



# INVESTMENT THESIS



# TIMING MATTERS IN COMMERCIAL REAL ESTATE INVESTING

After stepping back during a period of overheated pricing, we've re-entered at a more favorable moment, when multifamily values are resetting<sup>1</sup> and distress is creating opportunities to acquire cash-flowing assets with operational upside in markets we know well.

**Steadfast Direct** is our new chapter: a direct investment platform for individual investors, backed by more than 30 years of institutional experience and a fully integrated operating model. We carry that experience into investments that address the housing needs of growing communities, with a focus on attainable apartments that serve everyday Americans.

This thesis outlines our view of today's multifamily market, the strategy guiding our acquisitions, the disciplined underwriting that protects investor capital, and the long-term track record that underpins Steadfast Direct.

## TABLE OF CONTENTS

Why Multifamily Today? .....	0 2
Investment Strategy .....	0 6
Underwriting Philosophy .....	0 9
What is Steadfast doing uniquely to protect investor capital? .....	1 3
Steadfast's Track Record .....	1 4
A Message from Our Chief Investment Officer .....	1 7
Disclaimer .....	1 8
Footnotes .....	1 8



## WHY MULTIFAMILY TODAY?

The U.S. multifamily market is in the middle of a pricing reset, which has created select opportunities for investors in commercial real estate.<sup>1</sup>

Rising interest rates have significantly increased the cost of capital, which in turn has driven down asset values and stalled transaction activity over the past two years.<sup>2</sup>

At the same time, a wave of new apartment deliveries, set in motion during the pandemic, temporarily outpaced absorption in some markets. According to RealPage, the supply is now peaking, while new starts have slowed dramatically and demand is running well ahead of construction, setting the stage for stronger conditions ahead.<sup>3</sup>

This combination of higher borrowing costs and near-term supply pressures has driven a broad repricing in multifamily. According to Green Street, apartment values remain roughly 19% below their 2022 peak (see Figure 1).<sup>1</sup> However, price indices are beginning to trend upward in some markets, signaling signs of stabilization. Figure 1 shows this trend for multiple asset classes in commercial real estate, with the green line representing apartments across the US.

For long-term investors, this moment presents an opportunity to enter the market at a more favorable basis and capitalize on the recovery ahead.

# SUMMARY HIGHLIGHTS FOR TODAY'S MULTIFAMILY MARKET:



**Demand remains historically strong.** According to NMHC, the U.S. needs over 4 million new apartments by 2035, largely driven by household formation and increasing housing unaffordability.<sup>4</sup> Multifamily absorption is at record highs today, outpacing new supply in many markets, and robust demand drove the national vacancy rate down to 4.1%.<sup>5</sup>



**Supply is peaking, then plunging.** Apartment deliveries are peaking in 2025, especially in high-density urban markets. But new construction starts have plummeted, falling more than 60% from early 2022 levels, according to RealPage. That means the pipeline is thinning out.<sup>6</sup>

As these current projects finish, there won't be many new ones behind them since development starts have fallen sharply due to higher financing and construction costs. By 2026 and 2027, we expect a housing shortage in many markets, creating stronger conditions for rent growth and stabilized occupancy, especially in well-located, renter-driven suburban areas where new supply is expected to be even more limited (see figure 2).<sup>7</sup>



**Positive Rent Growth is Returning.** After significant volatility from 2022–2024, national rent growth has flattened in 2025, with CoStar reporting that year-over-year effective rent growth across major U.S. metros is averaging around 1% to 2%.<sup>5</sup> This reflects a more balanced environment between supply and demand, as excess deliveries work their way through lease-up and renter demand remains steady. We expect rent trends to strengthen in 2026 and beyond as supply diminishes and wage growth supports moderate pricing power.



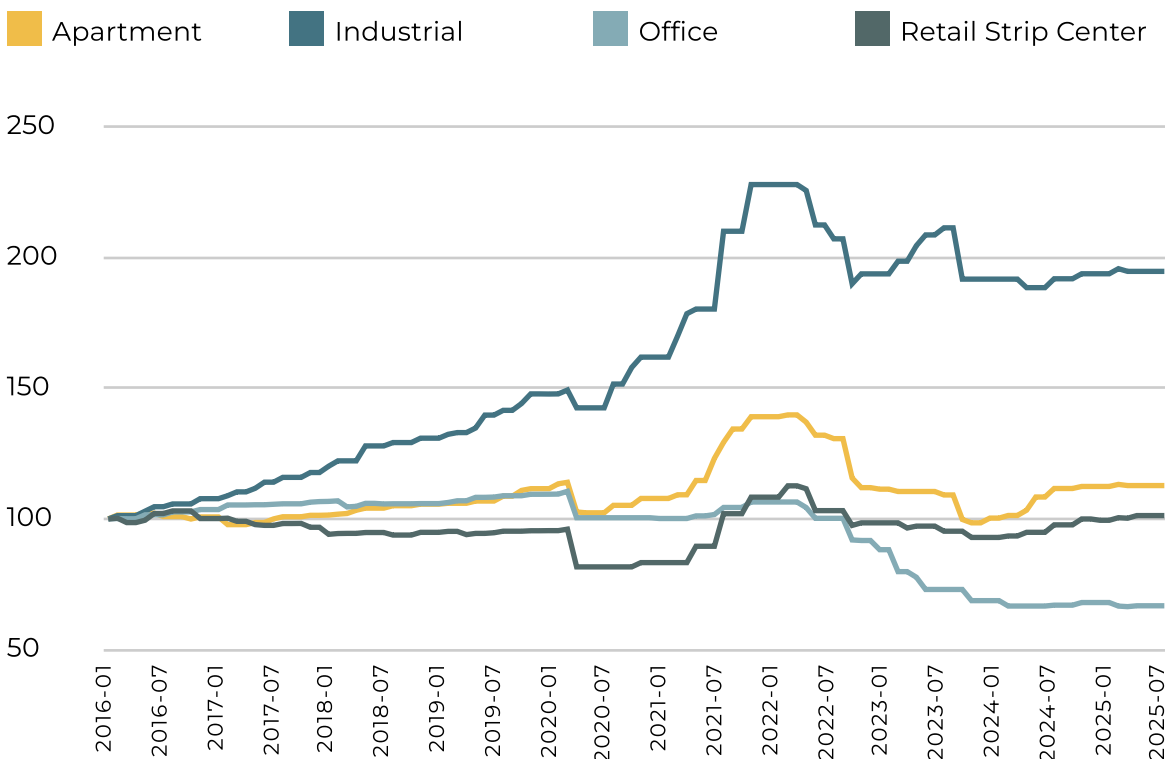
**Renter-by-necessity is rising.** Homeownership is out of reach for many Americans today. Suburban Class B and B+ housing remains the most in-demand segment across income brackets.<sup>8</sup>



**Interest rate volatility is creating buying windows.** Volatile interest rates have thinned the buyer pool, but for well-capitalized sponsors, that disruption is creating opportunities to secure quality assets at favorable pricing.

Operational costs are stabilizing. After several years of rapid inflation in insurance, payroll, and repairs, key operating expenses are beginning to level out in 2025. According to Yardi, expense growth (although still elevated) is moderating across major categories, improving the outlook for net operating income.<sup>9</sup>

**FIGURE 1:**  
**GREEN STREET COMMERCIAL PROPERTY PRICE INDEXES,**  
**INDEXED TO JAN 2016**



Note: The Green Street Commercial Property Price Index (CPPI) tracks estimated changes in institutional real estate values across major sectors, including multifamily, based on real-time NAV modeling. The apartment index (green line) reflects cumulative pricing trends for high-quality, private-market assets. Values are updated frequently, often within days of month-end, and incorporate inputs such as cap rates and NOI projections. This index does not reflect individual property transactions and should be interpreted as a directional indicator rather than an appraisal-based valuation.

Chart Source: [Commercial Property Prices Trending Upward](#), Green Street.

FIGURE 2:  
SUPPLY SHOULD TAPER QUICKLY IN 2H 2025

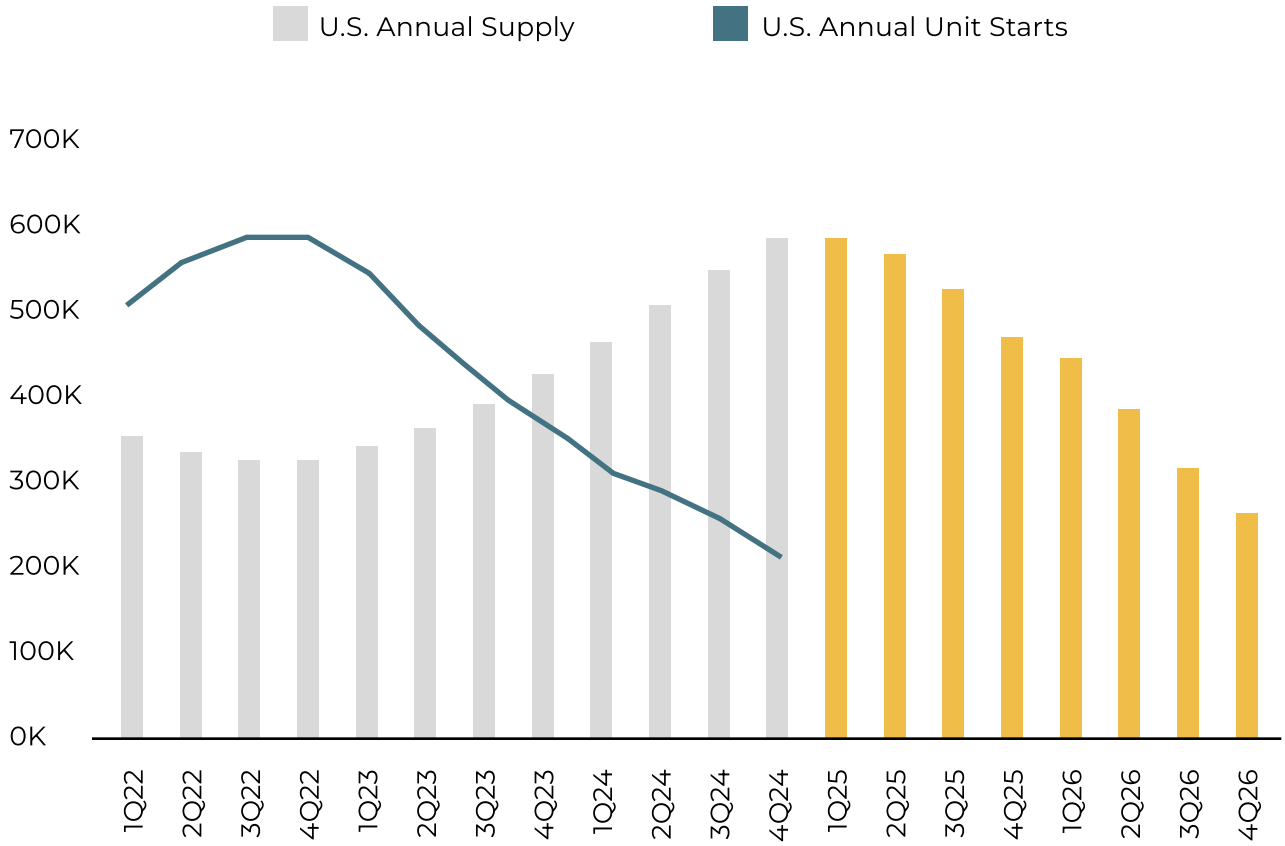


Chart Source: [2025 Expectations for the U.S. Apartment Market](#), Real Page.

# INVESTMENT STRATEGY

## OUR ASSET FOCUS: LIGHT VALUE-ADD IN SUBURBAN CORES

Steadfast is focusing on acquiring stabilized or light value-add multifamily properties.

We are targeting stable market fundamentals with a conservative upside. Our current strategy emphasizes capital preservation and operational reliability.

### **Our investment sweet spot is suburban garden-style or low-rise walk-up communities built between 2000–2020, offering:**

- Class B+ physical condition with value-add potential
- In-place cash flow with operational upside
- Moderate refresh needs (\$5,000 - \$7,500 /unit or less) that support rent increases of \$50–\$100/month
- Stable tenant base of renters-by-necessity, not renters-by-choice. We traditionally avoid mid- to high-rise assets in urban cores due to higher operational costs, increased lease-up risk from frequent oversupply, and less durable demand, which is often tied to renters-by-choice who are more sensitive to economic shifts, remote work trends, and urban quality-of-life factors.

Our tried and tested approach avoids costly repositioning while preserving affordability for current tenants, which is a core part of our long-term investment philosophy.

Our focus on attainable suburban housing meets the needs of working households, a segment that has proven resilient for investors and essential for local economies.

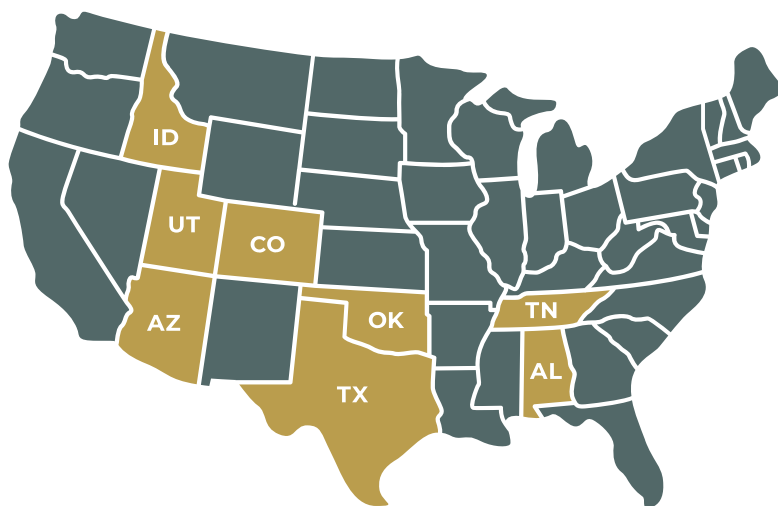


## TARGET MARKETS: DURABLE GROWTH WITHOUT THE VOLATILITY

While we've historically operated in 22 states, our current focus is on markets where population, job, and wage growth align with housing scarcity. We avoid regions with regulatory or insurance headwinds and remain cautious around near-term oversupply risk.

Nashville, for example, has strong fundamentals but also faces a temporary glut of deliveries. We're not avoiding it forever, but for now, capital is better deployed where the balance of supply and demand supports near-term returns, while strategically remaining open to opportunities.

The same dynamic can be seen in markets like Atlanta and Phoenix, where excess deliveries have pressured certain urban cores, yet well-positioned suburban submarkets continue to perform. Even in metros facing headline oversupply, we focus on the pockets where absorption is healthy and long-term fundamentals remain intact.



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We've seen the effects of hurricanes, overregulation, and supply glut firsthand, and we avoid the risks others underwrite away.

## MARKETS WE ARE GENERALLY PRIORITIZING:

**Texas:** San Antonio, Austin, Dallas-Fort Worth

**Southeast:** Nashville, Knoxville, Chattanooga, Charlotte, Raleigh-Durham, Huntsville, Atlanta, South Carolina (Greenville, Spartanburg)

**Mountain States:** Colorado, Utah, Idaho, Arizona (select submarkets)

These markets have demonstrated resilience during both expansionary and recessionary periods, supported by net in-migration, employer relocations, and demographic growth.

## MARKETS WE ARE GENERALLY AVOIDING:

**West Coast:** Regulatory and tax headwinds

**Florida & Coastal Southeast:** Volatile, unpredictable, and rising insurance costs

**Urban Cores Nationwide:** Overdevelopment and pricing pressures

**Northeast:** Competitive market that is far away from our operational core

These markets do not align with our strategy today, and our preference is to deploy capital where fundamentals are stronger and risks more manageable, though we remain open to select opportunities where unique partnerships or circumstances create alignment.



## UNDERWRITING PHILOSOPHY

OUR UNDERWRITING PHILOSOPHY IS BUILT ON ONE RULE:  
NO HEROIC ASSUMPTIONS.

In an era where some sponsors rely on 5%+ annual rent growth or cap rate compression to justify valuations, we stress-test every deal with conservative inputs. Rent growth assumptions are typically capped at 2.5-3.5%, and we model for downside scenarios including insurance cost spikes, extended lease-up periods, and capital expenditure delays.

Our capital stack reflects this discipline. We favor agency-backed, fixed-rate debt (Fannie Mae/Freddie Mac), with moderate leverage around 60–70% LTV. Deals are structured to achieve a 1.25x DSCR (debt service coverage ratio) or higher from day one on a fully amortizing basis.

We don't use floating rate loans or interest rate caps. Our intent is to eliminate as much volatility as possible.

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Our deals must cover at least 125% of debt service from day one, on a fully amortizing basis.

But our underwriting isn't just about spreadsheets.

It's about anticipating potential issues and having a plan in place when they arise.

From unexpected regulatory hurdles to utility spikes and crime mitigation, we've seen it before, and we build operational responses into our asset management playbook.

**Examples include:**

- Implementing water RUBS (Ratio Utility Billing Systems) to recover utility costs
- Partnering with local law enforcement and on-site security
- Weekly operational syncs between CIO and property/asset management teams

This approach helps protect investor capital through multiple cycles, and not just during market upswings.

# STEADFAST ACQUISITION & DUE DILIGENCE PROCESS

## STEP 1

### SOURCE OPPORTUNITIES

- Opportunities identified through long-standing broker, seller, and institutional relationships

## STEP 2

### PERFORM INITIAL UNDERWRITING

- Conservative first-pass pro forma financial modeling to identify if the property meets investment hurdles
- Deals that don't meet standards are screened out early

## STEP 3

### CONDUCT PROPERTY & MARKET TOURS

- On-site inspections to validate rents, demand, and renovation scope
- Market comps and submarket conditions benchmarked

## STEP 4

### SUBMIT LOI & EXECUTE PSA

- Letter of Intent (LOI) submitted on qualified opportunities
- Purchase and Sale Agreement (PSA) executed to begin diligence

## STEP 5

### ARRANGE FINANCING & COMMISSION THIRD-PARTY REPORTS

- Debt sizing confirmed with lenders
- Independent reports commissioned: environmental, engineering, survey, title, zoning, insurance quotes, property tax forecast



**STEP**  
**6**

**CONDUCT OPERATIONAL DUE DILIGENCE**

- Unit walks and common areas inspected
- Audit leases, rent rolls, vendor contracts, and financials

**STEP**  
**7**

**UPDATE UNDERWRITING**

- Pro forma refreshed with diligence findings
- Sensitivity analysis to stress test downside scenarios

**STEP**  
**8**

**PRESENT TO INVESTMENT COMMITTEE**

- Committee evaluates underwriting, risks, and mitigants
- Only opportunities meeting strict standards are approved

**STEP**  
**9**

**CLOSE TRANSACTION & TRANSITION OPERATIONS**

- Loan and legal documents finalized; transaction closed
- Transition plan implemented: staffing, vendor changes, and capital projects

**STEP**  
**10**

**STABILIZE WITH STEADFAST CAPITAL & INVITE INVESTORS**

- Steadfast property management begins to implement business plan
- Access open to investor participation



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We acquire with our own capital and stabilize operations before inviting investors.

## WHAT IS STEADFAST DOING UNIQUELY TO PROTECT INVESTOR CAPITAL?

Unlike many sponsors who raise capital before finalizing a deal, at Steadfast we acquire each asset first, using our own capital or existing lines of credit. We complete initial due diligence, stabilize operations, and structure long-term financing before opening the investment to investors.

This approach allows us to uncover and address operational surprises, secure favorable fixed-rate debt, and confirm the asset performs as expected, all before our investors commit their capital. By doing the heavy lifting upfront, we reduce uncertainty and create a more transparent, de-risked opportunity.

**In short: you're investing in a real, operating asset, and less so a speculative business plan.** This model is made possible by our strong balance sheet, longstanding lender and broker relationships, and decades of operational experience, giving us the ability to act quickly, mitigate risk early, **and invite investors in only once the foundation is proven.**

Steadfast and its principals also invest 10 to 20% of the required equity in every deal. We initiate projects with minimal upfront costs and fees, and our performance incentives only activate after investors begin receiving projected quarterly distributions. This structure ensures our compensation is aligned with investor outcomes.

# STEADFAST'S TRACK RECORD

## PROVEN TRACK RECORD BUILT THROUGH CYCLES

With over three decades of experience, Steadfast has navigated multiple market cycles, executing more than \$8 billion in transactions and managing over 55,000 apartment units across 22 states.

We've built and operated public REITs, served institutional investors, and supported thousands of individual investors, all while maintaining a long-term commitment to disciplined, hands-on asset management.

We're not opportunistic entrants chasing market trends. Our track record is grounded in rigorous underwriting, deep operational experience, and a steady focus on income-producing assets that perform in both expansionary and contractionary cycles.



\$8B+ IN HISTORICAL TRANSACTION VOLUME



55,000+ MULTIFAMILY UNITS MANAGED



22 US STATES SERVED



20+ YEAR LEADERSHIP TENURE IN PROPERTY MANAGEMENT



REPEAT INVESTOR PARTICIPATION ACROSS MULTIPLE CYCLES



SUCCESSFUL PUBLIC REIT EXECUTION AND LIQUIDATION

We achieved a blended IRR of 33.1% across 88 properties and 21,957 units with an average hold period of 4.7 years.

Additionally, we achieved a 158.6% IRR on the 68 properties and 21,394 units held within our Steadfast Apartment REIT upon completion of a merger with Independence Realty Trust on 12/16/21 (based on annual dividend payments plus the share price on the merger date), placing it in the top quintile performance in its peer group, according to data tracked by Stanger Investment Bank. Over three decades, Steadfast has invested not only in conventional multifamily but also in mixed-income and workforce housing, reflecting a long-standing commitment to where America truly lives.

Beyond our conventional apartment investment activity, we have three decades of experience owning and operating LIHTC and affordable apartments, and more recently, the development of Class A multifamily communities.



**33.1% BLENDED IRR**



**88 PROPERTIES**  
**21,957 UNITS**



**4.7 YEARS AVERAGE**  
**HOLD PERIOD**

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We've done this for Wall Street and Main Street. We know what performance means across every class of capital.

Unlike many sponsors who outsource key operational functions, Steadfast is **vertically integrated across the entire investment lifecycle**. From acquisition through stabilization, and from investor reporting to legal compliance, our fully-integrated internal teams collaborate in real time to ensure aligned execution and investor confidence.

We believe internal control leads to better investment outcomes and fewer surprises.

**Our in-house capabilities include:**



This structure enables faster decision-making, clearer communication, and tighter quality control, all essential for protecting investor capital and delivering consistent performance.

# A MESSAGE FROM OUR CHIEF INVESTMENT OFFICER

At Steadfast, we've navigated multiple market cycles over the past three decades.

Today, we believe the multifamily sector presents a rare window of opportunity, one defined by resilient demand, an evolving supply landscape, and increasingly favorable acquisition pricing.

While interest rate volatility and macroeconomic uncertainty have made many investors cautious, our experience tells us that these periods often create the most compelling entry points for disciplined, long-term operators.

Steadfast Direct is our next chapter: a platform built to deliver institutional-quality multifamily investments directly to individual accredited investors, family offices, and their advisors.

Every deal is carefully underwritten, acquired, and stabilized before being offered, so investors benefit from full transparency and confidence in execution.

Our goal is simple: preserve capital, generate durable cash flow, and build wealth over time. We've earned that trust from thousands of investors before, and we look forward to doing so again with you.

We remain grounded in the values that have guided us for decades. We focus on communities where America lives, not luxury towers, but quality, attainable housing for working families. Steadfast invests in market-rate, mixed-income, affordable/workforce housing, not only because the demand is real, but because the societal impact is lasting.

"Real estate done right can build wealth and serve communities."



*William Stoll*

— Chief Investment Officer, Steadfast Companies

# DISCLAIMER

This document is provided for informational and educational purposes only and does not constitute investment, legal, tax, or other professional advice. It is not intended as an offer to sell, or the solicitation of an offer to buy, any securities, financial products, or real estate assets. Any examples, projections, or discussions of potential returns are for illustrative purposes only and do not represent guarantees of future results.

Real estate investing involves significant risks, including the potential loss of invested capital, illiquidity, changes in market conditions, and other factors that may negatively affect investment performance. Investors should carefully review all offering materials, conduct their own due diligence, and consult with independent financial, legal, and tax advisors to determine whether any investment is suitable for their particular circumstances.

Information contained herein is believed to be accurate as of the date of publication but may change without notice and should not be relied upon as comprehensive or current. Past performance is not indicative of future results.

# FOOTNOTES

1. <https://www.greenstreet.com/insights/CPPI>, Green Street Commercial Property Price Index
2. <https://www.pwc.com/gx/en/services/deals/trends/real-estate.html>
3. <https://www.realtor.com/research/demand-starts-ratio-1q25/>
4. <https://www.nmhc.org/industry-topics/affordable-housing/apartment-supply-shortage/#:~:text=The%20U.S.%20needs%20to%20build,%20from%202015%2D2020.>
5. CoStar
6. <https://www.realtor.com/research/supply-volumes-decline-markets/>
7. <https://www.realtor.com/research/forecast-takeaways-rents-2025/>
8. <https://www.credaily.com/briefs/housing-affordability-crisis-drives-more-americans-to-rent-in-2025/#:~:text=Housing%20affordability%20is%20pushing%20more,homeownership%20grows%20less%20accessible%20nationwide.&text=Housing%20affordability%20has%20worsened%20sharply,with%20a%2010%25%20down%20payment>
9. <https://www.yardi.com/news/press-releases/multifamily-expenses-increase-above-trend-levels-reports-yardi-matrix/>



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Want to learn more about upcoming opportunities with Steadfast Direct?

Reach out to our team to begin a conversation.

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#### CONTACT STEADFAST DIRECT INVESTOR RELATIONS

[Invest@Steadfast-direct.com](mailto:Invest@Steadfast-direct.com)

(949) 825-6700

[steadfast-direct.com](https://steadfast-direct.com)

[Investor Portal](#)