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# Special Report: Multifamily Rent Forecast Update

A few months of hot jobs reports combined with falling GDP growth and a stall in inflation reduction has led to fears that we could be headed towards a period of stagflation not unlike the 1970s. However, the April BLS jobs report came in significantly lower than expected, helping to allay some of those fears. While we still need to be humble about the overall economic trajectory and the path the Federal Reserve takes, we believe we are probably still on track for a rate reduction by the end of the year. There is now less reason to believe that Powell might hike rates again before lowering them, but he clearly has no intention of lowering rates until inflation is back in the 2-3% target range.

Outside of the booming healthcare sector, skilled and unskilled manual labor are the bright spots in the economy, with plenty of jobs available and rising wages. Conversely, knowledge-based workers are having a harder time finding jobs and getting pay raises—a reversal from the trend over the pandemic, when there was talk of a “K-shaped” recovery. Some of this is likely the economy naturally reordering or rightsizing itself, and some of it is likely from targeted economic stimulus via the CHIPS and Inflation Reduction acts. However, we have no reason to expect this trend not to continue for the short and medium term.

Just like the split observed in the overall economy, multifamily is also a tale of two cities (or of the 134 cities that we forecast). Markets that saw explosive growth over the pandemic and that are now experiencing a large influx of supply are generally seeing stagnant or falling rents. Nine of 20 markets that have had rents fall since the beginning of the year are in Florida or Texas, and other pandemic high-growth markets like Atlanta, Raleigh–Durham, Austin and Salt Lake City also have average asking rents that are lower today than they were at the beginning of the year.

On the other hand, many secondary markets in the Midwest, Northeast and South are still seeing strong growth in asking rents. Albany; Milwaukee; Worcester–Springfield; Louisville; Cincinnati; Des Moines; Richmond; Madison; Portland, Maine; Lafayette, Ohio; Youngstown; Providence; Northern Virginia; and Scranton–Wilkes–Barre have all had over 2% growth so far this year. The only market with such growth that is not a secondary market in the Midwest, Northeast or South is Honolulu—which is a serious positive outlier at 5.7% growth YTD.