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REAL ESTATE

5 rental market trends to watch

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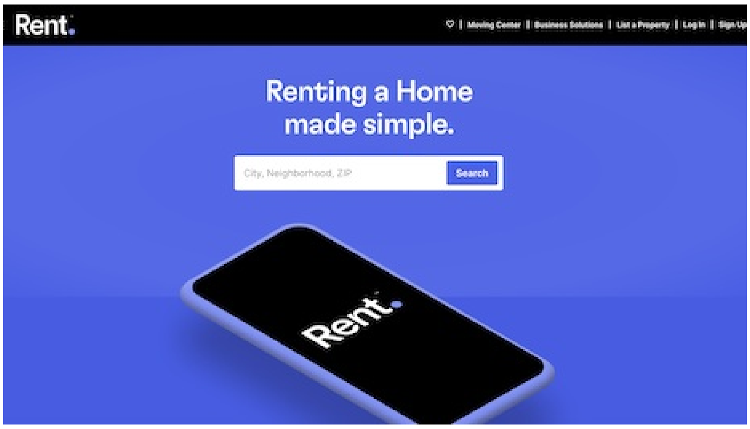


The rental market looks a lot different than it did last year, and multifamily is adjusting after years of historically high demand and rate increases. Image credit: Rent

By Rachel Richardson

With softening market conditions, multifamily owners and operators are under pressure to maintain occupancy and generate demand.

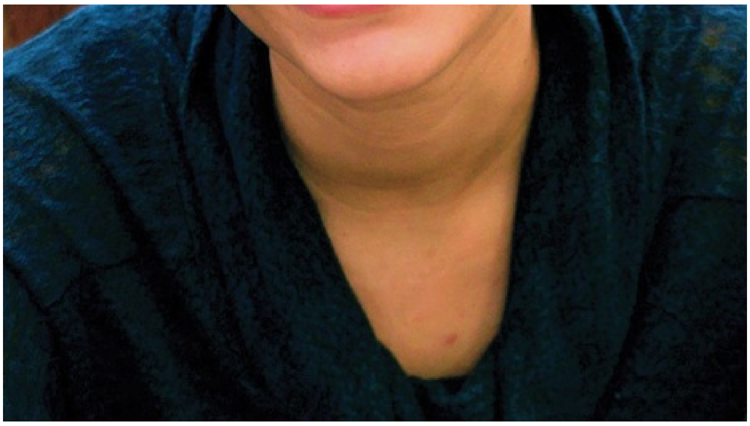
Here are the major market trends that impact a property's day-to-day operations and what you can do about them.

What has changed this year?
The rental market looks a lot different than it did last year, and multifamily is adjusting after years of historically high demand and rate increases.

Market analysts are seeing softening market conditions with high rates of apartment completions and new construction, higher vacancy rates compared to last year, and declining rent rates.

These changes are also clear in renters' online search activity.

Demand for rental-related keywords on Google steadily declined from July to December.[1]



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We will get into the five biggest trends that are impacting property teams, and what you can do to keep high occupancy despite changing market conditions.

Record rates of new construction
Growing supply of new properties entering the market gives renters more options and heats up competition for established property teams.

This year, there are 943,000 units of multifamily housing under construction, according to the National Association of Home Builders.[2] This is an almost 50-year record high.

More projects are in the process of being completed at one time than we have seen since the 1970s.

Actions you can take: See how your community stacks up against new properties, and prepare for future competition.

Higher vacancy rates
During what is historically the busiest leasing period, apartment demand unexpectedly fell in the third quarter of 2022.[3]

The U.S. Census Bureau reported rental vacancies in the last quarter of 2022 were up 5.8 percent nationwide compared to 5.6 percent in the fourth quarter of 2021.[4]

Midwest and Southern regions had the sharpest increases in vacancy last year, up to 6.9 percent and 7.3 percent, respectively. The Western region followed behind at 4.2 percent.

Rising inflation rates, mass layoffs and high costs all contribute to a broader sentiment of economic uncertainty.

In response, many renters have paused on moving or are combining households to save costs.

High inflation across the board also has renters focused on affordability.

Actions you can take: Focus on retention and explore new channels to bring in renter leads.

Declining rent rates
Rent rates nationwide have also started to cool.

Analysts across the board expect this pattern to continue in 2023, with effective rent growth projected to drop as much as 4.3 percent.[5]

Actions you can take: Explore ways to maximize efficiency in your operations.

Digital costs are increasing
The cost to reach renters is increasing for advertisers.

Compared to 2021, Meta's cost per thousand shot up 61 percent, TikTok's CPM came in at 185 percent higher and Google's programmatic display CPMs rose 75 percent.[6]

These rising prices have been attributed to a variety of factors including price volatility of new ad platforms and policy changes that make ad targeting more difficult and expensive.

In an industry already challenged with effective targeting and FHA requirements, multifamily advertisers have to be extra vigilant in effectively using ad dollars in the future.

Actions you can take: Refine targeting strategies to reach relevant audiences and cut unnecessary costs in your marketing budget marketing budget.

New renter search trends

Where many renters used to be "digital-preferred," they are now digital first.

Trusted sources used in buying decisions have shifted due to online influencers and expanding media consumption.

More than half of consumers (51 percent) say an influencer endorsement caused them to purchase in the past two years.[7]

The majority of today's renters are either millennials or Gen Z.

Pew Research Center found that 53 percent of households that rent are headed by people upwards of 45 years old.[8]

Social media channels such as TikTok and streaming services including YouTube are now the largest awareness channels for reaching these audiences.

For Gen Z, TikTok almost acts as a search engine for them to research topics and products.

YouTube is a favorite across age groups, with almost equal popularity among Gen X, millennials and Gen Z.[9]

Renters expect a streamlined experience where properties anticipate their needs and are available to answer questions around the clock. This expectation can present challenges for properties who are not yet digital first.

A renter is more likely to lease with a property that can answer questions via webchat and then seamlessly schedule a tour online versus a property that requires them to make a phone call and dig around to find the information they seek.

Actions you can take: Meet renters where they are today by increasing your presence on emerging social channels and by reducing friction when a renter is ready to talk, whether that is online or in person.

THE GREAT NEWS for properties is that technologies are adapting to make it easier to reach renters directly and more easily convert new leads to leases.

Understanding how major market changes shape demand in your local market will help you find the right mix of channels and set your property up for a better future.

For more information on rent trends, check out the latest Report from Rent*.*

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[1] "Apartments for Rent" search term interest over time. Data source: Google Trends. https://trends.google.com/trends/explore?date=today%205-y&geo=US&q=Apartments%20for%20Rent.

[2] Multifamily Housing Projected to Weaken in 2023. Multifamily Executive. February, 2023. https://www.multifamilyexecutive.com/business-finance/multifamily-housing-projected-to-weaken-in-2023_o

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[4] Current Population Survey/Housing Vacancy Survey. U.S. Census Bureau. January 31, 2023. https://www.census.gov/housing/hvs/files/qtr422/rvr422.jpg

[5] Apartment Housing Outlook. National Apartment Association. January 12, 2023. https://www.naahq.org/2023-apartment-housing-outlook

[6] The price of digital ads has skyrocketed here's how to counteract it. The Drum. April 22, 2022. https://www.thedrum.com/opinion/2022/04/28/the-price-digital-ads-has-skyrocketed-here-s-how-counteract-it

[7] How Each Generation Shops in 2023. Hubspot. July 22, 2022. https://blog.hubspot.com/marketing/how-each-generation-shops-differently

[8] U.S. Census Bureau, 2021 American Housing Survey (AHS).

[9] Which Social Media Channels are Gaining and Losing Steam? Hubspot. January 30, 2023. https://blog.hubspot.com/marketing/consumers-favorite-social-channels

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