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MULTIFAMILY MARKET UPDATE

DEMAND SUPRISES TO THE UPSIDE: FUNDAMENTALS IMPROVING FROM HERE

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AGENDA

01
WHERE ARE WE?

02
CONSTRUCTION UPDATE

03
WHERE ARE WE HEADED?

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NATIONAL COVERAGE

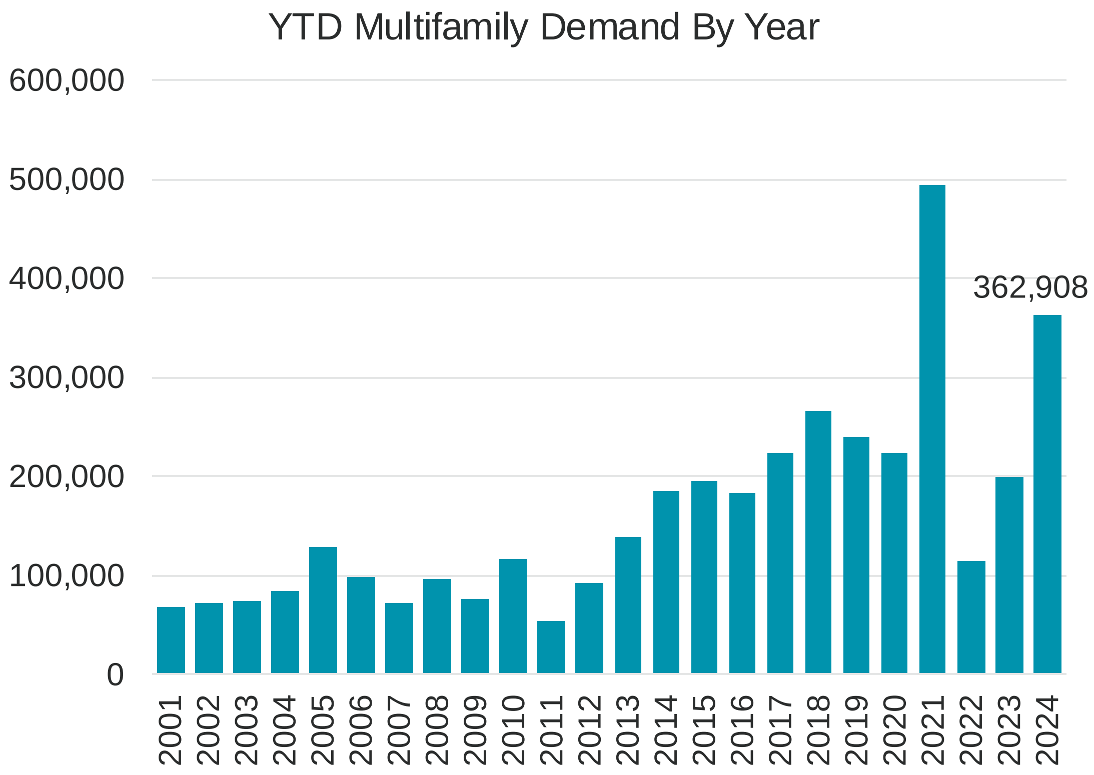
178,000+	UNITS
1,300+	ASSETS MANAGED
4,500	TEAM MEMBERS
200+	CLIENTS
95	MSA'S
90+	ACTIVE LEASE-UPS

76	SEATTLE	10,673 units
57	OREGON	7,395 units
56	N. California	8,686 units
53	Los Angeles	8,626 units
16	San Diego	3,528 units
73	Las Vegas / Reno	19,493 units
28	Phoenix	6,256 units
19	Denver	2,462 units
56	Austin	11,498 units
52	Dallas / Ft. Worth	14,994 units
25	Houston	5,873 units
24	Mid Atlantic	5,871 units
37	Minneapolis	6,587 units
12	Chicago	2,139 units
17	Midwest	2,799 units
25	Tennessee	5,470 units
84	Atlanta	18,260 units
75	Florida	16,364 units
62	Carolinas	9,474 units
24	Northeast	4,875 units
514	PCL / NYC	6,733 units

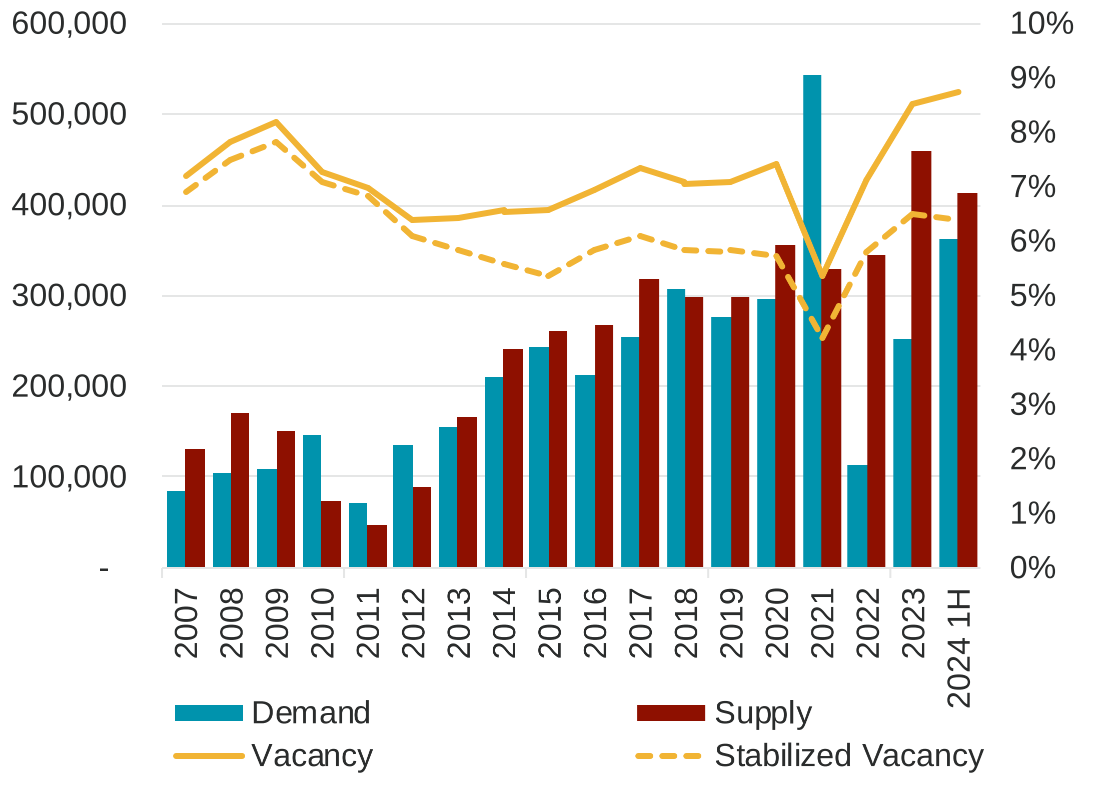
STRONG DEMAND IN H1 2024 KEEPING VACANCIES AT BAY

Fundamentals Have Been Eroding, But Slower Than Initially Expected

Demand For Apartments Proving Robust



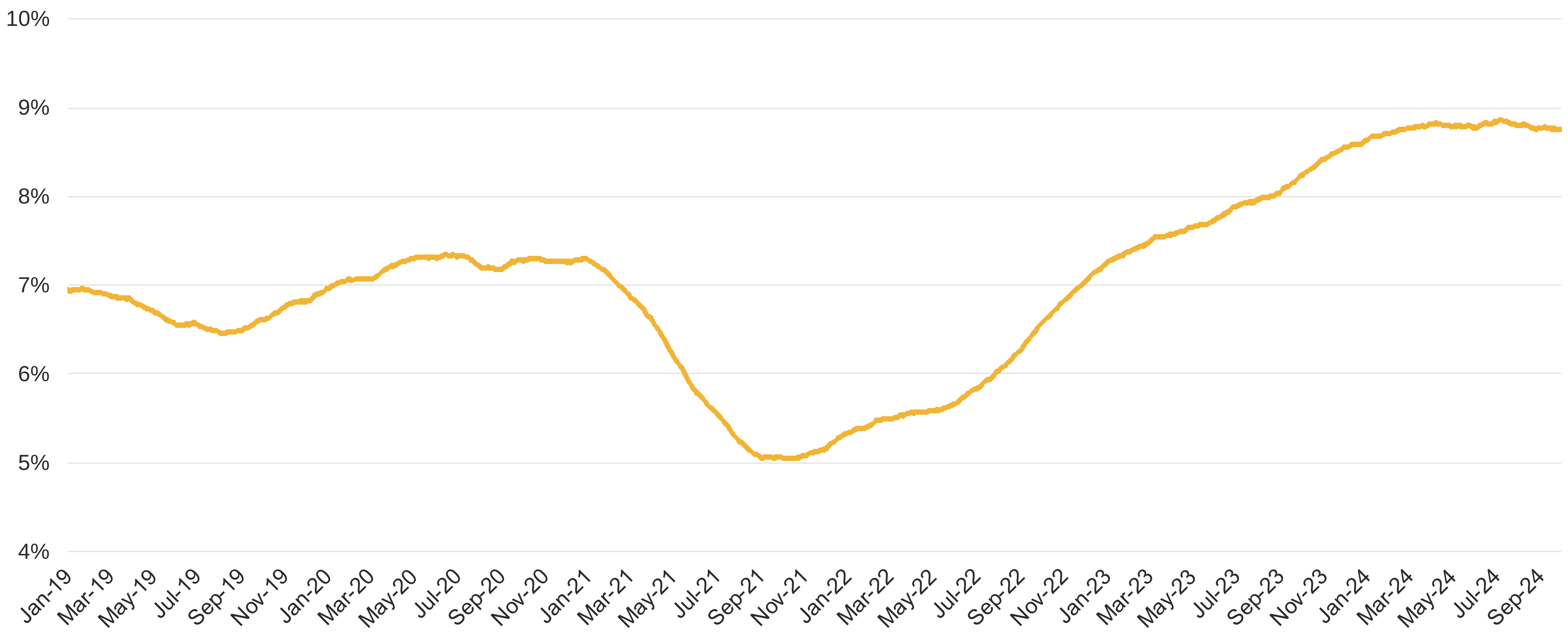
But Construction Levels Continue To Outpace



Source: CoStar, Cushman & Wakefield Research

HAVE WE REACHED THE PEAK?

Robust Demand Has Been Surprising To The Upside, Causing Vacancies To Decline

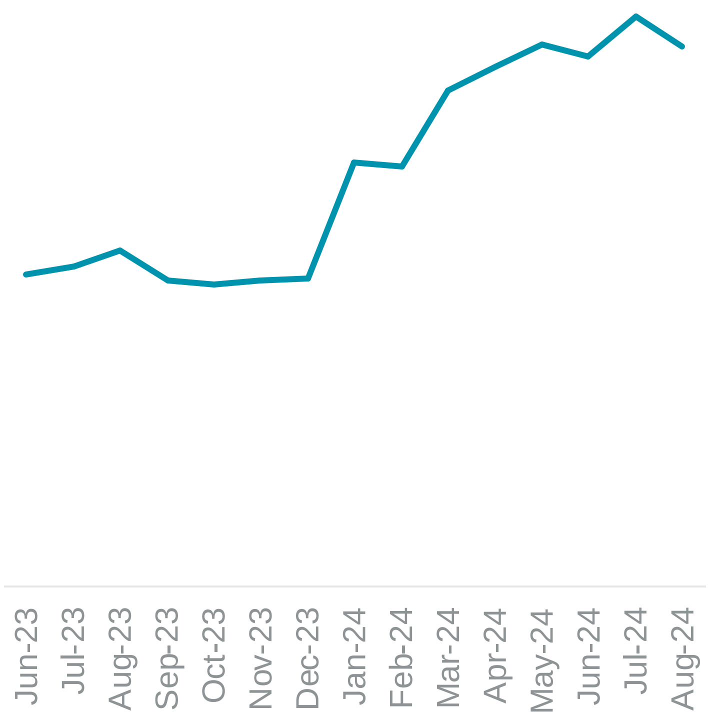


Source: CoStar, Cushman & Wakefield Research

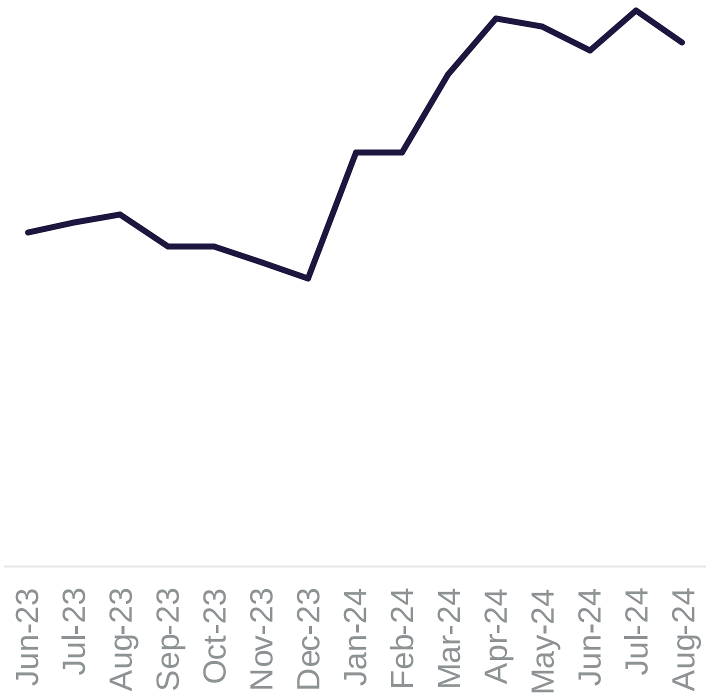
RENTERS HAVE BEEN BEATING DOWN THE FRONT DOOR

Leading indicators for multifamily demand

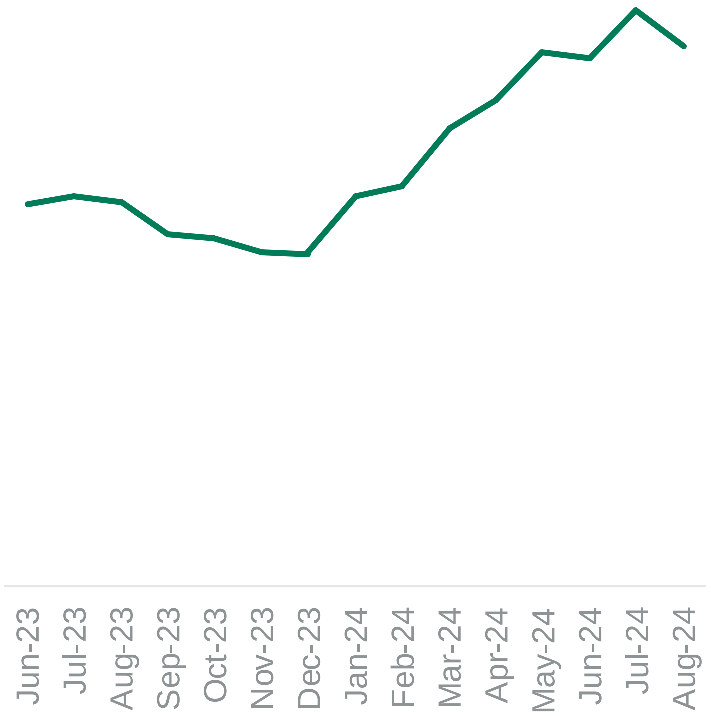
Contacts



Visits



Applications



Source: Cushman & Wakefield Asset Services

OCCUPANCY CONTINUES TO IMPROVE

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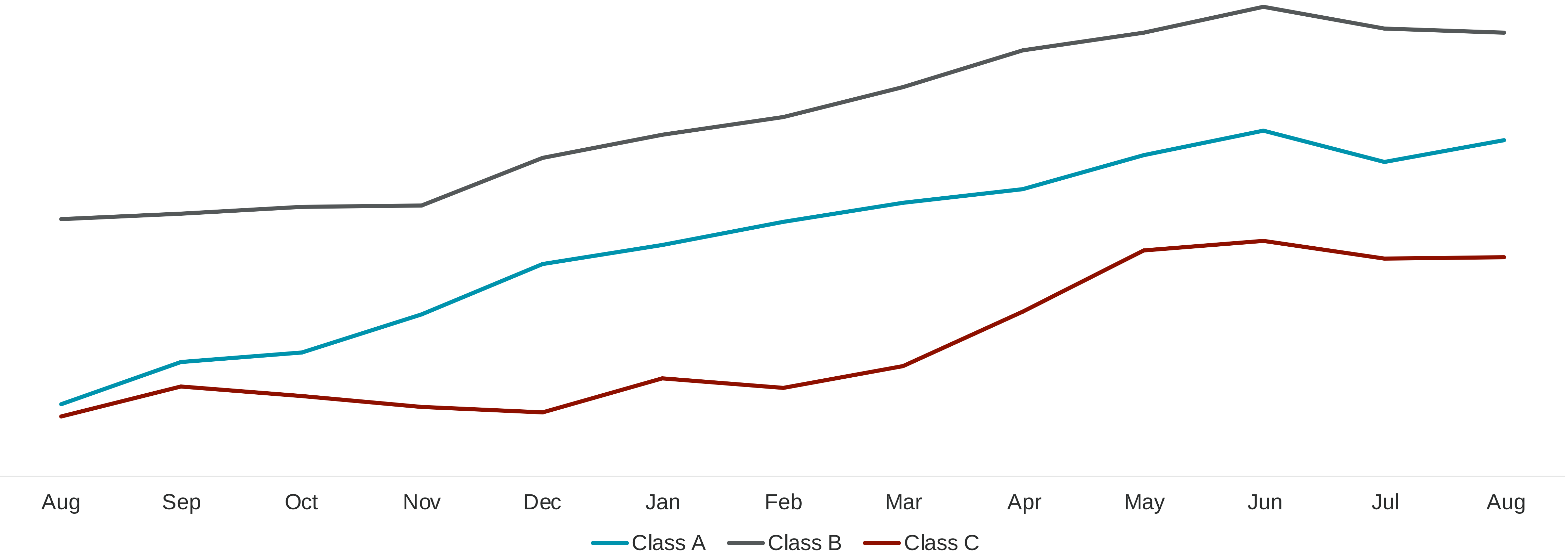
Occupancy in C&W's managed portfolio

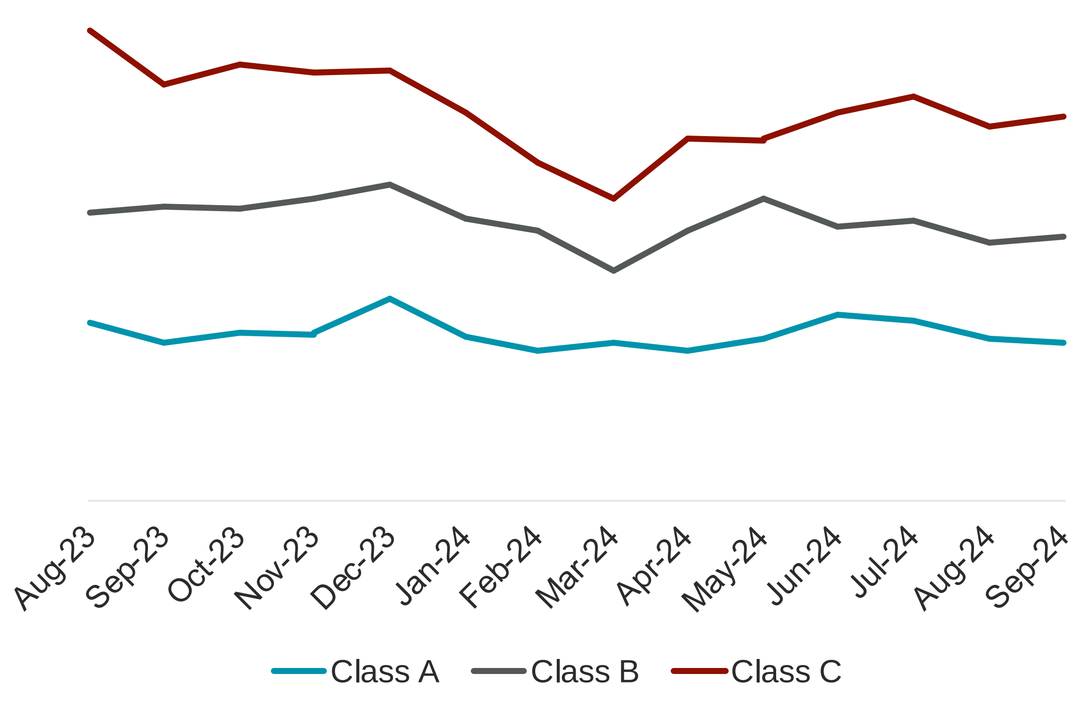


Source: Cushman & Wakefield Asset Services

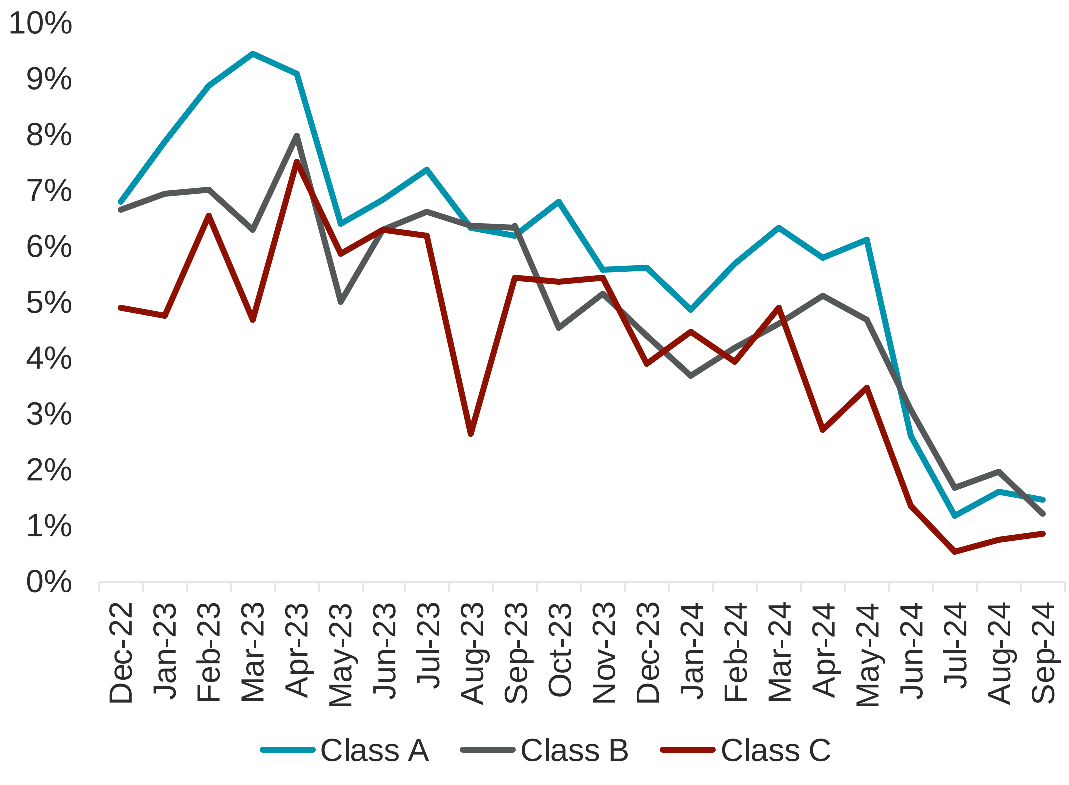
NO SIGNS OF WEAKNESS AMONG RENTERS

Delinquency and exit interviews paint a healthy story

Delinquency By Class



Cost Reasons as Share of Total Move Outs



Source: Cushman & Wakefield Asset Services

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CONSTRUCTION UPDATE

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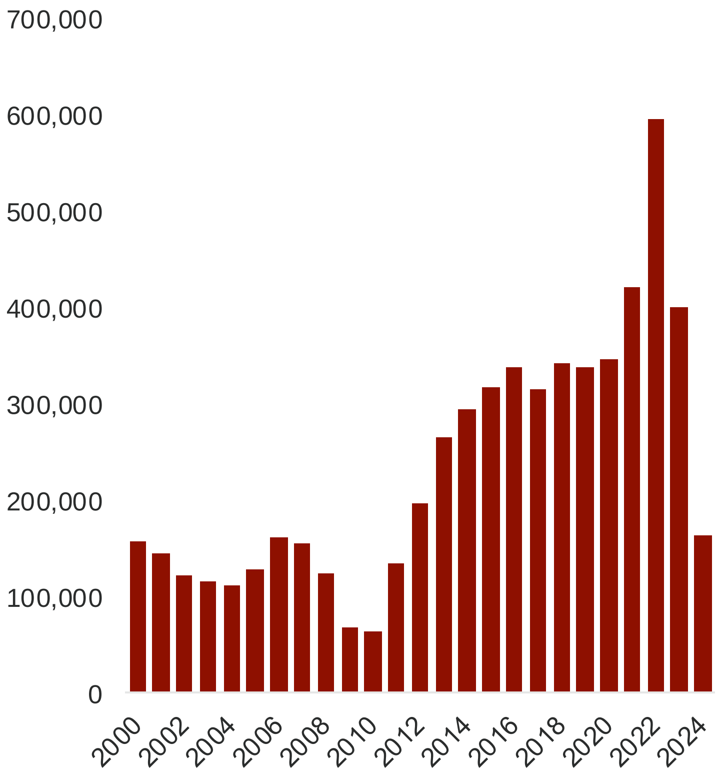
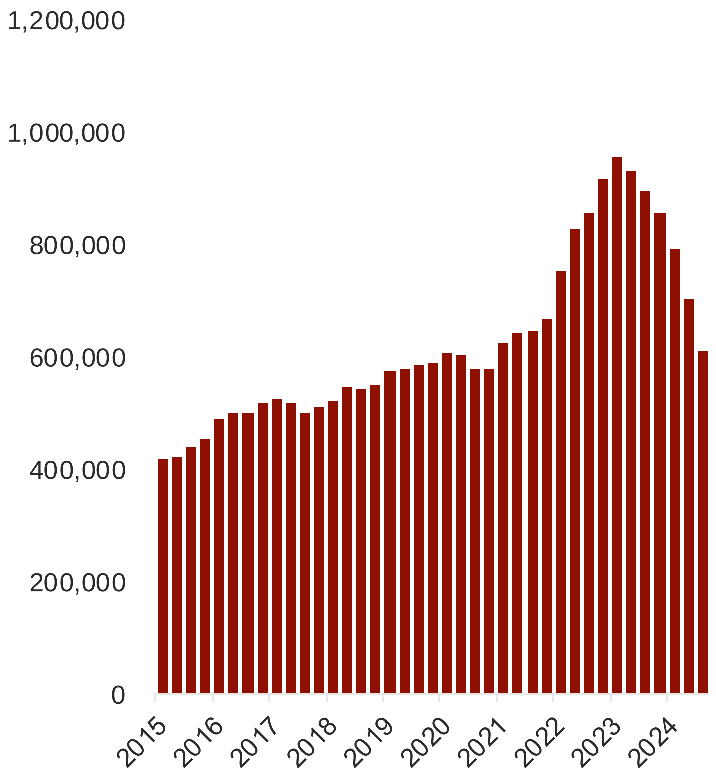
THE PEAK OF THE CONSTRUCTION WAVE IS BEHIND US

If Demand Holds, This Oversupply Will Be Short-Lived

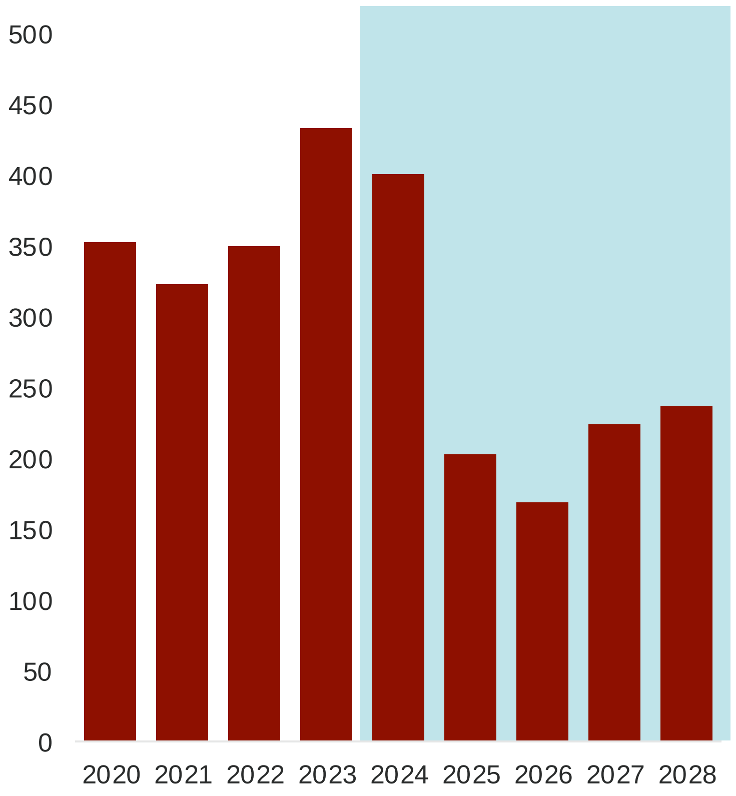
Starts Are Down to 2012 Levels



Construction Activity Pulling Back



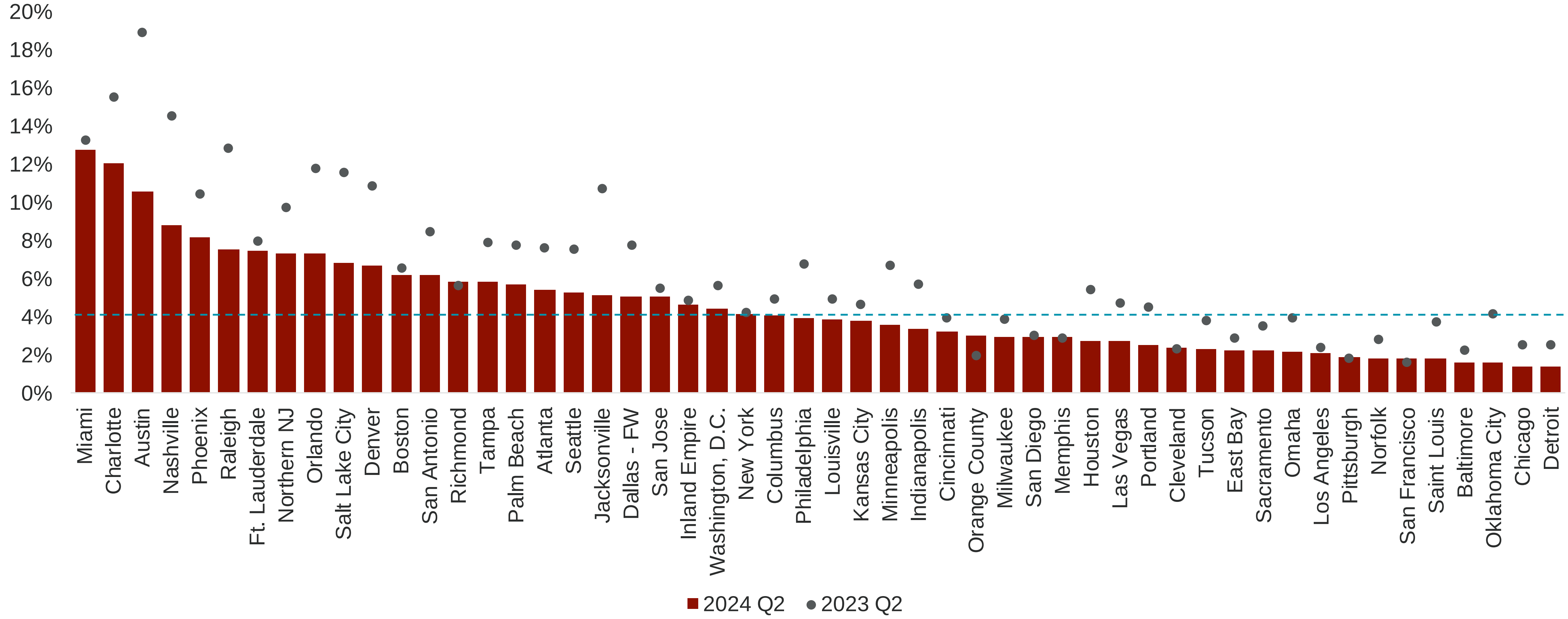
Delivery Wave Peaked In 2023



Source: Census, HUD, CoStar, Cushman & Wakefield Research

CONSTRUCTION IS DOWN NEARLY EVERYWHERE

Units Under Construction as a Percent of Current Inventory



Source: CoStar, Cushman & Wakefield Research.
Note: Includes markets with 75K+ units inventory

RENT GROWTH & LIMITED DELIVERIES GO HAND IN HAND

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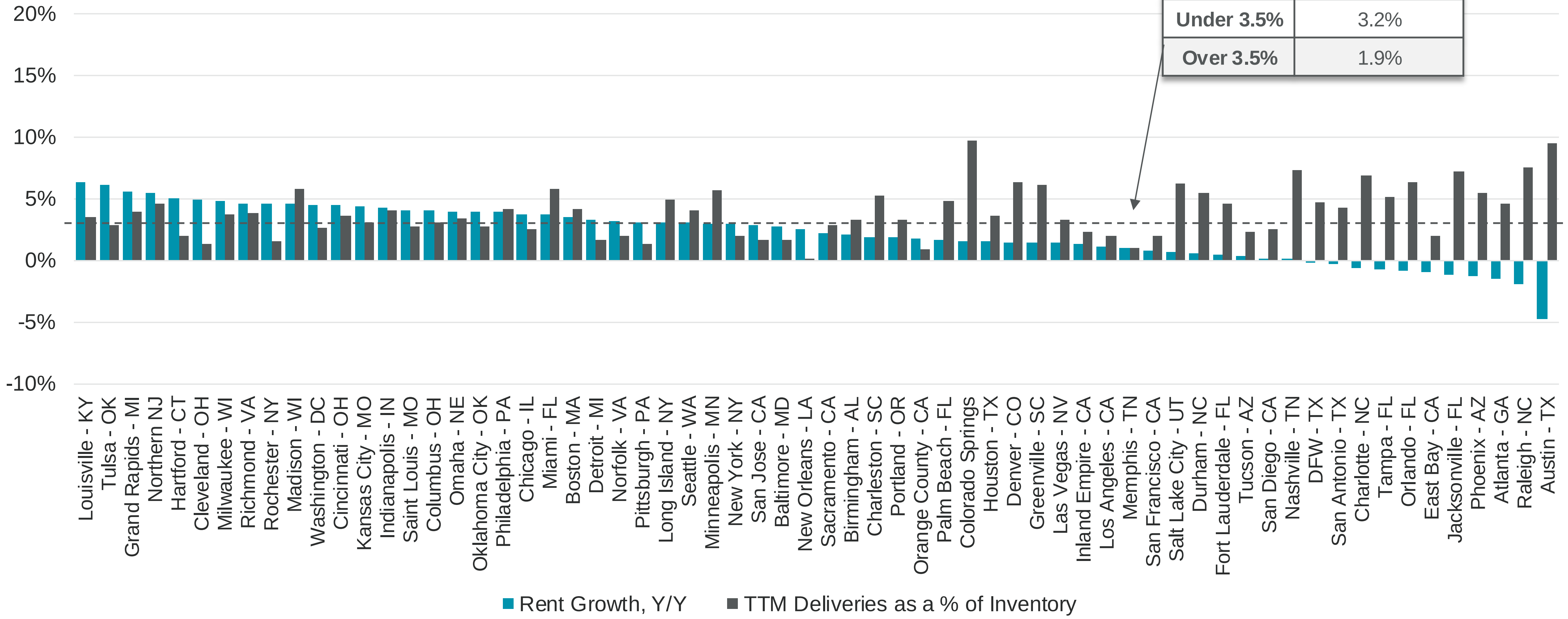
Barriers to construction has resulted in outsized rent growth

Inventory Growth	Average Y/Y Rent Growth
Under 3.5%	3.2%
Over 3.5%	1.9%



Source: CoStar, Cushman & Wakefield Research

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WHERE ARE WE HEADED?

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CAPITAL MARKETS ARE COMING BACK TO LIFE

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MACRO EQUITY THEMES

- Institiutional equity starting to come off sidelines; Highly selective for Multifamily & Industrial development
  - Miami is 50% of the way through the glut of multifamily deliveries, with the pipeline now extending to mid 2026.
  - As confidence in fundamentals strengthens given the unexpected stability of rents & occupancy despite above average supply, expect to see more multifamily developments capitalized in Q4 2024 and 2025.
- Family Offices active, but largely targeting "distressed" opportunities that have not materialized outside of office & some multifamily.
  - Cap Rates / Interest Rates driving large bid-ask spread, especially in South Florida (peak to trough cap rate expansion of >200 bps in many cases).

MACRO DEBT THEMES (Ex AGENCY)

- Credit & Underwriting Criteria loosening from tightest point in the cycle
- Pricing and terms are heavily dependent on project specifics: asset class, quality, sponsorship and loan size
- As lenders return to the market in earnest, expect to see spread tightening combine with abatement in index rates to increase availability of liquidity for refinancing and sales.

BANK

Large bank pull back in CRE loans driven by regulators.

Limited appetite for low leverage A-notes.

Regional banks are strategically taking market share.

DEBT FUND/MREIT

Forced to adjust terms to account for an inefficient A-Note and CLO market to lever their positions.

After months of volatility, pricing is tightening and leverage increasing again for all deal profiles / asset classes other than office.

LIFE COMPANY

Staying disciplined in underwriting. Perception that interest rates have peaked is increasing lender appetite for 7 and 10 year loans; 5 year "bucket" generally full.

Narrow credit strike-zone for preferred profiles (i.e. MF, Ind.), no bid for off-fairway loans.

CMBS

Interest rate outlook has led to increased bond buying and renewed CMBS lender appetite for new origination; Spreads are tightening & lenders stretching to win deals.

Conduit AAA bond spreads are 90-110 over and best SASB 125-170 over.

THE DEBT MARKETS ARE FUNCTIONING PROPERLY

It would be erroneous to say that debt liquidity is "lost“ or that financing availability is the root factor constraining market CRE capital markets momentum:

- Debt is there, it is just selective and expensive relative to where pricing and going-in yields are. The valuation (sell) side needs to continue to adjust to make this work.
- Liquidity for institutional-quality product, preferred sectors and sponsors is there, but of course remains cautious and pricey.
- Outside of the money center banks, there’s a lot of liquidity from private debt fund sources. There is currently ~$42B in dry powder for private credit strategies looking for equity-like returns with debt-like risks.
- We’ve also seen strong appetite from life insurers on the back of their annual allocations, which are increasing.
- On the multifamily side, agencies still have plenty of liquidity and are willing to lend even if they’re focused more on their affordable mandate.

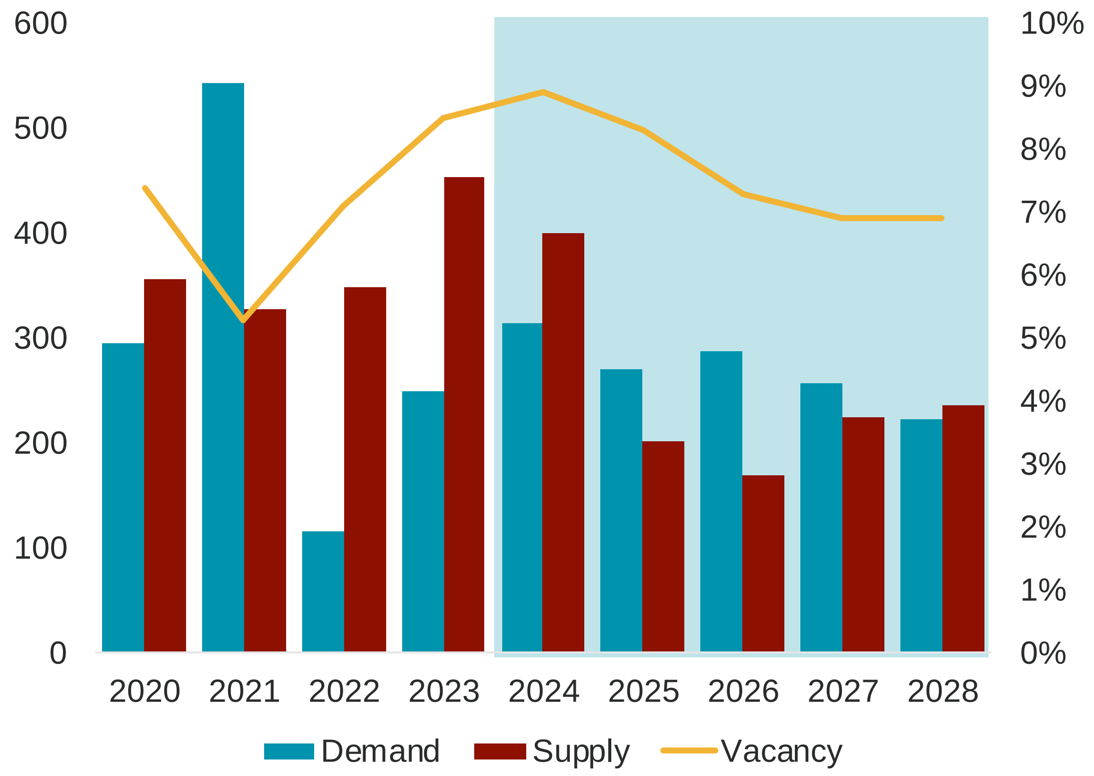
The industry has been dealing with a **cost-of-capital “issue”** or adjustment process, alongside a divide between buyer and seller acknowledgement of the **upward adjustment in longer-term required yields & lower prices.**

- Credit spreads continue to tighten as market volatility has eased and financial conditions have loosened following the Fed’s dovish shift in messaging
- We’ve also seen a noteworthy contraction in CMBS debt spreads, which has helped create some much-needed momentum and greater diversity in debt sources.
- Despite the headwind in structurally higher cost of capital, fundamentals outside of office are surprisingly strong. We’re facing a situation where we have resilient and robust fundamentals alongside debt leverage constrained by interest rates (where there is significant pressure on capital stacks and deal viability).
- Halfway through 2024, we are seeing more lenders loosening up underwriting thresholds and buyers and sellers have been inoculated to the new, higher rate environment
- Strong fundamentals and a sizeable share of owners with fixed rate in-place debt have constrained activity and seller capitulation.

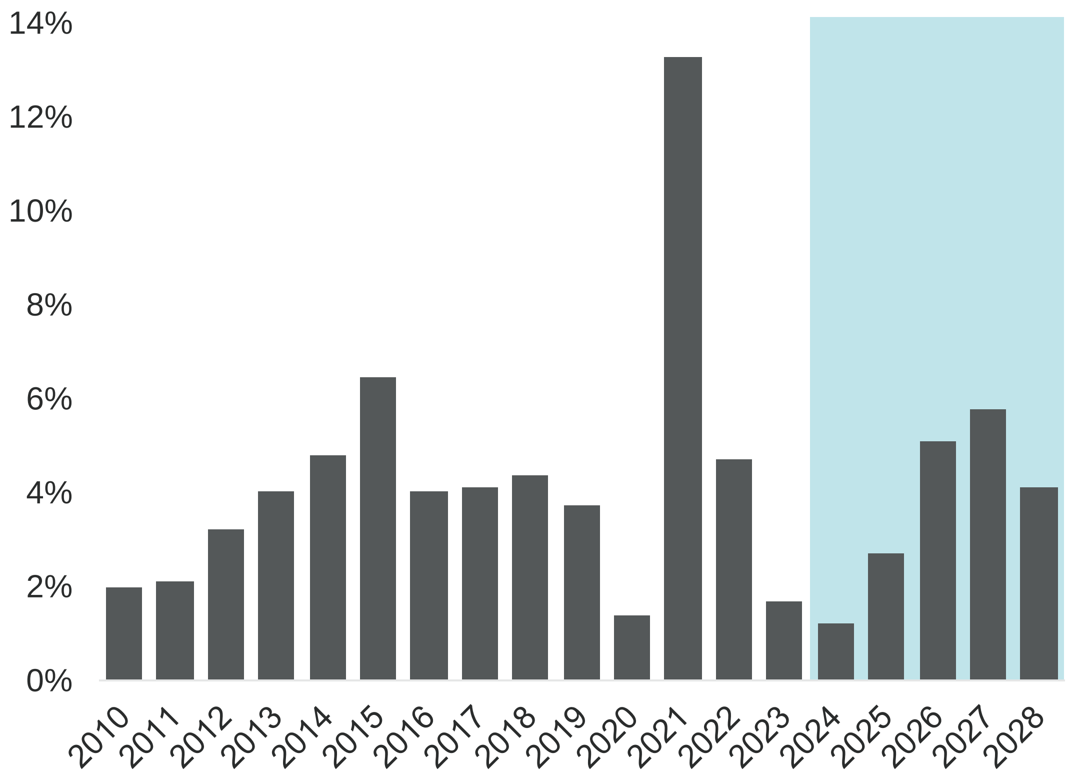
WHERE IS THE MARKET HEADED?

Cushman & Wakefield's Forecast

Fundamentals Continue To Improve



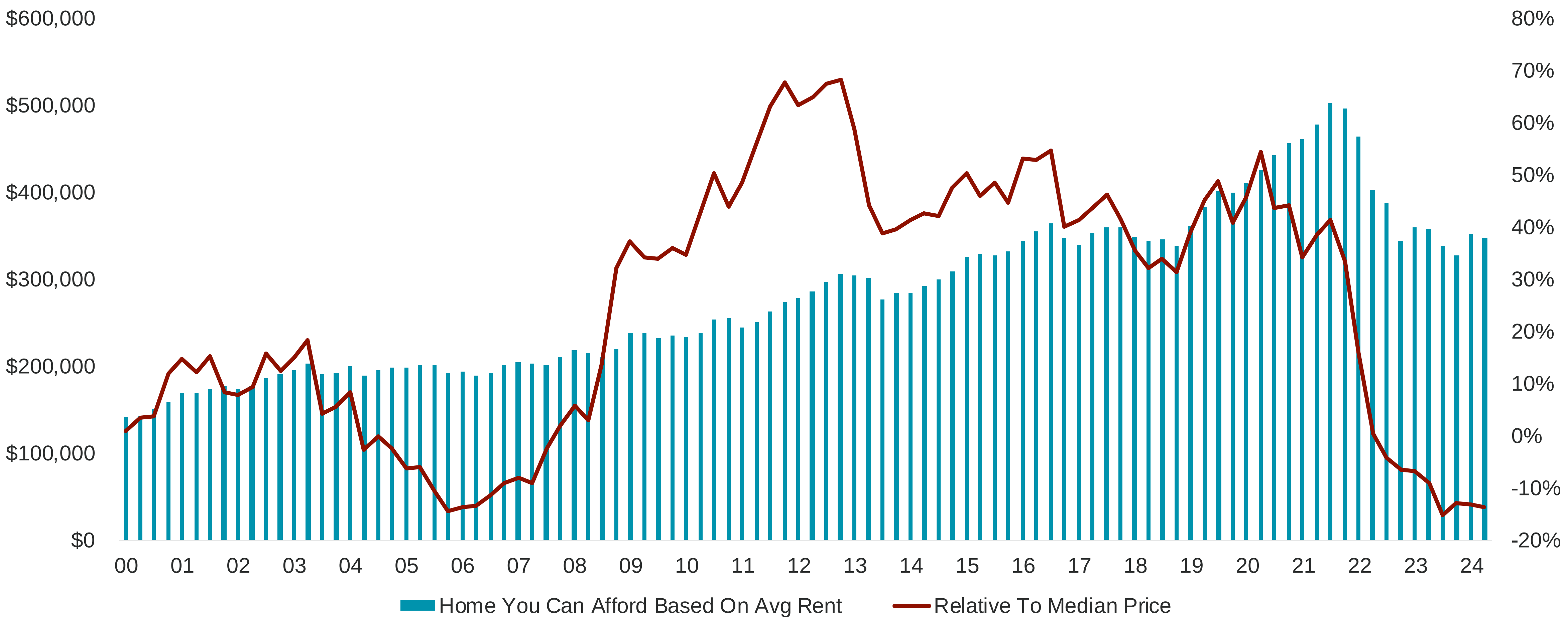
While Rent Growth Rebounds



Source: CoStar, Cushman & Wakefield Research

WHERE IS DEMAND COMING FROM? EVERYWHERE

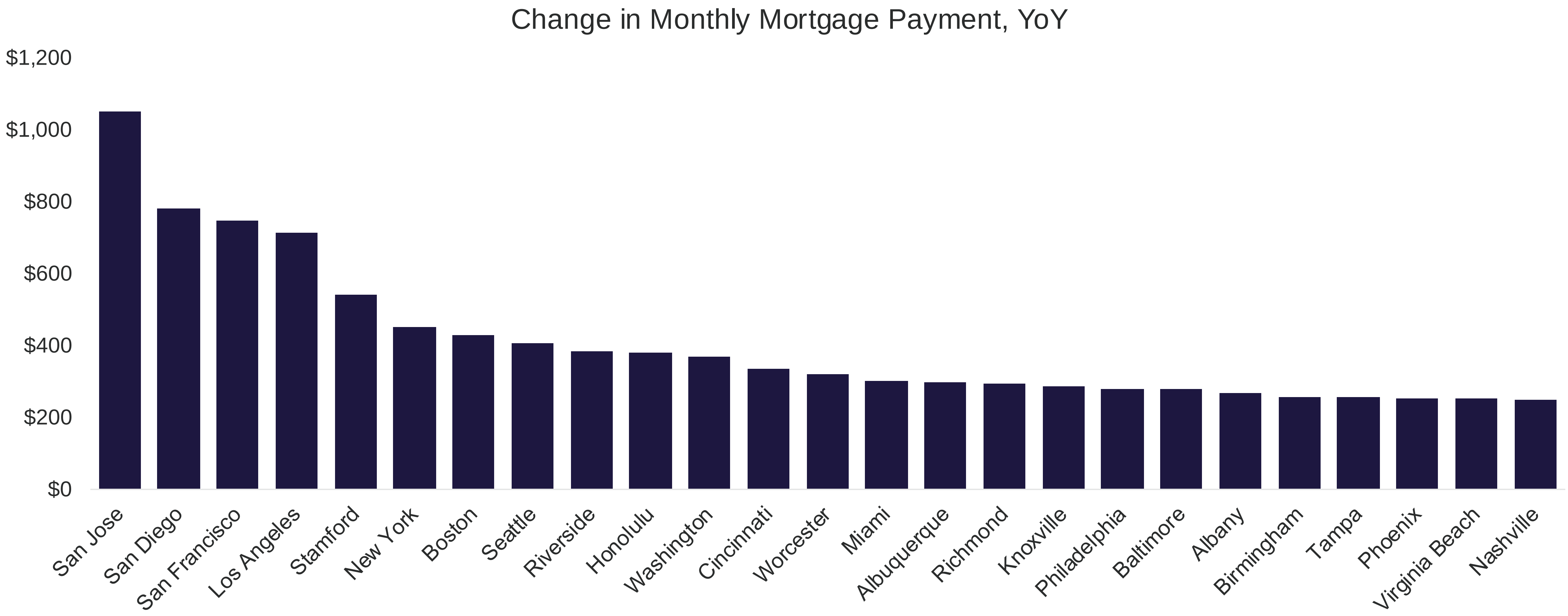
Single-Family Affordability Has Collapsed: Prospective Home Buyers Can Afford 30% Less Home Today vs. Peak



Source: NAR, Freddie Mac, Cushman & Wakefield Research
Note: Assumes 20% down, and excludes taxes/insurance

SINGLE FAMILY MARKETS ARE BROKEN ACROSS THE U.S.

Especially Along The West Coast

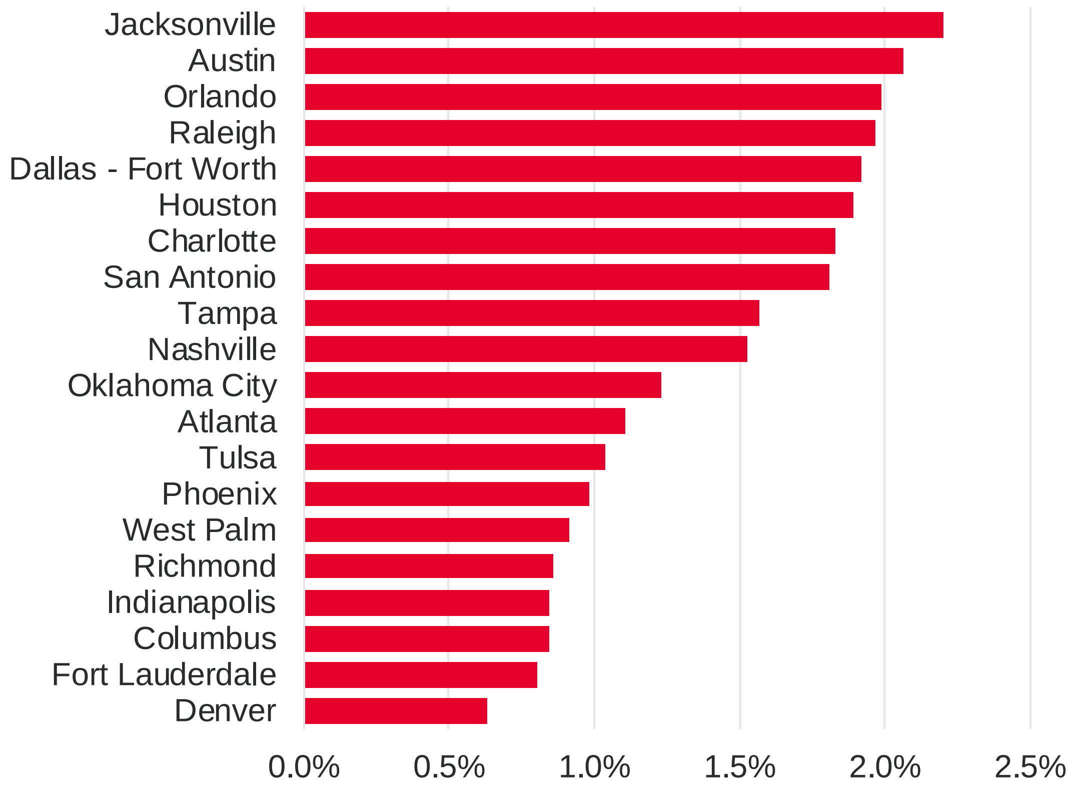


Source: Zillow, CoStar, Cushman & Wakefield Research

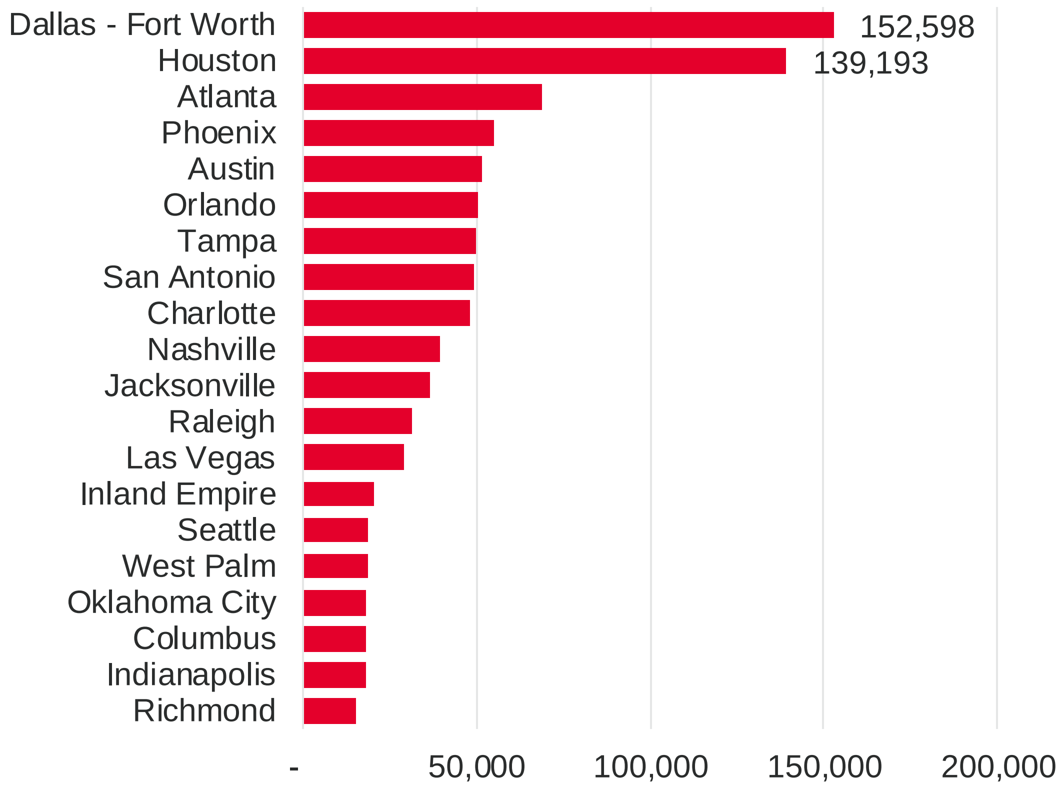
WHICH CONTINUES TO DRIVE OUTSIZED GROWTH IN SUNBELT

Fastest Growing Markets, Population

Percentage Growth, 2022-2023



Nominal Growth, 2022-2023

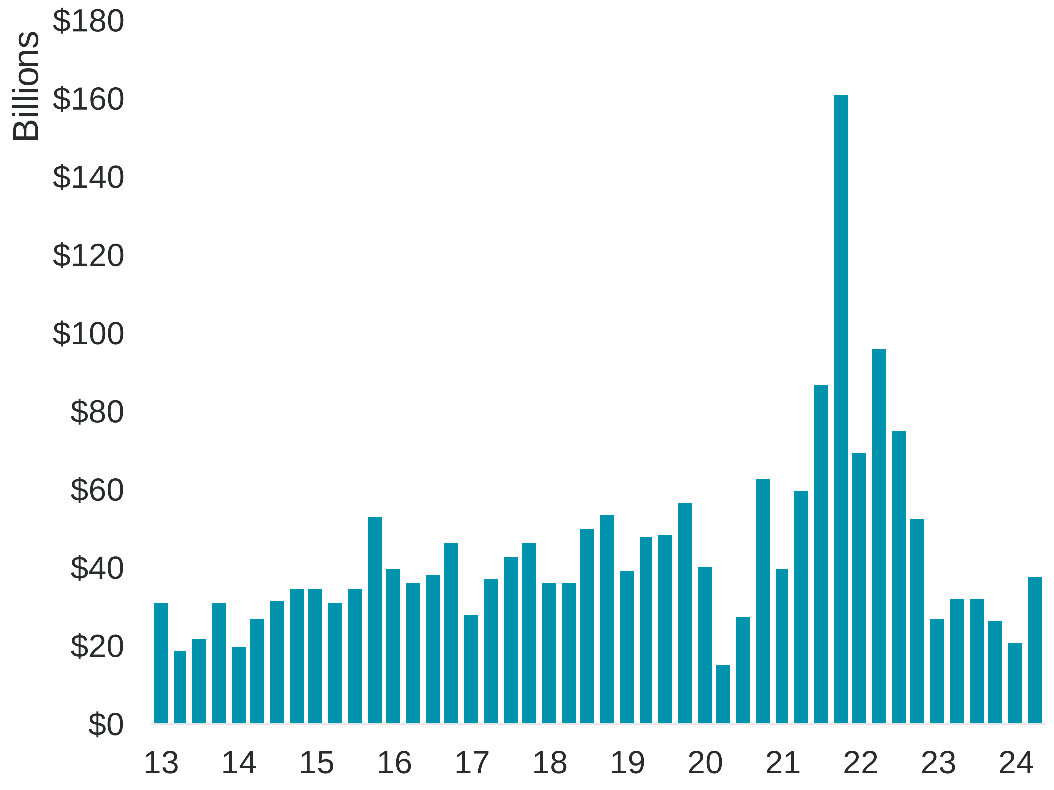


Source: Census Bureau, Cushman & Wakefield Research

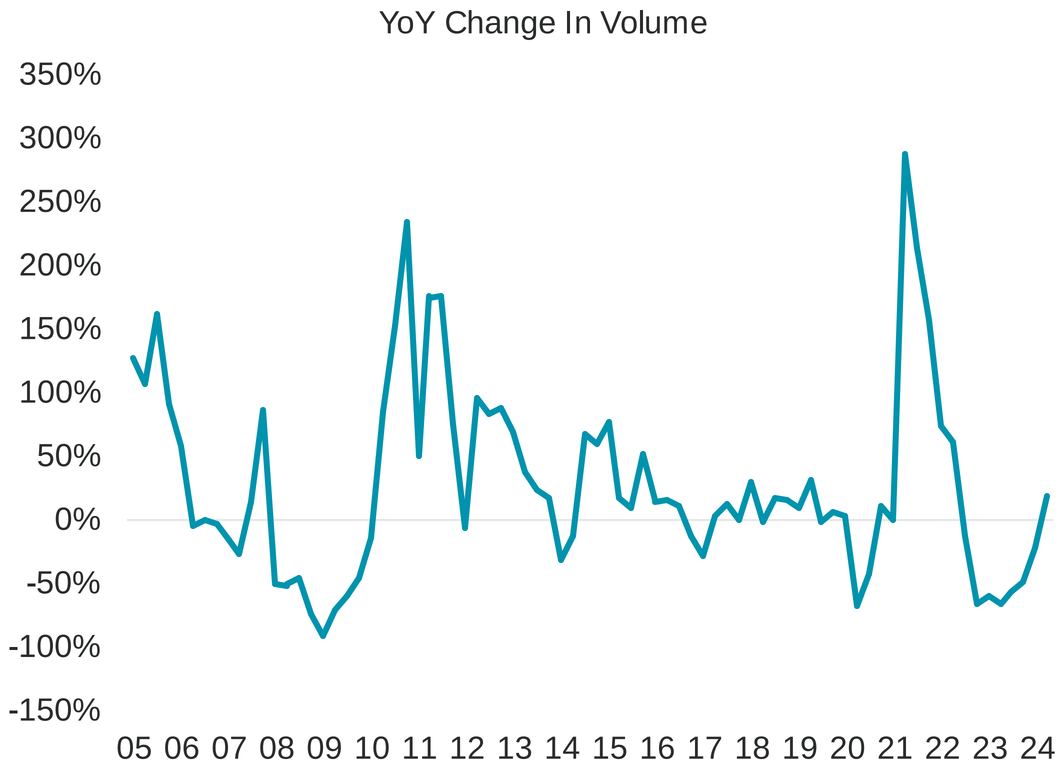
THE TRANSACTION MARKET IS PICKING UP

Q2 volumes point to potential inflection

Multifamily Transaction Volume



Look For The Change In The Second Derivative



Source: RCA, Cushman & Wakefield Research

IT'S ALL ABOUT THE COMPARATIVE SPREADS

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Private Multifamily Yields Are Still Inverted – For Now

Source: RCA, Green Street, FRED, Cushman & Wakefield Research

2H ‘24: Outlook: Acceptance → A Few Inflections

		Key Themes
Economy/Financial Markets	Stabilizing / Acclimating	• Slowing job growth and weakening consumer sentiment highlight risk to keeping policy too restrictive • Witnessing interest rate stabilization and acceptance. • The 10YT has been above 4.0% for most of 2023 and 2024. Anchored near 4.0% most recently. • Buyers/sellers/lenders are growing more conditioned to the higher interest rate environment…focusing less on micro-movements in monetary policy, more so on just recalibrating.
Fundamentals	Cyclically moderating, but structurally and secularly sound	• Robust demand for apartments giving confidence that the worst may be in the rearview mirror • Sharply cooling pipeline in Multifamily set a resilient stage for future income returns. Recoveries will likely look "v-shaped" in '25 and ‘26, all as secular tailwinds support longer-term growth. • Buying below replacement costs today (where possible, particularly amid “distress”) into a slowing development market will draw some investors into the market.
Debt Markets	Improving & Inflecting	• Debt funds and CMBS markets are growing more active as investors adopt a more risk-on sentiment (helping to narrow debt spreads). More active lenders = more optionality for borrowers facing maturity etc. • Banks are also starting to reengage a bit (from a lending standards perspective), all of which collectively offers more optionality, broadening debt availability and terms for borrowers.
Public Market Valuation & Issuance Conditions	Recovering	• Public REIT pricing has rebounded off its trough (even for OFC). Composite series still signal required private adjustment to pricing and cap rates. • Public Discounts to NAV have improved (though still negative); such parity bodes well for eventual REIT growth and acquisition activity.
Private Market Fundraising & Liquidity Conditions	Down, but Improving	• Institutional allocations to CRE in diversified cross-asset class portfolios are holding steady. The denominator effect is flattening out as equity markets have improved and as values have declined. • Closed-End: Fundraising remains weak relative to prior peak years. Dry powder is still historically high (though down slightly from peak). • Open-End fund liquidity remains stressed. Cash flows remain negative but appear to have inflected off bottom. Redemption queues are still elevated → prompts to sell-side necessity conditions. We are a few quarters away from when exit queues typically (and quickly) inflect back to net positive entrance queues.

MULTIFAMILY UPDATE

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About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in nearly 400 offices and 60 countries. In 2023, the firm reported revenue of $9.5 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), sustainability and more. For additional information, visit www.cushmanwakefield.com.

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