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Multifamily Investors Remain Cautiously Optimistic Despite Market Volatility

A recent midyear survey of high-level multifamily investors reveals a complicated landscape for the second half of 2025: uncertainty remains high, yet many are optimistic about an improving investment climate in the near future.

Challenges currently weighing on the sector include volatile interest rates, unpredictable market dynamics, and ongoing difficulties in securing both equity and financing. These issues have been further intensified by recent global tariff announcements and potential legislative shifts, contributing to a noticeable cooling of transaction volume compared to peak years.

Although investment activity in the first quarter of 2025 rose 36% year-over-year—reaching $21.6 billion—it still trails the record-breaking levels of 2021 and 2022. Half of the surveyed investors reported a slowdown in deal flow, attributing it to instability in capital markets. Roughly 45% stated that the turbulence had caused them to adjust their investment strategies for the remainder of the year.

A senior industry executive specializing in securities trading emphasized that the current rate-driven uncertainty is discouraging deals, suggesting that a return to steadier conditions could quickly rejuvenate the market. He pointed out that favorable financing environments in the past had led to swift rebounds in activity.

Encouragingly, 74% of respondents indicated they are proceeding with planned asset sales this year. This is likely driven by a backlog of deals delayed due to rate conditions, looming loan maturities, and signs of pricing stability. Some investors are acting now to refinance or dispose of properties ahead of upcoming financial deadlines.

Debt availability is also playing a key role, with substantial lending capacity still in play from government-backed institutions and private capital sources. Rebounds in various securitized lending vehicles and continued strength in debt fund activity are also expected to help support transaction volume in the months ahead.

Looking further out, 63% of those surveyed now anticipate an improved investment climate by mid-2026—an increase from earlier in the year, when less than 35% felt that way. This shift in sentiment suggests growing confidence in a potential recovery.

For the remainder of 2025, nearly half of respondents expect a stronger transaction environment than in 2024, while about one-third anticipate similar activity levels. Many attribute this cautiously optimistic outlook to the multifamily sector's resilience and a large reserve of capital still waiting on the sidelines.

Despite current headwinds, investor enthusiasm remains grounded in the solid fundamentals of multifamily real estate. While market instability tied to recent geopolitical developments has created short-term uncertainty, it has yet to significantly alter investors' long-term plans or confidence in the sector's performance. *Source: www.multihousingnews.com*

Multifamily Markets Show Steady Performance with Glimpses of Rebound in Struggling Regions

The U.S. multifamily housing sector held steady in May, with average asking rents increasing modestly and several underperforming markets beginning to show signs of recovery. Asking rents rose by $6 to reach an average of $1,761, maintaining a 1 percent year-over-year growth rate across 140 markets surveyed. While overall occupancy continued to slide, several markets that had been lagging are now posting positive momentum.

Among those showing renewed strength were cities that had previously seen rental declines, including Denver, San Francisco, Dallas, and Austin. Despite the national occupancy rate slipping to 94.4 percent in April—marking the lowest level in over a decade—these markets have begun to rebound.

Rent growth remained strongest in established urban centers and select secondary cities in the Northeast and Midwest. Cities such as New York (up 5.7%), Kansas City (4.0%), Philadelphia (3.4%), and Columbus (3.3%) led the way. In contrast, oversupplied markets like Austin, Denver, Phoenix, and Orlando continued to face downward rent pressure, with annual declines ranging from -1.8% to -5.2%.

Occupancy rates mirrored this trend, with many high-supply metros experiencing notable declines. Roughly two-thirds of the top 30 U.S. markets saw occupancy drops over the past year. Among the lowest were Phoenix (92.4%), Austin (92.5%), and Dallas and Houston (both at 92.6%).

Short-Term Growth Suggests Renewed Momentum

National asking rents rose 0.3 percent month-over-month in May, with gains spread evenly across property types. Only a few markets—Tampa, Phoenix, and San Diego—saw slight monthly declines. On the upside, Kansas City posted a full 1.0 percent increase, followed by strong showings in New Jersey and Denver (both up 0.8%).

Some markets with recent rent struggles appear to be turning a corner. Denver, Portland, San Francisco, and Seattle each posted modest monthly increases, indicating potential recovery trajectories.

Despite ongoing headwinds—including high interest rates and inflationary concerns fueled by recent trade policy changes—the outlook for multifamily remains cautiously optimistic. Recent legislative and policy developments, including increased funding for affordable housing and extensions of key incentive programs, have added some support. These initiatives are projected to enable the construction of hundreds of thousands of new units nationwide.

Build-to-Rent Segment Sees Mixed Results

In the single-family build-to-rent category, average asking rents rose slightly by $3 in May to $2,183. However, this represented a minor year-over-year decline of 0.1 percent. Occupancy in this segment also dipped, falling to 94.8 percent—a 60 basis-point drop compared to the previous year.

Some markets in this segment saw notable rent growth, including Detroit (5.0%), the Inland Empire (4.9%), and Kansas City (4.1%). On the other hand, metros like Jacksonville, Austin, Phoenix, Tampa, and Dallas posted year-over-year declines in both rents and home prices. These cities continue to feel the impact of oversupply and shifting demand.

Overall, the multifamily sector remains in a state of cautious balance. While uncertainty persists, especially in terms of economic policy and interest rate trajectories, several data points suggest that conditions are stabilizing in select regions—offering a possible foundation for stronger performance moving into the second half of the year.

Source: www.multihousingnews.com

Tariffs Yet to Hit Consumers Directly, But Cost Pressures Mounting Across CRE and Investment Landscape

Recent shifts in trade policy are beginning to ripple through the economy, though the full impact has yet to materialize in consumer inflation data. In April, the overall consumer price index (CPI) rose slightly by 0.2 percent, bringing the annual inflation rate to 2.3 percent. Core inflation held steady at 2.8 percent year-over-year, indicating that pricing pressures have not yet surged at the retail level. However, signs are mounting that upstream cost increases—driven largely by tariff-related disruptions—are working their way through the supply chain and may soon challenge both consumers and commercial property owners.

While a temporary easing of trade tensions through a short-term agreement between the U.S. and China has paused the escalation of tariffs, existing duties are expected to gradually increase input costs. For investors, particularly those active in sectors like industrial, logistics, and retail, these rising business expenses could compress margins and slow tenant expansion plans, placing pressure on rent growth and occupancy in affected asset classes.

Rising Input Costs Could Signal Inflation Surge Ahead

Recent manufacturing data shows a sharp uptick in production costs, with one key price index reaching its highest point in nearly three years. These increases have been largely driven by more expensive raw materials, which are being affected by current tariff structures. Historically, such upstream inflation has filtered down to consumers over time, though the exact pace and scale of this pass-through will depend heavily on consumer demand resilience.

With household budgets already under pressure and sentiment weakening, companies, especially those in consumer goods and discretionary retail—may struggle to raise prices without losing market share. This dynamic could particularly affect the manufacturing and logistics sectors, which play a central role in the demand for big-box industrial real estate. A slowdown in tenant growth or reduced shipping volumes could create near-term headwinds for developers and investors focused on supply chain-related assets.

Inventory Strategies Delay Price Impact, But Not for Long

In anticipation of tariff hikes earlier in the year, many businesses pulled forward inventory purchases, temporarily cushioning the effects on pricing. However, this stockpiling strategy may only offer short-term relief. As inventories turn over in the second half of the year, businesses are expected to confront steeper replacement costs. Some large retailers have already flagged potential pricing adjustments in the months ahead, especially in non-essential categories such as apparel, where consumer demand has softened. Conversely, sectors tied to personal care and wellness continue to show pricing strength—offering some stability for related retail tenants and neighborhood shopping centers.

Energy Costs Add Strain to Multifamily Profitability

Within the multifamily sector, rising energy expenses are a growing concern. Utility costs climbed again in April, with energy-related categories recording some of the fastest increases within the broader inflation basket. This trend poses operational challenges, particularly for mid-tier and workforce housing assets where tenants are highly cost-sensitive and owners often bear a portion of utility expenses. For landlords, persistently high utility bills could eat into net operating income, prompting renewed focus on energy efficiency projects or efforts to shift more utility responsibility to renters where leases allow.

Tariffs on Auto Inputs Create CRE Ripple Effects

While vehicle prices remained mostly stable in early 2025, the sector is under pressure from tariffs on imported steel, aluminum, and key auto components. For industrial markets with a significant automotive footprint, this uncertainty may slow capital deployment and delay expansion plans. However, long-term trends may favor onshoring strategies and domestic production realignment—potentially creating new opportunities in regions with established manufacturing infrastructure. These shifts, while promising for investors, will likely evolve gradually and depend heavily on future trade negotiations and broader economic conditions.

Outlook: Caution in the Short Term, Opportunities in the Long Run

For investors and CRE professionals, the current environment calls for strategic patience. While headline inflation data may suggest stability, underlying cost structures are shifting. Industrial and retail sectors face cost volatility, multifamily is managing margin compression from utilities, and global supply chain uncertainty continues to complicate investment planning. However, adaptive asset management, geographic diversification, and investments in operational efficiency can help mitigate risk while positioning portfolios for emerging opportunities in a reshaped trade and inflation environment.

** Source: www.marcusmillichap.com*

Multifamily Investment Surges Amid Tightening Vacancies and Rising Rents

Multifamily is leading the way in commercial real estate investment so far in 2025. Investor momentum accelerated in Q1, with total volume jumping 33% year-over-year to $28.8 billion—the strongest first-quarter performance in recent memory.

Vacancy Drops as Demand Outpaces New Supply

Vacancy rates fell to 4.8% nationally, driven by a sharp increase in net absorption, which surged over 75% compared to last year. Demand significantly outstripped completions, with new deliveries falling to 71,000 units this quarter—down from more than 120,000 the previous quarter.

This imbalance between demand and supply helped push rents higher. Average monthly rents increased 0.9% to $2,184, with some regions seeing annual gains above 3%. Fewer markets are now experiencing rent declines, indicating stronger leasing activity and a more confident renter base.

Widespread Strength Across Major Metros

The rebound in demand was broad-based, with most markets seeing positive absorption. Key metros including New York, Atlanta, and Phoenix led in total units absorbed, while select Sunbelt markets posted some of the highest absorption rates relative to their inventory. In many of the top development markets, demand has even outpaced new supply, suggesting strong fundamentals despite lingering economic uncertainty.

Investor Outlook

The multifamily sector appears well-positioned heading into the second half of the year. Tightening vacancy, moderating new supply, and resilient renter demand are combining to

support both income and value growth. For investors seeking yield and relative stability in an uneven economic landscape, multifamily remains a compelling place to deploy capital. * *Source: www.credaily.com*

San Diego Multifamily Market Rebounds with Renewed Leasing Activity and Capital Interest

San Diego's apartment market is regaining its footing, with demand steadily rebounding and vacancy rates improving across much of the region. After several slower quarters, the past nine months have marked the strongest run of leasing activity since 2021, particularly among mid-tier and workforce housing assets.

Occupancy Prioritized as Leasing Activity Strengthens
Operators are seeing encouraging momentum as units that previously sat vacant are now moving. To keep the pace up, many are continuing to offer targeted concessions, using incentives strategically to boost absorption and stabilize cash flow. While these measures remain in place, the increase in foot traffic and lease-up speed is a clear sign that renter confidence is returning.

Affordability Adjustments Creating Opportunities
High housing costs continue to influence renter behavior, but they're also reshaping the market in healthy ways. Renters are adapting—whether by co-living, downsizing, or shifting neighborhoods—and rent-to-income ratios are now trending closer to historical norms. This rebalancing is creating new opportunities for operators with flexible unit mixes and competitive pricing.

Capital Begins to Flow Back In
The capital markets are also beginning to respond. While higher interest rates have slowed transactions over the past year, fresh liquidity is starting to come off the sidelines. Lenders are more active, loan issuance is picking up, and investment interest is rising—especially from groups targeting long-term, stable multifamily assets in supply-constrained coastal markets like San Diego.

Development Shifts Reflect Demand for Efficient Living
New development is adjusting to market needs, with a pivot toward more efficient unit designs. Developers are increasingly delivering studios and one-bedrooms, which continue to outperform on a rent-per-square-foot basis. These shifts are helping deliver products that align with renter budgets while supporting higher project feasibility.

Outlook: Market Fundamentals Gaining Ground
San Diego's multifamily sector is showing real signs of resilience. With leasing activity rising, concessions helping drive occupancy, and capital re-engaging, the market is clearly moving in the right direction. Investors focused on long-term value and demographic tailwinds will find plenty of reasons to remain bullish on the region—especially as demand normalizes and development remains constrained. * *Source: www.CoStar.com*

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If you've recently changed your address, email, or phone number, please contact below.

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