

The Inflection Point for U.S. Multifamily Markets

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Jack Robinson, PhD

Chief Economist & Head of Research

EXECUTIVE SUMMARY

U.S. multifamily is moving steadily to an expansion phase of the cycle. Our analysis of the 50 largest markets shows nearly half are already in **Early Expansion**—occupancy is above historical levels and rent growth momentum is accelerating. By **mid 2026**, we expect **40 of 50** markets to be in this phase, assuming absorption trends track the 2017–2019 average.

What's driving this shift?

- Demand has normalized: household formation and in migration to high growth markets continue; elevated ownership costs extend renter tenure.
- Supply is decelerating as the development pipeline rolls off, allowing occupancy to tighten and concessions to burn off.
- Fundamentals improve first where new supply has peaked, and employment remains resilient.

Following a typical late-cycle supply surge and an associated decline in rent growth, many U.S. multifamily markets are entering an expansion phase in terms of fundamentals. Our market-by-market analysis of the 50 largest metros areas shows a transition from stabilization to growth—supporting our high conviction for the asset class.

THE INFLECTION POINT IN U.S. MULTIFAMILY MARKETS

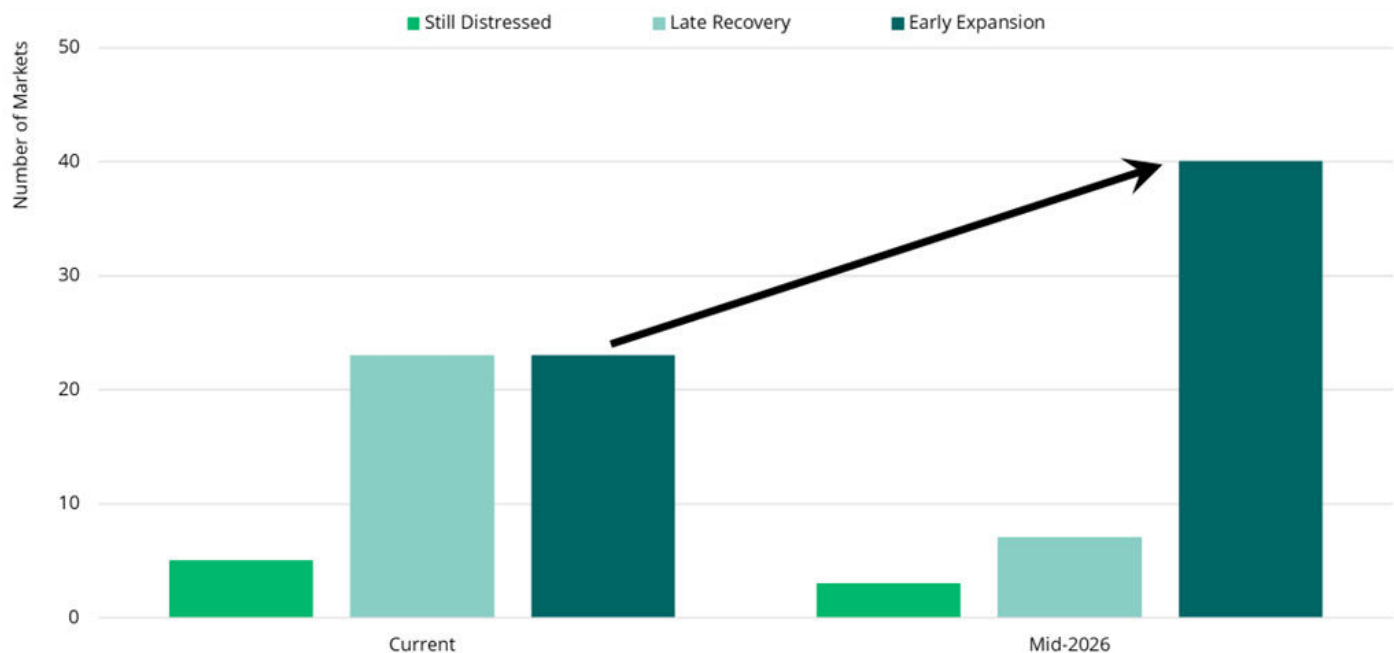
We can segment markets into three phases: **Still Distressed** (where occupancy is below each market’s historical average and rents decline), **Late Recovery** (occupancy near average with flat to modest rent growth), and **Early Expansion** (occupancy above average with accelerating rent momentum). As of mid-2025, nearly half of the largest 50 markets are already in this Early Expansion phase. By mid-2026, **Bridge analysts expect 40 of the 50 markets to enter Early Expansion**, with accelerating rent growth and above-average occupancy, assuming absorption trends align with the 2017-2019 average.

What is driving the turn? Demand has normalized as household formation and in-migration to high-growth markets continue, while elevated costs of homeownership keep renters in place longer. At the same time, new supply is decelerating quickly as the development pipeline rolls off. The result: occupancy continues to rise and rent concessions to burn off. As fundamentals improve, we anticipate rent growth will rebound from late-cycle lows—first in markets where new supply has

crested and where employment remains resilient. **The implications for multifamily investing are clear, in our view. This is an opportune time in the cycle.** Acquisitions in Late Recovery and Early Expansion markets can position portfolios to capture the next leg of net operating income (“NOI”) growth as occupancy moves above trend and leasing velocity improves. We believe further advantages to capturing value can be achieved through hands-on operations and asset management, while at the same time prioritizing submarkets with moderating deliveries and measurable absorption.

In our view, the cycle has turned. With almost half of major markets already in expansion—and the majority poised to join them by mid2026—the opportunity set in U.S. multifamily is compelling. We believe this is a crucial moment to lean into high-quality assets in submarkets with attractive fundamentals to capture value as the expansion gathers momentum.

Many of the Largest U.S. Metros Are Shifting to Expansion¹



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