ARBOR

Top Markets for Multifamily Investment Report

2024

Topics

Key Findings

- Nashville is 2024's top metropolitan market for multifamily investment due to its solid performance fundamentals, robust population growth, and rapidly growing technology, healthcare, and tourism sectors.
- Affordable Midwestern markets performed strongly in this year's rankings, while many of the nation's largest cities finished lower.
- Austin and Phoenix finished second and third, respectively — underscoring that structural strengths can outweigh short-term housing supply imbalances.

Overview

As interest rates have begun falling, optimism has spread through major metropolitan areas. From coast to coast, attractive opportunities abound as the economy normalizes. With investment activity poised to rise, the question remains: Where are the best locations to deploy capital?

In 2024, Nashville, TN, Phoenix, AZ, and Austin, TX, are proving to be the top markets for multifamily investment, displaying winning combinations of attributes, such as affordability, population growth, and attractive climates.

The Arbor-Chandan 2024 Multifamily Opportunity Matrix analyzed a wide range of factors to determine the economic strength of the largest 50 U.S. metros over the last year and assess their ability to handle market conditions in 2025 and beyond. Top Markets for Multifamily Investment Report 2024, a roadmap to best-performing metros, is a guide to help investors select the right location for their capital.

Top Ranked Markets

Nashville

Nashville ranked number one in the 2024 Multifamily Opportunity Matrix due to its well-rounded set of fundamentals, competitive tax climate, and ability to attract renters from other metropolitan areas *(Table 1)*. Whether it is Nashville's vibrant culture or its bustling economy, Tennessee's capital city has gained residents at an impressive clip. In 2023, Nashville's population swelled 1.5%, three times faster than the national average. Driven by the healthcare, technology, and tourism sectors, Nashville's labor market had the lowest unemployment rate (2.5%) of all the 50 largest U.S. metros through July 2024.

For a full breakout of the 2024 scores and rankings, see *Table 4* in the Appendix at the end of the report.

Table 1

Arbor-Chandan 2024 Opportunity Matrix: Top 10 Ranked Markets

Average Market Score = 0

Sources: Arbor Realty Trust; Chandan Economics

2024 Rank	Metro	2023-24 Change	Composite Score
1	Nashville	21	0.68
2	Phoenix	2	0.50
3	Austin	-1	0.40
4	Jacksonville	8	0.37
5	Dallas	0	0.31
6	Raleigh	2	0.30
7	Indianapolis	17	0.28
8	Kansas City	17	0.28
9	Columbus	12	0.28
10	San Antonio	3	0.27

Phoenix

While rent growth has slowed amid increased housing supply, Phoenix's economic engine continued to show signs of its enduring health. Thanks to a dynamic labor market, Phoenix climbed to the second spot.

Over the past year, the unemployment rate in Phoenix has decreased by 0.5 percentage points to reach 3.1% in July 2024, the best mark of the 50 metros measured in the Multifamily Opportunity Matrix.

Phoenix's impressive job gains sharply contrast with the national unemployment rate, which ticked 0.8 percentage points higher over the same period to reach 4.2% in August 2024, according to the U.S. B ureau of Labor Statistics. Phoenix has emerged as a domestic semiconductor manufacturing hub, creating skilled jobs that have reinforced local housing demand. Despite its temporary supply imbalance, rental vacancy rates across the metro have decreased over the past year by 3.4 percentage points, a Census Bureau analysis shows.

Austin

Austin, the third leading high-opportunity market, is another example of where limited housing has camouflaged the underlying strengths of a thriving city. For the past 13 consecutive years, annual population growth in Austin exceeded 2%, a feat not accomplished nationally since 1960. The lack of individual and corporate state-level income tax in Texas has propelled economic activity in the Austin metro area, attracting a growing number of young people. Known as a center of technology and business, Austin now has an above-average share of renters under 35.

Table 2

Combined Category Scores for Top 3 Metros

Average Market Score in Each Category = 0

Sources: Arbor Realty Trust; Chandan Economics

Metro	Nashville	Phoenix	Austin
Multifamily Investment	0.0	2.0	1.7
Performance Fundamentals	3.8	0.2	-0.3
Tax Conditions	0.6	-1.0	0.4
Labor Market	0.2	0.9	0.4
Population	1.2	0.5	1.9
Demographics	0.2	0.6	-0.4
Rental Vacancy	0.2	-0.2	0.4
Rental Affordability	0.1	0.2	0.3
Attraction and Retention	-0.1	-1.3	0.2
Climate Risk	0.5	-0.7	-0.1

Multifamily Investment

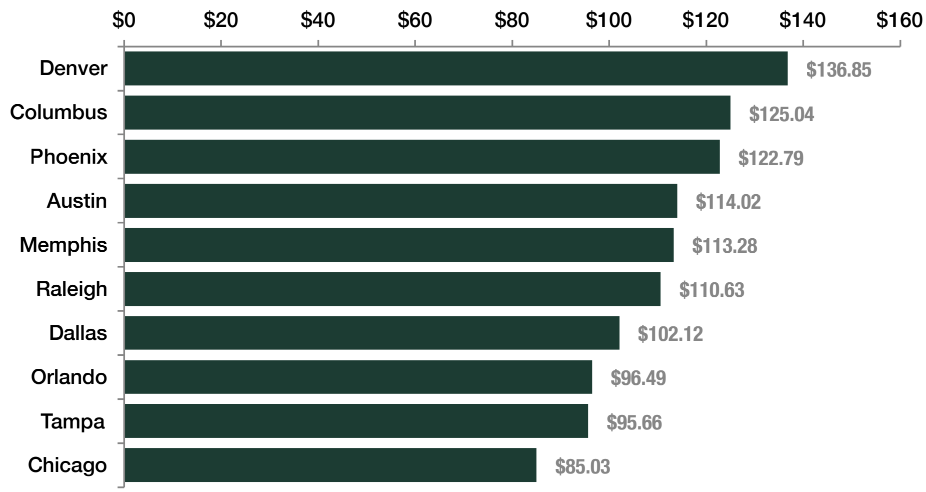
Multifamily investment across U.S. markets is rarely uniform. To locate the best areas of opportunity, we analyzed a pool of multifamily loans tracked by Chandan Economics across the largest 50 metros, originated between July 1, 2023, and June 30, 2024, for both investment sales and refinancings, to determine the markets with the most liquidity to support new multifamily investments. Measured per capita, Denver led the way with the highest total multifamily lending volume within the past year relative to its existing population at $136.85 per person *(Chart 1)*. Part of the surging Midwest region, Columbus claimed the ninth spot in this year's rankings with $125.04 per resident in multifamily lending volume relative to population.

Chart 1

Multifamily Lending Per Capita

Tracked Lending Volume Per Metro Resident, Measured Q3 2023 — Q2 2024

Source: Chandan Economics Analysis of a Limited Pool of Loans



Performance Fundamentals

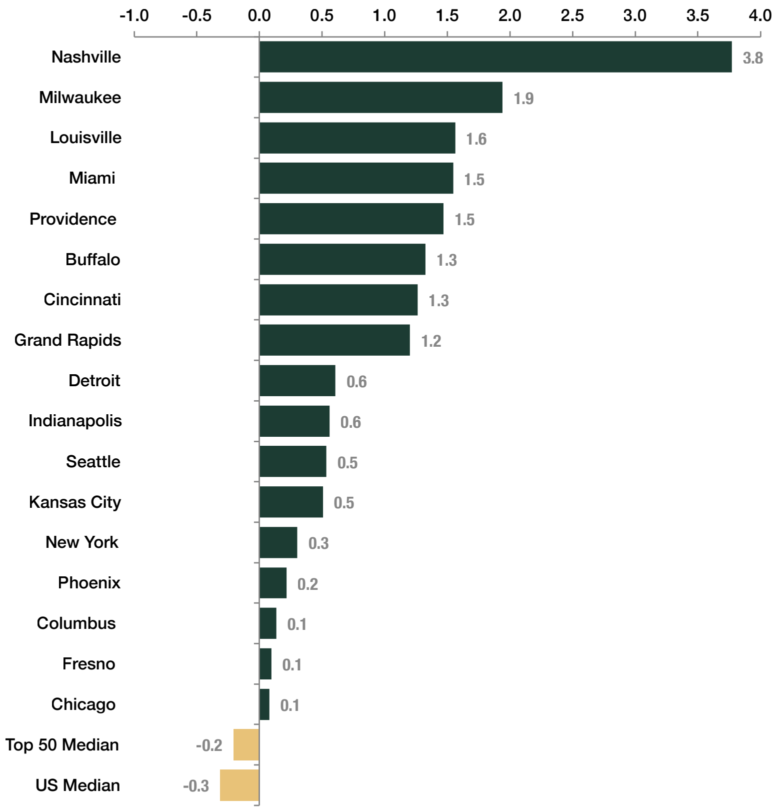
The Federal Reserve Bank of Atlanta's [Commercial Real Estate Market Index (CREMI)] for multifamily properties was a significant factor in the Multifamily Opportunity Matrix's 2024 rankings. CREMI comprehensively scores how well metro-level multifamily sectors hold up relative to their historical patterns. Net operating income, cap rates, valuations, and absorption are just a few inputs the Atlanta Fed uses to calculate its quarterly indices. With every market having a long-term average score of zero, nationally, most (65%) metros continue to see below-average multifamily sector performance through the second quarter of 2024. Similarly, 60% of the markets in our sample also saw below-average performance relative to their historical standards. However, there were several significant standouts this year, with Nashville, 2024's top-ranked market, leading the way *(Chart 2)*.

Chart 2

Commercial Real Estate Market Index: Multifamily

Markets Performing Above Long-Term Average,
Long-Term Average = 0, Through Q2 2024

Source: Atlanta Federal Reserve



Rental Affordability

Housing affordability remains a primary concern in 2024, and its relevance is reflected in the results of this year's Multifamily Opportunity Matrix. According to an analysis of the U.S. Census Bureau's 2023 Current Population Survey, a desire for lower-priced housing, better/new housing, a more desirable neighborhood, or another housing-centric reason motivated the moving decision of more than one-third of renters last year.

Housing affordability in the Multifamily Opportunity Matrix was determined by reviewing Waller, Weeks, and Johnson Rental Index data, which calculates the minimum income required in each metro for households not to be considered rent-constrained. Metros with lower income thresholds for affordability scored higher because they are more attractive to budget-conscious renters.

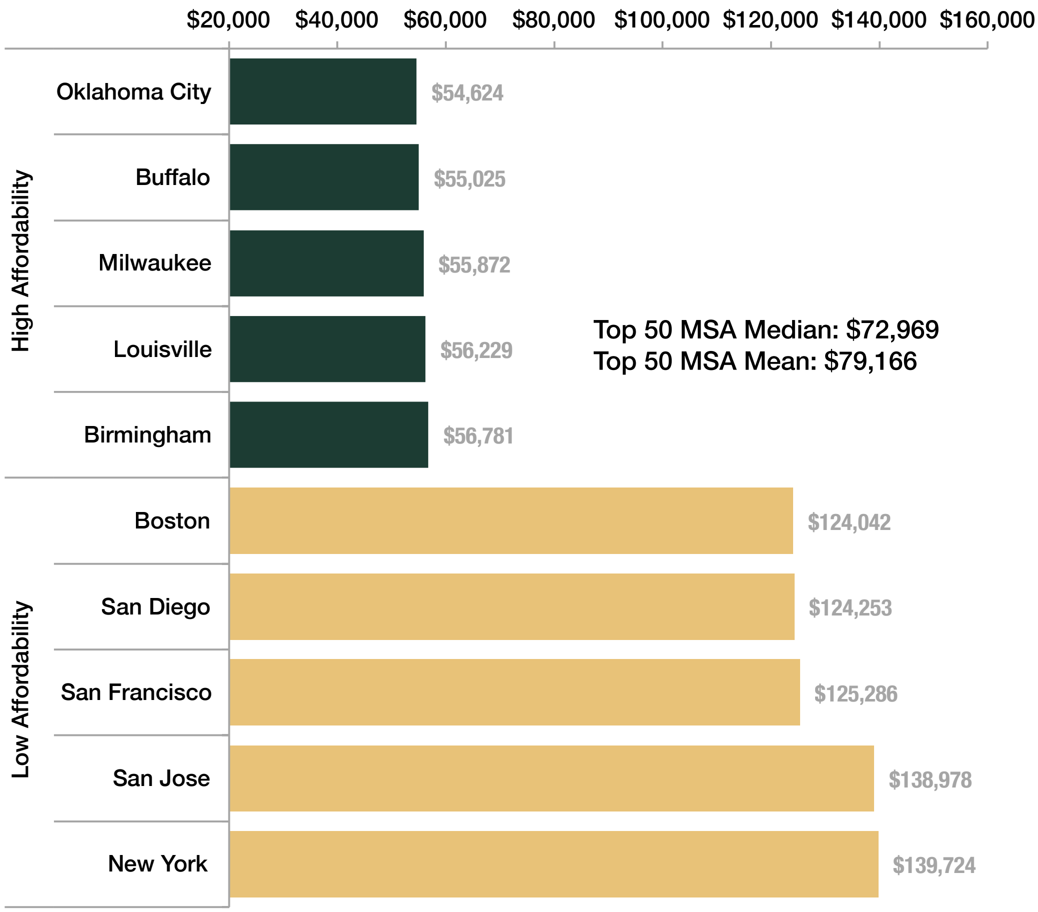
Oklahoma City led the country in rental affordability in 2024, with an average monthly rental price of $1,366 through July 2024. Households earning $54,624 or more are not considered rent-burdened there *(Chart 3)*. Just behind Oklahoma City was Buffalo, where the rent-burdened threshold was slightly higher at $55,025. Rounding out the top five in rental affordability are Milwaukee ($55,872), Louisville ($56,229), and Birmingham ($56,781). Meanwhile, coastal cities are seeing very different trends in affordability. The threshold is more than twice as high in several of these cities, including New York ($139,724), San Jose ($138,978), and San Francisco ($125,286), which sit at the top of the spectrum.

Chart 3

Minimum Income Needed to Not Be Rent Burdened

Measured Using the WWJ Rental Index, Through July 2024

Sources: Waller, Weeks, and Johnson Rental Index; Florida Atlantic University; Florida Gulf Coast University; Th University of Alabama



Climate Risk

The 2024 Multifamily Opportunity Matrix includes a comprehensive measure of natural hazard risk. With major storms, extreme heat, and wildfires on the rise, property owners must now incorporate climate risks into their investment decisions. Today, there is a greater likelihood that a multifamily property will encounter hazardous weather that can impact the structural integrity of the asset and the willingness of renters to live there. Beyond direct damage, rental operators need to be wary of increases in insurance premiums as well. While property insurance prices moderated in 2024, annual insurance price growth hit nearly 20% as recently as mid-2023, according to Marsh. Climate factors, which influence a property's risk-reward calculus, have quickly become a prime consideration in multifamily investment decisions.

The Federal Emergency Management Agency's (FEMA) National Risk Index for Natural Hazards (NRI) was utilized to assess climate risk in each metro market. FEMA describes the NRI as a "tool that shows which communities are most at risk to natural hazards" and includes data about natural hazards and community resilience.

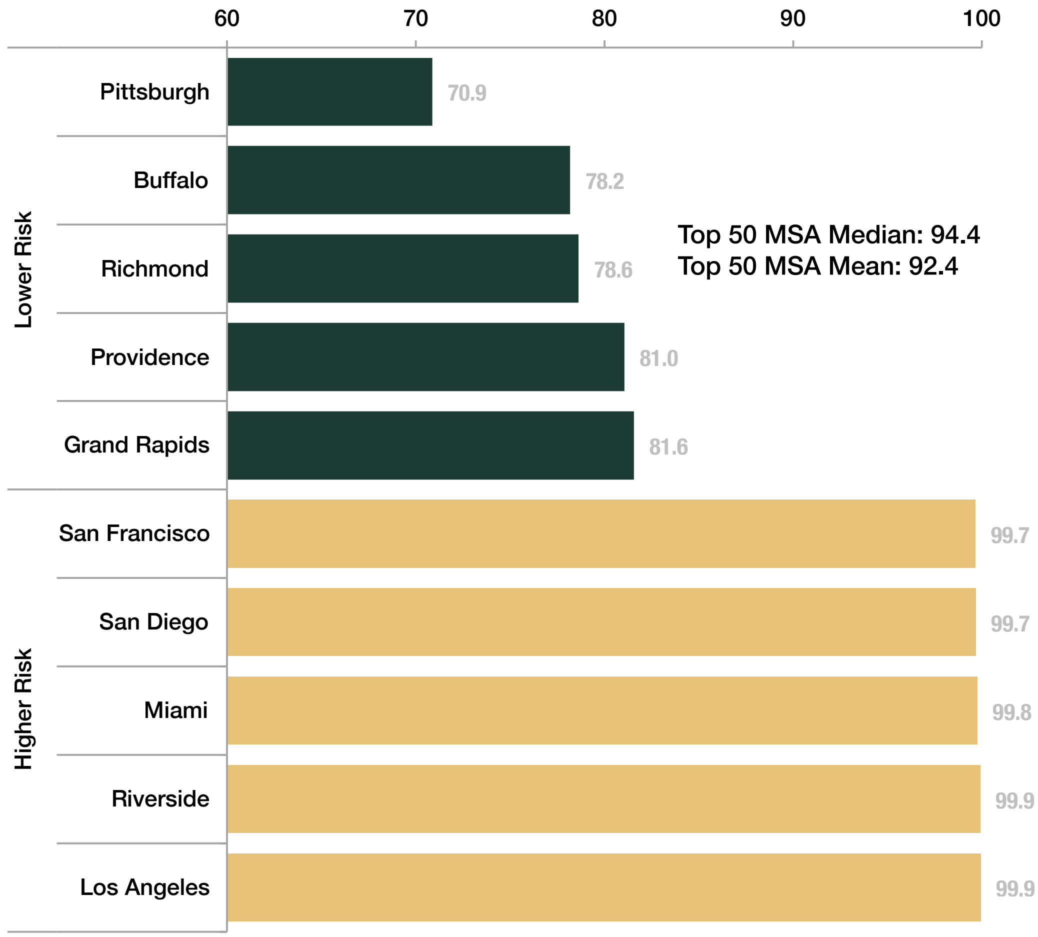
Los Angeles was the most hazard-prone metro among the top 50, with high exposure to earthquakes, extreme heat, and wildfires *(Chart 4)*. Following closely behind are Riverside, CA, and Miami, FL. While Riverside receives its high-risk rating for many of the same reasons as Los Angeles, Miami's risk score was more influenced by hurricane and flooding exposure. On the lower end of the risk spectrum were several Midwest and Rust Belt markets. Pittsburgh was the least hazard-prone market by a wide margin, with a score 7.9 percentage points lower than Buffalo, the second least hazard-prone market.

Chart 4

FEMA National Risk Index for Natural Hazards

Through March 2023

Source: Federal Emergency Management Administration



Market Spotlight: Nashville

Nashville, now a top-tier music, culture, and sports destination, has gained residents and popularity in recent years.

The Nashville labor market continues to be a driving force behind the metro's success. While many business sectors in Nashville are booming, the most significant engines of growth are technology, healthcare, and tourism. Tech giants such as Oracle, Amazon, and Meta have all carved out substantial hub footprints in Music City, resulting in billions of dollars invested into the local economy and a growing long-term base of high-paying jobs.

According to the Nashville Chamber Research Center, the number of payrolls related to professional, scientific, and technical services swelled by 7.4% in 2023, leading all other local sectors. Following closely behind was private education and health services, which saw job totals jump by 5.4% in 2023. The healthcare industry employs an estimated 550,000 people across the Nashville metro area. According to the Nashville Healthcare Council, the Tennessee city is home to more than 900 healthcare-supporting companies.

Lastly, tourism continues to fuel the local economy. According to YouGov, Nashville is the eighth most popular travel destination for domestic tourism, finishing just ahead of Washington, DC. A record-breaking 16.8 million people were estimated to have visited Nashville last year. If the performance of the local rental sector is any indication, more than a few visitors have traded their hotel rooms for apartments.

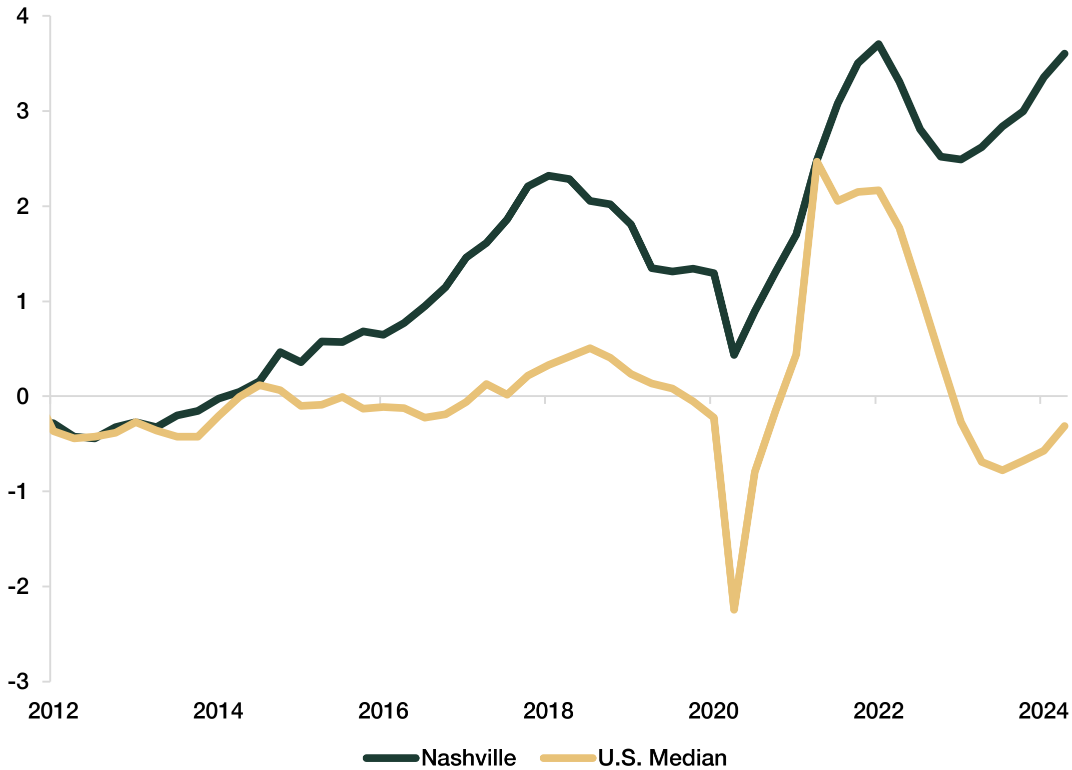
Simply put, Nashville's multifamily sector has been bolstered by its healthy local economy. According to the Atlanta Federal Reserve's CREMI, which considers a basket of performance indicators such as pricing, absorption, and cap rates, Nashville currently has the most robust fundamentals of any market *(Chart 5)*.

Chart 5

Multifamily CREMI: Nashville vs. U.S. Median

Long-Term Average = 0, Through Q2 2024

Source: Atlanta Federal Reserve



Supporting Nashville's underlying fundamentals is a striking ability to attract rental demand from other parts of the country. Beyond the thriving labor market, incoming renters also relocate to Nashville for its unique music-centric culture, abundant nightlife options, picturesque neighborhoods, and affordability. According to Apartment List's Renter Migration Report, 45.0% of Nashville apartment searchers have moved there from other metros, the fifth-highest mark among the top 50. Its renters are younger than most, with 44.6% under the age of 35. By and large, Nashville's multifamily real estate market exhibits strengths that have staying power.

Outlook

Multifamily investors see light at the end of the tunnel. The Federal Reserve started reducing interest rates in September, ushering in a return to a normalized capital cost environment. Weaker interest rate headwinds will begin to support growth in real estate investing across the country, irrespective of geography. Nevertheless, fundamental strengths make some markets better candidates for growth than others in 2025. As the U.S. population growth rate continues to fall and migratory patterns shift, competition for residents escalates, making market knowledge a crucial advantage to multifamily investors. ■

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The Opportunity Matrix

1. **Multifamily Investment:** measured as a proxy for the availability of debt financing, overall liquidity, and a market's ability to support additional multifamily investment. Both acquisitions and refinancing are tracked in this analysis.
2. **Performance Fundamentals:** comprehensive mix of recent multifamily sector performance and momentum.
3. **Tax Conditions:** tax burdens for firms, properties, and individuals — measuring monetary and human capital attractiveness.
4. **Labor Market:** topline profile of key labor market performance indicators, including market size and growth, unemployment rate, change in the unemployment rate over the past year, and wage growth.
5. **Population Growth:** overall growth of a metro over the short and medium term.
6. **Renter Demographics:** spending power and age profile of existing renters (higher household incomes and younger householders assumed as conducive for higher levels of multifamily demand).
7. **Renter Vacancy:** measures the current market tightness for all existing metro-level rental inventory.
8. **Attraction and Retention:** considers how well a market attracts rental demand from other parts of the country and holds on to existing renters that already call the metro home.
9. **Affordability:** minimum income needed to rent an apartment without being rent-burdened, included to capture a market's attractiveness for incoming rental demand.
10. **Climate Risk:** a composite measure of risk, preparedness, and social vulnerability, which is included to account for the increasing frequency of natural hazards and the evolving property insurance landscape.

The Opportunity Matrix includes factors a multifamily investor might consider in their market selection process. All 10 categories have received equal weighting. In categories with more than one variable, each variable received equal weighting.

Table 3

Arbor-Chandan 2024 Multifamily Opportunity Matrix

Composite Categories	Variables	Weight	Source
Multifamily Investment	Multifamily Lending Volume per Capita	10.00%	Chandan Economics; Measured Q3 2023—Q2 2024
Performance Fundamentals	Commercial Real Estate Market Index: Multifamily	10.00%	Atlanta Federal Reserve; Through Q2 2024
Tax Conditions	Property Tax Rate	3.33%	Tax Foundation; Through 2023
	Top Corporate Income Tax Rate	3.33%	
	Top Individual Tax Rate	3.33%	
Labor Market	Employment Level	2.00%	U.S. Bureau of Labor Statistics; Through July 2024
	Employment Level (1-Year Change)	2.00%	
	Unemployment Rate	2.00%	
	Unemployment Rate (1-Year Change)	2.00%	
	Wage Growth (1-Year Change)	2.00%	
Population	1-Year Population Growth Rate	10.00%	U.S. Census Bureau; Through 2023
Demographics	Household Rentership Rate	2.00%	U.S. Census Bureau; 2023 Annual Social and Economic Supplement of the Current Population Survey; IPUMS
	U35 Household Rentership Rate	2.00%	
	Percent Share of Renters U35	2.00%	
	Renter Household Income	2.00%	
	U35 Renter Household Income	2.00%	
Rental Vacancy	Rental Vacancy Rate	5.00%	U.S. Census Bureau; Through Q2 2024
	1-Year Change in Rental Vacancy Rate	5.00%	
Rental Affordability	Minimum Annual Income Needed to Not Be Rent Burdened	10.00%	Waller, Weeks, and Johnson Rental Index; Through July 2024
Attraction and Retention	Share of Incoming Apartment Searches Coming From Another Metro	5.00%	ApartmentList; Through 2023
	Share Apartment Searchers Within Metro Looking to Stay	5.00%	
Climate Risk	National Risk Index	10.00%	Federal Emergency Management Administration; Through March 2023
		100.00%	

Methodology

This report presents an analytical framework to develop a cross-market comparison for opportunistic multifamily investments. For the purposes of this analysis, “large multifamily” is considered to be assets containing 50 or more units with a combined valuation exceeding $20 million.

The top 50 U.S. metros[1] are ranked using the Arbor-Chandan Large Multifamily Opportunity Matrix based on a weighted average of performance metrics. The Opportunity Matrix pays specific attention to how well metro-level economies have maintained strength over the past year and how they are positioned to handle shifting market conditions in 2024 and beyond.

[1] The top 50 metros are based on population estimates. All metros are reported at the Metropolitan Statical Area (MSA) level.

Appendix

Table 4

Arbor-Chandan 2024 Opportunity Matrix Market Rankings and Scores

Metro	Composite Score	2024 Ranking	2023 Ranking	Change
Nashville	0.68	1	22	21
Phoenix	0.50	2	4	2
Austin	0.40	3	2	-1
Jacksonville	0.37	4	12	8
Dallas	0.31	5	5	0
Raleigh	0.30	6	8	2
Indianapolis	0.28	7	24	17
Kansas City	0.28	8	25	17
Columbus	0.28	9	21	12
San Antonio	0.27	10	13	3
Tampa	0.26	11	14	3
Denver	0.25	12	10	-2
Milwaukee	0.21	13	26	13
Providence	0.20	14	47	33
Oklahoma City	0.19	15	7	-8
Richmond	0.19	16	27	11
Orlando	0.18	17	1	-16
Cincinnati	0.16	18	19	1
Charlotte	0.16	19	3	-16
Houston	0.12	20	18	-2
Virginia Beach	0.11	21	20	-1
Grand Rapids	0.09	22	N/A	N/A
Las Vegas	0.08	23	9	-14
Washington, D.C.	0.07	24	23	-1
Buffalo	0.06	25	41	16
Seattle	0.03	26	11	-15
Louisville	0.01	27	16	-11
Atlanta	0.01	28	15	-13
Cleveland	0.00	29	35	6
Pittsburgh	-0.01	30	39	9
Minneapolis	-0.04	31	38	7
Memphis	-0.11	32	34	2
Miami	-0.12	33	29	-4
Salt Lake City	-0.15	34	6	-28
Portland (OR)	-0.22	35	33	-2
Riverside	-0.26	36	42	6
St. Louis	-0.28	37	40	3
Detroit	-0.30	38	43	5
San Jose	-0.31	39	48	9
Fresno	-0.33	40	N/A	N/A
Philadelphia	-0.33	41	31	-10
Boston	-0.33	42	30	-12
Baltimore	-0.34	43	32	-11
Chicago	-0.35	44	44	0
Sacramento	-0.36	45	36	-9
Birmingham	-0.42	46	37	-9
New York	-0.42	47	46	-1
San Diego	-0.42	48	28	-20
San Francisco	-0.46	49	45	-4
Los Angeles	-0.49	50	49	-1

About Us

Arbor Realty Trust, Inc. (NYSE: ABR) is a nationwide real estate investment trust and direct lender, providing loan origination and servicing for multifamily, single-family rental (SFR) portfolios, and other diverse commercial real estate assets. Headquartered in Uniondale, New York, Arbor manages a multibillion-dollar servicing portfolio, specializing in government-sponsored enterprise products. Arbor is a leading Fannie Mae DUS® lender, Freddie Mac Optigo® Seller/Servicer, and an approved FHA Multifamily Accelerated Processing (MAP) lender. Arbor's product platform also includes bridge, CMBS, mezzanine, and preferred equity loans. Arbor is rated by Standard and Poor's and Fitch. In June 2023, Arbor was added to the S&P SmallCap 600® index. Arbor is committed to building on its reputation for service, quality, and customized solutions with an unparalleled dedication to providing our clients excellence over the entire life of a loan.

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