BEYOND INSIGHTS

Renter Renewals Reverberate

June 2025

MARKET TRENDS

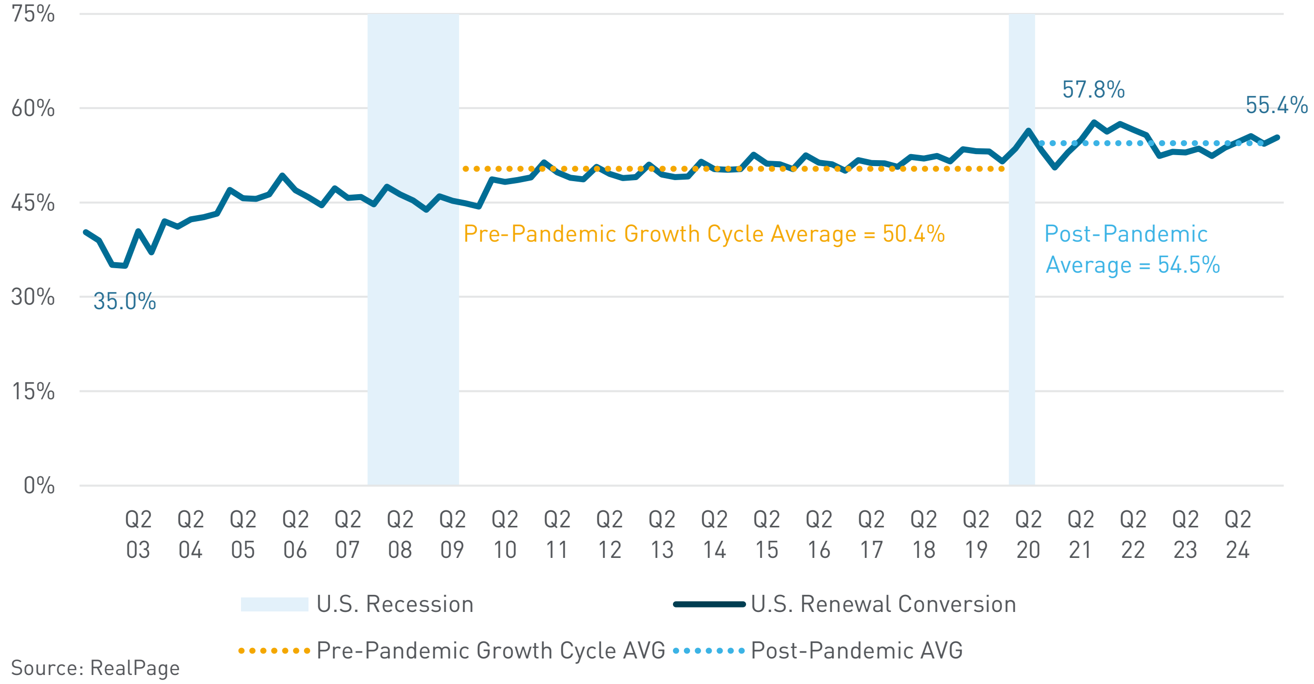
BERKADIA®

Whether by choice or by necessity, more renters are opting to stay in place across the country.

Renters benefit by avoiding relocation costs and more flexible lease terms, and apartment operators benefit from stable cash flow and reduced vacancy rates. Beyond these omnipresent benefits, several of the following factors have created an environment where apartment renewals have increased.

Renters more often choose renewals following a recession due to a combination of economic, psychological, and market factors. Following the Global Financial Crisis, apartment renewals averaged 50.4%, an increase from 43.1% during the prior five plus years. Since the pandemic, 54.5% of renters in professionally managed units chose to stay in place for a 410-basis-point increase from the economic growth period from 2010 to 2019.

FIGURE 1: U.S. MULTIFAMILY RENEWAL CONVERSIONS



Source: RealPage

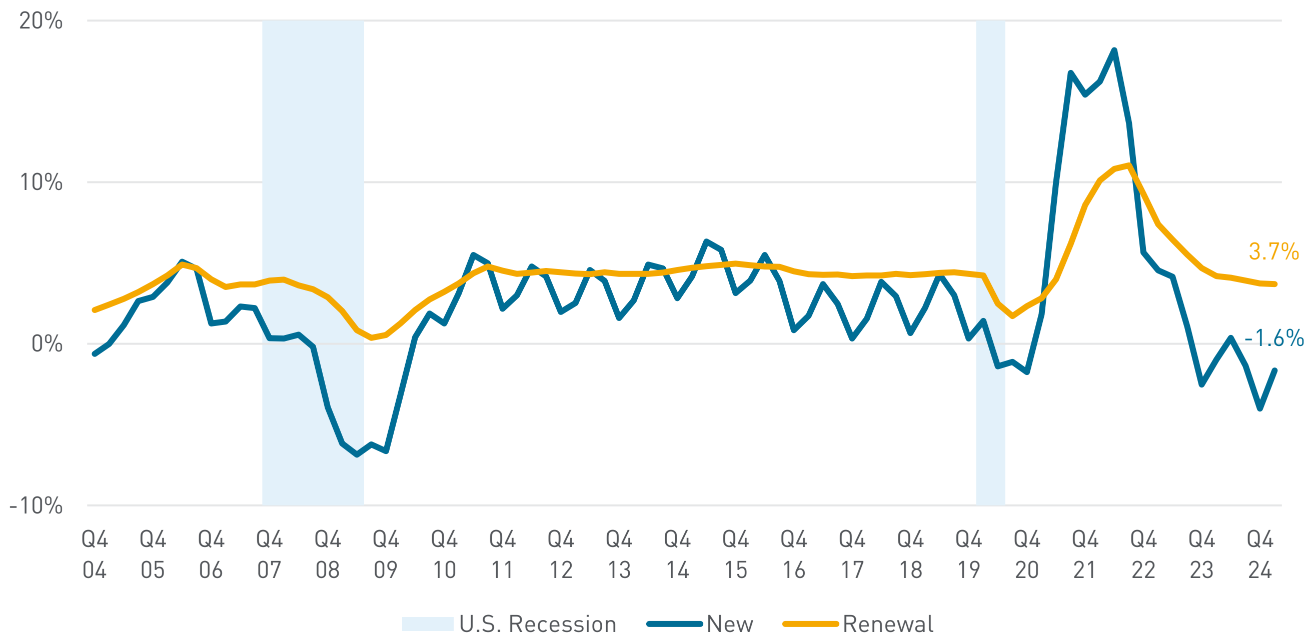
Recession Effects

During and immediately after a recession, job markets are typically unstable.

Following the pandemic, the U.S. experienced what has been described as the Great Resignation. The quits rate spiked as workers had more power to find another job and/or relocate. This was reflected in a sharp drop in apartment renewals. Since then, the quits rate moderated to 2.1% in March 2010.

As the quits rate slowed, the job openings rate has also moderated. It reached 4.3% in March 2025. Renters facing job uncertainty may prefer the predictability of their current rent, especially if they have negotiated favorable terms. Historically, rent increases for lease renewals are more moderate, though on average they never shift negatively no matter the economic conditions. This benefits renters and apartment operators alike.

FIGURE 2: MULTIFAMILY RENEWAL YOY RENT CHANGE



Source: RealPage

Concessions

For apartment operators, high renewal rates are a key driver of stable cash flow and reduced vacancy rates.

When tenants choose to renew their leases, it minimizes turnover costs associated with marketing and preparing units for new tenants, ensuring a steady income stream. This stability enhances operational efficiency, allowing property management to focus on maintaining and improving the property rather than constantly preparing units for new tenants. Limiting expenses is essential as the post-pandemic cycle turnover costs per unit have increased 40% from the pre-pandemic growth cycle costs. High renewal rates also reflect strong fundamentals in the rental market, indicating tenant satisfaction with the property and management.

Apartment operators of communities in lease-up typically offer more concessions to attract tenants and fill units faster, helping the property reach financial stability sooner. This has been exasperated in recent years by the supply wave. This is reflected as the share of new builds offering concessions is nearly more than double properties built in 2009 and older. The level of concessions is also significantly higher among communities that have come online in the 2020s.

TABLE 1: CONCESSIONS BY VINTAGE

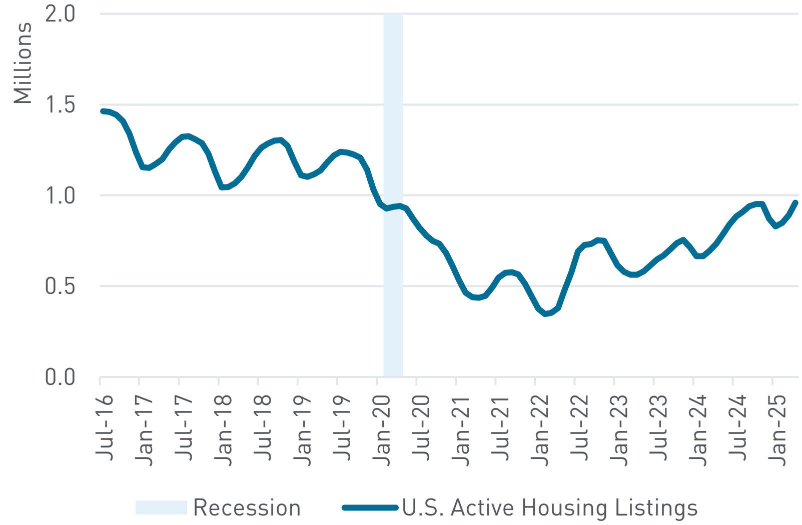
VINTAGE	PERCENT OF UNITS OFFERING CONCESSIONS	CONCESSION (% OF ASKING RENT)
Pre-1970s	17.4%	4.5%
1970s	17.8%	3.9%
1980s	19.1%	3.6%
1990s	17.6%	3.7%
2000s	17.3%	4.3%
2010s	21.4%	5.5%
2020s	35.2%	7.2%

Data as of Q1 25.
Source: RealPage

Economic Conditions

The economic conditions also influence the credit markets, making it more difficult for renters to secure loans for home purchases. This limitation keeps potential homebuyers in the rental market longer, increasing the likelihood of lease renewals. Landlords might also offer incentives for lease renewals, such as flexible lease terms. Beyond a tighter lending environment, homes available for purchase remain below the pre-pandemic, low interest levels.

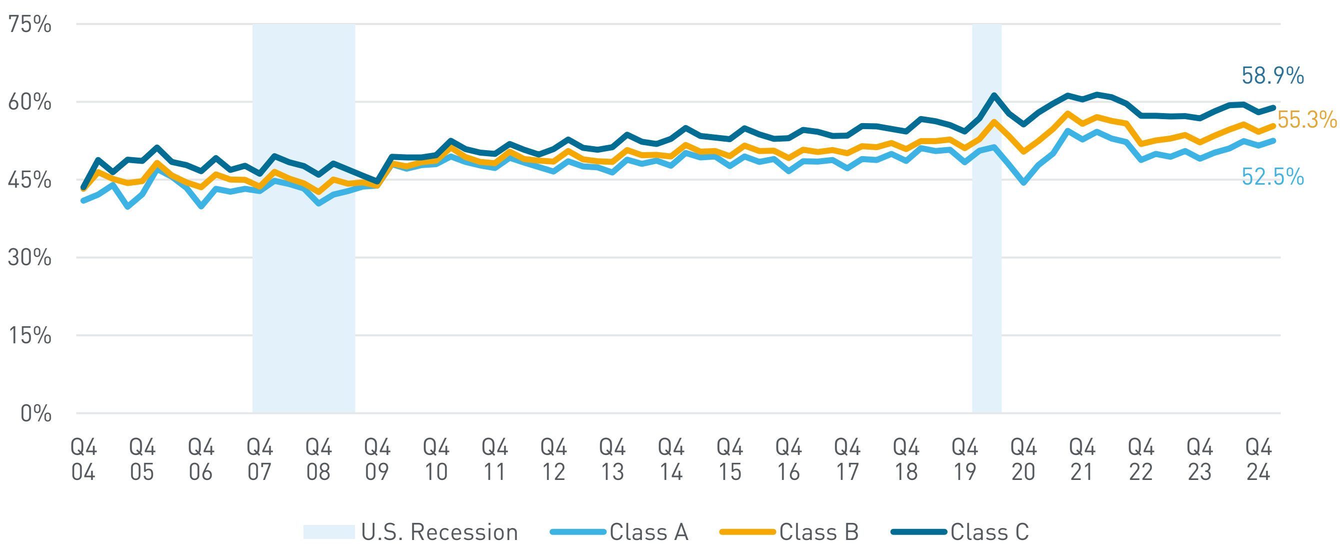
FIGURE 3: ACTIVE HOUSING LISTINGS



Source: Federal Reserve Bank of St. Louis

For the renters who can purchase a home but are not finding acceptable options, staying in place provides the psychological comfort of staying in a known environment, which can outweigh the allure of new opportunities. Risk aversion has even aided occupancy among stabilized Class A properties as more than half of renters in this class are now renewing their leases. Another sign of the appeal of premium apartments is the average spread between renewals of Class A and both Class B and Class C post-pandemic is tighter than the spreads during the previous economic growth cycle from 2010 to 2019.

FIGURE 4: MULTIFAMILY RENEWAL CONVERSIONS BY CLASS



Source: RealPage

Geographic Influence

Geography is a factor in lease renewals. Historically, the Northeast region of the United States has led all regions in this statistic.

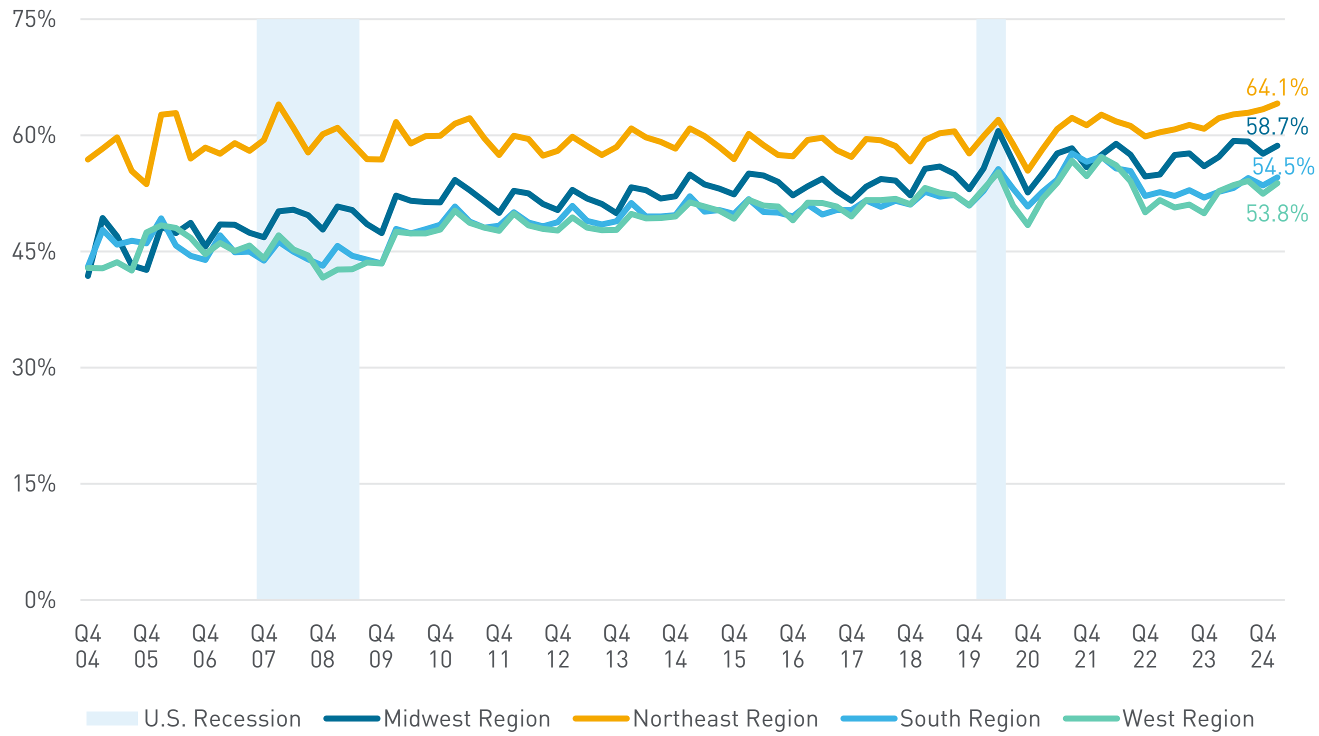
At 64.1% in the first quarter of 2025, the Northeast lease renewal rate was significantly higher than the U.S. average of 55.4% at the same time.

At 64.1% in the first quarter of 2025, the Northeast lease renewal rate was significantly higher than the U.S. average of 55.4% at the same time.

Several factors contribute to the Northeast region maintaining higher renewals. With many cities like New York and Boston, tenants may prefer to renew their leases to avoid the costs associated with relocation. Harsh winters in the region also make moving during certain times of the year less appealing. The region also benefits from several cities with stable job markets where renters can find numerous employment opportunities near their rental.

Conversely, the West region historically has some of the lowest lease renewal rates. These states like Arizona and Nevada often attract a more transient population due to industries like technology and entertainment. People may move more frequently for job opportunities or lifestyle changes. These states often offer a wider range of housing options in urban and suburban areas that can draw residents away from apartments.

FIGURE 5: MULTIFAMILY RENEWAL CONVERSIONS BY REGION



Source: RealPage

Conclusion

Ultimately, the increase in lease renewals following a recession brings several positive aspects to the multifamily industry. High renewal rates contribute to stable cash flow, reduced vacancy rates, and better operational efficiency.

Additionally, strong renewal rates reflect robust market fundamentals and high tenant satisfaction, indicating that renters value the stability and comfort of their current living arrangements. As apartment operators leverage these dynamics, they can develop strategies to further enhance tenant retention and adapt to evolving market conditions. In this way, both renters and landlords benefit from the mutual stability and satisfaction offered by lease renewals, fostering a healthier and more resilient rental market.

Beyond Insights aims to deliver timely economic and market-driven insights to better inform your commercial real estate investment decisions.

Read more at berkadia.com/beyond-insights.

Contact the Author

Aaron Royster
Director of Research, Reports and Publications
Berkadia
aaron.royster@berkadia.com