



Multifamily: A Tale of Two Markets – June 2025



Key Takeaways:

Multifamily real estate is diverging between two distinct landscapes. High-cost gateway cities—San Francisco, New York, Los Angeles—are experiencing limited new supply due to elevated construction expenses. This scarcity is supporting strong rent growth. Conversely, Sun Belt and Southeast metros like Atlanta, Denver, Charlotte, and Austin face abundant supply, leading to flat or declining rents. Miami stands out as an outlier, with 95% occupancy sustaining steady rent increases.

Evergreen Capital Insight:

- **Deploy Capital Selectively:** Focus on gateway markets with supply limitations. These cities offer proven rent resilience and reduced competition.
- **Exercise Caution in Overbuilt Regions:** In high-supply metros, consider strategic pauses or slower deployment until absorption catches up to delivery.
- **Prioritize Quality and Amenities:** With an uptick in high-end unit completions, amenitized properties will maintain tenant appeal and premium pricing.



- Anticipate a Shift in Development Activity: Given current cost headwinds, new multifamily starts may slow later this year—prepare to capitalize during this transition.

Conclusion:

The multifamily market today isn't one-size-fits-all—it's a "tale of two markets." Gateway cities, constrained by cost, are booming, while supply-heavy Sun Belt metros are cooling off. Savvy investors will thrive by being selective, leaning into supply-constrained markets, and maintaining agility in development decisions. Ready to play the market smart? Your move.

May 2025 Multifamily Market Update – RealPage Analysis



Key Takeaways:

The U.S. multifamily market remains steady through May 2025, with occupancy holding firm at 95.7%, marking a 90-basis-point rise year-to-date—an indicator of continued demand strength. Yet, effective rent growth softened, drifting to 0.26% month-over-month and 0.7% year-over-year, down from 1.0% in April. This shows one step forward in occupancy, two steps back in rent gains .

- Regional breakdown:
 - Midwest led with +10 bps in occupancy and the highest annual rent growth at +3.4%
 - Northeast also improved, up +20 bps occupancy and +3.2% rent growth
 - West remained stable at +0 bps, with +0.3% annual rent growth
 - South saw a dip: -10 bps occupancy, -0.9% rent decline
- Sun Belt softness: Cities like Austin (-0.9%), Phoenix, Tampa, Houston, Memphis, Sacramento (-0.4% to -0.6%) drove the national rent slowdown).
- Bright spots: San Francisco surged with over +1% monthly rent growth, reclaiming the national lead from Midwest peers ([realpage.com](https://www.realpage.com)). Other strong performers included San Jose, New York, and Boston, each seeing over 1% rent growth.



Evergreen Capital Insight

1. Yield from the Midwest & Northeast: These regions continue to outperform, offering balanced upside with 3%+ rent growth and rising occupancy.
2. Cautious in the Sun Belt: Watch for rent declines and oversupply issues—consider strategies like concessions and operational enhancements to sustain performance.
3. Capitalize on gateway rebounds: Urban markets such as San Francisco, Boston, and New York are signaling recovery—early investments here could capture momentum.
4. Occupancy-driven strategy: With rent recovery lagging, stabilizing occupancy should be a priority—think flexible pricing, amenity upgrades, and retention initiatives.

2025 Outlook

RealPage forecasts average rent growth of roughly 2.3% across 2025, with top-tier growth (3.4%+) expected in pockets of the South, Midwest, Northeast, and some western markets . However, certain gateway markets and Texas metros may trail.

Conclusion & Catch

♦ Occupancy is strong, but rent growth is lagging—creating a tale of two markets. To thrive in 2025, investors must strike a balance: lean into steady-growth regions, navigate soft Sun Belt pockets, and embrace dynamic lease strategies. The question isn't just where to invest, but how nimbly you execute. Are you optimizing for occupancy first, then layering in rent gains? That's the smart play this year.

📈 CBRE “Capital Watch”: Positioned for Growth Despite Bond Market Volatility



Key Takeaways

CBRE’s latest Capital Watch report highlights a rapidly shifting capital market landscape. Despite volatility in long-term Treasuries, commercial real estate (CRE) is poised for recovery:

- **◆ Treasury Twist:** Following Fed cuts since Sept 2024, the 10-year Treasury yield initially surged over 100 bps, peaking at 4.78% before retracing to ~4.3% by late March.
- **◆ CRE Pricing Floor:** After a 20+% repricing across property types—more in office—CBRE suggests property values are unlikely to decline further unless Treasury yields climb into the upper-4% range .
- **◆ Investment Momentum:** With bond yields stabilizing and potential for further decline, CBRE forecasts stronger investment activity, particularly in H2 2025, with modest cap rate compression .
- **◆ Investor Sentiment:** Nearly 70% of survey respondents expect increased acquisition volumes this year, supported by refreshed capital allocations
- **◆ Stable Returns Outlook:** CRE is expected to deliver an approximate 9.3% annual return (2025–2029), driven by income growth rather than yield expansion



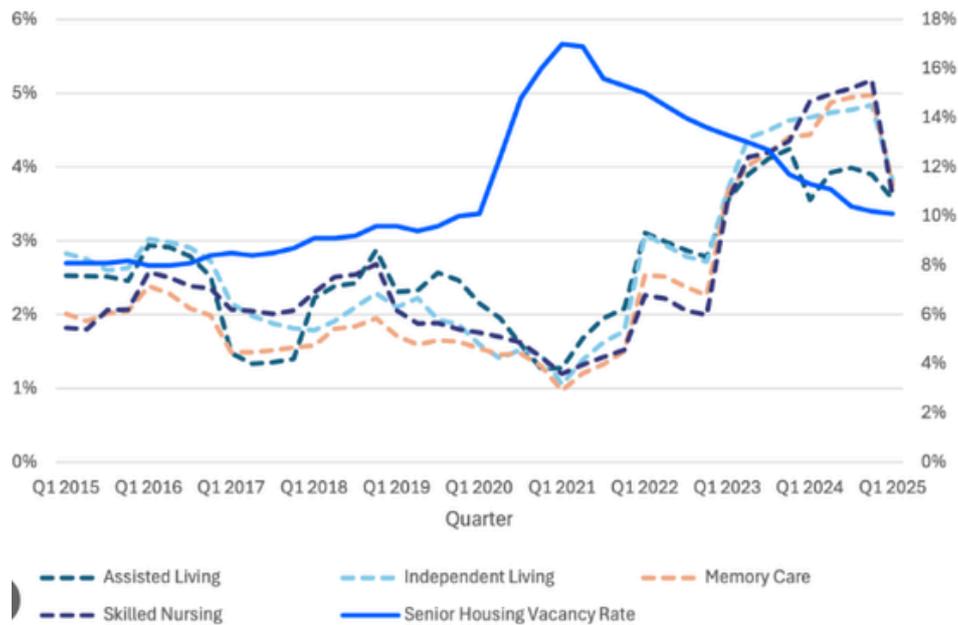
Evergreen Capital Insight

- ✓ **Bottoming Values = Opportunity:** With much of the CRE price adjustment behind us, evergreen assets—particularly in logistics, multifamily, and select retail—offer strong entry points.
- ✓ **Act on Capital Readiness:** As cap rate compression begins, especially midyear, those with capital at the ready can secure value-add and core-plus deals.
- ✓ **Focus on NOI Growth:** Income, not price appreciation, will drive returns. Assets with reliable cash flow and strong operational upside will outperform.
- ✓ **Strategic Asset Mix & Timing:** Core-plus and value-add strategies are expected to dominate. CBRE's survey confirms these remain investor priorities.
- ✓ **Watch Treasury Levels:** If 10-year yields remain around 4%–4.3%, CRE pricing should hold steady—maintain sharp oversight on rate dynamics and economic indicators.

Conclusion – Opportunity Knocks

CRE prices have reset; cap rates are poised to compress; bond markets are stabilizing. Combined with robust income fundamentals, 2025 presents a compelling entry point for disciplined investors. The smartest move? Set the table now—then be ready to move when yield compression picks up pace.

Housing Affordability Five-Year Review: Moody's Insights (Q4 2024)



Key Takeaways

- **Rent-to-Income (RTI) Ratio Normalizing:** Moody's reports a welcome correction in affordability metrics—RTI has softened from pandemic highs, returning near pre-COVID levels of approximately 27%–28% (moodyscore.com, moody.com).
- **Home Prices Plateauing:** While home prices remain elevated, their upward momentum has decelerated. This slowing trend, paired with retreating mortgage rates, is easing pressure on prospective buyers.
- **Rental Market Relies on Trends:** Despite eased pressure, rental housing remains under pressure as homebuying remains out of reach for many households due to lingering affordability constraints.

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- 🔍 **Investment Strategy: Seizing the Transitional Moment**
 - **Affordable Housing Focus:** With RTI normalizing, Class B/C multifamily properties in high-need areas are well-positioned—balancing cash yields and social impact.



- Support for First-Time Buyers: As homebuyer demand stabilizes, build-to-own or rent-to-buy structures could unlock niche opportunities in suburban markets.
- Refinance Optionality: With evidence of cooling home prices and mortgage rates, agency-backed refinancing for existing properties may offer cost-saving and capital recycling goals.

Strategic Action Plan

Objective	Tactics
Enhance data tracking	Integrate RTI and mortgage trends
Target capital deployment	Narrow focus to household-
Explore hybrid models	Consider rent-to-buy or shared
Align with policy & incentives	Use affordable housing tax

🌟 Conclusion: Affordability Reset = Strategic Advantage

Housing affordability is no longer in crisis mode, but affordability barriers still persist. For seasoned investors and operators, this is a strategic inflection point—an opportunity to refocus on where positive social impact and strong returns collide.

The question: Are you ready to navigate this affordability reset and drive value through insight-led investment?

🔍 Hidden Risks in CRE Lending Threaten Banks & Investors



Key Takeaways

- **Shifting Risk Sources:** CRE exposure is increasingly moving off bank balance sheets into non-bank lenders, notably private CRE debt funds and REITs. These intermediaries often operate with high leverage—up to 90% debt-to-asset ratios or debt 10x equity—amplifying risk if property values decline.
- **Rise in Loan Modifications:** Analysts note a surge in “extend-and-pretend” strategies used by banks and private capital providers. While this avoids short-term defaults, it delays resolution and potentially masks deeper financial fragility.
- **Indirect Bank Exposure:** Even without direct lending, banks remain vulnerable through capital lines to CRE lending funds, replicating legacy risks seen in shadow banking structures .
- **Systemic Risk Concerns:** The Financial Stability Board and regulators warn that this interconnectedness between banks and non-bank lenders could transmit stress across the financial system in adverse scenarios.

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- **Prioritize Transparency:** Ensure thorough due diligence with CRE lending partners. Scrutinize capital structures, refinancing timelines, and use of interest-only or balloon loans.



- **Monitor Loan Maturities:** With preventatives like “extend-and-pretend,” upcoming maturities may surprise both lenders and investors. Keep a close eye on debt clocks.
- **Reduce Counterparty Complexity:** Consider co-lending arrangements or joint ventures over passive exposure to private fund strategies.
- **Stay Ahead of Policy Dynamics:** Regulators may tighten shadow-banking oversight. Position with flexible structures to adapt quickly to changing rules.

Conclusion

The surge in CRE loan modifications and increasingly opaque capital flows into non-bank intermediaries signal more than isolated stress—they hint at system-wide vulnerabilities. To safeguard investors and institutions, heightened transparency and proactive risk management are essential. Understanding the hidden linkages in CRE lending isn’t just prudent—it’s indispensable.