NEWMARK

3Q25 U.S. Multifamily Capital Markets

Conditions & Trends

3Q25

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Market Observations

Demand Drivers

- The spread between the cost of homeownership and renting totaled $1,241, representing 2.7 times the long-term average of $457. This elevated spread highlights significant affordability challenges.
- The 30-year fixed mortgage rate fell to 6.30%, while the effective interest rate on outstanding mortgage debt totaled 4.11% in the second quarter of 2025, representing a spread of 53.3%.
- The MBA Purchase Index has declined 47.3% from its fourth quarter 2020 peak, suggesting that mortgage application activity remains significantly depressed compared to the pandemic-era surge.
- The University of Michigan Buying Conditions for Houses data continues to hover near all-time lows, reflecting persistent consumer pessimism about homebuying prospects.

Leasing Market

- Absorption totaled 42,436 units in 3Q25, representing a normalization after an extended period of historically elevated absorption.
- Despite substantial supply growth across the Sunbelt region in recent years, annual demand as a share of existing units remains strongest in high-growth markets in core growth markets such as Atlanta, Dallas, Raleigh, Phoenix, Austin and Charlotte.
- Rent growth turned negative year-over-year in 3Q25, even as demand continued to outpace supply. Intense competition for tenants, particularly in high growth markets, has put downward pressure on rents.
- Market selection has become increasingly critical as the gap between the strongest and weakest rent growth markets continues to widen. This divergence has grown steadily since early 2024.

Debt Capital Markets & Investment Sales

- Multifamily debt originations surged 48% year-over-year as of Q3 2025, driven by narrower loan spreads, stronger confidence in market fundamentals amid slowing construction and sustained momentum that began in the second half of 2024.
- GSEs continue to lead multifamily originations by market share. 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.
- Sales volume reached $43.8 billion in 3Q, up 12.6% year-over-year. On a trailing 12-month basis, volume climbed to $159.9 billion, a 22.9% increase compared with the previous period.
- Investors continue to focus capital in Southeast and Southwest markets, which collectively captured 46.7% of total market activity.

Pricing & Returns

- Private markets have proven more resilient as shown by RCA's and Green Street's CPPI indexes posting of modest declines. In contrast, the FTSE NAREIT Equity Apartment Index fell more sharply.
- Transactional cap rates rose 13 basis points quarter-over-quarter to 5.63%, while REIT-implied yields edged down to 5.23%. Meanwhile, NCREIF cap rates fell more sharply to 4.94%.
- Cap rates have remained largely stable across regions and deal size with little year-over-year change. However, transactions valued at $50 - 99.9 million saw more pronounced declines.
- Annualized total returns for multifamily were 5.48%, outperforming the NCREIF All Property Index. Apartments have consistently exceeded the all-property index every year since 2020.

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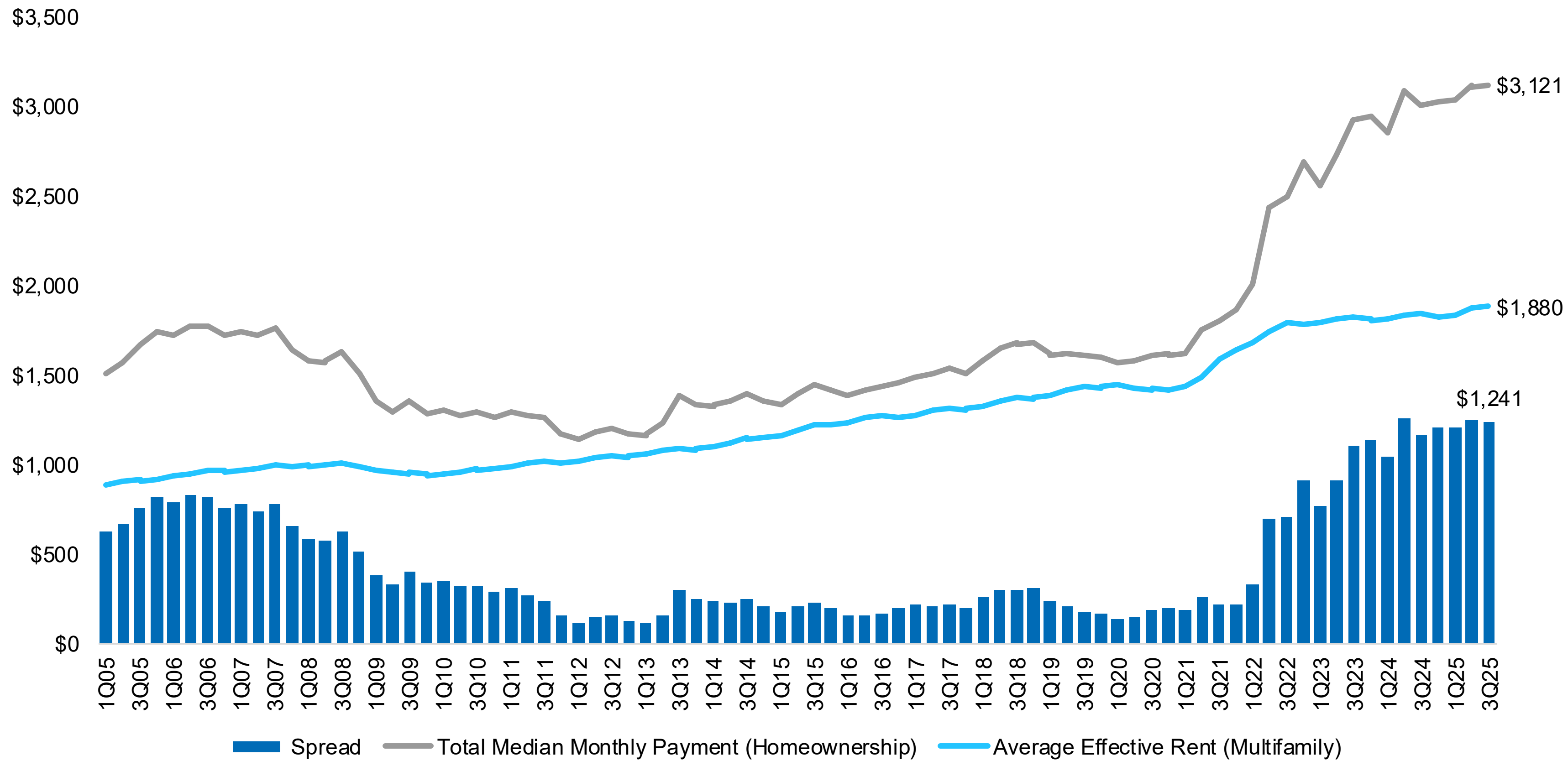
Demand Drivers

3Q25 U.S. MULTIFAMILY CAPITAL MARKETS CONDITIONS & TRENDS

Renting Remains Significantly More Cost-Effective Than Homeownership

Cost of Homeownership Compared to Renting



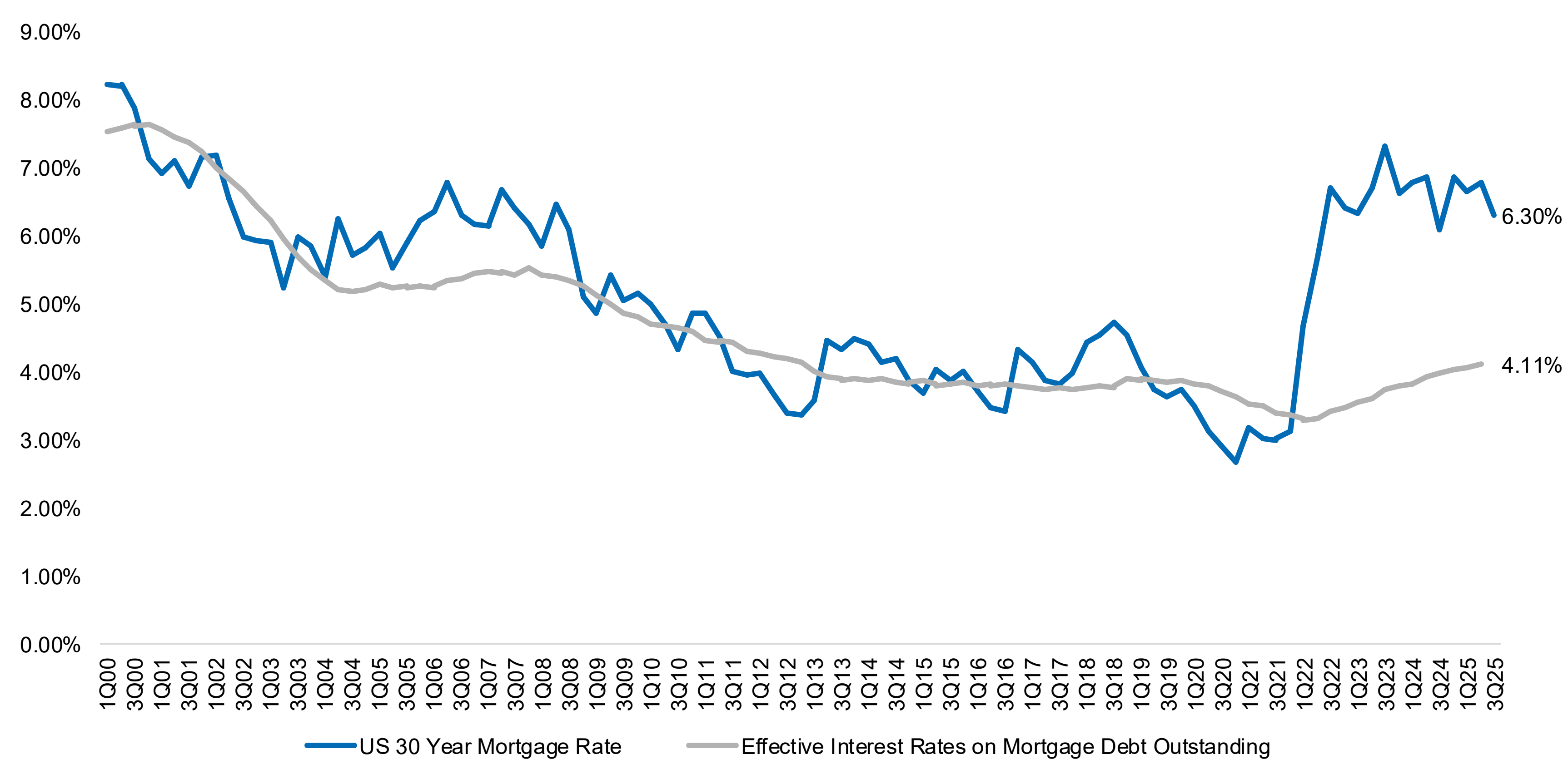
- As of the third quarter of 2025, the spread between homeownership and renting costs totaled $1,241, representing 2.7 times the long-term average of $457. This elevated spread highlights significant affordability challenges facing potential homebuyers.
- The spread increased 6.3% year-over-year, demonstrating that even as home prices have remained somewhat flat, the gap between ownership and rental costs continues to widen, favoring renting over homeownership.

Source: Newmark Research, RealPage, Atlanta Federal Reserve (Data as of August 2025)

High Rates Limiting Transactions; New Mortgages 53% Greater Than In-Place

The 30-year fixed mortgage rate fell to 6.30% in the third quarter of 2025. Meanwhile, the effective interest rate on outstanding mortgage debt totaled 4.11% in the second quarter of 2025, representing a spread of 53.3%. This gap reflects the mortgage rate lock-in effect, as existing homeowners continue to hold onto their lower-rate mortgages while new buyers face higher borrowing costs.

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

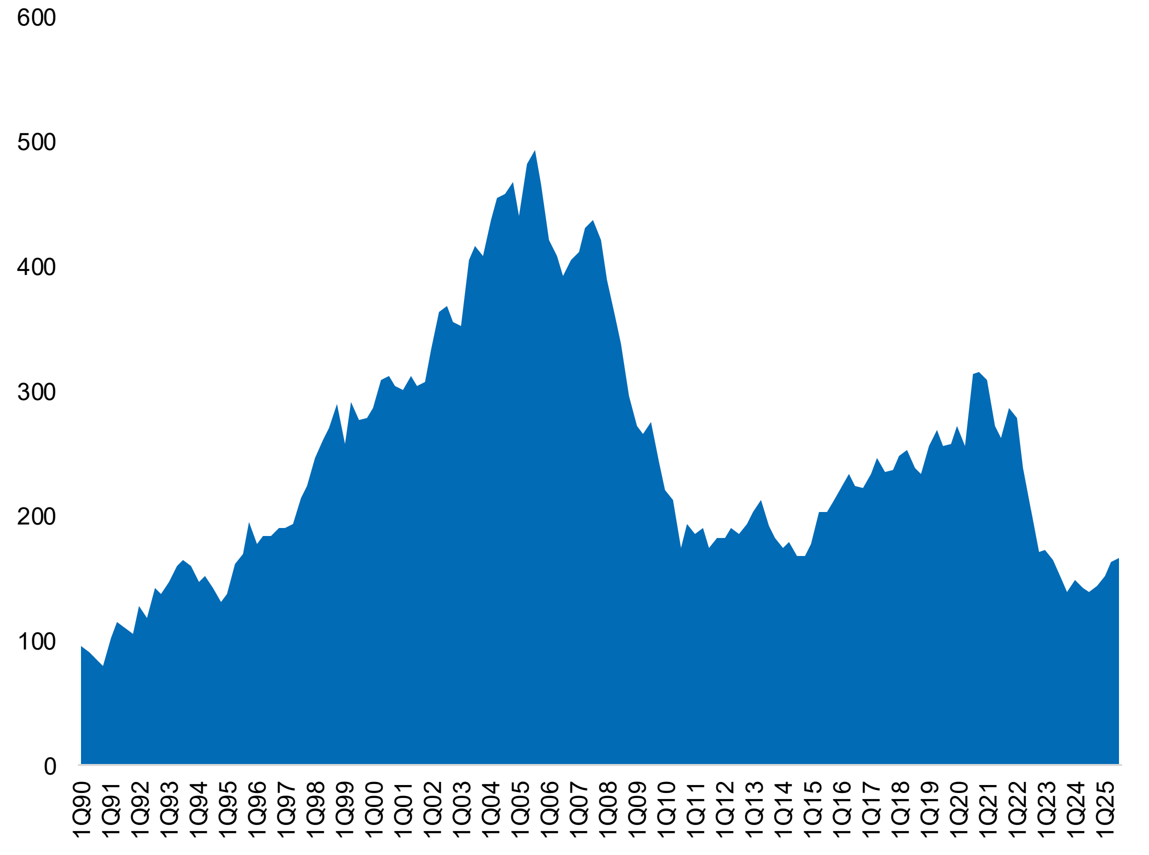


Source: Newmark Research, Federal Reserve Bank of St. Louis, Freddie Mac, Moody's Analytics, U.S. Bureau of Economic Analysis
*Due to the government shutdown, 2Q25 data were used to estimate effective interest rates on outstanding mortgage debt.

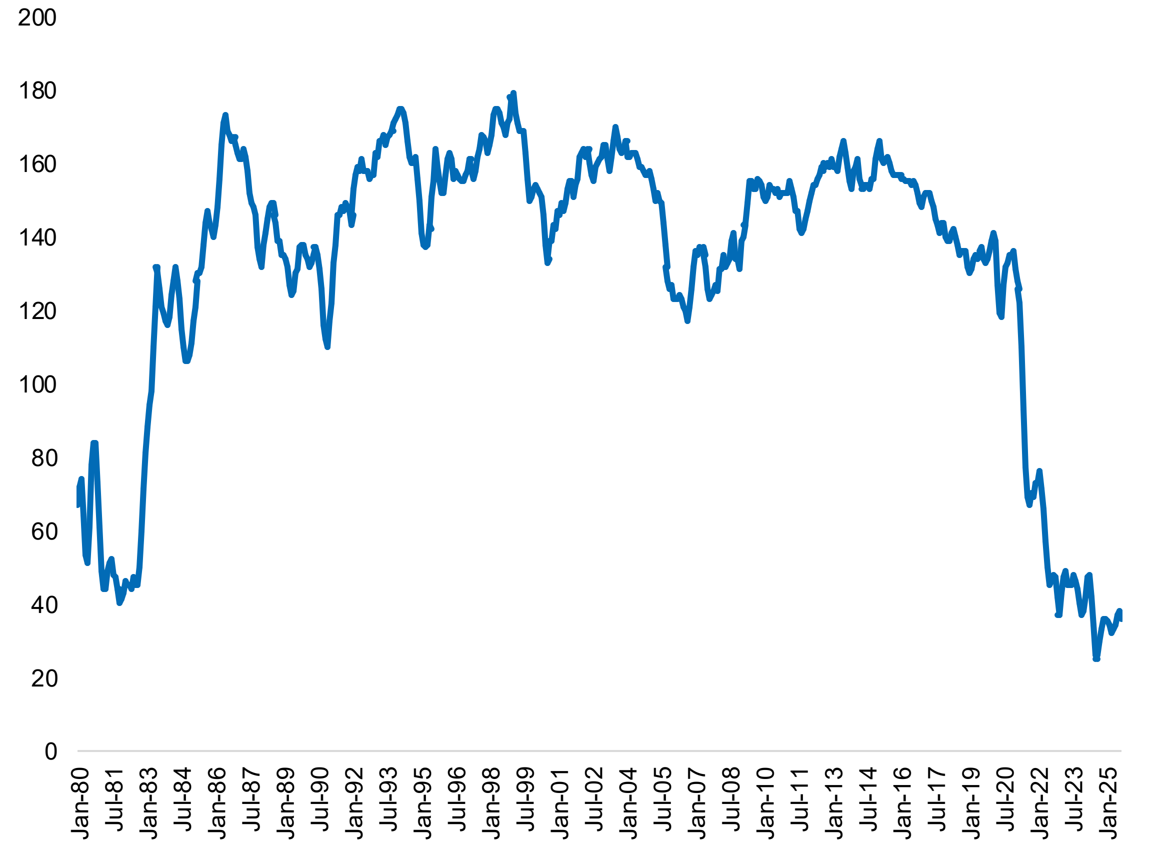
Purchase Applications Remain Weak as Consumer Homebuying Sentiment is Depressed

The MBA Purchase Index totaled 166 as of the third quarter of 2025, up 19.3% year-over-year but down 47.3% from its fourth quarter 2020 peak. This suggests that while there has been modest recent improvement, mortgage application activity remains significantly depressed compared to the pandemic-era surge. Meanwhile, the University of Michigan Buying Conditions for Houses data continues to hover near all-time lows, reflecting persistent consumer pessimism about homebuying prospects.

MBA Purchase Application Index



University of Michigan Buying Conditions for Houses (Indexed to 100)

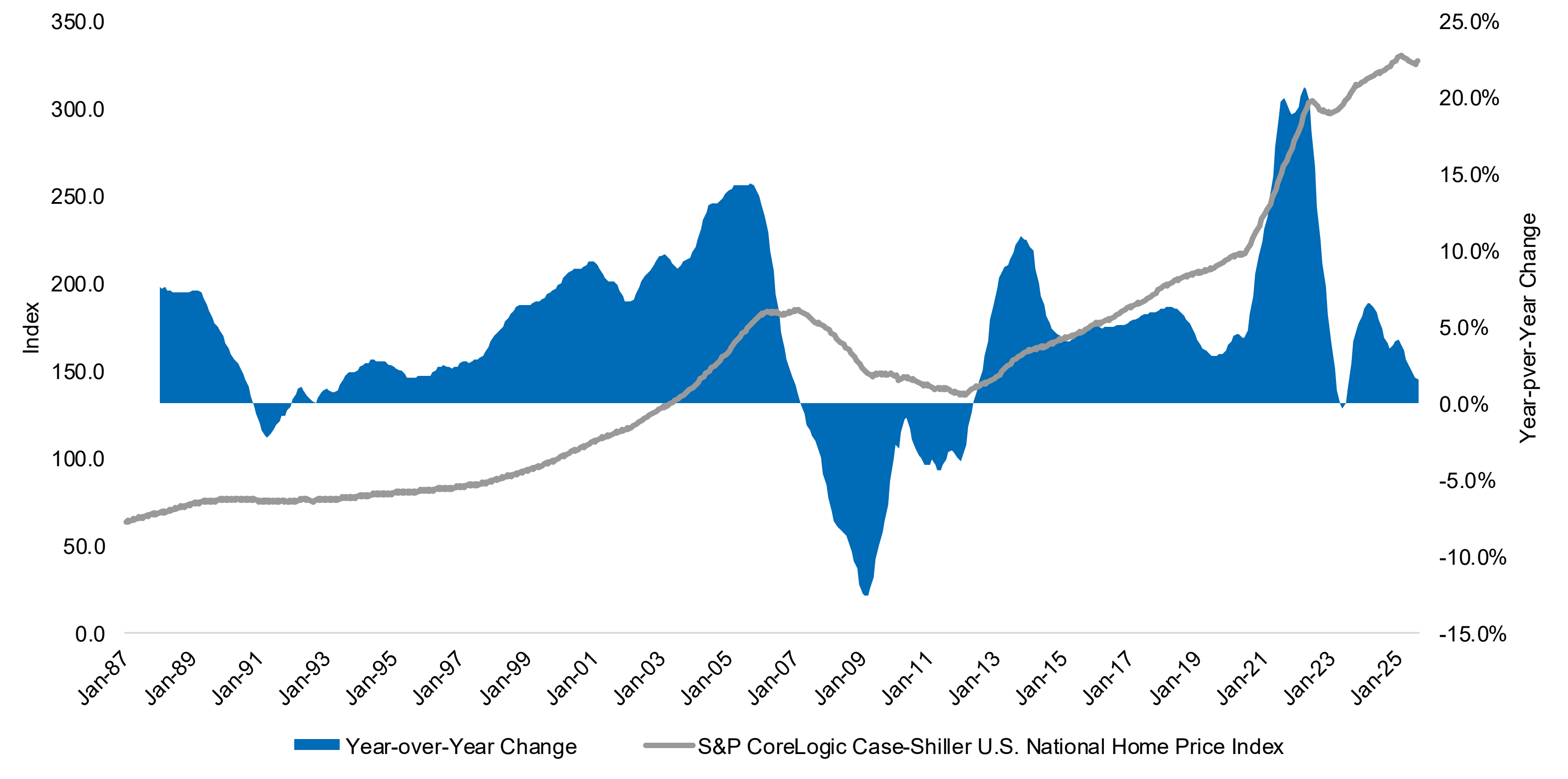


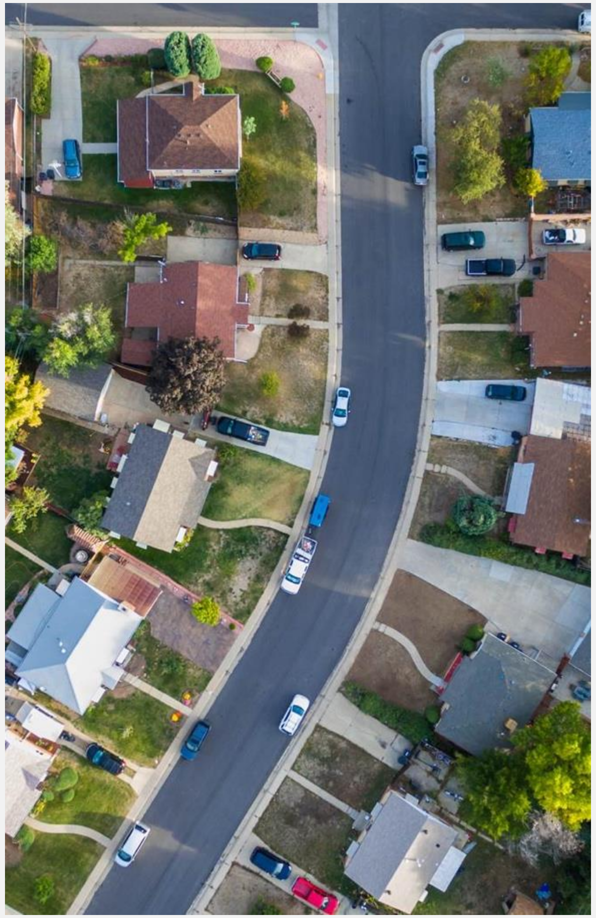
Source: Newmark Research, Mortgage Bankers Association, Moody's Analytics, University of Michigan Surveys of Consumers (June 2025)

Rental Housing Continues to Benefit from Stubbornly Elevated Home Prices

As of the third quarter of 2025, the S&P CoreLogic Case-Shiller U.S. National Home Price Index totaled 327.1, increasing 1.5% year-over-year. While this represents the lowest price growth since July 2023, high home prices continue to keep the market in check. The moderation in price appreciation offers limited relief to potential buyers, as affordability remains severely constrained by elevated home values.

S&P CoreLogic Case-Shiller U.S. National Home Price Index





Source: Newmark Research, Federal Reserve Bank of St. Louis. Standards & Poor's

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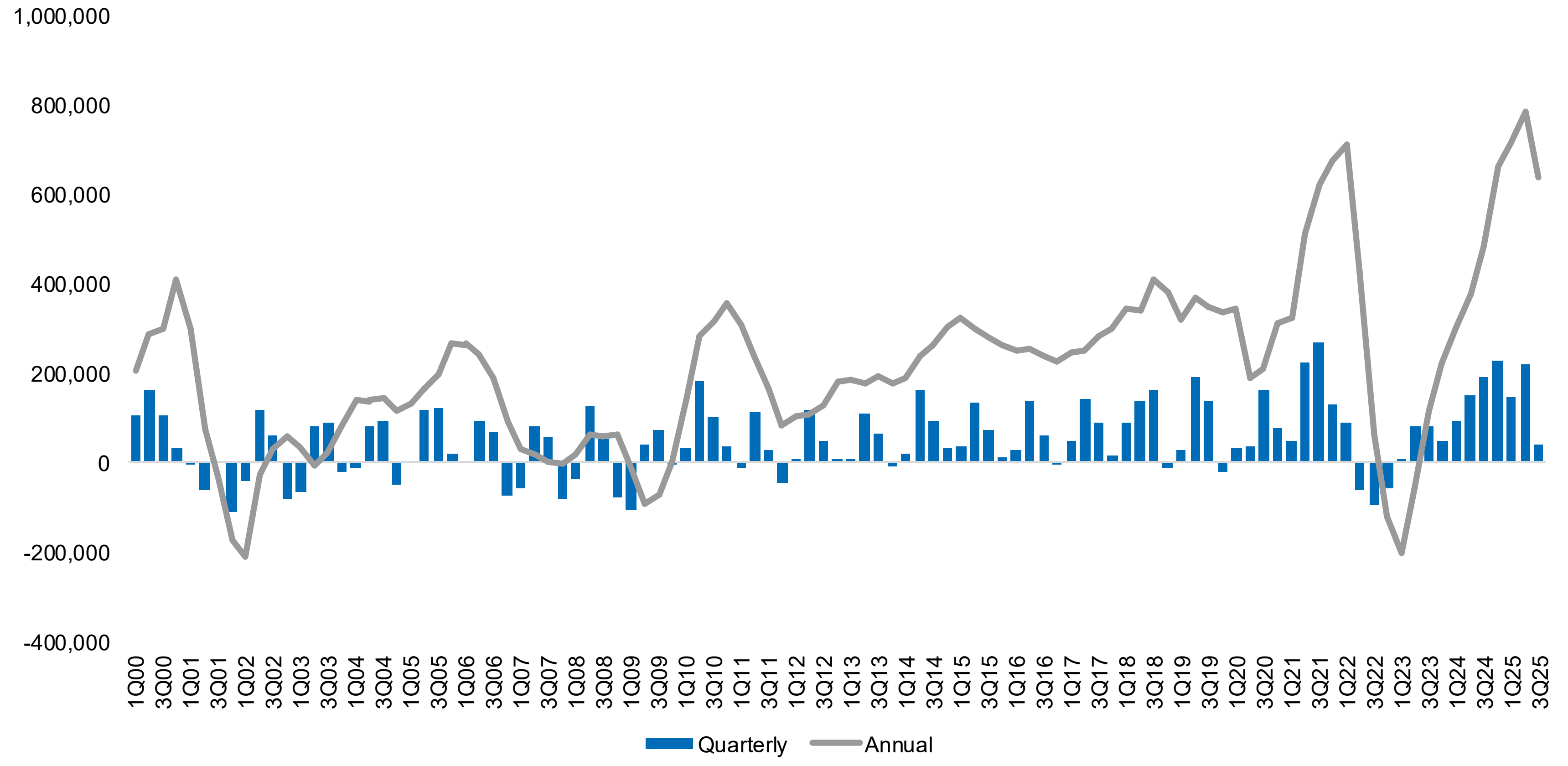
Leasing Market

3Q25 U.S. MULTIFAMILY CAPITAL MARKETS CONDITIONS & TRENDS

Strong Demand Shows Signs of Cooling Following Historic Surge

Quarterly and Annual Demand

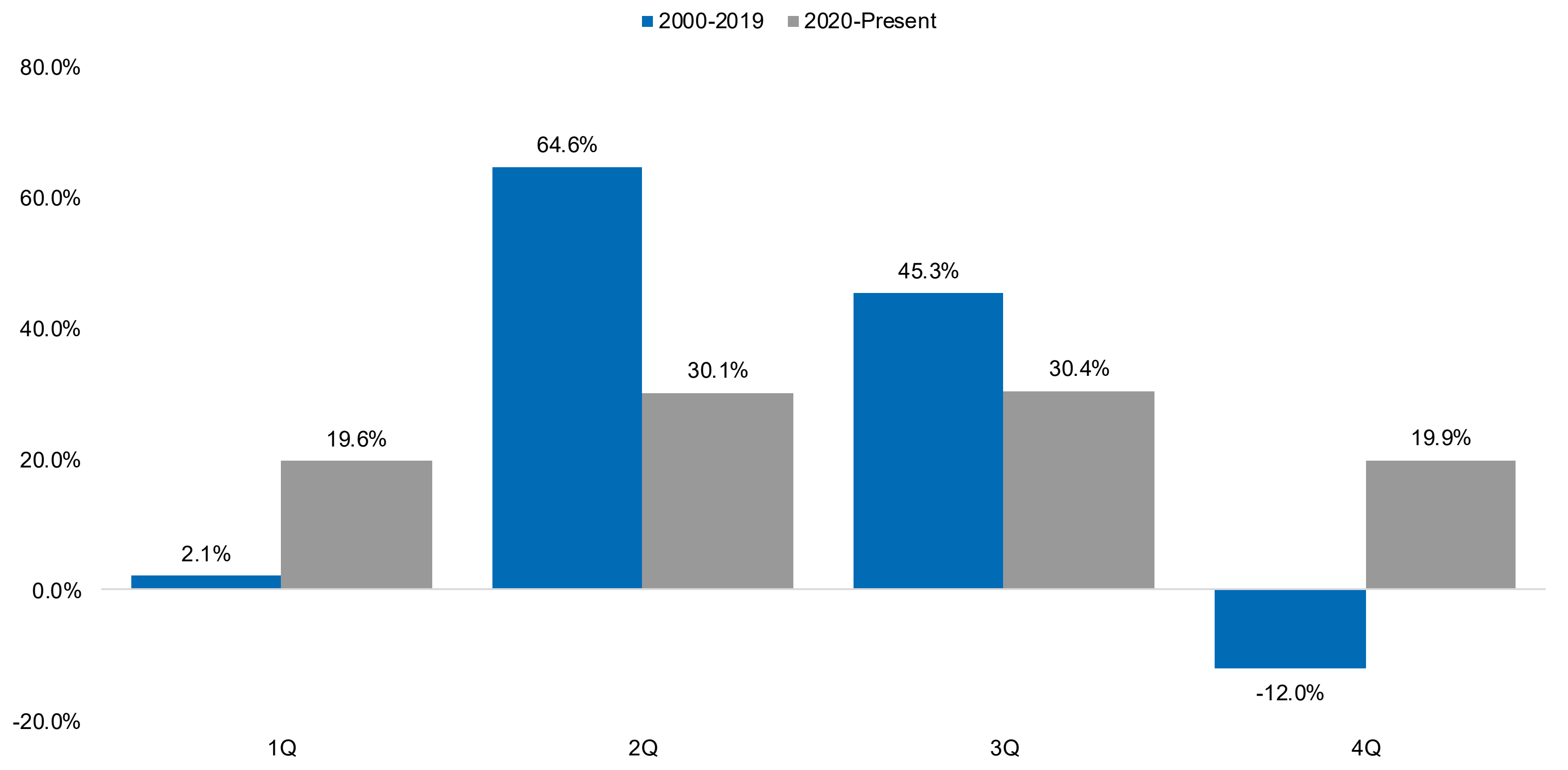


- In the third quarter of 2025, multifamily demand totaled 42,436 units, marking a significant slowdown following five consecutive quarters with over 145,000 units absorbed. This represents a normalization after an extended period of historically elevated absorption.
- On an annual basis, 637,079 units have been absorbed over the trailing 12 months, representing the seventh best 12-month total on record. Despite recent quarterly softness, underlying demand fundamentals remain exceptionally strong by historical standards.
- The multifamily sector had been operating at historic levels for an extended period. The current rate suggests a return to more sustainable demand patterns rather than fundamental market weakening.

Source: Newmark, RealPage

Seasonal Leasing Patterns Shift in Post-COVID Era

Contribution of Demand by Quarter



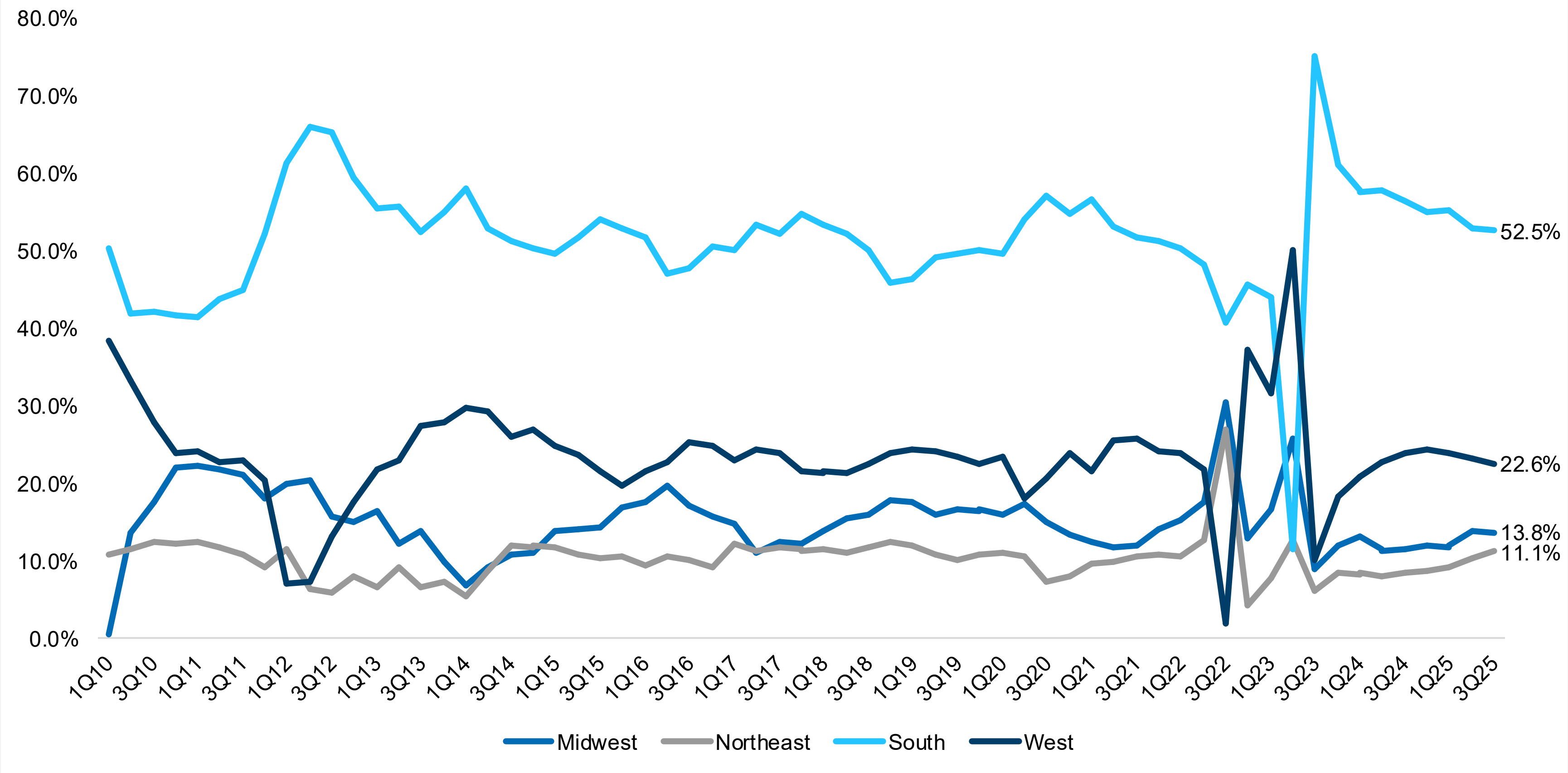
- Multifamily leasing patterns have shifted significantly since 2020, with seasonal peaks becoming less pronounced. From 2000-2019, the second quarter historically contributed 64.6% of annual leasing and the third quarter contributed 45.3%.
- From 2020-present, while the second and third quarters remain the busiest periods, the first and fourth quarters have each contributed nearly 20% of annual absorption. This represents a meaningful flattening of traditional seasonal patterns.
- These changes are attributed to renters making housing decisions based on immediate needs rather than traditional calendar breaks such as school schedules, which has decoupled apartment searches from conventional timing constraints.

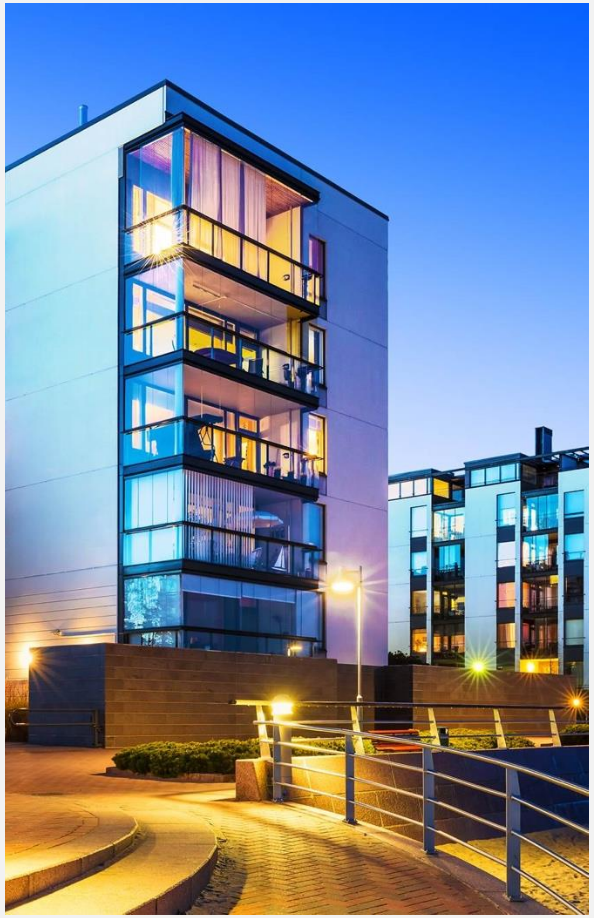
Source: Newmark, RealPage

Regional Demand Still Led by the South; Midwest & Northeast Increase Year-over-Year

As of the third quarter of 2025, 52.5% of total multifamily demand occurred in the South region, followed by the West region at 22.6%. Year-over-year, the Midwest and Northeast experienced modest increases of 2.3% and 2.7%, respectively. This reflects the continued dominance of Southern markets in driving national apartment absorption.

Annual Demand Market Share by Region



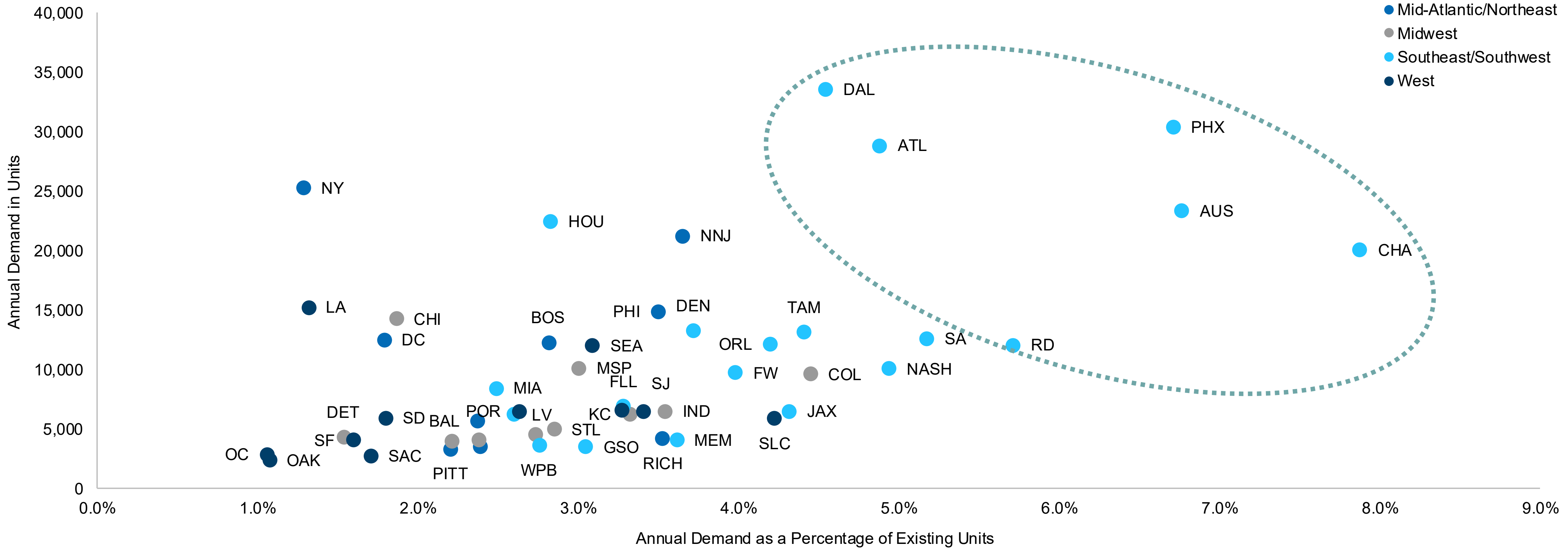


Source: Newmark Research, RealPage

Sunbelt Demand Continues To Shine Relative to Existing Units

Despite substantial supply growth across the Sunbelt region in recent years, annual demand as a share of existing units remains strongest in high-growth markets in core growth markets such as Atlanta, Dallas, Raleigh, Phoenix, Austin and Charlotte.

Annual Demand and Annual Demand as a Percentage of Existing Units; Top 50 Markets

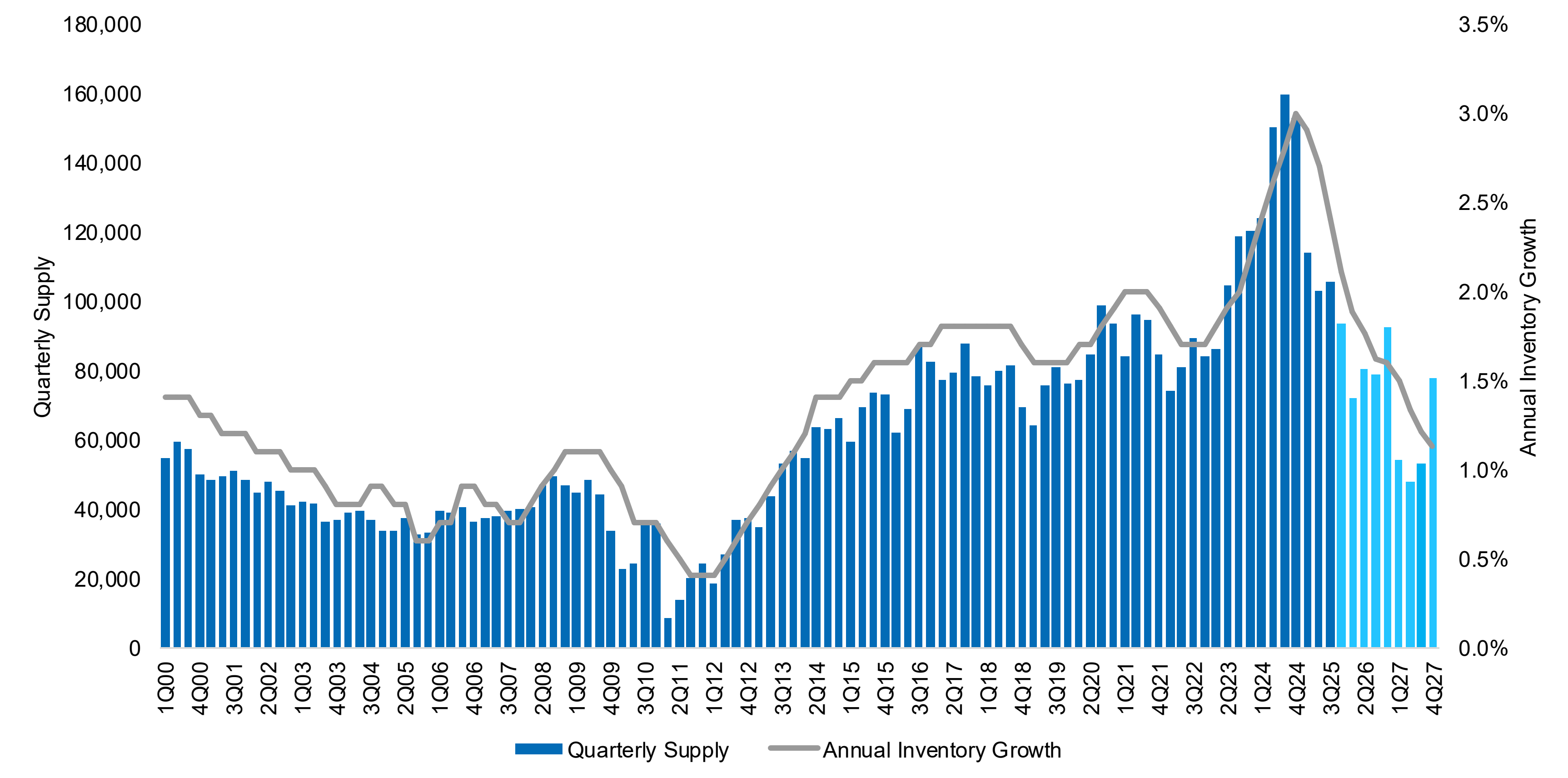


Source: Newmark Research, RealPage

Supply Edges Higher in 3Q, but Broader Decline Persists

Quarterly supply reached 105,525 units in the third quarter of 2025, rising slightly by 2,819 units from the prior quarter but remaining below the third quarter 2024 peak. Annual inventory contracted to 2.4%, its lowest level in five quarters, as the delivery pipeline for 2026 and 2027 continues to weaken.

Quarterly Supply and Annual Inventory Growth

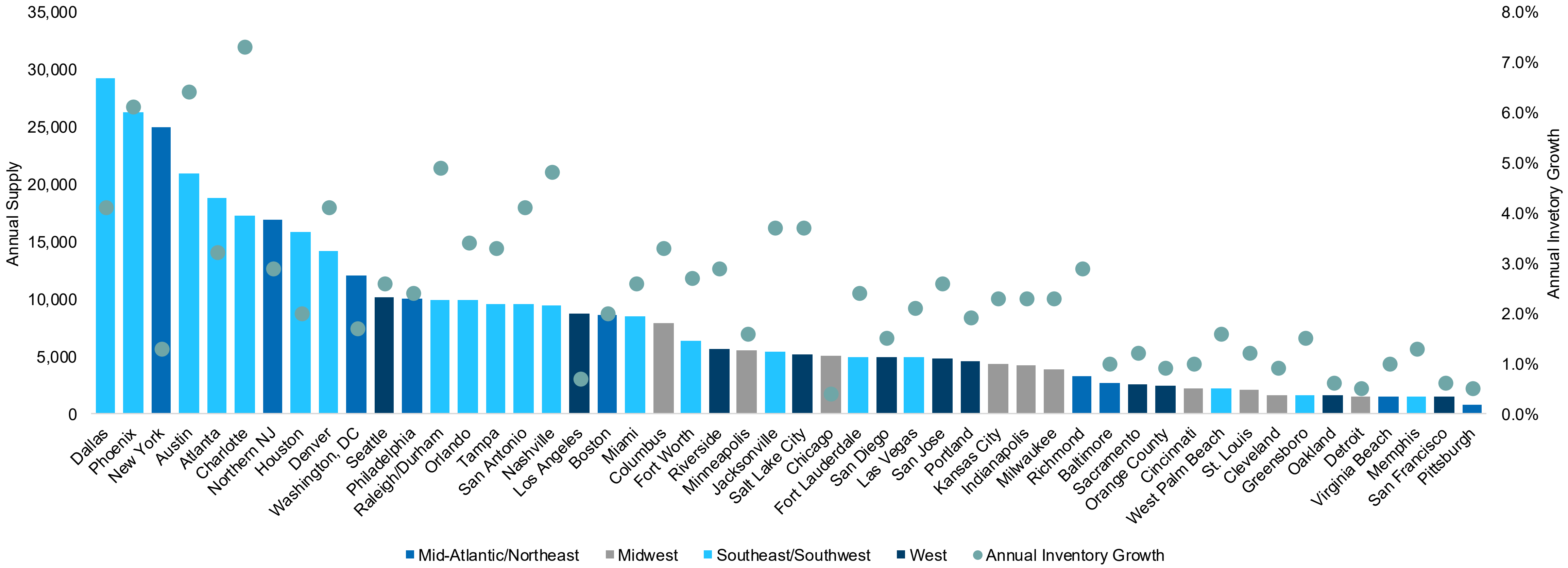


Source: Newmark Research, RealPage

Supply Growth Led by Southeast & Southwest Regions

As of the third quarter of 2025, Southeast and Southwest markets accounted for nine of the top ten markets in annual inventory growth. Sunbelt markets also led in nominal annual supply, representing seven of the top ten markets.

Annual Supply and Inventory Growth; Top 50 Markets by Region

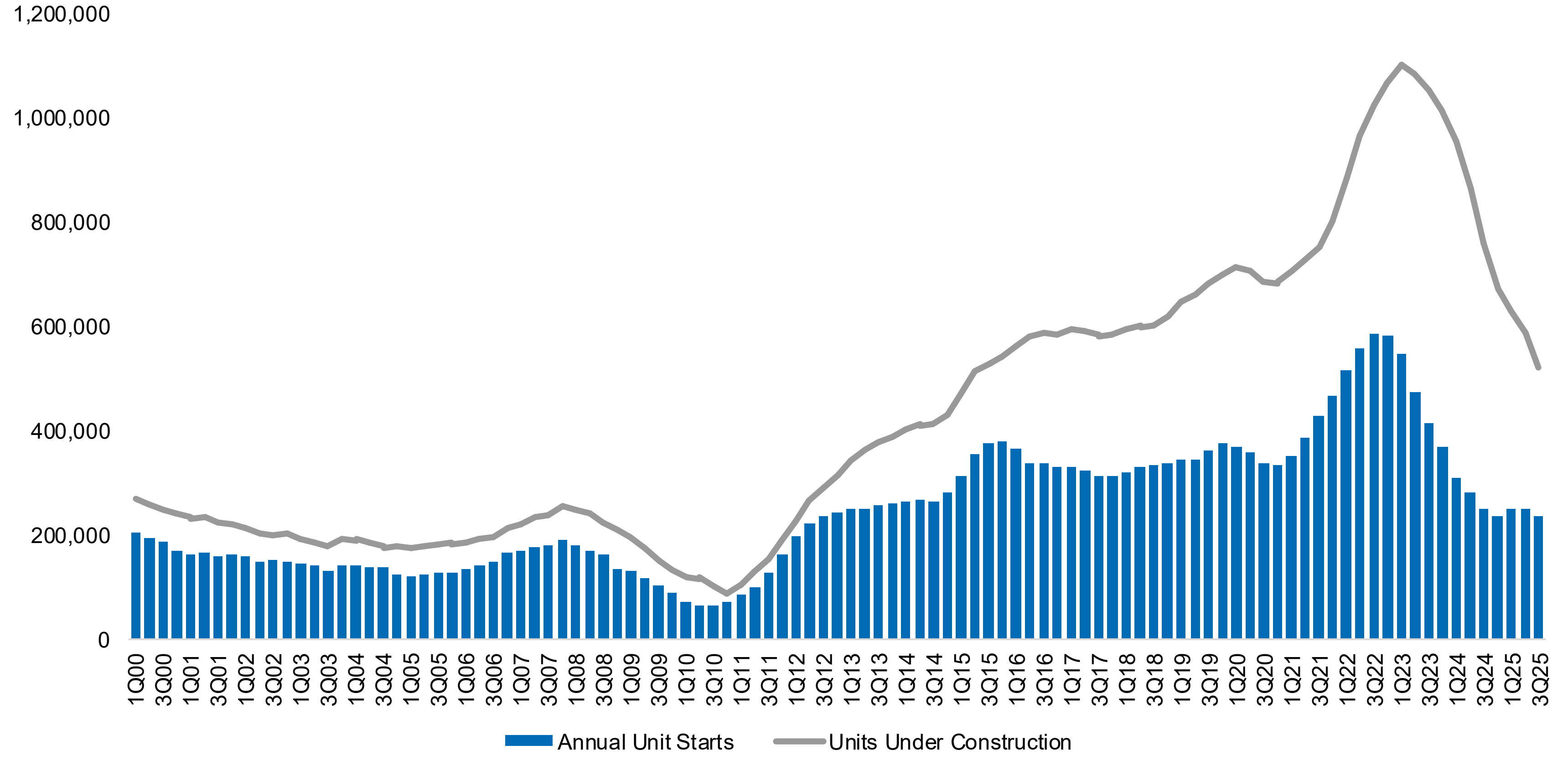


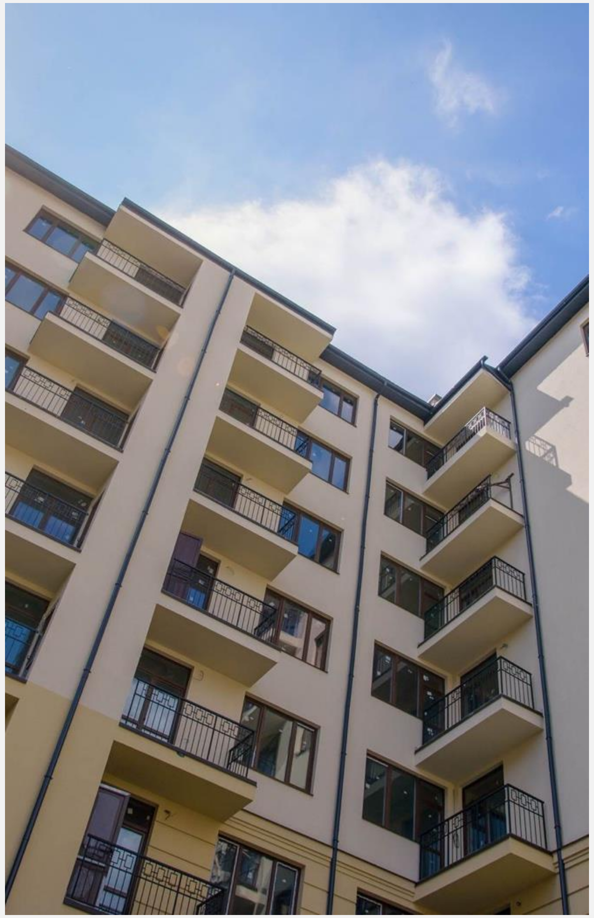
Source: Newmark Research, RealPage

Pipeline Metrics Signal Improving Fundamentals

Annual unit starts fell to 234,857 in the third quarter of 2025, down 43.2% over the past two years. Units under construction mirrored this decline, dropping to 519,858, representing a 50.7% decrease from the same period in 2023. Both metrics reflect a steep and sustained contraction in the development pipeline.

Annual Unit Starts and Units Under Construction



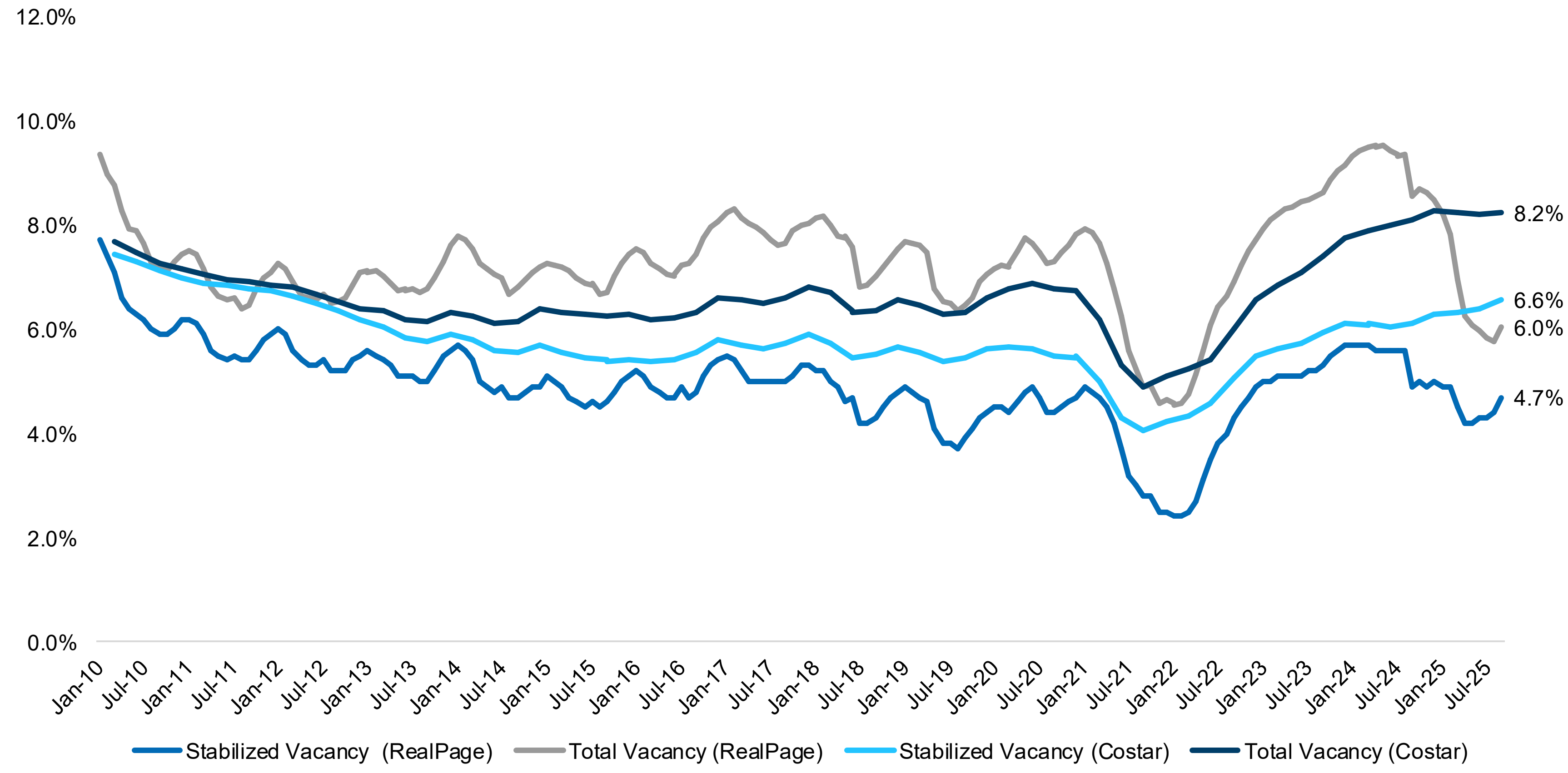


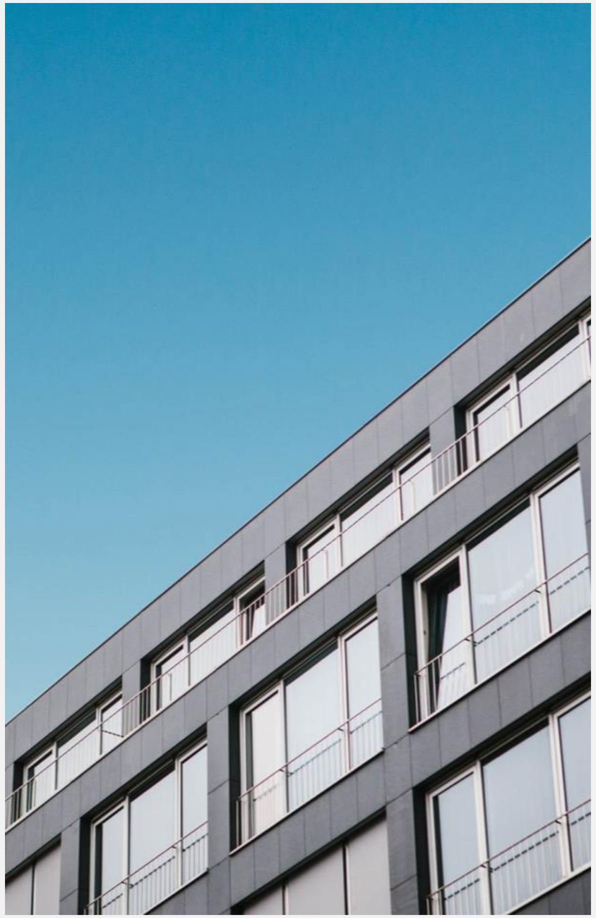
Source: Newmark, RealPage

Vacancy Metrics Diverge, but 3Q Increases Seen for Stabilized and Overall

Despite differing vacancy figures from various sources, both stabilized and overall market vacancy increased in the third quarter of 2025. CoStar's data reflects a steady climb in vacancy since mid-2021, while RealPage reported stronger market conditions in late 2024 and early 2025 before also noting an increase last quarter; however, the stagnation in rent growth remains largely unexplained.

Stabilized and Total Vacancy Rate



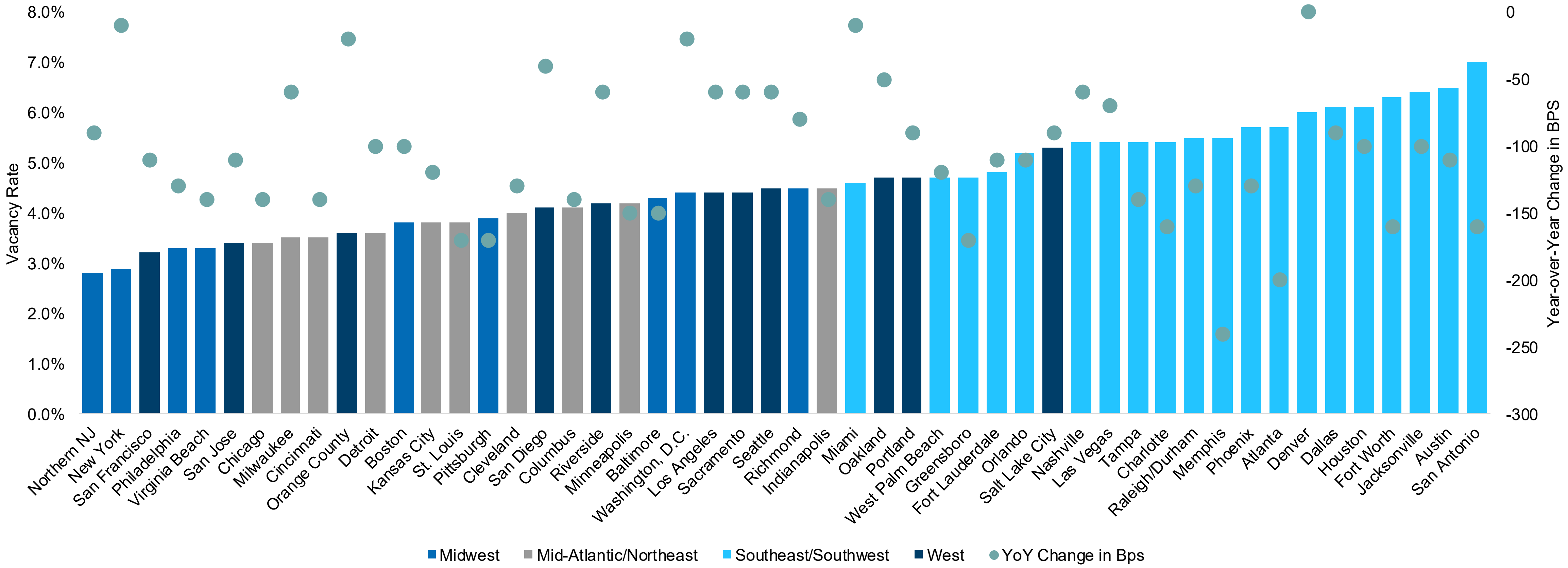


Source: Newmark Research, RealPage, Costar, Green Street Advisors

Vacancies Drop Nearly Universally; Supply-Constrained Markets Remain Tight

As of the third quarter of 2025, 49 of the top 50 markets recorded year-over-year declines in vacancy rates. The tightest markets remain concentrated in the Northeast, Mid-Atlantic and Midwest, regions that have seen relatively limited new supply in recent years. Notably, ten markets posted vacancy declines of 150 or more basis points as compared to a year ago.

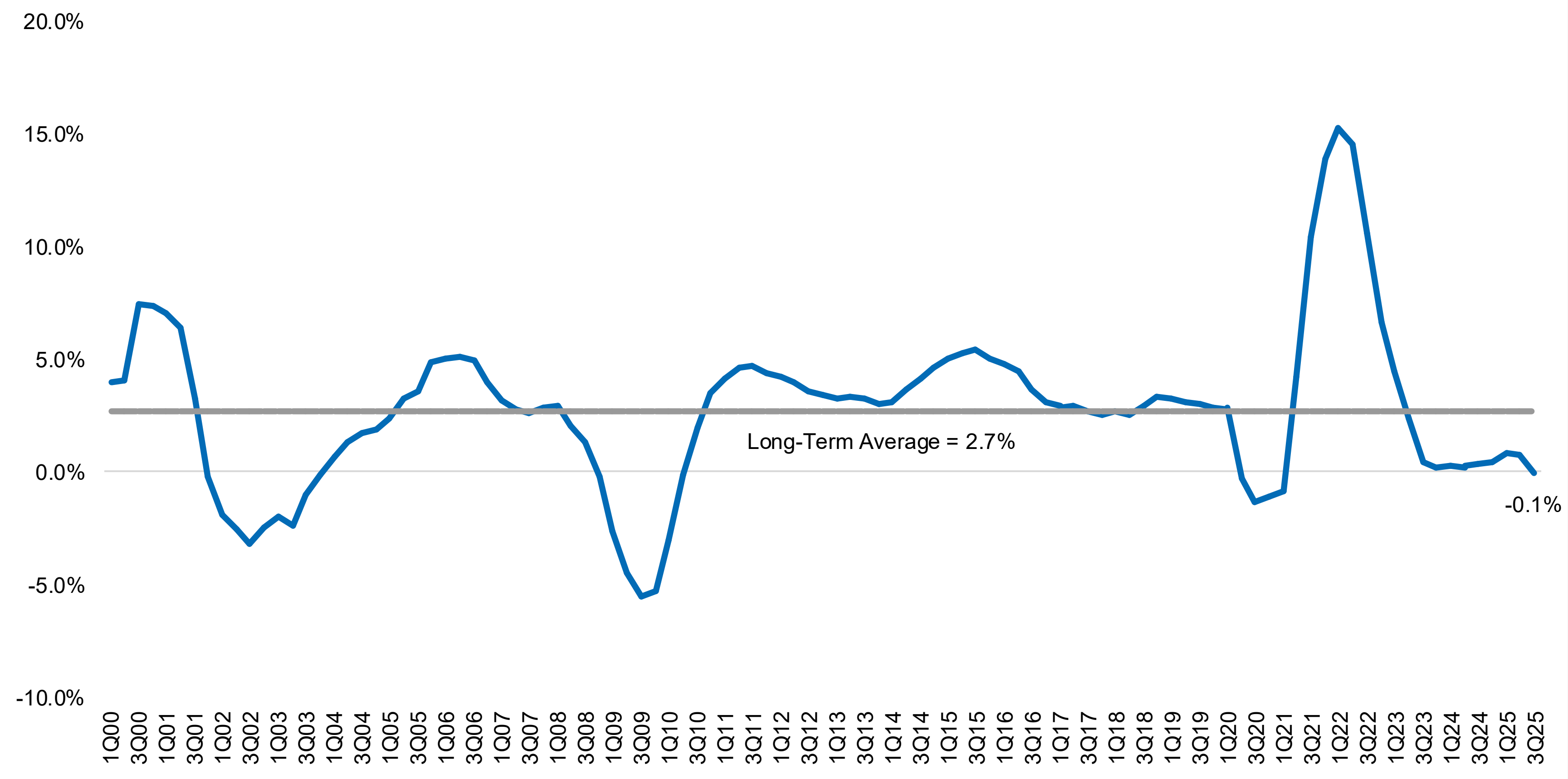
Vacancy Rate and Year-over-Year Change; Top 50 Markets

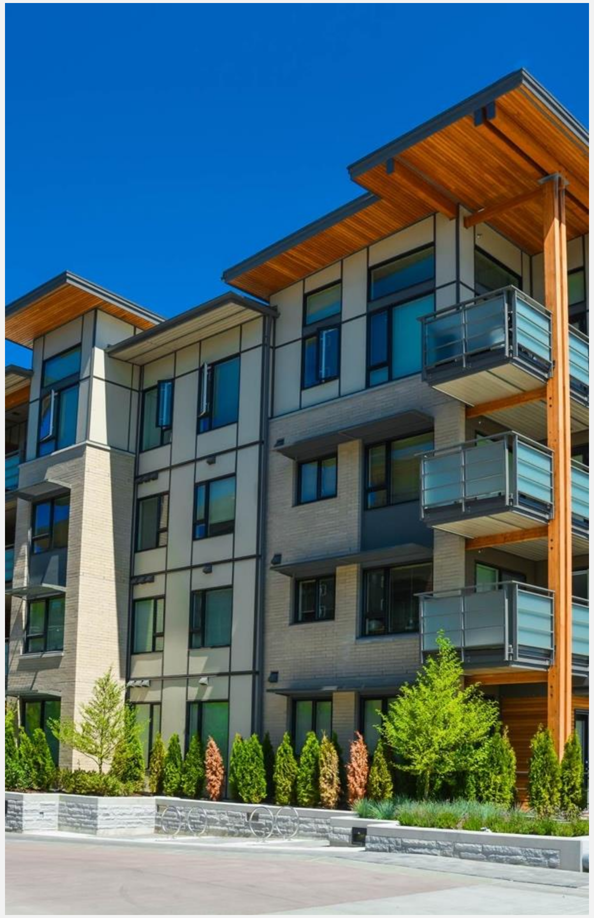


Rent Growth Turns Negative Year-over-Year

Although demand continues to outpace supply, intense competition for tenants, particularly in high growth markets, has placed downward pressure on rent growth. As a result, rent growth turned negative year over year in the third quarter of 2025, declining to -0.1%. While positive growth is projected for the fourth quarter, first half rent growth forecasts remain well below long-term averages.

Year-over-Year Effective Rent Change



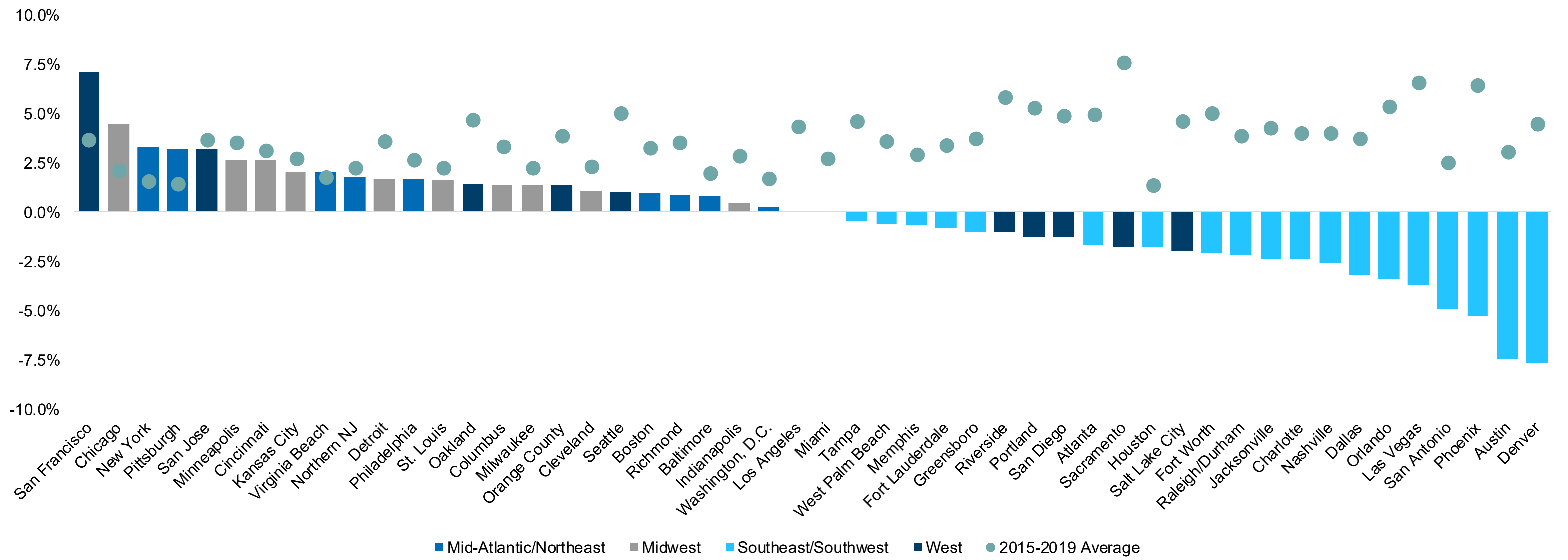


Source: Newmark Research, RealPage

Rent Growth Concentrated in Supply-Constrained Segments

Year-over-year effective rent growth has been strongest in supply-constrained gateway markets such as San Francisco, Chicago, and New York. In contrast, nearly all Southeast and Southwest markets recorded negative rent growth, with Miami the lone exception, holding flat year-over-year. Only five markets—San Francisco, Chicago, New York, Pittsburgh, and Virginia Beach—are seeing stronger rent growth today than their 2015–2019 average.

Year-over-Year Effective Rent Change and 2015-2019 Average; Top 50 Markets

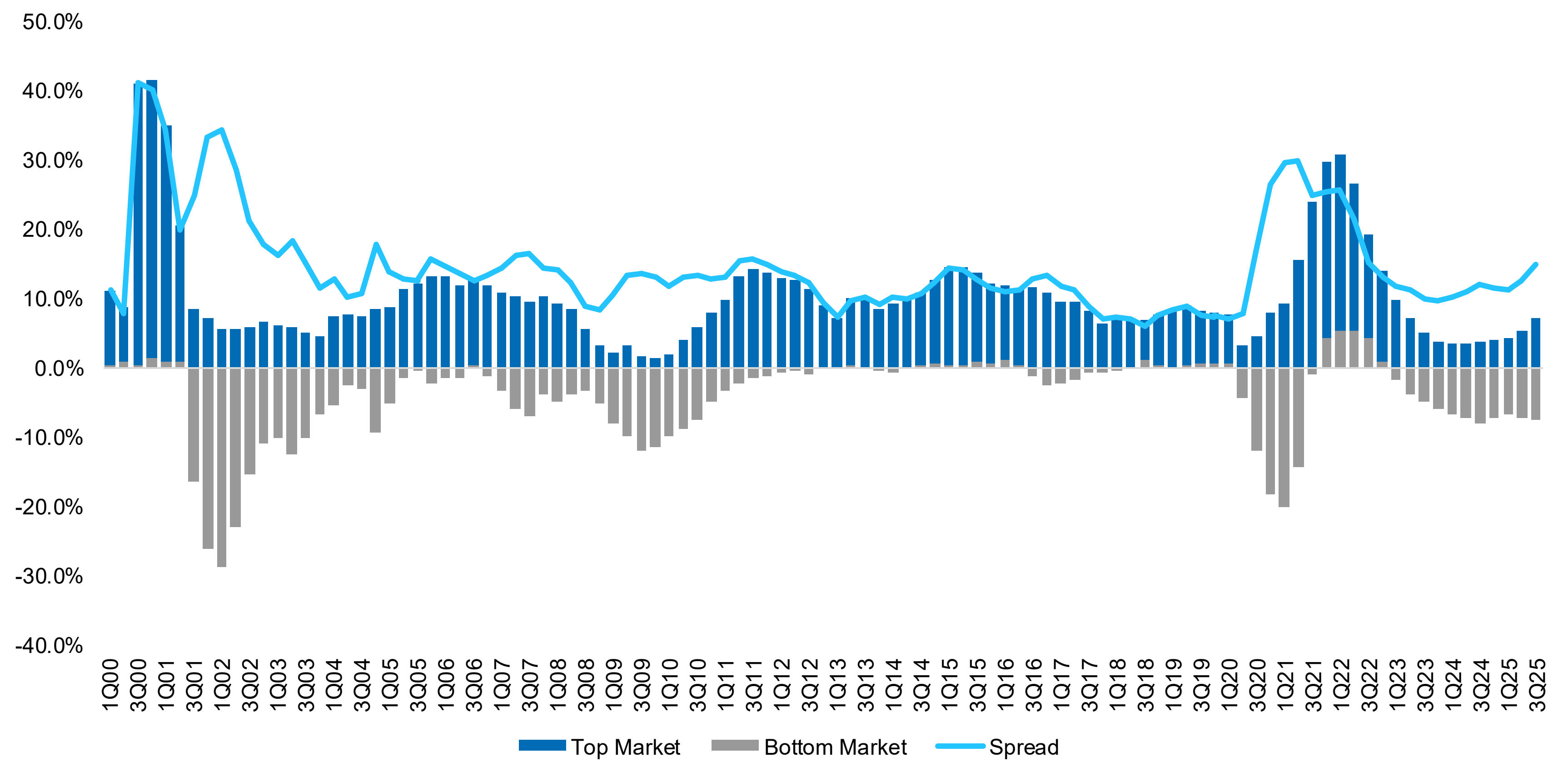


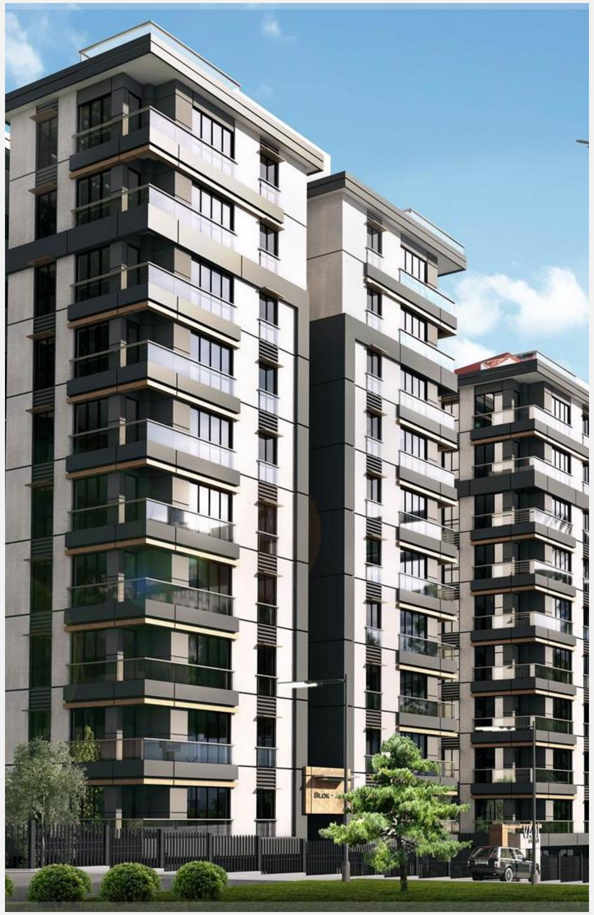
Source: Newmark Research, RealPage

Market Selection Proves Crucial as Gap Widens Between Top and Bottom Markets

As of the third quarter 2025, among the top 50 markets, San Francisco led year-over-year rent growth, outperforming the weakest market, Denver, by 14.8%. This gap has widened steadily since early 2024, reflecting an increasing divergence in market performance. Notably, both the top- and bottom-ranked markets have largely maintained their relative positions over several consecutive quarters.

Variance in Year-over-Year Effective Rent Change Among the Top 50 Markets



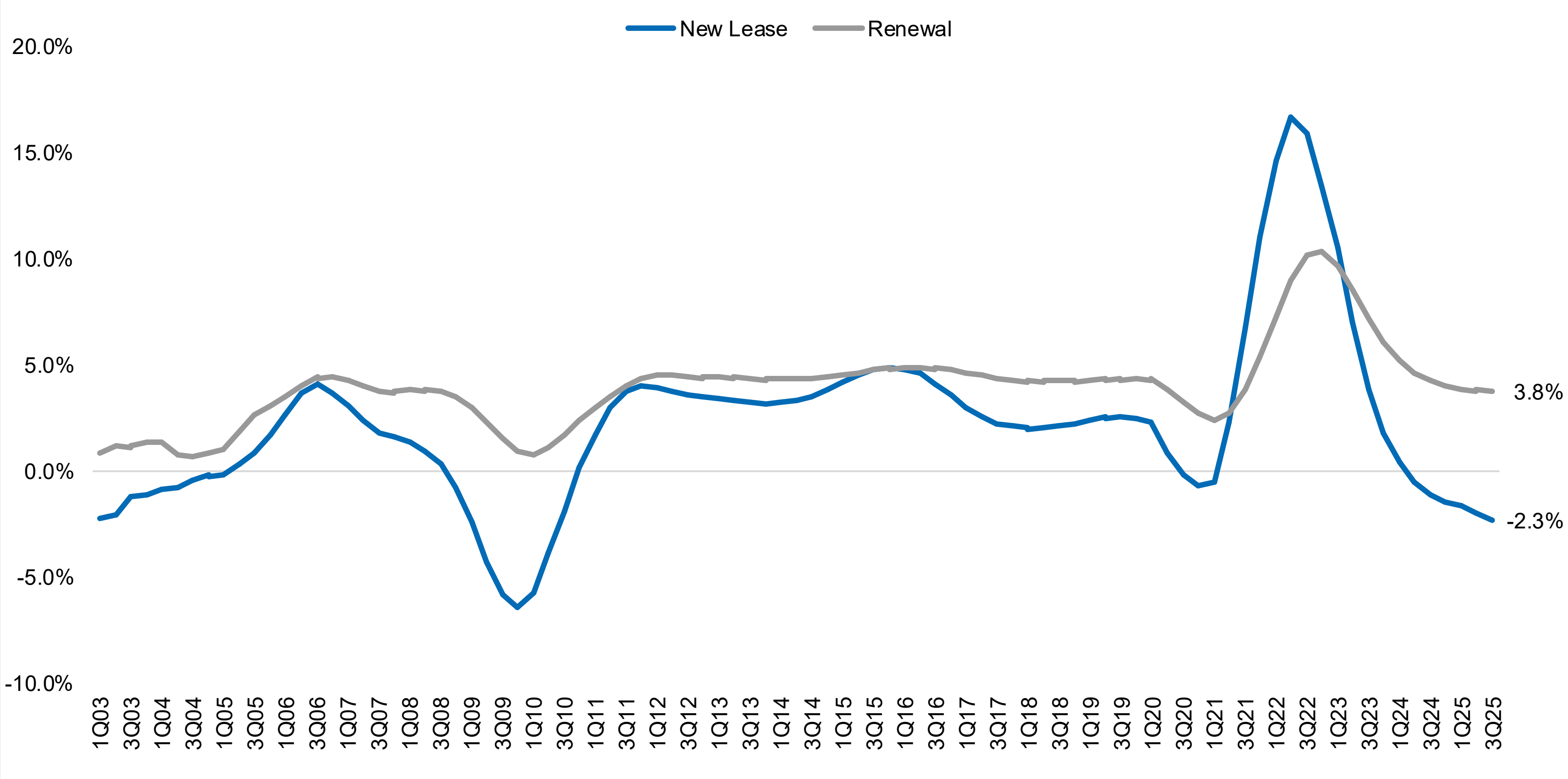


Source: Newmark Research, RealPage

Renewals Proving Especially Accretive

Landlords are increasingly prioritizing tenant retention to maintain occupancy and capitalize on stronger renewal pricing. In the third quarter of 2025, renewal lease rate growth outpaced new lease trade-outs by 6.1% on a 12-month rolling average, the widest gap in favor of renewals since the first quarter of 2010.

New Lease and Renewal Trade Outs; Rolling Four Quarter Average



Source: Newmark Research, RealPage

03

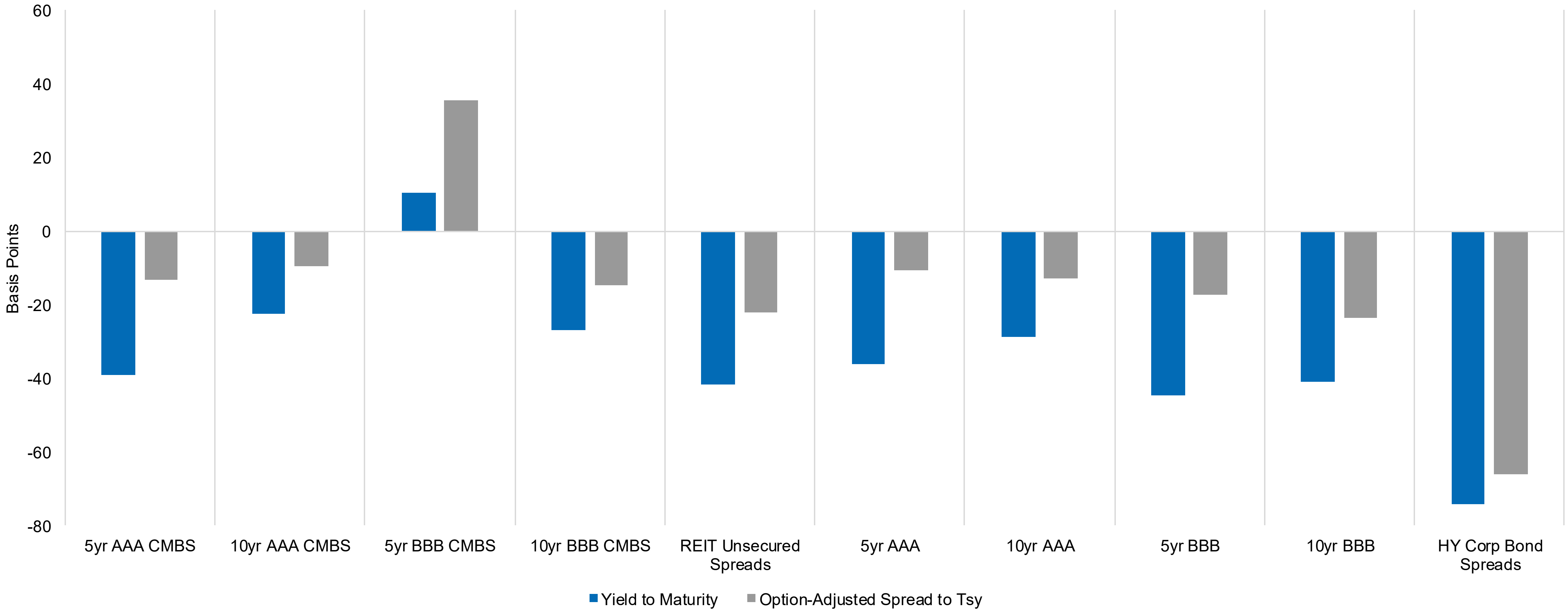
Debt Capital Markets

3Q25 U.S. MULTIFAMILY CAPITAL MARKETS CONDITIONS & TRENDS

Markets are Not Pricing a Recession

Yields and spreads have generally narrowed-since "Liberation Day"

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

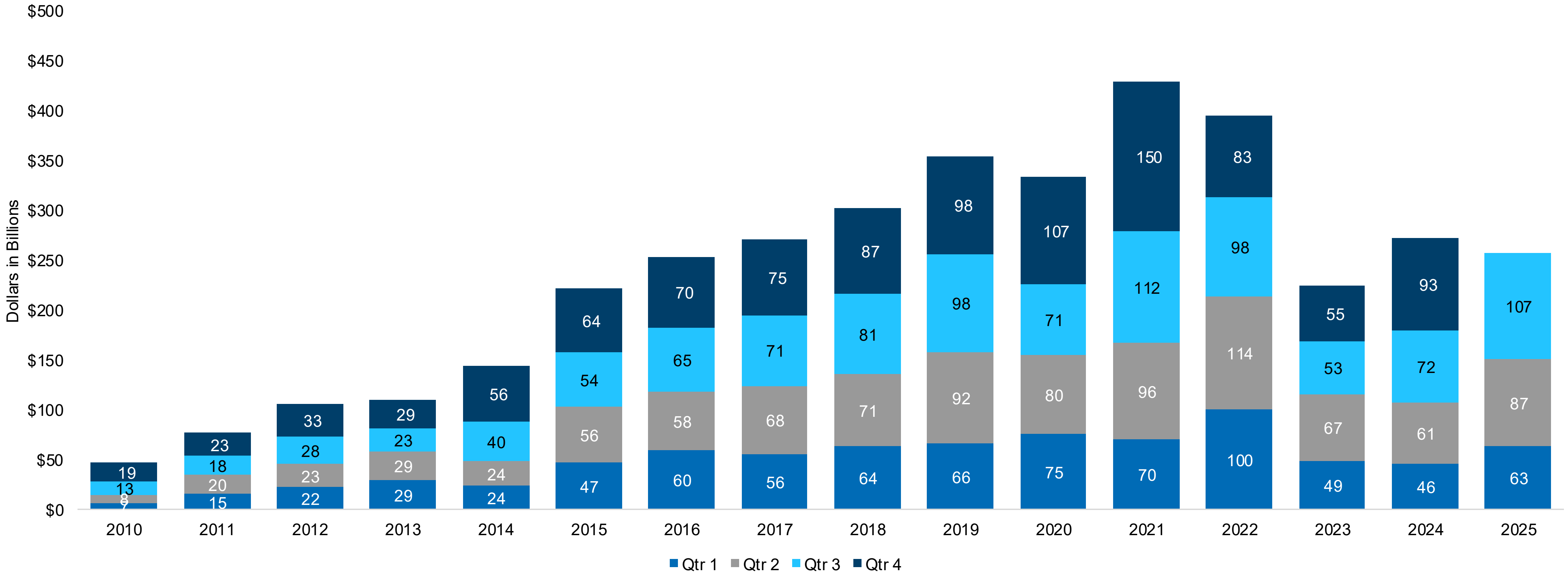


Source: Bloomberg, ICE Indices, Newmark Research as of 10/6/2025

Multifamily Debt Originations Accelerated 48% Year-Over-Year as of 3Q

Activity gained momentum in the first half of 2025 and increased further in the third quarter, accelerating 48% year-over-year. Borrowers benefited from narrow loan spreads, improved confidence in fundamentals as construction slowed, and continued momentum starting in the second half of 2024.

Multifamily Debt Origination Volume*



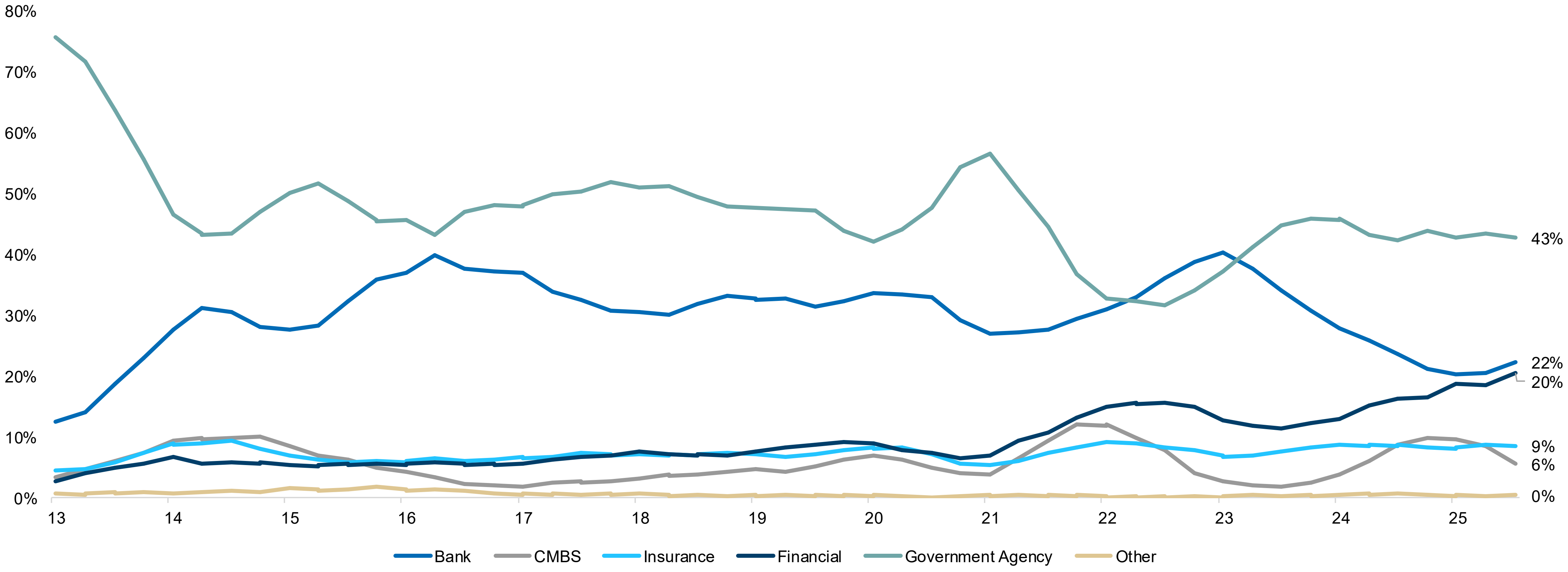
Source: RCA, Newmark Research as of July 25, 2025

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 slightly. 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



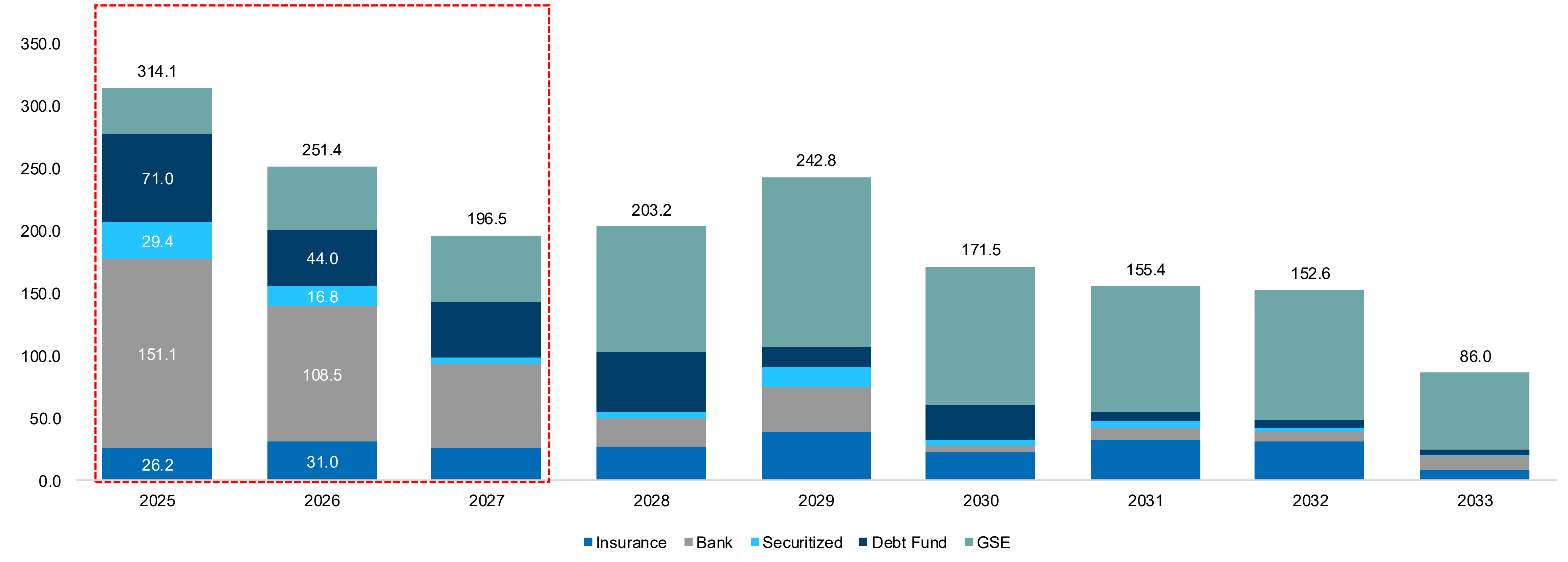
Source: RCA, Newmark Research as of October 14, 2025

Note: loan origination volumes are adjusted for future expected revisions using Newmark's proprietary models

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

Banks hold 24% of debt maturities from 2025 to 2033, but a disproportionately high 43% of those due between 2025 and 2027. Debt fund maturities show a similar frontloaded pattern—21% near-term compared to 18% overall—mirroring trends in CLO-driven securitized lending. In contrast, GSE maturities are heavily backloaded.

Multifamily Loan Maturities by Lender Group*

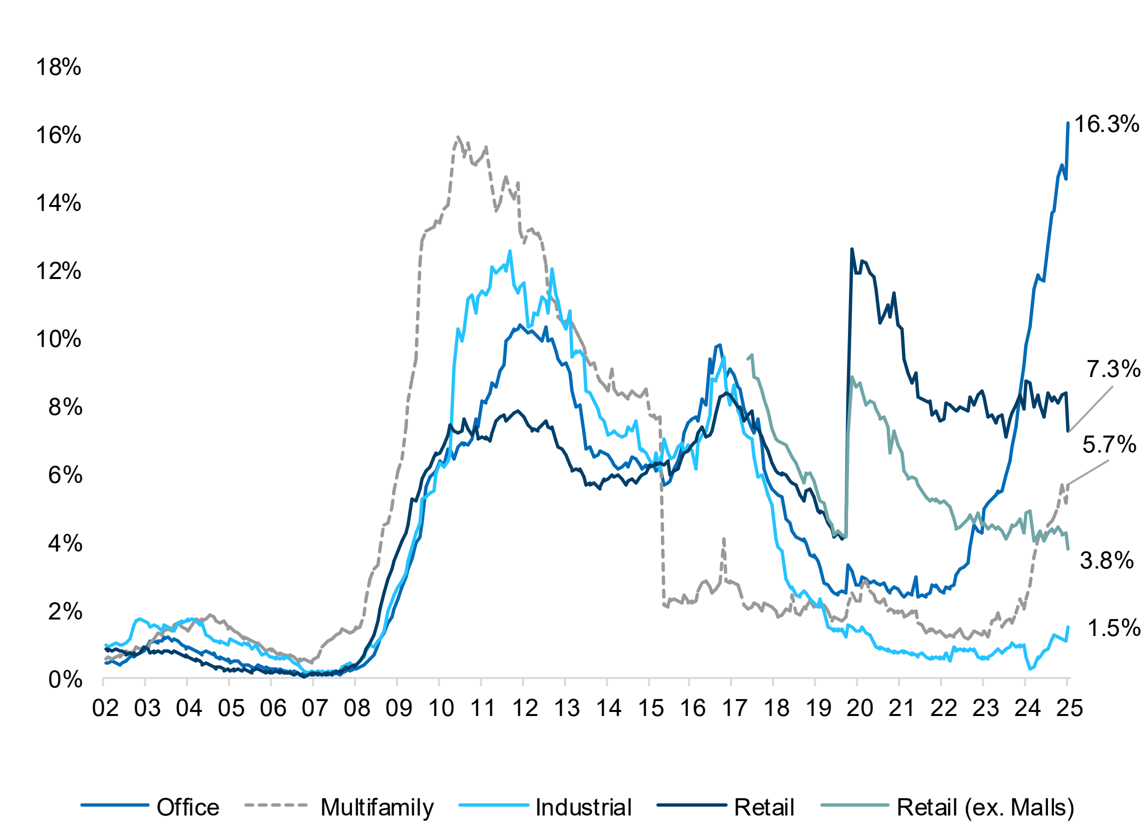


Source: MBA, Trepp, RCA, Newmark Research as of July 25, 2025
*Adjusted for year-to-date estimated loan originations

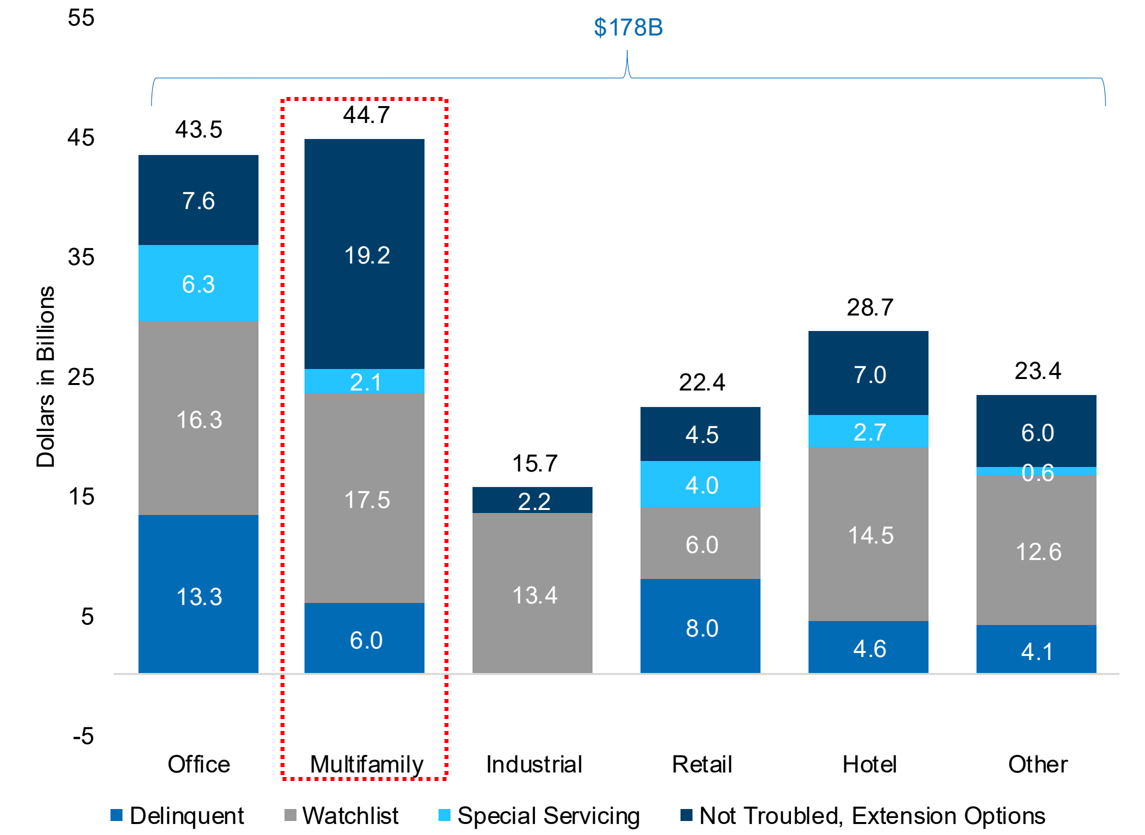
Distress Suppressed by Widespread Use of Extension Options, but Distress Is Building

Delinquency rates have begun to increase, particularly in office and multifamily. Office delinquency increased 1.6 percentage points in the 3rd quarter, while the multifamily rates remained flat, but elevated. Still, extensions have remained prevalent, with $178 billion in outstanding balance originally maturing before 3Q25.

Moody's CMBS Delinquency Tracker



Securitized Debt Past Original Maturity Still Outstanding

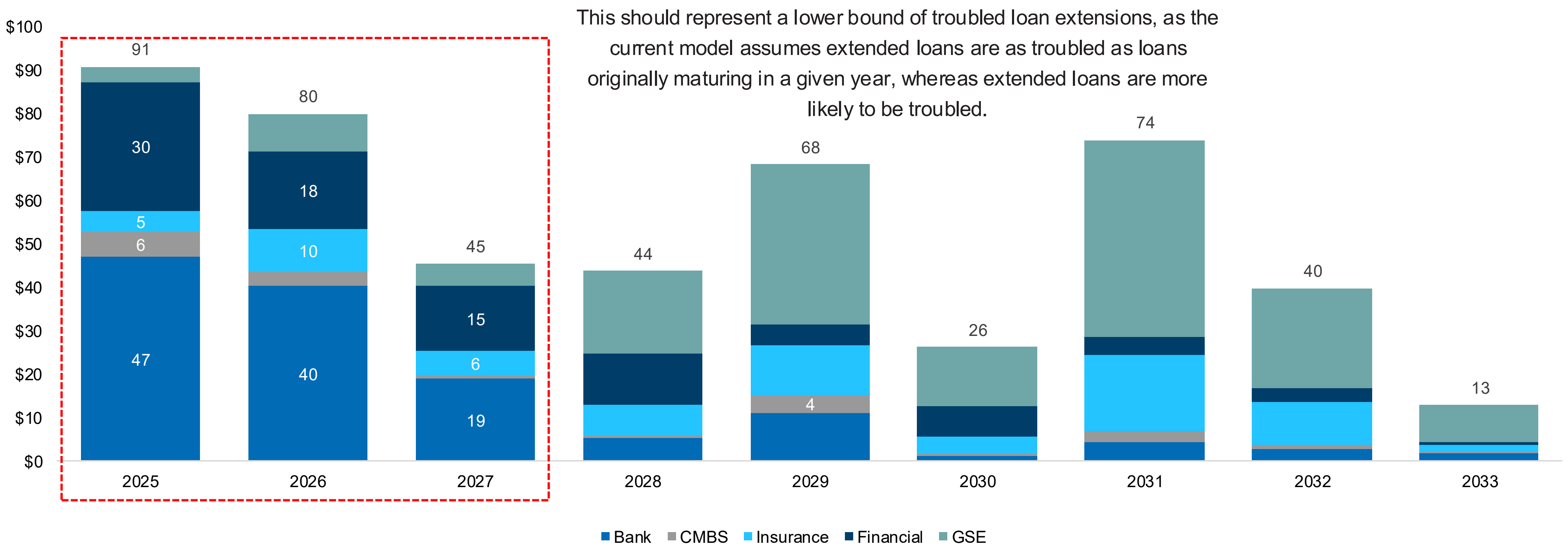


Source: Moody's Investor Services, Trepp, Newmark Research as of 10/15/2025
*Based on first maturity date, Does not include Agency

Potential Multifamily Distress Concentrated in Bank, CLO, & Debt Fund Lending

Roughly a quarter of 2025 maturities appear potentially troubled, and comparable to the volume of one-year extensions currently in place.

Potentially Troubled Multifamily Loans by Maturity Year*



Source: Green Street, NCREIF, RCA, Trepp, MBA, Newmark Research as of October 14, 2025

*Loans with an estimated senior debt LTV of 80% or greater are potentially troubled. The loans are marked-to-market using an average of cumulative changes in the Dow Jones REIT sector price indices, REIT sector enterprise value indices and Green Street sector CPPI.

04

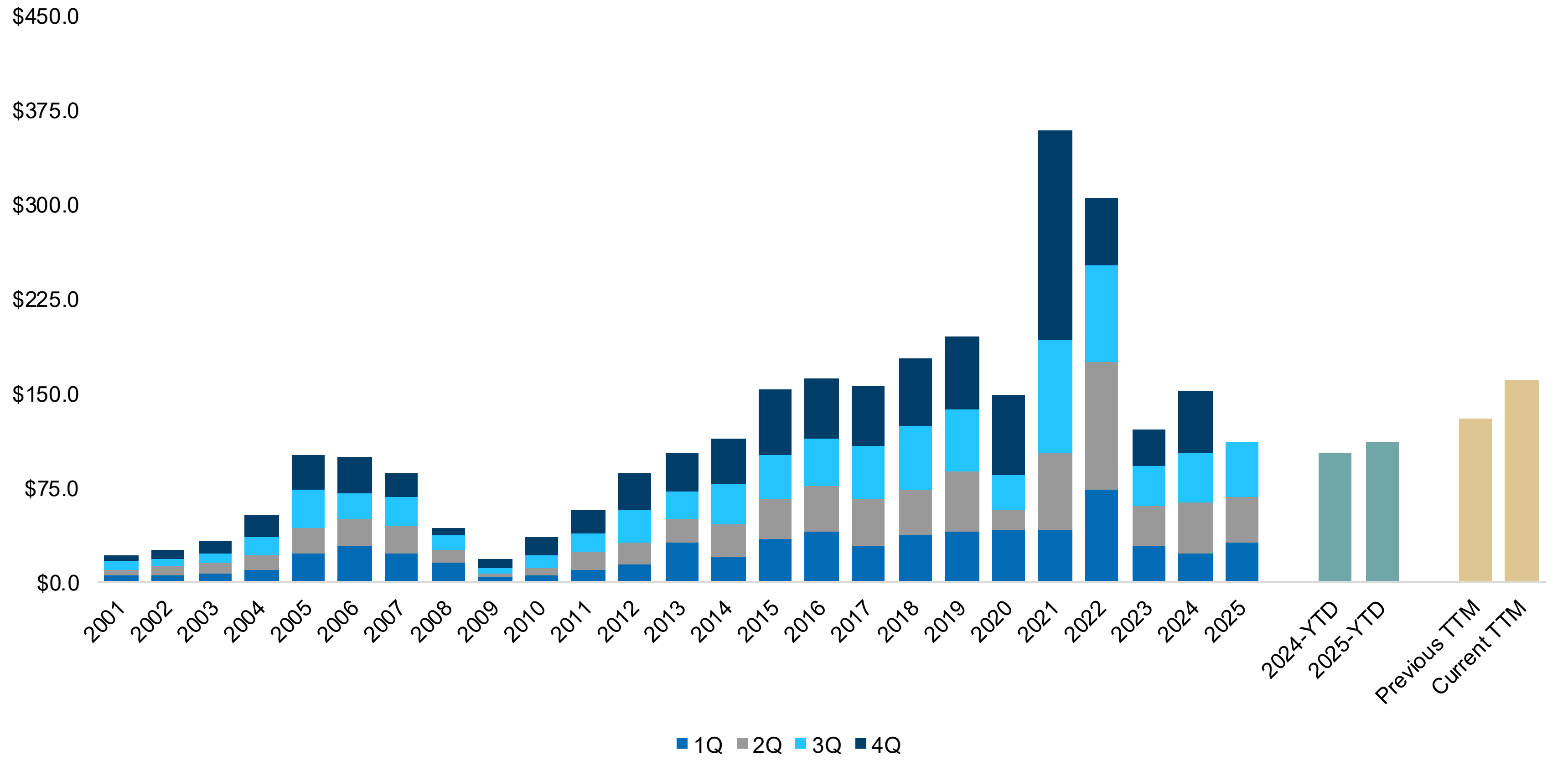
Investment Sales

3Q25 U.S. MULTIFAMILY CAPITAL MARKETS CONDITIONS & TRENDS

Sales Volume Gains Speed in 3Q as Positive Momentum Builds

Investment sales volume reached $43.8 billion in the third quarter of 2025, up 12.6% year-over-year. On a trailing 12-month basis, volume climbed to $159.9 billion, a 22.9% increase compared with the previous period. The steady gains reflect building investor confidence and continued positive momentum in the market.

Investment Sales Volume; Dollars in Billions



+12.6%

Year-over-Year

+8.7%

YTD vs. Same Period Year Prior

+22.9%

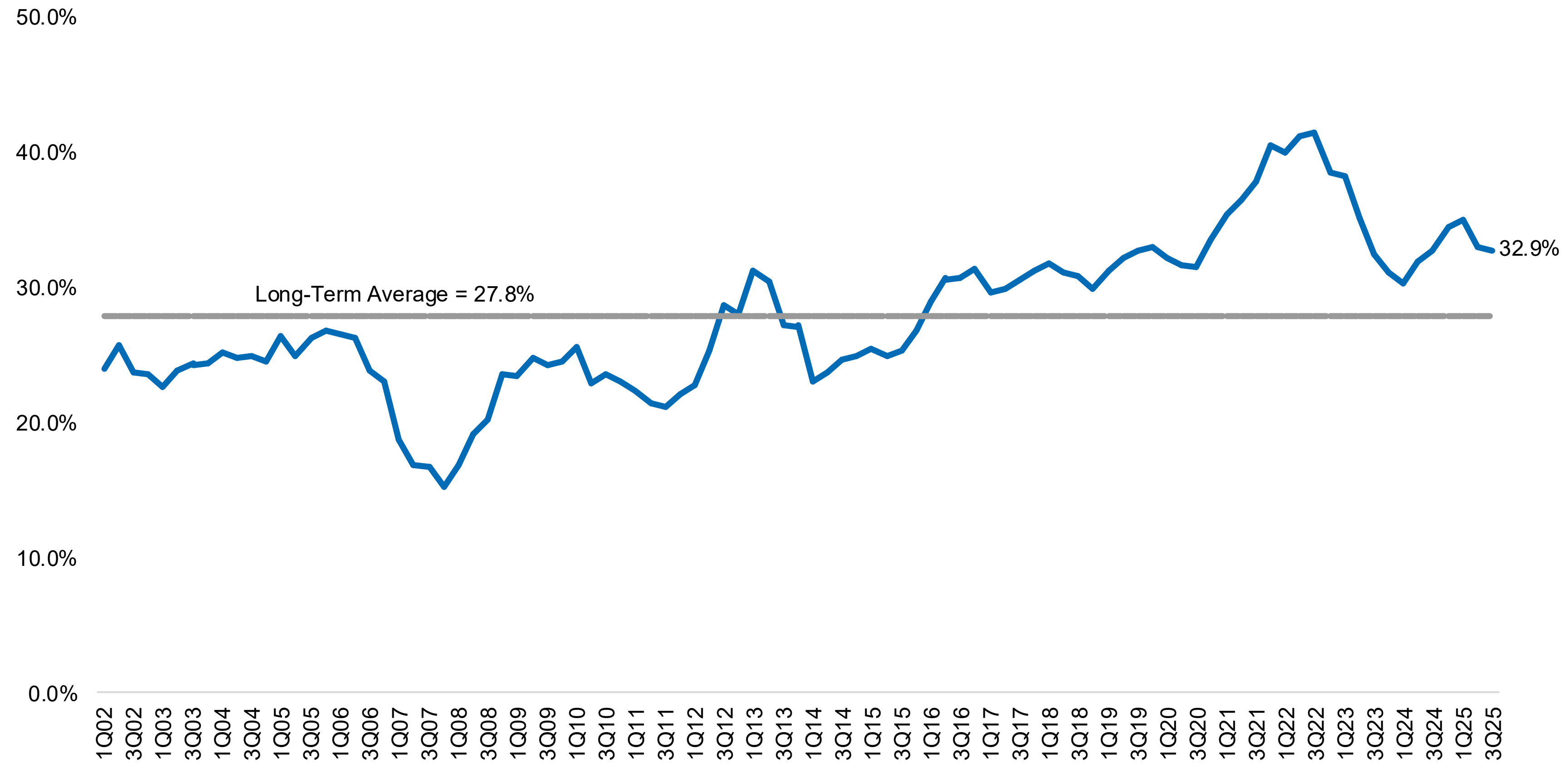
TTM vs. Prior TTM

Source: Newmark Research, MSCI Real Capital Analytics

Multifamily Retains Top Spot for Capital Inflows

Multifamily continues to be the top recipient of capital, accounting for 32.9% of all U.S. investment sales. While its share has eased from record highs in 2022, year-to-date multifamily investment volumes as a share of the total market surpass the combined totals for office and retail, highlighting the sector's strong ongoing appeal.

Multifamily as a Percentage of US Commercial Real Estate Investment Sales Volume; 12 Month Totals

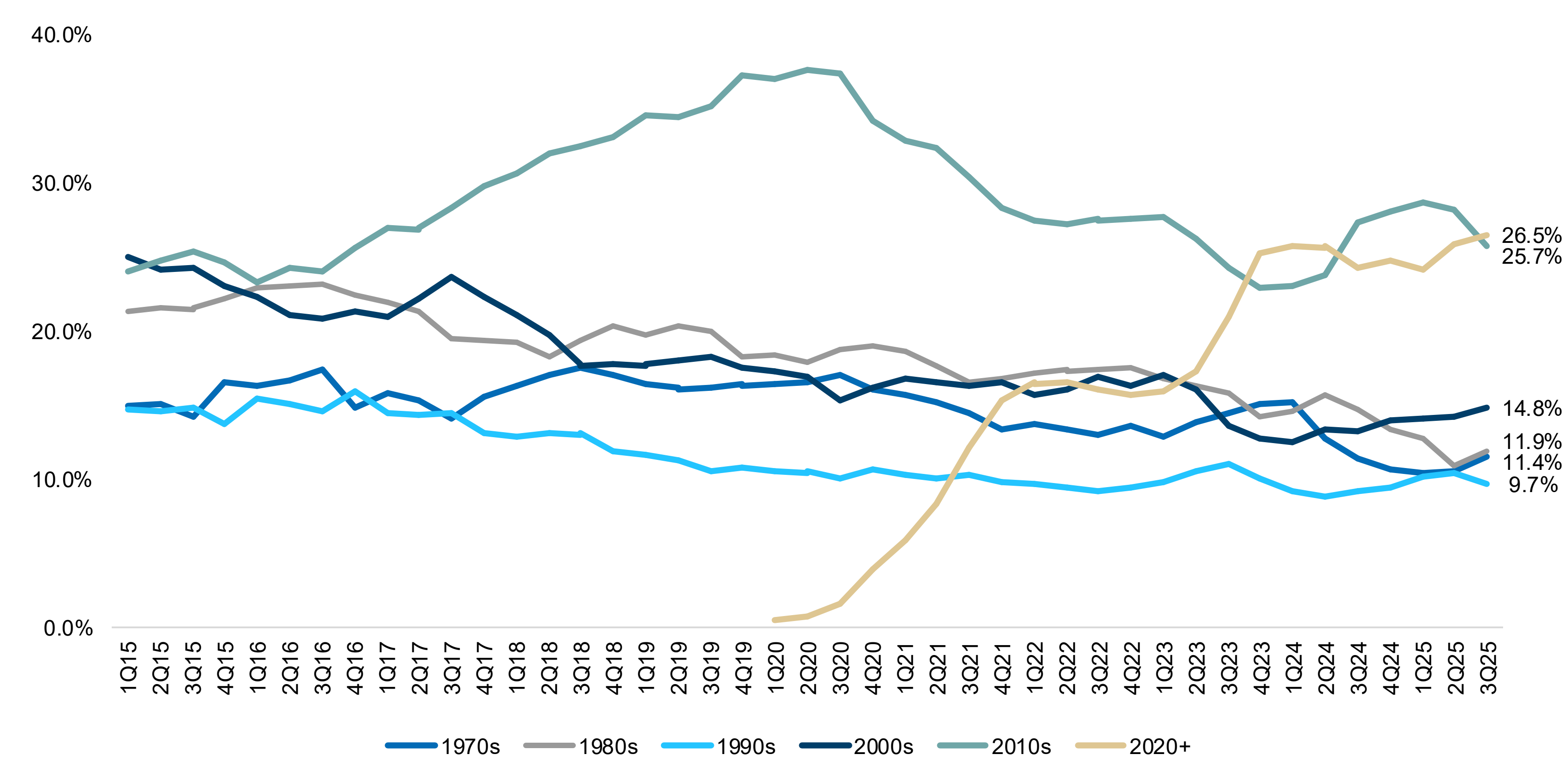


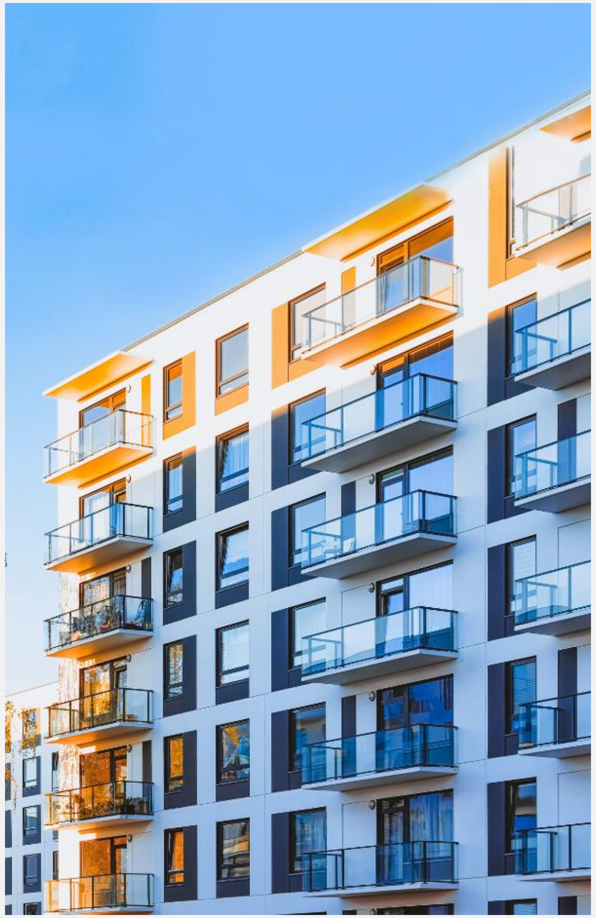
Source: Newmark Research, MSCI Real Capital Analytics

Investors Have Gravitated Towards Newer Assets in Recent Years

As of the third quarter of 2025, properties built in 2010 or later account for 52.2% of transaction market share, reflecting strong investor demand for newer assets. In contrast, 1980s-era properties, often a proxy for value-add opportunities, have seen their market share decline by 9.4% since the 2016 peak-of 23.1%. This shift highlights a growing preference for modern, turnkey properties over older, potentially renovation-heavy assets.

Sales Volume Market Share by Vintage; 12 Month Totals

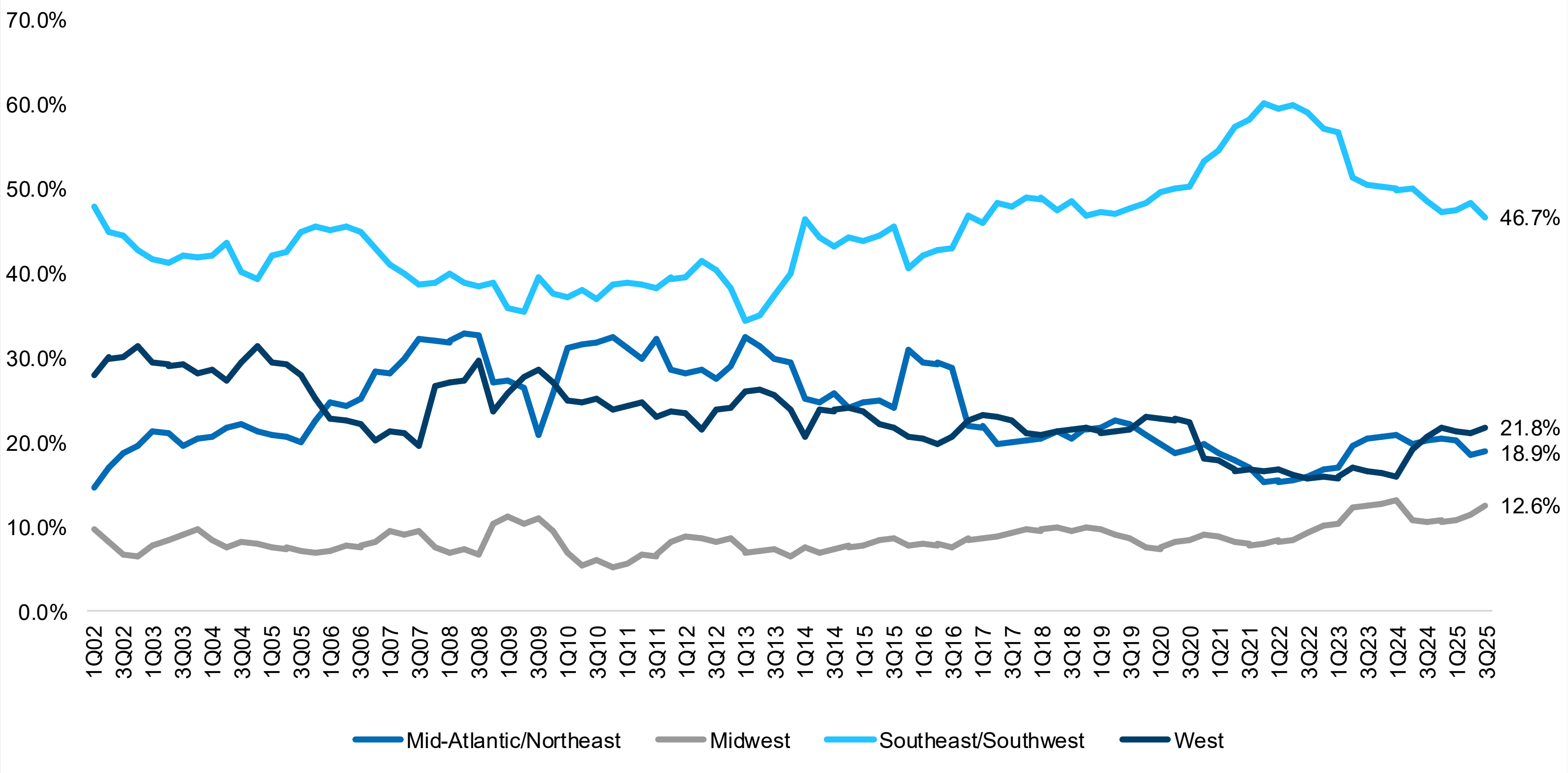


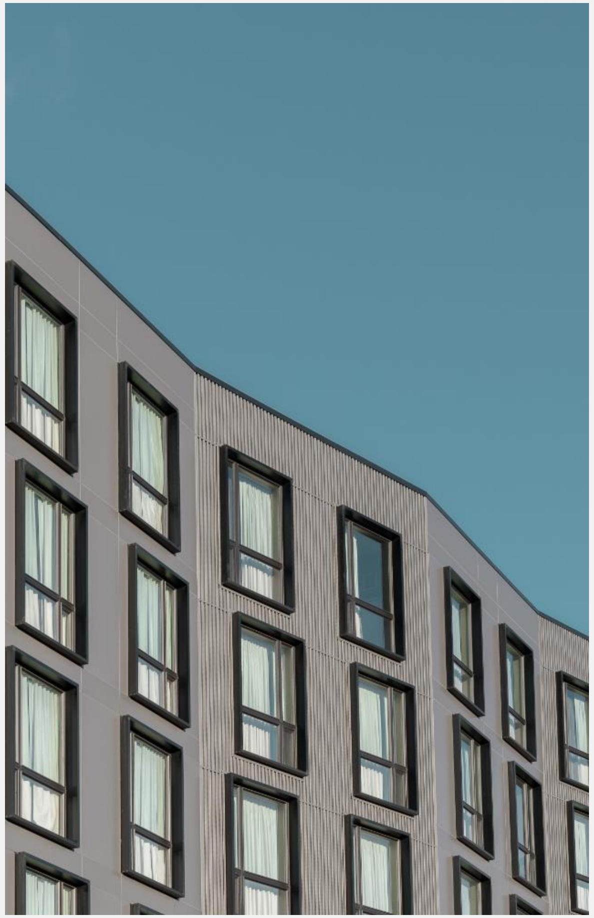


Investors Favor Sunbelt Markets, While Midwest Gains Share

Investors continue to concentrate capital in Southeast and Southwest markets, which together account for 46.7% of market share. The Midwest, representing 12.6% of investment volume, has seen its share rise 2.1% year-over-year and 4.0% above its long-term average. This reflects growing investor interest in markets outside of high supply regions.

Sales Volume Market Share by Region; 12 Month Totals



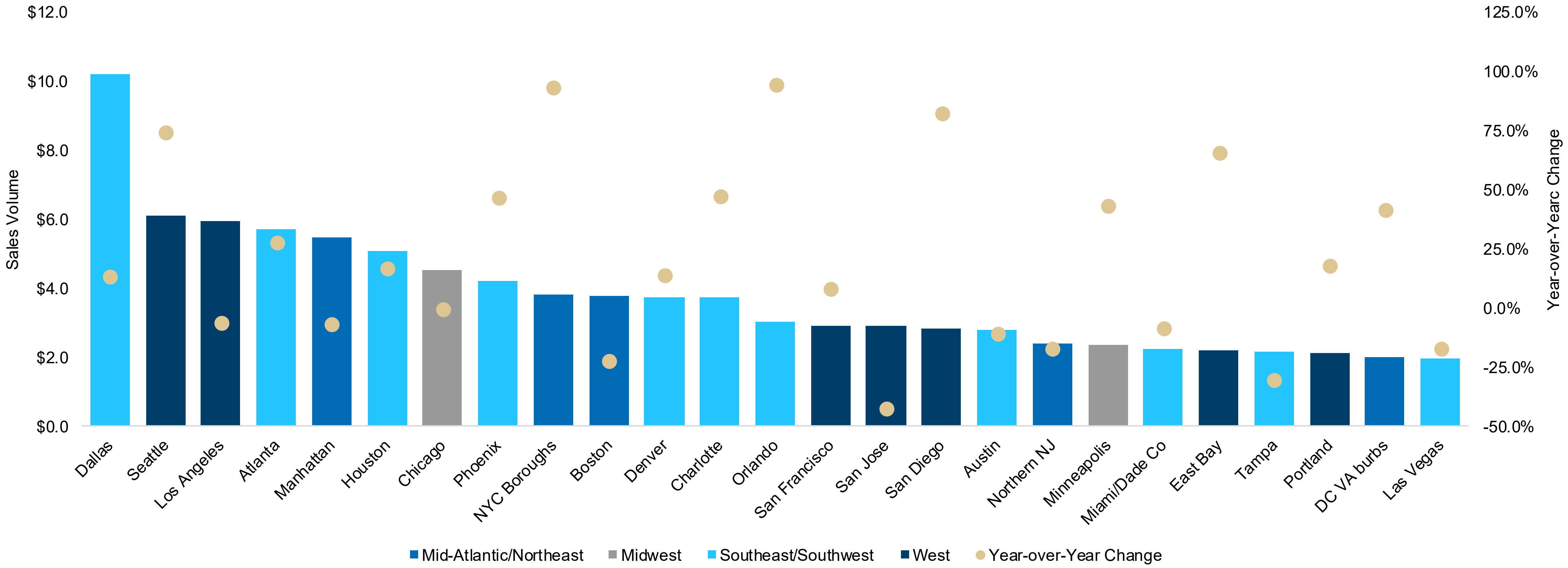


Source: Newmark Research, MSCI Real Capital Analytics

Dallas Remains Largest Sales Market, Coastal Markets Drive Year-Over-Year Gains

Over the trailing 12 months, Dallas, Seattle and Los Angeles were the largest recipients of investment capital. Year-over-year, several markets saw volume growth of 100% or more, led by San Jose, Northern New Jersey, Oakland, the New York City boroughs and Las Vegas. This highlights both the concentration of capital in major metros and rapid growth in select high-demand markets.

Top 25 Markets by 12 Month Total Sales Volume; Dollars in Billions



Source: Newmark Research, MSCI Real Capital Analytics

05

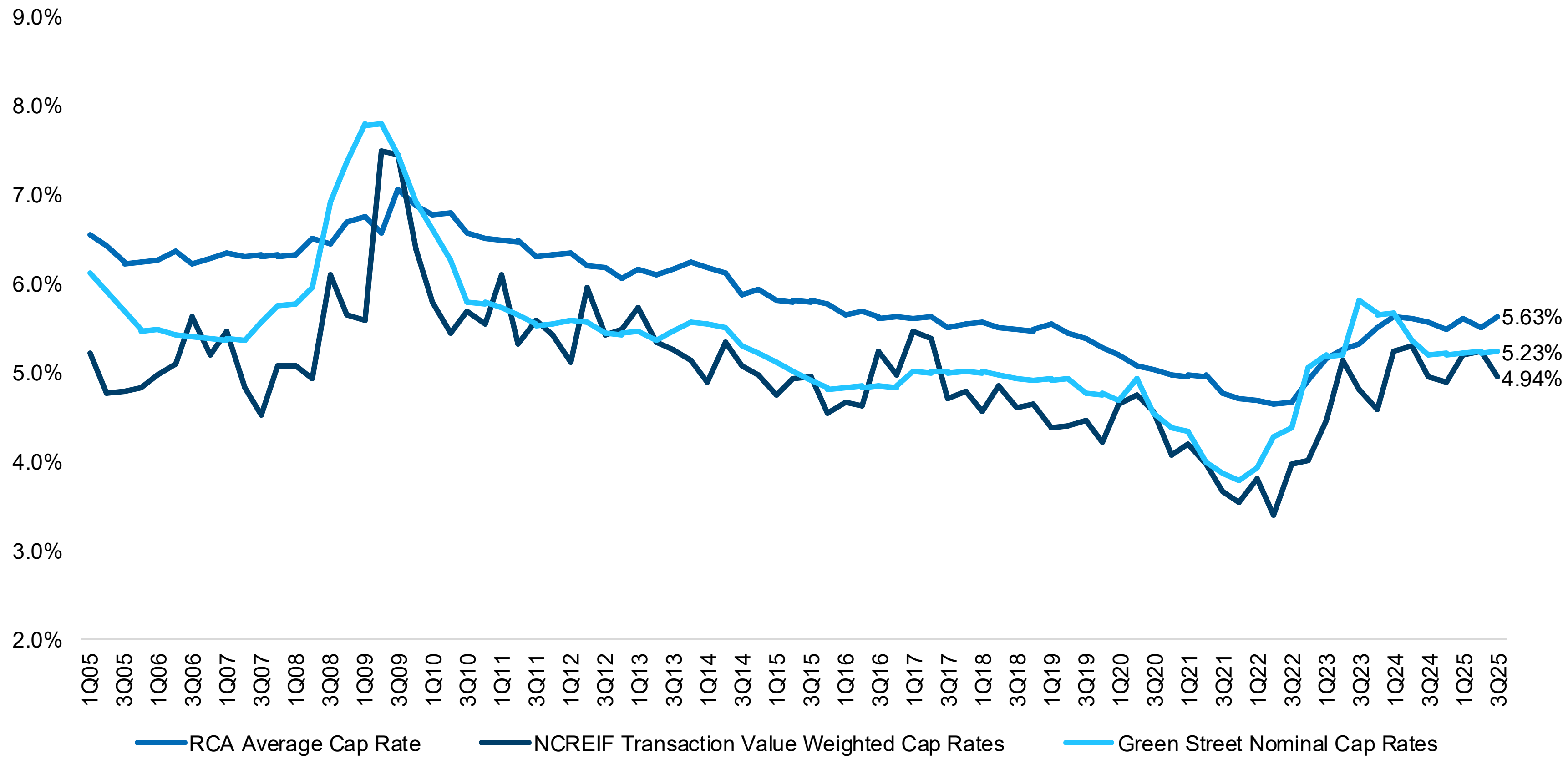
Pricing & Returns

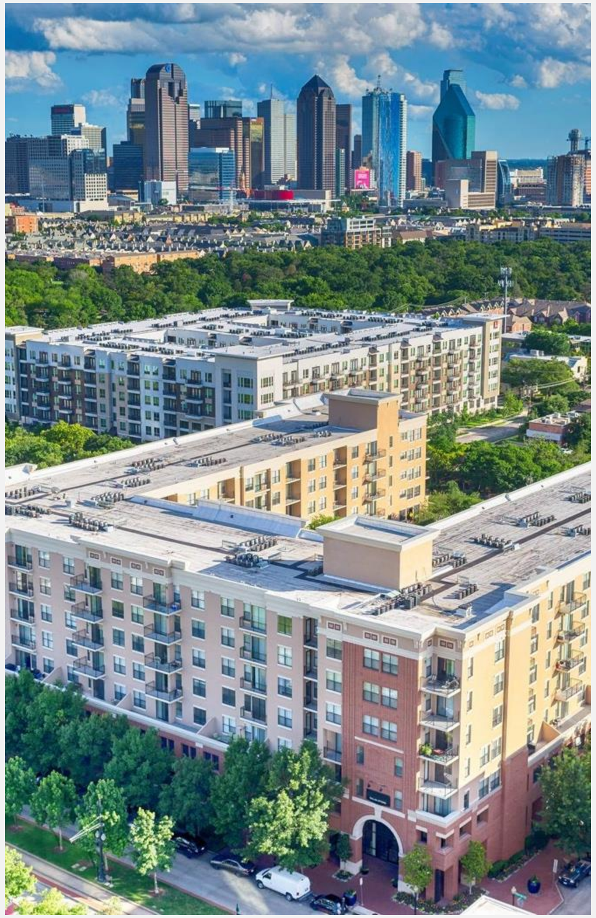
3Q25 U.S. MULTIFAMILY CAPITAL MARKETS CONDITIONS & TRENDS

Cap Rates Largely Stable in 3Q, While Core/Core-Plus Segment Experiences Compression

Transactional cap rates rose 13 basis points quarter-over-quarter to 5.63%, while REIT-implied cap rates edged down 5 basis points to 5.23%. Meanwhile, NCREIF cap rates, which generally reflect the core and core-plus market, fell more sharply to 4.94%, marking a larger decline than the other two benchmarks.

Cap Rates



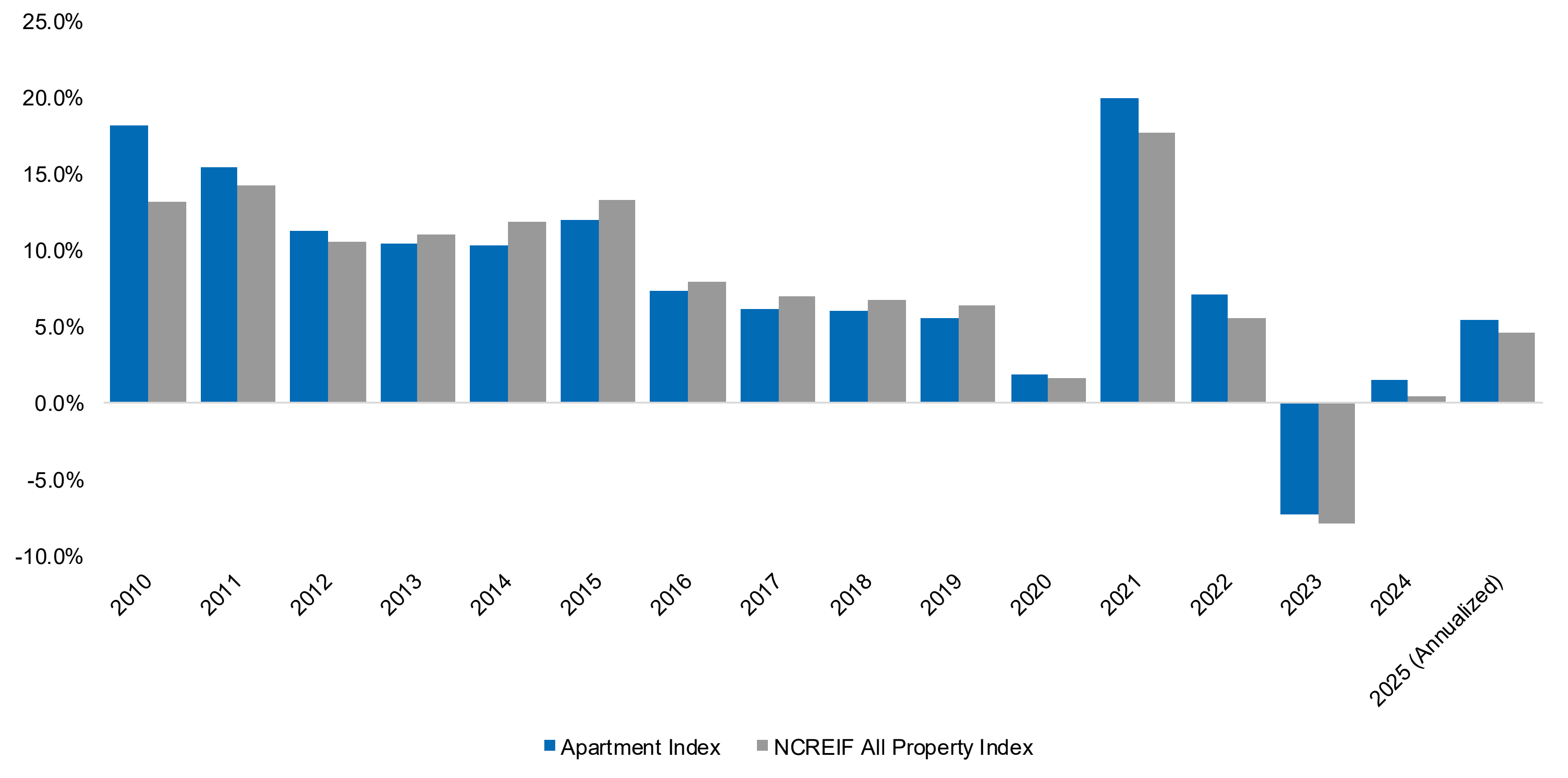


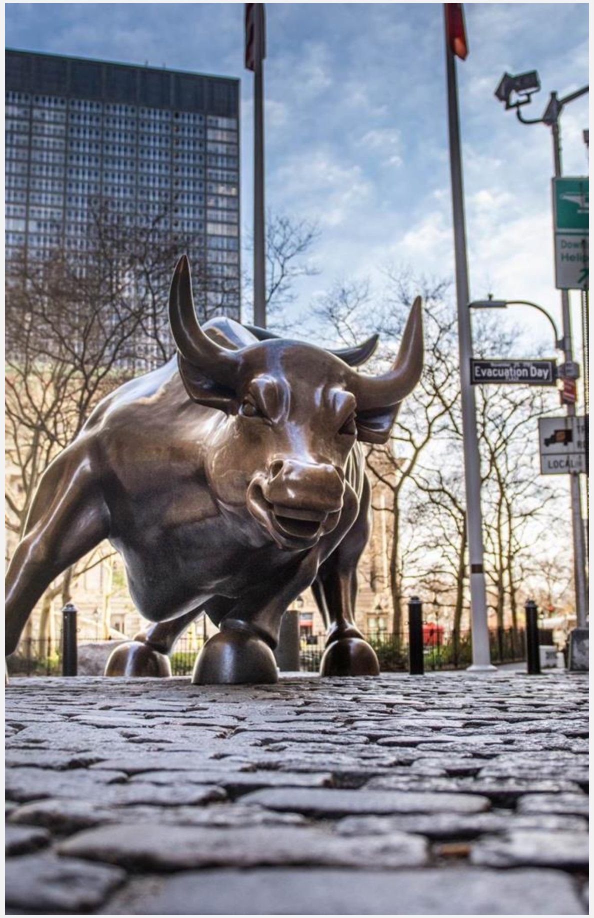
Source: Newmark Research, MSCI Real Capital Analytics, NCREIF, Green Street Advisors

Six-Year Streak of Multifamily Market Outperformance

As of the third quarter of 2025, annual total returns for multifamily properties were 5.48%, outperforming the NCREIF All Property Index, which registered 4.65%. Apartments have consistently exceeded the all-property index every year since 2020, underscoring the sector's sustained strong performance.

Calendar Year Total Returns



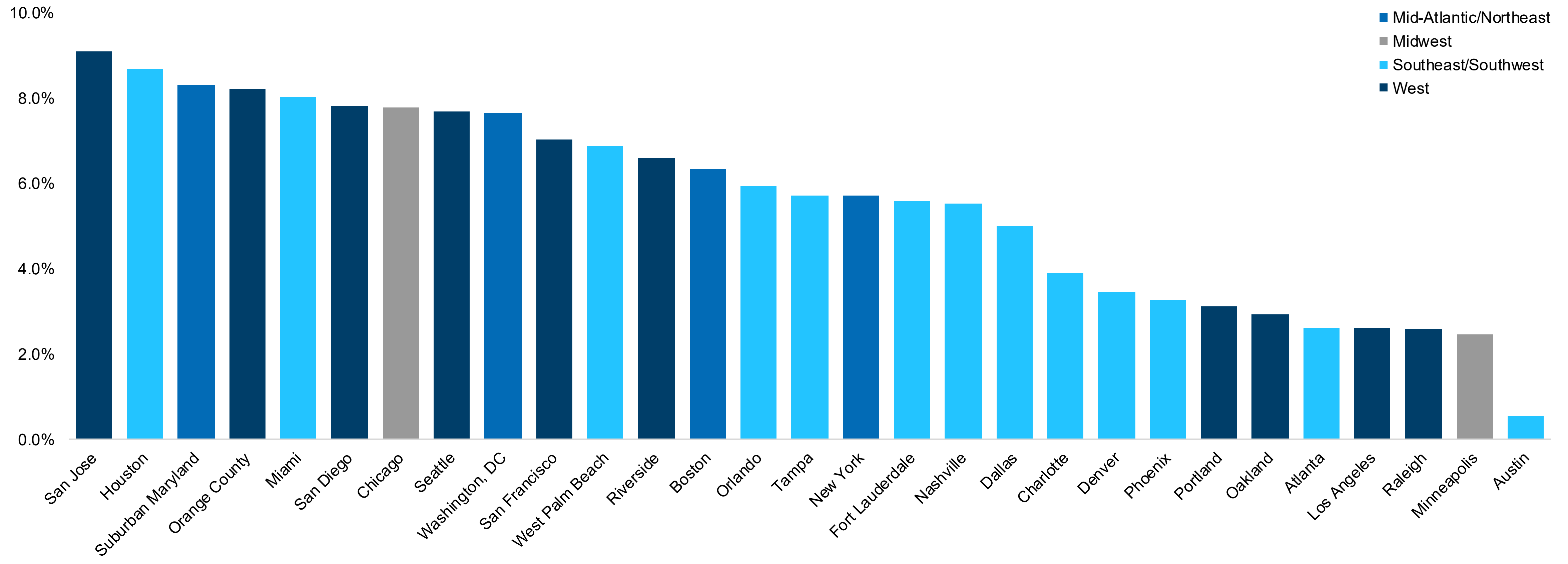


Source: Newmark Research, NCREIF

San Jose Leads U.S. in Returns Amid Strengthening West Coast Market

San Jose, Houston, and Suburban Maryland lead all markets in annualized total returns, each surpassing 8 percent. Among higher-supply Sunbelt markets, only Houston and Miami ranked in the top 10, highlighting selective outperformance within the region.

Annualized Total Returns by Market



Source: Newmark Research, NCREIF

NEWMARK

Mike Wolfson
Managing Director
Multifamily Capital Markets Research
mike.wolfson@nmrk.com

Chris Boutsikaris
Senior Research Analyst
Multifamily Capital Markets Research
chris.boutsikaris@nmrk.com

David Bitner
Executive Managing Director
National Research
david.bitner@nmrk.com

Joe Biasi
Director
Commercial Capital Markets Research
joseph.biasi@nmrk.com

Headquarters
125 Park Ave.
New York, NY 10017
t 212-372-2000

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.