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# Special Report: Multifamily Rent Forecast Update

Our rent forecast remains largely unchanged in the near term. Nationally, we expect 1.5% rent growth for 2025 and 1.1% growth in 2026, before picking back up to a healthier, more usual 3- 4% growth.

Underpinning the slight reduction in forecasted national advertised rents was a reduction in real monthly GDP estimates, signifying an economy cooling somewhat more than anticipated but not at an alarming rate. Moody's Analytics estimates that real monthly GDP dipped 0.9% in December, bringing the 12-month annualized percent change down to 1.6%, from 3.6% in November.

Additionally, our forecasted deliveries for 2025 and 2026 have risen, mostly driven by extended completion times for buildings that are already under construction. 2024 saw the most units delivered in a single year since the Great Financial Crisis, and 2025 will deliver the second-most units in a single year since the GFC. Those deliveries will continue to be a drag on advertised rents in many Sun Belt markets that are still working to absorb the large influx of supply, but many midsize markets in the Midwest and Northeast are poised to have significantly above-average growth in advertised rents, and signs are beginning to pick up in larger West Coast markets that have been struggling since the pandemic.

While the rent and occupancy forecast remains relatively unchanged, the change in U.S. federal administrations has inserted a degree of volatility, which is, for now, difficult to encapsulate in any of our forecasts.

The Trump Administration is seeking to redirect the mix of fiscal policies towards a different level and kind of government involvement in the economy and a reduced governmental size and regulatory burden to engender a disinflationary supply response. If successful, this is intended to reduce the U.S. federal deficit, currently at about $1.6 trillion; increase the pace of economic growth; and increase the role of the U.S. private sector in the economy (and politics). If all were to occur, then one would expect a downward move in inflation and a reduction in the U.S. 10-year Treasury yield, as well as short-term interest rates.

However, the path to these objectives is far from smooth. The threat of increased tariffs (for both political and industrial policy goals) has led to a short-term surge in imports and difficulty in planning for integrated manufacturing industries across the U.S.-Mexico and U.S.-Canada borders. Stated policy has already reduced the level of immigration, and deportations of existing illegal immigrants are likely to reduce labor supply. These actions would tend to be inflationary (to the benefit of U.S. labor, one of the Administration's core constituencies), if not offset by other disinflationary moves.

The actions of the Department of Government Efficiency, or DOGE, under Elon Musk's leadership have led to government employee reductions, as well as reductions or freezes in certain government funding to non-governmental organizations and universities. This is causing near-term disruptions in the D.C. area and in other pockets of the U.S. heavily dependent on federal funding. As Musk has admitted, there may be situations where the cuts are too deep and need to be reversed. As anyone involved in private-sector turnarounds will know, this is not a bug but a feature of the process. This process could also impact several HUD programs, which may have the effect of reducing tax credit-funded additions to supply. This could influence areas as diverse as Huntsville, Ala., and Boulder, Colo. It is also not entirely coincidental that these sectors are the most vociferous in their opposition to the Administration—socially, politically and economically.

Inflation metrics have been mixed, with January CPI at 3% yet PCE at 2.5%, and with rising short-term inflation expectations yet reductions in the Atlanta Fed's GDPNow estimate for first quarter 2025 from 2.3% to -1.5%. The 10-year Treasury rate has retreated to 4.25%, from its recent high of 4.7%, but is still up from the 3.6% fall 2024 low.

We do not anticipate a recession, but we expect a continued chaotic environment between what is said and what is done. We will be attentive to the effects of federal, state and local policy on the path of employment, its type and disposition, as well as consumer financial health. It is clear that lower-end consumers are under pressure, as credit card and auto loan delinquencies increase and layoffs continue in the technology sector. At present, it is unclear how the mix of policies will play themselves out, but the timing will have a meaningful impact on the direction of the U.S. economy.

*—Andrew Semmes, Senior Research Analyst*

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