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2025

MID-YEAR LOOKBACK

MULTIFAMILY | MARKET REPORT

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INTRODUCTION

At Viking Capital, we've built a legacy over the last decade with over 6,000 doors acquired and \$1.2 billion in assets under management nationwide. As we enter the midway point of 2025, pivotal shifts in the multifamily real estate market are emerging. This white paper report offers critical insights to the first six months of Multifamily Real Estate in 2025, supported by data, market trends, and expert insights.



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EXECUTIVE SUMMARY

At Viking Capital, we don't just react to the market—we anticipate it. With over 6,000 units and \$1.2B in assets under management, our strategy is guided by historical context, real-time data, and capital market intelligence. As we reach the midpoint of 2025, multifamily real estate is at an inflection point, shaped by economic policy shifts, tightening capital conditions, and evolving investor preferences.

KEY DRIVERS SHAPING 2025

Federal Policy in Focus

The return of 100% Bonus Depreciation under the “Big Beautiful Bill” has reignited investor activity by restoring powerful tax incentives. At the same time, rising tariffs are pushing construction costs higher, which may constrain new supply and increase replacement value for existing assets.

Rebounding Transaction Velocity

According to CBRE, investor sentiment is improving rapidly—over 70% expect their investment activity to recover by mid-year. Combined with the Federal Reserve's pause on further rate hikes, this has created a more optimistic outlook for deal flow heading into Q3 and Q4.

Rent Growth Returns

After two flat years, Yardi Matrix forecasts 4–6% rent growth in key markets—especially for Class B and suburban properties. This marks a return to pre-pandemic pricing power and validates the performance of well-located, value-add assets.

OPPORTUNITY AMID DISTRESS

Debt Maturities & Dislocation

Roughly \$1 trillion in commercial mortgages are coming due in 2025. For owners with floating-rate debt or underperforming assets, this creates pressure to sell. For Viking and our investors, it opens the door to acquire quality assets at an attractive basis.

Build-to-Rent (BTR) & Institutional Pivot

BTR is emerging as a preferred development model, offering renters the privacy of single-family living with multifamily-level management. At the same time, institutional capital is shifting away from overbuilt Class A assets toward workforce housing, where rent growth and occupancy remain strongest.

MARKET POSITIONING & CAPITAL TRENDS

Cap Rates & Treasury Yields

As borrowing costs begin to stabilize, we expect cap rate compression to resume in high-demand markets. With stock market volatility and elevated Treasury yields, more investors are reallocating to real estate for yield, stability, and inflation protection.

Sustainability = Performance

ESG isn't a trend—it's a competitive edge. Green-certified multifamily properties are commanding higher rents, lower turnover, and long-term operating efficiency. This is where we see both financial and environmental ROI accelerating.

2025: A WINDOW OF OPPORTUNITY

2025 is shaping up to be a pivotal year. For those prepared to act with clarity and discipline, this period offers rare advantages—from acquiring distressed assets to capitalizing on tax policy and demographic tailwinds. At Viking Capital, we remain committed to guiding our investors through the complexities of the market with data-backed strategy and institutional execution.

▶ BONUS DEPRECIATION RETURNS TO 100%

In Viking Capital's 2025 Multifamily predictions market report, our CEO, Vikram Raya, stated he is confident Multifamily will be bolstered by the return of 100% Bonus Depreciation in 2025.

MID-YEAR MARKET UPDATE: 100% BONUS DEPRECIATION RETURNS

As of July 2025, the passing of the "Big Beautiful Bill" has officially reinstated 100% bonus depreciation, marking one of the most impactful developments in the multifamily real estate sector this year.

This provision, which allows investors to immediately deduct the full cost of qualifying property in the year it is placed in service, is now permanent. Originally introduced under the 2017 Tax Cuts and Jobs Act, bonus depreciation had been on a scheduled phase-down—dropping to 40% this year and slated to phase out entirely by 2027. The reinstatement of the full deduction has reversed that trajectory and reignited enthusiasm across the investor community.

IMPACT ON MULTIFAMILY INVESTMENT ACTIVITY

According to the National Multifamily Housing Council (NMHC), reinstating 100% bonus depreciation is projected to increase multifamily investment activity by 15–20%, primarily due to the enhanced tax advantages and improved after-tax cash flow for investors. In a market already benefiting from resilient fundamentals, this policy change is expected to accelerate capital deployment and acquisition activity in the second half of 2025.

MARKET OUTLOOK

With continued tailwinds from demographic shifts, resilient demand in Sunbelt and secondary markets, and improved cost structures through bonus depreciation, the multifamily sector is well positioned for strong second-half performance in 2025.

We expect to see increased competition for quality assets and continued appetite from both institutional and high-net-worth investors. For passive investors, access to institutional-grade syndications provides a rare opportunity to participate in the tax advantages and scale typically reserved for larger operators.

If you're evaluating how to position capital for the remainder of the year, the reinstatement of 100% bonus depreciation should be a key consideration in your investment strategy.

INVESTOR CONSIDERATIONS

To fully capitalize on this opportunity, investors should consider the following strategies:

- Accelerate Acquisitions

Ensure that assets are placed in service within the current calendar year to maximize immediate expensing and optimize after-tax returns.

- Conduct Cost Segregation Studies

By separating depreciable components of a property into shorter-lived categories, investors can increase their upfront deductions, thereby reducing taxable income significantly.

- Reinvest Enhanced Cash Flow

Increased liquidity from larger tax deductions can be used to expand portfolios or diversify into additional income-producing assets.



This mid-year policy shift significantly strengthens the investment case for multifamily real estate. 100% bonus depreciation not only enhances investor returns but also adds another layer of tax efficiency—especially in a high-rate, high-inflation environment.

– VIKING CAPITAL'S
VP OF INVESTOR RELATIONS,
CHRIS PARRINELLO



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► INCREASED TRANSACTION VELOCITY BY Q2

In the second quarter of 2025, multifamily real estate has entered a period of accelerating transactional activity. At Viking Capital, we anticipated this shift, driven by improving interest rate dynamics, a more stable capital markets environment, and increased investor confidence. As the Federal Reserve signaled a more accommodative stance, both institutional and private capital have begun reentering the market, positioning Q2 as the inflection point for recovery.¹

INVESTOR SENTIMENT CONFIRMS EARLY RECOVERY

Investor sentiment for multifamily has rebounded sharply. According to CRE Daily, 62% of investors in Q1 2025 now view multifamily as a top-performing asset class—up 40 points from a year earlier highlighting a key distinction: even in the face of macroeconomic uncertainty, seasoned investors are moving forward with conviction.²

This "first-mover advantage" is becoming evident in the multifamily sector, where sellers are more willing to meet the market, and buyers with dry powder are executing quickly. This shift from wait-and-see to tactical deployment has increased the velocity of acquisitions and recapitalizations, particularly for stabilized and value-add assets in high-growth markets.

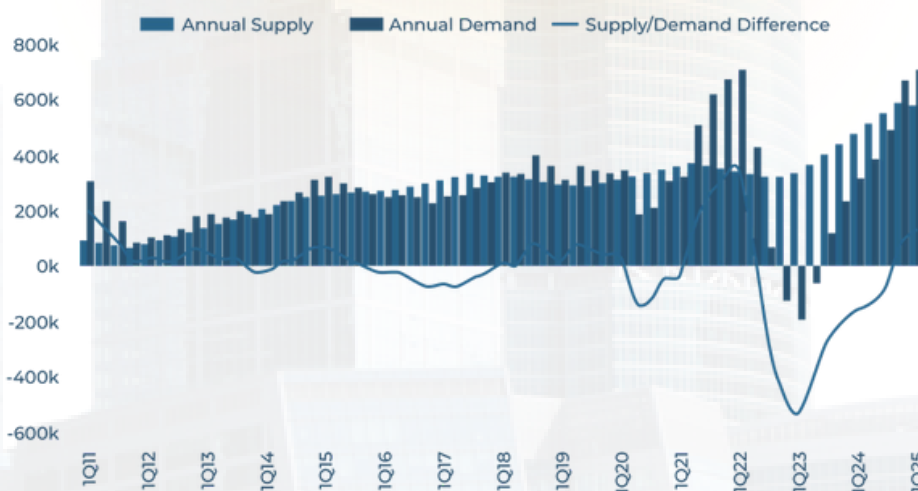
INTEREST RATE DYNAMICS ARE FUELING MOMENTUM

As interest rate cuts become more likely in the second half of the year, borrowing costs are slowly improving. While spreads remain elevated compared to pre-2022 norms, the overall cost of capital is trending downward, reigniting underwriting activity and opening the door for accretive financing strategies.

A RETURN OF MARKET OPTIMISM

Despite inflationary pressures and geopolitical concerns, optimism is growing across the multifamily space. Multiple leading investment firms—including Viking Capital—have signaled their intent to ramp up acquisition activity throughout the remainder of 2025. This market confidence underscores the belief in multifamily's resilience, particularly in Sunbelt and tertiary markets, where fundamentals remain strong and demographic trends continue to drive demand.

RECORD APARTMENT DEMAND PUSHES WELL PAST SUPPLY IN EARLY 2025



Source: RealPage Market Analytics

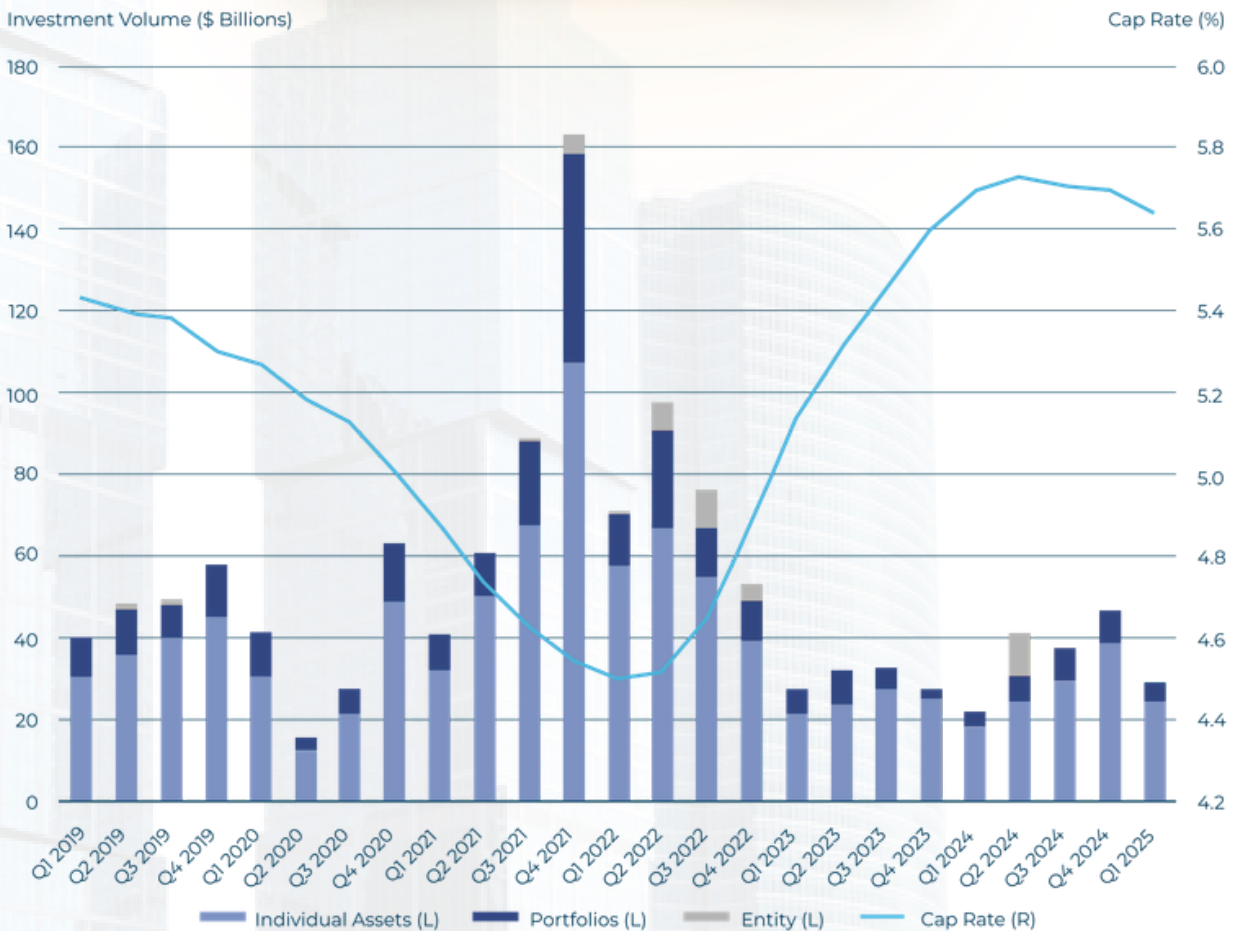
MOMENTUM INTO Q2

Looking forward, CBRE projects a 10% increase in overall investment sales activity by the end of 2025, with multifamily driving much of the recovery. Freddie Mac and Moody's report that 2025 absorption trends are among the strongest since 2000, and Q1 2025 institutional investment in multifamily surged 36%, with \$30 billion deployed—further signifying renewed velocity.³

INVESTOR TAKEAWAYS

With transaction velocity increasing and multifamily fundamentals strengthening, investors have a prime window to act. Here's how to position your capital for success in the second half of 2025:

Lock in Strategic Financing While Rates Remain Stable: While interest rates are no longer at historic lows, the Federal Reserve's pause—and potential easing later this year—makes this a critical moment to secure favorable debt. Lending terms have stabilized, and well-capitalized investors can negotiate strong leverage and structure, particularly for value-add and stabilized opportunities.



Source CBRE Research CBRE Econometric Advisors MSCI Real Assets 012025

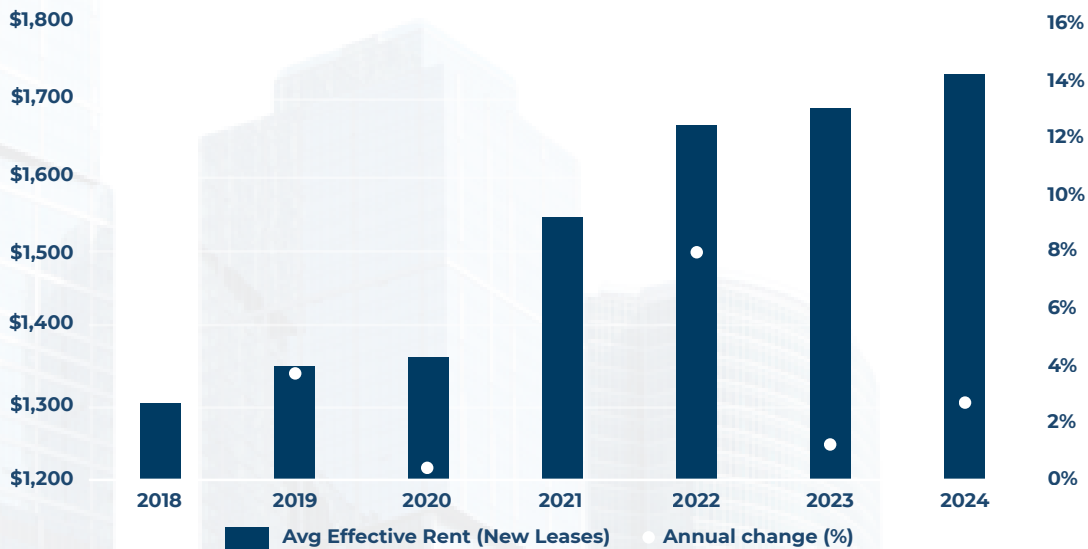
RENTS REBOUND TO PRE-PANDEMIC LEVELS BY SUMMER

After a period of flat or declining rent growth, the national multifamily market is showing signs of recovery through mid-2025. Viking Capital is tracking rent growth at the property level, ensuring we are on track with current data trends.

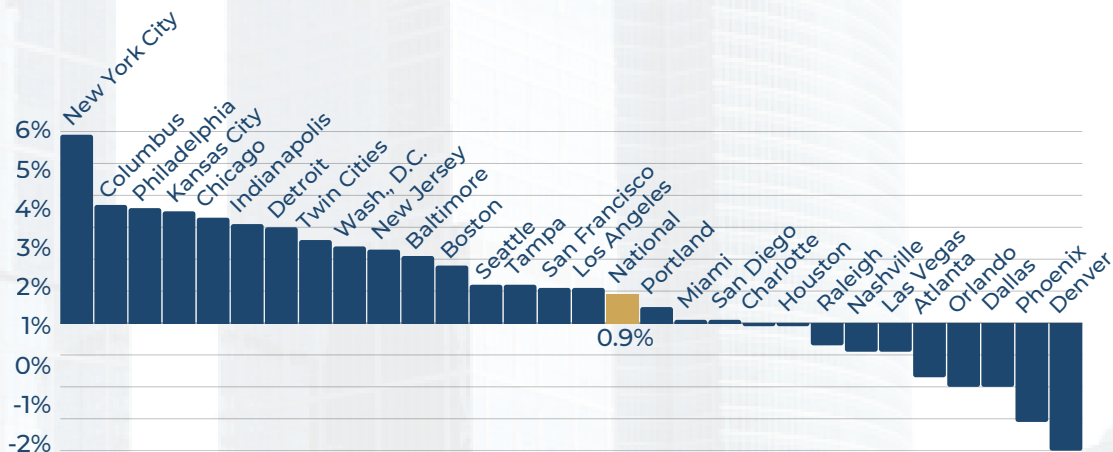
According to Yardi Matrix, average advertised rents grew by \$5 in both March and April—raising national rent levels to approximately \$1,755 and \$1,736, respectively, marking around 1% year-over-year growth.⁴

CBRE confirms this emerging trend, reporting that apartment absorption is at its highest level since 1985, reinforcing the narrative of a landlord-friendly market poised for rent appreciation.⁵ Moody's Analytics CRE supports this outlook, noting a 2% year-over-year effective rent increase in Q1 2025, with rents now more than 20% higher than pre-2019 levels.⁶

AVERAGE EFFECTIVE RENT 2018-2024



JAN - APRIL 2025 RENT GROWTH



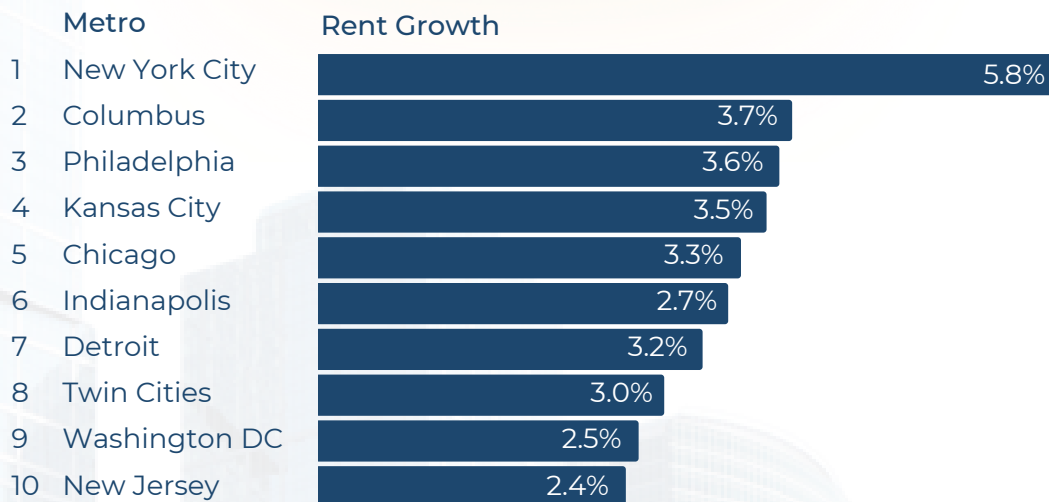
Source: Yardi Matrix April Monthly Report

MARKET MID-YEAR PERFORMANCE

The multifamily sector continues to show signs of stabilization and recovery, with rent growth resuming across many U.S. markets in 2025. After a period of compressed performance in select regions due to supply surges and economic uncertainty, key drivers such as domestic migration, demand resiliency, and shifting capital are restoring upward pressure on rents.

According to Yardi Matrix, national average rent growth stands at 1.0% year-over-year as of mid-2025, with stronger momentum observed in specific regions. Notably, markets in the Northeast and Midwest are outperforming, driven by lower levels of new supply and steady population growth.⁷

TOP 10 MARKETS FOR YOY RENT GROWTH



Data as of April 2025 Source: Yardi Matrix

NATIONAL FORECASTS

- Yardi Matrix projects national rent growth of 1.5% in 2025
- Fannie Mae estimates annualized rent growth in the range of 2.0% to 2.5%, fueled by ongoing job gains and healthy rental demand from the 20- to 34-year-old demographic

These moderate forecasts reflect a balanced outlook for the multifamily sector, with growth concentrated in select markets exhibiting stronger fundamentals.

DRIVING FACTORS

Several key factors are contributing to the rebound:

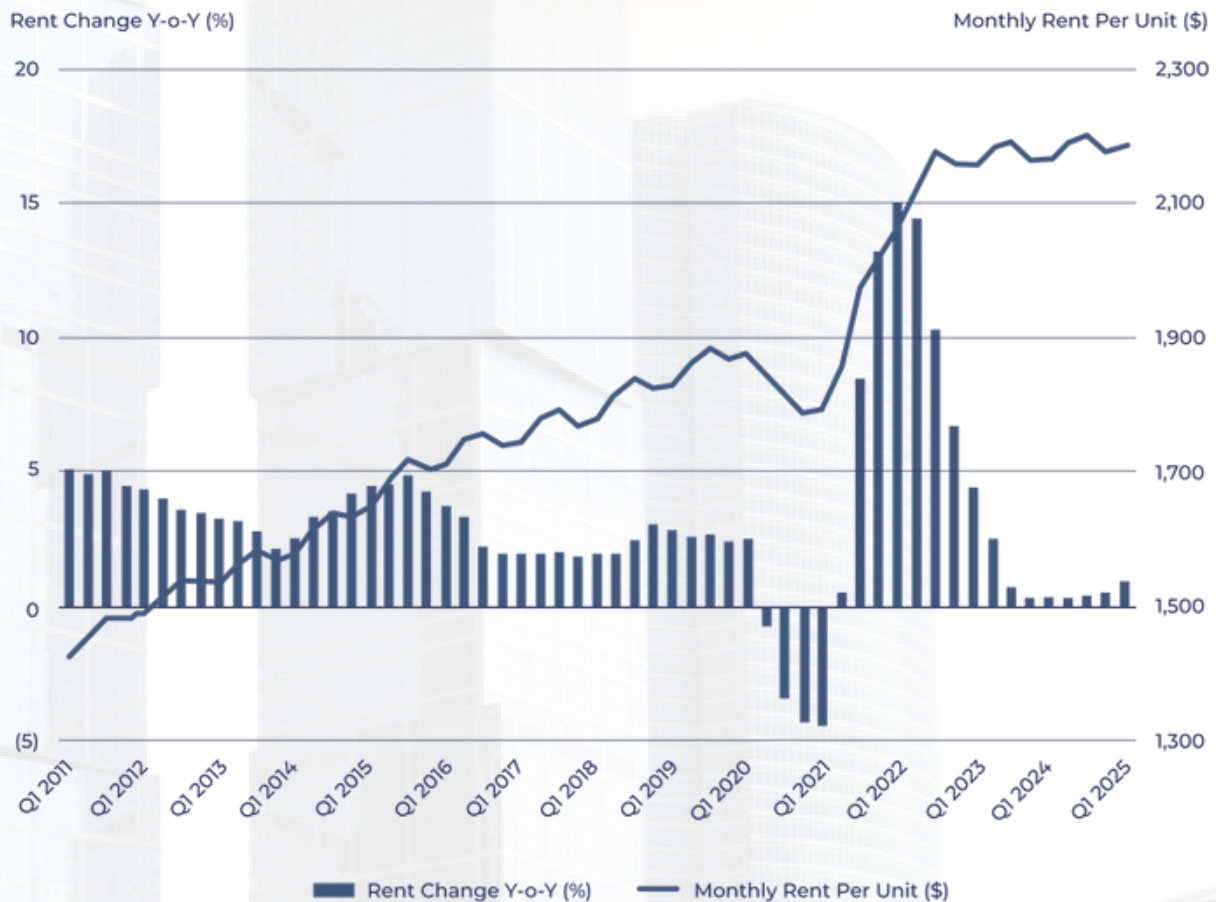
- **Continued Domestic Migration:** The Northeast and Midwest regions are benefiting from steady population growth, bolstering housing demand. While the Sun Belt continues to lead in-migration for the U.S.
- **Strong Housing Demand Outpacing Supply:** Despite a robust supply pipeline, with forecasted completions of approximately 525,000 units in 2025, demand remains strong, particularly in markets with less new supply.⁷

STRATEGIC INSIGHTS FOR INVESTORS

- **Emphasize Improved Cash Flows:** Rent growth rates return to a stable 1–1.5% range, with stronger gains of 3–6% in select high-performing metros.
- **Focus on Constrained Markets:** Investors should target gateway and secondary metros with tighter supply pipelines.
- **Leverage Value-Add Opportunities:** Properties in transitional markets offer upside via rental resets and operational improvements.
- **Monitor Sun Belt Rebalancing:** While oversupply is still a challenge, occupancy is recovering—pricing could rebound into H2 2025.

THE TAKEAWAY

As of mid-2025, rent growth is firmly back, driven by market conditions that favor landlords in a select group of markets. Investors who align with demographic and supply trends, particularly in markets with consistent demand, are positioned to benefit from stable and improving multifamily income streams.

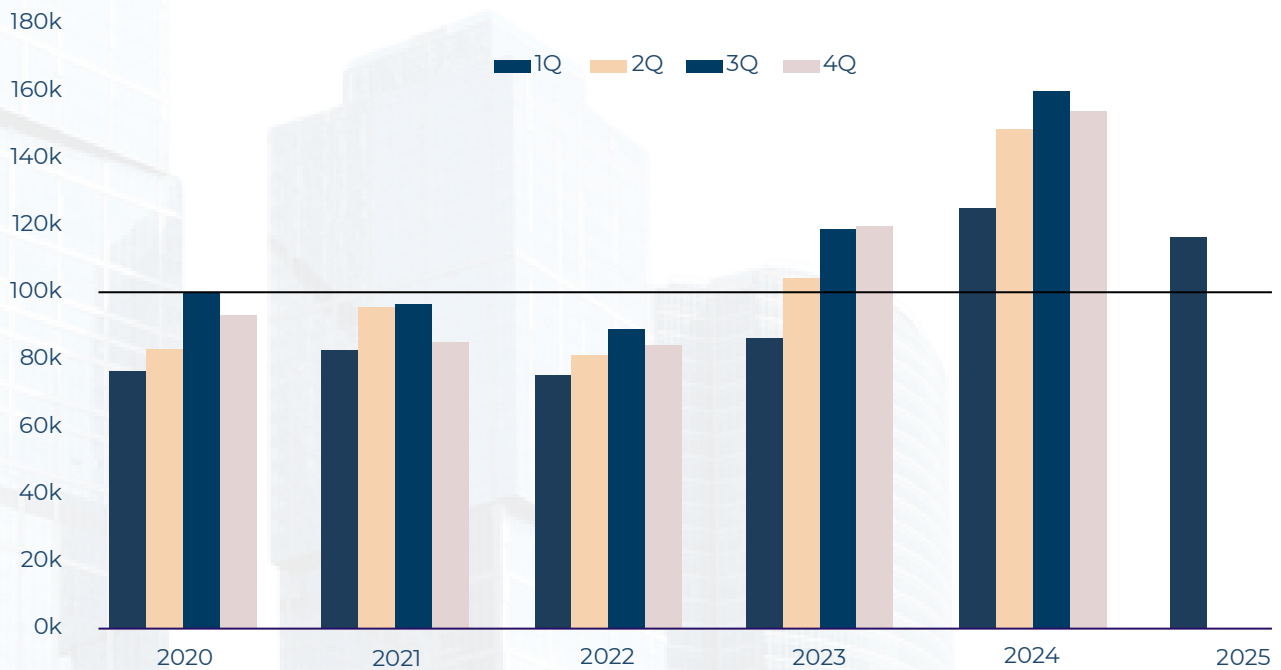


▶ INCREASED SUPPLY ABSORPTION AND MULTIFAMILY IMPACT

As new supply continues to decline and absorption rates accelerate, multifamily investors are benefiting from several favorable trends. Chris Parrinello, Viking Capital’s V.P. of Investor Relations, stated early this year, “Through the record absorption being seen, coupled with slowing new deliveries, 2025 would be a strong year for Multifamily demand.”

This statement is bolstered by current data showing occupancy is rising as fewer new units come online, driving increased demand for existing properties and tightening vacancies. A Q1 CBRE, Multifamily report noted; “Renter demand continued to outpace new deliveries in Q1, lowering the overall multifamily vacancy rate to 4.8% and net absorption increased by 77% year-over-year in Q1 to 100,600 units. This is the highest Q1 absorption since 2000 and is more than triple the pre-pandemic Q1 average.” This limited availability gives operators stronger pricing power, allowing for more confident rent increases. As a result, higher occupancy and rising rental income are boosting net operating income (NOI), enhancing overall investment performance.⁸

QUARTERLY SUPPLY DROPS NOTABLY IN 1Q



Source: RealPage Market Analytics

SUPPLY TRENDS & MARKET RESPONSE

- **Sharp Declines in New Supply:** CoStar Group reports estimated multifamily completions of approximately 485,000 units in 2025, representing a 30% drop from 2024 levels (expected to have peaked at about 700,000+ units). This moderation in development is occurring amid a broader pullback from office and industrial sectors as well.⁹
- **Absorption Outpaced Deliveries:** Net absorption across the U.S. is projected to remain positive in 2025. CoStar’s Commercial Repeat-Sale Indices indicate negative net absorption totaling -83.9 million square feet in Q2 2025, illustrating that older and non-luxury product continued to fill more quickly than new supply could depress inventory levels.¹⁰

KEY TAKEAWAYS FOR INVESTORS

- **Higher Occupancy Rates:** Absorption is accelerating in many markets like Austin, Miami, and parts of the Northeast, driving vacancy rates back toward long-term averages.
- **Rental Increase Potential:** Operators are raising rents on stabilized assets and selectively re-leasing vacated units at market rates.
- **NOI Growth Opportunities:** Improved income stream projections support better valuations and stronger equity returns in stabilized and value-add assets.

IMPACT OUTLOOK

With absorption exceeding new deliveries, especially in mid-tier and value-add segments, investors can expect improved NOI performance in 2025. As supply risks diminish, demand-driven rent increases and occupancy compression position the multifamily sector for renewed stability and growth.

► SUN BELT MIGRATION TRENDS: MID-2025

SUSTAINED SUN BELT MOMENTUM DESPITE COOLING TREND

While the overall pace of migration has slowed since the pandemic peak, Sun Belt markets continue to anchor U.S. migration patterns. Strong structural demand remains in key metro corridors, while secondary presence is building in states like South Carolina and North Carolina.

Viking Capital is isolating established metros and with surrounding growing markets that are well-positioned for sustained demand, rent resilience, and long-term appreciation opportunity.

TOP MIGRATION DESTINATIONS

From July 2023 to July 2024, the top five states for net domestic inbound migration included:

- Texas: +85,267 residents
- North Carolina: +82,288 residents
- South Carolina: +68,043 residents
- Florida: +64,017 residents
- Tennessee: +48,476 residents

South Carolina notably rose to the top of U-Haul's 2024 Growth Index—surpassing Texas for the first time, with over 51.7% of moves being inbound.¹¹

CITY-LEVEL GROWTH LEADERS

Metro areas that led in relocation activity included:

- Dallas–Fort Worth, the #1 U-Haul growth metro of 2024
- Charlotte, closely trailing DFW
- Phoenix, Lakeland (FL), and Austin also ranked among the top five

These metro-level trends underscore continued demographic strength in key Sun Belt markets.¹²

HEADWINDS AND NEW PATTERNS EMERGING

Although the Sun Belt remains dominant, migration patterns are shifting. Studies note that growth in markets like Texas and Florida has slowed since its pandemic-era height. For example:

- Texas migration dropped from over 222,000 net domestic in 2022 to just 85,000 in 2024¹¹
- Florida declined from 314,000 to 64,000 over the same timeframe¹¹

Meanwhile, Snowbelt states and the Rust Belt are experiencing a population rebound as outflows subside and climate costs or hyper-heating in the Sun Belt dampen outbound migration. Missouri, Wisconsin, and Illinois are regaining population via both domestic stabilization and immigration.

IMPLICATIONS FOR INVESTORS

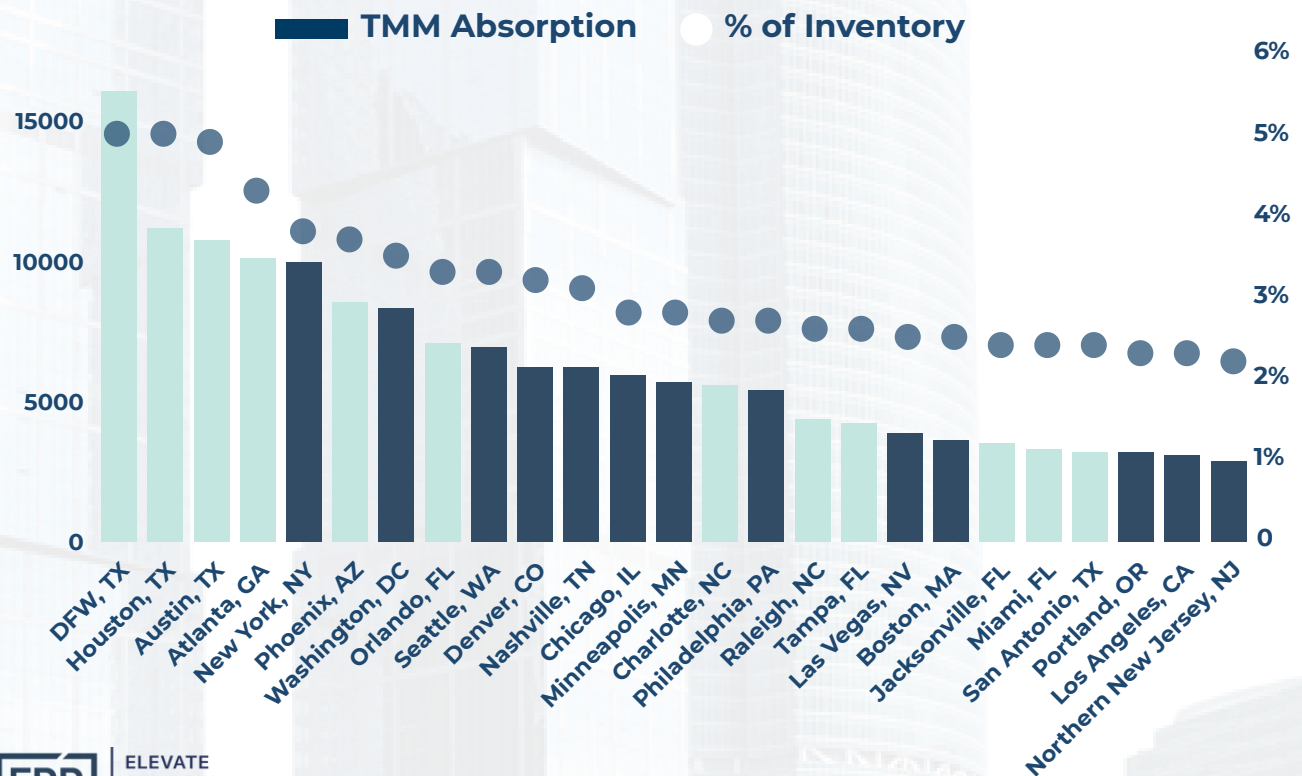
- **Focus on Diversified Sun Belt Assets:** Markets like Dallas, Charlotte, Phoenix, and rapidly growing states like South Carolina present multifamily investment strength driven by continued inbound flows, despite overall moderation.
- **Watch Out for Inventory Saturation:** Supply pipelines remain critical in cities where migration momentum has decelerated. Markets like Austin and parts of Florida may exhibit softer rent growth until absorption catches up.
- **Explore Opportunities in Emerging Markets:** Secondary gateway and Sun Belt-adjacent markets, particularly in the Carolinas and Tennessee, are maintaining strong per capita growth and investor interest.
- **Monitor Long-Term Demographic Shifts:** Climate migration, affordability, and workforce distribution are influencing migration away from historically overpacked metro hubs, widening opportunities in broader Sun Belt and emerging Snowbelt regions.

SUNBELT MIGRATION TRENDS: MID 2025 SNAPSHOT

As we move through 2025, Sun Belt states continue to lead national domestic migration, though at more normalized levels compared to the pandemic boom. Rising affordability issues and climate concerns are moderating relocation, but demand remains strong in many key metros. Investors in the multifamily real estate sector.

TOP MARKETS FOR DEMAND ARE MOSTLY IN THE SOUTH

20000 SUN BELT STILL DOMINATES FOR NEW APARTMENT DEMAND



► STRESS ON MULTIFAMILY OPERATORS WITH VARIABLE RATE DEBT

KEY DRIVERS OF DISTRESS

- Rising Refinancing Risk as Floating Debt Resets
- Loan Maturities Share Heightened Risk
- Limited Refinancing Options
- Early Signs of Distress Emerging

RISING REFINANCING RISK AS FLOATING DEBT RESETS

By mid-2025, many multifamily operators are navigating increasing financial stress due to floating-rate debt that is maturing or resetting at significantly higher interest rates than when originally issued. Moody's Analytics estimates that approximately \$180 billion of U.S. multifamily floating-rate loans will reset by 2026, many carrying debt service coverage ratios (DSCRs) below 1.25x if interest rates stay above 4.5%.¹³

The surge in borrowing costs is creating headwinds for sponsors who acquired assets in 2020–2021 under historically low interest rates.

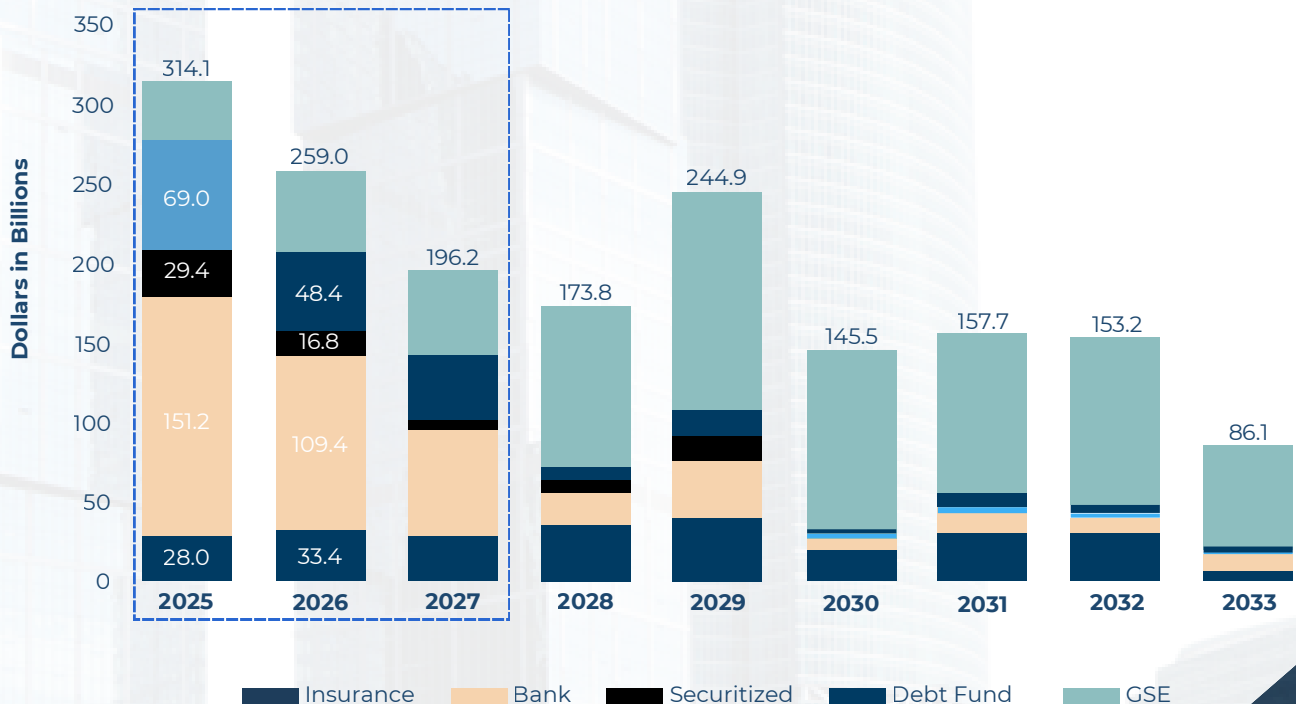
At Viking Capital, our acquisition team is actively navigating this financial turbulence, analyzing thousands of deals each month. In times of uncertainty, strategic investors can find exceptional opportunities, and we're committed to positioning our investors for success.

LOAN MATURITIES SHARE HEIGHTENED RISK

A substantial portion of multifamily mortgages that originated in the past 5–7 years are maturing in 2025–2026. Many were underwritten at aggressive valuations and low cap rates, making refinancing at today's rates more challenging.

Freddie Mac data shows a growing share of maturing loans originated in 2017–18 with 7– and 10-year terms. In 2025, 11.3% of loans are maturing with terms of five years or less, and 37.9% with 5–7 year terms, often underwritten with narrow margins. Many such loans include supplemental financing; if NOI falls short, refinancing becomes difficult.¹⁴

MULTIFAMILY LOAN MATURITIES BY LENDER GROUP



Source: MBA, Trepp, RCA, Newmark Research as of 4/25/2025
*Adjusted for year-to-date estimated loan originations

LIMITED REFINANCING OPTIONS

Tighter underwriting standards, cautious lenders, and reduced property valuations are limiting the ability of some owners to refinance without injecting new capital or selling at a discount.

Fitch Ratings identified that 60% of CMBS and life company watch-list multifamily loans in 2024 are concentrated in five gateway metros¹³:

- New York
- Los Angeles
- Chicago
- Houston
- Atlanta

EARLY SIGNS OF DISTRESS EMERGING

As of Q2 2025, delinquency rates on multifamily loans have risen modestly. Agencies like Fannie Mae and Freddie Mac have noted upticks in serious delinquencies, while special servicing rates for multifamily CMBS loans have increased compared to 2023.

Trepp reports that special servicing activity rose 25% in 2024, signaling increasing distress on multifamily CMBS and bank-held loans.

Though widespread default has yet to occur, the trend has raised concern: multifamily loan delinquency rates have climbed, with seriously delinquent loans (90+ days) rising to ~0.68% for Fannie Mae and 0.45% for Freddie Mac as of April 2025—levels not seen since the 2011 post-recession peak.¹⁵

MARKET IMPLICATIONS

While broader fundamentals in multifamily remain healthy, particularly in high-demand regions, debt exposure will be the defining challenge for many operators. Investors should conduct thorough due diligence on capital structures, debt maturities, and sponsor financial strength before deploying capital.

- **Distress-Driven Opportunities:** Investors with capital and operational expertise are well-positioned to acquire quality assets at a discount from over leveraged owners unable to refinance.
- **Fixed-Rate Advantage:** Buyers with fixed-rate financing can maintain stronger cash flow visibility and avoid short-term rate volatility.
- **Strategic Partnerships Matter:** Working with experienced operators who have strong lender relationships and proven risk management practices is essential in this environment.

► TARIFFS AND IMMIGRATION POLICIES SLOW SUPPLY

Tariffs and stricter immigration policies under the current administration are poised to significantly impact multifamily real estate development in 2025. Trade and immigration pressures in 2025 are increasing construction costs and labor disruption, slowing new multifamily supply. Well-positioned investors may benefit from reduced competition and rising rent leverage.

In our 2025 predictions, Viking Capital anticipated increased costs for building materials and persistent labor shortages, which ultimately led to delayed project timelines, reduced new supply, and upward pressure on rents.

RISING CONSTRUCTION COSTS

- **Steel and aluminum tariffs reinstated March 2025:** The U.S. government reimposed a 25% tariff on imported steel and aluminum, expanding later to 50% in June. These measures have raised construction costs by billions and substantially impacted material-intensive projects.
- **NAHB estimates additional \$14 billion in import costs:** With 7% of multifamily and single-family construction materials imported, the new duties place a heavier financial burden on developers, with NAHB reporting a 41.6% rise in construction costs over the last five years

LABOR SHORTAGES

- **Undocumented construction workers face removal and fear:** Heightened ICE raids and deportation efforts in early 2025 have discouraged undocumented workers—who constitute 14% of the construction workforce—from showing up, while their departure raises labor costs.¹⁶
- **Compounding workforce strain:** As fewer workers are available, labor shortages are increasing wages (up nearly 9.5% year-over-year for residential construction as of February) and delaying related projects nationwide.¹⁷

SUPPLY PIPELINE DISRUPTION

- **Construction delays and reduced starts:** Escalating material prices and workforce constraints are pushing developers to delay or cancel new multifamily projects, tightening supply further.¹⁸

KEY IMPACTS THROUGH YEAR-END:

- **Development Slowdown:** Rising input costs are expected to reduce new project starts, constraining new housing supply through at least mid-2026.
- **Higher Rents Ahead:** With fewer units coming online and demand remaining elevated—especially in Sun Belt and tertiary markets—rental rates may see upward pressure, benefiting owners of stabilized assets.
- **Increased Value for Existing Assets:** Investors may shift focus toward value-add strategies and acquisitions, as new construction becomes less feasible. This could push pricing for existing multifamily properties upward.
- **Labor Challenges Add to the Strain:** Stricter immigration enforcement policies have further exacerbated construction labor shortages, inflating wages and adding risk to delivery timelines.
- **Investor Caution, Strategic Shifts:** Institutional and private capital alike are expected to prioritize markets with lower construction risk, lean into stabilized or near-stabilized deals, and avoid speculative ground-up projects.

HOW TARIFFS WILL LIKELY IMPACT THE MULTIFAMILY MARKET

As we move through the second half of 2025, the multifamily real estate sector is already feeling the effects of the Biden administration's tariff policies, particularly the 25% reinstated tariffs on steel and aluminum, and additional import restrictions on construction materials from China, Canada, and Mexico. These measures are contributing to rising development costs, delayed construction timelines, and growing market uncertainty for developers and operators.

According to the National Association of Home Builders (NAHB), these tariffs are expected to raise construction costs by \$3–\$4 billion this year alone. For multifamily projects, this means higher per-unit build costs, tighter project margins, and in many cases, postponed or canceled developments—especially in high-cost or low-margin markets.

How does the availability of construction labor compare to three months ago?

	Mar 2025	Dec 2024	Sep 2024
More available	28%	30%	28%
Less available	16%	0%	10%
Roughly the same	50%	59%	55%
N/A	5%	11%	7%

What are your expectations for the overall multifamily construction market?

	I expect conditions will improve (i.e., easier to build)	I expect conditions will decline	I expect conditions will remain the same	Don't know/ N/A
Over the next 3 months	8%	28%	64%	0%
3-6 months from now	25%	21%	51%	3%
6-12 months from now	60%	16%	19%	6%

Survey from March 2025

KEY INSIGHTS FROM VIKING CAPITAL

As these economic policies unfold, multifamily investors must remain agile, adapting their strategies to mitigate risks and capitalize on shifts in supply and demand within the real estate market. Staying informed about policy changes and market dynamics will be crucial for making strategic investment decisions in this evolving landscape.

Forming strategic partnerships with experienced developers—those with proven track records, land ownership, and in-house construction teams—will be crucial in capitalizing on market opportunities. With new development starts at an all-time low, well-positioned projects have the potential for significant upside. Investors who align with strong development teams can take advantage of this unique timing to maximize long-term success.

QUARTERLY SUPPLY AND ANNUAL INVENTORY GROWTH

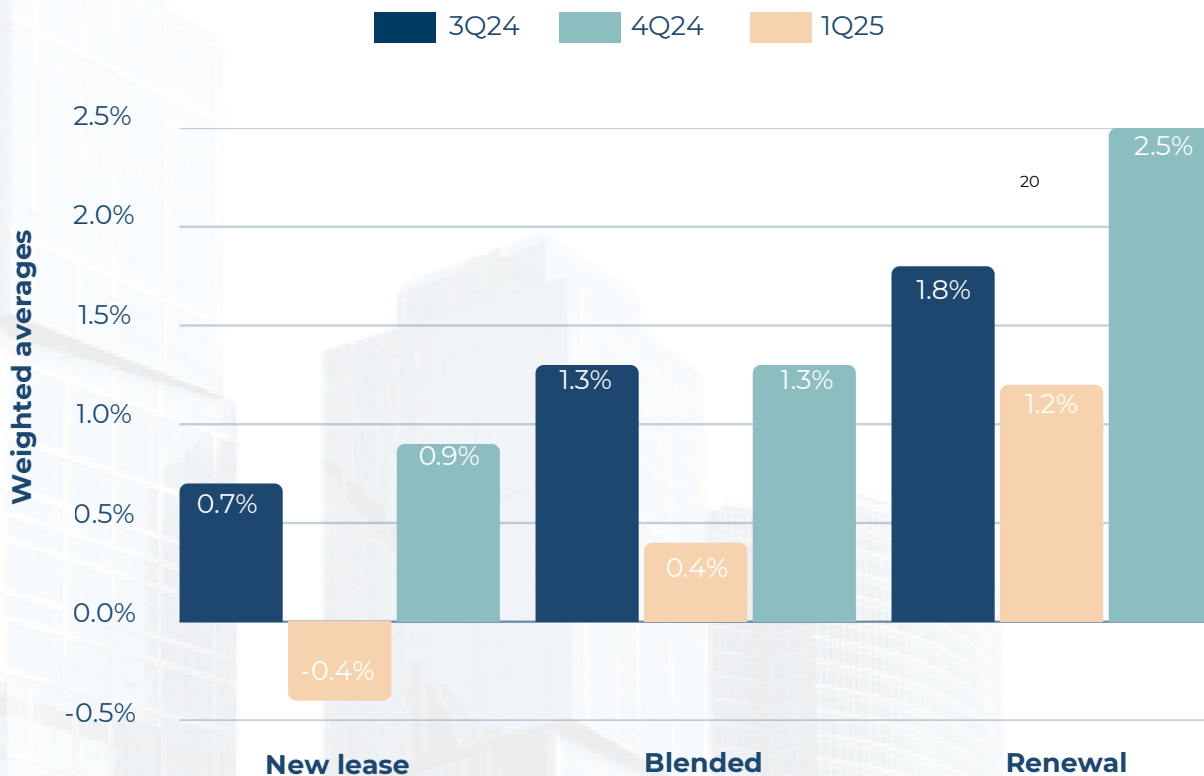


Source: Newmark Research, RealPage

► BUILD-TO-RENT (BTR) EXPANSION

The Build-to-Rent (BTR) sector has reached a pivotal moment in 2025, with record-breaking deliveries and an accelerating pipeline signaling its emergence as a dominant force in U.S. housing—especially in the Sun Belt. Amid persistent affordability challenges and rising mortgage rates, more Americans are turning to BTR communities as an attractive alternative to homeownership. These purpose-built neighborhoods offer the space, privacy, and amenities of single-family living with the flexibility of renting—making them especially appealing to families, remote workers, and downsizing baby boomers. As a result, institutional investment and development in the sector continue to surge, reshaping the suburban rental landscape.

NATIONAL | YOY BUILD-TO-RENT ASKING RENT GROWTH: NEW LEASE, BLENDED, RENEWAL



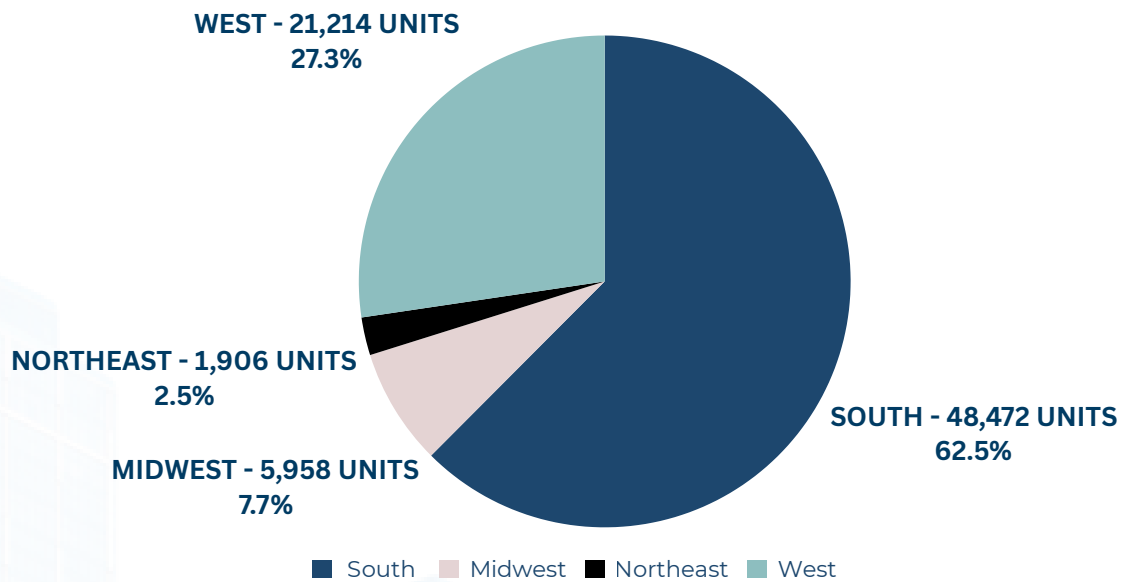
RECORD-BREAKING 2024 DELIVERIES

- The U.S. saw a historic high of 39,000 single-family BTR homes delivered in 2024, a 15.5% increase from 2023—marking a dramatic sixfold rise compared to the pre-pandemic annual average of ~6,500 units.¹⁹
- These homes were primarily concentrated in Sun Belt metros—Phoenix (4,460 homes), Dallas (3,197), Atlanta (3,035), and Houston (2,505).¹⁹

ROBUST PIPELINE SUPPORTS CONTINUED GROWTH

- As of March 2025, approximately 78,000 BTR units were under construction nationwide, with the South region accounting for 48,500 units (~62%), followed by the West at ~21,200 units.²⁰
- RealPage reports an additional ~90,000 BTR units planned across the top 100 U.S. metros by April 2025.²⁰

South Region Dominates BTR Construction Pipeline



*As of March 2025

DOMINANT SUN BELT PRESENCE

- Phoenix leads the national BTR category with over 11,500 units under construction (~18% of the U.S. total pipeline).
- Other active Sun Belt metros include Dallas (5,500 units), Houston (4,470), Austin (3,734), Atlanta (2,827), Tampa (2,559), and Charlotte (1,202).
- Secondary markets like Myrtle Beach (983), Nashville (971), Raleigh/Durham (936), and Denver (1,182) are also showing strong BTR momentum.

DEMAND SHIFTS FUELING GROWTH

- Pre-COVID BTR delivery averaged about 6,000 homes annually—today, it comprises roughly 10% of all new single-family starts, with institutional investment accelerating.²¹
- A 2024 JBREC survey found a 9% increase in renters' preference for BTR vs apartments, with many seeking more space, yards, and community amenities.²¹

STRATEGIC INVESTOR TAKEAWAYS

Sun Belt is BTR epicenter—especially Phoenix, Dallas, Atlanta—offering volume and strategy. Pipeline strength creates scale equity for operators with multiple projects in-seat. Rental preferences shift toward BTR as a standalone lifestyle choice. Institutional appeal is rising, as large investors like Blackstone and AvalonBay expand BTR portfolios.

- Scale matters: Platforms with multiple BTR assets are achieving operational efficiency and cost leverage.
- Secondary markets offer upside: Places like Raleigh, Nashville, and Myrtle Beach are emerging as BTR frontiers with less supply competition.
- Diverse renter base: Multi-generational families, downsizing empty-nesters, and remote-worker millennials now drive demand.
- Portfolio diversification: BTR offers a hedge against traditional multifamily slowdown, with built-in pricing resilience and appeal.

▶ INSTITUTIONAL INVESTMENT IN WORKFORCE HOUSING

As affordability challenges reshape the multifamily investment landscape, institutional interest in workforce housing is poised to grow. The multifamily landscape in 2025 continues to favor strategic investors, particularly within workforce housing segments. Rising affordability pressures, demographic shifts, and shifting development trends are converging to create a market ripe for value-enhanced and income-generating investments.

SUSTAINED DEMAND IN WORKFORCE HOUSING

- **Affordability gap fuels occupancy:** With U.S. homeownership costs still outpacing rent by approximately 65%, renters are increasingly opting to stay in or move to multifamily units, especially workforce housing.²²
- **High and stable occupancy rates:** National apartment occupancy reached 95.7% in April 2025, up 140 basis points year-over-year. Many workforce-focused assets in sub-95% regions already command stronger occupancy due to limited affordable options.²³

VALUE-ADD POTENTIAL

- **Operational improvements remain a low-risk lever:** With new supply slowing—median pipeline projected to drop ~15% in 2025 and ~54% in 2026—operators can focus on renovating and renting existing assets.
- **Rent growth upside:** In less supply-pressured metros, especially in the Midwest and Northeast—effective rent growth is trending at 3–4% annually, offering an opening for upgraded workforce housing to reset rents.²³



As affordability pressures reshape the multifamily investment landscape, institutional interest in workforce housing is poised to grow. The sector offers a compelling combination of stability, resilience, and growth potential.

CHRIS PARRINELLO
VP OF INVESTOR RELATIONS AT
VIKING CAPITAL

INSTITUTIONAL MOMENTUM

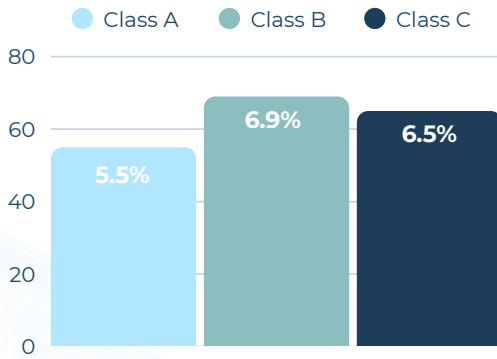
- **Capital rotation into affordable niches:** Institutional investor surveys—from Virtus, NMHC, and similar outlets—confirm growing allocations into workforce housing, driven by shelter affordability and stable demand.
- **First-mover advantage:** JLL forecasts that early adopters in workforce housing will enjoy outsized returns in 2025, supported by shrinking competition from speculative new builds.

FINANCIAL STABILITY & PROJECTIONS

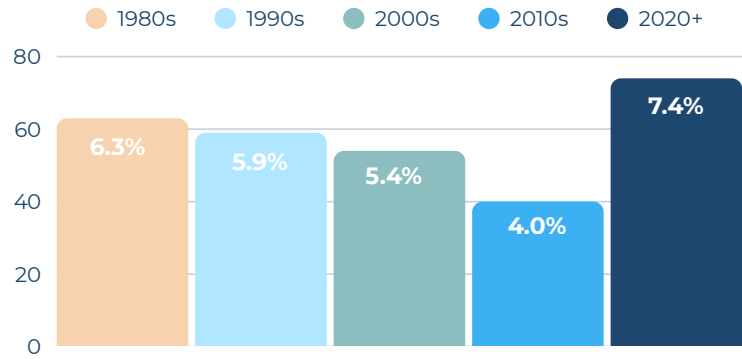
- **Resilient cap rates:** Newmark reports that while workforce cap rates remain steady, premium assets may see slight compression as investor appetite intensifies.
- **Cash-flow confidence:** JLL's mid-2025 outlook confirms that workforce housing will deliver consistent cash flows and compounding returns—even amid economic variability.

CLASS B & NEWER BUILDS LEAD 5 YEAR GROWTH

EFFECTIVE RENT GROWTH CAGR BY RENT GROWTH; PAST 5 YEARS (2Q20-1Q25)



EFFECTIVE RENT GROWTH CAGR BY VINTAGE; PAST 5 YEARS (2Q20-1Q25)



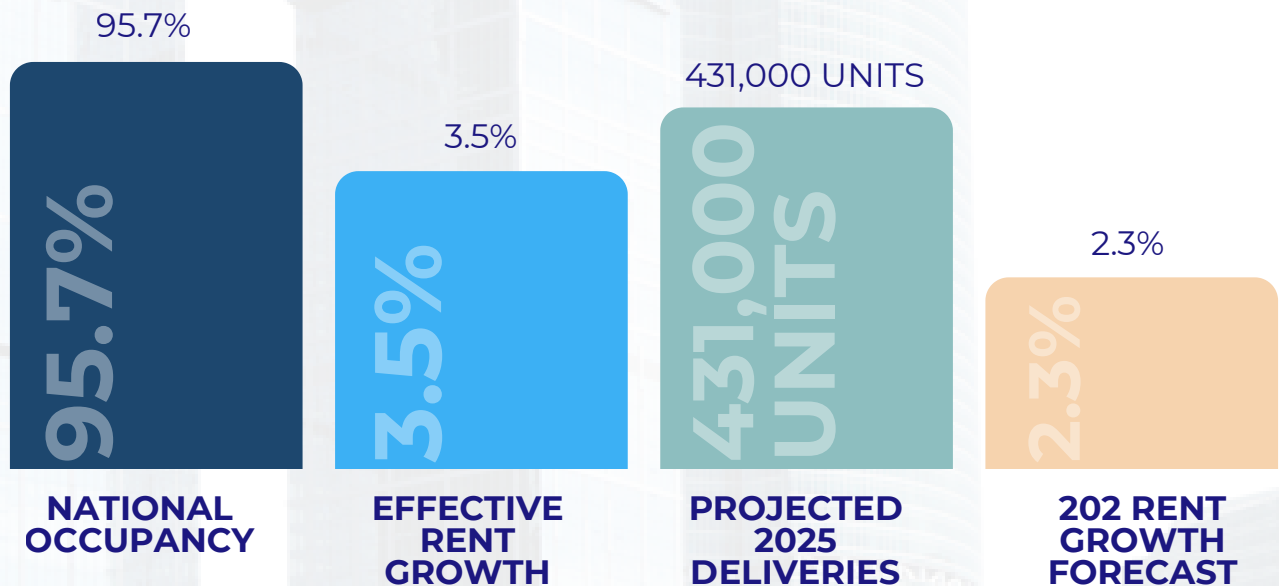
Source: Newmark Research, RealPage

The remainder of 2025 remains promising for multifamily investors concentrated on workforce housing. With structural demand, steady occupancy, and strong institutional backing, these assets offer a solid path to stable returns and ongoing value creation.

INVESTMENT OUTLOOK & OPPORTUNITIES

- **Institutions prioritize workforce housing:** Its demand and profitability remain less vulnerable to economic shocks.
- **Capitalize on subdued supply:** **A)** New deliveries are set to fall sharply (-15% in 2025, -54% in 2026), generating opportunities for NOI expansion. **B)** New Development opportunities set to debut in 2026-2027, will have much less competition than those that came online over the past 3 years.
- **Monitor regional variances:** Midwest and Northeast markets are leading rent growth—Western and Sun Belt metros are following as pipelines clear.

MID-2025 FINANCIAL RESILIENCE & MARKET DYNAMICS



▶ EXPANDING RETAIL INVESTOR ACCESS TO ALTERNATIVES IN 2025

THE POWER OF RETAIL INVESTORS

The demand for alternative investments among high-net-worth individuals is surging in 2025, fueled by a desire for greater diversification, inflation hedging, and access to opportunities traditionally reserved for institutional investors—such as private equity, real estate, and infrastructure. This trend is most visible in the explosive growth of retail participation across ETFs and alternative fund vehicles. In Europe, the number of retail ETF investors more than doubled from 296,000 in 2023 to 509,000 in 2024, and over 435,000 investors in France alone traded ETFs in Q1 2025.²⁴

INSTITUTIONS RESPOND WITH RETAIL-FOCUSED OFFERINGS

In response, major institutional firms like Hamilton Lane are launching tokenized and low-minimum investment vehicles, aiming to tap into a \$13 trillion global opportunity by democratizing access to private markets. Market projections suggest that global alternative investments could expand from \$25 trillion in 2023 to \$60 trillion by 2032, much of it driven by rising retail allocations. This infusion of retail capital is reshaping the investment landscape—enhancing liquidity, diversifying investor bases, and fostering a more inclusive market.

MARKET IMPLICATIONS & GROWTH POTENTIAL

- **Total AUM Trajectory:** Private market investments are projected to grow from \$25 trillion in 2023 to \$60 trillion by 2032, with retail inflows expected to play a major role.
- **Adoption Drives Innovation:** Platforms like Cboe Europe are launching retail-optimized trading services to support this growth.

IMPLICATIONS FOR MULTIFAMILY INVESTING

1. **Democratized Capital Access:** Multifamily syndications and tokenized real estate funds now offer retail investors entry points previously limited to institutions.
2. **Increased Liquidity & Asset Pricing:** Broader retail participation may boost asset turnover and pricing power, especially in high-quality workforce and multifamily sectors.
3. **Need for Robust Structure:** To support retail inflows, managers will require transparency, liquidity mechanisms, and plain-language disclosures.

RETAIL INVESTMENT INTO MULTIFAMILY

For multifamily real estate, particularly workforce housing, the convergence of institutional-grade structure with retail accessibility opens the door to significant capital inflows. With the right transparency, investor education, and regulatory guardrails, sponsors and platforms are well-positioned to capture this expanding pool of motivated, yield-hungry investors.



"In January, I had conversations with several institutional firms and developers who were eager to learn about Viking Capital's strategy for attracting retail investors, since then these conversations have only gotten more common"

CHRIS PARRINELLO,
VP OF INVESTOR RELATIONS

► CAP RATE STABILIZATION: MID-2025 UPDATE

The multifamily market has navigated significant volatility in recent years, marked by rising interest rates and elevated cap rates. However, current data suggest that stabilization is underway, with cap rate spreads narrowing as borrowing costs begin to ease.

KEY DRIVERS OF STABILIZATION

The anticipated stabilization of cap rates can be attributed to a number of factors:

- **Easing Borrowing Costs:** CBRE forecasted approximately three Fed rate cuts totaling 75 basis points over 2025, which should reduce financing pressure for multifamily investors. Though we have not seen the Fed cut in 2025, economists still anticipate cuts this year.
- **Improving Investor Sentiment:** CBRE's early 2025 survey showed sharp increases in investor confidence for core multifamily, with going-in cap rates compressing by 6 bps to 4.83%, and exit rates stabilizing around 5.00%.²⁵
- **Supply-Demand Rebalancing:** After peak deliveries in 2023-'24, annual completions in Q1 2025 declined by ~27%, and absorption (131,000 units in Q1) outpaced new supply—tightening market fundamentals.

MARKET PROJECTIONS

- **Cap Rate Compression Expected by Year-End:** First American models project cap rates declining from about 5.7% in Q3 2024 to 5.2% by end-2025—a drop of approximately 50 bps, reflecting a recovering investment market.
- **Geographic Variance**
 1. Core cap rates in Sun Belt markets (Phoenix, Dallas, Atlanta) are anticipated to compress 25–50 basis points by late 2025, driven by strong population and job growth.
 2. National average cap rates have edged down to 5.6–5.7% in recent quarters and are on track to stabilize near 5.2–5.5% over the next 12–18 months.

IMPLICATIONS FOR INVESTORS

The stabilization of cap rates presents a unique opportunity for multifamily investors:

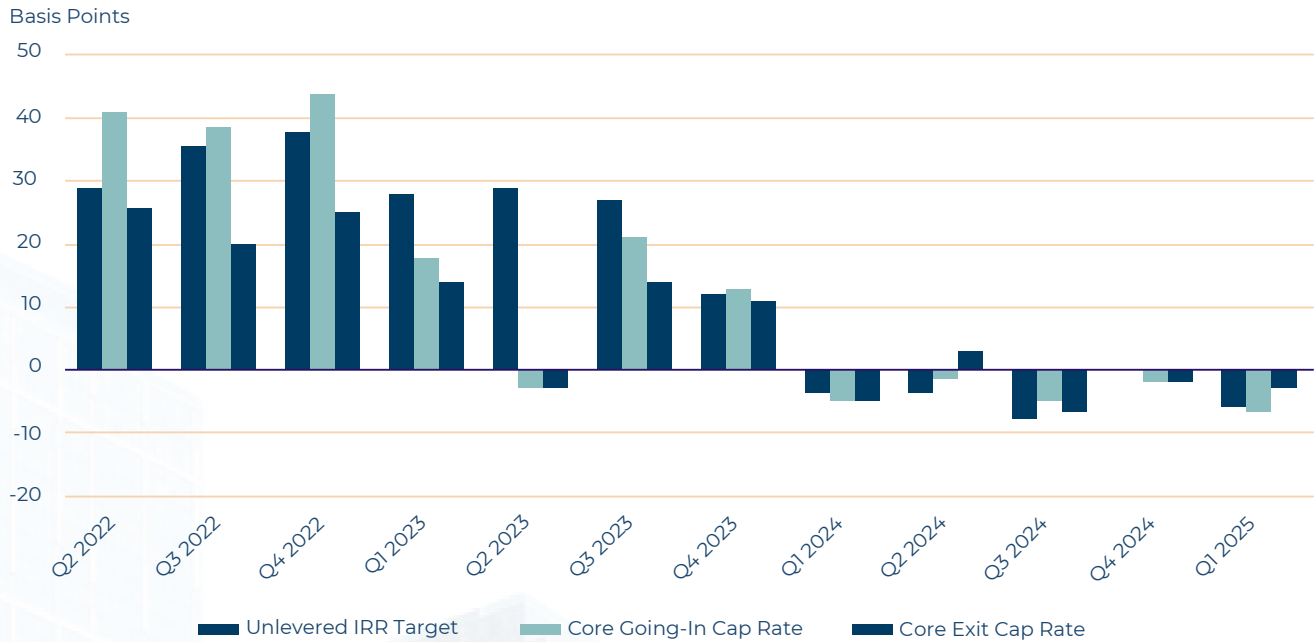
- **Enhanced Valuation Potential:** A 50-bps cap rate compression can boost asset valuations by ~8–10%, all else equal—a powerful lever for growth-focused investors.
- **Opportunity Timing:** Early movers securing deals before full compression can lock in stronger IRRs and capital gains.
- **Supportive Fundamentals:** Stabilizing cap rates are underpinned by high occupancy (94%+), solid rent growth (~2.6% projected in 2025), and tightening supply dynamics.

STRATEGIC TAKEAWAYS

1. **Lock-in Now:** Secure assets before cap rates reach stabilization to maximize return potential.
2. **Focus on Sun Belt & Workforce Housing:** These segments are trending toward cap rate compression as fundamentals strengthen.
3. **Use Fixed-Rate Finance:** Reduces exposure to interest rate volatility and protects underwriting during stabilization.
4. **Emphasize Income Growth:** With cap rates stabilizing, NOI performance gains through rent increase, leasing strategies, and operational efficiency—become increasingly important.

Cap rates have entered a period of stabilization backed by improved market sentiment, lower rate expectations, and tighter supply-demand dynamics. Core multifamily valuations in 2025 will likely be driven more by income growth than cap rate shifts. Viking Capital's focus on high-demand Sun Belt markets, disciplined underwriting, and fixed-rate structuring positions us to capitalize on this stabilization into 2026 and beyond.

QUARTER-OVER-QUARTER CHANGE IN IRR TARGET & CAP RATES FOR CORE MULTIFAMILY ASSETS



“HIGHER-FOR-LONGER” INTEREST RATES: REALITY CHECK FOR MULTIFAMILY

MARKET CONTEXT & PREDICTIONS

The 2025 multifamily landscape was expected to adjust under a "higher-for-longer" interest rate environment, prompting concern that sustained high borrowing costs would force sellers to alter strategies or exit the market. Viking Capital forecasted continued volatility in borrowing conditions, influencing refinancing and acquisition behavior.

WHAT THE DATA ACTUALLY SHOWS

- Cap Rate Resilience Amid High Rates:** Freddie Mac’s 2025 outlook confirms that while interest rates remained elevated and volatile, cap rates have flattened and not expanded, suggesting market adjustment rather than distress.²⁶ First American’s model indicates cap rates held steady around 5.7%, with only modest compression expected through late 2025.²⁷
- Transaction Volume Holding Up:** Despite predicted caution, multifamily sales volume surpassed expectations—hitting approximately \$380 billion in 2025, up from \$320 billion in 2024. Freddie Mac projected this rebound, countering fears of a buying freeze.
- Steady Rent & Occupancy Metrics:** Resilient fundamentals help offset financing pressure. RealPage and Fannie Mae report national occupancy near 94–95%, with rent growth stabilized at 2.0–2.5% in mid-2025.
- Rate Cuts Begin in 2025:** The Federal Reserve reduced the federal funds rate by 75bps in late 2024, reaching a range of 4.5–4.75%, with further cuts of ~100bps expected through year’s end. 10-year Treasury yields also declined, easing cap rate pressures.

10-YEAR US TREASURY MARKET YIELD (% , NSA)



Source: Federal Reserve

IMPLICATION: ADAPTATION, NOT DISTRESS

- **Investor behavior adapted, didn't contract:** Buyers recalibrated underwriting but remained active, particularly those deploying fixed-rate capital in Sun Belt markets.
- **Sellers held firm:** Cap rate stability and rent growth suggest few were forced out—those who did transact did so from a position of strength.
- **Value over speculation:** Transaction activity focused on income and cash flow, not opportunistic margin plays.
- **Outlook recalibrated:** As Fed signals rate cuts, borrowing costs gradually eased, supporting deal flow into H2.

The “higher-for-longer” thesis has proven partially accurate—rates stayed high and refinancing became more selective—but its predicted outcome of forced seller capitulation and diminished transaction activity did not materialize. Instead, the multifamily market shifted under pressure, not collapsed, by focusing on:

- Income-driven investments, not leverage-heavy pushes
- Refinancing via fixed-rate products
- Strategic entry into resilient Sun Belt and workforce housing markets

With cap rates stabilizing and financing easing gradually, the market is demonstrating its resilience. Viking Capital's disciplined strategy—anchored in fixed-rate financing, strong underwriting, and operational performance—positions it well as stable market conditions return.

▶ OPPORTUNITY AMID MARKET CORRECTION

Despite broader economic tightening signals—including rising interest rates and macro uncertainty—multifamily demand remains strong, and fundamental metrics are resilient offering investors an attractive entry window. Rather than a crisis, the current environment represents a strategic opportunity for disciplined investors.

- **Record absorption:** Over 227,000 units absorbed in the year-ending Q2, driven by resilient demand during economic uncertainty.²⁸
- **Occupancy near record highs:** National occupancy climbed to 95.6% in June 2025, up roughly 140 bps year-over-year.²⁸
- **Mute rent growth:** June rent growth was modest (+0.19% MoM), indicating operator focus on maintaining occupancy.²⁸
- **Robust lending momentum:** Q1 2025 multifamily originations surged 42% YoY, signifying strong financing appetite.²⁹

IMPLICATIONS FOR INVESTORS

1. **Favorable Valuation Entry Points:** Cap rate spreads have widened modestly amid financing pressure—creating a window to acquire quality assets before normalization occurs. Freddie Mac’s forecast of \$370–380 billion multifamily originations in 2025 confirms active transaction markets.³⁰
2. **Stable Income Cash Flows:** With occupancy at 95.6% and rent change specifically aimed at tenant retention, multifamily continues to deliver dependable NOI and downside protection.
3. **Long-Term Asset Resilience:** Despite subdued rent growth in Q2, cumulative rent trends remain well above pre-pandemic levels, with vacancy still tight, validating multifamily’s historical stability.³¹

Buyer Sentiment (CBRE Survey)	Q1 2025	Q2 2025
Core Assets	65%	56% ↓
Value-Add Assets	48%	61% ↑

Recent data indicates a gradual yet meaningful shift in multifamily cap rates, reflecting improving market fundamentals and cautious investor optimism.

Cap Rate Compression in Q2 2025

- Core multifamily cap rates fell 6 bps to 4.75%, while value-add cap rates dropped 8 bps to 5.20% in Q2 2025.³²
- CBRE reports a cap rate range of 4.83% going-in and 5.01% exit for core assets in Q1, reflecting improved pricing dynamics.

The second half of 2025 marks a turning point for multifamily investors. With cap rates stabilizing and investor appetite shifting the opportunity to capitalize on improving fundamentals and compressed pricing is now.

GEOGRAPHIC VARIATION

- Strong cap rate compression occurred in key Sun Belt and coastal metros: **Austin, Dallas, Los Angeles, Tampa** which remain yield-starved yet high-demand markets.

Shifting economic conditions present a unique opportunity for investors. Q2 2025 data reveal a multifamily market that is defying volatility, not collapsing. High absorption, steady occupancy, and financing momentum highlight a window for well-capitalized investors. Viking Capital’s strategy, emphasizing strategic acquisition, fixed-rate structuring, and operational execution, positions the firm to capitalize on this resilient marketplace.

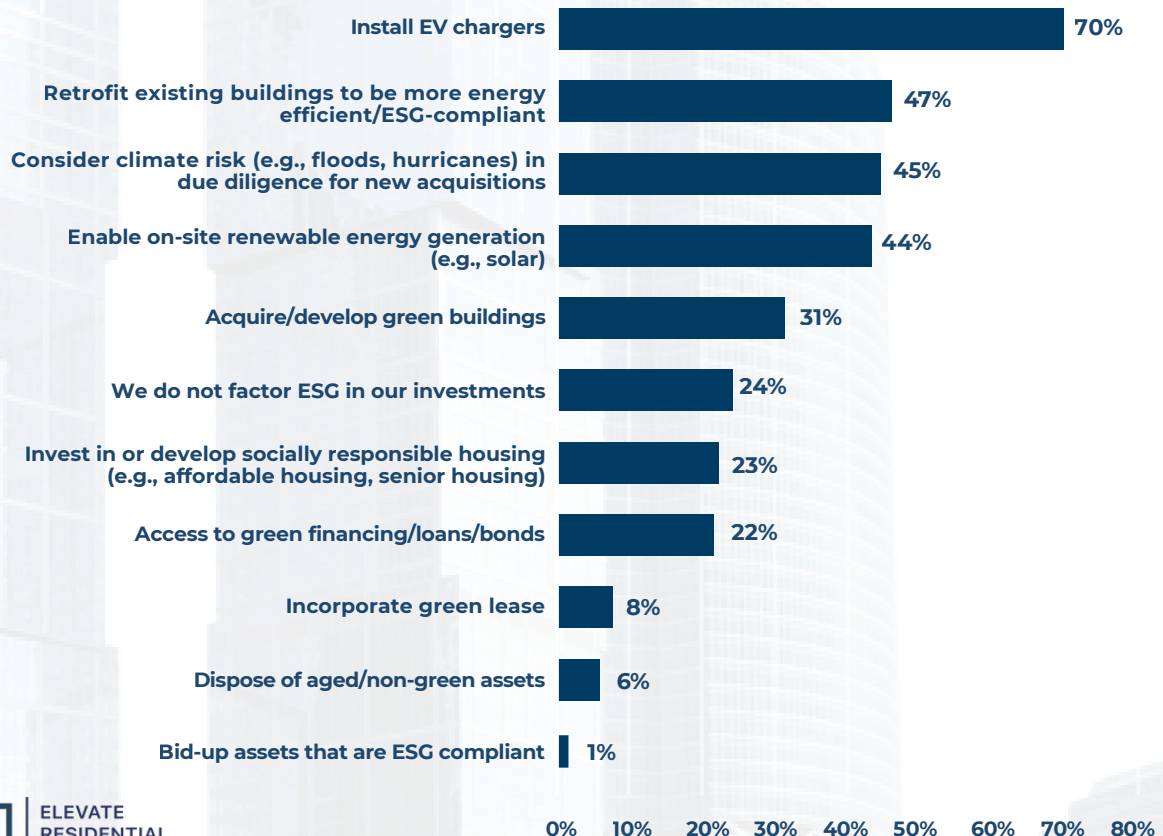
SUSTAINABILITY IN MULTIFAMILY — MID-2025 PROGRESS REPORT

Sustainability is no longer a niche consideration in multifamily real estate, it's a driving force behind performance and investor strategy. LEED-certified assets are commanding an average rent premium of 3.1% and achieving stabilized occupancy rates 75 basis points higher than non-certified counterparts, according to CBRE and Cushman & Wakefield.³³ Investors are also seeing up to 29% higher returns on green-certified properties, thanks to increased rental income and reduced energy costs.³⁴ As ESG adoption accelerates across the industry, more than 60% of property managers now report actively pursuing sustainability certifications and upgrades, signaling a fundamental shift toward environmentally conscious asset management.³⁵

Q1-Q2 MARKET TRENDS IN CONTEXT

- **Broad market resiliency:** Multifamily fundamentals remain robust despite supply headwinds—Q1 absorption hit ~130,000 units, vacancy dropped to 4.8%, and rent growth rose ~0.9% YoY.
- **Strategic advantage:** Sustainable, mid-tier workforce housing with green features offers the "sweet spot"—balancing affordability, cost efficiency, and regulatory readiness in the evolving market.

ESG INITIATIVES FOR REAL ESTATE INVESTMENTS



WHY SUSTAINABILITY IS GAINING MOMENTUM

1. **Renter Preference & Rent Premiums:**

Eco-minded tenants, especially Millennials and Gen Z, continue to drive demand for energy-efficient apartments. Across the U.S., LEED-certified multifamily units are capturing 3–10% higher rent premiums while achieving lower vacancy rates.³³

2. **Cost Savings & NOI Strength:**

Sustainable upgrades—including high-performance insulation, energy-efficient systems, solar PV, and smart thermostats—reduce utility expenses and bolster net operating income. Investors recovering project outlays via reduced OPEX and premium rents see ROI enhanced by 10–29%.³⁴

3. **Capital Market Support:**

Institutional capital increasingly demands ESG performance. Green-certified assets secure financing advantages: preferential loan terms, lower LTV ratios, and capture investor demand among ESG portfolios.

4. **Future-Proofing Assets:**

As regulations tighten around energy efficiency and carbon emissions, green assets offer enhanced resilience. Tenants' willingness to pay premiums and lower ongoing costs positions these properties well for long-term appreciation.

COMPETITIVE ADVANTAGE

Sustainability has become a powerful differentiator in multifamily real estate, offering owners and investors a clear competitive edge. Green-certified buildings are not only more attractive to environmentally conscious renters—especially millennials and Gen Z—but also deliver measurable financial benefits. With more than 60% of property managers actively pursuing ESG initiatives, the industry is rapidly aligning with this growing demand.

- **Attracting Premium Rents:** Multifamily properties that incorporate sustainable features—such as solar panels, smart thermostats, EV charging stations, and energy-efficient appliances—command 5–10% higher rents than traditional buildings. LEED-certified properties, in particular, achieve an average rent premium of 3.1% and boast higher occupancy rates, making them stand out in competitive markets.
- **Resilience to Market Fluctuations:** Sustainable buildings tend to outperform during economic volatility. Tenants are increasingly prioritizing cost-saving features, such as reduced utility bills and long-term livability, which translates to stronger retention and consistent cash flow. This operational resilience enhances the long-term investment profile of green-certified assets, positioning them as stable performers even in uncertain market cycles.

As sustainability continues to be a driving force in multifamily real estate, both tenants and investors are increasingly prioritizing energy efficiency, sustainability, and ESG initiatives. In 2025, sustainability has moved beyond trend status: it's a business imperative. With clear rent and occupancy premiums for green-certified multifamily assets—and rising investor demand—sustainability investments are proving profitable and strategic. Viking Capital is actively integrating these ESG principles into our acquisitions and asset management, delivering superior performance and future-ready value for investors.

► CONSOLIDATION ACCELERATES IN THE MULTIFAMILY SECTOR

2025 TREND: MARKET PRESSURES PROPEL M&A ACTIVITY

As the multifamily landscape continues to adapt to elevated interest rates, high operating costs, and tightening capital markets, 2025 has seen a pronounced acceleration in sector consolidation. Smaller operators, especially those with floating-rate debt or maturing loans, are facing mounting financial strain, creating acquisition opportunities for larger, well-capitalized firms with long-term strategies.

THE RISE OF LARGER OPERATORS

Institutional-grade sponsors and vertically integrated operators are seizing this moment to expand their portfolios. With stronger balance sheets and streamlined operational structures, these players are not only weathering the current volatility—they're thriving in it.

- **Strategic Acquisitions Surge:** Larger firms are targeting distressed or subscale portfolios for strategic roll-ups. By consolidating assets under centralized management platforms, they're achieving cost efficiencies, operational scale, and portfolio diversification.
- **Increased Buying Power:** Larger operators can take advantage of preferential financing, dry powder from private equity partnerships, and institutional backing—giving them a significant edge over smaller competitors struggling to access capital.

FORECAST OF M&A ACTIVITY

Industry surveys suggest multifamily consolidation will rise significantly in 2025. Deloitte finds that 68% of CRE firms plan to increase M&A activity over the next 12–18 months, up from 53% in 2024 and just 40% in 2023.³⁶ Concurrently, BCG reports that 51% of U.S. companies are pursuing deals mid-2025, reflecting sustained deal momentum despite macro volatility.³⁷

KEY DRIVERS OF CONSOLIDATION

Several structural and economic dynamics are pushing the sector toward greater concentration:

Refinancing Risk:

- Approximately 42% of all commercial real estate loans maturing in 2024–2025 are backed by multifamily assets, totaling around \$500 billion. This concentration underscores the refinancing challenges specific to the multifamily sector.¹³
- In 2025, \$625 billion in CRE loans are set to mature, on top of \$520 billion previously extended, raising concerns over potential refinancing risks and lender behavior.³⁸
- Between Q1 2021 and Q1 2024, average annualized operating expenses for multifamily properties rose by \$445 per unit, a 24.4% increase, following a pandemic-fueled surge in inflation and supply chain disruptions.³⁹

Operating Cost Inflation:

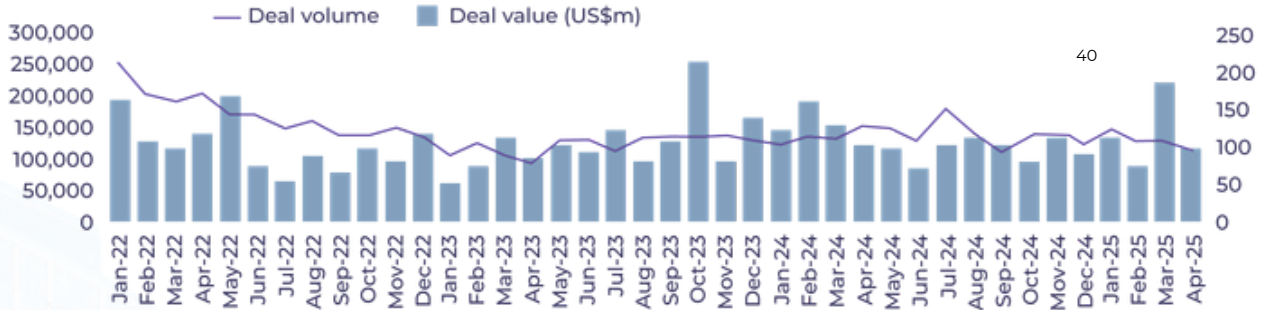
Operating expenses for multifamily properties have moderated, with growth slowing to a multi-year low, but they remain elevated compared to pre-pandemic levels. Smaller owners with thinner margins are disproportionately impacted by these costs. This squeeze on profitability, coupled with modest rent increases, is putting financial strain on smaller portfolios and driving some owners to sell or partner with larger operators.³⁹

Economic Uncertainty:

Shifts in renter demand and broader economic uncertainty are influencing investor behavior. While demand for quality multifamily housing remains resilient, uneven rent growth and localized market softness are prompting some sponsors to exit early or seek joint ventures to stabilize operations. Additionally, rising interest rates and competition from other asset classes are causing some capital to flow away from multifamily, further favoring well-capitalized investors.

MONTHLY M&A TREND (2022 ONWARDS)

DEAL VALUE (US\$100M+); DEAL VOLUME (US\$100M+)



Source: EY Insights analysis and Dealogic

M&A ACTIVITY FORECAST

As consolidation picks up, the multifamily market is expected to undergo significant changes.

- **Deloitte's 2025 M&A Trends survey** indicates that nearly three-quarters of corporate and private equity executives anticipate their average deal size or value to increase over the next 12 months, with 79% of corporate and 87% of private equity leaders expecting the volume of deals to grow larger in the coming year.⁴⁰
- **BCG's M&A Outlook 2025 report highlights** that after a turbulent 2024, declining inflation, lower interest rates, and recovering valuations have raised expectations for a 2025 M&A revival.³⁷

MARKET IMPACT

This accelerating consolidation in the multifamily sector presents both challenges and opportunities for investors. For smaller operators, rising refinancing risks and elevated operating costs may force difficult decisions, including selling assets or partnering with larger firms. Meanwhile, well-capitalized institutional players like Viking Capital, are positioned to capitalize on these market dynamics, expanding portfolios through strategic acquisitions and leveraging their financial strength to achieve operational efficiencies. For multifamily investors, this trend signals a shifting landscape where scale, access to capital, and streamlined management become key competitive advantages. Ultimately, consolidation may lead to more stable, professionally managed portfolios, but also a more concentrated market where discerning investors must carefully evaluate risk and opportunity amid evolving economic conditions.



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