NATIONAL MULTIFAMILY HOUSING COUNCIL

RESEARCH NOTES NEWSLETTER

December 10, 2025

Unpacking the Relationship Between Jobs and Apartment Demand

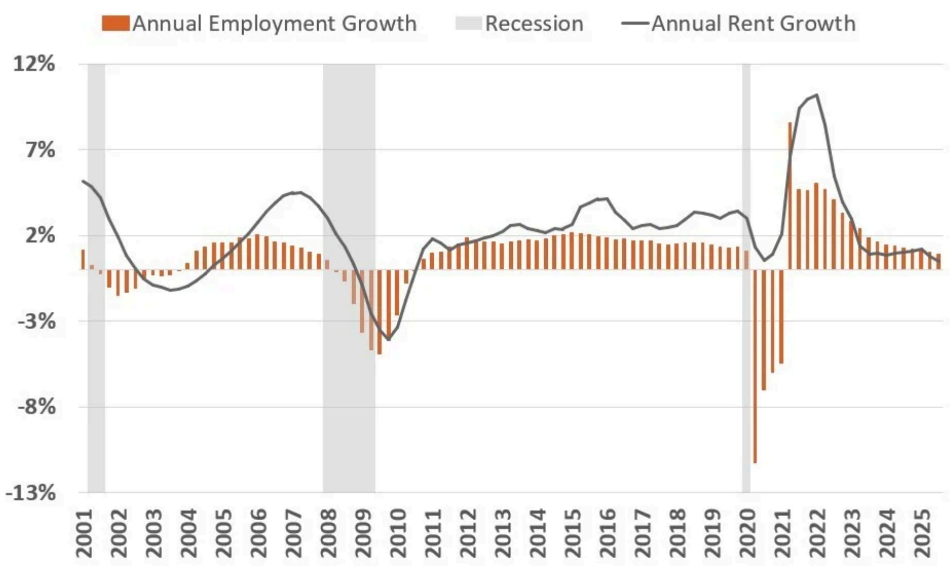
The U.S. labor market weakened in 2025. Although employers added an estimated 119,000 jobs in September according to the Bureau of Labor Statistics—exceeding most expectations—total job growth for the third quarter reached just 187,000, a 53.1% decline from 3Q 2024. The U.S. unemployment rate, meanwhile, rose from 4.0% to 4.4% between January and September of this year.

This is to say nothing, of course, of the more recent high-profile layoff announcements from companies such as Amazon, UPS and Verizon, which are not yet reflected in official government employment figures. Meanwhile, more current data from ADP found that the U.S. lost 32,000 private-sector jobs in November.

We would expect this weakness in the labor market to negatively affect demand for apartments, putting downward pressure on rent growth.
Job losses since 2001 were accompanied by significantly lower (and often negative) rent growth.

FIGURE 1

Annual Growth of Employment and Multifamily Rents



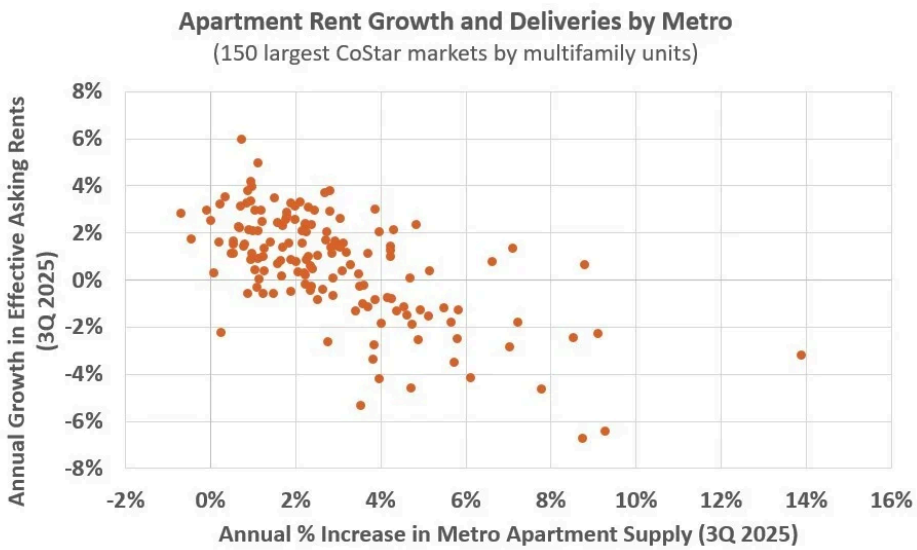
Source: CoStar; National Bureau of Economic Research

The timing of this relationship, however, is not so straightforward. While there appears to be a significant lag between changes in employment and rent growth during the early-to-mid-2000s, these movements became much more contemporaneous in the years that followed. During 2020, for example, employment growth and rent growth dropped nearly simultaneously.

Apartment rent growth *has* moderated throughout 2025 and even turned negative in many parts of the country. Effective asking rents rose 0.6% YOY in 3Q 2025, according to data from CoStar, down 26 bps from last quarter and 44 bps from 3Q 2024. RealPage recorded a much more pronounced slowdown, showing rent growth turning negative in the third quarter, at -0.1% YOY, down 87 bps from last quarter and 40 bps from 3Q 2024.

But how much of this slowing rent growth can we attribute to the job market as opposed to recent higher levels of new supply, which continue to put downward pressure on housing costs?

FIGURE 2
Annual Apartment Rent Growth and Deliveries by Metro



Source: CoStar

In 2024, multifamily completions rose to their highest level since the 1970s. And as we have noted in prior Research Notes, metro areas with higher rates of multifamily deliveries tend to record lower rent growth (see Figure 3).

Utilizing CoStar data for the 150 largest apartment markets, we attempted to account for the influence of supply by modeling annual rent growth as a function of **net annual deliveries** (as a % of the previous year's inventory) and **total YOY employment growth**, for each individual quarter from 2001 through 3Q 2025.[1]

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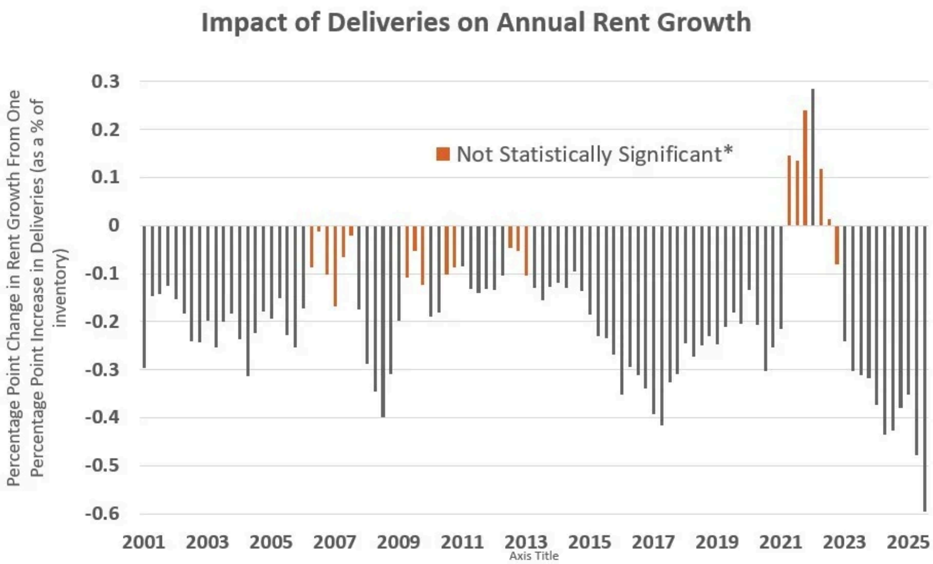
[1] An ordinary least squares regression with annual growth of effective asking rents as the dependent variable.

The Impact of New Supply on Rent Growth

Consistent with our previous findings, we found that metro areas with higher rates of multifamily deliveries recorded lower rent growth in 93 of the 99 quarters studied (this relationship was statistically significant[2] in 78 quarters), after accounting for the influence of job growth.

FIGURE 3

Isolated Impact of Deliveries on Rent Growth by Quarter (1Q 2001 to 3Q 2025)



*At the 5% Level
Source: CoStar

We can see from Figure 4 that the one-and-a-half-year period from 2Q 2021 to 3Q 2023 was one of the few instances in which this relationship between new supply and rent growth failed to hold; metro areas with higher rates of deliveries actually recorded *higher* annual rent growth.

It's important to remember that this was a time when many remote workers were moving away from more expensive, supply-constrained coastal markets toward more affordable, sunbelt markets with higher rates of construction. These moves represent a significant source of demand unrelated to job growth and, thus, were not accounted for in our model.

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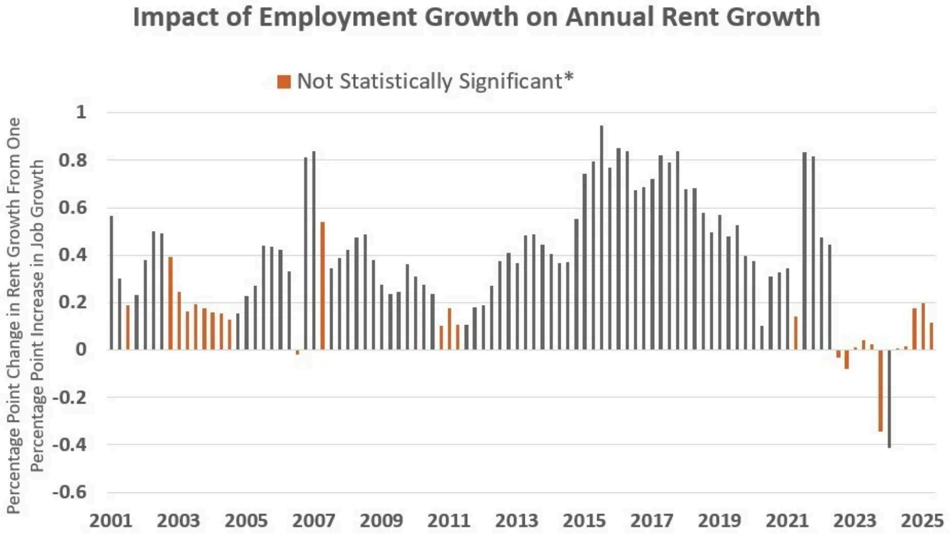
[2] At the 5% Level.

The Impact of Jobs on Rent Growth

After accounting for the influence of new supply, our analysis found that metro areas with higher rates of annual job growth recorded higher rent growth in 94 of 99 quarters, and that this relationship was statistically significant in 77 quarters. Similar to the case of deliveries, the relationship between job growth and rent growth appears to have broken down in more recent years, especially from 3Q 2022 and onward. As in the case of deliveries, this anomaly may have something to do with the rise of remote work and subsequent "return-to-office" trend, which has fueled an increasing number of moves unrelated to an area's job growth.

FIGURE 4

Isolated Impact of Employment Growth on Rent Growth by Quarter (1Q 2001 to 3Q 2025)



*At the 5% Level
Source: CoStar

Implications for the Industry Going Forward

Our analysis suggests that job growth has had a meaningful, positive impact on multifamily rents over the past few decades (after accounting for new supply, which has put downward pressure on rents). Thus, recent weakness in the labor market can help explain why apartment rent growth moderated so noticeably in recent months.

Yet, the relationship between jobs and rent growth at the metro level has become much less predictable in recent years, which could be due to the rise and fall of remote work, an aging population, or perhaps simply a more volatile rental market that is more difficult to explain with such a simple, linear model of job and supply growth.

The U.S. apartment market continues to deliver new units at the highest rate in decades—especially in certain sunbelt markets—acting as an additional source of market softness. But this wave of new supply is already starting to wane; in the third quarter, multifamily completions 25.4% YOY, according to data from CoStar, while starts were down 32.2% YOY.

This means that if and when the job market does begin to strengthen once again, the corresponding increase in household demand could come up against an even greater shortage of housing, further worsening our nation's affordability crisis.