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# Special Report: Multifamily Rent Forecast Update

The multifamily sector is heading into the summer leasing season amid a complex mix of economic signals. Core indicators—including payrolls, consumer spending and household balance sheets—remain generally healthy, yet forward-looking measures such as consumer sentiment and ISM new orders suggest momentum is moderating. Overall, the balance of risk has tilted modestly toward slower growth, but a recession is not our base case.

Seasonal advertised asking rent growth has underperformed historical norms. From March through May 2025, national average rents increased just 0.2% per month, roughly half the 2010-19 spring average and well below the 0.4% pace seen during the same period last year. The softening is most pronounced in high-supply Sun Belt metros, but even many Midwest and Northeast markets are posting smaller gains than in 2024.

Recent adjustments to U.S. trade policy have been broader than many market participants expected. While higher tariffs could raise input costs for construction and consumer goods, some domestic manufacturers may benefit from reduced import competition.

Changes to immigration rules—including revisions to certain work-authorization programs—appear to be slowing labor-force growth. A smaller pool of available workers would temper household formation and apartment demand while also reducing the number of new jobs needed to keep unemployment steady.

Proposed federal tax reductions and ongoing deregulatory initiatives could support business investment and disposable incomes. The magnitude and timing of any boost to multifamily demand, however, remain uncertain and subject to debate among economists.

Headline job creation has been solid, yet underlying data point to a more nuanced picture. The Bureau of Labor Statistics reported a 625,000 decline in the total labor force between April and May, alongside a 0.2 percentage-point drop in the participation rate. A shrinking labor force lowers the "breakeven" pace of job growth required to hold unemployment steady, implying a slower economic trajectory even if the jobless rate is unchanged.

Near-term demand is likely to remain suppressed as new apartment deliveries peak. Once the current supply wave is absorbed, ongoing labor-force headwinds suggest leasing activity will recover more slowly than in prior cycles. Nevertheless, our national baseline forecast remains unchanged at 1.6 percent rent growth in 2025 and 1.2 percent in 2026, before trending toward a long-run steady-state range of 3-4 percent.

Markets anchored by large research universities—particularly those with concentrated biotech employment—face above-average downside risk, given the potential for reduced grant funding and campus spending. Boston, San Francisco, Raleigh-Durham, Seattle and San Diego are among the MSAs we will monitor most closely over the next 12-18 months.

**Key Takeaway:** While policy uncertainty and softer spring leasing data warrant caution, the sector's underlying fundamentals are not signaling a severe downturn. Instead, we expect a muted growth environment in the near term, followed by a gradual return to long-term-trend rent increases as supply-demand conditions rebalance.

*—Andrew Semmes, Senior Research Analyst*