

June 2021

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Special Report: Multifamily Rent Forecast Update

- Most markets see an upward revision in the near term as the vaccine rollout proceeds faster than expected and more states and cities begin to reopen.
- However, gateway cities are still lagging somewhat in their rebound and may not hit their full growth potential until 2022.
- Another month of lower-than-expected jobs numbers sends mixed signals on the recovery.
- Inflation concerns grow.

With an increase of 0.88% over April, May 2021 saw the largest month-to-month average percentage rent increase since Yardi Matrix started collecting rent data.¹ April 2021 recorded the third-largest monthly rent increase, and in the short term these trends are expected to continue as cities are able to fully reopen. Seasonal pressures should begin to put a damper on rent growth for most markets toward the end of the year, but that dampening effect will not be enough to offset the positive pressures from pent-up demand for the amenities that cities have to offer, and many markets will see record or near-record year-over-year growth by the end of the year. However, much of the gains in 2021 will merely be making up lost ground from 2020.

The largest adjustments made to our forecasts this month occurred in smaller-size, relatively affordable metros whose rental rates managed to avoid the brunt of the pandemic but are nonetheless poised to see increased windfall. Reno, the Tri-Cities, Macon, Harrisburg and Omaha top this list with significant upward revisions, and by the year's end these types of metros will comprise the bulk of the top performers. But many larger metros have shown significant improvements and are also expected to perform very well this year. Phoenix should see close to double-digit growth, while Suburban Atlanta, Tampa, Las Vegas, Portland, Austin and many others are in a position to exceed 5% year-over-year growth.

One caveat to the growth story, however, is the gateway cities. These cities were hit the earliest and the hardest during the pandemic, and

¹ Average of market-level survey data, unweighted

they are taking more time to recover. While many cities are expected to have a banner year for growth, the gateways will likely continue to see more modest gains, followed by greater rent acceleration next year. Changing work-from-home policies in Big Tech and Finance will help shape the recoveries in places like the Bay Area, Seattle and New York City.

Lower-than-expected jobs numbers continue to create some uncertainty on the path toward recovery. The upcoming expiration of pandemic-related unemployment compensation will likely contribute to an increase in the rate of job growth, but that increase will mostly occur in low-wage jobs, so the immediate effect to aggregate demand and economic activity will likely be small. However, industries that have had a hard time hiring—like restaurants, bars and others in the service industry—should be able to fill open positions more easily, and the increasing availability of these services will create positive secondary effects in the rental housing market.

Inflation concerns are also becoming more real, if only for the fact that people are now talking about inflation and building it into their expectations. Expectation of inflation begets inflation by altering consumer spending patterns as it appears more attractive to consume now rather than later. What should be transitory inflation in certain sectors due to logistics and pandemic-related supply-chain issues is now threatening to be much broader and could have a real impact on purchasing power, which would limit the ability to push further rent increases.

—Andrew Semmes, Senior Research Analyst

Comparing End-of-Year 2021 Forecasts: The Top 30 Markets

Market	Prior 2021 Year-End Forecast	Current 2021 Year-End Forecast	Change From Prior Forecast
Phoenix	6.1%	8.7%	2.7%
Tampa–St Petersburg	3.9%	6.4%	2.5%
Eastern Los Angeles County	3.4%	5.5%	2.1%
Urban Chicago	3.1%	4.8%	1.7%
Las Vegas	4.6%	6.2%	1.6%
Urban Atlanta	3.1%	4.7%	1.6%
Inland Empire	5.5%	7.1%	1.5%
Suburban Atlanta	5.3%	6.9%	1.5%
North Dallas	2.9%	4.4%	1.5%
Indianapolis	3.2%	4.6%	1.4%
Orange County	3.0%	4.0%	1.1%
Washington DC–Suburban Maryland	0.7%	1.6%	1.0%
Portland	4.5%	5.2%	0.7%
Metro Los Angeles	0.4%	1.1%	0.7%
Suburban Chicago	3.2%	3.9%	0.7%
Bay Area–East Bay	2.9%	3.5%	0.7%
Seattle	1.3%	1.9%	0.6%
Denver	3.3%	3.9%	0.5%
Austin	4.6%	5.1%	0.5%
Urban Philadelphia	3.3%	3.7%	0.4%
Sacramento	5.4%	5.7%	0.3%
Nashville	3.5%	3.8%	0.3%
Baltimore	2.7%	2.9%	0.2%
Miami	4.9%	5.0%	0.2%
Suburban Philadelphia	3.9%	4.1%	0.2%
Suburban Dallas	3.6%	3.7%	0.1%
Charlotte	4.4%	4.5%	0.1%
Raleigh–Durham	3.4%	3.5%	0.1%
Suburban Twin Cities	3.5%	3.6%	0.1%
Kansas City	3.1%	3.2%	0.0%
San Antonio	2.6%	2.4%	-0.2%
East Houston	3.4%	3.1%	-0.3%
Boston	2.8%	2.5%	-0.4%
Urban Twin Cities	2.5%	2.1%	-0.4%
West Houston	3.9%	3.5%	-0.4%
Orlando	5.3%	4.3%	-1.0%
San Francisco–Peninsula	1.3%	0.3%	-1.0%

Source: Yardi Matrix

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