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Special Report: Multifamily Rent Forecast Update

The main change to our forecast is a more tepid 2027, with a national asking rent growth of 2% vs. 3% in the June forecast. This is driven by an increased expectation of new-supply deliveries in 2027, back to pre-COVID levels, as well as a more modest trajectory of household formation as the labor market moderates and population growth returns to its pre-COVID decelerating trajectory. Continued decent GDP growth and high federal government financing needs do not warrant reduced long-term interest rates, which we expect will keep mortgage rates high and multifamily turnover at its current lower level.

The multifamily sector closed the summer leasing season with disparate results by market, reflecting the complex and uneven economic signals that have come further into focus. Payrolls and employment gains have slowed with data revisions, consumer spending remains but sentiment has weakened, and the policy to reduce short-term interest rates remains intact but not without some pushback. Slower growth on a longer timeline before rising to moderate growth remains our base case.

Seasonal advertised rent growth continues to flatten and underperform historical norms. On a national basis, the average month-over-month asking rent growth was in the 0.1% range, well below the previously reported 0.4% pace for 2010-19. San Francisco and the Northeast generally outperformed the national trend, buoyed by the tech and financial industries. Sun Belt and tourism-reliant metros continued to soften, and in some cases—like Denver, Phoenix, Austin and Las Vegas—outright decline on a year-over-year basis, with month-over-month performance either flat or negative from March 2025 to present.

While the headline first half 2025 net GDP growth at about 1.5% is not bad, Q3 is expected to show a marked deceleration—not yet in recession territory, but close. Real GDP growth has been strong, with 3.8% annualized quarter-over-quarter growth in Q2, according to the third BEA update. However, the upturn in GDP is largely a function of a fall in imports after businesses front-loaded in Q1 to get ahead of tariffs. There was also a significant downturn in investment, but consumer spending remains high. There is some worry that consumer spending has experienced out-size growth in higher income brackets while remaining stagnant for the bottom 80%.