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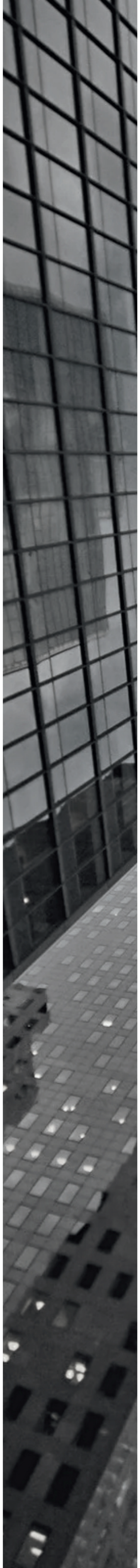
LPC MULTIFAMILY MARKET OUTLOOK 2025

Resilience. Repricing. Renewal.

A data-driven perspective on U.S. multifamily performance, trends, and opportunities for investors.

All data current as of Q2 2025. Sources:
Yardi Matrix, Freddie Mac, CBRE, Marcus & Millichap, LPC analysis.



A Transition Year for Multifamily — From Supply Peaks to Steady Strength

Elevated rates and heavy deliveries defined 2024, but 2025 marks the beginning of a normalization phase — with demand and absorption regaining momentum across resilient markets.

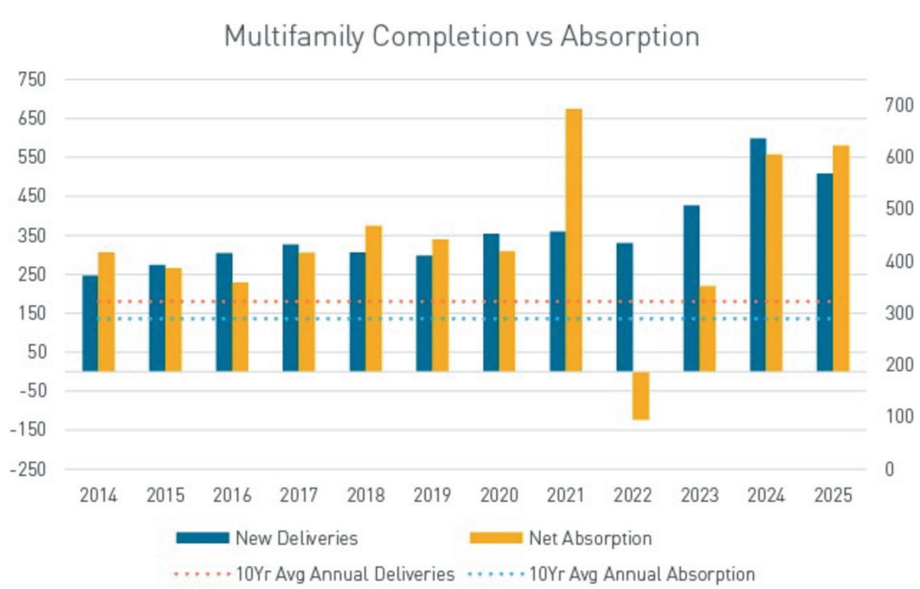
2025 Snapshot — National Indicators

Indicator	2025 Estimate	Insight
Occupancy	~93.7 %	Stabilizing as supply slows and demand persists (Yardi Matrix Q2 2025)
Rent Growth	~1.5 %	Modest but positive — led by constrained metros (Yardi Matrix)
New Supply	~536 K units	Still elevated, but down from 2024 peaks (Freddie Mac 2025 Outlook)
Mortgage Rates	~6 % +	Higher costs keeping pressure on cap rates (CBRE 2025 Outlook)
Investor Demand	Moderate	Liquidity returning selectively to strong sponsors (Marcus & Millichap)

Sources: Yardi Matrix, Freddie Mac, CBRE, Marcus & Millichap, LPC Analysis.

The U.S. multifamily sector enters 2025 on solid footing. After two years of record completions and higher borrowing costs, fundamentals are recalibrating rather than weakening. Persistent renter demand—driven by unaffordable homeownership and steady job growth—is offsetting much of the new supply pressure.

Analysts from Yardi Matrix and Freddie Mac note that absorption continues to track near pre-pandemic averages, with rent growth stabilizing above inflation in many secondary markets. Operators with disciplined debt structures and real operating plans are best positioned to capture the recovery ahead.



Source: Berkadia Research, Q2 2025 Multifamily Outlook

“2025 is less about chasing growth and more about mastering stability.”

PERSISTENT DEMAND: RENTERS STILL OUTPACING SUPPLY

Job growth, migration, and unaffordable homeownership continue to support strong renter demand, keeping occupancy near historic highs.

Even as the broader housing market adjusts to higher interest rates, multifamily demand remains resilient. Freddie Mac's 2025 Multifamily Outlook notes that over **4 million U.S. households are priced out of homeownership**, keeping rental demand elevated across most metros. Median home prices now sit at **6.8× median income**, while new-lease rents remain roughly **40% cheaper than a monthly mortgage** in most markets.

Migration continues to flow toward employment hubs in the Southeast, Texas, and Mountain West — regions that added over **350,000 net new residents in 2024** according to U.S. Census estimates. These markets combine job growth, lifestyle appeal, and relative affordability — the same fundamentals that drive LPC's acquisition focus.

While new construction deliveries remain above trend, strong absorption in Q2 2025 (188K units) shows renters are still filling space faster than developers can supply it. This steady household formation underpins LPC's confidence in long-term income durability across well-located assets.

Sources: Freddie Mac 2025 Outlook, Yardi Matrix Q2 2025 Supply Report, CBRE Q2 2025 Figures, U.S. Census 2024 Population Estimates.

The Growing Cost Gap Between Buying and Renting

Year/ Quarter	For-Sale				Multifamily Monthly Rent	Multifamily YoY Rent Growth	YoY Wage Growth
	Mortgage Rate	Median Sales Price	Monthly P&I	YoY Change			
2020	3.1%	$298,485	$1,012	-17.6%	$1,426	0.0%	3.6%
2021	3.1%	$352,048	$1,199	18.6%	$1,535	6.9%	3.8%
2022	5.9%	$384,461	$1,821	51.8%	$1,749	11.7%	6.3%
1Q 2023	6.3%	$379,473	$1,883	18.7%	$1,786	4.5%	6.4%
2Q 2023	6.7%	$386,928	$1,999	10.2%	$1,811	2.4%	5.6%
3Q 2023	7.3%	$392,047	$2,152	8.7%	$1,825	0.4%	5.2%
4Q 2023	6.6%	$394,804	$2,019	6.0%	$1,807	0.2%	5.2%
1Q 2024	6.8%	$398,563	$2,077	10.3%	$1,808	0.2%	4.7%
2Q 2024	6.9%	$404,170	$2,121	6.1%	$1,828	0.2%	5.3%
3Q 2024	6.1%	$403,825	$1,954	-9.2%	$1,841	0.3%	4.7%
Change Since 1Q 2020	3.0%	$105,340	$942	88.7%	$415	20.2%	25.0%

Source: Freddie Mac, 2025 Multifamily Outlook (Exhibit 3). Rent data: RealPage; Median price: NAR.

"4 million + households remain priced out of homeownership — a structural demand engine for multifamily."

From Oversupply to Equilibrium: 2025's Regional Story

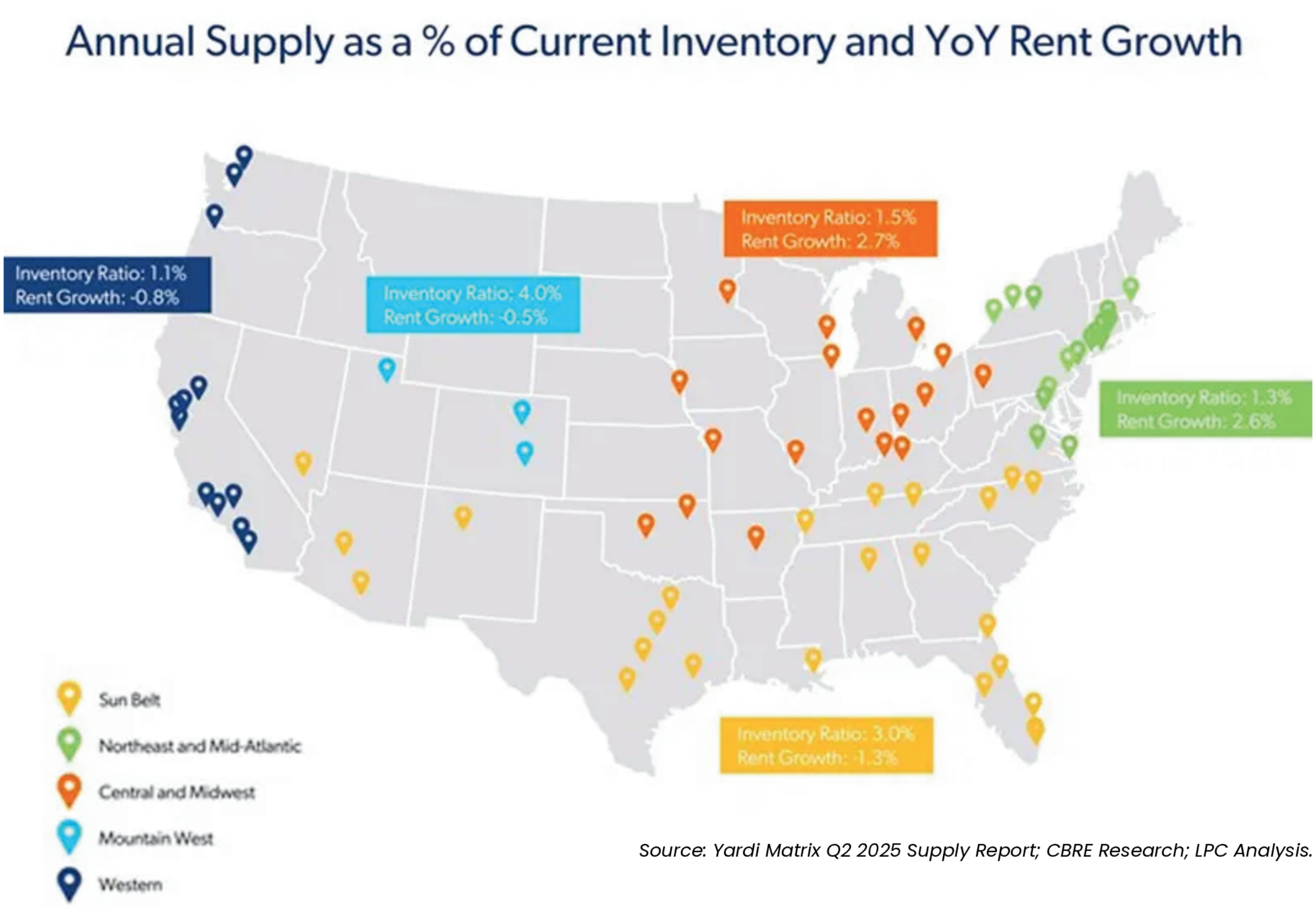
With record completions cresting, multifamily supply is set to decline after 2025. Markets with strong job bases and slower construction pipelines — the very focus of LPC's strategy — are positioned to outperform.

After two years of historic construction levels, the U.S. multifamily supply wave is finally cresting. Yardi Matrix forecasts roughly **536,000 units** will deliver in 2025 — down from 2024's record 620,000 — marking the first step toward rebalancing. Freddie Mac's 2025 Outlook projects completions will fall below 400,000 annually by 2026 as financing tightens and new starts slow.

Oversupply remains concentrated in a few Sun Belt metros such as **Austin, Phoenix, and Nashville**, where vacancy rates temporarily exceed 7%. Conversely, **Midwest and Southeast** markets — including Kansas City, Indianapolis, Raleigh, and Tampa — continue to post rent growth above 2% and maintain occupancy near 95%.

For LPC, this divergence reinforces a disciplined market-selection approach: targeting metros with **diverse employment, manageable supply pipelines**, and **affordability advantages**. As 2025 unfolds, the next performance leaders are likely to be secondary growth markets where fundamentals, not speculation, drive returns.

Sources: Yardi Matrix Q2 2025 Supply Report; Freddie Mac 2025 Outlook; CBRE U.S. Multifamily Outlook 2025; Marcus & Millichap 2025 Forecast; LPC Analysis.



Source: Yardi Matrix Q2 2025 Supply Report; CBRE Research; LPC Analysis.

"2025 marks the first decline in new supply in nearly a decade."

Financing Tightens, Opportunity Follows.

Elevated rates and cautious lenders are redefining what "good deals" look like in 2025. For experienced operators, tighter capital markets create cleaner entries and stronger long-term positions.

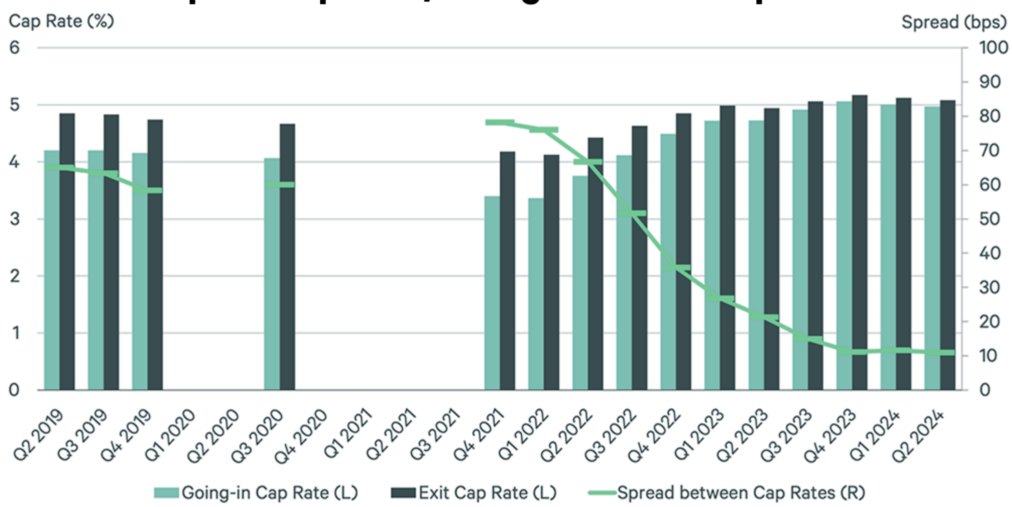
The cost of capital remains the defining theme of 2025. Mortgage rates hover near **6 – 6.5%**, and lender spreads have widened about **50–75 bps** since mid-2023. According to CBRE's U.S. Multifamily Outlook 2025, transaction volumes are down roughly **20% year-over-year**, yet investor demand for well-sponsored, cash-flowing assets is returning.

Freddie Mac notes that while debt costs compress margins, they also curb speculative development — setting the stage for healthier fundamentals ahead. As new starts slow, stabilized properties with solid NOI growth and fixed or capped debt are emerging as prime opportunities.

LPC's approach remains grounded in conservative underwriting, stress-tested assumptions, and operational value-add. Each acquisition is modeled with exit cap ≥ entry cap, full interest and operating reserves, and realistic rent growth tied to market data — not optimism. By maintaining moderate leverage and focusing on asset performance over financial engineering, LPC protects investor capital while positioning for upside when rates ease.

Sources: CBRE 2025 Multifamily Outlook; Freddie Mac 2025 Outlook; Marcus & Millichap Investment Forecast; LPC Analysis.

Cap Rate Spread / Going-In vs Exit Cap Rates



Credit: CBRE Research, Q2 2024

"In Q2 2025, CBRE reports the average core going-in cap rate fell 6 bps to 4.75 %, and exit cap rate fell 4 bps to 4.96 %." CBRE

"With higher borrowing costs, yield spreads and disciplined underwriting will define which deals perform over the cycle."

Pillar	**Summary**
Debt First	Fixed or properly capped floating loans, maturities matched to business plan, ample reserves.
Underwriting Discipline	Flat rent growth in high-supply markets, expense headroom, exit cap ≥ entry.
Value-Add Execution	Operational improvements drive NOI, not speculation.
Transparency & Reporting	Quarterly updates, real cash at risk, alignment via performance-based fees.

"In a high-rate world, discipline is the new alpha."

2025: Stability Before the Next Upswing

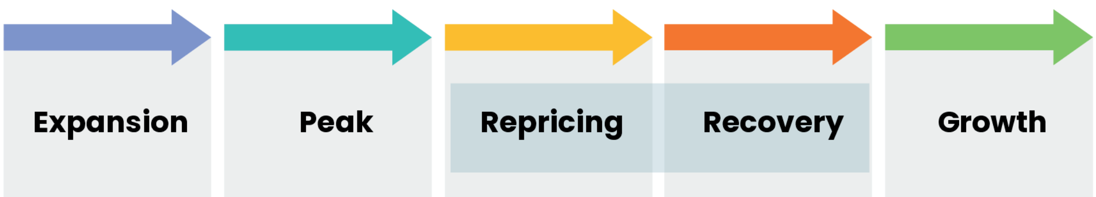
Elevated rates and cautious lenders are redefining what "good deals" look like in 2025. For experienced operators, tighter capital markets create cleaner entries and stronger long-term positions.

The big picture: After two years of elevated rates and historic supply, 2025 marks a shift from volatility to normalization. Rent growth remains positive, absorption is catching up, and supply pipelines are slowing — setting the stage for steadier fundamentals.

For investors: Deals are increasingly being priced on real performance, not exuberant projections. That favors well-capitalized sponsors with operational skill and conservative debt. These conditions reward discipline — the same traits that define LPC's strategy.

Looking ahead: As rates plateau and new development eases, 2025–2026 vintages could deliver strong risk-adjusted returns. Investors who deploy capital into stress-tested, value-add assets today position themselves ahead of the next compression cycle.

Sources: Yardi Matrix, Freddie Mac 2025 Outlook, CBRE Q2 2025 Figures, Marcus & Millichap Investment Forecast, LPC Analysis.



2025 represents the inflection from repricing to recovery as supply moderates and rates stabilize.
Source: LPC Analysis / CBRE Market Cycle Framework.

What Defines a Resilient 2025 Investment

✅ **LPC Checklist**	
Fixed / Capped Debt	Stress-Tested Underwriting
Value-Add Execution	Conservative Leverage
Cash Flow Durability	Geographic Diversification
Professional Management	Transparency & Reporting

Stay ahead of the market with Lion Park Capital.

Join the Investor Network

"The next cycle will belong to operators who stayed patient and bought quality."

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