



# 2026 Midyear Economic and Multifamily Market Update

June 2026



## **About This Report**

The *2026 Midyear Economic and Multifamily Market Update* is a research report produced semiannually by TruAmerica Multifamily. The report examines evolving conditions in the workforce housing sector at mid-year 2026, highlighting market conditions, how capital markets and policy developments are shaping outcomes, and what these changes mean for operations, underwriting, and investment discipline. The analysis combines a national perspective with focused insights on key markets relevant to TruAmerica's investment strategy.

## **About TruAmerica**

TruAmerica Multifamily is a national, vertically integrated multifamily investment firm based in Los Angeles. Founded in 2013 with a mission of building better communities by addressing essential housing needs, the firm has grown to become one of the largest and most active multifamily owners and operators in the United States.

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## EXECUTIVE SUMMARY

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*The U.S. apartment market entered the second half of 2026 on firmer footing. After two years defined by a historic wave of new supply, the sector's fundamentals are steadying: demand remains resilient, the new-construction pipeline that has pressured rents is receding significantly in most markets, and occupancy is stabilizing. The improvement is uneven across markets and segments, and it is unfolding against a less favorable macro backdrop than investors expected in January, with inflation rising again, rate cuts off the table for now, and policy, from rent regulation to supply incentives, more consequential than it has been in years. The case for workforce housing at mid-year remains grounded in a structural shortage of moderately priced housing and an affordability gap that keeps middle-income households renting. These conditions sit apart from the near-term variables, and they hold. The themes that follow in this report are selectivity and operating discipline.*

The macro environment has shifted since the start of the year. The investment case for workforce housing has held. In January, most forecasters expected one or two rate cuts in 2026 and a corresponding lift in property pricing by mid-year. Neither arrived. Inflation picked up through the spring as the conflict in the Middle East pushed energy prices higher, reaching its highest annual rate in three years, and the Federal Reserve held its benchmark rate steady while long-term rates rose. The result is a financing environment that has stayed expensive and a for-sale market still out of reach for most renters, and the same high rates that delayed the pricing recovery keep workforce-income households renting, holding demand in place.

Beneath the soft headline rent figures, the demand foundation is sturdier than they suggest. Rents were modestly negative on new leases in the first half of 2026, but the weakness was concentrated in the Class A

product that competes most directly with new construction. Renewals, now a majority of all leases, held up well, a sign that renters weighing a move are mostly choosing to stay for want of a more affordable option. The pressure was a supply story, not a demand story, and the supply is receding; starts have fallen well below their 2022 and 2023 peaks, and 2026 should record the first meaningful drop in deliveries since the post-pandemic surge. As the wave clears, pricing power should shift gradually back toward owners, reaching the workforce-grade Class B and Class C stock before new Class A product.

The variation across markets matters more to strategy than the national averages do. The report examines TruAmerica's major markets in detail: Los Angeles, San Francisco, Seattle, Denver, Dallas, Miami / South Florida, Boston, and the New York Metro Area, each at a different point in absorbing inventory or rebuilding rent momentum. The high-supply Sunbelt and Mountain West markets such as Dallas and Denver are further along in working off their construction waves, where entry timing is the open question and long-term demand is intact, while the supply-constrained coastal markets are tighter and shaped more by regulation and segment. San Francisco shows how far conditions can move: a market that was struggling two years ago now posts some of the fastest rent growth in the country, led by a technology sector reweighted toward artificial intelligence. New York pairs the tightest occupancy of any major market with the sharpest policy uncertainty.

Transaction activity has begun to recover. Apartment sales picked up from their 2023 lows, and the sector is expected to lead the major property types in investment growth this year, though the pricing improvement many investors anticipated by mid-year was pushed later by the rise in long-term rates. The clearest leading indicator is on the debt side: multifamily lending volume has risen measurably. The recovery has so far favored

larger deals over the smaller, renovation-driven workforce transactions that still face more friction. With substantial capital positioned and waiting, stronger transaction activity is likely as the supply wave clears and the rate outlook settles.

Policy has moved from a background condition to an active force that differs sharply by market. Affordability is now an urgent priority for officials across the political spectrum, producing measures that point in two directions: rent regulation that would constrain pricing, and programs meant to expand the supply of moderately priced housing. At the federal level, the most far-reaching housing legislation in decades has advanced but is not yet settled, and its most-discussed provision targets institutional ownership of single-family rentals, leaving the apartment communities at the center of the workforce segment outside its scope. At the state and local level, the developments most relevant to this portfolio are a Massachusetts rent-control ballot question and the new mayoral administration in New York, both bearing most directly on regulated stock. Throughout, the report treats these measures as live and still taking shape.

The throughline is that the sector's largest near-term challenges are distinct from the drivers of the long-term outlook. The near term is uncertain, with the path of inflation, rates, and policy harder to read than at the start of the year and geopolitical instability behind all three. The long-term case for workforce housing is unaffected, resting on a structural housing shortage and a widening affordability gap that no near-term variable changes. The moment rewards discipline: selectivity across markets and segments, underwriting that does not assume near-term relief, and operating capability in the older, mid-tier stock where the structural opportunity is most durable.

## MACRO CONDITIONS

The U.S. economy entered the second half of 2026 with inflation rising again and the interest rate cuts that markets had expected for the year no longer on the table. Inflation, which had appeared to be easing at year-end, picked up through the spring as the conflict in the Middle East pushed energy prices higher. The Federal Reserve held interest rates steady. The labor market cooled without weakening sharply: unemployment held near 4.5%, hiring slowed, and pay raises no longer outpaced price increases for the first time since 2023. For multifamily, the result was an expensive financing environment and a for-sale housing market that remained out of reach for most renters, which kept rental demand firmly in place.

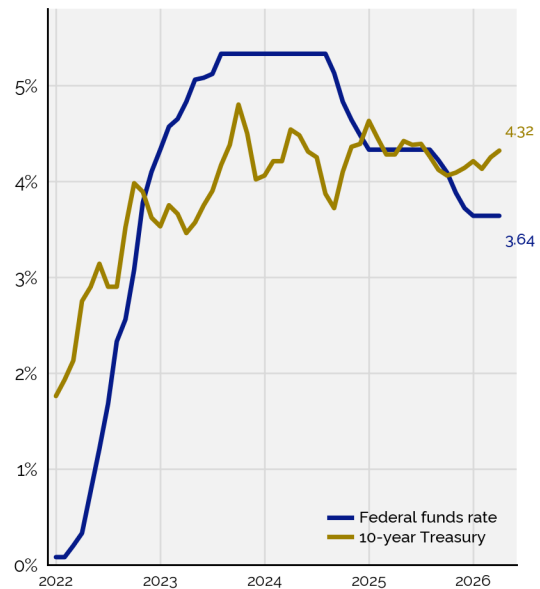
### The Rate Environment

The Federal Reserve held its benchmark interest rate steady at a target range of 3.50 to 3.75% at its meeting on Wednesday, April 29, 2026, marking the third consecutive meeting without a change. The decision was unusually divided. 4 of the 12 voting members dissented, with 3 objecting to language suggesting the next rate move would be a cut, and one favoring an immediate cut. It was the first Fed decision since October 1992 to feature 4 dissenting votes.

After the April meeting and inflation report, investors sharply lowered the odds of any rate cut in 2026. By mid-May, market pricing implied the Fed was more likely to keep rates unchanged through year-end than to cut, and a meaningful share of investors had begun to price in a possible increase before then. This was a significant change from the outlook in January, when most forecasters expected one or two cuts during 2026. Many investment plans set at the start of the year had assumed that lower rates were on the way.

## Federal Funds and 10-Year Treasury

Effective federal funds rate and 10-year Treasury yield, percent, monthly



Source: Federal Reserve Board and U.S. Treasury via FRED. Analysis by Chandan Economics.

Federal Reserve leadership also changed during this period. Jerome Powell's term as Fed chair ended on Friday, May 15, 2026, although he retained his separate seat on the Board of Governors until 2028. While the chair sets the Fed's tone and public messaging, policy is decided collectively, so Powell's continued seat would let him remain an influential voice on rate and policy decisions even after stepping down as chair.

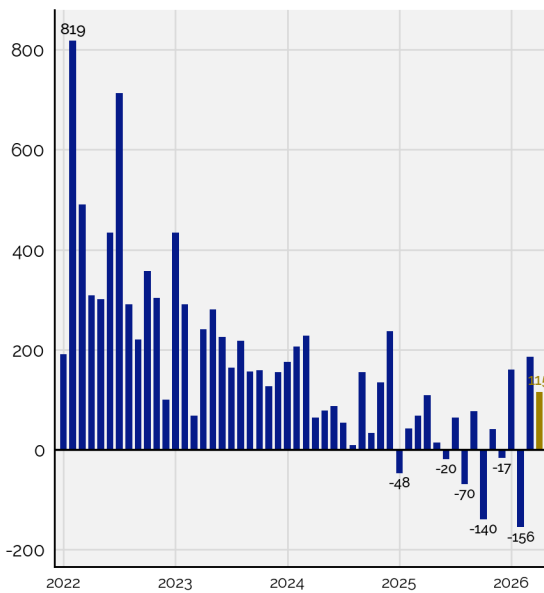
The Senate confirmed Kevin Warsh as the new chair, in a vote that fell largely along party lines. Warsh had publicly favored lower interest rates, but he took office just as the April inflation report made it harder to support a rate cut. His first meeting as chair is scheduled for Tuesday, June 16 and Wednesday, June 17, 2026. Together, a divided committee and a change in leadership made the path of interest rates through the second half of the year harder to read than at the start.

## Inflation and the Labor Market

Inflation was the main reason the Federal Reserve did not cut rates, and the pressure increased through the spring. The Consumer Price Index for April, released on Tuesday, May 12, 2026, rose 0.6% from the prior month and 3.8% from a year earlier, the highest annual rate in three years and half a percentage point above the March reading. Energy prices, pushed higher by the conflict in the Middle East, accounted for more than 40% of the monthly increase. Core inflation, which excludes food and energy, rose 0.4% for the month and 2.8% over the year.

### Nonfarm Payroll Growth

Monthly change in total nonfarm employment, thousands, seasonally adjusted

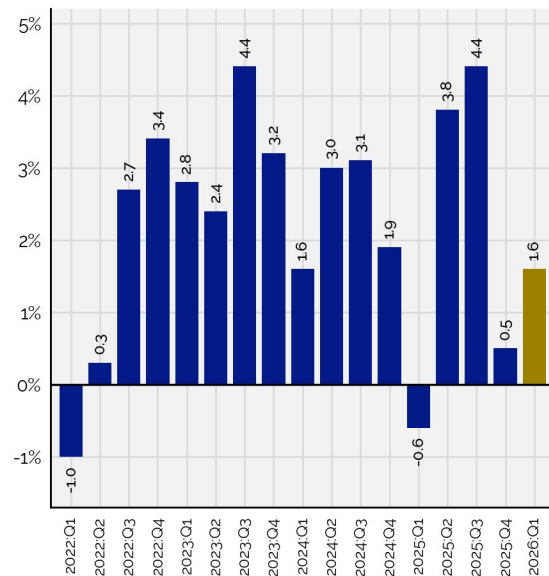


Source: U.S. Bureau of Labor Statistics. Analysis by Chandan Economics.

The labor market slowed only modestly. The unemployment rate held between 4.3 and 4.5% through the spring. Hiring remained subdued; payroll growth turned positive again in April after a brief stretch of outright job losses earlier in the year, though the Fed still described average monthly job gains as low. Steady unemployment, slow hiring, and rising inflation gave the Federal Reserve no clear reason to move rates in either direction.

## Real GDP Growth

Quarterly change, seasonally adjusted annual rate, 2022:Q1 to 2026:Q1



Source: U.S. Bureau of Economic Analysis, GDP (Second Estimate), 1st Quarter 2026. Analysis by Chandan Economics.

## What It Means for Multifamily

Higher interest rates affect multifamily through two channels. The first is the cost of borrowing; higher rates raise floating-rate debt costs and slow the recovery in property sales. The second runs through long-term Treasury yields, which move at their own pace and do not always closely follow the Federal Reserve's rate decisions. Long-term yields are the benchmark investors use to price capitalization rates, the ratio of a property's income to its value. Both channels worked against multifamily in the first half of 2026. The 10-year Treasury yield rose to about 4.45% by mid-May, near its highest level in roughly ten months, and the average 30-year fixed mortgage rate stood at 6.36%.

Higher mortgage rates also reinforced rental demand. The monthly cost of owning a typical home was nearly double the cost of renting a comparable apartment, by CBRE's estimate. Most current homeowners hold mortgages with rates below 4% and have little reason to sell and finance a new home at today's higher

rates, which keeps the supply of homes for sale tight. For workforce renters, households earning 60 to 120% of their area's median income, buying a home was financially out of reach. They remained renters by necessity, since the math of buying did not work.

None of this represented a sudden change in multifamily fundamentals. Rental demand stayed well supported, and the delay in rate cuts reinforced it. At the same time, the cost of capital stayed high, and property sales continued to recover slowly. The real shift from the start of the year was in expectations: the rate relief that investors had assumed in January moved further away, and inflation risk returned. In that environment, choosing the right assets and operating them well mattered more to investment outcomes than predicting the direction of the broader market.

Broader geopolitical uncertainty also shaped the investment environment in the first half of 2026. The conflict in the Middle East contributed to renewed inflation pressure and volatility across global capital markets. Historically, periods of international uncertainty have tended to reinforce demand for U.S. real assets, particularly sectors tied to durable domestic fundamentals. Multifamily housing, and workforce housing in particular, benefits from this dynamic because demand is rooted in necessity and supported by long-term housing shortages and barriers to homeownership.

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# FUNDAMENTALS

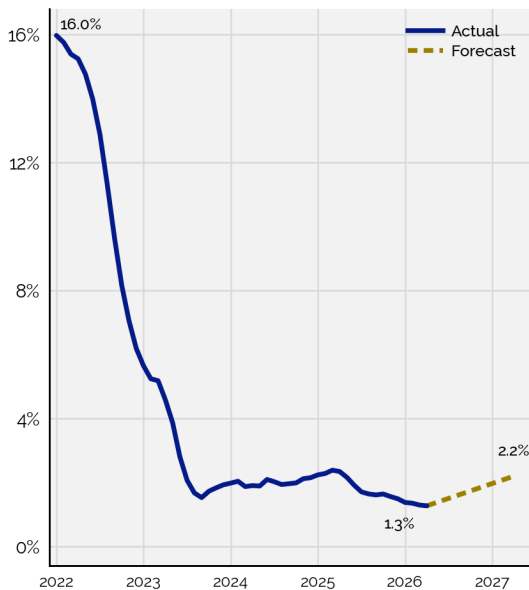
## Rental Demand

Rental demand enters the second half of 2026 in stronger shape than the rent figures alone suggest. New households continue to form, buying a home remains out of reach for most renters earning workforce incomes, and few renters move because few have a more affordable option. Rising living costs hit renters in the middle of the income range hardest. The share of renters spending more than 30% of their income on housing reached a record in 2024 and continued to climb into higher income brackets. For workforce housing, this produced a large, financially stretched, and unusually stable demand base.

## A Soft Surface, A Firm Base

### Multifamily Rent Growth

National asking rent, year-over-year % change; dashed line is the Zillow forecast (ZORF)



Source: Zillow Observed Rent Index and Rent Forecast (multifamily). Analysis by Chandan Economics.

National rent figures looked soft in the first half of 2026, but the weakness was concentrated in new leases. Average advertised rents were roughly flat to modestly lower from a year

earlier, with most large metropolitan areas posting only small changes. Renewal rents, paid by tenants staying in place, held up better. The gap between weak new-lease pricing and stronger renewal pricing was typical. It showed a market in which renters weighing a move were mostly staying, while operators prioritized occupancy over rent growth on new leases.

**What is Workforce Housing?** Workforce housing means different things to different people. To some, it is defined by income: households earning 60 to 120% of their area's median income. To others, it is defined by the building itself: older, mid-tier apartment communities, generally Class B and Class C product. To others still, it is defined by rent level: apartments that cost more than subsidized housing but less than newly built, top-tier Class A units. This report treats workforce housing as all three at once. The households earn approximately 60 to 120% of area median income. The buildings are mostly Class B and Class C product, typically built between the mid-1980s and the early 2000s, in established suburban locations. The rents sit between subsidized housing and new Class A product. TruAmerica's portfolio falls at the lower to middle end of this income range. Two distinctions matter throughout this report. First, workforce housing is distinct from subsidized affordable housing: it generally carries no rent caps and no government financing tied to tenant incomes. Second, workforce housing differs from Class A multifamily, the newer, higher-end product that has absorbed most of the new construction delivered since 2022. The two segments compete only at the edges, carry distinct operating costs, and respond differently to changes in interest rates, construction, and regulation. This report analyzes the two separately.

## Rising Cost Burdens

Even as rents softened, housing affordability continued to worsen. The Joint Center for Housing Studies reported a record 22.7 million cost-burdened renter households in 2024, meaning those that spend more than 30% of their income on rent and utilities. Of these, 12.1 million were severely cost-burdened, spending more than half their income on housing. The typical renter spent 31% of income on housing in 2024, up from 29% in 2019.

The more important point for workforce housing is where these pressures are spreading. Cost burdens have spread well beyond the lowest-income renters. In 2024, 72% of renter households earning between \$30,000 to \$45,000 were cost-burdened, and so were 49% of those earning between \$45,000 to \$75,000. The reason is a long-running gap between incomes and rents. Between 2001 and 2024, the typical renter's income rose about 9% after inflation, while rents rose about 30%. Workforce renters increasingly cannot afford to buy a home and cannot easily find a cheaper place to rent.

## Why Renters Stay

The for-sale housing market reinforced rental demand. The monthly cost of owning a typical home was nearly double the cost of renting a comparable apartment in early 2026, according to CBRE's estimate. The supply of homes for sale remained tight, in part because most homeowners hold mortgages below 4% and have little financial reason to sell. Workforce-income households who might have bought a home a decade earlier stayed renters, often longer than they had planned. For owners of workforce apartments, this showed up as lower turnover and longer average tenancies.

The makeup of renters also continued to broaden. Renters today are older on average than a decade ago, with the fastest growth

among households headed by adults aged 35 to 64 and those aged 65 and older. The number of renter families with children remained large. Older renters and families tend to value unit size, school quality, and a stable living environment more than the amenities found in newer urban Class A buildings. The workforce housing stock, mostly suburban and garden-style, is well-suited to these renters.

For the second half of 2026, rental demand was expected to remain solid overall, though it would vary more across markets and price points. The conditions supporting demand, expensive for-sale housing, few homes listed, low turnover, and a slowing but stable job market, were unlikely to reverse. The Class A segment, which absorbed most of the new supply since 2022, was likely to keep facing higher vacancy and discounting into 2027. The workforce segment, less exposed to the new supply, was positioned for an earlier return to rent growth in markets where construction had begun to slow.

## Supply and Operating Conditions

Multifamily construction has come off its peak, and the decline has been steep. New construction starts in 2025 ran well below their 2022 high, and the supply wave that defined the early 2020s is now receding. Even so, the volume of apartments still scheduled to open in 2026 and 2027 remains substantial, and forecasters raised their delivery estimates through the spring as construction starts held up better than expected. For workforce housing, the more pressing issue was on the operating side, where rising insurance, property tax, and payroll costs continued to squeeze profit margins.

## A Construction Pipeline in Retreat

Multifamily construction has turned down sharply from a historic peak. The number of apartments under construction nationally fell from roughly 985,000 units in 2023, the

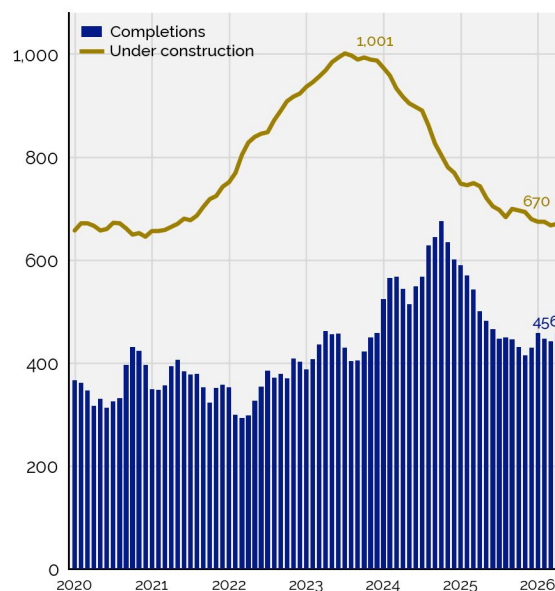
highest level on record, to 659,000 units by March 2026. The one-third decline over little more than two years is the steepest sustained drop since the period following the 2008 financial crisis. New construction starts told the same story: the Joint Center for Housing Studies reported 416,000 apartment starts in 2025, well below the 2022 peak, while completions reached 488,000 units as the buildings begun during the boom finished and opened. The direction is unambiguous: the volume of new apartments opening will decline through 2026 and 2027.

Two qualifications temper this picture. First, while the pipeline has fallen sharply, 659,000 units under construction is still a substantial figure by any historical standard, above the level that prevailed through most of the 2015 to 2019 expansion. A meaningful volume of new supply will continue to open over the next two years. Second, in February 2026, Yardi Matrix raised its forecasts for apartment completions in 2026, 2027, and 2028 by 6 to 9%, as construction starts had held up better than expected. New supply will continue to pressure Class A rents in some markets through 2027. Sunbelt metropolitan areas that saw the most building in 2022 and 2023 still face the heaviest volume of new apartments, while markets in the Northeast have moved further through their pipelines.

Because almost all new construction is Class A, the effect on workforce housing is indirect: as Class A rents soften, the price gap between a new apartment and an older one narrows, which can draw some renters away from workforce units.

## Under Construction and Completions

Multifamily (5+ unit) buildings, thousands of units; completions are a 3-month moving average of SAAR



Source: U.S. Census Bureau and HUD, New Residential Construction. Analysis by Chandan Economics.

## The Cost of Building

Construction costs continued to limit new building. Material prices climbed 42% between January 2020 and December 2025, and construction labor costs rose 24% over the same period, according to the Joint Center for Housing Studies. Labor costs increased further in early 2026 as immigration policy reduced the supply of construction workers. As a result, the total cost to build a new apartment moved well above its pre-pandemic level, and new construction stayed concentrated in higher-rent product, where rents can cover those costs. This widened the gap between the rents on existing workforce apartments and the rents a developer needs to justify new construction. The gap is one of the central reasons workforce housing holds its value: it cannot easily be replaced by new supply.

## The Operating Squeeze

Operating conditions in the first half of 2026 combined soft rents with steady occupancy. Yardi Matrix reported average advertised rents of \$1,758 in April 2026, down 0.2% from a year

earlier, with two-thirds of the 30 largest metros showing year-over-year declines. Occupancy held at 94.2% in March on Yardi Matrix's measure, which runs modestly below the level implied by other vacancy trackers because providers sample different sets of properties. Both figures reflected Class A buildings more than workforce buildings, which generally ran between 94 and 95% with less volatility and continued to post small but positive rent growth.

The more important story for workforce housing was on the cost side. Three expenses drove most of the pressure on profit margins. Property insurance premiums stayed high, especially in Sunbelt and coastal markets exposed to storm risk, even as Florida's home insurance market for owner-occupants began to stabilize. Property taxes continued to rise as assessed values caught up with the sharp increase in market values from 2020 to 2022. Payroll and contractor costs stayed elevated, reflecting the same tight labor market that pushed up construction wages. Together, these expenses rose faster than rents for most operators in 2025, leaving net operating income, a property's rental income after operating expenses, flat or slightly lower after inflation.

The gap between strong and weak operators widened. Operators with scale in their local markets, and with disciplined approaches to pricing and turnover, continued to grow net operating income, even as thinner competitors saw margins shrink. Workforce housing, with its older buildings and more hands-on operations, rewards this kind of operating skill more than newer Class A product does. The segment's overall fundamentals remained sound but results increasingly depended on the quality of the operator. This is the central reason the report emphasizes selectivity and operating discipline. The long-term case for the workforce segment holds; in current conditions, returns depend on choosing and operating assets well, and the sector will not carry every owner.

One distinction is worth stating directly because investors often frame multifamily performance solely around rent growth. Rent growth and net operating income have diverged. Rents have been broadly flat, but operating expenses, led by insurance, property taxes, and payroll, rose faster, so net operating income, what an owner keeps, has lagged rent trends and in many cases declined after inflation. An investor reading only the rent figures would overstate the segment's performance. The divergence is also why workforce housing is operationally demanding: it is less capital-intensive than Class A development but more management-intensive to run, and in a period of expense pressure, that management intensity is what separates strong results from weak ones.

Through the remainder of 2026 and into 2027, the workforce segment was expected to see construction pressure ease gradually, competition from softer Class A pricing weigh modestly on rents, and operating costs stay elevated. Net operating income growth was likely to recover slowly beginning in late 2026 and strengthen into 2027 as construction slowed and the worst of the insurance-cost increases eased in some markets. The pace would vary widely. The market profiles later in this report identify where the recovery was most likely to take hold first.

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## CAPITAL MARKETS AND THE INVESTMENT ENVIRONMENT

The market for buying, selling, and financing U.S. apartment properties improved in the first half of 2026, but the recovery was slower than many investors had expected. Property sales picked up from their 2023 lows, lenders grew more willing to extend credit, and apartment building pricing held roughly steady. The pricing gains that many forecasters had expected by mid-year were delayed by the April inflation report and the subsequent rise in long-term interest rates. Investors who had built their plans around an earlier lift in prices entered the second half of the year still waiting for it.

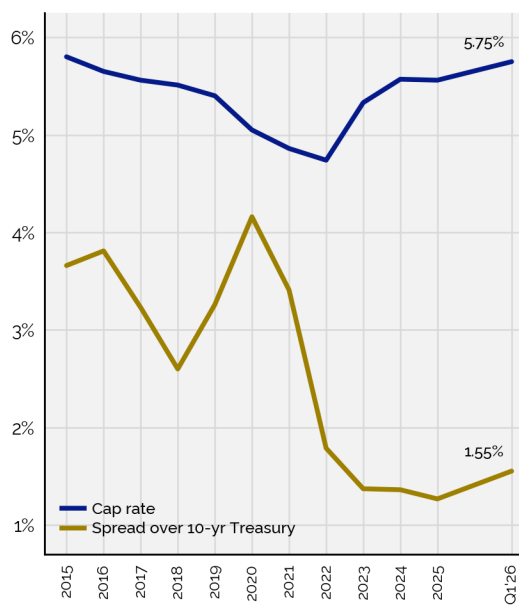
**Reading Cap Rates:** The capitalization rate, or cap rate, is the standard measure of how apartment buildings are priced. It is a property's annual income divided by its price. A building producing \$1 million in annual income and valued at \$20 million carries a 5% cap rate. Cap rates move opposite to prices. When cap rates rise, prices fall relative to income; when cap rates fall, prices rise. A decline in cap rates, often called compression, signals a stronger market in which buyers will pay more for the same income. An increase signals the reverse. Cap rates vary by property type and quality. Older, workforce-oriented Class B and Class C apartments trade at higher cap rates, and therefore lower prices relative to income, than newer Class A buildings. The gap reflects their age, their greater repair and upgrade needs, and their more demanding operations. It is also part of what gives workforce apartments their return potential for investors able to operate them well.

## Pricing and Capitalization Rates

Cap rates rose about 9 basis points across the sector in 2025, suggesting apartment prices edged down relative to income. They then held steady through the first quarter of 2026, with the average cap rate across all apartment types near 5.6%, according to CBRE.

### Multifamily Cap Rates

Apartment cap rate and spread over 10-year Treasury, percent; 12-month averages, Q1 2026 at right



Source: MSCI Real Assets (PREA, RealPage); 10-year Treasury via FRED. Analysis by Chandan Economics.

Most forecasters had expected cap rates to decline slightly in 2026, which would have signaled rising prices. The April inflation report and the related rise in the 10-year Treasury yield to about 4.45% by mid-May pushed the expected improvement later into the year. Workforce apartments continued to trade at higher cap rates, and therefore lower price-to-income ratios, than newer Class A buildings, for the reasons described above. For investors, the pricing gap is a meaningful part of the workforce return profile.

### Sales Activity

Apartment sales volume recovered through the first quarter of 2026, rising from the depressed levels of 2023 and the partial rebound of 2024 and 2025. CBRE expected

total investment in apartments to keep rising in 2026, with the sector leading the major property types. The recovery was uneven. Larger deals in major markets recovered faster than smaller deals in secondary markets, because large loans were easier to arrange and because much of the available capital was concentrated among the biggest investors. Smaller workforce apartment deals, especially those needing renovation budgets, still faced friction in arranging both debt and equity, though the gap between what buyers offered and what sellers wanted had narrowed since 2023.

### **Lending Conditions**

Lending conditions in the first half of 2026 were the most favorable in roughly two years. The Federal Reserve's survey of senior bank loan officers showed that banks had modestly eased their standards for apartment loans, and lender interest in the sector had broadened from the tight conditions of 2023 and early 2024. Fannie Mae and Freddie Mac, the two government-sponsored mortgage companies, remained the largest apartment lenders and offered the most competitive terms for properties and borrowers that met their standards. Insurance companies returned as selective lenders, focused on lower-risk, fully leased properties. Private lenders, which had taken a larger role during the bank pullback of 2023 and 2024, continued to finance renovation and repositioning projects that banks and the government agencies would not.

Beneath the recovery in lending, loan performance warranted attention. The share of seriously delinquent apartment loans held by Fannie Mae and Freddie Mac rose through 2023, 2024, and into 2025, according to the Urban Institute. The increase was concentrated in loans made between 2020 and 2022, when interest rates were very low, and borrowers were now refinancing into much higher rates. Most of the trouble was in floating-rate loans and short-term loans used

for renovation projects, where the original plans had assumed strong rent growth and easy refinancing. In response, lenders set more conservative terms for new loans. For workforce apartment deals with steady existing income and modest renovation plans, financing was generally available. For more aggressive renovation projects, it was noticeably harder to obtain than three years earlier. The same conditions argue for caution in underwriting new acquisitions: with long-term yields elevated and their path uncertain, conservative exit capitalization rate assumptions and refinancing terms that do not depend on rates falling are the prudent baseline.

### **The Outlook for the Second Half**

A separate question for lending was the future of Fannie Mae and Freddie Mac. The federal government has overseen both companies since 2008, and the current administration has signaled interest in returning them to private control over the coming years. The specifics, including the timing and the financial requirements, remained unsettled. Because the two companies are central to apartment lending, any major change to how they operate would affect the cost and availability of apartment loans. Over the next 18 months, continued uncertainty is more likely than immediate change, and the two companies were expected to keep lending in their current form for deals now being financed.

Conditions for buying, selling, and financing apartments were expected to keep improving gradually over the remainder of the year and into 2027. The factors supporting the recovery, steady government-agency lending, slowly broadening bank participation, returning insurance-company lenders, and active private lenders, were unlikely to weaken unless the broader economy deteriorated. The improvement in apartment prices that forecasters had expected by mid-2026 was more likely to begin in late 2026 or early 2027, and its timing depended on long-term interest

rates more than on the Federal Reserve's rate decisions alone. In this environment, investors were rewarded for buying at a sensible price, borrowing conservatively, and having the operating skill to deliver results without relying on rising prices.

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## POLICY AND REGULATORY ENVIRONMENT

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Housing policy was prominent on the national agenda in the first half of 2026, reflecting an affordability problem that voters and elected officials across the political spectrum treat as a priority. At the federal level, a far-reaching housing bill advanced through Congress, including proposed limits on large institutional investors in the single-family rental market; the legislation was still developing as of mid-May, and its final form was not settled. At the state and local level, the same pressure produced measures pointing in two directions: rent regulation proposals that would constrain pricing, including a Massachusetts ballot question, and a parallel set of programs designed to expand the supply of moderately priced housing. For investors, the practical point is that policy varies by market and belongs in underwriting as one input among several. It is worth assessing closely, market by market, and without alarm.

### **The Federal Picture: A Developing Situation**

The most prominent federal housing measure in 2026 was the 21st Century ROAD to Housing Act, a wide-ranging bill that touches federal housing programs, construction regulation, and rural housing. It passed the House of Representatives in February 2026 by a vote of 390 to 9, and the Senate passed an amended version in March 2026 by a vote of 89 to 10. Because the two chambers approved different versions, the legislation returned to the House, and as of mid-May 2026, it had not been finalized. For workforce housing investors, the most useful point to establish at the outset is one of scope: the provision attracting attention concerns single-family rental housing, which leaves the multifamily apartment communities at the center of the workforce segment with limited direct exposure to the bill.

The Senate version includes a section that would prohibit large institutional investors,

defined as entities controlling 350 or more single-family homes, from buying additional ones. The prohibition is subject to several exceptions. An investor may still acquire homes through a build-to-rent program, in which new single-family homes are built specifically to operate as rentals, but would have to sell those homes to individual buyers within 7 years. The bill would not require investors to sell homes they already own.

The single-family rental provisions remain under discussion, which is the clearest reason to treat the issue as open. Industry groups, including the National Multifamily Housing Council and a coalition of roughly 80 organizations, argued that the Senate language could discourage construction of build-to-rent housing, particularly because of the proposed seven-year disposition requirement. In April 2026, a bipartisan group of 67 representatives also urged House leadership to revise the build-to-rent provisions. Subsequent revisions in the House modified portions of the Senate language, but the legislation remained unresolved as of late May 2026. For the workforce housing segment, the broader significance lies less in the immediate operational impact and more in the policy direction the debate reflects, namely, increased federal scrutiny of institutional ownership within rental housing markets.

### **State and Local Pressure: Rent Regulation**

The same affordability pressure that shaped the federal debate has driven action at the state and local levels, where the most visible response has been renewed interest in rent regulation. The clearest example is in Massachusetts. A ballot initiative would repeal the state's 1994 ban on local rent control and impose a statewide cap on annual rent increases of 5% or the rate of inflation, whichever is lower. The cap would apply even when an apartment turns over to a new tenant. The measure includes exceptions: it would not apply to buildings less than 10 years old, a provision intended to avoid discouraging new

construction, nor to owner-occupied buildings with 4 or fewer units.

The measure's status is the key to reading it. As of mid-May 2026, it remained a ballot proposal and had not yet become law. Supporters gathered well over the required number of signatures, and the state legislature faced a Tuesday, May 5, 2026, deadline to act on the proposal. The legislature referred the measure and other ballot initiatives to a joint committee for review, stopping short of adopting or rejecting it. To place the question on the November 2026 ballot, supporters must gather a second round of signatures by the summer, and a separate legal challenge seeking to keep the measure off the ballot is pending.

Early polling indicated majority support among Massachusetts voters, and the state's political leadership is divided, with the governor opposed on housing-production grounds and the mayor of Boston supportive despite reservations about the specific terms. Several steps therefore stand between the current proposal and any binding rule, and its terms could change before it reaches voters. For now, it is best read as a proposal to monitor, its outcome still unsettled.

The Massachusetts proposal is one example of a broader pattern. Washington State enacted a statewide rent increase cap in 2025, and California has operated one since 2020. Two points keep this pattern in proportion. First, the existing statewide caps are set well above current rent growth: California's cap and Washington's 2026 ceiling, both near 10%, sit above the low-single-digit increases those markets are posting, so neither is the binding limit on revenue today. They function as structural ceilings and as signals of policy direction; for now, they do not constrain revenue.

Second, the analytical question for investors is whether the geography of regulation is expanding and whether the variation across

states affects how a portfolio performs. Whether rent regulation is sound policy is a separate question, and one on which the research literature is mixed. A market with a binding cap has a different return profile than one without one, and the variation is one reason this report emphasizes selectivity across markets.

### **State and Local Support: Expanding the Middle**

Affordability pressure has also produced policies moving in the opposite direction, toward expanding the supply of moderately priced housing. These measures matter to the workforce segment because they target the same middle-income households. Colorado provides the clearest example. In 2024, the state created the nation's first Middle-Income Housing Tax Credit, modeled on the federal Low-Income Housing Tax Credit but aimed at households earning too much for subsidized housing and too little to afford market-rate homes. Developers receive credits, sell them to investors to raise construction equity, and, in exchange, keep the housing affordable to middle-income households for at least 15 years.

Colorado expanded the program in 2026. At the federal level, a bipartisan group of legislators reintroduced the Workforce Housing Tax Credit Act in May 2026, which would create a similar national credit for households earning 60 to 100% of the area median income. The bill has not passed in prior sessions, and its prospects remain uncertain, but its reintroduction reflects sustained bipartisan interest. Several states have separately moved to ease zoning and construction rules, including measures that allow more housing near transit and streamline approval of small-scale and infill development.

## **What It Means for Workforce Housing**

The policy environment in mid-2026 was best understood as a single affordability problem generating responses in two directions at once. One direction constrains pricing through rent regulation. The other expands supply through tax credits and zoning reform. Both are likely to continue, because the affordability pressure behind them is structural. For workforce housing investors, three key points follow. First, policy is one ordinary input in underwriting, assessed market by market alongside supply, demand, and cost.

Second, the variation across states and localities is wide, which rewards careful market selection over a uniform view of the sector. Third, policy runs in both directions. The expansion of middle-income housing programs reflects a growing recognition among policymakers that the workforce population is underserved, and that recognition could, over time, become a source of support for the segment.

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Novogradac and Affordable Housing Finance. Coverage of the Workforce Housing Tax Credit Act, reintroduced May 2026.

## MARKET PROFILES

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The profiles examine several focus markets on a common template: Los Angeles, San Francisco, Seattle, Denver, Dallas, Miami / South Florida, Boston, and the New York Metro Area. Each profile applies a consistent structure, covering the local economy and demand; supply; pricing, investment, and policy; and the outlook.

### LOS ANGELES

Los Angeles is treated here as two representative markets that frame Southern California for a workforce housing investor: Los Angeles County, the largest and chronically undersupplied coastal market, and the Inland Empire, which has become the default destination for households priced out of the coast. The state's defining features are a persistent housing shortage that supports rental demand, a slow pace of new construction relative to other fast-building states, and a statewide rent increase cap in place since 2020. As in the Seattle profile, the cap is a structural feature of underwriting: its ceiling sits above current rent growth, so it does not constrain pricing today.

#### Economy and Demand

California's rental demand rests on a structural housing shortage left unresolved by years of slow construction. Los Angeles County is chronically undersupplied: vacancy has held around 5% despite a recent increase in new construction, and the affordability gap with for-sale housing keeps workforce-income households in the rental market well past the point at which they might once have bought. The Inland Empire, the Riverside and San Bernardino County region, has grown steadily as households leave Los Angeles and Orange counties in search of more affordable rents while maintaining access to coastal job centers. Its economy is anchored by the logistics and distribution sector that runs through Southern California, which provides a

relatively stable employment base. Demand across both markets is supported by the same dynamic described nationally in this report: high for-sale prices and elevated mortgage rates keep the path to ownership closed for most workforce households.

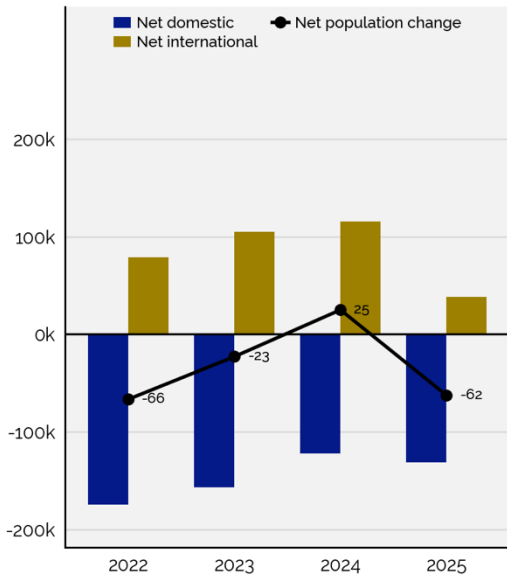
A factor specific to Los Angeles is the recovery from the January 2025 wildfires, which destroyed roughly 16,000 structures across the Palisades and Eaton burn zones, most of them homes. More than a year on, the effect on the rental market is concentrated on the demand side. Rebuilding permits have been issued at a pace state and local officials describe as historically fast, but very few homes have been completed, and most displaced households remain renters in the surrounding market while they wait.

The result is a localized increment to rental demand, layered onto an already undersupplied market, that is likely to persist for several years given the length of the rebuild. The destroyed stock was overwhelmingly higher-value single-family housing, so the workforce segment lost few units of its own. Its exposure is indirect, working through the added competition for rental housing across the county.

This report treats the recovery as a local factor to monitor, since its pace depends on permitting, insurance settlements, and construction capacity that are still being resolved.

## Net Migration

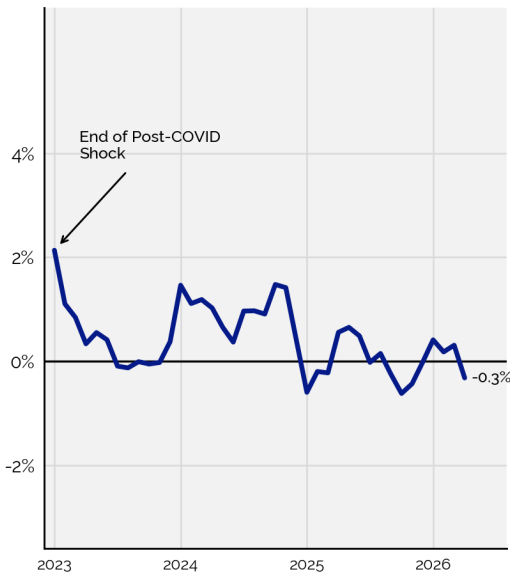
Los Angeles metro area, annual net migration and total population change, persons



Source: U.S. Census Bureau, Population Estimates Program (Vintage 2025), metropolitan statistical area.

## Los Angeles Employment

Total nonfarm payrolls, year-over-year % change



Source: U.S. Bureau of Labor Statistics via FRED; metropolitan statistical area.

## Supply

Supply is the principal point of contrast between the two markets, and neither resembles the heavy-supply pattern seen in Denver. Los Angeles County builds slowly. Construction has been constrained for years by land costs, entitlement timelines, and high building costs, and even a recent uptick in deliveries, including accessory dwelling units added under state zoning measures, has not closed the shortage.

The Inland Empire has been the more active builder, with deliveries elevated as developers respond to inbound demand, though absorption has been strong enough to keep stabilized occupancy healthy, around 95% in 2025 on Yardi Matrix data. As elsewhere, almost all new construction is Class A, so the effect on the workforce segment is indirect. The broader state picture is one of structural undersupply, which sets California apart from the report's heavy-construction markets, where the task is to clear a supply wave.

## Pricing, Investment, and Policy

Rents in both markets were broadly stable in early 2026. Los Angeles County rents have grown only modestly, consistent with a market where demand is solid but affordability ceilings limit how far rents can move. Yardi Matrix data put Inland Empire advertised asking rents near \$2,150 to \$2,165 in recent readings, roughly 10% below the Los Angeles County average and well below Orange County, a spread that underpins the inland market's relative yield. Investment activity has been measured, in line with the national transaction recovery.

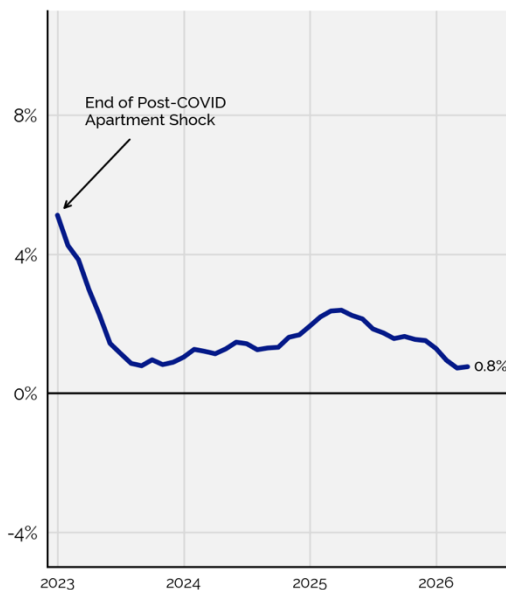
On policy, California has operated a statewide rent increase cap since 2020 under the Tenant Protection Act (AB 1482), which limits annual increases for covered properties to 5% plus local inflation, capped at 10%. Buildings are exempt for the first 15 years, so the cap applies mainly to older stock that houses workforce

renters, and many local jurisdictions operate their own, sometimes stricter, ordinances.

The proportionality point set out in the Seattle profile applies here as well: with the statewide cap generally translating to allowable increases of 6 to 9%, depending on the region, and with current rent growth running well below that, the cap is not the binding limit on revenue today. It is a standing underwriting input and a settled feature of operating in Southern California.

### Los Angeles Rent Growth

Multifamily asking rent, year-over-year % change



Source: Zillow Observed Rent Index (multifamily).  
Analysis by Chandan Economics.

### Outlook

Southern California offers a different investment case from the report's supply-pressured markets and from Seattle. The demand foundation is durable and rests on a housing shortage that will not resolve quickly, and the slow pace of construction means the workforce segment faces little of the new-supply pressure visible in Denver or, to a lesser degree, Seattle.

Where Seattle's defining feature is a regulatory framework still taking shape, Southern California's is the opposite: a long-

settled but dense and multilayered regulatory and cost environment that amounts to a permanently higher level of operating friction. The friction, a higher cost of operating and a premium on local knowledge and disciplined compliance, is a fixed condition of the market.

The contrast between the two representative markets is instructive: Los Angeles County offers scale and structural undersupply at a higher operating cost, while the Inland Empire offers a more favorable rent-to-price spread and clearer demand growth. For a workforce housing investor, Southern California rewards careful submarket selection and operating discipline over a broad statewide view.

### Sources and notes

U.S. Census Bureau. Population estimates and Building Permits Survey, Los Angeles and Riverside-San Bernardino metropolitan areas, data through early 2026. Cited for population and permitting context.

U.S. Bureau of Labor Statistics. Metropolitan area employment and unemployment, series through early 2026. Cited for the regional employment base.

Yardi Matrix. Southern California and Inland Empire multifamily market data, 2025 and early 2026. Cited for advertised asking rents, occupancy, and units under construction.

RealPage. Market analytics, Southern California apartment demand and absorption, 2025 and early 2026. Cited for absorption context.

State of California. Tenant Protection Act of 2019, Civil Code sections 1946.2 and 1947.12, and annual maximum allowable rent increase determinations. Cited for the provisions and rate of the statewide rent increase cap.

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## SAN FRANCISCO

San Francisco shows one of the clearest turnarounds in this report. After a difficult stretch from 2023 into 2024, the city entered 2026 with demand led by a technology sector reweighted toward artificial intelligence, rising occupancy, and rent growth among the fastest of any major market in the country. This profile pairs the city with the East Bay, the Oakland-centered region across the bay that has long absorbed households priced out of San Francisco and the Peninsula and carries a more affordable, more workforce-oriented character. In Northern California, the recovery is real; the open questions are how durable and how concentrated it is, and where the workforce segment sits within it.

### Economy and Demand

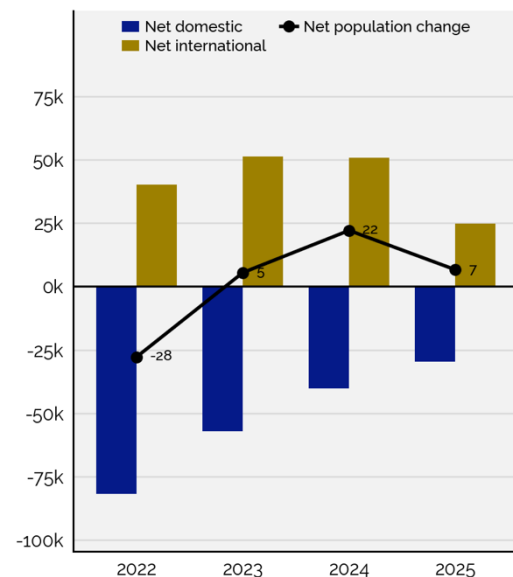
San Francisco's demand recovery is anchored in employment. The city has regained its standing as a leading center of the artificial intelligence economy, with the growth of AI firms and the broader technology base drawing high-wage workers back to the urban core, and in-person office attendance has returned toward pre-pandemic levels. The demand has been most visible in the downtown submarkets and in higher-income, Class A product.

The concentration cuts both ways. The same dependence on a single high-wage sector that has driven the rebound also leaves it more exposed than a broader recovery would be: a slowdown in AI investment, hiring, or valuations would weigh first and most heavily on the downtown, high-income segment that has led it, and the pace of recent gains may prove difficult to sustain. The East Bay rests on steadier, more diversified ground, drawing households who work in or near San Francisco but want more affordable rents, with a local employment base that is less cyclical and less exposed to a single-sector slowdown. Its recovery has lagged the city's, with demand still building through late 2025.

Across both markets, the affordability gap with for-sale housing remains among the widest in the country, which keeps workforce-income households renting well past the point at which they might once have bought. The distinction that matters for this report is that the headline recovery has been led by the high-income, Class A segment, while the workforce case rests on the structural shortage and affordability gap that hold across California, reinforced in the East Bay by its relative-value position.

### Net Migration

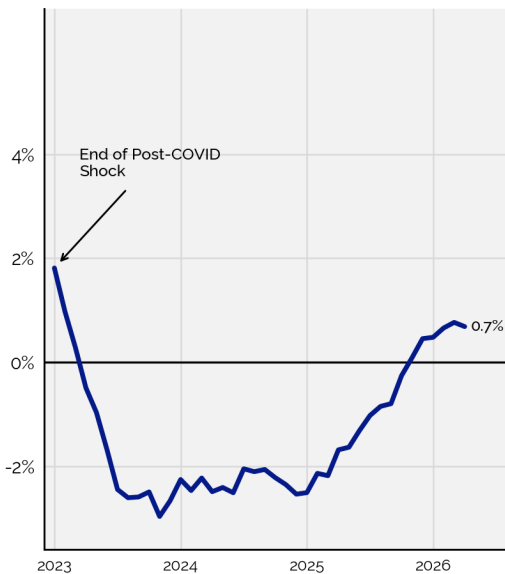
San Francisco metro area, annual net migration and total population change, persons



Source: U.S. Census Bureau, Population Estimates Program (Vintage 2025); metropolitan statistical area.

## San Francisco Employment

Total nonfarm payrolls, year-over-year % change



Source: U.S. Bureau of Labor Statistics via FRED; metropolitan statistical area.

## Supply

Supply is a structural support in Northern California. Both markets post among the lowest rates of new supply in the country, well below the fast-building Sunbelt markets covered elsewhere in this report, and Bay Area building has run near multi-decade lows, constrained by land, topography, zoning, and high construction costs. As in the report's other markets, what little is delivered is overwhelmingly Class A, so the older Class B and Class C stock that houses most workforce renters is barely growing.

Within the metro, higher-end product in the slower-growing Peninsula submarkets has carried more vacancy than the workforce-grade stock, a reminder that the recovery is uneven across tiers. The limited pipeline means the supply question that defines Denver or Dallas does not apply here; the binding constraints in Northern California are demand concentration and the regulatory and cost environment.

## Pricing, Investment, and Policy

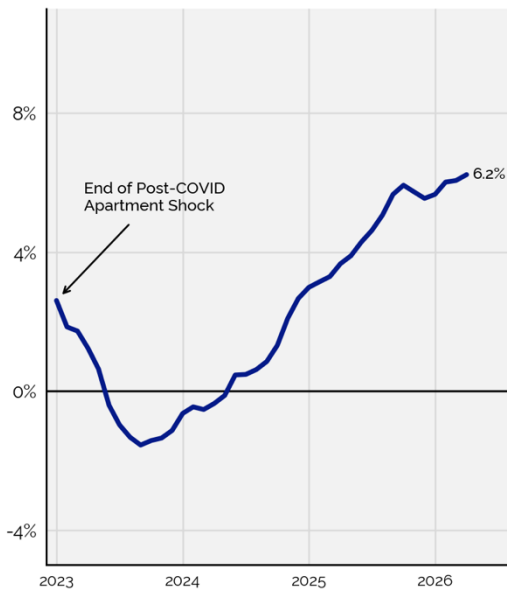
San Francisco posted some of the fastest rent growth of any major market entering 2026, on the order of 4 to 7% year over year depending on the data series, led by the downtown SoMa and Mission Bay submarkets and by Class A product citywide, while stabilized occupancy held near 96%, among the few major markets to post gains. The East Bay has recovered more gradually, consistent with its more affordable, workforce-oriented character and steadier demand. Investment activity has improved as pricing has reset and capitalization rates have re-rated, and capital has begun to return. The environment still rewards operators who can drive net operating income through repositioning, accessory dwelling unit additions, and disciplined expense management; cap-rate compression alone will not carry returns.

On policy, Northern California operates under the statewide framework described in the Los Angeles profile, the Tenant Protection Act and its cap on annual increases for older covered properties. San Francisco and Oakland add their own local rent control ordinances, which are stricter than the state cap and apply principally to the older pre-1979 and pre-1995 stock that houses most workforce renters.

The proportionality point made elsewhere in this report applies, but with a sharper edge: the layered local controls fall directly on the workforce segment, so accurate initial pricing, retention, and local regulatory knowledge carry more weight here than in lightly regulated markets. Property insurance and other operating costs remain a material underwriting line.

## San Francisco Rent Growth

Multifamily asking rent, year-over-year  
% change



Source: Zillow Observed Rent Index (multifamily).  
Analysis by Chandan Economics.

## Outlook

Northern California offers one of the clearest demand recoveries in this report alongside one of its more demanding operating environments. San Francisco's momentum is real and rests on a high-wage, AI-led employment base, and the structural undersupply across both markets means the workforce segment faces little of the new-supply pressure visible in Denver or Dallas. The two cautions are concentration and regulation. The recovery is concentrated in two senses, in a single high-wage sector and in high-income, downtown Class A product, which makes its pace more sensitive to the trajectory of AI investment and hiring than a broader one would be.

A workforce strategy therefore rests on the durable supports: the structural shortage, the affordability gap, the East Bay's relative-value position, and selective repositioning of older San Francisco stock. These hold regardless of where the technology cycle turns, and they matter more than the citywide rent figures or the durability of the AI cycle.

The regulatory layer is heavier than in the report's other western markets, since the statewide cap is joined by stricter local ordinances in both cities, placing a premium on operating discipline and local knowledge. For a workforce housing investor, Northern California rewards participation in a real recovery, tempered by careful submarket selection, a lean toward East Bay relative value, and underwriting that respects the local regulatory environment.

## Sources and notes

U.S. Census Bureau. Population estimates and Building Permits Survey, San Francisco-Oakland-Berkeley metropolitan area, data through early 2026. Cited for population and permitting context.

U.S. Bureau of Labor Statistics. Metropolitan area employment and unemployment, series through early 2026. Cited for the employment base and high-wage job growth.

Yardi Matrix. San Francisco multifamily market reports, 2025 and early 2026. Cited for advertised asking rents, occupancy, and new-supply rates.

RealPage Market Analytics. San Francisco and Oakland apartment demand, occupancy, and rent growth, 2025 and early 2026. Cited for rent growth and absorption context.

State of California. Tenant Protection Act of 2019, Civil Code sections 1946.2 and 1947.12. Cited for the statewide rent increase cap. See the Los Angeles profile of this report for detail.

City and County of San Francisco Rent Board and City of Oakland Rent Adjustment Program. Cited for the local rent control ordinances that apply to older stock.

## SEATTLE

Seattle pairs durable demand fundamentals with an evolving regulatory environment. A diversified high-wage economy, constrained land, and a structural affordability gap with for-sale housing continue to support rental demand, while the construction pipeline has moved past its peak. Washington's statewide cap on annual rent increases, enacted in 2025, is a structural feature of the market: its ceiling sits well above current rent growth, so it does not bind today. It does, however, reinforce the emphasis on initial pricing, retention, and cost control that defines disciplined operation in any market.

### Economy and Demand

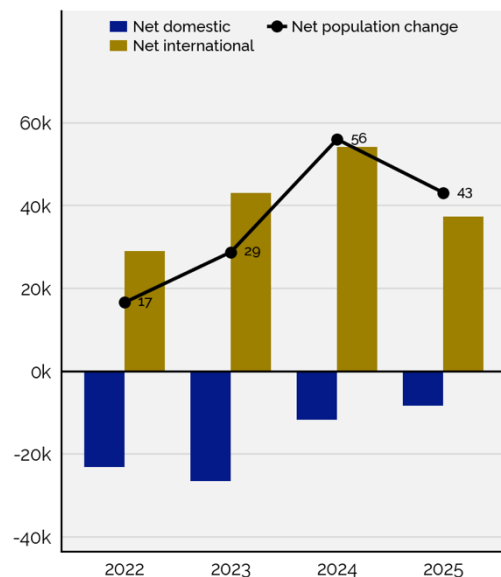
Seattle's economy entered 2026 stable but growing more slowly than in the recent past. King County, which corresponds to the core metropolitan division, had an estimated population of 2.43 million at the end of 2025, and it has grown at an average of about 1.2% a year since 2020, down from 1.6% in the 2010s as both net migration and natural increase slowed, according to Census Bureau and HUD estimates. Employment growth was modest: Bureau of Labor Statistics data showed payrolls in the county rose by roughly 9,000 jobs, or about 0.6%, over the year through late 2025.

The metro retains the diversified high-wage employment base, concentrated in technology, education, and health services, that has made it one of the more consistent western markets, and constrained developable land continues to limit the pace at which new supply can be added. The technology weighting is double-edged: it underpins the high incomes that support rents, but it also ties a meaningful share of demand to a single sector. Seattle's large-cap cloud and software base has so far seen less of the artificial-intelligence-led acceleration that has driven the Bay Area, leaving its high-wage demand steadier but slower. A pronounced

slowdown in technology investment or hiring would weigh on the high-income, urban Class A segment more than on the workforce stock. Rental demand is further supported by the affordability gap with for-sale housing, where a median home price well above the national level keeps workforce-income households in the rental market. As in the markets covered in this report, the softness in recent rent figures is a supply-and-regulatory story, not a demand story.

### Net Migration

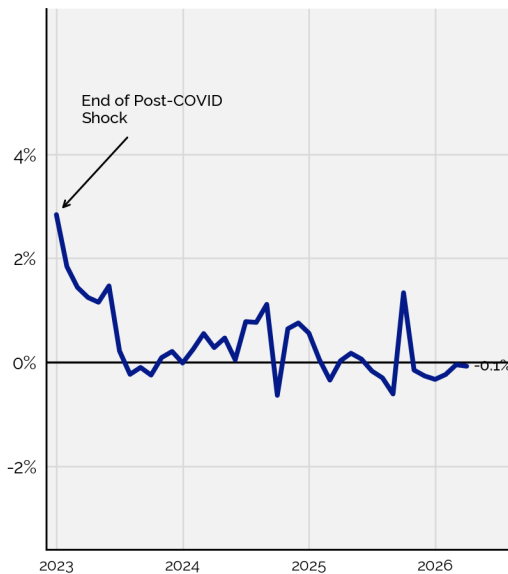
Seattle metro area, annual net migration and total population change, persons



Source: U.S. Census Bureau, Population Estimates Program (Vintage 2025), metropolitan statistical area.

## Seattle Employment

Total nonfarm payrolls, year-over-year  
% change



Source: U.S. Bureau of Labor Statistics via FRED;  
metropolitan statistical area.

## Supply

Seattle absorbed a substantial volume of new apartments through the first half of the 2020s, and the resulting supply has moderated rent growth and normalized vacancy across much of the metro. The pipeline is now contracting. Units under construction fell by about 20% year over year heading into 2026, consistent with the national pattern of a sharp pullback in new starts, and completions are set to decline through 2026 and 2027. The pressure from new supply has been concentrated in Class A product in the urban submarkets that absorbed the most construction, while the older Class B and Class C stock that houses most workforce renters has held up comparatively better.

Because almost all new construction is Class A, the effect on the workforce segment is indirect: as Class A rents soften, the price gap between a new apartment and an older one narrows. The contraction in the pipeline sets up a tighter supply picture by 2027.

## Pricing, Investment, and Policy

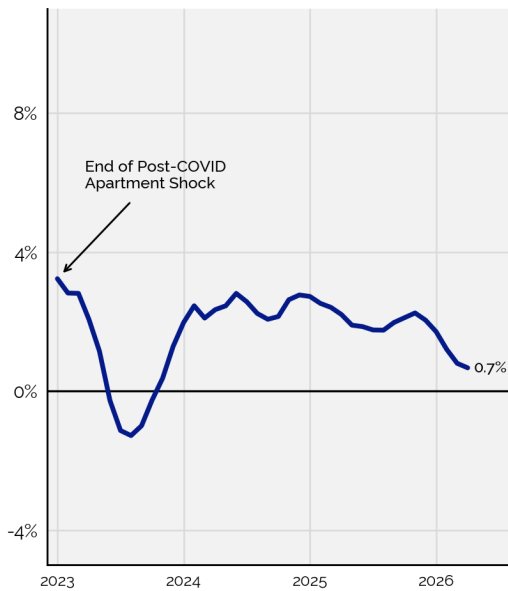
Rents in Seattle were broadly flat to modestly higher in early 2026. Yardi Matrix reported average advertised asking rents of \$2,250 in mid-2025, above the national average, and stabilized property occupancy around 95%, also above the national figure. Investment activity has been measured, consistent with the national pattern of a slow transaction recovery, though Seattle remained among the secondary markets that attracted relatively more investor interest.

On policy, Washington House Bill 1217, signed into law in May 2025, caps annual rent increases for most residential tenancies at the lower of 10% or 7% plus inflation, with a maximum set at 9.683% for 2026. Similar to California's AB 1482, it provides a rolling exemption for newer buildings, though Washington's window is shorter at 12 years from the date of initial occupancy. Its practical significance should be read in proportion.

With Seattle rents growing in the low single digits, a ceiling near 10% is not the binding limit on revenue today. It matters as a structural feature and a signal of policy direction, and it belongs in underwriting as a standing input.

## Seattle Rent Growth

Multifamily asking rent, year-over-year  
% change



Source: Zillow Observed Rent Index (multifamily).  
Analysis by Chandan Economics.

## Outlook

Seattle's investment case rests on durable demand and a constructive supply trajectory. The demand fundamentals, a high-wage economy, constrained land, and an affordability gap that keeps workforce households renting, remain intact, and the contracting construction pipeline points toward a tighter supply balance by 2027. The statewide rent cap shapes how returns are best pursued without changing the underlying case. Because it limits the scope for large increases on existing tenants over time, it places a premium on accurate initial pricing, tenant retention, and disciplined cost control.

What distinguishes Seattle from California, profiled elsewhere in this report, is that its regulatory environment is evolving, so the operating discipline the market rewards is partly a matter of adapting to a framework whose contours are still being drawn. Seattle is a market where the demand thesis is straightforward, and the discipline that matters is operational.

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## DENVER

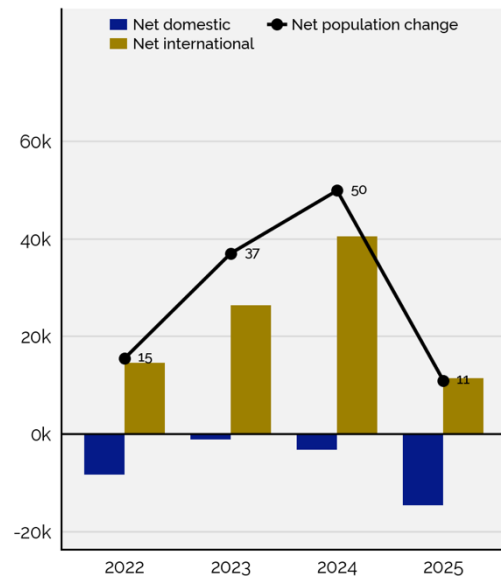
Denver illustrates the central theme of this report with unusual clarity. A strong long-term market is working through one of the heaviest supply cycles in the country, and the result in early 2026 was high vacancy, falling rents, and record concessions. The construction pipeline has since contracted sharply, and the underlying economic and affordability fundamentals remain sound. In Denver, the destination is not in doubt; the investment question is one of timing and asset selection.

### Economy and Demand

Denver's economy entered 2026 on a stable footing. The metro retains its diversified employment base, educated in-migration, and quality-of-life appeal that have made it one of the more consistent growth markets in the western United States over the past two decades. Rental demand has remained healthy in absolute terms. Leasing activity and net absorption were strong through 2025, supported by the affordability gap with for-sale housing. By CBRE's estimate, owning a median-priced home in Denver costs \$2,000 more per month than renting, keeping workforce-income households in the rental market. The softness in the Denver data is a supply story, not a demand story.

## Net Migration

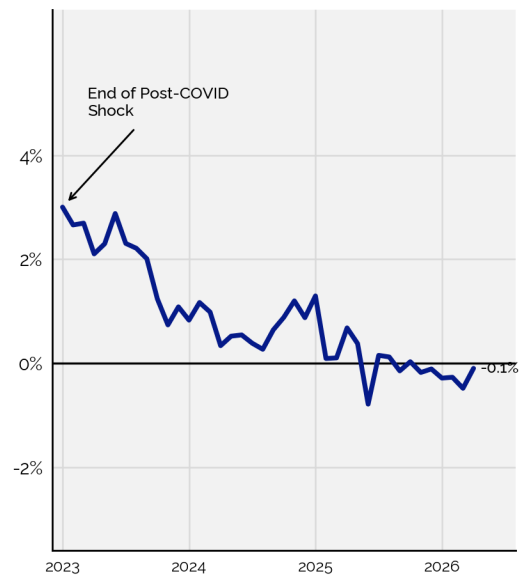
Denver metro area, annual net migration and total population change, persons



Source: U.S. Census Bureau, Population Estimates Program (Vintage 2025); metropolitan statistical area.

## Denver Employment

Total nonfarm payrolls, year-over-year % change



Source: U.S. Bureau of Labor Statistics via FRED; metropolitan statistical area.

## Supply

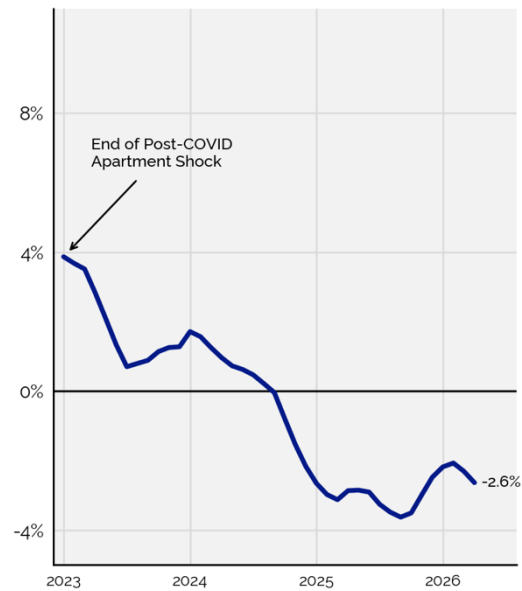
From 2022 through 2024, Denver delivered an exceptional volume of new apartments, including 19,000 units in 2024 alone, close to double the prior 10-year average. The wave pushed metro apartment vacancy to its highest level in more than a decade by year-end 2025 and drove average rents down year over year, with landlord concessions reaching record levels as operators competed for tenants. The pressure has been concentrated in Class A product in the submarkets that absorbed the most construction, while older Class B and Class C stock and single-family rentals held up comparatively better. The pipeline is now contracting sharply. Completions in 2025 fell well below the 2024 peak, and construction starts have declined substantially, suggesting a meaningful reduction in new deliveries through 2026 and 2027.

## Pricing, Investment, and Policy

Investment activity in Denver has been measured, consistent with the national pattern of a slow recovery in transactions. Pricing has reset from the 2021 and 2022 peak, and the combination of softer current income and a clearer view of the contracting pipeline has narrowed the gap between buyer and seller expectations. On policy, Colorado is an active and generally pro-housing legislative environment, having created the nation's first state Middle-Income Housing Tax Credit and moved to ease construction and zoning rules, steps that support the workforce segment over time. Colorado does not impose statewide rent control, though investors should track local measures and the broader policy direction.

## Denver Rent Growth

Multifamily asking rent, year-over-year % change



Source: Zillow Observed Rent Index (multifamily).  
Analysis by Chandan Economics.

## Outlook

The outlook for Denver is a question of timing. The conditions that produced the soft 2025 and early 2026 data, principally the supply wave, are easing, and several forecasters expect a return to modest rent growth in suburban and mid-tier submarkets by late 2026 as the pipeline thins. The affordability gap that supports rental demand is structural and is unlikely to close. For investors, Denver offers a clear view of entry timing and of asset and submarket selection. The recovery is likely to reach the workforce-oriented Class B and Class C stock and the stronger inner-ring submarkets before it reaches the most supply-exposed Class A product.

## Sources and notes

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## DALLAS

Dallas illustrates the central theme of this report as plainly as Denver does, in a different region. Dallas-Fort Worth is one of the strongest long-term demand markets in the country, and it is working through one of the heaviest supply cycles anywhere. The result entering 2026 was occupancy below the national average, rents that had slipped modestly over the prior year, and widespread concessions. The construction pipeline has since contracted sharply, and the underlying demographic and affordability fundamentals remain intact. As in Denver, the destination is not in doubt; the investment question in Dallas is one of timing and the selection of assets and submarkets.

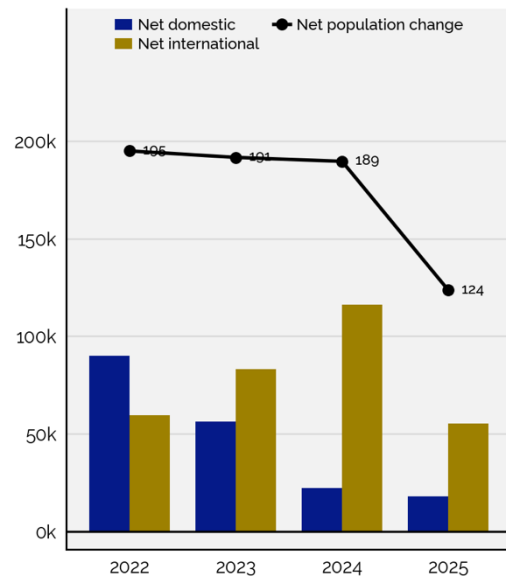
### Economy and Demand

Dallas-Fort Worth's demand fundamentals are among the strongest in this report. Population growth is projected to rank among the fastest of any large U.S. metropolitan area in 2026, supported by continued domestic in-migration and corporate relocations into a diversified employment base; metro employment grew about 1.1% over the year into mid-2025, ahead of the national pace, led by education and health services. Renter demand has been correspondingly strong.

On RealPage data, Dallas absorbed roughly 15,000 units over the year, second only to Houston nationally, and posted the strongest demand rebound of any major market in early 2026. Median single-family home prices have risen far faster than rents since 2019, widening the affordability gap and keeping a large share of workforce-income households in the rental market, which has lifted resident retention. Consistent with the pattern across this report, the softness in recent Dallas rent figures is a supply story, not a demand story.

## Net Migration

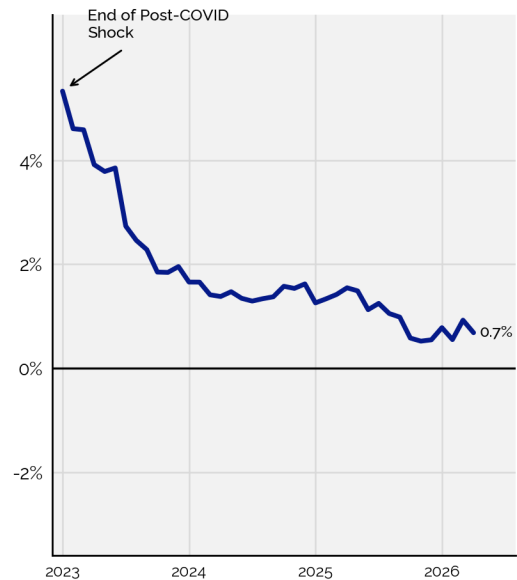
Dallas metro area, annual net migration and total population change, persons



Source: U.S. Census Bureau, Population Estimates Program (Vintage 2025); metropolitan statistical area.

## Dallas Employment

Total nonfarm payrolls, year-over-year % change



Source: U.S. Bureau of Labor Statistics via FRED; metropolitan statistical area.

## Supply

Supply is the defining variable in Dallas, which has added more apartments over the past decade than any other market in the country. The current cycle was one of the largest anywhere, and the volume held stabilized occupancy near 93% through 2025, roughly 160 basis points below the national rate on Yardi Matrix data, with availability higher in newly delivered product still in lease-up and concessions widespread.

The pipeline is now contracting sharply. Yardi Matrix data show Dallas construction starts falling from a 2023 peak of roughly 39,300 units to about 20,100 in 2025, a decline of nearly half, and deliveries are set to drop further as the roughly 50,000 units underway in late 2025 are completed and new starts moderate. The scale of the pullback should be read in context: even after the decline, 2025 starts remained above the market's 2015 to 2020 average, a reminder that Dallas is structurally one of the country's most active building markets. The supply wave is nonetheless cresting, and the metro should shift toward an operator's market as it clears.

## Pricing, Investment, and Policy

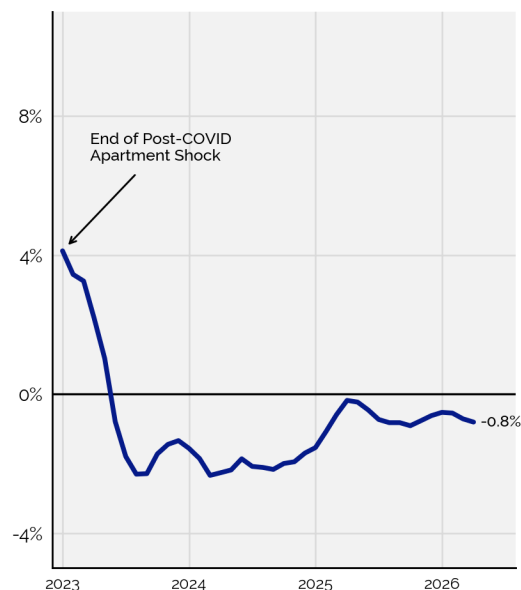
Rents across Dallas-Fort Worth were modestly negative over the year entering 2026, with concessions widespread, and Yardi Matrix put average advertised asking rents near \$1,520 in late 2025. Early-2026 readings suggest the market may be turning a corner, though the recovery is expected to be gradual. The Federal Reserve Bank of Dallas characterized the Texas apartment market in early 2026 as transitional, no longer overheating but not yet balanced, with concessions and rent declines likely to persist into at least mid-2026 and a gradual resumption of rent growth expected in late 2026 and 2027.

Investment activity has been measured, tepid by the metro's standards in 2025, though Dallas remained among the markets attracting

the most investor capital in the country. On policy, Texas imposes no statewide rent control and is among the most development-friendly states in the country. The light-touch posture removes a layer of regulatory constraint present in the report's coastal markets, and it is also the reason supply was able to overshoot demand so substantially during the cycle. For a workforce investor, that freedom from rent regulation helps on the operating side, and it is also why entry timing and submarket selection matter so much in a market that can build through its own demand.

## Dallas Rent Growth

Multifamily asking rent, year-over-year  
% change



Source: Zillow Observed Rent Index (multifamily).  
Analysis by Chandan Economics.

## Outlook

The outlook for Dallas, like Denver's, is a question of timing. The conditions behind the soft 2025 and early 2026 data are easing as the supply wave crests and the pipeline thins, while the demand foundation, among the strongest in this report, remains in place. Occupancy is expected to tighten and rents to return to modest growth, widely anticipated by late 2026 and into 2027. The recovery is likely to reach the mid-tier and workforce stock and

the stabilizing suburban submarkets before the most supply-exposed new Class A product.

The principal downside risk is macroeconomic: if job growth or the broader economy weakens, lease-up timelines and rent recovery would lag further, and the Federal Reserve Bank of Dallas has noted the potential for localized financing stress on recently delivered, highly leveraged product, though it does not regard the risk as acute. For a workforce housing investor, Dallas offers a clear view of entry timing and of submarket and asset selection in a market whose long-term demand case is not in question.

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RealPage Market Analytics. Dallas-Fort Worth apartment demand and absorption, 2025 and early 2026. Cited for absorption and occupancy context.

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## MIAMI / SOUTH FLORIDA

Southeast Florida is treated here as a single region spanning three metropolitan divisions: Miami-Dade, Fort Lauderdale in Broward County, and West Palm Beach in Palm Beach County. The region pairs strong in-migration and job growth with the tail end of a substantial construction cycle, so conditions vary by submarket and by stage of the supply curve. Two region-specific factors shape the investment case: a heavy but now contracting development pipeline concentrated in Miami-Dade, and property insurance costs, which, after several difficult years, are beginning to stabilize.

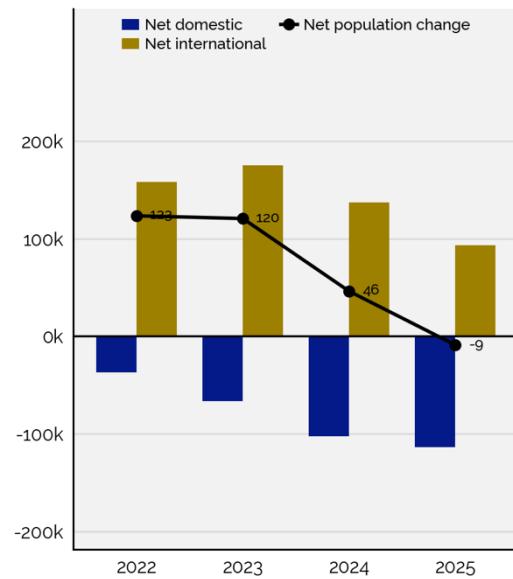
### Economy and Demand

Southeast Florida's demand fundamentals are among the strongest in this report. The region has drawn sustained domestic and international in-migration, and job growth has continued, with Bureau of Labor Statistics data showing gains concentrated in professional services, education, and health care. Miami-Dade alone was expected to add around 9,000 jobs in 2026. The for-sale housing market is expensive relative to local incomes, which keeps a large share of workforce-income households in the rental market.

Gross rents in Florida rose sharply between 2019 and 2023, leaving renters across the income range stretched. Demand is solid, but the data must be read with care: a softer rent figure in each submarket generally reflects new supply, not weak demand, while the tightest submarkets continue to post rent growth.

## Net Migration

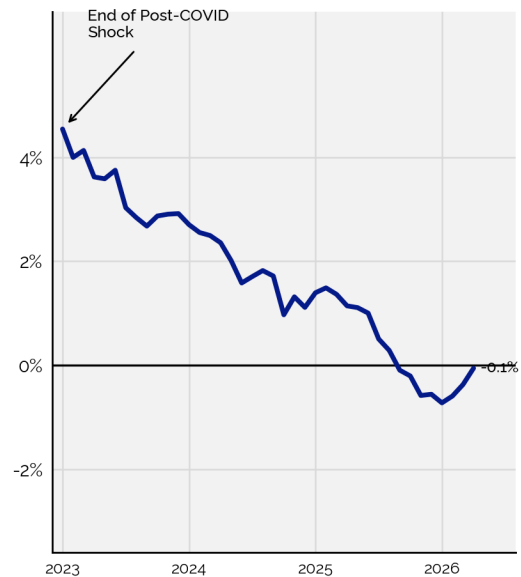
Miami metro area, annual net migration and total population change, persons



Source: U.S. Census Bureau, Population Estimates Program (Vintage 2025); metropolitan statistical area.

## Miami Employment

Total nonfarm payrolls, year-over-year % change



Source: U.S. Bureau of Labor Statistics via FRED; metropolitan statistical area.

## Supply

Supply is the defining variable and divides the region. Yardi Matrix reported 37,000 units under construction across Southeast Florida in early 2026, with roughly half concentrated in the Miami-Dade market, around 10,800 in Fort Lauderdale, and about 4,800 in the West Palm Beach and Boca Raton areas. The pace of new deliveries is now slowing markedly. Inventory growth in both Miami-Dade and Fort Lauderdale was set to run near 1.6% in 2026, the slowest in nearly a decade, and Fort Lauderdale in particular is now undersupplied. Where recent completions outpaced absorption, principally in parts of Miami-Dade, rent growth moderated, and concessions appeared; where supply was thinner, pricing held up.

As elsewhere in this report, almost all new construction is Class A, so the workforce-oriented Class B and Class C stock has been less directly exposed, and the contraction in the pipeline points toward a tighter supply balance through 2027.

## Pricing, Investment, and Policy

Rents across Southeast Florida were broadly stable to modestly higher in early 2026, with the Miami market area posting low-single-digit annual growth and the strongest readings in supply-constrained coastal and urban submarkets. Renewal rents held up better than new-lease rents, consistent with the national pattern set out earlier in this report. Investment activity has been measured, consistent with the slow national transaction recovery, and the region remains actively traded.

Policy is a comparatively light factor here: Florida has no statewide rent cap, and the regulatory environment is generally regarded as less restrictive than the report's western and northeastern markets, which removes a layer of constraint present elsewhere.

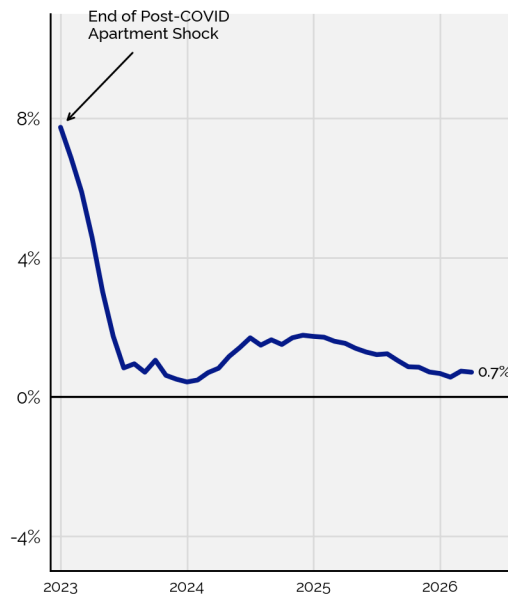
The region-specific cost factor is property insurance. After several years of sharp

premium increases, Florida's insurance market showed clear signs of stabilizing into 2026, supported by litigation and tort reforms enacted since 2022, the return of private carriers, and easing reinsurance costs. According to the Florida Office of Insurance Regulation, the state-backed insurer approved an average statewide rate reduction for 2026, with the largest reductions in South Florida counties.

Stabilization should not be read as normalization: premiums remain structurally elevated relative to pre-2020 underwriting assumptions, and insurance is still a material operating expense and a central underwriting line for the region. The improvement is in the trajectory; the absolute level remains high.

## Miami Rent Growth

Multifamily asking rent, year-over-year  
% change



Source: Zillow Observed Rent Index (multifamily).  
Analysis by Chandan Economics.

## Outlook

Southeast Florida offers durable demand alongside conditions that are normalizing on two fronts at once. The construction pipeline, heaviest in Miami-Dade, is contracting, which

should ease the supply pressure on Class A pricing and, indirectly, reduce the competitive pull on workforce units through 2027.

Property insurance costs, long the region's most difficult operating variable, are leveling off after years of sharp increases. The investment case rewards submarket selectivity above all: the three metropolitan divisions, and submarkets within them, sit at different points on the supply curve, and the contrast between supply-heavy pockets of Miami-Dade and the supply-short Fort Lauderdale market is the clearest example. For a workforce housing investor, Southeast Florida is a market where demand is not in question and returns depend on choosing the right submarket and underwriting insurance costs with discipline.

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## BOSTON

Boston combines a high-barrier, supply-constrained market with strong long-term demand fundamentals. A construction cycle that lifted vacancy through 2025 is now winding down sharply, which should support a tighter market through 2027. The factor that distinguishes Boston in this report is the Massachusetts rent-control ballot question, addressed in the policy section. Consistent with that discussion, it is a proposal still working its way toward the November 2026 ballot, and it has not yet become a rule. For now it is best treated as a factor to monitor and to reflect in long-term assumptions, and it does not bear on present operating conditions.

### Economy and Demand

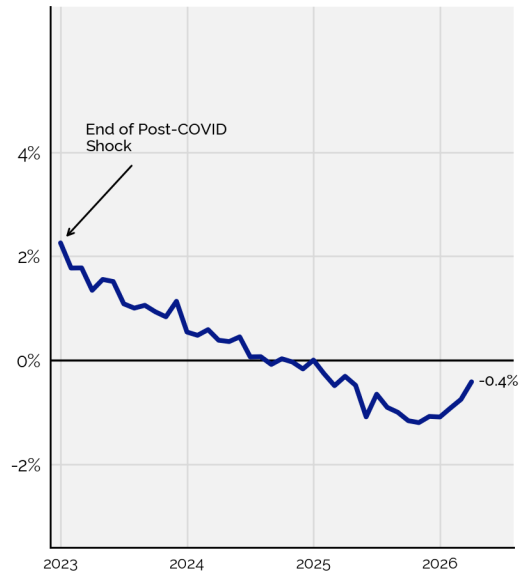
Boston's demand fundamentals are durable. The metropolitan economy rests on an unusually deep base of education, health care, life sciences, and professional services, and population growth has continued to outpace other Northeastern metros. Job growth was expected to pick up in 2026, with employer commitments in the region adding to demand. The for-sale housing market is among the most expensive in the country, which keeps a large share of workforce-income households renting well past the point at which they might once have been able to buy, and contributes to a growing pool of long-term renters.

Two demand risks specific to Boston warrant attention. Reductions in university research funding and a decline in international student enrollment could soften leasing in the segments most tied to higher education. The life sciences sector, a Boston strength and the metro's analogue to the single-sector concentration seen in other high-wage markets, has its own funding and leasing cycle that has cooled from its recent peak. Neither risk is concentrated in the workforce segment, which draws on a broader tenant base, but both argue for capital allocation discipline in a high-barrier market where entry pricing is

unforgiving. Set against these risks, the metro's diversified employment base and constrained housing supply provide a counterweight.

### Boston Employment

Total nonfarm payrolls, year-over-year % change



Source: U.S. Bureau of Labor Statistics via FRED; metropolitan statistical area.

### Supply

Boston worked through an active construction cycle in 2024 and 2025, with metro deliveries, according to Yardi Matrix data, of 8,000 units in 2024 and more than 9,000 in 2025. The supply lifted vacancy to the mid-single digits by early 2026, though Boston's vacancy continued to run well below the national average, a reflection of the market's high barriers to new development. The pipeline is now pulling back sharply: construction starts have fallen substantially from the prior year, and deliveries are forecast to decline meaningfully in 2026. Two features of the Boston pipeline are notable for the workforce segment. First, the contraction tightens the supply balance through 2027.

Second, the composition of new development has shifted: a substantial share of the units now under construction is mid-tier, a move

away from the predominantly Class A construction of the prior decade. The older Class B and Class C stock that houses most workforce renters has continued to post the tightest occupancy in the metro.

### Pricing, Investment, and Policy

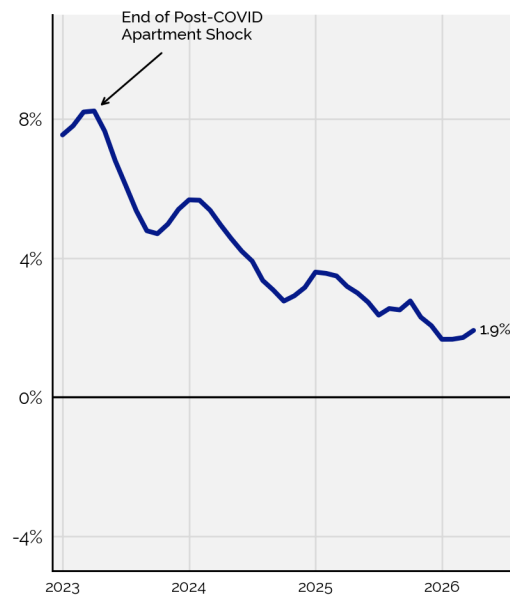
Rents in Boston were broadly flat year over year in early 2026 as the market absorbed recent supply, with the workforce-oriented segments holding tighter occupancy than the metro as a whole. Investment activity has been resilient, and Boston entered 2026 as one of the more actively traded markets in the country, supported by its barriers to entry and steady investor demand.

On policy, the relevant item is the Massachusetts statewide rent-control ballot question, which this report's policy section describes in full. In brief, it would repeal the state's 1994 ban on local rent control and cap annual rent increases at the lower of 5% or inflation, with an exemption for buildings less than 10 years old.

The point to carry into a Boston underwriting view is one of status and proportion. As of mid-May 2026, the measure remained a ballot proposal and had not become law: it faces a second signature round, a pending legal challenge, and a November 2026 vote, and its terms could change before then. For underwriting, it bears on long-term return assumptions and warrants monitoring; current operations are unaffected. The exemption for newer construction also means that, were the measure to pass, its effect would fall on the older workforce stock, since recently delivered product would be exempt.

### Boston Rent Growth

Multifamily asking rent, year-over-year % change



Source: Zillow Observed Rent Index (multifamily).  
Analysis by Chandan Economics.

### Outlook

Boston's investment case is a high-barrier, supply-constrained market with durable demand and a contracting construction pipeline, set against a policy question that will not be resolved until November 2026. The demand foundation is sound, the supply trajectory is moving in a favorable direction, and the shift toward mid-tier construction is a measured positive for the workforce segment. The rent-control question remains a consideration for long-term return assumptions and warrants attention throughout the year, but, given its current status, it does not change present operating conditions. For a workforce housing investor, Boston rewards a long-term view, attention to the policy calendar, and the same operating discipline the segment calls for elsewhere. The report's posture toward the market should be revisited once the ballot outcome is known.

## Sources and notes

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## NEW YORK METRO AREA

The New York metropolitan region is among the most supply-constrained and structurally undersupplied markets in the country, with the tightest apartment occupancy of any major market, the largest and most diversified employment base of any U.S. metro, and one of the widest gaps between the cost of owning and renting anywhere. Its long-term fundamentals are among the strongest in this report. For a workforce housing investor, the metro divides into two stories.

The first is the rent-stabilized urban core, where the factor that distinguishes New York is policy: the administration of Mayor Zohran Mamdani, who took office in January 2026, has made a freeze on rent-stabilized rents a central commitment, and the resulting uncertainty bears most directly on the older regulated stock.

The second is the suburban, middle-income segment, principally the first and second ring suburbs of northern and central New Jersey and comparable submarkets on Long Island and in the lower Hudson Valley, where durable employment anchors and limited new Class B supply support the clearest workforce opportunity in the metro.

Consistent with this report's treatment of policy elsewhere, the rent-regulation question is best read as a factor to monitor as the framework develops. The report takes no position on the merits of rent regulation; the analytical questions are the trajectory of policy and where the workforce opportunity sits.

### Economy and Demand

New York's demand fundamentals are durable and broad. The metropolitan economy spans finance, professional services, health care, education, technology, and life sciences, and it posted among the largest absolute payroll gains of any U.S. metro over the year into 2025; New York City alone added roughly 113,000 net jobs over the twelve months through

August on Yardi Matrix data, growing about 1.5% and outpacing the nation.

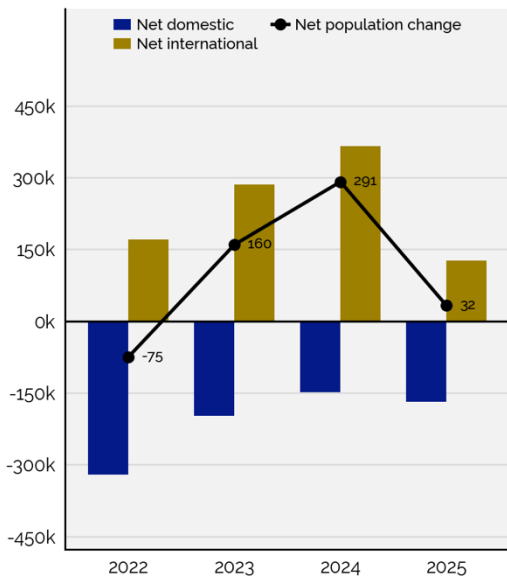
The composition of the growth matters for the workforce segment: gains have been concentrated in education and health services, sectors whose wage profile aligns closely with the middle-income tenant base, more so than the finance and high-end professional services that anchor luxury product in the urban core. The distinction also shapes the metro's concentration risk: the segments most exposed to a downturn in finance or in technology and AI-related hiring are the high-income urban submarkets, while the suburban, middle-income workforce stock draws on the steadier education, health care, and government base and is correspondingly less sensitive to a single-sector slowdown.

Apartment occupancy is near 97%, and the cost of for-sale housing is so high relative to incomes, and ownership costs and property taxes so elevated across the region, that a large share of workforce-income households rent indefinitely, with correspondingly high retention.

Two demand dynamics specific to the metro reinforce the suburban workforce case. First, persistent net domestic out-migration from the region has been concentrated among higher-income households relocating to lower-tax states, while international in-migration has largely offset the total, and the middle-income renter cohort is structurally less mobile. Second, cost-of-living pressure in New York City and the continued pull of Manhattan employment support inbound demand from households priced out of or electing to leave the urban core, which benefits the suburban submarkets with rail and highway access to the city. As elsewhere in this report, what rental softness exists is local, concentrated where new supply or affordability strain is greatest.

## Net Migration

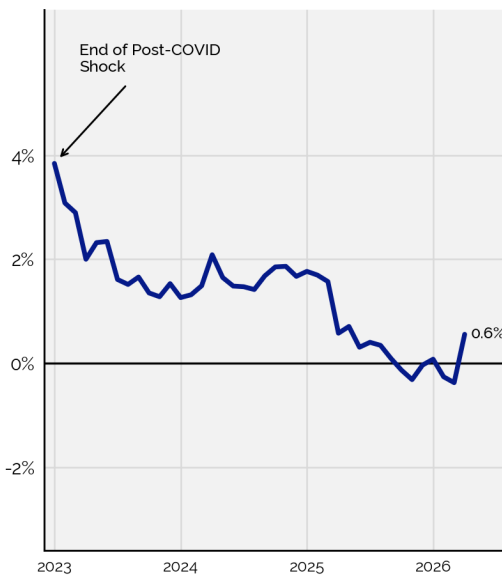
New York metro area, annual net migration and total population change, persons



Source: U.S. Census Bureau, Population Estimates Program (Vintage 2025), metropolitan statistical area.

## New York Employment

Total nonfarm payrolls, year-over-year % change



Source: U.S. Bureau of Labor Statistics via FRED; metropolitan statistical area.

## Supply

Supply across the metro is constrained and tightening, and it is heavily skewed by tier and

location. In New York City, the expiration of the 421-a tax incentive, replaced by the more restrictive 485-x program, together with high construction costs and wage mandates, has driven construction starts to multi-decade lows and prompted developers to downsize or pause projects. Multifamily permitting across the metro has fallen sharply over the past year. What is being delivered is overwhelmingly Class A luxury product, concentrated in the urban core and along the waterfront, in Brooklyn, Long Island City, and Jersey City, where ongoing deliveries continue to pressure stabilized Class A rents.

The workforce-grade Class B stock, by contrast, is barely expanding anywhere in the metro, and the shrinking pipeline in the interior suburban submarkets of northern and central New Jersey, Long Island, and the lower Hudson Valley reduces direct competition for the existing mid-market stock that houses workforce renters. New York does not have a supply problem to clear in the sense that Denver or Dallas do; its constraint is the opposite, a chronic shortage of workforce-grade housing that supports rents over the long term.

## Pricing, Investment, and Policy

Pricing in the metro has been resilient, among the strongest in the country. New York City posted some of the fastest advertised rent growth of any major U.S. market entering 2026, up around 5% year over year on Yardi Matrix data, concentrated in the market-rate segment, while increases on the rent-stabilized stock are set by the Rent Guidelines Board. The clearest suburban rent strength has been in northern New Jersey, which ranked among the leading multifamily rent-growth markets in the country through 2025, with the priority middle-income submarkets of Middlesex, Somerset, and Morris Counties tracking at or above the metro average, even as the urban Newark submarket and the oversupplied Jersey City waterfront ran below it. Investment activity is in the early phase of

recovery, with transaction velocity picking up and capital returning, and with a clear tilt toward unregulated and suburban assets as investors underwrite around the policy uncertainty in the regulated core.

The uncertainty centers on rent regulation. Mayor Mamdani, elected on Tuesday, November 4, 2025, and in office since January 2026, campaigned on a four-year freeze of rents on the roughly one million rent-stabilized apartments in the city, which represent about half of all city rentals. The Rent Guidelines Board, the independent body that sets allowable increases on stabilized units and now includes a majority appointed by the mayor, set a preliminary range of 0% to 2% for one-year leases and 0% to 4% for two-year leases at its vote on Thursday, May 7, 2026, with a final determination expected later in the summer that will apply to leases beginning in October 2026.

The administration's broader housing plan, titled Block by Block, sets goals of building 200,000 and preserving 200,000 affordable homes over ten years, backed by a planned \$22 billion investment over five years; in late May 2026 the administration proposed exempting the most financially distressed, city-financed affordable owners from the freeze through a one-time increase on certain vacant units.

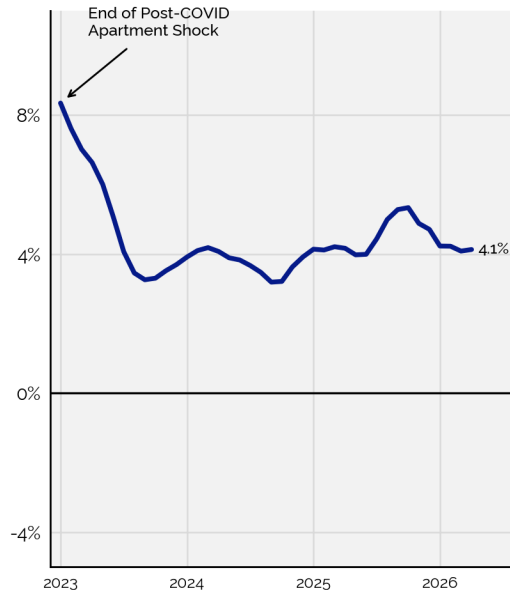
Regulation across the metro is concentrated in the urban cores, the city's stabilized stock and a number of older New Jersey municipalities, while the priority suburban submarkets are comparatively lightly regulated. The point to carry into a New York underwriting view is one of incidence: the freeze agenda and the densest regulation fall on the older, urban, rent-stabilized stock, while the suburban, middle-income Class B segment that defines the workforce opportunity sits largely outside it.

The framework remains in flux, with the Rent Guidelines Board's final vote unresolved, so it

is best treated as a developing input. Operating costs across the region, including property taxes, insurance, and emissions-related compliance under Local Law 97 in the city, remain material underwriting lines independent of the rent-regulation question.

### New York Rent Growth

Multifamily asking rent, year-over-year % change



Source: Zillow Observed Rent Index (multifamily).  
Analysis by Chandan Economics.

### Outlook

New York's long-term investment case is among the strongest in this report on fundamentals, and the workforce opportunity is clearest away from the regulated urban core. The metro pairs the largest and most diversified employment base in the country with a chronic shortage of workforce-grade housing, durable middle-income demand, the tightest apartment occupancy of any major market, and a pipeline of little other than luxury product, a combination difficult to match elsewhere.

The distinction that governs the metro is between segments. The rent-stabilized urban core carries the most direct exposure to the freeze agenda and the greatest policy uncertainty, and the oversupplied waterfront

corridors carry the supply risk. The suburban, middle-income submarkets, principally the first and second ring suburbs of northern and central New Jersey with durable life sciences, health care, education, and corporate employment anchors and limited new Class B supply, offer the metro's most durable workforce opportunity, even as near-term rent growth moderates from its 2025 peak.

For a workforce housing investor, the metro rewards a clear segment focus: favor the suburban Class B submarkets with strong employment anchors and limited competing supply, approach the regulated urban core and the oversupplied waterfront with selectivity, and revisit the posture toward the regulated stock as the Rent Guidelines Board completes its determination. The fundamentals argue for long-term confidence in the metro's workforce segment; the policy environment argues for keeping that confidence focused where regulation does not bind.

#### **Sources and notes**

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## FORWARD LOOK

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The second half of 2026 is likely to bring a gradual and uneven recovery in operating fundamentals and transaction activity rather than a sharp turn in either. The structural supports for the workforce segment, persistent barriers to homeownership, a sharply reduced construction pipeline, and new-development economics that cannot reproduce workforce-grade rents, are firmly in place and point to firmer conditions into 2027. The pace and the path are less certain, and several questions will shape how the year unfolds.

On the economy, we will be watching the labor market and the breadth of growth. Hiring has slowed without breaking, and an unusual share of recent growth has concentrated in artificial intelligence and related investment; how durably that translates into broad-based employment and household formation matters for demand. On inflation and rates, the path of long-term Treasury yields, more than the Federal Reserve's policy rate alone, will govern the timing of the pricing and transaction recovery. On policy, we will track the federal housing legislation still being finalized, the Massachusetts ballot question, and the early direction of the new administration in New York, each developing rather than settled. And we will watch the continued milestones in supply absorption, as the cresting wave of deliveries clears and the contraction in starts works through to a tighter market.

None of these near-term variables alters the long-term case. The combination of a structural housing shortage and a widening affordability gap is durable, and it is the foundation on which a disciplined, selective workforce strategy rests. We will report on these signposts as the year develops.



# TRUAMERICA

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MULTIFAMILY

TruAmerica Multifamily is a national, vertically integrated multifamily investment firm based in Los Angeles. Founded in 2013 with a mission of building better communities by addressing essential housing needs, the firm has grown to become one of the largest and most active multifamily owners and operators in the United States.

10100 Santa Monica Blvd, Suite 400  
Los Angeles, CA 90067  
(424) 325-2750