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Reaching a turning point, US apartment forecast shows demand outpacing supply by year-end

Vacancies are projected to decline throughout 2025

Houston exemplifies the national shift underway, with apartment absorption expected to outpace new supply in the market by late 2025. (Getty)

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The latest U.S. multifamily property forecast sees an important shift underway in the balance between supply and demand.

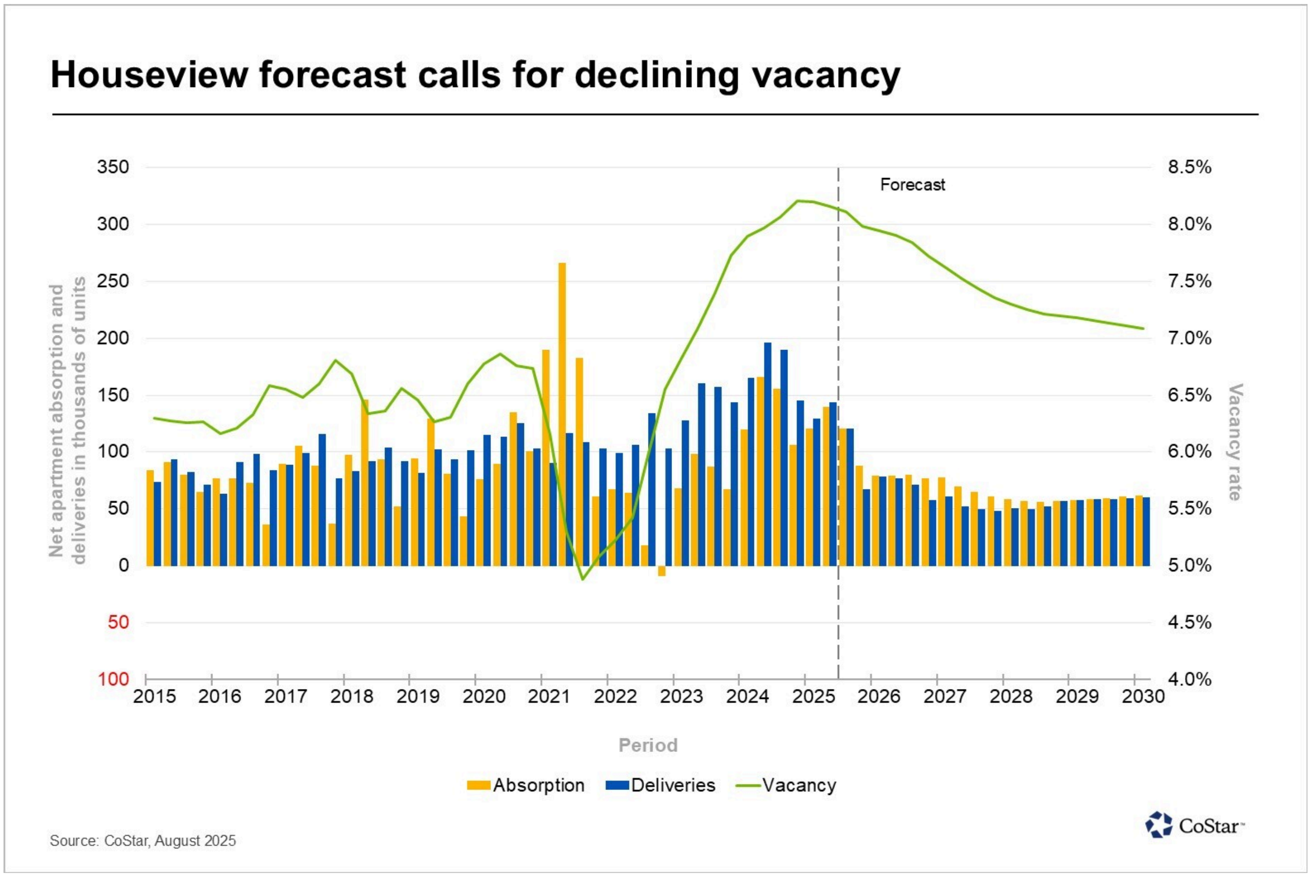
For the first time since the initial three months of 2022, a key demand indicator is projected to exceed new apartment completions by the fourth quarter of this year. That indicator, known as annual absorption, or the net change in occupancy, is projected to remain above average as apartment completions decline by roughly 34% over the next year.

This turning point should accelerate an overall decline in vacancy to below 8% throughout the remainder of 2025 and to dip below 7.75% by the fourth quarter of 2026.

While the overall U.S. apartment vacancy rate is expected to decline, stabilized vacancy, which refers to apartments that have been on the market for a certain period and are no longer in the initial lease-up phase, is forecast to inch upward through 2027 until the market is able to address the glut of available units that built up over the past two years.

New apartment developments in the lease-up phase should capture strong renter demand, particularly in higher-quality four- and five-star-rated segments, where absorption has already outpaced the increase in supply.

The average vacancy for four- and five-star-rated units has declined 60 basis points from the 2024 year-end peak of 11.8% and is forecast to fall another 60 basis points by year-end. Even so, stabilized vacancy for this segment is forecast to increase by 20 basis points before peaking in the fourth quarter of 2026.



As the overall vacancy begins to recede, many U.S. multifamily markets are likely to see gradual rent growth in upcoming quarters. Year-over-year asking rents are forecast to rise from an average of 0.9% in the second quarter to 1.5% by the fourth quarter of 2025. However, this rent-growth forecast represents a 90-basis point downward revision from last quarter, reflecting weaker economic projections and a lack of momentum in second-quarter rent trends.

The risks to this forecast appear balanced. While a weakening labor market could delay net absorption in oversupplied Sun Belt markets, an undersupplied U.S. housing market will likely help to sustain ongoing multifamily demand, as it did through the pandemic and the Great Recession of 2007-2009.

Meanwhile, the fiscal expansion expected from the passage of the One Big Beautiful Bill Act could provide a boost to the economy beginning in mid-2026 to early 2027. However, lower immigration is projected to constrain growth in the labor force and employment through 2030, which could weigh on multifamily demand.

As a result, only a modest decline in the U.S. apartment vacancy rate is forecast over a five-year horizon, with rent growth averaging 2.4% annually, trailing historical averages.

This stubborn vacancy and subdued rent trajectory reflect a market still recalibrating from a historic supply wave, even as projected demand for apartments remains intact.

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