Multifamily Roundup | September 2026

Sep 29, 2026

Categories:

Multifamily Matters
Publications

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Curated for industry professionals, the Multifamily Roundup is a periodic digest of noteworthy developments, insights, and market shifts shaping the multifamily and affordable housing industry. For more in-depth analysis, visit our Multifamily Matters blog.

Troubled Multifamily Loans Face A Refinancing Problem: Who Puts In New Equity?

As the 10-year Treasury rose above 5% and the Federal Reserve resumed rate hikes, many multifamily borrowers who acquired assets during the low-rate period of 2020-2022 are finding it difficult to refinance maturing debt. Lenders are increasingly requiring borrowers to contribute fresh equity to support refinancings, but many sponsors are unwilling or unable to do so given declines in asset values and weaker-than-expected operating performance. The article highlights a growing divide in the lending market: acquisition loans backed by new capital continue to attract financing, while refinance transactions involving stressed borrowers face much greater scrutiny.

Key takeaway: Refinancing risk is increasingly becoming an equity problem, as lenders expect sponsors to bridge valuation and leverage gaps with additional capital.

There's Not Enough Housing for America's Poorest While Low-Income Units Sit Empty | AP News

The Associated Press highlights a growing mismatch within the affordable housing sector: thousands of income-restricted units are sitting vacant in cities such as Austin, Denver, and Portland, while extremely low-income households continue to face severe housing shortages. Much of the housing financed through the Low-Income Housing Tax Credit (LIHTC) program targets residents earning at least 50% of area median income, leaving the poorest households with few viable options despite significant affordable housing investment. The story underscores that the nation's housing challenge is not solely a supply issue, but also a question of whether affordable housing is being produced at rents accessible to the households with the greatest need. In other words, sometimes LIHTC rents are close to par with market rents.

Key takeaway: The affordable housing shortage is increasingly a mismatch between who new units are built for and the households experiencing the most acute housing needs.

Stanley Druckenmiller Warns U.S. Interest Rates Are Too Low for Further Cuts | FinScans

Billionaire investor Stanley Druckenmiller argued that current U.S. monetary policy is not meaningfully restrictive and that investors should not assume additional rate cuts are forthcoming. He pointed to elevated asset prices, persistent inflation concerns, and rising Treasury yields as evidence that borrowing costs may ultimately remain higher than markets expect. For commercial real estate, his comments reinforce concerns that cap rate expansion and refinancing pressure could persist if long-term yields continue rising.

Key takeaway: Investors underwriting a near-term return to lower interest rates may be exposed if long-term Treasury yields remain elevated or increase further.

Fed Raises Rates: What the September 2026 Hike Means for Commercial Real Estate | RPA Commercial Loans Blog

Following the Federal Reserve's September 16 rate increase, analysts focused on the impact to commercial real estate underwriting and debt-service coverage ratios. The article highlights that higher benchmark Treasury yields directly increase borrowing costs for long-term multifamily loans and challenge property values. The result is continued pressure on sponsors seeking to refinance existing debt and on buyers underwriting new acquisitions.

Key takeaway: Higher benchmark rates are reducing debt proceeds and placing additional downward pressure on values across the multifamily sector.

Garden Apartments Face a Tougher Market as Supply Risk Returns

U.S. apartment investment volume declined 16% year over year to $12.4 billion in July, but the downturn was considerably sharper for garden apartments, whose sales fell 25% to $6.3 billion. By comparison, mid- and high-rise transaction volume declined only 5%, although a large California portfolio transaction supported that segment's results. Garden properties are facing greater cap-rate pressure because many are located in suburban, car-oriented markets where available land makes competing development easier. Dense urban properties generally benefit from greater barriers to new supply, including limited sites, construction complexity, neighboring uses and local restrictions. As buyers increasingly distinguish between supply-exposed and supply-constrained assets, underwriting is becoming more dependent on durable property income rather than anticipated cap-rate compression.

Key takeaway: Garden apartments may no longer command the same pricing treatment as harder-to-replicate urban assets, making local supply pipelines and barriers to entry increasingly important investment considerations. (*See*, e.g., "Exclusive: Michelson, 29th Street Make $73M Denver Deal – Multi-Housing News.")

Mold Is Growing Into Major Problem For Apartment Owners

Apartment owners are facing a growing wave of mold and habitability litigation as aging properties, deferred maintenance, and more severe weather conditions increase the frequency of mold-related claims. The resulting lawsuits have driven habitability insurance costs sharply higher, with some owners reporting premium increases of 300% or more and some insurance carriers retreating from markets such as California entirely. For multifamily investors, mold is increasingly being viewed not just as a maintenance issue but as a significant operating and liability risk that can materially impact property cash flow and asset value.

Key takeaway: Operational risks such as mold, habitability claims, and rising insurance costs are emerging as material threats to property performance alongside traditional market risks.

September's multifamily finance headlines were dominated by a renewed "higher-for-longer" interest rate narrative. The Federal Reserve raised rates for the first time since 2023, while prominent investor Stanley Druckenmiller publicly warned that long-term interest rates may still be too low given fiscal deficits and inflation concerns. For multifamily owners and lenders, the key themes remain refinancing risk, pressure on asset valuations, and elevated borrowing costs.

The days of banking on a lower exit cap seem to be gone (at least for a while).

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