

August 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

Average asking rents in July rose month-over-month by 21 basis points as an unweighted average of the 134 markets that Yardi Matrix forecasts. Asking rents have increased by an average of 2.1% since January of this year, which is a much slower pace than the industry experienced in both 2021 and 2022 but is not particularly unusual when compared to pre-pandemic rental growth rates. In the 10 years prior to the pandemic (2010–2019), the highest year-to-date growth in asking rents in July was recorded in 2014 at 3.0%, and during that same 10-year period the mean year-to-date growth rate in July was 2.3% and the median was 2.1%.

The biggest difference in rental growth rates between this year and the years preceding the pandemic is geography. Markets that had been performing very well before the pandemic are generally not performing as well post-pandemic because their cost of living had already risen commensurately with rent increases and then work-from-home allowed people to relocate to areas with a lower cost of living while maintaining their income. Conversely, markets that had been fairly stagnant pre-pandemic were relative bargains and saw strong growth during the pandemic; that growth is continuing in smaller and midsize markets across the Midwest, South and Northeast.

The result is that while some markets in the West and in Florida are struggling, overall the Midwest, Northeast and South are holding up well. Fourteen markets have seen declines in asking rents since January: the Southwest Florida Coast, Metro Los Angeles, West Palm Beach, Wilmington, Portland, the East Bay Area, Phoenix, Austin, Lubbock, Las Vegas, Tacoma, Jacksonville, and both suburban and urban Atlanta. Other than Wilmington and Atlanta, every single one is either in Florida or in the West/Southwest.

An influx of supply in markets that saw rapid growth during the pandemic will limit the magnitude of rent increases in the short and medium term, but so far absorption rates have held up, and we expect that to continue. High mortgage rates will continue to constrain the single-family market, as homeowners are reluctant to move, and the barriers to homeownership will remain elevated for the foreseeable future, propping up demand for multifamily housing.

There were no major changes to the forecast for this update, and our overall economic outlook has also not changed. We still anticipate a mi-

nor recession once interest rate hikes have managed to work their way through the economy, and the restart of student loan payments will financially stress a meaningful number of renters. This will likely limit the demand for higher-end rental properties and suppress rental growth in those properties. However, much of that demand will

fall to mid-range and workforce housing, which will likely continue seeing strong growth, helping support the overall health of the market.

—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.