

X-CALIBER

MULTIFAMILY MARKET UPDATE

by Jay Parsons



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Are Early Signs of Growth Emerging? Yes, They Are.

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Are apartment fundamentals still sluggish? Yes. Are there any signs of green shoots? Also yes.

When I talk about "**green shoots**" in the U.S. apartment market, I mean it in the most literal sense of the term. A "green shoot" refers to the first signs of green emerging in a yard browned by the winter season – NOT a full-blown rebound or imminent boom.

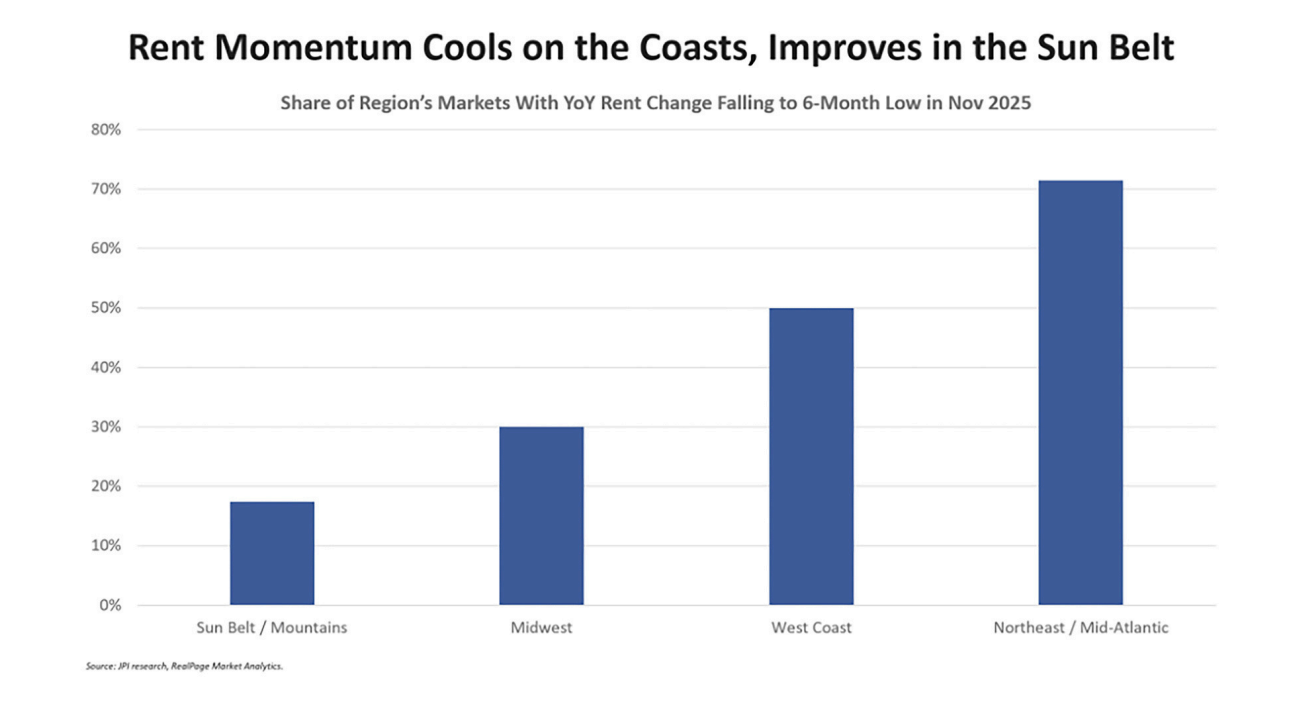
Here's how *CoStar worded it*: "The seasonal trends have been more severe this year, but a moderating trend appears to now be underway."

Similarly, RealPage reported that a "*slowdown to the progressive decline*," a fancier way of saying the same thing.

I would classify both statements as "**green shoots**." And it's showing up primarily in the supply-drenched Sun Belt via renewed pricing ***momentum***.

In nearly three-fourths of the high-supplied Sun Belt and Mountain region, year-over-year rent change is IMPROVING from the low points of the prior six months. Conversely, rent growth has decelerated in most coastal markets (though to modest degrees in most cases, with notable exceptions in D.C. and Boston).

So, ***momentum*** is shifting back in favor of the Sun Belt as its primary headwind (supply) gradually subsides … Of course, ***momentum*** is different from actual rent ***growth***. (The coasts and Midwest continue to dominate the rent ***growth*** leaderboard.) In most cases across the Sun Belt, it just means that while rents continue to decline, the pace of decline is moderating.



Compared to six months ago, year-over-year rent change has improved (read: less negative) in a number of high-supply markets, according to RealPage data. That list includes Atlanta, West Palm Beach, Memphis, Jacksonville, Fort Lauderdale, Orlando and Virginia Beach. More recently, Dallas/Fort Worth and Nashville have shown progress, too, among others.

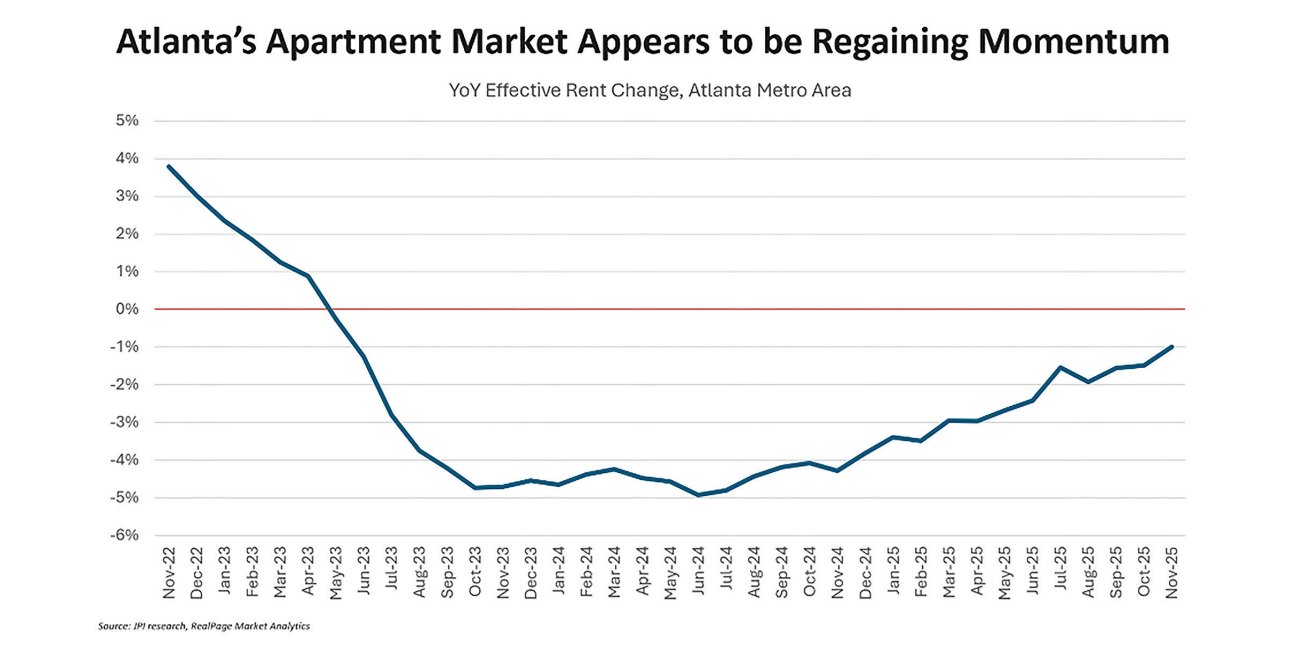
Yardi recently reported similar green shoots on the occupancy front: "Several high-supply markets—led by Atlanta (0.9% year-over-year), Charlotte (0.5%), Phoenix, Nashville and Orlando (all 0.3%)—posted occupancy gains due to strong annual absorption. Even Austin and Denver, which were flat year-over-year, managed to avoid declines."

*** Just to be super clear before we go deeper: This DOES NOT imply a full-blown rebound is around the corner for the Sun Belt. We'll likely see a choppy, uneven recovery. Don't be surprised to see a two-steps-forward, one-step-back dance pattern. ***



IN THE SEARCH FOR GREEN SHOOTS, ONE BIG SUN BELT MARKET STANDS OUT: ATLANTA.

Look at this chart showing year-over-year effective rent change in the Atlanta metro area. It's still negative, but the pace of declines has moderated from nearly -5% in summer 2024 to -3.4% in early 2025 to -2.7% six months ago … and now to -1%. In terms of momentum over the last six months, that's improvement of 170 bps and that's the best improvement among all of the top 50 largest metro areas. Even better than San Francisco, though obviously San Francisco is seeing a lot more actual rent growth.



Again: I'm talking about ***MOMENTUM*** here, the change in the change. And this is exactly what you'd expect to see in a recovery – reduced spreads between high-supply and low-supply markets. That momentum correlates with a big drop off in new supply across Atlanta. Still supply to work through, yes, but it's past the peak and coming down fast.

We're also seeing units in Atlanta start to lease a little bit faster. It's nothing like it was in 2021-22, of course, but the number of average vacant days between leases has improved in each of the past two months compared to the same time a year ago, according to RealPage data.

That's an early sign (**green shoot!**) of the pattern everyone is looking for – lesser supply, lesser availability, more leasing momentum.

Another possible green shoot? In a number of high-supply markets like Atlanta, CoStar data shows vastly more demand for higher-tier apartments than for lower-tier apartments. That's not terribly surprising given the supply wave is heavy on Class A product, but it's an indicator that there's heavy demand for the newer units that should aid the rebound as supply wanes.

The same is increasingly true for rents. Despite supply pressures, *Class A is outperforming* Class B and Class C in many high-supplied markets, including Atlanta.

Yes, there's still a long ways to go in Atlanta and other high-supplied markets. But that incremental improvement in leasing appears to support the gradual pullback we've seen in the depth of rent cuts.

For a **green shoot** to turn into a full green field, we obviously need to see that momentum sustained. It's going to take some time to lease up the biggest supply wave in a half century, and the direction of the economy these next few months will play a big role.

As noted earlier, the path to recovery will likely be choppy, with ups and downs along the way.

CASE IN POINT



Look at **Tampa**. Six months ago, Tampa rents inched up into positive territory. It looked like Tampa was going to be an earlier-recovery market. But it's trended the opposite direction of Atlanta over the second half of 2025, losing momentum in pricing.
(Tampa's supply wave also extends later than most other Sun Belt markets, so that's likely a factor there.)

BOTTOM LINE

Green shoots in the Sun Belt are real, but there's a long way to go before we have a green yard.



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