

2025

Multifamily Investor Sentiment

SURVEY

MARCH 2025

BERKADIA[®]





Berkadia's inaugural Multifamily Investor Sentiment Survey has arrived! In our first edition, we surveyed over 240 senior-level clients, to better understand their anticipated challenges and expectations for the multifamily sector in 2025.

The survey examines the current investment climate, property performance, rent growth, and preferred investment profiles, with an emphasis on moderate portfolio expansion and Core-Plus strategies. It also covers the 10-Year Treasury Yield, Federal Reserve rate cuts, and preferred lending types.

With an improving outlook, current valuations present a compelling long-term investment opportunity, driving increased multifamily transaction activity in 2025. Fundamentals are expected to remain soft through the first half of 2025 as supply comes online. Absorption is now outpacing deliveries, which suggests that vacancies have peaked. National apartment occupancy stands at 94.8%, near the long-term average. Distressed sales are expected to rise as loans mature on value-add and development projects from 2020–2022, particularly those involving high leverage, short-term debt, and non-institutional owners. The long-term drivers of rental housing remain robust, positioning multifamily investments for strong performance in the years ahead.

In 2024, Berkadia closed \$39 billion in total production, originating \$25 billion across 1,100 loans, advising on \$14 billion in investment sales volume across 500 transactions, and maintaining a \$417 billion servicing portfolio with 20,562 actively serviced loans.

Overall, many investors remain optimistic about the multifamily market and anticipate the following themes to shape the capital markets landscape in 2025:

- **Moderate growth and improved investment conditions, with rental growth projected between 1-3%**
- **The 10-Year Treasury yield is anticipated to be between 4.0%-4.5%, with two Fed rate cuts**
- **Core-Plus and Value-Add strategies are expected to be most favorable for investors achieving attractive risk-adjusted returns, with 65% of investors planning to moderately expand their portfolios**
- **Rising insurance costs, labor expenses, and interest rates to remain key challenges**

- Ernie Katai
Executive Vice President, Head of Production

ABOUT THE MULTIFAMILY INVESTOR SENTIMENT SURVEY

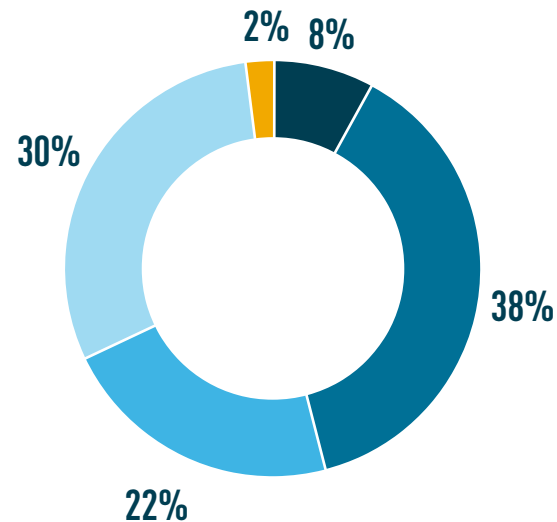
THE INAUGURAL MULTIFAMILY INVESTOR SENTIMENT SURVEY WAS CONDUCTED ONLINE BY BERKADIA IN JANUARY OF 2025 TO ASSESS ANTICIPATED CRE ACTIVITY AND OPPORTUNITIES FOR THE YEAR AHEAD. THE SURVEY RECEIVED 240 RESPONSES, WITH A MAJORITY HOLDING SENIOR-LEVEL TITLES AT PRIVATE INVESTMENT COMPANIES, A SIGNIFICANT PORTION OF WHICH MANAGE OVER \$2.5 BILLION IN ASSETS, FOCUSING PRIMARILY ON THE MULTIFAMILY SECTOR.

Property Performance

The outlook on Class A performance relative to Class B or C was split, with 46% feeling it will outperform and 32% feeling it will under-perform.

How do you anticipate the performance of Class A multifamily properties compared to Class B and C properties in 2025?

- Much Better
- Better
- About the Same
- Worse
- Much Worse

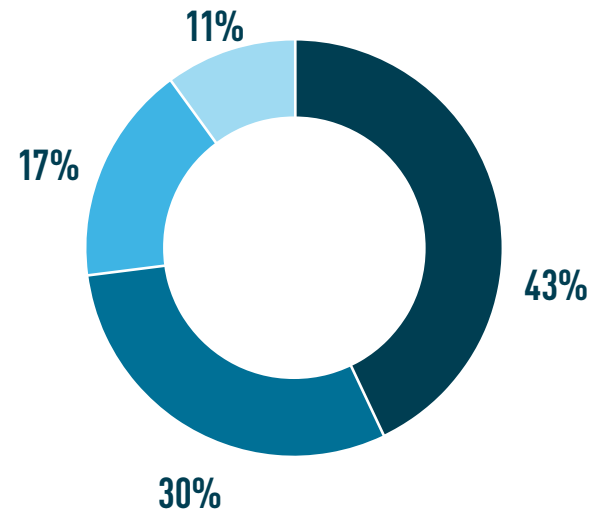


Investment Profiles

43% of respondents anticipate Core-Plus investment opportunities to generate the best risk-adjusted returns, followed by Value-Add, in 2025.

Which investment profile do you anticipate will generate the best risk-adjusted returns in the multifamily sector in 2025?

- Core-Plus
- Value-Add
- Development/Opportunistic
- Core



Our Mortgage Bankers, Investment Sales Advisors, and clients agree that Core-Plus investments will deliver the best risk-adjusted returns in the multifamily sector.

Interest rate volatility has been a major impediment on transaction activity. Albeit, transaction volumes are beginning to increase, the profile of these "recovery deals" is different from the profile of "pre-covid deals."

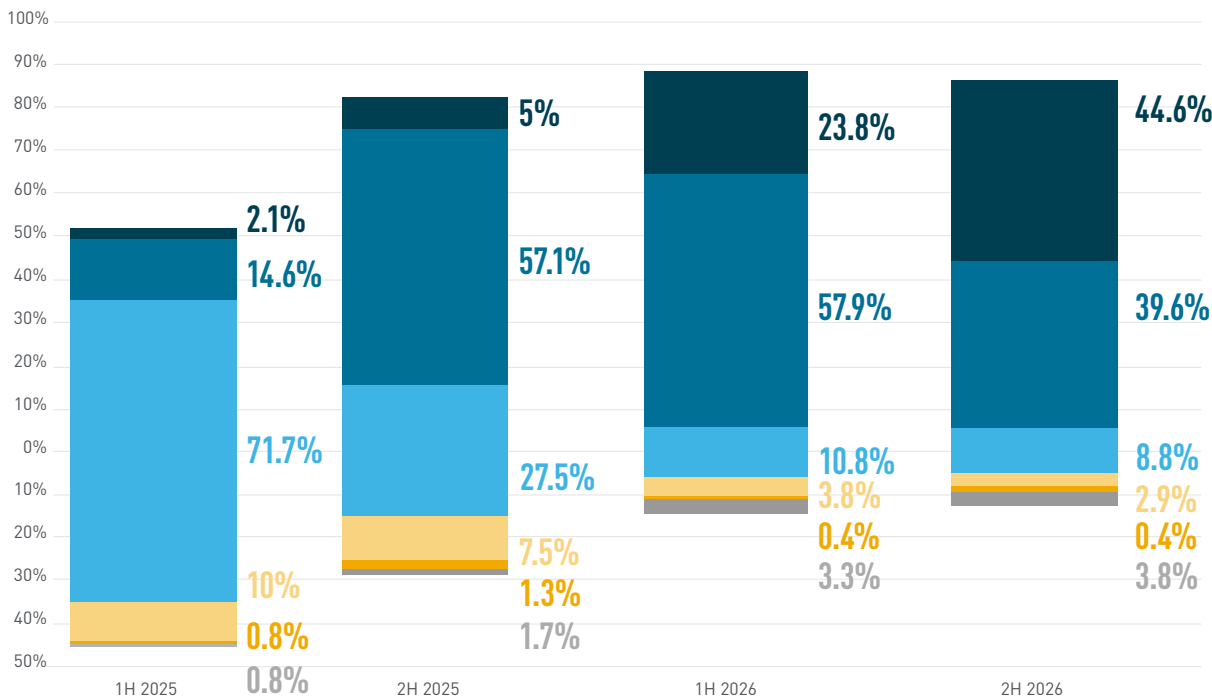
For example, investors are largely gravitating towards new vintage properties offering a Core-Plus profile because they offer stable cash-flow with opportunities for value appreciation. We are just beginning to see institutional investors return to a market dominated by private capital in the most recent years.

Investment Climate

Over the next 24 months, the majority of investors expect the multifamily sector to remain as it is today, with others anticipating it'll get better by 2H 2026.

What is your outlook for the overall investment climate in the multifamily sector over the next 24 months?

- Significantly better than today
- Somewhat better than today
- About the same as today
- Somewhat worse than today
- Significantly worse than today
- Not Sure

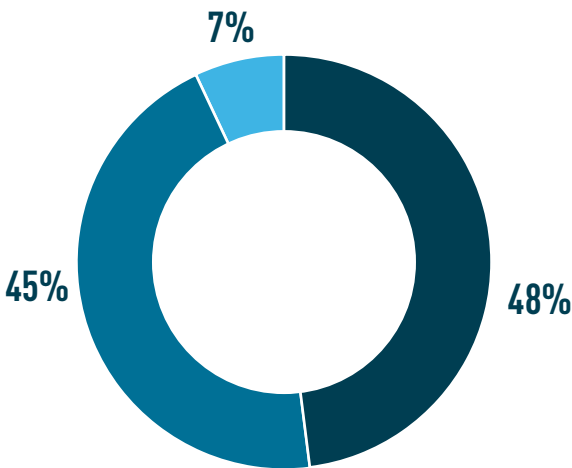


Underwriting

Many respondents believe it is difficult to make the numbers work when underwriting a new multifamily opportunity today.

When underwriting a new multifamily opportunity, what are you most often finding?

- It's very difficult to make the numbers work
- It's somewhat difficult to make the numbers work
- It's neither easy nor difficult to make the numbers work
- It's fairly easy to make the numbers work
- It's very easy to make the numbers work

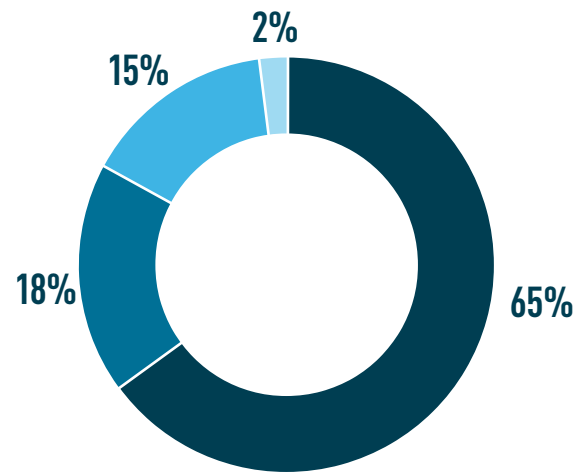


Investment Strategy

Investors are optimistic on their ability to expand their portfolio, with 83% planning to moderately or aggressively expand their holdings.

What is your overall investment strategy for your multifamily portfolio in 2025?

- Moderately Expand Portfolio
- Aggressively Expand Portfolio
- Maintain Current Portfolio
- Reduce Portfolio

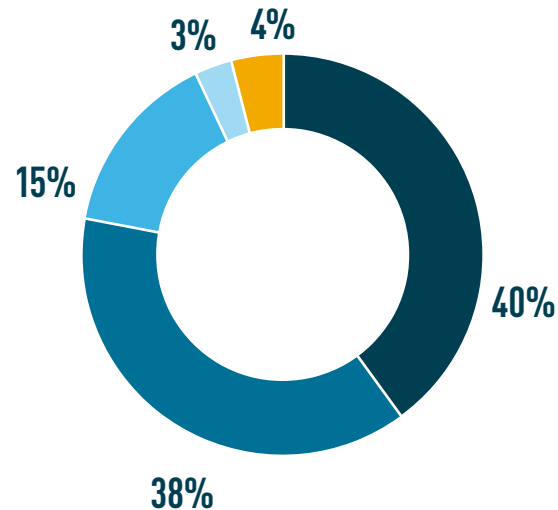


Investment Profiles

40% of investors are underwriting exit cap rates in line with their going-in cap rates for multifamily properties in their region.

How are investors underwriting exit cap rates for multifamily properties in your region?

- Same as going in
- 25 bps-50 bps higher than going in cap rates
- 50 bps-75 bps higher than their going in cap rates
- 100 bps or higher than their going in cap rates
- Other

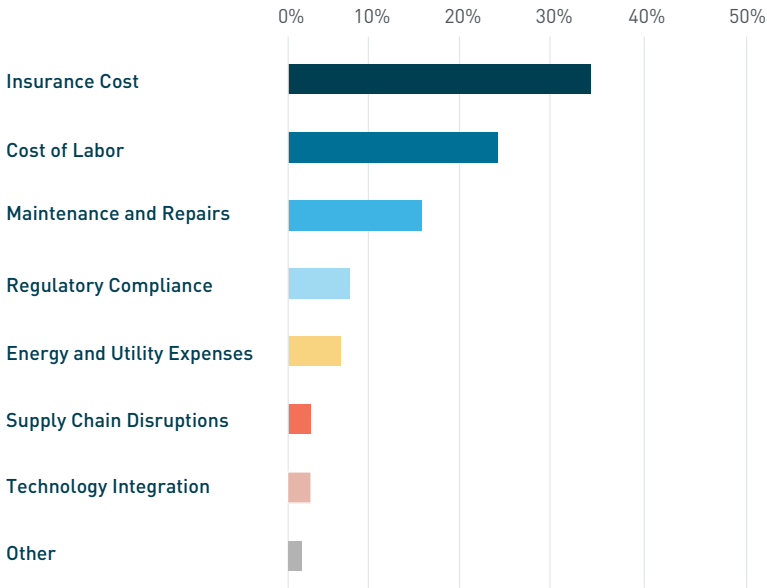


Our Mortgage Bankers, Investment Sales Advisors, and clients agree that cap rates are expected to remain stable. Investors (40%) and Berkadia Mortgage Bankers and Investment Sales Advisors (33%) expect exit cap rates to remain the same as going-in.

Operational Challenges

Most investors believe insurance costs, the cost of labor, and maintenance and repairs will have the greatest impact on operating performance in 2025.

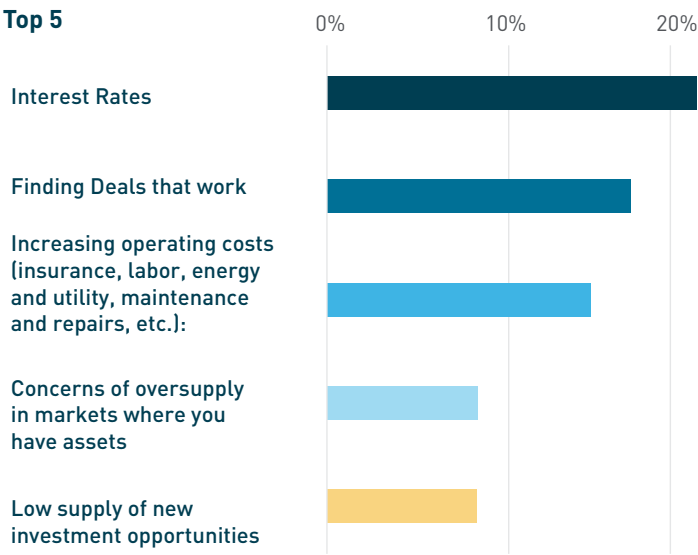
Which operational challenge do you expect to have the greatest impact on your company’s performance in the multifamily sector in 2025?



Macro Challenges

Interest rates, finding deals that work, and operating costs are the top challenges investors are facing with their multifamily portfolio today.

What are the top five challenges your company is facing with your multifamily portfolio today?



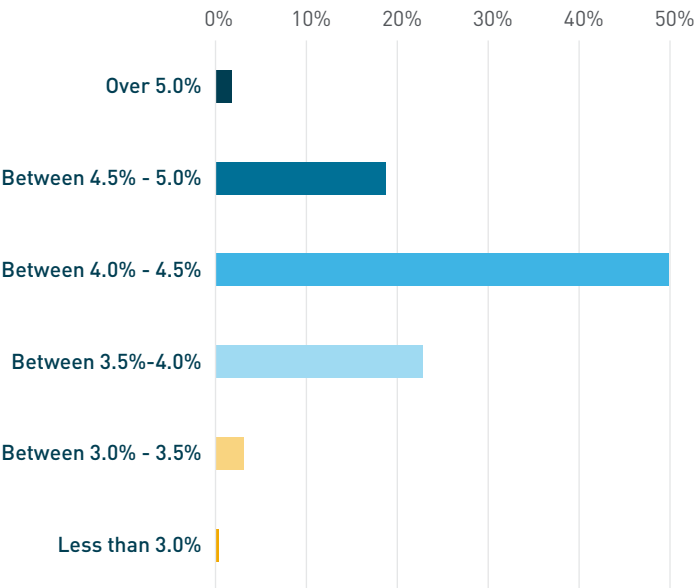
Additional Challenges: Increasing construction costs and supply chain disruptions: 6%, Securing capital for growth or expansion: 5%, Inflation: 5%, Talent retention: 4%, Regulatory compliance and concerns: 4%, Talent acquisition: 3%, Technology disruptions, such as the impact of AI: 0%

Unsurprisingly, insurance costs are anticipated to have the greatest impact on investor balance sheets, while interest rates present the biggest hurdle for transaction activity. Investors have been faced with higher insurance costs over the past few years due to several factors, including increased frequency and severity of natural disasters, higher replacement cost values, and inflationary pressures.

10-Year Treasury Yield

Investors widely expect the 10-Year Treasury yield to fall between 3.5% and 4.5% by year-end 2025.

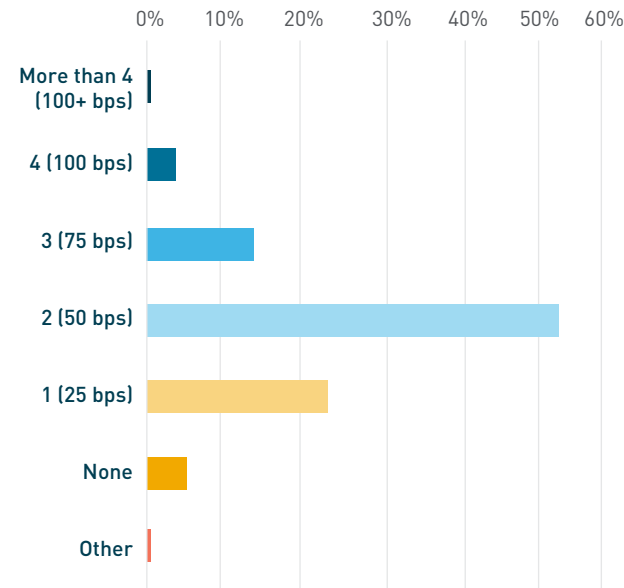
Where do you expect the 10-Year Treasury yield to be at year-end 2025?



Rate Cut

Over half of the investors surveyed expect 2 (50 bps) rate cuts in 2025 while 23% expect 1 (25 bps) rate cut.

How many Fed rate cuts do you expect in 2025?

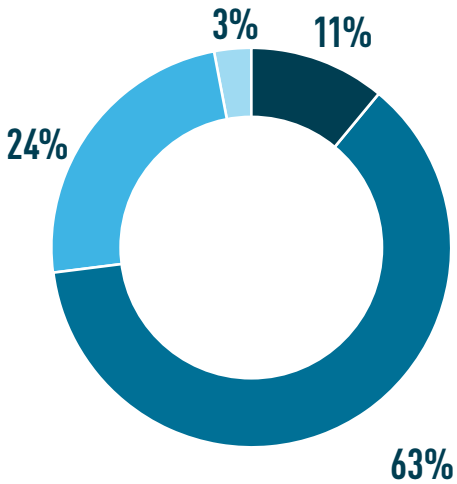


Rental Growth

Most investors expect moderate rental growth in the multifamily sector in 2025.

What are your expectations for rental growth in the multifamily sector in 2025?

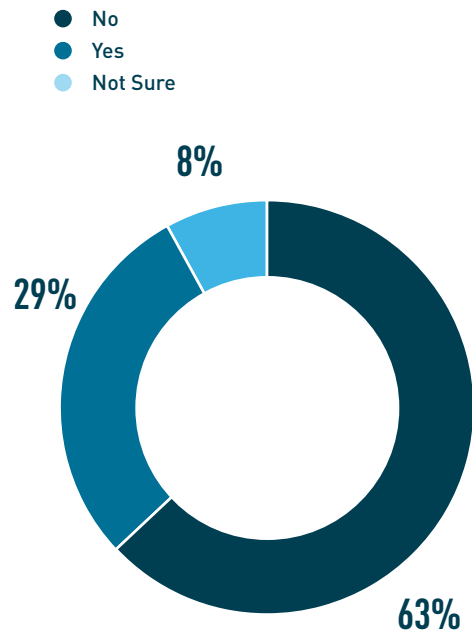
- Significant Increase
- Moderate Increase
- Effectively No Change
- Moderate Decrease
- Significant Decrease



Renter Demand

63% of investors believe new apartment supply will not outpace renter demand in 2025.

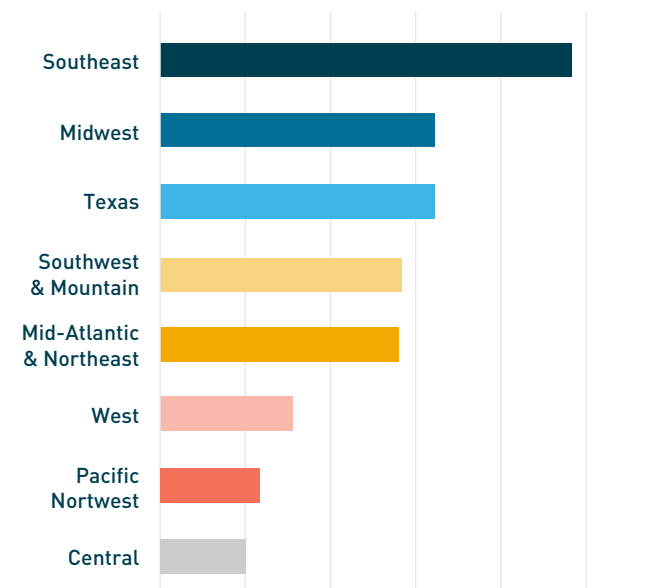
Do you anticipate new apartment supply to outpace renter demand in 2025?



Geographic Regions

The Southeast, Midwest, and Texas are expected to be the best for multifamily investments in 2025.

From your perspective, which three geographic regions do you believe will be the best for multifamily investments in 2025?



Our Mortgage Bankers, Investment Sales Advisors, and clients agree that new apartment supply is not expected to outpace renter demand, with 59-63% of respondents supporting this perspective.

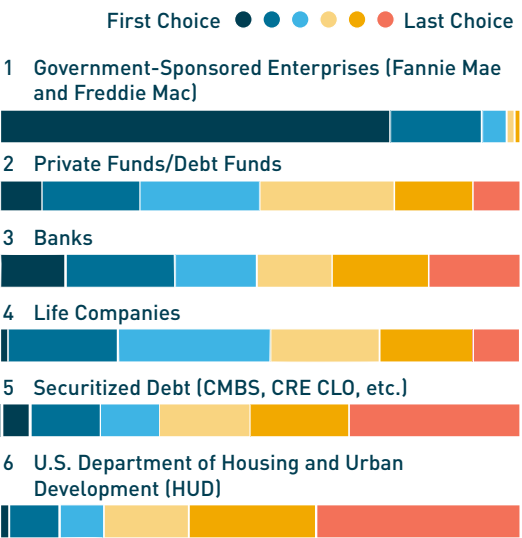
After record levels of apartment deliveries, supply has peaked. We expect deliveries to fall below long-term averages in 2026 and rent growth to resume.

Continued migration trends are expected to drive demand for apartments. The lower cost of living, warmer climates, and business-friendly environments are key factors and will drive new residents specifically to the Sunbelt markets.

Lending Sources

Freddie Mac and Fannie Mae (the multifamily GSEs) are expected to be the most active lending sources in 2025. Following that, investors believe private funds/debt funds and banks to be active.

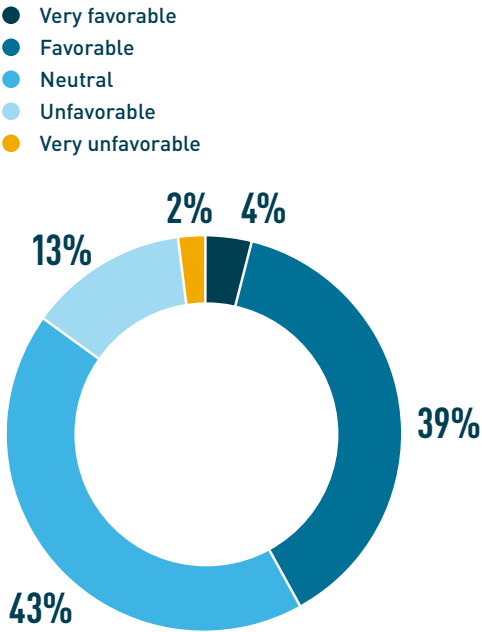
Please rank the following lending sources by anticipated activity in the multifamily sector.



Government Regulations

A vast majority of respondents (86%) do not anticipate significant regulatory risks affecting the multifamily sector in 2025. This suggests a general confidence that current government regulations will remain stable and not pose substantial challenges to the industry.

What are your expectations for how government regulations will affect the multifamily sector in 2025?



Our Mortgage Bankers, Investment Sales Advisors, and clients agree that Fannie Mae and Freddie Mac (the multifamily GSEs) will remain the most active lending sources in 2025.

The 2025 multifamily loan purchase caps for the multifamily GSEs have increased and are set at \$146 billion, \$73 billion for each GSE. Fannie Mae and Freddie Mac play a crucial role in providing liquidity to the housing market. Additionally, we have seen many private equity firms raise debt funds to also provide liquidity to capitalize investments.

The regulatory environment is considerably different this year, especially at the national level. State and local regulatory concerns will likely be the focus of multifamily investors for the next several years.

Trends

What trends do you anticipate will dominate the multifamily market in 2025?

“Lower amount of deliveries will help rental rates increase moderately, but the interest rate environment and cost environment still make new construction deals hard to pencil.”

PRINCIPAL AT DEVELOPMENT COMPANY

“I think 2025 will be similar to 2024 with muted transaction activity in the multifamily space given where rates are.”

DIRECTOR AT RESIDENTIAL REAL ESTATE COMPANY

“Elevated interest rates will keep many sellers on the sidelines, but many borrowers with approaching debt maturities will not be able to hang on much longer.”

C-SUITE MEMBER AT PRIVATE REAL ESTATE INVESTMENT FIRM

“People who ‘survived until 25’ still need to find some sort of solution to help them continue to operate. Interest rates are remaining elevated and lower than anticipated rent growth.”

DIRECTOR AT REAL ESTATE INVESTMENT FIRM

“Will be a slow start to the year. I’m pessimistic about rates and cap rates not adjusting accordingly. Bonus depreciation could give a boost and lead to overpaying for assets, which will hurt acquisitions. Insurance has been killing deals and profits. My outlook is similar to what we faced going into 2024. Despite it all deals will get done and we’ll find ways to make numbers work to deploy capital.”

MANAGING DIRECTOR AT REAL ESTATE FIRM

“Sellers are still not willing to sell at cap rates where buyers can achieve at least neutral leverage. Sellers who don’t have to sell won’t. Sellers who need to and can’t, will have plenty of financing options to kick the can down the road.”

MANAGING DIRECTOR AT INVESTMENT AND PROPERTY MANAGEMENT FIRM

“New delivery pace will drop, and overhang will absorb, allowing reduction in concessions and some growth in effective rents. Expenses will rise based on labor costs. Banks will look to reorient making new quality multifamily loans. Investors will resign themselves to taking skinny initial yields to acquire quality properties while still at or below replacement costs. Asset prices will rise modestly. Sellers will move to a sale orientation, increasingly meeting the market bid due to numerous pressures and building transaction volume.”

PRESIDENT AT PRIVATE EQUITY FIRM

SUMMARY

Investors anticipate that the multifamily market in 2025 will be characterized by cautious optimism, moderate growth, and a focus on overcoming economic and operational challenges. Half of all survey respondents expect the 10-Year Treasury yield to range between 4.0% and 4.5% by the end of 2025, with most predicting two Federal Reserve rate cuts. The investment climate is projected to improve gradually, with optimism increasing into 2026.

Rental growth is expected to rise moderately (1-3%), and the multifamily GSEs are likely to remain the most active lending sources, followed closely by private funds/debt funds and banks. Many respondents believe that the new apartment supply will not exceed renter demand, with the Southeast, Midwest, and Texas regions being most prime for investment. Many respondents also view government regulations as neutral or favorable.

Class A properties are expected to slightly outperform Class B and C properties, while Core-Plus and Value-Add strategies are seen as offering the best risk-adjusted returns, with 65% of respondents planning to moderately expand their portfolios. However, underwriting remains challenging, with nearly half of all respondents finding it very difficult to make deals work. Rising insurance costs, labor expenses, and interest rates are cited as the top challenges facing investors in their multifamily portfolios.



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