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Special Report: Multifamily Rent Forecast Update

Nationally, advertised rents in June rose 0.4% month-over-month on an unweighted market average. Rent declines were still mostly concentrated in larger Sun Belt markets that have experienced and continue to experience a large influx of supply. Phoenix, Austin, Suburban Dallas, North Dallas, Fort Worth, East Houston, West Houston, Suburban Atlanta, Urban Atlanta, Raleigh-Durham, Nashville, West Palm Beach, the Southwest Florida Coast, Orlando and Jacksonville all had slight rent declines. However, outside of those Sun Belt markets, advertised rent performance for the month was pretty good overall, with the Northeast and Midwest continuing to see solid gains and growth returning to many smaller and midsize markets in the South and West that had been starting to soften after booming during the pandemic. And notably, gateway cities and other large markets that had been mostly stagnant saw healthy increases last month, with Manhattan, Queens, Urban Chicago, Suburban Chicago, Urban Philadelphia, Suburban Philadelphia, Miami, Seattle, Metro Los Angeles, Eastern Los Angeles County, the San Francisco Peninsula and the South Bay Area all experiencing growth in advertised rents.

We anticipate that supply will continue to inhibit growth in advertised rents in those markets that are expecting to increase their existing stock of units by more than 5% per year (Austin, Phoenix, Charlotte, Raleigh-Durham, Tampa, the Southwest Florida Coast, Nashville and others), but each of those markets remains an attractive place to live with good jobs, so the supply will get absorbed and advertised rents will resume their upward march as those units continue to be filled.

Our overall economic outlook has improved, although signals remain mixed. A blockbuster second quarter GDP report provided unexpected good news, but the unemployment rate again ticked up marginally, the personal saving rate fell from the previous period, and we continue to see increases in delinquencies for credit cards and auto loans, providing evidence that consumers at the bottom end of income distribution continue to struggle. In fact, according to the Philadelphia Federal Reserve, credit card delinquencies recently reached an all-time high in data going back to 2012. Thankfully, however, inflation measures continue to improve, and the most recent core PCE readings show that prices have increased by 2.9% annually, down from the reading of 3.7% in the pre-