2033, while the population of prime-renter-age individuals (ages 20 to 34) is expected to rise through 2030. Additionally, while foreign migration totals are projected to fall in the coming years, an aging US population that has a higher propensity for apartment living is expected to sustain the need for new Multifamily supply.

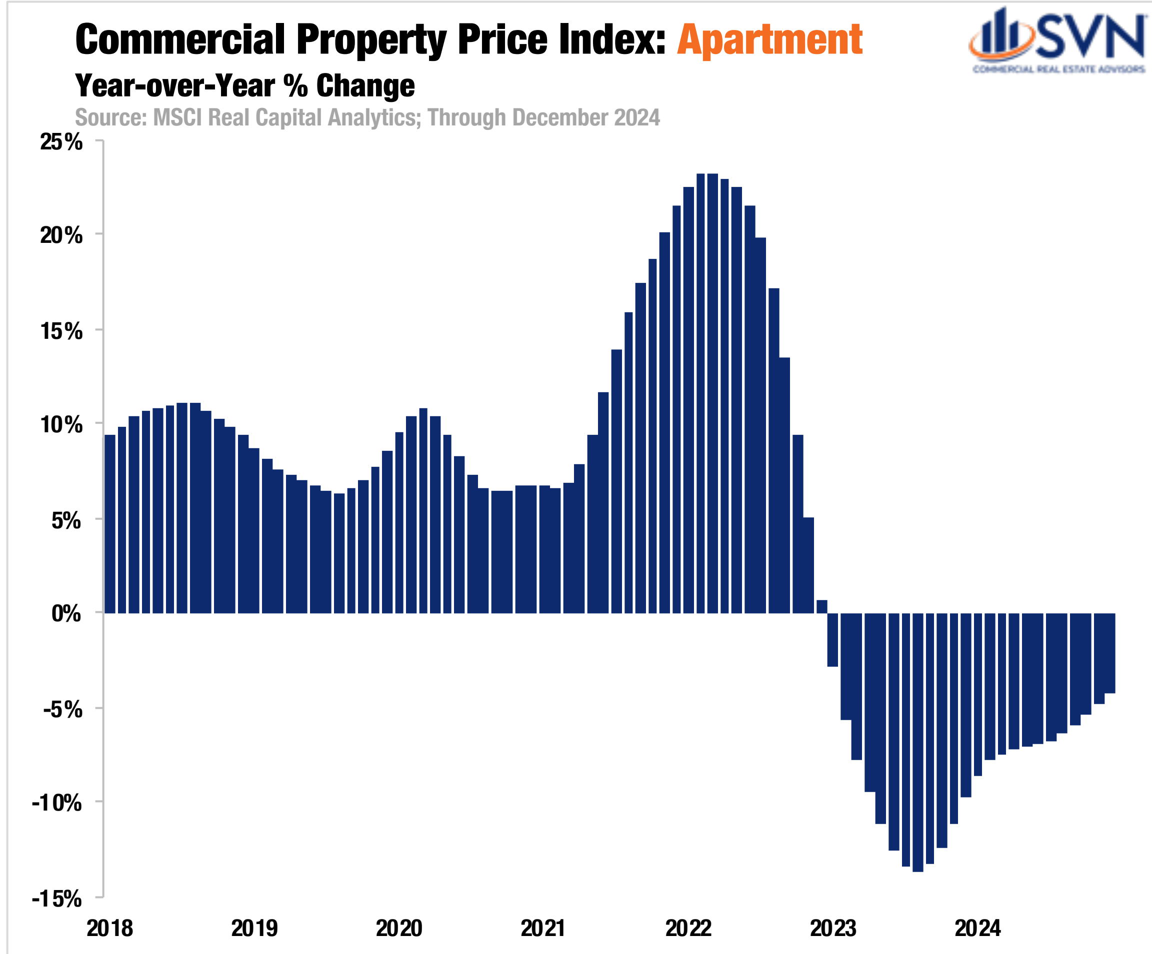
On balance, the pace of Multifamily completions, alongside increased costs for capital, labor, and materials, have contributed to more than a few headaches throughout the sector. Nevertheless, the sector's structural demand tailwinds should endure far longer than its short-term headwinds.

Pricing

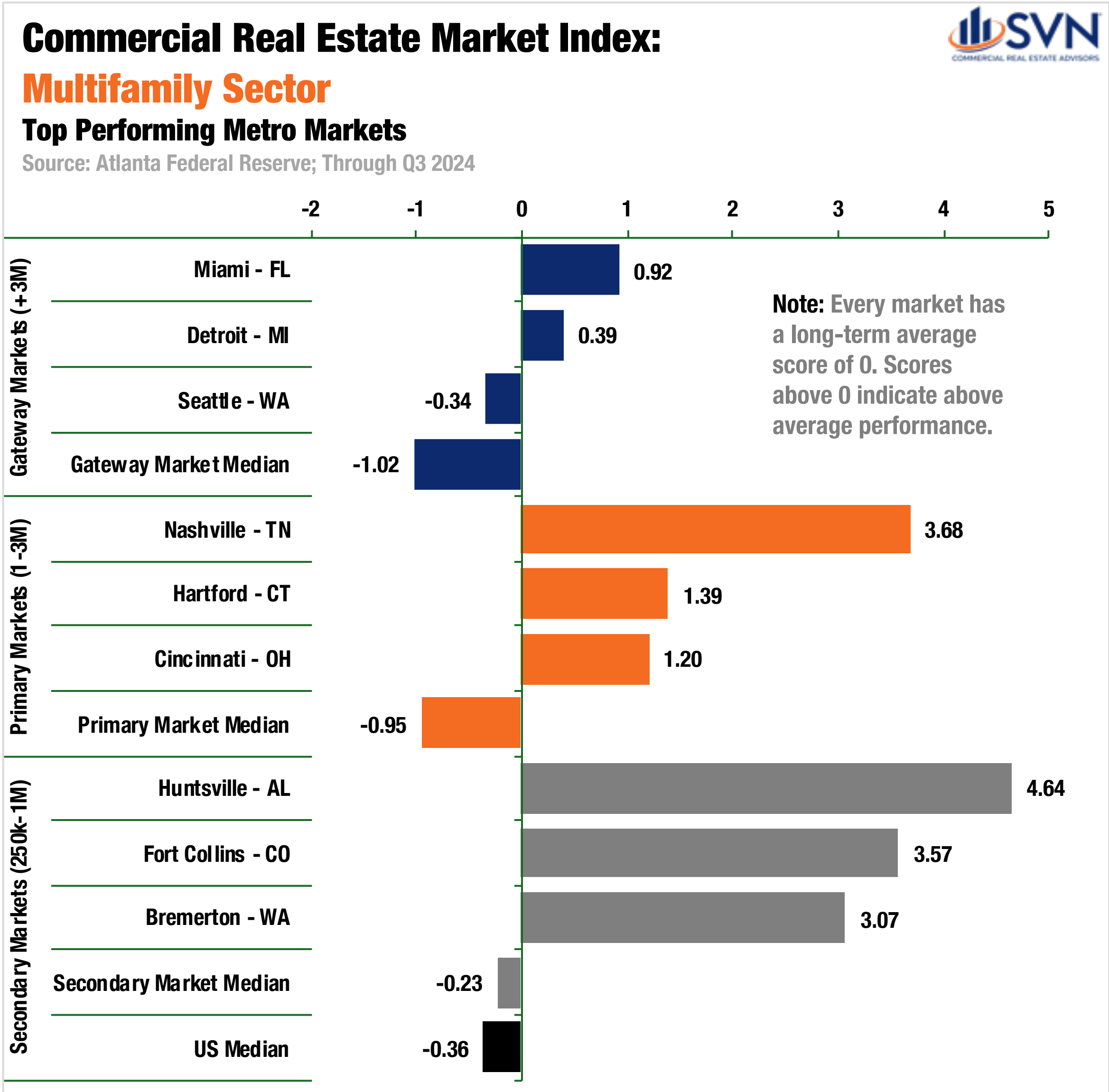
According to MSCI Real Capital Analytics' CPPI, pricing in the Multifamily sector continued to slide in 2024. On average, Multifamily asset valuations fell by 4.2% last year. Through the end of 2024, Multifamily valuations have declined on an annual basis for 24 consecutive months.

Moreover, Multifamily prices are down by a cumulative 19.6% compared to the 2022 valuation peak. Still, there are several signs that a stabilization is underway.

The pace of annual decrease has now lessened in 16 straight months. Moreover, December 2024 marked the first time that Multifamily valuations did not fall moth-over-month since July 2022.



Standout Market Performance



To identify standout Multifamily markets in the past year, the SVN Research Team utilized the Atlanta Federal Reserve Bank's Commercial Real Estate Market Index (CREMI). The CREMI provides a holistic view of a CRE sector's performance within every major US metro — incorporating factors such as occupancy rates, net operating incomes, cap rates, asset pricing, absorption, and other local economic conditions.

Gateway Market Standout: Miami

Among metros with more than three (3) million people or more, Miami led the way for Multifamily sector performance. Miami's apartment sector strength continues to be driven by substantial domestic immigration. The city has experienced an influx of highincome professionals, remote workers, and corporate relocations, particularly from the finance and tech sectors. According to ApartmentList, New York is the most significant external source of Miami rental demand, accounting for 10.9% of all inbound apartment searches. The steady stream of incoming demand is supporting Miami's ability to onboard new rental units without too much disruption. According to NAR and CoStar, net absorption increased by 57% over the year ending in Q3 2024.

Miami's tourism and short-term rental demand are also factors that are tightening the local apartment market. Airbnb notes that Miami has the second most active listings of any US market. With many would-be housing units re-purposed for hospitality, both vacancy levels remain tight at just 5.8%.

Major Market Standout: Nashville

Among metros with populations between one (1) and three (3) million residents, Nashville was the best-performing apartment market in 2024. A surge in population continues to be the primary elixir for Nashville's apartment sector success. In 2023, Nashville's resident population swelled by 1.5% — growing three times faster than the nation. While the Census won't release 2024 metro population estimates until July, the already released state-level data indicate that Tennessee kept its foot on the gas in 2024, growing by 1.1%.

Nashville continues to attract young professionals, corporate relocations, and new businesses, particularly in the healthcare, technology, and entertainment industries. Major employers like Amazon, Oracle, and Vanderbilt University have expanded their presence, boosting demand for apartments. Further, despite a surge in new Multifamily supply, demand has kept pace, supporting strong absorption rates. Over the year ending in Q3 2024, net absorption in Nashville totaled 10,973 Multifamily units — an increase of 83% from the same time last year.

Secondary Market Standout: Huntsville

Among metros with populations between 250,000 and one (1) million people, Huntsville, AL, came out on top. Much like the Huntsville economy as a whole, the local Multifamily sector performed exceptionally well in 2024. The Huntsville labor market continues to expand at a ferocious pace. Nationally, compared to the month before the pandemic, the number of jobs in the US is up by 4.7%. Meanwhile, Huntsville's post-pandemic surge was far more robust, with job totals swelling by 14.5%. The city has solidified its position as a hub for aerospace, defense, and technology, with key employers such as Redstone Arsenal, NASA's Marshall Space Flight Center, and a growing presence of private sector firms like Blue Origin and Toyota-Mazda. Affordability remains a key driver of Huntsville's strong Multifamily performance. According to Zillow, as of the end of 2024, the average rent for an apartment goes for $1,474 per month — about 25% less than the national average. Moreover, despite holding a higher-than-average vacancy rate (18.7%), net absorption of Multifamily deliveries increased over the year ending in Q3 2024 by 52%.

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