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Special Report: Multifamily Rent Forecast Update

We finish up 2021 by reflecting on the most turbulent year for multifamily since national multifamily data was first professionally collected, analyzed and disseminated. In the first week of January, both new cases of and deaths from COVID-19 were at new record highs, the unemployment rate was still above 6%, and broad swaths of the economy were artificially propped up by historically accommodative monetary and fiscal policies. The rapid pace of recovery achieved only a few months prior had slowed substantially, and consumer price inflation remained below the Federal Reserve's target rate of 2%, despite aggressive maneuvering by the Fed, which in the January Federal Open Market Committee meeting kept the target for the federal funds rate between 0% and 0.25% while also committing to purchasing a combined minimum of $120 billion a month in Treasury securities and agency mortgage-backed securities. In the meantime, Congress had passed a series of bills designed to bolster the economy, which included providing extended unemployment benefits to individuals, financial assistance to businesses, and direct cash payments to consumers.

With restaurants, bars, theaters and other discretionary entertainment outlets either closed or unable to offer the same experiences that were available before the pandemic, and many mortgage and student loan payments suspended in forbearance programs, a large number of consumers were able to use the stimulus payments and reduction in personal spending to pay down other debts and increase their bank balances. Total credit card debt in the U.S. fell from a high of $927 billion in the fourth quarter of 2019 to $770 billion in the first quarter of 2021,[1] and median checking account balances for each income quartile were up between 60% and 100% in January 2021 over their end-of-2019 levels.[2] At that point the economic engine of the U.S. was well oiled by monetary and fiscal stimulus, and it had a full tank of gas provided by increased consumer liquidity. All it needed was a spark—and it found one in the rapid rollout of vaccines that were given emergency-use authorization by the FDA.

For the March 2020 to February 2021 period, national average multifamily asking rents in the U.S. rose by only 1%, but March 2021 marked the beginning of an unprecedented surge. From February to November 2021, average multifamily asking rents increased by 13%, with discretionary and upper mid-range units in the Sun Belt and Mountain West experiencing the largest increases—although very few metro areas in the country did not see above-average rent increases.[3]