
WHITE PAPER · MARCH 2026

Investment Thesis.

Sun Belt Multifamily.

The end of the longest multifamily recession
in two generations.

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Recipients

CLASSIFICATION

Confidential



— INVESTOR LETTER

A note to *Equity Check* investors.

Markets are loud right now, and the world is chaotic. Tariff whiplash, rate uncertainty, geopolitical conflict, and hidden distress in commercial real estate capital stacks. None of it changes the math. As always, we return to the fundamentals.

The 2022–2024 cycle was punishing. Construction starts hit a 50-year peak. Deliveries flooded markets faster than they could absorb. Rents went negative. Cap rates blew out. Merchant builders who underwrote at peak rents and sub-4% interest assumptions are now leasing up into a market that doesn't reward them, and refinancing into one that punishes them. The same forces that wiped out that vintage are setting up the next one. Capital is constrained. Construction starts collapsed. Architectural billings have declined for 40+ consecutive months. The pipeline is empty.

The cost premium of owning a starter home over renting is more than \$1,000 per month, against a 50-year historical average of \$290. 2026 deliveries will fall to roughly 317,000 units, the lowest since 2019, and inventory growth drops to 1.1% by 2028, in line with 2013 levels at the start of the post-GFC recovery that produced 4.6% rent growth in 2014 and 5.1% in 2015. Every one of those facts is structural, not cyclical.

The current setup for Sun Belt multifamily is the most asymmetric I've seen since 2013.

The white paper that follows lays out the thesis in full. Eight sections covering the end of the supply wave, the housing deficit floor, the fragmented \$165 billion-a-year transaction market, the capital backdrop and the hidden distress reshaping ownership, target geographies across Texas and the Southeast, the macro tailwinds, and a candid read on the risks. You will also find a side-by-side comparison of today's market against 2006–2008.

The thesis is one piece. The operator is the other. Multifamily is one of the most operationally complex asset classes in commercial real estate, second only to hotels in transactional intensity. The gap between best-in-class operators and the rest is wide enough to determine whether a deal underwritten the same way produces an 8% IRR or a 16% IRR. The partners behind this strategy are vertically integrated owner-operators with 20+ year track records, not merchant builders cycling through deals to fund the next one. Their incentive structures align with yours, not with front-end fees and short-hold promotes.

Volatility creates the opening. Fundamentals do the work. The right operator closes the gap between the two.

As always, I enjoy connecting with each of you, hearing your perspective, and remain committed to bringing you common sense investment opportunities with sponsors of character & competence.

Andrew Davis

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— EXECUTIVE SUMMARY

Exiting the deepest *supply-driven downturn* in 50 years.

U.S. multifamily is exiting the deepest supply-driven downturn the asset class has experienced in 50 years and entering a multi-year window of structural undersupply. After three consecutive years of supply above 400,000 units, deliveries are projected at roughly 317,000 units in 2026 and trend lower through 2028. Architectural billings have now declined for 40+ consecutive months. The setup for the next vintage of acquisitions is the most favorable since 2013.

<p>\$165B</p> <p>2025 APARTMENT SALES VOLUME</p>	<p>317K</p> <p>2026 FORECAST DELIVERIES</p>	<p>40+ MO</p> <p>ARCHITECTURAL BILLINGS DECLINE</p>	<p>\$1K+</p> <p>MONTHLY RENT VS. BUY DISCOUNT</p>
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The thesis rests on four structural *pillars*.

01 Supply collapse is *here and locked in*. Completions peaked at 584,620 units in 2024, fell to 409,449 in 2025, and are forecast at 317,000 in 2026, declining further to ~1.1% inventory growth by 2028. Construction starts collapsed to 317,000 from a 2022 peak of 531,000, and architectural billings have been negative for 40+ consecutive months. Apartments take 18–24 months to build. The 2026–2029 trough is mathematically locked in.

02 Homeownership is *broken*, and renters know it. The monthly cost premium of owning a starter home over renting is more than \$1,000, against a 50-year historical average of \$290. The median age of a first-time homebuyer is now 40, up from 31 a decade ago. The U.S. is short 3.7–4.5M housing units against 1.4M annual household formations and only 943,000 single-family starts in 2025.

03 Sun Belt absorption stayed *strong through the flood*. Austin absorbed 7.5% of stock in 2025, Charlotte 7.4%, Raleigh–Durham 6.0%, Nashville 5.6%, Phoenix 5.3%, even as rents declined sharply. Texas added 6.1M residents over 14 years; Florida and the Carolinas continue to lead domestic in-migration. Supply pressure was temporary; the demographic gravity is not.

04 The asset class is *institutionally fragmented*. The NMHC Top 50 owners control just 10.8% of U.S. apartment stock, and the largest owner (Greystar) holds ~122,000 units against a base of ~24M, less than 1% market share. There is no dominant operator. Well-capitalized, vertically integrated owners can buy distress from undercapitalized merchant builders and 2022-vintage syndicators.

TARGET MARKETS

Garden-style and wrap-style apartments across high-growth Sun Belt markets in **Texas, Florida, Georgia, North Carolina, Tennessee**, and select expansion geographies. Anchor markets include Atlanta, Dallas-Fort Worth, Houston, Tampa, Orlando, Jacksonville, Charlotte, Raleigh-Durham, Nashville, San Antonio, and Austin. These markets share four common attributes: pro-business state and local government, pro-housing development policies, low taxes, and a low-regulation culture.

— SECTION 01

The End of the Supply Wave — from *50-year peak to 15-year low.*

Multifamily supply is the single most important variable in apartment investment returns over a 3–7 year hold. Markets that absorb above-trend supply see flat or negative rent growth. Markets that emerge into supply droughts see pricing power and Alpha returns. The U.S. apartment market is now exiting one of the most concentrated supply waves in 50 years and entering a multi-year drought.

The supply peak *has passed.*

U.S. multifamily completions peaked at **584,620 units in 2024**, the largest calendar year for deliveries in 50 years. 2025 deliveries fell to 409,449 units, still elevated but materially down from the peak. 2026 deliveries are projected at approximately 317,000 units, only marginally above the long-term average of 306,000 and the first year since 2019 below 325,000 units. The decline continues through 2028 to roughly 1.1% inventory growth, in line with 2013 levels at the start of the post-GFC recovery that produced 4.6% rent growth in 2014 and 5.1% in 2015.¹

Multifamily deliveries. *From 50-year peak (2024) to 15-year low (2028E).*

FIGURE 01

YEAR	DELIVERIES	INVENTORY GROWTH	CONTEXT
2023	~480,000	~2.4%	Wave begins
2024	584,620	2.9%	50-year peak
2025	409,449	2.0%	Down 30% from peak
2026E	~317,000	1.6%	First sub-325K year since 2019
2027E	~250,000	1.2%	Approaching 2013 conditions
2028E	~225,000	1.1%	15-year low

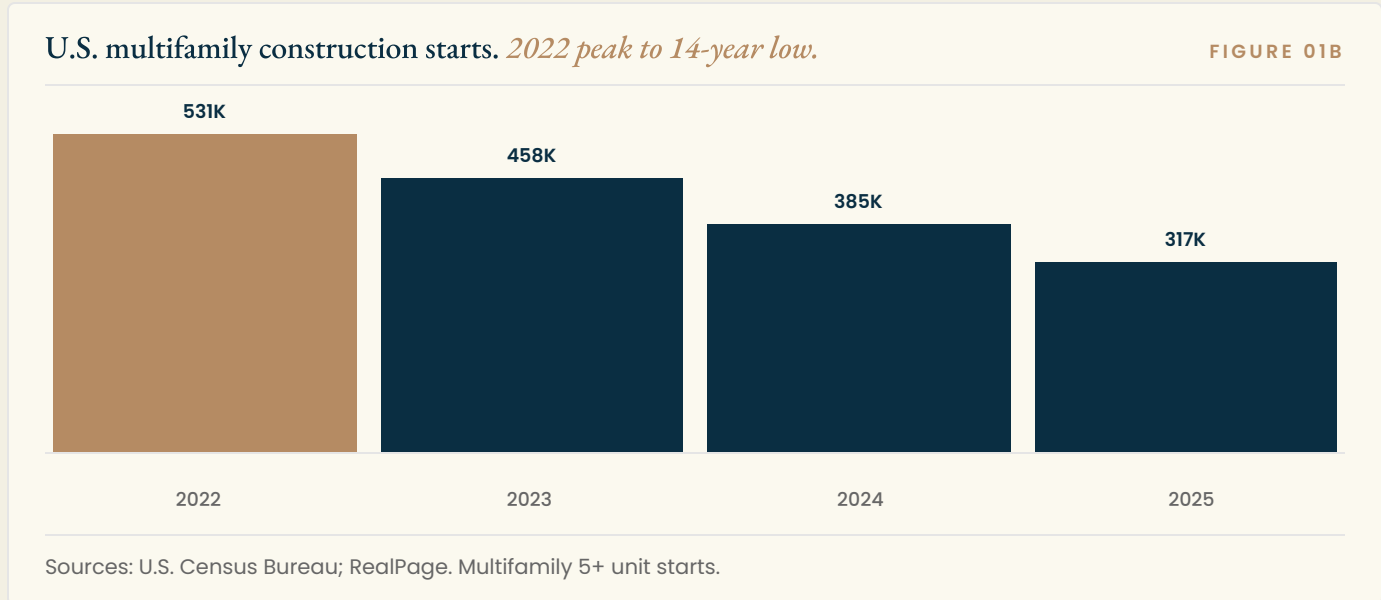
Sources: RealPage; Census Bureau; Fannie Mae. Forecasts 2026–2028.

You cannot build apartments without first paying an architect. The multifamily ABI has reported 40+ consecutive months of contraction.

— SECTION 01 (CONTINUED)

Construction starts and the *pipeline drain*.

Construction starts are the leading indicator of future supply, and they collapsed in 2024–2025. Starts peaked at 531,000 units in 2022, fell to 458,800 in 2023, and dropped to **317,000 in 2025, a 14-year low excluding the pandemic**. In Texas alone, the 12-month starts total fell to 42,000 units, down from a 2022 peak of 115,000.²



The most reliable forward-looking signal is the AIA Architectural Billings Index. The multifamily ABI has reported **40+ consecutive months of contraction**, with billings last expanding in August 2022. Given the 18–24 month construction timeline, that pushes the supply trough into 2027–2028 at minimum.

Why merchant builders *cannot re-enter*.

Roughly 75% of multifamily development in the southern U.S. has historically been done by merchant builders — developers whose business model depends on building, leasing up, and selling quickly to fund the next deal. The 2022–2023 vintage broke this model: assets that started at peak land and material costs and peak rent assumptions are now leasing up into negative rent growth and refinancing into 6.5%+ rates, against original underwriting at 4–5%. Without distribution from completed deals, merchant builders cannot fund new starts.

A 2025 NMHC survey found that **71% of construction delays were attributed to economic uncertainty**, with low rent growth (14%) and economic feasibility (18%) the most-cited reasons for reduced starts. Cincinnati and Kansas City led 2024 rent growth not because of unique demographic stories, but because almost no one built there. Austin sat at the bottom of every rent ranking, with 12.6% cumulative two-year rent decline, because supply growth ran 12.9% over the same period. The supply-rent correlation is the dominant variable in multifamily returns.

1. 1. RealPage Analytics; Census Bureau. 2. NMHC 2025 Construction Survey; AIA Architectural Billings Index.

— SECTION 02

The Housing Deficit Floor — 3.7–4.5M units short.

U.S. multifamily demand sits on top of a structural housing shortage that is not closing. Every major housing research institution has documented the deficit, with credible estimates ranging from 1.2 million to 4.7 million units. The consensus midpoint of 3.7–4.5M represents more than a decade of cumulative underbuilding. Roughly 1.4 million households are forming annually against just 943,000 single-family starts in 2025, well below the 1.15 million NAHB threshold needed to close the gap.

Housing deficit estimates by research organization.

FIGURE 02

ORGANIZATION	ESTIMATE	DATE	METHOD
Zillow	4.7M	2023	Cumulative underbuilding plus latent demand
Fannie Mae	4.4M	2024	Incorporates latent household formation
Realtor.com	4.03M	2025	Cumulative gap since 2012
Up for Growth	3.78M	2023	Supply vs. demand across 251 metros
Freddie Mac	3.7M	Q3 2024	Vacancy-based model
Moody's Analytics	1.5–2.0M	2024	Affordability-constrained demand
NAHB (vacancy gap)	1.2M	Feb 2026	Metro vacancy rate restoration

Consensus range 3.5–4.5M units. Sources: Freddie Mac, Zillow, NAHB, Fannie Mae, Moody's, Realtor.com, Up for Growth.

HOMEOWNERSHIP IS STRUCTURALLY OUT OF REACH

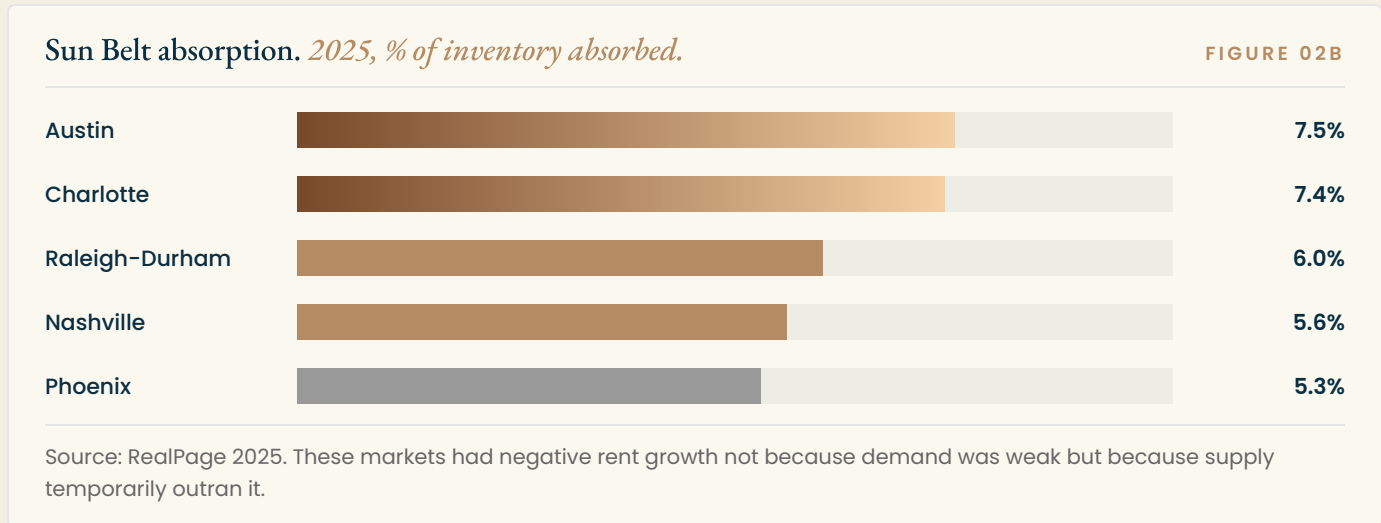
The premium of owning vs. renting a starter home now exceeds **\$1,000 per month**, against a 50-year historical average of \$290. CBRE estimates the homeownership premium ran at 35% above renting in 2024, with the gap remaining wide through at least 2030 even with multiple Fed cuts. Median first-time homebuyer age has risen from 31 in 2014 to 40 today. The total number of renter-occupied housing units grew from 39.7M in 2010 to 45.6M in 2023, a 15% increase even before the recent affordability crisis.³

— SECTION 02 (CONTINUED)

Demand stayed strong *through the supply wave.*

The most underappreciated data point of the past three years: multifamily demand absorbed historic levels of supply with limited damage to occupancy. 2024 absorption hit **552,292 units** (CoStar), one of the strongest years on record. 2025 absorption was approximately 366,000 to 519,000 units, the third or fourth-strongest year in 25 years. National occupancy never fell below 94% even at peak supply.

Resident retention reached approximately **56% in 2025, the highest on record outside the pandemic**. Renewal lease rate growth held at roughly 3% even as new lease pricing was negative. Tenants who moved once or twice during the supply wave to chase concessions are no longer willing to move for marginal rent savings. This stickiness is a durable benefit to operators in the post-supply environment.



WAGE GROWTH AS A FLOOR

Real wage growth in the U.S. has been positive since February 2023, with wages outpacing inflation. Over the past 50 years, every period of multifamily rent growth trailing CPI inflation has been followed by an 8-quarter window where rents outpaced inflation by an average of 160 basis points. The 21+ month period of rents trailing CPI through late 2025 has built up a substantial base of pent-up rent growth that should release as supply normalizes.⁴

1. 3. CBRE U.S. Real Estate Outlook 2025; Goldman Sachs Research; JBREC. 4. RealPage 2025; CBRE; BLS Real Wage data.

— SECTION 03

The Market — *fragmented, liquid, recovering.*

U.S. multifamily is the largest and most liquid commercial real estate asset class. Apartment investment volume reached **\$165.5 billion in 2025**, up 9.4% over 2024, the second consecutive year of expansion and above the 15-year average of \$155 billion. Cap rates averaged 5.7% in 2025, the tightest among all major property types, signaling investor confidence in the underlying income fundamentals.⁵

<p>\$165B 2025 SALES VOLUME</p>	<p>5.7% AVERAGE CAP RATE</p>	<p>10.8% TOP-50 MARKET SHARE</p>	<p><1% LARGEST SINGLE OWNER</p>
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Despite this scale, the asset class is institutionally fragmented. The NMHC Top 50 owners collectively control just 10.8% of U.S. apartment stock. The largest single owner, Greystar, holds approximately 122,000 units against a U.S. base of roughly 24 million apartment units — a market share **below 1%**. There is no dominant operator and no nationwide consolidator. Operating quality is highly differentiated, and the operational gap between best-in-class and average operators is wide enough to produce meaningful Alpha for disciplined acquirers.

Why *garden-style and wrap* product.

Garden-style apartments (2–3 story walk-up communities) and wrap-style apartments (4–6 story buildings wrapped around above-ground parking structures) are the dominant product types in Sun Belt suburban markets, where growth, affordability, and pro-housing regulation converge.

- **Lower per-unit cost basis** than mid-rise or high-rise concrete construction, which translates to lower required rents to pencil and stronger affordability vs. competing housing options.
- **Higher operational complexity** than self-storage, industrial, or retail. This complexity creates a structural moat for operators with scaled, technology-enabled platforms; bare-bones operators consistently underperform.
- **Suburban locations** in lower-density, family-friendly areas that match Sun Belt migration patterns. Renters relocating from coastal markets are seeking suburban product, not urban high-rise.
- **Diversified tenant base** across young professionals, families, and downsizing Boomers. Garden-style is not dependent on a single demographic the way urban Class A high-rise often is.

— SECTION 03 (CONTINUED)

Return benchmarks for the *asset class*.

Across multiple cycles and operator types, well-located Sun Belt garden-style and wrap-style apartments have produced the following return profile. The wide range between average and best-in-class outcomes is itself the case for operator selection.

METRIC	RANGE
Target levered IRR (acquisitions)	13–16%
Target levered IRR (development)	16–20%
Cash-on-cash year 1–7 (stabilized acquisition)	6–9%
Stabilized cap rates (Sun Belt 2025)	5.0–6.0%
Best-in-class historical 20-year nominal	16–19%
Long-term rent growth (CBRE 5-year forecast)	3.1%

Figure 03: Return benchmarks for Sun Belt garden-style and wrap multifamily. Sources: CBRE; NMHC; operator-disclosed track records.

Liquidity. *The Sun Belt advantage.*

The 10 core Sun Belt markets in scope have apartment liquidity (annual transaction volume as a share of total inventory) of roughly **16%**, versus approximately **2%** in New York, Boston, Los Angeles, and Chicago. More transaction volume means more opportunities to find mispriced or attractively priced assets — and a faster path out at exit.



1. 5. MSCI Real Capital Analytics; NMHC 2025 Top 50; CBRE Multifamily Outlook.

— SECTION 04

The Capital Backdrop — *distress and opportunity.*

The 2022–2024 vintage was the worst-underwritten multifamily class in 30 years. Deals were priced at peak rents with sub-4% interest rate assumptions and 4-cap exit valuations. The reset has left a meaningful share of that vintage underwater. Well-capitalized, disciplined buyers can acquire institutional-quality product at significant discounts to replacement cost from forced sellers.

THE DISTRESS IS HIDDEN, NOT ABSENT

Visible apartment distress has been muted relative to the scale of the underwriting damage. The reason is private credit. Mezzanine debt funds raised approximately **\$274 billion targeting North American CRE between 2022 and 2024**, with \$78 billion deployed. These funds have inserted themselves into the capital stacks of struggling deals at very high coupons (often 12–15%+) with control rights that kick in at default. Original LP equity is being silently wiped out without ever appearing in the public distress statistics.

This is structurally bullish for well-capitalized acquirers. Private credit funds eventually need to exit their preferred positions, often by forcing a sale at a price that wipes out original equity but leaves the asset itself attractively priced for the next owner. **The 2026–2028 window will see significant volume of these forced or near-forced transactions.**

CAPITAL IS RETURNING TO MULTIFAMILY DISPROPORTIONATELY

- **Office-to-residential capital rotation.** Institutional investors who have written down office exposure are reallocating to residential, where the income story is intact. Multifamily's perceived safety relative to office, retail, and lodging has only strengthened.
- **Single-family rental policy risk.** The proposed federal restriction on institutional ownership of single-family homes specifically exempts purpose-built BTR and would redirect capital into traditional multifamily.
- **Inflation hedge demand.** Apartments are repriced annually on lease renewal, making them one of the cleanest CPI-linked income streams available to institutional capital.

Mezzanine debt funds raised ~\$274B targeting North American CRE between 2022 and 2024. Original LP equity is being silently wiped out.

— SECTION 04 (CONTINUED)

The Build-to-Rent *adjacency*.

Build-to-Rent (BTR) is not a competitor to traditional multifamily, it is a complement that expands the addressable rental pool. BTR starts grew from approximately 37,000 in 2019 to a peak of 90,000 in 2023 and now represent approximately 7% of all single-family starts — nearly 3x the historical 2.3% average.

<p>37K</p> <p>2019 BTR STARTS</p>	<p>90K</p> <p>2023 PEAK BTR STARTS</p>	<p>7%</p> <p>SHARE OF SF STARTS</p>	<p>3x</p> <p>VS. HISTORICAL AVG.</p>
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BTR captures "renter by choice" households — typically higher income, longer tenure, lower turnover — that would not be in a garden-style apartment regardless of price. This **crowds in the renter pool rather than cannibalizing it**.

For traditional multifamily, BTR's growth is bullish for two reasons:

- **Capital and credibility.** BTR has institutionalized capital and credibility for the broader rental category.
- **Suburban absorption proof.** BTR has demonstrated that suburban single-family-style rental product can absorb capital at scale.
- **Federal policy moat.** The federal BTR exemption from any potential SFR ban further cements BTR as the primary growth vehicle for rental housing capital, complementing traditional garden-style and wrap product.

1. 6. NAHB Eye on Housing — SFBFR data; JBREC; Newmark Q1 2025.

— SECTION 05 · 5A

Target Markets — *Texas*. The largest concentration.

The thesis focuses on garden-style and wrap-style multifamily across high-growth Sun Belt markets in Texas, Florida, Georgia, North Carolina, Tennessee, and select expansion geographies. Four characteristics define every market in scope: pro-business state and county governments, pro-housing development policies, low taxes, and a culture of low regulation. Texas added **6.1 million residents between 2010 and 2024**, the largest absolute population gain of any state, and ranked **#1** in Site Selection Magazine's 2024 Top State Business Climate.⁷

<p>6.1M TEXAS RESIDENTS ADDED '10-'24</p>	<p>+1.5% ANNUAL GROWTH (3RD HIGHEST)</p>	<p>\$9.6B DFW 2025 VOLUME (#1 IN U.S.)</p>	<p>+40% TEXAS 35-YR WORKING-AGE GROWTH</p>
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DALLAS-FORT WORTH

8.34M MSA population, +178,000 net in 2024 alone. **#1 multifamily transaction market in the U.S. in 2025 at \$9.6 billion in volume.** 44-45 Fortune 1000 headquarters and 13 consecutive Site Selection Governor's Cup wins for corporate relocations. Cap rates averaging 5.5%, slightly tighter than the national average.

HOUSTON

Among the top metros nationally for absolute net population gain in 2024. Diversified employment base across energy, healthcare (Texas Medical Center), aerospace, and logistics. Cap rates run **25-50 bps wider than DFW** with comparable demographic fundamentals — a structural advantage for buyers seeking yield.

AUSTIN

2.55M MSA, +11.7% growth since 2020 (over 4x the national average, #1 among MSAs over 1M). Austin saw the most severe supply-driven correction in the country, with rents declining 7.3% in 2024 against 30,953 units of new supply (10.1% inventory growth). The result is a **once-in-a-generation reset of rent baselines and valuations.** Construction starts collapsed 73.6% from peak. The post-distress vintage enters a multi-year supply drought.

SAN ANTONIO

2.8M MSA, +8.01% growth since 2020 (8th-fastest among MSAs over 1M). 70% of population growth is domestic in-migration. Anchor employers include the South Texas Medical Center, Toyota, USAA, H-E-B, and a growing cybersecurity cluster. **2026 supply forecast of just 3,506 units** (1.4% inventory growth, less than half the 2024 rate).

1. 7. U.S. Census Bureau Vintage 2025; Site Selection Magazine 2024; RealPage; MSCI RCA.

SECTION 05 · 5B

Florida & Georgia — *migration momentum*, liquid trade.

Florida ranks #2 on the U-Haul migration index. The state has no income tax, a pro-business regulatory environment, and decades of accumulated migration momentum. The crucial discipline is at the submarket level: avoid coastal flood-zone product, require elevation above base flood elevation, underwrite to materially higher insurance increases, and concentrate in inland or hurricane-resilient submarkets with structural reasons for being.

TAMPA

~3.3M MSA population. Strong employment base in financial services, healthcare, and U.S. military training (CENTCOM, MacDill AFB). Apartment liquidity index of **11.8%** provides ongoing acquisition flow. Tampa's natural beauty and tourism economy continue to attract retiree migration.

ORLANDO

~2.8M MSA. Best understood not as a tourism economy but as a STEM and entertainment-industrial hub. The talent base feeds simulation, engineering, defense, and medicine in addition to entertainment. Orlando's **Liquidity Index of 14.5%** places it among the most actively traded apartment markets in the country.

JACKSONVILLE

~1.7M MSA. Geography and Gulf Stream flows make Jacksonville one of the most weather-resilient Florida markets, affected by tropical cyclones only about once every two years historically. Increasingly a finance hub rivaling Atlanta, with the additional advantage of operating in a no-tax state. **Liquidity Index of 16.7%**.

ATLANTA

6.4M MSA. The largest single Sun Belt multifamily market by inventory and one of the most liquid: Atlanta's **Liquidity Index of 19.7%** is the highest among the core Sun Belt markets. Atlanta is the second-largest multifamily transaction market in the U.S. behind DFW. Anchored by Delta, Coca-Cola, Home Depot, and a growing tech and media cluster, with significant recent expansions from Microsoft, Norfolk Southern, and BlackRock. Median rent-to-income ratio of 20-25% (vs. 50%+ in coastal gateway markets) indicates substantial pent-up rent growth capacity.⁸

It has been roughly nine years since the last acquisition was made in Raleigh-Durham, despite Raleigh being a top-tier demographic market, because pricing has consistently failed the underwriting bar.

1. 8. RealPage Liquidity Index 2025; Fannie Mae Multifamily Commentary; U-Haul Growth Index.

— SECTION 05 · 5C

Carolinas, Tennessee & *expansion geographies.*

North Carolina ranks **#1 nationally in domestic net migration**, **#3** in total population growth, and **#4** in housing unit authorizations. Tennessee ranks **#5** on the U-Haul index. South Carolina recorded the highest per-capita migration ranking in the country in 2024–2025. These states share explicit prohibitions on local rent control and pro-business legislative cultures that are a primary reason for the geographic concentration of the thesis.

CHARLOTTE, NC

2.75M MSA, 2.0% annual growth, top-10 national permit market. Anchor employers include Bank of America, Truist, Honeywell, Lowe’s, and a surging fintech and energy cluster. **Charlotte absorbed 7.4% of multifamily stock in 2025**, the second-highest absorption rate in the country.

RALEIGH-DURHAM, NC

2.15M MSA, 1.8% annual growth, anchored by Apple, Google, Epic Games, and VinFast investments. The Research Triangle is the South’s most diversified tech and life sciences corridor. 6.0% absorption in 2025. Raleigh has historically traded at premium pricing relative to its growth profile, requiring patience to enter at attractive bases.

NASHVILLE, TN

~2.1M MSA. Ranked the most attractive multifamily market for institutional investment by the **Arbor-Chandan 2025 Multifamily Opportunity Matrix**, citing labor market and youthful population. Healthcare, music, and a growing tech cluster (Oracle’s \$1.2B campus) provide diversified employment depth. Liquidity Index of 13.7%.

MEMPHIS, TN

~1.4M MSA. Wider cap rates than Nashville with logistics (FedEx world hub), healthcare (St. Jude, Methodist), and manufacturing employment depth. A yield-focused alternative to the higher-priced markets in the target set.

EXPANSION: UPSTATE SC & PHOENIX

Beyond the six core states, several expansion geographies have been added through disciplined screening, including **South Carolina** (the highest per-capita migration ranking in the country in 2024–2025) and **Arizona** (Phoenix and Tucson, ranked **#8** on the U-Haul index). Same four characteristics — pro-business, pro-housing, low tax, low regulation — durable migration, and moderate institutional concentration.

DISCIPLINE: WHEN NOT TO BUY

Across this geographic footprint, multiple markets at any time will be poorly priced relative to their ability to deliver Alpha returns. The right answer is to wait. As one example: it has been roughly nine years since the last acquisition was made in Raleigh-Durham. That same discipline applied to Austin from 2013 through 2024 (no acquisitions for 11 years), and is now being unlocked by the 2024–2025 reset.

— TARGET MARKET COMPARISON

Sun Belt anchors, *side by side.*

A summary of key metrics across the anchor markets, enabling side-by-side comparison of population dynamics, 2025 absorption, liquidity, and supply outlook.

MARKET	MSA POP.	2025 ABSORPTION	LIQUIDITY	KEY ADVANTAGE
Dallas-Fort Worth	8.34M	Strong	~16%	#1 transaction volume; corporate HQ magnet
Atlanta	6.4M	Strong	19.7%	Most liquid Sun Belt market; pent-up rent capacity
Houston	7.5M	Strong	~14%	Yield premium of 25–50 bps over DFW
Tampa	~3.3M	Solid	11.8%	Hurricane-resilient inland submarkets
Orlando	~2.8M	Solid	14.5%	STEM & entertainment-industrial hub
Jacksonville	~1.7M	Solid	16.7%	Most weather-resilient FL market; finance hub
Charlotte	2.75M	7.4%	~12%	2nd highest 2025 absorption rate in U.S.
Raleigh-Durham	2.15M	6.0%	~10%	Tech & life sciences depth; Apple, Google, VinFast
Nashville	~2.1M	5.6%	13.7%	#1 Arbor-Chandan institutional rank 2025
Austin	2.55M	7.5%	~13%	Once-in-a-generation rent reset; starts -73.6%
San Antonio	2.8M	Strong	~10%	2026 supply only 3,506 units (1.4%)

Figure 04: Target market comparison across key investment metrics. Sources: U.S. Census Vintage 2025; RealPage 2025; MSCI Real Capital Analytics; Arbor-Chandan 2025 Multifamily Opportunity Matrix; Fannie Mae.

— SECTION 06

Economic *tailwinds*.

Several macroeconomic and demographic forces compound the supply–demand thesis above and provide structural support independent of short-term cycle dynamics.

INTEREST RATE TRAJECTORY

The Fed's current target range stands at 3.50–3.75% following three cuts in late 2025. The December 2025 dot plot projects the median rate declining to 3.25% by 2027 and 3.00% by 2028. Mortgage rates are forecast to average 6.3–6.5% in 2026. Even modest rate normalization compresses cap rates and unlocks transaction volume. **Critically, persistently elevated rates are a cumulative tailwind for multifamily**, not a headwind: they keep the homeownership premium wide, lock millions of existing owners into sub-3% mortgages, and starve new single-family construction.⁹

DEMOGRAPHIC TAILWINDS

Approximately **68 million Americans aged 20–34**, the cohort most likely to rent multifamily. Census projects this cohort grows by nearly 1% by 2032 — an increase of more than 670,000 prime-renter-aged people in the next decade. Millennials (now 29–44) are in peak family formation but have been delayed approximately 5 years versus historical homebuying timelines. Harvard JCHS projects U.S. household formation of approximately 860,000 per year through 2035. Immigration also disproportionately drives multifamily demand: immigrants typically rent for 10+ years before buying, and they concentrate in southern states.¹⁰

CAPITAL EXPENDITURE AS A DEMAND ENGINE

Across the first three quarters of 2025, U.S. GDP growth averaged 2.5%, with **more than 40% of growth attributable directly to capital expenditures** (equipment, R&D, software). This investment-led growth, particularly around AI infrastructure, data centers, automotive, and pharmaceuticals, is concentrated in southern markets (Texas, Tennessee, Georgia, North Carolina) and is driving high-income employment growth that translates directly into Class A and B+ multifamily demand.

CPI CONVERGENCE WILL EVENTUALLY REVERSE

Rent of Primary Residence (7.5% of CPI) and Owners' Equivalent Rent (25.1% of CPI) are heavily lagged measures of shelter inflation. RPR fell below 3% for the first time in late 2025 at 2.9% YoY. When the cycle turns and actual rents reaccelerate, CPI shelter measures will lag again — in the opposite direction — masking the rent reacceleration in inflation data and giving the Fed cover to cut more aggressively.

1. 9. Federal Reserve FOMC December 2025 SEP. 10. Harvard JCHS Household Projections; Census Bureau.

— SECTION 07

Risk factors *and mitigants.*

The structural setup is the most favorable in a decade, but several risks require active management.

01 Recession or sustained job losses.

RISK A recession with broad-based job losses would reduce household formation, increase tenant delinquency, and slow demand. 2026 GDP forecast is just 1.7%.

MITIGANT The 3.7–4.5M housing deficit creates a demand floor that did not exist in 2008. Sun Belt employment bases are diversified. The 2025 demand strength under poor sentiment (366K–519K units absorbed) demonstrates the resilience. Recession typically pushes more would-be buyers into the rental pool, not out of it.

02 Persistent high interest rates.

RISK If the Fed pauses or reverses its cutting cycle, refinancing 2022–2024 vintage debt becomes more expensive and acquisition cap rates remain wide.

MITIGANT Persistently elevated rates keep the homeownership premium wide and continue to suppress competing for-sale supply. Development priced at current cost bases pencils at attractive yield-on-cost (mid-6% to 7%+) even at current rates.

03 Tariffs and construction cost inflation.

RISK Tariffs on Canadian lumber and Chinese building materials add an estimated \$7,500–10,900 per home in construction costs.

MITIGANT Higher replacement cost is structurally bullish for owners of existing apartments. Deals with locked-in GMP contracts before tariff escalation, or with vertically integrated GC capabilities, avoid the pricing pressure.

04 Insurance cost escalation.

RISK Property insurance costs in coastal Florida, Texas Gulf, and other hurricane-exposed markets have risen 50–100%+ since 2020 and continue to outpace rent growth in some submarkets.

MITIGANT Inland markets (DFW, Austin, San Antonio inland of the coast, the Carolinas, inland Tennessee, inland Georgia) are largely insulated. Florida coastal exposure managed by avoiding flood-zone product, requiring elevation above BFE, and underwriting insurance at 15–25% per renewal.

— SECTION 07 (CONTINUED)

Risk factors, *continued.*

05 Supply re-acceleration.

RISK If the Fed cuts more aggressively than projected, construction starts could re-accelerate, eventually producing a new supply wave 2–3 years out.

MITIGANT The 18–24 month construction timeline plus the 40+ month decline in architectural billings means there is no scenario where new supply meaningfully re-accelerates before late 2027 at earliest. The 2026–2028 hold window is mathematically locked in. Capital wiped out in the 2022–2023 vintage takes years to rebuild.

06 Regulatory and rent control risk.

RISK Rent control proposals at federal, state, or local levels could compress NOI growth and reduce asset values. NMHC’s 2025 survey cited rent control as a significant deterrent to apartment investment.

MITIGANT The target Sun Belt markets (Texas, Florida, Georgia, the Carolinas, Tennessee) all have explicit state-level prohibitions on local rent control or pro-business legislative cultures that make rent control politically unviable. Markets with rent control risk (California, New York, Oregon, parts of New Jersey) are not in scope.

07 Hidden distress in the capital stack.

RISK The wave of mezzanine debt deployed into 2022–2024 deals may produce more disorderly outcomes than current statistics suggest, including operator failures that affect property-level operations.

MITIGANT This is primarily an opportunity rather than a threat. Well-capitalized buyers can acquire properties from forced sellers at meaningful discounts to replacement cost, often with operating turnaround opportunities (deferred maintenance, mismanaged rent rolls) that compound returns.

The structural housing deficit creates a demand floor that did not exist in 2008. Operating excellence and access to capital are the structural advantages in this environment.

— THE HONEST QUESTION

Why this is *not* 2007.

The most common investor concern is whether today's multifamily market resembles the pre-GFC bubble. The fundamental differences are structural, not superficial. The 2007 housing market was defined by overbuilding, mortgage fraud, and speculative ownership. Today's market is defined by a multi-year underbuild, disciplined underwriting, and structural rental demand.

METRIC	2006–2008	2025–2026
Housing supply vs. demand	Oversupply; ~4M excess vacant homes	Undersupply; 3.7–4.5M unit deficit
Mortgage underwriting	Subprime, no-doc, 100% LTV widespread	Tight standards; avg. FICO >740
Multifamily supply trajectory	Building toward peak overbuilding	Coming off peak; 1.1% inventory growth by 2028
Household formation	Slowing; immigration declining	Accelerating; millennials in peak years
Single-family starts	2.0M+ (gross overbuilding)	943K (well below required pace)
Rent vs. own premium	Renting more expensive than owning in many markets	\$1,000+/month homeownership premium
Renter household count	~36M units	45.6M units (+27% over 2010)
Operator profitability	Declining; concession-driven leasing	Recovering; renewal lease rates +3%

Figure 05: 2006–2008 vs. 2025–2026 comparison. Today's market is characterized by structural undersupply, disciplined underwriting, and durable rental demand.

In 2007, builders were producing more housing than the country needed and the rental thesis was a contrarian bet. **In 2026, the country is producing far less housing than it needs, the rental demand pool is structurally expanding, and supply is collapsing into the most favorable multi-year window since 2013.**

— SOURCES

Volatility creates the opening. *Fundamentals do the work.*

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