RESEARCH BRIEF

HOUSING

JULY 2026

Marcus & Millichap

Apartments Benefiting From Stronger Summer Leasing, Rising Ownership Costs

Rental leasing gains momentum. Improving spring employment supported resilient household formation in the second quarter of 2026. Nearly 190,000 households were created during the period — more than the prior two quarters combined, but below the 2015-2019 average of roughly 240,000. This supported apartment net absorption, helping lower the national vacancy rate by 60 basis points to 4.5 percent. Vacancy declined in most major markets, with some of the largest declines in lower-supply Midwest and Northeast metros. Supply-heavy Sun Belt markets also tightened, indicating that demand is beginning to absorb the recent construction wave, though rates generally remain high there.

For-sale market lags. The resale landscape remained relatively strong in June, with sales up 3.3 percent annually compared with a 5.6 percent drop for new homes. Still, the median price for existing homes rose just 1.8 percent, well below the 5.5 percent historical mean. At the same time, the personal saving rate fell to 2.7 percent, less than half the trailing 10-year average. While total household savings have risen this year, the decline in the personal rate underscores inflationary pressure, potentially slowing the pace at which prospective buyers can save for a down payment. As a result, more households may stay in the renter pool longer or forgo saving for ownership altogether.

Affordability gap widens. The 10-year Treasury rate trended higher in July amid renewed conflict in the Middle East, increasing residential mortgage rates. That rise in financing costs widened the affordability gap for the first time since its early 2025 peak, nearly six times its pre-pandemic level. While a narrowing gap would gradually improve homeownership accessibility, the reversal suggests affordability pressures remain entrenched, likely supporting longer renter tenure.

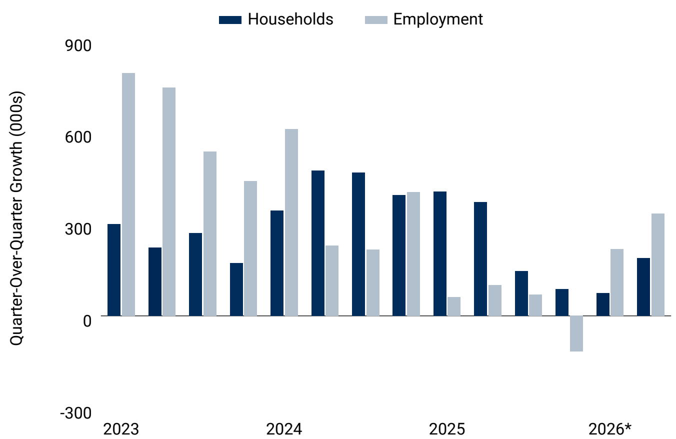
Construction activity still soft. Total residential completions in June were down roughly 20 percent from the historical peak in mid-2024 on a seasonally adjusted basis. Multifamily and single-family permitting were also soft, with total authorizations about 6 percent below the past decade's monthly average. Over the long term, the recently enacted 21st Century ROAD to Housing Act may ease approval, financing, and regulatory barriers, leading to more permitting. However, implementation will take time, and many of the industry's constraints remain locally driven. If absorption remains near second-quarter levels in the apartment market, subdued development activity should further tighten vacancy through year-end.

Key Takeaways

- Apartment demand accelerated in the second quarter as improving hiring fueled household formation, contributing to a 60-basis-point decline in national vacancy.
- Both supply-constrained Midwest and Northeast metros and many construction-heavy Sun Belt markets noted vacancy compression.
- A low personal saving rate and rising mortgage rates underscore the financial leap from renting to owning. The affordability gap widened for the first time since early 2025, supporting apartment retention.
- If apartment demand keeps improving at the second-quarter pace, vacancy should tighten further this year, especially with subdued residential construction.

552,000	6.58%
Jobs Added Year-to-Date Through June	30-Year Mortgage Rate as of July 23, 2026

HOUSEHOLD CREATION CLIMBS ALONGSIDE EMPLOYMENT



* Through 2Q

Sources: Marcus & Millichap Research Services; Moody's Analytics; National Association of Realtors; RealPage, Inc.; Freddie Mac; Mortgage Bankers Association; National Association of Home Builders; U.S. Census Bureau; U.S. Bureau of Economic Analysis

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