

Private US multifamily real estate looks attractive

Insights
April 2026

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US multifamily real estate is entering a more attractive phase, as new supply peaks, homeownership stays costly, and pricing resets create potential opportunities for long term investors.

Multifamily housing—professionally managed private rental apartment communities—offers many of the characteristics public market investors seek: resilient cash flows, transparent data, and diversification relative to traditional equity and fixed income.

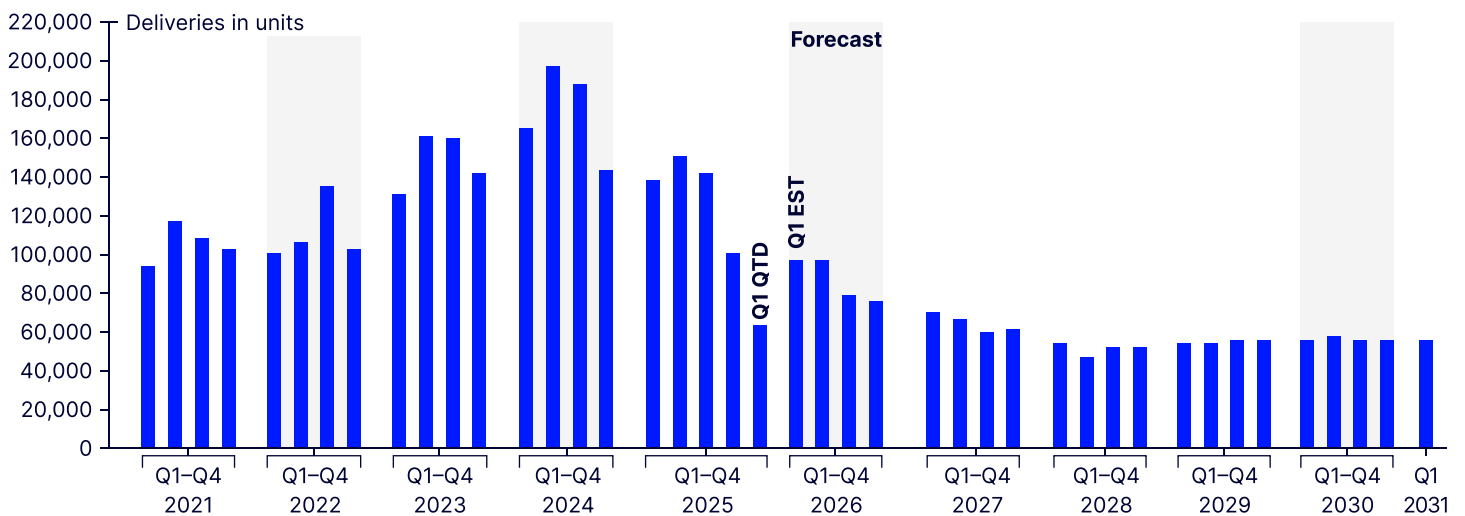
After a period of rapid new construction and sharply higher interest rates, the sector has undergone a

meaningful reset. Today’s environment combines more attractive entry pricing with strong underlying demand, making this a compelling moment for long-term investors to allocate to multifamily assets.

Peak new supply is passing

The wave of apartment construction that surged in recent years is now cresting, reducing the risk of oversupply going forward. Q4 2025 US multifamily deliveries fell roughly 30% versus Q3 2025, and Q1 2026 new supply is projected to be nearly half of Q3 2024 levels at only about 100,000 units. Across the US, developers have pulled back, with construction starts at their lowest level in over a decade, which means far fewer new units will come to market in 2026 and 2027.

Figure 1: New development is slowing despite housing crisis



Source: CoStar Multi-Family National Report, as of February 25, 2026.

This construction slowdown is occurring even as a large US housing shortfall remains unresolved. With new development moderating and fewer new deliveries on the horizon, existing multifamily assets face less future competition. Investing now allows buyers to acquire properties before the supply–demand balance tightens. As new supply wanes, occupancy and rent growth are widely expected to strengthen, lifting property performance and values.

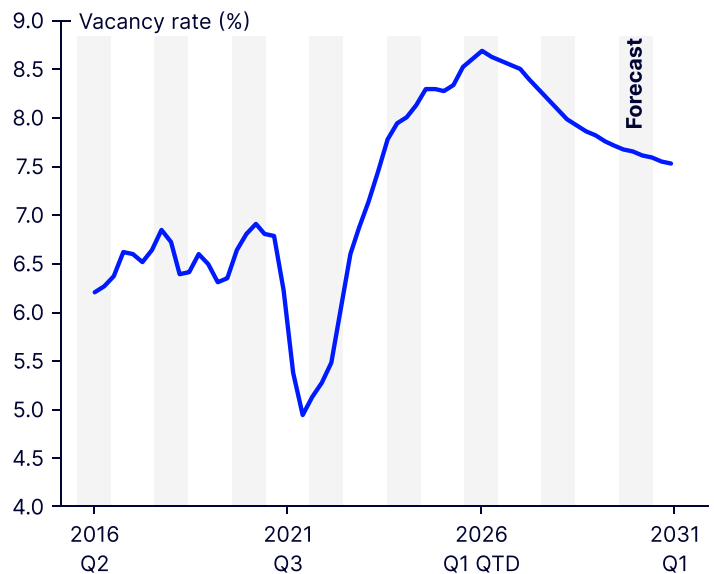
Robust demand and a persistent housing shortage underpin long-term occupancy

Underlying demand for apartments remains very strong because the US still has far more renters than available homes. Estimates of the national housing shortfall vary, but all point in the same direction: Moody’s puts the deficit at 2 million homes, Goldman Sachs at 3 million, Zillow at 4 million, Brookings at 5 million, and McKinsey at roughly 8 million. Whatever number you prefer, the implication is clear: any near-term softness in rents or occupancy is likely to be cyclical rather than structural.

The recent data supports this view. In 2025, the US recorded exceptionally high apartment absorption—over 350,000 net units—making it the third strongest year for rental demand in the past 25 years. Demographic trends (Millennials and Gen Z forming households) and lifestyle shifts (greater preference for flexibility and renting) continue to support steady rental demand. Cushman & Wakefield, for example, notes that favorable demographics and the large unmet housing need contributed to above normal leasing activity even amid macroeconomic uncertainty.

Even though a lot of new housing came into the market in 2023–24—pushing vacancies slightly higher—most properties, on average, were still more than 91% occupied. As renters move into this new supply, forecasts expect vacancy rates to start falling again over the next year. For investors, this combination of high occupancy and steady demand should support confidence that properties bought today can stay full and generate reliable cash flow.

Figure 2: Vacancy rates increased moderately



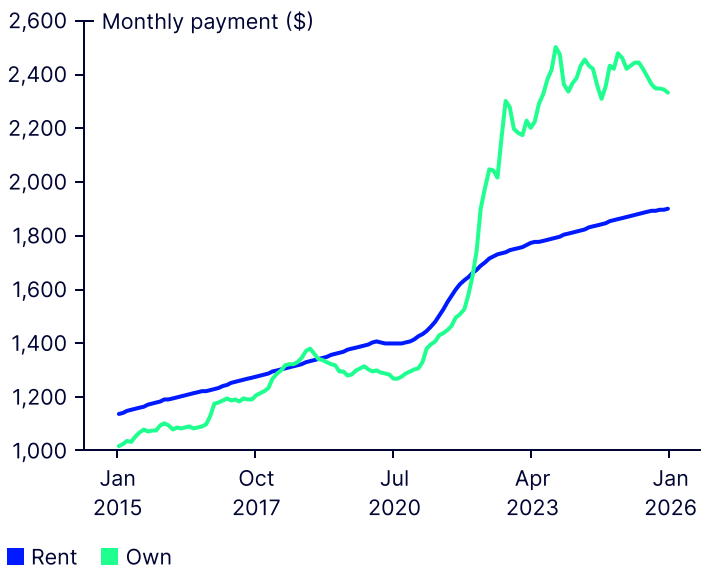
Source: CoStar Multi-Family National Report, as of February 25, 2026.

High continued cost of homeownership is boosting rental demand

The economics of homeownership has become increasingly challenging, pushing more households to remain renters for longer and supporting multifamily demand.

Several analyses show that owning a home now costs significantly more per month than renting a comparable apartment. Zillow estimates that, in 2023, the gap between the monthly payment on a newly purchased median priced home and the median rent reached a record 40%, and it still stands at roughly 23% in favor of renting today. Additionally, Zillow data indicates that a new renter household in late 2025 would spend about 26.5% of income on rent, the lowest rent to income ratio since 2021. On the other hand, home ownership cost as a percentage of total household income sits at 33%.

Figure 3: Renting is much cheaper than owning



Source: Zillow, as of February 25, 2026.

Zillow Observed Rent Index (ZORI): An estimate of typical market rent in a region. It's USD-denominated based on repeat rents and weighted to reflect the full rental housing stock—not just currently listed properties. To avoid extremes, it uses average rents from the middle of the market (roughly the 35th–65th percentile) for homes and apartments.

Total Monthly Payment (20% Down): An estimate of what a new homeowner would pay each month with current interest rates, assuming a 20% down payment. It includes the mortgage, property taxes, homeowner's insurance, and maintenance (estimated at 0.5% of the home's value). Home values are based on Zillow's smoothed and seasonally adjusted home value index (ZHVI).

As a result, many younger households simply cannot afford to buy. The average age of the first time homebuyer has climbed to around 38, and the homeownership rate for adults under 44 has declined since 2021 as prices and mortgage rates have risen. With current mortgage rates at or above 6% and home prices near all time highs, many potential buyers are effectively “locked in” as renters for longer than they would like.

An additional constraint on the available supply of starter homes is the fact that most existing homeowners have mortgages with an average rate of 4.2%. That means if they wanted to move up to a larger home, in addition to the higher purchase price, they would likely see their mortgage rate jump by nearly 2%. As a result, many homeowners prefer to stay put rather than move.

For multifamily investors, this affordability gap is a tailwind. Properties can maintain high occupancy and healthy rent growth because would-be buyers are remaining renters out of necessity. As long as homes remain too expensive to buy, more people will be forced to rent. That makes rental demand stronger and more stable over time.

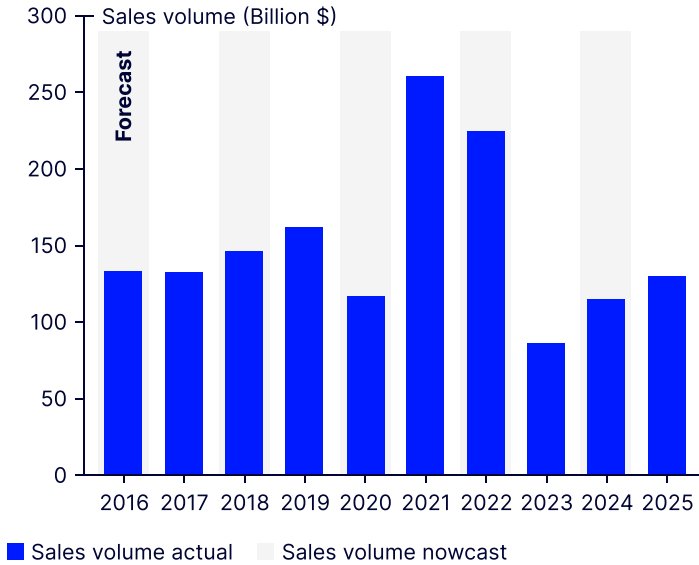
Improving capital markets create a more attractive deal environment

After a period of sharp monetary tightening and capital market volatility, financial conditions for acquiring and operating multifamily assets are improving. The US Federal Reserve (Fed) shifted from raising rates to cutting them in 2025, implementing three rate cuts, and may cut further in 2026. Long-term interest rates have stabilized, with the 10-year Treasury yield hovering in the low 4% range after peaking earlier, and credit spreads for apartment loans have tightened toward historical lows. Borrowing costs for multifamily appear to be at or near their cyclical highs, with a reasonable prospect of becoming cheaper over time.

At the same time, liquidity in real estate capital markets is returning. While liquidity has remained in place for multifamily throughout the current cycle, heightened competition for apartment loans has resulted in an easing of underwriting standards along with tighter credit spreads. Agency lenders Fannie Mae and Freddie Mac raised their 2026 multifamily loan caps by roughly 20%, increasing the availability of attractive financing. Banks and debt funds are also more willing to lend than they were a year ago. On the equity side, investors have accumulated near record levels of “dry powder,” looking to deploy it in real estate strategies.

Transaction activity is responding. CoStar data shows that US apartment sales volume accelerated toward the end of 2025, with approximately \$127 billion transacted over the prior 12 months, following a very slow 2022–23 period. With the Fed's tightening cycle largely behind us, many market participants expect cap rates to stop rising and potentially compress modestly as rates drift lower.

Figure 4: Liquidity in real estate capital markets is returning



Source: CoStar Multi-Family National Report, as of February 25, 2026.

For investors, this macro shift is critical. Buying before borrowing costs fall meaningfully—and before asset values fully reprice—can lock in higher yields today and offer potential valuation upside as financing costs ease and investor confidence improves.

Attractive pricing after a market correction

Multifamily property prices have come down from their 2021 highs, creating a chance to buy high quality assets at better yields. CoStar data indicates that the average cap rates for 4–5-star multifamily properties—higher quality, institutional grade assets—have expanded by roughly 120 basis points since early 2022. Cap rates in some of the most liquid markets have gone from the low to mid 3% range to around 5.5% on average today. In price terms, this corresponds to declines of 25–50%. Importantly, several investor surveys (including CBRE’s) suggest that cap rates are likely near their cyclical peak and should not expand much further.

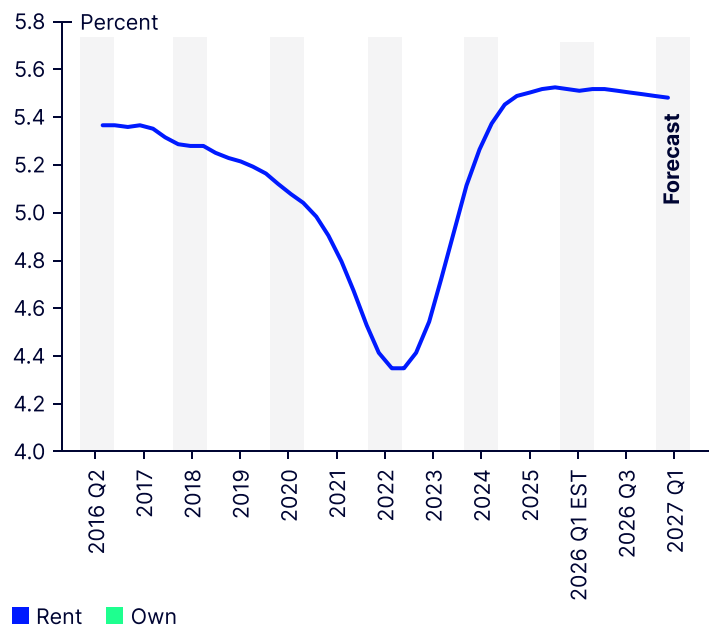
A cap rate (short for capitalization rate) is a simple way to estimate how much return a property generates relative to its price.

$$\text{Cap rate} = \text{annual net rental income} \div \text{property value}$$

It tells you how much income a property produces each year as a percentage of what it’s worth.

Example: A property is worth \$1 million. It generates \$60,000 a year after expenses. Cap rate = 6%

Figure 5: Cap rates have peaked



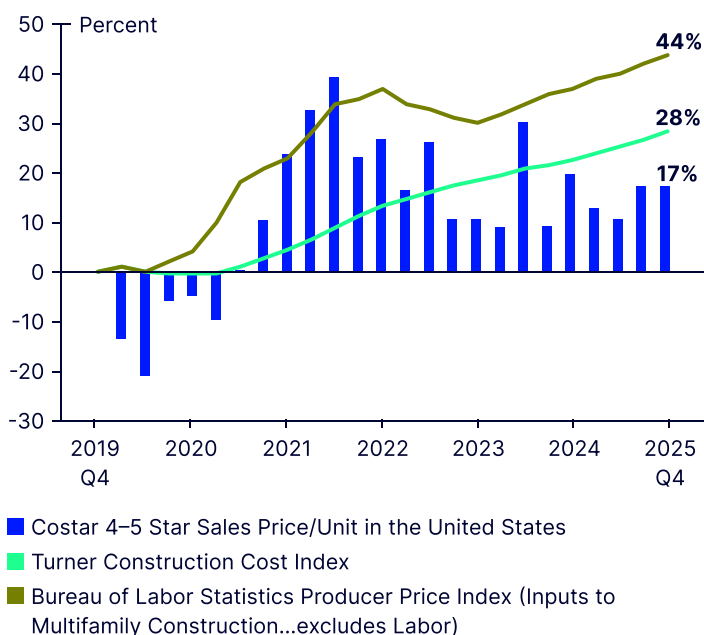
Source: CoStar Multi-Family National Report, as of February 25, 2026.

For buyers, today’s pricing is compelling. Investors can acquire quality assets at a discount to recent years’ values, locking in better initial yields. Some institutional grade apartment transactions in late 2025 cleared at cap rates in the mid 5% range; comparable assets two years earlier traded closer to 4%. For public market investors, cap rates represent a property’s net operating income divided by its purchase price—conceptually similar to an earnings yield on equities.

If over time, interest rates ease and demand remains firm, cap rates could compress again, driving capital appreciation. Walker & Dunlop’s investment team, among others, noted that the current “market level dislocation” is creating attractive entry points for long-term investors at price levels not seen in years. In short, today’s market conditions offer a window to “buy low” ahead of a potential recovery in values.

Additionally, since Q4 2019, construction costs for apartments have risen much faster than asset values. Research from JLL and Cushman & Wakefield estimates that development costs have increased by roughly 37–40% over the past five years. Data from RSMMeans, the Turner Construction Cost Index, the National Multifamily Housing Council and the Bureau of Labor Statistics suggest that average apartment construction cost increases have ranged from 28% to upward of 44% over that same period. Meanwhile, CoStar estimates that values for 4–5-star apartments have only risen by 17% on a national basis.

Figure 6: Rising development costs mean it’s cheaper to buy than build



Source: Costar Group, Turner Construction, US Department of Labor (Bureau of Labor Statistics), as of December 31, 2025.

While there is no single national statistic that captures the “discount to replacement cost,” brokers and research groups such as CBRE, JLL, and Colliers frequently note that in many markets today, it is cheaper to buy existing assets than to build new ones. This dynamic can provide an additional margin of safety for investors buying existing assets as they will be able to rent units at a lower, more competitive level than a new project developer can charge in order to make the same market yield on investment.

Discount to replacement cost means that a property is selling for less than what it would cost to build the same property from scratch today.

Resilient performance through the downturn

A final reason to consider multifamily investment now is how well the sector has held up through recent economic and rate headwinds. Despite elevated new supply and pockets of overbuilding, rent declines have been modest and concentrated in specific submarkets, while many areas still posted rent gains. National asking rents increased around 2% in 2025 (per Zillow), and effective rents were roughly flat to slightly up in Q4.

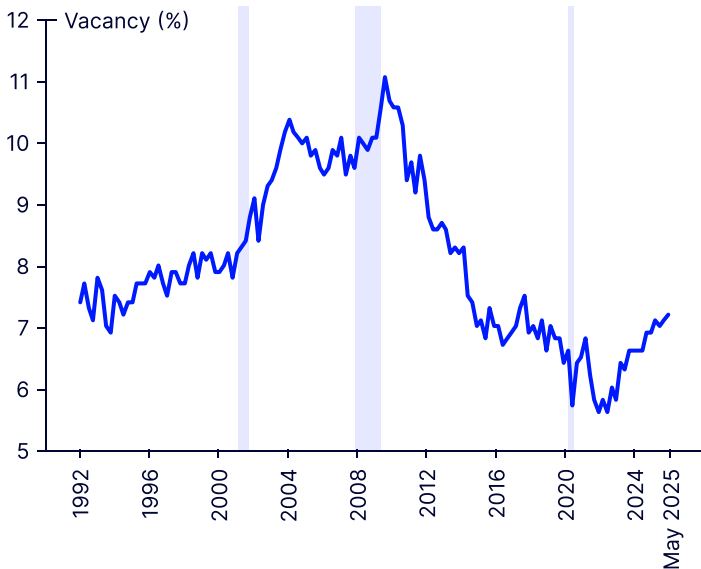
Occupancy has also remained solid. CoStar estimates that US vacancy rose to about 8.5% in 2025, driven largely by the wave of new deliveries. However, vacancy at stabilized properties—excluding brand new lease up assets—remained closer to 6–7% in many markets. Several Sun Belt cities absorbed thousands of new units without a collapse in rents.

Industry commentary suggests that the softness seen in late 2025 was more seasonal and cyclical than structural. Cushman & Wakefield, for example, attributed the slowdown to a typical fourth quarter pattern rather than a deterioration in renter fundamentals, noting that tenant balance sheets and demand drivers remain healthy.

Historically, multifamily has been one of the most resilient real estate asset classes in economic slowdowns as people may delay home purchases, but they still need housing. That pattern is evident today. Vacancy rates in more affordable and workforce housing segments remain low—around 6% for many Class B/C apartments—and rent collections have stayed strong.

For investors, this resilience offers a defensive cushion. By allocating capital at this stage of the cycle, you are entering a sector that has already weathered the sharpest interest rate shock in decades with only a mild uptick in vacancy and essentially flat rents. Consensus forecasts call for vacancy to begin trending lower and rent growth to gradually accelerate into 2026 and beyond. Properties acquired today can therefore benefit from improving income over time.

Figure 7: Multifamily has weathered the bad times



Source: U.S. Census Bureau via FRED®.
 Note: Shaded areas indicate US recessions.

A timely entry point into a durable asset class

Taken together, these factors—peaking new supply, a persistent housing shortage, homeownership unaffordability, improving capital market conditions, more attractive valuations, and demonstrated resilience—paint a favorable picture for multifamily real estate.

For sophisticated public markets investors, multifamily offers:

- **Defensive characteristics:** Relatively inelastic demand and historically resilient cash flows
- **Consistent debt liquidity:** Loan availability remains strong through all phases of the market cycle
- **Attractive current income:** Higher going in cap rates (yields) after the recent repricing
- **Potential upside:** Cap rate compression and income growth as the cycle normalizes.

In a world where many traditional asset classes have already repriced, multifamily stands out as a segment where fundamentals remain solid, yet valuations still reflect recent stress. Investing in multifamily provides numerous advantages, including diversification, inflation-protection, current income, low correlation to public markets, reduced volatility, and favorable risk-adjusted returns. For long-term, diversified investors, that combination makes a strong case for increasing exposure to multifamily housing.

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* This figure is presented as of December 31, 2025 and includes ETF AUM of \$1,950.80 billion USD of which approximately \$173.02 billion USD in gold assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Investment Management are affiliated. Please note all AUM is unaudited.

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ID4084500-8871295.1.1.GBL.RTL 0426 Exp. Date: 04/30/2027