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Special Report: Multifamily Rent Forecast Update

Average month-over-month asking rents accelerated slightly in May, increasing by 1.1% compared to the 1.0% month-over-month increase in April. However, year-over-year asking rents decelerated, from 16.0% in April to 14.0% in May. So while we are seeing the usual seasonal increase leading into the summer months, 2022 does not look like a repeat of 2021 even though rent growth remains elevated.

Asking rents fell in six markets that Yardi Matrix tracks, and as a set they are a diverse group: the gateway markets of Queens and Brooklyn; the small Southern markets Macon, Ga., and Jackson, Miss.; and Honolulu and the Southwest Florida Coast. Eighty-four markets experienced a greater-than-1% month-over-month increase, and seven markets saw month-over-month growth that topped 2%—Charleston, Knoxville, the Bay Area-South Bay, Miami, the Urban Twin Cities, Wilmington, N.C., and Portland, Maine.

Our forecast update for this month sees most markets receiving an increase to their end-of-year projections, and some markets have been revised upward substantially. The biggest increases were concentrated in secondary and tertiary markets that continue to outperform expectations, with Scranton-Wilkes-Barre, Wilmington, South Bend and Spokane all seeing a greater-than-5% increase for our end-of-2022 forecast.

Inflation continues to rage, and both food and energy prices appear likely to remain elevated for the short and medium term. However, job growth is still strong, with nonfarm payrolls increasing by 390,000 in May, above the Dow Jones estimate of 328,000. Wage growth continues to be robust, which might be attracting more workers back into the workforce, as the labor force participation rate edged slightly higher to 62.3% while the unemployment rate remained unchanged at a historically very low 3.6%. With inflation at a 40-year high and unemployment at nearly the lowest level it has been in 50 years, the Fed will likely ramp up its pace of rate hikes and quantitative tightening, increasing the chance of recession for this year and next.

Despite the increased risk of recession, our view for this year remains positive, and we believe that there is still less than a 50% chance of recession in 2022. However, there are some significant obstacles and possible ad-