



# THE SUN BELT SQUEEZE

How Taxes and Rising Costs Are  
Reshaping Multifamily Real  
Estate in the Sun Belt

Insights By

**Steven Zimmerman**

PARTNER



# Talent Market Analysis



Once considered a dependable bet for growth, multifamily real estate in the Sun Belt is now facing serious headwinds. Population migration and job expansion originally made states like Florida, Texas, and Georgia attractive to investors. But in the wake of sharp increases in property taxes, insurance premiums, and operating costs, many assets are struggling to break even - especially those without institutional scale or long-term capital reserves.

## **FINANCIAL HEADWINDS: TAX, INSURANCE, AND NOI COMPRESSION**

Properties once buoyed by tax abatements or favorable assessments are now undergoing reassessment - often with 20%–30% spikes in tax liabilities. At the same time, insurance premiums have soared. According to CBRE, rising insurance costs have suppressed multifamily asset values more than any other single factor in several key Sun Belt markets. These financial pressures are shrinking NOI margins even in high-demand areas, outpacing both rent growth and inflation. Globes reported median tax increases of 18%–30% in 2024 across several major metros, while Fannie Mae's year-end outlook projects operational costs will continue to grow faster than revenues, particularly for mid-tier properties through 2025.

## **STRATEGIC SHIFTS: DIVERSIFICATION AND MARKET ROTATION**

Institutional investors are already pivoting. Large players like CalPERS are beginning to diversify away from single-strategy Sun Belt multifamily portfolios, reallocating capital toward mixed geographies and more balanced asset classes.

# Changing Scenario



The era of “Sun Belt-only” plays may be winding down, with some firms rebalancing risk and reducing exposure to regions with unstable tax regimes and escalating insurance obligations.

Operators, too, are making adjustments. There’s a marked uptick in interest in creative deal structures - joint ventures, preferred equity, and debt restructurings - as capital markets tighten. Meanwhile, capital-efficient metros in the Midwest and Northeast are seeing renewed interest thanks to lower carrying costs and steadier fundamentals.

## **A MARKET IN TRANSITION**

Even amid these challenges, the demand for housing remains steady - and in some places, strong. The problem isn’t demand, but rather the ability to operate profitably under current financial conditions. Some owners will hold and hope for easing assessment cycles or rate cuts. Others may be forced to sell or reposition their assets.

The broader question: is the multifamily Sun Belt story simply cooling off - or fundamentally shifting? While oversupply and overheated pricing may be cyclical, the structural cost increases in taxes and insurance suggest longer-term adjustments may be necessary.

## **MARKET STRATEGY SUPPORT**

Jackson Lucas partners with clients navigating these pressures by delivering targeted executive search and strategic advisory support.



Whether you're seeking a capital-markets-savvy acquisitions leader, a regional asset manager with tax strategy expertise, or data-backed compensation insights to support retention - our real estate team is here to help. We provide:

- Executive search tailored to regional expertise and capital fluency
- Talent mapping and compensation data to support market pivots
- Strategic advisory and consulting partnerships to support long-term planning

---

## ABOUT STEVEN ZIMMERMAN AND JACKSON LUCAS

**Steven Zimmerman** has over ten years of commercial real estate investment sales experience. Previously, Steven worked at Eastern Consolidated and Ten-X Commercial, where he completed transactions exceeding \$400 million. He also founded Direct Connect Staffing, a boutique recruiting agency serving major banks, private equity firms, and hedge funds. As a Partner at Jackson Lucas, Steven focuses on the origination and execution of organizational consulting and senior executive search assignments. Steven graduated cum laude from Skidmore College with a BA in Psychology and resides in Westchester, NY with his family.

**Jackson Lucas** is a global organizational consulting firm providing specialized expertise in executive search, compensation consulting, leadership and board advisory, succession planning, and interim executive solutions. Established in 2017 as a spin-off of a 50-year-old talent search firm, JL leverages decades of combined experience and a powerful global network, operating from major business hubs throughout the Americas, Australia and Asia Pacific. Our deep understanding of talent dynamics across the world enables us to connect leading organizations with world-class talent, strategically building the leadership teams that shape a brighter future.