



## **The Impact of Tariffs on Commercial Real Estate: Challenges and Opportunities**



### **Key Takeaways:**

The Marcus & Millichap report explores how tariffs could impact commercial real estate (CRE) by increasing construction costs, reshaping supply chains, and influencing investor strategies. The report highlights the ripple effects of higher import costs, particularly on building materials, and how these economic shifts might redirect capital flows into different asset classes.

One of the primary concerns is the rising cost of construction materials, which could slow new developments and place additional financial pressure on ongoing projects. Developers will likely face higher costs for imported steel, lumber, and electrical components, leading to longer project timelines and increased financing needs. However, sectors such as industrial and logistics real estate could benefit from shifting trade policies that encourage domestic manufacturing and warehousing expansion.

Additionally, CRE investors must navigate interest rate uncertainty alongside these tariff-driven cost escalations. As higher inflationary pressures emerge from increased material costs, the Federal Reserve's monetary policy response will be a critical factor in determining capital market conditions.



#### Evergreen Capital Insight:

- **Assess Construction and Renovation Costs:** Developers and investors should conduct detailed cost analyses when planning new projects or value-add renovations to account for potential price escalations due to tariffs.
- **Target Industrial and Logistics Assets:** As tariffs reshape global supply chains, demand for U.S.-based manufacturing and distribution hubs is expected to rise, creating opportunities in the industrial sector.
- **Diversify Investment Strategies:** In a volatile economic climate, focusing on stabilized, income-generating assets—particularly in multifamily and necessity-based retail—can help hedge against inflation and construction delays.
- **Monitor Trade and Monetary Policies:** Investors should closely follow U.S. trade negotiations and Federal Reserve policies to anticipate market shifts and financing conditions that could impact CRE investments.

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#### Conclusion:

While tariffs introduce new economic challenges, they also create opportunities for investors and developers willing to adapt their strategies. Sectors such as industrial and logistics real estate may thrive under policy-driven domestic production expansion, while multifamily and stabilized retail assets may offer resilience against cost volatility. Understanding trade policy shifts and their broader economic implications will be essential for CRE investors looking to make informed decisions in 2025 and beyond.



## Freddie Mac Projects Multifamily Loan Origination Growth Despite High Rates and Vacancies



### Key Takeaways:

The multifamily market is proving its resilience, and Freddie Mac is doubling down on it. Despite high vacancies, rising operating costs, and stubborn interest rates, multifamily loan originations are expected to grow in 2025, reaching an estimated \$370-\$380 billion, up from \$320 billion in 2024. While this remains below the peak lending years of 2021-2022, the outlook signals renewed investor confidence and a steady market recovery.

So, what's driving this bullish sentiment? Rental demand remains strong as high mortgage rates continue to price out potential homebuyers, keeping them in the rental market longer. Additionally, rent growth is picking up again, with Freddie Mac projecting a 2.2% increase in 2025—an improvement from 2024's meager 0.3% rise. But it's not all smooth sailing. Multifamily vacancies are at record highs, especially in overbuilt markets, and operating costs are climbing. However, the slowdown in new construction is expected to help rebalance supply and demand in the coming years.



### **Evergreen Capital Insight:**

- **Capitalize on Agency Lending:** With Freddie Mac actively supporting multifamily growth, investors should explore agency-backed loans, which often come with more favorable terms than private financing.
- **Focus on High-Demand Markets:** As renter demand remains strong, targeting metros with population growth, job expansion, and affordability gaps will be key.
- **Monitor Interest Rate Movements:** While rate cuts are expected in 2025, uncertainty remains. Investors should stay flexible with financing strategies to capitalize on opportunities as borrowing costs fluctuate.
- **Watch for Supply-Demand Rebalancing:** High vacancies won't last forever. Markets experiencing a construction pullback may see tightening inventory, creating better conditions for rent growth and occupancy gains.

### **Conclusion:**

The multifamily market isn't just surviving—it's adapting. With Freddie Mac projecting higher loan volumes and stronger rent growth, 2025 is shaping up to be an opportunistic year for investors. While vacancies and costs remain challenges, slower new development, continued rental demand, and agency-backed financing options make this sector one to watch.



## Multifamily Deals Face Headwinds Amid Interest Rate and Supply Concerns



### Key Takeaways:

The multifamily sector is facing challenges in 2025, as high interest rates, slowing income growth, and an influx of 500,000 new units put pressure on deals. A brief increase in transactions occurred in 2024 when interest rates dropped, but deal volume remains stagnant due to economic uncertainty and tight lending conditions. Despite these challenges, investor activity remains focused on high-growth markets such as Denver, Dallas, Phoenix, and Atlanta, which continue to show strong rental demand and long-term growth potential.

### Evergreen Capital Insight:

- **Look for Distressed Opportunities:** Rising delinquencies may create chances to acquire underperforming assets at a discount.
- **Monitor High-Supply Markets:** The 500,000 new units entering the market could create short-term downward pressure on rent growth in overbuilt areas.
- **Focus on Market Resilience:** Investors should target metros with strong job growth and rental demand, ensuring assets maintain high occupancy.
- **Be Cautious with Lending Conditions:** With Treasury yields remaining elevated, financing costs will continue to impact underwriting and deal feasibility.



## Conclusion:

While multifamily deals face hurdles in 2025, strategic investors can capitalize on distressed assets, focus on high-demand regions, and navigate lending challenges to position themselves for long-term success.





## 2025 Apartment Demand Outlook: What's Fueling Growth in a Slowing Job Market?



### Key Takeaways:

Despite concerns over slowing job growth, the multifamily sector is set for another strong year in 2025, according to RealPage Analytics. 2024 ended with a remarkable 667,000 units absorbed, and while absorption rates may moderate slightly, demand remains resilient due to a combination of economic, demographic, and affordability factors.

- **Job Growth Remains a Key Factor:** The U.S. is forecast to add over 1 million jobs in 2025, providing a steady tailwind for rental demand.
- **Affordability Gains Drive Household Formation:** Rent-to-income ratios are returning to pre-COVID levels, allowing more renters to secure leases without extreme financial strain.
- **Supply Constraints Could Tighten Markets:** While 2024 saw a surge in new deliveries, construction slowdowns in 2025 could balance supply and demand, supporting rent growth.



### Evergreen Capital Insight:

- Target Renters Upgrading from Class C to B Properties: With improved affordability, more renters are seeking higher-quality units, making Class B properties a strong investment focus.
- Watch for Emerging Job Growth Hotspots: While overall job expansion is slowing, sectors like tech, financial services, and professional business services may see renewed hiring.
- Leverage Supply Tightening for Stronger Rent Growth: With construction activity cooling, rental properties in supply-constrained metros could experience reduced concessions and higher NOI growth.

### Conclusion:

The 2025 multifamily market presents a unique landscape—one where slower job growth doesn't necessarily mean weaker rental demand. Instead, affordability improvements, shifting demographics, and moderating supply pipelines will shape the year ahead. Investors who align their strategies with these demand drivers will be well-positioned to capture growth.





## 2025 U.S. Housing Market Outlook: A Year of Opportunity Amidst Challenges



### Key Takeaways:

The U.S. housing market in 2025 is poised for moderate growth, with mortgage rates stabilizing, inventory constraints persisting, and affordability pressures shaping demand. While home price appreciation is slowing, rental demand remains strong as buyers face high borrowing costs and limited supply.

- **Mortgage Rates to Ease:** After peaking above 7.5% in 2023, mortgage rates are expected to gradually decline, improving affordability.
- **Inventory Shortages Remain:** Despite new construction, supply remains historically low, keeping home prices elevated.
- **Affordability Crisis Continues:** With incomes struggling to keep pace, demand for rental housing remains robust, benefiting multifamily investors.

### Evergreen Capital Insight:

- **Leverage Rental Demand:** Multifamily assets in high-growth metros will continue to offer strong returns as homeownership remains out of reach for many.
- **Target Supply-Constrained Markets:** Cities with high job growth but limited new construction will see strong price resilience and rental demand.
- **Monitor Interest Rate Trends:** A gradual rate decline could boost buyer confidence, increasing competition for residential and multifamily assets.



## Conclusion:

The 2025 housing market presents a mix of challenges and opportunities. Investors who strategically position themselves in rental housing and supply-constrained metros will be best positioned for success.

Are you ready to capitalize on the next phase of market growth?