

FIGURES | U.S. MULTIFAMILY | Q4 2021

# 2021 Finishes with Record Multifamily Demand

▼ 2.5%  
Vacancy Rate

▼ 274,500  
Completions\* (units)

▲ 617,500  
Net Absorption\* (units)

▲ 13.4%  
Y-o-Y Rent Change

▲ \$335 B  
Acquisitions Volume\*

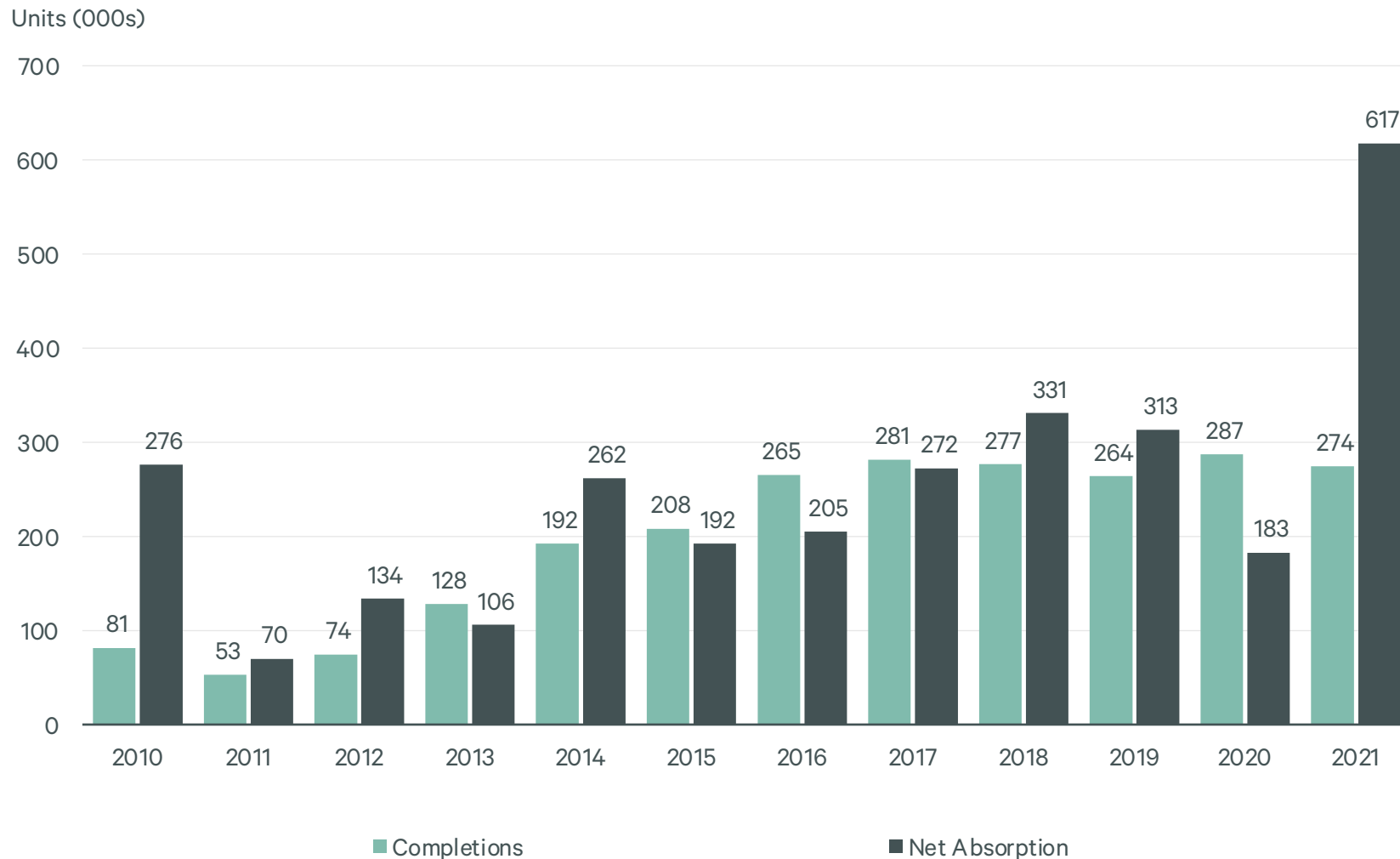
Arrows indicate change in growth rate from same quarter in previous year. \*Total past four quarters.

## Executive Summary

- The multifamily market set an annual absorption record of 617,500 units in 2021.
- The overall vacancy rate fell by 2.2 percentage points year-over-year to a record-low 2.5% and average net effective rent increased by 13.4%.
- Average rents now exceed their pre-pandemic levels in all but three of the 69 markets tracked by CBRE: Oakland, San Francisco and San Jose.
- New construction deliveries of 81,000 units in Q4 brought the 2021 total to 274,500. With a pipeline of more than 400,000 units currently under construction, 2022 deliveries are expected to eclipse 2021.
- Multifamily investment volume increased by 73% quarter-over-quarter in Q4 to \$148.9 billion. Record annual investment volume of \$335.3 billion in 2021 was nearly double 2019's previous record \$193.1 billion.
- The ongoing economic recovery, job creation, wage growth, household formation and the eventual reoccupation of workplaces will support multifamily demand in 2022.

## Figure 1 2021 net absorption sets new record

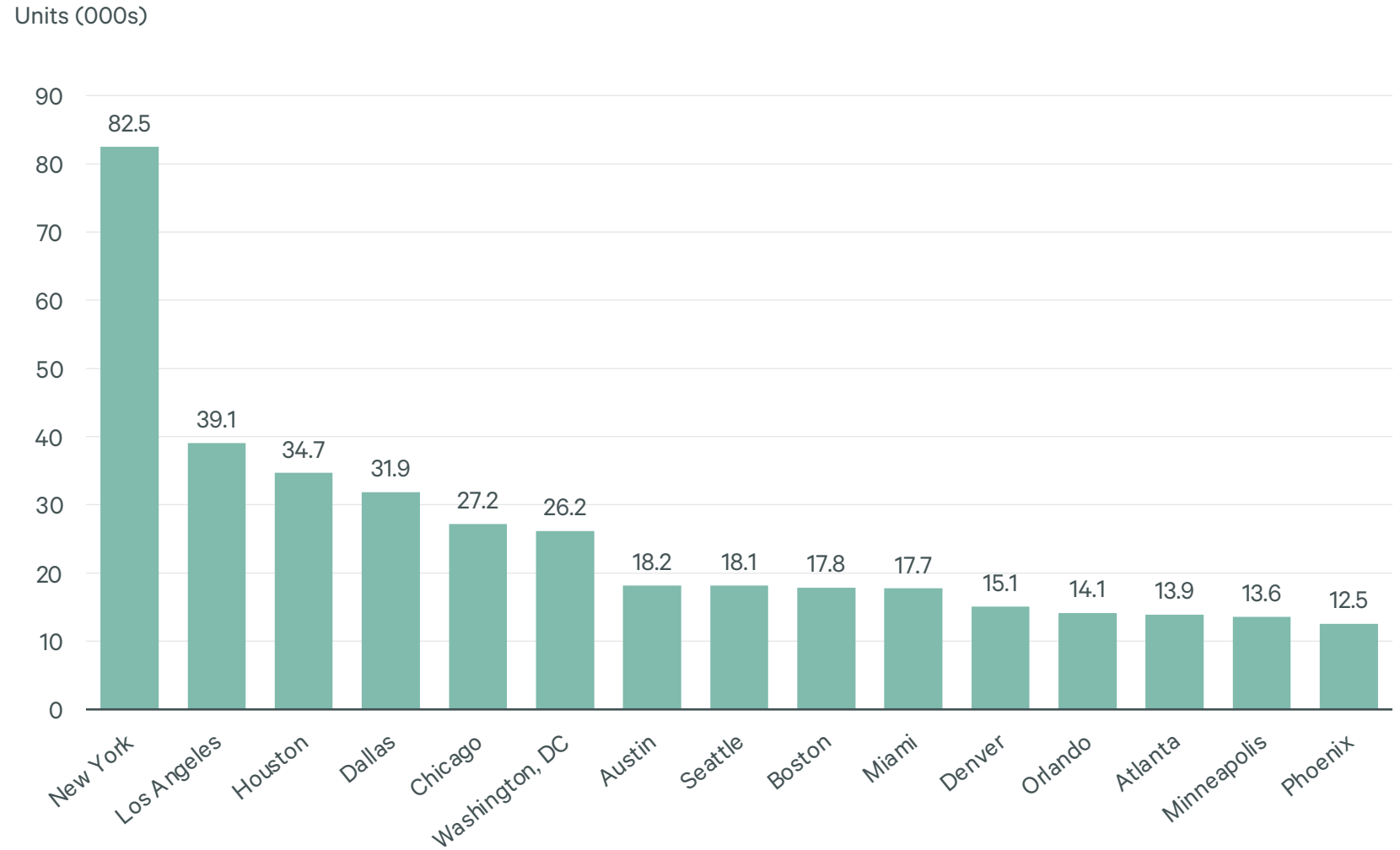
- Net absorption of 149,400 units in Q4 was down from Q3’s record total of 259,700 but was almost triple the quarterly average for the past decade.
- Annual net absorption of 617,500 units in 2021 was up by 238% from 2020 and 97% from 2019. It was also 58% higher than the previous record of 390,000 units in 2000.
- The rise in demand has been fueled by household formation, job and wage growth, strong consumer confidence and sharply rising home prices.
- Completions totaled 81,000 units in Q4, 17.4% above the 2018-2020 quarterly average of 69,000. Annual completions of 274,500 in 2021 fell just short of 2020’s cycle high of 287,100 units.



Source: CBRE Research, CBRE Econometric Advisors, Q4 2021. Based on the 63 markets that comprise CBRE EA's Sum of Markets.

## Figure 2 Top 15 markets for annual net absorption

- Fifteen metros accounted for 62% (382,600 units) of total net absorption in 2021. New York alone accounted for 13.4%.
- Along with New York, two other markets recorded net absorption of more than 10,000 units in Q4: Los Angeles (10,600) and Houston (10,300).
- Nationally, 42% of annual net absorption occurred in Q3 and 25% in Q4, largely in dense urban markets that had suffered the greatest negative absorption trends in 2020. All 69 markets tracked by CBRE recorded positive net absorption in 2021.



Source: CBRE Research, CBRE Econometric Advisors, Q4 2021.

### Figure 3 New York & Texas markets lead for new supply

- The top five markets for new deliveries in 2021 (New York, Houston, Dallas, Washington, D.C. and Los Angeles) accounted for 28.6% of the national annual total and 29.9% in Q4 alone.
- Texas markets were among the most active, with a collective 54,600 units delivered in Houston, Dallas/Ft. Worth, Austin and San Antonio in 2021 and combined net absorption of 106,000 units.
- The major Florida metros of Miami, Ft. Lauderdale, Tampa and Orlando collectively added 23,300 new units in 2021, with combined net absorption of 50,700 units.
- While supply headwinds are strong in some markets, overbuilding is not a concern, since vacancy rates remain persistently low. Of the 24 leading markets for new supply, only five (Austin, Nashville, Ft. Worth, Minneapolis and Orlando) had a completions-to-inventory ratio of more than 3.5%.

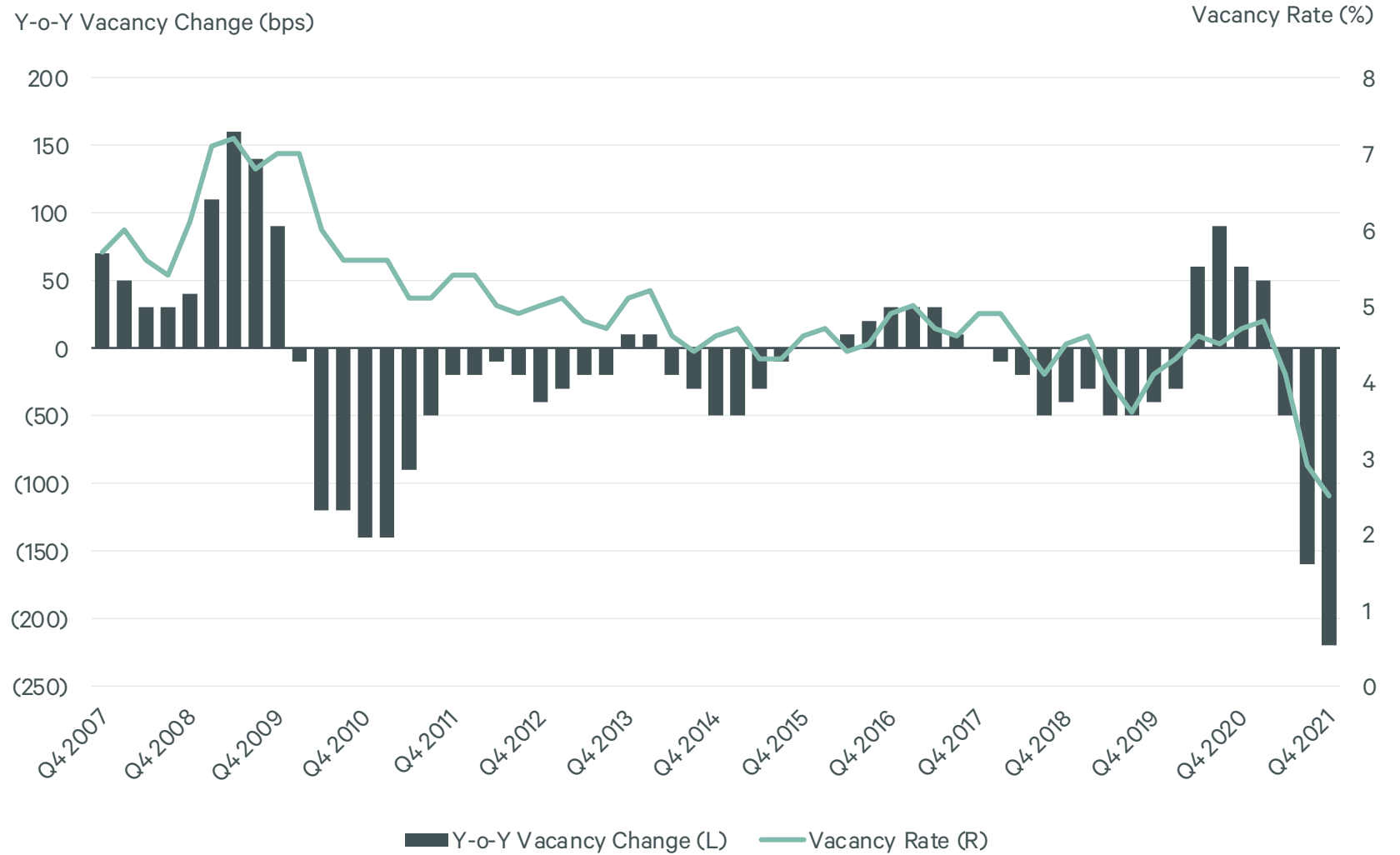
Rank*	Market	Q4 2021		4 Qtrs Ending Q4 2021		Completions**	Net Absorption**
		Completions	Net Absorption	Completions	Net Absorption		
	Sum of Markets	81,000	149,400	274,500	617,500	1.7	3.8
1	New York	6,500	30,400	23,500	82,500	1.0	3.5
2	Houston	5,400	10,300	16,200	34,700	2.5	5.4
3	Dallas	5,000	8,300	15,300	31,900	2.7	5.6
4	Washington, DC	3,300	6,900	11,800	26,200	1.9	4.3
5	Los Angeles	4,000	10,600	11,700	39,100	1.1	3.5
6	Austin	2,900	4,100	10,900	18,200	4.7	7.9
7	Minneapolis	3,800	3,300	10,600	13,600	3.5	4.5
8	Denver	2,600	2,600	9,100	15,100	2.7	4.6
9	Seattle	3,400	2,900	8,800	18,100	2.2	4.5
10	Phoenix	2,700	2,600	8,400	12,500	2.3	3.4
11	Orlando	1,200	1,600	7,700	14,100	3.5	6.4
12	Boston	1,600	3,100	7,400	17,800	1.5	3.5
13	Atlanta	1,900	1,400	7,300	13,900	1.6	3.1
14	Miami	1,400	3,000	7,200	17,700	2.4	5.9
15	Nashville	3,300	3,800	7,200	11,800	4.6	7.6
16	Chicago	1,600	3,900	6,500	27,200	0.8	3.5
17	Fort Worth	500	1,200	6,200	9,700	3.6	5.6
18	San Antonio	1,800	3,200	6,000	11,500	3.1	5.9
19	Tampa	2,000	1,900	5,800	11,400	2.2	4.4
20	Portland	1,300	1,500	5,000	8,700	2.3	4.0
21	Charlotte	1,100	1,400	5,000	7,400	2.9	4.3
22	Philadelphia	1,200	2,800	4,500	9,800	1.4	3.1
23	Columbus	400	1,300	4,100	6,900	2.4	4.1
24	San Diego	800	1,400	3,900	9,900	1.3	3.3

\*By Annual Completions \*\*As % of Inventory

Source: CBRE Research, CBRE Econometric Advisors, Q4 2021. All ratios based on unrounded figures of four-quarter totals. Markets are MSAs or Metropolitan Divisions, whichever is smaller.

### Figure 4 U.S. vacancy rate falls to record-low 2.5%

- The overall vacancy rate fell by 40 basis points (bps) quarter-over-quarter and 2.2 percentage points year-over-year to a record-low 2.5% in Q4.
- Seventeen markets (up from six in Q3) posted vacancy below 2.0%, led by Orange County, CA (1.2%), Providence (1.2%) and San Diego (1.3%).
- Only one market (down from five in Q3 and 26 in Q2) reported a vacancy rate above 4.0%: Corpus Christi (4.9%). Notable markets that have dropped below 4.0% are San Francisco (3.8%), San Jose (3.3%) and New York (2.0%).



Source: CBRE Research, CBRE Econometric Advisors, Q4 2021. Based on the 63 markets that comprise CBRE EA's Sum of Markets.

**Figure 5**  
**Class A vacancy rate has biggest annual drop**

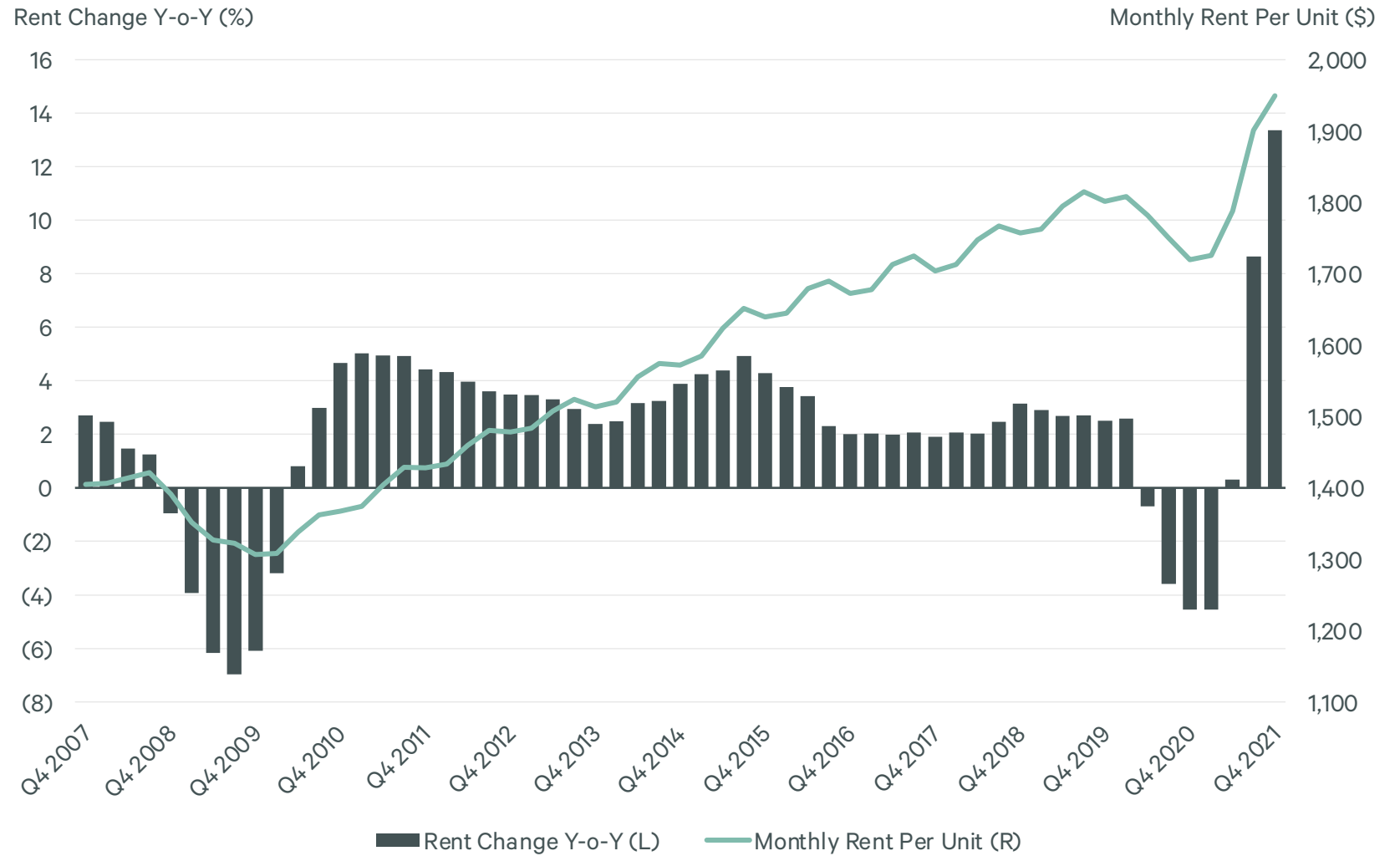
- On an annual basis, Class A had the biggest decline in vacancy (-2.8 percentage points), largely driven by residents returning to urban submarkets in the second half of 2021.
- Strong demand lowered vacancy in all multifamily asset classes quarter-over-quarter in Q4. The Class C vacancy rate fell by 50 bps to just 2.1%. Class B vacancy fell by 30 bps to 2.5%, while Class A declined by 30 bps to 3.1%.



Source: CBRE Research, CBRE Econometric Advisors, Q4 2021.

**Figure 6**  
**Average rent**  
**soars 13.4% in 2021**

- The average same-store effective rent rose by 2.5% quarter-over-quarter and 13.4% year-over-year in Q4 to a record \$1,950 per month—the fourth quarterly increase after three quarters of decline.
- Year-end average rent exceeded the pre-COVID high (\$1,815 in Q3 2019) by 7.4%.
- Q4 rents were above pre-COVID highs in nearly all markets. Just three markets were below their pre-COVID highs: Oakland (-0.3%), San Jose (-8.2%) and San Francisco (-12.3%).



Source: CBRE Research, CBRE Econometric Advisors, Q4 2021. Effective "same-store" rents based on the 63 markets that comprise CBRE EA's Sum of Markets.

## Figure 7 Most markets post double-digit rent growth

- All 69 markets tracked by CBRE had positive rent growth in 2021, with 49 of them posting double-digit year-over-year rent growth.
- All seven Mountain West metros posted double-digit rent growth in 2021, led by Phoenix with 26.3%.
- In the Southeast, all but Louisville posted year-over-year rent growth of more than 10%. Florida markets dominated, with all but Miami (19.7%) achieving year-over-year rent growth of more than 20%.
- All Pacific markets except for San Francisco (9.7%) and Oakland (7.5%) achieved double-digit rent growth in 2021.
- The Northeast, Mid-Atlantic and Midwest regions lagged the rest of the U.S., with only Boston, Indianapolis, New York, Chicago, Baltimore and Philadelphia achieving double-digit rent growth in 2021.
- CBRE projects that national rent growth will moderate to between 6% and 7% in 2022.

Rank	Market	Rent Change Y-o-Y (%)
<b>All Market</b>		
	Sum of Markets	13.4
<b>Pacific</b>		
1	Ventura	17.0
2	Orange County	16.7
3	Inland Empire	16.5
4	San Diego	15.9
5	Honolulu	14.8
6	Sacramento	14.6
7	Portland	12.8
8	Seattle	11.9
9	Los Angeles	11.5
10	San Jose	10.9
11	San Francisco	9.7
12	Oakland	7.5
<b>Mountain West</b>		
1	Phoenix	26.3
2	Las Vegas	23.7
3	Tucson	21.7
4	Salt Lake City	20.9
5	Albuquerque	19.1
6	Denver	15.5
7	Colorado Springs	15.5

Rank	Market	Rent Change Y-o-Y (%)
<b>South Central</b>		
1	Austin	23.8
2	Dallas	16.5
3	San Antonio	14.6
4	Ft. Worth	14.0
5	El Paso	13.8
6	Tulsa	12.2
7	Houston	12.0
8	Oklahoma City	10.7
9	Corpus Christi	8.1
<b>Southeast</b>		
1	West Palm Beach	29.2
2	Tampa	26.3
3	Ft. Lauderdale	24.2
4	Orlando	24.0
5	Jacksonville	22.5
6	Atlanta	21.0
7	Raleigh	20.9
8	Miami	19.7
9	Nashville	19.0
10	Charlotte	18.8
11	Greensboro	17.0
12	Greenville	15.3
13	Richmond	13.2
14	Norfolk	13.2
15	Lexington	13.1
16	Memphis	13.0
17	Birmingham	10.8
18	Louisville	9.4

Rank	Market	Rent Change Y-o-Y (%)
<b>Midwest</b>		
1	Indianapolis	12.4
2	Chicago	12.1
3	St. Louis	9.8
4	Columbus	9.3
5	Dayton	9.1
6	Detroit	9.0
7	Kansas City	8.9
8	Cincinnati	8.2
9	Milwaukee	8.1
10	Cleveland	7.8
11	Omaha	7.1
12	Madison, WI	4.5
13	Minneapolis	4.3
<b>Northeast/Mid-Atlantic</b>		
1	Boston	13.4
2	New York	12.3
3	Baltimore	11.4
4	Philadelphia	11.0
5	Providence	9.1
6	Washington, D.C.	8.9
7	Hartford	8.5
8	Pittsburgh	8.1
9	Newark	8.0
10	Long Island	7.4

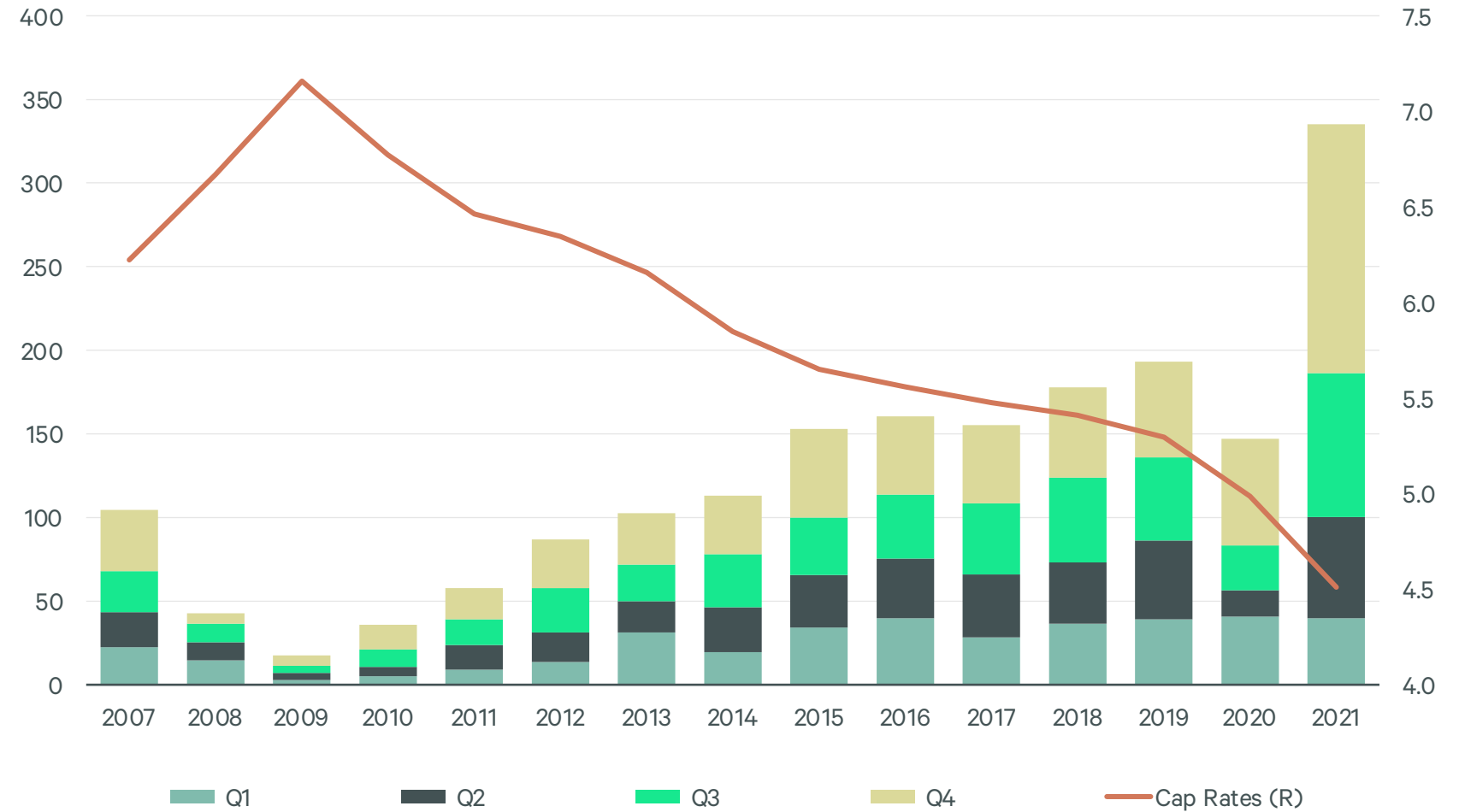
Source: CBRE Research, CBRE Econometric Advisors, Q4 2021. Based on effective "same-store" rents.



## Figure 8 Q4 2021 investment volume sets record

- Multifamily investment volume increased by 128.2% year-over-year to \$148.9 billion in Q4—the highest quarterly total on record. The Q4 total was slightly more than total 2020 volume and larger than any annual total before 2015.
- Strong investor appetite compressed the average multifamily cap rate to an all-time low 4.5%—a trend that most benefited the red-hot Sun Belt markets.
- Multifamily accounted for 41.5% of total commercial real estate investment volume in 2021, followed by industrial at 20.5% and office at 17.2%.

Investment Volume (\$ Billions)



Source: CBRE Research, Real Capital Analytics, Q4 2021.

## Figure 9 Sun Belt markets dominate investment in 2021

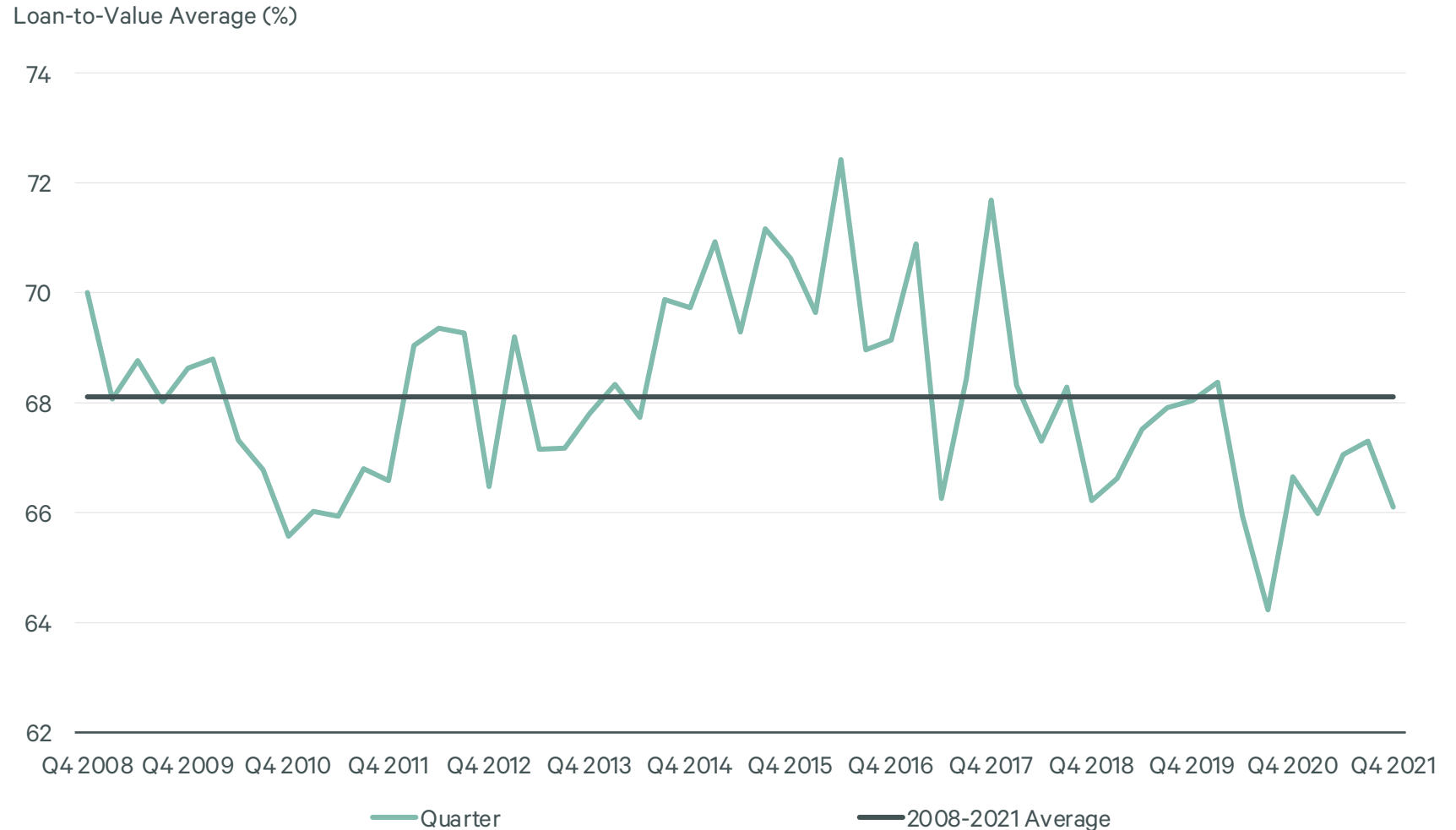
- Dallas/Ft. Worth led all metros for multifamily investment in 2021, with \$27.9 billion in total sales comprising 8.3% of the U.S. total. This was a 159.1% increase from 2020.
- Atlanta had the second most investment totaling \$20.5 billion in 2021, up by 153.1% from 2020, followed by Greater Los Angeles with \$18.0 billion, also more than double from 2020.
- Only five of the top 20 markets for multifamily investment in 2021 did not post gains of 100% or more from 2020: Boston (75.8%), Charlotte (69.1%), Greater Washington, D.C. (61.5%), New York (41.2%) and San Francisco Bay Area (19.2%).
- As average rent continues to recover in large coastal markets, an even stronger rebound in investment activity in these markets is expected in 2022.

	Market	2021 Investment (\$ B)	% of Total	Cumulative % Total	YoY Change (%)
	<b>U.S. Total</b>	<b>335.30</b>			<b>128.2</b>
1	Dallas/Ft. Worth	27.90	8.3	8.3	159.1
2	Atlanta	20.49	6.1	14.4	153.1
3	Greater Los Angeles	17.99	5.4	19.8	130.4
4	Phoenix	16.70	5.0	24.8	156.0
5	Houston	16.65	5.0	29.7	383.5
6	New York Metro	14.71	4.4	34.1	41.2
7	Miami/So. Florida	13.06	3.9	38.0	243.9
8	Greater Washington D.C.	11.31	3.4	41.4	61.5
9	Denver	11.11	3.3	44.7	122.5
10	Austin	9.55	2.8	47.6	129.9
11	Seattle	8.52	2.5	50.1	173.3
12	Orlando	7.91	2.4	52.5	218.6
13	Raleigh/Durham	6.24	1.9	54.3	149.7
14	Tampa	6.08	1.8	56.1	101.2
15	Charlotte	5.97	1.8	57.9	69.1
16	San Antonio	5.61	1.7	59.6	200.0
17	Chicago	5.47	1.6	61.2	171.4
18	San Diego	5.34	1.6	62.8	170.7
19	San Francisco Bay Area	5.24	1.6	64.4	19.2
20	Boston	5.07	1.5	65.9	75.8

Source: CBRE Research, Real Capital Analytics, Q4 2021.

## Figure 10 Stable loan-to-value ratios reflect confidence among lenders

- CBRE’s quarterly loan-underwriting survey found stable loan-to-value ratios in Q4, up slightly since their modest dip in 2020. The increase reflects strong appetite for multifamily mortgages as well as lenders’ confidence in market performance.
- Long-term interest rates remain relatively low and have aided multifamily lending activity.
- The Federal Housing Finance Authority (FHFA) has set a \$78 billion cap on multifamily purchase volumes for Fannie Mae and Freddie Mac next year—an 11.4% increase over 2021.
- The tremendous liquidity in the debt capital markets extends beyond traditional lending sources, reflected by the rise of alternative lenders like debt funds and mortgage REITs. The availability of debt, together with more investor appetite for multifamily assets, should result in stable to modestly lower loan-to-value ratios and overall asset pricing.



Source: CBRE Research, Q4 2021. Based on permanent, fixed-rate deals closed by CBRE Capital Markets.

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