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2026 Multifamily Market Outlook

A NEW DEVELOPMENT CYCLE IS TAKING SHAPE

JUNE 2026



After several years of elevated deliveries, the multifamily market is entering a period of sharply reduced new supply, healthy renter demand, and improving near-term rent growth expectations. We believe the next phase of the cycle presents a compelling opportunity for disciplined development in high-growth markets.

Now Is A Compelling Time For New Multifamily Development

1

MUTED NEW SUPPLY FOR SEVERAL YEARS

New multifamily starts have plummeted more than 60% from their 2022 peak and are expected to remain muted for several years. New deliveries are expected to be 21% below typical levels throughout 2028-2030.

2

STRONG RENTER DEMAND KEEPING OCCUPANCIES HEALTHY

A moderating supply pipeline is being met by robust renter demand, keeping occupancy rates in stabilized properties healthy across the country at approximately 95%, with occupancy expected to remain at that level.

3

RENT GROWTH POISED TO OUTPERFORM

As supply pipelines continue to absorb, rent growth acceleration should follow. For markets that were most impacted by the recent supply wave, rent growth is expected to outperform historical trends for several years. Stronger rent growth and stable operating costs are the key drivers to increased NOI.

4

VALUE GROWTH DRIVEN BY BUYER DEMAND

With improving property fundamentals, asset values are expected to rise as domestic and international investors re-enter the market with a clear path to underwrite rent growth and a more normalized operating environment resulting in a transaction market that should return to, and ultimately eclipse, pre-pandemic levels.

5

POWERFUL TAILWINDS DRIVE THE LONG-TERM OUTLOOK

A housing shortage of 3.5 million homes, fewer homes for sale, persistently elevated homeownership costs, delayed major life milestones, and lifestyle choices are keeping renters renting for longer. Today, owning a home is more than 62% more expensive each month compared to renting one.



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Market Insights

2026 Multifamily Market Outlook

PREPARED BY MATT VANCE, CHIEF MARKET STRATEGIST & ECONOMIST

Dear Valued Partners,

Welcome to the 2026 market outlook.

The multifamily development cycle is now clearly shifting. New multifamily project starts have fallen more than 60% from their 2022 peak due to softer operating fundamentals, higher financing costs, tighter lending standards, and elevated construction expenses. Nationally, starts have stabilized at levels roughly 27% below typical pre-pandemic averages. In some higher supplied markets where Thompson Thrift is focusing developments, starts are down as much as 70-80% from their 2022 peak.

As a result, the industry is expected to enter an extended period of below-average new deliveries over the next several years. That slowdown in new supply will allow renter demand to catch up with the large volume of supply delivered in recent years. This rebalancing of supply and demand is expected to produce rent growth in line with (or above) historical trends.

As we look beyond the lingering near-term challenges created by a historic wave of new multifamily supply, we remain bullish on the long-term outlook for U.S. apartment performance. The underlying drivers of renter demand remain strong, and we expect U.S. multifamily will remain one of the most attractive real estate sectors globally.

In markets where elevated new supply remains a short-term headwind, operators are currently competing more aggressively through lower asking rents and increased concessions to fill newly delivered units and encourage household formation. Importantly, that strategy is working, and occupancy rates have remained relatively stable despite the pressure on top line revenue. Looking ahead, many of these same markets (including Denver, Phoenix, Dallas, and Atlanta) are expected to remain important drivers of U.S. economic growth. These markets continue to benefit from several long-term tailwinds, including a structural housing shortage, job and population growth, domestic migration, limited homeownership affordability, and evolving renter preferences.

While ongoing macroeconomic uncertainty has pushed consumer sentiment near its lowest levels in decades, many economic indicators continue to point to healthy underlying growth. We remain confident that the fundamental drivers of the U.S. economy are intact and will support modest expansion over the next several years as projected by Morgan Stanley (May 2026) and JP Morgan (May 2026) and many others.

This annual update explores the key trends shaping our outlook for the U.S. multifamily sector, including supply and demand dynamics, affordability, demographics, rent growth, and capital markets.

We believe the most attractive opportunities will be found in markets where there is strong long-term fundamentals, including job growth, population growth, household formation, and constrained homeownership affordability.

SUPPLY

With a national housing shortage estimated at roughly 3.5 million homes, the multifamily sector is playing an increasingly important role in the U.S. housing market. Most of that shortage stems from an undersupply of single-family housing. While recent multifamily deliveries have created near-term pressure in certain markets where new supply was concentrated over a relatively short period of time, the overall multifamily market is close to fully absorbing the heavy supply of the past few years.

**50%
DECLINE**

Units under construction have fallen significantly from their 2023 peak.

The number of units under construction peaked in 2023 at approximately 1.1 million and have since fallen 50% to just 550,000 (15% below pre-pandemic levels). Given the lower number of starts in recent months, this figure is expected to continue declining.

As fewer new project starts translate into an extended period of below-average completions, we expect continued population growth in our target markets will drive demand above future supply levels.

RENTER DEMAND & OCCUPANCY

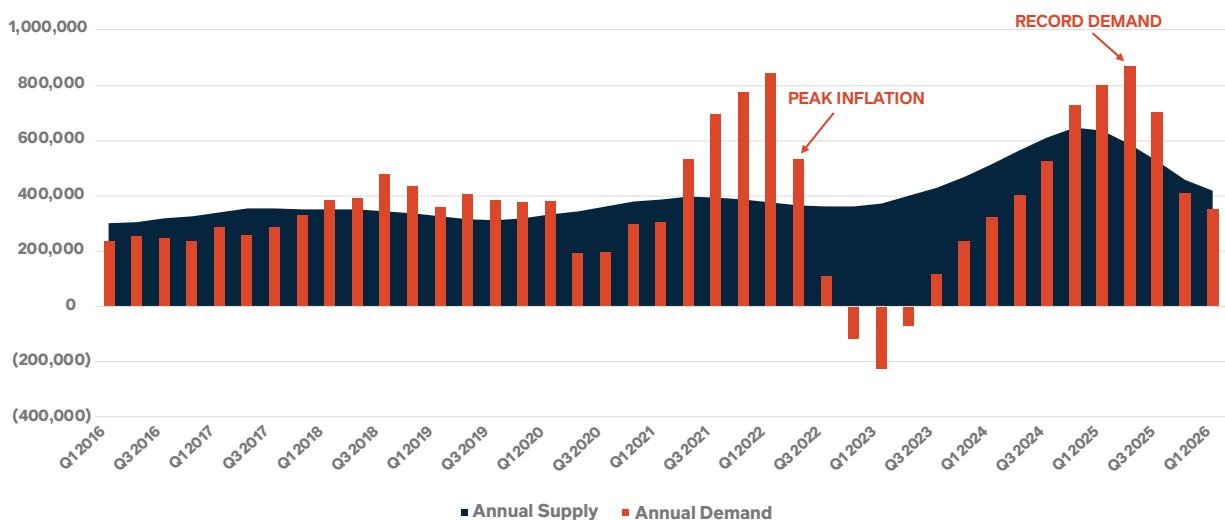
Renter demand has remained remarkably resilient despite historically high levels of apartment deliveries over the past few years. In most markets, demand has largely kept pace with new deliveries, even in fast-growing Sun Belt metros where apartment inventory has expanded dramatically over the past five years.

Markets like Austin, Charlotte, and Nashville have each expanded apartment supply by 30% or more during this cycle, yet none have experienced the type of severe occupancy declines typically associated with long-term oversupply.

One reason occupancy rates have remained relatively stable is that operators have prioritized keeping buildings full by offering concessions and reducing asking rents. During the second half of 2025, when renter demand temporarily softened, many property owners accepted rent cuts and concessions in exchange for maintaining stronger occupancy levels. Encouragingly, many markets are now beginning to see concessions gradually decline while occupancies remain steady, signaling that fundamentals are improving beneath the surface.

Apartment demand has also remained healthier than many expected despite a slower labor market. Fewer renters are transitioning into homeownership due to affordability challenges with home buying, while many existing renters are renewing leases and staying in place longer.

Demand For Multifamily Housing Looks Healthy On An Annual Basis



Looking ahead, we expect gradual labor market improvement and sharply lower new supply deliveries to support stable occupancy rates and accelerating rent growth over the next several years, according to many forecasters like Oxford Economics, RealPage, Inc., CBRE Econometric Advisors, CoStar, and more.

AFFORDABILITY

The affordability gap between renting and buying remains historically wide. On average, the monthly cost of homeownership is still roughly 60% higher than renting, well above long-term norms and putting homeownership out of reach for most renters today.

Since 2019, a persistent national housing shortage has helped drive home prices roughly 50% higher (according to numerous sources), while elevated mortgage rates have further compounded the affordability challenge. In addition, over 50% of homeowners with mortgages today have rates locked in below 4%, creating a powerful “lock-in effect,” as existing homeowners are reluctant to sell and finance a new home at today’s much higher borrowing costs. As a result, the supply of homes available for sale remains constrained, limiting downward pressure on home prices.

↑ 60% HIGHER

Estimated monthly cost of owning compared to renting.

We expect renting to remain meaningfully more affordable than homeownership for at least the next several years. This dynamic is especially pronounced in higher-cost markets and fast-growing metros in the Sun Belt and Mountain regions such as Boise, Salt Lake City, Denver, and Dallas.

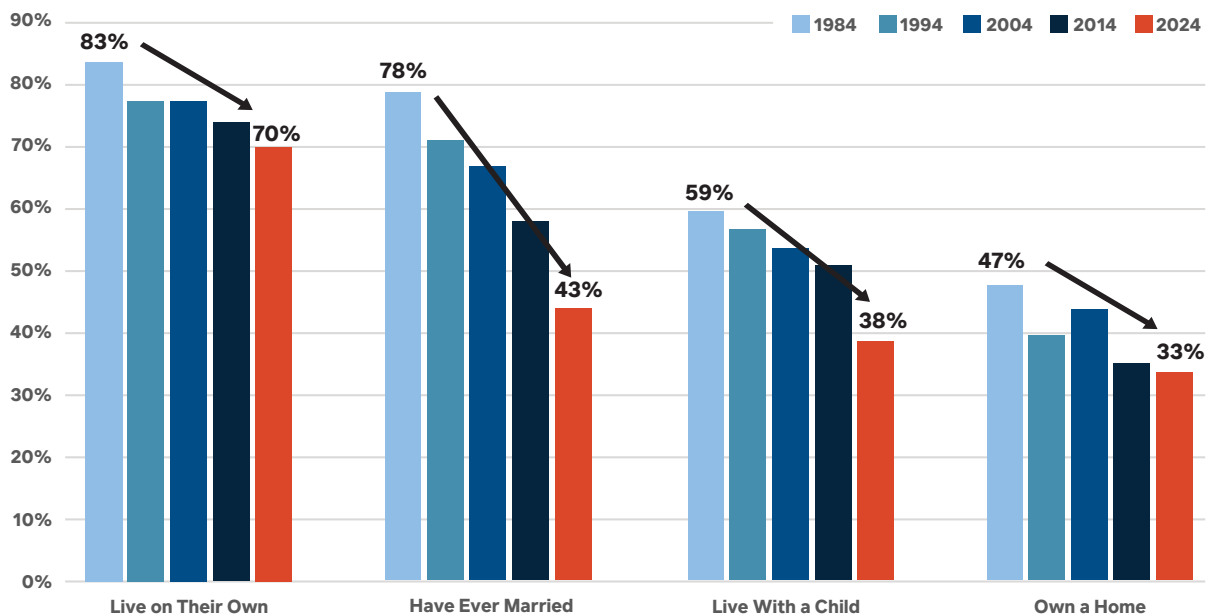
DEMOGRAPHICS

Demographic trends and lifestyle choices continue to support long-term apartment demand.

Younger and middle-aged households are increasingly renting for longer before transitioning into homeownership, largely due to affordability pressures and changing lifestyle preferences. Higher home prices, elevated mortgage rates, and broader economic uncertainty have made homeownership less attainable for many households.

At the same time, many Americans are delaying major life milestones such as marriage, family formation, and home purchases. Cultural preferences have also evolved, with many renters placing greater value on flexibility, mobility, and reduced maintenance responsibilities.

Share Of 30-Year-Olds Reaching Adult Milestones



These trends are helping extend the average renter-lifecycle and are expected to support strong apartment demand over the coming years. Also supporting our outlook for apartment demand is the continued domestic migration trends and population growth in our target markets.

RENT GROWTH & NOI GROWTH

Historically, apartment rent growth has followed a relatively predictable long-term trend. Following the pandemic, however, renter demand surged to unprecedented levels, causing rents to spike rapidly in 2021 and early 2022.

Multifamily developers responded quickly to meet that demand with new housing units, but by the time much of the new supply began delivering, market conditions had begun cooling. As a result, rents softened across many markets as operators competed to lease newly delivered units through lower asking rents and increased concessions.

In many markets, rents have now fallen back to (and even well-below) their long-term trend levels. In some cases, rents sit more than 15% below their previous peak.

As the remaining supply wave is absorbed nationally, we expect a period of several years where rent growth is in line with (or above) historical averages. That said, given ongoing macroeconomic uncertainty, we believe a more conservative underwriting approach, as we are implementing, remains appropriate in the near-term, allowing for greater upside and outperformance than downside risk.

Markets like Reno and Boise saw their supply pipelines cool earlier in the cycle, allowing excess inventory to be absorbed sooner. As a result, rent growth in those markets has already returned to healthier levels. Other markets like Atlanta and Jacksonville are not far behind these leaders. These supply pipelines have nearly been absorbed and rent growth has improved (albeit still slightly negative) for nearly two years.

Because operating expenses have largely stabilized, improving rent growth should also support a recovery in net operating income and property values.

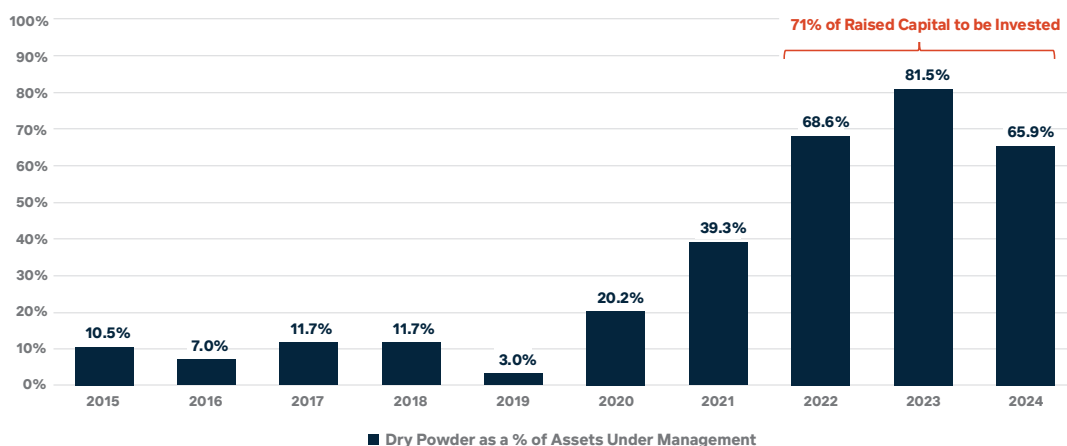
Following the pandemic-era rent surge and subsequent supply-driven correction, many markets are now positioned for gradual recovery. As concessions moderate and new deliveries decline, improving rent growth should support NOI expansion and property values.

CAPITAL MARKETS

Multifamily investors remain selective as they wait for visible evidence that rent growth is sustainably rebounding. Even so, transaction volumes have largely returned to pre-pandemic levels, with investors continuing to focus on high-quality, well-located Class A assets.

Over the next several years, we expect property value growth to accelerate as rent growth and net operating income recover alongside stable cap rates and improving investor sentiment.

Investors Eager To Deploy Raised Capital



Large amounts of institutional capital remain on the sidelines waiting for greater clarity around operating fundamentals. As confidence in rent growth improves, investors are likely to become more aggressive with underwriting assumptions, increasing competition for quality assets and supporting higher valuations.

Looking further ahead, we expect multifamily transaction activity to grow meaningfully, potentially reaching \$200–250 billion annually by 2028.

MACROECONOMIC OUTLOOK

The U.S. economy continues to navigate a complex environment in mid-2026, though most indicators still point toward continued, moderate expansion. We expect GDP growth to remain in the low 2% range this year, supported by resilient consumer spending, business investment, and strong capital markets.

An important driver of recent economic momentum has been the ongoing AI investment cycle, which has boosted technology spending, manufacturing activity, and productivity growth. Additionally, the 2025 Tax Bill has encouraged significant investment in manufacturing that is intended to pave the way for both construction and permanent jobs in the coming years. Meanwhile, the current labor market has softened into a slower hiring environment but remains relatively healthy overall.

Geopolitical uncertainty has emerged as the primary risk to any economic outlook. The conflict involving Iran has pushed energy prices higher and contributed to inflation moving back above 3%, largely through fuel and transportation costs. While we expect these inflationary pressures to gradually ease into 2027, the recent rebound has reduced expectations for interest rate cuts and pushed Treasury yields higher.

For commercial real estate, this likely means future returns will rely more heavily on income growth and operating performance rather than the cap rate compression that drove prior cycles. This has guided our underwriting assumptions which are focused on NOI growth and capital market expansion and not lower interest rates or compressing cap rates.

CLOSING THOUGHTS

Despite continued macroeconomic and geopolitical uncertainty, we remain confident in the long-term outlook for both the U.S. economy and the multifamily sector. Strong demographic trends, resilient renter demand, improving supply fundamentals, and historically favorable affordability dynamics continue to support multifamily performance across our target markets. Future supply and demand dynamics combined with construction and land costs that have moderated meaningfully from recent peaks, create an attractive development cost basis. We believe the current environment presents a compelling opportunity to begin new multifamily projects in select markets that will be positioned to benefit from this next phase of market growth.

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