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THE PATHFINDER REPORT

October 2026



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PATHFINDER PARTNERS GROWTH & INCOME FUND, L.P.

\$178,000,000

RECAPITALIZATION OF SIX APARTMENT
PROPERTIES COMPRISING 711 UNITS
PREVIOUSLY OWNED BY PATHFINDER
OPPORTUNITY FUND VII, L.P.

AUGUST 31, 2026



Astoria Apartments,
Seattle, WA
126 units



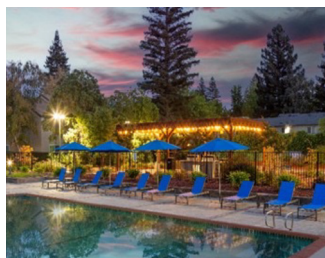
Bull Mountain,
Portland, OR
126 units



Creekside Village,
Vancouver, WA
(Portland, OR metro)
132 units



The Station,
Denver, CO
97 units



Juniper Apartments,
Sacramento, CA
170 units



Park Paloma,
Phoenix, AZ
60 units

ANY OFFERS TO BUY SECURITIES WILL BE MADE ONLY PURSUANT TO A CONFIDENTIAL
PRIVATE PLACEMENT MEMORANDUM, WHICH WILL DESCRIBE IN DETAIL THE SECURITIES,
INVESTMENT STRATEGY, AND RELATED RISKS.

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CHARTING THE COURSE

*The Pump, the Mortgage Payment, and the Power
Bill: How \$6.25 Diesel, 7.4% Mortgages and
Data Center Backlash Will Shape the Midterms*

By Mitch Siegler, Senior Managing Director



Autumn brings Halloween, falling leaves, the end of daylight savings time and election season – when our mailboxes fill with glossy flyers, our phones buzz with texts from candidates we’ve never heard of, and TV commercials feature grim-faced narrators warning that the other guy is inexperienced, unprincipled,

and will undoubtedly raise your taxes and damage your society.

With the midterms just a few weeks away, the candidates are raising cash, and the pundits are parsing polls. If you want to save yourself time and aggravation, fast forward through the cable news panels and look at three household costs: how much to fill a truck with diesel (average U.S. cost over \$6.25/gallon), the monthly payment for a home mortgage (30-year fixed rate mortgage rates averaging 7.4%) and the cost to keep the lights on (the typical home utility bill rose 7% in 2025 – and that’s before the additional spikes data centers could bring). Spoiler alert: all three are flashing red.

As Will Rogers famously said, “I don’t make jokes. I just watch the government and report the facts.” In that spirit, here are the facts – and here’s what they could mean for voters next month – and a few implications for markets and investors.

If You Bought It, a Truck Brought It

As the Teamsters say, “If you bought it, a truck brought it.” These days, they might add: “...and included a fuel surcharge.”

The national average price of diesel sits at \$6.25/gallon at presstime, per AAA – up 70% from \$3.69 a year ago. Here in California, diesel averages \$8.35/gallon and some high-traffic stations are \$9/gallon. The culprits are

familiar: supply route interruptions from the Iran and Russia/Ukraine conflicts boosting crude oil prices above \$100/barrel, refinery outages and strategic oil reserve drawdowns.

Most voters don't buy diesel, so why should they care? Because diesel is oxygen for the economy. It powers over-the-road trucks, which haul groceries from farm to shelf, fuels the excavators, bulldozers and backhoes on every construction site and powers the locomotives hauling freight by rail across the country. Consider the math for a long-haul trucker whose rig burns 18,000 gallons a year: a \$4.66-per-gallon increase adds \$46,000 to annual expenses. That shows up in the price of lettuce, lumber and just about everything in between. And it often comes straight off the truck driver's income and is the root cause of bankruptcy filings by 16 trucking companies since late August.

Alyssa Barnes, a gas station employee in Los Angeles summed it up to ABC News in a way any voter or elected official could grasp: "All they have money for is filling up. They have to get cash advances and stuff for food. It's rough." Rough indeed!

Most voters don't read the fine print on those glossy election postcards and very few are trained economists. But they sure can read the big, illuminated sign at the corner gas station they pass every day and where they stop at once or twice each week. And they tend to hold whoever's in charge accountable. In times like these, that means their election analysis may start and end with "throw the bums out."

The 7.4% Home Mortgage is a Bucket of Cold Water for Housing

If diesel is the pain at the pump, mortgage rates are the pain at the closing table. At press time, the average 30-year fixed rate was 7.40% – up from 6.30% a year ago.

Today's buyer's mortgage payment is 17% higher than a year ago. On a \$400,000 loan, that adds \$280/month (\$3,400/year) to the payment. For a young family already stretching to afford a starter home, that's the difference between "we qualify" and "maybe next year." Again.

Our kids' generation has concluded that the most reliable path to homeownership is inheriting one. They're only half joking. Meanwhile, millions of existing



homeowners are sitting on 3% mortgages they have no intention of giving up, which keeps inventory tight and prices stubbornly high. The result is a housing market that feels frozen to everyone except the people already inside the house.

In 1980, Ronald Reagan famously asked voters, "Are you better off than you were four years ago?" For a 32-year-old renter watching mortgage rates and home prices climb, the answer comes fast – and it's not the answer the party in power wants to hear. Housing affordability has become one of the most potent economic issues of our time and of this election cycle, and candidates are scrambling to offer solutions, many of which would make an economist – or anyone with commonsense – wince.

Housing affordability has been a hot button political issues for much of this century, kicked off by the subprime mortgage crisis, which sparked the 2008 Great Financial Crisis, followed in 2020 by pandemic-era legislation limiting evictions, rent control ballot initiatives in various cities and states and candidates for office centering "affordability" in their campaigns.

Everyone Wants AI – Nobody Wants the Data Center Nearby

The third issue is the one that is activating voters from New York to California and almost everywhere in between. This summer, we wrote about how the AI tsunami would reshape our world in short order. We just didn't expect it to reshape the midterms.

Data centers – the massive warehouses that power AI – have become a political flashpoint. A recent Gallup survey found that 71% of Americans oppose construction of a data center in their community, and the opposition is remarkably bipartisan: 75% of Democrats, 74% of independents and 63% of Republicans oppose them. In

a country that can't agree on much, that's a downright consensus – Not in My Backyard (NIMBY)!

Residents worry about higher electricity bills, strained water supplies, round-the-clock noise and job promises that tend to evaporate once construction is completed.

Tip O'Neill's maxim that "all politics is local" has rarely been truer. Texas, Gov. Greg Abbott – who recently proclaimed the state the "epicenter of AI development" – paused roughly 1,800 project approvals last month. In Ohio, an internal Republican memo reportedly identified data centers as the top issue hurting Sen. Jon Husted's re-election bid against Sherrod Brown, prompting Husted to introduce legislation requiring tech companies to fund their own electricity infrastructure. In Michigan, the Senate candidates are debating the merits of a one-year data center moratorium as compared with strict new standards on them. Pennsylvania's Democratic Gov. Josh Shapiro, who once touted a \$20 billion Amazon investment, has imposed new statewide restrictions.

Before we crown data centers the defining issue of the 2026 elections, note that fewer than 1% of voters cite them as their top priority. Data centers are a hyper-local issue that can swing a close House race or a state utility commission seat – but it's another cost-of-living issue in disguise. When the family electric bill jumps and a new data center goes up down the road, voters connect the dots.

Adding It Up

James Carville's famous 1992 campaign slogan was, "It's the economy, stupid." While times have changed, the sign still works – just substitute "diesel," "mortgages" and "electric bills."

Don't take our word for it – the polling backs us up. Emerson College's September national survey shows Democrats leading the generic congressional ballot 53% to 42%, with President Trump's approval sitting below 40% (at 39%). The economy is the top issue for 41% of voters; they favor Democratic candidates by 14 points (55% to 41%). Most striking: independents, who broke for Trump in 2024, now favor Democrats by 29 points (60% to 31%).

History shows Midterm elections tend to be an uphill climb for the incumbent party. The president's party has



lost House seats in all but two midterm elections since World War II. Add record diesel prices, 7% mortgages and a bipartisan revolt against data centers, and the headwinds look more like a hurricane.

As Yogi Berra reminded us, "It's tough to make predictions, especially about the future." Three weeks is an eternity in politics. A ceasefire or a drop in oil prices could change the conversation.

What It Means for Investors

Whatever happens on November 3, several things seem likely. Divided government, if it arrives, typically means gridlock – and markets have historically been quite comfortable with that. Fewer sweeping changes means less uncertainty and more predictability.

For multifamily investors, the implications are more constructive than the headlines suggest. As we've written extensively, high mortgage rates keep would-be buyers renting longer. And it's harder to save for a down payment when fuel and utility costs crimp household budgets. Elevated diesel and construction costs make new development harder to pencil, constraining future supply. And the Federal Reserve rarely hikes just once – futures markets see another couple of rate hikes by year-end. And the political pushback on data centers may ultimately slow the growth of electricity demand – or at least shift more of the grid's costs onto the tech companies rather than households and property owners. Whether consumers pay these costs directly or indirectly (through higher costs for AI tokens) won't matter all that much to household budgets.

None of this really changes our playbook. We underwrite conservatively, stress-test for "higher-for-longer" interest

rates and elevated operating expenses, take the long view and don't bet the farm on any single regulatory or political outcome.

If election season has you stressed out, here's more wisdom from writer/philosopher Will Rogers: "Be thankful we're not getting all the government we pay for." Whatever your politics, please vote. And if you're driving to the polls in a diesel pickup, consider carpooling.

Mitch Siegler is Senior Managing Director and Co-Founder of Pathfinder Partners. Prior to co-founding Pathfinder in 2006, Mitch founded and served as CEO of several companies and was a partner with an investment banking and venture capital firm. He can be reached at msiegler@pathfinderfunds.com.



FINDING YOUR PATH

How Phoenix, Denver, and Austin Got Overbuilt – and Why that Presents Opportunities

By Lorne Polger, Senior Managing Director



Ten years ago, the Sun Belt and Mountain West were the promised land for apartment developers. A pandemic-era migration boom, surging demand, and years of undersupply made Phoenix, Denver, and Austin look like can't-miss cities. Developers responded with a historic construction surge. Now, those

same cities are among the most oversupplied rental markets in the country. Rents have fallen, vacancies have climbed, and property owners have increased concessions to fill empty units.

That said, we're not "glass half empty" folks at Pathfinder. These same issues are creating opportunities to purchase quality properties at meaningful discounts from previous high-water marks. We've been predicting this since late 2024 and while it took longer to come to pass (primarily due to lenders extending loan terms), continued spikes in interest rates have caused the clock to run out.

Here's a look at where things stand and where they're likely headed in these markets.

Phoenix: Strong Demand is Overwhelmed by New Supply

Phoenix's apartment market tells a story of impressive demand simply being no match for an even more impressive wave of new supply. This year, the metro is expected to absorb nearly 22,000 units – more than double its pre-pandemic average and enough to rank it among the top ten U.S. markets for apartment demand. Yet, that strong absorption has been overshadowed by a construction wave that delivered 22,000 new units in 2025, with another 14,000 units expected to deliver this year (a decline of 36% from the prior year's deliveries). The result: a 10.5% vacancy rate with the hardest-



hit submarkets concentrated in Downtown and the Southwest Valley. There are still over 16,000 units under construction in the area, which should be delivered over the next couple years.

The rent data tells a clear story. Average rents in Phoenix dropped 2.8% year-over-year, and more than half of all communities are now offering significant concessions (in some cases, two months' free rent) to attract tenants. Brand new luxury properties have held up better than Class-C properties, as some renters have exercised the "trade up" option to lease an apartment in a new building that offers significant concessions. More affordable workforce apartments have performed better than Class-C properties but still recorded a 1.4% rent decline. Pathfinder currently owns four workforce housing properties in metro Phoenix, and our vacancy rates have stabilized at around 5%, while our overall rents fell 2.6% over the past year.

For investors and owners, 2026 has remained challenging. Elevated vacancies and excess inventory have pressured rents. That said, the falloff in deliveries combined with a slowdown in construction starts offer a path to rebalancing. With the new supply pipeline thinning (just under 11,000 units are expected to deliver in 2027 – half the level of 2025 – followed by fewer than 8,000 units in 2028) and absorption is expected to remain steady, we anticipate conditions improving meaningfully into 2027, with robust growth after that, assuming that demand stays constant. As a result, we continue to target Phoenix as a buy opportunity, especially with an increasing number of distressed deals (those purchased or developed at peak prices in 2021 and 2022) coming to market during the next year.

Denver: Short-Term Historic Vacancy

Denver's oversupply story fits the same profile as Phoenix and Austin. Significant deliveries over a short period of time, followed by a rapid and meaningful reduction. The metro area delivered approximately around 18,000 new apartment units in 2024 alone – a flood of inventory that drove vacancies to over 12% by the end of 2025, the highest level in 25 years. Since then, the new supply has dropped significantly. About 12,500 units were delivered in 2025 and just over 8,000 units are expected to deliver this year.

Denver's experience has been particularly notable because underlying demand has remained healthy (absorption should surpass 15,000 units this year, the highest level in many years; Cushman & Wakefield ranked Denver's second-quarter 2025 absorption among the top six quarters ever recorded nationally). The problem, like with Phoenix, has simply been that new supply kept overwhelming robust demand.

The oversupply has been concentrated in Class-A urban apartments. There is also a longer-term concern layered onto the immediate supply overhang: Denver's population growth has slowed, and a challenging regulatory environment (including new laws on no-fault evictions, screening limitations, and auxiliary income) have raised questions about the pace of Denver's recovery. That said, several notable industry experts that we follow have suggested that today's overbuilding will likely be followed by underbuilding, setting up a supply crunch in a couple of years.

The silver lining: with deliveries dropping sharply, the supply wave is receding. Analysts are forecasting modest stabilization this year, with vacancies easing and rents returning to modest growth beginning next year.

Of note, we have begun to see a significant uptick in distressed properties in the Denver market this year, including a mix of foreclosures, short sales and receivership sales. We are tracking these opportunities for our current funds, especially those that fit our thesis of long-term demand for suburban, garden-style apartments.



Austin: The Nation's Deepest Rent Decline

Of the three markets, Austin's experience has been the most dramatic. The Texas capital entered the oversupply cycle earlier and harder than most U.S. cities, and by 2025 it carried the distinction of being the softest large rental market in the country. Metro-wide median rent has fallen meaningfully from the 2022 peak, a stunning reversal for a city once synonymous with pandemic-era rent spikes. Austin has placed at the bottom of national rent-growth rankings for the past few years.

The cause is straightforward: Austin permitted more new apartments than virtually any other large metro in the country. Construction starts surged in 2021 and 2022, unleashing a wave of completions that hit the market in 2023 and 2024. That's the bad news. The good news? The pipeline has been shrinking dramatically. Just over 18,000 units were delivered in 2025 (a sharp drop from more than 30,000 units delivered in 2024) and only 12,500 are expected to deliver this year, with the forecasts below 10,000 units/year for the next few years. While supply outpaced demand, the trend has now reversed. Beginning in 2025, absorption began to modestly outpace deliveries, signaling that market rebalancing is genuinely underway.

The competitive environment has been intense. In the Class-A luxury segment, price-matching and widespread concessions became the norm, and the narrowing rent gap between Class-A and Class-B properties triggered a migration of renters upgrading to nicer units at equivalent prices. Owners shifted strategy from maximizing rent to maintaining occupancy, accepting flat or declining effective rents in exchange for keeping buildings full (or near full in most cases, as Austin's vacancy rate hovered near an astonishing 15%; it is currently near 12%).

The good news for Austin's long-term outlook is that population growth and tech-sector strength continue to generate real underlying demand. Forecasts point to a modest rent recovery – perhaps 2% annually – beginning in 2027 as the supply excess works through the system. Both Austin and Phoenix are expected to add around 50,000 people/year for the next few years, some of the largest growth in the country.

While Pathfinder approved Austin as a new multifamily target market in 2024 (we have previous investment experience in the city), it has been challenging for us to successfully underwrite new acquisitions due to the ongoing negative rent growth. And surprisingly, we have not seen as many distressed transactions there, notwithstanding that it has been the hardest hit market in the country, as noted above. We believe that as the supply wave continues to fall, more opportunities will be there for us given the very positive long-term economic and demographic growth trends.

The Bigger Picture: A Bifurcated National Market

The performance of Phoenix, Denver, and Austin reflect a broader national dynamic: markets that experienced aggressive construction during the boom time have paid the price in the form of falling rents and rising vacancies, while some supply-constrained metros have posted some of the strongest rent growth in years. We believe these reversals are temporary.

Nationally, the multifamily construction boom peaked in 2024, when over 600,000 new units hit the market. Since then, deliveries have begun slowing, and the pipeline has thinned considerably in the most oversupplied markets.



For renters in Phoenix, Denver, and Austin, the market has been on their side for the last few years: vacancy-driven concessions and flat-to-declining rents have offered some bargain prices. But that's ending. With construction slowing sharply, the path back to a more balanced market has started and we believe that it will soon accelerate.

Our takeaway is that the Sun Belt's growth story remains intact. What has changed is the timeline. Markets that moved fastest to build are absorbing the consequences first – and setting up for stronger fundamentals once the glut fully clears over the next year or two. We remain bullish about these markets over the long term (which is always our investment horizon) and will continue to hunt for distressed and opportunistic investments there.

Lorne Polger is Senior Managing Director and Co-Founder of Pathfinder Partners. Prior to co-founding Pathfinder in 2006, Lorne was a partner with a leading San Diego law firm, where he headed the Real Estate, Land Use and Environmental Law group. He can be reached at lpolger@pathfinderfunds.com.

GUEST FEATURE

Record Apartment Supply and the Positive Impact for Renters

By Scot Eisendrath, Managing Director



For the last few years, many multifamily conversations have started with supply: record deliveries, which led to higher vacancies, heavy concessions and little to no rent growth. All true. But that singular focus has concealed an important benefit for tenants.

While market rents stalled, the average renter’s income has kept growing. The result is meaningful: among residents signing leases at market-rate apartment properties; the share of income spent on rent has fallen to pre-pandemic levels, making their housing more affordable. That does not mean every renter is doing well, but it does weaken the argument that market-rate renters have never been more stretched or do not have the capacity to pay higher rents.

That matters because there are two conditions for rent growth: a tighter rental market and residents who can afford to pay higher rents. As the current supply wave recedes, healthier rent-to-income ratios should give many property owners more room to raise rents to keep

pace with their escalating expenses as supply/demand conditions tighten. The combination of falling supply and improved renter capacity is worth watching.

Wages Have Continued to Rise While Rent Growth Has Stalled

For apartment residents, the rent-to-income ratio peaked in 2021 and has fallen almost every year since. Zooming out, the median rent-to-income ratio is essentially where it was six years ago (as shown in the table below), notwithstanding cumulative inflation of nearly 30% during that time, according to the Bureau of Labor Statistics’ Consumer Price Index data.

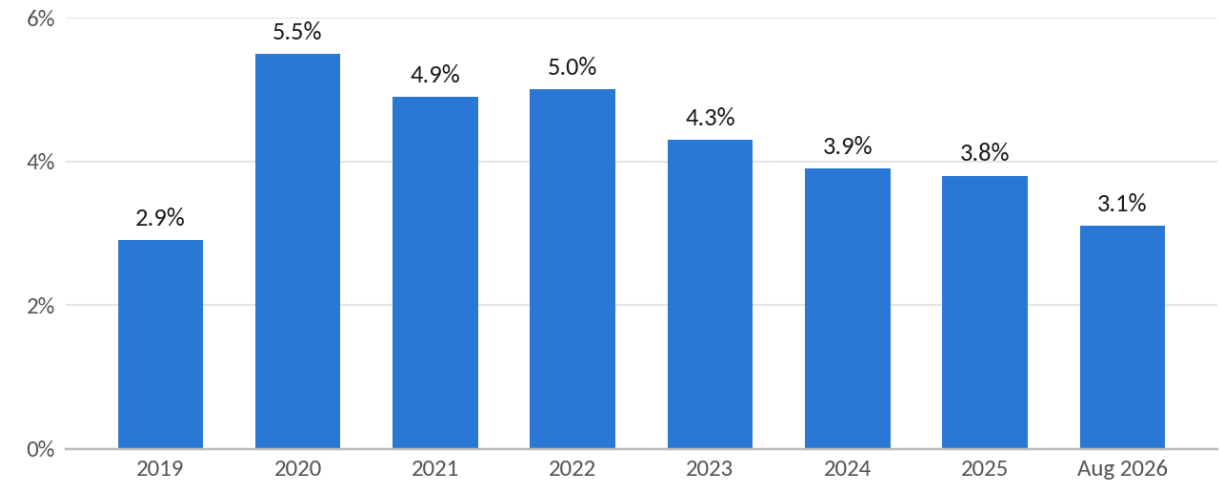
Year	Median Rent-to-Income Ratio
2019	22.2%
2020	22.0%
2021 (peak)	23.8%
2022	23.2%
2023	23.3%
2024	22.5%
2025	22.0%

Source: RealPage

The math is straightforward: rent growth has been tepid while wages kept rising. In fact, wage growth has outpaced rent growth for more than 40 consecutive

Annual Wage Growth

Average hourly earnings, private nonfarm, change over the year (percent)



Source: U.S. Bureau of Labor Statistics (BLS)

months, according to a July 2026 *Forbes* analysis by Brad Hunter (“Rental Demand Remains Strong, Defying Expectations”).

Average hourly earnings reached \$37.75 in August 2026, up roughly a third since December 2019. Meanwhile, the apartment supply wave increased renter choice and put downward pressure on rents. This combination has allowed rent-to-income ratios for market-rate residents to fall, benefiting tenants.

Few Renters Are Buying Homes

Owning a home, the alternative to renting, also remains expensive, which supports tenant retention and resident willingness to absorb rent increases. In March 2026, renting a starter home was cheaper than buying one in all 50 of the largest U.S. metros. The average monthly cost to buy was close to \$2,600, or 55% higher than renting across those metros; the median rent was \$1,669 (*Realtor.com*).

New Apartment Delivers Falling Sharply

For the past few years, apartment deliveries have made many cities a renter’s market. Property owners – especially those with brand new (empty) buildings offered concessions to fill those units. Now that much of the supply has been absorbed, it’s more of an apartment owner’s market, a trend we expect to accelerate. Net U.S. apartment deliveries peaked at about 695,000 units

in 2024. The forecast below is for deliveries to fall to 439,000 in 2026 and to 293,000 in 2028, about 58% below the peak (*CoStar*).

While supply is dropping sharply, demand continues to hold up. Net absorption topped 250,000 units in the first half of 2026, outpacing new supply by about 100,000 units and lifting occupancy to approximately 95%, according to a July 2026 *Forbes* article. If absorption continues to exceed new apartment deliveries, concessions – which have already fallen considerably – will dry up. After that, we expect rent growth to follow.

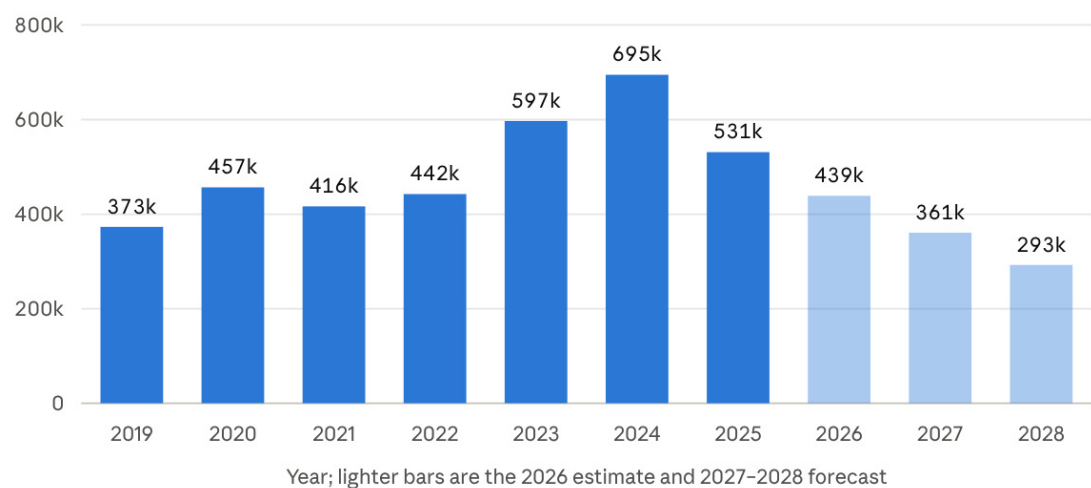
What Could Get in the Way?

Rent-to-income ratios are useful, but they are not enough by themselves and can’t be viewed in a vacuum. We’re watching three other factors:

The broader renter population is still stretched. Harvard’s Joint Center for Housing Studies reports that 49% of renter households (22.7 million) spent more than 30% of income on rent and utilities in 2024, the traditional threshold for being considered “housing cost burdened”. Rent-to-income ratios also run notably higher in Class-C (less expensive, older) apartments than in Class-A (more expensive, newer), and Class-B (workforce housing), based on Greg Willett’s June 2026 analysis in *Multifamily Executive*.

Net deliveries peaked in 2024 and are forecast to fall by more than half by 2028

Net apartment deliveries, deliveries minus demolitions (units)



Source: CoStar

With AI adoption, future income growth is uncertain.

A weaker labor market would directly pressure income gains and apartment demand. Slower population growth or weaker household formation could also delay the shift from a renter to a property owner's market.

Inflation is squeezing household budgets. Rent-to-income captures only one line of the household budget. The national average for gasoline prices hit close to \$4.50 per gallon in September, and diesel is above \$6.50 per gallon. When rising gas, utilities and grocery prices outpace the growth in worker paychecks, renters have less available for rent, even if their rent-to-income ratio looks healthy.

The Impact on Apartment Investors

For investors, the more useful conclusion is not that every apartment market is poised for rent growth. It is that conditions for future rent growth are continuing to improve, and the opportunities will be greater for particular properties and submarkets. Since not all properties and markets are the same, we remain focused on:

- **Underwriting affordability at the submarket and property level.** We favor submarkets where rent-to-income ratios are at or below pre-pandemic levels and wage growth is steady. That combination offers the most potential for rent growth.

- **Focusing on renters who have the ability to absorb future rent increases.** That's important because inflation seems here to stay and those cost increases need to be offset by higher rents over time. Well-located properties with resident incomes that have kept pace with rents should have more flexibility than properties serving households already under budget pressure.
- **Targeting submarkets where the supply dropoff is steepest.** The national decline in deliveries is not even across markets. Markets where new supply is falling fastest relative to absorption should see concessions burn off first, and that is where rent growth is likely to appear first and to be strongest.

While many of the headlines about multifamily have focused on the supply wave and its effects on multifamily operations, the deeper story is that renter incomes have had several years to catch up while rents cooled. As supply continues to fall, that improved rent-to-income position should matter. While uncertainty remains, a more balanced market should give owners a better foundation than the headline rent numbers alone would suggest.

Scot Eisendrath is Managing Director of Pathfinder Partners. He oversees the firm's financial analysis and underwriting and has spent more than 20 years in the commercial real estate industry with leading firms. He can be reached at seisendrath@pathfinderfunds.com.

ZEITGEIST – SIGN OF THE TIMES

Opportunity Knocks for New Buyers as Current Owners' Apartment Debt Unravels

When apartment mortgage rates fell to around 3% during the 2020-2021 pandemic, multifamily became the refuge in the commercial real estate sector. Office buildings were largely emptied by remote work, brick-and-mortar retailers battled the lure of online shopping and hotels struggled with Covid-related restrictions. Meanwhile, apartment rents were surging and capital poured into the sector. Many buyers financed acquisitions at record prices with short-term, floating-rate loans, betting that low rates and double-digit rent growth would continue. Neither did.



That bill is now coming due. According to the *Mortgage Bankers Association*, apartment owners face more than \$750 billion in loan maturities during the next couple of years, the most of any commercial real estate sector. Nearly \$300 billion matures in 2026, following a record \$310 billion in 2025. Owners are being forced to refinance at rates double their original loans, and many properties don't generate the income to support the higher payments.

Per a recent *Morgan Stanley* report, the delinquency rate for multifamily loans in commercial mortgage-backed securities jumped from 1.0% in October 2023 to 7.1% this year, the largest increase of any major property type. Green Street also reports that apartment values are more than 20% below their 2022 peak, on average. And no owner is immune: Blackstone recently defaulted on a \$90 million loan on a Dallas apartment property purchased in 2021 and S2 Capital, a Dallas-based syndicator, has accumulated \$400 million in loan defaults across its Sunbelt portfolio. After years of extending maturing loans, lenders are losing patience and have begun foreclosing.

As we wrote in July's *Zeitgeist* column, the multifamily construction pipeline has contracted roughly 50%

from its recent peak, renter demand remains strong and rents are growing; CoStar recently quadrupled its 2026 national rent growth forecast from 0.5% to 1.9%. Buyers are now acquiring high-quality properties directly from distressed owners (and to a lesser extent, lenders) at meaningful discounts to prior values and to replacement cost. For well-capitalized investors, the next 12 months may represent a very attractive opportunity to acquire distressed apartments at meaningful discounts.

Why Renters Are Staying Longer

30-year mortgage rates above 7% are making the path from renting to owning increasingly difficult. Elevated home prices and higher borrowing costs have pushed monthly payments beyond what many households can comfortably afford. For prospective buyers, the decision to keep renting is often driven by financial necessity.

The average 30-year mortgage rate reached a low of 2.65% in early 2021. At that time, buying a \$500,000 home with 20% down meant a monthly principal and interest payment of \$1,610. With interest rates now above 7%, the same loan costs approximately \$2,660 per month – a 65% increase even without an increase in the purchase price (more on this below).

Like mortgage rates, home prices have also increased substantially. The *Case-Shiller National Home Price Index* rose 43% between 2021 and 2026. To put that in perspective, a \$500,000 home appreciating at the national pace now costs \$715,000. With 20% down and a 7% mortgage, the monthly payment would be about \$3,800 – more than double the 2021 payment. Ouch. The impact is particularly evident among first-time homebuyers, who accounted for a record-low 21% of buyers in 2025, according to a *National Association of Realtors* survey.

The rising cost of homeownership further makes the case for apartments, strengthening overall rental demand. Many households that expected to transition from renting to homeownership are being forced to remain renters much longer – through career advances, marriage and family formation. As a result, apartment communities increasingly serve residents whose road to homeownership has become considerably longer. That makes it even more important that owners like Pathfinder work harder and smarter to satisfy residents in order to retain them longer.

TRAILBLAZING: THE MODERN FITNESS CENTER

How Workout Habits are Reshaping Apartment Fitness Centers

Fitness centers remain one of the most valued apartment amenities: 83% of renters consider them essential, according to *Greystar's 2025 Design Survey*. Communities which offer fitness centers offer better value than those which don't, since they help residents save \$100 or more each month on gym memberships and countless time commuting back and forth. That's why more than 90% of our properties with 50 or more units have a fitness center. As Millennials and Gen Z place greater emphasis on health and wellness, their workout habits are reshaping the apartment fitness center.

Functional and Flexible Spaces: Traditional fitness rooms filled with rows of cardio machines are evolving into more flexible spaces. A mix of cardio, strength and multi-use equipment – combined with areas for functional training – supports a wider variety of workouts while maximizing space.

Room to Stretch and Recover: Yoga participation among U.S. adults has tripled over the past two decades, reflecting a broader shift toward stretching, mobility and recovery. Adding a dedicated yoga area, resistance bands and foam rollers broadens the fitness center's appeal for residents who train beyond weights and cardio.

Better Design and Atmosphere: Thoughtful layouts, natural light, mirrors, artwork and live plants create an inviting environment that feels more like a boutique fitness studio, making the space more motivating for residents.

Technology and Connectivity: Smartphones, fitness apps and streaming workouts have changed how residents exercise. More than 345 million people used fitness apps in 2024, reflecting the growing demand for personalized, technology-driven workouts. Reliable Wi-Fi allows residents to stream classes, follow training programs and track their progress.



Convenience: One of the greatest advantages of an apartment fitness center is secure, 24/7 access, which *Greystar's* survey identified as one of the most desired features. Residents can exercise on their own schedule without leaving the community. As noted above, that eliminates the time, cost and inconvenience of traveling to a separate gym.

At Pathfinder, we continue to upgrade fitness centers across our communities, designed around how residents work out today. We are also reimagining underutilized spaces like converting laundry rooms into fitness centers and carving out dedicated fitness spaces as part of clubhouse renovations. A well-designed fitness center gives residents one more reason to call our communities home.

NOTABLES AND QUOTABLES

“Leadership”

“A leader takes people where they want to go. A great leader takes people where they don’t necessarily want to go, but ought to go.”

- Rosalynn Carter, *Former First Lady of U.S.*

“A good leader takes a little more than his share of the blame, a little less than his share of the credit.”

- Arnold H. Glasow, *American Businessman*

“Leadership is solving problems. The day soldiers stop bringing you their problems is the day you have stopped leading them.”

- Colin Powell, *U.S. Secretary of State*

“No man will make a great leader who wants to do it all himself, or to get all the credit for doing it.”

- Andrew Carnegie, *American Industrialist*

“Management is doing things right; leadership is doing the right things.”

- Peter Drucker, *Austrian-American Educator*

“Leadership is not about being in charge. It is about taking care of those in your charge.”

- Simon Sinek, *American Author*

“Leadership is about making others better as a result of your presence and making sure that impact lasts in your absence.”

- Sheryl Sandberg, *Former COO, Meta*

“Before you are a leader, success is all about growing yourself. When you become a leader, success is all about growing others.”

- Jack Welch, *Former CEO, General Electric*

“I always wondered why somebody doesn’t do something about that. Then I realized I was somebody.”

- Lily Tomlin, *American Comedian*

“Never tell people how to do things. Tell them what to do and they will surprise you with their ingenuity.”

- George S. Patton, *U.S. Army General*

IMPORTANT DISCLOSURES

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