



entrata[®]

Preserving NOI in a Soft Market

A how-to-guide for finding efficiencies, reducing costs, and driving ancillary revenue during turbulent economic times

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Introduction

Gone are the days of double-digit rent growth that followed the pandemic. Back then, occupancy stayed high and rental rates grew steadily quarter over quarter. Q1 2026 saw rent grow 0.2%¹ year-over-year compared to a 14.7% increase between 2021 and 2022². That kind of consistent growth made it easy to get complacent about efficiency.

Today's market is much different

New units built over the past few years are coming online, and in many regions, supply now outpaces demand. Concessions are back, cutting into rental revenue.

Competition for residents is high, so you need other ways to stand out. Every day a unit sits vacant is a day of lost profit. Operators are still expected to grow NOI in a soft market—difficult, but not impossible. The path to growth just looks different than it did a few years ago.

Every dollar saved counts

Growing NOI isn't just about increasing revenue or cutting expenses. It's about stopping revenue leaks before they start. Instead of counting on rent increases, properties need to focus on operational excellence to protect profitability: reducing vacancy days, improving renewal rates, preventing fraud, and pairing AI with on-site teams to optimize operations.

In this e-book, you'll learn what's driving today's soft rental market and the best practices for growing NOI—tactics that work even when the market isn't soft.



¹ U.S. Multifamily Market Stabilizes as Apartment Demand Improves and New Construction Slows

² Average rent increase in the U.S. in 2022

SECTION I

Why is the current market soft?

For years, multifamily owners could rely on rising rents to offset increasing operating costs and drive net operating income. In today's economic climate, that playbook no longer works. Across many markets, record apartment supply, heightened competition, and flat rent growth are forcing operators to rethink how they create value.



Success is no longer determined solely by keeping units occupied. It depends on operating more efficiently, delivering a superior resident experience, and finding new ways to protect and grow NOI. Before diving into those strategies, it helps to understand why today's rental market is soft and what's driving it.

Record levels of new apartments

In many markets, particularly across the Sun Belt, new supply has outpaced demand. Developers have pulled back sharply on new construction, but roughly 1.3 million units are still in lease-up nationally—continuing to pressure occupancy, rents, and concessions.

The good news: the supply picture is starting to stabilize. In Q1 2026, new apartment deliveries fell 30% year over year, a sign the supply wave is slowing.

But we're not out of the woods yet. When renters have more options, competition increases. Lease-ups take longer, concessions become more common, and communities have to work harder to earn and keep every resident. In a high-supply market, having a good product isn't enough—you have to give renters a reason to choose you³.

Uncertainty in the job market

Jobs and housing go hand in hand⁴. People typically rent apartments when they get a new job, move to a new city, graduate from college, form new households, or get a raise at work. The same economic factors slowing rent growth are also affecting employment decisions. Employment has stabilized, but renters remain cautious about switching jobs or forming new households, which is reducing overall renter demand⁵.

³ Ibid.

⁴ [U.S. Real Estate Market Outlook 2026](#)

⁵ [U.S. Real Estate Market Outlook 2026](#)

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Barriers to home ownership still exist

High interest rates and cost-prohibitive home prices mean many renters can't afford to buy, even if they wanted to. Even for those who do want to buy, the math is tough: homeownership costs 105% more, on average, than renting. There's also a shortfall of 3.4 million single-family homes nationally, and current homeowners are reluctant to sell because they're locked into lower mortgage rate⁶.

This is especially true for Gen Z. According to Entrata® research, rising mortgage rates (57%), home maintenance costs (37%), student loan debt (38%), and career instability (40%) are the biggest obstacles keeping Gen Z from buying a home. Still, nearly three-quarters of Gen Z see renting as the more financially viable option than buying a home⁷.

Population growth has normalized

Pandemic boomtowns like Austin, Phoenix, Nashville, Charlotte, Tampa, and Dallas added residents rapidly, encouraging developers to build aggressively. Now, those cities have excess apartment inventory, and migration into them has slowed significantly⁸.

Most of the new inventory built over the last few years is Class A — but the Class A renter pool isn't growing, so properties are offering concessions or lower rent to get leases signed. Meanwhile, demand from low-income and middle-class renters is high, but supply hasn't kept up⁹.

Renters have more negotiating power

That shifts negotiating power to renters. Concessions reduce effective rental income even if the advertised rent appears unchanged. As a result, operators are prioritizing occupancy over aggressive rent growth.

Historically, occupancy at or above 95% has often driven meaningful rent increases. Now, many communities have high occupancy but are struggling to raise rents because nearby competitors are offering steep discounts. In this environment, occupancy alone isn't the goal — the real question is how much rent operators have to discount to maintain it¹⁰.

Operating expenses continue to rise

Even as rent growth has slowed, the cost of operating apartment communities continues to climb. Labor, insurance, maintenance, property taxes, and other expenses are consuming a larger share of property revenue, making expense management increasingly important for protecting net operating income.

Labor remains a major cost pressure. According to the National Apartment Association (NAA), administrative and payroll expenses reached \$2,323 per unit in 2024 — an increase of 3.8% year over year and nearly 20% since 2021. Payroll alone increased 3.6% in 2024, reflecting the continued cost of attracting and retaining on-site talent even as the broader labor market has cooled¹¹.

⁶ U.S. Real Estate Market Outlook 2026

⁷ Entrata Gen Z Report 2025

⁸ [The Sunbelt and Multifamily: Oversupply Isn't the Whole Story](#)

⁹ [The Sunbelt and Multifamily: Oversupply Isn't the Whole Story](#)

¹⁰ U.S. Real Estate Market Outlook 2026

¹¹ [From Momentum to Management: Navigating Elevated Costs in a Constrained Operating Environment](#)

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Maintenance costs are adding to the pressure. NAA found that repairs and maintenance expenses increased 3.7% in 2024 to \$1,098 per unit, and were 28.2% higher than in 2021. Over that same period, NOI increased just 10%, showing how quickly rising expenses can eat into revenue that would otherwise flow to the bottom line¹².

Insurance has emerged as a major challenge. Federal Reserve research found that the average inflation-adjusted monthly insurance cost for multifamily properties increased from approximately \$39 per unit in 2019 to \$68 in 2024—an increase of more than 75%. The Federal Reserve Bank of Minneapolis found even sharper increases among the multifamily owners it surveyed. Respondents reported average annual premium increases of 14% in 2022, 22% in 2023, and 45% in 2024, leaving average premiums in 2024 at roughly twice their 2021 level¹³.

The impact extends beyond individual operating budgets. CBRE estimates insurance made up just 8% of multifamily operating expenses but accounted for 17% of total expense growth between Q4 2019 and Q2 2024. CBRE also estimates that rising insurance costs alone reduced multifamily property values nationally by about 3.6% over that period—with even larger impacts in some Sun Belt markets¹⁴.

For owners and operators, these rising costs are especially challenging in a soft rental market. When operators can no longer rely on strong rent growth to offset rising expenses, protecting NOI depends more on controlling the costs within their control. That puts a greater emphasis on operational efficiency.

Renewals are outperforming new leases

One of the most notable trends in today's market: existing residents are renewing at historically high rates, with renewals now making up 57% of leasing activity¹⁵. That's good for occupancy, but it also means more competition for those same residents.



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Despite these challenges, there's reason for optimism. The primary challenge for operators: find operational efficiencies to control expenses, and new revenue streams to grow income when rental rates stay flat. The next section covers what operators need to do to preserve NOI in today's market.

¹² [From Momentum to Management: Navigating Elevated Costs in a Constrained Operating Environment](#)

¹³ [Rising Property Insurance Costs and Pass-Through to Rents for Apartment Buildings](#)

¹⁴ [Insurance Costs Suppress Multifamily Values Most in Certain Sun Belt Markets](#)

¹⁵ [U.S. Real Estate Market Outlook 2026](#)

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1. Limit the number of days units are on the market.

Every day a unit sits vacant is a day of lost revenue. Operators can accelerate the lead-to-lease process by:

- Responding to leads instantly, any time of day, with an AI leasing agent that responds to leads 24/7
- Automating the leasing process so prospects can move at their own pace, without waiting on the property to respond



- Streamlining the application by asking only for essential information — the longer the application, the more chances a prospect has to abandon it

2. Improve resident retention.

As covered earlier, renewals matter more than ever in a soft market. Properties should focus on:

- **Sending proactive, personalized renewal offers** — AI workflows can help time these for when resident intent is highest, though on-site teams should stay available to answer questions about the new lease, especially if rent is increasing
- **Offering better service**, especially around maintenance and resident requests. Use benchmarking surveys, resident feedback, and reputation data to spot gaps in response times, communication, and follow-through. Small improvements here can help your community stand out, boost satisfaction, and drive retention.

- **Communicating proactively** about policy changes and upcoming property events, so residents feel informed and included, not just at renewal time
- **Implementing a loyalty or rewards program** to boost satisfaction and build resident attachment to the property

3. Optimize rent collection.

In a soft market, steady cash flow becomes even more critical. To maintain access to cash, properties must:

- Identify delinquency risk early, reach out proactively, and set up payment plans when needed
- Offer financial wellness initiatives like rent reporting, which encourage residents to pay on time while giving them credit-building opportunities
- Automate payment reminders with AI-driven workflows

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- Make it as easy as possible to pay, with multiple payment options and auto-pay enrollment

4. Reduce fraud

Catching income and identity fraud early keeps bad debt low. Automated screening can flag fraud attempts before they slip through the cracks.

5. Increase operational efficiency where possible.

Reduce manual administrative tasks with AI, including lead follow-up, tour scheduling, resident communications, work order routing, payment reminders, lease creation, document processing, and reporting. Instead of adding headcount, AI can take on repetitive tasks and free employees to focus on high-value, resident-facing work that affects satisfaction and renewals.

Ask yourself: if budget were no object, would adding more people actually solve the problem? Often, the answer is no — which makes it a strong case for a tech solution that lets you scale without adding headcount.

6. Consolidate tech stack.

Having a single source of truth improves efficiency and cuts costs across your operations. Consolidating your tech stack delivers several concrete benefits:

- Simplified vendor management — fewer vendors means less time spent administering software and managing integrations
- Reduced training costs — with fewer systems, there's less to train employees on
- Improved reporting accuracy — with all your data in one place instead of scattered across siloed databases
- A future-proofed stack — portfolio-wide consistency that supports easier enterprise growth and reduces friction from disconnected systems

- Greater governance and visibility — permissions, settings, reporting controls, and audit trails for operations and residents all live in one place

7. Control operating expenses.

As rent growth slows, controlling costs becomes critical. Here are key opportunities to reduce spending:

Utilities

- Monitor energy consumption, especially in common areas
- Capture revenue commonly left on the table — unclaimed sales tax refunds, audit recoveries, and utility losses tied to vacancy and unit turns
- Identify leaks quickly
- Benchmark utility performance and track improvement over time

Maintenance

- Preventive maintenance is cheaper than reactive repairs — keeping appliances running smoothly avoids costly breakdowns
- Monitor inventory spend and keep common parts in stock for faster repairs
- Adjust site-team staffing to leasing trends — scale down during slow periods, but keep enough technicians on hand to handle resident requests quickly
- Consider a dedicated AI solution for maintenance requests — handling intake and escalation during peak or off-hours, and guiding residents through troubleshooting so issues get resolved faster instead of slipping through the cracks

Procurement

- Standardize purchasing
- Negotiate portfolio pricing
- Track vendor performance and switch vendors when needed
- Consider self-service or full-service invoicing solutions to reduce manual work and error for on-site teams

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8. Improve site team productivity.

Labor is one of the largest expenses for properties, but instead of cutting headcount, look for ways to boost productivity by automating repetitive tasks. This can be accomplished by:

- Consolidating your tech stack to deliver a better experience for residents and on-site teams, while keeping costs down
- Implementing AI agents to take repetitive tasks off on-site teams' plates, freeing them for more meaningful, high-impact work — and standardizing workflows to support it

9. Use better data for faster decisions.

Staying on top of trends at your properties requires real-time data. Without it, you risk discovering problems weeks after they start — when they're harder and more expensive to fix. Where better data pays off:

- Track occupancy in real time to adjust leasing and renewal strategies as the market shifts
- Simplify reporting across investor entities and custom reports to improve the accuracy and reliability of your financial data
- Identify process breakdowns that cause leasing bottlenecks, and fix them before they spread
- Monitor spending to spot inefficiencies or find lower-cost vendor alternatives
- Spot where maintenance requests stall, and fix the process to improve response and resolution times

10. Optimize Ancillary Revenue.

When rent growth slows, ancillary income becomes an increasingly valuable way to offset it. Potential revenue streams include:

- Rent reporting
- Deposit alternatives
- Reserved parking

- Storage units
- Renters insurance programs
- Access to premium amenities
- Resident rewards partnerships

When market conditions limit your ability to increase rents, operational efficiency becomes one of your greatest competitive advantages. The faster you can lease vacant units, retain residents, prevent revenue leakage, and eliminate unnecessary work, the more resilient your portfolio becomes regardless of market conditions.

Entrata's unified property management operating system was built to help operators do exactly that.

Rather than relying on disconnected point solutions that each manage a small piece of the resident journey, Entrata brings leasing, resident communications, accounting, maintenance, payments, reporting, and AI together on a single operating system, with one source of truth for your property data. That means fewer manual handoffs, better visibility into operations, and faster decision-making.

Powered by Entrata's Operations Experience Platform (OXP), hundreds of AI agents can work alongside your on-site teams to automate repetitive work across nearly every stage of the resident lifecycle. AI agents can instantly respond to prospects, schedule tours, answer common leasing questions, guide applicants through the leasing process, send payment reminders, assist with renewals, and coordinate maintenance communications. While AI handles routine work behind the scenes, your teams are free to focus on the conversations and resident interactions that have the greatest impact on satisfaction and retention.

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Entrata also helps operators protect revenue by reducing vacancy loss, streamlining rent collection, and minimizing fraud. Integrated identity and income verification tools help stop fraudulent applications before they become bad debt.

Automated payment workflows make it easier for residents to pay on time while identifying delinquency risks earlier. Revenue management tools help optimize pricing based on historical performance of a property and current market conditions. Real-time reporting gives you the operational visibility to catch bottlenecks before they become costly problems.

Whether your goal is leasing units faster, improving renewal rates, controlling expenses, or equipping your teams to do more without adding headcount, Entrata gives operators a connected system designed to help protect NOI in any market, not just the strong ones.



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Conclusion



The days of relying on rising rents to drive NOI have largely passed. Today's multifamily market rewards operators that run efficient, resident-focused businesses that can adapt quickly to changing conditions.

While you can't control new supply, interest rates, or broader economic trends, you can control how quickly you lease vacant apartments, how effectively you retain residents, how efficiently your teams operate, and how well you protect revenue from fraud, delinquency, and operational inefficiencies.

The properties that outperform over the next several years won't necessarily be the ones with the newest amenities or the biggest marketing budgets. They'll be the ones that consistently

remove friction from the resident experience, empower their teams with better technology, make decisions using real-time data, and use AI to automate routine work while freeing employees to build stronger resident relationships.

Soft markets don't eliminate opportunities to grow NOI. They simply require a different strategy. By embracing operational excellence, leveraging AI where it creates the greatest impact, and building your business on a unified operating system, you can build a more resilient business, no matter where the market goes next.