

December 2024

Contacts**Jeff Adler**

*Vice President & General
Manager of Yardi Matrix*
Jeff.Adler@Yardi.com
(303) 615-3676

Andrew Semmes

Senior Research Analyst
Andrew.Semmes@Yardi.com
(800) 866-1124 x21441

Doug Ressler

Media Contact
Doug.Ressler@Yardi.com
(480) 695-3365

Special Report: Multifamily Rent Forecast Update

The multifamily industry faces a complex outlook over the medium term. Key dynamics that will shape the market over the next year include a continuing supply glut in many larger Sun Belt markets that will depress rental growth, robust rental growth in many secondary markets—particularly in the Midwest and Northeast—and the uncertainty surrounding economic and policy developments as a new administration takes office.

Continuing record levels of new multifamily supply are expected to cap rent growth in markets that experienced rapid expansion during the pandemic. Cities like Austin, Phoenix, Charlotte and Atlanta—which are adding units at an unprecedented pace—are forecast to see rent growth continue to stagnate or even decline over the next two years, as new units gradually get absorbed by demand. These markets, while fundamentally strong, are facing near-term headwinds as developers continue to deliver projects initiated during the pandemic boom.

Secondary markets, particularly in the Midwest and Northeast, are showing consistent and solid rent growth. Cities such as Lafayette, Ind., Youngstown, Ohio, and Rochester, N.Y., continue to benefit from affordability, steady population growth and economic stability. These regions are less prone to exposure from overbuilding and are likely to continue to experience solid growth over the medium term.

The broader economic outlook for 2025 remains subdued. Inflationary pressures have mostly eased, although there is concern that they could rise again if the new administration follows through on threats of wide-ranging tariffs and deportations. Consumer sentiment is still recovering from the shocks of recent years and is likely fragile. Credit delinquencies remain a concern, particularly among lower-income households, as rising interest rates and depleted savings weigh on budgets. We are not forecasting a recession, but lower GDP growth and a more difficult job market will likely continue to weigh down consumer sentiment, impacting renters' decisions about how much they are willing to spend on housing. This restrained economic backdrop is likely to temper rent growth nationwide.

We expect average national rent growth of approximately 1.5% in 2025, and similar growth in 2026—reflecting the dual impact of oversupply in key markets and the softening of economic conditions. Markets with high levels of new construction will see the brunt of the headwinds, while more stable growth is anticipated in secondary markets, particularly those in the Midwest and Northeast that remain undersupplied relative to demand.

By 2027, as the current wave of new units is absorbed and the economic climate stabilizes, we anticipate a return to more typical annual growth rates of 3-4%. This normalization, however, will hinge on broader economic recovery and the resolution of policy uncertainties.

—Andrew Semmes, Senior Research Analyst

Disclaimer

Although every effort is made to ensure the accuracy, timeliness and completeness of the information provided in this publication, the information is provided "AS IS" and Yardi Matrix does not guarantee, warrant, represent or undertake that the information provided is correct, accurate, current or complete. Yardi Matrix is not liable for any loss, claim, or demand arising directly or indirectly from any use or reliance upon the information contained herein.

Copyright Notice

This document, publication and/or presentation (collectively, "document") is protected by copyright, trademark and other intellectual property laws. Use of this document is subject to the terms and conditions of Yardi Systems, Inc. dba Yardi Matrix's Terms of Use (<http://www.yardimatrix.com/Terms>) or other agreement including, but not limited to, restrictions on its use, copying, disclosure, distribution and decompilation. No part of this document may be disclosed or reproduced in any form by any means without the prior written authorization of Yardi Systems, Inc. This document may contain proprietary information about software and service processes, algorithms, and data models which is confidential and constitutes trade secrets. This document is intended for utilization solely in connection with Yardi Matrix publications and for no other purpose.

Yardi®, Yardi Systems, Inc., the Yardi Logo, Yardi Matrix, and the names of Yardi products and services are trademarks or registered trademarks of Yardi Systems, Inc. in the United States and may be protected as trademarks in other countries. All other product, service, or company names mentioned in this document are claimed as trademarks and trade names by their respective companies.

© 2024 Yardi Systems, Inc. All Rights Reserved.