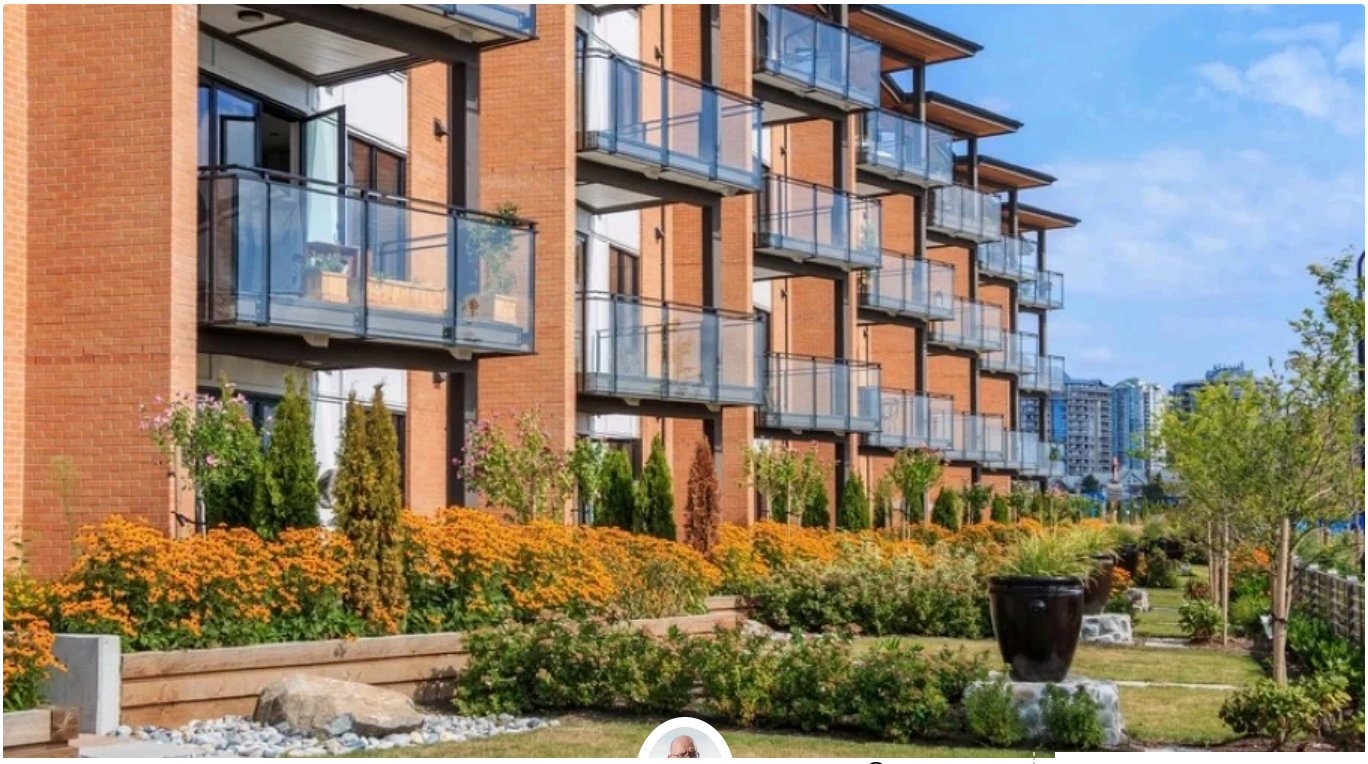
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Borrowers Face 41% Increase in Interest Rates

Multifamily borrowers with maturing loans face a significantly higher interest rate environment to refinance, with Newmark reporting a 41% increase in interest costs. Loans maturing in the third quarter of 2026 carried an average interest rate of 4.04%, compared with the current 5.69% for new loans.

At the same time, cap rates have averaged 5.5%, creating a negative leverage relationship that has been common in multifamily over the past few months, Newmark reported. "With loan spreads already narrow, multifamily borrowers have limited protection against further increases in benchmark rates.

Although the wave of maturities has yet to cause the expected rise in distress, "property sales prices nevertheless show signs of pressure," wrote Newmark's Joe Biasi, Will Levy and Mike Wolfson. "Roughly 39% of multifamily properties sold traded below their previous inflation-adjusted purchase price, up from 6% at the end of 2021. We expect that share to remain elevated as borrowers refinance and adjust to the higher interest rate environment."

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