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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

Our rent forecast remains largely unchanged in the near term. Nationally, we expect 1.5% rent growth for 2025 and 1.1% growth in 2026, before picking back up to a healthier, more usual 3- 4% growth.

Underpinning the slight reduction in forecasted national advertised rents was a reduction in real monthly GDP estimates, signifying an economy cooling somewhat more than anticipated but not at an alarming rate. Moody's Analytics estimates that real monthly GDP dipped 0.9% in December, bringing the 12-month annualized percent change down to 1.6%, from 3.6% in November.

Additionally, our forecasted deliveries for 2025 and 2026 have risen, mostly driven by extended completion times for buildings that are already under construction. 2024 saw the most units delivered in a single year since the Great Financial Crisis, and 2025 will deliver the second-most units in a single year since the GFC. Those deliveries will continue to be a drag on advertised rents in many Sun Belt markets that are still working to absorb the large influx of supply, but many midsize markets in the Midwest and Northeast are poised to have significantly above-average growth in advertised rents, and signs are beginning to pick up in larger West Coast markets that have been struggling since the pandemic.

While the rent and occupancy forecast remains relatively unchanged, the change in U.S. federal administrations has inserted a degree of volatility, which is, for now, difficult to encapsulate in any of our forecasts.

The Trump Administration is seeking to redirect the mix of fiscal policies towards a different level and kind of government involvement in the economy and a reduced governmental size and regulatory burden to engender a disinflationary supply response. If successful, this is intended to reduce the U.S. federal deficit, currently at about $1.6 trillion; increase the pace of economic growth; and increase the role of the U.S. private sector in the economy (and politics). If all were to occur, then one would expect a downward move in inflation and a reduction in the U.S. 10-year Treasury yield, as well as short-term interest rates.