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U.S. Multifamily State of the Market

Q3 2026



Turning Back the Clock on Rates, Risk, and Growth

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The current macroeconomic backdrop echoes the early 2000s when the 10-year Treasury last had a "5 handle" *and* real GDP growth ran 3-4% after the dot-com recession. Today's economy is resilient, supported by a tight labor market and AI-driven investment. Following a late-September surge, the 10-year Treasury yield is near a quarter-century high, driven by inflation *and* growth expectations. YTD sales volume for single property apartments trails last year by 6%, reflecting a slow recovery. With rate relief for borrowers increasingly unlikely, owners need to focus on operations to drive price appreciation.

- September bond sell-off brings the 10-year Treasury yield back to early 2000s.
- AI investment and tight labor market support real GDP growth, equity markets.
- Current rent recovery is slower than past cycles and differentiated by metro area.
- Fed hiking spurred by inflation has reversed expectations around rate relief.
- Debt capital is still plentiful, spreads are stable, but distress continues to build.
- More so than favorable leverage, NOI growth drives price appreciation.



Sources: MSCI IPD as of August 2026

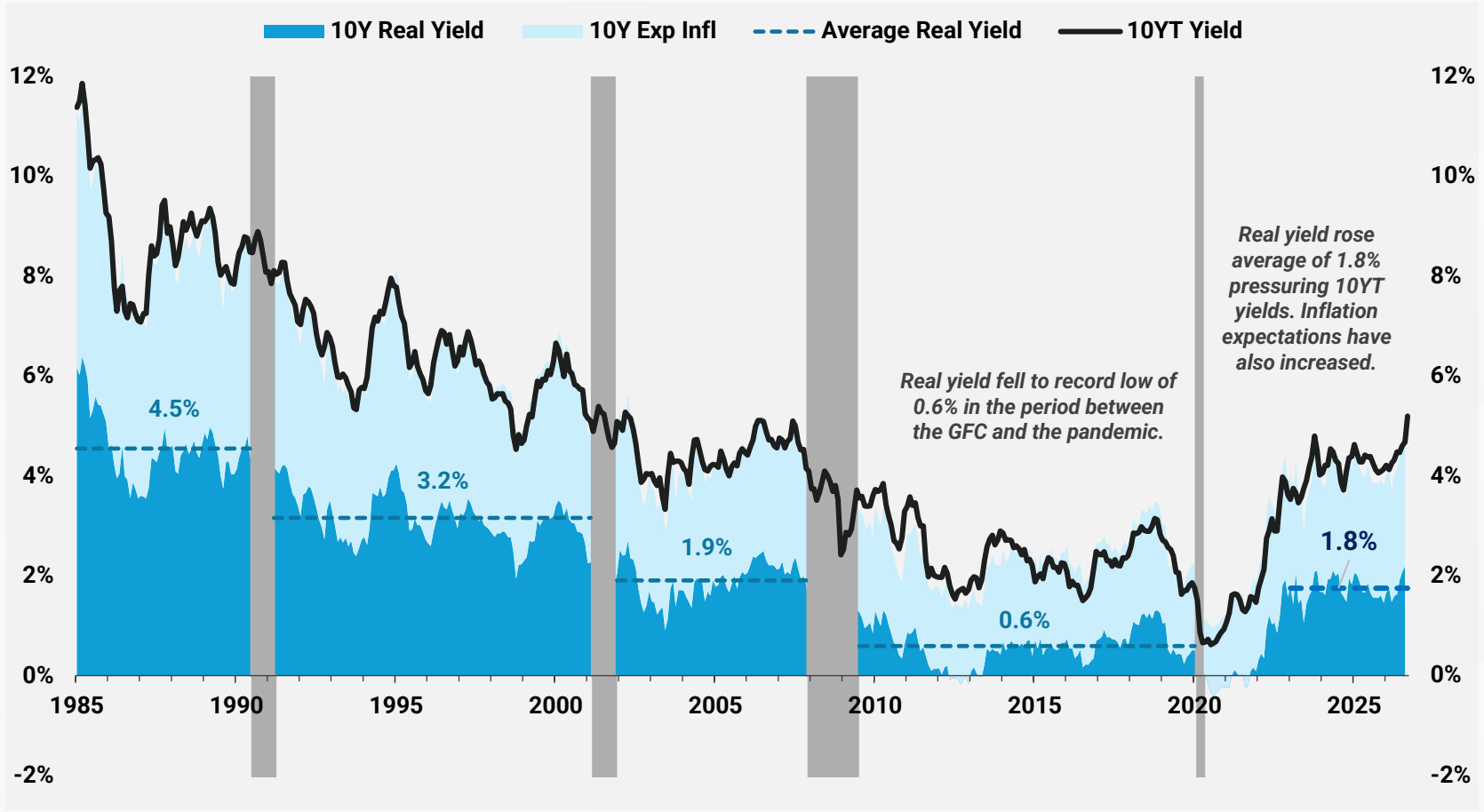
Not Only About Inflation: Real Yields Return

The 10-year Treasury yield has two components: 10-year inflation expectations and the 10-year real (inflation-adjusted) yield. Inflation expectations have been stable, averaging 2% over the past 20 years until recently. It is the real yield that declined steadily until 2012.

The real yield is the inflation-adjusted risk premium investors demand to hold the 10-year Treasury note. It is the real yield for the 10-year, and all other risk assets, that has been rising since 2022.

This has direct consequences for apartments. A higher real yield raises the discount rate on risk assets to account for greater growth and uncertainty. The valuation bar for apartments to clear has been raised.

10-Year Treasury Yield: Stable Inflation Expectations, Rising Real Yield

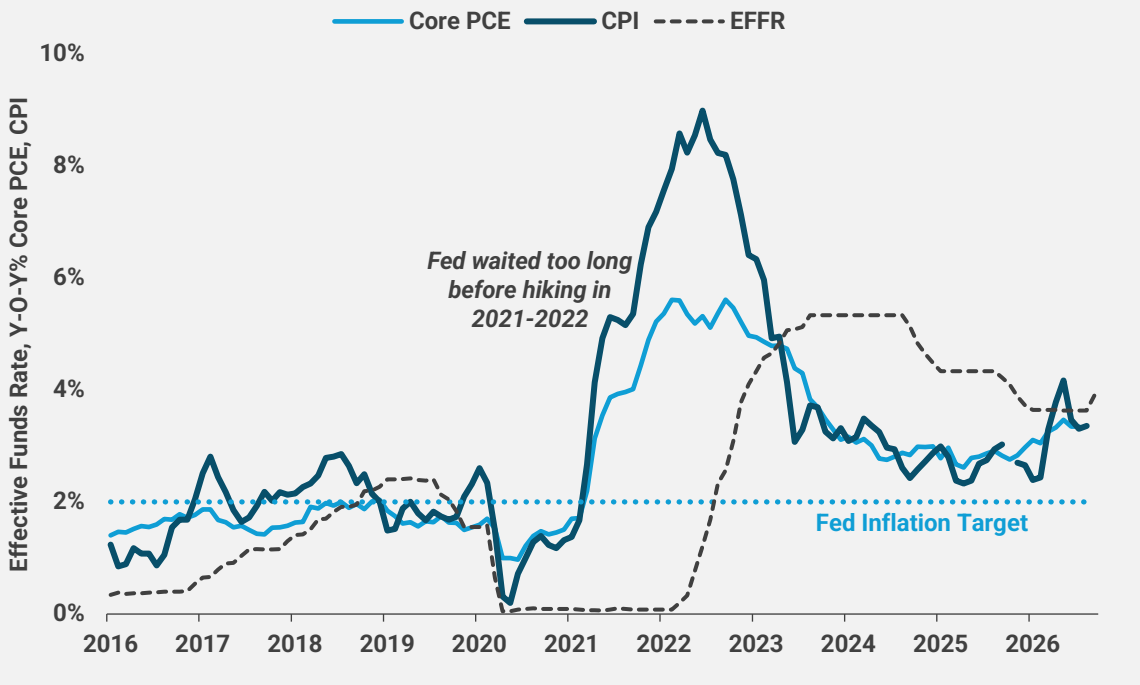


Sources: IPA Research Services, Federal Reserve as of September 2026

Markets Brace for Another Round of Tightening

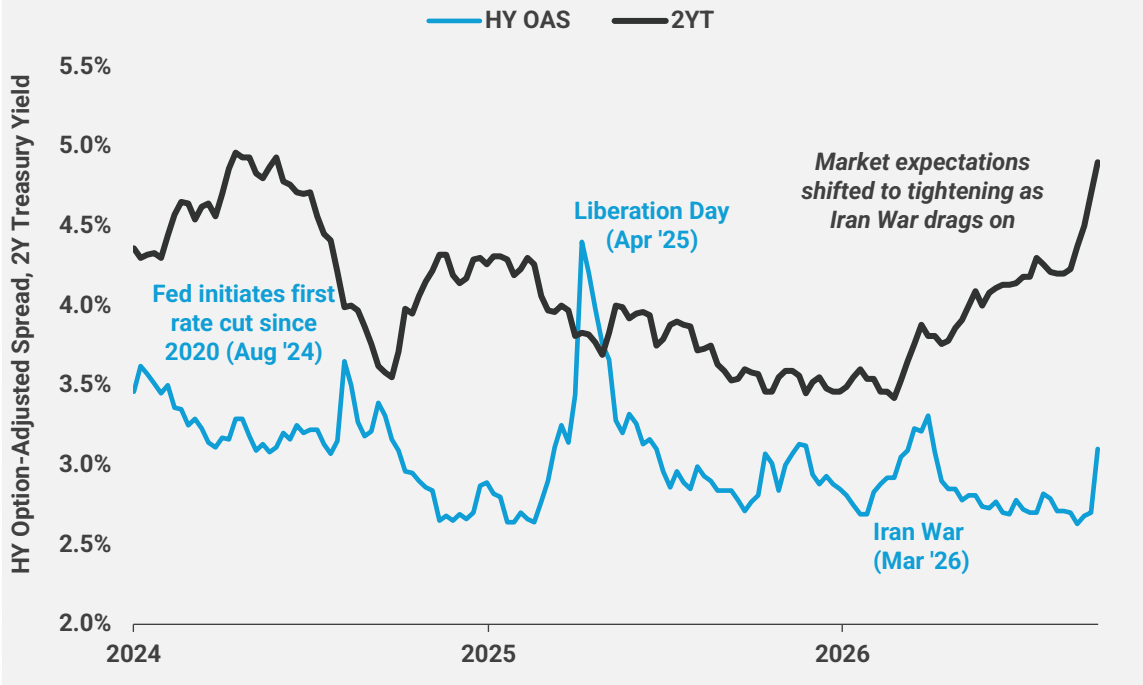
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Energy-Driven Headline Inflation Risks Seeping into Core



- A longer Iran War makes energy-driven inflation seeping into core more likely.
- Core inflation has run above the 2% target for more than five years.
- The Fed was slow to react in 2021-2022, seeks to act more pre-emptively.

2-Year Yield Surges as Markets Price In Tightening



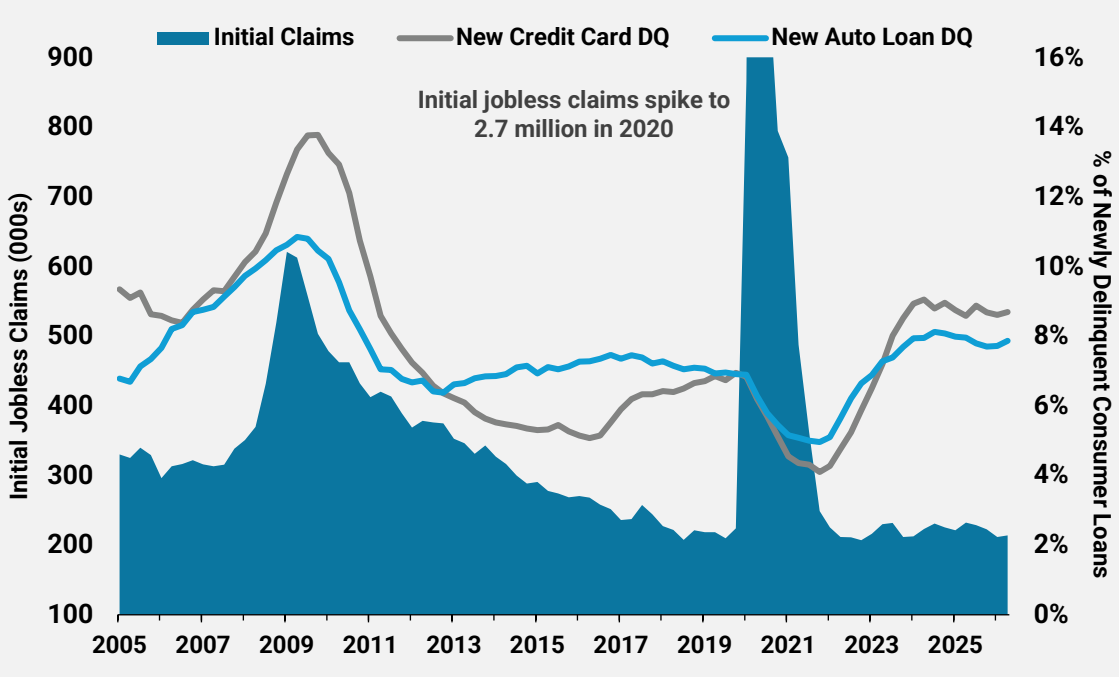
- The 2-year yield is a market proxy for the expected path of the Fed funds rate.
- Expectations shifted from easing to tightening with the Iran War.
- Investors need to underwrite greater uncertainty and higher future inflation.

Sources: IPA Research Services, BLS, BEA, ICE BofA, Federal Reserve as of September 2026

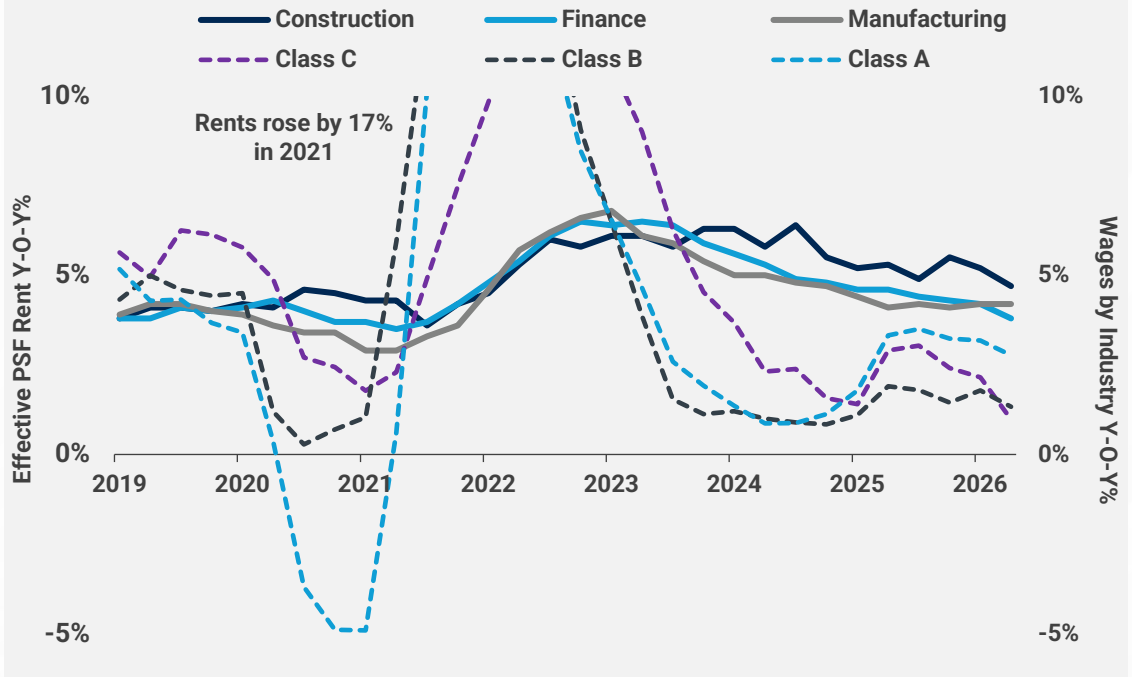
Tight Labor Market Keeps Wage Growth Above Rent Growth

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Low Claims, Stable Delinquencies Show Resilient Households



Wage Gains Now Outpacing Rent Growth



- Initial claims fell to a low of 204K weekly in Q3'26.
- Newly delinquent credit card and auto loans are elevated but stable for now.
- However, higher rates continue to constrain household borrowing.

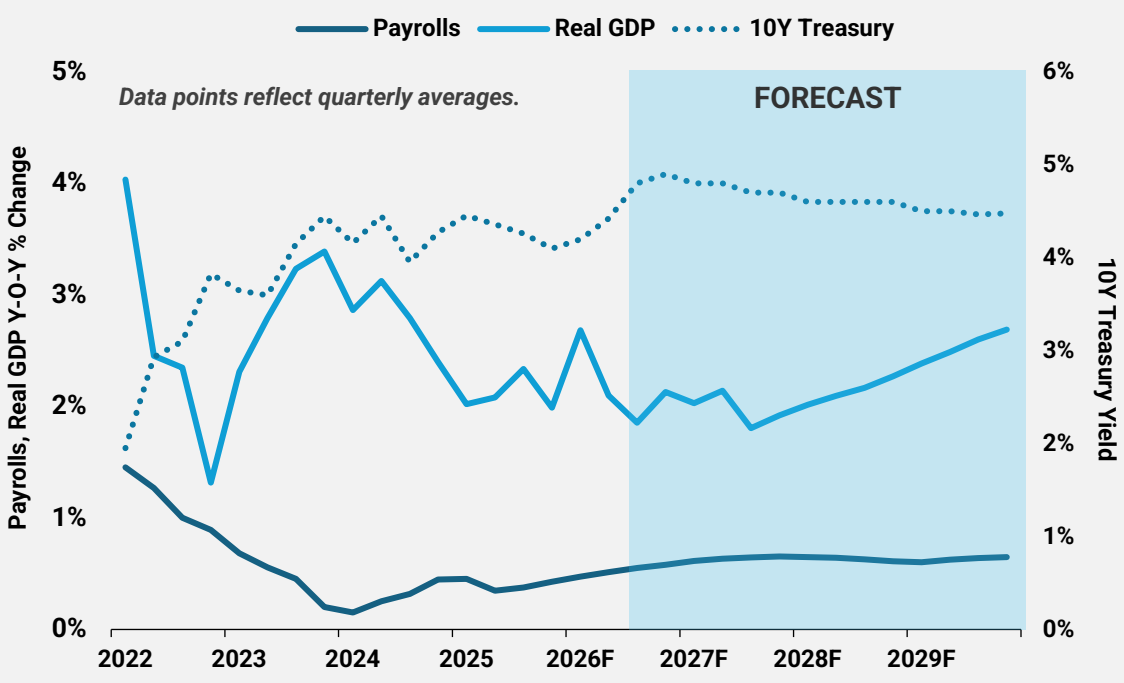
- Atlanta Fed reports Y-O-Y wage increase of 3.8% as of August 2026.
- Wages have outgrown rents since 2023.
- Wage gains across industries have exceeded Class A, B, and C rent changes.

Sources: IPA Research Services, BLS, RealPage, Federal Reserve Bank of Atlanta, Moody's Analytics as of September 2026

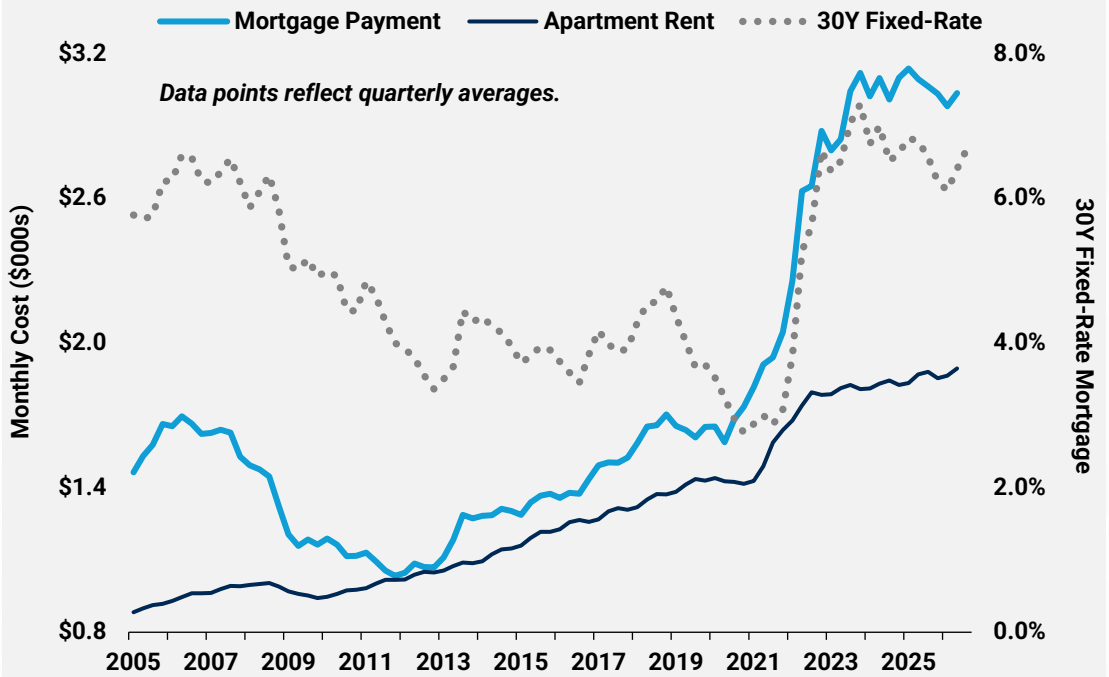
Higher Rates, Higher Growth, and Higher Rentership

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Real GDP Growth Accelerates Even With 10YT Above 4%



Rent-vs-Own Economics Favor Apartments



- Job growth is not expected to break out as AI disrupts hiring.
- GDP forecasts may understate AI-driven productivity gains.
- Real GDP growth edges up even as the 10-year yield remains above 4.0%.

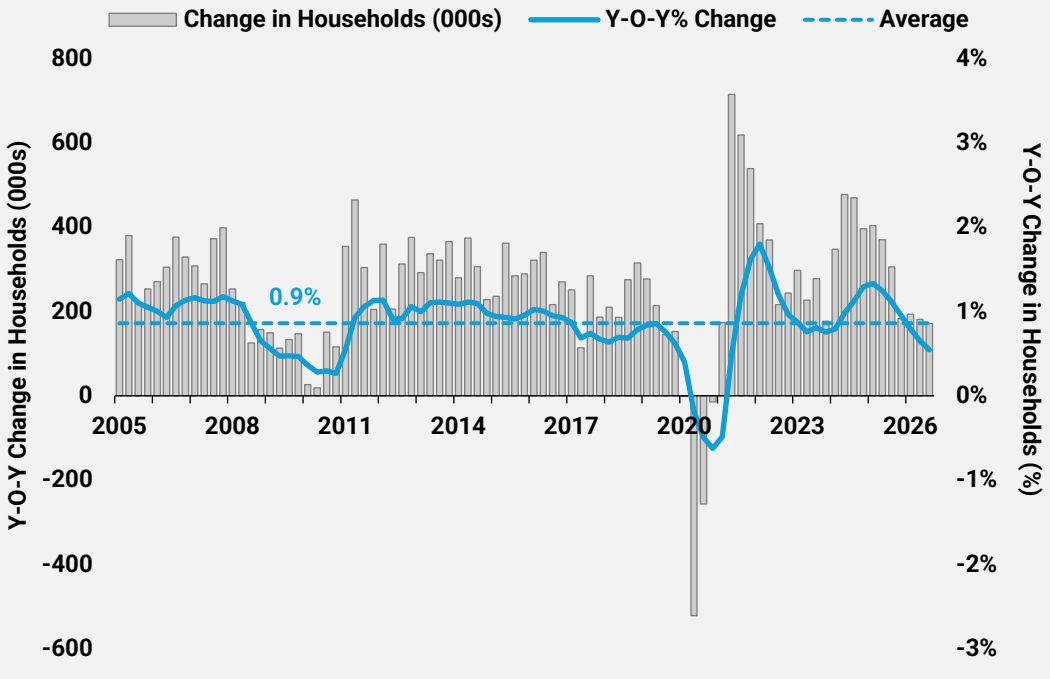
- Mortgage rates and record home values put homeownership out of reach.
- The homeownership-to-rent cost gap is more than 8x what it was 10 years ago.
- Record multifamily retention is likely to retreat if mortgage rates fall.

Sources: IPA Research Services, BEA, BLS, Freddie Mac, Census Bureau, RealPage, Moody's Economy.com as of September 2026
Typical mortgage payment based on quarterly median home price for a 30-year fixed-rate mortgage, 90% LTV, taxes, insurance, and PMI

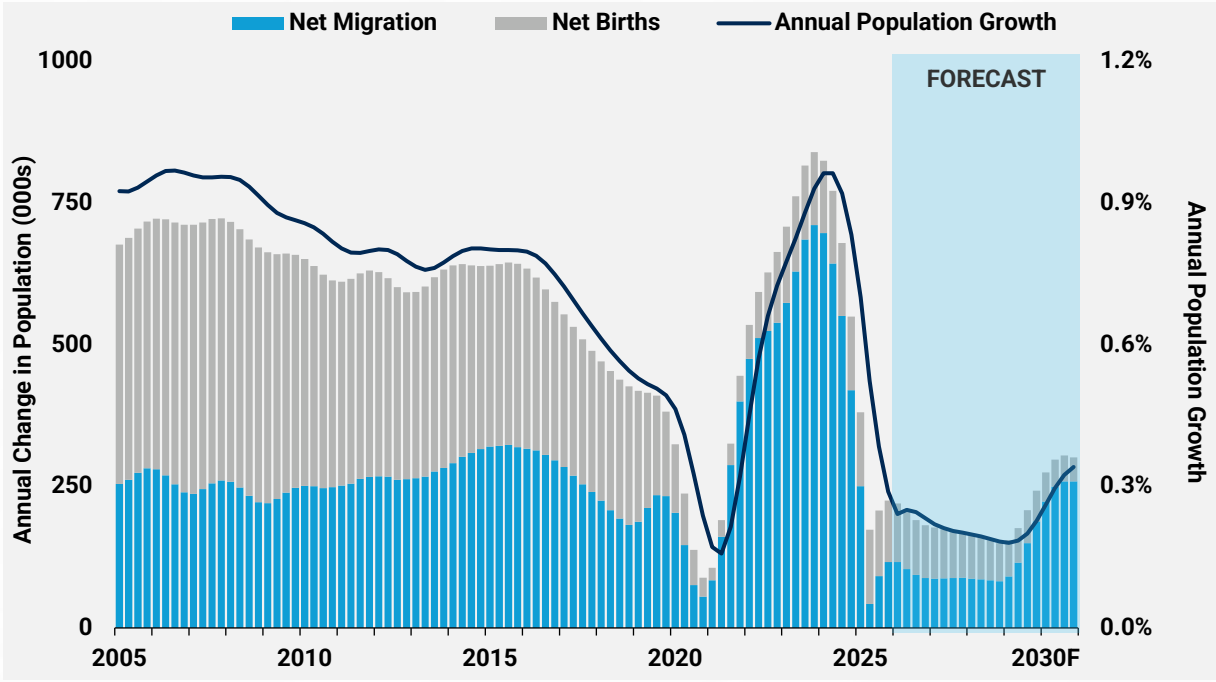
Slowing Demographic Trends Sap Demand

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Slowing Household Formation Flashing Yellow



Population Growth Is Decelerating, a Headwind to Demand



- Household formation is running below its historical average of 0.9%.
- Household formation pace is at its slowest since 2021.
- Single-person households account for most of new households formed.

- The post-pandemic migration wave has almost completely receded.
- Net migration, net births expected to remain well below pre-pandemic averages.
- Population growth below 0.3% annually will weigh on demand recovery.

Sources: IPA Research Services, Census Bureau, Moody's Economy.com as of September 2026

Rent Recovery Is Slower and More Uneven Than Last Cycle

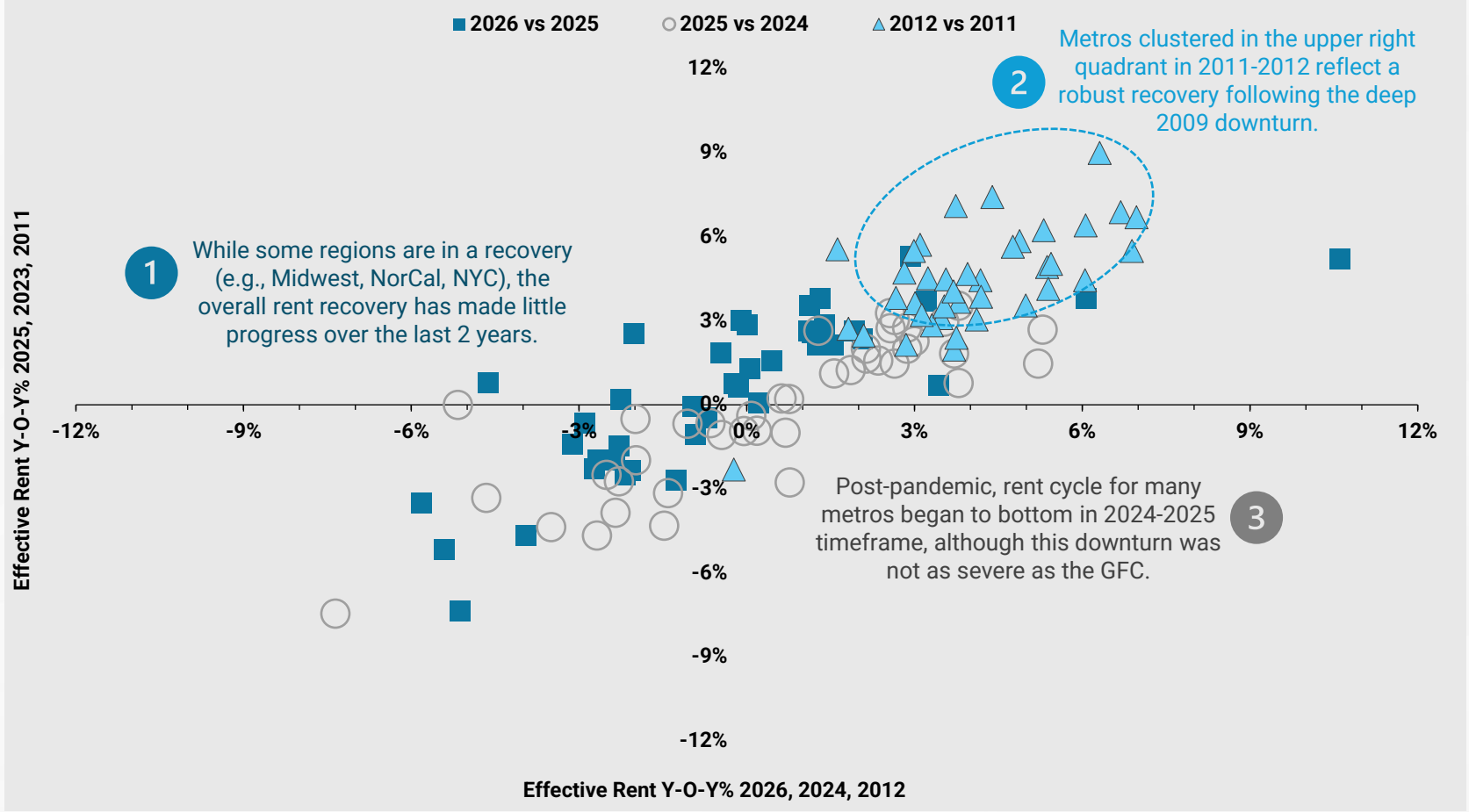
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The post-pandemic apartment recovery is much slower than the 2008-2009 Global Financial Crisis (GFC) recovery. The scatterplot shows a snapshot of the largest 40 apartment metros at certain points in the rent cycle.

Rents generally stabilized between 2023-2024, but performance varied widely. Some metros had deep downturns followed by modest recoveries. Others had shallow downturns and strong recoveries.

Expect metros to continue trending at different paces. This kind of drawn-out national recovery permits investors a broader window to invest selectively across different metro areas.

Rent Recovery Is Slower Than Past Cycles (Top 40 U.S. Metros, Year 2 vs. Year 1)

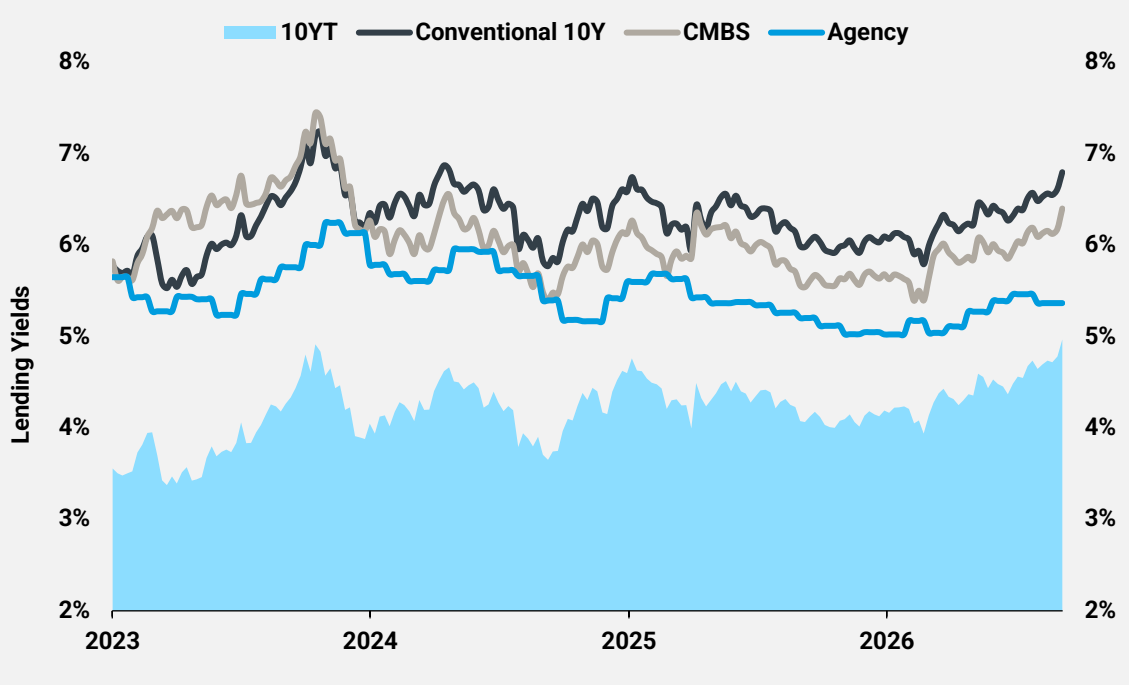


Sources: IPA Research Services, RealPage as of September 2026

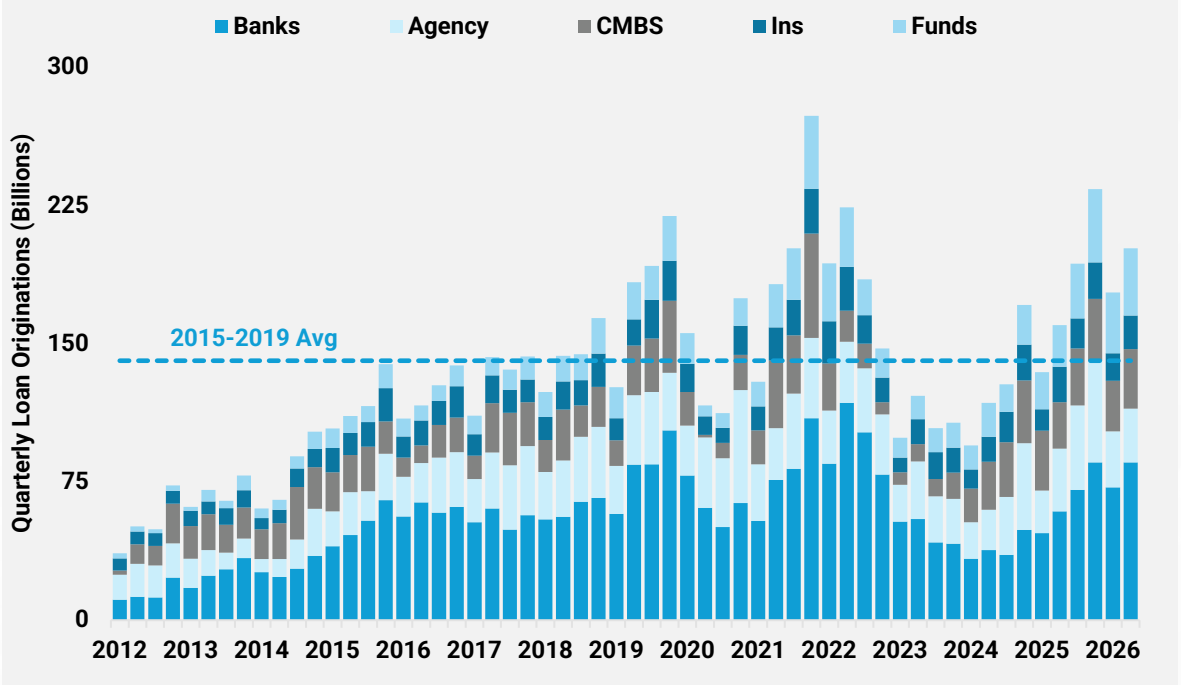
Debt Is Costlier but Plentiful as Borrowers Adjust

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Debt Costs Elevated Versus 2010-2020, Spreads Stable



Originations Are Holding Above the 2015-2019 Average



- Base rates have surged recently, but lending spreads have remained stable thus far.
- Agency spreads are attractive, but GSEs are unlikely to meet their caps in 2026.
- Higher base rates have lifted all-in lending yields across lender types.

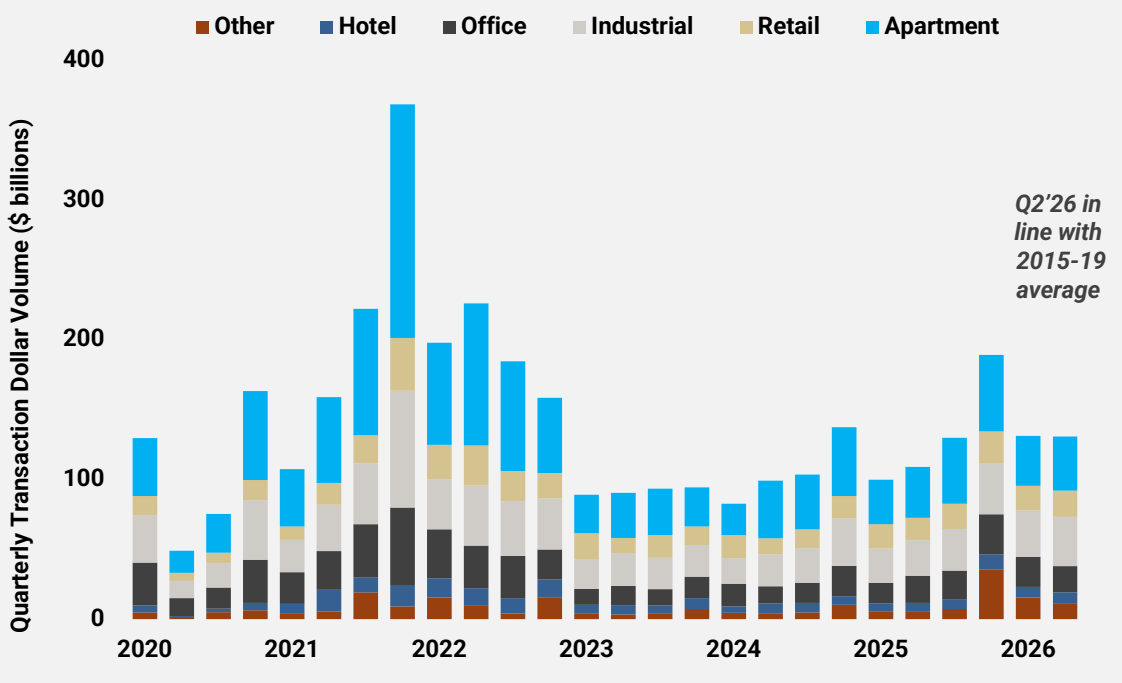
- Banks return to CRE lending after 2023 regional bank failures.
- Origination activity has run above its pre-COVID average for the past five quarters.
- Investment inflows to debt versus equity have contributed to tighter loan pricing.

Sources: IPA Research Services, Green Street, MSCI RCA, Federal Reserve as of Q2 2026

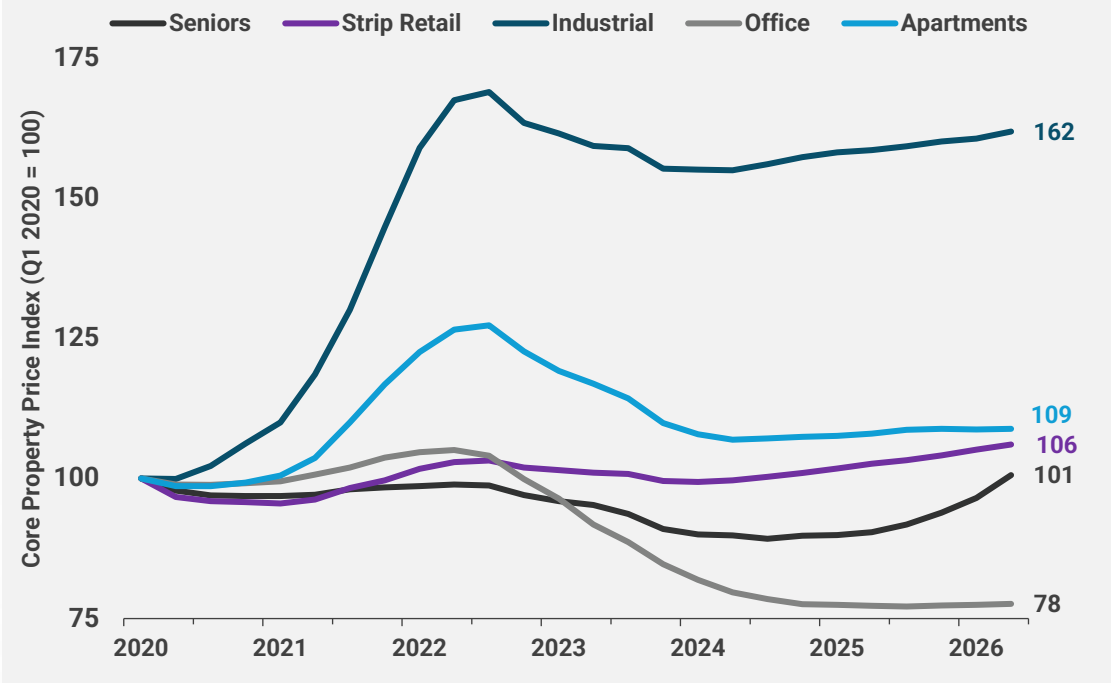
Feedback Loop of Liquidity and Values

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Flattening Transactions Activity Slows Recovery Momentum



Core Price Trends Are Not Enticing Investors



- Q2'26 volume of $130 billion is just below the $134 billion 2015-19 average.
- Industrial activity rose 38% Y-O-Y% and Retail 18%, but Apartments only 6%.
- Seniors Housing (included in "Other") posted a record first half in 2026.

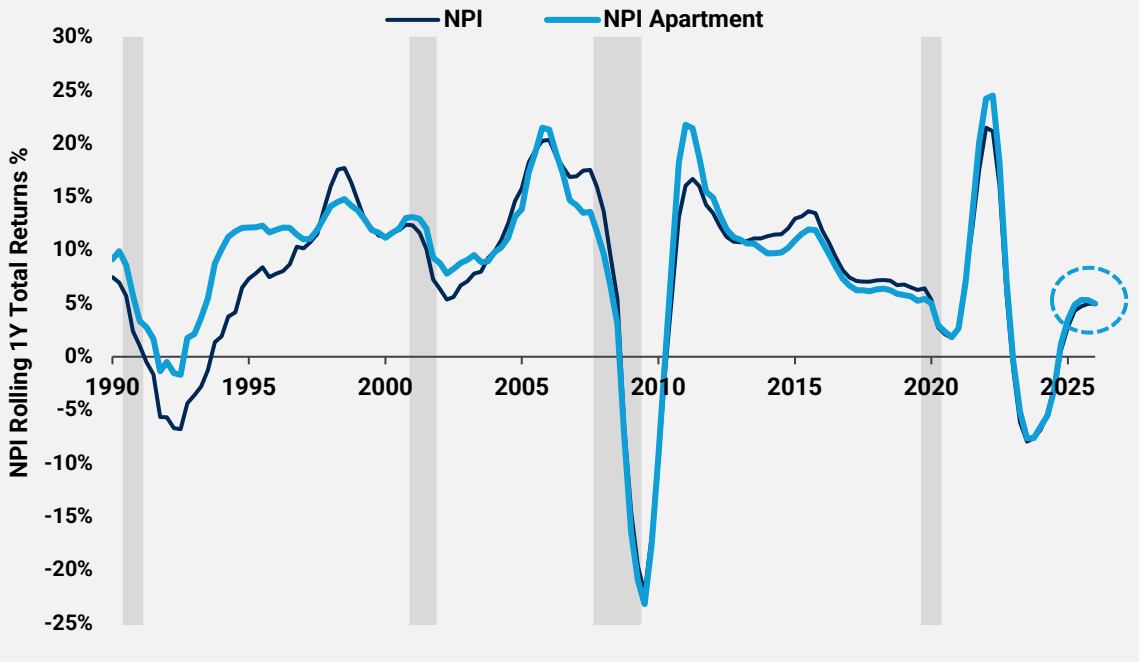
- The NCREIF MVI is an equal-weight, unlevered core property price index.
- Core price trends since the pandemic have been uncompelling.
- Apartment appraisal values are up only 9% cumulatively since Q1'20.

Sources: IPA Research Services, MSCI RCA, NCREIF as of Q2 2026

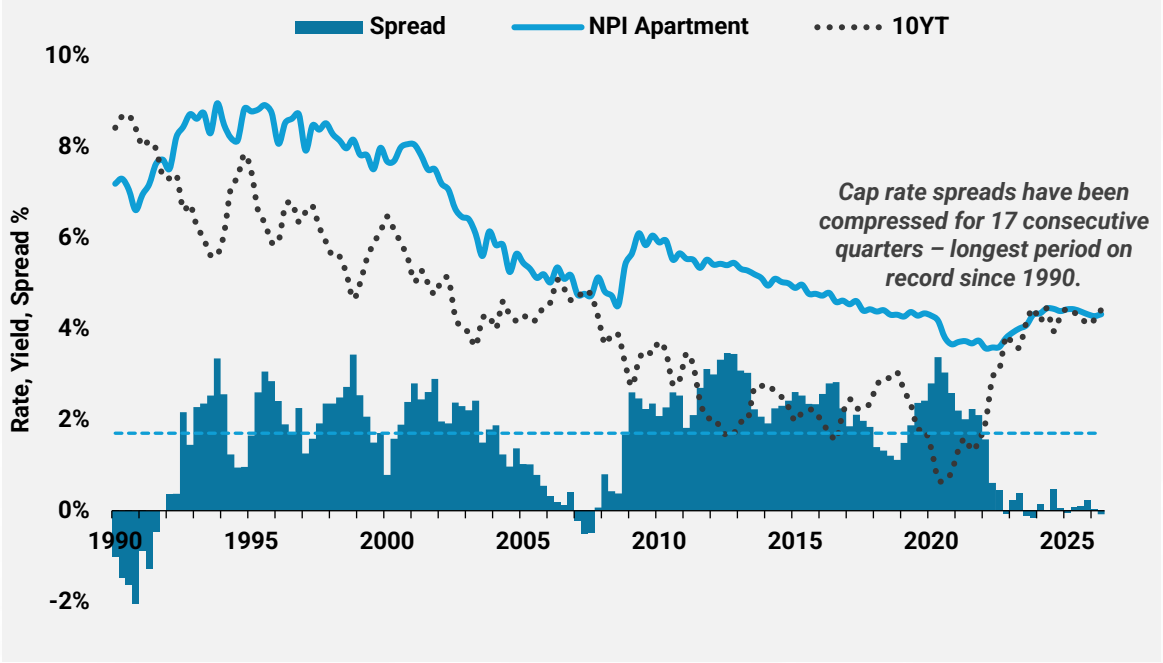
Without Rate Relief, NOI Growth Must Carry Values

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Core Real Estate Returns Fade as Headwinds Mount



Apartments Need to Reestablish a Cap Rate Risk Premium



- Trailing apartment total return of 4.6% as of Q2'26 is below 5.0% of prior quarter.
- Both NPI and Apartment income returns are below 15-year averages.
- NPI and Apartment returns track closely, reflecting convergence between sectors.

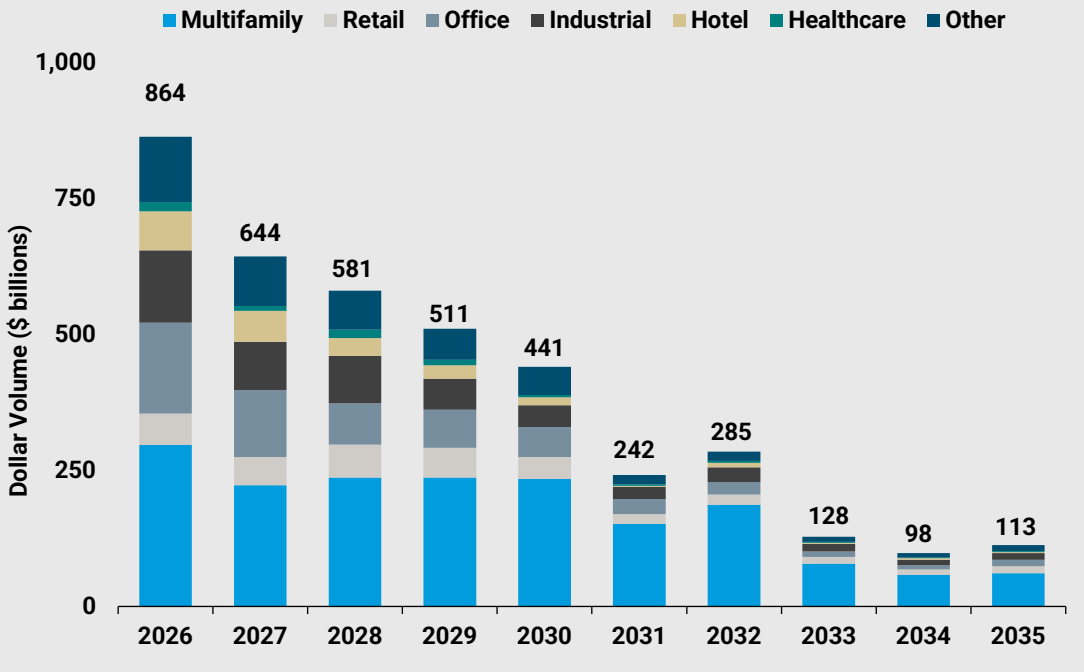
- Appraisal apartment cap rate rate spread has been compressed for 17 quarters.
- Long-term rates are unlikely to ease sufficiently to re-establish a risk premium.
- Rent and revenue growth must accelerate, or values must adjust.

Sources: IPA Research Services, NCREIF, Federal Reserve as of Q2 2026

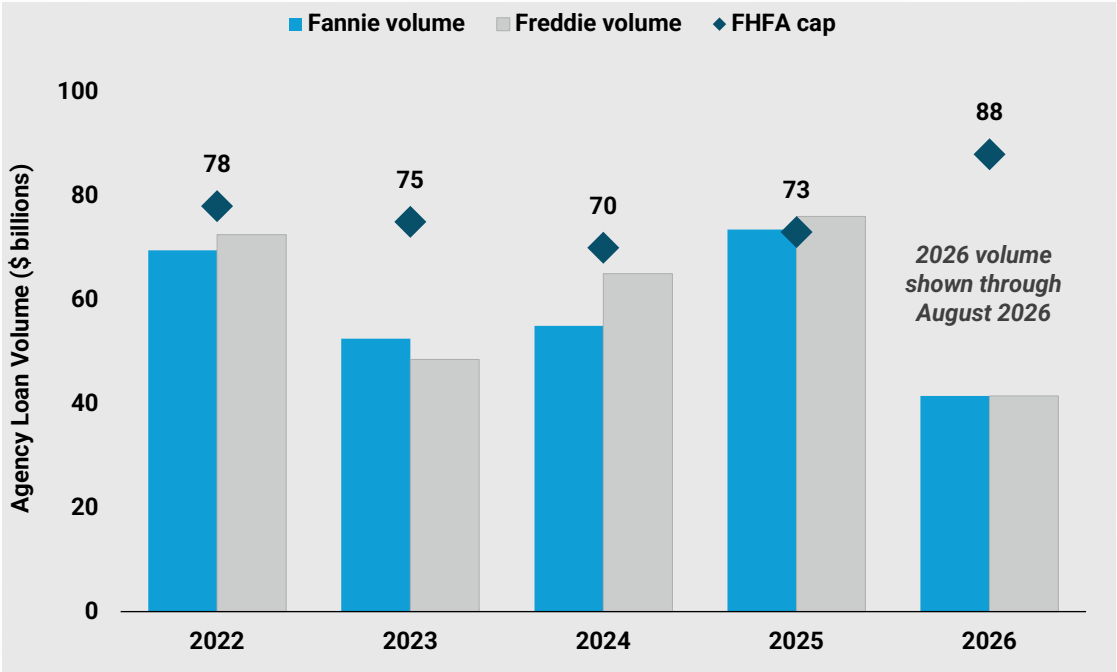
$2.1 Trillion Maturity Wall Faces Tough Refi Environment

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More Than $2 Trillion of CRE Loans Mature by 2028



Fannie, Freddie Well Below FHFA Lending Caps in 2026



- About one-third of $2.1 CRE debt maturing is backed by apartments.
- Borrowers can no longer count on a favorable rate environment to refinance.
- Some lenders are forcing a resolution as opposed to “kicking the can.”

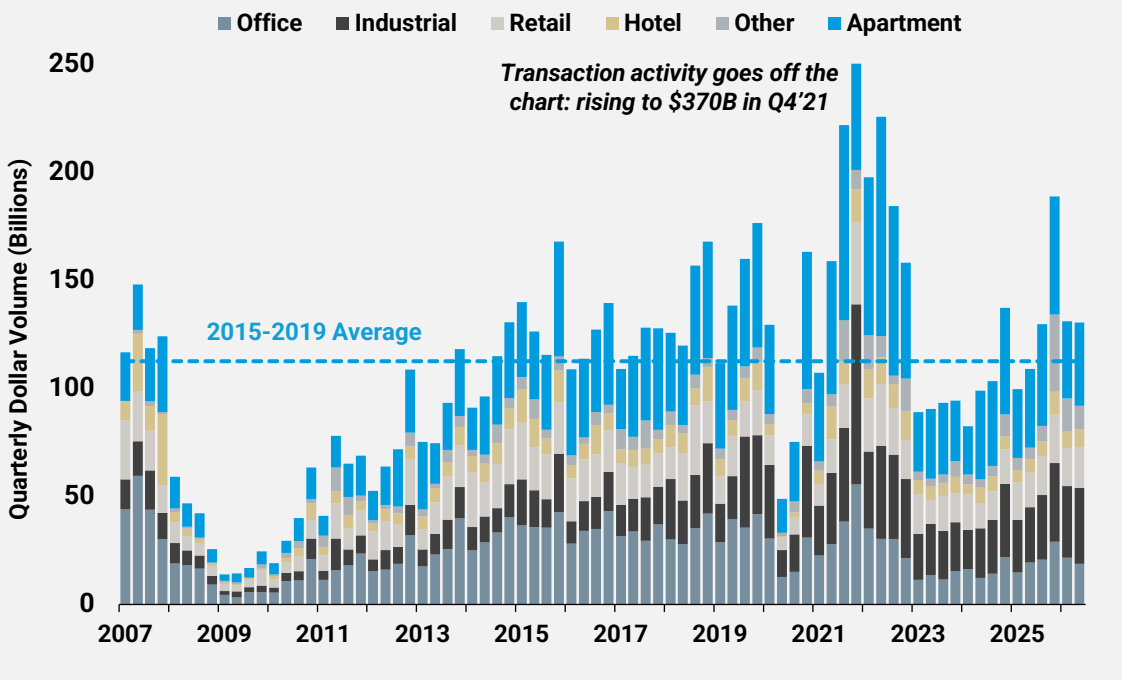
- Agency caps were set at $88 billion for 2026, well above volume.
- Rising base rates have slowed Fannie and Freddie originations.
- GSEs are not sacrificing loan standards in favor of volume.

Sources: IPA Research Services, MSCI RCA, Green Street as of September 2026, Trepp as of December 2025

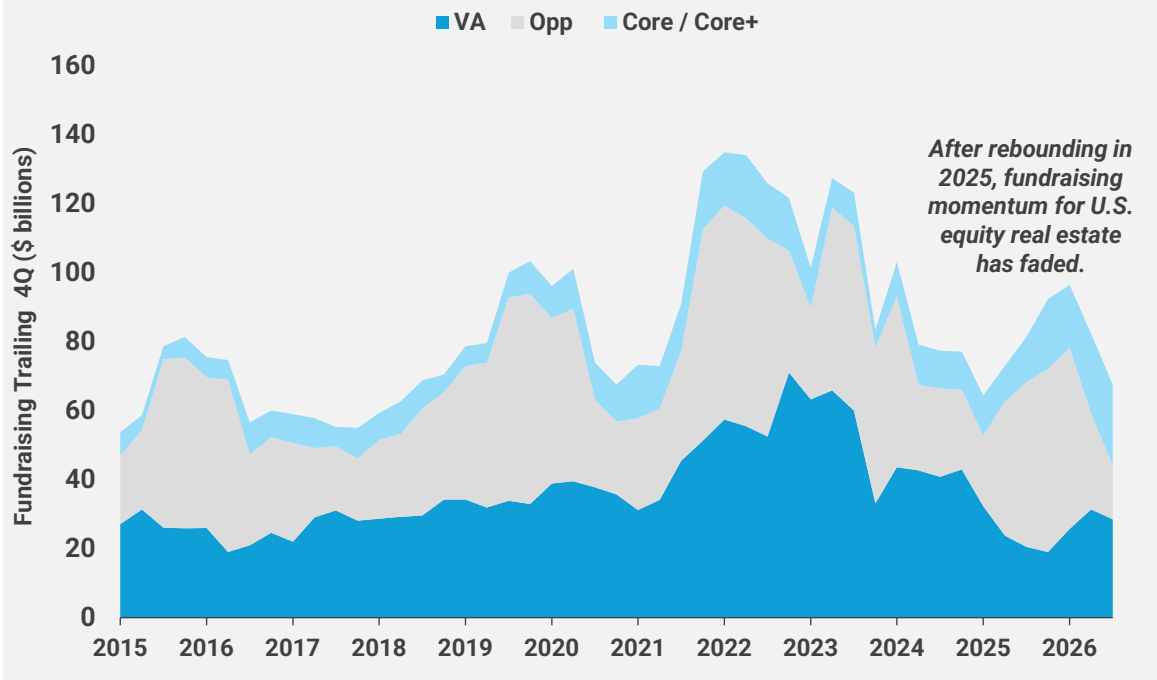
Sales Volume Slows as Capital Appetite Softens

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Transaction Dollar Volume Across Sectors Above Pre-Pandemic Level



U.S. CRE Equity Fundraising Pace Is Fading



- Dollar-sales volume mounts a modest recovery following 2023 decline.
- Merger of AvalonBay and EQR will show up in Q3 transaction activity.
- Single-asset apartment sales YTD as of August down 6% over last year.

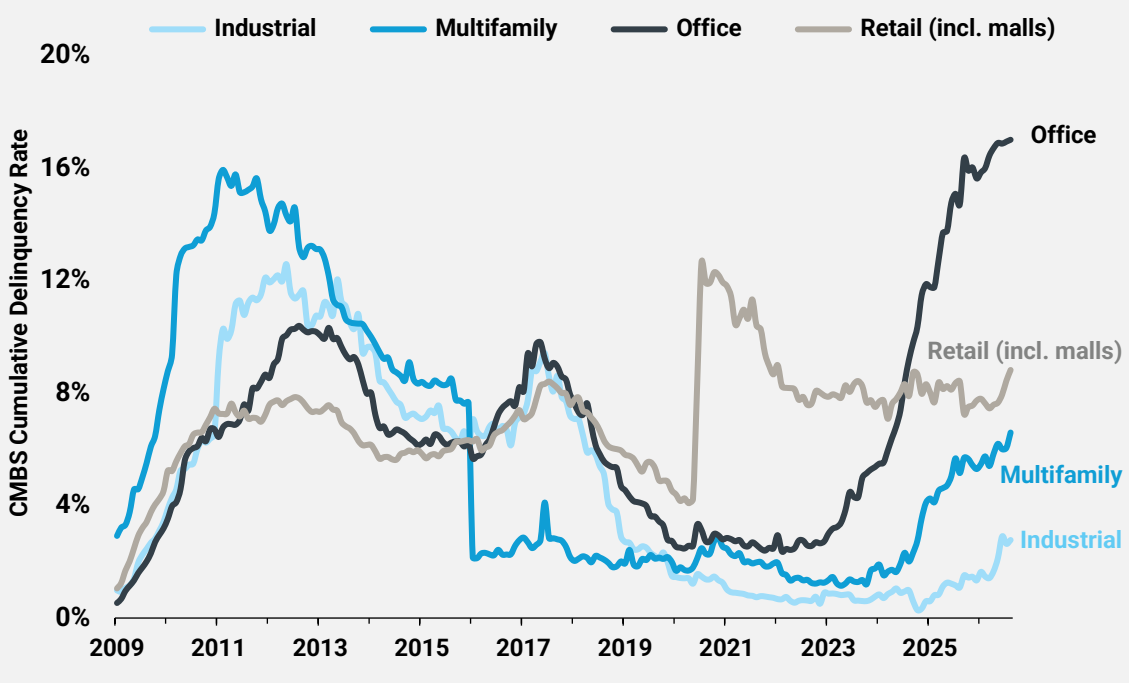
- The 2025 acceleration in U.S. equity CRE fundraising is now dissipating.
- Value-add, Opportunistic strategies have raised more capital than Core / Core+.
- Bidding for Core / Core+ properties has become highly competitive.

Sources: IPA Research Services, MSCI RCA, Preqin as of August 2026

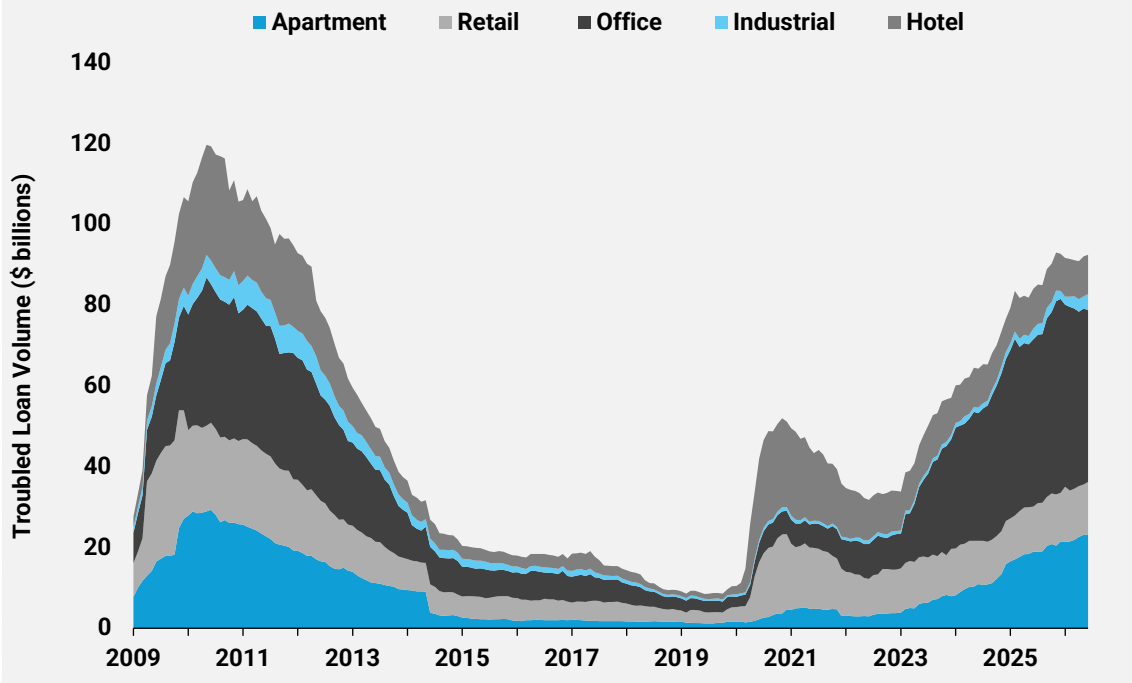
Late Q3 Bond Sell-Off Amplifies Distress Pressures

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CMBS Delinquency Rates Set to Rise Further



Office, Apartments Make Up Majority of Troubled Loan Volume



- The Q3'26 surge in yields puts greater pressure on troubled sponsors.
- Delinquency rates have risen across all property types.
- Sponsors face a limited range of "creative solutions" for their capital stacks.

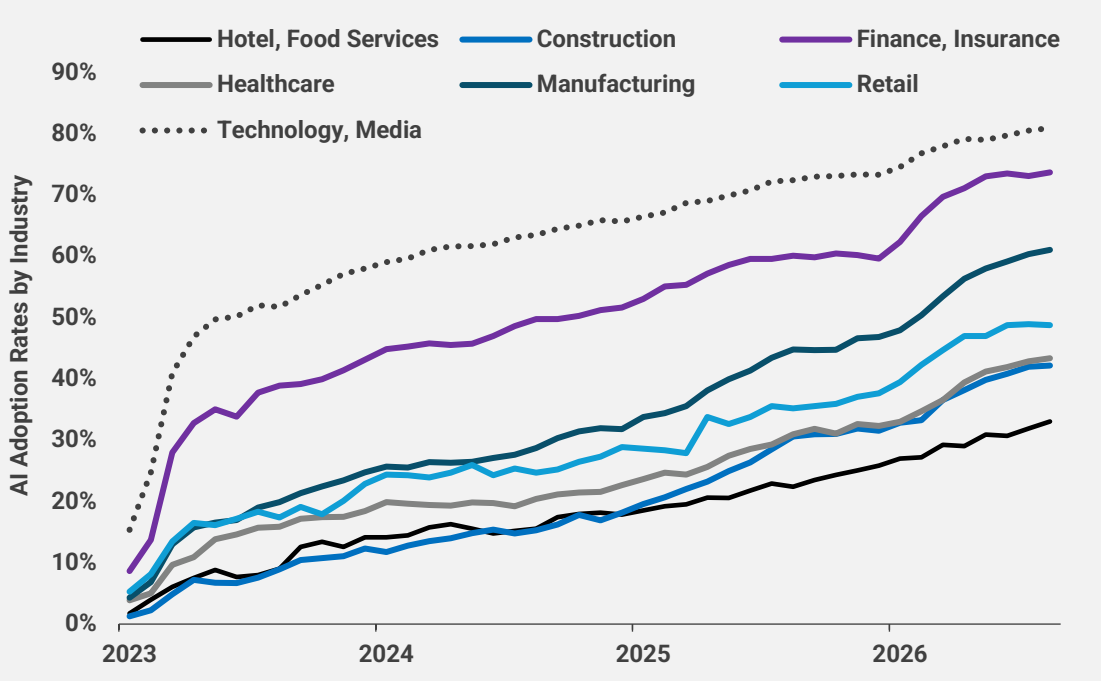
- Troubled loan volume is climbing toward GFC levels.
- Apartment and Office loans have driven troubled volume higher since 2023.
- Volume should stabilize as more sponsors capitulate and lenders force resolutions.

Sources: IPA Research Services, Moody's, MSCI RCA as of September 2026

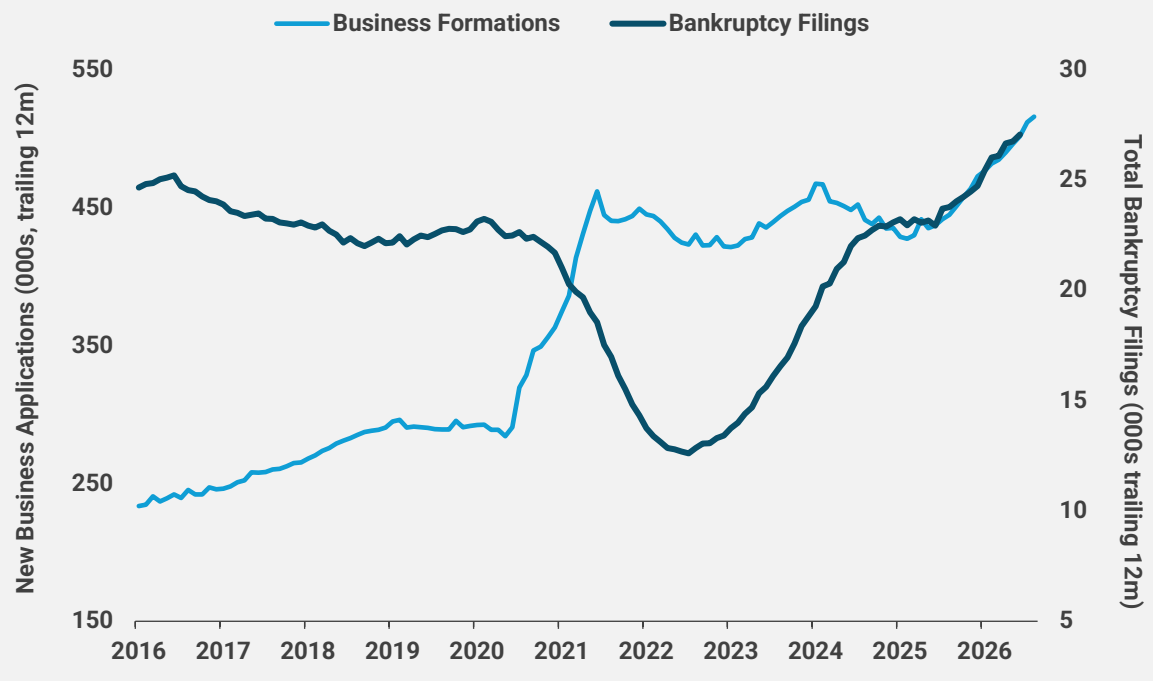
AI as Demand Catalyst Spurs “Creative Destruction”

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AI Adoption Now Spans Most Industries, Not Just Tech



Record Business Formation and Bankruptcies Signal Transition



- Adoption is defined as corporate spending on AI products and services.
- The scale and speed of technology adoption with AI is unprecedented.
- Finance/insurance and manufacturing adoption at 74% and 61%.

- Business formation pace at a record high, but so are bankruptcies.
- The combination reflects an accelerating, massive economic disruption.
- Past technological revolutions have ultimately increased labor force.

Sources: IPA Research Services, Administrative Office of U.S. Courts, Census Bureau, Ramp AI as of August 2026

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