
November 2024

Good morning everyone,

As we approach the end of the year, 2024 will be marked as a year of transition and inflection. No bigger than all – at least for CRE – is that the rate-cutting cycle has commenced, and with it comes a renewed sense of optimism around commercial real estate. Kevin Thorpe, Cushman & Wakefield's Chief Economist, wrote about the rate-cutting cycle in the wake of the first Fed cut back in September sharing this bullet:

- **Historically, when the Fed starts cutting rates, it signals better days for financial market liquidity conditions, business conditions and ultimately net operating income (NOI) growth.** Today's rate cut means policy has become slightly less restrictive, which is a step toward more supportive financial conditions for the economy and movement closer to more neutral monetary policy, which are both positive influences for CRE fundamentals, cash flows and underwriting assumptions.

We've also observed a significant inflection in the multifamily market, as detailed in the U.S. Multifamily MarketBeat . Apartment demand has been on fire this year: more than 360,000 units have been absorbed year-to-date, which is already up nearly 50% from last year's full-year total. It's helped keep vacancies flat through the year while stabilized vacancies are down slightly, meaning the market has likely reached peak vacancy. Given the supply-side shutdown, if demand holds firm in 2025, we could see an expeditious recovery.

Beyond the fundamentals, we're witnessing a shift in the capital markets environment. For the past two quarters, MSCI Real Capital Analytics is reporting year-over-year growth in multifamily sales volume for the first time in two years. Additionally, cap rates have largely stabilized in 2024, representing yet another inflection point.

The best summary for the capital markets today comes from my colleague Abby Corbett, Senior Economist and Cushman & Wakefield's Head of Investor Insights. In her latest update on the top themes of today, she created this easy-to-digest update on the state of the capital markets:

| | Directionality | Key Themes |
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| **Financial Markets** | Choppy, but Acclimating | • Financial markets have been volatile as they absorb Fed speak and weigh prospects of soft-landing with incoming data. |

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| | | • Despite isolated bouts of volatility, the 10YT has hovered in the high 3%'s-4.0% range for several months. The 10YT is still roughly 30 bps tighter than the YTD peak registered in April. |
| **Debt Markets** | Strengthening and Broadening | • Cost and availability of capital have improved tangibly following the Fed's first rate cut.<br>• 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.<br>• A few larger money center banks have shown growing interest to place debt for quality cash-flowing assets. Bank lending standards have also inflected off their peak '23 tightness thresholds.<br>• Debt costs have improved thanks to the slight tightening in base rates and to the contractions in spreads. Fixed debt costs are trending 100-150 bps lower than where they were in October '23. |
| **Public Market Valuation & Issuance Conditions** | Rebounding | • 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** | Constrained, but Showing Early Signs of Recovery | • Institutional allocations: to CRE in diversified cross-asset class portfolios are holding steady near 11%. The denominator effect has diminished as equity markets have improved and as CRE values have declined.<br>• Closed-End: tough fundraising environment remains, though traction for core capital is forming. Dry powder is still historically high (though down 26% from '23 peak).<br>• Open-End fund liquidity: still stressed (promoting sell-side motivation), but liquidity conditions growing more favorable as institutional capital sources start to feel more confident in value adjustment and relatively more entry point. Redemption queues inflected from the recent peak in Q1; exit queues typically inflect quickly back to net positive entrance queues. |
| **Portfolio Themes** | Generational buying opportunities amid value-reset and secular shift towards alternatives | • Focus will remain on income stability and growth potential, as opposed to aggressive interest rate and cap rate compression financial engineering strategies.<br>• Thematics Dominate: Niche sectors are capturing growing portion of volumes; expect similar portfolio rebalancing trends to continue…<br>• Even accounting for the reset in values, the next few years will be strong vintage years for investment. |
| **Fundamentals** | Cyclically moderating, but structurally and secularly sound | • Sharply cooling (cyclical) pipelines in Industrial and Multifamily set a resilient stage for future income |

returns. Recoveries will likely look "v-shaped" in ‘25-’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.

A quick plug – both Abby and I regularly maintain a plethora of slides on the state of the market – if you’re interested please reach out to either myself or Abby and we’ll be happy to share them with you.

Finally, Kevin Thorpe also made a video looking toward the future of CRE in the wake of a changing political landscape after this week’s election, reaffirming the role of larger economic factors in the overall performance of commercial real estate.

As our last edition of the Multifamily Digest for the year, we want to wish all of you a healthy and happy holiday season, and a successful and exciting 2025!

Thank you

Sam Tenenbaum, Cushman & Wakefield’s Head of Multifamily Insights shares his thoughts and research on the multifamily market.

## Debt Update

Nikhil Kanodia, Greystone Head of FHA Lending

### GREYSTONE RETAINS TOP SPOT FOR HUD MULTIFAMILY & HEALTHCARE LENDERS

Greystone is proud to retain its position as the **#1 Overall HUD Multifamily and Healthcare Lender*** for HUD’s 2024 fiscal year, marking eight consecutive years in this leadership position. With over 35 years of lending experience and deep expertise in both multifamily and healthcare, Greystone continues to deliver streamlined executions and exceptional client support.

HUD offers long-term, non-recourse financing and is an excellent option for your portfolio.

Click here to learn more about HUD financing with Greystone.

*For HUD's 2024 fiscal year ending September 30, 2024. Based upon combined firm commitments received by Greystone Funding Company LLC and Greystone Servicing company LLC and excludes risk sharing and hospital loans.

Rob Rubano, Cushman & Wakefield’s Debt and Structured Finance Platform Leader for the U.S.

Brian Share, Executive Managing Director for Cushman & Wakefield and co-author of Debt Market Talking Points

## INTEREST RATE MARKET COMMENTARY: THE TREND IS YOUR FRIEND, FOREVER

In our latest Debt Market Talking Points, we analyze the current economic and debt market landscape, focusing on the Fed's recent rate cuts and projected impact on capital markets. Learn more about the rising optimism in commercial real estate debt, with lenders and investors showing renewed confidence as financing becomes more accessible.

Read the full talking points here.

# Operational Insights

Avery Solomon, Executive Managing Director
Investor Services, Multifamily Asset Services, Americas
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## ASSET SERVICES THIRD QUARTER UPDATE AND FINDINGS

As we enter the final quarter of 2024, it’s worthwhile to reflect on the multifamily market’s resilient performance this year: Renter demand skyrocketed, occupancies held steady and rent growth showed signs of reacceleration. While we’re a far cry from the highs of 2021, the seeds are being sown for a recovery to take root. The fourth quarter, however, is typically the slowest, as few households seek big changes with winter holidays approaching. Early indicators of seasonality are emerging, but we’re encouraged by the relative strength of the market compared to last year.

Read the full analysis of the data from our managed portfolio in the latest Top Trends Across Cushman & Wakefield's Multifamily Portfolio article.

# Alternatives Update

## STUDENT HOUSING

Following a major shakeup in the primary college sports conferences over the summer, a total of 67 universities now compete within four main conferences. Cushman & Wakefield’s Student Housing Capital Markets Team developed a unique method to review how the markets surrounding universities align with student needs and compare the universities of the Power 4 conferences.

Read our rankings and learn more about the student housing market in this report.

## SENIOR LIVING

More than 90 U.S. Seniors Housing & Care industry leaders responded to Cushman & Wakefield's latest investor survey.

Read our key takeaways and download the report for complete survey results, industry trends and key valuation indices.

## BTR/SFR

We are excited to attend and present at IMN's Single Family Rental Forum (West) in Scottsdale Arizona in early December. If you are also planning to attend, let us know!  We would love to meet with you while in Arizona, either at the conference, at our cocktail reception, or at another time.

# NMHC Announcements

The Cushman and Wakefield/Greystone Multifamily teams are gearing up for NMHC in Las Vegas in January 2025. Our teams will have professionals representing all geographies and specialties across the multifamily space to share industry trends, updates and forecasting. In attendance will be Multifamily Investment Sales, Valuation and Advisory, Property Management as well as Debt and Equity.

If you would like to meet with a member of our team, please email us and we will connect with you to set up a meeting. We look forward to seeing you there.

# Event Recap

## ULI

We were excited to see many of you at the Urban Land Institute meeting in Las Vegas in late October. We hosted a reception which provided an opportunity to meet with many of you. The optimism in this space and throughout the conference was palpable.

## NIC Conference

Nearly 3,000 industry leaders attended the recent National Investment Center for Seniors Housing & Care conference in Washington DC, including Jason Skalko, Avery Solomon, Zach Bowyer and Henry Vido from Cushman & Wakefield, along with a number of our Greystone team members.

Within two days, the Cushman team held over 30 meetings, two dinners, made appearances at six client hosted events and spoke on the Active Adult Panel.

Jason Skalko's personal takeaways and recap can be found here.

# Recent Thought Leadership

## REIMAGINING CITIES

The American city has dealt with its fair share of challenges—with the recent pandemic causing the most significant economic and social disruption in decades. Working in partnership with Places Platform, LLC, Cushman & Wakefield is excited to introduce a first-of-its-kind study, "Reimagining Cities: Disrupting the Urban Doom Loop", aimed at providing innovative strategies that not only confront these challenges head-on, but also offer a blueprint for reimagining cities and optimizing city real estate portfolios. Ultimately, optimizing the real estate mix to maximize foot traffic, real estate value and economic output ensures cities thrive and provides dividends to all stakeholders: real estate investors, businesses, policy makers and the general public.

Read our insights and the full report here.

## CONVERTING OFFICE BUILDINGS TO MULTIFAMILY

Cushman & Wakefield has found that about 25% of office spaces are outdated, and nearly half will need upgrades or repurposing in the next decade. Converting these offices to residential spaces is a hot topic, with around 10%-15% having potential.

Find out more about Cushman & Wakefield's services and offerings for stressed and destressed assets, and download a PDF about the conversion process here.

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