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# Special Report: Multifamily Rent Forecast Update

As expected, 2023 was a very turbulent year for multifamily asking rents. National average asking rents grew by 1.6%, but different regions and markets had entirely different stories throughout the year. In broad terms, Western and Southwestern pandemic boomtowns had the worst performance (Las Vegas at -2.5%, Boise at -2.4%, Phoenix at -2.2%, Austin at -1.6%, Reno at -1.2%), and for the most part the best performers tended to be medium-size cities in the Midwest, South and Northeast that are anchored by large universities (Lafayette at 11.6%, Madison at 9.5%, Knoxville at 8.9%, Syracuse at 8.1%). And also as expected, most of the growth in most markets occurred during the first half of the year, with month-over-month growth peaking in April before falling off dramatically in July and dipping into negative territory by September. It is worth pointing out, however, that that general trajectory is in line with what would normally happen to asking rents sans a pandemic or other black swan event, although the timeline shifted forward by one or two months.

The main story of 2024 will be one of record supply coming online that will depress rent appreciation in many of the markets that saw explosive growth during the pandemic, and a handful of markets could end the year in negative growth territory. However, absorption has been robust, and we expect it to continue to perform well in the markets that are receiving a large amount of supply, although it might take a year or so for the new supply to be fully absorbed. Additionally, almost all of the new supply will be competing directly with existing Class A units, so we expect to see less growth in asking rents at the top of the market, and stronger growth in workforce and Renter-by-Necessity units.

A second story that we expect to play out this year is the continued compression in the spread between in-place rents and asking rents. Asking rents are almost a perfect leading indicator of in-place rents, and most markets still have a large gap between the two, which will continue to shrink as asking rent increases remain muted in the near term.

Our overall economic outlook remains largely unchanged. Despite unexpectedly strong job growth, GDP growth and a continually improving inflation rate, we still expect the economy to slow significantly for two or three quarters even if we don't actually dip into negative GDP