SCP RESEARCH · GARDEN-STYLE APARTMENTS

The core collateral, at a wider cap rate.

Garden-style apartments are the backbone of the Freddie Mac K-Deal program. SCP Research tracked 561 garden loans totaling $15.49B across 25 securitizations closed January–August 2026, 65% of all balance in the tape. Three findings stand out: garden loans price only about 4bp over mid- and high-rise loans of the same term, appraisers cap them 34bp wider, and value per unit runs 44% below vertical product.

561
LOANS TRACKED, 123,466 UNITS

$15.49B
CUT-OFF LOAN BALANCE, 2026 K-DEALS

$196K
APPRAISED VALUE PER UNIT, VS $351K MID/HIGH-RISE

5.51%
WEIGHTED CAP RATE, FIXED-RATE LOANS

01

Loans in the 2026 securitizations

MARKET	SUBTYPE	BUILT	TERM	UNITS	LOAN	PER UNIT	LTV	DSCR	CAP RATE
Irvine, CA	Garden	2015	10-yr	485	$166MM	$342K	68.4%	1.20x	5.27%
Bridgewater, MA	Garden	1971	5-yr	588	$113MM	$193K	68.2%	1.37x	6.12%
Downey, CA	Garden	1971	5-yr	461	$99.4MM	$216K	62.6%	1.25x	4.97%
Stevenson Ranch, CA	Garden	1992	5-yr	510	$96.9MM	$190K	55.0%	1.51x	4.48%
Burke, VA	Garden	1986	7-yr	360	$96.7MM	$269K	69.5%	1.26x	5.27%
Irvine, CA	Garden	1986	10-yr	294	$95.0MM	$323K	65.0%	1.58x	5.43%
Warwick, RI	Garden	1972	5-yr	492	$93.2MM	$189K	70.1%	1.31x	6.06%
Federal Way, WA	Garden	1989	10-yr	518	$92.3MM	$178K	65.0%	1.28x	5.35%
Cypress, CA	Garden	2024	10-yr	251	$91.5MM	$364K	54.8%	1.36x	4.98%
Phoenix, AZ	Garden	1988	Floating	600	$88.8MM	$148K	64.7%	1.38x	5.16%
All 561 loans	—	—	—	**123,466**	**$15.49B**	**$125K**	**65.2%**	**1.36x**	**5.49%**

Source: SCP Research; Freddie Mac K-Deal offering materials for 25 securitizations closed Jan–Aug 2026. Largest ten loans by cut-off balance shown, identified by market only. Totals weighted by balance. Units as reported in the tape.

Sun Belt exposure is the main geographic risk. Texas (13%) and California (10%) lead state balance across 46 states. Sun Belt states hold 44% of garden balance versus 18% for mid- and high-rise, which is where new supply has weighed on rents.

Seasoned, frequently renovated stock. Median vintage is 1989, 50% of the fixed-rate loans finance pre-1990 buildings, and 62% report a renovation, against 37% for vertical product. Capital plans are a large part of the collateral story.

02

Why the fundamentals are improving

95.5%
NATIONAL APARTMENT OCCUPANCY, AUGUST 2026

+0.9%
SAME-STORE EFFECTIVE RENT GROWTH, AUGUST Y/Y

340K
ANNUAL DELIVERIES, YEAR TO Q2 2026 (2024 PEAK: 588K)

$176B
FHFA 2026 GSE MULTIFAMILY PURCHASE CAPS, +21%

Sources: RealPage Market Analytics (August 2026 apartment update; Q2 2026 analysis); FHFA 2026 GSE loan purchase caps as cited in SCP's K-Deal market commentary. The South was the only region with annual rent declines in August, while coastal markets led growth.

03

Pricing and credit vs. mid- & high-rise

Garden loans carried a weighted coupon of 5.16%, only about 4bp over mid- and high-rise loans of the same term. Pricing follows the agency's view of the collateral more than the building type; the difference shows up in leverage and coverage: 65.2% LTV against 63.1%, and 1.37x DSCR against 1.40x.

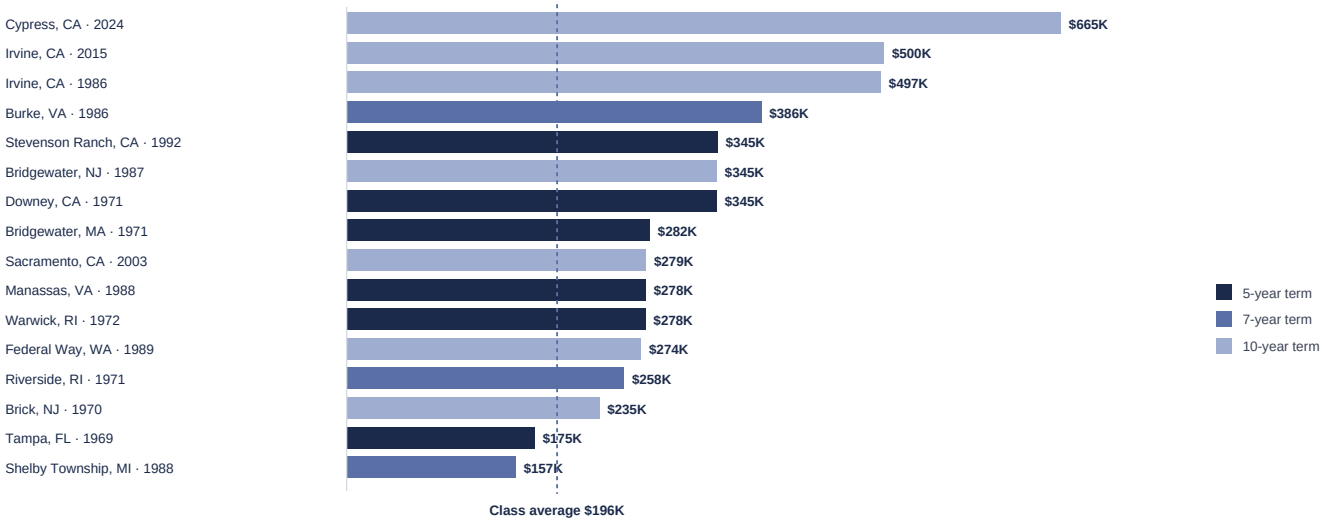
Structure is close to vertical product: 49% of garden balance chose 5-year terms versus 49%, and 23% is full-term interest-only versus 35%.

2026 K-DEAL TAPE	GARDEN	MID/HIGH-RISE
Fixed-rate loans	516	108
Weighted coupon	5.16%	5.13%
Premium, same loan term	+4bp	—
Cut-off LTV	65.2%	63.1%
UW NCF DSCR	1.37x	1.40x
Debt yield (UW NOI)	8.5%	8.2%
Cap rate (OAR)	5.51%	5.17%
Value per unit	$196K	$351K
Loan per unit	$126K	$219K
10-year term share	32%	38%
Full-term interest-only	23%	35%

Mid/high-rise = mid-rise and high-rise loans in the same deals. Balance-weighted; floating-rate loans excluded from pricing.

Appraised value per unit, 16 largest fixed-rate loans

Colored by loan term · dashed line = class average



Source: SCP Research; Freddie Mac K-Deal offering materials. Appraised value at securitization divided by units as reported.

04

Operating profile per unit

UNDERWRITTEN, PER UNIT	LOW	MEDIAN	HIGH	MID/HIGH MEDIAN
Effective gross income	$12,023	$17,711	$25,343	$28,757
Operating expenses	$5,419	$7,499	$10,250	$10,860
Net operating income	$5,884	$10,084	$15,896	$17,982
Expense ratio	32.6%	43.1%	55.0%	40.2%

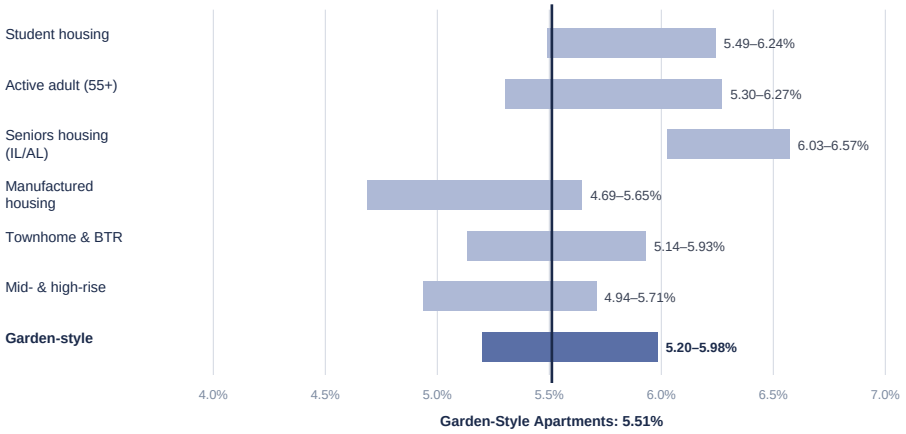
Low / high = 10th / 90th percentile of fixed-rate loans. Source: SCP Research; K-Deal underwriting.

Garden properties earn $18,576 of effective gross income per unit against $29,784 for mid- and high-rise, and spend proportionally more: a 42.2% expense ratio versus 39.6%. NOI per unit is $10,729 versus $17,997.

In Sun Belt states, where 44% of garden balance sits, property tax reassessment and insurance are the main expense items to underwrite.

05

Where a 5.51% cap rate sits in the tape



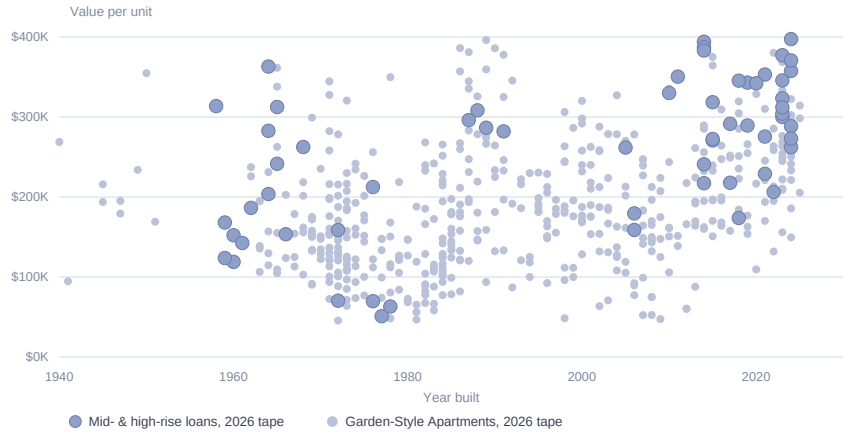
Garden loans price at a wider cap rate than mid- and high-rise product: a weighted 5.51% compares with 5.17% for mid- and high-rise, a spread of 34bp.

Appraisers credit location and building age more than unit type. Median cap rates were 5.35% on garden communities built since 2010 (118 loans) versus 5.68% on older stock.

Bars show the interquartile (25th–75th percentile) range of underwritten cap rates, fixed-rate loans. Source: SCP Research.

06

Vintage and value per unit



Garden communities built since 2010 appraised at a median $241K per unit versus $164K for older stock, a premium of about 46%.

Even the newest garden product values well below vertical construction: mid- and high-rise loans appraise at a weighted $351K per unit, reflecting higher-cost markets as much as building type.

Source: SCP Research. Axis capped at $400K per unit; 10 loans and 42 mid- & high-rise loans above the cap not shown.

07

What this means for financing

6.29%	+113bp	$113K	-11%
INDICATIVE FIXED COUPON AT TODAY'S TREASURIES	TREASURY MOVE SINCE H1 2026 PRICING	DSCR-SIZED LOAN PER UNIT AT 1.25X, 30-YR AMORT.	VS. LOAN PER UNIT IN THE 2026 TAPE ($126K)

i. **Age and renovation history drive proceeds.**

With about half the collateral built before 1990, lenders focus on roof and system age, completed renovations and the remaining capital plan. Documented spend supports value.

ii. **Sun Belt supply is the underwriting question.**

Where new deliveries have pressured rents, lenders haircut concessions and trended rents. Sponsors should present in-place collections and a supply-pipeline analysis.

iii. **Choose the term against today's rates.**

Nearly half of 2026 garden balance chose 5-year terms. With the 10-year Treasury above 5%, owners of maturing loans should compare 5-, 7- and 10-year executions and supplemental options before locking.

Illustrative metrics derived from SCP Research data. Indicative coupon = tape weighted coupon plus the change in the term-matched Treasury from its Jan–May 2026 average (SCP rate file) to the 28 Sep 2026 close (10-yr 5.24%, 5-yr 5.07%; 7-yr interpolated), holding spreads constant. DSCR sizing applies tape UW NCF per unit at an illustrative floor for the property type. For discussion only; does not constitute a valuation opinion, investment advice or an offer to lend.

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01

Where we work

Multifamily & mixed-use
Construction, bridge and permanent debt

Active adult / 55+
Seniors housing and 55+ rental

Behavioral health
Treatment and supportive housing

Special situations
DIP, bridge, rescue and gap capital

Hospitality
Mezzanine and preferred equity

Social infrastructure
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02

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iv. **Strategic & underwriting advisory**
Institutional-grade financial models, capital structure review, valuation and transaction management, on a standalone basis or as part of a mandate.

Financing, refinancing or recapitalizing a property? Let's discuss what terms are achievable in today's market.

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