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Institutional investors are understandably cautious toward multifamily. The sector has absorbed a historic wave of new supply, rent growth has moderated, concessions remain elevated in several high-growth markets, and higher interest rates have reset both asset values and development economics. For many Limited Partners, the instinct has been to wait until the market feels cleaner.

That caution is rational. But treating the U.S. apartment market as one market is not.

The current environment is not a simple story of weakness or recovery. It is a story of bifurcation. The first sustained improvement in apartment vacancy since the supply wave began may look, at the national level, like the beginning of a broad recovery. In reality, it is a sorting process. Strong markets with durable employment, limited new supply, and favorable affordability dynamics are beginning to firm. Overbuilt markets are still digesting deliveries, using concessions to defend occupancy, and waiting for the pipeline to clear.

For investors, the question is not whether multifamily is investable. The question is where, at what basis, and with what supply exposure.

#### The National Average Is Misleading

National multifamily fundamentals are stabilizing, but the averages obscure an unusually wide dispersion between markets. CBRE reported that the U.S. multifamily market stabilized in the first quarter of 2026 as demand improved and new construction slowed, with net absorption rebounding sharply and vacancy declining quarter-over-quarter. At the same time, CBRE expects rent growth to remain below pre-pandemic levels in 2026, particularly in the Southeast, South Central, and Mountain regions where new supply remains elevated.

That is the core of the market today. Supply-constrained coastal, Mid-Atlantic, and select Midwest markets are behaving differently from high-supply Sun Belt markets. In one set of markets, occupancy is tightening and renewal leverage is returning. In another, operators are still competing with brand-new lease-up properties offering concessions down the street.

This is why a single “multifamily outlook” is dangerous. A national vacancy figure blends supply-disciplined markets with overbuilt submarkets where concessions are still setting effective rents. The result is an average that can be analytically true but practically misleading.

The better framework is simple: there are haves and have-nots.

#### The Haves: Strong Markets, Limited Supply, Real Demand

The “haves” are markets and submarkets where the long-term apartment thesis remains intact: strong employment, favorable demographics, high barriers to new construction, limited homeownership affordability, and a manageable delivery pipeline.

In these markets, recent softness has created a better entry point rather than a broken thesis. Rent growth may have moderated, but occupancy has remained resilient. Renewal demand remains strong because the cost of owning a home has become prohibitive for many households. Higher mortgage rates, elevated home prices, insurance costs, and property taxes continue to keep would-be buyers in the renter pool.

That demand base is not speculative. It is rooted in affordability, household formation, and a structural shortage of attainable housing.

For investors, the opportunity is to acquire quality assets at reset pricing before the supply cliff translates into tighter

occupancy, firmer rents, and improved revenue growth. The strongest opportunities are likely to be in submarkets where the delivery schedule is already declining, concessions are limited or fading, and replacement cost is moving further above acquisition basis.

### The Have-Nots: Good Cities Can Still Be Bad Entry Points

The “have-nots” are not necessarily bad long-term markets. Many are attractive growth markets with favorable migration, job creation, and business formation. The problem is that too much capital chased the same growth story at the same time, creating too much product in too narrow a window.

In these markets, the issue is timing. The last wave of deliveries still needs to be absorbed. Until that happens, operators will prioritize occupancy over rent growth, concessions will remain a local clearing mechanism, and pro formas based on national stabilization will be dangerous.

This is where underwriting errors are made. A national vacancy downtick does not mean every Sun Belt submarket has turned. Austin, Phoenix, San Antonio, Denver, Nashville, Orlando, and other high-supply markets may ultimately become attractive precisely because they have been repriced. But the right question is not “is multifamily recovering?” The right question is: how many more quarters of deliveries must this specific submarket absorb before rents inflect?

That is a pipeline question, not a macro call. It has to be answered building by building, submarket by submarket.

### The Supply Cliff Is the Opportunity

The strongest reason to invest in multifamily today is timing against the supply cycle.

The sector just absorbed one of the largest waves of new apartment supply in modern history. That wave is now cresting. Apartments.com reported that deliveries peaked at a 40-year high in 2024 and are expected to decline meaningfully in 2026. CoStar and Apartments.com also reported that apartment construction starts fell to approximately 55,000 units in the first quarter of 2026, a 73% decline from the early-2022 peak and the lowest quarterly level since 2011.

Other pipeline data tells the same story. MMG Real Estate Advisors reported that the national multifamily construction pipeline contracted by more than 50%, from roughly 1.18 million units under construction in the first quarter of 2023 to approximately 550,000 units in early 2026. Its Q2 2026 pipeline report further noted that trailing twelve-month starts had compressed to roughly 307,000 units, well below the level needed to replenish the existing pipeline.

That matters because future supply is already largely determined. The projects that will deliver in 2027 and 2028 generally had to be started earlier. With starts down sharply, construction lending constrained, and development yields impaired, the pipeline that has been suppressing rent growth is set to shrink materially.

The supply cliff may also be more severe than current forecasts suggest. Higher interest rates, tighter credit, slower rent growth, elevated insurance costs, and stubborn labor and material inflation have already made new apartment development difficult. At the same time, the data center and AI infrastructure boom is pulling capital, labor, electrical equipment, mechanical systems, power infrastructure, and contractor capacity into higher-margin mission-critical projects. ULI has identified skilled labor scarcity, copper prices, and rising data center demand as structural cost pressures, while recent data-center construction analysis highlights AI-driven demand, rising costs, and power constraints as central features of the current construction market.

The implication for multifamily is important: today's oversupply does not imply tomorrow's oversupply. The development machine has slowed dramatically, and the cost structure for new supply has changed. In many markets, replacement cost is rising while acquisition basis has reset. That is exactly the kind of dislocation long-term real estate capital should study carefully.

### Why Invest Now

The argument for multifamily today is not that the sector has fully recovered. It has not. The argument is that the best

investments are often made before the recovery is obvious.

Capital markets have repriced. Rent growth has softened. Developers are sidelined. Lenders are more selective. Many LPs remain cautious. Those conditions create the opportunity to acquire quality assets at attractive bases before the next phase of the cycle is fully reflected in pricing.

The demand side remains durable. The United States continues to suffer from a structural housing shortage. Homeownership remains expensive. Renters are staying in the rental market longer. In the right markets, apartment demand is supported by employment, affordability, and household formation rather than financial engineering or speculative growth assumptions.

As deliveries roll off, the markets with the best demand-supply balance should recover first. The markets that overbuilt will recover later. But the broad direction is increasingly clear: fewer starts, fewer future deliveries, higher construction costs, and a widening gap between what it costs to build and what it costs to buy.

That is the entry point.

PRP's View: This Is a Market for Selection and Execution

PRP does not believe multifamily should be approached as a broad beta trade. The current market is too uneven, too local, and too dependent on the timing of supply absorption. A one-size-fits-all strategy is the wrong strategy for this moment.

The opportunity is more targeted: acquire quality assets in durable, growing markets where temporary capital-market dislocation has created attractive pricing, but where long-term fundamentals remain intact. That requires local market knowledge, careful pipeline analysis, disciplined basis underwriting, and active asset management.

In this environment, investors should avoid underwriting to national averages. They should focus on specific submarkets, competitive sets, delivery schedules, concession activity, replacement cost, and the capital structure required to withstand a slower recovery.

The best opportunities will likely share several characteristics: strong employment drivers, limited future supply, durable renter demand, attractive acquisition basis relative to replacement cost, manageable near-term lease-up and concession exposure, and a clear path to rent growth as deliveries roll off.

Conclusion

Multifamily has not become less attractive. It has become less forgiving.

The apartment market is no longer a simple, broad-based capital allocation decision. It is a market of haves and have-nots. Some markets remain overbuilt and will need more time. Others are already stabilizing and may offer attractive entry points before the recovery is fully priced.

For Limited Partners sitting on the sidelines, caution is understandable. But waiting for the national narrative to become uniformly positive risks missing the period when the best assets can be acquired at the most attractive basis.

The supply wave is cresting. The development pipeline is shrinking. Replacement cost continues to rise. New construction is increasingly difficult to finance. In the right markets, those conditions create a compelling opportunity for disciplined capital.

A one-size-fits-all approach is foolish. A targeted approach, focused on quality assets in strong, growing, supply-disciplined markets, may be exactly the right strategy for this moment.