MARKET INSIGHT REPORT

NATIONAL
WINTER 2024

NATIONAL

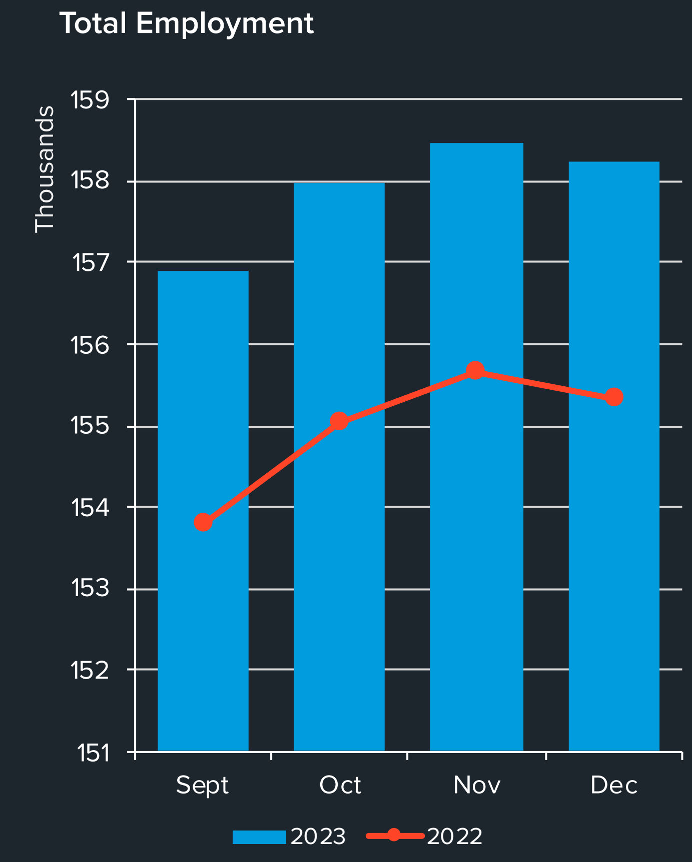
Summary

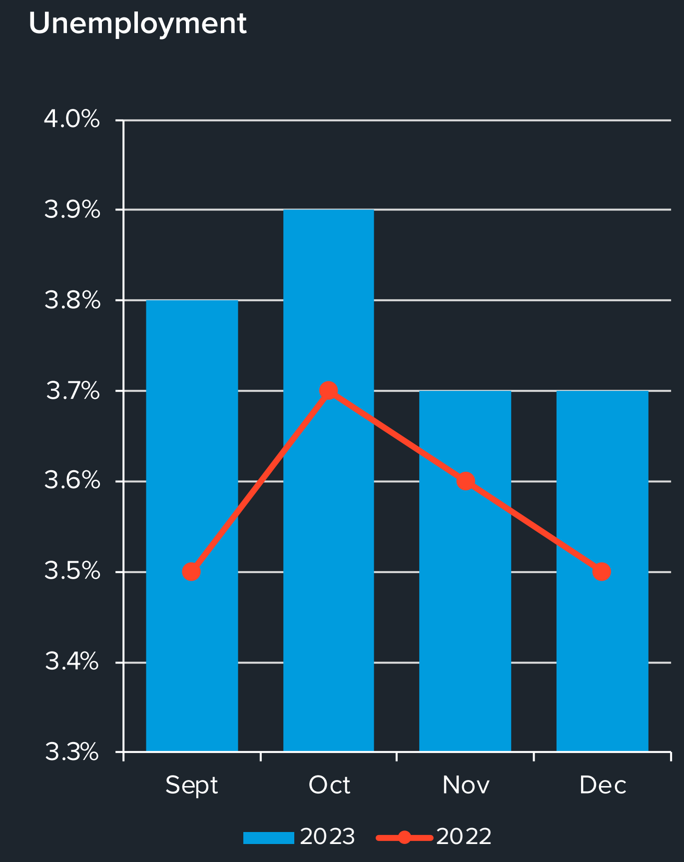
The U.S. economy was resilient in 2023 and defied most market expert predictions of a mild recession to commence by midyear. Consumer expenditures sustained a healthy pace as households continued to spend down excess savings created during the pandemic, and the economy grew by 4.9% in the third quarter. Moody's Analytics reported: "Q3 Real GPD data continued to exceed expectations, growing at nearly 2x the rate that experts predicted, which should bring some comfort to those in fear of a recession."

Overall favorable conditions were also reflected in the labor market even with the financial strain of higher business costs. While excess jobs were shed at a higher amount than historic norms at the beginning of the year, positions that were created during the pandemic were factored in. Workers were able to find replacement positions amongst plentiful job openings, keeping initial unemployment claims low. Announced job layoffs leveled from 65,000 per month at the beginning of 2023 to 45,000 in July, slightly above the 2017 to 2019 average of 43,000 but approximately 50% higher than the 2022 monthly rate of roughly 30,000.

The release of new year-end data indicates emerging trends in the slowing of consumer spending, monthly job gains, and wage growth, all indicators of a slowing economy. Even so, the general expert consensus has stayed the course in anticipating a "soft landing" into 2024. Expectations are that job growth will remain positive, interest rates will stabilize, inflation will continue to wane, and household income growth will continue to improve throughout the year, in the absence of unforeseen macroeconomic conditions.

- Multifamily demand was robust in the fourth quarter of 2023 with the third-strongest absorption total for that quarter on record, indicating that demand has stabilized and the U.S. multifamily market is well-poised to absorb the high supply levels coming online in 2024.
- Demand is expected to remain positive in the coming months although at a lesser rate than pre-pandemic levels.
- The Freddie Mac baseline forecast predicts 2024 rent growth of 2.5%, remaining slightly below the long-term annual average from 2000 to 2022 of 2.9% per RealPage Analytics.
- Transaction volume growth is expected, driven by interest rate stability. Volume growth is forecasted to be in the $370 billion to $380 billion range, in line with 2019 volume but well below the post-pandemic years of 2021 and 2022.





National Employment (Thousands)	December 2023	% Δ from December 2022
Total Non-farm	158228	1.9%
Mining and Logging	640	2.2%
Construction	7993	3.0%
Manufacturing	13013	0.2%
Trade, Transportation, and Utilities	29661	0.5%
Information	3070	-2.2%
Financial Activities	9171	0.4%
Professional and Business Services	23012	0.5%
Education and Health Services	26043	4.3%
Leisure and Hospitality	16450	3.2%
Other Services	5877	1.7%
Government	23298	3.1%

Source: U.S. BLS, Current Employment Statistics

Rental Market

The national multifamily market reached an inflection point towards the end of 2022 yet demand remained steady in 2023, even with waning rents across major market areas. The national average rent is 23.5% higher than at beginning of the pandemic in March 2020, and rent growth remained positive through the third quarter in almost all large metropolitan areas.

- Rent growth in the Midwest and Northeast regions surpassed the Sun Belt markets in 2023 and the trend is expected to continue into 2024. Limited new supply in the Midwest and Northeast regions kept rent growth balanced.
- The Sun Belt markets and the more affordable secondary areas are reflecting the ebb and flow effect of the swift influx of pandemic-related in-migration, the surge of multifamily demand and rent increases, and the consequent retraction of rent growth.
- Class A properties are at the forefront of rent deceleration as new supply from the fastest-growing market areas of 2020 and 2021 comes online.
- Overall, demand will outpace supply even with elevated supply over the next two years. The current performance slowdown is expected due to the impact of inflation on renter affordability and the market adjustment to new delivery absorption.

Metro	Avg. Rent as of Nov 2023	Forecast 2024 Rent Growth
National	$1,713	3.7%
Nashville	$1,634	1.5%
Las Vegas	$1,445	1.4%
Philadelphia	$1,726	1.4%
Phoenix	$1,583	1.3%
Detroit	$1,241	1.2%
Houston	$1,357	1.2%
New Jersey	$2,341	1.1%
Raleigh - Durham	$1,558	1.1%
Charlotte	$1,581	1.1%
Dallas	$1,540	1.1%
Washington D.C.	$2,118	1.1%
Denver	$1,903	1.1%
Chicago	$1,865	1.0%
Seattle	$2,162	1.0%
Miami Metro	$2,390	1.0%
Portland	$1,713	1.0%
Los Angeles	$2,570	0.9%
Austin	$1,643	0.9%
San Diego	$2,724	0.9%
Tampa	$1,795	0.8%
Atlanta	$1,657	0.8%
Orlando	$1,771	0.8%
San Francisco	$2,754	0.6%
Boston	$2,763	0.6%
New York City	$4,413	0.3%

Source: Yardi Matrix (2024 U.S. Multifamily Outlook)

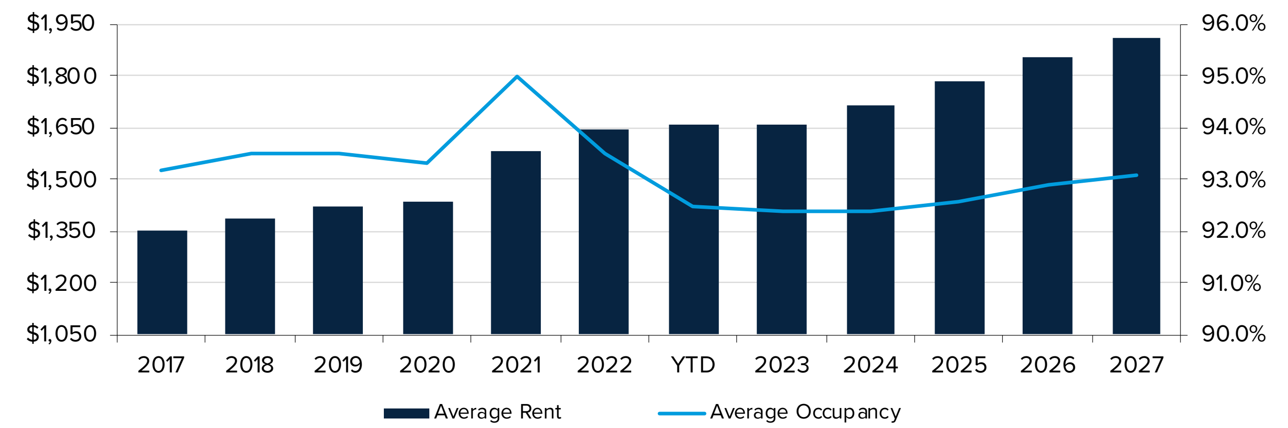
Occupancy

- Occupancy decreases are projected to slow going into in 2024 and coincide with the steady readjusting of household formations as rents soften and affordability becomes more tangible, most notably in the 3 star segment.
- 54,000 Class C units were absorbed during the first three quarters 2023. The occupancy rate for Class C properties was 93.3% at the end of Q3 2023, down 30 basis points over the quarter.
- The supply and demand imbalance of Class A assets in the Sun Belt markets drove occupancy down considerably lower than in other areas.
- Absorption of Class A properties in the second quarter reached 83,000 units compared to 113,000 units delivered, raising the vacancy rate by 40 basis points to 9.9% in Q3 2023. .

92.5%
National Occupancy Rate

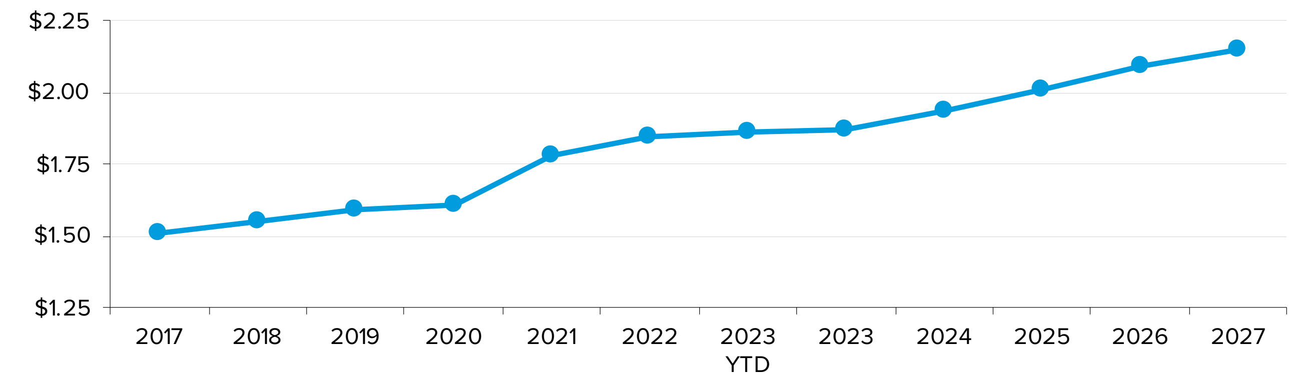
92.4%
National Forecast Average
2024

Average Rent / Vacancy



*Source: CoStar | *Projected*

Asking Rent / SF



*Source: CoStar; GREA Research | *Projected*

Multifamily Construction

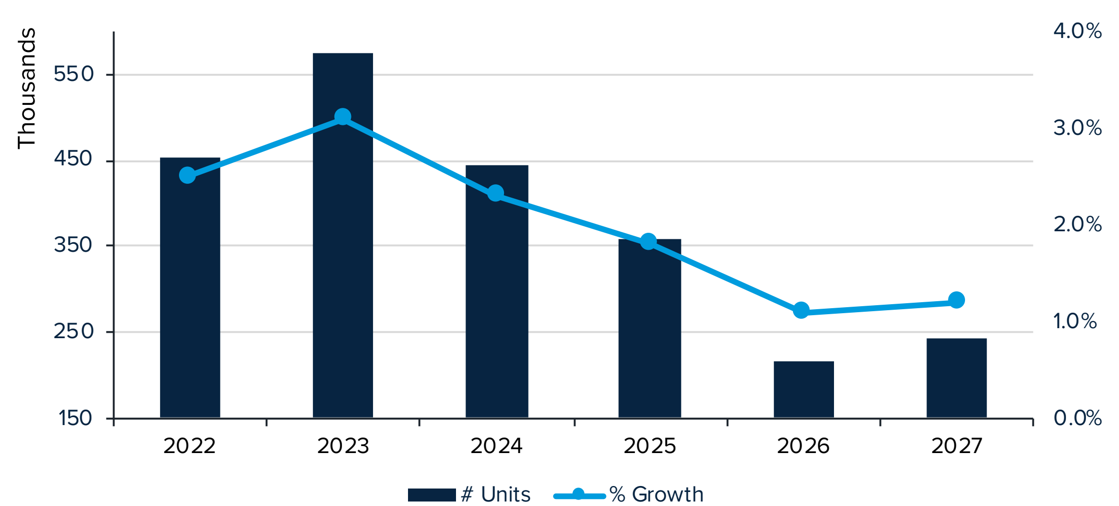
Demand was positive through the first three quarters of 2023 after ending 2022 in negative territory, although weaker when compared with the pre-pandemic average. Robust renter demand absorbed 107,000 units in Q2 2023, the highest since Q3 2021's recovery. Despite positive demand, market performance slowed in 2023 primarily due to an overall sustained supply / demand imbalance. While the number of units under construction peaked in Q1 2023, there were still over 900,000 units in various stages of completion at the end of the third quarter.

- Supply continues to outpace demand throughout the end of 2023 and into 2024, and deliveries will be highly concentrated in the fastest-growing markets, particularly in the Sunbelt states.
- The 2023 year-end projection for the number of new deliveries is 574,253 units, and 443,882 deliveries are forecasted for 2024.
- Only 10,000 office-to-multifamily conversion units are expected to be delivered this year, representing a small percentage of multifamily development.
- The inflationary effects on construction lending may stall some developers from moving forward on proposed projects in the second half of 2024 and into 2025, thereby aiding in strengthened absorption.
- Strong multifamily fundamentals will balance effects, and new deliveries are expected to bottom in 2026.

574,253 New Units

Expected Completions (Year End 2023)

Completions / Net Absorption

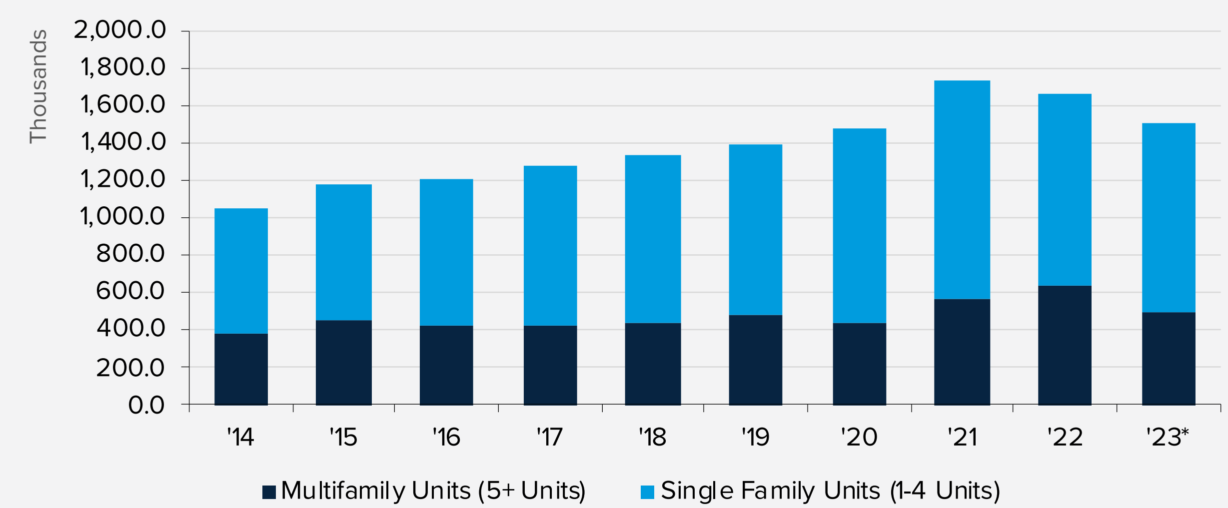


*Sources: CoStar; Freddie Mac; GREA Research | *Projected*

Permits

- The pace of multifamily permitting began to decline in the second half of 2022 and continued in 2023.
- Multifamily starts were down 69.9% to 43,000 units in the Midwest region, down 42.9% to 101,000 units in the West, and down 25.3% to 203,000 units in the South.
- The Northeast region had an increase of 181.7% in starts to 58,000 units, nearly on par with its annual average.

Total Residential Building Permits



*Sources: RealPage Analytics, November 2023 data based on seasonally adjusted annual rate (SAAR) for multifamily permits versus U.S. Census unadjusted data; GREA Research; Multifamily Includes Condos | *Projected*

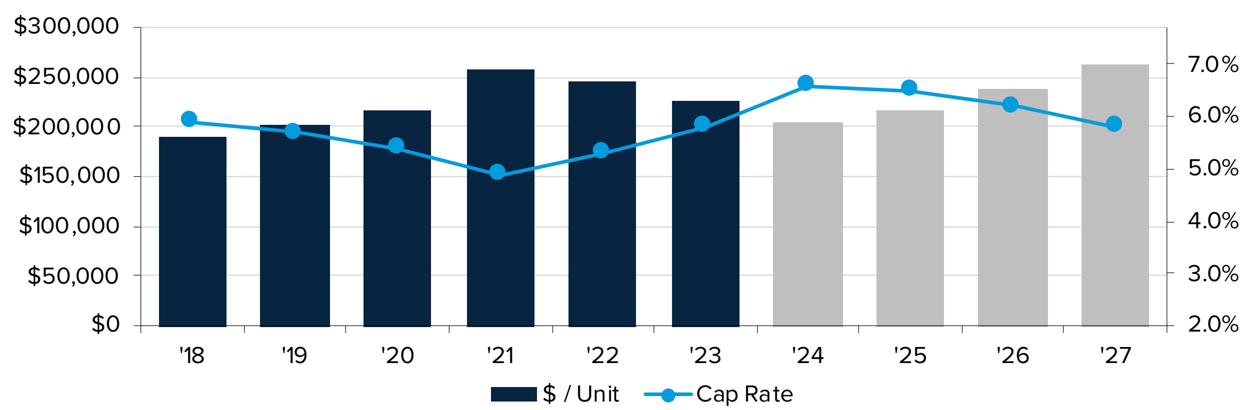
1,003,000
Single Family Permits

498,900
Multifamily Permits (5+ Units)

$392K
US Median Price for Existing Single Family Home *(Nov 2023)*

Multifamily Sales

Average Sales PPU / Cap Rate



*Source: CoStar | YTD as Reported by CoStar | *Projected*

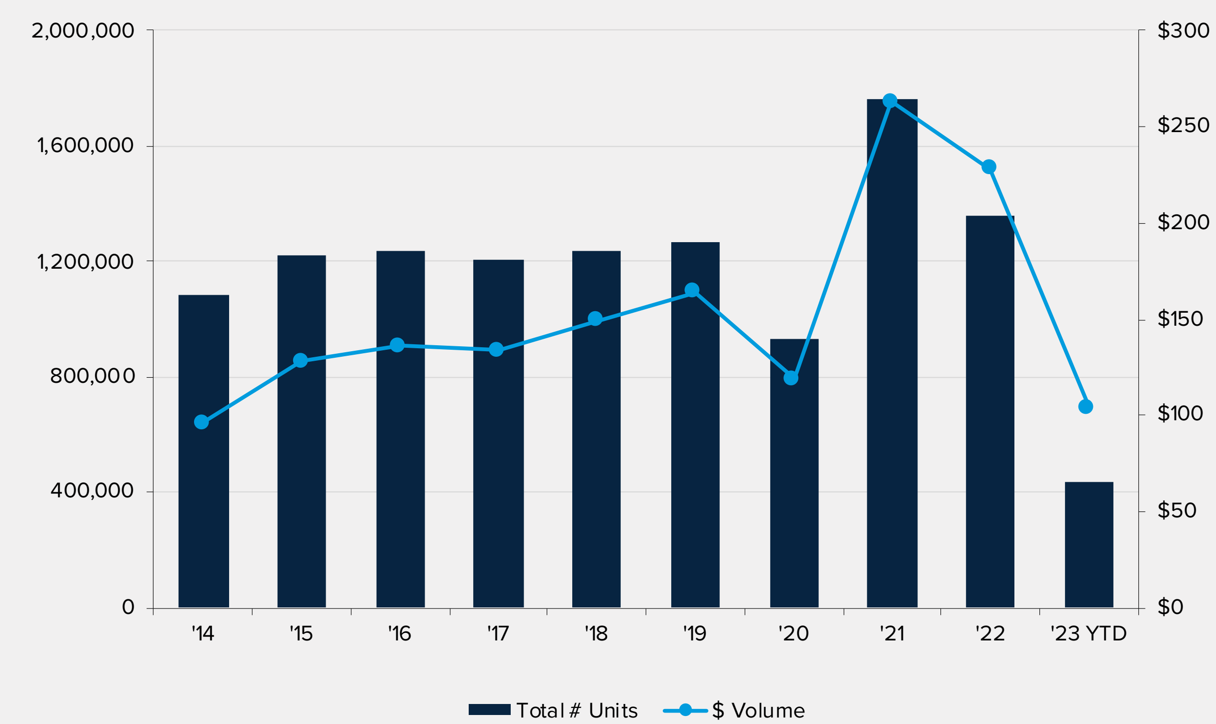
$229,144
Avg. Sold Price / Unit YTD

5.8%
Avg. Cap Rate

437,823
Total Units Sold*

$104B
12 Mo. Sales Volume*

Apartment Sales Transactions



*Source: CoStar; *YTD through Nov 2023*

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Sources: GREA Research; RealPage; National Multifamily Housing Council; Federal Reserve Bank of St. Louis; Moody's; CoStar; Atlatnta Board of REALTORS