

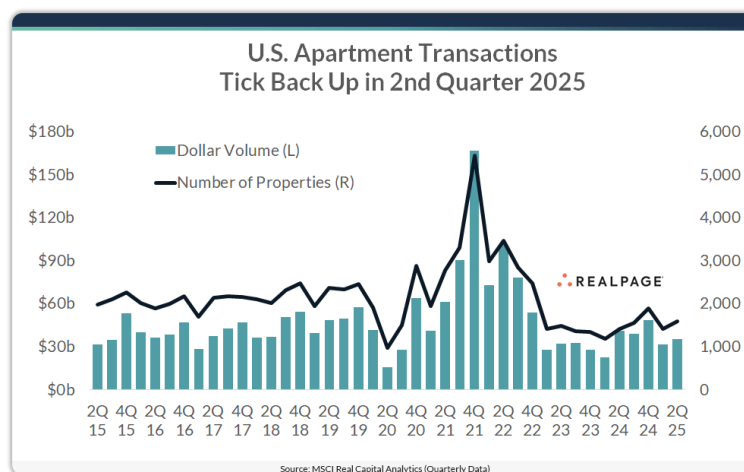
## Midyear 2025 Market Update – Multifamily

The last 3 ½ years have seen difficulties in the multifamily industry from both the fundamental but also from the capital market perspectives. Oversupply has pushed occupancies and rents down while rising interest rates have put downward pressure on pricing while also hampering existing asset-level cash flows. Through early 2022, the intense supply of capital chasing investment opportunities pushed pricing up while buyers used aggressive debt structures to win deals while taking on more financial risk. Even with interest-rate caps in place on many of those floating-rate loans the cost of the caps, and cost to escrow for those caps, sky-rocketed leaving many assets cash-strapped while pricing dropped significantly reducing or eliminating prior equity in deals. It remains to be seen how much distress will hit the market when those loans come due as many investors and lenders have kicked the proverbial can down the road in hopes of future interest rate reductions. Potential buyers with dry powder appear to be waiting for price declines beyond what has already taken place while sellers would generally prefer to hold if possible and sell in a better environment.

Although being an investor in multifamily of late may have been painful, there are many positive signs that there may be a significant buying opportunity on the horizon (if not already here).

### Investment Sales/Pricing:

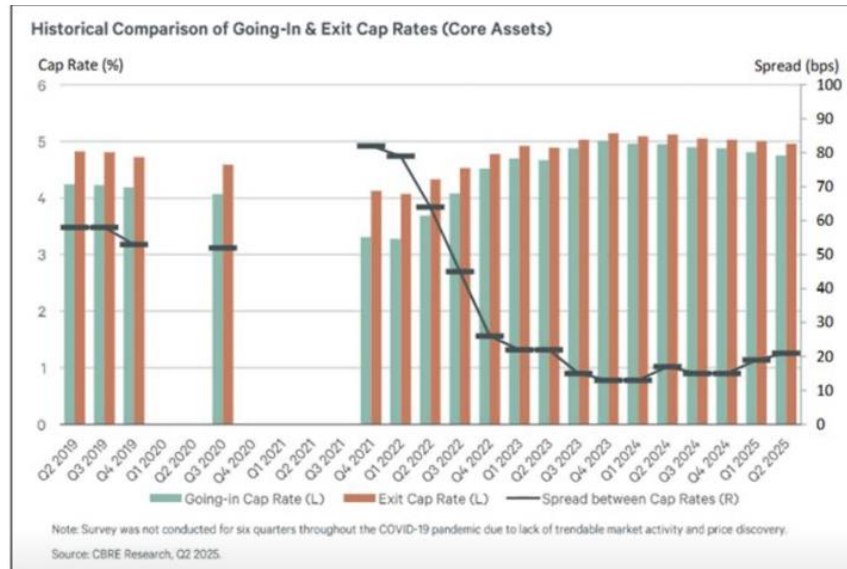
On the investment sales side, transaction volume remains depressed, although up slightly from lowest points from 2024 which had rivaled levels not seen since the beginning of Covid in early 2020:



Source: RealPage

In the Sunbelt, cap rates have generally increased 150-250bps from peak pricing of late 2021 and early 2022 when deals were trading in the mid-to-high 3% range with little to no differentiation in cap rates for varying asset classes or vintages. Today, investor preference for newer “flight to quality” deals (class A) appear to have pegged those assets in the high 4% to low 5% cap rate range. Older, out of favor, assets (class B) now have a differentiated cap rate that appears much more dependent upon positive leverage out the gate with cap rates seemingly settling into the low-5% to high 5% plus levels. Some very undesirable assets (class C) are seemingly pushing the high-6% to 7% cap rate levels although there is still limited transaction data on those deals.

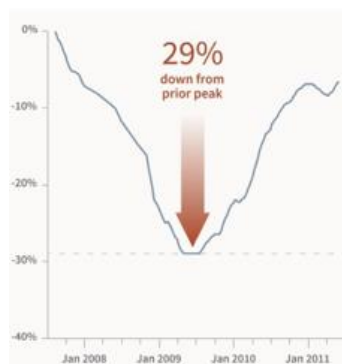
CBRE shared a recent analysis of going-in cap rates vs exit cap rates (see chart below) on Core assets (class A) and over the last year or so that spread is near historic lows implying that investors are showing confidence in pricing at or near a bottom as they're not underwriting a normal level of cushion. More uncertainty leads to more cushion, and that normal cushion is near all-time lows.



Source: CBRE

If comparing price reductions of today vs the most recent peak to price reductions during the Great Financial Crisis, it does seem to be a great time to re-enter the market as prices are down over 40% from the peak today vs just 29% during the GFC, according to Green Street.

#### 2008: Great Recession



Source: Green Street

Green Street also released data in July 2025 showing their all-property index increased by 4.9% month-over-month with multifamily prices showing a 4.9% increase as well, marking the strongest positive trend since late 2021 (peak pricing late 2021/early 2022). This data continues the trend from 2024 indicating that prices may have bottomed out and may be showing a shift in the market. Price reductions are very much in line with what has been seen tracking deals in the Phoenix and Las Vegas markets over the past year plus. It certainly appears to be the best buying opportunity over the last 16 years at least from solely a pricing viewpoint, and may even indicate that we've already hit a bottom.

I'm not an advocate of thinking one can time the market perfectly, but Green Street is showing data that pricing has at least been bouncing along the floor for over a year now and might be finally trending upwards. If this continues, anticipate more capital flowing into multifamily as most investors are waiting to come back into the market once they're confident prices are showing strong signals of moving back up again.

#### **Fundamentals – Supply & Demand/Net Absorption:**

Supply is certainly on the minds of many investors and industry professionals although the high levels of supply is dropping significantly in most markets with many of the recent, high supply markets expected to reduce new deliveries by year-end 2025 or early 2026.

Why such the drop-off in new supply? High interest rates make it difficult and expensive to finance new projects. It is cheaper to purchase a new apartment building (with little to no lease-up risk) than it is to develop a new property. Rent reductions and cap rate expansion have made projecting an exit price that exceeds today's pricing (leaving room for some profit) a very difficult bet to make. It just doesn't make much economic sense to keep developing new projects right now when investors can buy below replacement cost.

Even with recent new supply through 2025 at historic highs in many Sunbelt markets (as well as nationally, overall), demand for apartment units has also been near all-time highs for many markets (including many of the high supply markets).

Market	YE 2Q 25 Demand	Average Annual Demand (2014-2024)	YE 2Q 25 Supply	Average Annual Supply (2014-2024)
Dallas	42,230	16,800	33,545	19,059
Atlanta	32,917	10,313	22,065	11,532
Phoenix	32,087	8,849	27,194	9,707
Charlotte	22,106	7,452	18,405	8,334
Philadelphia	16,340	5,742	10,894	5,697
Raleigh/Durham	16,265	5,484	13,345	6,333
Tampa	16,168	4,915	11,246	5,579
San Antonio	15,083	4,826	11,464	5,829
Columbus	9,807	4,322	7,597	4,828
Riverside	8,146	1,569	5,638	1,682
Baltimore	6,769	2,395	3,266	2,753
St. Louis	6,212	1,966	2,258	1,967
Virginia Beach	4,535	1,778	2,124	1,807
Greensboro	4,311	1,569	2,048	1,601
Memphis	3,944	842	1,493	930

Source: RealPage Market Analytics

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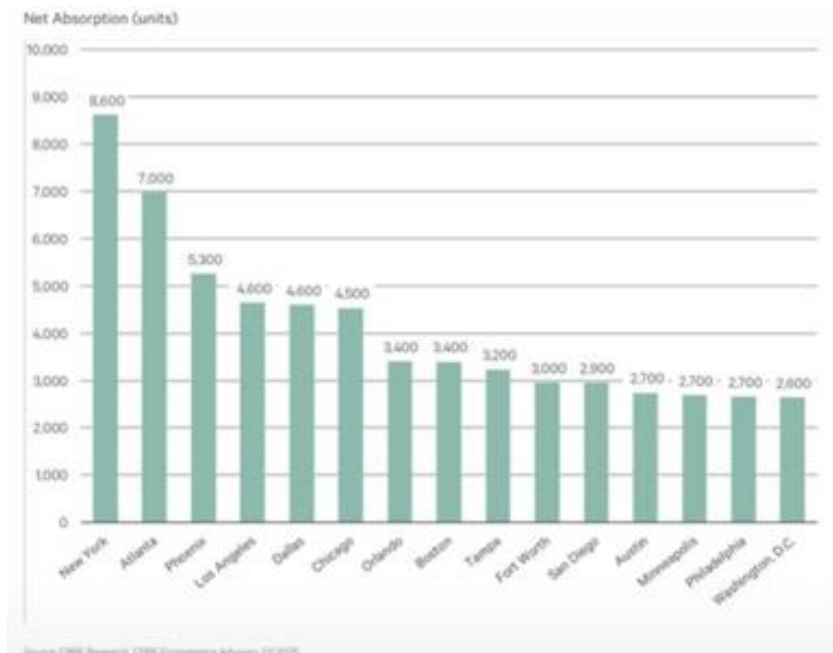
Source: RealPage

Net absorption has been a pleasant surprise off-setting those supply headwinds, sometimes by significant margins. Markets such as Phoenix, Houston, Austin and Atlanta have led the supply front but demand in those markets has outpaced supply by 3 times year-over-year.



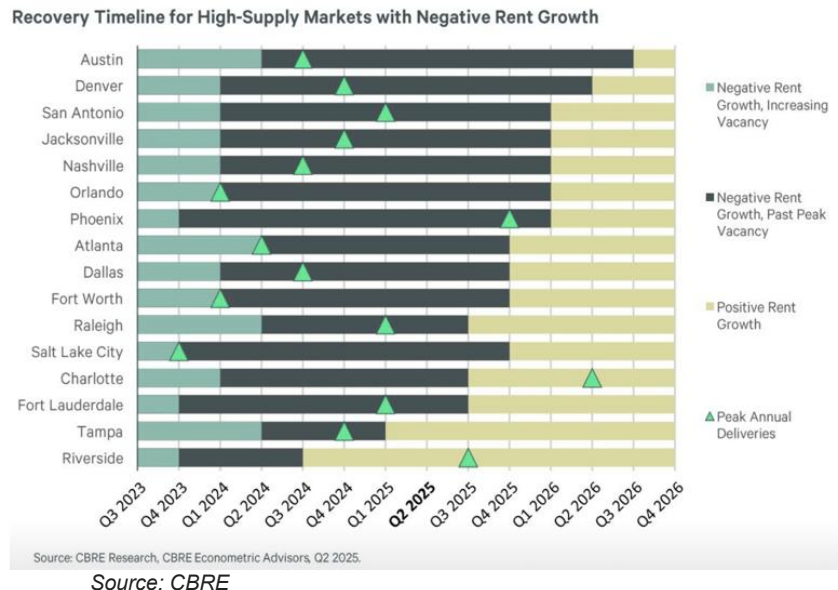
Source: RealPage

Sunbelt markets such as Dallas, Houston, Austin, Phoenix and Atlanta lead the nation in total net absorption over the past 12 months.



Source: CBRE

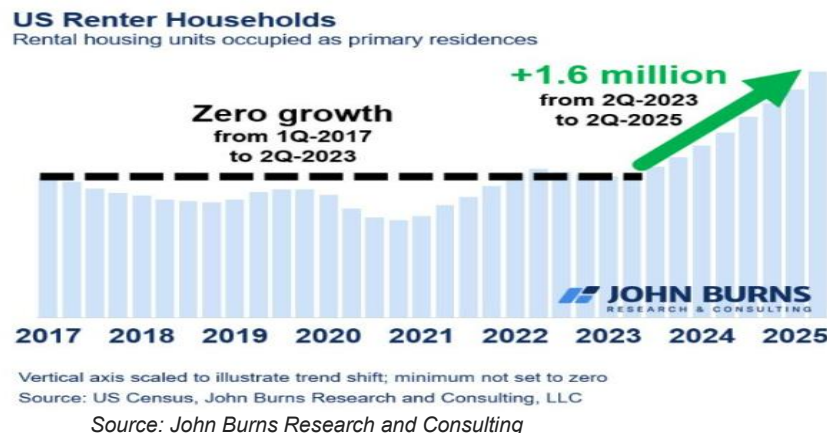
Given the supply/demand dynamic, many high supply markets are projecting occupancy stabilization and positive rent growth in 2025 or 2026 with markets like Phoenix being projected to have positive rent growth very shortly after peak deliveries in late 2025. 2026 and beyond are projected to have positive rent growth in most markets nationally.



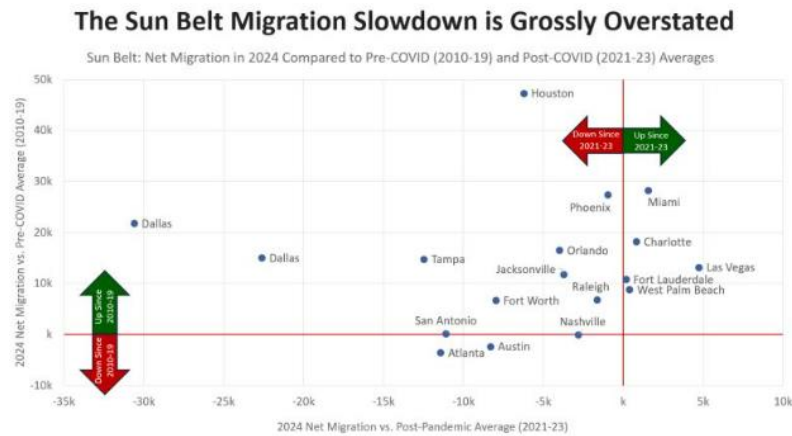
### Fundamentals – Demand Drivers:

The two largest demand drivers for multifamily include population and job growth but also include a variety of other factors including elevated household formation, migration patterns and relative affordability. An argument can be made that household formations have improved dramatically due to rent-to-income ratios moving back to pre-pandemic levels. Renters don't need to "double-up" as much as when rent-to-income ratios were elevated post-pandemic. Also, with high inflation appearing to be on the downward trend, it appears some pent-up demand from prior years is moving back into the renter pool as consumer confidence increases. Renter households have increased over 1.6 million from 2023 through mid-year 2025 after remaining relatively flat from 2017 through 2023.

## Renter households surge +1.6 million since 2023



Migration patterns have favored population shifts to Sunbelt cities for over 20 years with Covid helping to spur that along out of large cities into more mid-size cities, especially for the prime renter demographic (20–34-year-olds), but this has been a long-term trend that started years ago and hasn't materially slowed down post-Covid. This migration shift helps explain the strong net absorption numbers in the high-supply, Sun-belt region.

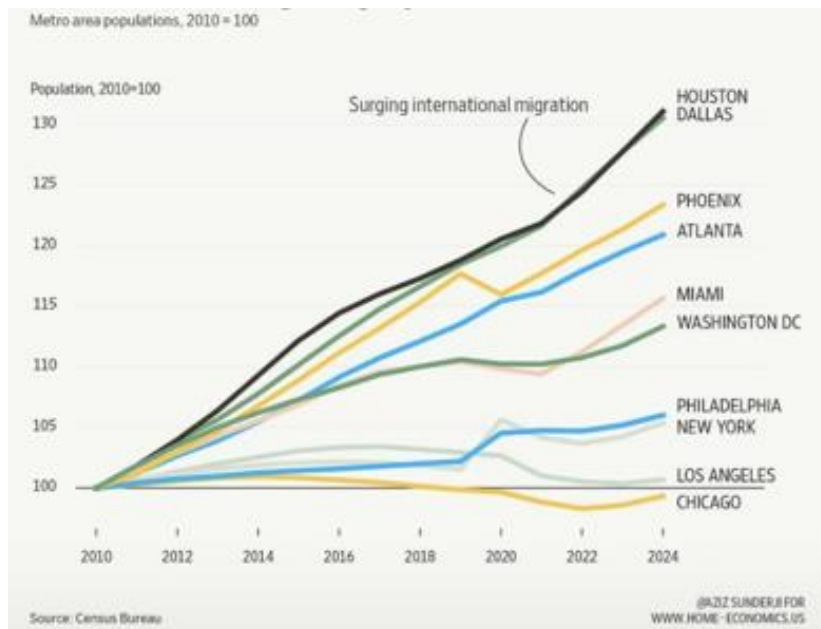


Source: Oxford Economics/US Census Bureau





Overall population growth trends are, not surprisingly, dominated by Sun-belt markets. Relative affordability and lifestyle are primary reasons for these migration & population growth patterns.



Source: Census Bureau

Given migration & population growth trends, it's no surprise that employment growth leaders are dominated by many Sun-belt markets, especially when adjusted on a percentage basis.

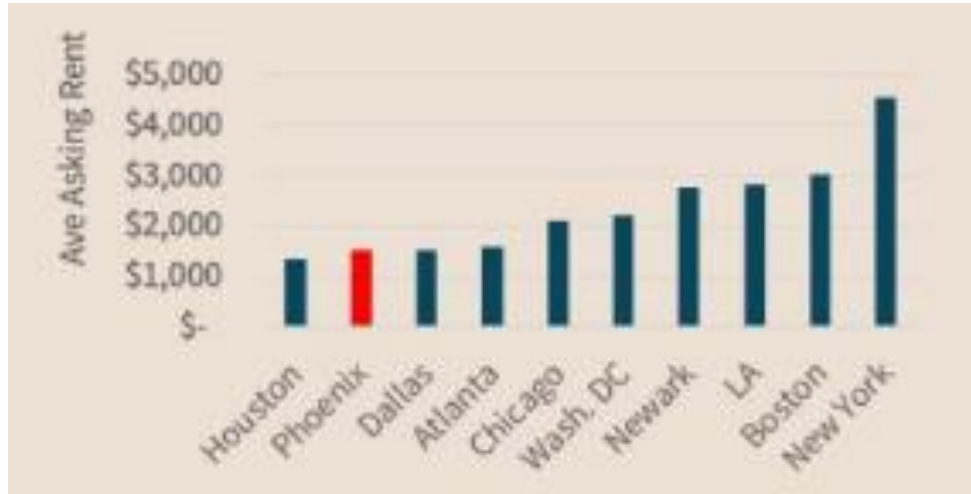
Metro Area Leaders for Job Creation		
Year-Ending July 2025		
Rank	Market	Job Change
1	New York-White Plains/Kiryas Joel-Poughkeepsie, NY	129,800
2	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	65,300
3	Houston-Pasadena-The Woodlands, TX	62,600
4	Charlotte-Concord-Gastonia, NC-SC	38,700
5	Los Angeles-Long Beach-Glendale, CA	33,500
6	San Antonio-New Braunfels, TX	28,500
7	Phoenix-Mesa-Chandler, AZ	28,400
8(t)	Chicago-Naperville-Elgin/Kenosha, IL-IN-WI	26,800
8(t)	Detroit-Warren-Dearborn, MI	26,800
10	Orlando-Kissimmee-Sanford, FL	26,700

Source: Bureau of Labor Statistics

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Source: RealPage

Rental affordability is another key driver for markets in attracting migration and overall population growth. Phoenix is the 5<sup>th</sup> most affordable large metro area in the nation with apartment asking rents averaging just \$1,539 per month (per Jones Lang LaSalle, 2025). The Sun-belt, along with Phoenix, dominates when compared to many of the coastal, large cities in terms of average rental rates.



All of these key demand drivers help explain the positive net absorption that we've seen in many markets and expect to continue to see over the medium-to-long term in the multifamily market, overall.



## Fundamentals – Rent vs Own:

There is a housing shortage of 4.7M household units that is not being met nationally, according to Zillow. This is up 160K units from 2022 to 2023. The median income family needs a raise of nearly \$18K to afford a mortgage on a typical home (assuming 20% down). Market such as Phoenix and Las Vegas have seen a significant increase (percentage-wise) in this shortage year-over-year with the raise required to afford to buy a home of \$22.5K and \$29K, respectively in those markets. As discussed prior, this includes the multifamily portion of the housing equation so even with record multifamily supply in 2024 and 2025 nationally, this overall housing shortage has only increased. With the supply of multifamily set to drop-off significantly by year-end 2025, this overall housing shortage will only get worse.

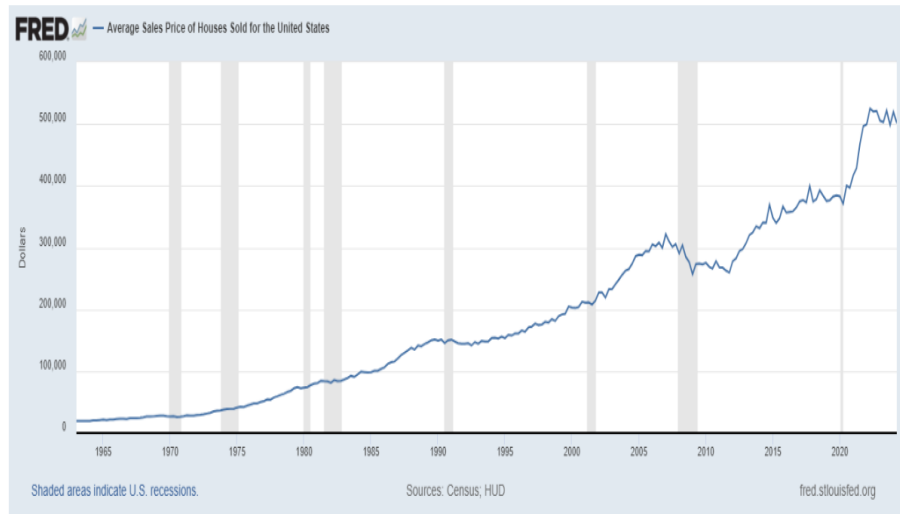
Metro Area	Housing Deficit (2023)	Change in Housing Deficit Year Over Year (YOY)*	Change in Available Units YOY (%)	Raise Needed for Median-Income Family to Afford a Mortgage on a Typical Home at 20% Down
<b>United States</b>	<b>4,699,836</b>	<b>159,063</b>	<b>-2.8 %</b>	<b>\$17,670</b>
New York, NY	402,361	12,437	-3.2 %	\$99,343
Chicago, IL	106,522	9,143	-9.4 %	(\$187)
Philadelphia, PA	81,448	8,580	-4.7 %	\$16,344
Riverside, CA	85,087	8,099	-5.6 %	\$60,685
Miami, FL	71,966	5,022	-4.5 %	\$59,379
Phoenix, AZ	98,703	4,719	7.8 %	\$22,500
Baltimore, MD	40,644	3,836	-12.3 %	\$8,104
Charlotte, NC	22,098	3,507	-2.9 %	\$15,302
Providence, RI	29,791	3,318	-13.9 %	\$50,418
Las Vegas, NV	32,192	3,117	-6.8 %	\$29,140
Salt Lake City, UT	33,258	3,078	0.2 %	\$40,038
Orlando, FL	24,402	2,874	2.2 %	\$26,497
St. Louis, MO	17,368	2,544	-7.7 %	(\$4,897)
Los Angeles, CA	338,750	2,022	0.9 %	\$149,375
Buffalo, NY	17,194	1,993	-12.6 %	(\$3,137)
Birmingham, AL	5,966	1,925	-13.5 %	(\$3,933)
San Diego, CA	95,831	1,892	0.7 %	\$128,954
Austin, TX	63,210	1,878	-0.1 %	\$27,545
Tampa, FL	33,200	1,858	-0.2 %	\$27,198
Columbus, OH	36,219	1,240	-2.5 %	\$2,561
Detroit, MI	36,187	1,198	3.4 %	(\$1,804)
Louisville, KY	11,107	1,144	-1.8 %	(\$855)
Dallas, TX	49,204	1,054	1.9 %	\$17,448
Virginia Beach, VA	19,887	1,044	-7.6 %	\$13,898
Atlanta, GA	66,323	780	2.6 %	\$14,735
Kansas City, MO	27,923	344	-5.9 %	\$7,383
Indianapolis, IN	15,005	330	-6.1 %	(\$3,052)
Houston, TX	20,164	136	2.3 %	\$6,304
New Orleans, LA	4,234	30	1.3 %	\$10,543
Pittsburgh, PA	15,420	-212	0.7 %	(\$11,244)
Cincinnati, OH	32,025	-256	-1.6 %	(\$4,396)
Hartford, CT	13,131	-426	-5.1 %	\$16,104
Raleigh, NC	11,096	-635	3.3 %	\$16,602
Denver, CO	70,919	-749	1.8 %	\$43,588
Milwaukee, WI	13,929	-977	1.8 %	\$36,519
Washington, DC	132,238	-983	-3.1 %	\$26,513
Jacksonville, FL	13,243	-1,007	10.8 %	\$19,202
Richmond, VA	15,245	-1,118	8.5 %	\$12,816
Nashville, TN	34,843	-1,142	-4.1 %	\$25,508
San Jose, CA	56,378	-1,178	5.2 %	\$251,597
Cleveland, OH	13,774	-1,609	-1.0 %	(\$11,588)
Portland, OR	70,485	-1,799	-0.9 %	\$48,708
*A positive number indicates a rising housing deficit				
Zillow July 2025				

Source: Zillow, July 2025



Even with rising interest rates, home values in many metros continue to climb (although this varies vs peak pricing metro to metro). Nationally, home prices have increased substantially during the 2020's especially when compared to relatively slow and steady increases from 1965 to the early 2000's. According to ResiClub, home values have increased 51% nationally during just the 2020's.

### Chart: U.S. Home Price Growth Over 50 Years

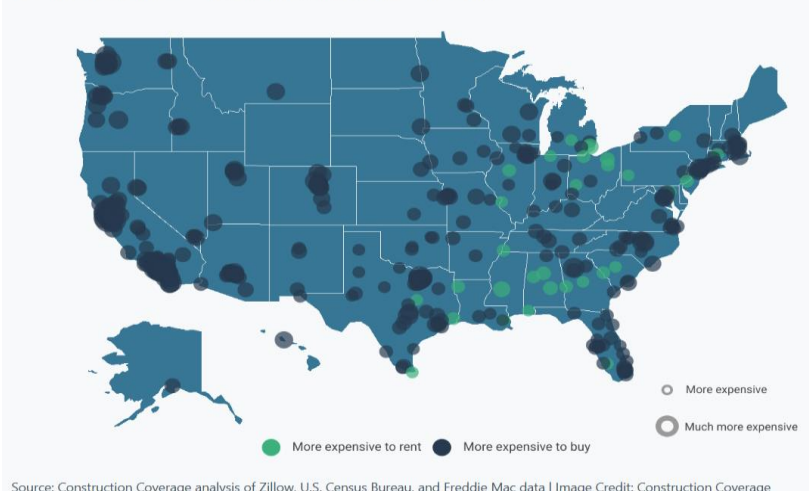


Source: FRED

With the rise in interest rates, owning a home with a new mortgage has become increasingly more expensive. Home price escalation during this decade in conjunction with higher interest rates combined with the recent drop in multifamily rents has created quite the beneficial situation in favor of renting for most of the country compared to buying a home today. In many major metros it is significantly more affordable to rent compared to buy a new home and that gap is widened in recent years.

### The Cost of Buying vs. Renting by City

Residents in California & Washington will pay the largest premium to buy



Source: Zillow

According to Realtor.com, the share of homes for sale that are deemed affordable for the average renter is just 28% nationally, down from 56% just 6 years ago. As no surprise, markets with a lower percentage of affordable homes for the average renter become much more attractive for multifamily renters, increasing demand in those markets. Las Vegas ranks 7<sup>th</sup> and Phoenix ranks 9<sup>th</sup> as markets with the lowest percentage of affordable homes at 12.8% and 13.7%, respectively (both down significantly from 44% and 50%, respectively just 6 years ago). Many other Sun-belt markets rank high on this list and have also seen a significant reduction in those percentages in the last 6 years which explains the high level of demand and high net absorption achieved even with the recent high supply levels.

Surprisingly, this phenomenon is not a function of low wages as median household incomes have increased 15.7% nationally over that time (Phoenix saw an increase of 29.2% while Vegas saw an increase of 16.7%), so households have more income for housing but not necessarily to buy a home and are thus forced (more and more) to rent vs buy.

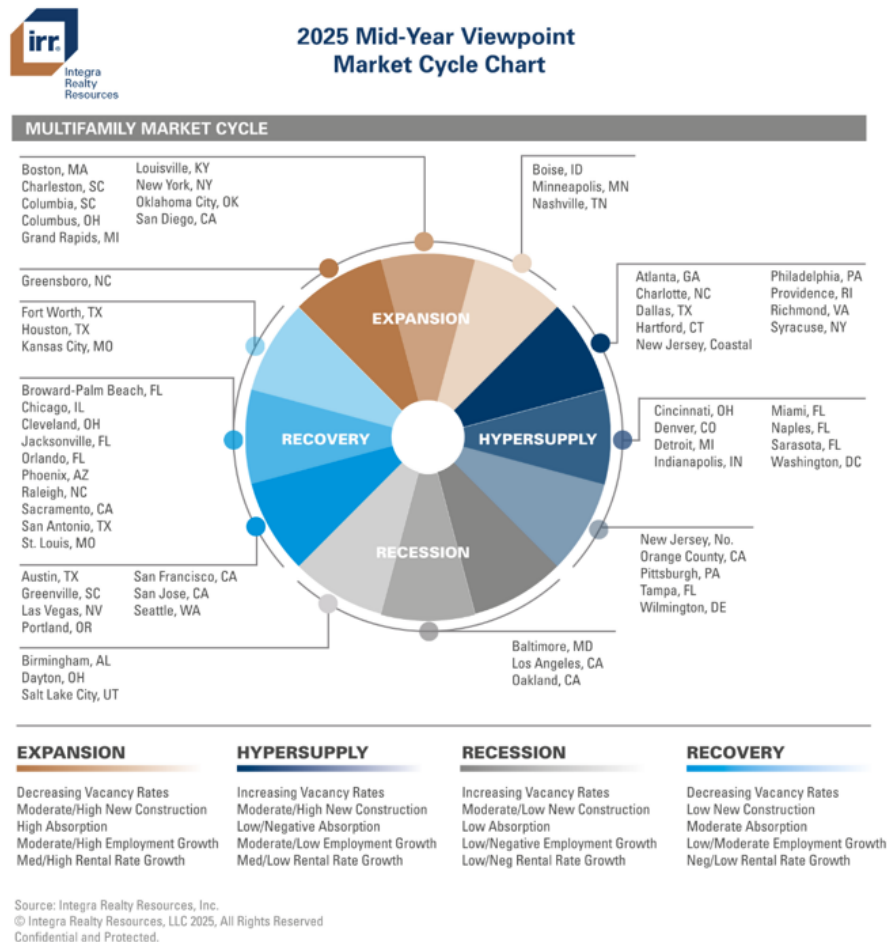
Geography	Median 2019 HH Income	2019 Max Target Home Price	Share of Homes for Sale < Affordability Target (July 2019)	Median 2025 HH Income	Change in Median HH Incomes	2025 Max Target Home Price	Share of Homes For Sale < Affordability Target (July 2025)
<b>USA</b>	<b>\$68,073</b>	<b>\$325,000</b>	<b>55.7 %</b>	<b>\$78,770</b>	<b>15.7%</b>	<b>\$298,000</b>	<b>28.0 %</b>
Los Angeles-Long Beach-Anaheim, CA	\$77,774	\$371,000	10.3 %	\$91,380	17.5%	\$346,000	1.6 %
Seattle-Tacoma-Bellevue, WA	\$94,027	\$449,000	33.6 %	\$113,456	20.7%	\$430,000	11.0 %
Portland-Vancouver-Hillsboro, OR-WA	\$78,439	\$375,000	30.1 %	\$94,748	20.8%	\$359,000	11.4 %
Tucson, AZ	\$56,169	\$268,000	53.7 %	\$67,909	20.9%	\$257,000	11.7 %
Nashville-Davidson-Murfreesboro-Franklin, TN	\$70,262	\$335,000	46.4 %	\$85,166	21.2%	\$323,000	11.8 %
San Francisco-Oakland-Fremont, CA	\$114,696	\$548,000	18.4 %	\$133,542	16.4%	\$506,000	11.9 %
<b>Las Vegas-Henderson-North Las Vegas, NV</b>	<b>\$62,107</b>	<b>\$297,000</b>	<b>43.8 %</b>	<b>\$72,504</b>	<b>16.7%</b>	<b>\$275,000</b>	<b>12.8 %</b>
New York-Newark-Jersey City, NY-NJ	\$83,160	\$397,000	28.2 %	\$94,960	14.2%	\$360,000	13.1 %
<b>Phoenix-Mesa-Chandler, AZ</b>	<b>\$67,896</b>	<b>\$324,000</b>	<b>50.0 %</b>	<b>\$87,718</b>	<b>29.2%</b>	<b>\$332,000</b>	<b>13.7 %</b>
Orlando-Kissimmee-Sanford, FL	\$61,876	\$295,000	51.3 %	\$74,895	21.0%	\$284,000	18.2 %
Denver-Aurora-Centennial, CO	\$85,641	\$409,000	37.9 %	\$106,833	24.7%	\$405,000	19.2 %
Charlotte-Concord-Gastonia, NC-SC	\$66,399	\$317,000	50.7 %	\$81,514	22.8%	\$309,000	20.8 %
Tampa-St. Petersburg-Clearwater, FL	\$57,906	\$276,000	54.0 %	\$73,079	26.2%	\$277,000	21.6 %
Miami-Fort Lauderdale-West Palm Beach, FL	\$60,141	\$287,000	36.9 %	\$74,274	23.5%	\$281,000	23.4 %
Richmond, VA	\$68,324	\$326,000	56.8 %	\$87,394	27.9%	\$331,000	24.8 %
Virginia Beach-Chesapeake-Norfolk, VA-NC	\$69,329	\$331,000	60.7 %	\$80,312	15.8%	\$304,000	26.0 %
Milwaukee-Waukesha, WI	\$65,845	\$314,000	58.2 %	\$74,222	12.7%	\$281,000	28.3 %
Raleigh-Cary, NC	\$80,096	\$382,000	60.3 %	\$98,138	22.5%	\$372,000	29.7 %
San Diego-Chula Vista-Carlsbad, CA	\$83,985	\$401,000	14.0 %	\$103,066	22.7%	\$390,000	3.2 %
Dallas-Fort Worth-Arlington, TX	\$72,265	\$345,000	55.6 %	\$88,783	22.9%	\$336,000	30.1 %
Atlanta-Sandy Springs-Roswell, GA	\$71,742	\$343,000	60.7 %	\$87,947	22.6%	\$333,000	31.4 %
Austin-Round Rock-San Marcos, TX	\$80,954	\$387,000	57.7 %	\$102,412	26.5%	\$388,000	31.5 %
Washington-Arlington-Alexandria, DC-VA-MD-WV	\$105,659	\$504,000	58.7 %	\$123,209	16.6%	\$467,000	31.8 %
Grand Rapids-Wyoming-Kentwood, MI	\$65,739	\$314,000	63.5 %	\$82,065	24.8%	\$311,000	31.9 %
Jacksonville, FL	\$65,880	\$315,000	58.4 %	\$81,893	24.3%	\$310,000	32.1 %
Houston-Pasadena-The Woodlands, TX	\$69,193	\$330,000	59.2 %	\$78,845	13.9%	\$299,000	32.4 %
Kansas City, MO-KS	\$70,215	\$335,000	63.5 %	\$80,127	14.1%	\$304,000	34.2 %
San Antonio-New Braunfels, TX	\$62,355	\$298,000	58.5 %	\$73,281	17.5%	\$278,000	34.2 %
Columbus, OH	\$67,207	\$321,000	64.6 %	\$80,469	19.7%	\$305,000	34.8 %
Memphis, TN-MS-AR	\$54,859	\$262,000	61.4 %	\$66,946	22.0%	\$254,000	35.3 %
Hartford-West Hartford-East Hartford, CT	\$77,005	\$368,000	68.6 %	\$94,838	23.2%	\$359,000	36.8 %
Minneapolis-St. Paul-Bloomington, MN-WI	\$83,698	\$400,000	67.3 %	\$96,855	15.7%	\$367,000	37.0 %
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	\$74,533	\$356,000	65.0 %	\$88,483	18.7%	\$335,000	38.7 %
Oklahoma City, OK	\$60,605	\$289,000	62.9 %	\$71,503	18.0%	\$271,000	40.5 %
Louisville/Jefferson County, KY-IN	\$61,172	\$292,000	64.7 %	\$72,566	18.6%	\$275,000	40.9 %
Chicago-Naperville-Elgin, IL-IN	\$75,379	\$360,000	62.3 %	\$86,627	14.9%	\$328,000	41.2 %
Birmingham, AL	\$58,366	\$279,000	58.2 %	\$71,644	22.7%	\$271,000	41.3 %
Baltimore-Columbia-Towson, MD	\$83,160	\$397,000	63.1 %	\$95,068	14.3%	\$360,000	42.7 %
Cincinnati, OH-KY-IN	\$66,825	\$319,000	68.9 %	\$80,109	19.9%	\$303,000	43.1 %
Indianapolis-Carmel-Greenwood, IN	\$62,502	\$298,000	64.3 %	\$79,724	27.6%	\$302,000	43.4 %
Buffalo-Cheektowaga, NY	\$60,105	\$287,000	70.1 %	\$71,055	18.2%	\$269,000	47.1 %
Detroit-Warren-Dearborn, MI	\$63,474	\$303,000	63.5 %	\$72,493	14.2%	\$275,000	48.8 %
Cleveland, OH	\$52,178	\$249,000	65.4 %	\$68,695	31.7%	\$260,000	49.9 %
St. Louis, MO-IL	\$66,417	\$317,000	72.9 %	\$79,869	20.3%	\$303,000	52.2 %
Pittsburgh, PA	\$62,638	\$299,000	71.6 %	\$72,935	16.4%	\$276,000	54.6 %
San Jose-Sunnyvale-Santa Clara, CA	\$130,865	\$625,000	9.9 %	\$156,664	19.7%	\$593,000	6.3 %
Sacramento-Roseville-Folsom, CA	\$76,706	\$366,000	29.6 %	\$93,641	22.1%	\$355,000	8.0 %
Providence-Warwick, RI-MA	\$70,967	\$339,000	49.5 %	\$85,421	20.4%	\$324,000	8.4 %
Riverside-San Bernardino-Ontario, CA	\$70,954	\$339,000	36.1 %	\$86,146	21.4%	\$326,000	8.5 %
Boston-Cambridge-Newton, MA-NH	\$94,430	\$451,000	38.1 %	\$109,295	15.7%	\$414,000	9.6 %

Source: Realtor.com, August 2025



### Final Thoughts:

Overall, the medium-to-long term outlook on the multifamily sector is extremely bright. Fundamentals have remained strong, even in high-supply markets (Sunbelt, primarily). Net absorption has been strong as demand remains high in those Sunbelt markets due to population growth, migration patterns and relative affordability which helps to keep occupancy levels strong. Recent rent reductions seem to be bottoming given the strong demand. Supply is expected to drop off significantly by late 2025 and early 2026 which will help boost occupancies and rents in the medium term. In the long term, there is still a significant shortage of housing that even this short-term high-supply period is not going to come close to solving.



Source: Integra Realty Resources, Mid-Year 2025

Investment sales have been slow, but pricing appears to have bottomed out and possibly on the upswing, so the downside/floor seems relatively well protected from that basis.

Interest-rate uncertainty remains in the market which has produced limited buying opportunities as both buyers and sellers prefer to remain on the sidelines, but there very well could be a generational opportunity to buy multifamily assets in the right markets, with the right strategy and with the right partners as we enter into the recovery phase of the market cycle for multifamily.