



## Opportunities And Challenges In The U.S. Multifamily Market

### CHAPTER 5:

### ANALYZING REGIONAL APARTMENT MARKET TRENDS

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As a commercial real estate professional focused on multifamily investments, it's crucial to understand the nuances of regional apartment market trends. While national trends provide a broad overview, each region and metropolitan area has its unique dynamics shaped by local economic conditions, demographic shifts, and supply-demand imbalances. In this post, we'll explore the key factors to consider when analyzing regional apartment market trends and how to leverage this information to make informed investment decisions.

#### Economic Drivers and Job Growth

The health of a region's economy is a significant determinant of apartment market performance. Strong job growth and a diverse industry base typically translate into increased demand for rental housing, as workers seek proximity to employment opportunities. Conversely, regions experiencing economic downturns or industry contractions may face softening rental demand and potential oversupply.

When analyzing regional trends, it's essential to examine key economic indicators such as employment rates, wage growth, and industry composition. Pay close attention to the sectors driving job creation, as certain industries (e.g., technology, healthcare, finance) tend to attract a higher proportion of renters compared to others.

#### Population Growth and Migration Patterns

Population growth and migration patterns are another critical factor influencing regional apartment market dynamics. Areas experiencing rapid population growth, whether through natural increases or inbound migration, often see a corresponding surge in rental housing demand. Conversely, regions with stagnant or declining populations may face oversupply challenges.

Monitoring migration patterns can provide valuable insights into future demand trends. For example, regions attracting young professionals and families may require more family-friendly rental options, while areas drawing retirees or empty nesters may see increased demand for amenity-rich, low-maintenance living.

#### Supply and Construction Activity

The supply side of the equation is equally important when analyzing regional apartment market trends. Tracking new construction activity, including the number of units under development, their location, and expected delivery timelines, can help identify potential oversupply risks or opportunities for new developments.

It's also crucial to consider the types of units being built (e.g., luxury, workforce housing, student housing) and how they align with local demand preferences. An oversupply of high-end luxury units, for instance, may

not necessarily alleviate demand for more affordable workforce housing.

#### Rent Growth and Affordability

Rent growth and affordability are key indicators of a region's apartment market health. Robust rent growth can signal strong demand and potential for attractive investment returns, while stagnant or declining rents may indicate oversupply or weakening economic conditions.

However, it's essential to consider rent growth in the context of local income levels and affordability metrics. Regions with rapidly rising rents but stagnant wage growth may face affordability challenges, potentially leading to increased turnover and reduced demand over time.

#### Lifestyle and Demographic Preferences

Regional apartment market trends are also influenced by lifestyle and demographic preferences. For example, urban areas with strong public transportation systems and walkable neighborhoods may attract more renters seeking a car-free lifestyle, while suburban markets may appeal to families seeking larger living spaces and proximity to good schools.

Understanding the unique preferences of your target renter demographic is crucial when evaluating regional trends. This information can inform decisions about

property amenities, unit mix, and location selection to ensure alignment with local demand drivers.

## Regulatory and Policy Considerations

Finally, it's important to consider the regulatory and policy landscape when analyzing regional apartment market trends. Local zoning laws, rent control policies, and development incentives can significantly impact the feasibility and profitability of multifamily projects. Regions with favorable development policies and streamlined permitting processes may present more attractive investment opportunities, while areas with restrictive regulations or rent control measures may require more careful evaluation and risk mitigation strategies.

## Conclusion

Analyzing regional apartment market trends is a multifaceted endeavor that requires a deep understanding of local economic conditions, demographic shifts, supply-demand dynamics, and regulatory environments. By carefully monitoring

these factors and leveraging data-driven insights, commercial real estate professionals can make more informed investment decisions, identify emerging opportunities, and mitigate potential risks in the ever-evolving multifamily housing landscape.

As we continue this blog series, we'll delve deeper into specific analytical techniques and case studies, providing practical guidance on how to effectively evaluate regional apartment market trends and position your investments for long-term success.[1][2][3][4][5]

### Citations:

[1] <https://www.hunterhousingeconomics.com/built-to-rentsfr>

[2] <https://dspace.mit.edu/bitstream/handle/1721.1/123612/1135874259-MIT.pdf?sequence=3>

[3] <https://www.eisneramper.com/insights/real-estate/build-to-rent-1121/>

[4] <https://www.pwsc.com/build-to-rent-boom-or-bust-in-todays-market/>

[5] <https://www.forbes.com/sites/bradhunter/2024/01/24/built-to-rent-development-forecast-new-supply-to-fall-short-of-demand-this-year/?sh=58d0c4ab431c>



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