Multifamily Roundup | July 2026

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Freddie Mac Bets on Interest-Only to Keep Multifamily Capital Flowing

Freddie Mac is increasingly using interest-only loan structures to support multifamily lending in a higher interest-rate environment while maintaining relatively conservative leverage standards. A CRED iQ analysis of 472 loans ($7.2 billion) found that approximately 95% of the loans included full-term or partial interest-only periods, which help borrowers meet debt-service requirements despite elevated borrowing costs. While these structures improve current debt-service coverage ratios, the analysis warns that many loans could see significantly weaker coverage once amortization begins, creating potential refinancing challenges in the future. The greatest risk appears to be in Freddie Mac's floating-rate loan pools, where higher leverage, thinner coverage, and expiring interest-rate caps could make refinancing more difficult if rates remain elevated. Despite these risks, acquisition financing activity is increasing, suggesting multifamily investors and borrowers are adapting to the current rate environment without a major loosening of underwriting standards.

Key takeaway: Freddie Mac is keeping multifamily capital flowing by relying on interest-only loan structures rather than increasing leverage, but this strategy may mask future refinancing risks when principal payments begin and borrowers must support debt with stronger property cash flows.

Multifamily Builders See Brighter Outlook Despite Rising Costs

The National Multifamily Housing Council's latest survey found that multifamily developers and builders are increasingly optimistic about market conditions over the next 6-12 months, despite ongoing cost concerns. Most respondents expect construction conditions, as well as the availability of equity and debt financing, to improve or remain stable, with confidence growing further into the forecast period. However, builders anticipate that labor and material costs could begin rising faster than inflation over the next year, creating potential challenges for project feasibility and profitability. While short-term expectations remain relatively steady, the longer-term outlook reflects both cautious optimism and concern about escalating construction expenses.

Key takeaway: The multifamily industry is becoming more optimistic about future development opportunities and capital availability, but rising labor and material costs remain the primary risk that could limit growth and pressure project returns over the next 12 months.

Office Conversions Are Getting More Common. Here Is What the Developers Doing Them Best Have Figured Out.

As cities continue to face housing shortages while many older office buildings remain underutilized, office-to-residential conversions are becoming an increasingly attractive development strategy. Successful conversions depend heavily on acquiring buildings at substantial discounts, having zoning that allows residential use "as-of-right," and selecting properties with physical characteristics that support residential layouts, particularly access to natural light and air. Developers must also carefully manage existing tenant buyouts, design unit mixes that meet local housing demand, and often invest significantly in façade upgrades to create a true residential product. Municipalities such as Boston and New Rochelle are helping accelerate conversions by streamlining approvals and offering incentives, making projects more financially viable.

Key takeaway: The most successful office-to-residential conversion projects are driven by disciplined property selection, predictable zoning approvals, and thoughtful residential design—not simply by the availability of vacant office space. As more cities support these projects and housing demand remains strong, conversions are likely to become a larger component of urban redevelopment.

Project Type ‘More than Likely’ Contributed to Structural Failure in NYC: ASCE Engineer

In an interview with Multifamily Dive, former American Society of Civil Engineers (ASCE) President Norma Jean Mattei said the office-to-apartment conversion underway at the former Pfizer headquarters in Manhattan likely contributed to the structural issues that caused columns to buckle and floors to sag. She explained that converting older office buildings to residential use introduces unique risks because aging structures may have hidden deterioration, design limitations, or construction defects that become apparent when the building is modified for a new purpose. Mattei emphasized that adaptive reuse projects require thorough structural assessments and strong regulatory oversight, particularly as more cities pursue office-to-residential conversions to address housing shortages. She also noted that the situation appears to have been identified before becoming catastrophic, allowing the site to be evacuated without injuries or fatalities.

Key takeaway: As office-to-residential conversions become more common, developers and regulators must carefully evaluate the structural integrity of older buildings, since hidden age-related deterioration or design limitations can create significant risks when a building is adapted for a new use.

Multifamily Development Shifts To Bigger Low-Rise Communities

Multifamily development is increasingly moving toward larger, low-rise communities, even as overall apartment construction slows from the record levels reached in 2024. According to Chandan Economics, completions fell from 591,000 units in 2024 to 468,000 units in 2025, but larger properties with 50 or more units captured a growing share of new supply. Developers are favoring larger communities because they offer economies of scale, help offset rising construction and financing costs, and are attractive to institutional investors. At the same time, low-rise and garden-style developments are gaining popularity as renters seek more space, easier access to amenities, and alternatives to increasingly unattainable homeownership. Developers are also building more two-bedroom and larger units to meet demand from households staying in rental housing longer.

Key takeaway: The multifamily sector is not retreating — it is evolving. Developers are concentrating on larger, low-rise communities with more spacious units because these projects better align with renter preferences, affordability challenges, and the financial realities of today's development environment.

Cushman & Wakefield Report: U.S. Apartment Market Turns the Corner

Cushman & Wakefield's Q2 2026 Multifamily MarketBeat report indicates that the U.S. apartment market is strengthening as demand has surpassed new supply for the first time since early 2022. National vacancy declined to 8.9%, falling below 9% for the first time since 2024, while net absorption reached 124,600 units during the quarter — one of the strongest quarters in nearly 25 years. At the same time, new construction activity continues to slow, with the number of units under construction falling to its lowest level since 2013. Strong renter demand, particularly in markets such as New York, Dallas-Fort Worth, Phoenix, Atlanta, and Austin, is helping absorb existing inventory and improve market fundamentals. Annual rent growth also accelerated to 1.5%, with further gains expected as the development pipeline continues to shrink.

Key takeaway: The U.S. multifamily market appears to have reached an inflection point: demand is now outpacing new supply, vacancy is declining, construction activity is slowing, and rent growth is beginning to accelerate — signaling improving fundamentals for apartment owners and investors.

Apartment CMBS Distress Showed Mixed Signals in June: Trepp

June's multifamily lending data presented a mixed picture for apartment owners and investors. Trepp reported that the multifamily CMBS delinquency rate increased to 7.23%, continuing an upward trend from both six months and one year earlier, indicating ongoing stress among some apartment loans. However, the multifamily CMBS special servicing rate declined to 8.23% after a large New York loan was successfully modified and returned to regular servicing, signaling that some troubled assets are finding resolutions. Meanwhile, CRED iQ reported that multifamily loan delinquencies at FDIC-insured banks rose to 1.47% in the first quarter of 2026 — the highest level since 2013 — though still far below post-financial-crisis levels. Despite these challenges, banks are expanding multifamily lending activity and are increasingly competing for acquisition, refinancing, and construction loans.

Key takeaway: The multifamily debt market is sending mixed signals: loan distress remains elevated and delinquencies are rising, but lenders are becoming more active and competitive, suggesting continued confidence in the sector despite ongoing credit challenges.

21st Century ROAD to Housing Act: Build-to-Rent Provisions Update

This blog post is the second in an FBT Gibbons series analyzing the effects of the 21st Century ROAD to Housing Act on the residential development industry, and it focuses specifically on the Act's build-to-rent (BTR) provisions. The Housing Act, which went into effect on July 11, 2026, seeks to make housing more affordable and available in part by increasing the supply of new units for purchase and for rent. Title X of the Housing Act, named "Home-Ownership for Main Street America," prohibits large institutional investors (generally for-profit entities owning or managing 350 or more single-family homes) from directly or indirectly purchasing single-family homes unless the purchase qualifies as an "excepted purchase." Critically, excepted purchases include taking possession of single-family homes purposefully built to be managed as rental properties, which allows institutional investors to continue funding, owning, and operating BTR units while still being barred from competing with traditional homebuyers for existing homes. The post notes that earlier versions of the Housing Act had created uncertainty and contributed to a decline in BTR construction starts, and that this carve-out is intended to sustain the BTR model as one potential component of addressing the national housing supply shortage.

Key takeaway: The Housing Act's central significance for the BTR industry is its "excepted purchase" carve-out: while it broadly restricts large institutional investors from acquiring single-family homes, it expressly exempts homes purpose-built as rental properties, thereby preserving institutional funding for BTR development. Without this exception, the BTR industry would likely have faced significant disruption, since large institutional investors play a substantial role in funding these developments.

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