ESSENTIAL REALTY CAPITAL

FLAGSHIP THESIS PAPER

The Multifamily Tsunami

Three forces converging into the most disciplined multifamily entry window in over a decade.

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INSIDE THIS REPORT

SUMMARY

Executive Summary

A tsunami is not a single wave. It is energy from separate disturbances, traveling quietly until it stacks - and it rewards the observer who reads the water early. This paper argues that three independent, well-documented forces are converging on United States multifamily real estate at the same time, and that their convergence creates an unusually disciplined entry window for well-capitalized equity.

The first force is a wall of maturing debt. Industry data providers estimate that hundreds of billions of dollars of multifamily loans come due through 2029, much of it originated in the 2020-2022 window at some of the lowest interest rates in history and disproportionately on short-term, floating-rate structures. As those loans mature into a higher-rate environment against values that remain below their 2022 peak, motivated sellers appear and basis resets.

The second force is the capital-expenditure cycle around artificial intelligence - data centers, chip fabrication, energy, and reshored manufacturing - which is concentrating job and income growth in the Sunbelt and Midwest metros where we invest, even as elevated rates have collapsed new apartment construction. The third force is demographic: record homeownership unaffordability and peak household formation are keeping tens of millions of households renting longer.

None of these figures is our invention; each is attributed to a named, dated third-party source in the Sources section. Our contribution is the discipline to act on their convergence through specific assets, submarkets, and structures - summarized in the Three Guidelines at the close of this paper.

FRAMING

The Window Defined

Entry windows in real estate are defined less by optimism than by the alignment of a motivated seller, a supportable asset, and a durable resident. When all three align in the same direction at the same time, disciplined buyers can acquire quality assets at a basis that does the heavy lifting for the life of the hold. We believe that alignment is forming now.

The mechanism is basis. When a seller transacts because the debt, not the business plan, sets the timeline, price is set by necessity rather than by conviction. A buyer who enters at that reset basis needs less from the market to underwrite a sound outcome. The three forces described in this paper each contribute to one leg of that alignment: the maturity wall supplies the seller, the supply-and-demand picture supports the asset, and demographics supply the resident.

> **How to read this paper**
>
> *Each force is presented with the specific, dated data points that support it, followed by what it means for a disciplined buyer. The figures are conservative and sourced; the interpretation is ours. Read the forces independently, then read the section on how they compound.*

FORCE 01

01

The Maturity Wall

A multi-hundred-billion-dollar wall of multifamily debt matures through 2029 - much of it short-term, floating-rate, and originated at historically low rates.

Yardi Matrix estimates that approximately $525 billion of multifamily loans in its database mature by the end of 2029, with annual maturities climbing to a peak near $107 billion in 2028. Separately, the Mortgage Bankers Association counted roughly $875 billion of commercial and multifamily mortgages scheduled to mature in 2026 alone - about 17% of the roughly $5.0 trillion outstanding - and reported that lenders are no longer simply extending loan terms, a signal that maturities are increasingly being forced to resolution rather than deferred.

Multifamily loan maturities by year (Yardi Matrix)

US$ billions

The vintage problem

The risk is concentrated by vintage and structure. Freddie Mac found that the share of multifamily loans originated with terms of seven years or less rose from about 26% in 2017-2019 to roughly 34% in 2020-2022, and that approximately 55% of loans maturing in 2024-2025 carried terms under five years - largely originated between 2019 and 2021 at some of the lowest rates in history. Short-term, low-rate debt written near peak pricing is precisely the debt that struggles to refinance when rates reset higher and values sit lower.

The refinancing math - hypothetical, for illustration only

Consider an owner who acquired a garden-style community in 2021 for $40 million with a $26 million loan (65% of value) at an initial rate near 3.5% on a short-term floating-rate structure. The loan now matures. If the property has fallen roughly in line with the MSCI index, it is worth about $33.6 million; a new lender sizing to 65% of today's value advances roughly $21.8 million - more than $4 million short of the maturing balance, before higher-rate debt-service coverage tests cut proceeds further. The owner must write a large equity check into a smaller asset, restructure, or sell. Every figure here is illustrative; actual outcomes vary widely.

Values reset, stress emerging

The equity gap is not hypothetical in aggregate. Per MSCI Real Assets, US apartment values were approximately 16% below their level of three years earlier as of November 2025. Early stress is visible in the data as well: Trepp reported the delinquency rate on multifamily-backed CMBS loans rose to 7.23% in June 2026. Distress of this kind does not imply a market in free fall; it implies a steady supply of motivated sellers whose timing is set by their capital structure.

Largest metro maturity concentrations, through 2029 (Yardi Matrix)

Metro	Maturing debt
Atlanta	$34.9B
Dallas	$26.6B
Denver	$22.9B
Houston	$20.8B
New York	$19.9B
Chicago	$18.8B

For a disciplined buyer, the maturity wall is not a headline about distress - it is the entry mechanism of the cycle. It supplies sellers who must transact and resets the basis on quality assets in the specific Sunbelt and Midwest metros where our other two forces are strongest.

FORCE 02

02

The AI Decade

AI-era capital expenditure is concentrating jobs and income in the Sunbelt and Midwest, just as elevated rates have collapsed new apartment supply.

The build-out of artificial intelligence is the largest capital-expenditure cycle in a generation, and it is not evenly distributed. US Census Bureau construction data show private spending on data centers reached approximately $41 billion in 2025 - up about 32% year over year and more than four times the 2020 level - while construction of manufacturing facilities totaled roughly $220 billion, with plants for computers and electronics alone accounting for about $104 billion, up from roughly $9 billion in 2020.

This capital lands in specific places. Announced projects such as TSMC's planned investment of approximately $165 billion centered on Phoenix concentrate construction jobs first, then durable operations and supplier employment, in Sunbelt and Midwest metros - the same submarkets where we underwrite acquisitions. Job and income growth of this kind is the demand-side foundation for rental housing.

Supply has collapsed into the demand

While demand builds, new supply is rolling over. US Census data compiled by NAHB show multifamily starts fell from approximately 548,000 units in 2022 to roughly 354,000 in 2024 - a decline of about 35% - with only a partial recovery since. After completions reached a 38-year high near 608,000 units in 2024, Yardi Matrix projects national deliveries falling to roughly 441,000 units in 2026 and about 407,000 in 2027. A project started today cannot deliver for years, so the trough is largely already set.

US apartment deliveries, projected (Yardi Matrix)

000s of units

The two halves of this force reinforce each other. AI-era capital is supporting household formation and incomes in exactly the metros where new apartment supply is thinnest. Forecasts are third-party projections, not statements of fact, and have been revised between quarters - but the direction, thin new supply arriving alongside concentrated demand, is well supported by the data.

FORCE 03

03

Demographic Demand

Record unaffordability and peak household formation are keeping tens of millions of households renting longer - durable, less-cyclical demand.

The largest generations in American history are forming households faster than the country builds homes, and the math of ownership has moved against them. Per CBRE research, the average monthly cost of buying a median-priced US home was approximately $4,643 in the second quarter of 2025 - a premium of roughly 108% over the average apartment rent of about $2,228, against a pre-pandemic norm near 68%. CBRE estimated that only about 12.7% of renter households could afford a median-priced home.

The consequences show up in behavior. The National Association of Realtors reported the median age of first-time homebuyers rose to an all-time high of 40, and that first-time buyers fell to 21% of the market, the lowest share since the survey began in 1981. Households that cannot or choose not to buy remain renters - and increasingly they rent in the suburbs.

108%
Premium to buy vs. rent, Q2 2025 (CBRE); ~68% pre-pandemic norm.

Age 40
Median first-time homebuyer age, a record (NAR, 2025).

46.1M
US renter households in 2025, a record - ~79% of household growth (Arbor).

The renter base is at record scale. An Arbor Realty Trust and Chandan Economics analysis of Census data found US renter households rose by roughly 898,000 in 2025 to an estimated record 46.1 million, accounting for approximately 79% of all US household growth that year. Estimates of the national housing shortage range from roughly 3.7 million units (Freddie Mac) to 4.7 million homes (Zillow) - a structural undersupply that no single construction cycle can close - and a Point2Homes analysis found renters now outnumber owners in 203 suburbs of the 20 largest US metros. This is durable, historically less cyclical demand for well-located suburban multifamily.

SYNTHESIS

How the Forces Compound

Any one of these forces would interest us. What makes this window unusual is that they resolve in the same direction at the same time. The maturity wall supplies the seller - owners whose debt, not their judgment, sets the timeline. The AI-era capital cycle and the collapse in new supply support the asset - occupancy and rents in the submarkets where capital is landing and cranes are not. And demographics supply the resident - households for whom renting is the durable, rational choice.

Sellers who must sell, buyers who can wait, and renters who stay: that is the shape of a disciplined entry window. Windows like this do not announce their closing. As maturities clear and construction eventually restarts, the basis advantage narrows. We would rather be early and disciplined than late and flexible.

HOW WE'RE POSITIONED

The Three Guidelines

We translate this thesis into three simple guidelines that screen every opportunity we underwrite. They are deliberately narrow: discipline in what we will not do is what protects capital across a cycle.

100+ units

Suburban garden-style communities in A/B neighborhoods across high-growth Sunbelt and Midwest submarkets.

$5-15M

Typical LP or co-GP equity commitment per transaction, flexible for exceptional opportunities.

2.0x+ target

Targeting a minimum 2.0x equity multiple via cash flow at stabilization and value creation at disposition. Targets are objectives, not guarantees.

Around these guidelines we run three strategies - opportunistic acquisitions, value-add acquisitions, and selective development and pre-stabilized deals - each calibrated to how the maturity wall resolves and where the supply-demand imbalance is widest. We co-invest our own capital in every deal we offer, and we source opportunities through a proprietary network of vetted operating partners. Accredited investors can access this pipeline, including deal-by-deal sidecar co-investments, through the Essential Realty Capital investor network at essentialrealtycapital.com/investors.

REFERENCES

Sources & Methodology

Figures in this report are approximations drawn from the named third-party sources below, as of the dates indicated. Essential Realty Capital has not independently verified this data, and it is subject to revision. Forward-looking figures - construction and delivery forecasts in particular - are third-party projections, not statements of fact, and have been revised materially between reporting periods. Where credible sources disagree, the report presents the range and each methodology rather than a single convenient number.

1. Mortgage Bankers Association, 2025 Commercial Real Estate Survey of Loan Maturity Volumes (released February 10, 2026): approximately $875 billion of commercial and multifamily mortgages, ~17% of the ~$5.0 trillion outstanding, scheduled to mature in 2026; ~13% of multifamily-backed balances mature in 2026.
2. Yardi Matrix, "$525B in Multifamily Loans Will Mature Through 2029" (March 14, 2024): annual maturities $61.8B (2024), $84.3B (2025), $89.3B (2026), $77.9B (2027), $107.3B (2028); metro concentrations including Atlanta $34.9B, Dallas $26.6B, Denver $22.9B, Houston $20.8B.
3. Freddie Mac Multifamily, Multifamily Maturity Risk Report (January 2024): share of multifamily loans with terms of seven years or less rose from 25.9% (2017-2019) to 33.9% (2020-2022); ~55% of loans maturing 2024-2025 carried terms under five years, largely originated 2019-2021.
4. MSCI Real Assets, RCA Commercial Property Price Index, US (data through November 2025, published December 2025): US apartment values approximately 16% below their level three years earlier.
5. Trepp CMBS delinquency data, as reported by Connect CRE (July 1, 2026): multifamily CMBS delinquency rate 7.23% in June 2026.
6. US Census Bureau, Value of Construction Put in Place, full-year 2025 (as reported February 2026): private data-center construction ~$41 billion (up ~32% year over year); manufacturing-facility construction ~$220 billion; computer/electronics plants ~$104 billion.
7. US Census Bureau (Series C-20), New Residential Construction, as compiled by NAHB (updated June 2026): multifamily starts ~548,000 units (2022) to ~354,000 (2024); NAHB (February 2026): 2024 multifamily completions ~608,000 units, a 38-year high.
8. Yardi Matrix apartment delivery forecast, as reported by Multifamily Dive (October 31, 2025): national deliveries ~585,000 (2025), ~441,000 (2026), ~407,000 (2027).
9. TSMC press release (March 4, 2025): additional $100 billion of planned US investment, bringing total planned US investment to approximately $165 billion centered on Phoenix, Arizona.
10. CBRE Research (Q2 2025 data, published September 2025): average monthly cost to buy a median-priced US home ~$4,643 versus average apartment rent ~$2,228 (a ~108% premium; ~68% pre-pandemic norm); ~12.7% of renter households could afford a median-priced home.
11. National Association of Realtors, 2025 Profile of Home Buyers and Sellers (November 2025): median first-time homebuyer age 40 (record); first-time buyer share 21% (lowest since 1981).
12. Arbor Realty Trust / Chandan Economics analysis of US Census Bureau data (April 2026): US renter households rose ~898,000 in 2025 to a record ~46.1 million, ~79% of total US household growth.

13. Housing shortage estimates: Freddie Mac ~3.7 million units (Q3 2024, published November 2024); Zillow ~4.7 million homes (published July 2025); estimates vary by methodology.
14. Point2Homes analysis of US Census Bureau American Community Survey (published June 2025): renters outnumber owners in 203 suburbs of the 20 largest US metros.

LEGAL

Important Disclosures

This report is market commentary prepared for informational purposes only. It is not investment, legal, or tax advice, and it does not constitute an offer to sell, or a solicitation of an offer to buy, any security or investment product. Any offering is made solely to accredited investors through definitive offering documents, which contain important information about strategy, terms, fees, and risks, and not through this report or the firm's website.

Any targeted returns, including targeted equity multiples, are objectives only. Targets are not guarantees, projections, or predictions of future performance, and there can be no assurance that they will be achieved. Past performance is not indicative of future results.

Investing in real estate involves substantial risk, including illiquidity, the use of leverage, and the possible loss of the entire principal amount invested. Any hypothetical examples in this report are illustrative only, do not represent any actual investment, and are not indicative of future results.

Certain statements in this report are forward-looking and reflect current expectations based on third-party data believed to be reliable as of the dates indicated. Actual outcomes may differ materially. Essential Realty Capital undertakes no obligation to update any forward-looking statement.

Prospective investors should conduct their own investigation and consult their own legal, tax, and financial advisors before making any investment decision.

TODO(compliance): securities counsel to review prior to distribution.