



MULTIFAMILY NATIONAL OUTLOOK

FALL 2023

PRESENTERS



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AGENDA

- U.S. Economy, Inflation, Interest Rates
- Labor Markets & Demographics
- Affordability & Market Responses
- Investment Risk
- Multifamily Fundamentals
- Forecasts: Rent, Occupancy & Supply
- Potential Supply-Driven Distress Markets
- Single-Family Rentals in Build-to-Rent Communities

OPENING REMARKS

Yardi Matrix House View – September 2023

MACROECONOMIC UPDATE

- U.S. economic growth is still healthy, with 2.4% GDP growth in Q2, and early numbers on Q3 are strong
- The Fed is still in a tightening cycle, but will slow the pace of rate increases soon, as there is a >1 year lag to actions
- Inflationary pressures have started to cool, but remain elevated due to underlying price pressures
 - De-globalization continues as does U.S. domestic near/re-shoring
- The labor market is tight, but showing signs of softening, with no consensus on immigration policy
- U.S. economy is slowing, yield curve (10 YR - 3 MTH) is inverted, mild recession very likely in 4Q 2023

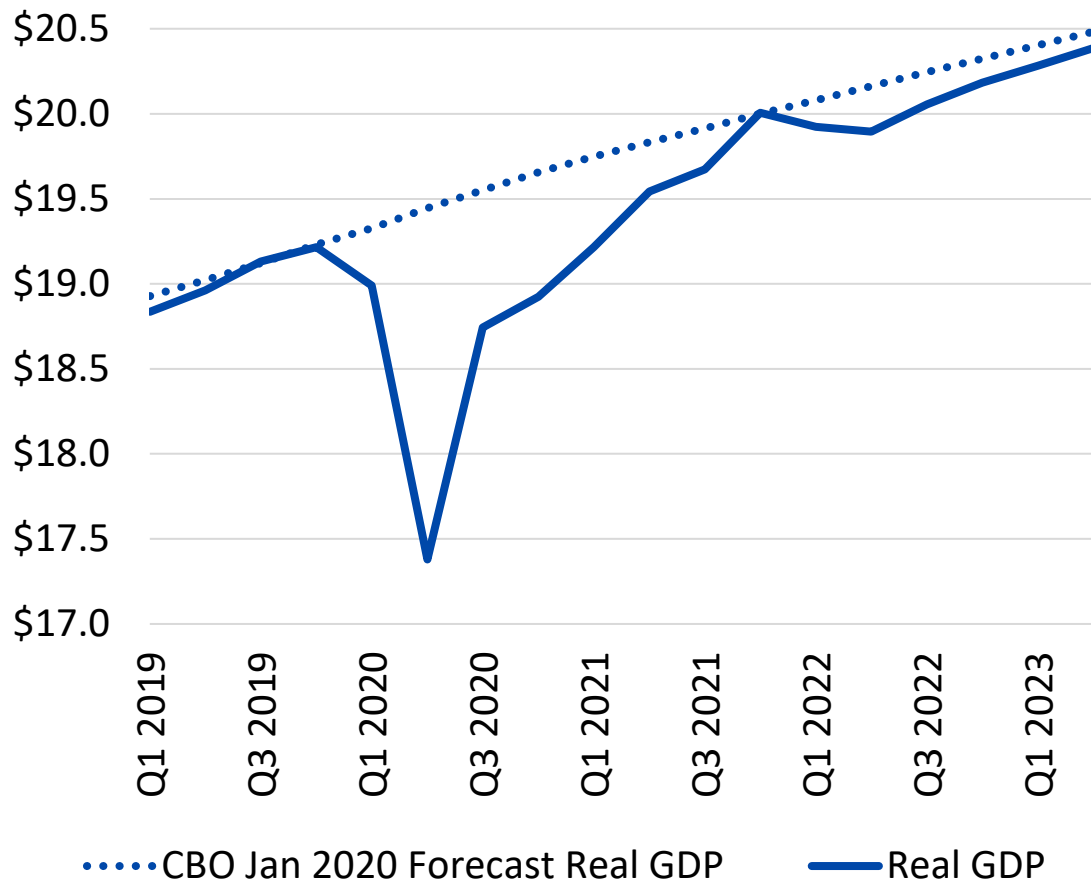
MULTIFAMILY UPDATE

- The multifamily market continues to outperform expectations despite decelerating rent growth
- We continue to see a market rotation occurring:
 - Sun Belt metros are decelerating at the upper end, driven by heavy supply additions
 - Midwest, Northeast, Small Southern and some Mountain metros are outperforming
- The market rotation is occurring due to **affordability** in the wake of rapid rent increases and **slowing domestic migration**
- Construction financing is in short supply, and deliveries could be significantly reduced in 2025-2027
- The supply shortage of U.S. housing is likely to last 5-10 years, supporting continued rent growth and capital appreciation
- The bid/ask spread for acquisitions remains very wide, with initial pre-distress and distress emerging
- Transactions have, and will, continue to slow until inflation is deemed under control and interest rates come down, which we think happens in about a year

U.S. ECONOMY, INFLATION, INTEREST RATES

Forecasts for Real GDP Project a Mild Recession in 4Q 2023, 1H 2024

Real GDP vs Prepandemic Trend, Trillions



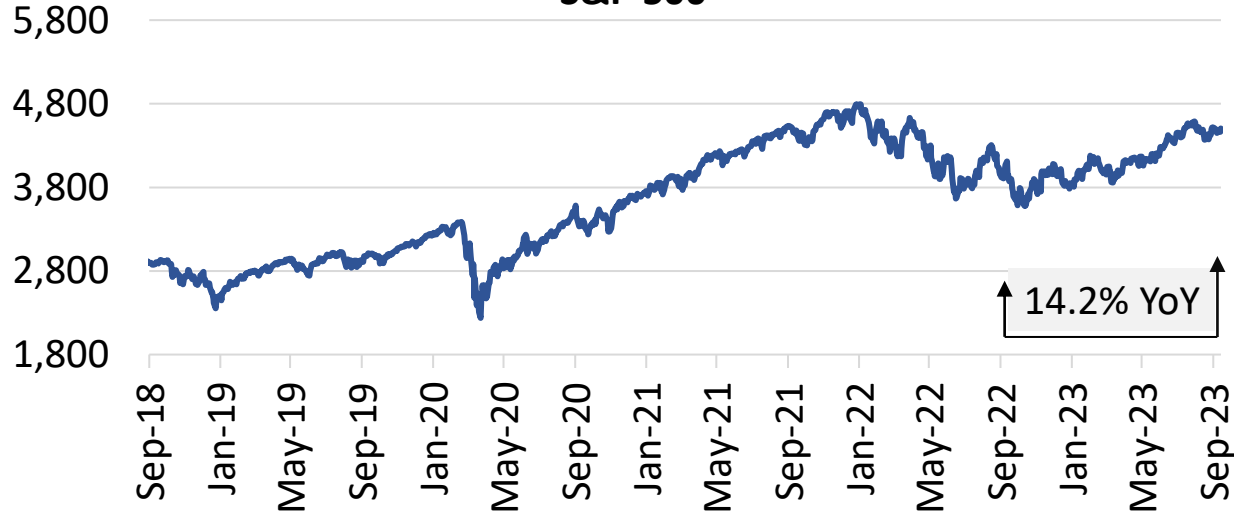
Evercore ISI / Yardi Matrix Economic Forecasts

	2021	2022	2023 Forecast	2024 Forecast
Real GDP: YoY % Change	5.5%	2.9%	Q1: 2.1% Q2: 2.1% Q3: 2% Q4: -1%	Q1: -2% Q2: -1% Q3: 2% Q4: 3%
Nominal GDP: YoY % Change	10.7%	9.2%	Q1: 6% Q2: 4.3% Q3: 4.5% Q4: 1%	Q1: 0% Q2: 1.5% Q3: 4.5% Q4: 5.5%
Inflation (GDP Deflator): YoY % Change	5.9%	6.3%	Q1: 4.1% Q2: 2.2% Q3: 2.5% Q4: 2%	Q1: 2% Q2: 2.5% Q3: 2.5% Q4: 2.5%



U.S. and International Financial Markets

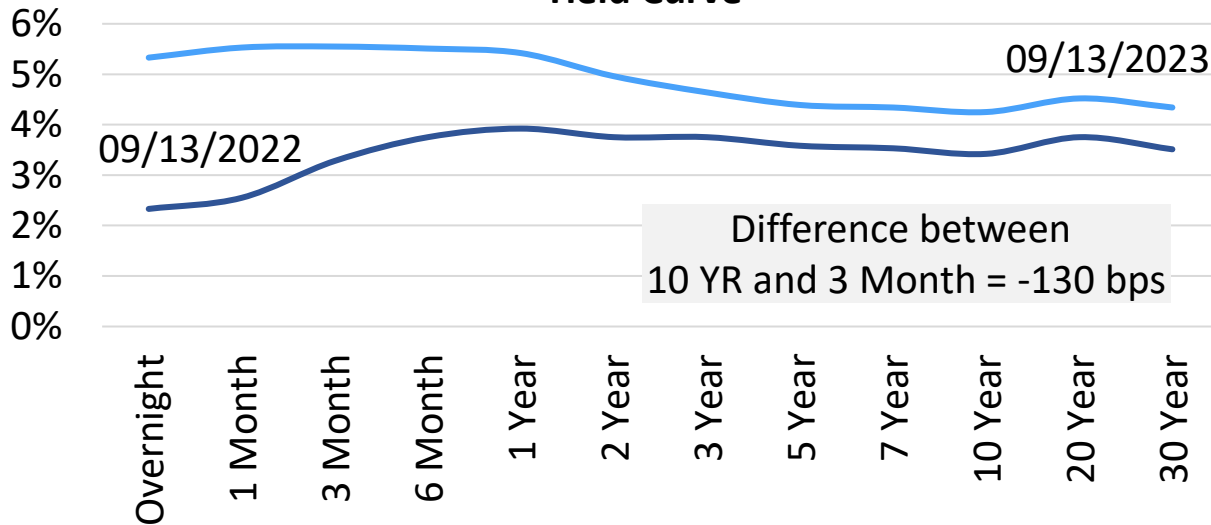
S&P 500



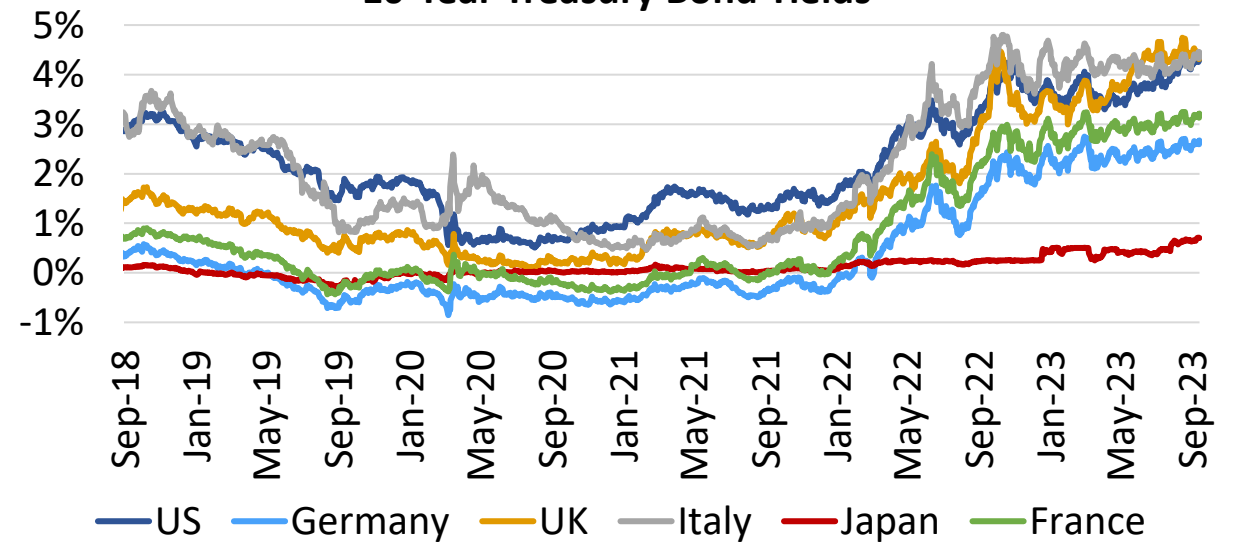
10 -Year Treasury Note



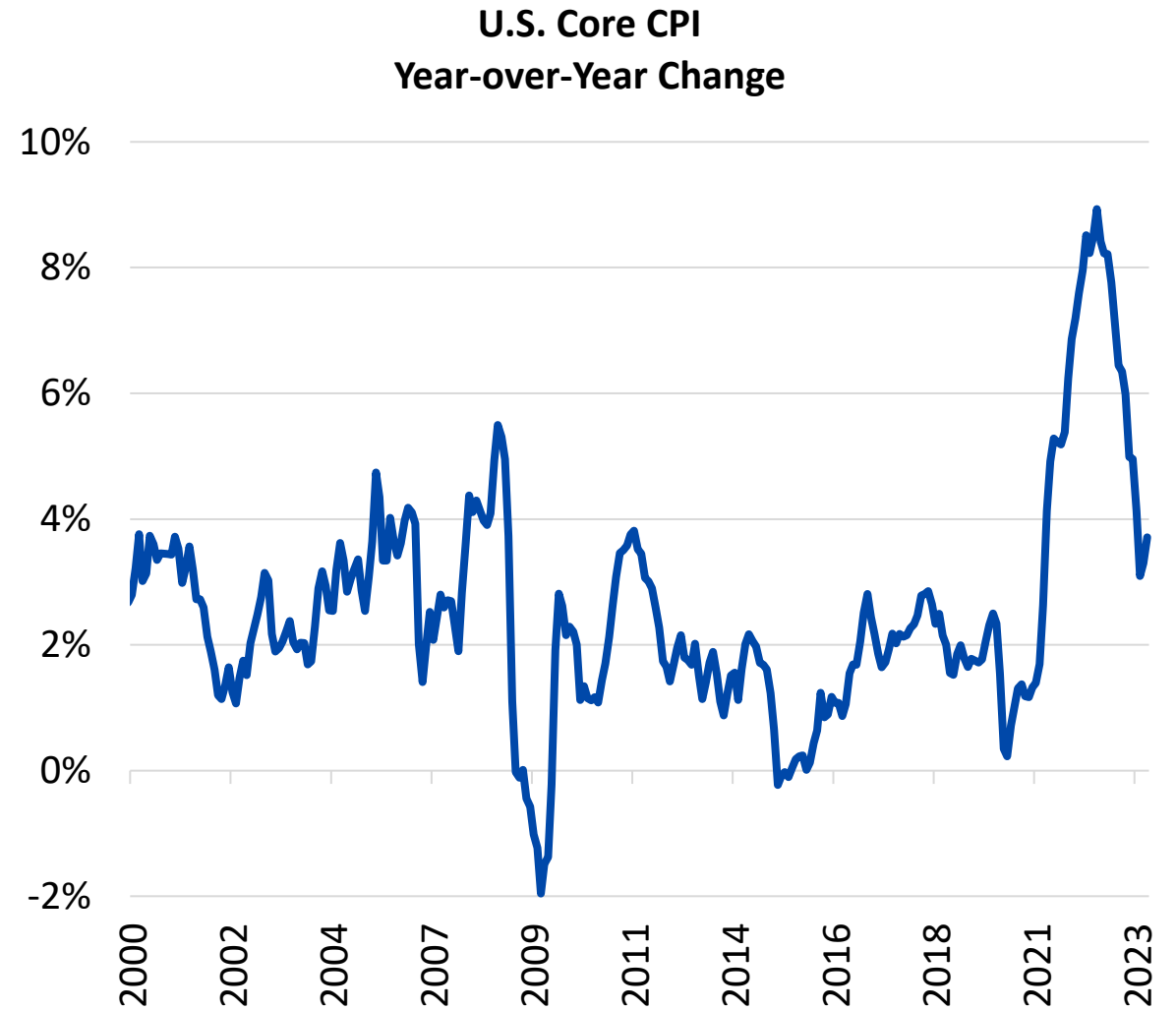
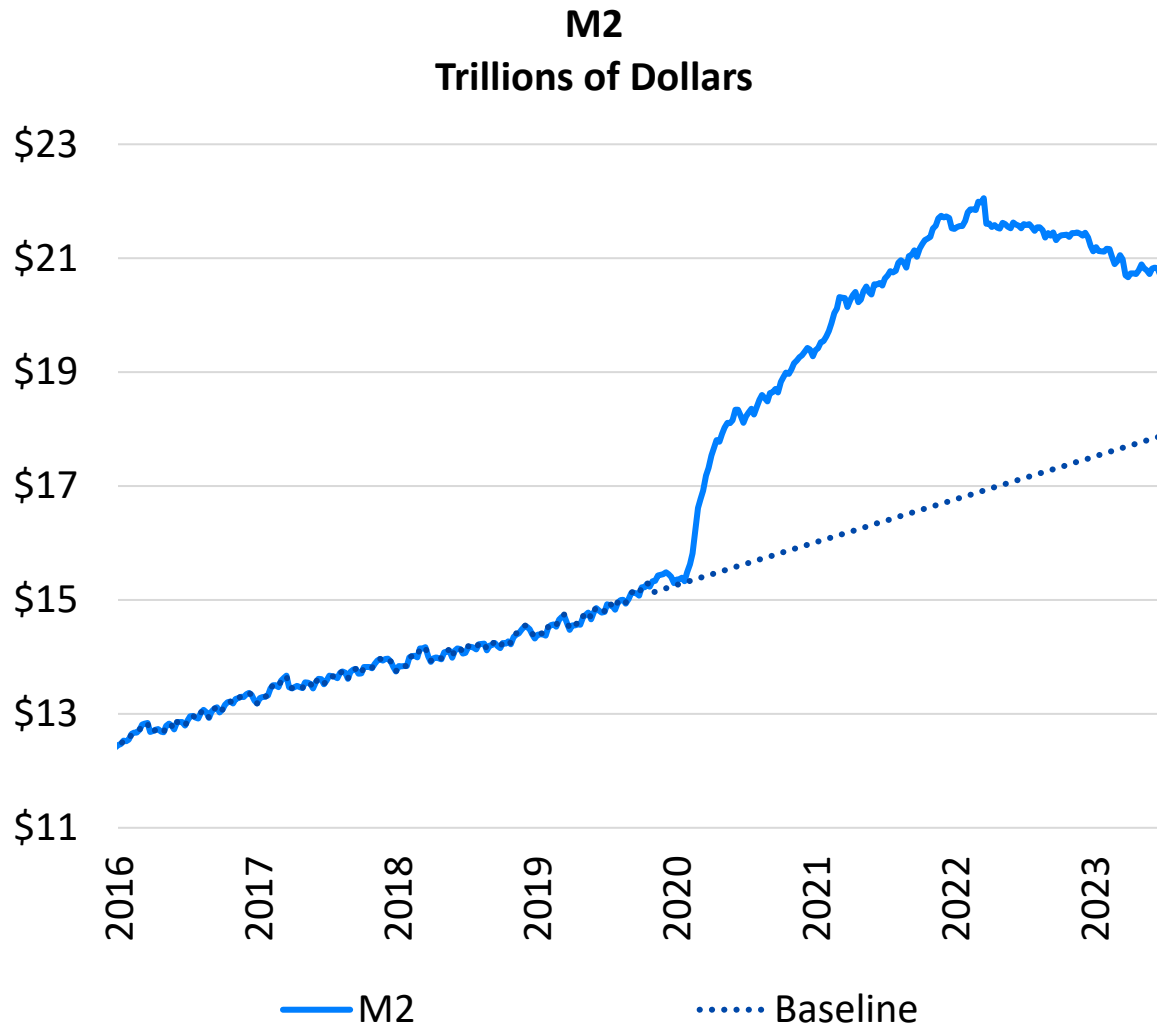
Yield Curve



10-Year Treasury Bond Yields



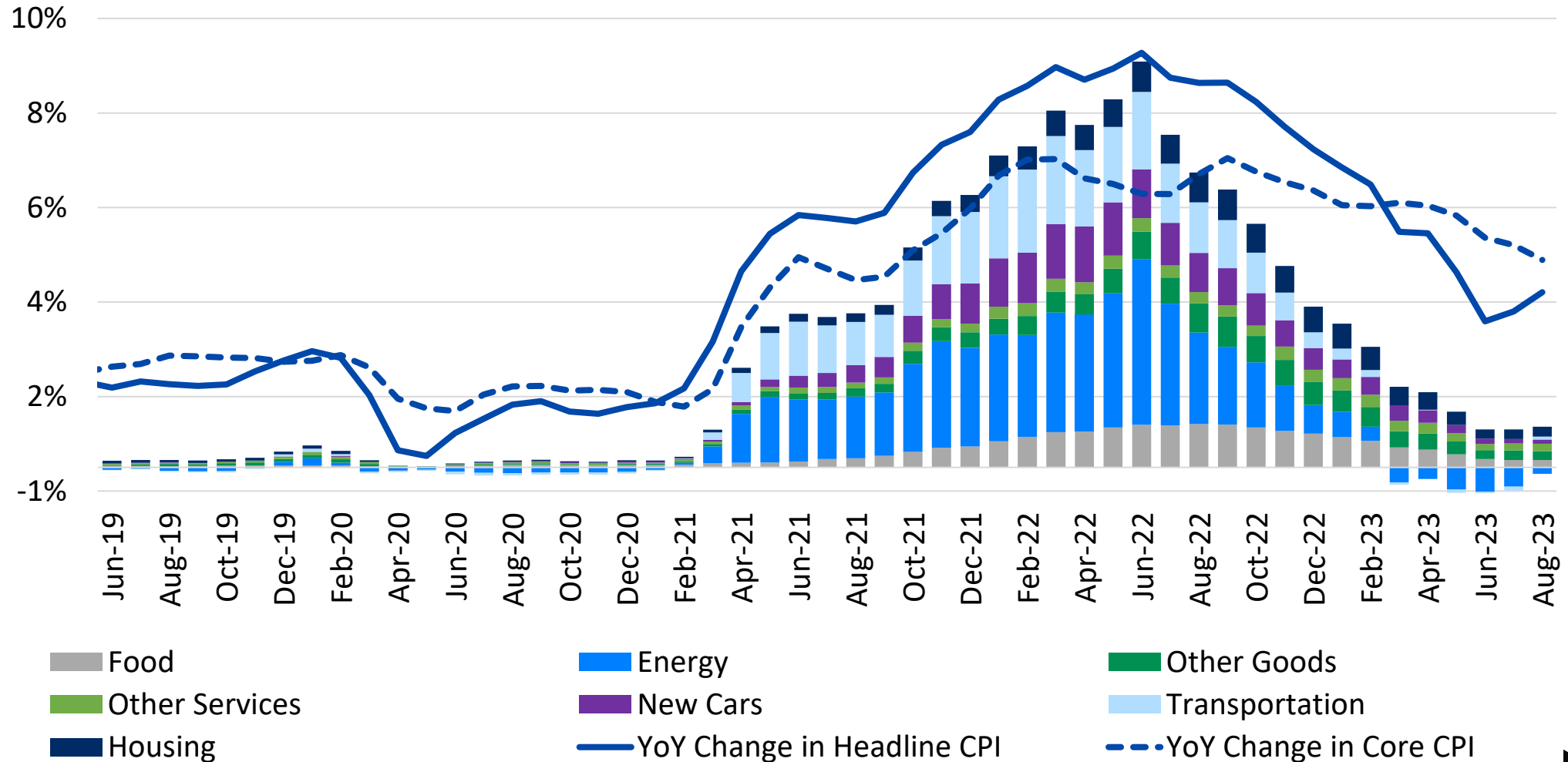
The Money Supply is Declining and Inflation is Decelerating



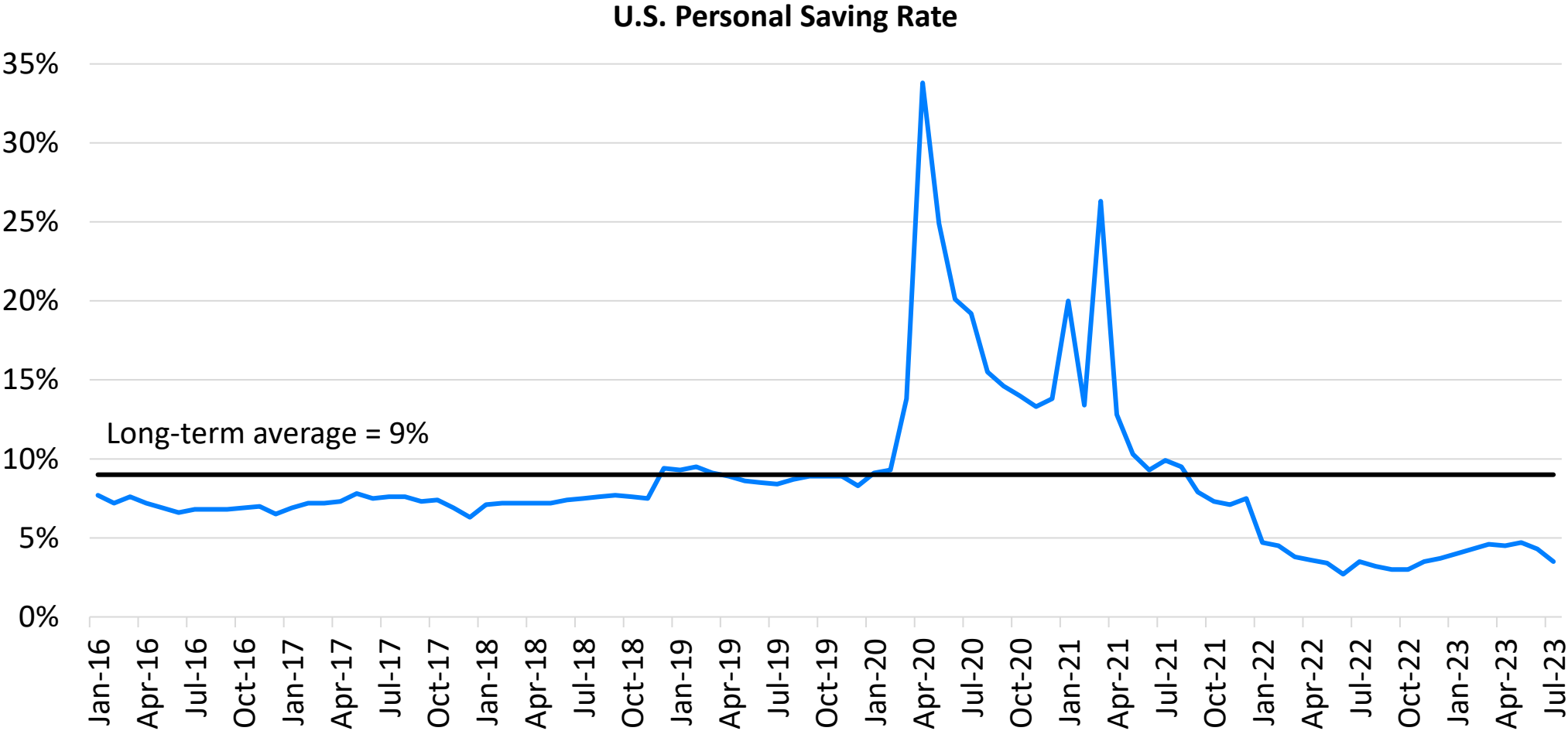
Inflation Impacted by Higher Prices For Food and Shelter, and Lower Prices For Energy in August

Bars Represent Key Categories Percent of Headline CPI

(Does not include all categories)

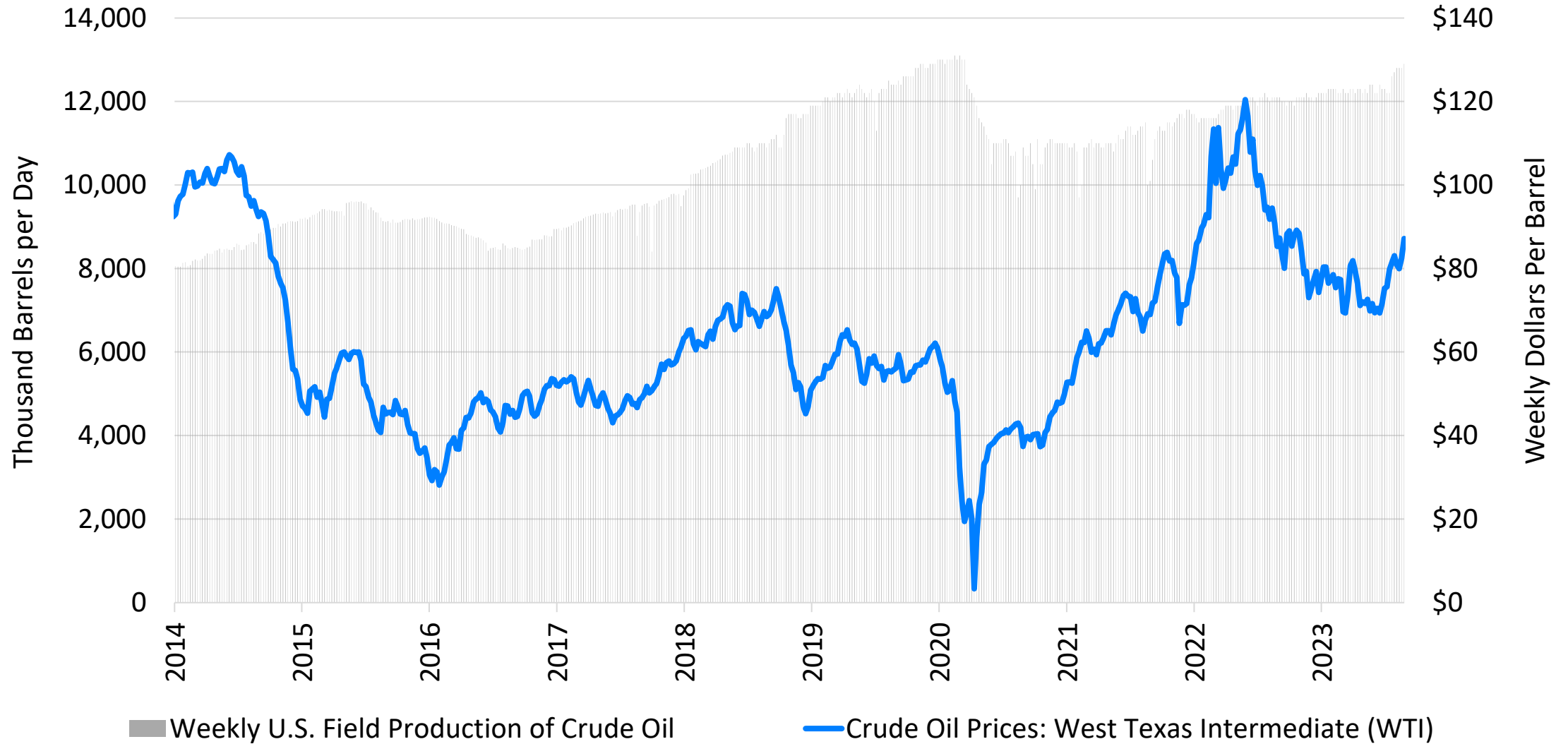


Excess Savings Are Being Used to Cover Inflationary Pressures, But Will Run Out by EOY 2023, Along With Student Debt Repayment



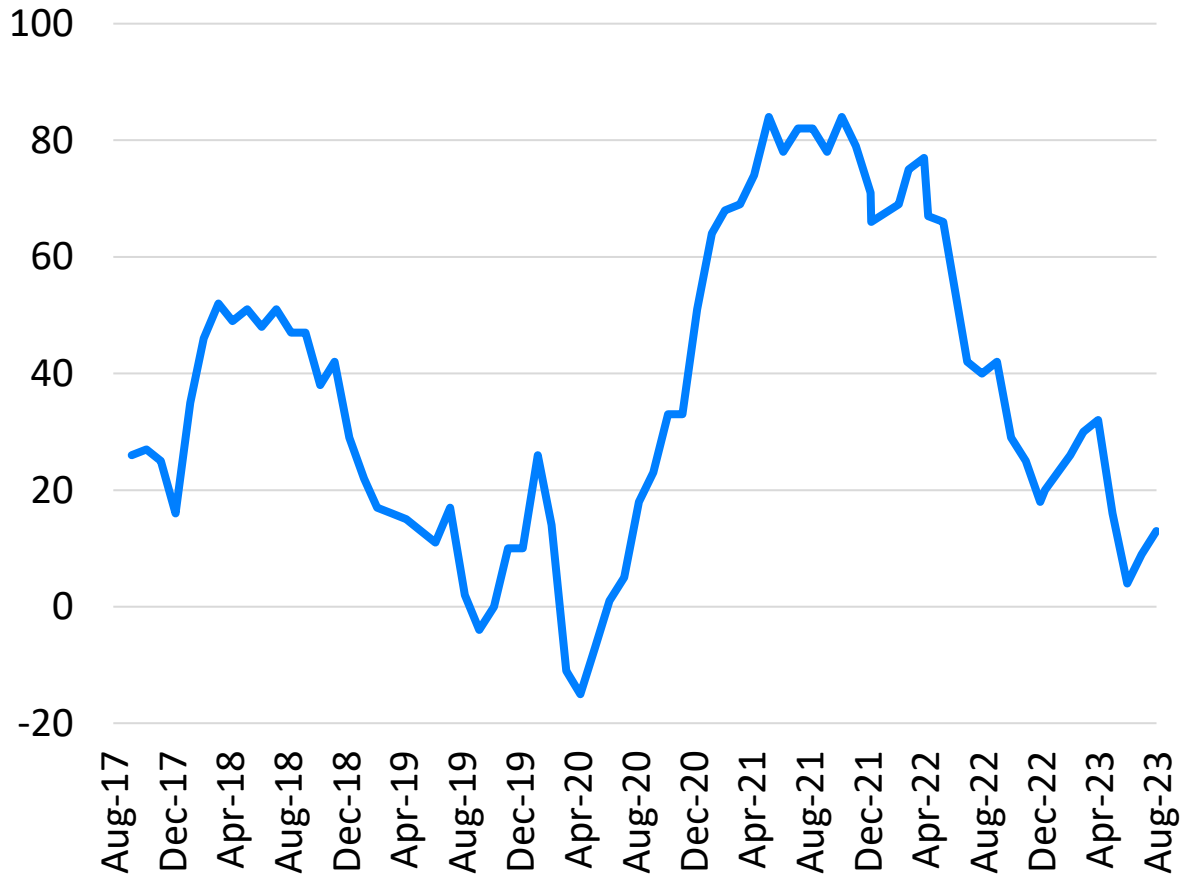
Source: Yardi Matrix; Federal Reserve Bank of St. Louis

Oil Prices Jumped in September Above the ~\$80 Range, Putting Pressure on Inflation

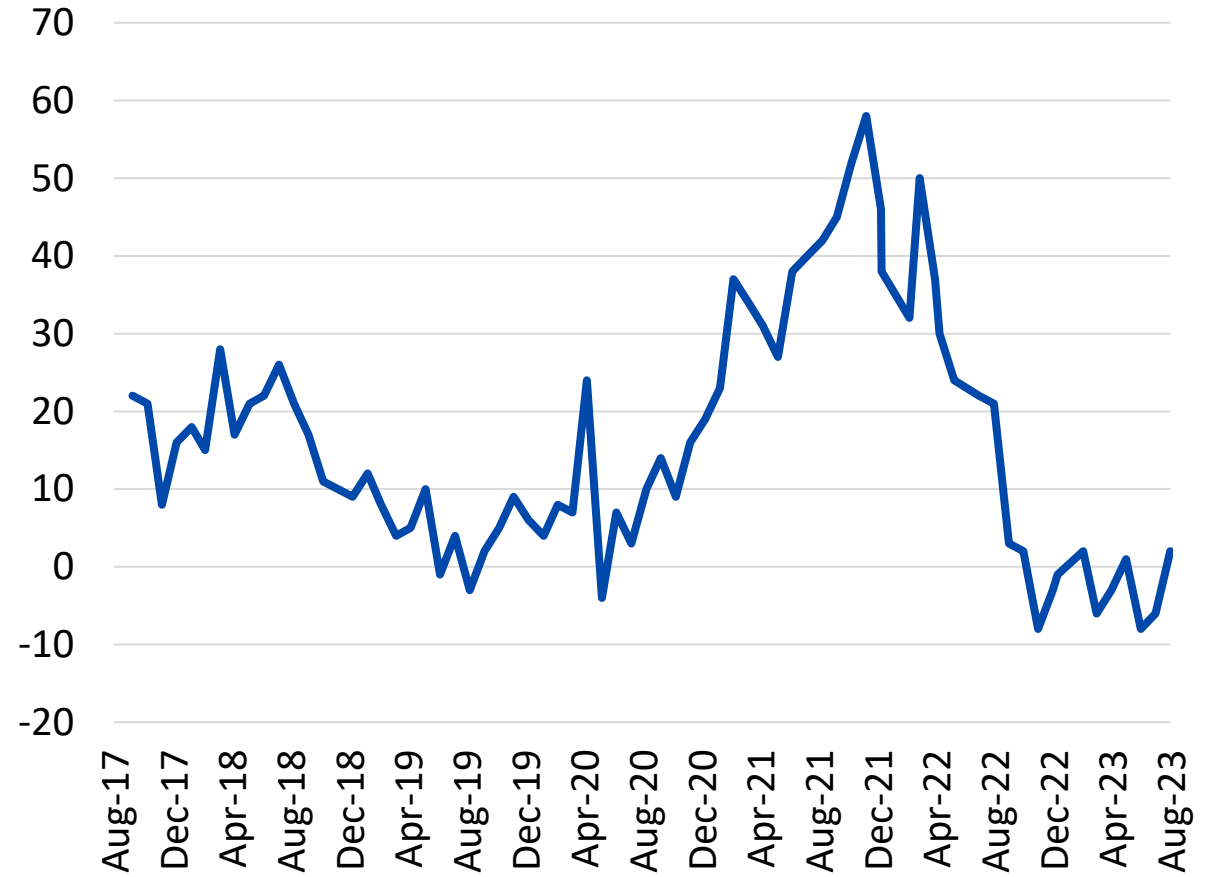


Supply Chain Disruption Easing, As Are Raw Materials Prices

Prices Paid for Raw Materials Versus a Month Ago

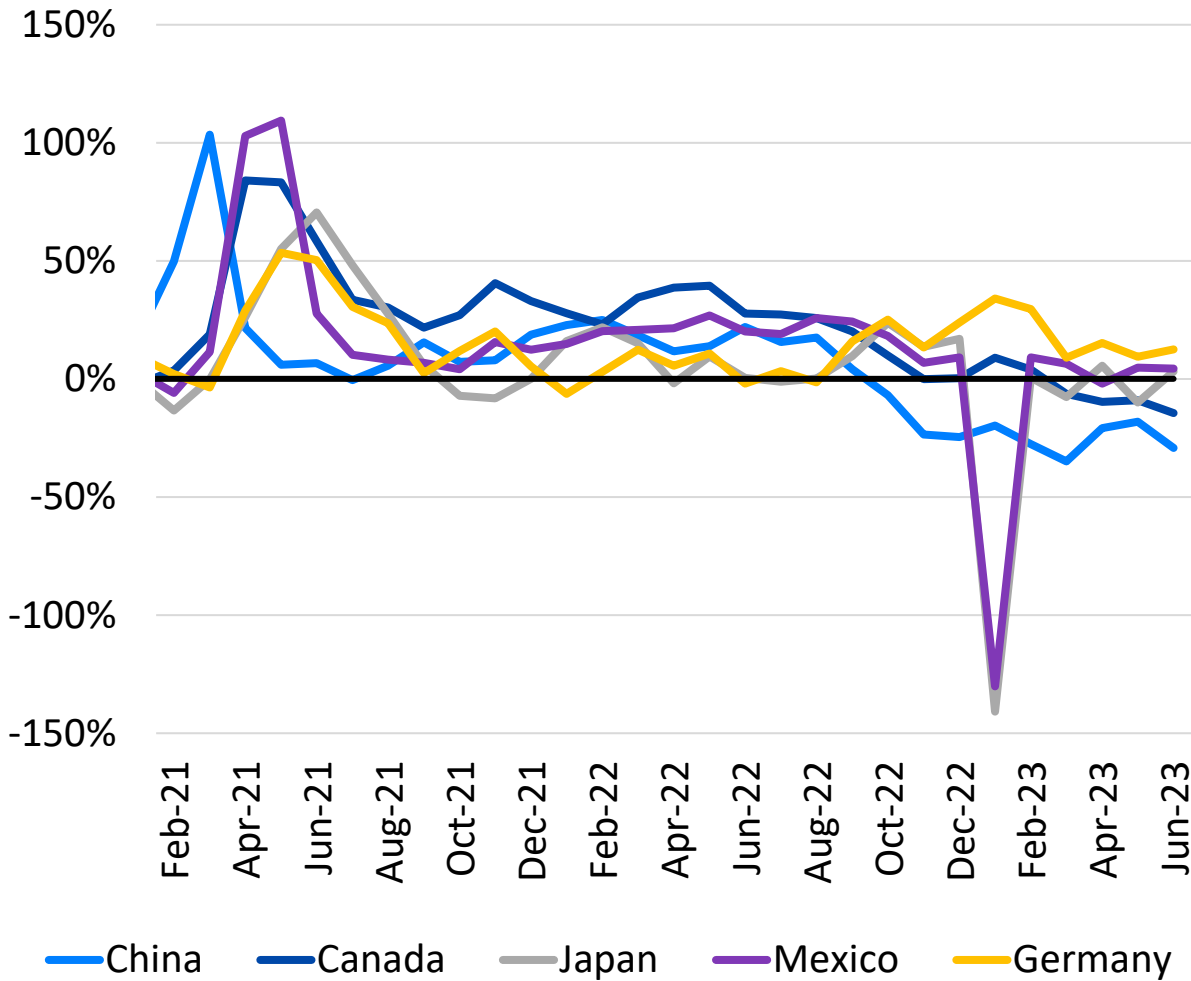


Supplier Delivery Time Versus a Month Ago

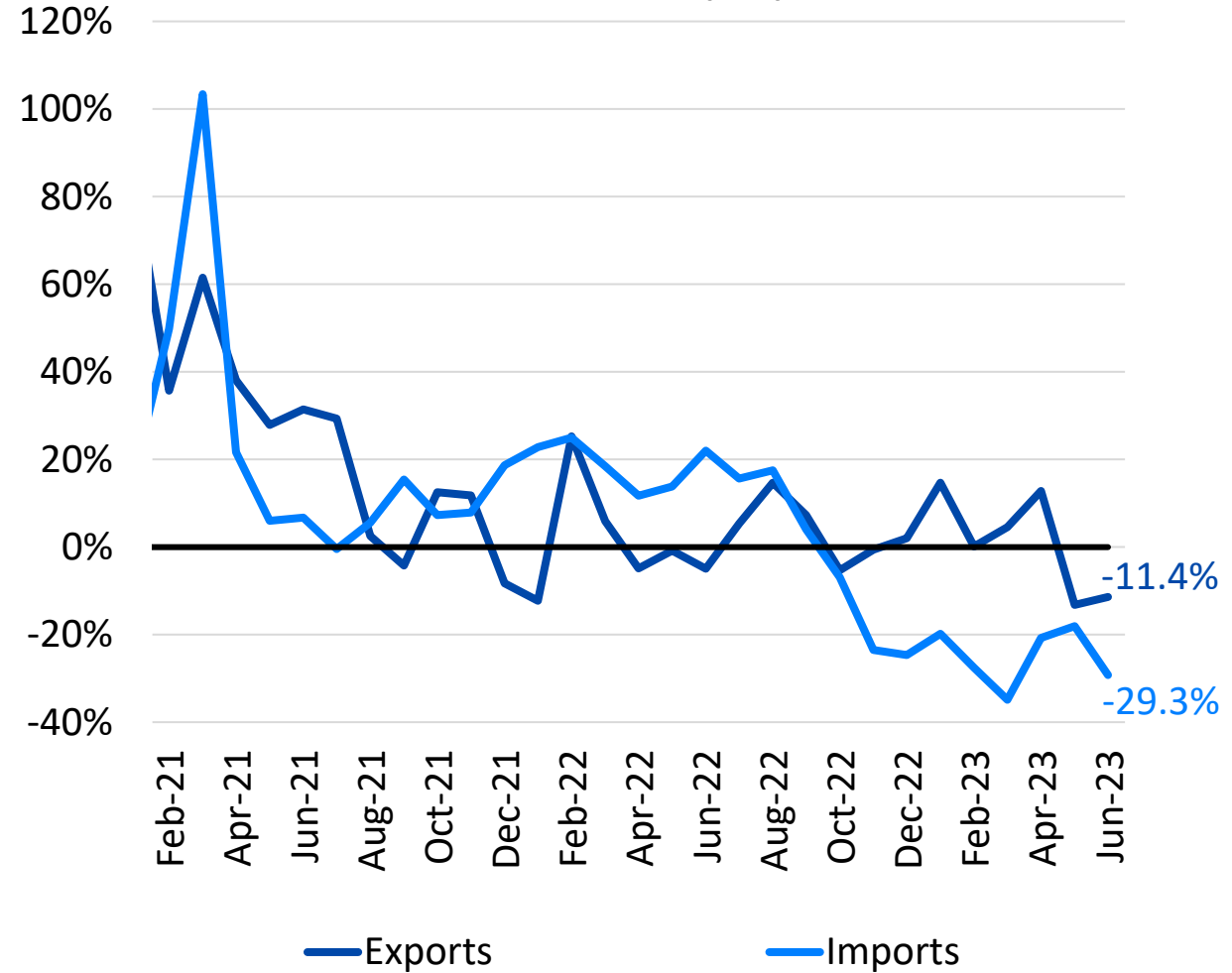


China's Trade With The U.S. Has Been Struggling This Year, More So Than Other Trading Partners

Change In Dollar-Denominated Imports (Y/Y)



Change in Dollar-Denominated Exports & Imports with China (Y/Y)

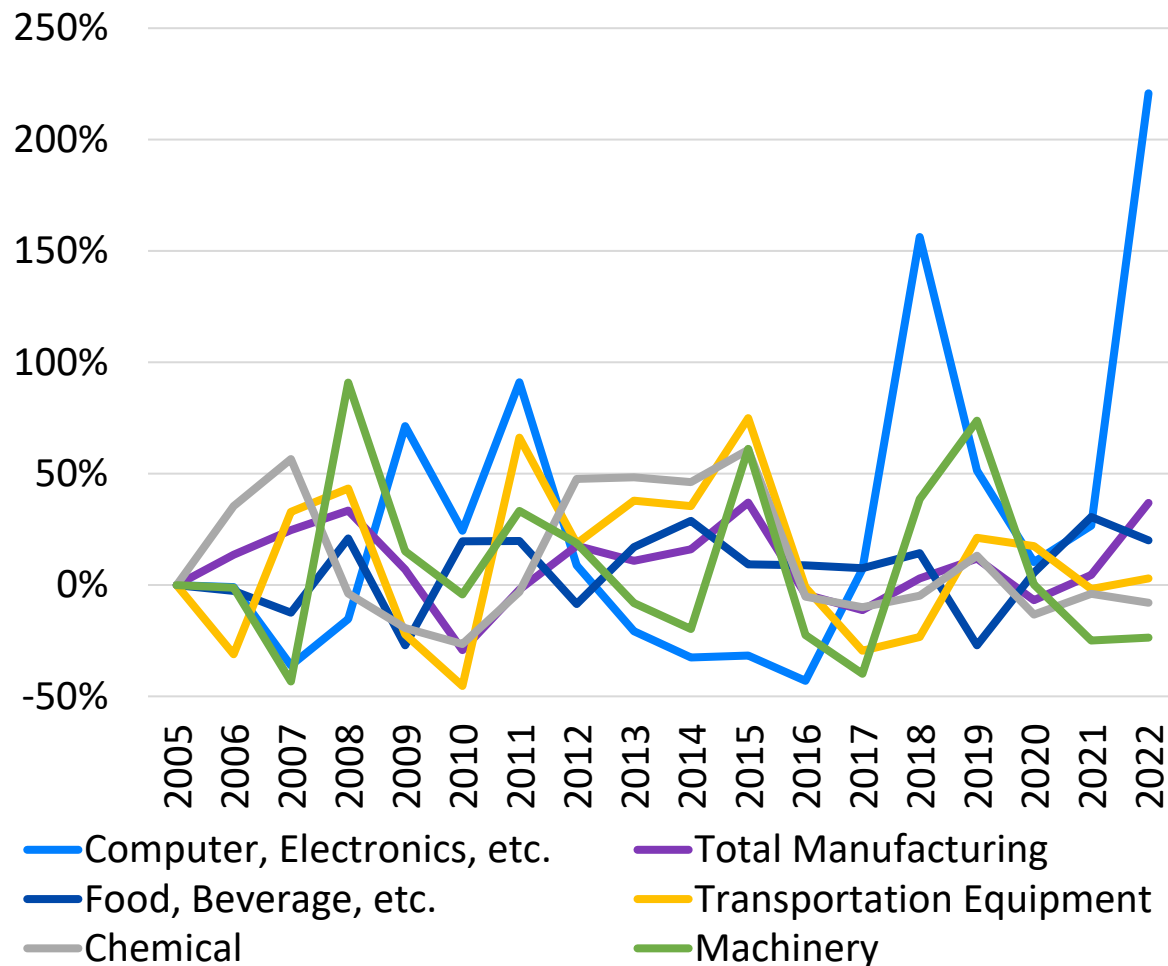


The U.S. Has Significantly Increased Its Domestic Manufacturing Spending, Especially Within the Computer and Electronics Segment

Real Total Manufacturing Construction Spending

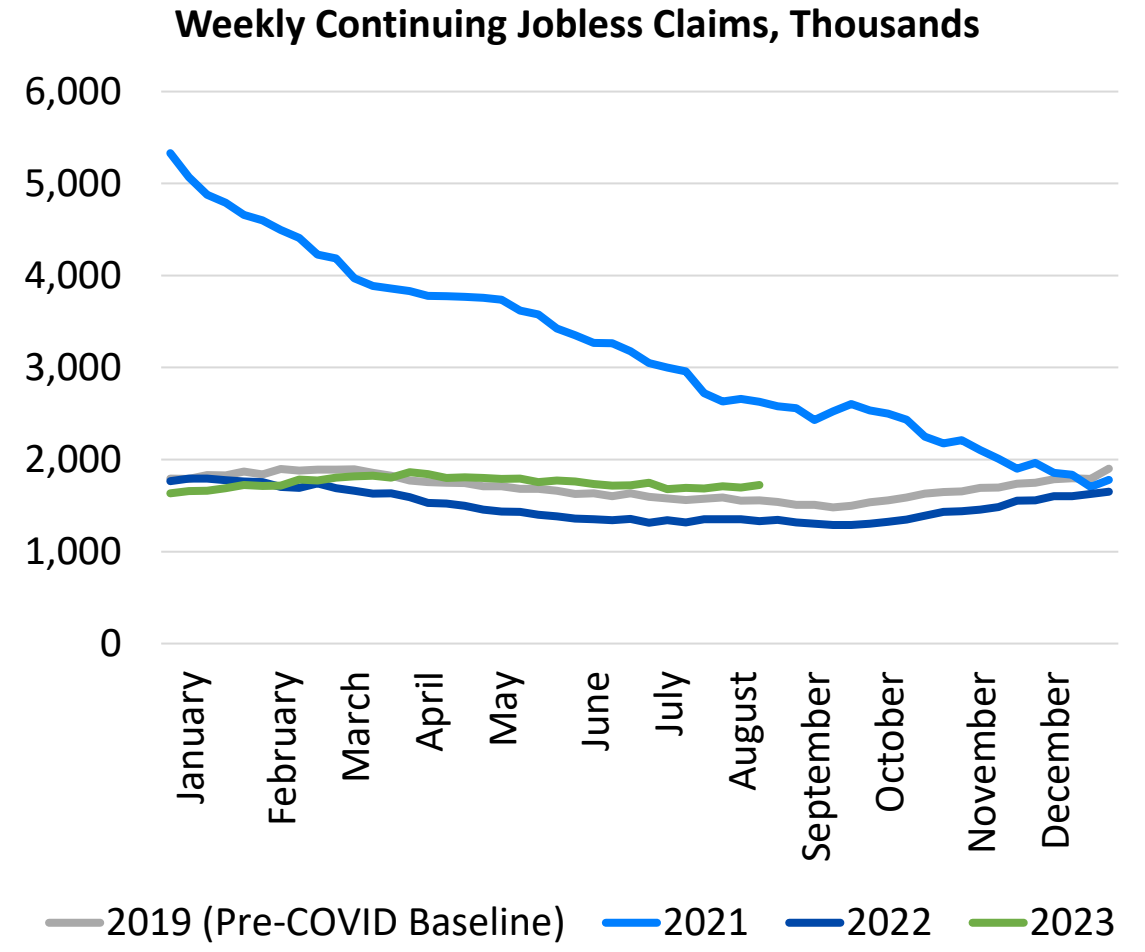
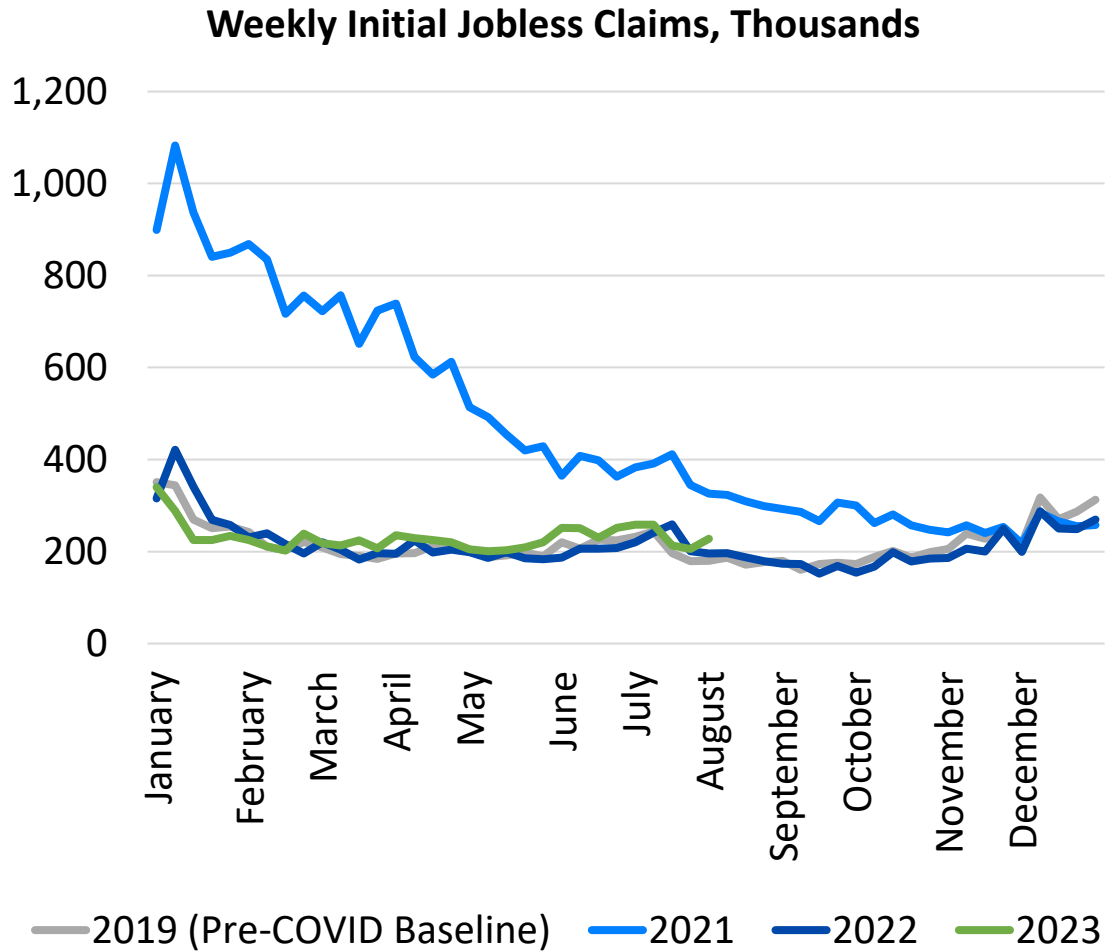


Cumulative % Change By Manufacturing Type



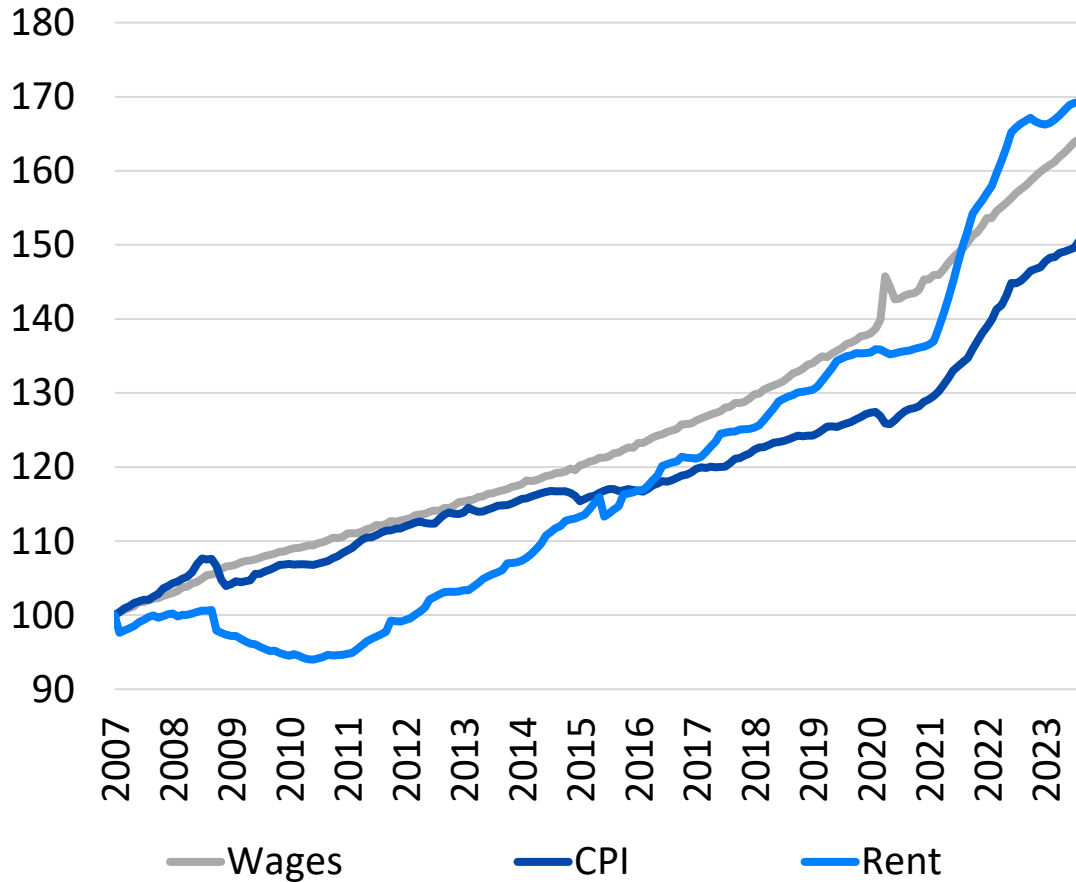
LABOR MARKETS & DEMOGRAPHICS

Jobless Claims Have Risen Slightly Above Last Year's Levels

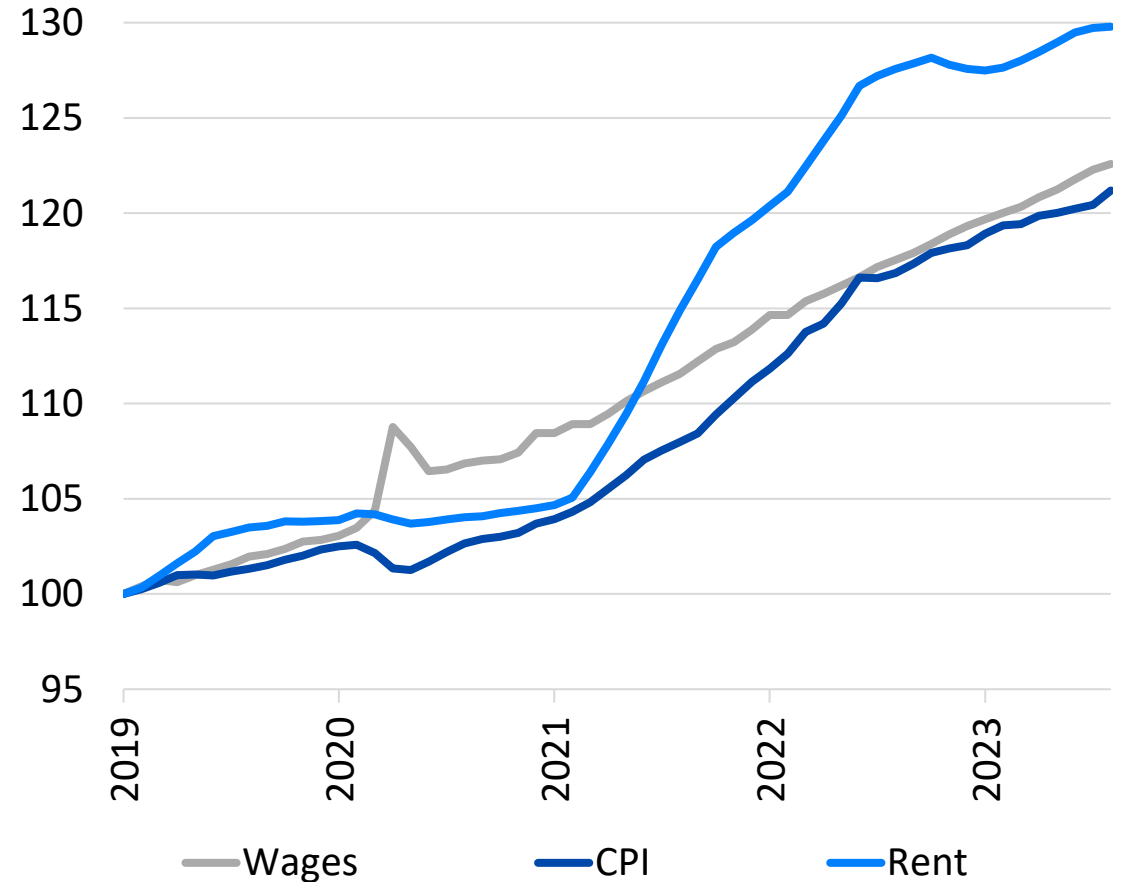


Rent Growth Has Outpaced Inflation and Wage Growth

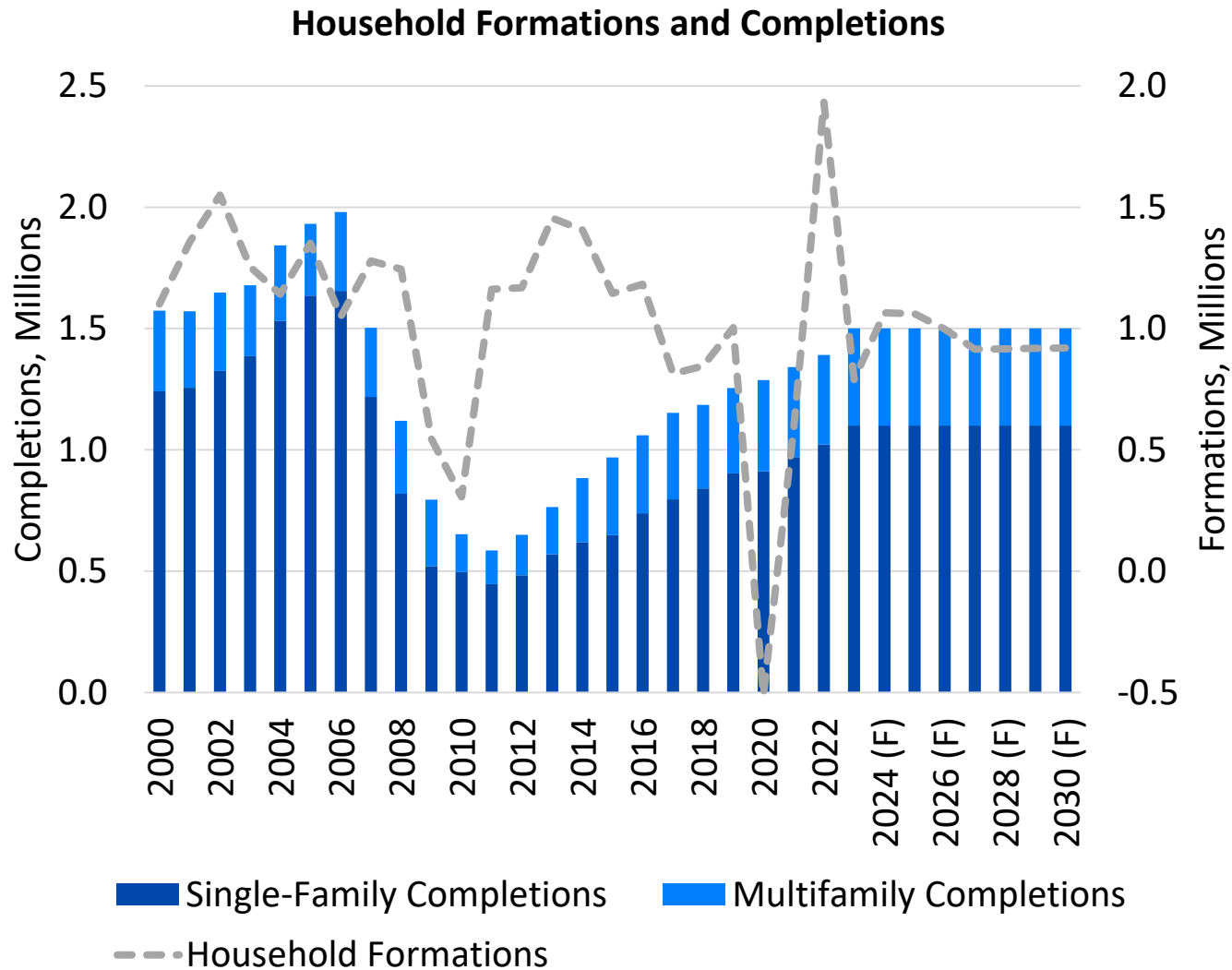
Average Asking Rent vs. CPI vs. Wages 2007 to Present



Average Asking Rent vs. CPI vs. Wages 2019 to Present

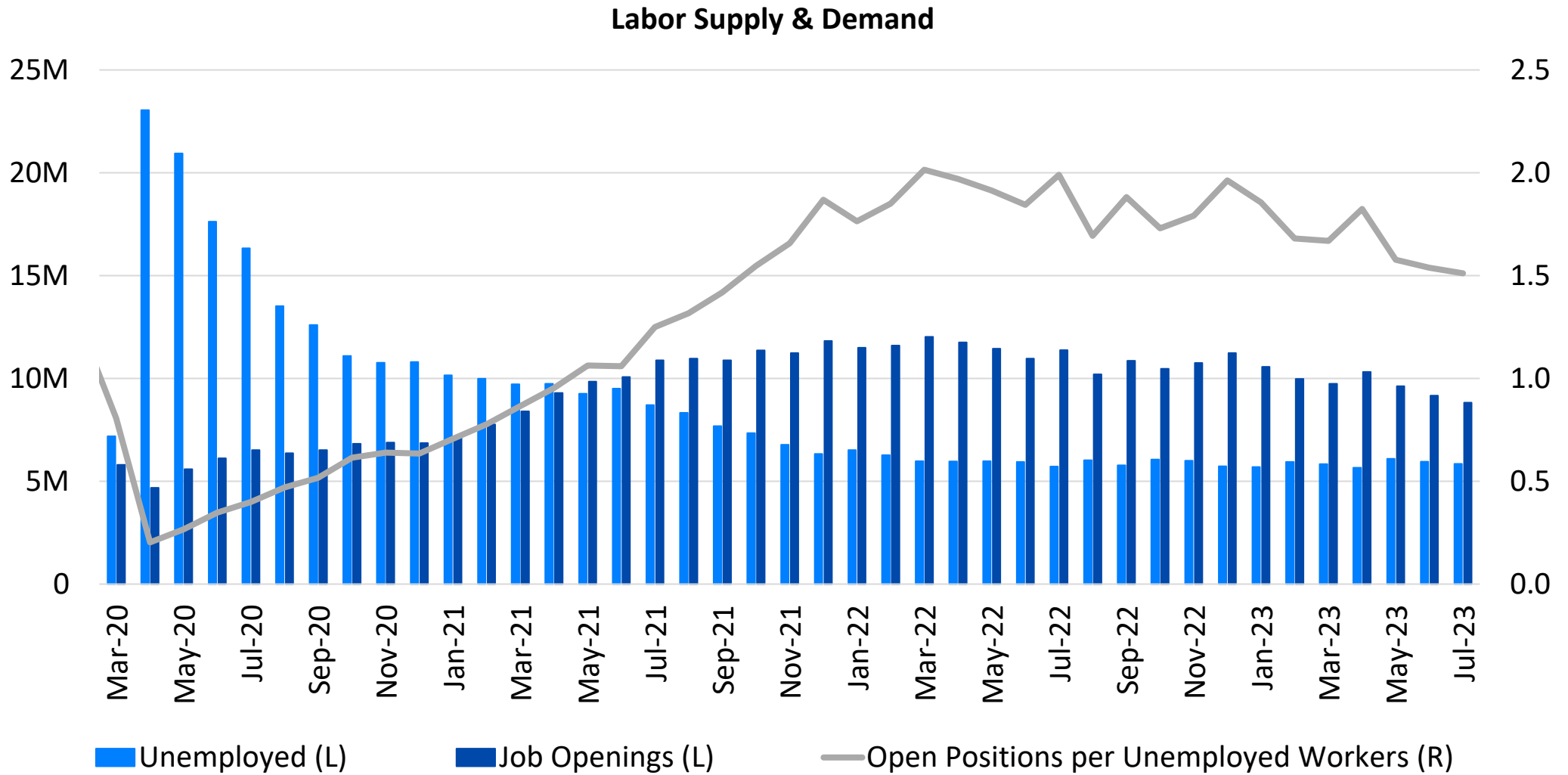


Housing Deficit from the Great Recession Pushed Prices Up

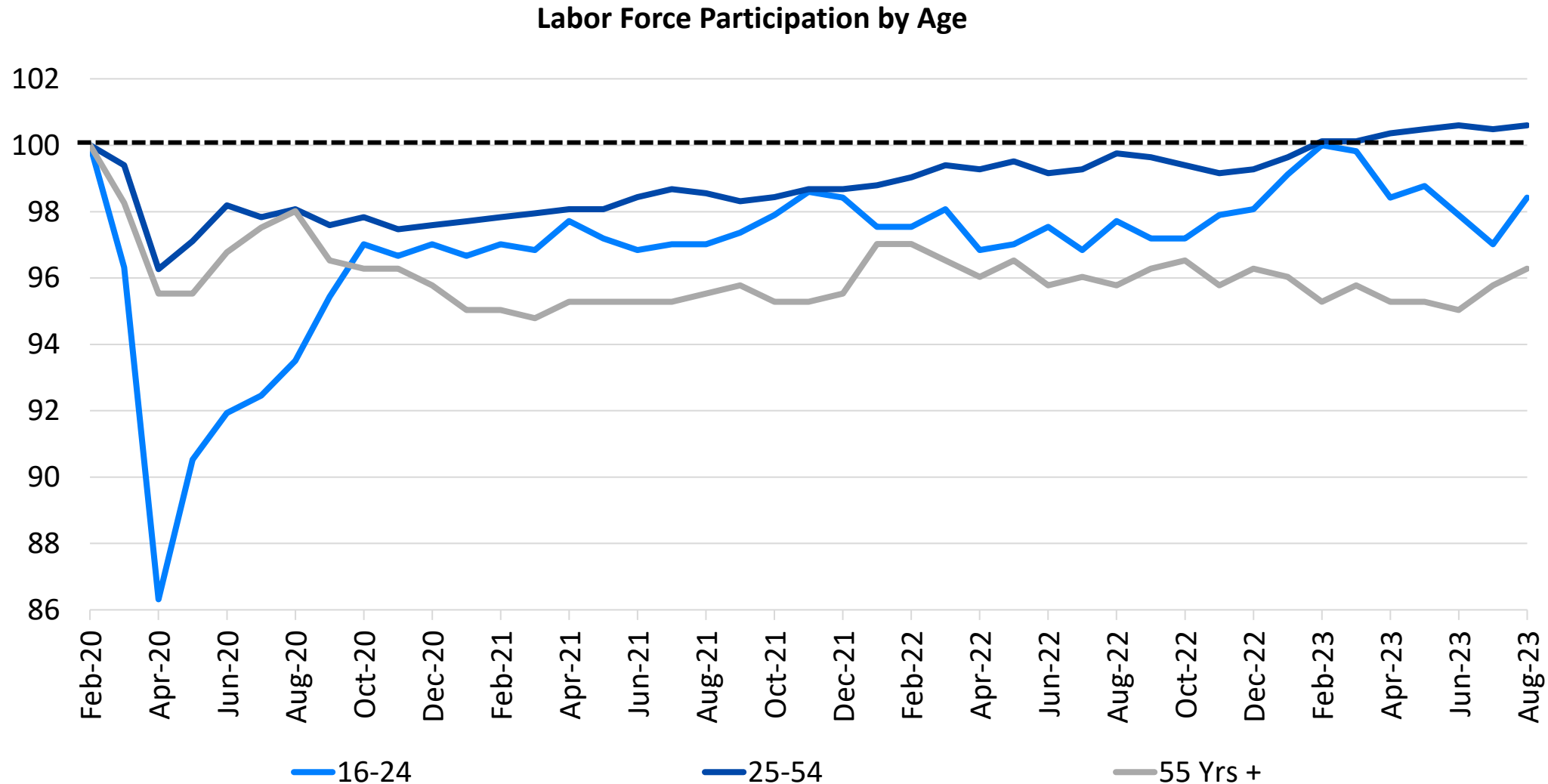


- Regulatory costs account for 40% of multifamily development costs; high-cost jurisdictions seem oblivious to this
- Supply constraints are growing across markets
- Mortgage rates at highest levels in 20 years
- First time homebuyers are being priced out of the market, encouraging renting
- The political will to address the shortage of housing is beginning to turn
- Slowing home sales and multifamily absorptions are signs that household formations may be moderating
- Household formation could stall as renters are disincentivized or prevented from moving due to high inflation rates and rising rents

Tight Labor Market Slowly Loosening

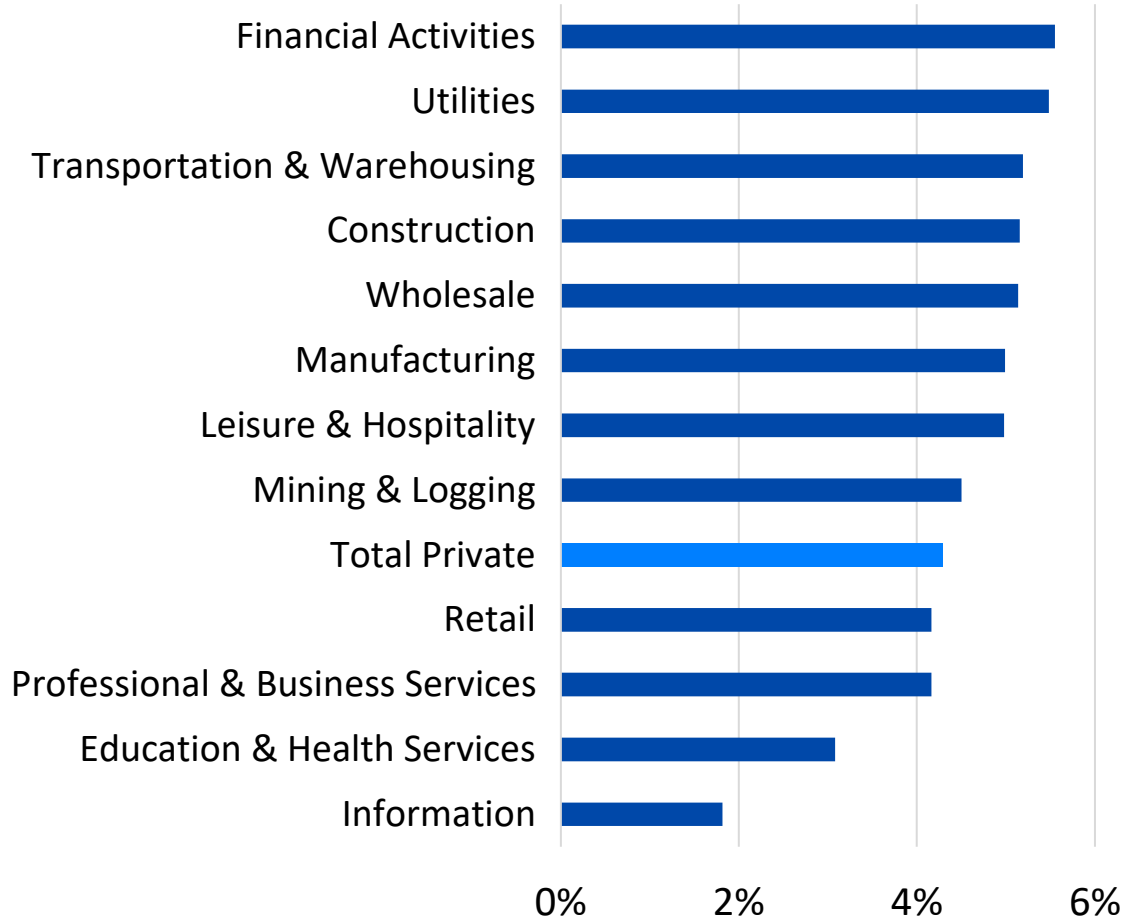


The Labor Force Has Fully Recovered for Prime Age Adults (But Not for Older Americans) Thus Mitigating Wage Growth and Tempering Inflation

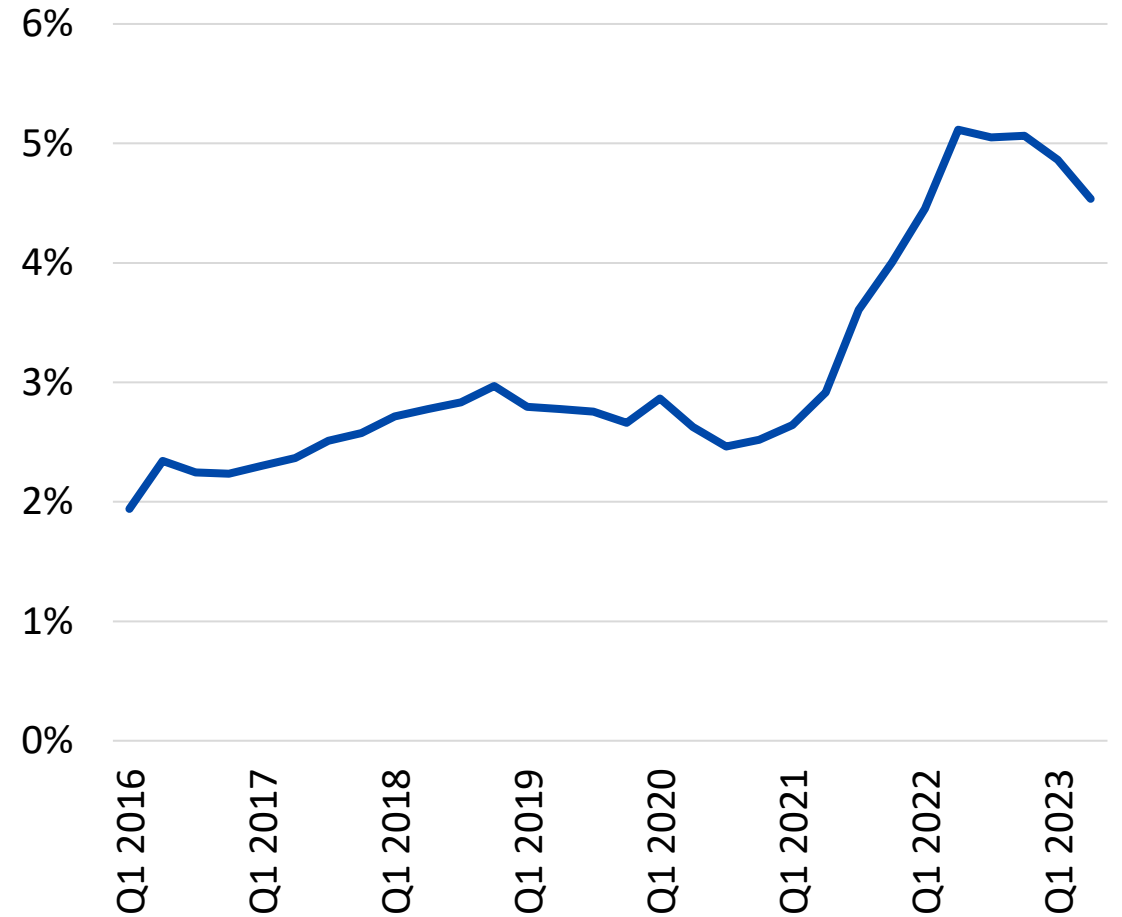


Wage Growth is Decelerating

Annualized Change in Average Hourly Earnings (August 2022 – August 2023)



Employment Cost Index Year-over-Year Change



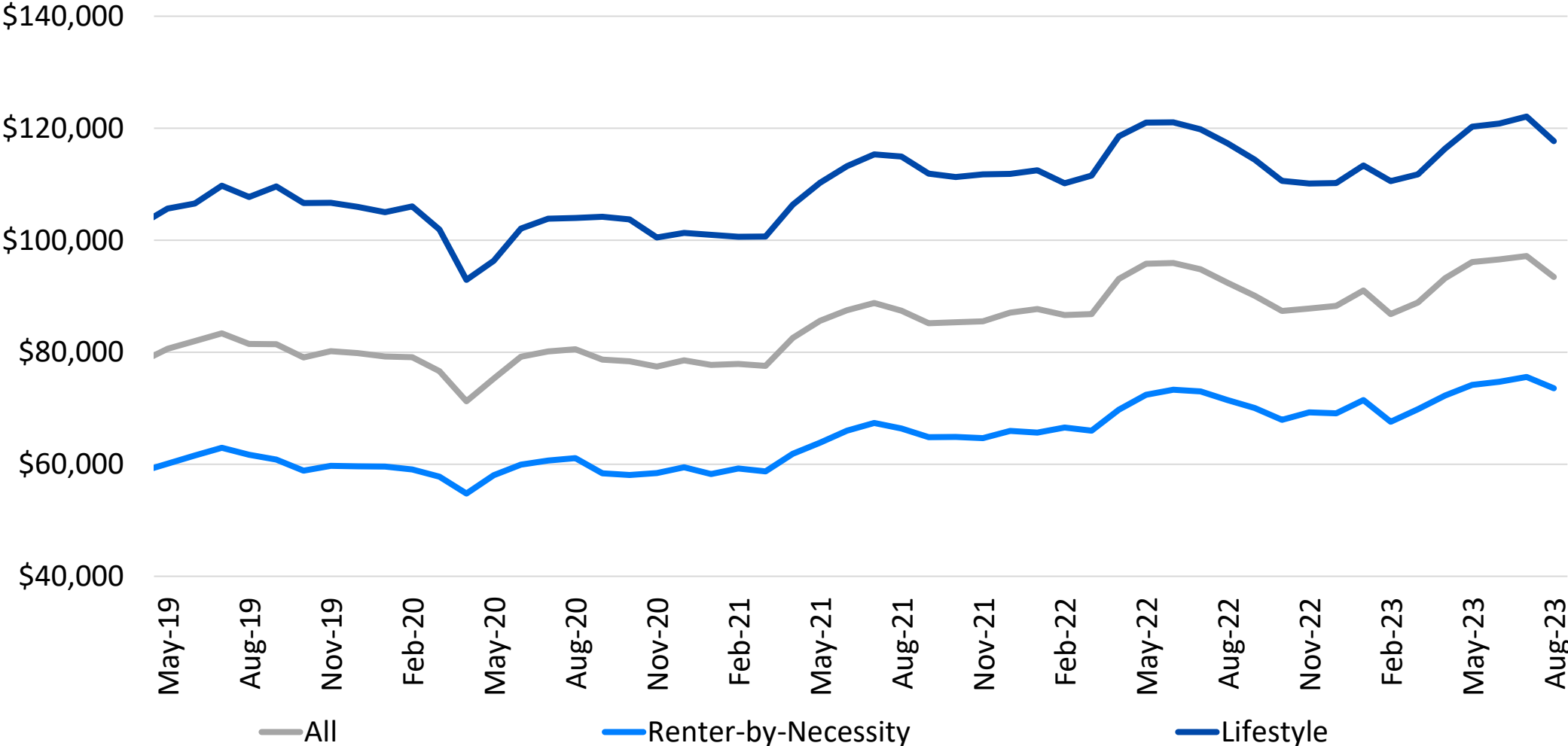
Average hourly earnings of all employees, seasonally adjusted. Employment cost index measures the total cost of employees to employers

Source: Yardi Matrix; U.S. Bureau of Labor Statistics; Federal Reserve Bank of St. Louis



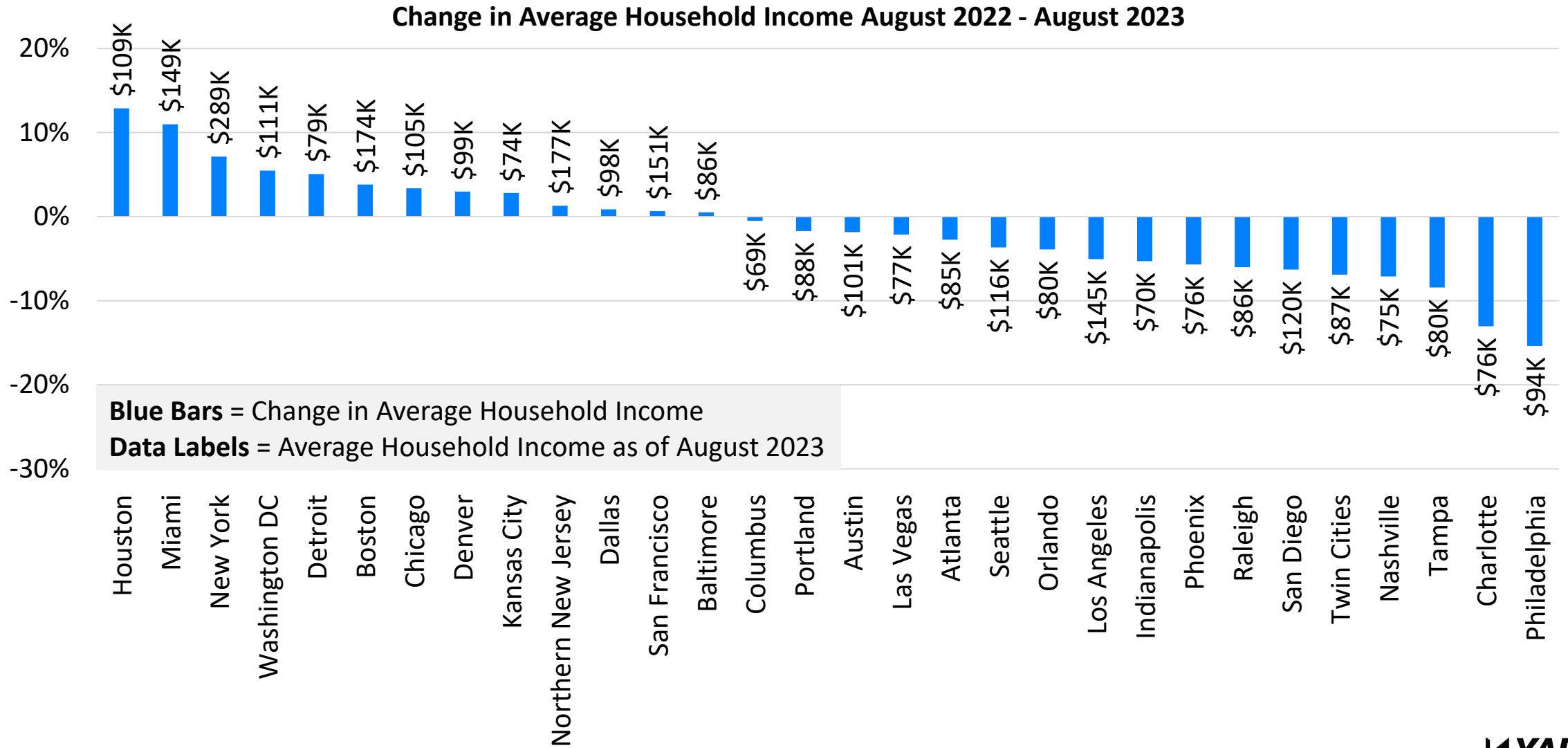
New Applicant Renter Household Incomes Peaked in May 2022

Average National Household Income By Asset Class



Source: Yardi Systems Screening Data

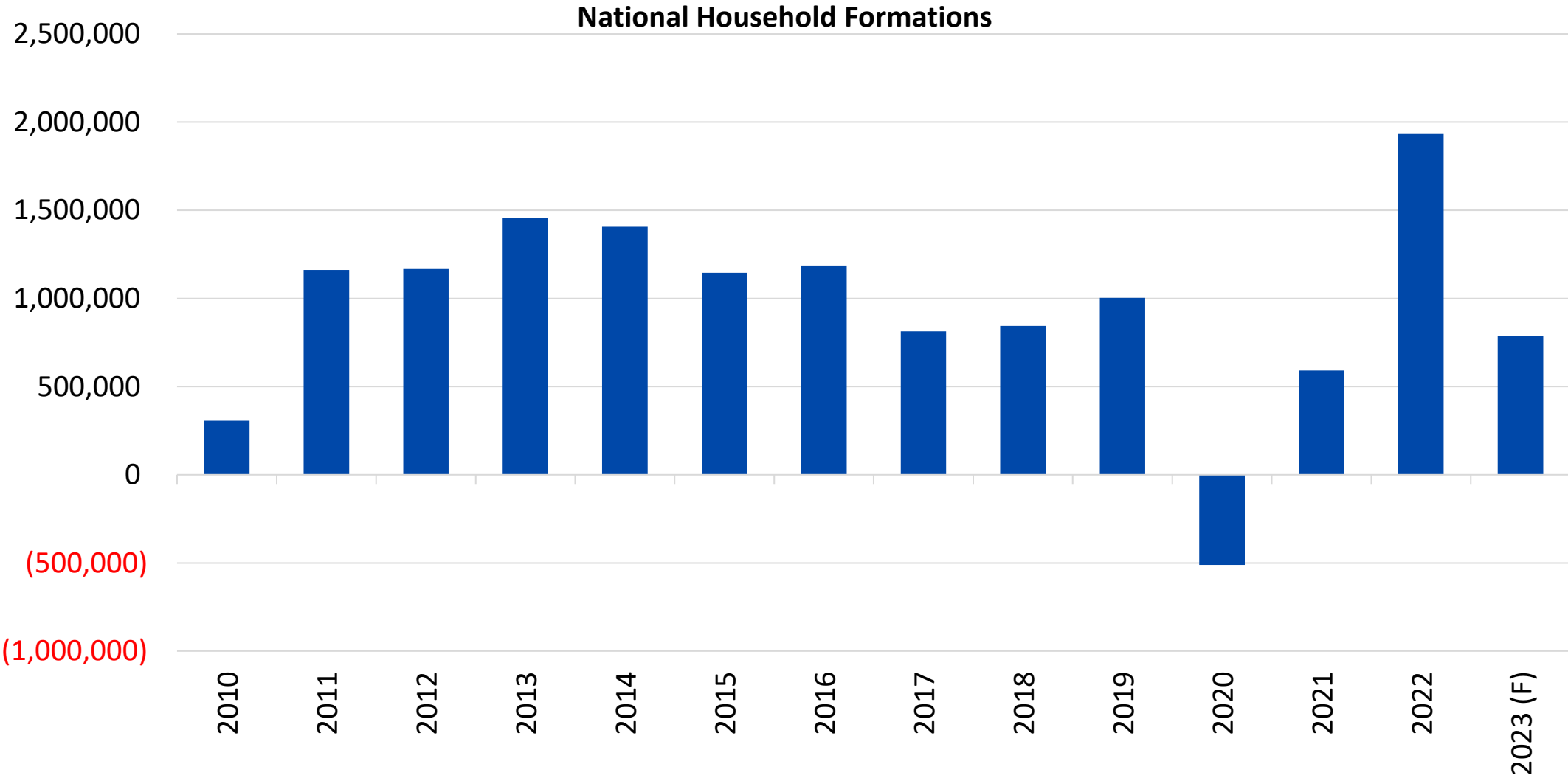
New Applicant Renter Household Incomes Have Declined in Most of the Top 30 Matrix Markets Over the Last Year



Remote Work Impacts on Housing Markets: Household Formation Offsets Out-Migration In Urban Markets

- The rise in remote work coming out of the pandemic has allowed people who live in dense, expensive cities to move elsewhere, leading to declining population in these areas
- Nevertheless, many urban areas continue to experience high rent growth
- Research found that remote work has also led to a **surge in household formation**, counterbalancing the loss of population in dense cities
- This growth in household formation helps explain why large urban areas that have the most out-migration still have tight housing markets
- Remote work has changed the way that people live within dense and expensive urban areas
 - Remote households moved into new dwelling units, typically in the suburbs, that were larger, had more amenities, had outdoor space, etc.
 - Remote households were consequently found to have higher rents and mortgages

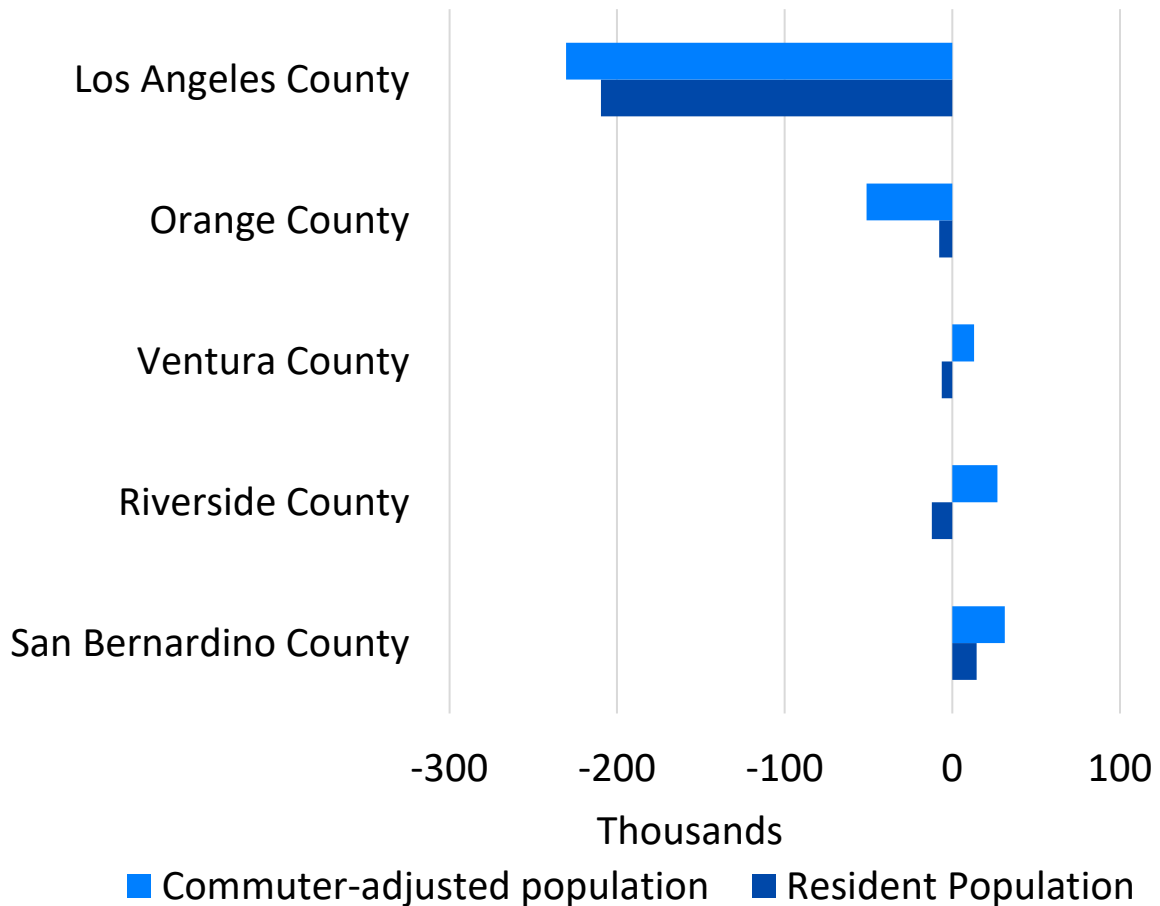
There Was a Surge in Household Formations Coming Out of the Pandemic



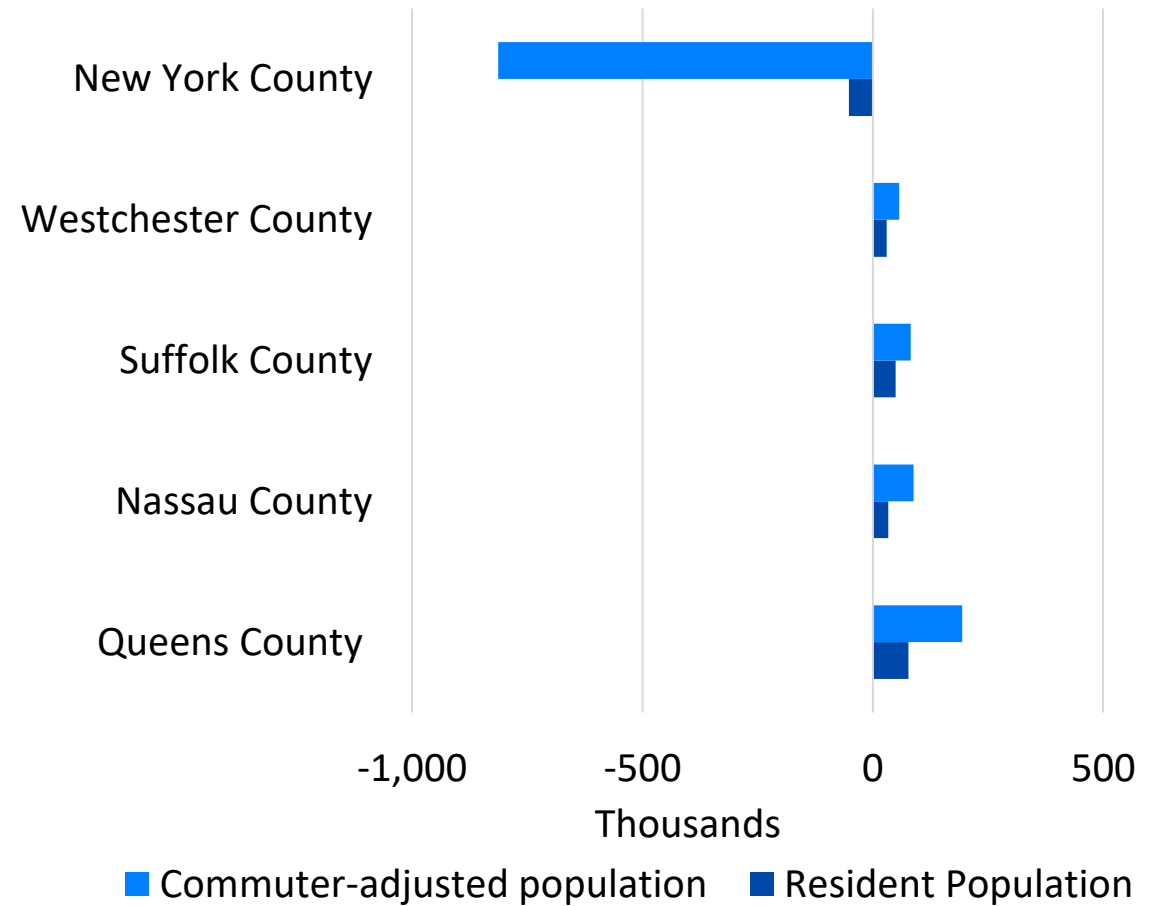
Source: Yardi Matrix; Moody's Data Analytics

Remote Workers Left Expensive Urban Cores For the Suburbs

Resident and Commuter-Adjusted Population Change in the Greater Los Angeles Area: 2019-2021

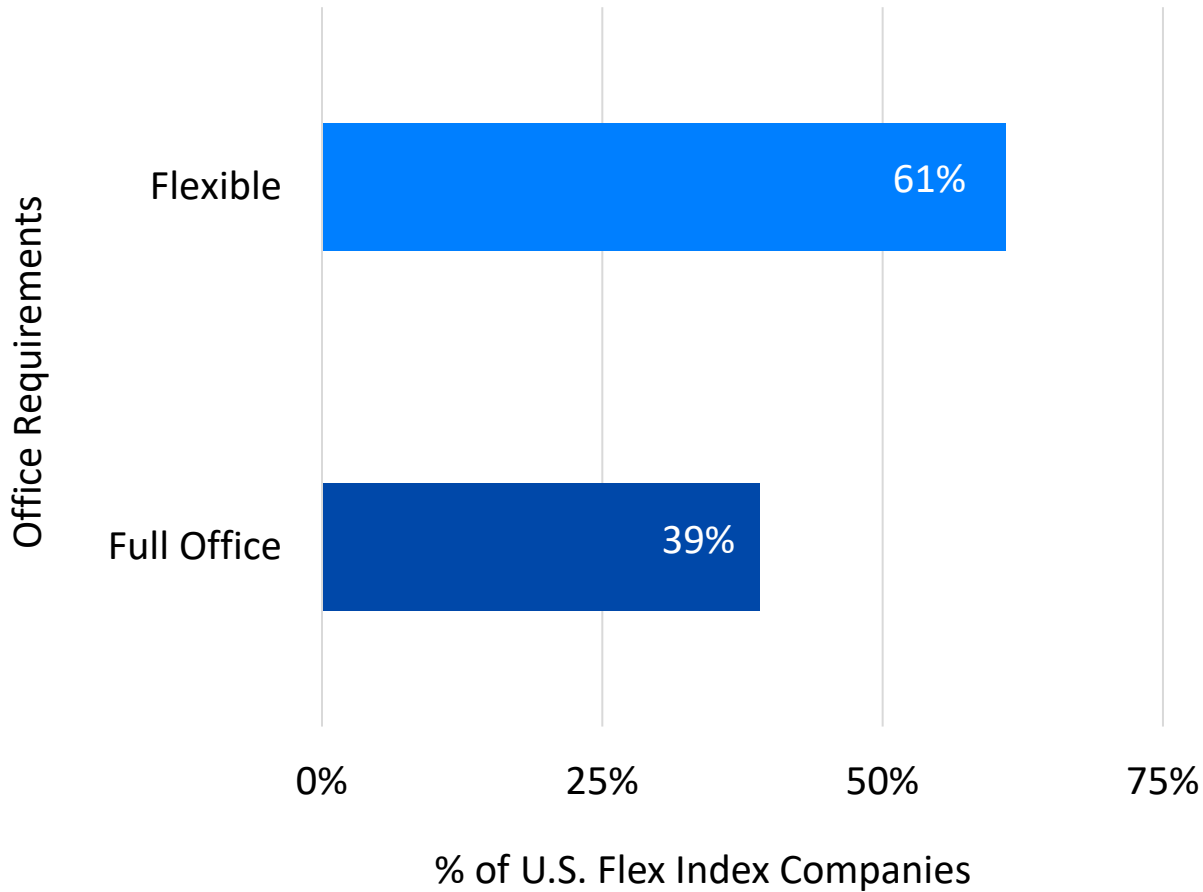


Resident and Commuter-Adjusted Population Change in Select New York Metro Counties: 2019-2021

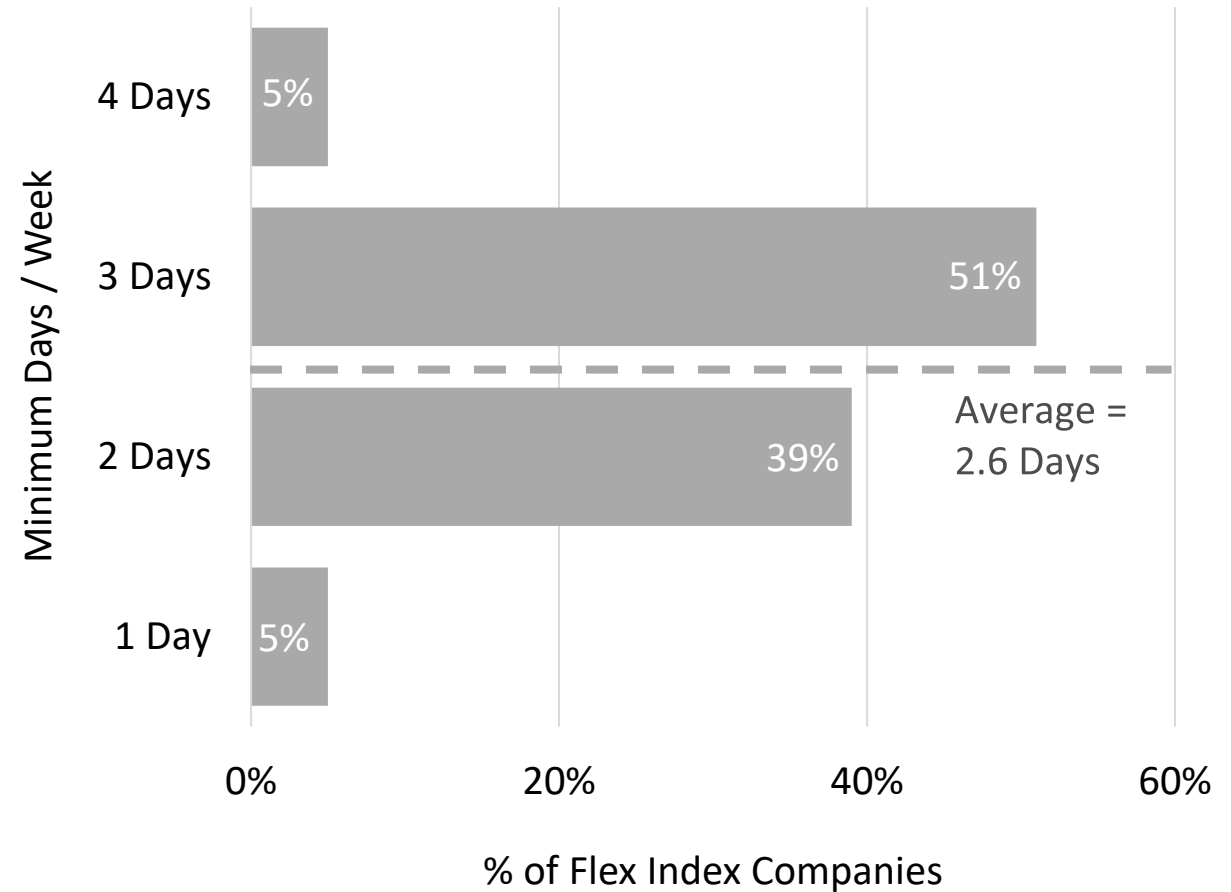


More Companies Are Allowing Greater Work Location Flexibility As Opposed To Full Time In-Office Requirements

% of U.S. Flex Index Companies by Flexibility



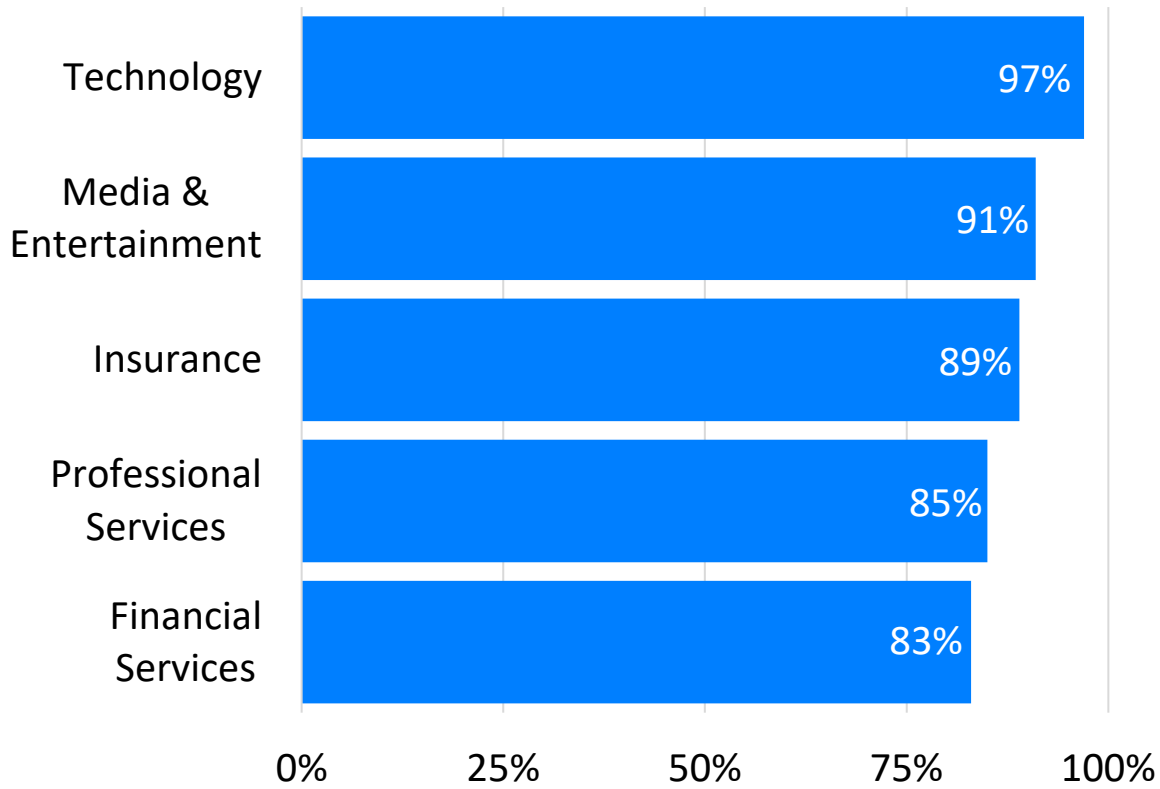
% of Companies by Min Days / Week Required



Flexibility Varies By Industry, With Tech Predictably Being The Most Flexible

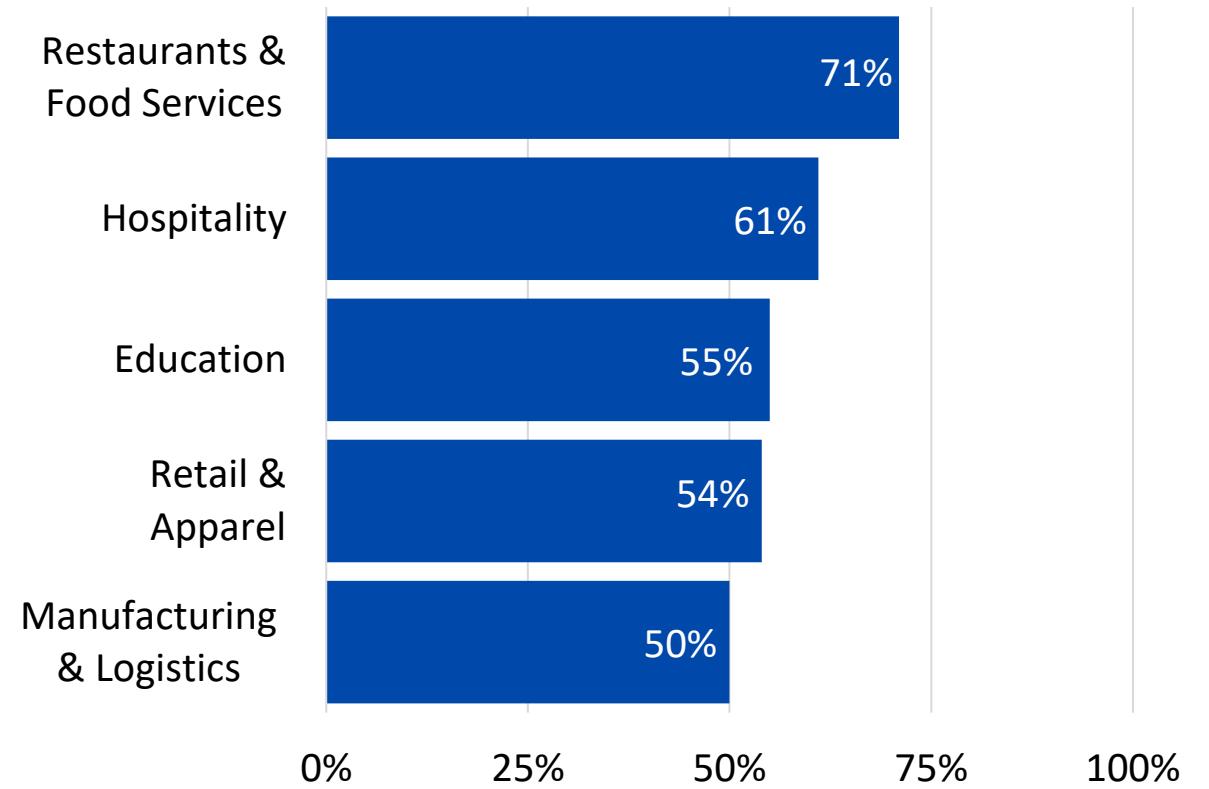
Top 5 Most Flexible Industries

■ % of Companies That Offer Work Location Flexibility



Top 5 Least Flexible Industries

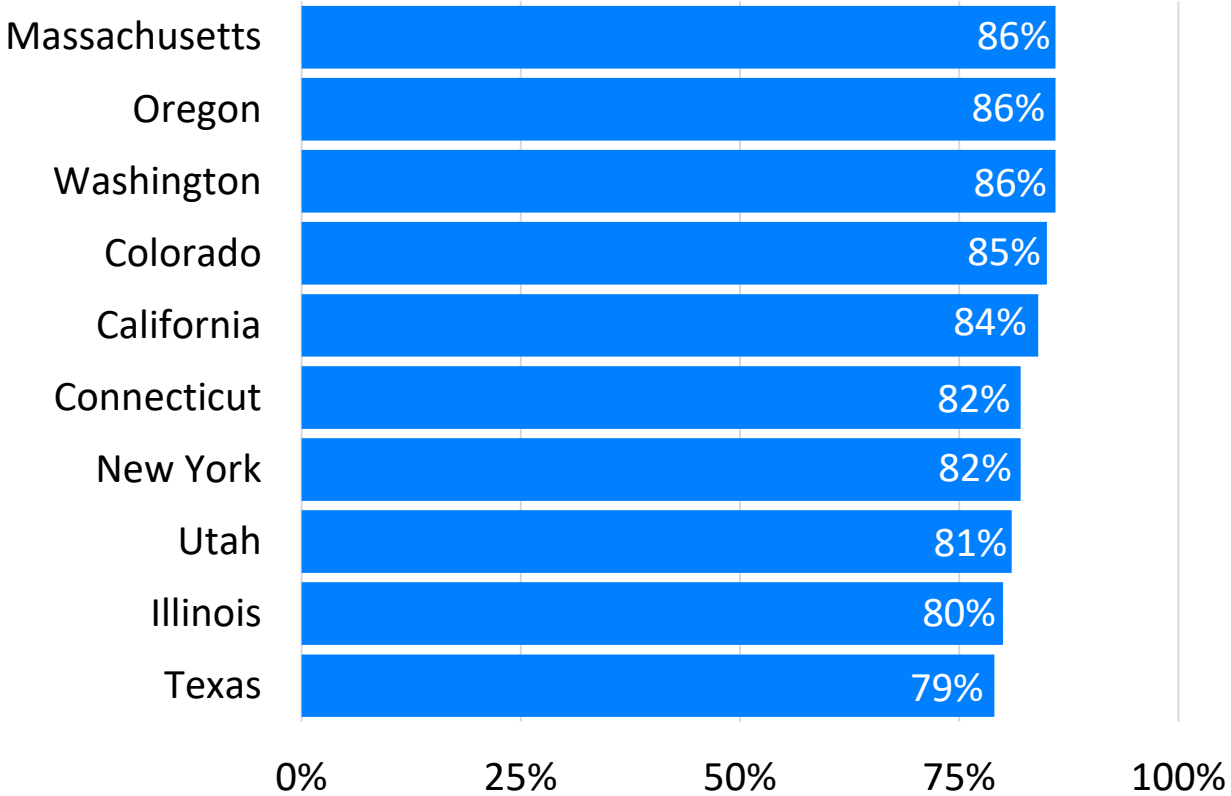
■ % of Companies That Are Full Time In Office



Flexibility Varies By State, With Southern And Midwestern States Largely Being the Least Flexible

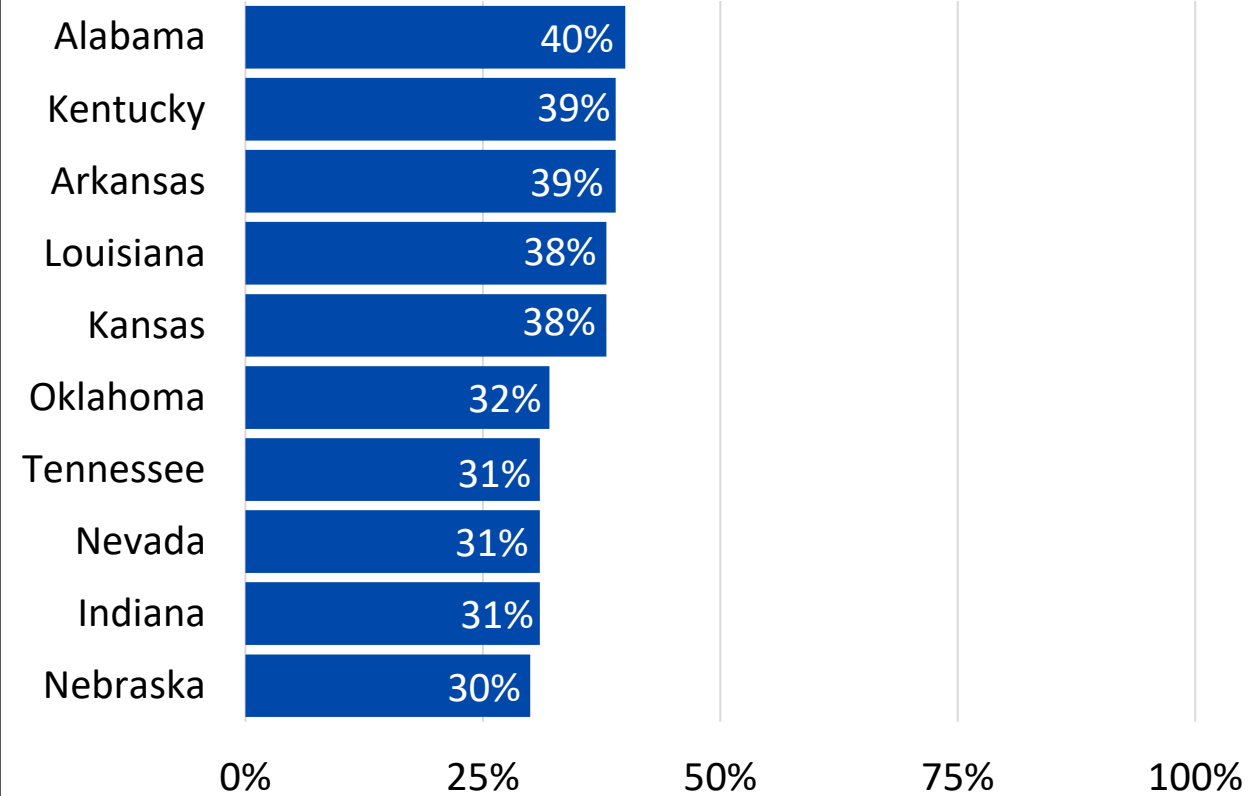
Top 10 Most Flexible States

■ % of Companies Offering Location Flex



Top 10 Least Flexible States

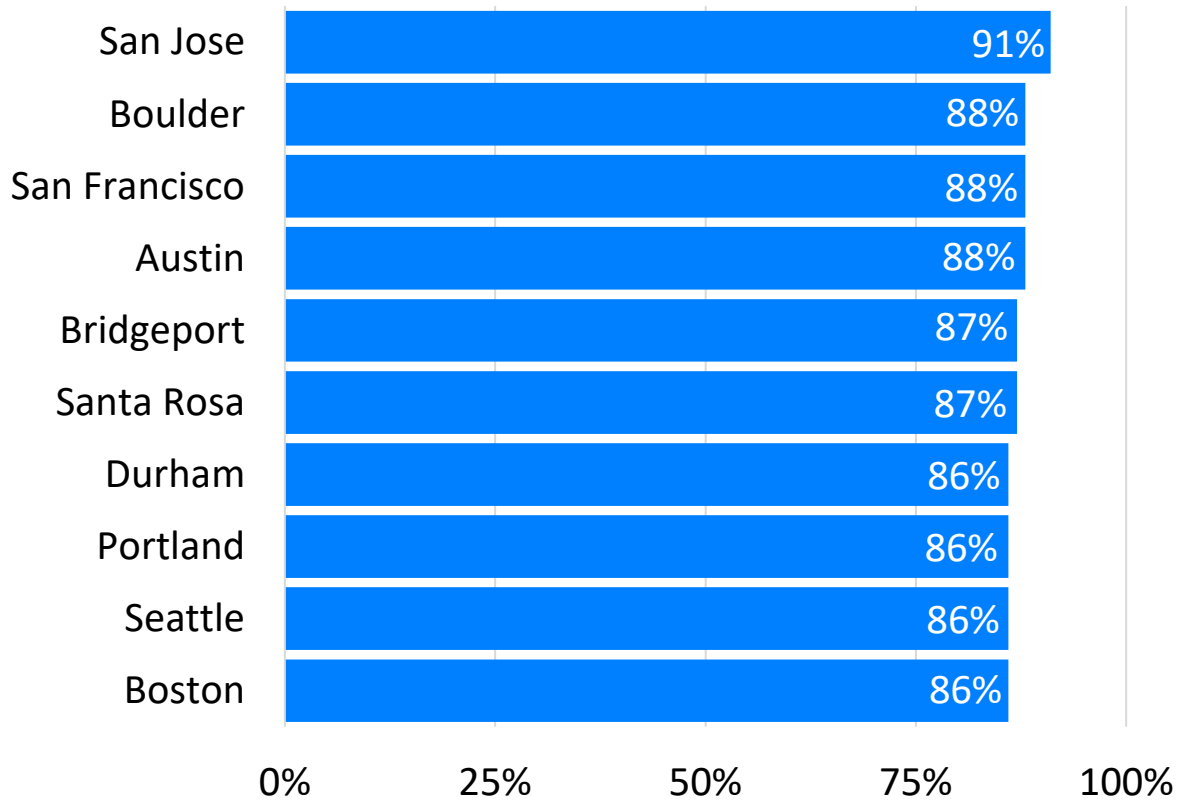
■ % of Companies That Are Full Time In Office



Flexibility Varies By Metro, With The Bay Area Allowing For The Most Flexibility And Sun Belt Metros Allowing The Least

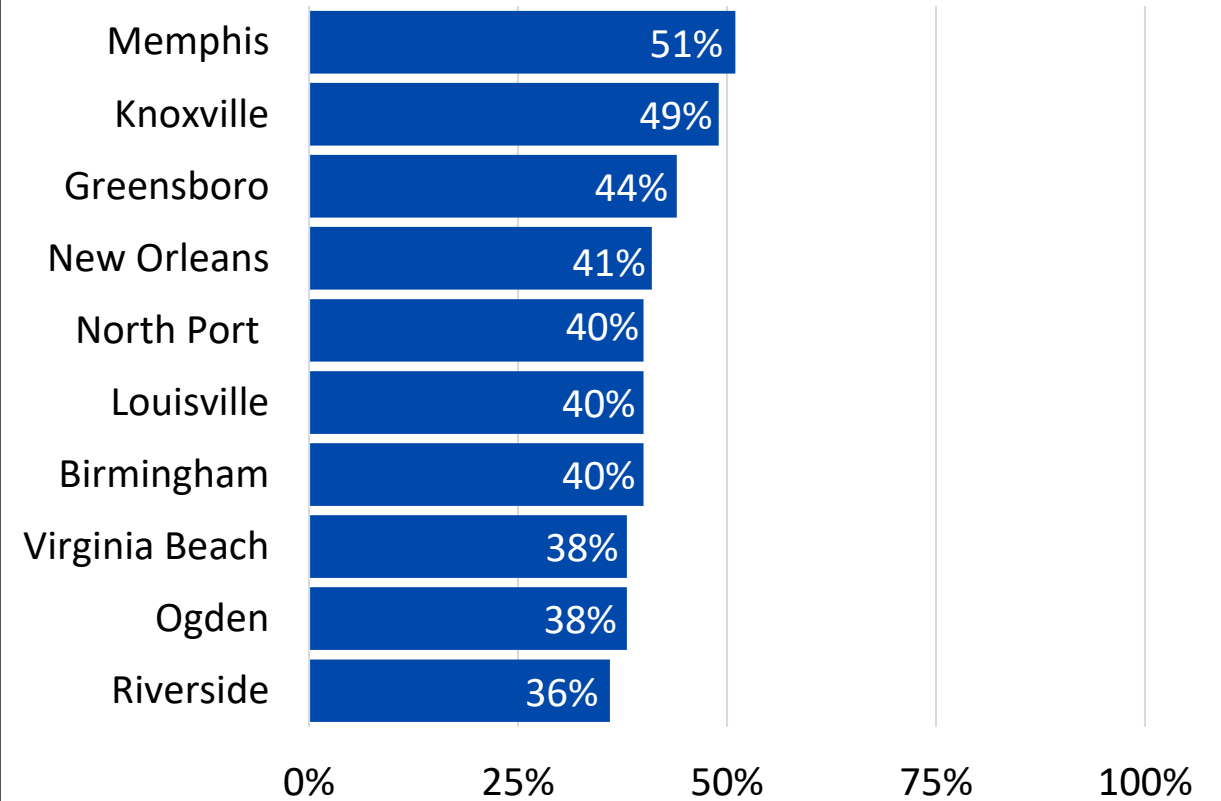
Top 10 Most Flexible Metros

■ % of Companies Offering Location Flex



Top 10 Least Flexible Metros

■ % of Companies That Are Full Time In Office

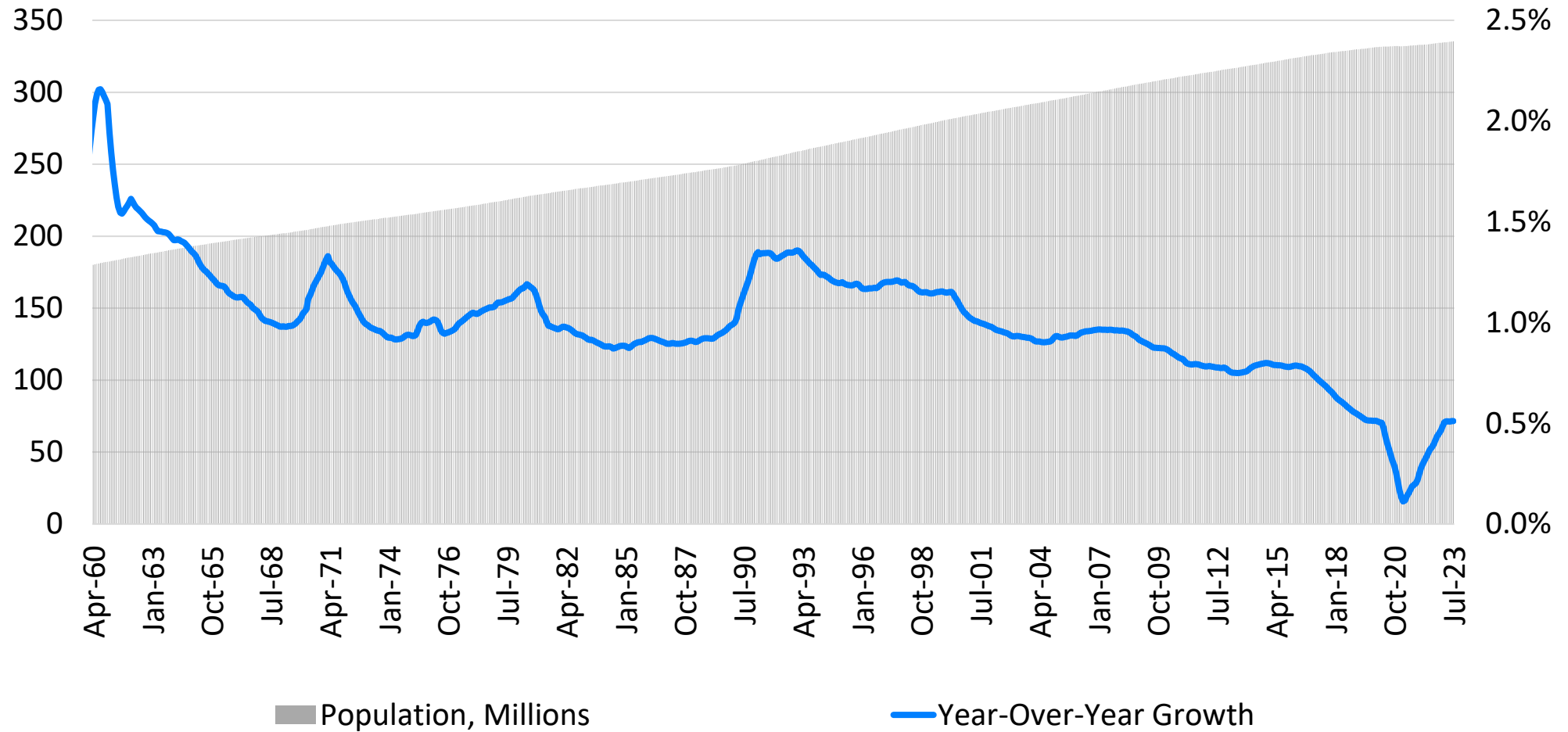


Fifteen Cities Account For Approximately Two-Thirds of the Nation's AI Assets & Capabilities

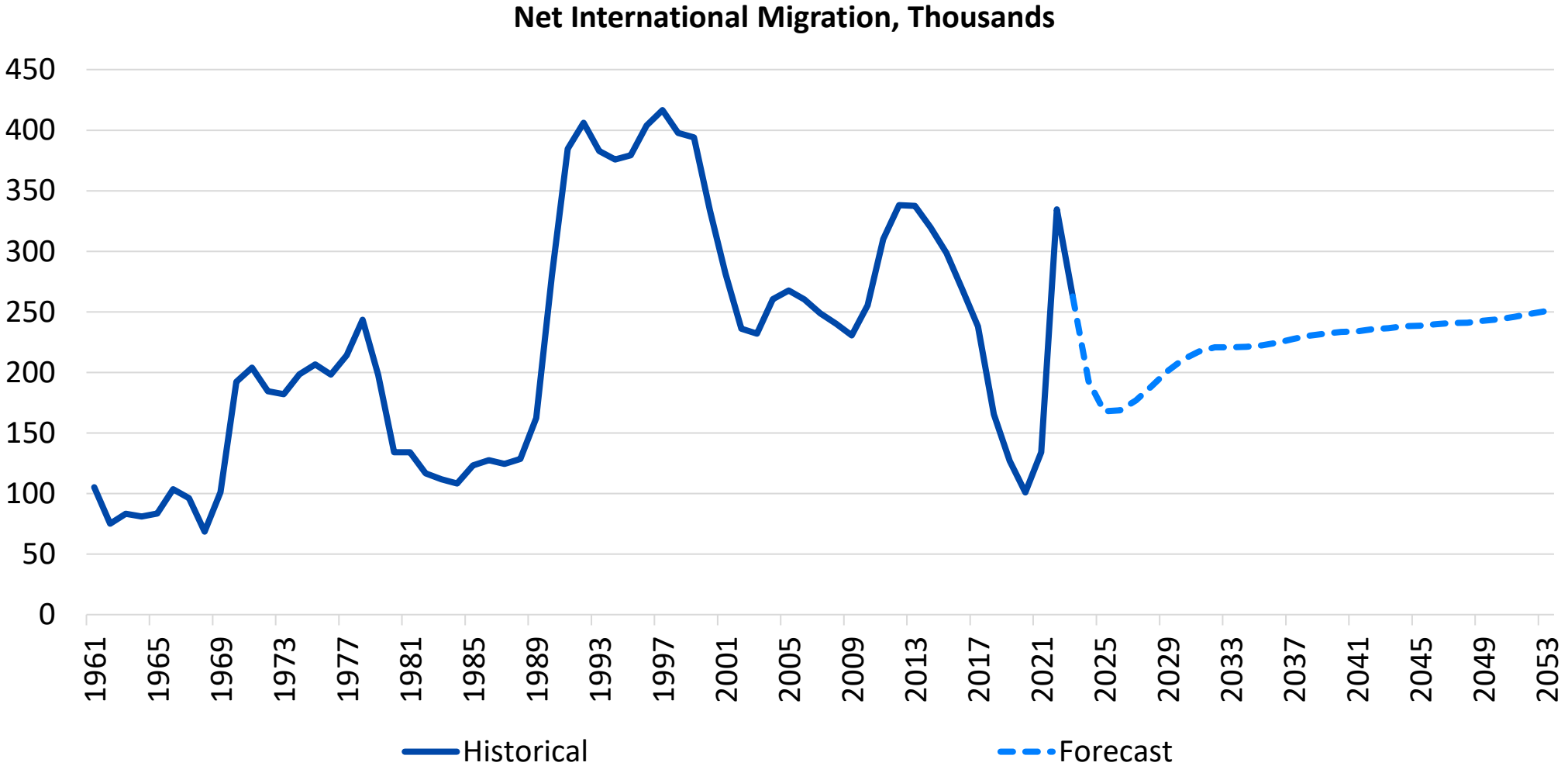
- San Francisco and San Jose have been deemed “superstar” metros while the remaining 13 are “early adopters”
 - The **Bay Area** accounts for approx. one-fourth of AI conference papers, patents and companies
- Only 36 metros have developed an AI presence and the majority of AI activity is concentrated in the **15 metros** below

Market	Top AI Employers
San Francisco & San Jose, CA	Stanford, U. of California – Berkeley, NVIDIA, Alphabet, Salesforce, Facebook
New York, NY	Oracle, IBM, Amazon, Capital One, JPMorgan Chase, Deloitte
Seattle, WA	Amazon, Microsoft, Facebook, Oracle, Apple
Boston, MA	Oracle, Amazon, Capital One, IBM, Hired, Wayfair
Austin, TX	Dell, IBM, CrowdStrike, Oracle, Amazon, AMD
Raleigh, NC	IBM, Oracle, Deloitte, Lenovo, Applied Research Associates
Los Angeles, CA	CrowdStrike, Oracle, Deloitte, IBM, Anthem, Disney
Washington, D.C.	Capital One, Booz Allen Hamilton, Leidos, IBM
Boulder, CO	Oracle, Amazon, Soundhound, Apple
Santa Cruz, CA	CrowdStrike, U. of California, Hired, Joby Aviation, Amazon
Santa Fe, NM	American Express, Descartes Labs
San Diego, CA	Qualcomm, Oracle, CrowdStrike, Intuit
Santa Barbara, CA	CrowdStrike, U. of California, Toyon Research Corporation
Lincoln, NE	American Express, U. of Nebraska

U.S. Population Growth Has Been Falling



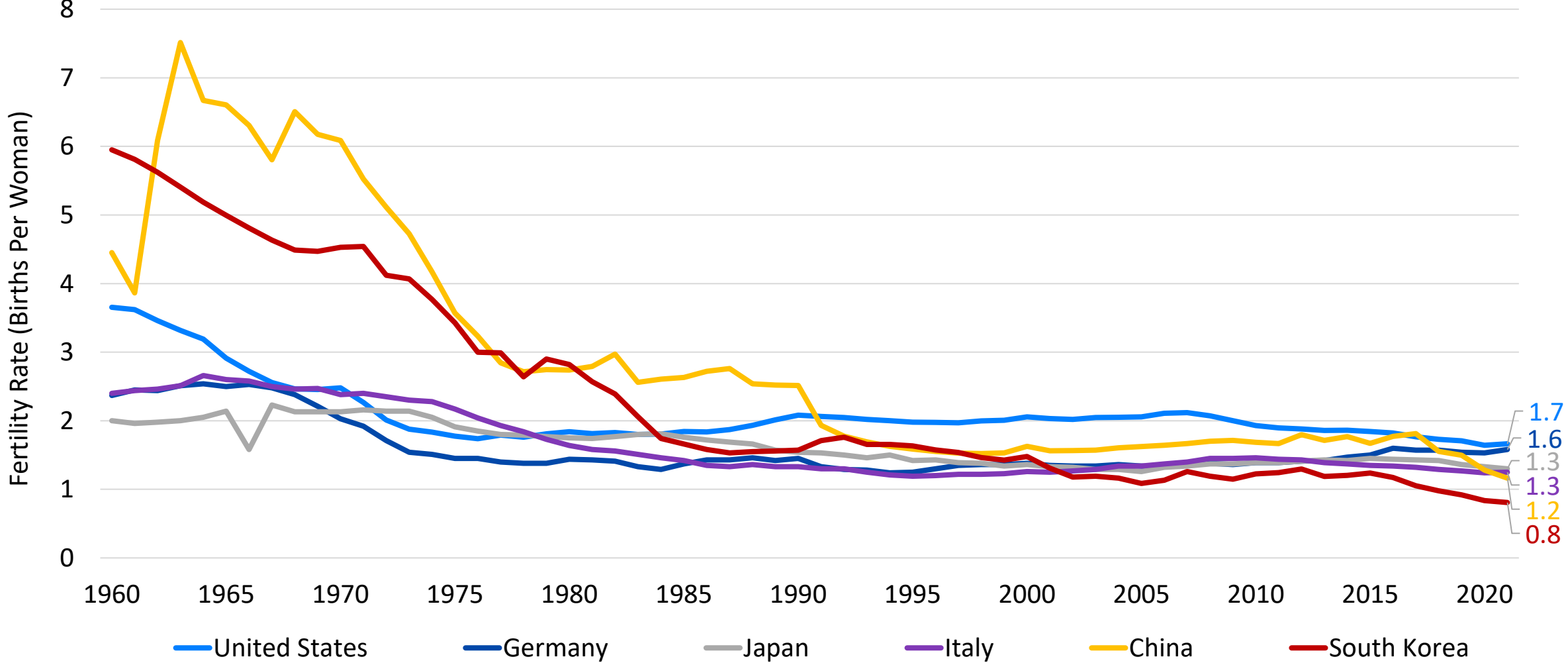
Net International Migration Saw a Sharp Uptick in 2022, but It's Not Going to Be Enough to Get U.S. Population Growth Back to Where it Was



Source: Yardi Matrix; U.S. Census Bureau; Moody's Analytics

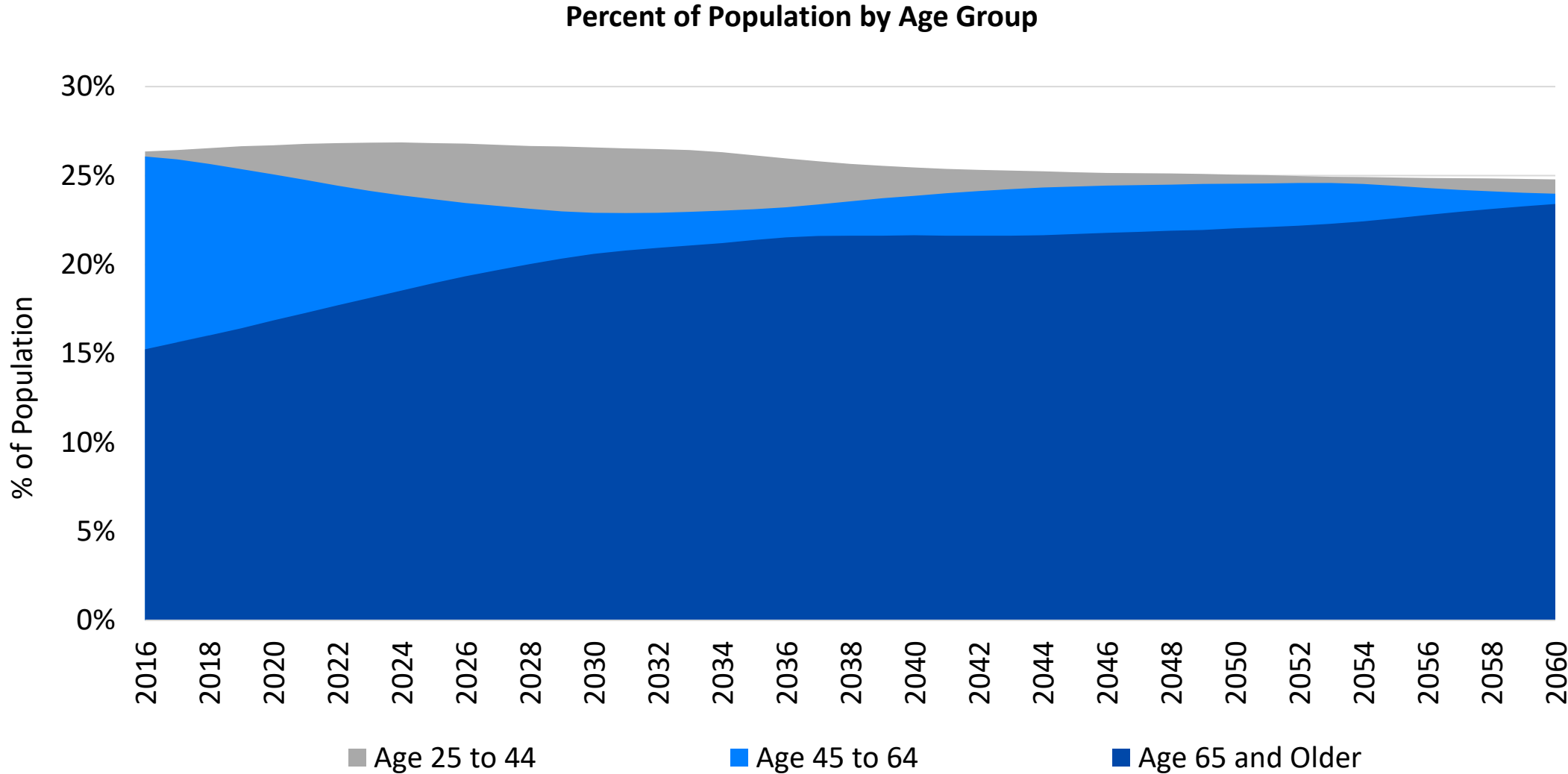
The U.S. Birth Rate Is Declining, But Is Faring Better Than Other Developed Nations

Fertility Rate By Country

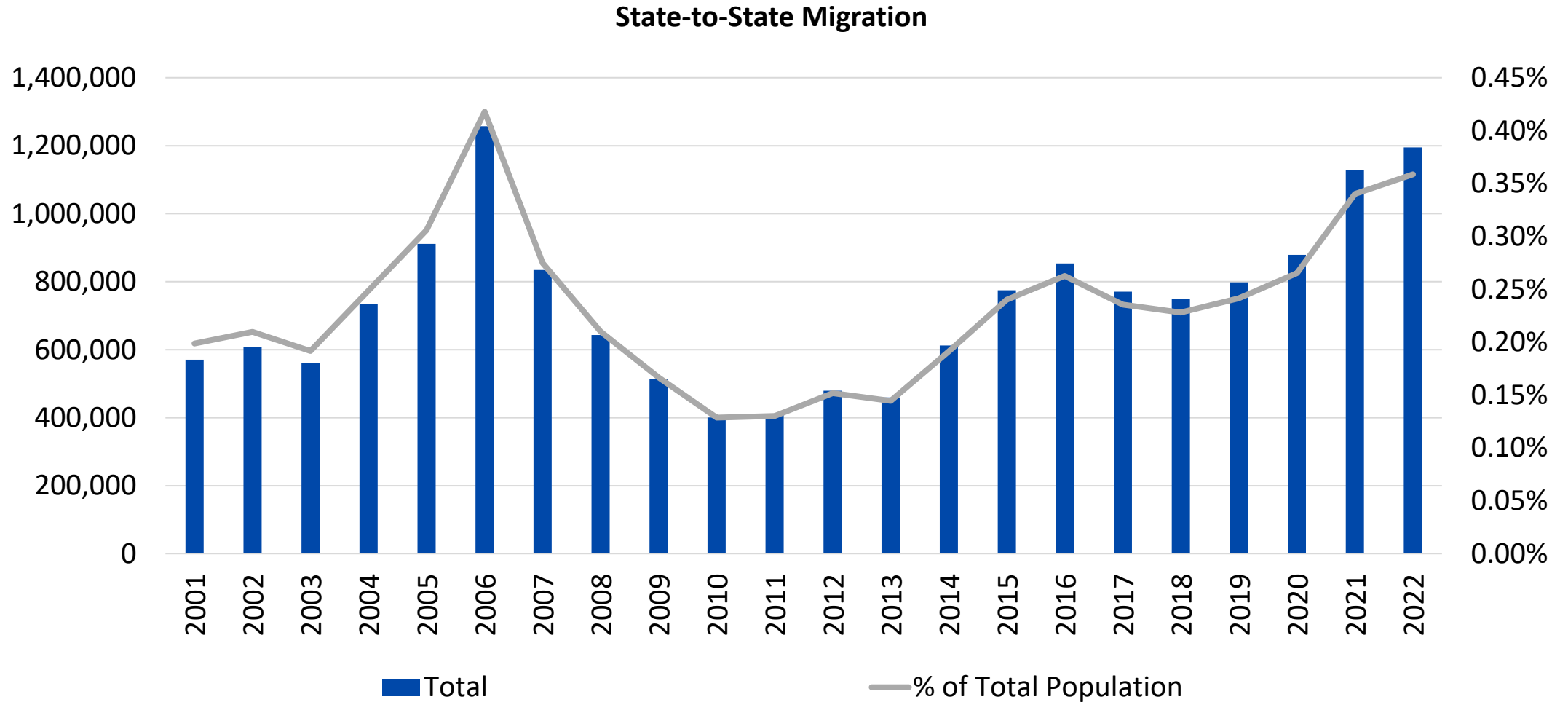


Source: Yardi Matrix; The World Bank

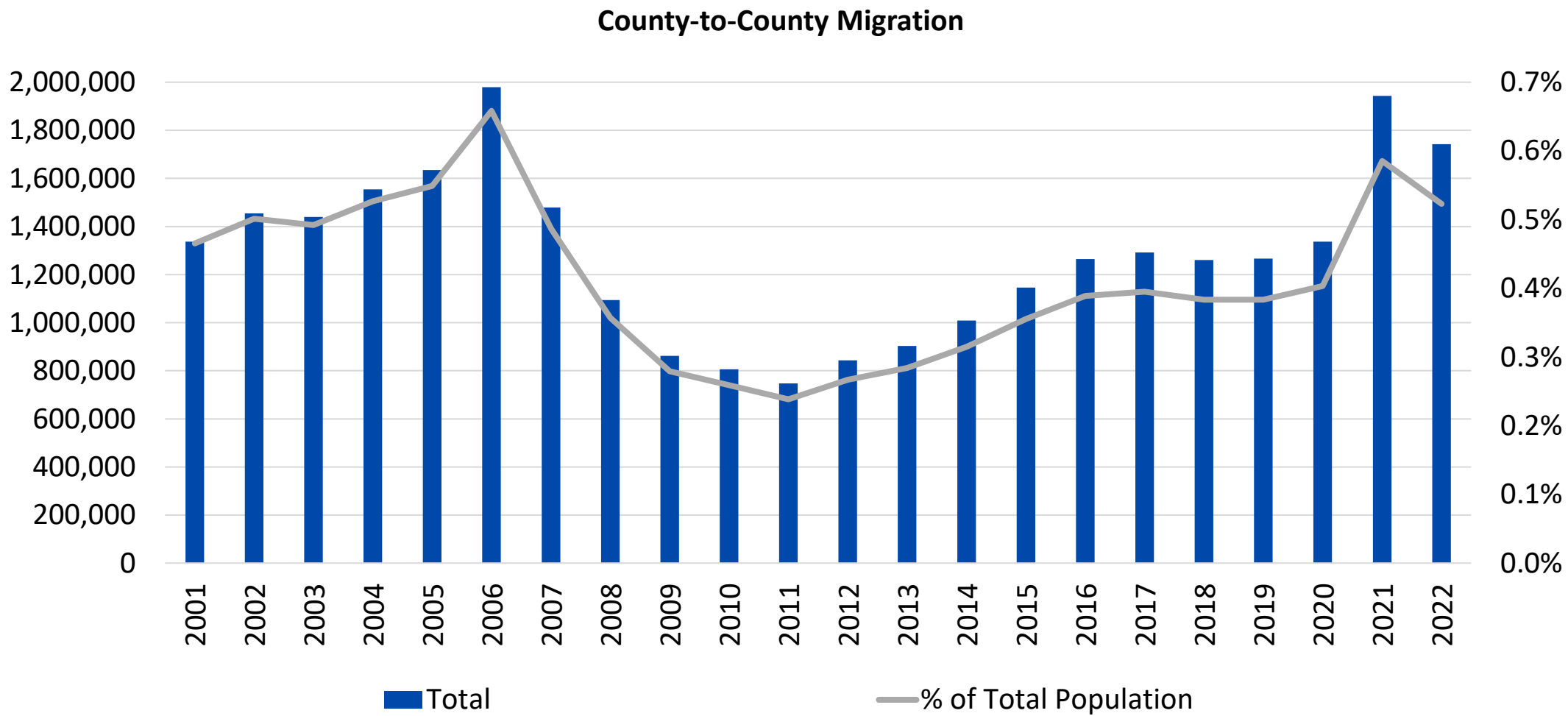
As a Result, The U.S. Population Will Grow Older For the Next Several Decades



State-to-State Migration Increased Again in 2021-2022 Near the All-Time High Experienced in 2006

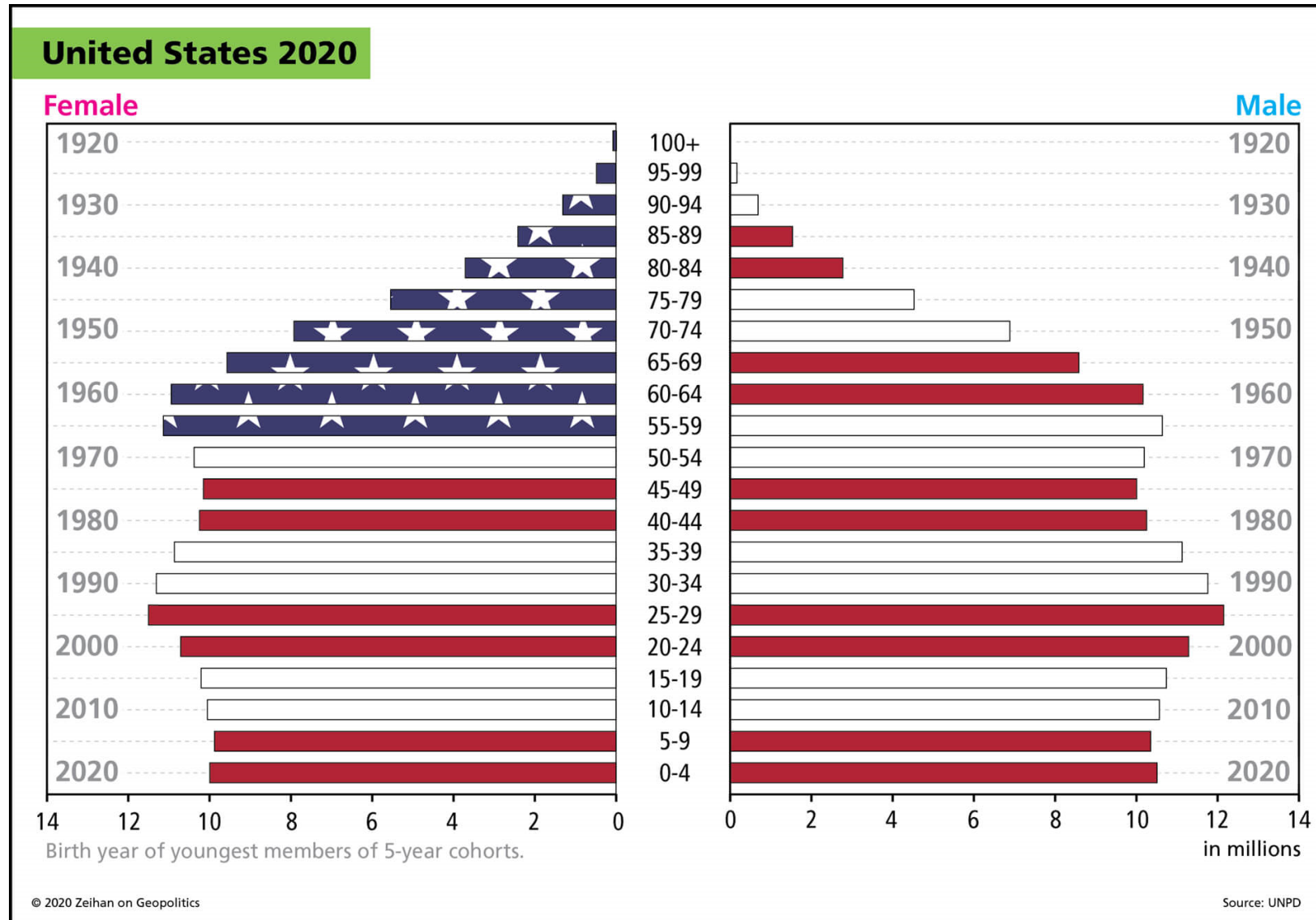


County-to-County Migration Peaked in 2021, But 2022 Was Still Well Above Average

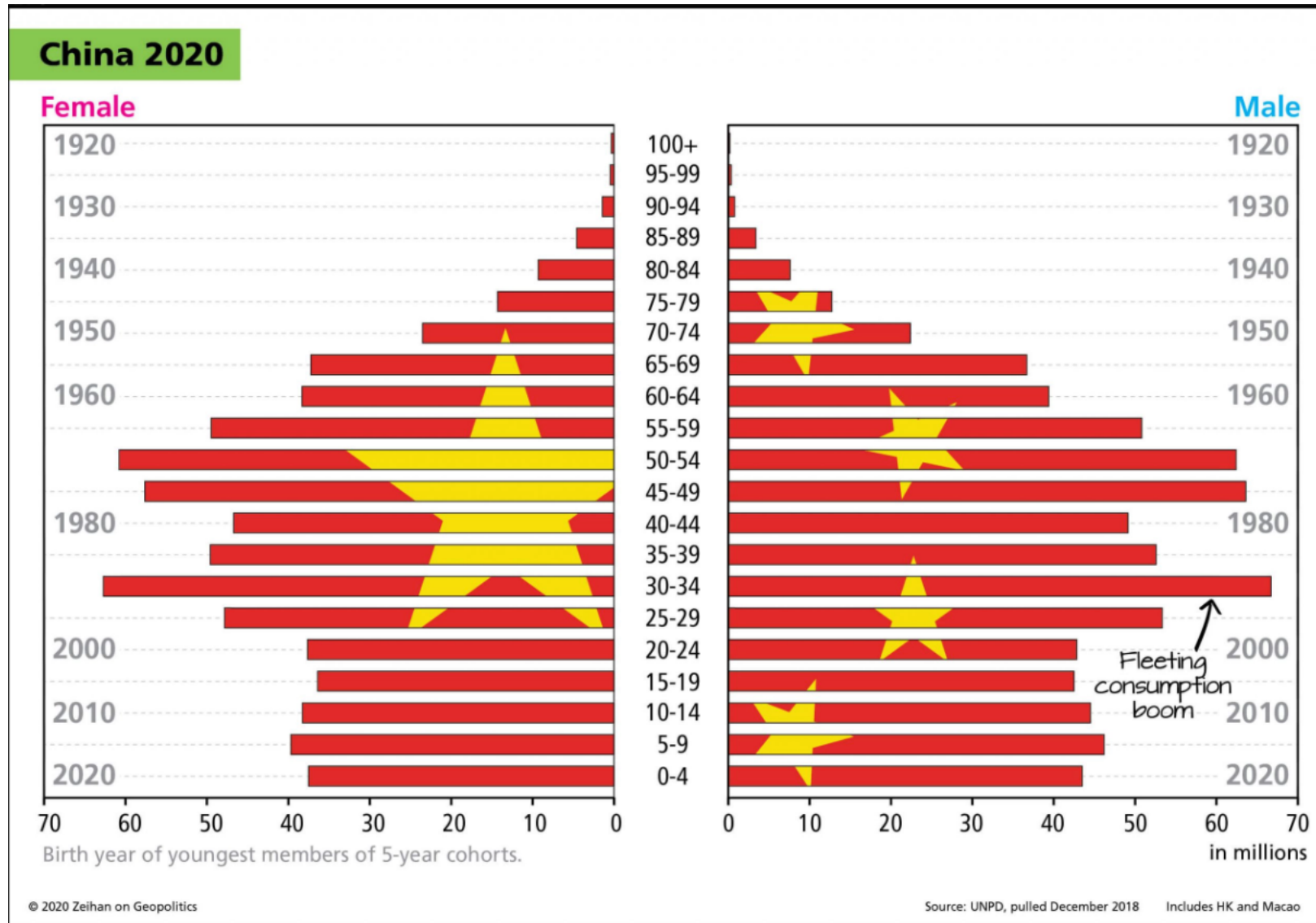


Migration data is for July – July of each year | Source: Yardi Matrix; U.S. Census Bureau

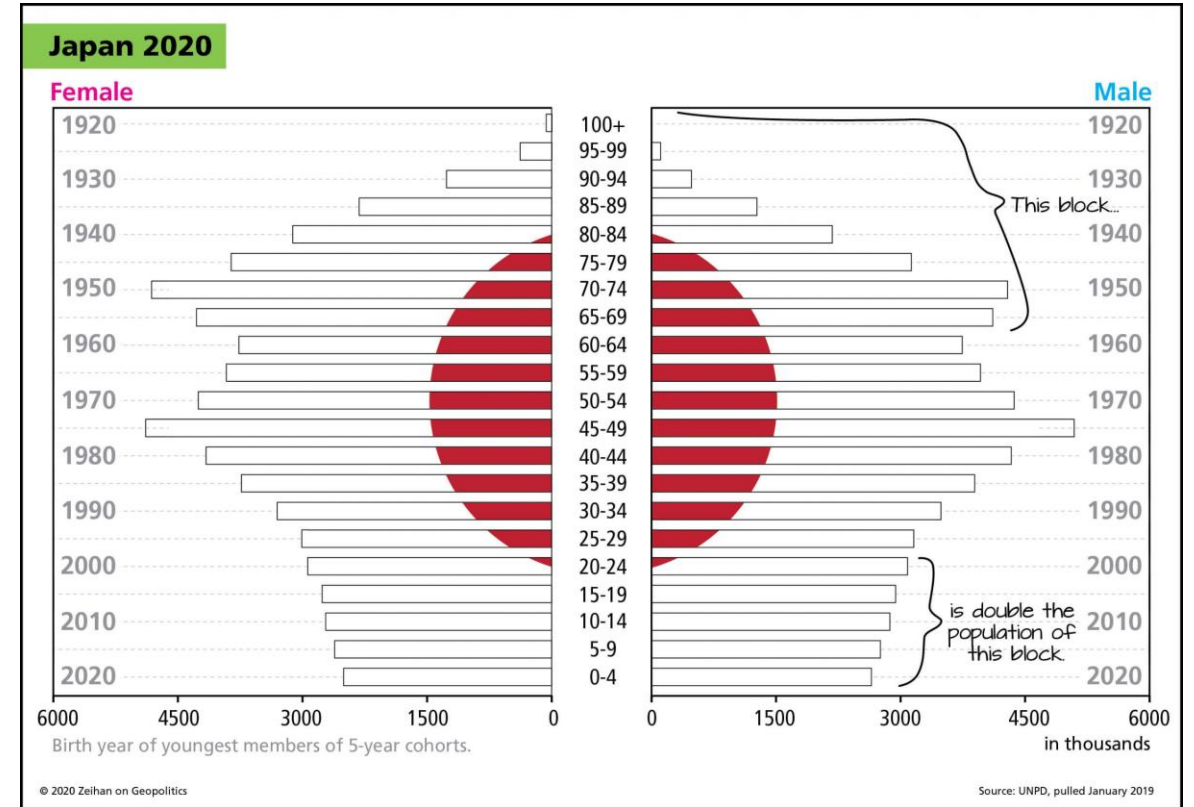
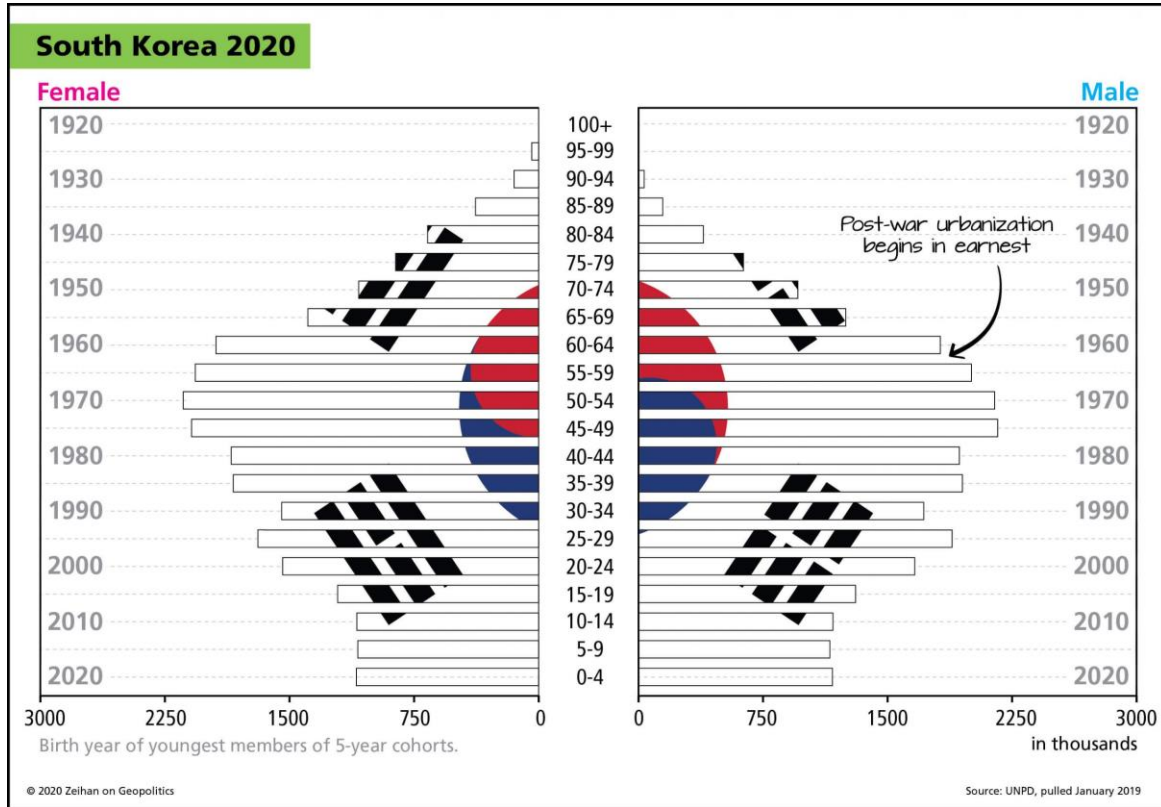
The U.S. Will Suffer a Demographic “Hiccup” as Boomers Retire, But Will Fare Better Than Other Parts of the World



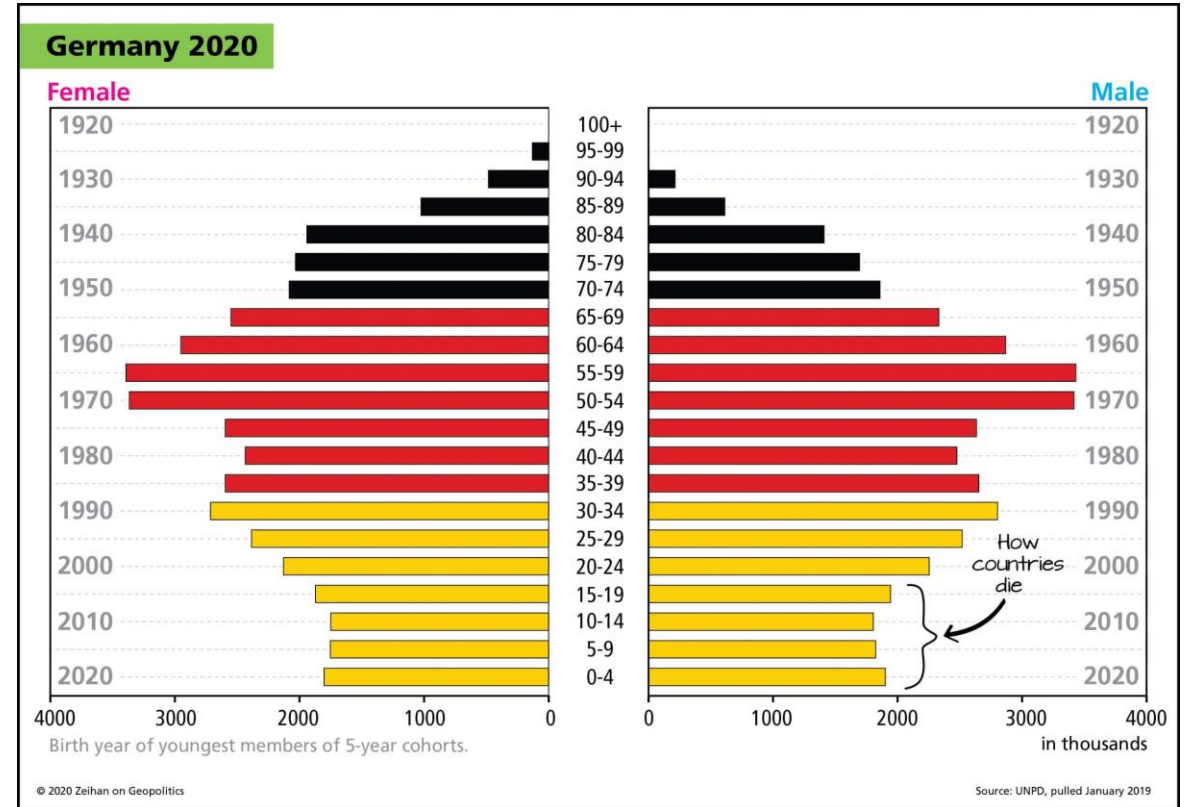
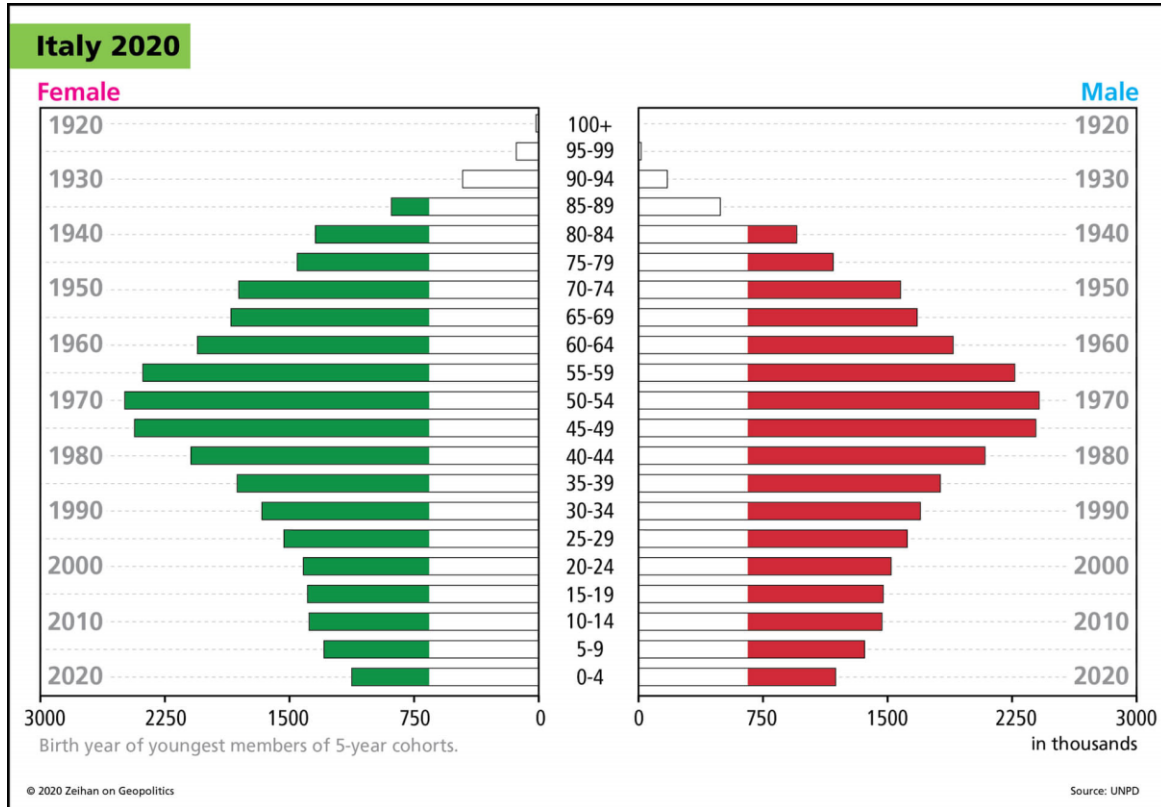
China is the Fastest Aging Society in Human History



Other Countries in Northeast Asia Will Suffer Similar Demographic Trends, Albeit to a Lesser Degree...



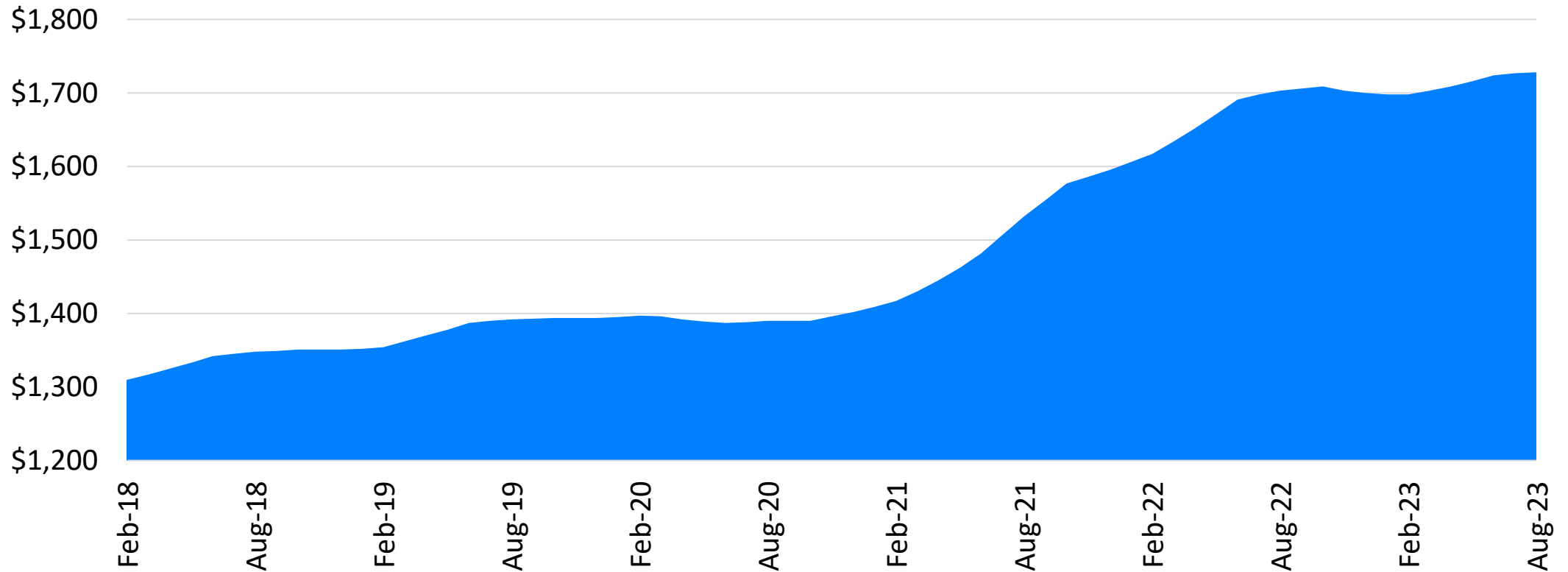
...Just As Parts of Europe Will



MULTIFAMILY FUNDAMENTALS

National Multifamily Rent Growth is Strong But Decelerating

National Average Rents

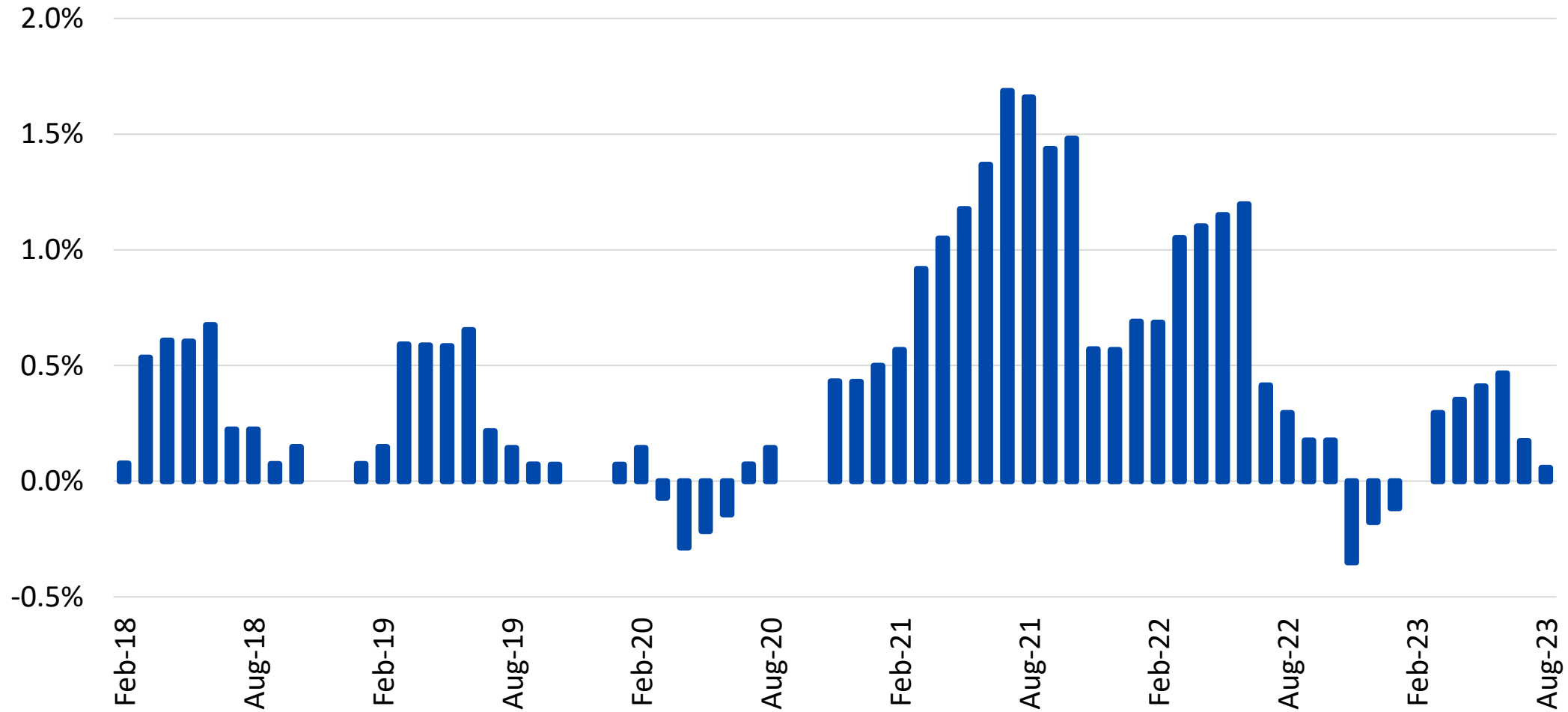


	% Change	\$ Change
Year-over-Year: August '22 – August '23	1.5%	\$25
Month-over-Month: July '23 – August '23	0.1%	\$1
Pre-pandemic to Current: Feb '20 – August '23	23.7%	\$331



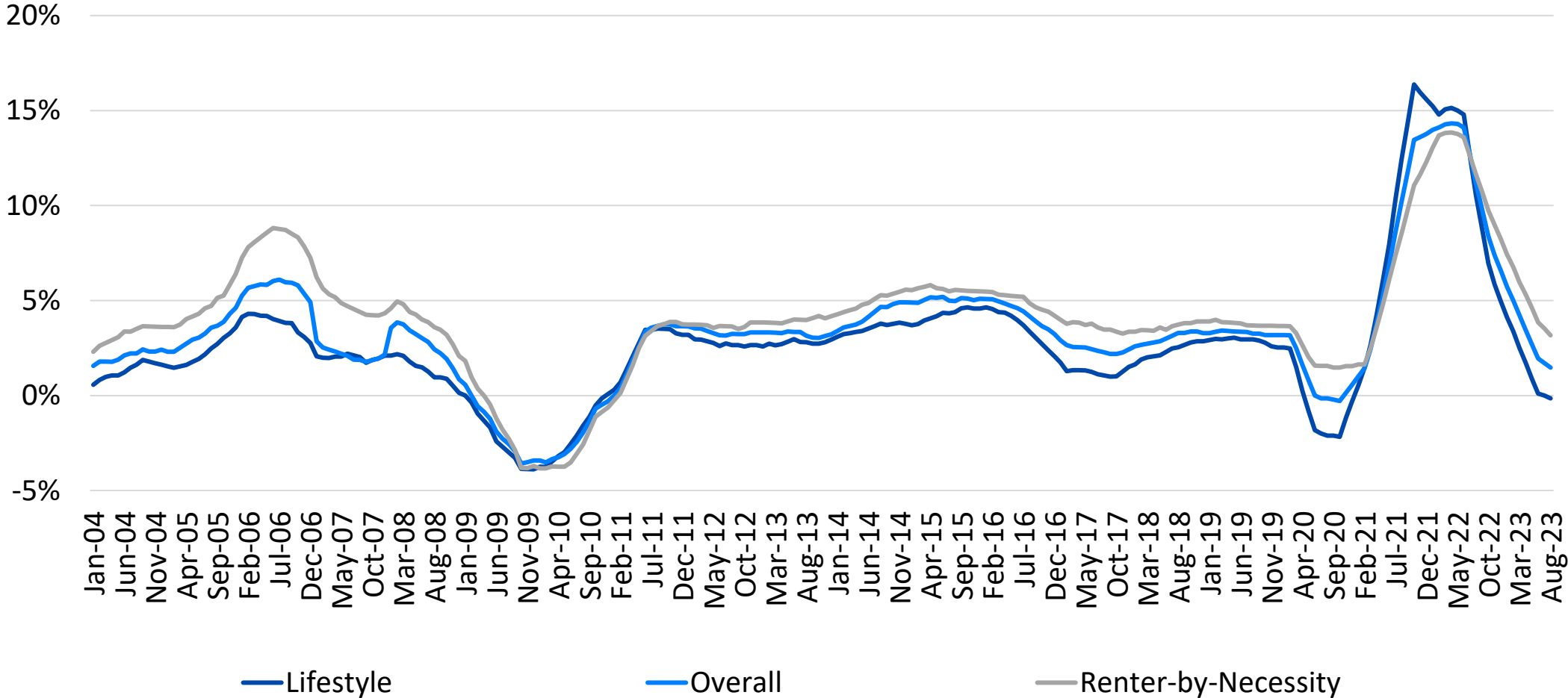
Sequential Rent Growth Has Slowed Substantially Compared to 2021 & 2022

National Average Rents: Month-over-Month



Renter-by-Necessity Units Have Led Rent Growth Over the Last 12 Months, But Growth is Decelerating Across the Board

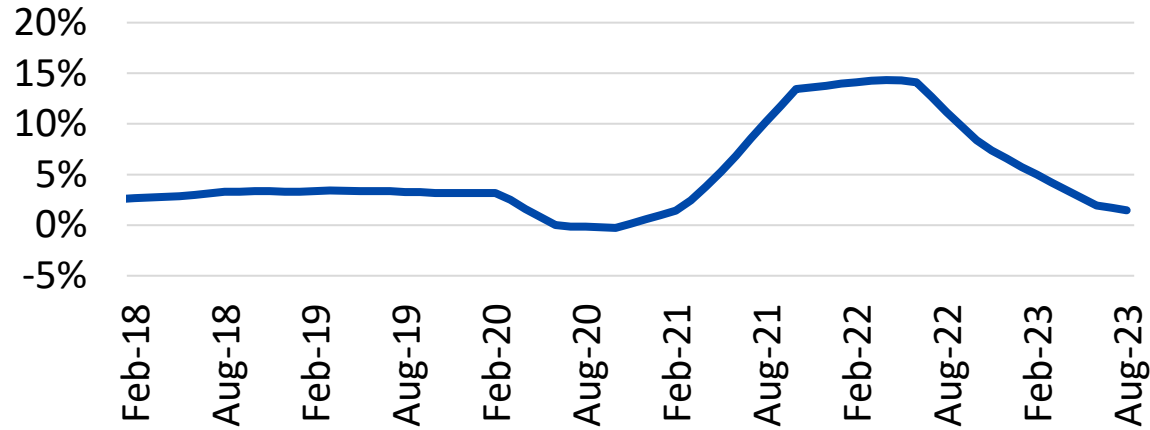
National Average Rents: Year-over-Year



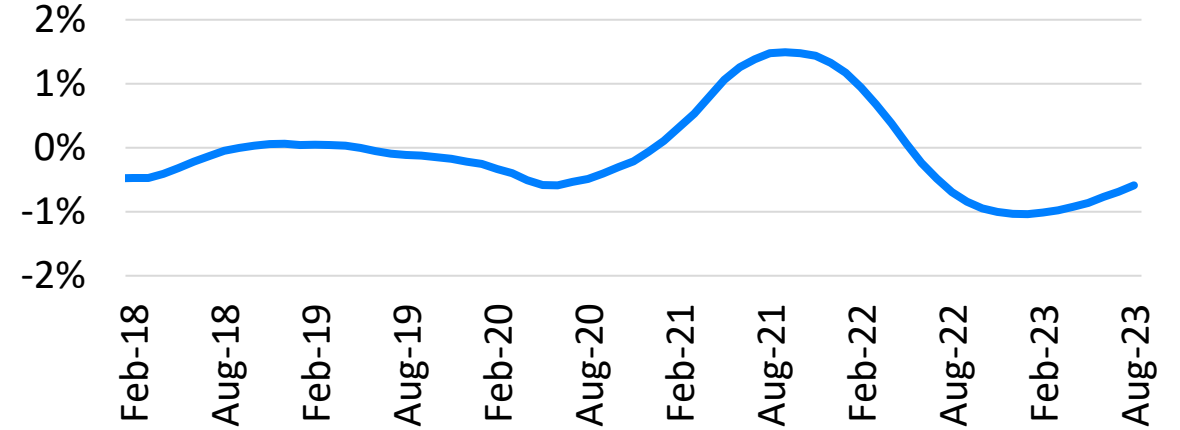
Source: Yardi Matrix

Rent and Occupancy Fell Slightly Month-over-Month

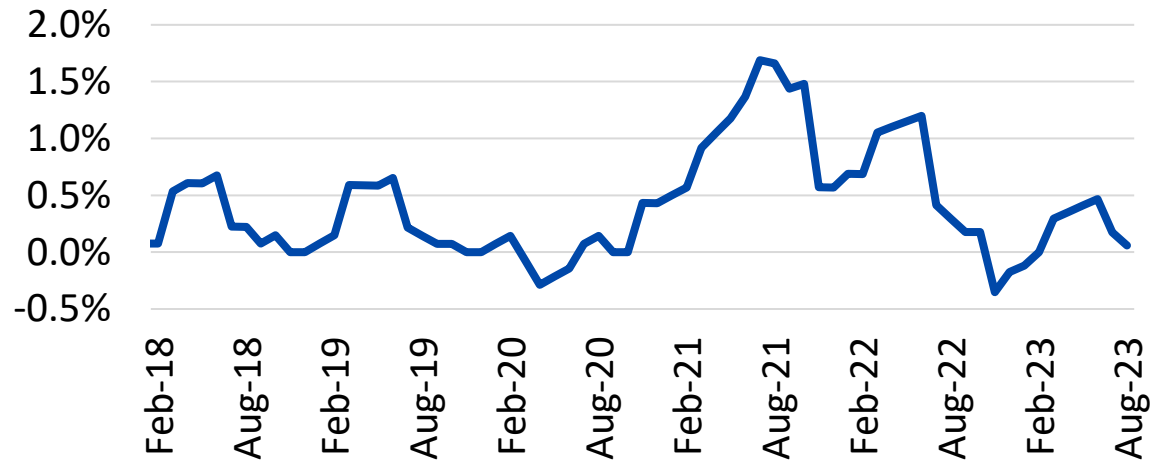
National Rents: Year-over-Year



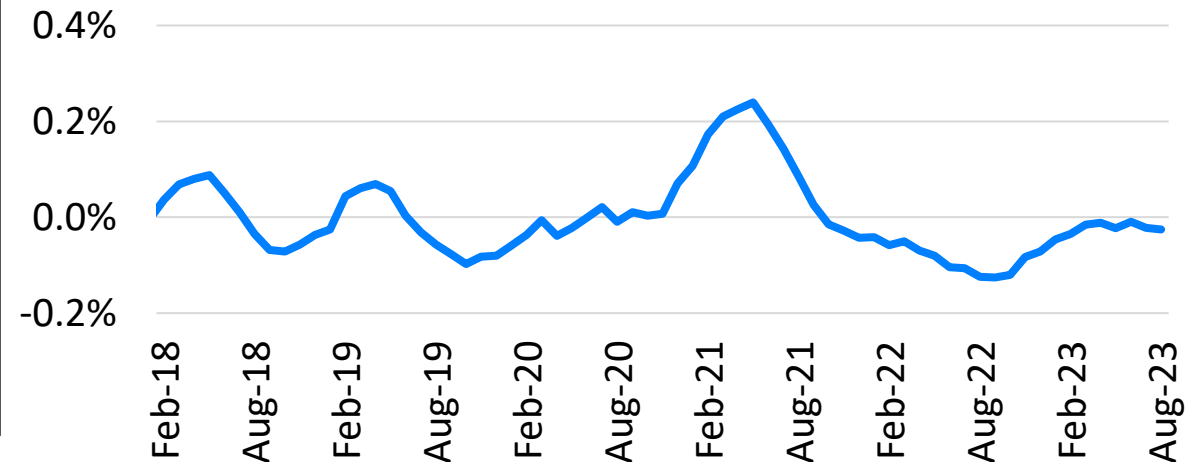
National Occupancy: Year-over-Year



National Rents: Month-over-Month

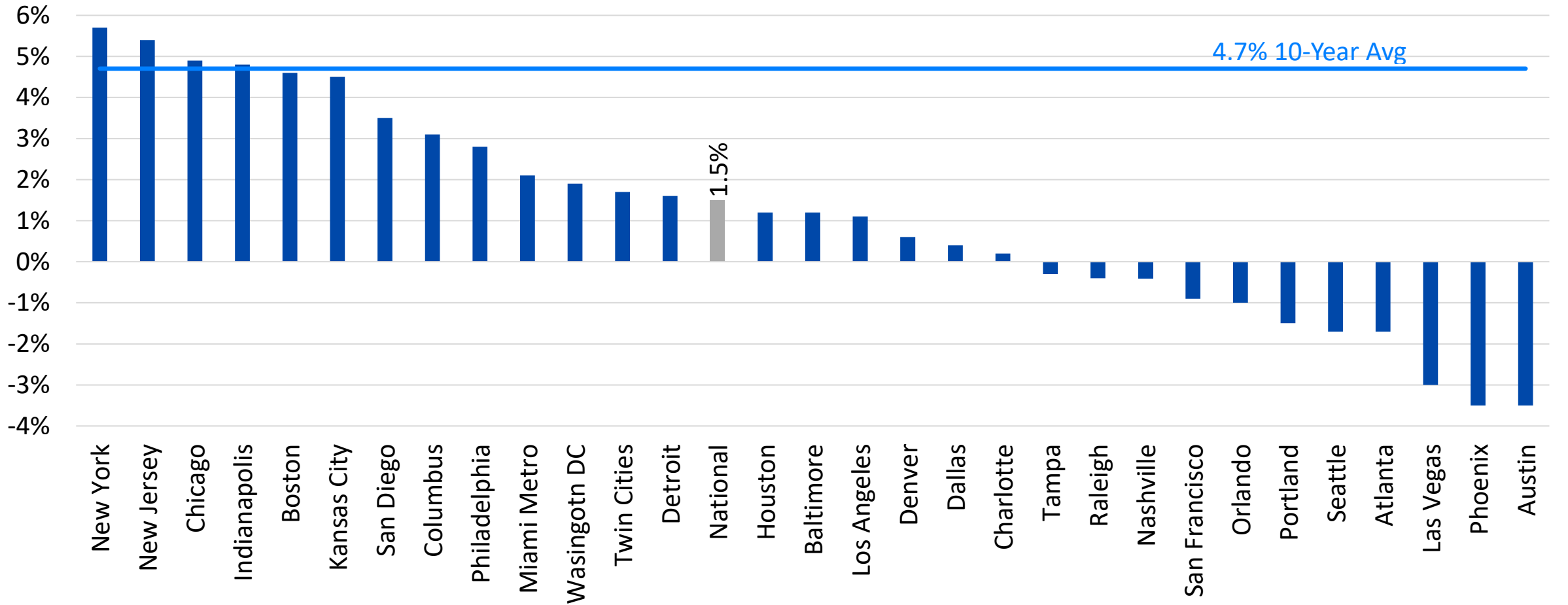


National Occupancy: Month-over-Month



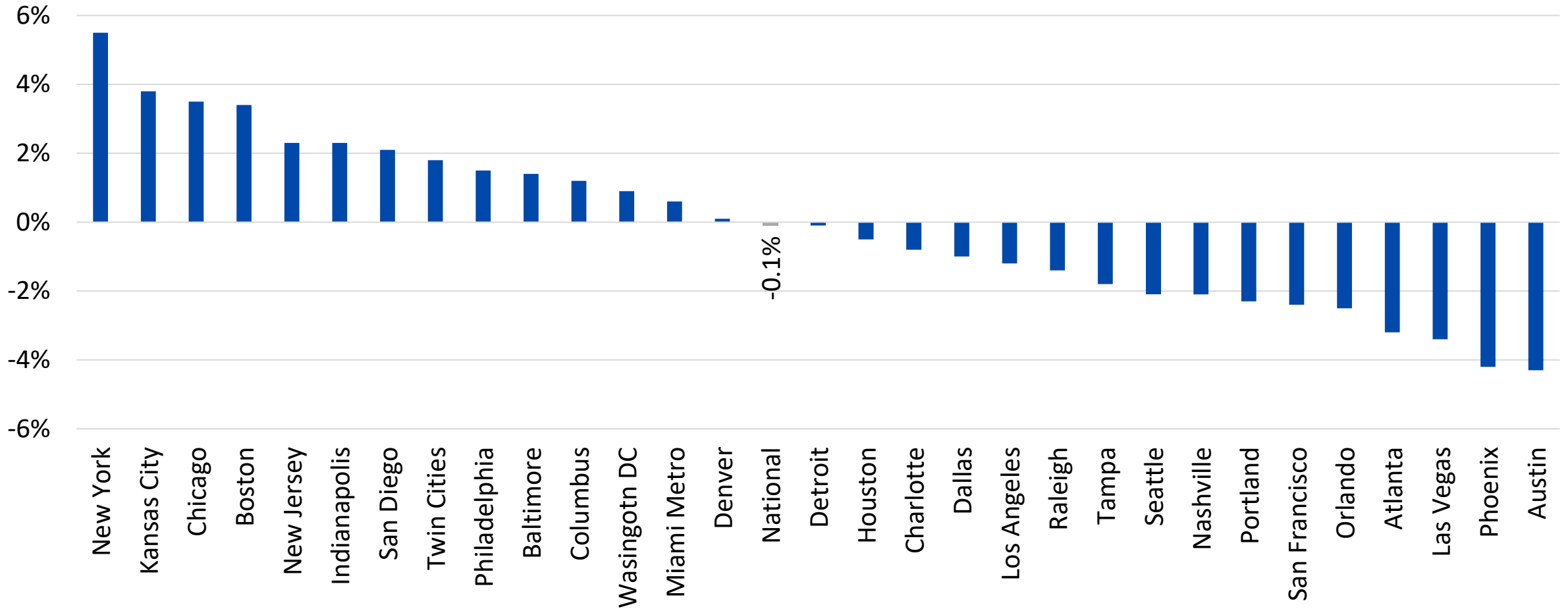
Rent Growth Has Been Softening in Most Matrix Top Markets

Year-Over-Year Rent Growth - All Asset Classes



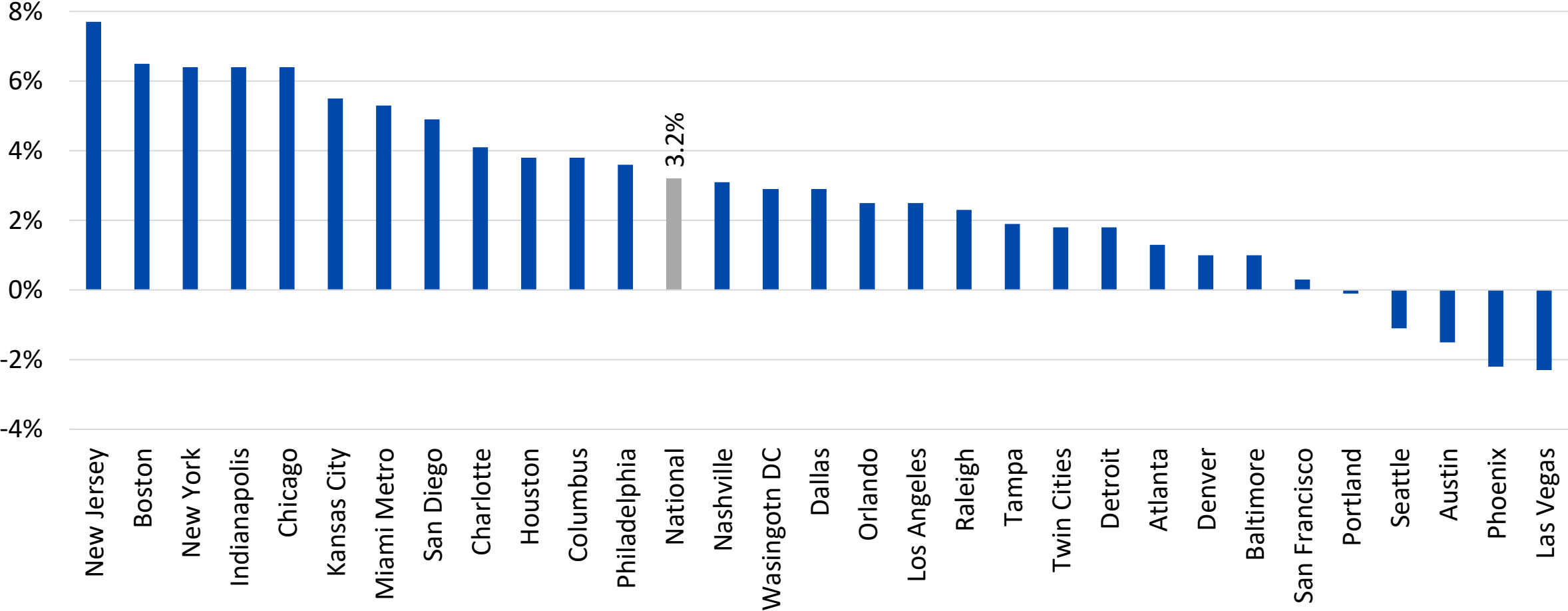
In August 2023, Sunbelt and Western Metros Experienced Declines in the Lifestyle Asset Class

Year-Over-Year Rent Growth - Lifestyle Asset Class

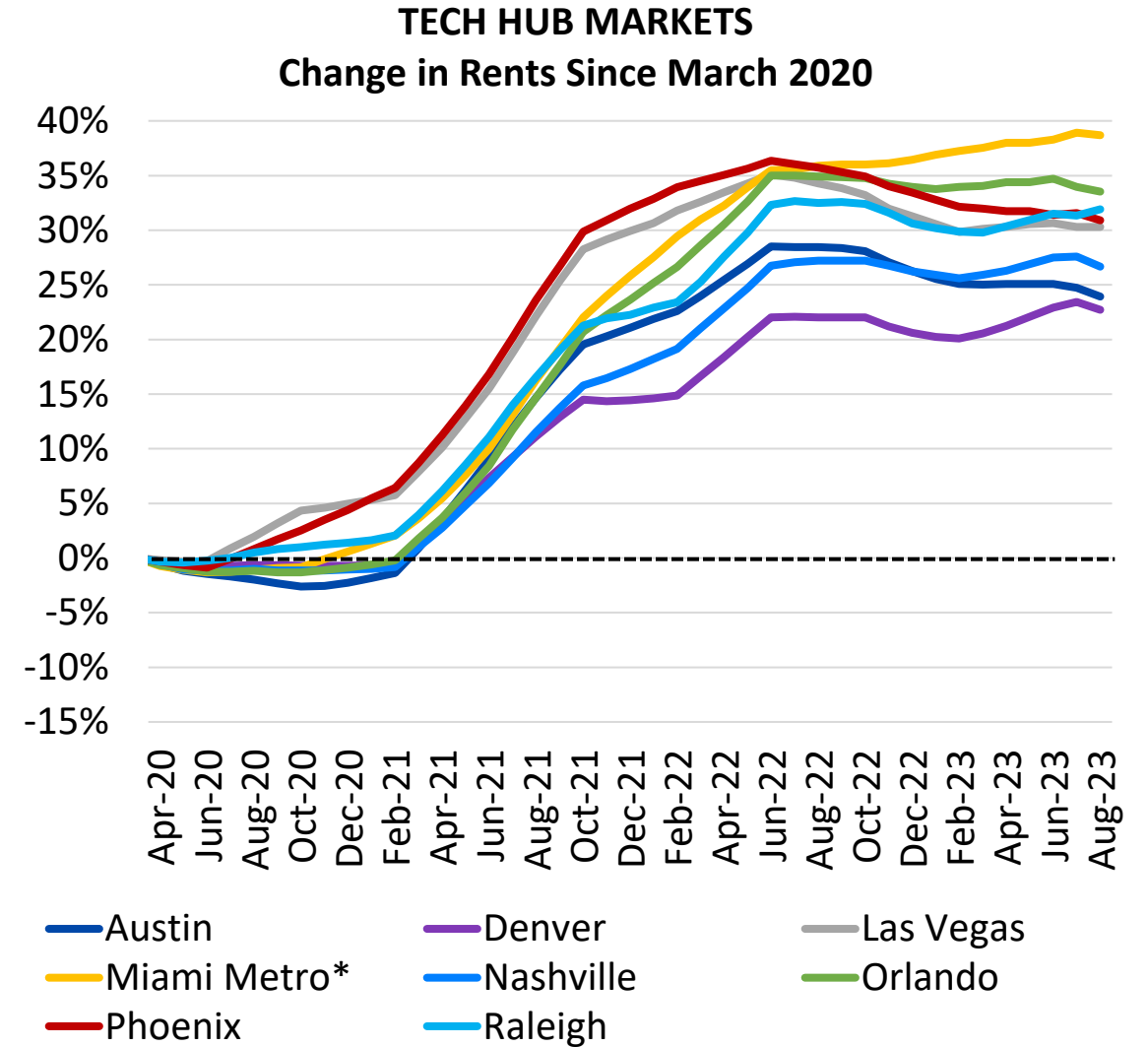
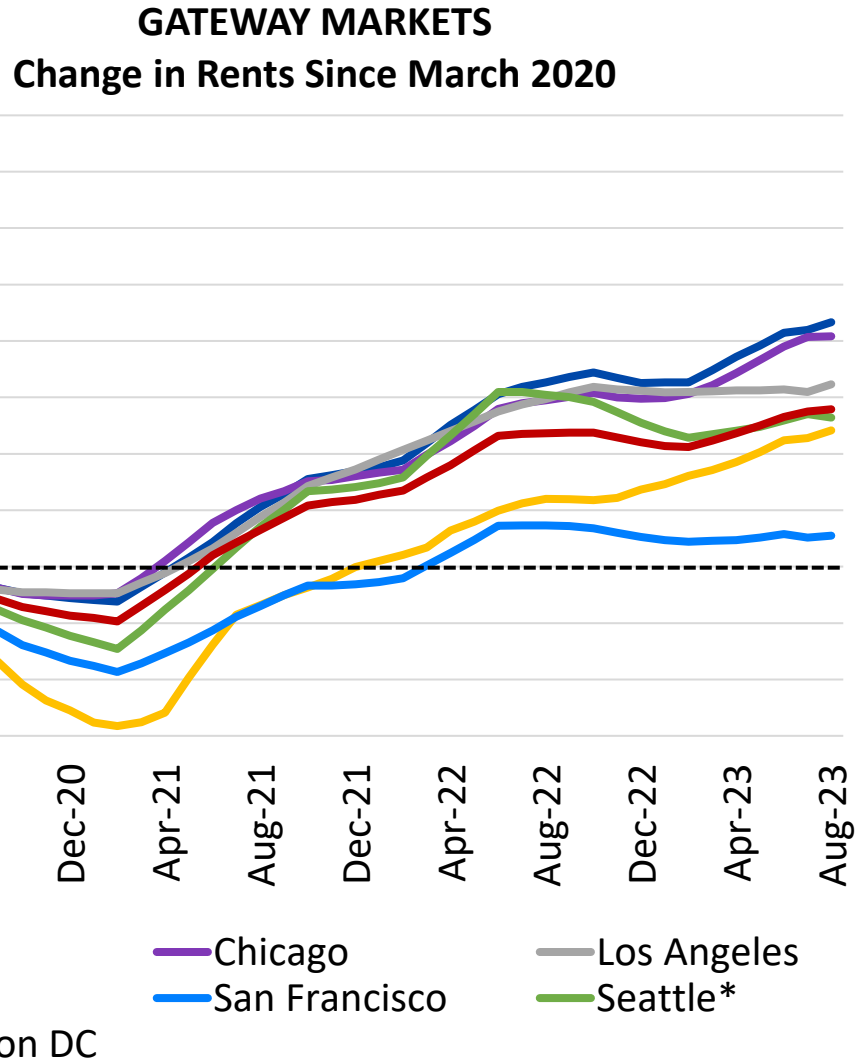


Only 5 Top Matrix Markets Experienced a Decline in Renter-by-Necessity Rent Growth in August

Year-Over-Year Rent Growth - Renter-by-Necessity Asset Class



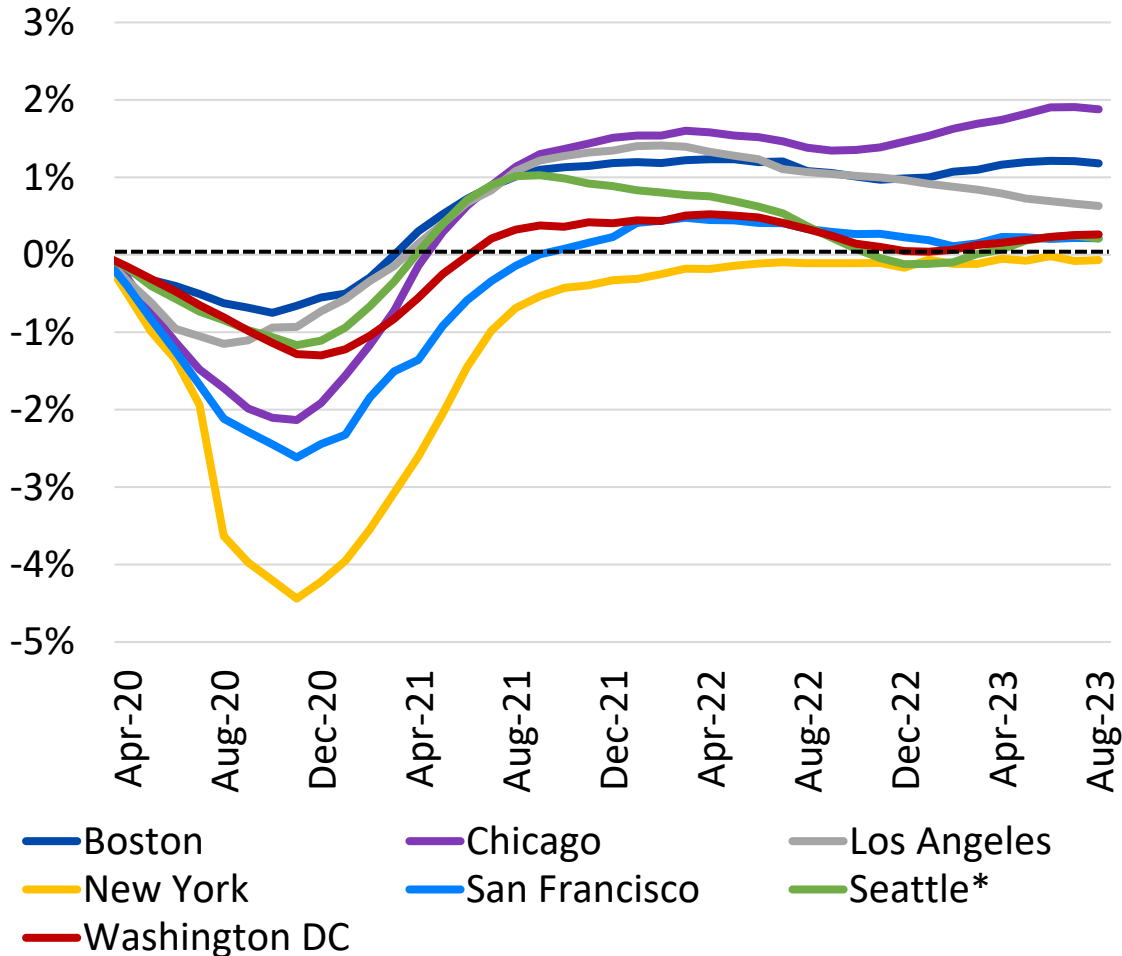
Multifamily Rent Growth Recovered Quicker in Tech Hubs than Gateway Markets



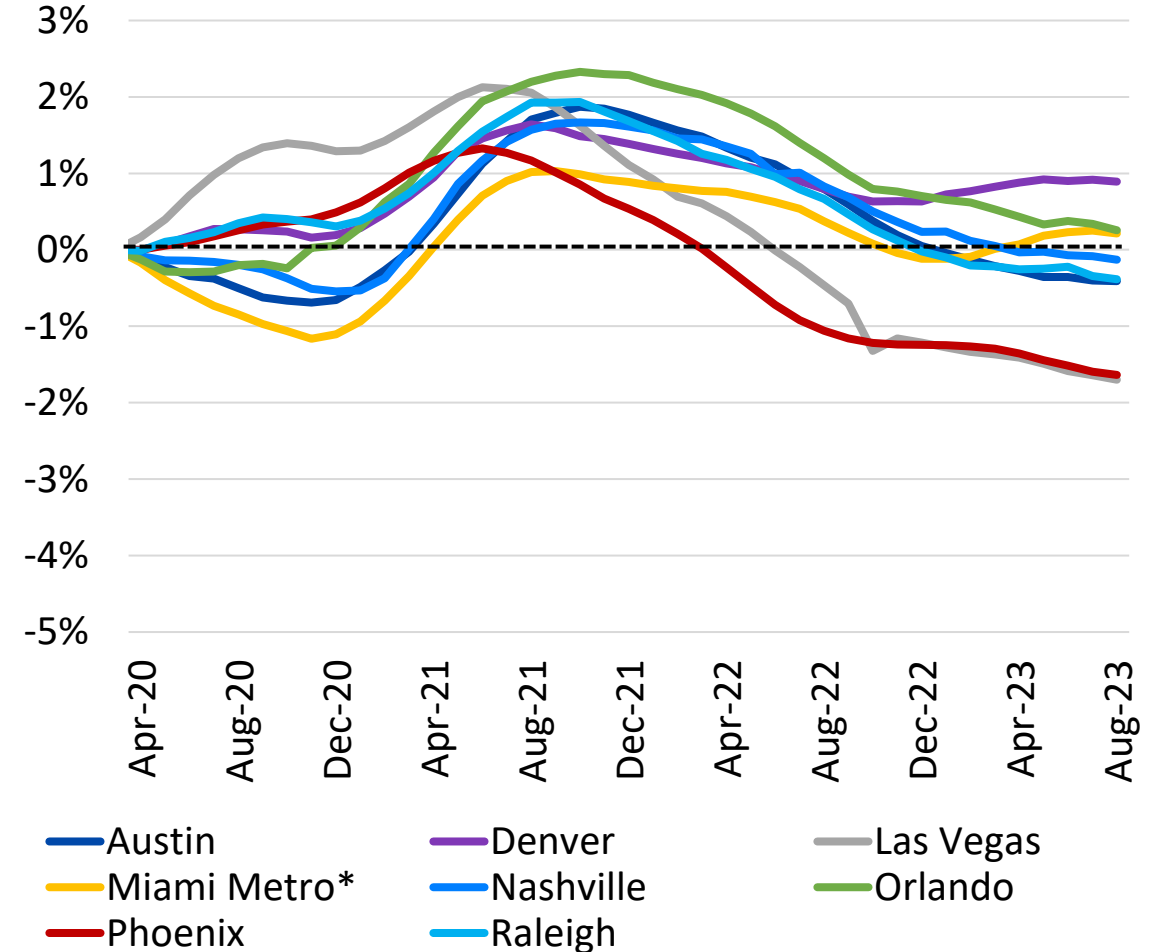
*Miami performs more like a tech hub market & Seattle performs more like a gateway market | Source: Yardi Matrix

Multifamily Occupancy is Moderating in Both Gateway and Tech Hub Markets

GATEWAY MARKETS
Change in Occupancy Since March 2020



TECH HUB MARKETS
Change in Occupancy Since March 2020



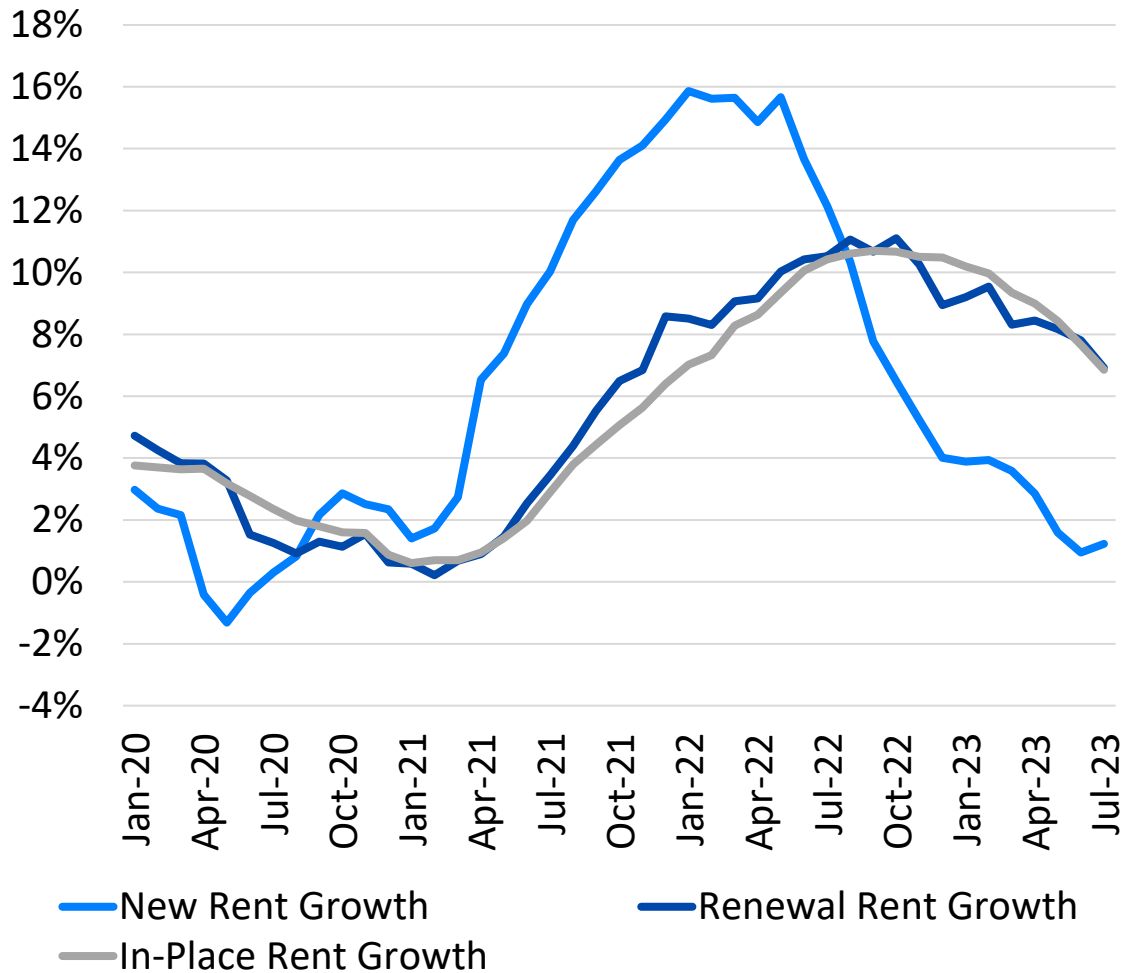
*Miami performs more like a tech hub market & Seattle performs more like a gateway market | Source: Yardi Matrix

Competition For Apartments Was Greatest In Miami And The Midwest

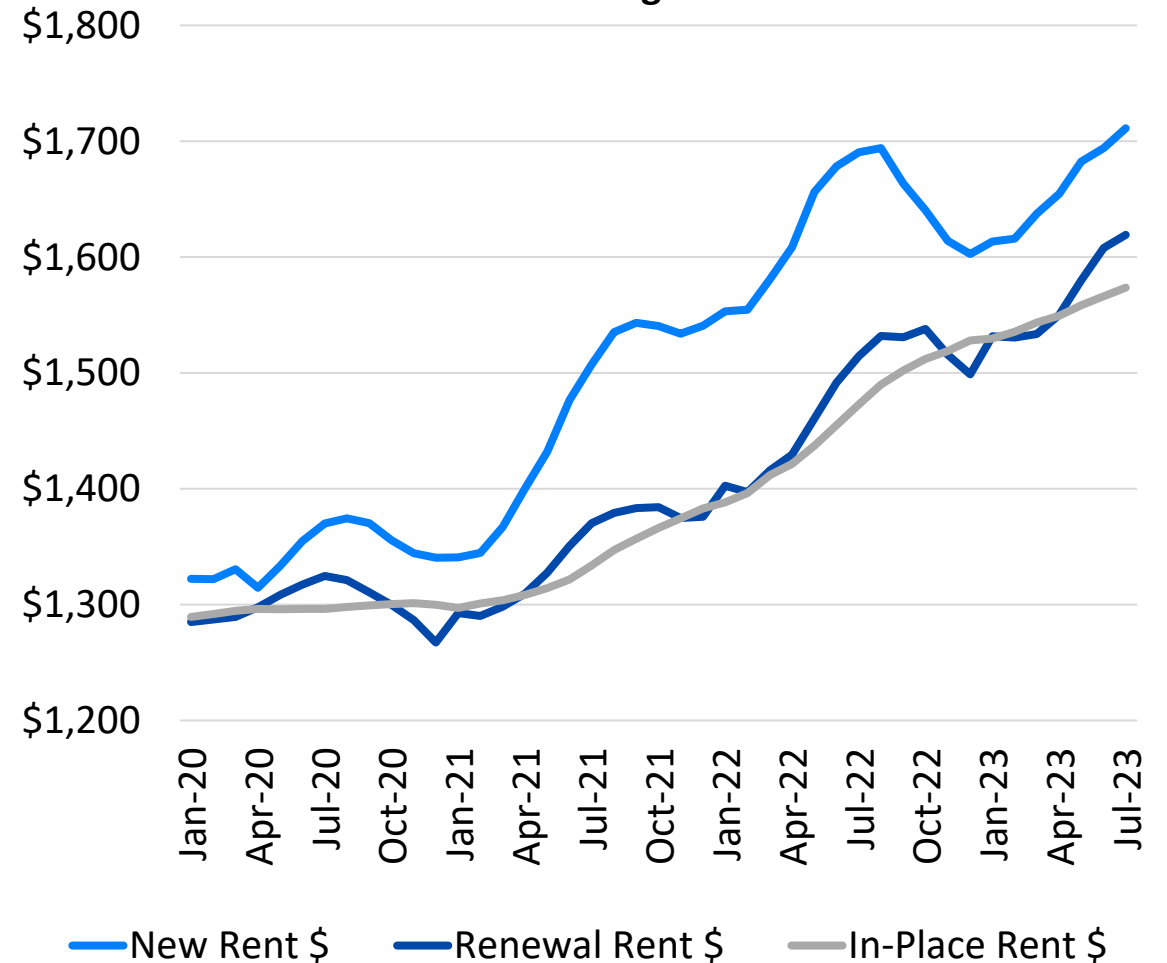
- During peak summer rental season, the apartment market was deemed **moderately competitive nation wide** (based on factors such as the number of days an apartment stayed vacant, how many renters applied for the same available apartment, lease renewal rates, etc.)
 - There were 10 renters per vacant unit, compared to 15 the previous year
 - More than half of the 139 markets analyzed have cooled compared to 2022
 - A significant number of new apartments have been delivered this year, thus tempering demand
- Miami was the most competitive rental market while the Midwest was the hottest apartment region
 - Miami had an occupancy rate of 97.1% and there were 25 renters per vacant unit
 - The Midwest region had three markets in the top five nationally due to budget-friendly housing options and a lower cost of living
 - Milwaukee was the second hottest market in the country, Suburban Chicago the fourth and Grand Rapids the fifth
- The Northeast is making a comeback
 - North Jersey is the third hottest market and Brooklyn is the 11th
 - NYC has almost recovered pre-COVID employment levels
- Competition in small markets was the greatest in Harrisburg, PA, Fayetteville, AR, and Providence, RI

Multifamily Rent Growth on New, Renewal and In-Place Transacted Leases Continue to Decelerate

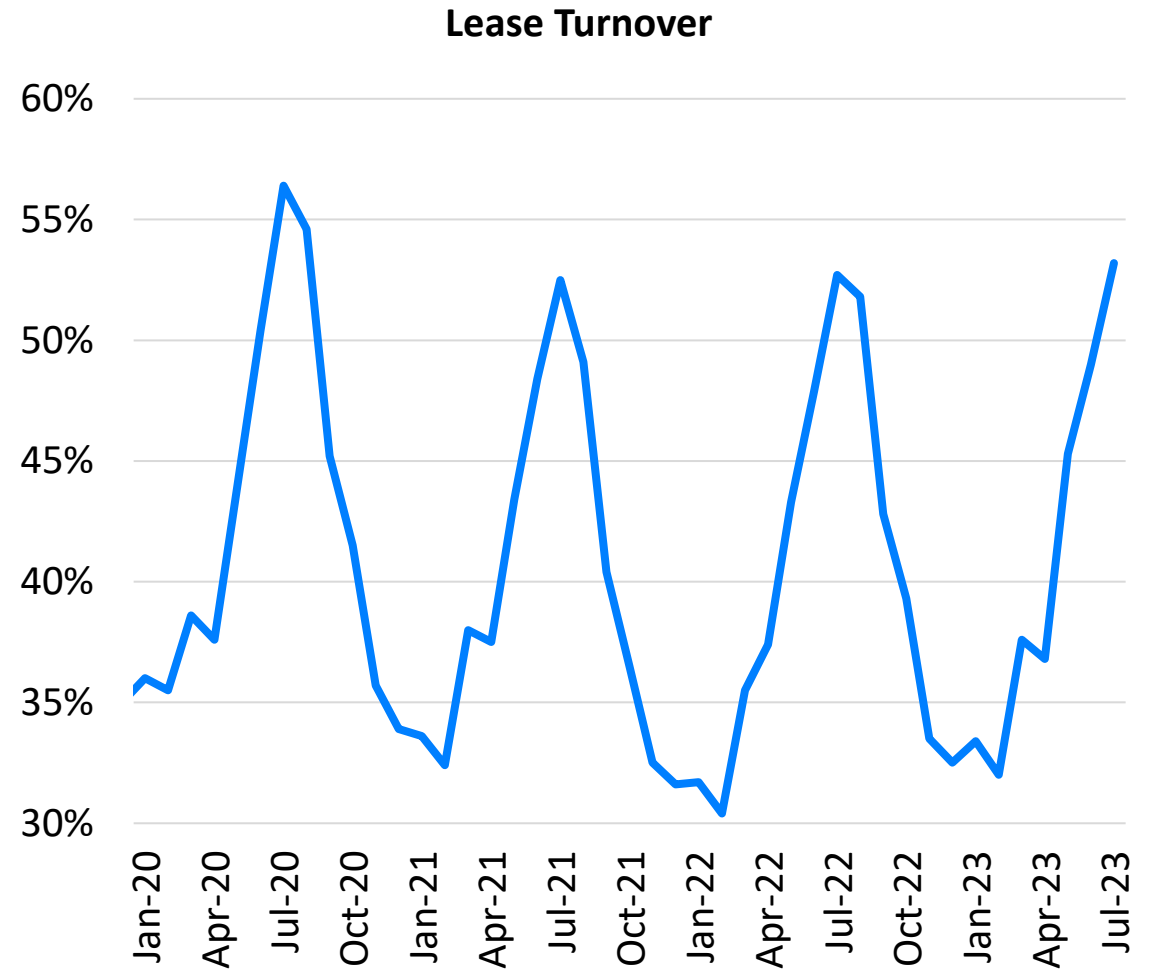
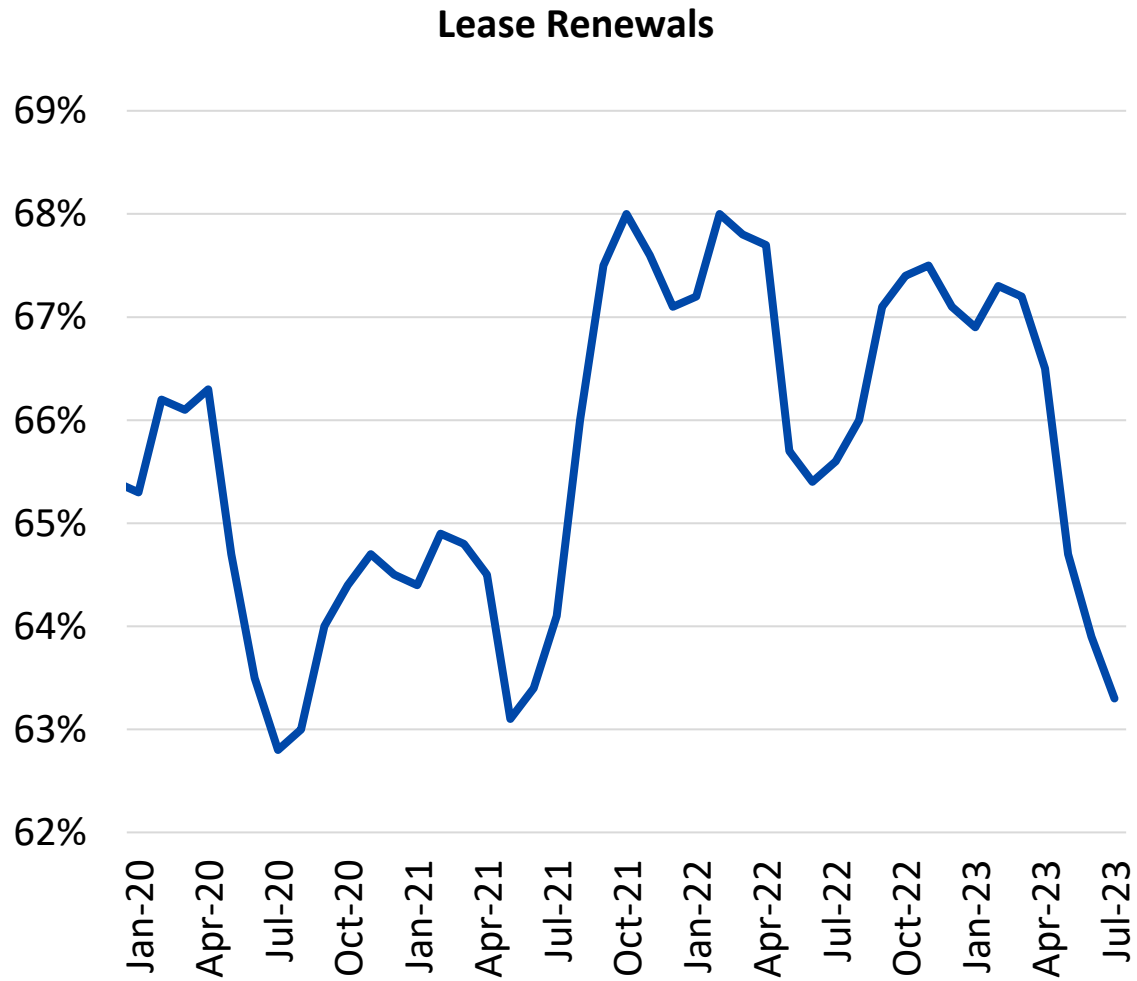
National Year-over-Year Rent Growth



National Average Rents



Lease Renewals are Down Off Their Peak, While Turnover Displays a Normal Seasonal Pattern...Possibly Indicating an Effect of Rent Increases



Many Tertiary Markets Are Still Performing Very Well

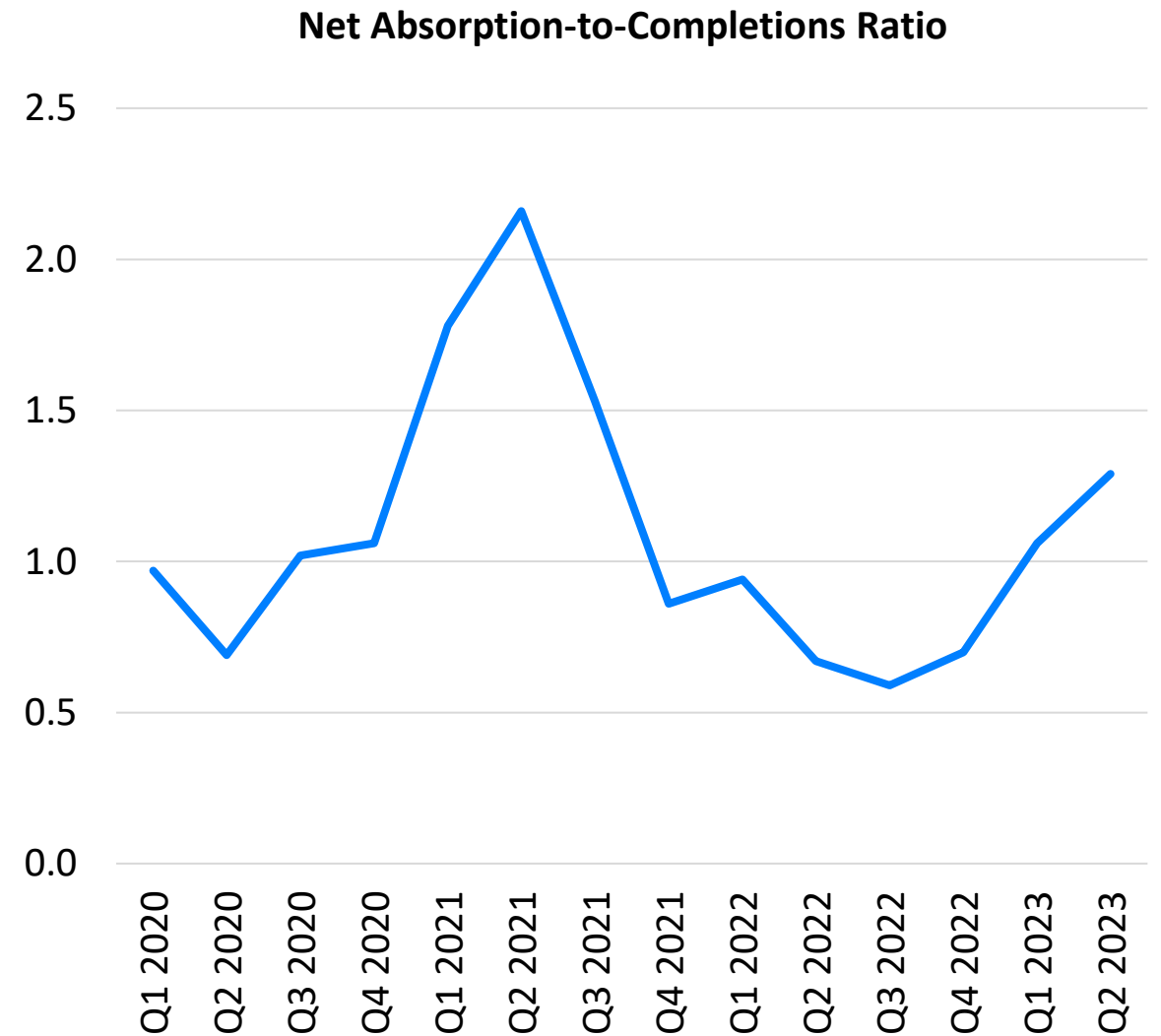
Market	Aug 2022 Rent	Aug 2023 Rent	YOY Rent Growth
Madison	\$1,361	\$1,485	9.1%
Dayton	\$1,021	\$1,085	6.3%
Cincinnati	\$1,228	\$1,291	5.1%
Central East Texas	\$1,064	\$1,115	4.8%
Louisville	\$1,121	\$1,173	4.6%
Bridgeport - New Haven	\$1,817	\$1,898	4.5%
El Paso	\$1,012	\$1,057	4.4%
Cleveland - Akron	\$1,109	\$1,156	4.2%
Little Rock	\$931	\$966	3.8%
Lansing-Ann Arbor	\$1,160	\$1,201	3.5%
Milwaukee	\$1,358	\$1,404	3.4%
Eugene	\$1,490	\$1,536	3.1%
Greenville	\$1,275	\$1,308	2.6%
Birmingham	\$1,203	\$1,234	2.6%
Tulsa	\$944	\$968	2.5%
Richmond - Tidewater	\$1,471	\$1,506	2.4%
Grand Rapids	\$1,233	\$1,261	2.3%

Market	Aug 2022 Rent	Aug 2023 Rent	YOY Rent Growth
Central Valley	\$1,516	\$1,548	2.1%
Savannah - Hilton Head	\$1,619	\$1,646	1.7%
Scranton-Wilkes-Barre	\$1,427	\$1,449	1.5%
New Orleans	\$1,221	\$1,238	1.4%
Huntsville	\$1,145	\$1,158	1.1%
Memphis	\$1,152	\$1,162	0.9%
Tucson	\$1,190	\$1,198	0.7%
Baton Rouge	\$1,139	\$1,146	0.6%
Southwest Florida Coast	\$2,011	\$2,010	0.0%
Spokane	\$1,385	\$1,383	-0.1%
Tacoma	\$1,727	\$1,718	-0.5%
San Antonio	\$1,295	\$1,287	-0.6%
Jacksonville	\$1,551	\$1,536	-1.0%
Pensacola	\$1,575	\$1,559	-1.0%
Colorado Springs	\$1,564	\$1,540	-1.5%
Reno	\$1,585	\$1,545	-2.5%



National Absorption Has Been Steadily Increasing Over the Last Year

Quarter	Completed Units	Net Absorbed Units	Net Absorption-to-Completions Ratio
Q1 2020	77,880	75,791	0.97
Q2 2020	70,162	48,685	0.69
Q3 2020	82,222	83,973	1.02
Q4 2020	92,505	97,840	1.06
Q1 2021	92,721	164,786	1.78
Q2 2021	87,035	187,787	2.16
Q3 2021	102,413	156,615	1.53
Q4 2021	98,229	84,393	0.86
Q1 2022	76,257	71,825	0.94
Q2 2022	82,592	55,412	0.67
Q3 2022	87,937	51,988	0.59
Q4 2022	76,150	53,315	0.7
Q1 2023	69,063	73,434	1.06
Q2 2023	62,741	81,112	1.29



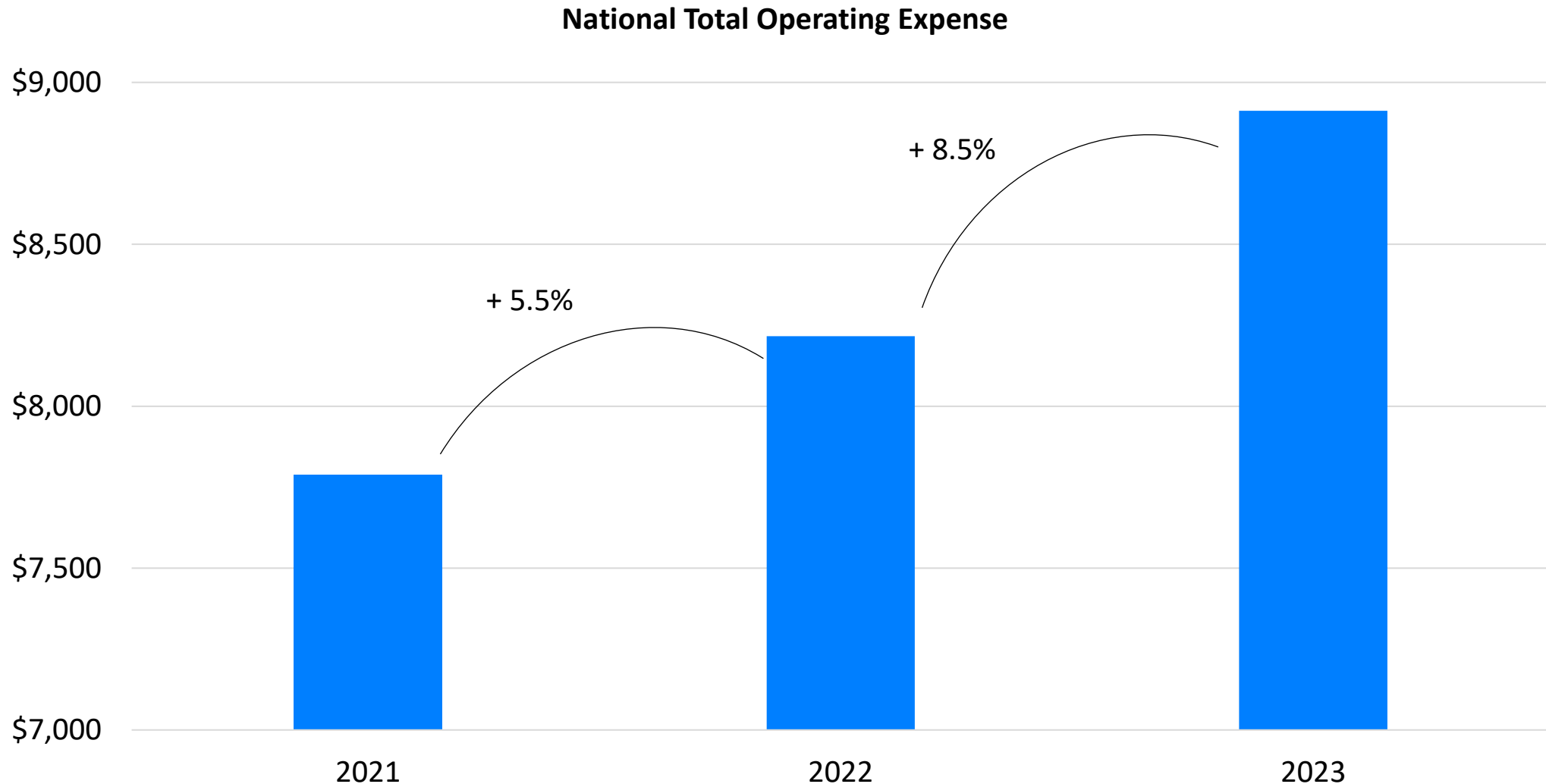
Source: Yardi Matrix

Gateway Markets Have Had Strong Absorption YTD 2023

Markets	YTD 2023 Net Absorption	YTD 2023 Completions	YTD 2023 Absorption to Completions Ratio	Development Pipeline as of August	Rent Growth YTD 2023	Occupancy Growth YTD 2023
New York City	3,581	809	4.4	137,502	4.4%	0.0%
Philadelphia	5,263	1,411	3.7	91,042	2.6%	-0.2%
Twin Cities	4,070	1,939	2.1	73,821	1.7%	0.2%
Washington DC	10,886	5,337	2.0	258,563	2.9%	0.2%
Chicago	6,850	3,385	2.0	103,168	4.7%	0.3%
Seattle	4,579	2,419	1.9	130,065	1.1%	0.3%
San Francisco	3,643	2,037	1.8	144,820	0.4%	0.0%
New Jersey	8,689	5,209	1.7	187,876	3.2%	0.1%
San Diego	978	670	1.5	51,928	3.5%	-0.1%
Kansas City	2,440	1,702	1.4	64,786	3.6%	0.1%

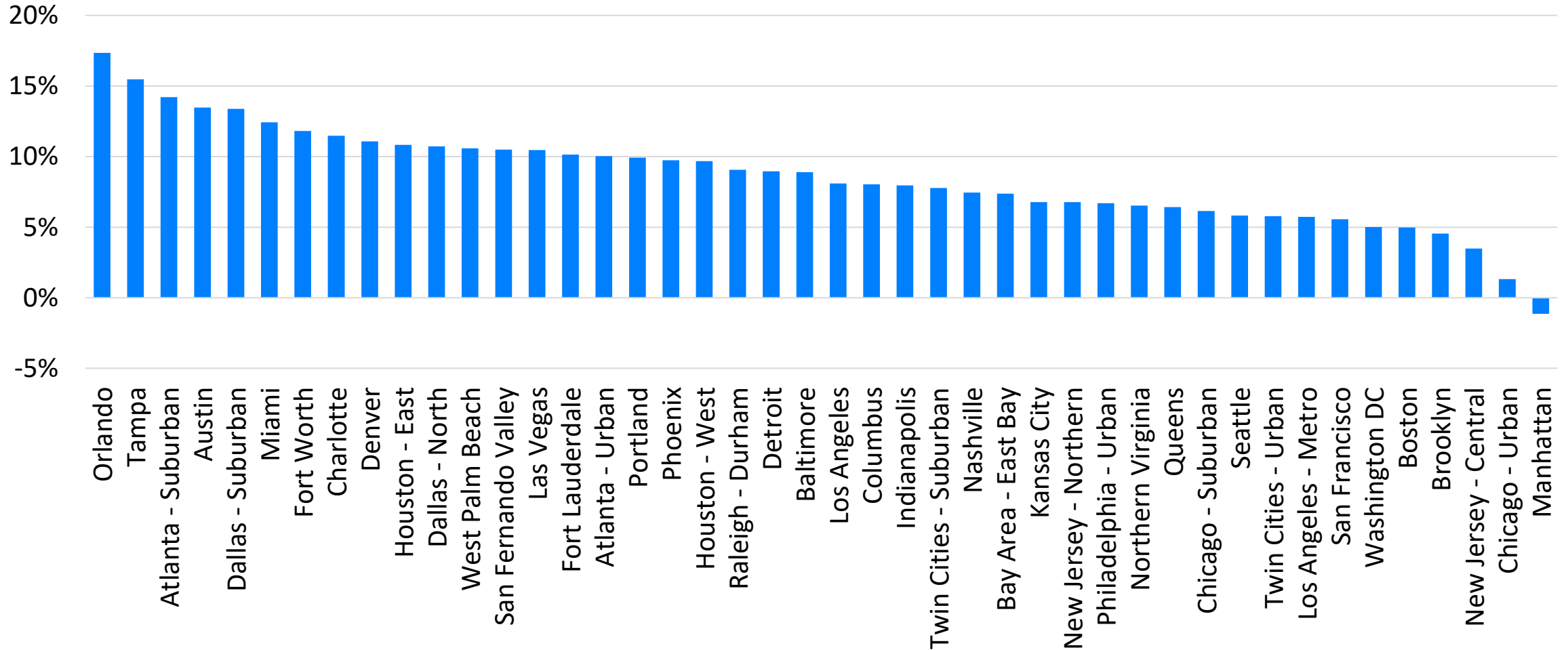


Total Operating Expenses for Multifamily Properties Are Increasing Nationwide

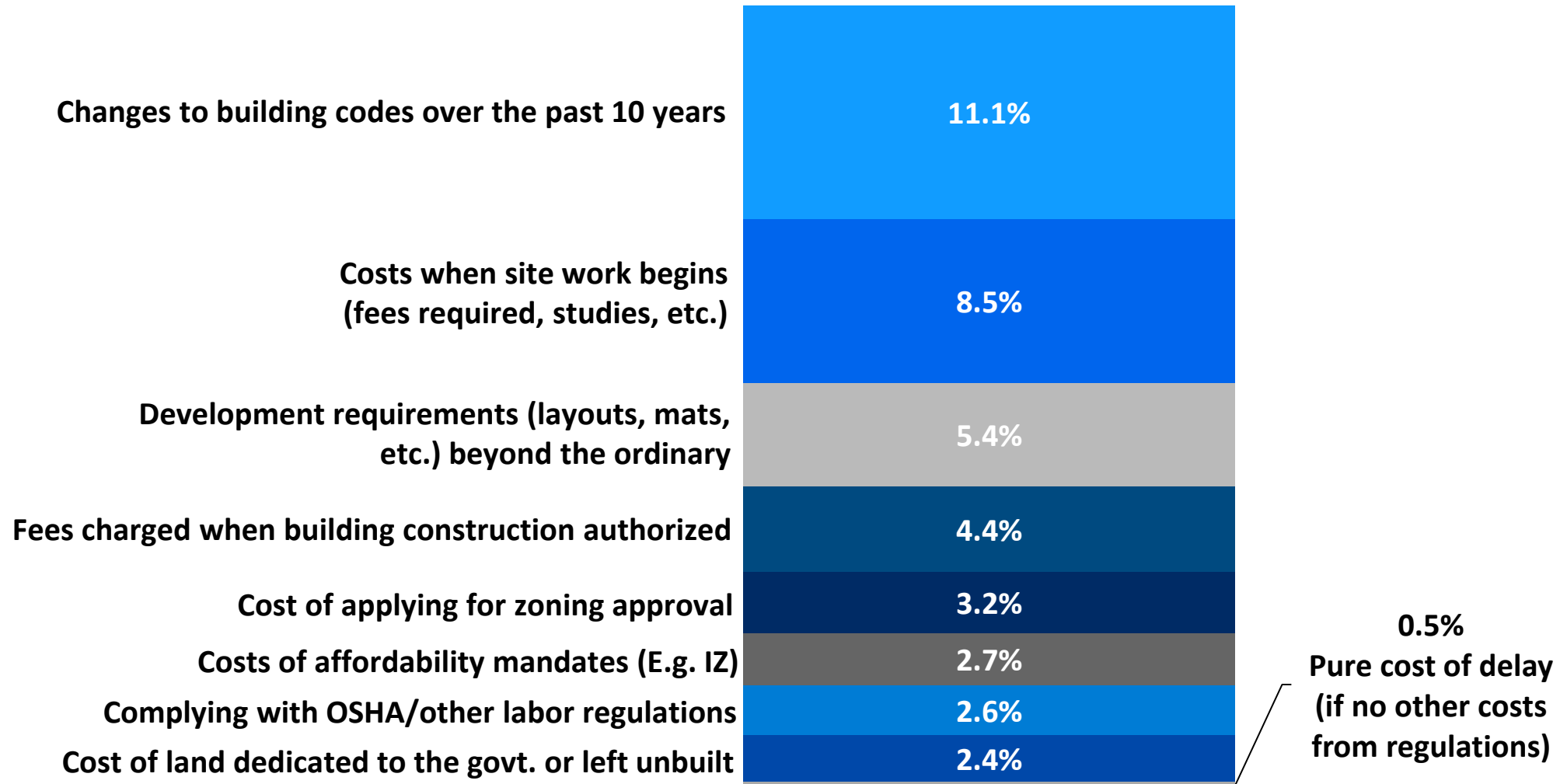


Tech Hub Multifamily Markets Experienced a Significant Increase in Operating Expenses Over the Last Year

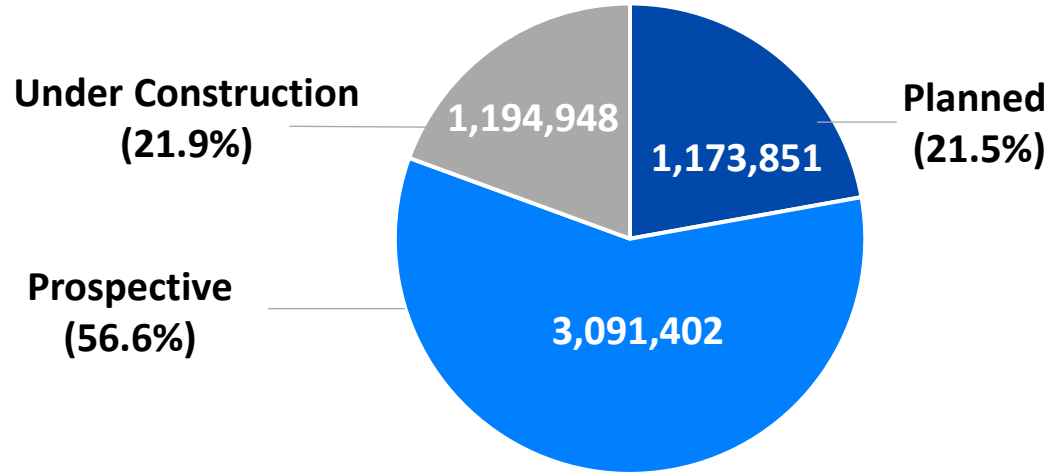
Growth in Total Operating Expenses 2022-2023 for Top Multifamily Markets



Regulations Account For 40% Of Multifamily Development Costs, Inhibiting Sufficient New Supply Growth



New Supply Pipeline: Where is New Supply Concentrated?



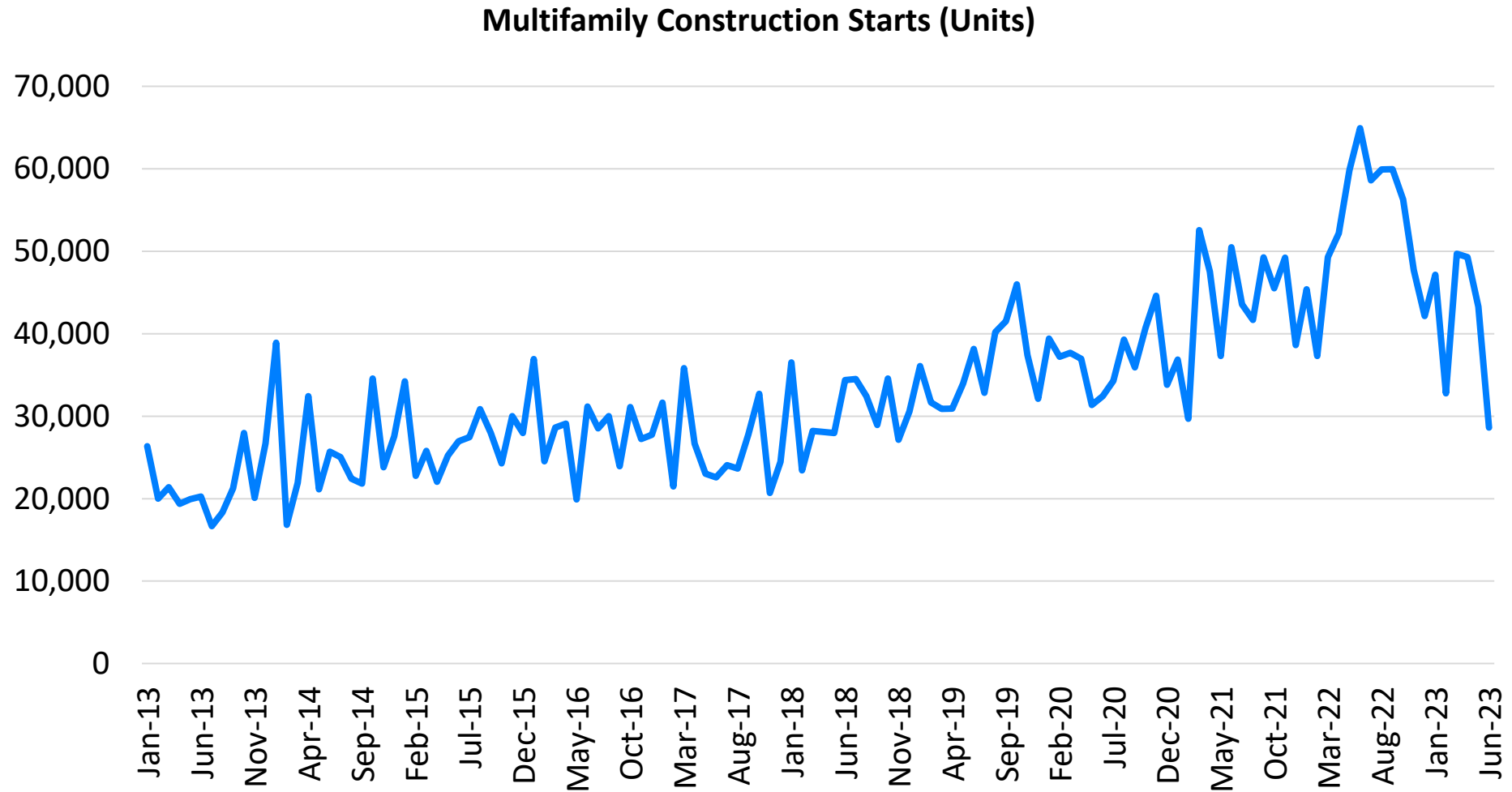
Top 10 Markets	Units	UC as a % of Existing Stock
Port St. Lucie	4,514	29.4%
Montana	4,559	27.3%
Boise	6,606	26.5%
Colorado Springs	10,923	25.1%
South Dakota	6,070	22.4%
Austin	60,000	21.6%
Huntsville	8,558	20.9%
Hickory	1,398	18.7%
Salt Lake City	20,969	18.2%
Raleigh - Durham	30,404	17.3%

Top 10 Markets	Units	Planned as a % of Existing Stock
Miami	51,574	32.8%
Asheville	6,296	30.0%
Boise	7,305	29.3%
Fort Lauderdale	21,736	18.9%
Portland ME	2,674	17.9%
Wilmington	4,228	17.6%
N. New Jersey	43,048	16.7%
Raleigh - Durham	28,533	16.2%
Port St. Lucie	2,440	15.9%
Los Angeles Metro	32,380	15.8%

Top 10 Markets	Units	Prospective as a % of Existing Stock
Port St. Lucie	13,740	89.4%
Miami	124,789	79.3%
SW Florida Coast	56,363	65.6%
Boise	16,370	65.6%
Clarksville	7,186	54.0%
Montana	8,136	48.6%
Wilmington	11,439	47.6%
Raleigh - Durham	79,959	45.5%
Pensacola	18,384	45.2%
Orlando	113,479	44.8%



Multifamily Construction Starts Are Starting to Slow From the June 2022 Peak

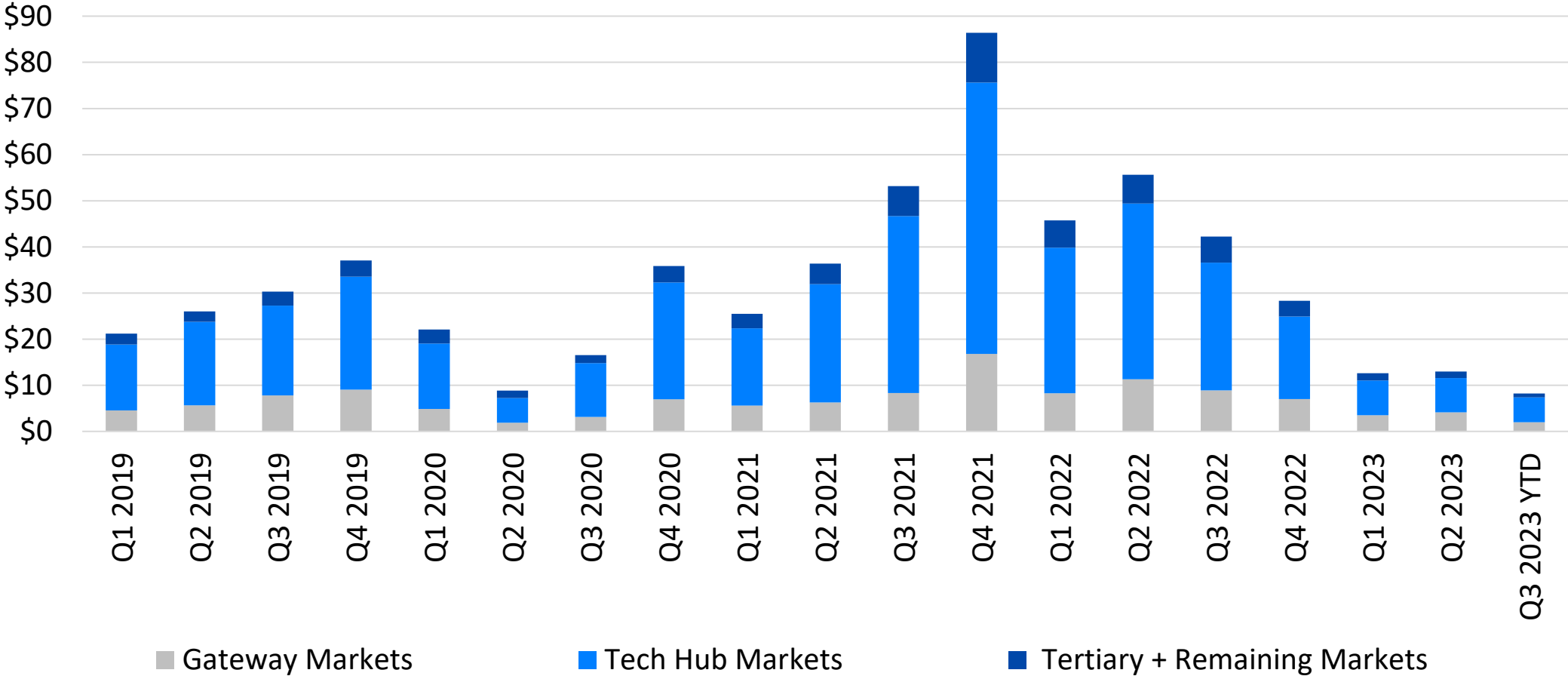


Multifamily Capital Markets Have Been Disrupted, Impacting Transaction Volume and Construction Financing

- Property sales and new construction are set to slow given high debt costs that are still rising and the expectation of weakening rent growth
- The transaction market is frozen given widening bid/ask spreads
 - Mortgage rates now above 6% and total sales volume in Q2 2023 was down over 80% from the peak in Q4 2021
- Financing for new construction has seized up
 - Construction costs have not come down enough yet to offset increasing capital costs
 - As a result, new construction deliveries may be significantly reduced starting in 2025
 - Increased SFR/BTR pipeline may offset this somewhat
- The next 12-18 months will show a continued slowdown of capital markets until inflation slows and interest rates come down
 - Major brokerage firms are reducing costs
 - FHFA has reduced the GSE debt cap limits with increased affordability goals
- Still, high rates create a sliver of good news for multifamily
 - With home mortgage rates above 7%, first-time homebuyers are being frozen out of the market and will remain in apartments or single-family rentals longer

Transaction Activity Will Continue to Slow Over the Next 18 Months Until Inflation Cools and Interest Rates Come Down

Multifamily Sales Volume (Billions)



INVESTMENT RISK

Weighting	40%				35%				15%			10%			100%
	FUNDAMENTALS				INFRASTRUCTURE				POLITICAL RISK			ENVIRONMENTAL RISK			
Weighting	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	
MARKET	Forecasted Population Growth	Forecasted Rent Growth	Quality of Tech Labor Market	Affordability for Renters by Necessity	Water	Energy	Transportation	Schools	Philosophy Toward Affordability	Urban Policing/ Security	Tax Burden/ Pension Liability	Natural Disasters	Pollution (Air & Water)	State & Local Government	OVERALL RATING
Boise	3	2	2	1	3	3	3	3	3	3	3	3	2	2	2.53
Raleigh - Durham	3	2	3	2	3	2	2	2	3	3	3	2	3	3	2.50
Salt Lake City	3	1	3	2	2	2	3	3	3	3	3	3	1	2	2.43
Miami	3	2	3	3	2	2	2	3	2	2	3	1	3	1	2.40
Charlotte	3	3	2	1	3	3	3	2	3	2	3	2	1	1	2.40
Colorado Springs	3	3	2	1	2	2	2	2	3	3	2	3	3	3	2.30
Boston	1	3	3	1	3	3	2	2	1	3	2	3	3	3	2.28
Nashville	3	2	2	1	3	3	2	2	3	2	3	1	2	3	2.28
Denver	3	3	3	1	2	2	2	2	2	2	2	3	2	3	2.27
Columbus	3	2	2	3	3	3	1	1	3	3	1	2	2	2	2.25
Austin	3	2	3	3	2	1	2	2	2	2	3	1	2	2	2.23
Madison	1	3	2	1	3	2	2	2	3	3	3	3	2	3	2.20
Indianapolis	2	2	2	3	2	2	1	3	3	2	3	2	1	2	2.17
Atlanta	3	1	3	2	3	3	2	1	2	2	2	2	2	1	2.15
Huntsville	2	3	3	3	2	3	1	1	3	2	1	1	2	1	2.15
Dallas	3	1	3	2	2	1	3	3	3	2	2	1	1	1	2.14
Savannah	2	3	1	2	2	3	2	2	2	3	2	1	2	3	2.14
Omaha	2	3	2	3	2	1	2	1	3	2	2	2	3	1	2.08
Oklahoma City	2	3	1	3	2	1	2	2	3	1	3	1	2	2	2.03
Grand Rapids	2	3	1	1	2	2	1	2	3	3	3	3	2	2	2.00
Twin Cities	2	1	2	2	3	3	3	1	0.5	1	2	3	2	2	1.98
Washington DC	2	1	3	1	3	2	3	2	1	1	2	2	2	2	1.98
Kansas City	1	2	1	3	3	2	2	2	3	1	2	1	2	2	1.95
Houston	3	1	2	2	2	2	3	1	3	1	3	1	1	1	1.95
Orlando	3	1	2	1	1	2	3	1	3	3	3	1	2	2	1.93
Seattle	3	1	3	1	3	1	2	1	1	1	3	3	2	2	1.90
Phoenix	3	1	2	2	1	2	2	3	2	2	1	1	2	1	1.88
Las Vegas	3	1	1	1	2	2	3	2	2	2	3	1	2	1	1.87
Portland	2	2	2	1	3	1	2	2	0.5	1	2	3	2	3	1.84
Tampa	2	2	2	1	3	1	1	1	3	3	3	1	2	2	1.84
San Francisco	2	2	3	2	2	1	1	2	0.5	1	2	3	2	2	1.83
Tulsa	1	3	1	2	3	1	2	2	3	1	2	1	2	1	1.83
San Diego	1	3	3	1	2	1	1	1	1	3	2	2	2	2	1.74
Albuquerque	1	3	1	3	1	3	1	1	3	1	1	1	2	1	1.71
Pittsburgh	1	2	2	2	2	1	2	1	2	2	1	3	2	2	1.71
New York	1	3	2	1	3	1	2	1	0.5	1	2	2	2	2	1.69
Chicago	1	2	2	1	3	3	1	1	1	1	1	1	1	2	1.58
Los Angeles	1	2	2	1	1	1	3	1	0.5	2	2	1	2	2	1.52
Philadelphia	1	1	2	1	2	1	2	1	1	2	1	1	2	2	1.39

2023 Investment Risk Ranked by Score

LEGEND	
●	Red Icon = High Investment Risk
●	Yellow Icon = Mild Investment Risk
●	Green Icon = Low Investment Risk

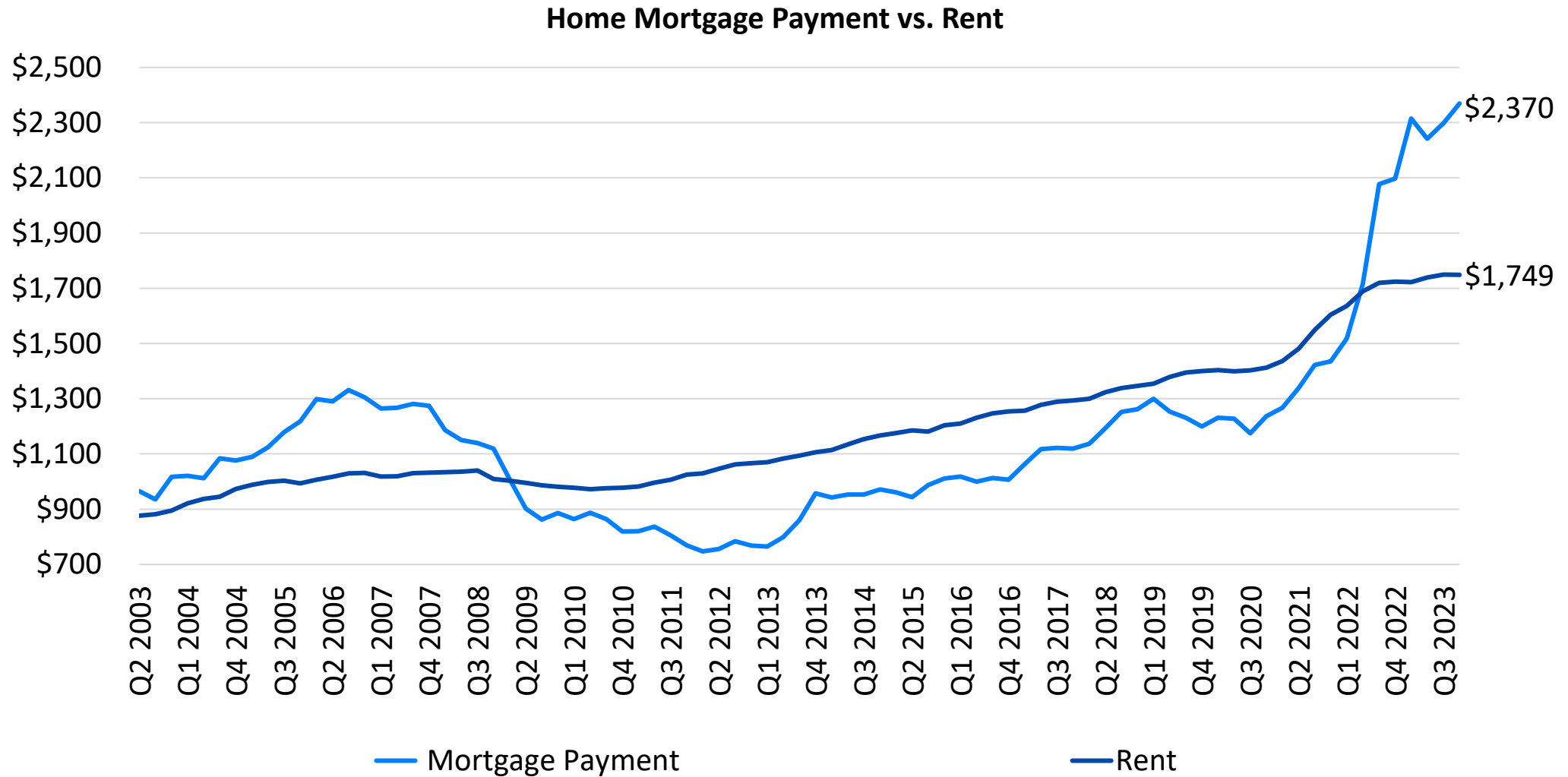


2023 vs 2022 Investment Risk: Major Changes

MARKET	OVERALL RATING		Reason for 2023 Score Change
	2023	2022	
Miami	● 2.40	● 1.95	Score improved due to quality of labor market, affordability, water, energy, urban policing and tax burden
Colorado Springs	● 2.30	● 2.15	Score improved due to forecasted population growth, water, transportation, urban policing, natural disasters and environmental government
Boston	● 2.28	● 1.98	Score improved due to forecasted rent growth, urban policing, tax burden, natural disasters and pollution
Columbus	● 2.25	● 2.00	Score improved due to forecasted rent growth, quality of labor market, energy, urban policing and pollution
Dallas	● 2.14	● 2.23	Score worsened due to forecasted rent growth, affordability and natural disasters
Oklahoma City	● 2.03	● 1.89	Score improved due to forecasted population growth, forecasted rent growth and tax burden
Grand Rapids	● 2.00	● 1.78	Score improved due to forecasted population and rent growth, energy, philosophy toward affordability, urban policing and tax burden
Kansas City	● 1.95	● 1.89	Score improved due to forecasted rent growth, water, energy and pollution
Orlando	● 1.93	● 1.88	Score improved due to quality of labor market, energy and environmental government
Phoenix	● 1.88	● 2.31	Score worsened due to forecasted rent growth, energy, transportation, philosophy toward affordability, natural disasters and environmental government
Las Vegas	● 1.87	● 2.19	Score worsened due to forecasted rent growth, affordability, energy, natural disasters and environmental government
Portland	● 1.84	● 2.25	Score worsened due to forecasted population and rent growth, quality of labor market, affordability, energy and transportation
San Francisco	● 1.83	● 1.60	Score improved due to quality of labor market, affordability, water, tax burden and natural disasters
Tulsa	● 1.83	● 1.56	Score improved due to forecasted rent growth, water, transportation, schools and pollution

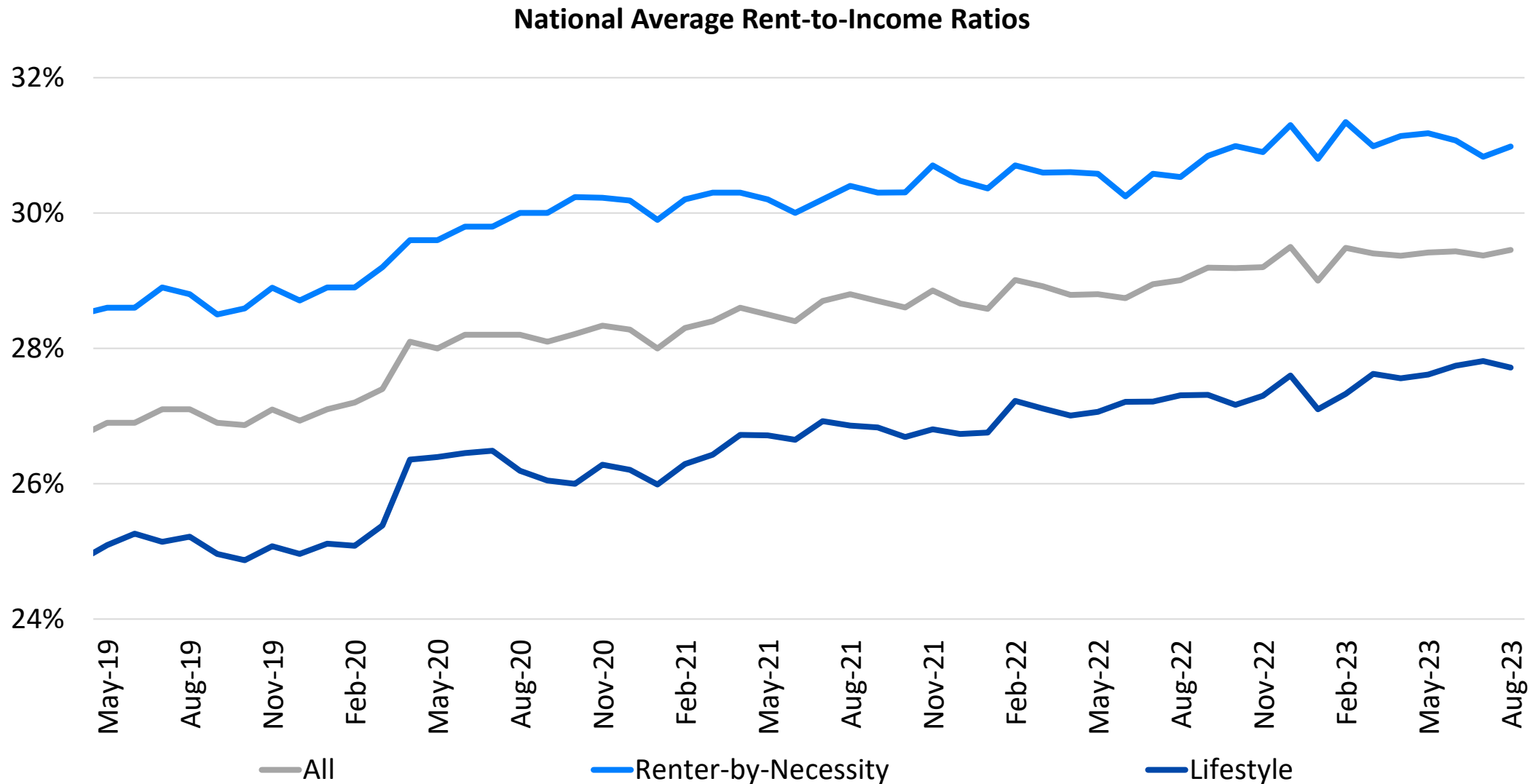
AFFORDABILITY & MARKET RESPONSES

Renting is Still a Better Deal Compared to the Cost of Owning



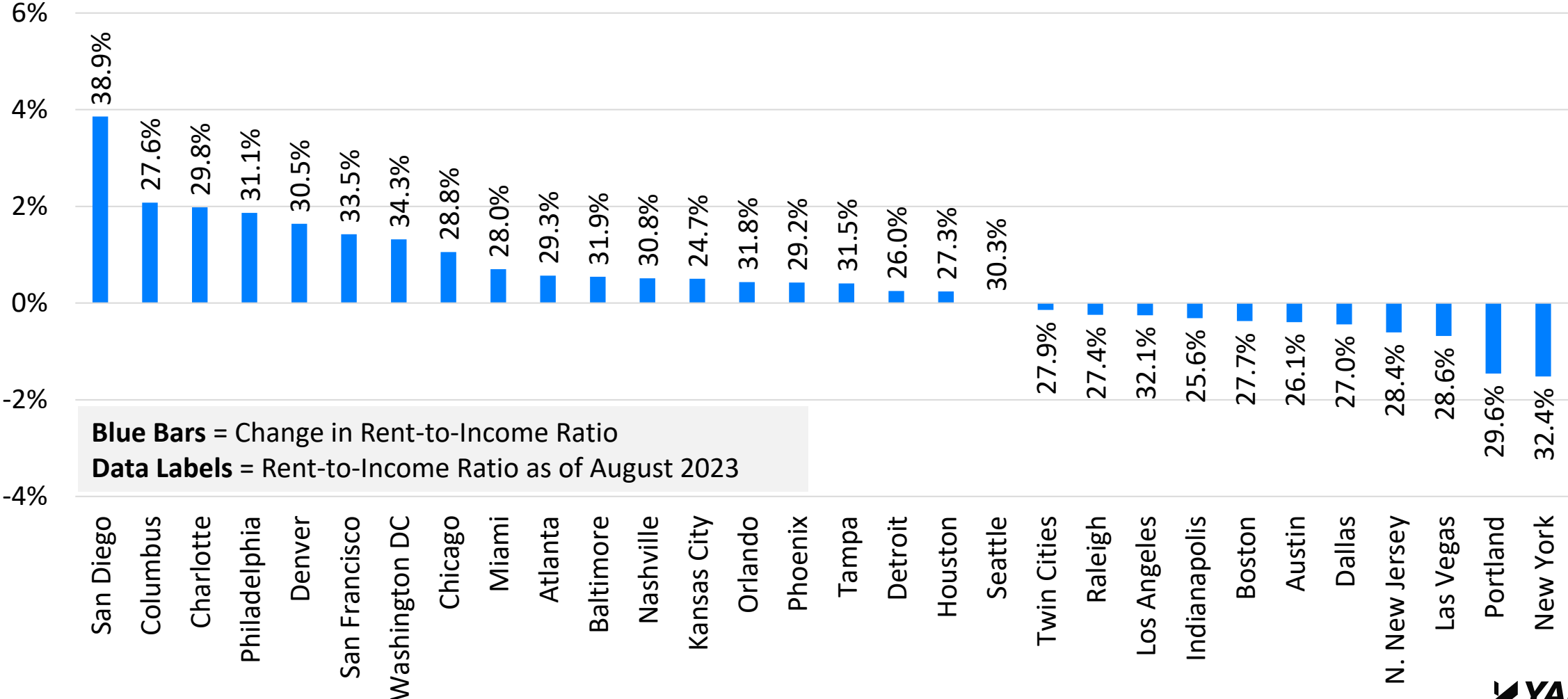
*Mortgage payments based on median home price for 30-year fixed rate mortgage, 90% LTV | Source: Yardi Matrix; Moody's Analytics

Rent-to-Income Ratios Highest in Renter-by-Necessity Class



Overall Changes in Rent-to-Income Ratios Indicate Ability to Absorb Moderate Increases in Rents

Change in Rent-to-Income Ratio August 2022 - August 2023



High Rent-to-Income Ratios at the Lower-End Put Pressure On Those Already Cost Burdened

Market	Lifestyle Units			Renter-by-Necessity Units		
	August 2022	August 2023	Change	August 2022	August 2023	Change
Memphis	25.6%	30.0%	4.4%	35.6%	46.2%	10.7%
Chattanooga	25.4%	23.2%	-2.1%	38.9%	42.9%	4.0%
Central Coast	28.7%	34.4%	5.7%	41.3%	42.7%	1.4%
San Diego	33.4%	36.5%	3.1%	37.5%	42.5%	5.1%
Pensacola	27.6%	28.0%	0.4%	36.5%	41.6%	5.2%
Madison	31.3%	33.7%	2.4%	33.5%	40.8%	7.3%
San Francisco	28.5%	26.5%	-2.0%	36.2%	39.4%	3.2%
Worcester - Springfield	27.3%	26.2%	-1.1%	27.5%	38.7%	11.2%
Eugene	34.8%	28.4%	-6.4%	38.5%	38.4%	-0.1%
Sacramento	28.6%	26.1%	-2.5%	38.7%	37.2%	-1.5%
Syracuse	25.3%	24.9%	-0.4%	31.8%	36.8%	5.0%
Orange County	29.5%	30.2%	0.7%	37.5%	36.8%	-0.7%
Tallahassee	21.2%	26.7%	5.5%	34.3%	36.0%	1.8%
Washington DC	30.3%	31.5%	1.2%	34.7%	36.0%	1.3%
Bridgeport - New Haven	27.0%	27.4%	0.4%	33.8%	35.9%	2.0%



Responses to Affordability

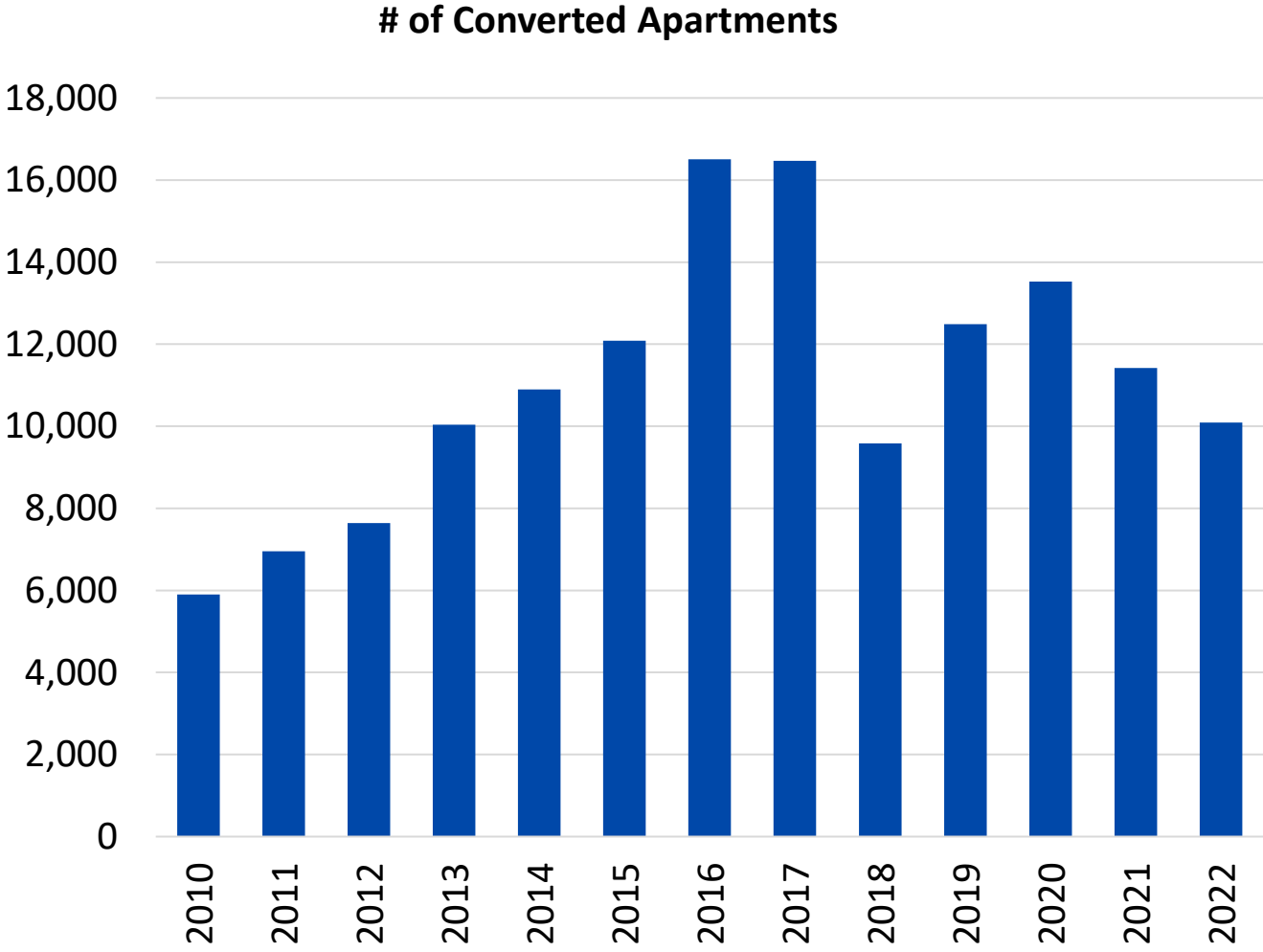
MARKET RESPONSES TO AFFORDABILITY

- 1) Co-living
- 2) Short-term Rentals
- 3) Airbnb Sublet Deal with Apartment Landlords
- 4) Conversions
 - Office to Apartments
 - Hotels to Apartments
- 5) BUILD!

PUBLIC POLICY RESPONSES TO AFFORDABILITY

- 1) Curtail Demand
- 2) Encourage Supply
- 3) Explicitly Cross-Subsidize Certain Populations
- 4) Regulate/Suppress Market Forces: Rent Control, etc.
 - Potential for GSE loan covenant to restrict rent increases

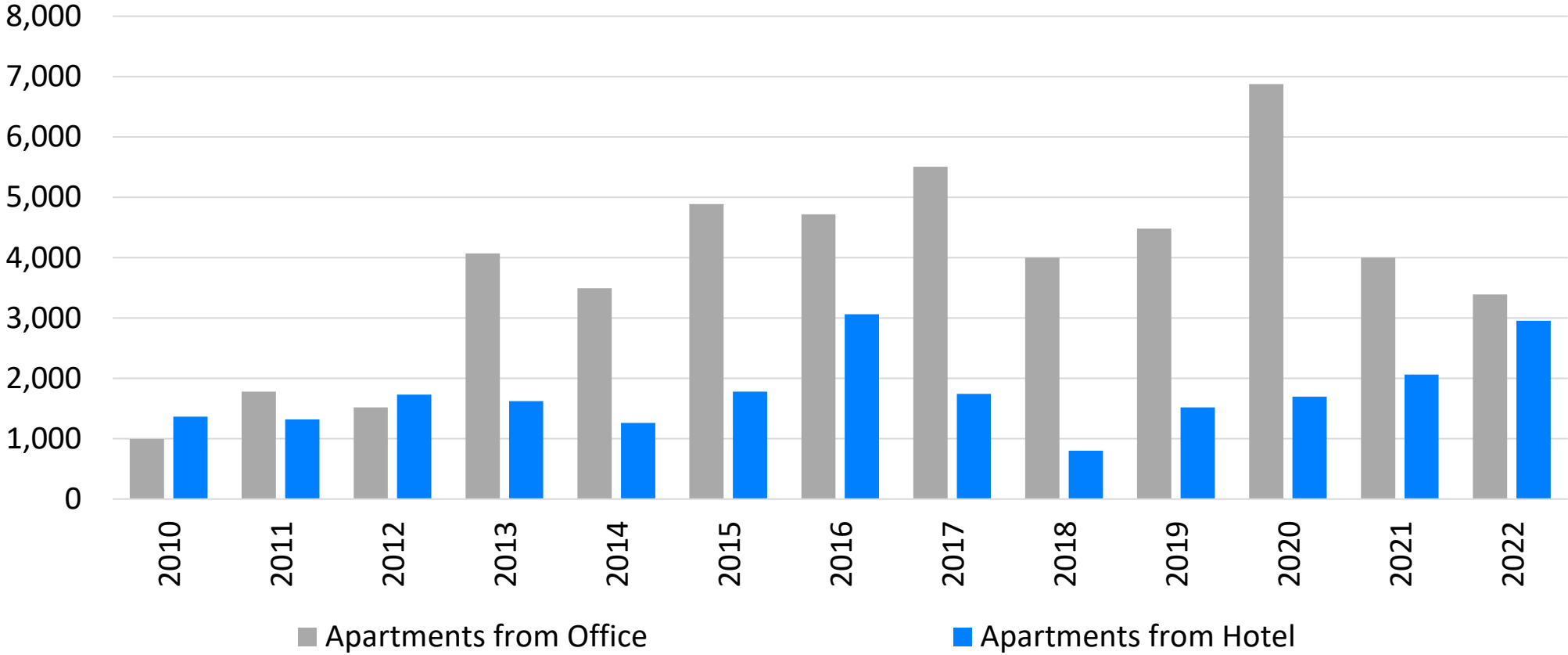
The Number of Converted Apartments Has Decreased Since the Pandemic



- Converted apartments were ramping up leading up to the pandemic in 2020, but have since declined in 2021 & 2022
- 10,090 apartments were retrofitted in 2022, 12% less than one year prior
- Future projects, however, are more promising – 122,000 units are currently undergoing conversions

2022 Marked a Slowdown in Office-to-Apartment Conversions, but an Uptick in Hotel-to-Apartment Conversions

Hotel & Office Conversions



Source: RentCafe Analysis of Yardi Matrix Data

Office-to-Apartment Conversions Decreased Again in 2022

- Adaptive reuse from office buildings lost momentum in 2022 after reaching an all-time high in 2020, with a record 6,874 units
- Office conversions experienced a 15% slowdown in 2022
- 3,390 apartments were retrofitted from office buildings
- Office conversions still makes up the highest share of all adaptive reuse projects at 34%





While Hotel Conversions Increased in 2022

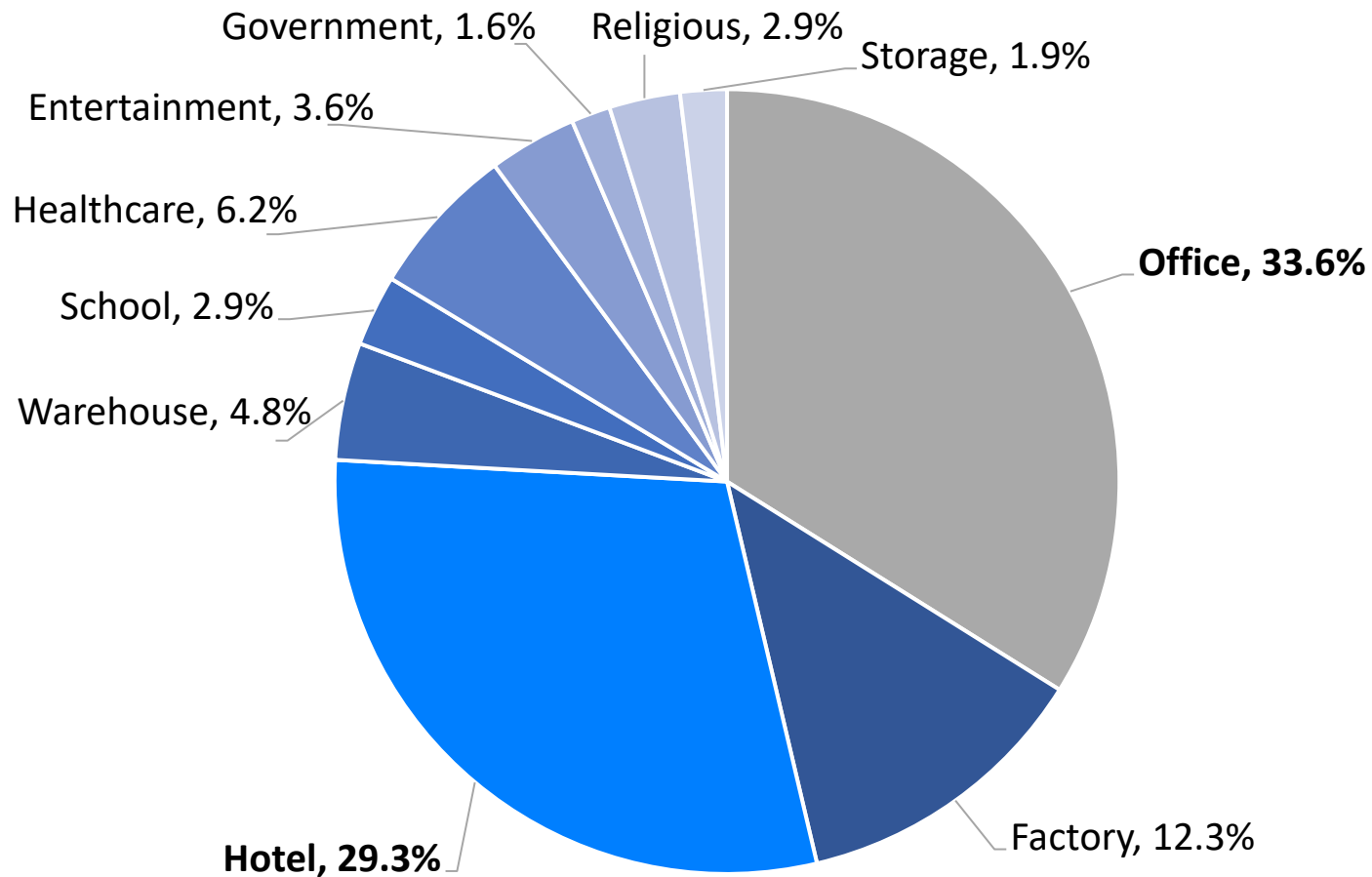
- Hotel-to-apartment conversions surged in 2022, a 43% increase from 2021
- Hotels made up 29% of total conversion activity nationwide in 2022
- Due to a significant drop in hotel occupancy, cities like San Francisco and New York saw an opportunity for redevelopers to convert hotels into residential properties
- The easier and more straightforward transformation process of hotels compared to other building types contributed to the increased number of conversions in 2022

Los Angeles Leads For the Most Converted Apartments in 2022

- More than 20% of adaptive reuse projects finalized in 2022 were concentrated in three cities: Los Angeles, Kissimmee and Alexandria
- Los Angeles remains a prominent hub for adaptive reuse, with a 13% share of total apartment conversions
- In 2022, Los Angeles converted 1,292 apartments from former hotels and office buildings
- In second place, Kissimmee, FL had 648 apartment conversions last year, 85% of which came from former hotels

City/State	Converted Apartments	Share Out of Total Conversions
Los Angeles, CA	1,292	12.8%
Kissimmee, FL	648	6.4%
Alexandria, VA	435	4.3%
Baltimore, MD	395	3.9%
St. Louis, MO	354	3.5%
Cleveland, OH	354	3.5%
Kansas City, MO	329	3.3%
Minneapolis, MN	312	3.1%
Tucson, AZ	292	2.9%
New Albany, IN	240	2.4%

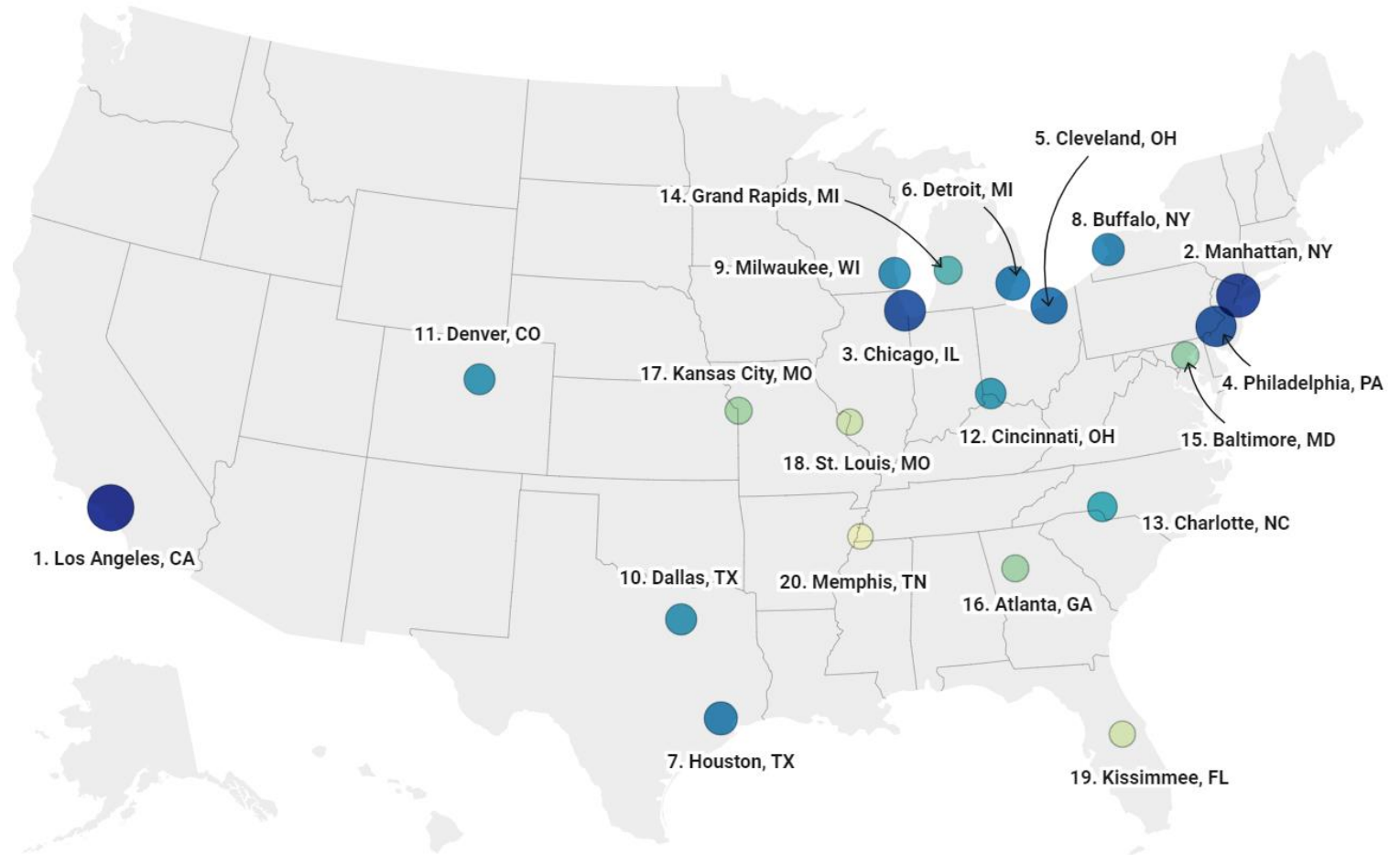
Top Building Types Converted to Apartments in 2022



- Office and factory conversions experienced a slowdown in 2022
- Hotels thrived with a five-year high in conversions
- Limited stock and zoning regulations affected factory conversions, registering a 49% decrease compared to 2021
- Smaller niches (healthcare buildings, warehouses) are gaining momentum

Future of Adaptive Reuse Projects

- Optimistic projections indicate a significant surge in converted apartments in the upcoming years
- Yardi Matrix data shows that a total of 122,000 apartments in various conversion stages are expected to enter the market in the following years. This number increased by 63% compared to 2021
- Los Angeles keeps the lead in adaptive reuse projects, with 4,566 apartments expected to be created through conversion
- New York is slated for 3,987 apartment conversions, while Chicago follows closely behind with 3,519 apartments



New Yardi Matrix Services

VACANT LAND

Available Now

- Over 6.6 million vacant land parcels
- Covering over 550 counties across 120 markets, with county expansion ongoing
- Includes all publicly available data
- Sales history report with specific filters like zoning, lot size and tax valuation

FULLY AFFORDABLE HOUSING MAXIMUM ALLOWABLE RENT CALCULATION

Coming Soon

- Fully Affordable
 - Completed inventory: 21,000 properties, 2.7 million units
 - Development pipeline: 4,000 properties, 500,000 units
- Partially Affordable
 - Completed inventory: 6,000 properties, 1.1 million units
 - Development pipeline: 4,000 properties, 900,000 units
- LIHTC/Other Tradeable vs. NGO/PHA Owned

FORECASTS: DEMAND, RENT, OCCUPANCY & SUPPLY

Yardi Matrix Multifamily Forecast Summary

Year-End	Rent	Rent Growth	Occupancy	Occupancy Growth	Inventory Forecast
2023	\$1,754	3.1%	95.2%	-0.5%	461,031
2024	\$1,816	3.5%	95.3%	0.1%	484,778
2025	\$1,880	3.5%	95.2%	0.0%	408,805
2026	\$1,945	3.5%	95.6%	0.4%	388,687
2027	\$2,012	3.5%	95.4%	-0.2%	404,759
2028	\$2,081	3.4%	95.3%	-0.1%	418,747
2029	\$2,150	3.4%	95.4%	0.1%	-
2030	\$2,220	3.2%	95.4%	-0.1%	-
2031	\$2,290	3.1%	95.4%	0.0%	-
2032	\$2,359	3.0%	95.4%	0.0%	-
2033	\$2,429	3.0%	95.4%	0.0%	-

Takeaways from Our August 2023 Multifamily Rent and Occupancy Forecast

- National asking rents increased 0.1% from July to August, and 1.5% from August 2022 to August 2023
- Renter-by-necessity units have experienced the most rent growth, as have markets in the Midwest and Northeast
- Our forecasts for the end of 2023 have increased slightly, from 2.7% growth to 3.1% growth
- Regional breakdown:
 - Pockets of stronger growth in the Northeast, Midwest and some Southern markets
 - Stagnant growth in Western, Southwestern, and pandemic boom towns
- Urban cores are performing less well, especially in West Coast markets, but there are still pockets of strong growth:
 - Austin is essentially flat this year, but some submarkets have experienced >5% growth since January
 - The Bay Area hasn't been doing great overall, but some submarkets in East Bay, South Bay, and the Peninsula have had very strong growth



Tech Hub and Gateway Markets Are Forecasted For Another Year of Solid Multifamily Rent Growth

Market	YoY Rent Growth Year-End 2023	Occupancy Year-End 2023	YoY Rent Growth Year-End 2024	Occupancy Year-End 2024
Indianapolis	4.1%	94.8%	3.0%	94.6%
Columbus	3.8%	95.5%	2.8%	95.5%
Boston	3.8%	96.9%	3.9%	97.1%
Chicago	3.8%	95.4%	3.4%	95.3%
New Jersey	3.6%	97.2%	3.8%	97.3%
San Diego	3.5%	97.0%	3.7%	96.9%
Richmond	3.3%	94.8%	3.5%	94.6%
New York	3.1%	98.2%	3.9%	98.4%
Detroit	3.1%	95.1%	3.4%	94.9%
Denver	3.1%	95.2%	3.6%	95.4%
Philadelphia	3.0%	96.0%	2.5%	96.1%
Raleigh	2.9%	94.3%	3.5%	94.6%
Twin Cities	2.8%	94.9%	2.8%	95.9%
Washington DC	2.8%	95.3%	3.1%	95.9%
Houston	2.6%	93.3%	3.1%	93.7%

Market	YoY Rent Growth Year-End 2023	Occupancy Year-End 2023	YoY Rent Growth Year-End 2024	Occupancy Year-End 2024
Miami	2.6%	96.2%	3.7%	96.4%
Nashville	2.6%	94.9%	3.4%	95.5%
Tampa	2.3%	94.7%	3.6%	94.7%
Baltimore	2.0%	95.1%	3.7%	95.1%
Charlotte	2.0%	94.5%	4.1%	94.5%
Orlando	1.8%	95.1%	2.5%	95.4%
San Francisco	1.8%	95.4%	3.2%	95.6%
Dallas	1.7%	93.9%	2.8%	94.2%
Austin	1.6%	94.2%	3.2%	93.8%
Los Angeles	1.6%	96.5%	3.6%	96.5%
Portland	1.5%	95.2%	3.1%	95.1%
Las Vegas	1.4%	93.3%	2.9%	93.0%
Seattle	1.3%	95.3%	2.0%	95.9%
Atlanta	1.0%	93.7%	2.7%	93.7%
Phoenix	0.9%	94.1%	3.0%	94.0%



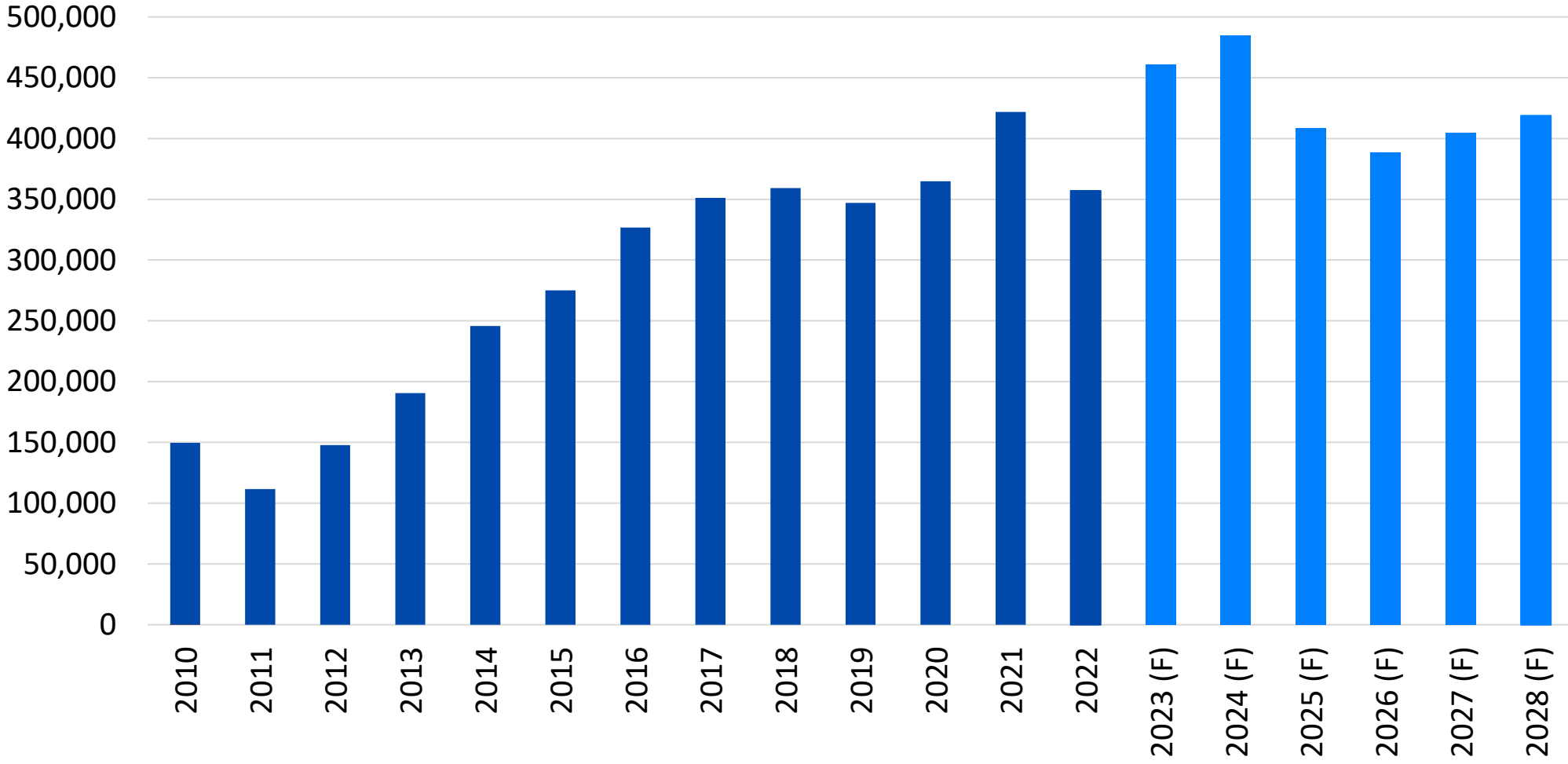
There is Currently a Significant Multifamily Housing Deficit, But Not Likely to Be Resolved in the Next Decade

U.S. Apartment Demand Report by NMHC & NAA

- There is currently a 600,000-unit shortfall of apartments in the U.S. due to underbuilding after the 2008 financial crisis
- The study predicts an additional 3.7 million units will be needed by 2035 to meet demand
- A total of 4.3 million units (307,000 units per year) are needed by 2035 when accounting for the current shortfall and projected demand
- Yardi Matrix projects annual multifamily unit deliveries between 400,000 and 445,000 per year through 2028
- **At the current rate of deliveries, Yardi Matrix predicts the multifamily housing deficit will not be resolved for approximately 10 years**
- The issue will resolve more quickly if proposed solutions from the NMHC and NAA are implemented:
 - Increase in housing choice voucher program (Section 8) with improvements in payment speed and penalties in not removing housing supply obstacles
 - Streamlining entitlement process
 - Expediting approvals for affordable units
 - Providing density bonuses for projects with affordable components
 - Passing tax abatements to rehab older housing
 - Adopting strategies to leverage use of underused land

New Multifamily Supply is Expected to Decline After 2024's Peak

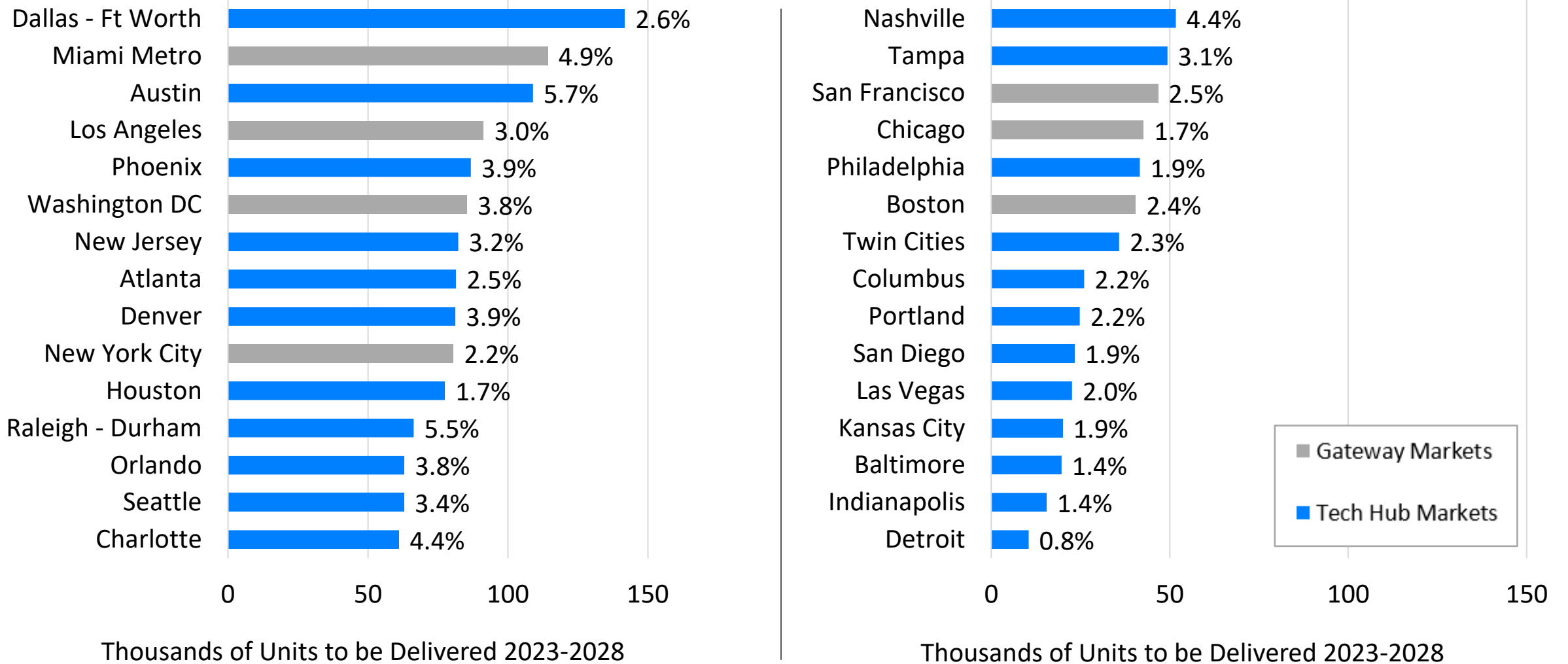
Multifamily Supply Pipeline



Source: Yardi Matrix

A Handful of Markets Still Have a Lot of Supply Coming Despite Decelerating Rents and Occupancies

Forecasted New Unit Deliveries 2023-2028 - Percentages Denote Compound Annual Growth Rates



*Gateway markets have gray bars. Data as of September 2023 | Source: Yardi Matrix

GENERAL DISTRESS CONDITIONS

What Now? Finding Opportunities

The current investment environment requires increased creativity to find potential investable opportunities, which Yardi Matrix has been designed to do:

Assumable debt = loans with 5-7 years duration left =	3,000± properties
Acquisitions since 2020 with 2-3 year durations =	2,500± properties
Floating/Variable Rate Loans =	3,000± properties
Construction loans maturing until 7/24 =	400± properties
Loans of GSE Watch Lists =	300± properties
Low estimated DSCRs (<1.05) =	2,500± properties

POTENTIAL SUPPLY-DRIVEN DISTRESS MARKETS

There Will Be an Increase in Multifamily Distress, But it Will Be Limited to Certain Situations

AREAS FOR POTENTIAL DISTRESS:

- Projects in development where sponsor can't "feed" the development process
- Newly delivered projects in high supply markets with exhausted interest reserves
- Loans that were originated too late to benefit from the jump in rents
- Short-term loans that were originated in 2020-21 at very low rates that are now being refinanced at much higher rates
 - Loans on properties in the minority of submarkets like downtown San Francisco that have worsening demand/fundamentals
 - Variable and floating rate debt
- Localized distress due to government regulations/rent control causing expenses to rise faster than income

RECENT DISTRESS IN MULTIFAMILY:

Applesway Investment Group Defaults on \$65.2M Loan – Houston

- The property was a Class-E building totaling more than 1,000 units
- This is the fifth Applesway property to be foreclosed on in four months
 - At one of the foreclosed properties, the interest rate on the loan rose from 3.4% to around 8.0%

Nearly Half of MF1 Capital Issued Loans Have Become Watch Listed or Delinquent

- The debt fund took advantage of low-interest rates to lend almost \$11 billion for high-leverage, value-add real estate deals
- Due to the Federal Reserve's rapid rate hikes, cash flows have been hurt amid slowing rent growth



ONLY A FEW MARKETS HAVE POTENTIAL FOR SUPPLY DRIVEN DISTRESS IN '23-'24

AUSTIN

NASHVILLE

CHARLOTTE

PHOENIX

JACKSONVILLE

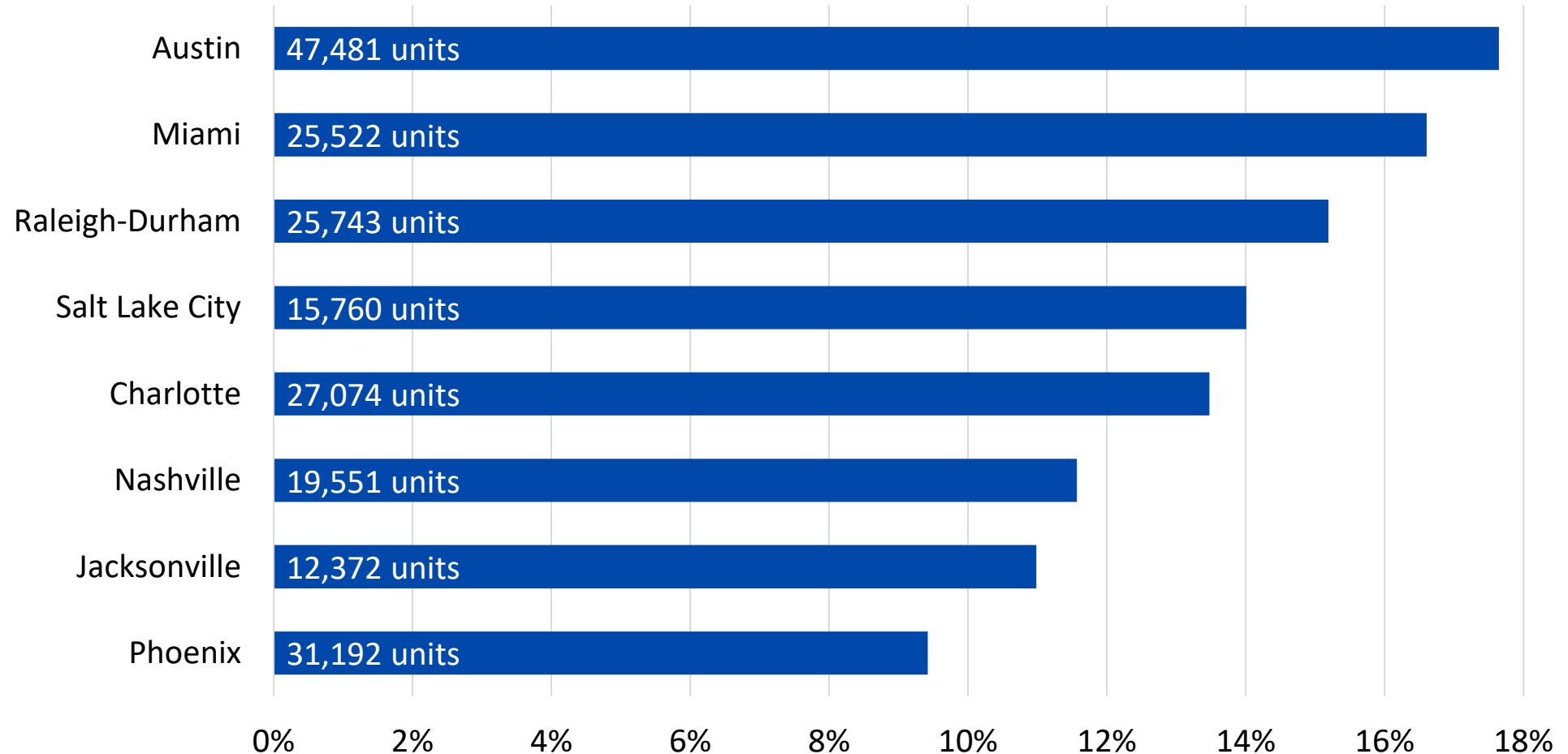
RALEIGH-DURHAM

MIAMI

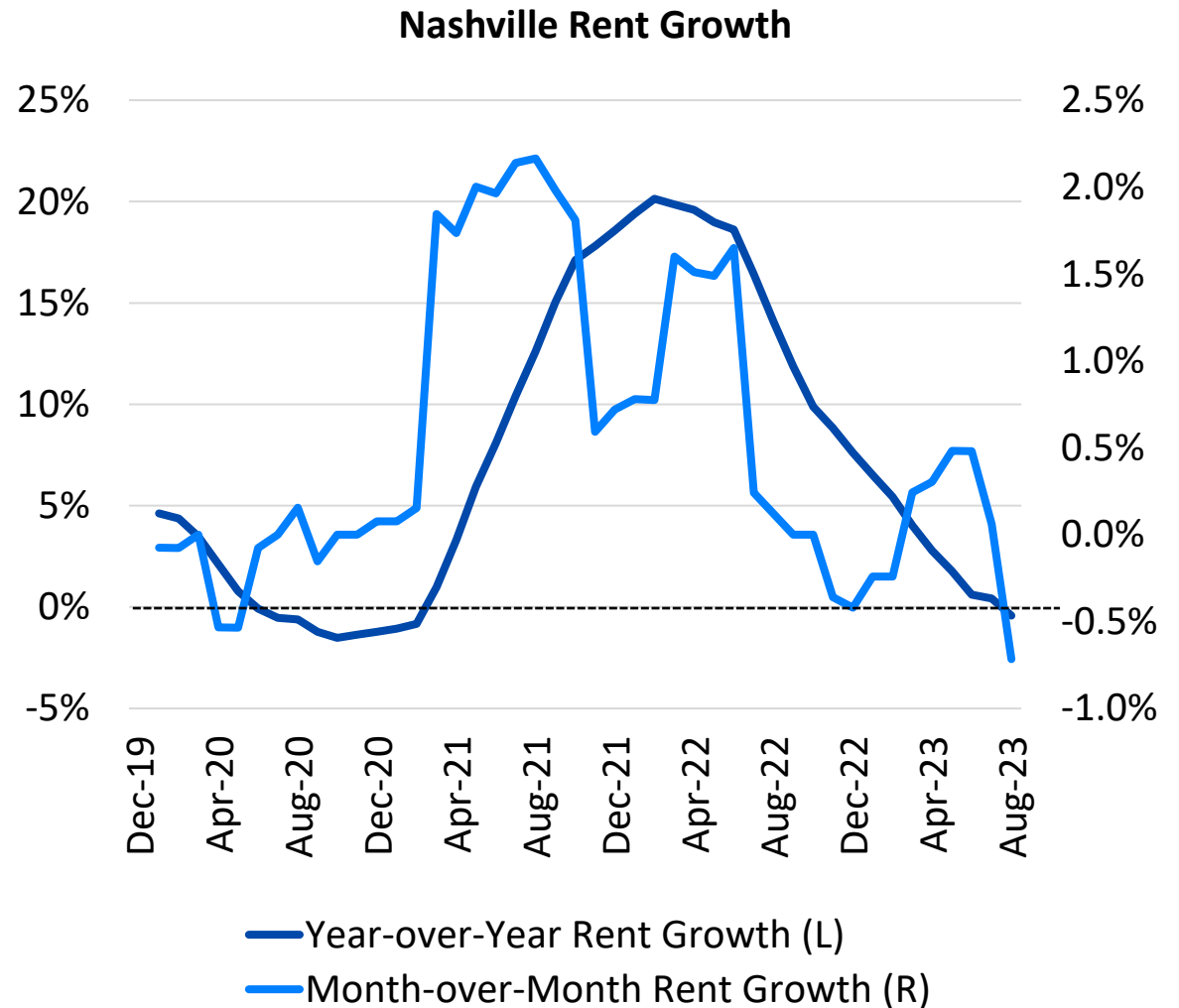
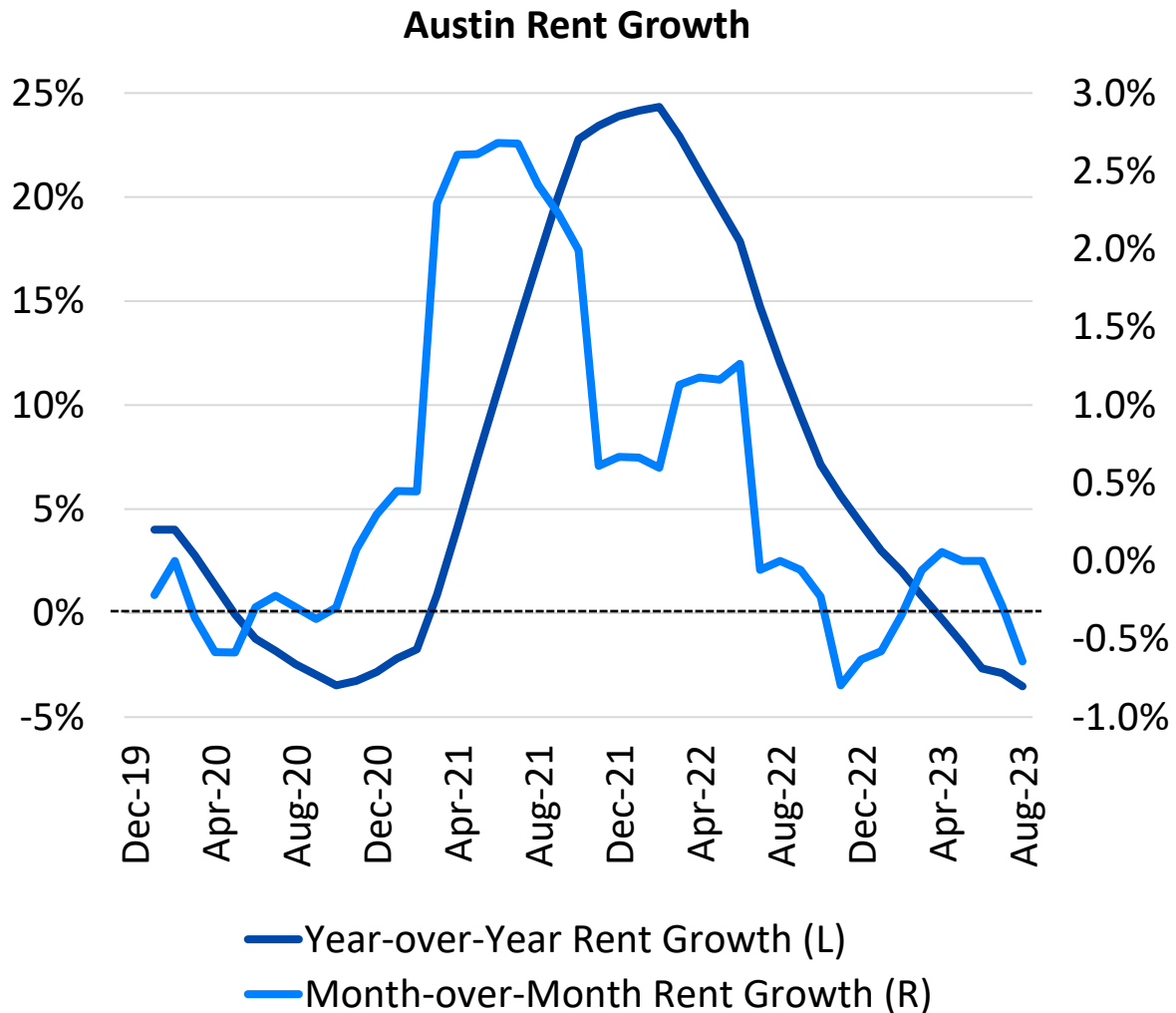
SALT LAKE CITY

These Markets are Forecasted to Have an Influx of New Supply as a Percent of Existing Stock in the Near-Term

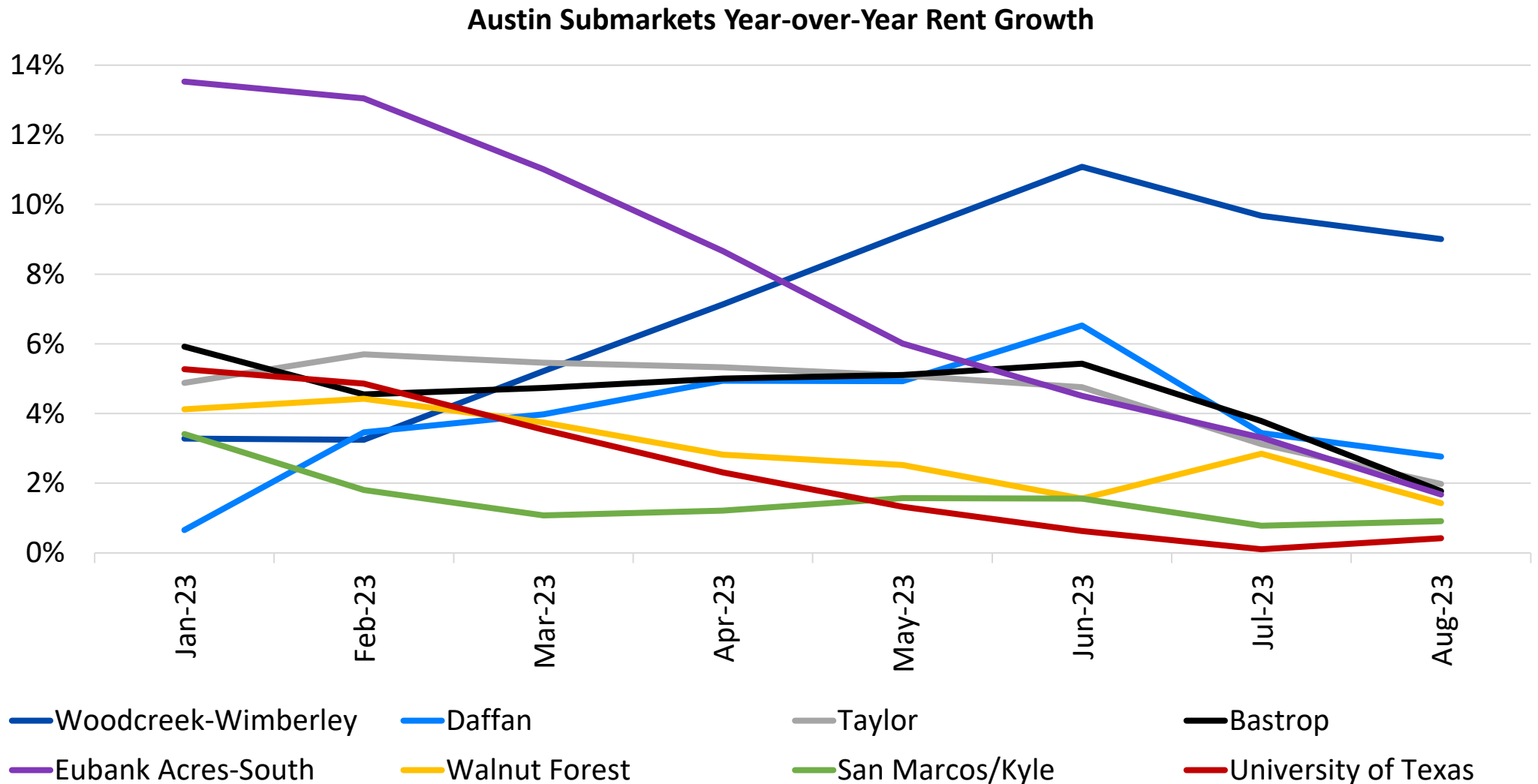
Forecasted New Unit Deliveries as a % of Stock 2023-2024



At the Market Level, Austin and Nashville Have Experienced Decelerating, Negative Rent Growth

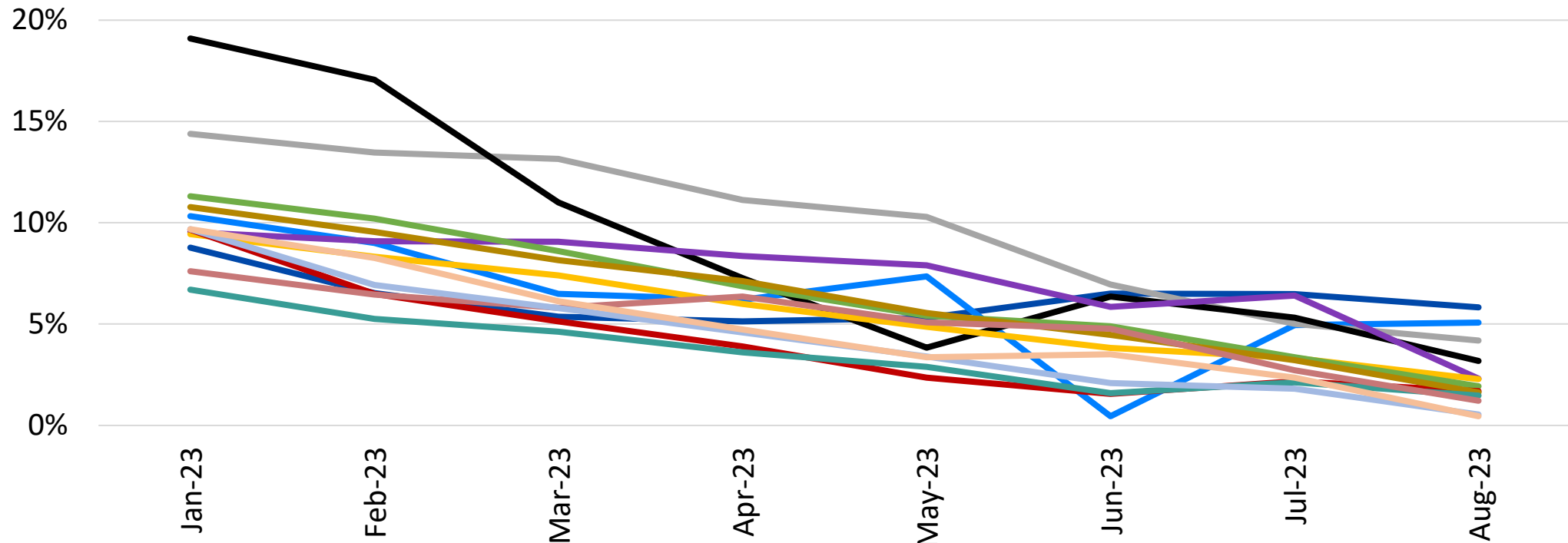


However, There are Still Pockets of Opportunity: 8 Submarkets in Austin Have Maintained Positive Rent Growth in 2023



However, There are Still Pockets of Opportunity: 13 Submarkets in Nashville Have Maintained Positive Rent Growth in 2023

Nashville Submarkets Year-over-Year Rent Growth

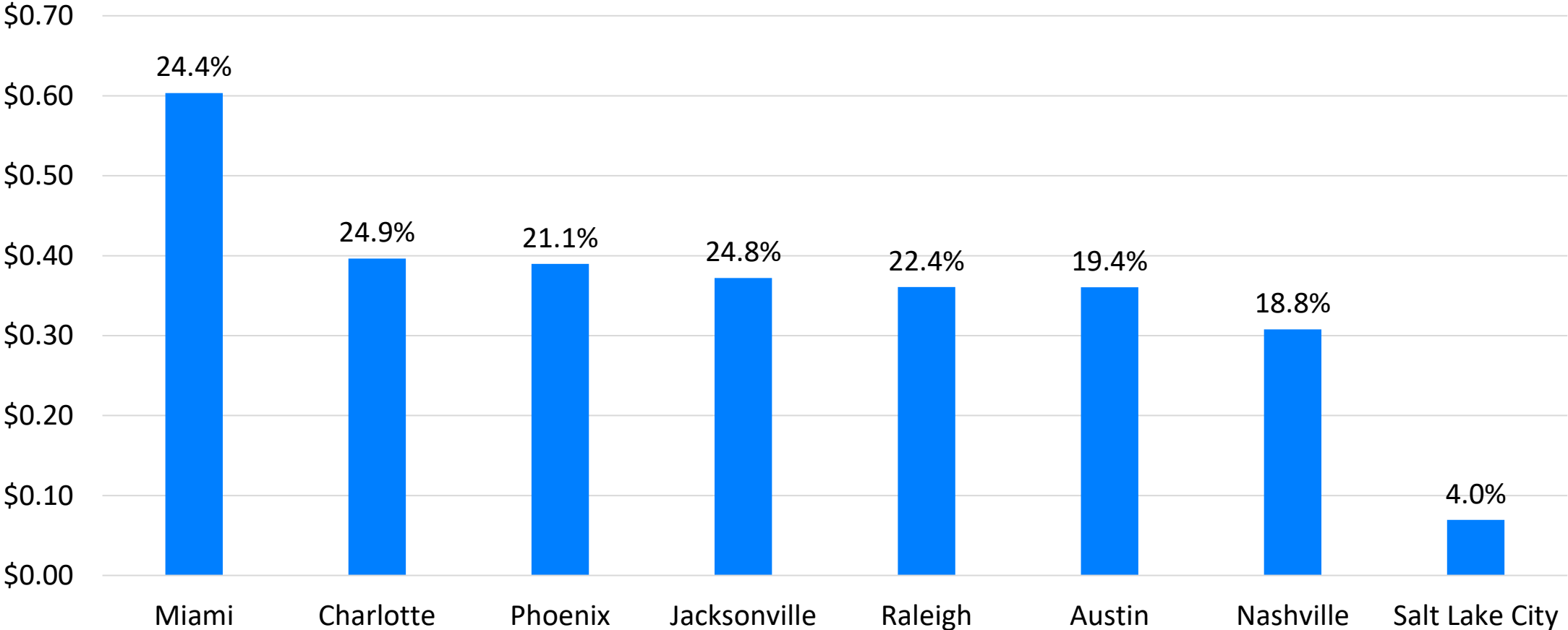


- Smyrna
- Nashville-Woodbine
- Nashville-Airport
- Springfield
- Spring Hill
- Murfreesboro
- Lebanon
- Nashville-Northeast
- Nashville-Madison
- Nashville-South
- Hendersonville
- Nashville-Lebanon Pike
- Gallatin



Newly-Constructed Properties in Lease-Up Charge Up to an Extra 60 Cents in Rent Per Sq. Ft. Compared to Stabilized Properties in the Same Market

**Difference in Weighted Average Rent PSF
Properties in Lease-Up vs Stabilized Properties**



SINGLE-FAMILY RENTALS IN BUILD-TO-RENT COMMUNITIES

National Housing Snapshot

Total U.S. Housing Units	142.5	MILLION UNITS
Total Occupied Households	127.4	MILLION UNITS
Renter Occupied Households <i>~20MM Professionally Managed Multifamily</i>	44.0	MILLION UNITS
Single Family Rentals <i>~500K Institutional Owned SFR ~165K SFR in Build-to-Rent Communities</i>	17.0	MILLION UNITS

The Four Types of Single-Family Build-to-Rent

HORIZONTAL MULTIFAMILY

- 1,500 sq ft
- 1-3 bedrooms
- \$1,300-\$1,900 rents
- Single-level cottage homes, enclosed small backyards
- NextMetro & Lennar in Phoenix and Denver pioneered concept
- Fully amenitized community-pool/clubhouse

TWO-STORY TOWNHOMES AND/OR ATTACHED ROW HOUSES

- 1,700 sq ft
- 2-3 bedrooms
- \$1,300-\$1,900 rents
- Western U.S.
- Partial to no amenities

LUXURY SINGLE-FAMILY

- 2,000-3,000 sq ft
- >4 bedrooms
- \$4,500-\$7,000 monthly rents
- California + Nevada
- No community amenities

TRADITIONAL SINGLE-FAMILY

- 1,800-2,500 sq ft
- 3-4 bedrooms
- Southeastern U.S. (Nashville, TN)
- Larger lot sizes

Single-Family Rentals in Build-to-Rent Communities Are *now a Part of the Yardi Matrix Data Service!*

Yardi Matrix Single-Family Rental Coverage Map



Status	Properties	Units
Completed	1,169	147,222
Under Construction	312	57,543
Planned	189	36,750
Prospective	193	30,621
TOTALS	1,863	272,136

*Yardi Matrix coverage include single-family rentals and built-to-rent over 50 units. Complete explanation of our definition is available upon request

Source: Yardi Matrix



SFR Demand Strong Among Millennials and Blue-Collar Workers

SINGLE-FAMILY RENTAL DEMAND DRIVERS:

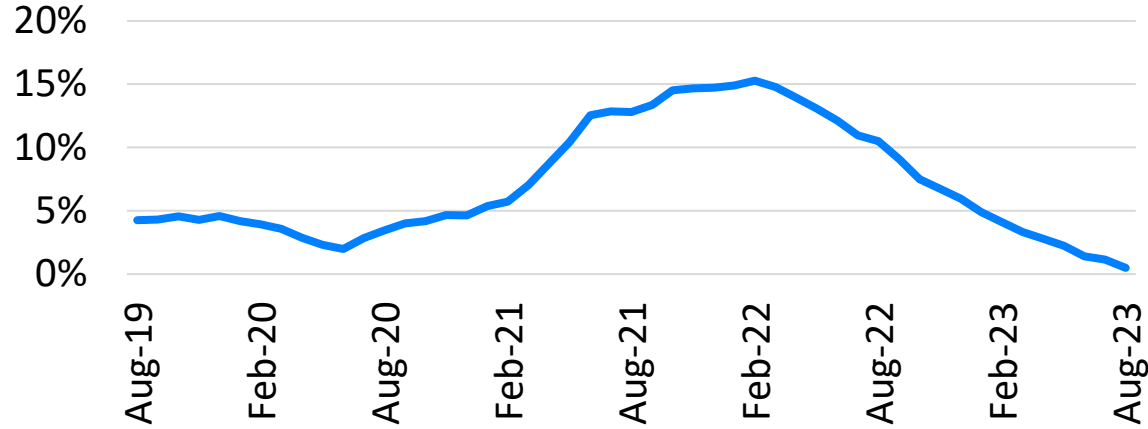
- **Work from home**
 - **Only 47.2% of workers are back to the office** – hybrid work is becoming the norm
 - More conducive to work than noisy apartments
 - Offers more space for multiple workspaces
- **Household formation growth** during the pandemic as a result of:
 - Employment/wage growth
 - Stimulus payments
 - Increased savings
- **Declining affordability of homeownership**
 - 61% of renters in the largest metros are priced out of homebuying
 - SFR is prime for millennials and blue-collar workers who would like to buy a house but are priced out
- **Demographics**
 - Millennials and blue-collar workers
 - Ages 24 to 40
 - Salaries averaging \$60,000 to \$70,000 a year

SFR/BTR Development Trends

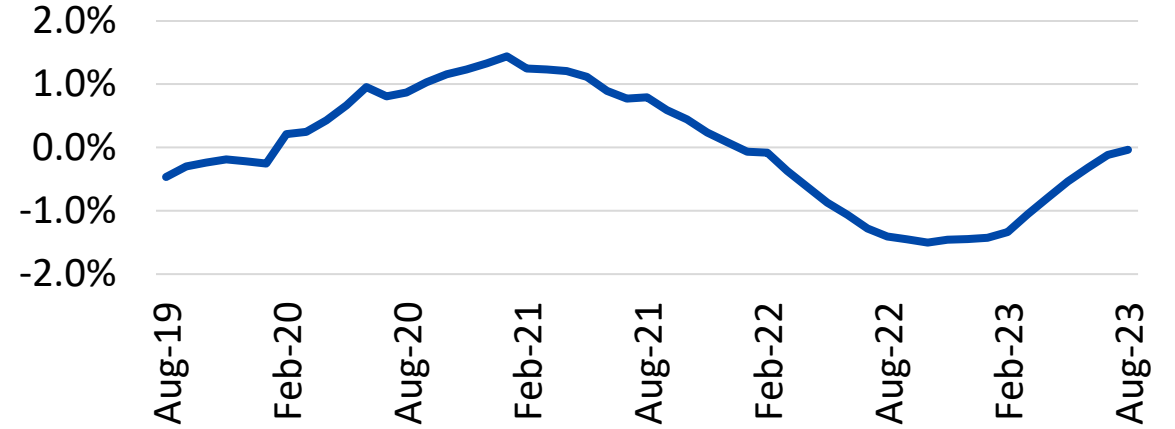
- Amenities
 - Most popular: on-site maintenance and a community
 - Highly desired: better parking, storage, privacy and a yard (even if small)
 - Bonus: apartment-like amenities such as a pool, clubhouse and trails
- **Smart home technology is a MUST** – will likely become standard
 - Plan for future demand – EV charging in garages
- Design homes to accommodate frequent moving
 - Resilient materials (e.g., laminate faux wood flooring, granite/quartz countertops)
 - Wider hallways
 - Standardized appliances
- Flex SF and lot size by location based on consumer demand
 - Young singles and couples prefer pet-friendly units
 - Young families prefer large common areas
 - Singles and couples want an attached garage

Single-Family Rental Fundamentals Are Leveling Out

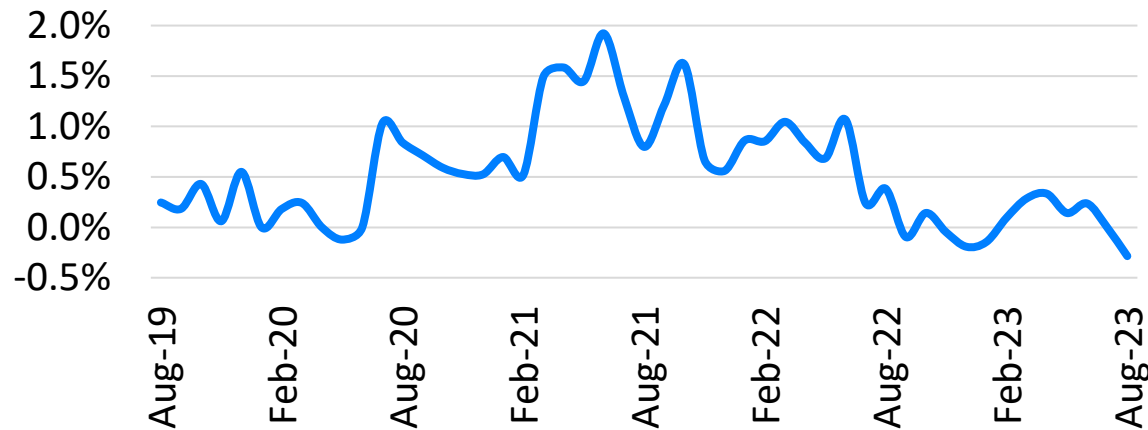
National SFR Rents: Year-over-Year



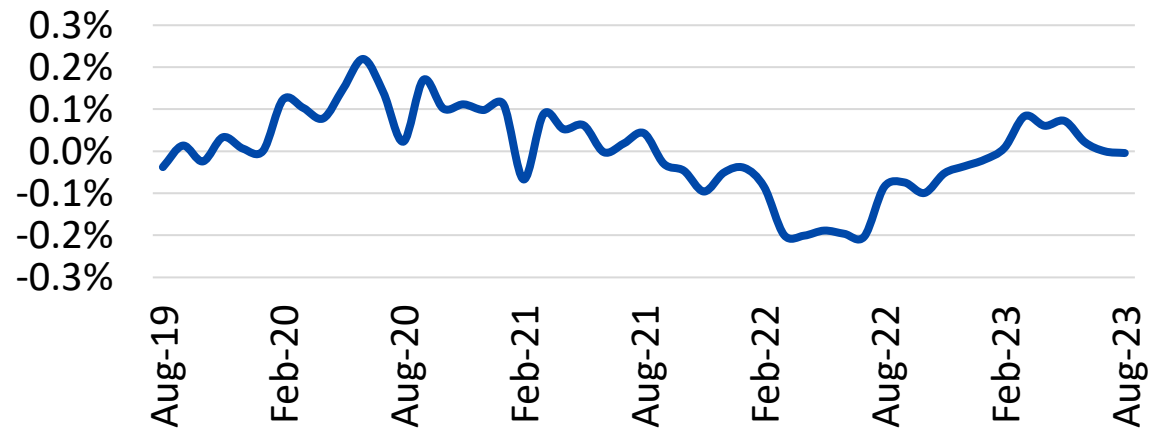
National SFR Occupancy: Year-over-Year



National SFR Rents: Month-over-Month

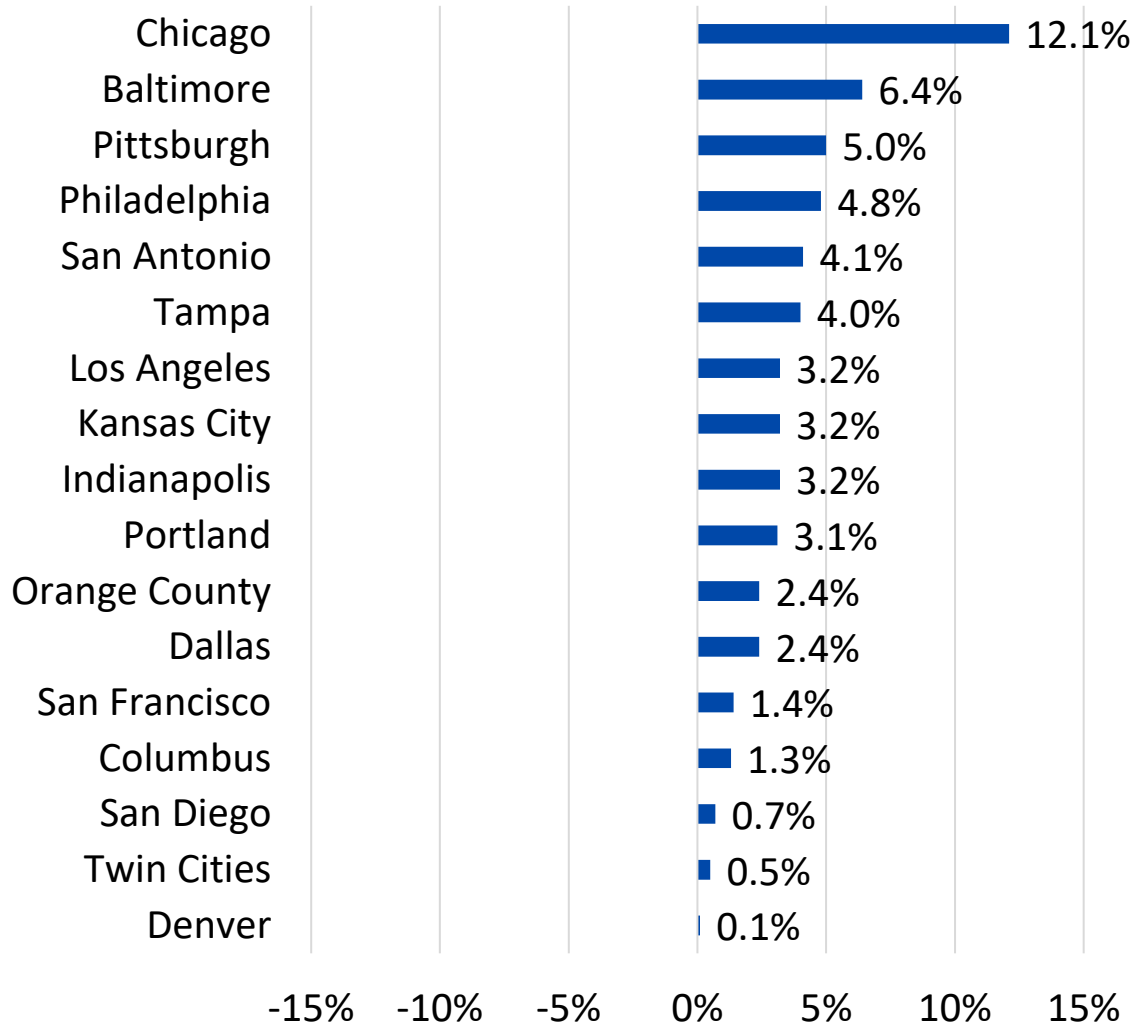


National SFR Occupancy: Month-over-Month

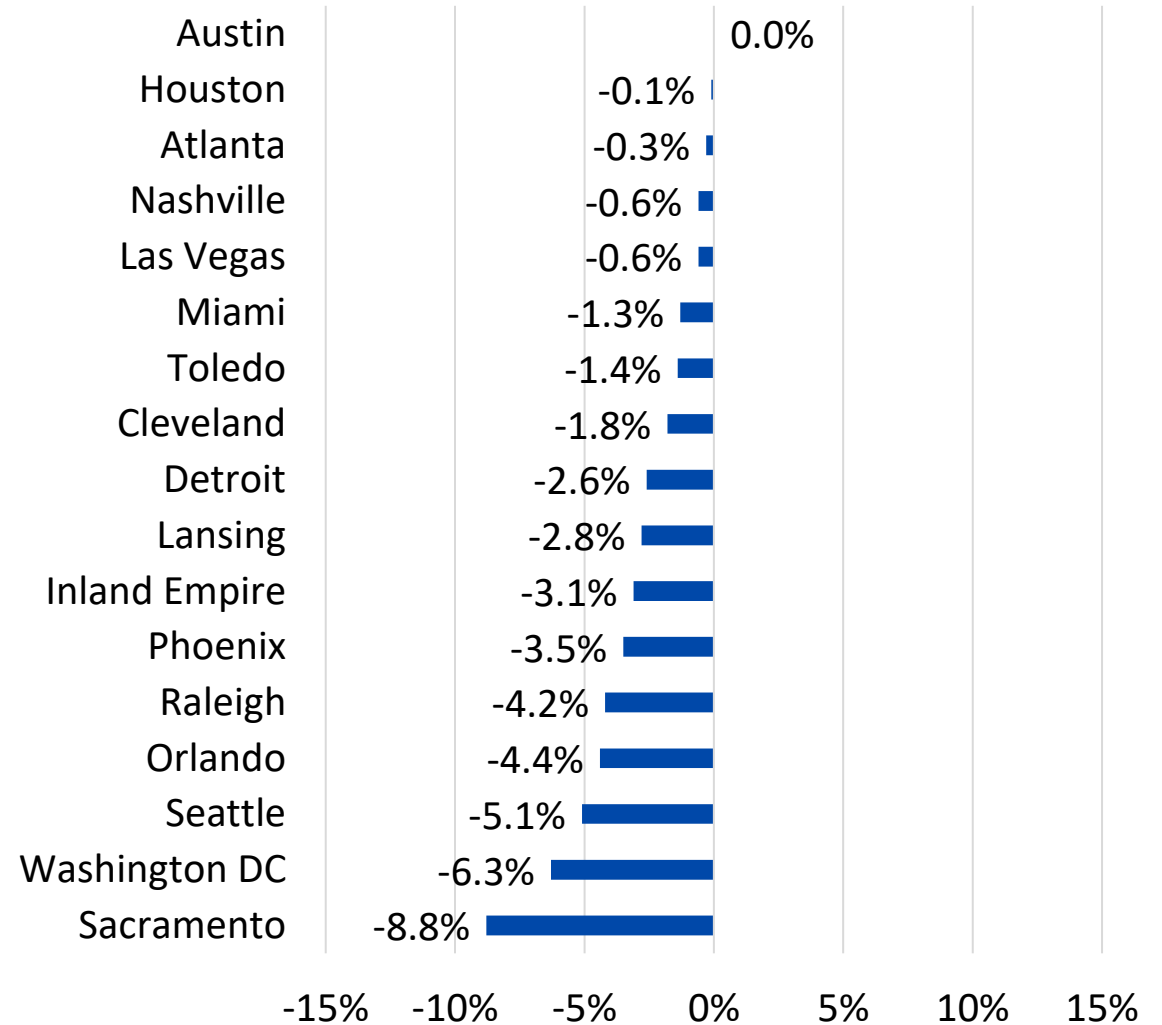


Single-Family Rent Growth Is Beginning to Stabilize in Top SFR/BTR Markets

August Year-over-Year Rent Growth

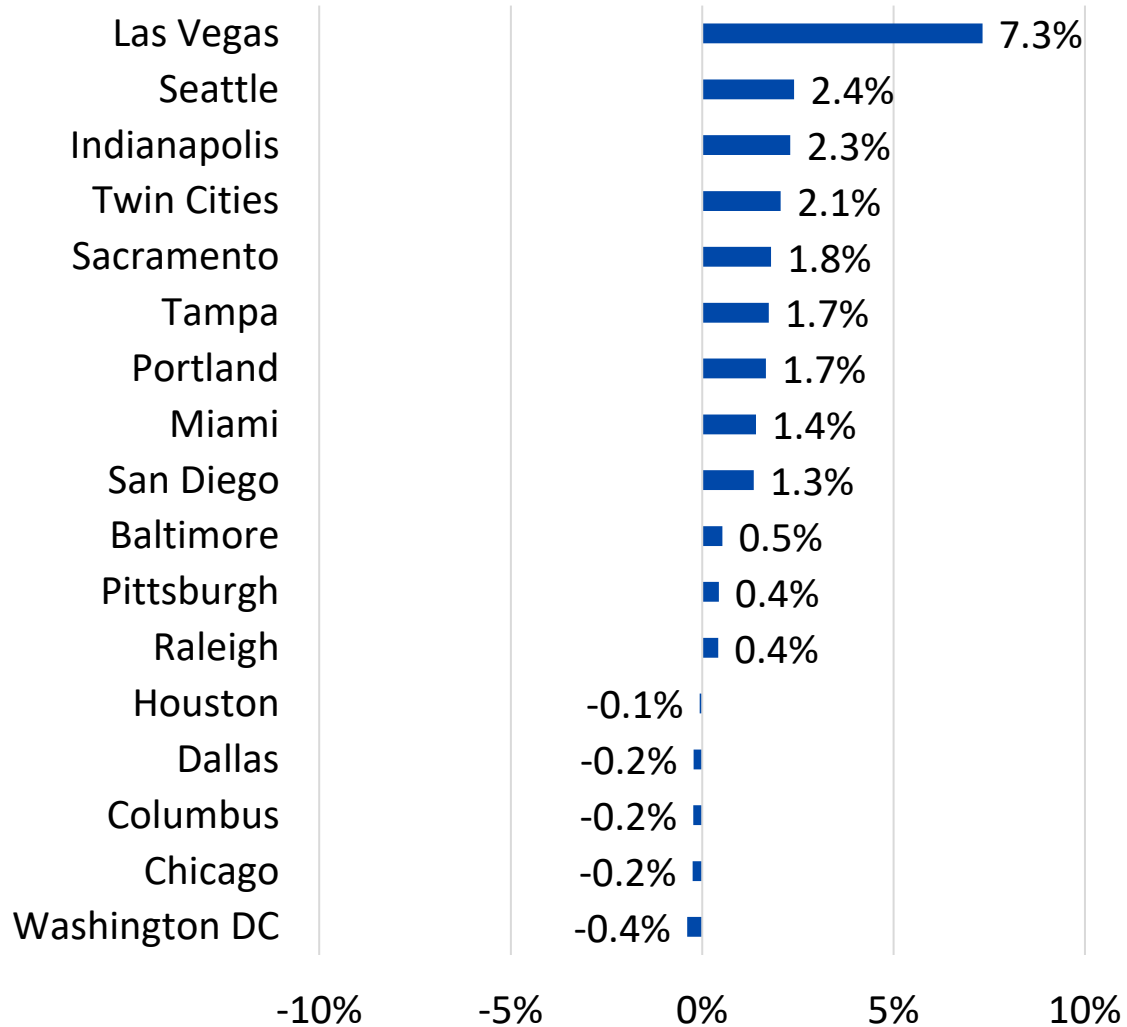


August Year-over-Year Rent Growth

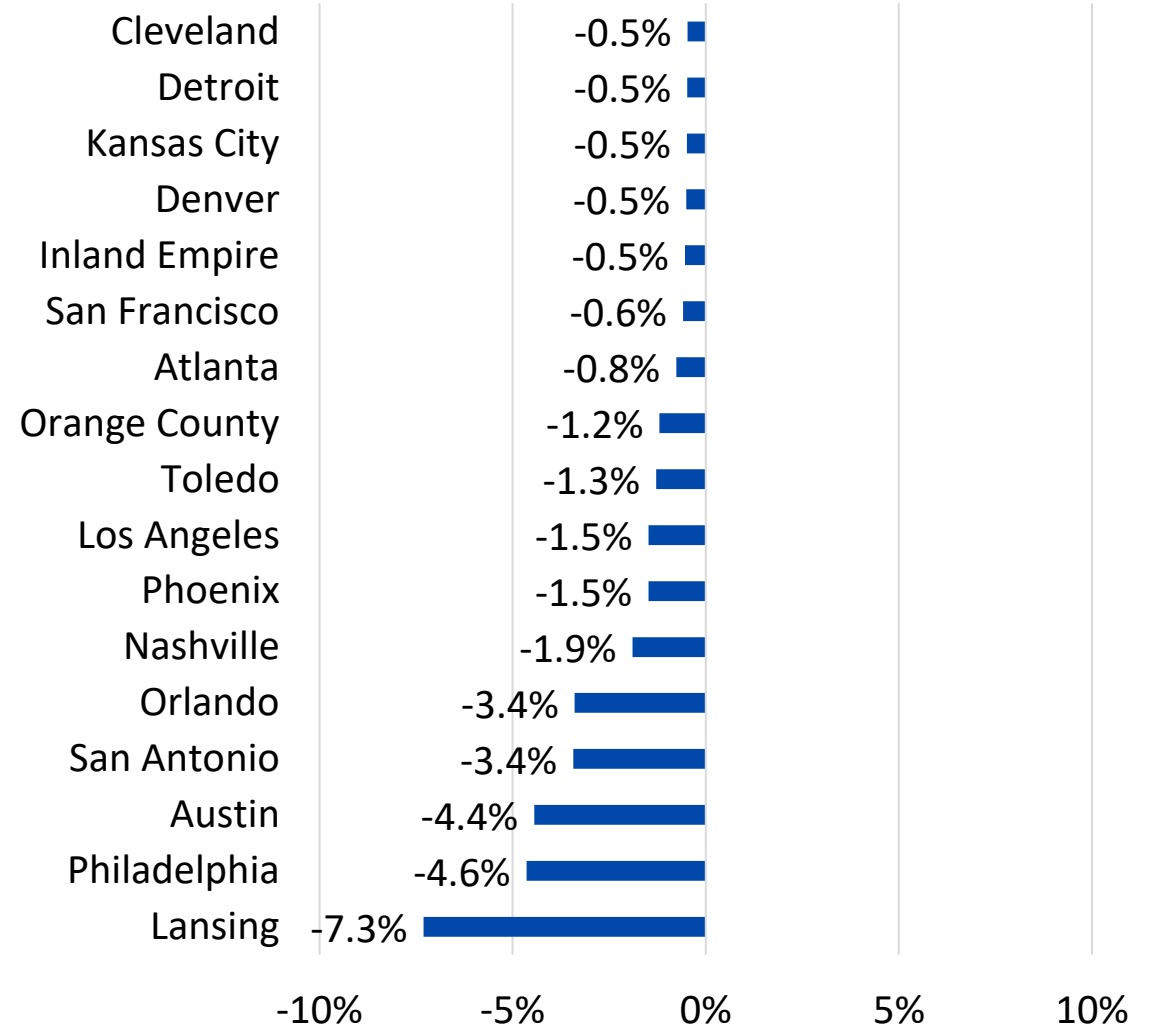


Occupancy Growth Continues to Decline in Most Markets

August Year-over-Year Occupancy Growth

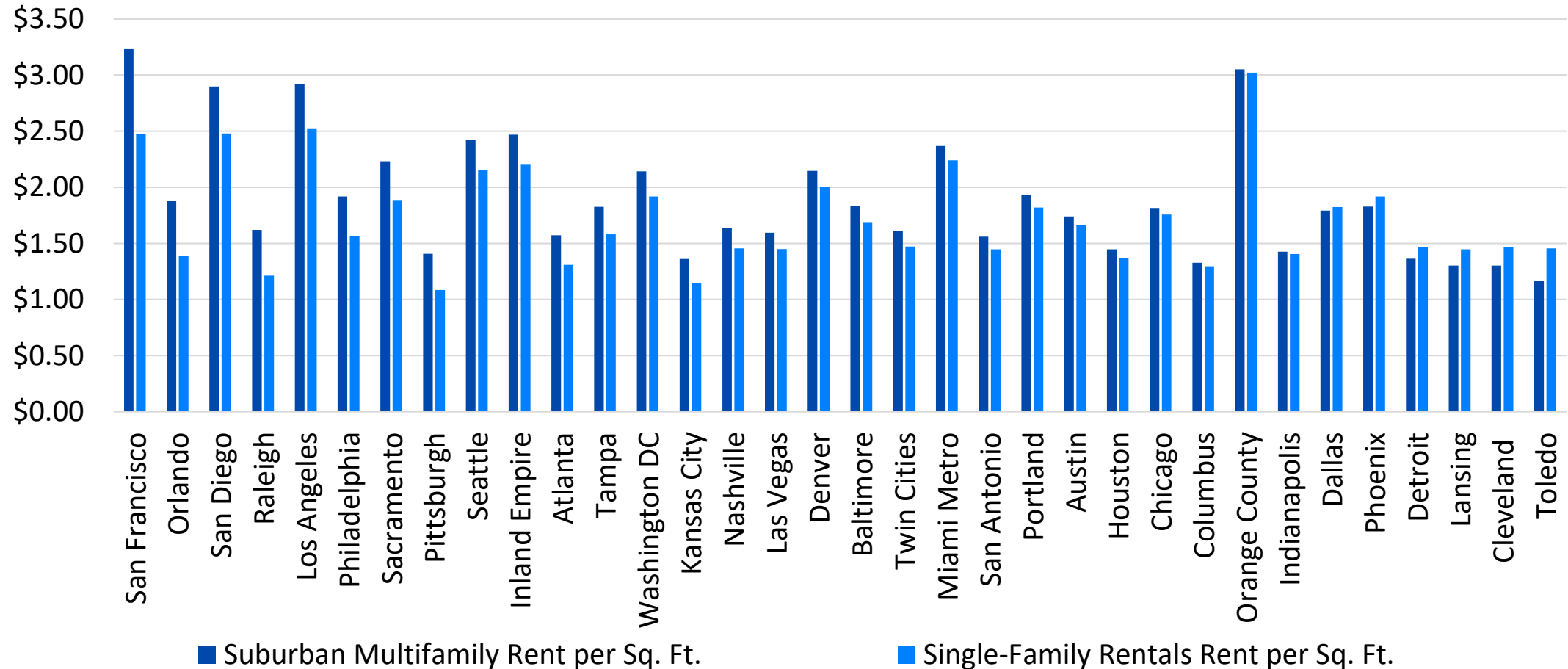


August Year-over-Year Occupancy Growth



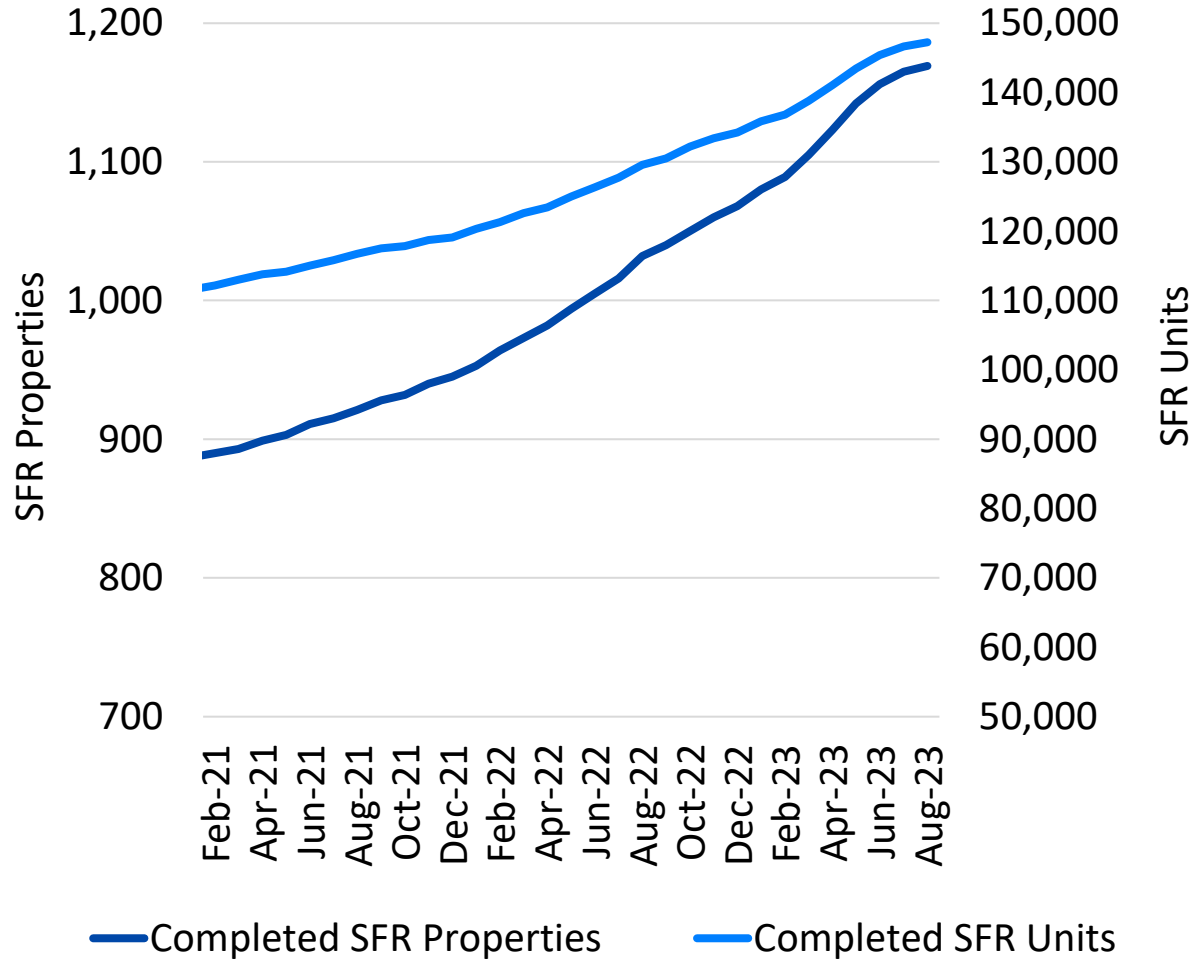
Rents per Sq. Ft. Are Higher for Suburban Multifamily Rentals Than Single-Family Rentals in Most Markets

Aug 2023 Rent per Sq. Ft.
Suburban Multifamily vs. Single-Family Rentals

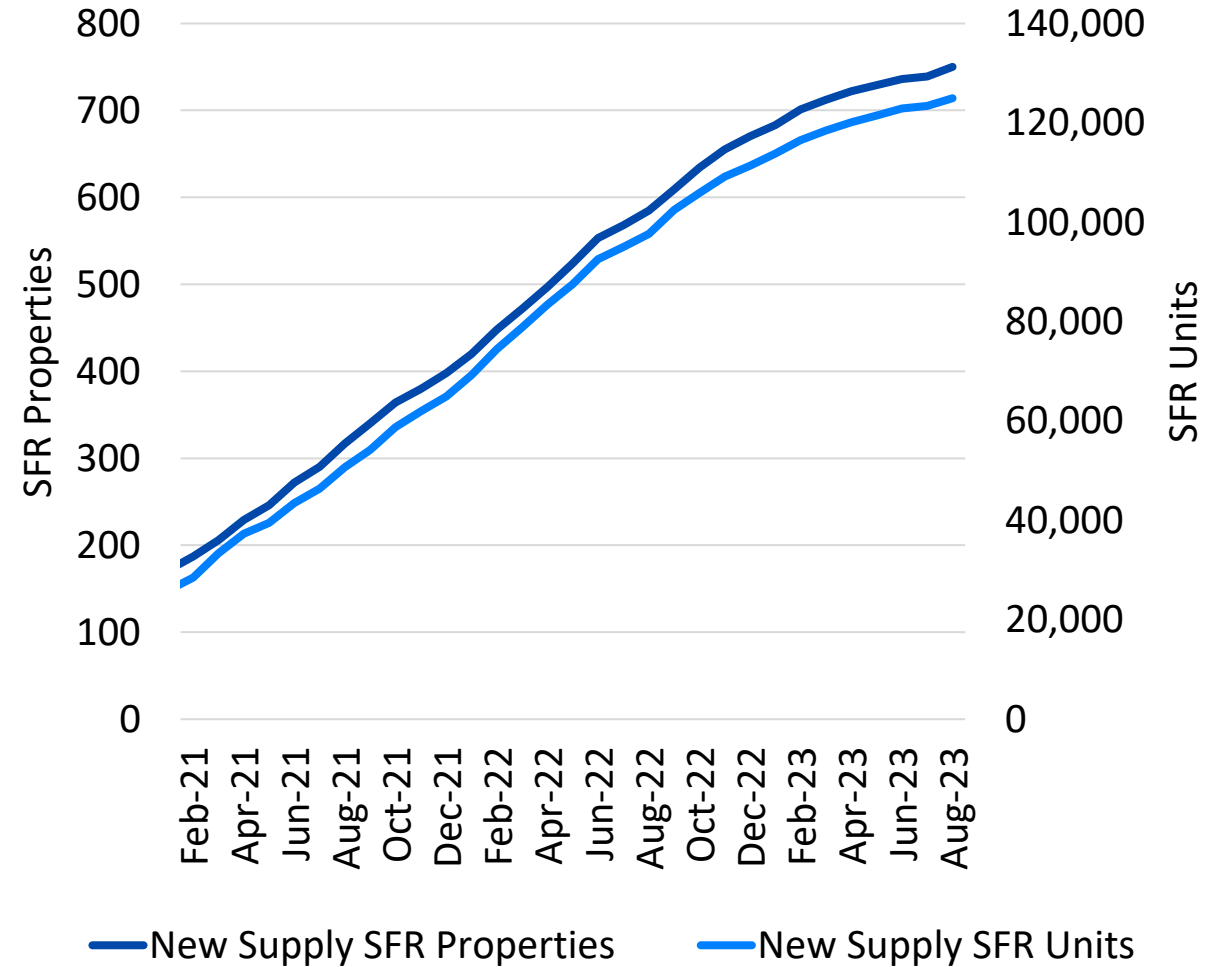


Single-Family Rental Supply Continues to Grow With the Sector's Popularity

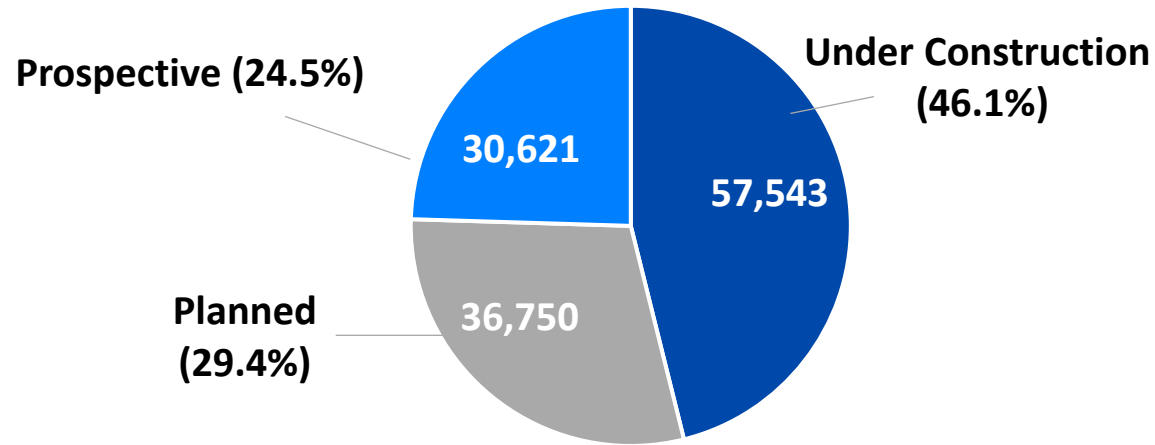
Completed Single-Family Rentals



New Supply Single-Family Rentals



New Single-Family Rental Supply Pipeline: Where is New Supply Concentrated?



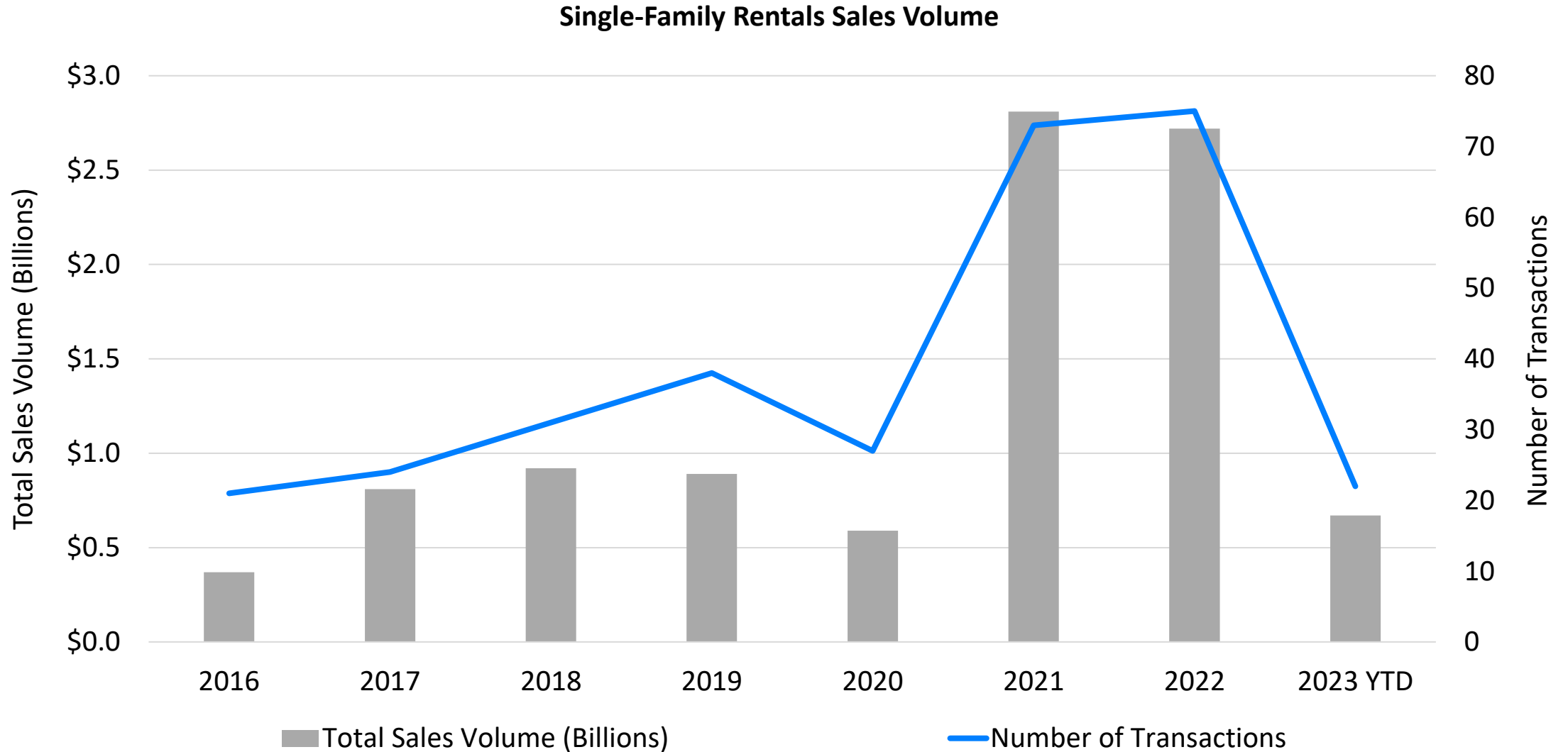
Top 10 Markets	Units	UC as a % of Existing Stock
Omaha	400	800.0%
Colorado Springs	394	547.2%
Savannah	1,343	440.3%
Orlando	1,647	284.0%
Atlanta - Urban	512	279.8%
Huntsville	1,142	259.0%
Chattanooga	310	229.6%
Jacksonville	2,256	224.7%
N. New Jersey	97	156.5%
Albuquerque	395	151.9%

Top 10 Markets	Units	Planned as a % of Existing Stock
Colorado Springs	533	740.3%
Bay Area - East Bay	808	364.0%
Boston	171	178.1%
N. Central Florida	793	176.6%
Fayetteville NC	567	150.0%
Orlando	852	146.9%
Austin	2,472	125.4%
Fort Worth	2,499	123.9%
Huntsville	544	123.4%
Knoxville	261	103.6%

Top 10 Markets	Units	Prospective as a % of Existing Stock
Omaha	422	844.0%
Louisville	643	338.4%
Northern Virginia	604	290.4%
Boston	224	233.3%
Boise	614	182.2%
SW Florida Coast	1,319	174.0%
St Louis	274	151.4%
Fayetteville NC	562	148.7%
Milwaukee	586	113.3%
Bay Area - East Bay	236	106.3%



Single-Family Rental Sales Volume is Down From It's Peak in 2021 and 2022, but On Track to Reach Pre-Pandemic Levels



Potential Headwinds: Interest Rates and Possible Legislation

- **Interest Rates**
 - Increasing interest rates will have a negative impact on development
 - Increasing costs
 - Decreasing supply
 - Declining availability of construction financing
- **Potential Legislation** presented at the House Financial Services Subcommittee on Oversight and Investigations
 - Rental Housing Registry Ordinance
 - Rental property databases
 - Landlord registries
 - Just Cause Eviction legislation
 - Anti-competitive legislation
 - Rent control
- **More competition** as more developers look to purchasing rental properties as their near-term strategy

However, This Could Also Create SFR/BTR Investment Opportunities

- Due to rising interest rates, an increasing number of traditional home buyers are pulling out of the market
- **Builders are stuck with more homes than they can sell**
 - **Offering to sell to landlords at 15%-20% discounts**
- **13.4% more homes under construction August 2023 than previous year**
 - Selling to landlords is cheaper - involves less customizations
- Major homebuilders reportedly walking away from building projects
 - Lennar Corp., KB Home
- Investor focus is still primarily existing homes
 - New home purchases still only around 2% of investor home purchases (John Burns RE Consulting)
 - Empty lots or communities can help build margins in any market
- Home builders selling to investors means fewer options for home buyers but also protects current homeowners by keeping home prices from falling further than they may otherwise

Yardi Matrix House View – September 2023

MACROECONOMIC UPDATE

- U.S. economic growth is still healthy, with 2.4% GDP growth in Q2, and early numbers on Q3 are strong
- The Fed is still in a tightening cycle, but will slow the pace of rate increases soon, as there is a >1 year lag to actions
- Inflationary pressures have started to cool, but remain elevated due to underlying price pressures
 - De-globalization continues as does U.S. domestic near/re-shoring
- The labor market is tight, but showing signs of softening, with no consensus on immigration policy
- U.S. economy is slowing, yield curve (10 YR - 3 MTH) is inverted, mild recession very likely in 4Q 2023

MULTIFAMILY UPDATE

- The multifamily market continues to outperform expectations despite decelerating rent growth
- We continue to see a market rotation occurring:
 - Sun Belt metros are decelerating at the upper end, driven by heavy supply additions
 - Midwest, Northeast, Small Southern and some Mountain metros are outperforming
- The market rotation is occurring due to **affordability** in the wake of rapid rent increases and **slowing domestic migration**
- Construction financing is in short supply, and deliveries could be significantly reduced in 2025-2027
- The supply shortage of U.S. housing is likely to last 5-10 years, supporting continued rent growth and capital appreciation
- The bid/ask spread for acquisitions remains very wide, with initial pre-distress and distress emerging
- Transactions have, and will, continue to slow until inflation is deemed under control and interest rates come down, which we think happens in about a year



THANK YOU

Feel free to contact us with any questions

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