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Multifamily Rent Forecast Update

Asking rents in March increased by one-quarter of one percent on a month-over-month basis, which is more than double the increase from January to February, and an acceleration in the rate of increases that we have seen so far this year. An acceleration in asking rents into the spring and early summer months is typical, and so far, this year hasn't thrown any major surprises—but digging a little deeper reveals a few ways in which asking rents this year have behaved somewhat differently from the norm.

The first and most obvious difference is in the magnitude of increases. First quarter average asking rents increased by about 38 basis points nationwide, which is almost exactly the same amount that average asking rents increased in the first quarter of 2020, but in March of that year asking rents abruptly decelerated as the economy ground to a halt with the onset of the pandemic. However, during the previous decade (2010 – 2019), asking rents increased 62 basis points on average during the first quarter—which works out to growth this year being roughly only 61% of the average recorded during the decade preceding the pandemic.

A second meaningful difference appears when splitting the data between Lifestyle and Renter-by-Necessity apartment types. Lifestyle apartments only realized an average of six basis points of growth in asking rents during the first quarter of 2023, which again looking at the years 2010 - 2019, is only eleven percent of the average growth for Lifestyle asking rents during Q1. However, Renter-by-Necessity asking rents increased by 66 basis points during the first quarter, which is approximately 91% of the average growth in asking rents for RBN apartments during the same time period.

A third difference so far this year is the geographical distribution of growth in asking rents. Broadly speaking, mid-sized markets in the Midwest and Northeast are seeing better-than-average growth, while Western and Southwestern markets are performing below average. In fact, out of the seven markets in our forecast set that have seen over two percent growth in asking rents this year, five of them—Worcester-Springfield, Portland, ME, Madison, Youngstown, Dayton—are mid-sized markets in the Midwest and Northeast. Only Manhattan and Midland-Odessa have also seen over 2% growth so far this year, and both of those markets are outliers in their own right just by nature of the size of Manhattan and the unique economic drivers of Midland-Odessa.