Strong Q1 Absorption Boosts Multifamily Rent Growth

▼ 4.8%	▼ 70,600	▼ 100,600	▲ +0.9%	▼ $28.8B
Vacancy Rate	Completions (units)	Net Absorption (units)	Y-o-Y Rent Growth Rate	Investment Volume

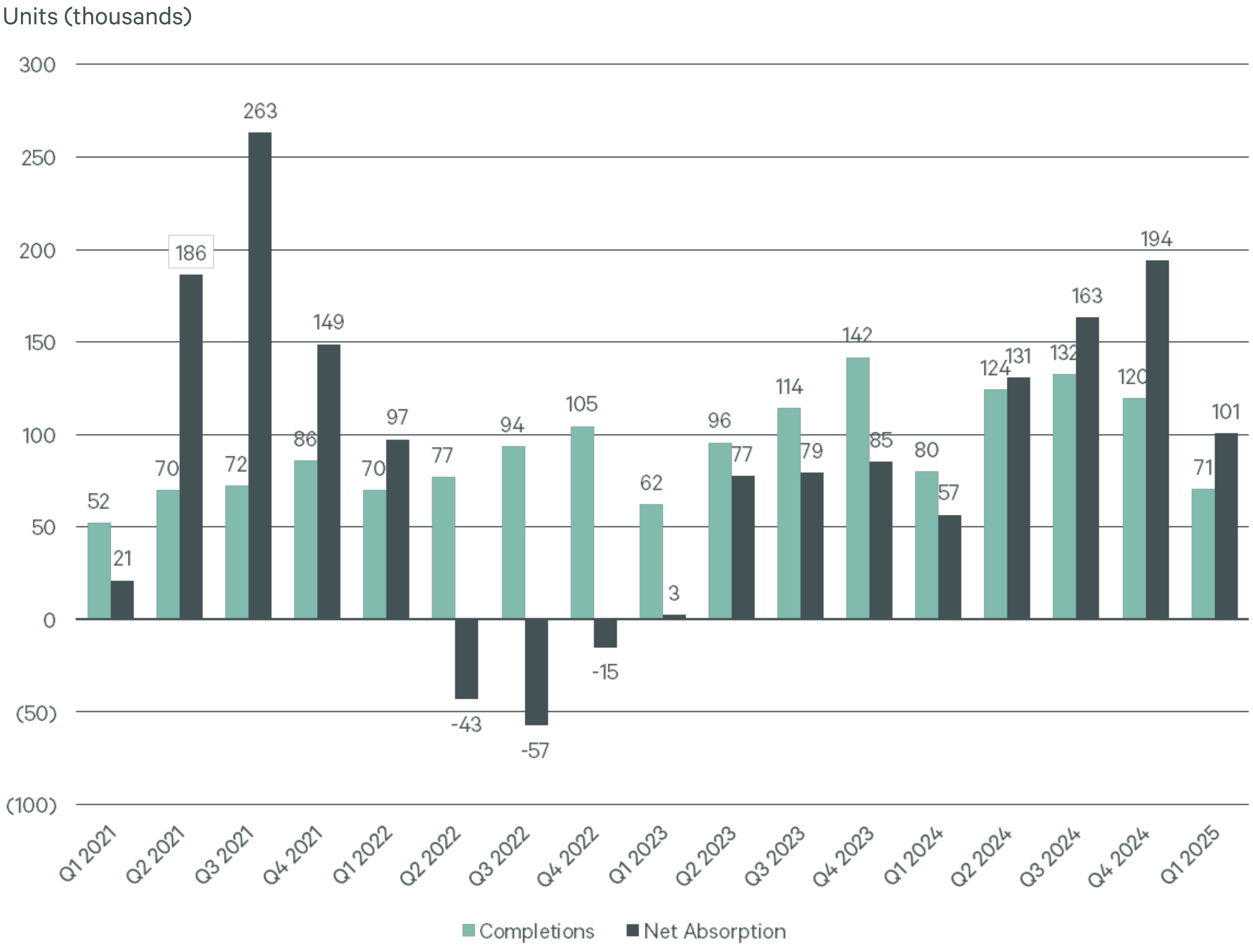
Note: Arrows indicate quarter-over-quarter change.
Source: CBRE Research, CBRE Econometric Advisors, Q1 2025. Based on the 63 markets that comprise CBRE EA's Sum of Markets.

Executive Summary

- Renter demand continued to outpace new deliveries in Q1, lowering the overall multifamily vacancy rate to 4.8%.
- Average year-over-year effective rent growth increased to 0.9% in Q1 and is expected to continue accelerating in coming quarters as occupancy rises.
- Net absorption increased by 77% year-over-year in Q1 to 100,600 units. This is the highest Q1 absorption since 2000 and is more than triple the pre-pandemic Q1 average.
- Sixty-three of the 69 markets tracked by CBRE recorded positive net absorption in Q1. Typically, most markets record very low or negative net absorption in Q1.
- Construction completions slowed to 71,000 units in Q1 from 120,000 in Q4 2024, with fewer new deliveries expected in coming quarters.
- Q1 multifamily investment volume increased by 33% year-over-year in Q1 to $28.8 billion, the highest Q1 total since 2022.

Figure 1
Absorption continued to outpace new supply

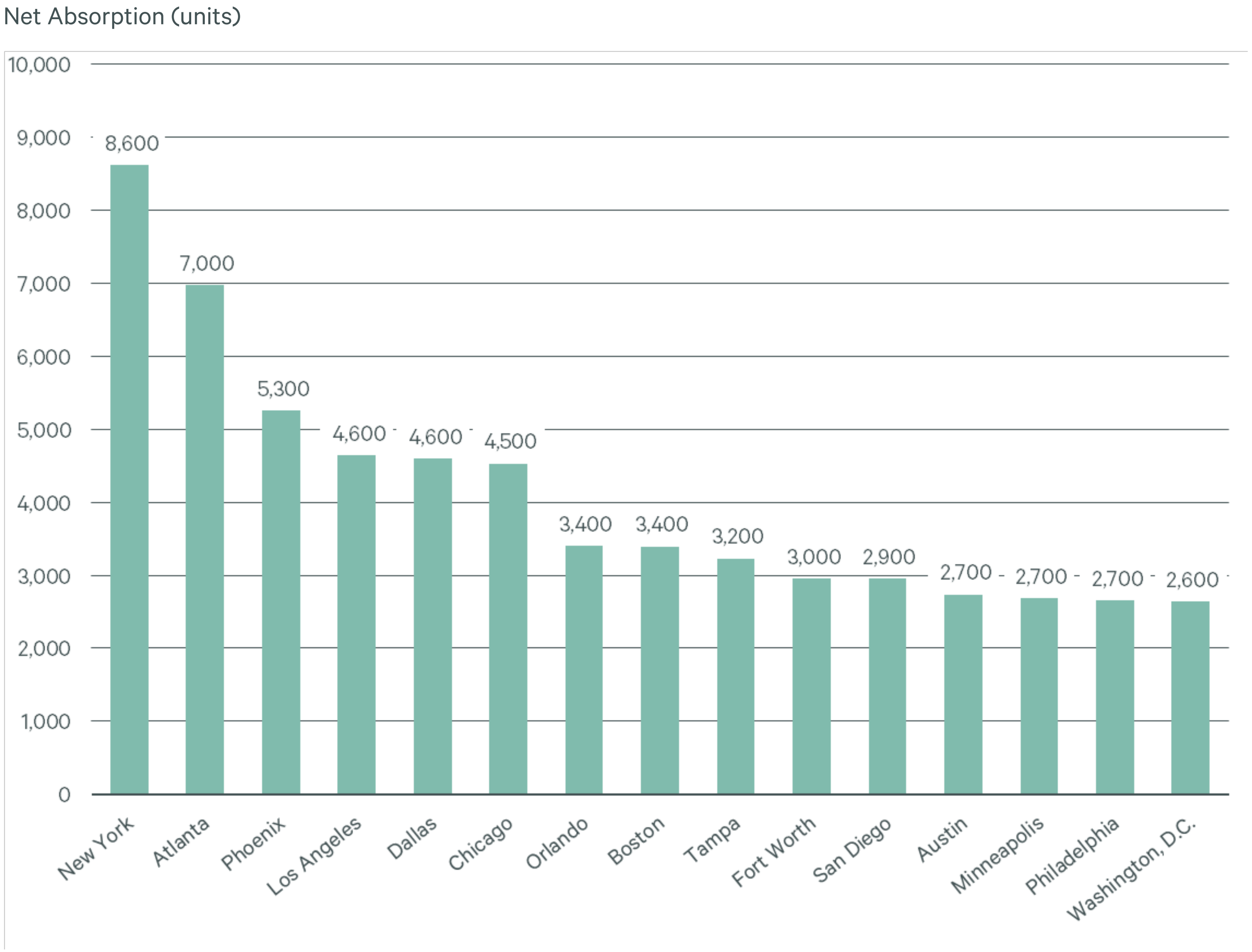
- Net absorption increased by 77% year-over-year in Q1 to 100,600 units. This is the highest Q1 absorption since 2000 and is more than triple the pre-pandemic Q1 average.
- Rolling four-quarter net absorption of 589,000 units was only 15% below the record set in Q1 2022. However, absorption is expected to moderate as vacancy and new deliveries continue to fall.
- Quarterly demand surpassed the 70,600 units in new completions by 42% in Q1. On a rolling four-quarter basis, demand outpaced the addition of 447,000 units by 32%.



Source: CBRE Research, CBRE Econometric Advisors, Q1 2025.

Figure 2
Top 15 markets for Q1 net absorption

- Sixty-three of the 69 markets tracked by CBRE recorded positive net absorption in Q1, led by New York (8,600 units), Atlanta (7,000) and Phoenix (5,300).
- All markets recorded positive net absorption on an annual basis, led by New York (55,900 units), Dallas (29,900) and Houston (27,400). Sixty-five had year-over-year increases in annual net absorption.
- On a trailing four-quarter basis, Sun Belt markets had the highest absorption rates as a percentage of total inventory, topped by Austin (8.2%), Jacksonville (7.5%) and Raleigh (7.2%).



Source: CBRE Research, CBRE Econometric Advisors, Q1 2025.

Figure 3
Demand offsets new supply additions

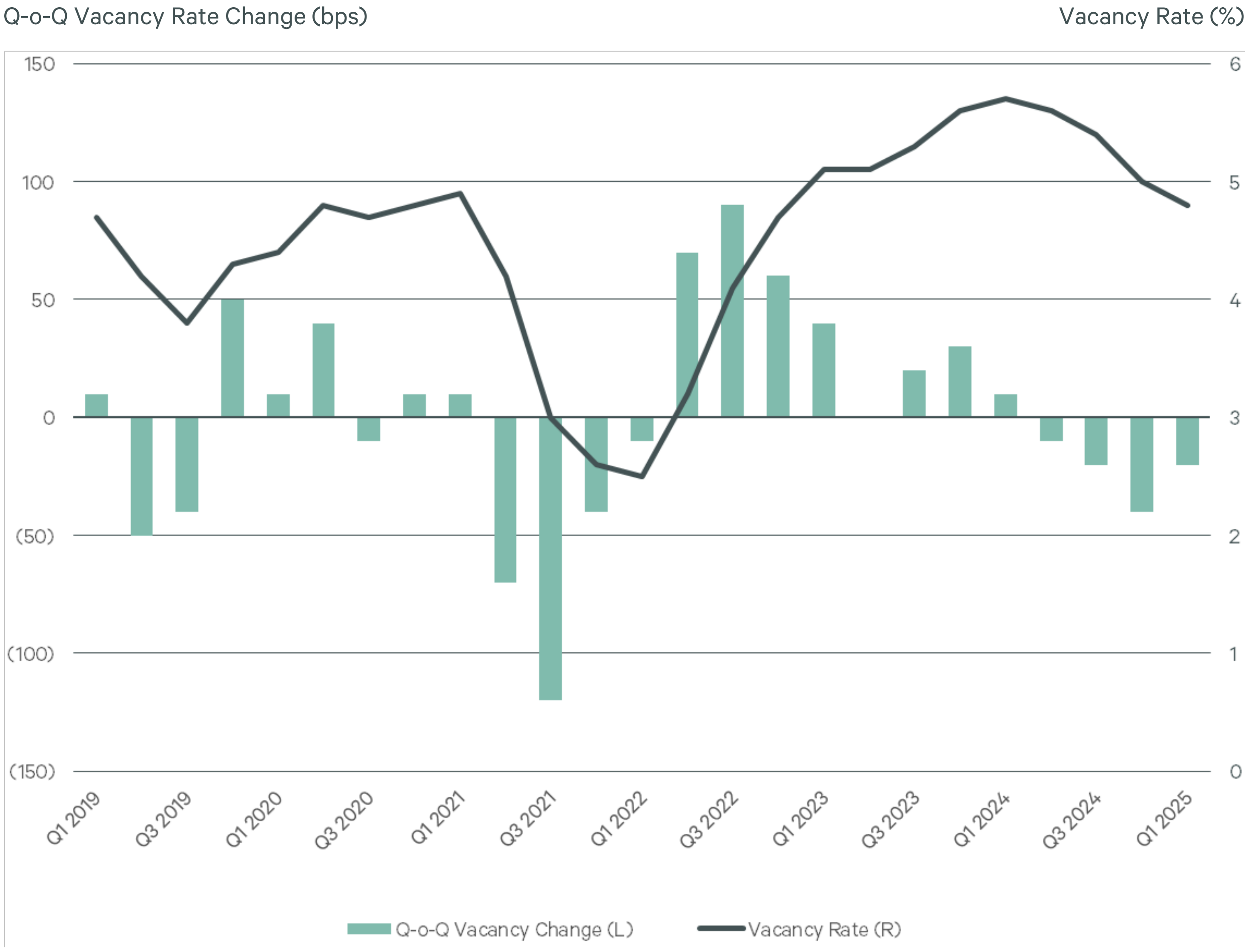
- On a rolling four-quarter basis, all top 20 markets for new supply have seen more absorption than completions.
- All but five of the top 20 (Houston, Washington, D.C., Denver, Nashville and Jacksonville) had more quarterly net absorption than new completions in Q1.
- Forty-nine markets saw net absorption exceed new supply in Q1, led by Chicago (+3,500 units), Atlanta (+2,600) and Tampa (+2,500).
- All top 20 markets for new supply had positive net absorption in Q1 and on an annual basis. These top markets accounted for 70% of national completions and 66% of net absorption.
- The top five markets for construction completions on a rolling four-quarter basis (New York, Dallas, Austin, Atlanta and Houston) accounted for 29% of the national total. New York delivered 39,200 units or 9% of the national total.
- There were 602,500 units under construction as of Q1, representing 3.3% of existing inventory for the markets tracked by CBRE. This is down from a peak of 760,400 units under construction in Q1 2024. New York had the most units under construction (59,000), followed by Dallas (34,300) and Austin (25,700).

		Rolling 4-quarters as of Q1 2025		Q1 2025		As % of Inventory	
Rank*	Market	Completions	Net Absorption	Completions	Net Absorption	Completions	Net Absorption
	Sum of Markets	447,000	589,000	70,600	100,600	2.6	3.4
1	New York	39,200	55,900	6,200	8,600	1.6	2.3
2	Dallas	26,200	29,900	4,600	4,600	4.2	4.8
3	Austin	24,800	25,200	2,200	2,700	8.8	8.9
4	Atlanta	20,700	24,800	4,400	7,000	4.2	5.1
5	Houston	18,800	27,400	1,000	700	2.7	3.9
6	Washington, DC	16,800	24,500	3,100	2,600	2.6	3.7
7	Denver	16,600	17,400	2,400	2,100	4.5	4.7
8	Phoenix	15,800	19,800	4,500	5,300	3.9	4.9
9	Seattle	13,100	16,500	1,400	1,500	3.0	3.8
10	Orlando	12,600	14,200	1,900	3,400	4.9	5.5
11	Charlotte	12,400	13,400	2,000	2,500	6.2	6.8
12	Tampa	12,300	15,100	700	3,200	4.3	5.3
13	Raleigh	12,000	12,600	1,500	1,500	7.3	7.7
14	San Antonio	11,500	12,800	1,200	1,600	5.3	5.9
15	Los Angeles	11,200	18,900	2,900	4,600	1.0	1.6
16	Miami	11,100	12,400	1,000	1,800	3.3	3.7
17	Philadelphia	10,700	12,900	2,300	2,700	3.2	3.8
18	Nashville	10,600	11,000	1,400	600	5.8	6.0
19	Minneapolis	9,100	11,400	600	2,700	2.7	3.3
20	Jacksonville	8,600	10,500	1,200	1,100	6.5	8.0

*By annual completions.
Note: All ratios based on unrounded figures of four-quarter totals.
Source: CBRE Research, CBRE Econometric Advisors, Q1 2025.

Figure 4
Vacancy continues downward trajectory to 4.8%

- Net absorption outpaced new deliveries for the fourth consecutive quarter and lowered the overall multifamily vacancy rate by 20 basis points to 4.8%. This was the biggest Q1 vacancy decrease on record.
- Vacancy rates in 38 markets are now below their pre-pandemic average, up from 30 markets in Q4 and 19 in Q3 2024.
- Vacancy rates decreased quarter-over-quarter in 47 markets, down from 63 in Q4. Fewer construction deliveries should result in further vacancy reduction in coming quarters.
- Providence had the lowest vacancy rate at 2.5%, followed by 3.2% each for Honolulu, Long Island, New York City and Newark.
- Eleven markets finished Q1 with sub-4% vacancy rates, up from 10 markets in Q4. Twenty-nine markets had vacancy rates of between 4% and 5% (up from 25 in Q4), while 29 markets had vacancy rates above 5% (down from 34).



Source: CBRE Research, CBRE Econometric Advisors, Q1 2025.

Figure 5
All asset classes see lower vacancy

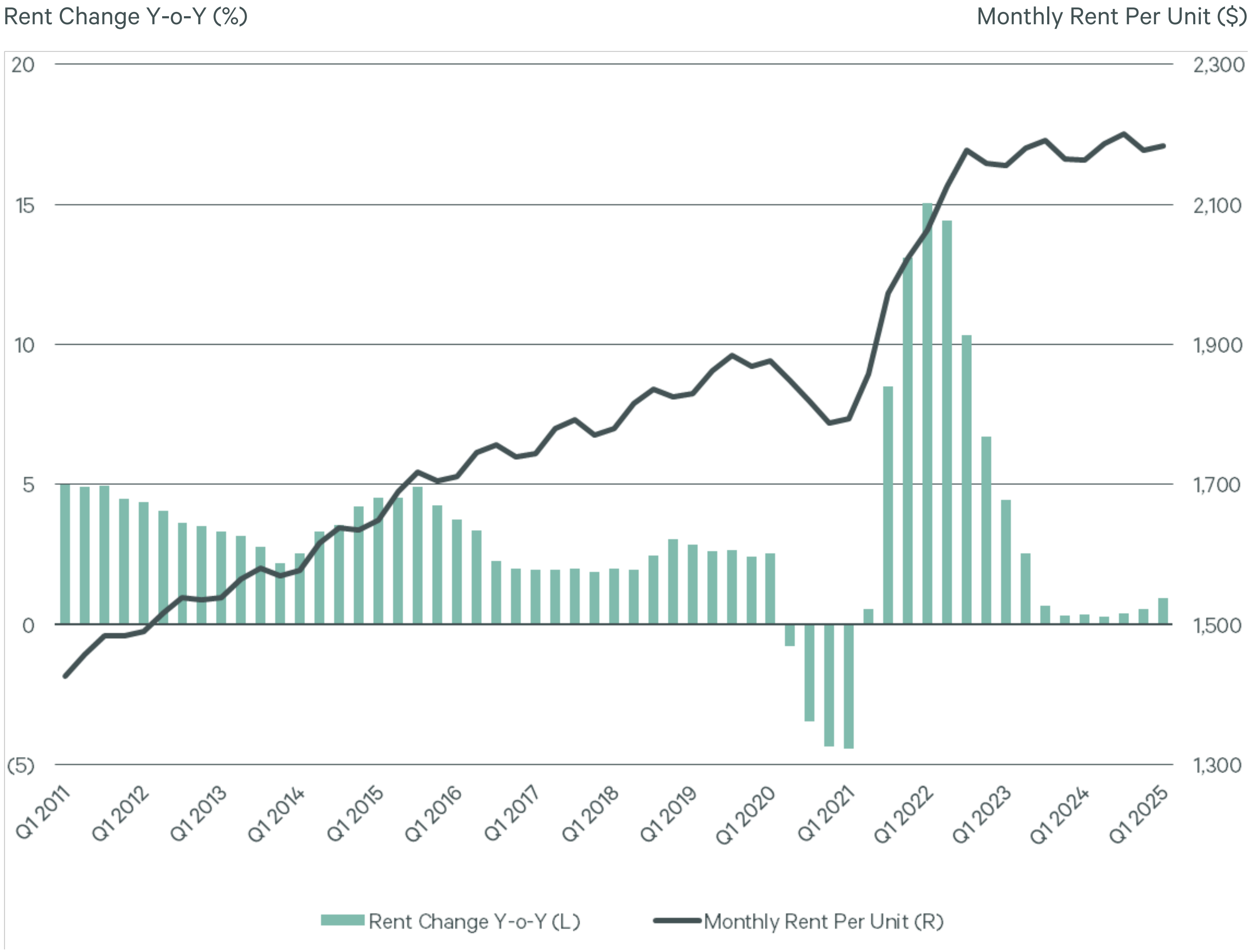
- The average vacancy rate for all three asset classes fell by 10 to 20 basis points (bps) in Q1. Class A fell to 5.1%, Class B to 4.7% and Class C to 4.7%.
- The vacancy rate spreads between asset classes remained historically tight. This has resulted in fairly robust year-over-year rent growth of 1.6% for Class A assets, 0.6% for Class B and 1.2% for Class C.
- Vacancy rates for all three classes are now only 20 to 70 bps above their Q1 2020 levels but below their 2011-to-2019 averages. With vacancy stabilizing across the asset spectrum, rent growth will likely accelerate in coming quarters.

Vacancy Rate (%)

Source: CBRE Research, CBRE Econometric Advisors, Q1 2025.

Figure 6
Average annual rent growth increases to 0.9%

- Average monthly rent increased by 0.9% year-over-year and 0.3% quarter-over-quarter to $2,184, marking the first Q1 increase since 2022.
- Negative rent growth continued to recede in most markets that had a recent wave of new supply. As these dynamics improve, overall average annual rent growth and occupancy levels are expected to accelerate.



Source: CBRE Research, CBRE Econometric Advisors, Q1 2025.

Figure 7
Rent growth by region

- The Midwest led the country for year-over-year rent growth with 3.3%, followed by the Northeast with 2.7% and the Pacific with 0.9%.
- Negative year-over-year rent growth moderated to -0.7% in the Southeast and -2.1% in the South Central regions but accelerated to -3.1% in the Mountain region.
- Nineteen markets had negative year-over-year rent growth in Q1, down substantially from 28 in Q4. Only six markets had increases in negative rent growth quarter-over-quarter.
- Greenville had the biggest jump in year-over-year rent growth (250 bps), followed by Lexington (230 bps) and Tampa and Corpus Cristi (190 bps each). Honolulu had the biggest decrease of 230 bps.
- Austin, Phoenix and Denver had the highest negative rent growth in Q1, with both Austin and Phoenix seeing slight improvement.

Rank*	Market	Q1 % Rent Change Y-o-Y
	ALL MARKETS	
	Sum of Markets	0.9
	PACIFIC	
	Region	0.9
1	San Jose	3.0
2	San Francisco	3.0
3	Seattle	1.8
4	Honolulu	1.6
5	Ventura	1.4
6	Orange County	1.4
7	Inland Empire	1.1
8	Portland	0.7
9	Sacramento	0.6
10	Oakland	0.3
11	Los Angeles	0.2
12	San Diego	0.1
	MOUNTAIN	
	Region	-3.1
1	Albuquerque	3.0
2	Las Vegas	-0.5
3	Salt Lake City	-2.3
4	Tucson	-3.1
5	Colorado Springs	-3.8
6	Denver	-4.1
7	Phoenix	-4.1

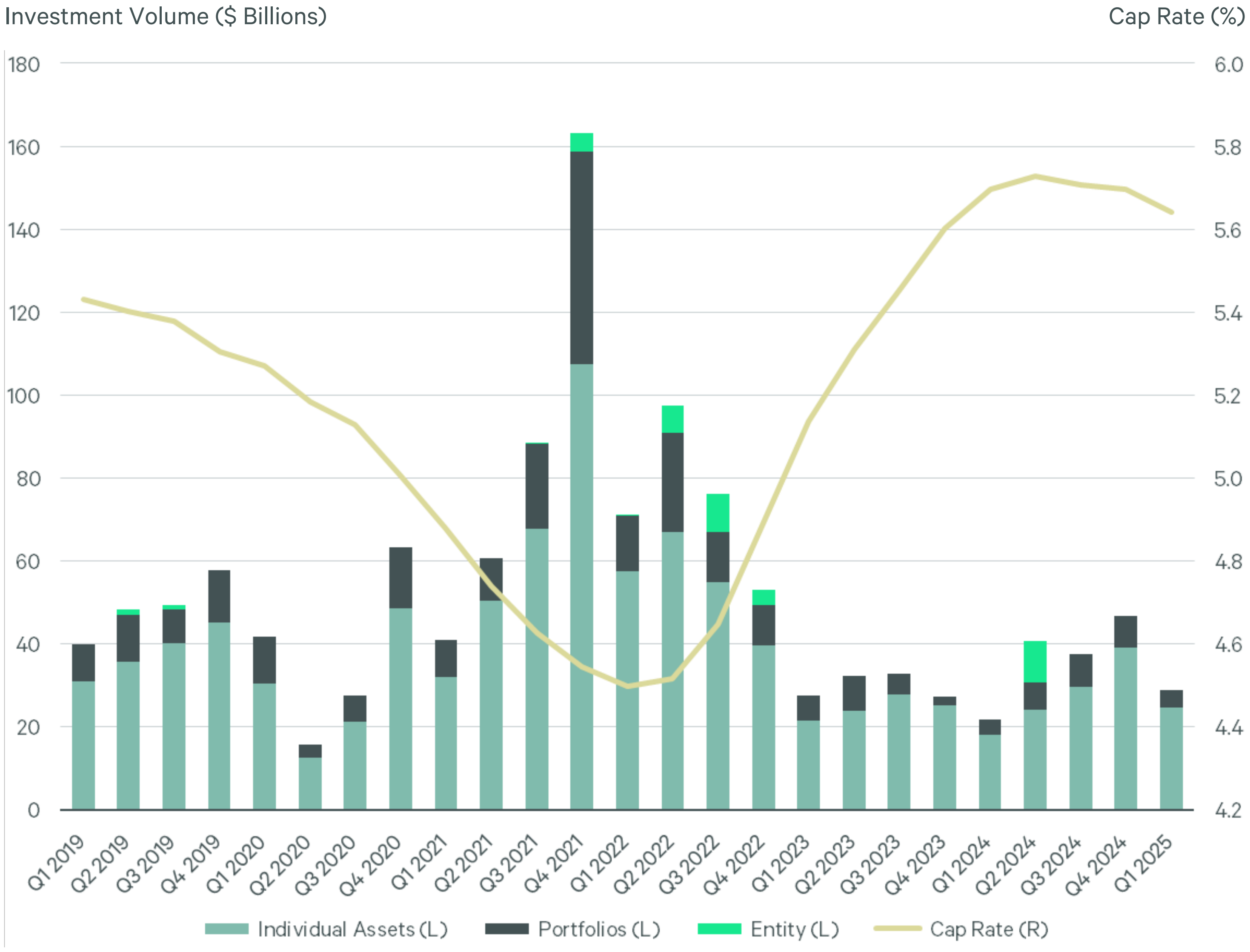
Rank*	Market	Q1 % Rent Change Y-o-Y
	SOUTH CENTRAL	
	Region	-2.1
1	Tulsa	2.7
2	Oklahoma City	2.5
3	Corpus Christi	1.3
4	El Paso	1.0
5	Houston	0.1
6	Ft. Worth	-2.1
7	Dallas	-2.8
8	San Antonio	-3.7
9	Austin	-6.8
	SOUTHEAST	
	Region	-3.1
1	Lexington	6.9
2	Richmond	3.4
3	Norfolk	2.7
4	Greenville	2.3
5	Tampa	1.3
6	Greensboro	1.3
7	Louisville	1.2
8	Birmingham	0.7
9	Miami	0.1
10	Memphis	-1.0
11	West Palm Beach	-1.0
12	Nashville	-1.1
13	Ft. Lauderdale	-1.1
14	Charlotte	-1.5
15	Orlando	-1.7
16	Raleigh	-2.4
17	Jacksonville	-3.1
18	Atlanta	-3.2

Rank*	Market	Q1 % Rent Change Y-o-Y
	MIDWEST	
	Region	3.3
1	Chicago	4.4
2	Omaha	3.9
3	Kansas City	3.9
4	Dayton	3.5
5	Detroit	3.4
6	Milwaukee	3.4
7	Cincinnati	3.2
8	Columbus	3.1
9	Cleveland	2.7
10	Madison, WI	2.1
11	Indianapolis	2.0
12	Minneapolis	2.0
13	St. Louis	1.8
	NORTHEAST	
	Region	2.7
1	Providence	5.8
2	Hartford	5.5
3	Newark	3.6
4	Pittsburgh	3.4
5	Washington, D.C.	3.4
6	Baltimore	2.7
7	New York	2.5
8	Long Island	2.5
9	Philadelphia	2.4
10	Boston	2.4

Source: CBRE Research, CBRE Econometric Advisors, Q1 2025.
Based on effective "same-store" rents.

Figure 8
Investment volume increases year-over-year

- Q1 multifamily investment volume increased by 33% year-over-year in Q1 to $28.8 billion, the highest Q1 total since 2022.
- Rolling four-quarter multifamily investment volume increased by 4.9% to $154.0 billion.
- The multifamily sector accounted for the largest share of total commercial real estate investment volume in Q1 at 33%.
- The average multifamily cap rate fell slightly to 5.6% in Q1 from 5.7% in Q4. CBRE's Q1 2025 Multifamily Underwriting Survey found that cap rates used to underwrite deals for core and value-add assets remained mostly unchanged in Q1, which likely will be reflected in Q2 2025 deal closings.



Source: CBRE Research, CBRE Econometric Advisors, MSCI Real Assets, Q1 2025.

Figure 9
Top markets for investment volume

– New York was the top market for rolling four-quarter investment volume with $10.6 billion, followed by Dallas-Ft. Worth with $10.0 billion and Los Angeles with $9.5 billion. Los Angeles had the biggest absolute increase in investment (+$3.9 billion) over the prior year, followed by the Washington, D.C. (+$3.7 billion) and San Francisco Bay Area (+$3.4 billion).

– Annual investment volume for the six gateway markets of New York, Boston, Chicago, Los Angeles, San Francisco and Washington, D.C. totaled $43.2 billion, up 48% from the prior year. These markets accounted for 28% of total 2024 U.S. multifamily investment volume.

	Market	Rolling 4-Quarter Investment ($B)	YoY Change (%)	% of Total	Cumulative % Total	Q1 2025 Investment ($B)	YoY Change (%)
	U.S. Total	**153.93**	**35.4**			**28.84**	**33.2**
1	New York Metro	10.57	14.7	6.9	6.9	2.40	49.0
2	Dallas/Ft. Worth	9.98	29.6	6.5	13.4	2.16	136.9
3	Greater Los Angeles	9.47	69.0	6.2	19.5	1.17	-14.0
4	Greater Washington D.C.	7.12	105.8	4.6	24.1	0.65	-23.9
5	Miami-South Florida	6.85	90.7	4.5	28.6	1.22	137.5
6	San Francisco Bay Area	6.81	101.2	4.4	33.0	0.90	-32.8
7	Atlanta	5.66	7.1	3.7	36.7	0.83	13.6
8	Boston	5.46	49.5	3.5	40.2	1.18	100.3
9	Denver	4.97	53.5	3.2	43.5	0.71	-29.2
10	Seattle	4.70	109.8	3.1	46.5	0.62	138.8
11	Phoenix	4.04	22.3	2.6	49.1	0.58	-7.2
12	Chicago	3.82	-1.2	2.5	51.6	0.85	52.5
13	Houston	3.70	9.7	2.4	54.0	0.42	-38.5
14	San Diego	3.57	63.9	2.3	56.3	0.81	95.6
15	Charlotte	3.42	78.4	2.2	58.6	0.38	29.8
16	Austin	2.91	-7.3	1.9	60.5	1.00	64.7
17	Tampa	2.64	42.4	1.7	62.2	0.29	230.5
18	Philadelphia	2.61	109.8	1.7	63.9	0.24	12.2
19	Orlando	2.23	7.2	1.5	65.3	0.40	-8.2
20	Minneapolis	2.03	79.0	1.3	66.6	0.51	80.9

Source: CBRE Research, MSCI Real Assets, Q1 2025.

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