1Q25

United States Multifamily Capital Markets Report

NEWMARK

Market Observations

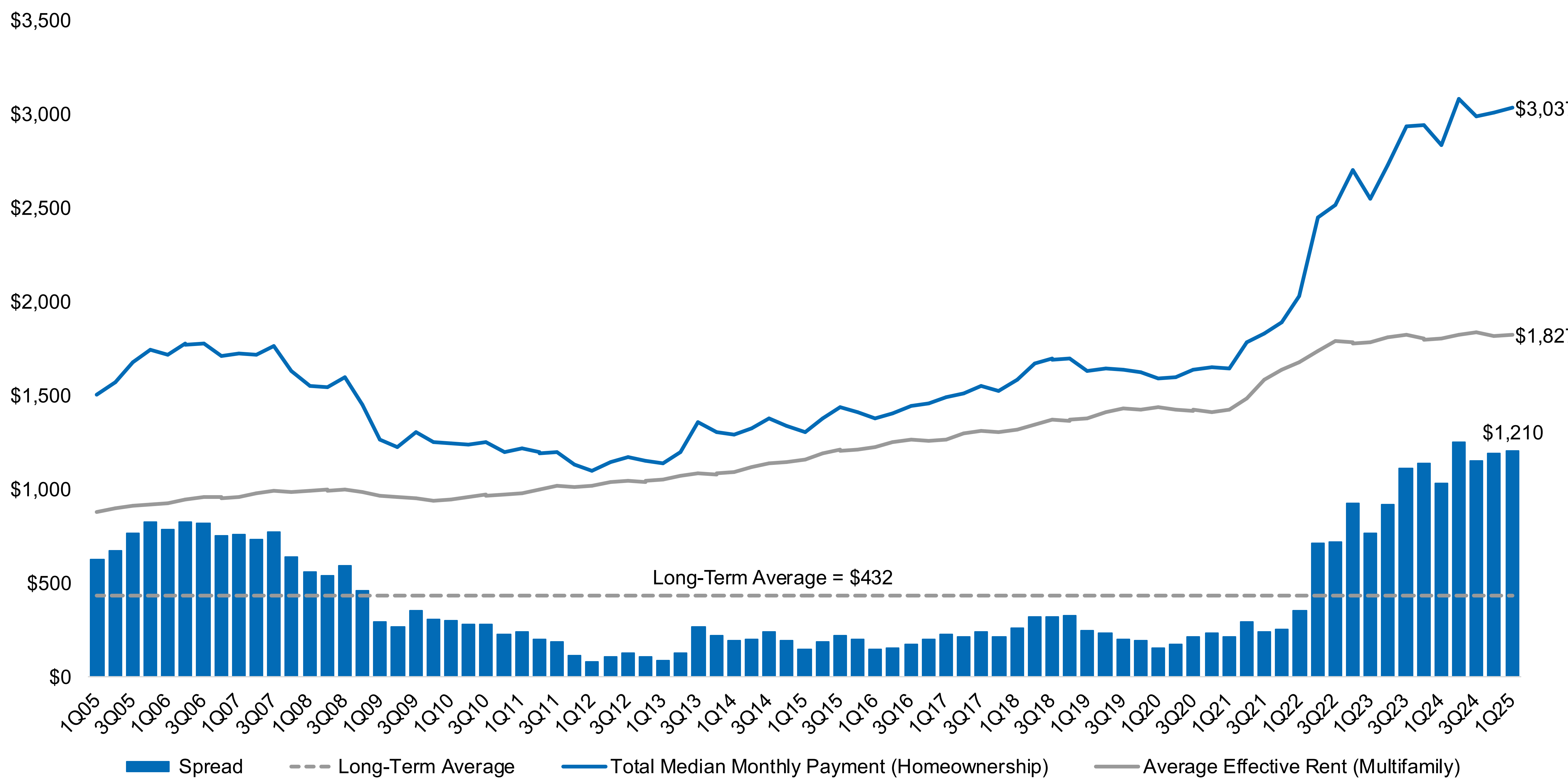
- The spread between renting and homeownership in the U.S. widened to $1,210 per month—2.8 times the long-term average. This underscores the growing financial premium between renting and buying a home. The spread has remained above the long-term average of $432 for 12 consecutive quarters.
- Many markets continue to show strong rent growth potential, supported by low rent-to-income ratios. Additionally, high homeownership premiums relative to multifamily rental costs position renting as the more attractive option, sustaining demand.
- Over the past twelve months, demand outpaced supply by 131,151 units, even amid record-high deliveries. Absorption reached 707,811 units—more than 3.5 times the long-term average. Demand as a percentage of inventory climbed to 3.5%, the third-highest level on record. With durable demand and a projected slowdown in new supply, market fundamentals remain poised for continued positive momentum.
- A total of 116,092 units were delivered in the first quarter of 2025, marking a 27.0% decline from the 3Q24 peak and a 6.8% year-over-year decrease. After 585,191 units were delivered in 2024, deliveries are expected to slow in 2025 to 431,212 units, with further deceleration projected through 2026.
- Annual multifamily demand has exceeded annual new supply for two consecutive quarters. Historically, this trend persists for an average of seven quarters.
- National vacancy declined to 5.0% in the first quarter of 2025, down 90 basis points from its peak one year prior and 50 basis points below the long-term average—signaling tighter market conditions.
- After 18 months of muted rent growth driven by elevated new supply, rents are beginning to accelerate. Same-store rent growth rose to 0.8% year-over-year, pointing to renewed momentum.
- Debt origination activity gained momentum in 1Q25, with volume exceeding 1Q23 and 1Q24 levels—driving a 32% year-over-year increase for first-quarter comparisons. Borrowers benefited from lower rates, stronger conviction in fundamentals as construction activity declined, and built-up momentum from the second half of 2024.
- Investment sales volume reached $30.0 billion in the first quarter of 2025—a 35.5% year-over-year increase. Over the trailing twelve months, sales totaled $157.7 billion, reinforcing investor confidence in the multifamily sector.
- Private fund vehicles targeting North American commercial real estate and launched between 2022 and 2024 have amassed $274.5 billion in assets under management, with $78.5 billion deployed. While deal volume has remained limited since the FOMC began raising rates in March 2022, many expect significant dry powder—especially from recent fund vintages—to drive increased deal activity in 2025.

Demand Drivers

Renting Remains Significantly More Cost-Effective Than Homeownership

As of the first quarter of 2025, the spread between renting and homeownership in the U.S. widened to $1,210 per month—2.8 times the long-term average. The sustained gap underscores the growing financial premium between renting and buying, having remained above the $432 long-term average for 12 consecutive quarters.

Cost of Homeownership Compared to Renting

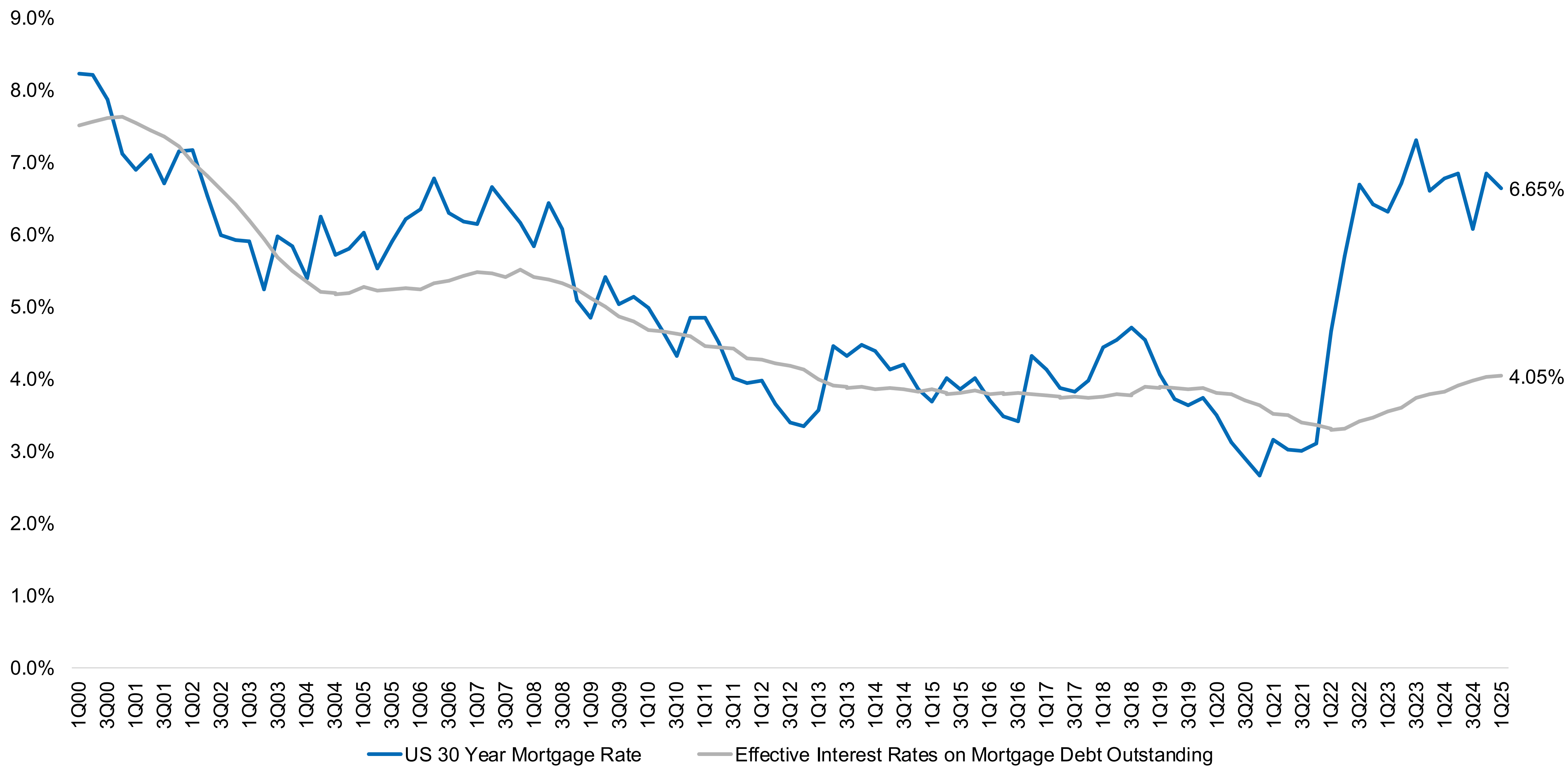


Source: Newmark Research, RealPage, Atlanta Federal Reserve (April 29, 2025)

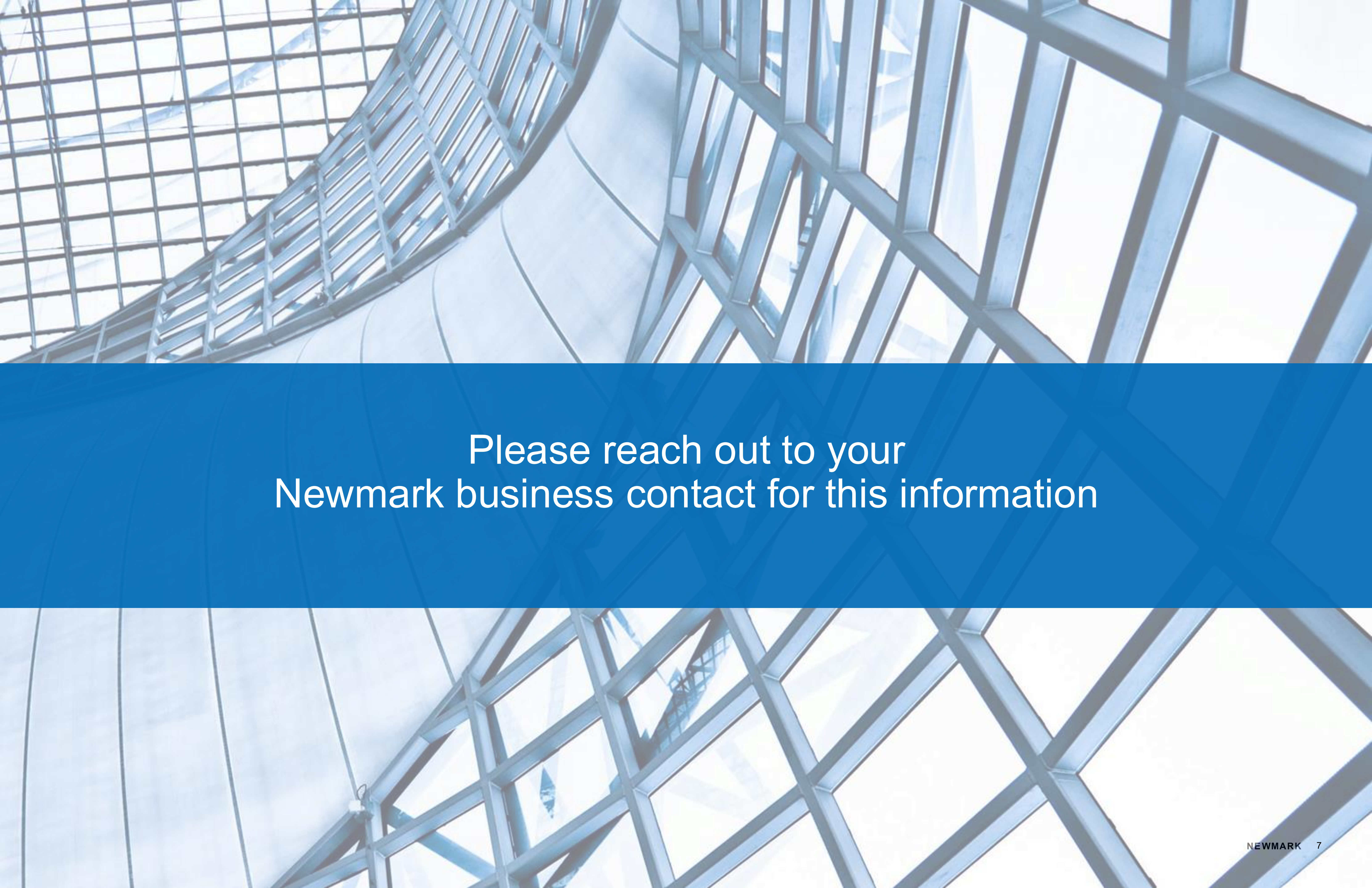
High Rates Limiting Transactions; New Mortgages Are 64% Greater Than In-Place

As of the first quarter of 2025, the average 30-year fixed-rate mortgage in the U.S. was 64.2% higher than the effective interest rate on outstanding mortgage debt. This wide gap points to limited prospects for a meaningful rebound in home sales until rates converge.

30-Year Fixed Rate Mortgage Average and Effective Interest Rate on Mortgage Debt Outstanding



Source: Newmark Research, Federal Reserve Bank of St. Louis, Freddie Mac, Moody's Analytics, U.S. Bureau of Economic Analysis



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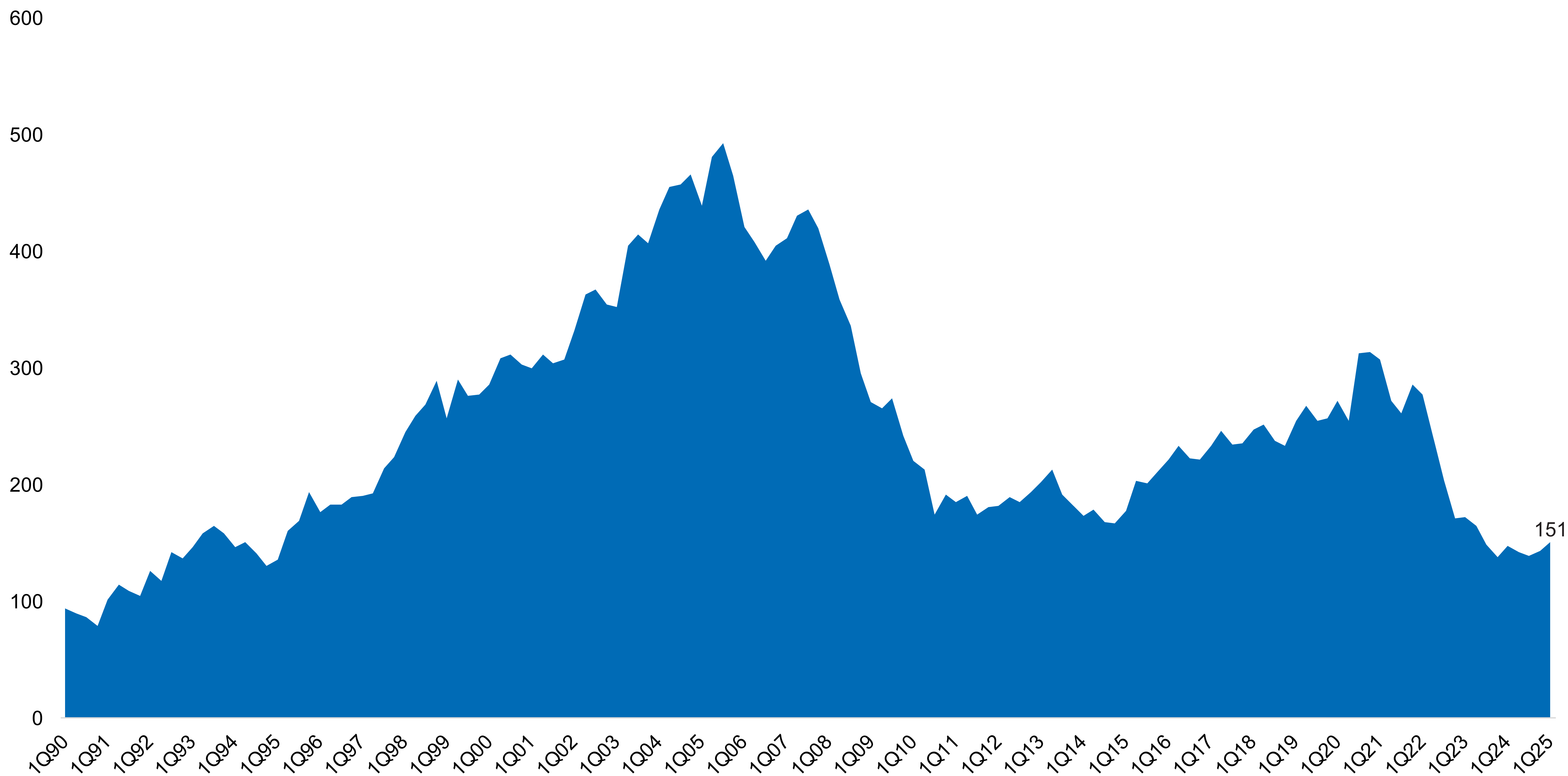
Prospective Buyers On Sidelines; Purchase Applications Remain Weak

While the first quarter of 2025 saw a modest uptick in home purchase applications, the index remains historically subdued. Since its peak in the fourth quarter of 2020, the home purchase application index has declined by 51.8%.

MBA Purchase Application Index

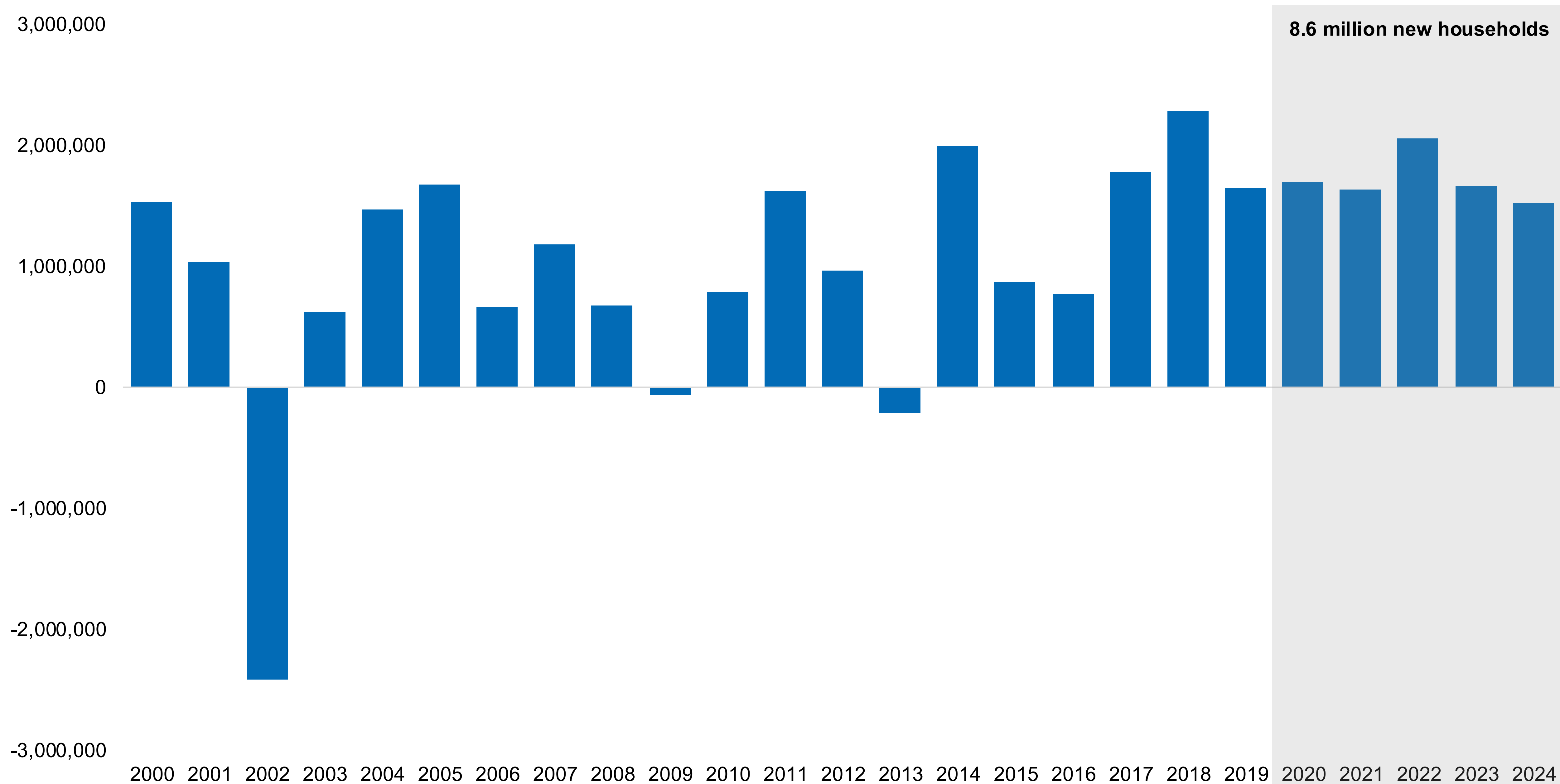


Source: Newmark Research, Mortgage Bankers Association, Moody's Analytics

Household Formation Runs Consistently Strong

According to the Census Bureau, 1.5 million new households were formed in 2024. Over the past five years, 8.6 million households were created—a 16.4% increase compared to the 7.4 million formed during the prior five-year period.

Household Estimates; Annual Change

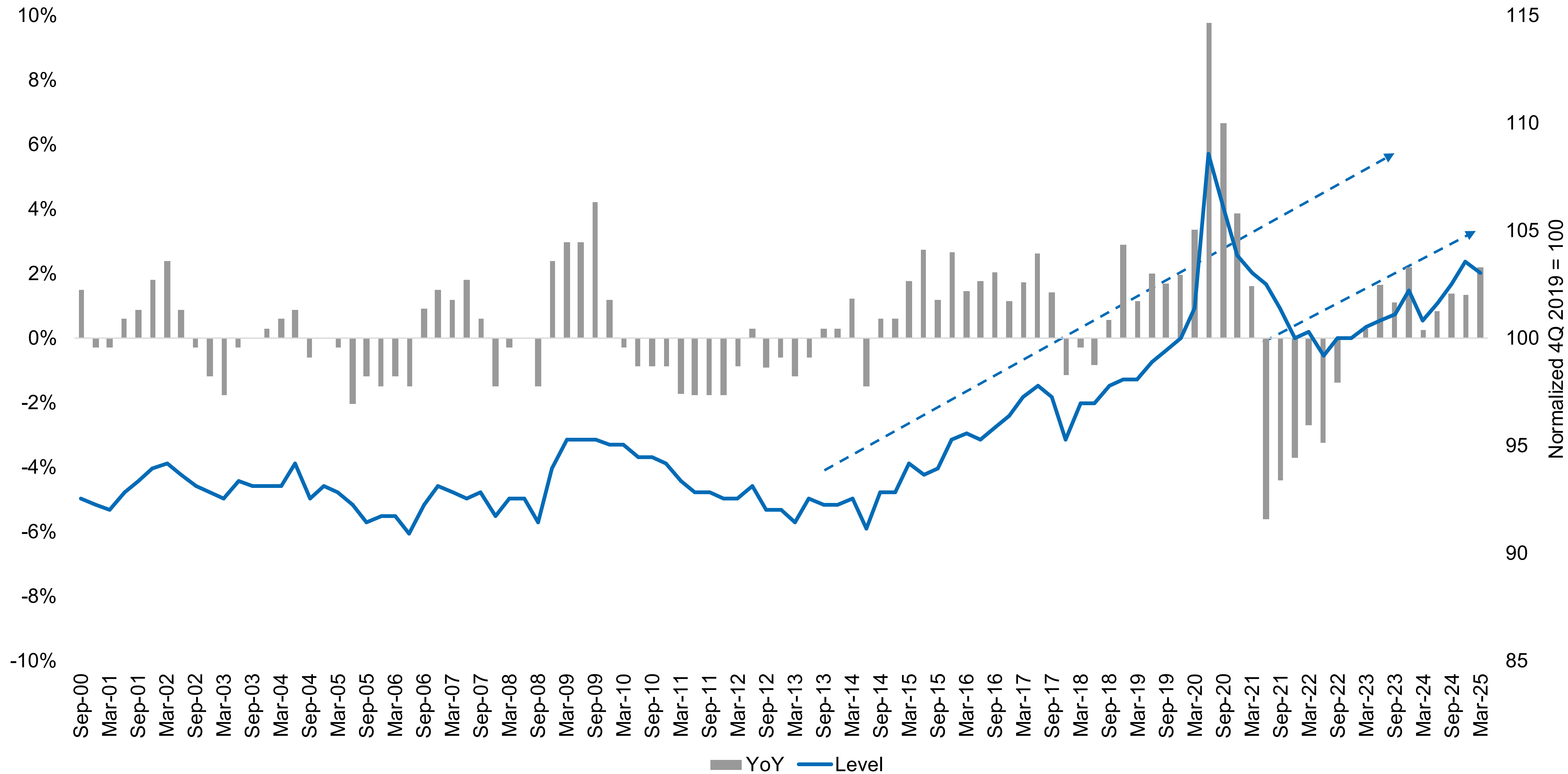


Source: Newmark Research, U.S. Census Bureau, Federal Reserve Bank of St. Louis

Real Wage Growth Accelerates

Real earnings spiked in 2020 following stimulus measures but fell below their pre-pandemic trend due to elevated, unexpected inflation. Since late 2022, real wage growth has returned to its upward trajectory, tracking at a pace consistent with the 2013–2019 period.

Median Real Weekly Earnings: Full-Time Wage and Salary Workers

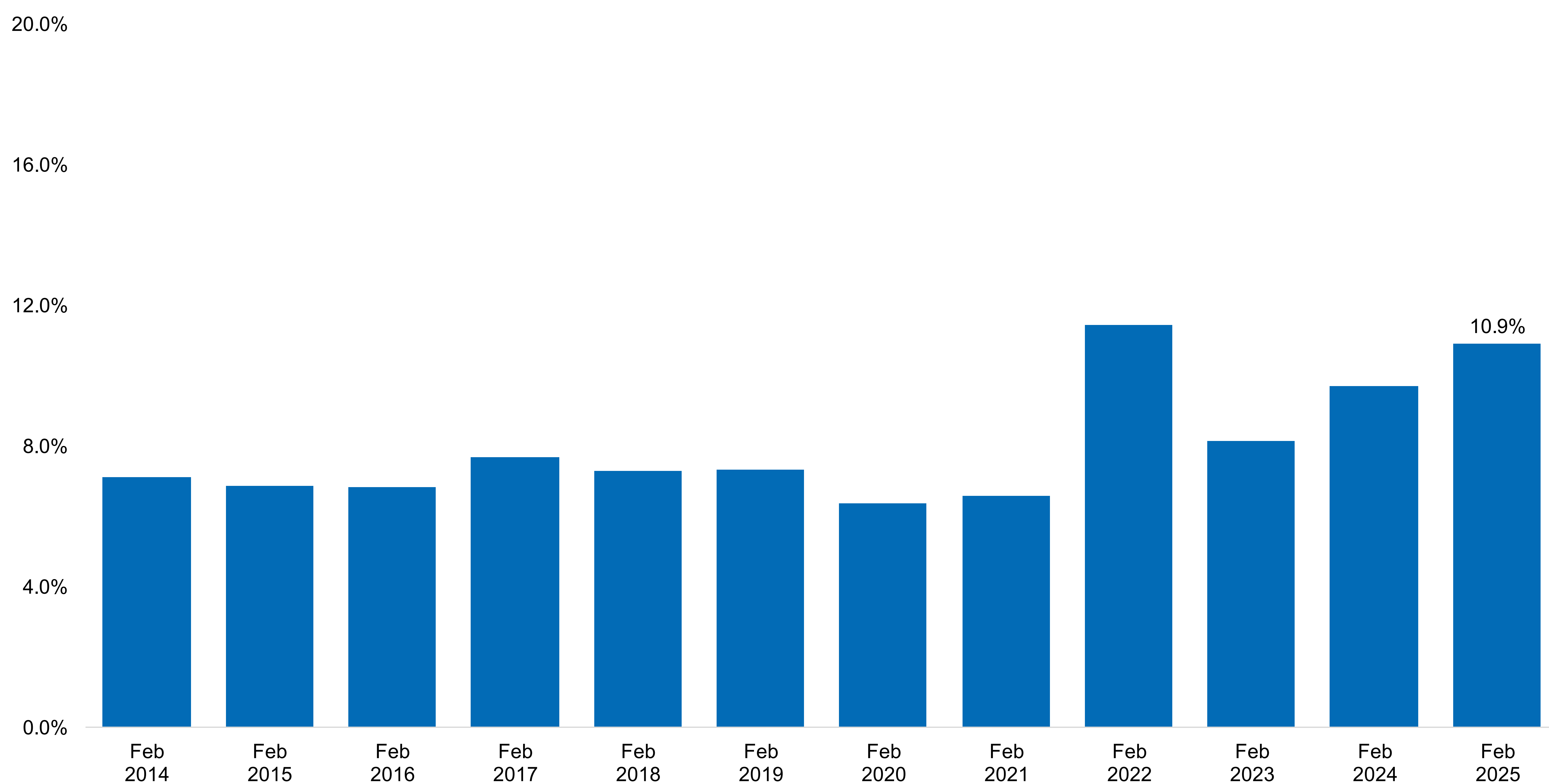


Source: BEA, Newmark Research as of 4/24/2025

Consumers Expecting Rents to Rapidly Increase Over Next Year

According to the latest Federal Reserve Bank of New York Consumer Expectations Survey, consumers anticipate rents will rise by an average of 10.9% year-over-year over the next 12 months.

New York Fed Survey of Consumer Expectations; Rent Change Expectations



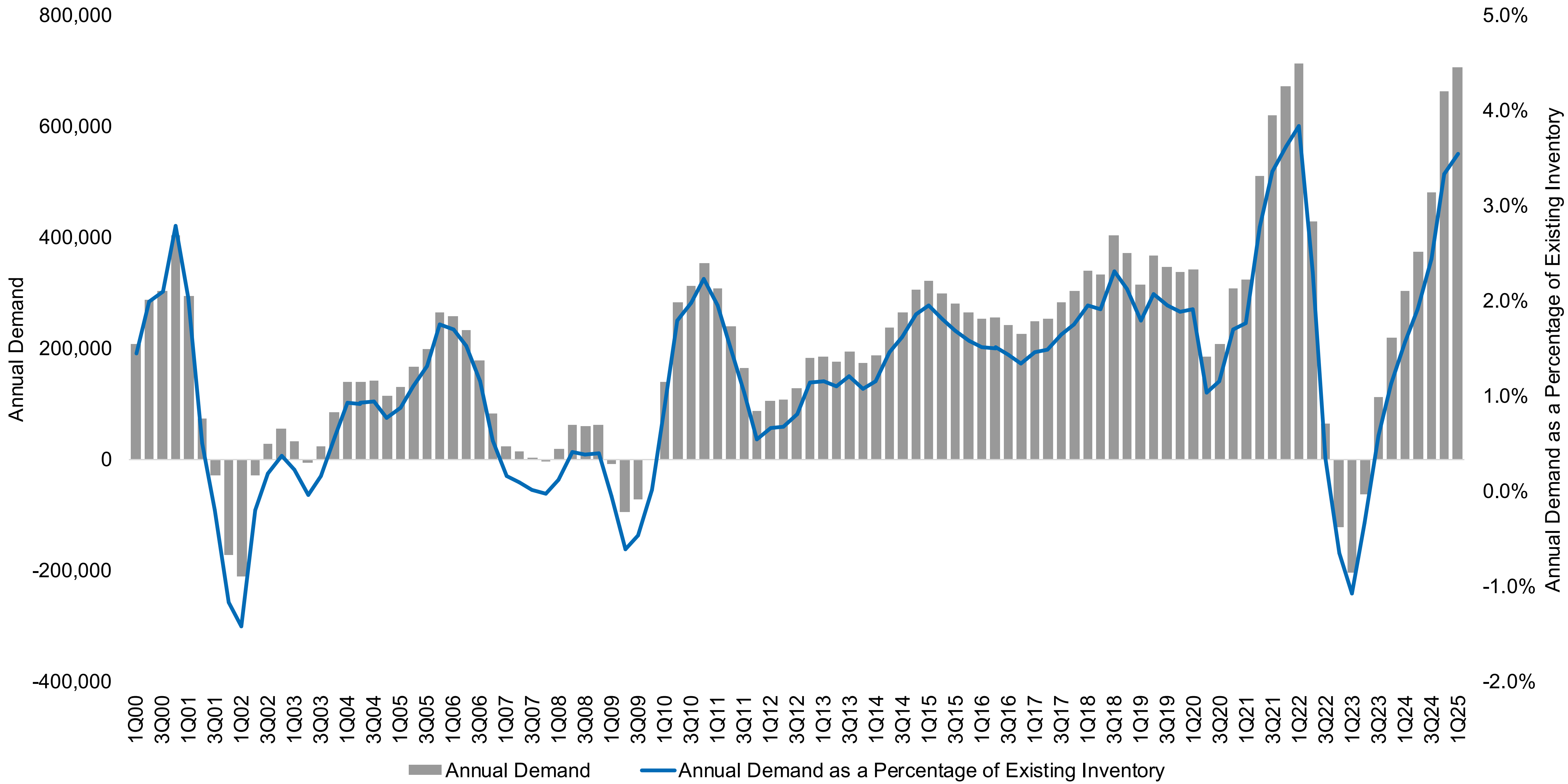
Source: Newmark Research, Federal Reserve Bank of New York

Leasing Market

Record Supply Met With Even Stronger Demand

Over the past 12 months, demand outpaced supply by 131,151 units, even in the face of record-high deliveries. Absorption reached 707,811 units—more than 3.5 times the long-term average. Demand as a share of inventory rose to 3.5%, marking the third-highest level on record. With sustained, durable demand and a projected slowdown in new supply, market fundamentals remain positioned for continued positive momentum.

Annual Demand and Demand as a Percentage of Existing Inventory

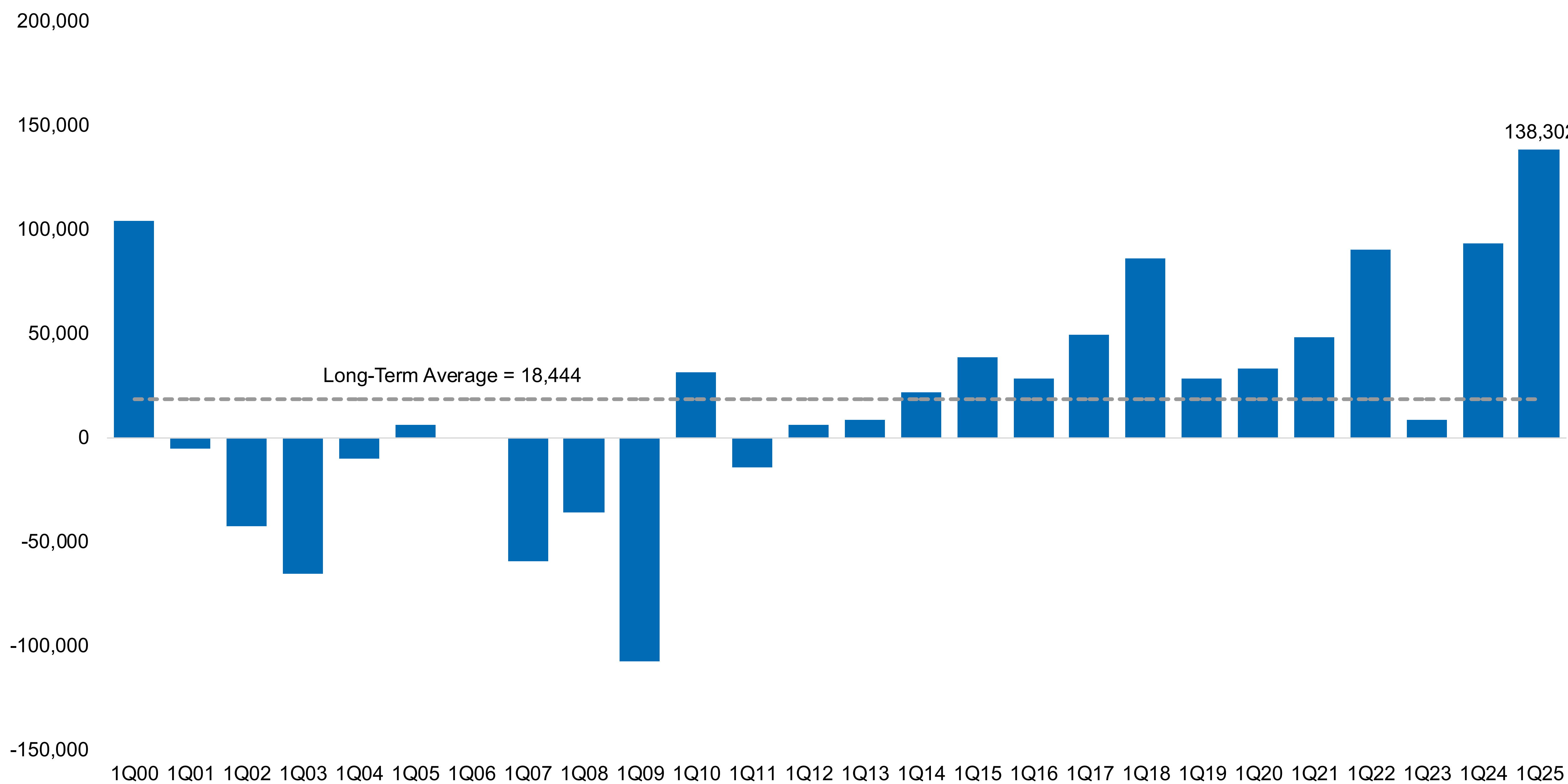


Source: Newmark Research, RealPage

Multifamily Posts Strongest First Quarter Absorption Since 2000

Demand set a new benchmark in the first quarter of 2025, reaching an all-time high and surpassing the previous first-quarter peak by 34,411 units—or 33.1%. At 7.5 times the long-term quarterly average, this surge marks a sharp departure from the typically slower pace of first quarters.

Historical 1Q Demand



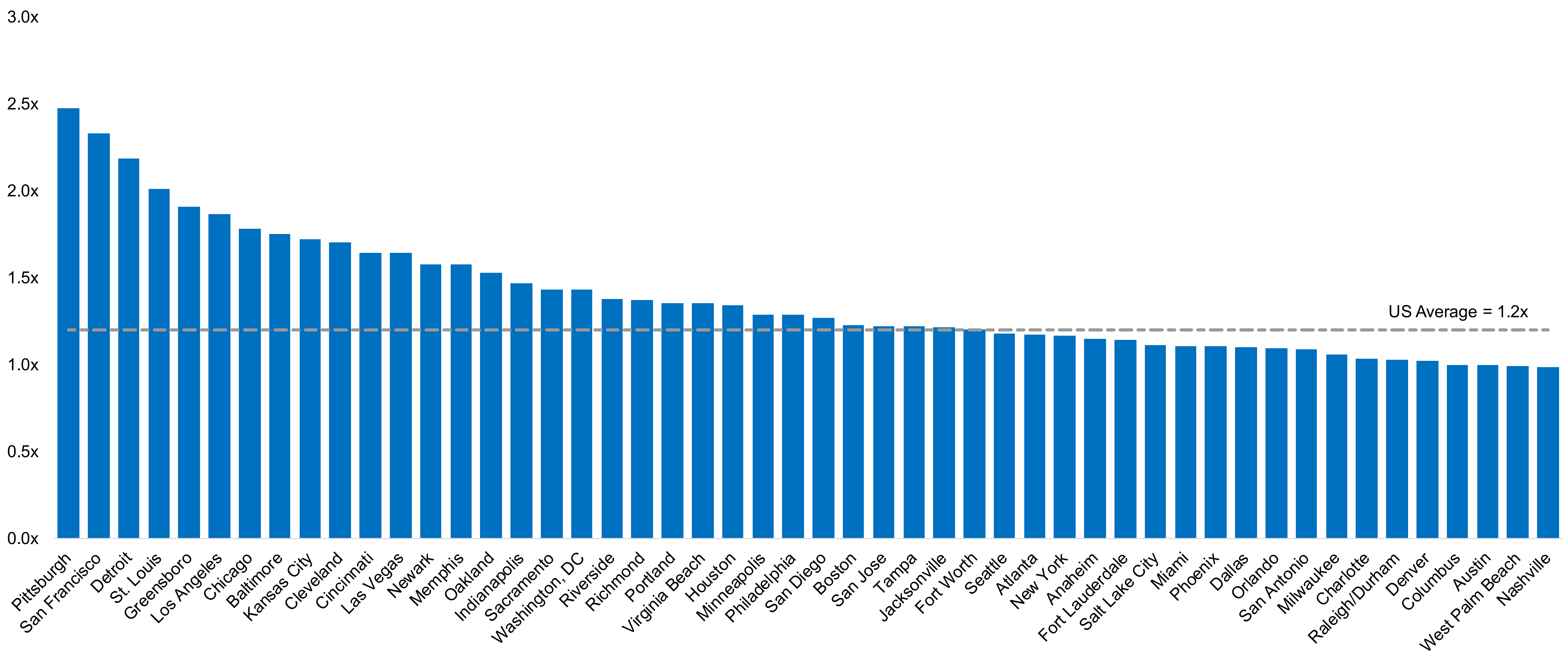
Source: Newmark Research, RealPage

**Demand is defined as the change in occupied units.*

Demand Relative to Supply Strongest in Lower Supply Market

Pittsburgh led the nation with demand outpacing supply by 2.5x over the trailing 12 months—twice the U.S. average. The Midwest dominated the top-performing markets, accounting for 48% of the top 10, led by Detroit, St. Louis, Chicago, Kansas City and Cleveland.

Annual Demand Relative to Annual Supply; Top 50 Markets

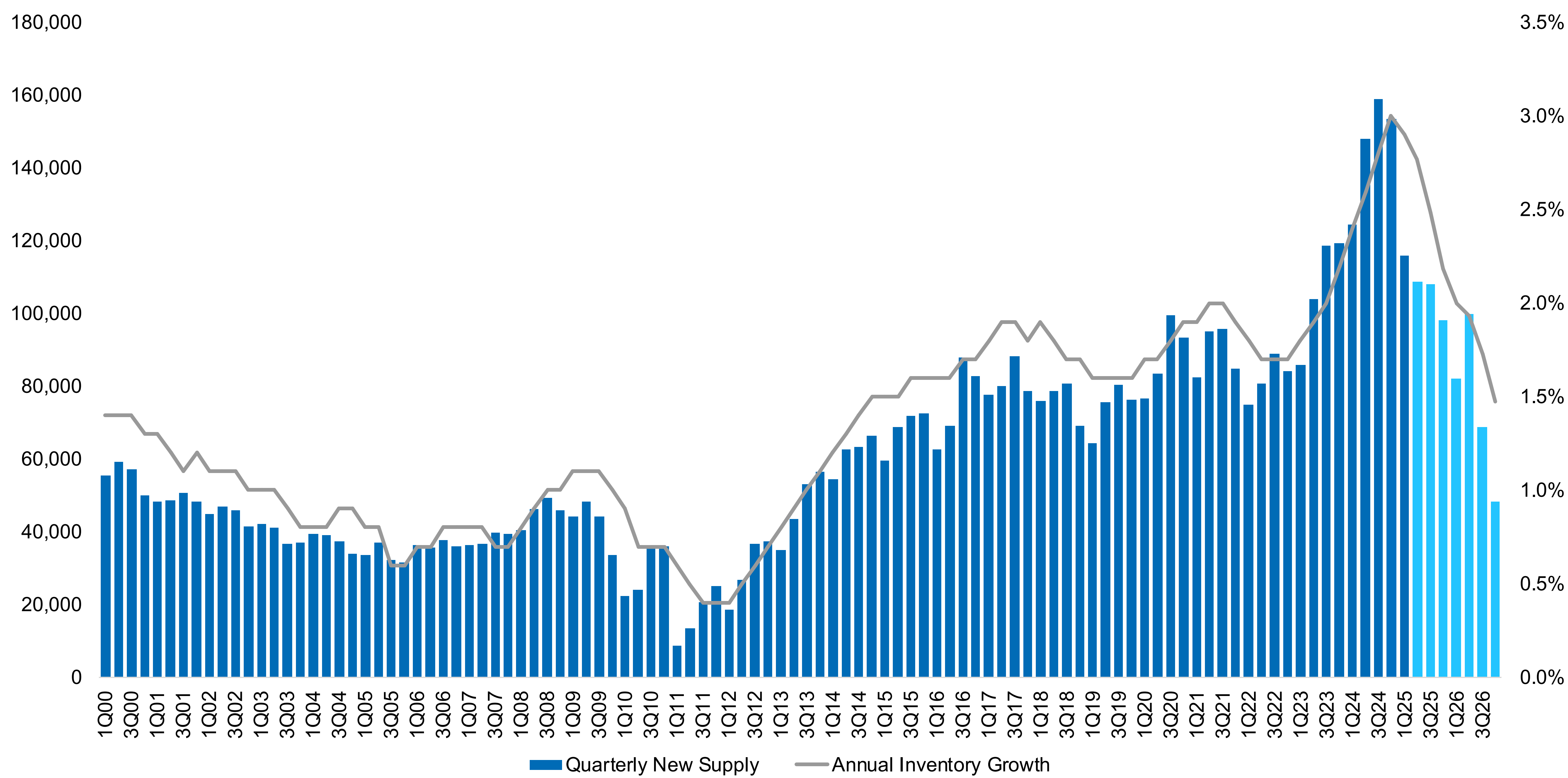


Source: Newmark Research, RealPage

New Supply Sharply Declines in 1Q25; Pipeline To Slow Through 2025-2026

A total of 116,092 units were delivered in the first quarter of 2025—a 27.0% decline from the record high in 3Q24 and a 6.8% year-over-year decrease. Following 585,191 units delivered in 2024, new supply is expected to slow to 431,212 units in 2025, with further deceleration anticipated through 2026.

Quarterly Supply and Annual Inventory Growth



Source: Newmark Research, RealPage

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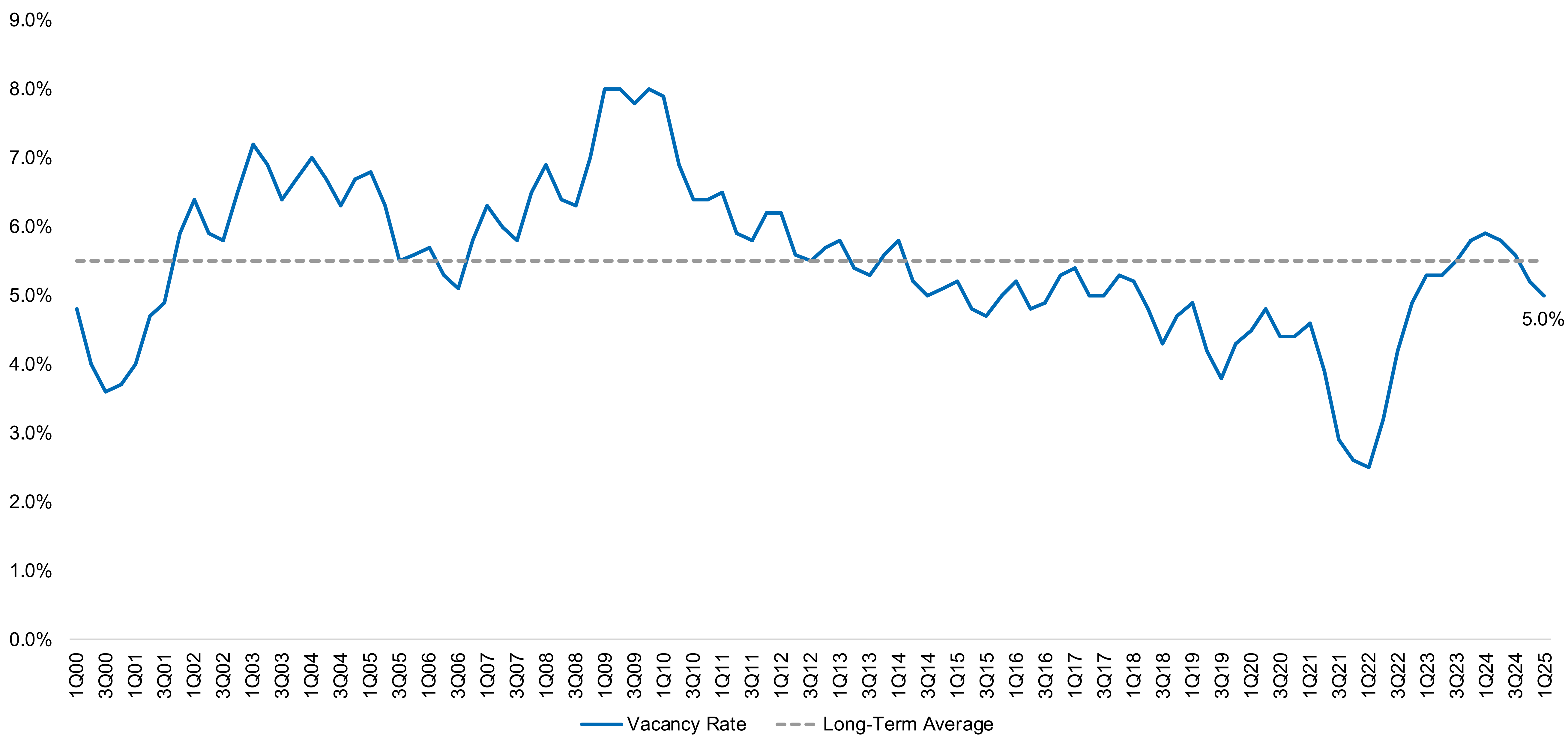
Vacancy Rate Continues To Improve As Demand Surges

National vacancy declined to 5.0% in the first quarter of 2025, down 90 basis points from its peak one year earlier. The rate now sits 50 basis points below the long-term average, signaling tightening market conditions.

Quarterly Vacancy Rate

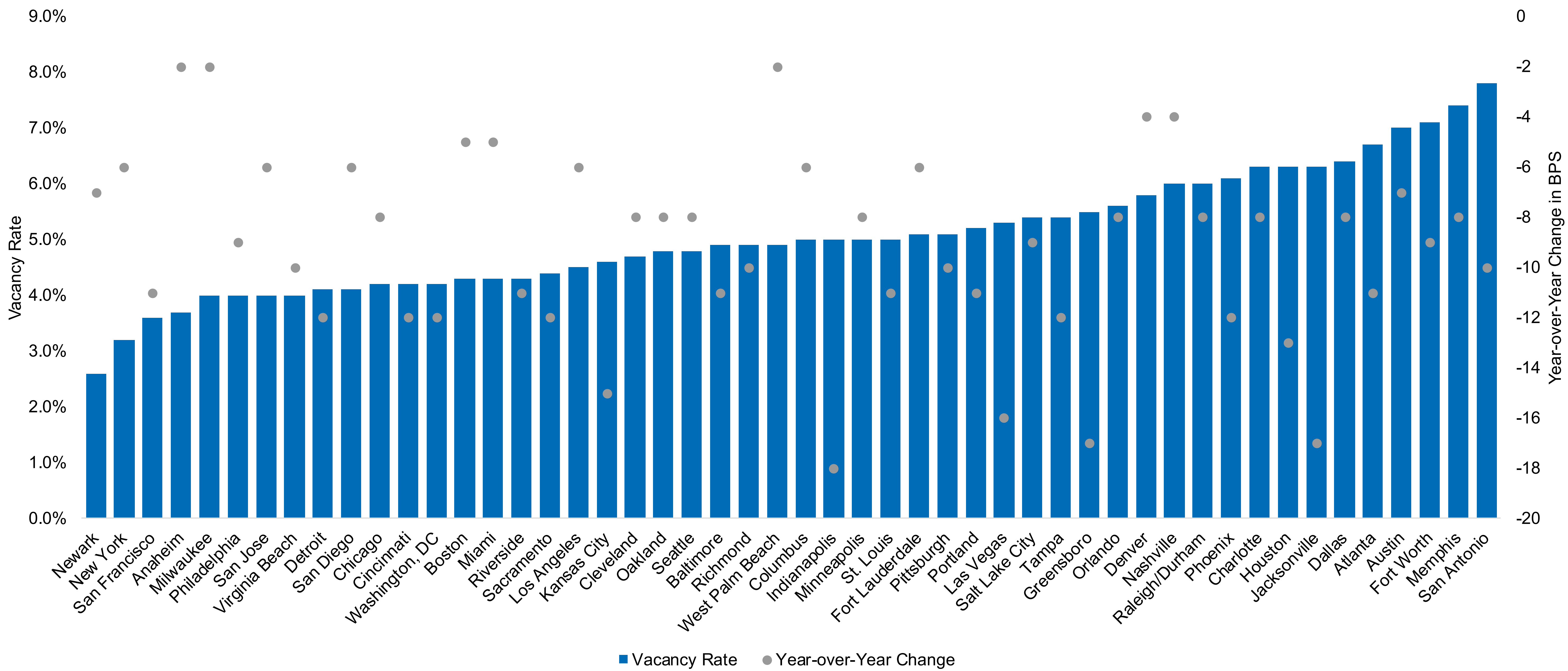


Source: Newmark Research, RealPage

All Top 50 US Markets Experience Year-Over-Year Decline in Vacancy

Through the first quarter of 2025, Newark, New York and San Francisco reported the lowest vacancy rates among the top 50 markets, while San Antonio, Memphis and Fort Worth recorded the highest. Notably, none of the top 50 markets saw a year-over-year increase in vacancy.

Vacancy Rate and Year-over-Year Change; Top 50 Markets

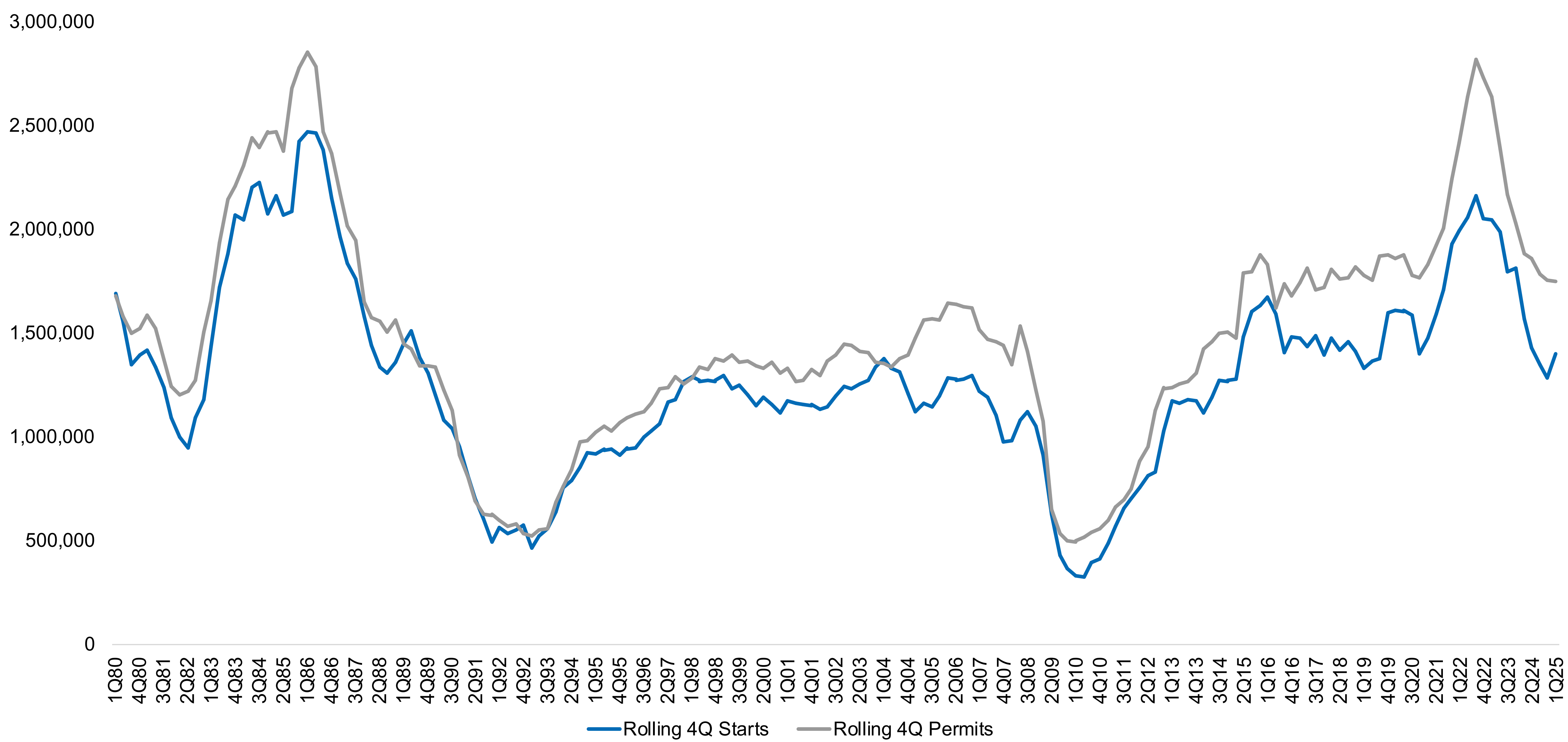


Source: Newmark Research, RealPage

Multifamily Pipeline Signals Tapering Deliveries

Rolling four-quarter starts reached 1.4 million units in the first quarter of 2025, while permitting totaled 1.8 million units. Both measures declined year-over-year—starts by 10.6% and permits by 7.2%. Since peaking in the third quarter of 2022, starts have fallen 35.2%, and permitting is down 38.0%.

Rolling 4Q Multifamily Starts and Permits

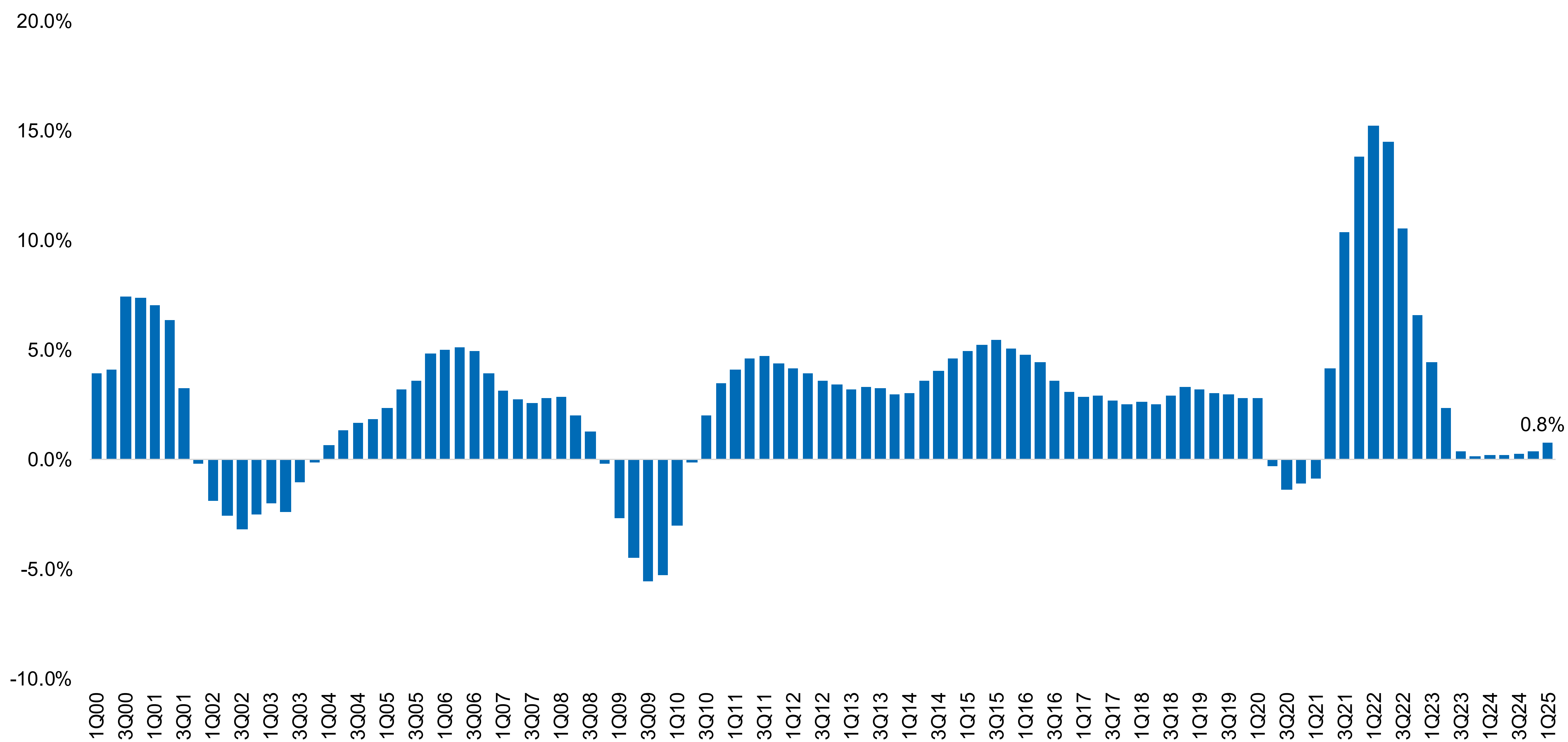


Source: Newmark Research, U.S. Census Bureau, U.S. Department of Housing and Urban Development, Federal Reserve Bank of St. Louis

Rent Growth Begins to Breakout from Muted Territory

After 18 months of muted rent growth amid elevated new supply, rents are beginning to accelerate and are expected to continue rising through 2025. Same-store rent growth reached 0.8% year-over-year, signaling renewed momentum in the market.

Year-over-Year Effective Rent Growth; Same-Store Performance

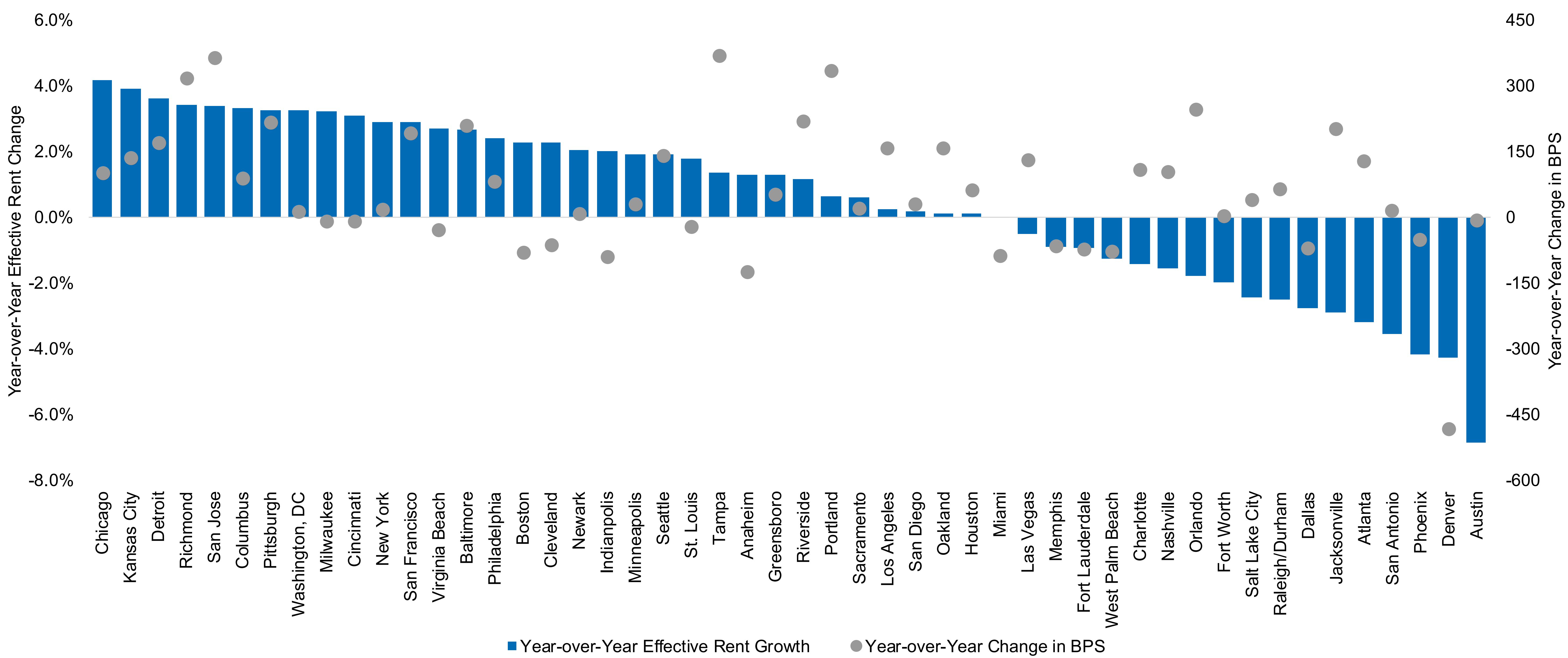


Source: Newmark Research, RealPage

Midwest Continues to Excel; West Coast Rally Continues

Chicago, Kansas City and Detroit led year-over-year effective rent growth, followed by Richmond and San Jose. Tampa saw the largest jump at 368 basis points, while Western markets like San Jose, Portland, Riverside and San Francisco all posted gains above 190 basis points.

Year-over-Year Effective Rent Growth and Change in BPS; Top 50 Markets; Same-Store

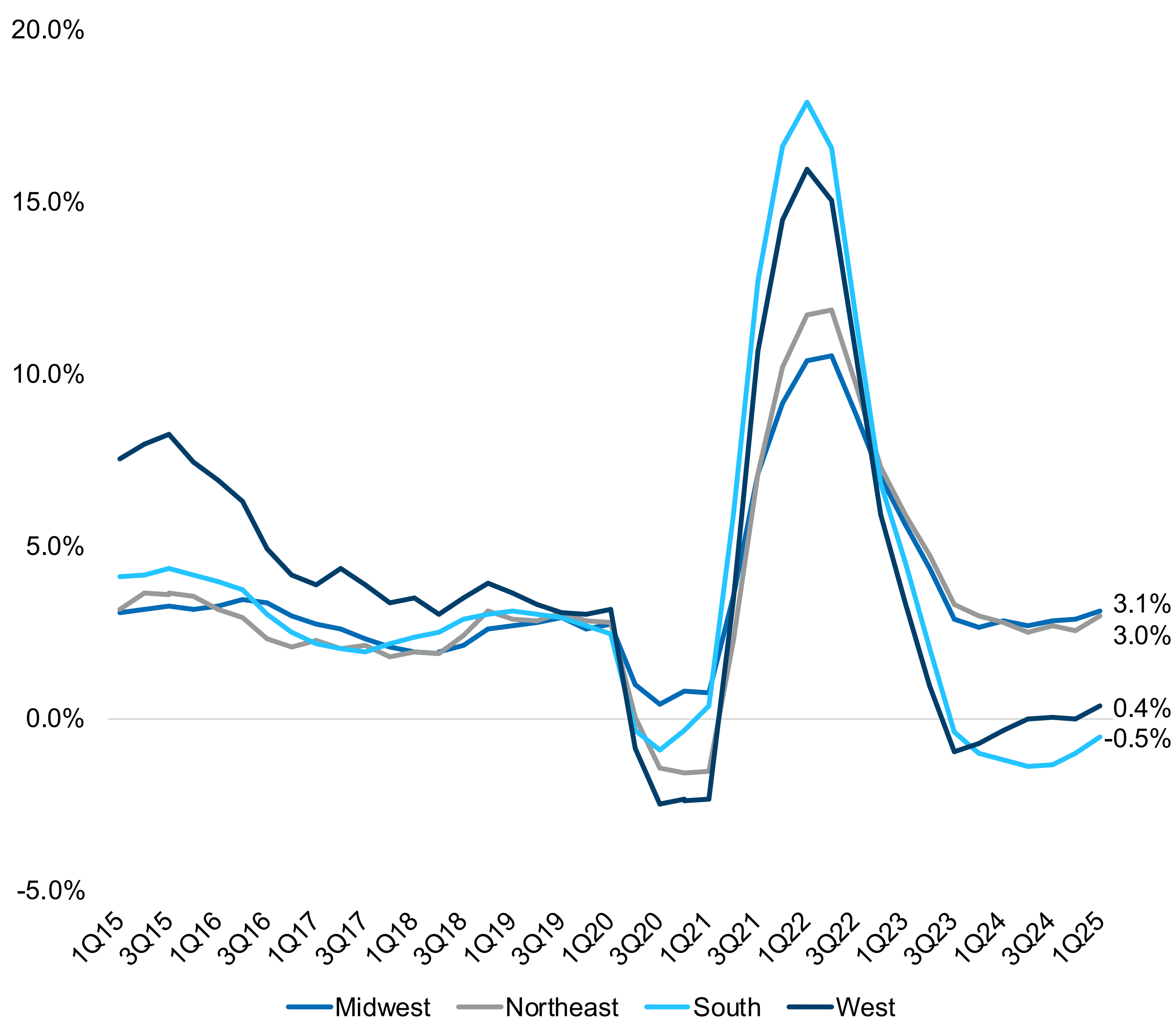


Source: Newmark Research, RealPage

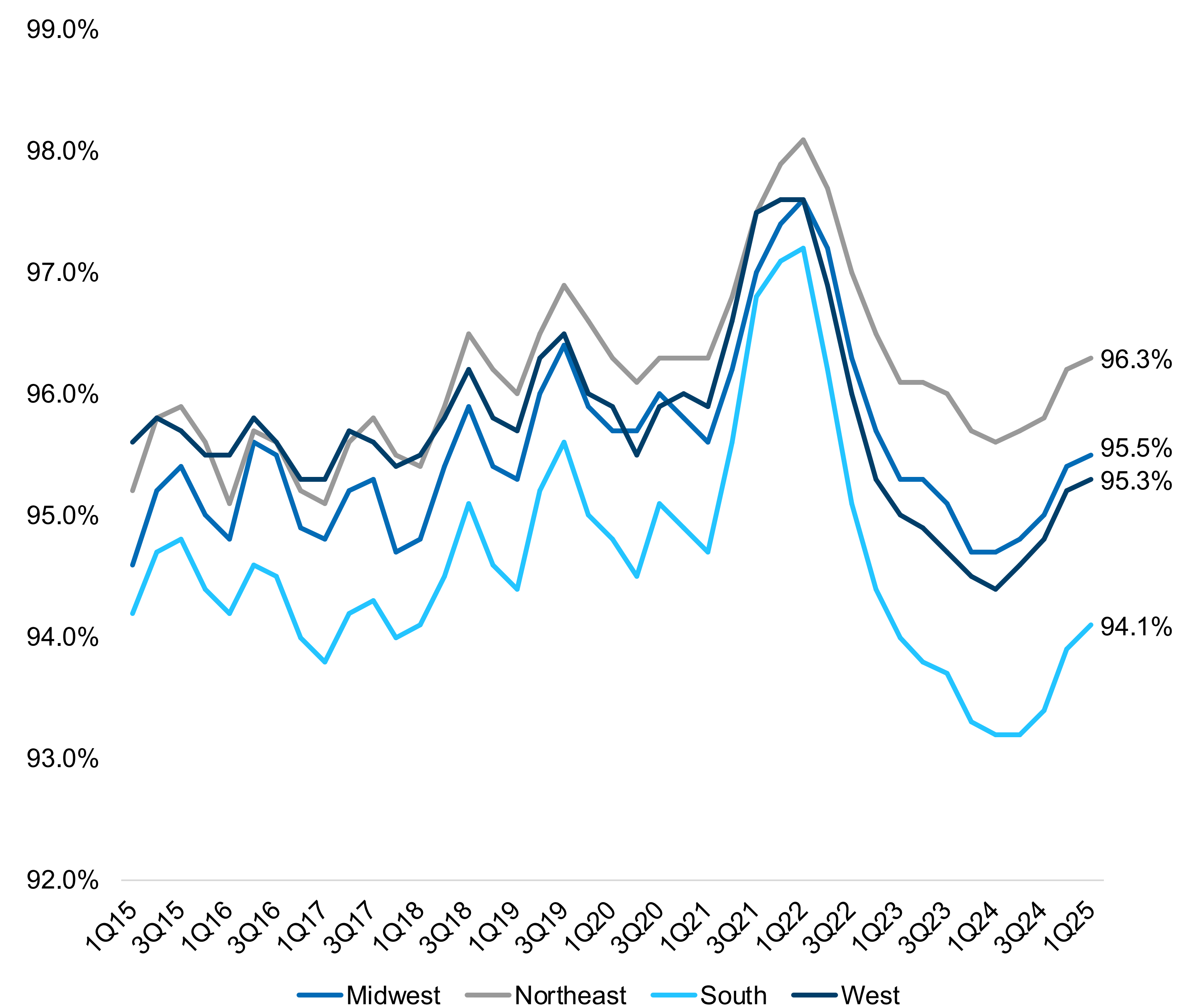
Fundamentals Brightest in Midwest & Northeast

Multifamily properties in the Midwest and Northeast are outperforming those in the South and West, driven by more limited new supply. Lower delivery volumes have supported stronger occupancy and rent performance in these regions.

Year-over-Year Effective Rent Growth by Region; Same-Store



Occupancy by Region

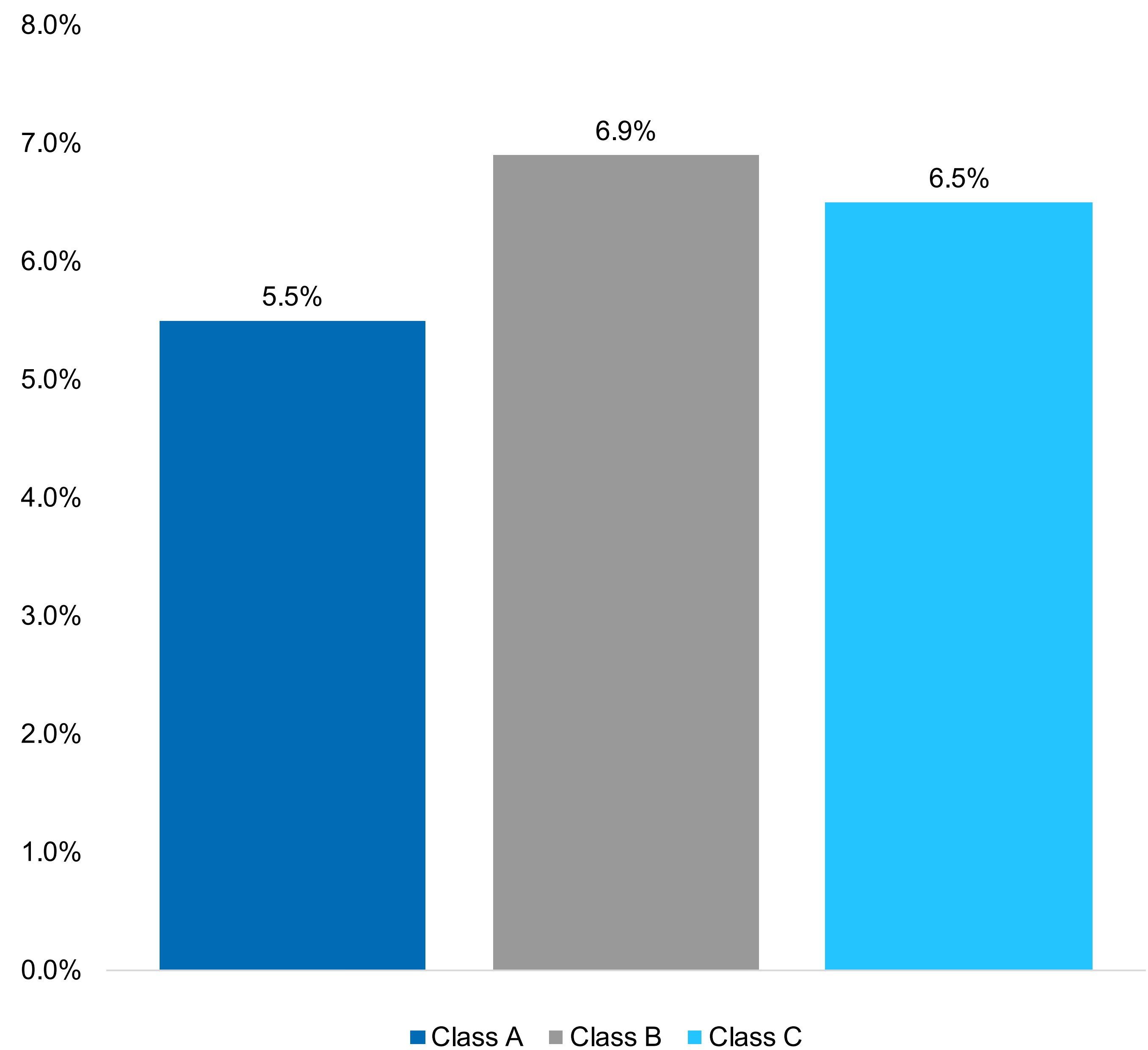


Source: Newmark Research, RealPage

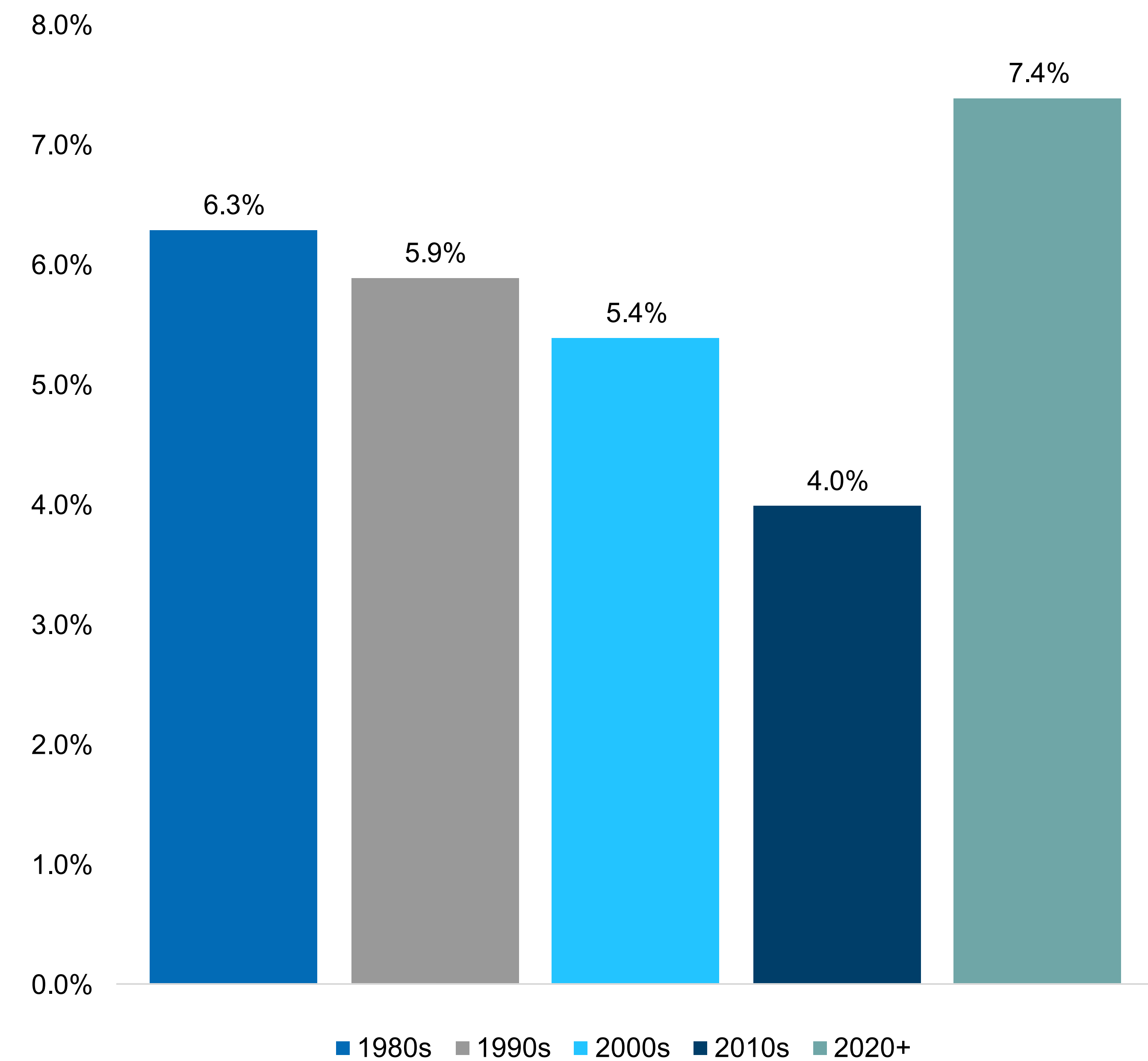
Class B & Newer Builds Lead in Five-Year Growth

Over the past five years, Class B assets have recorded stronger compound annual growth rates than other property classes. Newer vintage properties have likewise outperformed, delivering above-average results over the same period.

Effective Rent Growth CAGR by Rent Growth; Past 5 Years (2Q20-1Q25)



Effective Rent Growth CAGR by Vintage; Past 5 Years (2Q20-1Q25)



Source: Newmark Research, RealPage

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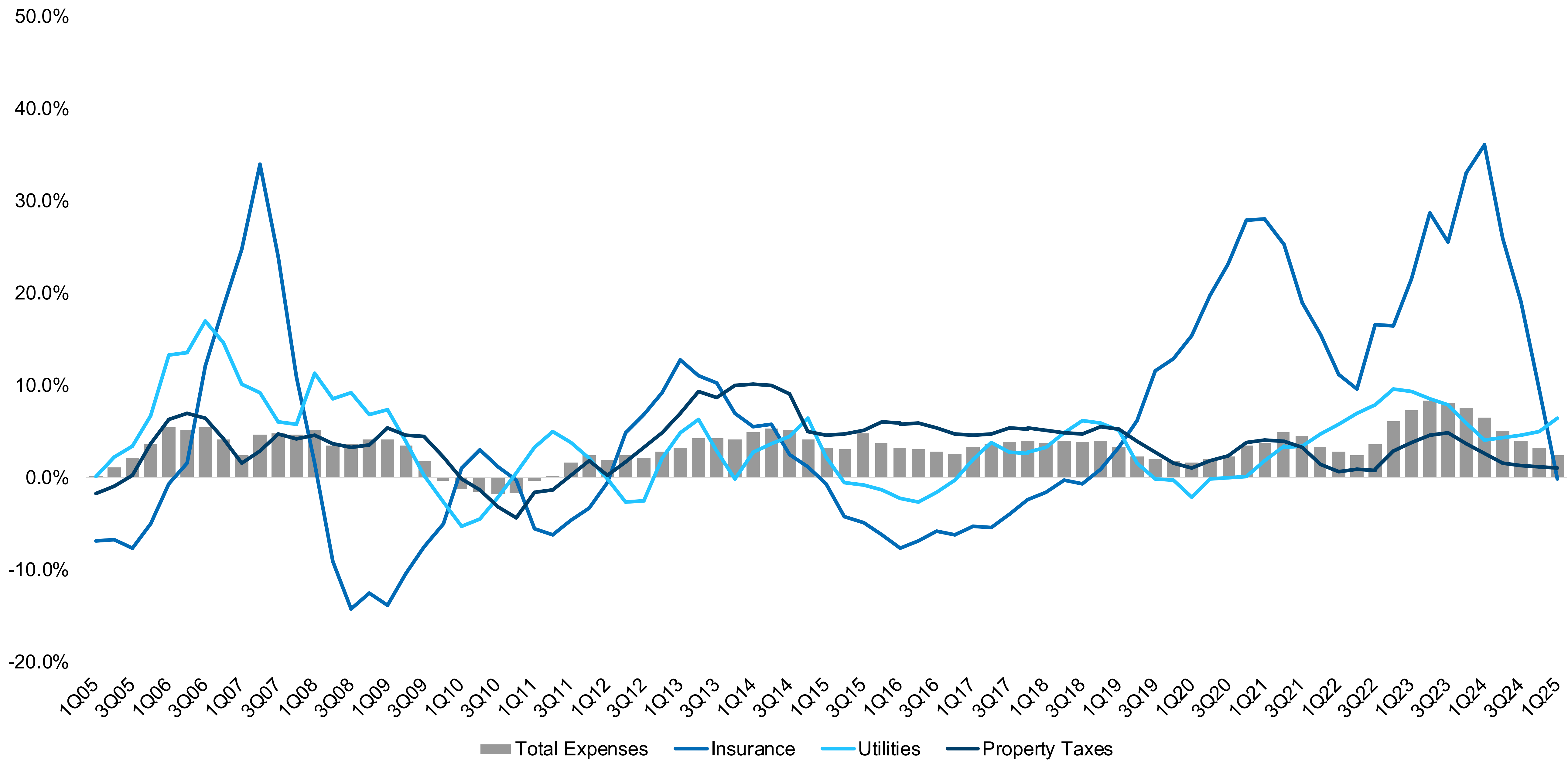
Expenses Fall For 7 Consecutive Quarters; Insurance Growth Turns Negative

As of the first quarter of 2025, total operating expenses rose 2.4% year-over-year. In contrast, insurance costs edged down 0.2%—the first annual decline since the third quarter of 2018—as premiums begin to stabilize after several years of sharp increases.

Year-over-Year Change in Expenses and Insurance



Source: Newmark Research, NCREIF

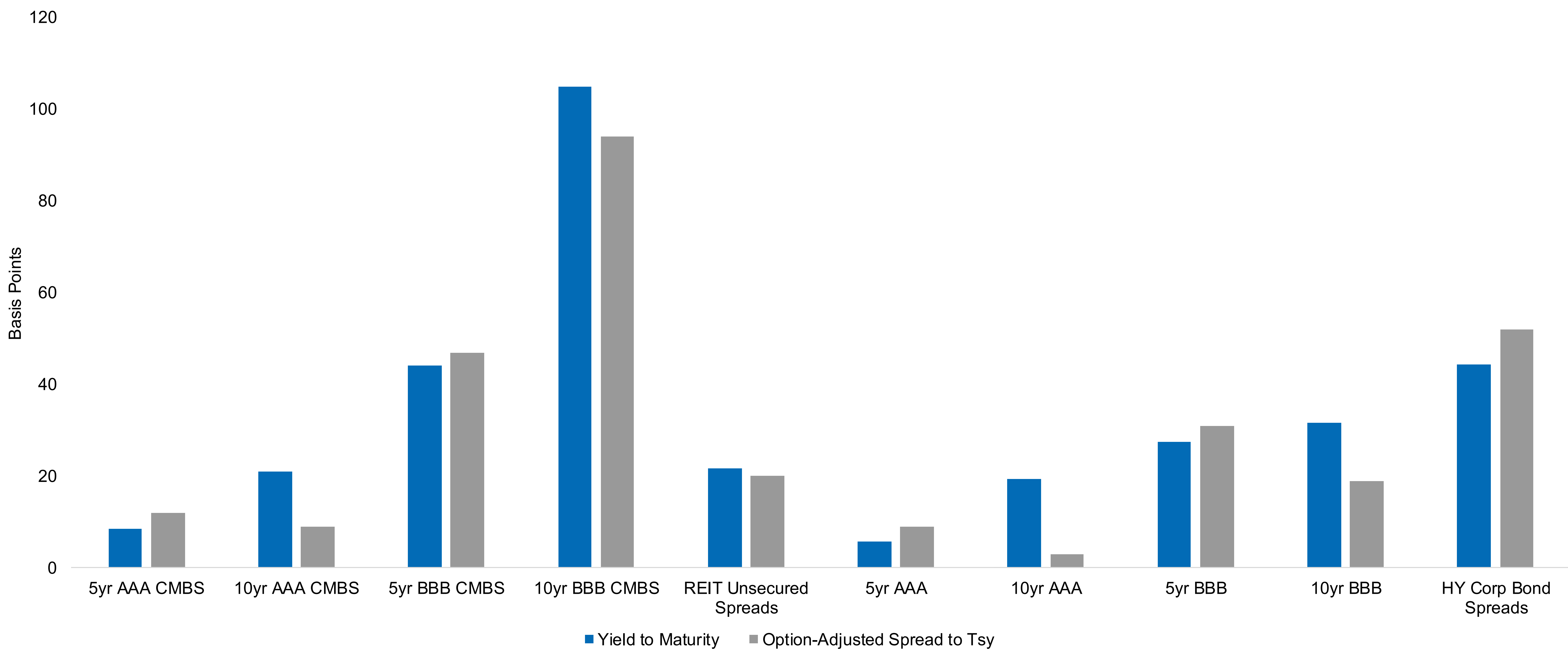
1Q25 US MULTIFAMILY CAPITAL MARKETS REPORT

Debt Capital Markets

Change in Yields And Spreads Of CRE-Related Benchmarks Since “Liberation Day”

Both CMBS spreads and corporate bonds saw spreads widening compared to base rates, with riskier yields seeing larger increases in spreads. The market is concerned about slower economic growth, but so far spreads have indicated concern, not panic. Liquidity has remained but expect spreads to continue to widen if economic performance continues to deteriorate.

Change in Yields and Spreads of CRE-related Benchmarks Since “Liberation Day”



Source: Bloomberg, ICE Indices, Newmark Research as of 4/23/2025

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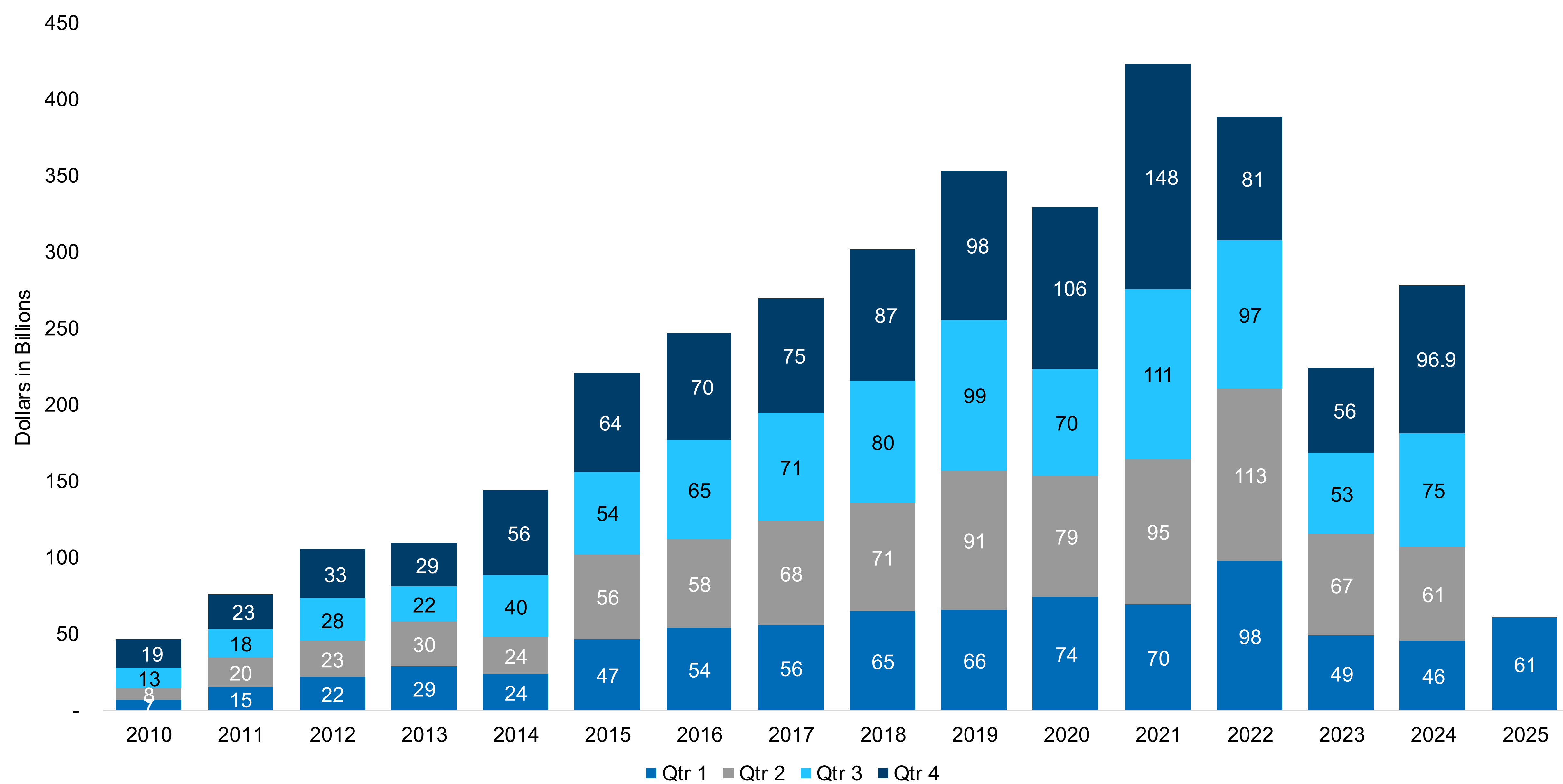
Multifamily Debt Originations Accelerated 32% Y-o-Y in 1Q25

Activity gained momentum in 1Q25, with volume surpassing 1Q23 and 1Q24—driving a 32% year-over-year increase. Borrowers benefited from lower rates, improved confidence in fundamentals as construction slowed, and carryover momentum from the second half of 2024.

Multifamily Debt Origination Volume*

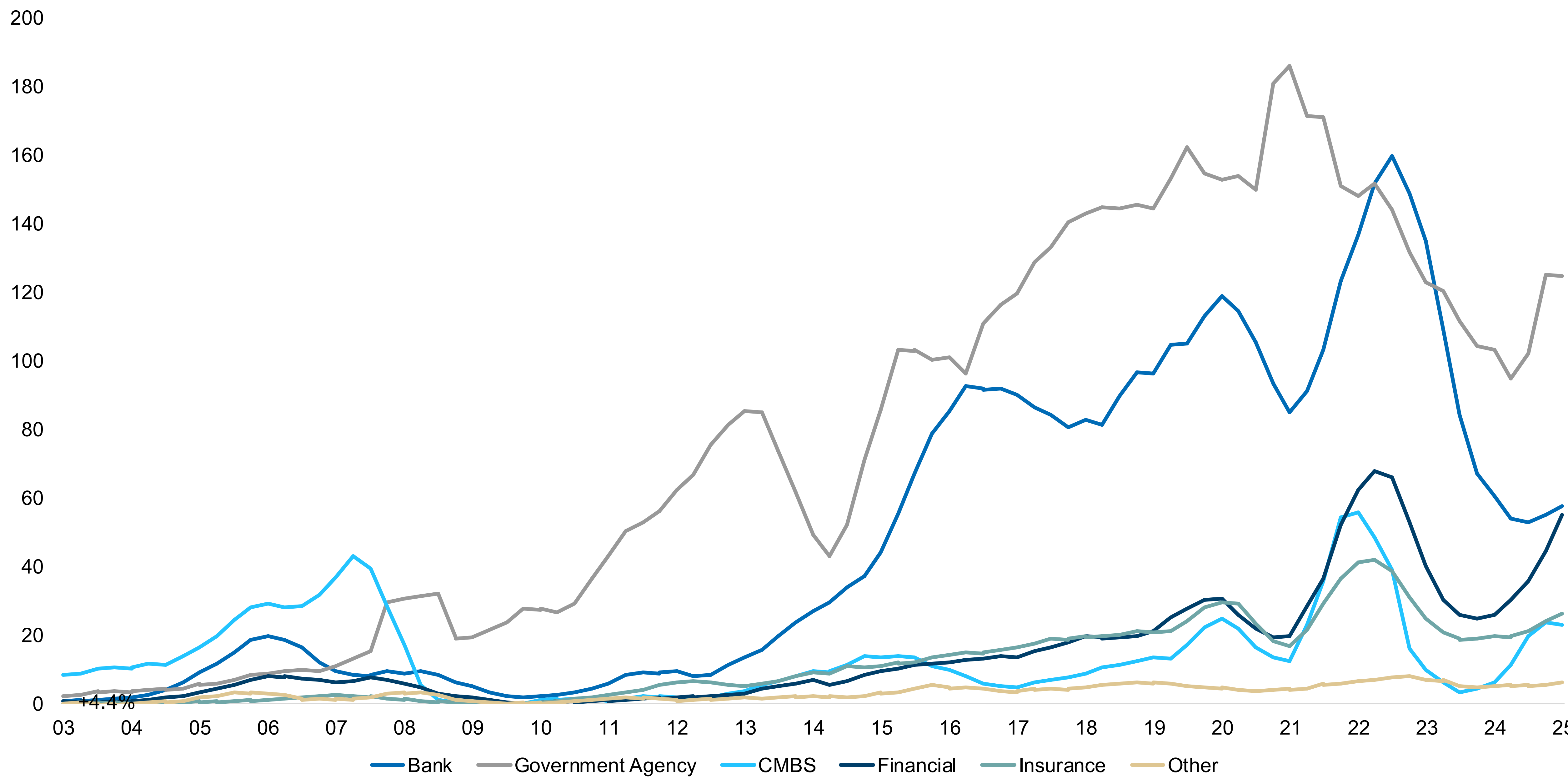


Source: RCA, Newmark Research as of April 21, 2025
Note: loan origination volumes are adjusted for future expected revisions using Newmark's proprietary models

Multifamily Originations Ticked Up For Banks; Debt Fund Gains Acceleration

GSEs and banks remained the largest lenders in 1Q25, with 12-month total volume up 4.4%. Financial firms posted the strongest growth, with volume rising 23% year-over-year.

Rolling 12-Month Multifamily Loan Origination Volume; Dollars in Millions

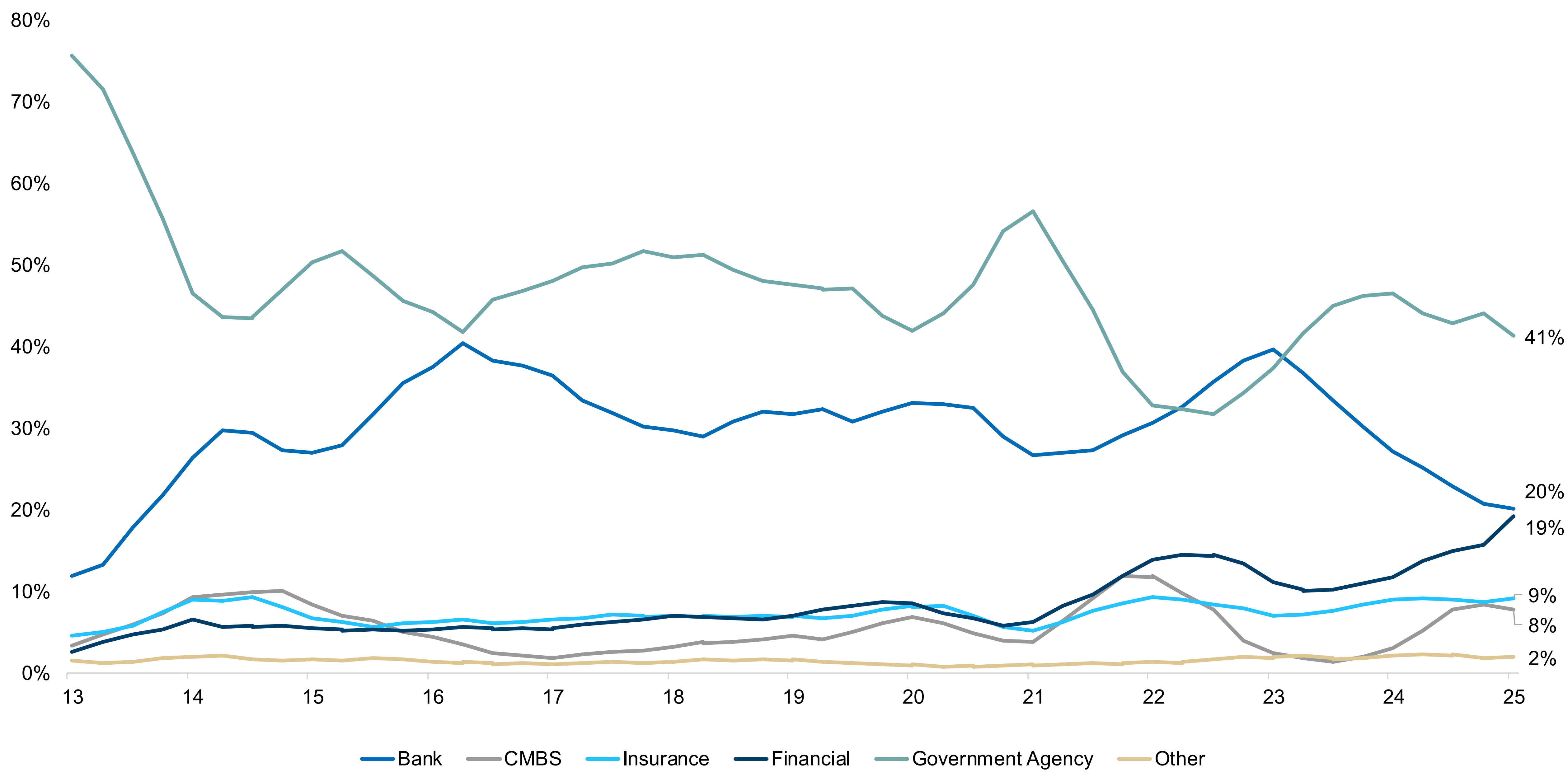


Source: RCA, Newmark Research as of April 21, 2025
Note: loan origination volumes are adjusted for future expected revisions using Newmark's proprietary models

GSEs Carried Market in 2024; Non-Bank Lenders Accumulating Market Share

GSEs continue to lead multifamily originations by market share, though their dominance has recently declined. Bank participation has pulled back sharply, with market share down 50% since 2023. In contrast, debt funds, insurance companies and CMBS/CRE CLO lenders have significantly increased their activity.

Origination Share by Lender Group: Rolling 12-Month Average

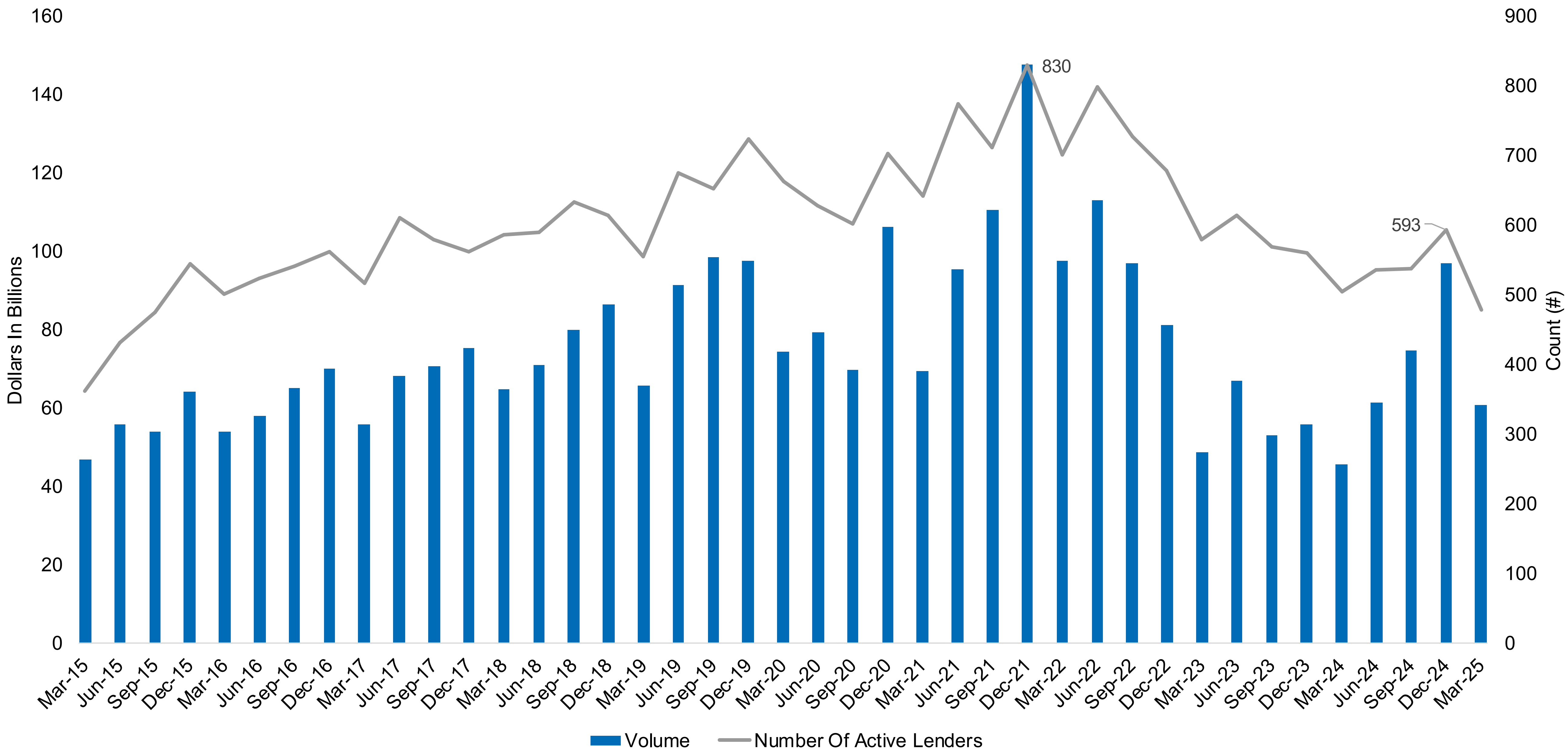


Source: RCA, Newmark Research as of May 8, 2025
Note: loan origination volumes are adjusted for future expected revisions using Newmark's proprietary models

Active Lenders Down 29% Since 4Q21 Peak

Both the number of active lenders and overall origination volume remain well below pre-pandemic levels.

Multifamily Debt Origination Volume

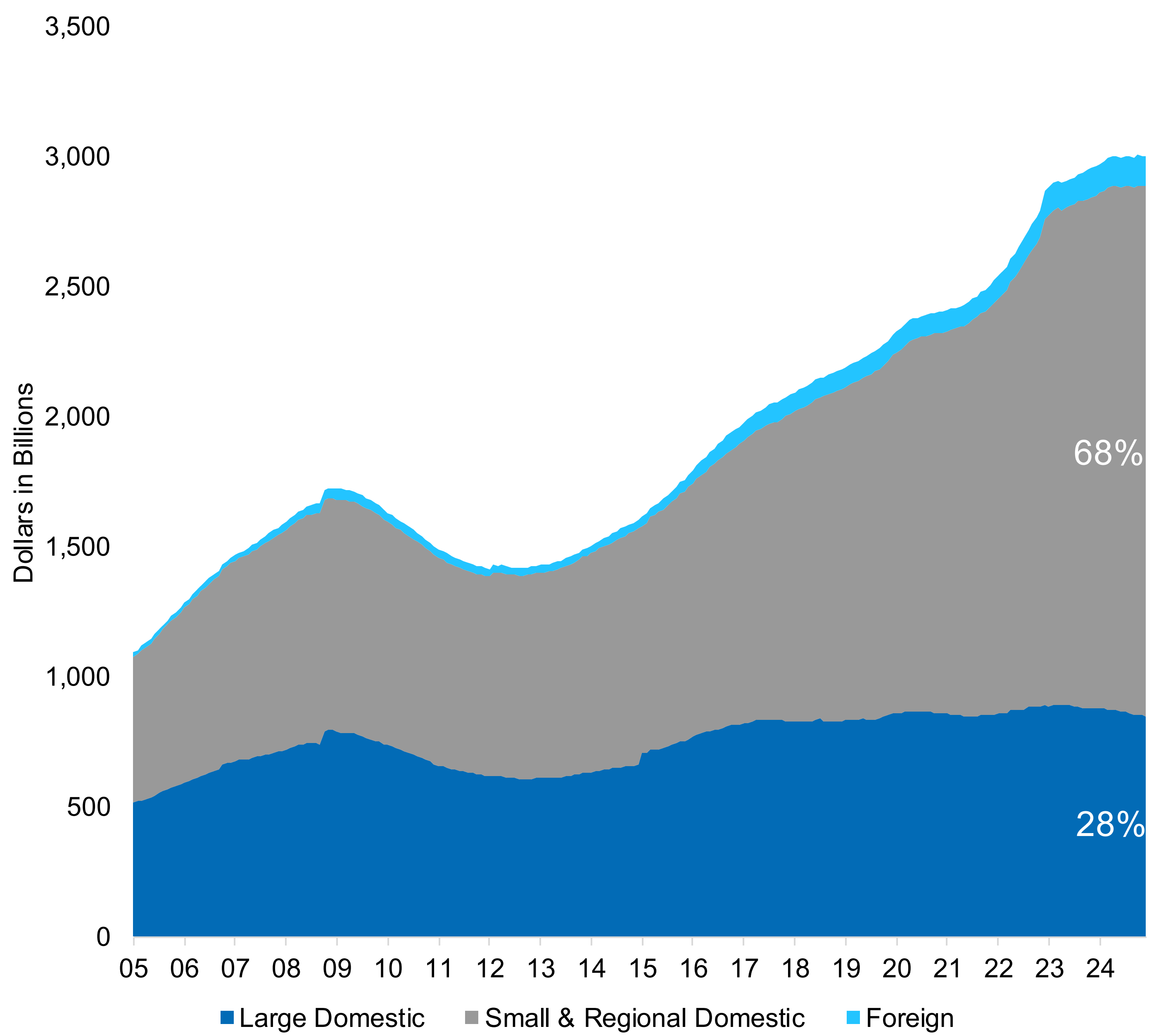


Source: RCA, Newmark Research as of April 21, 2025
Note: loan origination volumes are adjusted for future expected revisions using Newmark's proprietary models

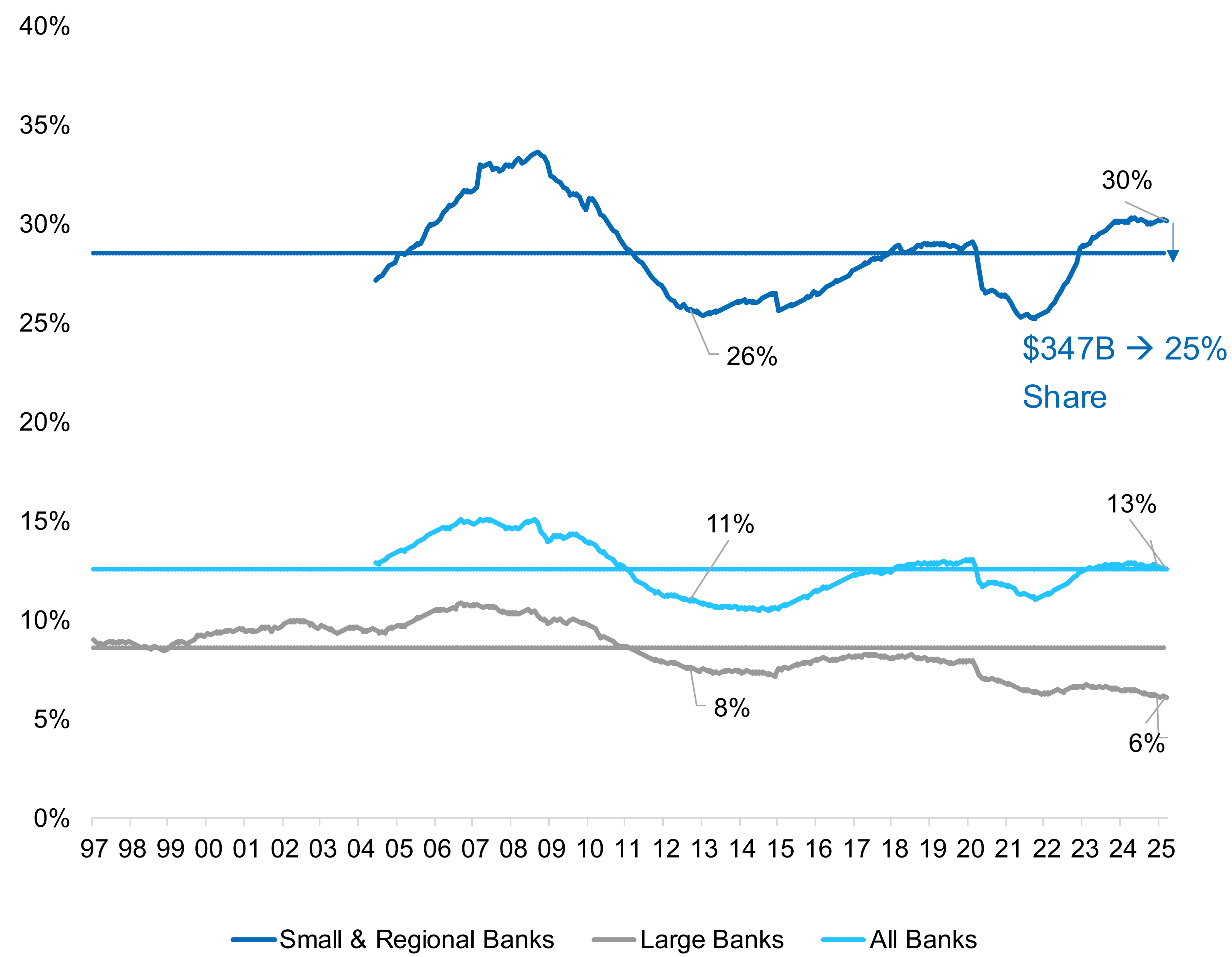
History Suggests Banks Should Be Shedding CRE Loans; They Haven't So Far

Large banks have scaled back direct loan exposure to CRE, while small and regional banks—who hold the bulk of CRE bank loans and face lighter regulation—have maintained a steady CRE share of their assets. Their exposure continues to grow, though at the slowest pace since 2015.

Bank CRE Loan Exposure



CRE Share of Bank Total Assets

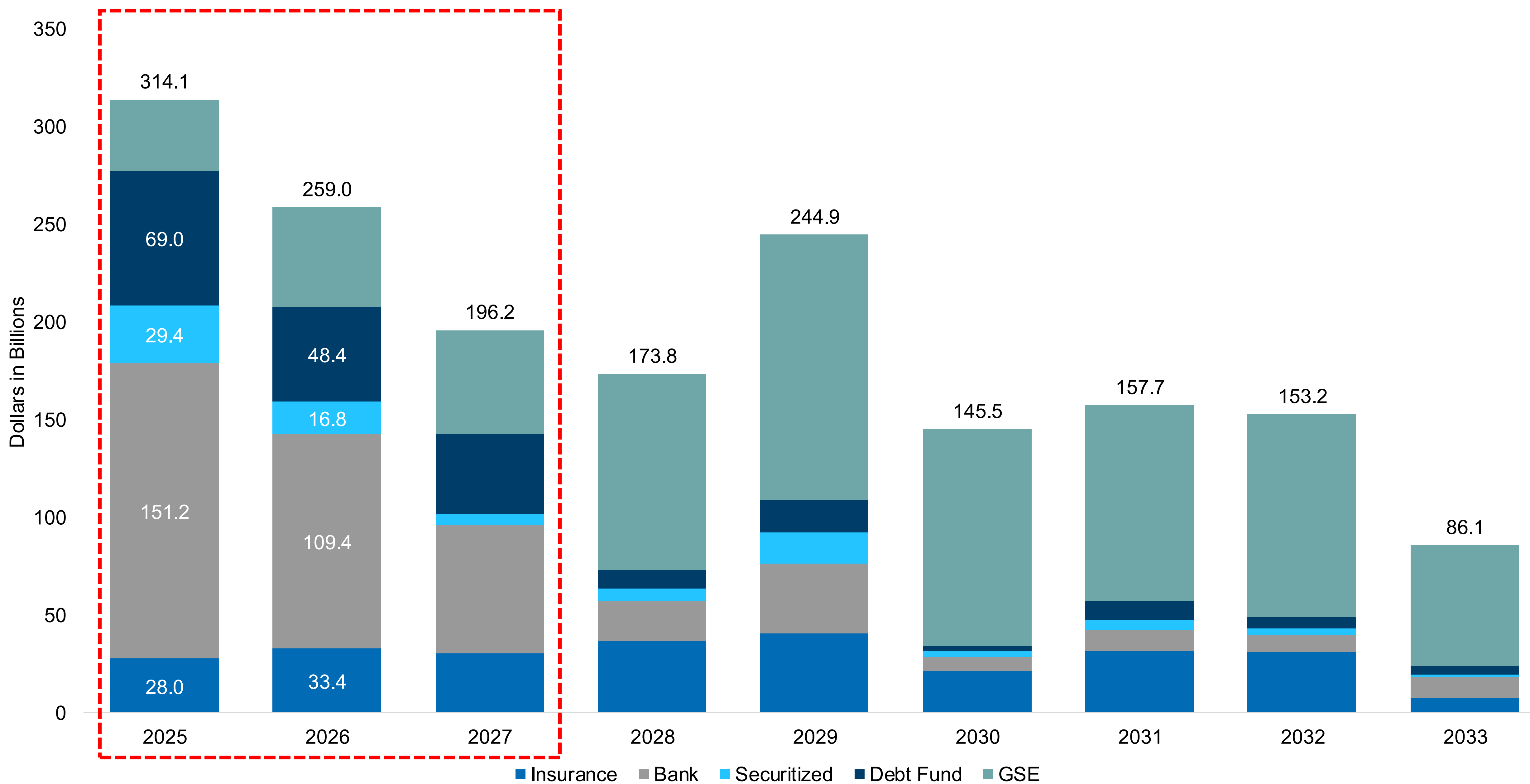


Source: Federal Reserve, Newmark Research as of 4/14/2025

$769 Billion In Multifamily Loans Will Mature In 2025-2027

Banks hold 24% of debt maturities from 2025 to 2033, but a disproportionately high 42% of those due between 2025 and 2027. Debt fund maturities show a similar frontloaded pattern—21% near-term compared to 12% overall—mirroring trends in CLO-driven securitized lending. In contrast, GSE maturities are heavily backloaded.

Multifamily Loan Maturities by Lender Group*

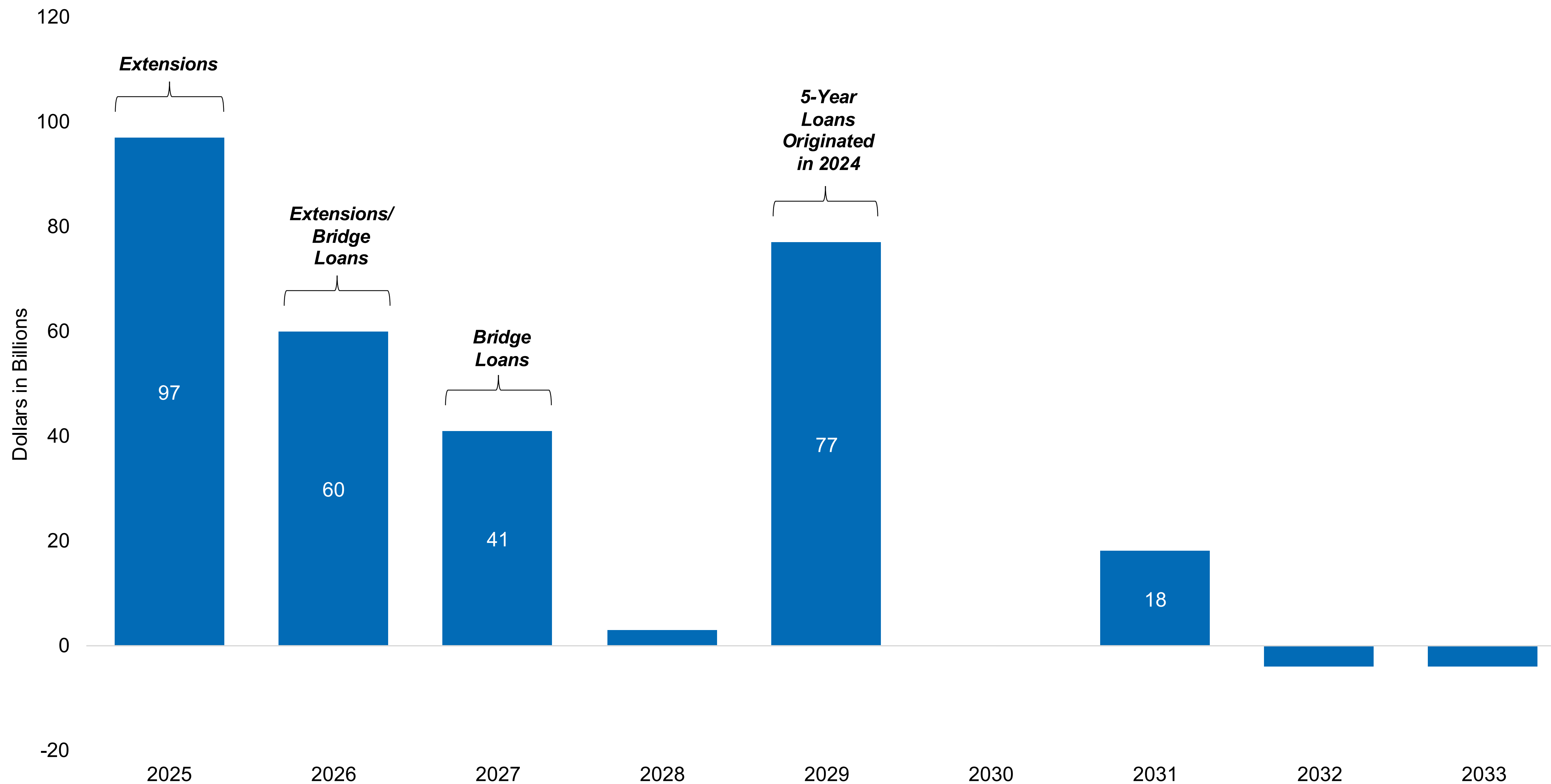


Source: MBA, Trepp, RCA, Newmark Research as of 4/25/2025
*Adjusted for year-to-date estimated loan originations

Near-Term Maturities Increased By Short-Term Extensions

Loan extensions are not traditionally a sign of health.

Maturity Volume At YE 2024 Minus YE Maturity Volume 2023



Source: MBA, Newmark Research as of 4/25/2025

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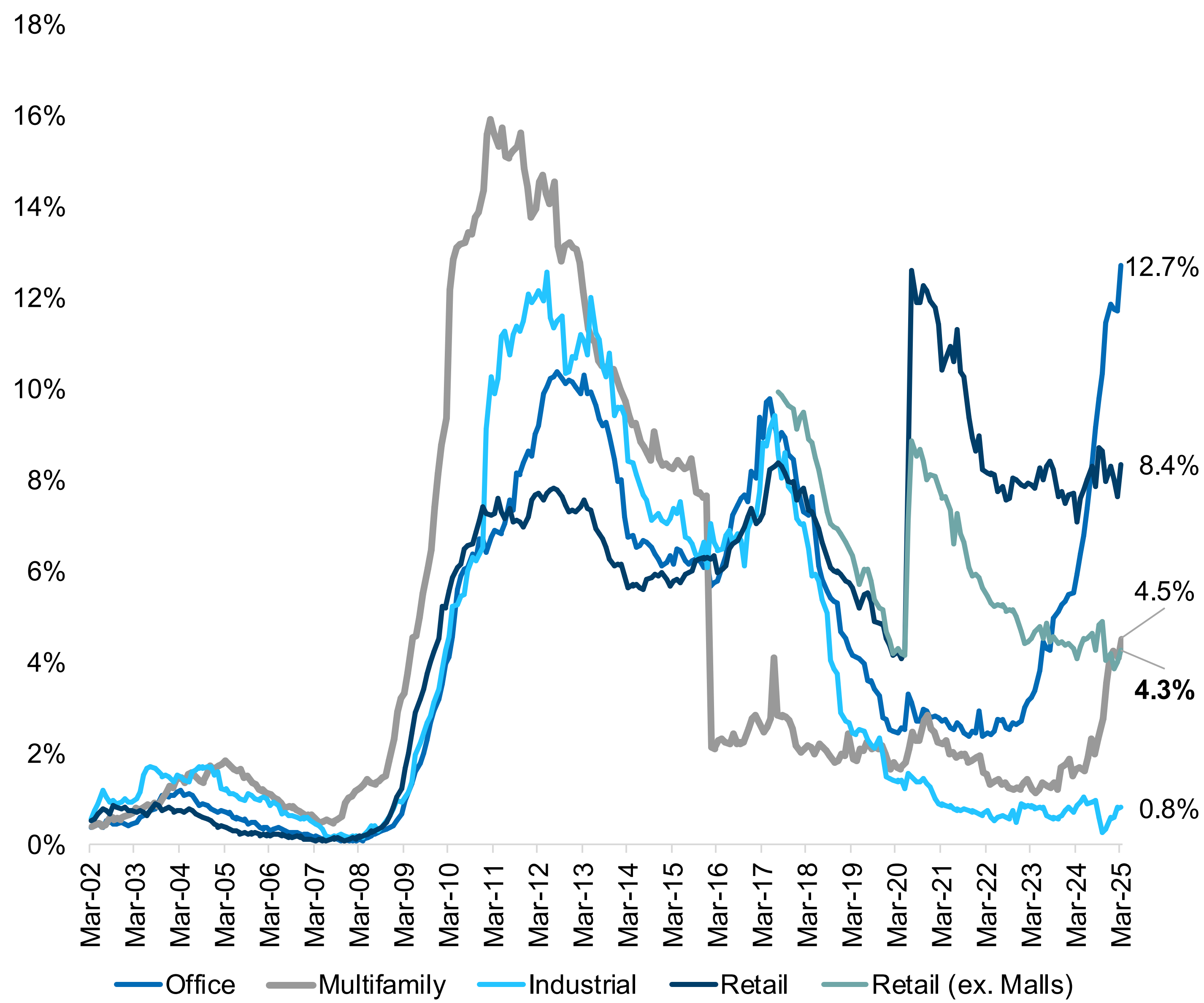
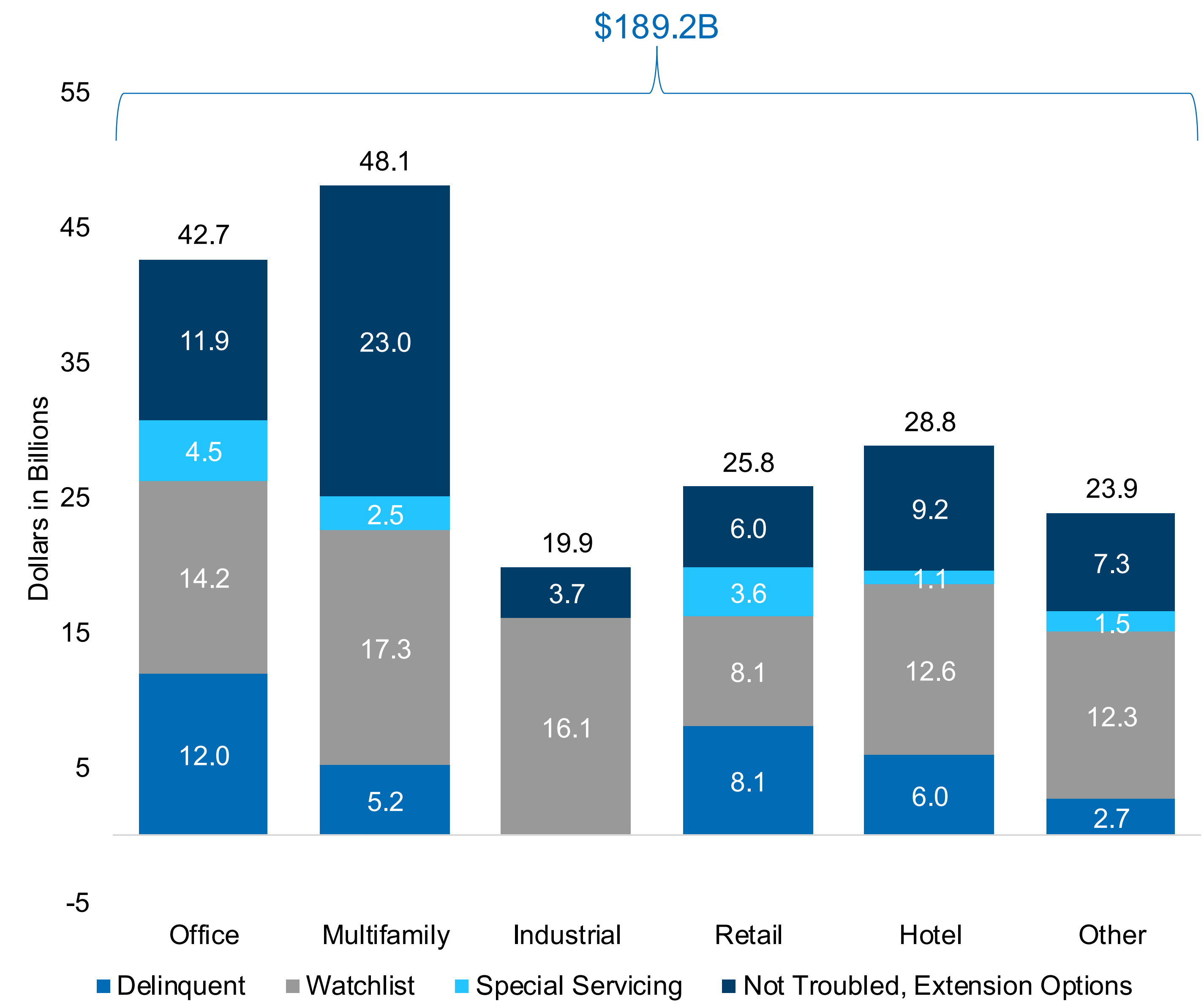
Distress Suppressed By Widespread Use Of Extension Options, But Distress Is Building

The delinquency rate on securitized multifamily loans has risen sharply, though it remains well below GFC levels. More concerning, these delinquencies represent only a fraction of the loans that may be at risk of distress.

Moody's CMBS Delinquency Tracker



Securitized Debt Past Original Maturity Still Outstanding

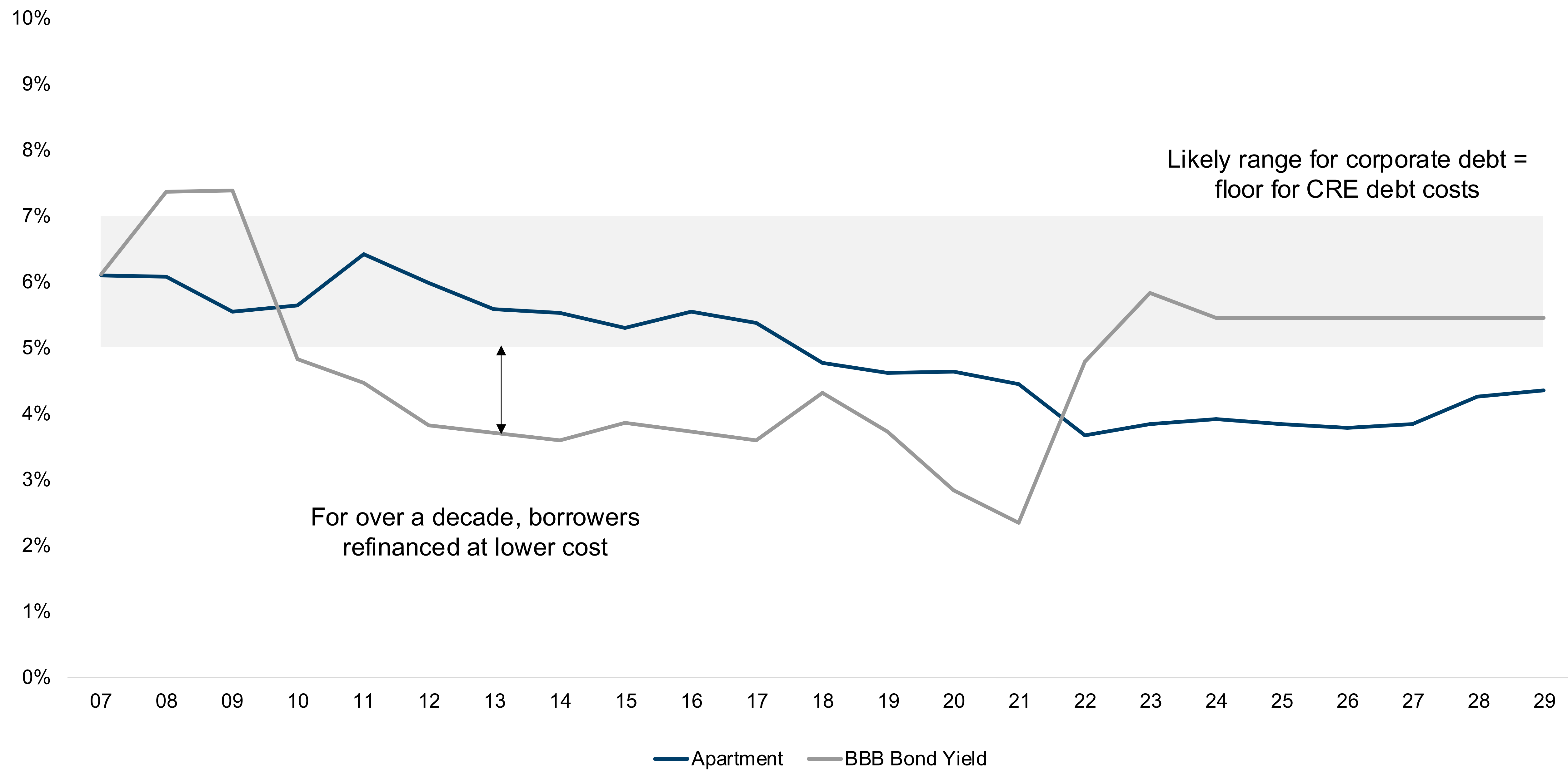


Source: Moody's Investor Services, Trepp, Newmark Research as of 4/21/2025
*Based on first maturity date

Multifamily Borrowers Face Starkly Higher Costs As Loans Mature

Higher debt costs on refinancing are expected to compress returns broadly, prompting varied borrower responses. Some may opt to pay down debt, especially if asset values have appreciated. Others may refinance or partially reduce principal, where they might have previously re-levered in a lower-rate environment. In more challenging cases, loan modifications, key returns or securing rescue equity at the right terms may be required.

Weighted Average Interest Rate on Maturing Debt vs. Prevailing Bond Yields

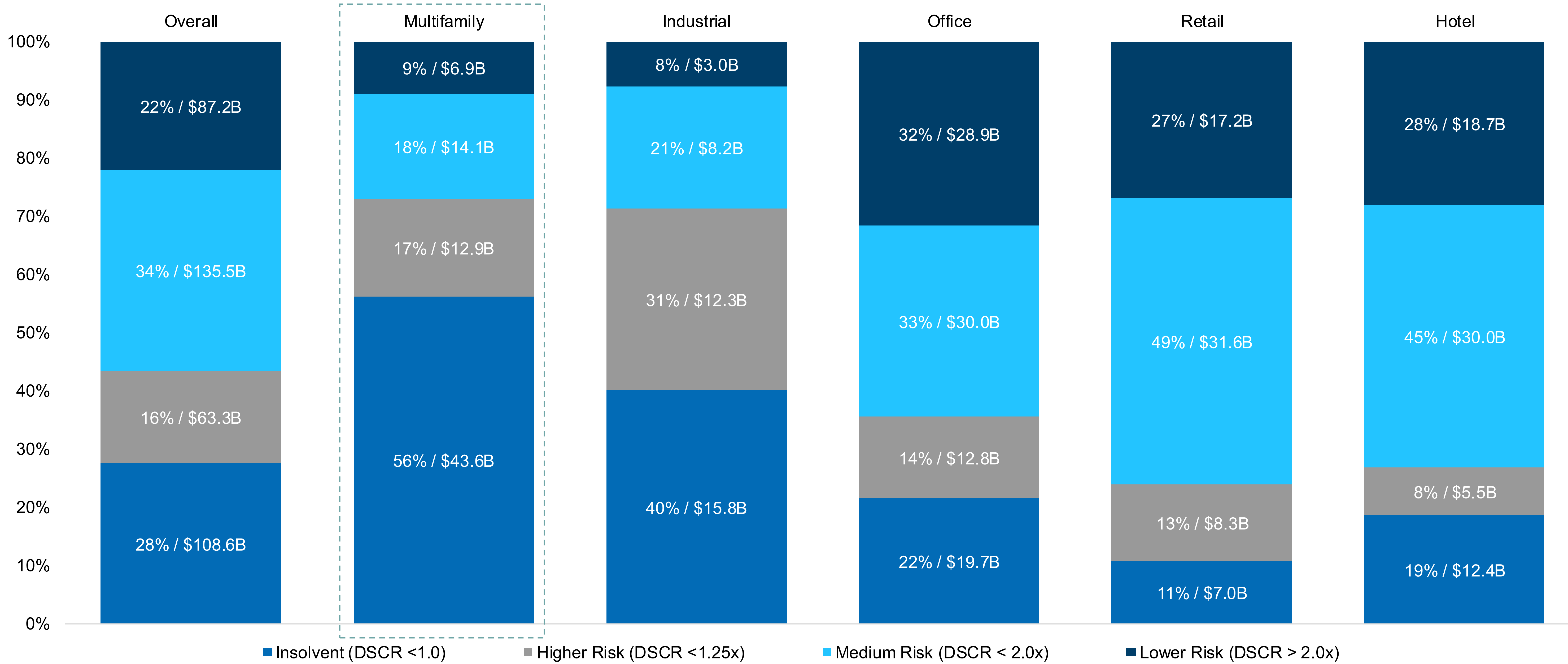


Source: Newmark Research, MSCI Real Capital Analytics, ICE Data Indices as of 7/22/2024

Some Loans Will Be Able to Absorb Higher Interest Costs; Many Will Not

Even assets with strong fundamentals may face challenges covering higher interest costs. Floating rate loans on transitional properties—common in CRE CLOs—are a key source of risk, especially in multifamily and industrial. Banks also hold much of this exposure. New regulations may ease pressure on underwater valuations, but not on DSCR requirements.

DSCR Profile of Outstanding Securitized CRE Debt Maturing Before 2027



Source: Trepp, Newmark Research as of 4/30/2025

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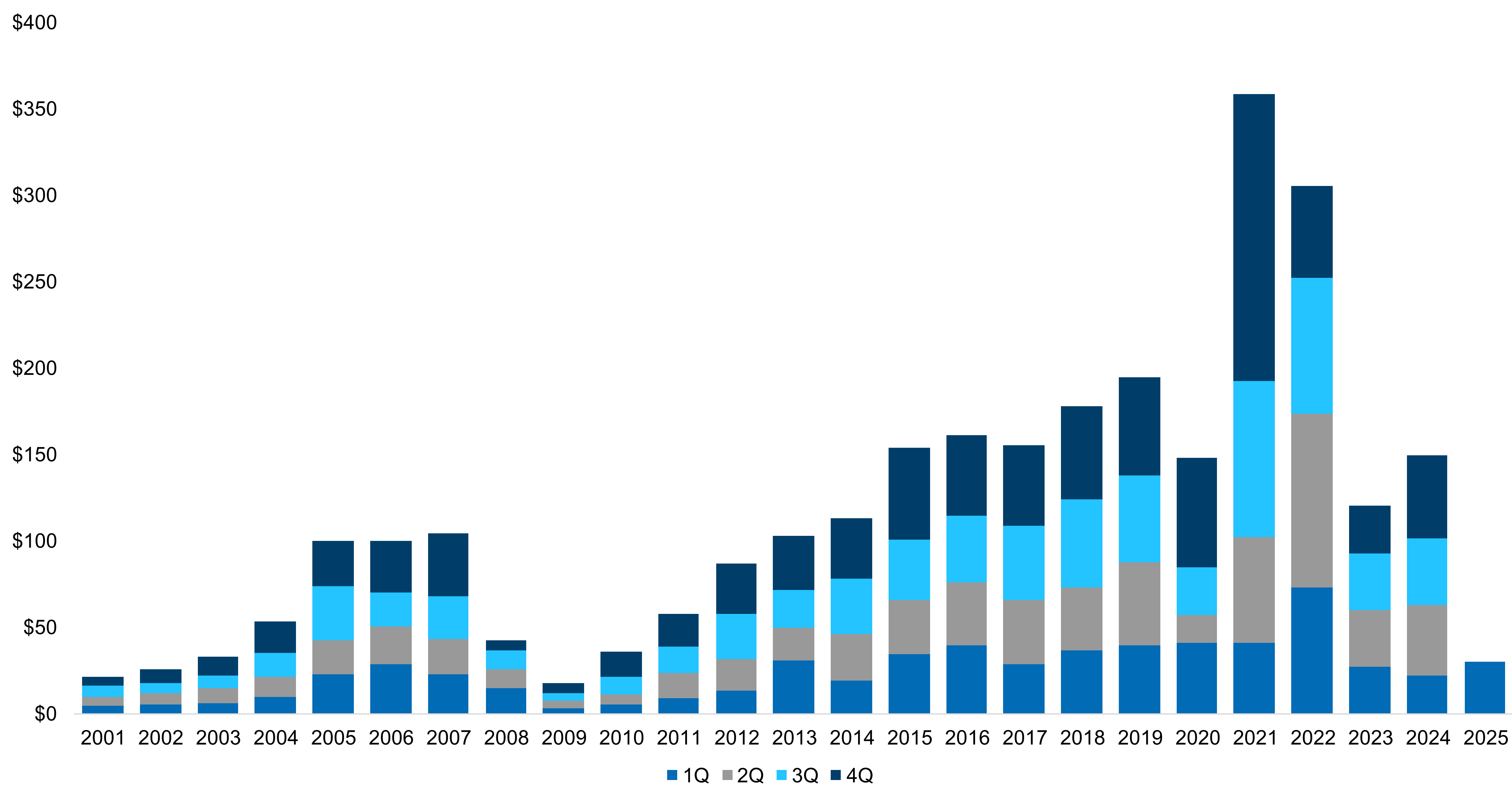
Investment Sales

First Quarter Volumes Increase 36% Year-over-Year

Investment sales volume reached $30.0 billion in the first quarter of 2025—a 35.5% increase year-over-year. Over the trailing 12 months, sales totaled $157.7 billion, reflecting rising investor confidence in the multifamily sector.

Quarterly Sales Volume; Dollars in Billions

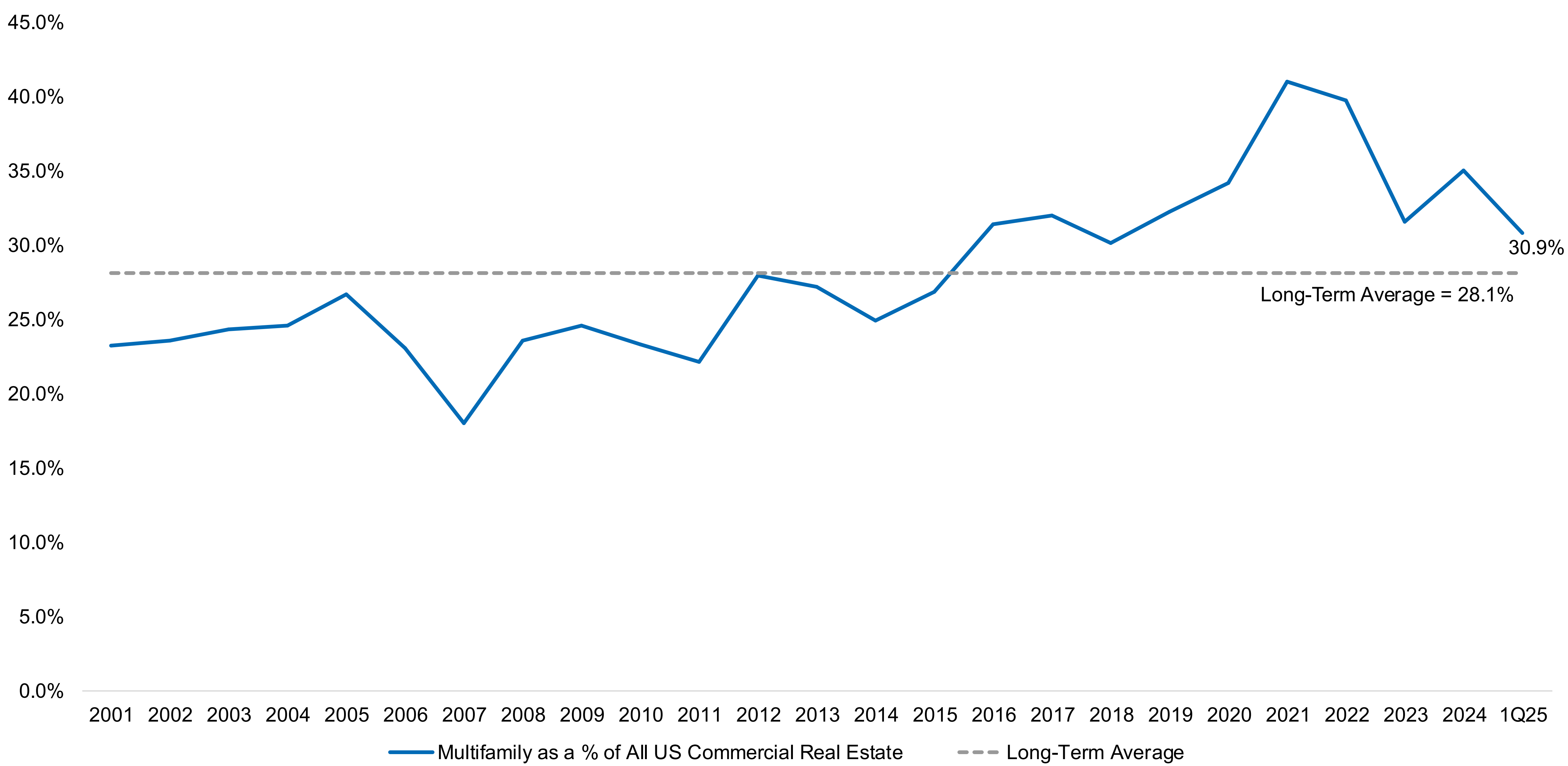


Source: Newmark Research, MSCI Real Capital Analytics

Multifamily Remains Top Recipient Of Capital; Market Share 280 bps Above LTA

Multifamily remains the top recipient of capital, accounting for 30.9% of U.S. commercial real estate sales. This share is 280 basis points above the long-term average and has surpassed that mark for nine consecutive years—underscoring the sector's enduring appeal.

Multifamily Sales Volume as a Percentage of Total US CRE



Source: Newmark Research, MSCI Real Capital Analytics

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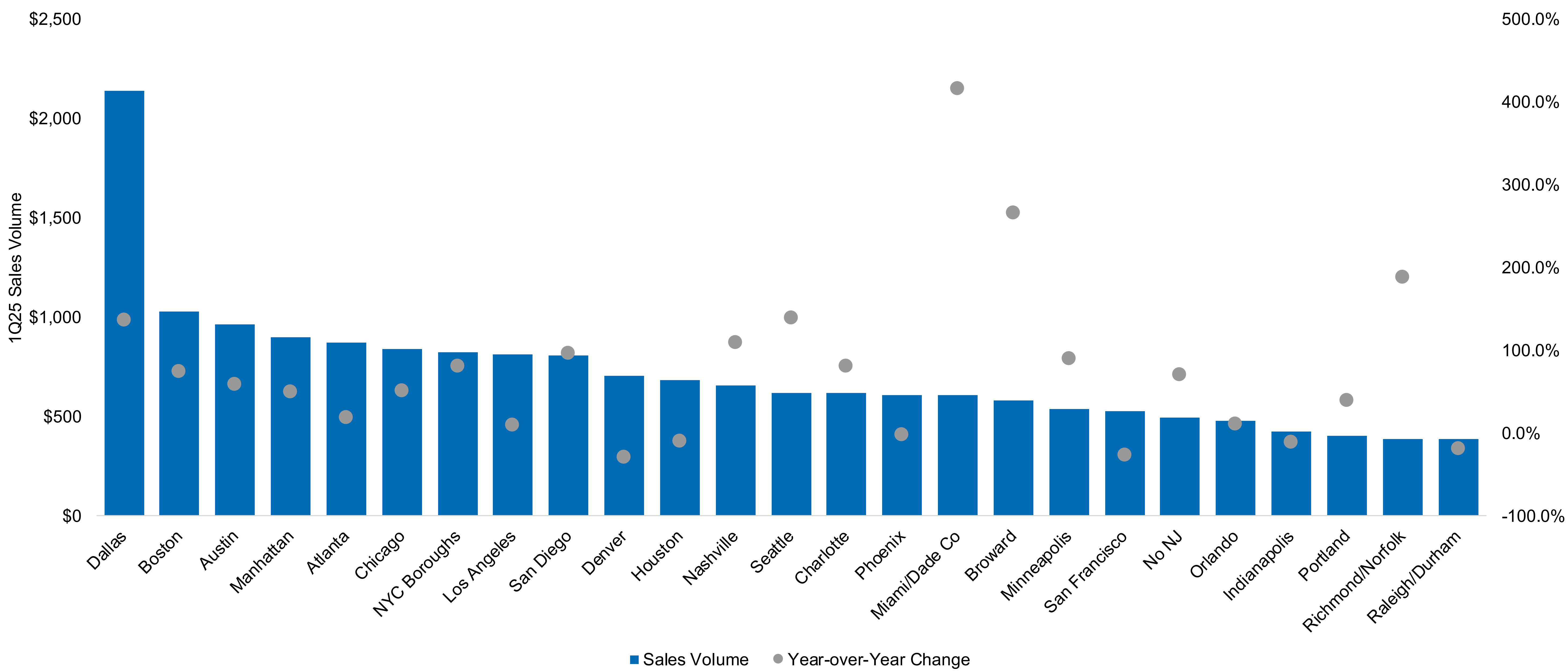
Dallas Draws Most Capital in 1Q25, 76% of Markets Exhibit Positive YoY Growth

In the first quarter of 2025, Dallas, Boston, Austin and Manhattan each recorded over $900 million in sales transactions. South Florida markets led in year-over-year growth, with Miami/Dade County up 416.0% and Broward County rising 265.7% compared to 1Q24.

Top 25 Markets by Sales Volume; Dollars in Millions



Source: Newmark Research, MSCI Real Capital Analytics

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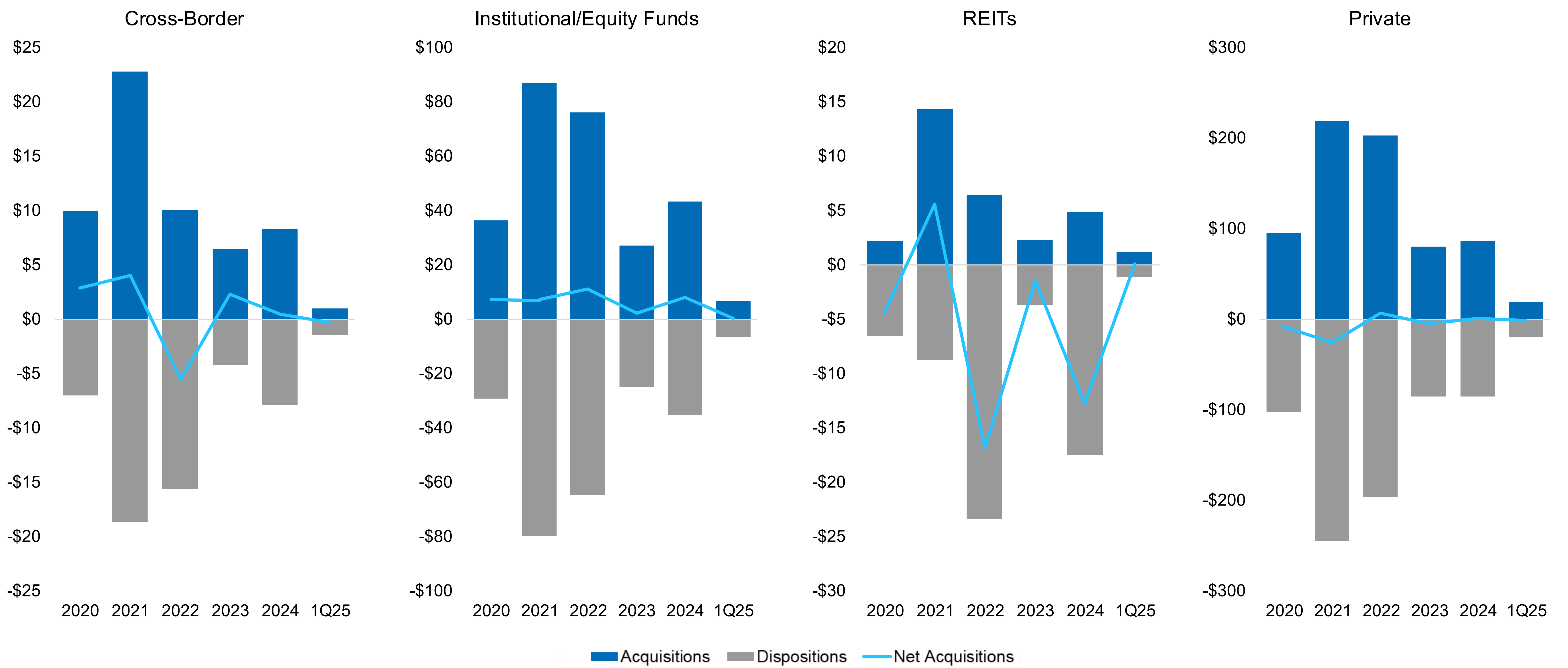
Private Groups Begin 2025 As Largest Net Sellers; Institutions Largest Net Buyers

In the first quarter of 2025, private groups led multifamily dispositions with $19.6 billion in sales. Institutional investors were the largest net buyers, adding $214 million as they selectively increased exposure to the sector.

Acquisitions, Dispositions and Net Acquisition Volume by Capital Source; Dollars in Billions

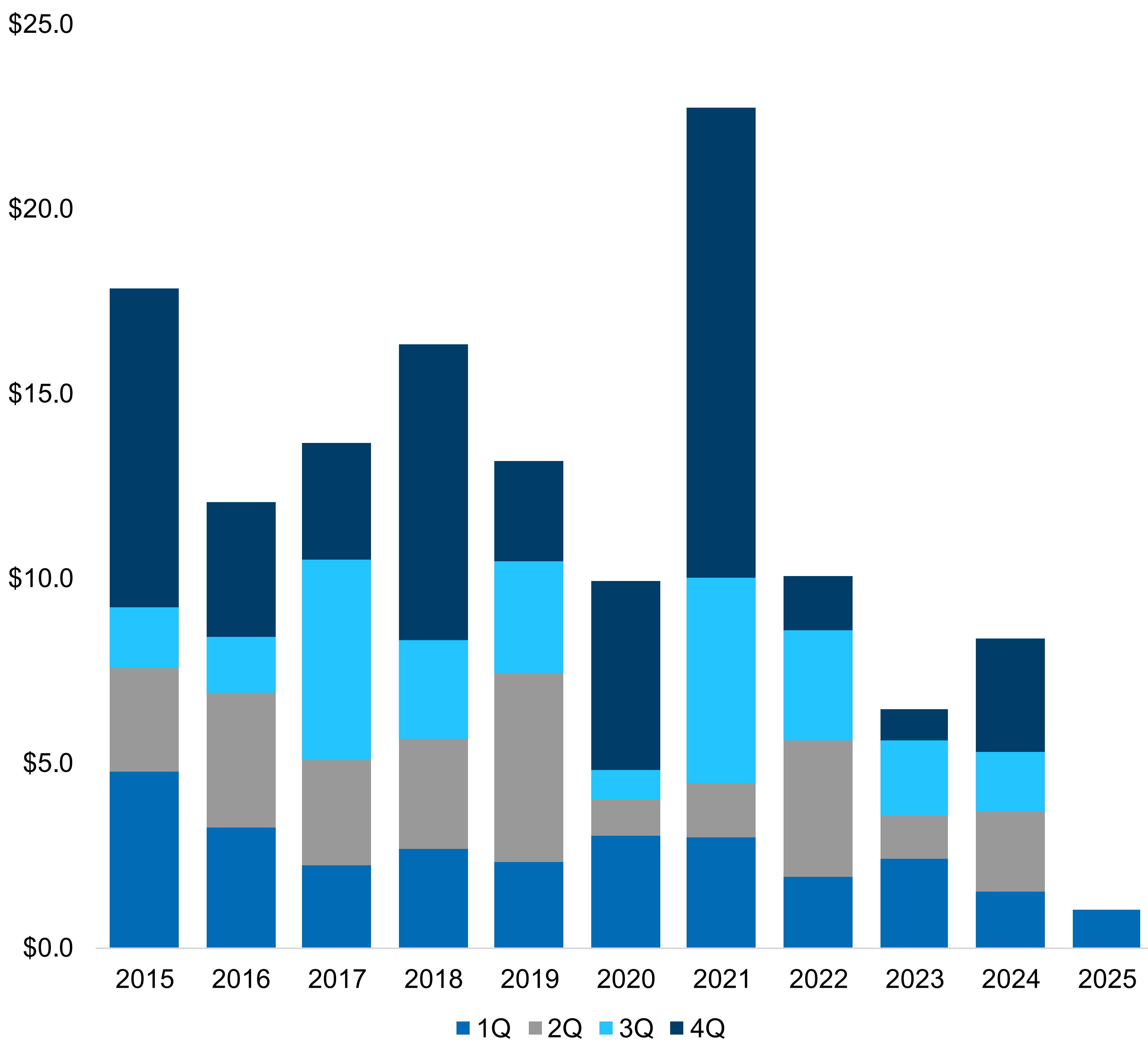


Source: Newmark Research, MSCI Real Capital Analytics

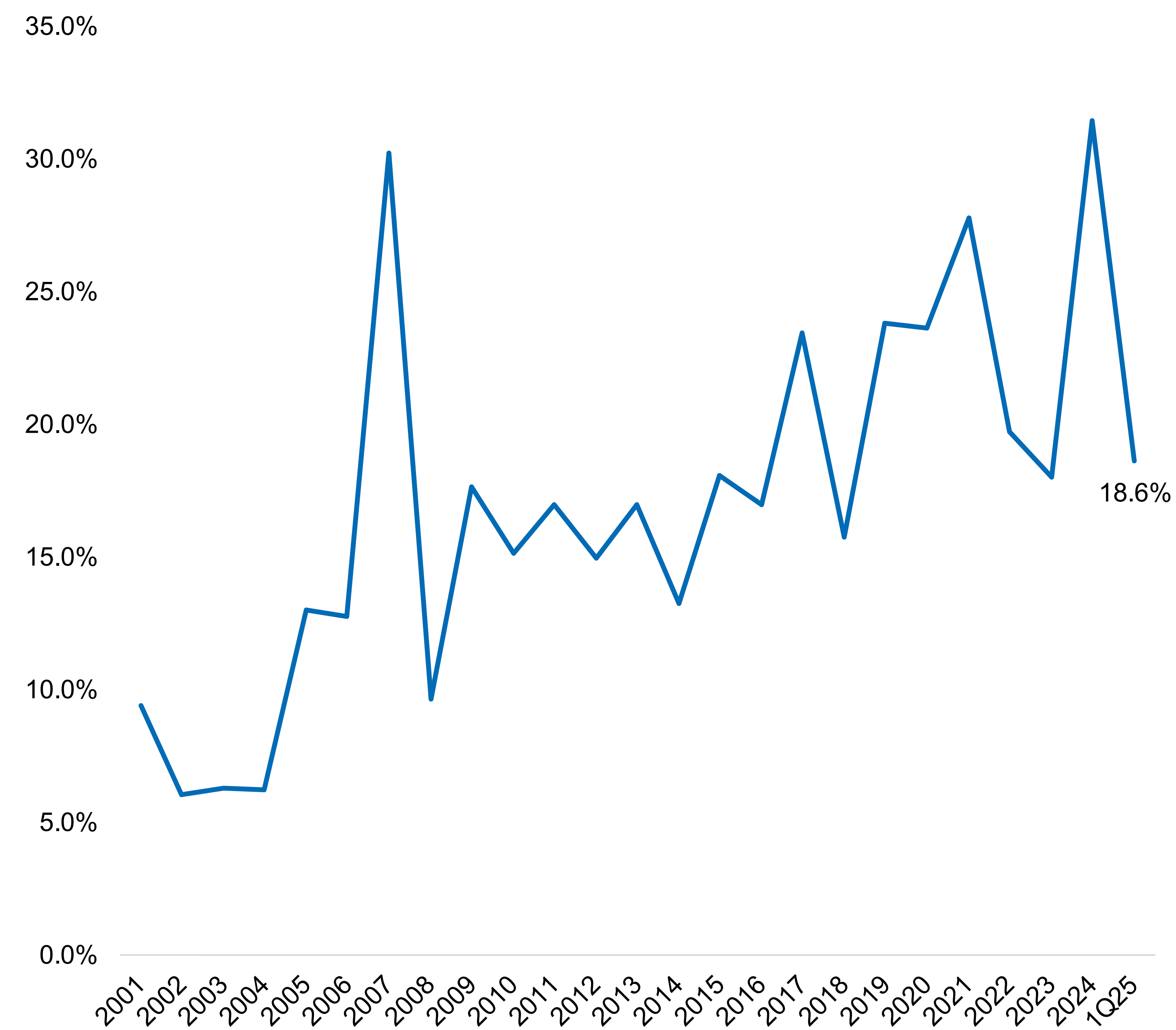
Cross-Border Sales Shrinks YoY; 7th Consecutive Quarter with $1B of Volume

Cross-border investors acquired over $1 billion in U.S. multifamily assets in the first quarter of 2025, though volume declined 31.4% year-over-year. Multifamily accounted for 18.6% of total cross-border transaction activity.

Quarterly Cross-Border Sales Volume into Multifamily; Dollars in Billions



Multifamily Market Share as Percentage of Cross-Border Acquisitions



Source: Newmark Research, MSCI Real Capital Analytics (4/28/2025)

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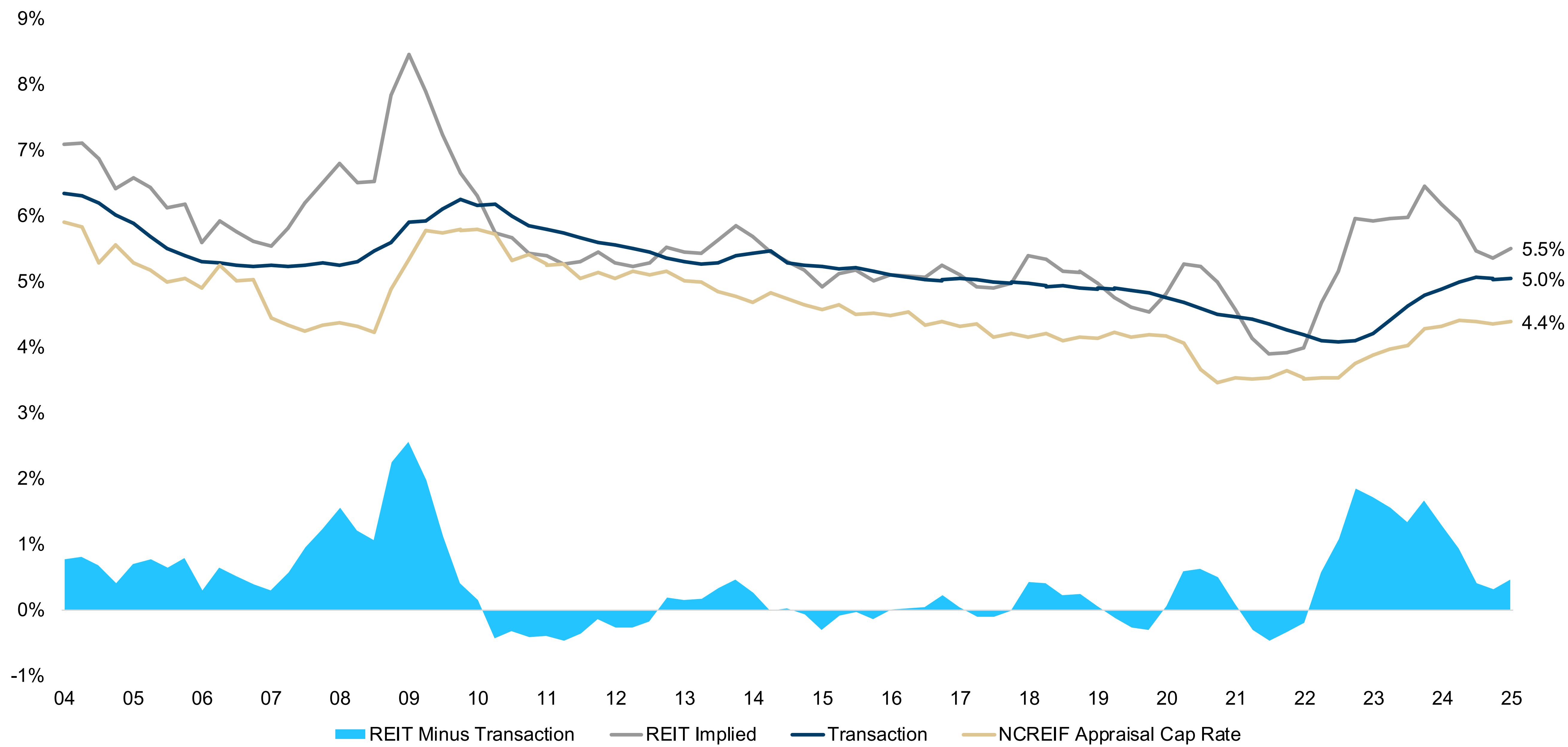
Pricing and Returns

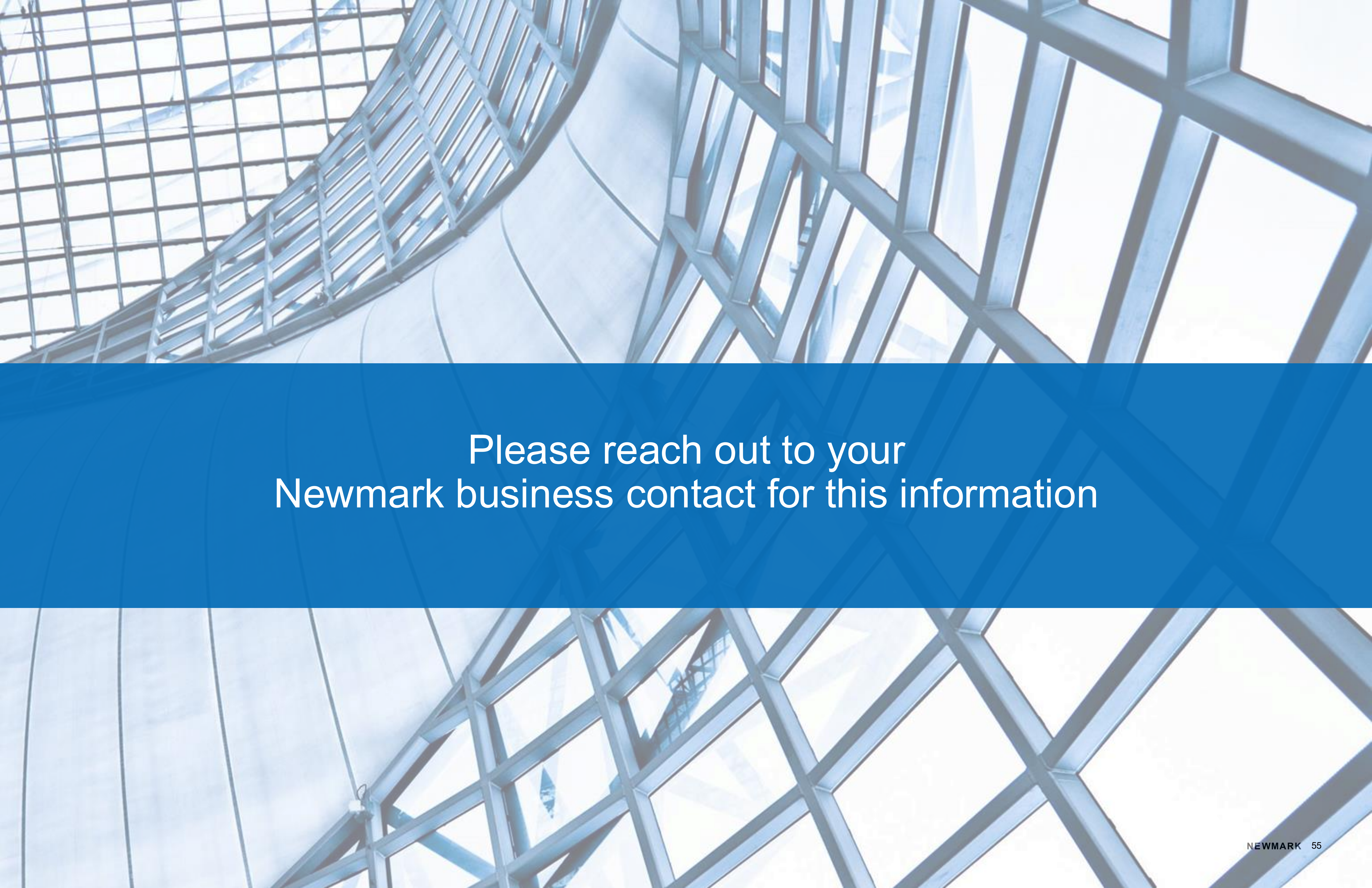
REIT Valuations Attractive Relative To Core Properties Trading In Private Market

Though the yield advantage has narrowed considerably, NCREIF appraisals still have further to converge with market pricing.

Top Quartile Transaction Cap Rates vs. REIT Implied Cap Rates



Source: Green Street, RCA, Newmark Research as of 4/21/2025



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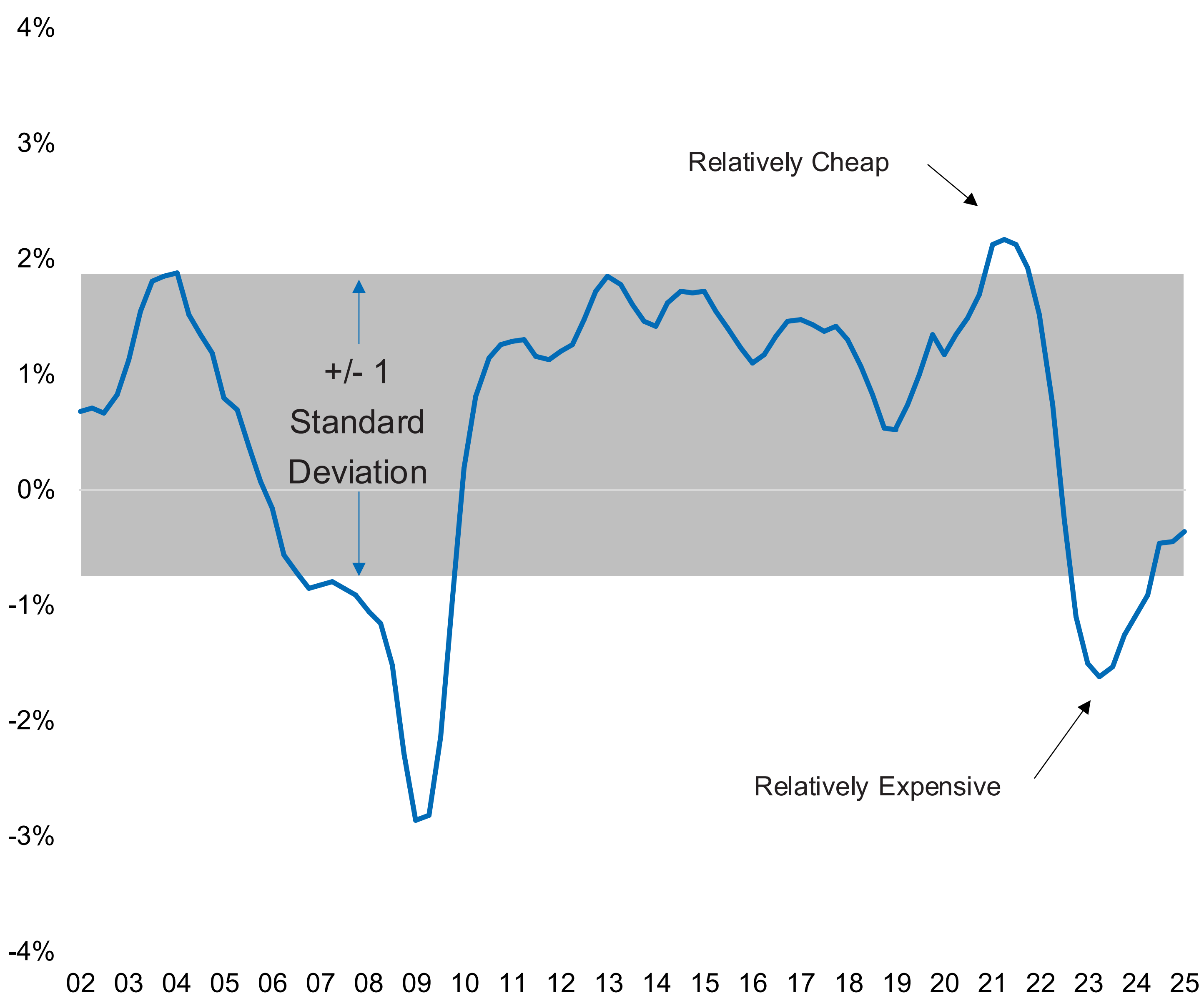
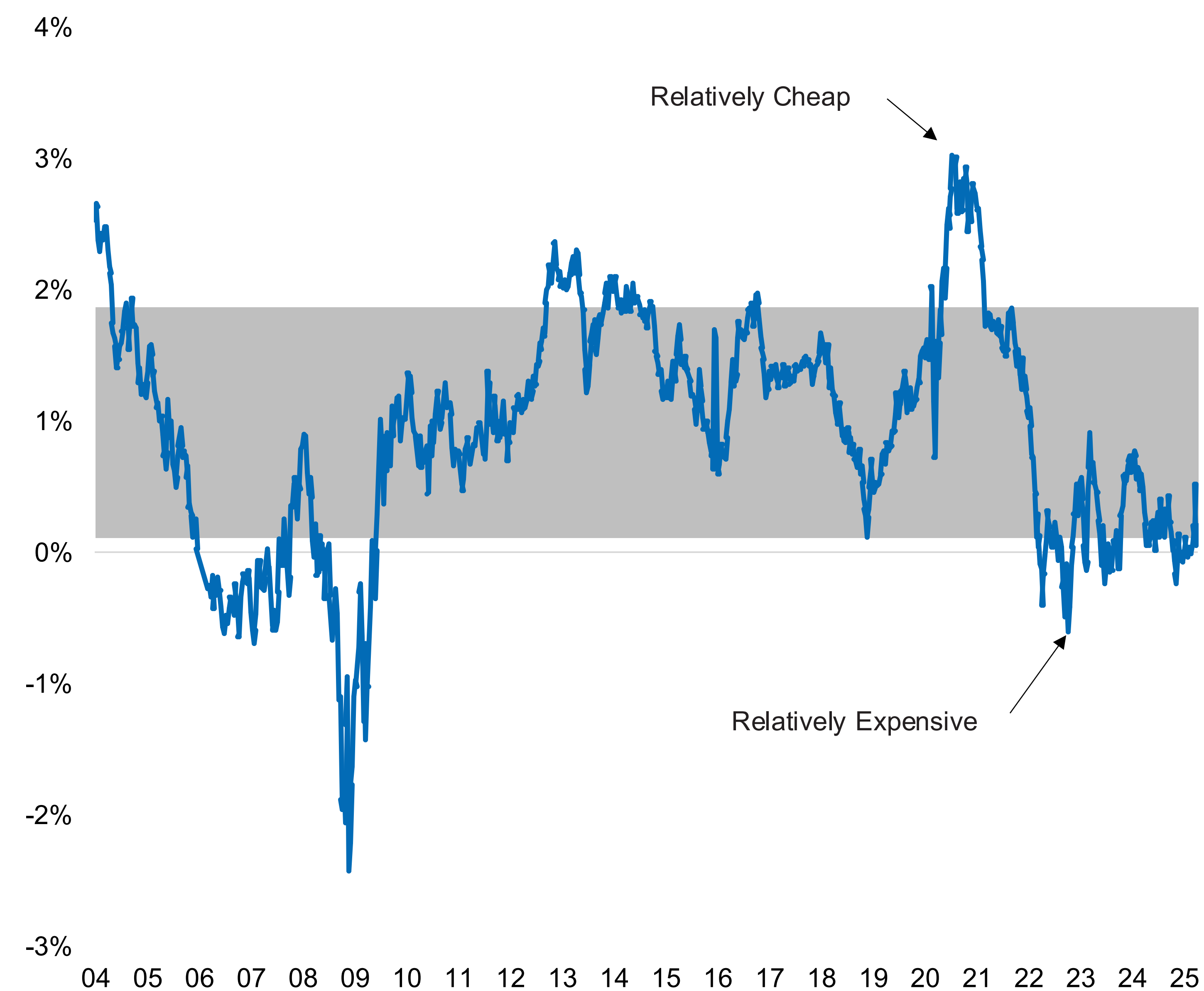
Multifamily Valuations Now Only Moderately Expensive

REITs currently offer more attractive yield spreads than top quartile assets trading in the private market.

Top Quartile Transaction Cap Rate Spread To BBB Corporate Bond Yield*



REIT Implied Cap Rate Spread To BBB Corporate Bond Yield



Source: Real Capital Analytics, Federal Reserve Bank of St. Louis, Moody's as of 4/21/2025
*Spread is using a 12-month rolling average

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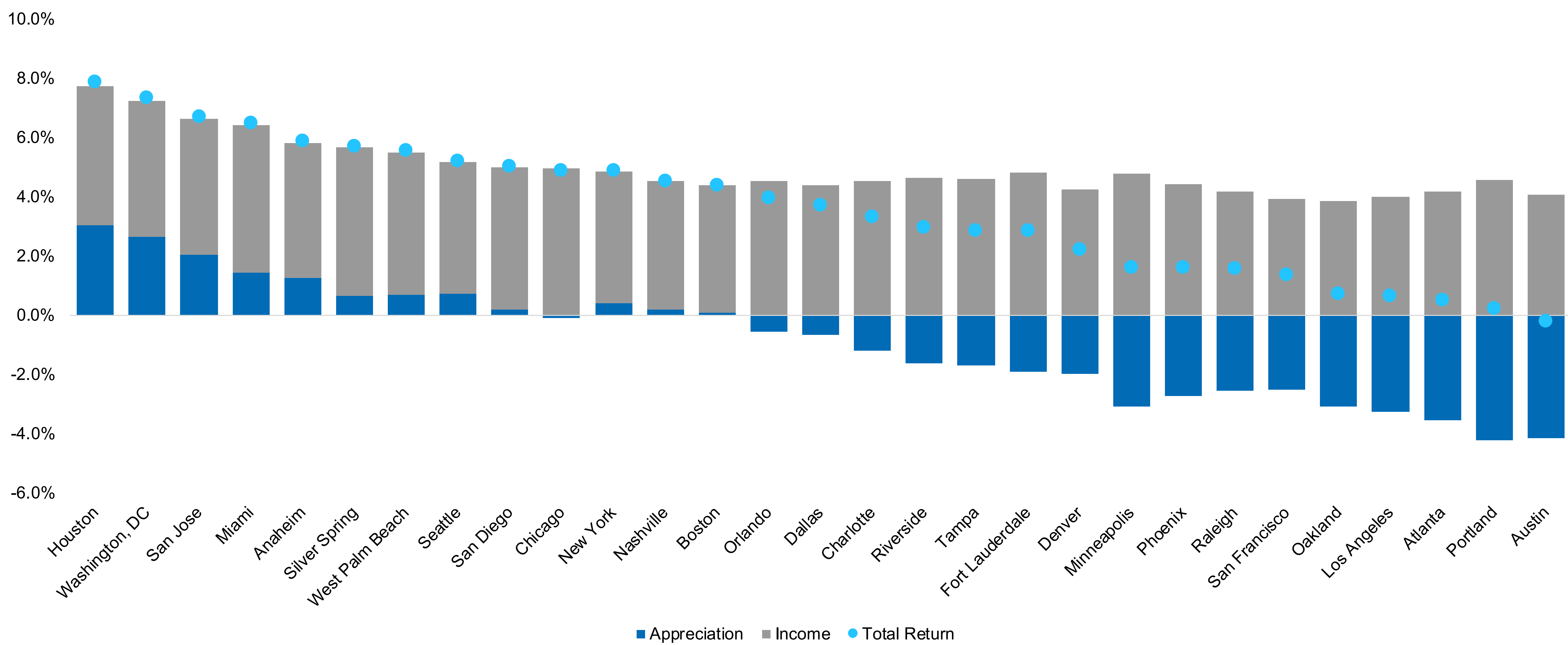
Most Markets Begin 2025 With Positive Total Return; Houston & D.C. Lead

In the first quarter of 2025, all markets except Austin posted positive total returns, led by Houston and Washington, D.C. at 7.85% and 7.34%, respectively. Suburban Maryland and Miami saw the strongest income appreciation, at 5.00% and 4.97%.

Annualized Total Returns by Market

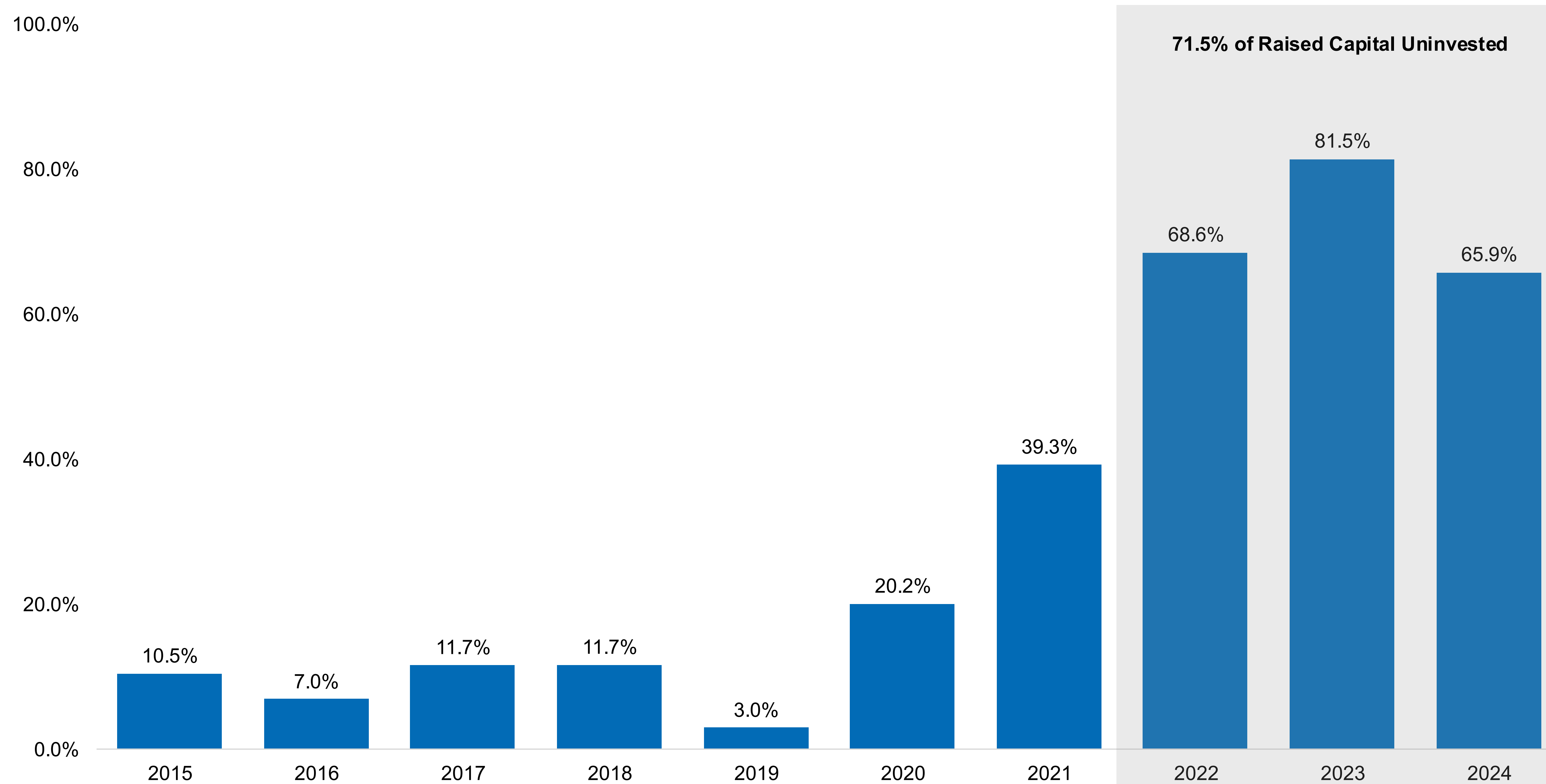


Source: Newmark Research, NCREIF

Recent Fund Vintages Struggle To Deploy Capital

Private fund vehicles targeting North American commercial real estate and launched between 2022 and 2024 have amassed $274.5 billion in assets under management, with just $78.5 billion deployed. While transaction volumes have remained limited since the FOMC began raising rates in March 2022, the substantial dry powder—particularly from recent vintages—is expected to fuel increased deal flow in 2025.

Dry Powder as a Percentage of Assets Under Management; North American Focused CRE by Fund Vintage

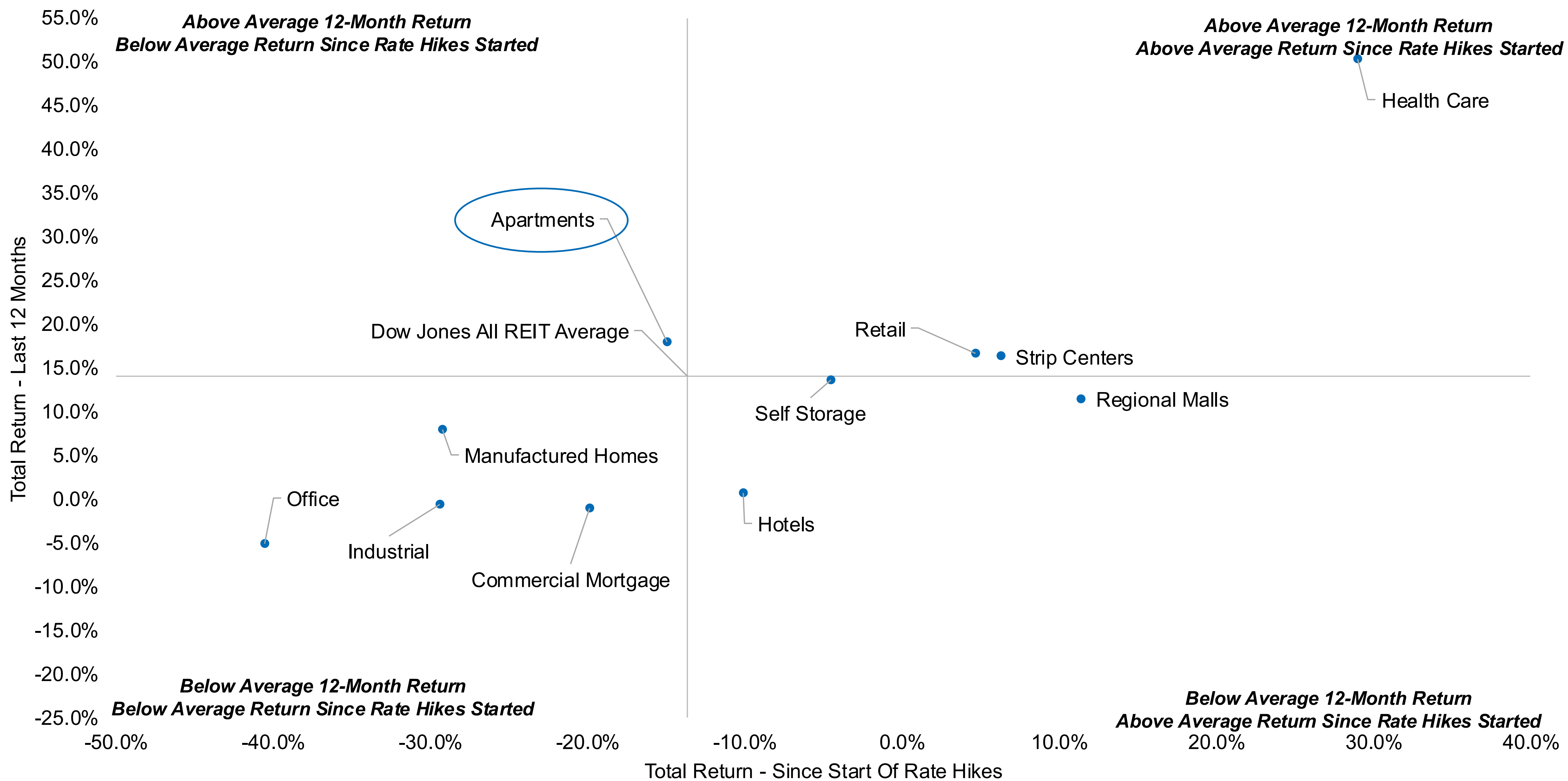


Source: Newmark Research, Preqin (January 30, 2025)

REIT Returns High On Retail While Industrial And Office Lag

All REIT sectors except Healthcare pulled back in 1Q25. Over the past 12 months, Healthcare (+50%), Apartments (+18%), Retail (+17%) and Strip Centers (+16%) outperformed the All REIT index (+14%). In contrast, Commercial Mortgage (-1%), Industrial (-1%) and Office (-5%) REITs continued to underperform.

Dow Jones REIT Index Total Returns



Source: Dow Jones, Moody's, Newmark Research as of 4/28/2025

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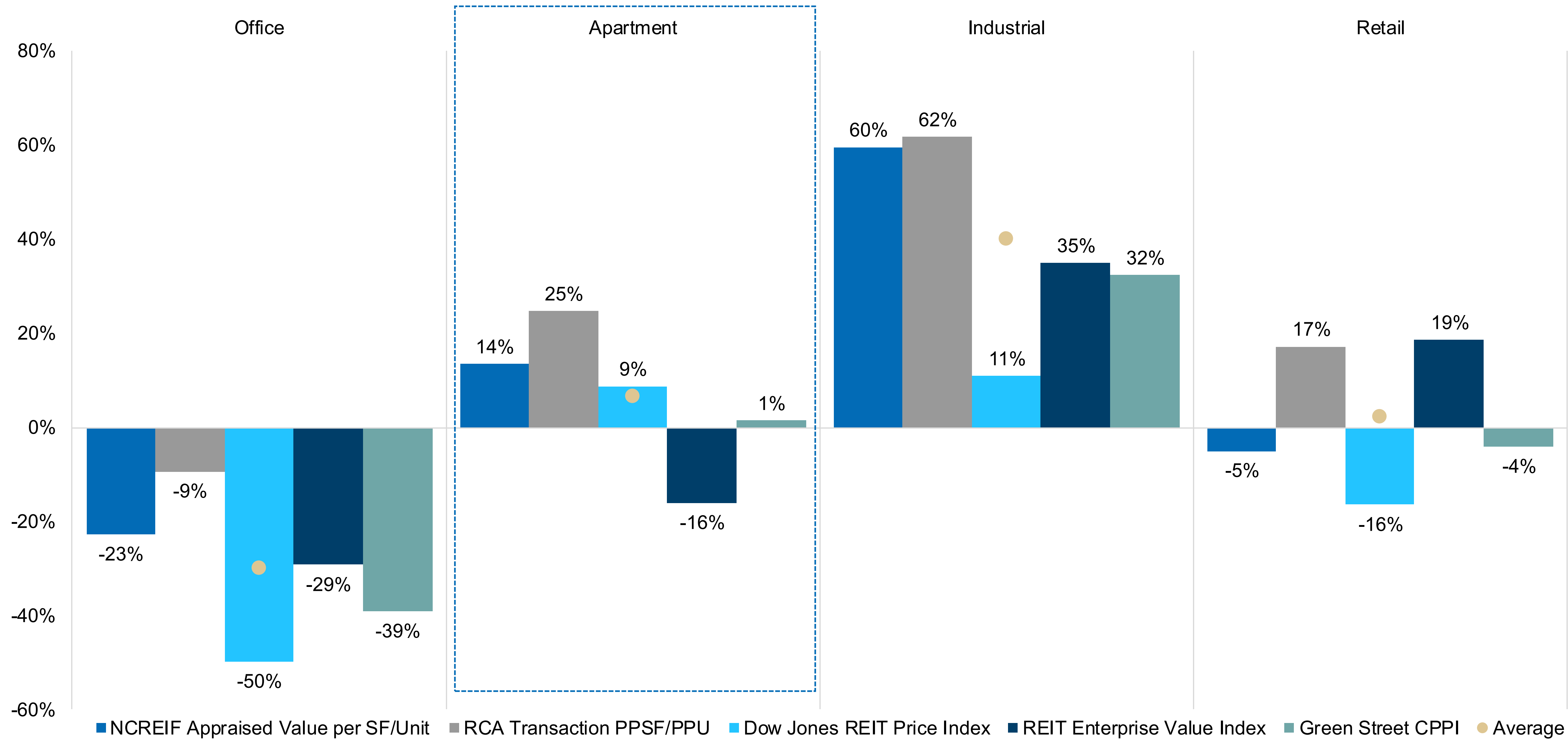
What Has Happened To Values? Depends On The Benchmark

Industrial is the only sector where multiple benchmarks show substantial gains since 4Q19. In contrast, most benchmarks indicate office values have declined, though appraisal and transaction-based measures reflect only modest depreciation—unlike public market indicators, which appear more realistic. Multifamily shows a similar split, with enterprise value as a clear outlier. Retail benchmarks, meanwhile, remain inconsistent.

Comparison of Value Benchmarks: Cumulative Index Change since 4Q19

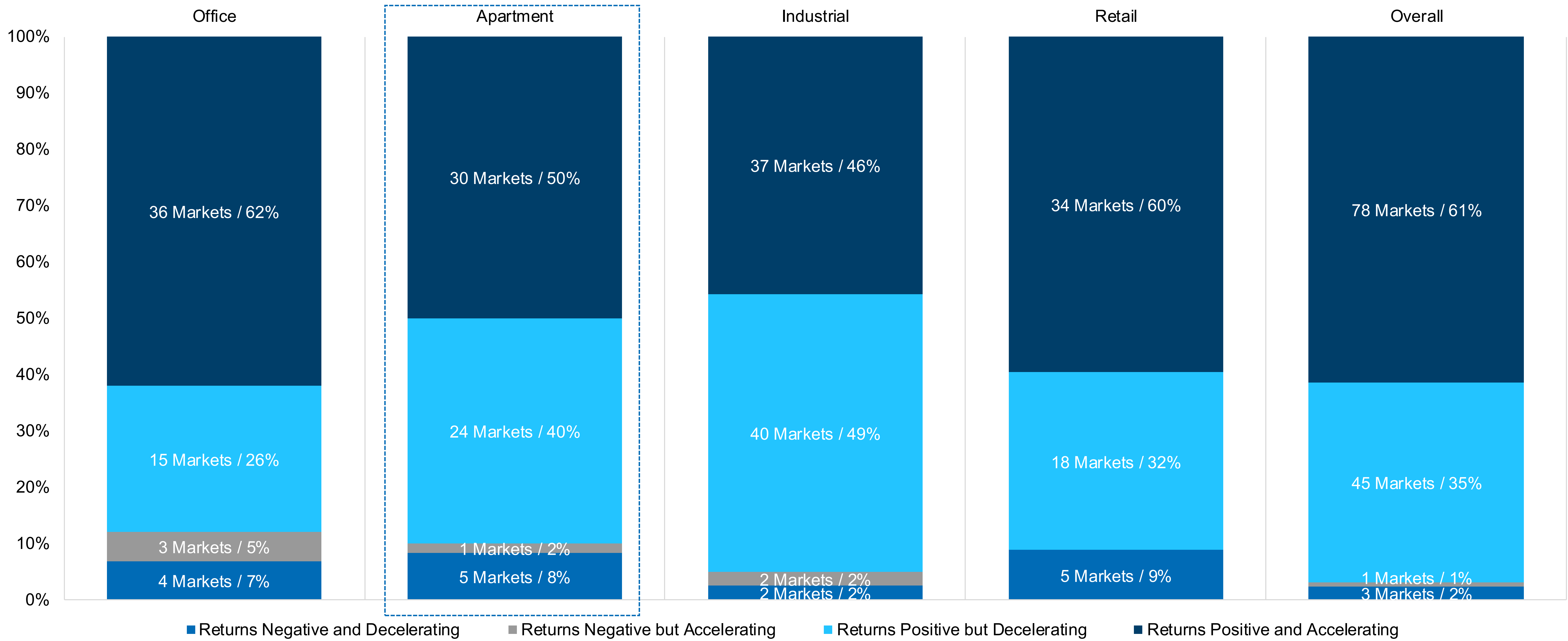


Source: NCREIF, RCA, Dow Jones, Green Street, Moody's Analytics, Newmark Research as of 4/21/2025

NCREIF Returns Positive in 96% Of Markets In 1Q25 Up From 56% In 1Q24

Markets clearly registered a shift in return momentum in 2024. For office and multifamily, this meant a move from negative but accelerating to positive and accelerating returns. Conversely, industrial and retail saw some markets transition from positive and accelerating to decelerating. Still, the majority of markets reported positive returns—88% for office, 92% for retail, 96% for industrial and 90% for multifamily, according to NCREIF.

Breakdown of NCREIF CBSA Total Returns: 1Q 2025



Source: NCREIF, Newmark Research as of 4/30/2025

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