Multifamily Rent Growth Decelerates as Vacancy Rises

▲ 4.4%	▲ 91,900	▼ 43,200	▼ +0.5%	▲ $41.9B
Vacancy Rate	Completions (units)	Net Absorption (units)	Y-o-Y Rent Growth Rate	Investment Volume

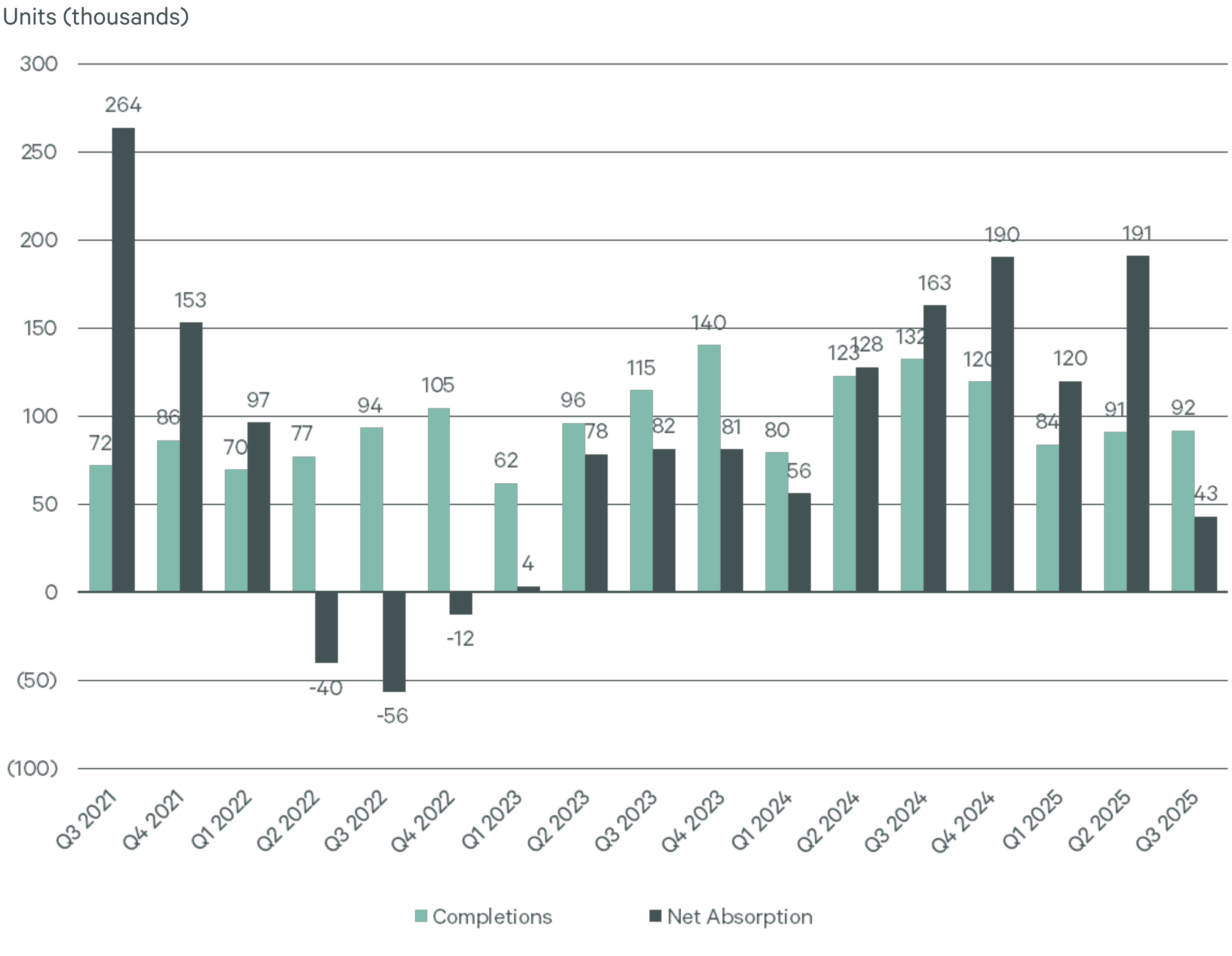
Note: Arrows indicate quarter-over-quarter change.
Source: CBRE Research, CBRE Econometric Advisors, Q3 2025. Based on the 63 markets that comprise CBRE EA's Sum of Markets.

Executive Summary

- The overall multifamily vacancy rate increased to 4.4% in Q3, as new deliveries outpaced net absorption for the first time in six quarters.
- Average year-over-year effective rent growth decreased to 0.5% in Q3 with no movement quarter-over-quarter.
- Net absorption fell by 73% year-over-year to 43,200 units, the lowest Q3 absorption since 2022 and 52% below the pre-pandemic Q3 average.
- Household formation and new tenant demand has likely slowed due to decelerating job growth. A more uncertain economic outlook, coupled with elevated inflation and interest rates, has also weighed on consumer sentiment.
- Fifty-two of the 69 markets tracked by CBRE recorded positive net absorption in Q3.
- Construction completions totaled 92,000 units in Q3, with fewer expected in coming quarters.
- Despite headwinds, multifamily investment volume increased by 7.5% year-over-year to $108 billion through the first three quarters of 2025. Excluding Blackstone's entity-level acquisition of AIR Communities in 2024, year-to-date 2025 volume rose by 19.4%.

Figure 1
New supply outpaces demand

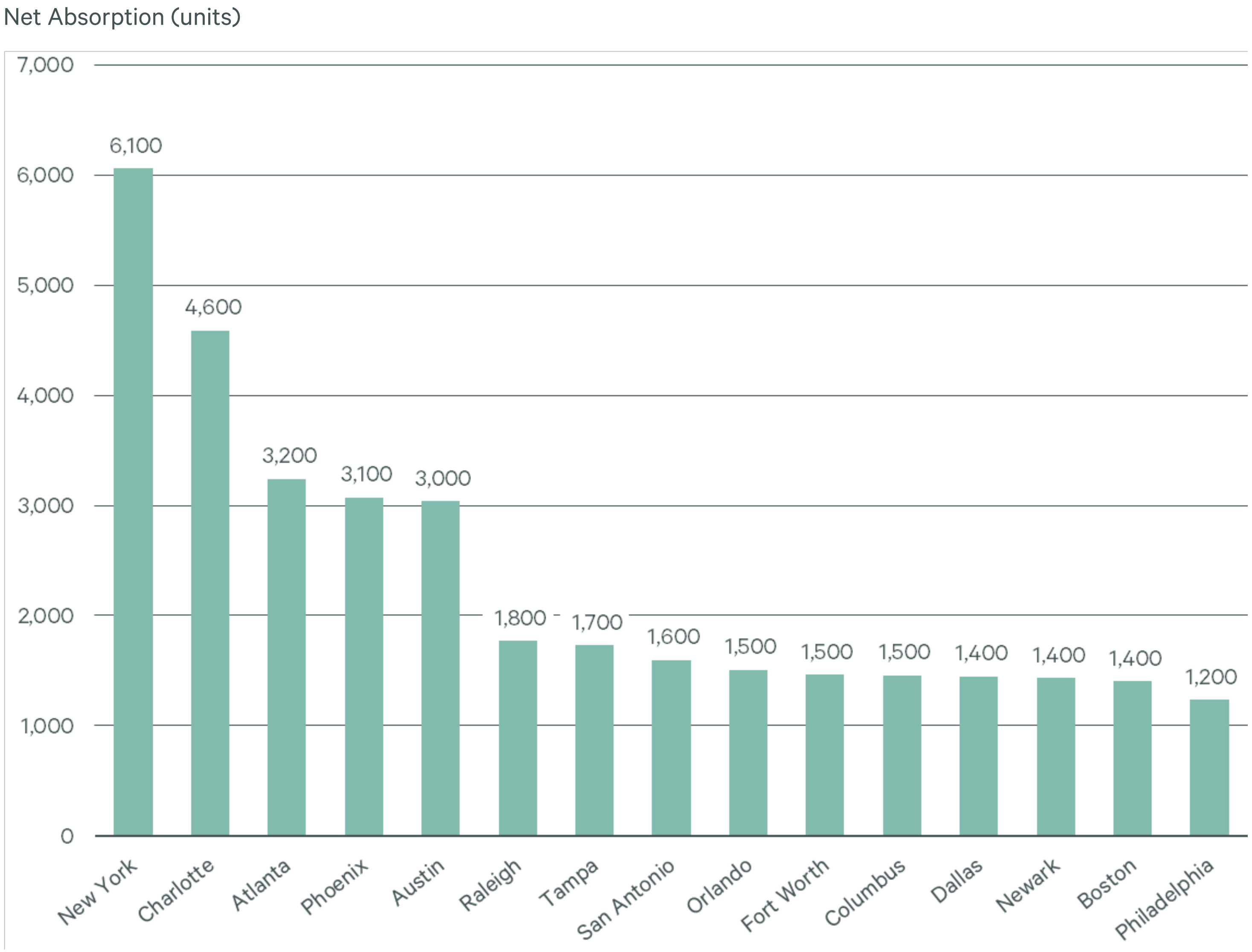
- Net absorption fell by 73% year-over-year to 43,200 units, the lowest Q3 level since 2022 and 52% below the pre-pandemic Q3 average.
- Household formation and new tenant demand has likely slowed due to decelerating job growth. A more uncertain economic outlook, coupled with elevated inflation and interest rates, has also weighed on consumer sentiment.
- More than two units were delivered for every unit absorbed in Q3. However, on a rolling-four-quarter basis demand outpaced the 386,100 units added by 41%.
- Strong rolling-four-quarter net absorption of 544,700 is expected to moderate as new deliveries continue to slow.



Source: CBRE Research, CBRE Econometric Advisors, Q3 2025.

Figure 2
Top 15 markets for net absorption

- Fifty-two of the 69 markets tracked by CBRE had positive net absorption in Q3, led by New York (6,100 units), Charlotte (4,600) and Atlanta (3,200).
- All markets recorded positive annual net absorption, led by New York (54,900 units), Dallas (27,200) and Atlanta (25,300). Fifty-one had year-over-year increases in annual net absorption.
- On a trailing-four-quarter basis, Sun Belt markets continued to outperform with the highest absorption rates as a percentage of total inventory, led by Charlotte (7.3%), Raleigh (6.9%) and Austin (5.9%).



Source: CBRE Research, CBRE Econometric Advisors, Q3 2025.

Figure 3
Fewer markets see demand outstrip new supply

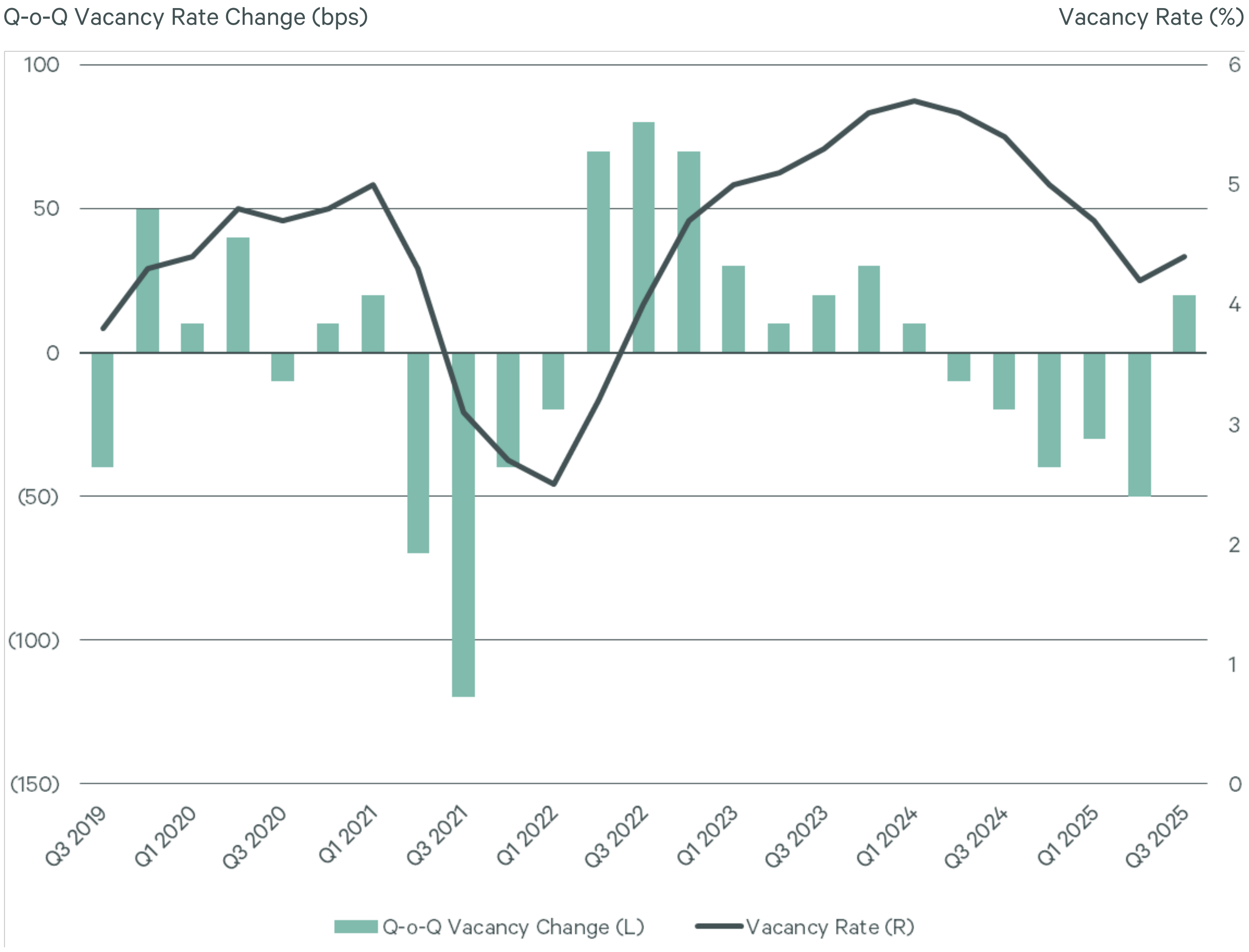
- Only 11 markets saw net absorption exceed construction completions in Q3, compared with 68 in Q2.
- On a rolling-four-quarter basis, 18 of the top 20 markets for new supply saw more absorption than completions. The top 20 accounted for 69% of the national completions total and 65% of total net absorption over the past four quarters.
- Seventeen of the top 20 markets for new completions had positive net absorption in Q3.
- The top five markets for construction completions on a rolling-four-quarter basis (New York, Dallas, Phoenix, Washington, D.C. and Atlanta) accounted for 28% of the national total. New York had 36,300 units completed, 9% of the national total.
- There were 563,300 units under construction in Q3, representing 3.0% of existing inventory. This was down from a peak of 760,400 units in Q1 2024. New York had the most units under construction (59,700), followed by Dallas (30,100) and Houston (21,800).

		Rolling 4-quarters as of Q3 2025		Q3 2025			
Rank by Annual Completions	Market	Completions	Net Absorption	Completions	Net Absorption	Completions As % of Inventory	Net Absorption As % of Inventory
	Sum of Markets	386,100	544,700	91,900	43,200	2.2	3.1
1	New York	36,300	54,900	9,400	6,100	1.5	2.2
2	Dallas	23,100	27,200	4,300	1,400	3.6	4.3
3	Phoenix	16,800	21,400	4,100	3,100	4.1	5.2
4	Washington, D.C.	16,500	17,200	3,400	(1,100)	2.5	2.6
5	Atlanta	16,300	25,300	3,600	3,200	3.2	5.0
6	Austin	16,200	18,600	4,400	3,000	5.4	6.2
7	Houston	13,400	19,600	2,200	(300)	1.9	2.8
8	Charlotte	13,200	15,900	5,300	4,600	6.4	7.8
9	Orlando	11,700	14,100	2,600	1,500	4.4	5.3
10	Los Angeles	11,500	18,700	2,800	700	1.0	1.6
11	Denver	11,400	10,900	1,700	(500)	3.0	2.9
12	Boston	11,100	15,300	3,700	1,400	2.1	2.8
13	Raleigh	10,800	12,600	2,500	1,800	6.3	7.4
14	Seattle	9,500	12,200	2,300	700	2.1	2.8
15	Miami	8,900	8,800	1,500	100	2.6	2.6
16	Tampa	8,800	12,600	3,300	1,700	3.0	4.3
17	Minneapolis	8,700	13,500	1,800	500	2.5	3.9
18	Philadelphia	8,500	13,000	1,200	1,200	2.5	3.8
19	Columbus	7,300	9,700	1,900	1,500	3.9	5.2
20	San Antonio	6,800	9,900	2,300	1,600	3.0	4.4

Note: All ratios based on unrounded figures of four-quarter totals.
Source: CBRE Research, CBRE Econometric Advisors, Q3 2025.

Figure 4
Vacancy rate rises to 4.4% as demand slows

- New deliveries outpaced net absorption for the first time in six quarters, increasing the overall vacancy rate by 20 basis points (bps) to 4.4%.
- Forty-four markets had vacancy rates below their pre-pandemic average, down from 50 in Q2.
- Vacancy rates increased quarter-over-quarter in 60 markets, up from one in Q2. This marks a distinct shift in vacancy trends across all markets and regions, as seasonal increases in vacancy typically occur in Q4.
- Providence had the lowest vacancy rate at 2.5%, followed by Honolulu and Lexington, KY at 2.7% each.
- Twenty-three markets finished Q3 with sub-4% vacancy rates, down from 28 in Q2. Twenty-four markets had vacancy rates of between 4% and 5% (up from 21 in Q2), while 22 markets had vacancy rates above 5% (up from 20).



Source: CBRE Research, CBRE Econometric Advisors, Q3 2025.

Figure 5
Vacancy increases across all asset classes

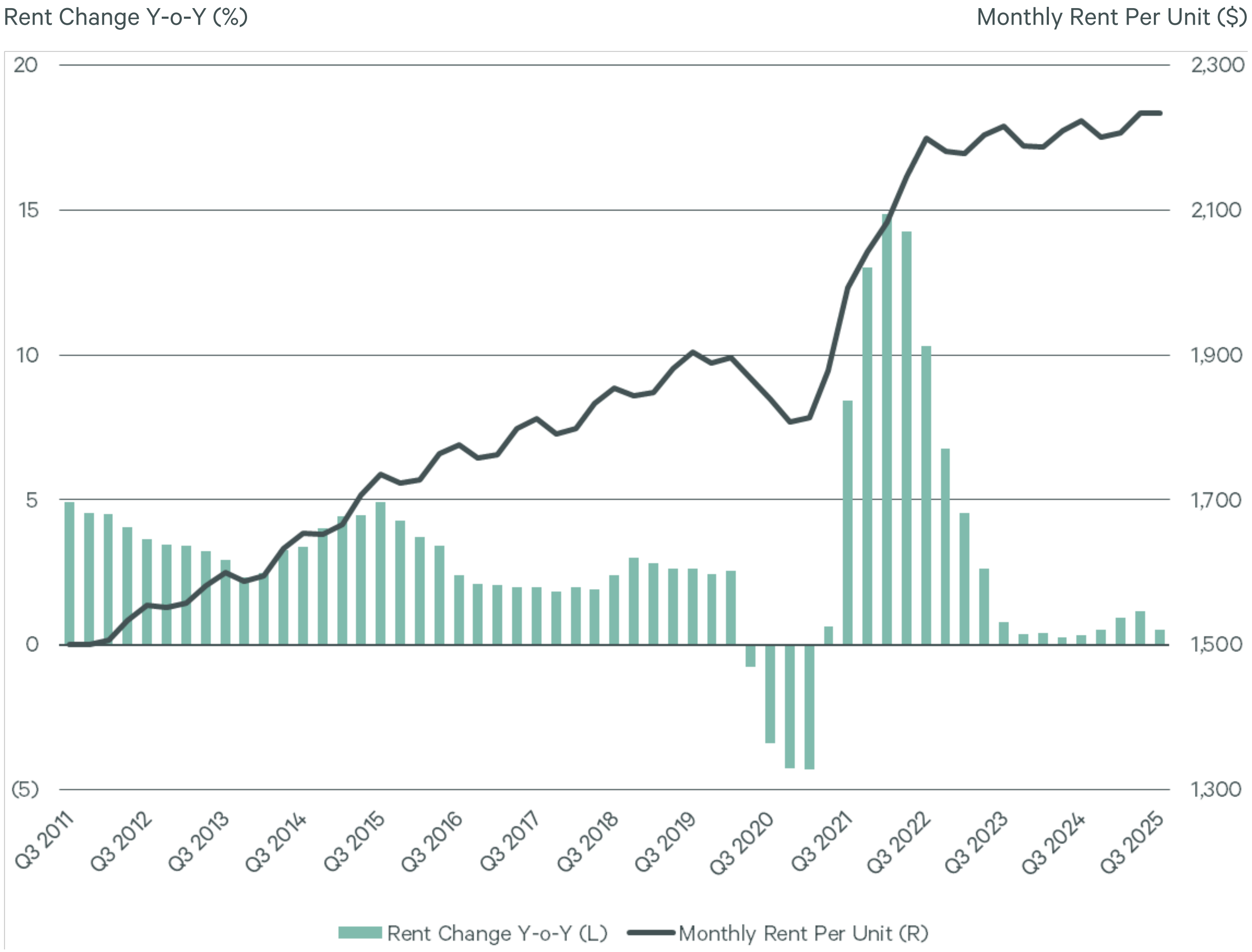
- The average vacancy rate for all three asset classes increased by 30 bps in Q3. Class A increased to 4.5% and Class B and C to 4.4% each.
- A historically tight vacancy rate spread among asset classes resulted in moderate rent growth for both Class A (2.4%) and Class C (2.0%) assets. Average Class B rent fell by 0.7% after eight quarters of sparse growth and was 0.6% lower than its Q3 2022 peak.
- Q3 vacancy rates for all three classes remained below their 2011-2019 averages, as owners focused on maintaining higher occupancy levels in H2 2025.

Vacancy Rate (%)

Source: CBRE Research, CBRE Econometric Advisors, Q3 2025.

Figure 6
Average rent grows by 0.5%

- Average monthly rent increased by 0.5% year-over-year and remained at $2,234 quarter-over-quarter. This was the first time in five quarters that national rent growth decelerated.
- Rents fell in many markets with substantial new supply, reversing the trend of overall improvement nationally. However, rent growth and occupancy are expected to improve as new supply declines in coming quarters.



Source: CBRE Research, CBRE Econometric Advisors, Q3 2025.

Figure 7
Rent growth by region

- The Midwest led the country for year-over-year rent growth with 2.7%, followed by the Northeast with 2.2% and the Pacific with 0.9%.
- Negative year-over-year rent growth accelerated to 1.0% in the Southeast, 2.9% in the South Central and 5.1% in the Mountain regions.
- Thirty-one markets had negative year-over-year rent growth in Q3, up from 27 in Q2. Twenty-five markets had increases in negative rent growth quarter-over-quarter, up from 16 in Q2.
- San Francisco led in year-over-year rent growth (150 bps), followed by Honolulu (100 bps) and Atlanta (100 bps). Ventura had the biggest decrease of 340 bps.
- Denver, Austin and Colorado Springs saw the sharpest rent declines year-over-year in Q3.

Rank	Market	Q3 Percentage Rent Change Y-o-Y
	ALL MARKET	
	Sum of Markets	**0.5**
	PACIFIC	
	Region	**0.9**
1	San Francisco	6.8
2	San Jose	3.2
3	Oakland	1.6
4	Orange County	1.4
5	Seattle	1.2
6	Honolulu	0.7
7	Los Angeles	0.2
8	Ventura	-0.9
9	Inland Empire	-1.1
10	Portland	-1.1
11	San Diego	-1.4
12	Sacramento	-1.6
	MOUNTAIN	
	Region	**-5.1**
1	Albuquerque	-0.7
2	Salt Lake City	-1.7
3	Las Vegas	-3.5
4	Tucson	-4.0
5	Phoenix	-5.2
6	Colorado Springs	-5.5
7	Denver	-7.2

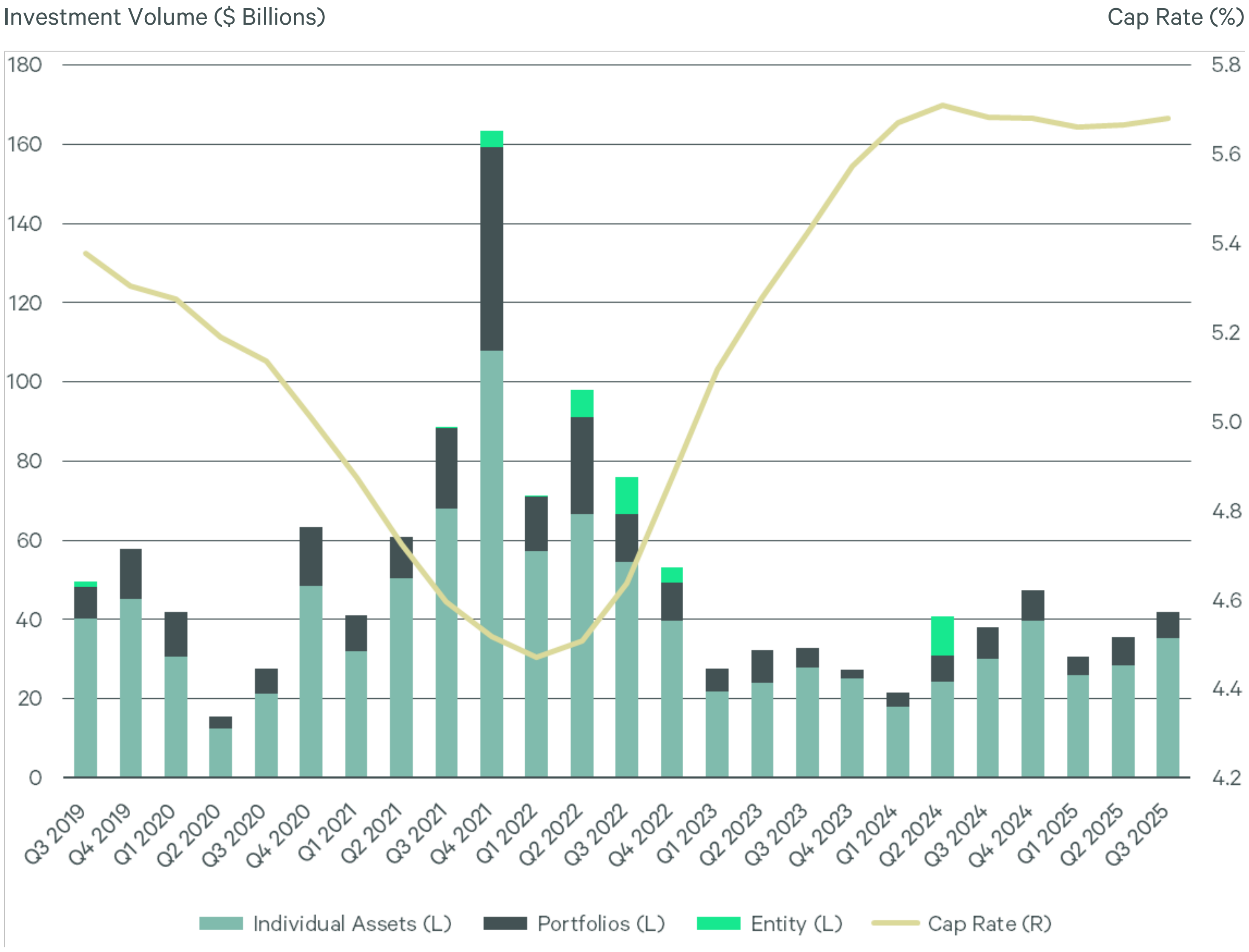
Rank	Market	Q3 Percentage Rent Change Y-o-Y
	SOUTH CENTRAL	
	Region	**-2.9**
1	Tulsa	1.3
2	Oklahoma City	0.5
3	El Paso	0.2
4	Houston	-1.6
5	Corpus Christi	-1.6
6	Ft. Worth	-1.8
7	Dallas	-3.1
8	San Antonio	-4.7
9	Austin	-7.1
	SOUTHEAST	
	Region	**-1.0**
1	Lexington	3.6
2	Norfolk	2.2
3	Richmond	1.1
4	Greenville	1.0
5	Miami	0.0
6	Birmingham	-0.1
7	West Palm Beach	-0.3
8	Tampa	-0.4
9	Memphis	-0.7
10	Ft. Lauderdale	-0.8
11	Louisville	-0.9
12	Greensboro	-1.0
13	Atlanta	-1.6
14	Jacksonville	-1.8
15	Raleigh	-2.2
16	Charlotte	-2.2
17	Nashville	-2.5
18	Orlando	-3.2

Rank	Market	Q3 Percentage Rent Change Y-o-Y
	MIDWEST	
	Region	**2.7**
1	Chicago	4.6
2	Dayton	3.2
3	Cincinnati	2.8
4	Omaha	2.8
5	Minneapolis	2.6
6	Kansas City	2.2
7	Madison, WI	2.0
8	Milwaukee	1.6
9	St. Louis	1.5
10	Cleveland	1.5
11	Columbus	1.4
12	Detroit	1.1
13	Indianapolis	0.5
	NORTHEAST	
	Region	**2.2**
1	Providence	5.0
2	Pittsburgh	3.4
3	Newark	2.9
4	New York	2.6
5	Long Island	2.6
6	Hartford	2.3
7	Philadelphia	1.9
8	Boston	1.4
9	Baltimore	0.7
10	Washington, D.C.	0.3

Note: based on effective same-store rents.
Source: CBRE Research, CBRE Econometric Advisors, Q3 2025.

Figure 8
Investment volume continues to improve

- Despite headwinds, multifamily investment volume rose by 7.5% year-over-year to $108 billion in the first three quarters of 2025. Excluding Blackstone's entity-level acquisition of AIR Communities in 2024, year-to-date 2025 volume rose by 19.4% year-over-year.
- Q3 multifamily investment volume rose by 18.2% quarter-over-quarter and by 10.3% year-over-year to $41.9 billion.
- Rolling-four-quarter multifamily investment volume increased by 2.6% to $155.4 billion.
- The multifamily sector had the largest share of total commercial real estate investment volume in Q3 at 38%.
- The average multifamily cap rate remained at 5.7% in Q3. CBRE's Q3 2025 Multifamily Underwriting Survey found that cap rates used to underwrite deals for core and value-add assets also remained flat.



Source: CBRE Research, CBRE Econometric Advisors, MSCI Real Assets, Q3 2025.

Figure 9
Top markets for investment volume

- New York was the top market for rolling-four-quarter investment volume with $13.3 billion, followed by Dallas-Ft. Worth with $9.8 billion and Los Angeles with $8.6 billion. New York had the largest absolute increase in investment ($5.5 billion) over the prior year, followed by San Francisco and Seattle ($3.0 billion each).
- Annual investment volume for the six gateway markets of New York, Boston, Chicago, Los Angeles, San Francisco and Washington, D.C. totaled $43.4 billion, up by 21% from the prior year. These markets accounted for 28% of total U.S. multifamily investment volume in Q3.

	Market	Rolling 4-Quarter Investment ($B)	YoY Change (%)	% of Total	Cumulative % Total	Q3 2025 Investment ($B)	YoY Change (%)
	U.S. Total	**155.41**	**21.6**			**41.93**	**10.3**
1	New York Metro	13.24	72.7	8.5	8.5	4.28	104.9
2	Dallas-Ft. Worth	9.80	29.1	6.3	14.8	2.03	-31.2
3	Greater Los Angeles	8.55	-6.6	5.5	20.3	2.91	30.9
4	San Francisco Bay Area	8.35	57.5	5.4	25.7	2.27	155.7
5	Seattle	6.25	91.8	4.0	29.7	2.07	70.4
6	Miami-South Florida	5.37	-2.2	3.5	33.2	1.98	175.0
7	Atlanta	5.15	-6.8	3.3	36.5	1.34	-26.9
8	Houston	4.64	17.3	3.0	39.5	1.57	23.2
9	Chicago	4.54	44.5	2.9	42.4	1.19	12.9
10	Boston	4.35	0.3	2.8	45.2	0.97	-41.1
11	Greater Washington, D.C.	4.35	-31.9	2.8	48.0	1.46	-19.7
12	Phoenix	4.12	1.5	2.7	50.6	1.42	-6.8
13	Denver	3.75	-13.7	2.4	53.1	0.71	-55.7
14	Charlotte	3.40	41.8	2.2	55.2	0.85	32.9
15	Orlando	2.91	50.2	1.9	57.1	1.22	122.0
16	San Diego	2.81	-1.1	1.8	58.9	0.37	-48.8
17	Austin	2.48	-8.0	1.6	60.5	0.73	-1.8
18	Minneapolis	2.31	52.4	1.5	62.0	0.73	109.0
19	Tampa	2.16	-0.8	1.4	63.4	0.29	-52.9
20	Portland	2.09	65.8	1.3	64.7	0.49	1.8

Source: CBRE Research, MSCI Real Assets, Q3 2025.

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