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Multifamily Rent Forecast Update

Average asking rents increased by 41 basis points in May on a month-over-month basis, a slight decrease from the 44-basis-point MoM increase recorded during the previous month. This deceleration in asking rents was largely driven by actual decreases in asking rents in markets that mostly fall into two categories: Florida markets that saw unbelievable growth during the pandemic and are now facing major affordability problems and California markets that are still struggling to find their post-pandemic footing. Five of the 10 worst-performing markets were in Florida (Southwest Florida Coast, Miami, Orlando, Jacksonville and West Palm Beach), and of the remaining markets that saw month-over-month declines, six were in California (Metro Los Angeles, Sacramento, Eastern Los Angeles County, the Bay Area–East Bay, Orange County and the Inland Empire).

We continue to see strong growth in many Midwestern and Northeastern markets: Portland, Maine, and Scranton–Wilkes-Barre both grew more than a full percentage point month-over-month, while White Plains, Detroit, Urban and Suburban Chicago, Manhattan, Milwaukee, Rochester, Central New Jersey and Syracuse all saw asking rents grow more than 90 basis points from the previous month. Southern markets (including Texas) were more of a mixed bag, with smaller markets performing better than larger markets on average. Midland–Odessa, Lexington and Macon all saw asking rents grow more than a percentage point, while Urban Atlanta, Charlotte and East Houston saw their rents fall.

While there will always be month-to-month fluctuations and outlier markets, rents so far this year are behaving essentially as expected: Midsize markets, especially in the Midwest and Northeast, are seeing very strong growth in asking rents, while Western, Southwestern and many pandemic boomtown markets are struggling to regain (or gain) traction after the seasonal slowdown last winter. As of May, asking rents had already risen over 4% this year in Portland, Maine, Worcester–Springfield, Midland–Odessa, Madison and Mobile. During the same time period, rents have fallen more than 1% in Orange County, North Dallas, Salt Lake City, Phoenix and Urban Atlanta.

There is still plenty of time for markets that are struggling to turn around and eke out positive growth by the end of the year, but there are a few countervailing forces to watch out for. On the positive side, the jobs market is still strong despite slowing down; wage growth, especially at the bot-