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CAUTIOUSLY OPTIMISTIC ABOUT STATE OF THE MULTIFAMILY MARKET

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The 2025 SE Multifamily Form offered valuable insights into the current state of the multifamily market and explored market expectations, top challenges and concerns. Policymakers, economists and industry leaders shared a generally positive outlook, and expressed optimism for 2025 with expectations of increased deal volume. Despite continued economic uncertainty, the trending thought is that 2025 will be a year of opportunity driven by improving market fundamentals.

Although transactions remain slow due to uncertainty over interest rates, optimism has reached a 5 year high, and expectations are that activity will accelerate later in 2025 as seller's pricing adjustments take place. Multifamily investment sales brokers have experienced an increase in requests for broker opinions of value since the beginning of the year, signaling that multifamily investors are preparing to engage in transactions later this year.

In recent years, one of the primary challenges for the multifamily market has been the surge in new supply of apartment communities, which has now reached its peak and has begun to decline. As a result, competition in highly supplied areas has started to ease, creating a more stable market. Apartment demand remains consistent, with many believing that rents have reached their lowest point. The main sentiment is that rents will begin to rise this year, even in markets that were previously burdened by significant supply pressures. With fewer new developments expected due to developers dealing with high financing costs and lack of investor equity, the overall outlook for multifamily fundamentals continues to be more favorable.

New construction lease-up properties and value-add acquisitions stand out as two of the most compelling acquisition strategies in today's market. New construction lease-up properties present opportunity to acquire high quality assets below replacement cost, benefiting from strong leasing velocity and the ability to burn off upfront concessions.

At the same time, value-add acquisitions remain a proven approach, particularly for properties in desirable, high-demand suburban areas. By implementing capital expenditure plans and improving operational efficiencies, these assets realize meaningful rent growth potential and long-term value while remaining competitive to new construction assets. As expenses continue to rise, the importance of asset management has never been greater. Owners are increasingly relying on AI-driven leasing platforms, centralized management systems, and cost-saving technologies to increase profitability.

The industry remains mindful and concerns remain over high inflation, high interest rates, rising costs, the cost and availability of property insurance, and geopolitical risks particularly with regard to trade disruptions and access to resources, all factors that could drive up the cost of acquiring and operating real estate assets.

Looking ahead, 2025 is expected to offer opportunities in multifamily along with industrial and data center properties topping the list for investment strategies. However, patience and disciplined execution are essential, with a focus on adaptability and resilience to external factors.

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