Yardi® Matrix

U.S. Multifamily Outlook
Summer 2025

Deliveries are key to rent growth

Capital markets are liquid ...

... but uncertainty slows deal flow

Market Analysis

Summer 2025

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Multifamily Maintains Strength Despite Uncertainty

- Multifamily performance remained strong in the first half of 2025, with demand nearly keeping pace with the heavy supply pipeline. Deliveries are waning as starts decline, feeding optimism about a new wave of rent growth on the other side of the supply peak.

- The U.S. economy has held up under the weight of sharp changes in policy, but there are risks from the impact of higher tariffs, volatility in the financial markets and general uncertainty about policy. Interest rates, critical to the multifamily industry, are unlikely to drop given the tug-of-war between weaker economic growth and potentially higher inflation.

- Multifamily advertised rent growth remains range bound, about 1% nationally, with gains in most Northeast and Midwest metros and negative growth in many high-supply Sun Belt markets. The supply-demand dynamic is likely to keep growth moderate in the second half.

- Following a record-setting year for multifamily deliveries in 2024, new supply is slowing, with starts dropping by nearly half. Over 500,000 units are still expected to come online in 2025, but the full impact of declining starts will become more apparent in 2026.

- Despite investors sitting on plenty of dry powder, transactions continue to dribble at last year's pace, as many sellers think they can get a better deal waiting for interest rates to drop. The 10-year Treasury remains in the mid-4% range, as the Federal Reserve has adopted a wait-and-see posture toward inflation.

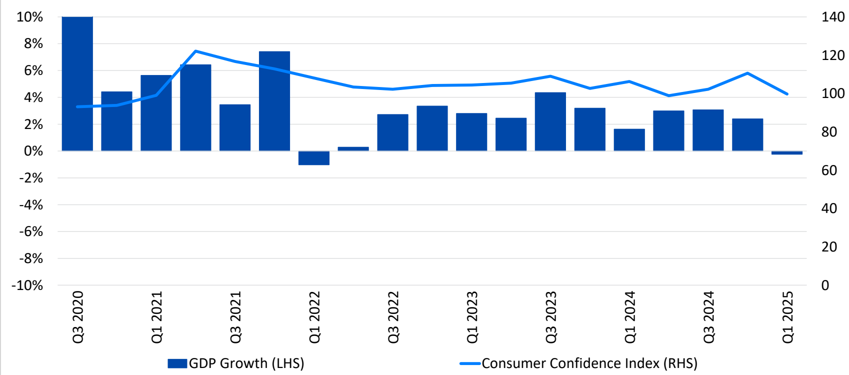
- The debt market is liquid. CMBS is on pace for its highest issuance levels since 2007, and the GSEs, banks, insurers and debt funds are all active. Delinquency is rising, though not to crisis levels, and the plethora of rescue capital is serving to restructure loans that were extended in recent years.

- The expiration of the 2017 tax bill and change in administrations have highlighted the importance of policy. The House bill preserved many of the industry's tax breaks and increased funding for LIHTC and Opportunity Zones, but there are concerns about potential severe cuts to renter subsidy programs.

Economic Outlook

While the market holds its breath awaiting clarity of the on-again, off-again tariff negotiations, the U.S. economy has held up reasonably well, helping to maintain healthy demand for multifamily. Metrics such as job growth, inflation and consumer spending have remained steady. Interest rates have stabilized, albeit not falling as the commercial real estate industry hoped going into the year. However, there are signs that the strong growth of recent years is slowing, and uncertainty is creating heightened downside risks going forward.

Q1 GDP, Consumer Confidence Down



Sources: Moody's Analytics, Federal Reserve

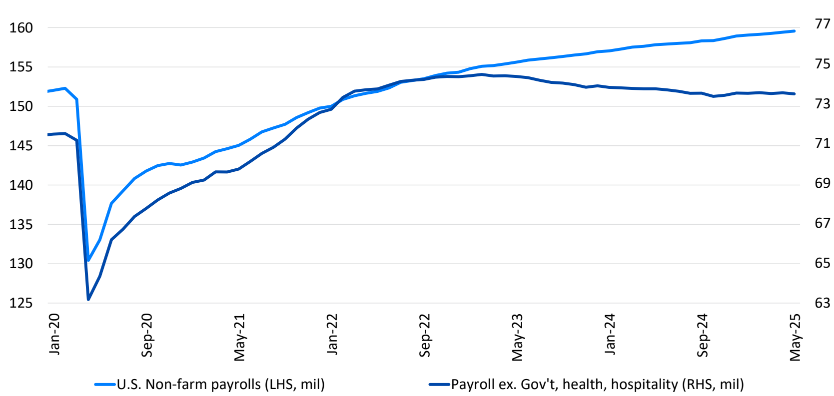
After a weak first quarter, GDP estimates should rebound in the second quarter, driven by strong personal consumption expenditures. But consensus forecasts for full-year 2025 growth have mostly dropped to the 1.5% range because of tariffs, businesses holding off on expansion plans due to policy uncertainty, and the reduction in immigration.

Normally, a weaker growth forecast would prompt the Federal Reserve to cut interest rates to stimulate investment, but the Fed is likely to sit on its hands until there is more clarity about the impact of policies on the inflation rate. The consumer price index (CPI) was under control at a 2.4% annual rate in May, close to the Fed's target level, but expectations are that inflation will rise when the impact of higher tariffs is felt.

Employment continues to be positive, with 139,000 jobs added in May and 700,000 for the year. The unemployment rate remains low, at 4.2% as of May, and while there has been a slight increase in layoffs, job cuts are far from recession levels. Yet a sense of uneasiness prevails, as both hiring and quits have declined to 2020 levels. Workers may not be losing jobs, but so many staying in place betrays a lack of confidence among both employees and employers.

Consumer spending is another area that was strong in recent years and has maintained moderate growth, but there are signs of stress. U.S. consumer delinquencies increased to 2.7% in April, their highest level since the aftermath of the global financial crisis, according to Moody's Analytics and Equifax. The increased delinquency can be seen in all sectors, but the biggest surge came from student loans as the administration canceled loan forgiveness put in place by the Biden administration. While not at crisis levels, consumer delinquency data indicates that lower-income households are stressed.

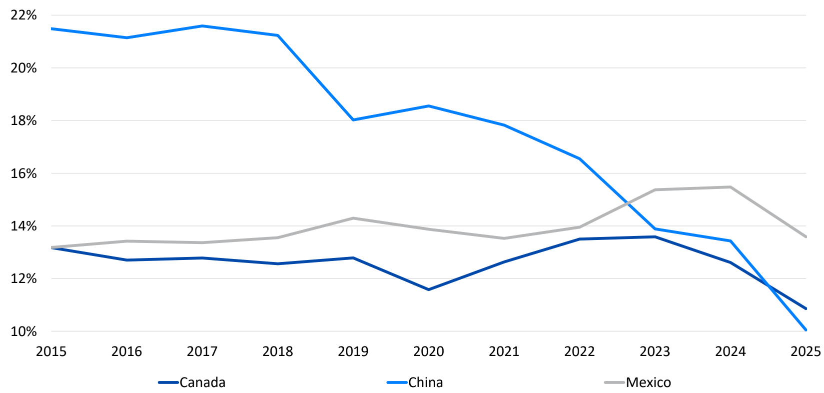
Job Growth Focused in Gov't, Health & Hospitality



Source: U.S. Census Bureau

The new U.S. policy mix is betting that the positive impact of deregulation and

Tariffs Reduce Share of U.S. Trade with China, Mexico



Source: U.S. Census Bureau

lower energy costs on growth will offset the reduction in trade and labor cost pressure brought about by immigration policy. Immigration has boosted growth, added workers necessitated by the growing number of retirees, and injected some slack into a tight labor market. Shutting the immigration spigot means growth must focus on productivity gains.

Besides the impact of policy, an overarching issue for businesses is uncertainty. The initial tariff announcement was pulled back in part, but tariffs continue to be raised and lowered in no discernable pattern, frustrating businesses that want to plan for the long term. Trade with China and other manufacturing partners around the world dropped in the spring; whether or how much it will recover depends on the fate of future trade deal negotiations.

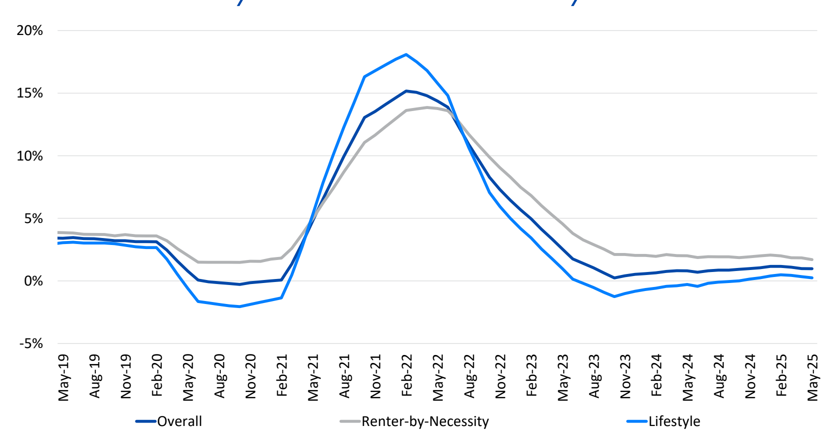
Changes to economic policy are more widespread than with the typical shift in presidential administration, and questions about the economy are likely to persist for some time. One question regards the impact of federal layoffs in areas such as public health monitoring and hurricane tracking. There's a longer-term question about the impact of cuts in areas such as science and medical research that have helped drive America's global technological leadership. And another question relates to how companies will fill low-wage jobs that have been carried out in recent years by immigrants and asylum seekers. While a recession is currently not the base forecast, there are heightened risks of both a slowdown and increased volatility.

Rent Trends

Multifamily rents have remained resilient amid ongoing economic uncertainty. Solid absorption and continued weakness in the for-sale housing market continue to support rent growth, despite the historically high multifamily supply. We expect moderate demand to persist through the remainder of 2025, as elevated supply will likely constrain rent growth while renter financial health remains strong. That could change, however, if weakening of economic growth or rising inflation reduces renter household formation.

Several factors are supporting the multifamily market, chief among them weak affordability in the for-sale housing sector and strong renter financial health. As of Q1 2025, the average 30-year mortgage rate stood at 6.8%, with little sign of near-term relief. Meanwhile, the median existing home price rose to $414,000—up 1.8% year-over-year—driving sales down to 4 million units, the slowest pace since the global financial crisis, ac-

U.S. Multifamily Advertised Rents Stay Flat



Source: Yardi Matrix

cording to the National Association of Realtors. This expensive housing environment has extended the time many prospective buyers remain in rental housing. At the same time, wage growth continues to outpace both inflation and rent, reinforcing rental demand.

The weak for-sale housing market is countered by the historic wave of multifamily supply that has outperformed demand in Sun Belt markets. Since January 2023, the largest cumulative rent declines have occurred in Austin (-11.2%), Phoenix (-6.5%), Orlando and Atlanta (both -4.1%) and Raleigh (-3.2%). These markets have seen a surge in new supply in recent years, which is expected to continue weighing on rent growth through the rest of this year and into the next. Meanwhile, markets with limited new supply have recorded the largest cumulative rent growth, led by New York (13.5%), Kansas City (9.4%), Columbus (9.2%), Chicago (9.0%) and New Jersey (8.5%).

Despite record supply, absorption has remained strong. If that continues, it would support a rebound in rents once the supply wave subsides. Nationally, 555,000 apartment units, some 3.4% of stock, were absorbed in 2024, one of the highest demand numbers in recent history. Among Matrix top 30 metros, the five leading markets for absorption rates in 2024 were all located in the Sun Belt, where completions exceeded 6.0% of total inventory. These metros include Nashville (11,213 units absorbed, 5.8% of stock), Austin (17,851, 5.7%), Charlotte (12,755, 5.6%), Orlando (15,601, 5.6%) and Raleigh-Durham (10,365, 5.2%). Absorption rates remain healthy in 2025, led by Indianapolis (8,430, 4.5% of stock), and followed by Sun Belt markets including Austin (8,689, 2.7%), Charlotte (5,680, 2.4%), Nashville (4,363, 2.2%) and Raleigh-Durham (3,938, 2.0%).

We forecast modest rent growth nationally—1.5% in 2025, 1.1% in 2026 and 2.7% in 2027—while excess Sun Belt supply is absorbed and there is closer balance with the number of deliveries. However, with supply expected to wane in

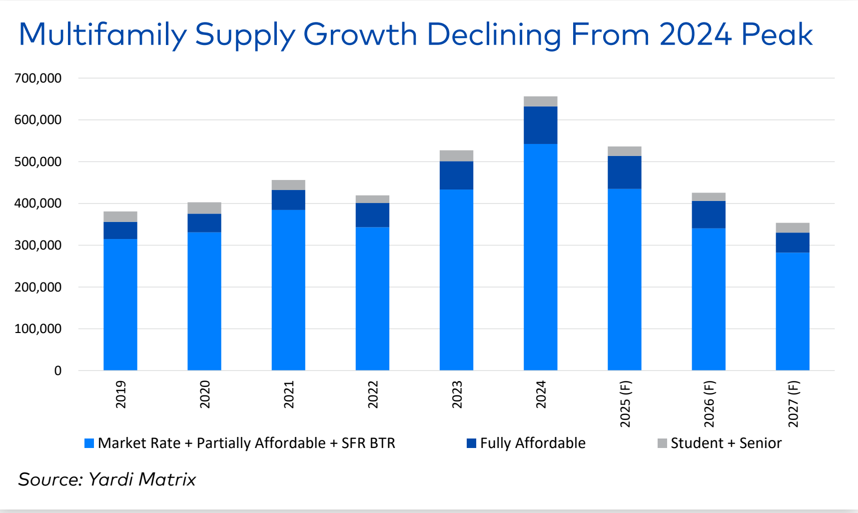
2025 Forecast Rent Growth by Metro

Metro	YoY Rent Forecast Year-End 2025	Average Rent as of May 2025
Atlanta	-1.2%	$1,648
Austin	-3.5%	$1,554
Baltimore	1.7%	$1,754
Boston	0.7%	$2,937
Charlotte	-0.7%	$1,600
Chicago	2.1%	$2,018
Columbus	2.1%	$1,358
Dallas	-0.7%	$1,528
Denver	-1.9%	$1,886
Detroit	2.8%	$1,329
Houston	0.7%	$1,371
Indianapolis	2.1%	$1,302
Kansas City	3.0%	$1,333
Las Vegas	-0.4%	$1,472
Los Angeles	1.1%	$2,655
Miami	1.4%	$2,508
Nashville	-1.0%	$1,658
National	1.5%	$1,761
New Jersey	3.0%	$2,512
New York	3.5%	$4,801
Orlando	-1.0%	$1,772
Philadelphia	2.1%	$1,848
Phoenix	-1.7%	$1,548
Portland	0.6%	$1,773
Raleigh–Durham	-1.4%	$1,561
San Diego	0.8%	$2,738
San Francisco	0.7%	$2,880
Seattle	1.1%	$2,246
Tampa	0.4%	$1,818
Twin Cities	1.2%	$1,585
Washington DC	2.2%	$2,245

Source: Yardi Matrix

the coming years, Matrix forecasts national rent growth will increase to a more robust range of 3.0% to 3.5% by 2028 and continue at that pace through the end of the decade. Even high-supply markets are anticipated to rebound back into positive rent growth territory by year-end 2027. The 12 high-supply markets—including Atlanta, Austin, Charlotte, Denver, Jacksonville, Miami, Nashville, Orlando, Phoenix, Raleigh-Durham, Salt Lake City and San Antonio—are all forecast to turn positive in 2027 and will normalize between 2% and 4% year-over-year growth after 2029.

We anticipate regional trends will continue for the remainder of 2025, as Matrix expects New York to lead rent growth (3.5% year-over-year), followed by Kansas City and New Jersey (both 3.0%), Detroit (2.8%) and Washington, D.C. (2.2%). Meanwhile, we anticipate negative growth will be led by Austin (-3.5%), Denver (-1.9%), Phoenix (-1.7%), Raleigh-Durham (-1.4%) and Atlanta (-1.2%).



Source: Yardi Matrix

Supply Pipeline

Yardi Matrix projects 536,000 completions this year, reflecting a significant drop from last year's record 663,000 units. The level of new supply remains elevated by historical standards—the average between 2013 and 2019 was 314,000 units annually. Deliveries in 2025 will increase the total U.S. multifamily stock by 3.1%, though the construction pipeline remains heavily concentrated in high-supply markets in the Sun Belt and Mountain West. While most Sun Belt metros have already reached their peak supply, negative rent growth is likely to persist in this region through the end of the year while the new inventory is absorbed.

More than 2.5 million units have been delivered nationally since 2020, with completions concentrated in the Sun Belt. Several metros in this region have experienced exceptionally rapid growth, expanding their inventories by more than 30% since the beginning of 2020. During that period, 105,000 units (41.4% of stock) were added in Austin, 62,000 (33.2%) in Charlotte, 51,000 (32.5%) in Nashville and 70,000 (30.3%) in Orlando. Consequently, elevated supply pressures have led to sustained negative rent growth across this region in recent years, as solid absorption has not kept pace with supply.

Relief may be coming, as the robust supply growth is fading due to a sharp decline in starts owing to factors that include high financing rates; the rising costs of land, labor and materials that have made deals more difficult to pencil; a shortage of skilled labor; and investor concern about oversupply in some markets. Following the post-pandemic surge in development activity—in which total multifamily starts reached 709,000 in 2022 and 663,000 in 2023—multifamily construction saw a downturn in 2024, with just 437,000 starts, a 38.4% decline from the 2022 peak.

As a result, Matrix projects new supply will continue to decelerate, falling to 422,000 units in 2026 and bottoming at 350,000 units in 2027 before gradually recovering between 2028 and 2030. The decline in completions will affect all unit types. By 2027, market-rate deliveries are projected to drop 47% from their 2024 peak, affordable housing by 24%, senior housing by 17% and single-family build-to-rent communities by 43%.

Our forecast also points to a longer-term shift in the multifamily landscape, with the single-family build-to-rent and fully affordable housing segments comprising a larger share of deliveries. Market-rate units are expected to drop to 75.1% of new supply in 2026, down from 84.2% in 2019. In contrast, affordable and BTR are gaining ground. Fully affordable deliveries are expected to increase to 16.2% of deliveries in 2026, up from 11.3% in 2019, while single-family BTR is projected to represent 6.9% of all new deliveries in 2026, up from 2% in 2019.

Due to the decline in starts, most high-supply markets have already passed their peak in new deliveries. Most of these metros—including Atlanta, Austin, Charlotte, Denver, Jacksonville, Miami, Nashville, Orlando, Phoenix, Raleigh-Durham, Salt Lake City and San Antonio—reached their peak in quarterly supply by Q1 2025. Miami is the only exception, with its peak expected in Q1 2026. As the supply wave subsides, rent and occupancy growth in these markets is expected to recover within the next few years.

In the meantime, metros forecast by Matrix to see the highest volume of multifamily deliveries in 2025 include Dallas (28,930 units), Phoenix (28,780), Austin (23,701), Charlotte (19,543), Atlanta (18,780) and New York City (17,523). As a percentage of existing stock, the leading markets include Charlotte (8.4%), Phoenix (7.5%), Austin (7.4%), Orlando (5.4%), Nashville (5.0%), and Tampa and Denver (both 4.5%). Several smaller markets are also expected to experience significant expansion, including the Southwest Florida Coast (12.1%), Mankato (11.2%), Montana (10.1%), Boise (10.0%), Asheville (9.2%), Salt Lake City and Savannah, Ga. (both 8.4%).

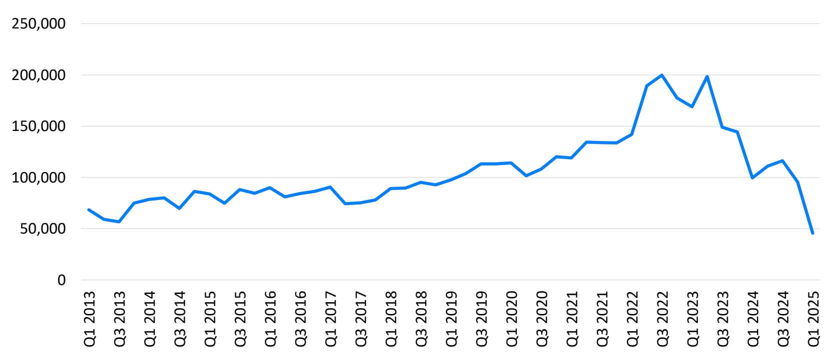
Outside of New York City, other gateway markets are expected to see more moderate levels of new supply in 2025. Chicago is forecast to add 6,040 units (1.5% of existing stock), San Francisco 5,296 units (1.7%), Washington, D.C. 13,950 (2.2%), Los Angeles 11,072 (2.3%), Boston 7,852 (2.8%) and Miami 13,620 (3.6%).

2025 Forecast Supply Growth by Metro

Metro	2025 Forecast Deliveries	2025 Forecast Deliveries as a % of Existing Inventory
Dallas	28,930	3.2%
Phoenix	28,780	7.5%
Austin	23,701	7.4%
Charlotte	19,543	8.4%
Atlanta	18,780	3.4%
New York City	17,523	2.8%
Denver	15,602	4.5%
Orlando	15,327	5.4%
Houston	15,005	2.0%
Washington DC	13,950	2.2%
Miami	13,620	3.6%
New Jersey	12,660	3.0%
Tampa	12,033	4.5%
Los Angeles	11,072	2.3%
Nashville	9,806	5.0%
Seattle	9,061	2.8%
Raleigh	8,587	4.3%
Boston	7,852	2.8%
Philadelphia	6,183	1.7%
Chicago	6,040	1.5%
Columbus	5,943	2.9%
Twin Cities	5,364	2.0%
San Francisco	5,296	1.7%
San Diego	5,151	2.5%
Portland	5,052	2.6%
Indianapolis	4,997	2.6%
Las Vegas	4,804	2.5%
Kansas City	4,401	2.4%
Baltimore	2,543	1.1%
Detroit	1,683	0.8%

Source: Yardi Matrix

Multifamily Starts Dropping



Source: Yardi Matrix

Capital Markets

Over the past two years, as transaction activity stalled, market players looked to 2025 as the time when the logjam created by 2022's rapid rise in rates would be broken. The thought was that as inflation declined to normal, the Federal Reserve would slowly drop policy rates to levels that would free up deal flow.

However, transaction activity remains subdued in 2025, as the Federal Reserve has adopted a wait-and-see attitude toward short-term rates and the 10-year Treasury has stayed elevated as bond investors worry about the U.S. policies, the federal deficit and a reignition of inflation. To be sure, multifamily capital is still plentiful, and debt market activity has made a strong recovery. But property sales remain stalled by the disconnect between sellers and buyers that is continuing into its third year.

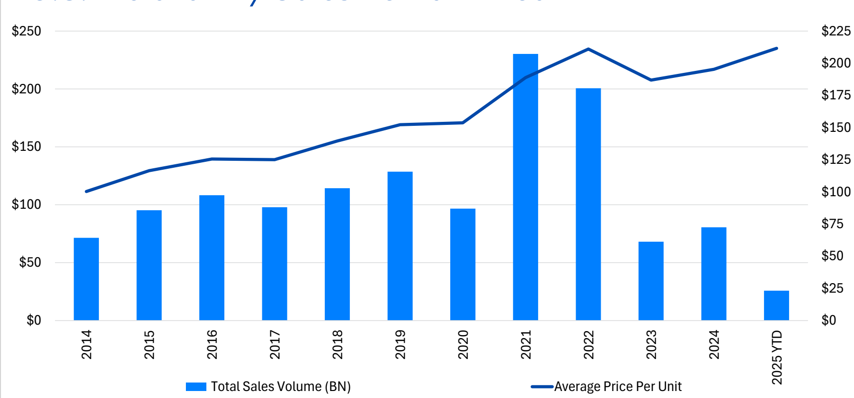
Multifamily transactions totaled $25.9 billion through the end of May, according to Matrix, up 6.8% from the $24.3 billion total through the same period in 2024. Liquidity is not the problem. Multifamily is the most attractive commercial real estate property type for investors, thanks to its strong performance in recent years and the perceived stability compared to other property types.

The holdup continues to be disagreement on pricing. Buyers expect it to reflect the cost of capital. With multifamily mortgage rates in the 5.5% to 6% range for stable properties, risk spreads are extremely tight. Buyers that use all cash or those like REITs with a low cost of capital can buy stable properties at yields that are below the typical mortgage coupon, but prices are less doable for buyers that use leverage. Sellers remain reluctant to offer discounts to where they think prices will be when rates adjust downward. With rates unlikely to move much this year, expect the stalemate to continue.

Investors continue to be focused on high-growth markets, though they have not abandoned primary metros, despite political risks, due to strong property fundamentals. Metros with the most volume year-to-date in 2025 are Dallas ($1.5 billion), Chicago ($1.2 billion), Phoenix and Seattle ($1.1 billion) and Miami ($913 million). Boston, San Francisco, San Diego, Tampa and Washington, D.C., have all topped $800 million in sales, as well.

While property sales are weak, mortgage activity has picked up, as all lender types are eager to deploy capital and commercial banks are increasingly forcing a resolution to loans that have been ex-

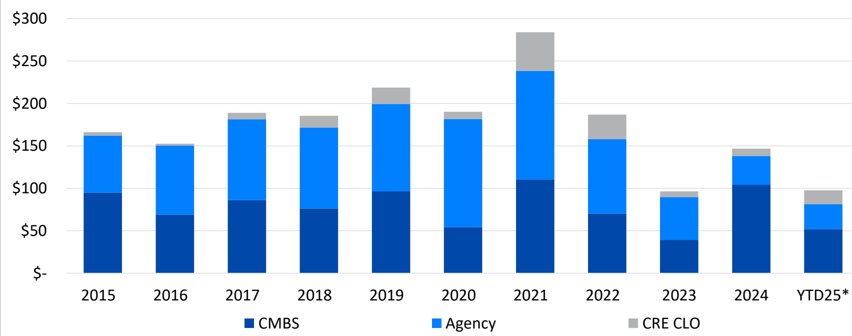
U.S. Multifamily Sales Remain Weak



Source: Yardi Matrix

tended in recent years. The Mortgage Bankers Association reported that multifamily originations were up nearly 40% in Q1 2025 over the first quarter in 2024, driven mostly by growth in lending by CMBS and the government-sponsored enterprises (GSEs). Life company lending remained consistent, while debt funds, which have increased lending in recent years, stayed active but lost some market share.

CRE Securitization on Track for Strong Year



Source: Commercial Mortgage Alert | 2025 data through June 10,2025

Through the end of May, issuance of CMBS and collateralized loan obligations (CLOs) totaled $67.4 billion, up 76.4% year-over-year from the same period in 2024, according to the CRE Finance Council (CREFC). Those numbers include $51.0 billion of CMBS and $16.4 billion of CLOs, which mainly involve loans originated by debt funds. Issuance was strong in the first quarter but paused briefly following President Trump's tariff announcement in early April. Investor demand, however, rebounded within a few weeks as confidence in the economic outlook returned.

Agency issuance has also increased sharply in 2025. Through the end of May, government-backed agencies issued $55.1 billion of multifamily debt, up 42.0% from the same period in 2024, according to CREFC. This year's issuance includes $23.2 billion of Fannie Mae securities, $25.8 billion of Freddie Mac securities and $62 billion issued by Ginnie Mae. Fannie and Freddie are up about 25% year-over-year and expect to get close to their $73 billion allocations in 2025.

A big question surrounding the agencies is whether or how much they will change under the new administration. The president said he wants to remove Fannie and Freddie from conservatorship, under which they have been operating since 2008. But no detailed plans have emerged, and change is unlikely this year.

Ongoing high interest rates have complicated the refinancing of low-coupon bank loans that have been extended over the past few years because they are underwater. The thinking was that the loans would be easier to refinance when rates came down, but rates remain sticky in the 4.5% range. Commercial mortgage delinquencies are rising, although the overall rate remains low for most lender categories. The CMBS delinquency rate was 6.4% as of Q1 2025, while delinquencies were 1.3% for commercial banks, 0.6% for Fannie Mae and 0.5% for Freddie Mac and life companies.

Multifamily delinquencies and restructurings have increased this year, and the pace will likely pick up in the second half, but it is largely taking place outside of public notice. One reason is that most of the losses are being absorbed by equity holders and not lenders because the severity of losses of individual loans is not as high as it was during the GFC era. Another reason is that there is a large amount of opportunity fund capital looking to buy broken deals or inject mezzanine debt or preferred equity, which allows restructurings outside of an auction process.

The upshot is that the amount of liquidity in multifamily capital markets is strong and prevents worst-case scenarios from unfolding. But heightened economic and policy uncertainty means that decision-making will continue to be conservative while market players remain vigilant.

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.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x14006.