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QUARTERLY CALL RECAP

FINDING OPPORTUNITY IN A COMPLEX MULTIFAMILY MARKET: A CONVERSATION WITH WILLY WALKER

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The multifamily market continues to test investors with higher capital costs and uncertainty around interest rates. But for EMBREY Chief Investment Officer Garrett Karam, uncertainty does not eliminate opportunity. It makes disciplined underwriting and market selection more important.

That was a central theme of EMBREY's Sept. 30 Insights Quarterly webinar, where Karam was joined by Walker & Dunlop Chairman and CEO Willy Walker for a discussion about capital markets, supply, concessions and the investment landscape heading into 2027.

Multifamily fundamentals could strengthen as supply slows, occupancies improve and concessions fade. But Karam emphasized that EMBREY is not building its business around those assumptions.

"We need to be judicious and plan for the current underwriting standards," he said. That discipline does not mean ignoring potential upside. It means finding investments that make sense under current conditions while preserving the ability to benefit if fundamentals improve.

Underwriting Today's Market

Recent movements in interest rates have added another layer of uncertainty for buyers, sellers and developers.

Walker said it generally takes 60 to 90 days after a significant rate move for cap rates to adjust and transaction activity to respond. During that period, assets may be repriced and transactions can slow as buyers and sellers reassess value.

Karam said the market is balancing two competing forces: pressure from rates, valuations and upcoming refinancings on one side, and the potential for improving apartment fundamentals on the other.

"Do deals break first because rates have created too much pressure on values and refinancings, or do we get to the end of the rainbow here in the spring and summer and hopefully start getting more credit, more stability with the 10-year, more credit for the rent growth?" Karam asked.

There is no simple answer. That uncertainty is exactly why underwriting needs to reflect current realities rather than depend on a particular rate forecast or a specific timing for rent growth.

The Opportunity in Concession Burn-Off

One of the most discussed themes of the webinar was the potential for concession burn-off to improve multifamily performance.

In markets that experienced heavy deliveries, operators have relied on free rent and other incentives to maintain leasing velocity. Those concessions can materially reduce effective rents even where asking rents appear relatively stable.

Walker noted that some markets are already reaching occupancy levels that would ordinarily allow operators to reduce concessions, while new supply is also beginning to move in a more favorable direction.

"We're clearly getting at occupancy levels that would indicate that we can take off concessions, and we're clearly at a downward draft on new supply that would say that should be able to hold," Walker said.

The opportunity is meaningful because effective income can improve even before headline rent growth returns.

The Right Approach

The webinar also reinforced why broad market rankings can only take an investor so far.

Austin was one example cited. Walker said rent trends there have improved substantially as the market works through excess supply.

Karam agreed that Austin is one of his preferred markets looking forward, but he cautioned against turning a favorable market-level view into a blanket investment strategy.

For EMBREY, the approach is more granular.

Supply, job growth, concessions and capital availability can vary materially not just from one metro to another, but among individual submarkets.

"We try to take a scalpel-like approach to these markets," Karam said.

That may mean preferring specific infill locations while remaining cautious about other parts of the same metro. The objective is not to make a broad bet on an entire market, but to identify the right basis, location and business plan.

"We do think there's opportunity in all markets when it comes down to it," Karam said.

Capital Pressure as Opportunity

Refinancing remains another significant consideration.

Walker said properties financed during the low-rate environment of a few years ago may now face lower valuations and higher borrowing costs. In some cases, proceeds from a new loan may no longer be enough to refinance existing debt. That can require additional equity, a recapitalization, shorter-term financing or a sale.

As more owners confront refinancing decisions, the market may be forced to establish clearer values after several years of limited price discovery. Over time, that could support greater transaction activity and more transparent pricing.

Both agreed that investment decisions should be grounded in the opportunities and capital structures available today, rather than dependent on a return to the previous rate environment.

Institutional Capital Is Looking Again

There are also signs that institutional investors are beginning to reconsider markets that experienced significant disruption.

In discussing Denver, Karam said EMBREY is already seeing some institutional partners become more interested after a difficult period.

Walker pointed to several recent Denver transactions involving owner-operators backed by large institutional investors as evidence of what he called “green shoots.”

Those investors are not ignoring today’s challenges. But improving supply-demand conditions may create more attractive entry points as deliveries decline, occupancy strengthens and effective rents stabilize.

Discipline Creates Optionality

The multifamily market still faces meaningful challenges. Rates remain elevated, refinancing pressure is real, and some markets continue to absorb substantial supply.

But slowing supply, improving occupancy, easing concessions and renewed institutional interest are beginning to create more attractive acquisition and recapitalization opportunities.

For EMBREY, the response is not to predict when those pieces fall into place, but to remain selective enough that they do not have to.

That is the opportunity in today’s multifamily market: not betting on a recovery but being positioned to benefit from one.

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Garrett Karam leads investment and capital markets activity for EMBREY. As a seasoned industry professional, he sets strategic direction and drives performance alongside a talented in-house investments team, with a focus on maximizing returns and building long-term relationships.

Interested in learning more about EMBREY's current investment opportunities? [Click here](#) or email garrett@embrey.com

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