



BAIRD

**BAIRD'S
GLOBAL INVESTMENT
BANKING
MULTIFAMILY OUTLOOK**



MULTIFAMILY TRENDS

2026 AREAS OF FOCUS

Supply Cliff and Development Spread Capture

- The massive collapse in construction starts (**down 74% from 2021 peaks**) has created a vacuum of competitive new supply coming out of 2026
 - With permits still being filed, Developers are waiting for more affordable equity, not the high cost of capital preferred equity that has dominated the market
- Demand remains in High-growth markets like Dallas-Fort Worth are forecast to gain 529,000 net residents via in-migration through 2028, derisking development
 - **Homeownership now costs \$1,200 – \$1,500 more per month** than renting in most major U.S. metros
 - With mortgages fluctuating above 6% and many sellers still on the sidelines from Covid levels, the **cost-to-buy premium has remained elevated at ~30%**
- Projects breaking ground in the first half of 2026 will deliver into the most favorable supply-demand window of the decade (2028-2029)
 - New developments are targeting untrended yields in the low to mid-6% range, **providing a ~100-125 bps spread over prevailing cap rates**

Operational Alpha Focus

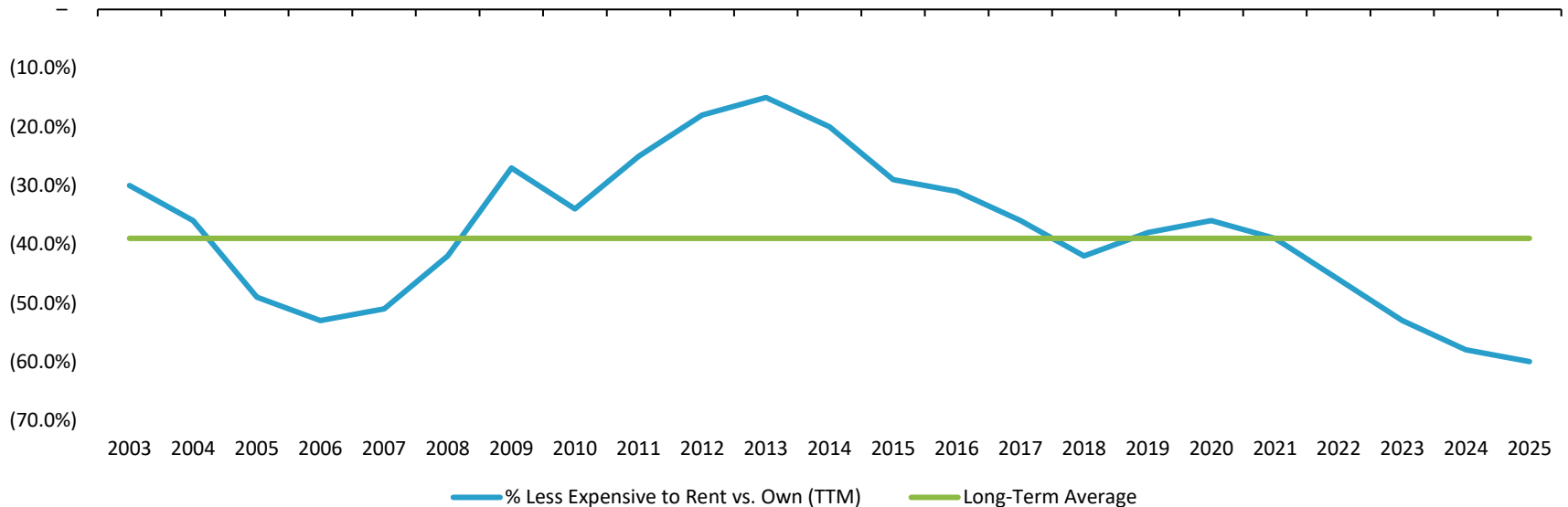
- Driven by macroeconomic headwinds—specifically the sustained "**higher-for-longer**" **interest rate environment**—leading multifamily operators have pivoted from hoping for cap rate compression toward a rigorous focus on **Alpha Generation** through operational efficiencies and margin preservation
- Certain REITs have established themselves as industry leaders in utilizing technology-enabled efficiencies to drive outsized Net Operating Income (NOI) growth
 - One REIT is targeting \$80 million in annual incremental NOI from operating initiatives, with ~60% of that target already achieved heading into 2026
 - Other income initiatives and strategic rollouts, such as their bulk high-speed internet program, generated 14.0% and 9.0% revenue growth in 2024 and 2025, respectively, significantly enhancing operating margins and resident experiences
- Top-tier investment markets, particularly in the Southeast (Atlanta and the Carolinas), have emerged as hotspots for sophisticated application fraud, often exacerbated by backlogs in tenant-friendly jurisdictions
 - Institutional REITs have widely deployed **AI solutions** to automate rent collections, mitigate court backlogs, and streamline leasing
 - Recent earnings calls highlight that these AI-driven workflows have delivered a **700 bps improvement in lead-to-conversion ratios and a 50.0% reduction** in application processing timelines

RENTAL MARKET: ATTRACTIVE RELATIVE AFFORDABILITY

The relative cost of renting vs. owning is at its most extreme historical divergence

- **Historical Affordability Extreme:** The current 60% gap is the widest divergence between renting and owning in over 20 years, far exceeding the 39% long-term average
 - The current advantage for renters significantly surpasses the previous historical peaks seen during the 2005–2006 housing cycle, when the gap reached a maximum of 50%+
- **Macroeconomic Drivers:** Persistent high mortgage rates and continued home price appreciation are sustaining a "lock-in" effect for existing owners and creating a prohibitive barrier for prospective buyers

% CHEAPER TO RENT VS. OWN



Source: UDR, U.S. Census Bureau, Baird Equity Research.

Strong Demand Rebound Overshadowed by Elevated Concessions in Q1 2026

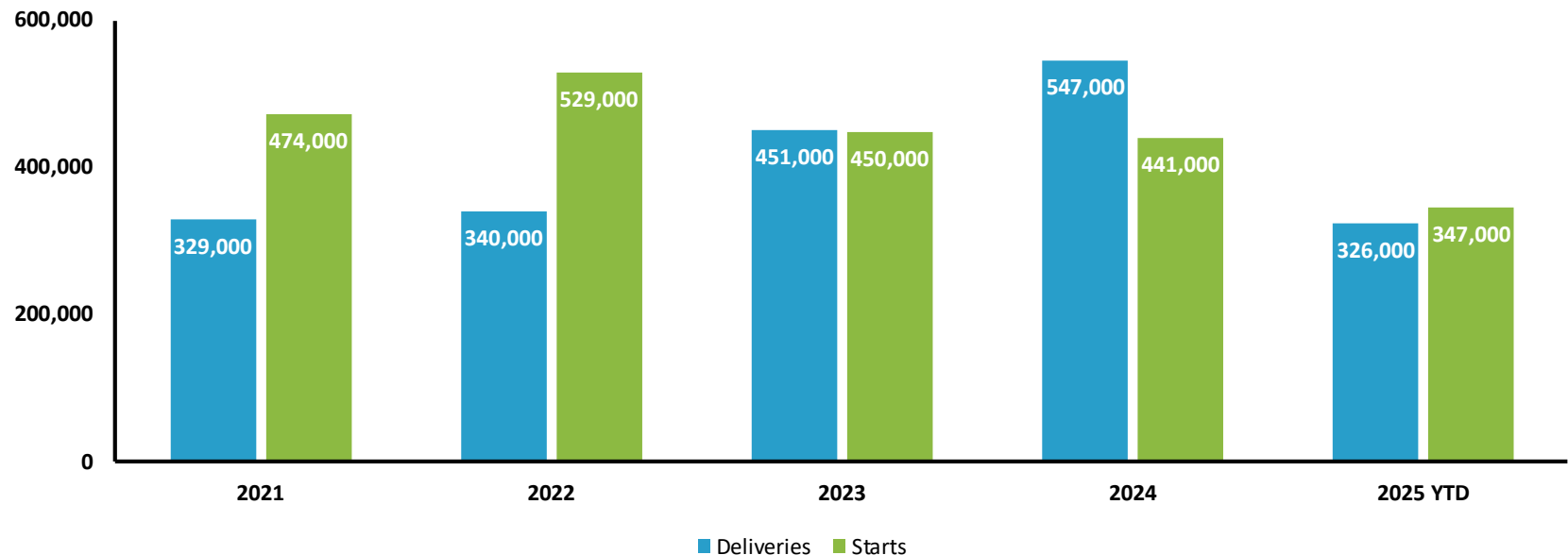
- While the U.S. apartment market saw a significant rebound in demand with 93,300 units absorbed (one of the strongest Q1 performances in a decade), rent growth remains stalled
 - Healthy absorption is being systematically offset by elevated concession activity across major markets
- With peak leasing season on the horizon, it is clear operators are prioritizing occupancy over rent growth
- **Takeaway: Concession usage may expand further in the near term as operators race to fill units before the burn-off of these incentives allows for meaningful rent growth**

Metric	Q1 2026 Value	Context / Trend
% of Units Offering Concessions	25.5%	Widespread usage to combat supply-side pressure
Average Concession Value	7.2%	Represents roughly one month of free rent on a 12-month lease
National Occupancy Rate	94.9%	Up 10 bps Q/Q but still 20 bps lower than the previous year
Year-over-Year Rent Growth	-0.5%	Slight Q1 uptick (+0.4%) was insufficient to offset previous cuts

US MULTIFAMILY CONSTRUCTION STARTS

- Multifamily starts have plummeted to a seasonally adjusted annual rate of 347,000 units as of October 2025, a 34%± collapse from the 2022 cycle peak of 529,000 units
 - This structural pullback is the primary catalyst for a massive "delivery vacuum" that will manifest once the current 2024 supply wave is absorbed
- Given the 18–24 month construction lag, projects breaking ground in 2026 will deliver in late 2027 and 2028
 - Allowing investors to "harvest" scarcity, delivering Class A inventory into an environment of compressing vacancy and accelerating rent growth
- Entering 2026, investors and developers are poised to capitalize on the "Supply Cliff" as **competitive JV equity replaces** the expensive 11%+ preferred equity of 2025

US MULTIFAMILY CONSTRUCTION STARTS AND DELIVERIES



REGIONAL TRENDS IN MULTIFAMILY

- Historically high-growth markets in the southeast are beginning to cool as supply has begun to outpace demand
- Although the sunbelt has maintained steady demand since COVID, inventory has grown by 24% since 2019 which is 500 bps faster than any other region in the US
- On the other hand, the Northeast has experienced a recent tightening as more than 20,000 units in New York City, which were slated to begin construction in 2025, have been canceled or put on pause
- Midwest was one of the strongest-performing multifamily markets, posting the 2nd highest YoY rent growth (+3.2%) on the lowest supply growth of any region (+1.7%)

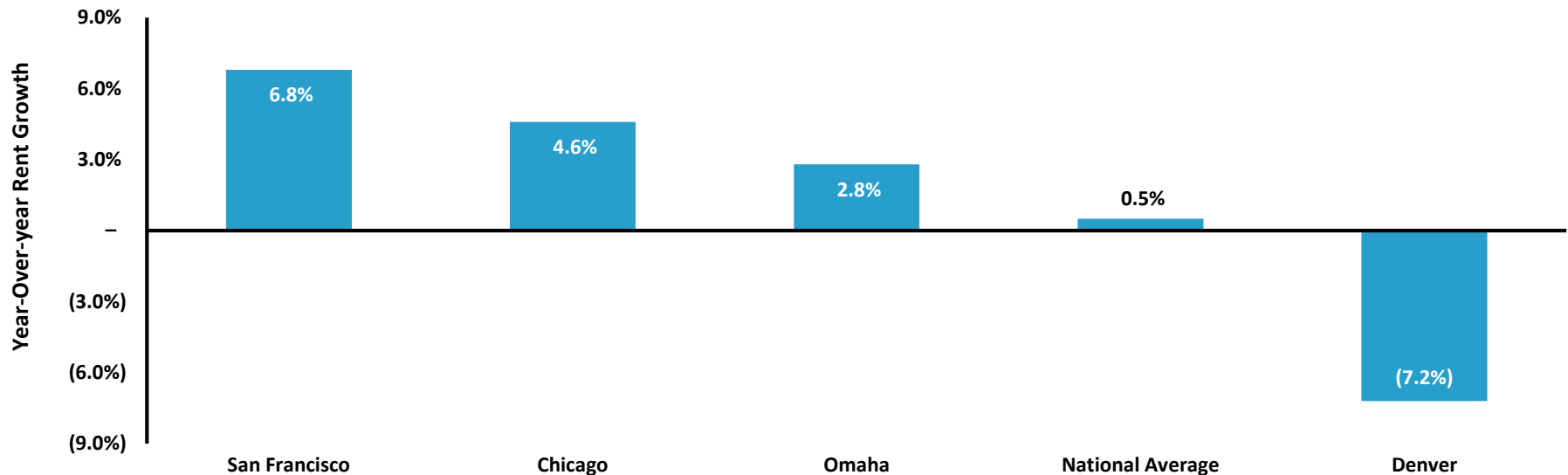
US MULTIFAMILY YOY RENT AND SUPPLY GROWTH AS OF Q3 2025



MICRO TRENDS IN MULTIFAMILY

- Despite sluggishness in other west coast cities, San Francisco has experienced a resurgence as AI companies such as Sandisk and Perplexity AI continue to invest in the city. Since 2020, the square footage of office space leased to AI companies has more than tripled in San Francisco⁽¹⁾
- Several cities across the Midwest are also experiencing outsized growth including Chicago which has seen several large employers move from suburban Chicago to Downtown in recent years including United Airlines and BP with other large employers including Sara Lee and Barilla contemplating moving to downtown Chicago in 2026
- Omaha is seeing similar growth, supported by a historical lack of supply and strong occupancy of 97% — even as large employers such as the University of Nebraska Medical Center, which is planning a new \$2B+ medical campus in the coming years, drive continued demand⁽²⁾
- On other hand, after several years of outsized rent growth, Denver is now experiencing a steep decline as the total apartment units available in the metro area has increased by more than 23% since 2020⁽³⁾

US RENT GROWTH BY CITY⁽⁴⁾

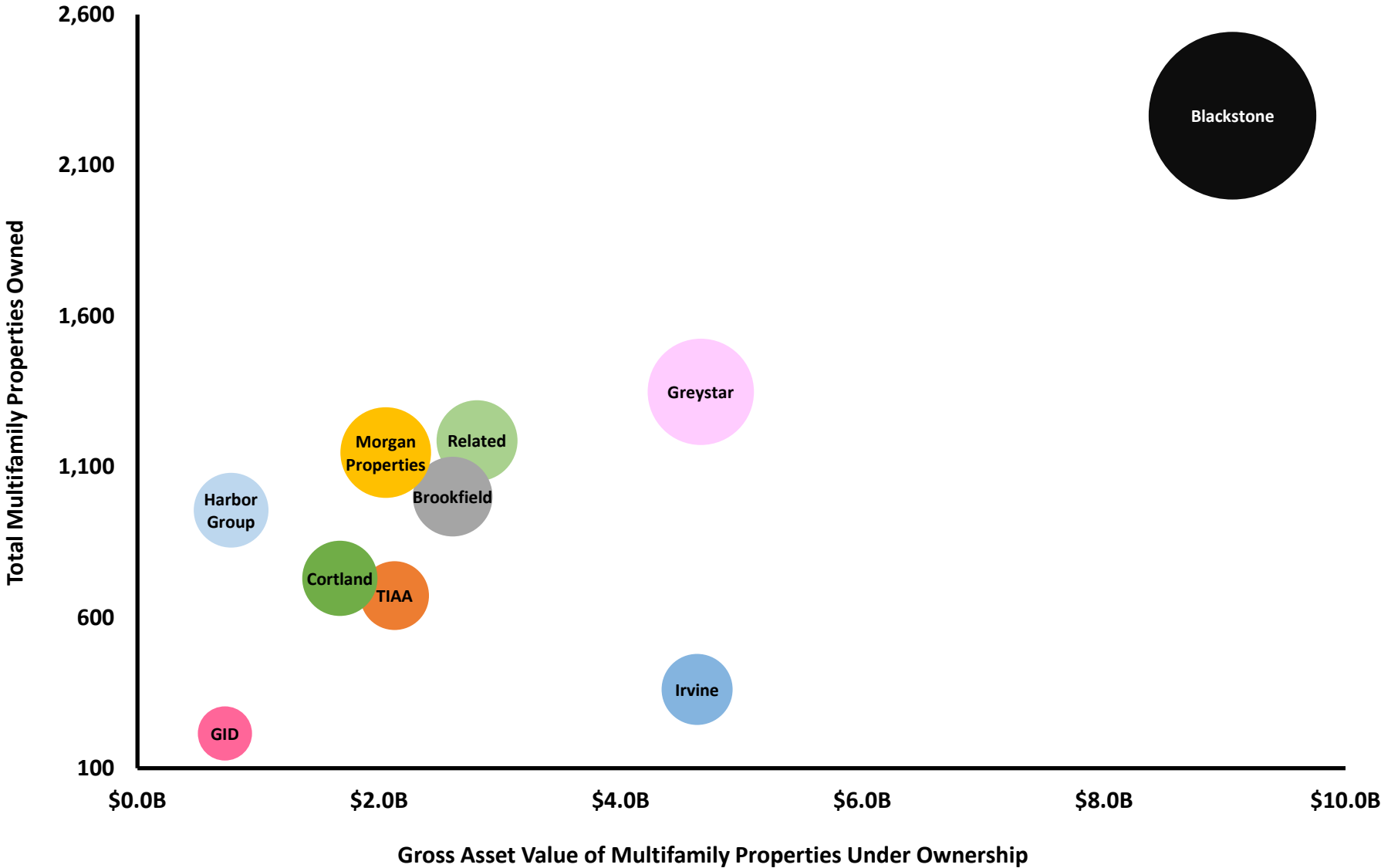


(1) Source: JLL.
 (2) Source: The Nebraska Examiner.
 (3) Source: Apartment Association of Metro Denver.
 (4) Source: Cushman and Wakefield Research.

TOP 10 PRIVATE FUNDS FOCUSED ON MULTIFAMILY RANKED BY TOTAL DRY POWDER

Fund Name	Description	Vintage	Fund Size (\$'s in Billions)	Dry Powder (\$'s in Billions)
Bridge Multifamily Fund V	Targets a value-add strategy focused on Class B multifamily housing properties located in high-growth U.S. markets. The fund's data-driven approach seeks to enhance and reposition these assets.	2023	\$2,260	\$1,107
Greystar Equity Partners XI	Implements a U.S. value-add strategy that includes a strategic allocation to new development and alternative residential sectors. This discretionary vehicle allows for flexibility in pursuing opportunities across the multifamily spectrum.	2024	1,900	696
FPA Apartment Opportunity Fund IX	Specializes in acquiring multifamily properties in secondary and tertiary U.S. markets, employing a value-add strategy. The fund's geographic focus is on North America.	2025	1,765	1,765
Waterton Residential Property Venture XV	Pursues both traditional value-add properties and distressed opportunities in major urban and suburban U.S. markets. Its vertically integrated platform is leveraged to improve and operate the acquired multifamily assets	2023	1,730	1,139
Carmel Partners Investment Fund VIII	Focuses on multifamily investments within supply-constrained, high barrier-to-entry U.S. markets. The fund utilizes a vertically integrated platform to execute its value-add strategy.	2021	1,580	391
Cortland Enhanced Value Fund VI	Concentrates on a value-add multifamily strategy with a strategic geographic focus on the Sun Belt and Mountain West regions of the U.S.	2023	1,500	1,083
Fairfield U.S. Multifamily Value Add Fund IV	Acquires and enhances value-add multifamily assets, specifically targeting Class B and Class C properties. The fund operates in over 30 major metropolitan statistical areas throughout the United States.	2024	1,470	1,176
Abacus Multi-Family Partners VI	Broadly seeks to acquire any U.S. multifamily properties with value-add opportunities.	2022	1,453	417
Bell Value-Add Master Fund VIII	Deploys a value-add investment strategy to acquire well-located, quality market-rate apartment communities. The fund operates in 14 specific target markets across the United States.	2022	1,300	725
Mesirow Financial Real Estate Value Fund V	Focuses on acquiring and repositioning underperforming Class A apartment buildings in the top 25 U.S. markets. This value-add strategy aims to build asset appreciation through operational improvements and revenue growth.	2024	1,245	796

TOP 10 PRIVATE MULTIFAMILY OWNERS



Source: MSCI Real Capital Analytics as of December 2025.
Note: Bubble size based on total square feet of multifamily properties under ownership.

2025 MULTIFAMILY INDIVIDUAL ASSET SALES ABOVE \$200M

Sale Date	Property Name	Location	Sale Price	Price Per Door	Cap Rate ⁽²⁾	Buyer	Seller
12/22/2025	Royal Crest	North Andover, MA	\$254M	\$431,973	–	Atlantic/Lupoli	Blackstone
12/19/2025	Ascent Apartments	San Jose, CA	\$322M	\$496,538	–	Ethos Real Estate	Shea Properties
12/11/2025	Waterside Plaza ⁽¹⁾	New York, NY	\$800M	\$544,218	–	Macquarie Group	Brookfield
12/10/2025	Haverstock Hill	Houston, TX	\$242M	\$345,714	–	Fairstead Capital	Reliant/Rainbow Housing
11/18/2025	Meriel Marina Bay	Quincy, MA	\$205M	\$582,386	–	GID	MetLife/Hines
10/28/2025	Stonehill	West Orange, NJ	\$220M	\$517,647	5.1%	Sentinel Real Estate	BNE Real Estate Group
8/21/2025	Park Kiely	San Jose, CA	\$370M	\$390,295	5.5%	Standard/Vistria	Greystar/Goldman Sachs/PSP
7/30/2025	Oriana at River Tower	New York, NY	\$367M	\$891,990	4.7%	StepStone Real Estate	BentallGreenOak/Slate
7/29/2025	180 Water	New York, NY	\$345M	\$594,225	5.2%	60 Guilders	Metro Loft
7/11/2025	Riverbank West	New York, NY	\$243M	\$582,536	4.9%	JP Morgan & NYSCRF	Massachusetts Mutual Life
7/11/2025	101 Via Mizner	Boca Raton, FL	\$235M	\$642,077	4.1%	Cardone Capital	Penn Florida Realty
6/27/2025	Bella Vista at Hilltop	San Pablo, CA	\$225M	\$223,214	5.1%	Pacific Housing Inc	Kennedy Wilson
6/17/2025	Folia	San Diego, CA	\$238M	\$695,906	4.8%	Property Reserve (LDS)	Holland Partners/Invesco
4/20/2025	Verdant Fort Greene ⁽¹⁾	Brooklyn, NY	\$212M	\$459,143	5.3%	Farallon/MCB Real Estate	Rabsky Group
4/2/2025	Skyline at MacArthur Place	Santa Ana, CA	\$239M	\$686,495	4.8%	Crescent Heights	Essex Property Trust
4/1/2025	Sable Jersey City	Jersey City, NJ	\$440M	\$194,432	–	Veris Residential	Rockpoint Group
3/28/2025	Altitude	Malden, MA	\$268M	\$291,621	5.1%	Rockpoint Group	Metropolitan Prop America
3/10/2025	The Hub	Brooklyn, NY	\$419M	\$559,040	5.0%	Steiner Equities	JP Morgan
1/30/2025	Park 12	San Diego, CA	\$309M	\$430,362	4.9%	MG Properties	Greystar
1/1/2025	525 West 52nd Street	New York, NY	\$267M	\$681,122	–	Ares Management	Mitsui Fudosan America

Source: MSCI Real Capital Analytics as of December 2025.

(1) Denotes leasehold sale.

(2) Cap rate listed only if publicly reported.

2025 MULTIFAMILY PORTFOLIO SALES ABOVE \$200M

Sale Date	Portfolio Name	Total Properties	Location(s)	Sale Price	Overall Cap Rate	Buyer	Seller
8/13/2025	AvalonBay DC Apt Portfolio	4	Washington, DC	\$447M	5.9%	Foulger Pratt, PCCP, & Tryline	AvalonBay
7/17/2025	Sunroad Enterprises AZ Apt Portfolio	4	Phoenix Metro	\$462M	5.1%	Fairfield	Sunroad Enterprises
6/2/2025	Werner/Carlton/Onyx Sunbelt Apt Portfolio	9	South CarolinaGeorgia	\$625M	5.7%	Harbor Group	Onyx Partners, Carlton, & David Werner
5/8/2025	Land and Houses CA Apartments Portfolio	2	Campbell, CA	\$241M	4.4%	Essex REIT	Land & Houses
4/29/2025	Veritas/IC Bay Area Apartment Portfolio	8	San Francisco, CA	\$541M	6.1%	PCCP	Ivanhoe Cambridge & Veritas Investments
4/24/2025	BSR Dallas Apt Portfolio	6	Dallas Metro	\$432M	4.8%	AvalonBay	BSR Trust
4/7/2025	American Landmark Florida Apt Portfolio	3	Wesley Chapel, FL Plantation, FL Jacksonville, FL	\$300M	5.0%	Harbor Group	Electra America & American Landmark

2025 NOTABLE MULTIFAMILY JOINT VENTURES

Sale Date	Overview	Location	Year Built	Sale Price	Units	JV Partners	Seller
9/10/2025	Harbor Group and CBRE partnered to acquire a 2,719-unit multifamily portfolio across New England for \$740M	Across New England	Various	\$740M	2,719	Harbor Group & CBRE	AIMCO
9/3/2025	Guardian partnered with JP Morgan and AEW to acquire a 3,000-unit multifamily portfolio located in the Pacific Northwest and Albuquerque	Pacific Northwest and Albuquerque, NM	All built after 2000	\$497M	3,050	Guardian, AEW, & JP Morgan	Various
6/13/2025	Kennedy Wilson partnered with Kenedix and Hulic to acquire the 265-unit Danforth building in Seattle	Seattle, WA	2018	\$173M	265	Kennedy Wilson, Kenedix, & Hulic	Vanbarton Group
3/6/2025	Boston Properties, CrossHarbor, and The Albanese Organization formed a \$400M joint venture to develop a 670-unit apartment tower in Jersey City	Jersey City, NJ	NA	NA	670	Boston Properties, CrossHarbor, & Albanese	NA

