

# New York City's Multifamily Conduit Distress Rate at 8.5%

NYC multifamily conduit distress hit 8.5% by EOY 2024, as older buildings face challenges due to rent stabilization and rising costs.

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## KEY TAKEAWAYS

- NYC multifamily conduit issuance surged to \$6.7B in 2024, four times the previous year.
- The distress rate rose to 8.5% by the end of 2024, driven by older buildings.
- Rent-stabilized properties struggle with financial viability due to regulation limits.
- Forecasted rent growth is 2.7% in 2025 after rents slipped in late 2024.

NYC multifamily conduit distress rate hit 8.5% by the end of 2024, as older buildings face higher financial challenges due to rent stabilization and rising costs, as reported by *GlobeSt*.

## Issuance Surges, Distress Rises

NYC's multifamily CMBS market saw a major jump in conduit issuance last year, reaching \$6.7B in 2024—four times 2023's total—according to a KBRA report.

The surge marked the highest volume since 2019's \$6.9B, accounting for 20.5% of total conduit issuance in the city and 27% of national multifamily issuance.

However, distress levels climbed alongside the lending boom. By the end of 2024, the distress rate—delinquent loans or in special servicing—hit 8.5%.

The broader conduit distress rate more than doubled YoY, rising from 7% to 14.4%, with multifamily loans making up 43% of the distressed balance.

## Older Buildings Struggle

Older buildings have been hit hardest.

- Properties built before 1974 saw a 6.9% distress rate by loan count and 25.1% by balance.
- In comparison, properties built after 2000 had a 1.2% distress rate by loan count and 2.9% by balance.

Rent stabilization laws, particularly the Housing Stability and Tenant Protection Act of 2019, continue to limit landlords' ability to raise rents and cover rising operational costs, making these properties less attractive to buyers and more prone to financial strain.

## Signs of Recovery

At the same time, NYC's rental market shows signs of recovery.

- The city's population grew 0.4% in 2024.
- Employment rose 1.03% YoY.
- Rents rebounded after declines of 0.5% in Q3 2024 and 0.8% in Q4 2024.
- NYC multifamily rents are projected to grow 2.7% in 2025.

Moving forward, rent-stabilized properties will continue facing financial pressure as inflation outpaces allowable rent increases.

With distress levels rising, investors may see more workout deals, but regulatory constraints remain a key challenge for the NYC multifamily market.