With apartment occupancy rising nationally in recent years and hitting a cycle high during 2019, development has ramped up in kind. This led to the addition of more than 364,400 units last year, a more than 20-year peak. As apartment operators faced increased competition, the coronavirus pandemic impacted the nation. U.S. payrolls contracted 6.5% last year, as more jobs were lost than throughout the Great Recession. With many Americans facing economic insecurity, health concerns, and shelter-in-place orders, renter mobility was hindered, as net absorption was nearly half the additions. As a result, average apartment occupancy decreased 60 basis points to 95.2% by year-end 2020, though still 10 basis points higher than the five-year average. Contributing to occupancy remaining healthy was assistance to renters through the CARES Act and local government aid programs. Rent collections of professionally managed properties averaged 94.9% since May 2020, compared to 96.0% during the same time in 2019. To assist renters, operators also increased concessions, which resulted in monthly effective rent contracting 1.0% and finishing 2020 at $1,410. While apartment fundamentals remained stable, deal flow continued, albeit at a much slower pace. Transactions averaged $180,887 per unit, up 6.7% from 2019. Simultaneously, average cap rate reduced 20 basis points to 5.2% in 2020. Through November 2020, deal volume totaled $481.6 billion, a decrease of 34.4% from 2019.
As the U.S. economy slowly recovers, apartment fundamentals will improve. Employers are forecast to accelerate hiring over the next two years as the workforce is projected to grow 2.6% this year and 2.9% next year. The strongest rebound is expected among the white-collar industries: financial activities and professional and business services. These higher-paying positions will be the target of Class A apartment operators as more than 735,200 units are scheduled to begin lease-up nationwide over the next two years, most of which are Class A. This trend is embodied in the Dallas-Fort Worth market, where a national-leading 51,559 units are on pace to come online by year-end 2022, and professional and business services hiring will lead all other sectors. As Americans have more job opportunities, annual apartment leasing is forecast to return to pre-pandemic levels. Renting will remain a preferred option for residents with a higher barrier to homeownership, as New York, Dallas-Fort Worth, and South Florida are projected to lead in leasing activity. Nationally, apartment occupancy is forecast to reach 95.1% by year-end 2022, down 10 basis points from the close of 2020 due to supply-side pressure. At the same time, operators are projected to advance monthly effective rent 1.0% to $1,424 this year and 4.1% next year to $1,482. On the market level, rent appreciation will be highest among secondary and tertiary metros with above-average job growth, like Inland Empire and Colorado Springs.