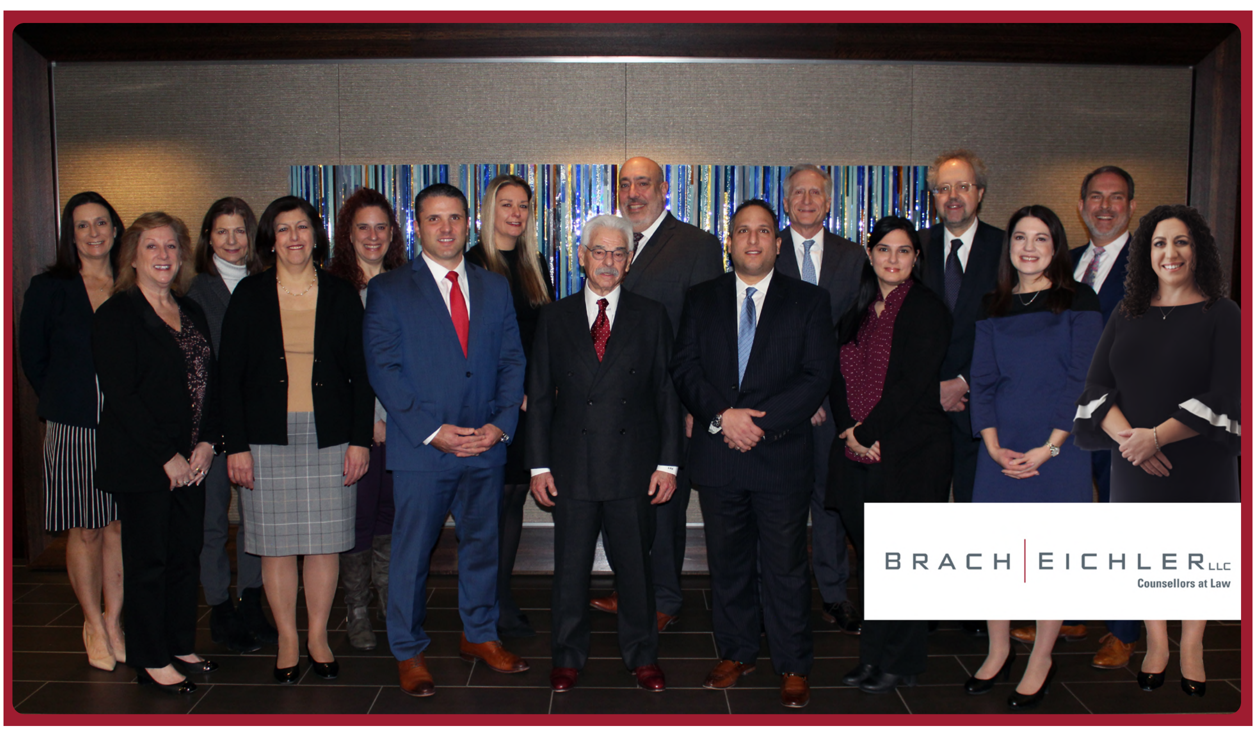
BRACH | EICHLER LLC 2026

THE 2026 BRACH EICHLER REAL ESTATE CLIENT BRIEF

The Brach Eichler Real Estate Practice had a strong and productive year in 2025, guiding clients through a wide spectrum of transactions across multiple jurisdictions and states. Our team represented lenders and borrowers in significant commercial financings, including refinances for industrial, multi-family, and mixed-use assets. We also advised investors and developers on property sales, purchases, sophisticated 1031 tax deferred exchanges, and land use approvals. **Across all these matters, we remained committed to delivering informed counsel and strategic insight to help clients successfully navigate an ever-changing real estate landscape.**



BRACH EICHLER 2025 TRANSACTION HIGHLIGHTS:

LOANS TOTALING OVER $400 MILLION

Refinance of 17 multifamily properties in New Jersey with Fannie Mae and Freddie Mac, with loans totaling over $400 million.

PURCHASE FOR OVER $130 MILLION

Closed on a purchase of 640 multifamily units in DuPage County, Illinois for over $130 million.

SALE FOR $82.4 MILLION

Sale of multifamily property in the Albany region of New York consisting of 670 units for $82.4 million.

SALE FOR OVER $94 MILLION

Sale of a portfolio of properties in Northern New Jersey consisting of over 500 units for over $94 million.

2025 COMMERCIAL REAL ESTATE RECAP:
Market Conditions and Observations

As we move past 2025, the commercial real estate (CRE) market is operating in a more stable environment than the last two years. However, pressure from interest rates, financing costs and uneven asset-class performance continue to shape activity. Here are the top trends that drove the industry this year.

1. Increased Use of Loan Assumptions

Higher borrowing costs in 2025 prompted more buyers, particularly in the multifamily sector, to pursue loan assumptions, hoping to take advantage of lower rates locked in on existing debt, compared to newly originated loans.

Lenders, however, have not been making it easy. They have been tightening approval standards by taking a closer look at the borrowers' experience, net worth and post-closing capital plans before giving the green light.

As many of these legacy loans approach maturity, the availability to secure below-market assumable debt is expected to decline, potentially slowing down transaction volume.

2. More Capital Partner Involvement

Tighter financing and less liquidity have affected some sponsors' ability to put up additional capital or refinance expiring loans. When more equity is needed, capital partners have often asked for changes to governance, promote structures or reporting requirements.

While this trend has not been universal, it is clear that investors are taking a more hands-on role, actively monitoring performance and negotiating for more protections when they invest additional capital.

3. The Bid-Ask Gap is Narrowing

At the start of 2025, a disconnect between buyer and seller pricing expectations slowed deal activity. Buyers were cautious, factoring in higher debt costs and dialing back on growth projections, while some sellers were still holding on to valuations from earlier market cycles.

Through mid- to late-2025, more sellers became flexible, adjusting prices or offering incentives like longer diligence periods, limited re-trade options or structured seller financing.

These moves contributed to modest improvements in deal flow, although activity remains uneven across markets and asset classes.

4. Refinancing Remains a Key Focus

For many owners facing loan maturities in 2025, finding refinancing options has been more challenging than in the past. Higher interest rates, tighter debt-service coverage requirements and lower property values have created obstacles across several asset classes.

As a result, borrowers frequently pursued alternatives such as short-term extensions, partial paydown of the debt or bringing in new equity partners. These approaches were primarily aimed at maintaining stability while waiting for clearer direction in the capital markets. Although refinancing activity slightly increased in the second half of 2025, it continued to require more documentation, updated business plans and thorough review from lenders compared to past years.

5. Operating Performance Varied Significantly by Asset Type

Throughout 2025, performance trends varied widely by sector. Industrial and certain multifamily properties held up well, thanks to stable demand. In contrast, some office properties struggled with increased vacancies and higher tenant improvement costs.

Retail performance remained mixed and highly location-specific; centers serving everyday needs generally fared better than those reliant on discretionary retailers. These differences helped shape deal activity, with capital selectively flowing toward assets and markets that offered clearer short-term cash flows.

Bottom Line

The 2025 CRE market was largely shaped by higher capital costs and cautious underwriting. While certain asset types faced real challenges, the year also brought clearer pricing adjustments and more levelheaded negotiations. Heading into 2026, the market is still adjusting but operating with more consistency than in the post-2022 period.

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REAL ESTATE ALERT:
NJ ‘mansion tax’ rates increase under new bill, paid by sellers!

On June 30, 2025, Governor Murphy signed into law new legislation, under Assembly Bill # 5804, effective July 10, 2025, which has significant impact on real estate transactions involving certain properties. The properties effected are those classified as either Class 2 (which involve the sale of single family homes, sale of individual condominium units, and properties consisting of one (1) to four (4) units; Class 3A (pertaining to the sale of a farming property with an improved dwelling located on it); Class 4A (pertaining to sales of commercial properties) and sales of Cooperatives (“Effected Properties”). Fortunately, with respect to the sale or purchase of Multi-family Classified as 4C, the new law has no effect and no changes.

The new legislation becomes fully effective July 10, 2025. It is effective with respect to the Effected Properties for transactions which were placed under Contract to sell on or after July 10, 2025. For properties under Contract on or before July 9, 2025, a hybrid in the application exists, which will be discussed later in this article.

For Effected Properties which became under Contract on or after July 10, 2025, and which therefore close thereafter (“Post Law Transactions”), the responsibility to pay what has commonly been referred to as the “Mansion Tax” has shifted from the Buyer to the Seller, so that the Buyer no longer pays any Mansion Tax at the time of Closing. Further, rather than being a flat rate of one percent (1%) on the consideration paid for the property, the calculation is now on a tiered basis, and is paid by the Seller at the time of Closing, based upon the total consideration paid for the property. It should also be noted the following applies not only to the sale of Effected Properties, but also applies to transactions involving the transfer of Controlling Interests in a Company that owns Effected Property. Additionally, the amount to be paid by the Seller under the new law is now referred to as the Graduated Percent Fee.

The calculation of the Graduated Percent Fees, based upon the total consideration paid, are as follows:

- **$0.00 to $999,999.99: no Mansion Tax is payable (no change)**
- **$1,000,000.00 to $2,000,000.00: 1% (no change)**
- **$2,000,000.01 to $2,500,000.00: 2% of the total consideration paid**
- **$2,500,000.01 to $3,000,000.00: 2.5% of the total consideration paid**
- **$3,000,000.01 to $3,500,000.00: 3% of the total consideration paid**
- **Above $3,500,000.00: 3.5% of the total consideration paid**

For Effected Properties which were already under contract on or before July 9, 2025, but which closed on or after July 10, 2025 but before November 15, 2025, the Seller has to pay the entirety of the Graduated Percent Fee. However, it should be noted for transactions that fall within the parameters of this paragraph, the Seller may apply to the State of New Jersey for a refund of the amount paid by the Seller in excess of one percent (1%) of the consideration by filing a claim with the Division of Taxation within one year following the recording date of the deed.

If you believe or question whether your transaction will be effected by this new law, please contact:

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COMMERCIAL REAL ESTATE IN 2026:
A Year Which Will Be Defined by Opportunity, Resilience, and Reinvention

2026 Outlook: What's Ahead for U.S. Multifamily Investment

As we begin 2026, the U.S. multifamily sector stands at the intersection of cyclical normalization and enduring structural demand. After several years of elevated interest rates, high cap rates, and a possible supply of properties hitting the market, investors are preparing for a market defined by selective growth, disciplined underwriting, and a renewed focus on operational excellence. The fundamentals that real estate investors have been accustomed to should stabilize and hopefully improve, with capital coming back as rate pressures ease and rent growth reaccelerates from 2024–2025 lows.

Demand for multifamily remains strong. The affordability gap between renting and owning grew wider because of higher mortgage rates and a lack of for-sale inventory, and should continue to funnel households toward rental housing. A number of demographics are at play, from household formation, delayed homeownership among the younger population, and immigration all favor steady multifamily occupancy. Older apartment communities and workforce housing are set up to outperform on a risk-adjusted basis, benefiting from limited new supply competition and persistent affordability constraints. Some value-add strategies instituted by existing multifamily properties focused on operational improvements, energy efficiency, and targeted in-unit upgrades should see the upside for which they were looking.

Capital markets in 2026 should see a gradual normalization. With some measure of decline in interest rates and lenders' appetites for getting back in the market, the refinance activity should increase, especially for loans maturing from the 2021–2023 vintages. For long-term buyers, the 2026 market should present some opportunities to get back into the market with opportunities through Internal Revenue Code 1031 Tax Deferred Exchanges to replace tired properties with newer upgraded properties.

> ***Sponsorship quality and property-level execution—revenue management, expense control, and amenity programming—will be key differentiators in NOI outcomes.***

With a number of mixed use projects in the pipeline from 2025 into 2026, the market should see an uptick in mixed use development. High homeownership costs will keep renters in the market, fueling multifamily demand, which is a key component of mixed-use. With the market shifting from resilience to optimism, mixed-use projects will be positioned for growth as developers meet the demand for walkable, amenity-rich environments.

In sum, the multifamily investment landscape in 2026 is finally getting away from the pandemic volatility and is beginning to look brighter. The sector's structural tailwinds—affordability, demographics, and institutional demand—remain intact. As supply of multifamily deals increase and capital markets loosen, well-bought assets with thoughtful business plans and strong ownership will hopefully lead the way for a successful 2026 in the multifamily sector.

For investors, developers, and businesses, the message is clear: 2026 is a year to move forward with confidence.

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NOW is the Time to Consider a Commercial Property Tax Appeal!

The filing deadline for 2026 New Jersey tax appeals is April 1, 2026 (if a property is located in a revalued or reassessed district (click here for a list of municipalities), the filing deadline is May 1, 2026).

If you own or lease a commercial property, now is the time to consider a real estate tax appeal. With recent appreciation of residential values, ratios of assessed to market value have dropped in most municipalities. The ratio drop generates opportunities for commercial property owners and net lease tenants to reduce their real estate taxes. In addition, if your property is in a revaluation/reassessment town, there may be an opportunity to file a successful appeal. We are currently reviewing our clients' properties for the upcoming appeal deadlines and would be happy to review yours to determine if a 2026 property tax appeal is warranted. We review our current and new clients' properties at no cost or obligation and if we recommend an appeal we handle the vast majority on a contingent fee basis, but also offer hourly arrangements if that is preferred.

If you would like an immediate, no-cost review of your tax assessment or if you receive a complaint from a municipality seeking to increase your tax assessment, please contact:

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Client **Testimonials**

Working with my team at Brach Eichler is always a pleasure. Everyone is always very professional, knowledgeable, and assists in a timely and effective manner. I never worry about my business when I work with Brach Eichler and appreciate my teams hard work and dedication.

—SONNY A., *ADONI PROPERTY GROUP LLC*

One of the best firms we work with in NJ for bank representation.

—JOHN P., *PEOPLES SECURITY BANK & TRUST COMPANY*

They are the best of the best. They check all the boxes for Excellent and beyond.

—STEVEN K., *STERLING PROPERTIES*

Brach Eichler handles our loan closings and lease negotiation work with great expertise. My trust in their competence frees up my time to focus on things falling within my expertise.

—ANDREW B., *COMMERCIAL PROPERTY MANAGERS, INC*