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The Pandemic's Impact on Multifamily Rent Growth: What Does It Portend for the Future?

Traditional drivers of multifamily rent growth—economic measures such as employment and population growth, and property fundamentals such as supply and changes in occupancy—were upended during the pandemic. COVID-19's public health crisis created challenges not seen before in the modern era.

Drivers of rent growth have changed not only once, but twice, in the two years post-pandemic. Each time was distinctly different. The period from April 2020 through March 2021 was marked by massive job loss, sheltering from home and migration from gateway markets to the Sun Belt. The April 2021 to March 2022 period was characterized by a booming pent-up demand and massive recovery across the entire country.

During the first year post-pandemic, the metro-level rent change was correlated with cost and the extent to which the market was open for economic activity. Rents plunged in high-cost urban gateway markets and gained in more affordable areas that employed less strict health measures.

The second quarter of 2021 ushered in an unparalleled surge in rents different not only from the previous year but also from the past. Pent-up demand, strong consumer balance sheets, migration to the Sun Belt and recovery in urban centers lifted rents to uncharted highs in most every metro, regardless of the underlying fundamentals. Nationally, rents increased by 15% year-over-year through April 2022. Growth was extraordinary in virtually every metro, regardless of occupancy rates, supply growth or cost. The closest correlation to metro-level rents was employment change, an indicator of the rebound (or growth) in economic activity.

A question facing the industry is what this means going forward. The pandemic created circumstances that are unlikely to be repeated, especially since the 15% year-over-year growth in asking rents nationally (and upwards of 25% in some metros) cannot be sustained for very long.

In this bulletin, we look at a few economic and demographic metrics to examine correlations with rent growth over the last two years. The analysis is broken into two periods: the four quarters following the start of the pandemic (2Q20 to 1Q21) and the four quarters of the recovery and rent surge (2Q21 to 1Q22).