

Beyond the Cycle: How Structural Trends Are Redefining Multifamily CRE Performance

Brian Bailey | Head of Research | Trimont



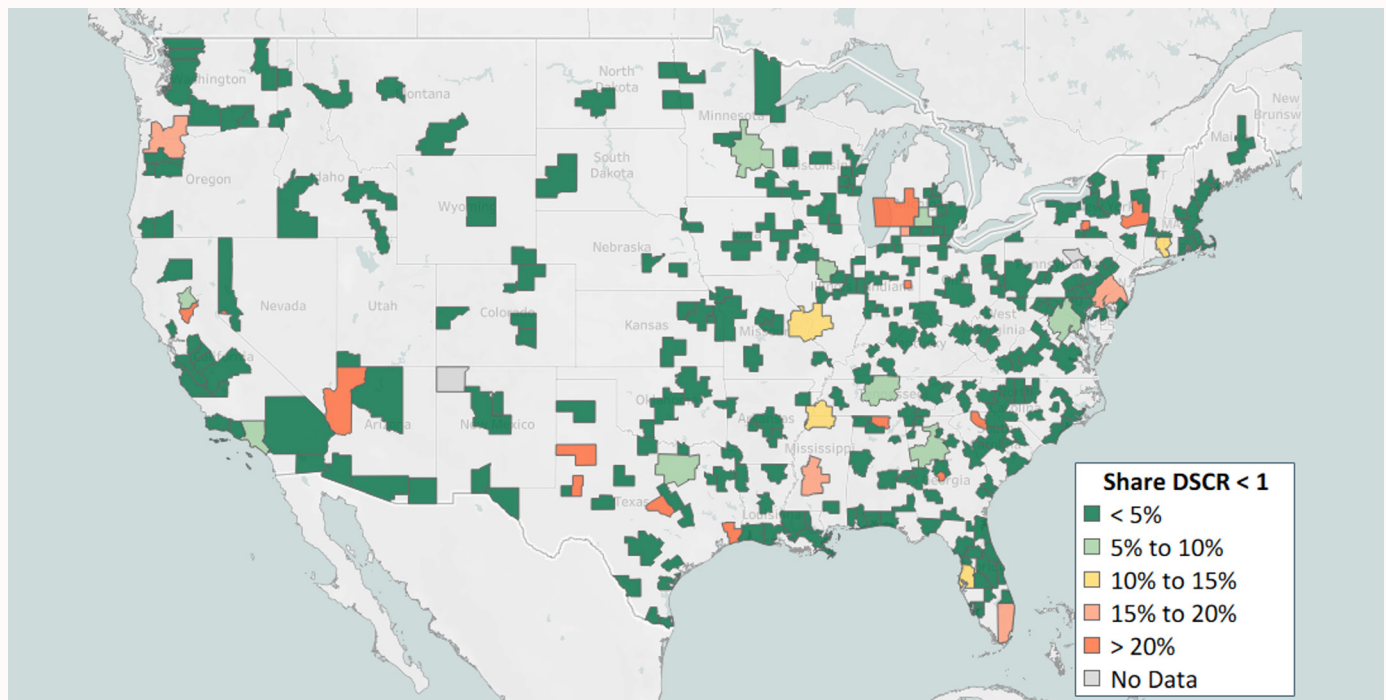
Multifamily has faced significant headwinds over the last three years. Higher interest rates, elevated levels of inflation driving up operating expenses, renter unaffordability, rent regulations and overbuilding in some markets have constrained short-term performance and may alter long-run trends.

Although the sector has so far weathered the storm with only modest levels of distress, the recovery will be determined by factors such as population growth along with local economic trends. Will those trends help performance or produce more headwinds in 2026?

The outcome is important for owners and lenders alike. Recent declines in net operating incomes (NOI) have led to a host of financial issues, including the ability to refinance maturing loans. Several markets in the Southeast and Texas already have more than 15% of multifamily properties with debt-service coverage levels (DSCR) of less than one. Consequently, it is important for multifamily property owners to understand how these factors affect performance and NOIs.

FIGURE 1
Share of Multifamily CMBS Properties with DSCR < 1

Trimont Research's *Multifamily Market Risk Matrix* tracks these trends across a spectrum of indicators for over 300 markets nationwide in near real-time.



Source: Trepp; Trimont Research

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Demographics

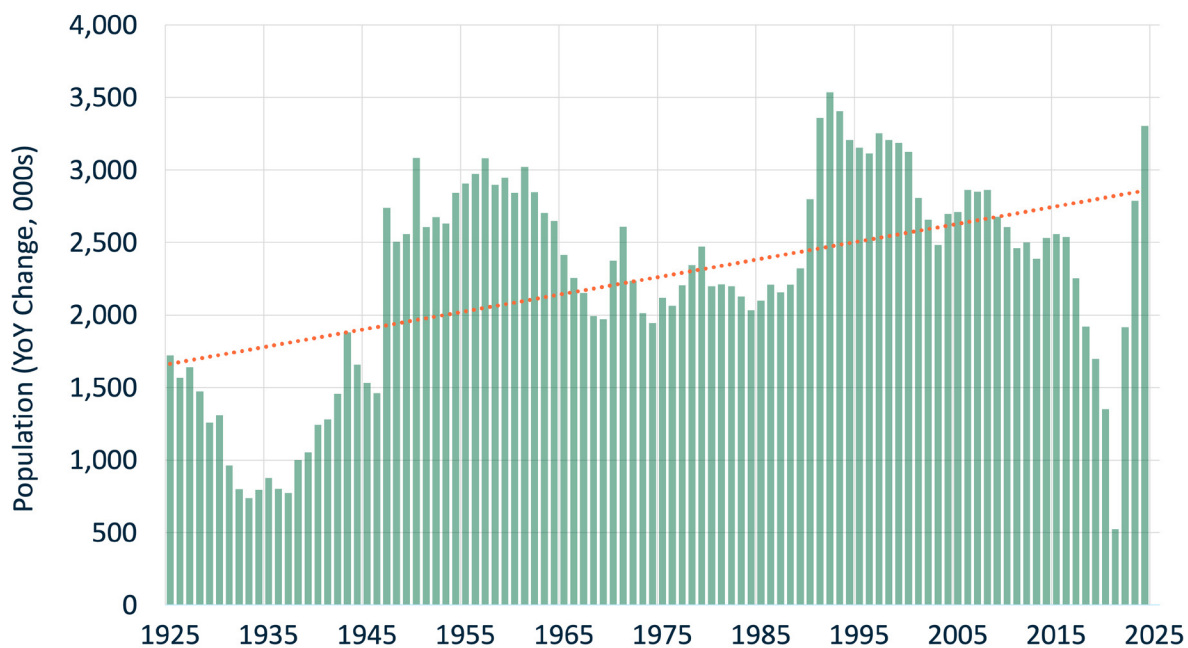
Demographics are arguably the most influential factor in analyzing structural trends within the multifamily market. Over the long term, demographic factors set the parameters for market conditions and growth opportunities. This broad category encompasses population growth, migration patterns, household formation rates, age distribution, and vital statistics such as birth rates. Demographic trends can vary significantly across regions—some areas experienced population peaks early in the last century, while others have seen their populations double in the past decade.

A rising population creates opportunities for multifamily development beyond replacing existing housing stock. Over the past century, the

nation’s population has generally trended upward, although there have been periods of sharp deviation. For example, the Great Depression of the 1930s saw sharply reduced birth rates and slower population growth, while the post-World War II Baby Boom (1945–1964) marked a dramatic increase. These demographic shifts have had lasting impacts on multifamily demand and development patterns.

More recently, the pace of U.S. population growth began to slow noticeably during the 2010s—a trend that was largely overshadowed by the sharp decline in population gains during the pandemic. Still, growth rebounded in 2023 and 2024. Incredibly, *all* states, led by the Carolinas, Florida, and Texas, reported positive net migration during this time. *How can this possibly be?* To answer, consider that the U.S. is

FIGURE 2
100 Years of U.S. Demographics



Source: U.S. Census Bureau; Trimont Research

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not a closed market; net migration is not a zero-sum game, where one state's gain automatically means another state's loss. Net migration has two components: *domestic* and *international*. This distinction is crucial to interpreting the migration trends of 2024. The nation's population surged by more than 3.4 million in 2024, the second-highest annual increase on record (surpassed only by the 3.5 million gain in 1992). However, if we focus solely on domestic migration, the picture changes: each year between 2021 and 2024, approximately half of all states experienced negative net domestic migration. What set 2024 apart was that international net migration more than offset these domestic losses, resulting in positive total net migration for every state.

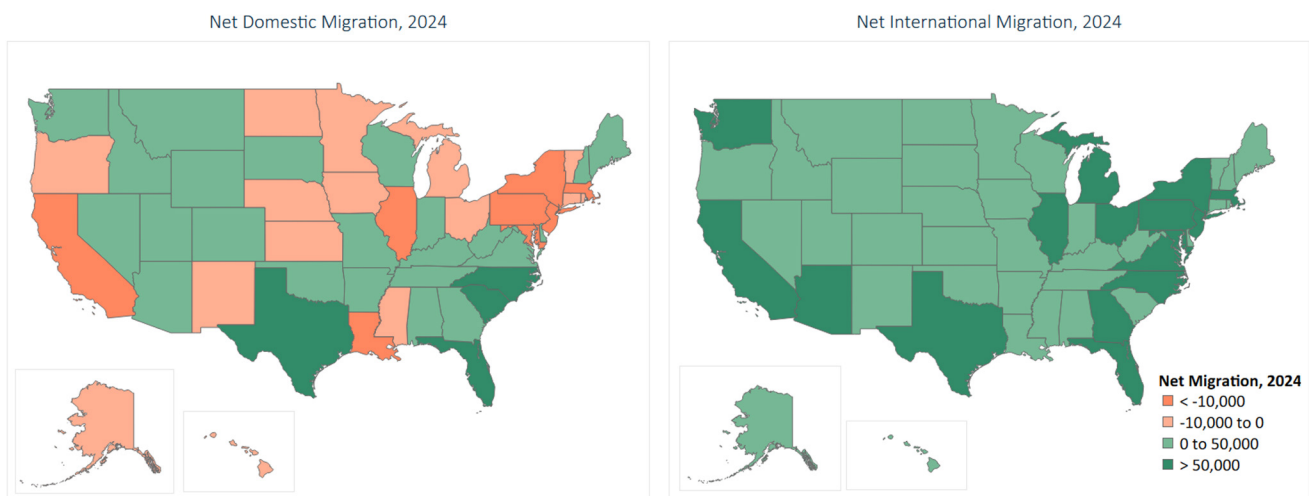
The events of 2024 should loom large in the minds of CRE market participants and beg the question: *will this trend continue?* The real

answer is strictly a policy issue and well beyond the scope of this article. For us, asking "when will we find out?" will have to suffice.

The **U.S. Census Bureau** provides intercensal estimates of national and state population and demographic components of population change each year as of 1-July. The 2025 estimates are expected to be released in December 2025, with county and metropolitan area estimates for 2025 due to release in March 2026.

Still, tapping alternative and higher-frequency data sources can provide us with valuable clues ahead of the official releases. One such source is Placer.ai, which analyzes foot traffic data collected from cell phone tracking. In a recent analysis, [Placer.ai](#) estimated year-over-year population growth as of June 2025, revealing significant variability in

FIGURE 3
Net Domestic Migration and Net International Migration, 2024



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growth rates across different markets within each state. These findings suggest that opportunities for multifamily development and investment are likely present in several states, supported by localized population trends. Conversely, there are markets where population growth is weak or even negative but units under construction as a share of total inventory is above 10%. This trend of healthy rates of new construction in markets where population growth is weak, could lead to further supply imbalance and the need for an extended recovery period.

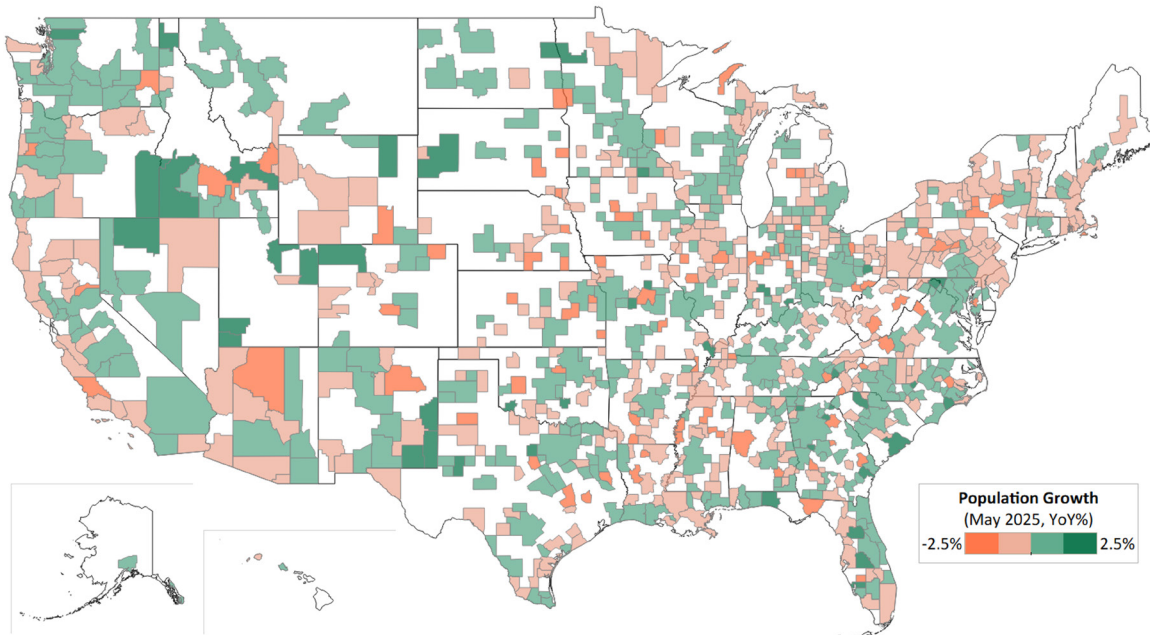
Opportunities using high frequency data can also be tracked within markets using household formation rates. Trimont Research has derived these rates from HUD aggregated U.S. Postal Service administrative data on address vacancies, which clearly show that demographic trends are certainly not uniform within a single market; individual pockets of growth can exist at the ZIP code-level.

Other Structural Trends

In addition to demographics, several other factors can influence the long-term development of multifamily CRE. One takeaway is clear from the data: individual markets are not homogenous. While over-arching metrics can affect localities, markets at the very local level require a nuanced appreciation of local data.

Green Street Advisors (GSA) grades multifamily CRE conditions at the market, submarket, and ZIP code levels for the top 50 and a set of tertiary markets. To accomplish this, it rates several structural factors, including regulations, fiscal health, geographic proximities, etc. Although a multifamily market may receive an overall 'A' rating, ZIP code-level ratings typically cover a range of grades, reflecting the diversity of local conditions. Moreover, since the grade covers a spectrum of metrics, a

FIGURE 4
Population Growth



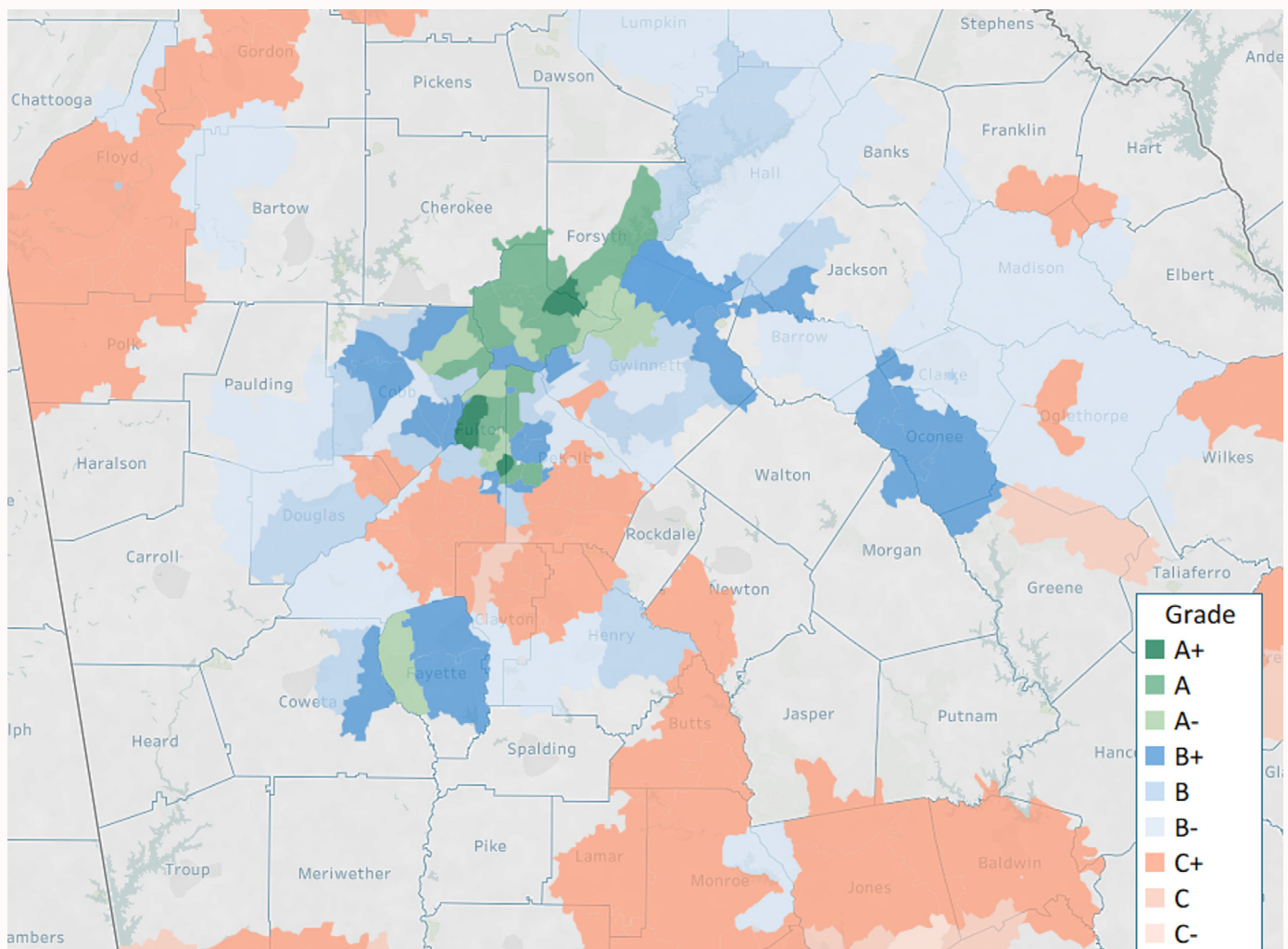
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market could score well in one and poorly in another yet still receive an overall healthy grade.

Atlanta’s multifamily market is a good case in point. The overall market is currently rated as a ‘B+’ by GSA and scores well across several structural factors except for low ‘Supply Barriers.’ At the ZIP code-level, grades are a mixed bag: North Fulton county ZIP codes are generally

A-rated while most of Gwinnett and Cobb counties are B-rated. The same could be said for the New York market, which receives an overall ‘A’ grade. Despite the market scoring poorly in some structural metrics, New York’s other attributes more than balance out the grade. Like Atlanta, ZIP code-level grades run the gamut from ‘A’ to ‘C.’ Once again, these examples underscore the necessity for very localized knowledge and data that can accurately assess structural trends.

FIGURE 5
Atlanta’s Multifamily Market Grade by ZIP Code



Source: Green Street Advisors; Trimont Research

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Prices of Substitutes

Residents in any given market can choose from a variety of housing options, from single-family residences to large multi-unit properties, and often weigh the cost of homeownership in their decision to buy or rent. In markets with low home ownership affordability, we will see greater demand for rental properties as the cost of buying rises out-of-reach. The **Federal Reserve Bank of Atlanta's Home Ownership Affordability Monitor** (HOAM) does just this calculating the share of median income a household needs to spend to afford a market's median priced home. If a household needs to spend more than 30% of its income to purchase a home (HUD standards), the market is considered 'unaffordable.' In such markets, residents may find even Class A apartments a more affordable alternative than purchasing a home.

Evolved Underwriting

Amid shifting demographics, market dynamics and structural trends, how does underwriting accuracy need to evolve? Evolution in our analysis requires us to look beyond current methods and seek enhanced data. To become more data driven, we must seek more granular insights. There are three areas that can be addressed to improve accuracy.

- 1. Elevate demographic analysis** – Go beyond top-line numbers and drill the individual components. Use alternative datasets (foot traffic counts, occupied residences and business) to identify shifts early.
- 2. Recalibrate market exposure** – Prioritize submarkets with strong affordability-driven domestic demand and lower amounts of new supply.
- 3. Incorporate policy risk into underwriting** – Varying materials costs and population shifts require shifting assumptions. In addition, indirect consequences must also be considered.

These adjustments to underwriting should improve accuracy and establish an improved foundation for project performance, which should mitigate some of the multifamily market volatility.

Conclusion

Multifamily conditions heading into 2026 present a mixed bag of performance. Some good, some not so good, and a lot of uncertainty. Accurate, localized data is essential to assessing multifamily market opportunities, both cyclical and structural trend analysis are equally as important in this endeavor. Perhaps most important in structural trends analysis is understanding how demographic forces can shape market conditions. Building in markets with weak or negative population may be higher risk projects, requiring additional due diligence.

Still, supply growth is slowing in many regions, affordability pressures persist, and cyclical rent growth remains muted. Because demographic and other structural factors can vary widely across a single market, a nuanced, data-driven approach is vital to making informed decisions in multifamily CRE. These dynamics need to be reflected in updated underwriting practices which incorporate greater emphasis on demographic analysis, market exposure and evaluating policy changes.