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2026 INDUSTRY OUTLOOK

CONNECT CRE LEADERSHIP SERIES

# Unfiltered

## The State of Multifamily

A candid look at the forces reshaping apartment investment, development, financing and operations, from selective capital markets and uneven rent recovery to a thinner construction pipeline and a deeper affordability challenge.

# Contents

**Connect CRE convened the leaders shaping multifamily in 2026** — the lenders, developers, operators, and capital-markets voices defining where rental housing goes next. Their responses, in their own words, follow.



STATE OF THE MARKET

**27%** YEAR-OVER-YEAR DECLINE IN MULTIFAMILY STARTS, THE LOWEST QUARTERLY TOTAL SINCE 2017

SOURCE: YARDI MATRIX

## LETTER FROM OUR FOUNDER

Connect CRE's Leadership Series is my favorite time of year because it gives me direct access to leaders who have truly been through it all. This year, I made the decision to focus entirely on multifamily. You can't speed up experience, and the executives featured here have earned theirs over decades. Their insights into today's market, where they see opportunity, and the lessons they've learned offer a clear and valuable perspective at a critical time.

After years of repricing, rate volatility and one of the largest supply waves in apartment history, multifamily is moving onto firmer ground. Across 18 conversations with executives who finance, develop, own, operate and advise the sector, a consensus emerges: demand has held up, the pipeline is thinning and capital is back at work.

But this isn't a clean recovery. Almost every leader agrees on the broad shape of the market, then qualifies it, and the qualifications are where the story lives.

Debt liquidity has improved, but lenders remain selective. Rent growth is returning in some markets while others work through elevated deliveries and concessions. Equity is available for the right sponsor and deal, but it isn't moving indiscriminately.

That's the defining shift. Multifamily is no longer underwritten as a broad national story. Performance now depends less on generalized demand than on precision: local job growth, supply exposure, regulatory climate and capital structure.

The supply picture captures that tension. Many markets are still digesting the record delivery wave that followed the post-pandemic boom, particularly across the Sun Belt and Mountain West. Meanwhile, new starts have slowed sharply as higher financing and construction costs, entitlement challenges, labor uncertainty and limited equity constrain projects. The result is two realities: near-term pressure in oversupplied markets and a better setup where demand is strong and competition is limited.

Capital markets are following a similar pattern. Borrowers have more options than a year earlier, supported by agencies, banks, life companies and debt funds. Still, the market is far from the halcyon days of the last cycle. Financing flows toward experienced sponsors, credible business plans and assets with resilient cash flow. For many projects, the question isn't whether debt exists, but whether the full capital stack supports a realistic path to performance.

The rate outlook, by contrast, has moved against borrowers. Much of the past year was spent positioning for cuts; renewed inflation and conflict in the Middle East have pushed the prospect of relief further out and made higher-for-longer the working assumption. Contributors call that shift the clearest change from a year ago.

For operators and investors, that raises the bar. Several point to a flight to quality, but quality isn't only about newer assets or stronger locations. It also means unit-level visibility, disciplined expense management, resident retention and the ability to run properties through uneven conditions. In a selective market, execution is a larger part of the thesis.

The long-term demand case remains intact, supported by the difficulty of homeownership. Affordability, though, remains the unresolved challenge running through the sector. Lower-income renters are under the greatest pressure, and the leaders don't agree on the fix. Some read the recent supply wave as the answer where it landed, pointing to metros where deliveries pushed rents down. Others hold that the country has underbuilt for more than a decade, and that market-rate supply alone won't reach the price points they need. For them the answer runs through preservation, permitting reform, tax credits and direct assistance. Both readings appear in the pages that follow.

That's what makes this series valuable. Rather than offering a single market forecast, it brings together the perspectives of multifamily's most experienced owners, developers, investors, operators and capital providers. While their views differ on certain issues, a clear picture emerges of where the market is headed, where opportunities exist and what risks still require discipline. Taken together, these interviews offer a unique analysis of how the industry's leading decision-makers are evaluating today's challenges and positioning for the opportunities ahead.

Please enjoy.

**Daniel Ceniceros**
Founder & CEO, Connect CRE

# Brenda Barrett

**CEO, Apartment Management Consultants (AMC)**

Apartment Management Consultants (AMC), headquartered in Salt Lake City, is a national multifamily property manager that oversees 923 properties for clients across 26 states.

**www.liveamc.com**

### Will rising gas prices and inflation affect development?

Any rise in inflation and gas prices will inevitably impact the price of building materials and contractor expenses. This, in turn, will drive up the cost of construction in general. Because of this, budgets for any new multifamily development will face this additional challenge and will need to account for and address it.

### Absorption has increased this year. Is that due to a slowdown in development or other factors?

The apartments sector is still adjusting to a major surge in new supply that began to come to market a couple years ago. However, the pace of new construction has since slowed down and allowed for that supply to continue to be absorbed. In addition to the marked slowdown in new construction, there's another factor helping with absorption. Homeownership remains out of reach for many Americans, keeping a greater number of households in rentals longer and keeping rental demand steady.

### Will we see an increase or decrease in rent prices this year?

Rents in the apartments arena are generally flat. However, it is important to note there is variation in rent growth across markets. Some have recorded negative rent growth in recent years, while others have seen slight rent rate growth over the same period. There are early indications of some stabilization, however the primary drag on rent growth remains that recent surge in new supply, with a good portion of it still needing to be leased up.

### Lower-income households spend more of their income on paying rent. Where does a solution lie?

It is true that research demonstrates a concerning trend toward an increased amount of income being allocated toward monthly rent and utilities. This is especially pronounced with households bringing in lower incomes; all 50 states are impacted. Unfortunately, wage growth for years has consistently failed to keep pace with inflation and rent growth. Compounding the issue further is that there simply isn't enough supply of affordable rental units in any state for lower wage earners. Building more supply seems like an easy answer, but that is far from the

> **"Long-term success isn't just about what you build, but who you build it with."**
>
> **– Brenda Barrett**

case. There are so many hurdles to it, including cost of labor and construction, along with a lack of incentives, NIMBYism and more.

Unfortunately, tackling this issue will require numerous solutions, both public and private, and including tax and development incentives, legislation that favors affordable housing, finance availability, and more for meaningful change. The good news is that the issue is now top-of-mind among industry participants, legislators and consumers alike. Hopefully, this will bring positive momentum toward solutions.

### Give your young self some advice.

I wouldn't change the work ethic; that's what created the opportunities. But looking back, I would have liked to have invested earlier in relationships, because long-term success isn't just about what you build, but who you build it with. Strong relationships, especially with peers and trusted vendors, lead to invaluable partnerships that help solve problems and get things done.

**STATE OF THE MARKET**

**~80%** OF U.S. HOUSEHOLD GROWTH IN 2025 CAME FROM RENTER HOUSEHOLDS

SOURCE: ARBOR

# Kelli Carhart

**Head of Multifamily Capital Markets, CBRE**

CBRE has ranked first in U.S. multifamily investment sales every year since 2011. As of year-end 2025, it completed $36.2B in multifamily investment sales volume globally, $34.6B in financing volume, and had a $222.5B loan servicing portfolio.

**www.cbre.com/services/property-types/multifamily**

## Has the debt market changed compared to a year ago, and if so, how?

The multifamily debt market is considerably more active in 2026 than a year ago. The MBA projects an 18% increase in multifamily loan originations from 2025 to 2026, driven by strengthening investment sales activity, a substantial wave of loan maturities, and the recent expansion of agency lending caps to $88 billion each for Fannie Mae and Freddie Mac. Debt liquidity is hyper competitive, fueling spreads at 52-week highs. CBRE's multifamily debt business was up 65% in Q1 2026, a directional marker for the broader industry.

Three themes have emerged. Sponsors are increasingly looking for flexibility to execute their business plan and time the recovery, resulting in shorter terms, with 5 years predominant. There's also been a meaningful shift to floating rate, up to 45% of all multifamily debt originations. Expect floating rate to gain momentum with the widening of the treasuries. Finally, banks are back and creating more optionality for sponsors, whether it be via perm loans or fueling liquidity to debt fund via repo lines.

## Absorption has increased this year. Is that due to a slowdown in development or other factors?

It's both supply and demand working together but being on the back end of peak deliveries certainly helps fuel absorption. Net absorption totaled 78,100 units in Q1 2026, rebounding sharply from negative net absorption in Q4 2025, and for the first time since Q2 2025, absorption exceeded new construction completions. On the supply side, construction starts peaked at nearly 708,000 units in 2022 but are projected to finish 2025 closer to 311,000 units, with Yardi Matrix forecasting 450,000 deliveries in 2026, down 24% year-over-year. Persistently high homeownership costs continue to keep would-be buyers in the rental pool, sustaining demand from both ends.

## Will we see an increase or decrease in rent prices this year?

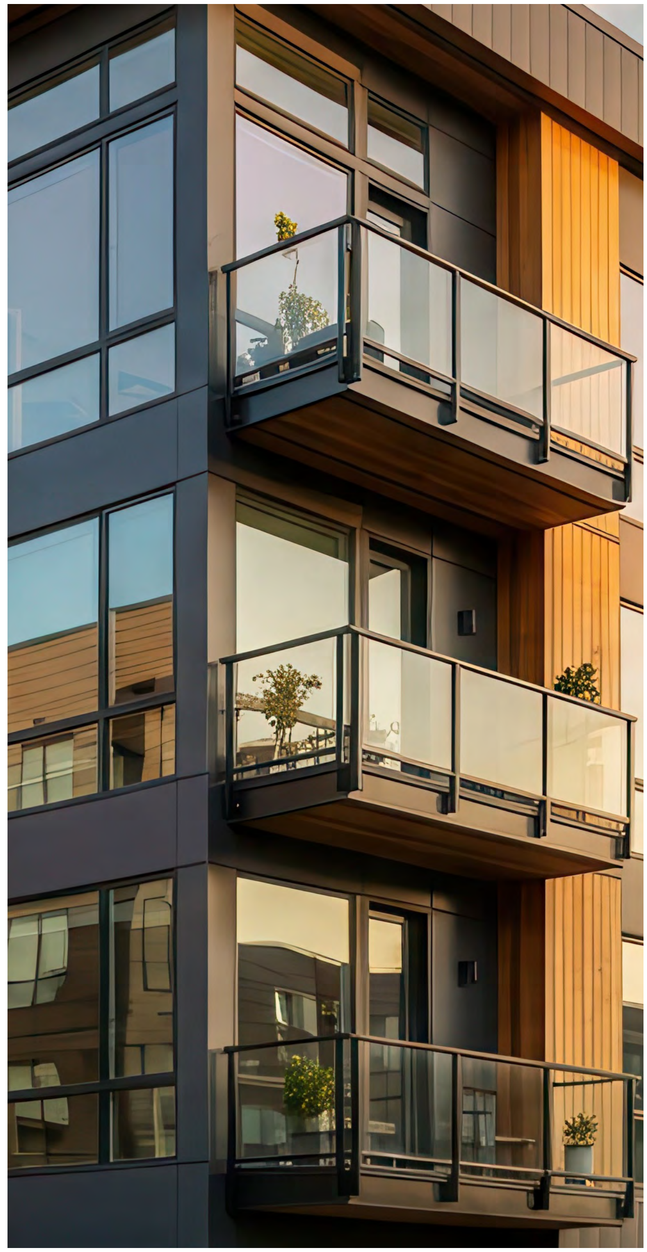
A modest increase, but with important regional caveats. After a flat 2024-2025 rent environment, pricing power is projected to return in 2026, with rent

> **"Sponsors are increasingly looking for flexibility to execute their business plan and time the recovery..."**
>
> **– Kelli Carhart**

growth moving toward 2.0% on a yearly basis. The recovery is uneven: rent growth is increasing in low-supply markets in the Northeast and Midwest, while many high-supply Sunbelt and Western markets are still seeing declines. Markets like San Francisco and Silicon Valley will continue to outperform due to job growth and a lack of overall supply. The broader trajectory is positive, with fundamentals continuing to tighten as the construction pipeline narrows heading into 2027.

### Give your young self some advice.

- Don’t be afraid to take risks; the best lessons come from trial and error.
- Your brand will carry your career; stay true to brand and treat everyone fairly.
- Your mentors will be your biggest advocates, so treat them with immense respect professionally and personally.
- Your personal life cannot be separated from your professional. Always stay engaged with your colleagues and clients on their personal and professional motivations.
- Identifying solution paths to problems rather than only identifying problems will help to differentiate you from your peers.
- Take a position and own it. It’s ok if you’re wrong. Having a viewpoint is a differentiator. People will remember you for your voice, not for an inaccurate prediction.



STATE OF THE MARKET

**29%** INCREASE IN PROFESSIONALLY MANAGED APARTMENT RENTS SINCE 2020

SOURCE: HARVARD JOINT CENTER FOR HOUSING STUDIES

# Lili Dunn

**President and CEO, Bell Partners, Inc.**

Bell Partners Inc. is a privately held, vertically integrated apartment investment and management firm that manages roughly 70,000 apartment homes across the U.S. The Greensboro, NC-based company has completed nearly $12 billion in realized transactions since 2002.

**www.bellpartnersinc.com**

## Are the markets and products you're investing in and developing changing?

Yes, but it's more evolution than a fundamental shift. We remain focused on high-quality assets in supply-constrained submarkets that deliver durable cash flow through a full cycle. What's changed is the level of selectivity and granularity. We're much more focused on specific submarkets given wide performance divergence. We're carefully selecting opportunities to ensure we secure the appropriate risk-adjusted return and create long-term value. On the product side, renter expectations have reset. Features like tech-enabled access, connectivity, and functional layouts are now baseline, not differentiators. Ultimately, we lean into quality, discipline, and local insight.

## Has the debt market changed compared to a year ago, and if so, how?

The market is more functional today, but still cautious. Liquidity has improved, and there are multiple active lenders, with the Agencies continuing to be the most competitive source of capital. At the same time, interest rate volatility remains a key constraint, and lenders are more conservative on leverage and pricing.

Capital is available from agencies, banks, life companies, and debt funds, but execution depends heavily on asset quality, sponsorship, and business plan clarity. Overall, we're seeing a more normalized lending environment than a year ago, but one where structuring discipline and downside protection are critical.

## How are immigration raids impacting your business?

The impact shows up in both demand and labor dynamics. Immigrants represent a meaningful share of renter households, and immigration is down materially year-over-year in many markets. This creates a near-term headwind to apartment demand and household formation.

At the same time, immigration enforcement tightens labor supply across industries, including construction and property operations, which can increase costs and affect timelines. This is a broad-based effect across markets, not isolated to traditional gateway cities. We're factoring both demand and cost implications into our underwriting and operating strategies.

> **“Real estate is personal; we’re creating homes and communities, and that responsibility should guide how you lead and make decisions.”**
>
> **– Lili Dunn**

### Will we see an increase or decrease in rent prices this year?

We expect modest, uneven rent growth overall. Our internal assumptions are in the roughly 2%-4% range, but performance will vary significantly by market and submarket. Gateway and urban markets with limited new supply are showing stronger rent momentum, while parts of the Sunbelt remain softer as they continue to absorb elevated deliveries.

We’re in a transition period. New supply has peaked and construction is slowing, which should support improving rent growth over time. The near-term story is measured growth, with a more positive outlook as supply pressures ease, employment growth resumes, and consumer sentiment stabilizes.

### Lower-income households spend more of their income on paying rent. Where does a solution lie?

There’s no single solution. It requires both increasing supply and supporting affordability directly. The U.S. faces a structural housing shortage, and restrictive zoning, high construction costs, and labor challenges limit new development.

From an industry perspective, we can help by preserving affordable housing and supporting mixed-income communities. We also accept housing vouchers and invest in properties with affordability components. Policy solutions such as expanding supply, streamlining permitting, and enhancing direct assistance to renters are essential. It’s a shared responsibility across the public and private sectors.

### Give your young self some advice.

Be curious, stay resilient, and embrace change. Focus on people and relationships early—they’ll shape your career. This business is cyclical; you won’t always see changes coming, so adaptability and a long-term perspective are critical.

Be willing to take thoughtful risks, work hard, and differentiate yourself through initiative and impact. Protect your integrity—your reputation compounds over a lifetime. And finally, find purpose in what you do. Real estate is personal; we’re creating homes and communities, and that responsibility should guide how you lead and make decisions.

STATE OF THE MARKET

**.05%** PROJECTED NATIONAL RENT GROWTH FOR 2026

SOURCE: YARDI MATRIX

# Jim Flynn

**CEO, Lument**

A subsidiary of ORIX USA, New York-based Lument is a multifamily and commercial real estate lender offering agency, HUD/FHA and proprietary capital solutions. The firm closed more than $8.8 billion of debt across 550 deals in 2025 and ranks first among FHA MAP lenders by loan count.

**www.lument.com**

## Are the markets and products you're investing in and developing changing?

We're always evaluating both markets and product mix, but our primary focus remains on the strength of the borrower and the underlying asset. Our recent addition of new production teams in the Pacific Northwest, Arizona, and Texas reflects a continued effort to deepen our national footprint and be closer to our clients, rather than a shift toward any single market dynamic.

At the same time, borrowers' needs have evolved. Today's environment is more complex, and clients are looking for a broader range of financing solutions. Our response has been to develop a suite of offerings that go beyond agency and balance sheet bridge loans. Our Debt Capital Markets platform now provides access to a wide range of solutions across life company, CMBS, debt fund, credit union, and bank executions. We're also continuing to heavily invest in expanding our investment sales platform.

## Has the debt market changed compared to a year ago, and if so, how?

More than ever, borrowers are intent on maintaining flexibility. It is not uncertainty itself that concerns borrowers; it's the unexpected. Their goal is to preserve flexibility when the cost of being caught by an external shock (the pandemic or the war in Iran, for example) can upset their assumptions. As a result, they are looking for shorter terms, extension optionality, and prepayment flexibility. This is why five-year structures now represent a significant share of new Lument production. In 2025, for instance, five-year debt represented roughly a third of our production volume. Before the pandemic, we very rarely saw them.

> **"It is not uncertainty itself that concerns borrowers. It's the unexpected."**
>
> **– Jim Flynn**

## Absorption has increased this year. Is that due to a slowdown in development or other factors?

The demand for apartments well outpaced supply during the post-pandemic construction surge. With rising costs moving home ownership out of reach even for well compensated young professionals, more people are turning to renting, particularly at the high end. While still positive, absorption has slowed down alongside a decreasing pace of deliveries—absorption hit 0.3% of occupied stock in Q1 2026 after averaging 0.9% for 2025. As the pace of construction continues to slow, I expect to see absorption follow suit as the market continues to tighten up. This is ultimately good news for occupancy and rent growth.

### Will we see an increase or decrease in rent prices this year?

Rent growth was in the doldrums in 2025, but as absorption catches up with new supply, we expect it to gradually resume. Projections show roughly 2% national average rent growth in 2026, accelerating toward 3% by the end of 2027.

That said, the national average masks significant variation at the market and asset level. AI and tech hubs like San Francisco and San Jose were among the leading metros for rent growth last year, particularly for high-amenity properties in urban, mixed-use environments. We're seeing affluent tech-industry renters return to central business districts, much as they did before the pandemic.

At the other end of the spectrum, rising gasoline and diesel prices are working their way through the economy, straining working-class household budgets even further. That is likely to limit the rent increases investors can achieve on Class B and C assets.

**STATE OF THE MARKET**

**16%** OF RENTER HOUSEHOLDS EARNED ENOUGH TO AFFORD THE MEDIAN-PRICED HOME AT YEAR-END 2025

SOURCE: HARVARD JOINT CENTER FOR HOUSING STUDIES

# Andrew Kadish

**CEO and Chief Investment Officer, CAPREIT**

CAPREIT is a vertically integrated owner and operator of affordable, workforce and market-rate multifamily housing across the U.S. The North Bethesda, Maryland-based firm manages more than 14,000 units, from garden-style apartments and mid-rises to single-family build-to-rent communities.

**www.capreit.com**

## Are the markets and products you're investing in and developing changing?

No. The capital flows that we are seeing across the industry are confirming our firm's existing thesis rather than challenging it: Mid-Atlantic and northern Midwest exposure and value-add Class B at workforce price points. Meanwhile, "Capital A" affordable housing has bipartisan policy tailwind and growing institutional interest.

## Will we see an increase or decrease in rent prices this year?

I would project a modest increase in rents this year, particularly in the latter half of the year. The Sunbelt is still absorbing the wave of new supply built in the past few years, so positive rent growth will be pushed to late 2026. I see the Mid-Atlantic and Midwest running materially better with tighter supply and less concession drag.

## Lower-income households spend more of their income on paying rent. Where does a solution lie?

***Supply:*** the structural fix. This is the only lever that addresses the underlying scarcity, but it operates on a five- to 10-year lag and is fought hardest at the local level, where it has to win.

***Production subsidy:*** LIHTC is the workhorse. Expansion of the 4% and 9% credits, plus state credit stacking, is incremental but real.

***Preservation:*** the underrated lever. Naturally occurring affordable housing (NOAH) is being lost faster than LIHTC is produced. Recapitalization, right-of-first-refusal programs, and tax-abatement preservation deals would be enormously beneficial in ensuring larger amounts of housing supply for lower-income households.

## Give your young self some advice.

Say yes when the cost is mostly your ego and the upside is a door you can't see yet. The dinner with someone 20 years older, the conference where you know no one, the panel you felt underqualified for—most inflection points don't announce themselves. In fact, they'll likely look more like inconveniences. Feeling out of your depth is usually a sign you're in the right room.

There are exceptions to this, especially if you're saying "yes" to circumvent having a hard conversation. That's not courage, it's avoidance, which drains you rather than stretches you. Learn the difference early.

And always answer the email within 24 hours.

# Sharon Karaffa

**President, Multifamily Debt & Structured Finance, Newmark**

Newmark Multifamily Capital Markets combines investment sales with a range of debt products spanning Fannie Mae, Freddie Mac, FHA and CMBS. The team produced $51 billion across more than 1,060 transactions in 2025 and services a $211 billion loan portfolio.

**www.nmrk.com/services/property-types/multifamily-capital-markets**

### Has the debt market changed compared to a year ago, and if so, how?

Over the past year, the debt market has become more liquid and competitive, with a broader range of lenders actively deploying capital. That's reflected in what was the second-largest first-quarter origination volume since 2010, totaling approximately $93 billion based on RCA data. Banks and debt funds are taking on a larger share of originations, allowing borrowers to refinance with shorter term, variable rate debt with flexibility to sell when operations stabilize in the next 12-36 months. At the same time, the GSEs are seeing an uptick in acquisition financing and continue to competitively lend at 5-, 7- and 10+-year terms, with approximately half of their closings with 5-year terms.

### Absorption has increased this year. Is that due to a slowdown in development or other factors?

Absorption has picked up. The first quarter alone was very strong and that should not be overlooked. However, the glut of new supply nationally, particularly across high-growth Sunbelt markets, is putting pressure on fundamentals. We're also coming off a period of record absorption, so part of what we're seeing now is a normalization of demand. It is nuanced, though, as we've seen relative outperformance in the Northeast and Midwest. In many markets, softer rent growth and elevated concessions are encouraging renters to move, supporting steady absorption even as conditions vary across regions.

### Will we see an increase or decrease in rent prices this year?

In the near term, rent growth will remain constrained as the market continues to work through a wave of new supply. Nationally, supply has outpaced absorption by roughly 63,000 units over the trailing twelve months, particularly across parts of the Southeast and Southwest. In markets

> **"While concessions in some markets are providing temporary relief, they're not a long-term solution. The reality is we need more housing across the board..."**
>
> **– Sharon Karaffa**

like Dallas, that imbalance has made it difficult for landlords to push rents and has led to continued concessions.

That said, the story is highly market specific. Many major markets are still outperforming and showing positive rent growth, even if it's not accelerating, while Chicago stands out as an outlier with stronger fundamentals relative to other regions. On a national basis, we do expect to see modest rent growth by the end of this year, with further improvement into next year as supply begins to burn off and some of the more challenged Sunbelt markets, including Austin, start to recover.

## Lower-income households spend more of their income on paying rent. Where does a solution lie?

At its core, this is a supply issue. We simply are not building enough housing to meet demand, particularly at the price points lower-income households need. While concessions in some markets are providing temporary relief, they're not a long-term solution. The reality is we need more housing across the board, but also more intentional development of housing that is accessible to lower-income renters. For years, the industry has struggled to deliver product at those price points due to rising construction costs and financing constraints. Addressing this will require a combination of increased supply, policy support, and incentives that make it feasible to build and preserve more attainable housing at scale.

## Give your young self some advice.

Don't be afraid to take on the opportunity that feels just out of reach. Early in my career, I remember being hesitant to step into a bigger role while I was pregnant and questioning whether the timing was right and whether I could take it on. It took someone else pushing me to go for it, and in hindsight, it was one of the most important decisions I made. I think women, in particular, have a tendency to second-guess themselves or wait until they feel fully ready, when in reality that moment rarely comes. My advice would be to trust your instincts, raise your hand for the bigger opportunity, and not hold yourself back. You are likely more capable than you think.

# Garrett Karam

**Chief Investment Officer, EMBREY**

San Antonio-based EMBREY is a vertically integrated firm that develops, builds, owns and manages multifamily communities and commercial assets in select U.S. markets. In more than 50 years, it has delivered over 50,000 multifamily units and six million square feet of commercial space.

**www.embrey.com**

## What does construction lending look like in the current environment?

Construction lending in multifamily is significantly better than it was 12-18 months ago. Both leverage and spreads are nearing what we see in stabilized markets. As importantly, overall availability is high. We no longer have to cobble together several banks to get a deal started; lenders are now closing on whole loans and taking the syndication risk themselves.

## Is the equity environment improving for development?

We haven't experienced an increase in equity for new multifamily development. Conditions remain consistent from '25-'26: equity continues to be the gating factor on new construction starts, despite an underwriting environment that has improved substantially over the last 12-24 months. I believe this will change at some point in '27, but I expect that our capital providers will remain selective and disciplined for the next several years.

## Will rising gas prices and inflation affect development?

I do not believe inflation is a significant risk for our business in the short term. Energy prices are back down, and I expect they will remain moderate going forward. The inflation caused by the triple shock wave of material shortages, high demand, and loose fiscal policy is still fresh on everyone's minds, but we are in a fundamentally different environment today than the years post-COVID. Long term, inflation is absolutely something to keep our eye on and it may have a material impact on investment strategy in our space as we grapple with the national debt challenges.

### Absorption has increased this year. Is that due to a slowdown in development or other factors?

I believe it is more useful to look at both supply and demand on the submarket basis, rather than focusing on the market-wide numbers that are often reported. We have experienced consistent demand the past three years across our portfolio and are now starting to benefit from more of our comp sets stabilizing, which is constructive for future pricing power. I expect demand to remain consistent going forward for several reasons, including the continued difficulty of homeownership; reversion to the mean in immigration; structural macroeconomic tailwinds; and the subsequent potential for accelerating household formation.

### Will we see an increase or decrease in rent prices this year?

Most of our Sunbelt markets and submarkets will see increased pricing power in the back half of this year as compared to prior years. This starts to show up through stronger renewal data and concession burn-off, which we are already experiencing to some extent. The next steps are full concession burn-off and face rent growth, which I expect to happen in summer of next year.

> **“We no longer have to cobble together several banks to get a deal started; lenders are now closing on whole loans and taking the syndication risk themselves.”**
>
> **– Garrett Karam**

STATE OF THE MARKET

**$23B** INCREASE IN OUTSTANDING MULTIFAMILY MORTGAGE BALANCES IN Q1 2026

SOURCE: MBA

# Donald P. King III

**EVP and Co-Head of Capital Markets, Walker & Dunlop**

Walker & Dunlop is one of the largest commercial real estate finance and advisory firms in the United States. The Bethesda, Maryland-based firm originated $41 billion of debt in 2025 and services a $144 billion loan portfolio.

**www.walkerdunlop.com**

## Are the markets and products you're investing in and developing changing?

The strongest multifamily fundamentals today are concentrated in markets with stable job growth, household formation, and relative affordability. We continue to see compelling long-term demand drivers across the Sunbelt, but we are also seeing renewed interest in select Midwest and Northeast markets where supply has remained more disciplined.

From a product perspective, developers are becoming increasingly selective. The market is moving away from "amenity arms races" and toward projects that emphasize efficient unit design, attainable rents, and operational durability. There is also growing focus on workforce and middle-market housing, where demand remains deep and the supply-demand imbalance is most pronounced.

## What does construction lending look like in the current environment?

Construction lending remains available, but underwriting standards are significantly tighter than they were several years ago. Lenders are prioritizing experienced sponsorship, lower leverage, strong recourse structures, and projects with clear market differentiation.

Banks continue to manage regulatory pressures and balance sheet constraints, which has reduced overall construction loan capacity. At the same time, debt funds and alternative lenders have stepped in to fill portions of the gap, though often at higher pricing.

The projects attracting financing today tend to be those with conservative assumptions, meaningful equity commitments, and locations where supply pipelines are moderating. Capital is available, but discipline has returned to the market.

## Has the debt market changed compared to a year ago, and if so, how?

The debt market today is more constructive and predictable than it was a year ago. Interest rate volatility moderated earlier this year, spreads improved across several parts of the market, and lenders generally regained confidence underwriting transactions.

Agency lenders continue to provide meaningful liquidity to the multifamily sector, particularly for stabilized assets, while banks, life companies, and CMBS lenders have all become more active as market conditions stabilized. Borrowers are also adapting to a "higher-for-longer" rate environment by using more conservative leverage and underwriting assumptions.

Still, recent geopolitical tensions in the Middle East and renewed movement in the 10-year Treasury remind us that volatility has not disappeared entirely. While capital remains available, lenders continue to prioritize experienced sponsorship, durable cash flow, and realistic business plans, particularly in markets still absorbing elevated supply levels.

Absorption has increased this year. Is that due to a slowdown in development or other factors? Absorption has improved because multifamily demand fundamentals remain very strong. Household formation, job growth, immigration, and affordability challenges in the for-sale housing market are all supporting rental demand. At the same time, the industry is beginning to move past the peak of the supply wave that hit many Sunbelt markets over the last two years. While deliveries remain elevated in some regions, new starts have slowed materially, which should help rebalance supply and demand over time.

The combination of resilient renter demand and a moderating future pipeline is creating a healthier operating environment than many expected heading into the year.

### Will we see an increase or decrease in rent prices this year?

Nationally, we expect rent growth to remain positive but measured. Markets that experienced the largest supply increases may continue to see softer near-term rent performance, while markets with more constrained development pipelines are already showing stronger pricing power. Importantly, multifamily fundamentals vary significantly market by market. The broad national narrative often misses the fact that many regions continue to experience significant housing shortages and healthy renter demand.

Over the longer term, the lack of new housing supply relative to population growth remains one of the defining themes for the industry. That imbalance should continue to support multifamily performance, even if rent growth normalizes from the unusually strong levels seen several years ago.

### Lower-income households spend more of their income on paying rent. Where does a solution lie?

There is no single solution to the affordability challenge, but increasing housing supply must be part of the answer. The U.S. has underbuilt housing for more than a decade, and that shortage disproportionately impacts lower-income households.

Public-private collaboration is critical. That includes zoning reform, faster entitlement processes, expanded tax credit programs, and policies that encourage the development and preservation of workforce housing. Reducing barriers to construction can improve affordability over time.

The industry also has an opportunity to focus more intentionally on attainable housing solutions rather than exclusively luxury product. Addressing affordability will require coordinated efforts across developers, lenders, policymakers, and local communities.

> **"The combination of resilient renter demand and a moderating future pipeline is creating a healthier operating environment than many expected heading into the year."**
>
> **– Donald P. King III**

# Evan Kinne

**Managing Principal, GSP | CEO, AXCS Capital**

Los Angeles-based AXCS Capital is a technology-enabled CRE finance company that connects institutional sponsors with debt, joint venture and preferred equity, and C-PACE financing. It works through two arms: capital markets advisory via its George Smith Partners subsidiary, and direct investment via AXCS Investments.

**www.axcscapital.com**

### What does construction lending look like in the current environment?

Construction debt for quality projects with good developers in solid markets is extremely available. Lenders are competing aggressively on spread, terms, etc.

### Will rising gas prices and inflation affect development?

Price instability by definition makes it more difficult to underwrite risk. The bigger problem impacting housing supply and keeping rents high in many markets is the regulatory environment. Entitlements are tough to get.

### Will we see an increase or decrease in rent prices this year?

Market-dependent, given the challenge to generate new real estate stock, increasing supply, rents generally going up as demand increases... simple, really.

### Lower-income households spend more of their income on paying rent. Where does a solution lie?

More supply. Remove the regulatory hurdles, and you'll see more capital flowing into development.

> **"The bigger problem impacting housing supply and keeping rents high in many markets is the regulatory environment."**
>
> **– Evan Kinne**

STATE OF THE MARKET

**$88B** 2026 MULTIFAMILY LENDING CAP FOR FANNIE MAE AND FREDDIE MAC

SOURCE: FHFA / YARDI MATRIX

# Ray Lawler

**Head of Americas, Hines**

Founded in 1957 and headquartered in Houston, Hines is a global real estate investment, development and management firm operating across the Americas. Its Americas Living platform oversees residential communities totaling more than 45,000 multifamily and senior housing units.

**www.hines.com**

> **“The market is rewarding precision much more than broad sector calls. That means being more selective by market, by submarket, and ultimately by asset. ”**
>
> **– Ray Lawler**

## Are the markets and products you’re investing in and developing changing?

What’s changing most is not our belief in certain sectors, but the way we evaluate opportunity in this environment. After several years of volatility and repricing, the market is rewarding precision much more than broad sector calls. That means being more selective by market, by submarket, and ultimately by asset. The reason we have boots on the ground in all major cities in the U.S. is for moments like these, when the ability to select at that level of granularity is required to succeed.

We continue to see strong conviction in multifamily because the housing shortage remains significant. We are focused on markets with strong demand, limited new supply pipelines, and the potential for long-term rent growth. In this environment, multifamily continues to stand out as one of the clearest places to invest and develop with conviction.

## Is the equity environment improving for development?

For the right project, the financing is there. What has changed is not the availability of equity so much as the level of discipline behind it. In today’s market, capital is showing up where the fundamentals are clear and the path to performance is credible. In the U.S., that is especially true in living: housing undersupply, attractive rental dynamics, and limited near-term competition from new development.

That said, capital is still disciplined. It’s not flowing indiscriminately into every market or every deal. Investors want strong local underwriting, realistic construction assumptions, and a clear path to demand. In this kind of environment, experienced operators with strong local market knowledge are better positioned to move ahead of broader market signals, particularly in living, where the long-term demand story remains among the strongest in real estate.

### Absorption has increased this year. Is that due to a slowdown in development or other factors?

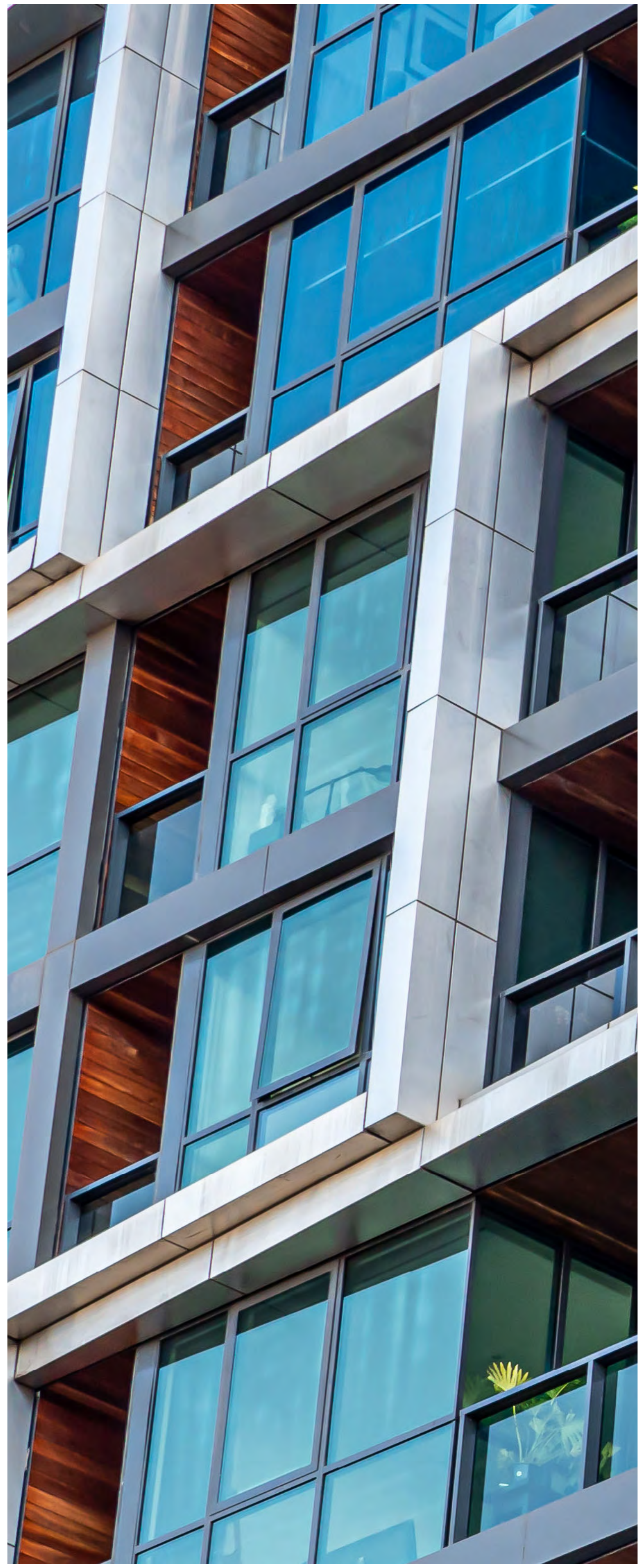
In living, it is largely a function of supply and demand coming back into better balance and, increasingly, a real lack of new supply on the horizon. Development activity has fallen sharply from its cyclical peak, and in many U.S. apartment markets the future pipeline has thinned considerably, which begins to relieve competitive pressure across the sector. At the same time, renter demand remains healthy. So improved absorption is not just about one factor; it reflects continued demand meeting a much thinner supply pipeline. That dynamic should support occupancy and rent growth, especially in markets where new deliveries are slowing the most.

### Will rising gas prices and inflation affect development?

Rising energy costs and inflation touch every corner of the economy, and multifamily development is not immune. We'll see an impact mainly through construction costs, financing conditions, and resident affordability. Energy volatility can feed into broader inflation, which in turn influences interest rates and capital costs. At the asset level, how efficiently a property operates and how utility costs are structured and recovered matters more than ever. Energy is no longer just an operating line item; it increasingly shapes underwriting and long-term asset performance. In multifamily, that means an operator's edge is crucial to delivering performance. Being even more disciplined about cost assumptions, efficiency, and resilience from the outset.

### Give your young self some advice.

Say yes, "run to the roar" and remember that it's the journey that teaches us the most about our destination.



# Gregory MacDonald

**Co-Founder and CEO, Ballast**

Ballast is a vertically integrated real estate investment and operating platform with more than $3 billion in AUM and a primary focus on value-add, middle-market multifamily assets located primarily in San Francisco, where it is headquartered.

**www.ballast.com**

### Is the equity environment improving for development?

Capital is coming back to San Francisco multifamily, but it's disciplined. Investors want to see the full path to execution before they commit, and it's flowing toward operators who can run buildings versus firms who simply allocate. Our successful acquisition of 75 assets with Brookfield is a marker of that shift and has helped pull other investors off the sidelines in recent months.

For ground-up development, the math still doesn't work in most of the city. Construction and financing costs remain high enough that new projects pencil only in narrow cases, and it's the equity gap, not debt availability, that keeps most of them on the shelf. The environment is better than it was a year ago, but capital is flowing towards stabilized and value-add acquisitions and continues to ignore ground-up development opportunities.

This doesn't mean we've stepped back from adding housing. Where it makes sense, we're creating new units inside buildings we already own via the Accessory Dwelling Unit (ADU) program. California has made that path more workable, and it lets us add supply without the land cost and entitlement risk that make ground-up so difficult in San Francisco. With all that said, the economics to justify ADU construction is still marginal at best. Rents must continue to grow to make the math work.

> **"Investors want to see the full path to execution before they commit capital, and it's flowing toward operators who can run buildings versus firms who simply allocate."**
>
> **– Gregory MacDonald**

### Has the debt market changed compared to a year ago, and if so, how?

Yes, and meaningfully. A year ago, rate volatility was the dominant factor in every financing conversation. The 10-year was swinging enough that underwriting a deal felt like guesswork, and anything reliant on floating-rate debt carried real risk.
The tone today is steadier. Banks have come back to the table, debt funds are active and competing, and spreads have tightened. Lenders are still selective, however. They want real cash flow and a sponsor who can manage and handle surprises, but they're

willing to engage. In a market like San Francisco, the story can't just be that rents are recovering. You have to justify the durability of in-place NOI and explain how the asset will perform down to the unit level. We still favor fixed-rate where we can as it eliminates a portion of deal-related risk.

### Absorption has increased this year. Is that due to a slowdown in development or other factors?

Both, but the supply side is the structural piece. Very little new product has come online in San Francisco because the development that would have followed normal cycles was choked off during COVID and never fully restarted. When a city sits at 95% to 96% occupancy with almost no new stock, absorption climbs and rents follow.

Real demand has come back as well. AI hiring has been a real engine, return-to-office is pulling people back to the urban core, and there's renewed appetite for city living that you wouldn't have expected a few years ago. Absorption isn't uniform across the market, however. The assets capturing upside right now are located in superior locations with strong management. Demand creates the opportunity, but location and operational capability determine whether you capture it.

### Will we see an increase or decrease in rent prices this year?

Our view is that rents are most certainly heading higher. San Francisco has had the strongest annual rent growth in the country over the past year, with one- and two-bedroom rents both up double digits. Limited supply, tight occupancy, and real demand are all still in place and will push rates ever higher.

That said, growth will look different by neighborhood. Some submarkets are riding AI employment and return-to-office directly; others move more slowly and stay more price-sensitive. The good news is that San Francisco is not an income constrained market. Even though job growth has been tepid in the Bay Area over the past few years, high-income job growth has been quite strong, especially relative to other markets. Investors sometimes focus too intently on job growth but focusing on what types of jobs are created, and the associated income creation, is arguably more important.

STATE OF THE MARKET

**27%** YEAR-OVER-YEAR DECLINE IN MULTIFAMILY STARTS, THE LOWEST QUARTERLY TOTAL SINCE 2017

SOURCE: YARDI MATRIX

# Nicholas Matus

**President and Chief Operating Officer, BCE**

Benedict Canyon Equities (BCE) is a private real estate investment firm with more than 20 years of experience acquiring and managing value-add and workforce housing in high-growth markets, focused on institutional-quality operations and strong risk-adjusted returns for its private investors.

**www.bceproperties.com**

## Are the markets and products you're investing in and developing changing?

Yes. The market has changed meaningfully, and I believe that is a healthy reset. The last cycle rewarded cheap capital, cap rate compression, and aggressive growth assumptions. This cycle is going to reward discipline, basis, operations, and asset selection. At BCE, we are focused on multifamily housing that serves a durable renter base, particularly in markets where the cost of homeownership remains structurally out of reach for many households. We are not trying to manufacture returns through speculation. We are focused on buying well, financing prudently, operating effectively, and protecting downside. In many ways, the market has shifted back toward the fundamentals we have always believed in.

## Has the debt market changed compared to a year ago, and if so, how?

Yes. The debt market is more constructive than it was a year ago, but it remains selective. There is more liquidity, lenders are more engaged, and the market feels more functional than it did during the most uncertain part of the rate cycle. That said, proceeds are still constrained by higher rates, debt-service coverage requirements, and more conservative valuations. The biggest change is that lenders are willing to lean in again, but they are doing so with real discipline. Strong sponsorship, realistic underwriting, durable cash flow, and thoughtful leverage matter more than ever. For us, the focus remains on liquidity, maturity management, fixed-rate protection where appropriate, and maintaining flexibility.

## Absorption has increased this year. Is that due to a slowdown in development or other factors?

It is a combination of both healthier demand and a slowing supply pipeline. Renter demand has remained more resilient than many expected, supported by household formation, wage growth, and the continued affordability gap between renting and owning. At the same time, the development pipeline is clearly thinning after several years of elevated deliveries in many Sun Belt and Western markets. That new supply created concessions and rent pressure, but it was not a permanent demand problem. It was largely a timing imbalance. As deliveries slow and existing lease-ups stabilize, the market should become more balanced. I would describe this year as the beginning of normalization, not a return to excess.

## Will we see an increase or decrease in rent prices this year?

I expect moderate rent growth overall, with significant variation by market, submarket, and asset quality. Markets still working through recent deliveries will remain competitive, and concessions may continue in certain pockets. Supply-constrained

markets should perform better. For us, the priority is not simply pushing rents. It is maximizing sustainable revenue through occupancy, retention, resident experience, and disciplined expense control. The best operators will create value through execution, not just market movement. Over time, as supply declines and demand remains intact, rent growth should improve. But I would expect the recovery to be measured, market-specific, and tied closely to local employment, supply, and affordability.

### Have other development costs moderated?

Some costs have moderated at the margin, but the overall cost environment remains challenging. Materials, labor, insurance, taxes, utilities, and financing costs are all meaningfully higher than they were several years ago. What has changed is market psychology. Sellers, lenders, contractors, and capital partners are becoming more realistic about the current cost of capital and the returns required to justify risk. From BCE's perspective, the answer is not to rely on costs falling. The answer is to buy at the right basis, underwrite expenses honestly, maintain discipline in the capital structure, and create value through operations. In this environment, execution and judgment matter more than optimism.

### Give your young self some advice.

I would tell my younger self to be patient, stay curious, and focus on building judgment, relationships, and reputation. Early in your career, it is easy to believe progress needs to happen quickly. But the most meaningful opportunities usually come from doing the right things consistently over a long period of time. I would also tell myself to seek out great mentors, listen more carefully, and take responsibility before feeling fully ready. Careers are built through trust. The people who compound over time are not always the loudest in the room. They are the ones who keep learning, keep showing up, and become the person others can count on.

# Hessam Nadji

**President and CEO, Marcus & Millichap**

Marcus & Millichap specializes in investment sales, financing and advisory services, with more than 80 offices across the United States and Canada. The firm closed 8,818 transactions worth roughly $50.9 billion in 2025, including 2,734 multifamily sales.

**www.marcusmillichap.com**

## Are the markets and products you're investing in and developing changing?

There is a clear flight to quality where investors, particularly institutional players, are actively seeking top-tier assets. This is driven by the fact that replacement cost is well above market prices, and that buyer demand is causing cap rate compression at the top end of the market. Older and lower-quality assets are not benefiting from a deep buyer pool and continue to face further price adjustments. Maturing loans and weak operations are creating some situational distress, which in turn is generating opportunities.

> **"Maturing loans and weak operations are creating some situational distress, which in turn is generating opportunities. "**
>
> **– Hessam Nadji**

The apartments sector is working through the construction surge of the past five years, with heavy concentration in a few metros that are clearly overbuilt. The sector is improving but will perform much better in 2027 and 2028 as new supply eases.

## What does construction lending look like in the current environment?

Construction financing generally remains available for seasoned developers, but it remains cost-prohibitive based on anticipated returns in many markets

## Is the equity environment improving for development?

Development equity remains limited. While specific projects in certain markets can pencil and offer opportunity, the capital is very selective. Sidelined capital is working its way back into the marketplace as values adjust.

## Has the debt market changed compared to a year ago, and if so, how?

From a rate standpoint, debt capital is modestly less expensive, with the 10-year and 5-year Treasury rates in alignment with this time last year. Debt capital availability has improved as more banks have reengaged the market, and lender spreads have narrowed as risk has diminished, helping to improve capital availability.

### Have other development costs moderated?

While the slowdown in construction activity has eased development pricing pressure to a degree, tariffs and immigration policies are continuing to put upward pressure on costs. Compared to a year ago, the cost of building materials is up 6% while construction labor costs are 4.2% higher.

### Will rising gas prices and inflation affect development?

It won't help. Trucking costs for materials are up by about 27% and rising oil prices are increasing the cost of plastic. If oil and gas remain elevated for an extended period, it raises the risk of inflationary pressure, a Fed response, and ultimately a broader economic slowdown.

### Lower-income households spend more of their income on paying rent. Where does a solution lie?

As a broader trend, rents have become more affordable in many markets, with rent growth over the past three years trailing wage growth. A clear case study for improving affordability through supply is Austin, where apartment inventory has increased by 21% over the past three years and average rents have declined by approximately 16%. Class C rents are down 20% from their peak in Q2 2023.

### Give your young self some advice.

I would tell my younger self to trust my instincts sooner, act with more confidence when the facts support the decision and rely more fully on strong partners and colleagues. At the same time, delegation does not mean stepping away from accountability. The best outcomes come from empowering capable people while staying clear about expectations, execution and results.

# Ethan Penner

**Chairman, Hill Street Realty**

Founded in 2001, Hill Street Realty is a Denver-based, vertically integrated multifamily owner-operator built on conservative underwriting and hands-on asset management. Its affiliated property management arm gives the firm direct oversight of the communities it owns.

**www.hsrm.com**

### Lower-income households spend more of their income on paying rent. Where does a solution lie?

There is a nationwide affordability problem, and it is worse in larger urban cities than elsewhere. The answer, despite what some would like to believe, is not rent control, which only inhibits new construction and exacerbates the problem.

There are two solutions. First, fast-track permitting with minimal government friction. Second, broad-based adoption of prefabricated housing.

### Absorption has increased this year. Is that due to a slowdown in development or other factors?

Absorption is increasing due to a reduction in construction during the past few years, which was caused by three factors: investor fatigue in the face of the prior cycle's bust, higher construction costs, and sharply higher interest rates.

### Will we see an increase or decrease in rent prices this year?

This will be highly market specific. We will not see a uniform nationwide rental increase. However, in certain markets where economic growth is occurring, we will likely see rents move up. It would not surprise me to see rent growth average 5% per year for a while in these more vibrant markets. Of course, these are the markets we target for investment at our firm.

### Give your young self some advice.

Find a committee of mentors who are living a life that appeals to you. Buy them dinner four times per year and use them as a sounding board. We all have blind spots, especially when facing situations that are new to us. This committee of mentors is the best way I know to ensure that you avoid the stumbling blocks that await you.

> **"In certain markets where economic growth is occurring… it would not surprise me to see rent growth average 5% per year for a while. These are the markets we target for investment."**
>
> **– Ethan Penner**

# Elie Rieder

**Founder and CEO, Castle Lanterra**

Castle Lanterra is a privately held investment firm that repositions multifamily communities, acquires new-construction properties in growth markets and originates mezzanine and preferred equity through its credit platform. Since its 2009 founding, the Suffern, New York-based firm has completed more than $3 billion in transactions across 12,000 multifamily units.

**www.castlelanterra.com**

## Is the equity environment improving for development?

At this time, we are not seeing the numbers work for new multifamily development. Available capital is focused more on renovations, repositioning, and value-add opportunities where the risk-adjusted returns are more attractive.

## Has the debt market changed compared to a year ago, and if so, how?

The debt market has changed significantly compared to a year ago (mid-2025). As of May 2026, the market has transitioned from a phase of anticipating swift rate cuts to managing “higher-for-longer” rates, fueled by intense growth of U.S. national debt, which now exceeds the size of the entire U.S. economy.

## How are immigration raids impacting your business?

From an asset management perspective, raids can result in occupancy loss and demand risk in certain assets. This is very locationally dependent and tied to property class. We’ve seen most of the impact here in terms of workforce housing product, Class C communities, and immigrant-heavy markets and submarkets. We’ve only seen limited impact in certain properties where we may have a tenant impacted, but definitely not enough to make a material impact on a property.

There are also concerns as it relates to the construction industry, where new supply and renovations may be impacted by immigrant labor. That could lead to an increase in operating costs, delays in renovations or make readies, and a slowdown in new construction completions. I really do see this as a more hyperlocal problem rather than a nationwide overarching issue, so I hesitate to really paint it with a broad brush.

## Are the markets and products you’re investing in and developing changing?

We continue to evaluate markets based on long-term fundamentals, including population growth, employment trends, housing demand, affordability, and the overall regulatory environment. As part of that process, we are placing greater emphasis on markets with more predictable business conditions, clear development pathways, and policies that support responsible investment and housing growth. The regulatory and political environment continues to be a major focus, as it can have a significant impact on investment conditions, operating costs, and the ability to execute business plans.

# Ken Rogozinski

**CEO, Greystone Housing Impact Investors LP**

Greystone Housing Impact Investors LP, the Omaha, Nebraska-based partnership formerly known as America First Multifamily Investors, was formed in 1998 to invest in mortgage revenue bonds that finance affordable multifamily, student housing and commercial properties.

**www.ghiinvestors.com**

### What does construction lending look like in the current environment?

Our construction lending business is focused on "Capital A" affordable housing, primarily new LIHTC properties. In this sector, the challenge isn't the availability or terms of construction financing, but the execution on the LIHTC equity portion of the capital stack. An increase in tax credits available as a result of the OBBBA, combined with higher required investor yields, has resulted in a decline in LIHTC pricing in many markets, making new construction deals harder to pencil. Sponsors are having to rely more and more on gap monies, which are a scarce resource.

### Has the debt market changed compared to a year ago, and if so, how?

It doesn't feel that way, but when you look at the 10-year SOFR swap rate today, we are almost at exactly the same level as in May 2025, approximately 4%. I think the biggest change is the sentiment of the market. Last year, on the heels of the Fed's first rate cut in late 2024 after a period of aggressive hiking in 2022-2023, the market thought more were to come, which did happen at the September, October and December 2025 meetings. However, the current conflict in the Middle East and the resulting inflation pressures have significantly changed the market's mindset. The Fed was even discussing openness to potential rate hikes in their latest minutes. That is certainly not good news for our clients.

### Lower-income households spend more of their income on paying rent. Where does a solution lie?

I think part of the solution lies in traditional supply and demand. It's been interesting to watch the dynamic in many of the Sunbelt markets like Austin and San Antonio where the wave of new unit deliveries continues. We've seen multifamily property owners react to this increased supply with lower rent levels all across the income spectrum that are more affordable. The expansion of the LIHTC program under the OBBBA is an opportunity for increased supply as well.

> **"In [affordable housing], the challenge isn't the availability or terms of construction financing, but the execution on the LIHTC equity portion of the capital stack. "**
>
> **– Ken Rogozinski**

# David Schwartz

**Chairman and CEO, Waterton**

Waterton is a privately held real estate investment and management firm focused on U.S. multifamily and hospitality properties. Founded in 1995 and based in Chicago, it held roughly $10.1 billion in real estate assets across more than 25 U.S. markets as of March 2026.

**www.waterton.com**

## Are the markets and products you're investing in and developing changing?

Our target markets remain similar, although we are more cautious in many markets, mainly due to regulatory issues and excessive supply. We continue to pursue investments across the spectrum, from high-quality workforce housing to Class A product and suburban to urban infill product. We've noticed that markets with low supply seem to only need modest economic growth to attain operational improvement. As far as development, we are primarily interested in lower-density, surface-parked and well-located development in markets where supply is forecast to be very low in the years we expect to deliver product. We are also active in multifamily mezzanine and preferred equity investments.

## Has the debt market changed compared to a year ago, and if so, how?

There are abundant debt options available, especially given the increase in agency multifamily lending caps, as well as banks and debt funds becoming competitive for short-term options. However, treasury rates remain elevated as of late, due to an uptick in inflation, triggered by the war in Iran. We expect elevated rates to continue, but are also watching how Kevin Warsh, the new Fed Chairman, may signal his stance towards the overnight rate.

## Is the equity environment improving for development? What is the impact, if any, of rising gas prices and inflation?

Development equity will continue to be challenging to access for developers. While subcontractor costs are currently reasonable, we are keeping an eye on if, and how, higher inflation may increase costs on the margins and potentially elevate borrowing costs. We're also monitoring whether lower labor supply, due to immigration policy, will begin to have an inflationary impact on construction costs.

## Absorption has increased this year. Is that due to a slowdown in development or other factors?

Absorption has been surprisingly strong given lackluster job growth, virtually no population growth and very low immigration. We believe this is due to high retention rates, very high costs of for-sale housing, relative affordability of renting versus buying, and continued strong demand for rental housing. However, we are seeing lower population growth reduce labor supply, which is stunting employment growth and creating economic uncertainty. This has led to renters staying in place for longer, which has improved renewal rates at the expense of new lease trade outs, nationally.

### Will we see an increase or decrease in rent prices this year?

We believe rents will be flat to low single digits nationally for 2026. There are only a handful of markets with strong positive rent growth like the San Francisco Bay Area, Chicago and New York. Many Sunbelt markets remain negative or flat due to record deliveries over the past 3 years.

### Lower-income households spend more of their income on paying rent. Where does a solution lie?

As rents decline or remain flat nationally, particularly in the Sunbelt, lower-income households should actually be paying less of their income on rent, as there continues to be wage growth across all income brackets. It is a particularly advantageous time to be a renter, as homeownership costs remain extremely expensive due to high interest rates, but rent growth has been weak or negative despite wage growth. We believe a solution lies in continuing to allow development. As we have seen over the past 2-3 years, higher supply reduces price growth.

### Give your young self some advice.

Focus on what you are good at.

> **"Development equity will continue to be challenging to access for developers. While subcontractor costs are currently reasonable, we are keeping an eye on if, and how, higher inflation may increase costs on the margins and potentially elevate borrowing costs. "**
>
> **– David Schwartz**

STATE OF THE MARKET

**$1.8M** ESTIMATED UNITS STILL TO BE ABSORBED NATIONALLY, INCLUDING EXPECTED 2026 DELIVERIES

SOURCE: YARDI MATRIX

# Larry Taylor

**Founder and President, Christina Development**

Malibu-based Christina is a real estate developer, manager and sponsor founded in 1977, specializing in the Westside of Los Angeles across eight prime submarkets that include Beverly Hills, Santa Monica and Brentwood. It gives qualified investors access to ownership in select properties in these areas.

**www.christinala.com**

## Are the markets and products you're investing in and developing changing?

We remain focused on investing in our defined market, the Westside region of Los Angeles. Historically, demand in the primary submarkets of the region (Westwood, Brentwood, Santa Monica, Beverly Hills, and Century City) has exceeded supply, resulting in value appreciation fairly consistent for the past five decades our firm has been in business. Of course, during this 50-year period, there have been ups and downs, but the net result has been positive.

Essentially, there is minimal vacant land that is available for development in the region. Apartment rents have been flat for the past few years, with the exception of AAA-located properties and prime quality projects. By way of example, our West Hollywood multifamily rents have continued to increase, whereas older buildings in the general West Los Angeles areas outside of the prime submarkets have seen increased vacancy and some reduction in rent.

## What does construction lending look like in the current environment?

Construction lending is generally available for the right projects that are well planned and have the best sponsors with verifiable track records. Again, the region does not have significant available vacant land thereby limiting new development.

## Is the equity environment improving for development?

The equity environment for development is challenged. Investors remain reluctant to commit capital to development projects regardless of the historical strength in the region.

## Has the debt market changed compared to a year ago, and if so, how?

The debt market has improved since last year as lenders have capital to deploy and need to make loans. Interest rates have declined in concert with lenders' reduced cost of capital (bank deposits).

## Give your young self some advice.

My advice is to open your pockets and take advantage of depressed prices in the region. As Warren Buffett has stated, "Be fearful when others are greedy, and greedy when others are fearful." I believe the current market presents the best buying opportunities since 1991-1996.

ABOUT THE SERIES

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