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# Special Report: Multifamily Rent Forecast Update

- Above-average inflation appears to be less transitory than most economists expected.
- Supply-chain bottlenecks will be a drag on the economy for the short and medium term.
- Multifamily rent growth continues to slow, and is expected to settle into more familiar territory next year.

Supply-chain bottlenecks, increased demand for goods and services across the board, and weaker-than-expected jobs growth combined to form a perfect storm and continued to drive year-over-year inflation to 5.4% for the month of September. While the month-over-month Consumer Price Index rose 0.4% from August to September—still a significant decrease from the heart-stopping 0.9% increase realized in the May-to-June period—consumer inflation numbers remain abnormally high and appear to be much less transitory in nature than most economists were predicting only a few months ago. The largest year-over-year increases were in energy commodities, with both gasoline and fuel oils posting a slightly higher than 42% increase from September 2020 to September 2021 (it should be noted that September 2020 numbers were significantly depressed on a year-over-year basis, so some of these gains are essentially making up lost ground). However, if fuel and energy prices remain unusually elevated for an extended period, those price increases will necessarily bleed further into the prices of consumer goods, as everything from manufacturing to goods transport grows ever more expensive and those costs are passed on to the end consumer.

As a result of this turbulence, the baseline economic forecasts from Moody's Analytics that we use to underpin our rent forecasts experienced some fairly significant revisions. Projected annualized GDP growth for the third quarter of 2021 has been revised downward to 3.4% from the 5% projected in September; fourth quarter projected GDP growth was adjusted from 7.5% to 6.2%; annualized fourth quarter CPI inflation projections increased from 3.3% to 3.7%; and unemployment rate projections were adjusted slightly downward to 5.1% from 5.2%, although there is an upside risk that could emerge from an increase in the labor force participation rate.