

LIFE IS WHAT **WE** MAKE IT

# MULTIFAMILY MARKET TRENDS

MICHAEL TIDWELL

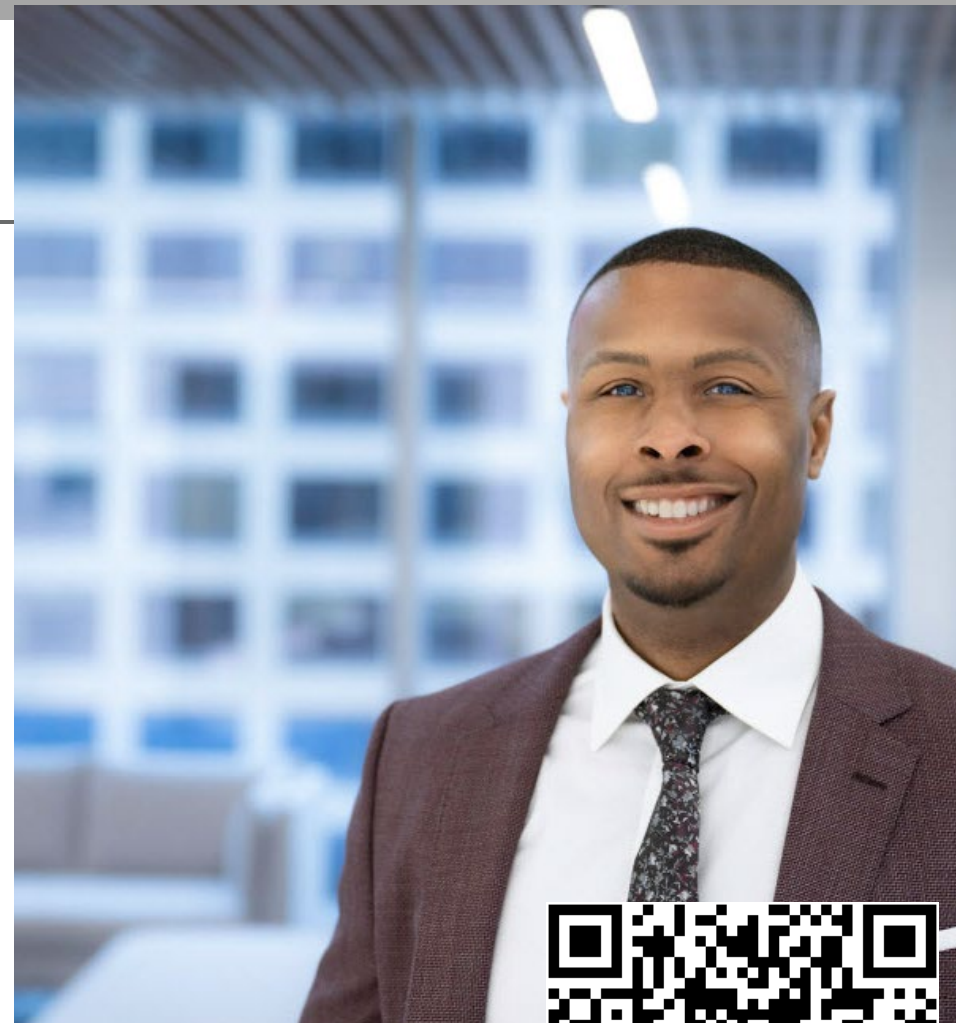


## Speaker Bio

### ***Mr. Tidwell specializes in Multifamily Investment Sales in Greater Los Angeles.***

He is a trusted advisor who offers an advanced valuation skillset, high emotional intelligence, and familiarity with the local, regional, and national apartment market trends. As a native of Los Angeles, he uniquely provides investors with deep-rooted market knowledge that considers market activity, participants, and historical changes in the Greater Los Angeles area. Tidwell has a proven record for delivering results and fostering trust amongst clients.

With a robust national platform of coverage and apartment inventory, Tidwell uniquely provides investors with an extensive suite of advisory services for multifamily assets such as agency for property acquisition and disposition, property management, debt, DST and 1031 exchanges, ESG, valuation/appraisal, and financial reporting.



**MICHAEL TIDWELL II, SRA**  
CA Lic #02178198  
+1 213 955 5122  
[Michael.Tidwell@cushwake.com](mailto:Michael.Tidwell@cushwake.com)





# KEY TAKEAWAYS

## ECONOMY:



- **Inflation & Fed Policy:** Inflation remains stubborn, but the Fed's "soft landing" approach is stabilizing financial markets. Risks of mild recession persist into late 2024.
- **Labor Market Resilience:** Despite slowing job growth, the labor market remains tight, supporting economic stability.

## MULTIFAMILY:



- **Demand Fundamentals:** Multifamily demand has surprised on the upside, driven by housing affordability challenges and favorable demographics. Vacancy rates are declining despite new supply pressures.
- **Construction & Supply:** The peak construction wave is behind us, and starts have fallen to 2012 levels. This may rebalance supply-demand dynamics if demand holds steady.

## CAPITAL MARKETS:



- **Transaction Activity:** Multifamily remains the favored asset class. Transaction volume is stabilizing, with a likely rebound as lending standards ease.
- **Debt Pressure:** High-interest rates and a significant share of short-term floating-rate loans are creating refinancing challenges, paving the way for rescue capital opportunities..

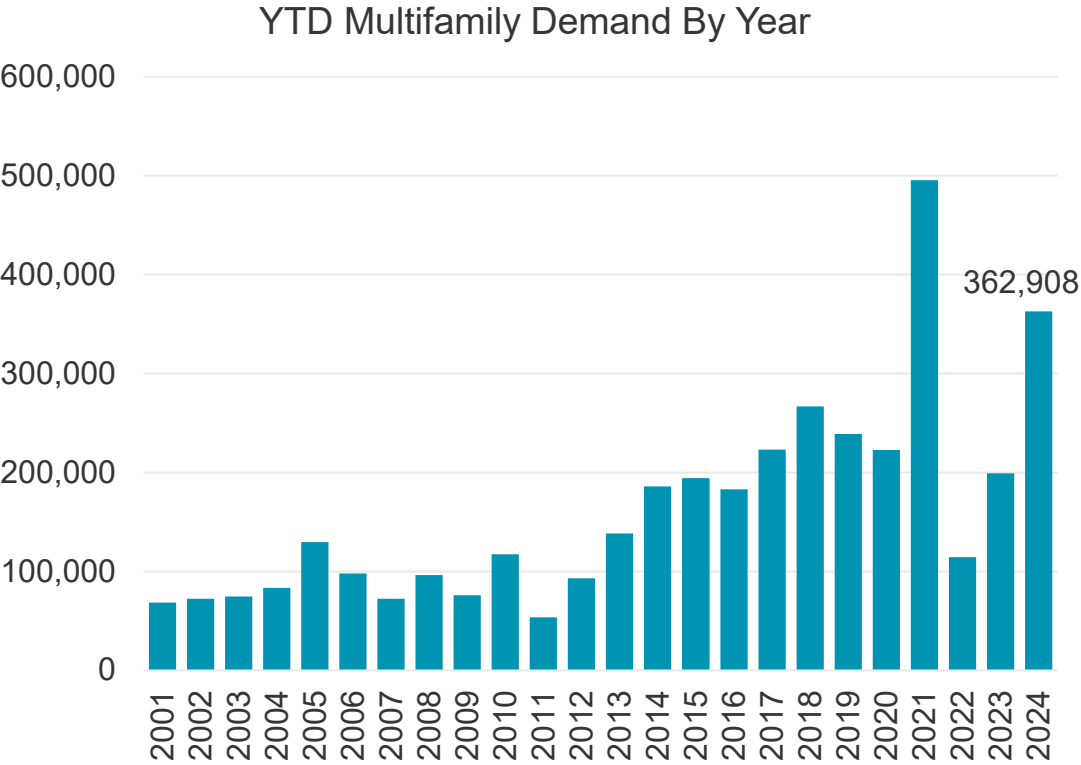


# STRONG DEMAND KEEPING VACANCIES AT BAY

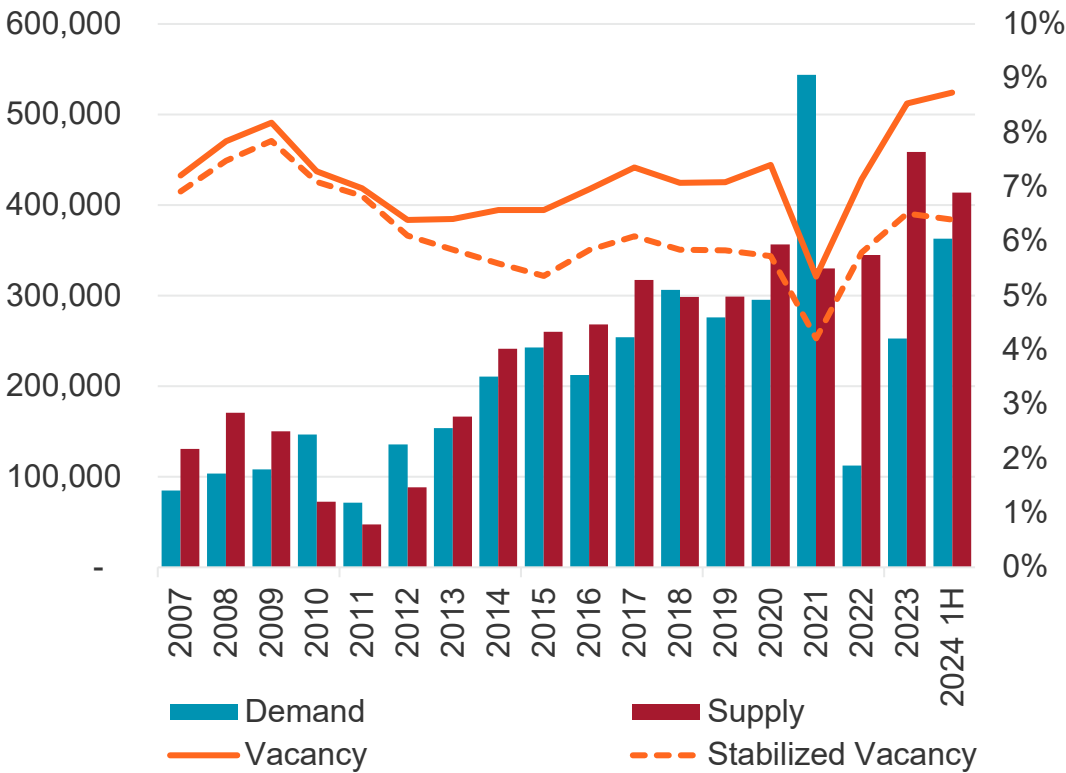


Fundamentals are bottoming

## Demand For Apartments Proving Robust



## But Construction Levels Continue To Outpace

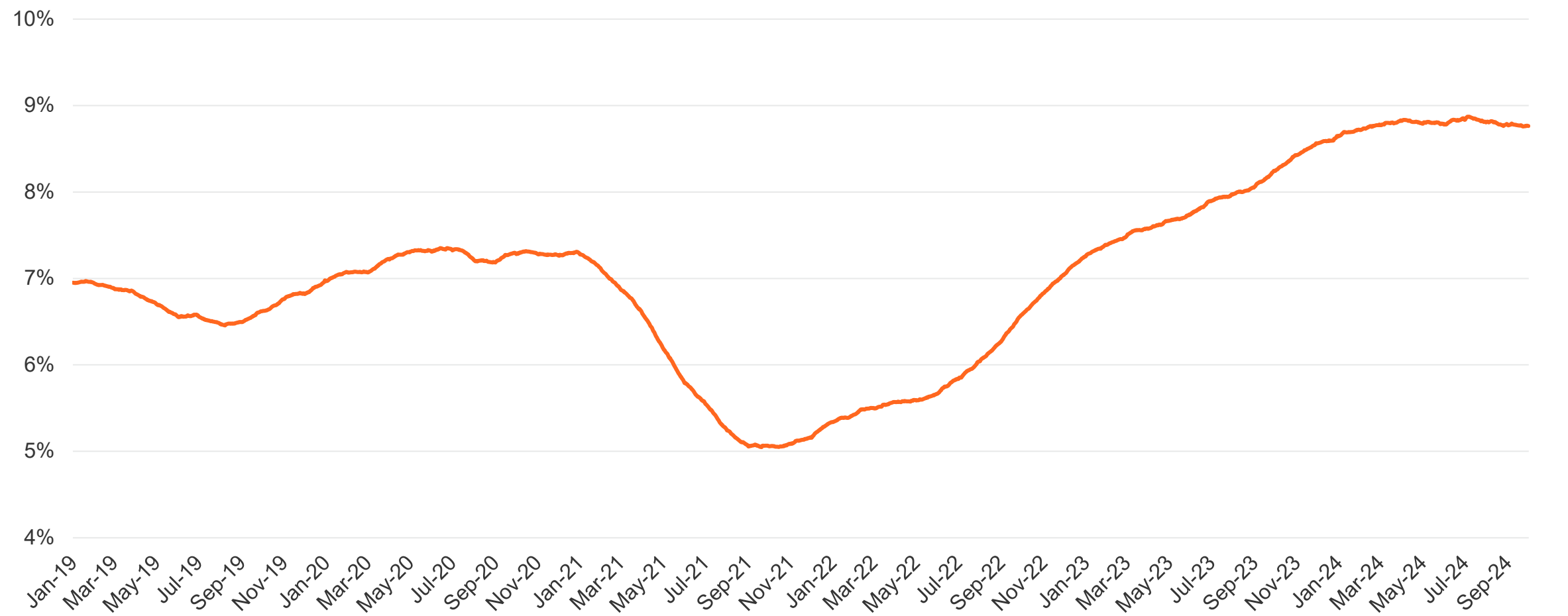


Source: CoStar, Cushman & Wakefield Research

# HAVE WE REACHED THE PEAK?



Robust demand has been surprising to the upside, causing vacancies to decline



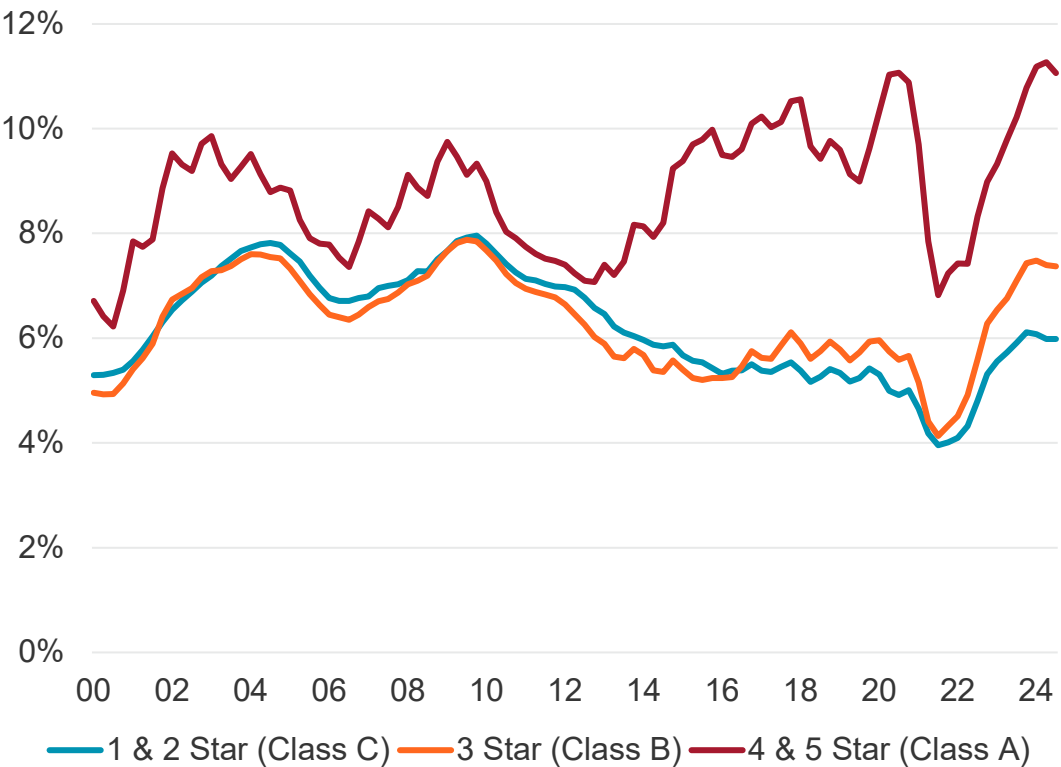
Source: CoStar, Cushman & Wakefield Research

# TOP TIER PRODUCT REBOUNDED QUICKEST

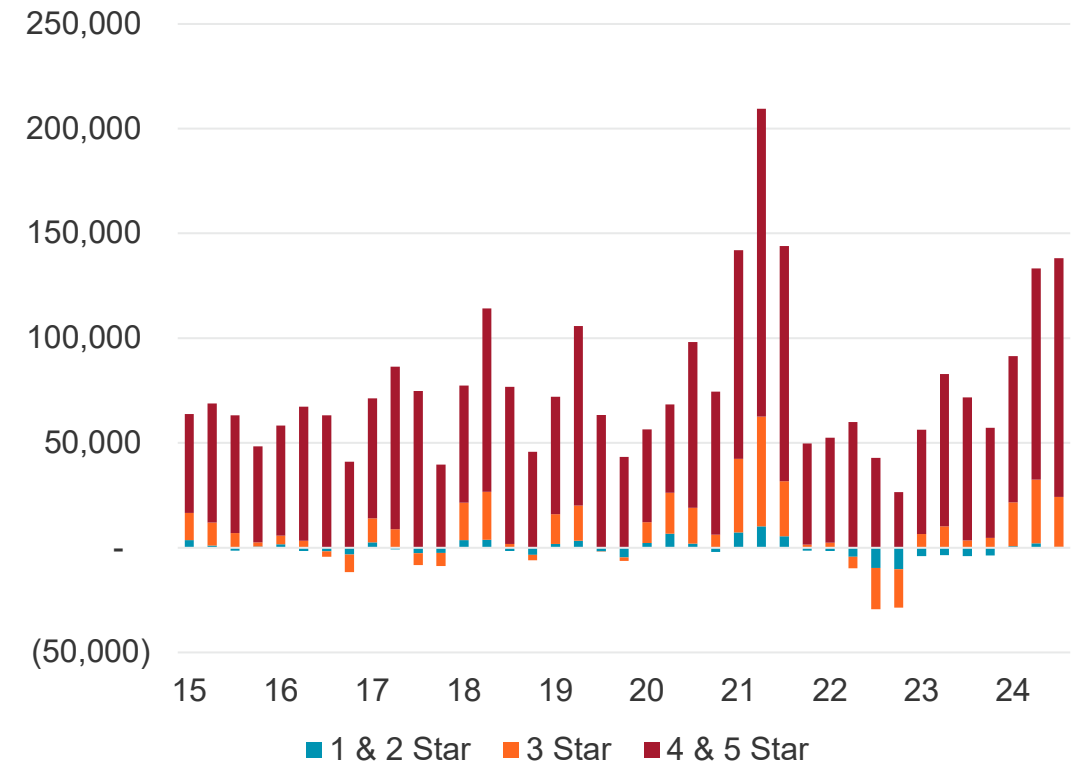
Driven by strong demand for high-end product



Vacancy rate by star rating



Multifamily demand by star rating



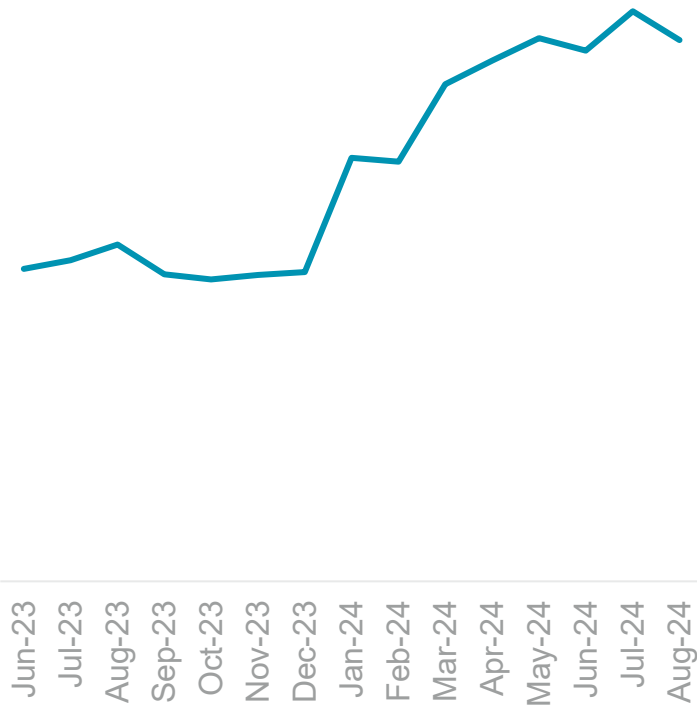
Source: CoStar, Cushman & Wakefield Research

# RENTERS HAVE BEEN BEATING DOWN THE FRONT DOOR

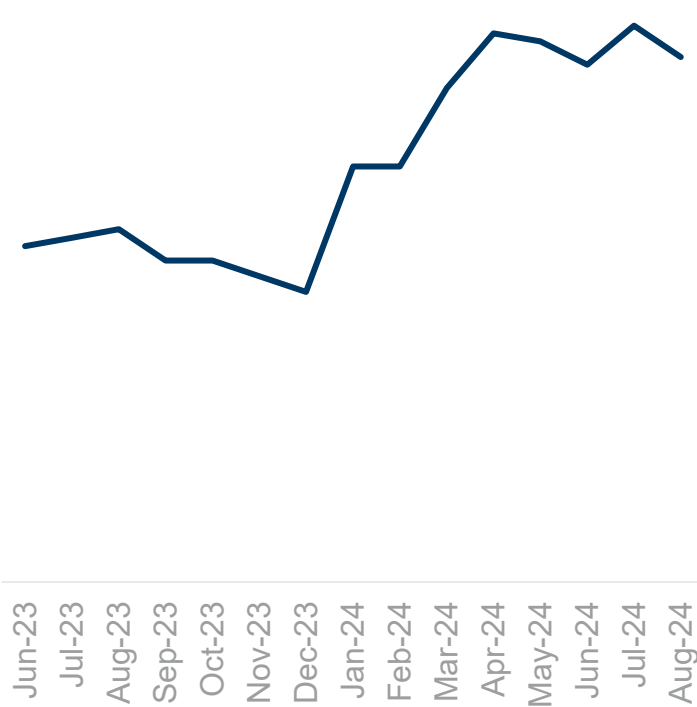


Leading indicators for multifamily demand

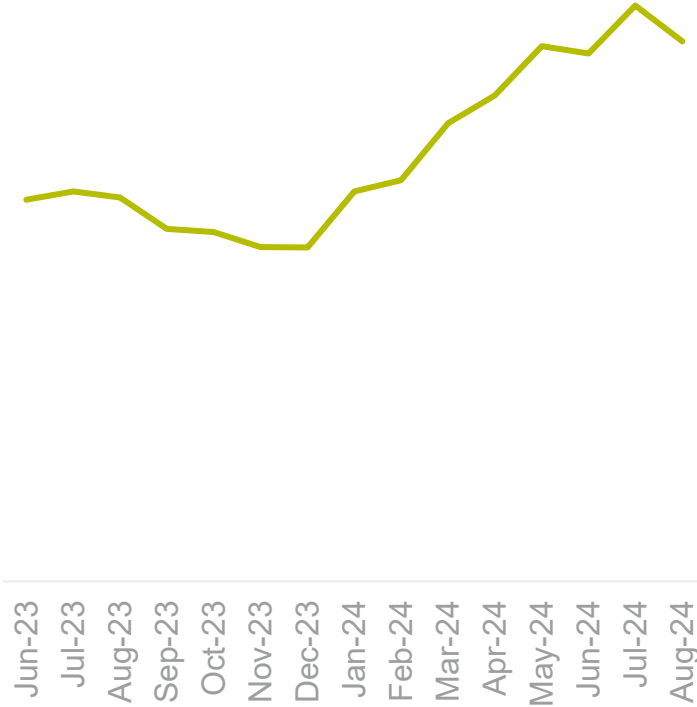
Contacts



Visits



Applications

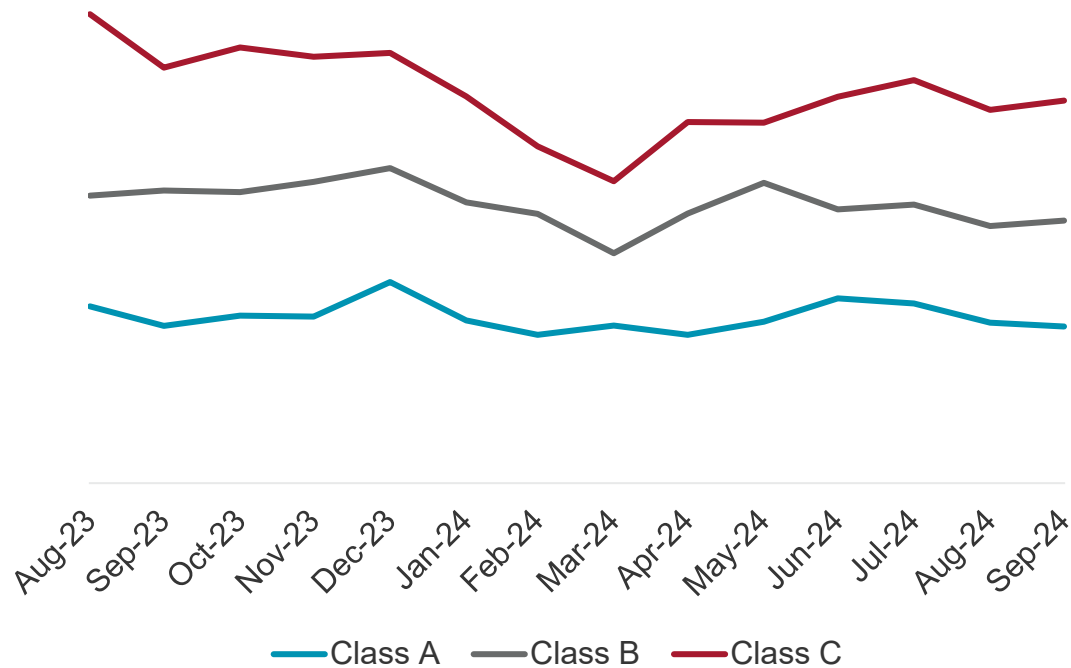


# NO SIGNS OF WEAKNESS AMONG RENTERS



Delinquency and exit interviews paint a healthy story

Delinquency By Class



Cost Reasons as Share of Total Move Outs



Source: Cushman & Wakefield Asset Services

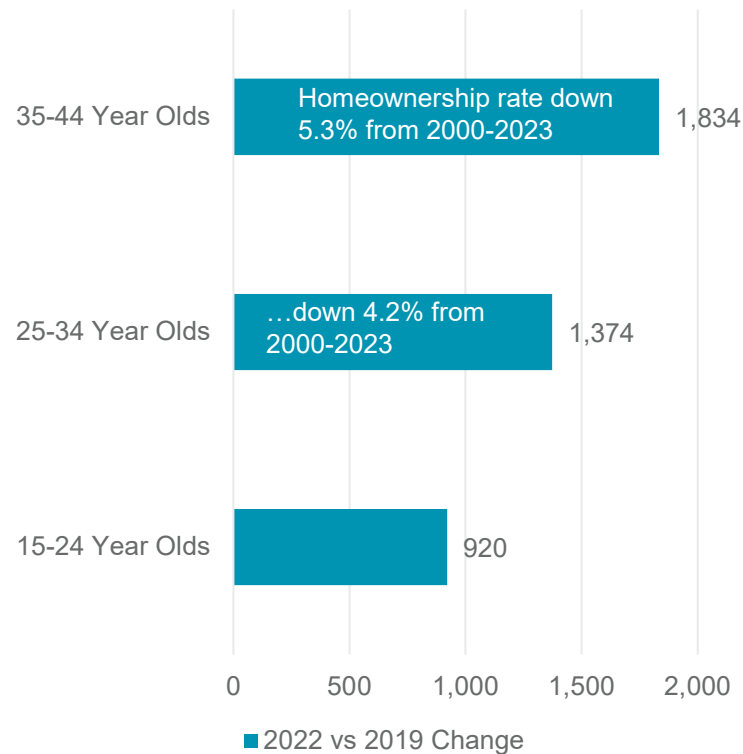


# WHERE'S THE DEMAND COMING FROM? EVERYWHERE

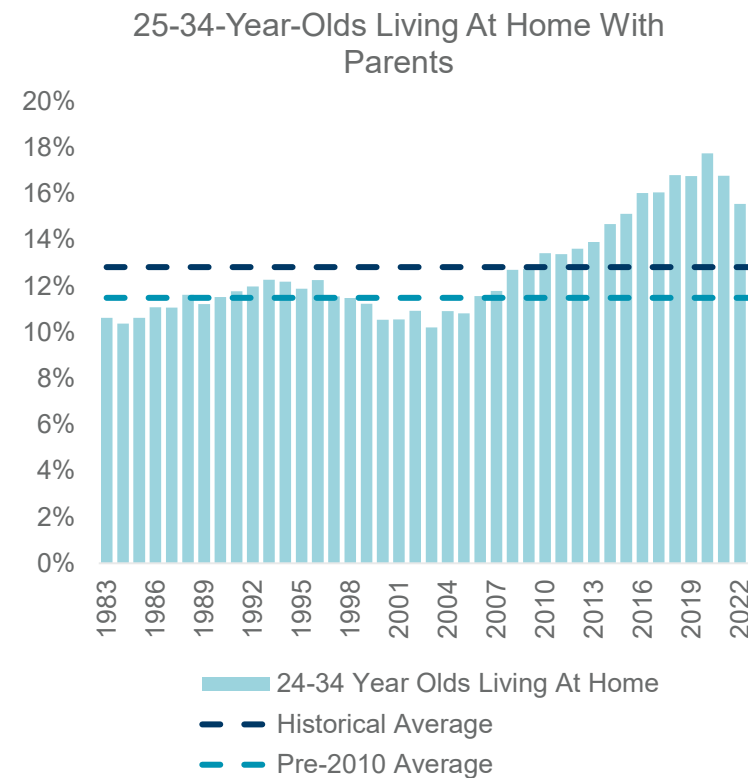


Demand is remaining very resilient, thanks to a few factors

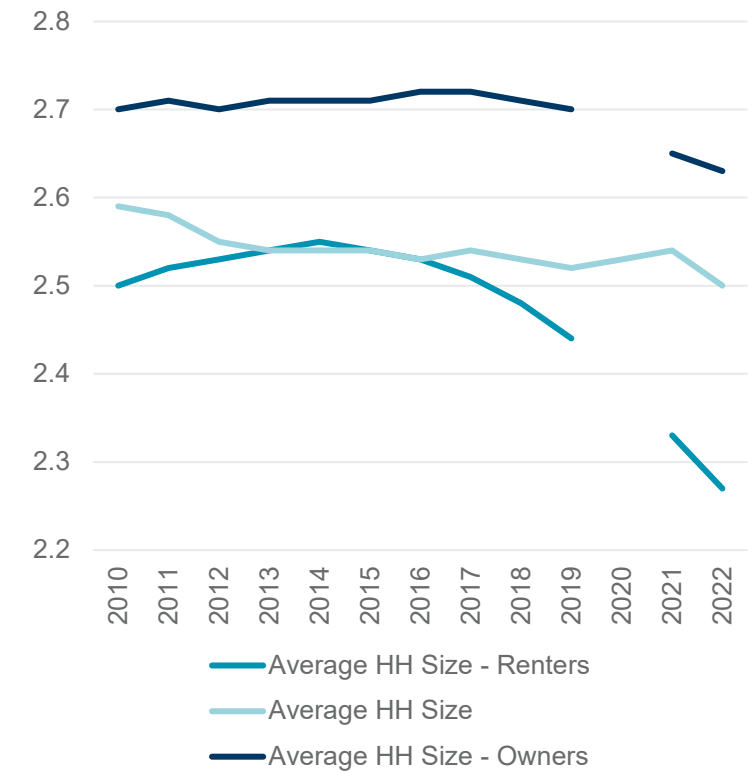
## Household Formations by Age (Ths.)



## Young People Living With Parents



## Average Household Size

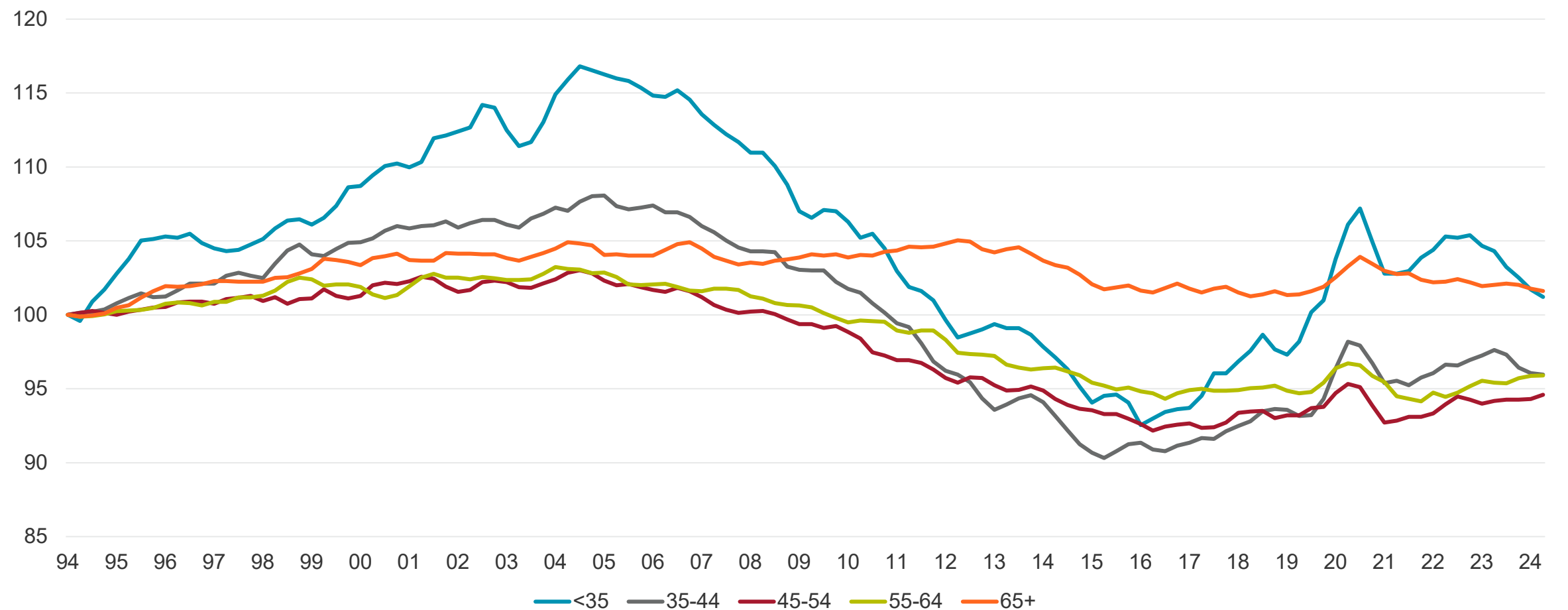


Source: U.S. Census Bureau, Moody's Analytics

# BIGGEST DECLINES IN HOMEOWNERSHIP AMONG MILLENNIALS



Homeownership By Age, 3 Quarter Center Moving Average, 1994Q1=100

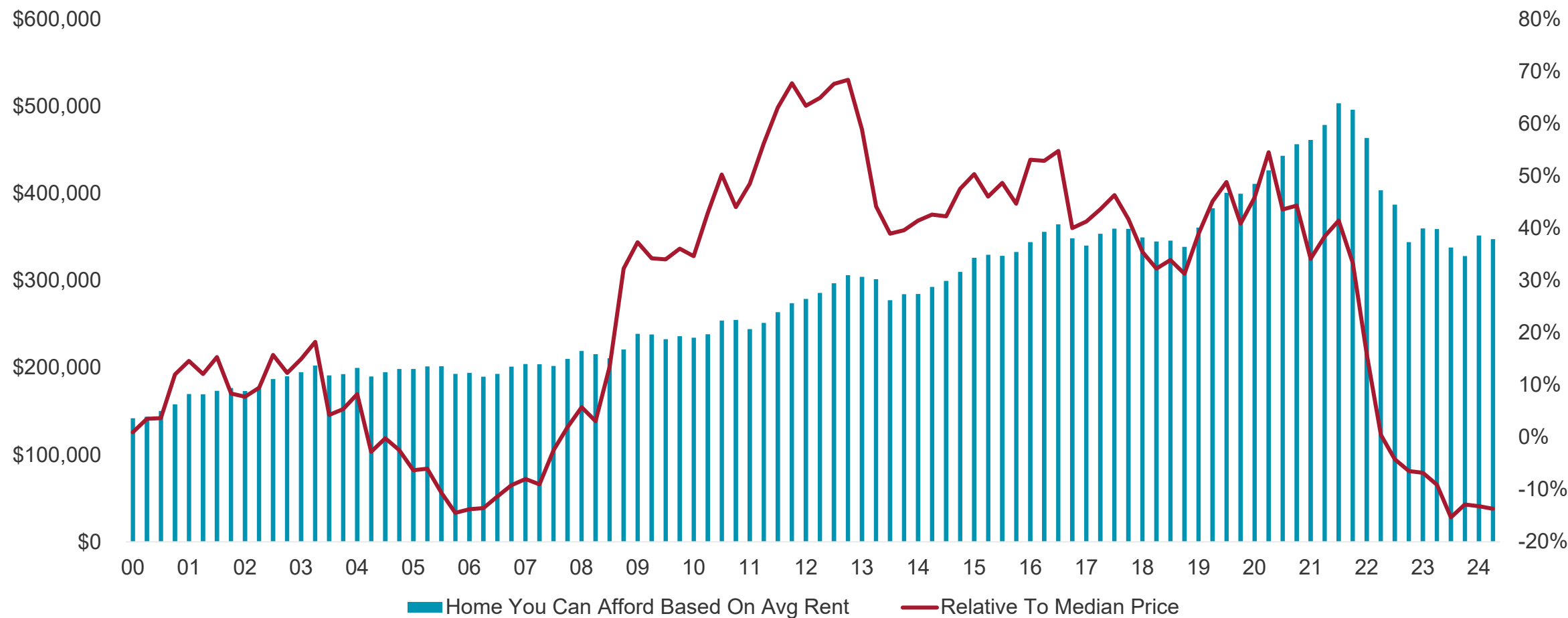


Source: U.S. Census Bureau, Cushman & Wakefield Research

# SINGLE-FAMILY AFFORDABILITY HAS COLLAPSED



Prospective Home Buyers Can Afford 30% Less Home Today Compared To The Peak

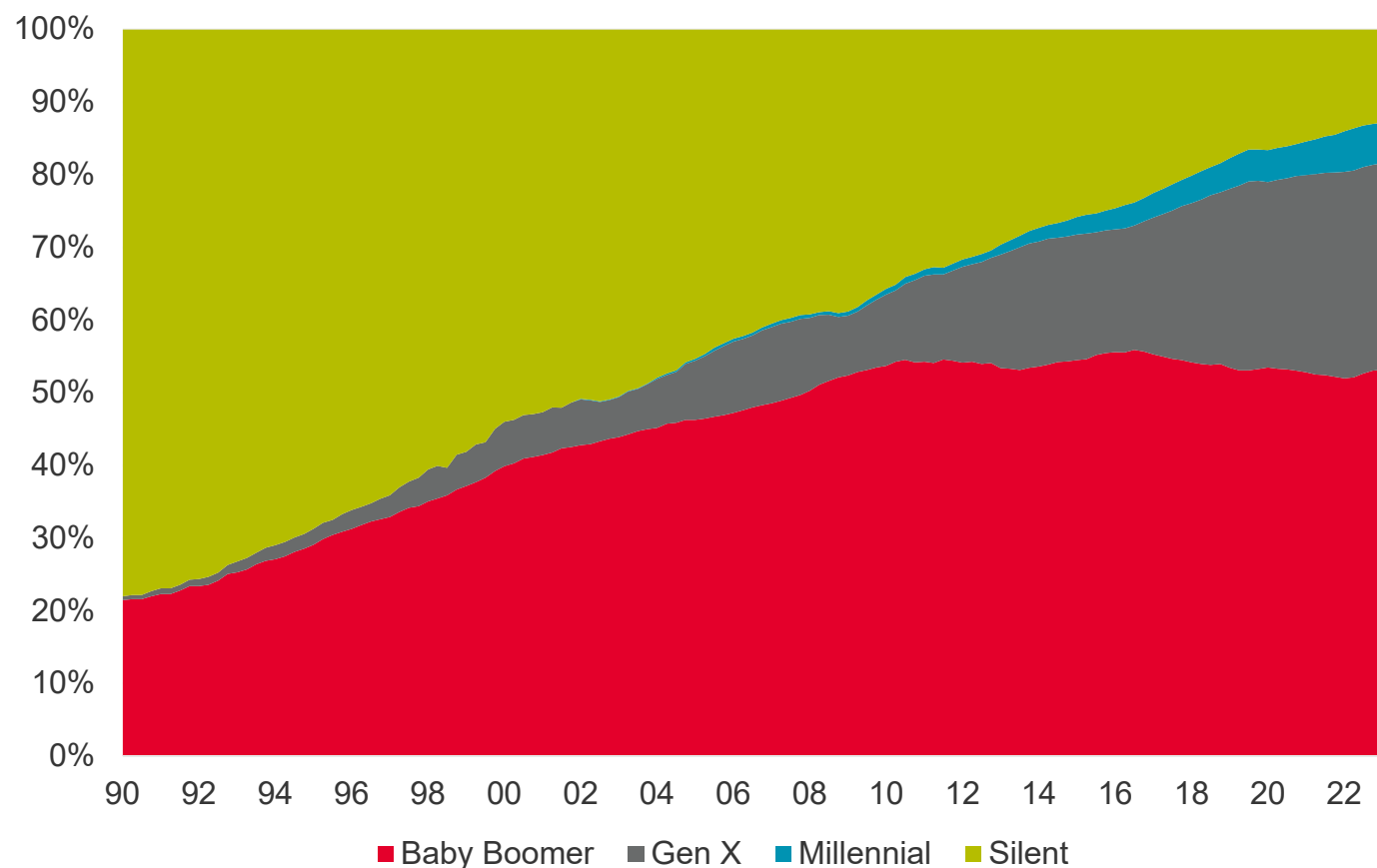


Source: NAR, Freddie Mac, Cushman & Wakefield Research

Note: Assumes 20% down, and excludes taxes/insurance

# EVEN IF YOU CAN AFFORD THE MONTHLY PAYMENT...

## Millennials Have Only 6% of the Nation's Net Worth



Source: Federal Reserve, Cushman & Wakefield Research

- On top of having difficulty affording the monthly payment based on rising prices and interest rates, most Millennials continue to have challenges accumulating enough capital to afford a down payment.
- In 2023, the oldest Millennial is the same age as the oldest Baby Boomer was in 1990. In 1990, Baby Boomers had 20% of the nation's net worth - today, Millennials have just 6%.

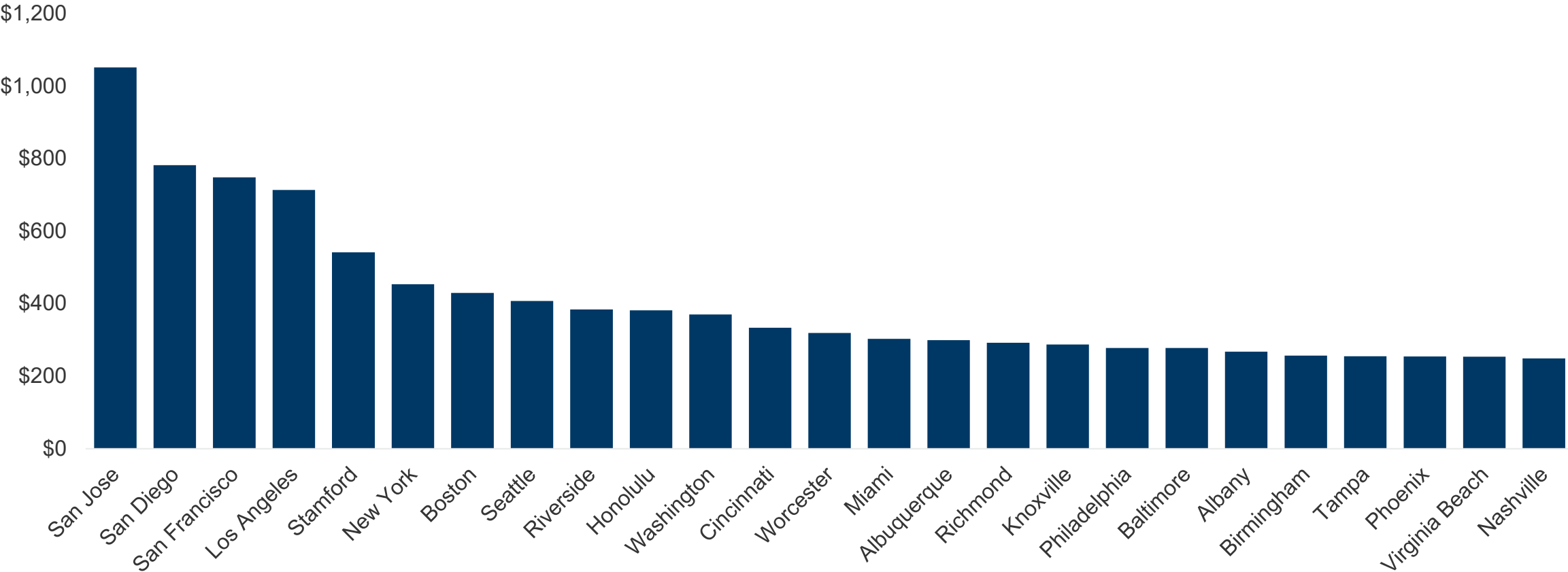


# SINGLE FAMILY MARKETS ARE BROKEN ACROSS THE U.S.



Especially Along The West Coast

Change in Monthly Mortgage Payment, YoY



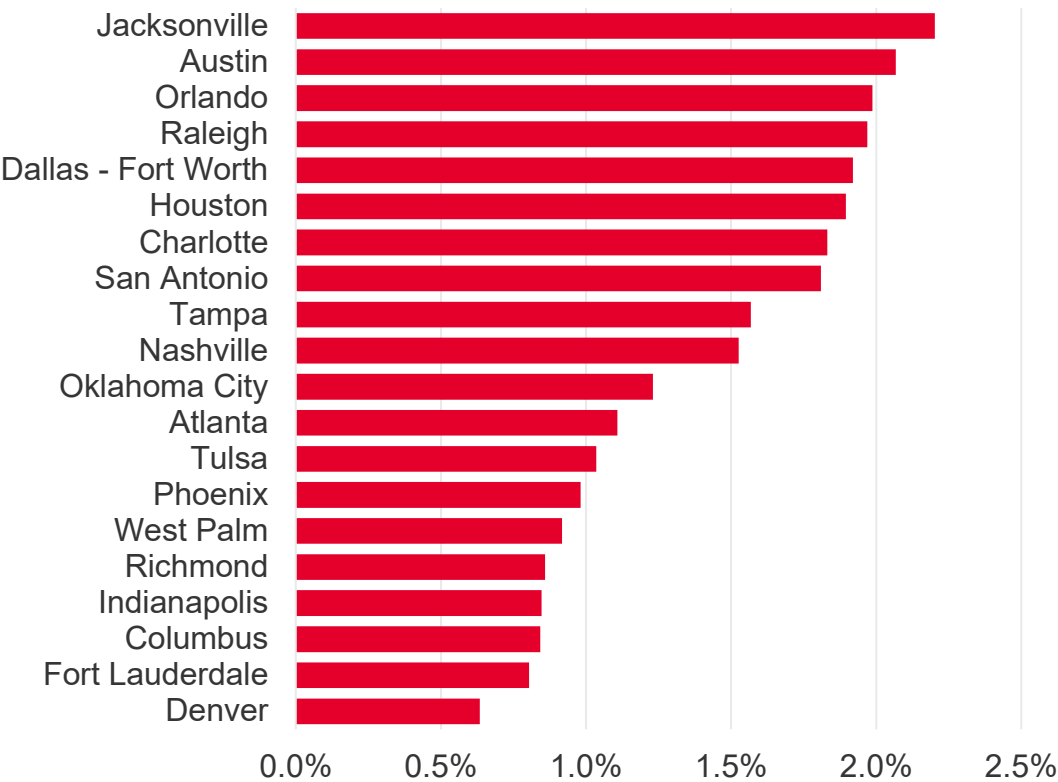
Source: Zillow, CoStar, Cushman & Wakefield Research

# WHICH CONTINUE TO DRIVE OUTSIZED GROWTH IN SUNBELT

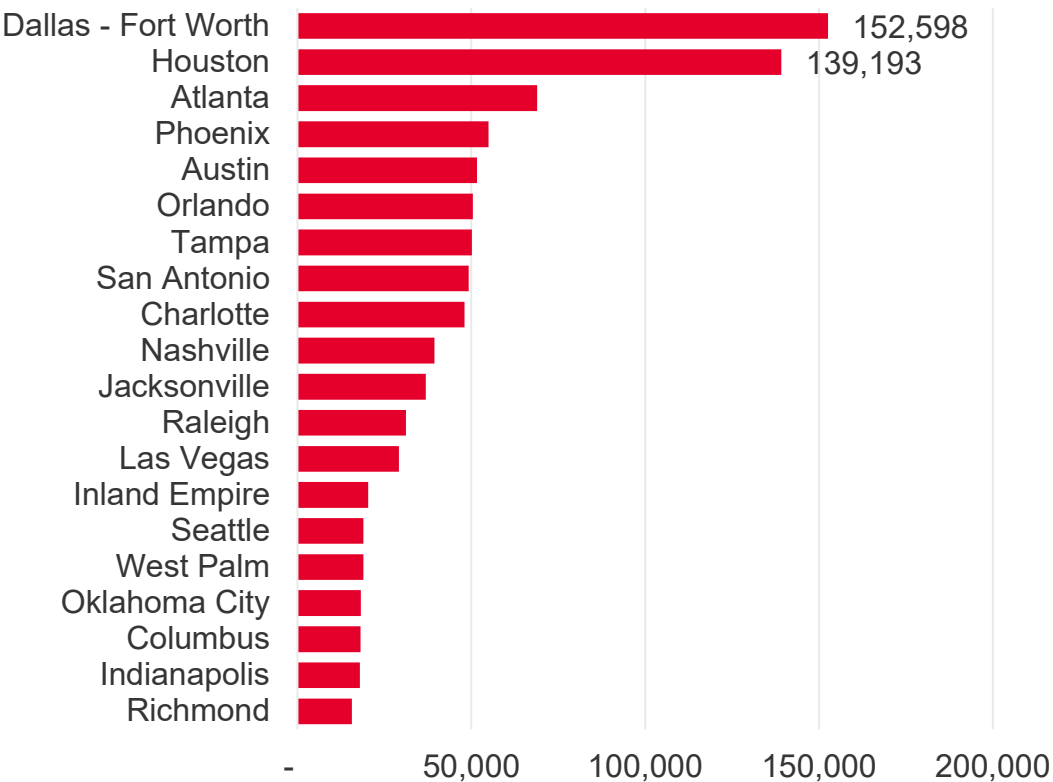


## Fastest Growing Markets, Population

Percentage Growth, 2022-2023



Nominal Growth, 2022-2023



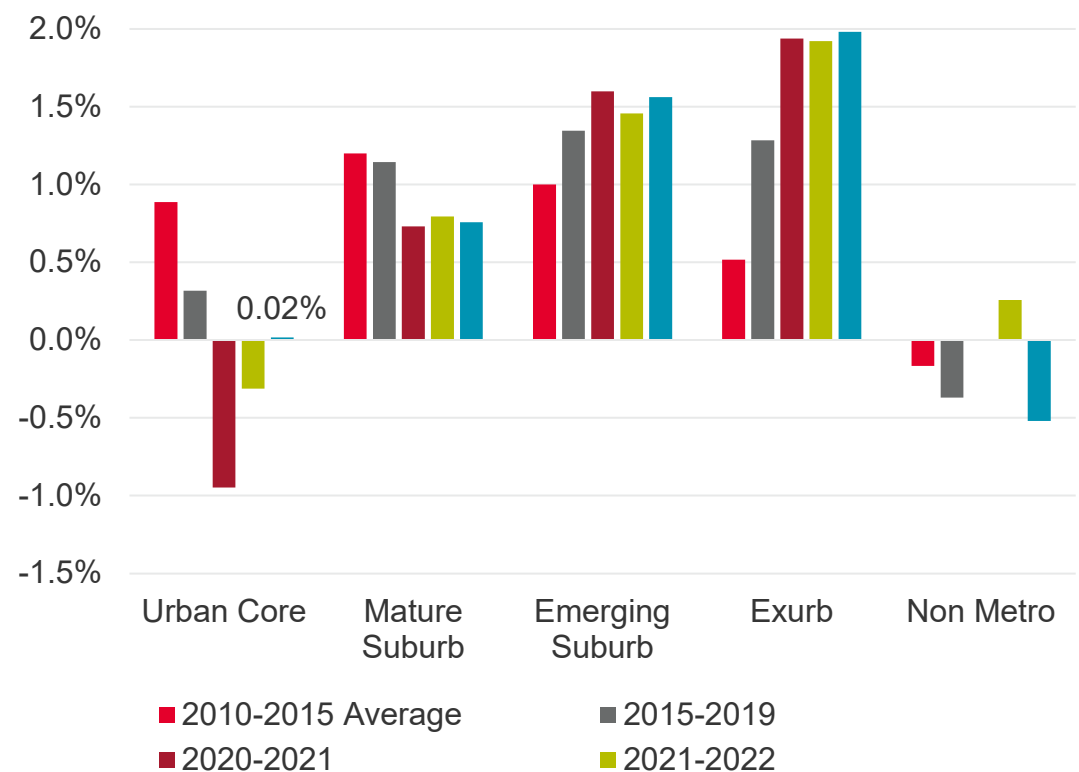
Source: Census Bureau, Cushman & Wakefield Research

# BUT THERE ARE NEW STORYLINES TOO!

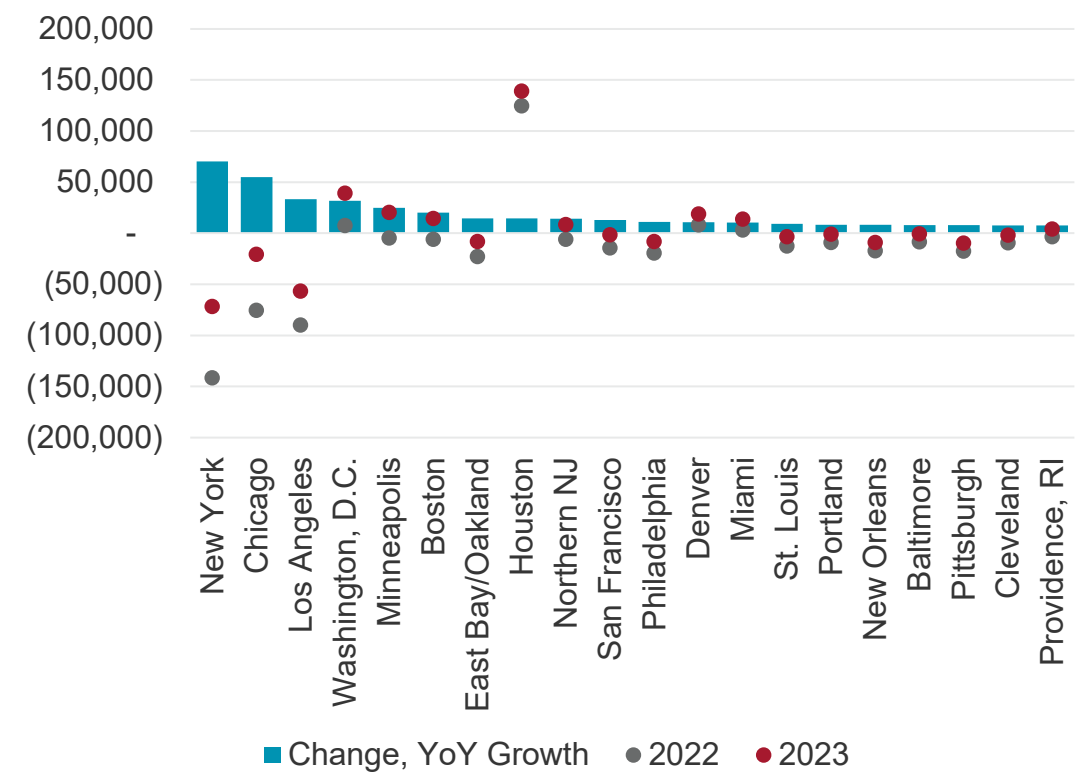


It's Not Just The Sunbelt

Population Growth By County Type



Coastal Markets Showing Biggest Turnaround



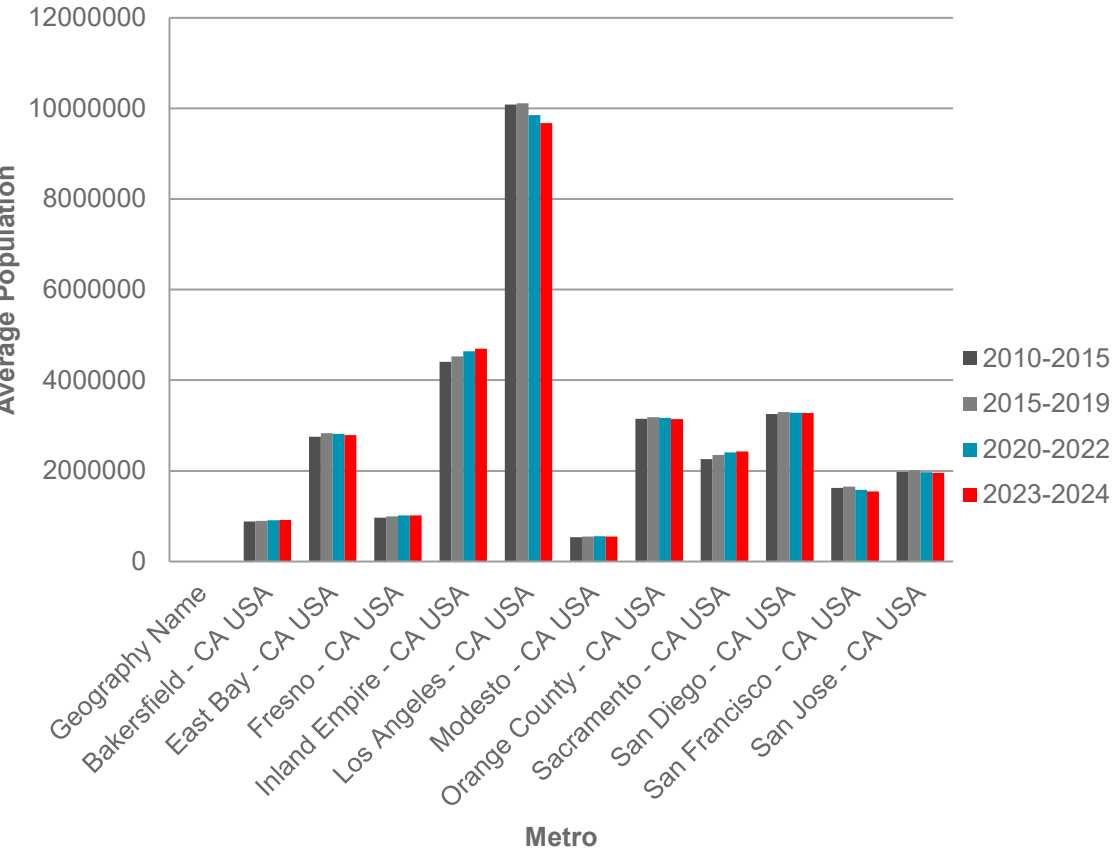
Source: Census Bureau, Brookings, Cushman & Wakefield Research

# CALIFORNIA MARKETS LEAD THE NEXT CHAPTER

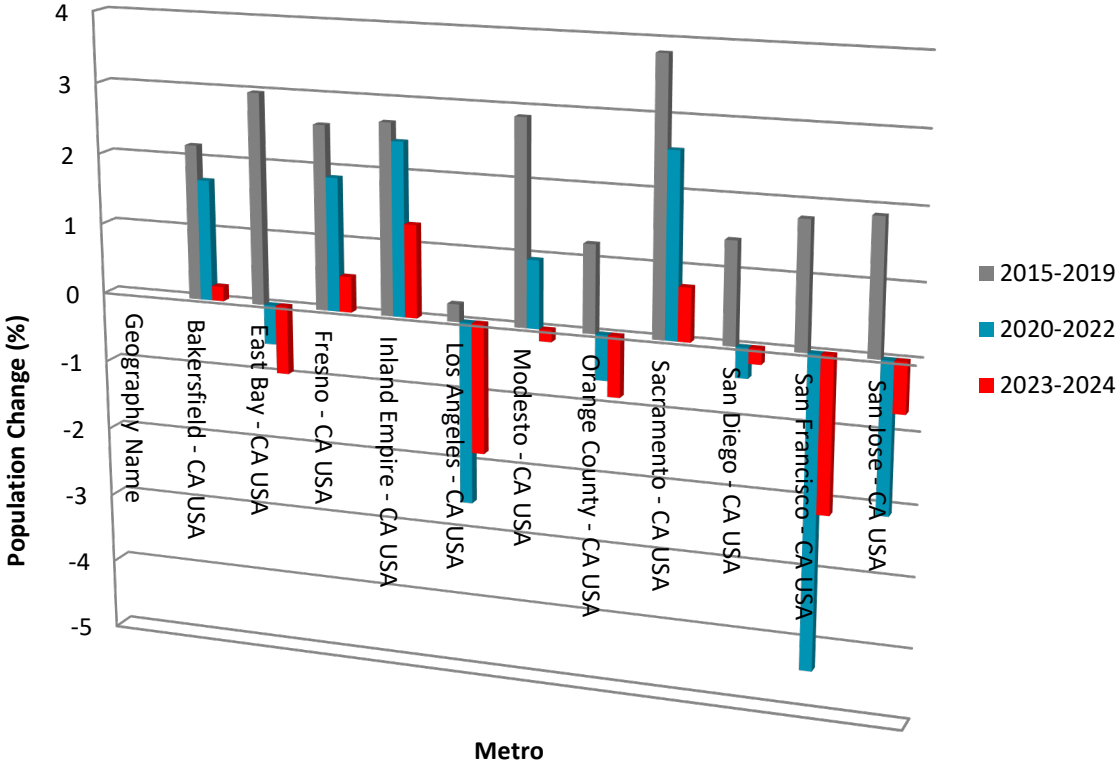


## Population Recovery Driving Multifamily Resilience

Population Growth By California Metros



California Markets Showing Biggest Turnaround



Source: CoStar, Cushman & Wakefield Research

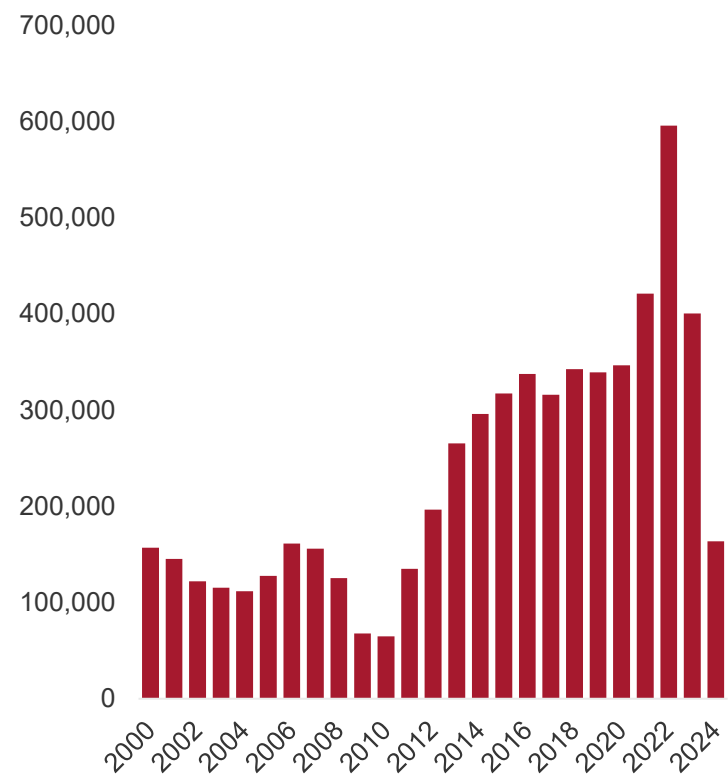


# THE PEAK OF THE CONSTRUCTION WAVE IS BEHIND US

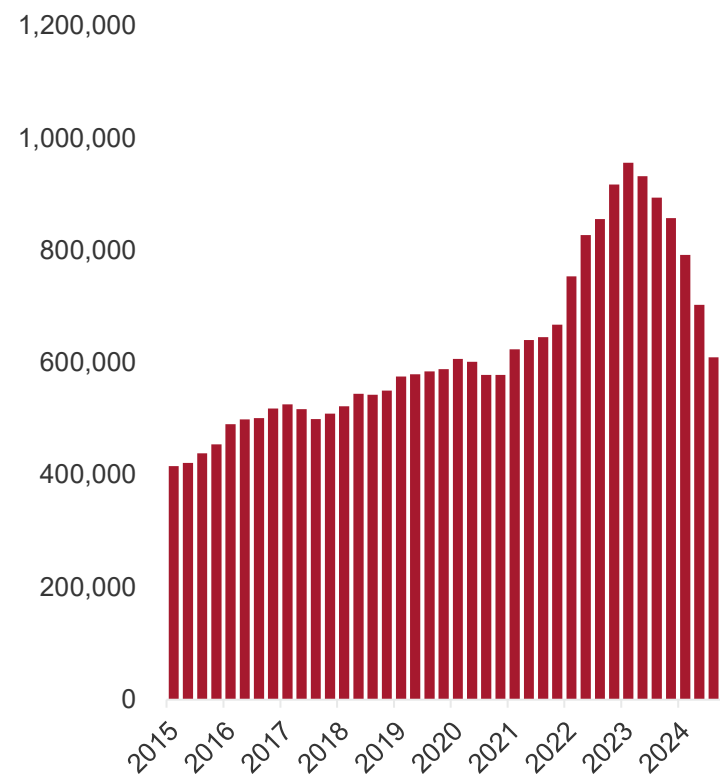


If Demand Holds, This Oversupply Will Be Short-Lived

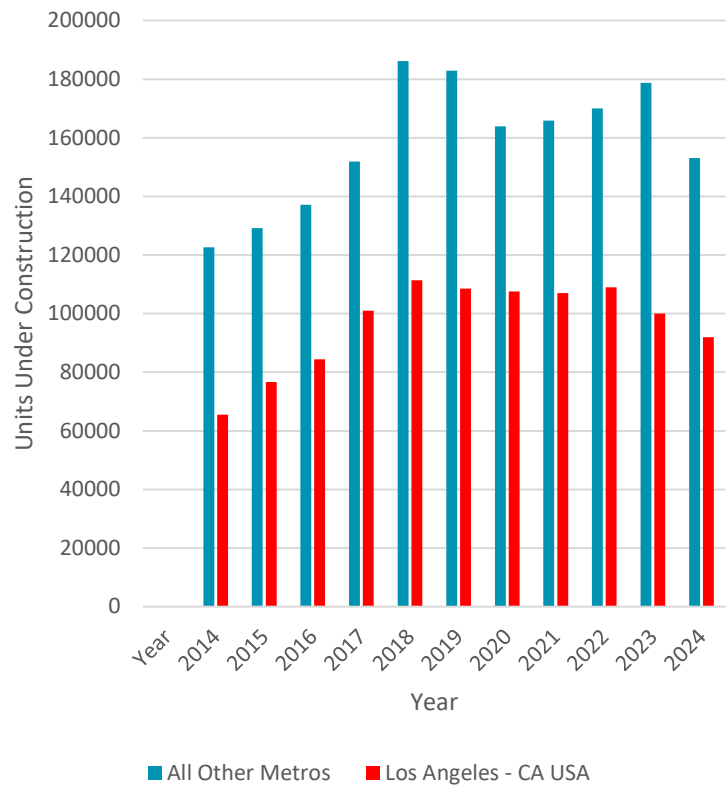
Starts Are Down to 2012 Levels



Construction Activity Pulling Back



CA Metro Construction Trends

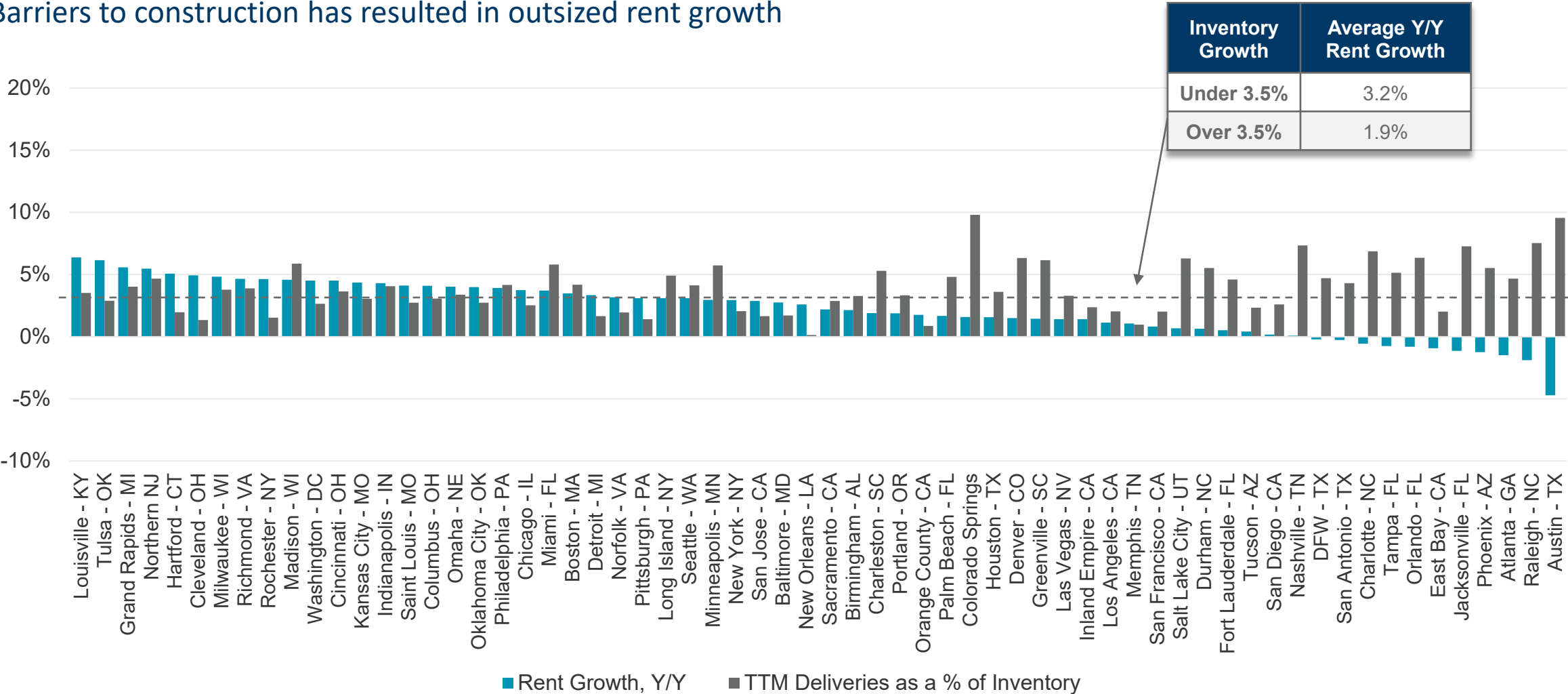


Source: Census, HUD, CoStar, Cushman & Wakefield Research

# RENT GROWTH & LIMITED DELIVERIES GO HAND IN HAND



Barriers to construction has resulted in outsized rent growth

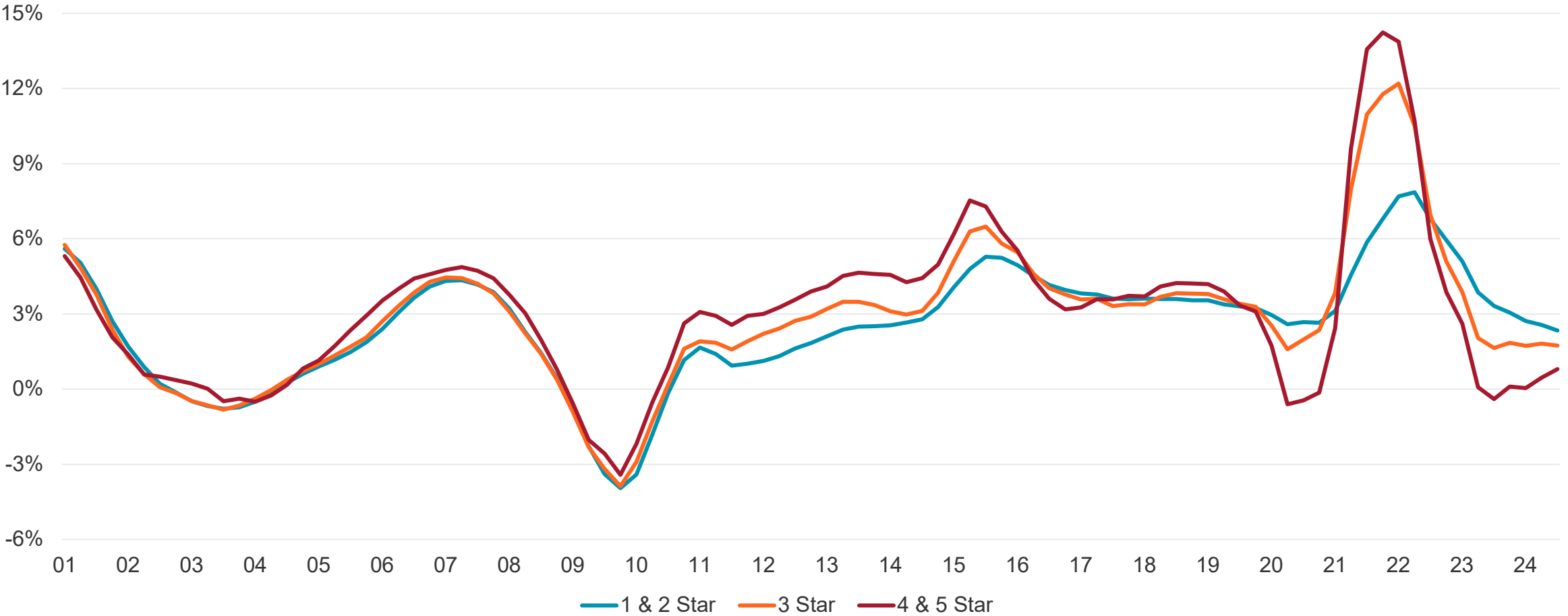


Source: CoStar, Cushman & Wakefield Research

# RENT GROWTH IMPROVING AMONG TOP-QUALITY APTS



Rent growth by star rating

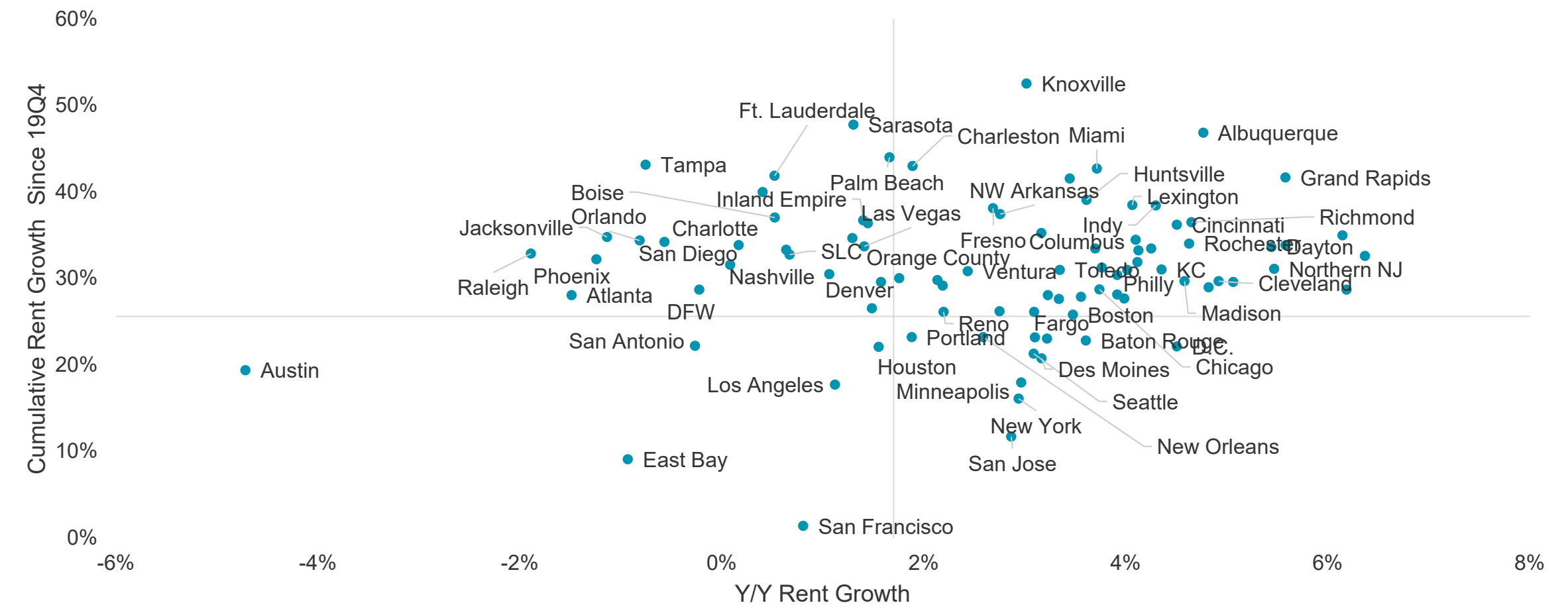


Source: CoStar, Cushman & Wakefield Research

# MIDWEST RENT GROWTH HOLDING UP BEST



Outsized performers giving some back



Source: CoStar, Cushman & Wakefield Research

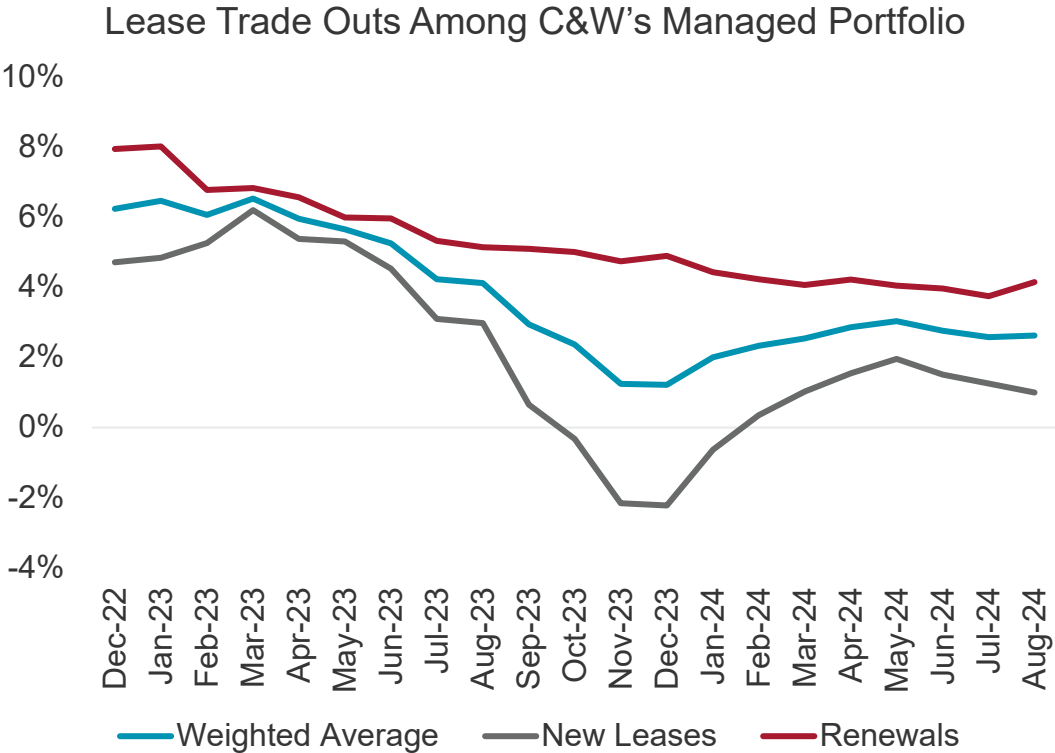


# TRADE OUTS OFFSETTING (SOME) RISING EXPENSES



As Expense Growth Slows

## New Lease Trade Outs Are Bouncing Back



## YoY Change In Expenses By Category



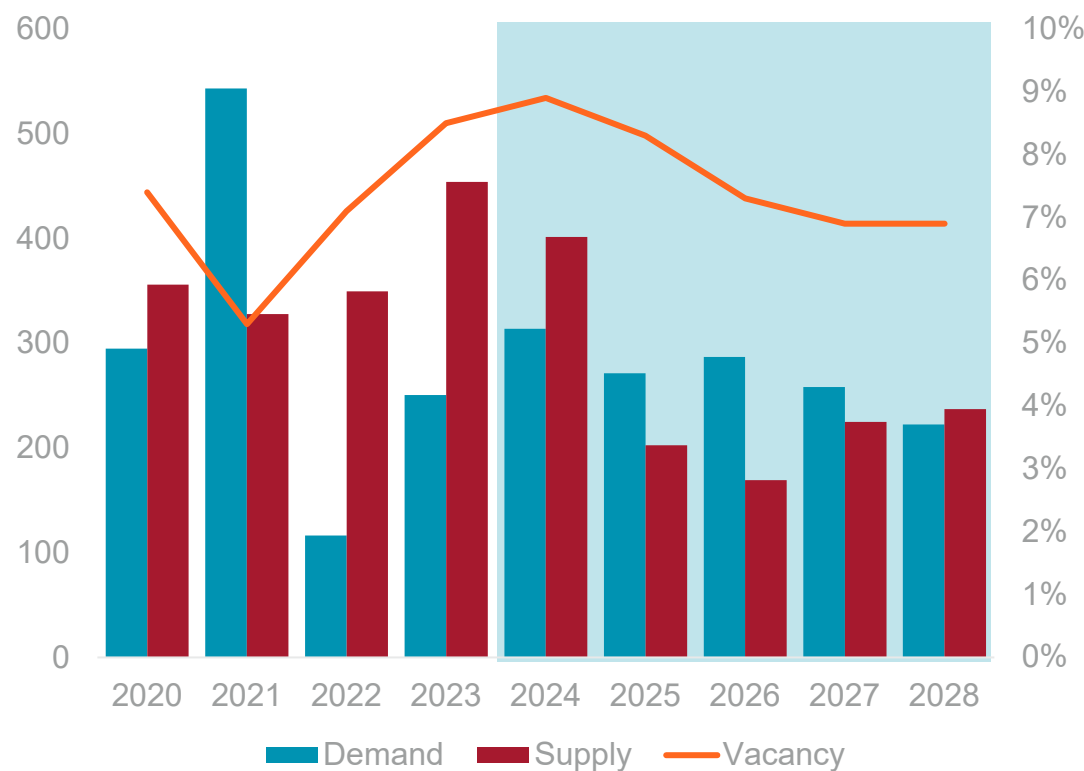
Source: RealPage, Cushman & Wakefield Asset Services, Cushman & Wakefield Research

# WHERE IS THE MARKET HEADED?

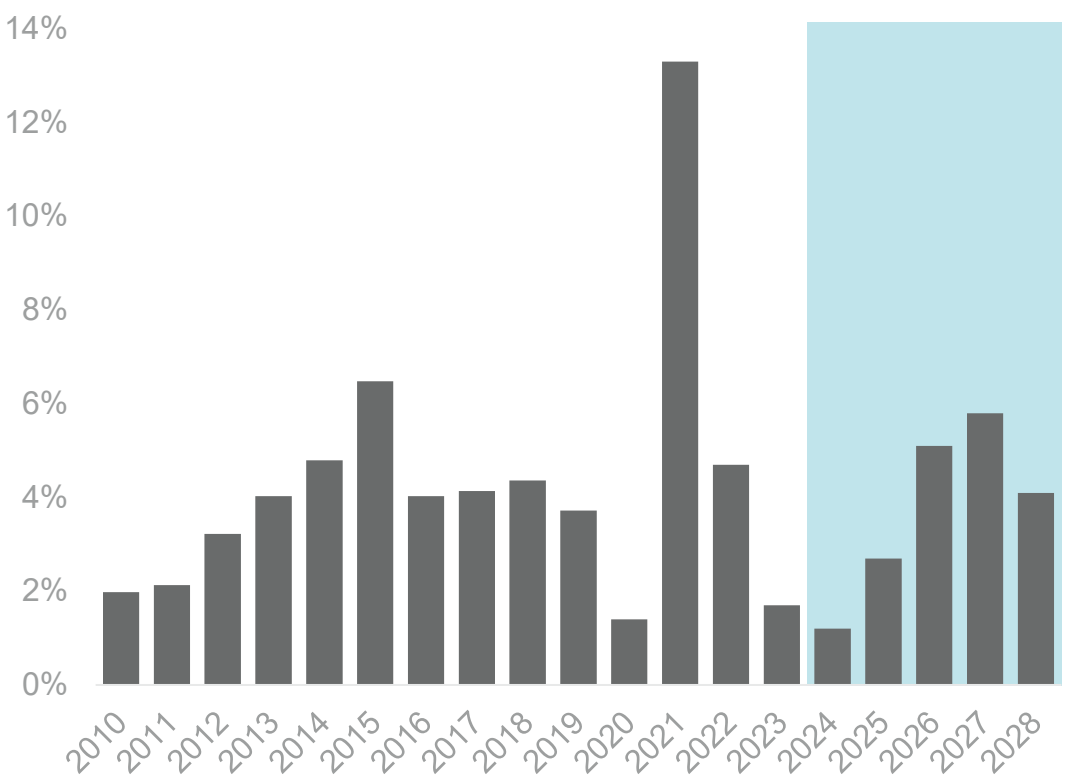
## Cushman & Wakefield's Forecast



### Fundamentals Continue To Improve



### While Rent Growth Rebounds

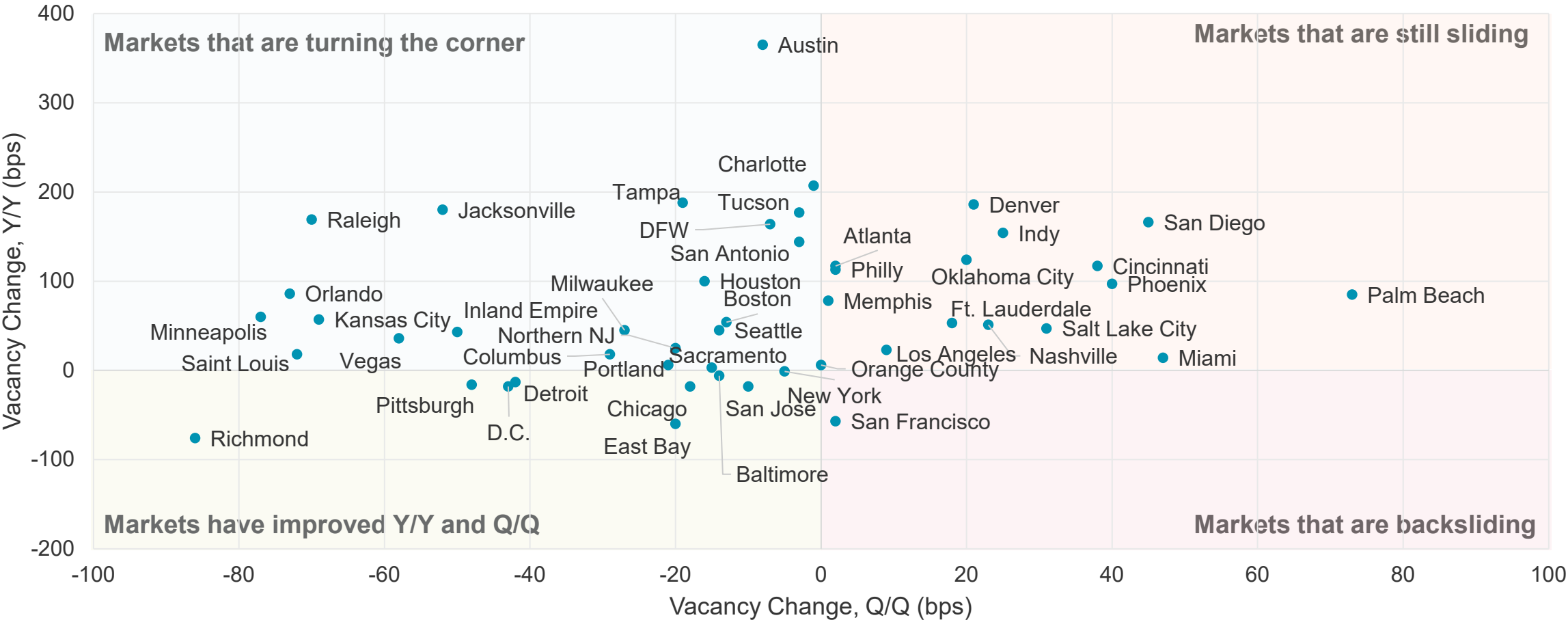


Source: CoStar, Cushman & Wakefield Research

# MOST MARKETS ARE TURNING THE PAGE



Look to deploy capital as fundamentals recover



Source: CoStar, Cushman & Wakefield Research



An aerial photograph of a city skyline, likely San Francisco, featuring a complex highway interchange with multiple lanes and overpasses. The city is filled with numerous skyscrapers and modern buildings. The text "CAPITAL MARKETS" is overlaid in large, white, sans-serif capital letters. Above the text, there is a decorative horizontal line consisting of several small, blue, slanted rectangular segments. The overall scene is bathed in a warm, golden light, suggesting a sunset or sunrise.

# CAPITAL MARKETS

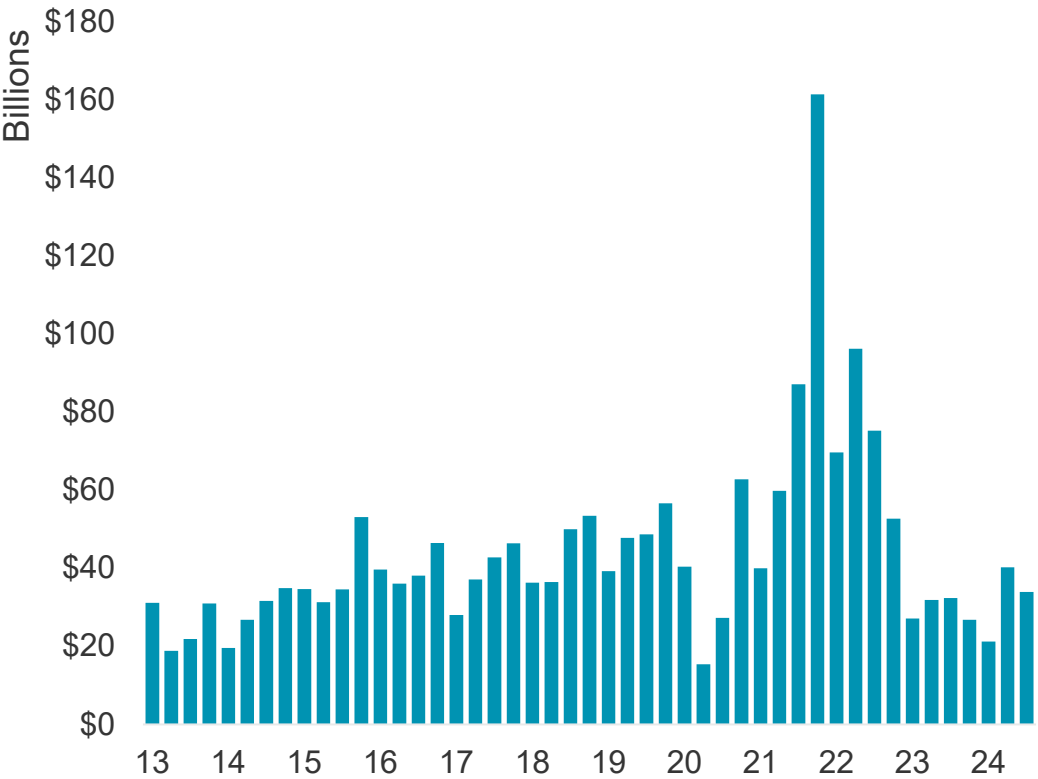


# THE TRANSACTION MARKET IS PICKING UP

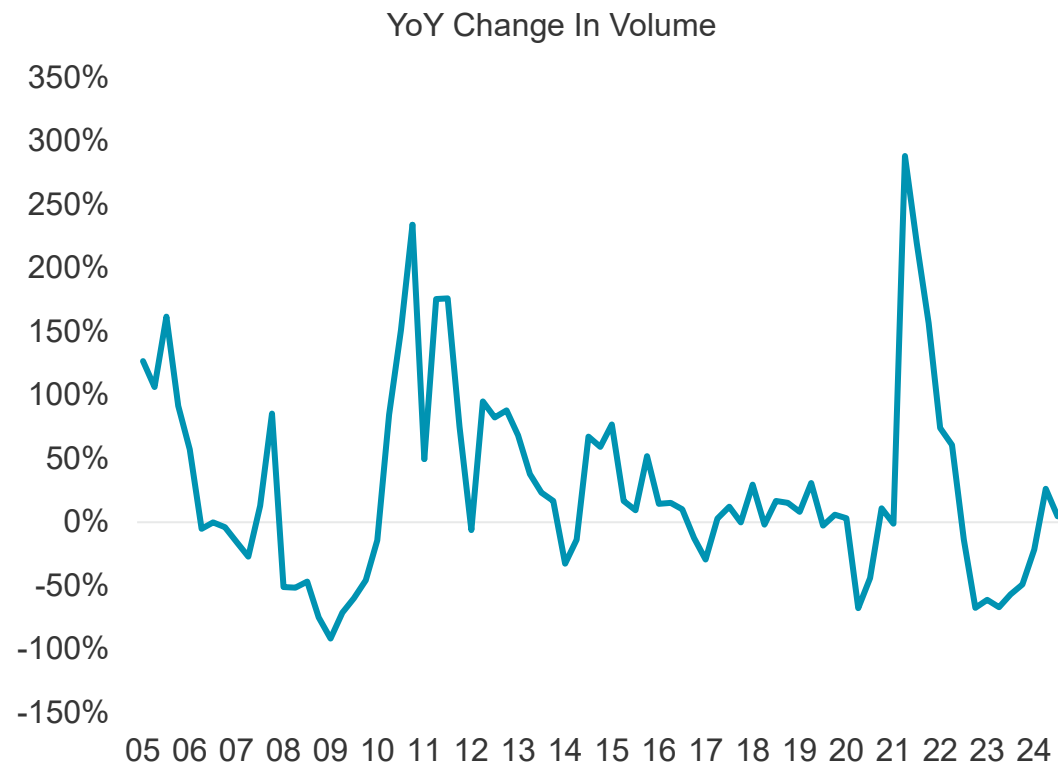


Q2 volumes point to potential inflection

## Multifamily Transaction Volume



## Look For The Change In The Second Derivative



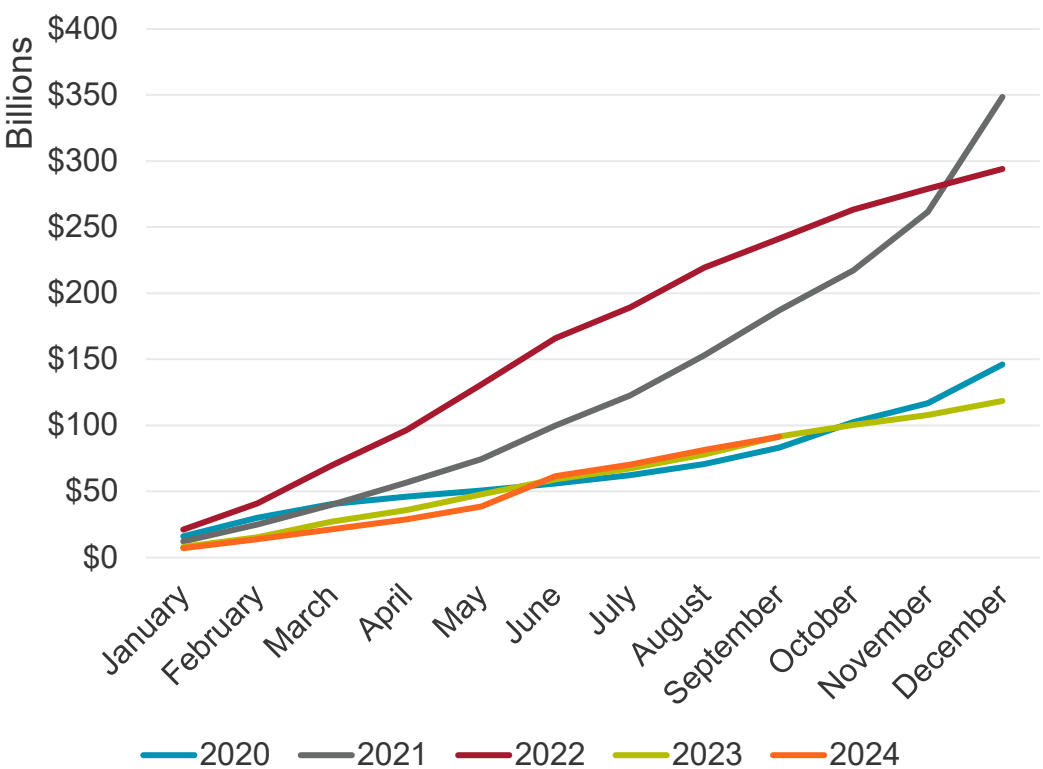
Source: RCA, Cushman & Wakefield Research  
Note: Q3 volumes likely to be revised up as more data is captured

# THE TRANSACTION MARKET IS PICKING UP

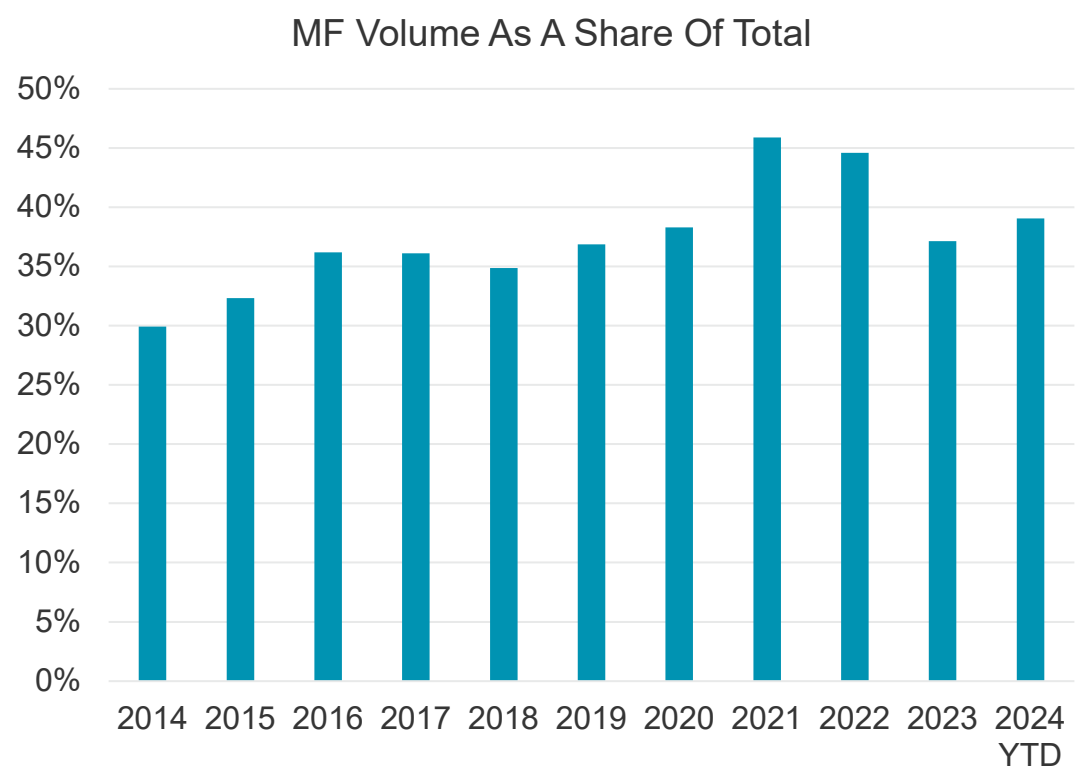


Volume will end the year ahead of 2023

Tracking in line with last year, so far



Multifamily still the favored asset class

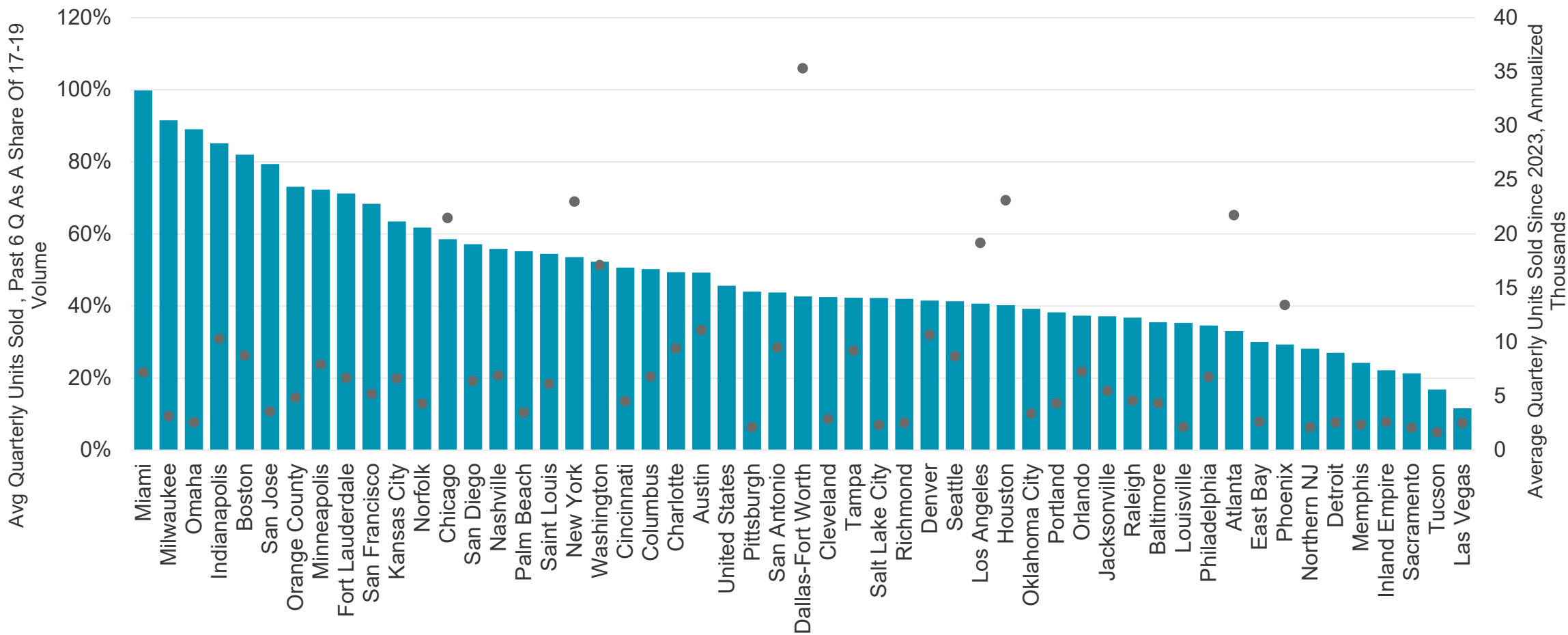


Source: RCA, Cushman & Wakefield Research

# WHERE IS VOLUME HOLDING UP THE BEST



## Multifamily sales activity by market



Source: CoStar, Cushman & Wakefield Research

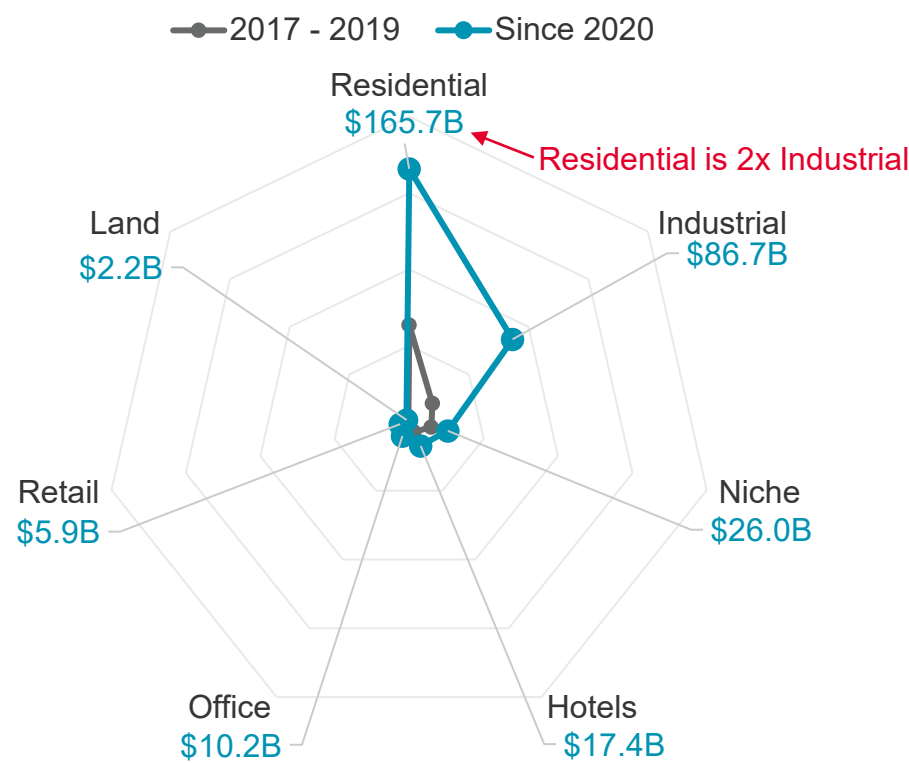
Includes markets with 75k units

# WAVE OF CAPITAL READY TO BE DEPLOYED INTO MF

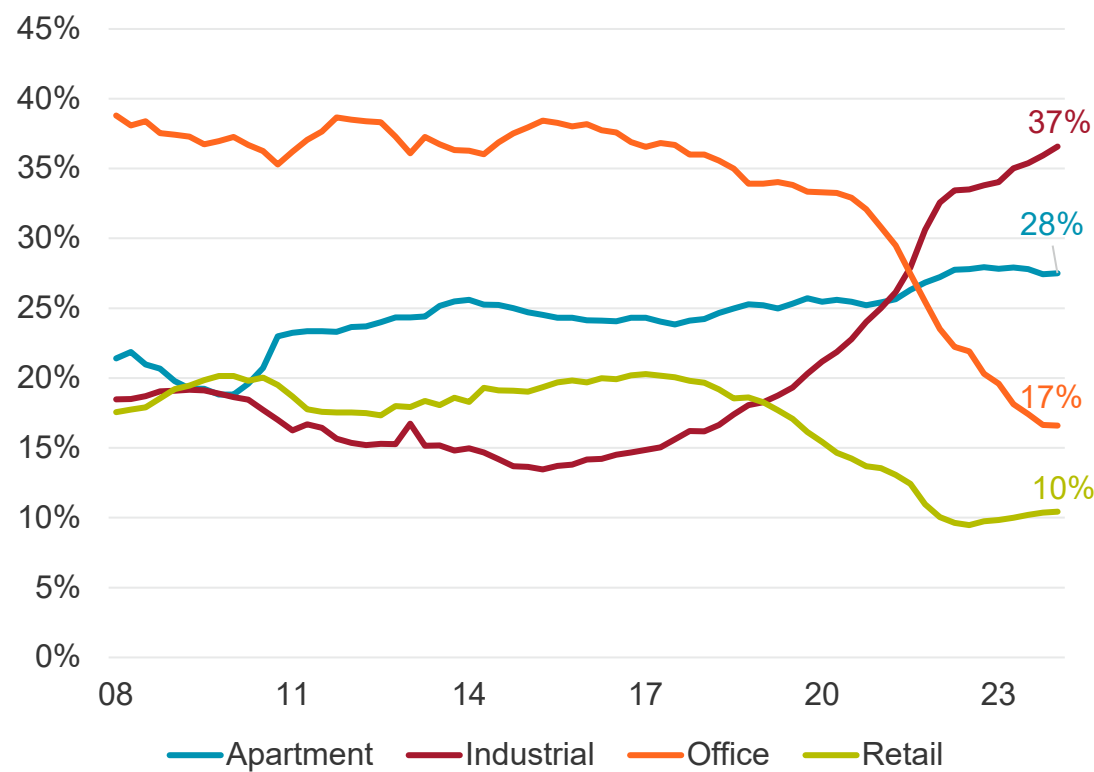


Residential has raised 2x any other asset class

## Fundraising By Property Type



## ODCE Fund Allocations Are Tilting To IND/MF



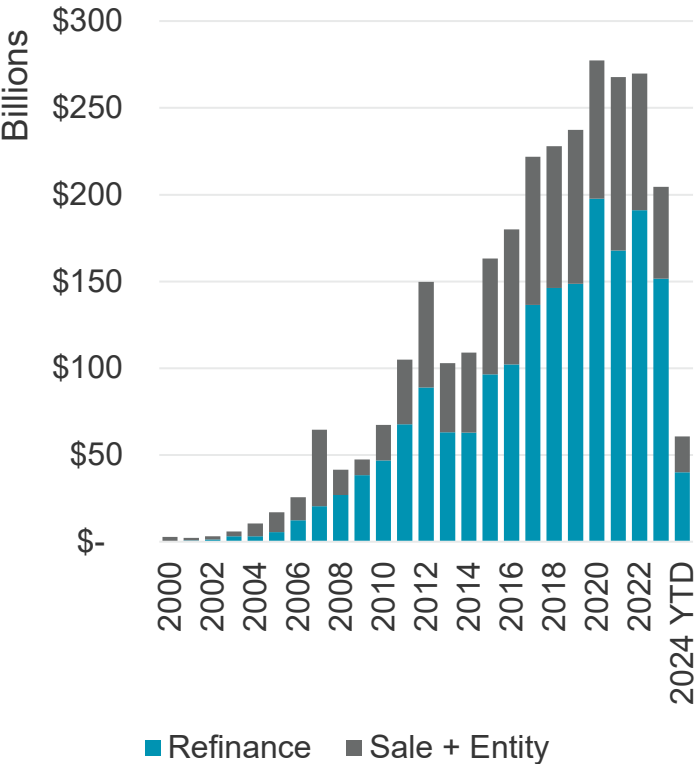
Source: C&W Research, Prequin, NCREIF

# AGENCIES SUPPORTING INDUSTRY’S REFINANCE NEEDS

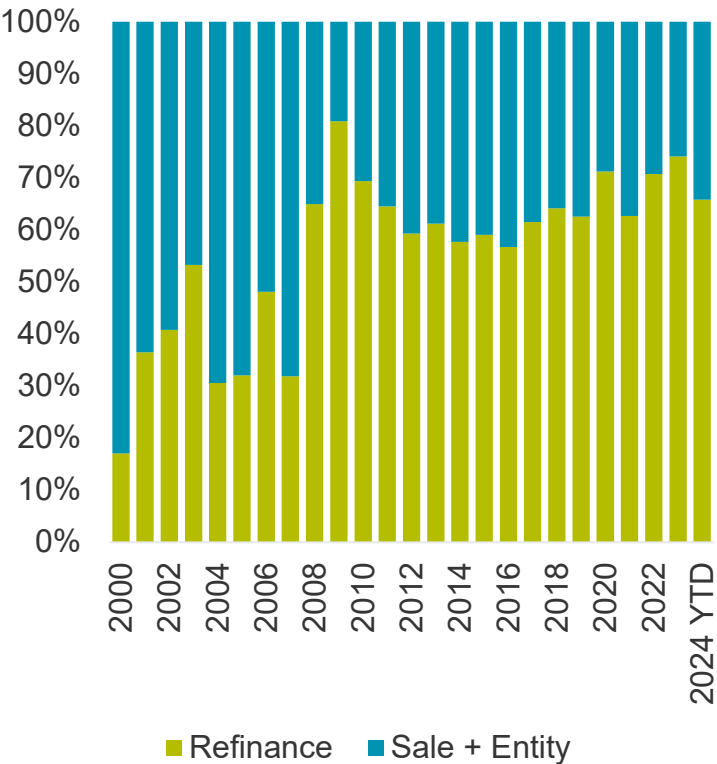


Despite that Agency lending volumes are down relative to targets, Agencies are active in Refi’s

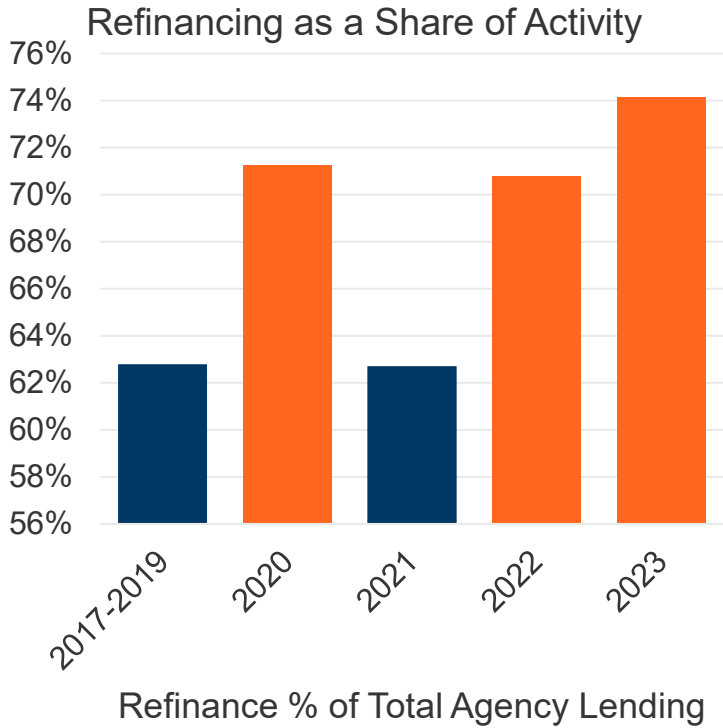
Even Agency Lending Pulls Back in Times of Uncertainty...



Most of Agency Lending Volume Has Been Refinancing..



As Intended, Agencies Are a Backstop to Current Borrowers During Times of Volatility...

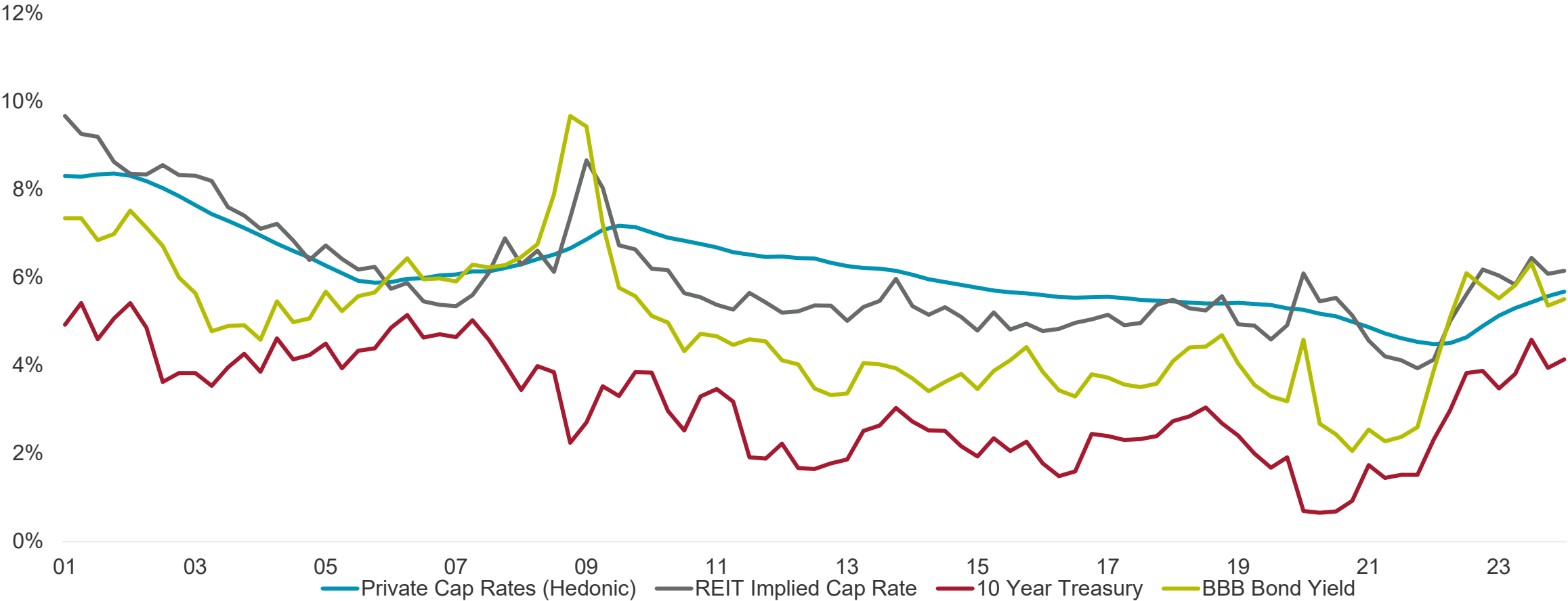


Source: MSCI Real Capital Analytics and Cushman & Wakefield Research.

# IT'S ALL ABOUT THE COMPARATIVE SPREADS



Private multifamily yields are still inverted – for now

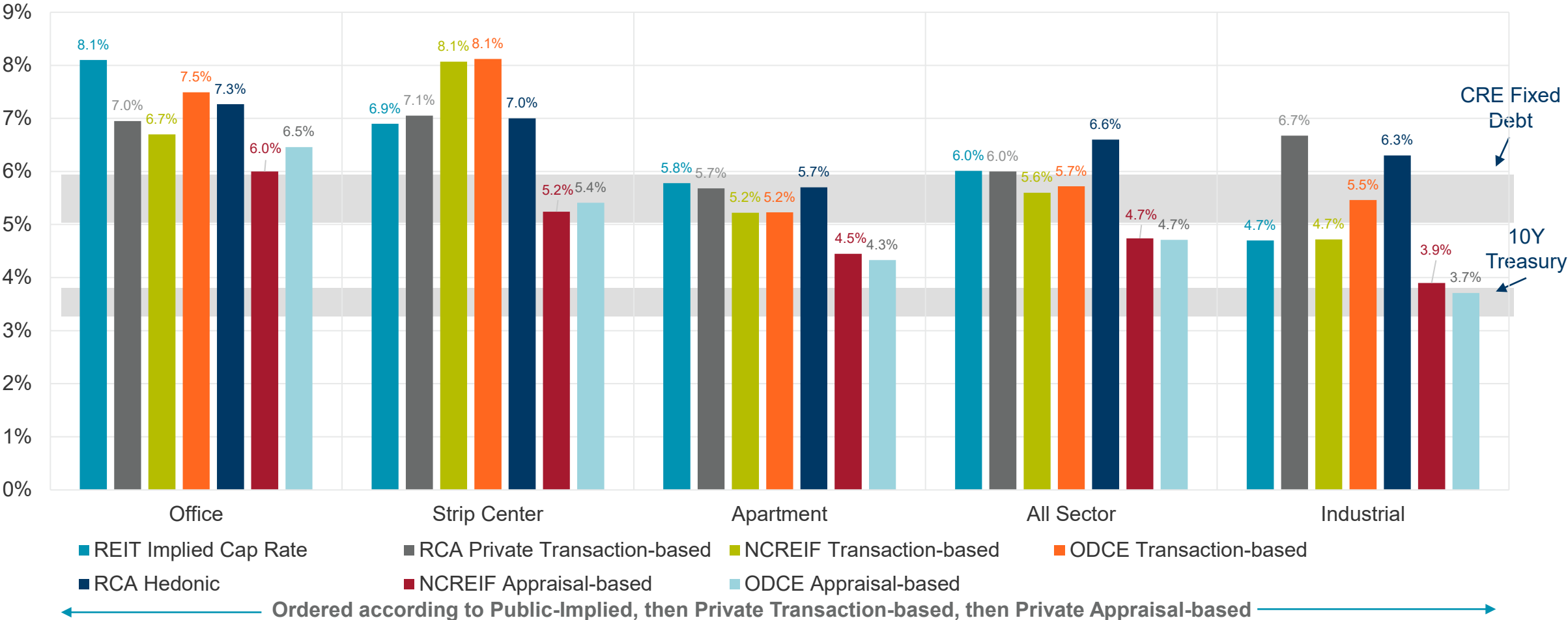


Source: RCA, Green Street, FRED, Cushman & Wakefield Research

# YIELD SPREADS GROWING MORE PALATABLE



Though the transaction-to-appraisal based lag still a challenge for those benchmarking to ODCE



Source: NCREIF, Green Street, MSCI Real Capital Analytics and Cushman & Wakefield Research. Updated early September 2024.

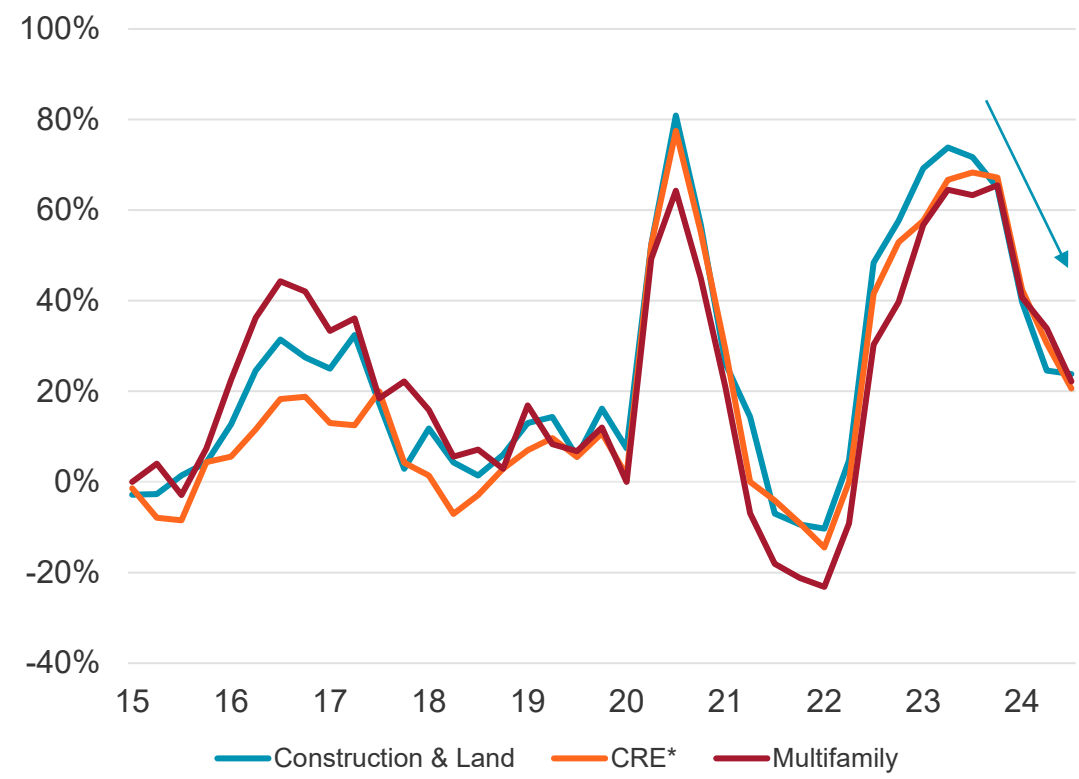


# EASING LENDING STANDARDS LEAD INFLECTIONS IN VOLUME

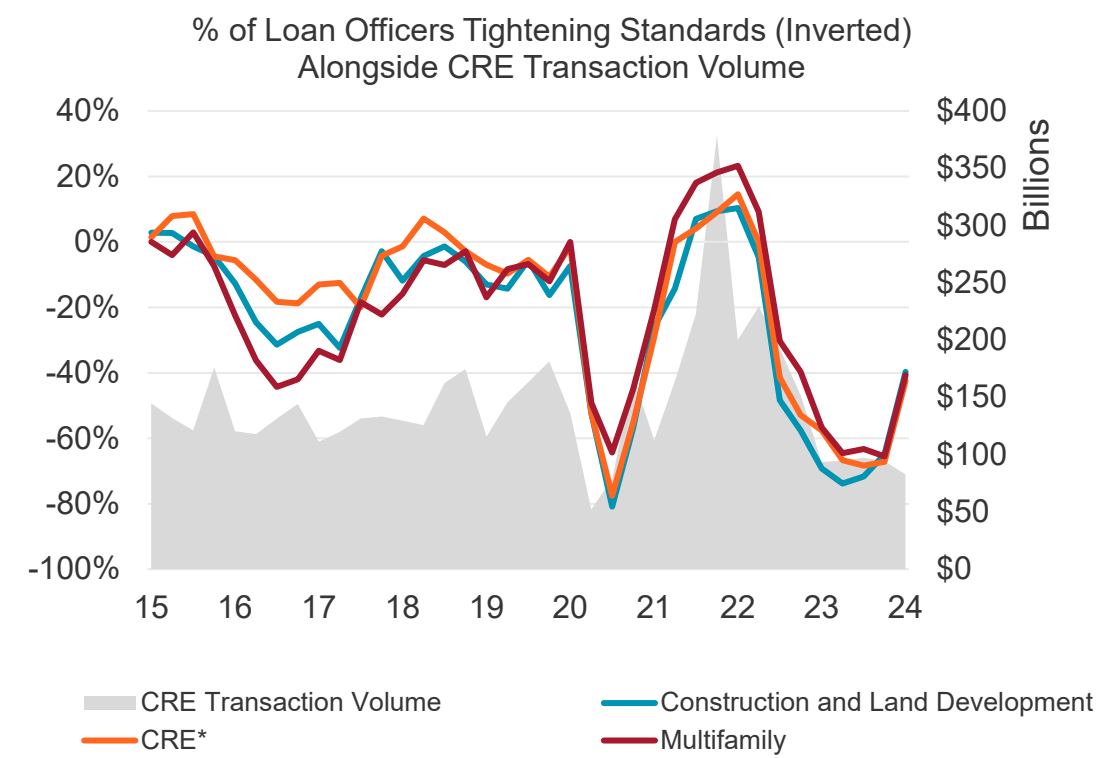


While lending standards are still tight, they've inflected suggesting impending volume rebound

## Lending Standards Continue to Ease from Peak (Mid-'23) Tightness Thresholds



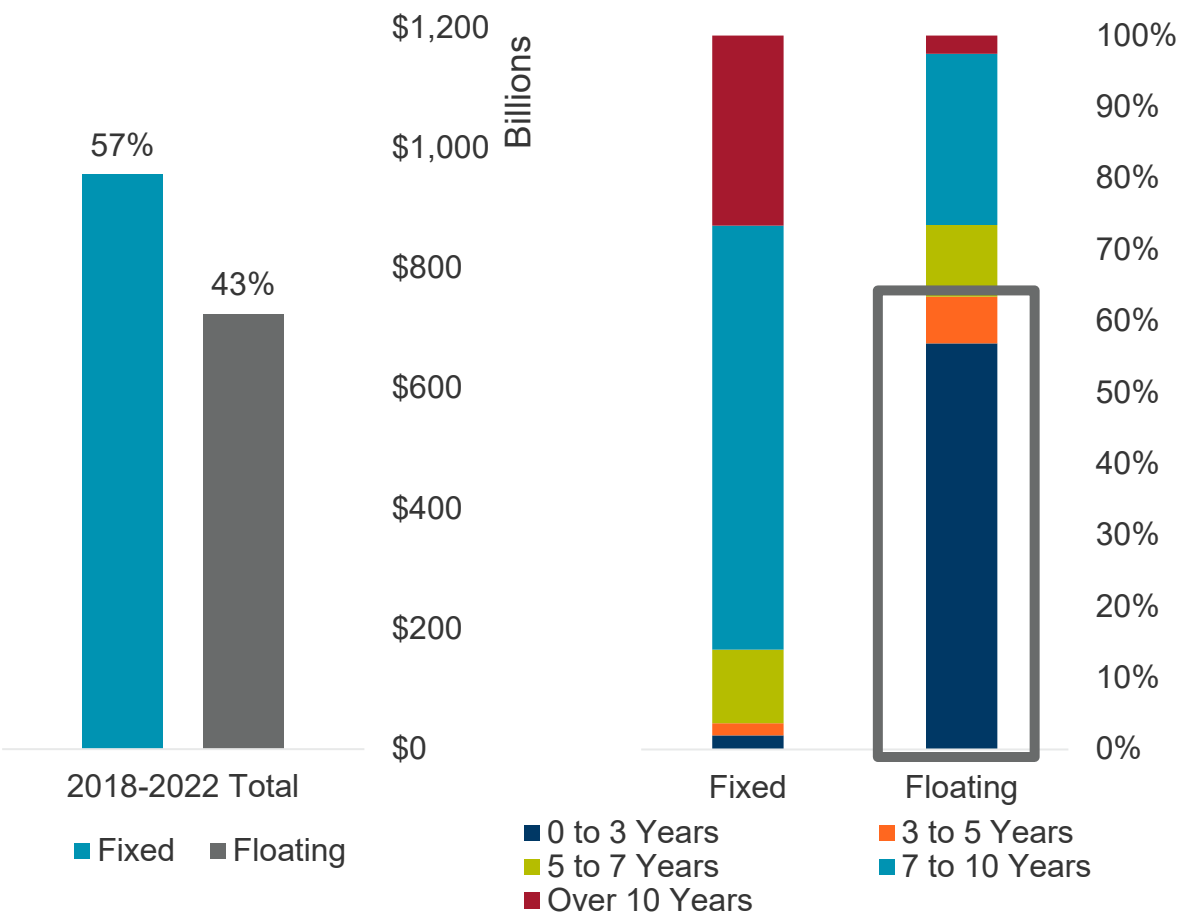
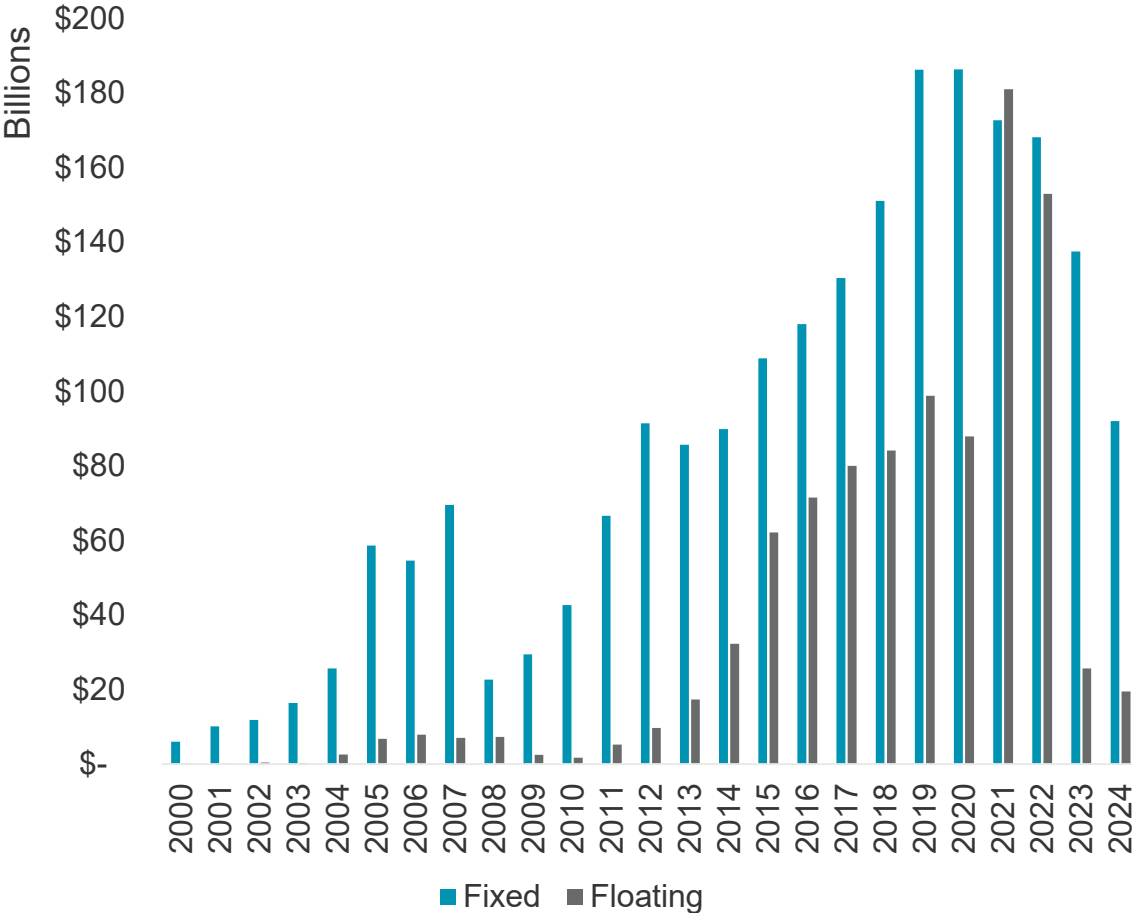
## Easing in Standards Bodes Well for Deal Volume Ahead..



Source: Moody's Analytics, Fed Senior Loan Officer Opinion Survey, Cushman & Wakefield Research. \*CRE reflects Nonfarm, Non-Residential loans. Updated in early September '24.

# WHERE IS THE DISTRESS?

## Estimated Multifamily Debt Originations

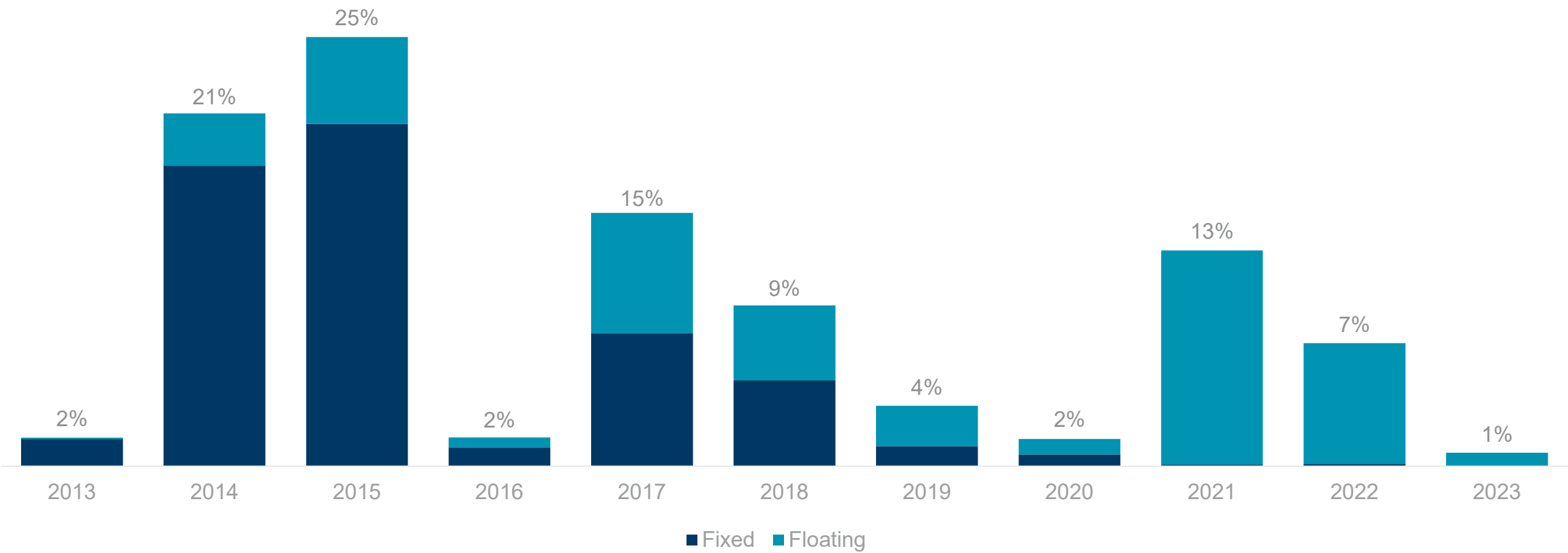


Source: RCA, Cushman & Wakefield Research  
For unknown loans, we assume a similar proportion of fixed/floating debt as the broader sample.  
Cushman & Wakefield | Multifamily Market Trends

# MOST UPCOMING MATURITIES WERE ORIGINATED 10 YRS AGO



Multifamily Loans Maturing In 2024-2025 By Origination Year



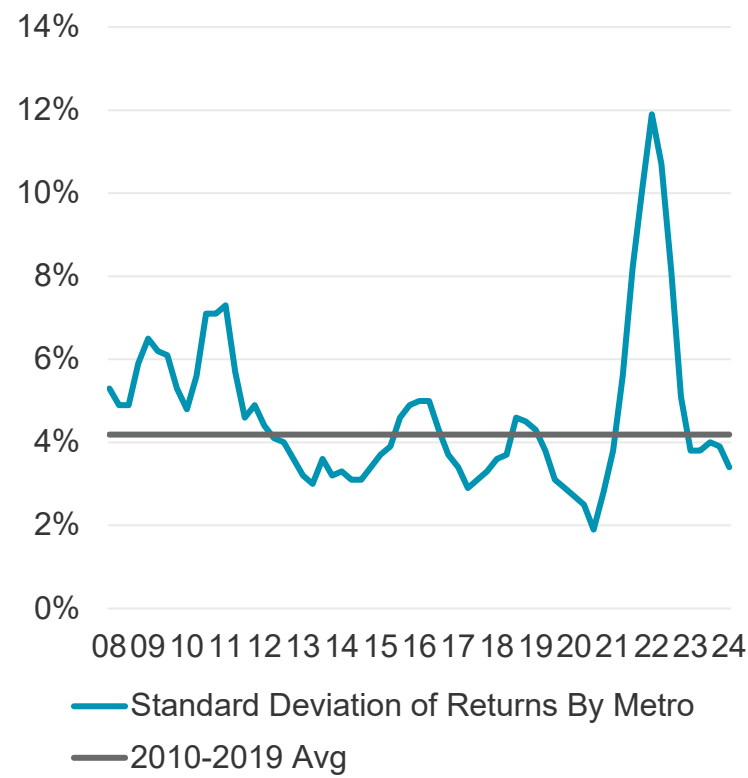
Source: RCA, Cushman & Wakefield Research  
Note: Only includes loans with known maturity/origination dates

# RETURNS AND CAP RATES CONVERGING

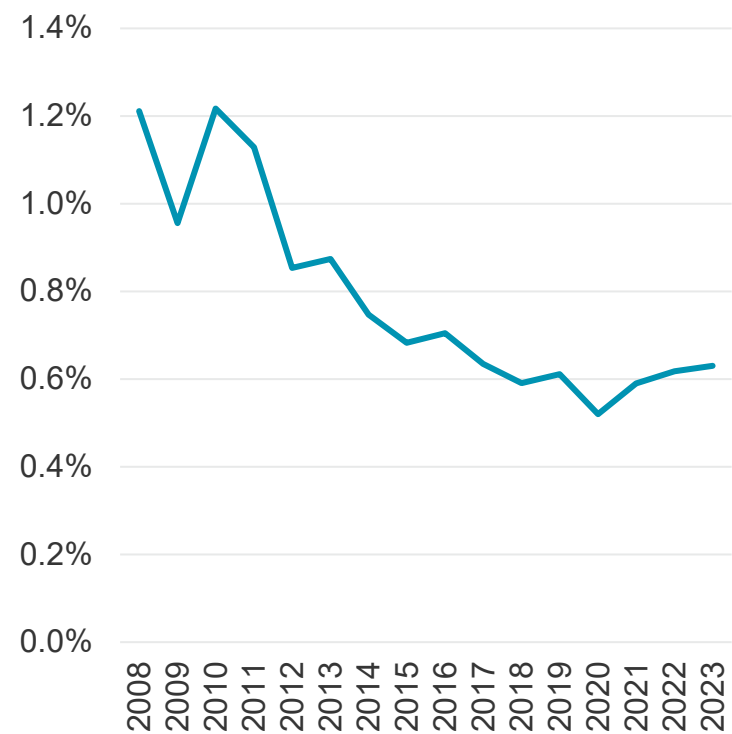


Deviation Across Metros Not Evident...Yet

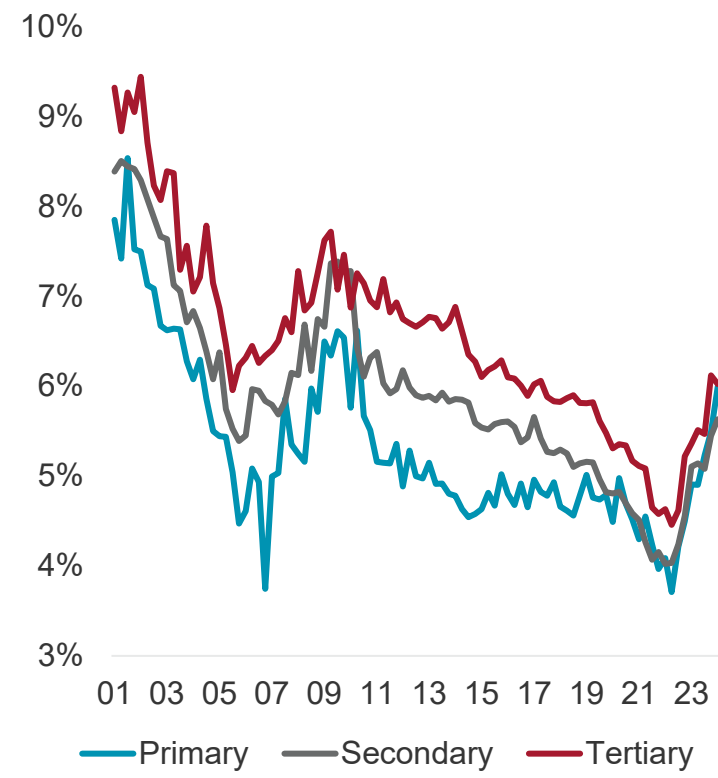
Standard Deviation of Returns By Metro



Standard Deviation Of Market Average Cap Rates



Cap Rates Remain Relatively Tight Across Tiers



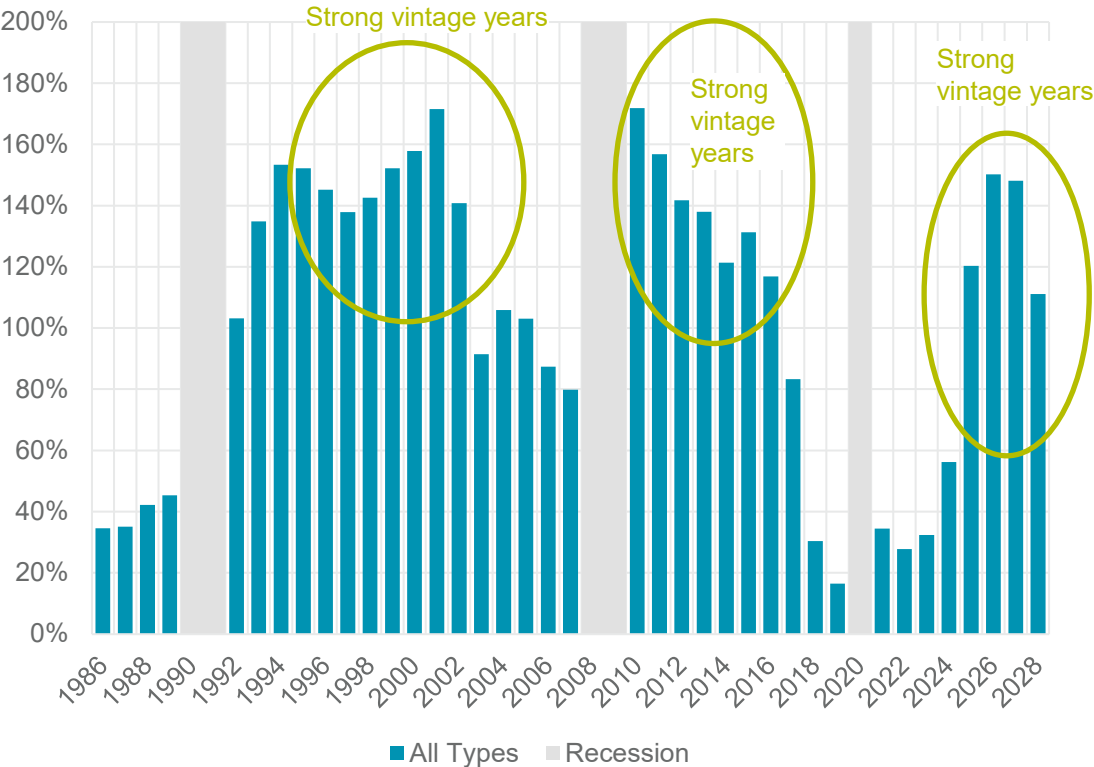
Source: NCREIF, RCA, Cushman & Wakefield Research

# STRONG VINTAGE YEARS FOLLOW DISLOCATION

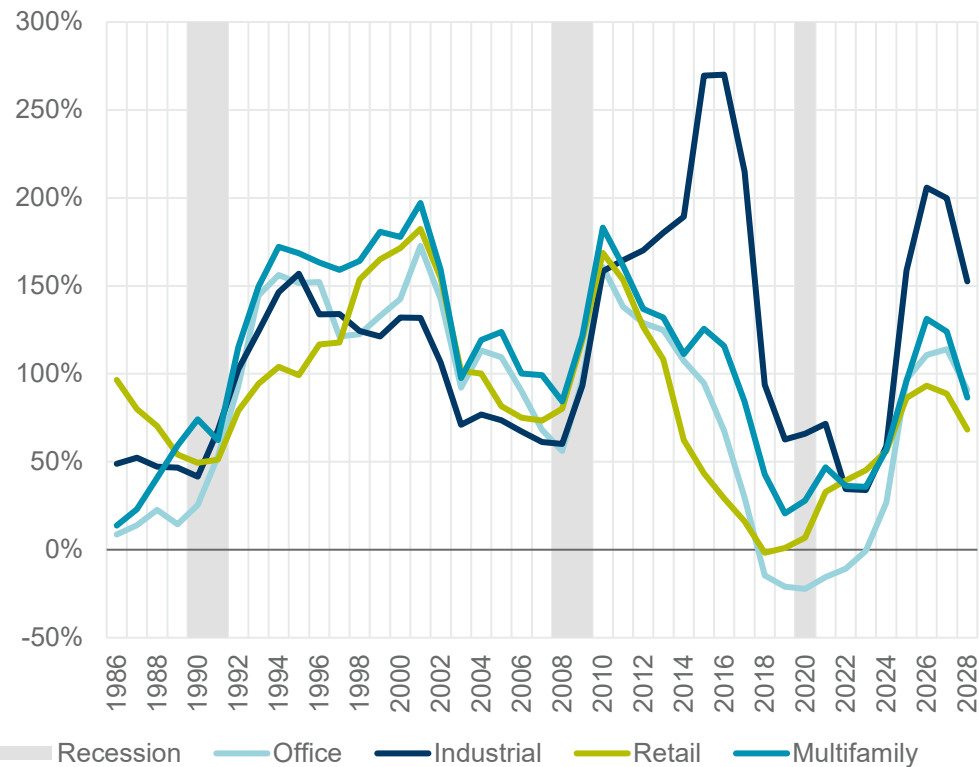


2024-2025 will be great acquisition years

7-Year Forward Total Returns, by Vintage Year



7-Year Forward Total Returns, by Vintage Year and Type

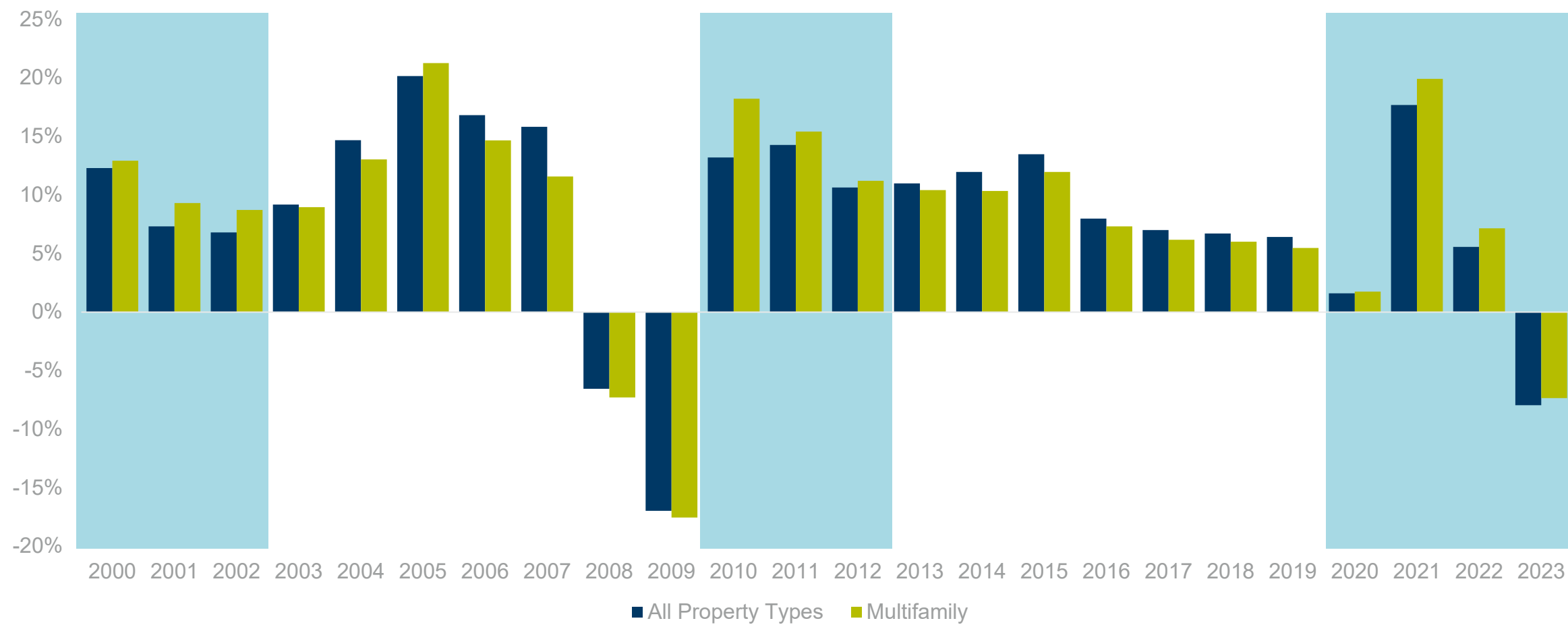


Source: Cushman & Wakefield Research

# MULTIFAMILY OUTPERFORMS FOLLOWING DISLOCATIONS



## NCREIF Returns



Source: NCREIF, Cushman & Wakefield Research

# MULTIFAMILY ADVISORY GROUP

## About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in over 400 offices and approximately 60 countries. In 2021, the firm had revenue of \$9.4 billion across core services of property, facilities and project management, leasing, capital markets, and valuation and other services.

To learn more, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow @CushWake on Twitter.



**MICHAEL TIDWELL II, SRA**  
CA Lic #02178198  
+1 213 955 5122  
[Michael.Tidwell@cushwake.com](mailto:Michael.Tidwell@cushwake.com)