

Cyclical Headwinds Meet Structural Support, Shaping Short and Long-Term Trends

Supply pressures are easing. The historic wave of multifamily construction remains a near-term headwind in select markets, though the overall development pipeline is now tapering and supply risks are becoming increasingly time-bound.

- Since early 2021, developers have added roughly **2.1 million** apartment units, expanding the national stock by **11.2 percent**.
- New construction activity has been highly concentrated, with about half of all completions occurring in Sun Belt metros, where apartment inventory increased **17.9 percent** compared with a **7.8 percent** gain in non-Sun Belt markets.
- Although the Sun Belt still faces a supply overhang, construction activity has **begun to taper**.
- Multifamily starts peaked in 2022, with early 2026 levels roughly **75 percent** below that high, while units under construction have fallen to 2016 levels.
- As supply growth slowed, vacancy rates across Sun Belt metros stabilized at **6.3 percent** in the first quarter, versus **4.1 percent** in non-Sun Belt markets, underscoring new supply risk as a predominantly short-term and regional headwind.

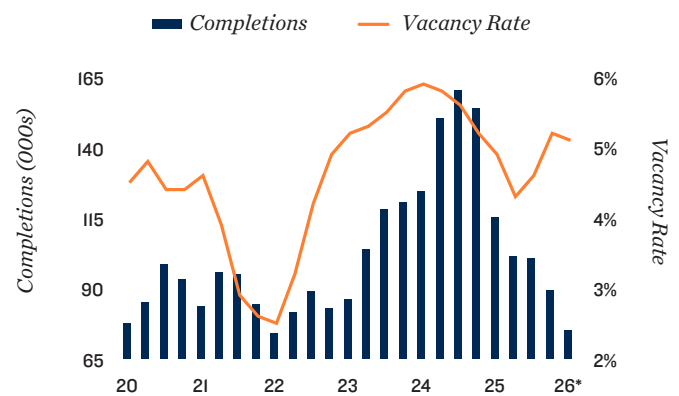
Multifamily demand faces headwinds. Softer labor conditions, weaker sentiment, and diminished migration present barriers to near-term apartment absorption.

- Job creation has slowed sharply, with the average monthly gain decelerating from **122,000** jobs in 2024 to **9,700** in 2025.
- The cooling labor market, combined with weak consumer sentiment, has begun to **restrain household formation**, weighing on new-apartment absorption.
- Sun Belt markets that expanded multifamily construction to meet historically strong, hiring-driven domestic in-migration have been particularly **exposed** as job growth cooled.
- As employment gains and domestic migration eased, **vacancy rates rose**, and rent concessions increased across the Sun Belt.
- Meanwhile, international immigration to the U.S. has materially slowed, adding another headwind to the multifamily outlook.

Long-term demand drivers remain intact. As cyclical pressures subside, entrenched demographic trends and affordability constraints are positioned to reassert themselves, supporting multifamily fundamentals over time.

- Over the past 15 years, the median age of first-time homebuyers has increased markedly **from 30 to 40**, delaying the transition from renting to owning.
- Housing affordability has deteriorated sharply, with monthly payments on a median-priced home now exceeding average effective rents by more than **\$1,100**.
- Only about **31 percent** of U.S. households have sufficient income to qualify for a loan on a median-priced home.
- As a result, the renter-age cohort remains robust, with approximately **78 million** individuals ages 24 to 40.
- Although apartment demand has softened recently, stable demographic cohorts and **record levels** of young adults living with family suggest demand has been **delayed** rather than lost.
- Once short-term headwinds abate, the multifamily sector is positioned for strengthening absorption, declining vacancy rates, and a reacceleration of rent growth.

Supply Growth Slows, Vacancy Steadies



*Through 1Q

Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; Congressional Budget Office; CoStar Group, Inc.; Freddie Mac; Moody's Analytics; National Association of Realtors; Real Capital Analytics; RealPage Inc.; University of Michigan; U.S. Census Bureau