



THE INSIGHTER

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INSIGHTS INTO CRE TRENDS
CRE MARKET UPDATE

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Commercial Real Estate Market Update

From Our Team

Over the past several years, the commercial real estate market has experienced a significant shift. Rising interest rates, tighter lending standards, and reduced transaction activity created a more challenging environment across much of industry. While this period has required patience and discipline, it has also been part of a natural adjustment following an unusually strong market cycle.

As we move further into 2026, we are beginning to see signs that the market is stabilizing. Investors are adjusting to a new interest rate environment, lenders are gradually returning to the market, and pricing expectations between buyers and sellers are slowly beginning to align.

Periods of transition in real estate often create both uncertainty and opportunity. Our goal with this newsletter is to provide insight into the broader market trends that may shape the commercial real estate landscape in the months ahead.



Market Snapshot

Several key indicators are currently shaping the commercial real estate market.

Estimated commercial real estate loan maturities expected in 2026: more than \$500 billion.

Recent multifamily cap rate ranges in many U.S. markets: approximately 4.5% to 6% depending on asset quality and location.

Multifamily completions during 2024–2025 reached the highest levels in more than a decade as projects initiated during the low-interest-rate period were completed.

New multifamily construction starts have begun to decline as higher interest rates and construction costs limit new development activity.

These trends are contributing to a market environment that is gradually moving toward stabilization after several years of rapid change.

In This Month's Newsletter

In this month's newsletter, we review several of the major forces currently influencing commercial real estate markets. Interest rates continue to play a central role in determining borrowing costs and investment activity, while cap rates and property valuations are adjusting to reflect the new cost of capital.

We also examine current supply and demand trends within the multifamily sector, including the recent wave of new apartment deliveries and how a slowdown in construction could influence market conditions going forward.

Additionally, we discuss the large volume of commercial real estate loans scheduled to mature in the coming years and how refinancing pressures may create both challenges and opportunities for property owners and investors.

Finally, we look at why value-add investment strategies remain attractive in the current market environment.

Interest Rates and the Cost of Capital

Interest rates have been one of the most influential factors shaping commercial real estate performance in recent years. During the pandemic period, extremely low interest rates allowed investors to finance acquisitions at historically favorable borrowing costs. As inflation accelerated in 2022 and 2023, the Federal Reserve implemented a series of interest rate increases designed to slow economic growth and reduce inflationary pressure.

These rate increases had a direct effect on the commercial real estate market. Borrowing costs rose significantly, reducing the amount of leverage investors could use when acquiring properties. As

financing became more expensive, many buyers paused new acquisitions while sellers were slow to adjust pricing expectations.

The resulting gap between buyers and sellers contributed to a sharp decline in transaction volume across many property sectors.

Over time, however, markets adapt. Investors adjust their underwriting assumptions, lenders modify lending criteria, and property pricing gradually reflects the new cost of capital. The industry now appears to be entering this adjustment phase.

Although borrowing costs remain higher than during the previous market cycle, the interest rate environment has become more predictable. Greater stability in interest rates often leads to increased investment activity as investors gain confidence in their ability to forecast financing costs and long-term returns.

Cap Rates and Property Pricing

Changes in interest rates typically influence commercial real estate values through cap rates. A capitalization rate measures the relationship between a property's net operating income and its purchase price.

During the peak of the real estate market between 2020 and early 2022, strong investor demand and inexpensive financing pushed cap rates to historically low levels. Multifamily properties in many major markets traded at cap rates below four percent.

As interest rates increased, investors began demanding higher returns to offset rising borrowing costs and market uncertainty. This shift caused cap rates to expand, which in turn led to adjustments in property pricing.

Today, multifamily cap rates in many markets generally range from the mid-four percent range for stabilized assets to the mid-five percent range or higher for properties requiring operational improvements.

Although this shift represents a correction from the previous market peak, it may ultimately support a healthier investment environment. Real estate markets tend to function more efficiently when pricing reflects sustainable financing costs and realistic operating assumptions.



Multifamily Supply and Demand

Multifamily housing continues to demonstrate resilience within the commercial real estate sector. Demand for rental housing remains strong due to demographic trends, population growth, and the ongoing affordability challenges associated with homeownership.

Over the past several years, developers significantly increased apartment construction in response to strong rental demand. As a result, 2024 and



2025 experienced a large wave of new multifamily deliveries across many metropolitan areas.

This increase in supply temporarily slowed rent growth in certain markets as newly completed properties competed for tenants.

However, development activity is now beginning to slow. Higher interest rates, increased construction costs, and tighter lending standards have reduced the number of new projects starting construction.

As the pace of new development declines and existing supply is absorbed, market conditions may gradually rebalance.

Another factor supporting multifamily demand is the continued affordability gap between renting and homeownership. Rising home prices and elevated mortgage rates have made purchasing a home more difficult for many households, which continues to support long-term demand for rental housing.



The Wave of Loan Maturities

One of the most widely discussed issues in commercial real estate today is the large number of loans scheduled to mature over the next several years.

Between 2020 and 2022, many properties were

financed with historically low interest rates. As these loans approach maturity, borrowers will need to refinance at interest rates that may be significantly higher than when the loans were originally originated.

Industry estimates suggest that hundreds of billions of dollars in commercial real estate loans will mature each year during the coming years.

For many property owners, refinancing will involve adjusting to higher borrowing costs. However, some properties—particularly those with high leverage or declining valuations—may encounter challenges during the refinancing process.

In these situations, borrowers may need to contribute additional equity, restructure debt, or sell properties in order to resolve financing pressures.

While this environment presents challenges for some owners, it may also create acquisition opportunities for investors with available capital. Properties that must be sold due to refinancing pressure may trade at pricing levels that better reflect current market conditions.

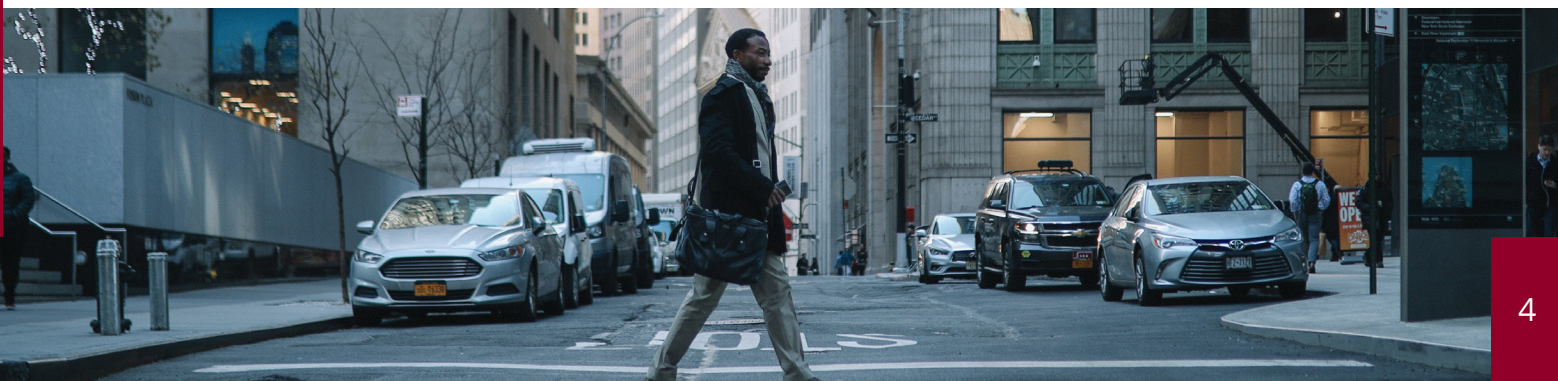
Value-Add Investment Opportunities

In today's environment, many investors are focusing on strategies that do not rely solely on market appreciation. One of the most widely used approaches is the value-add investment strategy.

Value-add investing involves improving a property's performance through renovations, operational improvements, or repositioning strategies. By increasing a property's net operating income, investors can create value even when overall market growth is modest.

Common value-add strategies include upgrading apartment interiors, enhancing property amenities, improving management practices, and addressing deferred maintenance.

These improvements can increase rental income



and operating efficiency, ultimately increasing property value.

Value-add strategies have historically performed well during periods when the broader real estate market is transitioning between cycles.

Looking Ahead

Although the commercial real estate market continues to adjust to higher interest rates, several indicators suggest the industry may be entering a period of stabilization.

Property pricing has begun to adjust, lenders are gradually becoming more active, and investors are adapting to the new cost of capital. At the same time, strong long-term demand, particularly in the multifamily sector—continue to support the fundamentals of rental housing.

While uncertainty remains, many market participants believe the coming years could present attractive opportunities as the industry moves into the next phase of the real estate cycle.

For investors focused on long-term fundamentals and disciplined underwriting, the current environment may present opportunities that were not available during the peak of the previous market cycle.

Investor Perspective

Periods of market transition can often create uncertainty, but they can also present some of the most compelling opportunities for long-term investors. As the commercial real estate market adjusts to higher interest rates and evolving lending conditions, pricing is gradually resetting and capital markets are beginning to normalize.

For experienced investors, environments like this often allow for more disciplined acquisitions and the ability to identify assets with strong long-term fundamentals. While transaction activity slowed during the height of interest rate volatility, many investors are now returning to the market as conditions become more predictable.

Multifamily housing in particular continues to benefit from strong demand drivers, including population growth, housing affordability challenges, and limited housing supply in many regions. These fundamentals continue to support long-term investment in well-located residential assets.

As always, our focus remains on identifying opportunities where operational improvements and disciplined underwriting can create long-term value for our investors.



Sources

Cushman & Wakefield – U.S. Commercial Real Estate Outlook

National Association of Realtors – Commercial Real Estate Market Trends

Yardi Matrix – U.S. Multifamily Supply and Construction Data

Fannie Mae Multifamily Research – Rental Housing Market Outlook

Mortgage Bankers Association – Commercial Real Estate Loan Maturity Data

MSCI Real Capital Analytics – Cap Rate and Transaction Volume Analysis

Realtor.com Research – U.S. Housing Supply and Rental Market Data

WLA NEWS

2025 K1's Were Delivered Electronically

Please check your inbox and spam folder for your 2025 Tax Forms that were emailed Thursday March 5, 2026.

They were emailed from ll@aretecpa.com.

If you have any questions, please contact Andrea Powers at 949-851-2020 or via email at apowers@wlainvestments.com



Update Your Investor Contact Information

To ensure timely delivery of important communications such as annual K-1s, asset listings, distribution notices, property updates, and newsletters, please make sure we have your current contact information on file.

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

Andrea Powers at:

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