

X-CALIBER

MULTIFAMILY MARKET UPDATE

by Jay Parsons



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Could Q4 Mark the Bottom for Rents?

IN THIS ISSUE

- **A clear recap of the four core rental metrics—absorption, supply, occupancy, and rents—and what each one suggests heading into 2026.**
- **Insights on why data providers can show different absorption stories during inflection points (and how to interpret the gaps).**
- **A concise look at supply pressure: what's easing, what's still lingering from 2024–2025 deliveries, and why that matters for lease-ups.**
- **Regional views on rent momentum, including where results diverge meaningfully (and where they don't).**
- **The rental outlook for 2026, framing the key swing factors: jobs, lease-up pace, concessions, and rent-roll dynamics.**

December brought more of the same for the U.S. apartment market – a bag of mixed signals. Looking for green shoots? You can find some. Looking for reasons to worry? You can find some of that, too.

But I think we can safely conclude a few things:

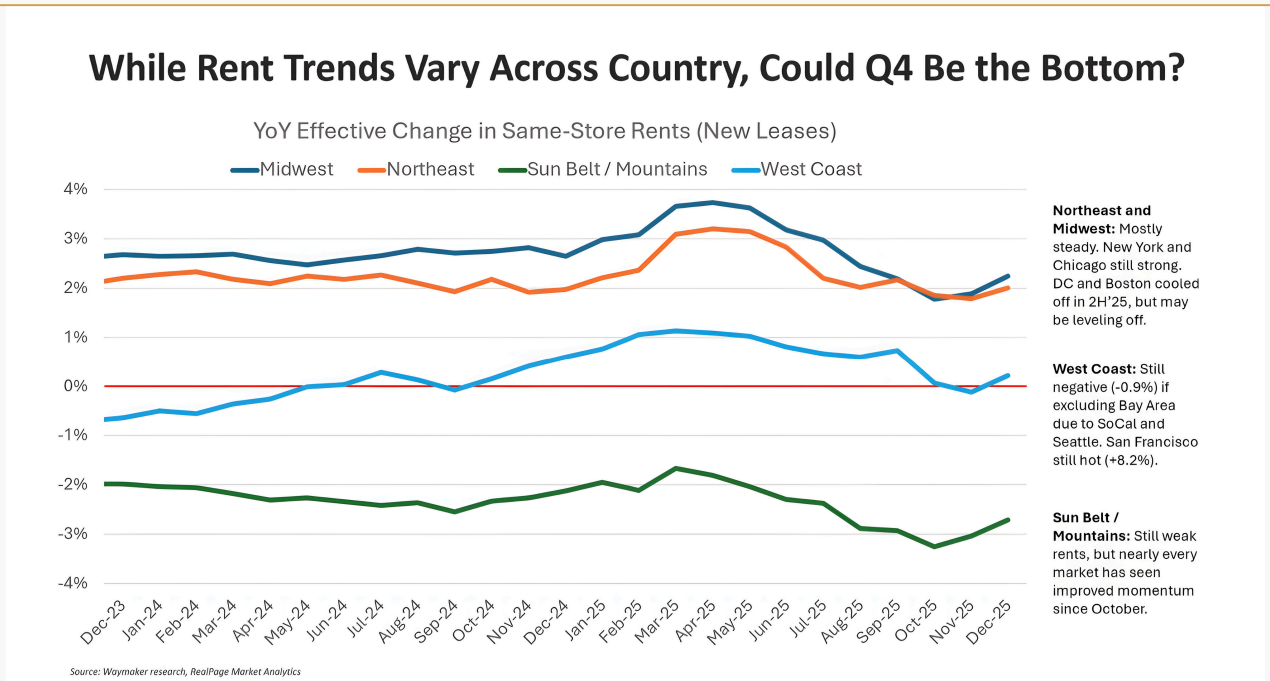
1. The winter months rarely tell us much, as it's a seasonally slower period. This winter looks no different.
2. After a softer-than-usual summer and fall, the winter feels more normal – some seasonal backtracking, but nothing dramatic.
3. We'll know a lot more as the weather heats up, and spring leasing season kicks into gear.

CoStar put it this way: "Supply pressures remain elevated, tempering momentum, but December data indicates a possible gradual return to more typical rent growth patterns in 2026."

I think that's a fair take. Backing that up: Both CoStar and RealPage reported improved rent *momentum* in December.

With 2025 in the books, let's recap where we are with different key metrics.





ABSORPTION

Absorption is moderating off the peaks (as expected, even absent a softer job market), but still solid. *Here's how Yardi phrased it:* "Although record absorption helped offset new deliveries in the first half of the year, absorption has since moderated, even as it remains healthy by historical standards."

We'll likely see less absorption in 2026 simply as a function of less supply, so there's less available to absorb. So long as supply drops even faster than absorption, that's not a problem because it means improving vacancy. But if absorption cools faster than supply, that's a different scenario … and could be symptom of a soft economy or of weak consumer confidence.

Lastly: Don't be surprised to see wildly different absorption numbers by data provider. In an inflection point period like this one (supply dropping off), much of that will trace to methodology nuances in how each provider estimates the timing of lease-up absorption. It usually balances out in the long run.

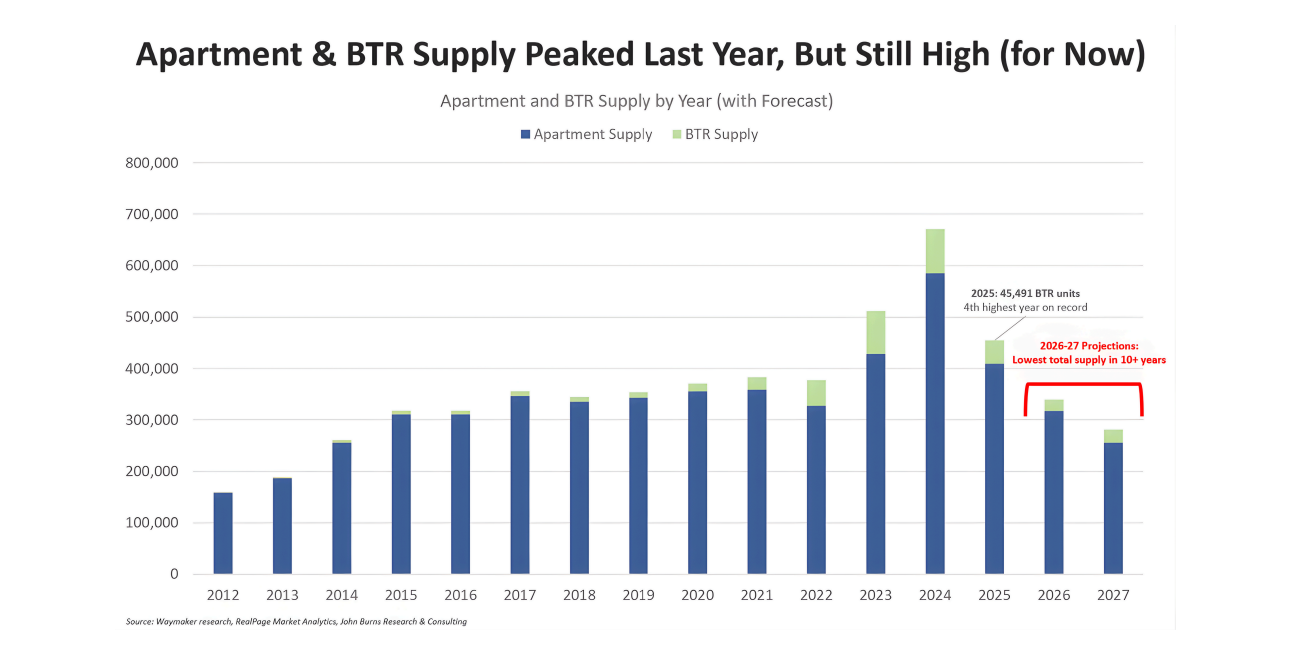


SUPPLY

New apartment deliveries dropped substantially from the historic peaks of 2024, but 2025 still marked the third-highest tally since the mid-1980s … behind only 2024 and 2023. So it's still a bunch – and that pushes lots of concession-rich lease-ups into 2026.

The good news for operators is that deliveries should drop to 10-year lows in 2026. Supply is plunging all over the country in markets of all types and regions and sizes. One notable exception is Phoenix (especially the West Valley), which still has a lot to work through.

On the flip side, relative to each market's pre-pandemic norms, supply in 2026 is scheduled to drop comfortably below normal in Nashville, Dallas, San Antonio, Denver and Salt Lake City. (Of course, those markets have to work through 2024-25's massive lease-up volumes before seeing upside from the supply slowdown.)



OCCUPANCY

This metric varies a lot depending on your favored provider, but regardless, occupancy rates have generally held up pretty well when factoring in back-to-back-to-back years of massively high supply levels. That speaks to the strong demand tailwinds.

Yardi noted "one notable bright spot is occupancy, which has remained firm as more renters stay in place." *RealPage* reported a rather modest 20 bps decline in stabilized occupancy for 2025. *Radix reported a similar decline of 29 bps*. *CoStar* and *ApartmentList* have been a bit more sour on occupancy change, likely reflecting differing methodologies.

Yardi noted slight improvement in higher-tier properties, partially offset by slight declines in lower-tier properties. CoStar, too, has reported nearly all net absorption in this cycle has gone toward Class A/B apartments, while Class C has seen negative absorption at times.

That's evidence of filtering, and one of the under-told stories of this cycle – a persistent flight to quality, not to affordability.

RENTS

All the major data providers continued to show year-over-year rent change (for new leases) within whispering distance of 0% nationally. Concessions continue to tick upward, too. But after a softer-than-usual summer and fall for rents, the trends didn't further decelerate in *December*.

For December, *CoStar reported a +0.1% month-over-month increase*, "a reversal of the previous five consecutive month trend of flat or negative monthly rent change." And *CoStar reported month-over-month rent gains* in December everywhere EXCEPT the West region of the country.

RealPage data even showed modest momentum in the last two months of the year; and if that holds, that would suggest October 2025 marked the bottoming for rents.

Of course, the trends vary not only by region, but by markets within regions.

In the Northeast and Midwest, it's still mostly steady. New York and Chicago still came in strong. D.C. and Boston cooled off in the second half of 2025, but showed signs of leveling off in December.

On the West Coast, San Francisco and San Jose are carrying the region (and the country, in San Francisco's case). Seattle has flattened off for now. Los Angeles remains weak, and other parts of SoCal could be cooling a bit as well.

In the Sun Belt and Mountain regions, rents are still weak. (Except in Virginia Beach/Norfolk, which has climbed up the national leaderboards, according to both *RealPage* and *CoStar*). RealPage data shows nearly every market in these high-supplied regions has seen improved momentum since October. By "momentum," I mean "less negative" in most cases. As I wrote last month, *there are signs of early green shoots across the region*. (But there's a long ways to go, of course.)

THE OUTLOOK

For a lengthier rundown, *check out this episode of The Rent Roll podcast*, where I shared 15 predictions for 2026.

High level: We know supply is coming down sharply, but there's still a lot of supply from 2024-25 to work through lease-up. How fast that stuff leases up will likely dictate how fast rents rebound. And your view of recovery pace will be shaped by your view of the economy. But if the job market finds it footing, there's good reason for moderate optimism.

The consensus forecast for apartment rents seems to be in the 1-2% range. If the economy does indeed hold up and we get some job growth, I'd take the "over" on that. I don't think we'll burn off all the concessions in one leasing cycle, but even moderate concession burn-off would bump up effective rents in 2026. We've seen in past recoveries (especially the early 2010s) gradual concession burn-off spur an initial bump in rents before rent growth levels normalize. (In that scenario, I'd also bet we see a Sun Belt market or two jump up the rent growth leaderboard.)

Plus, after three straight years of no rent growth (and wage growth surpassing rent growth), operators will be itching to notch some rent growth in 2026. And getting at least some new lease rent growth matters more in 2026 than in 2023-24-25 for one big reason: If new lease rents keep falling (especially in higher-supplied markets, where renewal rents have outpaced new lease rents for 3+ years), operators probably won't be able to keep leaning on renewal rent growth to protect revenues.

Without notching at least some new lease rent growth in the first half of 2026, many *operators could face inverted rent rolls and gain-to-lease*. In simpler terms, that means your current renters are paying more than your new/prospective renters (because new lease rents have fallen below in-place rents and/or renewal offers), so then you have to decide whether to offer rent cuts upon renewal or gamble with a modest increase and hope it doesn't backfire with higher turnover.



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