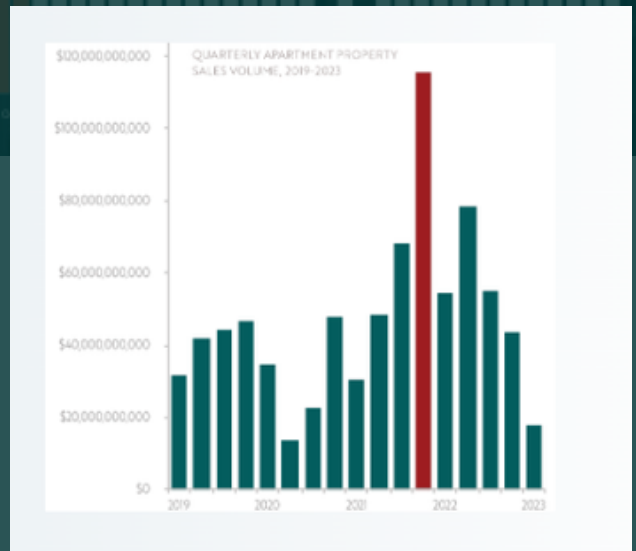
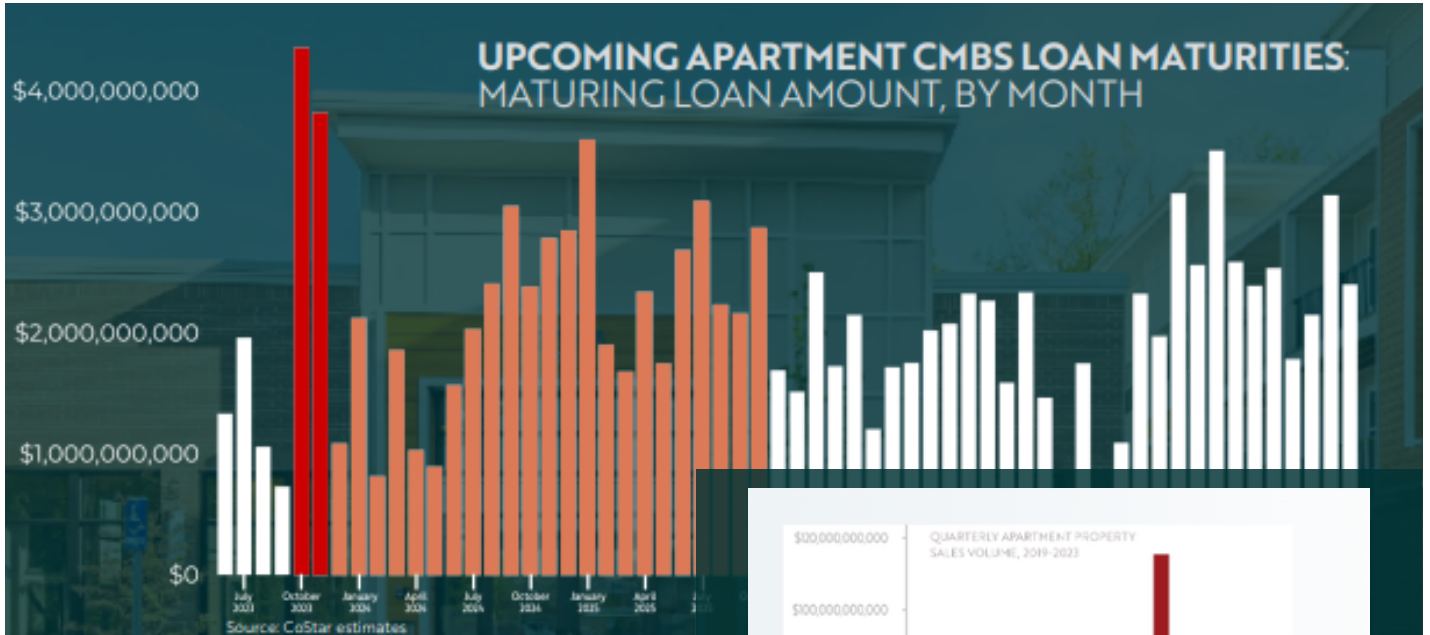




# NEWSLETTER

## Loan Maturities and Distress in the Multifamily Market: **What You Should Know**



### MULTIFAMILY ANALYSIS

**A substantial increase in commercial real estate (CRE) loan maturities** is expected in the fourth quarter of 2023, potentially leading to financial hardships. Although the multifamily sector is currently experiencing strong demand, owners of both multifamily and CRE properties who hastily purchased assets at historically low capitalization rates using short-term (typically 24-month) and variable interest rate financing in late 2021 and early 2022 may face difficulties.

### REALSITIC FACTS

**The stagnant apartment property sales market and high equity call requirements will make it difficult for these owners to raise the necessary capital.**

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## EXPERT'S THOUGHT

*"Evidence of rising defaults can be seen in CMBS delinquency rate data and reports of property owners handing keys back to lenders. While distress is sure to increase, CRE is not a monolith and problems will occur in pockets. The extent will depend on factors including property type (office is in worse shape than other segments), location, loan seasoning (older loans benefit from years of rent growth), economic conditions and strategies adopted by borrowers and lenders."*

**- Paul Fiorilla Director of Research  
Yardi Matrix**

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**Rescue capital funds are being discussed, but equity and debt markets remain tight. Increased distress and volatility are likely to further tighten markets. Interest rates are also unlikely to decrease enough to allow most owners to refinance at a neutral cash position.**

## FINAL THOUGHTS

People are running into trouble because they didn't have the discipline to underwrite the deal, as well as because they didn't have fixed-rate debt or interest rate cap insurance.

We at **Evergreen Capital** have never loosened our standard of conservative underwriting principles, and we always use fixed-rate debt on our deals. We believe that because of the upcoming distressed properties, there will be a lot of **great opportunities** where people are forced to sell **high-quality** properties simply because of a bad debt situation.

We are **actively seeking** those opportunities that often generate the best return.

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