December 18, 2025

Industry Comment

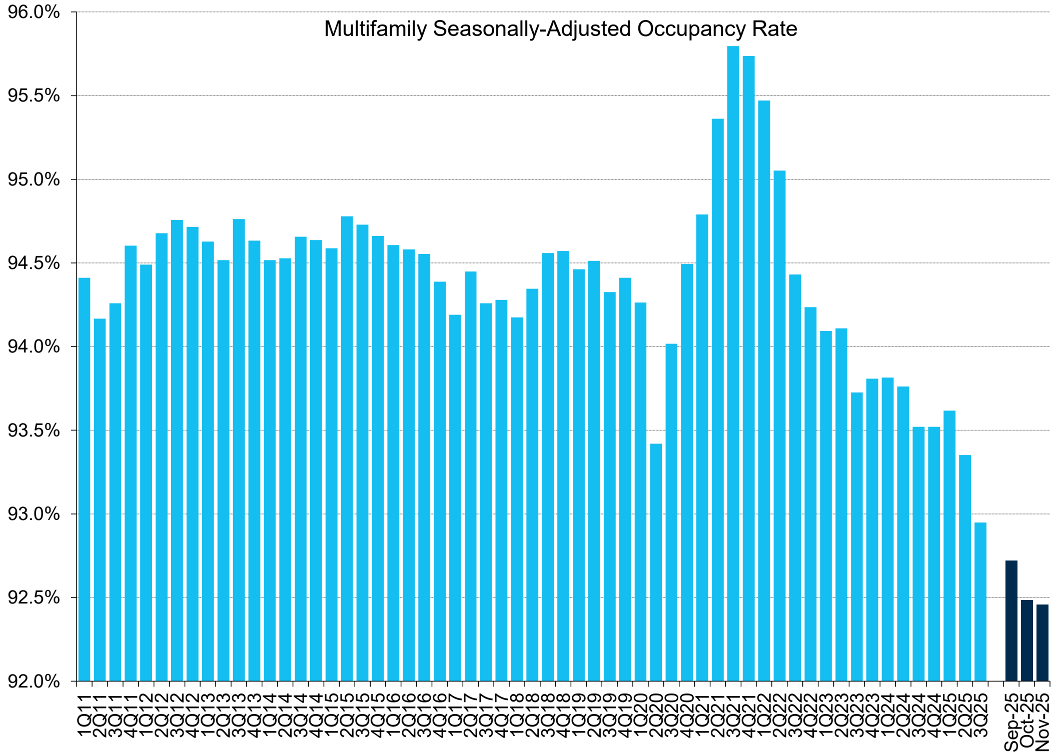
Sector: Apartments

Apartment Operators Survey
Blended Rent Growth on a Downward Slope

Seasonally-adjusted blended rent growth remained cold in November, decelerating 30 basis points sequentially to its lowest monthly reading since January 2021. While renewal rent growth improved slightly, new move-in rent growth contributed to the weakness in blended rent growth, falling 70 basis points on a seasonal basis and remaining firmly in negative territory. We asked our contacts to rate traffic across their portfolios to gauge the strength of front-end demand at this point in the cycle, and respondents noted weaker-than-normal traffic, consistent with what we are seeing in our rent growth and pricing power indices. The spread between renewals and new move-ins widened to its largest level since December 2024 and given the strong inverse correlation to blended rent growth, we expect pricing power to slow accordingly in the near term. Occupancy remained at an all-time low, though turnover was stable at historically-low levels. Urban class-B rent growth lagged our contacts' expectations the most for the second month in a row, and pricing power in the East continued to be strongest on an absolute basis. A majority of contacts reported that bad debt was in line with historical norms, and operators kept operating expense growth low at the bottom end of survey history.

- **Occupancy Flat Along the Bottom:** Our contacts reported seasonally-adjusted occupancy of 92.5%, on par with October at a survey-low level. Seasonally-adjusted occupancy has been flat-to-down in 10 consecutive months, with downward pressure from 2024's peak in multifamily deliveries leading to more lease up units in the market. (See Exhibit 1)

Exhibit 1: Occupancy of 92.5% In Line with Survey Low



Source: Zelman Apartment Survey

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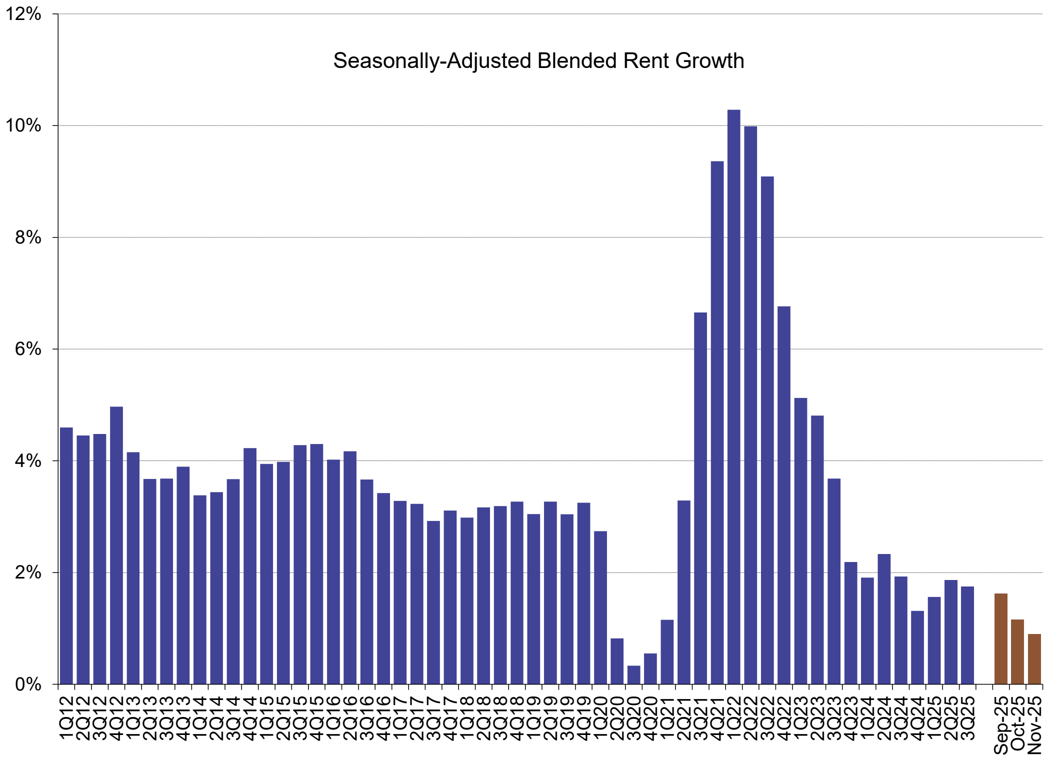
- **Lowest Blended Rent Growth Since January 2021:** Blended rent growth averaged 0.8% in November, decelerating 30 basis points sequentially. This also translated to a 30-basis point sequential pullback on a seasonally-adjusted basis to 0.9%. On both a reported and seasonal basis, this marked the lowest monthly reading since January 2021 and the third consecutive larger-than-seasonal sequential deceleration. An onerous level of units in lease up and mixed signals in the employment market have contributed to uncertainty in the multifamily industry and have led to deterioration of rent growth during the seasonally-weaker period of the year. (See Exhibit 2)

Exhibit 2: Blended Rent Growth Records Larger-than-Seasonal Deceleration



Source: Zelman Apartment Survey

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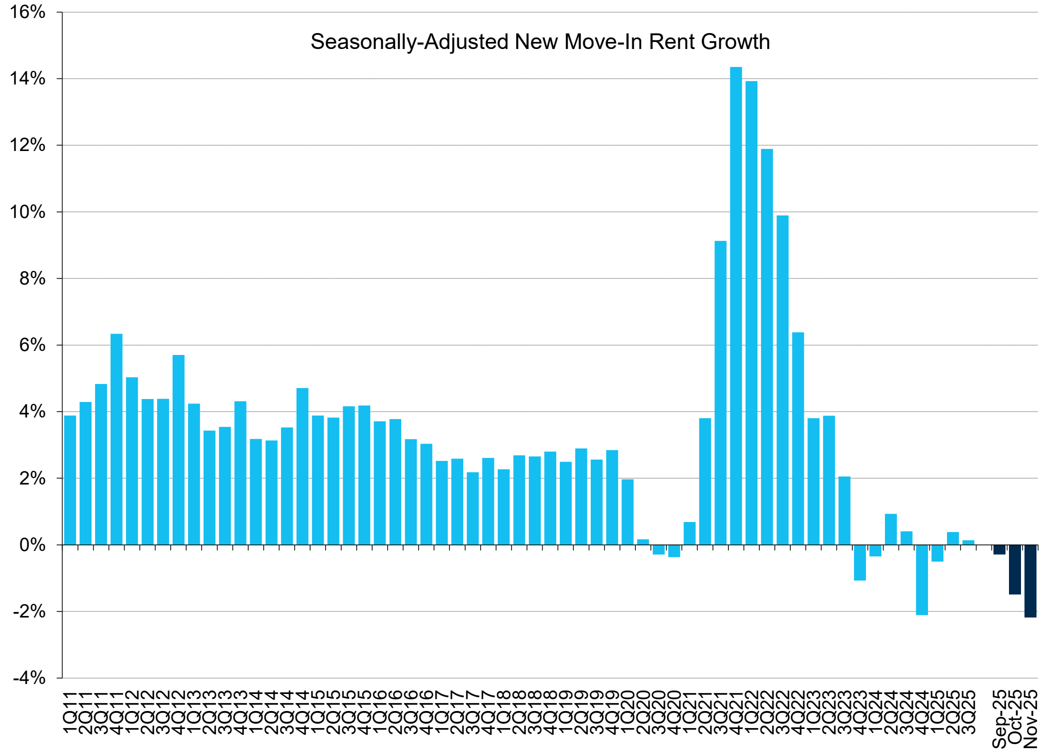
- **New Move-In Rent Growth Continues to Slide:** New move-in rent growth grew more negative this month, falling 40 basis points sequentially to negative 1.6%. Since inflecting negatively in September, front-end pricing has declined over consecutive periods, resulting in a seasonally-adjusted decrease of 190 basis points over the prior two months to negative 2.2%. While this was above December 2024's all-time survey low of negative 2.6%, contact commentary suggests that weak front-end traffic could lead to further deterioration through year end. (See Exhibit 3 and Exhibit 4)
  - **Operator Contacts Note Diminished Traffic:** This month, we asked our contacts to rate traffic across their portfolios to gauge the strength of front-end demand at this point in the cycle. Taking into account both the quantity and quality of traffic on a 0 (very weak) to 100 (very strong) scale, our index registered 45.9. While contacts noted that traffic varied by submarket and retention remains in healthy levels, overall sentiment indicated a decline in traffic and front-end demand relative to the same period in prior years.

Exhibit 3: Weaker Front-End Demand Driving New Move-In Rent Growth Lower

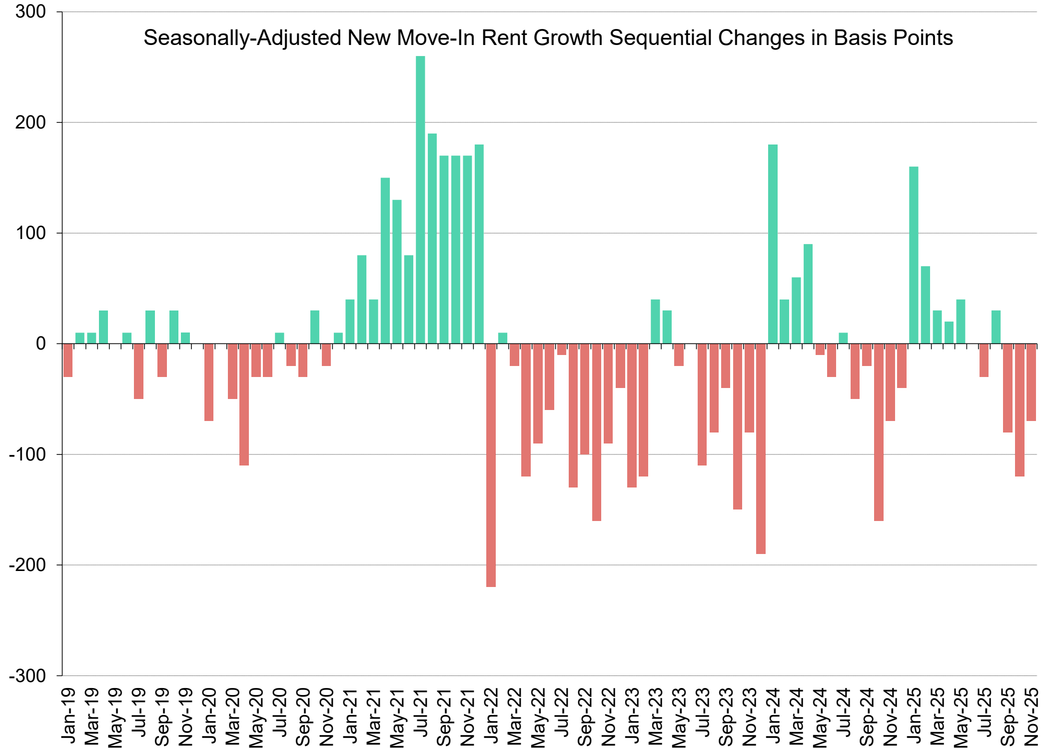
Explore this data



Source: Zelman Apartment Survey

Exhibit 4: Larger-than-Seasonal Declines Continue in November

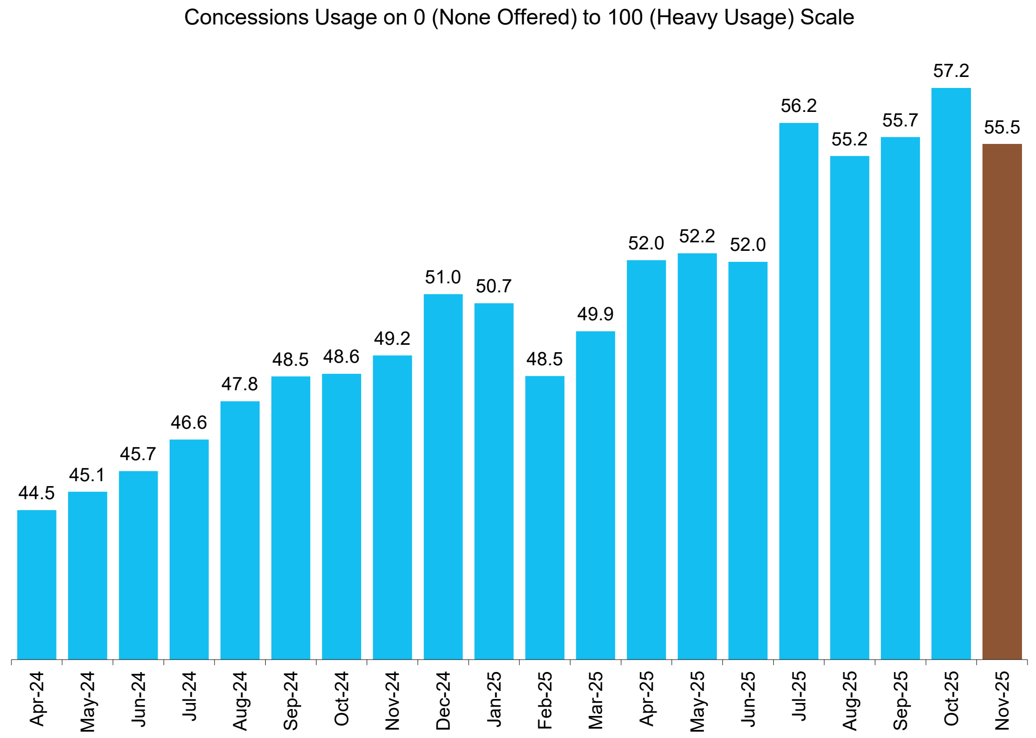
Explore this data



Source: Zelman Apartment Survey

➢ **Concessions Fall from October's Peak, Remain Elevated:** After rising to a new survey high following two months of increase, our 0 (none offered) to 100 (heavy usage) index measuring concessions usage ticked down 1.7 points sequentially to 55.5. This was still the third-highest mark since we began asking the question in early 2024, with operators noting that concessions continue to remain elevated in more supply-constrained markets in the Sun Belt region. (See Exhibit 5)

Exhibit 5: Concessions Usage Moderates from All-Time High



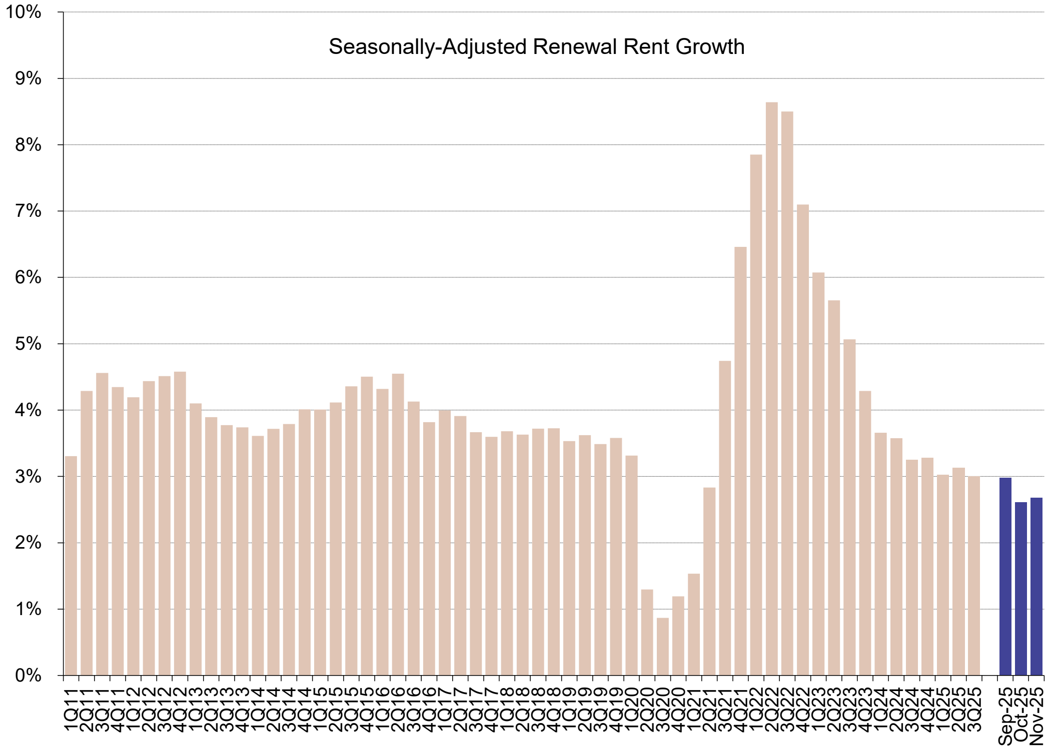
Explore more data

Source: Zelman Apartment Survey

➢ **Renewal Rent Growth Recovers Slightly, Still Below 3%:** Operator contacts reported renewal rent growth of 2.6%, translating to a 2.7% seasonally-adjusted reading. Both metrics rose 10 basis points sequentially, improving from last month's near-term trough. Renewal rent growth remained below 3.0% for the second month in a row, and as a reminder, October's average was the first sub-3.0% reading since May 2021. (See Exhibit 6)

- **Spread Between Renewals and New Move-Ins Among All-Time Highs:** The spread between seasonally-adjusted renewal and new move-in rent growth expanded to 490 basis points, the widest spread since December 2024's 590-basis point spread and the fifth-largest over our survey's history. This spread (lagged three months) and seasonally-adjusted blended rent growth display a strong negative correlation of negative 84% over the course of survey data back to 2010. With the relationship's predictive power, the currently-wide spread between seasonally-adjusted renewal and new move-in rent growth portends further deterioration of seasonally-adjusted blended rent growth in the near term. (See Exhibit 7)

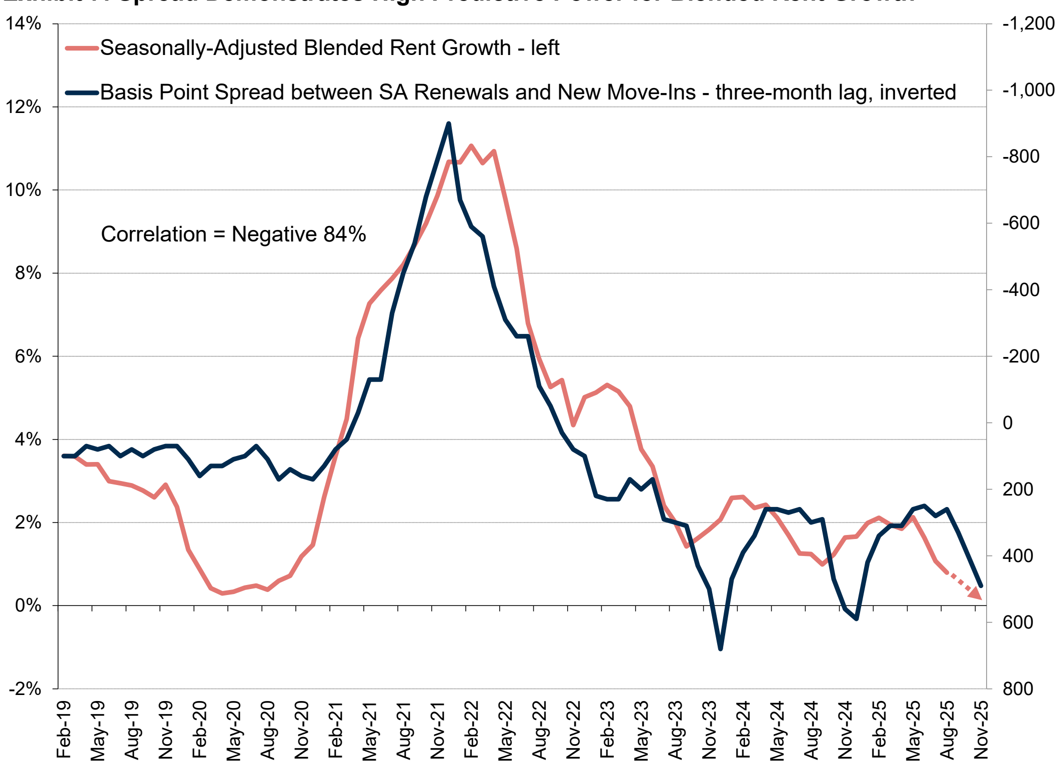
Exhibit 6: Renewal Rent Growth Bounces from Near-Term Low



Source: Zelman Apartment Survey

Explore this data

Exhibit 7: Spread Demonstrates High Predictive Power for Blended Rent Growth



Source: Zelman Apartment Survey

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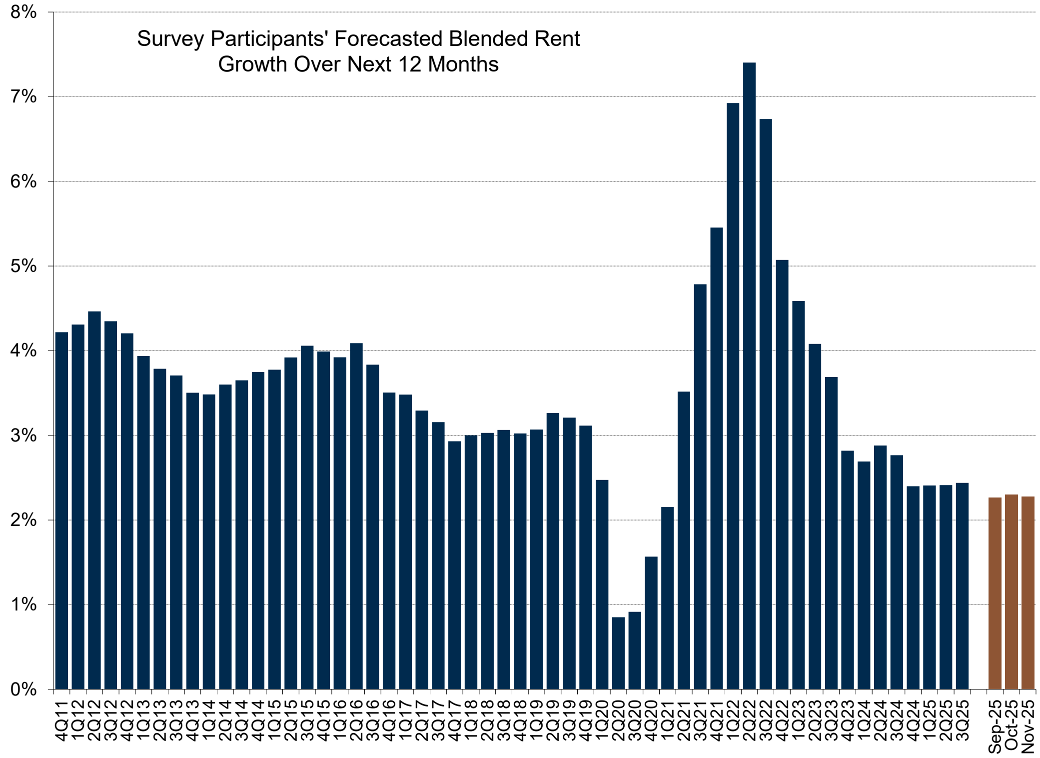
- **Contacts' Next-12-Month Rent Growth Forecasts Stable at Near-Term Trough:** For the third consecutive month, our contacts' forecasted next-12-month blended rent growth forecast averaged 2.3%. We believe the current weakness in rent growth and uncertainty surrounding the employment market and broader economy are keeping survey participants' forecasts steady at conservative levels. (See Exhibit 8)

Exhibit 8: NTM Forecasts Steady Among All-Time Low Levels



Source: Zelman Apartment Survey

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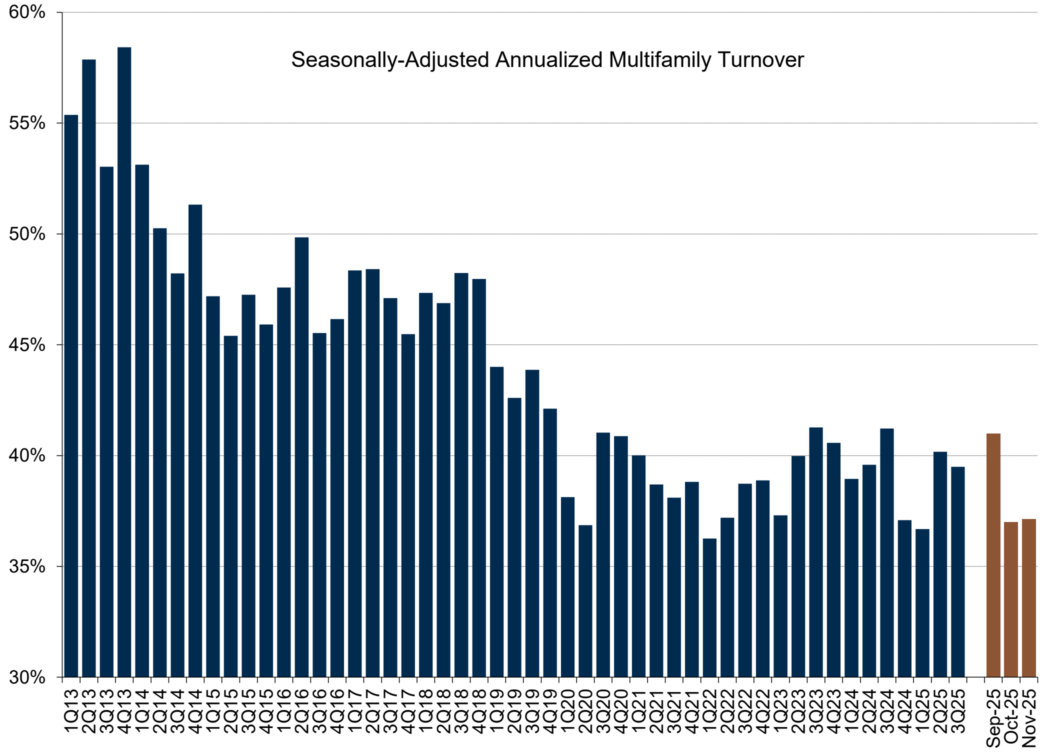
- **Turnover Steady on Seasonal Basis, Remains in Lowest Decile:** Our contacts reported annualized turnover of 33% in November, down 310 basis points sequentially. However, the sequential decrease was in line with seasonal norms, and this translated to a seasonally-adjusted annualized measure of 37% that was roughly flat sequentially. Turnover continued to remain in the bottom 10th percentile of lowest readings, as operators maintained excellent retention rates that buoy revenue by increasing the number of renewals as a percentage of signed leases. (See Exhibit 9)

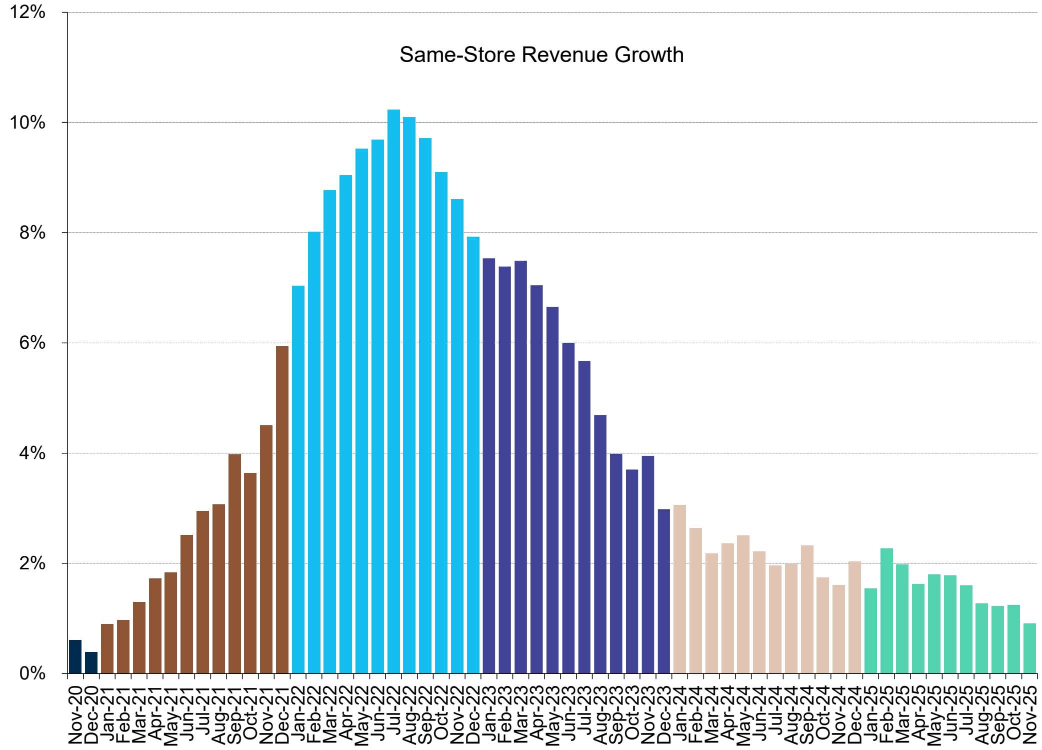
Exhibit 9: Seasonally-Adjusted Turnover Stable at 33% in November



Source: Zelman Apartment Survey

➢ **Lowest Same-Store Revenue Growth Since Early 2021:** Alongside decelerating blended rent growth and survey-low occupancy, our contacts' same-store revenue growth moderated 30 basis points sequentially to 0.9%. Since we began asking the question in November 2020, this marked the fourth-lowest level on record, with November 2020 through January 2021 the only worse months. We anticipate that weaker front-end traffic and soft employment figures will continue to weigh on revenue growth in the near term, though abating completions figures in 2026 will lighten the burden slightly. (See Exhibit 10)

Exhibit 10: Revenue Growth Stilted due to Soft Fundamentals



Source: Zelman Apartment Survey

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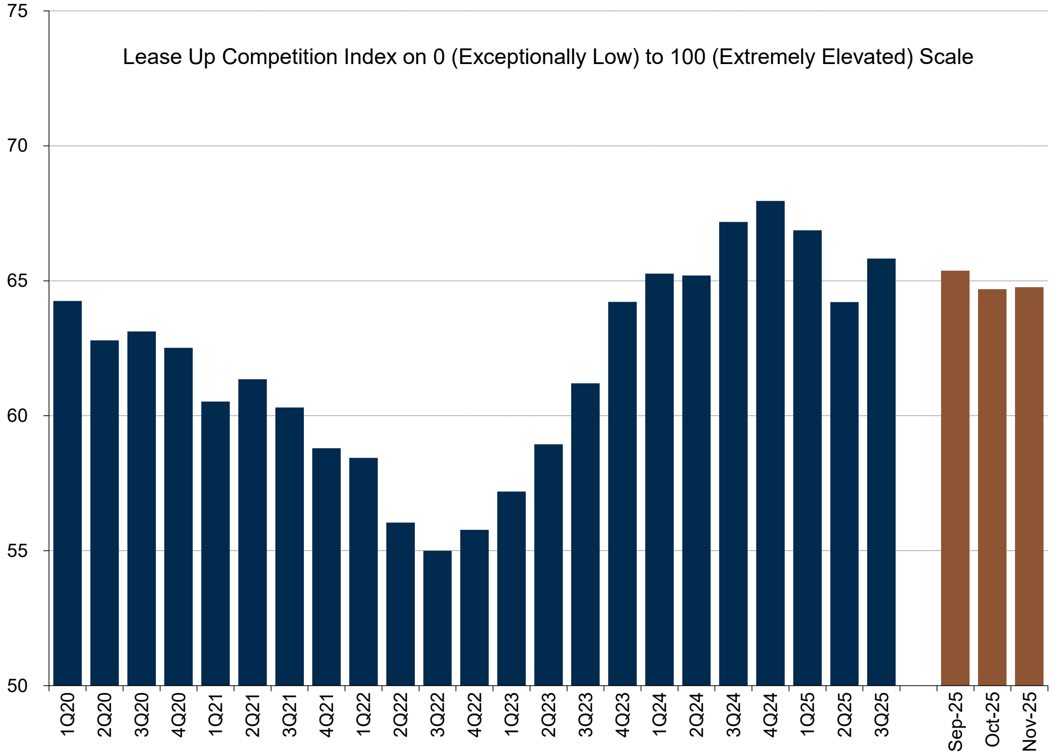
- **Competition from Lease Ups Weighing on Fundamentals:** Our index measuring competition from communities in lease up increased 0.1 points to 64.8, roughly ranking in the 75th percentile of most onerous readings since the onset of the pandemic. This supports our analysis on the lease up environment and its impact on pricing power year to date. As a result of the lease up competition, front-end traffic and new move-in rent growth have been directly impacted. (See Exhibit 11)

Exhibit 11: November's Reading in Top 75th Percentile of Most Onerous Readings



Source: Zelman Apartment Survey

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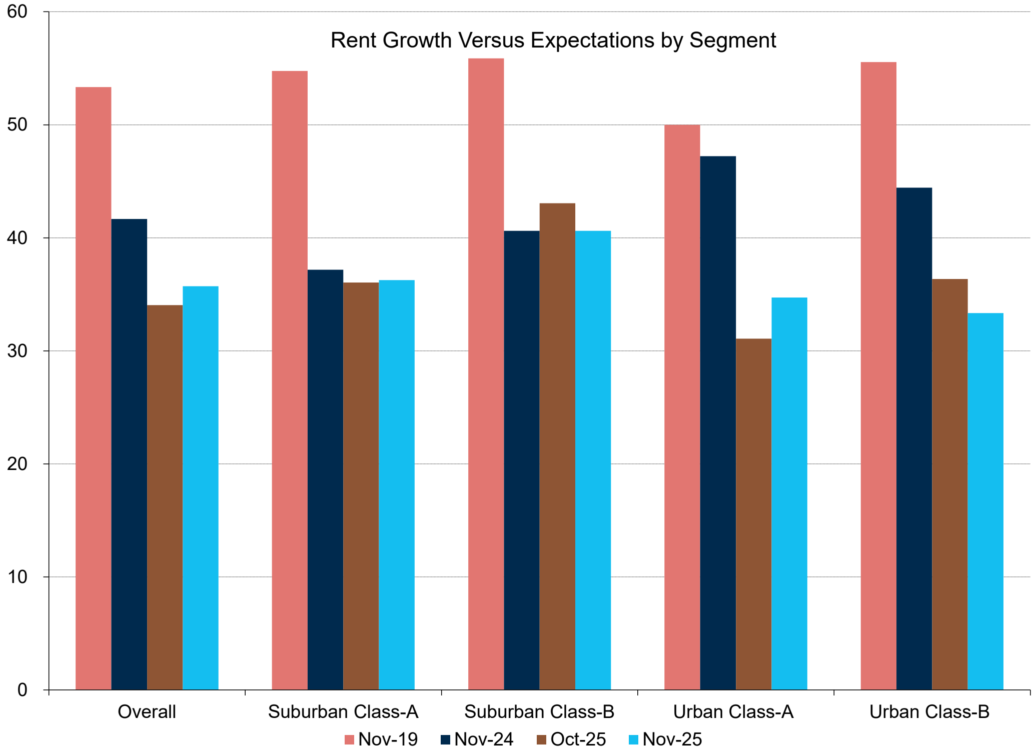
- **Class-A Rent Growth Stronger Relative to Expectations:** For the second month in a row, rent growth of urban class-B assets lagged our contacts' expectations the most, declining 3.0 points to 33.3 on our index. Promisingly, our pricing power indices for urban class-A and suburban class-A product rose 3.6 and 0.2 points, respectively, to 34.7 and 36.3. On average, class-A rent growth exceeded our contacts' expectations in November, increasing sequentially for just the third time year to date. (See Exhibit 12)

Exhibit 12: Class-A Rent Growth Indices Display Sequential Upticks



Source: Zelman Apartment Survey

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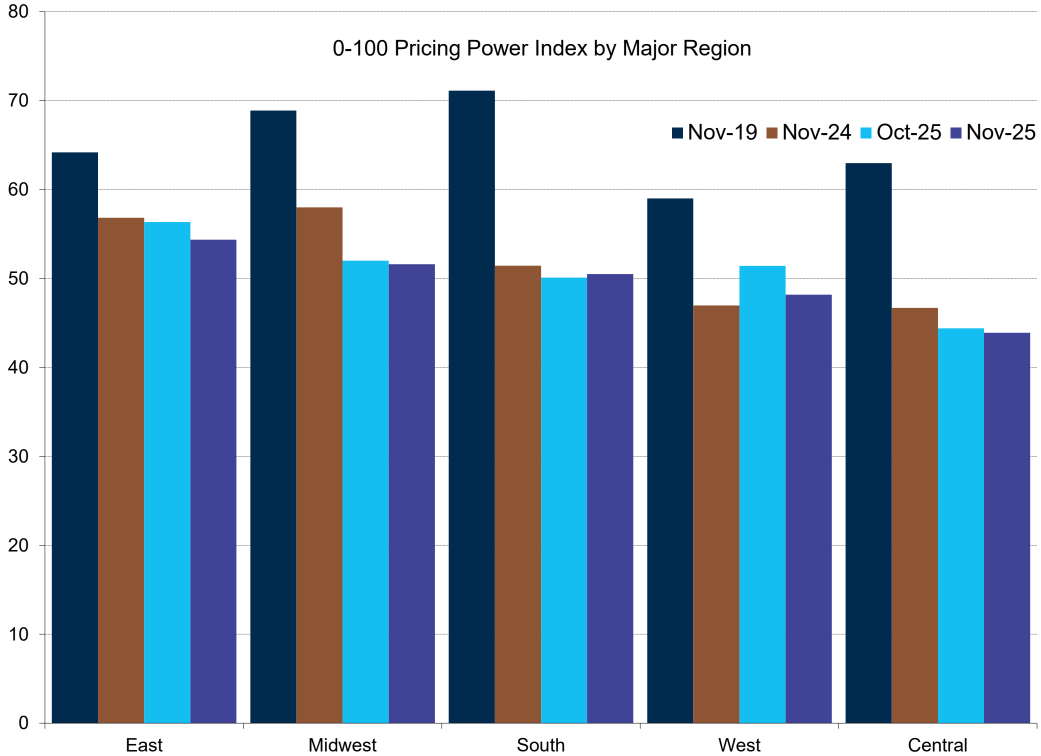
- **East, Midwest Continue to Exhibit Strongest Pricing Power on Absolute Basis:** Four of our five regional pricing power indices declined sequentially, with the South (up 0.4 points) the lone exception. On an absolute basis, the East (54.4) and Midwest (51.6) continued to rank most favorably, while the South (50.5) surpassed the West (48.2) for third place. The Central region (43.9) remained the weakest for the 14th month in a row, unsurprising given the concentration of high-supply Sun Belt markets in the region. On a market-by-market basis, coastal cities continued to be strongest relative to pre-COVID, with New York, San Jose, and Orange County furthest above trend line. Sun Belt markets like Austin, Jacksonville, and Phoenix remained the largest laggards. (See Exhibit 13 and Exhibit 14)

Exhibit 13: East Still at the Top; South Gaining Steam



Source: Zelman Apartment Survey

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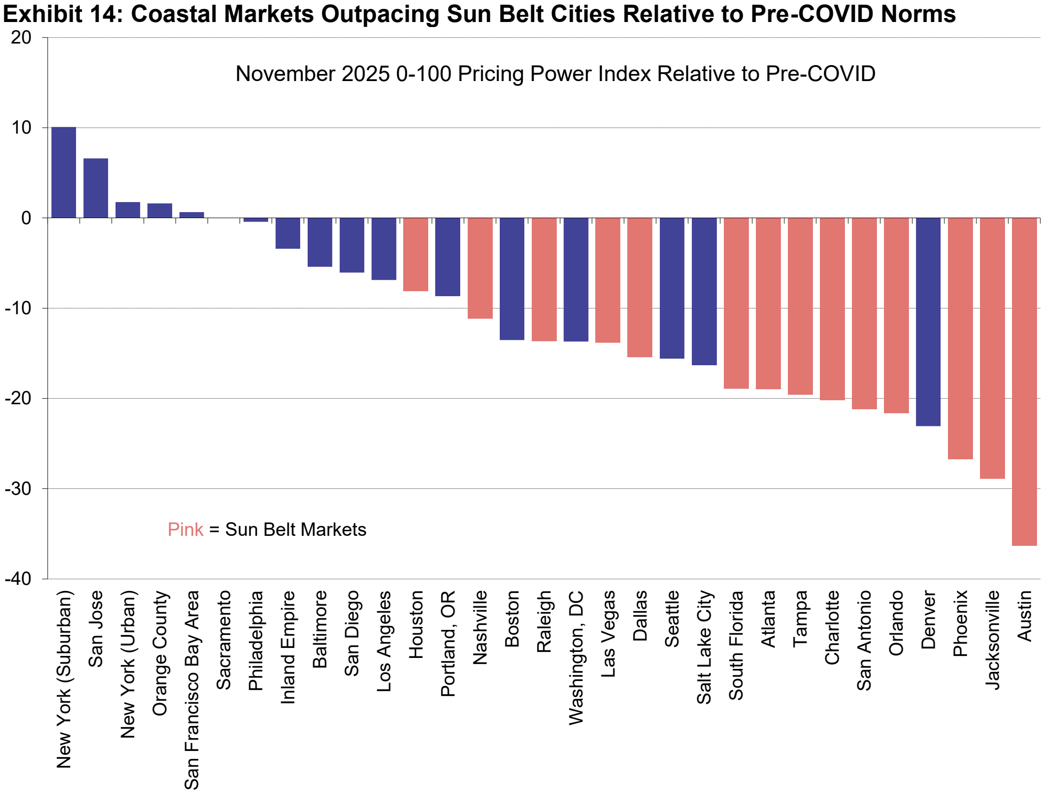
Exhibit 14: Coastal Markets Outpacing Sun Belt Cities Relative to Pre-COVID Norms



Source: Zelman Apartment Survey

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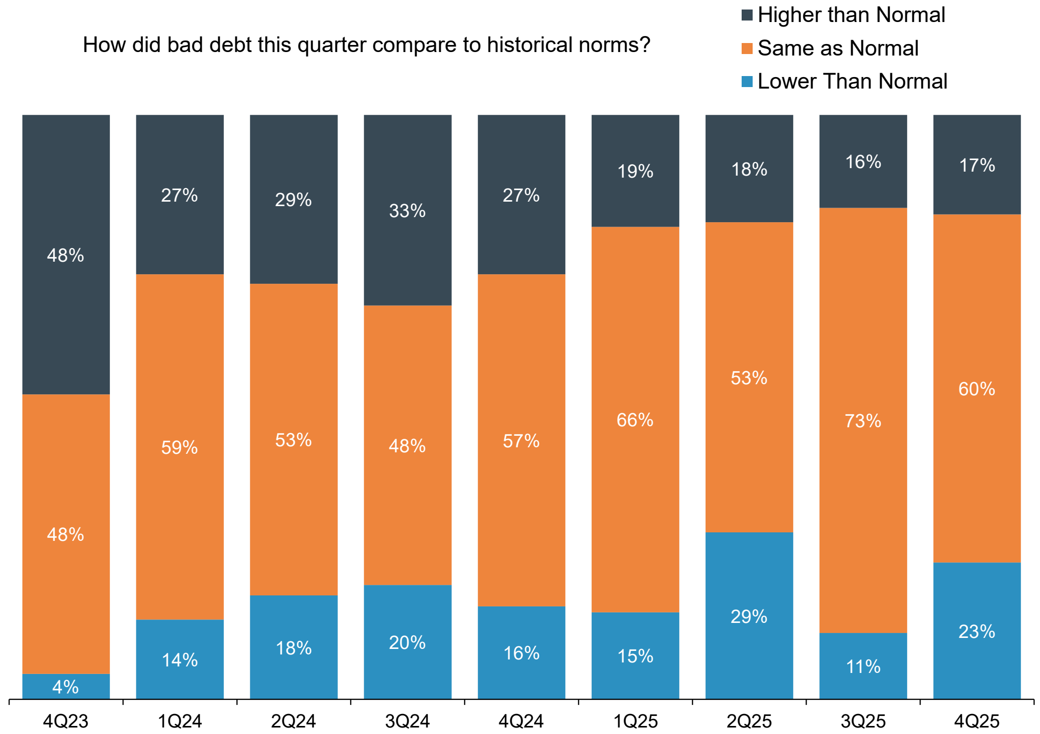
- **More Contacts Reported Lower-Than-Normal Bad Debt:** Once a quarter, we ask survey respondents to assess the level of bad debt relative to historical norms. In 4Q25, the majority (60%) conveyed that bad debt was on par with long-term averages. Notably, 23% reported that lower-than-normal bad debt, marking the second-highest share of contacts since we began asking the question in 4Q23. Select contact commentary noted that improved screening processes using AI and increases in qualification ratios have resulted in less bad debt. (See Exhibit 15)

Exhibit 15: Larger Share of Contacts Reporting Lower than Normal Bad Debt Levels

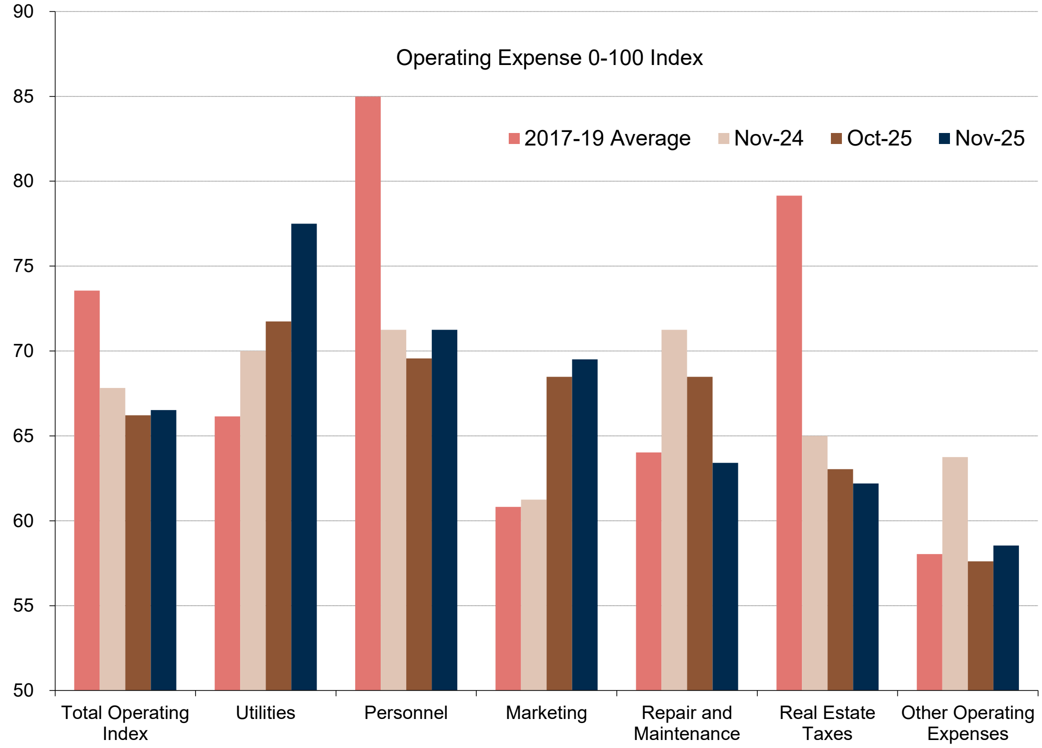
Explore this data



Source: Zelman Apartment Survey

- **Operating Expenses Remain Flat Along the Bottom:** Our total operating expense index measuring year-over-year growth increased fractionally on a sequential basis to 66.5 in November, with deceleration in repair & maintenance costs (down 5.1 points) offset by acceleration of utilities (up 5.8 points). Marketing, other operating expenses, and real estate taxes were within 1.0 point of their prior month index readings, demonstrating the efficient expense management that operators have exhibited through the year. In fact, 2025 has recorded 10 of our survey's 11 lowest monthly total operating expense index readings since we began tracking in 2017. (See Exhibit 16)

Exhibit 16: Operators Keeping Expense Growth at Bay



Source: Zelman Apartment Survey

Explore this data

Survey Methodology

Each month we survey private multifamily operators, developers, brokers and lenders to gauge fundamental trends across the country. We survey contacts about rent growth, occupancy, pricing power, turnover, future expectations, operating expenses, capital expenditures, starts activity, construction costs, cap rates, development returns, the financing environment and other topical items. Our survey covers roughly 1.5 million institutional-quality units and developers that account for approximately 10% of multifamily starts, which compares to the public apartment REITs in our coverage universe that operate roughly 450,000 consolidated units and account for less than 1% of national development. Please refer to our latest Transactions Survey for recent transaction trends and extensive commentary from our contacts.

Select Commentary on Operating Fundamentals

- “Rent growth was weaker than seasonal trends would suggest.” **– national operator**
- “[There is] consistent use of concessions throughout lease up. Austin and Charlotte are seeing an increase in concessions due to new supply coming online.” **– national operator**
- “New leases were worse than expected, but renewals were slightly higher than expected.” **– national operator**
- “ICE raids were particularly impactful in Houston and San Antonio for us last month.” **– national operator**
- “We increased our qualification ratios after a bad experience in 2024, and the changes made a difference. All the new move ins we experienced this year are holding.” **– national operator**
- “The government shutdown slowed the leasing pace as residents/prospects did not know what to expect.” **– national operator**
- “Atlanta, Austin and Charlotte remain extremely weak. We are seeing the impact of the glut of new supply plus seasonality given where we currently sit in the year. We have offered concessions in each of these markets in line with the majority of the competitive sets.” **– multi-market operator**
- “Overall traffic (visits) was a bit below normal this year, due in part to lower overall availability (exposure).” **– multi-market operator**
- “[Concessions usage is] very high in most of our market still: San Antonio is averaging five weeks of concessions, Austin is averaging six weeks, Kansas City two weeks, and Phoenix six weeks” **– multi-market operator**
- “[Traffic is] very market dependent, but there were not a ton of new leases this month due to traffic and not pricing really.” **– multi-market operator**
- “Bad debt was lower than we have experienced over the last 18 months. We have seen less evictions over time and expect the trend to keep getting lower.” **– Northwest operator**
- “Softening demand with new product still being delivered (although slowing) is driving concessions and rent discounting. Rents are flat to somewhat down (negative 2%) with concessions now 8-12 weeks. Older stabilized product still has to offer some level of concessions to compete. It is a perception game.” **– West Coast operator**
- “Net absorption slowed considerably and far greater than expected. Many assets saw a decline in occupancy during a period of typically low turnover and high occupancy.” **– Mountain States operator**
- “Many of our markets, particularly those with elevated supply, saw extreme expanded use of concessions and a broad decline in market rents in November. Markets that have worked through their elevated supply levels of the past two years saw decreased concessions.” **– Mountain States operator**
- “Concessions have been very sticky in both urban and suburban submarkets. In urban submarkets, it seems that concessions begin with high-rise product in need of healthy leasing activity, but then they migrate to the balance of the market regardless of product type or status. The emergence of free rent concessions in the suburbs has been a particular annoyance.” **– Midwest operator**
- “We have increased our marketing spend at most of our communities, as well as invested in AI to drive additional traffic.” **– Northeast operator**
- “The Southeast continues to face elevated supply which results in elevated concessions – including pressure to offer concessions or not increase rent at point of renewal.” **– Mid-Atlantic developer**
- “[Occupancy is] about the same as last month as it is still a struggle to get higher occupancy.” **– Texas operator**
- “Likely the time of year, but the markets seem slower and more competitive.” **– Texas developer**
- “We have a number of long-term tenants that have pushed back on renewal rents, but they have ended up signing for the most part, and those who do not sign we usually are able to backfill quickly at the advertised rents we are posting.” **– New Jersey operator**
- “Overall, occupancy is slightly down compared to last month across most properties. Blended rent growth is worse than expectations, and revenue is down compared to last month. Concessions are up compared to October, indicating that pricing power is down compared to last month.” **– Seattle operator**

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