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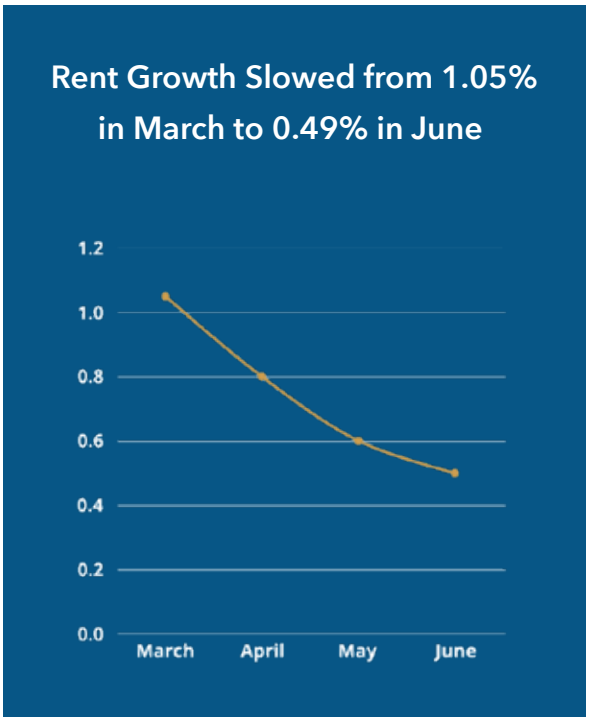
Monthly Multifamily Market Update by Jay Parsons



July Apartment Market Update: Lots of Demand, Little Rent Growth

The big headline right now: Rent growth continues to decelerate, stalling the long-awaited rent rebound. June marked a third straight month of slowing rent growth nationally, with year-over-year rent growth inching back from 1.05% in March to 0.49% in June. That's a notable shift in narrative. **Prior to Q2'25, rent growth has modestly ACCELERATED for six straight months.**



Typically, when pricing softens, you'd think demand must be softening. But that's not the case right now. All the major data providers reported robust demand in Q2'25 on the heels of unseasonally strong demand in Q1'25, yet still backtracking in rent growth.

RealPage data shows more apartment units absorbed in the first half of 2025 than in any year in 25+ years. CoStar data is a bit more tempered, but still shows 2025 as the third-best first half in 25+ years behind only 2021 and 2024.

In other words: **The apartment market has its challenges right now, but demand is not one of them. Neither is affordability or turnover.**

What's happening? Some thoughts:

1. **The One Critical Measure That's Impossible to Measure**

   I wrote about this last month, hypothesizing that nervousness among apartment operators was a contributing factor. I still think that's true. Remember the one critical variable in rent movement that we can't easily track or model: **Operator sentiment.**

   I say this because

   a) rent growth is decelerating even in low-supplied markets, so it's not just about supply (more on that in a minute),

b) macro demand is strong,
c) retention is high, helping protect occupancy in many markets,
d) affordability is improving, with rent-to-income ratios returning to pre-COVID levels and no evidence of any "flight to affordability."

Why, then, are operators pulling back on rents? I think a lot of them are nervous. They've been hit by a parade of negative economic headlines (rates, tariffs, consumer confidence, moderating job growth) – shifting them into a defensive posture to protect occupancy rates. And there's probably a related factor.

2. Few Operators are *Feeling* All This Demand

On top of all that, most apartment operators are not *feeling* these big demand numbers out there. I hear this a lot when I share absorption numbers: ***"We aren't seeing that in our portfolio."*** Instead, they're seeing occupancy rates hold steady or inch back slightly. They aren't seeing that seasonal "pop" in the spring/summer months, and that makes them nervous.

In one sense, they're right: **The leasing market remains hyper competitive and new lease-ups gobble up most of the net new demand.**

Some of it is perspective. I'd contend a lot of operators (especially in higher-supplied markets) expected too much too soon. While peak deliveries may be in the rearview mirror, we're still smack in the middle of peak lease-up competition.

A more glass-half-full view would be: We're in the middle of the biggest construction wave in 40+ years, and occupancy rates are holding steady!

3. It's Not Just About Supply Anymore

What really strikes me is the **LACK** of a clear pattern among markets seeing lost momentum in rent growth over the last three months. To be clear: The higher-supplied markets are still underperforming lower-supplied markets on rent change. But I'm referring to **MOMENTUM** right now, looking at year-over-year effective rent change in June versus March. And by that measure, you can't just point to supply alone.

In the RealPage data, the five markets with the largest drop in rent change momentum were all low/moderate-supplied markets: **Kansas City, Greensboro, Baltimore, Riverside and Las Vegas.** In Kansas City, for example, rents are still up well above the U.S. average … but rent growth cooled from +4.9% to +2.6%. You might also be surprised to see rent change levels decelerate by at least 100 bps in other low-supplied markets like St. Louis, San Diego, Pittsburgh, Portland, Detroit, Milwaukee and Sacramento.

In most of these markets, vacancy levels remain healthy but may have ticked up slightly in Q2. If you expected a normal seasonal bump in Q2, you'd be disappointed and maybe spooked a bit. And it's certainly possible we're seeing early cracks in the market. BUT let's not forget normal seasonality has been largely absent from the market since COVID. We saw non-seasonal occupancy bumps in many of these same markets over the winter months, so it's possible that demand simply shifted up earlier in the calendar this year.

Time will tell which it is. But here's my point: **Negative headlines + low consumer confidence + even a small uptick in vacancy could push even the most optimistic property managers into a defensive, protective posture.**

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4. Supply is Still a Big Factor in High-Supplied Markets

In higher-supplied markets, supply is certainly a contributing factor in stalled momentum. In most spots, the backpedaling is not dramatic, but it's enough to maybe taper the exuberance for a rapid rebound.

As I wrote earlier: *A lot of operators expected vacancy to start shriveling as peak completions entered the rearview mirror and the leasing season kicked into gear. But they underestimated how long it'd take all those completions to actually lease up … and the downstream impact of newly built units trudging through painfully slow, concession-heavy lease-ups.*

Additionally, all the "two months free!" banners might be conditioning renters to shop for perceived deals, forcing more stabilized properties to raise up those same banners. Among stabilized properties (non-lease-ups) in the RealPage data, concession values topped 3 weeks "free rent" in Q2'25. In the last decade, the only other time that happened was the COVID era.

5. It's a Reminder that Weak Home Sales DO NOT Boost Rentals

If you thought a slow homebuyer market would boost rents, you were wrong. But it's not really a surprise because rents and home prices are typically more correlated than not.

I continue to remain contrarian on the impact of the slow homebuyer market. Our economy is somewhat dependent on a healthy for-sale housing market. There are downstream impacts to consumer spending and jobs and household formation … and even to apartment demand and rents.

Yes, renters are renting longer and that helps retention. But historically, strong rent growth correlates with a more active for-sale housing market. Even SFR is experiencing reduced rent growth for new leases right now.

Slowed home sales preceded weakening consumer confidence and moderating job growth we've seen in recent months. That's not an equation to sustain strong renter demand or catapult a rent rebound.

On the flip side: **There's still a strong bull case for multifamily in the mid term and long term.** Demand (at the moment) is robust. Completions are dropping off. Affordability is improving as wage growth continues to top rent growth. Rent-to-income levels are back to pre-pandemic levels.

Even if demand cools to normal-ish levels, the market is well positioned for an eventual rent rebound assuming the economy holds up.



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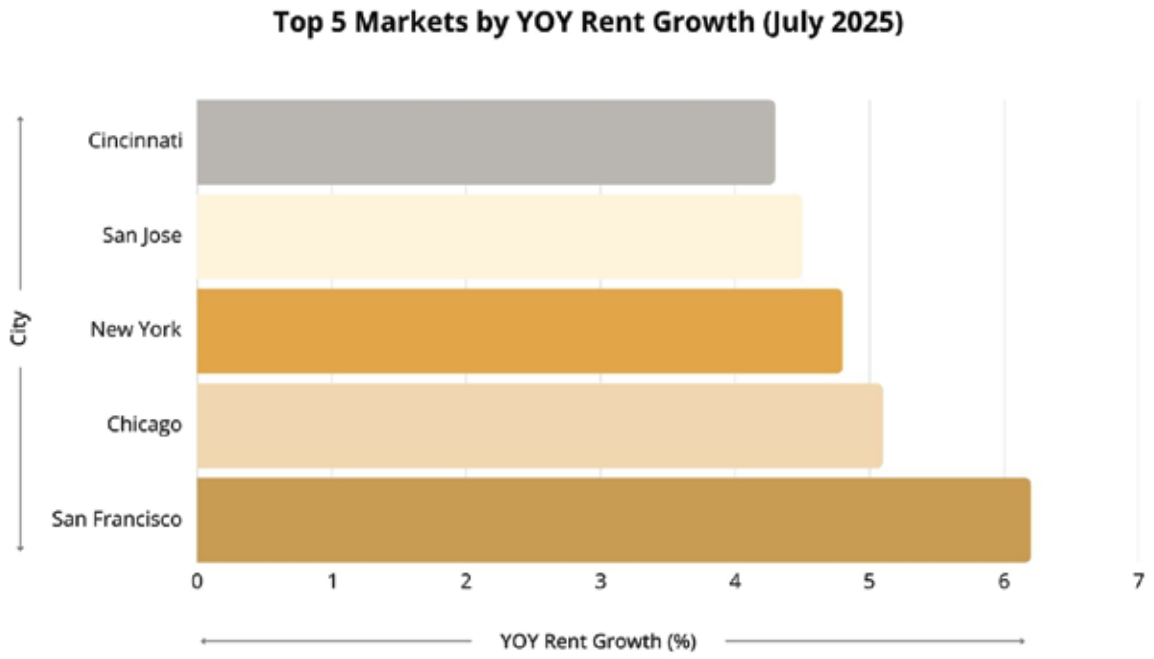

Source: Real Page Data

More Highlights on Apartment Trends:

- Of the nation's 50 biggest markets, only 10 avoided deterioration in rent change levels between March and June, according to RealPage data. It's a somewhat random group of 10 – ranging from low-supply coastal to high-supply Sun Belt to the Midwest.

- Most notably: **San Francisco** – the nation's hardest-hit big market over the past five years – is finally showing real momentum. San Francisco now leads the country with **6.2% year-over-year growth** in effective rents, up 286 bps from March. However, remarkably, average monthly rents still remain BELOW pre-pandemic highs.

- Other markets showing positive rent momentum between March and June, by order of magnitude: **Salt Lake City** (which leads the nation for % job growth among big markets), **Jacksonville, New York, Chicago, Atlanta, West Palm Beach, Miami, Orange County** and **Oakland.**

- While five Sun Belt / Mountain markets made the list for improved momentum, rent change remains modestly negative in all but **Miami** (which is barely positive at +0.6%).

- In terms of rent growth leaders at the mid-point of 2025, **San Francisco** is followed by **Chicago**, **New York, San Jose** and **Cincinnati.**

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- On top of the list I referenced earlier, **Denver** stood out as one key market losing momentum quickly. **Rents there fell 5.9% year-over-year.** Among the 50 largest markets, only **Austin (-7.5%)** cut rents more. Denver is a bit unique in that a HUGE share of its supply in this cycle delivered this past winter, so there's a lot of lease-ups to work through, but we've also seen persistently soft employment data here.

- Other notables include **Orlando** and **Tampa** – two markets that, earlier this year, showed signs of leading the Sun Belt rebound. Both saw deceleration in recent months, though Tampa did stay slightly **positive at +0.7% year-over-year**.

- One surprise, to me, was **Houston**. Rents there inched up to positive territory a few months ago and I thought Houston could hit the gas sooner given very manageable supply levels relative to peer markets. But instead, **rents dipped back negative**, coming in at **-1.3% in June**. I still like Houston's outlook, so this could be just a speed bump, but we'll see.

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