

2025

Multifamily Powerhouse Poll

OUTLOOK

FEBRUARY 2025

BERKADIA[®]





Berkadia's 2025 Multifamily Powerhouse Poll Outlook is here! In its eighth annual edition, we continued to ask our investment sales advisors and mortgage bankers to offer their unique perspectives on the state of the commercial real estate (CRE) industry.

Their knowledge and insights are invaluable as we guide clients through today's market.

We asked our investment sales advisors and mortgage bankers how they anticipate persistent inflation, elevated interest rates, and the increase in distressed opportunities to shape the capital markets landscape in 2025. We also built on other areas of focus—key asset classes, renter demographics, technology and innovation, and dynamic debt and equity solutions—and the impact on CRE transaction activity. Our experienced investment sales advisors and mortgage bankers remain steadfast in helping clients navigate these challenging market conditions and uncover opportunities in the year ahead.

With an improving outlook, current valuations present a compelling long-term investment opportunity in the multifamily sector, which should drive an increase in multifamily transaction activity in 2025. Fundamentals are expected to remain soft throughout the year as new supply continues to come online. With absorption now outpacing deliveries, 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, and with the level of supply coming online projected to decrease throughout the year, we'll likely see positive absorption and decreased vacancy rates.

In 2024, Berkadia secured \$25 billion in total loan production across 1,100 loans, advised on \$14 billion in investment sales volume across 500 transactions, and maintained a \$417 billion servicing portfolio with 20,562 actively serviced loans.

Overall, Berkadia remains bullish on the multifamily market and is focused on the following key findings heading into 2025:

- **Renter demand will exceed new apartment supply in 2025**
- **Class A and Class B rental housing, along with affordable housing, are expected to attract the most investor interest**
- **Private investors are anticipated to lead acquisition and disposition activities**
- **Freddie Mac and Fannie Mae (the multifamily GSEs) are expected to be the most active lending sources**

Ernie Katai
Executive Vice President, Head of Production
Berkadia

ABOUT THE MULTIFAMILY POWERHOUSE POLL OUTLOOK

THE 2025 MULTIFAMILY POWERHOUSE POLL OUTLOOK DATA WAS COLLECTED IN AN ONLINE SURVEY, FACILITATED BY BERKADIA IN DECEMBER OF 2024, TO ASSESS ANTICIPATED COMMERCIAL REAL ESTATE (CRE) ACTIVITY AND OPPORTUNITIES FOR THE YEAR AHEAD. THE SAMPLE WAS BASED AMONG BERKADIA'S 70+ OFFICES THROUGHOUT THE UNITED STATES, COMPRISING OF 112 INVESTMENT SALES ADVISORS AND 208 MORTGAGE BANKERS, TOTALING 320 RESPONDENTS.

01

NAVIGATING A SEA OF UNCERTAINTY

Since 2022, the commercial real estate market has been marked by inflationary pressures and rising interest rates, resulting in investor uncertainty and a decrease in transaction activity. In 2024, this was offset by a significant rise in apartment supply. With new supply coming online projected to decrease in 2025, it's likely that we'll see positive absorption and decreased vacancy rates resulting in an uptick in transactions. In today's economic and capital markets landscape, it's critical that investors understand and can proactively navigate market trends.

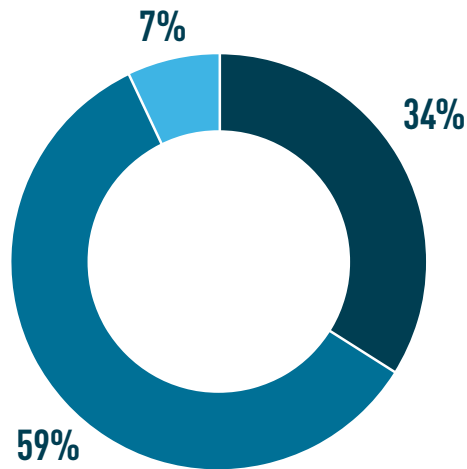


Apartment Supply vs. Renter Demand

59% of Berkadians believe new apartment supply will not outpace renter demand in 2025.

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

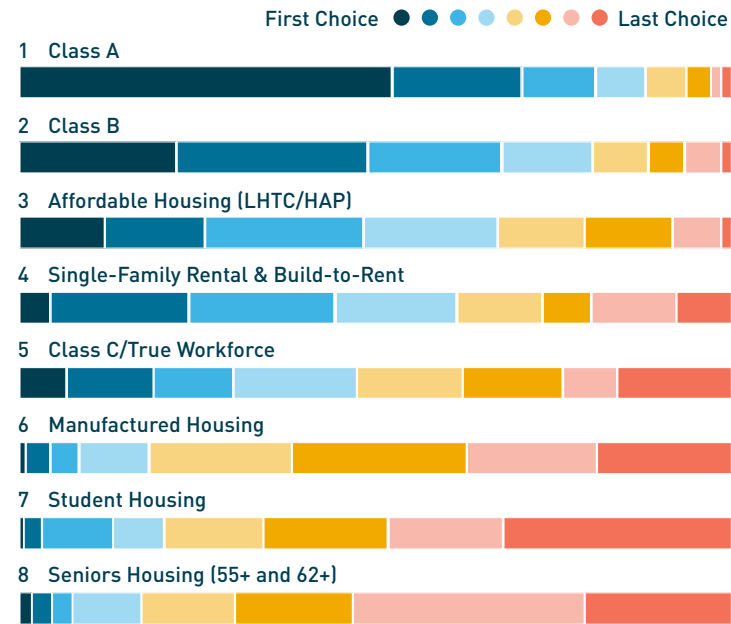
- Yes
- No
- Not sure



Anticipated Investor Interest

Class A and Class B rental housing, along with affordable housing properties, were ranked among the top three most anticipated to attract investor interest.

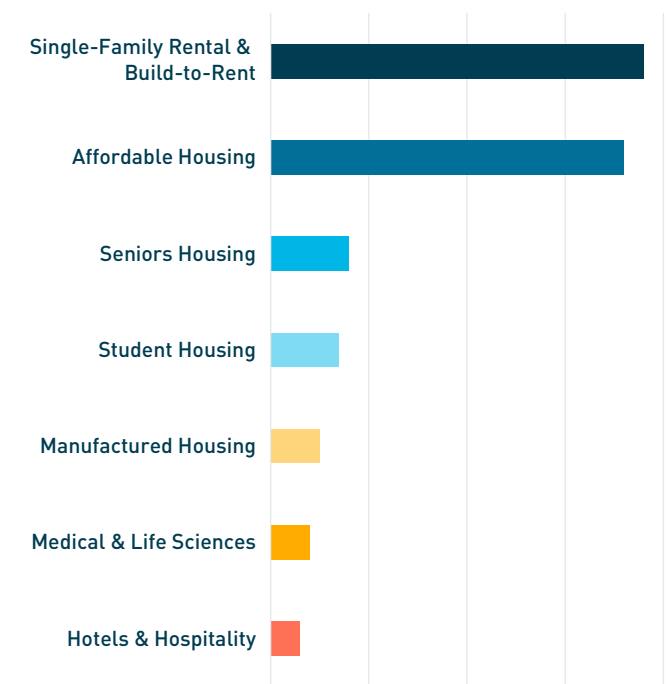
Rank the following types of rental housing by anticipated investor interest in 2025.



Breaking Down Specialty Sectors: Investor Demand

Berkadians believe that outside of multifamily, the single-family rental (SFR), build-to-rent (BTR) and affordable housing asset classes are the most appealing sector for investors.

Outside of multifamily, which living sector will be most attractive to investors in 2025?

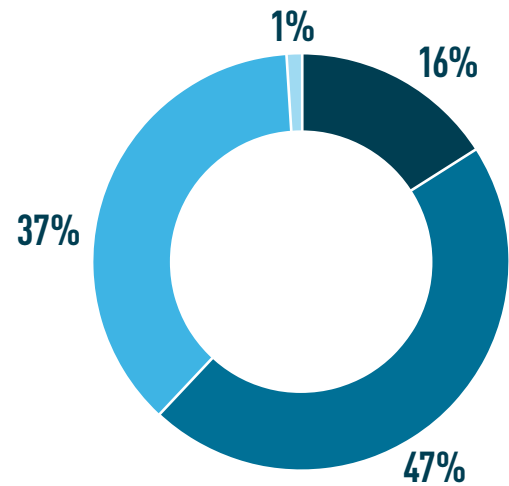


Inflationary Pressures

Inflation is expected to have a significant or moderate impact on commercial real estate investment activity.

To what extent will inflationary pressures impact CRE investment transaction activity in 2025?

- Very significantly
- Significantly
- Moderately
- Not at all

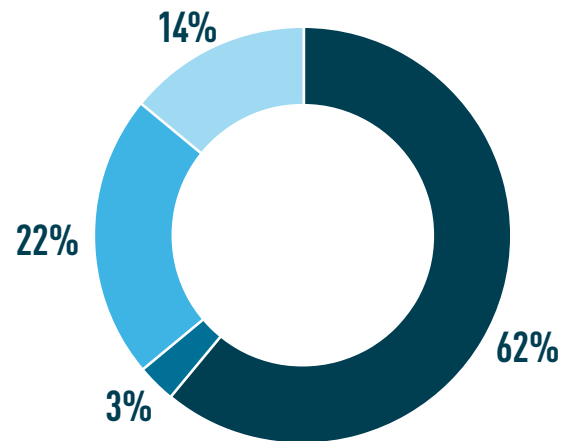


The Anticipated Impact of the Trump Administration

Berkadians believe the Trump Administration is widely expected to increase transaction activity.

How do you anticipate the new U.S. presidential administration will impact CRE transaction activity in 2025?

- Transaction activity will increase
- Transaction activity will decrease
- Transaction activity will remain steady
- Not sure



59% of Multifamily Powerhouse Poll respondents and 63% of our clients agree that new apartment supply is not expected to outpace renter demand. Additionally, as found in our upcoming Multifamily Investor Sentiment Survey, Berkadians and our trusted clients all agree that Class A properties are consistently ranked as the most attractive investment type.

02

CAPITAL MARKETS DEBT LANDSCAPE

In 2024, the capital markets debt landscape was characterized by inflation, high interest rates, and a tightened credit environment. Although some volatility will remain in 2025, the market is poised to capitalize on more abundant financing options in the year ahead. Lenders have introduced various strategies to mitigate sensitivity, such as rate buydowns, more fixed-rate options, and prepayment flexibility.

Alternative lenders are expected to expand their offerings after strong advances last year, while traditional life companies and the government-sponsored enterprises (GSEs) will continue to support the market.

Commercial mortgage-backed securities, single-asset single-borrower loans, and debt funds are also providing more financing opportunities as the rate cutting-cycle continues. These groups offer a variety of options, increasing the likelihood of borrowers finding solutions that align with their investment strategies.

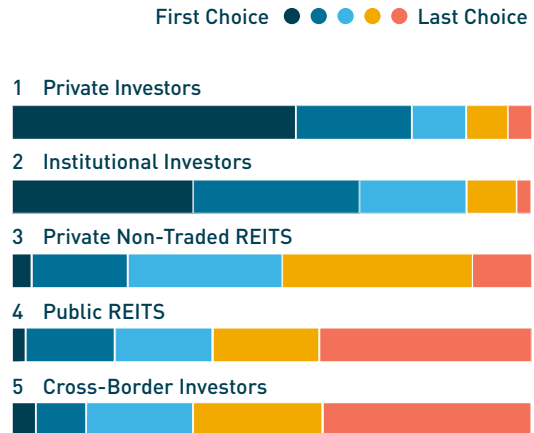
With the knowledge that uncertain conditions will persist into 2025, Berkadia mortgage bankers are playing an even more vital role in advising clients on the wide range of debt sources available.



Capital Sources: Acquisition Activity

Private investors (including 1031 exchange buyers) are expected to drive the most acquisition activity in the investment sales market, with institutional investors anticipated to follow.

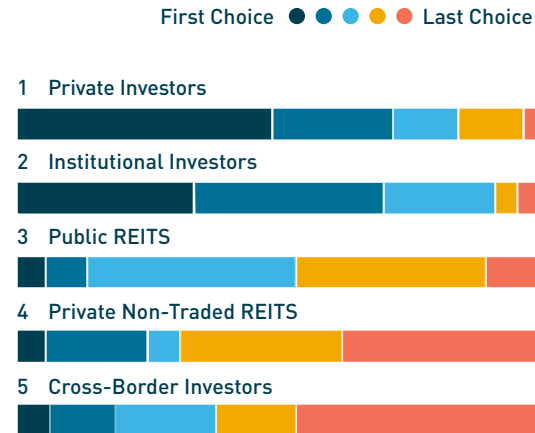
From which capital source do you expect to see the most acquisition activity in 2025?



Capital Sources: Disposition Activity

Similar to acquisition activity, private investors will lead disposition activity in 2025, followed by institutional investors.

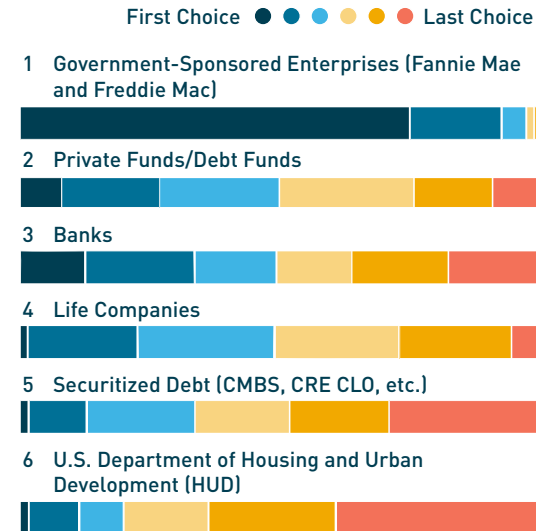
From which capital source do you expect to see the most disposition activity in 2025?



Lending Sources

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

Which lending sources do you expect to be most active in 2025?



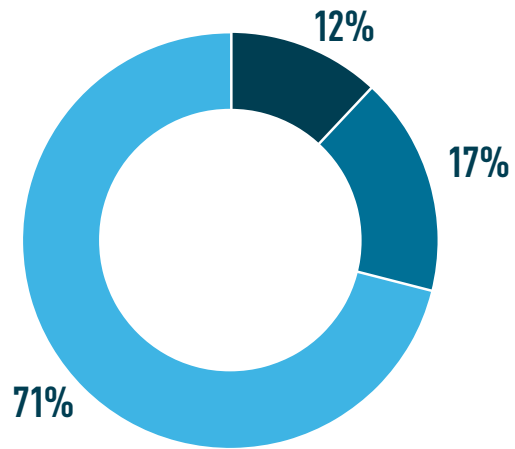
As found in our upcoming Multifamily Investor Sentiment Survey, clients agree with Berkadia Mortgage Bankers and Investment Advisors that the multifamily GSEs will remain the most active lending source.

Cap Rates by End of 2025

By the end of 2025, Berkadians expect cap rates to remain about the same as today.

Do you expect cap rates to be higher, lower, or the same at the end of 2025 than where we see them today?

- Higher
- Lower
- About the same (within 50 bps)

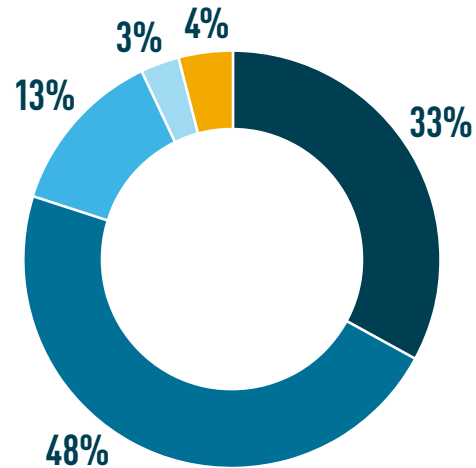


Underwriting Exit Cap Rates

Investors are primarily underwriting exit cap rates 25-50 basis points higher than their going-in cap rates, while a significant number are keeping them the same.

How are investors underwriting exit cap rates in your region?

- Same as going in
- 25 bps-50 bps higher than their 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



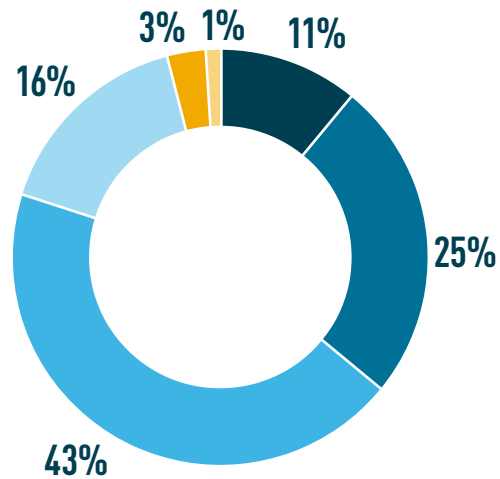
As found in our upcoming Multifamily Investor Sentiment Survey, clients agree with Berkadia Mortgage Bankers and Investment Advisors that cap rates are expected to remain stable, with exit cap rates underwritten 25-50 basis points higher than going-in rates.

Underwriting Rent Growth

Investors are primarily underwriting exit cap rates 25-50 basis points higher than their going-in cap rates, while a significant number are keeping them the same.

Berkadians are seeing rent growth generally underwritten at 2.0-3.0%, with fewer expecting higher or flat/negative growth.

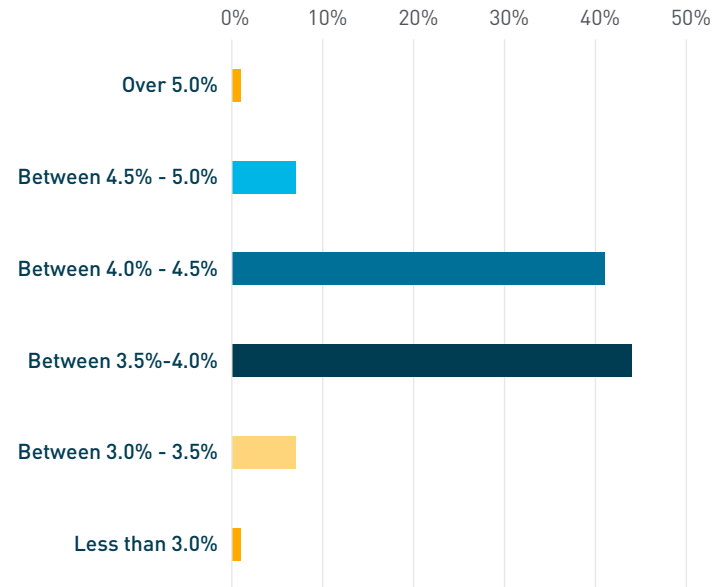
- Flat or Negative
- 1-2%
- 2-3%
- 3-4%
- 4-5%
- Over 5%



10-Year Treasury Yield

The 10-Year Treasury yield is widely expected 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?

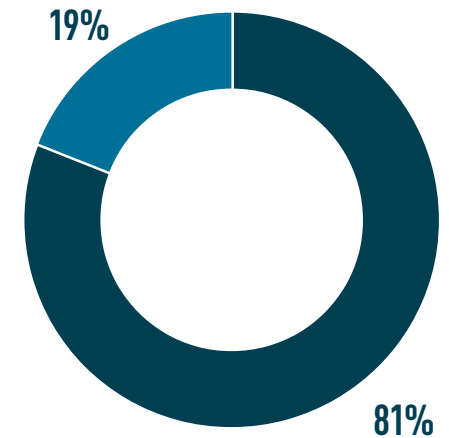


Distressed Opportunities

81% of Berkadians expect to see an increase in distressed opportunities in 2025.

Do you expect to see an increase in distressed opportunities in 2025?

- Yes
- No



03

TRENDS SHAPING CRE: IN DEMAND ASSET CLASSES & RENTER DEMOGRAPHICS

In past Berkadia Multifamily Powerhouse Poll Outlooks, we've asked our investment sales advisors and mortgage bankers to share insights into the trends shaping the CRE landscape. This year, we asked about the opportunities within affordable housing and the locations that are giving rise to renter and investor demand, and more.

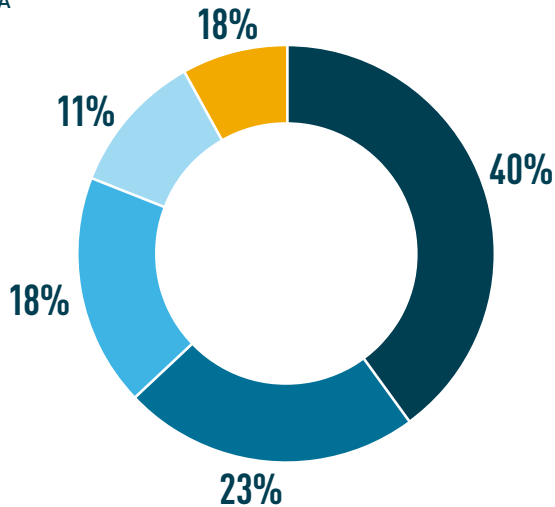


Affordable Housing: Investor Interest

Over the next one to two years, investors are expected to find existing affordable housing property acquisitions the most attractive opportunity, followed by rehabilitations of existing properties.

What types of affordable housing opportunities do you anticipate will be most attractive for investors over the next 1-2 years?

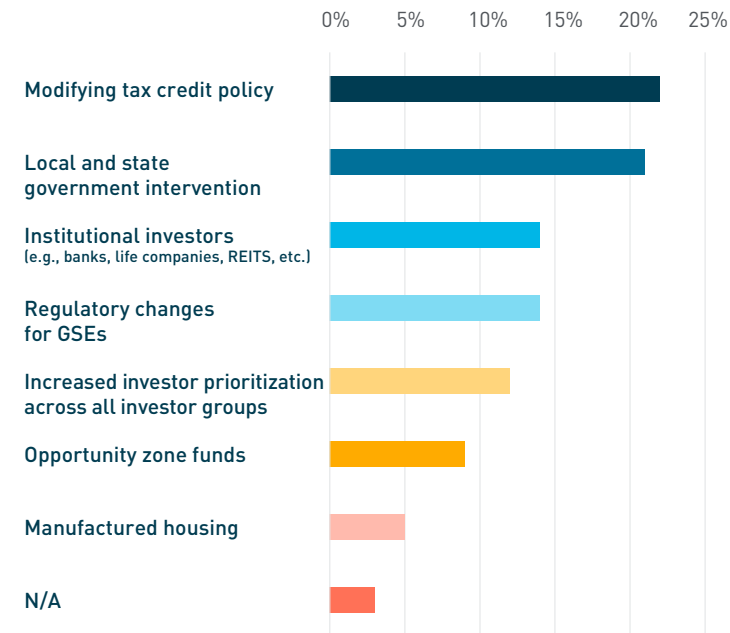
- Existing affordable housing property acquisitions
- Rehabilitation of existing affordable housing properties
- Ground-up construction projects
- Adaptive reuse projects
- N/A



Solutions for the Affordable Housing Crisis

To address the Affordable Housing Crisis, Berkadians believe modifying tax credit policy and increased local and state government intervention will be the most effective solutions, while institutional investors, regulatory changes for GSEs, and increased investor prioritization are seen as moderately helpful.

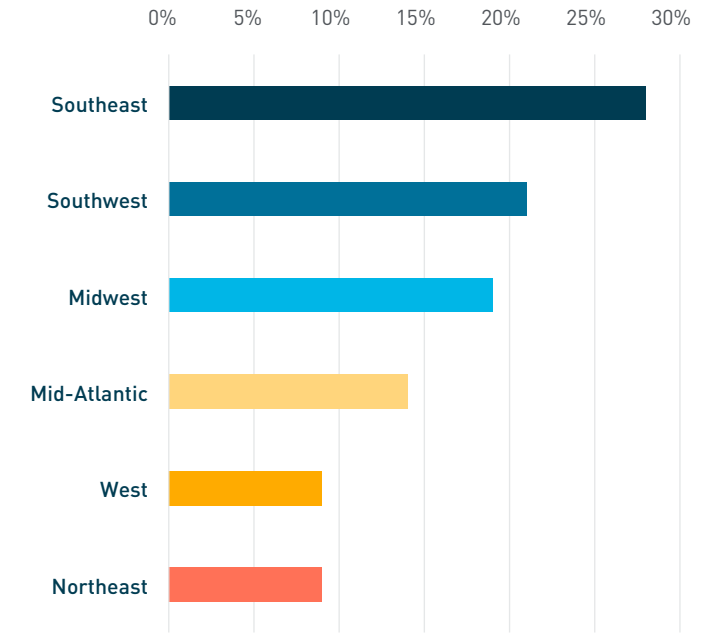
Which of the following potential solutions do you think will help improve the current Affordable Housing Crisis?



Renter Demographics

The Southeast, Southwest, and Midwest will be the top geographic regions for multifamily investment in 2025.

Which do you believe are the top geographic regions for multifamily investment in 2025?



04

INNOVATIONS ARE SET TO TRANSFORM CRE

While CRE remains a high-touch and relationship-driven industry, emerging innovative technologies have begun to revolutionize the way in which transactions are accomplished. Though the industry as a whole is still in the beginning stages of a full-blown digital transformation, there are new technologies that are currently being used that have been proven to expedite the production process – creating efficiencies that benefit both producers and their clients.

2024 saw great technological advancement when Generative AI became largely available to the public with the launch of platforms like ChatGPT. Innovators across industries were tasked with evaluating the platform and its capabilities to determine the proper use cases and guardrails that must be in place to ensure ethical use of this kind of technology.

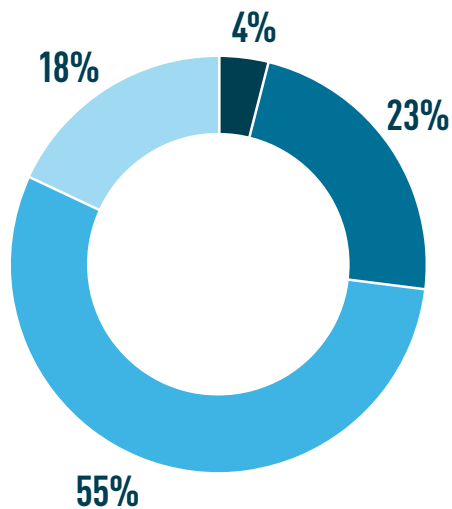


Technology's Role in Commercial Real Estate

Clients are increasingly discussing technology's role in commercial real estate, with most bringing it up occasionally in select discussions.

How frequently do your clients discuss technology's role in commercial real estate investment?

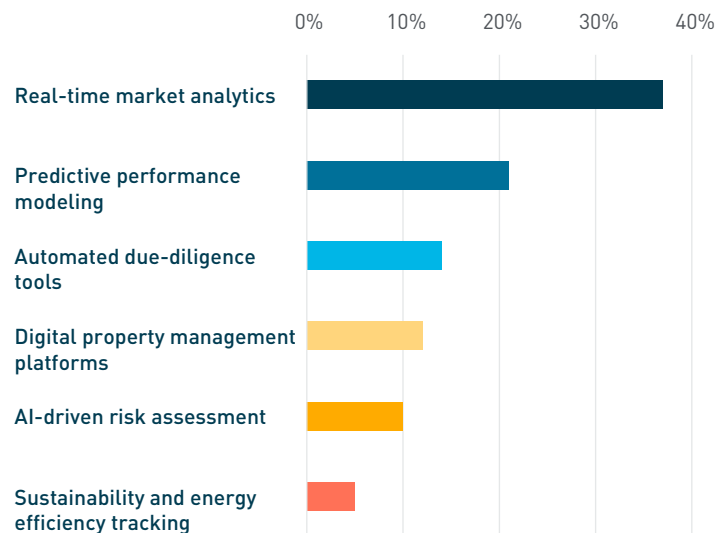
- Constantly (in nearly every discussion)
- Frequently (in most strategic discussions)
- Occasionally (in select discussions)
- Rarely (technology is not a primary focus)



Clients Interest in Technological Capabilities

Real-time market analytics and predictive performance modeling are the most sought-after technological capabilities.

Which technological capabilities are your clients most interested in when evaluating potential investments?

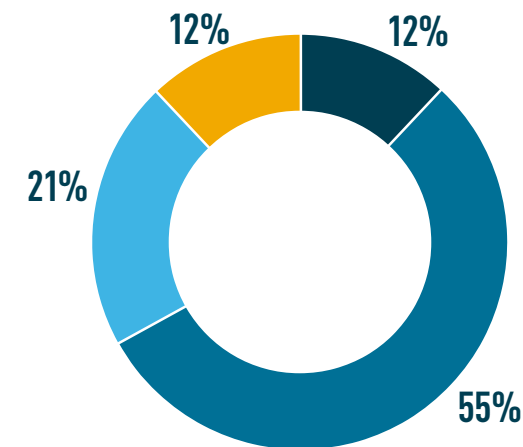


Priorities Around Technological Innovation

Clients priorities around technological innovation have moderately increased over the past year and a half.

How have your clients' priorities around technological innovation evolved over the past 12-18 months?

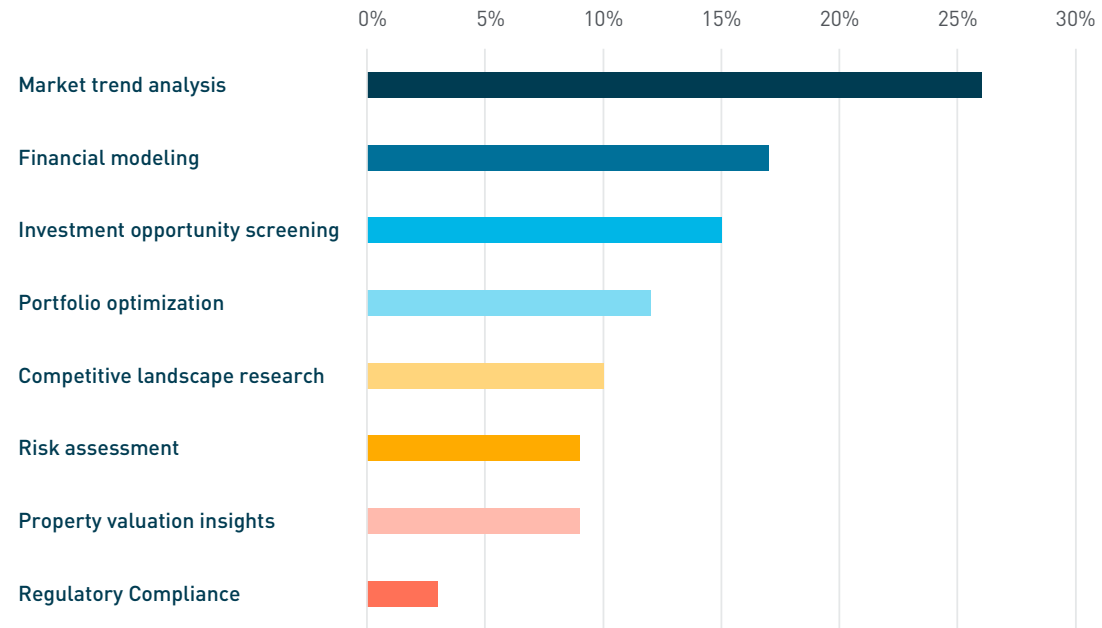
- Significantly increasing
- Moderately increasing
- Unchanged
- Decreasing
- Uncertain



Most Common Generative AI Use Cases

Generative AI is primarily being used for market trend analysis, financial modeling, and investment screening.

How are your clients using Generative AI in their real estate investment decision-making?



05

A SPOTLIGHT ON INSTITUTIONAL AND CROSS- BORDER CAPITAL ACTIVITY

Optimism is growing among CRE professionals as institutional transaction activity is set to strengthen in 2025. This anticipated uptick in activity from institutional investors highlights the resiliency displayed by the multifamily market and serves as a reminder of its strong operating fundamentals.

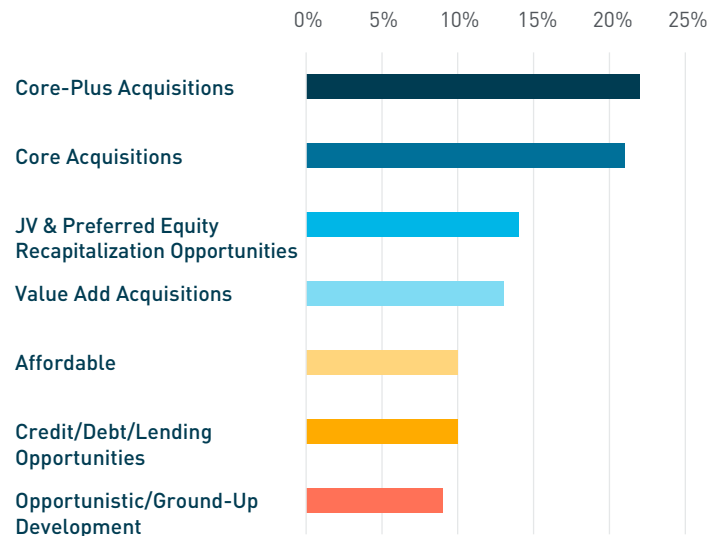
In 2023, Berkadia formed an alliance with global property consultancy Knight Frank, which offers our clients unmatched access to domestic and internationally based capital while maximizing their property values. Knight Frank and Berkadia, together, will continue partnering with investors to increase access to diverse financing sources, including institutional capital.



Institutional Interest: Investment Strategies

Berkadians believe institutional investors are expected to focus primarily on Core-Plus and Core acquisitions, with moderate interest in joint ventures, preferred equity recapitalizations, and value-add opportunities.

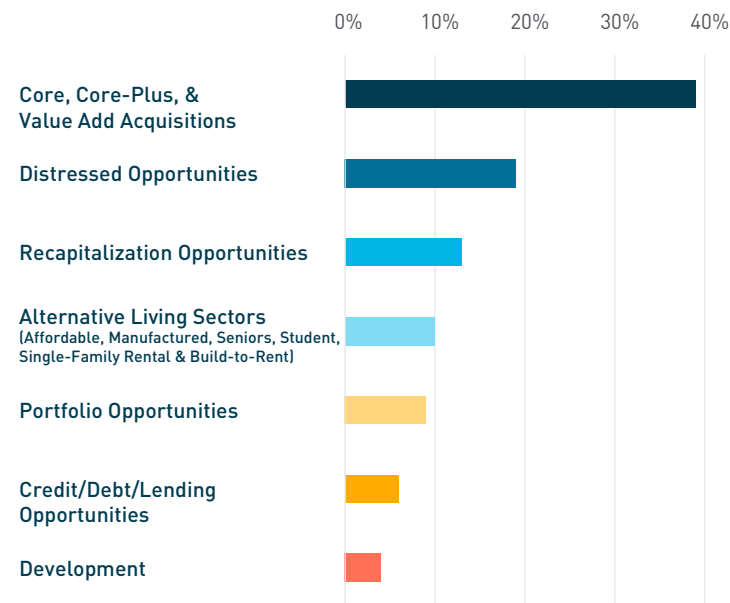
What type of investment strategies will institutional investors be most interested in, in 2025?



Institutional Interest: Property Type

Over the next one to two years, Core, Core-Plus, and Value Add acquisitions are anticipated to be the most attractive opportunities, followed by distressed and recapitalization opportunities.

What type of opportunity will be most attractive to institutional clients in the next 1-2 years?



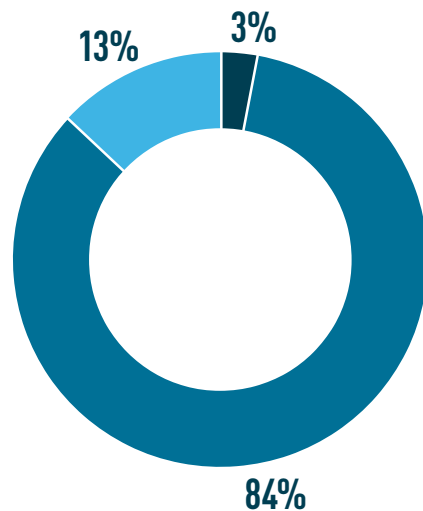
As found in our upcoming Multifamily Investor Sentiment Survey, clients agree with Berkadia Mortgage Bankers and Investment Advisors that Core-Plus investments will deliver the best risk-adjusted returns in the multifamily sector.

Institutional Transaction Volume

Institutional investment sales transaction volume over \$50 million is widely predicted to be stronger than in 2024.

What is your prediction of institutional investment sales transaction volume over \$50M in 2025?

- Weaker than 2024
- Stronger than 2024
- No change from 2024

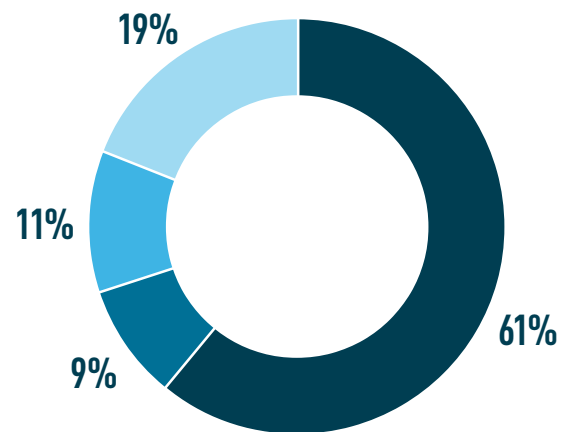


Trump Administration: Anticipated Impact on Institutional Investors

The Trump Administration is largely expected to have a positive impact on institutional investors seeking living sector opportunities.

Do you anticipate the new U.S. presidential administration to have a positive or negative impact on institutional investors seeking living sector investment opportunities in the U.S.?

- Positive
- Negative
- No impact
- Not sure

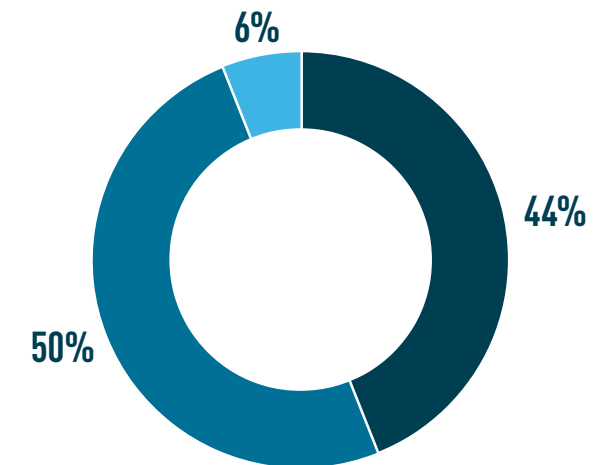


Investor Interest: Overseas Capital

Berkadians believe investor interest in overseas capital for the living sectors is expected to remain steady, with 50% agreeing there will be no change and 44% believe there will be an increase in interest.

Will investor interest in overseas capital for the living sectors change in 2025, when compared to 2024?

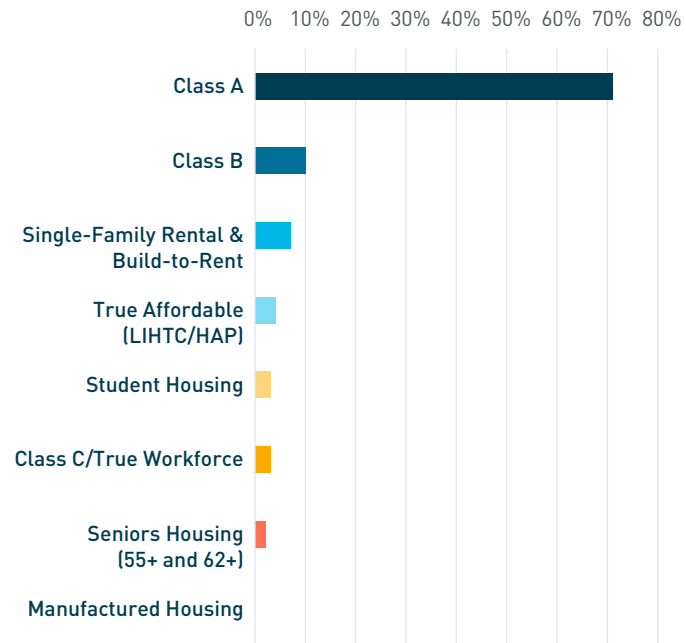
- Increase in interest
- No change
- Decrease in interest



Cross-border Investors: Property Types

Class A properties are predicted to attract the most attention from cross-border investors, with limited interest in other property types like Class B, Single-Family Rental, and Affordable Housing.

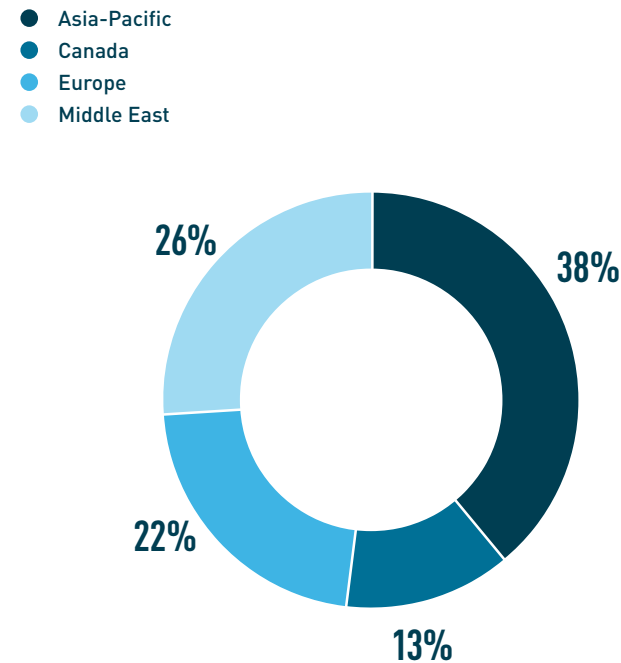
What property types will be of most interest to cross-border investors in 2025?



Regional Interest: Living Sector Investments

Regions like Asia-Pacific and the Middle East are expected to drive the most living sector investments into the U.S., followed by Europe and Canada.

What regions are expected to increase living sector investments into the U.S. next year? Select all that apply.





© 2025 Berkadia Proprietary Holding LLC. Berkadia® is a trademark of Berkadia Proprietary Holding LLC. Commercial mortgage loan banking and servicing businesses are conducted exclusively by Berkadia Commercial Mortgage LLC and Berkadia Commercial Mortgage Inc. This advertisement is not intended to solicit commercial mortgage company business in Nevada. Investment sales / real estate brokerage business is conducted exclusively by Berkadia Real Estate Advisors LLC and Berkadia Real Estate Advisors Inc. Tax credit syndication business is conducted exclusively by Berkadia Affordable Tax Credit Solutions. In California, Berkadia Commercial Mortgage LLC makes or arranges loans pursuant to a California Financing license. Berkadia Commercial Mortgage Inc. under CA Real Estate Broker Lic. #01874116, and Berkadia Real Estate Advisors Inc. under CA Real Estate Broker Lic. #01931050. For state licensing details for the above entities, visit www.berkadia.com/licensing.

This document and any statements, information, data and content contained therein, and any materials, information, images, links, sounds, graphics or video provided in conjunction with this document (collectively "Materials") has been prepared for informational purposes or general guidance on matters of interest only, and does not constitute professional advice, advertising or a solicitation. The Materials are of a general nature and not intended to address the circumstances of any particular individual or entity. You should not act upon the information contained in the Materials without obtaining specific professional advice. As such, nothing herein constitutes legal, financial, business, investment or tax advice and you should consult your own legal, financial, tax, investment or other professional advisor(s) before engaging in any activity in connection herewith. The information in the Materials is not a substitute for a thorough due diligence investigation. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in the Materials, and, to the extent permitted by law, Berkadia Commercial Mortgage LLC (together with its affiliates, the "Company") neither accept nor assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the Materials or for any decision based on them. No part of the Materials is to be copied, reproduced, distributed or disseminated in any way without the prior written consent of the Company. 0225MH