

Little Rock 2024 Market Forecast

MARKET SNAPSHOT

- AVERAGE RENT**
\$962 4Q 2023
\$998 4Q 2024
- 2024 RENT CHANGE**
3.7%
- OCCUPANCY RATE**
90.5% 4Q 2023
89.9% 4Q 2024
- 4Q 2024 OCCUPANCY CHANGE**
-60 BASIS POINTS
- EMPLOYMENT***
385.0K 2023
387.6K 2024
- UNEMPLOYMENT RATE****
2.7% 2023
3.4% 2024

* Please note that these employment figures have been adjusted for seasonal variations and are based on Moody's Analytics forecast as of January 1, 2024.

** Please note that these unemployment rates are estimates that have not been adjusted for seasonal variations, and they are derived from Moody's Analytics forecast as of January 1, 2024.

KEY TAKEAWAYS

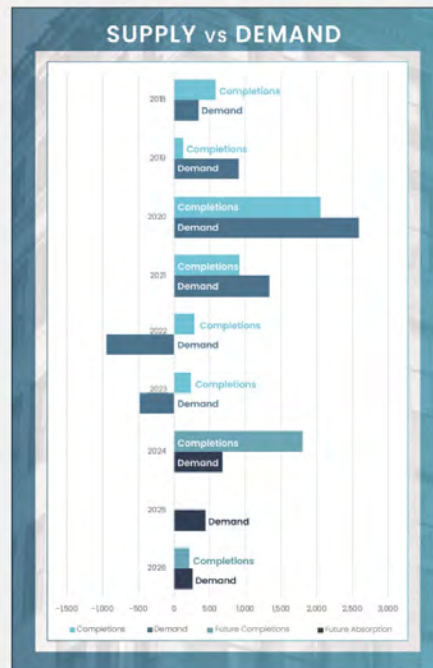
- Little Rock's multifamily market is projected to shift to positive net absorption in 2024, though the influx of 1,800 new units may temporarily challenge occupancy rates.
- The Little Rock apartment market is expected to see rental growth of 3.7% by the end of 2024, with all submarkets showing consistent improvements, indicating a promising recovery across the region.
- The economic forecast for Little Rock is positive, with the expectation of 2,000 new jobs being created, signaling a robust and expanding job market.
- The Little Rock multifamily market experienced a dip in sales volume in 2023 but still significantly exceeded the pre-pandemic five-year average, with continued investor interest expected in 2024, particularly if interest rates stabilize.

Supply & Demand

2024 FULL YEAR FORECAST

- 676 Units**
 FORECASTED ABSORPTION
- 1,804 Units**
 FORECASTED NEW SUPPLY

Annual Demand Vs Completions



Demand / Occupancy Outlook

The multifamily market in Little Rock experienced a second consecutive year of negative annual net absorption. This downturn, which began in 2022 and continued through 2023, was largely driven by high inflation, pressuring the budgets of some households in the region. As a result, occupancy levels fell from 94.7% in early 2022 to

New Supply Outlook

Over the past year, the apartment inventory in Little Rock has seen limited growth, with only 231 units added in 2023. Currently, however, the city is experiencing a significant surge in construction, with 1,800 units set to be introduced to the market this year. This expansion will increase the local inventory by 3.6%. These new developments are

90.5% by the end of 2023. Looking ahead, the Little Rock market is projected to return to positive net absorption in 2024. However, this recovery coincides with a significant influx of new apartment units, estimated at around 1,800, potentially challenging market operators with further declines in occupancy rates. Despite this, the Little Rock multifamily sector is shifting from a period of weakening fundamentals to a recovery phase. This transition may include a short-term further drop in occupancy rates. By 2025, a decrease in new completions is anticipated, which is expected to reverse the current trend and lead to a rise in occupancy rates once more.

concentrated in four out of the twelve submarkets. North Little Rock leads this expansion, accounting for 40% of the new additions. The Southwest/University area follows closely, representing 39% of the projected growth.

Occupancy & Rent Trends

RENT VS OWN MONTHLY PAYMENT



\$1,780

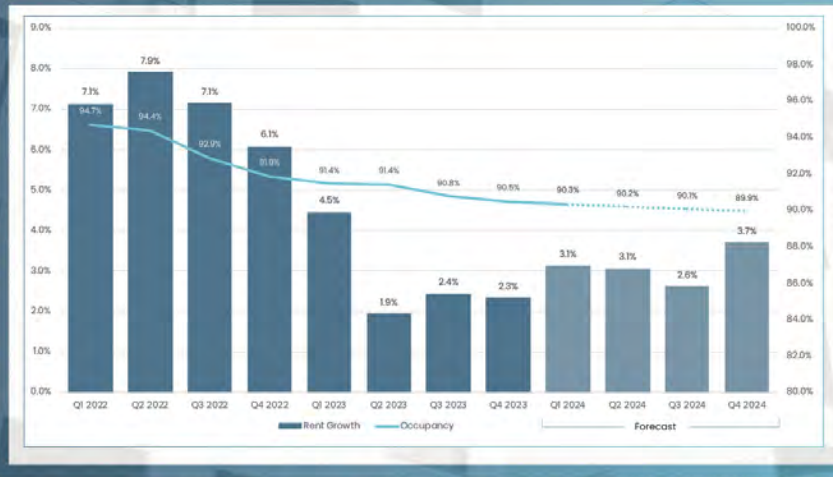
Average Monthly Mortgage Payment



\$962

Average Monthly Rent

RENT vs OCCUPANCY



2024 RENT TRENDS OUTLOOK

In 2023, the Little Rock apartment market experienced a slowdown in rent growth from the peak levels of 2022, but it still maintained a positive annual increase, closing the year with a 3.1% rise and an average rent of \$962. As we move into 2024, rent growth is forecasted to pick up pace. Our forecast indicates a 3.7% year-over-year increase by the end of the fourth quarter. Additionally, all twelve submarkets in the area are expected to experience consistent and notable improvements in rent growth, ranging from 3.0% in Maumelle to 4.2% in the Outlying Faulkner County submarket over the next 12 months. This trend signals a promising near-term recovery throughout the market's various localities.

Submarket Rent & Occupancy

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Submarket	Q4 2023 Stabilized Occupancy	Q4 2024 Stabilized Occupancy (f)	Annual Occupancy Change (2024/2023)	Q4 2023 Average Monthly Rent	Q4 2024 Average Monthly Rent (f)	Annual Rent Change (2024/2023)
Central/East	95.0%	94.5%	-0.5%	\$1,015	\$1,054	3.8%
Conway	92.5%	92.0%	-0.5%	\$887	\$920	3.7%
Grant County	94.8%	94.4%	-0.4%	\$694	\$719	3.6%
Jacksonville/Sherwood	90.7%	90.2%	-0.6%	\$751	\$778	3.7%
Lonoke County	96.0%	95.5%	-0.5%	\$991	\$1,028	3.8%
Maumelle	93.9%	93.4%	-0.5%	\$1,057	\$1,089	3.0%
Midtown/Hillcrest	88.5%	87.8%	-0.7%	\$914	\$949	3.8%
North Little Rock	85.6%	84.9%	-0.8%	\$992	\$1,029	3.7%
Outlying Faulkner County	96.9%	96.6%	-0.3%	\$830	\$864	4.2%
Saline County	96.2%	95.8%	-0.4%	\$923	\$959	3.9%
Southwest/University	88.7%	88.2%	-0.6%	\$928	\$963	3.8%
West Little Rock	89.6%	89.1%	-0.6%	\$1,086	\$1,128	3.8%
Market	90.5%	89.9%	-0.6%	\$962	\$998	3.7%

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Submarket Construction Pipeline



50,477

4Q 2023 Unit Inventory



1,812

Number of Units Under Construction



1,804

Number of Units UC Delivering
In the Next 4 Quarters

Show entries

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Submarket	Unit Inventory: 4Q 2023	Units Under Construction	% of Existing Inventory UC	% of Total UC	Units UC Delivering in the Next 4 Quarters
Central/East	1,708	0	0%	0.0%	0
Conway	7,158	105	1%	5.8%	103
Grant County	74	0	0%	0.0%	0
Jacksonville/Sherwood	3,255	0	0%	0.0%	0
Lanoke County	1,603	0	0%	0.0%	0
Maumelle	3,770	0	0%	0.0%	0
Midtown/Hillcrest	7,089	283	4%	15.6%	281
North Little Rock	6,106	720	12%	39.7%	718
Outlying Faulkner County	198	0	0%	0.0%	0
Saline County	3,372	0	0%	0.0%	0
Southwest/University	6,373	704	11%	38.9%	702
West Little Rock	9,771	0	0%	0.0%	0
Market	50,477	1,812	3.6%	100.0%	1,804

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Sales Activity

Sales activity in the Little Rock multifamily market showed a moderation over the past year. In 2023, transaction volumes amounted to \$316.8 million, marking a 25% decline from the \$421.5 million recorded in 2022. Nonetheless, this recent performance significantly outstrips the pre-pandemic five-year annual average of \$152.1 million. The region saw 17 multifamily property sales, with the West Little Rock and North Little Rock areas being the most active. Notably, the average price per unit increased by approximately 16% to \$116,500, suggesting that the properties traded this year were likely of higher quality.

Looking ahead, Little Rock continues to draw interest from those seeking more substantial returns and cost-effective investment opportunities in 2024. This appeal is particularly strong among investors deterred by the premium prices in larger markets. Should interest rates find a steady ground, investment activity is likely to pick up.

Most Active Buyers (Previous 24 Months)

1. Canyon View Capital
2. Forge Partners
3. Quarry Capital
4. Passco Companies

Most Active Sellers (Previous 24 Months)

1. Maxus Realty Trust
2. Covenant Capital Group
3. Burkhalter Com'l Group
4. Carter Haston

*Most Active Buyers and Sellers are based on the sale volume of apartment units.

TRANSACTION VOLUME

\$316.8M(p)

2023 Transaction Volume

-24.8%

Y-O-Y Change

17 YTD

Individual Transaction Count

\$116.5K*

Price Per Unit

15.6%

Annual PPU Price Change

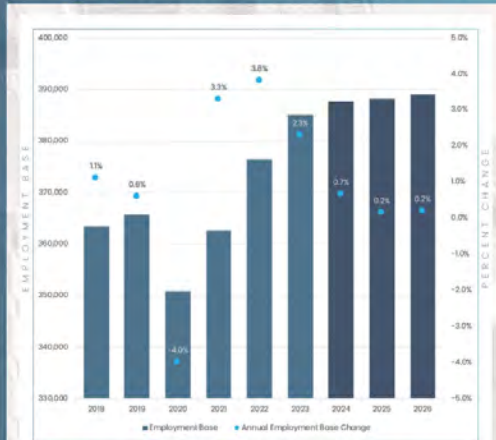
* Trailing 4Q average PPU

* Preliminary Data from RCA - Individual transaction \$2.5M *

p=Preliminary

Employment Forecast

EMPLOYMENT SECTOR FORECAST



Forecasted 2024 Employment Sector Growth

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Sector	Employment Change 2023 to 2024	Percent Change
Overall Employment	2,600	0.7%
Construction	600	2.7%
Trade, Transport, & Utilities	(600)	-0.8%
Professional & Business Services	(100)	-0.4%
Education & Health Services	1,200	2.0%
Government	400	0.6%
Leisure & Hospitality	900	2.5%
Natural Resources & Mining	200	22.2%

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Economic Outlook

The economy has fully rebounded from the downturn experienced in 2020, with total employment in Little Rock hitting 385,000 by December 2023, a healthy 2.3% increase over the previous year. Heading into 2024, the economic outlook for Little Rock remains bright, with the anticipated creation of 2,600 new jobs. The largest employment sector in Little Rock is the state government, which constitutes 18% of the employment base, followed closely by educational and health services, which make up 17% and have shown impressive growth. The steady job market is continually drawing a skilled workforce, buoyed by significant institutions like Baptist Health, Arkansas Children's Hospital, and the Central Arkansas Veterans Healthcare System. Further job opportunities have arisen from CARTI and CHI St. Vincent, which have both expanded their operations by opening new centers in the past year. This increase in well-paying job opportunities is an encouraging development for property developers, who are aiming to introduce premium units this year at an elevated level.

Sources: Costar; Yardi Matrix; BLS; MSCI; Moody's Analytics; BizJournal

TO GAIN FURTHER INSIGHTS INTO THE LITTLE ROCK MARKET PLEASE REACH OUT TO OUR LOCAL TEAM



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