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Redfin Reports Newly Built Apartments Are Filling Up at the Slowest Pace Since 2020

There are more new apartments hitting the market than normal. As a result, building owners are competing with one another for tenants, which is limiting how much they can boost prices.

SEATTLE--(BUSINESS WIRE)-- (NASDAQ: RDFN) — Less than half (47%) of newly constructed apartments that were completed in the fourth quarter were rented within three months, according to a new [report](#) from Redfin ([redfin.com](#)), the technology-powered real estate brokerage. That's down from 60% a year earlier and is the lowest seasonally-adjusted share on record aside from the first quarter of 2020, when the onset of the pandemic brought the housing market to a halt.

New apartments are taking longer to rent out because there are a lot of them hitting the market, meaning building owners are competing with one another for tenants. There were 90,260 new apartments completed in the fourth quarter—the second highest number in records dating back to 2012 (the highest was the second quarter of 2023).

For the past three quarters, the rental vacancy rate has hovered at 6.6%. That's the highest level since 2021, though it's worth noting that the vacancy rate is no longer growing like it was during the pandemic.

Apartment builders have pumped the brakes on the number of projects they're starting—multifamily building starts have fallen below their 10-year historical average—but completions are still near their record high because there were so many construction projects kicked off during the pandemic moving frenzy that are just now being finished.

This backlog of new units is putting a lid on how much rent prices can grow. But at the same time, demand from renters who can't afford to buy their own homes is keeping rents near their record high.

The median U.S. apartment asking rent rose 0.8% year over year in May 2024 to the highest level since October 2022, a separate Redfin [report](#) found. Renters today must earn \$66,120 to afford the median priced apartment—\$11,408 more than we estimate the typical U.S. renter earns. But rental affordability does vary greatly from market to market.

“If you're looking for a rental and you've noticed a lot of new apartments popping up in your neighborhood, it may mean you have room to negotiate on price or ask for concessions like discounted parking or a free month's rent,” said Redfin Senior Economist Sheharyar Bokhari. “But if you live in an area where the supply of new apartments is limited, deals may be harder to come by. Building more housing is a tried and true way to ease the housing

affordability crisis, and with rent and home prices at historic highs, local and federal leaders should continue to encourage more construction.”

Small Newly Built Apartments Have Seen the Largest Rent Declines Because Supply Has Surged

Note: This section covers median asking rents in the first quarter of 2024 for apartments that were completed in the fourth quarter of 2023.

The median asking rent for newly built studio apartments fell 20.9% year over year in the first quarter—the most recent period for which we have asking rent data broken down by number of bedrooms. Meanwhile, new one-bedroom apartments saw a 11.9% decline, and new two-bedroom apartments saw a 1.2% drop. But the median asking rent for new three-plus-bedroom units rose 9.1%—indicating that they’re a relatively hot commodity.

The supply of small apartments in America has been growing quickly, which is likely why this segment of the market has faced the steepest rent declines. The number of studio apartments completed in the fourth quarter was up 32.6% from a year earlier, compared with a 22.2% increase for one-bedroom apartments, a 2.3% increase for two-bedroom apartments and a 0.9% decrease for three-plus-bedroom apartments. Apartment construction in America tends to skew towards single people, with many builders deterred from focusing on families.

To view the full report, including methodology and charts, please visit:

<https://www.redfin.com/news/apartments-rented-slowest-pace-since-2020>

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