3Q24

United States Multifamily Capital Markets Report

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Market Observations

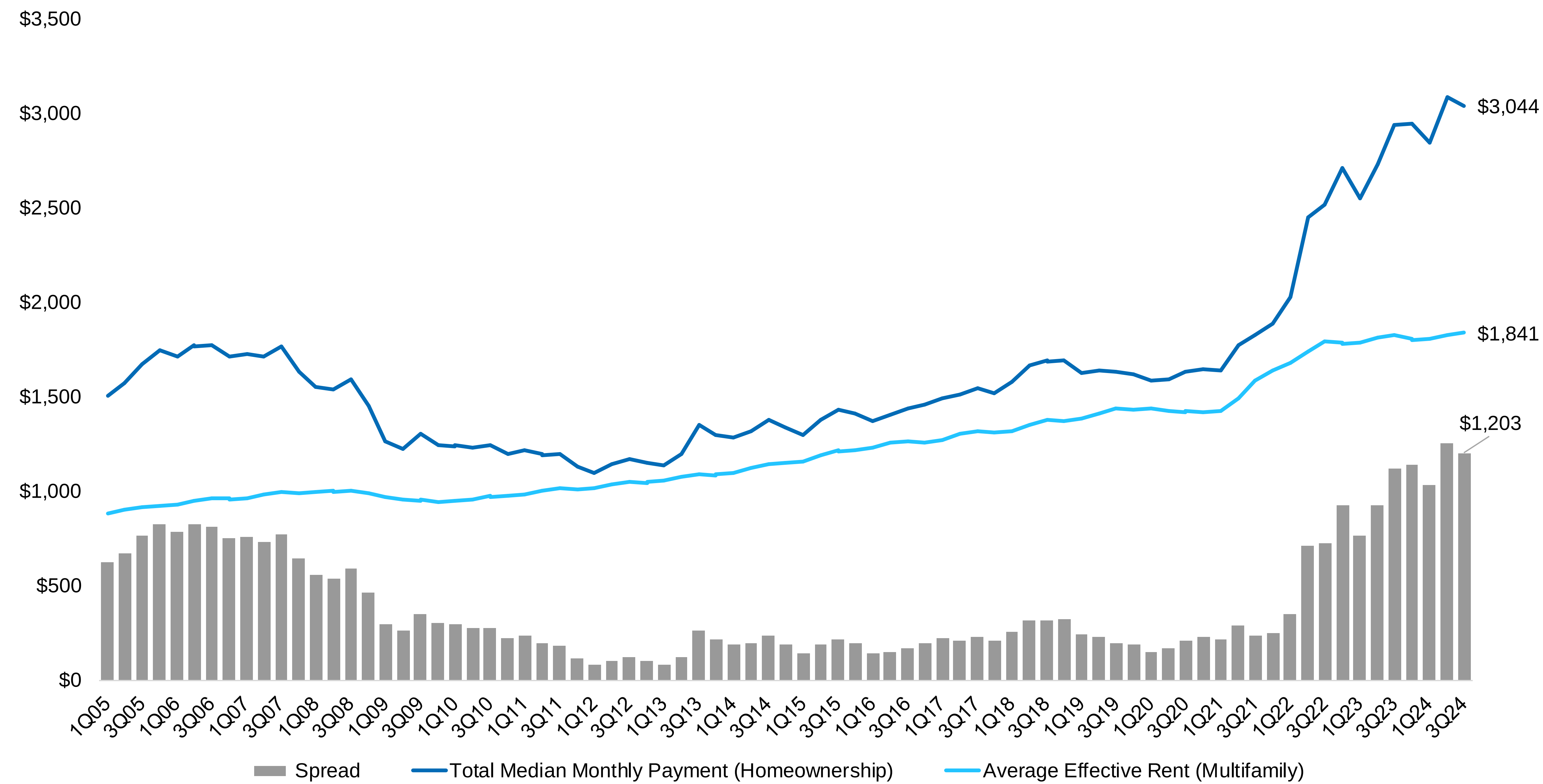
- Year-over-year, the spread between homeownership and rental costs increased 7.6%, reaching $1,203 in the third quarter of 2024. Elevated by record-high interest rates, renting remains notably more cost-effective than homeownership.
- The 30-year fixed-rate mortgage average in the United States is 52.8% higher than the effective interest rate on mortgage debt outstanding as of the third quarter of 2024. This substantial gap makes a significant increase in home sales unlikely until the spread narrows.
- Quarterly demand reached 192,649 units in the third quarter of 2024, marking a 134.6% year-over-year increase and exceeding the third-quarter long-term average by 117.3%. Rolling four-quarter demand rose to 488,773 units, continuing its acceleration for six consecutive quarters.
- A total of 162,595 units were delivered in the third quarter of 2024, surpassing the previous record of 149,896 units set in the second quarter of 2024. New deliveries are projected to decelerate slightly through the fourth quarter of 2024, with a more significant slowdown anticipated in 2025 and 2026.
- As of the third quarter of 2024, annual demand exceeded new supply in 48 of the top 50 U.S. markets. This represents the fourth consecutive quarter in which at least 47 of the top 50 markets saw demand outpace supply.
- After reaching a peak of 5.9% in the first quarter of 2024, the national vacancy rate declined by 30 basis points to 5.6%, driven by strong demand in the third quarter of 2024. Although the current rate is 10 basis points higher than a year ago, vacancy levels appear to have stabilized.
- Debt origination activity in the first half of 2024 remained subdued, but third-quarter loan volume marked its strongest performance since 2022, with year-to-date volume up 8.5%. Borrowers benefited from declining rates throughout the quarter; however, with rates trending back up, it is uncertain if this momentum will continue.
- GSEs and banks continue to be the largest lenders, despite originations declining 13% and 23% year over year, respectively. Other lenders have stepped in to fill the gap, with financial firms, CMBS, insurance, and other sources more than compensating for the shortfall in bank and GSE lending.
- Sales volume totaled $35.8 billion in the third quarter of 2023, increasing 9.3% year-over-year. Additionally, multifamily holds the largest share of investment sales among all U.S. commercial real estate property types at 34.9% through the third quarter of 2024.
- As of the third quarter of 2024, cap rates for transactions of $5 million and above averaged 5.7%, compared to an average interest rate of 5.2%, resulting in positive leverage of 49 basis points. This marks the third consecutive quarter transactions are in positive leverage.
- Dry powder at closed-end funds is down 11.7% from its December 2022 peak, reflecting declines in dry powder across value-add, opportunistic, and debt funds. Similarly, new fundraising has dropped from $213 billion in 2022 to $132.5 billion over the past 12 months.

Demand Drivers

Economic Trends Favor Renting Over Homeownership

Year-over-year, the spread between homeownership and rental costs increased 7.6%, reaching $1,203 in the third quarter of 2024. Elevated by record-high interest rates, renting remains notably more cost-effective than homeownership.

Cost of Homeownership Compared to Renting

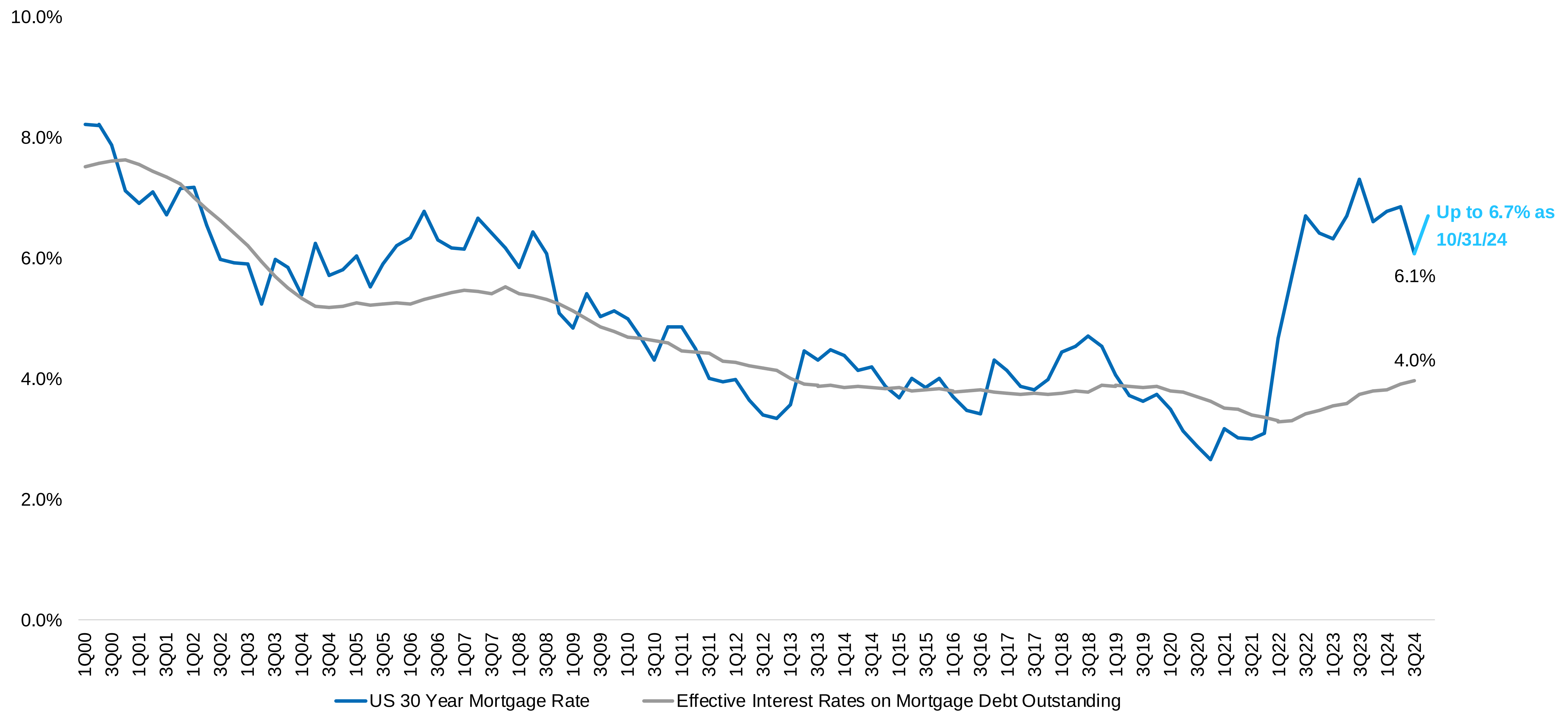


Source: Newmark Research, Atlanta Federal Reserve (10/17/24), RealPage

New Mortgages Are 53% Greater Than In-Place Rates

The 30-year fixed-rate mortgage average in the United States is 52.8% higher than the effective interest rate on mortgage debt outstanding as of the third quarter of 2024. This substantial gap makes a significant increase in home sales unlikely until the spread narrows.

30-Year Fixed Rate Mortgage Average and Effective Interest Rate on Mortgage Debt Outstanding

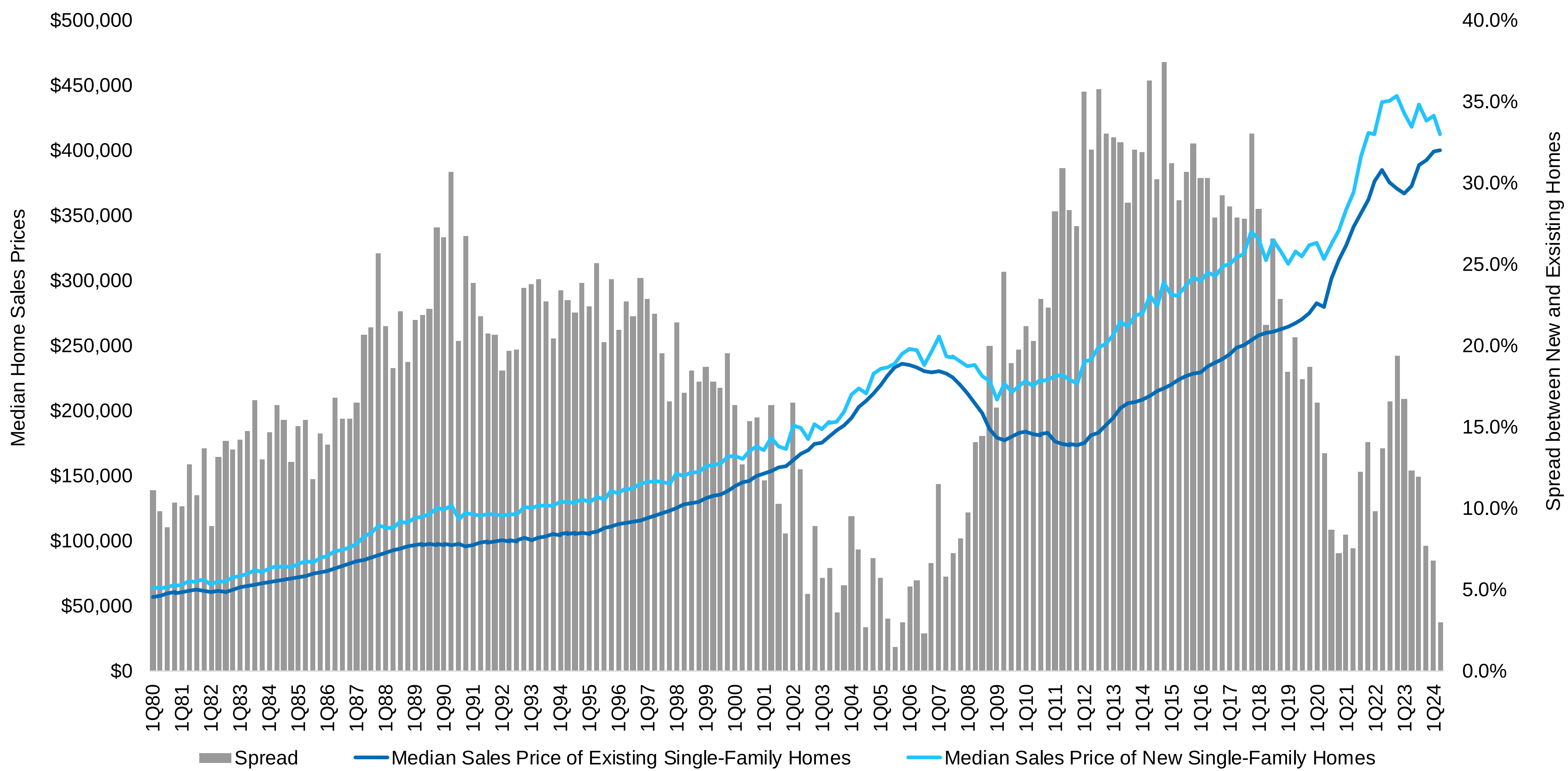


Source: Newmark Research, Federal Reserve Bank of St. Louis, Freddie Mac, Moody's Analytics, U.S. Bureau of Economic Analysis

New & Existing Home Prices Narrow to Tightest Spread Since 2006

The price gap between existing and new single-family homes has tightened to 3.0%, marking six consecutive quarters of decline. Meanwhile, existing home prices rose 7.5% year-over-year, in contrast to a 1.5% decrease for new homes.

Median Sales Price of Existing & New Single-Family Homes

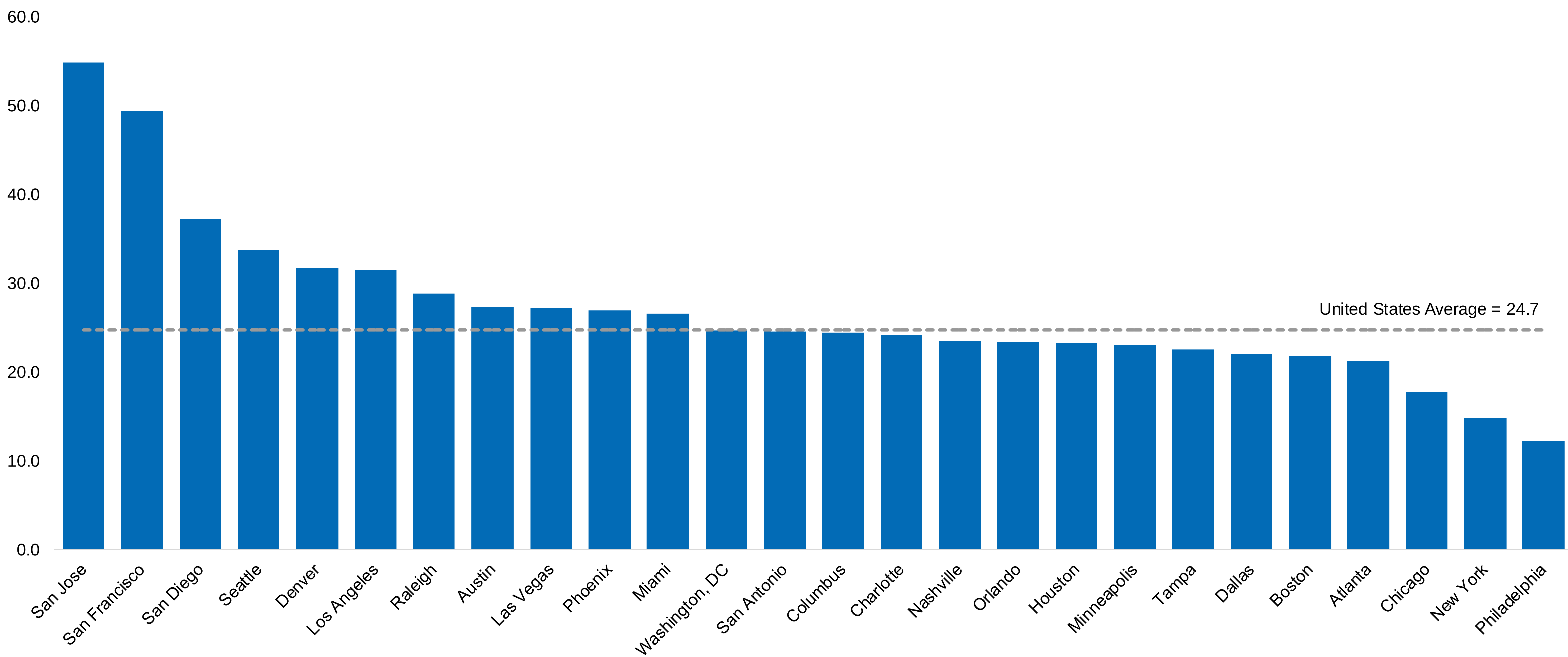


Source: Newmark Research, Moody's Analytics, National Association of Realtors, U.S. Census Bureau

High Cost Of Homes, Especially West Coast, Fueling Rental Demand

According to Moody's Analytics, the average cost of an existing single-family home in the United States is 24.7 times higher than renting an apartment. This ratio is especially pronounced in West Coast markets like the Bay Area, San Diego, and Seattle.

Single-Family Existing House Price to Apartment Rent Ratio; Select Markets

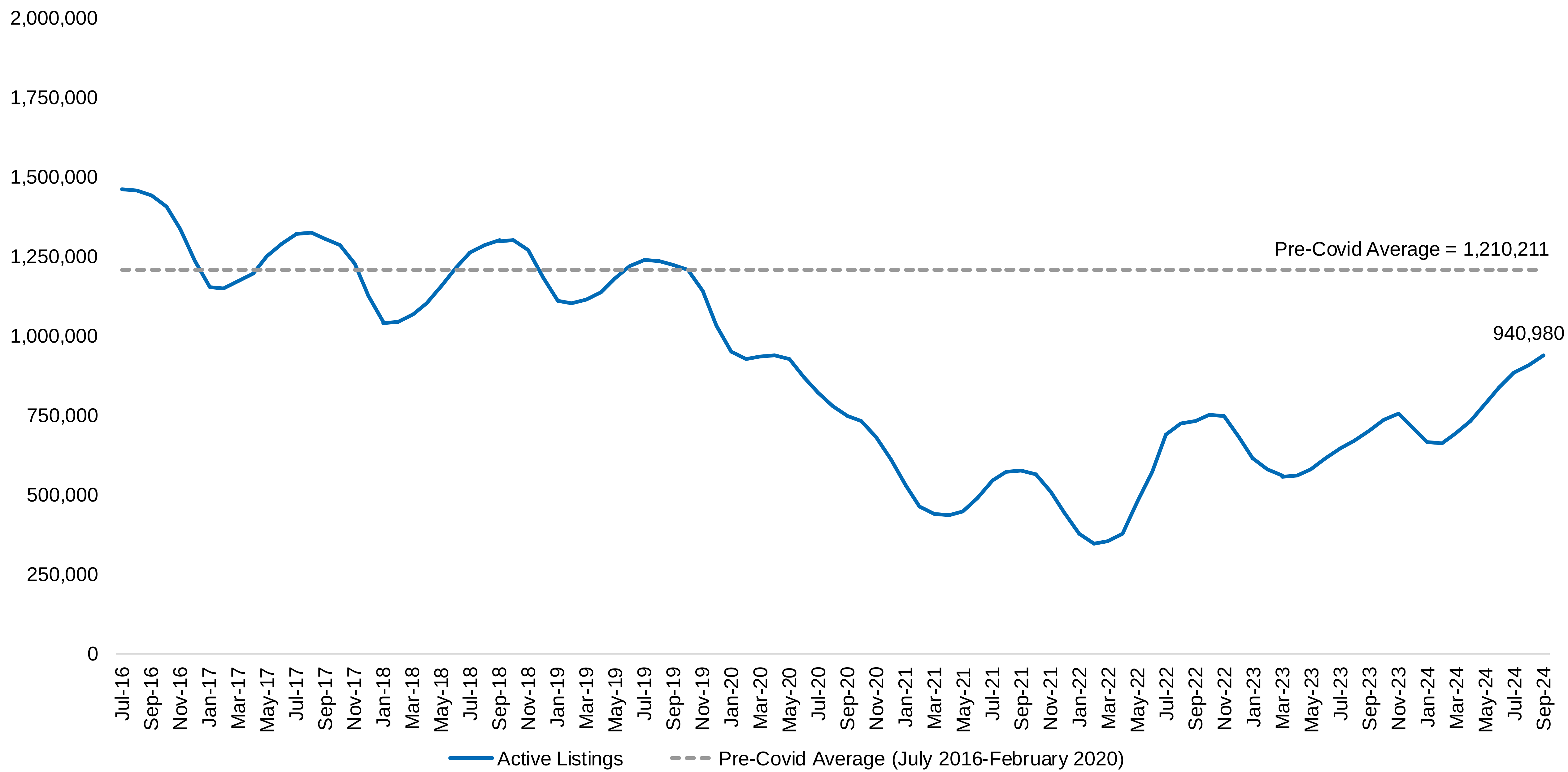


Source: Newmark Research, Moody's Analytics (10/23/24)

Active Listings Increase In 3Q, But Still Short of Pre-Covid Averages

Active listings in the U.S. have risen for eight consecutive months, showing a 34.0% increase year-over-year. Despite this upward trend, active listings remain 22.2% below the pre-COVID average.

Active Listing Count

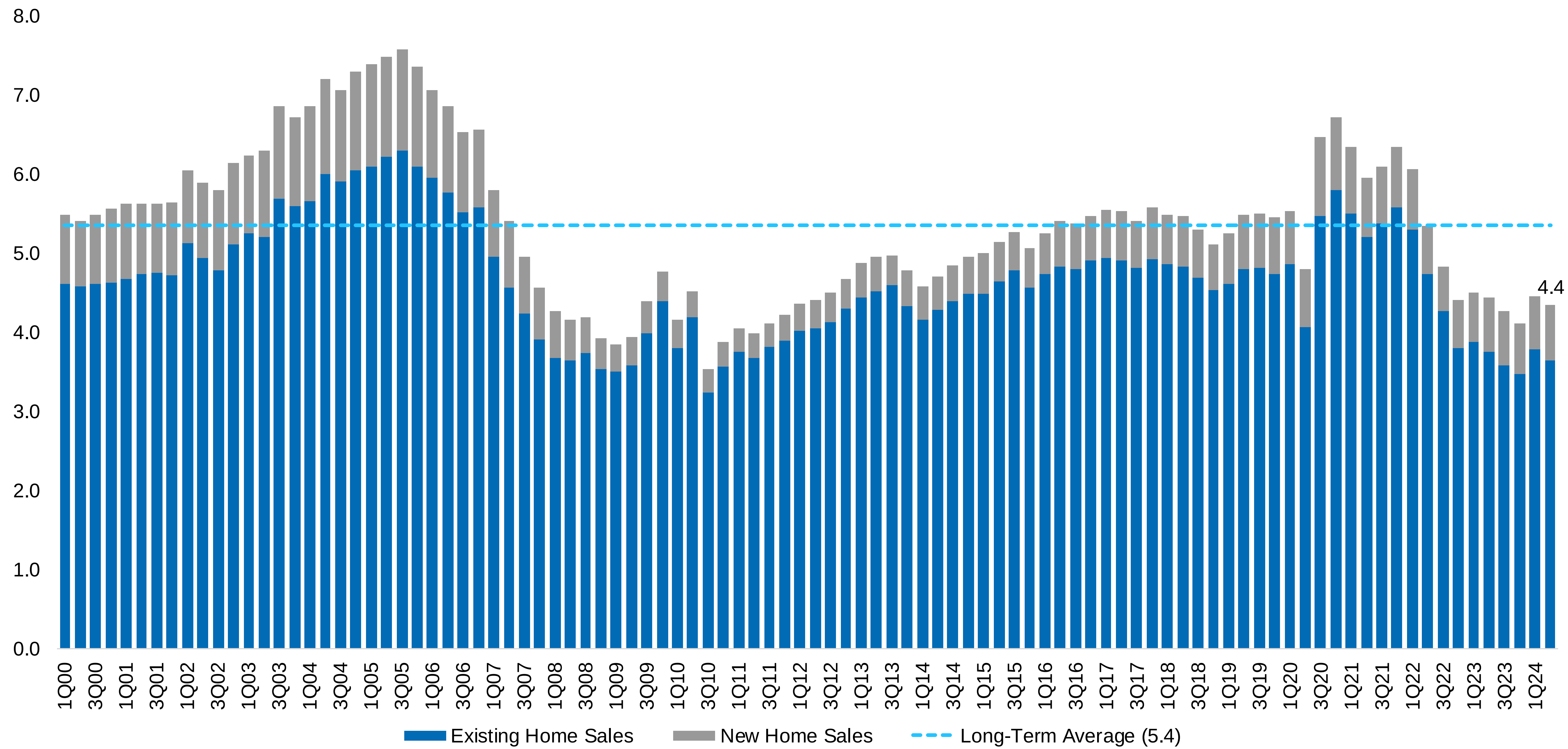


Source: Newmark Research, Federal Reserve Bank of St. Louis, Realtor.com

Home Sales Remain Depressed: 35% Off 4Q20 Peak, 19% Off Long-Term Average

Multi-decade high interest rates, combined with limited for-sale listings, have driven new and existing home sales down 37.0% and 25.0%, respectively, since the transaction peak in the fourth quarter of 2020.

New and Existing Single-Family Home Sales; Seasonally Adjusted Annual Rate in Millions

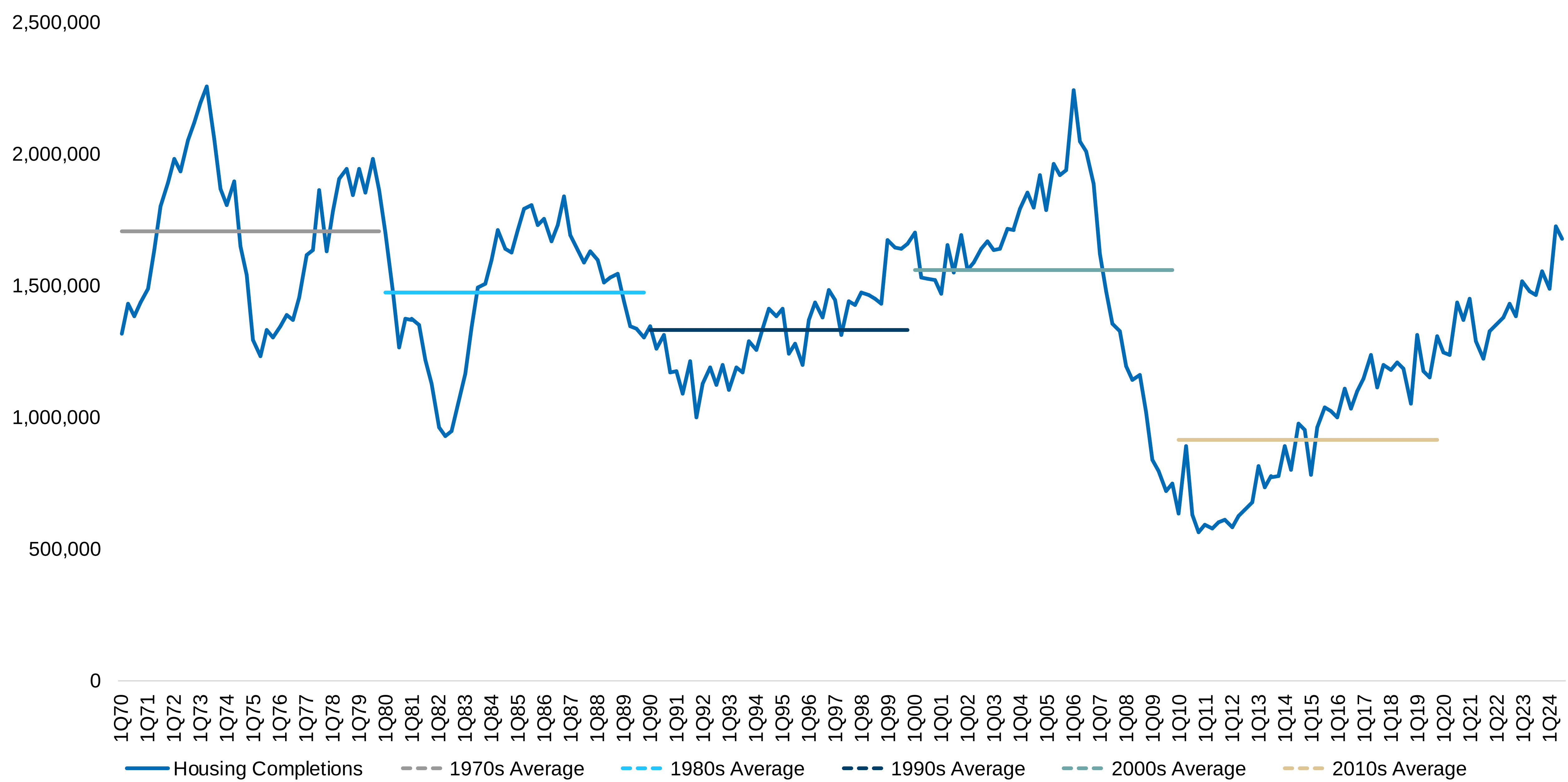


Source: Newmark Research, Moody's Analytics, National Association of Realtors, U.S. Census Bureau

Rental Demand Driven By Limited Supply of Single-Family Homes Post-GFC

Following the Global Financial Crisis, single-family completions fell 41.2% below the previous decade's average. Although completions have reached 6,453,000 units over the past four quarters, the shortfall during the 2010s continues to support long-term demand for rental housing.

New Privately-Owned Housing Units Completed; Seasonally Adjusted Annual Rate

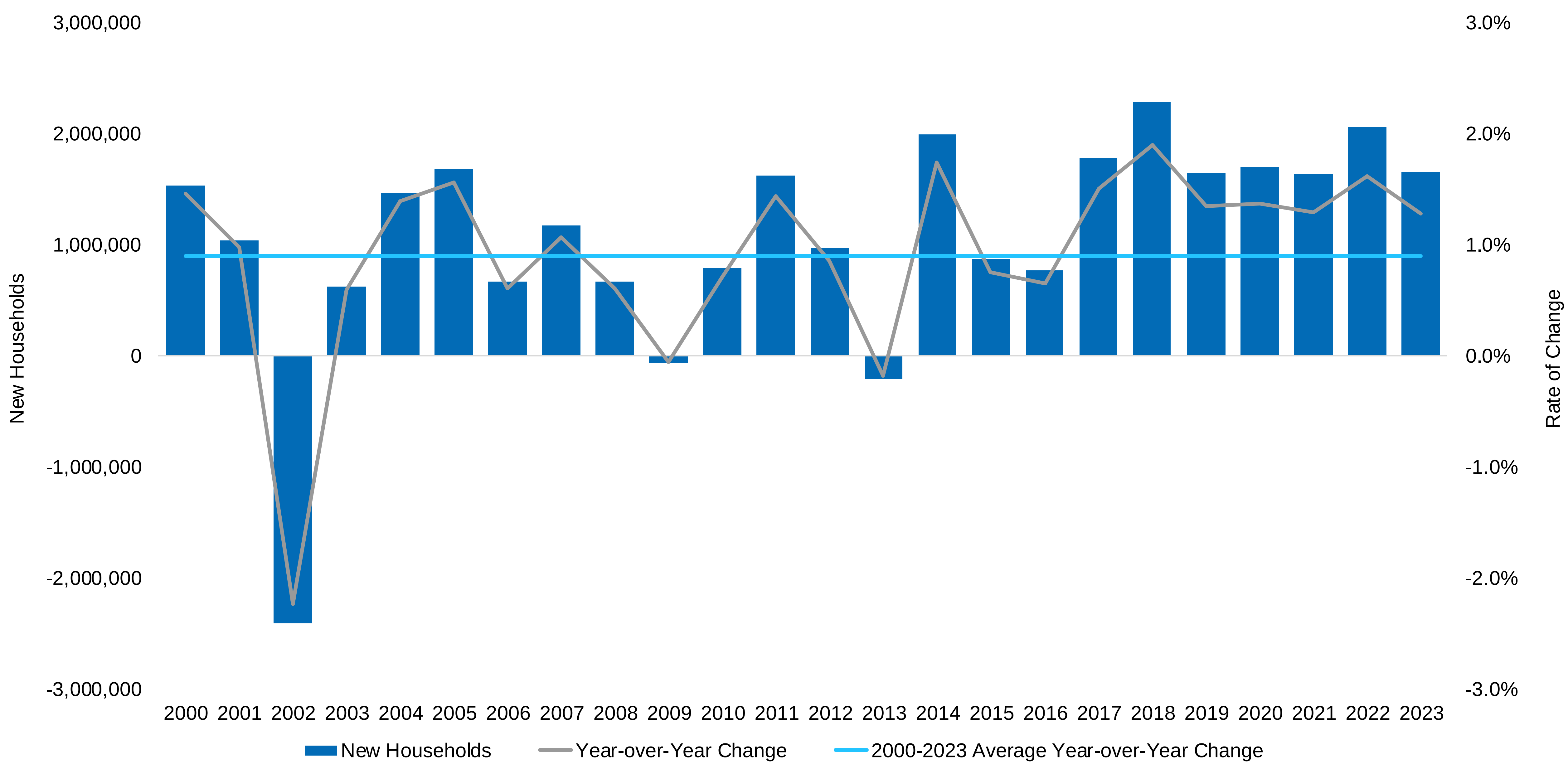


Source: Newmark Research, Federal Reserve Bank of St. Louis, U.S. Census Bureau, U.S. Department of Housing and Urban Development

Household Formation Supports Housing Demand

From 2014 to 2023, the U.S. added 16.5 million new households. Household formation has increased year-over-year for each of the past ten years, with 2023 seeing a 1.3% rise—40 basis points above the long-term average.

Household Formation

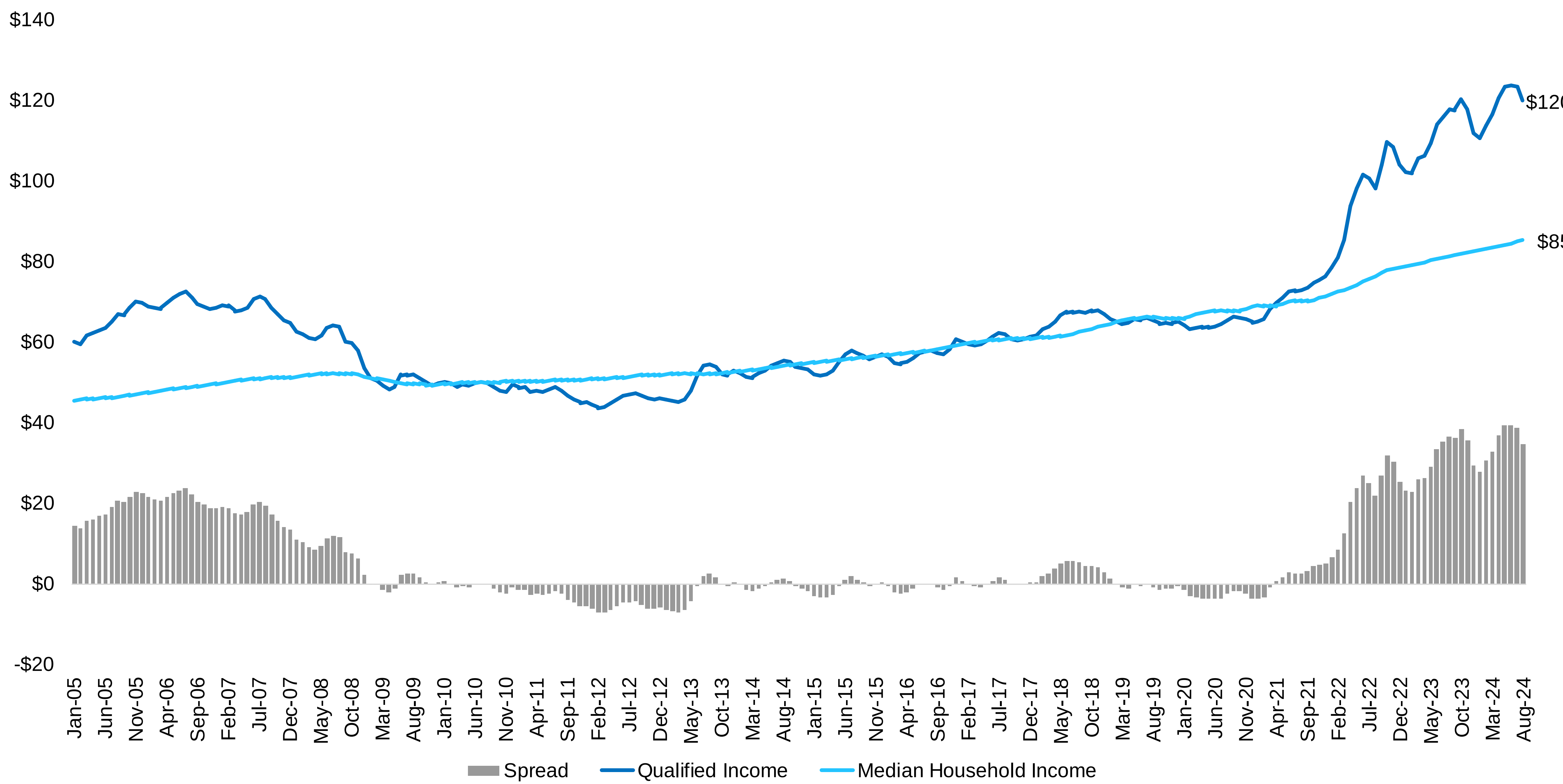


Source: Newmark Research, Federal Reserve Bank of St. Louis, U.S. Census Bureau

Homeownership Requires 41% More Income Than Current Median Household Levels

As of August 2024, the household income required for annual homeownership costs to remain under 30.0% of annual income reached nearly $120,000. Current median household incomes are 40.6% lower.

Median Household Income and Qualified Income; Dollars in Thousands



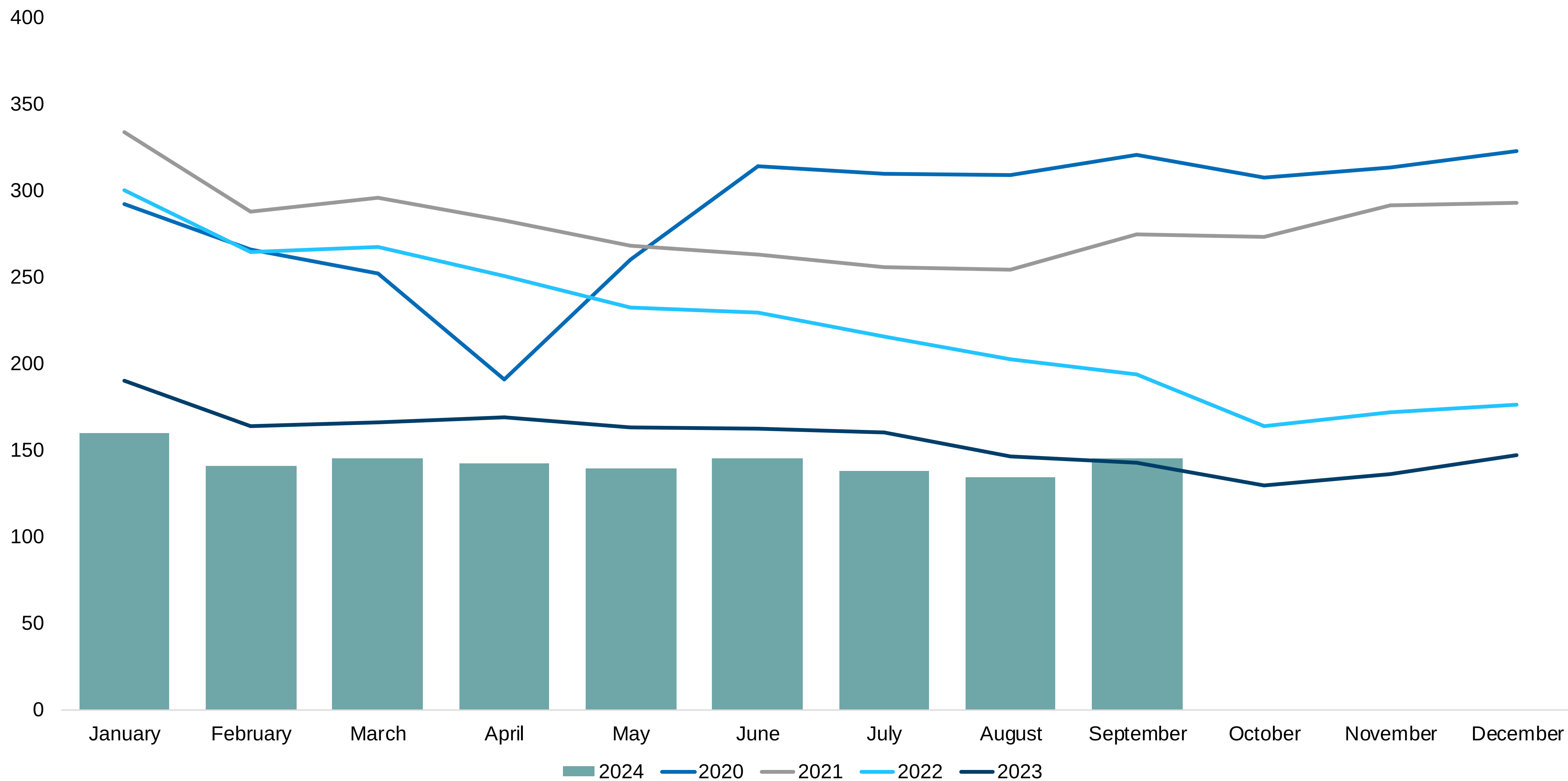
Source: Newmark Research, Federal Reserve Bank of Atlanta

**Qualified income is defined as the income needed for annual homeownership cost to equal no more than 30% of annual income*

Purchase Applications Maintain Downward Trend in 2024

By the end of the third quarter of 2024, MBA's Purchase Application Index had declined 56.4% from its peak in January 2021. Although September saw a slight uptick, the index remained below 2023 levels for most of 2024.

MBA Purchase Application Index

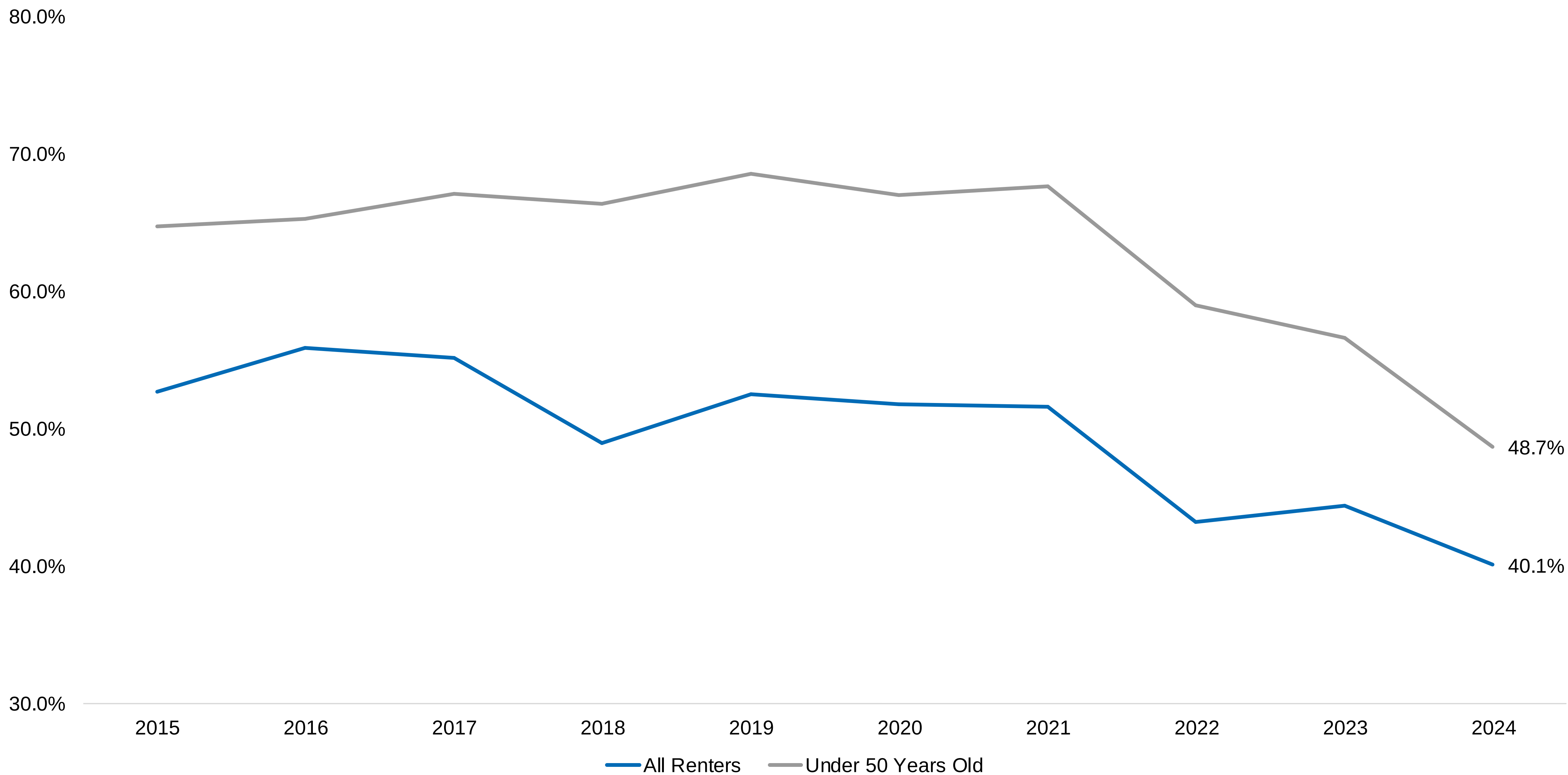


Source: Newmark Research, Mortgage Bankers Association, Moody's Analytics

Renter Sentiment Show Lack Of Hope In Purchasing Homes Near-Term

According to the New York Federal Reserve, consumer sentiment among renters of all ages indicates that only 40.1% believe they are likely to buy a home within the next three years, down from 51.8% four years ago. While respondents under 50 showed more optimism, their confidence has dropped sharply to 48.7% from a 67.1% likelihood in 2020.

Renters Probability of Buying Within the Next 3 Years

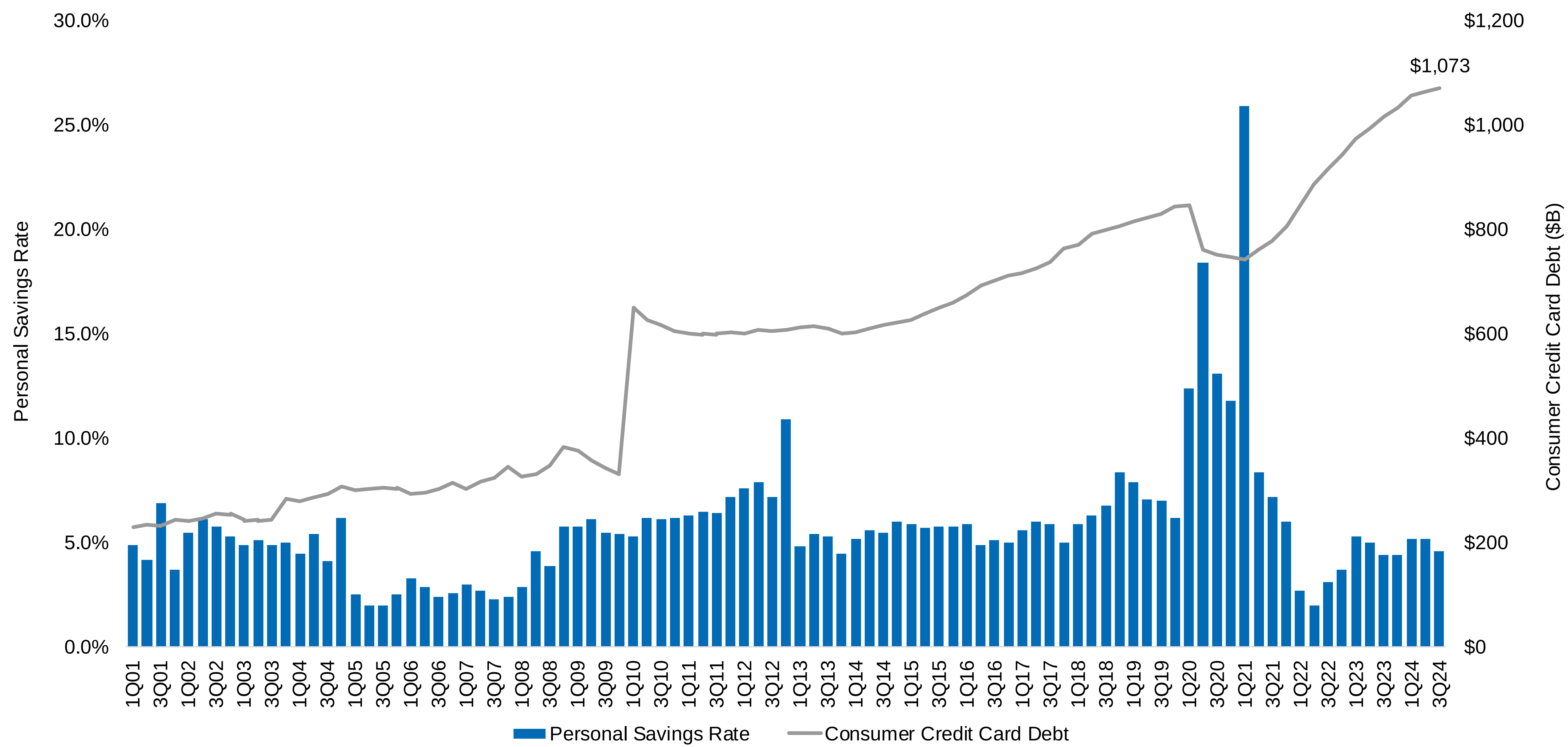


Source: Newmark Research, New York Fed Survey of Consumer Expectations

Consumers Have Less For Down Payments As Credit Card Debt Grows

Adding to the burden of homebuying, U.S. credit card debt continues to hit record highs each quarter. While the personal savings rate rose to 5.2% during the first half of 2024, it fell to 4.6% in the third quarter—120 basis points below the long-term average.

Personal Savings Rate and Consumer Credit Card Debt ; Seasonally Adjusted Annual Rate



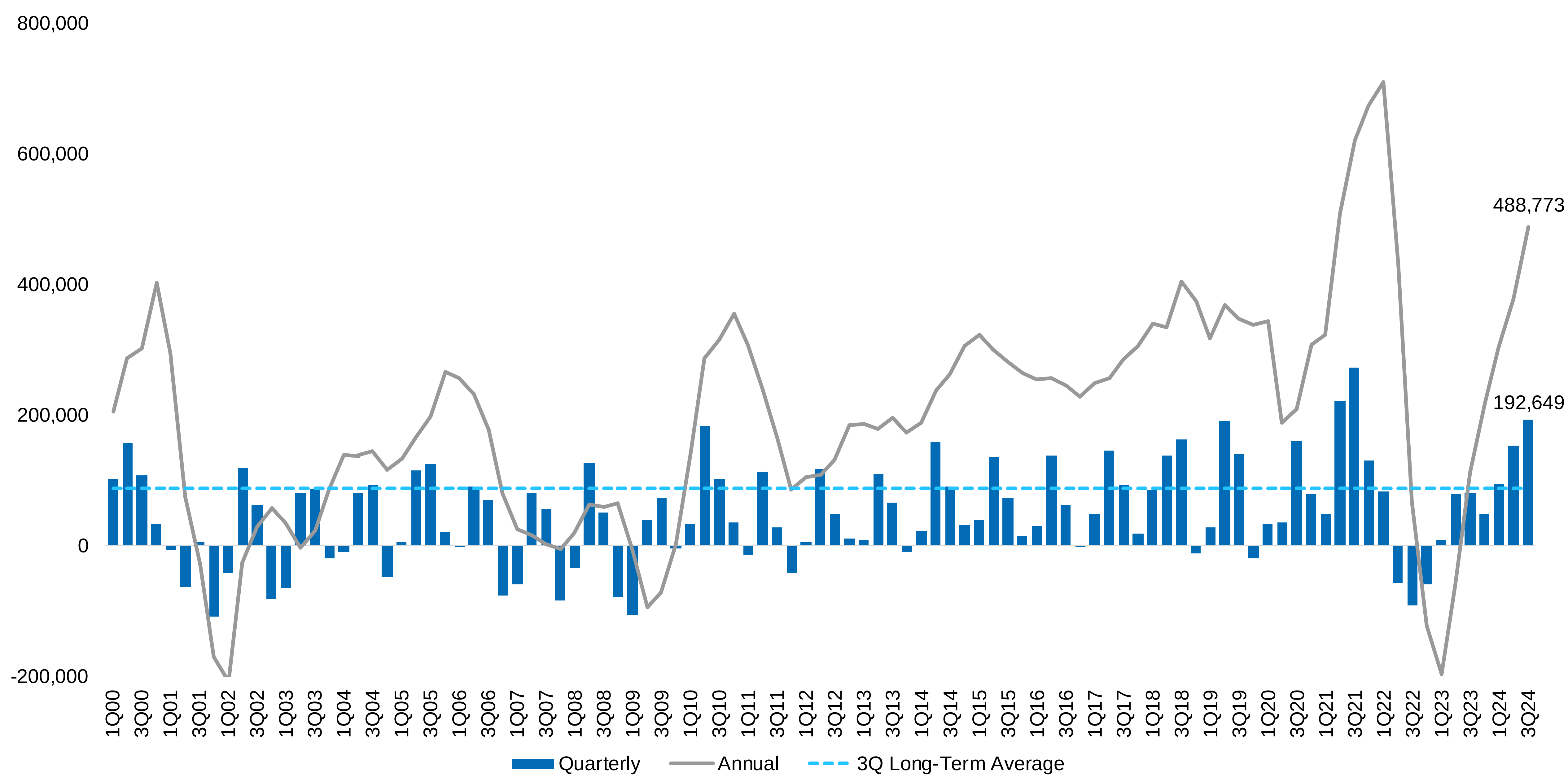
Source: Newmark Research, Federal Reserve Bank of St. Louis, U.S. Bureau of Economic Analysis, Board of Governors of the Federal Reserve System

Leasing Market

Quarterly & Annual Demand Surges In 3Q24

Quarterly demand reached 192,649 units in the third quarter of 2024, marking a 134.6% year-over-year increase and exceeding the third-quarter long-term average by 117.3%. Rolling four-quarter demand rose to 488,773 units, continuing its acceleration for six consecutive quarters.

Quarterly and Annual Demand

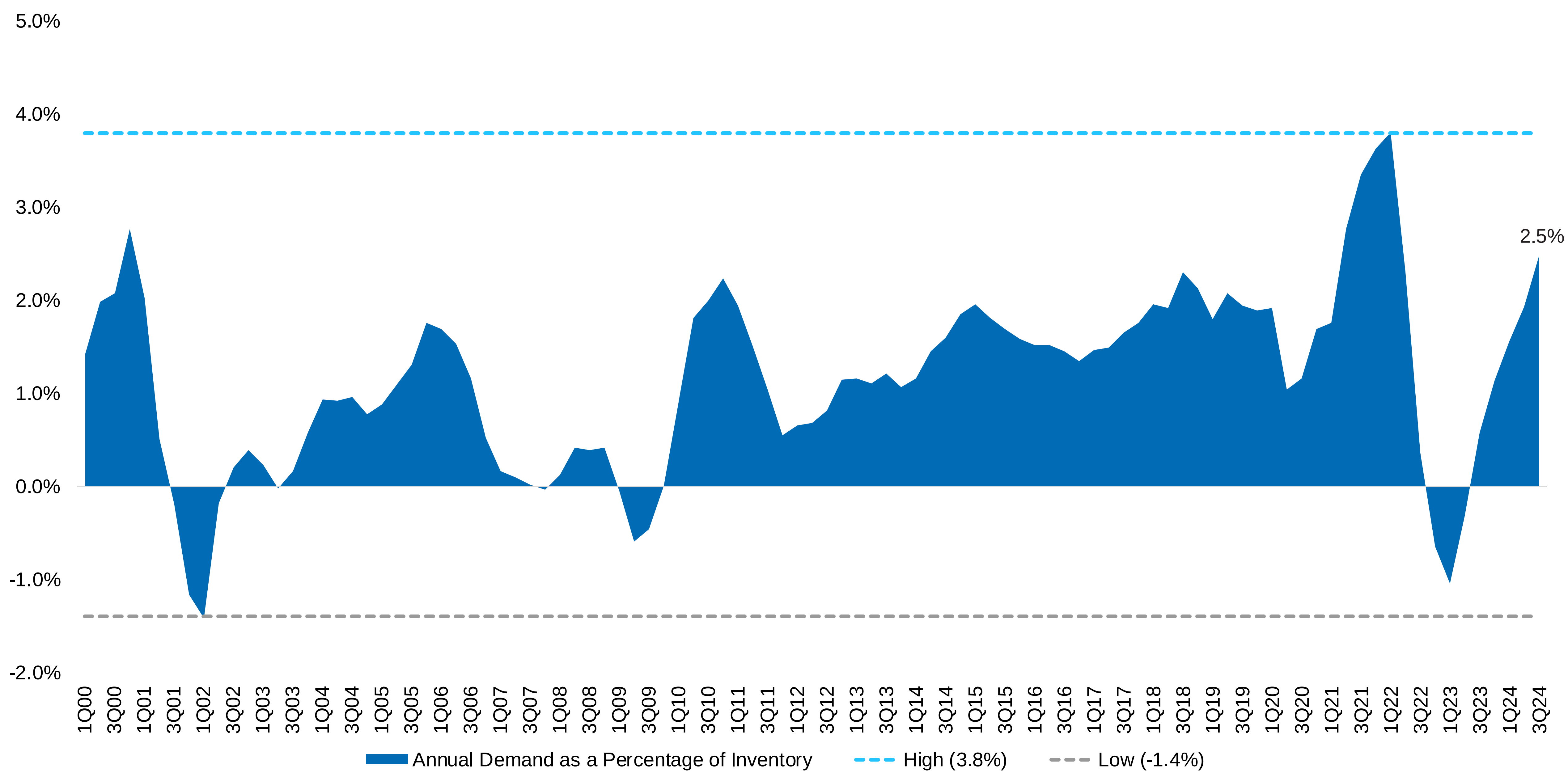


Source: Newmark Research, RealPage

Demand Historically Strong Relative To Inventory

Annual demand as a percentage of inventory rose to 2.5% in the third quarter of 2024. This marks only the sixth time since 2000 that trailing twelve-month demand as a percentage of inventory has met or exceeded 2.5%.

Annual Demand as a Percentage of Inventory

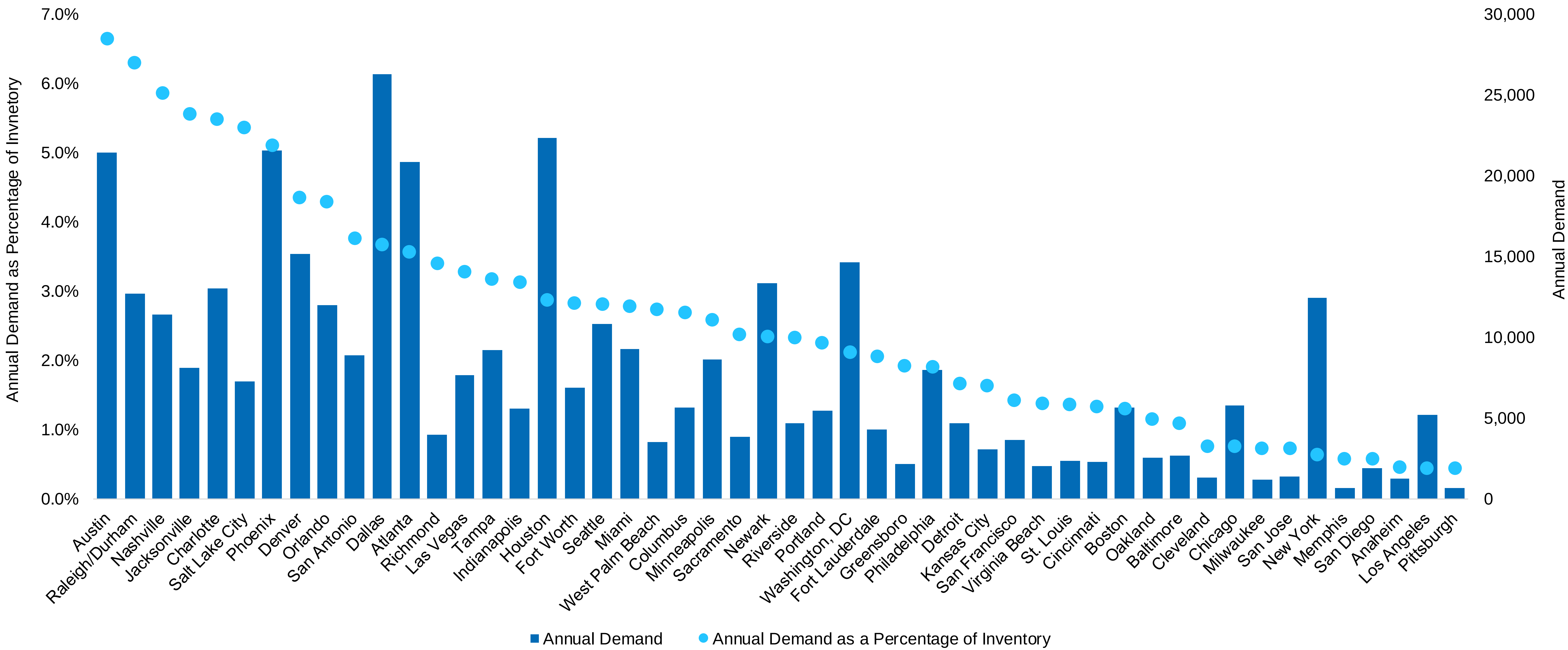


Source: Newmark Research, RealPage

Demand Strongest Throughout Sun Belt, Both Nominally & Relative To Inventory

Sun Belt markets like Austin, Raleigh/Durham, and Nashville have recorded the highest relative demand on a trailing 12-month basis, while Dallas and Houston have led in nominal demand over the same period.

Annual Demand as a Percentage of Inventory; Top 50 Markets

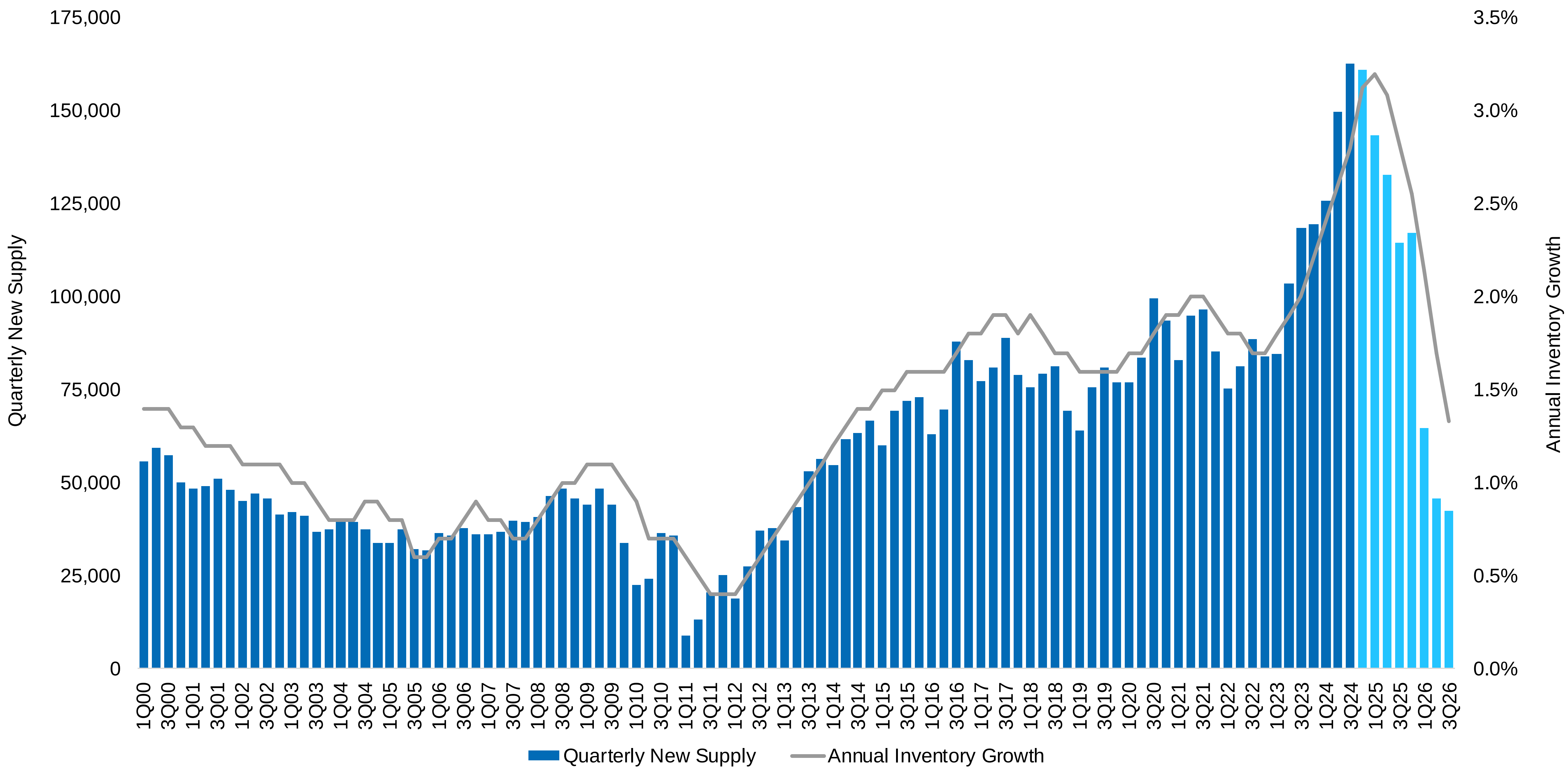


Source: Newmark Research, RealPage

New Supply Peaked in 3Q24; Pipeline Expected to Slow Through 2025-2026

A total of 162,595 units were delivered in the third quarter of 2024, surpassing the previous record of 149,896 units set in the second quarter of 2024. New deliveries are projected to decelerate slightly through the fourth quarter of 2024, with a more significant slowdown anticipated in 2025 and 2026.

Quarterly Supply and Annual Inventory Growth

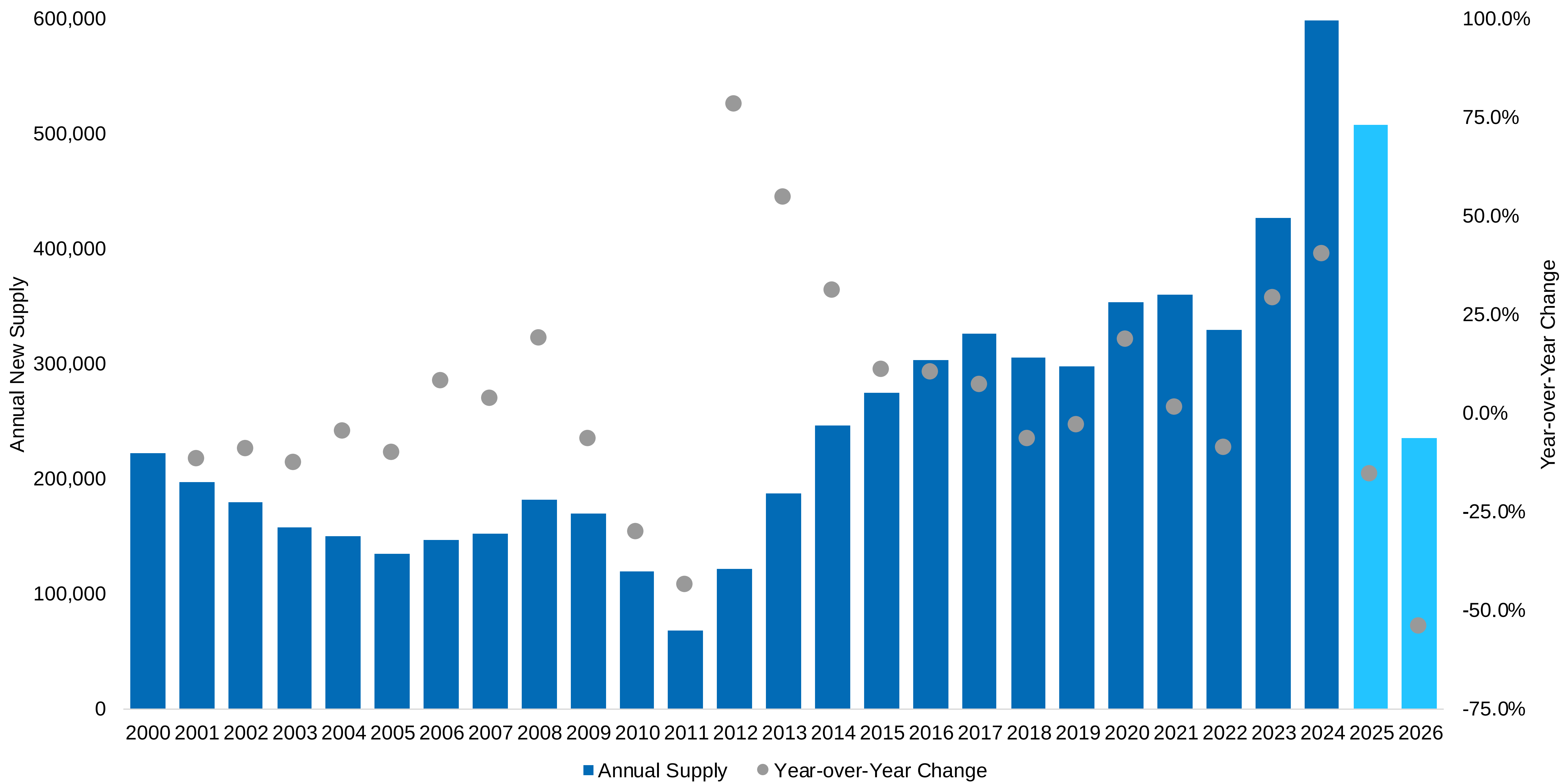


Source: Newmark Research, RealPage

Supply Expected To Sharply Fall Year-over-Year

As of the third quarter of 2024, 599,247 units are projected for delivery throughout 2024, marking a 40.5% increase compared with 2023. Looking ahead, supply is expected to decline by 15.2% in 2025 and 53.8% in 2026.

Annual Supply Forecast and Year-Over-Year Change

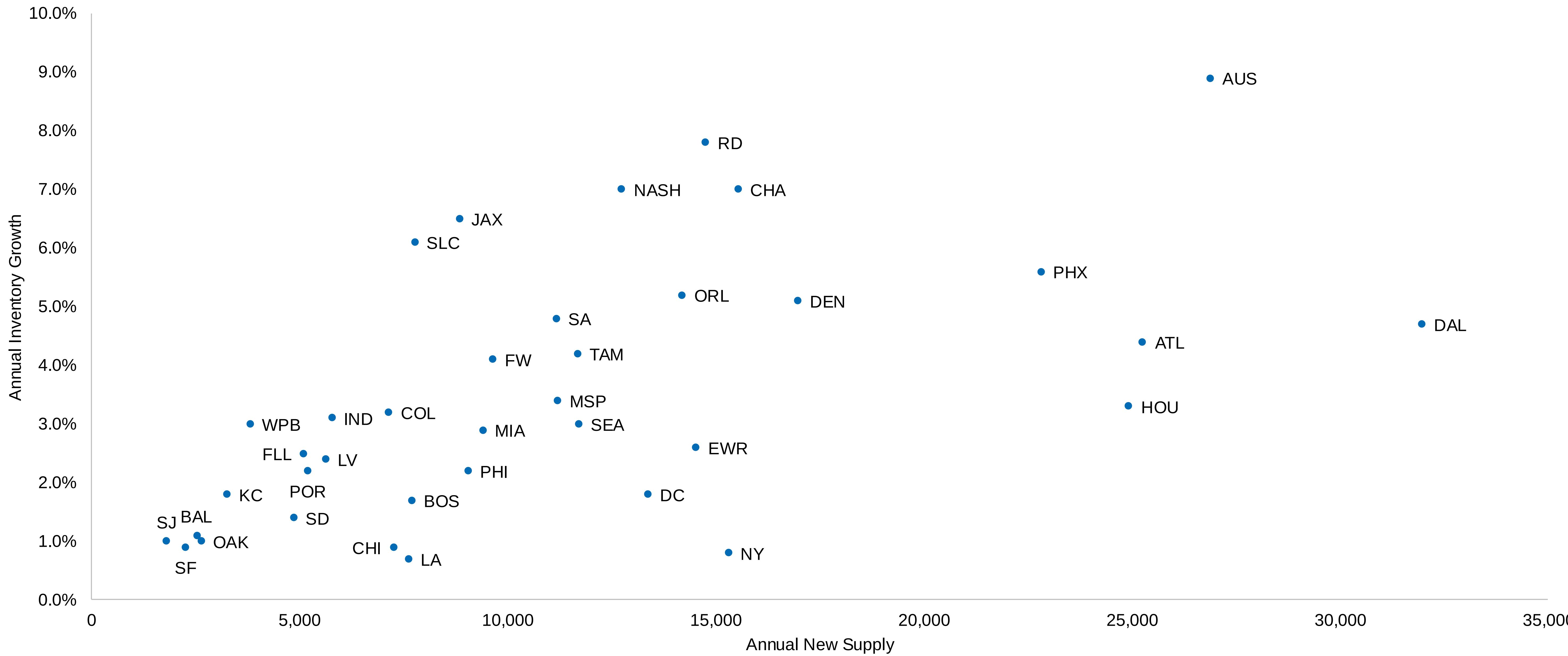


Source: Newmark Research, RealPage

Sun Belt Markets Lead in Inventory Growth and Unit Deliveries

Dallas led with the highest number of new units added over the past 12 months, totaling 31,950. Markets like Austin, Raleigh/Durham, Charlotte, and Nashville saw annual inventory growth of 7.0% or more, while Chicago, San Francisco, New York, and Los Angeles recorded growth below 1.0%.

Annual New Supply and Annual Inventory Growth by Market; Select Markets

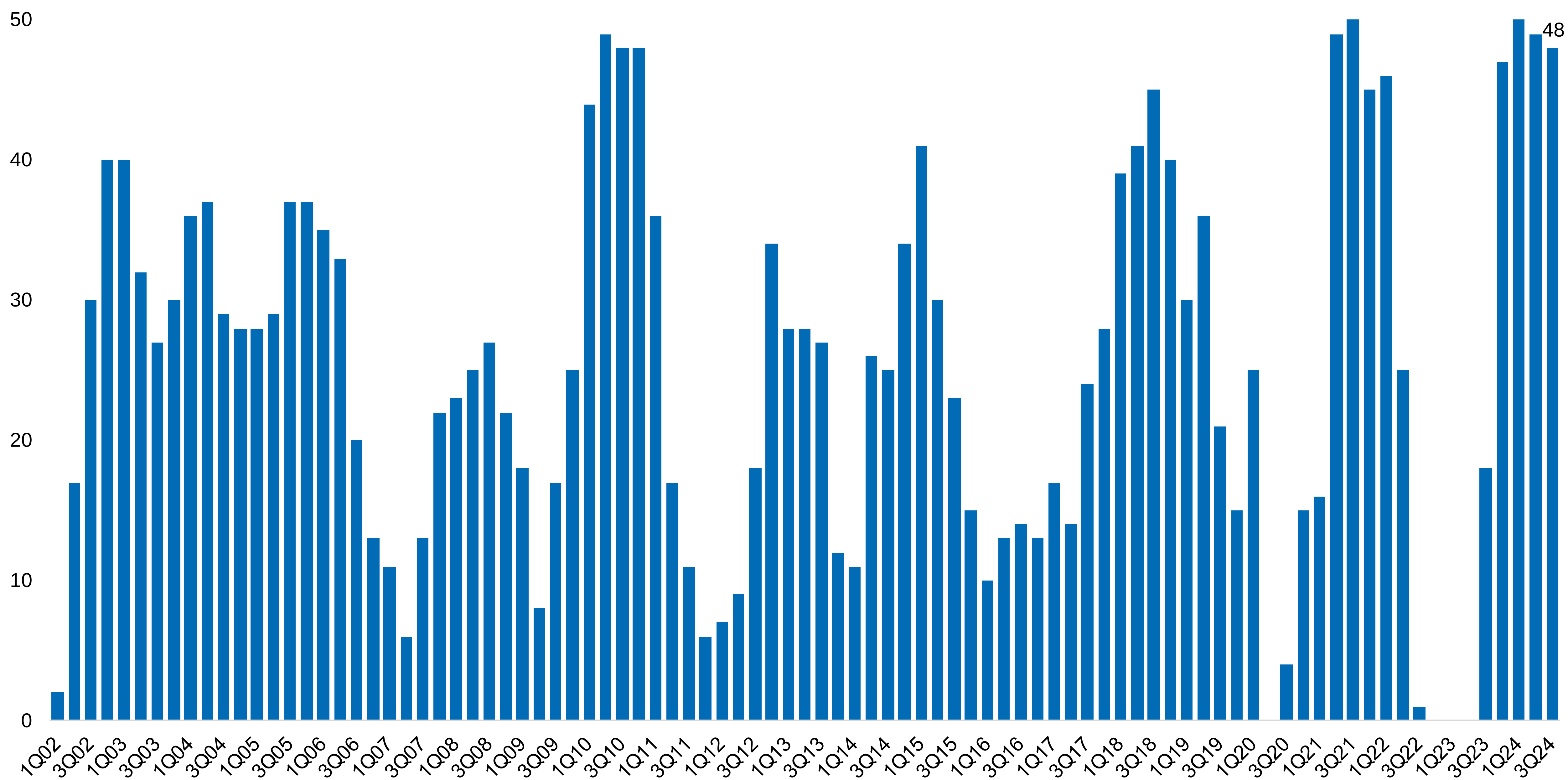


Source: Newmark Research, RealPage

Demand Outpaces Supply In Nearly Every Market; Sharp Reversal From 2023

As of the third quarter of 2024, annual demand exceeded new supply in 48 of the top 50 U.S. markets. This represents the fourth consecutive quarter in which at least 47 of the top 50 markets saw demand outpace supply.

Number of Markets Within the Top 50 Where Annual Demand Outpaces Supply

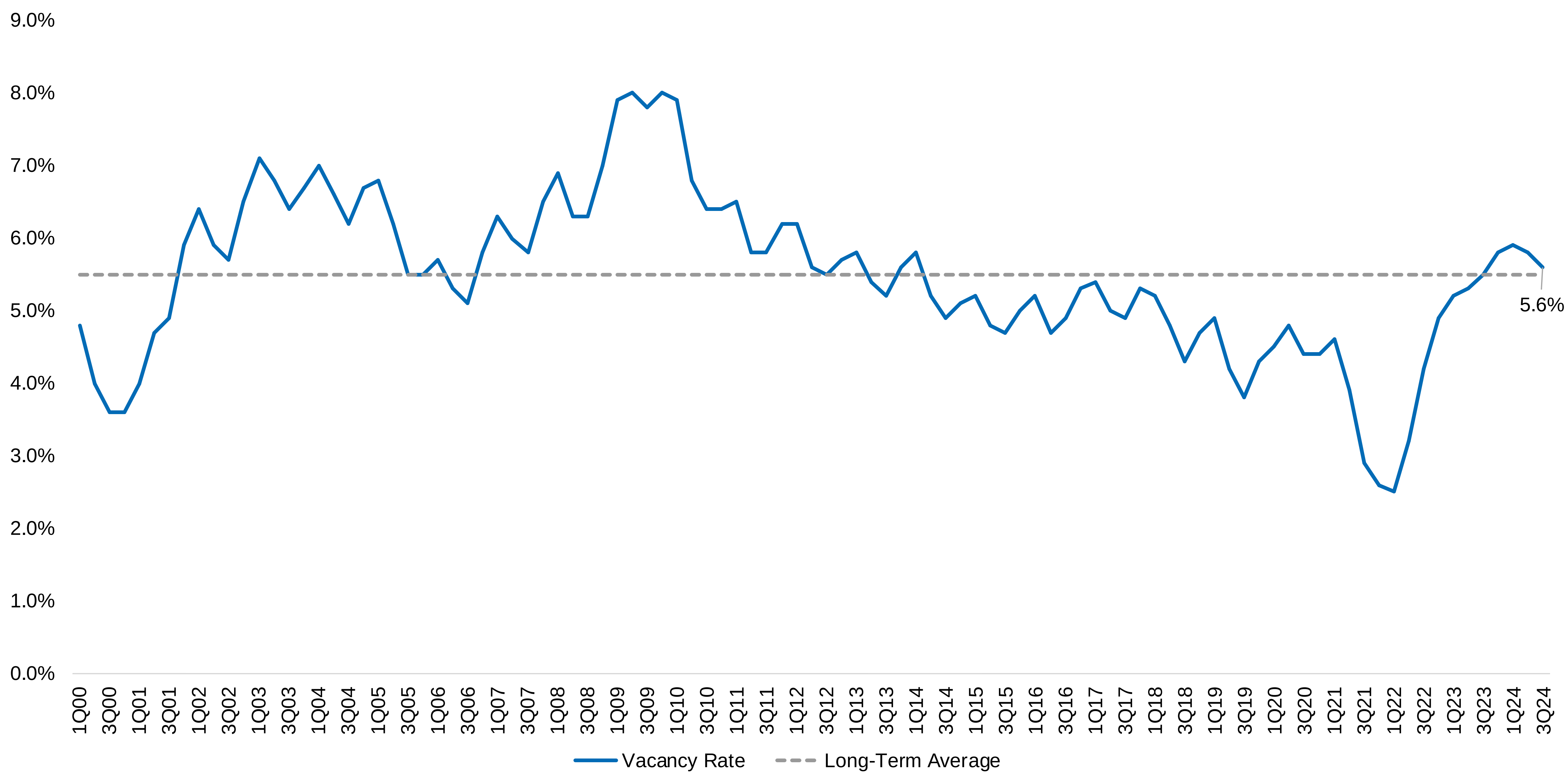


Source: Newmark Research, RealPage

Vacancy Rate Improves Quarter-over-Quarter As Demand Boosts Fundamentals

After reaching a peak of 5.9% in the first quarter of 2024, the national vacancy rate declined by 30 basis points to 5.6%, driven by strong demand in the third quarter of 2024. Although the current rate is 10 basis points higher than a year ago, vacancy levels appear to have stabilized.

Quarterly Vacancy Rate

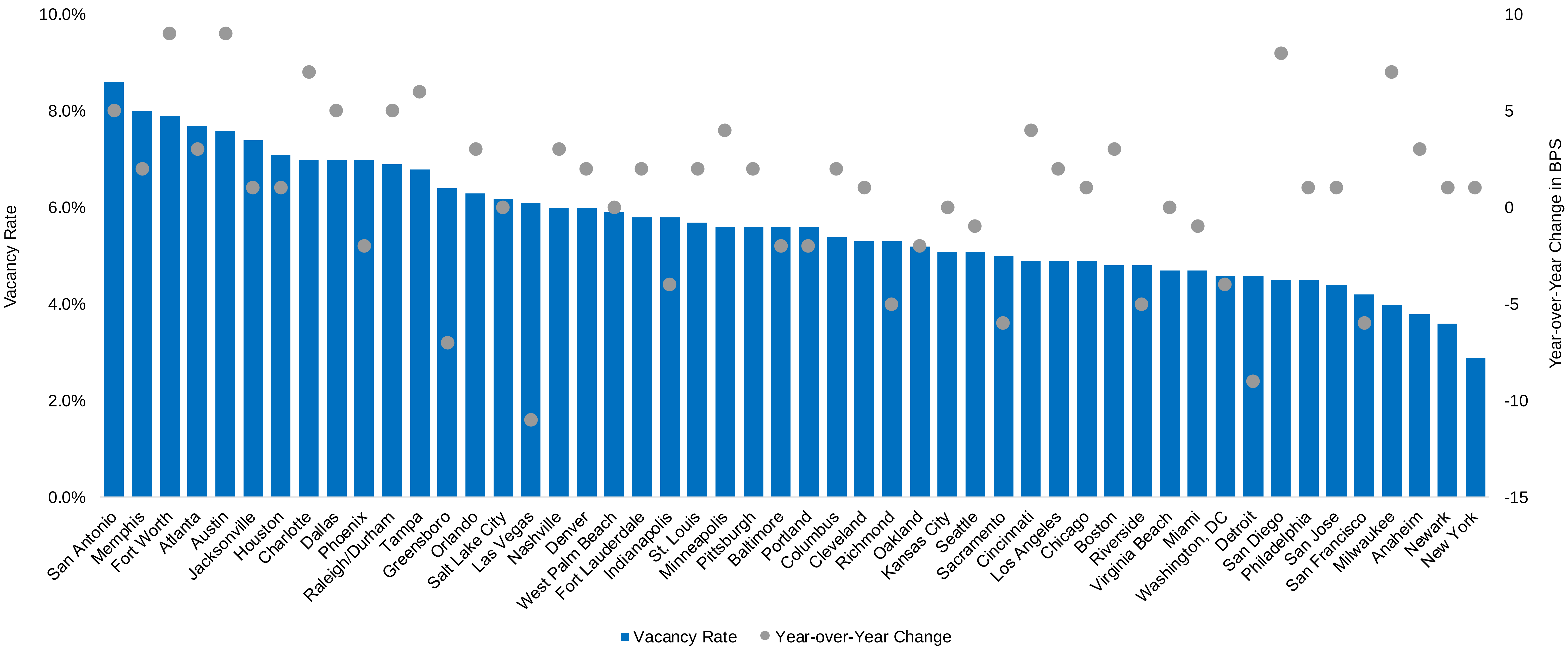


Source: Newmark Research, RealPage

Coastal Markets Outperforming As Vacancies Stabilize

As of the third quarter of 2024, New York, Newark, and Anaheim recorded the lowest vacancy rates among the top 50 markets, while San Antonio, Fort Worth, and Austin had the highest. Fort Worth and Austin saw the largest year-over-year vacancy rate increases at 9 basis points, while Las Vegas experienced an 11-basis-point decline over the same period.

Vacancy Rate and Year-over-Year Change; Top 50 Markets

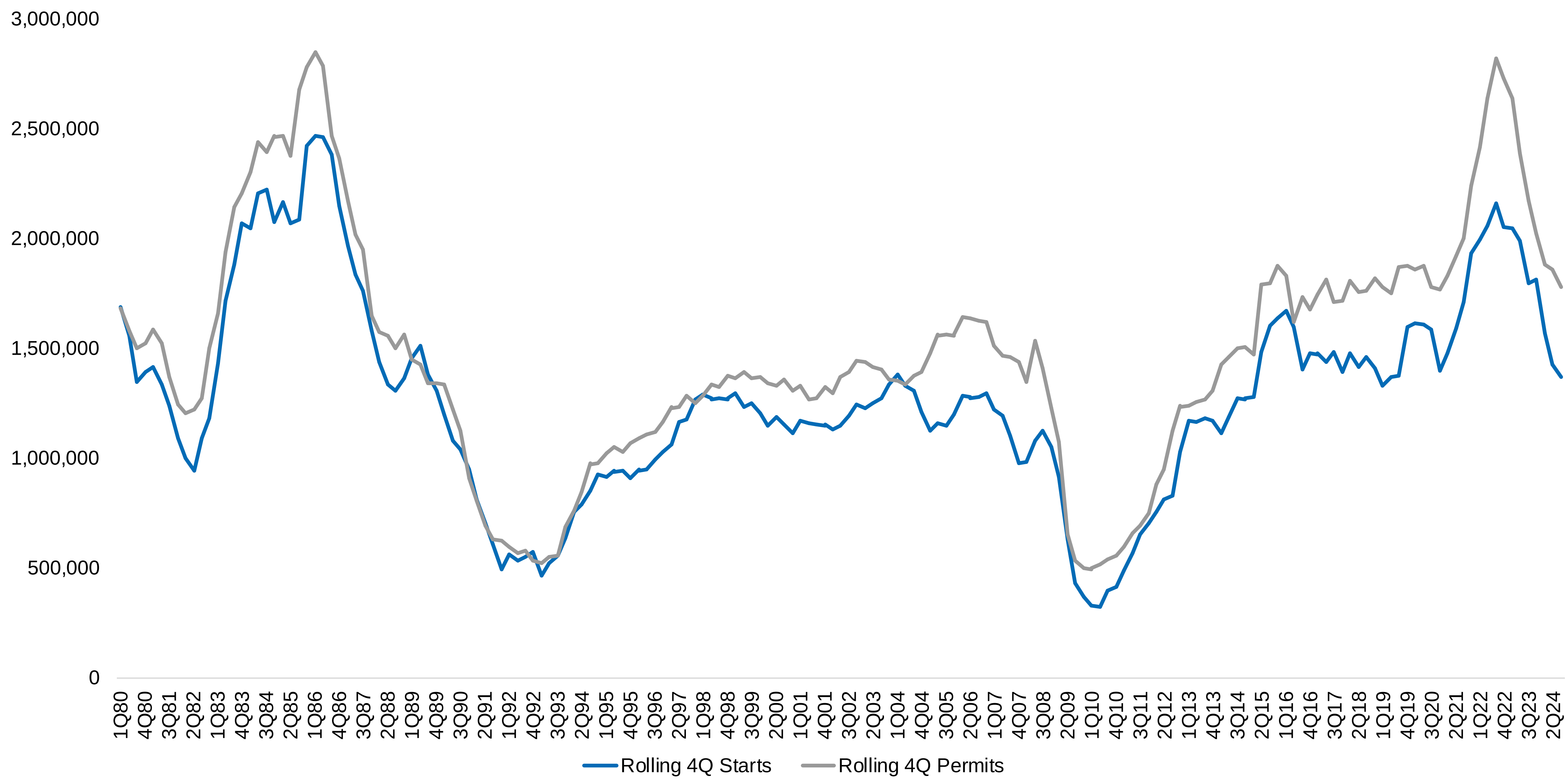


Source: Newmark Research, RealPage

Forward-Looking Metrics Signal Upcoming Slowdown in Deliveries

Despite significant new supply, rolling four-quarter starts and permits have declined by 36.7% and 36.8%, respectively, from their peak in the third quarter of 2022. This slowdown in starts and permitting is expected to lead to more normalized delivery levels in 2025 and 2026.

Rolling 4Q Multifamily Starts and Permits

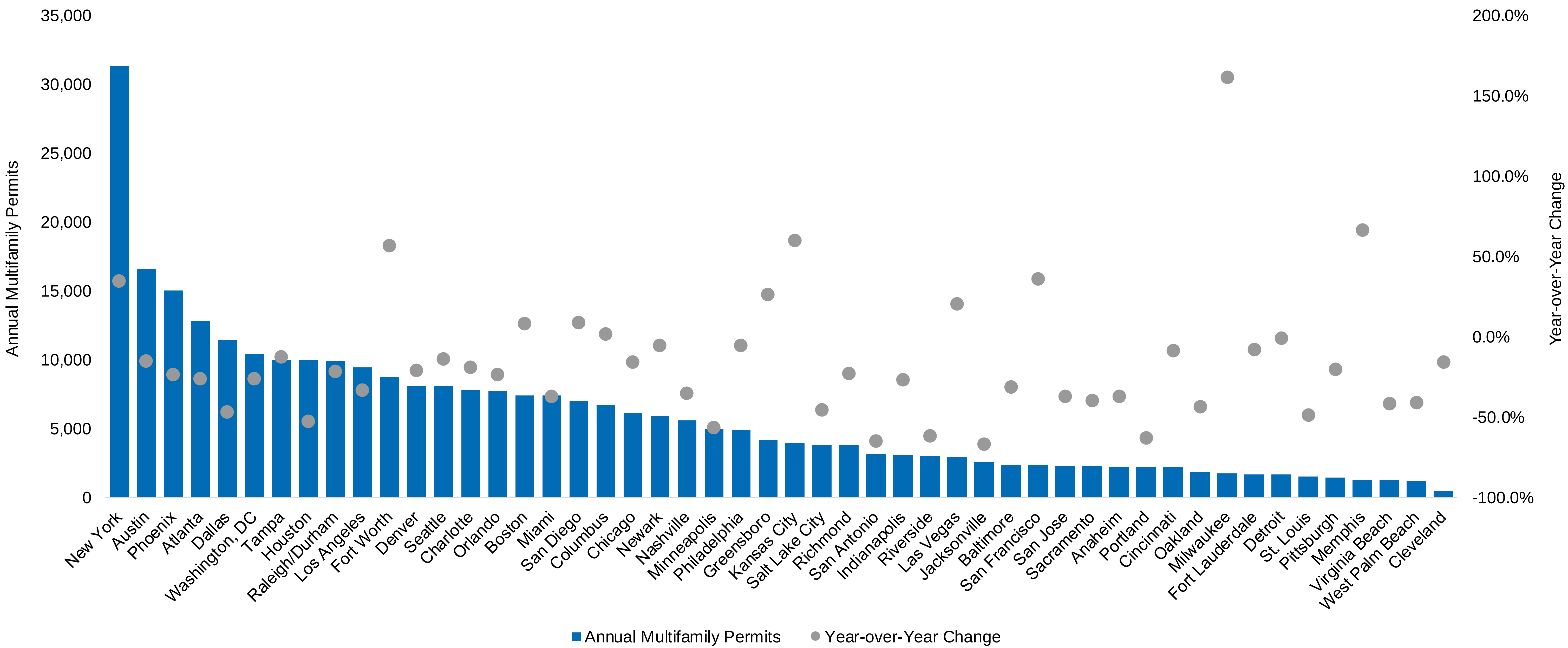


Source: Newmark Research, U.S. Census Bureau, U.S. Department of Housing and Urban Development, Federal Reserve Bank of St. Louis

Nominal Permitting Highest In New York, Austin & Phoenix

While New York, Austin, and Phoenix lead the nation in nominal permitting, the top 50 markets saw an average year-over-year decline of 14.6% in permitting. Riverside, Portland, San Antonio, and Jacksonville experienced declines of over 60%.

Annual Multifamily Permits by Market and Year-over-Year Change; Top 50 Markets

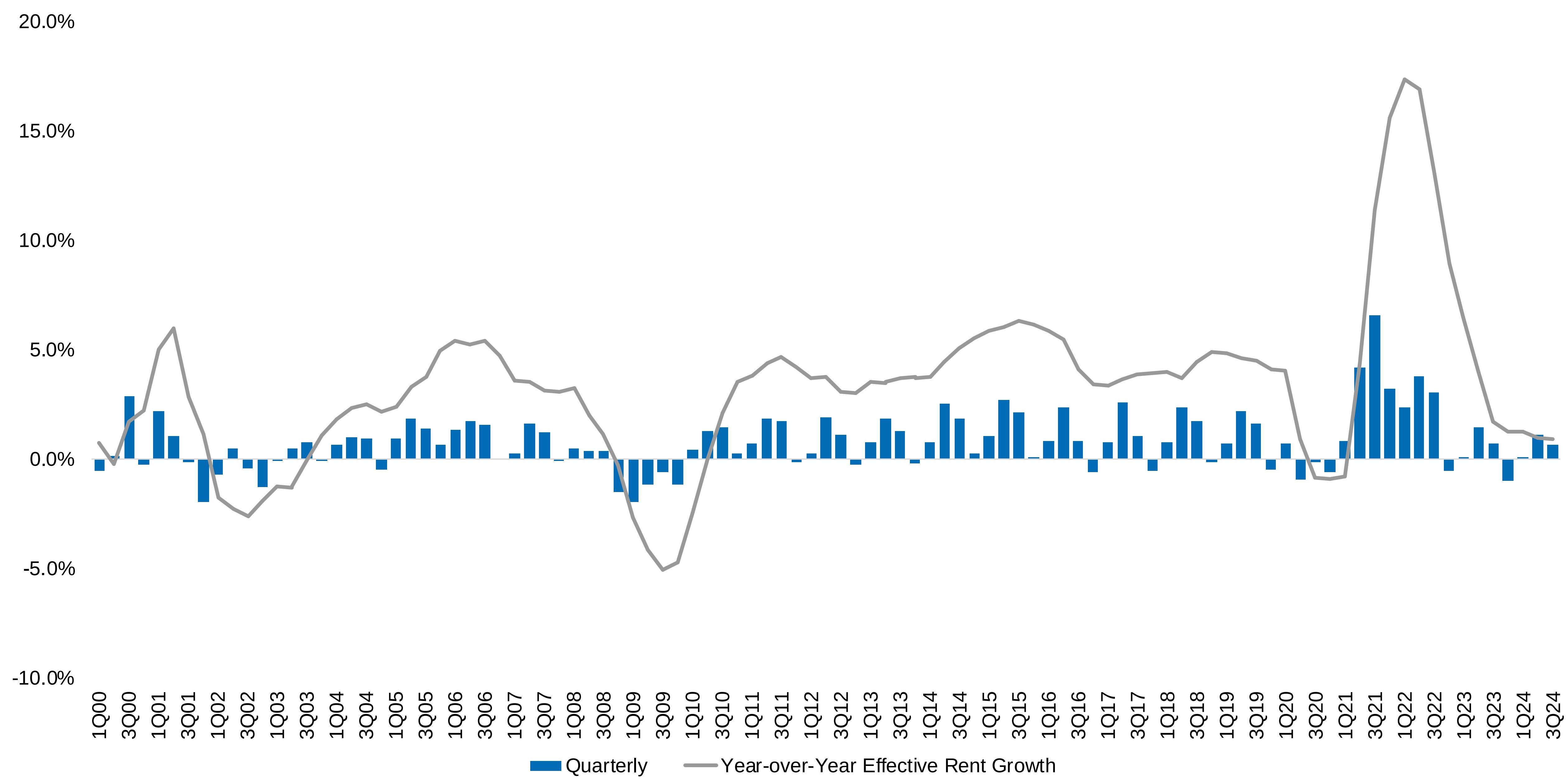


Source: Newmark Research, RealPage

Rent Growth Decelerates Quarter-over-Quarter & Year-over-Year

Quarterly rent growth slowed to 0.7% in the third quarter of 2024, with year-over-year growth decelerating to 0.9%. Year-over-year rent growth is expected to rise in 2025 as concerns over new supply ease.

Quarterly and Year-over-Year Effective Rent Growth

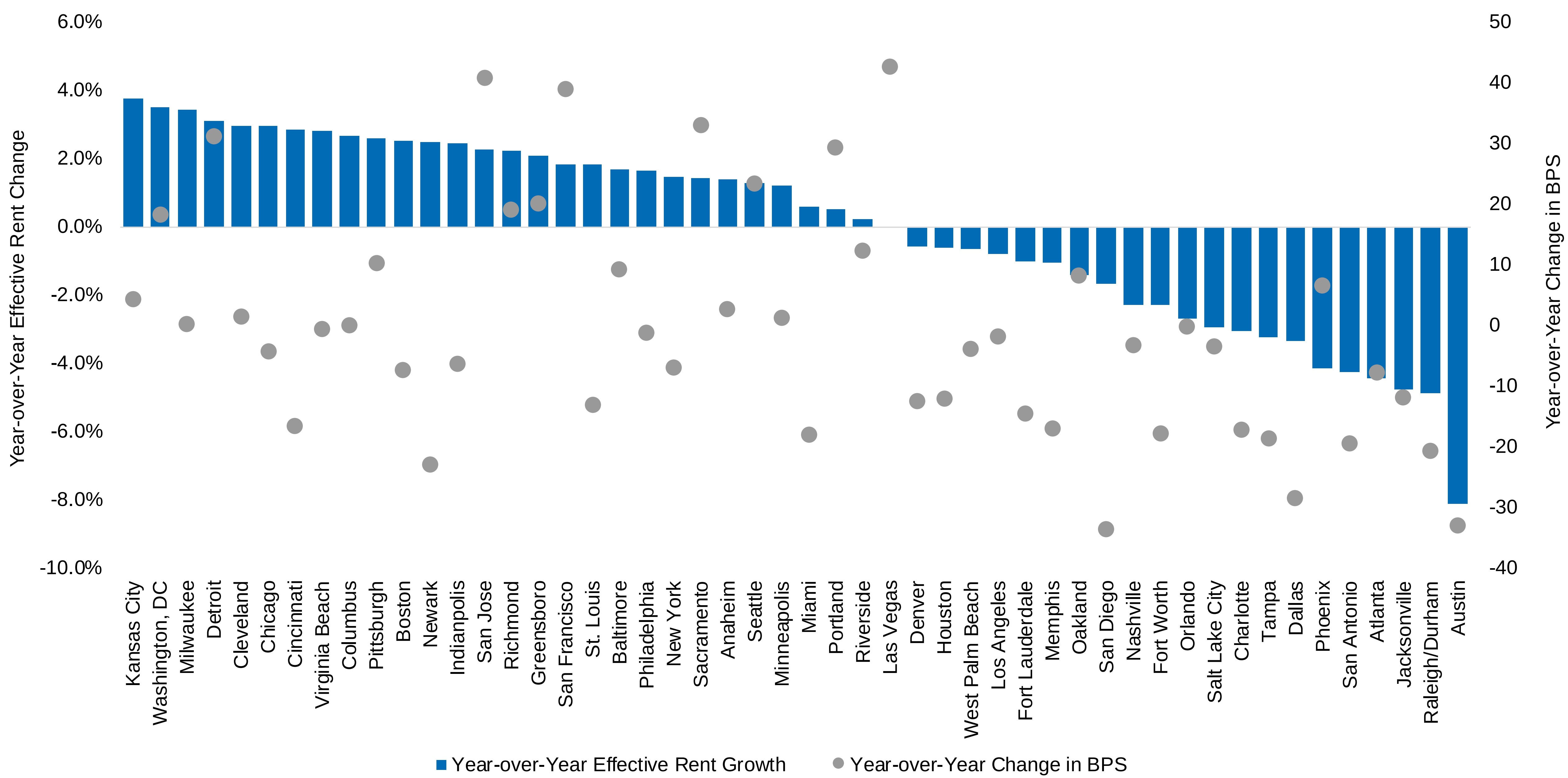


Source: Newmark Research, RealPage

Rent Growth Outperforming In Midwest & Mid-Atlantic; Gains on West Coast

Over half of the top 50 markets recorded positive year-over-year rent growth. Western markets, including Las Vegas, San Jose, San Francisco, and Sacramento, saw the most significant acceleration, each rising by 33 basis points or more.

Year-over-Year Effective Rent Growth and Change in BPS; Top 50 Markets

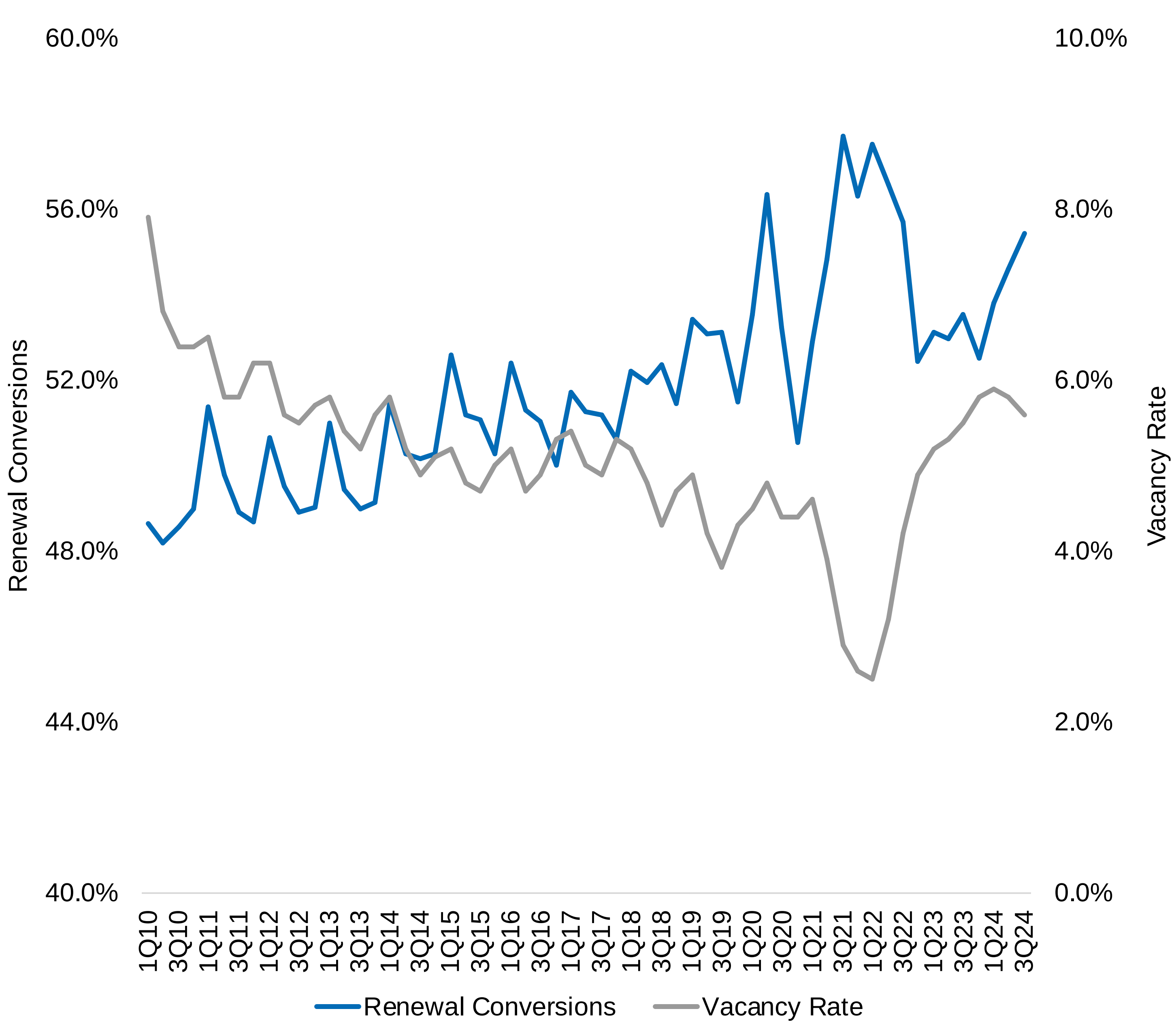


Source: Newmark Research, RealPage

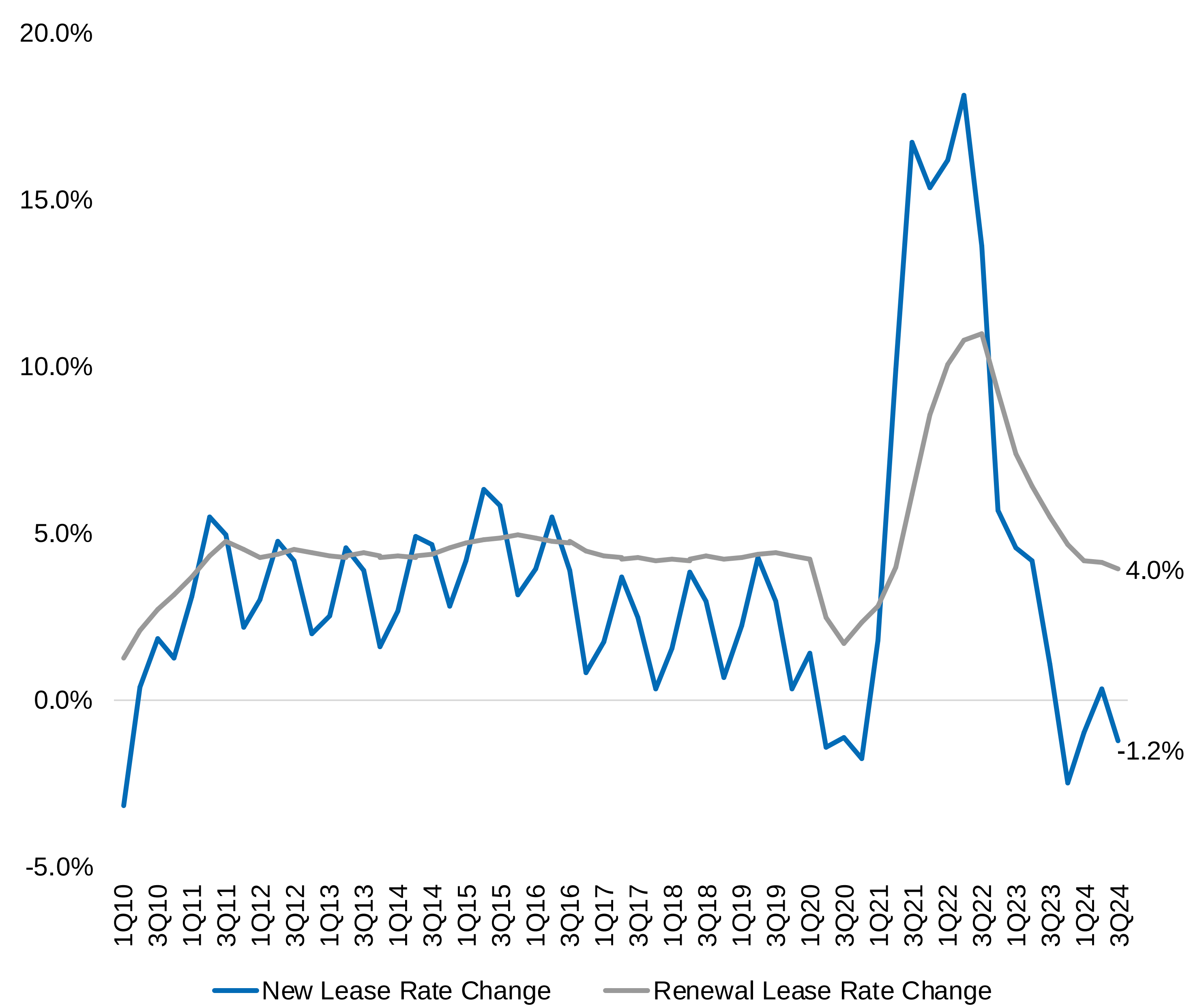
Retaining Existing Tenants Proves More Profitable than New Lease Rates

Renewal conversions have stayed strong despite rising vacancy rates, indicating challenges for new properties in securing leases. Meanwhile, new lease trade-outs showed positive fundamentals, with the lowest renewal rate change since the second quarter of 2021.

Renewal Conversions and Vacancy Rate



New Lease Trade Outs

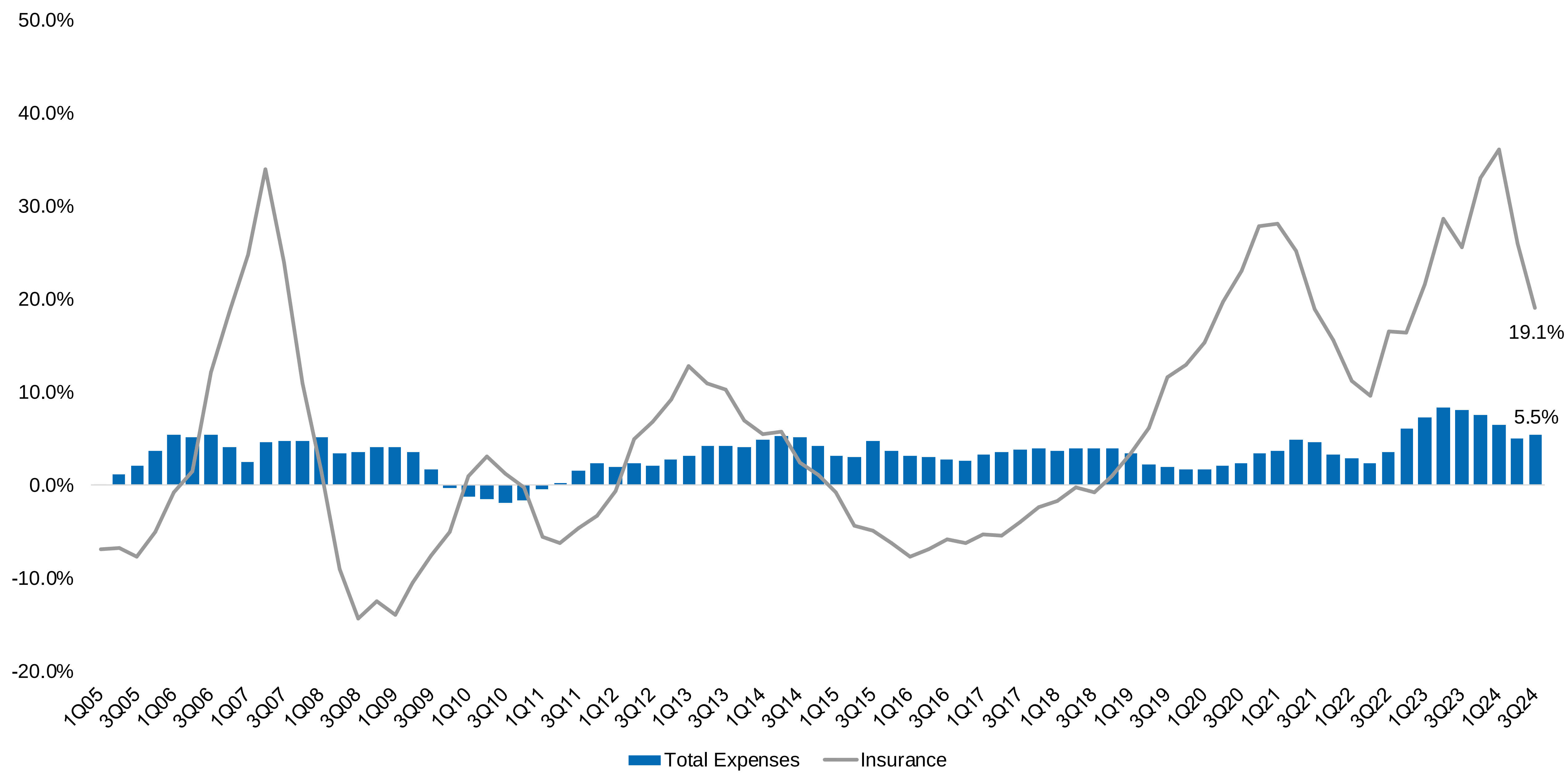


Source: Newmark Research, RealPage

Expenses Increase in 3Q24 After Four Consecutive Quarters of Decline

As of the third quarter of 2024, total expenses rose 5.5% year-over-year, marking the first annual increase in five quarters. Notably, insurance growth slowed to 19.1%, 65 basis points lower than the previous year; however, this is expected to rise due to recent hurricanes in the Southeast.

Year-over-Year Change in Expenses and Insurance



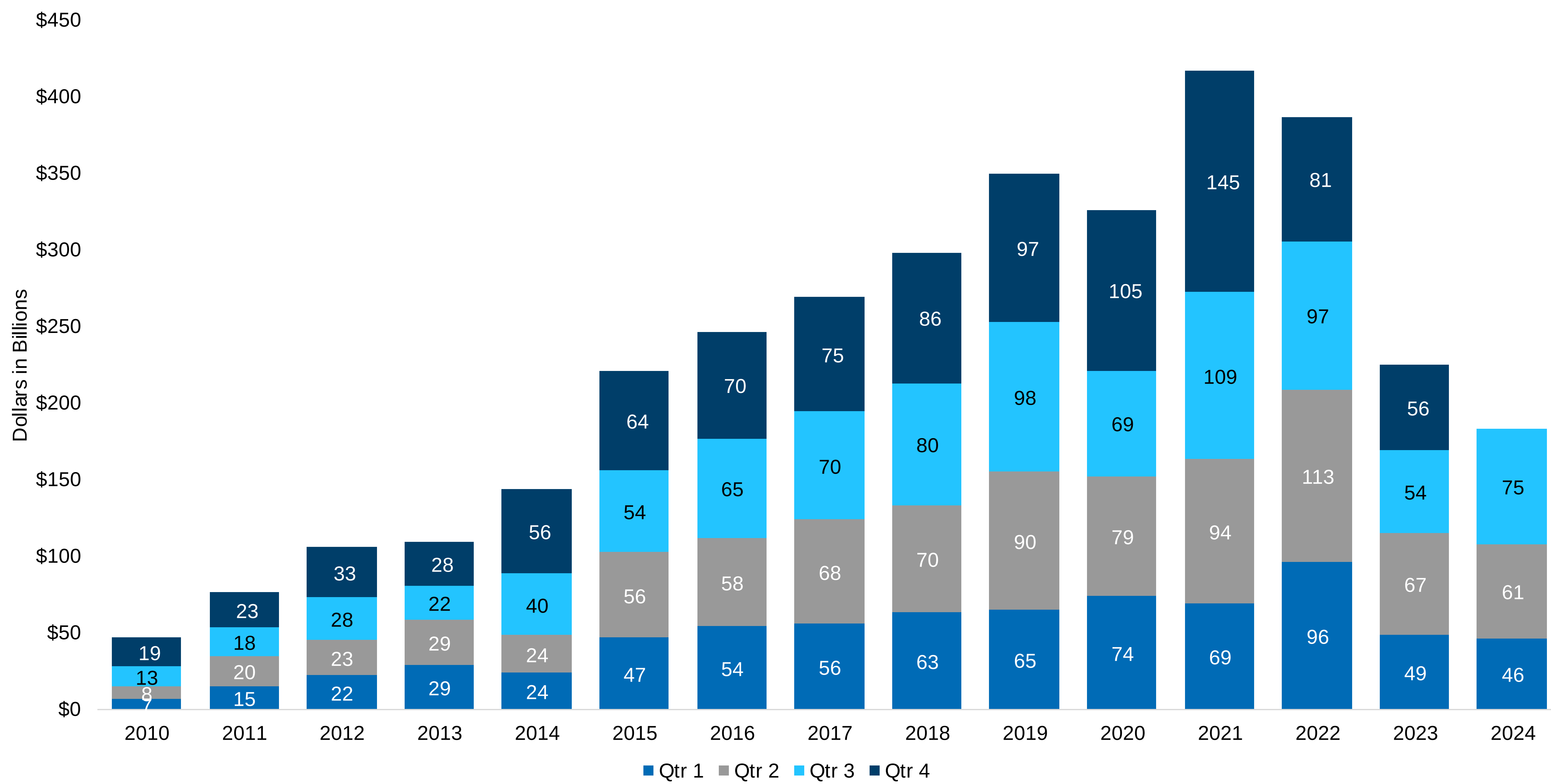
Source: Newmark Research, NCREIF

Debt Capital Markets

Multifamily Debt Originations Accelerate

Activity in the first half of 2024 remained subdued, but third-quarter loan volume marked its strongest performance since 2022, with year-to-date volume up 8.5%. Borrowers benefited from declining rates throughout the quarter; however, with rates trending back up, it is uncertain if this momentum will continue.

Multifamily Debt Origination Volume*

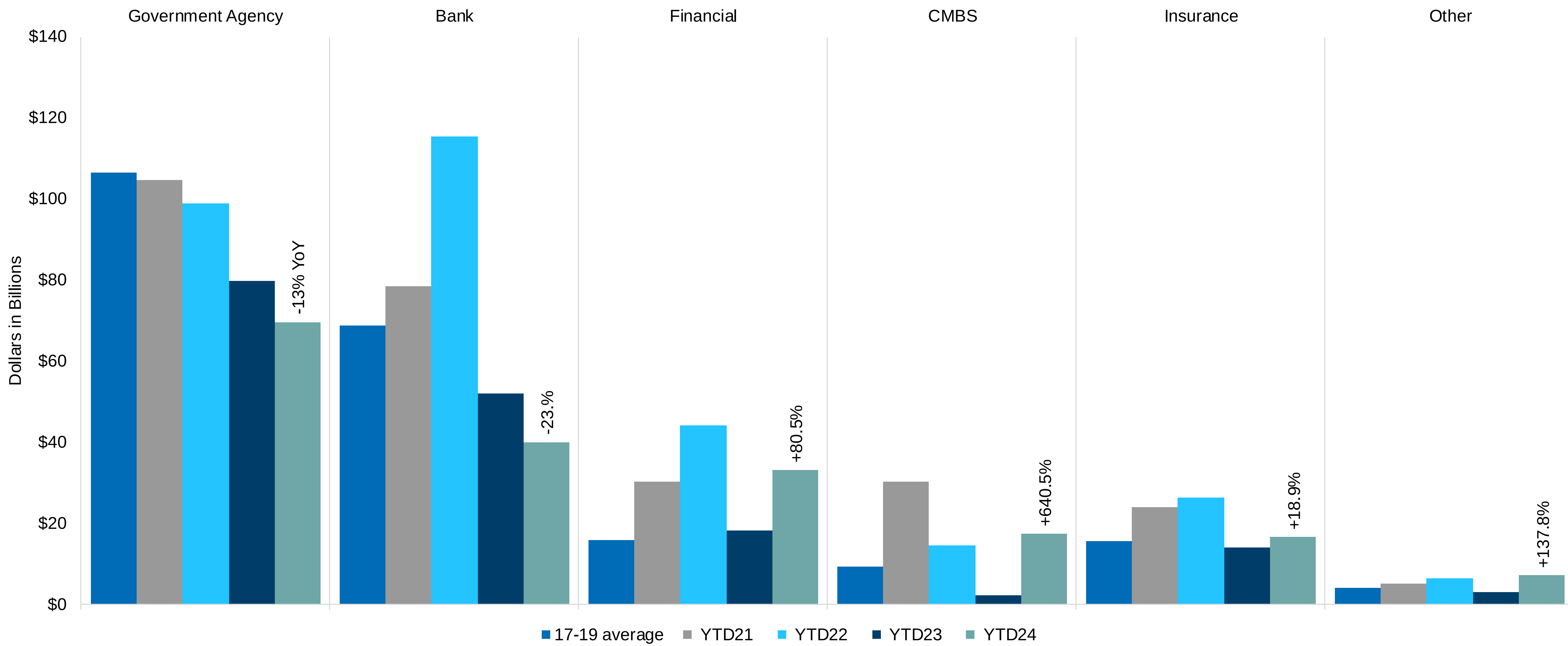


Source: RCA, Newmark Research as of 10/23/2024
Note: loan origination volumes are adjusted for future expected revisions using Newmark's proprietary models

Multifamily Originations Declined Among Largest Lenders

GSEs and banks continue to be the largest lenders, despite originations declining 13% and 23% year over year, respectively. Other lenders have stepped in to fill the gap, with financial firms, CMBS, insurance, and other sources more than compensating for the shortfall in bank and GSE lending.

Multifamily Loan Origination Volume

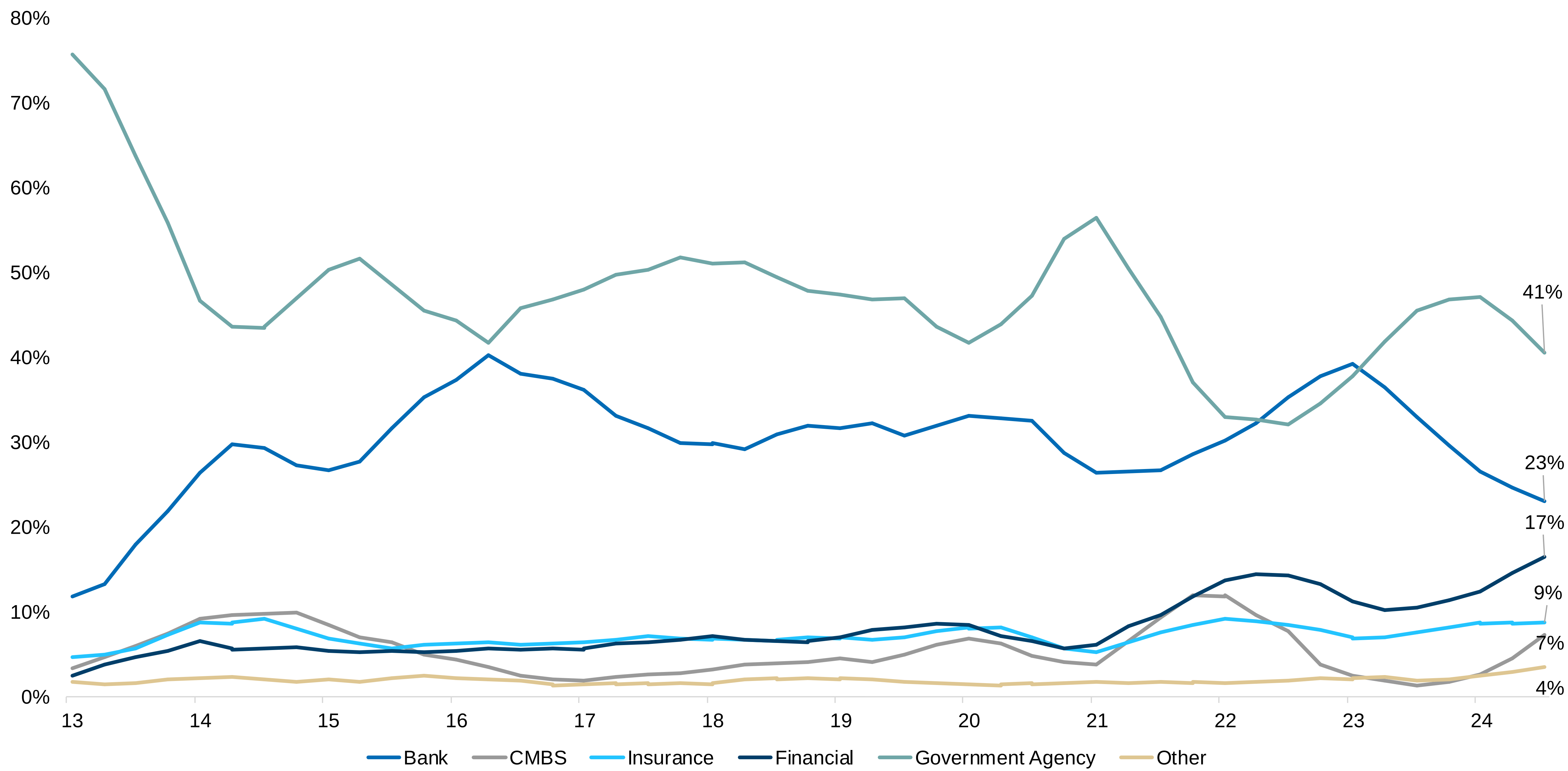


Source: RCA, Newmark Research as of 10/23/2024
Note: loan origination volumes are adjusted for future expected revisions using Newmark's proprietary models

GSEs Carried the Market in ‘23, But Non-Bank Lenders Now Gaining Momentum

Bank lending saw a significant decline in 2023, both in absolute dollars and as a share of total originations. While GSEs did not increase their dollar volume, they managed to gain market share. Recently, the bank share of originations appears to be stabilizing, while debt funds, insurance, and CMBS/CRE CLO lenders have become more active.

Origination Share by Lender Group: Rolling 12-Month Average

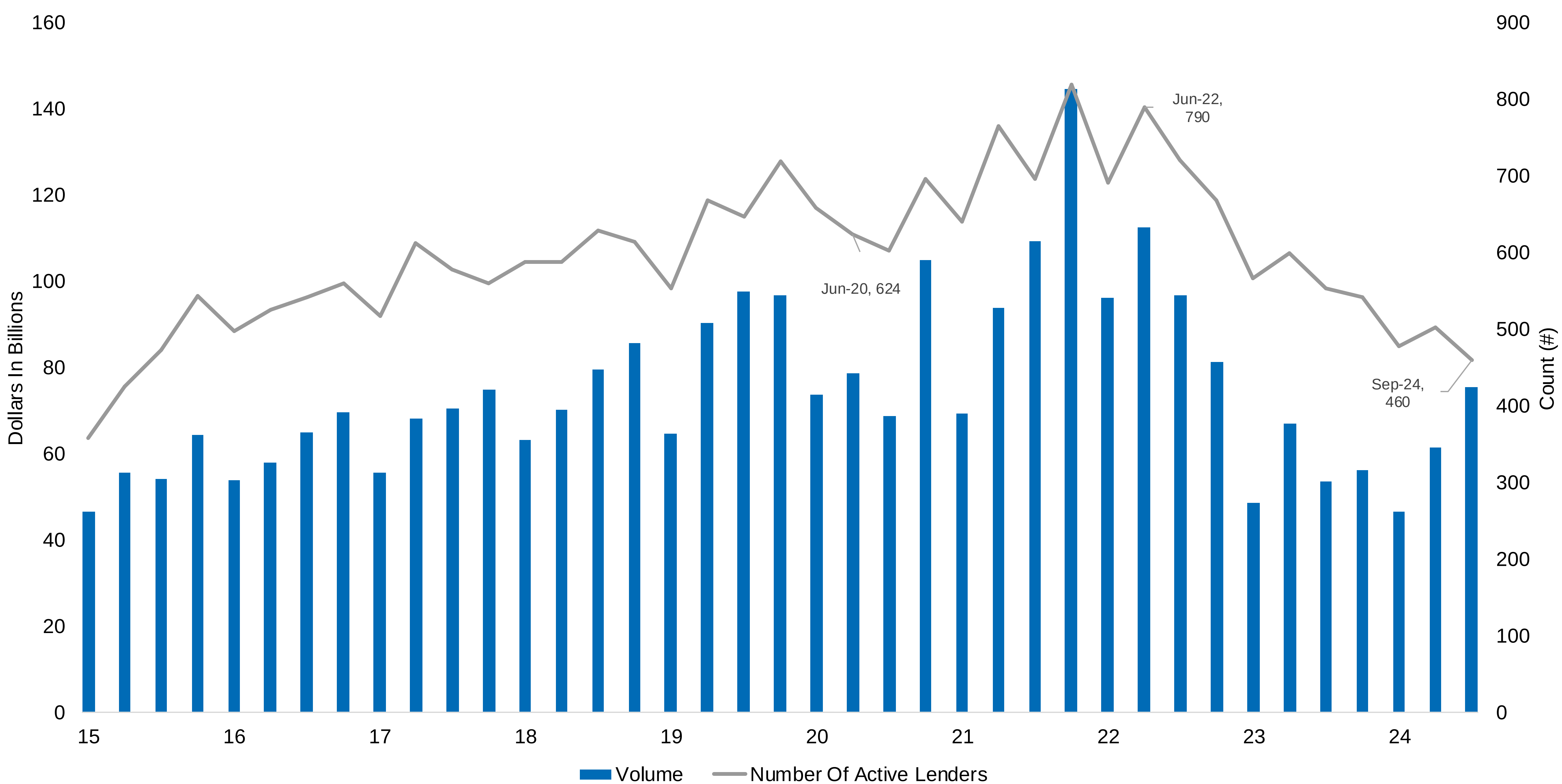


Source: RCA, Newmark Research as of 10/23/2024
Note: loan origination volumes are adjusted for future expected revisions using Newmark's proprietary models

Active Lenders Down 42% Since 4Q21 Peak

The number of lenders and origination volume are now significantly below pre-pandemic levels.

Multifamily Debt Origination Volume

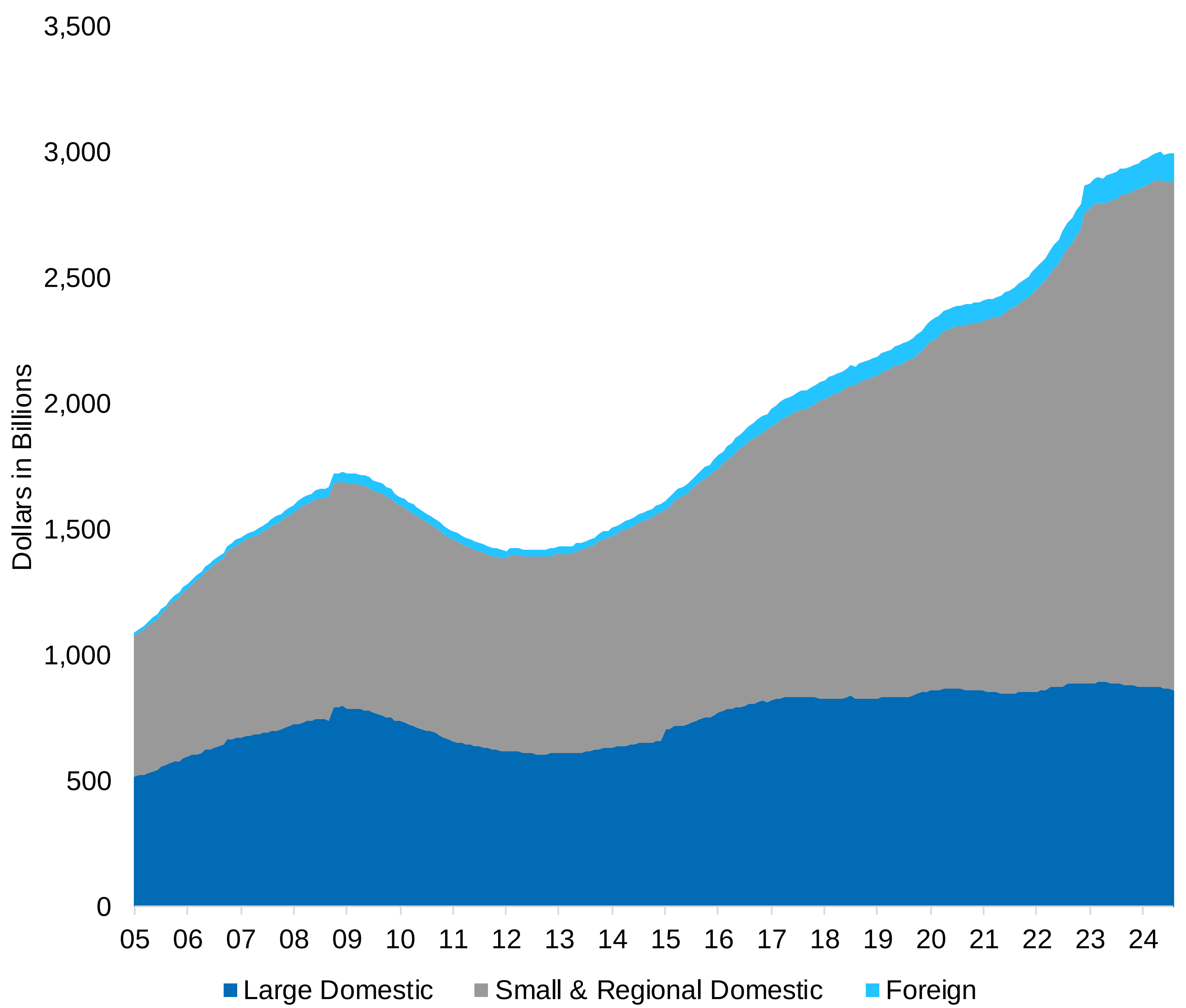


Source: RCA, Newmark Research as of 10/23/2024
Note: loan origination volumes are adjusted for future expected revisions using Newmark's proprietary models

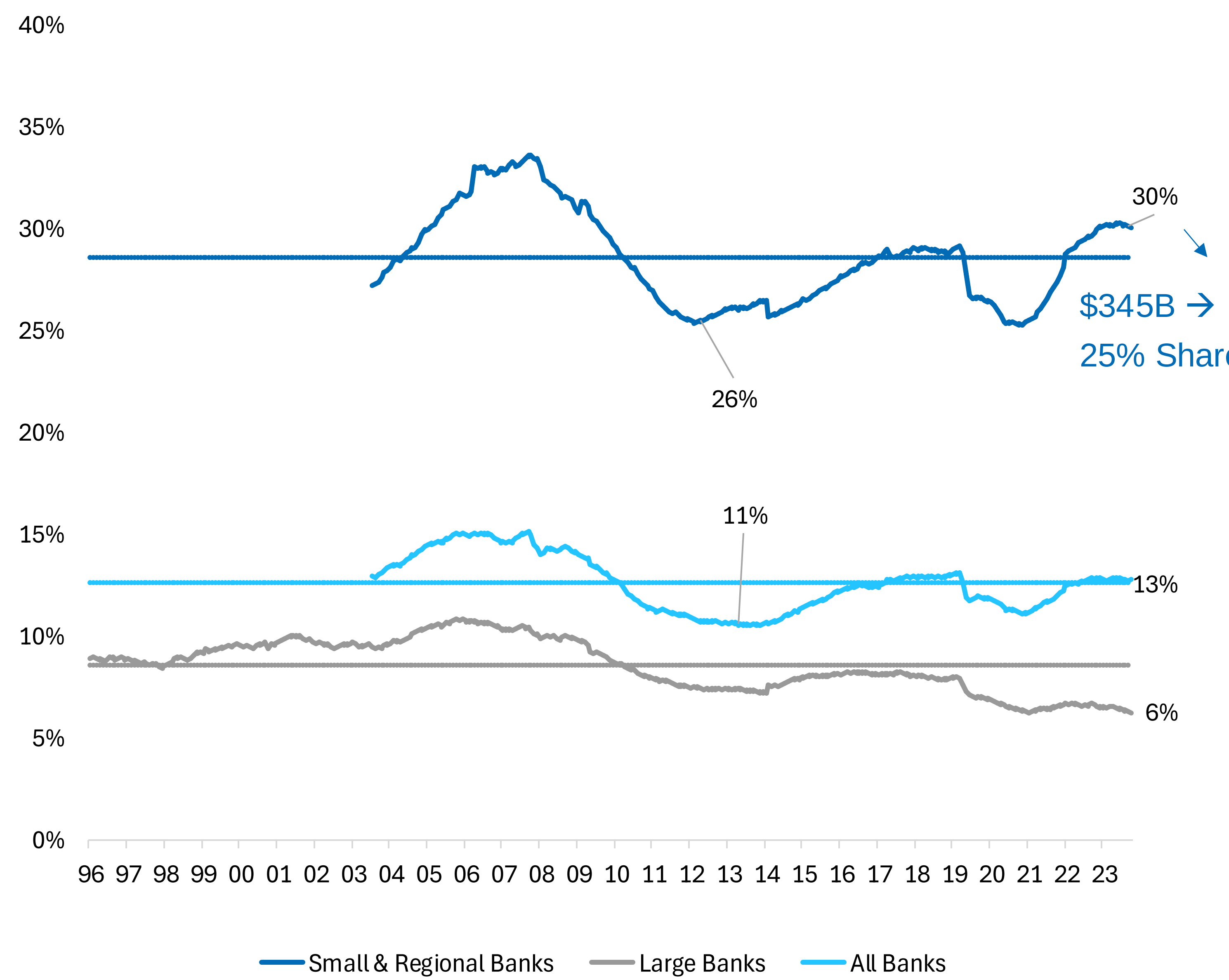
Small & Regional Banks Aggressively Grew CRE Loan Books

Since 2019, the share of CRE lending by small and regional banks has increased from 60% to 67%. When the Federal Reserve expanded the money supply in response to the pandemic, these lenders grew their CRE lending significantly. They now face overconcentration in the sector and widespread solvency concerns within their loan books. Large-bank CRE loan portfolios are contracting, while small and regional bank exposures have decelerated sharply, overstating the pace of new lending. Although difficult to quantify, many banks are experiencing significantly lower rates of loan payoffs and are opting to grant short-term extensions rather than recognize covenant or payment defaults.

Bank CRE Loan Exposure



Rolling 6-Month Change in Bank CRE Loan Exposure

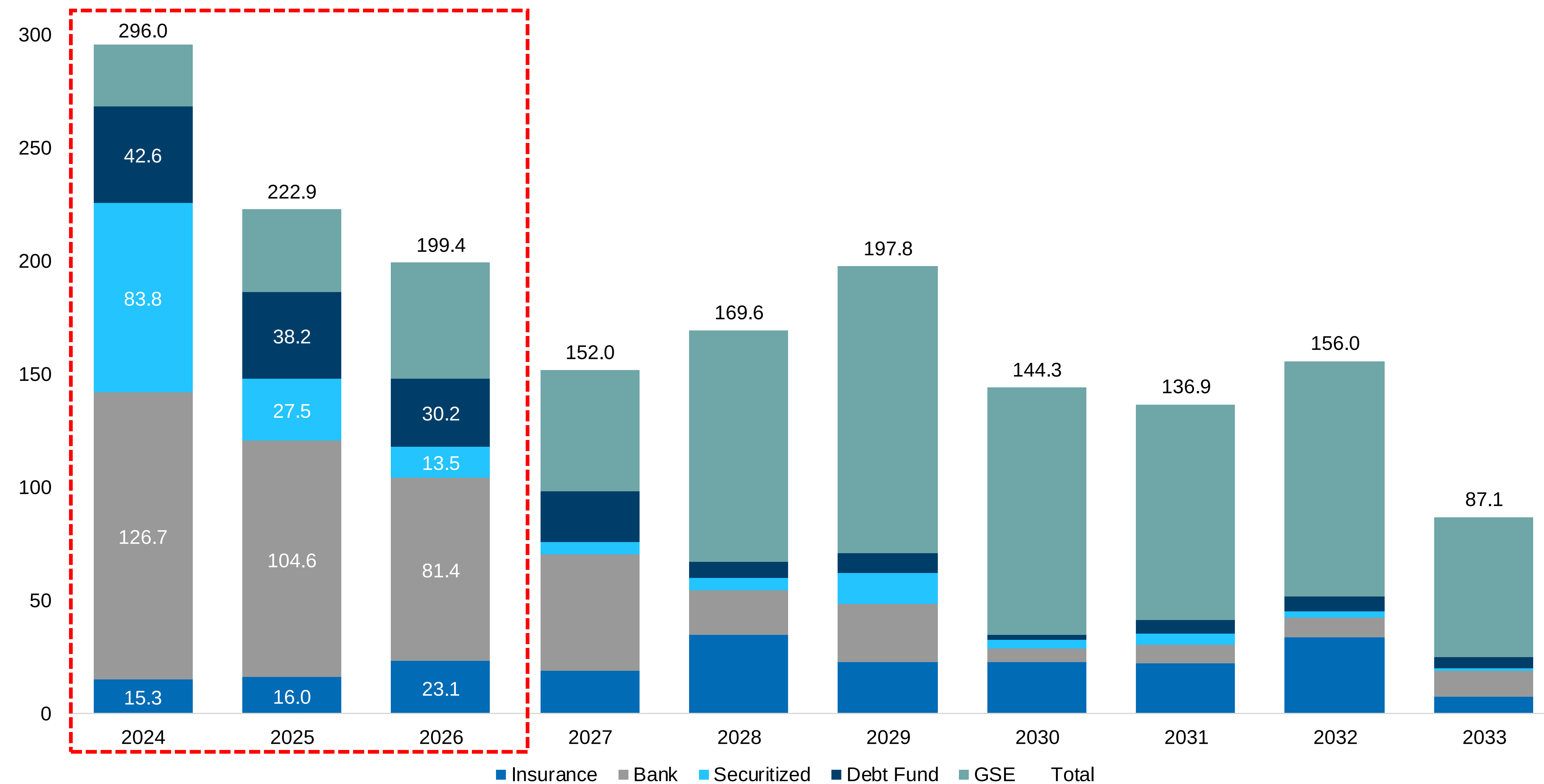


Source: Federal Reserve, Newmark Research as of 10/23/2024

$669 Billion In Multifamily Loans Will Mature From 2024 To 2026

Banks hold 25% of debt maturities from 2024 to 2033 but 46% between 2024 and 2026. Debt fund maturities are also frontloaded, at 14% near-term versus 9% overall, similar to CLO-driven securitized lending. In contrast, GSE maturities are heavily backloaded.

Multifamily Loan Maturities by Lender Group*

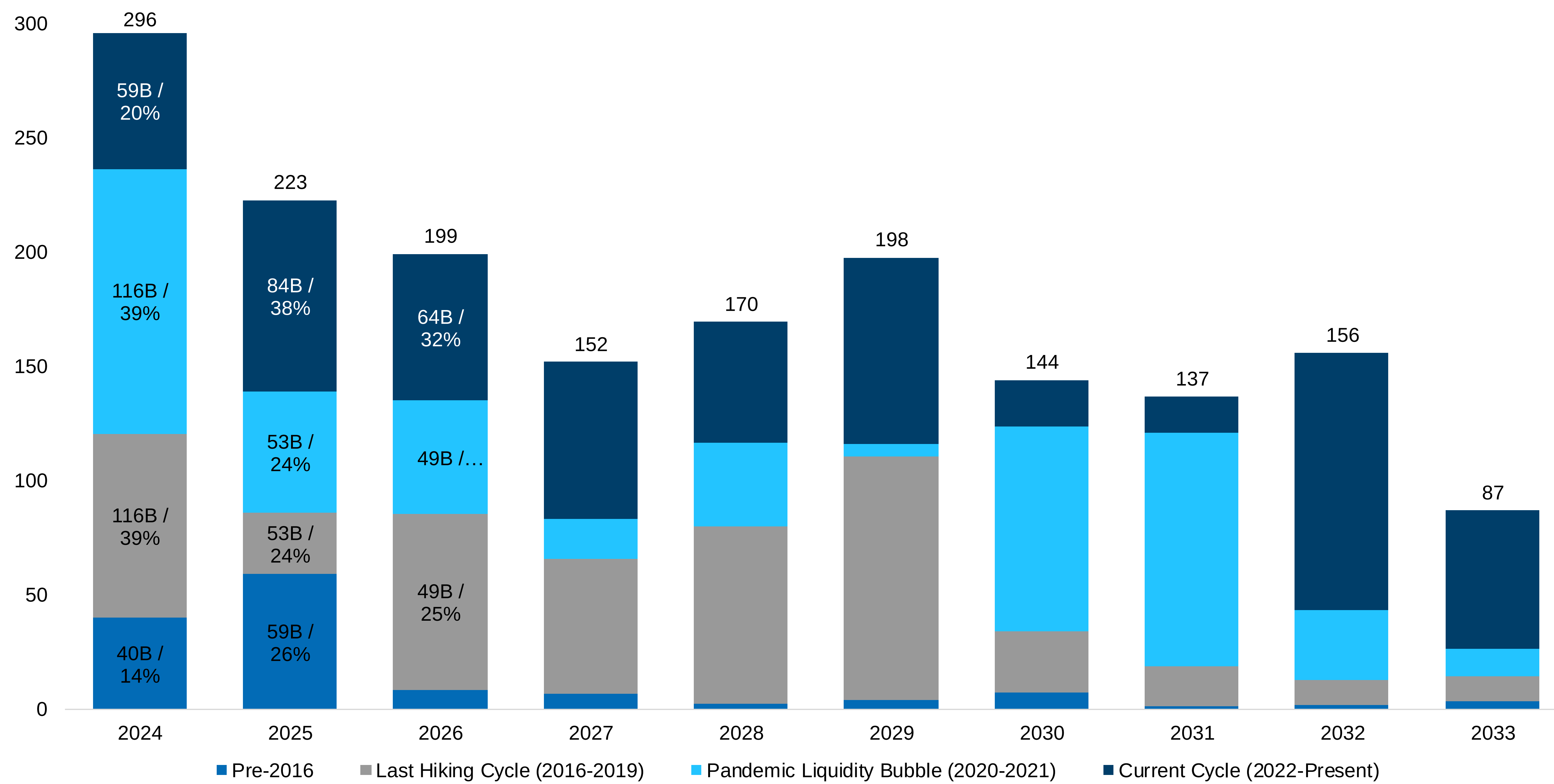


Source: MBA, Trepp, RCA, Newmark Research as of 10/23/2024
*Adjusted for year-to-date estimated loan originations

Upcoming Maturities Heavily Exposed To Bubble-Era Loans

Multifamily saw substantial capital inflows during the pandemic liquidity surge from 2020 to mid-2022, evident in heightened transaction activity and pricing for both debt and equity. Many of these loans were short-term and financed value-add projects. Now, they are maturing in a much different environment than when initially issued.

Multifamily Loan Maturities by Origination Period*

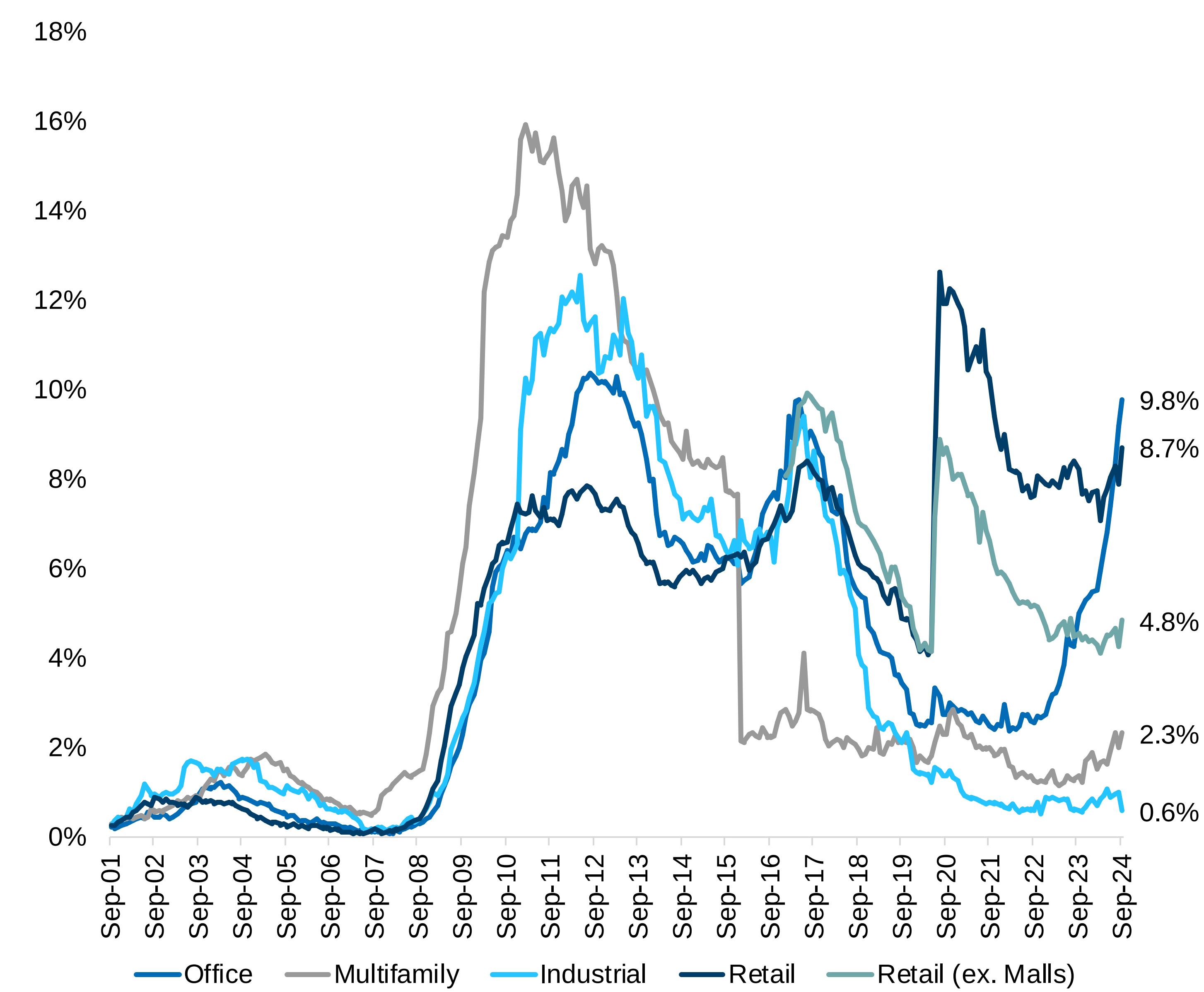


Source: Newmark Research, MBA, Trepp, MSCI Real Capital Analytics as of 10/23/2024
*Adjusted for year-to-date estimated loan originations

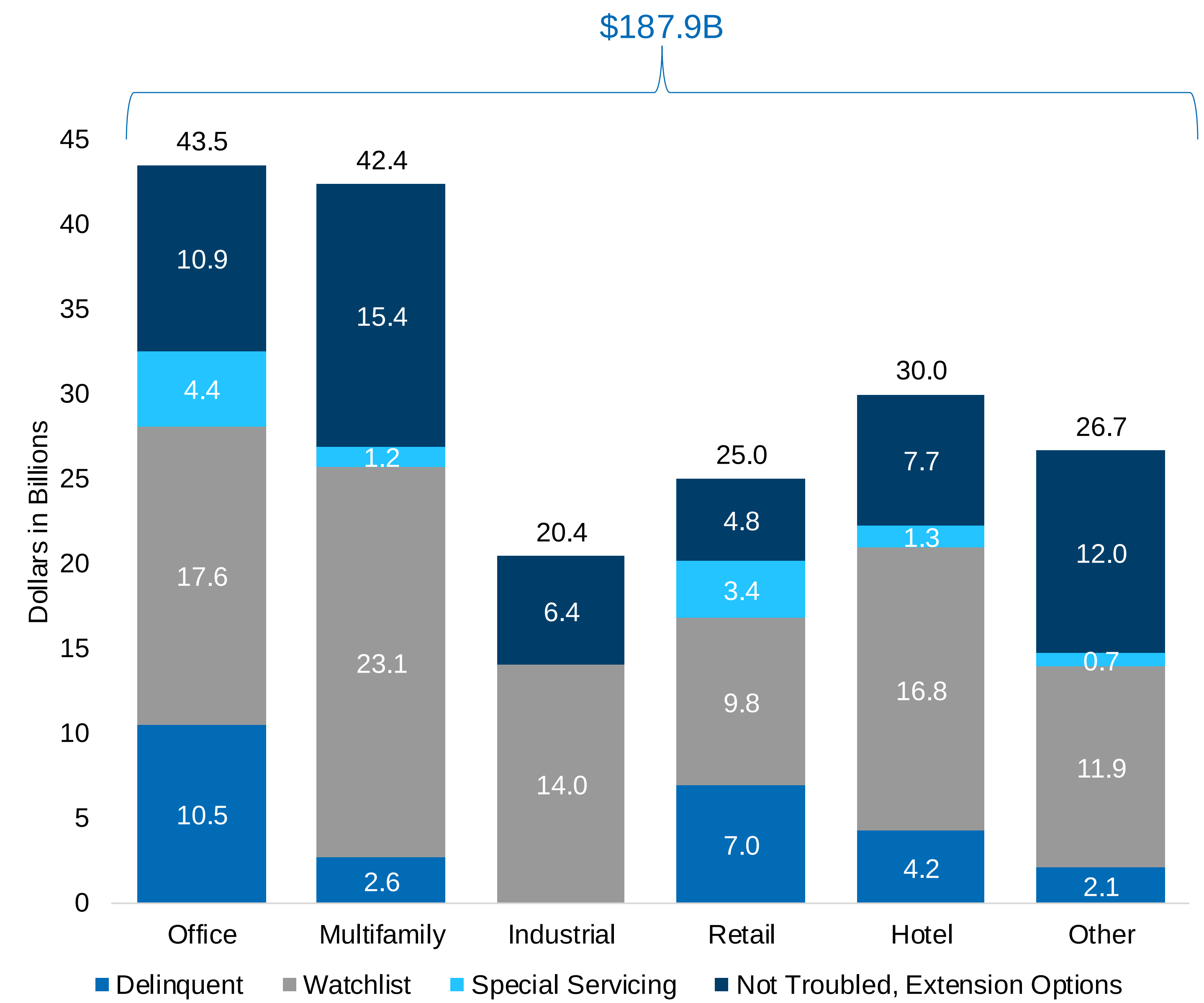
Distress Suppressed By Widespread Use Of Extension Options

Delinquency rates, particularly in the office sector, have begun to rise but remain lower than expected. This is largely due to the "extend and pretend" approach, where lenders extend loan terms to avoid recognizing defaults. In the securitized market, of the estimated $163 billion in 2023 CMBS maturities (based on original maturity dates), $74.3 billion remain outstanding, primarily through exercised extension options. Additionally, $74.2 billion in 2024 maturities and $39.5 billion in pre-2023 maturities have not been paid off, totaling $188 billion. This practice is also prevalent in non-securitized lending sectors, potentially to a greater extent due to their higher flexibility and opacity.

Moody's CMBS Delinquency Tracker



Securitized Debt Past Original Maturity Still Outstanding

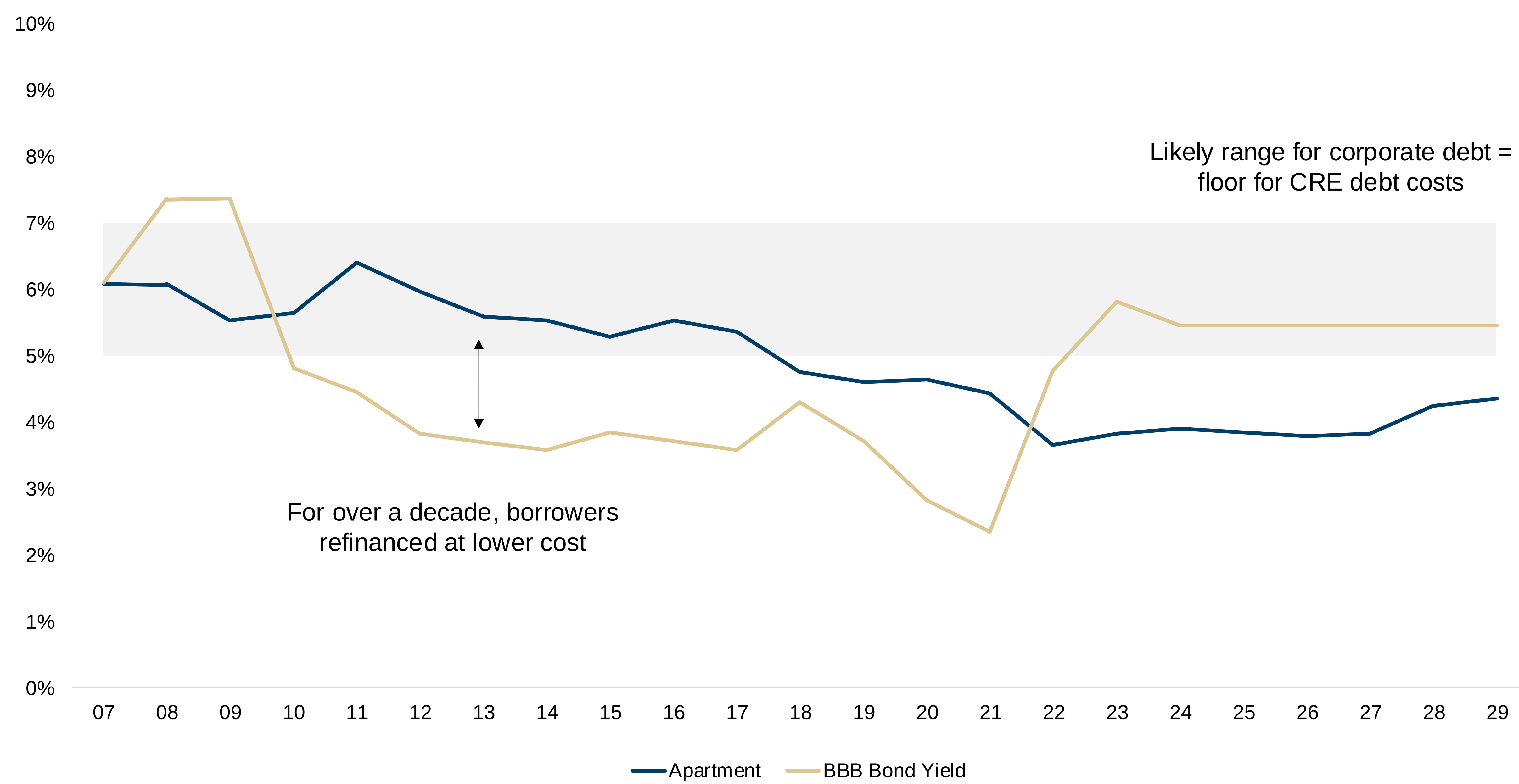


Source: Moody's Investor Services, Trepp, Newmark Research as of 10/29/2024

Multifamily Borrowers Face Starkly Higher Costs As Loans Mature

Higher debt costs on refinancing will reduce returns across the board and prompt various market responses. Some borrowers will opt to pay down debt, especially if their assets have appreciated significantly. Others may refinance the principal or partially pay down, whereas in a lower-cost environment, they might have re-levered. Some will find the numbers untenable and pursue loan modifications, return the keys, or seek rescue equity at a suitable price.

Weighted Average Interest Rate on Maturing Debt vs. Prevailing Bond Yields

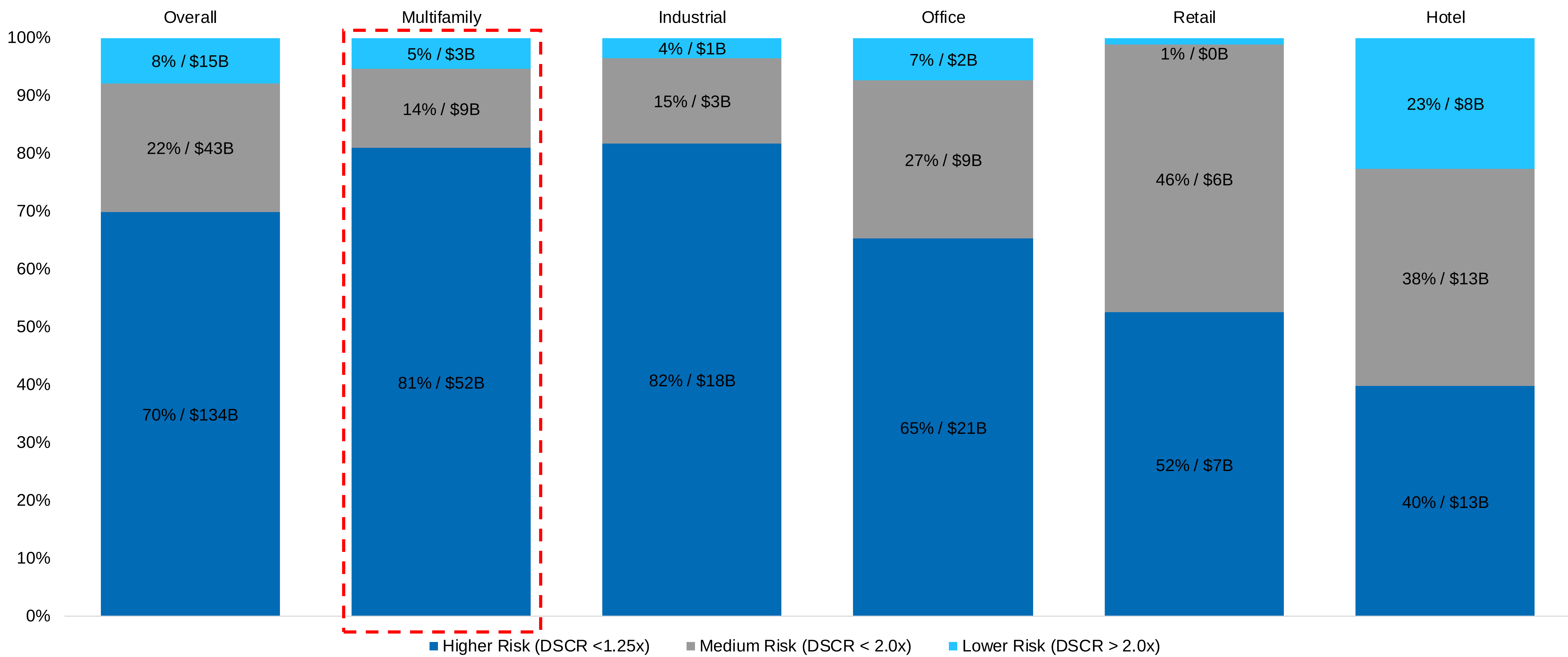


Source: Newmark Research, MSCI Real Capital Analytics, ICE Data Indices as of 7/22/2024

Floating Rate Loans Even Better Indicator Of Potential Distress

Floating rate loans are more common in CRE CLO and SASB products, which contributes to their significant role in driving DSCR risk for upcoming maturities.

DSCR Profile of Securitized CRE Debt Maturing before 2026: Floating Rate Loans Only



Source: Trepp, Newmark Research as of 11/1/2024

Falling Asset Values Mean That Some Loans Are Already Underwater

Public market benchmarks, such as the Green Street CPPI, have recently indicated more significant declines in property values and higher mark-to-market loan-to-value (LTV) ratios, particularly in the office and multifamily sectors. These benchmarks are generally considered more credible in reflecting current market conditions. It's important to note that, except for the Real Capital Analytics (RCA) transaction-based series, these measures tend to focus on higher-quality, institutional properties, potentially presenting a best-case scenario.

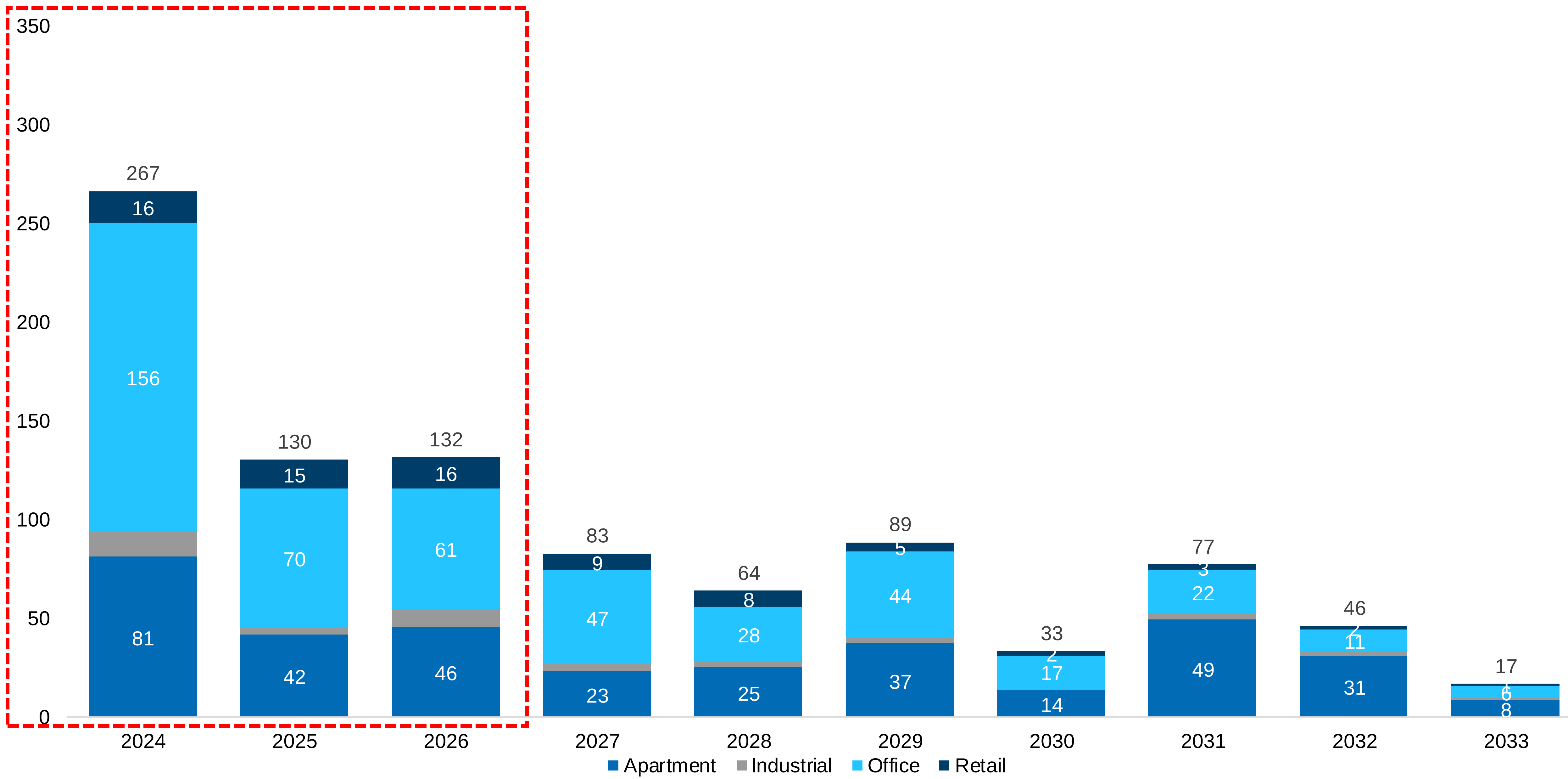
Average Mark-to-Market* Loan-to-Value Ratio by Year Debt Originated

Source: RCA, Green Street, NCREIF Newmark Research as of 10/29/2024
*We take the average loan-to-value ratio of loans originated in each respective year based on an analysis of RCA data, then we mark the value of the assets to market using the various proposed benchmarks.

Nearly $1 Trillion in CRE Debt Faces Potential Trouble, $529 Billion Matures by 2026

Combining our analysis of mark-to-market LTVs with the structure of debt maturities, we estimate the current volume of potentially troubled debt. Office and multifamily loans make up the majority of these, especially in the 2024-to-2026 period. The high volume of office debt is primarily due to a significant portion of loans being underwater. While LTV ratios for multifamily are generally more favorable, the large size of the multifamily market and heavy lending during the recent liquidity surge contribute to a high nominal exposure.

Potentially Troubled Loans by Maturity Year*

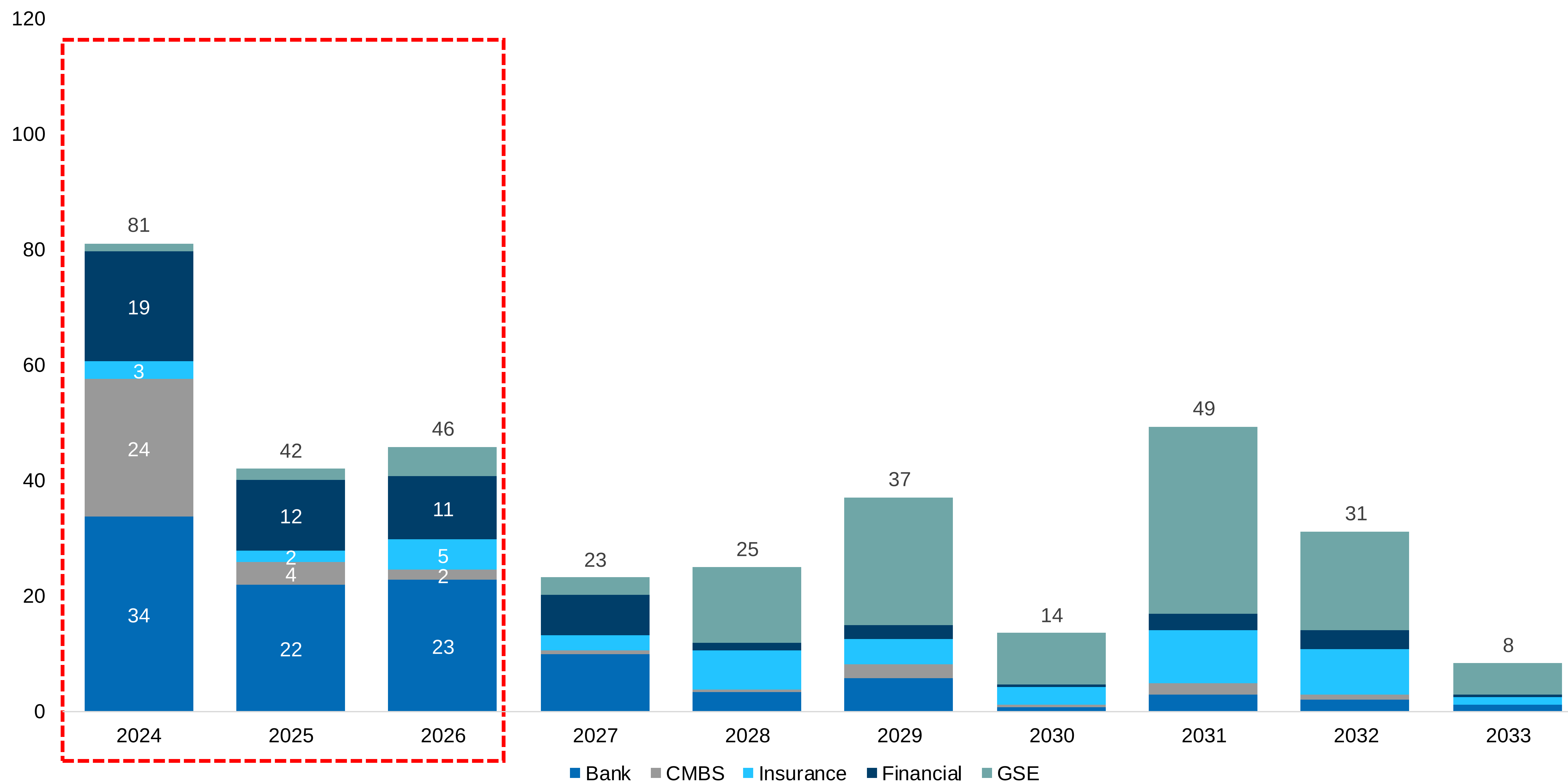


Source: Moodys, Green Street, RCA, Trepp, MBA, Newmark Research as of 10/23/2024
*Loans with an estimated senior debt LTV of 80% or greater are potentially troubled. The loans are marked-to-market using an average of cumulative changes in the Dow Jones REIT sector price indices, REIT sector enterprise value indices and Green Street sector CPPI.

Potential Multifamily Distress Concentrated in Bank, CLO, and Debt Fund Lending

In the 2024-to-2026 period, banks have the highest nominal exposure to potential distress, closely matching their share of maturing loans. The same trend is seen in securitized financing. Debt funds account for 24% of potentially distressed loans but only 15% of maturing loans, a 1.6x ratio. GSEs are the notable outlier in the opposite direction, with a ratio of 0.14. While more at-risk GSE loans are expected later in the decade, it is too early to focus heavily on these.

Potentially Troubled Multifamily Loans by Maturity Year*



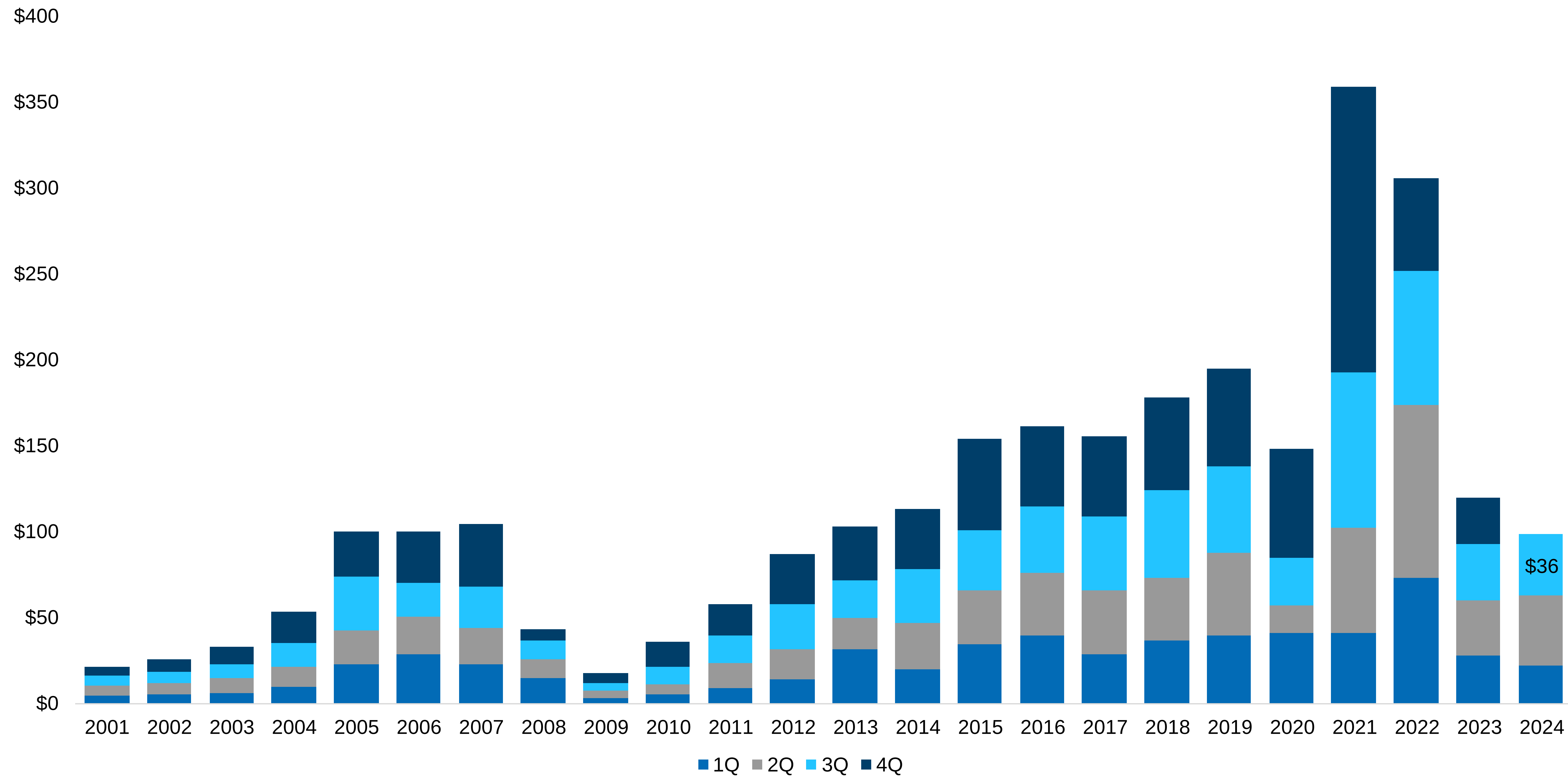
Source: Green Street, NCREIF, RCA, Trepp, MBA, Newmark Research as of 7/22/2024
*Loans with an estimated senior debt LTV of 80% or greater are potentially troubled. The loans are marked-to-market using an average of cumulative changes in the Dow Jones REIT sector price indices, REIT sector enterprise value indices and Green Street sector CPPI.

Investment Sales

Sales Volume Totals $35.8B In 3Q24; Down QoQ But Second-Best Quarter Since '23

After a strong second quarter marked by large portfolio and entity-level transactions, individual deals drove third-quarter sales volume, totaling $35.8 billion. Although down 12.3% from the previous quarter, it was still the second highest sales volume in the past seven quarters.

Quarterly Sales Volume; Dollars in Billions

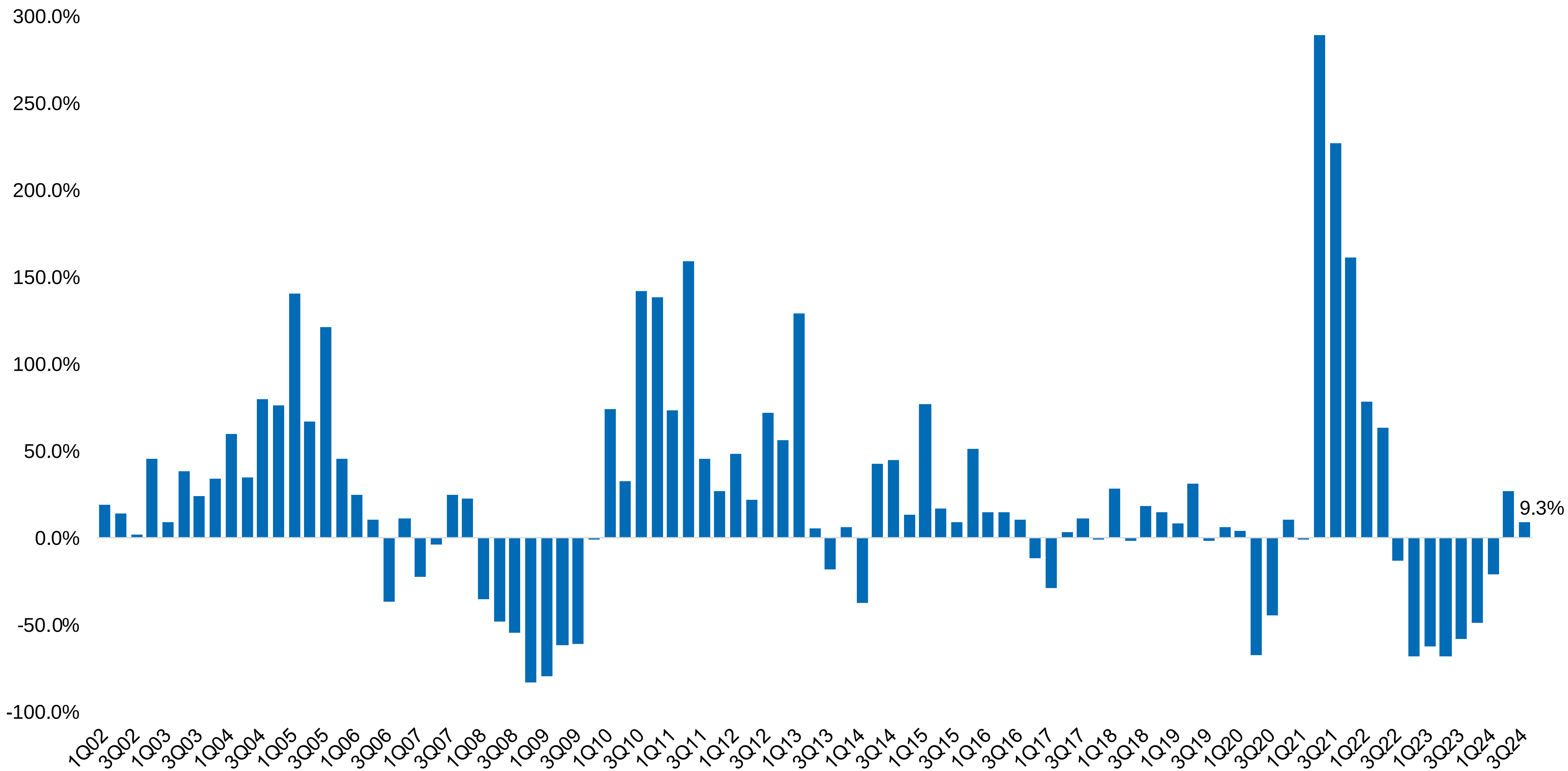


Source: Newmark Research, MSCI Real Capital Analytics

Sales Volume Up 9.3% Year-over-Year

Sales volume rose 9.3% year-over-year, marking consecutive quarters of positive year-over-year growth after seven quarters of decline.

Year-over-Year Sales Volume Change

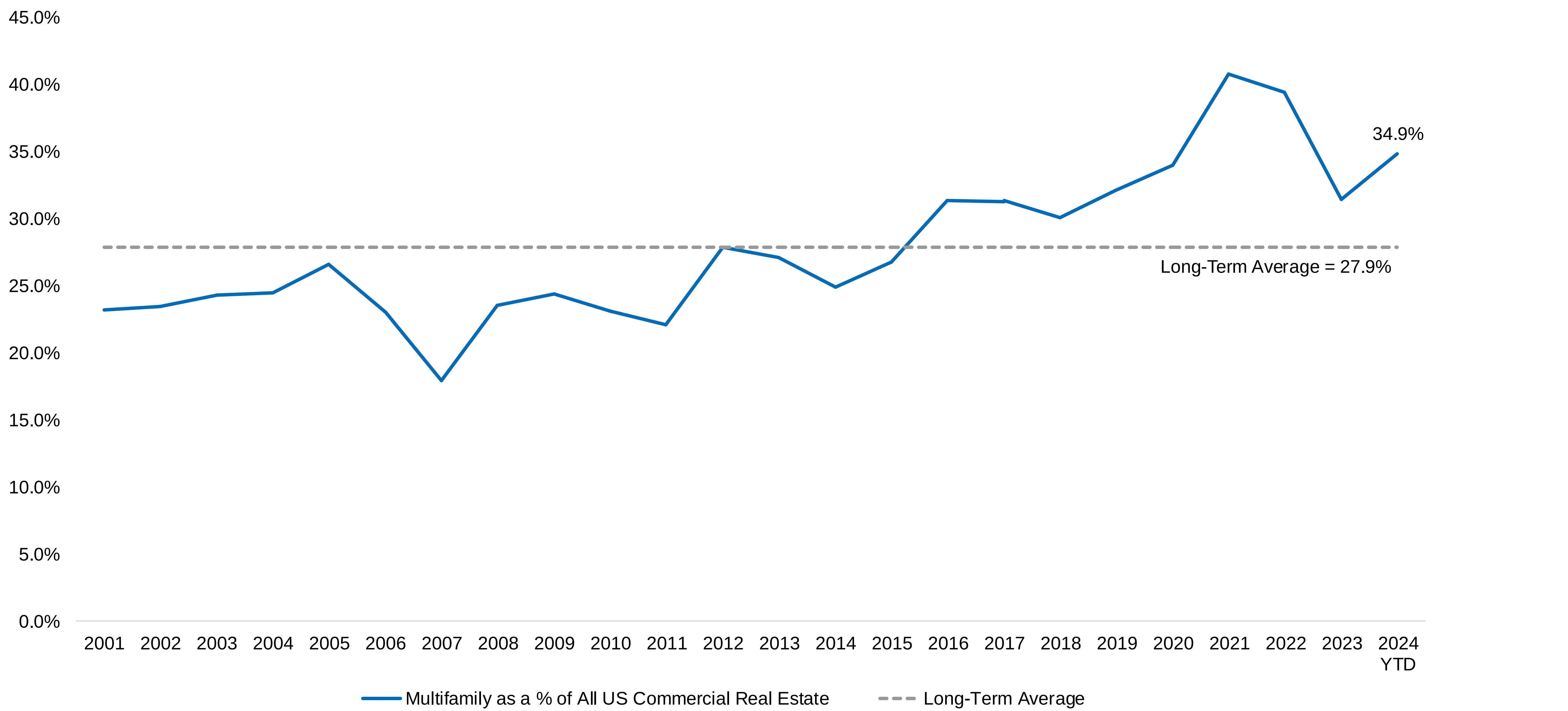


Source: Newmark Research, MSCI Real Capital Analytics

Multifamily Remains Top Recipient Of Capital; Market Share Rises YTD

Multifamily holds the largest share of investment sales among all U.S. commercial real estate property types at 34.9% through the third quarter of 2024. Although below its 2021 peak, recent large transactions have accelerated its momentum, surpassing 2023 levels.

Multifamily Sales Volume as a Percentage of Total US CRE

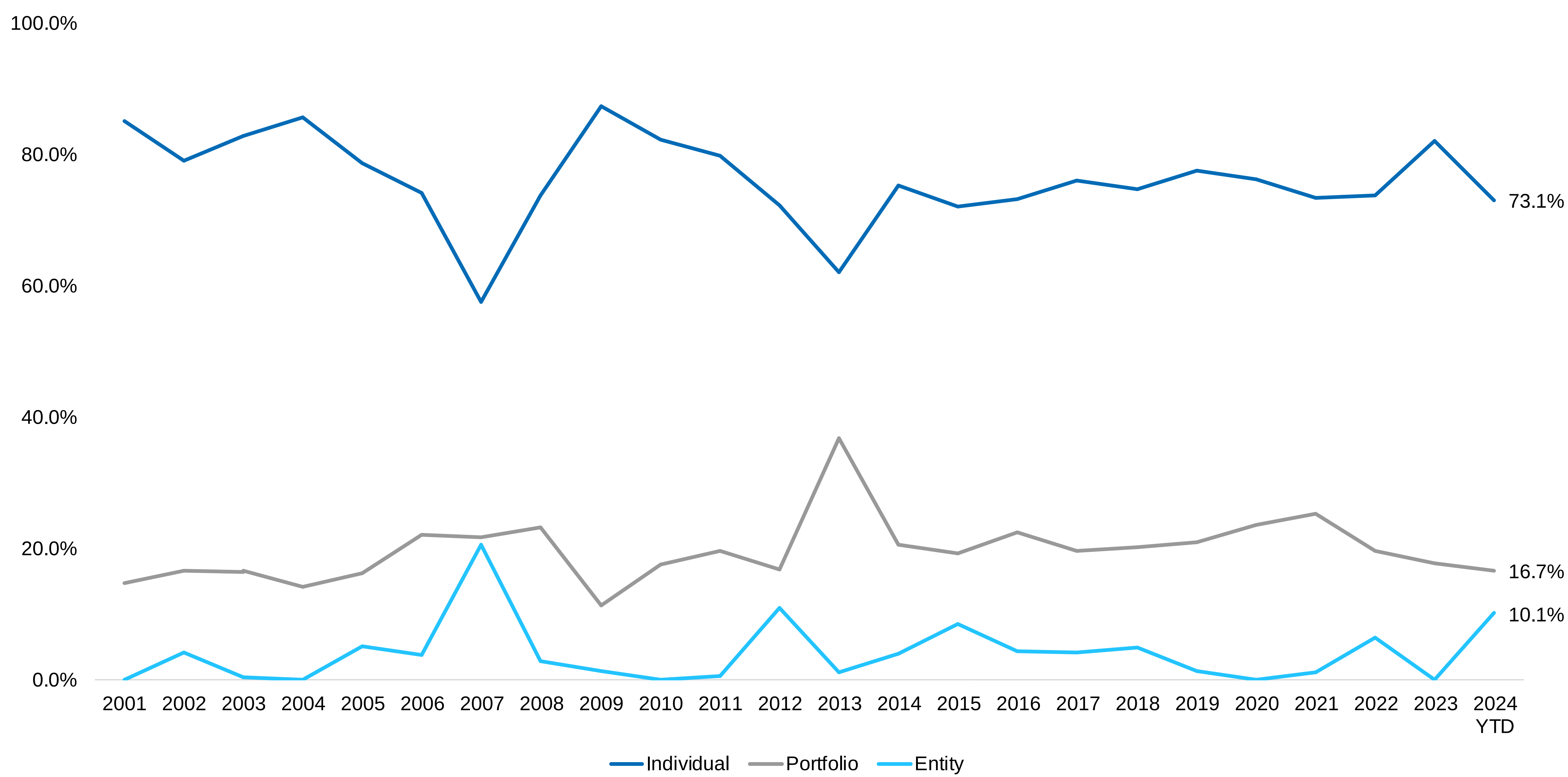


Source: Newmark Research, MSCI Real Capital Analytics

Large Portfolio and Entity Deals Surge in 2Q, Boosting YTD Megadeal Share

Through the third quarter of 2024, year-to-date portfolio and entity-level transactions made up 16.7% and 10.1% of sales, respectively. Notable deals included Blackstone's $10.0-billion privatization of Air Communities, along with portfolio acquisitions such as KKR's $2.1-billion purchase from Quarterra and Brookfield's $1.6-billion acquisition from Starwood.

Sales Volume by Transaction Type

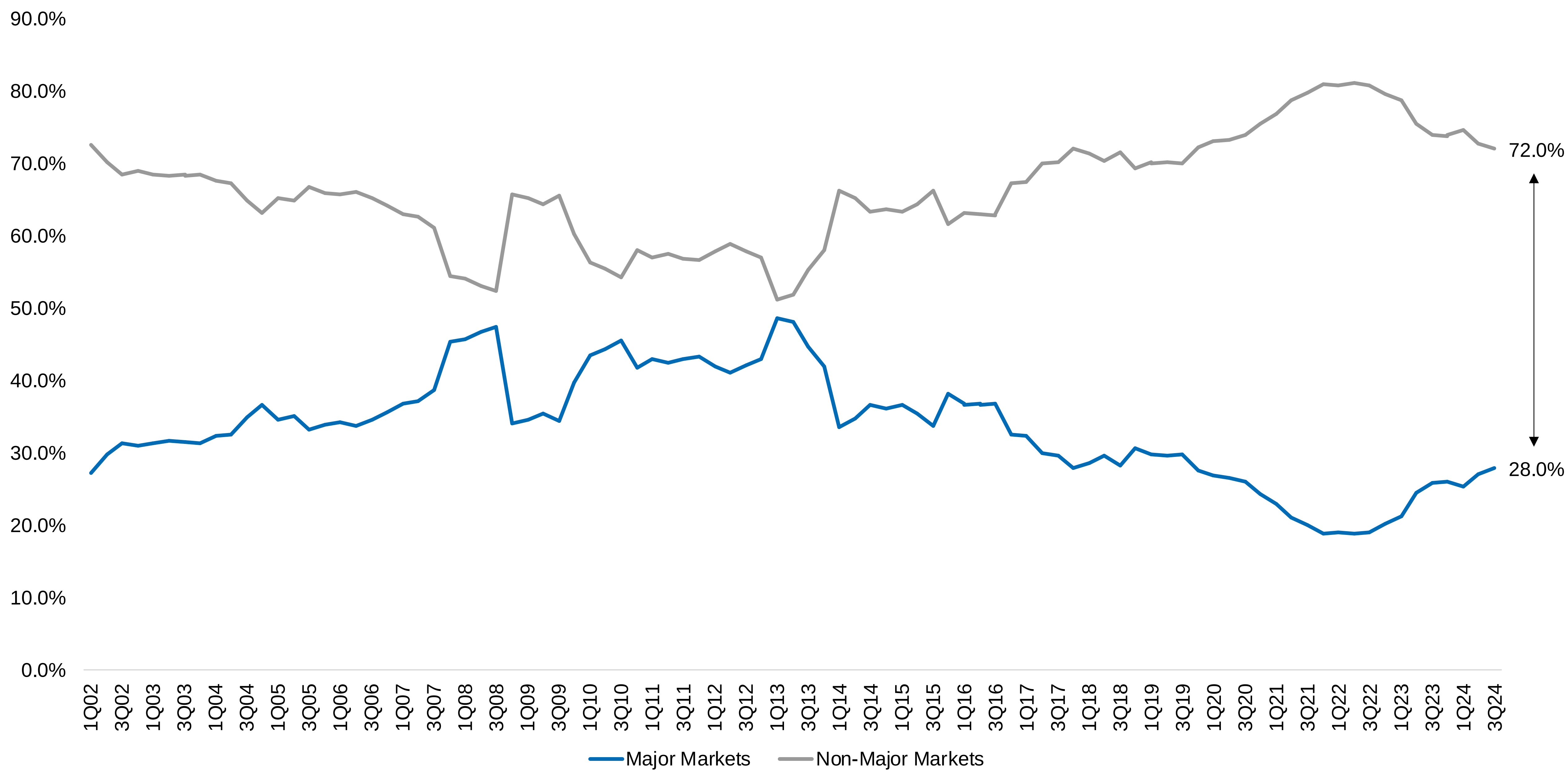


Source: Newmark Research, MSCI Real Capital Analytics

Strong Investor Preference For Non-Major Markets

Rolling four-quarter volume for non-major markets accounted for 72.0% of total sales, compared to 28.0% for major markets. While major markets lag behind non-major markets, their year-over-year market share rose by 21 basis points.

Rolling 4Q Sales Volume by Market Tier



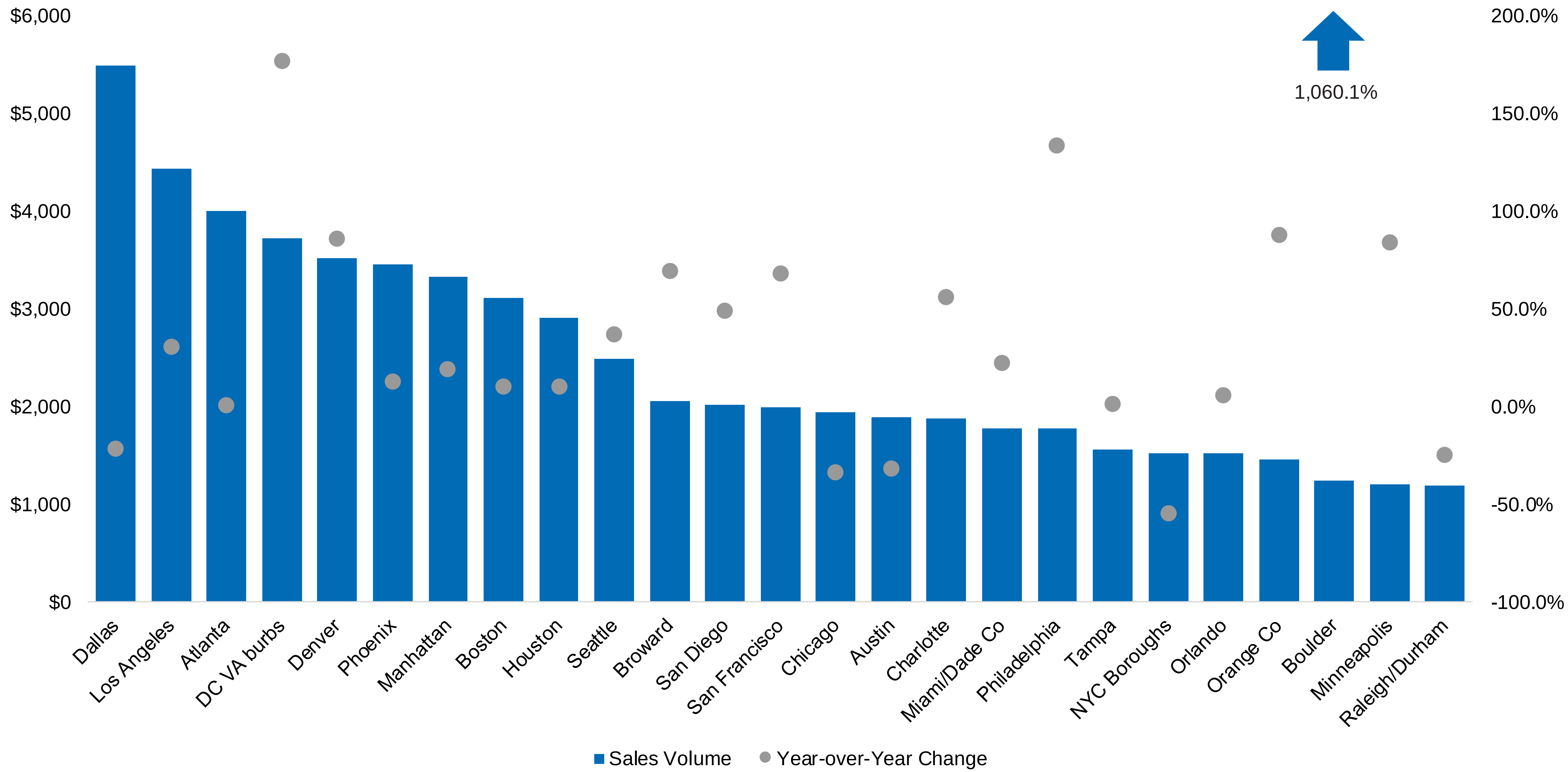
Source: Newmark Research, MSCI Real Capital Analytics

**Major markets are defined as Boston, Chicago, Los Angeles, New York, San Francisco and Washington, D.C. metro areas*

Year-over-Year Sales Volume Rises in 20 of the Top 25 Markets

Year-to-date, Dallas, Los Angeles, and Atlanta led in sales volume, each surpassing $4.0 billion in trades. The DC VA Suburbs ranked fourth, showing a 176.5% year-over-year increase in activity.

Top 25 Markets by YTD Sales Volume; Dollars in Millions

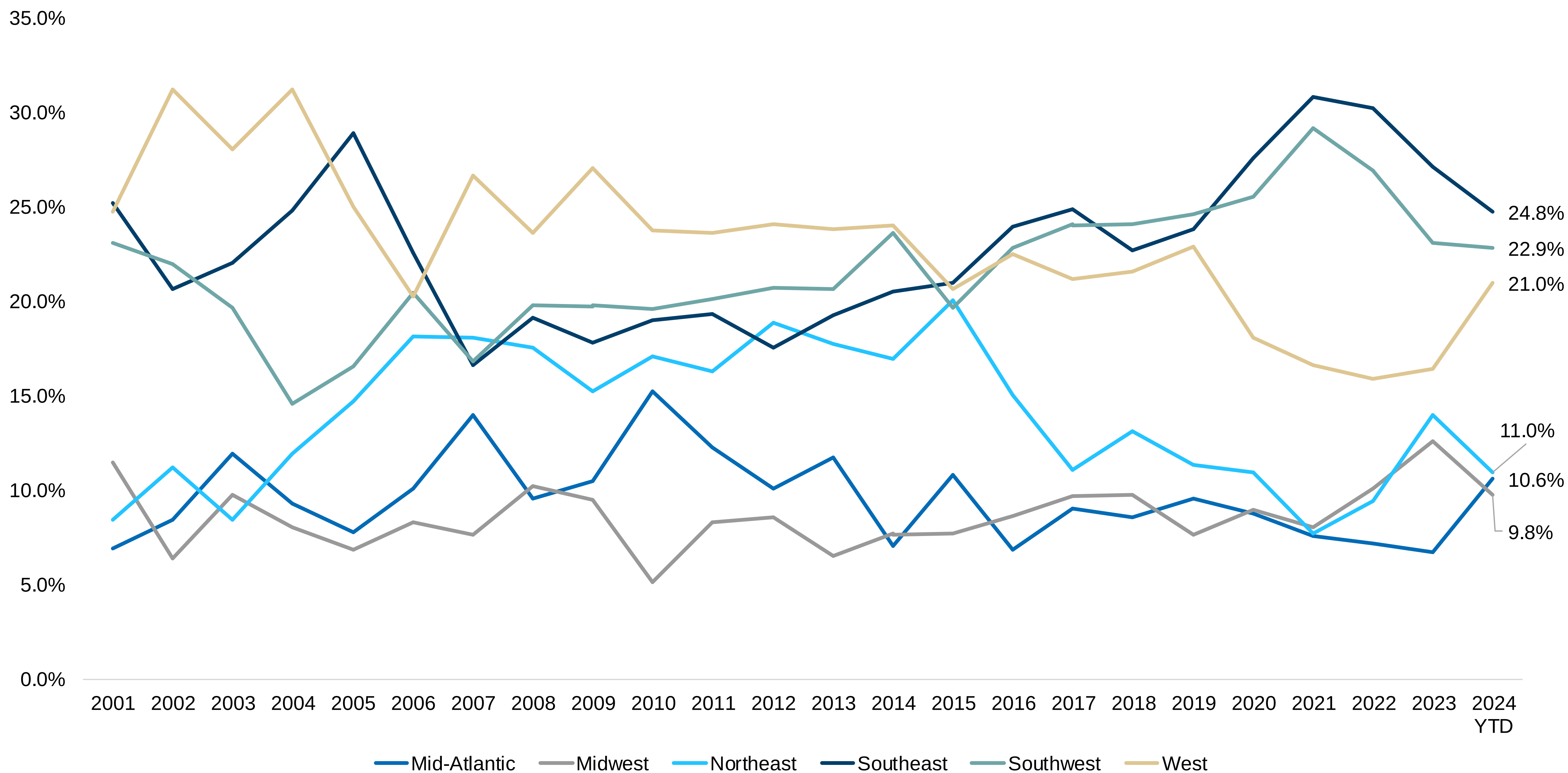


Source: Newmark Research, MSCI Real Capital Analytics

Capital Sources Remain Focused on Sun Belt Amid Near-Term Supply Imbalance

The Sun Belt Region, encompassing the Southeast and Southwest, accounted for 47.7% of all year-to-date activity, despite substantial new supply. Compared to full-year 2023, the Mid-Atlantic and West Regions saw their market share rise by 391 and 455 basis points, respectively.

Sales Volume by Region

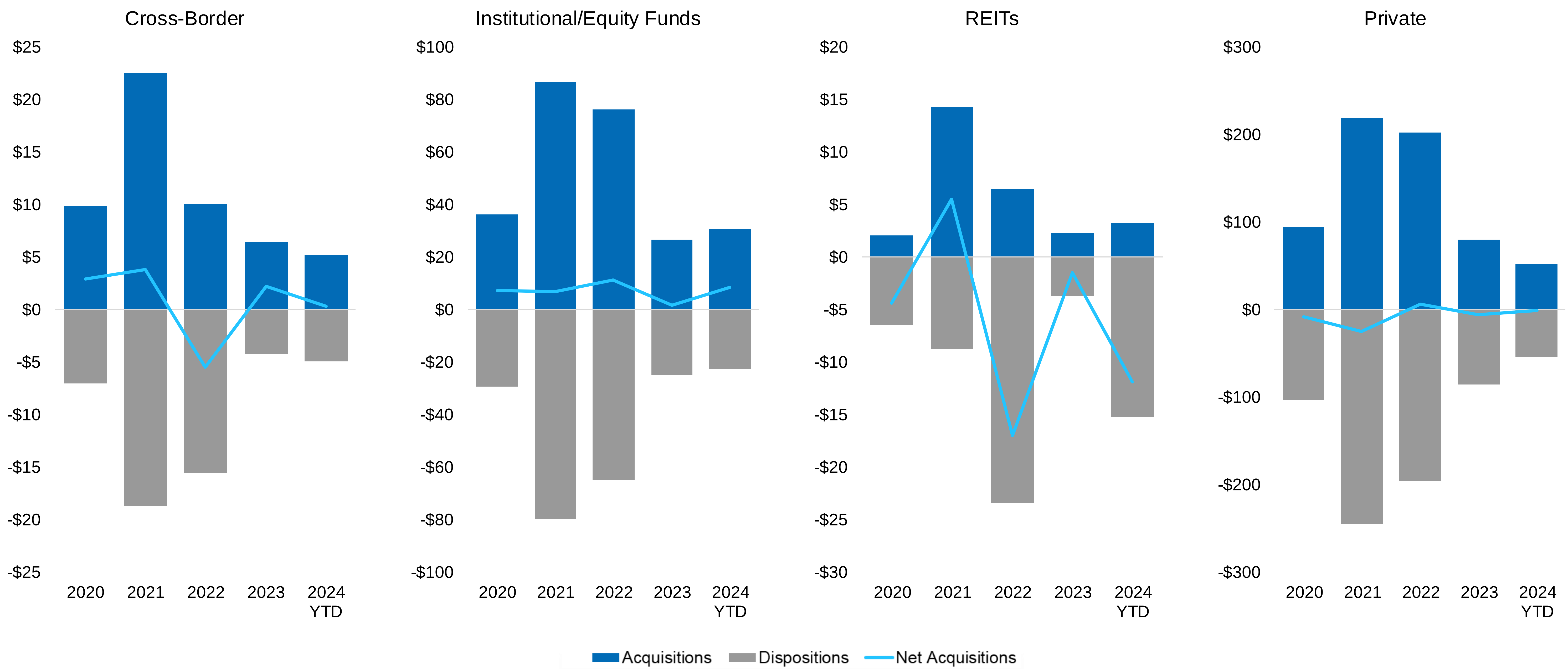


Source: Newmark Research, MSCI Real Capital Analytics

REITs Lead As Largest Net Sellers Year-to-Date Amid M&A Activity

While private groups remain the most active on a nominal basis, REITs have been the largest net sellers year-to-date, following Blackstone's acquisition of AIR Communities. This is the fifth residential REIT acquired by Blackstone and/or BREIT in the past five years.

Acquisitions, Dispositions and Net Acquisition Volume by Capital Source; Dollars in Billions

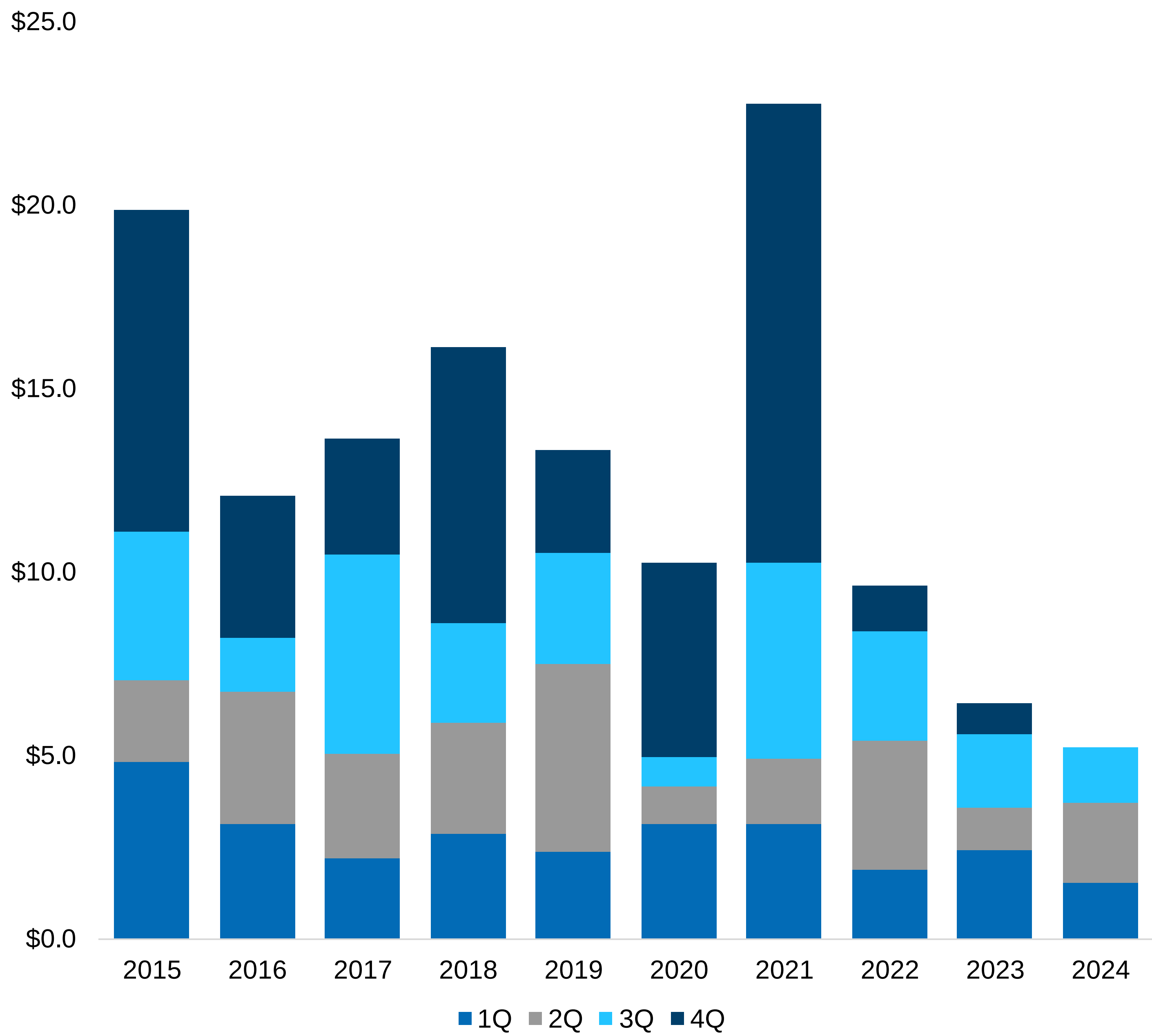


Source: Newmark Research, MSCI Real Capital Analytics

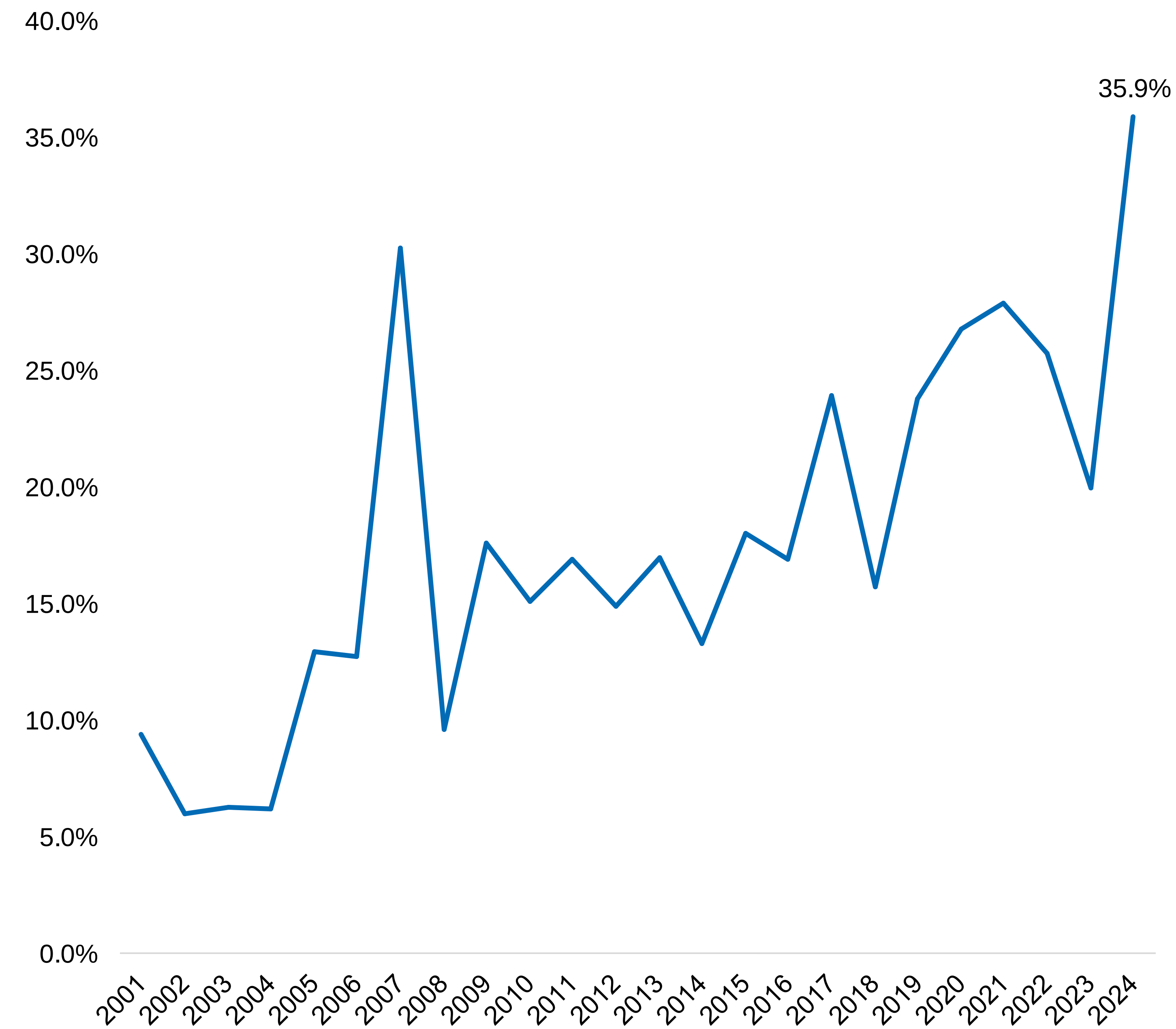
Despite Volume Slowing, Cross-Border Allocation At Multifamily Record

As of the third quarter of 2024, cross-border multifamily sales decreased by 24.2% year-over-year. However, multifamily properties have increased their share of cross-border acquisitions across all property types, now representing 35.9% of total cross-border acquisition volume.

Quarterly Cross-Border Sales Volume into Multifamily; Dollars in Billions



Multifamily Market Share as Percentage of Cross-Border Acquisitions

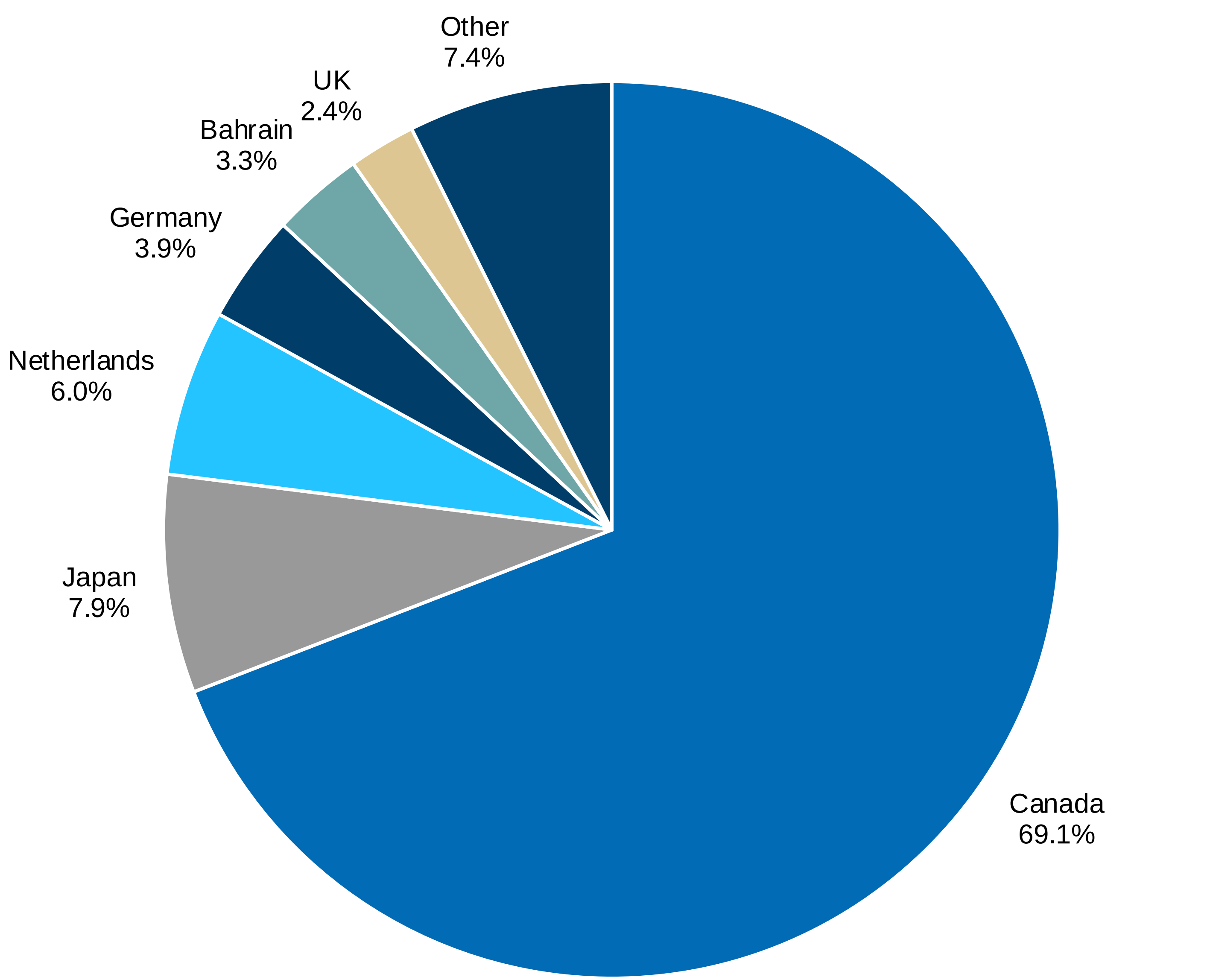


Source: Newmark Research, MSCI Real Capital Analytics (10/25/24)

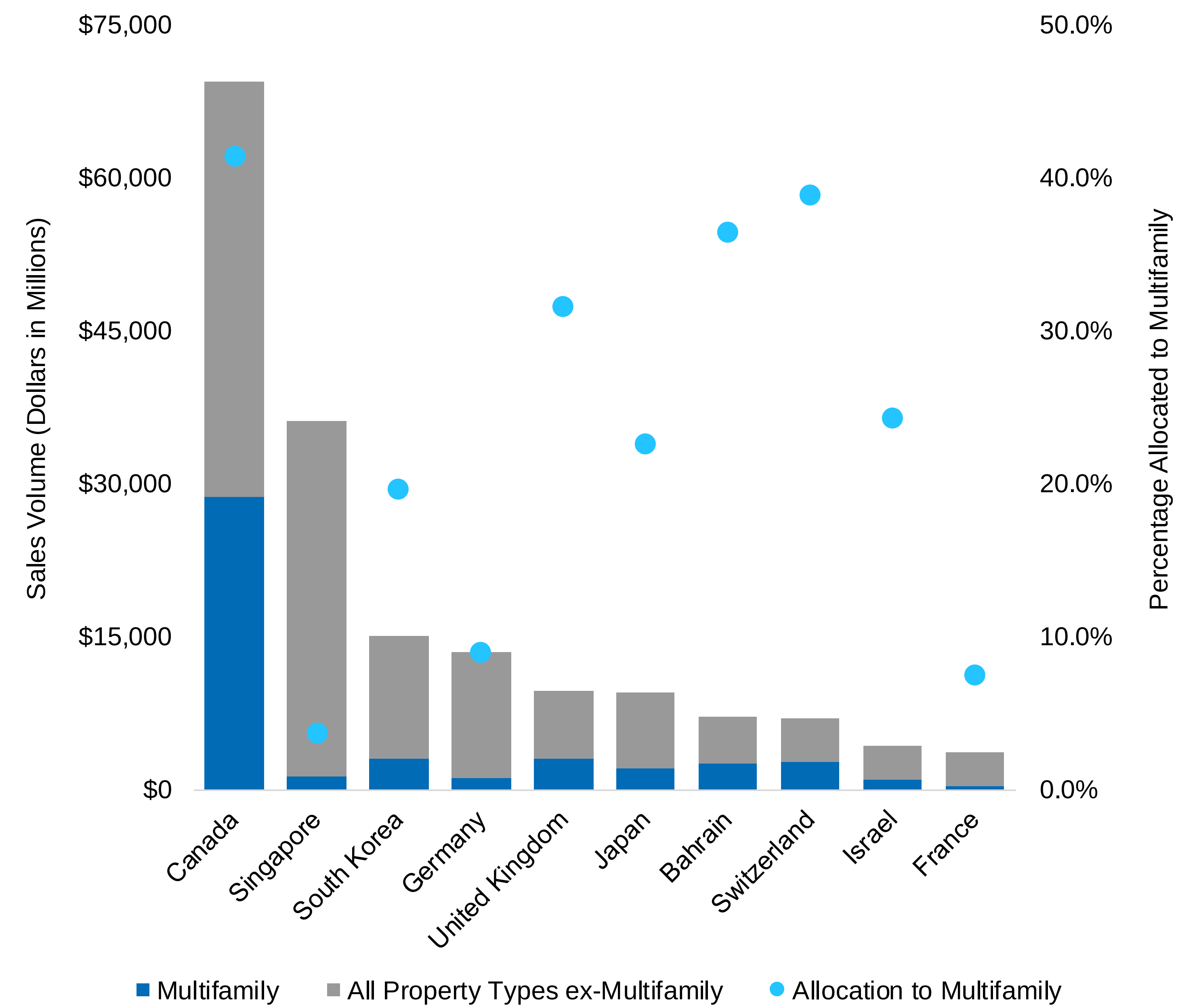
Canada Leads Cross-Border Transactions: 69.1% of Acquisitions

Over the past 12 months, Canada has led cross-border multifamily transactions, reaching a volume of over $4.2 billion. Since 2020, Canada has also maintained its lead globally, with transaction volumes surpassing $28.7 billion, of which more than 41.4% are attributed to multifamily properties.

Acquisitions by Country; Past 12 Months



Allocation to Multifamily by 10 Top Cross-Border Sources; 2020-2024 YTD

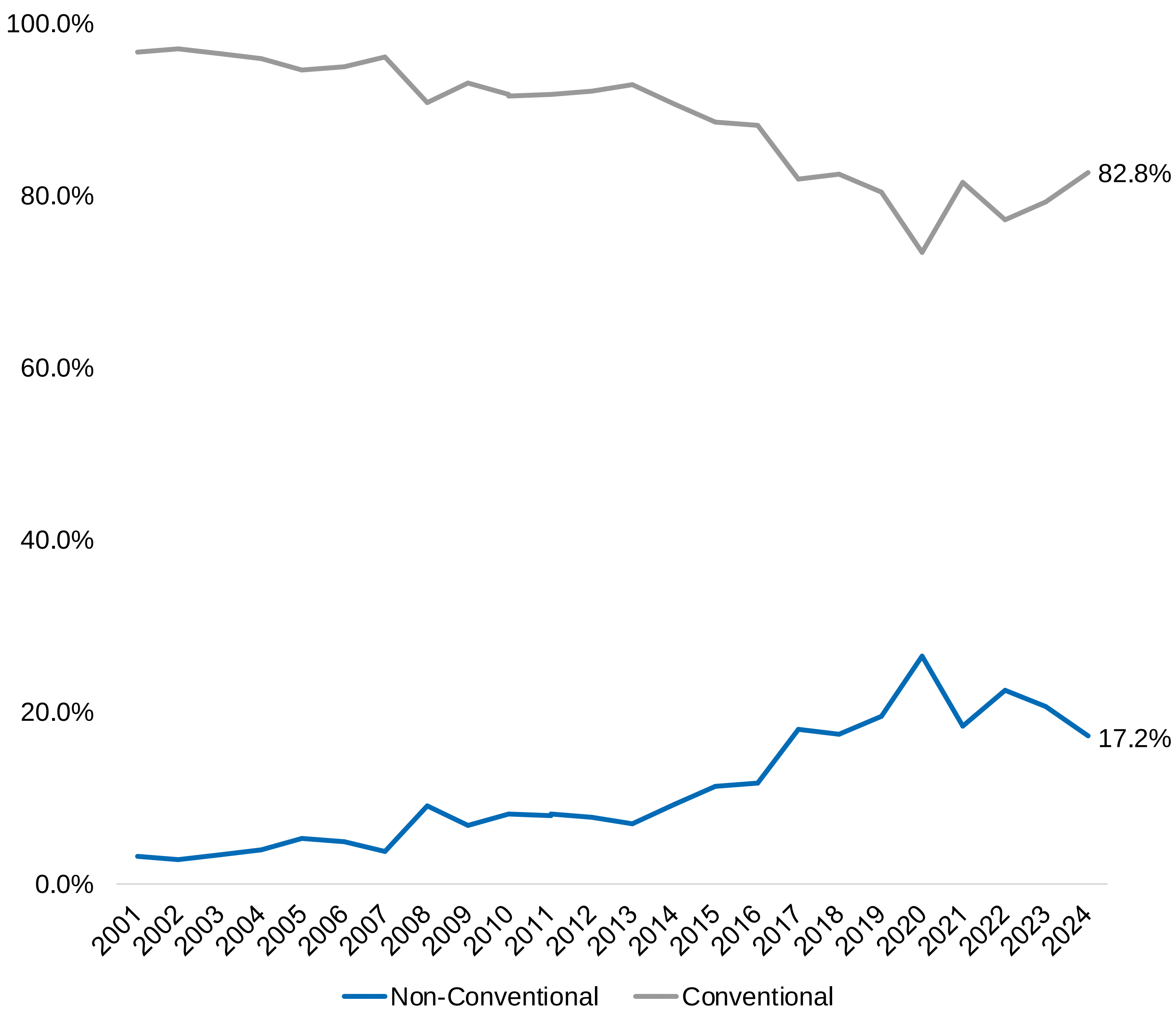


Source: Newmark Research, MSCI Real Capital Analytics (10/28/24)

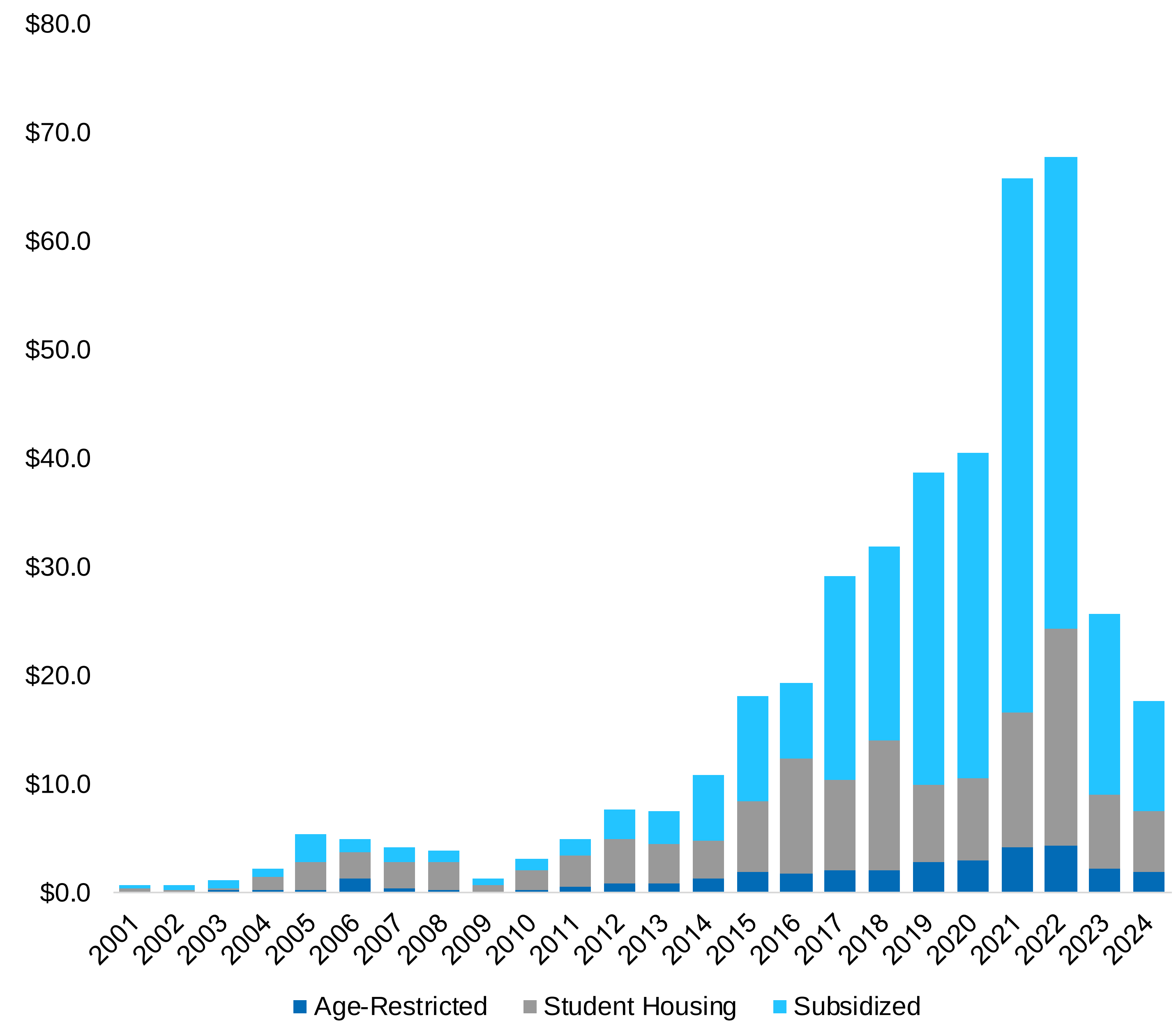
Non-Conventional Housing Investment Accelerating

Year to date, allocations to non-conventional multifamily have dropped to 17.2%. Investor interest in subtypes such as age-restricted and student housing has consistently exceeded the long-term average each year since 2015, unlike subsidized housing.

Allocation of Sales Volume for Conventional and Non-Conventional Subtypes



Sales Volume by Non-Conventional Subtype; Dollars in Billions



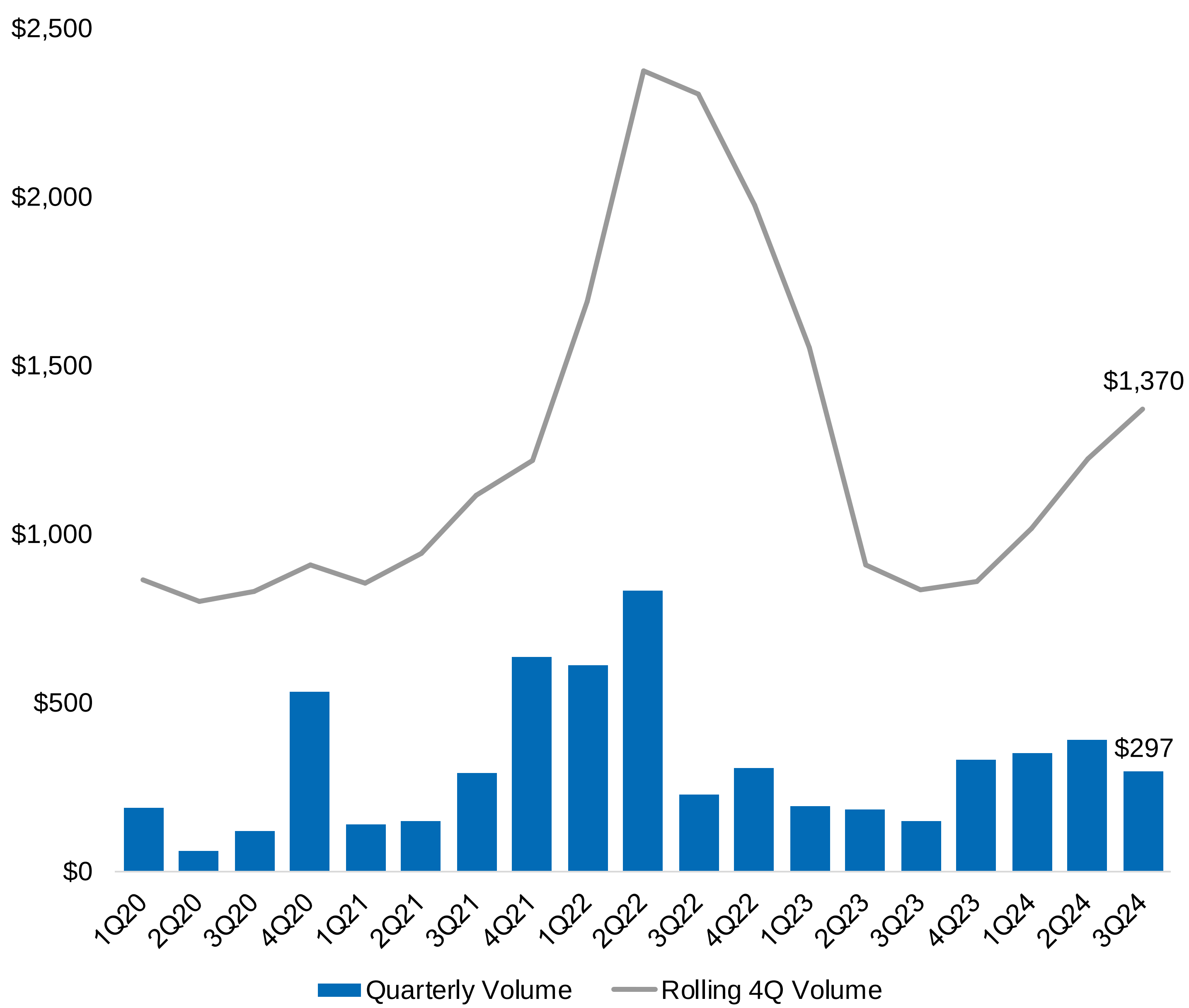
Source: Newmark Research, MSCI Real Capital Analytics (10/28/24)

**Non-conventional defined as age-restricted, student and subsidized housing*

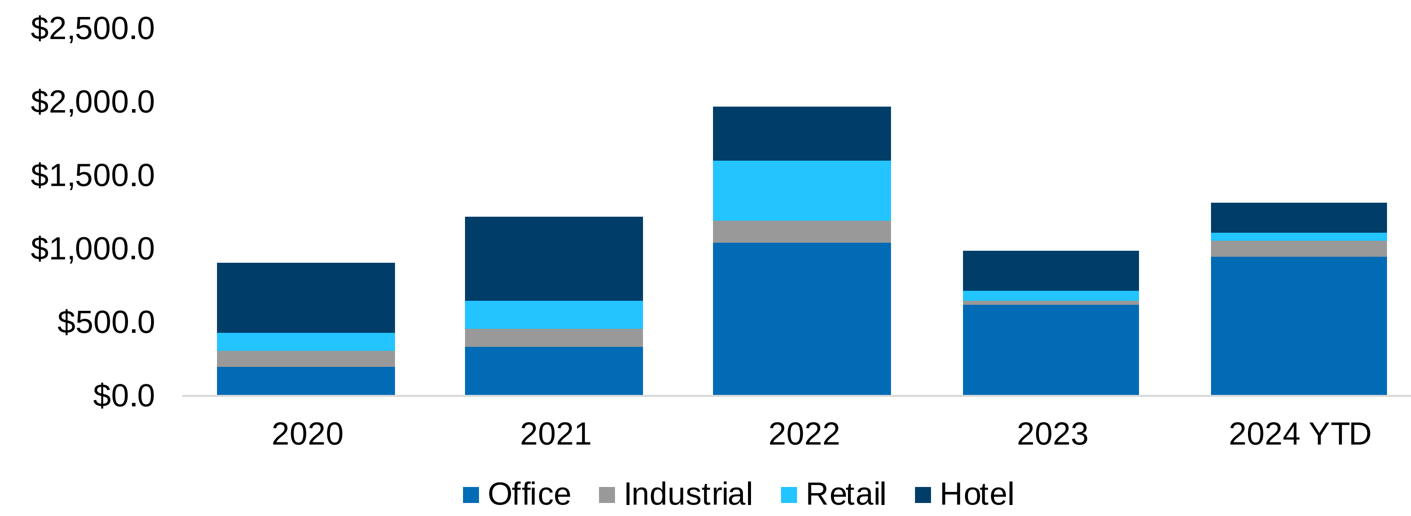
Residential Conversions Surge in 2024, Over $1B YTD

Year-to-date, sales volume for properties converting to residential use has reached over $1.03 billion, marking a 96.3% increase year-over-year. This surge in conversion sales has been driven by key markets such as Manhattan and Washington, DC, which have accumulated more than $951 million and $911 million, respectively, since 2020.

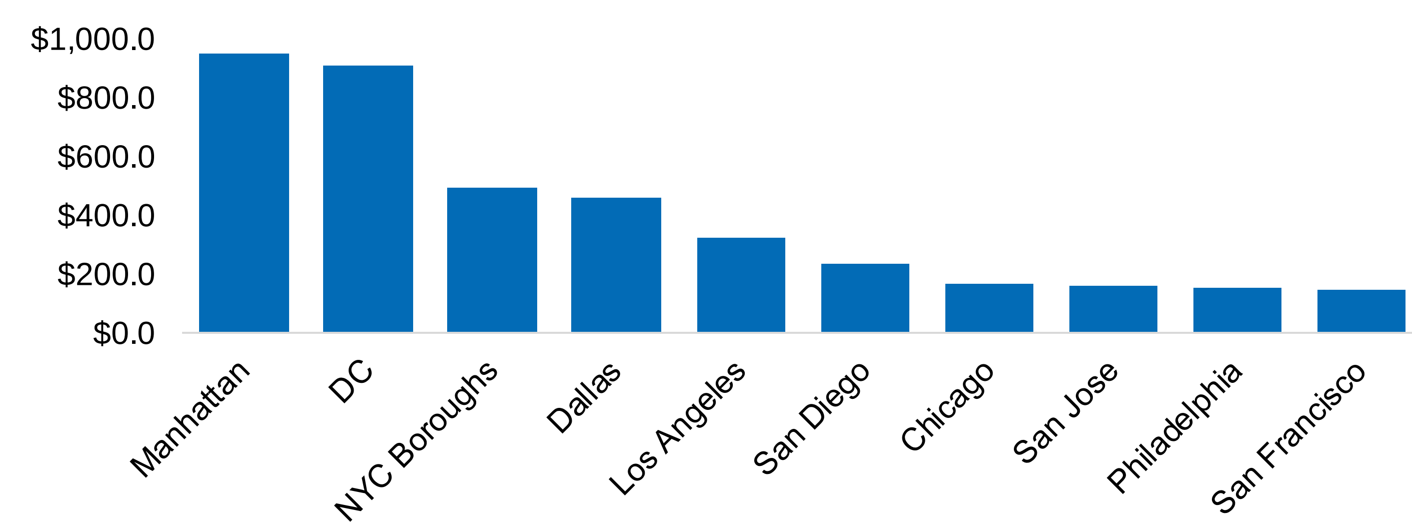
Sales Volume of Conversions to Residential; Dollars in Billions



Conversions to Residential by Property Type; Dollars in Millions



Conversions to Residential by Market; Volume in Millions (2020-3Q24)



Source: Newmark Research, MSCI Real Capital Analytics (10/23/24)

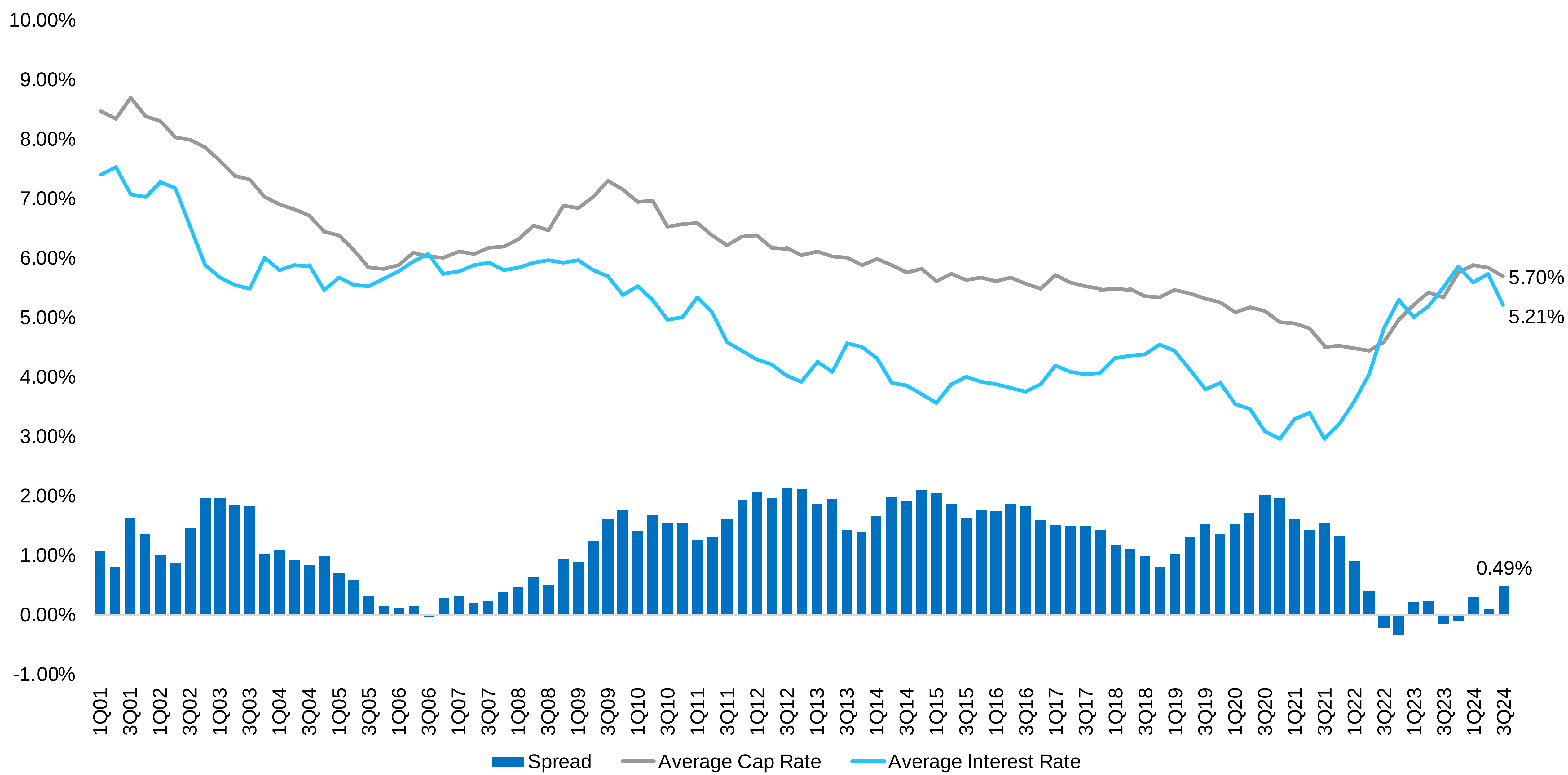
**Conversions include office, industrial, retail and hotel*

Pricing and Returns

Deals Achieve Positive Leverage for Three Consecutive Quarters

As of the third quarter of 2024, cap rates for transactions of $5 million and above averaged 5.7%, compared to an average interest rate of 5.21%, resulting in positive leverage of 49 basis points.

Cap Rates and Interest Rates; Sales $5 Million and Greater

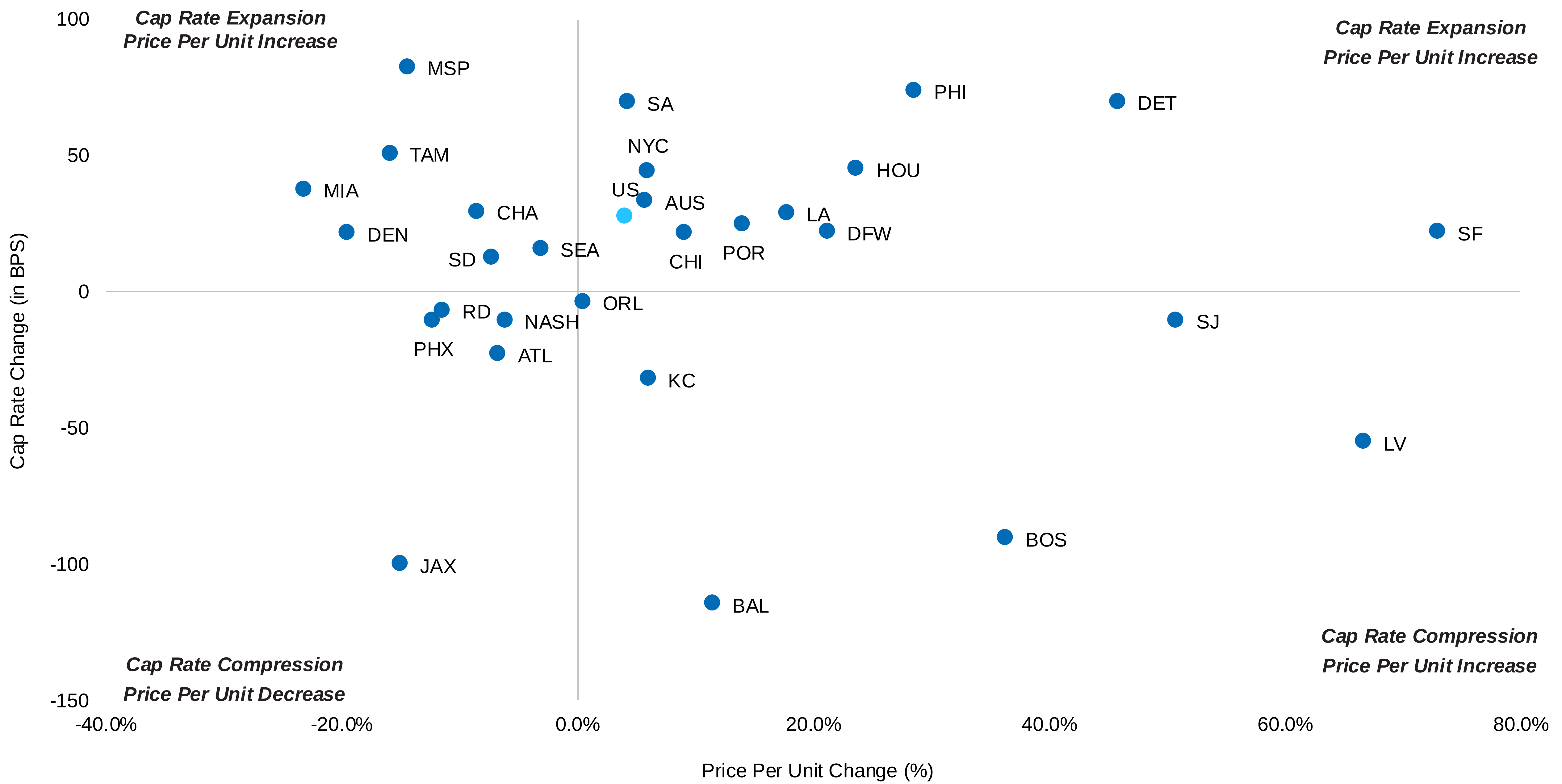


Source: Newmark Research, MSCI Real Capital Analytics (10/31/24)

Most Markets Experiencing YOY Cap Rate Expansion & PPU Growth

By the third quarter of 2024, the average U.S. price per unit rose by 4.0%, accompanied by a 28-basis-point increase in cap rates.

Year-over-Year Price Per Unit and Cap Rate Change as of 3Q24; Select Markets

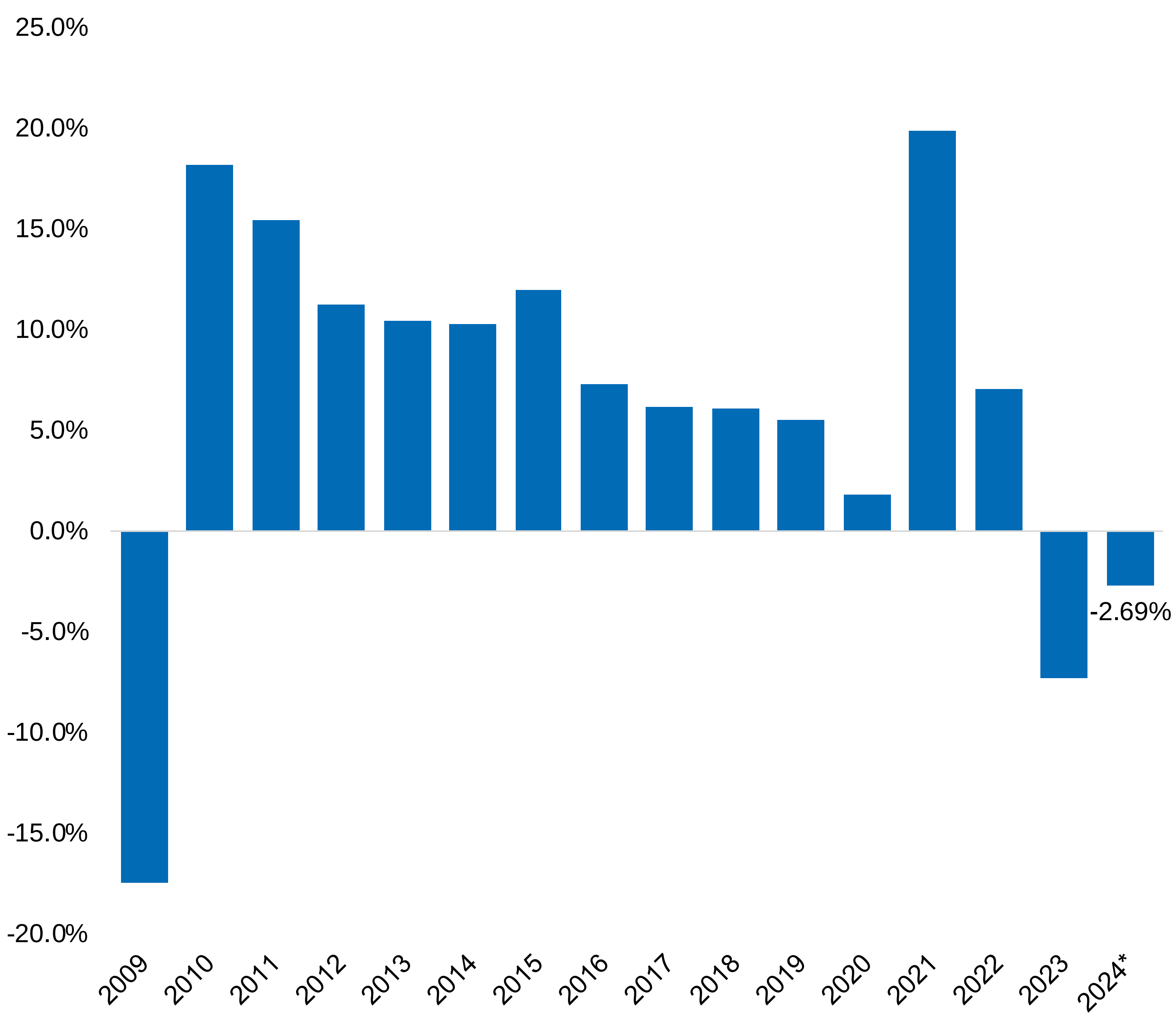


Source: Newmark Research, MSCI Real Capital Analytics

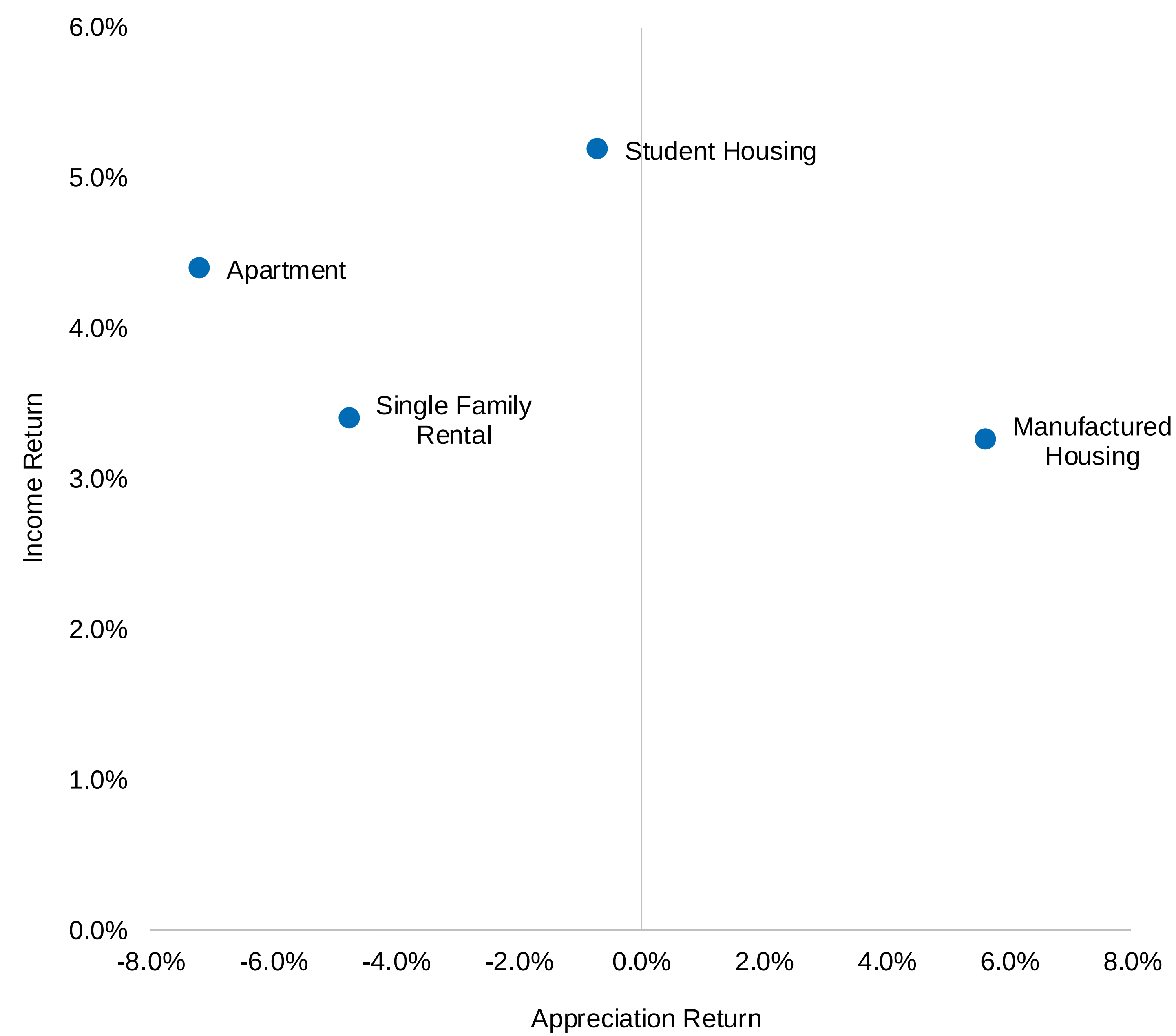
Total Returns Down YTD; Residential Subtypes Show Positive Income Return

Year-to-date, total returns for multifamily remain negative at an annualized rate of 2.69%. Residential subtypes continue to show strong income returns, with student housing leading at 5.19%.

Annualized Total Returns



Annual Appreciation and Income Return by Subtype



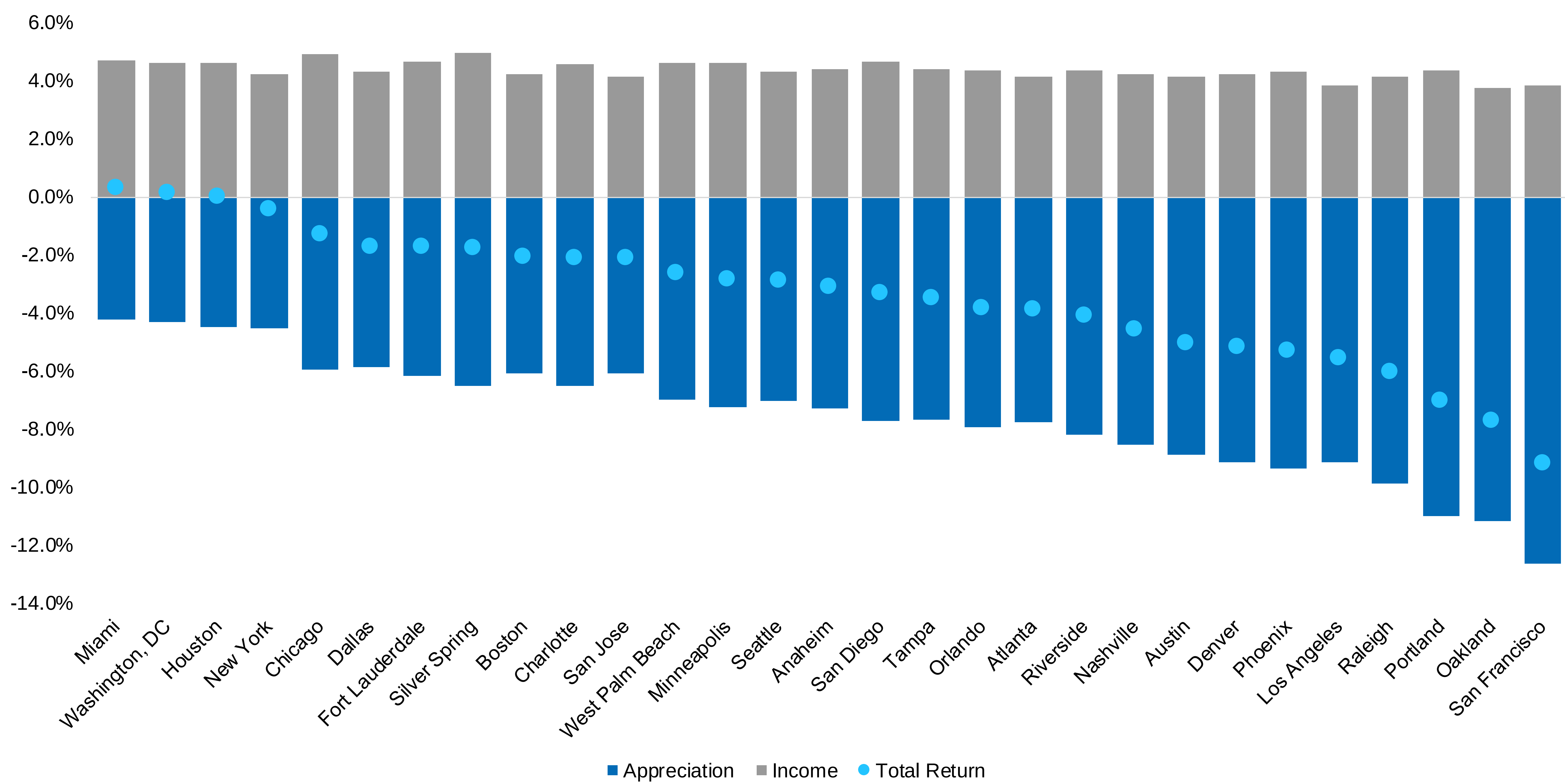
Source: Newmark Research, NCREIF

**2024 data is annualized*

Most Markets Still Negative; Only Miami and Washington, D.C. Positive

Over the past 12 months, Miami and Washington, DC, recorded positive returns of 0.32% and 0.14%, respectively. Suburban Maryland and Chicago led income growth, posting 4.96% and 4.92%, respectively.

Annualized Total Returns by Market

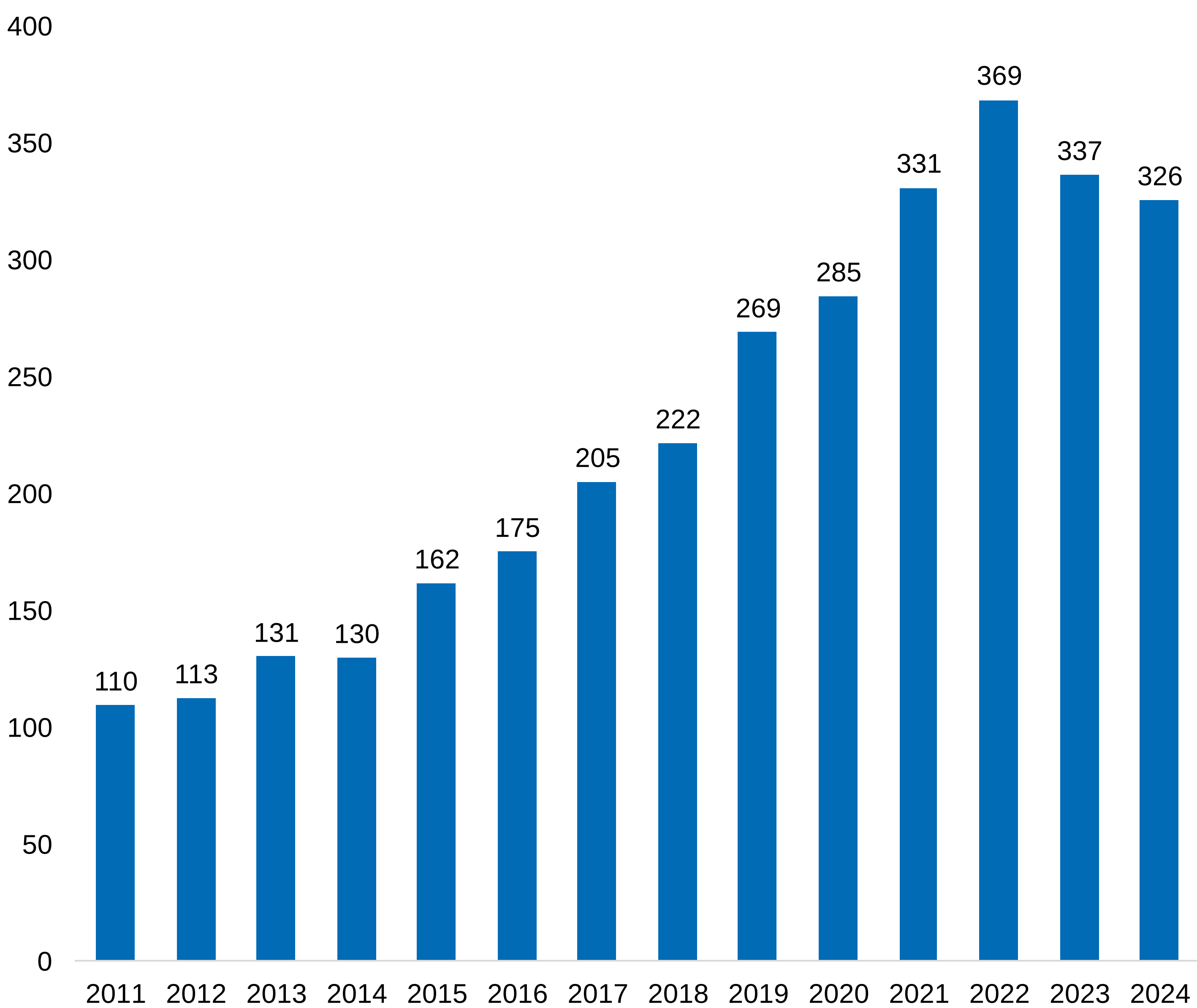


Source: Newmark Research, NCREIF

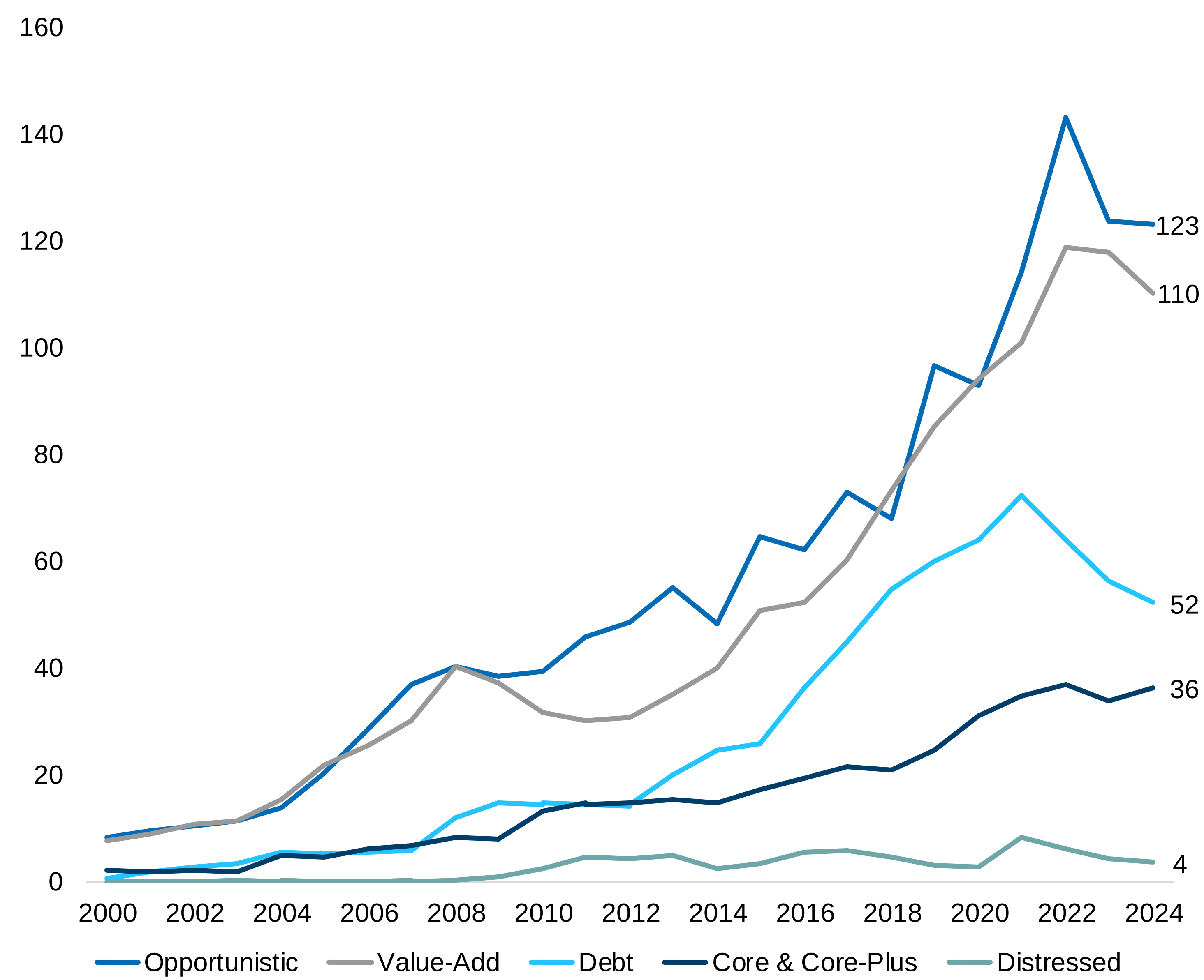
Private Equity Dry Powder Down from 2022 Peak, But Remains Elevated

Dry powder at closed-end funds is down 11.7% from its December 2022 peak, reflecting declines in dry powder across value-add, opportunistic, and debt funds. Similarly, new fundraising has dropped from $213 billion in 2022 to $132.5 billion over the past 12 months. While recent quarterly fundraising data is still being finalized, the second quarter of 2024 aligned with 2017-2019 averages, driven by strong contributions from debt and opportunistic funds, which accounted for 52% of total funds raised that quarter.

Dry Powder – Closed-End Funds



Dry Powder by Strategy*

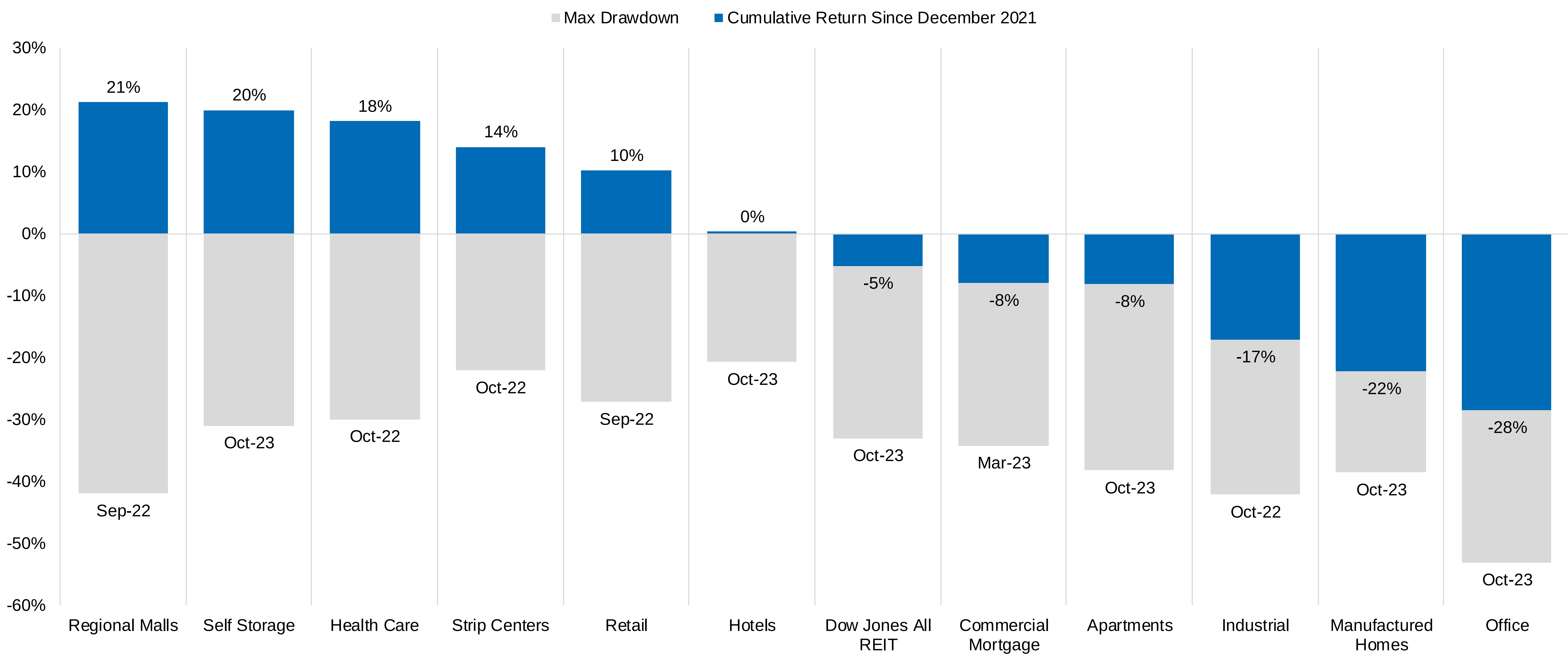


Source: Newmark Research, Preqin as of 10/30/2024
*Not shown: Fund of funds, co-investments, and secondaries strategies

REIT Returns Rebound Strongly from Post-2021 Lows

All REIT sectors saw growth in the third quarter of 2024, though some sectors benefitted more than others. Year-to-date, Health Care (+24%), Apartments (+17%), and Self Storage (+15%) outperformed the overall REIT index (+6%). However, Apartment REITs are still recovering from a 2023 pullback, while Office (+1.2%), Industrial (-3.8%), and Commercial Mortgage (-5.6%) REIT pricing year-to-date continue to trail the All REIT index.

Dow Jones REIT Index Total Returns

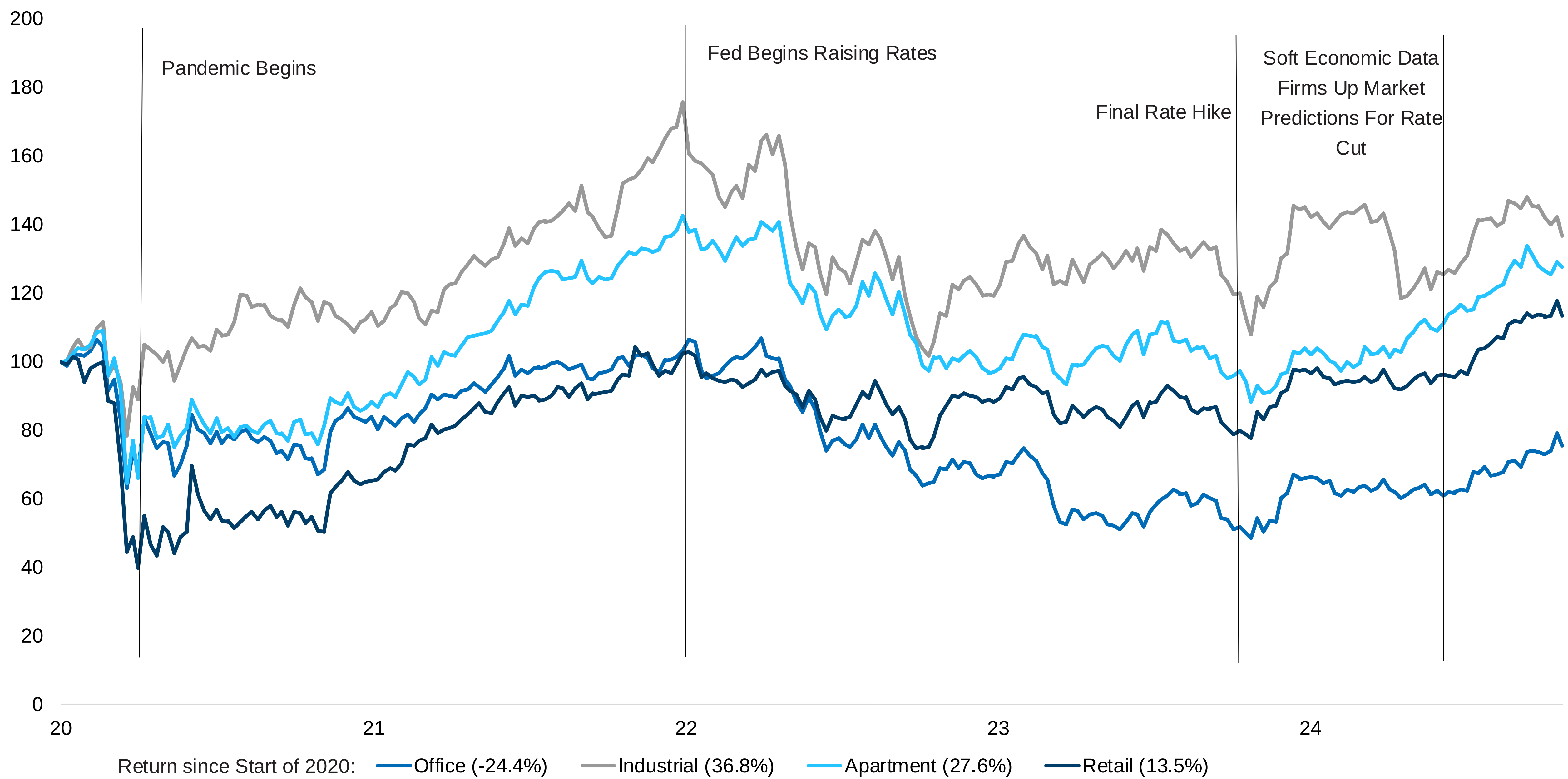


Source: Dow Jones, Moody's, Newmark Research as of 10/28/2024

REIT Returns Have Been Volatile With Periods Of Significant Appreciation

REIT returns have been highly sensitive to shifting rate expectations, influenced by market predictions on the terminal rate following Fed meetings and economic data. After the initial rate hike in early 2022, REIT total returns dropped sharply, notably in the Office and Apartment sectors. Since the final rate hike in July 2023, and with rate cut expectations solidifying, Office (+24%), Retail (+31%), and Apartment (+22%) have recovered some of their prior losses, while Industrial has remained mostly flat (+1.4%).

REIT Return Index : Base January, 2020

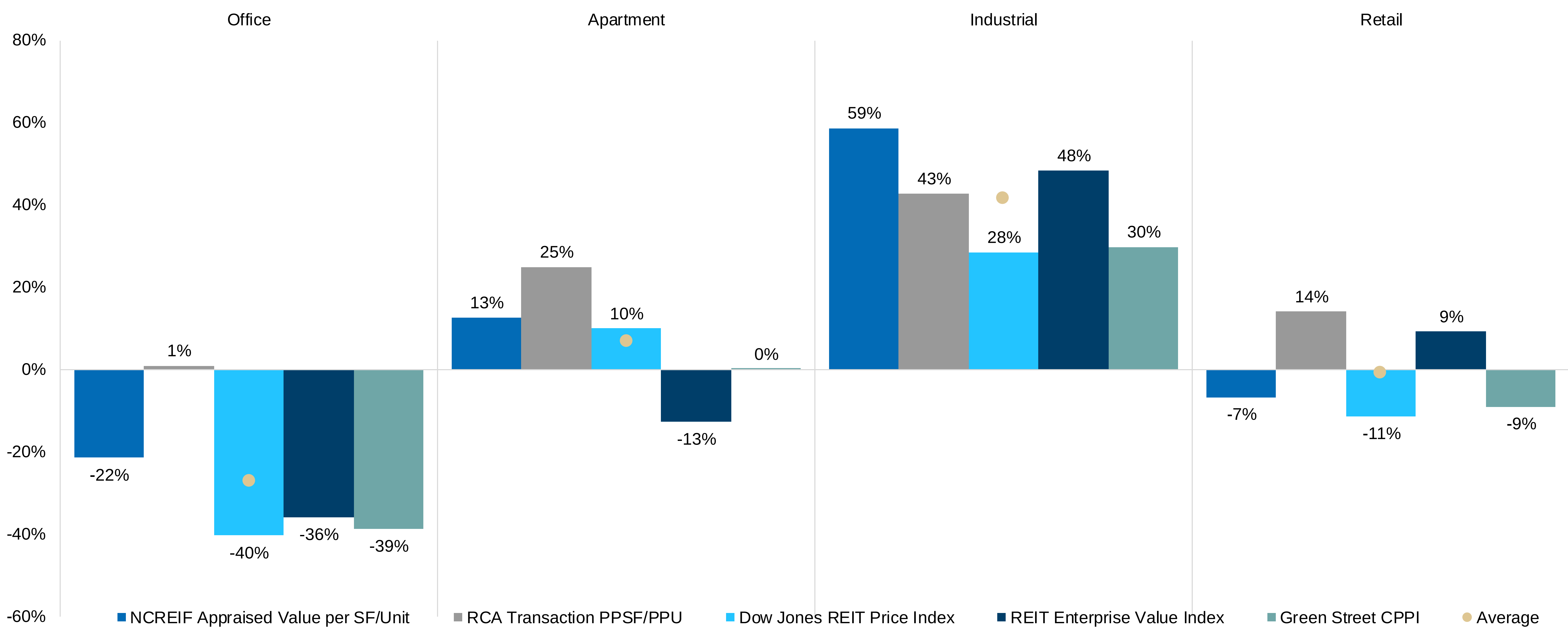


Source: Green Street, FRED, Moody's, Newmark Research as of 10/30/2024

What Has Happened To Values? It Depends On Benchmark

Industrial is the only sector where various benchmarks indicate significant gains since fourth-quarter 2019. In contrast, most benchmarks reflect declines in office values, with notable differences between appraisal or transaction-based measures, which show modest depreciation, and public market-informed measures, which appear more realistic. Multifamily markets display a similar divide, with enterprise value standing out as a clear outlier. Retail measures, however, show minimal consistency.

Comparison of Value Benchmarks: Cumulative Index Change since 4Q19

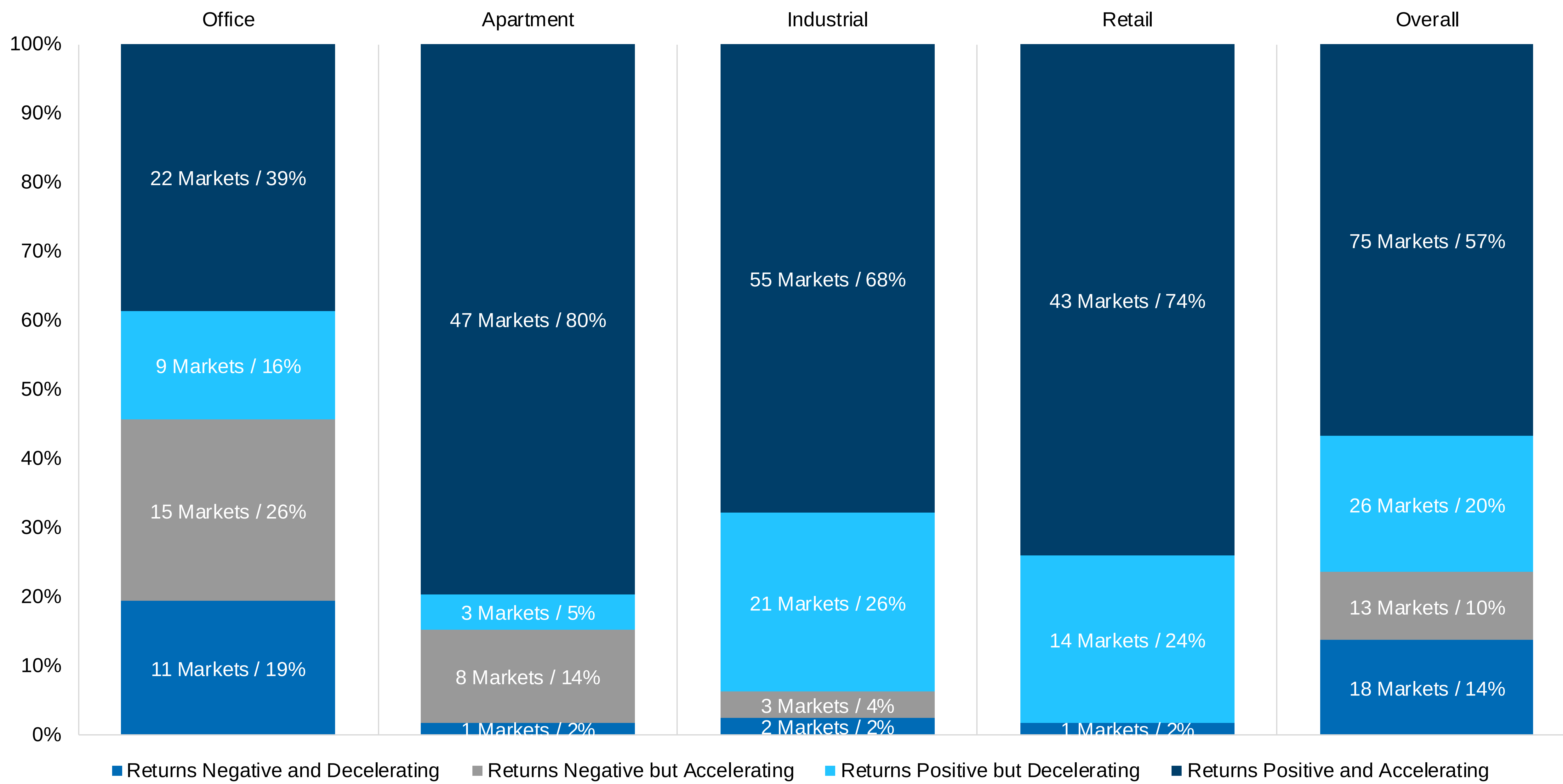


Source: NCREIF, RCA, Dow Jones, Green Street, Moody’s Analytics, Newmark Research as of 10/23/2024

NCREIF Returns Positive in 77% of Markets in 2Q24, Up From 41% in 3Q23

Markets clearly reflected the shift in return momentum in 2024. For office and multifamily sectors, this change marked a transition from negative but accelerating to positive and accelerating returns. Conversely, some industrial and retail markets shifted from positive and accelerating to decelerating. Still, the majority of markets reported positive returns, with Office (55%), Retail (98%), Industrial (84%), and Multifamily (85%) showing gains according to NCREIF, marking the first such occurrence since mid-2022.

Breakdown of NCREIF CBSA Total Returns: 3Q 2024



Source: NCREIF, Newmark Research as of 10/30/2024

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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.

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