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Special Report: Multifamily Rent Forecast Update

In March, for the first time in a year, the percentage increase in month-over-month asking rents was smaller than it was for the same month one year prior. Equivalently, the rate of increase in year-over-year asking rents has finally decelerated, from 13.9% in February to 13.5% in March.

Asking rents fell in nine markets that Yardi Matrix tracks, all of them except Baltimore being smaller markets in the Sun Belt and Rust Belt. However, there were still 30 markets that experienced a greater-than-1% month-over-month increase, and those are not easily and neatly grouped into baskets. Among those that posted a more-than-1% increase were large metros like urban Chicago, Seattle, San Diego and North Dallas; strong performers from last year continuing their surge like Boise, Spokane, the Southwest Florida Coast and Fort Lauderdale; and smaller metros sprinkled throughout the country like Scranton-Wilkes-Barre; Rochester, N.Y.; Chattanooga; and Colorado Springs.

Our forecast update for this month does not contain any major moves, nor are there any significant discernable patterns: West Coast and Southern markets were more likely to see a slight increase in their end-of-year forecasts (for instance, Portland, Eugene, Sacramento and Columbia), but a handful were revised slightly downward (Central Coast and Metro Los Angeles). Contrarily, Midwestern and Texas markets were more likely to be adjusted slightly downward (Cincinnati, Grand Rapids, Youngstown, Central East Texas and Amarillo), but a few were given upward revisions (Dayton, East Houston and San Antonio).

It is difficult to tell at this point whether this deceleration in asking rent growth is the beginning of a larger slowdown or just a temporary aberration in the historic growth seen over the past year. While the 0.73% increase from February to March of this year is lower than the 1.05% from March of last year, it is still higher than every other February-to-March increase that Yardi Matrix has ever recorded.

Our view looking forward remains positive, although there are some significant obstacles and possible adverse events that will cause turbulence and could disrupt growth trajectories. First, the Federal Reserve acted too late with quantitative tightening and hiking the federal funds rate and has now found itself in the unfortunate position of needing to play