THE LATEST

Multifamily at the Inflection Point

The record construction wave is cresting, vacancy is stabilizing, and the conditions for a meaningful rent-growth recovery are taking shape. Where does multifamily go from here?

The Eddy, East Boston

EXECUTIVE SUMMARY

A disciplined market turning toward the investor.

The U.S. multifamily market is navigating an inflection point. The record construction wave of 2022–2024 is cresting and rapidly retreating, vacancy rates are stabilizing, and the conditions for a meaningful rent growth recovery are taking shape. Against a backdrop of a 3.63% Fed funds rate and a 10-year Treasury near 4.41%, financing remains disciplined but the trajectory increasingly appears to favor investors willing to act ahead of the turn.

Three themes define our investment thesis entering the second half of 2026.

01

The supply pipeline has declined over 47% from its peak two years ago and starts are at a 6 year low, setting up a 2027–2028 undersupply cycle in most markets.

02

Vacancy is inflecting lower nationally while rent growth diverges sharply by region, creating a selective but real opportunity set.

03

Transaction volume is recovering as sellers capitulate on price expectations, and assets are increasingly trading below replacement cost, which historically has an attractive entry point.

90.6%	95.3%	311K	4.41%	3.63%
NATIONAL OCCUPANCY RATE	STABILIZED OCCUPANCY	2026 UNIT DELIVERIES	10-YEAR TREASURY YIELD	FED FUNDS RATE
Increasing three consecutive quarters	As of May 2026	Down 47% from two years prior	As of June 24, 2026	Effective rate as of June 23, 2026

Sources: Cushman & Wakefield US Multifamily Q1 '26 Report, Federal Reserve, Realpage.

MACRO ENVIRONMENT & RATE OUTLOOK

A hawkish hold resets the second-half playbook.

At last week's June 16–17 FOMC meeting, newly appointed Chair Kevin Warsh's first at the helm, the Federal Reserve held the federal funds target range unchanged at 3.50%–3.75% in a unanimous 12–0 vote, leaving the effective rate at 3.63% and the bank prime rate at 6.75%. The hold itself was widely expected, but the accompanying Summary of Economic Projections marked a decisive hawkish shift in the outlook.

The updated dot plot showed the median policymaker projection for year-end 2026 moving to 3.8%, up from 3.4% in the March projections, implying that at least one rate hike before year-end is now the Committee's base case rather than the cut that had been penciled in just three months ago. Seventeen of eighteen participants now judge the risks to inflation as tilted to the upside, the Committee raised its 2026 headline PCE forecast to 3.6% (from 2.7%), and prior forward guidance language hinting at an easing bias was stripped from the statement. Cuts have effectively been pushed into 2027 and 2028. Markets responded accordingly: federal funds futures now imply better than a 90% probability of a hike by October, the 2-year Treasury jumped roughly 16 basis points on the announcement, and the 10-year settled near 4.50% in the days following the meeting.[1]

For multifamily borrowers, the practical implication of this week's decision is that the rate relief many had penciled into second-half underwriting has been deferred. Financing remains meaningfully more expensive than the 2020–2022 era, but the acute stress of 2023–2024 has abated. Agency debt (Fannie Mae / Freddie Mac) is pricing in the 5.75–6.25% range for core assets, with the post-FOMC repricing more pronounced at the front of the curve than at the long end.[2] Bridge lenders are active again at spreads that reflect a more normalized credit environment, and the gap between buyer and seller expectations has continued to narrow, a prerequisite for volume recovery.

The market's adjustment to a "higher for longer" path places renewed importance on entry basis and underwriting discipline. Investors who had been counting on cap rate compression from near-term Fed easing will need to revisit those assumptions; returns in this cycle will increasingly be earned through NOI growth and basis, not multiple expansion.

The labor market reasserts itself.

The broader macro backdrop has shifted materially since the start of the year. After the soft patch that contributed to rent weakness in high-supply markets through late 2025, the labor market has reasserted itself decisively. The May employment report released on June 5 showed nonfarm payrolls increasing by 172,000, more than double the consensus expectation of roughly 80,000, with the unemployment rate holding at 4.3% for a third consecutive month.[3]

March and April were revised up by a combined 93,000 jobs, lifting the three-month payroll average to roughly 188,000 per month, the strongest such pace in more than two years. Job gains were led by leisure and hospitality, health care, construction, and state and local government, sectors with meaningful renter exposure. Wage growth moderated to 3.4% year-over-year, a constructive print for the inflation outlook but still comfortably above the rate of rent growth in most markets, supporting renter affordability.

For multifamily, this is a meaningful tailwind. Apartment demand is closely tethered to employment growth and household formation, and the recent labor market strength reduces the downside risk to absorption just as the supply pipeline is contracting. The structural drivers of apartment demand, household formation, homeownership affordability, and demographic tailwinds from Millennials and Gen Z, remain firmly intact. The for-sale housing market continues to be a meaningful feeder to rental demand, with the 30-year mortgage rate above 7% keeping homeownership out of reach for a large cohort of prospective buyers.

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1. Sources: Federal Reserve FOMC statement and Summary of Economic Projections, June 17, 2026; CME FedWatch and U.S. Treasury yield data.
2. Fannie Mae/Freddie Mac agency lender rate sheets, June 2026.
3. US Bureau of Labor Statistics — as of May 2026.

SUPPLY & DEMAND DYNAMICS

The construction wave is ending.

The headline story in multifamily today is the dramatic contraction of the construction pipeline. After six years of record deliveries, the market is absorbing the overhang while the forward supply picture brightens considerably. Approximately 550,000 units remain under construction nationally, the lowest figure in a decade, and this number is falling. The overall pipeline is down more than 50% from its peak and sits 11% below the 2017–2019 pre-pandemic average.[1]

Most tellingly, new construction starts have collapsed to levels last seen in 2014.[1] The culprits are well understood: expensive construction debt, the ability to acquire existing assets at or below replacement cost, and a challenging fundraising environment for development equity. The math simply does not work for new ground-up development in most markets today. In our view, this is structurally bullish for owners of existing assets looking out 18–36 months.[2]

Vacancy: stabilizing, with important nuance.

Overall national occupancy has stabilized in a narrow 90.8%–90.6% range, ending Q1 2026 flat at 90.6% and up only 15 bps year-over-year, a leveling-off that, paired with falling new supply, is what matters for forward-looking investors.[3]

The more nuanced story is in stabilized occupancy reaching 95.3%(excluding newly delivered assets still in lease-up), which continues to edge higher as renters pursue concession packages at new properties. This dynamic has put pressure on existing asset owners in the near term but is creating a selective buying opportunity in high-quality, stabilized properties at discounted valuations.[2]

1. Realpage.
2. Green Cities' assessment based on current transaction data, cap rate movements, and replacement cost analysis across target markets. This represents our current view and is not a guarantee of returns or outcomes.
3. Cushman & Wakefield US Multifamily Q1 '26 Report.

Catalyst, Chicago

RENT TRENDS & REGIONAL DIVERGENCE

Allocation across markets is the most powerful lever.

Rent growth nationally softened for the second consecutive quarter in Q3 2025, weighed down by elevated supply in the South and weaker employment growth. However, the regional divergence is striking, and savvy allocation across markets remains the most powerful lever available to multifamily investors today.[1]

Renewal rents have proven far more resilient than new lease rents in recent years, hovering around 3.5–4.3% nationally.[2] This divergence reflects renters' sensitivity to concessions at new properties versus the friction of moving, and it confirms that in-place demand remains healthy. As new deliveries decline and concession availability falls, we expect new lease rent growth to converge upward toward renewal levels over the next 12–18 months.

REGION / MARKET	YOY RENT GROWTH[3]	KEY DRIVER
San Francisco, CA	+12.2%	AI / VC resurgence, return-to-office
San Jose, CA	+7.3%	Tech sector strength
Chicago, IL	+4.3%	Supply-constrained, steady demand
New York, NY	+3.1%	Gateway market resilience
Midwest (avg.)	+3.0%	Limited new supply, stable employment
Northeast (avg.)	+2.3%	Constrained pipelines, housing affordability
National Average	+1.1%	Supply headwinds moderating
South Region (avg.)	-0.4%	Heaviest new supply concentration

1. Actual outcomes are not guaranteed and may depend on broader economic factors.
2. Realpage.
3. Realpage Data as of June 2026.

INVESTMENT ACTIVITY & VALUATIONS

Below replacement cost, a margin of safety returns.

Transaction volume has been recovering from the 2023–2024 lows as bid-ask spreads narrow. Cap rates for core multifamily assets have stabilized in the 5.0–5.5% range in primary markets.[1] For the first time since the rate cycle began, many assets are now trading at or below replacement cost, which we believe provides a meaningful margin of safety for buyers.

The debt maturity wall facing the 2021–2022 vintage of bridge loans is producing motivated sellers in select markets. We view these as tactical opportunities for well-capitalized buyers who can close with certainty and move quickly.

Agency lending continues to be the dominant financing mechanism for stabilized acquisitions, and Fannie Mae and Freddie Mac have remained active participants throughout the cycle. The return of more meaningful life company and CMBS activity for higher-quality assets is a positive signal for overall market liquidity.

1. CBRE U.S. Cap Rate Survey (H2 2025, released February 2026); CBRE U.S. Multifamily Figures, Q1 2026.

> *"On balance, we believe patient, selective capital deployed in 2026 will look well-positioned when we look back from 2028–2029."*

OUTLOOK & INVESTMENT POSITIONING

Cautiously constructive, actively opportunistic.

We enter the second half of 2026 with a cautiously constructive view on multifamily fundamentals and a more actively opportunistic posture on acquisitions. The conditions that made 2023–2025 a difficult operating environment, the peak supply wave, elevated financing costs, and softening rent growth, are all moderating simultaneously.

Our near-term priorities:

01 Lean into markets where new supply has crested and absorption is outpacing deliveries.

02 Pursue value-add acquisitions where current pricing reflects distress but long-term demand fundamentals remain intact.

03 Maintain focus on existing-asset acquisitions versus ground-up development, given the current cost of capital and the availability of below-replacement-cost opportunities.

04 Monitor the 2027–2028 supply picture closely: the collapse in starts today sets up potentially the tightest apartment market in a decade, which should reward patient capital deployed at today's entry points.

The risk that warrants the most attention is the macro employment picture. Rent growth is highly correlated with job creation, and any meaningful deterioration in labor markets would delay the recovery we are anticipating. We are also monitoring the potential for policy-driven supply subsidies, for example, federal affordable housing initiatives, to alter the supply calculus in select markets. On balance, the setup of shrinking supply, durable demand, and assets trading at or below replacement cost has historically been one of the most attractive in the multifamily cycle.

IMPORTANT INFORMATION & DISCLOSURES

Sources: Cushman & Wakefield, Federal Reserve, RealPage, and industry publications. Data as of June 2026. Property photography by Carly Gillis Photography.

THE GREEN CITIES COMPANY