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# Special Report: Multifamily Rent Forecast Update

Asking rents in October crept up by an average of 0.16% over September, continuing the deceleration of rent increases that we have seen over the past several months. However, this slowdown is very normal and expected for this time of year; it is only unusual in how quickly the deceleration has occurred. In fact, according to Yardi Matrix data for the decade between the Great Financial Crisis and the COVID-19 pandemic, the average month-over-month increase in asking rents in October was only about 0.08%—so while the pace of increase has fallen dramatically, the actual level of change has not, and is realistically still elevated on a historical basis. However, slamming on the brakes in a speeding car is going to feel far more jarring than slowing down in a parking lot, even if the final speeds are similar.

Economic headwinds—resulting from the Fed's delayed recent sharp interest rate response to increased and sustained general inflation—are still cause for significant uncertainty in 2023, but the data that have been trickling out lately have given some hope to the expectations that Powell and the Board of Governors might actually manage a relatively soft landing. Consumer spending via retail sales was up 1.3% in October, the biggest jump in eight months, and consumers still have a large amount of excess savings, according to Goldman Sachs, which estimates that "households have drawn down about 25% of their excess savings so far and will have spent around 60% by year-end 2023." Additionally, the labor market remains tight, with 261,000 jobs added in October, and while the unemployment rate ticked up to 3.7%, it is still near historic lows. We do expect a recession to occur sometime in the second half of next year, but so far it appears likely to be relatively mild and short.

Single-family housing remains a particularly weak sector, as high mortgage rates have made it significantly less attractive to both buyers and sellers. Buyers are balking at only being able to finance a fraction of the amount they could at the beginning of the year. Sellers don't want to give up their house for less than they thought it was worth or trade their current mortgage rate for one that is potentially three times higher, and they worry about finding another house if they do decide to sell. However, this unfortunate dynamic in the single-family housing market should provide the multifamily sector some measure of protection from the negative ef-