2026 MIDWEST MULTIFAMILY FORECAST

A GRAY CAPITAL RESEARCH REPORT



INDIANAPOLIS, INDIANA

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COLUMBUS, OHIO

This Report investigates forward-looking market trends amid today's macroeconomic conditions predominantly characterized by weakening consumer sentiment and record levels of new rental housing supply.

FIVE KEY TAKE-AWAYS FROM OUR RESEARCH & ANALYSIS:

1 Midwest Leads the Nation in Sustained Rent Growth

The Midwest remains the best-performing region in the U.S., with rent growth projected above national averages across nearly all markets. Growth in the region compounds on prior gains, reflecting durable fundamentals rather than cyclical recovery. Beyond relativity, rent growth is projected to be well below the long-term average in 2026.

2 Slow Growth = Better Entry Points

Subdued rent and price growth are already resetting valuations, creating attractive buying opportunities for long term investors in balanced Midwest markets

3 Distress Will Drive 2026 Deal Flow

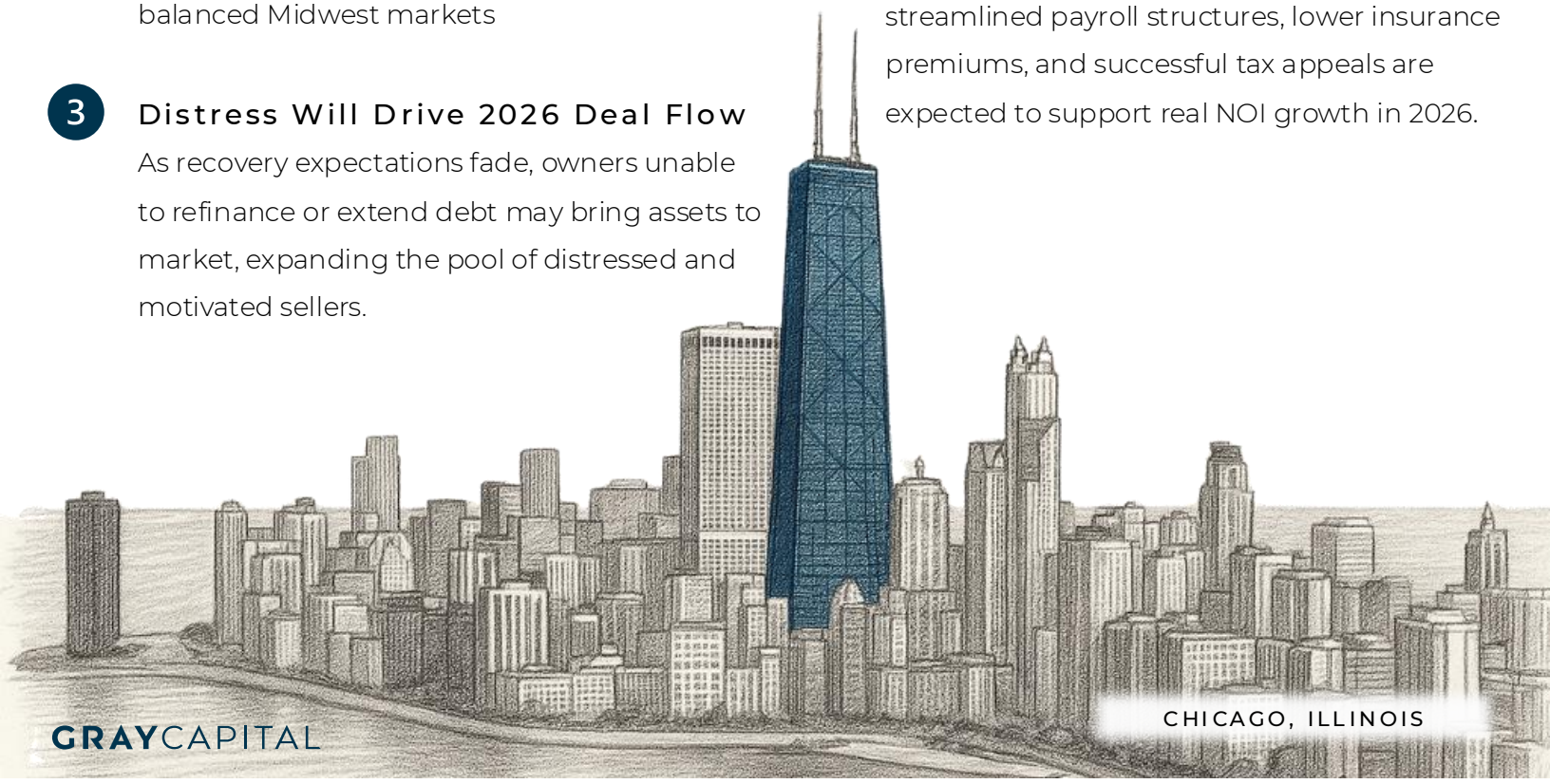
As recovery expectations fade, owners unable to refinance or extend debt may bring assets to market, expanding the pool of distressed and motivated sellers.

4 Supply Drop Sharpens Regional Advantage

The overhang from the recent 40-year peak in new supply is a core cause of the slow '25-'26 rent growth story. However, peak deliveries are behind us, and Midwest inventory remains modest and well-absorbed. Supply declines of roughly 60-70% are restoring equilibrium while other regions face oversupply and volatility.

5 Fundamentals Strengthen As Costs Ease

Even amid moderate rent growth, centralization, AI-driven efficiencies, streamlined payroll structures, lower insurance premiums, and successful tax appeals are expected to support real NOI growth in 2026.



CHICAGO, ILLINOIS

U.S. NATIONAL MULTIFAMILY MARKET

STEADY VACANCY, RENT DECELERATION & SUPPLY WAVES

In 2025, the nation's multifamily markets exhibited notable resilience, however rent growth has slowed below long-term averages and is forecasted to stay cool in 2026. Most notably impacting national and regional multifamily performance was a wave of new deliveries that grew national inventory by 484,400 units. This wave was met with very strong renter demand, holding national vacancy at between 8 to 9% indicating a balance between supply and demand.

Nation wide, amidst the wave of supply, operators began to prioritize occupancy over rent growth and an emphasis on resident retention. Concession offerings became widespread in new projects, placing a downward pressure on rent growth in all asset classes. Stabilized assets saw flat or very low rent growth, with densely over-supplied markets encountering negative rent trends.

THE 2026 FORECAST

STARTS

1,596,947
TOTAL UNITS

+ 7% YOY VARIANCE FROM 2025

VACANCY

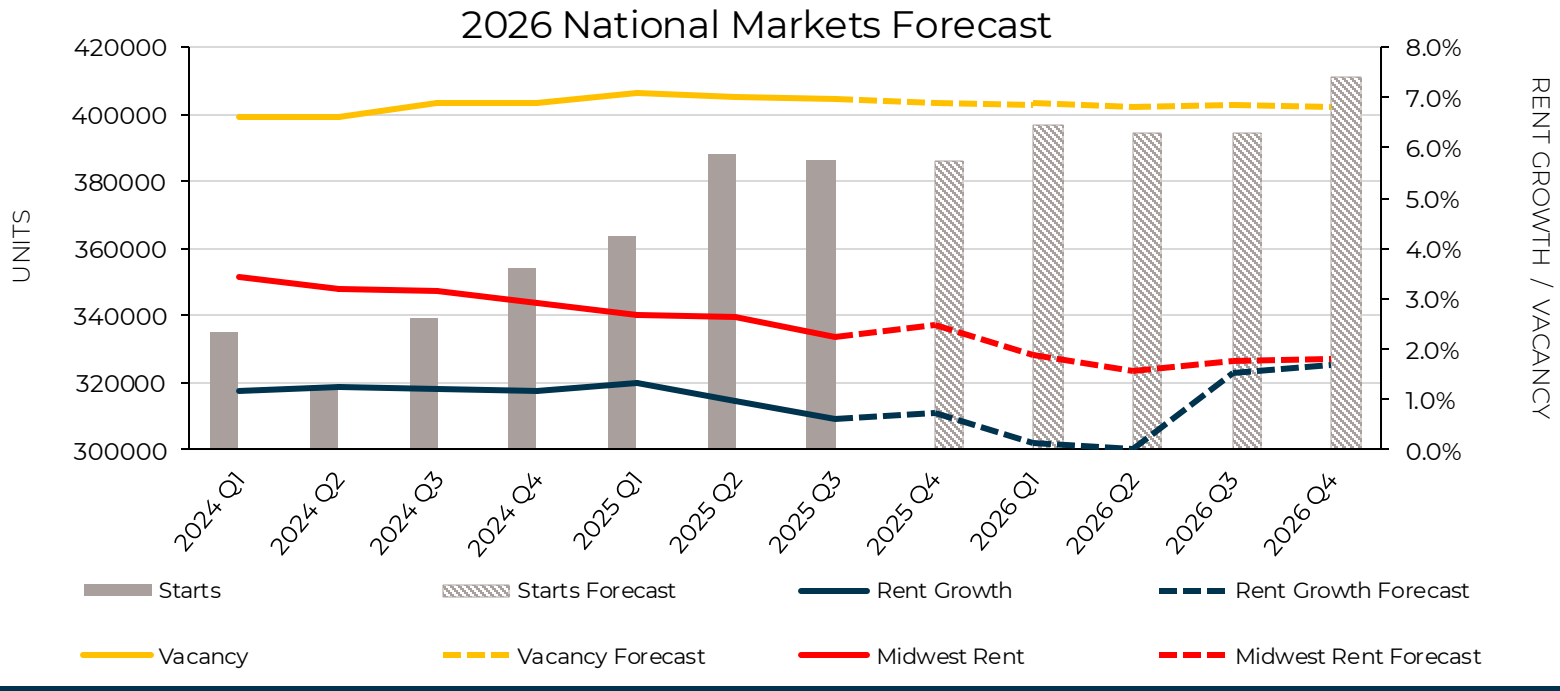
6.8%
ANNUAL AVG.

- 20 BPS VARIANCE FROM 2025

RENT GROWTH

0.85%
ANNUAL AVG.

- 16 BPS VARIANCE FROM 2025



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CHICAGO, ILLINOIS

PERSISTENT UNDERSUPPLY, DECLINING VACANCY & RENT OPTIMISM

In 2025, Chicago emerged as a national leader in multifamily fundamentals. With only 5,000 units delivered and 8,100 absorbed, vacancy tightened to 4.7%, far below the 8.2% U.S. average. Rent growth accelerated to nearly 4.0% in Q4, driven by sustained demand and limited new supply.

In 2026, starts are forecasted to gain momentum (+ 10% YoY) while deliveries drop to 9,300 units or 1.6% of inventory, compressing market vacancy (- 65 bps YoY) as steady demand persists. Rent growth is forecast to lose velocity (compressing 150 bps YoY); however, is expected to remain positive around 2.0%, well above national average. The market will continue to lead national fundamentals across the board, exceeding averages despite a deceleration in its growth.

THE 2026 FORECAST

STARTS

7,536
TOTAL UNITS

+ 10% YOY VARIANCE FROM 2025

VACANCY

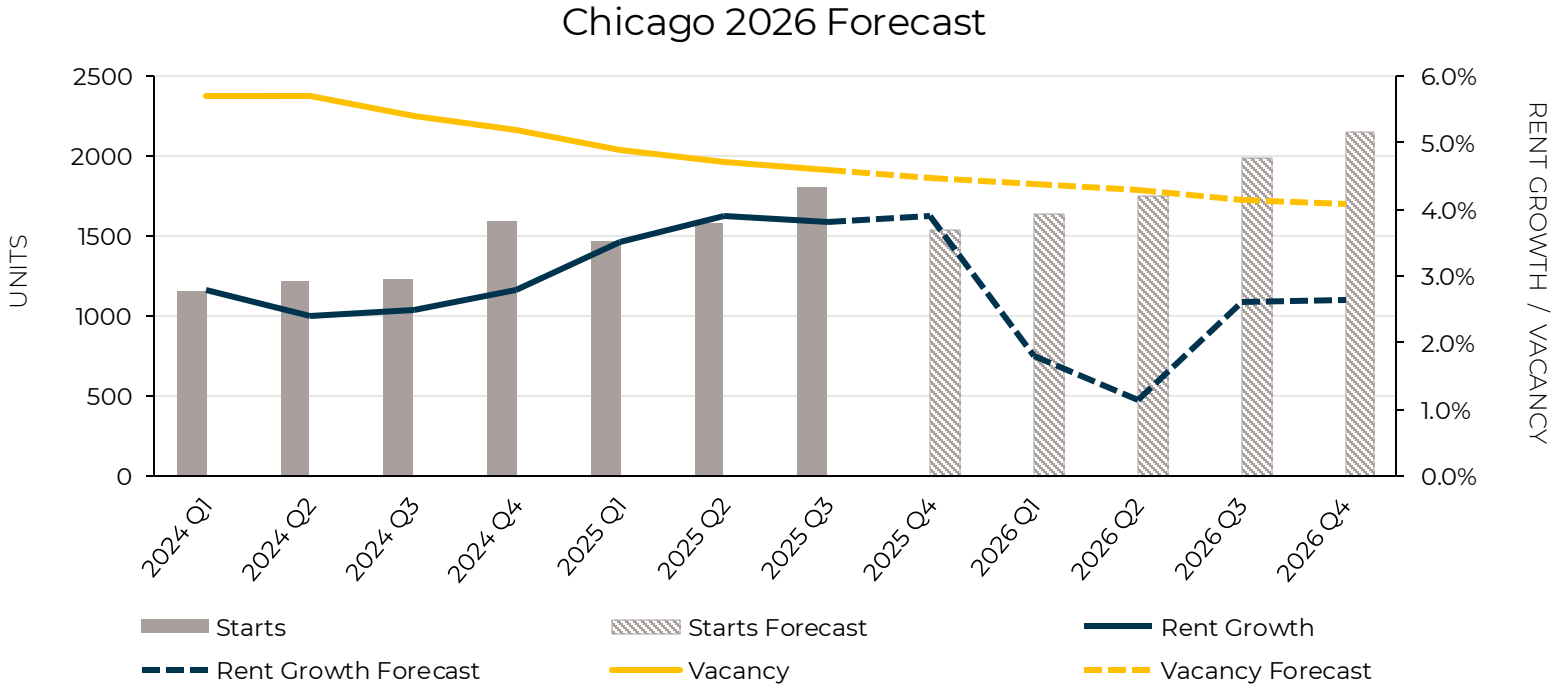
4.2%
ANNUAL AVG.

- 65 BPS VARIANCE FROM 2025

RENT GROWTH

2.0%
ANNUAL AVG.

- 150 BPS VARIANCE FROM 2025



INDIANAPOLIS, INDIANA

INVENTORY GROWTH, ELEVATED VACANCY & RENT DECELERATION

In 2025, multifamily fundamentals across the market softened as deliveries have outpaced absorption in six (6) consecutive quarters. Vacancy rates have expanded (10.1%) above national trends while rent growth (2.1%) remained 110 bps above national average. Meaningful tapering of deliveries in Q4 of 2025 lends optimism in the rebalancing of forward-looking fundamentals.

In 2026, the market is expected to experience limited movement in both vacancy and rent growth. Deliveries will decline sharply in the first half of the year but are still projected to exceed absorption. By mid-year, new supply is anticipated to fall to a five-year low, allowing demand to overtake deliveries. Overall, the year should be characterized by deceleration and stabilization, with local rent growth expected to outperform the national average despite above-trend vacancy levels.

THE 2026 FORECAST

STARTS

5,049
TOTAL UNITS

- 92% YOY VARIANCE FROM 2025

VACANCY

10.4%
ANNUAL AVG.

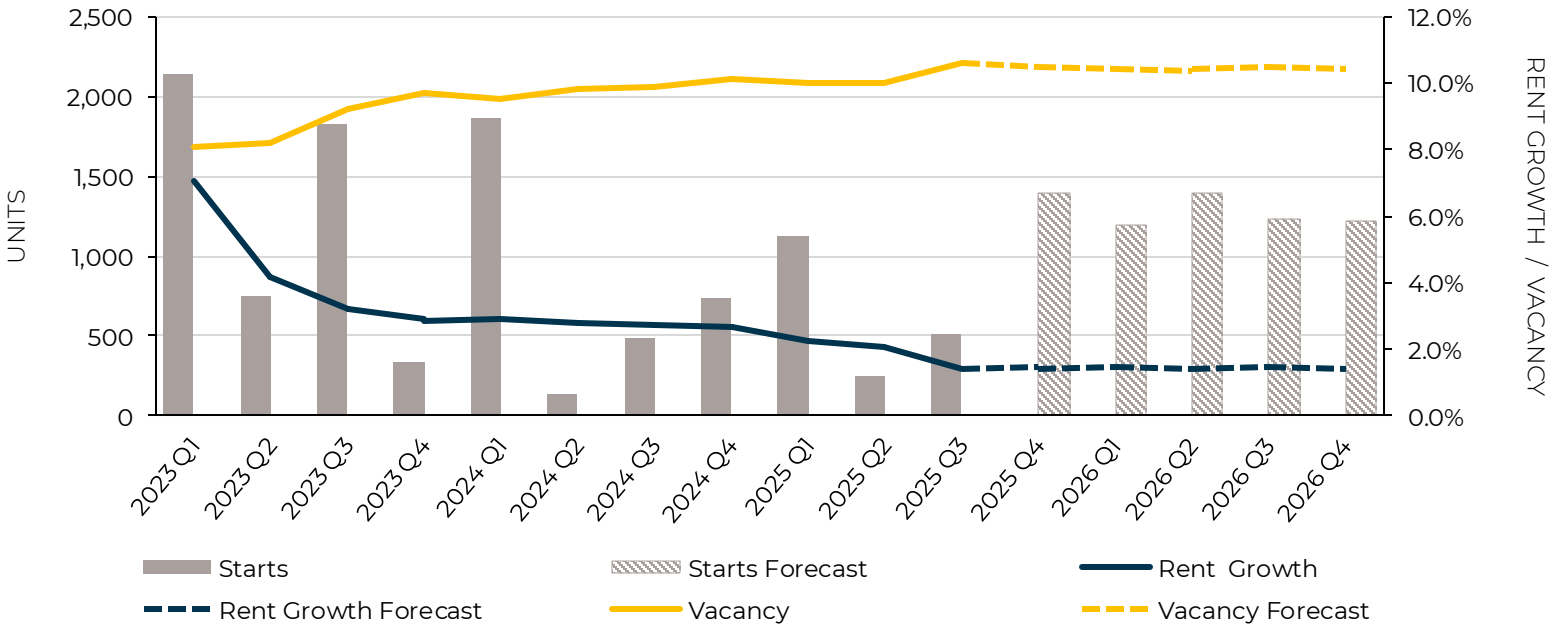
+ 25 BPS VARIANCE FROM 2025

RENT GROWTH

1.5%
ANNUAL AVG.

- 60 BPS VARIANCE FROM 2025

Indianapolis 2026 Forecast



COLUMBUS, OHIO

DEMAND, SUPPLY MODERATION, MORE DEMAND & RENT GROWTH

In 2025, a surge of new deliveries in 2025 elevated vacancy rates to historically high levels and slowed rent growth throughout the year. Despite above-average demand, supply outpaced absorption by 3,000 units, resulting in a 9.1% vacancy rate and 2.3% annual rent growth. Deliveries in Q4 totaled 1,000 units, marking a 62% QoQ decline from the Q3 peak of 2,700 units, signaling the early stages of supply moderation.

In 2026, starts rise significantly, growing 72% from 2025, signaling steady, above trend, long-term demand as the market's economic growth remains a national headline. Across the year, deliveries continue their dive from 2025 Q3 peak, not exceeding 1,000 units a quarter across the year. Demand makes a steady resurgence amid supply decreases, resulting in a YoY positive rent growth from 2025. The market is poised for above trend fundamentals for the long view.

THE 2026 FORECAST

STARTS

9,893
TOTAL UNITS

+72% YOY VARIANCE FROM 2025

VACANCY

8.9%
ANNUAL AVG.

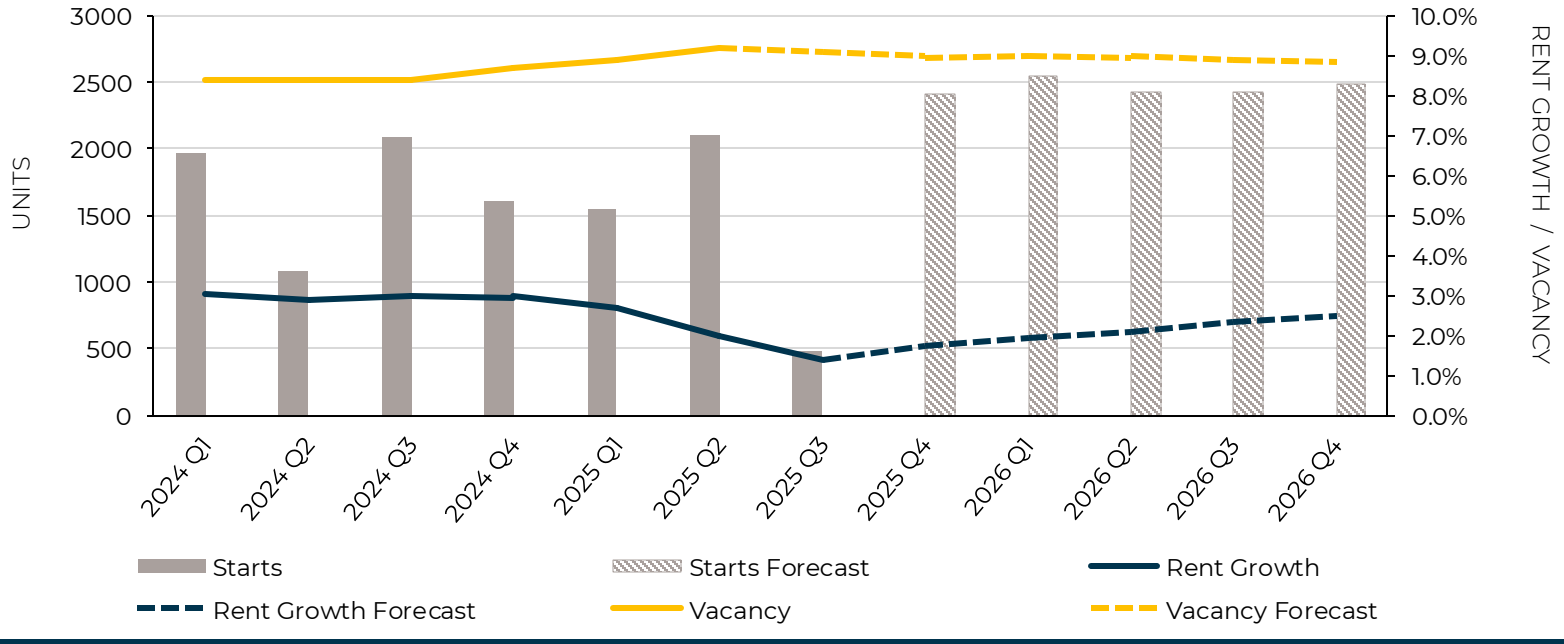
- 18 BPS VARIANCE FROM 2025

RENT GROWTH

2.2%
ANNUAL AVG.

+ 10 BPS VARIANCE FROM 2025

Columbus 2026 Forecast



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CINCINNATI, OHIO

CONCENTRATED DEMAND, REBALANCING & RENT OPTIMISM

In 2025, demand outpaced the market's 5-year average by 33% while navigating a wave of supply (up nearly 44% on average). The inventory growth placed upward pressure on market vacancy, which rose to a decade high 7.3% in the wake of a nearly 3,200 units being delivered across 2025. Year-to-date rent growth (2.8%) remains above the national average (1%) heading into Q4 2025.

In 2026, significant deceleration (- 55%) of deliveries is expected at mid-year, allowing the market's steady demand to stabilize vacancy rates and support rent growth. Non-significant vacancy expansion (+20 bps) expected as deliveries gain momentum again in Q4. Rent growth is expected to remain at or slightly above 2.0% across the year. A 76.3% YoY reduction in starts across the year reinforces confidence in the market's long-term fundamentals.

THE 2026 FORECAST

STARTS

389
TOTAL UNITS

- 88 % YOY VARIANCE FROM 2025

VACANCY

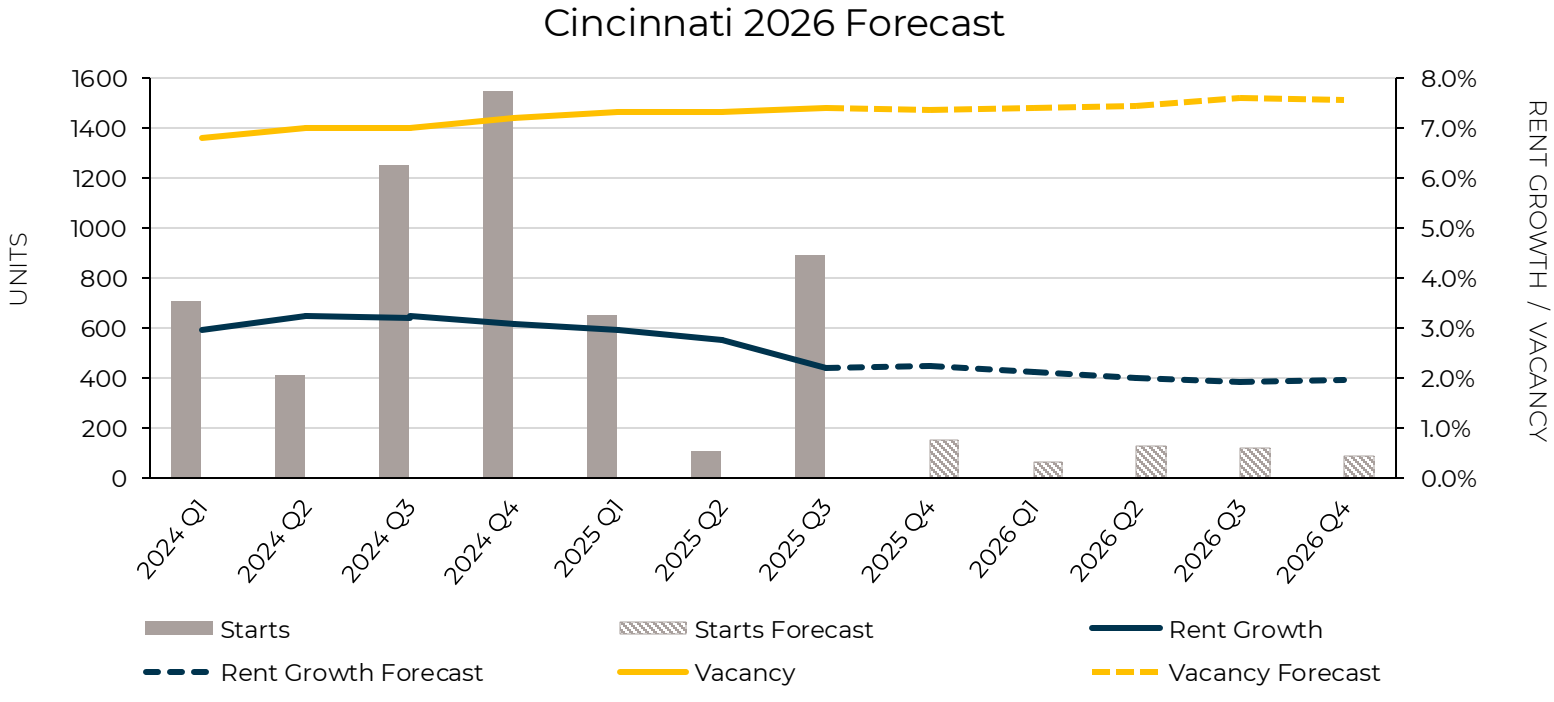
7.5%
ANNUAL AVG.

+ 18 BPS VARIANCE FROM 2025

RENT GROWTH

2.0%
ANNUAL AVG.

- 80 BPS VARIANCE FROM 2025



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LOUISVILLE, KENTUCKY

INVENTORY PULL-BACK, POCKETED DEMAND & RENT DECELERATION

In 2025, market vacancy rates expanded as supply outpaced the market's pocketed demand. The result, decade low rent growth (0.9%) and 5-year high vacancy (8.65%) entering Q4 2025. The supply wave is concentrated across the Ohio River, in Indiana's Southern Jefferson and Clark Counties.

In 2026, demand compresses vacancy across the market as deliveries decelerate in the back 3/4^{ths} of the year. Rent growth is expected to remain suppressed (0.9%); however, within the market's areas of highly concentrated demand rent growth could reach upwards of 2% across the second half of the year. Significant growth (+142%) in starts relative to 2025 is expected, acting as a strong indicator of the market's economic growth and future demand for rental housing, albeit at the costs of slower future rent growth.

THE 2026 FORECAST

STARTS

3,389
TOTAL UNITS

+ 142% YOY VARIANCE FROM 2025

VACANCY

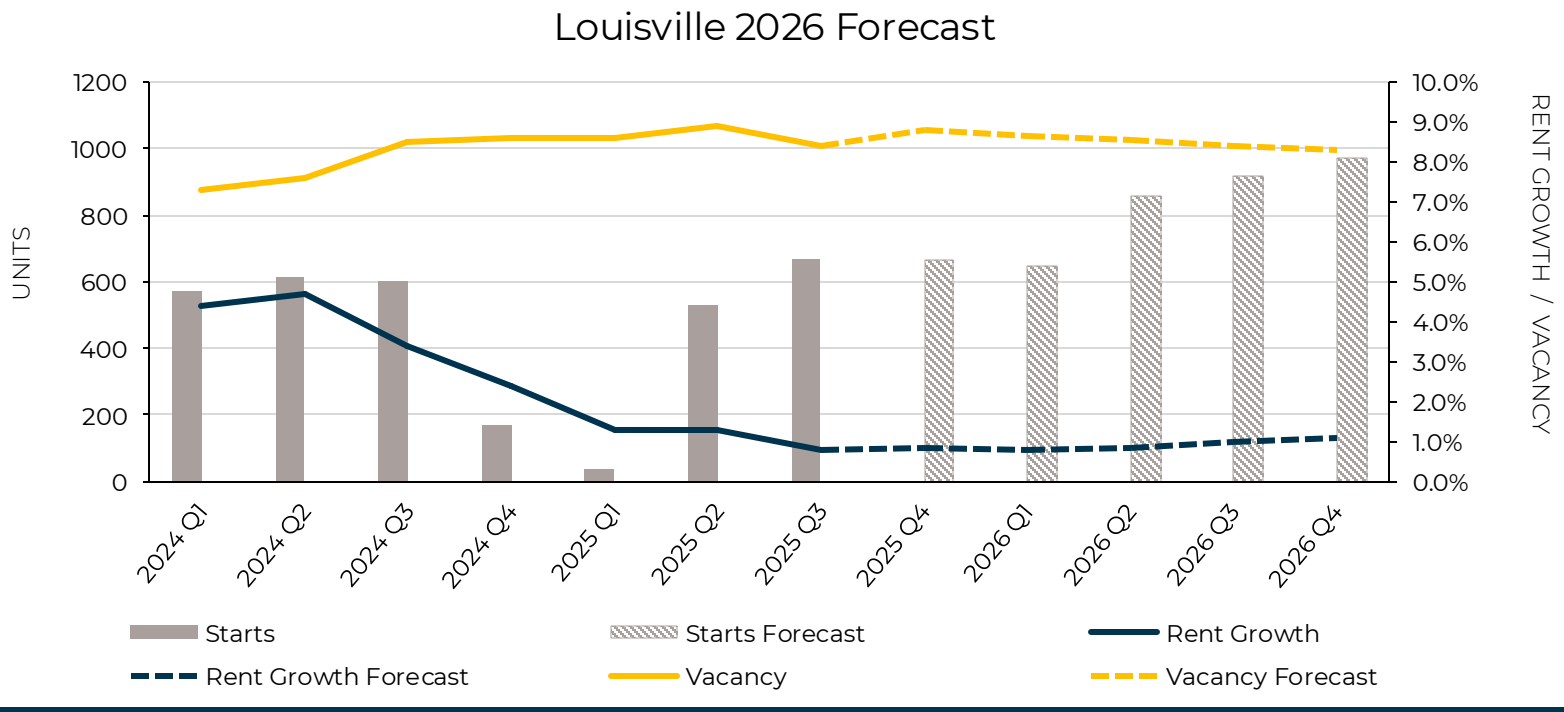
8.5%
ANNUAL AVG.

- 20 BPS VARIANCE FROM 2025

RENT GROWTH

0.9%
ANNUAL AVG.

- 100 BPS VARIANCE FROM 2025



LANSING, MICHIGAN

SUPPLY CONTRAINTS, STEADY VACANCY, RENT DECELERATION

In 2025, the market experienced continued supply constraints, weak rental demand, yet notably above trend rent growth. Lansing delivered less than 300 units, experienced historically low absorption, but meaningfully outperformed national trends achieving an average rent growth of 3.7% alongside a market vacancy of 6%.

In 2026, the market is poised to see a YoY pullback in deliveries comparative to 2025 as renter demand is expected to hold vacancy rates around 6%, expanding slightly to 6.4%. Rent growth in Lansing is expected to continue to outperform national trend; however, compress meaningfully YoY to an average of 1.9%.

THE 2026 FORECAST

STARTS

361
TOTAL UNITS

+ 111% YOY VARIANCE FROM 2025

VACANCY

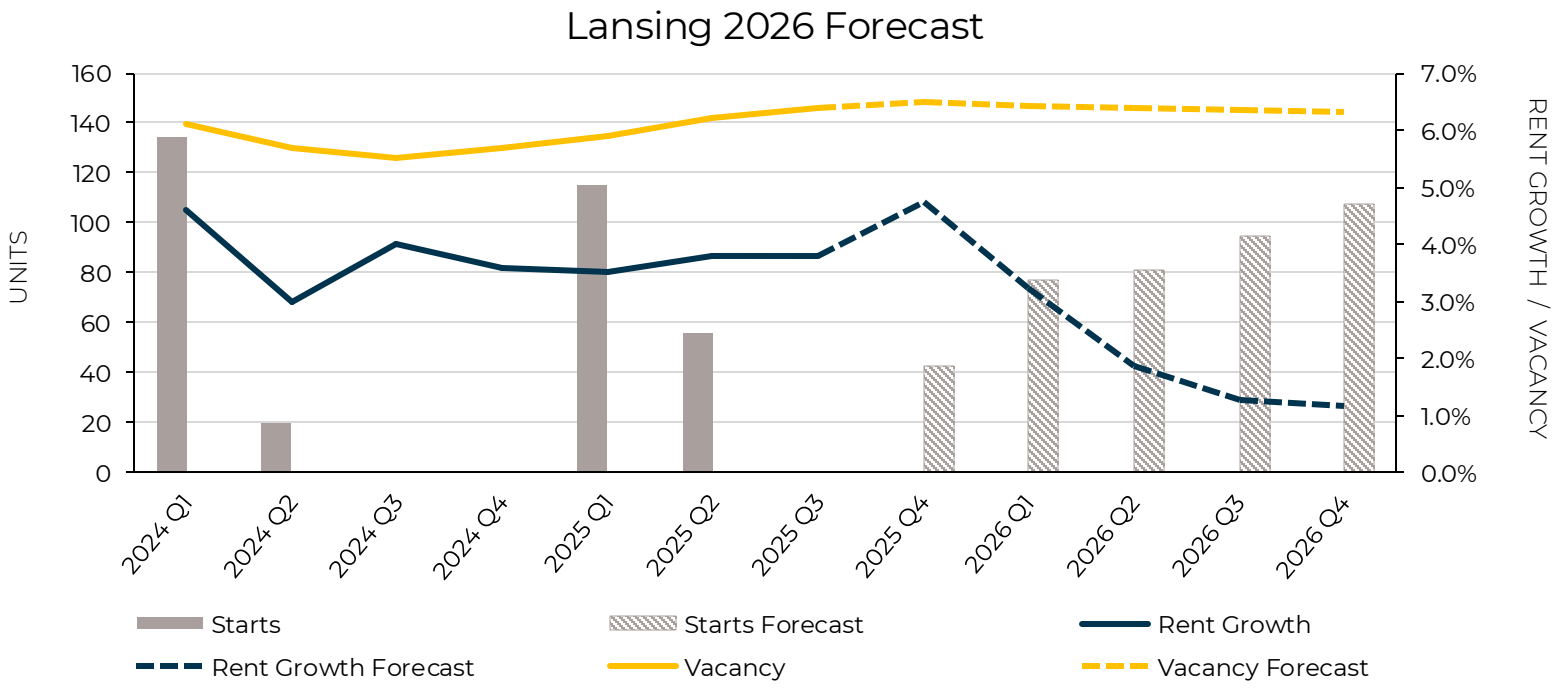
6.4%
ANNUAL AVG.

+30 BPS VARIANCE FROM 2025

RENT GROWTH

1.9%
ANNUAL AVG.

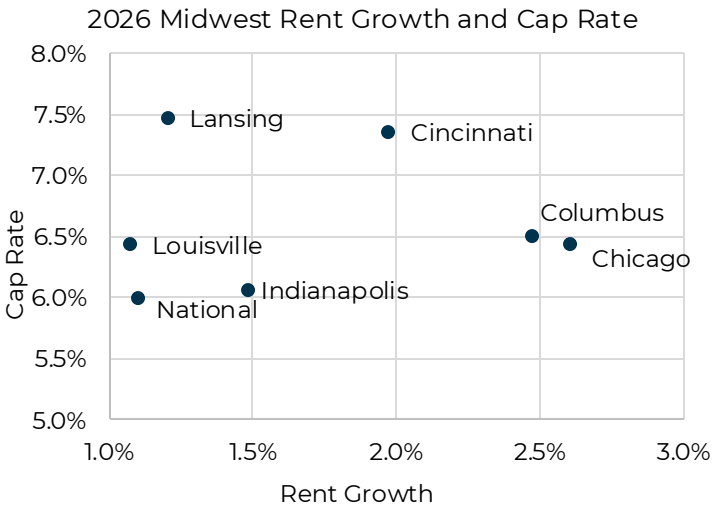
- 180 BPS VARIANCE FROM 2025

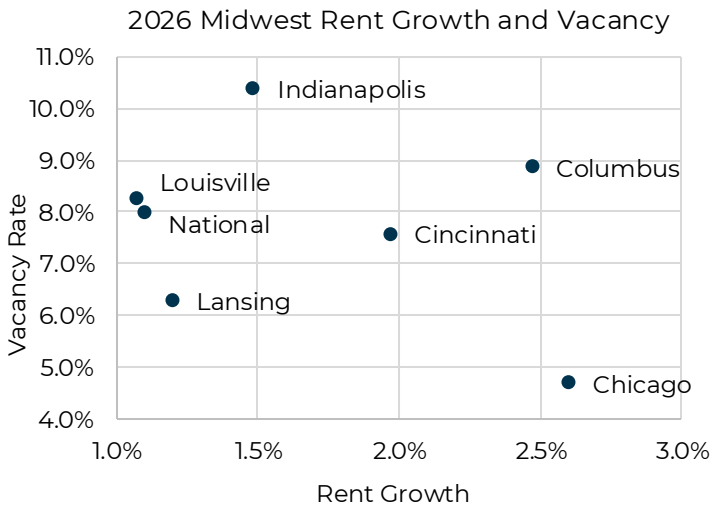


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MIDWEST COMP SET

A VISUAL MARKET COMPARISON TO NATIONAL AVERAGES





Gray Capital is a vertically integrated private equity, real estate firm that contributes to industry thought leadership through their in-house research, data aggregation, and publication of proprietary multifamily research reports. The firm speaks on the multifamily industry and markets weekly through The Gray Report Podcast, accompanied by the circulation of their weekly, data-forward newsletter.

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YouTube Spotify Newsletter

Methodology

Forecasts for multifamily rents, starts, and vacancy rates were produced using a machine-learning ensemble trained on a proprietary set of macroeconomic and sector-specific inputs. All time-series were evaluated for stationarity, with differencing applied as necessary prior to model estimation. Model selection and weighting were guided by information criteria (AIC/BIC) and cross-validation performance. The trained ensemble was then used to generate baseline projections through Q4 2026, reflecting historically observed dynamics embedded within the underlying data.

Disclosures

All references to 2025 metrics include data derived from Q4 2024, to Q3 2025. All historical data is sourced form CoStar. All and any forward-looking forecast or projections were derived from historical Costar data points using the methodology described and should be considered predictions, not accurate representations of future performance. This report is for informational purposes only and does not constitute an offer or solicitation to buy or sell securities or investments. Any offer to invest would be open to accredited investors only.

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