

# The Multifamily Digest



April 2024

Good morning,

As Yogi Berra said, "it's like déjà vu all over again"

Over the past month, we've experienced a familiar feeling: a hot CPI print fueled yet more volatility in the treasury market. Fed Chair Powell, in recent remarks in Washington, D.C. acknowledged that price pressures over the past few months have not evolved in a way to give the FOMC confidence that inflation is moving in the right direction. His comments cemented that rate cuts will come later than markets initially expected, if at all.

Volatility breeds indecision, so we would ordinarily expect the markets to freeze. In this case, however, we expect it to fuel acceptance of the higher-for-longer narrative that we believe should be the dominant economic narrative shaping the next investment cycle. With greater acceptance comes more pricing clarity, a greater focus on longer-term theses, and less waiting on the sidelines.

That became abundantly clear as Blackstone took two multifamily REITs private in the first quarter, with Jon Gray mentioning on CNBC that it's a compelling time to invest in CRE – even if it's ahead of the "all clear" sign. A few other meaningful green shoots worth pointing out in the first quarter include:

- On the fundamentals side, we recently released our [first quarter U.S. Multifamily MarketBeat](#), which highlighted robust demand for multifamily—**61% YoY growth in demand**, marking the best first quarter absorption figure outside of 2021—and resilient rent growth in the face of peaking deliveries. For a quick download on the market, I also recorded a "Behind the Numbers" video shared on Cushman & Wakefield's LinkedIn page.
- In the financial markets, peak financial tightness is in the rearview mirror. Spreads on most financial products, from corporate debt to CMBS, have come in dramatically and **now mirror levels before the rate hike cycle began**. Narrowing the cost of debt naturally helps free up more liquidity for CRE transaction momentum to increase. The Survey of Senior Loan Officers also pointed to fewer firms tightening lending standards, which helps grease the skids of the transaction market.
- Blackstone is clearly making big bets on Multifamily, but we've started to see other **institutional investors become more active in the transaction market**, from touring to more aggressive bidding.
- As we detail later in the newsletter, our Asset Services team has seen strong performance over the first quarter – **even stronger than our initial expectations**, all while onboarding 67 assets, totaling nearly 15,000 units in the first quarter.
- The U.S. Census released new data on migration and population growth in March. [In our analysis](#), we highlighted **that for the first time since the pandemic, Urban Core counties actually added population** (albeit slightly) as major markets like New York and Los Angeles saw far less outmigration

than they had in years past. That said, **the Sunbelt still reigned supreme, with the southern region of the U.S. adding more than 800,000 people in 2023**, with the next fastest growing region, the West, adding fewer than 100,000 people.

All in all, we're encouraged by the resilience of the U.S. economy, the debt markets, and property fundamentals as we head into the spring and summer leasing season. The rest of this quarter's newsletter will feature other insights from across our business lines, pointing to more green shoots amid the economic volatility.



[Sam Tenenbaum](#), Cushman & Wakefield's Head of Multifamily Insights shares his thoughts and research on the Multifamily market.



## Debt Update

### DECIPHERING TODAY'S DEBT MARKETS



[Abby Corbett](#), Cushman & Wakefield's Head of Investor Insights, frequently writes on macro-economic trends and how they may impact investors in commercial real estate.

Global Head of Investor Insights, Abby Corbett, dove into today's turbulent debt market, publishing her [analysis in Deciphering Today's Debt Markets](#). In it, she provides her high-level thoughts and take on today's debt markets in the face of the Fed's recent messaging position. She dove deep on a number of questions vexing the market today on topics like de-risking, negative leverage, debt availability and more. Part two is already in the works, and should be released soon.



## Operational Insights

### ASSET SERVICES QUARTERLY MARKET ANALYSIS



**Avery Solomon**, Executive Managing Director  
Investor Services, Multifamily Asset Services, Americas  
Cushman & Wakefield

As one of the largest third-party property managers nationally, with over 182,000 multifamily units managed, Cushman & Wakefield Asset Services data shows unique insights not available through third-party data sources. Utilizing this data, [our recently released Q1 analysis](#) points out key trends for the beginning of 2024, with a special look at the units we manage in the build-to-rent space.

## VALUATIONS & ADVISORY QUARTERLY UPDATE



**Zach Bowyer**, Executive Managing Director  
Valuations & Advisory  
Cushman & Wakefield

A few updates on how our Valuations & Advisory business has been performing for the beginning of Q1, 2024:

- Our multifamily valuation business is up 23% YoY through April with bid activity up nearly 35%, respectively. This increase in volume is primarily coming from agency lenders and internal fund valuations, two segments of our business that we leaned-in to in 2023. We are also seeing an increase in valuations for tax appeal purposes.
- In most markets, less than 3% of our business includes valuations on properties with distressed capital stacks.
- In stronger performing markets, we are still underwriting capitalization rates in the 4.5% to 5.25% for mid/ high rise class A properties.
- We are honored to report that Greystone is now a top 10 (#9) client of ours for multifamily valuations. Thank you for your business! We want you to be our #1!



## Event Recap

We were pleased to attend the ULI Spring Meeting in New York in early April. Below are some of our takeaways from the event:

- As we touched on in our intro, Blackstone's \$10B purchase of AIR Communities provides a strong signal for improving transaction volumes going forward as Institutional Capital has largely been on the sidelines the last 12-18 months.
- Many advisors we spoke with are reporting redemption queues are diminishing, some are seeing redemption recessions and others are seeing some groups indicating an interest in placing new commitments soon.
- While rising rates are still hampering rate-sensitive buyers, larger format / institutional buyer are less leverage sensitive and could potentially transact through the currently challenging rate environment in achieving their yield targets.

- Positive signs are emerging in the CMBS markets as spreads have narrowed significantly, especially in recent SASB executions indicating bulk capital anxious to gain exposure to the multifamily space in senior lending positions.

Notes from the Senior Living Product Council at ULI:

- More people are living in senior living communities than ever with the National Investment Center for Seniors Housing reporting the 11th straight quarter of occupancy growth.
- Occupancy in has surpassed pre-pandemic levels in all primary markets. Absorption rates are also at all-time highs with rent growth maintaining above 5% in most markets, a trend that is expected to continue.
- Debt markets are slowly loosening for existing properties with healthy operating margins.
- Larger and well capitalized developers are buying land in preparation for the return of construction financing, signaling significant unmet demand on the horizon.
- Most PE funds are targeting newer properties, delivered during or after Covid and struggling to stabilize with a distressed capital stack. These properties are being priced based on the debt, or 75% of replacement costs.
- REIT interest in stabilized properties with healthy operating margins has increased significantly, with capitalization rates starting around 7.0% on the in-place cashflow.
- At AEW's investor conference, senior living was presented as "the best idea for investment" for the first time in conference history.



## Recent Thought Leadership

### MACROECONOMIC AND CRE UPDATE



[Rebecca Rockey](#), Cushman & Wakefield's Deputy Chief Economist and Global Head of Forecasting was recently featured on a podcast from Moody's Analytics.

Rebecca Rockey, Cushman & Wakefield's Deputy Chief Economist, was a recent guest on the [Moody's podcast, Inside Economics](#). On this 90 minute episode, Rebecca and Moody's Chief Economist Mark Zandi discussed the outlook for commercial real estate and the macroeconomy. The wide-ranging conversation detailed opportunities in various segments of commercial real estate, including multifamily, and took time to highlight why falling construction starts likely translates to a return to strength for the apartment sector.

### STUDENT HOUSING

#### Predicting and Navigating Student Housing Investment sales

As 2024 begins, the prevailing sentiment in the capital markets industry reflects cautious optimism, tempered with a sense of realism. Despite persisting challenges, the robust fundamentals for student housing should give confidence to all market participants and encouragement for dealmakers to persevere, especially as the sector continues to stand out in the broader commercial real estate landscape.

[In this recent article](#), read our predictions for student housing in 2024, as well as a recommended game plan with

strategic insights for navigating and excelling in this evolving market.



## Important Announcements

### ALTERNATIVES

#### New Single-Family Rental/Build-to Rent Team Page

As we've covered, SFR/BTR is well-positioned to capitalize on several demographic and capital market tailwinds. Furthermore, investor interest only continues to gain steam, both from an investment—as well as a development—perspective.

Our SFR/BTR Team, part of Cushman & Wakefield's National Multifamily Advisory Group, offers a full range of services and solutions specialized in this product type, including Asset Services, Investment Sales, Equity, Debt & Structure Finance, Agency Debt (through our partners at Greystone) and Valuation & Advisory services.

[Visit the team page here](#)

### CONGRATULATIONS TO OUR COLLEAGUES

#### Commercial Observer's Power Finance 2024 List

Congratulations to all of our colleagues in both Cushman & Wakefield and Greystone who were recognized among the *50 Most Influential Players in Commercial Real Estate Finance*.

[Read the full list from Commercial Observer here.](#)

[Click here to see the special note celebrating Steve Rosenberg's recognition.](#)



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