



4Q25 U.S. Multifamily Capital Markets Conditions & Trends

4Q25

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Market Observations



Demand Drivers

- The spread between the cost of homeownership and renting totaled \$1,182, representing 2.8 times the long-term average. This elevated spread highlights significant affordability challenges.
- The 30-year fixed mortgage rate fell to 6.15%, while the effective interest rate on outstanding mortgage debt totaled 4.20%, representing a spread of 46.3%.
- The MBA Purchase Index has declined 45.5% 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 -40,379 units in 4Q25, representing a normalization after an extended period of historically elevated demand.
- 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 such as Atlanta, Phoenix, Austin and Charlotte.
- Rent growth remained muted in 4Q25. 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 37% year-over-year as of 4Q25, 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, have significantly increased their activity.
- Sales volume reached \$50.9 billion in 4Q25, up 4.5% year-over-year. In 2025, volume climbed to \$165.5 billion, a 9.4% increase compared to the previous year.
- Investors continue to focus capital in Southeast and Southwest markets, which collectively captured 46.0% of total sales 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 8 basis points year-over-year to 5.5%, while nominal yields edged up to 5.2%. Meanwhile, NCREIF cap rates increased more sharply, 15 basis points to 5.0%.
- Cap rates have remained largely stable across regions and deal size with little year-over-year change. However, transactions valued at \$100 million plus saw more pronounced compression.
- Annualized total returns for multifamily were 5.39%, outperforming the NCREIF All Property Index. Apartments have consistently outperformed the all-property index every year since 2020.

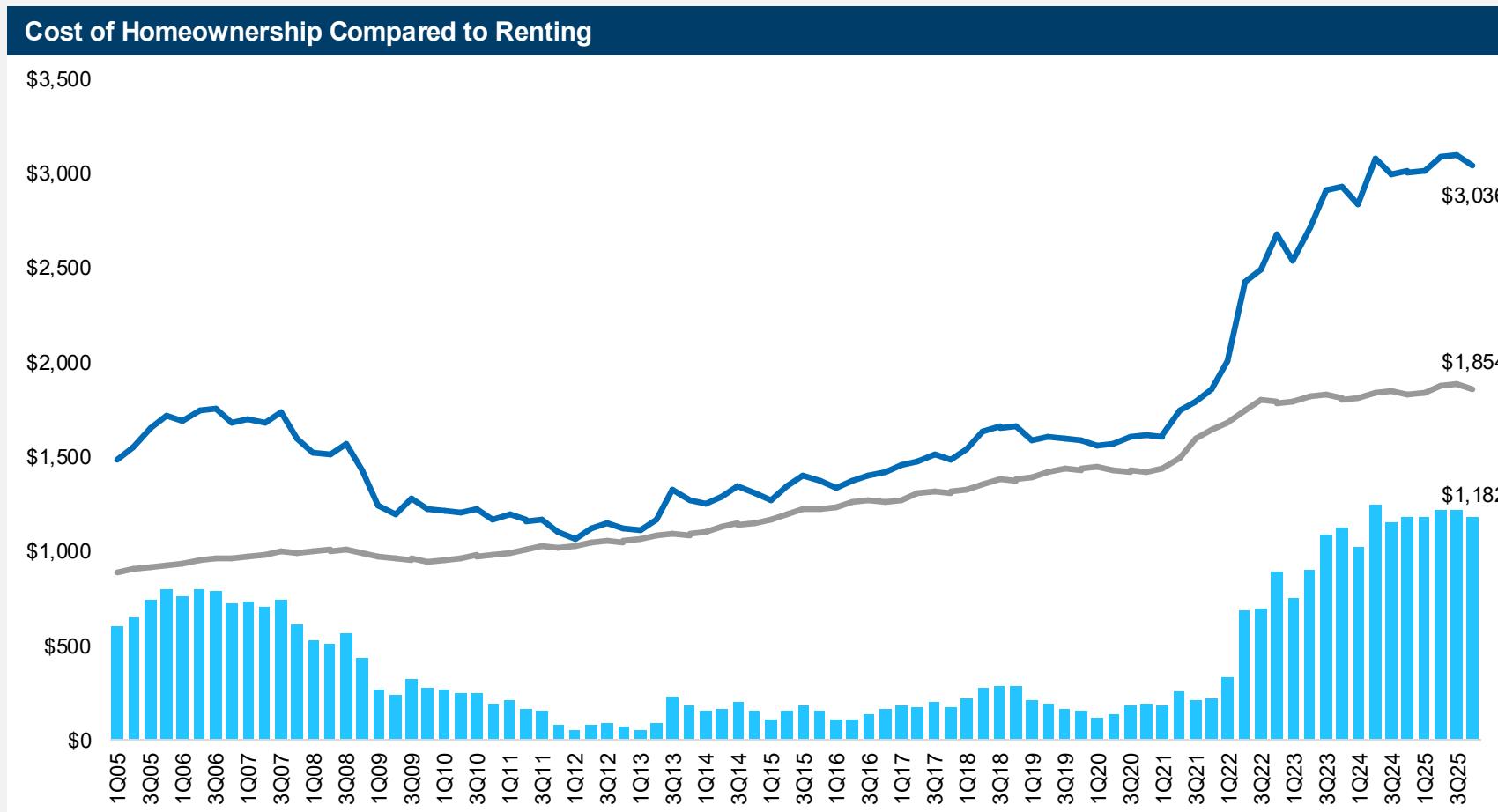
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Demand Drivers

4Q25



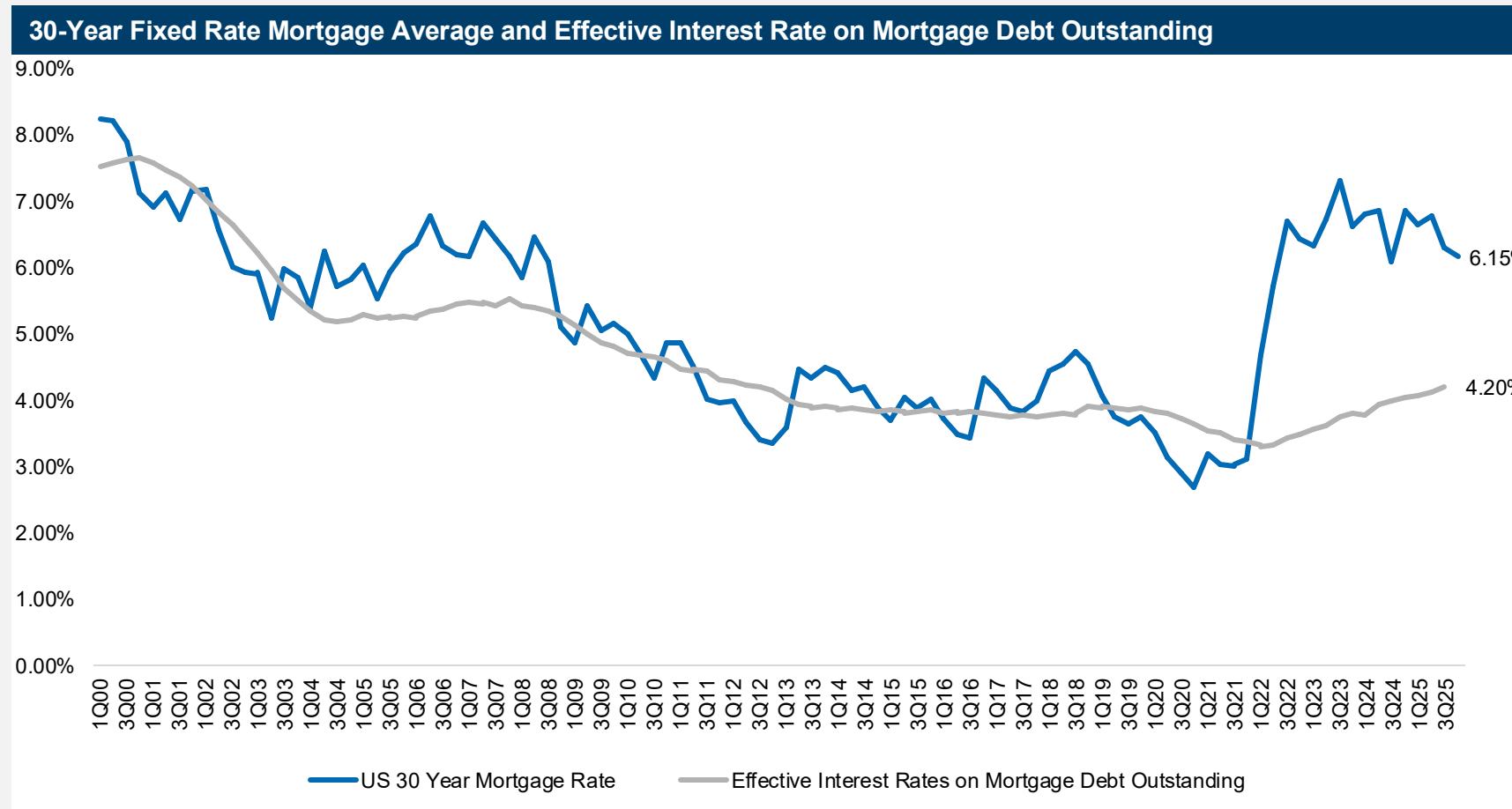
Renting Remains Significantly More Cost-Effective Than Homeownership



- As of the fourth quarter of 2025, the spread between homeownership and renting costs totaled \$1,182, representing 2.8 times the long-term average of \$424. This elevated spread highlights significant affordability challenges facing potential homebuyers.
- The spread remained flat year-over-year, demonstrating that even as home prices have remained somewhat flat, the gap between ownership and rental costs remains elevated, favoring renting over homeownership.

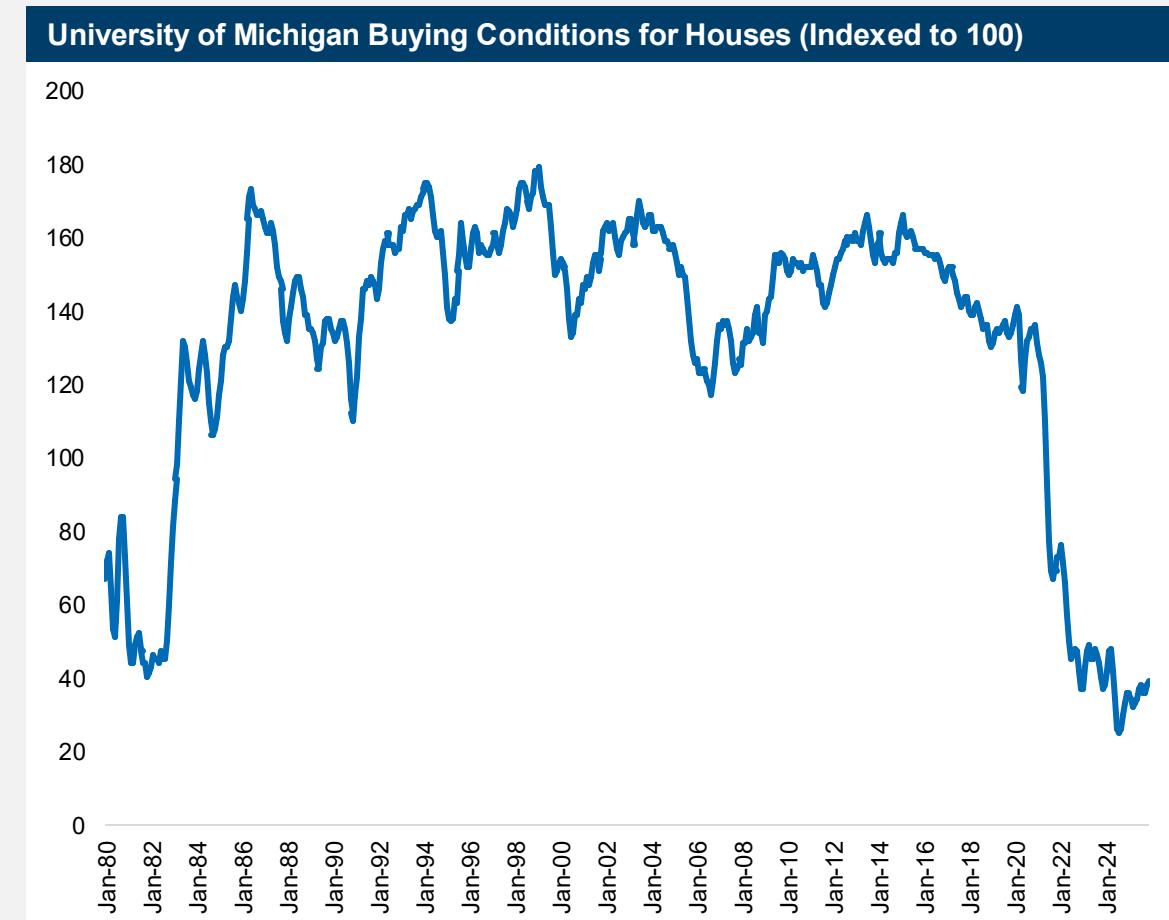
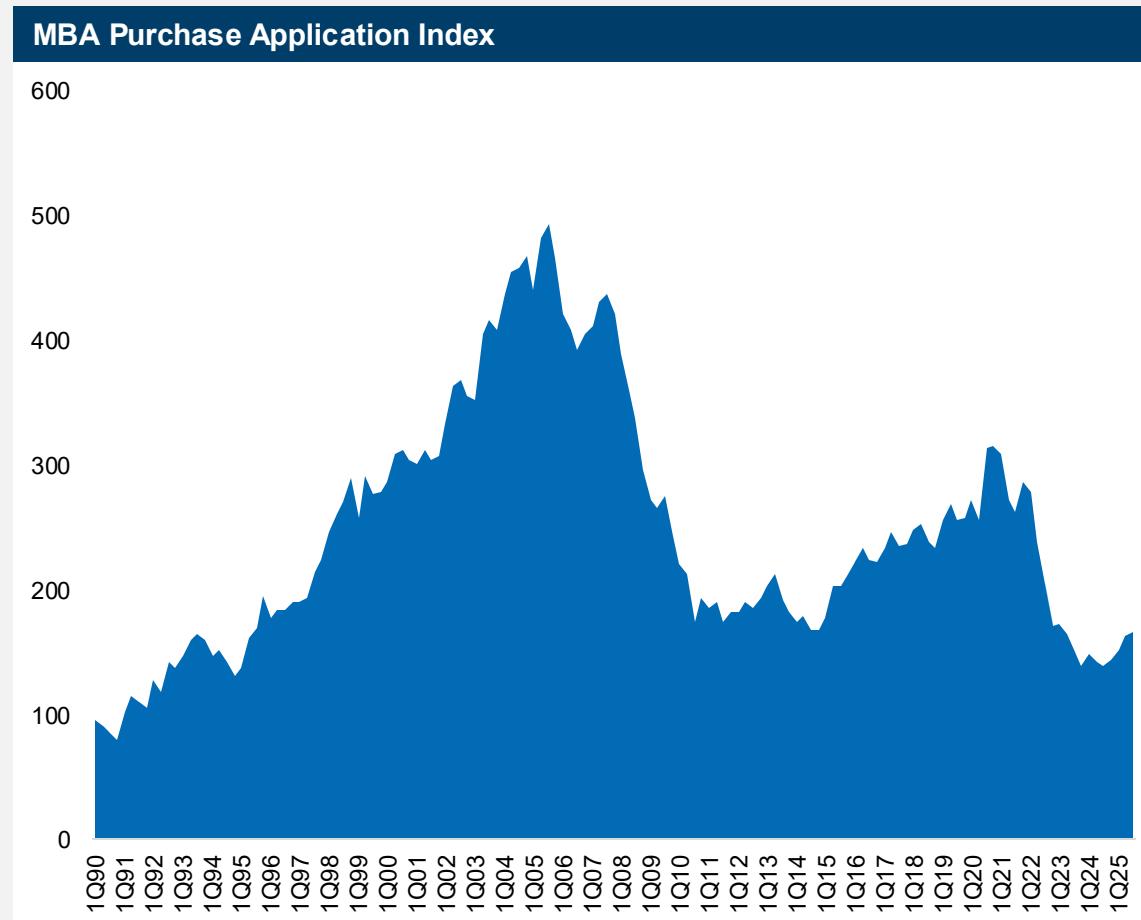
High Rates Limiting Transactions; New Mortgages 46% Greater Than In-Place

The 30-year fixed mortgage rate fell to 6.15% in the fourth quarter of 2025. Meanwhile, the effective interest rate on outstanding mortgage debt totaled 4.20% in the third quarter of 2025, representing a spread of 46.3%. 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.



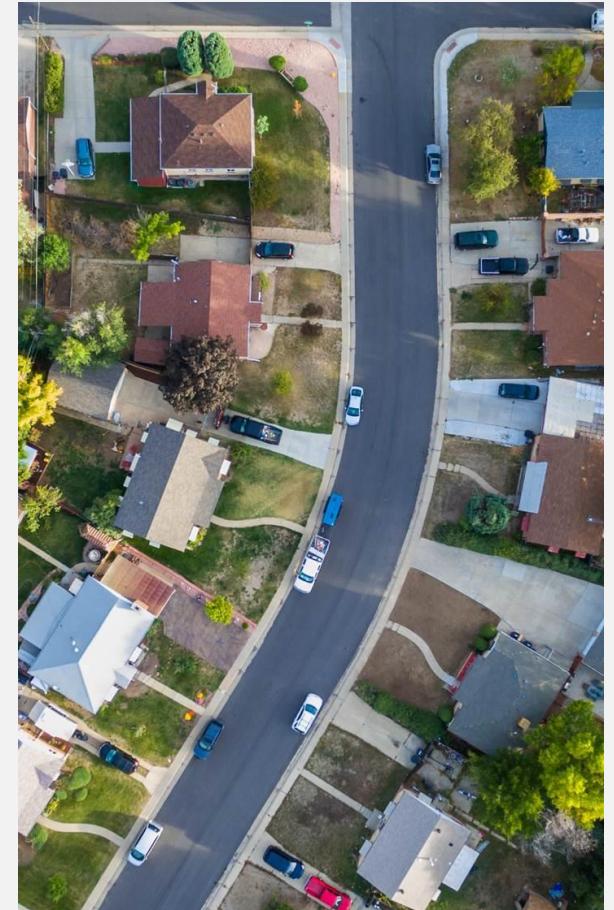
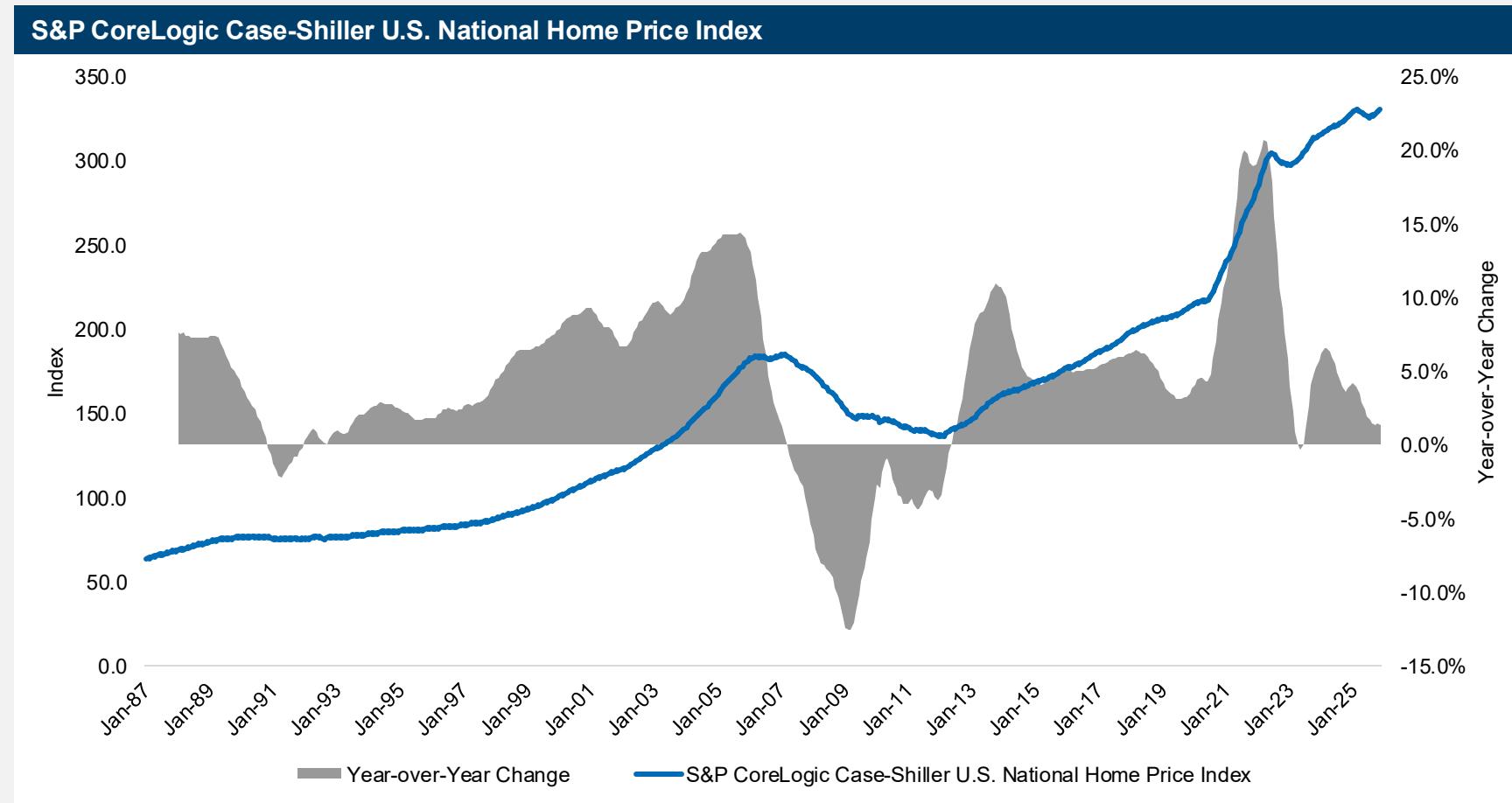
Purchase Applications Remain Weak as Consumer Homebuying Sentiment is Depressed

The MBA Purchase Index totaled 177 as of the fourth quarter of 2025, up 19.4% year-over-year but down 45.5% 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.



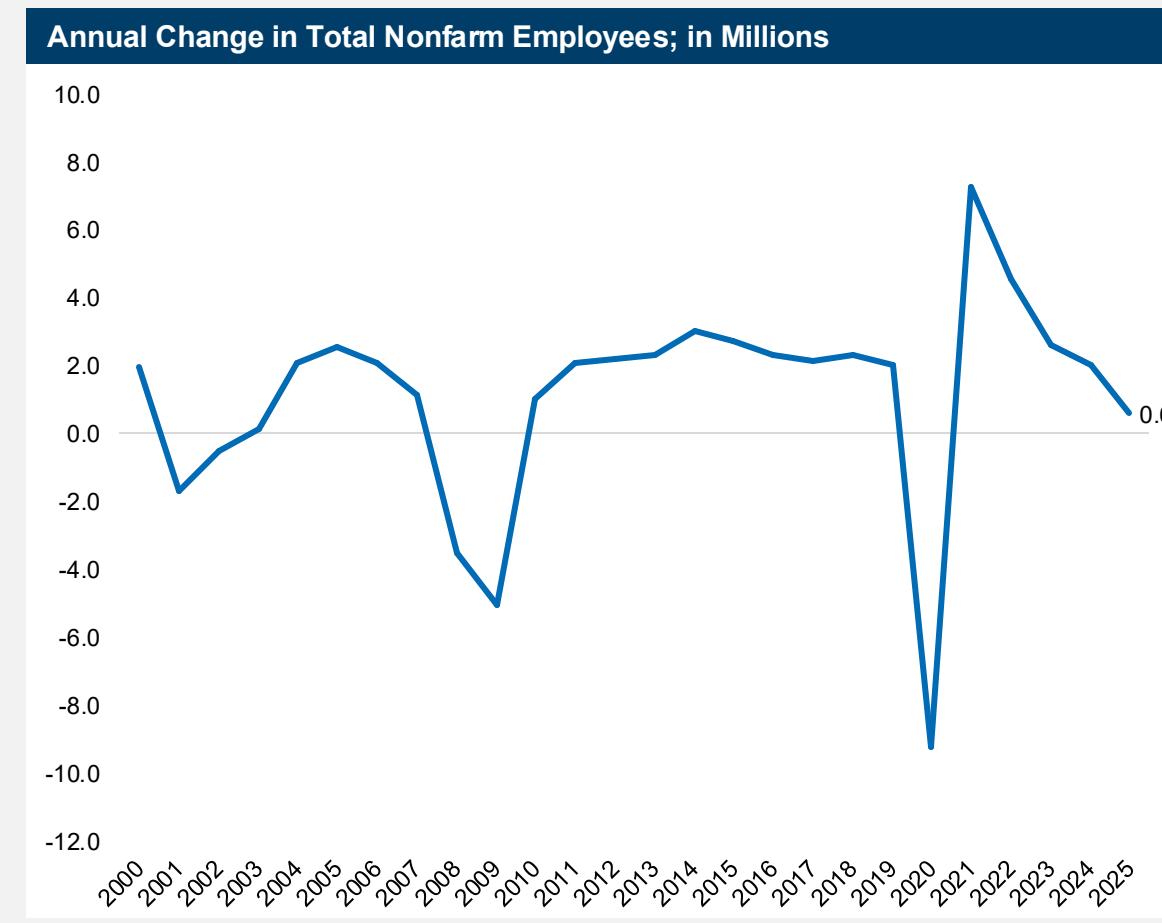
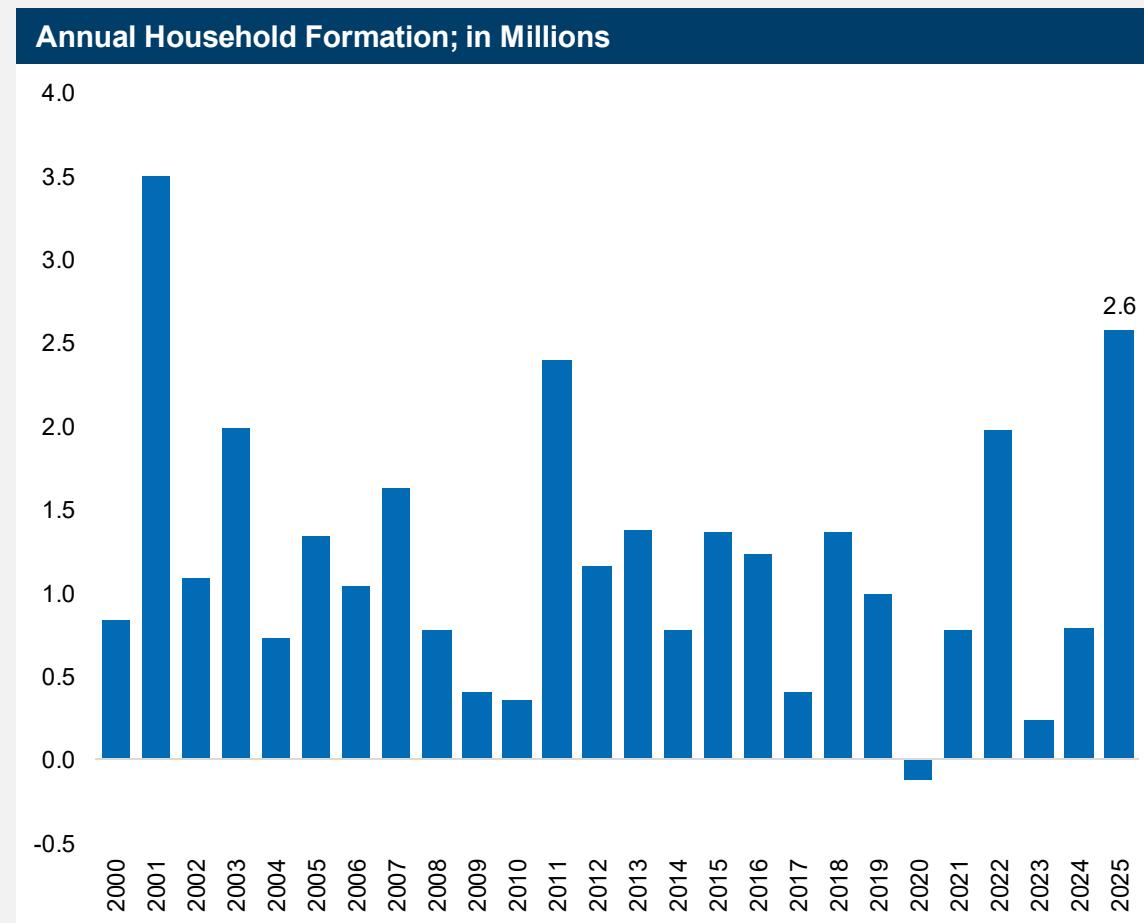
Affordability of Single-Family Homes Reinforces Rental Housing Demand

As of November 2025, the S&P CoreLogic Case-Shiller U.S. National Home Price Index totaled 330.4, increasing 1.4% year-over-year. While pricing hasn't experienced considerable change, high home prices continue to keep the market in check.



Resilient Housing Demand Despite Headwinds from Employment and Immigration

Strong household formation is supporting rental demand and multifamily absorption even as the labor market cools, a pattern that is typically counterintuitive given the usual linkage between job growth and new households. At the same time, elevated levels of household formation suggest that recent shifts in immigration policy have not materially deterred the creation of new households.



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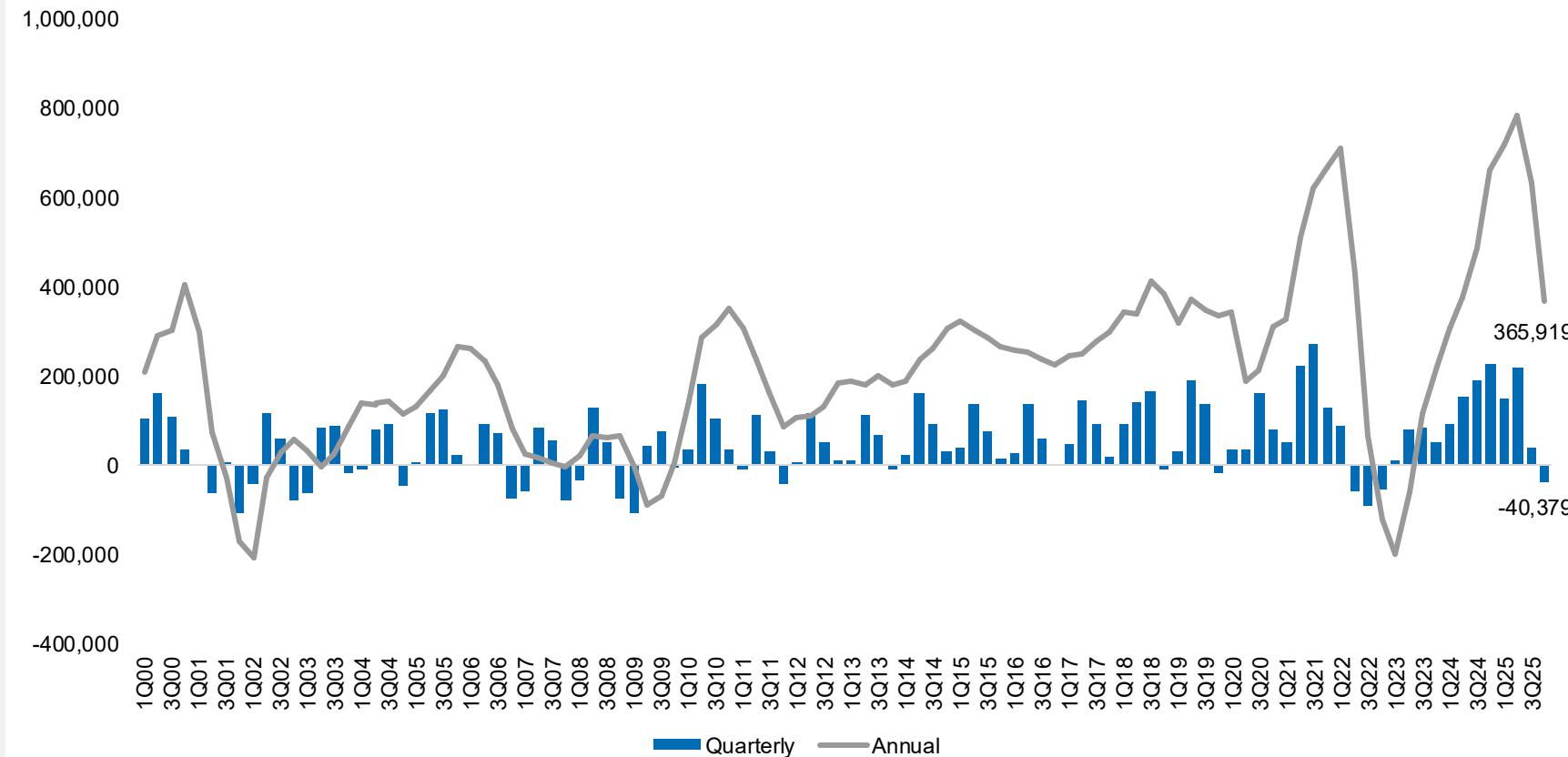
Leasing Market

4Q25



Demand Tapers Following Historic Two-Year Surge

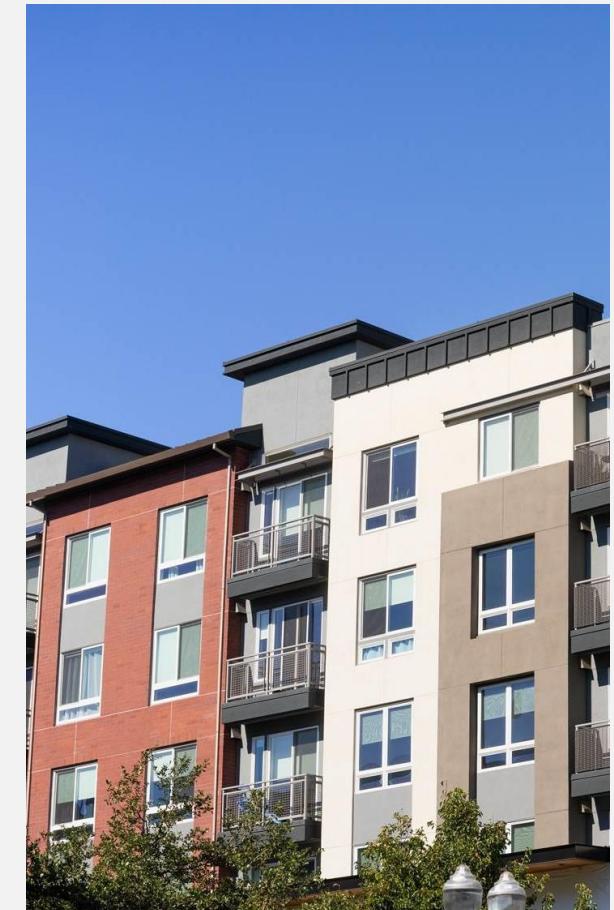
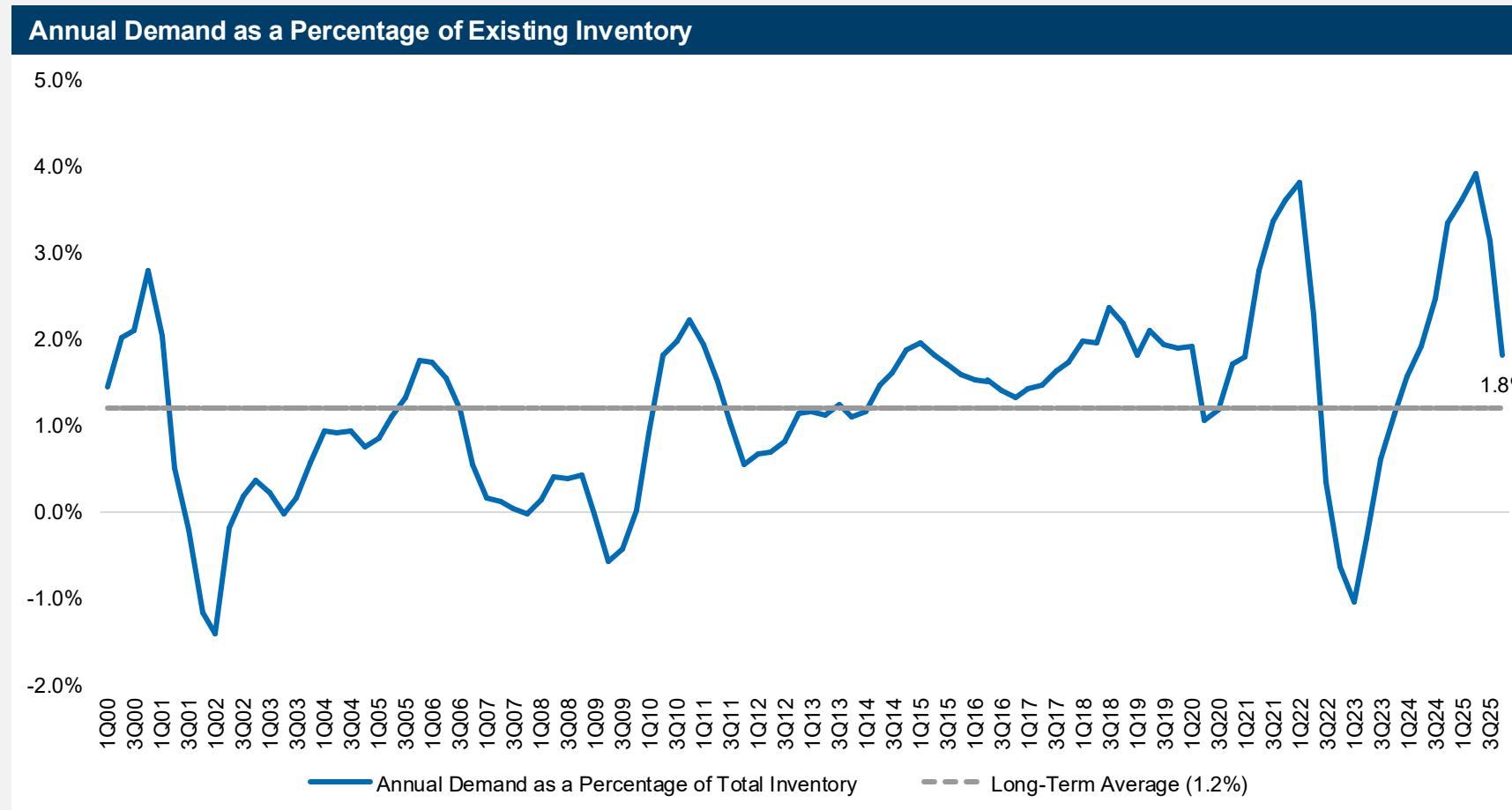
Quarterly and Annual Demand



- In the fourth quarter of 2025, multifamily demand totaled -40,379 units, marking a significant slowdown following 11 consecutive quarters with positive absorption, and the first quarter with negative absorption since 4Q22.
- On an annual basis, 365,919 units have been absorbed over the trailing 12 months. Despite recent quarterly softness, underlying demand fundamentals remain strong, with annual absorption exceeding the long-term average by 70.1%.
- The multifamily sector had been operating at historic levels for an extended period. As activity has cooled at the end of 2025, this points to a normalization of sustainable absorption rather than a deterioration of underlying fundamentals.

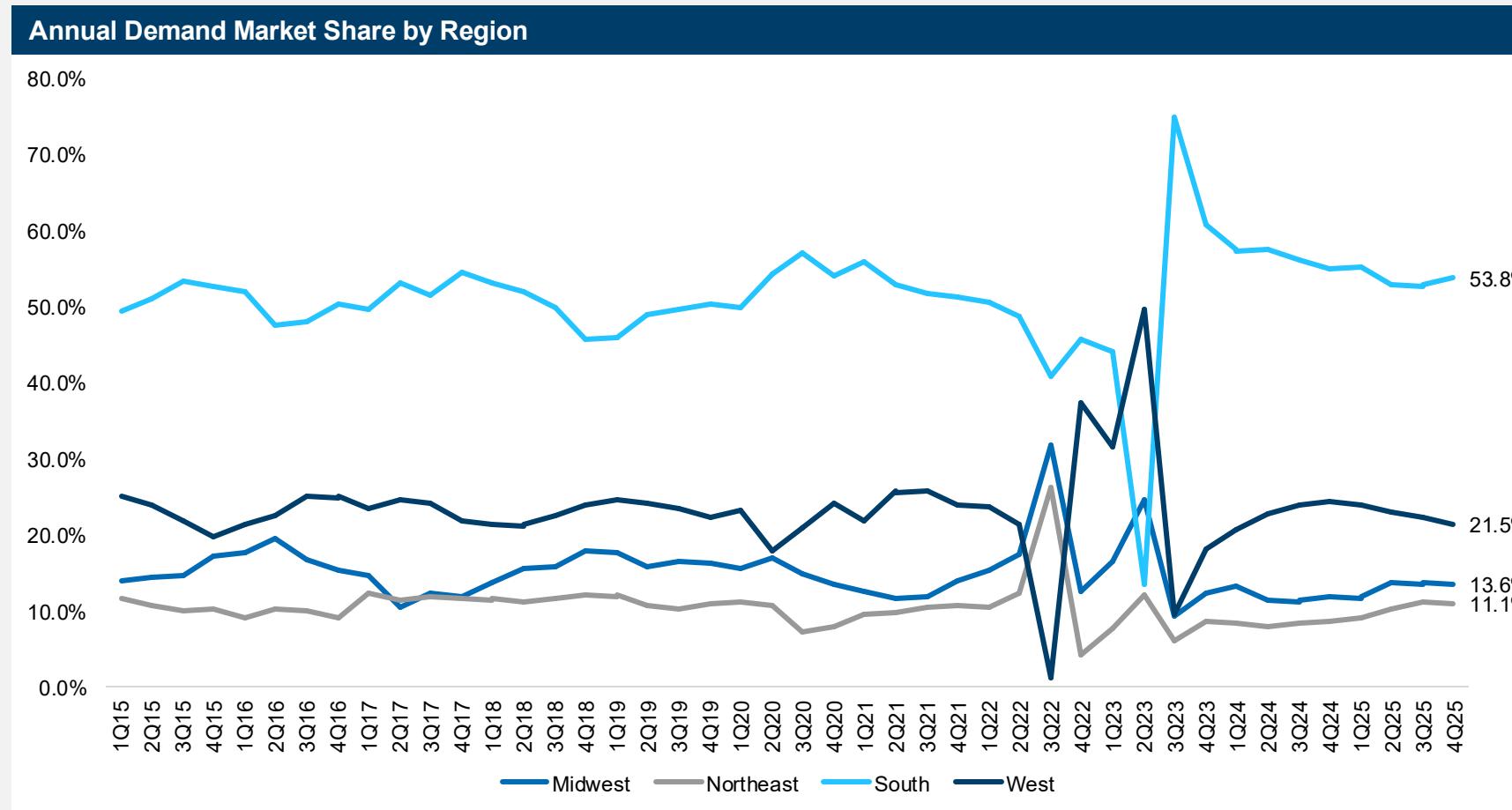
Demand-to-Inventory Ratio Remains Above LTA Despite Slowdown in 2H25

With quarterly absorption slowing in the fourth quarter and more broadly in the second half of 2025, annual demand as a percentage of inventory declined from 3.9% in the second quarter of 2025 to 1.8% in the fourth quarter of 2025.

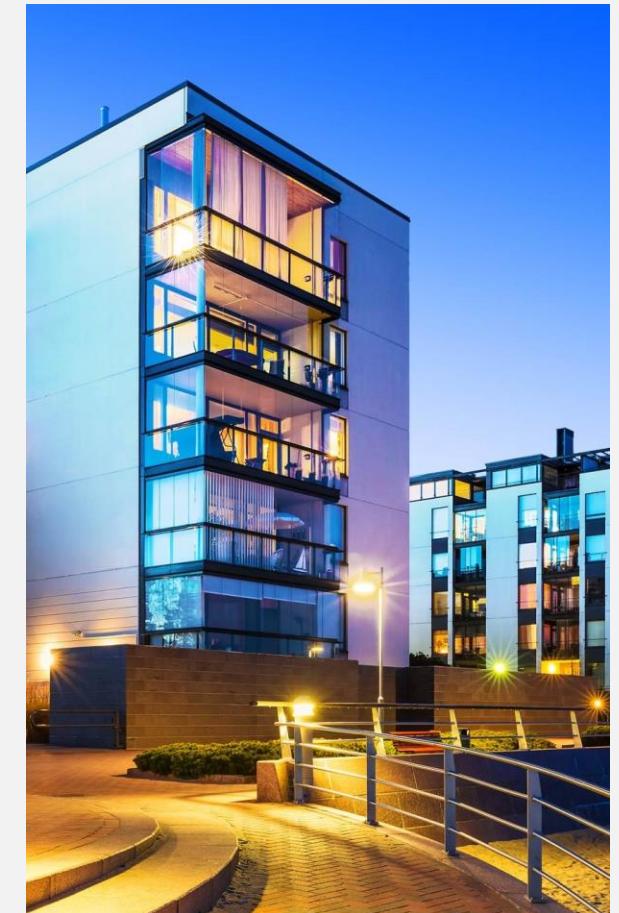


Regional Demand Dominated by the South; Midwest & Northeast Increase Year-over-Year

As of the end of 2025, 53.8% of total multifamily demand occurred in the South region, followed by the West region at 21.5%. Year-over-year, the Midwest and Northeast experienced increases of 1.8% and 2.3% market share, respectively. This reflects the continued dominance of Southern markets in driving national apartment absorption.

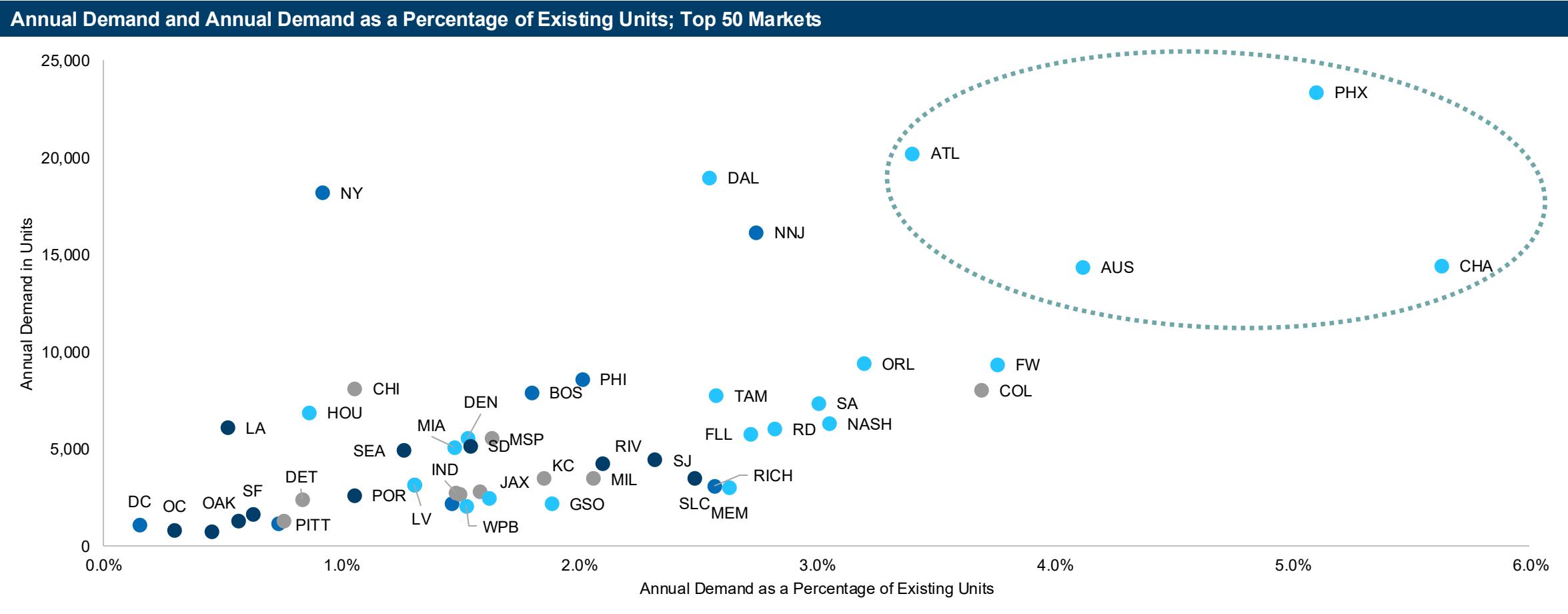


Source: Newmark Research, RealPage



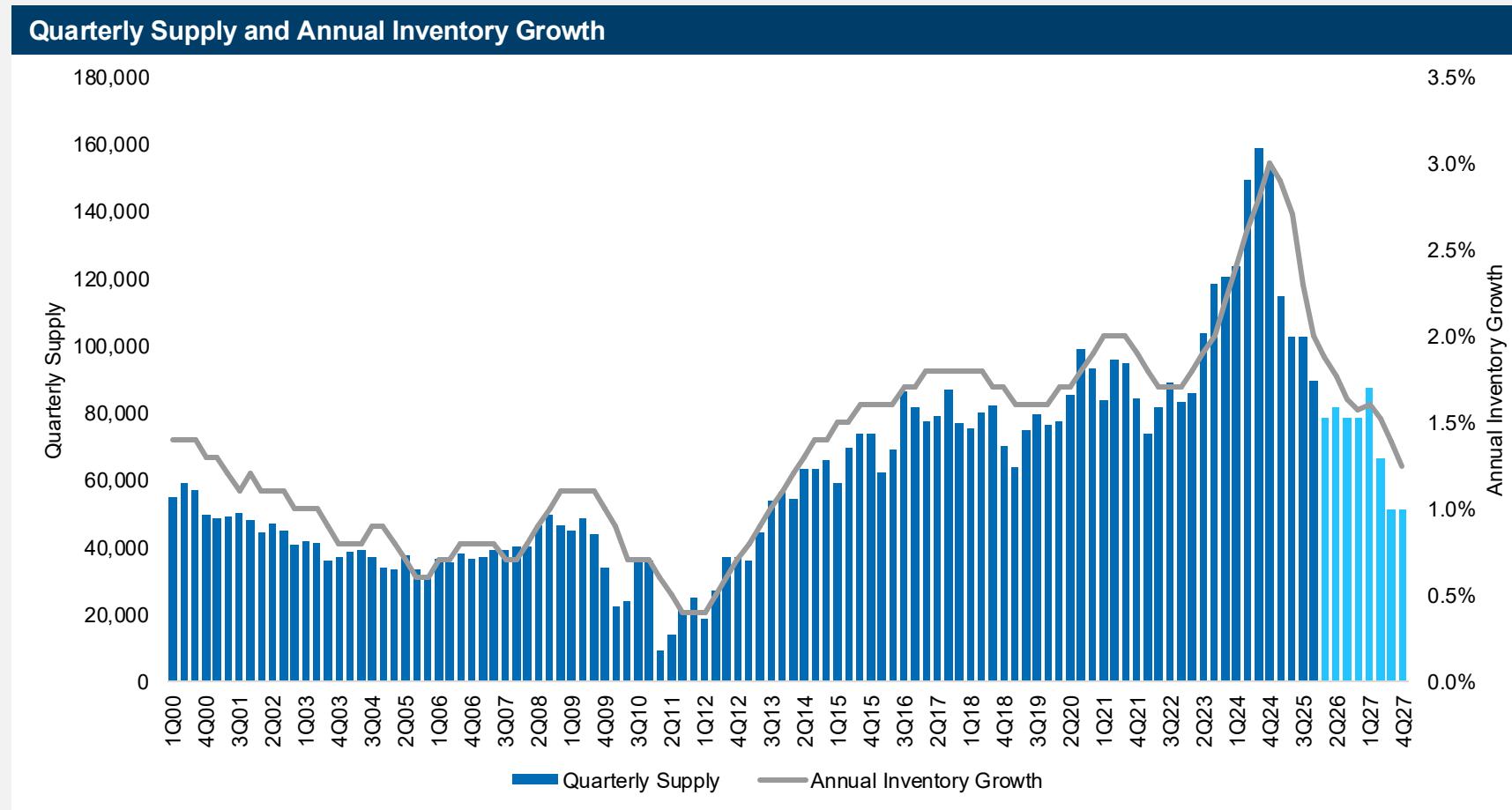
Sunbelt Demand Continues To Shine Relative to Existing Units

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, Austin, Charlotte and Phoenix.



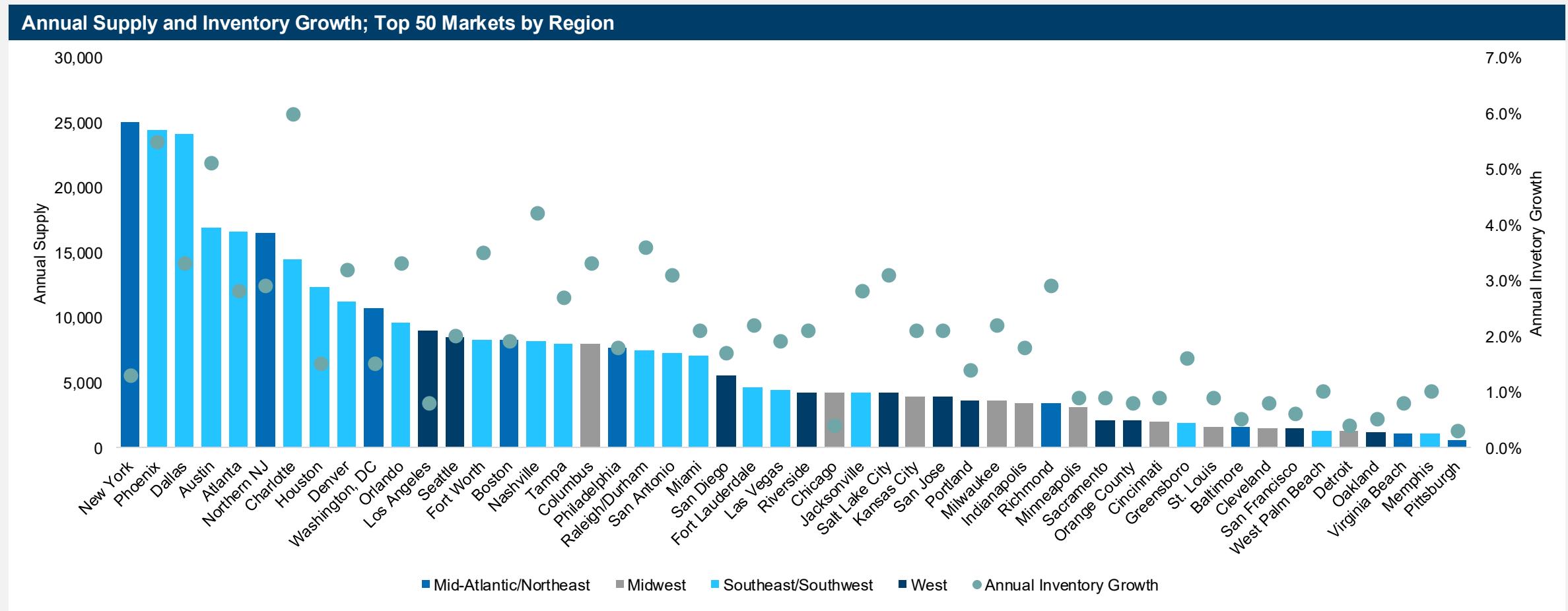
Supply Continued to Taper Off in 4Q with Further Deceleration Expected in '26-27

Quarterly supply reached 89,399 units in the fourth quarter of 2025, falling slightly by 13,381 units from the prior quarter and falling 43.8% from the third quarter 2024 peak. Annual inventory contracted to 2.0%, its lowest level in nine quarters, as the delivery pipeline is expected to decelerate in 2026 and 2027.



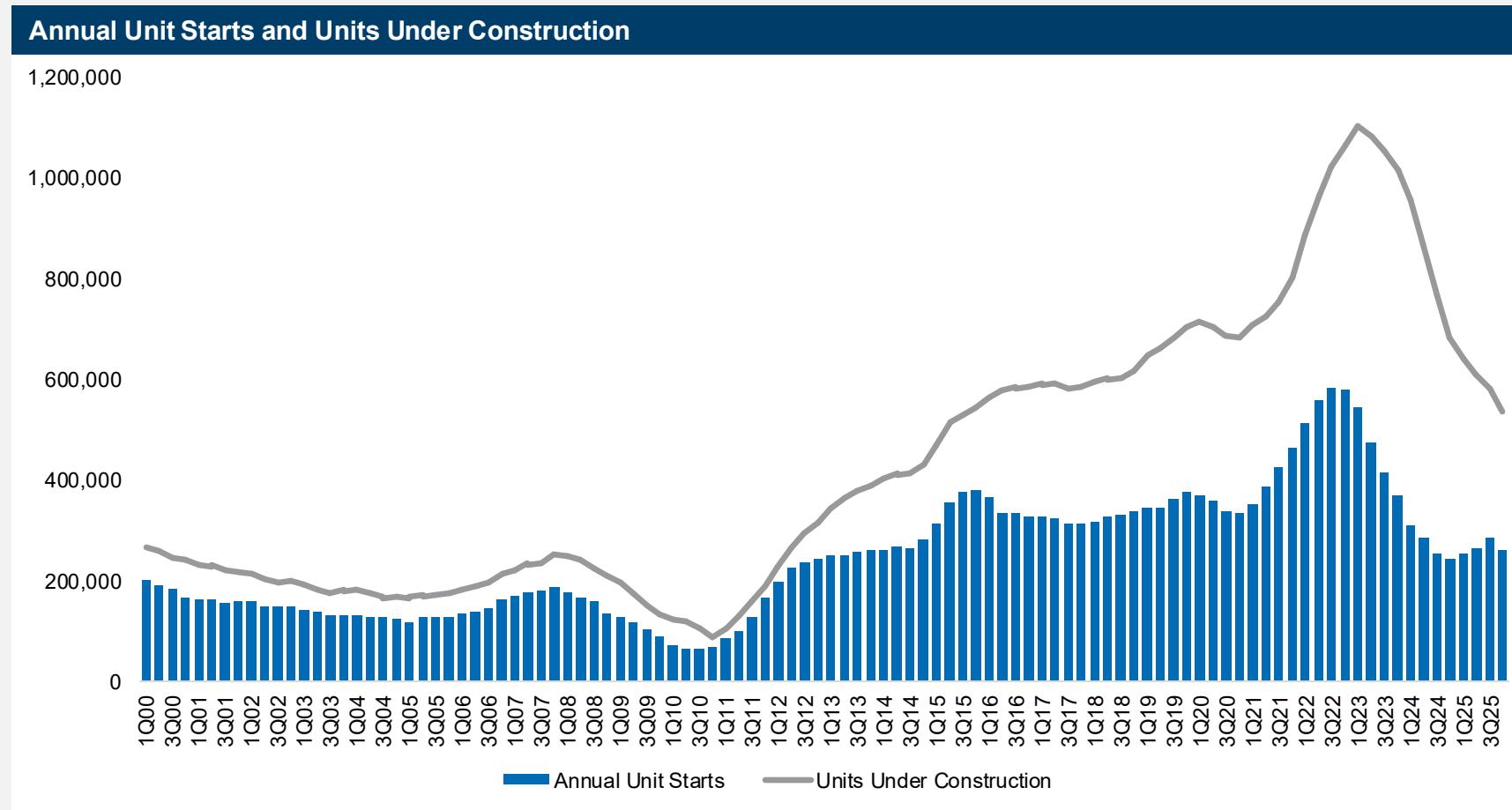
Inventory Growth Led by Sunbelt, Nominal Supply Led by New York

As of the fourth quarter of 2025, Southeast and Southwest markets accounted for nine of the top ten markets in annual inventory growth. While New York has led in nominal annual supply with 25,809 units, that represents just a 1.3% annual inventory growth. The Sunbelt also made up eight of the top ten markets by nominal annual supply.

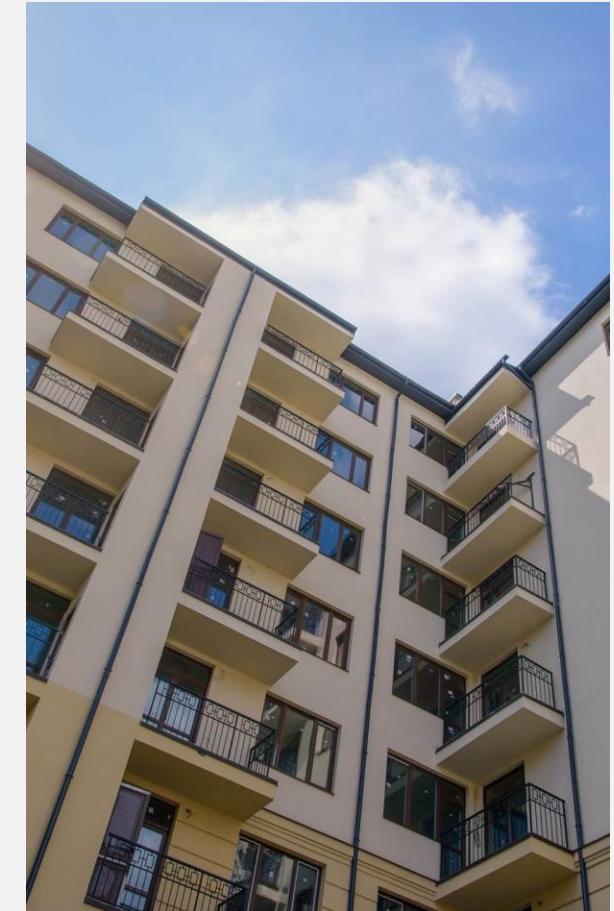


Pipeline Slowdown Should Lead to Stronger Fundamentals

Annual unit starts declined to 260,851 in the fourth quarter of 2025. While starts increased 7.0% year-over-year, they remain 29.3% below levels from two years ago and 55.3% below the third quarter 2022 peak. Units under construction exhibited a similar pattern, falling to 534,166, a 47.3% decline from the same period in 2023 and 51.5% below the first quarter 2023 peak. This reduction should ease pressure, supporting rent growth as supply normalizes.

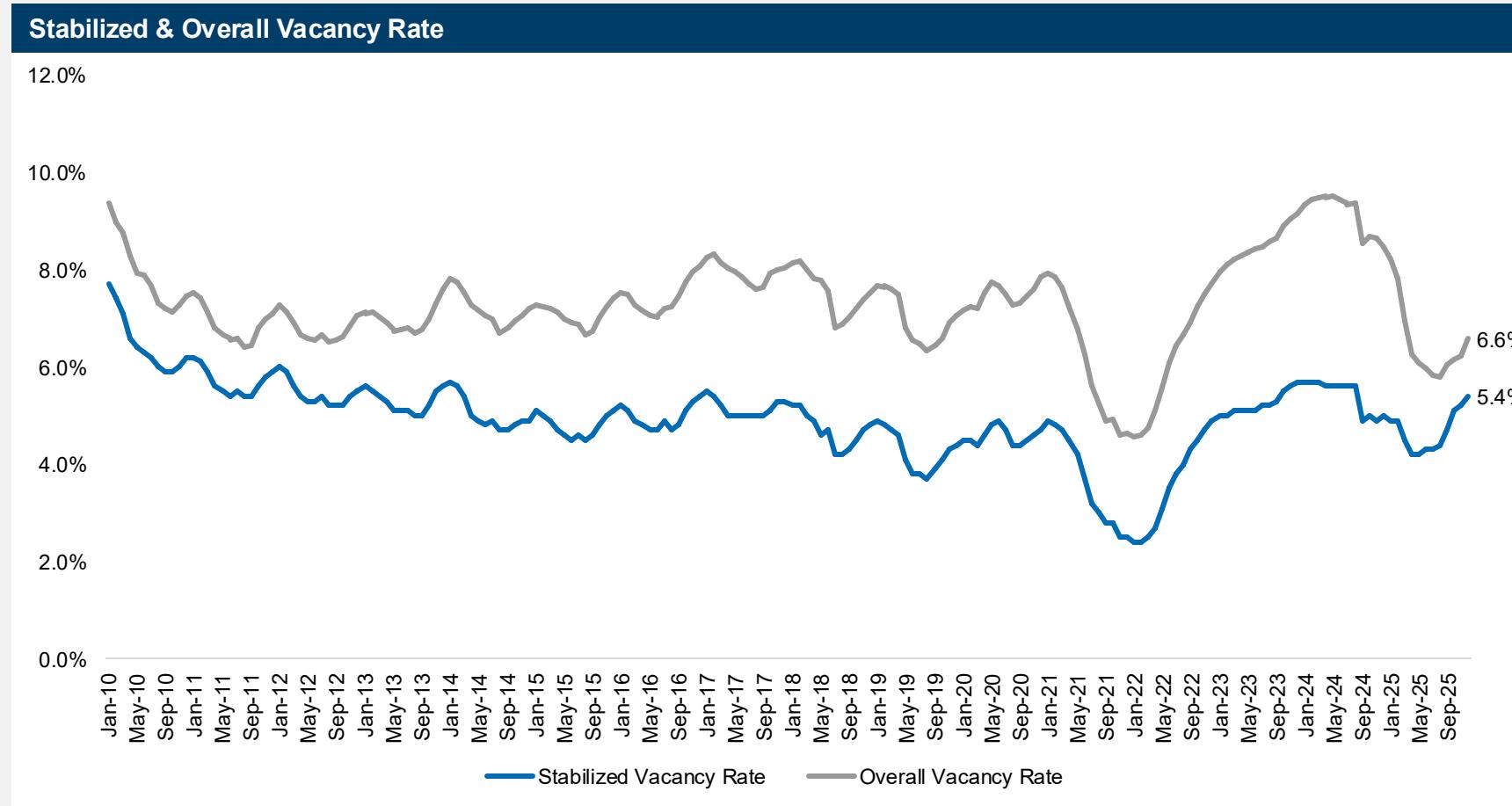


Source: Newmark, RealPage



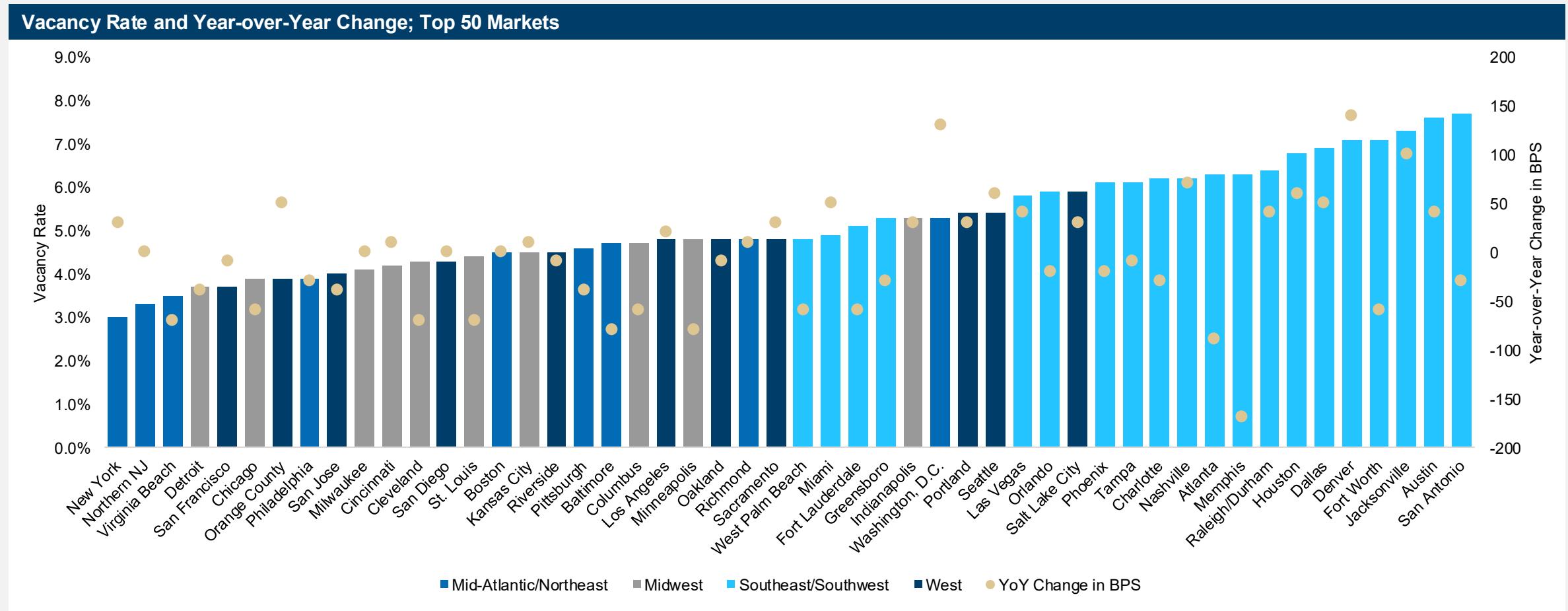
Stabilized Multifamily Vacancy Trended Higher in Second Half

Stabilized multifamily vacancy ended 2025 at 5.4%, following five consecutive months of accelerating vacancy growth and finishing 40 basis points above December 2024. In contrast, overall portfolio vacancy including stabilized assets, lease-ups, and properties under renovation declined to 6.6% from 8.6% a year earlier. As a result, the spread between overall and stabilized vacancy compressed sharply to 118 bps, down from 347 basis points at year-end 2024.



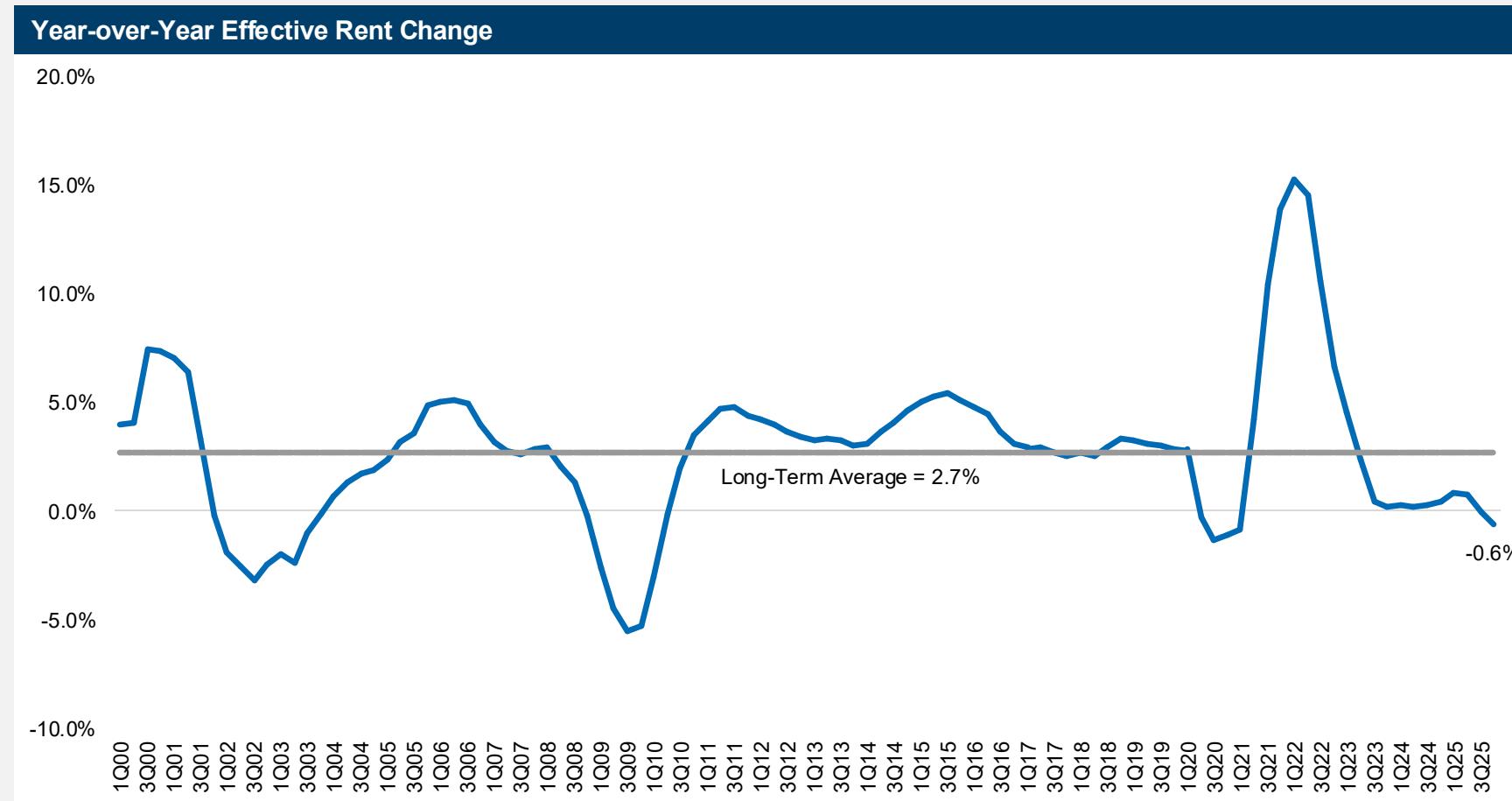
Vacancies Lowest in Mid-Atlantic/Northeast; Supply-Constrained Markets Remain Tight

As of the end of 2025, half of 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 70 or more basis points as compared to a year ago.

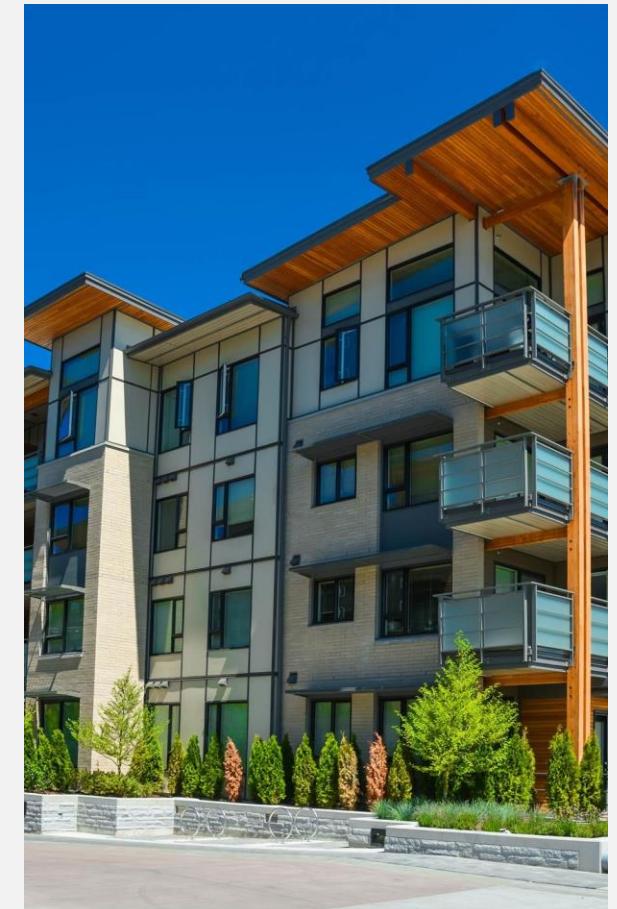


Rent Growth Turns Negative Year-over-Year

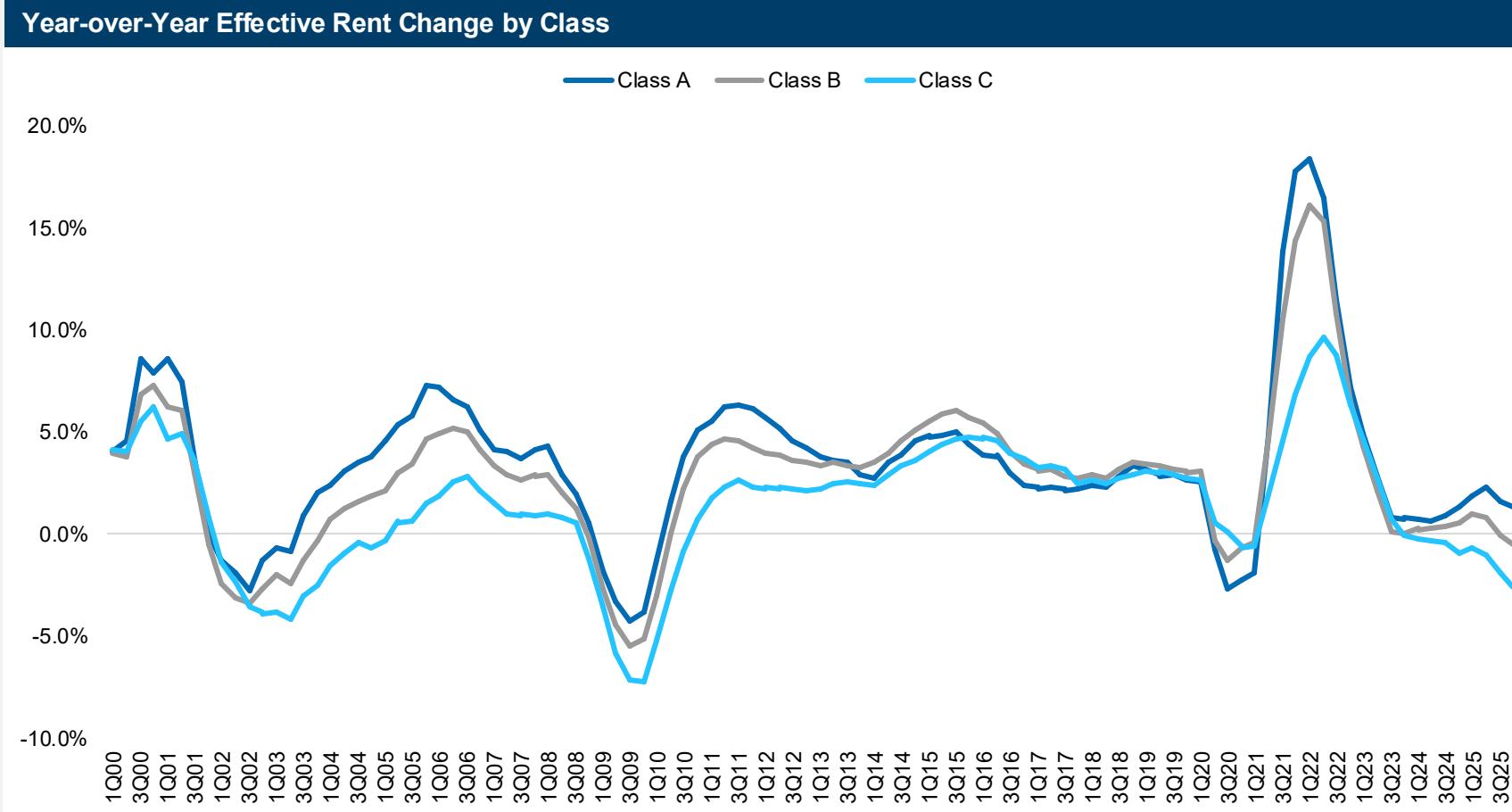
Rent growth remained negative year-over-year for the second consecutive quarter, declining to -0.6%. While positive growth is projected to return in the second half of 2026, rent growth likely will be below long-term averages.



Source: Newmark Research, RealPage



Class A Exhibits Positive Rent Growth; B & C Struggles Continue



1.3%

Class A year-over-year effective rent growth.

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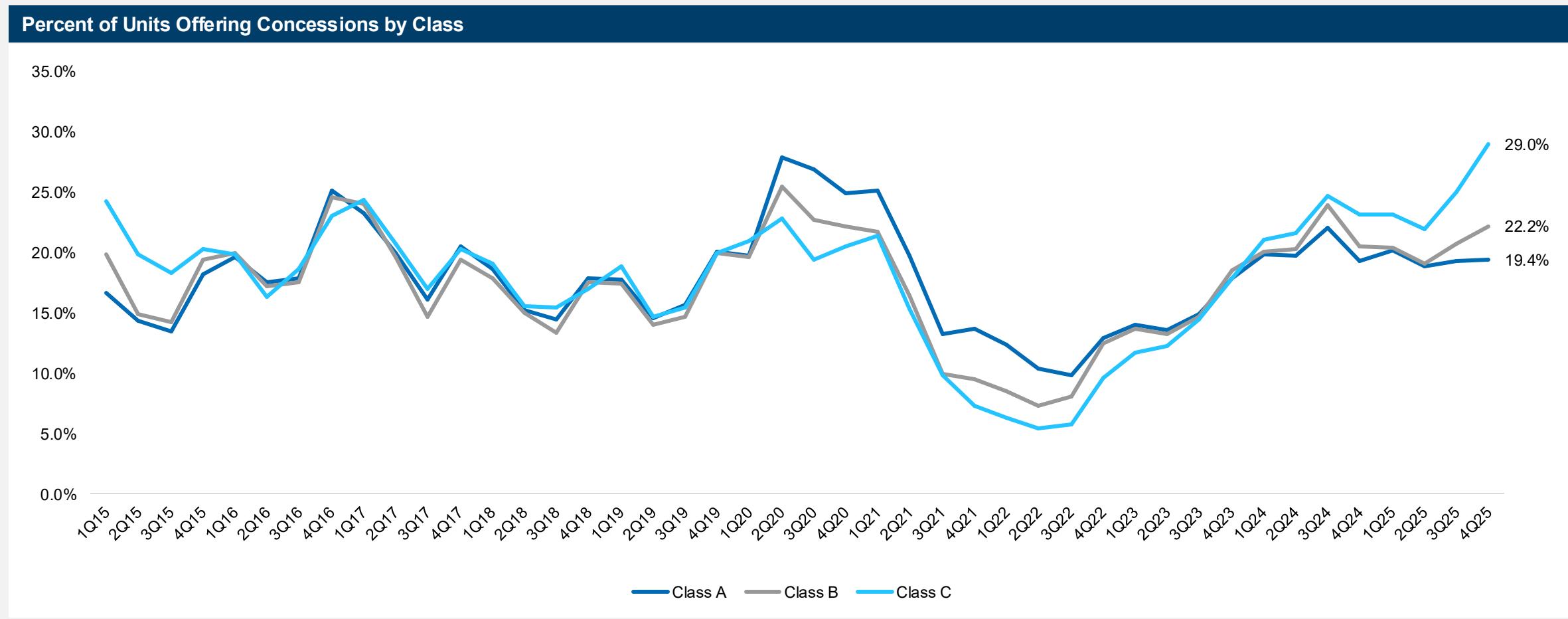
The gap between Class A and Class C expanded to 4.0%, the widest in 14 quarters.

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Consecutive quarters of year-over-year negative rent growth for Class C.

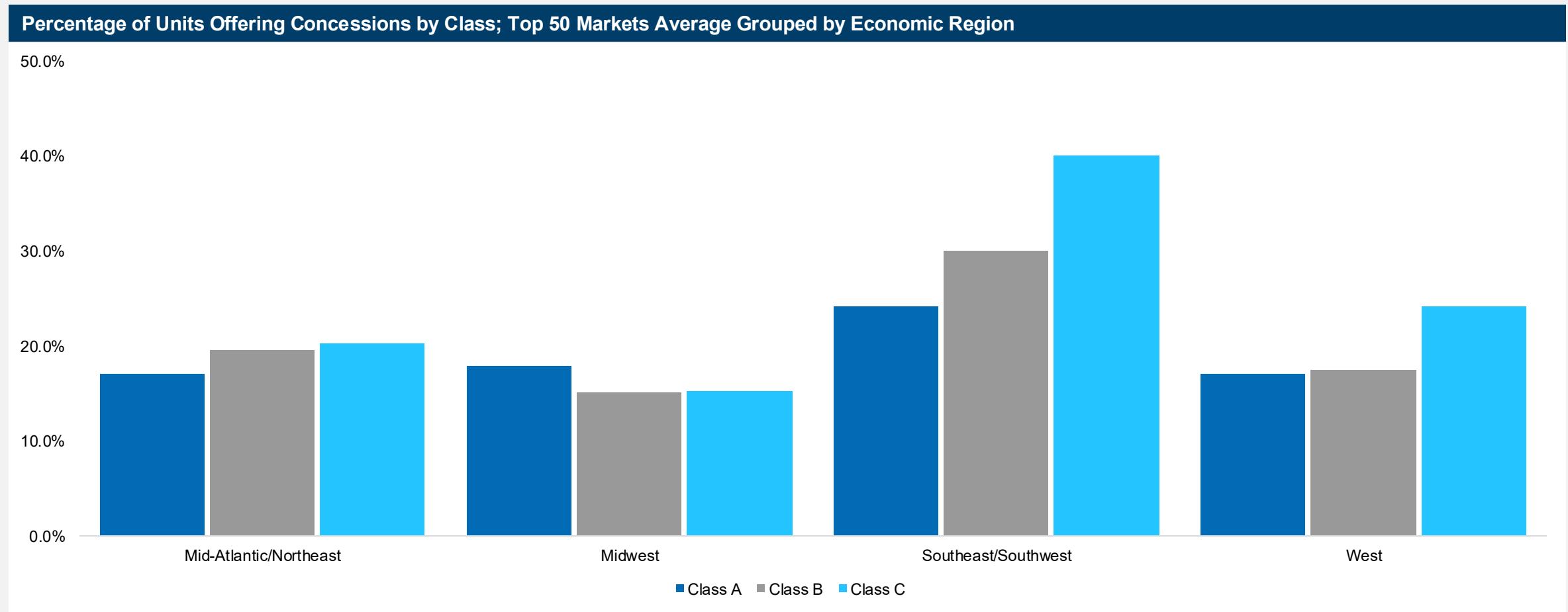
Class C Concessions Surge to New Highs

Concessions rose meaningfully across the board in 2025, with Class C experiencing the sharpest escalation. This widening spread points to mounting leasing and pricing pressure at the lower end of the quality spectrum.



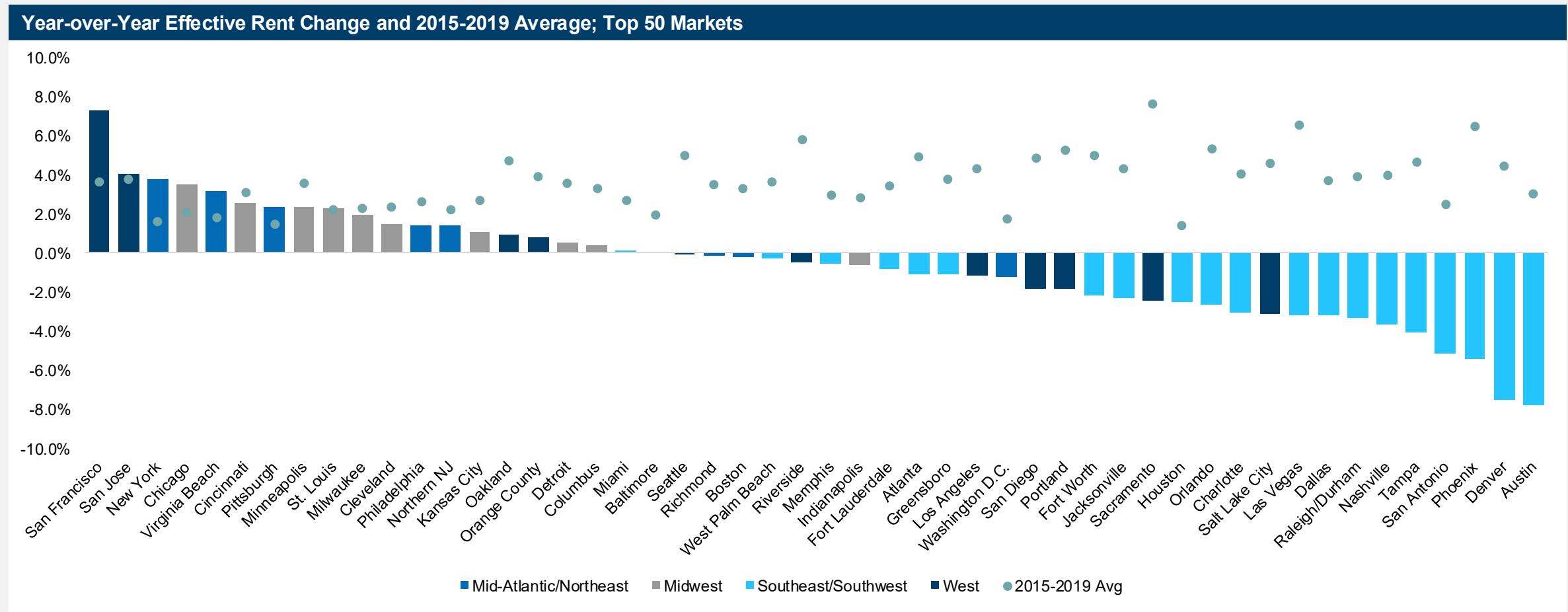
Concessions Highest in High-Growth Sunbelt Markets, Especially in Class C

Concessions are highest in high-growth Sunbelt markets, particularly for Class C, reflecting the impact of heavy new supply. Mid-Atlantic, Northeast, and Midwest markets show much lower concession usage, indicating less supply driven pressure.



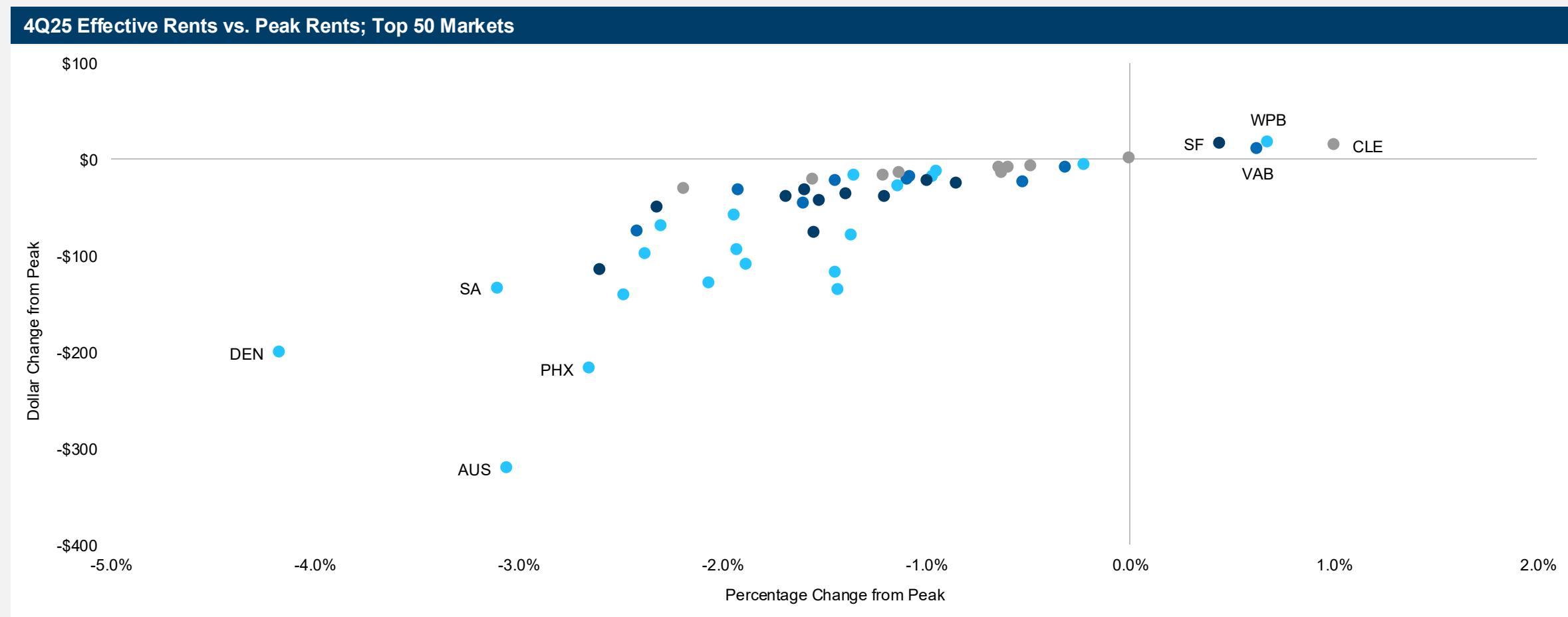
Rent Growth Concentrated in Supply-Constrained Segments

Year-over-year effective rent growth has been strongest in supply-constrained gateway markets such as San Francisco, San Jose, and New York. In contrast, most Southeast and Southwest markets recorded negative rent growth. Seven markets—San Francisco, San Jose, New York, Chicago, Virginia Beach, Pittsburgh, and St. Louis—are seeing stronger rent growth today than their 2015–2019 average.



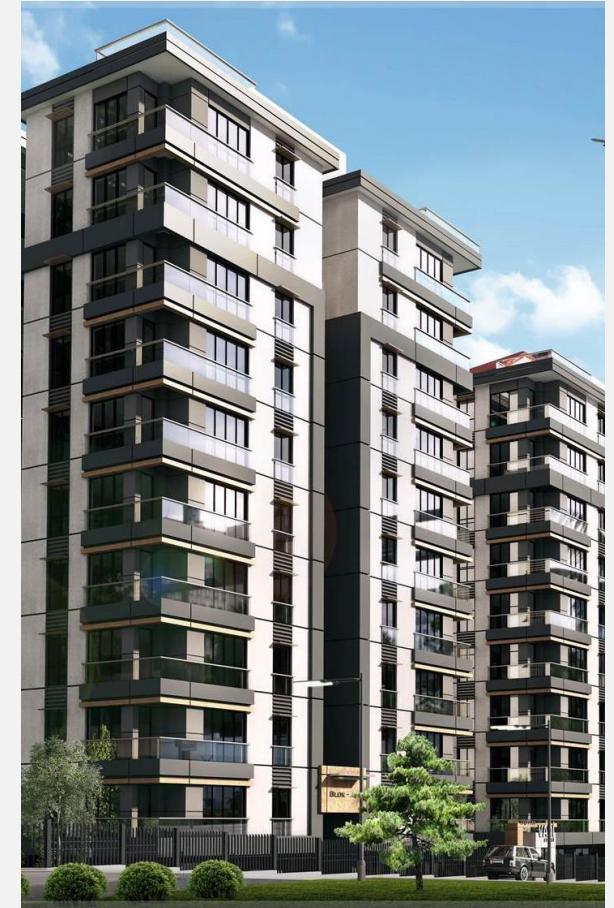
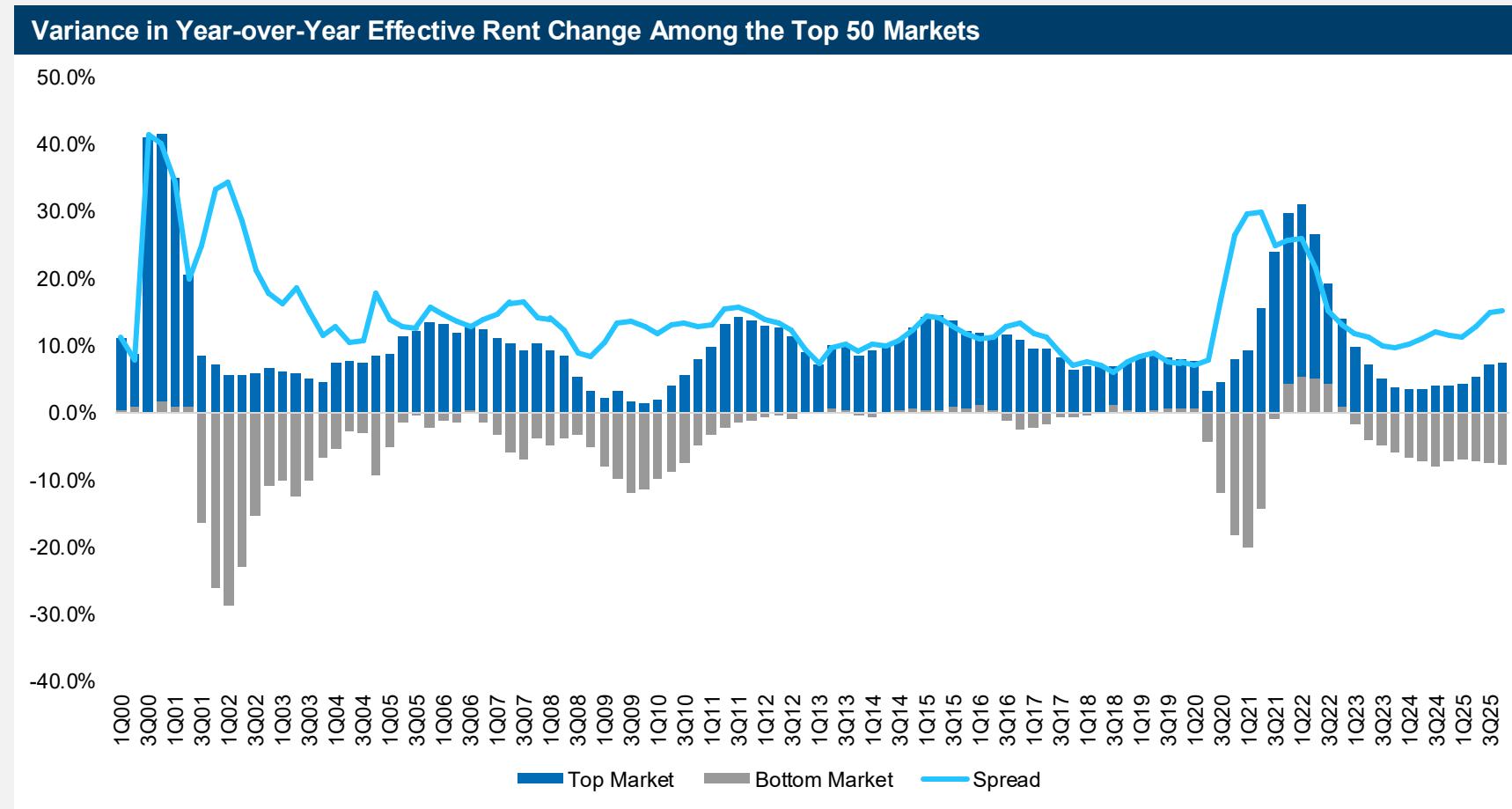
Rents Off-Peak Levels in Most Markets; Just 4 of the Top 50 Exceed Historical Max

Only four of the top 50 multifamily markets have rents above prior peak levels in both dollar and percentage terms: San Francisco, West Palm Beach, Virginia Beach and Cleveland. In contrast, Denver, Austin, San Antonio and Phoenix are the farthest below their historical rent peaks on a percentage basis, reflecting in part the impact of elevated new supply across the Sunbelt.



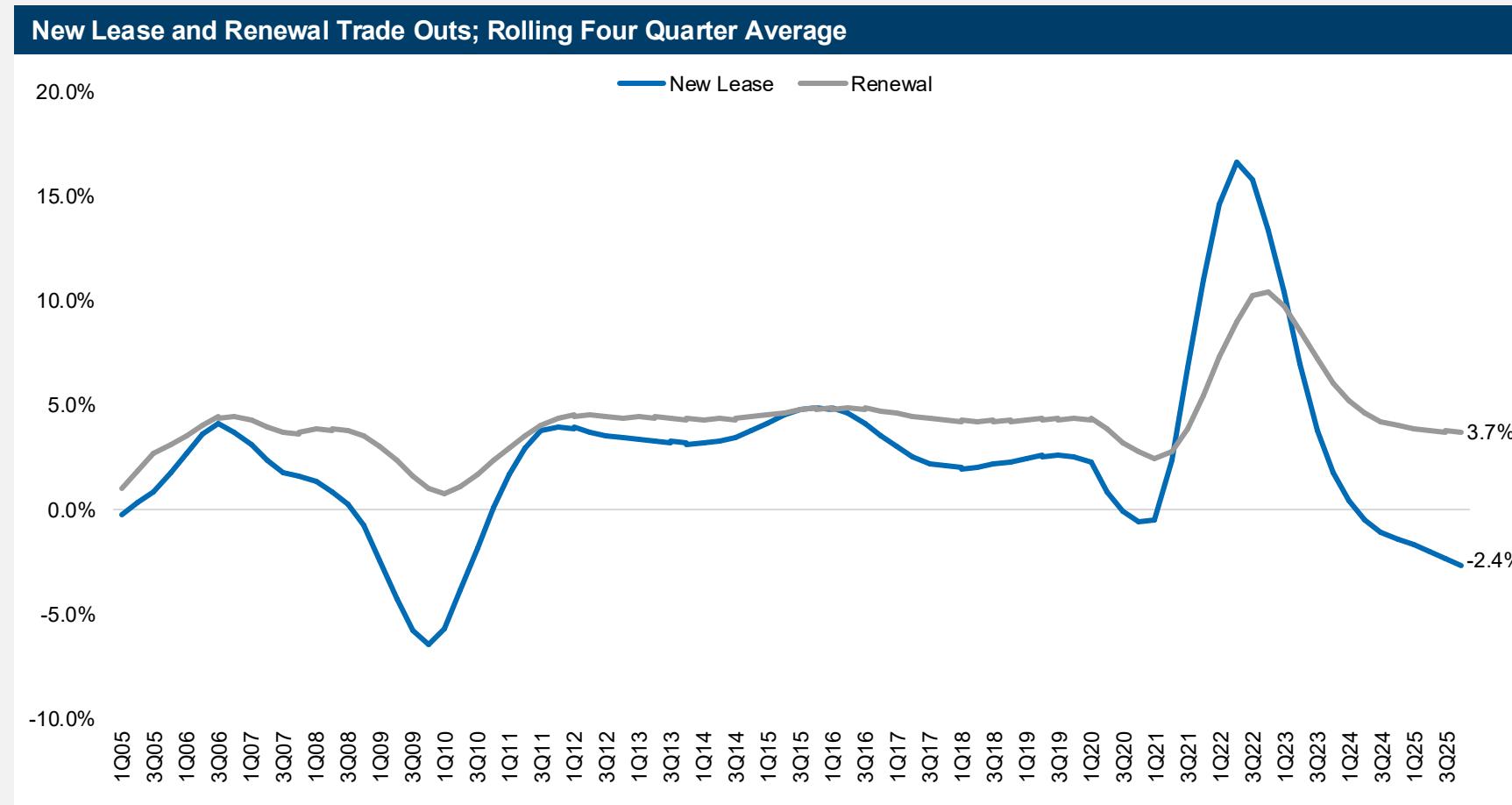
Market Selection Proves Crucial as Gap Widens Between Top and Bottom Markets

As of the fourth quarter 2025, among the top 50 markets, San Francisco led year-over-year rent growth, outperforming the weakest market, Austin, by 15.1%. 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.



Renewals Proving Especially Accretive

Landlords are increasingly prioritizing tenant retention to maintain occupancy and capitalize on stronger renewal pricing. In the fourth 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.



Source: Newmark Research, RealPage



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Debt Capital Markets

4Q25



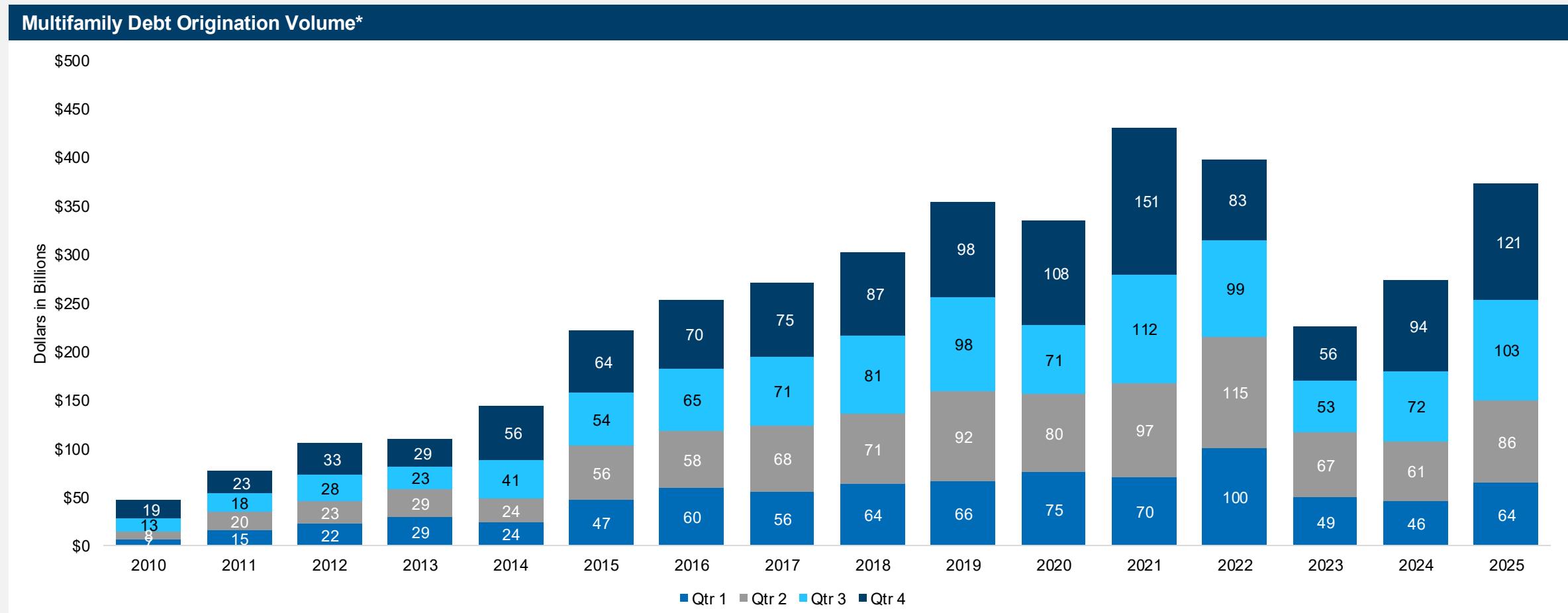
Newmark Scenario Weighted Terminal 10-Year Treasury Yield at 4.1%

Markets constantly weigh different narratives about the future with each new data point reshaping the odds across scenarios. In today's low conviction market, even small amounts of data can produce quantum shifts in the dominant narrative, producing nonlinear changes in market pricing. Markets are sorting through the avalanche of policy announcements and changes that will materially change the U.S. economic landscape, although our dominant outcome foresees stubborn inflation alongside low but positive growth. Newmark Research's probability-weighted scenarios suggest the 10-year Treasury is fairly valued in a trading range around 4.1%.

Narrative	Definition	Fed Funds (Upper) in December 2026	Long-term Fed Funds	10Y Treasury	Credit Spreads (vs. Current)	NMRK Research Probability (NTM)	Narrative
Inflation Stubborn, Low Growth (Decaf Stagflation)	Inflation > 2.5% GDP Growth < 2.0%	3.25% to 3.75%	3.00% to 4.00%	4.00% to 4.50%	Flat	45%	Inflation Stubborn, Low Growth (Decaf Stagflation)
Inflation Stubborn, Growth Moderate	Inflation > 2.5% GDP Growth > 2.0%	3.75% to 4.25%	3.50% to 4.50%	4.25% to 5.00%	Narrower (slightly)	30%	Inflation Stubborn, Growth Moderate
Recession	Inflation <=2.0% Unemployment > 5.5%	0.00%	2.00% to 3.00%	2.75% to 3.75%	Much Wider (esp. if no QE)	20%	Recession
Goldilocks	Inflation ~2.0% GDP Growth ~2.0%	2.50% to 3.50%	3.00% to 4.00%	3.50% to 4.25%	Narrower (slightly)	5%	Goldilocks

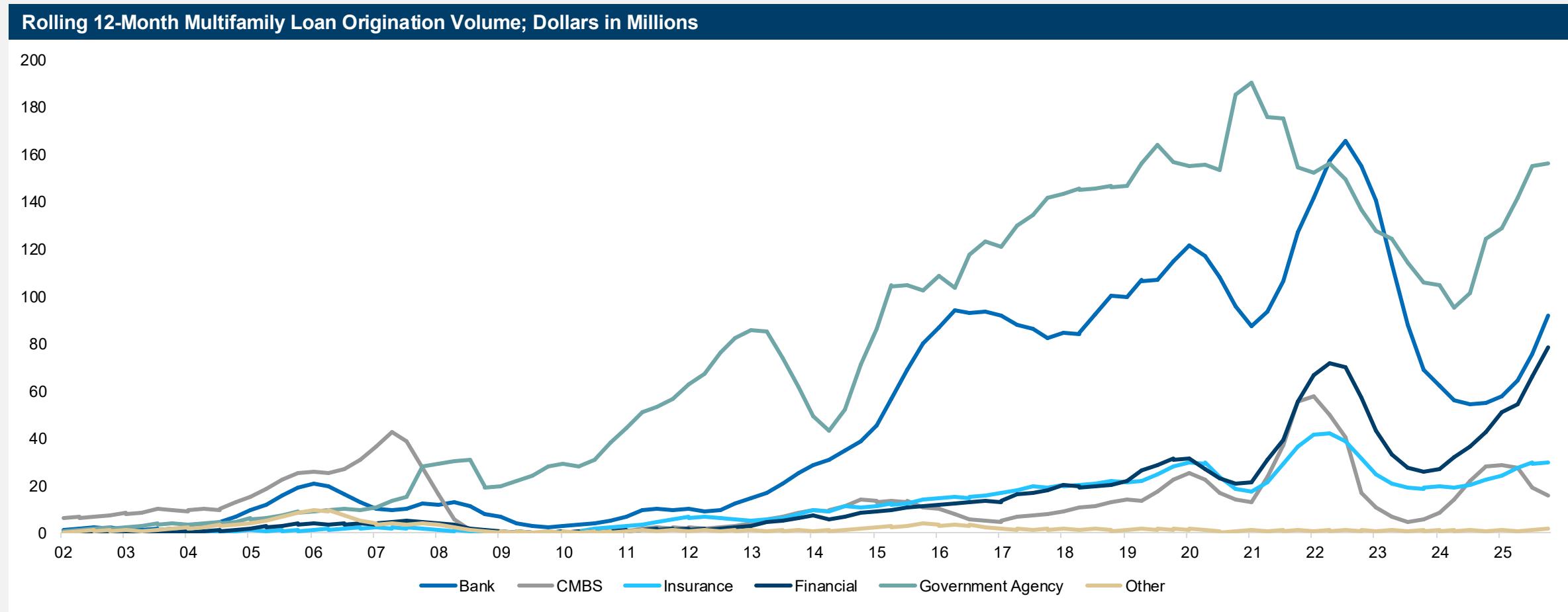
Multifamily Debt Originations Accelerated 37% Year-Over-Year

Activity gained momentum in the first half of 2025 and never slowed down, accelerating 37% 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.



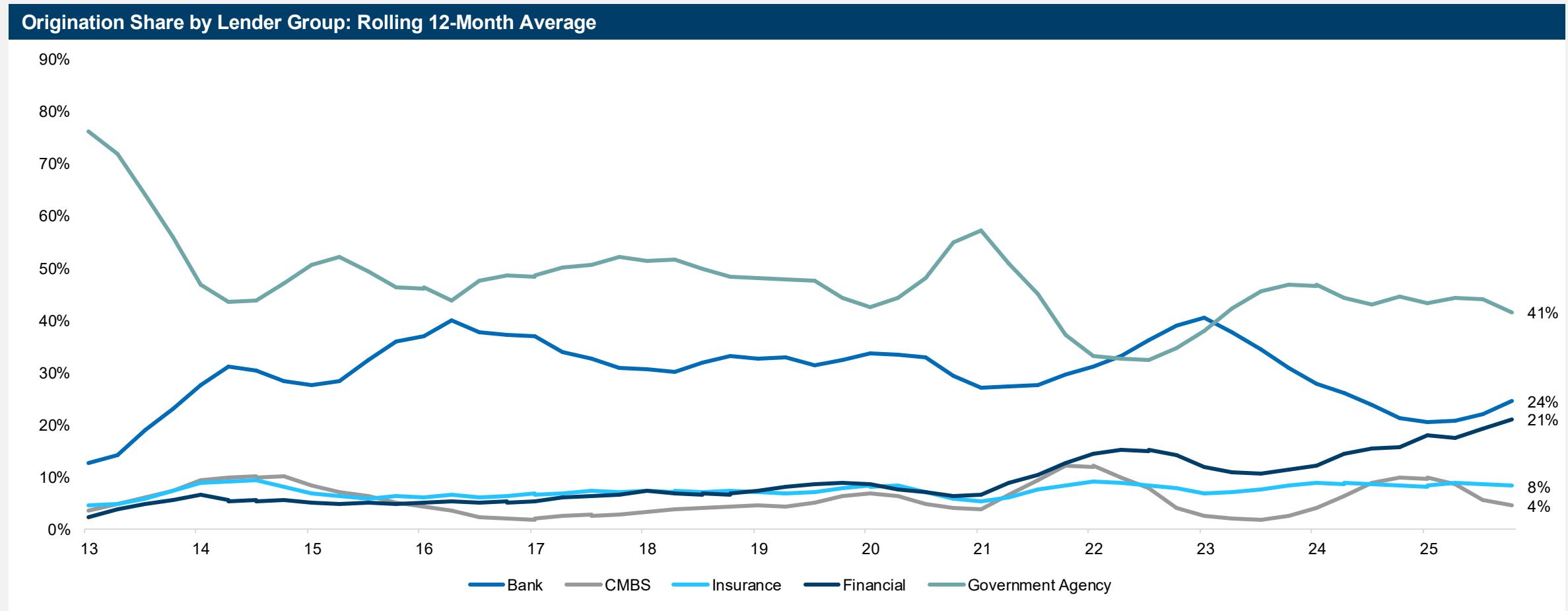
Bank Multifamily Originations Tick Up; Debt Funds Accelerate

GSEs and banks remained the largest lenders in 2025, with 12-month total volume up 38% year-over-year. Financial firms posted the strongest growth, with volume rising 85% year-over-year.



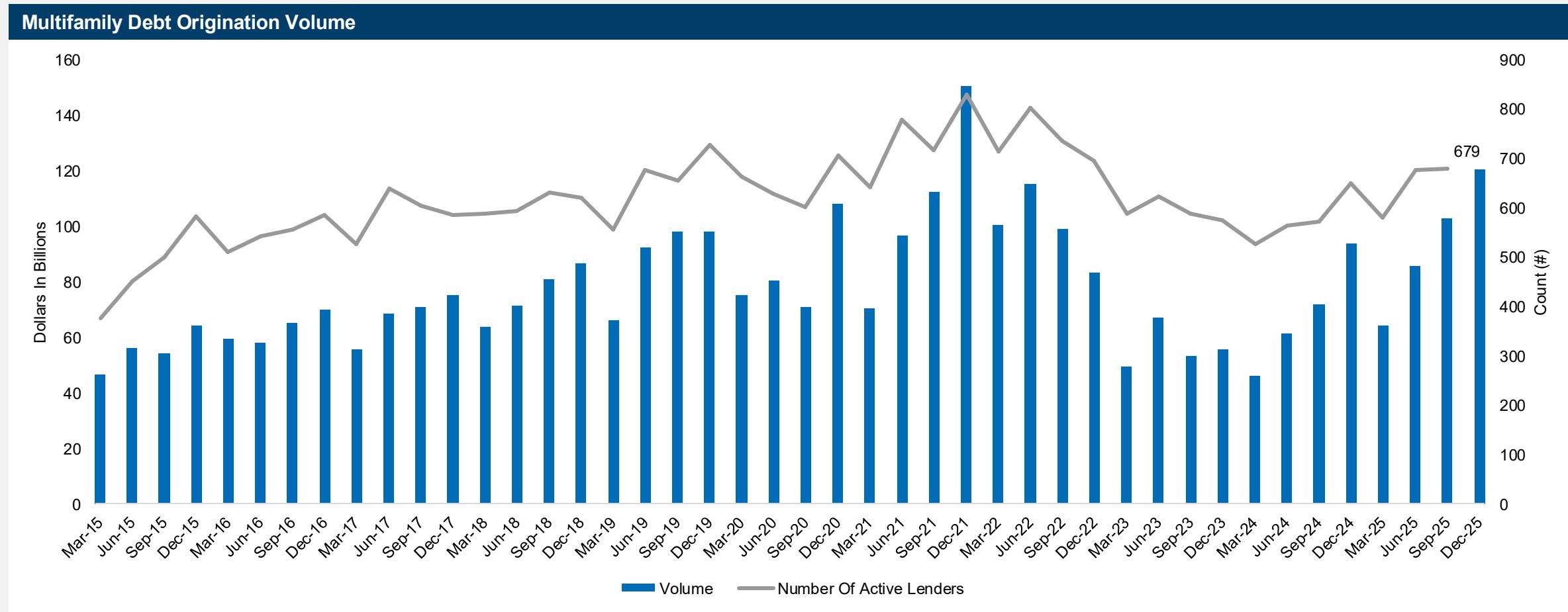
GSEs Carried Market In 2024; Non-Bank Lenders Accumulating Market Share

GSEs continue to lead multifamily originations by market share, though their dominance has recently declined slightly. Bank participation pulled back sharply in 2023 and 2024, with market share down 50% since 2023, though has regained some of its share back in 2025. Debt funds, however, have significantly increased their activity.



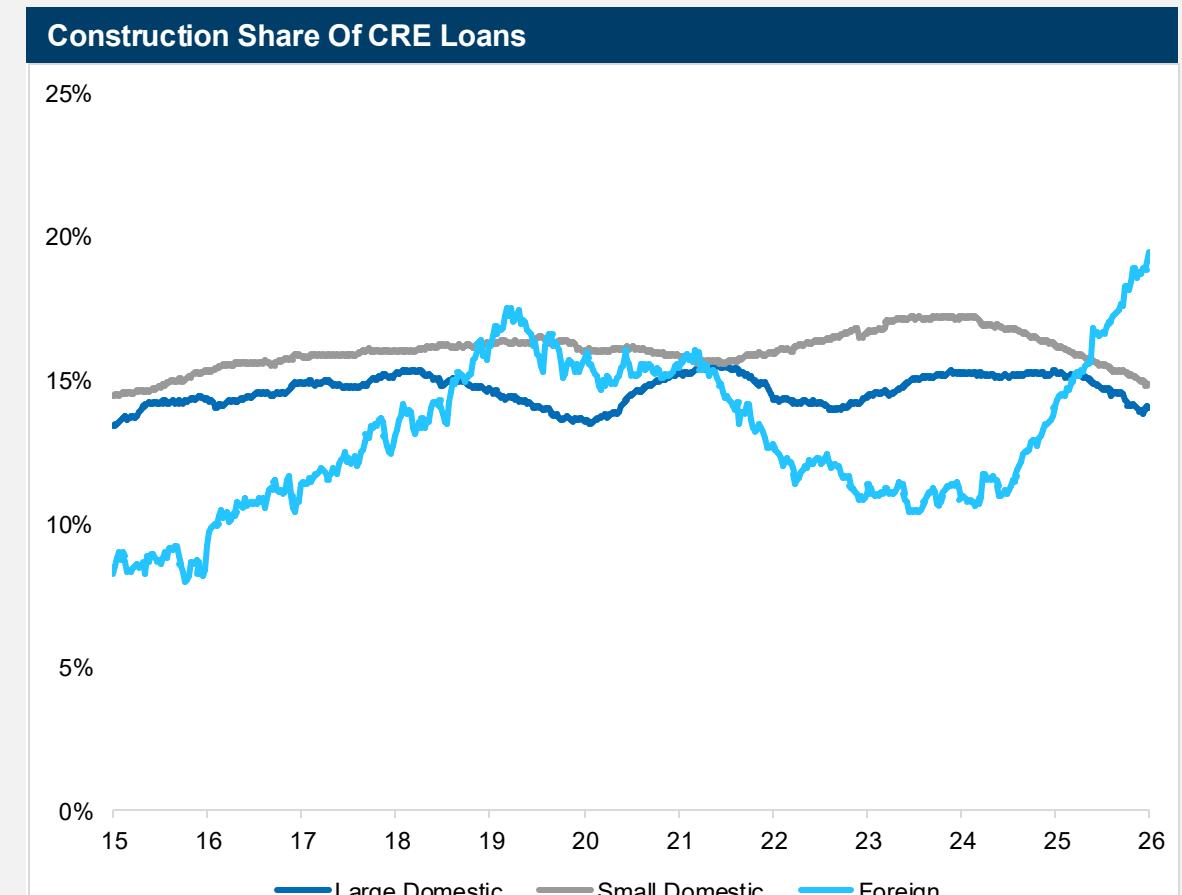
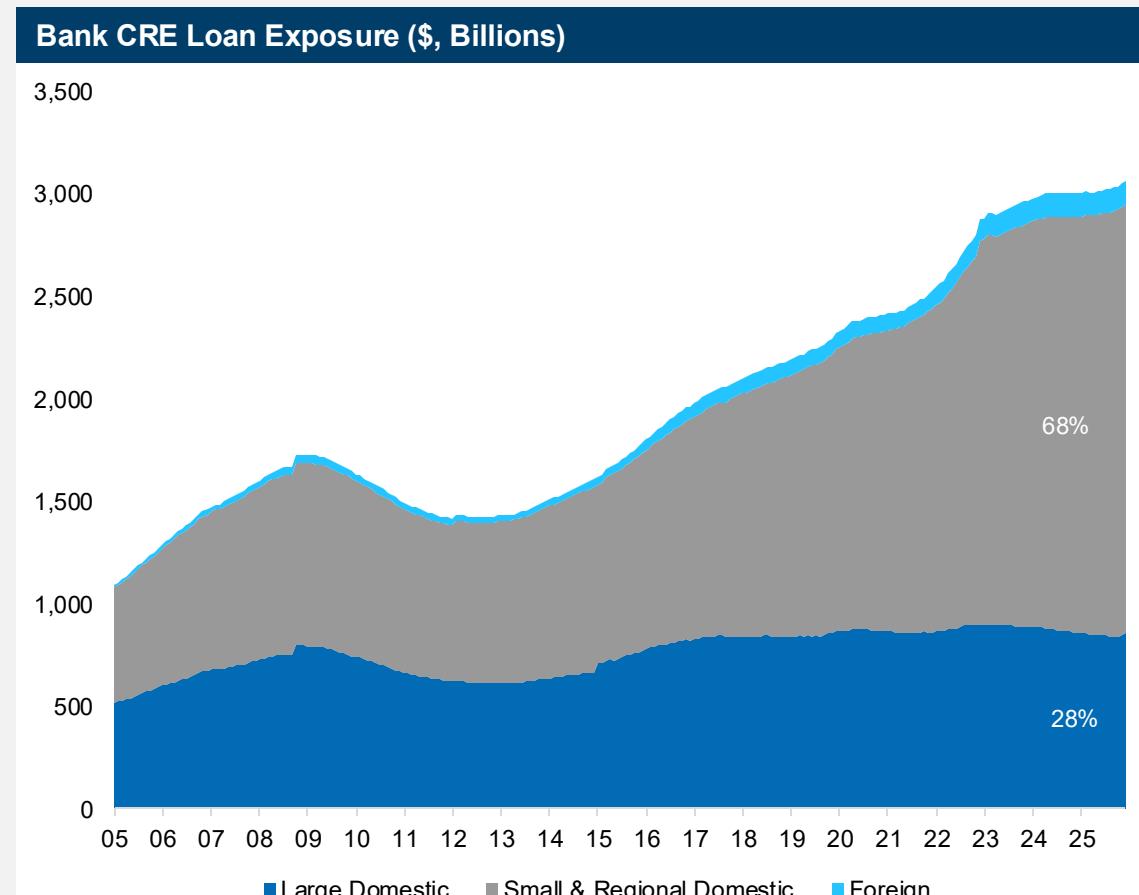
Active Lenders Down 18% Since 4Q21 Peak, but Improving

Both the number of active lenders and overall origination volume remain well below pre-pandemic levels.



Domestic Banks Reducing Construction Lending While Foreign Banks Bet On Data Centers

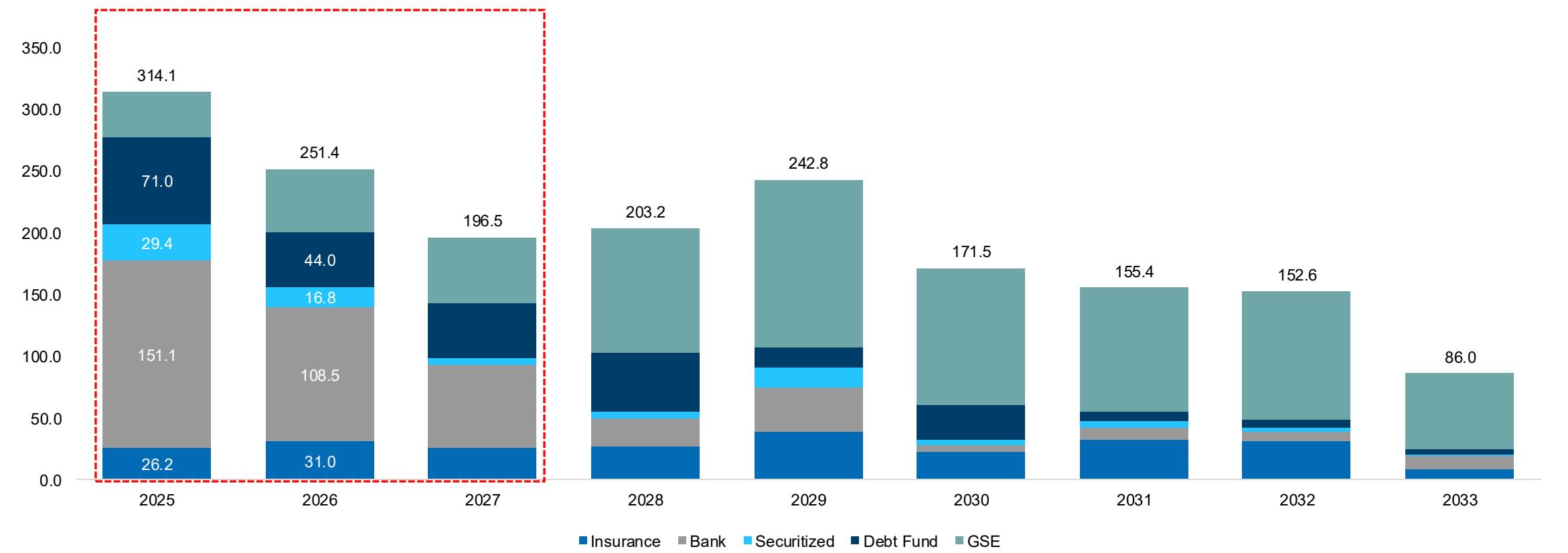
Since 2019, the share of CRE lending from small and regional banks has grown from 60% to 68%. While the pace of CRE bank portfolios has slowed significantly, 4th quarter banking sector exposure grew 1.2% Quarter-over-Quarter. There is some shift in risk profile, with large and small domestic banks dropping their construction loan exposure 1.3 and 2.3 percentage points, respectively. Foreign banks have been more willing to jump into construction loans as Data Centers have become a focal point for foreign headquartered banks.



\$769 Billion in Multifamily Loans Will mature in 2025-2027

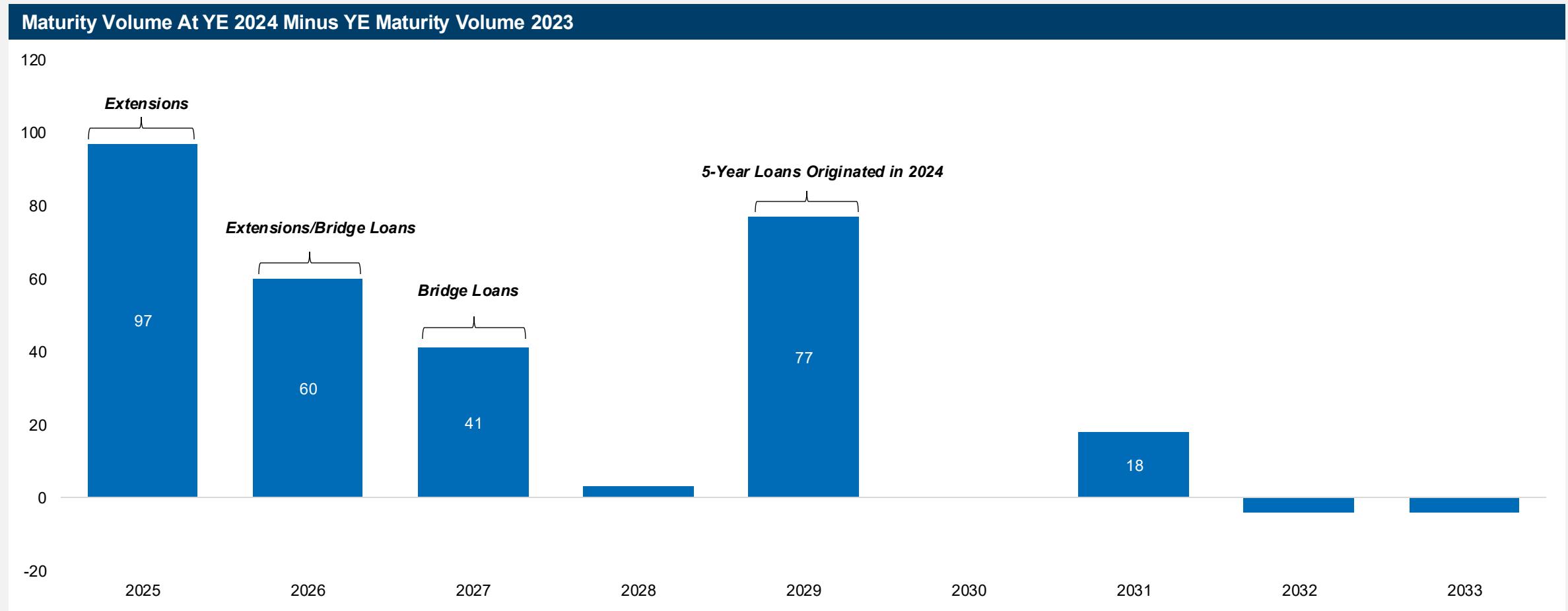
Banks hold 24% of debt maturities from 2025 to 2033, but a disproportionately high 43% of those are due between 2025 and 2027. Debt fund maturities show a similar frontloaded pattern—21% near-term compared to 18% overall—mirroring trends in CLO-driven securitized lending. In contrast, GSE maturities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

Multifamily Loan Maturities by Lender Group*



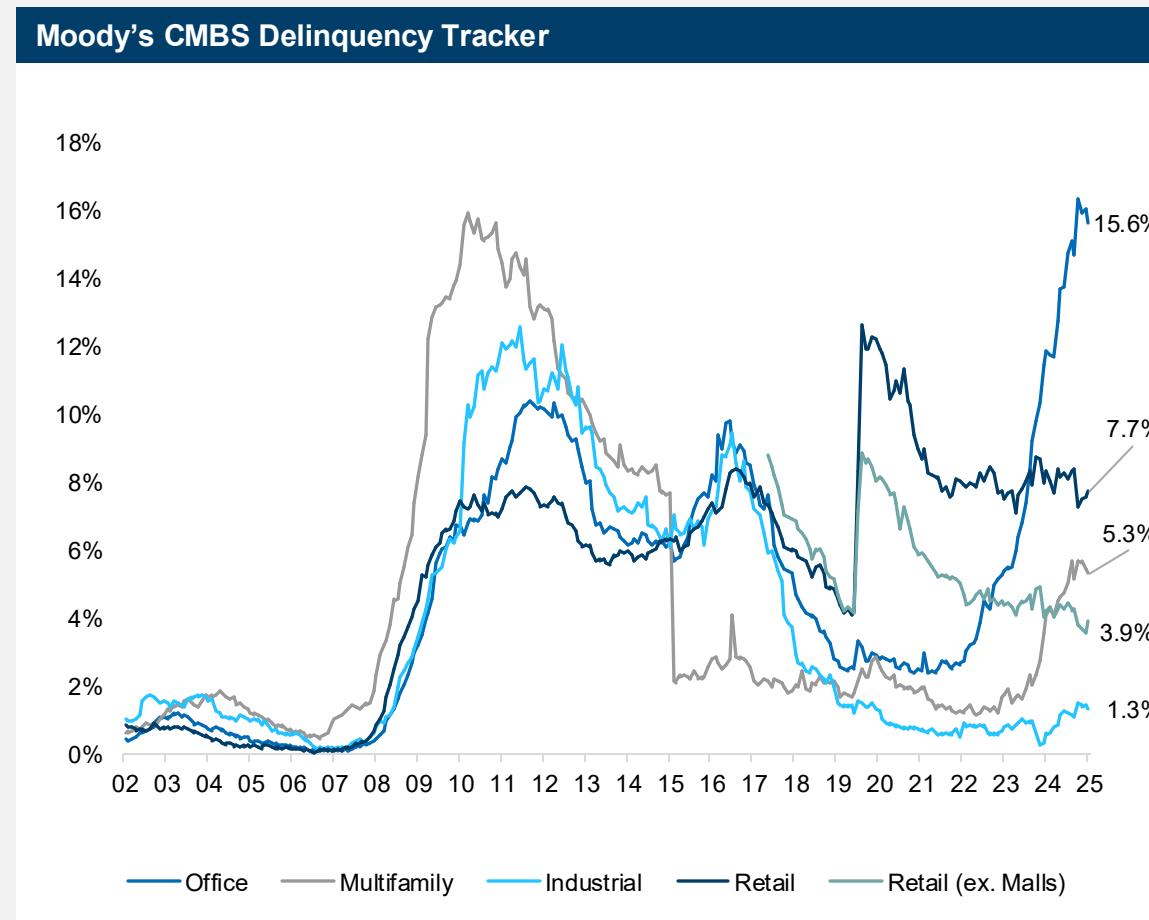
Short-Term Extensions Increase Near-Term Maturities

Loan extensions are not traditionally a sign of health.



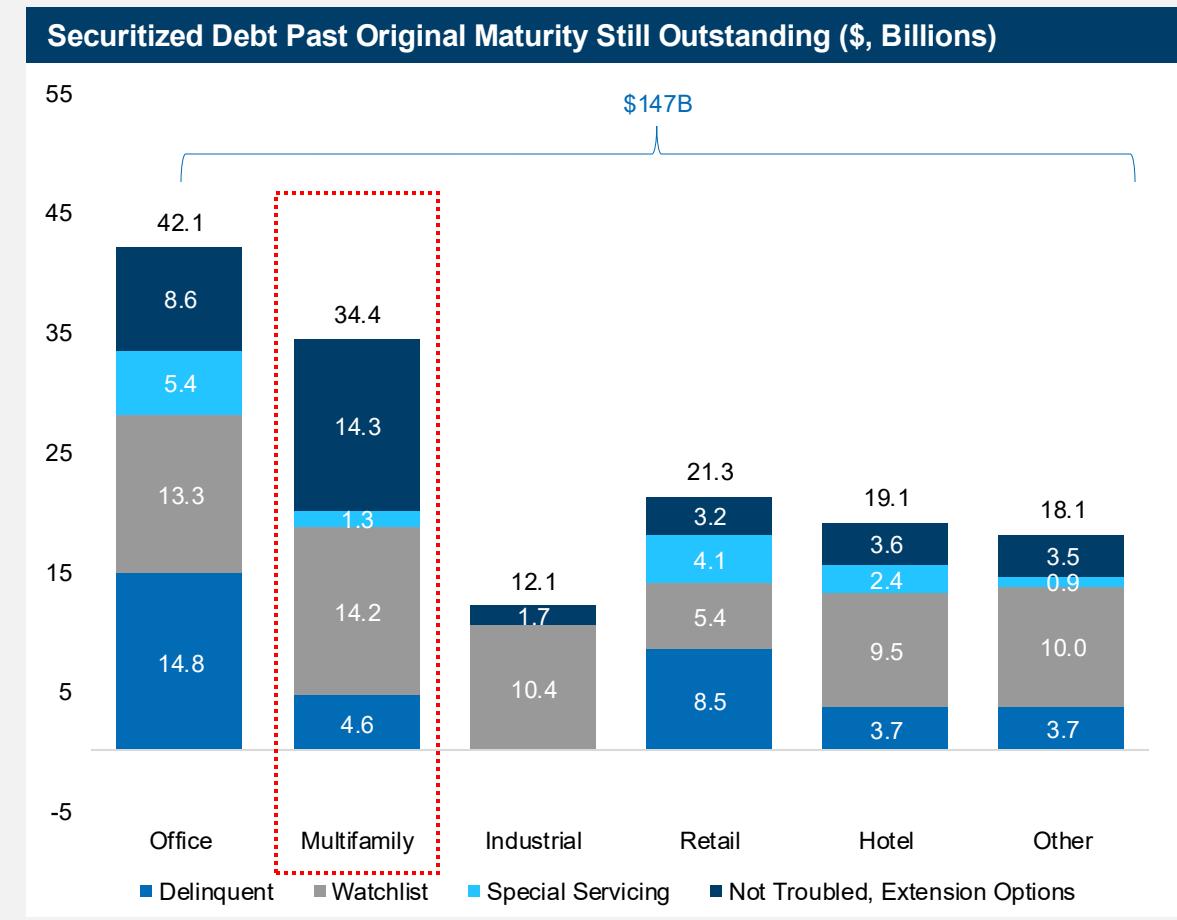
Distress Suppressed by Widespread Use of Extension Options, but Distress Is Building

Delinquency rates have begun to increase, particularly in Office and Multifamily. Office delinquency decreased 30 basis points in the 4th quarter, while the multifamily rates remained flat, but elevated. Still, extensions have remained prevalent, with \$147 billion in outstanding balance originally maturing before 3Q25.



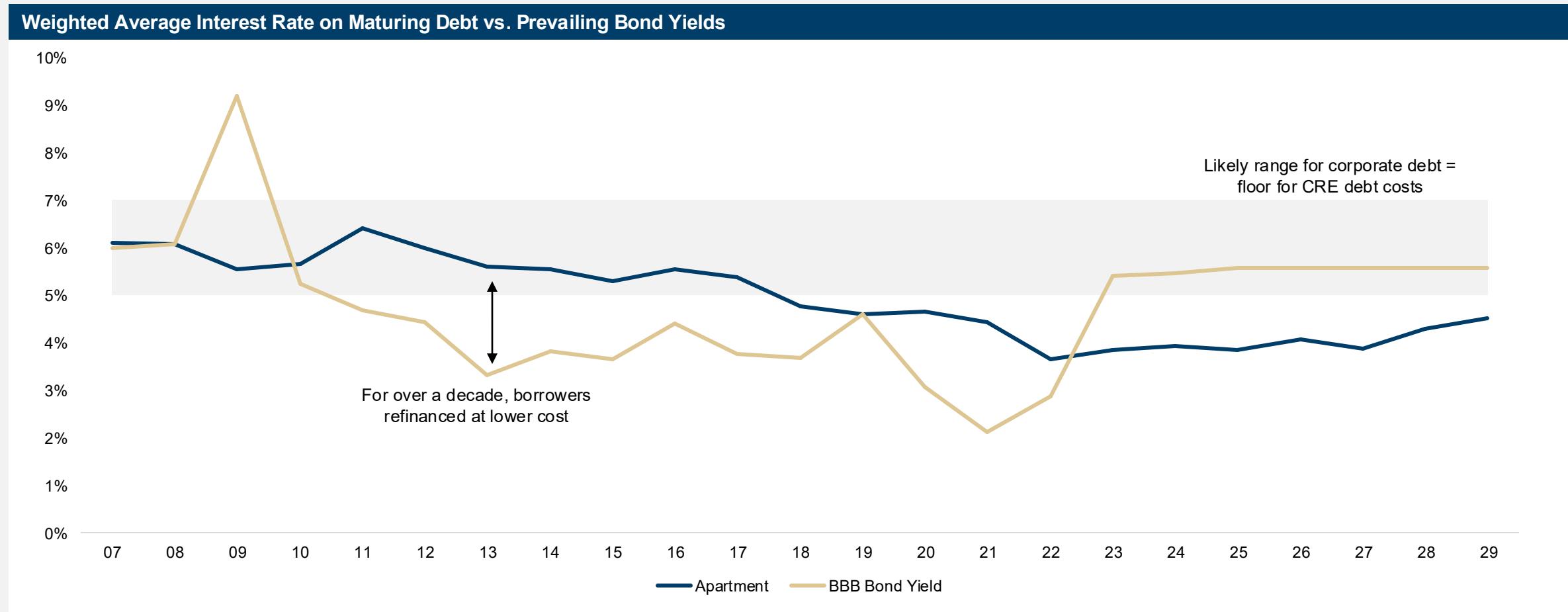
Source: Moody's Investor Services, Trepp, Newmark Research as of 1/20/2026

*Based on first maturity date, Does not include Agency



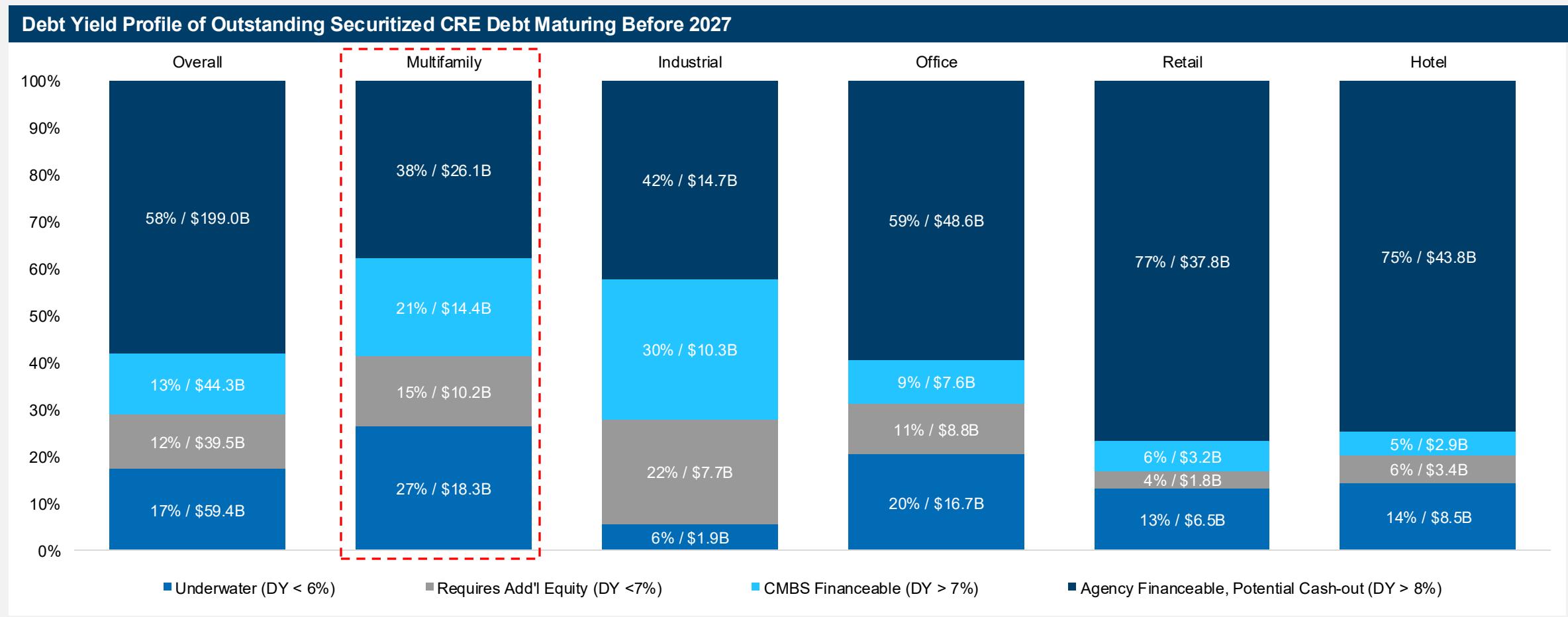
As Loans mature, Multifamily Borrowers Face Starkly Higher Costs

Higher debt costs on refinancing are expected to compress returns broadly, prompting varied borrower responses. Some borrowers may opt to pay down debt, especially if asset values have appreciated. Others may refinance or partially reduce principal, whereas they might have previously re-levered in a lower-rate environment. In more challenging cases, loan modifications, key returns or securing rescue equity at the right terms may be required.



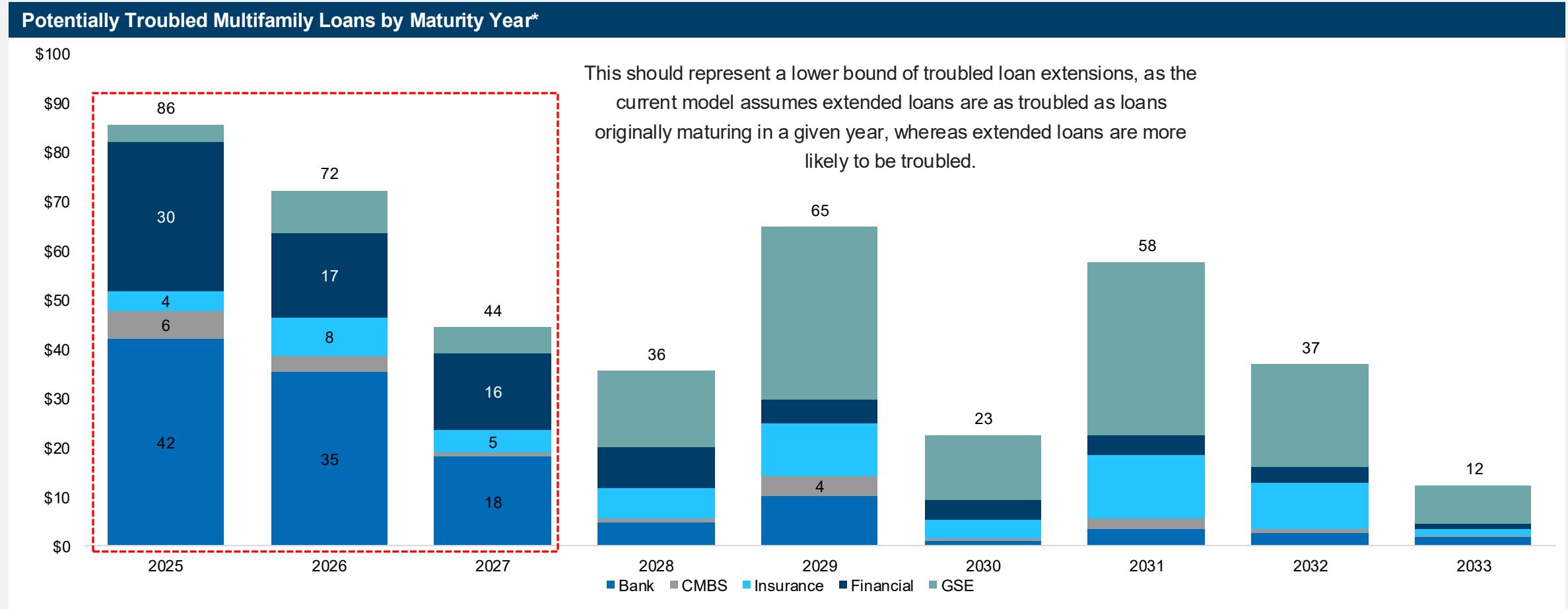
Debt Yields Point to Similar Levels of Refinancing Challenges

The share of maturing securitized loans with a debt yield of 7% or less broadly corresponds to loans in the higher risk category ($DSCR < 1.25x$). That said, debt yields suggest that a smaller proportion are underwater ($<6\%$) than suggested by DSCR analysis ($<1.0x$). Potentially lost in this discussion is the fact that in either analysis, most maturing loans are (re)financeable in the current market.



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.



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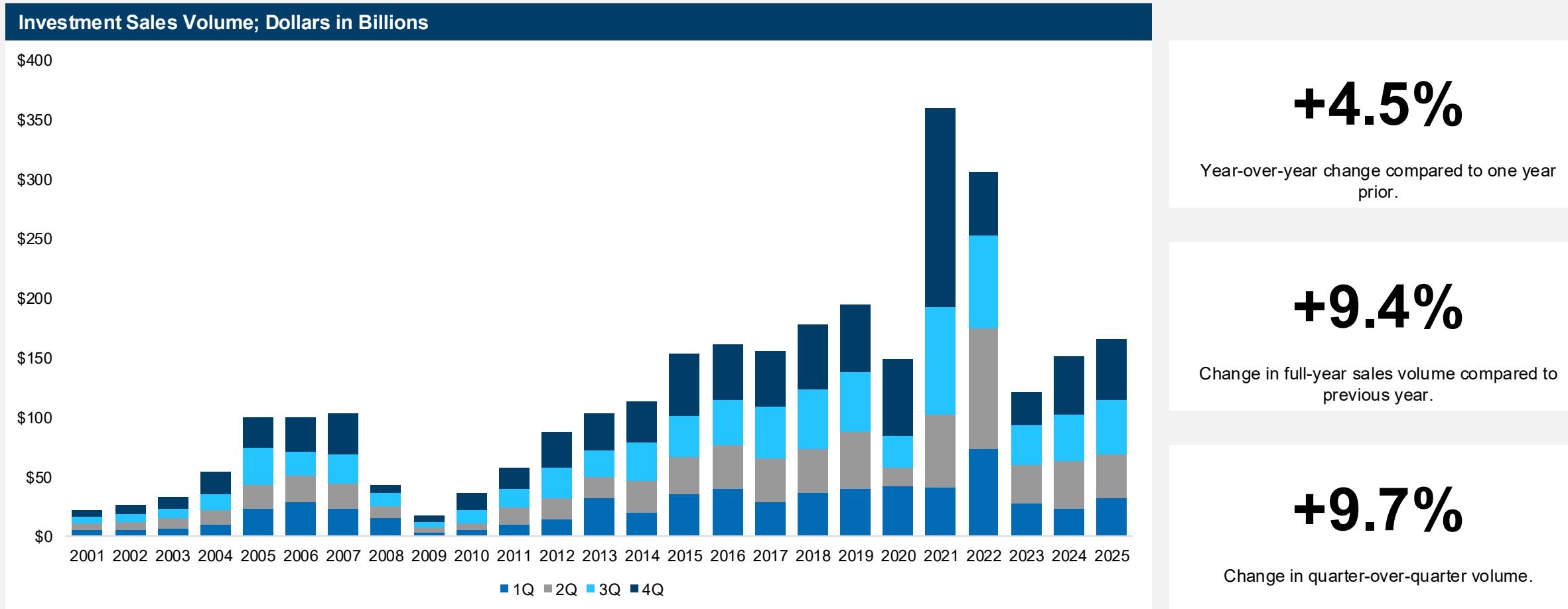
Investment Sales

4Q25



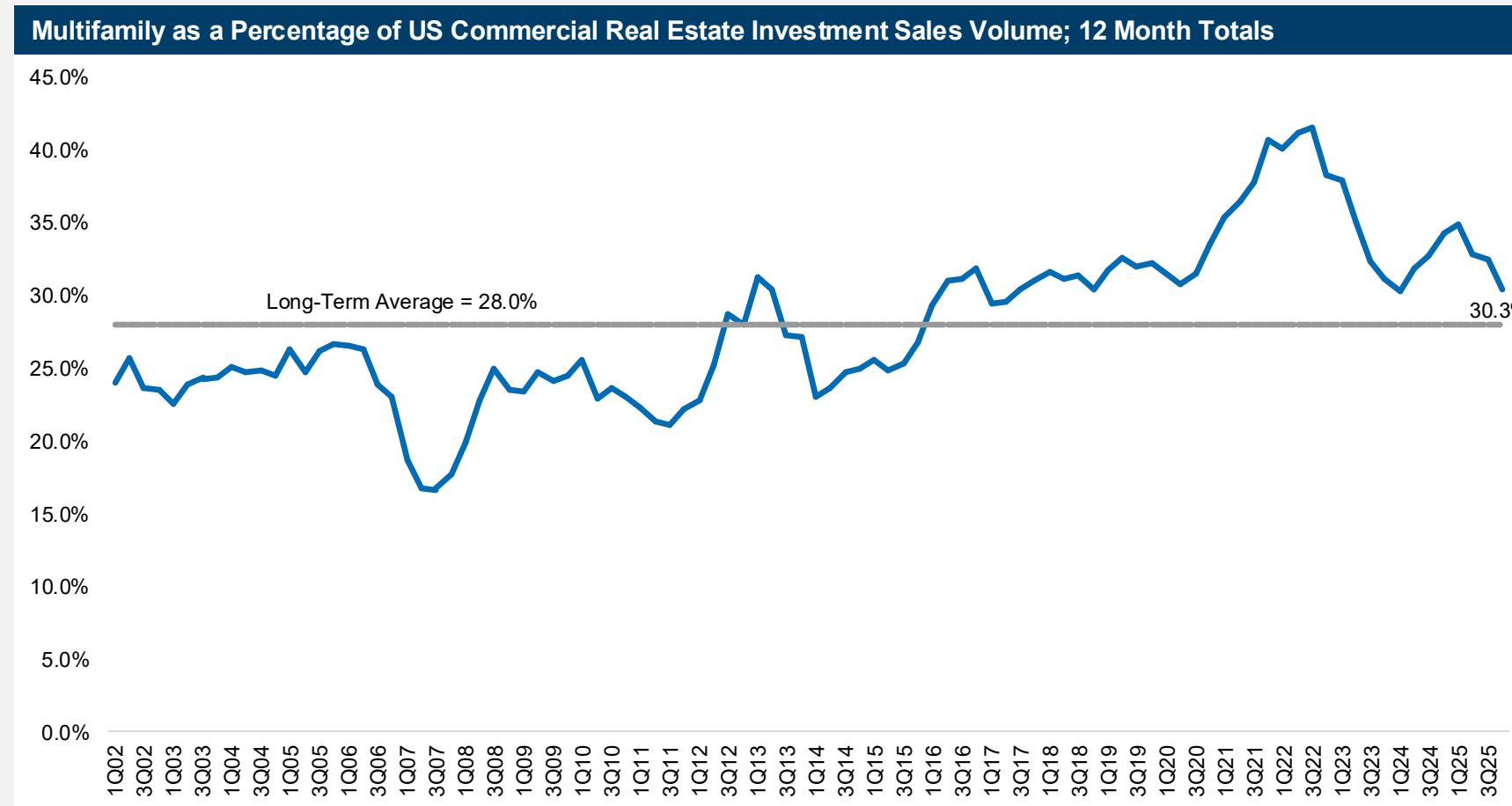
Sales Momentum Continues; 2025 Marks the Fifth Highest Volume Year on Record

Investment sales volume reached \$50.9 billion in the fourth quarter of 2025, up 4.5% year-over-year relative to the third quarter of 2024. Compared to the full year of 2024, 2025 volume climbed to \$165.5 billion, a 9.4% increase compared with the previous period. The steady gains reflect building investor confidence and continued positive momentum.

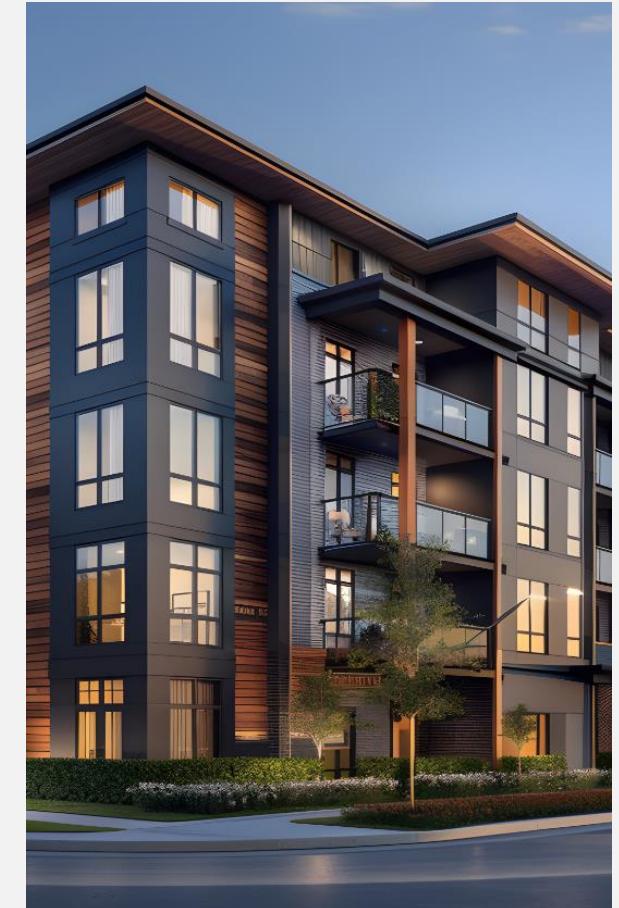


Multifamily Retains Top Spot for Capital Inflows

Multifamily continues to be the top recipient of capital, accounting for 30.3% of all U.S. investment sales. While its share has moderated 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 appeal.

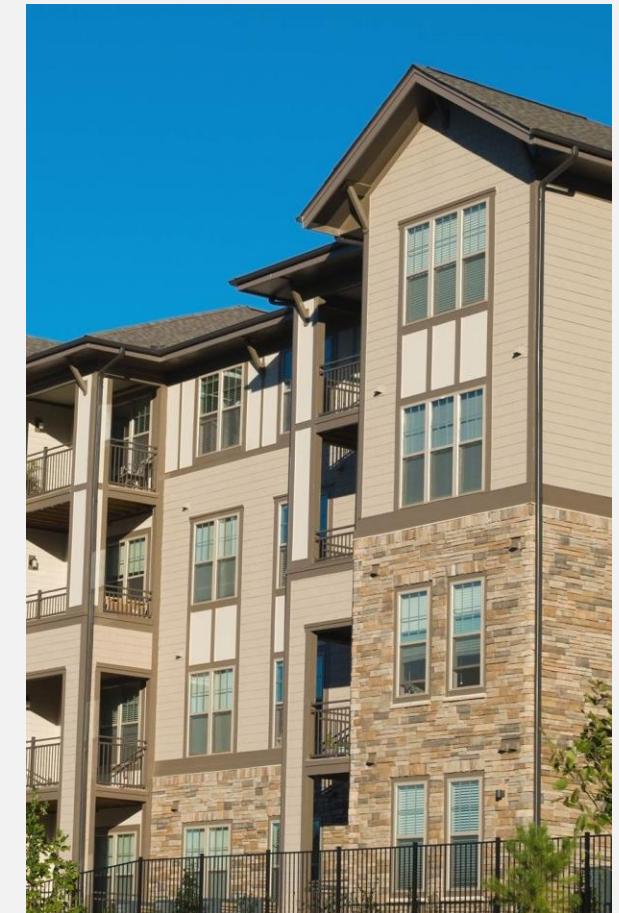
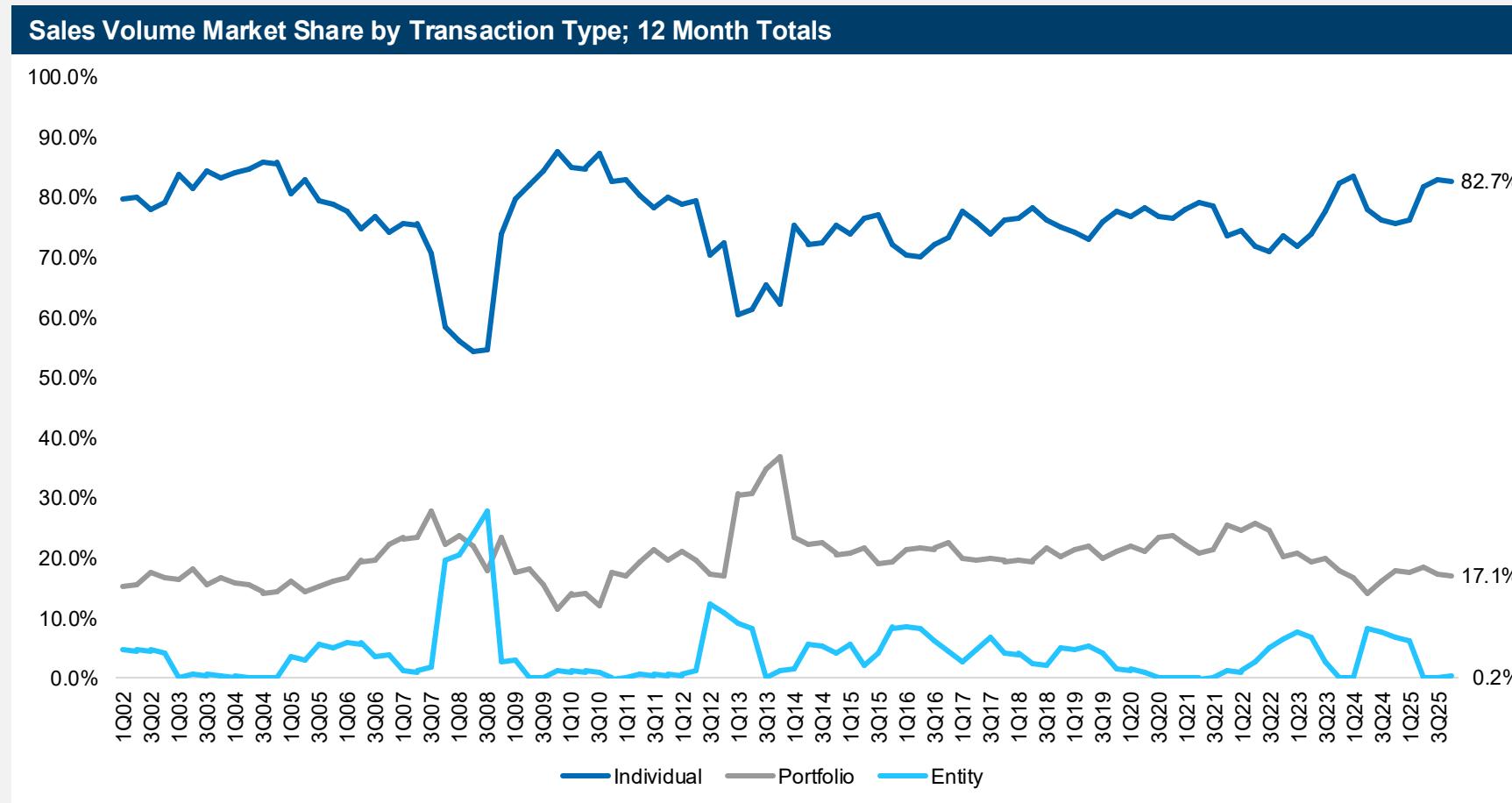


Source: Newmark Research, MSCI Real Capital Analytics



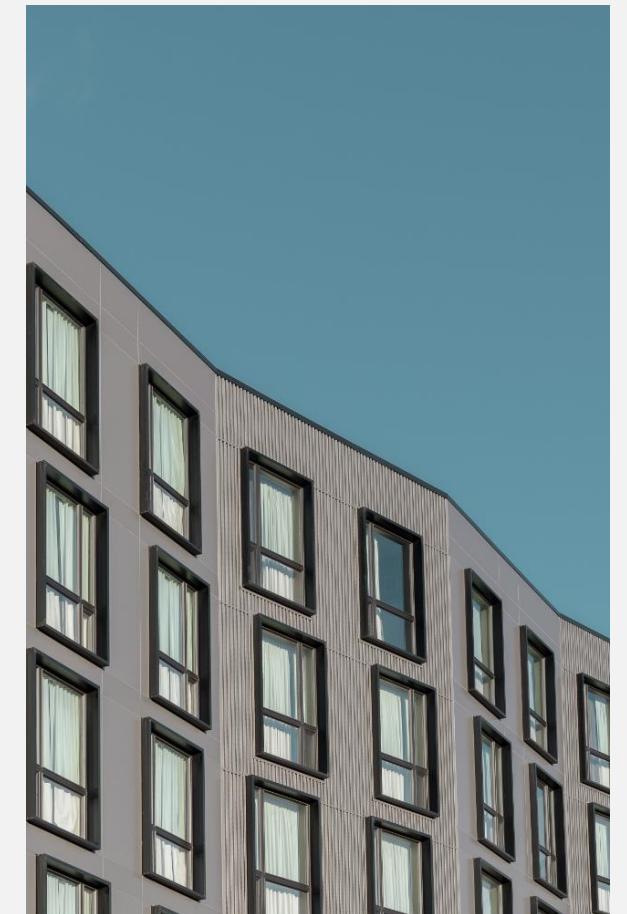
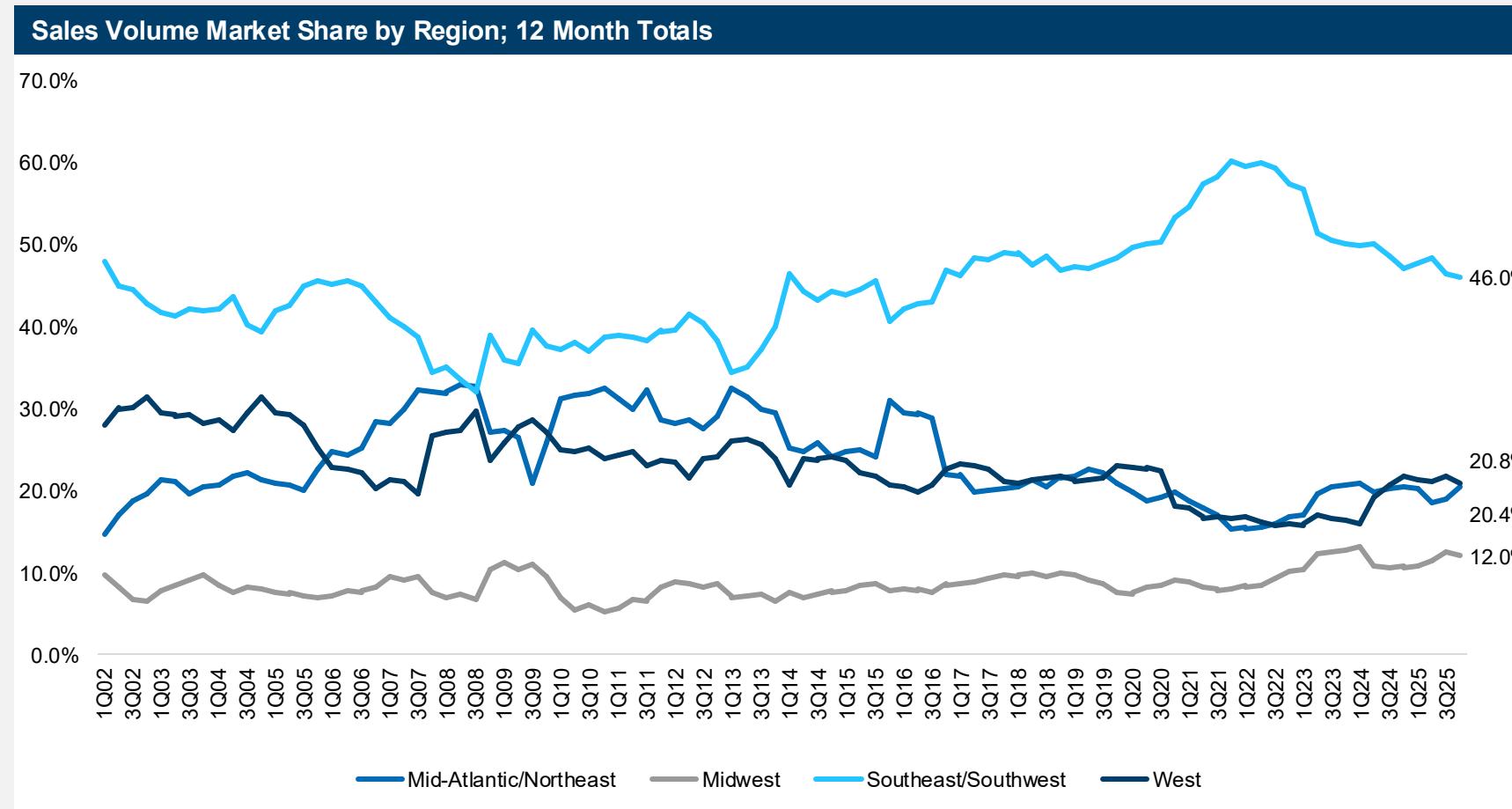
One-Off Transactions Continue to Dominate Market Activity

Individual transactions accounted for 82.7% of sales volume, exceeding the long-term average by 6.5%. Portfolio transactions represented 17.1%, down 2.7% from their long-term average, while entity-level trades had minimal activity during the trailing 12 months.



Investors Favor Sunbelt Markets, While Midwest Gains Share

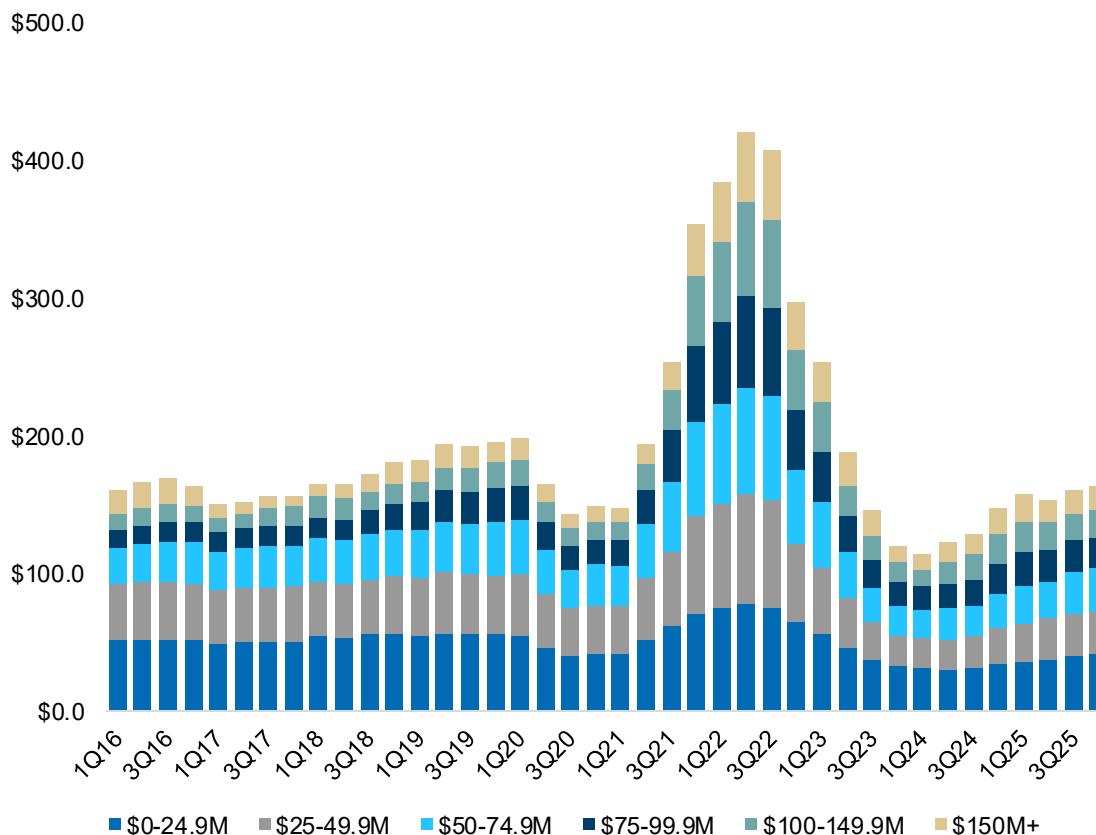
Investors continue to allocate capital in Southeast and Southwest markets, which together account for 46.0% of market share. The Midwest, representing 12.0% of investment volume, has seen its share rise 1.4% year-over-year and 3.4% above its long-term average. This reflects growing investor appetite in stable, less supply burdened markets.



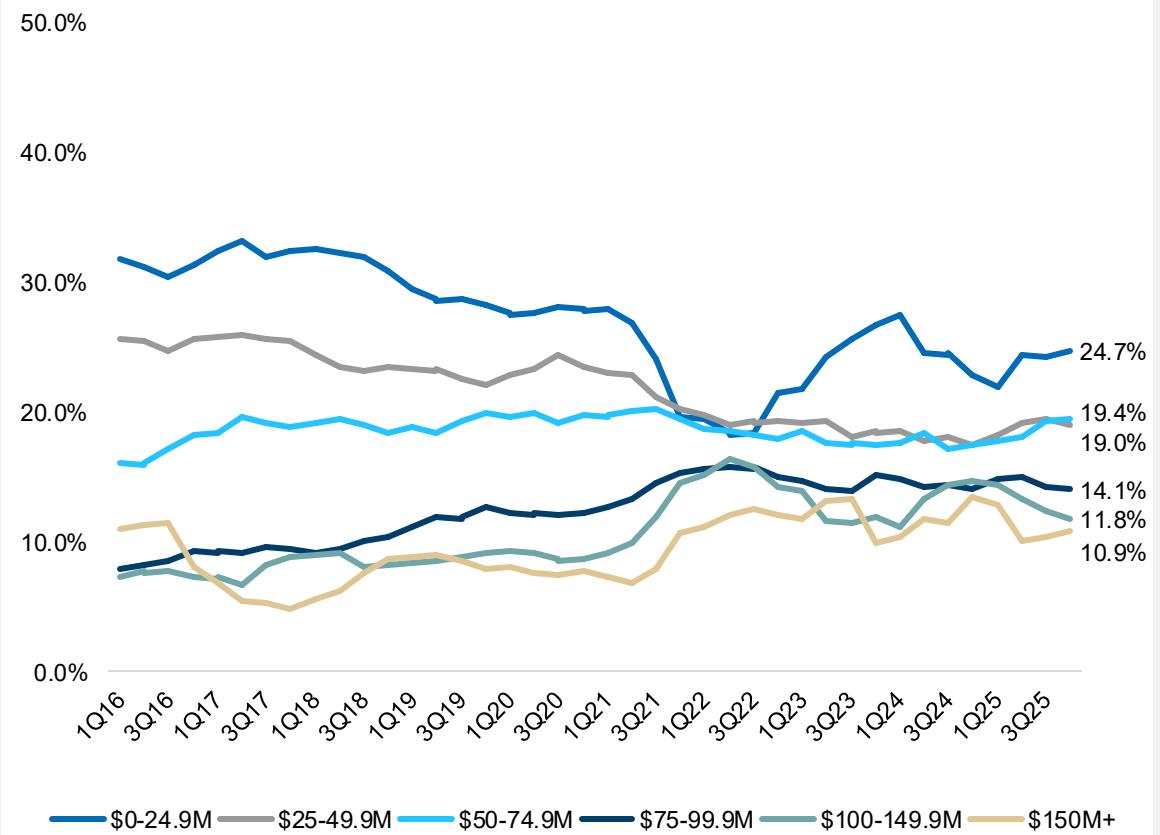
Small Deals Remain Most Common, Deals Under \$100M See Strongest YoY Growth

Deals under \$25 million make up 24.7% of all transactions, representing the largest segment of the market by deal size, while also increasing year-over-year by 19.8%. Transactions in the \$25-49.9 million, \$50-74.9 million and \$75-99.9 million ranges saw growth year-over-year, having increased 20.1%, 23.2%, and 10.5%, respectively.

Sales Volume in Billions by Deal Size; 12 Month Totals

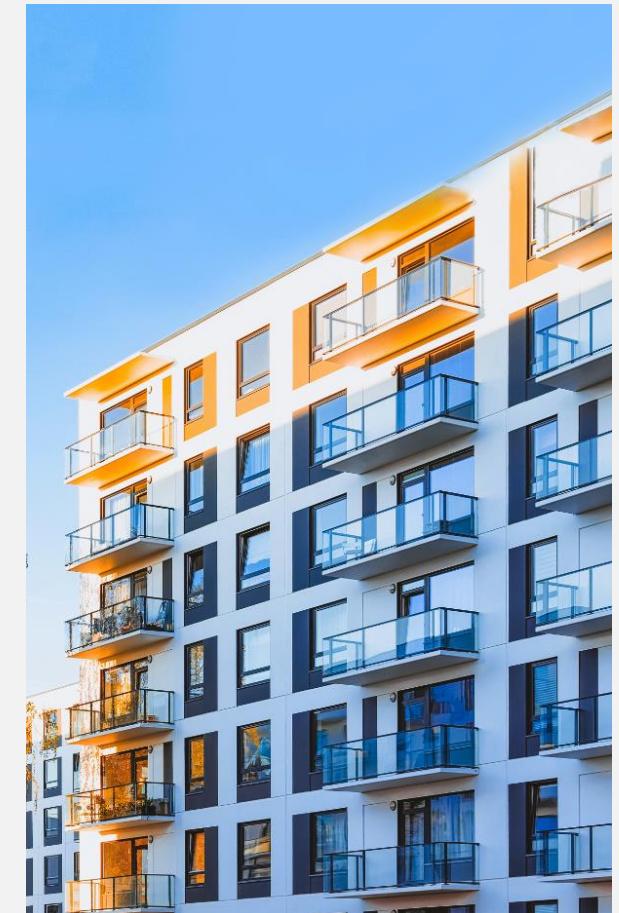


Sales Volume Market Share by Deal Size; 12 Month Totals



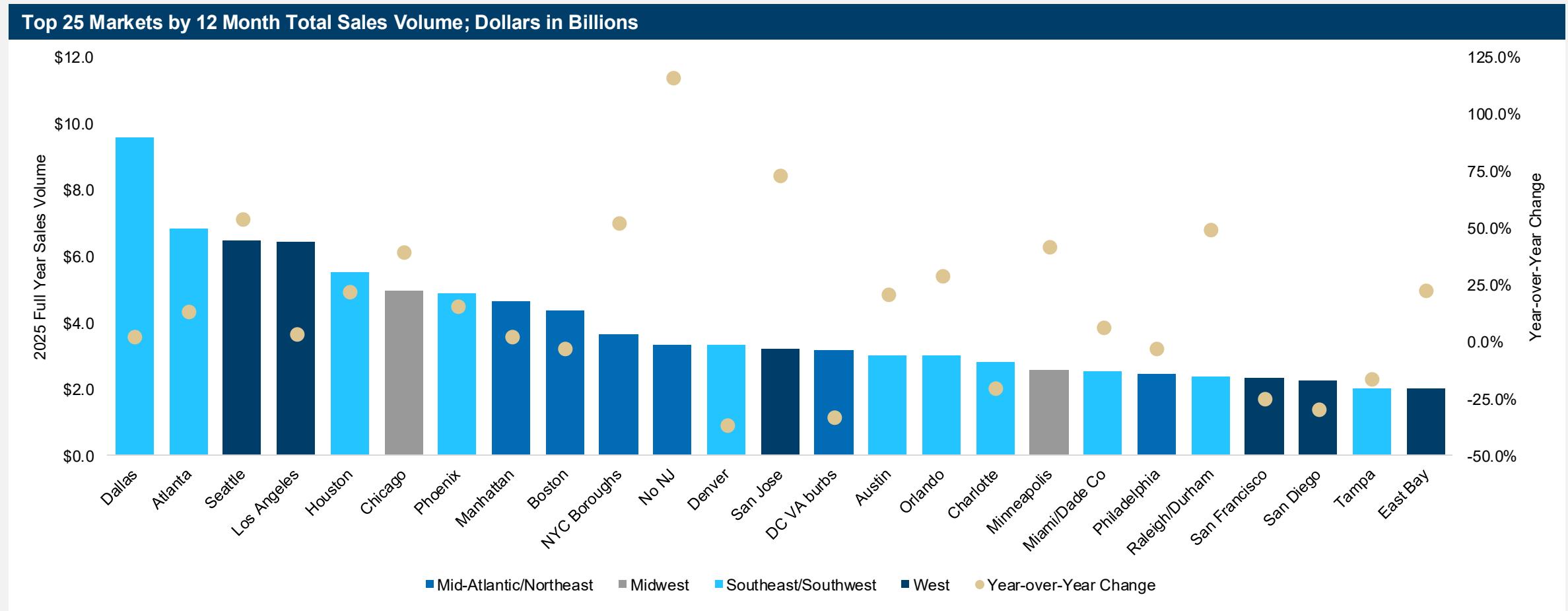
Newer Assets Capturing Growing Share of Sales

Newer assets continue to gain share of sales due to lower capital expenditure requirements, making them attractive in today's cost-conscious environment. The recent uptick in older asset sales reflects strategic dispositions in coastal markets.



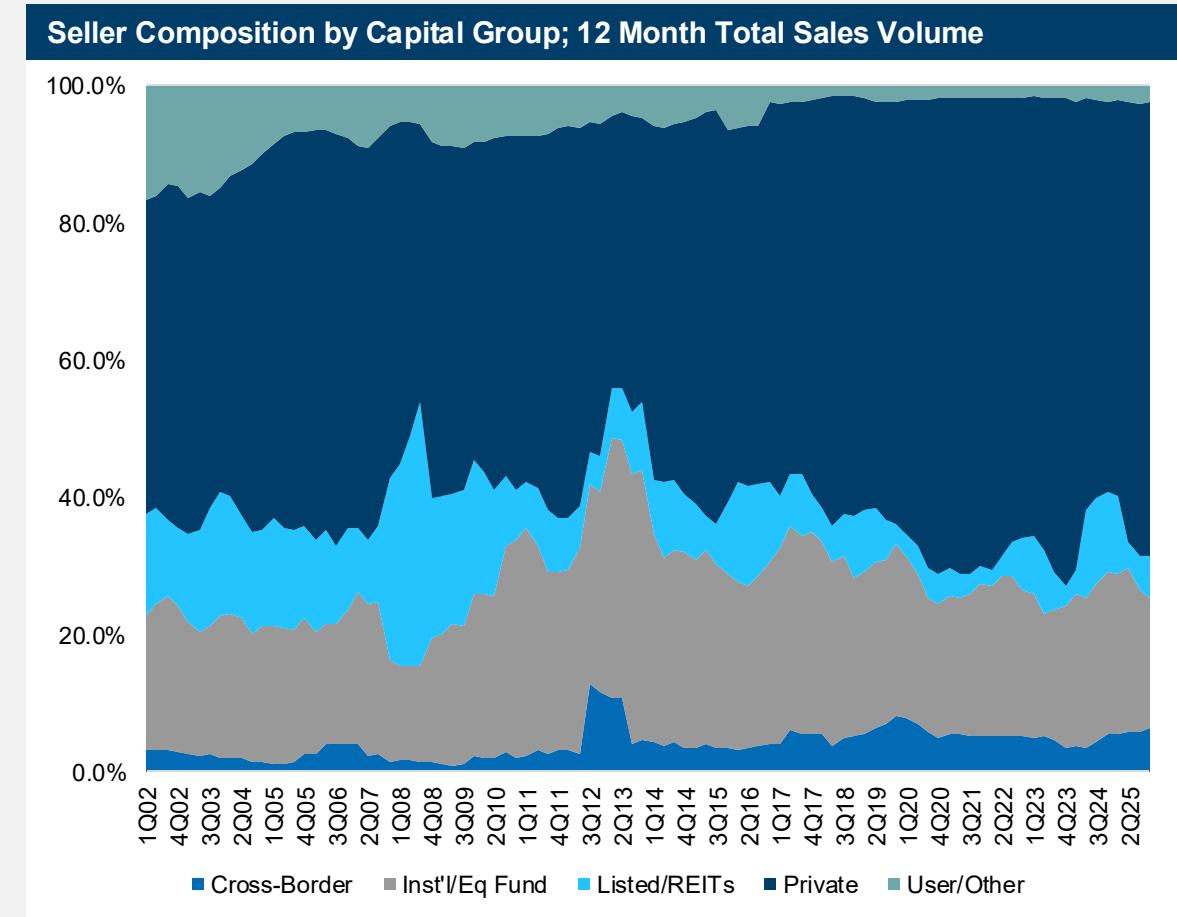
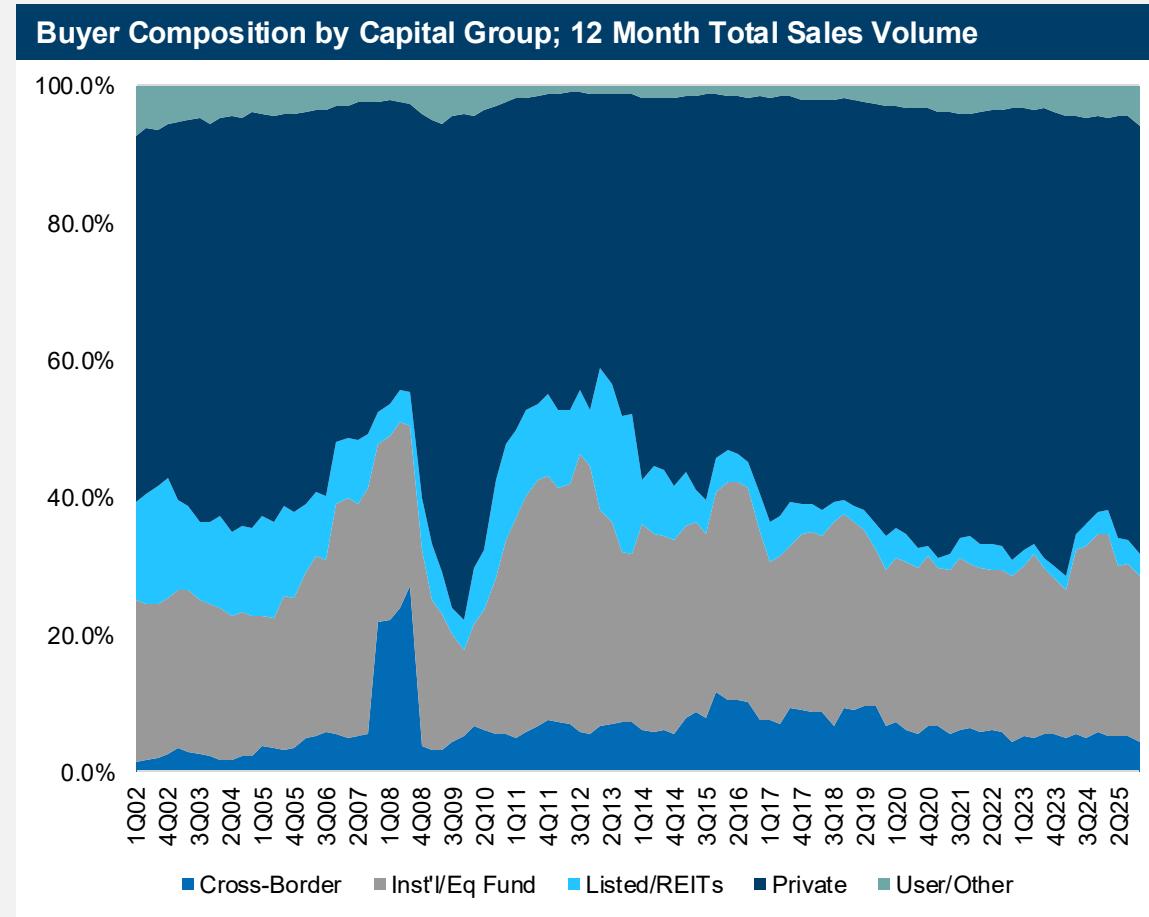
Dallas Remains Top Market by Volume; Coastal Markets See Surge in Activity

In 2025, Dallas was the largest recipient of investment, with over \$9.5 billion of volume. Year-over-year growth was driven by Northen New Jersey and San Jose, reaching 115.8% and 72.9%, respectively, partially reflecting a rebound in coastal markets and in Northern NJ's case, allocation towards "gateway adjacent" markets seeing less regulatory constrictions.



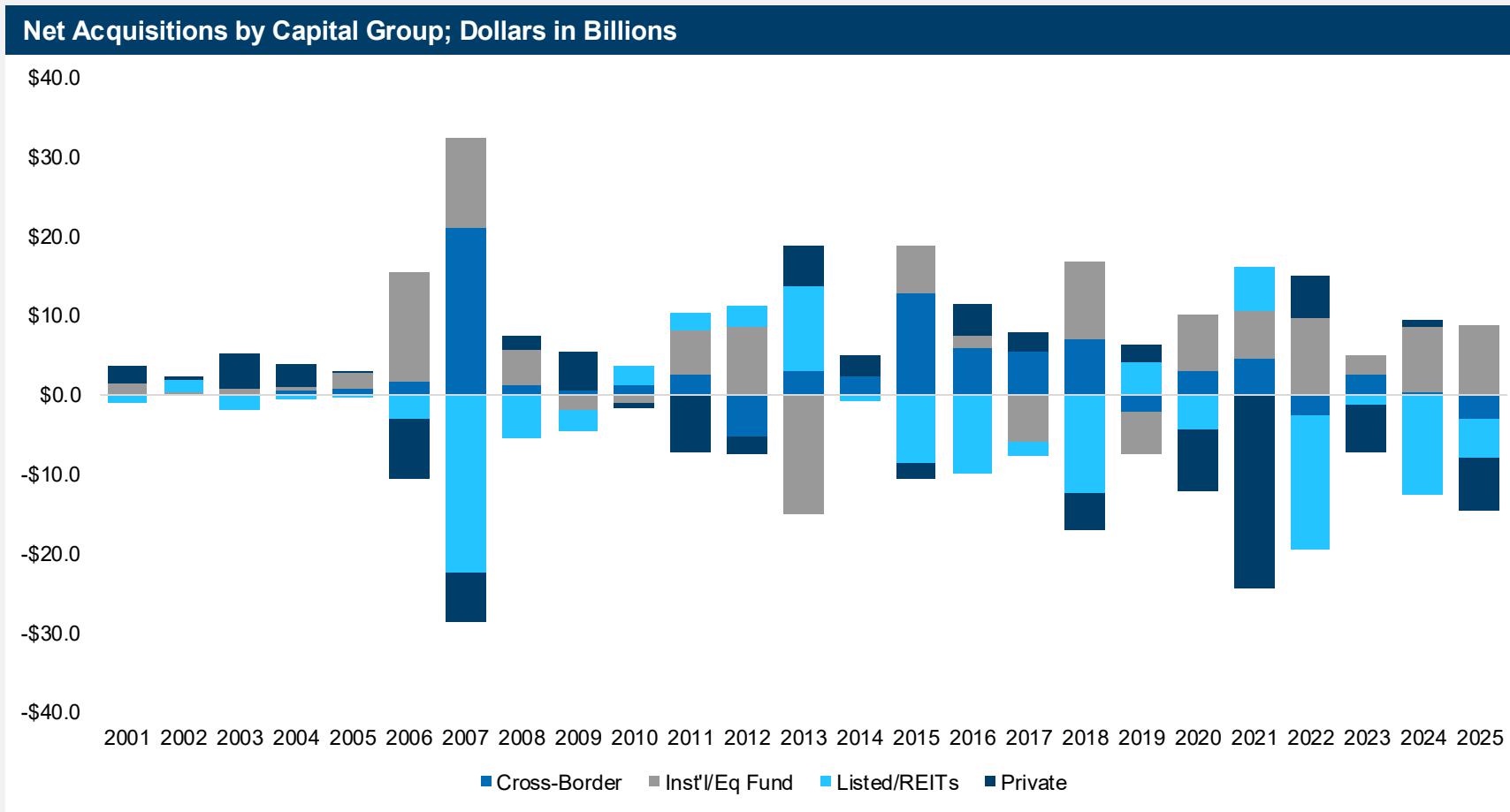
Private Capital Leads Both Acquisition and Disposition Markets

Private capital groups account for 62.5% of all acquisitions and for 66.4% of dispositions. This underscores their dominant role in driving both buying and selling activity in the market.



Institutions Are (Only) Net Buyers in 2025

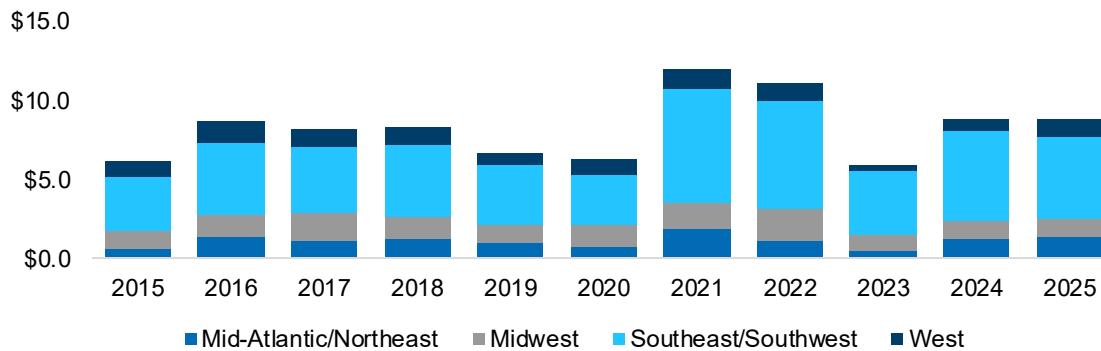
In 2025, institutions emerged as the largest net buyers of multifamily properties, investing \$8.6 billion more in acquisitions than dispositions. In contrast, all other capital groups were net sellers. Private capital led the sell-off, with dispositions exceeding acquisitions by \$6.5 billion.



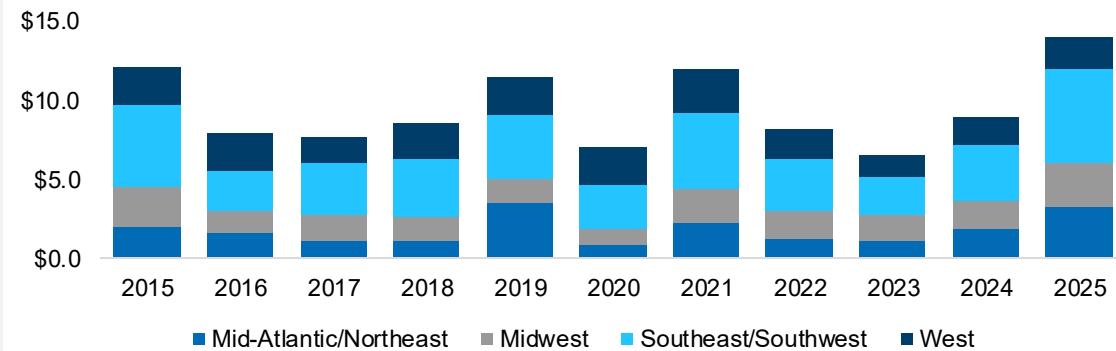
Sunbelt Commands Largest Share of Subtype Sales Volume

Across student, seniors, subsidized, and age-restricted housing, the Sunbelt region accounts for the majority of transaction volume. Strong total returns particularly in seniors and student housing, has contributed to greater allocation to the subtypes.

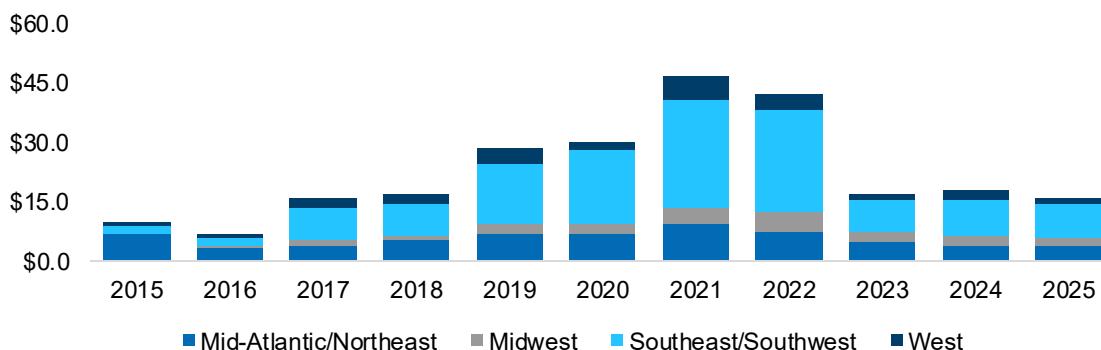
Student Housing Sales by Region (\$ in Billions)



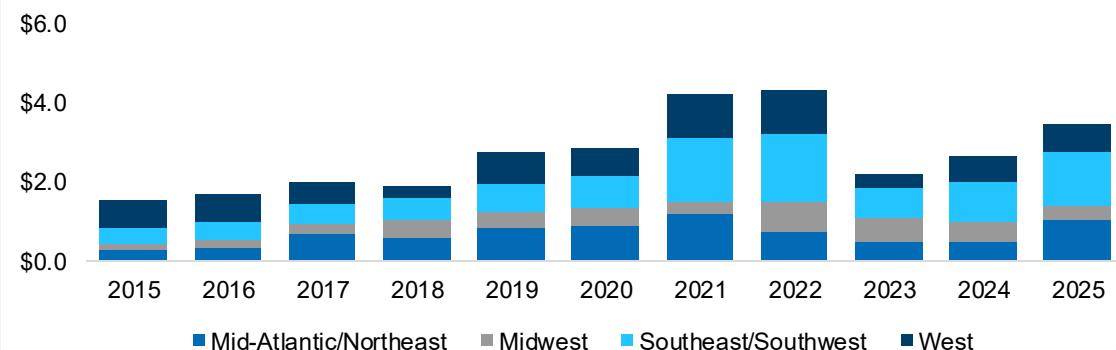
Seniors Housing Sales by Region (\$ in Billions)



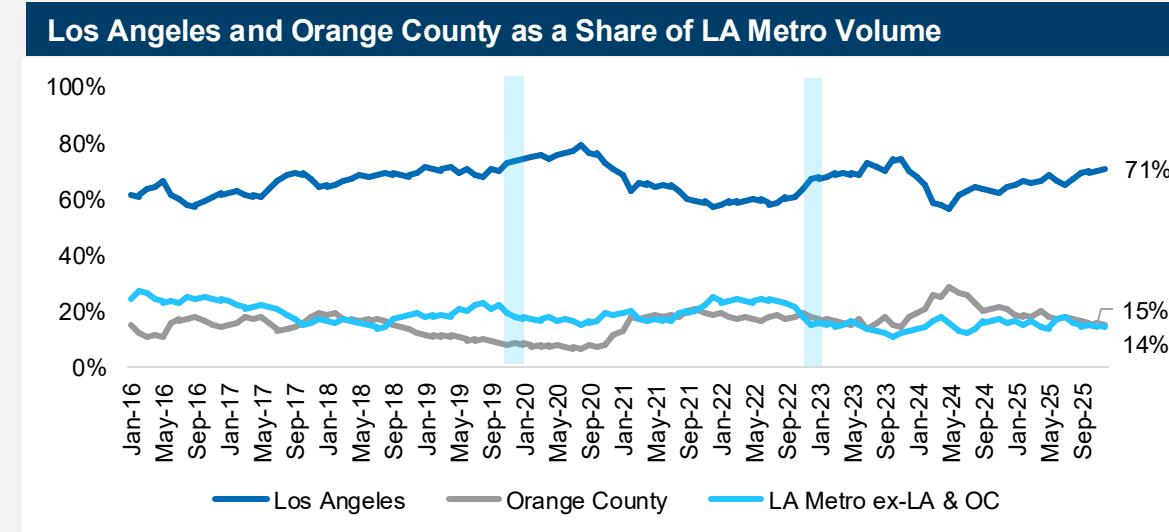
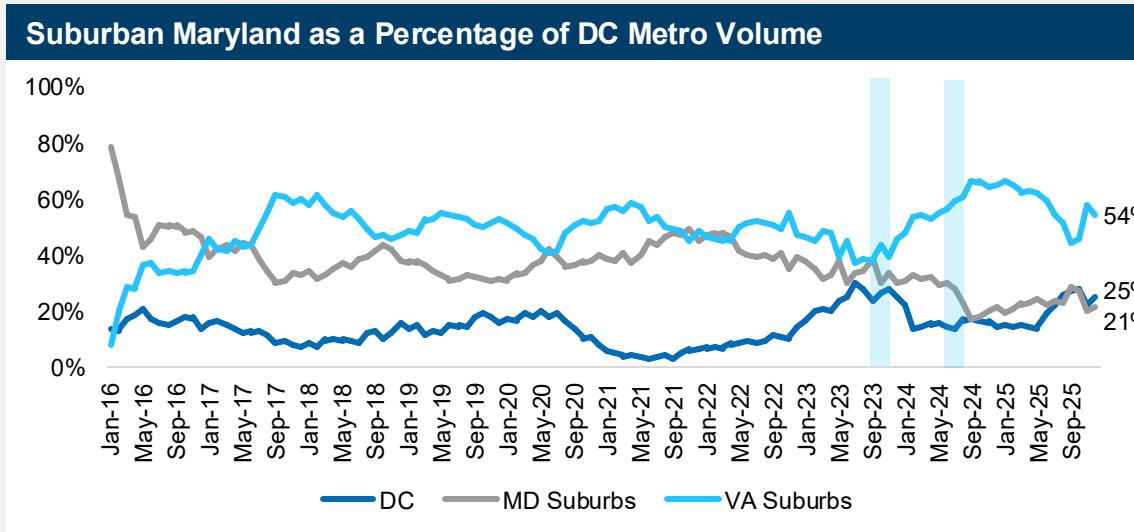
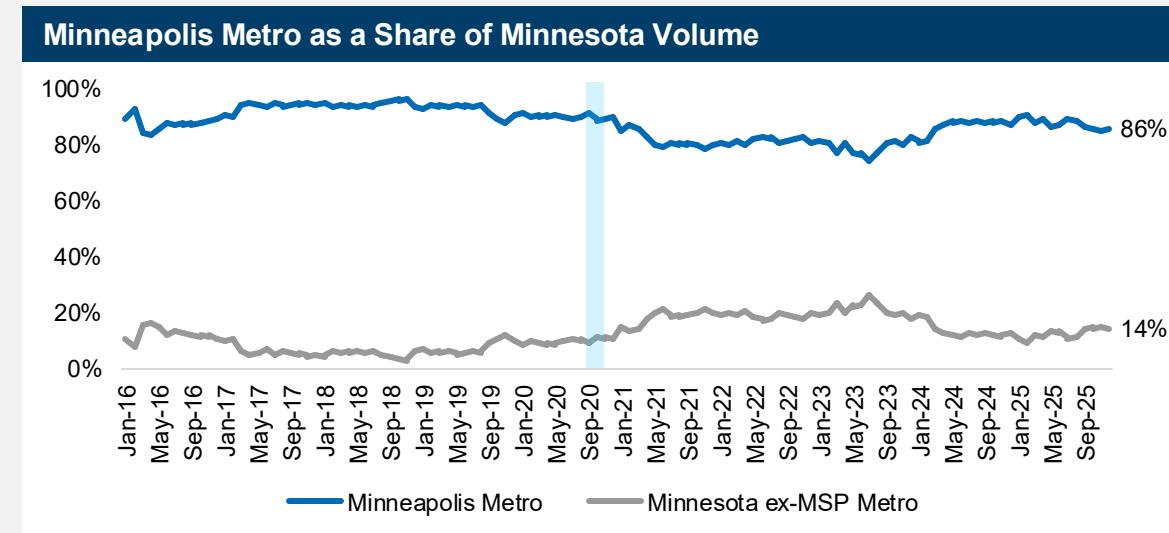
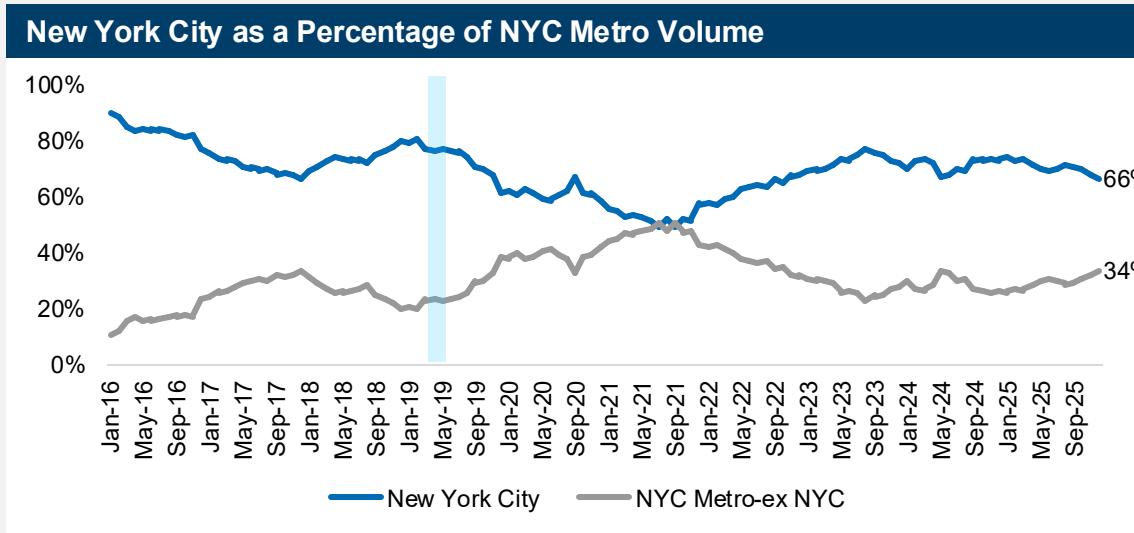
Subsidized Housing Sales by Region (\$ in Billions)



Age-Restricted Sales by Region (\$ in Billions)

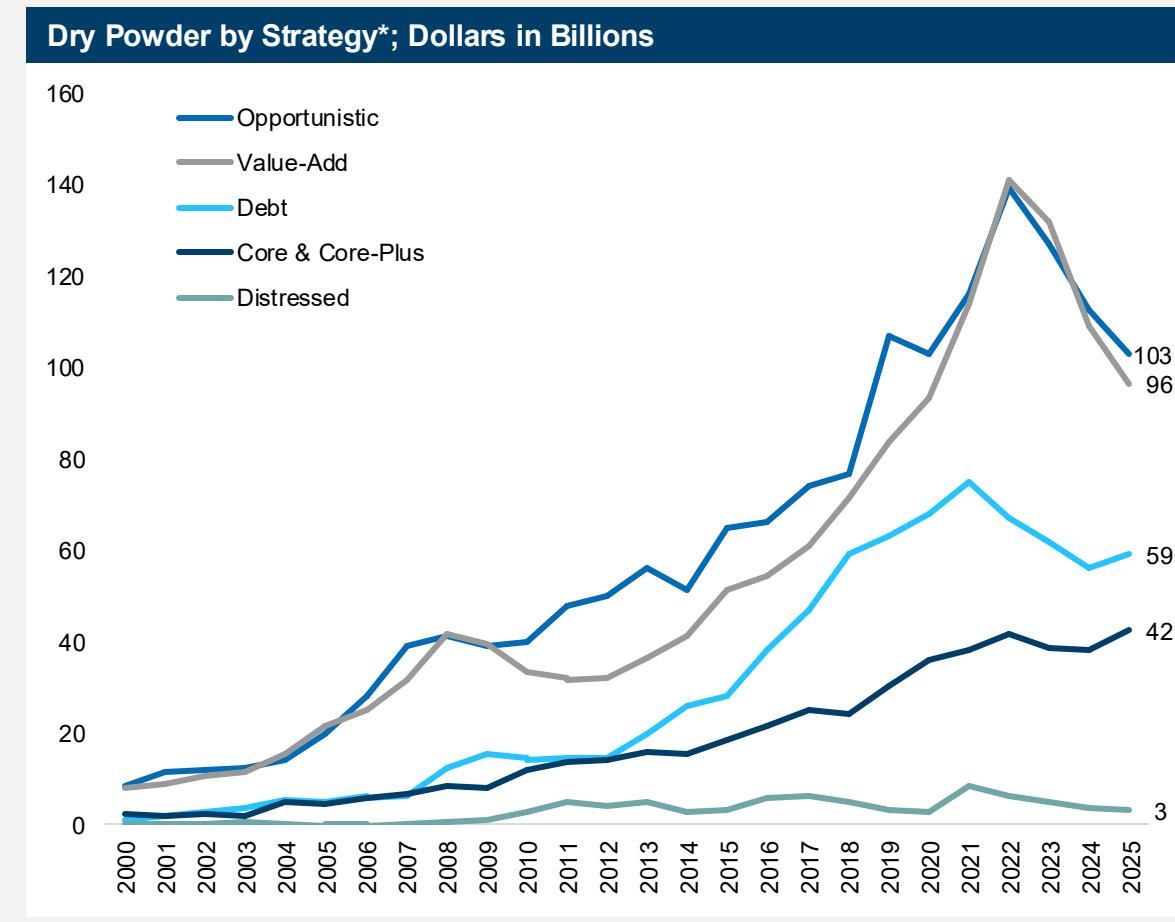
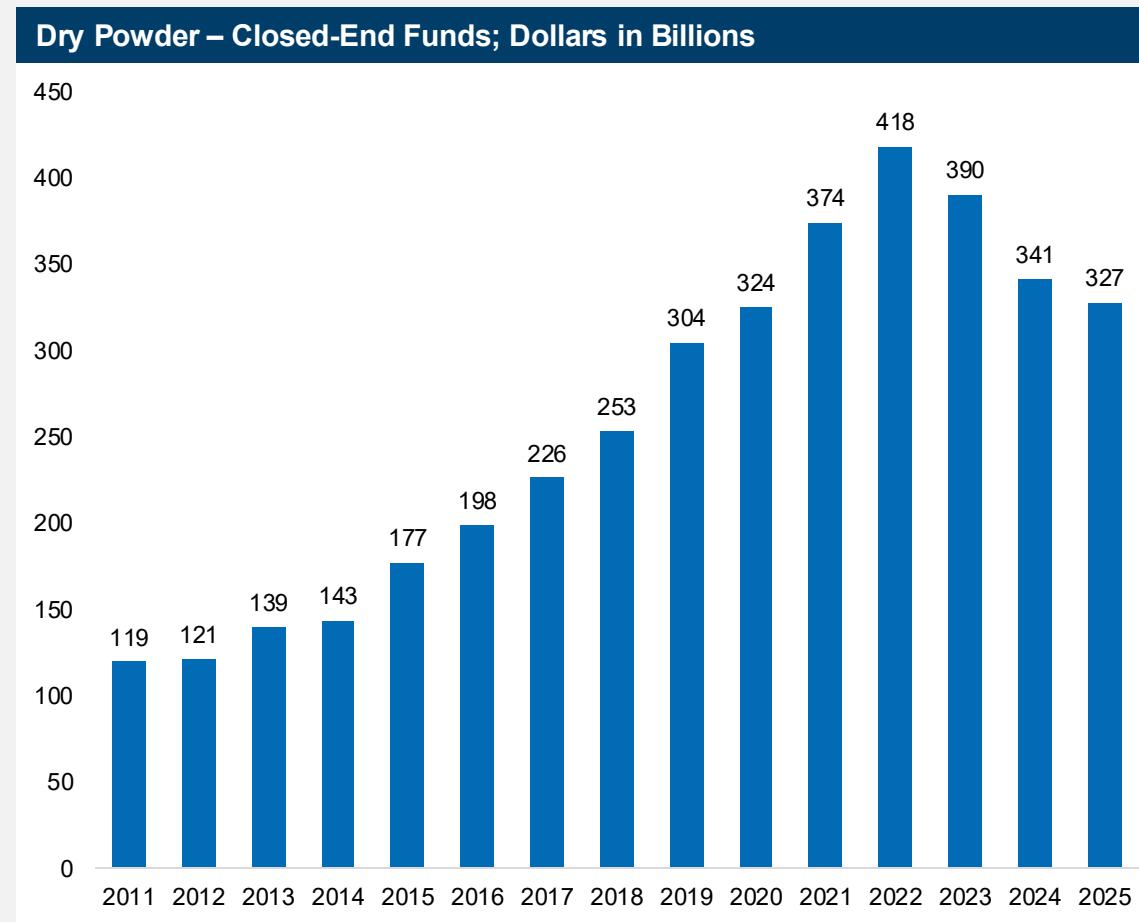


As Regulatory Pressures Increase, History Shows Mixed Impact on Capital Flows

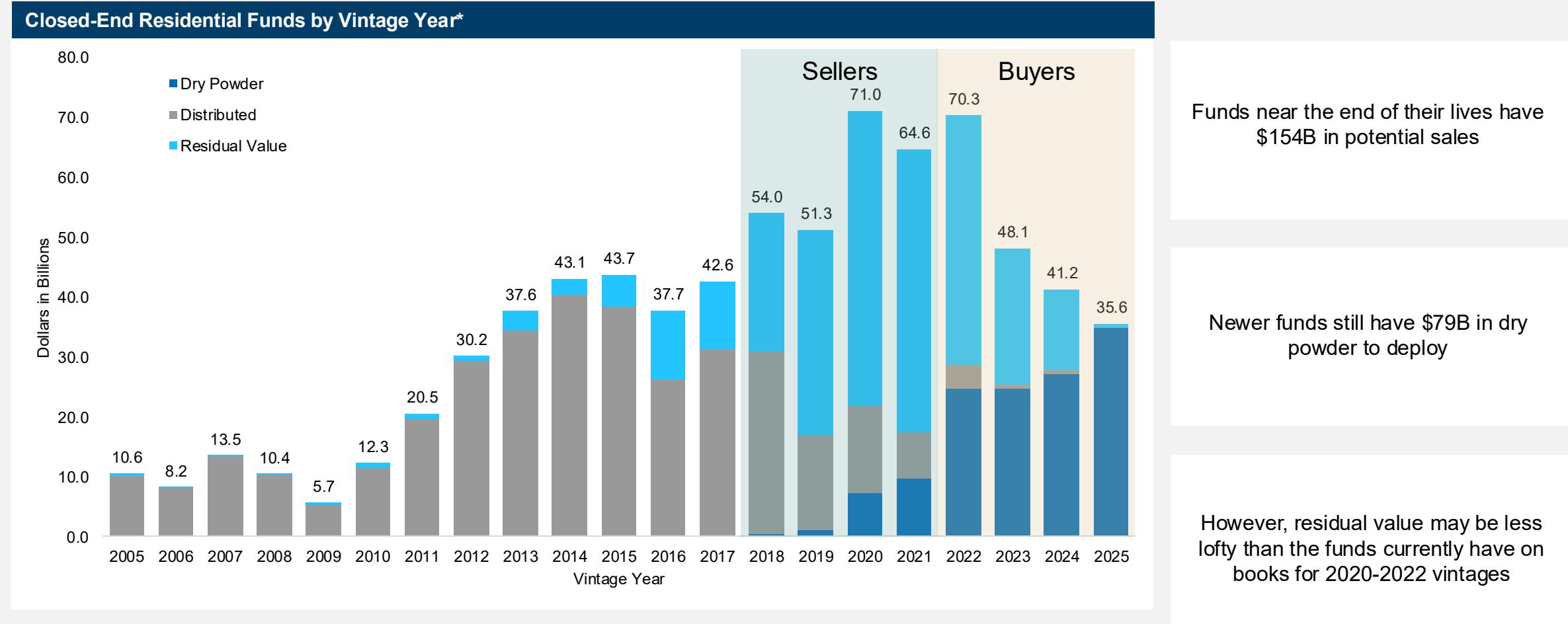


Private Equity Dry Powder Has Declined From 2022 Peak, but Still Elevated Overall

Dry powder is at 18% below its December 2022 peak, reflecting declines in dry powder at value-add, opportunistic funds and Debt Funds. Value-add dry powder has declined back to 2021 levels, down 31% since peaking in 2022, and represents roughly 49% the total decline in CRE dry powder, despite only accounting for 31% of total available funds available.

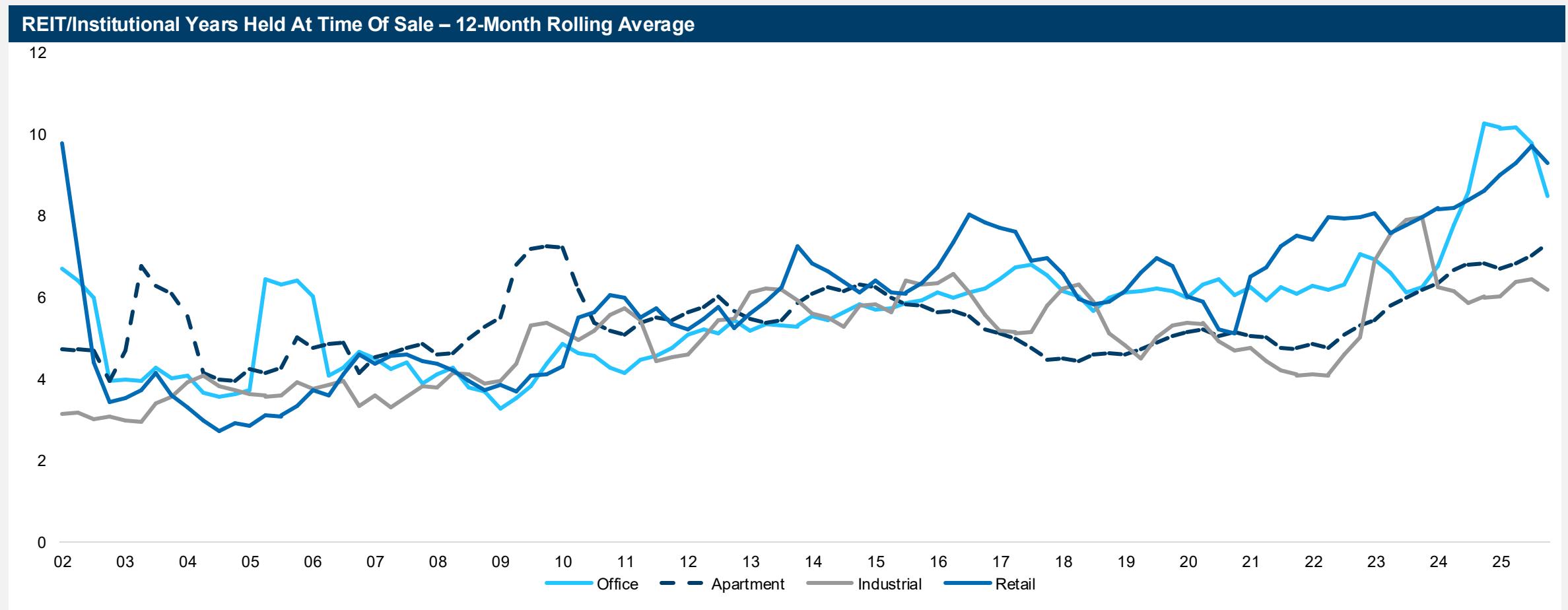


Private Equity Funds Face Pressure Both to Buy and to Sell



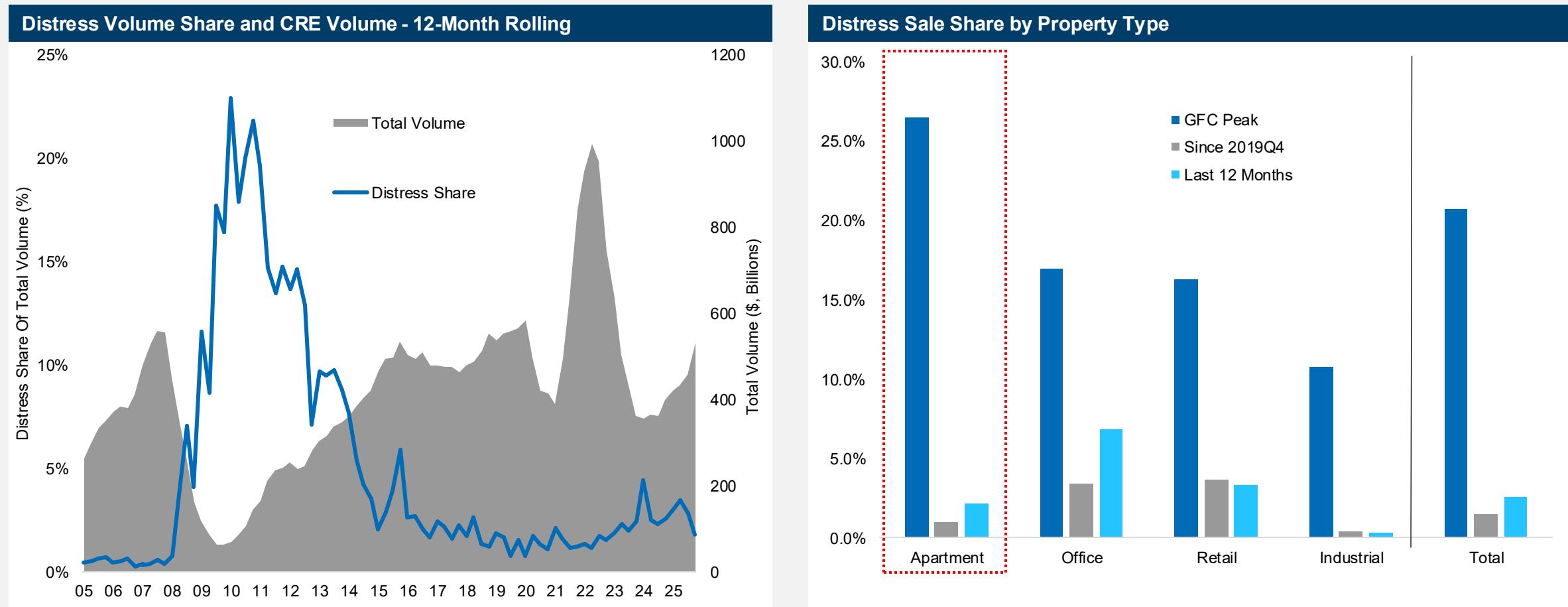
REITs and Institutional Owners Selling Older Office Vintages

While a lack of transaction volume has naturally pushed up hold periods, the effect has been drastic in the institutional-grade Office transactions. For Sellers, older vintage assets can be offloaded after years of pulling out yield for a positive overall IRR, even if the asset sells at a discount, and the capital can be recycled. Hold periods have also been extended as owners run into issues at maturity for their loans, and choose to extend as opposed to sell into a tough market.



Distress Sales Low, but Picking Up as a Share of Total

Distress share of total volume remains well below the peaks seen during the financial crisis but has been trending up since 2022. During the last crisis, distress played an important part in kickstarting the new investment cycle. Roughly 24% of the increase in volume in 2010 was due to distressed sales which were mostly multifamily. In the last 12 months, Office distress volume share passed 6.8%, and is more than double 2023 levels. Paradoxically, further increases in distressed sales would be among the most positive indicators for recovering investment sales.



05

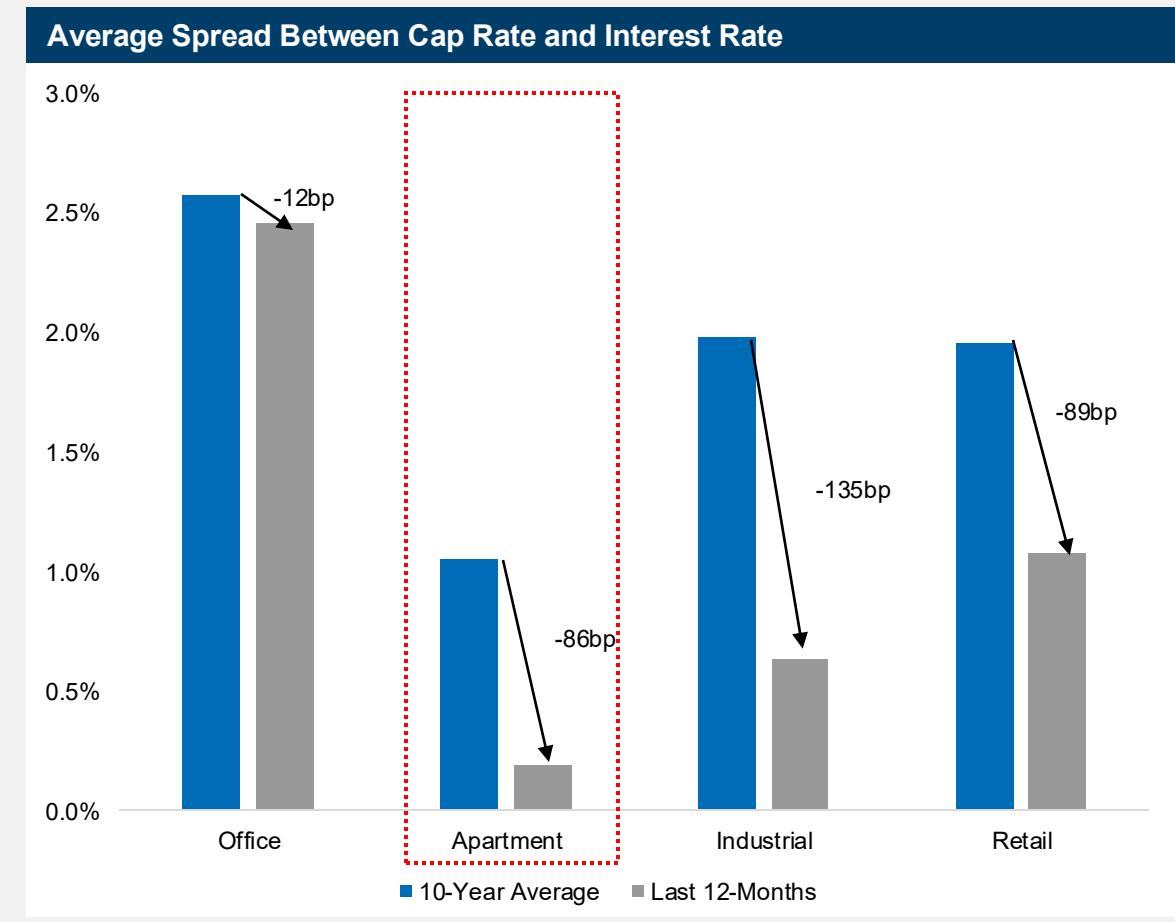
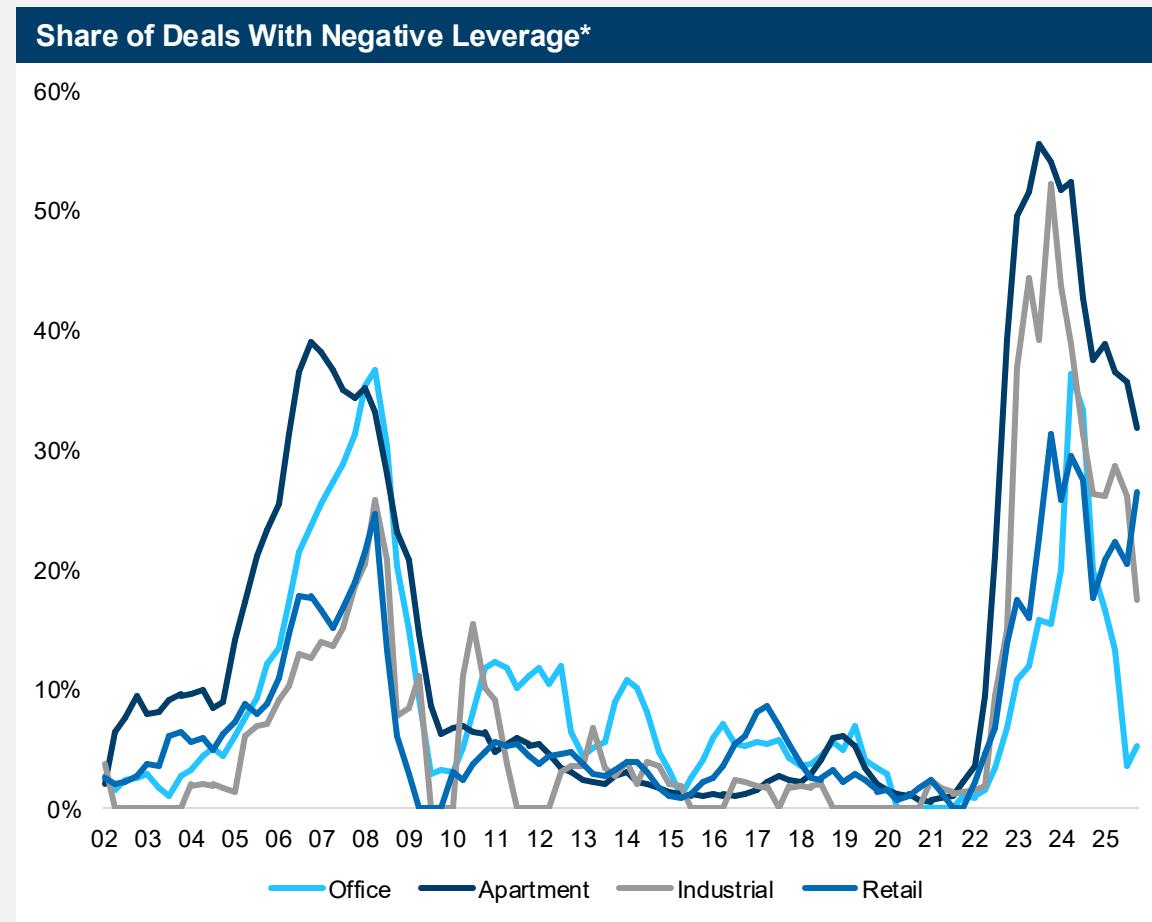
Pricing and Returns

4Q25



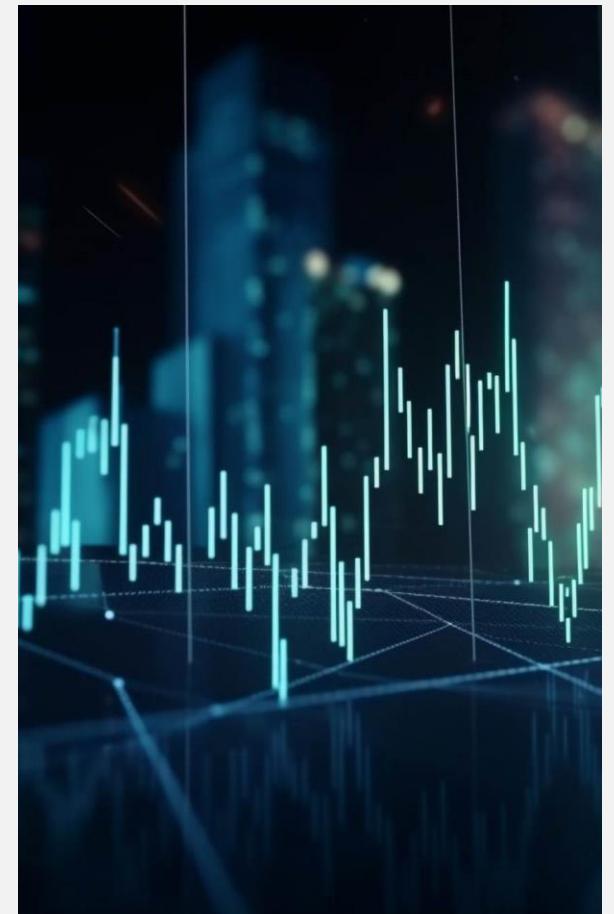
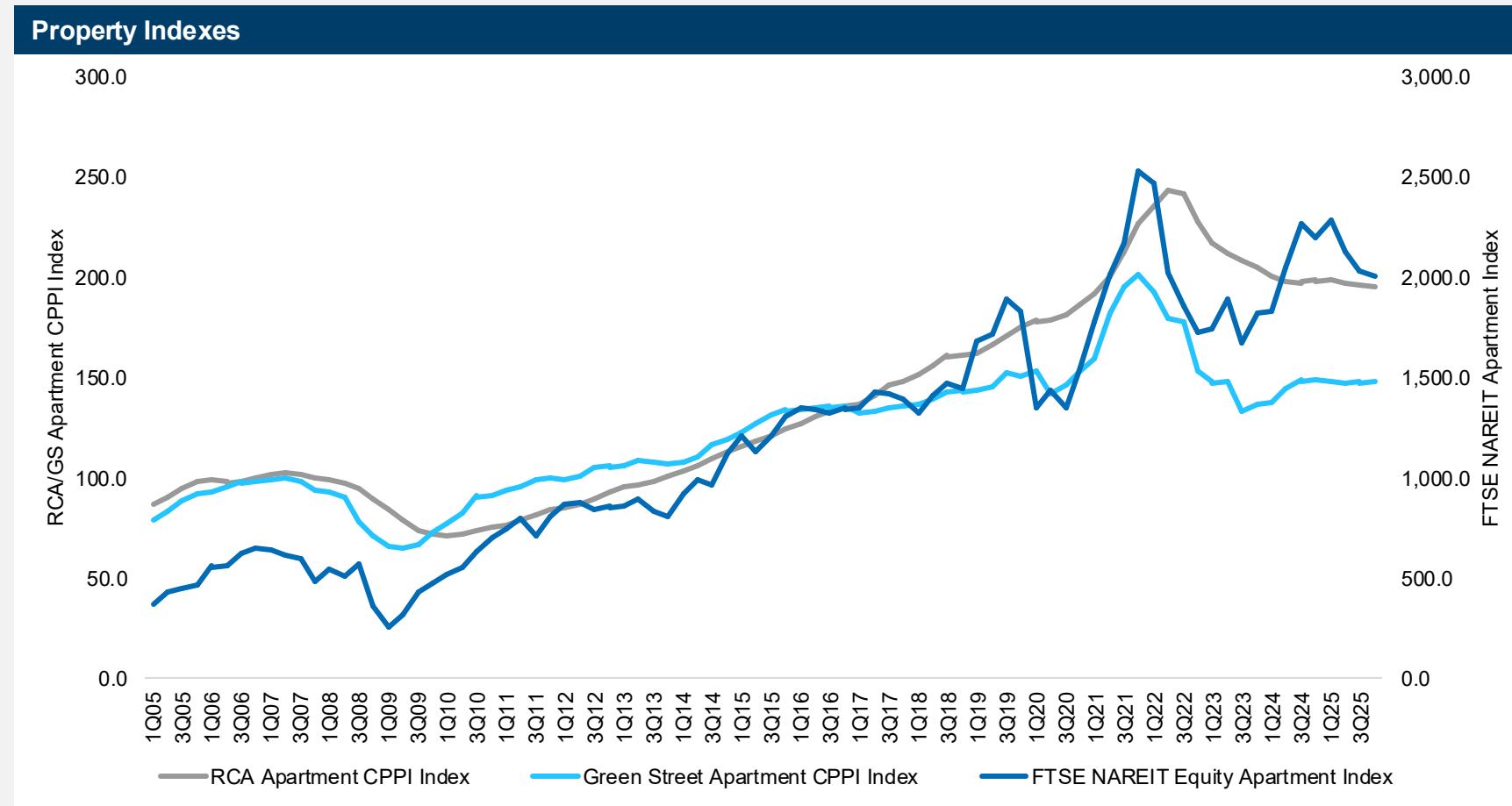
Negative Leverage Deals Have Continued To Recede

As base rates have increased, interest rates for CRE lending also increased, but cap rates have been slower to react. Multifamily and Industrial, where fundamentals have been the strongest, continue to have the tightest cap rate-to-interest rate spreads, but all property types are being squeezed. Negative leverage has also become a lot more common as investors rely on fundamentals to grow their NOI out, but as the market becomes convinced of higher-for-longer rates, spreads will become dependent on debt capital availability.



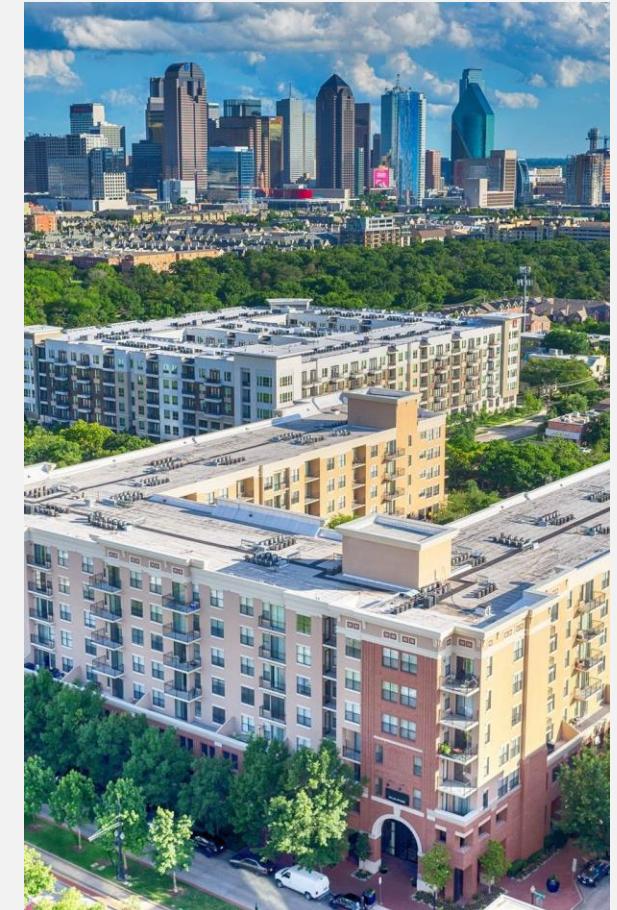
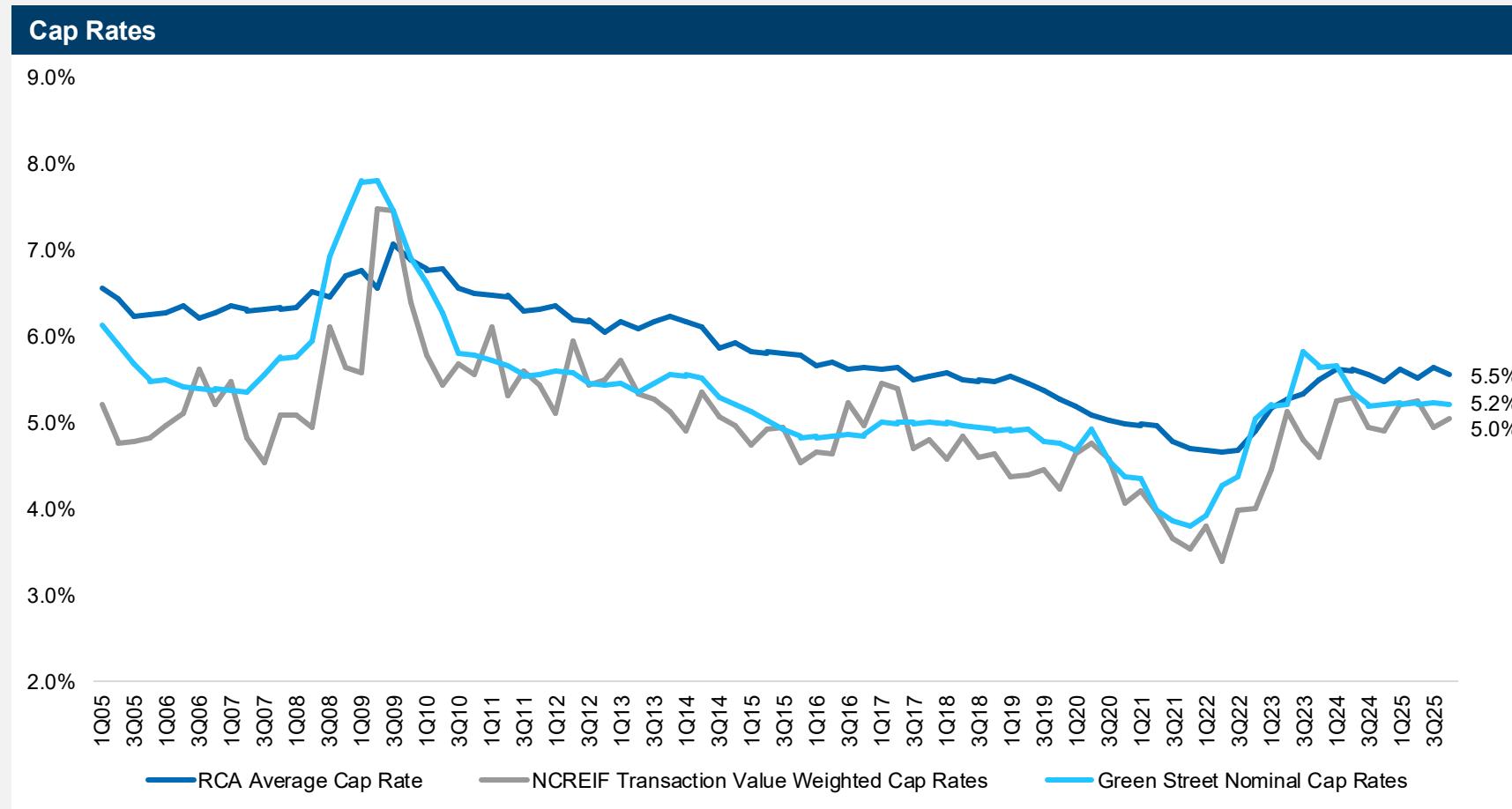
Indexes Post Modest Declines Amid Divergent Apartment Metrics

Apartment indexes have retreated from 2022 highs, but the pullback has been uneven. Year-over-year, private market indexes demonstrate notable resilience with only modest declines of -0.3% and -1.3%, respectively. In contrast, public REIT valuations have faced considerably more headwinds, dropping 8.6% year-over-year, reflecting a widening gap between private and public markets.



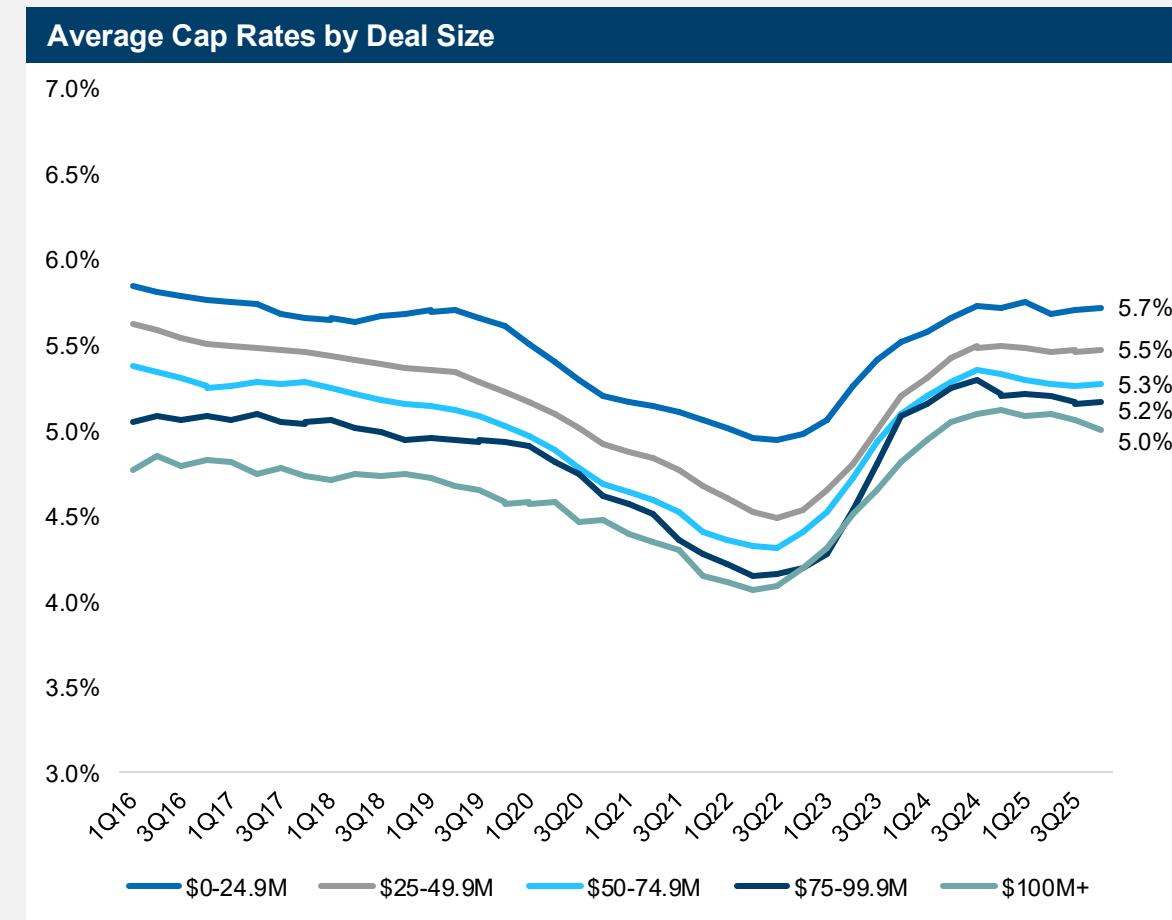
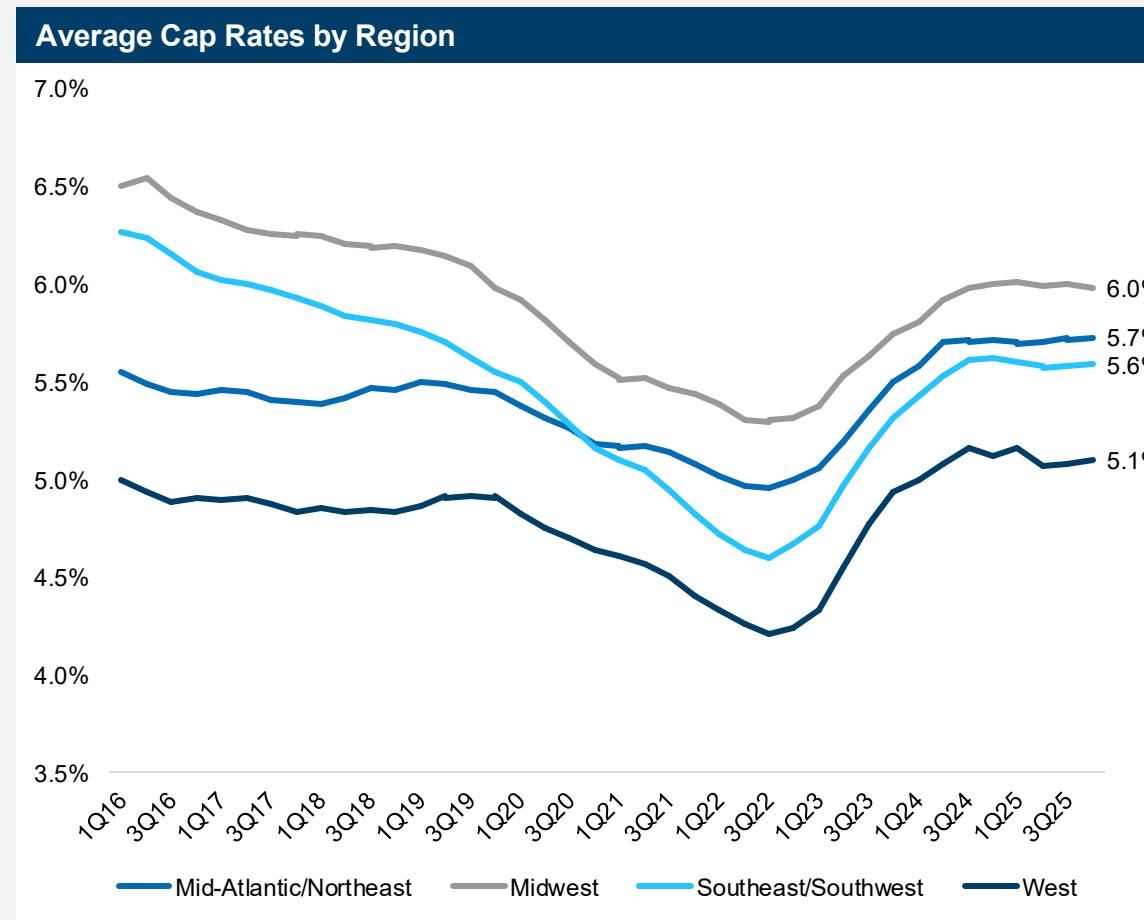
Cap Rates Remain Stable in 4Q25; Minimally Changed Year-over-Year

Cap rates remained largely stable throughout 2025, with only modest year-over-year movement across key benchmarks. National transaction cap rates rose to 5.5%, up 8 basis points from the fourth quarter of 2024, while NCREIF cap rates, increased 15 basis points year-over-year to 5.0% and nominal cap rates edged up 2 basis points to 5.2%. The blended average across all three measures increased slightly to 5.3%, compared with 5.2% one year earlier.



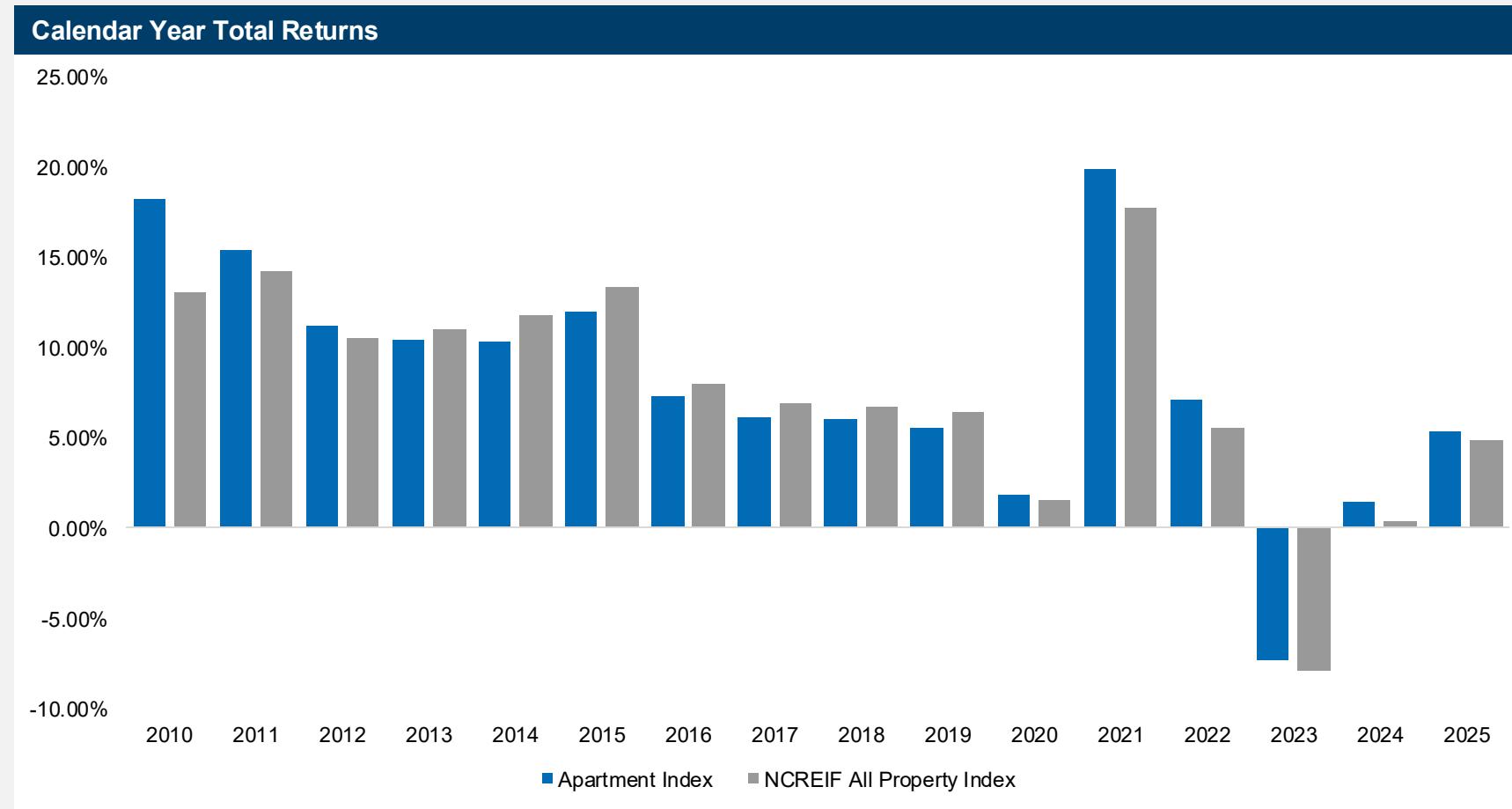
Regionally Cap Rates Remain Steady, \$100M+ Segment Saw Largest Changes

Year-over-year, cap rates have remained largely stable across all regions. Across all deal sizes, the most drastic change took place in the \$100 million and greater segmentation with cap rates compressing year-over-year to 5.0%, down 11 basis points.



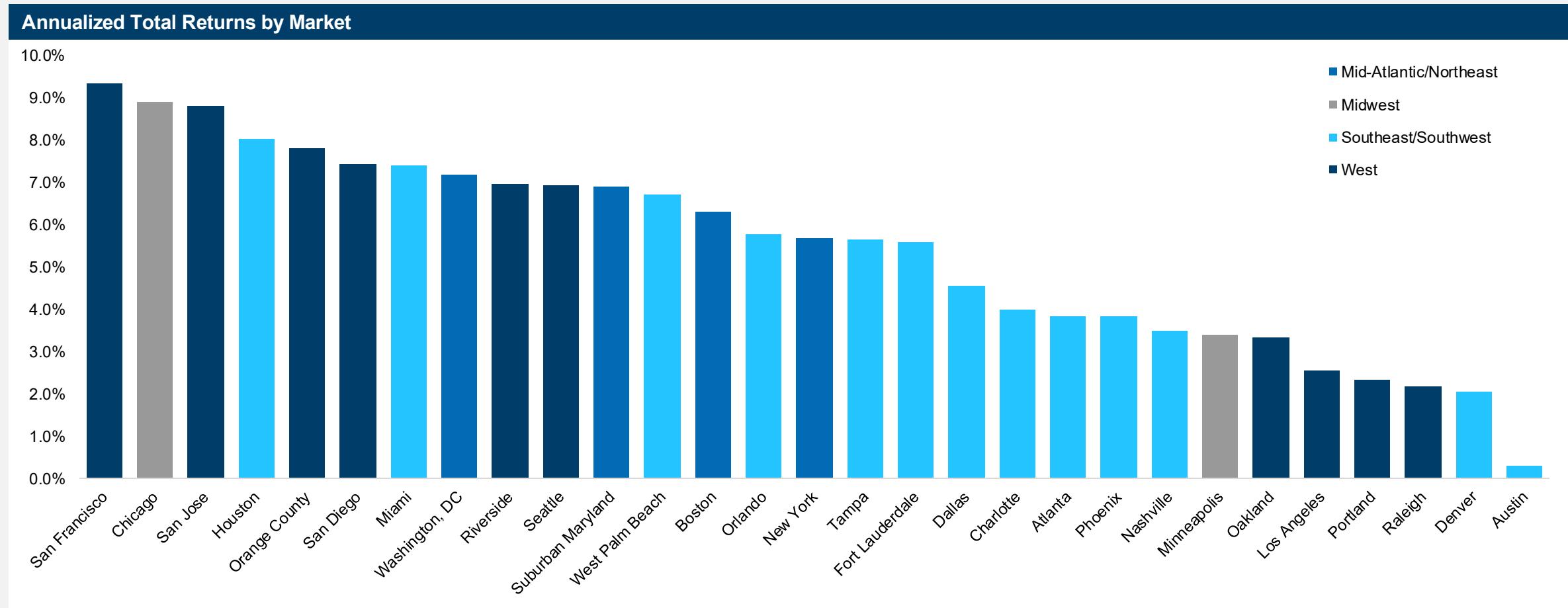
Multifamily Outperforms All-Property Index for 6th Consecutive Year

As of the end of 2025, annual total returns for multifamily properties were 5.39%, outperforming the NCREIF All Property Index, which registered 4.91% total returns. Apartments have routinely outperformed the all-property index every year since 2020, underscoring the sector's sustained strong performance.



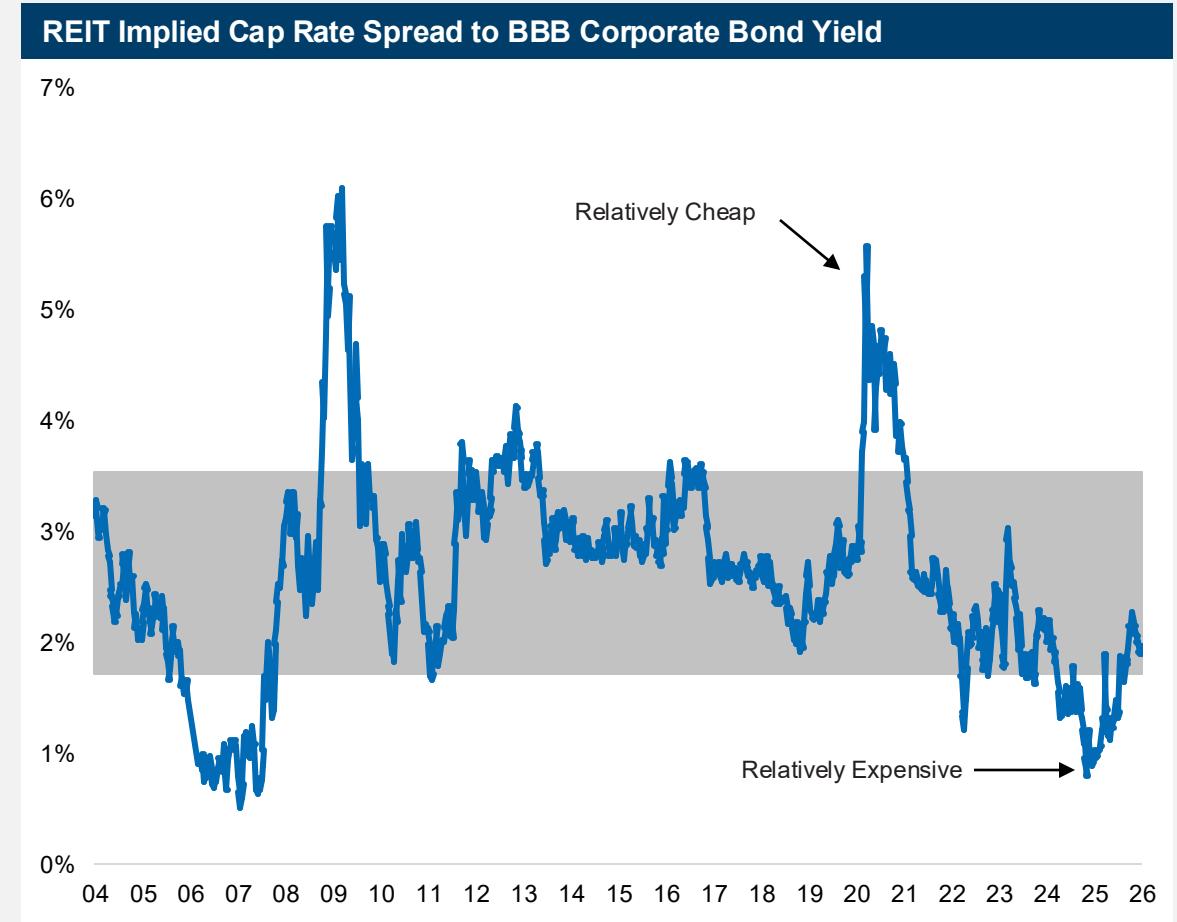
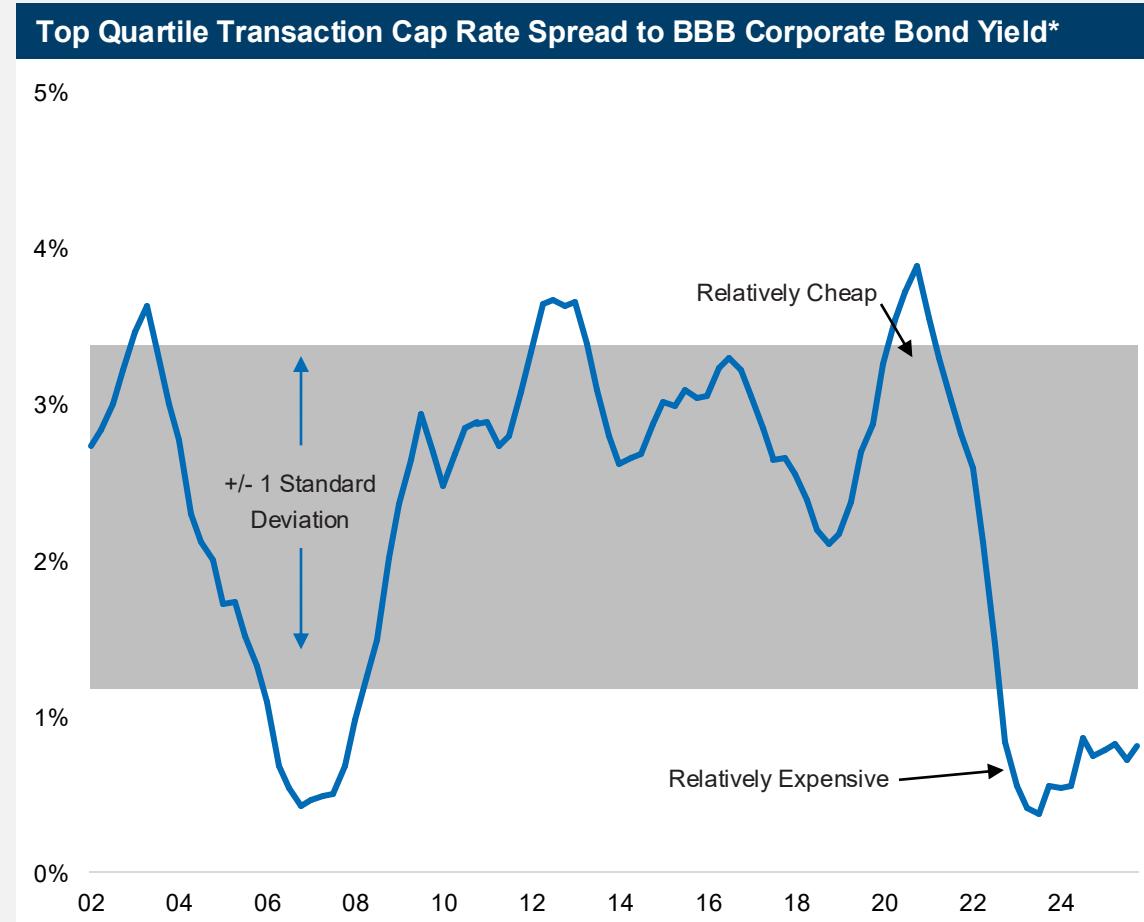
Major Markets and Houston Top Performance; West Coast Markets Rallying

San Francisco, Chicago, San Jose, and Houston lead all markets in annualized total returns, each surpassing 8.0% total returns in 2025. Among higher-supply Sunbelt markets, only Houston and Miami ranked in the top 10, highlighting selective outperformance within the Sunbelt.



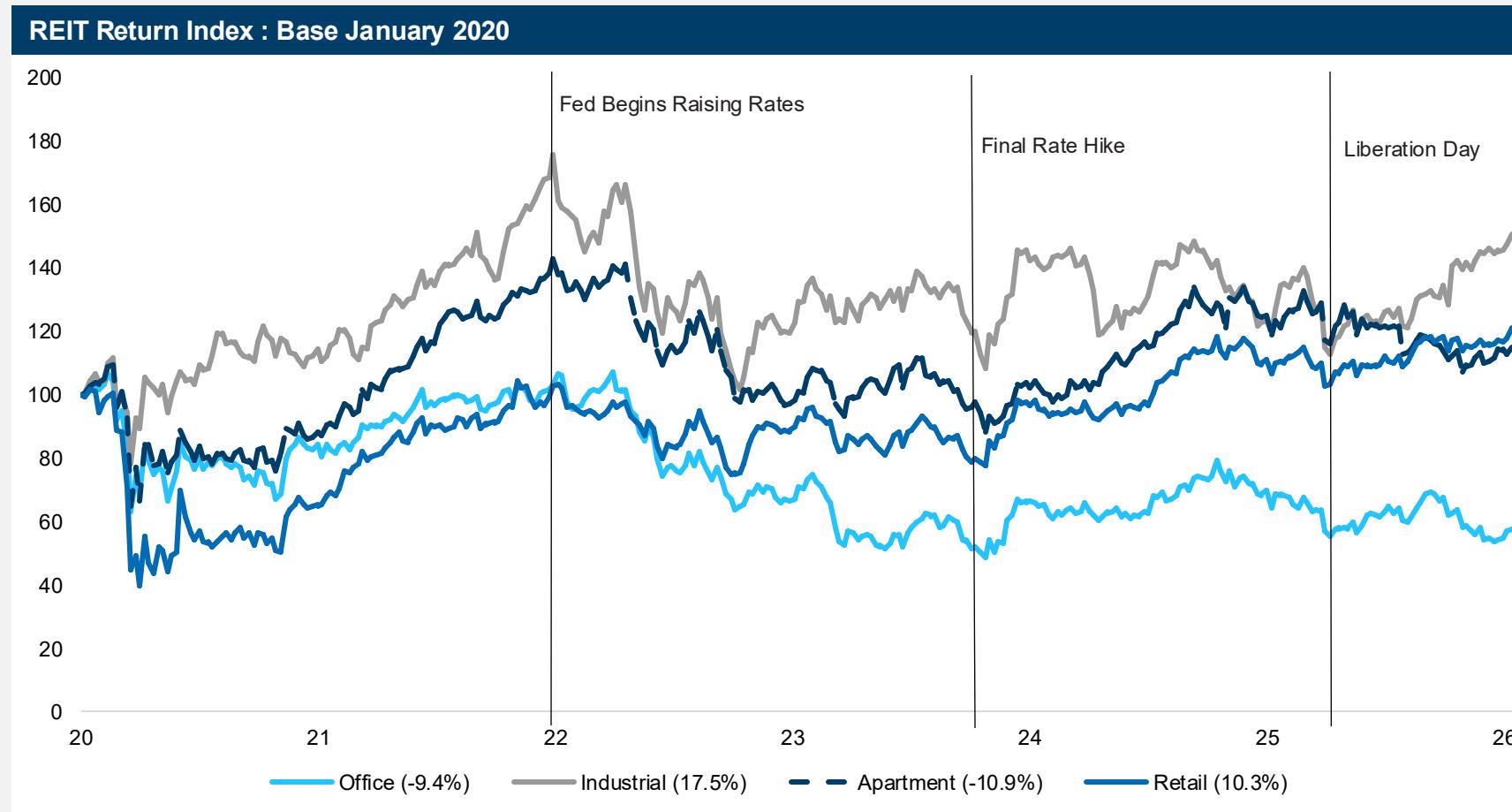
Multifamily Valuations Now Only Moderately Expensive

REITs currently offer more attractive yield spreads than top-quartile assets trading in the private market.



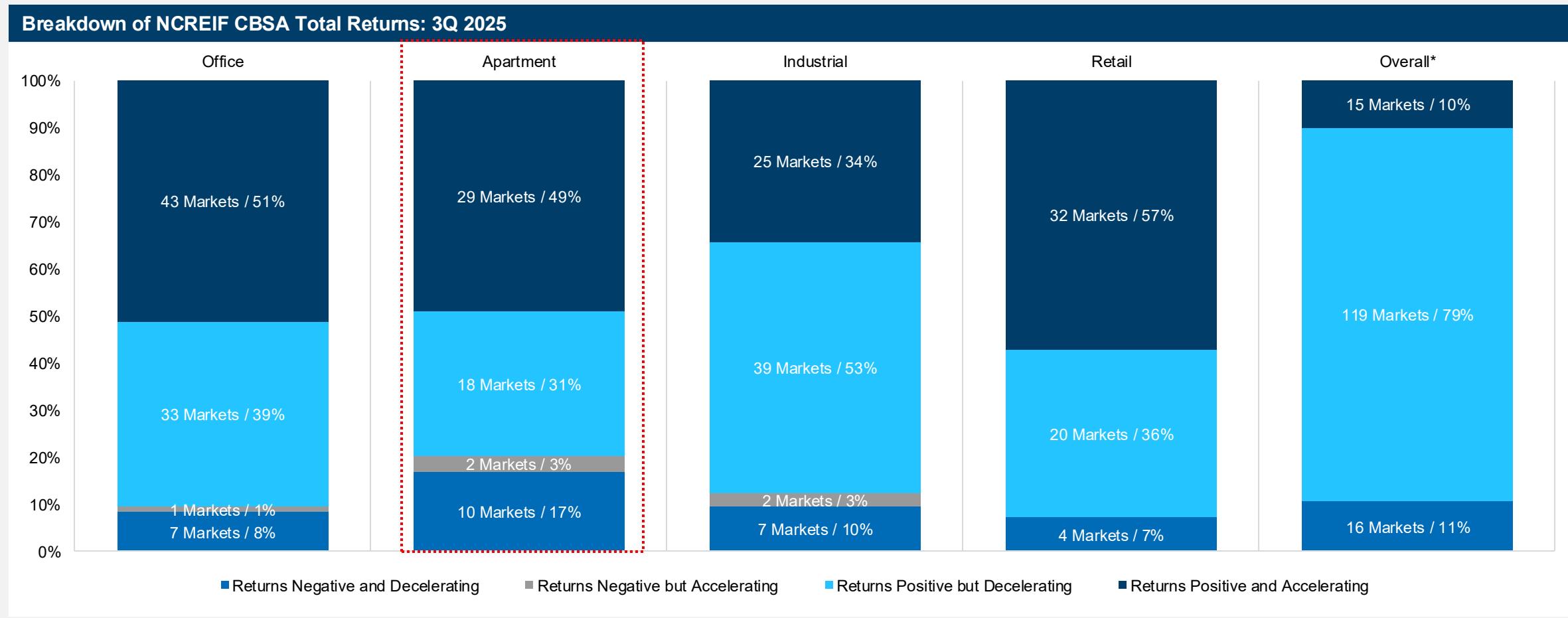
REIT Returns Have Moved in Lock Step With Rate Expectations

REIT Returns have been highly sensitive to changing rate expectations, as the markets predictions on the terminal rate have swung on the heels of Fed meetings and economic data. After the initial rate hike in early 2022, total returns for REITs fell precipitously, particularly in Office and Apartment. Since Liberation Day, however, Industrial (+17.5%) and Retail (+10%) have regained some of what they lost, while Office (-9.4%) and Apartment (-10.9%), still working through supply issues, has continued to decline.



NCREIF Returns Positive in 89% of Markets in 4Q25

Markets clearly registered the shift in return momentum in 2024, and continued it through 2025, though there has been some balancing as return acceleration has leveled out. Some deceleration is not concerning as overall returns have mainly remained steady, and positive even as economic uncertainty rolls through the system.



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