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Why 2027 Could Be A Turning Point For Rental Real Estate

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Summary

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The supply drop projected for 2027 could reshape the rental market, but future rent growth will depend on whether renter demand holds up.

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The rental market looks soft today, but investors looking toward 2027 should be careful not to mistake current conditions for what comes next. National apartment asking rents rose just 0.4% over the past year according to [Yardi Matrix](#), while the [Census Bureau](#) puts the rental vacancy rate at 7.3%. Those numbers reflect the tail end of a historic building boom, with a wave of apartment deliveries still working through lease-up even as the construction pipeline shrinks. Like starlight, today's soft rents show us something that already happened.

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Today's Soft Rents Reflect A Building Boom That Already Ended

Starlight reaches the eye years after it leaves the star, and some of what looks bright in the night sky burned out long ago. The rental market works the same way. An apartment building that delivers this quarter reflects a decision made in 2022 or 2023, when capital was cheap and rent growth still looked like it would run forever. Yardi Matrix counts 697,099 apartment completions in 2024, the post-pandemic peak, and its August report shows 1.2 million units still working through lease-up. That backlog is the soft market everyone sees in the headlines.

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Census tracks only buildings with five or more units on a seasonally adjusted monthly pace, while Yardi counts completions in the markets it tracks, including smaller properties. The pipeline of apartments under construction stood at **948,195 units at the end of the second quarter** by Yardi's count, against a peak of 1.27 million in March 2024. The boom that produced today's soft rents ended a while ago.

High Mortgage Rates Are Keeping Would-Be Buyers Renting

I spent roughly two decades in mortgage lending before I ran rental housing, and the thing I learned early and never unlearned is that most buyers don't shop for a house. They shop for a monthly payment, and the rate decides which house that payment buys. That payment just got more expensive. **Freddie Mac** reports the 30-year fixed rate averaged 7.28% as of Oct. 1, the highest level since October 2023 and nearly a full point above the 6.34% of a year earlier. The **Federal Reserve** raised its policy rate by a quarter point to a range of 3.75% to 4% on Sept. 16, noting that inflation "remains elevated." A buyer who waited out 2025 for cheaper money now faces a higher payment than the one they passed on.

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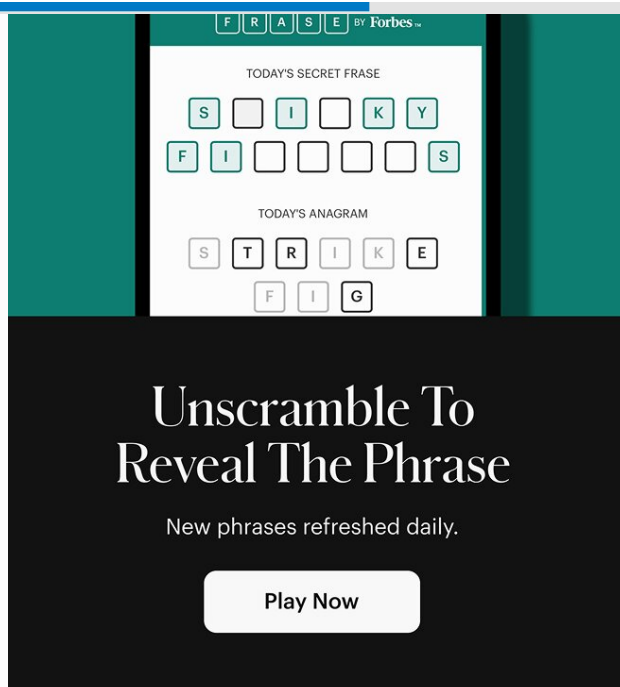
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High rates also keep resale inventory thin, because the people who would normally sell hold mortgages they cannot replace. [Federal Housing Finance Agency data](#) show 49.1% of outstanding mortgages carried a rate below 4% in the second quarter, while only 22.5% carried a rate of 6% or higher. The homeowner sitting on a 3% loan does not list, which means the starter home the first-time buyer wants never comes to market at all.

All of that shows up in the monthly math. [Apartment List's analysis of Census data](#) found that households who bought in 2024 paid median monthly housing costs of \$2,679, against \$1,630 for households who rented, a gap of \$1,049 a month and a premium that widened by more than 20 percentage points from 2021. That comparison runs between typical owned and rented homes rather than identical ones, and rates are higher today than they were through most of 2024, so if anything the gap is wider now.

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The households priced out of buying do not disappear. They rent, and more of them rent houses. The Census Bureau puts the homeownership rate for householders under 35 at 35.2% in the second quarter, down from 36.4% a year earlier. The [National Association of Realtors](#) found first-time buyers made up just 21% of purchases in its most recent annual profile, a record low, with the median first-time buyer now 40 years old. Meanwhile [Arbor Realty Trust and Chandan Economics](#) estimate single-family rental households reached 14.6 million in 2025, a seven-year high. The family that would have bought a starter home a decade ago now signs a lease on one instead, and nothing in the rate outlook suggests that changes soon.

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The fair counterargument is that rates can fall as fast as they rose, and a meaningful drop would pull renters back toward ownership. But the ownership premium did not open because rates drifted up a little. It opened because sub-3% money disappeared

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Developers pulled back hard, and the forecasts now show it. Yardi's third-quarter forecast, [as reported by Multifamily Dive](#), puts apartment completions at 490,362 this year and 444,343 in 2027, the low point of the cycle. What gets built matters too. Yardi expects partially and fully affordable units to account for a growing share of new supply, with market-rate completions falling 11% below their 2020 level in 2027. So the apartments competing for the typical renter shrink even faster than the headline number.

Build-to-rent shows the same pullback. The [National Association of Home Builders](#) counts about 15,000 single-family built-for-rent starts in the second quarter, down from 18,000 a year earlier, and 63,000 over the trailing four quarters, a 16% decline. [Arbor's second-quarter report](#) places the peak at a 92,000-unit annual pace in the third quarter of 2024. A build-to-rent community started today delivers in roughly two years, so the starts that never happened in 2025 and 2026 show up as missing homes in 2027 and 2028.

The pullback runs deepest in the markets that built the most. Yardi finds Austin starts down 69% and Denver starts down 51% from their 2022 levels. I live and operate in Denver, and the cranes that defined the skyline three years ago are mostly gone. The concessions they left behind are still here. That gap between what you see on the street and what the permit data says is really what this whole piece is about.

There are early signs the market is turning. [CBRE reports](#) that net absorption in the second quarter nearly doubled from the first, deliveries fell 14% from a year earlier, and absorption exceeded new supply in 68 of the 69 markets it tracks.

Today's Empty Units Still Have To Fill

None of this means supply stays low forever. Yardi reports that apartment starts rose

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9.4% year over year in August, even as starts fell. New stars are already forming, and their light lands right around the time the current shortage would start to bite.

And before any shortage shows up in rents, today's empty units have to fill. A 7.3% rental vacancy rate and 1.2 million units in lease-up represent a real cushion, and the owner of a new building in a high-supply metro competes on price until that cushion is gone. There is also a ceiling on how far rents can run once it is. The [Harvard Joint Center for Housing Studies](#) found a record 22.7 million renter households, or 49% of all renters, spent more than 30% of income on housing in 2024. Rents cannot outrun incomes for long when half of renters already stretch to pay them.

So I see 2027 as a window rather than a new normal. Demand outruns new supply for a stretch, and then the pipeline refills. An owner who treats that window as permanent will underwrite the back half of the decade wrong.

Jobs Will Determine Whether A Shortage Drives Rents Higher

A housing shortage only turns into higher rents when the people who need housing can pay for it. That's the risk that worries me most. The [Bureau of Labor Statistics](#) reports employers added just 29,000 jobs in September, with July revised to a loss of 10,000 and August revised down to 133,000. Unemployment held at 4.2%, with 7.1 million people out of work and 1.9 million of them unemployed for 27 weeks or longer. That isn't a recession, but it's a job market running out of steam at the same moment the Fed raises rates. (Slower immigration changes how to read the headline number, as I explain below, but not the pressure on household budgets.)

Robert Dietz, chief economist at the National Association of Home Builders, [argues](#) that 2026 growth depends on a combination of factors, including intelligent policy, which

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toward renting only as long as the would-be buyer still has a paycheck. When jobs get scarce, young adults move back home or take on roommates, and the renter households the supply thesis counts on never form. The Harvard Joint Center found household growth fell 16% in 2025 from the prior year, the third consecutive year of slowing. If that keeps up, the supply drop in 2027 could land in a market that needs fewer homes than the construction numbers suggest. I do not know which force wins, and nobody forecasting the labor market 24 months out knows with confidence either. What I do know is that nobody can make a rental call off construction data alone. Somebody has to have a job to sign the lease.

Falling Immigration Could Mean Fewer New Renters

Immigration gets less attention than jobs in these conversations, and I think it deserves more. For much of the post-pandemic boom, new arrivals filled a lot of apartments, and that flow has fallen sharply. The [Census Bureau found](#) net international migration fell from 2.7 million to 1.3 million in the year ending June 2025 and projects it at about 321,000 by July 2026 if current trends hold.

[Economists at Brookings](#) go further, estimating net migration turned negative in 2025 for the first time in at least half a century, with 2026 landing somewhere between a loss of 925,000 people and a gain of 185,000.

Rentals feel this on a delay, and the timing lines up almost exactly with the next two years. New arrivals rarely form their own household the day they land. The Harvard Joint Center's Daniel McCue [finds](#) that most immigrant household formation happens one to two years after entry, and he projects household growth from recent immigrants falling from 640,000 in 2024 to 143,000 in 2027. That's nearly 500,000 fewer new households a year, and they go missing in the same year new supply bottoms out. Whichever drop turns out bigger will decide where rents go.

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most exposed, with the loss of demand landing hardest at the lower end of the rent ladder. In a metro where people from other states aren't moving in, new arrivals from abroad were the main source of new renters. In those places, the drop in new supply may meet fewer renters than anyone planned for.

Immigration also changes how to read the jobs report. Brookings estimates the pace of job growth needed to hold unemployment steady fell to between 20,000 and 50,000 a month in late 2025. A 29,000-job month reads as a stall against the old benchmark and sits close to breakeven against the new one, which is why I now watch the unemployment rate more closely than the monthly jobs number. So the weak September print is less alarming on its own than it looks. What worries me is the same thing in both sections: fewer new households forming.

I don't think the data settles this yet. The estimates disagree, with the Census Bureau still showing positive net migration while Brookings shows it negative, and immigration policy can change faster than any construction pipeline. The question I'd ask about any market is where its renter growth actually came from over the past five years. If the answer is immigration, that market carries a risk no national supply forecast will show, and it needs watching every quarter, not just at purchase.

Investors Can Position Before The Supply Drop Hits Rents

The opportunity is the gap between what rental housing sells for today and what the construction data says about two years from now. Multifamily cap rates held near 5.7% for [seven straight quarters](#), the longest flat stretch in 25 years, and [CBRE's latest survey](#) found cap rates broadly flat in the first half of 2026 even with volatile Treasury yields. In single-family rental, Arbor finds cap rates averaged 7.4% in the first quarter, roughly 210 basis points above their 2021 low. Properties are priced off

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as deliveries bottom in 2027, and it tests every year of that path against a local employment downside. It leans toward markets where starts fell hardest and domestic movers still carry household growth, while accepting that those same markets carry the deepest lease-up inventory in the near term. Keeping residents is also the cheapest protection there is, because an owner who holds onto them through the soft stretch walks into the tighter one with a full building and room to raise renewals.

What I'd steer clear of is any deal that only works if rates come down. A deal that needs mortgage rates back at 5% is a bet on the Fed, and September showed how fast that bet can go the other way. The deal that works at today's rents and today's rates, and still holds up if hiring stalls for a year, is the one that gets to keep the upside when supply drops.

The light reaching the rental market today left a construction boom that has already ended. The 2027 trough in new supply is already locked in. What nobody can tell you yet is whether the renters will be here, with jobs, when it arrives.

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Summary

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The Toronto Blue Jays face significant roster decisions regarding their lineup and pitching staff after missing the postseason. General manager Ross Atkins and the front office have plenty of work ahead to improve the team.

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TORONTO, CANADA - JULY 26: The Toronto Blue Jays logo is seen during warm up ahead of the game against the Texas Rangers at Rogers Centre on July 26, 2024 in Toronto, Canada. (Photo by Cole Bunton/Getty Images)

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While fans wait to see how the team’s decision makers approach the offseason, it seems the team will have to take a critical look at the lineup as well as the pitching staff.

“The 2026 postseason has already brought us some great moments, but for the teams that just missed out, it can drag on, delaying the offseason moves fans are already anxious for,” Keegan Matheson [wrote for MLB.com](#). “When that time comes, general manager Ross Atkins and the Blue Jays’ front office have plenty of work waiting for them.”

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Jays organization.

FORBES

Phillies Boss Pinpoints 'Really, Really Good' Infield Replacement After Trea Turner Decision

By Peter Chawaga



Former Toronto Blue Jays Pitcher Joins Baltimore Orioles Orioles

On Tuesday, right-handed pitcher Connor Cooke joined the Baltimore Orioles,

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Cooke was released by the Blue Jays in March after five years in the organization, and his career path has included both promise and significant adversity. Toronto selected him in the 10th round of the 2021 MLB Draft, and he showed strikeout potential in the minor leagues before receiving an invitation to major-league spring training in 2024.

“Cooke, a former Blue Jays prospect, seemed potentially interesting in relief in 2023, when he posted an 80/19 K/BB in 44 1/3 innings between three levels in the minors,” Matthew Pouliot [reported for NBC Sports](#). “That earned him an invite to big-league camp the following spring. However, he struggled that year, underwent Tommy John

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not guarantee a major-league opportunity, it's now possible that the Blue Jays will see his big league debut with a division rival.

FORBES

Braves Replace 4-Year Infielder With Giants Castoff Immediate After Season Ends

By Peter Chawaga



Toronto Blue Jays Right Hander Joins Division Rival Shortly After Playoff Exit

For the Blue Jays, Cooke's departure is a relatively small development compared with the larger roster decisions facing the franchise. His signing does, however, provide another example of how quickly organizational depth can shift once a season ends.

Cooke's previous work with Toronto included a promising 2023 season, but his subsequent struggles and surgery slowed that progress. Now, the right-hander now has a fresh opportunity within his former team's division.

The Orioles are taking a low-risk chance on a pitcher who has already demonstrated some ability to miss bats. Cooke will need to show that he can sustain that production after surgery, while Toronto turns its attention toward the more

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