

When Free Rent Hits the Refi Math

How concessions are reshaping multifamily underwriting in supply-heavy markets

#1

Timing Changes the Underwrite

Not all concessions are equal. Lenders draw a clear line between lease-up incentives and concessions required to maintain stabilized occupancy.

Underwriting Impact

Concessions at stabilized occupancy signal persistence risk. Lenders respond with more conservative assumptions on effective rent, leverage and proceeds.



“Lenders have moved past treating concessions as temporary. They’re underwriting to net effective rent and building concessions into trailing income.”

Cheryl Higley
Managing Director, Debt + Equity

#2

Stabilization Takes Longer

In supply-heavy markets, lenders are extending stabilization timelines well beyond historical norms. What once underwrote to 12 months is now often modeled at 18 to 24 months.

What lenders are watching

- Submarket concentration of new deliveries
- Shadow supply still being absorbed
- Competitive concessions at nearby properties



#3

Renewals Tell the Story

The biggest disconnect between owners and lenders is durability. Lenders are skeptical that tenants will convert to full asking rents once incentives expire.

What proves durability

Strong post-concession renewal performance improves lender confidence and underwriting outcomes.

“Lenders draw a clear line between concessions used during lease-up and those required to maintain stabilized occupancy. If renewals can be signed without incentives, underwriting assumptions tend to be far less conservative.”

Grant Harris
Vice President, Producer

THE TAKEAWAY

Concessions are no longer just a leasing decision. They are an underwriting signal. Understanding how lenders interpret timing, effective rent, stabilization and renewal performance protects leverage and proceeds.