

April 2023

Contacts

Jeff Adler

*Vice President & General
Manager of Yardi Matrix*
Jeff.Adler@Yardi.com
(303) 615-3676

Andrew Semmes

Senior Research Analyst
Andrew.Semmes@Yardi.com
(800) 866-1124 x2092

Doug Ressler

Media Contact
Doug.Ressler@Yardi.com
(480) 695-3365

Multifamily Rent Forecast Update

Asking rents in March increased by one-quarter of one percent on a month-over-month basis, which is more than double the increase from January to February, and an acceleration in the rate of increases that we have seen so far this year. An acceleration in asking rents into the spring and early summer months is typical, and so far, this year hasn't thrown any major surprises—but digging a little deeper reveals a few ways in which asking rents this year have behaved somewhat differently from the norm.

The first and most obvious difference is in the magnitude of increases. First quarter average asking rents increased by about 38 basis points nationwide, which is almost exactly the same amount that average asking rents increased in the first quarter of 2020, but in March of that year asking rents abruptly decelerated as the economy ground to a halt with the onset of the pandemic. However, during the previous decade (2010 – 2019), asking rents increased 62 basis points on average during the first quarter—which works out to growth this year being roughly only 61% of the average recorded during the decade preceding the pandemic.

A second meaningful difference appears when splitting the data between Lifestyle and Renter-by-Necessity apartment types. Lifestyle apartments only realized an average of six basis points of growth in asking rents during the first quarter of 2023, which again looking at the years 2010 - 2019, is only eleven percent of the average growth for Lifestyle asking rents during Q1. However, Renter-by-Necessity asking rents increased by 66 basis points during the first quarter, which is approximately 91% of the average growth in asking rents for RBN apartments during the same time period.

A third difference so far this year is the geographical distribution of growth in asking rents. Broadly speaking, mid-sized markets in the Midwest and Northeast are seeing better-than-average growth, while Western and Southwestern markets are performing below average. In fact, out of the seven markets in our forecast set that have seen over two percent growth in asking rents this year, five of them—Worcester-Springfield, Portland, ME, Madison, Youngstown, Dayton—are mid-sized markets in the Midwest and Northeast. Only Manhattan and Midland-Odessa have also seen over 2% growth so far this year, and both of those markets are outliers in their own right just by nature of the size of Manhattan and the unique economic drivers of Midland-Odessa.

Similarly, the worst performers of the year so far include previously high-performing Western and Southwestern markets like Phoenix, Salt Lake City, and Colorado Springs.

These emerging patterns are what we expected to see at the beginning of the year, and we expect that they will mostly continue throughout the year. Our economic outlook has not changed—we expect that there will likely be a recession around Q4 of this year or Q1 of next year, that it will be relatively short and shallow, and that it will affect higher-earners more than those on the lower end of the income spectrum. There is a potential for rubber-banding in markets that had high rent growth during the past few years, have a large amount of supply inbound, and have exposure to anticipated white-collar job losses—like Austin, Salt Lake City, and Boise—but we expect a snapback in prices to be the exception, not the rule.

There are no major changes in this forecast update—the national market average dropped from 2.7% growth for the end of the year to 2.6% growth. The biggest downward changes were concentrated in mid-sized Southern markets that aren't performing as well as expected (e.g. Asheville, Wilmington, Charleston, Knoxville) and the biggest upward revisions were concentrated in mid-sized markets in the Midwest and Texas that are outperforming our expectations at this point (e.g. Lubbock, Tulsa, Wichita, Fort Wayne, Dayton).

—Andrew Semmes, Senior Research Analyst

Disclaimer

Although every effort is made to ensure the accuracy, timeliness and completeness of the information provided in this publication, the information is provided "AS IS" and Yardi Matrix does not guarantee, warrant, represent or undertake that the information provided is correct, accurate, current or complete. Yardi Matrix is not liable for any loss, claim, or demand arising directly or indirectly from any use or reliance upon the information contained herein.

Copyright Notice

This document, publication and/or presentation (collectively, "document") is protected by copyright, trademark and other intellectual property laws. Use of this document is subject to the terms and conditions of Yardi Systems, Inc. dba Yardi Matrix's Terms of Use (<http://www.yardimatrix.com/Terms>) or other agreement including, but not limited to, restrictions on its use, copying, disclosure, distribution and decompilation. No part of this document may be disclosed or reproduced in any form by any means without the prior written authorization of Yardi Systems, Inc. This document may contain proprietary information about software and service processes, algorithms, and data models which is confidential and constitutes trade secrets. This document is intended for utilization solely in connection with Yardi Matrix publications and for no other purpose.

Yardi®, Yardi Systems, Inc., the Yardi Logo, Yardi Matrix, and the names of Yardi products and services are trademarks or registered trademarks of Yardi Systems, Inc. in the United States and may be protected as trademarks in other countries. All other product, service, or company names mentioned in this document are claimed as trademarks and trade names by their respective companies.

© 2023 Yardi Systems, Inc. All Rights Reserved.