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Special Report: Multifamily Rent Forecast Update

The year begins with a continuation of the unusually strong growth in multifamily asking rents that occurred throughout most of 2021. From December 2021 to January 2022, Yardi Matrix recorded an average increase of 0.57% in asking rents, which is the largest increase we have ever recorded in the December-to-January timeframe. Except for Metro Los Angeles—which in January saw the highest growth rate of all the markets we track—the 10 largest gains were concentrated in smaller markets, mostly within the Sun Belt. However, Louisville, Ky., Worcester/Springfield, Mass., and Dayton, Ohio, also made it into the top 10, with each seeing a greater-than-1.25% increase for the month. At the same time, we saw asking rents fall in a few markets that were among the top performers in 2021—Phoenix, Las Vegas, Albuquerque and Charleston all saw greater-than-15% growth in 2021, and all saw a slight decrease in asking rents in January. And as a backdrop to the incredibly strong—but turbulent—rent growth, occupancy rates remain at historic highs across most of the country.

The major factors driving the whirlwind rent growth experienced over the past year have been an incredibly strong jobs market with rising wages and falling unemployment combined with extremely accommodative monetary policy and fiscal stimulus. January's jobs report came in more than three times higher than expected at 467,000 jobs added compared to the 150,000 jobs that had been predicted by a survey of Wall Street economists. And revisions to the 2021 jobs numbers were released at the same time, with both November and December numbers revised upward by more than 200,000 jobs each month. So despite some interruptions in various sectors from the omicron variant, companies were still hiring at a breakneck speed, and increased wages appear to be having the desired effect of luring back prime-age workers, as the employment-to-population ratio of 25-to-54-year-olds rose to more than 79% in January, just shy of the 80% that is often used as a metric for full employment.

The downside to the booming job market fueled by cheap money is that the cheap money also brought roaring inflation. January saw the consumer price index for all goods rise 0.6% over December, for a year-over-year total of 7.5%, which is the highest that has been recorded since 1982. And while there are still expectations for the inflation rate to fall somewhat due to easing global supply-chain issues, it has become apparent that supply-chain bottlenecks were not the only issue that led to the dramatic increase in inflation. Elevated prices for cars and other durable goods at