



HAS THE U.S. HOUSING MARKET BOTTOMED?

Analyzing 2026's Inflection Point

After years of adjustment, the question is finally shifting from "how much lower?" to "is this the bottom?" For investors weighing acquisitions, private lenders assessing risk, and agents advising clients, understanding whether 2026 marks a true inflection point is critical.

The evidence increasingly suggests that while a dramatic V-shaped recovery remains unlikely, the U.S. market is sending clear signals that the floor is being established—though the path forward will be uneven across regions.



THE CASE FOR BOTTOM: SUPPLY CONSTRAINTS TAKE HOLD

Multiple indicators point toward a market that has completed its major downward adjustment. Multifamily starts have fallen to their lowest level since 2012, setting up potential undersupply as early as late 2026. Nationally, housing completions are expected to decline from approximately 595,000 units in 2025 to 450,000 in 2026. The inventory of homes under construction recently fell to its lowest level in nearly four-and-a-half years.

When new construction stalls, existing assets face less competition from fresh inventory. Properties become relatively scarcer, supporting values even in a soft demand environment.

THE RENT SIGNAL: STABILIZATION TAKES HOLD

After five consecutive months of rent declines, the multifamily sector posted positive rent growth in January 2026—a modest but psychologically important 0.2% increase year-over-year. While national rent growth remains muted at a forecasted 1.2% for the full year, the trend has inflected.

The recovery, however, is highly regional. Coastal and Midwest markets are leading the way, with Chicago posting 3.6% annual rent growth, New York at 3.3%, and the Twin Cities at 2.7%. Meanwhile, supply-burdened Sun Belt metros continue to struggle, with Austin (-5.0%), Phoenix (-3.7%), and Denver (-3.2%) still showing negative rent growth.

THE PRICE PICTURE: FLAT IS THE NEW UP

J.P. Morgan sees U.S. house prices stalling at 0% nationally in 2026, with slight demand improvement offsetting any increased supply. The lock-in effect—where homeowners refuse to sell and sacrifice low mortgage rates—continues to constrain existing home inventory, keeping a floor under prices.

Existing-home sales jumped 5.1% in December 2025, reaching their highest pace in nearly three years. Mortgage purchase applications have ticked up in early 2026, suggesting momentum may be building.

UNDERSTANDING THE RECOVERY SHAPE: K-SHAPED AND UNEVEN

This is not a uniform "V-shaped" recovery. Most forecasters describe a K-shaped market: some regions and asset classes will recover while others continue to struggle.

Coastal multifamily markets with high barriers to entry and supply constraints are positioned for outperformance. Chicago, San Francisco, New York, and San Diego offer opportunities to acquire Class A assets below replacement cost in markets where vacancy is tight.

Conversely, oversupplied Sun Belt markets like Austin, Charlotte, Nashville, Denver, Phoenix, and Atlanta face a longer road, with aggressive underwriting persisting despite elevated vacancy and flat-to-negative rent growth. These markets may not see genuine recovery until late 2027.

INTEREST RATES: THE X-FACTOR

Mortgage rates remain the critical variable. The average 30-year fixed rate has settled near 6.2% after briefly dipping into the 5% range. While rates are not returning to the 3-4% era, stability may be more important than declines.

Builders are actively using rate buydowns to clear inventory, helping bridge the affordability gap. The Federal Reserve has signaled a slower pace of cuts than previously expected, with perhaps only one additional reduction in 2026. This suggests rates will remain elevated by historical standards, but the volatility that paralyzed the market in 2022-2023 has subsided.

CAPITAL MARKETS: LIQUIDITY RETURNS SELECTIVELY

Debt capital markets strengthened noticeably in 2025. CMBS and CLO issuance improved, private debt funds saw strong inflows, and borrowing spreads tightened through the year. Transaction volume rose 7.2% year-over-year in late 2025, with strong liquidity from GSEs, life companies, and returning banks. Private credit has become increasingly active as traditional banks remain cautious.

However, equity capital flows remain muted, and institutional allocations to real estate continue to shrink after three years of underperformance. This creates both challenges and opportunities: less competition for deals, but fewer traditional buyers.

THE VERDICT: BOTTOM OR NOT?

The preponderance of evidence suggests that 2026 will mark the bottom of this cycle—not in the sense that prices will immediately rebound, but in the critical sense that the multi-year downward spiral is concluding. The combination of supply contraction, rent stabilization, improving sales volumes, and returning liquidity creates the conditions for a floor. However, the recovery will be uneven, K-shaped, and gradual.

WHAT THIS MEANS FOR YOU

For Investors:

2026 offers a compelling entry point for disciplined capital. With supply contracting, rents stabilizing in key markets, and forced sellers still present, opportunities exist for those who can be selective. Focus on markets where supply constraints are real and rent fundamentals support underwriting. Avoid oversupplied Sun Belt markets still working through construction pipelines. Target coastal and Midwest markets with high barriers to entry where Class A assets may trade below replacement cost. Industrial remains attractive, particularly infill locations. Flipping strategies that depend on rapid appreciation face headwinds, but buy-and-hold strategies now pencil out. Underwrite cash flow, not speculation.

For Private Lenders:

The improving yield environment and returning liquidity create opportunities, but selectivity remains paramount. The agencies (Fannie Mae and Freddie Mac) remain the most stable capital source, while private credit is becoming increasingly active as banks retrench. Target loans secured by properties in supply-constrained markets with strong sponsorship and conservative leverage. Avoid oversupplied Sun Belt multifamily where concessions remain deep. Focus on experienced sponsors with business plans supported by in-place cash flow rather than aggressive rent growth assumptions. Private lenders willing to deploy capital with discipline may capture both yield and market share.

For Agents:

The bottoming process creates opportunity but requires a more sophisticated approach. Seller expectations are finally aligning with reality. Buyer hesitation can be addressed with data showing waiting has already produced price improvements and rates are unlikely to return to historic lows. The agent who speaks intelligently about supply constraints, regional variations, and the lock-in effect positions themselves as a trusted advisor. When clients ask "should I buy now?", ground the response in local market math: "In neighborhoods where inventory is tight and rents are stabilizing, you're buying into a market with genuine support." This is not the moment to promise quick flips, but to position real estate as a long-term asset class.

*Sources: J.P. Morgan ; LaSalle ; Yardi Matrix ; Wedbush ; MetLife Investment Management ; CF Capital *