

MULTIFAMILY REPORT

Segment Stabilizing as the Building Boom Ends

After a period of rapid expansion and elevated volatility, the multifamily sector is showing clear signs of stabilization as new construction activity begins to slow. While rent growth remains modest and vacancy rates have risen in many markets, the easing of supply pressures and continued demand are helping fundamentals gradually rebalance. Market performance is increasingly shaped by local conditions, with affordability, employment growth, and the pace of new deliveries driving outcomes across regions.

In this year's U.S. Multifamily Report, we explore the trends shaping this transition and what they reveal about where the multifamily sector is headed next.



The multifamily housing sector shifted gears in 2025 as completion levels slowed, with the peak of the recent construction boom now in the rearview mirror, leading to a stabilization in occupancy rates and moderate rent growth. Total completions have decreased by about 15% year-over-year as of 2025Q3, though they still remain significantly above pre-pandemic averages. This deceleration in supply allowed demand to catch up, resulting in a steady national vacancy rate of 6.5% throughout all three quarters in 2025 according to Moody's Analytics. Regional variations were evident, with many markets in the Sun Belt leading inventory growth due to strong renter demand and supportive local policies, while many markets in the Midwest and West experienced more modest increases due to weaker migration flows and cautious construction. On the demand side, factors such as sluggish job growth, reduced domestic migration, and a stagnant but expensive single-family housing market have tempered renter mobility and household formation, further contributing to the stabilization of the market.

Year-over-year rent growth slowed to 1.1% in September, below CPI trends but remaining in positive territory. However, for the first time since late 2023, quarterly asking and effective rents declined slightly in the third quarter of 2025, by 0.2% and 0.1% respectively. This marked a significant shift, as more than half of the 82 primary markets tracked by Moody's Analytics reported lower asking rents compared to the previous quarter.

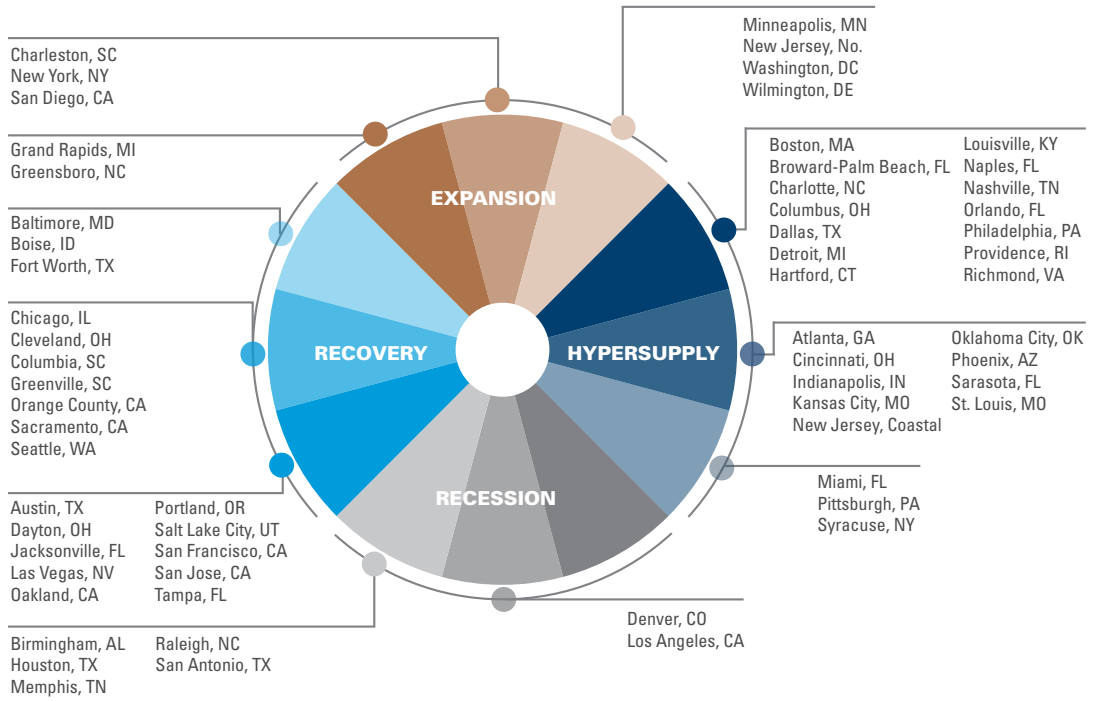
The Sun Belt region, which had previously experienced a surge in rental demand due to in-migration and job growth during the pandemic, saw a decline in demand as migration slowed and the labor market weakened. Strong construction levels led to rising vacancy rates in 2023 and 2024, though early signs of stabilization were observed in 2025.

With the peak of the construction boom now in the rearview mirror, the multifamily sector is entering a period of stabilization.

In contrast, northern Snow Belt markets maintained demand trends, supported by better housing affordability and steady job opportunities, although with significantly lower construction levels throughout much of the region. Notably, a gap exists between Rust Belt markets and other markets in the Snow Belt, with Chicago, Minneapolis, and Indianapolis featuring stronger performance, while Cleveland, Dayton, and Detroit experienced weaker performance despite low construction levels. The national multifamily market is expected to deliver fewer units in the coming years, with completions projected to decline by 20–25% by the end of 2025 compared to the cyclical peak, aligning with a broader slowdown in housing starts.

At the national level the recent supply boom has left a number of markets at hypersupply levels under IRR categorization. Over 50% of multifamily markets are either in hypersupply or recession IRR classifications as markets absorb recently completed developments. The central and east regions feature an above-average number of markets in hypersupply territory while the West possesses half of the nation's markets in recovery as existing properties benefit from lower construction levels than Sun Belt markets. National completion levels peaked in 2024 during the latest construction boom, but completion levels remain elevated compared to pre-pandemic levels, and nine markets remain in expansionary phases of their market cycles with significant regional diversity. Despite the elevated number of markets in hypersupply or recessionary phases, cap rates increased according to IRR data nationally over the last year, with only the western region observing declining cap rates. Operating expenses for multifamily properties remain a challenge, with costs continuing to rise faster than rental income and inflation. While the rate of increase has slowed since the pandemic, expenses such as payroll, property taxes, and utilities remain elevated. Notably, electricity costs surged to $29 billion in the first half of 2025, with some markets experiencing increases exceeding 15%. This has forced

MULTIFAMILY MARKET CYCLE



EXPANSION

Decreasing Vacancy Rates
Moderate/High New Construction
High Absorption
Moderate/High Employment Growth
Med/High Rental Rate Growth

HYPERSUPPLY

Increasing Vacancy Rates
Moderate/High New Construction
Low/Negative Absorption
Moderate/Low Employment Growth
Med/Low Rental Rate Growth

RECESSION

Increasing Vacancy Rates
Moderate/Low New Construction
Low Absorption
Low/Negative Employment Growth
Low/Neg Rental Rate Growth

RECOVERY

Decreasing Vacancy Rates
Low New Construction
Moderate Absorption
Low/Moderate Employment Growth
Neg/Low Rental Rate Growth

REGIONAL RATES COMPARISON - MULTIFAMILY

	CAP RATE	DISCOUNT RATE	MARKET RENT ($/UNIT)	VACANCY RATE	Q3'24 - Q3'25 CAP RATE △
SOUTH REGION					
CBD Class A	5.55%	7.12%	$1,732.88	8.49%	▲ 6 bps
Suburban Class A	5.68%	7.21%			▲ 2 bps
CBD Class B	6.21%	7.80%	$1,139.54	6.61%	▲ 1 bps
Suburban Class B	6.36%	7.89%			▲ 4 bps
EAST REGION					
CBD Class A	6.01%	7.24%	$2,600.90	6.83%	▲ 2 bps
Suburban Class A	6.13%	7.33%			▲ 49 bps
CBD Class B	6.60%	7.80%	$1,644.90	3.95%	▲ 7 bps
Suburban Class B	6.83%	7.90%			▲ 56 bps
CENTRAL REGION					
CBD Class A	6.00%	7.63%	$1,665.36	7.04%	▲ 3 bps
Suburban Class A	5.92%	7.68%			▲ 4 bps
CBD Class B	6.84%	8.36%	$1,016.55	3.98%	▲ 10 bps
Suburban Class B	6.85%	8.36%			▲ 23 bps
WEST REGION					
CBD Class A	5.06%	6.87%	$2,628.23	6.78%	▼ 6 bps
Suburban Class A	5.16%	6.95%			▼ 9 bps
CBD Class B	5.48%	7.25%	$1,807.92	4.53%	▼ 2 bps
Suburban Class B	5.57%	7.36%			▼ 11 bps
NATIONAL AVERAGES/SPREADS					
CBD Class A	5.63%	7.19%	$2,070.41	7.54%	▲ 2 bps
Suburban Class A	5.69%	7.27%			▲ 8 bps
CBD Class B	6.26%	7.79%	$1,353.16	5.19%	▲ 3 bps
Suburban Class B	6.36%	7.86%			▲ 14 bps

The Sun Belt region, which had previously experienced a surge in rental demand due to in-migration and job growth during the pandemic, saw a decline in demand as migration slowed and the labor market weakened.

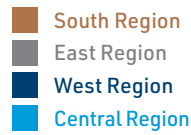
property owners to scale back on non-essential improvements and focus on essential repairs, potentially jeopardizing long-term asset quality and tenant satisfaction.

The national multifamily market also saw a shift in performance distribution, with one in five markets recording negative net absorption in the third quarter, the highest share in the past year. Effective rent growth has slowed, and instability in the labor market could compound on low rent growth. Despite these challenges, some Sun Belt markets, including Austin, Phoenix, and Nashville, showed signs of recovery, with notable vacancy reductions and positive rent growth during the quarter as the markets continue to absorb new construction from recent years. Looking ahead, the multifamily market is expected to stabilize further, with vacancy rates remaining flat and rent growth forecasted to stay below 1% for the year, significantly lower than the long-term average of 3.5%.

PROJECTED MULTIFAMILY INVENTORY UNDER CONSTRUCTION (UC) 2025-2027

Region	Market	2025 Inventory (Units)	2025-2027 % of Total UC	3-Year UC (Units)
South	Orlando	224,219	13.38%	29,997
East	Westchester	54,855	13.02%	7,140
South	Raleigh-Durham	182,917	12.85%	23,496
West	San Bernardino/Riverside	152,503	10.97%	16,737
West	Seattle	303,338	10.82%	32,834
Central	Kansas City	163,418	10.49%	17,138
East	Northern New Jersey	299,362	9.50%	28,443
South	Charlotte	217,867	9.49%	20,677
South	Austin	317,483	9.33%	29,625
East	Hartford	48,949	8.62%	4,221
South	Miami	180,017	8.33%	14,993
South	Suburban Virginia	223,633	8.17%	18,281
South	Nashville	175,572	8.06%	14,144
East	New York Metro	522,791	7.68%	40,169
East	Providence	19,687	7.68%	1,511
East	Fairfield County	46,422	7.52%	3,489
West	Colorado Springs	46,780	7.49%	3,505
South	Palm Beach	84,368	7.39%	6,239
Central	Minneapolis	229,725	7.33%	16,845
East	District of Columbia	152,391	7.26%	11,071
Central	Columbus	178,046	7.26%	12,928
East	Suburban Maryland	187,507	7.18%	13,455
East	New Haven	22,676	7.17%	1,627
South	Charleston	60,630	6.66%	4,036
Central	Louisville	64,128	6.37%	4,084
South	San Antonio	226,811	5.91%	13,398
South	Jacksonville	107,094	5.90%	6,316
Central	Cincinnati	127,128	5.64%	7,171
West	Portland	162,782	5.61%	9,125
Central	Lexington	24,785	5.53%	1,371
West	Phoenix	379,178	5.51%	20,898
South	Richmond	95,779	5.39%	5,161
Central	Indianapolis	143,418	5.32%	7,628
South	Chattanooga	24,601	5.24%	1,289
Central	Milwaukee	117,318	5.04%	5,908
South	Greenville	58,974	5.03%	2,966
South	Fort Lauderdale	121,971	4.73%	5,774
West	Salt Lake City	120,997	4.69%	5,679
West	Ventura County	78,239	4.49%	3,511
West	Los Angeles	874,802	4.40%	38,513
West	Denver	281,977	4.40%	12,412
East	Central New Jersey	196,973	4.38%	8,636
East	Philadelphia	269,050	4.38%	11,793
South	Dallas	655,462	4.30%	28,193
West	Tacoma	47,450	4.22%	2,001
East	Buffalo	25,920	4.17%	1,082
South	Fort Worth	220,477	3.88%	8,565
South	Atlanta	496,160	3.88%	19,235
Central	Omaha	61,058	3.84%	2,343
East	Boston	281,644	3.78%	10,641
South	Greensboro/Winston-Salem	82,043	3.72%	3,049
West	Las Vegas	176,318	3.70%	6,520
West	San Diego	226,672	3.59%	8,146
West	Oakland-East Bay	175,019	3.55%	6,215
South	Columbia	40,320	3.55%	1,430
West	Albuquerque	44,153	3.53%	1,559
West	Sacramento	117,980	3.27%	3,862
South	Knoxville	40,161	3.25%	1,305
Central	St. Louis	140,312	3.20%	4,488
South	Houston	735,609	2.88%	21,190
West	San Jose	153,035	2.87%	4,393
Central	Dayton	39,526	2.86%	1,129
West	San Francisco	166,476	2.83%	4,716
South	Tampa-St. Petersburg	224,202	2.68%	6,008
Central	Detroit	229,074	2.66%	6,099
East	Baltimore	181,883	2.64%	4,803
West	Orange County	245,364	2.48%	6,093
East	Pittsburgh	101,725	2.29%	2,330
South	Birmingham	52,819	2.22%	1,170
Central	Chicago	532,770	2.15%	11,449
West	Tucson	67,636	2.15%	1,453
Central	Memphis	90,093	1.90%	1,712
Central	Wichita	31,188	1.83%	571
Central	Cleveland	124,590	1.75%	2,184
South	Norfolk/Hampton Roads	111,460	1.63%	1,813
East	Long Island	107,989	1.50%	1,621
South	Little Rock	37,200	1.33%	493
South	Tulsa	74,180	1.19%	886
East	Rochester	44,444	1.18%	526
South	Oklahoma City	97,028	0.81%	784
East	Syracuse	20,281	0.22%	45

Region	2025 Inventory (Units)	2025-2027 % of Total UC	3-Year UC (Units)
Central Average	2,296,577	4.49%	103,048
East Average	2,584,549	5.90%	152,603
South Average	5,169,057	5.62%	290,513
West Average	3,820,699	4.93%	188,172
US Total	**13,870,882**	**5.29%**	**734,336**



SOURCES

Multifamily Market Cycle
Source: Integra Realty Resources

Regional Rates Comparison
Sources: Integra Realty Resources (Cap & Discount Rates), Moody's Analytics REIS (Asking Rents, Vacancy)

Projected Multifamily Inventory Under Construction (UC) 2025-2027
Source: Integra Realty Resources



ABOUT VIEWPOINT

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ABOUT IRR

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