

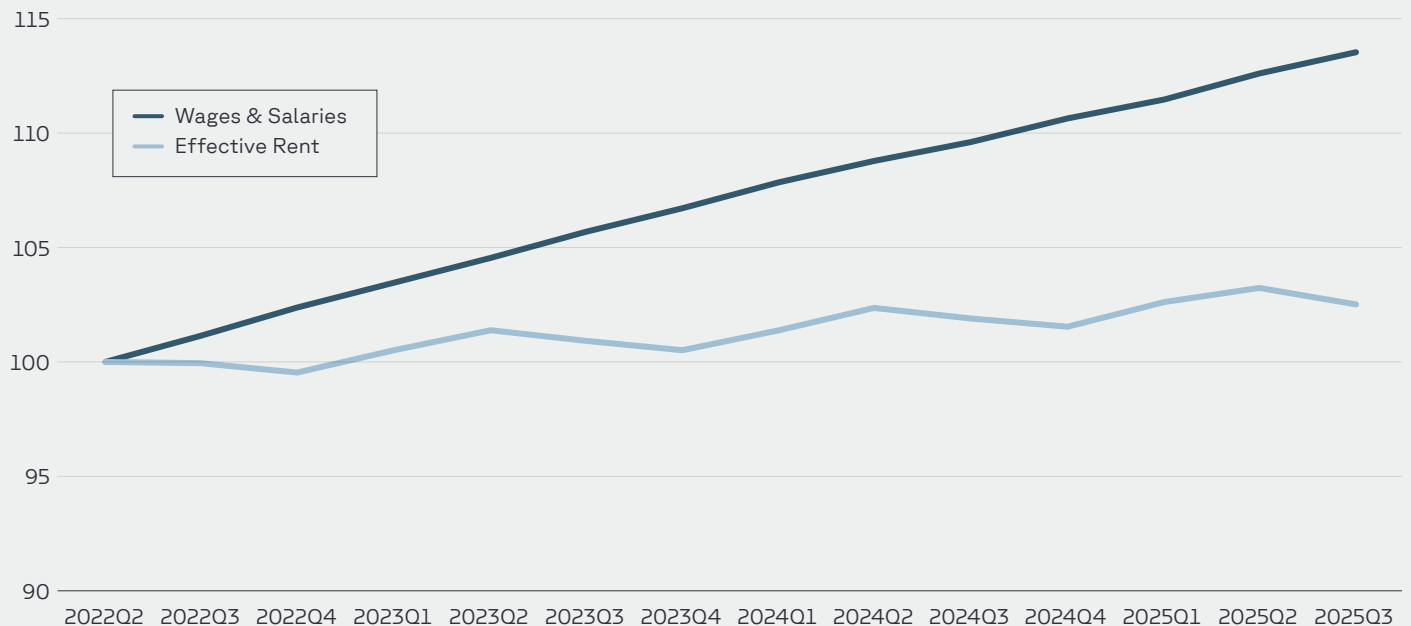
We believe that the coming cycle will restore housing to its traditional role as a cornerstone of a well-constructed real estate portfolio. For the better part of 40 years, housing delivered durable and rising cash flows, served as a strong hedge against inflation, and provided consistent liquidity backed by Government Sponsored Enterprises (GSEs).

However, in the last cycle, housing evolved into a high-return, largely development-driven sector fueled by supply constraints, accelerating rent growth, and the aforementioned impact of unusually accommodative fiscal and monetary policy. That policy backdrop is unlikely to repeat in the new cycle, and as a result we are enthusiastic on a “return to basics” in this sector that we view as important.

Housing demand continues to be supported by durable demographic and economic forces, even as near-term conditions reflect the aftereffects of an elevated supply cycle:

- Rental affordability continues to improve, as **income growth has outpaced rent growth for several consecutive years**, pushing rent-to-income ratios lower in most U.S. markets as rent growth has moderated (**Exhibit 1**).
- Homeownership remains out of reach for many households, with elevated home prices and mortgage rates delaying transitions to ownership and driving persistently high resident retention, particularly among higher-income renters.
- Occupancy rates are rising across many Sunbelt markets despite continued rent growth challenges, suggesting owners are prioritizing occupancy in a supply-heavy environment and that the sector may be approaching an inflection point as deliveries decline substantially over the next couple of years.
- Household formation remains resilient, supported by smaller household sizes, with single-person households now comprising roughly 29% of U.S. households, reinforcing demand for rental housing.

EXHIBIT 1: U.S. WAGE & SALARY VS. RENT GROWTH, INDEXED TO Q2 2022



Source: CoStar, St. Louis FRED, Affinius Capital Research

While stabilized assets are showing improvement, lease-up across newer deliveries is still underway, as reflected in the gap between stabilized occupancy and total portfolio occupancy. Multifamily net absorption reached near-record levels through mid-2025, though the second half of 2025 saw a deceleration after six consecutive quarters of elevated absorption, a development worth monitoring given its historical correlation with employment and household formation trends. Slowing immigration, both authorized and unauthorized, has introduced another variable into the demand outlook. Institutional-quality multifamily appears less exposed to these shifts, while Class C assets have underperformed in recent months, a divergence that warrants close monitoring. Historically, employment growth has correlated closely with household formation, and any sustained labor market softness could temper near-term absorption even as long-term housing needs remain unmet.

From a valuation and strategy standpoint, multifamily remains well-suited to long-term ownership, where previously mentioned durable cash flows and **strong inflation-hedging characteristics**, combined with active management, can compound returns over time. While pricing dynamics continue to vary widely by market and asset quality, and select transactions in high-growth, supply-constrained geographies have reflected aggressive underwriting with cap rates compressing into the mid-4% range, we do not view these trades as representative of broader market conditions. More generally, as supply continues to work through the system and investor demand remains measured, multifamily cap rates are as likely to drift modestly higher as they are to remain flat. Within this environment, we see a **compelling window to pursue income-driven strategies**, targeting acquisitions that can deliver attractive current yield, with upside generated through superior asset management and **selective development that enhances long-term portfolio returns**.

The medium-term supply outlook reinforces this opportunity set. Multifamily starts have slowed sharply, with national construction deliveries to decline by roughly 60% from peak levels in 2026 and 2027, allowing markets time to absorb existing deliveries. The affordability gap between owning and renting continues to push a disproportionate share of household formation into rentals, reflected in the decline in the U.S. homeownership rate from 66.0% in Q3 2023 to 65.3% as of Q3 2025. Public policy remains a critical swing factor, particularly in coastal markets such as New York, where evolving legislation bears close watching, but in many cases, regulation continues to constrain new supply more than demand. The U.S. faces a shortage of several million units, particularly in the attainable and affordable segments, while many coastal and Midwest markets continue to face acute supply constraints.

Conventional multifamily, single-family rentals, and even shared living will also benefit as demographic and economic pressures continue to favor renting.

With supply pipelines thinning and affordability pressures intensifying, the sector is poised for renewed balance between capital formation, new construction, and sustained renter demand. We expect the early stages of a new development cycle to emerge in 2026, gaining momentum into 2027 and 2028. For disciplined investors, this environment offers the opportunity to build durable income streams with measured exposure to growth, recognizing that early-cycle entry, executed selectively, has historically been rewarded.





MARK FITZGERALD,
CFA, CAIA

Managing Director, Head of Research

mark.fitzgerald
[@affiniuscapital.com](mailto:mark.fitzgerald@affiniuscapital.com)



HAILEY
GHALIB

Senior Managing Director,
Head of Housing Investment and Development

hailey.ghalib
[@affiniuscapital.com](mailto:hailey.ghalib@affiniuscapital.com)

Important Disclosures

Affinius Capital® is the brand that applies to it and its advisory subsidiaries including Affinius Capital Advisors LLC and Affinius Capital Management LLC. The information contained in this report is being provided to you by Affinius Capital (together with its affiliates, "Affinius") for information purposes only and is not, and may not, be relied on in any manner as, legal, tax or investment advice. The information contained herein does not constitute an offer to sell or a solicitation of an offer to buy an interest in any investment vehicle sponsored by Affinius and any such offer will only be made pursuant to a confidential private placement memorandum and/or the Partnership's subscription documents, which will be furnished to qualified investors in connection with such offering and will be subject to the terms and conditions contained therein. The information in this report is only as current as the date indicated, and may be superseded by subsequent market events or for other reasons. Affinius Capital assumes no obligation to update the information herein. Investment in a Partnership will involve significant risks, including risk of loss of the entire investment.

This Report may contain forward-looking statements that include statements, express or implied, regarding current expectations, estimates, projections, opinions and beliefs of Affinius, as well as the assumptions on which those statements are based. Words such as "believes," "expects," "endeavors," "anticipates," "intends," "plans," "estimates," "projects," "targets," "assumes," "potential," "should" and "objective," (or the negatives thereof) or other variations thereon and comparable terminology identify forward-looking statements. Forward-looking statements are hypothetical in nature and involve a number of known and unknown assumptions, risks, uncertainties and other factors outside of Affinius' control, and accordingly, actual events or results may differ materially from those projected. No assurance can be given that any investment will be able to achieve returns comparable to those projected or targeted. Investors and prospective investors should not place undue reliance on any forward-looking statements or examples included in this Supplement, and Affinius does not assume any obligation to update any forward-looking statements contained herein.

Investments and Market Risk. Investments involve significant risks, including risk of loss of the entire investment. Prospective investors should consult their own legal, tax and financial advisors as to the consequences of an investment. Leveraged investments may present additional risks to the investor, including, capital structure risk. Dependence on key personnel may result in operational risk. An investment sponsored by Affinius Capital is intended to be a long-term investment.

Third-Party Data. Certain information contained in this report has been obtained from published and non-published sources. Recipients should understand that any such information may not have been independently verified. Except where otherwise indicated herein, the information provided herein is based on matters as they exist as of the date of preparation and not as of any future date and will not be updated or otherwise revised to reflect information that subsequently becomes available, or circumstances existing or changes occurring after the date hereof.

The opinions and recommendations herein do not take into account the individual circumstances or objectives of any investor and are not intended as recommendations of particular investments or strategies to particular investors. No determination has been made regarding the suitability of any investments or strategies for particular investors. Portions of this report may reflect our opinions and beliefs regarding general market activity and potential impacts of current market conditions. Such opinions and beliefs are subjective, do not represent a complete assessment of the market and cannot be independently verified.



9830 Colonnade Blvd., Suite 600
San Antonio, Texas 78230 USA

affiniuscapital.com