

U.S. Multifamily Outlook Summer 2026

Inflation Roils U.S. Economy

Midwest, Core Metros Top Rent Gains

Transaction Activity Slow to Recover

Market Analysis

Summer 2026

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Multifamily 2026: Rent Recovery Slow to Arrive

- Midway through 2026, multifamily is muddling along, a condition likely to persist through the rest of the year. Demand is positive but not strong enough to make more than a dent in the nearly 1.3 million units in the lease-up phase nationally. Rent growth is inconsistent, depending on the market. Capital is plentiful, but deal flow remains mired, as expectations of lower rates have been put on hold. Investors should focus on finding niche segments and improving operating efficiency in existing portfolios.
- "Uncertain" sums up the economy. GDP is positive, in large part due to productivity gains and corporate spending on AI, but consumer spending has a K shape and job growth is muted. Much is riding on how quickly the Strait of Hormuz is reopened, which would be a relief for gas prices and inflation. A rate cut to provide relief is looking unlikely.
- Nationally, multifamily advertised rents increased modestly in the first half of the year, but if the post-pandemic pattern is a guide, full-year growth is likely to be limited. Demand is positive, but with a ceiling from slowing population growth and cautious consumer sentiment. The direction of rents continues to be market-specific, with gains concentrated in undersupplied gateway markets and low-cost Midwest markets, while high-supply markets are still struggling to fill recent deliveries despite relatively strong demand.
- Multifamily starts dropped by more than one-third in 2025, compared to the 703,000-unit cycle peak in 2022. Declining starts provide hope that the glut caused by rapid deliveries in recent years will soon turn around and give property owners some pricing power. Including categories such as affordable housing, student housing and single-family build-to-rent (SF-BTR) projects, Matrix is forecasting roughly 450,000 rental units will be delivered in each of the next two years.
- Property sales are limited by the refusal of many sellers to accept current market pricing. Investors have money to spend but want higher yields, while buyers are waiting for prices to return to 2021 levels. Transaction volume is flat year-over-year and is unlikely to catch fire in the second half without an unforeseen drop in mortgage rates.
- Lending activity is robust. Fannie Mae and Freddie Mac had solid first-half origination totals and are expanding their securitization programs, while commercial banks, debt funds, insurance companies and CMBS are all active in their niches.

Economy: Pulling in Opposite Directions

The U.S. economy is growing moderately, being pulled in different directions by global events and rapid changes in technology. Inflation is eroding consumer purchasing power and keeping interest rates from falling. AI spending is boosting productivity but could weaken job growth. The net effect on multifamily is that demand should be positive but limited in the near term.

The twin elephants in the room are the Iran war and AI. The closing of the Strait of Hormuz has slowed the global flow of oil and goods such as fertilizer and petrochemicals, resulting in higher prices. The most obvious change is in the price of gasoline, which Moody's Analytics estimates cost U.S. consumers \$100 billion through mid-year, leaving households with less to spend on groceries and other goods and services.

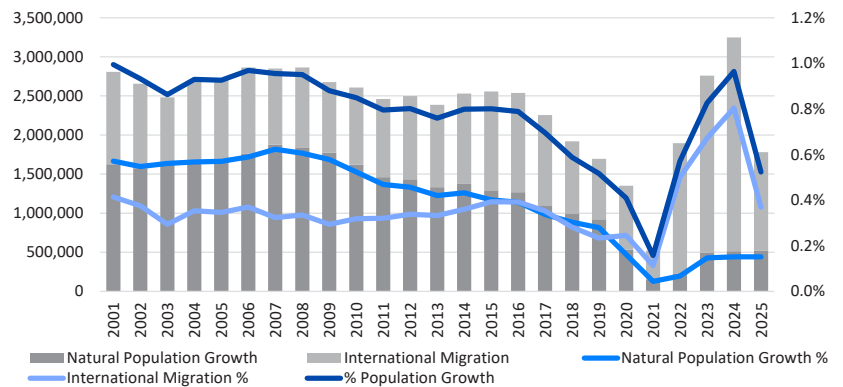
A 17.9% year-over-year increase in energy costs pushed the consumer price index (CPI) to 3.8% as of April, with personal consumption expenditures topping 3.0% even when energy is excluded. The rapid increase in prices has left consumers in a sour mood and led to growth in consumer delinquencies

in categories such as student, home and auto loans and credit card debt. Although consumer spending has maintained solid growth, rising 2.6% year-over-year through April, signs of stress are showing. For example, household debt hit a record \$18.8 trillion in Q1 2026, disposable personal income has been negative in four of the seven months through April, and the personal savings rate fell to 2.6% in April, one of the lowest levels since 1960.

The multifamily market is feeling the impact of inflation in other ways, as well. With the war dragging on longer than initially expected, inflation expectations have increased and pushed back the timetable for anticipated interest rate cuts. Instead of rates falling and improving capital conditions, the Federal Reserve has put rate cuts on hold until it sees more clarity about the global economy. New Fed chair Kevin Warsh is unlikely to persuade a majority of members to cut rates in the near term.

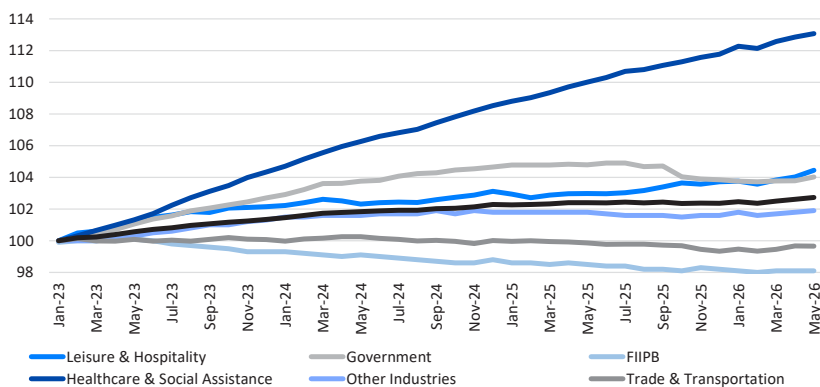
Economic growth is boosted by corporate spending on AI, which is already in the hundreds of billions of dollars in 2026 and is projected to total more than \$2 trillion by the end of the decade. Although hard to measure, AI has contributed to the recent bump in productivity.

U.S. Population Growth Flattening



Sources: U.S. Census Bureau (BOC); U.S. National Center for Health Statistics; Moody's Analytics

Employment by Industry, January 2023=100



Sources: Federal Reserve Bank of St. Louis (FRED); U.S. Bureau of Labor Statistics (BLS)

At the same time, AI's impact on the job market is unclear. Employment growth has been weak, with relatively few layoffs but also relatively few new hires. About 500,000 jobs have been created over the 12 months through May, though recent momentum provides hope, since 565,000 jobs were added between March and May. Payroll additions have been concentrated in health care (up 610,000 jobs year-over-year through May) and hospitality (240,000). The unemployment rate remains low, at 4.3% as of May.

The withering birth rate and immigration policy that discourages new workers have reduced the potential growth in the workforce. A paper published in April by Federal Reserve economists Seth Murray and Ivan Vidangos noted the average U.S. population growth going back to 1960 was 1.3% per year, but that could drop to 0.2% in 2026. Consequently, they said, the breakeven rate for employment, which was between 80,000 and 185,000 jobs per month in past decades, could be as low as 10,000 jobs per month. Fewer jobs limits the potential growth in GDP and employment, and could serve as a drag on apartment demand.

Considering the uncertainties, there is a wide range of possibilities for the direction of the economy. However, the most likely is that push and pull of opposite forces will continue to produce moderate growth.

Rents: Regional Differences

Multifamily rent growth was soft through the first half of the year, reflecting elevated supply and weakening economic conditions. Geopolitical tensions, inflationary pressures and muted job growth have eroded consumer confidence, pushing the University of Michigan's consumer sentiment index to its lowest level on record. At the same time, affordability challenges in the for-sale housing market

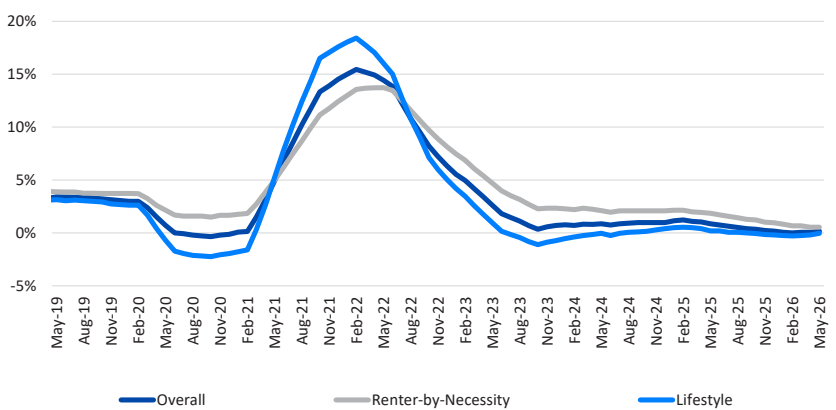
are keeping many prospective buyers in the rental pool longer.

We expect demand to remain relatively flat through the remainder of 2026, as elevated supply continues to constrain rent growth despite these underlying supports. Rent growth remains highly regional, with moderate increases in primary markets in the Northeast and Midwest, while the Sun Belt and Mountain West continue to struggle.

The biggest factor in the regional disparity is supply growth. The last cycle produced one of the largest apartment supply waves on record, placing significant downward pressure on rents, particularly across the Sun Belt and Mountain West. Since the start of 2023, rents have declined the most in Austin (-14.7%), Phoenix (-9.2%), Atlanta and Orlando (both -5.4%), Raleigh-Durham (-5.0%) and Denver (-4.5%). This lack of growth over a full cycle highlights the extent to which new supply has eroded pricing power.

Supply has been more measured in other markets. The Northeast and Midwest have received relatively limited new deliveries, allowing demand to outpace supply in many markets. The strongest cumulative rent growth since 2023 has occurred in New York (18.4%), Chicago (13.3%), Kansas City (11.8%), Columbus (10.0%) and Philadelphia (8.6%). Affordability has been a major draw to the Midwest, while core urban markets

U.S. Multifamily Rent Growth Remains Weak



Source: Yardi Matrix

that experienced significant out-migration following COVID have seen renewed demand, supported in part by return-to-office trends in tech- and finance-oriented hubs.

The demand side is also playing a role in weak rent growth. After several years of strong demand, absorption has slowed in recent quarters. Preliminary data indicates that first-quarter 2026 absorption totaled approximately 72,000 units, well below the roughly 136,000-unit quarterly average recorded during the prior two years and below the pre-pandemic average of about 101,000 units. This slowdown is significant because below-average demand will extend the time needed to absorb excess supply and delay a meaningful recovery in rent growth.

Many high-supply Sun Belt markets, even those with negative rent growth, continue to post relatively strong leasing activity. Absorption as a share of apartment stock was highest in Austin (6.1% year-over-year), Charlotte (5.6%), Raleigh–Durham (5.3%), Phoenix (4.8%) and Denver (3.8%). However, because each of these markets expanded inventory by at least 4.4% over the past year, supply has continued to outpace demand, placing downward pressure on advertised rents and extending lease-up timelines.

Regional divergence is expected to persist through the remainder of 2026. Matrix forecasts the strongest annual rent growth in the Twin Cities (4.6%), Chicago (4.1%), Detroit (4.0%), Kansas City (3.9%) and Philadelphia (2.9%), while the weakest performance is expected in Phoenix (-6.2%), Denver (-5.9%), Austin (-5.2%), Dallas (-4.3%) and Orlando (-4.0%).

Mirroring multifamily trends, single-family rent growth has been weakest in the Sun Belt and strongest in the Midwest. Since January 2023, the largest cumulative rent declines have occurred in Austin (-11.3%), Phoenix (-6.0%), Pensacola (-5.0%), Dallas (-4.9%) and Tampa (-2.0%). Meanwhile, the strongest growth has been recorded in

2026 Forecast Rent Growth by Metro

Metro	YoY Rent Forecast Year-End 2026	Average Rent as of May 2026
Twin Cities	4.6%	\$1,642
Chicago	4.1%	\$2,100
Detroit	4.0%	\$1,353
Kansas City	3.9%	\$1,373
Philadelphia	2.9%	\$1,872
San Francisco	2.7%	\$3,019
Columbus	2.3%	\$1,377
Baltimore	1.9%	\$1,774
New Jersey	1.9%	\$2,535
New York	1.8%	\$4,806
Indianapolis	1.1%	\$1,331
National	0.5%	\$1,767
Boston	0.2%	\$2,901
Los Angeles	0.0%	\$2,648
Houston	-1.0%	\$1,359
Washington DC	-1.4%	\$2,227
Nashville	-1.4%	\$1,677
Seattle	-1.5%	\$2,226
Charlotte	-1.8%	\$1,597
Raleigh–Durham	-1.8%	\$1,549
Atlanta	-1.9%	\$1,641
Miami	-2.0%	\$2,584
San Diego	-2.6%	\$2,746
Portland	-2.7%	\$1,751
Tampa	-3.4%	\$1,783
Las Vegas	-3.8%	\$1,473
Orlando	-4.0%	\$1,767
Dallas	-4.3%	\$1,524
Austin	-5.2%	\$1,508
Denver	-5.9%	\$1,841
Phoenix	-6.2%	\$1,520

Source: Yardi Matrix

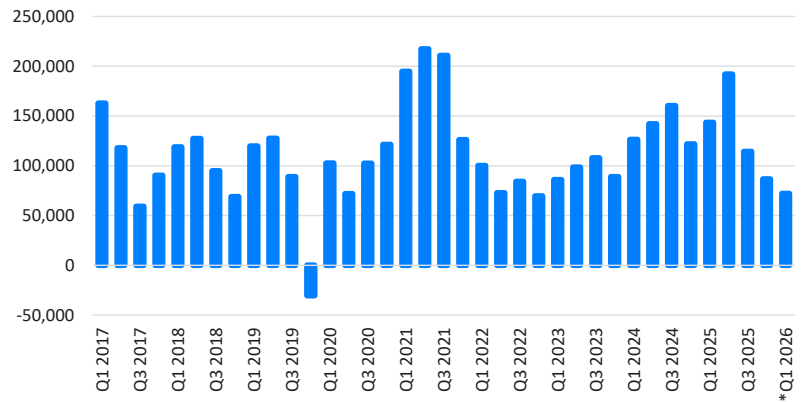
the Twin Cities (23.5%), Kansas City (21.1%), Chicago (19.3%), Columbus (16.9%) and Indianapolis (15.7%).

Until the current supply overhang is absorbed, rent growth is expected to remain weak, with Matrix forecasting national rent growth of 0.5% in 2026 and 1.0% in 2027 before strengthening to a range of 2.3% to 3.5% by 2028 and through the end of the decade. High-supply markets are expected to take longer to recover. Most major supply-heavy metros—including Atlanta, Charlotte, Denver, Nashville, Orlando, Phoenix and Raleigh–Durham—are projected to return to positive rent growth by year-end 2028, with growth normalizing between 2% and 5% by 2029.

Supply: Starts Waning

The declining number of starts will produce fewer deliveries, but how much and when? Starts have declined from recent peaks—which produced one of the largest multifamily supply waves on record, with more than 1.9 million units delivered nationally between 2023 and 2025—but remain elevated relative to pre-pandemic norms. More than 700,000 starts were recorded nationally in 2022 and 660,000 in 2023 before falling more than 30% to roughly 460,000 in both 2024 and 2025. Starts

Apartment Absorption Decelerating



*Preliminary data | Source: Yardi Matrix

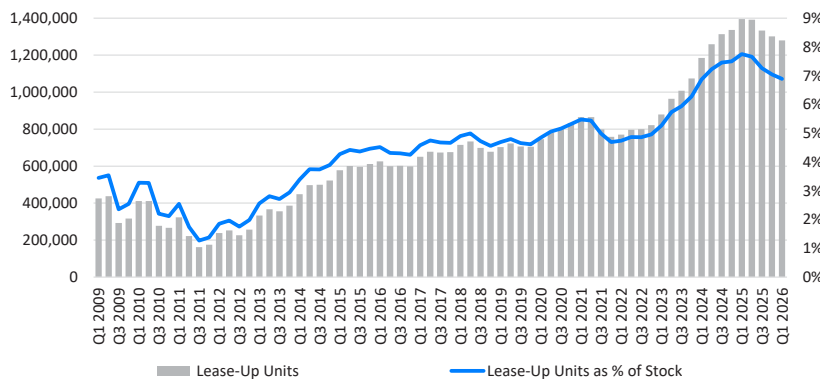
remained well above the pre-pandemic average, contributing to a persistent backlog of deliveries and extended lease-up timelines.

However, early data suggests a sharper slow-down in starts in 2026 due to rising material and construction costs, a shortage of labor in some markets and weak rent growth that has scared off some prospective deals. Matrix recorded about 80,000 multifamily starts in Q1 2026, down 27% from the same period last year and marking the lowest quarterly total since 2017. If development activity remains subdued, multifamily supply could decline meaningfully toward the end of the decade, eventually helping to alleviate the current supply overhang.

Deliveries are expected to remain elevated in the near term. Matrix forecasts supply to total 488,000 units in 2026, a 2.7% growth in stock, and 454,000 in 2027 before rising modestly to 460,000 units in 2028. While this marks a meaningful slowdown from 2024's record 709,000 deliveries and 2025's 652,000 units, supply has not moderated as sharply as expected, continuing to pressure rents across high-supply Sun Belt and Mountain West markets..

Looking ahead, the supply forecast indicates further slowing, with completions expected to fall to 416,000 units

Multifamily Units In Lease-Up Remains High



Source: Yardi Matrix

in 2027 before inching up to 421,000 units in 2028. Although below 2024 and 2025 levels, these figures remain elevated relative to the 2017–2019 pre-pandemic average of 391,000 units.

The scale of development over the past three years has created one of the most supply-heavy environments the sector has experienced in decades. Since 2023, the largest inventory expansions have occurred in Austin (87,000 units; 32% of stock), Charlotte (55,000; 27%), Nashville (40,700; 24%), Raleigh (40,200; 23%) and Phoenix (76,400; 23%). Despite strong absorption, these markets have continued to record negative rent growth as supply has outpaced demand.

New deliveries continue to add to an already elevated volume of units in lease-up. Nearly 1.3 million units—about 6.9% of total inventory—remain in lease-up, compared to the 2017–2019 average of roughly 700,000 units, or 4.7% of stock, per Matrix. Including approximately 488,000 units expected to deliver this year, that means the market has nearly 1.8 million units to absorb, continuing to pressure rents in many Sun Belt and Mountain West metros.

The composition of deliveries is also shifting, with niche sectors increasing their share. In 2026, Matrix projects 333,000 market-rate/partially affordable deliveries, or 52% of all deliveries, down from 68% in 2019. Meanwhile, 90,000 fully affordable deliveries represent 19% market share, up from 11% in 2019, and single-family build-to-rent units are expected to total 44,000, or 9% of all deliveries.

New supply in 2026 will be concentrated in the Sun Belt and Northeast. The largest delivery volumes are projected in Dallas (25,000 units), New York City (22,900), Phoenix (19,500), Atlanta (16,100), New Jersey (15,700) and Charlotte (14,000). In percentage terms, inventory growth will be led by Charlotte (5.5%), Phoenix (4.7%), Orlando (3.9%), San Diego (3.7%) and New York (3.6%), alongside smaller metros such

2026 Forecast Supply Growth by Metro

Metro	2026 Forecast Deliveries	2026 Forecast Deliveries as a % of Existing Inventory
Dallas	25,024	2.6%
New York City	22,870	3.6%
Phoenix	19,465	4.7%
Atlanta	16,129	2.8%
New Jersey	15,653	3.6%
Charlotte	13,962	5.5%
Miami	13,269	3.3%
Houston	13,167	1.7%
Austin	11,859	3.4%
Orlando	11,698	3.9%
Los Angeles	11,038	2.2%
Denver	10,643	2.9%
Washington DC	10,606	1.6%
Tampa	9,922	3.5%
Philadelphia	8,804	2.3%
Seattle	8,428	2.5%
Boston	8,365	2.8%
San Diego	8,044	3.7%
Columbus	7,678	3.6%
Raleigh	7,301	3.4%
Nashville	6,511	3.1%
Twin Cities	5,141	1.9%
Chicago	5,113	1.2%
San Francisco	4,560	1.5%
Kansas City	4,422	2.4%
Las Vegas	4,063	2.0%
Indianapolis	3,136	1.5%
Portland	2,847	1.4%
Baltimore	2,688	1.1%
Detroit	1,719	0.8%

Source: Yardi Matrix

as Asheville (14.3%), New Bern, N.C. (8.8%), and Montana (8.7%). For SFR, the largest delivery volumes are expected in Phoenix (4,200 units), Dallas–Fort Worth (4,000), Atlanta (3,500), Orlando (2,100) and Charlotte (1,600).

Outside of New York City, gateway markets are expected to see more moderate supply growth in 2026, including Miami (13,300 units; 3.3% of stock), Los Angeles (11,000; 2.2%), Washington, D.C. (10,600; 1.6%), Boston (8,400; 2.8%), Chicago (5,100; 1.2%) and San Francisco (4,600; 1.5%).

Capital Markets: Strong Liquidity

Coming into the year, the market consensus was that interest rates would go down—views varied on how much—and combined with improving property fundamentals would result in increasing transaction activity. However, things have not gone as planned.

After an early-year period when rates did go down, the war in Iran has fueled inflation, uncertainty and higher Treasury rates, prompting transaction volume to decrease rather than increase. Through the end of May, Matrix recorded \$26.6 billion in multifamily transactions, down 10.7% from the \$29.8 billion of sales completed during the same period a year ago. While the 2026 number will rise in coming weeks as more deals are recorded, year-over-year transaction activity clearly is muted.

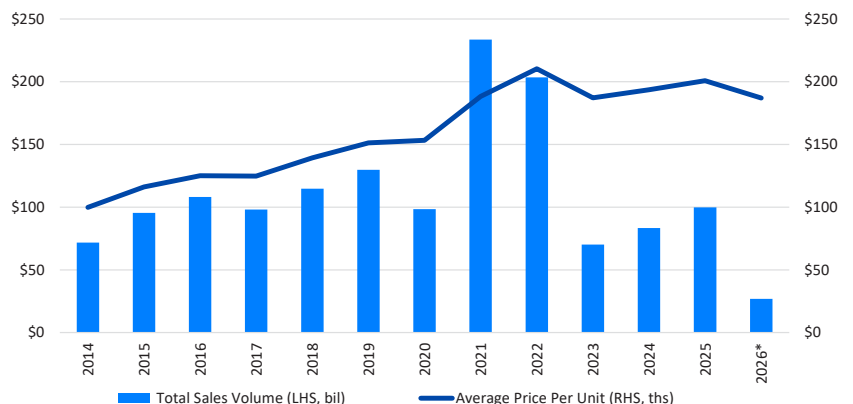
The biggest factor in the lack of sales continues to be a dearth of sellers, since none of the impediments to deal flow have stopped investors from raising capital for multifamily assets. But there isn't enough to buy. Many potential sellers are still waiting for mortgage rates to drop further and allow buyers to bid lower acquisition yields and higher prices.

However, with inflation expectations climbing in the wake of the closing of the Strait of Hormuz and the federal deficit ballooning, rates are moving in the wrong direction. The 10-year Treasury rate fell as low as 3.9% in February, but has been in the 4.4% to 4.5% range more recently, while the discussion has moved from how much lower rates will go to how much higher. Multifamily deal flow remains boosted by favorable capital flows, both equity and debt, but uncertainty and volatility in loan pricing have put a damper on transactions.

The Sun Belt was again the focus of multifamily investment dollars early in 2026, but some primary markets are also seeing a fair share of activity, possibly coinciding with the rebound in rent growth. Chicago, at \$2.3 billion, was the early 2026 leader in property sales activity through May. Chicago's total was 73.5% higher than the same period a year earlier. Miami (\$1.7 billion, up 69.4% year-over-year), Washington, D.C. (\$1.2 billion, 37.0%), Atlanta (\$1.2 billion, 13.2%), Dallas (\$1.1 billion, -38.5%) and Houston (\$1.0 billion, 32.1%) all topped \$1 billion in apartment transactions through May in 2026.

The debt market remains liquid, though with property sales lagging, mortgage activity is concentrated in refinancings. Government-sponsored agencies (GSEs) Fannie Mae and Freddie Mac

Multifamily Sales Level Off As Interest Rates Rise

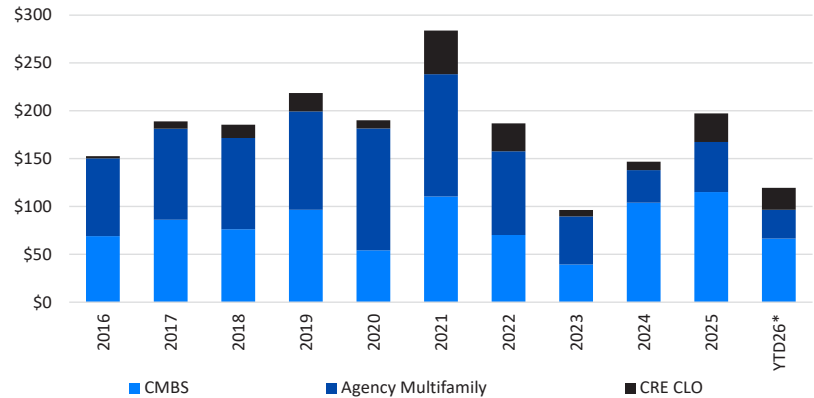


*2026 data through May | Source: Yardi Matrix

remain the largest multifamily lenders. Both expect to come close to meeting their 2026 allocations of \$88 billion apiece, with much of the activity coming from refinancings instead of property sales. Fannie reported that it originated \$17.1 billion of loans in the first quarter, up 45% from the same quarter a year earlier, and that nearly two-thirds of originations came from refinancings. Fannie's serious delinquency rate climbed almost 24%, but remained extremely low at 0.78%. Freddie reported \$13 billion of originations in Q1 2026, up 25% from the same period in 2025.

Lending is increasingly competitive as a slew of lenders chase deals. Securitization volume—the combined total of CMBS, CLOs and GSE mortgages—is at \$120 billion through mid-year in 2026 and on track to hit its highest number since 2021, according to "Commercial Mortgage Alert." CMBS is a competitive source for large loans but is being frozen out of smaller loans because coupons fluctuate rapidly with changing interest rates. Debt funds continue to increase market share, focusing on construction loans, high-leverage loans and re-

Mortgage Issuance Strong in 2026



Source: Commercial Mortgage Alert | 2026 data through May

structuring underwater or extended bank loans, in many cases financed by the banks that originated the restructured loan. Commercial banks and life companies are concentrating on high-quality properties, with banks favoring property owners with whom they have a relationship.

Multifamily's consistent performance makes it attractive to investors in equity and debt. With property transaction activity needing more time to rebound, more investors are looking at debt as a way of adding apartments to their portfolios. However, the debt space is competitive, putting new sources of capital at a disadvantage when it comes to booking new business.

Definitions

Lifestyle households (renters by choice) have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

Renter-by-Necessity households span a range. In descending order, household types can be:

- A young-professional, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- Students, who also may span a range of income capability, extending from affluent to barely getting by;
- Lower-middle-income (“gray-collar”) households composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- Blue-collar households, which may barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- Subsidized households, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, may extend to middle-income households in some high-cost markets, such as New York City;
- Military households subject to frequency of relocation.

These differences can weigh heavily in determining a property’s ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property’s status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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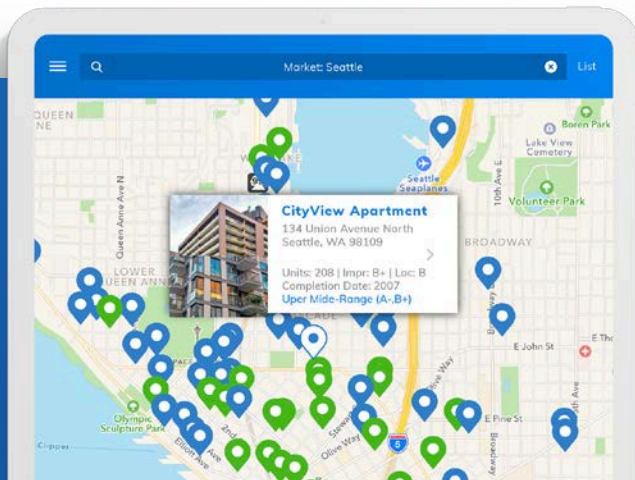
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