

BUSINESS & FINANCE

# 2026 Multifamily Outlook: The Big Reset

By Chris Wood

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Mollie Fadule

JPI

Greg Bonifield

Woodfield Development



Lynd Co. is betting on fundamentals with the 324-unit Amara in San Antonio, a luxury one- to three-bedroom community designed to hold occupancy through the cycle. (Lynd Co.)

As JPI heads into 2026, the work looks less like chasing the next cycle and more like preparing for the one after that. After a year marked by volatile capital markets, uneven fundamentals, and a long digestion of new supply, the Dallas-based apartment developer is operating with a familiar mindset: patience, discipline, and a willingness to lean in when others pull back. For Mollie Fadule, the firm's chief financial and investment officer, the year ahead is less about forecasting a dramatic rebound and more about positioning the platform to thrive once the noise fades.

"We're disciplined in our underwriting and focused on the long game," Fadule says. "When you look out 10 years, the math on housing demand is pretty straightforward. Our job right now is to stay selective, stay patient, and keep building high-quality product in markets where the fundamentals will ultimately reassert themselves."

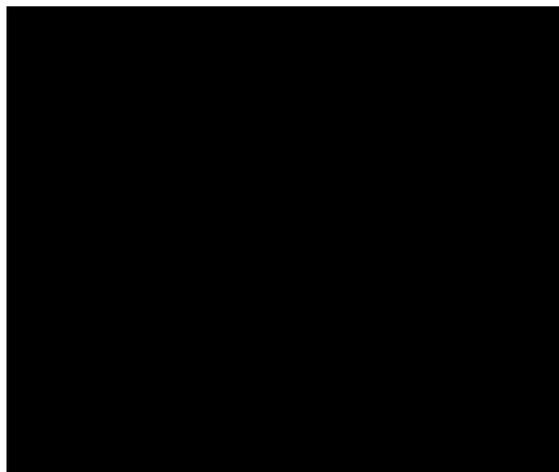
That back-to-basics mentality is emerging across the multifamily ecosystem as 2026 shapes up to be a transitional year that rewards experienced operators with deep balance sheets, institutional processes, and the conviction to underwrite beyond the current cycle. Capital is still cautious, pricing remains sensitive to interest rates, and transaction volume is finding its footing. But for sponsors with pedigree and perspective, the reset underway is creating the foundation for the next phase of growth, starting with how capital is sourced, structured, and deployed.



In Nashville, Tennessee, Origin Investments is positioning the 221-unit Queens Wedgewood Houston as a stabilized Class A community built for long-term operating durability. (Origin Investments)

## Capital Markets: Pricing Certainty in a Year Without It

For multifamily owners and investors heading into 2026, capital is no longer frozen, but it's far from fully mobile. Across debt and equity markets, the past year has brought incremental improvement in liquidity, tighter spreads, and a growing willingness to transact. What it has not delivered is clarity around valuation, and that uncertainty continues to shape how capital is deployed, withheld, or structured.



Much of the hesitation traces back to the long end of the yield curve. While short-term rate cuts have helped relieve pressure on floating-rate debt and construction loans, most operators remain focused on where longer-term rates ultimately land. The 10-year Treasury, in particular, continues to anchor exit assumptions, cap rates, and forward pricing, especially in an environment where rent growth is expected to remain modest.

Greg Bonifield, partner at Charleston, South Carolina-based Woodfield Development, points out that modest movements at the front end do little to resolve that challenge. "Every 25-basis-point (bp) cut is helpful," he says, "but it doesn't really move the needle on whether a deal works or not. What matters more is what's happening with five- and 10-year Treasury rates, because that's what buyers are underwriting to. Until there's more confidence there, it's hard to close the gap between buyers and sellers."

Debt markets, by contrast, have been quicker to respond. Agency lenders remain active, banks have become more competitive, and spreads have compressed meaningfully from their peak. Much of that activity has gone toward refinancing rather than acquisitions, as owners prioritize managing maturities and stabilizing balance sheets. Preferred equity and structured capital have also stepped in, particularly for sponsors seeking duration without locking in today's values through a sale.

Equity capital, however, has been slower to reengage. That caution reflects less concern about fundamentals than about exit math. David Scherer is co-founder and co-CEO of Chicago-based Origin Investments and says even relatively small changes in long-term rates can have an outsized impact on development and investment returns. "On a typical development deal, a couple hundred bps in interest rates can mean millions of dollars over the life of the loan," he explains. "That difference can materially change your equity returns. So while people pay attention to Fed cuts, what really drives decisions is whether long-term rates feel stable enough to underwrite an exit with confidence."

That emphasis on stability rather than stimulus is shaping behavior across the market. Many developers are using 2026 to rebuild pipelines, advance entitlements, and selectively position projects for delivery into a more supply-constrained 2027 and 2028. On the acquisition side, buyers are active but selective, targeting assets with discounted bases, operational upside, or recapitalization needs rather than relying on near-term cap rate compression.

Matthew Rosenthal, co-founder and managing director at Boca Raton, Florida-based Eastham Capital, sees that dynamic playing out in transaction timing. “Cap rates have come down a bit as interest rates have eased,” he says, “but the real unlock comes when the long end starts to feel more predictable. Once buyers and sellers can agree on where values are headed, activity will pick up in a more meaningful way.”

Until then, capital markets are reinforcing a broader return to fundamentals. With limited expectation of valuation-driven upside in the near term, owners are underwriting 2026 as a year to earn performance through execution by protecting occupancy, managing concessions, and controlling expenses. In that environment, certainty carries a premium, and capital is gravitating toward sponsors and strategies that can operate effectively while waiting for the next phase of the cycle to take shape.

“So much of the debt is sitting on debt funds’ balance sheets, and they don’t have regulators telling them to sell or mark assets down,” says David Lynd, president and CEO of Shavano Park, Texas-based Lynd Co. “What you end up with are zombie deals that should have reset by now but haven’t.”



Eastham Capital repositioned and sold the 288-unit Monroe Apartments in Tallahassee, Florida, executing a value-add strategy that delivered strong investor returns in a reset market. (Eastham Capital)

## **Operations: Defending NOI in a Flat-Growth Environment**

If capital markets in 2026 reward patience, operations demand precision, with owners and managers describing the coming year less as a recovery phase than as a period of disciplined execution, where protecting cash flow and resident relationships takes precedence over chasing rent growth. With many markets still digesting new supply, operators are underwriting 2026 as a year to defend value, not stretch assumptions.

That defensive posture begins with an acceptance of the operating reality. “On a lot of these assets where there’s a lot of supply, we’re playing more defense than offense,” says Philip Morgan, CEO of the Houston-based Morgan Group. Morgan notes the immediate goal is to stabilize occupancy and wait out the supply wave rather than force rate increases that the market will not support. For many portfolios, success in 2026 will be measured by consistency rather than growth.

Renewals, as a result, have become the most important revenue lever. Turnover is expensive in any environment, but in a concessionary market it can erase months of progress. “Retention is huge,” says Bonifield. “Turn costs are high, and, if you’re in a concessionary environment, you’re taking a step back on net effective rent as well. Avoiding those turns goes straight to the bottom line.” Operators are increasingly willing to be flexible on renewal pricing if it prevents vacancy and the need to reset rents through new-lease incentives.

That focus has shifted attention away from asking rents and toward concessions, which many view as the real battleground for performance. Scherer notes that operators are making decisions that would have been unthinkable in prior cycles. “We’re having conversations we’ve never had before, like whether to offer concessions on renewals,” he says. “But if you don’t, you risk vacancy, downtime, and even more concessions on a new lease.”

Expense control also remains part of the equation, but most operators caution against cutting in ways that undermine long-term asset value. Insurance, payroll, and marketing are being scrutinized, yet the emphasis is on efficiency rather than austerity. As Ian Mattingly, president of Dallas-based owner-operator LUMA Residential puts it, “Asset value is primarily driven by revenue, and only distantly secondarily by expenses. We’re far more focused on maintaining a defensive posture on revenue than trying to cut our way to success.”

Technology is playing a supporting role in that effort, helping streamline maintenance workflows, communications, and administrative tasks. Still, operators are clear that tools are only as effective as the teams using them. “We’ll continue to incorporate artificial intelligence for operational efficiencies,” says Chris Coleman, president of the Mount Prospect, Illinois-based Nicholas Family Cos., “but the personal interaction between the on-site team and residents remains paramount.”

That human element ultimately brings operations back to the concept of community. As renting becomes a longer-term lifestyle choice for many households, owners are leaning into service, shared spaces, and on-site culture as retention strategies. Bonifield sees that as inseparable from the physical product itself. “People stay in buildings where they feel a sense of community,” he says. “We spend a lot of time thinking about shared spaces and experiences that make residents want to stay.”



Lynd Co. developed the 360-unit Potranco Commons in San Antonio, a \$70 million project focused on durable demand with resort-style and family-oriented amenities. (Lynd Co.)

## Development: Building for the Market That Follows

For multifamily developers, 2026 is a year to prepare for rather than chase momentum, with builders describing a market defined by patience and foresight, where today’s decisions are shaped less by current leasing conditions and more by what supply, demand, and capital availability will look like when projects actually deliver. With construction timelines stretching two to three years, development strategy has shifted decisively toward building into the next cycle, not the last one.

At JPI, that long view has become foundational to how projects are evaluated and advanced. Fadule points out that current headlines often obscure what developers can already see coming. “If you look at 2026 and 2027, the starts that are projected are the lowest total supply in 10 years and well below the 10-year average,” she says. “So even in markets that feel difficult today, the supply picture two to three years from now looks very different. That’s why we’re still building.”

That visibility into future supply has encouraged disciplined developers to keep moving, even as others pull back. For JPI, that has meant continuing to start projects while competitors sit on the sidelines. “The cycle of our investments is about three years,” Fadule explains. “There are very few businesses where you can say with confidence what your competitive environment is going to look like when your product comes online, but, in multifamily, we can. The writing is pretty much on the wall for what supply will look like when these projects deliver.”

Capital constraints, however, are reshaping which projects actually make it out of the ground. Equity is selective, underwriting standards are tighter, and lenders are scrutinizing market depth and sponsor execution more closely than they have in years. As a result, scale and track record matter. Bonifield says that reality has forced greater discipline across the board. “We’re encouraging capital to invest today in deals that will open over the next 12 to 36 months,” he explains, “but only in locations where we believe the long-term fundamentals are undeniable. This is not an environment to force starts just to stay busy.”

While cost control remains essential, developers are careful to distinguish efficiency from compromise. At JPI, design decisions increasingly focus on eliminating wasted space and aligning product with how residents actually live, rather than chasing amenity trends that inflate budgets without improving performance. That mindset extends to JPI’s growing mixed-income strategy, where operational

durability is built into the product itself. “We build the workforce units exactly the same as the market-rate units,” Fadule says. “There’s no distinction in quality or experience, and residents don’t know who’s in which unit. That creates stronger communities and better long-term outcomes.”

That emphasis on community is increasingly shaping development decisions across the industry. Developers are designing projects not just to lease quickly, but to retain residents through multiple years of flat or uneven rent growth. Shared spaces, thoughtful layouts, and cohesive environments are now viewed as operational tools as much as design features.

In a cycle defined by caution rather than exuberance, development in 2026 is likely to be quieter but more intentional. The projects moving forward today are being built with the expectation that patience, discipline, and community-driven design will define the next phase of multifamily growth.



Origin Investments is positioning the 221-unit Rye Charlotte Ave community in downtown Nashville as a stabilized urban asset with steady lease-up and long-term fundamentals. (Origin Investments)

## Deal Flow: Selectivity Returns to the Foreground

After two years of stalled pricing and hesitant capital, multifamily deal flow in 2026 is also beginning to move again, albeit slowly, deliberately, and with far greater selectivity than in the previous cycle. Transactions are not accelerating because conditions have suddenly improved, but because buyers and sellers are increasingly underwriting from the same reality. Expectations have narrowed, assumptions have reset, and experienced investors are finding room to transact where conviction and execution align.

One of the most meaningful shifts has been the reemergence of usable transaction data. Scherer notes that pricing clarity has improved even amid rate volatility. “Cap rates have been pretty stable the last six to 12 months,” he says. “What’s changed is that there’s actual transaction volume again, so people have real data to underwrite to. That alone makes a huge difference.”

Deal timing, however, reflects a more deliberate market. Rosenthal points out that extended closing periods have become the norm. “It used to be 60 days to close a deal. Now it’s 90 to 120,” he says. “That’s just the reality. But deals are getting done because expectations are more realistic, and the numbers actually work.” That realism is evident on both sides of the table, with sellers increasingly aligned to current pricing and buyers underwriting conservatively.

Much of today’s activity is being driven not by distress, but by capital fatigue and balance-sheet management. Morgan describes the opportunity set as nuanced rather than chaotic. “We don’t think it’s distress, but there are tired capital stacks and investors where it’s simply time to exit,” he says. “That’s creating opportunities to buy good assets at a basis that makes sense, even if the yield is still compressed.” As a result, recapitalizations, partial exits, and structured transactions are likely to be more common than outright fire sales.

Geography continues to shape where deals can clear, though national forces still frame the environment. Rosenthal highlights that divergence without overstating it. “The Midwest is a completely different planet from the Sun Belt right now,” he says. “They didn’t build much, so cash flow is real. We’re seeing rent growth there, while other markets are still absorbing supply.” That contrast has sharpened buyer focus on local fundamentals, submarket depth, and near-term cash flow.

Across markets, buyers are underwriting operations rather than exits. “The deals that work are the ones that can perform without needing the market to save you,” says Mattingly.

In that sense, deal flow in 2026 reflects a familiar pattern. The market is functioning closer to historical norms by rewarding discipline, pricing clarity, and operational capability while setting the stage for a steadier, more sustainable phase of multifamily investment activity.



Morgan Group is defending net operating income at Pearl on the River, a 356-unit garden-style apartment community in Pompano Beach, Florida, integrated with nearby retail and services. (Morgan Group)

## Back to Fundamentals

If 2026 is not a year for bold predictions, it is a year for clarity. Across capital markets, operations, development, and acquisitions, the message from seasoned multifamily leaders is strikingly consistent: This is a business returning to fundamentals. Growth will be measured, capital will remain selective, and underwriting discipline will matter more than financial engineering. The excesses of the last cycle are still working their way through the system, but in their place is a quieter, more durable opportunity that favors experience, scale, and the ability to execute in unglamorous conditions.

As the industry resets, success in the year ahead will be defined less by timing the market and more by surviving it well: protecting downside, preserving assets, and positioning portfolios for the next turn of the cycle. For operators who have been here before, that playbook is familiar.

“At the end of the day, apartments always come back to fundamentals,” says Lynd. “You can reskin this business any way you want, but it still comes down to good locations, good product, collecting your rent, and watching your expenses. That’s how this business has always worked, and that’s how the winners are going to separate themselves again.”



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Eastham Capital

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# 2026 Sets Stage for Multifamily Recovery Despite Class C, Demand Concerns

By Christine Serlin

Feb 5, 2026 09:32am

Supply and Demand

Greg Willett

Renewals

Fundamentals

2026 is shaping up to be a transitional year for the multifamily industry, with 2027 and 2028 being set up for success, says Greg Willett, chief economist at LeaseLock.



Greg Willett, chief economist, LeaseLock (none)

After attending the National Multifamily Housing Council's Annual Conference at the end of January, Willett is weighing in on some of the themes that dominated conversations.

"There were positive vibes from people who are on the investment side of the industry. There's more capital available, and it looks like deals are going to be flowing at a more significant pace than the last couple of years," he says. "If you're on the operations side of the business, they are expecting another challenging year. There's a little bit less optimism there."

## Class C Concerns

Willett is paying close attention to the Class C space. While high-end and middle-market portfolios are performing well, he says he is seeing signals of likely distress in Class C.

"We don't know what is going to happen with the Class C space where performance is deteriorating significantly. If you're in a market that is immigrant heavy, and these are key residents in the Class C product, there are legitimate concerns about what may lie ahead," he notes.

With a lot of Class C product built in the 1980s wave of construction in Phoenix, Florida, and Texas, those are places where that segment of the market could struggle in the short term, according to Willett.

"Operators of lower-tier properties will need to deploy a heads-on-beds strategy and should pay close attention to expense levels at a time when revenues could be compromised," he adds.

## Supply and Demand

Willett says the industry is starting to see some green shoots in the Sun Belt markets that have been overbuilt.

“Looking at how much the new supply comes down in some of those spots, we could see some real progress over the course of the coming year,” he says. “A half-dozen metros that have been right at the top of the leaderboard for new supply over the last three years are going to see at least a 40% drop in completions this year. That really positions them to begin to regain some momentum. These are spots that have rent cuts now so regaining momentum maybe just means you get to zero, but that’s still progress.”

However, he shares that there is concern around what demand will be like this year overall. Part of that reflects the slowing of the economy, but he highlights the rising unemployment rate for young adults, who are an important piece of the renter audience.

“Our current unemployment rate for young adults is 10.4%. That’s versus 9% a year ago and 8% two years ago. That suggests that a lot of young adults are back in that pattern where they are home with mom and dad rather than forming their own households. That’s a challenge on the demand front,” he says. “Immigrants are a big source of demand, too. So I think there are questions about the demand number this year that people are concerned about.”

## Paying Attention to Data

Willett says another area to watch is the relationship between renewal lease pricing and move-in lease pricing.

He says the industry has been aggressive on renewal lease prices for the past three years, but now it’s becoming more expensive to stay in place than it does to move.

“Are we going to pull back on renewal lease pricing, or are we just going to let turnover tick up a little bit from where it has been? It’s not a disaster, but I think you have to pick one or the other. You get a little bit less aggressive on the renewal lease pricing, or you let turnover increase at least slightly,” he says. “I don’t think we can repeat the numbers that we saw over the last couple of years.”



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