Yardi Matrix

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Special Report: Multifamily Rent Forecast Update

Nationally, advertised rents increased month-over-month by 0.3% in May, which is the same increase we experienced in May of last year but a significant drop from the 1+% month-over-month increases that happened in May of 2021 and 2022. However, looking further back to before the pandemic shows that we are simply returning to more regular patterns of rent growth, rather than experiencing an unusual slowdown. Every month of May from 2010 to 2019 saw between 0.2% and 0.4% month-over-month rent growth on a national basis, with both a mean and median of 0.3%. Every year between 2010 and 2019 also saw anemic (or negative) month-over-month growth in the beginning of the year before ramping up into the summer months, beginning to cool towards the end of summer and into the fall, before eventually turning flat or slightly negative going into the winter. So far, 2024 is following that exact pattern, and there is little reason to believe that it will deviate from that script.

Geographically, we mostly continue to see the same patterns that we've identified and have been following for several months—the strongest growth is generally concentrated in midsize markets in the Midwest and Northeast, while markets that saw explosive growth during the pandemic are dealing with a large influx of supply that is now tempering rent growth while new units get absorbed. However, those broad categorical differences are beginning to fade, and there are pockets of both growth and stagnation across the country and in all different size markets. For example, California, Texas, Florida, Colorado, North Carolina and Georgia are all home to both some of the best and worst performing markets (California has Sacramento at -0.7% and both Eastern LA County and the San Francisco Peninsula at +0.8%, Texas has East Houston at -0.7% and McAllen at +0.7%, Florida has the SW Florida Coast at -0.3% and Pensacola at +1.0%, Colorado has Colorado Springs at -0.8% and Denver at +0.9%, North Carolina has Charlotte at -0.1% and Raleigh–Durham at +0.8%, and Georgia has Suburban Atlanta at -0.4% and Savannah at +1.0%). And notably, high-supply pandemic boomtowns like Austin, Nashville, Boise, Raleigh–Durham, Las Vegas and Reno all had over 0.5% month-over-month growth. Overall, we are experiencing normalization in rent growth across markets and a compression in the overall spread of rent growth.

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The economic outlook continues to be mixed, however, with high job growth and low unemployment but stickier inflation, depleted personal savings, increasing delinquencies on auto loans and credit card debt, and historically bad consumer sentiment. Combined, those factors make the Fed's job much harder and increase the chances it will make a policy error and tip the economy into recession. On one hand, there's the argument that strong job growth and low unemployment give the Fed room to keep interest rates higher for longer (if not actually hike them again) in order to bring inflation down to their long-term 2% target, but on the other hand there is the argument that consumers are already overly squeezed and unemployment has increased enough in the past few months that we're in danger of triggering the Sahm Rule, which has correctly predicted every recession since 1948. (The Sahm Rule states that when the trailing three-month unemployment average is 0.5% higher than the 12-month low unemployment reading, we are in a recession.)

Time will tell how it will play out, but our outlook continues to be that the Fed will cut rates once towards the end of the year, and we will tip into a minor recession somewhere between Q4 of this year and Q2 of next year. As a result, our national rent forecast for this year remains unchanged at 1.7%.

—Andrew Semmes, Senior Research Analyst

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