



U.S. Multifamily Outlook Winter 2025



Economy Strong, Changes to Come
Supply Heavy, but Starts Decline
Interest Rates Key to Transactions



Market Analysis

Winter 2025

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How Will Multifamily Thrive in '25?

- The multifamily market enters 2025 in good shape, after several years of strong demand in most markets and expectations that interest rates are likely to decline. The economy continues to grow, the employment picture remains solid despite some cooling, and consumers are spending in line with high confidence levels.
- Changes will be in the cards, though, as the incoming Donald Trump administration will implement a new policy course. Some campaign policies such as relaxing regulations, eschewing rent control and reducing taxes should have a positive impact on multifamily. However, tariff threats and promises of large-scale deportations could raise prices and lower apartment demand.
- We expect multifamily advertised rents to increase moderately in 2025, by 1.5% nationally. Metros in the Northeast and Midwest will continue to lead, boosted by positive demand and weak supply growth. Even as absorption remains strong, rents in Sun Belt markets will continue to be weakened by the heavy delivery pipeline.
- The large number of properties under construction will support robust supply growth again in 2025, but the dwindling number of starts will stifle deliveries in 2026 and 2027. Supply growth is distributed unevenly, as 12 to 15 high-growth markets account for a large percentage of deliveries. At the same time, a national housing shortage has built up over decades, making development necessary to address affordability.
- Capital markets activity will be heavily dependent on the direction of interest rates. While multifamily remains a favored asset class with investors, the rapid increase of rates in 2022 created uncertainty in pricing, stalling multifamily sales and leaving many properties underwater on mortgages. We expect increased trading activity in 2024, but rate cuts likely won't be fast or deep enough for a strong rebound in 2025.
- Similarly, rate cuts won't be enough to significantly alter the loan default issue. Some loans that have been extended in the hope of imminent lower rates will default, though we do not expect that cohort to be large enough to create a systemic crisis. Debt will be available, especially via a revived CMBS market and government-sponsored enterprises, which will be focused on mission-driven business as the Trump administration looks into changing the structure of Fannie Mae and Freddie Mac.