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The Asymmetric Opportunity in U.S. Multifamily

2026

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This white paper argues a simple thesis: **the apartment investment market has entered a phase of structural asymmetry**. We present verifiable evidence drawn from data series covering values, supply and demand dynamics, transaction volumes, and capital formation trends.

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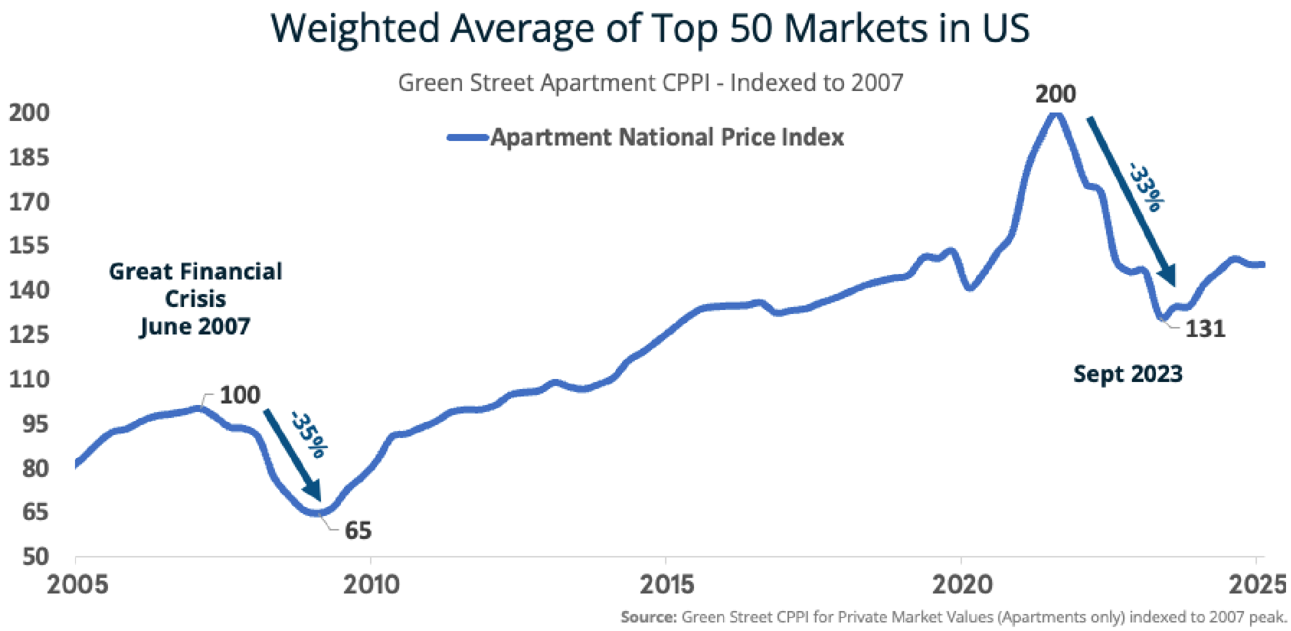
What is asymmetric investing in real estate?

In real estate, asymmetric investing refers to acquiring high-quality, cash-flowing assets at or below their intrinsic value, when medium-term fundamentals—rents, occupancy, and capitalization rates—have greater potential to improve than to decline.

> “If you’ve got a low downside and a big upside, you go do it”
>
> — Sam Zell

We saw the bottom two years ago

Since then, capital has steadily flowed back in to establish the floor, as evidenced by Green Street’s Property Price Index shown below. The return of buyers and renewed liquidity confirm that pricing has stabilized.



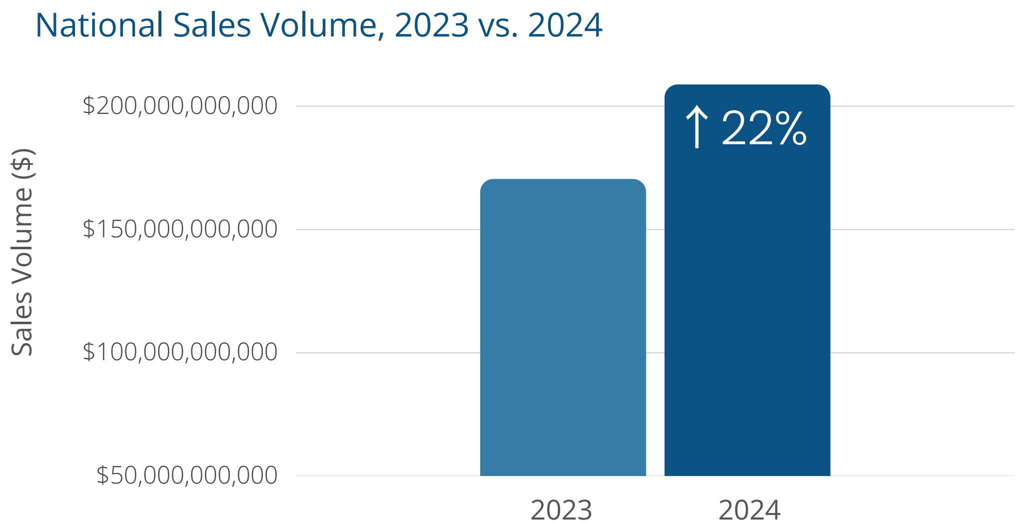
The current price reset mirrors the Global Financial Crisis

Today represents the most attractive entry point for multifamily investment in the past decade, offering opportunities to buy at discounts comparable to those of the 2008–2009 era.

Why it bottomed: Big buyers

Large buyers moved in as prices fell below intrinsic value, and early capital from billion-dollar portfolio purchases in 2024 by KKR, EQR, and Blackstone established the floor, driving a 22% increase in national sales volume versus 2023, according to CoStar.

Through the first half of 2025, sales activity remains on pace to surpass 2024, driven by a growing number of smaller firms following the same playbook.



Source: CoStar

Why it won't fall further: Intrinsic value

In real estate, intrinsic value is the replacement build cost required to create a similar, durable cash flow. At that point, competition will grow. When assets with durable, long-term cash flows can be purchased for materially less than replacement cost, a natural floor is created, as these assets are shielded from new competition. Rent growth follows until new supply returns in bulk, often years later, reinforcing this level as the asset's intrinsic value. **Buying at a 20–40% discount to replacement cost creates a tangible margin of safety; at those prices, new development simply doesn't pencil.** As a result, both rents and buyer demand rise, since the only way to capture this upside is through existing assets. New projects typically take three to five years to deliver after replacement rents are reached.

Why it matters: Low downside allows focus on multiple upside paths

As capital demonstrated in both 2009 and 2024, it moves in to limit downside once intrinsic value is reached, typically after 30-35% declines in multifamily pricing. With that floor established, attention now turns to how and when the upside will be realized. Today, that upside varies by market and is driven by several independent forces: rent normalization as the 2024–2025 lease-up wave is absorbed, modest cap-rate firming as buyer pools deepen, and gradual convergence toward replacement cost as new development remains uneconomic across most hard-to-build submarkets.

What's new for 2026 vs. 2023: Paths are clearer

Liquidity pockets have broadened and price discovery has improved relative to 2023, establishing a constructive foundation for modest cap-rate compression as operating metrics continue to firm. Capital raising has recovered across multiple channels, signaling increased competition for well-located, stabilized assets as new supply fades. Demand remains near peak levels while supply is declining rapidly, soon to approach cyclical lows. Early signs of an expansion are evident, and capital flows continue to strengthen in response.

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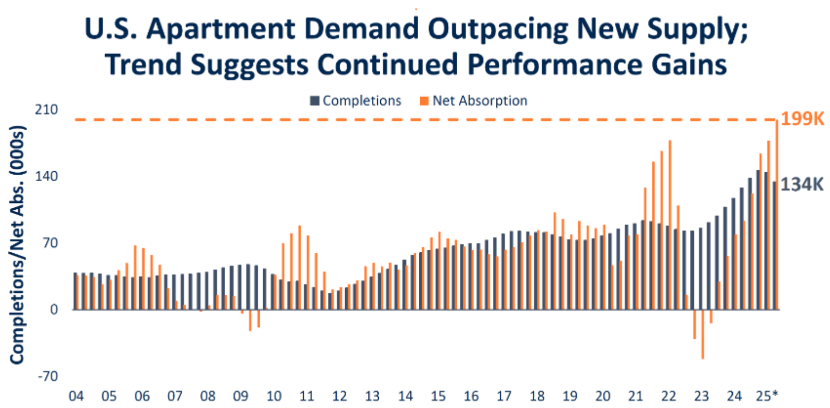
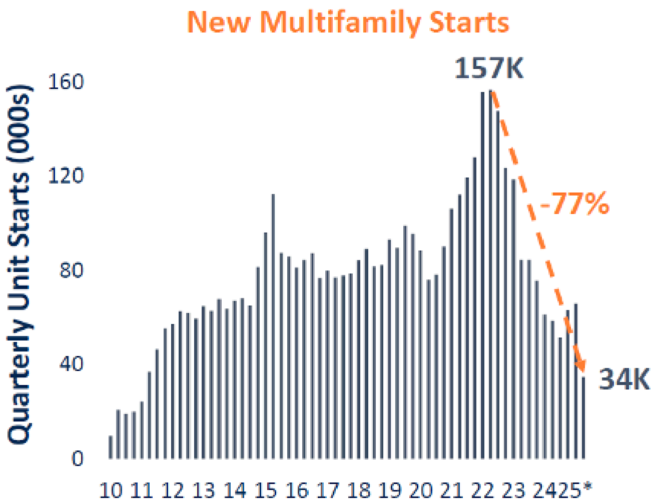
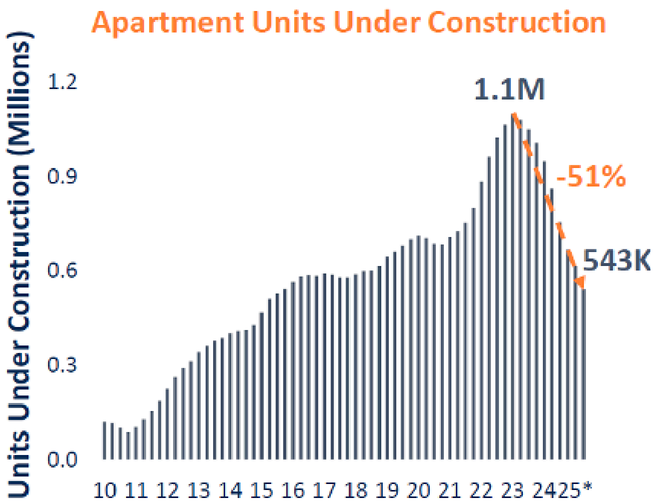


**Through 2Q*
Trailing 4-quarter average
Sources: Marcus & Millichap Research Services and RealPage, Inc.

But this is only the beginning. The current imbalance should continue to improve as 2025 brings a roughly 50% decline in units under construction from the peak. Supply is expected to trough in 2026–2027, with new starts now down nearly 70% from prior highs, a pattern that closely mirrors the post-Global Financial Crisis cycle.



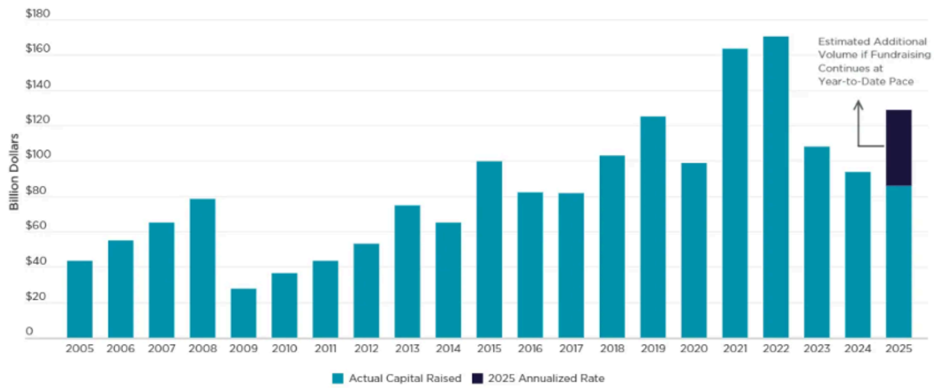


Source: Marcus & Millichap Research Services

Early signals: Firming fundamentals and renewed investor confidence

Early turns in occupancy and new-lease trade-outs are emerging as lease-up inventory recedes in select submarkets. At the same time, more investors are recognizing this setup, with CRE fundraising on track to rise approximately 38% and return to pre-pandemic levels, as noted in Cushman & Wakefield's analysis below. **Institutions are now raising significant capital to take advantage of what many view as the early innings of the market recovery.**

Fundraising Gaining Momentum in 2025
Private Capital Fundraising Targeting North America CRE



Source: Preqin, Cushman & Wakefield Research
Capital raised by Diversified Multi-Continental funds are included in the above figures if their core geographic focus is North America.

Risks and mitigants

Tariffs, geopolitics, and policy uncertainty could temper demand. However, these same factors will keep construction costs elevated. The key mitigant is timing: **the heaviest deliveries are now behind us, and the lease-up overhang should fade in most markets by late 2026.** Even if demand softens, modest growth should persist with supply remaining structurally constrained.

How and where to execute

Acquire high-quality, cash-flowing multifamily assets at or below replacement cost in markets where the next two to four years present more opportunities for improvement than risk of deterioration. Core class A assets in San Francisco, San Jose, and Seattle are exhibiting firmer leasing trends, though easy basis plays are becoming scarce. Greater basis opportunities are expected to emerge in today's high-supply markets by 2026, as motivated sellers meet normalized debt costs. Still, quality and access to the best transactions remain essential. High-supply submarkets require disciplined underwriting that looks beyond headline discounts. Older class B and C value-add assets will face trickle-down occupancy risk and heightened sensitivity to capital expenditures. Capitalization rates on these assets have just begun to widen toward historical norms.

Bottom line

Discounted entry points and a rapidly fading supply pipeline create an asymmetric setup for 2026–2029. Rent growth normalization, modest cap-rate compression, and convergence toward replacement cost offer multiple avenues to achieve attractive long-term returns with comparatively limited downside. Vintage beta is evident; however, markets, submarkets, and asset classes will move on different timelines, each presenting opportunities for outsized alpha. Beyond that, differentiated strategy, thoughtful structuring, and disciplined execution will further amplify returns.

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