

WALKER & DUNLOP®

Where We Are &
WHERE WE'RE GOING

2026 MARKET INTELLIGENCE REPORT



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2026 MARKET INTELLIGENCE REPORT

MARKET RESET AND SELECTIVITY

Over the past two years, the U.S. multifamily transaction market has endured multiple headwinds from the interest rate environment, equity capital flows and operating fundamentals. While capital remains selective, high-quality assets with durable income and a clear line of sight to long-term growth are once again transacting, even as lower-quality and less well-located assets continue to face more limited demand. Credit markets are open, liquidity has improved, and transaction activity is gradually returning, with pricing and outcomes increasingly determined by asset-level fundamentals rather than broad market conditions.

VALUE CREATION IN THE CURRENT ENVIRONMENT

Despite higher interest rates and a period of elevated new supply, the structural demand drivers supporting multifamily housing remain intact. Values have declined approximately 20 to 30 percent from peak levels, resetting basis across much of the market and creating a more rational starting point for new investment. In this environment, return generation has shifted away from leverage-driven strategies toward disciplined underwriting, careful asset selection, and operational execution. Replacement cost has become a more prominent consideration in underwriting, offering an important reference point for valuation as transaction volumes normalize.

POSITIONING FOR THE NEXT PHASE

As we look toward 2026, we are constructive on improved capital flows across equity and debt. We see an economic backdrop extending attractive fundamentals across low supply markets, and serving as the foundation for a recovery in markets still working through excess supply. Investors are underwriting through near-term volatility, emphasizing downside through basis and placing a premium on near-term growth. There is liquidity across nearly all opportunity profiles and risk has been reasonably re-priced across the curve. With assets continuing to trade below replacement cost amid elevated construction expenses, 2026 presents an attractive entry point for CRE investors. Walker & Dunlop works alongside clients to interpret these conditions and support thoughtful investment decisions across sales, financing, and capital markets.

We believe the multifamily market is entering a more disciplined and constructive phase, where careful underwriting and selectivity will drive outcomes. Walker & Dunlop remains committed to helping clients navigate these conditions with insight and clarity.



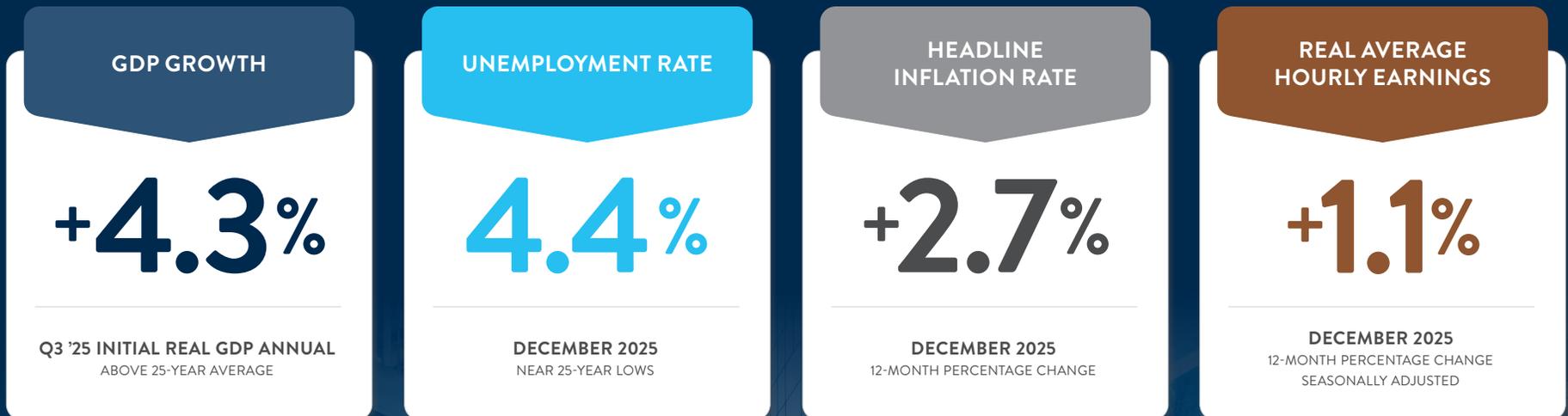
KRIS MIKKELSEN

EVP & Co-Head

Capital Markets

The U.S. Economy is Expanding

Despite elevated rates and a capital reset, the U.S. economy continues to grow above trend, supported by a resilient labor market, rising real wages, and moderating inflation. This macro backdrop underpins durable housing demand and supports normalization across capital markets.



Source: W&D Internal Research, Bureau of Economic Analysis, Bureau of Labor Statistics

THIS MACRO BACKDROP SUPPORTS HOUSEHOLD FORMATION AND RENT PAYMENT CAPACITY, WHILE ELEVATED SUPPLY IS CREATING NEAR-TERM PRESSURE ON OCCUPANCY AND RENT GROWTH

The State of Multifamily



TRANSACTIONS



EQUITY
SELECTIVITY



DEMAND



SUPPLY
OUTLOOK

CAPITAL FLOWS

FUNDAMENTALS



UNDERWRITING
DISCIPLINE



CREDIT
AVAILABILITY



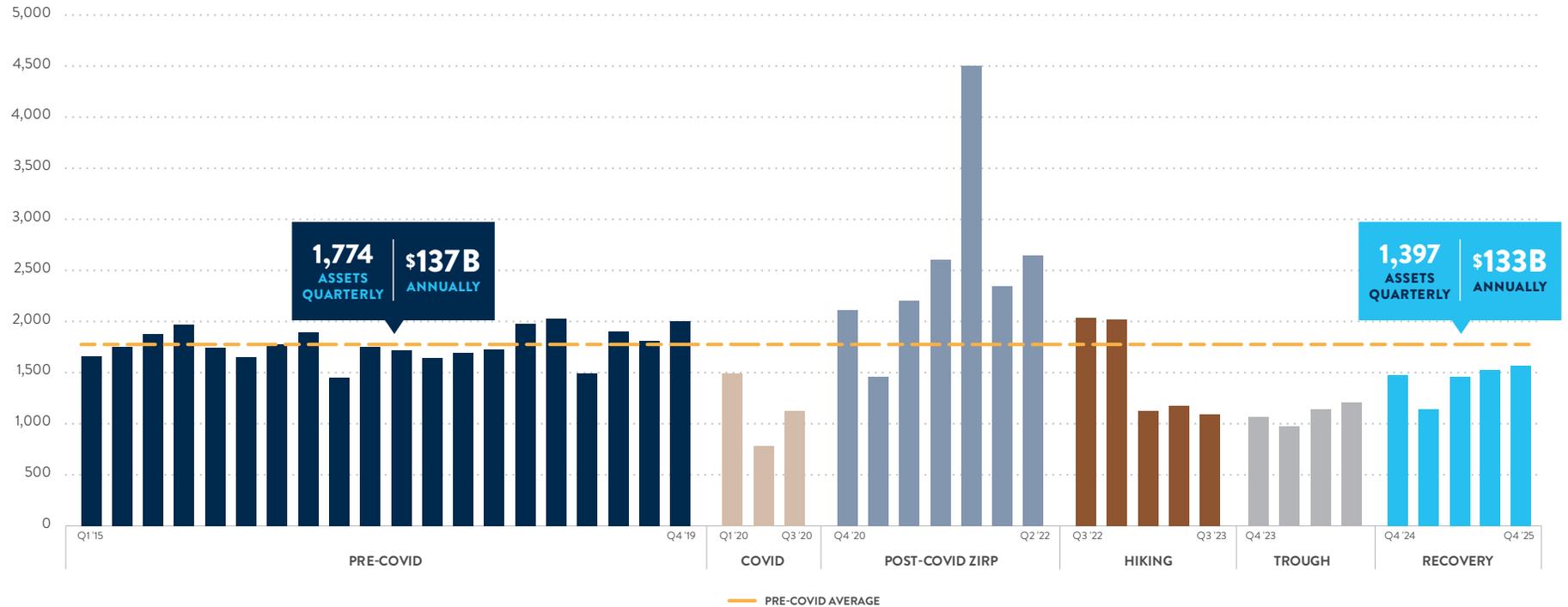
NEAR-TERM
RENT GROWTH



AFFORDABILITY
TAILWINDS

Transaction Activity Normalizing

MARKET RATE APARTMENT PROPERTY SALES (#)



NOW

Multifamily transaction volume sits ~3% below the pre-COVID average, a material recovery from the cycle trough. However, transaction counts remain modestly below pre-COVID norms.

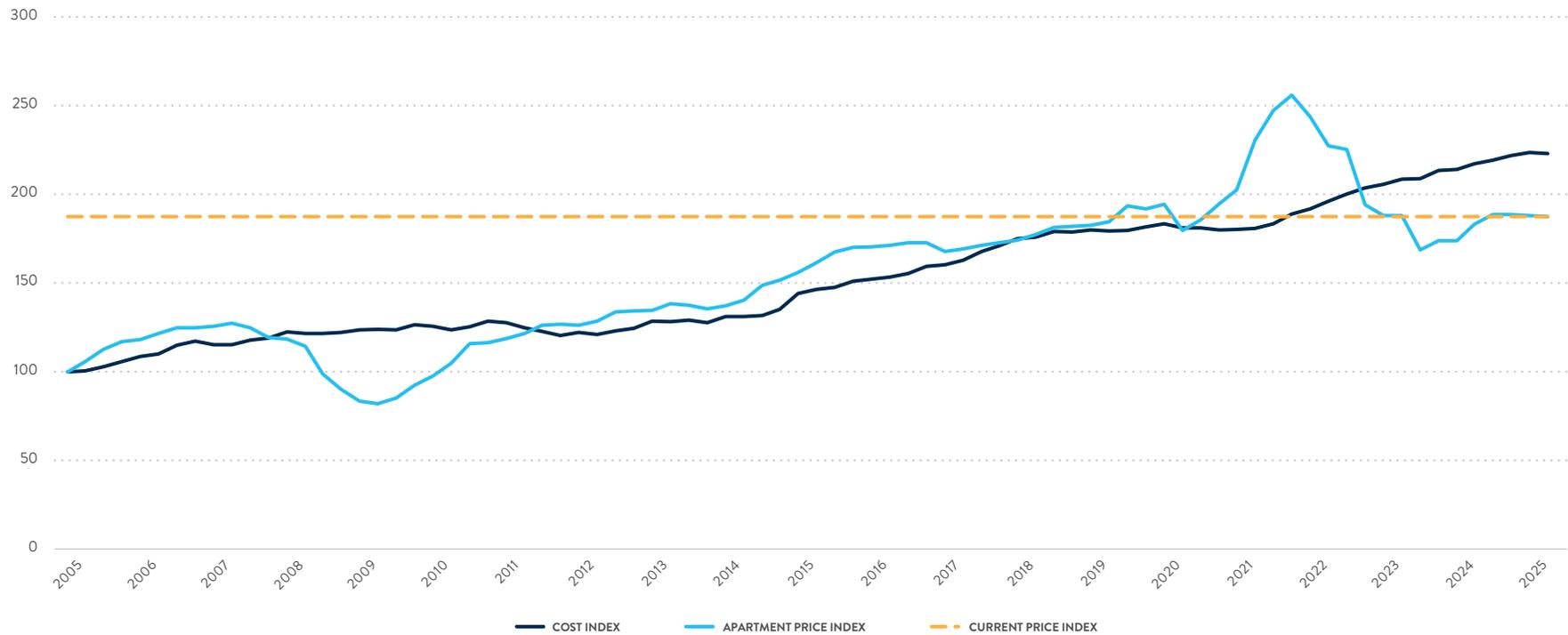
OUTLOOK

Volumes are likely to continue rising as pent-up transaction backlog, merchant builder deliveries, loan maturities, and liquidity-driven sellers increasingly converge.

Note: Pre-COVID average rolling-four quarter volume of \$137B and \$133B for 2025 full-year

Source: W&D Internal Research, RCA

Value Reset Presents Opportunity



NOW

Multifamily values are 20–30% below peak, even as construction costs remain elevated and continue to trend higher.

OUTLOOK

As replacement costs continue to rise and development remains challenged, the value reset creates a durable basis advantage that supports pricing stability and selective appreciation in 2026.

Note: Green Street Apartment Commercial Property Price Index (CPPI), rebased to Q1 2005 = 100 by W&D. Original CPPI data sourced from Green Street (Q2 2007 = 100)

Source: W&D Internal Research, Green Street, United States Census Bureau

Cap Rates Stabilizing



NOW

Cap rates have stabilized around 5.0% on a national level, but there is an evident divide between “Have” and “Have-Nots” assets.

OUTLOOK

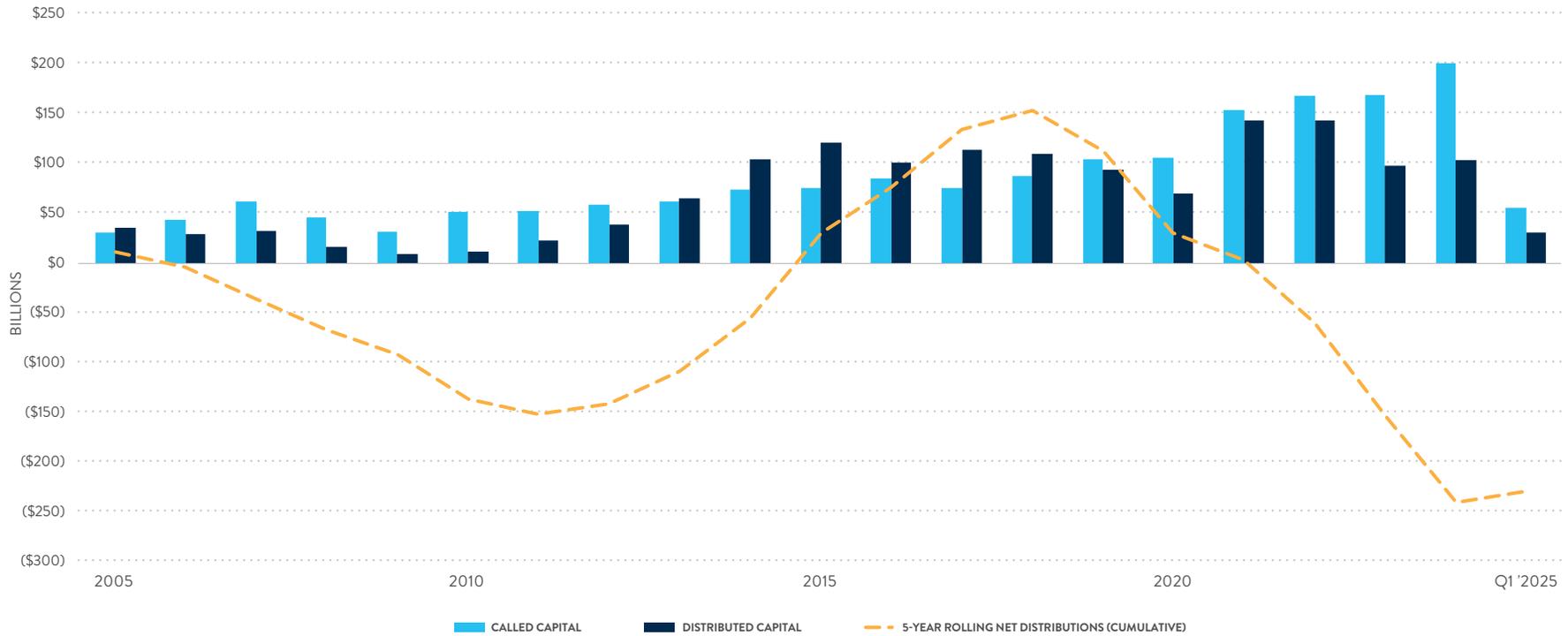
While headline cap rates are likely to remain stable into 2026, dispersion is expected to persist, with “Haves” maintaining pricing support and “Have-Nots” continuing to require yield-driven adjustments.

Note: W&D Institutional Tracker cap rate represents preliminary Q4 2025 tracked cap rates

Source: W&D Internal Research

Fundraising Friction

LIQUIDITY RECYCLING HAS LAGGED MATERIALLY, WITH FIVE-YEAR NET DISTRIBUTIONS APPROXIMATELY \$228B BELOW CALLED CAPITAL



NOW

Institutional capital remains underallocated relative to targets, but fundraising cycles are longer, and deployment is paced by limited distributions and vehicle constraints.

OUTLOOK

Fundraising conditions are expected to improve gradually into 2026, though capital deployment is likely to remain paced and selective. LPs are expected to continue favoring differentiated platforms and larger, established managers with proven execution, scale, and flexibility, reinforcing ongoing consolidation in capital allocation.

Note: Regional focus of North America data pulled January 2026

Source: W&D Internal Research, Preqin

Capital Remains Selective

ASSETS THAT PERFORM BEST (“HAVES”) SHARE COMMON TRAITS. THE BID-ASK SPREAD CONTINUES TO WIDEN FOR “HAVE-NOTS” ASSETS. HIGH-QUALITY ASSETS MAINTAIN PRICING RESILIENCY.

NOW

Institutional investor interest remains active but highly selective, focused primarily on high-quality “Haves” assets.

OUTLOOK

The market’s bifurcation is set to persist into 2026. Capital is crowding into “Haves,” pushing pricing higher for assets with durable income and long-term growth visibility. The middle of the market may benefit from rate relief, but without it, “Have-Nots” assets remain structurally challenged.

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#1 STABLE TO IMPROVING REVENUE TREND



#2 GROWTH MARKET WITH LITTLE TO NO REGULATORY RISK



#3 DIFFERENTIATED PRODUCT



#4 INSULATED FROM SUPPLY PRESSURE



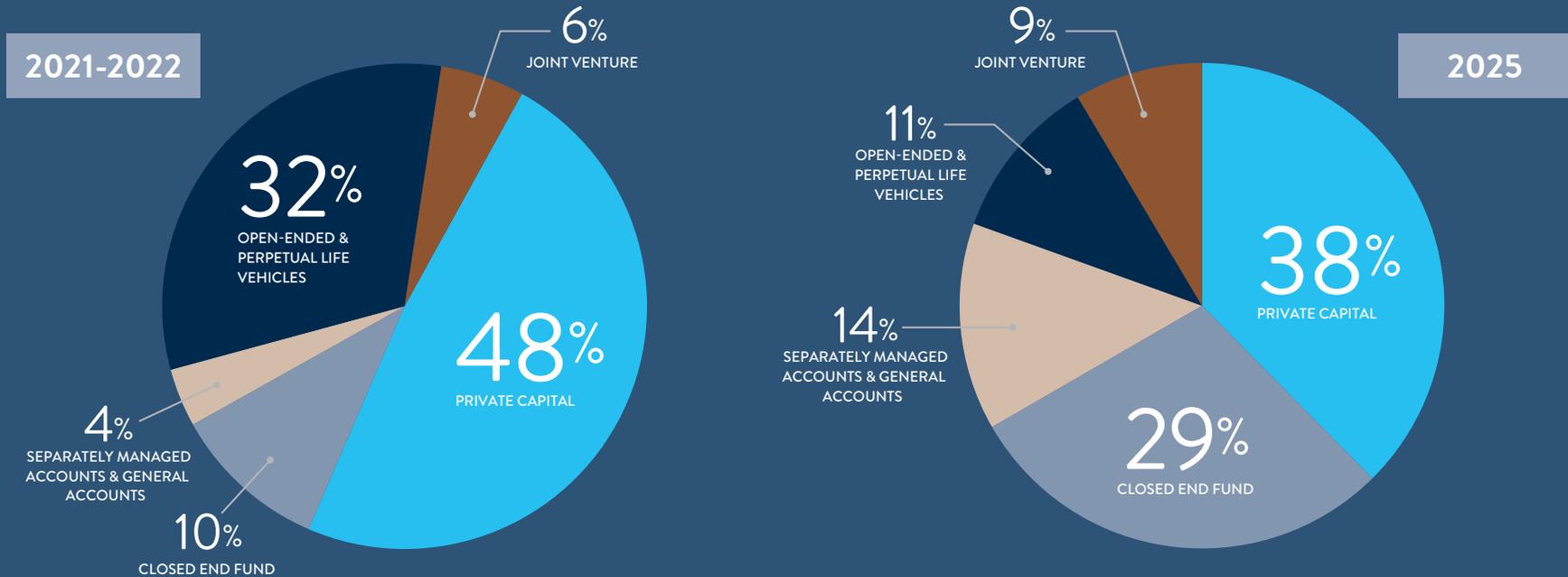
#5 ATTRACTIVE VALUE RELATIVE TO REPLACEMENT COST



#6 VALUE ADD OR REPOSITIONING COMPONENT

Buyer Profiles

THE MARGINAL BUYER HAS CHANGED



NOW

Market rate transaction volume is dominated by institutional capital, led by closed-end funds, SMAs, and a narrower set of open-ended and perpetual-life vehicles actively deploying capital. On a deal-count basis, however, private capital accounts for over 50% of transactions, providing critical liquidity across the market.

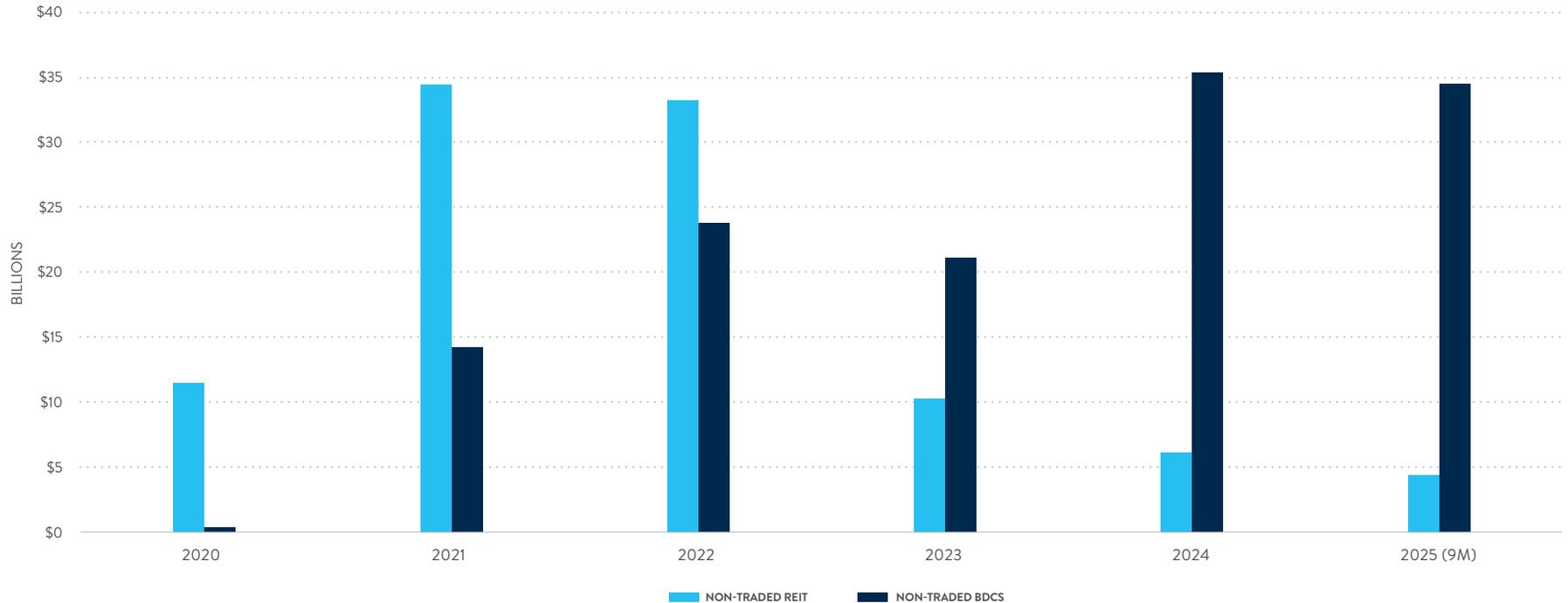
OUTLOOK

Institutional capital is likely to remain active into 2026. Deployment is expected to remain selective and paced, while gradually improving, and private capital is likely to continue playing a critical role in supporting deal flow and market liquidity.

Note: Buyer profiles from W&D market rate transactions, by dollar volume

Source: W&D Internal Research

Retail Capital Has Shifted from Equity to Credit



NOW

Retail flows are as abundant as they were in 2021 and 2022; however, the majority of this capital is being directed toward credit-oriented vehicles rather than equity. As a result, retail participation in U.S. rental housing acquisitions remains limited and highly selective.

OUTLOOK

Looking ahead to 2026, measured improvement in equity deployment is expected as many allocators find themselves under-allocated to real estate following significant appreciation in other asset classes. With broader consensus forming around 2026 as an attractive vintage and entry point, demand for stabilized rental housing is expected to expand across a wider set of capital vehicles.

Source: W&D Internal Research, Robert A. Stanger & Co.

The Return of Core Capital

NOW

Capital flows are gradually improving, with early signs of re-engagement across SMAs, closed-end funds, DSTs, and select non-traded REITs. While deployment remains disciplined and underwriting-driven, core capital is increasingly active in evaluating opportunities, signaling a shift from capital formation constraints toward cautious re-entry.

OUTLOOK

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80%

OF CORE VEHICLES ARE ACTIVE OR EVALUATING



VEHICLE	ACTIVE	SELECTIVE	INACTIVE
ODCE	10	6	9
Private Capital	2	3	0
SMA/GA	21	8	3
DST/Exchange Fund	8	0	0
Closed-End Fund	2	0	0
REIT	7	0	2
Open-End Fund	12	5	7
Non-Traded REIT	10	2	3

Note: 120 identified core vehicles analyzed by W&D

Source: W&D Internal Research

Underwriting Discipline



NOW

Buyers are underwriting higher going-in yields and more conservative near-term rent growth following the reset in values, resulting in return profiles driven by in-place income, basis protection, and moderate leverage rather than aggressive growth or multiple expansion.

OUTLOOK

As operating fundamentals recover, underwriting is expected to remain disciplined, with returns supported by durable cash flow and clearly visible recovery upside from normalized rent growth rather than speculative, assumption-driven projections. There will be an increased focus from active capital on which oversupplied market will enter recovery first and being there ahead of in-place compression that likely follows.

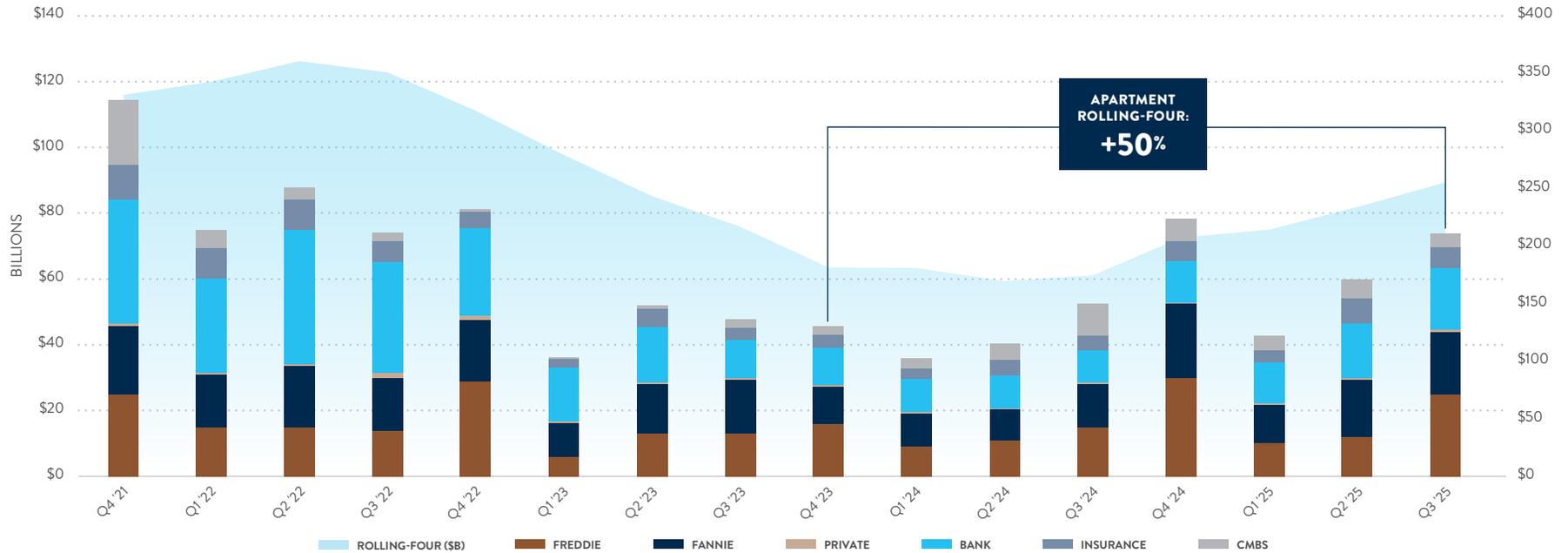
Note: Data sourced from over 790 buyer questionnaire responses.

Year One and Exit represent reported cap rate assumptions.

Source: W&D Internal Research

Credit Markets are Open for Business

LIQUIDITY IN THE CREDIT MARKETS
ENABLES TRANSACTIONS



NOW

Credit liquidity rebounded in 2025, with improving lender sentiment and increased transaction activity supporting accretive financing across acquisitions and refinancings. The transitional credit market has become increasingly competitive, offering borrowers flexible short-term solutions to buy time amid ongoing market normalization.

OUTLOOK

Credit availability is expected to remain constructive in 2026, as ample lender competition and improving transaction volume should support consistent liquidity. This outlook is underpinned by a significant year-over-year increase in agency multifamily lending caps, with Fannie Mae and Freddie Mac continuing to anchor the market and private credit filling gaps for transitional and non-core executions. While rate levels matter, reduced rate volatility may be an equally important catalyst for broader transaction confidence in 2026.

Source: W&D Internal Research, SEC Filings, RCA

Fundamentals: Structural Demand & Cyclical Pressures



NOW

Multifamily absorption remained strong despite softer occupancy and flat-to-negative rent growth, reflecting elevated supply rather than weakening demand. Occupancy and rent performance have been highly market-specific, with lease-up competition in high-supply markets pressuring rents, even as a wide rent-versus-own affordability gap continues to support durable renter demand.

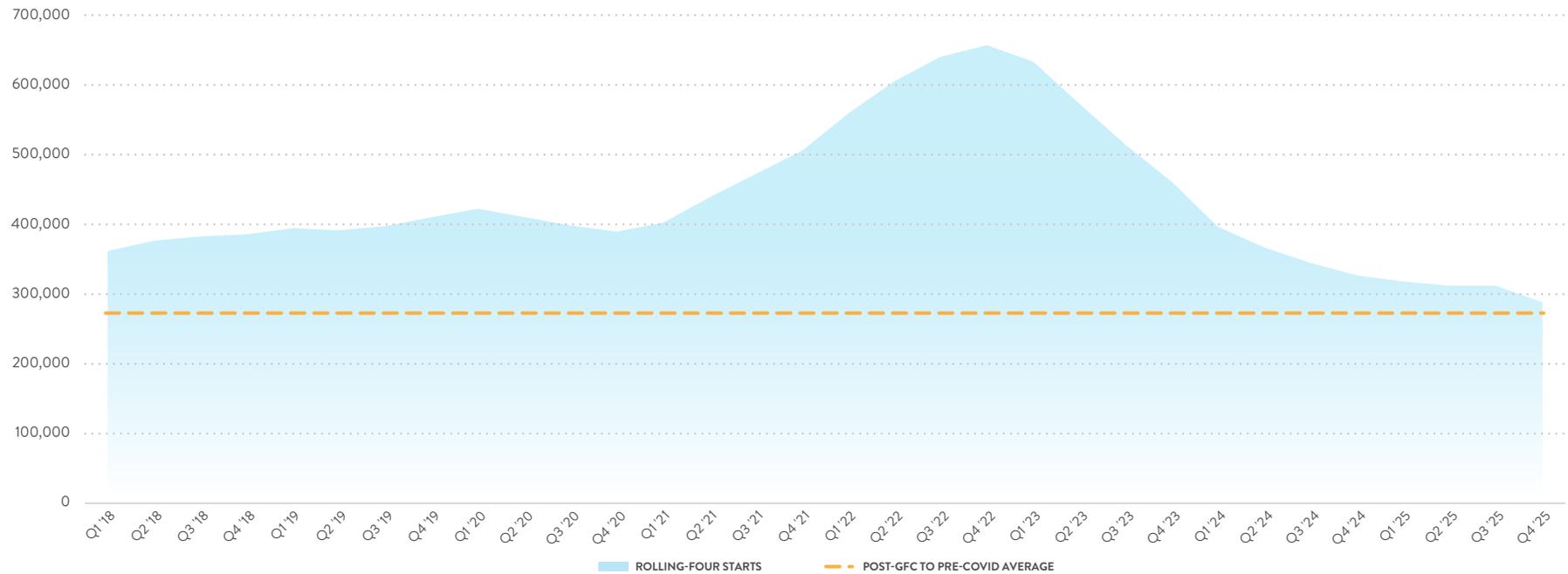
OUTLOOK

With new supply meaningfully below peak levels, fundamentals are expected to stabilize as absorption continues to work through remaining deliveries. The persistent affordability advantage of renting over owning underpins long-term demand, positioning occupancy and rent growth to improve gradually as supply pressures ease.

Source: W&D Internal Research, RealPage

Multifamily Construction

CONSTRUCTION PULLBACK SETS THE STAGE FOR FUNDAMENTAL RECOVERY



NOW

Multifamily construction starts have declined meaningfully from peak levels, even as elevated completions continue to pressure near-term occupancy and rent growth in select markets. Current operating softness reflects pipeline timing rather than ongoing overbuilding, with new supply formation already resetting lower.

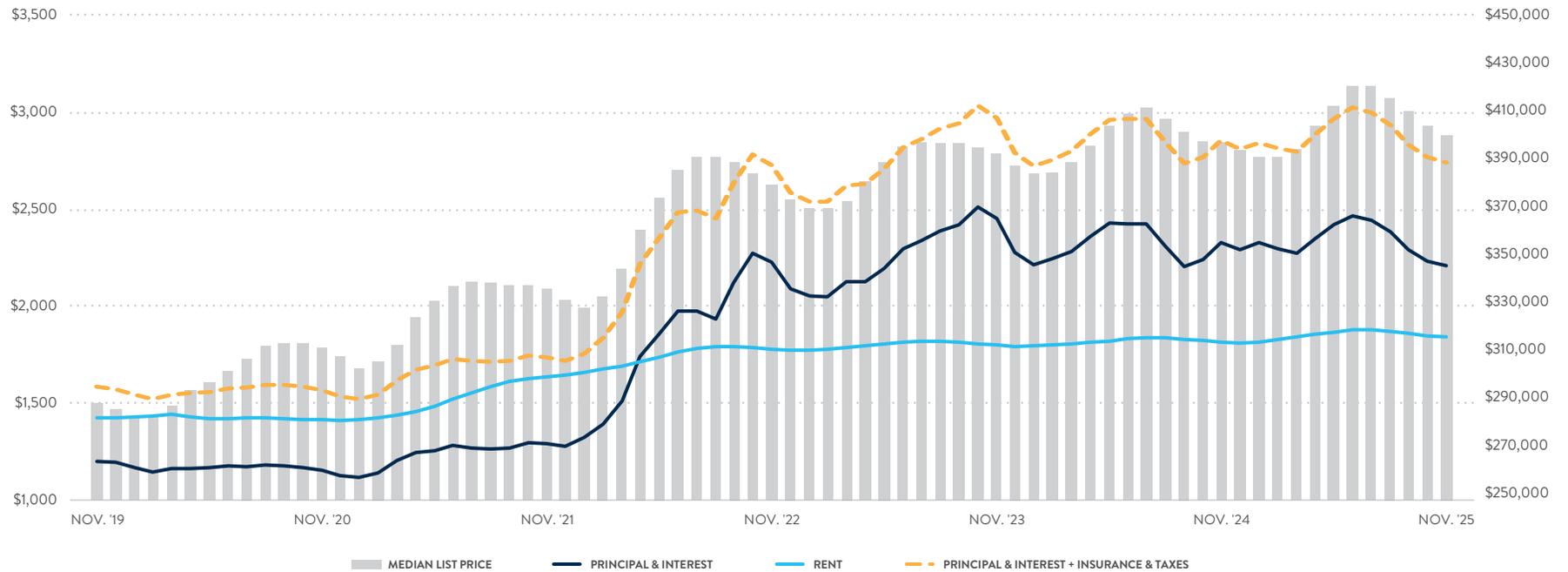
OUTLOOK

With starts well below recent peaks, future supply is expected to tighten materially beyond 2025. As deliveries roll off, absorption is positioned to translate into improving occupancy and rent performance, supporting a gradual normalization of fundamentals into 2026.

Note: Average of CoStar and RealPage. Post-GFC to Pre-COVID based on '09 - '19.

Source: W&D Internal Research, RealPage, CoStar

Affordability Continues to Anchor Rental Demand



NOW

The cost of homeownership remains materially higher than renting across most U.S. markets, driven by elevated mortgage rates, higher home prices, and rising insurance and tax costs. This affordability gap continues to anchor renter demand, even as near-term multifamily fundamentals face pressure from elevated supply in select markets.

OUTLOOK

The affordability advantage of renting is expected to persist into 2026, reinforcing durable renter demand and supporting a gradual recovery in multifamily fundamentals as supply pressures ease, without reliance on outsized rent growth assumptions.

Notes: Assumes 10% down payment, 50bps of annual insurance cost, and 110bps of taxes

Source: W&D Internal Research, RealPage, Zillow, Freddie Mac

How This Cycle Progresses

BUYERS



- TARGET ASSETS WITH NEAR-TERM NOISE BUT DURABLE LONG-TERM FUNDAMENTALS.
- UNDERWRITE RECOVERY AND NORMALIZATION, NOT OUTSIZED RENT GROWTH.
- PRIORITIZE BASIS AND INCOME DURABILITY.

SELLERS



- MONETIZE ASSETS WHERE BUYER UNDERWRITING SUPPORTS PRICING BEYOND THIRD-PARTY VIEWS.
- CONSIDER SALES WHERE FORWARD UPSIDE IS LIMITED DESPITE STRONG PRICING SUPPORT.

OWNERS



- LEVERAGE CURRENT CREDIT MARKET LIQUIDITY TO CREATE TIME AND FLEXIBILITY.
- EVALUATE RECAPITALIZATION AND REFINANCING OPTIONS TO PRESERVE OPTIONALITY.
- MAINTAIN FLEXIBILITY AS FUNDAMENTALS AND CAPITAL MARKETS NORMALIZE INTO 2026–2027.

NOW

Deals aren't happening because sellers are panicking, or prices are collapsing. They're happening because values have reset, financing is available, and timing, liquidity, and capital structures are converging. The best assets and sponsors have options; weaker ones have fewer.

OUTLOOK

As supply pressures ease and capital continues to work its way back into the market, normalization is expected to progress through a range of capital markets solutions and phased equity re-entry—supported by the durable long-term demand for U.S. rental housing. Returns are increasingly driven by patience, basis protection, and execution rather than leverage or assumption-driven growth.



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