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October 2026

Minority of Problem Loans Lurk in Maturing Multifamily Debt

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About $116 billion of multifamily loans are scheduled to mature by the end of 2027, with nearly $250 billion coming due through 2028, according to a new analysis by Yardi Matrix's database, which tracks $1.4 trillion of multifamily debt. Market-rate properties account for about $230 billion of the total through 2028, while another $19 billion is backed by fully affordable properties.

The analysis shows that while most market-rate loans have strong credit metrics, a significant portion exhibit weaknesses such as low debt-service coverage ratios (DSCRs) or high loan-to-value ratios (LTVs). Roughly 8% of the loans in the Matrix database have current estimated DSCRs of less than 0.6 or LTVs above 85%, characteristics that increase the risk of default, especially if interest rates remain high. (The property-level DSCRs in Matrix are estimated based on a property's average rent and the average expense of a competitive set of properties, and will appear worse than they actually are in markets with declining rents.)

A DSCR of 1.0 means the net income and mortgage payments are equal. When DSCR is less than 1.0, net income is less than the mortgage payments. Properties that borrowed when rates were lower may not generate enough income to refinance the full balance of their existing loans at today's higher rates. To stave off default, borrowers may have to contribute additional equity, negotiate an extension or obtain supplemental financing.

Lender Mix of Maturing Multifamily Loans

Maturity Date	Total Loan Volume ($B)	CMBS	Government (HUD, GSE, Local Gov't)	Banks	Debt Funds	Other (Insurance, Credit Union, Private Lender)
2026-2028	$249.6	$6.1	$121.1	$67.4	$33.9	$21.0
2029-2035	$770.9	$25.4	$618.1	$53.8	$31.3	$42.3
2036 & Beyond	$332.3	$0.8	$218.2	$89.2	$6.3	$17.7

Source: Yardi Matrix

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Some highlights of the analysis:

- Of the low-DSCR debt maturing through 2028, $8.3 billion (315 properties, 72,835 units) is fixed rate and $1.6 billion (49 properties, 11,487 units) is variable rate. Fixed-rate borrowers are more insulated from additional rate increases until their loans mature, but weak property cash flow could make refinancing difficult.

- Of loans maturing through 2030, $74.1 billion (2,367 properties, 528,427 units) are tied to properties with DSCRs at or below 0.8, including $17.2 billion (492 properties, 108,993 units) coming due by the end of 2027.

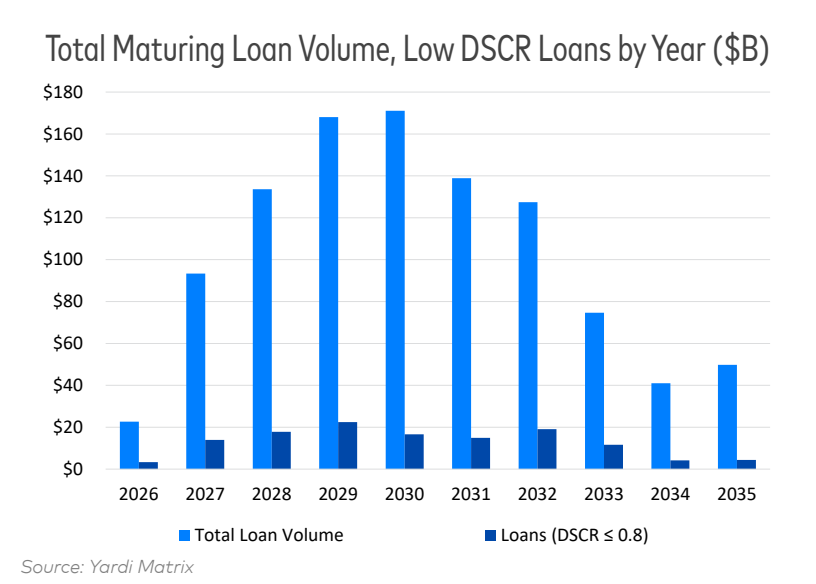
- Low-DSCR exposure grows to $128.3 billion (4,178 properties, 939,640 units) over the 2026-35 period. That includes $50.5 billion (1,944 properties, 436,280 units) of fixed-rate debt, $17.6 billion (469 properties, 131,802 units) of variable-rate debt and $5.9 billion (145 properties, 29,792 units) of construction debt.

- Some $31.5 billion (1,087 properties, 243,957 units) of loans maturing through the end of the decade have both poor debt-service levels (≤0.8) and high loan-to-value ratios (≥100%), making them especially strong candidates for default or restructuring.

- Potential distress is concentrated in floating-rate loans originated from 2020 through 2022, just before the Federal Reserve increased policy rates by 525 basis points over an 18-month period ending in July 2023. Of the $52.5 billion (1,753 properties, 392,545 units) of outstanding variable-rate loans originated from 2020 through 2022, more than one quarter ($13.5 billion, 407 properties, 105,936 units, or 25.6%) are tied to properties with current estimated DSCRs of 0.8 or less.

- A total of $41.5 billion (1,323 properties with 266,793 units) of construction loans are maturing by the end of 2028, $4.3 billion (100 properties with 21,821 units) of which have DSCRs at or below 0.8. Low coverage may reflect slow lease-up due to the competition for tenants in high-supply markets. Projects could face pressure if they do not generate sufficient income or reach stabilization before the loans come due.

Data in this report comes from Yardi Matrix's national multifamily database, which tracks apartments with 50 or more units. The database contains a total of 120,000 apartment properties with 26.5 million units, including 28,000 affordable properties with 3.7 million units. Affordable properties are defined as communities in which at least 90% of units are income restricted through government subsidy programs.



Source: Yardi Matrix