IPA INSTITUTIONAL PROPERTY ADVISORS

2024

MULTIFAMILY

National Investment Forecast

TO OUR VALUED CLIENTS

Entering 2024, the institutional multifamily investment climate has begun to show signs of transition. The dramatic headwinds of 2023 — including elevated inflation and interest rates, together with weak consumer sentiment, stalled household formation and the prospect of an impending recession — have all begun to abate.

As these challenges recede and as the Federal Reserve begins to publicly discuss the prospect of interest rate reductions, the expectation gap has begun to narrow. Moderating interest rates will be a key factor, along with strengthening household formation and rising multifamily housing demand. As these forces align, they have the potential to unlock the near-record volume of capital awaiting deployment, and that should drive a revival of institutional investment activity in 2024.

That said, the record wave of multifamily development expected in 2024 could weigh on the performance prospects of several markets. Investors will need to balance the short- versus long-term supply and demand outlook on a market-by-market and asset-by-asset basis. Many of the metropolitan areas with the strongest long-term economic drivers face the greatest short-term supply risks. At the same time, some underperforming gateway markets have begun to show signs of revival, potentially offering investors unique investment opportunities in supply-constrained metros. These fluid, evolving outlooks will force many institutions to re-evaluate their investment strategies in 2024, potentially reframing the institutional investment climate.

To help institutional multifamily investors capitalize on the investment complexities unique to every market, Institutional Property Advisors presents the 2024 National Multifamily Investment Forecast.

Thank you and here's to your continued success,

JOHN SEBREE
Senior Vice President
Director, IPA Multifamily

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Developed by IPA Research Services. Additional contributions were made by IPA investment brokerage professionals nationwide.

National Multifamily Index (NMI)

- The wider adoption of remote work over the past three years boosted population growth among many already fast-growing Sun Belt markets, prompting a subsequent acceleration to groundbreakings that is now coming to bear. This scenario applies to several metros across the top half of the National Multifamily Index.
- In a year where many expanding markets are contending with prodigious new supply, some traditionally steadier markets are standing out. While these metros lack as robust net in-migration, comparatively modest construction aids fundamentals this year. Lower supply pressure and a high barrier to homeownership also underpin the outlook in several gateway markets.

National Economy

- Despite initial concerns, last year proved to be a robust period for the economy. This positive momentum will carry forward in 2024 as household net wealth has increased by a faster-than-average 33 percent since the pre-pandemic peak, well-eclipsing inflation. The cost of debt has risen dramatically over the past two years, however, constraining activity in both the residential and commercial real estate markets, and prompting businesses to trim expenses.
- Higher borrowing costs, together with rising operating expenses, could prompt employers to do more with less. Job growth is set to be around two-thirds of the 2023 pace this year, or possibly lower if economic conditions soften more than expected. While a soft landing to the Federal Reserve's tightening policies is still probable, steering economic growth to near zero still comes with potential risks.

National Multifamily Overview

- Momentum is building for apartment absorption across the country, yet vacancy and rent growth rates are not responding in kind. Developers, not to be outdone by last year's record 420,000 units, are on track to open approximately 480,000 doors in 2024. While this is likely the peak of the current cycle, the compressed delivery timeline is applying considerable leasing pressure to existing apartments. Concessions from new properties will limit the ceiling on potential rent growth this year, especially amid Class A units. Yet, a structural housing shortage across the country warrants the new supply over the long term.
- While supply pressure is high this year, so are barriers to homeownership, due to both elevated mortgage rates and stubbornly-high sale prices. The typical mortgage payment on a median-priced home is now $800 greater per month than the average Class A rent. These factors will delay first-time home purchases for many current renters, expanding the rental pool and bolstering demand for apartments.

Capital Markets

- The Federal Reserve ended its aggressive 18-month hiking spree last July, holding the overnight benchmark rate flat at a 5.25 percent lower bound through the end of 2023. Going forward, the Federal Open Market Committee has not ruled out the possibility of additional policy firming, but it is widely anticipated by market participants that the Federal Reserve will ultimately cut rates at some point this year, if only modestly. This could foster a modest transaction activity revival in 2024.
- While capital is available for multifamily investment sales, underwriting criteria has tightened, and borrowing costs are high. Banks have prioritized debt held by existing customers, and many have chosen not to consider new loans as they restrain balance sheet outflows. As a result, investors have once again become highly dependent on lending from government-sponsored agencies. Borrowers familiar with the interest rate environment before 2008 may be more active this year.

Investment Outlook

- The multifamily investment sales climate has realigned with historical norms following two years of record trading, as the sharp rise of interest rates widened the price expectations gap between buyers and sellers. Slower rent growth, elevated vacancy rates and higher operating costs have weighed on buyer motivation, while the current pricing landscape is motivating many owners to hold. At the same time, the much-anticipated deluge of properties driven to market by maturing debt, higher refinance rates and tighter debt service restrictions has also not materialized. In the coming year, as investors calibrate to the more stable, but higher interest rate climate, sales velocity should steadily gain momentum.
- The prospect of flat, or even modestly declining, interest rates should bolster investor activity over the course of 2024. Significant capital awaiting deployment at both the institutional and private levels should begin to emerge, facilitating price discovery and helping to narrow the price expectations gap. This year's record supply also creates options for larger investors amid constrained capital liquidity for construction. Institutional-grade parties may be able to acquire a recent build before stabilization at a price point below the replacement cost.

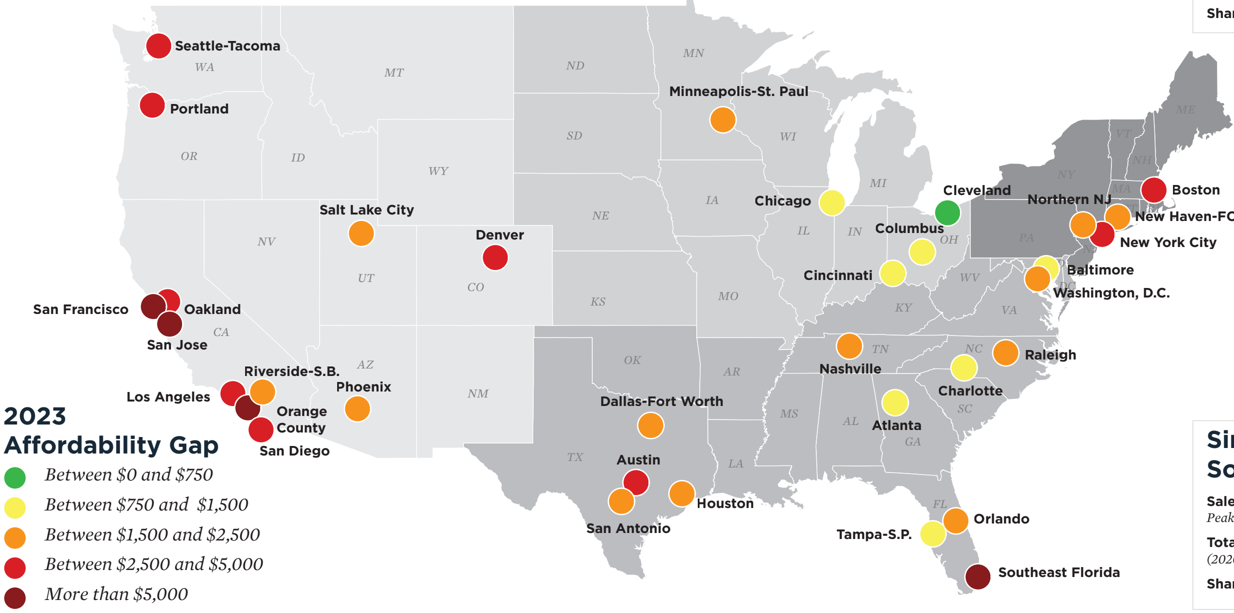
Homeowners Hunker Down: Households Renting Longer

Higher Mortgage Rates Limit Single-Family Listings

Single Family Sales West
Sales Slowdown **-49%**
Peak to 2023*
Total Price Appreciation **45%**
*(2020-2023**)*
Share of U.S. Sales in 2023 **18%**

Single Family Sales Midwest
Sales Slowdown **-39%**
Peak to 2023*
Total Price Appreciation **32%**
*(2020-2023**)*
Share of U.S. Sales in 2023 **25%**

Single Family Sales Northeast
Sales Slowdown **-44%**
Peak to 2023*
Total Price Appreciation **43%**
*(2020-2023**)*
Share of U.S. Sales in 2023 **11%**



Single Family Sales South
Sales Slowdown **-36%**
Peak to 2023*
Total Price Appreciation **46%**
*(2020-2023**)*
Share of U.S. Sales in 2023 **46%**

– Affordability Gap Reaches All-Time High –

** Pandemic peak sales activity ranges from October 2020 to January 2021 based on region.*
*** February 2020 to September 2023 ⁺ As of 3Q*
Affordability Gap is the difference between a typical mortgage payment and average multifamily effective rent.
Typical mortgage payment based on quarterly median home price for a 30-year fixed rate mortgage, 90% LTV, taxes, insurance, and PMI
Sources: IPA Research Services; CoStar Group, Inc.; National Association of Realtors; Moody's Analytics; RealPage, Inc.; U.S. Census Bureau

Housing Market Dynamics

Steeper debt costs constrain listings and sales. The run-up in home prices from 2019 to 2021, paired with the Federal Reserve's substantial interest rate hiking cycle, has made entering into a new mortgage a prohibitive expense for most households. Many current homeowners have a much lower in-place rate than what is available today, dissuading them from moving onto their next property. This lock-in effect is pushing first-time homebuyers toward new homes, but development is still below previous cycles, translating to a falling supply of listings among new builds as well.

Ownership barriers enhance prospects of renting. The combination of higher sale prices and elevated mortgage rates has pushed the affordability gap relative to renting up to its highest margin ever. The difference between the higher cost of a mortgage payment on a median-priced, single-family home and the mean apartment rent has ascended to over $1,200 per month as of late last year. Gaps for already high-barrier markets like the Bay Area or New York now exceed $10,000, while smaller metros like Raleigh have seen their margins climb by over 200 percent. For renters contemplating home ownership, this historic cost premium will keep many utilizing apartments for longer, both enlarging and enriching the overall population of renters.

Influence of Record Development Pervades Index as Momentum Picks Up in Some More Established Markets

Supply wave hinders near-term performance, even among the most dynamic metros. The more common occurrence of remote work in recent years has enhanced population growth among many already fast-growing Sun Belt markets, prompting a subsequent acceleration to groundbreakings that is now coming to bear. Several of the metros across the top half of this year's National Multifamily Index are facing such landscapes. A distinguishing factor among some of the leading markets, including Dallas-Fort Worth (#1), Salt Lake City (#5), Charlotte (#7) and Raleigh (#9), from other metros with high growth but heavy development, such as Denver (#19), San Antonio (#20) and Phoenix (#26), is comparatively stronger household formation among younger, renter-predisposed demographics. New supply pressure is particularly strong in Austin (#12) and Nashville (#13), despite favorable demographics. The Southeast Florida (#6) region, encompassing Miami-Dade, Fort Lauderdale, and West Palm Beach, faces slightly less new supply pressure, while still drawing notable in-migration. Yet, the recent run-up in insurance costs poses a possible headwind for renters and investors alike.

Homeownership barriers backstop rental demand in more static population centers. In a year where many expanding markets are contending with prodigious new supply, some traditionally steadier metros are standing out. This cohort includes Washington, D.C. (#8) and Columbus (#22). While these markets lack as robust net in-migration, comparatively modest construction aids fundamentals this year. Lower supply pressure and a high barrier to homeownership also underpin the outlook in places like San Diego (#2), Orange County (#10), Los Angeles (#14) and New York City (#15). The Bay Area's economic recovery is also gaining momentum after a later start, supporting San Francisco, Oakland, and San Jose, ranking near the middle of the Index this year. Softer job growth, paired with demure demographics, are the primary forces keeping markets like Northern New Jersey (#32) and Cleveland (#33) in the lower third of 2024 rankings.

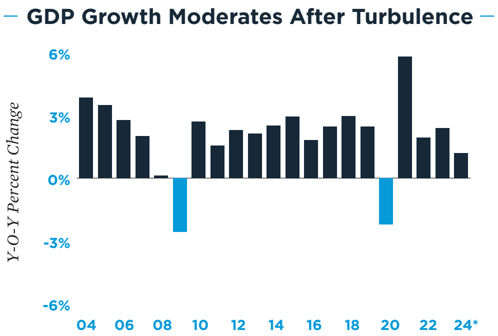
Index Methodology

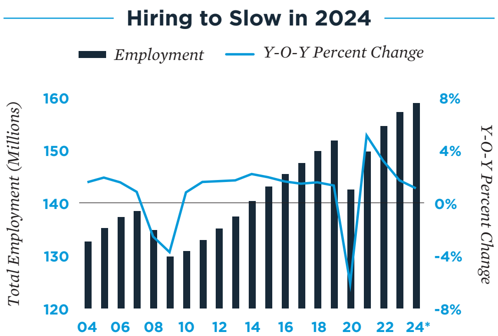
The NMI ranks 34 major markets on a collection of 12-month, forward-looking economic indicators and supply and demand variables. Markets are ranked based on their cumulative weighted average scores for various indicators, including projected job growth, vacancy, construction, housing affordability, rents, historical price appreciation and cap rate trends. Weighing the history, forecasts and incremental change over the next year, the Index is designed to show relative supply and demand conditions at the market level.

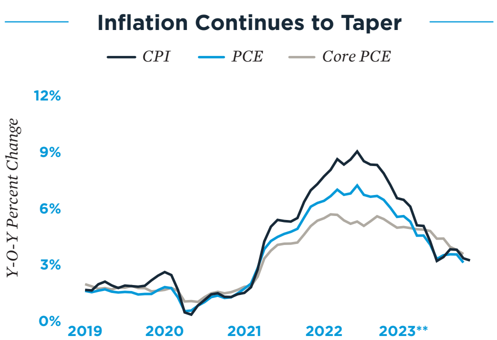
Users of the Index are cautioned to keep several important points in mind. First, the NMI is not designed to predict the performance of individual investments. A carefully chosen property in a bottom-ranked market could easily outperform a poor choice in a higher-ranked market. Second, the NMI is a snapshot of a one-year horizon. A market encountering difficulties in the near term may provide excellent long-term prospects, and vice versa. Third, the NMI is an ordinal Index, and differences in rankings should be carefully interpreted. A top-ranked market is not necessarily twice as good as the second-ranked market, nor is it 10 times better than the 10th-ranked market.

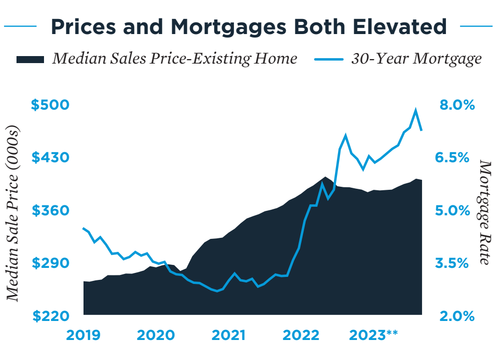
RANK	MARKET
1	*Dallas-Fort Worth*
2	*San Diego*
3	*Tampa-St. Petersburg*
4	*Houston*
5	*Salt Lake City*
6	*Southeast Florida*
7	*Charlotte*
8	*Washington, D.C.*
9	*Raleigh*
10	*Orange County*
11	*Seattle-Tacoma*
12	*Austin*
13	*Nashville*
14	*Los Angeles*
15	*New York City*
16	*Portland*
17	*San Francisco*
18	*Oakland*
19	*Denver*
20	*San Antonio*
21	*San Jose*
22	*Columbus*
23	*Riverside-San Bernardino*
24	*Orlando*
25	*Boston*
26	*Phoenix*
27	*Atlanta*
28	*Chicago*
29	*Cincinnati*
30	*Baltimore*
31	*Minneapolis-St. Paul*
32	*Northern New Jersey*
33	*Cleveland*
34	*New Haven-Fairfield County*

[1] *See National Multifamily Index Note on Page 80.*









** Forecast*

*** PCE, Core PCE, and Median Home Price through October; CPI and Mortgage Rates through November*

Stout Economy Defies Recession Concerns; Fed's Mission to Tame Inflation Could Pose a Risk

New growth opportunities to be found in 2024. Last year proved to be a robust period for the economy, despite initial concerns to the contrary. Once all information has been gathered, real GDP growth is likely to have topped 2.0 percent in 2023, backed by a tight labor market with broadly sub-4 percent unemployment. This positive momentum will carry the economy forward in 2024 as household net wealth has increased by a faster-than-average 33 percent since the pre-pandemic peak, well-eclipsing inflation. The cost of debt has also risen dramatically over the past two years, however, due to the Federal Reserve's tighter monetary policies. Those decisions, made in order to cool inflation, are now taking a greater toll. In particular, higher borrowing rates are constraining activity in both the residential and commercial real estate markets. The average 30-year fixed-rate residential mortgage has stayed above 6 percent for more than a year. Businesses and consumers are less likely to make major outlays at a time when the cost of debt is high, especially during a period of softening labor market conditions.

Costlier debt contributing to slower hiring environment. An estimated $790 billion in U.S. corporate debt is set to mature in 2024, with many of these loans taken out before the Fed began hiking interest rates. Refinancing this year may force some deleveraging, which, together with rising operating expenses, could prompt firms to re-evaluate their staffing levels. Employment growth this year is set to be around 60 percent of the 2.7 million jobs created in 2023. It is likely some job losses will occur in certain industries and markets intermittently during 2024. Less income security, on top of higher prices and debt costs, is likely to temper household discretionary spending. Yet, the unemployment rate is expected to stay low, in the 4 percent zone, even if the job market cools. All of these factors put the national economy on track to grow slowly this year. A soft landing, where the Fed brings economic growth to about 0, is not without inherent risk, but remains the consensus outlook, barring a significant geopolitical crisis or other black swan event.

2024 NATIONAL ECONOMIC OUTLOOK

- **Labor relationships are evolving.** Last year's above-average hiring belied numerous underlying labor disputes. Groups spanning a swath of industries engaged in strikes, and while the outcomes of these agreements generally benefited workers' financial health, additional business expenses could impact corporate investment this year.
- **Home price appreciation bolsters household wealth.** The median sale price on a single-family home nationally has increased over 40 percent since the end of 2019. For homeowners, the additional equity has unlocked new spending potential. Homeowners with mortgages are also in good standing. The share of mortgage loans under servicing was at a record low of 3.4 percent in mid-2023, about half the year-end 2007 rate going into the financial crisis.
- **Government spending may not be as supportive in 2024.** One pillar behind the economy's strong performance in 2023 was the combination of private and public infrastructure and manufacturing spending, prompted by legislation signed in 2021 and 2022. Whether private investment will continue in 2024, amid the higher-cost debt climate, is unclear. The U.S. non-defense budget is also currently capped for 2024.

Sizable Delivery Pipeline Gets Briefly Ahead of Demand; 2024 May Prove Key Year for Housing

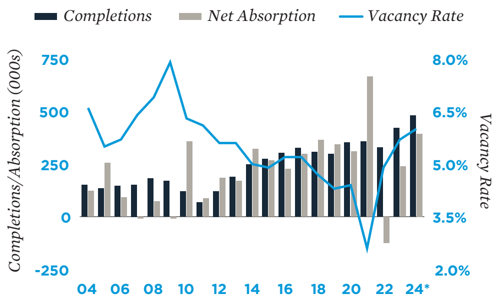
Class A operations face supply-induced challenges this year. Household formation is improving across the country after a freeze in 2022 amid decades-high inflation, aiding apartment absorption. Although vacancy is climbing, including for Class A units, it is doing so at a slowing pace. Higher vacancy among top-tier units, at 6 percent to start the year, is nevertheless constraining rent growth. While the mean Class A effective rate began 2024 at 20 percent above the pre-pandemic mark, upward progress will stall over the coming months as a record 480,000 units arrive, building upon the 420,00 apartments opened last year. New properties are offering concessions to fill units, pressuring operators at competing, existing complexes to do the same. The net result will be a slight 1.1 percent decline in the mean Class A effective rate this year, corresponding to an approximately 50-basis-point increase in vacancy. Fortunately, 2024 will mark a cyclical peak for development. Groundbreakings began to decline late last year as less capital availability led to fewer projects penciling. This may begin to translate into falling completions as early as 2025, while overall housing demand is still broadly climbing.

Higher-end rentals benefiting from tight housing market. The cost to buy a condo or a single-family home today has skyrocketed, due to both elevated mortgage rates and stubbornly-high sale prices. The typical mortgage payment on a median-priced home now exceeds the average Class A apartment rent by over $800, a new record. Only about a quarter of households can qualify for a mortgage, half the 2019 level. Only Pittsburgh and Cleveland had mortgage payments that were still below the mean Class A rent as of late last year. Before the pandemic, 18 major markets met those conditions. As such, fewer renters will transition to homeownership this year, which will further grow the renter pool amid new household formation. The nation still faces a long-term shortage of housing, warranting the magnitude of the current multifamily pipeline, if not the condensed timeline.

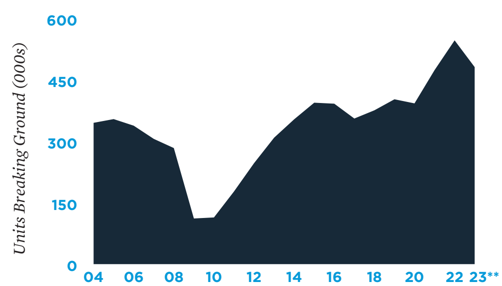
2024 NATIONAL MULTIFAMILY OUTLOOK

- **Renter affluence aids outlook.** As more households delay a first home purchase, and stay in the renter pool for longer, the average income of a renting household will increase. The mean income of a renter household in the U.S. jumped 10 percent in 2022 when home sales retreated, double the prior decade average. A higher-earning renter cohort bodes well for high-tier rentals.
- **Regulatory environment changing.** Backed-up eviction filings are still working their way through some court systems, inflating occupancies but stalling rent growth in certain metros. Rent control debates are also ongoing in several parts of the country. At the same time, efforts are underway to streamline development in high-barrier markets. These and other initiatives have the potential to alter local multifamily outlooks.
- **Primary CBDs return to pre-pandemic performance levels.** While apartments in primary markets, and their central districts in particular, were hard-hit by the health crisis early on, they are now performing more in line with where they were before 2020. Lower vacancies and greater rent growth counter concerns that suburban migration would erode the economic power of the nation's largest urban centers.

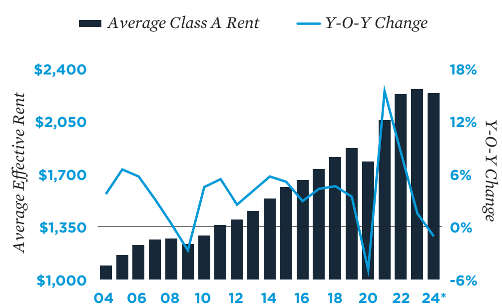
Demand Improves Amid Record New Supply



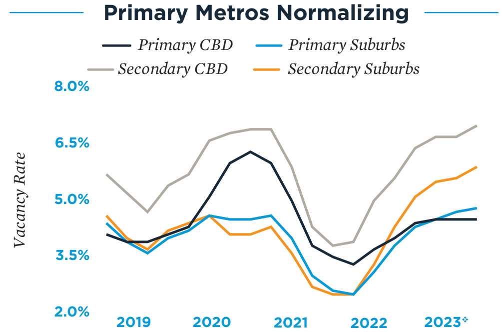
Construction Starts Falling



Class A Rent Growth Interrupted

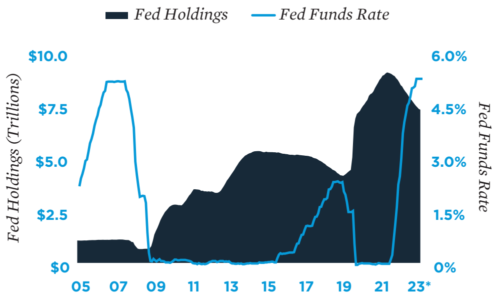


Primary Metros Normalizing



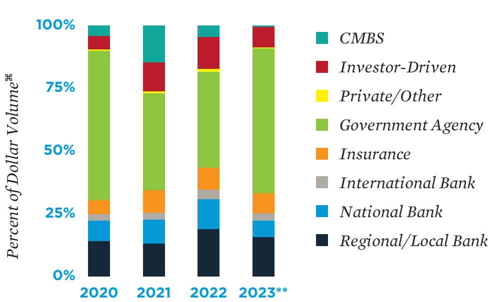
* Forecast
** Through October
* Through 3Q

Fed Maintaining Tight Monetary Policy

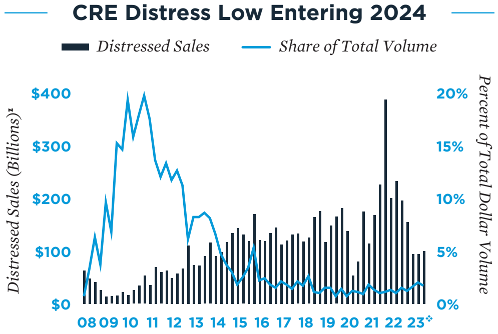


Treasury Yield Trends

Multifamily Lender Composition



CRE Distress Low Entering 2024



** Through Dec. 14*
*** Estimate*
✦ Through 3Q
✱ For sales $2.5 million and greater

Flattening Interest Rates Boost Investor Optimism; Tight Lending Climate Remains a Headwind

Fed widely expected to ease rates in 2024. The Federal Open Market Committee concluded its aggressive 18-month hiking spree last July, holding the overnight benchmark rate flat at a 5.25 percent lower bound through the end of 2023. Going forward, the FOMC has not discarded the possibility of additional policy firming, but it is widely expected by market participants that the Federal Reserve will ultimately cut rates at some point this year, if only modestly. The belief that the Fed has completed its tightening cycle is one of the factors restraining the 10-year Treasury, which briefly broached the 5 percent mark in November of last year before it settled near 4 percent. At the same time, the Federal Reserve's other quantitative tightening efforts are still ongoing, and the monthly $95 billion balance sheet reductions will continue to apply upward pressure to the 10-year Treasury, along with the U.S. Treasury Department's issuance of new notes to manage the nation's deficit.

Tight bank lending expected to ease going later into this year. Multifamily investment continues to be complicated by higher borrowing costs. By late 2023, lending rates from banks, life insurance companies, and government-sponsored agencies for apartment acquisitions had climbed to the mid-6 to mid-7 percent range, pushing loan-to-value ratios generally down to the 55 to 60 percent zone. Banks have prioritized debt held by existing customers, and many have chosen not to consider new loans as they restrain balance sheet outflows. As such, multifamily investors have once again become more dependent on lending from government-sponsored agencies, a familiar trend during tight lending cycles. Even so, investors are still optimistic that lenders will begin to loosen underwriting and that borrowing rates will begin to trend lower at some point in 2024. Key indicators, such as the FedWatch, imply modest rate reductions at the end of the year. As the financial markets stabilize and the banking sector emerges from the shadows of the spring 2023 crises that forced notable bank closures, lender spreads could narrow, offering borrowers some respite from the higher rate climate. This could foster modestly improved transaction activity in 2024.

2024 CAPITAL MARKETS OUTLOOK

- **Bank outlook improving.** Despite the shutdowns of Silicon Valley Bank, Signature Bank and First Republic Bank last spring, most banks were reporting substantially strengthened balance sheets by late 2023. Commercial real estate distress and charge-offs have remained well below prior cycles, with less than 2 percent of multifamily trades last year falling in the distressed category.
- **Extensions supported by FDIC guidance.** Last June, the Federal Deposit Insurance Corporation provided guidance to banks, empowering them to offer loan accommodations and workouts to mitigate commercial real estate debt stress. While banks are not obliged to follow this guidance, it does appear to have already alleviated some distress, counter to what many anticipated amid a wave of maturing debt.
- **Construction lending constrained.** Lenders have become particularly cautious with construction financing, pushing rates above 8 percent as of late 2023. The higher cost of capital has helped rein in multifamily groundbreakings, which will likely lead to a slowdown in arrivals by late 2025.

Stabilizing Interest Rates Aiding Market Calibration; Investors Return to Traditional Strategies

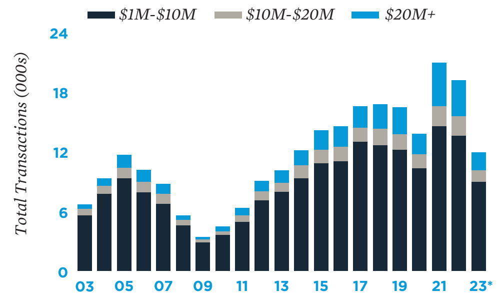
Less interest rate volatility to foster transaction activity. The multifamily investment sales climate has realigned with levels more typical of the years leading up to the health crisis. The slowdown from peak activity in 2021-2022 was largely driven by the sharp rise of interest rates and the resulting widened price expectation gap between buyers and sellers. Slower rent growth, elevated vacancy rates and higher operating costs have also weighed on motivation. On the other side, while record pricing in 2021-2022 incentivized owners to sell, the current climate has convinced many to extend their hold period. Also, the much-anticipated deluge of properties driven to market by maturing debt, higher refinance rates and tighter debt service restrictions has not materialized. This has frustrated the wave of capital set aside to acquire distressed properties and weighed on trading activity. In the coming year, as investors calibrate to the more stable, but higher, interest rate climate sales velocity should steadily gain momentum.

Current supply wave creates opportunities for institutions. While this year's record completions will challenge operations at higher-tier properties, these arrivals also create options for larger-scale investors amid constrained capital liquidity for construction. Institutional-grade investors may be able to acquire a recent build before stabilization at a price point below the replacement cost. This strategy nevertheless emphasizes rapid value creation, as these and other transactions are likely to involve negative leverage. Although cap rates have risen up to 200 basis points on average over the past year, depending on the asset, the average first-year yield on a preferred Class A property is still under 5 percent, below the cost of debt capital. The prospect of stable-to-modestly declining interest rates over the coming year should aid with this challenge, however, along with transaction activity in general, which in turn will help price discovery.

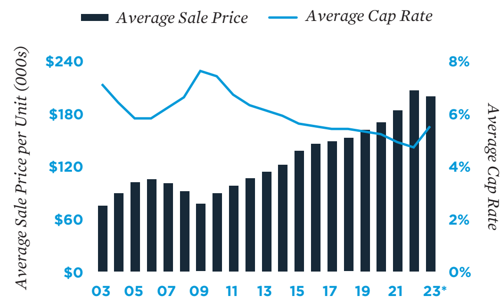
2024 INVESTMENT OUTLOOK

- **Today's investment landscape hearkens back to before 2008.** Strategies implemented since the global financial crisis have been framed around a 2.5 percent mean 10-year Treasury rate and rent growth ranging above 5 percent. Comparatively, during the 90s and early 2000s, the 10-year Treasury averaged 5.5 percent and rent gains were near 3.5 percent. These conditions align closer with the anticipated investment climate going forward, and may prompt institutions to dust off old play books. Organizations that can tap experienced talent may be more active this year.
- **Investors broaden acquisition range.** Beginning in 2022, for the first time on record, more assets priced $15 million or above changed hands in tertiary cities than primary markets. That relationship held true last year, at 40 and 38 percent, respectively, and is likely to continue this year as investors search for yield and destinations with stronger population growth.
- **Rising operating costs a concern.** The average insurance cost per unit has climbed by 180 percent during the past five years, driven by the greater frequency and magnitude of natural disasters, together with higher property values and repair costs. Investors' margins are also being squeezed by an average 40 percent rise in property taxes.

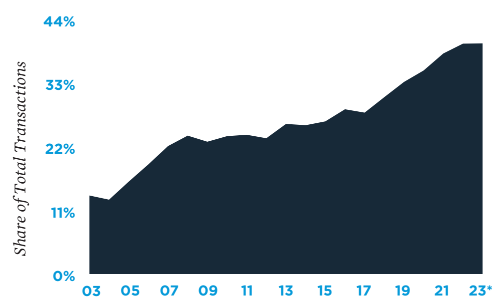
Multifamily Transaction Activity



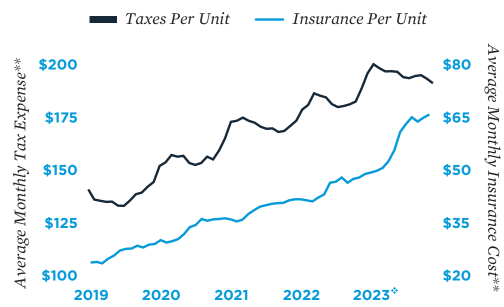
Price vs. Cap Rate



Share of Trades in Tertiary Metros Elevated



Taxes, Insurance Growing Concerns



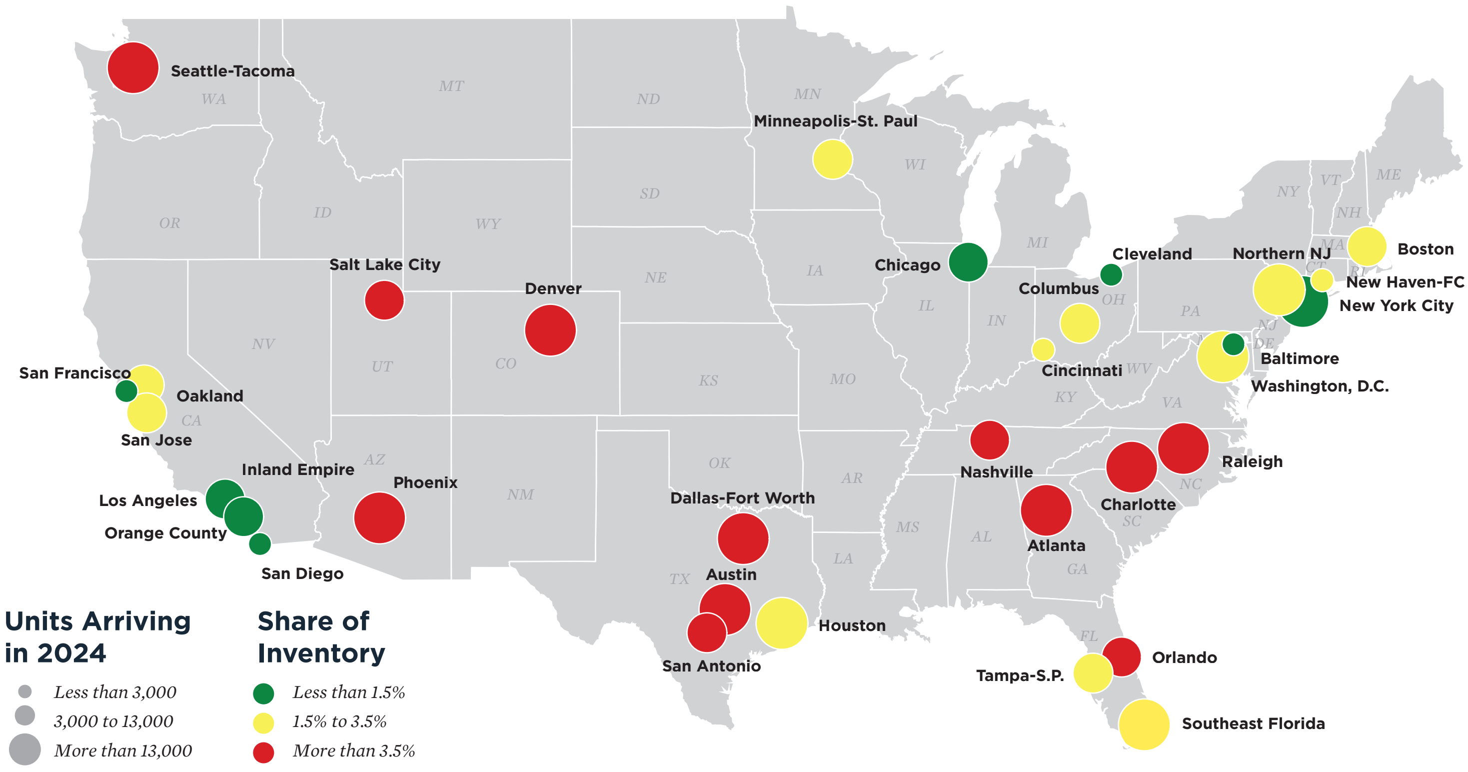
* Estimate

** Trailing three-month average

✢ Through November

SUN BELT HOST TO MUCH OF NEW SUPPLY PRESSURE

2024 Forecast Completions by Market



SUN BELT AND ROCKY MOUNTAIN REGIONS PICK UP LARGER SHARE OF CONSTRUCTION

Share of Multifamily Completions by Region

REGION	2010-2014	2015-2019	2020-2024*
West Coast	17.2%	15.7%	13.3%
Rocky Mountain	7.5%	9.1%	11.6%
Texas	20.6%	19.8%	20.1%
Midwest	11.6%	12.1%	11.2%
Mid-Atlantic	9.4%	6.4%	5.0%
Northeast	15.5%	16.6%	15.0%
Southeast	10.2%	11.4%	13.3%
Florida	7.9%	8.8%	10.5%

Low vacancy post-lockdown prompted supply surge. After the worst of the COVID-19 pandemic, pent-up housing demand pushed the national multifamily vacancy rate under 3 percent in 2021, a multi-decade low. This led to a wave of groundbreakings the following year, a factor that is now coming to bear. Between 2023 and 2024, an estimated record 900,000 apartments will have opened across the country, representing inventory growth of 5 percent.

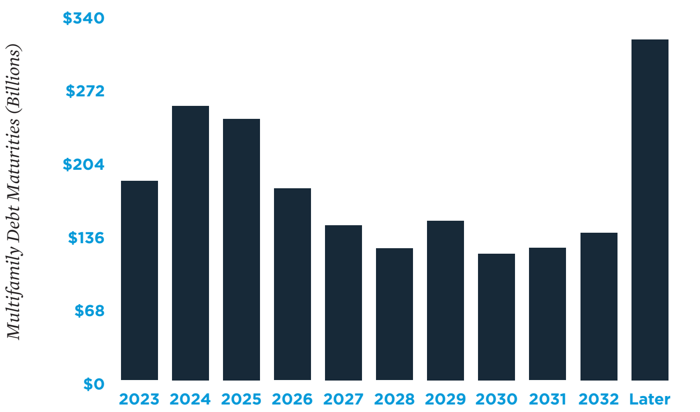
Supply pressures varying across the country. Over the past 15 years, development has shifted away from the West Coast and mid-Atlantic toward the Rocky Mountains and the Southeast, including Florida, while staying prevalent in Texas. This generally aligns with stronger population growth trends, although the magnitude of 2024 arrivals in many Sun Belt metros will apply pressure to fundamentals. Conversely, land constraints and high costs have kept deliveries manageable in California and the Northeast, while softer demographics have also tempered openings in some of the Midwest.

** Forecast*

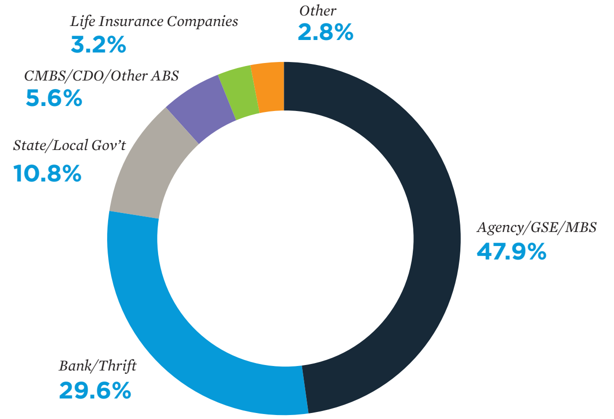
Sources: IPA Research Services; CoStar Group, Inc; RealPage, Inc.

COMMERCIAL PROPERTY DEBT MATURING, BUT DELINQUENCY LOW FOR NOW

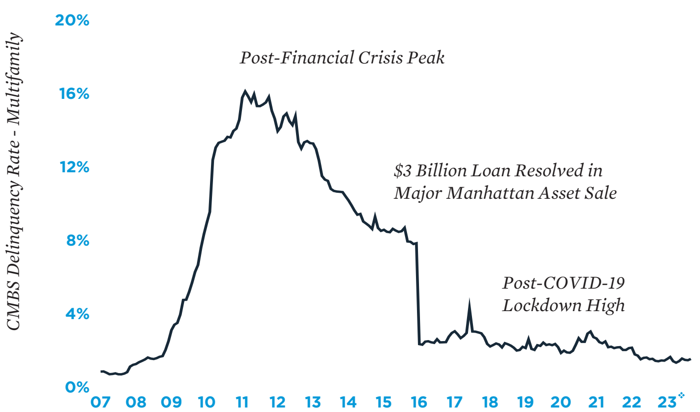
Multifamily Debt Maturities Over Next Decade*



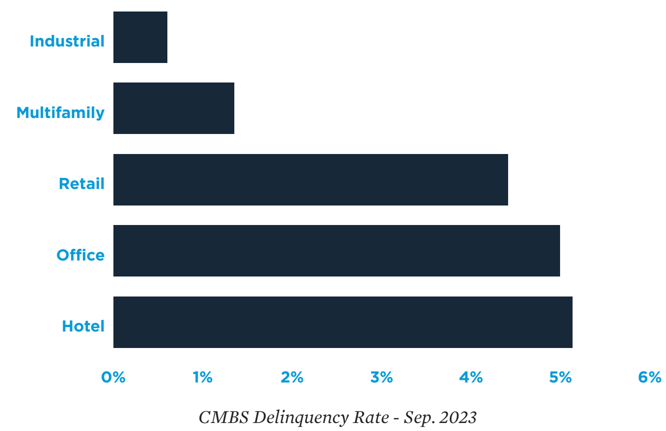
Share of Outstanding Multifamily Debt**



Delinquency Low Through Late 2023



Multifamily Not Focal Point of Delinquency



Outstanding Debt Outlook

- Just over 10 percent of outstanding multifamily debt as of early 2023 was set to mature this year. As such, most borrowers will not contend with this issue until a time when rates could be lower.
- The FDIC issued guidance in June of last year advising financial institutions to work with borrowers on loan workouts, including deferred or partial payments, and other assistance.
- While higher interest rates have raised concerns of default risk on the financial system, long-term renter demand drivers support multifamily, even amid some short-term price recalibration.

Delinquency Dynamics

- One indicator of potential distress is CMBS loan delinquency. Past-due payments on outstanding multifamily loans securitized in CMBS were under 1.5 percent as of late 2023.
- From 2016, following the pay-off of $3 billion in CMBS loans tied to Stuyvesant Town-Peter Cooper Village, the average multifamily delinquency rate has been about 2 percent.
- While not a complete picture of the health of loans tied to multifamily properties, the CMBS perspective, paired with a strong renter demand outlook, temper broader distress concerns.

Data as of Dec. 31, 2022

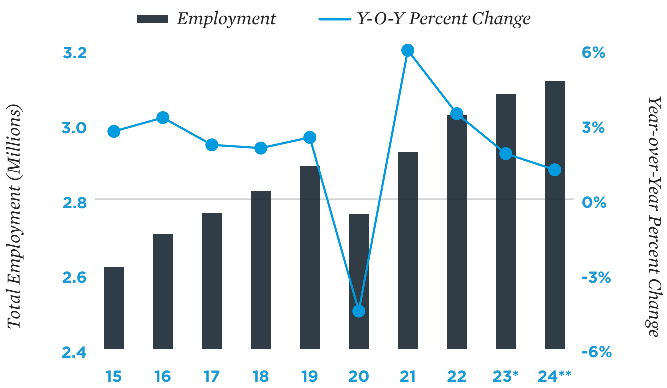
*** Data as of Jun. 30 2023*

✦ Through September

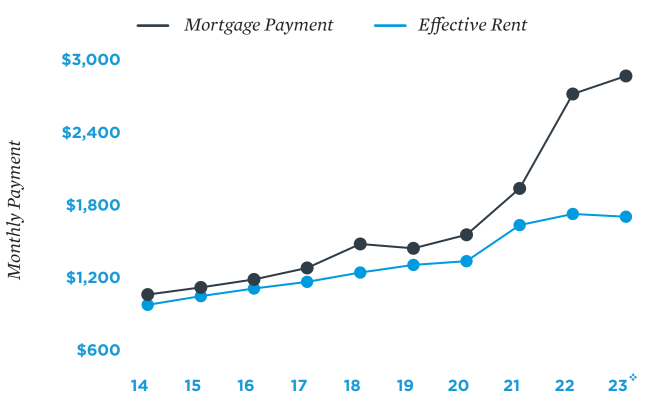
Sources: IPA Research Services; Mortgage Bankers Association; Moody's Analytics

ATLANTA

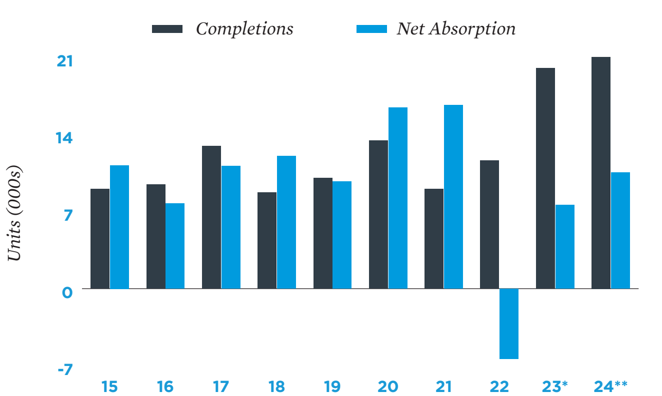
Employment Trends



Housing Affordability Gap



Supply and Demand



* Estimate ** Forecast ✧ Through 3Q
⌘2023: 25+ years old
Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

Increasing Single-Family Housing Costs to Assist Luxury Apartment Lease-Up

New supply, inflation concerns have broad impact across tiers. Although developers brought 20,000 apartments to market last year, luxury rental vacancy held under 7 percent, indicating solid demand for Class A units that should carry through into 2024. While a similarly high delivery volume is expected this year, likely prompting increased concessionary use, a robust local economy should help integrate these units into the market in the long-run. White-collar employment will increase this year, and the metro will remain among the nation's most active by net in-migration. These new arrivals will be disincentivized from homeownership, as the metro's average mortgage payment has held above the mean monthly Class A rent since 2022, the longest such period seen in the market since 2008. Higher mortgage rates are just one area where costs have climbed in the metro. Last year, Atlanta noted the highest rate of annual inflation of any major metro outside of California or Florida, prompting many lower-income households to consolidate to save on housing costs. While unemployment held under 4 percent between the end of 2021 and late 2023, lower-tier vacancy nevertheless increased by 590 basis points. The elevated costs of goods and services will continue to burden these renters, potentially impacting Class C operations, even among larger, professionally-managed facilities.

Early indicators point to returning investment. Cooling multifamily performance metrics add to financing headwinds noted nationwide, impeding Atlanta's investment landscape. Vacancy has rapidly increased over 2022 and 2023, entering this year at 8.1 percent. This is 510 basis points ahead of the all-time low noted at the end of 2021. Such a rapid adjustment has complicated deal flow, with trades last year slowing to levels previously seen in the aftermath of the health crisis. On a more positive note, however, transaction velocity did show signs of improvement in the latter months of 2023, indicating that some investors may be returning to the market as the upward path of interest rates stabilizes. Given near-term sector headwinds, some institutions that traditionally focus on multifamily may choose to hedge by targeting a growing selection of mixed-use, retail-residential options. One such example is the Six West project, an initiative by the city of College Park aiming to spur development in an area of the metro historically impacted by nearby airport traffic.

20.6%
2023 share of local population between 20 and 34 years old

36.9%
of local population hold bachelor's degree or higher ⌘

$369,400
2023 median home price✧

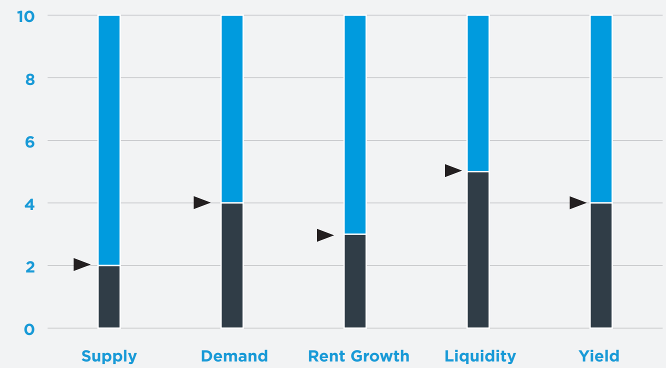
Investment Outlook

Atlanta's supply, demand and rent growth scores all decline relative to last year's Index, due to aggressive construction during a time of tempered economic growth. Demographic trends are more favorable, however, with the metro ranking highly for employment gains and household expansion.

Cap rate decompression lifts Atlanta's yield score from a 2 in last year's Index to a 4 in the 2024 ranking, potentially helping deals pencil in a higher interest rate climate. Liquidity, meanwhile, is expected to remain relatively consistent with last year.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index



2024 MARKET FORECAST

NMI Rank 27

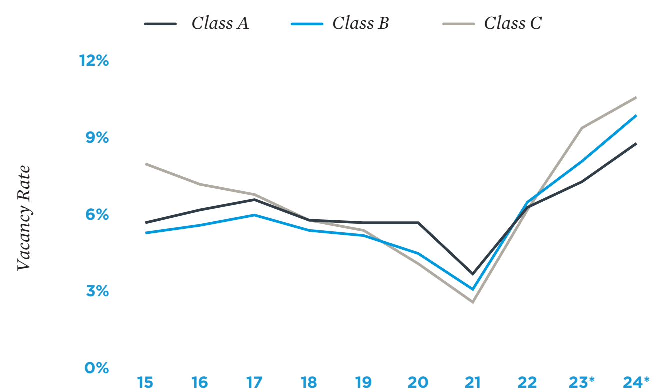
Employment
36,000 *jobs*
Metro 1.2% *U.S.* 1.1%

Construction
% of inventory❖
Metro 3.7% *U.S.* 2.5%

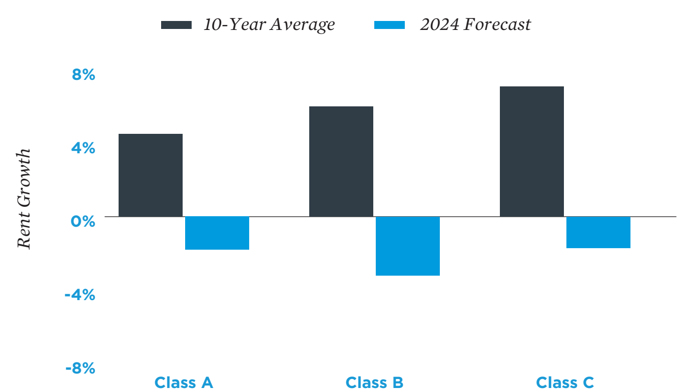
Class A Vacancy
Up 150 bps
Metro 8.6% *U.S.* 6.5%

Class A Rent
$2,036 *per month*
Metro -1.8% *U.S.* -1.1%

Vacancy By Class



Rent Growth By Class



** Estimate ** Forecast*

❖ Arrow reflects completions trend compared with 2023

Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

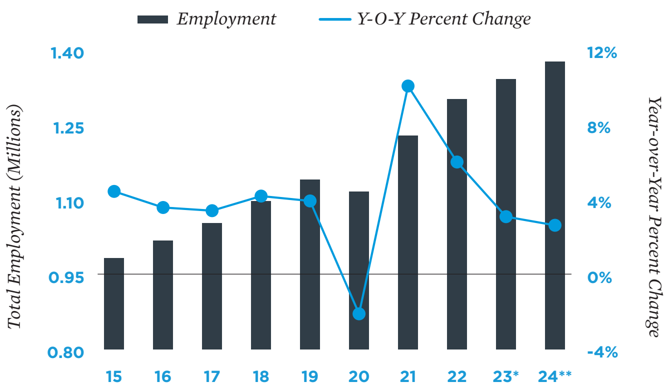
AUSTIN

Corporate Relocations Promote Investment Even Amid Record Completion Slate

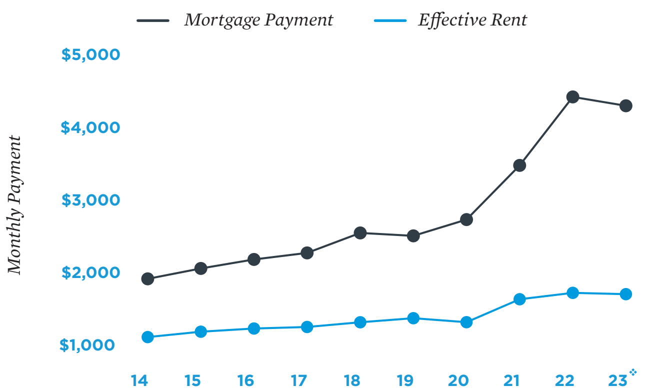
Supply wave counterbalanced by increasing renter base. Austin's cohort of age 20- to 34-year-olds will grow by 1.8 percent in 2024, the fastest pace among major U.S. markets. This demographic is traditionally prone to renting while saving for a first-time home purchase, a trend prolonged locally due to the metro's median home price, which has increased by more than $100,000 since 2019. Austin's renter pool is also augmented by consistently strong in-migration, a trend unlikely to end in the near future as companies like Tesla, Apple and Oracle make the metro home. Even so, multifamily supply additions are outpacing demand on a short-term basis. Overall vacancy will hit a 20-year high in 2024, largely a result of this development dynamic. The supply wave is likely reaching its peak, however, as new starts have fallen amid rising material, labor and borrowing costs. This dynamic will allow supply and demand to realign long-term. Total occupied stock will also reach a record high by the end of 2024, illustrating how the elevated renter demand observed in recent years is likely to continue.

Samsung factory highlights outer suburbs for potential buyers. Active investors will likely target areas where corporate expansions are slated for 2024, even if local new supply pressure is present. Taylor is one such likely destination, as Samsung is set to complete a $17 billion semiconductor factory here, bringing with it over 2,000 high-skilled jobs. The facility's proximity to Georgetown, Round Rock and Pflugerville positions these outer suburbs' renter pools for expansion over the near term, which should attract potential buyers. Here, multi-property purchases involving larger garden-style properties are likely to close this year as institutional investors look to establish or expand their footprints across a trio of suburbs primed for an influx of new residents. Metrowide, investor demand for Class A listings should be apparent, as high-paying tech jobs arriving in Austin are expected to backstop long-term demand for luxury apartments. Additionally, the top-tier sector had the tightest vacancy among property tiers at the onset of 2024, and the influx of new supply over the last half decade should equate to a collection of options for institutional investors. Of late, the price ceiling for properties built within the past 10 years has approached $300,000 per unit, mirroring pricing for similar assets in primary markets.

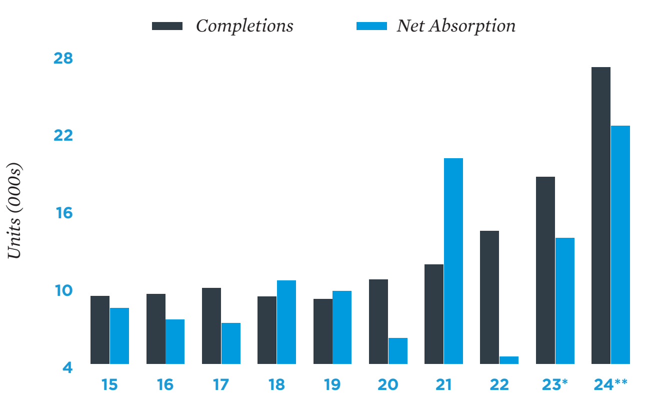
Employment Trends



Housing Affordability Gap



Supply and Demand



23.8%
2023 share of local population between 20 and 34 years old

43.0%
of local population hold bachelor's degree or higher ⌘

$474,500
2023 median home price❖

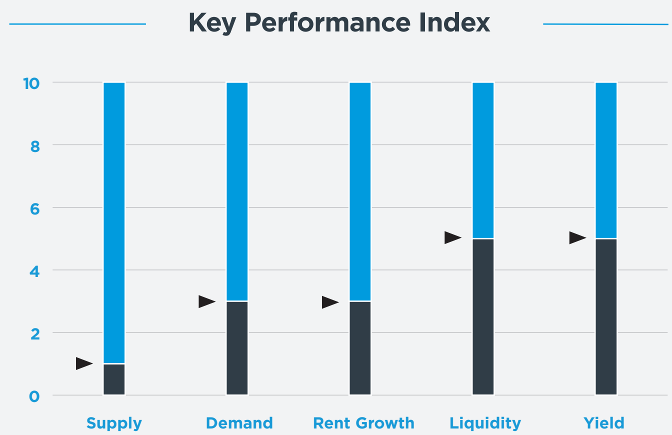
* Estimate ** Forecast ❖ Through 3Q
⌘2023: 25+ years old
Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

Investment Outlook

Among the four major Texas metros, Austin has the lowest supply ranking amid historic construction. Pressure from the new development also weighs on the demand and rent growth portions of the Index; although, strong employment expansion, alongside substantial barriers to homeownership, aid the longer-term outlook.

After ranking near the bottom of the scale in 2023, Austin's yield score jumps from a 2 to a 5 this year, which is slightly above the overall average. Despite the boost, liquidity is unchanged compared to last year as investors remain cautious amid supply pressure.

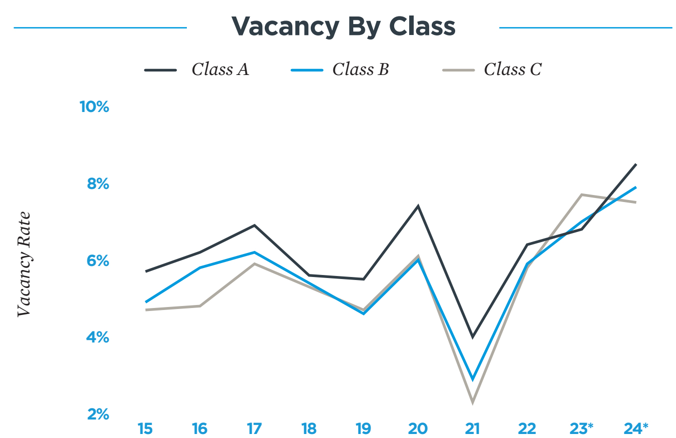
Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

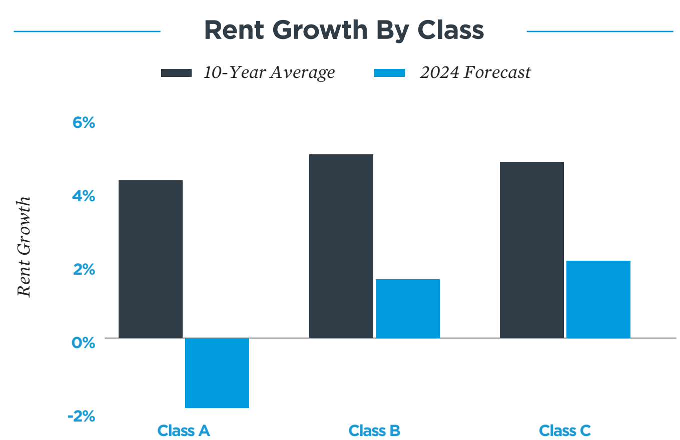


2024 MARKET FORECAST

NMI Rank 12

	Metro	U.S.
Employment 35,000 *jobs*	2.6%	1.1%
Construction *% of inventory*❖	8.9%	2.5%
Class A Vacancy Up 170 bps	8.4%	6.5%
Class A Rent $2,127 *per month*	-1.9%	-1.1%





** Estimate ** Forecast*

❖ Arrow reflects completions trend compared with 2023

Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

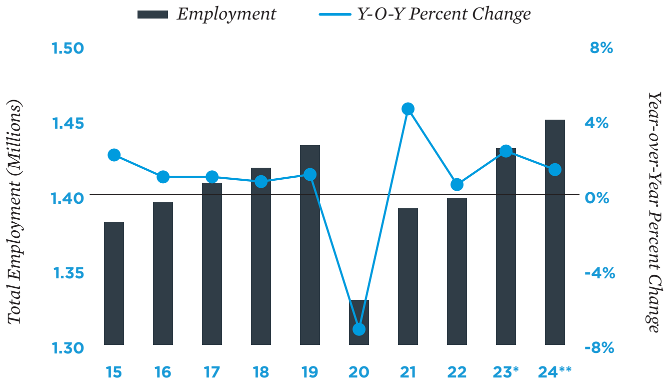
BALTIMORE

Apartments Absorb Latent Housing Demand, Sustaining CBD Investment

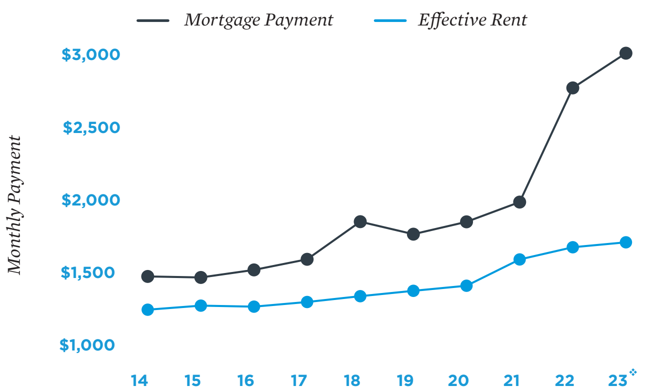
Tight single-family market fuels Class A rental demand. Baltimore's for-sale housing inventory fell considerably in 2023, keeping home prices across the metro elevated. The local gap between an average monthly mortgage payment and the mean multifamily Class A rent has grown past $780 as a result, inverse from the pre-2022 trend, when home mortgage payments were comparatively more affordable. Higher homeownership barriers have already helped reverse multifamily net relinquishment from 2022, as net absorption returned to positive territory last year. Much of this re-instated demand is being hosted by Class A rentals in Downtown Baltimore. An over-5 percent gain in local stock during 2023 motivated many operators to increase concessions, enabling recently-built properties here to attract greater levels of rental demand. This trend and moderating rent growth will likely define the multifamily landscape during 2024, as the core welcomes over 1,000 additions for the second consecutive year. The return of multiple employers to the CBD will provide additional tailwinds for these builds, as their hiring activity will increase the local professional services renter base. Representing the largest of such, the Maryland Department of Health and the Maryland Department of Labor relocate to the core later this year, while T. Rowe Price sets up a 550,000-square-foot headquarters nearby in Harbor Point this May.

Core preserves status as the epicenter of deals. Being responsible for most of the metro's net absorption in 2023, the CBD should continue to draw Baltimore's highest level of deal flow this year. Larger Class B assets, in particular, should elicit similar levels of investor interest as last year due to the sector's vacancy rate, which was lower than Class A and C metrics entering this year. Southwest Baltimore and Annapolis are well-positioned to host this type of activity, after being the metro's only submarkets with Class B rates at 3.5 percent or lower at the end of 2023. Despite recently subdued activity for top-tier assets, improving Class A rental demand should steadily aid existing property metrics and attract investors back to these listings in the medium- to long-term. A near-doubling of the relative cost for owning a home compared to renting an apartment, as well as continued, above-average job growth throughout the rest of 2024, will stoke additional demand tailwinds and subsequent investor interest for top-tier assets moving forward.

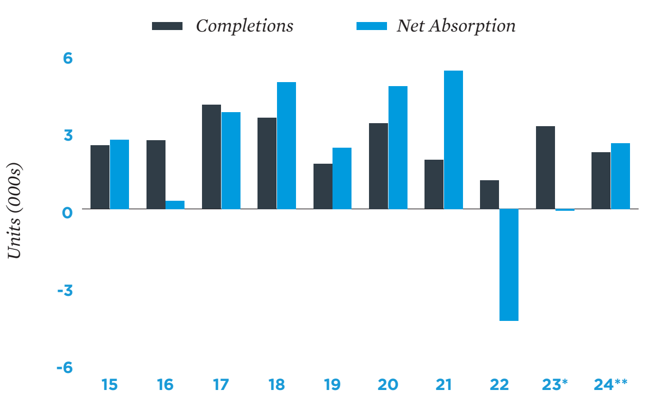
Employment Trends



Housing Affordability Gap



Supply and Demand



20.1%
2023 share of local population between 20 and 34 years old

37.9%
of local population hold bachelor's degree or higher ⌘

$395,200
2023 median home price✣

* Estimate ** Forecast ✣ Through 3Q
⌘2023: 25+ years old
Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

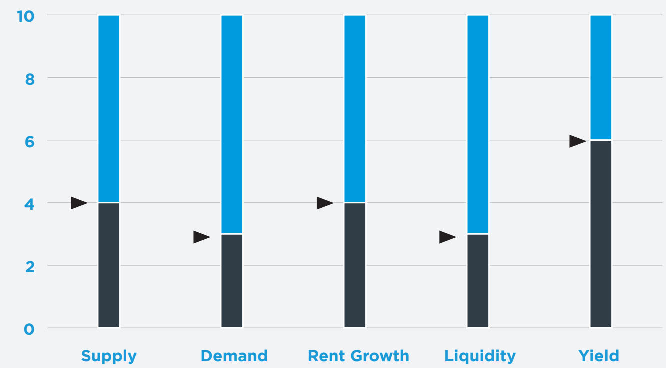
Investment Outlook

The metro's demand score of 3 is down from a 5 in the 2023 Index, while supply and rent growth each slide back one spot. Compared to neighboring Washington, D.C., the Baltimore market is tied in the supply metric, but trails the District in both demand and rent growth, partially a result of softer local household creation.

Baltimore notches one of the highest yield rankings on this year's Index, joining New Haven-Fairfield County and New York City as the only major Northeast markets to score a 6 or above. A liquidity metric of 3, however, is near the bottom of the national range.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index



2024 MARKET FORECAST

NMI Rank 30

Employment — 19,000 *jobs* — *Metro* 1.3% — *U.S.* 1.1%

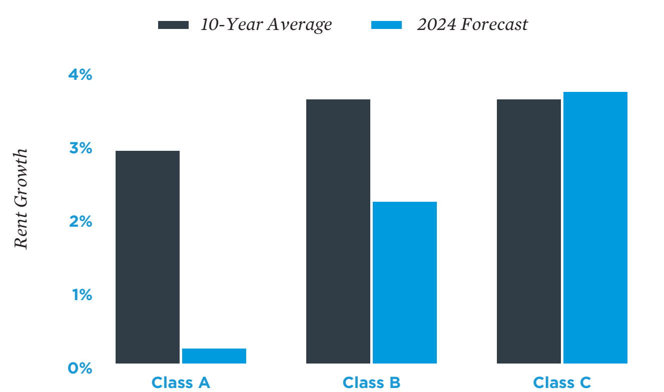
Construction — *% of inventory*❖ — *Metro* 0.9% — *U.S.* 2.5%

Class A Vacancy — Up 20 bps — *Metro* 6.1% — *U.S.* 6.5%

Class A Rent — $2,190 *per month* — *Metro* 0.2% — *U.S.* -1.1%

Vacancy By Class

Rent Growth By Class

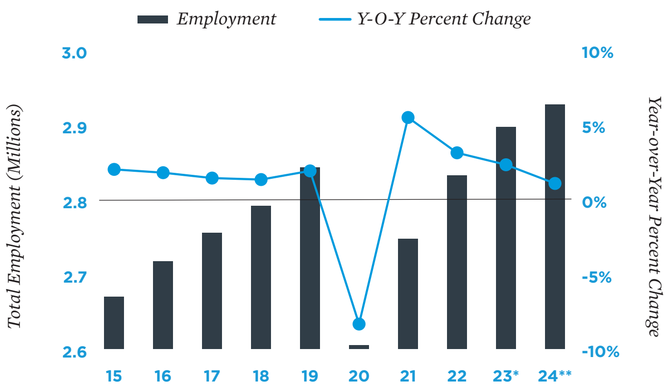


** Estimate ** Forecast*

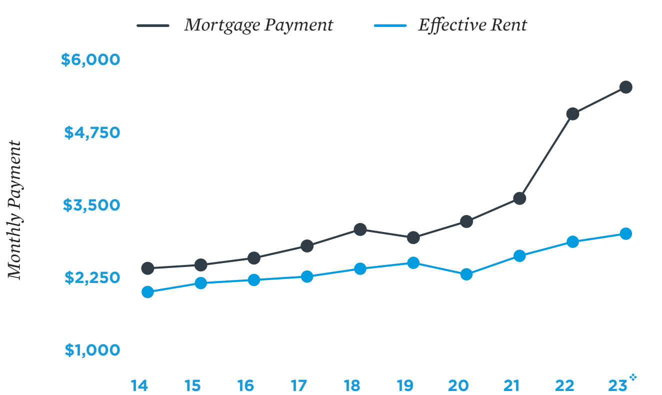
❖ Arrow reflects completions trend compared with 2023

Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

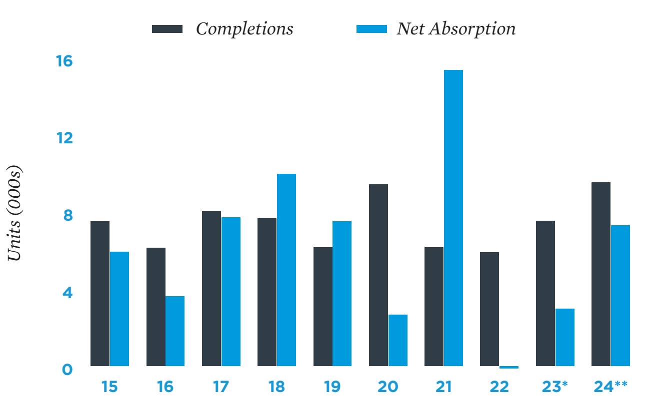
Employment Trends



Housing Affordability Gap



Supply and Demand



* Estimate ** Forecast ✣ Through 3Q
⌘2023: 25+ years old
Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

BOSTON

City of Boston Remains Popular Area for Development, Upper-Tier Investment

Zoning debate has major implications for apartment sector. The implementation of a housing initiative across Boston's MBTA-connected municipalities will have a notable impact on the area's multifamily landscape. As of late last year, 12 of Boston's immediate suburbs marked as "rapid transit communities," meaning they feature at least one trolley or subway stop, noted little agreement across the board as to the implementation of high-density housing districts. Still, progress was made, with Brookline becoming the first such community to come into full compliance with the initiative, creating zoning capacity for 1,500 units in November. With a full agreement yet to come to fruition, however, developer interest remains strongest in the core. More than 20,000 units were proposed across the region in late 2023, over half of which were earmarked for Suffolk County. Headwinds in other sectors bode well for builders operating in densely-developed locales. An ongoing biotech cooldown should be a boon to urban apartment development, as the multifamily sector had faced competition from life science developers for available parcels, particularly those proximate to public transit. While a supply influx will impact near-term vacancy, the market faces a chronic housing shortage and has one of the nation's higher home price-to-income ratios, which will help integrate these units into the local ecosystem.

Luxury investors undeterred by large construction pipeline. Adding to a stabilizing interest rate environment, an improving outlook allowed deal flow to ramp up throughout the metro last year. City of Boston-adjacent communities have seen the largest increases in activity. By late last year, deal flow in Middlesex County had improved to a level roughly on par with 2022, when the number of trades exceeded the historical norm. Investors here are targeting Class C dwellings, including some larger complexes east of Interstate 95. Renter demand for such units is supported by a tight local housing market, and is unlikely to see a notable impact from the large number of Class A and B units slated for completion in the near-term. The amount of upper-tier housing coming to the market does not appear to be deterring Class A investment, with segment transactions increasing throughout 2023. Additionally, debate over rent stabilization has yet to impact deal flow in the city of Boston, indicating buyers believe the statewide ban will hold.

21.8%
2023 share of local population between 20 and 34 years old

45.0%
of local population hold bachelor's degree or higher ⌘

$720,800
2023 median home price✣

Investment Outlook

Boston secures an above-average score of 5 on the rent growth portion of the 2024 Key Performance Index, and slightly improves its supply ranking relative to last year. Nonetheless, a diminished pace of household creation amid inflation and softer economic growth translate to a demand ranking of 4.

In 2023, the metro had both liquidity and yield scores of 3 or lower. Each of those Index figures increase on this year's rankings amid rising cap rates and subsiding transaction hurdles. Boston's comparatively healthy rent growth could help stoke deal flow.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index

2024 MARKET FORECAST

NMI Rank 25

Employment 30,000 *jobs* — *Metro* 1.0% — *U.S.* 1.1%

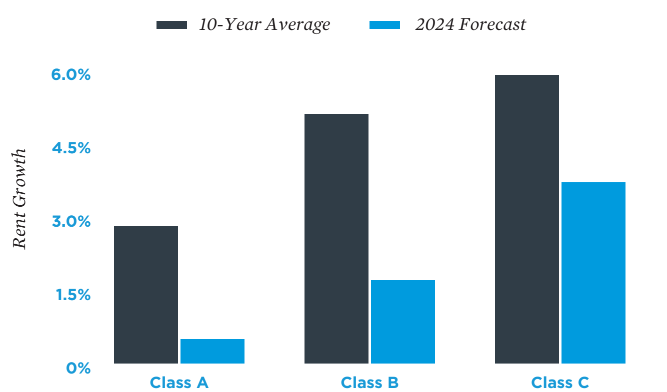
Construction *% of inventory*❖ — *Metro* 2.2% — *U.S.* 2.5%

Class A Vacancy Up 40 bps — *Metro* 6.4% — *U.S.* 6.5%

Class A Rent $3,844 *per month* — *Metro* 0.5% — *U.S.* -1.1%

Vacancy By Class

Rent Growth By Class



** Estimate ** Forecast*

❖ Arrow reflects completions trend compared with 2023

Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

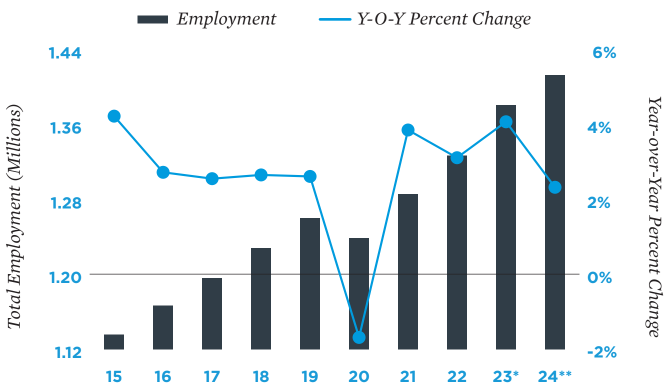
CHARLOTTE

New Logistics Employers and Transit Options Fuel Demand Amid Supply Wave

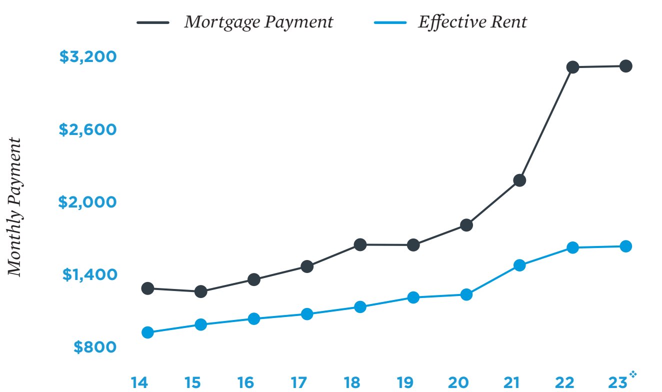
University-adjacent apartments stand out regionally. In 2023, the UNC Charlotte area experienced a substantial increase in the number of renters, making it one of the fastest-growing multifamily hubs in the Southeast. Alongside Central Nashville, it boasted one of the largest expansions in occupied apartment stock in the region. However, strength observed in this area has not been limited to last year alone. Since the completion of the LYNX Blue Line extension to UNC Charlotte in March 2018, this submarket has consistently led the metro in net absorption. This trend highlights the positive influence that expanded public transit has had on local apartment demand. Nonetheless, even in more sparsely-developed areas, rental demand has stayed consistent. Southwest Charlotte has observed 27 consecutive quarters of positive net absorption through 2023, thanks to various logistics expansions that have increased needs for nearby rentals. Home Depot, Grainger and Carolina Foods are also set to move into 2 million square feet of local distribution facilities by the end of this year, likely sustaining such tailwinds. Amid the backdrop of expanding employment prospects, builders have initiated the construction of 8,300 apartment units in the submarket as of the start of 2024, constituting 25 percent of the metro's ongoing development. The LYNX Silver Line, a proposed rail expansion linking Gaston County in the west to Union County in the East via the City Center, should greatly bolster rental demand for these newly-constructed properties once it comes online.

Out-of-market buyers aid deal flow. Deal flow began to rally at the midpoint of last year, as the overnight lending rate ticked up at a slower pace than in 2022. Still, as many buyers across the nation continue to grapple with financing difficulties, out-of-market buyers and institutions have comprised a larger share of trading activity in Charlotte. This holds particularly true for capital sources from New York and California, where high per-unit prices and rising expenses are impeding value-add potential. In 2024, Gaston County and the northeast suburbs of Charlotte stand out as promising locations to attract this activity, thanks to their high cap rates and low entry costs. This dynamic has taken shape, however, due to an outsized institutional preference for larger Class B rentals, which should be sustained in 2024 amid limited completions in the sector.

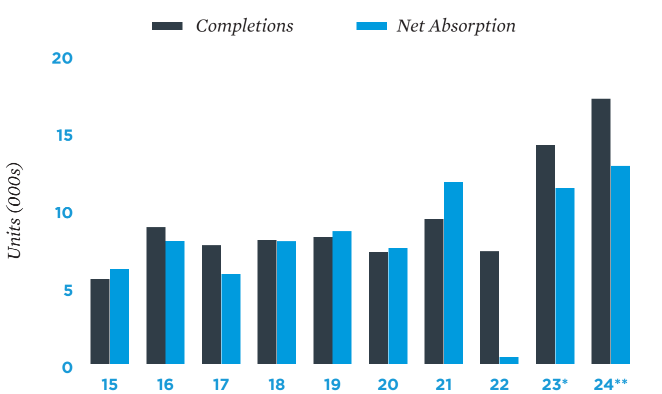
Employment Trends



Housing Affordability Gap



Supply and Demand



20.2%
2023 share of local population between 20 and 34 years old

34.1%
of local population hold bachelor's degree or higher ⌘

$394,500
2023 median home price❖

** Estimate ** Forecast ❖ Through 3Q*
⌘2023: 25+ years old
Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

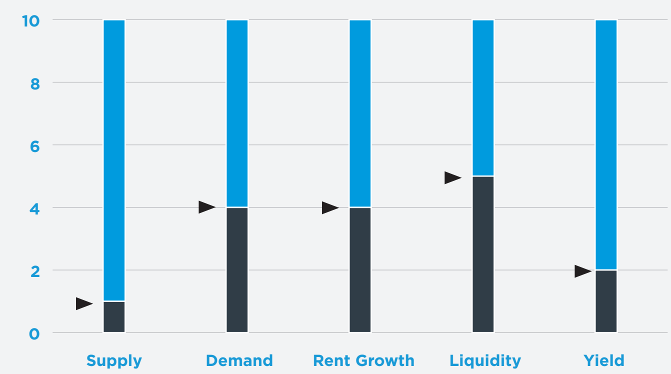
Investment Outlook

Matching its North Carolina peer Raleigh, the Charlotte metro has the lowest possible supply score this year as in-migration to the state fueled a development boom. Despite creating near-term vacancy and rent pressure, these new units are warranted by the market's top 10 national ranks in employment growth and household creation.

Among major Southeast metros, Charlotte has the lowest yield score with a 2 this year. Tight local cap rates may hinder deal flow in a higher interest rate environment, but liquidity still ranks middle of the pack as robust economic growth fuels buyer interest.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index



2024 MARKET FORECAST

NMI Rank 7

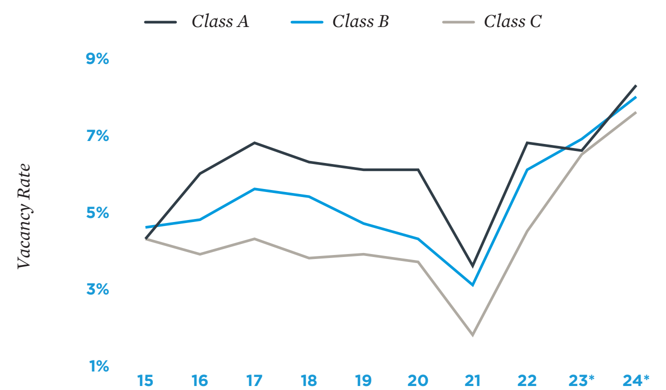
Employment 32,000 *jobs* — *Metro* 2.3% — *U.S.* 1.1%

Construction *% of inventory*❖ — *Metro* 7.5% — *U.S.* 2.5%

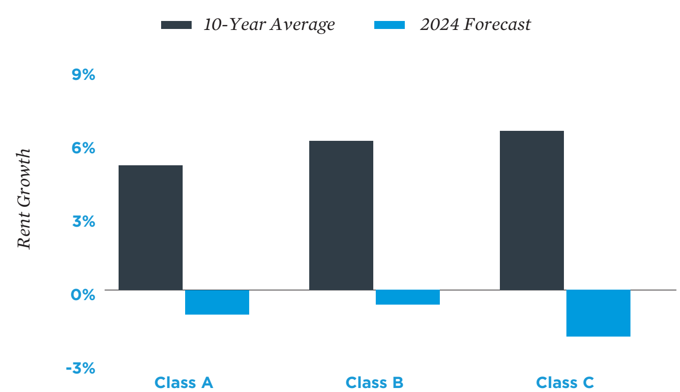
Class A Vacancy Up 170 bps — *Metro* 8.2% — *U.S.* 6.5%

Class A Rent $2,001 *per month* — *Metro* -1.0% — *U.S.* -1.1%

Vacancy By Class



Rent Growth By Class



** Estimate ** Forecast*

❖ Arrow reflects completions trend compared with 2023

Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

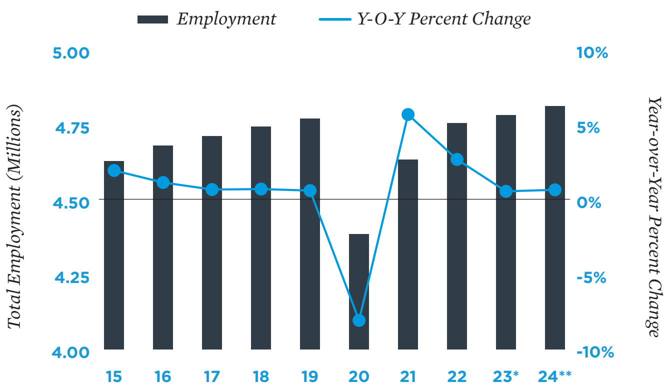
CHICAGO

Relocations Spark Luxury Demand; Education Corridors Draw Investment

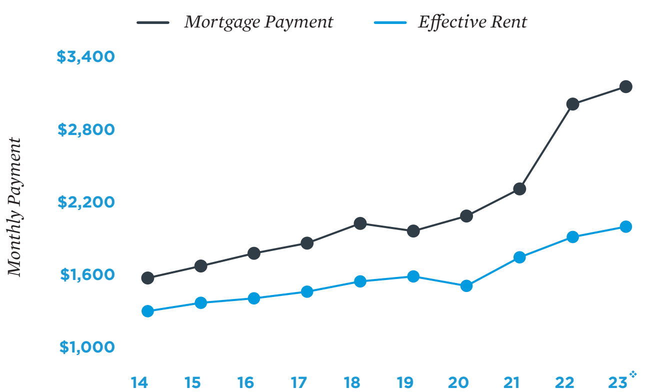
Office commitments reflect suburban apartment demand. Corporate relocations and expansions by firms, including Travelers Insurance, AIT Worldwide Logistics, The Federal Aviation Administration and Hartford Insurance, have been apparent in western and northern Chicago suburbs since late last year. These actions are concurrent with a notable amount of employees already living nearby. Meanwhile, those not local to the area may shift to adjacent residential corridors in order to cut down on new commute times, aiding apartment demand this year. The Class A segment is poised to benefit most from this dynamic. Across both North Cook County, west of Arlington Heights, and Oak Brook, luxury vacancies compressed last year, prompting each area to record double-digit segment rent growth. Homeownership challenges are also benefiting demand for apartments here and elsewhere in the metro. As a result of sustained high mortgage rates, the discount of Chicago's average effective Class A rent relative to the more costly mortgage payment on a median-priced home is near its widest point in more than a decade. Given this dynamic, the local multifamily landscape is well equipped to weather near-term economic softening. In turn, overall vacancy will stand below its historical average of 5.7 percent, supporting a rent growth rate that will rank as the third highest among major U.S. markets in 2024.

Investors compete for assets near universities. Ongoing lending headwinds and the potential for a notable increase to Cook County's transfer tax rate continue to challenge the institutional investment market in Chicago this year. Nevertheless, active buyers are likely to acquire assets in notable corridors near higher education campuses. The Lincoln Park and Hyde Park areas headline this dynamic, with students and faculty from multiple institutions — including Loyola University's Lake Shore Campus and The University of Chicago — helping support local renter demand. Of overall activity here, mid-sized luxury and Class B properties have recently accounted for a larger portion of trades, as these assets accommodate a wider range of renters. This was evident last year as properties that changed ownership comprised an average of more than 60 units, roughly doubling 2022's mean.

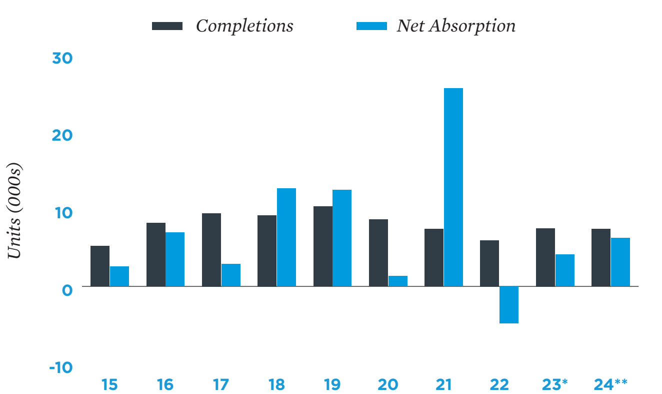
Employment Trends



Housing Affordability Gap



Supply and Demand



20.4%
2023 share of local population between 20 and 34 years old

36.2%
of local population hold bachelor's degree or higher ⌘

$347,200
2023 median home price✣

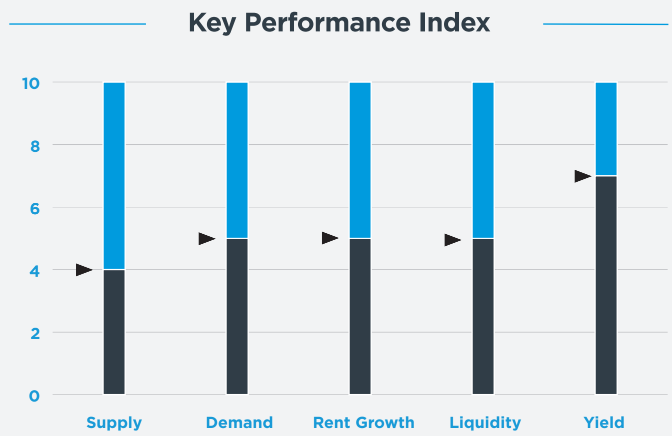
** Estimate ** Forecast ✣ Through 3Q*
⌘2023: 25+ years old
Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

Investment Outlook

The Chicago multifamily market is on solid ground, with demand and rent growth readings that lie on the middle of the scale. These scores are all consistent with last year's Key Performance Index, reflecting a metro that is proving comparatively sturdy amid greater challenges elsewhere.

The yield and liquidity scores have improved since last year. Resilient multifamily performance has strengthened liquidity up to a 5 this year, accompanied by a yield metric that ties for the highest in the 2024 KPI Index.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.



2024 MARKET FORECAST

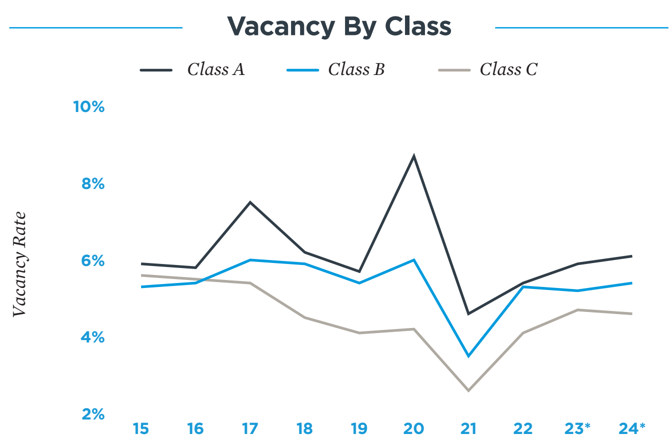
NMI Rank 28

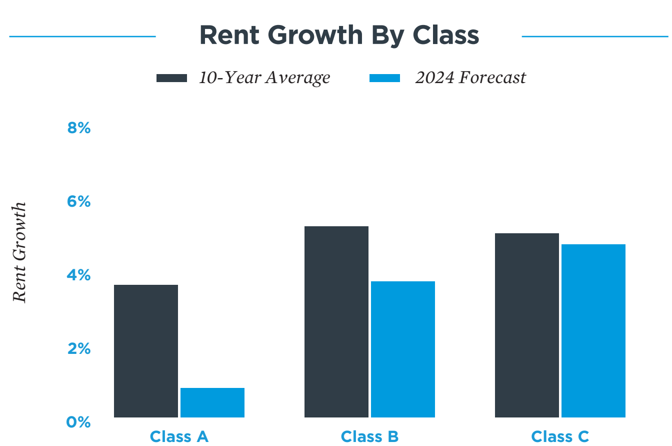
Employment
30,000 *jobs*
Metro 0.6% | U.S. 1.1%

Construction
% of inventory❖
Metro 1.0% | U.S. 2.5%

Class A Vacancy
Up 20 bps
Metro 6.0% | U.S. 6.5%

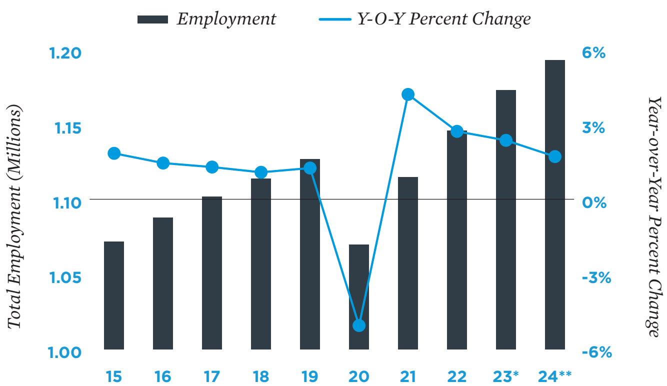
Class A Rent
$2,696 *per month*
Metro 0.8% | U.S. -1.1%



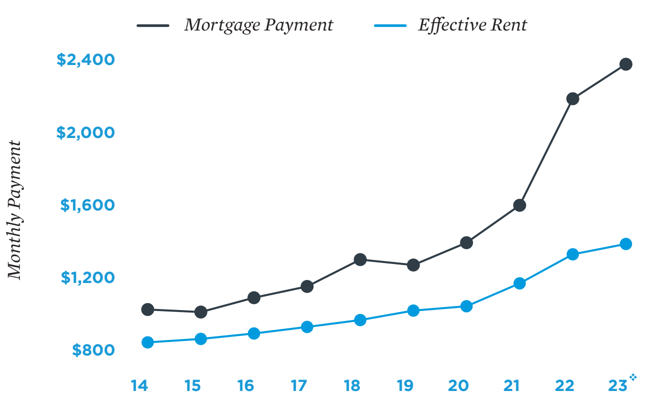


** Estimate ** Forecast*
❖ Arrow reflects completions trend compared with 2023
Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

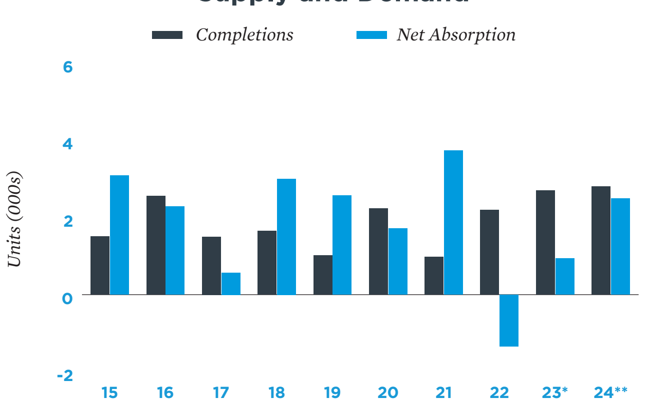
Employment Trends



Housing Affordability Gap



Supply and Demand



** Estimate ** Forecast ✣ Through 3Q*
⌘2023: 25+ years old
Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

CINCINNATI

Institutional Capital Drawn to Multifamily Options Amid Tight Local Housing Market

Collection of factors to aid demand for luxury units. The metro's number of active home listings has held below the 3,000-mark for an extended period of time. This dynamic, higher mortgage rates and record local home prices are contributing factors that are discouraging current homeowners from trading up. Reduced stock has also increased competition for available options, limiting prospects for first-time homebuyers. The tight single-family market in Cincinnati bodes well for Class A apartment demand as developers are slated to complete more than 2,000 units for the fourth time in five years. Upcoming deliveries are concentrated in Butler County and Southeast Cincinnati, but the Class A vacancy rates in these two areas are some of the lowest among local submarkets. Additionally, Cincinnati's overall luxury vacancy was below its long-term average at the onset of 2024, suggesting most of these new rentals should be well received. This will allow overall vacancy to hold below 5 percent through the end of this year. Longer term, in-migration over the next five years will equate to 20,000 arrivals on net. Combined with a steady rate of household formation, both factors are positive signals for overall apartment fundamentals moving forward.

Low suburban vacancy entices institutional buyers. Last year, active investors in Cincinnati frequently pursued listings adjacent to the metro's core, motivated by some of the lowest suburban apartment vacancies among major Midwest markets. This trend is poised to continue in 2024, supported by Class B and C vacancy rates that are well below their long-term averages and recently pronounced rent growth across most suburban submarkets. Institutional buyers active in the $15 million-plus price tranche could look to acquire 100-unit-plus Class B/C garden-style properties with value-add potential. Areas that are home to corporate expansions may warrant additional attention. Among these zones, Northern Kentucky stands out with a new Matrix Pack North America facility, DHL's airport distribution center and the Ovation mixed-use project in Newport. At the same time, current property owners in the metro may seek to capitalize on price appreciation. Last year, Cincinnati had the fastest increase in the mean price per unit among major Midwest metros, jumping 15 percent, but still maintained one of the lowest regional entry costs. This could draw the attention of regionally-proximate investors.

19.8%
2023 share of local population between 20 and 34 years old

32.3%
of local population hold bachelor's degree or higher ⌘

$281,600
2023 median home price✣

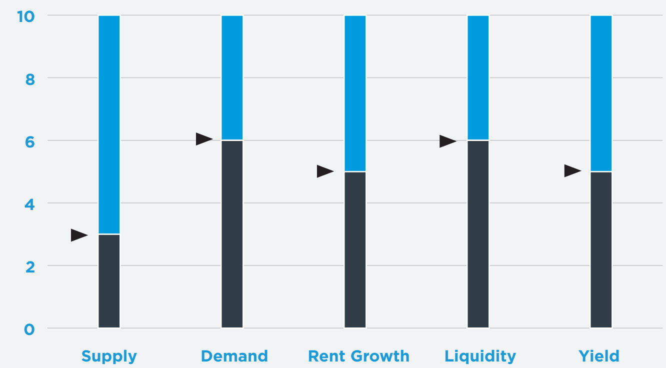
Investment Outlook

Cincinnati achieves the strongest demand ranking among major Midwest markets with a 6 this year, benefiting from notable employment momentum and a tight local housing market. Class C momentum supports a rent growth score of 5, while a supply score of 3 is up slightly from last year's figure.

Among the three major Ohio markets, Cincinnati has the lowest yield ranking, but ties for the highest liquidity score. Investors willing to accept relatively lower cap rates should be encouraged by the metro's vacancy stability and solid pace of job creation.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index



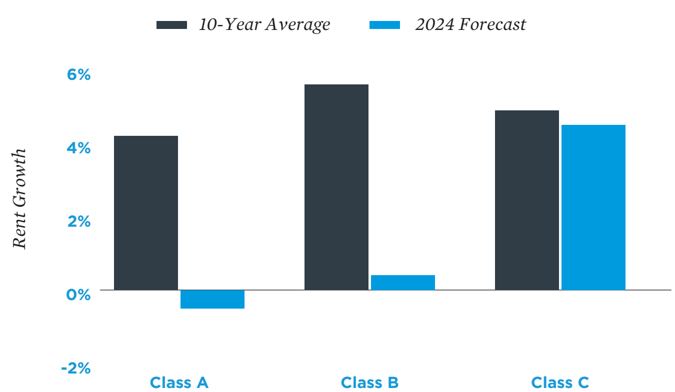
2024 MARKET FORECAST

NMI Rank 29

	Metro	U.S.
Employment 20,000 *jobs*	1.7%	1.1%
Construction *% of inventory*❖	1.7%	2.5%
Class A Vacancy Up 10 bps	5.5%	6.5%
Class A Rent $1,814 *per month*	-0.5%	-1.1%

Vacancy By Class

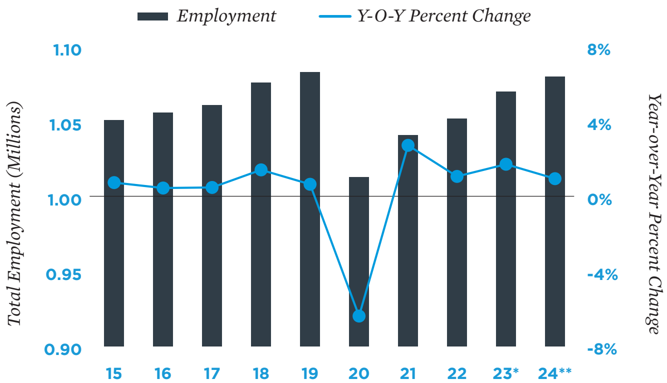
Rent Growth By Class



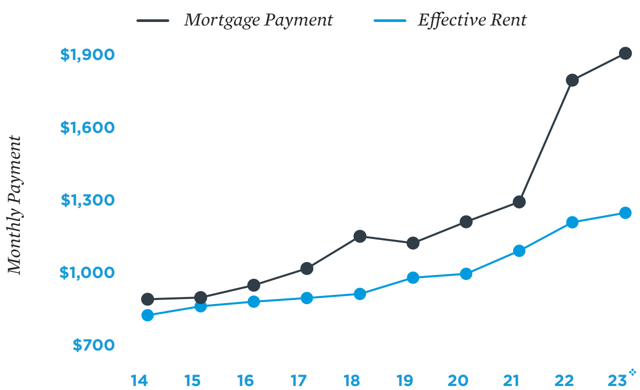
** Estimate ** Forecast*
❖ Arrow reflects completions trend compared with 2023
Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

CLEVELAND

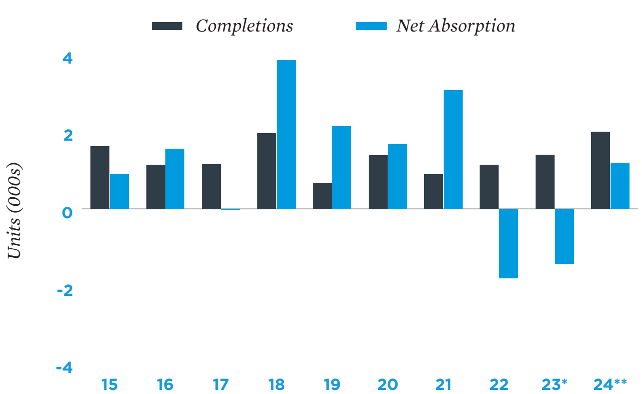
Employment Trends



Housing Affordability Gap



Supply and Demand



* Estimate ** Forecast ✣ Through 3Q
⌘2023: 25+ years old
Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

Suburbs Capture Leasing Competition From Budget-Conscious Renters

A limited pipeline and lower rents aid close-in suburbs. Although this year's completion total marks a 24-year high for the market, deliveries will be highly concentrated in and around Central Cleveland. This will limit the impact on outlying areas. Long-term demand drivers in the urban core, such as Sherwin-Williams' new global headquarters slated for 2025 completion, indicate that these new units will be leased over time. Near-term, the overall elevated pace of rent growth in Cleveland has begun to direct renter demand into lower-cost suburban units. This year's slight downward adjustment in the overall average effective rent will not be enough to offset this growing cost disparity. The metro's suburban vacancy rate entered 2024 roughly 100 basis points below its long-term average. Close-in neighborhoods, in particular, have appealed to renters looking to lower their mean monthly rent payment while staying near downtown. Westlake-North Olmsted-Lorain County is one such submarket as the area entered this year with a vacancy rate approximately 200 basis points below the local 23-year average. Limited proposed or underway projects here will likely keep this rate as one of the lowest in Cleveland.

Higher lending rates highlight Cleveland's yield advantage. Last year, Cleveland claimed the second-highest average cap rate among major U.S. markets. Paired with the lowest price per unit among major metros, this should keep yield-driven investors active in 2024, especially if borrowing costs stay persistently elevated. Listings volume has the potential to increase going forward as a result, with multifamily owners that acquired properties before 2020 motivated to capitalize on recent price appreciation. Spanning the past 10 years, the mean price per unit rose by roughly 110 percent. While Cleveland's population is slightly declining, a limited number of home listings may nevertheless prop up renter demand. Fewer renters able to transition to homeownership may motivate investors from higher-cost Midwest markets to engage here. Additionally, assets near Cleveland State University should continue to draw investors downtown as the student renter base grows. Farther out properties proximate to Case Western Reserve University in areas like Buckeye-Shaker Heights and Coventry Village may garner increasing investor interest in 2024 as the school's enrollment grows.

19.0%
2023 share of local population between 20 and 34 years old

29.6%
of local population hold bachelor's degree or higher ⌘

$223,600
2023 median home price✣

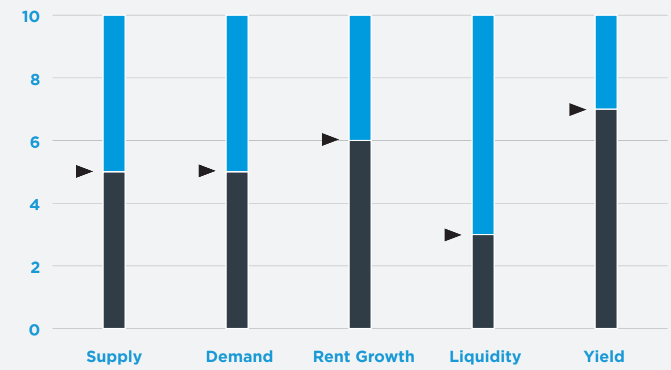
Investment Outlook

Challenges in the local multifamily sector are reflected in Cleveland's demand score declining relative to last year. A supply ranking of 5 is in the top portion of the 2024 Index, however, providing a backstop amid sluggish absorption. Rent growth is expected to be healthy but unbalanced across quality tiers this year.

Cleveland notches a 7 on the yield segment of the Key Performance Index, which ties Chicago and Columbus for the highest in the nation for the coming year. Cleveland's liquidity score comes in lower, at a value of 3 for 2024.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index



2024 MARKET FORECAST

NMI Rank 33

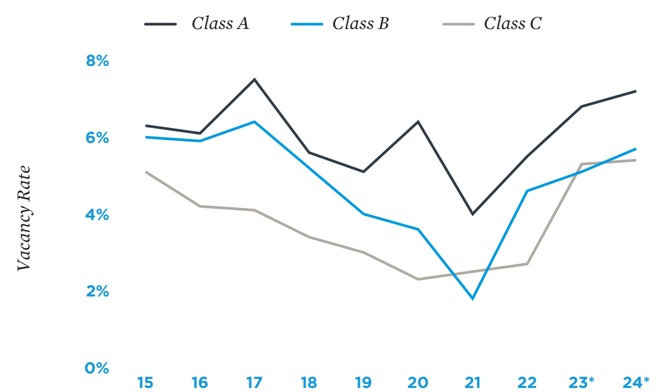
Employment
10,000 *jobs*
Metro 0.9% *U.S.* 1.1%

Construction
% of inventory❖
Metro 1.2% *U.S.* 2.5%

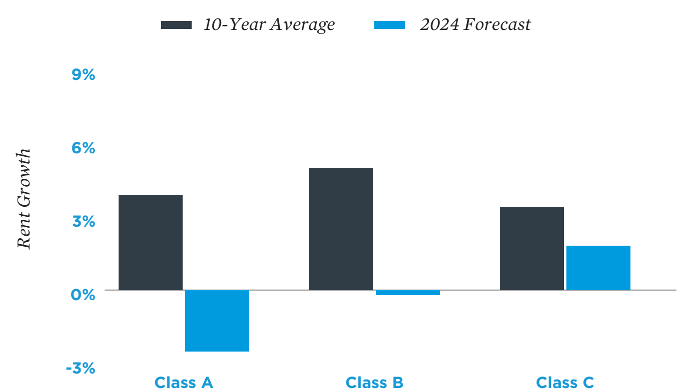
Class A Vacancy
Up 40 bps
Metro 7.1% *U.S.* 6.5%

Class A Rent
$1,836 *per month*
Metro -2.5% *U.S.* -1.1%

Vacancy By Class



Rent Growth By Class



** Estimate ** Forecast*

❖ Arrow reflects completions trend compared with 2023

Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

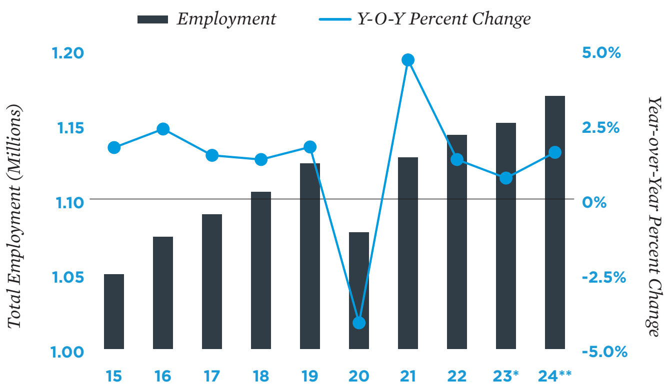
COLUMBUS

Regionally High In-Migration Stokes Job Growth, Benefiting Local Top-Tier Assets

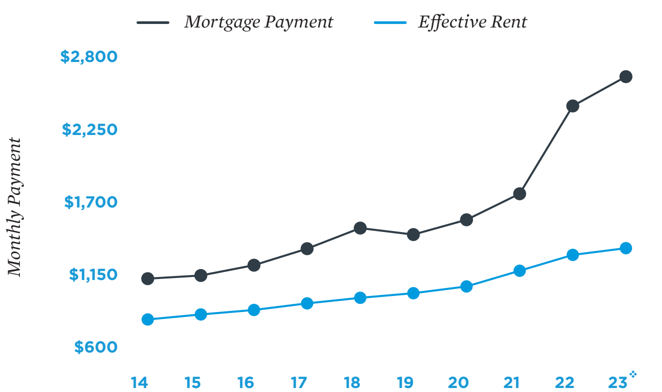
The presence of tech firms in Columbus grows. Central Ohio has received substantial corporate investments since the onset of 2022. The groundbreaking of Intel's two chip factories in New Albany, the first of which is expected to be production-ready by 2025, solidified Columbus' standing as an emerging tech market. Companies like Amazon, Google and Microsoft have since planned either new data centers in the area or expansions for existing sites. The growing tech presence in Columbus is expected to drive job growth, particularly in high-skill positions, both this year and beyond. In 2024, total local employment will expand 50 basis points faster than the average pace observed over the past two decades. Columbus will also add the most new residents through in-migration of any major Midwest market in 2024. As companies move in, the metro will continue to post elevated job and population growth, benefiting fundamentals across apartment tiers. Luxury rentals, in particular, are set to benefit from the housing needs of these new, well-compensated residents. Although elevated construction will place upward pressure on vacancy near-term, the metro is positioned for prolonged demand growth going forward.

Firm move-ins and university enrollment open investment options. During the past year, investor interest has been split between far-out areas and downtown-adjacent submarkets. Going forward, these areas are likely to continue attracting interest from buyers, particularly Licking County, as tech firms move in. Assets in the Bexley-Whitehall area could maintain interest due to the submarket's proximity to both New Albany and downtown. Out-of-market buyers were still active here in 2023, targeting mid-tier, older properties. For trades in the core, the University District is a center point. The Ohio State University, Columbus campus countered national trends and noted an increase in enrollment for the fall 2023 semester, potentially signaling heightened demand for off-campus rentals in 2024. Additionally, Honda and LG Energy Solution's electric vehicle battery plant is expected to come online by late 2024. Investors may target assets in Fayette County as the plant should bring 2,000 jobs to the area long term. Elevated borrowing costs may hinder some deal flow going forward, but the return to transaction stability observed in the latter half of 2023 is likely to continue through 2024.

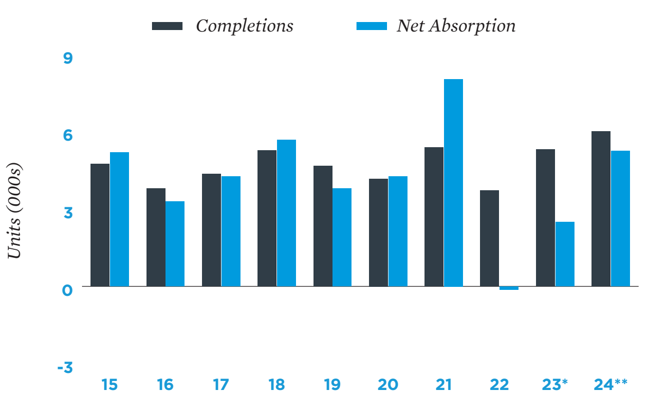
Employment Trends



Housing Affordability Gap



Supply and Demand



21.7%
2023 share of local population between 20 and 34 years old

35.3%
of local population hold bachelor's degree or higher ⌘

$314,900
2023 median home price✣

** Estimate ** Forecast ✣ Through 3Q*
⌘2023: 25+ years old
Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

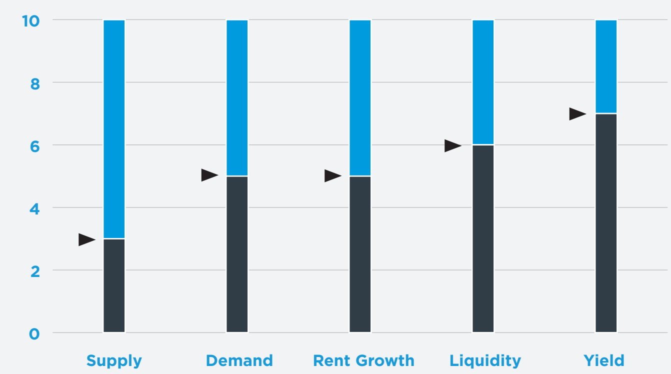
Investment Outlook

Relative to the other two major Ohio markets, Columbus has the strongest pace of household creation. This is partially counterbalanced by construction, reflected in a supply score of 3 this year. As a result, the metro's demand ranking remains unchanged compared to 2023, while the rent growth metric improves slightly.

Columbus is one of a few major markets nationally to score above average in both yield and liquidity this year. Corporate migration to the market, robust household formation and relatively higher cap rates have highlighted the metro's investment appeal.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index



2024 MARKET FORECAST

NMI Rank 22

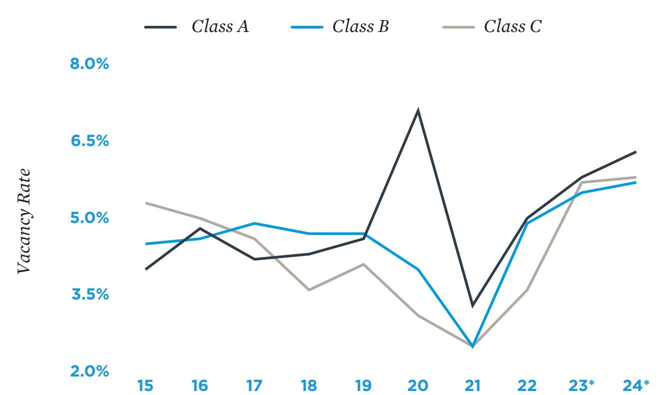
Employment 18,000 *jobs* — Metro 1.6% | U.S. 1.1%

Construction *% of inventory*❖ — Metro 3.0% | U.S. 2.5%

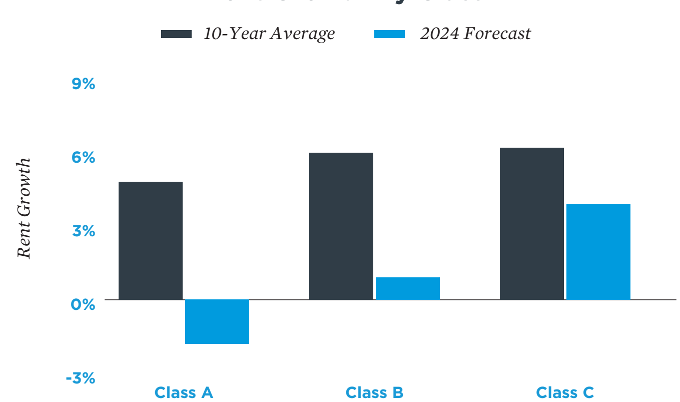
Class A Vacancy Up 50 bps — Metro 6.2% | U.S. 6.5%

Class A Rent $1,650 *per month* — Metro -1.8% | U.S. -1.1%

Vacancy By Class



Rent Growth By Class



** Estimate ** Forecast*

❖ Arrow reflects completions trend compared with 2023

Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

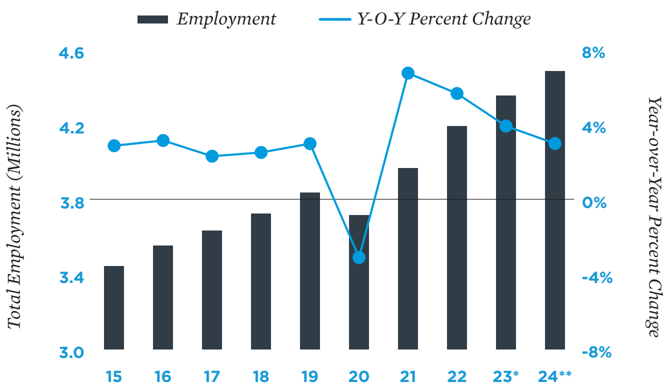
DALLAS-FORT WORTH

Nation-Leading Job Growth Stimulates Historic Construction in Several Suburbs

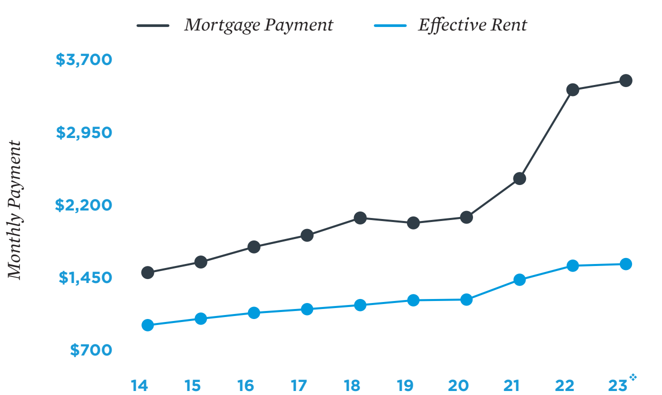
Record development visible in neighboring northern submarkets. The suburban trio of Allen, McKinney and Frisco have more rentals underway with scheduled completion dates between 2024-2026 than at least 35 major U.S. metros, with 18,800 units slated to finalize in the next three years here. Other local submarkets — Ellis County, Kaufman County, South Fort Worth and West Fort Worth-Parker County — are on pace for 25-plus percent inventory growth by the end of 2026 as well. In total, more than 20 separate areas have over 1,000 rentals underway, creating the nation's largest active pipeline. The Metroplex is likely nearing peak construction, however, as elevated debt costs, persistent labor pressures, hiking operating expenses and softer absorption have decelerated permit activity. Looking beyond the ongoing supply wave that is poised to lift vacancy and challenge rent growth, a drop in development would brighten the long-term outlook amid nation-leading employment gains. By the end of this year, the Metroplex workforce is expected to approach 4.5 million, inching within 210,000 jobs of Los Angeles — currently the nation's third-largest employment base. For context, that gap was no closer than 750,000 prior to the pandemic. Aiding luxury rental demand, Dallas-Fort Worth's professional and business services sector, which includes a variety of higher wage industries, grew by over 160,000 positions from 2020-2023, the largest bump among job segments.

Local multifamily investment still ranks near top of the nation. Despite a sharp reduction in deal flow relative to what was common during 2020-2022, the trading count and sales volume in Dallas-Fort Worth were each among the top five nationally last year. The Metroplex also ranked in the top three major U.S. metros for $20 million-plus velocity, indicating that institutions remain comparatively active. While capital markets hurdles, alongside operational cost hikes from insurance and property taxes, remain headwinds, nation-leading job growth will continue to generate institutional attention. Investors may nevertheless increasingly steer clear of supply pressure. Carrollton-Farmers Branch, Grapevine-Southlake, Southeast Dallas and West Plano represent areas with mild development relative to recent demand. Conversely, Rockwall-Rowlett-Wylie and Kaufman County stand out as locations with above-average vacancy and considerable new supply incoming.

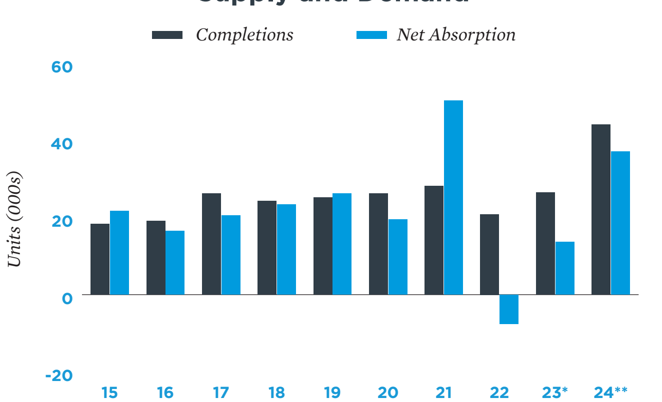
Employment Trends



Housing Affordability Gap



Supply and Demand



21.2%
2023 share of local population between 20 and 34 years old

34.2%
of local population hold bachelor's degree or higher ⌘

$383,000
2023 median home price✣

** Estimate ** Forecast ✣ Through 3Q*
⌘2023: 25+ years old
Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

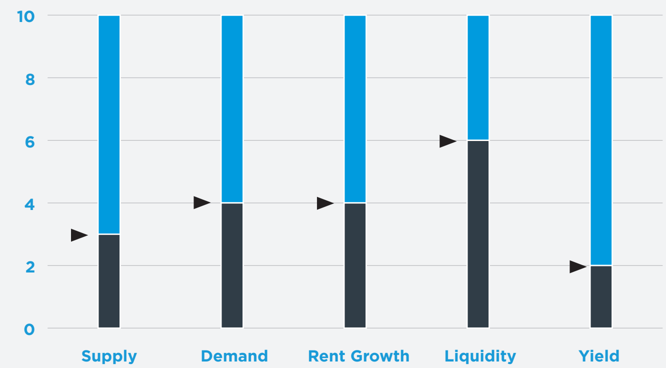
Investment Outlook

The Metroplex's demand and rent growth scores each fall one spot relative to the 2023 Key Performance Index, influenced by historic construction during a period of softer economic conditions. Dallas-Fort Worth, nevertheless, leads the country in job gains and ranks in the top 10 for household creation, supporting this new supply.

Dallas-Fort Worth ties for the highest liquidity score on the 2024 Index as the metro continues to rank among national leaders for multifamily transactions, despite a slowdown. A yield score of 2, however, is the lowest among the state's four major markets.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index



2024 MARKET FORECAST

NMI Rank 1

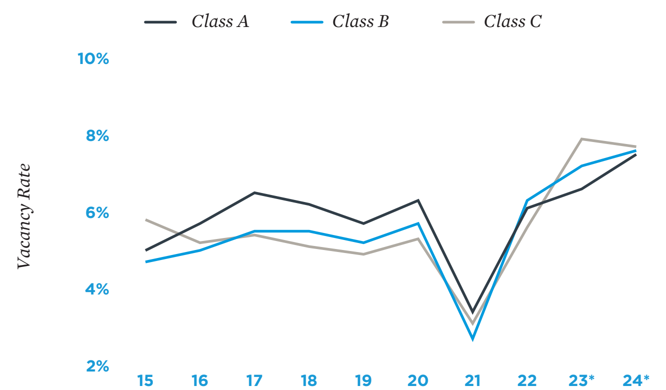
Employment
130,000 *jobs*
Metro 3.0% *U.S.* 1.1%

Construction
% of inventory❖
Metro 4.8% *U.S.* 2.5%

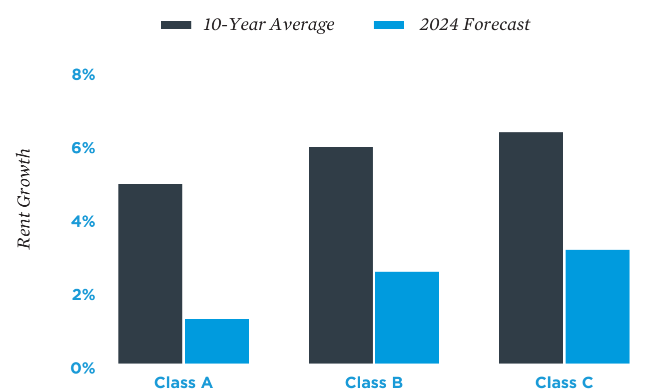
Class A Vacancy
Up 90 bps
Metro 7.4% *U.S.* 6.5%

Class A Rent
$1,934 *per month*
Metro 1.2% *U.S.* -1.1%

Vacancy By Class



Rent Growth By Class



** Estimate ** Forecast*

❖ Arrow reflects completions trend compared with 2023

Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

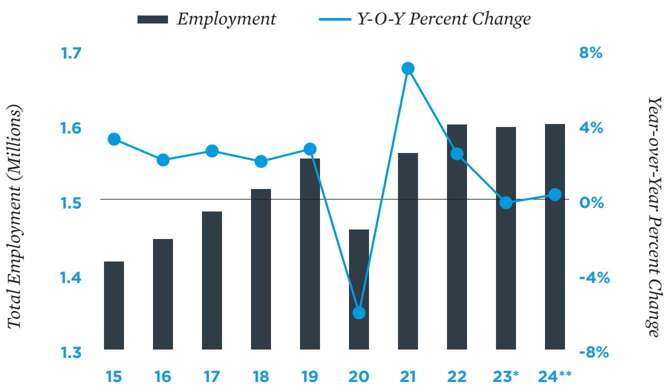
DENVER

Southern Suburbs Gain Renter Demand; Stabilized Stock Draws Activity Westward

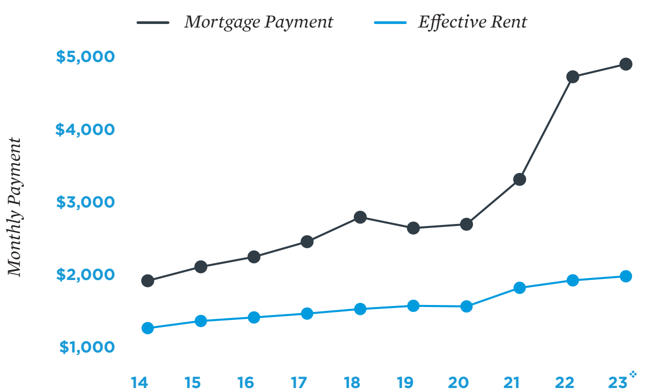
Long-term growth trends aid Denver's apartment outlook. Despite a loss in the overall number of jobs in Denver last year, a notable count of roles continued to be added in the professional and technical services sector. This momentum will carry forward amid an overall employment gain in 2024, supporting household formation. In-migration is also increasing following challenges caused by the pandemic, adding to Denver's housing demand. Still, new residents are faced with homeownership affordability hurdles, aiding apartment absorption. This dynamic, however, is met by a historical delivery slate, resulting in fundamentals softening in the near-term. Some areas are, nevertheless, well equipped to welcome this new supply. The Parker-Castle Rock submarket defied the metro's overall trend of Class A vacancy expansion last year, helping hold its rate in line with 2019's measure. Renter popularity here is partially bolstered by the area's proximity to the Denver Tech Center (DTC), accommodating nearby commuting professionals, while the local luxury-tier average effective rent stands more than 10 percent below the mean in the DTC.

Western Denver garners institutional investor interest. As the Federal Reserve started to take its foot off the gas in tightening monetary policy last year, overall transaction velocity improved in the latter half of 2023. This was supported by a larger portion of total deal flow being accounted for by the above-$10 million threshold, which neared one-third last year. In 2024, a probable cut to interest rates, as well as local economic and population growth dynamics, are likely to aid further institutional investor activity amid expanding long-term demand prospects. Western suburbs near Lakewood, Wheat Ridge and Arvada are realizing a notable amount of this attention. Unlike the overall market, these areas recorded nominal construction activity last year. This helped the North Lakewood and Wheat Ridge area, specifically, to hold a luxury-tier vacancy rate below its pre-pandemic measure entering 2024. Although sizable delivery slates here in 2024 may present near-term leasing competition, deals in these western suburbs typically command an average price per unit below the metro's mean, while yields often exceed the marketwide figure — a key driver amid still-elevated debt costs.

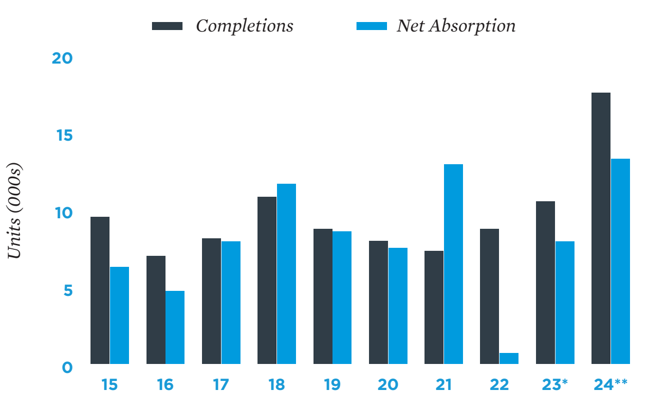
Employment Trends



Housing Affordability Gap



Supply and Demand



22.7%
2023 share of local population between 20 and 34 years old

42.3%
of local population hold bachelor's degree or higher ⌘

$664,600
2023 median home price ❖

** Estimate ** Forecast ❖ Through 3Q*
⌘ 2023: 25+ years old
Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

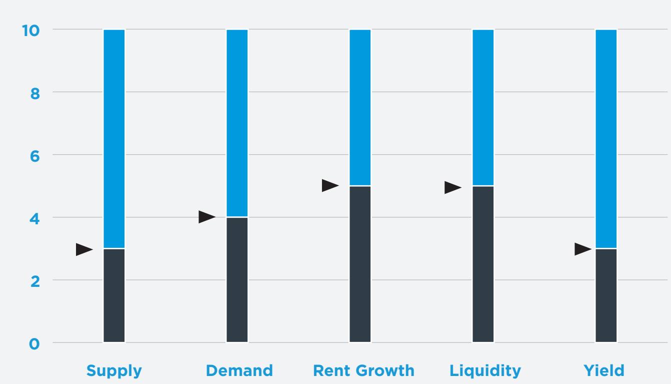
Investment Outlook

Relative to the other Mountain region metros, Denver has both the highest supply and rent growth scores this year. Pressure from construction is still notable, however, contributing to the market's below-average ranking on the demand portion. Although, rising in-migration will help drive a top 15 pace of household creation.

Last year, Denver's yield score was a 2, and tight cap rates made penciling deals challenging in a higher interest rate climate. Metro yields remain relatively low, but on the rise, helping push liquidity up from a 3 to a 5 in the 2024 Key Performance Index.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index



2024 MARKET FORECAST

NMI Rank 19

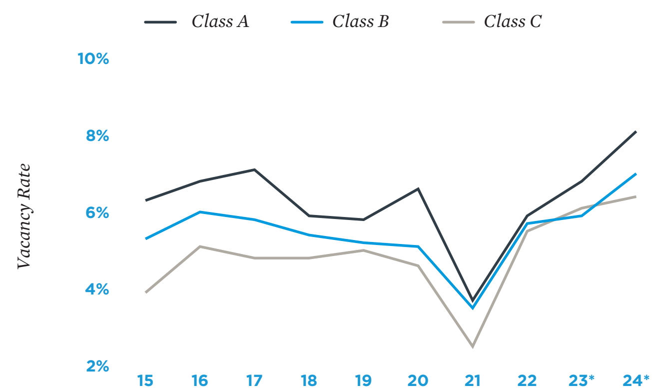
Employment 4,000 *jobs* — *Metro* 0.3% — *U.S.* 1.1%

Construction *% of inventory*❖ — *Metro* 5.2% — *U.S.* 2.5%

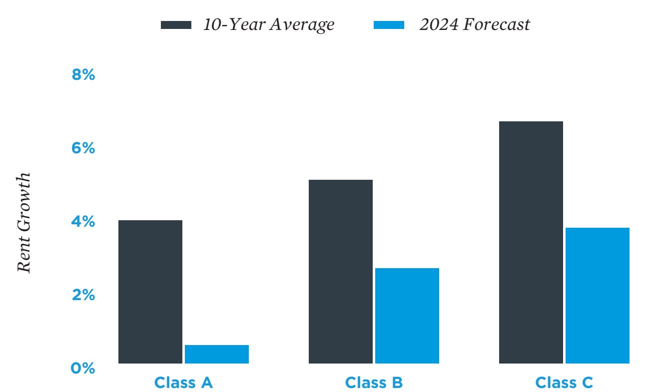
Class A Vacancy Up 130 bps — *Metro* 8.0% — *U.S.* 6.5%

Class A Rent $2,265 *per month* — *Metro* 0.5% — *U.S.* -1.1%

Vacancy By Class



Rent Growth By Class

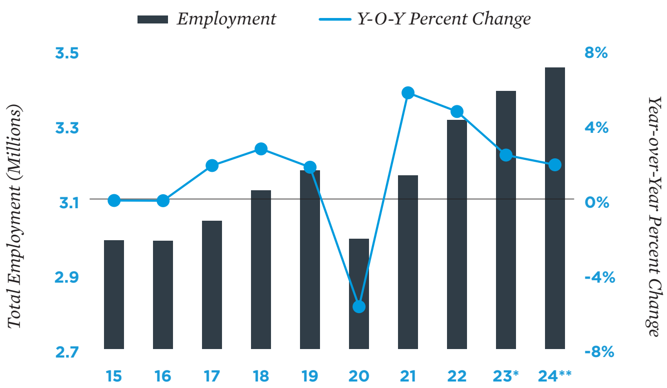


** Estimate ** Forecast*

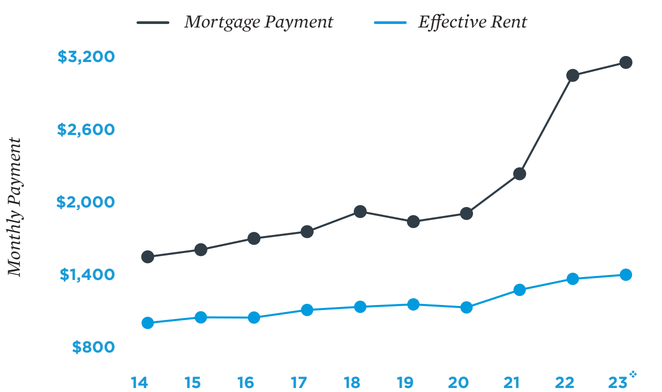
❖ Arrow reflects completions trend compared with 2023

Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

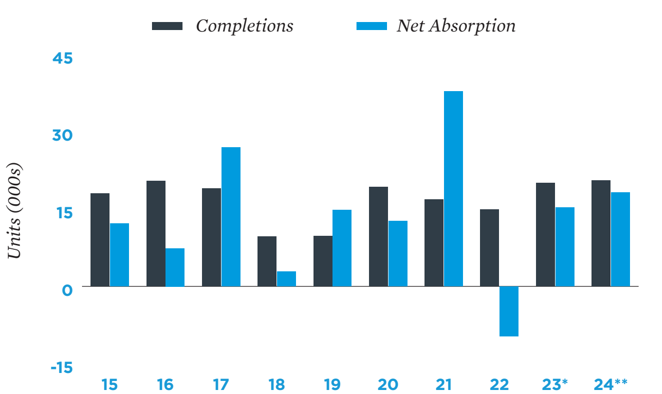
Employment Trends



Housing Affordability Gap



Supply and Demand



* Estimate ** Forecast ❖ Through 3Q

⌘2023: 25+ years old

Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

HOUSTON

Regional Living Cost Advantages and High-Wage Job Opportunities Sustain Migration

Houston will remain a top relocation destination. Now years in the rearview, the circumstances of the pandemic accelerated migration to Sun Belt metros due to cost-of-living and quality-of-life advantages, fueling the addition of 165,100 new households in Houston between 2020-2023. Correlating with that influx, Class A rent growth was exceptional prior to last year's moderation, resulting in an aggregate 20 percent surge in that apartment segment during the span. Some other Sun Belt metros had even larger hikes, altering the spectrum of relative living costs. Houston's mean effective Class A apartment rent trailed the equivalent average of major Sun Belt markets by about $150 per month in 2020. Entering this year, that relative monthly discount had doubled to roughly $300. This positions Houston to sustain migration long-term, especially if an economic slowdown leads renters seeking higher-quality apartments to more cost-friendly markets in the region. Further enhancing relocating households' considerations, hiring in high-wage industries has been noteworthy, reflected in median household income growth. Houston ranked first in Texas for that metric last year and is projected to do the same in 2024. Relative luxury rental affordability, alongside attractive wage prospects, should continue to stoke migration and diverse Class A/B apartment demand.

Increasing operating costs clash with a promising outlook. Even amid a nationwide slowdown in transactions after aggressive interest rate hikes and a pullback in available financing, some operators in Houston may be more inclined to list in 2024. Historically prone to natural disasters, the average cost to insure an apartment unit rose by over 50 percent annually as of the third quarter of 2023, well above other Texas metros and the national increase. This additional burden, alongside rising property taxes, could motivate trading activity and influence development strategies. Institutions willing to take on greater costs, due to the market's favorable long-term outlook, could focus on suburbs exhibiting robust demographic growth, including Clear Lake, Conroe-Montgomery County, Katy and Spring-Tomball. Investors targeting locations with tight Class A/B operations may consider Alief and Sugar Land-Stafford, while institutions concentrating on urban core neighborhoods should concentrate on West University and the Medical Center amid robust job growth in higher-wage fields here.

20.8%
2023 share of local population between 20 and 34 years old

31.5%
of local population hold bachelor's degree or higher ⌘

$345,900
2023 median home price❖

Investment Outlook

Houston's rent growth score of 5 on the 2024 Index is the highest among Texas' four major markets, as each local apartment quality tier is expected to note a lifted rate. The metro's demand ranking is consistent with last year's figure as well, supported by Houston's top 12 national pace of job growth and household creation.

Relatively strong demand and rent growth metrics translate to a liquidity score on the midpoint of the KPI scale. The yield score of 6 is also the highest in the Sun Belt.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index

2024 MARKET FORECAST

NMI Rank 4

Employment 62,000 *jobs* — *Metro* 1.8% — *U.S.* 1.1%

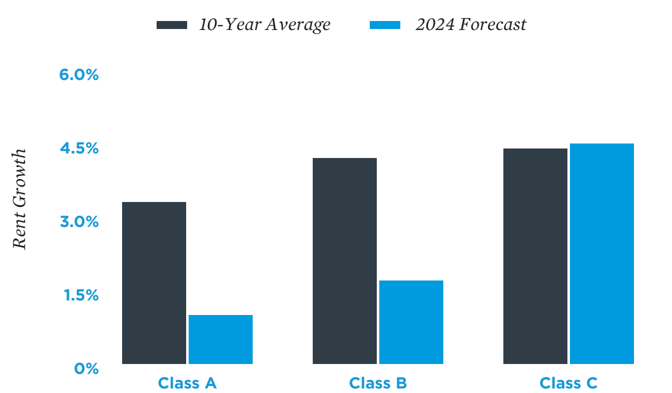
Construction *% of inventory*❖ — *Metro* 2.7% — *U.S.* 2.5%

Class A Vacancy Up 30 bps — *Metro* 7.2% — *U.S.* 6.5%

Class A Rent $1,876 *per month* — *Metro* 1.0% — *U.S.* -1.1%

Vacancy By Class

Rent Growth By Class



** Estimate ** Forecast*

❖ Arrow reflects completions trend compared with 2023

Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

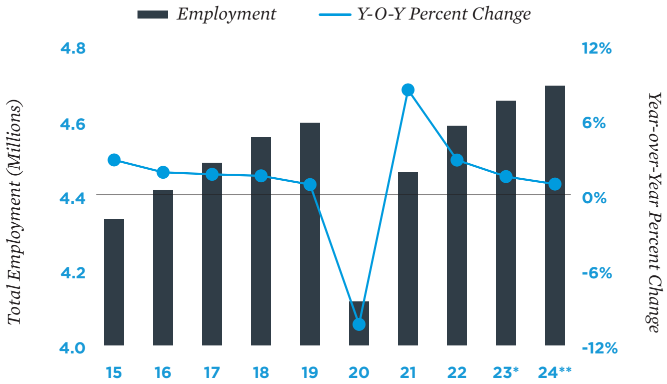
LOS ANGELES

Delivery Pullback Contrasts National Trend; Future of Measure ULA on Investors' Minds

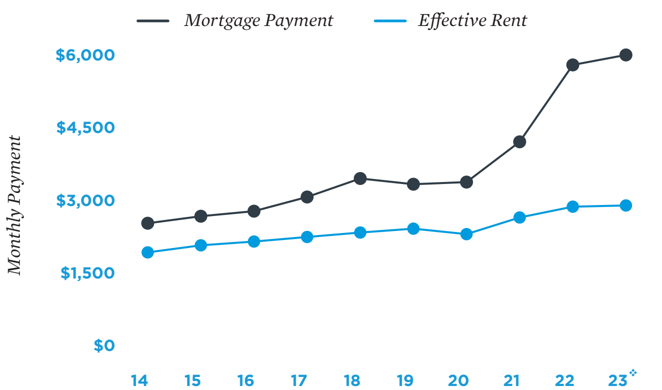
Household formation tally to set near-term record. After achieving a historically low mark of 2.1 percent in early 2022, vacancy in Los Angeles County has consistently risen, surpassing 5 percent last year. This trend ends during 2024, however. The metro's record total job count, and expectations for positive near-term hiring, are positioned to support the formation of 21,500 households this year, the highest total in more than a decade. This standout growth occurs alongside a slowdown in apartment deliveries, with 21 other major U.S. markets slated to add more units than Los Angeles County this year. Among key segments of the metro, Greater Downtown Los Angeles is slated to add the most apartments. Meanwhile, the San Fernando Valley and South Bay-Long Beach will register annual stock expansions of just 0.4 and 0.7 percent, respectively, suggesting these areas will remain among the county's tightest rental markets.

Upside potential apparent in the mid-tier segment. Class B assets accounted for half of all deal flow above the $20 million threshold last year. The record-high gap between Class A and mid-tier rent at the onset of this year — roughly $900 per month — should preserve a sizable Class B renter pool for the foreseeable future. This dynamic will attract institutional buyers to properties of this tier that feature upward of 60 units, including a collection of listings built within the past 10 years. Older Class C complexes with more than 100 units should also provide value-add buyers with opportunities to deploy more than $20 million. While closings in Los Angeles proper historically account for a sizable share of these types of trades, activity here may trail other areas over the near term. Since the enactment of Measure ULA, deal flow above the $10 million threshold has been scant here, with buyers becoming more active in South Bay and the San Gabriel Valley. Still, the potential for change exists. A new referendum will appear on the California ballot in 2024 that would invalidate local special tax increases imposed after January 2022 that received less than two-thirds voter approval; Measure ULA netted 58 percent. Additionally, the Los Angeles City Council voted to lift a multi-year rent freeze on rent-controlled units in late 2023.

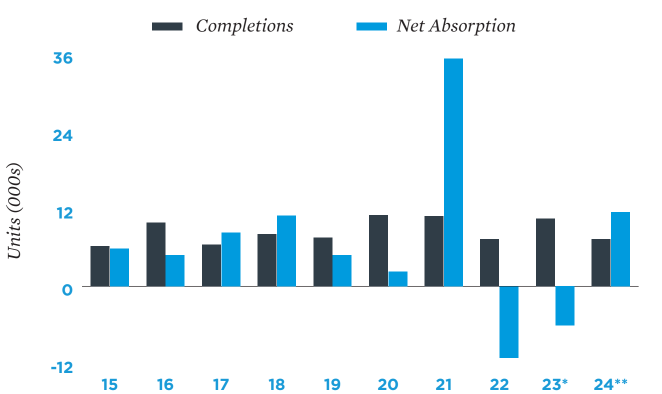
Employment Trends



Housing Affordability Gap



Supply and Demand



22.4%
2023 share of local population between 20 and 34 years old

30.9%
of local population hold bachelor's degree or higher ⌘

$838,100
2023 median home price✣

* Estimate ** Forecast ✣ Through 3Q
⌘2023: 25+ years old
Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

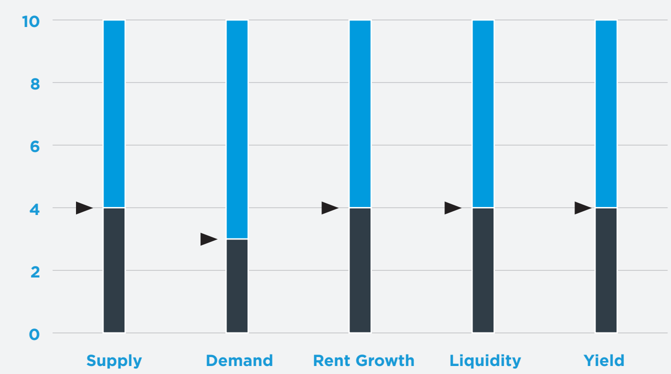
Investment Outlook

Compared to last year, Los Angeles' demand and rent growth scores each slide down one spot, while the supply segment improves by that same margin. The metro is not enduring substantial pressure from new construction like many other areas of the country, but notes slower job growth than other ranked markets.

Liquidity and yield each double last year's score of 2 for a rank in the middle portion of the 2024 Index. Rising cap rates should ease transaction hurdles and aid deal flow; however, investors are likely to remain selective amid new legislation and softer demand trends.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index



2024 MARKET FORECAST

NMI Rank 14

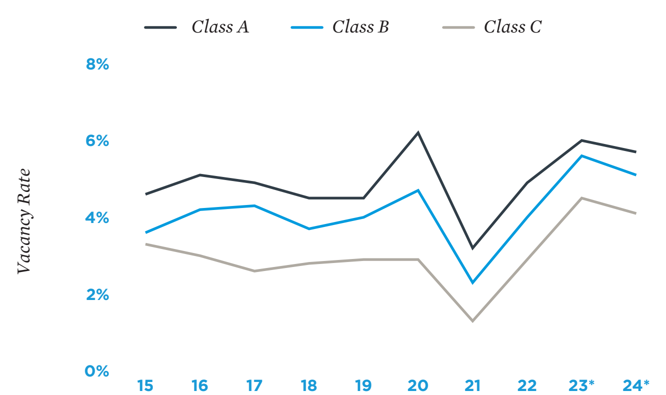
Employment
40,000
jobs
Metro 0.9% *U.S.* 1.1%

Construction
% of inventory❖
Metro 0.6% *U.S.* 2.5%

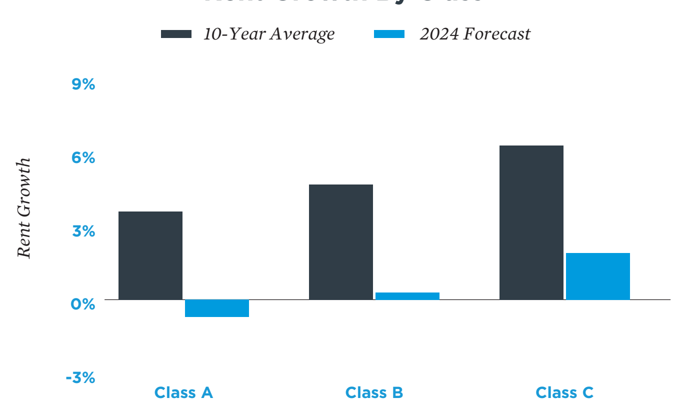
Class A Vacancy
Down 30 bps
Metro 5.6% *U.S.* 6.5%

Class A Rent
$3,540
per month
Metro -0.7% *U.S.* -1.1%

Vacancy By Class



Rent Growth By Class



** Estimate ** Forecast*
❖ Arrow reflects completions trend compared with 2023
Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

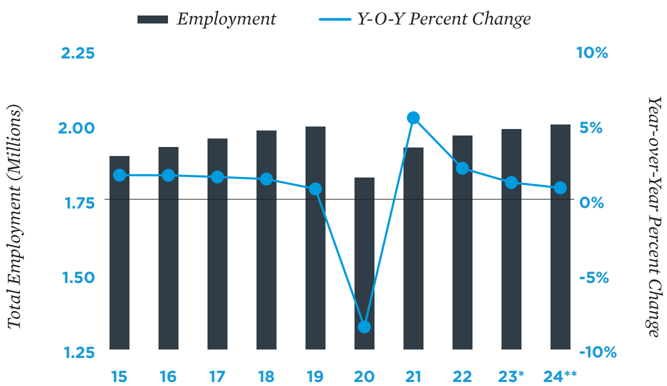
MINNEAPOLIS-ST. PAUL

Tempered Construction Aids Performance; Investors Drawn West of the Mississippi

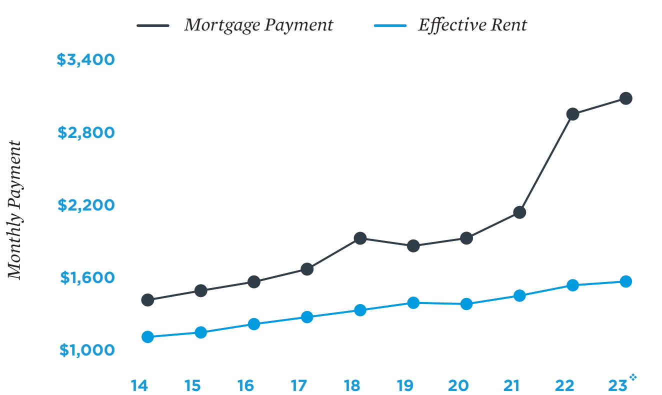
Regionally strong inventory growth ebbs. Apartment vacancy in the Minneapolis-St. Paul metro was among the nation's lowest for major markets leading up to 2020. This prompted builders to increase local stock at a rate faster than any other Midwestern market between 2019 and 2023. This rapid supply expansion coincided with household consolidation, as noted by a lower two- and three-bedroom vacancy rate relative to one-bedroom units. The pace of arrivals, however, tames in 2024. Minneapolis-St. Paul's reduced level of construction may benefit existing Class A properties, as the segment entered 2024 with a compressed marketwide vacancy rate year-over-year. First- and second-ring suburbs are realizing this momentum as luxury renters continue to prefer corridors like Burnsville-Apple Valley, Minnetonka and South Minneapolis-Richfield. Meanwhile, dynamics in Central St. Paul have normalized entering the year. Despite amendments made to the city's rent control ordinance in 2023, which exempts assets built within the last 20 years, mid- and upper-tier vacancy ebbed closer in line with pre-pandemic norms.

Returning institutional activity noted in western areas. Improved transaction velocity in the $20 million-plus tranche supported a substantial lift to overall trading activity in 2023. The western side of the metro, encompassing Minneapolis, Uptown, Edina and Plymouth, were most active among these institutional level deals. More trades of this magnitude may close in 2024, given the metro's high volume of deliveries over the past three years. Investor activity has also been migrating north of the river from West Bank to the Downtown-University area. Surrounding Dinkytown, a stable renter base of students and faculty aid local Class A vacancy, which lowered in late 2023. Luxury vacancy also trended down in Minnetonka last year, potentially sparking more buyer interest in both aforementioned areas this year. A pace of stock expansion here that trends well above historical norms may initiate buyer attention in the area as more institutional assets become available.

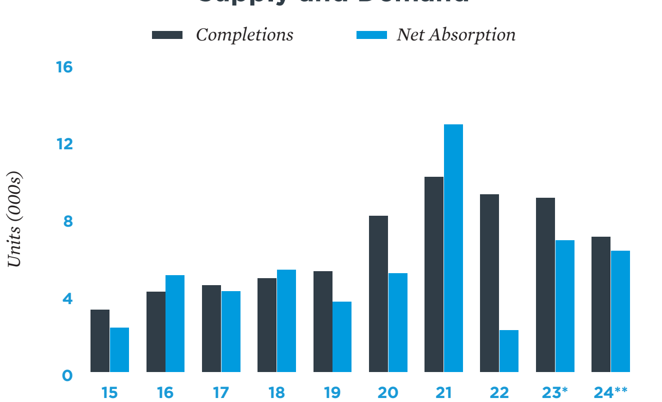
Employment Trends



Housing Affordability Gap



Supply and Demand



20.0%
2023 share of local population between 20 and 34 years old

40.1%
of local population hold bachelor's degree or higher ⌘

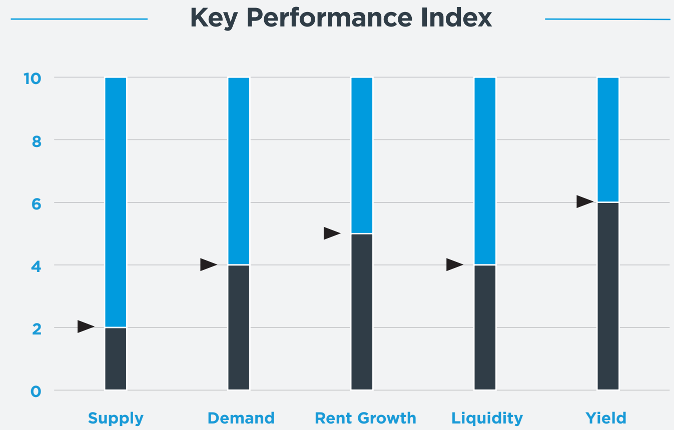
$380,200
2023 median home price✢

** Estimate ** Forecast ✢ Through 3Q*
⌘2023: 25+ years old
Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

Investment Outlook

Minneapolis-St. Paul has the lowest supply score among major Midwest markets this year, although a rent growth ranking of 5 is near the top portion nationally. New construction is expected to create some headwinds in the luxury apartment segment, while mid-tier properties have more stable vacancy and rent growth.

The metro's liquidity score improves to a 4 this year. Healthy rent growth in mid- and lower-tier properties, alongside relatively higher cap rates, support greater liquidity.



Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

2024 MARKET FORECAST

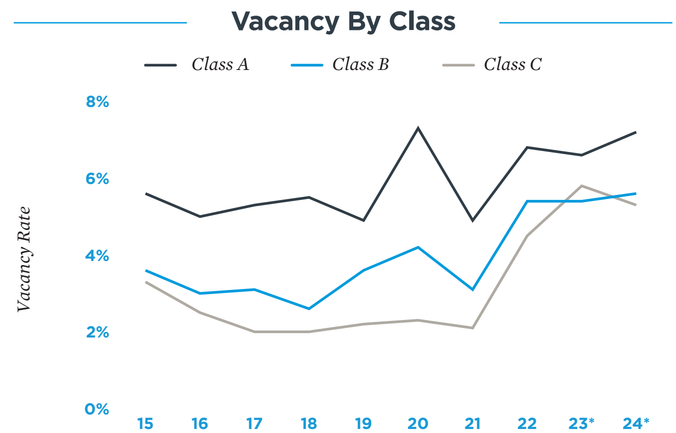
NMI Rank 31

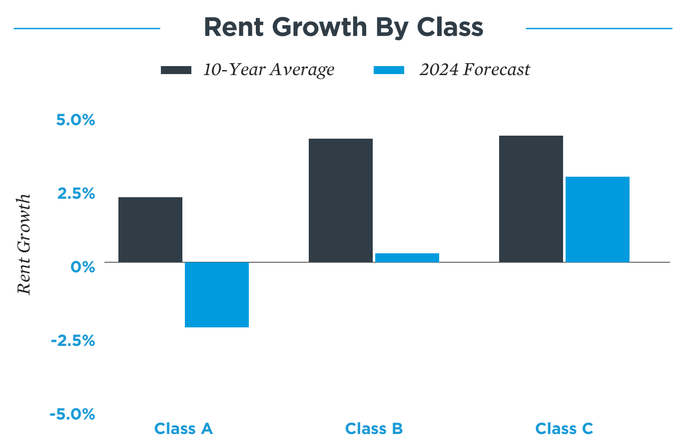
Employment
15,000 *jobs*
Metro 0.8% — *U.S.* 1.1%

Construction
% of inventory❖
Metro 2.1% — *U.S.* 2.5%

Class A Vacancy
Up 60 bps
Metro 7.1% — *U.S.* 6.5%

Class A Rent
$1,848 *per month*
Metro -2.2% — *U.S.* -1.1%





** Estimate ** Forecast*
❖ Arrow reflects completions trend compared with 2023
Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

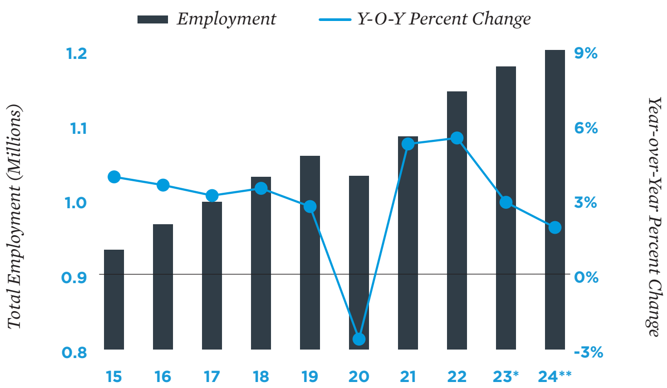
NASHVILLE

Another Large Set of Completions Upstage Widespread Apartment Leasing

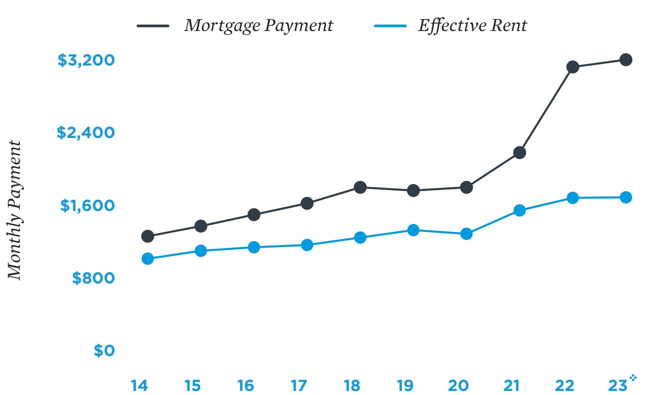
Demand amplified across property tiers by strong local economy. Surpassing all other major metros in stock growth last year, Nashville's apartment inventory is expected to increase by another 6.3 percent during 2024. While this supply influx will place upward pressure on vacancy, the end impact on operations is expected to be moderate for several reasons. Most of the metro's employment sectors entered 2024 with record staff counts, as overall unemployment was near its all-time low. This standing suggests companies will recruit from outside the metro with increased frequency this year, specifically when filling higher-paying tech and professional services roles. The positive net in-migration this creates will not only lift Nashville's populace, but also demand for newly-built luxury apartments, goods and services. The latter will necessitate an increase in health services and retail trade-related jobs, aiding demand across Nashville's sizable stock of larger Class B and C garden-style properties. Together, these dynamics should allow most, if not all, metro submarkets to record positive net absorption for a second consecutive year.

Larger share of sales arising from outer submarkets. Rutherford County nearly matched Nashville proper in deal flow last year, with the former area's rental pool well positioned for near-term expansion. Home to below-market vacancy and average rent, the county is a local manufacturing hub, housing a 7,000-worker Nissan assembly plant in Smyrna and an expanding McNeilus Truck and Manufacturing facility in Murfreesboro. These operations translate to built-in demand for Class B and C apartments for the foreseeable future, motivating investors to pursue nearby 100-unit-plus complexes with value-add potential. Last year, pricing for larger Class B assets here were capped around the low-$200,000 per unit threshold, with Class C properties of similar size trading in the mid-$100,000 per door range. Elsewhere, the historic number of projects delivered by merchant builders over the past four years, and the wave of supply additions in 2024, may create opportunities for institutional buyers to acquire newly-built assets. These listings are likely to be most frequent in the metro's CBD, where more than 8,500 units were added during the past four years. Specifically, a handful of newer properties traded in Downtown Nashville during 2023, each for around $350,000 per door.

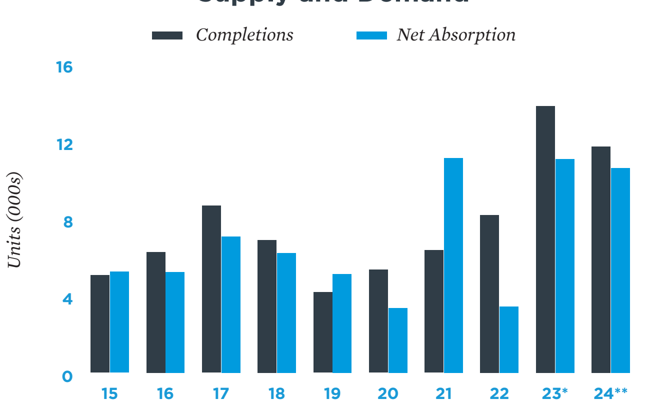
Employment Trends



Housing Affordability Gap



Supply and Demand



22.0%
2023 share of local population between 20 and 34 years old

34.9%
of local population hold bachelor's degree or higher ⌘

$400,600
2023 median home price✣

* Estimate ** Forecast ✣ Through 3Q
⌘2023: 25+ years old
Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

Investment Outlook

Joined by several other Sun Belt markets with similar in-migration momentum that fueled construction booms, Nashville has the lowest possible supply score this year. This creates some near-term challenges; however, the longer-term outlook is positively reinforced by the metro's top 10 pace of employment growth in the country.

Nashville's yield score of 3 is on the lower end of the national spectrum this year as local cap rates remain relatively tight. Nonetheless, liquidity rises to a 6 in the 2024 Index as the metro's robust economic growth trends generate institutional attention.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index

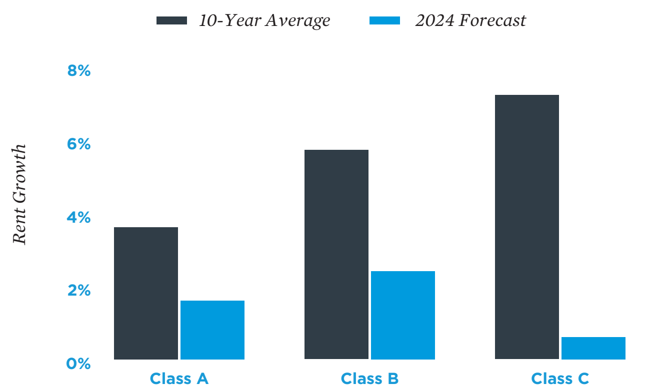
2024 MARKET FORECAST

NMI Rank 13

	Metro	U.S.
Employment 22,000 *jobs*	1.9%	1.1%
Construction *% of inventory*❖	6.3%	2.5%
Class A Vacancy Up 70 bps	7.9%	6.5%
Class A Rent $2,028 *per month*	1.6%	-1.1%

Vacancy By Class

Rent Growth By Class



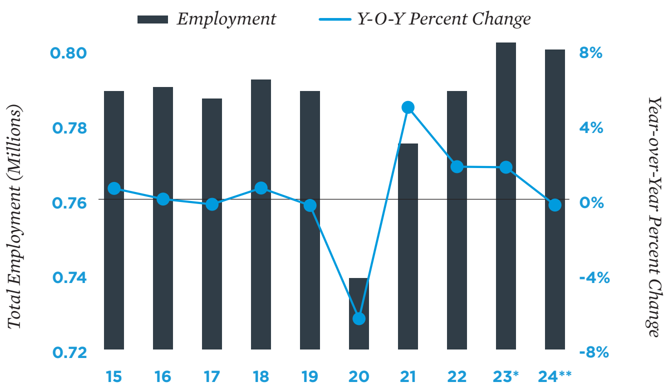
** Estimate ** Forecast*

❖ Arrow reflects completions trend compared with 2023

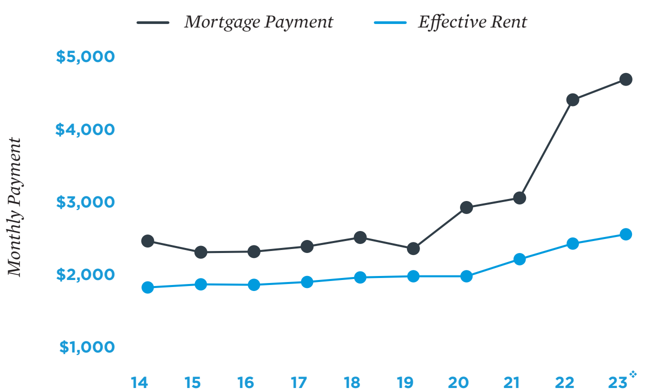
Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

NEW HAVEN-FAIRFIELD COUNTY

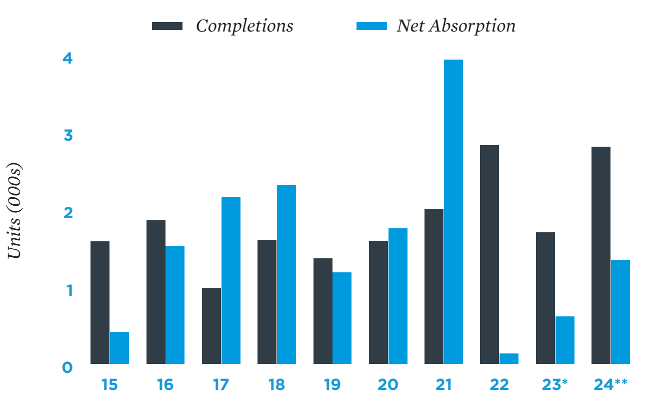
Employment Trends



Housing Affordability Gap



Supply and Demand



* Estimate ** Forecast ❖ Through 3Q

⌘2023: 25+ years old

Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

New Haven County Well-Braced for This Year's Near-Term Hurdles

Unique mix of demand factors facilitate dynamic market. The persistence of hybrid schedules among New York City employers continues to bolster southwestern Connecticut's renter base, especially in Fairfield County's commuter-friendly downtowns. Class A vacancy was on a downward trend here in 2023, ending the year roughly 50 basis points below the long-term average of 5.2 percent. Still, a sizable delivery schedule across the market is likely to exert upward pressure on vacancy this year across this segment and in Class B builds. This trend will be particularly pertinent in New Haven County, where rental demand is more heavily influenced by local drivers. A slowdown in New Haven's biotech industry is ill-timed with new arrivals, negatively impacting demand for luxury rentals here and in adjacent municipalities. The outlook for Class C units is similarly split by county. While the employment base is set to contract marketwide, the market's eastern half is better poised to weather this year's headwinds. Lower-tier apartment vacancy in New Haven County was under the post-2006 average of 5.4 percent, contrasting Fairfield County, where cost-of-living concerns have driven up the rate since the onset of the health crisis to roughly 6 percent.

New supply trends create novel investment opportunities. Contrasting the region's traditional garden style apartments, developers have been preparing a bevy of amenity-rich apartment complexes geared toward higher-income renters. Even prior to the rapid post-pandemic growth of the market's commuter class, developers had been taking note of burgeoning demand for higher-end rentals in the region's town centers. Exemplifying this trend, The Smyth, a mixed-use project combining retail with Class A rentals, came online in downtown Stamford in early 2023, located less than half a mile from Interstate 95 and a Metro North commuter railway station. A number of similar projects are underway in both Stamford and Fairfield County's other coastal downtown cores. While still high to start 2024, lending rates will decline over time, at which point institutional players coming off the sidelines will have a bevy of recently-completed projects to consider. This trend is not limited to Fairfield County, with the city of New Haven and adjacent municipalities also slated to receive higher-end rentals.

18.9%

2023 share of local population between 20 and 34 years old

38.7%

of local population hold bachelor's degree or higher ⌘

$546,500

2023 median home price❖

Investment Outlook

New Haven-Fairfield County is one of only a few major markets nationally to rank in the top quartile of markets for supply and demand scores. Each of those scores increased relative to 2023's Index as well, supporting positive sentiment. At the same time, the pace of local employment growth and household creation is sluggish.

Similar to the aforementioned Index variables, New Haven-Fairfield County's yield and liquidity rankings also strengthened compared to last year. A score of 6 on the yield portion ties with New York City for the highest among major Northeast markets in 2024.

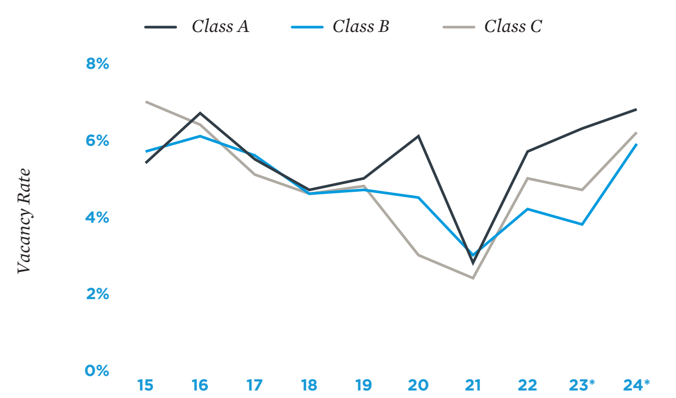
Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index

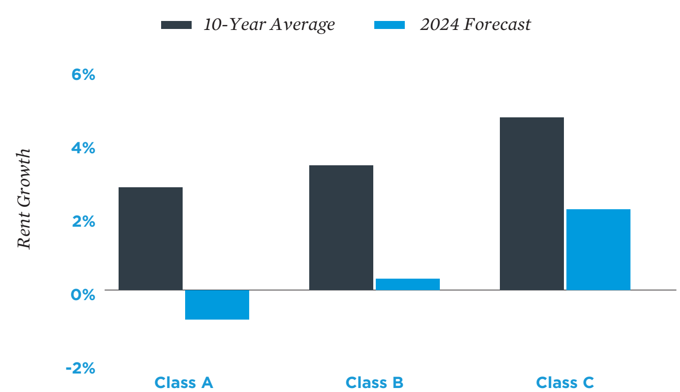
2024 MARKET FORECAST

		Metro	U.S.
NMI Rank	34		
Employment	-2,500 *jobs*	-0.3%	1.1%
Construction	*% of inventory*❖	2.6%	2.1%
Class A Vacancy	Up 50 bps	6.7%	6.5%
Class A Rent	$3,108 *per month*	-0.8%	-1.1%

Vacancy By Class



Rent Growth By Class



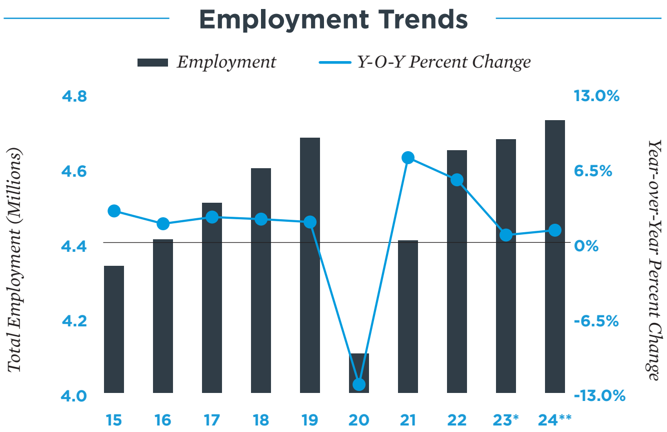
** Estimate ** Forecast*

❖ Arrow reflects completions trend compared with 2023

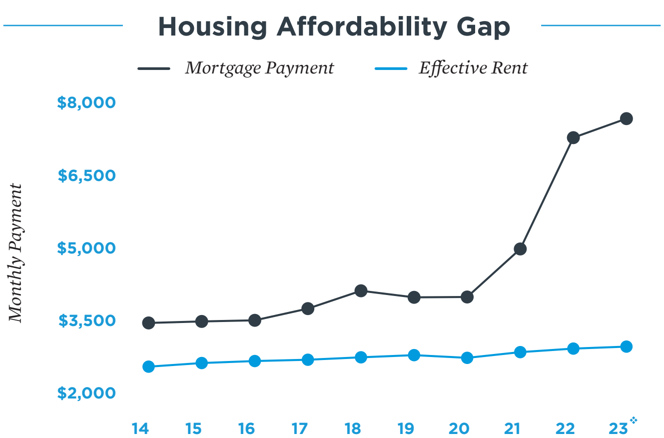
Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

NEW YORK CITY

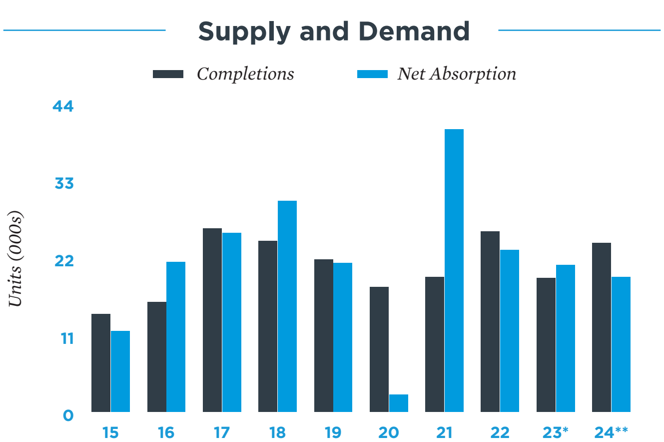
Tax Abatement Expiration Conflicts with City's Efforts to Grow Rental Inventory



State tax policy adversely affects city-backed housing initiatives. Market conditions remain remarkably tight, with the 1.8 percent vacancy rate at the start of this year tied with 2021 for the lowest rate in multiple decades. Though the city is consistently one of the nation's most active major metros for construction, recent supply gains have trailed robust renter demand. In response, Mayor Eric Adams has proposed sweeping zoning changes to encourage development as part of the "City of Yes" program, which aims to support the completion of 100,000 apartments within the next 15 years. Still, state legislation has already impaired these attempts to grow the local apartment supply. According to data from the Real Estate Board of New York, the first eight months of 2023 noted an 81 percent drop in proposed units from the same period a year prior. This coincides with the expiration of the state's 421-a tax exemption, which had substantially eased the financial burden of multifamily development. The full impact of these changes on the construction pipeline has yet to be fully released, but the sharp decline in construction filings could have an effect on the citywide delivery schedule as early as 2025.



Construction trends set to transform investment landscape. Transaction velocity in 2023 proceeded at the slowest pace in more than a decade, despite historically tight operations across all apartment classes and less aggressive tightening policies from the Federal Reserve in the year's latter half. This may partially stem from uncertainty surrounding Manhattan's long-term office landscape, and what the potential effects could be for renter demand in nearby neighborhoods. Meanwhile, the future of institutional investment in the outer boroughs will be affected by the expiration of the 421-a tax exemption moving forward. The aforementioned decline in construction filings has disproportionately impacted the amount of buildings featuring 100 units or more in the pipeline. A potential long-term construction slowdown may attract some investors to in-progress developments in areas facing low supply-side pressure. Still, rezoning has translated to pockets of rapid expansion in sections of the outer boroughs. Neighborhoods near Brooklyn's Gowanus Canal have accounted for 44 percent of large apartment filings since April 2021. Renter demand in this borough remains solid, which should draw investors seeking out newer builds.



22.6%
2023 share of local population between 20 and 34 years old

35.8%
of local population hold bachelor's degree or higher ⌘

$958,000
2023 median home price✣

* Estimate ** Forecast ✣ Through 3Q
⌘2023: 25+ years old
Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

Investment Outlook

Historically tight vacancy and the metro's recent resilience that stands in contrast to many other markets across the country help New York City grab the highest possible score on the demand segment. Supply and rent growth, meanwhile, remain unchanged relative to last year at 5.

Both the yield and liquidity scores rise from last year's Index, with increasing cap rates helping facilitate trading amid higher interest rates. New York City's liquidity ranking of 3 is nonetheless in the bottom 10 of major U.S. markets amid legislative barriers.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index

2024 MARKET FORECAST

NMI Rank 15

Employment — Metro / U.S.
50,000 *jobs* — 1.1% / 1.1%

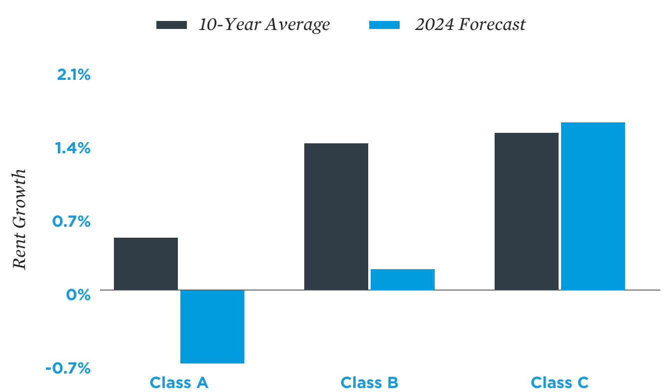
Construction — Metro / U.S.
% of inventory❖ — 1.1% / 2.5%

Class A Vacancy — Metro / U.S.
Up 20 bps — 5.5% / 6.5%

Class A Rent — Metro / U.S.
$4,630 *per month* — -0.7% / -1.1%

Vacancy By Class

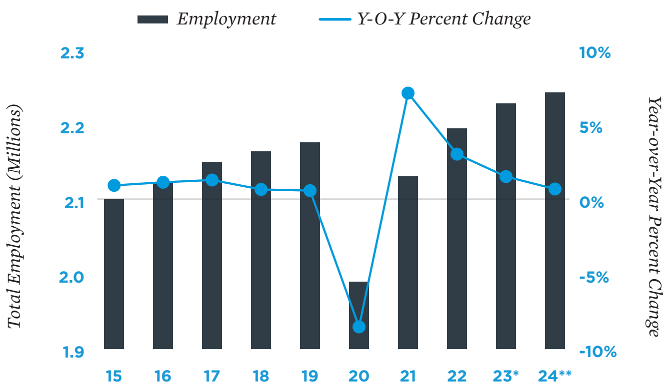
Rent Growth By Class



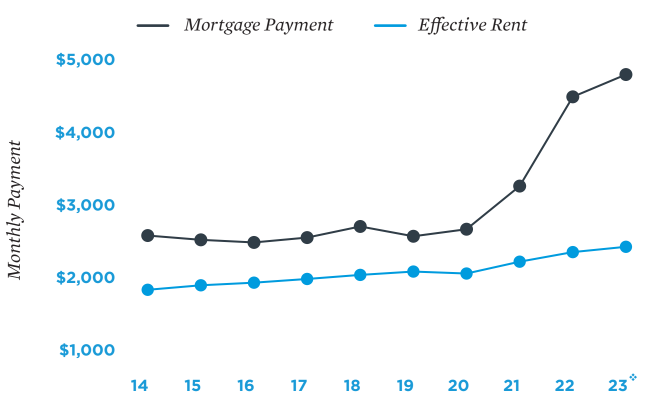
** Estimate ** Forecast*
❖ Arrow reflects completions trend compared with 2023
Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

NORTHERN NEW JERSEY

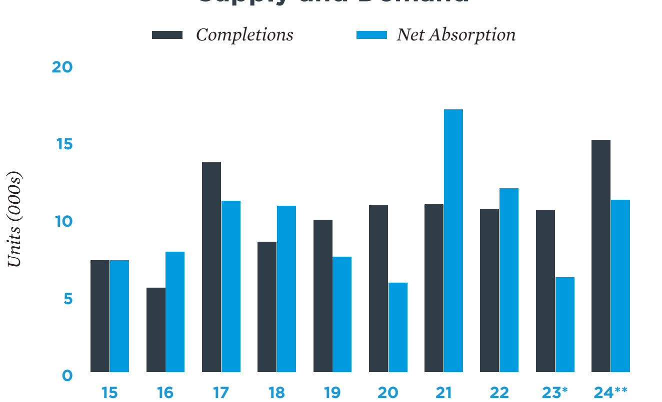
Employment Trends



Housing Affordability Gap



Supply and Demand



** Estimate ** Forecast ❖ Through 3Q*

⌘2023: 25+ years old

Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

Capital Drawn to Areas of Tepid Development Amid Class A Supply Influx

Construction wave places pressure on luxury performance. Local Class A vacancy is likely to see a correction this year, prompted by the high volume of units slated for delivery. Still, demand in this segment has remained robust of late. Specifically, the top-tier metric fell well below the long-term average of 7.4 percent last year, despite downsizing in traditionally office-using sectors occurring throughout the region. With these employment trends expected to reverse course in 2024, gains in high-compensation industries should set an upper limit on luxury apartment vacancy. The market's home price-to-income ratio also exceeds the national average, which restricts many higher-earning renters from homeownership. Despite the Class A sector's ongoing challenges, conditions should remain much tighter on the other end of the spectrum. Entering 2024, the Class B vacancy rate has held under 5 percent for three consecutive years, and should hold around its long-term average of 4.4 percent. An affordability gap of roughly $900 per month between this segment and top-tier units should also help keep renters in place. Aiding matters, the employment base is anticipated to continue expanding this year, albeit at a more modest pace relative to recent years. Record staffing in the trade, transportation and utilities sector as of late 2023 also bodes well for mid- and lower-tier apartment demand.

Investors shifting focus to inland submarkets. Although deal flow declined across most of the market's waterfront and heavily-developed east, transaction velocity in Morris and Passaic counties last year continued at rates comparable to what was noted in 2022. Consistent activity in these inland zones likely stems from their limited construction pipelines and persistently tight operations. Vacancy in these submarkets has trended lower than the metrowide average, with both maintaining sub-3 percent vacancy rates entering 2024. Institutions that have shifted their focus to suburban garden-style apartments in recent years could align their activity here in response. Capital may also flow back into the market's more densely-populated zones as more institutional-grade stock comes to market, and the near-term future of fundamentals in these neighborhoods becomes easier to gauge. Buyers focused on luxury apartments may target builds utilizing unique amenities to incentivize rentership, including complementary options for transportation.

19.8%
2023 share of local population between 20 and 34 years old

39.4%
of local population hold bachelor's degree or higher ⌘

$551,300
2023 median home price❖

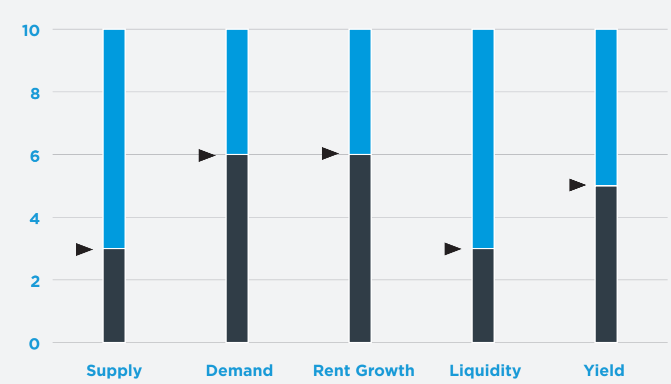
Investment Outlook

Northern New Jersey has the lowest supply score among major Northeast markets in 2024 as resilient demand has encouraged a wave of development. While this could create some near-term hurdles, the metro remains well positioned, evidenced by above-average rankings in both the demand and rent growth segments.

Investors will likely weigh strong demand and rent growth against emerging supply pressures, impacting deal flow and producing a liquidity score of 3. However, rising yields, with a score of 5 for 2024, could help stoke trading activity.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index



2024 MARKET FORECAST

NMI Rank 32

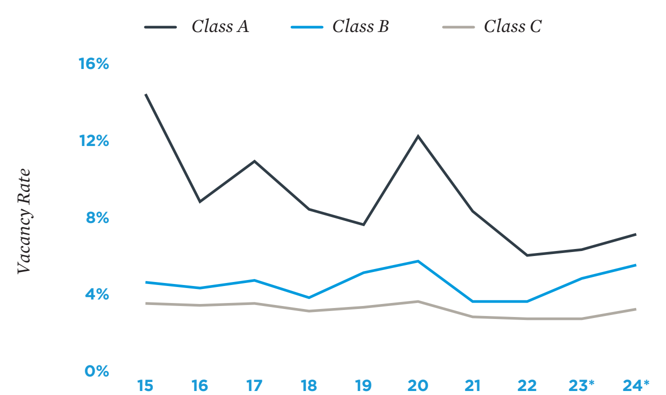
Employment 15,000 *jobs* — *Metro* 0.7% — *U.S.* 1.1%

Construction *% of inventory*❖ — *Metro* 3.4% — *U.S.* 2.5%

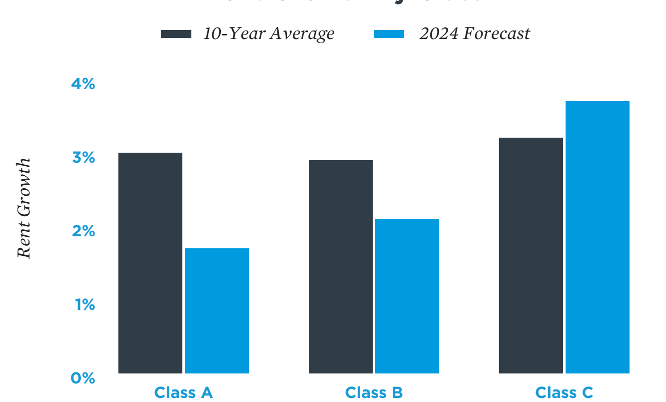
Class A Vacancy Up 80 bps — *Metro* 6.9% — *U.S.* 6.5%

Class A Rent $3,372 *per month* — *Metro* 1.7% — *U.S.* -1.1%

Vacancy By Class



Rent Growth By Class



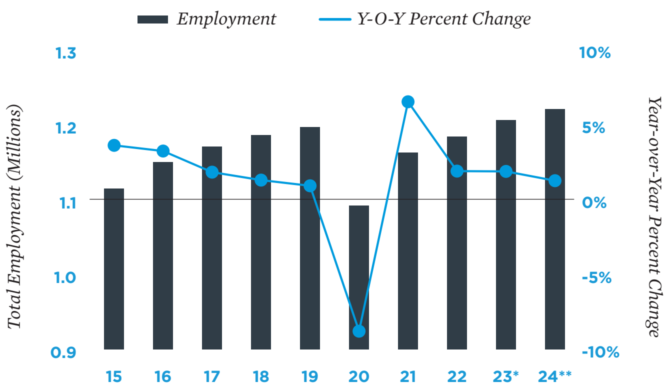
** Estimate ** Forecast*

❖ Arrow reflects completions trend compared with 2023

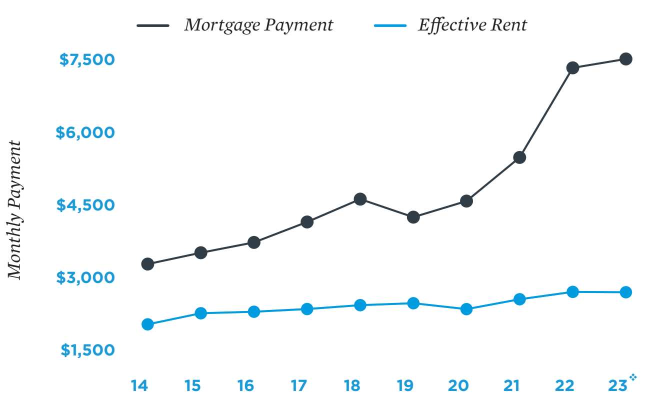
Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

OAKLAND

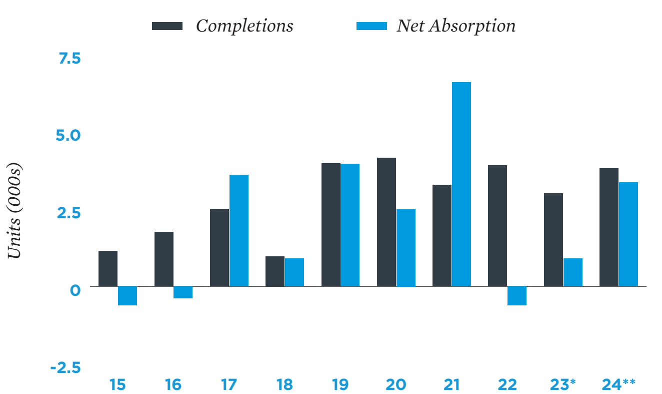
Employment Trends



Housing Affordability Gap



Supply and Demand



* Estimate ** Forecast ✣ Through 3Q
⌘2023: 25+ years old
Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

South Suburbs Have More Upbeat Outlooks As Rents Soften in Oakland's Urban Core

Construction in the most vacant submarket enflames headwinds. South Contra Costa and Alameda counties are better positioned to withstand performance softening expected throughout the metro in 2024. San Ramon-Dublin and Hayward-San Leandro-Union City, in particular, stand out as areas with relatively tight vacancy and greater rent stability. These suburbs also combine for a sub-20 percent share of the 2024 delivery slate, helping preserve that standing. Rental demand for the incoming supply is also reflected in both submarkets having Class A vacancy rates below the overall metro measure. Conversely, operational challenges in the urban core could grow, after the area showed initial resilience when ongoing rent deceleration began in late 2022. Ending that year, Oakland-Berkeley had steadier monthly rates than most of Contra Costa County, but local strength ceased as 2023 progressed. By September of last year, the core noted the largest annual rent drop in the market. Meanwhile, positive developer sentiment prior to that shift has implications for 2024. Oakland-Berkeley comprises over two-thirds of this year's delivery slate, intensifying supply pressure in an area that has the highest vacancy in the metro. Operators competing with the additional development could increasingly opt for concessions, putting a near-term strain on rents in the area. Beyond 2024, the pipeline here is thin, providing a backstop and promoting absorption of existing supply.

Stable operating costs and yield potential aid intrigue. Many apartment operators across the country are being acutely impacted by rising expenses, particularly insurance premiums and property taxes. Oakland, however, has largely avoided this headwind with the local average operating expense growing by about one-fourth the national increase last year. The metro also had the third-smallest hike among major West Coast markets. This, and Oakland maintaining a mean cap rate that exceeds other Bay Area metros by 60-plus basis points, alongside comparatively discounted pricing, should capture investment interest. Relatively stronger performance in South Contra Costa and Alameda counties may drive buyers to these areas. Economic pressures could also steer risk-averse investors to locations with more stable demand drivers, such as university-adjacent neighborhoods. Buyers willing to accept relatively lower cap rates may target a variety of assets in Berkeley.

19.9%
2023 share of local population between 20 and 34 years old

43.1%
of local population hold bachelor's degree or higher ⌘

$1,056,100
2023 median home price✣

Investment Outlook

Oakland's demand and rent growth scores each drop from a 5 last year to a 3 in the 2024 Key Performance Index, while the supply ranking ticks up one slot. Relative to the other two major Bay Area metros, Oakland has the softest supply, demand and rent growth metrics this year, but has a faster pace of employment expansion.

The metro's liquidity ranking of 2 this year ties with San Francisco for the lowest among major U.S. markets. Investors in Oakland are likely to remain cautious amid softening fundamentals; however, a yield score of 5 reflects relatively high cap rates for the region.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index

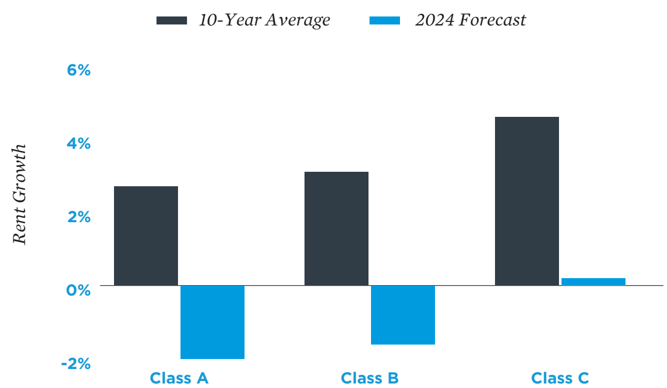
2024 MARKET FORECAST

NMI Rank 18

		Metro	U.S.
Employment	15,000 *jobs*	1.2%	1.1%
Construction	*% of inventory*❖	1.7%	2.5%
Class A Vacancy	Up 20 bps	6.3%	6.5%
Class A Rent	$3,088 *per month*	-2.0%	-1.1%

Vacancy By Class

Rent Growth By Class



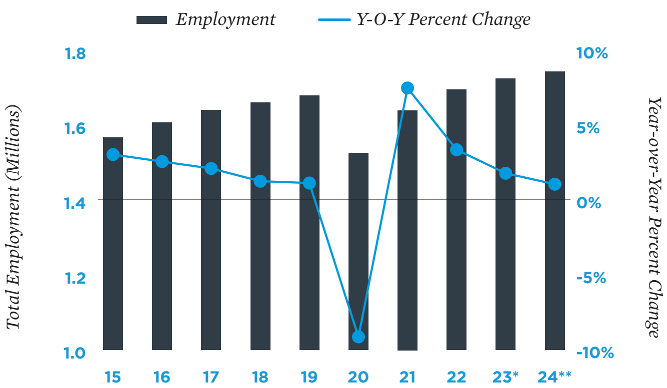
** Estimate ** Forecast*

❖ Arrow reflects completions trend compared with 2023

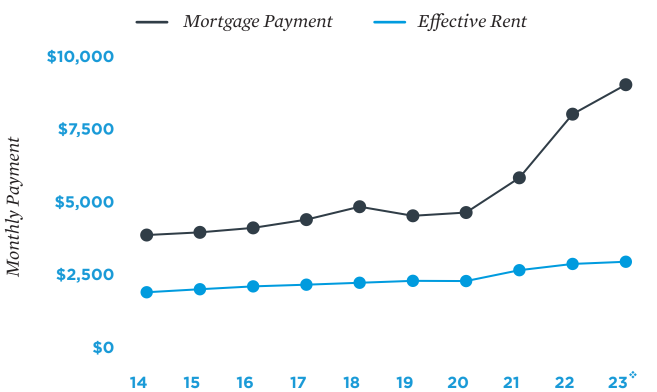
Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

ORANGE COUNTY

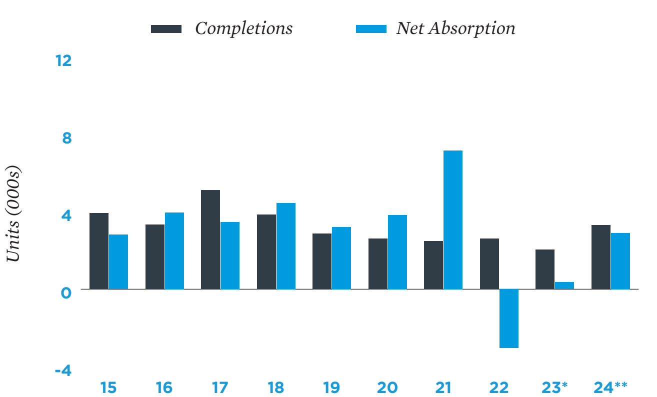
Employment Trends



Housing Affordability Gap



Supply and Demand



** Estimate ** Forecast ❖ Through 3Q*

⌘2023: 25+ years old

Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

Metro Stands Out in California as Santa Ana Rent Control Hinges on Voters

Broad demand supports widespread rent growth. Orange County has held the title of California's tightest major rental market for the past three years. The metro will retain this accolade during 2024, as significant homeownership barriers and record numbers of traditional office-using, retail trade and food service positions facilitate strong demand across property tiers. In the Class A sector, developers are responding to a vacancy rate more than 100 basis points below its long-term mean of 4.7 percent by delivering upward of 3,000 units for the first time in six years. Completions, however, are centered in the Irvine Business Complex neighborhood, which appears warranted considering the city's low-2 percent vacancy at the onset of 2024. The relatively moderate volume of rentals added across the rest of the metro bodes well for Class A demand in areas like Anaheim and Costa Mesa. Concurrently, record-high Class A rent will require many households to occupy Class B and C units, maintaining some of the nation's tightest conditions in both segments.

Decision on local rent control may shift some investors' attention. Investor competition for older and relatively newer mid-tier and luxury properties should be fierce in 2024 as the metro was the only major U.S. market to enter this year with Class A and B vacancy rates each below 4 percent. Of late, opportunities to acquire midsize and larger properties of this quality have been relatively sparse, with these assets requiring commitments of $440,000 to $520,000 per unit depending on location and vintage. The recent lack of coastal listings that fit this criteria is likely to steer more active investors inland to lower-cost submarkets. Santa Ana, which accounted for roughly 20 percent of metrowide deal flow last year, would typically be included in this group. This year, however, some investors may pursue listings in the city with more caution. An initiative on this November's ballot is asking voters to affirm or reject the city's rent control law, which placed a 3 percent limit on annual increases for units built prior to February 1995. Buyers may instead turn to Anaheim, Garden Grove and Orange proper, nearby cities that offer buyers similar price points, or target assets constructed after this threshold, potentially lifting deal flow in the Class A and B sectors.

20.6%
2023 share of local population between 20 and 34 years old

38.2%
of local population hold bachelor's degree or higher ⌘

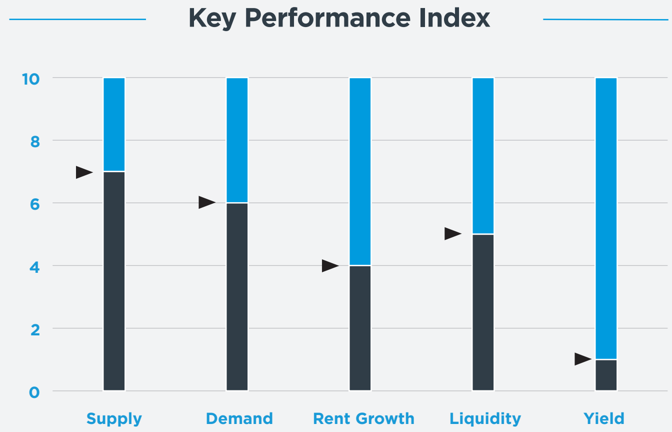
$1,265,700
2023 median home price❖

Investment Outlook

Combining the supply and demand scores of 7 and 6, respectively, Orange County has the second-highest aggregate among major U.S. markets in the 2024 Index. Mild supply-side pressure, alongside sturdy apartment demand, positions the metro to register rent growth spanning all three quality tiers this year.

Orange County's positive multifamily performance helps drive investor interest, allowing liquidity to improve to a 5 in the 2024 Index. Cap rates remain nationally tight, however, reflected in the metro having a 1 on the yield segment.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.



2024 MARKET FORECAST

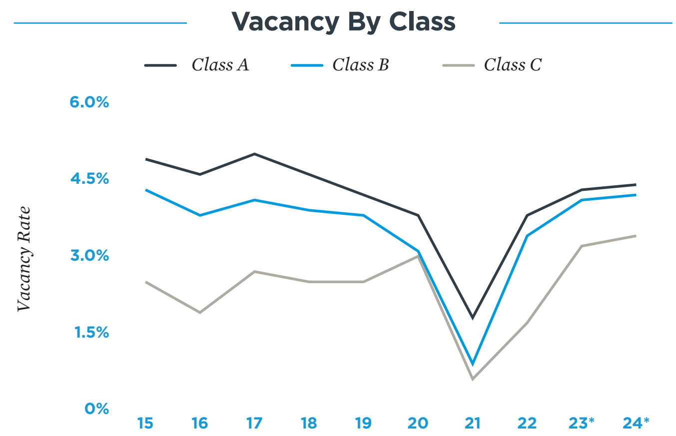
NMI Rank 10

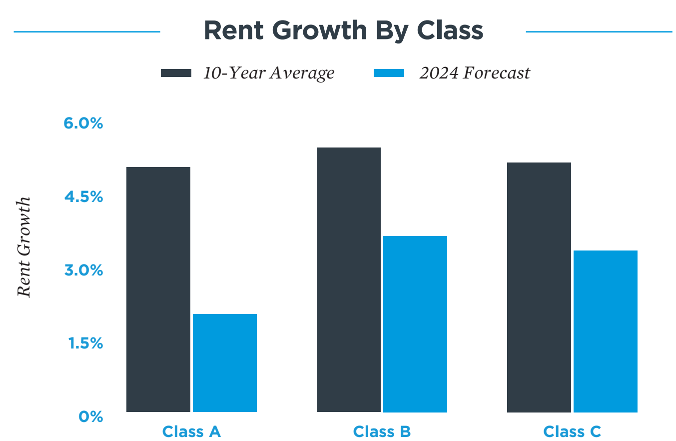
Employment — 18,000 *jobs* — Metro 1.0% — U.S. 1.1%

Construction — *% of inventory*❖ — Metro 1.2% — U.S. 2.5%

Class A Vacancy — Up 10 bps — Metro 4.3% — U.S. 6.5%

Class A Rent — $3,196 *per month* — Metro 2.0% — U.S. -1.1%





** Estimate ** Forecast*

❖ Arrow reflects completions trend compared with 2023

Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

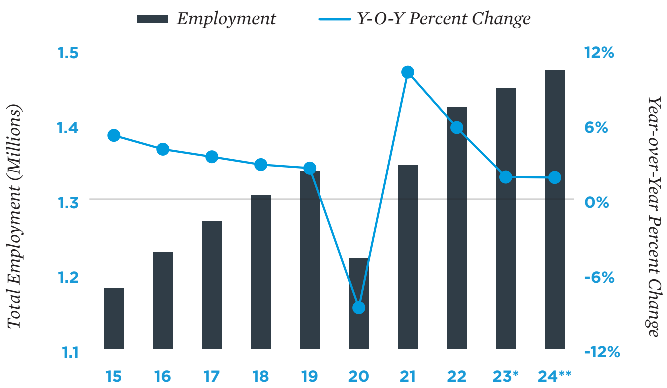
ORLANDO

Orlando Claims the Fastest Pace of Household Formation in Florida

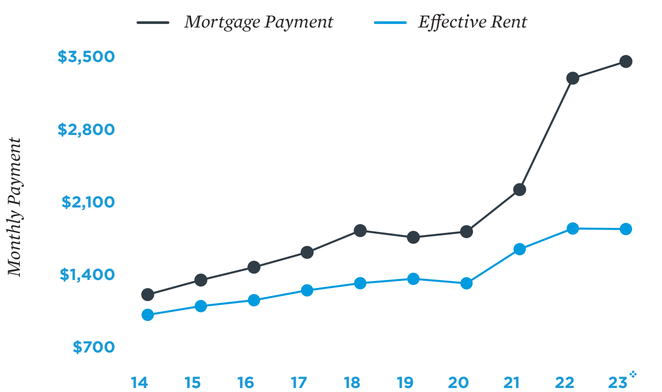
Long-term outlook is aided by regional affordability. The expected delivery volume of 12,000 units this year will place upward pressure on Orlando's vacancy rate this year, pushing the metric to the highest level observed since 2012. Still, several favorable tailwinds will backstop apartment demand in the long-run, allowing supply and demand to realign. The metro expects to claim the fastest rate of household growth in Florida at 2.3 percent in 2024. At the same time, the median single-family home price in Orlando has risen by over 50 percent since 2019, putting homeownership out of reach for more residents. As such, many of these new households may opt to stay in the renter pool. This will enable the total occupied local apartment stock to reach an all-time high by year-end. The market's favorable demographics are unlikely to subside as regional affordability buoys metro in-migration, facilitating additional demand. Orlando entered 2024 with the second-lowest mean rent among major Florida markets, making it an appealing option for relocation, particularly among retirees on a budget.

Institutional investors stay active in Orlando. While Orlando has recorded a steep increase to multifamily insurance premiums of late, the metro is less prone to flooding and natural disasters than its coastal Florida counterparts. This reality, and a leading pace of household formation, has the potential to draw additional investor interest to Orlando in 2024. Institutional-related deal flow recorded last year already pointed to the emergence of this trend, as a collection of $15 million-plus closings were recorded across the metro. Moving forward, similar transactions are most likely in areas like Winter Park-Maitland and International Drive. Here, Class A and B vacancy rates were in line or below the overall metro mark entering 2024. The potential increase in institutional-related activity, combined with recently strong price appreciation and rising operating costs, may motivate owners that purchased assets prior to the pandemic to list, providing additional options for buyers eager to establish a local footprint. Specifically, the average price per unit in 2023 sat 50 percent higher than the 2019 mean. The metro's total inventory has also grown by 14.3 percent over the past four years and will expand by another 4.5 percent this year, offering institutional buyers opportunities to acquire recently-built properties.

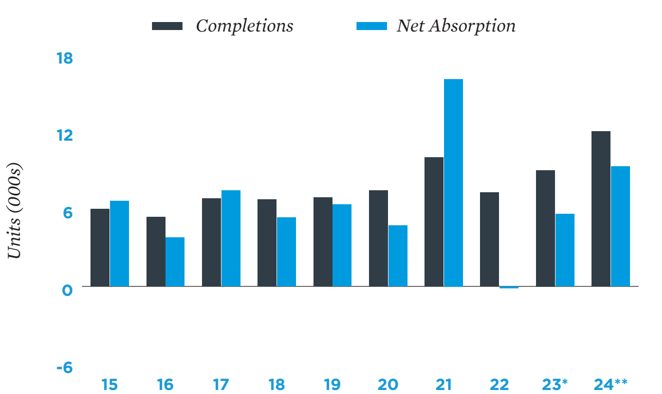
Employment Trends



Housing Affordability Gap



Supply and Demand



21.3%
2023 share of local population between 20 and 34 years old

30.9%
of local population hold bachelor's degree or higher ⌘

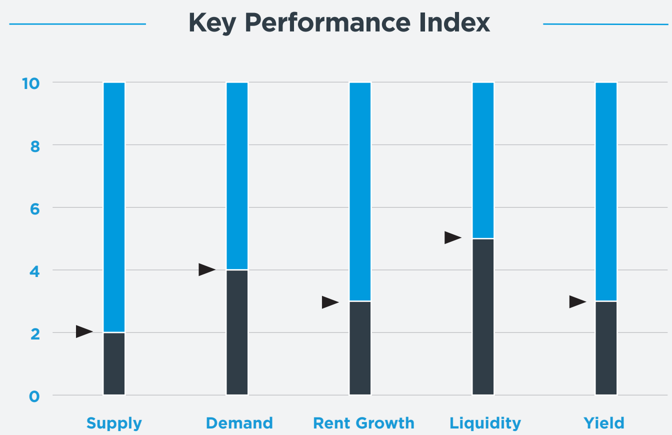
$436,100
2023 median home price ❖

** Estimate ** Forecast ❖ Through 3Q*
⌘2023: 25+ years old
Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

Investment Outlook

Among the major Florida markets included in the 2024 Index, Orlando has the lowest supply and rent growth scores this year. The historically large local construction pipeline is expected to subdue apartment rents near term; however, Orlando has the fastest pace of household creation in the state, warranting new supply.

Orlando's liquidity ranking is unchanged relative to last year at a 5, which is in the middle of the pack nationally. The yield score, meanwhile, moves up one spot amid rising cap rates, which could attract greater investment.



Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

2024 MARKET FORECAST

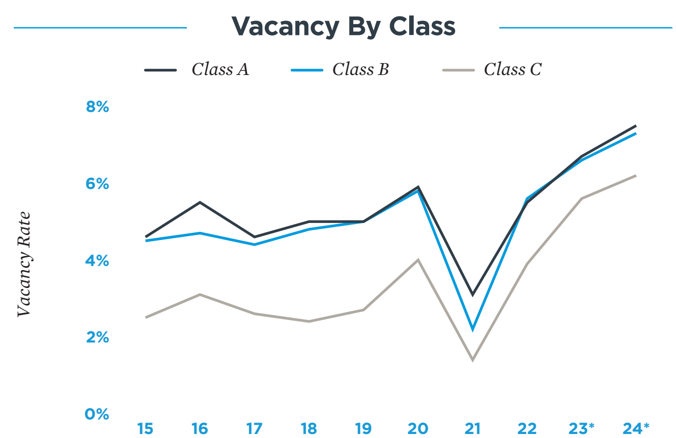
NMI Rank 24

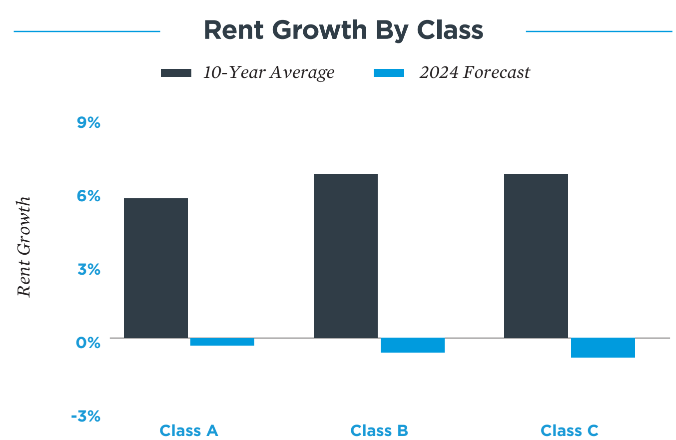
Employment
25,000 *jobs*
Metro 1.7% — *U.S.* 1.1%

Construction
% of inventory❖
Metro 4.5% — *U.S.* 2.5%

Class A Vacancy
Up 80 bps
Metro 7.4% — *U.S.* 6.5%

Class A Rent
$2,049 *per month*
Metro -0.3% — *U.S.* -1.1%

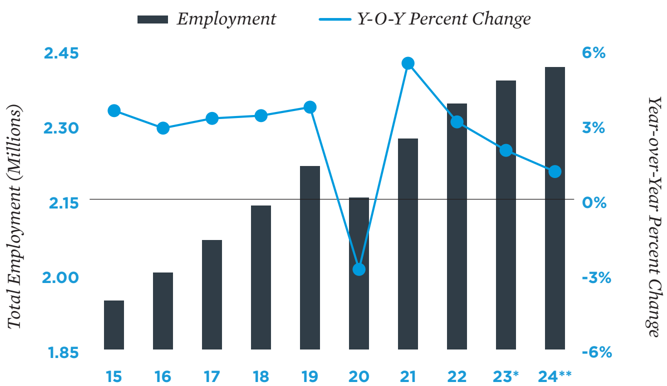




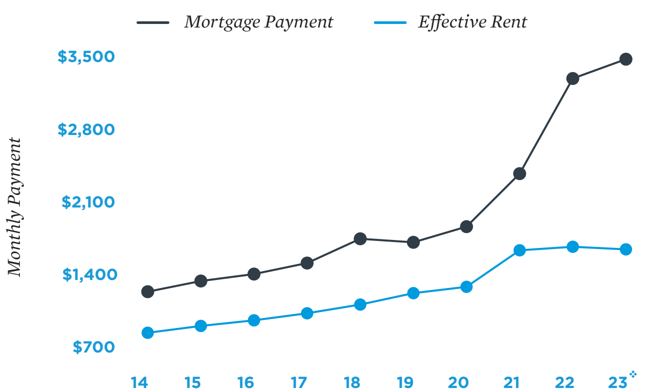
* Estimate ** Forecast
❖ Arrow reflects completions trend compared with 2023
Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

PHOENIX

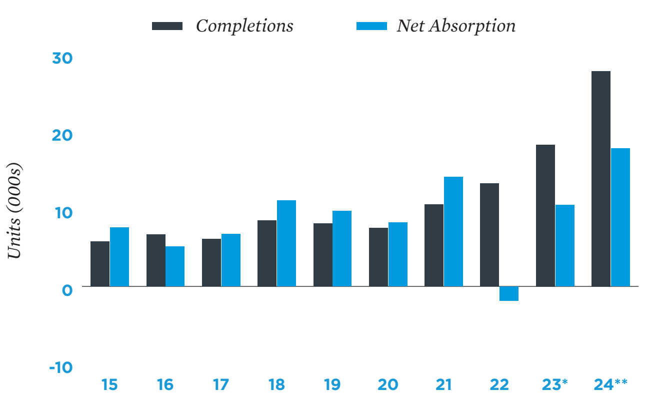
Employment Trends



Housing Affordability Gap



Supply and Demand



* Estimate ** Forecast ❖ Through 3Q

⌘2023: 25+ years old

Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

Elevated Net In-Migration Sustained By Regional Cost-of-Living Advantage

Phoenix attracts budget-conscious renters. Rent growth in the U.S. surpassed wages in both 2021 and 2022, leading to higher housing costs that are now impacting household formation. Still, Phoenix's cost-of-living advantage is sustaining elevated net in-migration, which in turn is helping the multifamily sector navigate such challenges. At the onset of 2024, the average effective Class A rent comprised 28 percent of the local mean monthly household income, the lowest among major Southwest markets. The advantage becomes even more evident compared to the 40-plus percent ratios of nearby San Diego, Tucson and Los Angeles. The regionally affordable cost of living, aided by recent, supply-related limitations to rent increases, has subsequently supported strong demand for new apartments. This trend of considerable stock growth and high rental demand is most evident in Avondale-Goodyear-West Glendale, Central Phoenix and Gilbert. These neighborhoods have hosted substantial development over the past five years, and will welcome an additional 13,000 units collectively in 2024. The relative affordability of new, top-tier apartments here will likely continue to attract numerous relocating renters. Class A rates in these areas are below all but one major submarket in Southern California, making them an appealing option for a diverse pool of potential transplants. Below-average unemployment amid continued hiring is additionally adding tailwinds to top-tier demand, with many professional, business, and financial services companies having to recruit from outside of the metro.

Prior surge in values may spark more listings. Among all major Sun Belt metros, Phoenix has recorded the most substantial increase in per-unit pricing over the last four years, with a 75 percent jump since the end of 2019. Aware of the Federal Reserve's intention to maintain higher interest rates for the foreseeable future, some institutions are seizing the opportunity to list their assets to capitalize on the recent, unprecedented value appreciation. Despite ticking down from peak pricing, entry costs in Camelback and Tempe have doubled since 2019, which may motivate more owners to list their assets in 2024. Local top- and mid-tier property metrics and buyer interest are bolstered by a growing professional services renter base, aided by the influx of new employers, including Perkins COIE, Kimley-Horn and Imagine Learning, who are establishing new offices here in the coming months.

21.0%
2023 share of local population between 20 and 34 years old

30.1%
of local population hold bachelor's degree or higher ⌘

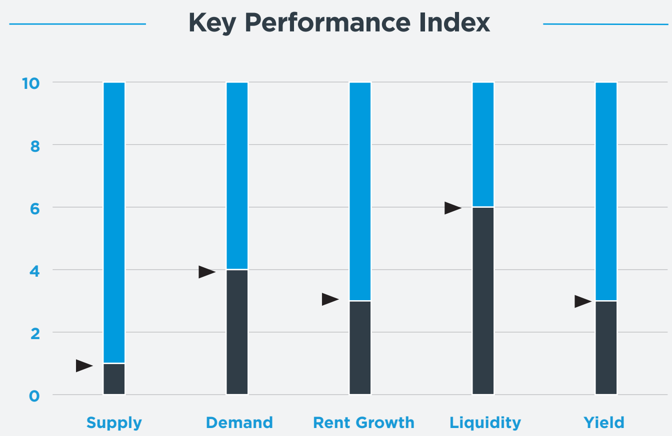
$466,700
2023 median home price❖

Investment Outlook

The record-setting pace of construction results in Phoenix having the lowest possible score in the supply section of the 2024 Index. Phoenix's rent growth ranking also drops below neutral to a score of 3. Despite these headwinds, the metro is among the top 10 nationally for its rate of household creation, aiding sentiment.

While challenges presented by a historic supply wave are apparent, Phoenix remains a relatively active market for investment, reflected in a liquidity score of 6 this year. Comparatively tight yields, however, create near-term hurdles amid higher debt costs.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.



2024 MARKET FORECAST

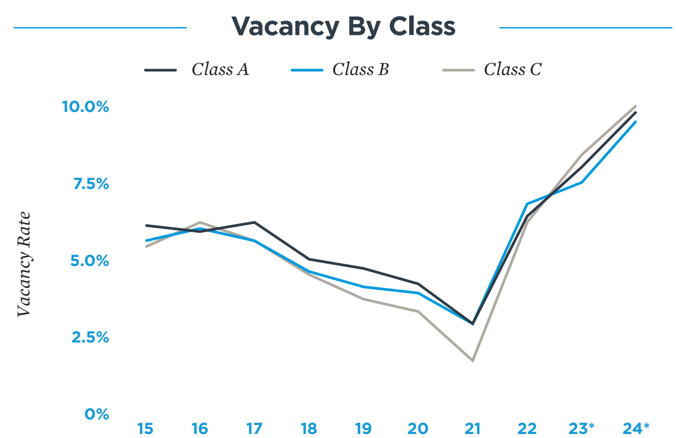
NMI Rank 26

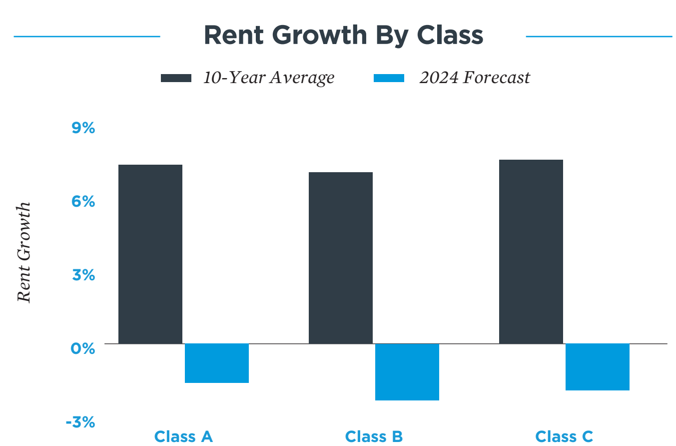
Employment
26,500 *jobs*
Metro 1.1% *U.S.* 1.1%

Construction
% of inventory❖
Metro 6.9% *U.S.* 2.5%

Class A Vacancy
Up 180 bps
Metro 9.7% *U.S.* 6.5%

Class A Rent
$1,862 *per month*
Metro -1.6% *U.S.* -1.1%





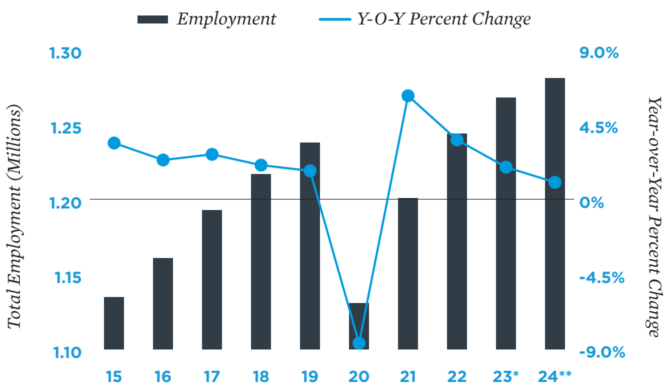
** Estimate ** Forecast*

❖ Arrow reflects completions trend compared with 2023

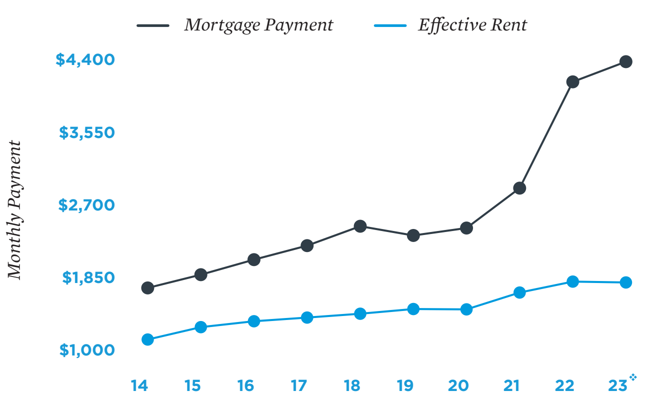
Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

PORTLAND

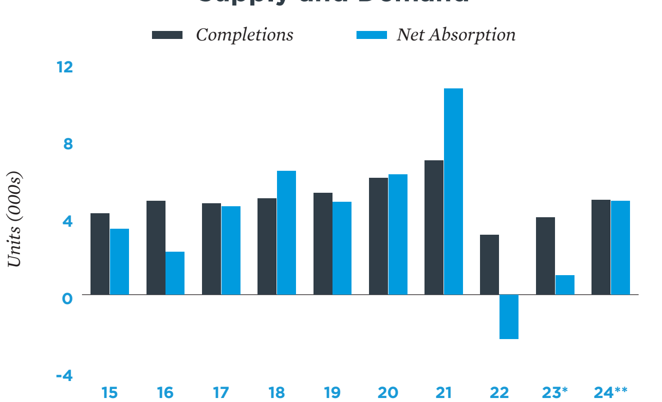
Employment Trends



Housing Affordability Gap



Supply and Demand



** Estimate ** Forecast ⁘ Through 3Q*
⌘ 2023: 25+ years old
Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

Nationally-Discounted Class A Rent Props Up Demand in Vancouver and the CBD

Economic recalibration gives rentals strong outlook. Driven by a growing technology sector, the mean effective Class A rent in Portland kept in line with the U.S. benchmark for most of the decade leading up to 2020. However, entering 2024, the rate stood nearly 20 percent lower than the national average at roughly $1,900 per month, after changes in office use led many affluent renters to relocate to other nearby metros. This shift has required many operators of Class A properties to ease rents, effectively improving Portland's ability to attract a broader spectrum of household incomes. Greater affordability, in tandem with continued professional services and healthcare-related hiring in 2024, is expected to support a rate of apartment absorption that is double the long-term mean of 2,500 units per annum. Vancouver, specifically, may achieve one of the highest net absorption totals among major West Coast submarkets for the second year in a row. The absence of a personal income tax in Washington state is especially beneficial for renters who want to protect their budgets from persistent inflation. At the same time, Downtown Portland has also become a more cost-effective option for tenants. The gap between the CBD's Class A average effective rate and the sector's mean marketwide rent thinned from $110 per month in 2019, to under $50 at the end of last year. Deliveries coming online in both areas in the near-term should benefit from these factors. In 2024, Vancouver and Central Portland are slated to add roughly 1,300 units each.

Housing needs shape investor priorities. Clark County's household growth will outpace the metrowide increase over the next five years, sustaining institutional interest in the area. Recently, deal flow for 75-plus-unit Class B assets has been on the rise here and in Damascus, after the local mean Class C effective rents grew more than 5 percent in 2023. The gaps between both classes in each area were at near three-year lows at the end last year, which may motivate some renters to move up in quality as wages continue to grow. Damascus had the fastest Class C rent growth in the metro, as many communities here are outside of Portland's Urban Growth Boundary. Local towns like Sandy are notably omitted from affordable housing laws, and as such, assets here are not subject to inclusionary zoning. This factor, which enables owners to keep 100 percent of units at or above market rate, should safeguard buyers' return expectations and sustain deal making.

20.9%
2023 share of local population between 20 and 34 years old

37.1%
of local population hold bachelor's degree or higher ⌘

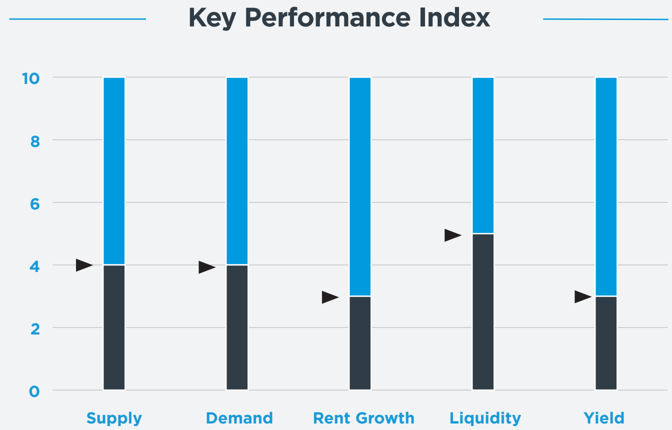
$595,000
2023 median home price⁘

Investment Outlook

Portland's supply score strengthened by one spot relative to last year, while the demand and rent growth portions of the Index softened. The metro does not face substantial headwinds from construction like many other major U.S. markets this year; however, a tempered pace of employment expansion inhibits apartment performance.

In 2023, the metro had a score of 4 on the liquidity segment and a measure of 3 on the yield portion. This year, the liquidity ranking moves up by one spot; yet, cap rates remain relatively tight, which continues to create challenges amid elevated interest rates.

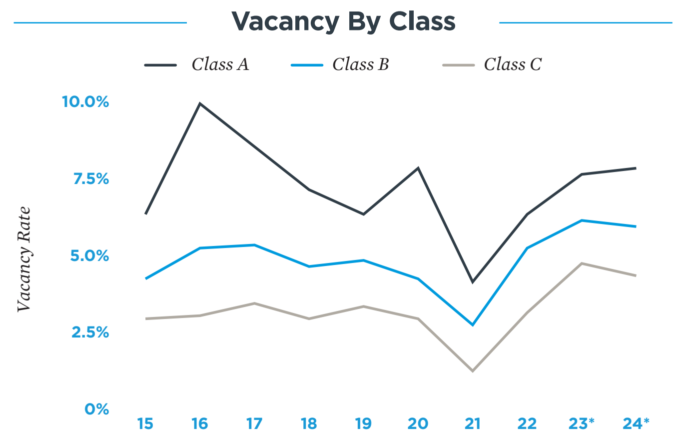
Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

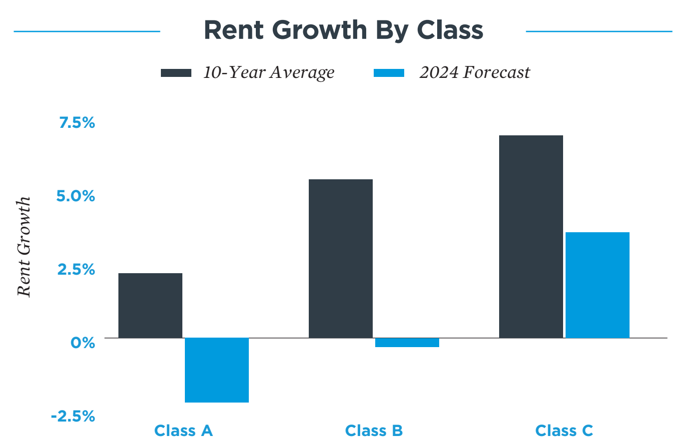


2024 MARKET FORECAST

NMI Rank 16

		Metro	U.S.
Employment	13,000 *jobs*	1.0%	1.1%
Construction	*% of inventory*❖	2.1%	2.5%
Class A Vacancy	Up 20 bps	7.7%	6.5%
Class A Rent	$1,853 *per month*	-2.2%	-1.1%





** Estimate ** Forecast*

❖ Arrow reflects completions trend compared with 2023

Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

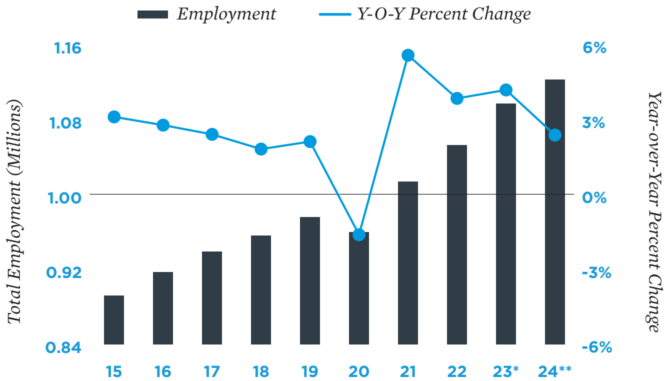
RALEIGH

Delivery Cluster Arrives Ahead of Major New Corporate Commitments

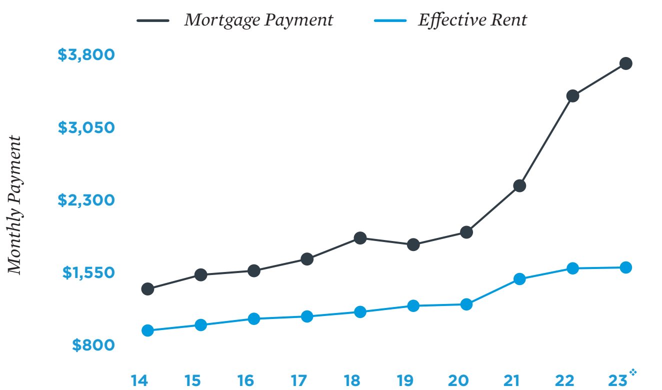
Raleigh anticipates marquee investments. The metro boasts one of the most educated workforces in the southeast, with 44 percent of its residents holding a bachelor's degree or higher. This has recently helped attract groundbreaking investments from private sector companies, which have the potential to expand the labor market and boost household incomes. Notable examples include Wolfspeed and VinFast. Both are constructing manufacturing facilities in Chatham County, which will eventually employ over 9,000 engineers and supporting personnel. Additionally, Apple is in the process of building a new 41-acre campus in The Research Triangle Park and plans to fill over 3,000 high-paying software roles upon completion. However, opening dates for these projects span from 2025 to 2030. In the meantime, the metro is projected to record the second-highest growth in rental stock among major U.S. metros in 2024. The distribution of new supply, however, will be uneven, resulting in varying impacts on local vacancy rates in the near future. While deliveries are mild in Near North, Far North and Northeast Raleigh, completions appear warranted as each area registered record-level net absorption through most of last year. The dynamic should continue in 2024, extending a recent stretch of downward local vacancy movement.

Investors look to land-constrained areas for acquisitions. As rents decline and borrowing costs remain elevated, more institutions are shifting their focus to longer-term strategies. This has led to a recent increase in deal flow in Downtown Raleigh, where investor interest is being supported by fast-shrinking opportunities for ground-up development, which should aid renter demand at existing luxury and mid-tier properties. Class B complexes with over 75 units are emerging as the most frequently acquired because they offer lower supply-side competition compared to the Class A sector. While Class A buildings are currently seeing an improvement in deal flow relative to early 2023, this trend is mostly characterized by the southern portions of the Durham area. Nearby, multi-billion dollar manufacturing expansions in South Morrisville and Cary are expected to boost local renter demand and buyer interest as they hire skilled trade roles. Following the expected delivery of a combined 26,500 units here across last year and 2024, opportunities to acquire pre-stabilized projects may rise.

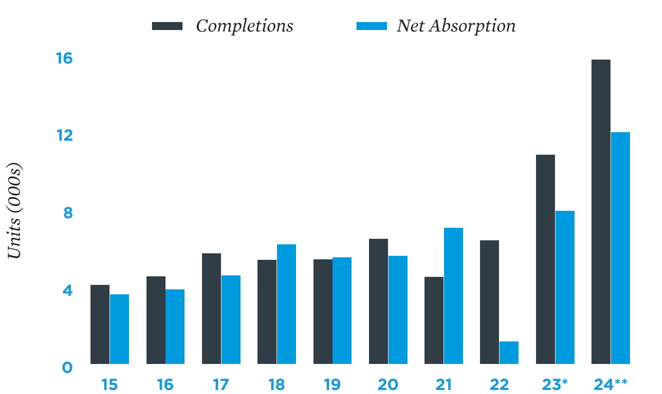
Employment Trends



Housing Affordability Gap



Supply and Demand



20.3%
2023 share of local population between 20 and 34 years old

45.1%
of local population hold bachelor's degree or higher ⌘

$471,000
2023 median home price✣

** Estimate ** Forecast ✣ Through 3Q*
⌘2023: 25+ years old
Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

Investment Outlook

In line with several other markets in the region, Raleigh receives the lowest possible score in the supply segment of the 2024 Index amid a construction wave fueled by in-migration. The demand ranking is low on a national spectrum, but up one slot from last year as Raleigh is among the U.S. leaders for both job gains and household creation.

Raleigh's yield and liquidity rankings each strengthened by one spot relative to last year, as rising cap rates are helping deals pencil in a higher interest rate climate. Yields in Raleigh are nevertheless comparatively low, keeping investors selective amid supply pressure.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

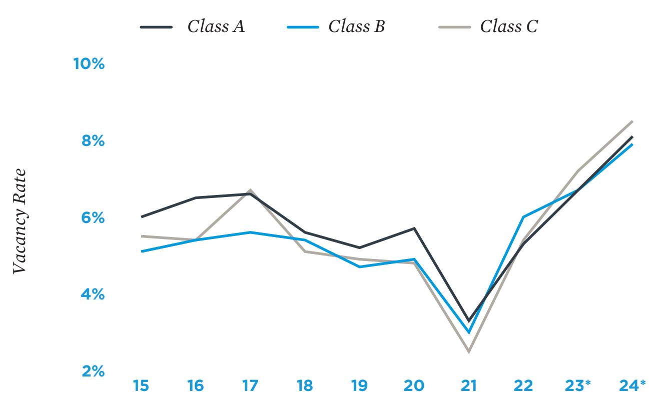
Key Performance Index

2024 MARKET FORECAST

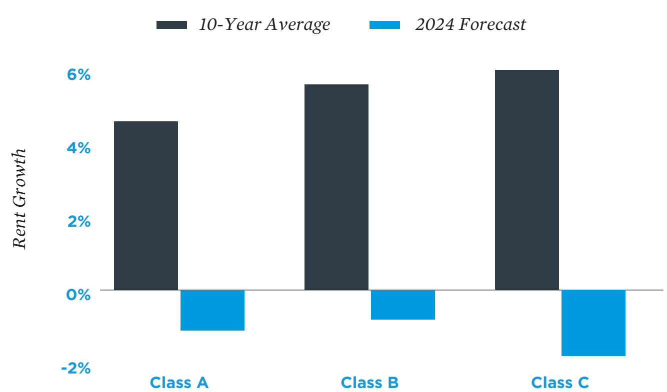
NMI Rank 9

	Metro	U.S.
Employment 26,000 *jobs*	2.4%	1.1%
Construction *% of inventory*❖	8.2%	2.5%
Class A Vacancy Up 140 bps	8.0%	6.5%
Class A Rent $1,840 *per month*	-1.1%	-1.1%

Vacancy By Class



Rent Growth By Class



** Estimate ** Forecast*

❖ Arrow reflects completions trend compared with 2023

Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

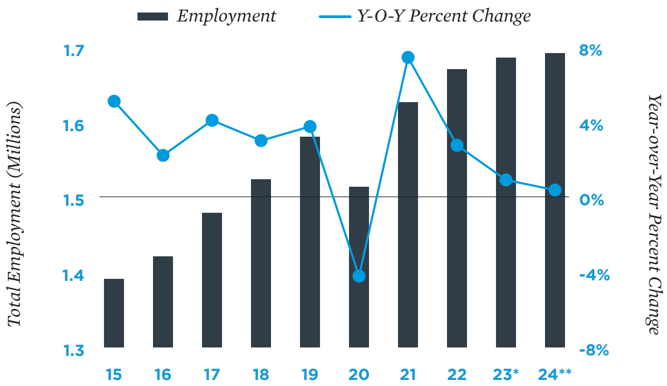
RIVERSIDE-SAN BERNARDINO

Regional Affordability Expands Renter Pool; Investors Broaden Their Boundaries

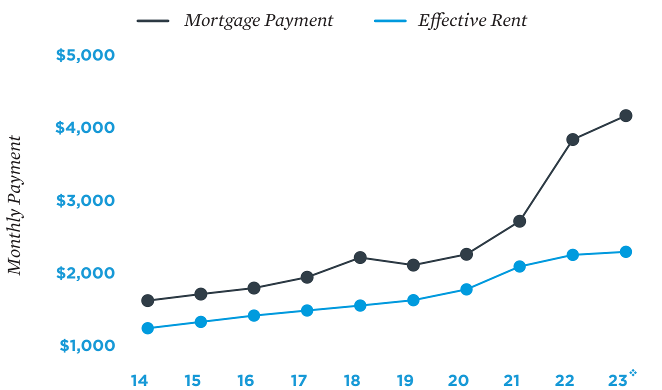
Most cities lack additions, despite metro's elevated delivery slate. A favorable income-to-rent ratio means the Inland Empire is the only Southern California market where a household contributes less than one-third of its annual earnings toward rent. Attracted to this regionally lower cost-of-living, a number of households and individuals relocated to the metro over the past two years, with just six other major U.S. markets adding more residents during the 24-month span. Population growth continues this year, a boon for a metro with 5-plus percent vacancy across property tiers and a historically large group of near-term completions. Specifically, deliveries reach a 17-year high in 2024 as the number of units added to stock exceeds San Diego's total and nearly matches that of Orange County. Fortunately, this situation is not the result of widespread development. Instead, completions are centered in Temecula-Murrieta, the southernmost submarket, and to a lesser extent the cities of Fontana and Moreno Valley. This dynamic, coupled with resident expansion, should improve demand for existing units in other areas of the expansive two-county metro, supporting positive net absorption in 2024.

Assets in larger cities and outlying areas each prove appealing. At least 33 cities in the Inland Empire recorded closings last year, showing how dispersed recent activity has been. This year, Ontario, Rancho Cucamonga and Riverside proper's sizable renter pools and minimal construction pipelines should improve each area's demand outlook, eliciting investment. Of late, several large-scale Class C assets have traded here for upward of $320,000 per unit, a premium for local assets of this caliber. Buyers targeting central areas — where price points are historically below the metro's mean — should be most active in San Bernardino proper, with lower-cost options also available in more outlying cities. Home to locally tight vacancy, minimal construction and above-average rent growth, Coachella Valley is poised to register a level of investor attention that may support a diverse group of closings this year. Elsewhere, Mojave Desert cities, including Victorville, should keep registering notable resident gains as households seek areas of discounted rent. This should attract more Southern California-based investors to listings, following a year where the area accounted for one-third of San Bernardino County trading.

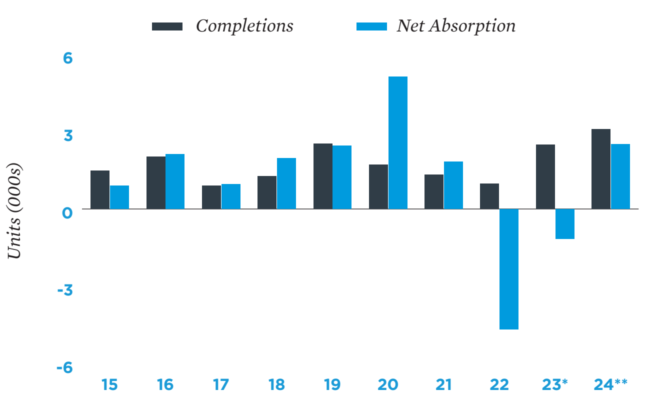
Employment Trends



Housing Affordability Gap



Supply and Demand



21.4%
2023 share of local population between 20 and 34 years old

21.0%
of local population hold bachelor's degree or higher ⌘

$577,600
2023 median home price✣

** Estimate ** Forecast ✣ Through 3Q*
⌘2023: 25+ years old
Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

Investment Outlook

Among the seven major California metros in the 2024 Index, Riverside-San Bernardino ties for the lowest supply and demand scores this year. That, however, does not tell the whole story. The Inland Empire ranks first among California's major markets for its rate of household formation, largely due to affordability advantages.

Riverside-San Bernardino's transaction market is being impeded by capital markets hurdles and potential supply/demand misalignment. This is reflected in both liquidity and yield scores of 3 or below — the only market in the 2024 Index to have each variable in that range.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index

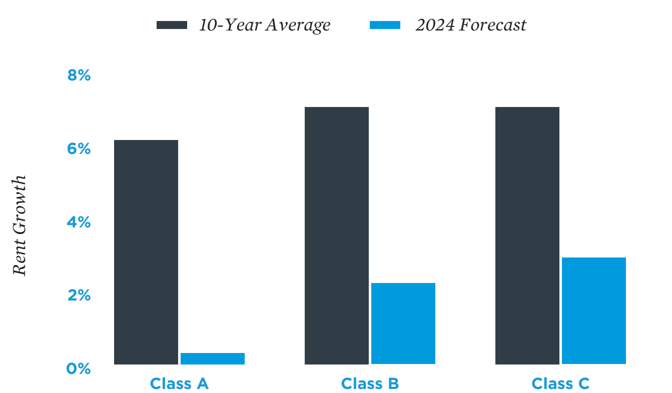
2024 MARKET FORECAST

NMI Rank 23

		Metro	U.S.
Employment	6,000 *jobs*	0.4%	1.1%
Construction	*% of inventory*❖	1.6%	2.5%
Class A Vacancy	Up 40 bps	6.2%	6.5%
Class A Rent	$2,532 *per month*	0.3%	-1.1%

Vacancy By Class

Rent Growth By Class



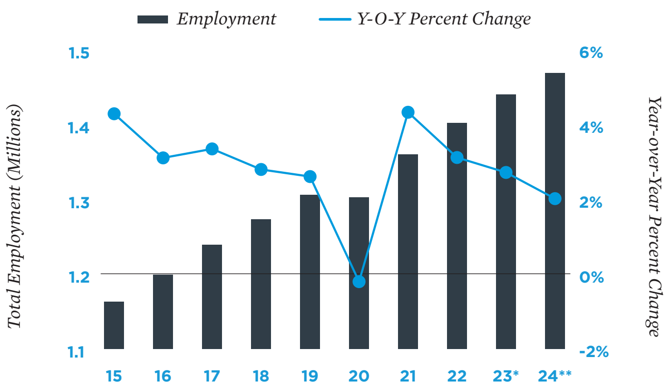
** Estimate ** Forecast*

❖ Arrow reflects completions trend compared with 2023

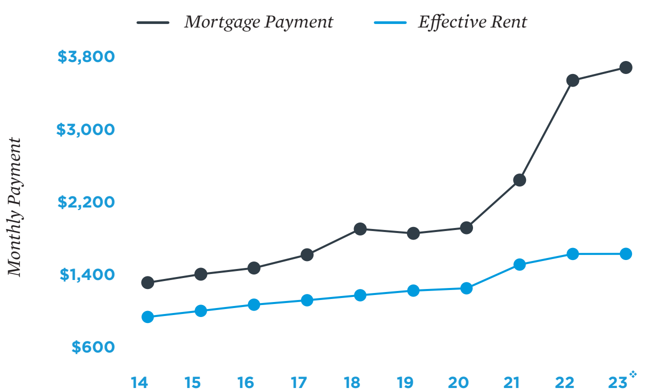
Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

SALT LAKE CITY

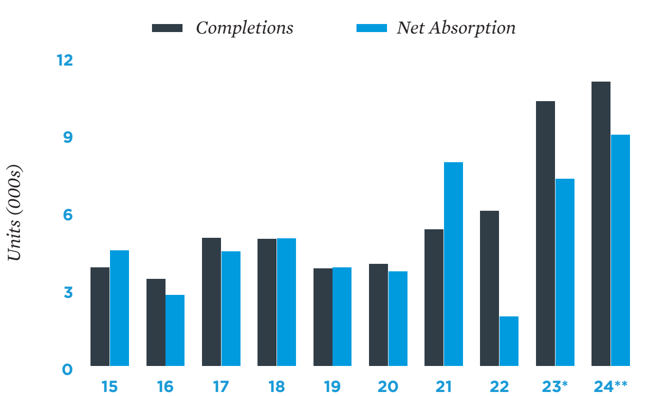
Employment Trends



Housing Affordability Gap



Supply and Demand



** Estimate ** Forecast ❖ Through 3Q*

⌘2023: 25+ years old

Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

Economic Growth Warrants Construction, Though Near-Term Challenges Apparent

Notable employment gains to drive apartment demand. Among all major metros west of Texas, Salt Lake City's labor market has expanded at the fastest rate relative to its pre-pandemic point, a trend that continues this year. New job opportunities will aid in-migration and, in turn, demand for apartments amid an increased cost of homeownership. Meanwhile, local population growth is expected to far exceed the national rate over the next five years. Entering 2024, the mean cost of a monthly mortgage payment on a median priced home in the metro was more than double that of the average effective Class A rent. Despite these dynamics warranting new apartment stock, a second consecutive year of supply expansion that ranks among the nation's fastest creates near-term challenges for existing units. An area potentially susceptible to this hurdle is South Salt Lake-Murray. Apartment supply here is expected to expand roughly 10 percent this year, following upward luxury vacancy momentum in the later half of 2023. Conversely, Class A vacancy in the West Valley City-Airport Area shifted down entering 2024, indicating the submarket may be well equipped to handle an even larger increase to local stock than the aforementioned area this year.

Southern submarkets gain additional investor attention. Following the onset of the pandemic, robust economic and population growth spurred considerable investor interest in Salt Lake City. Nevertheless, high interest rates and substantial local price appreciation in recent years resulted in the metro experiencing one of the nation's largest pullbacks in transaction velocity in 2023 relative to the prior annual period. Still, long-term growth prospects should generate improved activity among institutions in several areas across the Wasatch Front this year. Building on a recent trend, Provo is likely to draw a notable portion of this investor attention, in part due to a local Class A vacancy rate that rested below its pre-pandemic mark at the onset of this year. Intensifying inventory growth in the area may present opportunities for buyers with lease-up experience, acquiring pre-stabilized projects. Considerable rent growth and vacancy on par with historical norms prior to 2020 in Southwest Salt Lake City may also spark activity here moving forward.

24.6%
2023 share of local population between 20 and 34 years old

34.8%
of local population hold bachelor's degree or higher ⌘

$520,200
2023 median home price❖

Investment Outlook

Salt Lake City joins Mountain region peer Phoenix and several other Sun Belt markets in receiving the lowest possible score in the supply section this year, due to an in-migration-fueled development boom. While this creates near-term vacancy and rent pressure, new supply is necessitated by the metro's top 10 pace of employment growth.

The metro's yield score of 2 on the 2024 Key Performance Index is at the lower end of the national range, following sharp cap rate compression in recent years. Despite healthy buyer interest in Salt Lake City, tight yields amid higher interest rates limit liquidity.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index

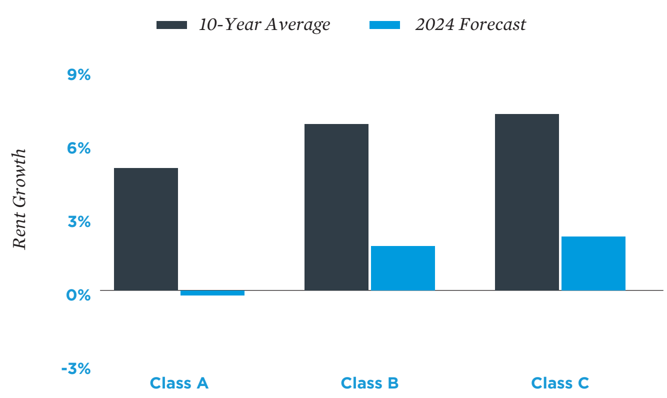
2024 MARKET FORECAST

NMI Rank 5

		Metro	U.S.
Employment	29,000 *jobs*	2.0%	1.1%
Construction	*% of inventory*❖	7.0%	2.5%
Class A Vacancy	Up 150 bps	8.2%	6.5%
Class A Rent	$1,810 *per month*	-0.2%	-1.1%

Vacancy By Class

Rent Growth By Class



** Estimate ** Forecast*

❖ Arrow reflects completions trend compared with 2023

Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

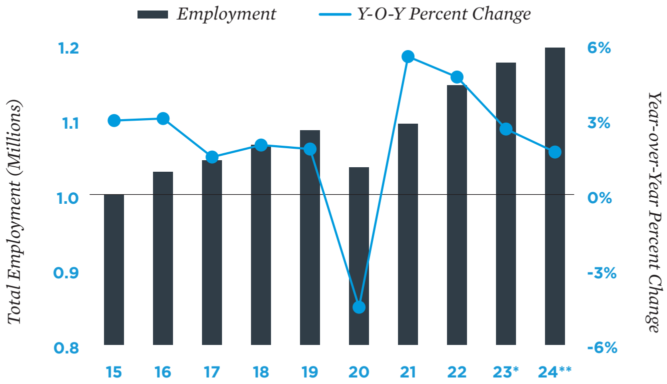
SAN ANTONIO

Strong Population Inflows Help Alamo City Weather Supply Headwinds Long-Term

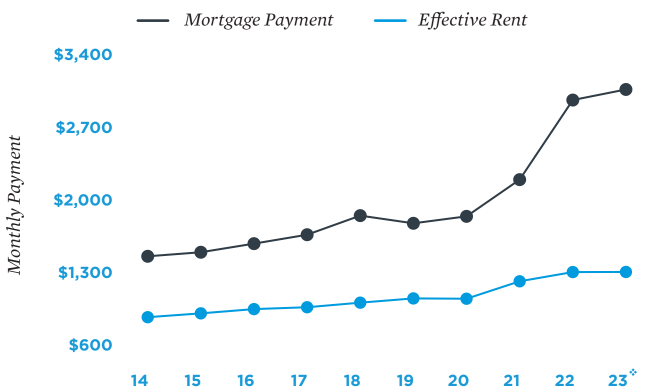
Class A properties sustain low vacancy. Demand for multifamily space has stayed strong in San Antonio. Positive net absorption was noted in 22 of the last 23 years, and total occupied stock will reach a record high in 2024. The increasing metro vacancy rate noted in 2024 will largely be due to an influx of new units, moving the metric up for the third straight year. Prolonged renter demand, however, suggests conditions will tighten again long-term, particularly as multifamily starts slow. Over the next five years, the metro's resident count is expected to expand by nearly 100,000 people, aiding multifamily demand. The Class A segment, which faces the most competition from new deliveries, had the lowest metro vacancy rate among property tiers exiting 2023, demonstrating the level of renter demand that exists for top-tier units. Still, areas like Central and Far Northwest San Antonio that expect the highest levels of construction will likely note elevated vacancy through 2024, while supply and demand realign locally. Long-term corporate investments, like JCB's planned expansion breaking ground in 2024 that will necessitate the addition of 1,500 new personnel, should help maintain a steady level of in-migration, growing the renter pool.

Institutions maintain San Antonio presence. Despite persistent capital market headwinds, large-scale transaction activity was still recorded in San Antonio last year. Buyers targeting properties with more than 100 units were active in areas proximate to major commuter routes, such as suburbs near Interstate 10 leading into the urban core, and around the Interstate 410 Beltway. Going forward, opportunities to acquire assets in these areas could rise as San Antonio was the only major Texas market to note pricing growth in 2023 — a dynamic that may motivate some owners to list properties. Elsewhere, New Braunfels is likely to garner additional interest, as the municipality claimed the lowest vacancy rate among submarkets at the onset of 2024. Supply additions slated for the area could place some upward pressure on local vacancy, but will also provide additional options for buyers seeking newly-built assets. The area's proximity to Austin and its lower average effective rent than neighboring San Marcos are likely to backstop renter demand, especially from commuters between the two metros.

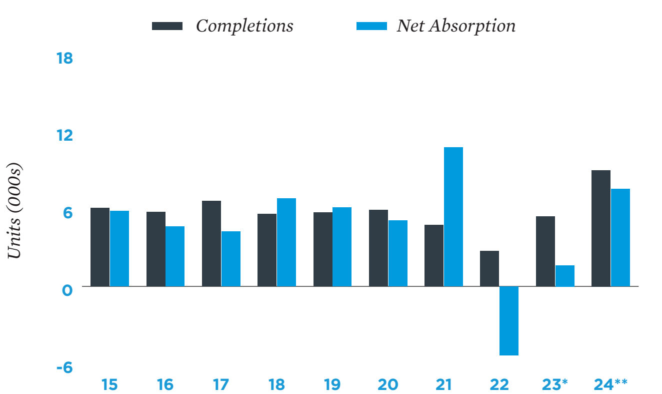
Employment Trends



Housing Affordability Gap



Supply and Demand



21.6%
2023 share of local population between 20 and 34 years old

27.8%
of local population hold bachelor's degree or higher ⌘

$335,200
2023 median home price ✣

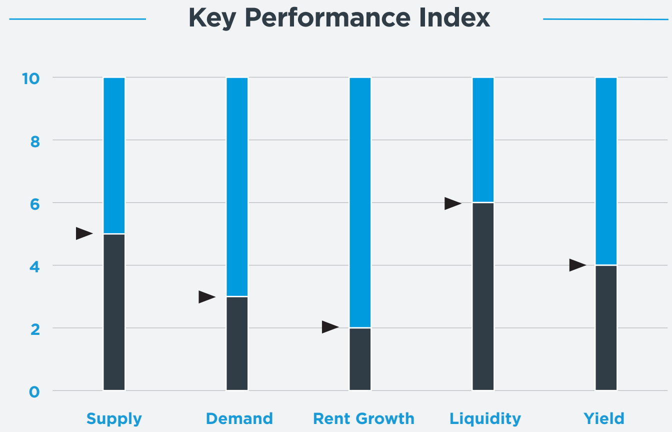
** Estimate ** Forecast ✣ Through 3Q*
⌘ 2023: 25+ years old
Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

Investment Outlook

Among the four major Texas metros, San Antonio has the highest supply score, but the lowest rent growth ranking this year. The market's demand metric also retreated by one spot relative to the 2023 Index, reflecting some near-term hurdles. Nevertheless, San Antonio is among the top 15 metros nationally for job gains.

San Antonio continues to be a target for national investors amid strong employment growth and a comparatively high yield score of 4, which exceeds many other Sun Belt metros. As a result, the market ties for the greatest liquidity Index ranking with a 6 this year.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.



2024 MARKET FORECAST

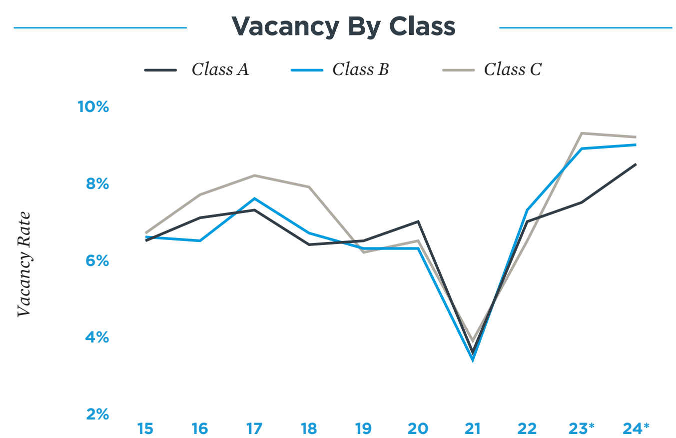
NMI Rank 20

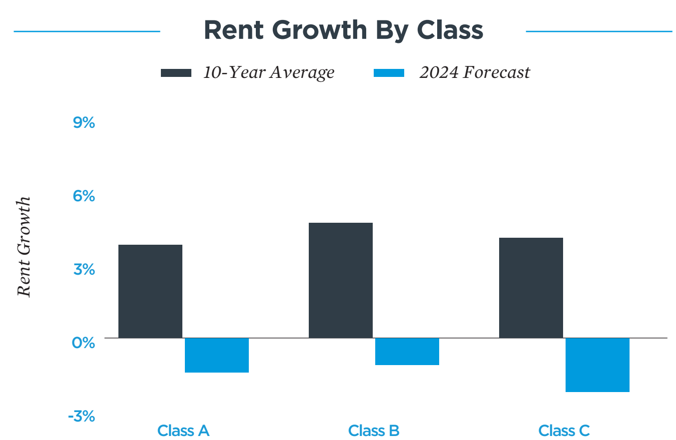
Employment
20,000 *jobs*
Metro 1.7% | *U.S.* 1.1%

Construction
% of inventory❖
Metro 4.0% | *U.S.* 2.5%

Class A Vacancy
Up 100 bps
Metro 8.4% | *U.S.* 6.5%

Class A Rent
$1,520 *per month*
Metro -1.4% | *U.S.* -1.1%





** Estimate ** Forecast*
❖ Arrow reflects completions trend compared with 2023
Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

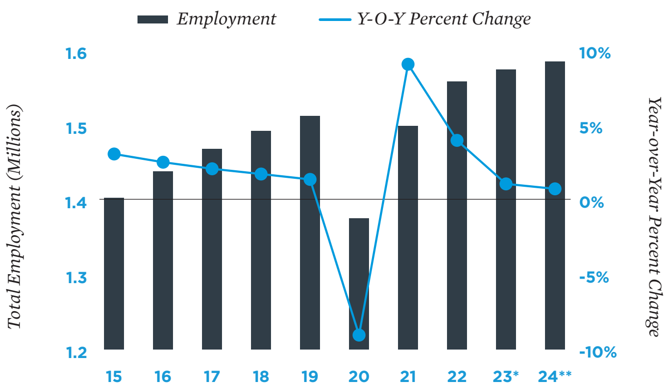
SAN DIEGO

San Diego Retains Status as One of the Nation's Least Vacant Markets

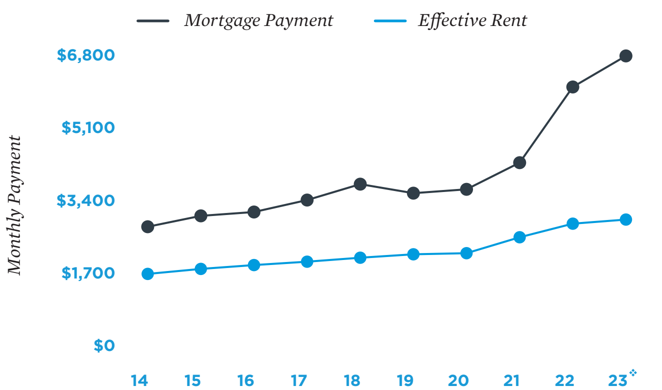
Rental demand stays steadfast. Spanning property tiers, San Diego ranked among the nation's five tightest major markets at the onset of this year, maintaining a sub-5 percent vacancy rate since early 2012 — a 47-quarter span. The metro is well positioned to maintain this ranking for the foreseeable future, being home to both the largest portion of 20- to 34-year-olds on the West Coast, as a share of total population, and a median home price nearing the $1 million mark. Local conditions are even tighter, at a collective low-3 percent rate, when excluding operations in Downtown San Diego and La Jolla-University City, where average rents exceed $3,000 per month. Across these other 11 submarkets, near-term deliveries are relatively sparse in 2024, with only intermittent projects slated for completion across most cities outside of San Diego proper. This dynamic, a steady rate of household formation, and clear delineations in rents by class of roughly $600 per month will slot most renters into specific pools, maintaining strong demand across property tiers.

Investors active in areas favored by younger renters. Amid financing hurdles, only a handful of properties with more than 100 units traded last year across San Diego County, with Class A transaction activity extremely sparse. Nevertheless, opportunities to commit upward of $15 million per transaction will be available in 2024. Investors seeking deployments at or above this threshold can target 30- to 100-door Class B assets in neighborhoods historically populated by college students and young professionals, such as Pacific Beach, Ocean Beach and Little Italy. Adjacent to the University of California San Diego, UTC may also join this list, as the campus is undergoing significant expansion and the area is home to a sizable inventory of large-scale rental properties. In each of the aforementioned neighborhoods, pricing rarely dips below the low-$400,000 per unit range. Buyers seeking similar complexes at lower price points will typically find them in South Bay and North County cities, including Chula Vista and Escondido.

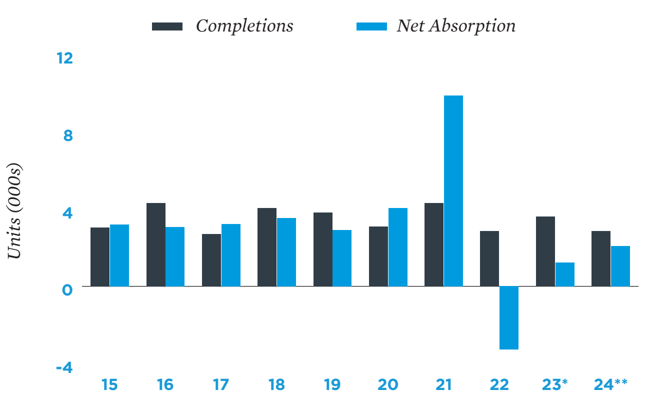
Employment Trends



Housing Affordability Gap



Supply and Demand



23.2%
2023 share of local population between 20 and 34 years old

36.7%
of local population hold bachelor's degree or higher ⌘

$948,600
2023 median home price✣

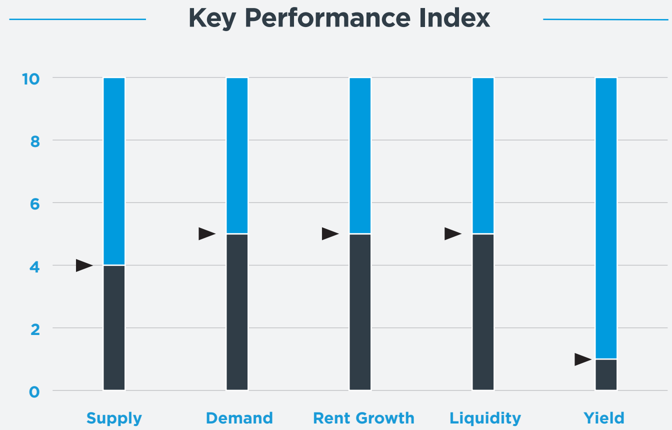
* Estimate ** Forecast ✣ Through 3Q
⌘2023: 25+ years old
Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

Investment Outlook

San Diego achieves the highest rent growth score among major California markets this year, with local rates expected to increase in all three apartment quality tiers. Demand ranks in the middle portion of the overall Index, as a tempered pace of local employment growth is counterweighed by steep barriers to homeownership.

Despite having the lowest possible yield score in the 2024 Key Performance Index, investors in San Diego accept relatively tight cap rates amid healthy demand and noteworthy rent growth. The liquidity score is on par with the overall average as a result.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.



2024 MARKET FORECAST

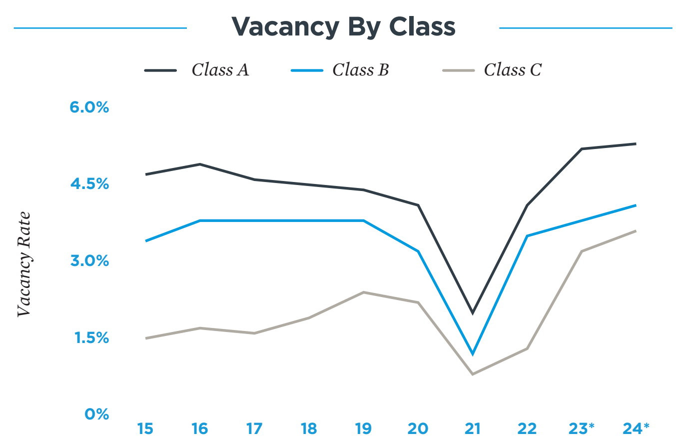
NMI Rank 2

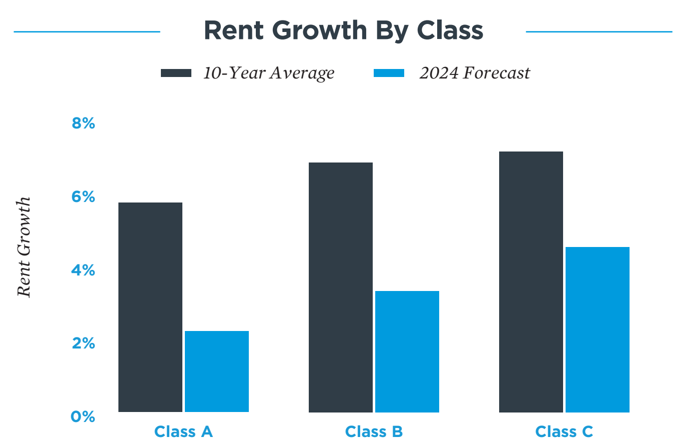
Employment
11,000
jobs
Metro 0.7% *U.S.* 1.1%

Construction
% of inventory❖
Metro 0.9% *U.S.* 2.5%

Class A Vacancy
Up 10 bps
Metro 5.2% *U.S.* 6.5%

Class A Rent
$3,341
per month
Metro 2.2% *U.S.* -1.1%





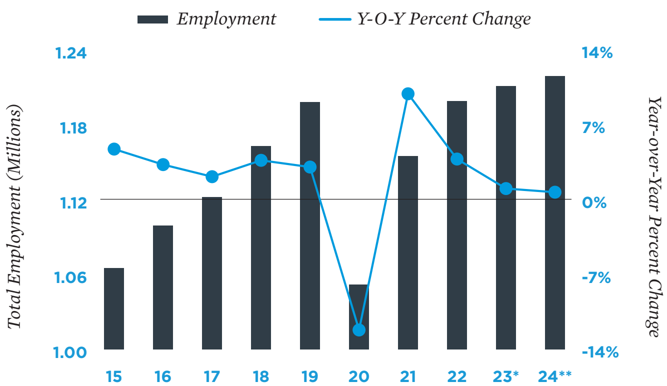
** Estimate ** Forecast*

❖ Arrow reflects completions trend compared with 2023

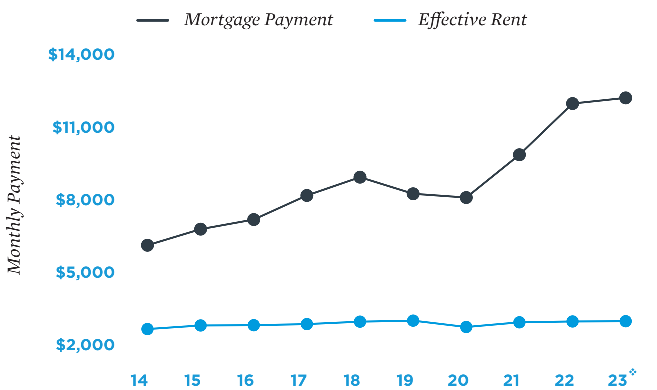
Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

SAN FRANCISCO

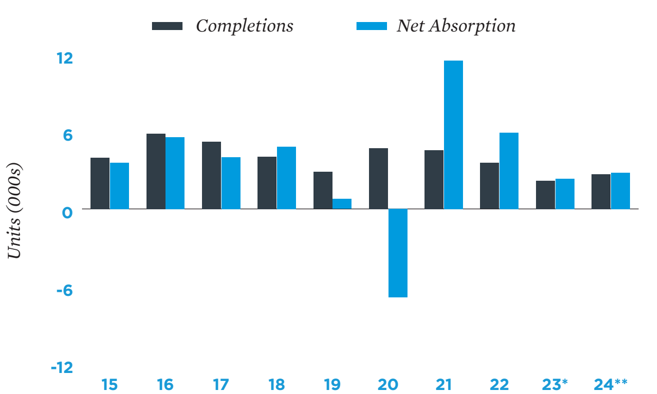
Employment Trends



Housing Affordability Gap



Supply and Demand



* Estimate ** Forecast ✣ Through 3Q
⌘2023: 25+ years old
Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

Luxury Units Slated for Downtown and Adjacent Zones Set up Near-Term Hurdles

Recovery continues, despite some localized Class A friction. After a challenging 2023, less attrition among the city's white-collar segments is anticipated this year. Losses in some tech fields should be tempered by the expansion of the nascent AI sector. Renter demand fostered by this industry should support luxury apartment leasing in submarkets near major office corridors, which remain heavily impacted by the aftermath of the pandemic. Still, acute supply-side pressure will adversely affect some of these zones. Entering 2024, more than 1,000 units were underway in the SoMa submarket, which will translate to a 4.9 percent inventory expansion here by mid-2025. Absorption here trailed additions through most of last year, indicating demand may continue to lag supply in this locale, at least for the short term. The market's broader outlook is more positive, aided by robust hiring in the health and education services sectors, which have grown roughly 10 percent over the last four years, roughly double the national pace. Employers in these categories are heavily dispersed throughout the metro, supporting leasing for mid- and lower-tier units in a wide swath of the city's neighborhoods.

Outlying districts provide investment opportunities. With interest rates steadying entering 2024, recovery in San Francisco's hard-hit apartment market will depend on stabilizing fundamentals. Still, development along prime downtown office corridors and in the SoMa district could add to uncertainty in the short term, keeping some institutional capital sidelined until the effect on fundamentals becomes clear. Transactions in the $10 million-plus price tranche remain sparse, with category properties changing hands in predominantly residential zones removed from the central business district. Investors may seek to bundle smaller properties in outlying San Francisco County submarkets where fundamentals are comparatively robust, and where ownership is more fragmented among private parties. A city-backed office-to-residential conversion initiative announced in 2023 could also draw merchant developers to the central business district in the near-term, with owners of at least eight vacant downtown office towers expressing interest in the program. Further out, a selection of new and recently-converted assets may coax additional buyers back to some of the city's denser neighborhoods with new opportunities for capital placement.

22.6%
2023 share of local population between 20 and 34 years old

50.6%
of local population hold bachelor's degree or higher ⌘

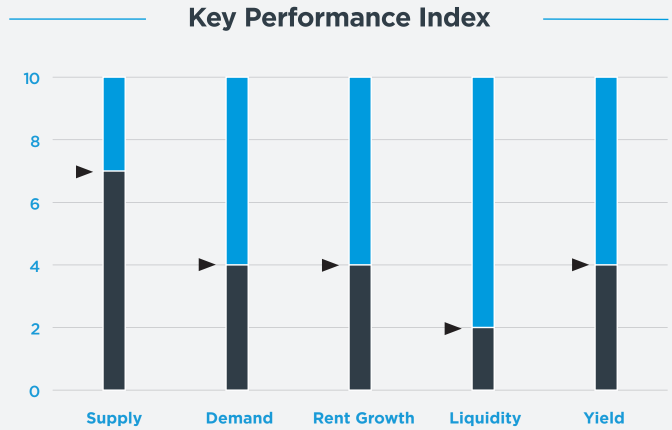
$1,719,900
2023 median home price✣

Investment Outlook

San Francisco's challenges have been evident in recent years, but the metro scores relatively well on the 2024 Key Performance Index. The supply ranking of 7 ties for the highest in the country, helping offset a below-average demand figure. Rent growth, meanwhile, is expected to be healthy in the lower-tier apartment segment this year.

Institutions continue to be cautious surrounding San Francisco. An expected rent decline in the luxury tier this year could keep buyers hesitant, resulting in a 2 on the liquidity Index. The yield score rose by one spot relative to last year, however, potentially aiding deal flow.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.



2024 MARKET FORECAST

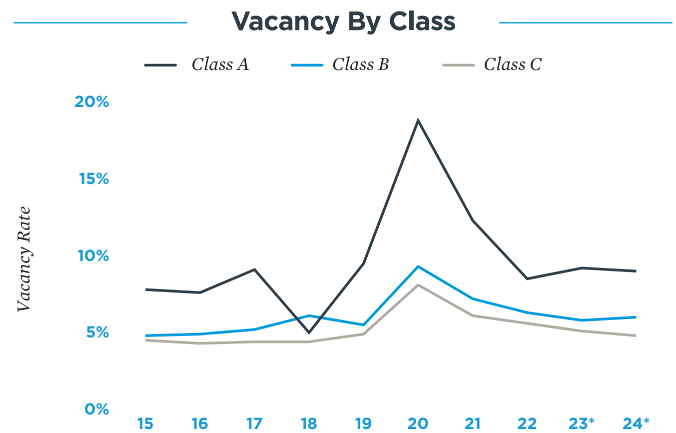
NMI Rank 17

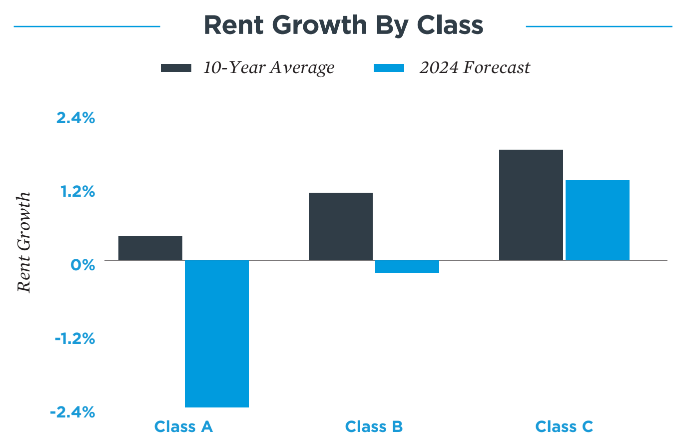
Employment
8,000 *jobs*
Metro 0.7% — *U.S.* 1.1%

Construction
% of inventory❖
Metro 1.0% — *U.S.* 2.5%

Class A Vacancy
Down 20 bps
Metro 8.7% — *U.S.* 6.5%

Class A Rent
$3,522 *per month*
Metro -2.4% — *U.S.* -1.1%





* Estimate ** Forecast

❖ Arrow reflects completions trend compared with 2023

Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

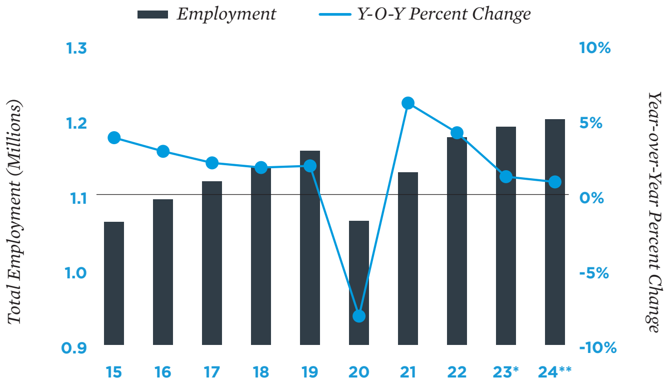
SAN JOSE

Employment Trends Fuel Housing Demand as Ownership Challenges Aid Apartments

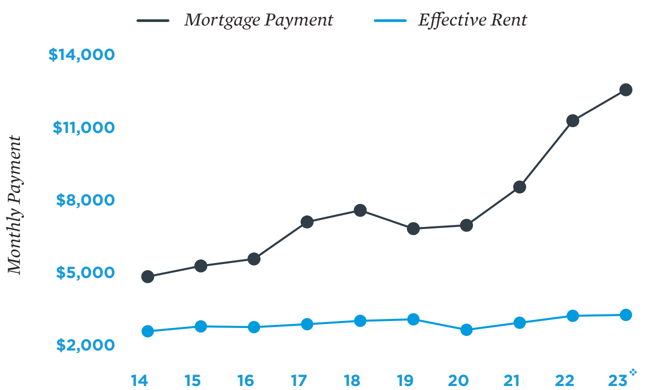
Luxury apartment demand surrounds the Googleplex. Continued employment growth among higher-wage industries, particularly the professional-technical and healthcare services sectors, is helping drive a local population recovery. San Jose's resident count will come within 1.5 percent of its 2019 measure by year-end. Despite a still-smaller overall populace, apartment demand continues to expand this year, with local occupied stock exceeding its pre-pandemic count by nearly 9 percent. This dynamic is associated with the metro's nationally high single-family home prices. Late last year, the difference between a mortgage payment on a median-priced home in San Jose and its mean effective Class A rent eclipsed $8,700 per month, leapfrogging San Fransisco as the widest spread in the country. This is poised to place more households into the renter pool, resulting in net absorption reaching a three-year high in 2024. A substantial lift to deliveries this year, however, is set to maintain San Jose's upward vacancy momentum. This dynamic is less apparent near Mountain View. A slowed pace of multifamily construction here accompanies Google's announced pause to the development of a new Downtown San Jose campus. This will direct future recruiting classes to rent near the tech giant's existing Googleplex, bolstering luxury apartment demand in Mountain View, Palo Alto and Los Altos. Capping off 2023, local Class A vacancy fell 100 basis points below its trailing decade-long average, a position it should retain this year.

Downtown and western areas garner investor attention. The aforementioned pause to Google's new campus near Diridon Station is improving investor interest in western neighborhoods of the metro near the company's headquarters. Santa Clara is also garnering a notable amount of $15 million-plus activity. The area's proximity to downtown, as well as Mountain View and Palo Alto, is desirable for commuting professionals. Elsewhere, notable enrollment trends at San Jose State University likely help lift investor activity downtown. Entering 2024, the institution's graduate student enrollment had increased roughly 65 percent over the prior decade and is anticipated to continue growing. This accompanies a notable undergraduate population of more than 26,000 students. Some long-term optimism for the eventual completion of Google's Downtown West campus may also boost buyer attention nearby moving forward.

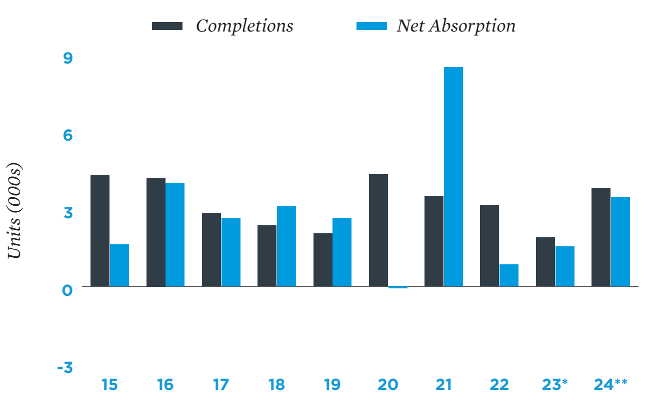
Employment Trends



Housing Affordability Gap



Supply and Demand



21.6%
2023 share of local population between 20 and 34 years old

49.1%
of local population hold bachelor's degree or higher ⌘

$1,769,500
2023 median home price✣

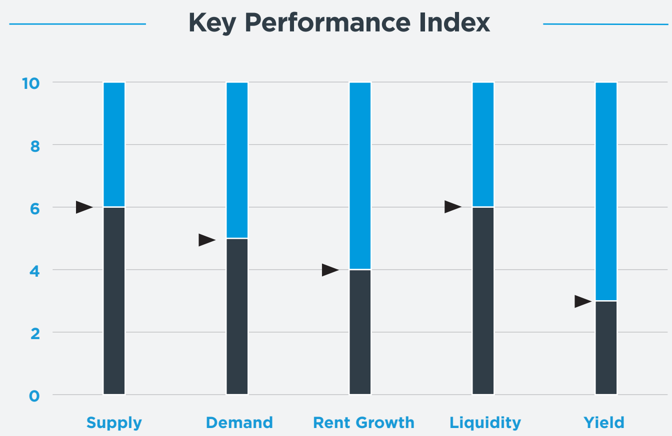
* Estimate ** Forecast ✣ Through 3Q
⌘2023: 25+ years old
Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

Investment Outlook

San Jose's score of 5 on the demand portion of the 2024 Index is above both its Bay Area neighbors and tied for the second highest in California. The supply ranking is also near the top end of the national range, indicating a market that is in a relatively solid state. Nonetheless, some downward rent pressure is emerging near term.

Both the liquidity segment and the yield section improve this year, with the liquidity score rising by one of the largest margins in the entire Index. Higher cap rates are helping facilitate greater trading activity, aiding the yield measure for 2024.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.



2024 MARKET FORECAST

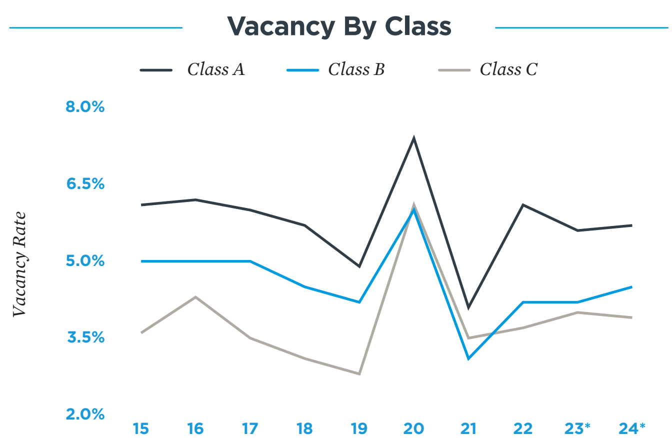
NMI Rank 21

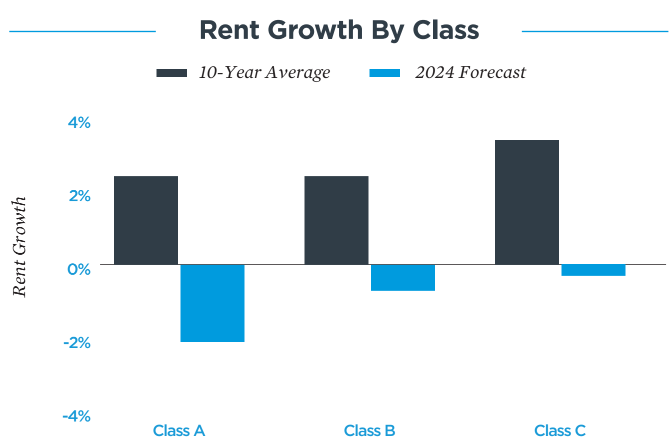
Employment
10,000 *jobs*
Metro 0.8% | *U.S.* 1.1%

Construction
% of inventory❖
Metro 2.1% | *U.S.* 2.5%

Class A Vacancy
Up 10 bps
Metro 5.6% | *U.S.* 6.5%

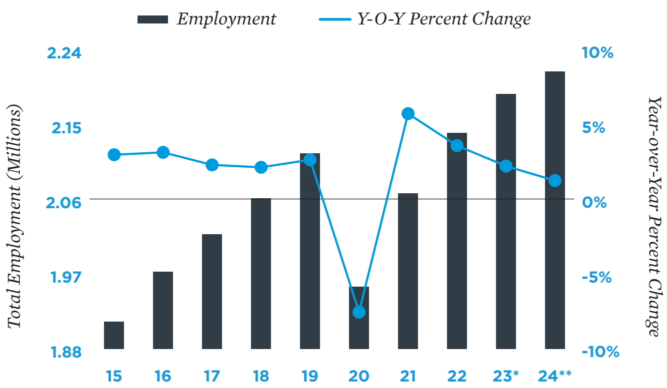
Class A Rent
$3,490 *per month*
Metro -2.1% | *U.S.* -1.1%



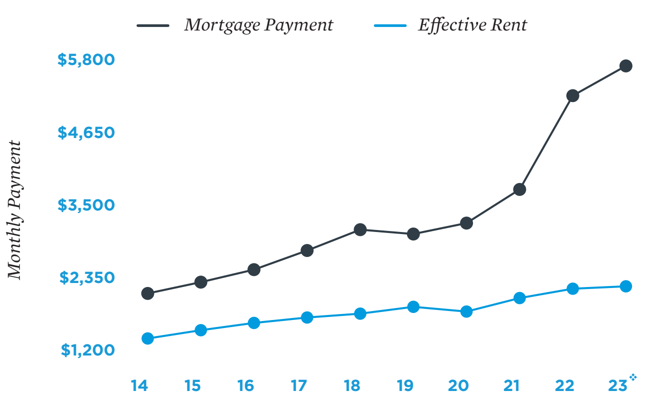


** Estimate ** Forecast*
❖ Arrow reflects completions trend compared with 2023
Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

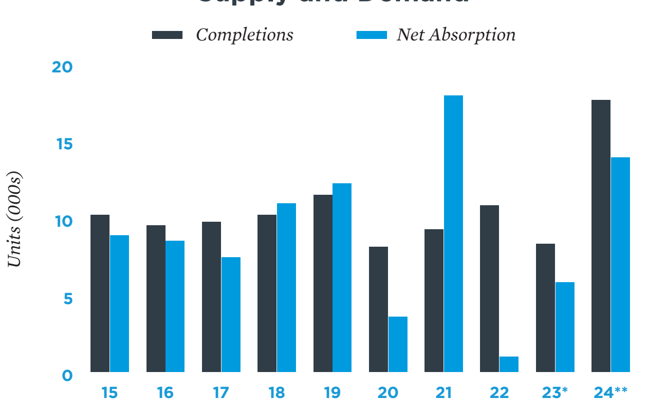
Employment Trends



Housing Affordability Gap



Supply and Demand



* Estimate ** Forecast ✣ Through 3Q
⌘2023: 25+ years old
Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

SEATTLE-TACOMA

Lower Cost-of-Living in Downtown Seattle And Tacoma Lifts Local Household Counts

Improved affordability encourages renting. Seattle-Tacoma is poised to record a substantial increase in new households this year, adding a decade-long high of 26,000 to the marketwide total. A combination of lower rents compared to 2022 and continued wage growth have created opportunities for younger professionals who previously shared living spaces or moved home with their families to seek their own accommodations. This shift is particularly evident in areas where rental stock and concessions usage have meaningfully increased and rents have declined as of late. Downtown Seattle, for instance, recorded a notable decline in its Class A vacancy rate last year, accompanied by a near-2 percent drop in the local sector's mean effective rent. The completion of 4,600 units in this area by 2025 will require operators to continue leaning on concessions when attempting to attract younger residents to the high-end rental market. This trend is also being observed in Capitol Hill-Central District and the northern portions of Tacoma, where local inventories are slated to expand by over 10 percent this year. Conversely, a larger portion of new rental supply shifting away from Seattle's east side and Bellevue may sustain higher levels of rent growth in these neighborhoods. As a result, a greater number of younger and more budget-conscious renters may find northern Tacoma and Seattle's core to be increasingly attractive to reside in, supporting local apartment demand.

Ballard and Tacoma attract yield-driven buyers. Despite facing higher borrowing costs, areas with cap rates above Seattle-Tacoma's average have recently experienced a rise in investment activity. This trend is most evident in Ballard and Tacoma, where most deals were completed with yields in the 5 to 6 percent band in 2023. Amid record-level supply, the general lack of new Class B deliveries is expected to stabilize the sector's property metrics and attract investors to these listings this year. Meanwhile, Downtown Seattle is also recording an uptick in buyer interest for Class A assets, primarily due to the fact that local renter incomes now rank as the third-highest in the nation. This can be attributed to the persistent shortage of for-sale home stock, which has resulted in wealthier residents opting to remain in the rental pool for longer. As a result, luxury apartments in highly-desirable urban areas like Downtown Seattle should attract greater levels of net absorption and buyer interest beyond 2024.

22.7%
2023 share of local population between 20 and 34 years old

41.0%
of local population hold bachelor's degree or higher ⌘

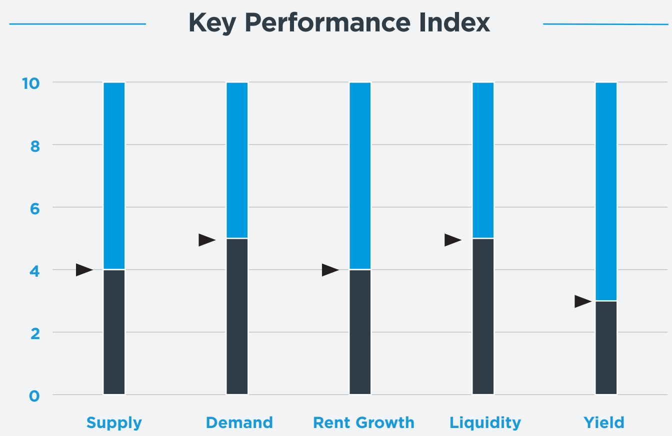
$775,400
2023 median home price✣

Investment Outlook

Compared to last year, Seattle-Tacoma's supply score improves by one spot, while the rent growth metric slides down. Demand, meanwhile, is unchanged relative to the 2023 Index. The metro's top 15 pace of household creation amid steep local barriers to homeownership reinforces rental demand.

Seattle-Tacoma's yield score rises to a 3 this year, which is still on the lower end of the national range but higher than the 2023 figure. Cap rate elevation should help ease transaction hurdles amid heightened debt costs, supporting a healthy liquidity ranking of 5 this year.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.



2024 MARKET FORECAST

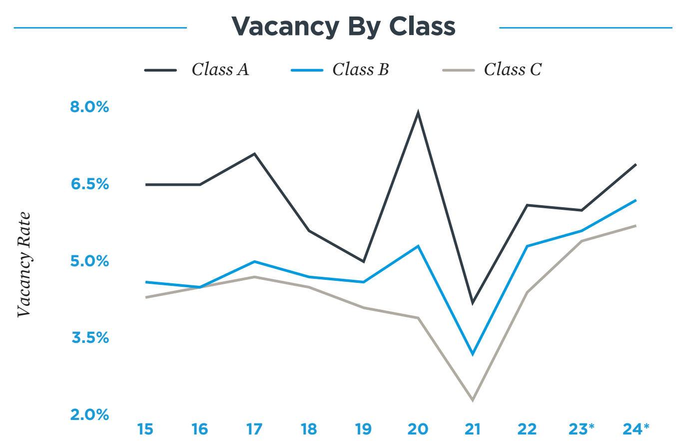
NMI Rank 11

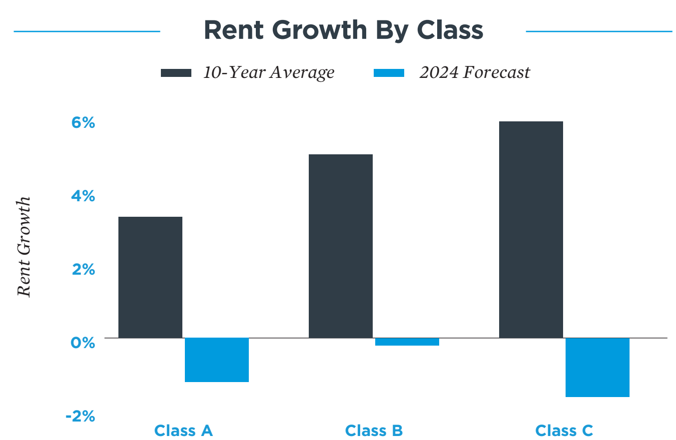
Employment 27,000 *jobs* — Metro 1.2% — U.S. 1.1%

Construction *% of inventory*❖ — Metro 4.0% — U.S. 2.5%

Class A Vacancy Up 90 bps — Metro 6.8% — U.S. 6.5%

Class A Rent $2,464 *per month* — Metro -1.2% — U.S. -1.1%





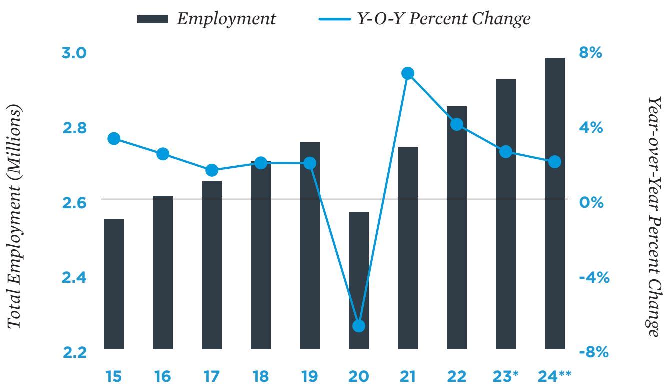
** Estimate ** Forecast*

❖ Arrow reflects completions trend compared with 2023

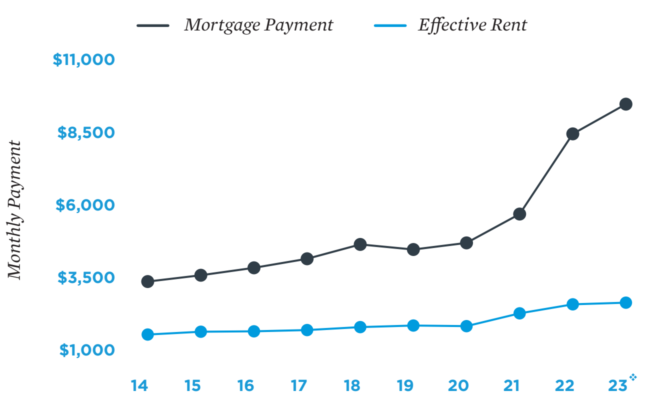
Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

SOUTHEAST FLORIDA

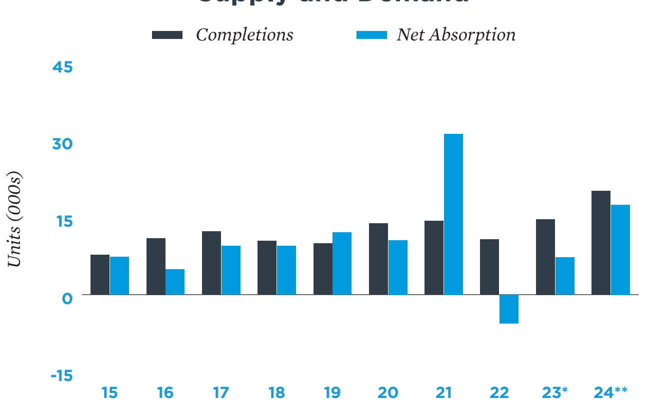
Employment Trends



Housing Affordability Gap



Supply and Demand



* Estimate ** Forecast ✣ Through 3Q
⌘2023: 25+ years old
Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

Homeownership Hurdles Stand Out Nationally, Driving Apartment Demand

Normalizing growth trends accompany record supply influx. West Palm Beach, Miami and Fort Lauderdale ranked first, second and fourth, respectively, among major U.S. markets in home price appreciation between 2019 and 2023. Combined with elevated mortgage rates, more new residents are funneling into the regional renter pool, while potential first-time homebuyers continue to lease apartments. Corporate relocations, amid Florida's favorable tax climate, are benefiting demand for Class A units, given a local household income growth rate that ranks among the largest in the country in 2024. As a result of these dynamics, net absorption in Southeast Florida is set to more than double 2023's total this year. Tempered overall migration trends due to the region's elevated affordability hurdles will, however, challenge this improved apartment demand in the near-term. Notable supply pressure is also a headwind as the region welcomes 5,400 more units this year than the previous all-time high. Completions in Miami will account for nearly half of this new stock, though Fort Lauderdale's inventory expands at a faster pace of 3.2 percent. In turn, the region's vacancy rate will remain above its 4.7 percent historical average.

Insurance costs create opportunity for regional buyers. The percentage of institutional-level trades in Southeast Florida accounted for by out-of-state buyers remained above pre-pandemic norms last year, despite elevated lending rates. This trend, however, may adjust in 2024 as commercial insurance in the region recently climbed at an unprecedented pace after the monetary impacts of notable natural disasters became more pronounced. Should this deter non-Florida based firms from pursuing properties this year, it could lead to more opportunities for in-state institutional investors to acquire listings initiated by distress, due to the rising operating costs. The region's substantial number of deliveries this year may also present opportunities for buyers looking to avoid construction risk. Developers evaluating their near-term holds given elevated insurance costs may begin to form exit strategies. In West Palm Beach, an ebbed average price per unit last year aided a more tame pullback in velocity among $10 million-plus trades. This dynamic may emerge in the Miami and Fort Lauderdale areas moving forward, re-engaging more investors formerly on the sidelines.

18.5%
2023 share of local population between 20 and 34 years old

30.0%
of local population hold bachelor's degree or higher ⌘

$1,214,500
2023 median home price✣

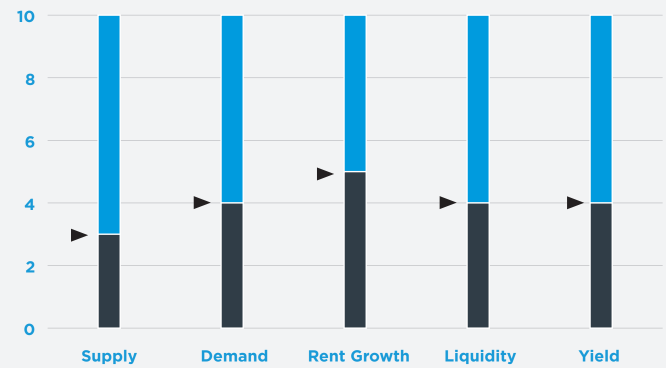
Investment Outlook

Among the three major metros that make up Southeast Florida, Miami's aggregate supply, demand and rent growth score of 13 is the highest of the bunch. Fort Lauderdale and West Palm Beach, meanwhile, total 11 spanning those three variables. The former has greater rent growth, and the latter has a stronger supply ranking.

Southeast Florida remains a compelling metro for institutions, although recent insurance cost hikes in light of natural disasters are impacting strategies. Yields are relatively uniform across the region, while Fort Lauderdale has slightly stronger liquidity this year.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index



2024 MARKET FORECAST

NMI Rank 6

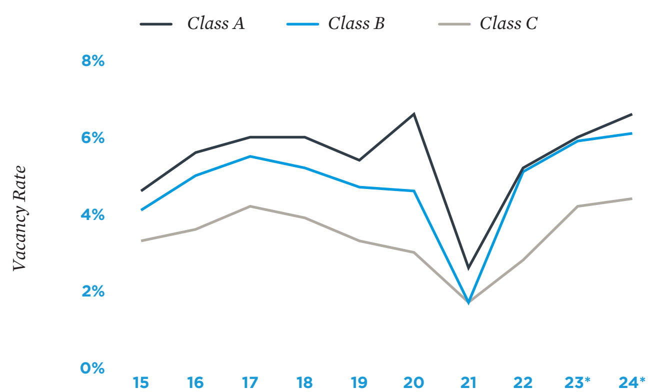
Employment
58,000 *jobs*
Metro 2.0% | *U.S.* 1.1%

Construction
% of inventory❖
Metro 3.1% | *U.S.* 2.5%

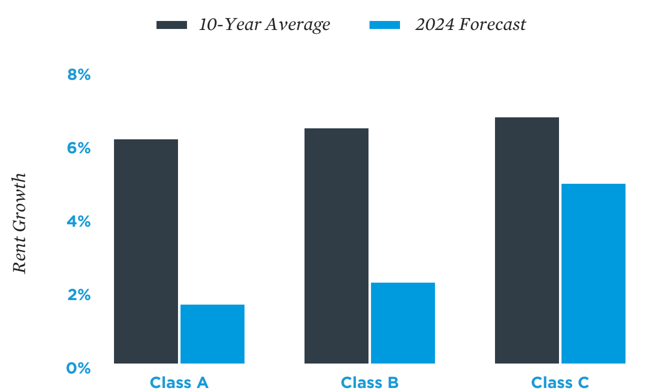
Class A Vacancy
Up 60 bps
Metro 6.5% | *U.S.* 6.5%

Class A Rent
$3,164 *per month*
Metro 1.6% | *U.S.* -1.1%

Vacancy By Class



Rent Growth By Class



** Estimate ** Forecast*
❖ Arrow reflects completions trend compared with 2023
Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

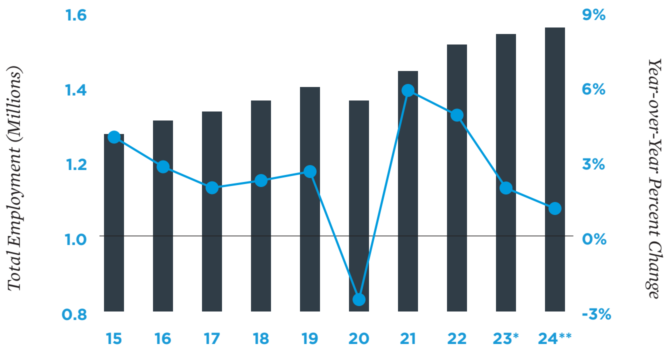
TAMPA-ST. PETERSBURG

Rental Deluge Warranted as Tampa Ranks Among the Top Markets for In-Migration

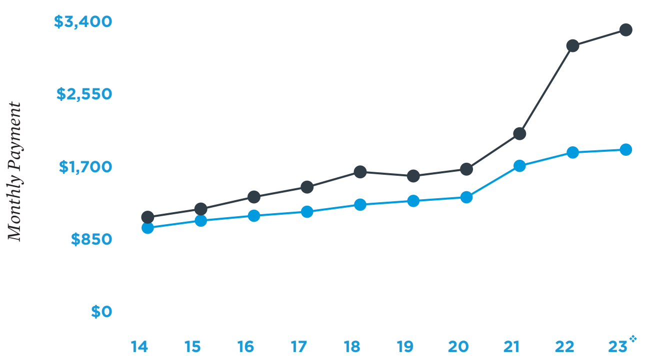
Deliveries peak, paving the way for demand to catch up long term. Responding to a strong inflow of new residents that reduced metro vacancy to the low-2 percent range, developers broke ground on a host of apartments in Pasco County and Tampa proper during 2021 and 2022. Approximately 7,900 of those units will come to fruition this year, capping off a historic run that began in 2018. Fortunately, Tampa's Class A vacancy rate was on par with its long-term average at the end of last year, and recent in-migration trends are expected to continue through 2024, translating to demand for new units. A high-2 percent unemployment rate will play a role in supporting the latter dynamic, as it will require growing firms and those that have recently relocated to the area to hire from outside the market with increased frequency. Further brightening the outlook for soon-to-be delivered units, a pullback in starts appears underway, partially driven by rising local insurance costs. With only a handful of projects slated for 2025 delivery at the onset of this year, this pullback could limit supply additions after 2024, suggesting incoming inventory should be absorbed over time.

Opportunities to acquire new builds exist. Contrasting other major markets nationally, Tampa registered a relatively equal share of Class A/B transactions and Class C trades last year, one-third of which sold for more than $15 million. These trends suggest institutional-grade listings, including portfolios, should be available in 2024. Of late, recently-built Class A and B properties with more than 200 doors have traded for $280,000 to $320,000 per unit, implying some buyers may be obtaining discounted pricing in exchange for shouldering lease-up risk. Considering the volume of units delivered by merchant builders in 2023 and this year's delivery slate, opportunities to acquire pre-stabilized properties in Central Tampa and various suburbs may emerge. Value-add buyers will also have their share of listings to browse. In Hillsborough and Pinellas County suburbs, pre-1990-built garden-style complexes were often acquired for less than $200,000 per unit last year, allotting capital for property upgrades. Home to some of the metro's highest rents and moderate supply-side pressure, St. Petersburg and Largo may stand out to upside-seeking buyers. The presence of the University of South Florida and a large medical district could also draw these buyers to Uptown.

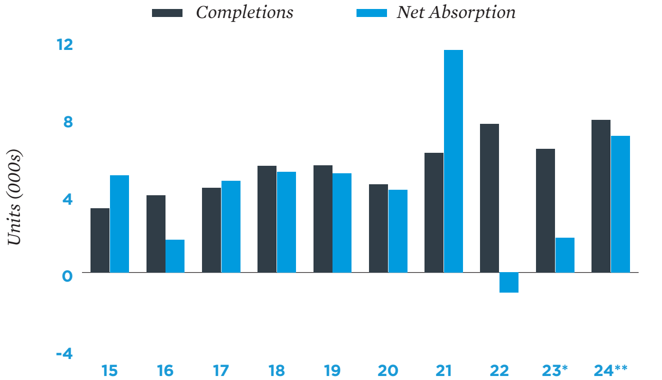
Employment Trends



Housing Affordability Gap



Supply and Demand



18.6%
2023 share of local population between 20 and 34 years old

29.1%
of local population hold bachelor's degree or higher ⌘

$415,000
2023 median home price✣

* Estimate ** Forecast ✣ Through 3Q
⌘2023: 25+ years old
Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

Investment Outlook

Tampa-St. Petersburg's supply score strengthens by one spot relative to last year, while demand moves downward by that same amount. This balance allows for a rent growth ranking in the middle of the pack nationally. The metro remains a migration hot spot, helping underscore healthy household creation and job expansion trends.

The market's yield score of 3 ties with Orlando for the lowest among major Florida markets this year, sustaining transaction hurdles amid higher interest rates. Nevertheless, Tampa-St. Petersburg's favorable demographic trends bolster sentiment and support solid liquidity.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index

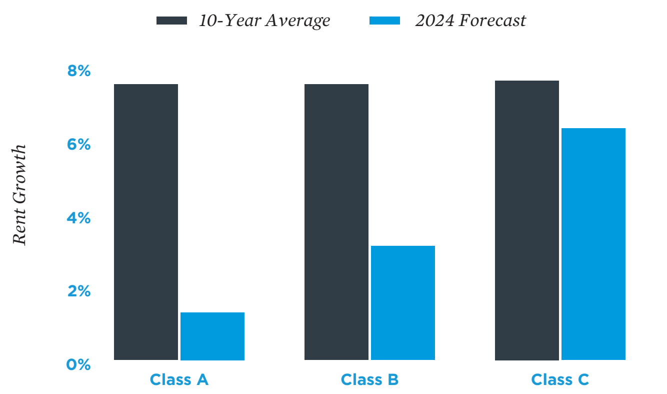
2024 MARKET FORECAST

NMI Rank 3

	Metro	U.S.
Employment 17,000 *jobs*	1.1%	1.1%
Construction *% of inventory*❖	2.8%	2.5%
Class A Vacancy Up 40 bps	6.8%	6.5%
Class A Rent $2,468 *per month*	1.3%	-1.1%

Vacancy By Class

Rent Growth By Class

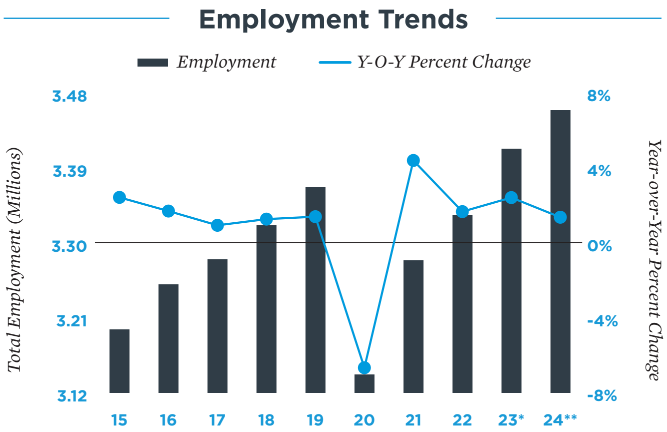


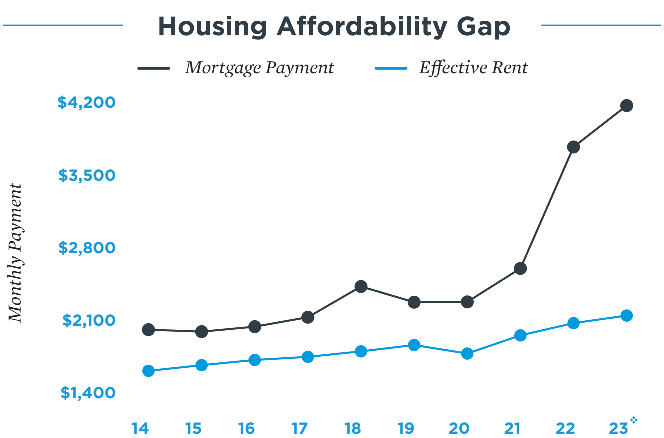
** Estimate ** Forecast*

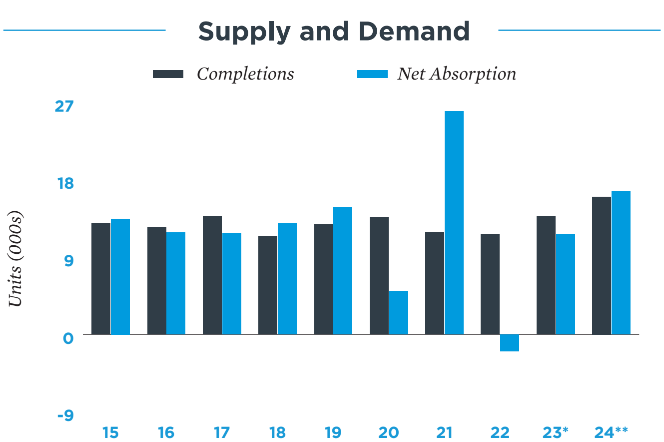
❖ Arrow reflects completions trend compared with 2023

Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

WASHINGTON, D.C.







* Estimate ** Forecast ❖ Through 3Q

⌘2023: 25+ years old

Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

Rents Recalibrate Between Tri-State Locations, Shaping Apartment Demand

The District offers favorable opportunity cost for most renters. Among major primary metros anticipating stock growth of over 2 percent this year, Washington, D.C. stands out as the sole market poised to record a decline in vacancy. Heightened demand for rentals in the District will play a crucial role in supporting this dynamic, after the area's Class A vacancy rate fell considerably in 2023, with its Class B rate holding steady. Recent rent movement, which was largely responsible for this performance, should continue to attract renters to the area. In 2019, the average effective rent for top-tier properties here was $100 per month higher than Northern Virginia's mean. However, the gap between the two regions is now marginal after Class A rent in the District rose just 8 percent over the last four years. Simultaneously, the discount relative to southern Maryland has reached a near-record of $340. This interaction taking shape across the Tri-State area should steer more renters to apartments in the District. While the delivery of 11,000 units by 2025 may pose challenges to property metrics in the near term, increased concessions usage resulting from continued deliveries should sustain demand for new units across neighborhoods in the District. One of such is Navy Yard-Capitol South, which is expected to host the completion of 1,800 units this year.

Investors seek opportunities with limited supply-side competition. In the District, only Southeast D.C. is expected to have less than 1,000 new units completed by 2025. This relative lack of supply-side competition should continue to benefit existing multifamily properties' metrics, eliciting investor interest over the long-term. Here, the average Class B rent grew at one of the fastest paces among major U.S. submarkets in 2023, which should attract buyers to available listings this year. Gaithersburg and Columbia Pike are also expected to record investment activity, due to the limited number of new properties slated for delivery in these locations over the next two years. Additionally, entry costs for larger Class B assets in these submarkets were relatively low, averaging less than $250,000 per year. This expense-reducing factor should further facilitate deal-making, especially as most buyers continue to face financing hurdles.

20.4%
2023 share of local population between 20 and 34 years old

46.9%
of local population hold bachelor's degree or higher ⌘

$607,700
2023 median home price❖

Investment Outlook

Washington, D.C. claims an above-average rent growth score this year, while being in the middle of the pack for both supply and demand. All of these metrics are consistent with the 2023 Index as well, reflecting a sturdy multifamily market. The metro's pace of employment growth also ranks in the top 20 nationally this year.

In 2023, the metro had scores of 2 in both the liquidity and yield portions of the Index. Cap rates remain relatively tight this year, keeping that variable unchanged. Healthy rent growth and demand should stoke buyer interest and strengthen liquidity, however.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index

2024 MARKET FORECAST

NMI Rank 8

Employment 46,000 *jobs* — Metro 1.3% — U.S. 1.1%

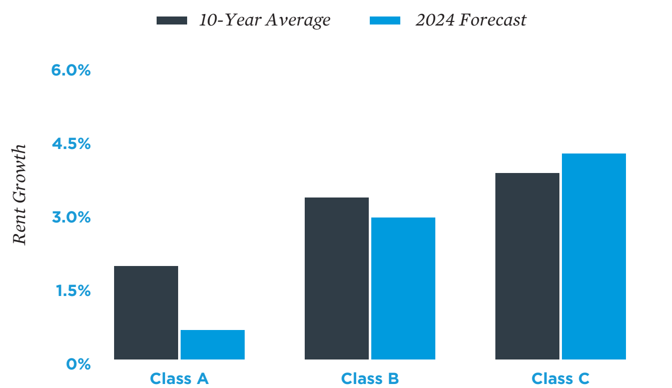
Construction *% of inventory*❖ — Metro 2.3% — U.S. 2.5%

Class A Vacancy Up 10 bps — Metro 5.3% — U.S. 6.5%

Class A Rent $2,701 *per month* — Metro 0.6% — U.S. -1.1%

Vacancy By Class

Rent Growth By Class



** Estimate ** Forecast*

❖ Arrow reflects completions trend compared with 2023

Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

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[1]National Multifamily Index Note: Employment and apartment data forecasts for 2024 are based on the most up-to-date information available as of December 2023 and are subject to change.

[2] Statistical Summary Note: Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December2023. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and apartment data are made during December 2023 and represent estimates of future performance. Sales data includes transactions valued at $1,000,000 and greater unless otherwise noted. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.

Sources: Sources: IPA Research Services; AAA; Adobe Analytics; Charlotte Area Transit System; CoStar Group, Inc.; Downtown Parternship of Baltimore; Experian; Federal Reserve; Freddie Mac; Long & Foster; Moody's Analytics; Mortgage Bankers Association; National Association of Realtors; NMHC; Oxford Economics; Placer.ai; Real Capital Analytics; RealPage, Inc.; Small Business Administration; Standard & Poor's; The Conference Board; Trepp; U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics; U.S. Census Bureau

STATISTICAL SUMMARY

Market Name	Employment[2]				Completions[2]				Class A Vacancy[2]				Class A Rent[2]				Share of Sales Volume ($15M+)[2]			Market Name
	2021	2022	2023*	2024**	2021	2022	2023*	2024**	2021	2022	2023*	2024**	2021	2022	2023*	2024**	2021	2022	2023*	
Atlanta	6.0%	3.4%	1.8%	1.2%	9,000	11,600	20,000	21,000	3.5%	6.1%	7.1%	8.6%	$1,963	$2,117	$2,073	$2,036	90.2%	95.8%	89.1%	Atlanta
Austin	10.0%	6.0%	3.1%	2.6%	11,700	14,300	18,500	27,000	3.9%	6.3%	6.7%	8.4%	$2,063	$2,173	$2,168	$2,127	92.4%	96.0%	91.1%	Austin
Baltimore	4.6%	0.5%	2.3%	1.3%	1,900	1,100	3,200	2,200	2.7%	5.2%	5.9%	6.1%	$2,052	$2,136	$2,186	$2,190	91.5%	94.7%	87.3%	Baltimore
Boston	5.4%	3.1%	2.3%	1.0%	6,100	5,900	7,500	9,500	3.2%	4.2%	6.0%	6.4%	$3,475	$3,720	$3,825	$3,844	81.6%	76.7%	76.5%	Boston
Charlotte	3.9%	3.1%	4.1%	2.3%	9,300	7,300	14,100	17,100	3.5%	6.7%	6.5%	8.2%	$1,784	$2,020	$2,022	$2,001	92.3%	92.7%	92.5%	Charlotte
Chicago	5.7%	2.7%	0.5%	0.6%	7,400	6,000	7,500	7,400	4.5%	5.3%	5.8%	6.0%	$2,392	$2,620	$2,675	$2,696	55.9%	69.4%	71.1%	Chicago
Cincinnati	4.2%	2.7%	2.4%	1.7%	1,000	2,200	2,700	2,800	2.2%	4.8%	5.4%	5.5%	$1,580	$1,750	$1,823	$1,814	44.1%	46.2%	71.0%	Cincinnati
Cleveland	2.7%	1.1%	1.7%	0.9%	900	1,100	1,400	2,000	3.9%	5.4%	6.7%	7.1%	$1,665	$1,806	$1,884	$1,836	26.9%	55.5%	51.9%	Cleveland
Columbus	4.6%	1.3%	0.7%	1.6%	5,400	3,700	5,300	6,000	3.2%	4.9%	5.7%	6.2%	$1,475	$1,633	$1,681	$1,650	76.4%	83.7%	80.5%	Columbus
Dallas-Fort Worth	6.7%	5.6%	3.9%	3.0%	28,100	20,800	26,500	44,000	3.3%	6.0%	6.5%	7.4%	$1,699	$1,871	$1,912	$1,934	90.4%	95.3%	92.8%	Dallas-Fort Worth
Denver	7.0%	2.4%	-0.2%	0.3%	7,300	8,700	10,500	17,500	3.6%	5.8%	6.7%	8.0%	$2,085	$2,212	$2,253	$2,265	85.9%	87.1%	83.3%	Denver
Houston	5.7%	4.7%	2.4%	1.8%	16,800	14,900	20,000	20,500	4.1%	6.8%	6.9%	7.2%	$1,658	$1,804	$1,857	$1,876	90.8%	94.5%	92.8%	Houston
Los Angeles	8.4%	2.8%	1.5%	0.9%	10,900	7,300	10,500	7,300	3.1%	4.8%	5.9%	5.6%	$3,298	$3,529	$3,566	$3,540	28.3%	50.6%	41.5%	Los Angeles
Minneapolis-St. Paul	5.4%	2.1%	1.1%	0.8%	10,100	9,200	9,000	7,000	4.8%	6.7%	6.5%	7.1%	$1,744	$1,872	$1,889	$1,848	73.7%	69.1%	72.2%	Minneapolis-St. Paul
Nashville	5.2%	5.5%	2.9%	1.9%	6,300	8,200	13,800	11,700	3.4%	5.8%	7.2%	7.9%	$1,917	$2,066	$1,996	$2,028	92.1%	95.3%	89.3%	Nashville
New Haven-Fairfield County	4.9%	1.7%	1.7%	-0.3%	2,000	2,800	1,700	2,800	2.7%	5.6%	6.2%	6.7%	$2,769	$3,068	$3,133	$3,108	79.5%	88.1%	76.9%	New Haven-Fairfield County
New York City	7.4%	5.4%	0.6%	1.1%	19,200	25,600	19,000	24,000	4.3%	5.5%	5.3%	5.5%	$4,504	$4,604	$4,662	$4,630	57.3%	47.0%	62.3%	New York City
Northern New Jersey	7.1%	3.0%	1.5%	0.7%	10,800	10,500	10,500	15,000	8.1%	5.8%	6.1%	6.9%	$3,006	$3,210	$3,316	$3,372	67.3%	61.0%	51.0%	Northern New Jersey
Oakland	6.5%	1.9%	1.9%	1.2%	3,300	3,900	3,000	3,800	3.9%	6.5%	6.1%	6.3%	$2,985	$3,229	$3,152	$3,088	57.1%	75.0%	43.7%	Oakland
Orange County	7.5%	3.3%	1.8%	1.0%	2,500	2,600	2,100	3,300	1.7%	3.7%	4.2%	4.2%	$2,883	$3,058	$3,134	$3,196	61.7%	72.2%	81.0%	Orange County
Orlando	10.2%	5.7%	1.8%	1.7%	10,000	7,300	9,000	12,000	3.0%	5.4%	6.6%	7.4%	$1,888	$2,090	$2,056	$2,049	96.8%	97.7%	97.9%	Orlando
Phoenix	5.5%	3.1%	2.0%	1.1%	10,600	13,300	18,300	27,800	2.8%	6.3%	7.9%	9.7%	$1,899	$1,946	$1,893	$1,862	86.9%	92.0%	92.6%	Phoenix
Portland	6.2%	3.6%	1.9%	1.0%	6,900	3,100	4,000	4,900	4.0%	6.2%	7.5%	7.7%	$1,802	$1,921	$1,895	$1,853	61.9%	76.9%	64.9%	Portland
Raleigh	5.6%	3.8%	4.2%	2.4%	4,500	6,400	10,800	15,700	3.2%	5.2%	6.6%	8.0%	$1,712	$1,872	$1,861	$1,840	94.9%	95.1%	91.1%	Raleigh
Riverside-San Bernardino	7.4%	2.7%	0.9%	0.4%	1,300	1,000	2,500	3,100	2.0%	5.0%	5.8%	6.2%	$2,470	$2,500	$2,525	$2,532	77.2%	82.3%	75.3%	Riverside-San Bernardino
Salt Lake City	4.3%	3.1%	2.7%	2.0%	5,300	6,000	10,300	11,000	2.6%	5.3%	6.7%	8.2%	$1,639	$1,818	$1,813	$1,810	73.0%	78.4%	80.9%	Salt Lake City
San Antonio	5.5%	4.7%	2.6%	1.7%	4,800	2,700	5,400	9,000	3.5%	6.9%	7.4%	8.4%	$1,479	$1,551	$1,541	$1,520	83.3%	92.4%	91.0%	San Antonio
San Diego	9.0%	3.9%	1.0%	0.7%	4,300	2,900	3,600	2,900	1.9%	4.0%	5.1%	5.2%	$2,857	$3,203	$3,268	$3,341	51.5%	63.9%	67.7%	San Diego
San Francisco	9.9%	3.8%	1.0%	0.7%	4,500	3,600	2,200	2,700	12.0%	8.2%	8.9%	8.7%	$3,645	$3,657	$3,608	$3,522	41.1%	45.0%	41.3%	San Francisco
San Jose	6.1%	4.1%	1.2%	0.8%	3,500	3,200	1,900	3,800	4.0%	6.0%	5.5%	5.6%	$3,326	$3,693	$3,564	$3,490	75.8%	58.9%	83.1%	San Jose
Seattle-Tacoma	5.7%	3.6%	2.2%	1.2%	9,200	10,800	8,300	17,600	4.1%	6.0%	5.9%	6.8%	$2,299	$2,445	$2,495	$2,464	74.7%	83.9%	77.2%	Seattle-Tacoma
Southeast Florida	1.7%	0.1%	0.5%	2.0%	14,300	10,700	14,700	20,100	2.5%	5.1%	5.9%	6.5%	$2,712	$3,052	$3,113	$3,164	80.5%	84.5%	77.0%	Southeast Florida
Tampa-St. Petersburg	5.8%	4.8%	1.9%	1.1%	6,200	7,700	6,400	7,900	2.9%	5.6%	6.4%	6.8%	$2,147	$2,383	$2,437	$2,468	91.4%	88.8%	85.9%	Tampa-St. Petersburg
Washington, D.C.	4.4%	1.7%	2.4%	1.3%	11,900	11,700	13,700	16,000	3.8%	5.3%	5.2%	5.2%	$2,496	$2,629	$2,684	$2,701	95.1%	94.9%	93.2%	Washington, D.C.
United States	**5.1%**	**3.2%**	**1.7%**	**1.1%**	**356,200**	**328,600**	**420,000**	**480,000**	**3.1%**	**5.3%**	**6.0%**	**6.5%**	**$2,055**	**$2,228**	**$2,261**	**$2,236**	**72.8%**	**80.9%**	**74.6%**	**United States**

** Estimate ** Forecast*

[2] See Statistical Note on Page 80

CONNECTING THE RIGHT **INVESTORS** WITH THE RIGHT **OPPORTUNITIES**

IPA embraces a new world of commercial real estate with institutional connectivity and a versatile platform. We are constantly evolving our process, exceeding expectations, and delivering results.

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