



GRAYCAPITAL

# 2025 Multifamily Forecast



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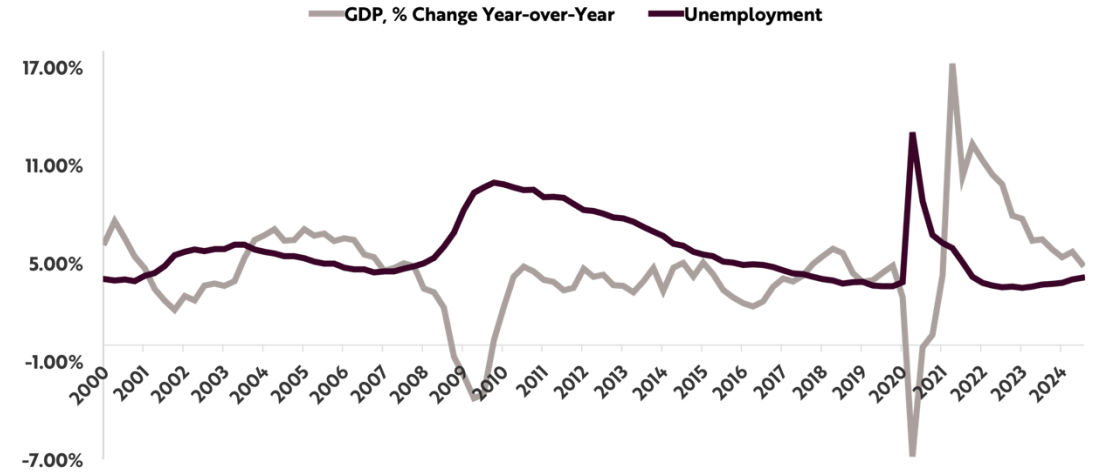
Director of Communications and Marketing  
Gray Capital



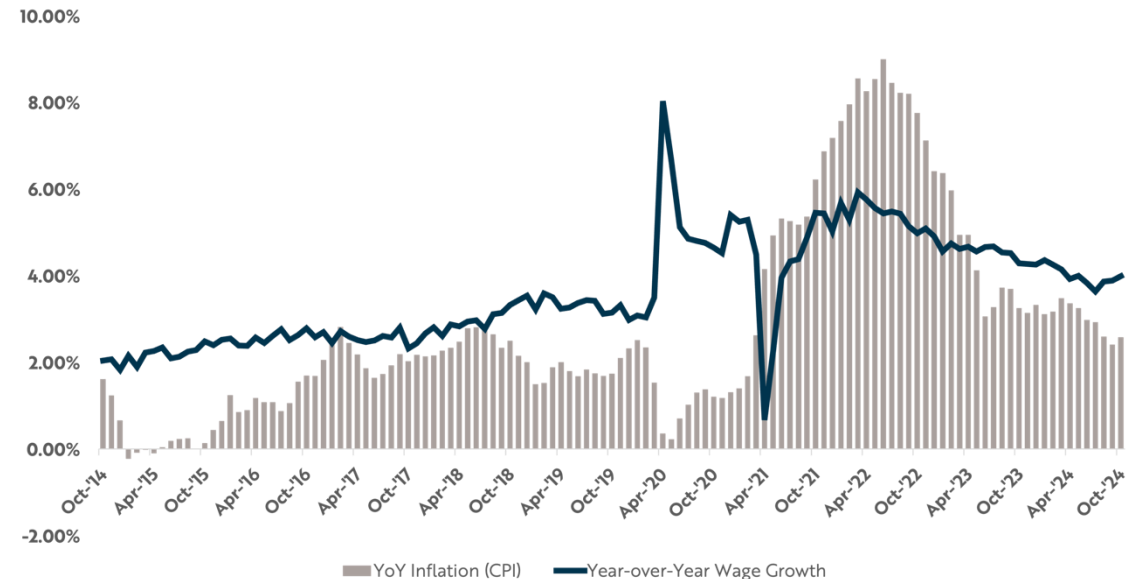
# ECONOMIC DRIVERS

- Stabilizing economy
- Cooling labor market
- Inflation gradually cooling

Unemployment Rate; GDP Growth: 2000-2024



Wage Growth, Inflation: 2014-2024

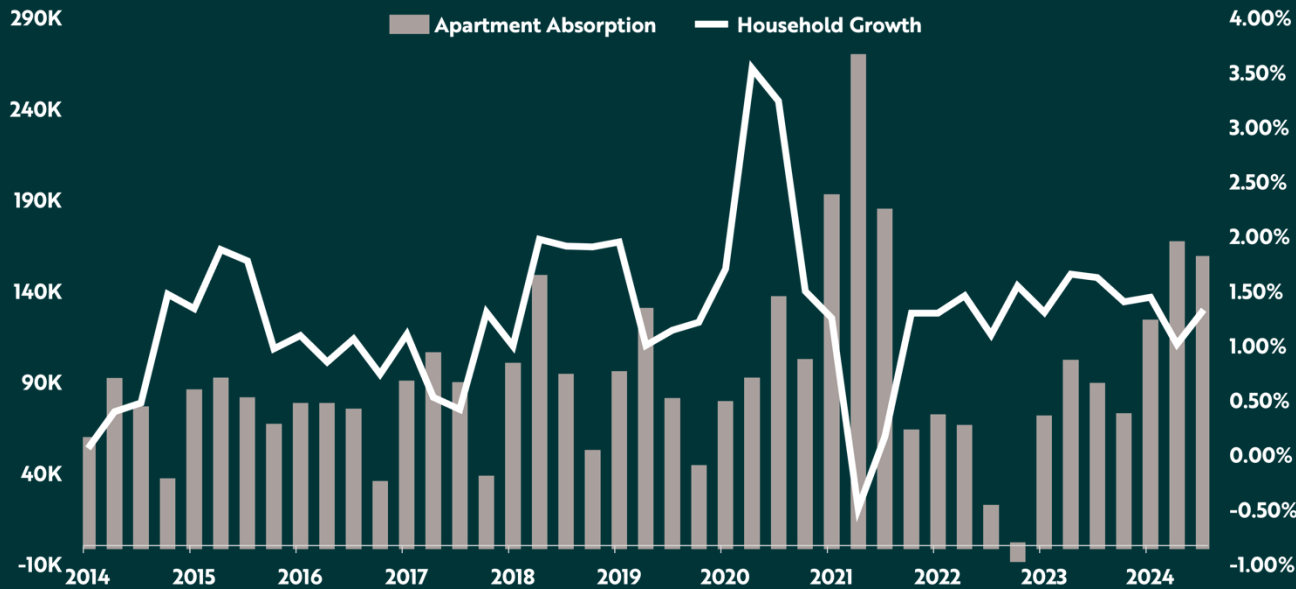




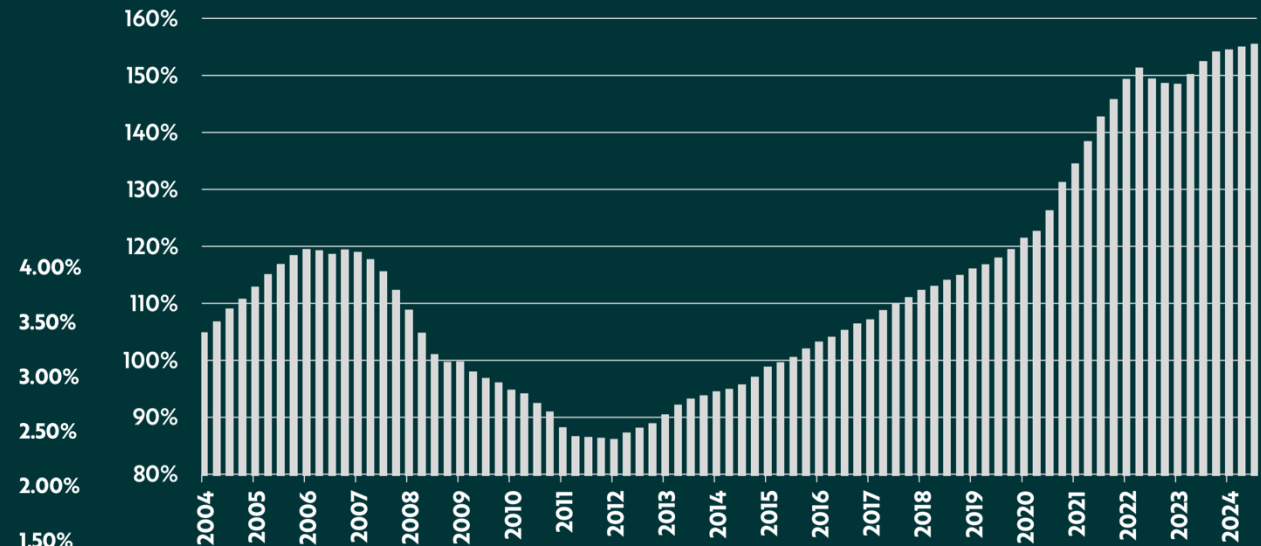
# HOUSING AND APARTMENT DEMAND WILL REMAIN HIGH IN 2025

- Home price to rent ratio
- Household growth

### Apartment Absorption, Household Growth



### Home Price to Rent Ratio, 2004-2024



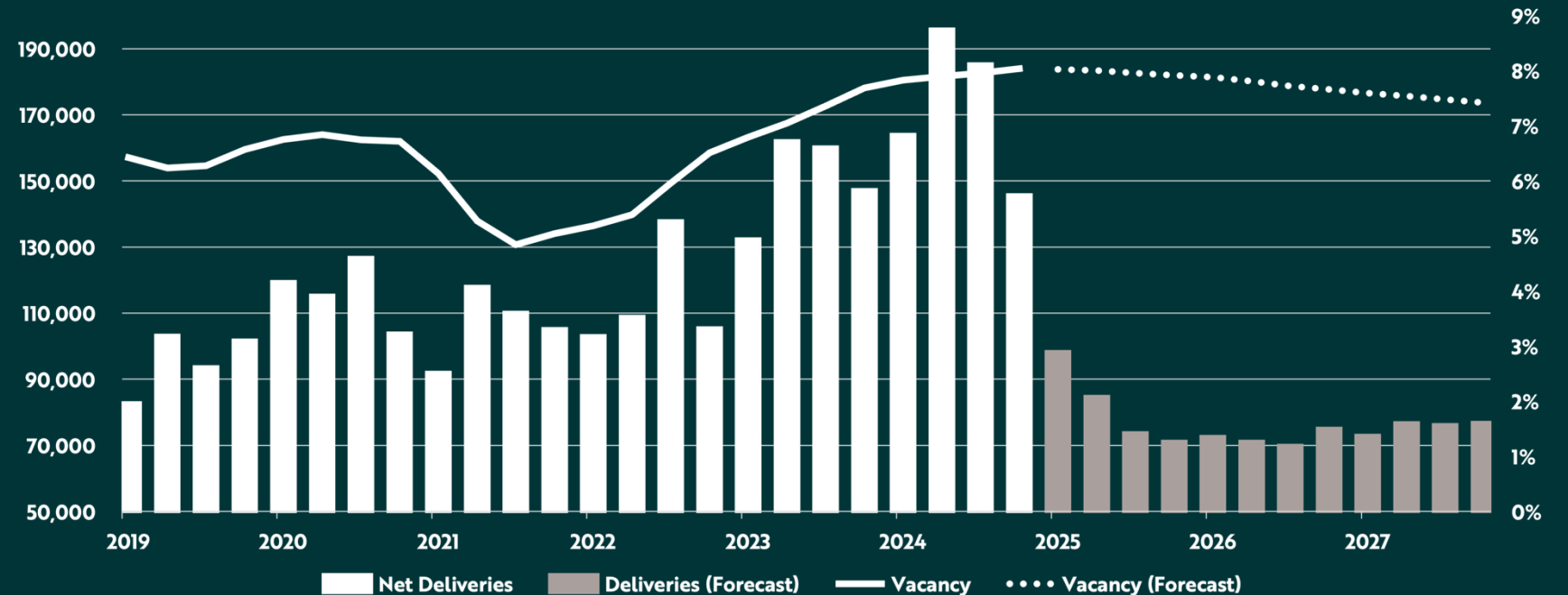
- Absorption persistently high amid historic levels of apartment supply



# APARTMENT SUPPLY AND DEMAND

- Supply to remain quite high, but well under its peak
  - Some estimates (see CoStar's below) have supply falling off rapidly.
- Demand is similarly high, with greater supply/demand balance as 2025 progresses.

Multifamily Deliveries and Vacancy



# HOUSING AND APARTMENT DEMAND

## EXHIBIT 2

### Estimates of the housing shortage over time

HVS, millions	Q2 2018			Q4 2020			Q3 2024		
	Actual	Target	Gap	Actual	Target	Gap	Actual	Target	Gap
1 Households	121.2	122.5	1.3	125.8	126.2	0.4	132.1	133.1	1.0
2 Vacant units	17.0	18.3	1.3	15.4	18.9	3.5	14.9	17.6	2.7
3 Housing stock	138.3	140.8	2.5	141.2	145.0	3.8	147.0	150.8	3.7

Source: Freddie Mac Economic and Housing Research calculations based on the U.S. Census Bureau, Current Population Survey/Housing Vacancy Survey

- Barely a dent in the housing shortage, now at 3.7 million.

# RENT GROWTH ESTIMATES FOR 2025

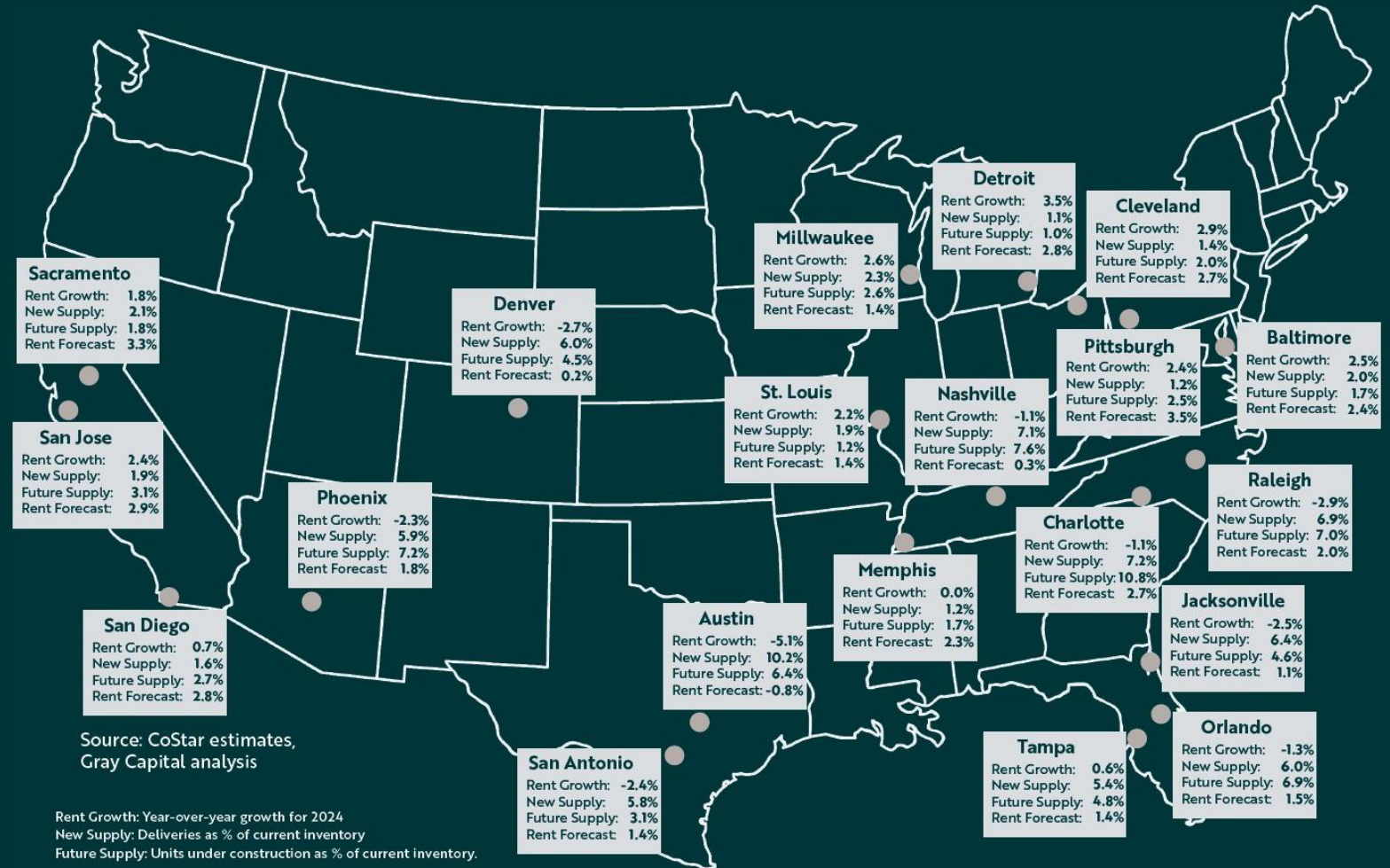
- CBRE: 2.6%
- RealPage: 2.8%
- CoStar: 3.5%
- Marcus & Millichap: 3.0%
- RedFin: 0.0%
- Yardi Matrix: 1.5%
- Gray Capital: 2.9%
- Average: 2.3%

- Some variance among sources
  - Supply timeline a key factor
- National rent growth numbers may be skewed lower due to oversupply in the South.



# VAST REGIONAL DIFFERENCES ARE GROWING

- Sunbelt region with largest gains in apartment supply, and more to come in 2025
- Midwest, Northeast with more stability



# INVESTOR SENTIMENT IMPROVES

- NMHC, JLL, Atlas Media Group, John Burns Research and Consulting all reporting improving investor sentiment
- Pent-up demand after two years of inactivity

## 63%

NMHC Equity Financing Index  
(Highest since Jan. '22)

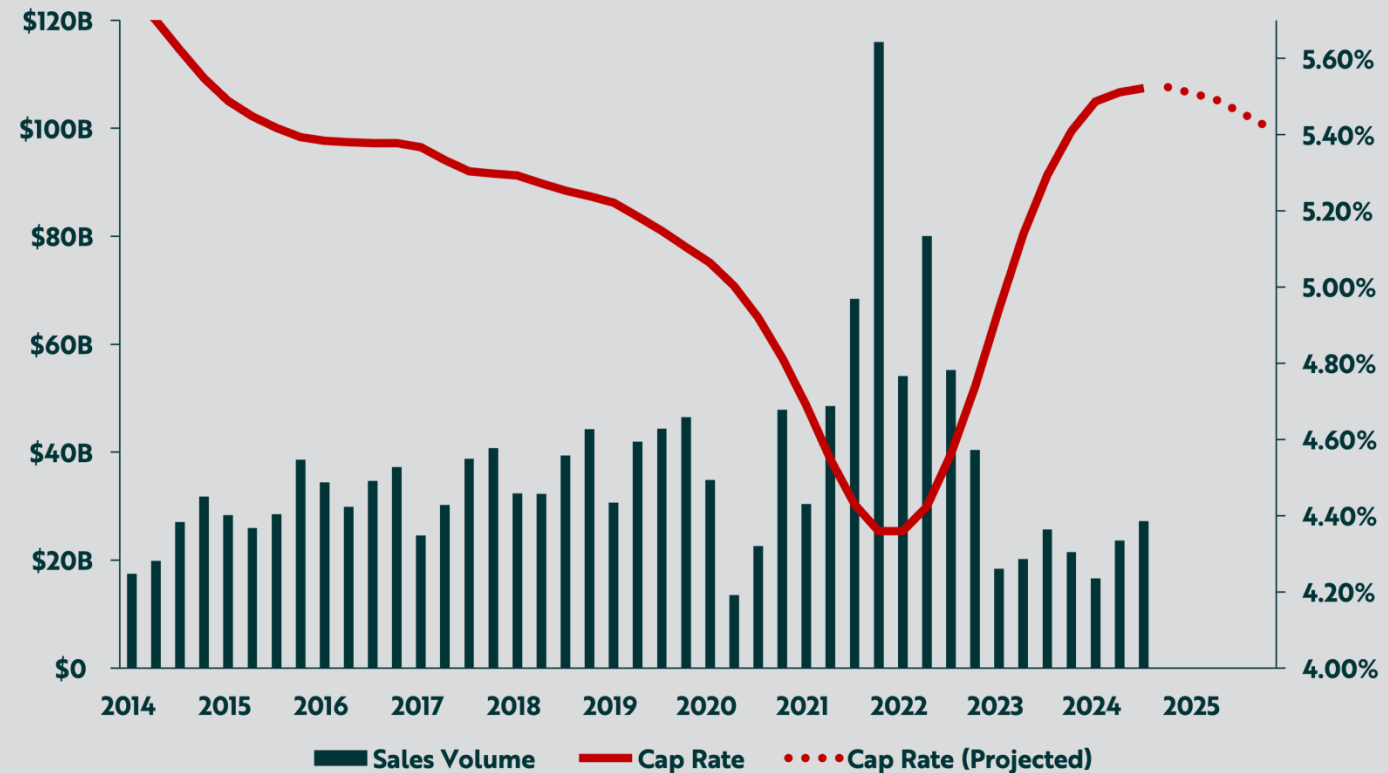
## 77%

NMHC Debt Financing Index  
(Highest since Jul. '19)

## 65%

ULI Firm Profitability Prospects for 2025  
(Up 24% from last year)

### Multifamily Sales Activity, Cap Rates

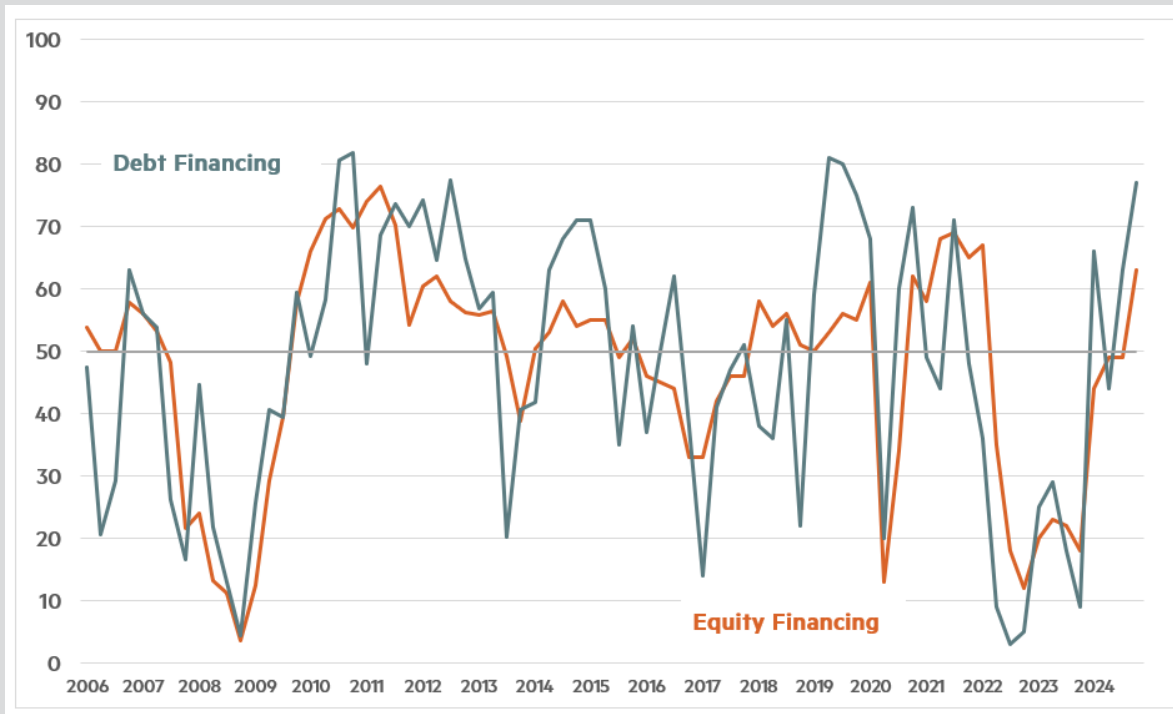




# INVESTOR SENTIMENT

- NMHC

- ULI/PwC

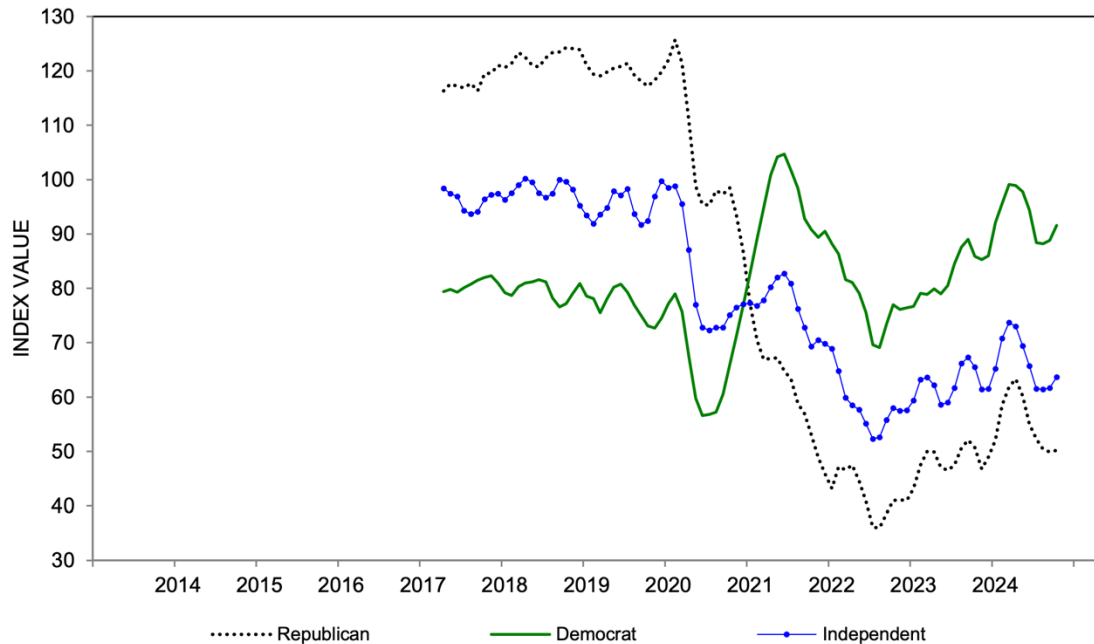


# CONSUMER SENTIMENT IMPROVING

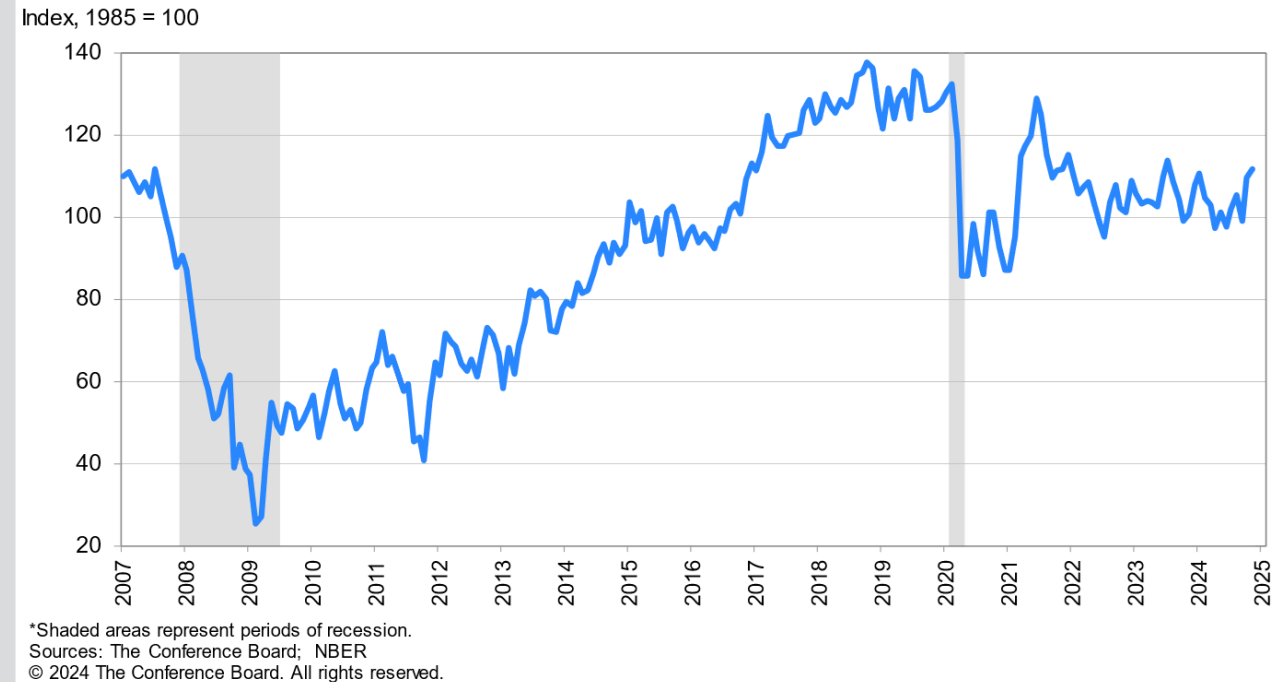
- University of Michigan

- The Conference Board

**CHART 5B: INDEX OF CONSUMER SENTIMENT BY POLITICAL PARTY  
(THREE MONTH MOVING AVERAGES)**

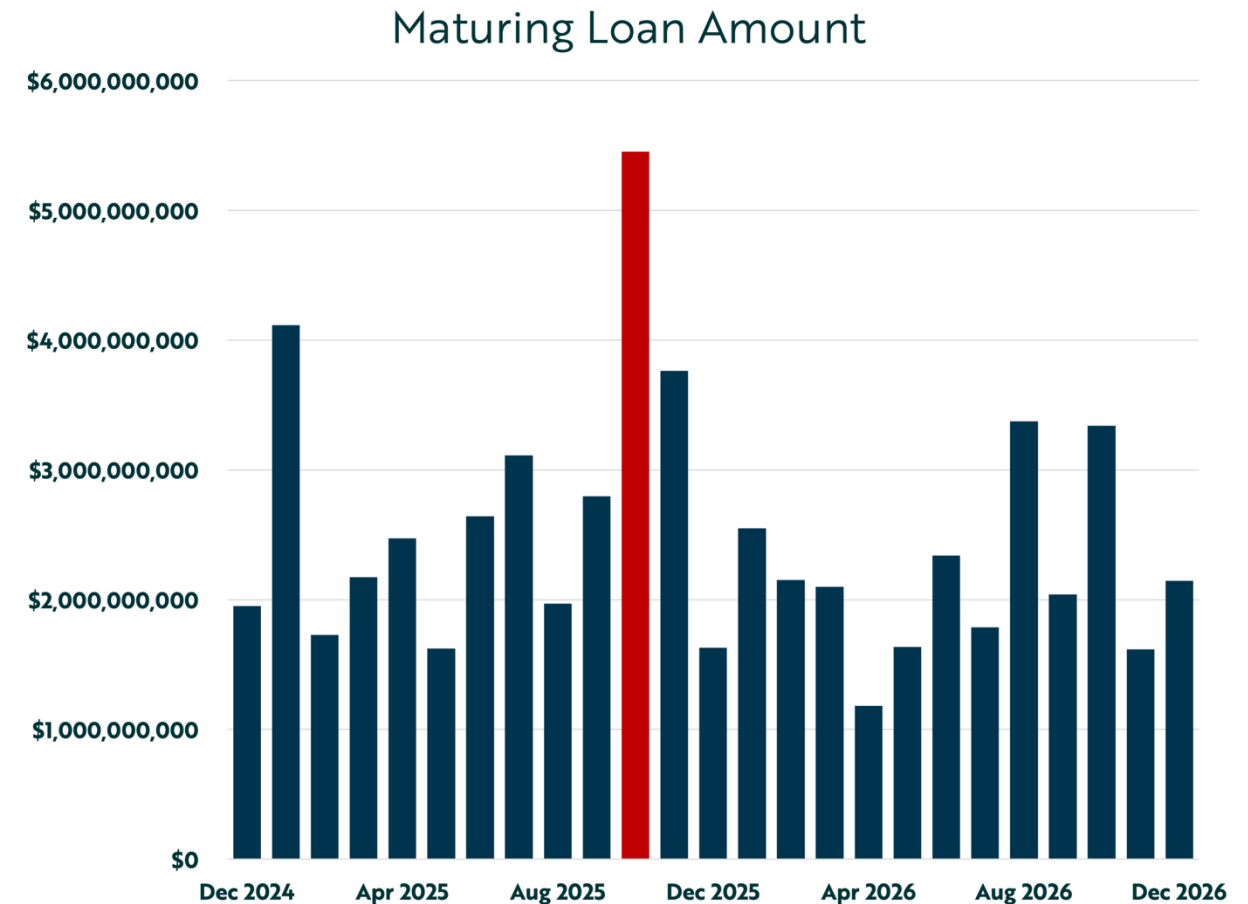


**Consumer Confidence Index®**



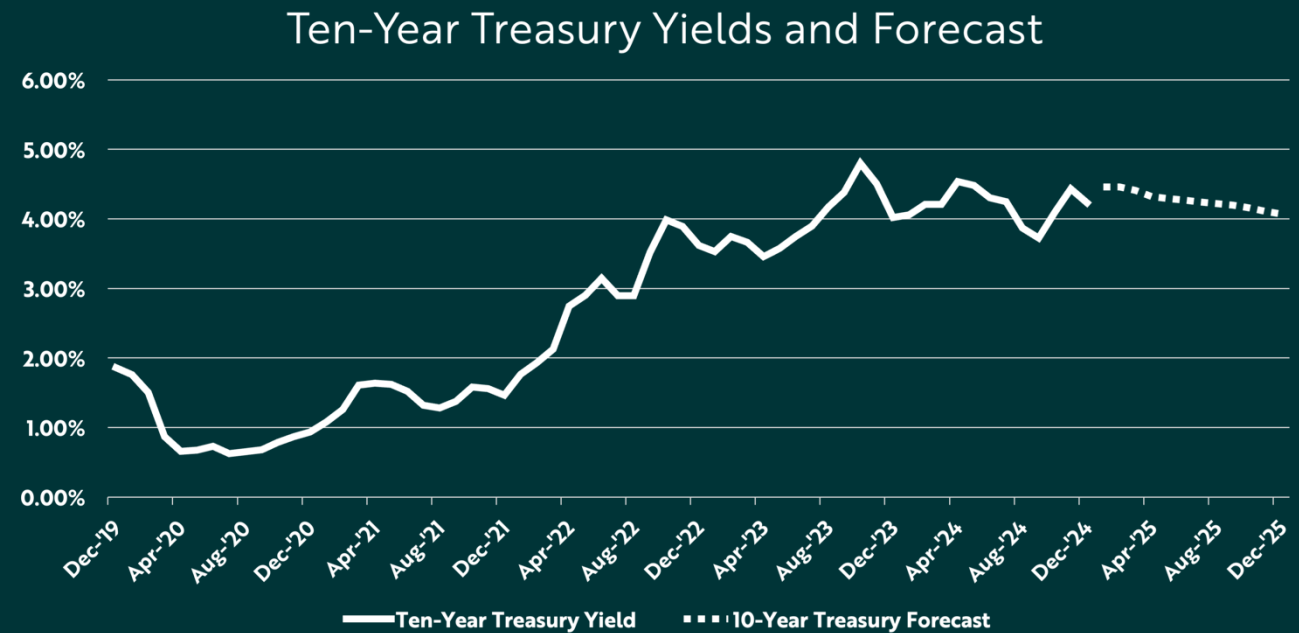
# LOAN MATURITY WAVE AS CATALYST FOR MARKET ACTIVITY

- Wave of loan maturities in Oct. 2025
  - Banks less motivated to provide workouts
  - Implicit guidance from the Fed to avoid extend-and-pretend



# INTEREST RATES

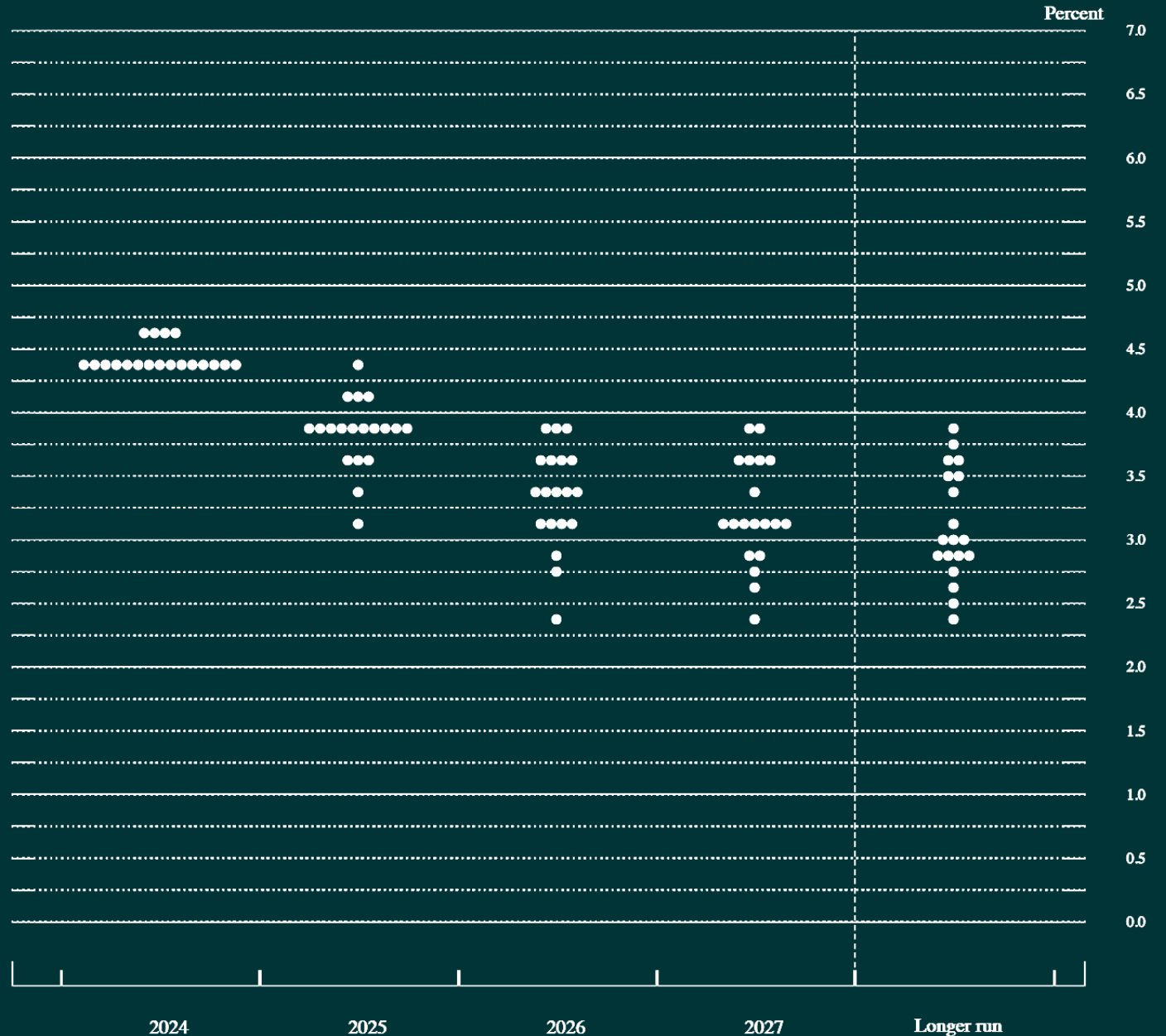
- Ten-year treasury forecasts have yields above 4% through the end of 2025.
- Lower short-term rates will spur more activity in the market, but they may not drop enough to eliminate loan maturities as a factor in the dynamics of the multifamily market of 2025.





# INTEREST RATES

- FOMC lowers federal funds rate 25 BPS
- FOMC interest rate projections are higher for 2025, but still on path to gradually lower.



# STAY ON TOP OF THE MULTIFAMILY MARKET

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- Gray Capital Research
  - [www.graycapitalllc.com/report](http://www.graycapitalllc.com/report)
- Invest with Gray Capital
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