Multifamily Roundup | June 2026

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Categories:

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Publications

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Multifamily Recovery Stalls Under Weight of Excess Supply – Globe Street

The article explains that the multifamily sector's recovery has stalled in 2026 due to an unprecedented wave of new apartment supply that continues to outpace demand absorption. Nearly 1.3 million apartments remain in lease-up nationally, keeping rent growth muted and limiting owners' pricing power. Yardi Matrix forecasts national rent growth of just 0.5% in 2026 and 1.0% in 2027, with performance varying significantly by market—cities such as New York and Chicago are outperforming, while Austin, Phoenix, and Denver continue to struggle under heavy new supply. Although multifamily construction starts have declined sharply, a large pipeline of projects is still being delivered, which is expected to keep pressure on rents and property fundamentals in the near term. Transaction activity has also slowed as elevated interest rates widen the gap between buyer and seller pricing expectations.

Key takeaway: The multifamily market is not suffering from weak demand but from **excess supply**. Investors should expect a prolonged period of modest rent growth and focus on market-specific fundamentals, as oversupplied Sun Belt markets may continue to underperform while supply-constrained markets offer stronger prospects.

Tax Exempt Bonds Regain Their Edge for Affordable Housing Investors – Globe Street

The article explains that tax-exempt bonds are becoming increasingly attractive for affordable housing projects as higher interest rates amplify the value of their tax advantages. According to NewPoint Real Estate Capital, tax-exempt borrowing rates are typically 20% to 30% lower than comparable taxable rates, helping

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developers reduce debt service costs, increase loan proceeds, and lessen the need for subsidies. Affordable housing sponsors are increasingly combining tax-exempt bonds with financing programs from Fannie Mae, Freddie Mac, and FHA to improve project feasibility and better align with investor demand. The resurgence of traditional bond structures is allowing borrowers to take fuller advantage of the municipal bond market and achieve more efficient pricing than many taxable financing alternatives.

Key takeaway: Rising interest rates have restored the competitive advantage of tax-exempt bonds, making them a powerful financing tool for affordable housing developers seeking to lower borrowing costs, enhance project economics, and improve execution certainty in a challenging capital markets environment.

Multifamily Starts Plummeted in May – Multifamily Dive

Multifamily housing starts fell sharply in May 2026, dropping 41.6% from April and 12.3% year over year to an annualized rate of 284,000 units, according to HUD and the U.S. Census Bureau. The decline drove an overall 15.4% decrease in total U.S. housing starts, while single-family starts were down a more modest 1.9% month over month. Although multifamily permits—a leading indicator of future construction—were relatively stable compared with last year, completions also declined, reflecting a broader slowdown in development activity. Industry experts attribute the pullback to a lack of available equity, rising construction costs, economic uncertainty, and ongoing affordability challenges facing both developers and renters. Construction input costs increased 9.6% over the past year, with steel, copper, fuel, and other materials continuing to pressure project economics.

Key takeaway: The multifamily development market is facing significant headwinds from financing constraints and rising construction costs, causing developers to slow new project starts despite ongoing housing demand. The sharp decline in starts suggests that new apartment supply growth could remain muted until capital availability and development economics improve.

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The Tariff Storm has a Silver Lining. And it Belongs to Preconstruction – Construction Dive

The article argues that rising tariffs on key construction materials such as steel, aluminum, copper, and lumber have significantly increased project costs and exposed weaknesses in traditional construction planning. Tariffs have driven material costs higher across residential, commercial, industrial, and data center projects, leading to budget overruns, project delays, redesigns, and cancellations. As a result, owners are increasingly involving contractors earlier in the process, giving preconstruction teams a larger strategic role in identifying cost risks, planning procurement, and evaluating alternatives before designs are finalized. The author contends that preconstruction is evolving from a cost-estimating function into a critical component of project and capital strategy, particularly for projects facing volatile material pricing. Projects that have navigated tariff-driven cost pressures most successfully are those where preconstruction teams were engaged early enough to proactively manage risks and procurement decisions.

Key takeaway: The article's central message is that while tariffs have increased construction costs and uncertainty, they have also elevated the importance of **early preconstruction involvement**. Owners and developers that engage contractors early to assess material exposure, evaluate alternatives, and lock in procurement strategies are better positioned to protect project budgets and schedules in a volatile market.

Why Some Apartment Amenities Fail to Deliver Returns – Globe Street

The article argues that multifamily owners are moving away from an "amenities arms race" and focusing instead on amenities that residents actually use and that produce measurable business results. Speakers at the National Apartment Association's Apartmentalize conference emphasized that attractive or trendy amenities often fail when they do not improve resident retention, lease conversions, or ancillary revenue. Examples included underutilized creative spaces and co-working areas that seemed appealing in theory but generated little resident engagement. In contrast, practical features such as pet-friendly spaces and

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responsive property management services are proving more valuable to residents. Operators are increasingly relying on resident feedback, usage data, and performance metrics to evaluate amenity investments.

Key takeaway: Successful amenity strategies are driven by **resident usage and measurable returns—not aesthetics alone**. The most effective multifamily properties focus on amenities that enhance resident satisfaction, retention, and leasing performance rather than simply matching competitors' offerings.

Yellowstone Closes on $480M Loan for Times Square Office-to-Resi Conversion – Globe Street

Yellowstone Real Estate Investment has secured a **$480 million loan from Madison Realty Capital** to convert the former MONY Building at 1740 Broadway in Times Square from office space into residential units. The redevelopment will transform the 27-story tower into **420 residences** (238 rental units and 182 luxury units) and include more than **60,000 square feet of amenities**, such as a sports club, coworking space, spa, entertainment areas, and pet-focused facilities. The project is part of Yellowstone's broader strategy of office-to-residential conversions in Midtown Manhattan, where the firm is also redeveloping the Candler Building. The article notes that Manhattan office conversions are rapidly accelerating, with nearly 10 million square feet of conversion starts projected for 2026, driven largely by activity in Midtown.

Key takeaway: The financing of the 1740 Broadway conversion highlights the growing momentum behind **office-to-residential redevelopment in Manhattan**, as developers and lenders increasingly view underutilized office buildings as opportunities to create housing and reposition assets in a changing office market.

Negative Leverage Becomes the New Normal for Multifamily and Industrial CMBS Loans – Globe Street

The article highlights a growing trend in commercial real estate where investors are increasingly accepting **negative leverage**, meaning borrowing costs exceed property cap rates, particularly in favored sectors such as multifamily, industrial, manufactured

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housing, self-storage, and mixed-use properties. CRED iQ found that newly originated 2026 CMBS loans are being financed at mortgage rates that are roughly equal to—or higher than—property yields, with multifamily assets posting a 5.45% cap rate versus a 5.64% borrowing cost. Investors appear willing to accept weaker near-term cash flow because they expect future rent growth and/or lower refinancing rates to improve returns over time. Meanwhile, office, retail, and hospitality properties generally continue to offer positive leverage, although office lending remains highly selective with conservative underwriting standards. The report also notes that 56% of newly issued CMBS loan balances feature full-term interest-only structures, helping borrowers preserve cash flow despite tight leverage spreads.

Key takeaway: Negative leverage is becoming the norm for many of the most sought-after CRE sectors, particularly multifamily and industrial. Investors are increasingly betting on future income growth and lower interest rates rather than current cash flow, making property valuations more dependent on financing conditions and rent growth expectations.

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