

### Economic Uncertainty Weighs on Overall Housing Demand

#### Slowing household formation constrains apartment absorption.

While the U.S. labor market added more jobs in the opening stretch of 2026 than in any quarter since late 2024, trailing 12-month hiring marked one of the weakest non-recessionary periods in recent history. The 2026 forecast at just 0.2 percent growth represents less than a fifth of the long-term average. Coupled with slowing net international migration, these factors are weighing on household formation, a key driver of housing demand. This trend will persist through at least the remainder of the year, with formation projected to be roughly 40 percent below the annual average since 2000. As a result, apartment demand softened. Nearly 10,000 units were relinquished on net in the second half of 2025. However, net absorption returned in the first quarter of this year with more than 90,000 units occupied on net. Easing development should also mitigate vacancy increases, with the rate at 5.1 percent in March, slightly below the long-term average.

**Rent growth confined to low-vacancy markets.** The strongest levels of net absorption as a share of existing stock in the first quarter were recorded across several Sun Belt markets, including Phoenix, Jacksonville, Austin, and Salt Lake City. However, these markets have yet to see meaningful vacancy compression, as they also rank among those with the largest annual inventory gains, limiting the impact of stronger leasing and keeping rent growth muted or negative. In contrast, many of the markets that experienced the largest vacancy declines were largely those where vacancy was already tight. Metros such as San Francisco, San Jose, Chicago, Reno, Detroit, and Milwaukee, each with vacancy rates in the 3 to 4 percent range, continued to tighten. This led to some of the strongest rent growth nationally, exacerbating affordability concerns in select supply-constrained markets.

**For-sale market unresponsive to lower mortgage rates.** Existing home sales in March were nearly in line with levels seen in early 2025. The median sale price was also largely unchanged, despite 30-year mortgage rates sitting nearly 80 basis points lower. This suggests that improved financing conditions have yet to stimulate buyer demand, in part due to anchoring effects from the sub-3 percent 30-year mortgage rate environment in 2021. Over time, activity may improve as buyer expectations adjust to the current higher-rate environment.

### Construction Trends

**Federal policy aims at increasing supply of new homes.** The White House introduced its housing policy agenda via executive orders in March and expanded it in an April policy report. This came as seasonally adjusted annual single-family completions fell to the lowest level since early 2020. The agenda focuses on a few levers to support residential development. These include accelerating federal permitting timelines — particularly under environmental review frameworks like the National Environmental Policy Act — and unlocking surplus federal land for housing. The plan also seeks to tie federal infrastructure and housing funds to local zoning and density reforms.

**Structural housing constraints remain.** The recent policy measures may not materially accelerate development or improve affordability in the near term. Housing supply is governed by a highly fragmented regulatory structure, with tens of thousands of local jurisdictions controlling land use, limiting the scalability of federal policy interventions. While deregulation could modestly ease cost pressures, the structural housing deficit and uneven adoption across high-barrier markets are expected to constrain any meaningful supply response.

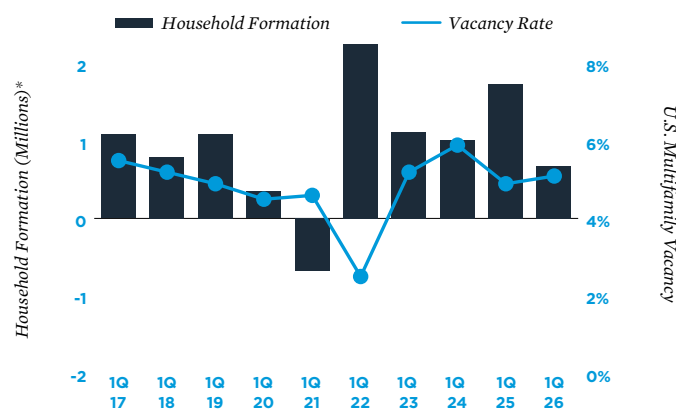
**0.3%**

Decrease in existing homes sales  
year-over-year in March

**6.23%**

30-year fixed mortgage rate as of  
April 23, 2026

### Formation and Vacancy Trends



\*Y-O-Y Absolute Change

Sources: IPA Research Services; Freddie Mac; Moody's Analytics; National Association of Realtors; RealPage, Inc.; Mortgage Bankers Association; National Association of Home Builders; U.S. Census Bureau