Marcus & Millichap

2024 MULTIFAMILY

National Investment Forecast

TO OUR VALUED CLIENTS

The economy has proven to be much more resilient than many expected, and the broadly-anticipated recession never came. Instead, employers added jobs at a steady clip, keeping unemployment historically low under 4 percent, supporting strong consumer spending even in the face of lingering high inflation. Now, entering the new year, the momentum appears to support sturdy, albeit modest, economic gains in 2024.

Against the complex economic background, the nation's multifamily sector is contending with its own challenges: The chief among them being record new supply. By the end of 2024, nearly 900,000 apartments will have opened since the start of 2023. While many of these completions are slated for faster-growing secondary and tertiary markets, which captured household relocations from the pandemic, operations will still be pressured in the near-term. At the same time, the affordability landscape between markets is also shifting, which has implications for performance this year and further into the horizon.

Ultimately, every market is following its own trajectory. To help commercial real estate investors capitalize on the complexities of the investment climate, Marcus & Millichap presents the 2024 National Multifamily Investment Forecast.

Thank you and here's to your continued success,

JOHN SEBREE
Senior Vice President
Director
Multi Housing Division

PETER STANDLEY
Vice President
Director
Multi Housing Division

JOHN CHANG
Senior Vice President
Director
Research Services

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CLIENT SERVICES

Developed by Marcus & Millichap Research Services.

Additional contributions were made by Marcus & Millichap investment brokerage professionals nationwide.

EXECUTIVE SUMMARY

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 the 2023 pace this year, or possibly lower if economic conditions temper more than expected. While a soft landing to the Federal Reserve's tightening policies is still more likely than not, a miss-step would not be hard to take.

NATIONAL MULTIFAMILY OVERVIEW

- Positive momentum is gathering across the national multifamily landscape, 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. Although this is likely the peak of the current cycle, it will take time for these units to be absorbed into the rental market.
- While supply pressure is high, so are today's barriers to homeownership, due to both elevated mortgage rates and stubbornly-high sale prices. These factors will delay first-time home purchases for many current renters, expanding the rental pool.

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 expectation gap between buyers and sellers. Yet, slower rent growth, elevated vacancy rates and higher operating costs have also weighed on seller motivation. In addition, the much-anticipated deluge of properties driven to market by maturing debt, higher refinance rates and tighter debt service restrictions has not materialized. As investors calibrate to the more stable, but higher interest rate climate in the coming year, 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 expectation gap. Value creation has begun to surface as the hallmark strategy for investors contemplating negative leverage transactions.

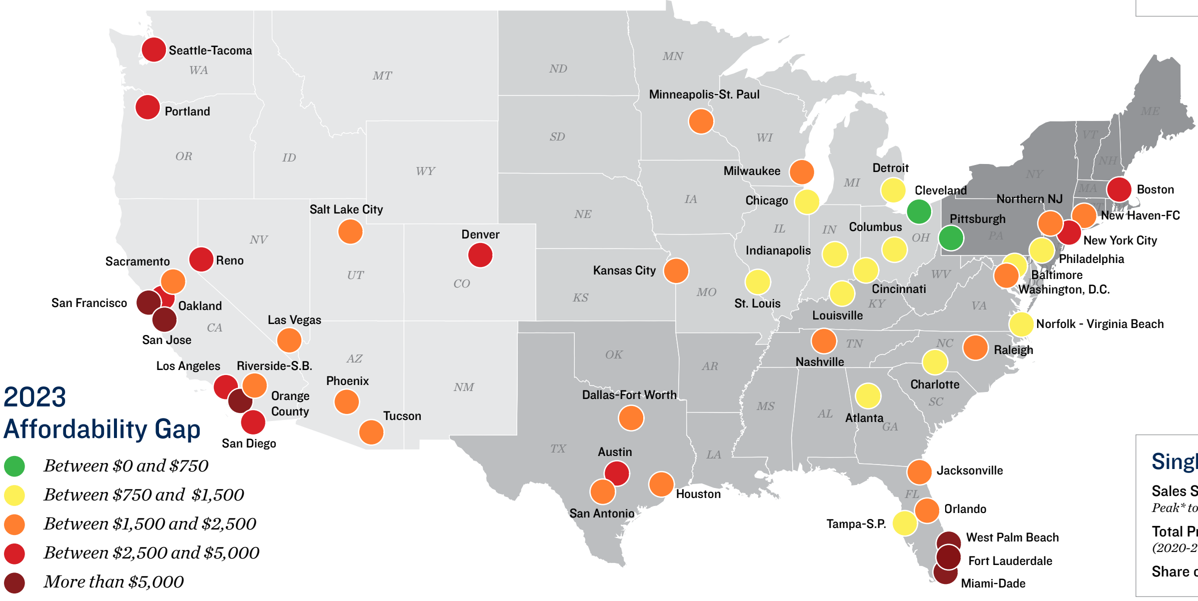
HOMEOWNERS HUNKER DOWN: HOUSEHOLDS RENTING LONGER

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: Marcus & Millichap Research Services; CoStar Group, Inc.; National Association of Realtors; Moody's Analytics; RealPage, Inc.; U.S. Census Bureau

Housing Market Dynamics

After surge, limited listings constrain sales. The 2019-2021 run-up in home prices, 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.

High ownership costs underscore appeal of rentals. The combination of higher sale prices and elevated mortgage rates have 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 City now exceed $10,000, while even small satellite metros like Reno and Tucson have seen their margins climb by 200 percent. For the segment of the renter pool contemplating homeownership, this historic cost premium will keep many utilizing apartments for longer, both enlarging and enriching the overall population of renters.

Large Development Slate Exerts Influence this Year as Some Established Markets Gain Momentum

Supply surge impedes near-term progress, even among the most dynamic metros. 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 this year's National Multifamily Index. A distinguishing factor among some of the leading markets, including Dallas-Fort Worth (#1), Salt Lake City (#6), Charlotte (#8) and Raleigh (#12), from other metros with high-growth but heavy development, such as Denver (#25), San Antonio (#26) and Phoenix (#34), is comparatively stronger household formation among younger, renter-predisposed demographics. New supply pressure is particularly strong in Austin (#16) and Nashville (#18), despite favorable demographics. On the other side, Las Vegas holds the national distinction of welcoming more new households from 2023 to 2024 than new apartments, supporting strong revenue growth and propelling the market to the 10th spot in the 2024 Index.

High home costs backstop rental demand in metros with more stable populations. 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. (#11), Columbus (#28) and Milwaukee (#32). 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 (#13), Los Angeles (#19) and New York City (#21). 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 (#40), Philadelphia (#41), Cleveland (#45), Detroit (#49) and Pittsburgh (#50) in the lower third of rankings for this year.

Index Methodology

The NMI ranks 50 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, a market's ranking may fall from one year to the next, even if its fundamentals are improving. The NMI is an ordinal Index, and differences in rankings should be interpreted carefully. 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	*Fort Lauderdale*
6	*Salt Lake City*
7	*Miami-Dade*
8	*Charlotte*
9	*West Palm Beach*
10	*Las Vegas*
11	*Washington, D.C.*
12	*Raleigh*
13	*Orange County*
14	*Indianapolis*
15	*Seattle-Tacoma*
16	*Austin*
17	*Reno*
18	*Nashville*
19	*Los Angeles*
20	*Tucson*
21	*New York City*
22	*Portland*
23	*San Francisco*
24	*Oakland*
25	*Denver*
26	*San Antonio*
27	*San Jose*
28	*Columbus*
29	*Riverside-San Bernardino*
30	*Orlando*
31	*Jacksonville*
32	*Milwaukee*
33	*Boston*
34	*Phoenix*
35	*Atlanta*
36	*Chicago*
37	*Cincinnati*
38	*Baltimore*
39	*Minneapolis-St. Paul*
40	*Northern New Jersey*
41	*Philadelphia*
42	*Norfolk-Virginia Beach*
43	*Sacramento*
44	*Louisville*
45	*Cleveland*
46	*Kansas City*
47	*St. Louis*
48	*New Haven-Fairfield County*
49	*Detroit*
50	*Pittsburgh*

[1] *See National Multifamily Index Note on page 64*

U.S. Economy Proves More Durable Than Expected; Fed's Quest to Tame Inflation Could Still Pose a Risk

New year brings new growth opportunities. Despite initial concerns, last year proved to be a robust period for the economy. Real GDP growth is estimated 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 risen dramatically over the past two years, however, as the Federal Reserve has worked to cool inflation. These decisions are now beginning to take a 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 held above 6 percent for more than a year, while bank lending rates on multifamily assets were in the mid-6 to mid-7 percent zone. Businesses and consumers are also less likely to make major outlays at a time when the cost of debt is high.

Hiring continues at measured pace, costlier debt a factor. An estimated $790 billion in U.S. corporate debt is set to mature in 2024. As many of these loans were taken out before the Fed began hiking interest rates, refinancing may force some deleveraging. Together with rising operating expenses, the resulting hit to the bottom line could prompt firms to do more with less. While approximately 2.7 million jobs were created in 2023, above the 2010-2019 annual average, employment growth is set to be around two-thirds of that pace this year. It is likely some job losses will occur in certain industries and markets for part of 2024. Less income security is likely to temper household discretionary spending. Yet, the unemployment rate is expected to stay low this year, potentially staying in the low-4 percent bound, even if the job market cools. All of these factors put the national economy on track to grow slowly. A soft landing, where the Federal Reserve briefly stalls economic growth without causing a contraction, is the consensus outlook, but is not without risk. An unexpected black swan event or geopolitical crisis could also derail progress.

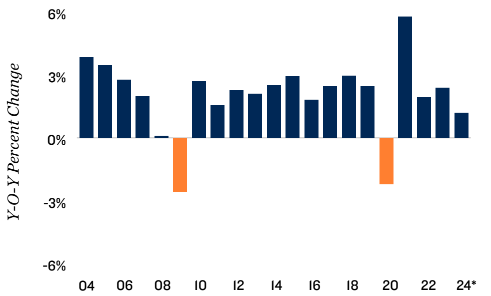
2024 NATIONAL ECONOMIC OUTLOOK

- **Employers' relationship with labor evolving.** Last year's better-than-average hiring belied numerous underlying labor disputes, with groups spanning a wide swath of industries engaging in strikes. While the outcomes of these agreements generally benefited workers' financial health, additional business expenses could impact corporate investment this year. New labor disputes in other fields could also arise.

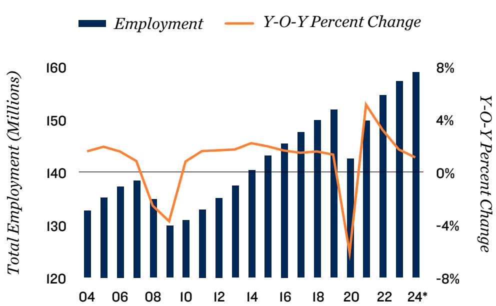
- **Home price appreciation bolsters household wealth.** The median sale price on a single-family home nationally has increased over 40 percent since the end of 2019. For homeowners, the additional equity has unlocked new spending potential. Homeowners with mortgages are also in good standing. The share 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 2008-2009 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.

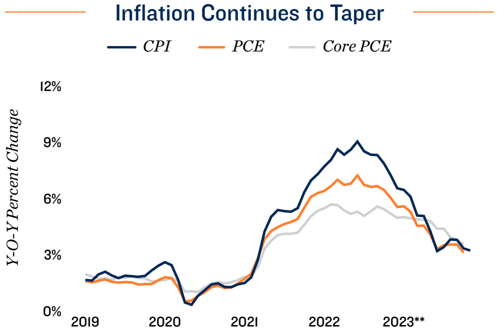
GDP Growth Moderates After Turbulence



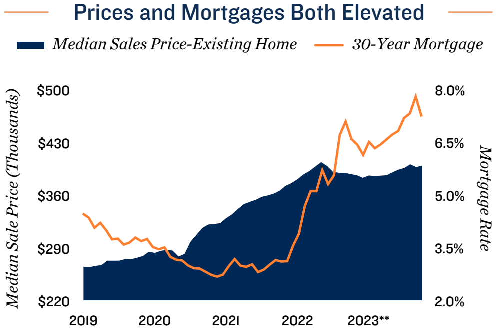
Hiring to Slow in 2024



Inflation Continues to Taper



Prices and Mortgages Both Elevated



* Forecast

** PCE, Core PCE and Median Home Price Through October, CPI and Mortgage Rate Through November

Sizable Delivery Pipeline Disguises Impact of Improving Demand as 2024 May Prove Key Year for Housing

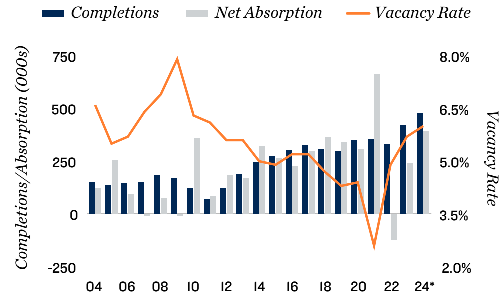
Record supply pace gets briefly ahead of demand. Positive momentum is building across the national multifamily landscape. Decades-high inflation shook the financial confidence of many households in 2022, leading to a freeze in formations. The net absorption of rentals returned to positive territory last year, however, accelerating each quarter, and the positive momentum is set to continue this year as inflation tapers. Yet, even as renter demand improves, vacancy rates and rent growth are softening. The chief culprit behind this mismatch is new supply. Developers, not to be outdone by last year's record 420,000 units, are on track to open approximately 480,000 doors in 2024. The impact on rent trends is clear. Exiting 2023, upward rent adjustments on renewals had slowed to half the post-pandemic high, while the use of concessions to draw new leases was rising. The capacity to maintain occupancies and drive rent growth will be limited until this year's sizable pipeline is absorbed into the market. Fortunately, 2024 will mark a cyclical peak for development. Groundbreakings began to decline late last year as less capital availability, on top of higher labor and material costs, 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.

Tight housing market underscores need for rentals. 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 record. Only about a quarter of households qualify for a mortgage, half the 2019 level. 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. Affordability concerns will play a role this year as well. The mean Class C effective rent has climbed faster than the Class A rate since pre-pandemic, which, amid other cost increases, places a substantial burden among income-constrained households. If a meaningful labor slowdown occurs, Class C operations could be impaired.

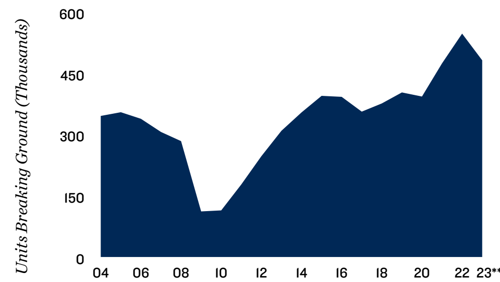
2024 NATIONAL MULTIFAMILY OUTLOOK

- **Primary CBDs return to familiar performance levels.** While apartments in primary markets, and their central districts in particular, were hard-hit by the pandemic early on, they are now performing more in line with where they were before 2020. This counters concerns that suburban migration would erode the nation's largest urban centers.
- **Regulatory environment continuing to evolve.** 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.
- **Class-based fundamentals could widen.** Class B assets may face challenges this year, if the cumulative impact of inflation pushes some renters to a lower-quality tier. At the same time, renters by choice have numerous recent Class A builds to choose from, which could impact existing higher-end properties.

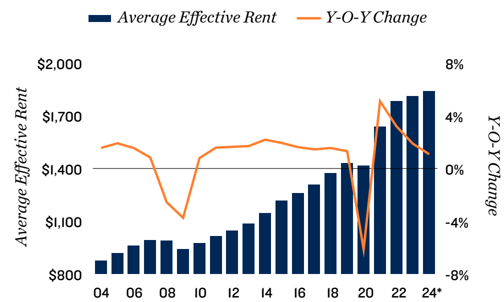
Demand Improves Amid Record New Supply



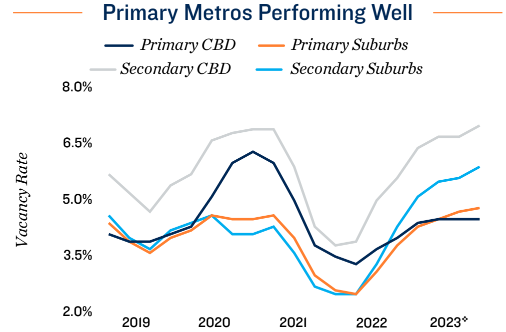
Construction Starts Falling



Rent Growth Moderating



Primary Metros Performing Well

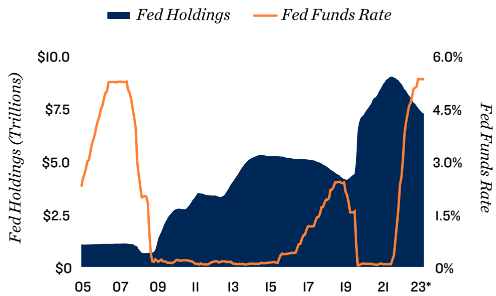


* Forecast

** Through October

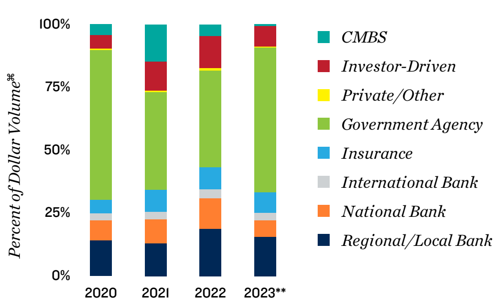
* Through 3Q

Fed Maintaining Tight Monetary Policy

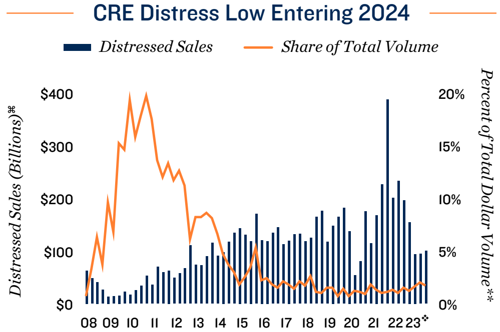


Treasury Yield Trends

Multifamily Lender Composition



CRE Distress Low Entering 2024



* Through Dec. 14

** Estimate

* Through 3Q

* Sales $2.5 million and greater

Investor Optimism Boosted by Flattening Interest Rates, But Tight Lending Climate Remains a Headwind

Fed widely expected to ease rates in 2024. 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 in 2024, 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 before it settled near 4 percent. However, upward pressure will continue to be applied to the 10-year Treasury by the Fed's quantitative tightening efforts — constituting monthly balance sheet reductions of $95 billion — and the U.S. Treasury Department's issuance of new notes to manage the nation's deficit.

Bank lending tight, but expected to ease. Higher borrowing costs continue to complicate multifamily property investment. By late last year, lending rates for apartment acquisitions from banks, life companies and government-sponsored agencies had climbed to the mid-6 to mid-7 percent range, with debt service coverage requirements that generally reduced loan-to-value ratios to the 55 to 60 percent range. 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, a standard trend during tight lending cycles. Looking forward, investors remain optimistic that lenders will begin to loosen underwriting from the current ultra-tight standards, and that borrowing rates will begin to trend lower at some point in 2024. Key indicators like FedWatch and the SOFR forward curve portend modest rate reductions. As 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 a welcome respite from the higher rate climate. This could foster a modest transaction activity revival in 2024.

2024 CAPITAL MARKETS OUTLOOK

- **FDIC guidance supports extensions.** In June last year, the Federal Deposit Insurance Corporation provided guidance to banks, empowering them to offer loan accommodations and workouts to mitigate commercial real estate debt stress. Though not every bank utilized this flexibility with all loans, it did alleviate some of the expected distress many anticipated from a wave of maturing debt.

- **Bank outlook improving.** Despite the shutdown of several significant banks 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.

- **Lenders restrain construction pipeline.** Capital providers 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, offering an anticipated reprieve from the wave of development that has helped push vacancy rates higher over the last two years. Although apartment additions are expected to reach a new peak in 2024, this should represent the high-tide mark of this cycle.

Investor Strategies Revive Traditional Perspectives; Stabilizing Interest Rates Aid Market Calibration

Interest rate consistency to bolster transaction activity. The multifamily investment sales climate has realigned with historical norms, following two years of record trading. Transaction flow last year roughly matched 2014 levels, marking a significant decline compared to the cycle peak set in 2021-2022. The slowdown 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. While record pricing in 2021-2022 incentivized owners to sell, the current climate has convinced many to extend their hold period. In addition, 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.

Investors rekindle strategies common before financial crisis. The prospect of flat, or even modestly declining, interest rates should bolster investor activity in the coming year. Significant capital awaiting deployment at both the institutional and private levels should begin to emerge, facilitating price discovery and helping to narrow the expectation gap. Value creation has begun to surface as the hallmark strategy for investors contemplating negative leverage transactions. Although cap rates have risen up to 200 basis points on average over the past year, ranging by market, asset class, and other variables, they often remain below the cost of debt capital. As a result, buyers will focus on ways to quickly boost revenues through improved operations, property upgrades or other means. Multifamily investors are migrating toward traditional standards prevalent before the global financial crisis (GFC) and the era of generationally low interest rates that followed.

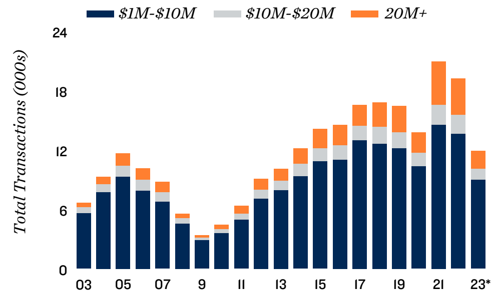
2024 INVESTMENT OUTLOOK

- **Investors continue to broaden acquisition range.** Roughly 40 percent of trades in 2023 took place in tertiary metros, a share that is now nearly in line with the 45 percent allocation to primary markets. Smaller cities generally face reduced supply pressure, while benefiting from cost-of-living motivated in-migration. Investors' pursuit of yield will likely reinforce this trend in 2024.

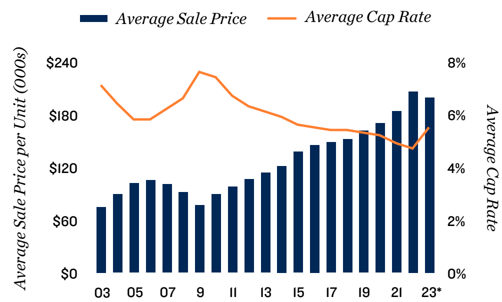
- **Rising operating costs a concern.** Average insurance costs have climbed by 120 percent over the past four years, driven by an increase in the frequency and magnitude of natural disasters, together with higher property values and repair costs. When combined with a 40 percent average rise in property taxes since 2018 and higher labor costs, investor margins have been squeezed.

- **Investor "generation gap" increasingly salient.** Investors who came of age since the GFC have framed their strategies within the context of a 2.5 percent mean 10-year Treasury rate and rent growth ranging above 5 percent. Comparatively, investors active in the 90s and early 2000s operated with an average 5.5 percent 10-year Treasury and rent gains near 3.5 percent, which align closer to the anticipated investment climate going forward. This could strongly influence which investors will be most active this year.

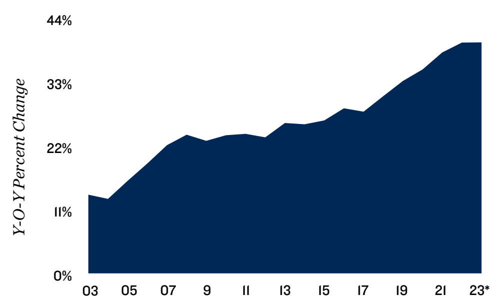
Multifamily Transaction Activity



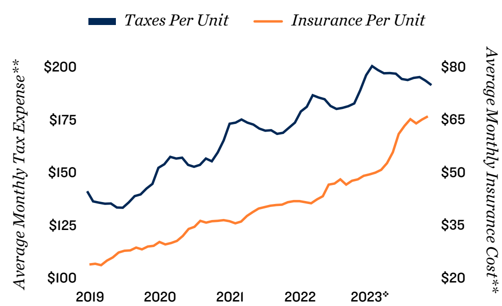
Price vs. Cap Rate



Share of Trades in Tertiary Metros Elevated



Taxes, Insurance Growing Concerns



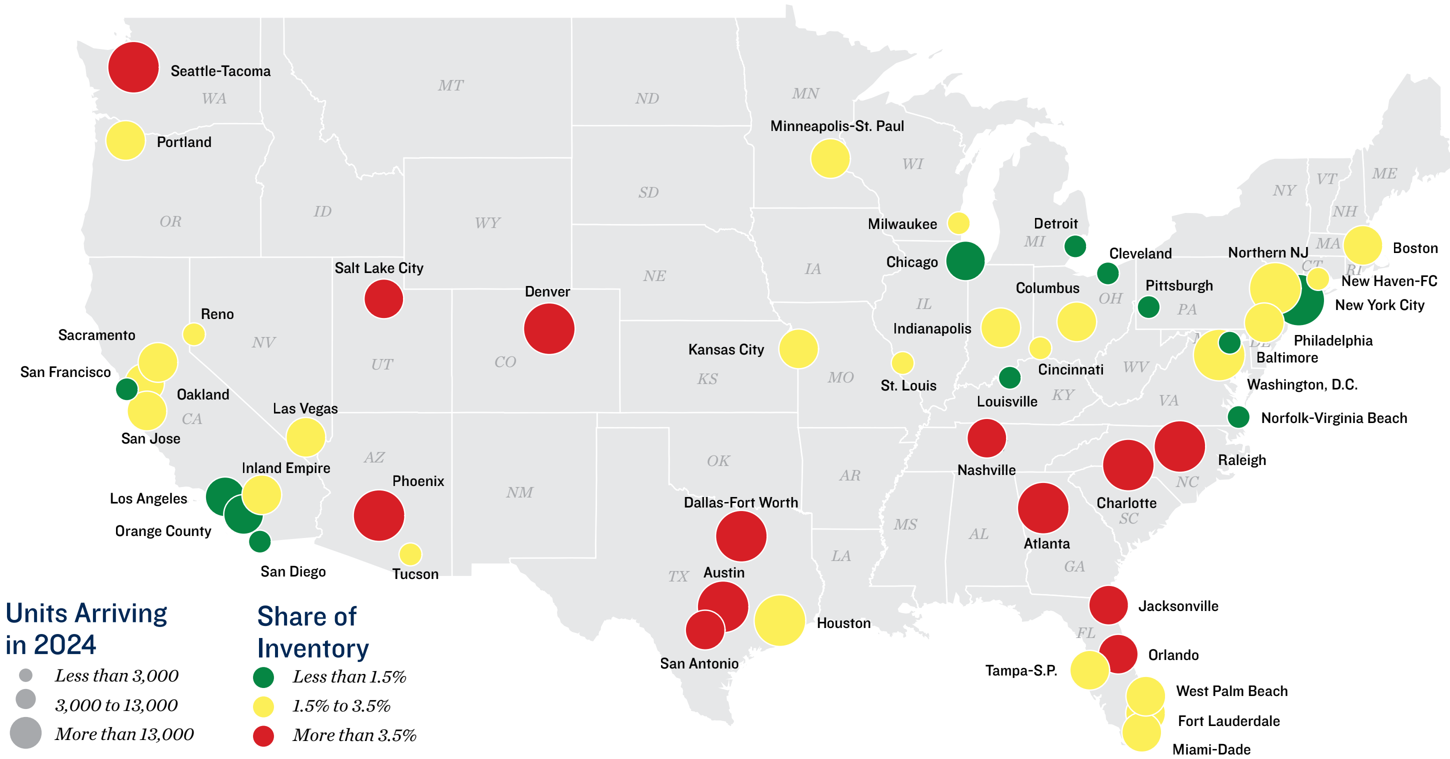
* Estimate

** Trailing-three-month average

+ Through November

SUPPLY PRESSURE LARGELY CONCENTRATED IN SUN BELT

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%*

Tight post-lockdown vacancy 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.

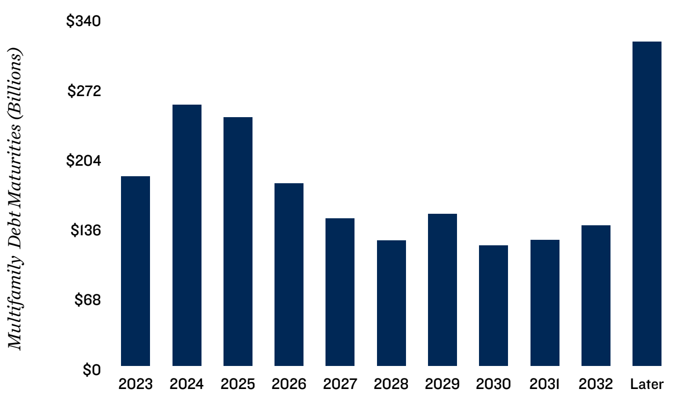
Not all parts of the country face the same supply pressures. Over the past 15 years, development has shifted away from the West Coast and mid-Atlantic toward the Rocky Mountains and the Southeast, including Florida, while staying prevalent in Texas. This generally aligns with stronger population growth 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*

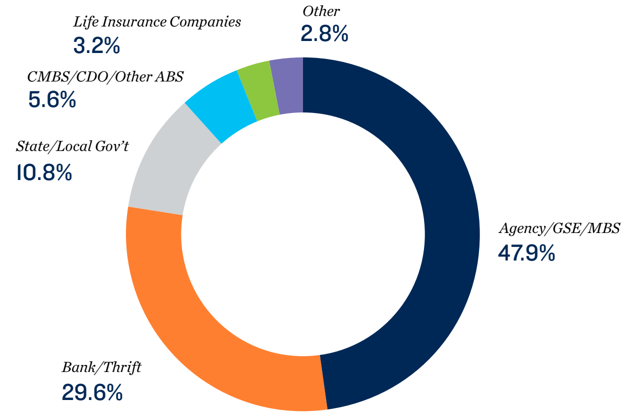
Sources: Marcus & Millichap Research Services; CoStar Group, Inc; RealPage, Inc.

COMMERCIAL PROPERTY DEBT MATURING, BUT DELINQUENCY LOW FOR NOW

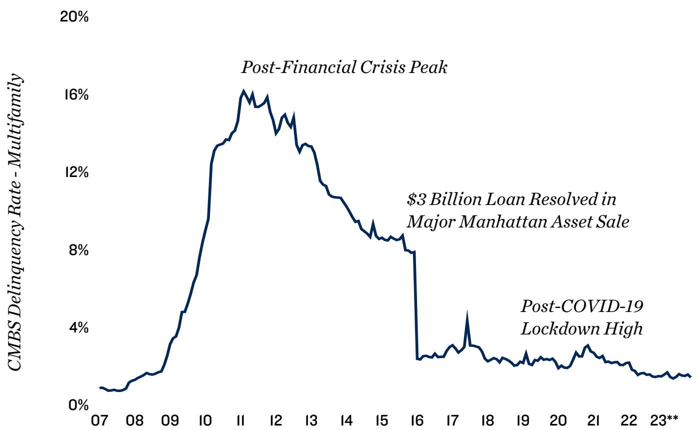
Multifamily Debt Maturities Over Next Decade*



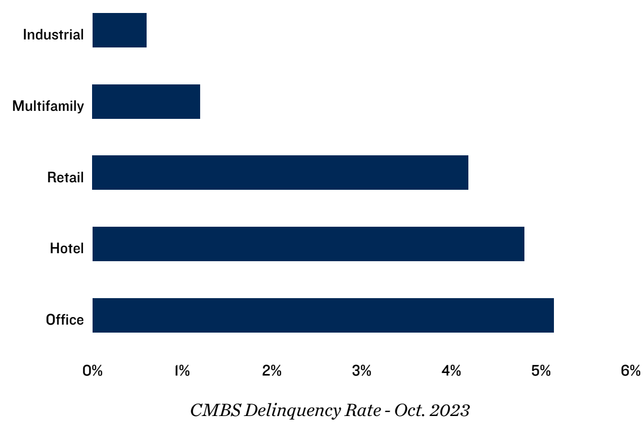
Share of Outstanding Multifamily Debt**



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 concern 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*

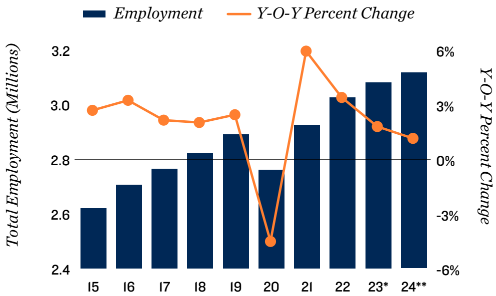
✣ Through September

Sources: Marcus & Millichap Research Services; Mortgage Bankers Association; Moody's Analytics

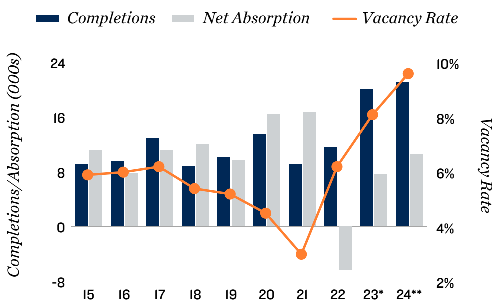
ATLANTA

Bifurcated Performance Among Apartment Classes Reflects Local Impact of Inflation

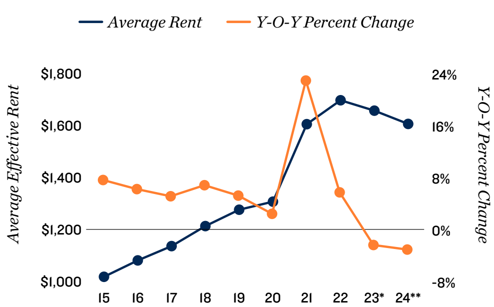
Employment Trends



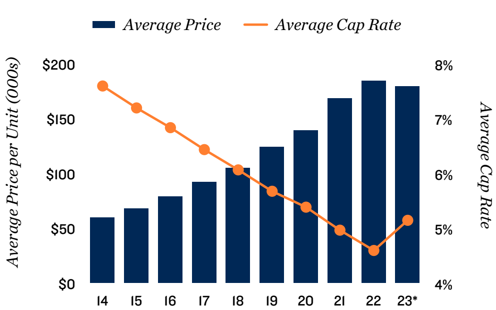
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

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

New supply and cost-of-living concerns affect Class A and C performance, respectively. Top-tier apartment vacancy remained below 7 percent last year, despite developers bringing roughly 20,000 units to market, indicating solid demand for luxury units that should carry through in 2024. While a high volume of stock 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. Still, these same factors may generate headwinds for lower-tier apartments. In 2023, 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. This is evidenced by Class C vacancy increasing by 590 basis points between the end of 2021 and late 2023, despite consistent sub-4 percent unemployment during that period. Elevated costs of goods and services will continue to burden these renters, potentially keeping Class C vacancy above the trailing decade-long average of 6.4 percent for an extended period.

Some investors waiting out fluctuating fundamentals. Adding to financing headwinds noted nationwide, cooling apartment performance metrics are also shaping Atlanta's investment market. 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, particularly in the sub-$10 million price tranche, indicating that smaller investors may be coming back to market as the upward path of interest rates stabilizes.

2024 MARKET FORECAST

NMI RANK 35 — ***Rapid inventory growth and a resulting sharp vacancy increase place Atlanta closer to the bottom of this year's rankings.***

+1.2% — **EMPLOYMENT:** Atlanta's employment base will grow by 36,000 jobs, marking the fourth consecutive year of expansion. Still, a 1.2 percent increase denotes the slowest annual gain since 2010.

21,000 *units* — **CONSTRUCTION:** The 21,000 doors slated for completion in 2024 will achieve a multi-decade record, growing apartment supply by 3.7 percent this year.

+150 bps — **VACANCY:** Aided by a significant inventory increase, vacancy will rise by more than 100 basis points for the third consecutive year. The year-end rate of 9.6 percent is the highest in over a decade.

-3.1% — **RENT:** Rents are expected to contract for a second year, after a 2.4 percent decrease in 2023. The average effective rent of $1,603 per month is nevertheless 25 percent above the year-end 2019 level.

INVESTMENT: *Investors may look into the Six West project, an initiative in College Park hoping to spur retail-residential development in a portion of the metro historically impacted by nearby airport traffic.*

Austin Braces for Record-High Completion Slate; Corporate Relocations Promote Investment

Increasing renter base will counterbalance the 2024 supply wave long-term. Austin will have the fastest-growing age 20- to 34-year-old cohort among major U.S. markets in 2024 as the group expands by 1.8 percent. This demographic traditionally rents while saving for a first-time home purchase, a trend that is prolonged in Austin due to the rising cost of a median-priced single-family house, up over $100,000 since just 2019. While Austin's renter pool is consistently augmented by in-migration — a trend unlikely to end in the near future as companies like Tesla, Apple and Oracle make the metro home — multifamily supply additions have begun to outpace demand. This dynamic places significant upward pressure on vacancy, resulting in the metric hitting a 20-year high in 2024. The supply wave is likely reaching its peak, however, as new starts have fallen amid rising material, labor and borrowing costs, allowing supply and demand to realign long-term.

Samsung factory highlights outer suburbs for potential buyers. Despite construction pushing up vacancy across the metro, active investors will likely target areas with company expansions slated for 2024. This year, Samsung will complete a $17 billion semiconductor factory in Taylor, bringing over 2,000 high-skilled jobs. The facility's proximity to Georgetown, Round Rock and Pflugerville highlights the growing renter pool in outer suburbs to potential buyers. Multi-property purchases witnessed in these areas in 2023 will likely continue into this year as investors look to establish a footprint in suburbs primed for an influx of residents. High-paying tech jobs arriving in Austin will also backstop Class A apartment demand, while service industries expand to support the added population, providing prospective renters for Class B and C units. Top-tier properties had the tightest metro vacancy exiting 2023, sitting below 6.5 percent, but both the mid- and lower-tier sectors were within 70 basis points of that mark.

2024 MARKET FORECAST

NMI RANK 16 *Strong employment and household growth keep Austin in the top half of the Index, despite record completions and rising vacancy.*

+2.6% **EMPLOYMENT:** Nearly matching last year's additions, Austin will welcome 35,000 jobs on net in 2024. This brings total employment to roughly 40 percent above where it was a decade prior.

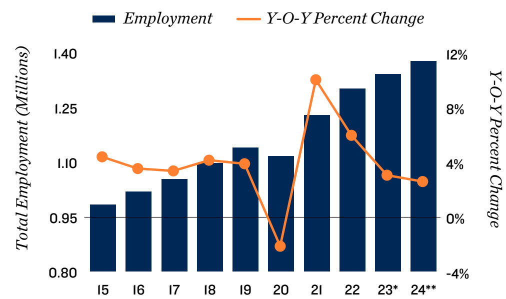
27,000 *units* **CONSTRUCTION:** Metro inventory will grow by an unprecedented 8.9 percent, the largest expansion among major U.S. markets, reaching a local record-high completion slate for the fifth consecutive year.

+80 bps **VACANCY:** The sudden and persistent acceleration in Austin's stock has placed significant upward pressure on vacancy, despite continued renter demand. By year-end, the metric will reach 7.9 percent.

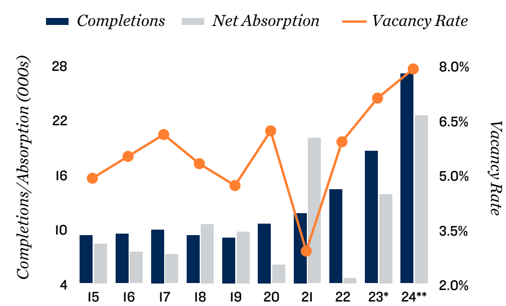
+0.6% **RENT:** The average effective rent in Austin fell by 1.7 percent in 2023, a trend that will reverse in 2024. By December, the mean effective rent will inch up to $1,650 per month.

INVESTMENT: *Tesla's Texas Gigafactory expansion, slated for 2024 in East Austin, demonstrates the submarket's long-term growth trajectory to investors, despite the 5,000-plus unit local pipeline advancing vacancy near-term.*

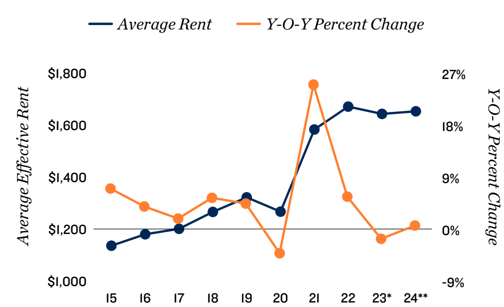
Employment Trends



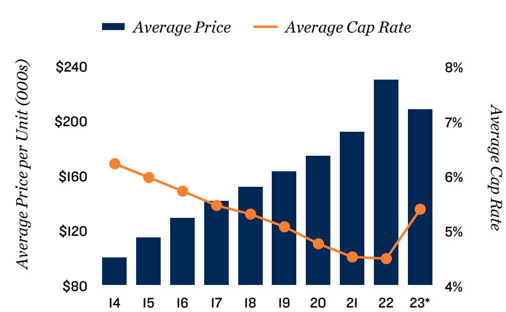
Supply and Demand



Rent Trends



Sales Trends



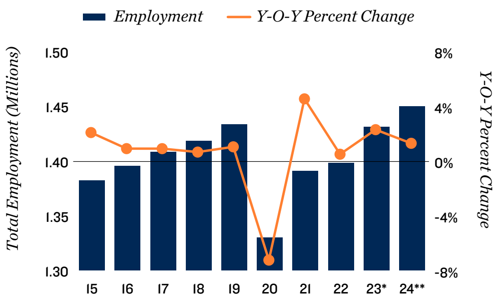
** Estimate; ** Forecast*

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

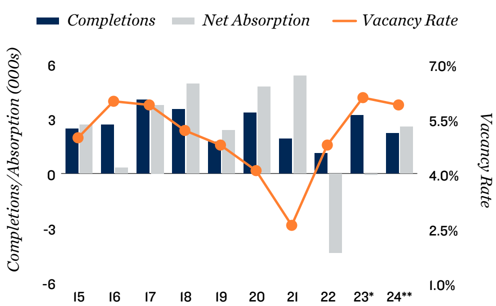
BALTIMORE

Core Rentals Absorb Latent Single-Family Demand, Sustaining CBD Investment

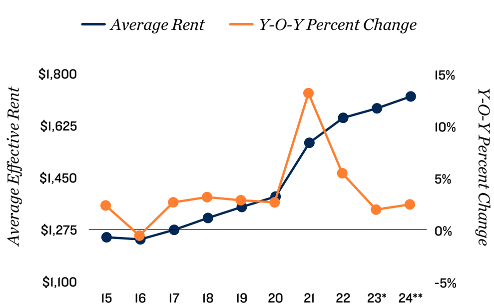
Employment Trends



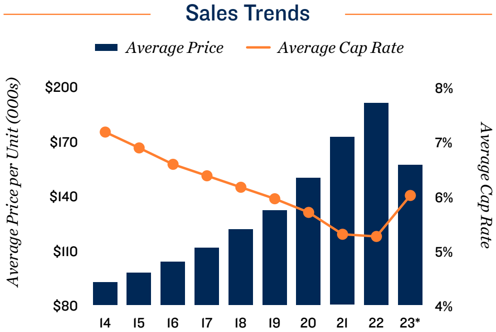
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

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

Single-family crunch kickstarts multifamily demand. Baltimore's for-sale housing inventory fell substantially in 2023, keeping local home prices on the rise. The metro's difference between the monthly mortgage payment on a median-priced home and the mean multifamily Class A rent grew to $780 as a result last year, more-than doubling in 12 months. Higher homeownership barriers have already helped net absorption return to positive territory last year, after net relinquishment in 2022. Much of this returning demand has been hosted by Downtown Baltimore, where an over-5 percent gain in local stock during 2023 motivated some operators of Class A apartments to increase concessions and ease rents. This trend should hold into the rest of 2024, with the area welcoming the delivery of over 1,000 units for the second consecutive year. These builds should nevertheless be well-received in the long-term, as the return of multiple employers to the CBD will greatly increase the local renter base. The Maryland Department of Health and The Maryland Department of Labor will each relocate to the core later this year, while T. Rowe Price sets up a 550,000-square-foot headquarters nearby at Harbor Point this May.

CBD sustains deal flow. Home to the most net absorption last year, Downtown Baltimore observed the largest number of deals for apartments. Class B and C assets, in particular, have sustained investor interest as each segment will evade much of the future supply-side risk. This pattern was reflected in submarkets across the metro as well. Preliminary data from 2023 indicates top-tier assets comprised the smallest share of total metro deal flow noted in any of the previous five years. Despite recently subdued activity, these complexes are positioned to land back on buyers' radars longer-term. The metro's housing crunch, as well as continued, above-average job growth throughout the rest of 2024, should draw greater rental demand and subsequent investor interest for top-tier assets moving forward.

2024 MARKET FORECAST

NMI RANK 38 — ***While property performance is improving, Baltimore's unfavorable demographics give it a lower ranking in the 2024 NMI.***

+1.3% — **EMPLOYMENT:** While hiring is expected to slow down from last year, job growth will still nearly double the long-term pace in 2024 amid the addition of 19,000 new roles on net.

2,200 *units* — **CONSTRUCTION:** Stock expansion in 2024 will be the lowest across mid-Atlantic metros, at 0.9 percent. Most new units slated for delivery are underway in Downtown Baltimore and Baltimore City East.

-20 bps — **VACANCY:** Marketwide vacancy lowers to 5.7 percent in 2024. Mirroring last year, local rates are likely to compress further in Annapolis and Southwest Baltimore County throughout the coming months.

+2.4% — **RENT:** Baltimore's rent growth accelerates, as the average effective rate ends 2024 at $1,720 per month. The Class C segment will likely lead the charge, after noting 3.0 percent growth in the last year.

INVESTMENT: *Nominal Class A pipelines in Columbia-North Laurel, Ellicott City-Elkridge and the northern portions of Anne Arundel County help rekindle local institutional interest amid tighter single-family affordability.*

Polemic on Multifamily Zoning Continues as Urban Core is Well-Poised to Absorb New Supply

City center attracts projects as suburban development push lags. The ongoing implementation of a zoning initiative in 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. As debate continues, 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. The biotech cooldown should be a boon to urban apartment development, as the multifamily sector had faced steep competition from life science developers for available parcels, particularly those proximate to public transit. While a supply influx will impact vacancy in the near-term, 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.

Buyers pursue units proximate to Boston proper. Transaction velocity improved throughout 2023, owing to the market's solid long-term prospects, in addition to a stabilizing interest rate environment nationwide. 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 still exceeded the historical norm. Investors here are primarily targeting Class C dwellings east of Interstate 95. Renter demand for such units is supported by an extremely tight local housing market, and this segment is unlikely to be greatly impacted by the large number of Class A and B units slated for completion in the near-term.

2024 MARKET FORECAST

NMI RANK 33 — ***Relatively tepid projected household formation translates to a lower-half placement in this year's rankings.***

+1.0% — **EMPLOYMENT:** Roughly 35,000 fewer jobs will be created in 2024 relative to last year. Continued growth in higher-compensation traditional office-using sectors should aid Class A performance.

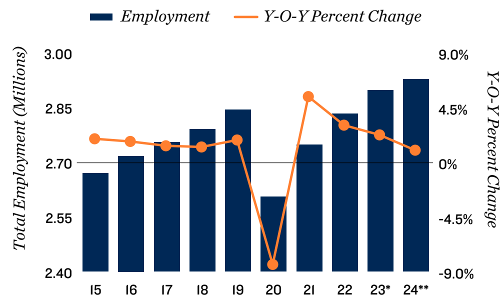
9,500 *units* — **CONSTRUCTION:** Developers are scheduled to bring the largest number of units to market in multiple decades this year. The majority of doors are slated for Boston proper and adjacent suburbs.

+40 bps — **VACANCY:** While net absorption remains firmly in positive territory, the vacancy rate will notch up to 5.4 percent by year-end, the highest level since the immediate aftermath of the financial crisis.

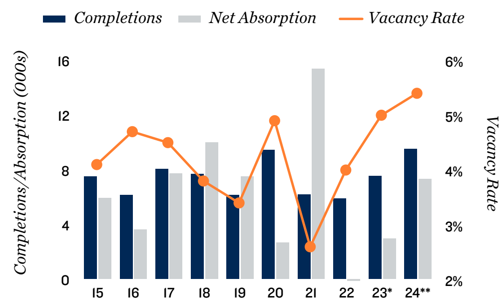
+2.0% — **RENT:** The average effective rent rises for the fourth consecutive year as the metric reaches $2,974 per month, 22 percent ahead of the year-end 2019 equivalent and the highest on record.

INVESTMENT: *Prolonged debate over rent stabilization in the city of Boston has had little effect on deal flow within the municipality, indicating that a bulk of buyers anticipate the 1994 statewide rent control ban will hold.*

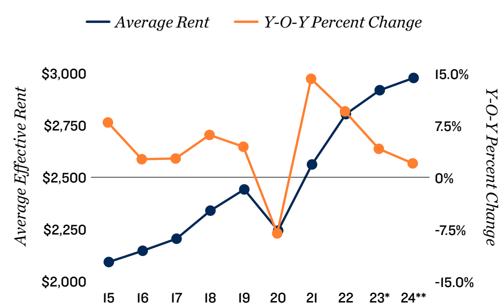
Employment Trends



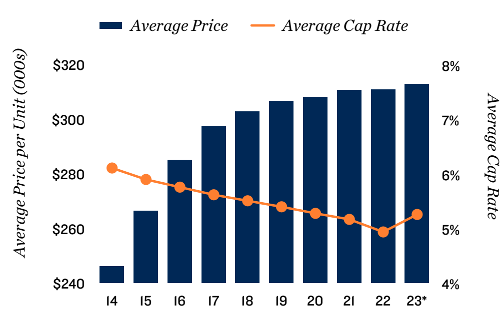
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

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

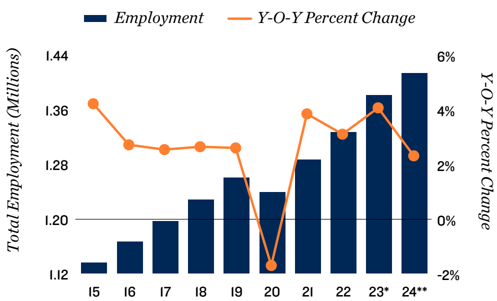
CHARLOTTE

Transit Expansions and Logistics Employers Stir Renter Demand Amid Supply Boom

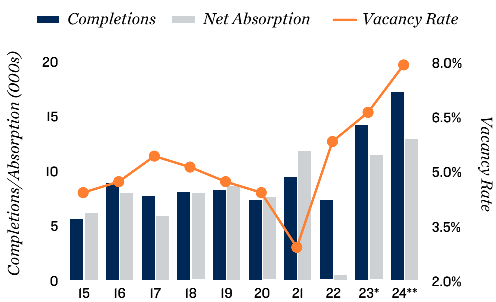
University-adjacent apartments shine regionally. The UNC Charlotte area noted one of the largest surges in renters among any Southeastern submarket last year. Strength in this area predates last year as well. Since March 2018 — when the LYNX Blue Line extension to UNC Charlotte was completed — the submarket has led the metro in net absorption, showcasing the impact of expanded public transit on local apartment demand. Still, the need for rentals has also stayed consistent in less urbanized locations. Despite its lack of public transit, Southwest Charlotte had 27 consecutive quarters of positive net absorption through 2023, with several logistics expansions aiding rental demand. This trend should continue as Home Depot, Grainger and Carolina Foods move into 2 million square feet of local distribution facilities by the end of this year. Motivated by job growth prospects, builders were underway on 8,300 units here at the onset of 2024, comprising 25 percent of the metro's pipeline. If completed, the construction of the LYNX Silver Line — which would connect Gaston County in the west to Union County in the east through the City Center — should support rental demand for these new builds.

Deal flow exceeds historical norms. Trading velocity from July 2023 onward greatly improved from earlier last year. Out-of-market buyers are comprising a growing share of deal flow in Charlotte amid a more cost-prohibitive investment landscape. This rings especially true for investors from New York and California, where high per-unit prices generally limit yield decompression. Gaston County and Charlotte's northeastern suburbs are prime candidates to sustain this activity, after having some of the metro's highest cap rates and lowest entry costs in 2023. However, these prices were due to a preference for Class C rentals, which should be preserved in 2024 as the sector evades much of the future supply-side risk.

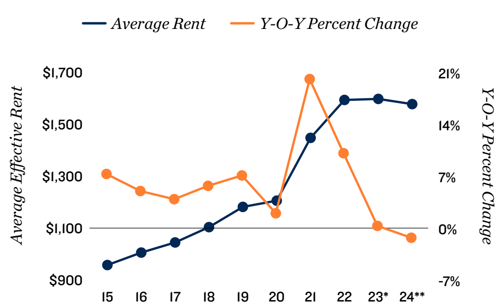
Employment Trends



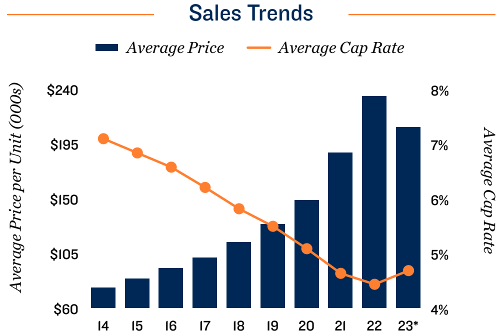
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

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

2024 MARKET FORECAST

NMI RANK 8 — ***An expanding renter base amid regionally-strong job growth gives Charlotte a high 2024 NMI placement.***

+2.3% — **EMPLOYMENT:** Employers are projected to add 32,000 new roles on net in Charlotte throughout 2024. Growth will slow from last year's record, while still holding above the long-term pace of 2.2 percent.

17,100 *units* — **CONSTRUCTION:** The metro's apartment inventory will expand by 7.5 percent this year, setting an all-time local high, and ranking as the third-strongest pace among major U.S. markets in 2024.

+130 bps — **VACANCY:** Following multiple years of record-level construction, marketwide vacancy is expected to close out 2024 at 7.9 percent. Gaston County's mild delivery slate may stoke greater stability here.

-1.3% — **RENT:** Charlotte's mean effective rent will tick down to $1,575 per month in 2024, marking the first calendar year decrease since 2009. The metric still ends the year 9 percent higher than in 2021.

INVESTMENT: *Vacancy around UNC Charlotte was on a downward path in 2023, despite having a record 2,300 units delivered during the year. This strong performance may stoke buyer interest for local apartments in 2024.*

Home Affordability Hurdles Sustain Rental Absorption; Investors Favor Education Corridors

Suburban apartment demand mirrored by recent employer office commitments. Since late 2023, employers like Travelers Insurance, Hartford Insurance, AIT Worldwide Logistics and The Federal Aviation Administration have moved into offices in Chicago's suburbs. These decisions are a reflection in part of the current employees already living nearby. Corporate expansions should aid further apartment demand nearby as workers not already local to the area are directed to adjacent residential areas in order to cut down on commutes. Oak Park, Oak Brook, Naperville, and parts of the Schaumburg area benefit the most from this trend. Homeownership challenges are also aiding demand for apartments. Largely the result of sustained high interest rates, the spread between Chicago's average effective Class A rent and the mortgage payment on a median-priced home has neared its highest point in more than a decade. Amid these dynamics, Chicago's multifamily sector is well equipped to weather a slower level of economic growth this year. Improving absorption will keep vacancy below its local long-term average of 5.7 percent, aiding a rent growth rate that will rank third among major markets nationally in 2024.

University areas draw a competitive investment market. Despite sustained financing challenges, assets located near Chicago's prominent educational institutions are being prioritized by investors. Lincoln Park and Hyde Park are the main beneficiaries of this trend, with proximity to Loyola University's new and expanding Lake Shore Campus, as well as the prestigious University of Chicago. Stable enrollment momentum within these higher education programs aids the long-term renter demand outlook from students and faculty alike. Investor preferences here are also shifting to larger luxury and mid-tier properties, helping accommodate a wider range of renters. This was exhibited by last year's average size of properties sold roughly doubling 2022's mean of 32 units.

2024 MARKET FORECAST

NMI RANK 36 — ***Marginal household formation compared to other major metros places Chicago within the lower third of this year's ranking.***

+0.8% — **EMPLOYMENT:** Following a notable pullback in hiring last year, the pace of employment growth ticks up slightly in 2024 and will match Chicago's long-term average.

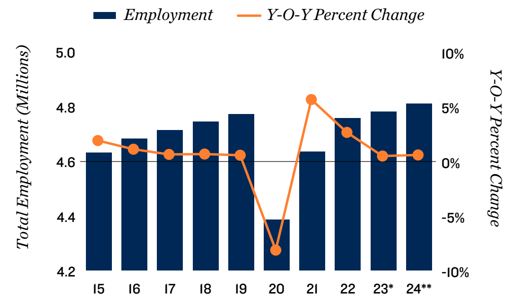
7,400 *units* — **CONSTRUCTION:** Deliveries remain well below immediate pre-pandemic norms in 2024, increasing stock by 1 percent. The Loop and River North account for roughly two-fifths of these supply additions.

+10 bps — **VACANCY:** Upward vacancy momentum is sustained this year, pushing the metro's rate to 5.3 percent by the end of 2024. Still, this will stand 40 basis points below Chicago's historical average.

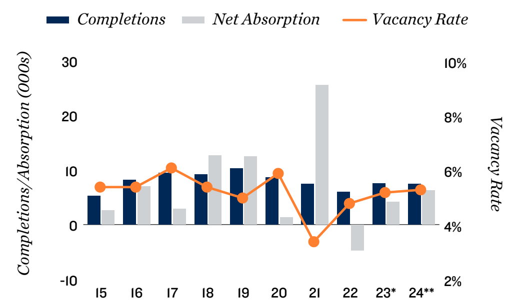
+3.3% — **RENT:** Amid another year of rising vacancy, the pace of rent growth continues to slow in 2024. Nevertheless, this year's gain lifts Chicago's average effective rate to $2,025 per month.

INVESTMENT: *Ongoing discussions to raise Cook County's transfer tax rate on properties valued at over $1 million are likely to impact the investment market this year as firms and individuals reposition their exit strategies.*

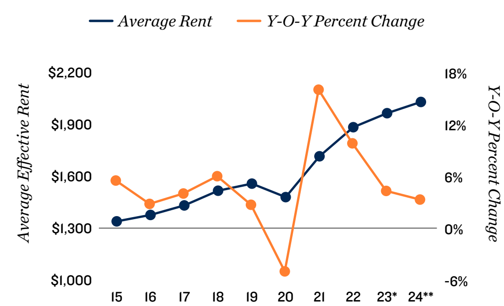
Employment Trends



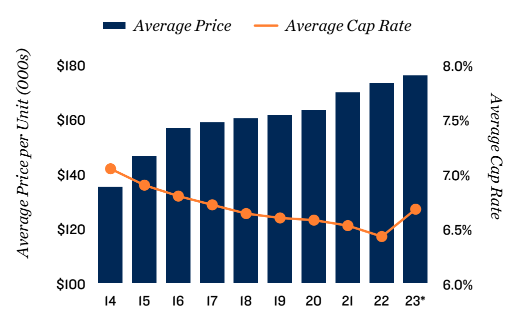
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

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

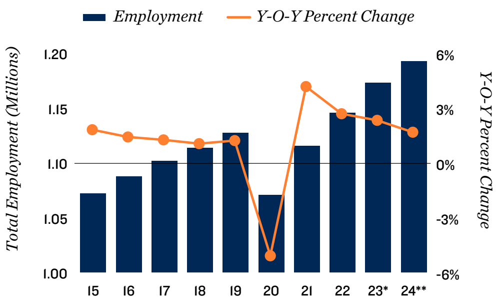
CINCINNATI

Cincinnati's Multifamily Sector Benefits from a Tight Housing Market, Attracting Regional Capital

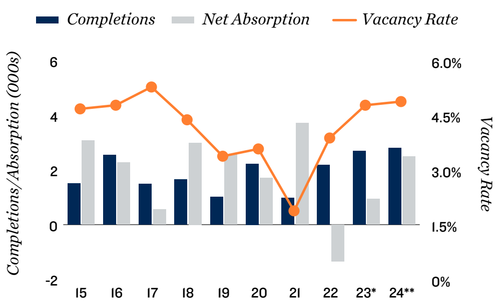
Limited single-family home options drive apartment demand. Entering the fourth quarter of 2023, the metro marked 23 straight months of active home listings below 3,000 houses. Higher mortgage rates and home prices are contributing factors discouraging current homeowners from trading up. This has limited the prospects for first-time home buyers as fewer listings increase competition for options. A tight single-family market will keep apartment vacancy below 5 percent through the end of 2024, backstopped by strong suburban demand despite heightened construction. Steady in-migration — which is expected to total over 20,000 arrivals on net over the next five years — and consistent household formation will support lease-up in the long-run. The influx of new supply will, however, mitigate rent growth this year. Areas like Butler County and Southeast Cincinnati may be most affected as construction grows there. Still, the metro's average effective rent will have surged nearly 40 percent above the 2019 year-end mean by December.

Low entry costs and favorable suburban rental conditions draw investors. Active investors in Cincinnati often sought close-in, suburban properties at the end of last year. In the back half of 2023, the metro had the second-lowest suburban apartment vacancy rate among major Midwest markets, fueled by its tight housing market. Buyers are likely to stay active in neighborhoods surrounding downtown going forward, targeting areas like Westwood, Norwood, Avondale and Walnut Hills. At the same time, current property owners in the metro may seek to capitalize on price appreciation in 2024. 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, potentially drawing the attention of out-of-market, regionally-proximate investors. Elevated borrowing costs may hinder some deal flow as buyer/seller expectations realign, however.

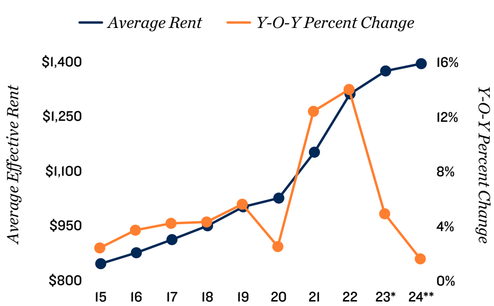
Employment Trends



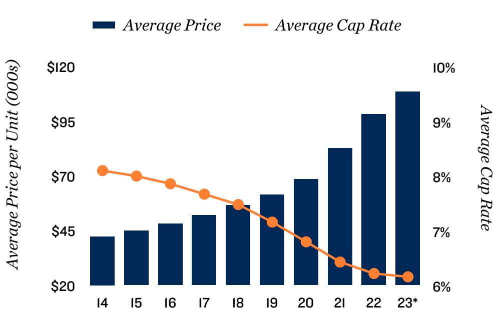
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

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

2024 MARKET FORECAST

NMI RANK 37 — *Locally high construction, paired with modest household formation nationally, keeps Cincinnati in the lower half of the Index.*

+1.7% — **EMPLOYMENT:** Total employment in Cincinnati will climb by 20,000 positions in 2024, softening from last year's pace of growth. Still, this year's total will sit 6 percent above the 2019 year-end tally.

2,800 units — **CONSTRUCTION:** For the sixth time since 2000, completions surpass 2,000 units, growing stock by 1.7 percent in 2024. Southeast Cincinnati and Butler County expect the greatest volume of new units.

+10 bps — **VACANCY:** Low for-sale single-family home inventory will mitigate the impact of new supply on vacancy. While the rate increases to 4.9 percent this year, it will land below the trailing 20-year average.

+1.5% — **RENT:** As vacancy loosens from the record lows achieved in 2022, rent growth will decelerate this year. The average effective rent will still climb modestly to $1,390 per month.

INVESTMENT: *Several firm expansions driving job growth in Northern Kentucky, including the new Matrix Pack North America facility and DHL's airport distribution center, could turn investor focus across the river in 2024.*

Competition for Leases Still Tight in the Suburbs; Investors Drawn by Cleveland's Higher Yields

Close-in suburbs benefit from limited pipelines and lower rents. An elevated pace of rent growth in Cleveland — which extended through 2023 — has begun to direct renter demand to lower-cost submarkets. While the overall mean effective rent will decrease in 2024, it will not be enough to offset the growing cost disparity between suburban and downtown rents. Close-in neighborhoods, in particular, have appealed to renters looking to lower their mean monthly payment while staying near downtown. Westlake-North Olmsted-Lorain County is one such example. The area entered this year with a vacancy rate approximately 200 basis points below its long-term average. Limited proposed or underway projects here will likely keep this rate as one of the lowest in Cleveland. Conversely, at the end of 2023, vacancy in Central Cleveland was rapidly approaching 10 percent. Despite recent challenges, projects like Sherwin-Williams' new global headquarters, which is slated to open in 2025, could fuel long-term demand for downtown housing.

Higher lending rates bring Cleveland's yield advantage to the forefront. Return-driven investors were increasingly active in Cleveland last year as the metro claimed the second-highest average cap rate among major U.S. markets, paired with the lowest price per unit. With borrowing costs likely to remain persistently elevated for the foreseeable future, this high mean cap rate will likely appeal to additional buyers in 2024. Owners that acquired properties before 2020 may, in turn, be motivated to capitalize on price appreciation in Cleveland. Spanning the past 10 years, the mean price per unit rose by roughly 110 percent. While Cleveland's population is slightly declining, renter demand may increase as active home listings in Cleveland stay limited. Fewer renters able to transition to homeownership may motivate private investors from higher-cost Midwest markets to engage here, particularly in the suburbs.

2024 MARKET FORECAST

NMI RANK 45 — ***Elevated vacancy, record-high construction and a falling mean effective rent place Cleveland near the bottom of the 2024 NMI.***

+0.9% — **EMPLOYMENT:** Cleveland will add a modest 10,000 roles on net in 2024. This gain brings the metro within 4,000 positions of its record-high job count, which was recorded in February 2020.

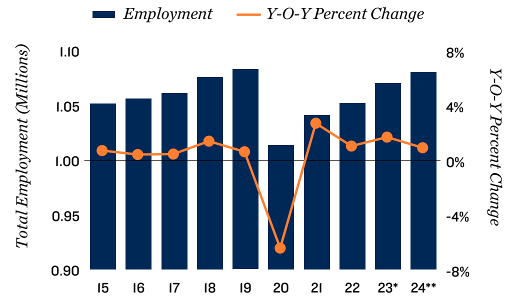
2,000 *units* — **CONSTRUCTION:** Deliveries will reach their highest level since before 2000 as inventory expands by 1.2 percent this year. Still, Cleveland has the smallest delivery slate among major Ohio markets.

+40 bps — **VACANCY:** Cleveland's vacancy rate will increase for a third straight year in 2024. New builds surpass the number of units absorbed on net, pushing the metric up to 6.0 percent.

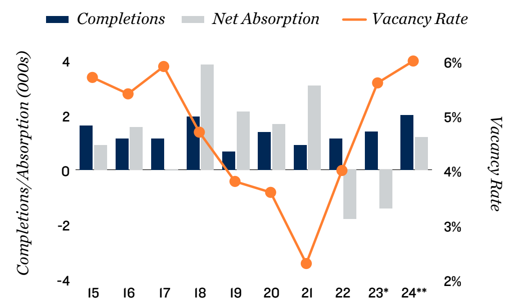
-0.8% — **RENT:** The metro's 14-year streak of annual rent growth will be broken in 2024. The average effective rent shifts down to $1,230 per month; however, this mean is 28 percent higher than five years ago.

INVESTMENT: *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.*

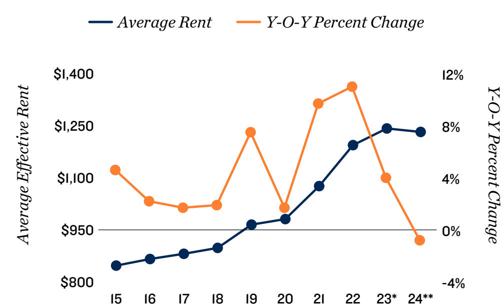
Employment Trends



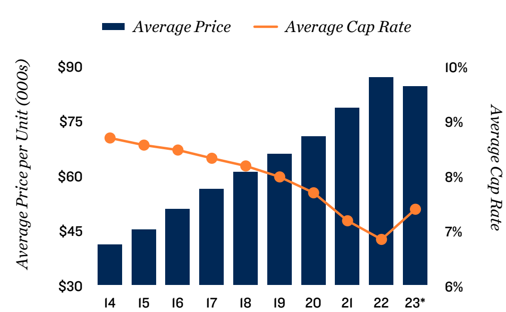
Supply and Demand



Rent Trends



Sales Trends



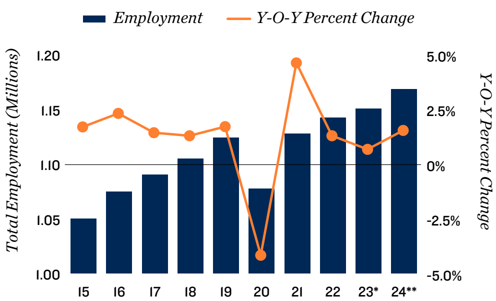
* Estimate; ** Forecast

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

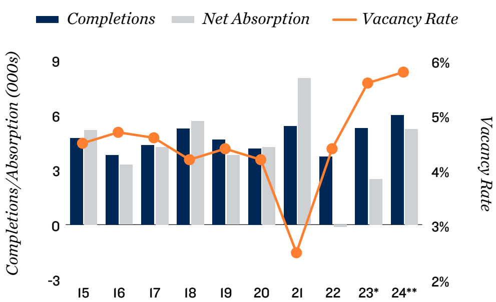
COLUMBUS

Central Ohio Expects Regionally High In-Migration; Top-Tier Assets to Benefit from White-Collar Job Growth

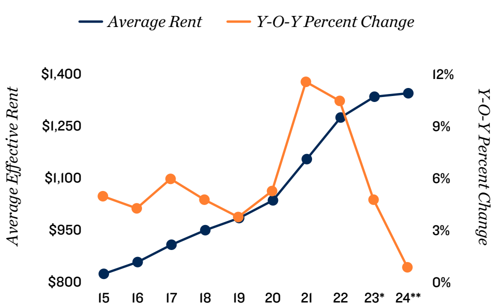
Employment Trends



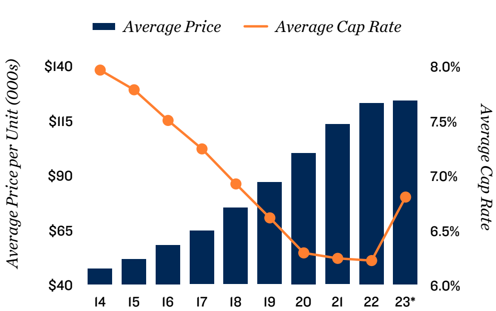
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

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

Columbus attracts tech companies, aiding demand for new luxury rentals. Since early 2022, Central Ohio has received substantial corporate investments, spearheaded by the groundbreaking of Intel's two chip factories in New Albany, the first of which is expected to be production-ready by 2025. Companies like Amazon, Google and Microsoft are either planning new data centers in the area or expanding existing sites. The growing tech presence in Columbus is expected to drive job creation, particularly in high-skill sectors, both this year and beyond. Top-tier apartments 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 well-positioned for prolonged growth going forward. Columbus will add the most new residents through in-migration of any major Midwest market in 2024. As companies move in, the metro will continue posting elevated job and population gains, benefiting fundamentals across apartment tiers.

Tech firm move-ins and university enrollment open options for investors. The return of local transaction stability observed in the latter half of 2023 is poised to continue throughout 2024, despite elevated borrowing costs. Of late, investor interest has been concentrated in both far-out areas and downtown-adjacent submarkets. Going forward, these areas are likely to keep attracting attention from buyers — particularly Licking County — as tech firms begin to move in. Assets in the Bexley-Whitehall area could also garner interest due to the submarket's proximity to both New Albany and downtown. Out-of-market private buyers should be active in both zones, often targeting Class B assets of older vintage in the sub-$5 million price tranche, while also combing listings in the CBD. Here, trading activity is likely to be centered in the University District, as the Ohio State University noted an increase in enrollment for the fall 2023 semester.

2024 MARKET FORECAST

NMI RANK 28 — ***Columbus is the highest-ranked metro in Ohio as corporate expansions promote job growth and long-term demand prospects.***

+1.6% — **EMPLOYMENT:** Increasing by 18,000 jobs on net in 2024, total employment in Columbus will expand 50 basis points faster than the average pace set over the past two decades.

6,000 *units* — **CONSTRUCTION:** Completions will reach a 25-plus-year high in 2024, growing total inventory by 3.0 percent. Downtown and Westerville-New Albany-Delaware expect the largest volume of deliveries.

+20 bps — **VACANCY:** While vacancy inches up to 5.8 percent this year as supply outpaces absorption, total occupied stock will reach an all-time high in Columbus, surpassing 196,800 units.

+0.8% — **RENT:** The metro's average effective rent will increase to $1,340 per month in 2024. However, this is the slowest year-over-year gain recorded in the last 15 years.

INVESTMENT: *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 is expected to bring 2,000 jobs to the area.*

Motivated by Nation-Leading Workforce Growth, Some Suburbs Have Larger Pipelines than Entire Metros

Neighboring submarkets represent the epicenter of development. Allen-McKinney and Frisco combine for about 18,800 units underway with scheduled completion dates between 2024-2026. This trio of suburbs has more rentals slated to finalize in the next three years than at least 35 major U.S. metros. 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. 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, hiking operating expenses and softer absorption have decelerated permit demand. 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 year-end, 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.

Metroplex investment still ranks among the nation's strongest. Despite a sharp reduction in deal flow relative to what was common during 2020-2022, the local trading count and sales volume ranked in the top five nationally last year. While capital markets hurdles alongside operational cost hikes from insurance and property taxes remain headwinds, nation-leading job growth will continue to generate buyer 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 coming.

2024 MARKET FORECAST

NMI RANK 1	*Leading the U.S in job creation, and ranking in the top 10 for household growth, the market reaches the pinnacle of the Index.*

+3.0% **EMPLOYMENT:** From 2020-2023, Dallas-Fort Worth added 306,000 more positions than the next-closest U.S. market. That lead is expected to stretch further to 374,000 jobs by the end of this year.

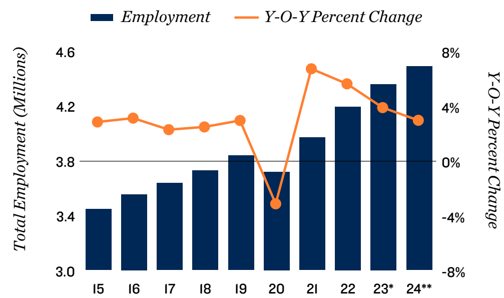
44,000 *units* **CONSTRUCTION:** The Metroplex remains the most active site for apartment development in the nation, with 72,000-plus units under construction. About 60 percent of those are slated to deliver in 2024.

+40 bps **VACANCY:** Apartment completions this year top the previous annual record by almost 16,000 units, overpowering an expected three-year high for net absorption and placing vacancy at 7.5 percent.

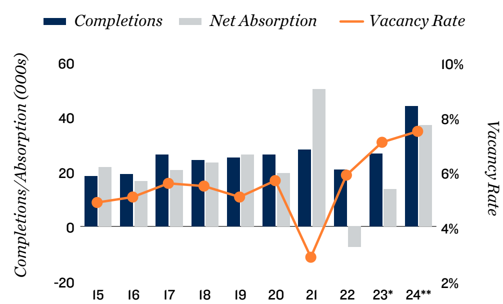
+2.9% **RENT:** Stronger demand and a cascade of new high-quality supply help lift the mean effective monthly rent to $1,605. Still, this is slightly below the long-term annual average growth rate of 3.6 percent.

INVESTMENT: *Buyers pursuing assets with upside potential in areas where new supply has recently elevated local rent benchmarks could focus on Ellis County, North Oak Cliff-West Dallas and South Arlington-Mansfield.*

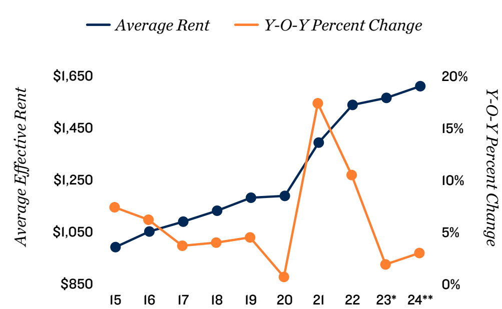
Employment Trends



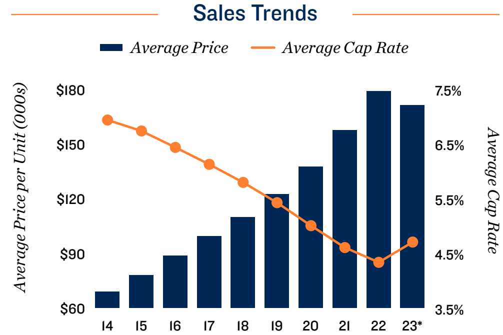
Supply and Demand



Rent Trends



Sales Trends



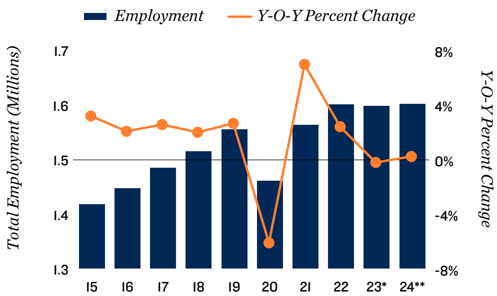
* Estimate; ** Forecast

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

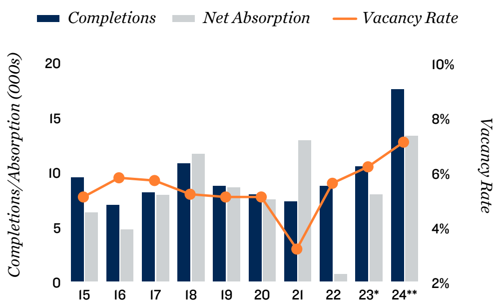
DENVER

Southern Submarkets Capture Renters' Attention; Stabilized Stock Helps Draw Investors to Lakewood

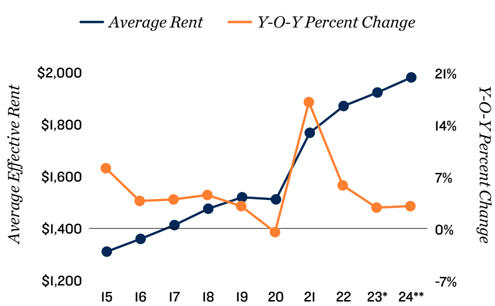
Employment Trends



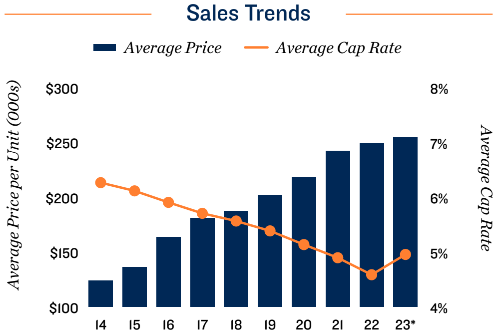
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

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

Employment and migration trends aid Denver's apartment outlook. Despite a pullback in overall job creation last year, new professional and technical services roles continued to be added. Momentum is expected to carry forward here and in other high wage sectors through 2024, supporting household formation. Amid these trends, Denver also boasts improving in-migration after some disruption caused by the pandemic, adding to the metro's household count. Newcomers to the market are still faced with homeownership challenges, directing housing demand to apartments. Yet, this influx is outpaced by a record multifamily delivery slate, resulting in near-term fundamentals softening. Some pockets of the Mile High City, nevertheless, are in a good standing to welcome this elevated apartment supply. The southern areas of Parker-Castle Rock and Highlands Ranch defied the metro's trend of substantial vacancy expansion last year, with local rates holding under their respective 2019 baselines. This momentum is partially bolstered by the area's proximity to the Tech Center, accommodating nearby commuting professionals.

Financing stability aids some resuming activity. Transaction velocity improved in the latter half of 2023, as the Federal Reserve took its foot off the gas in tightening monetary policy. This year, more clarity on interest rates and local growth dynamics should prompt further investor interest. A sizable portion of increased trading activity was noted across the western suburbs near Lakewood and Wheat Ridge. Dissimilar to the market as a whole, these areas recorded nominal construction last year and few deliveries are scheduled for 2024. New renter demand is being directed to existing properties, contributing to a local vacancy rate that has consistently held below the market average — a boon for the area. Deals here are also typically under the metro's mean price per unit, while yields often exceed the marketwide figure, creating a key driver amid still-elevated debt costs.

2024 MARKET FORECAST

NMI RANK 25 — ***A modest employment forecast and notable vacancy lift this year contribute to Denver's middle-of-the-pack NMI ranking.***

+0.3% — **EMPLOYMENT:** The addition of 4,000 roles this year more than negates 2023's net loss. This gain will extend the total employment count to 3 percent above 2019's high.

17,500 *units* — **CONSTRUCTION:** Completions will surpass the record set in 2018 by 7,000 units. The historic influx expands local stock by 5.2 percent, among the top-10 largest gains for major markets nationally.

+90 bps — **VACANCY:** Denver's largest delivery slate by a considerable margin places notable short-term upward pressure on metro vacancy this year. Reaching 7.1 percent, the rate will be its highest since 2009.

+3.0% — **RENT:** Amid rising vacancy, rent growth remains below its 3.9 percent long-term mean. Still, the average effective rate will climb to a new high in 2024 of $1,978 per month by year-end.

INVESTMENT: *Years of substantial supply-side pressure downtown have cautioned more investors. Buyers seeking long-term holds, however, may find opportunities at a competitive price during a period of higher vacancy.*

Select Suburbs Maintain Tight Vacancy, Improvements Downtown Could Revive Renter and Investor Interest

Renter demand for top-tier units limits new supply pressure. From December 2019 through September 2023, the median price of a single-family home in Detroit rose by 40 percent, outpacing apartment rent growth by 10 percentage points. The rising cost of homeownership has led many residents to remain in the renter pool, particularly in suburban areas that offer larger floor plans. Livingston County, together with the city of Novi, recorded one of the lowest vacancy rates exiting 2023, reflecting growing renter demand in an area of localized population growth. Households staying in the renter pool longer are also benefiting Class A fundamentals metrowide. The rental tier was the only property class to note vacancy compression in 2023, and as such, heightened construction appears warranted. Looking beyond 2024, however, Detroit has its challenges. Despite positive signals for luxury space, Detroit's declining population will have an adverse effect on overall apartment demand long-term. During the next five years, the metro is expected to lose over 60,000 residents on net, a headwind for vacancy going forward.

New developments could aid downtown. Some public and private projects slated for near-term completion have the potential to turn investor focus to urban assets. The Ralph C. Wilson Centennial Park along the riverfront completes this year, enhancing the appeal of other projects like the Michigan Central Ford redevelopment. The Gordie Howe International Bridge is also underway, allowing for pedestrian and bike traffic across the Detroit River, and adding another connection between the metro and Canada in 2025. These projects could draw some renters downtown, directing risk-tolerant investors toward urban assets with value-add opportunities. Elsewhere, buyers preferring areas of low construction and tight vacancy could target South Wayne County and Warren-Roseville. Both submarkets have vacancy below the metro rate and sparse pipelines.

2024 MARKET FORECAST

NMI RANK 49 ***Limited household formation, rising vacancy and a drop in the mean effective rent keep Detroit low on the 2024 Index.***

+0.2% — **EMPLOYMENT:** The limited job creation witnessed in 2023 will carry into this year. By December 2024, total employment in Detroit will have grown by a net 12,000 positions in two years.

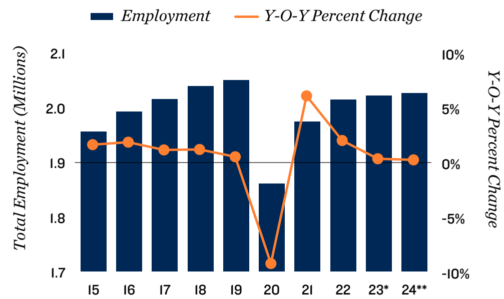
2,900 *units* — **CONSTRUCTION:** This year's projected delivery volume will be the highest since at least 2000; however, total inventory in Detroit will still expand by just 1.0 percent in 2024.

+40 bps — **VACANCY:** Net absorption will trend positive this year after two years in the red. Consequently, vacancy will rise at a slower pace than in 2022 or 2023, but will still lift to 6.2 percent.

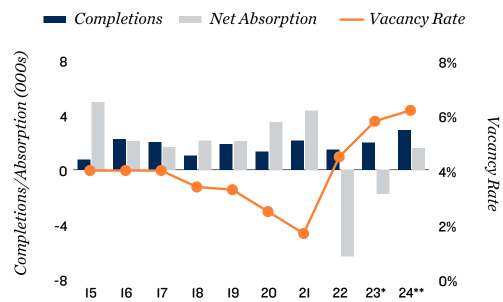
-0.8% — **RENT:** Detroit will be one of two major Midwest markets that record a slight decrease in its average effective rent following sizable vacancy increases. The metro's mean will be $1,290 per month by year-end.

INVESTMENT: *The University of Michigan Center for Innovation will break ground in 2024. Focusing on graduate education and talent-based development, the project has the potential to attract investors to Foxtown.*

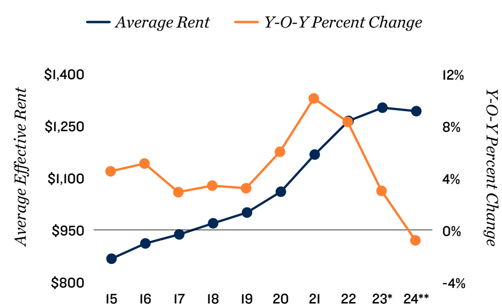
Employment Trends



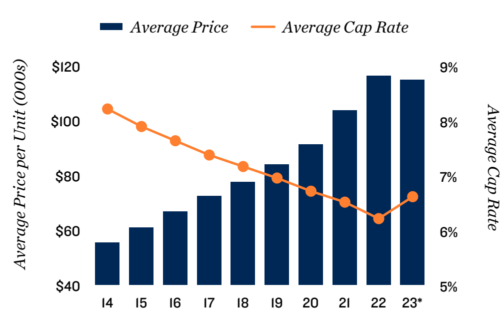
Supply and Demand



Rent Trends



Sales Trends



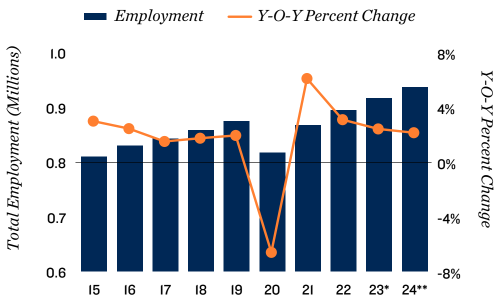
* Estimate; ** Forecast

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

FORT LAUDERDALE

Favorable Job Growth Dynamics Temper Impact on Apartments from Other Challenges

Employment Trends



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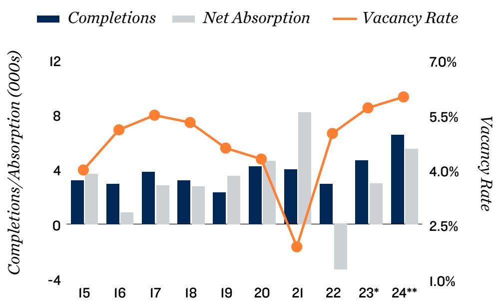
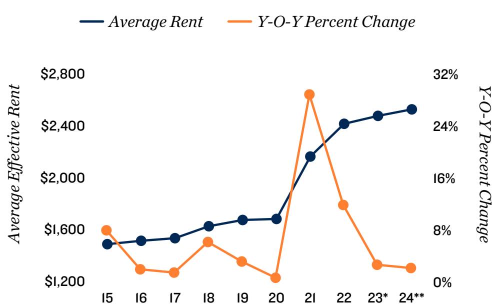
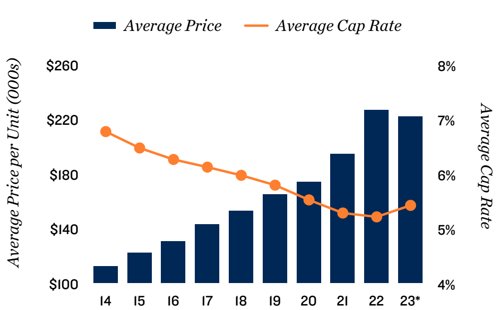


Rent Trends



Sales Trends



* Estimate; ** Forecast

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

Employment momentum bolsters multifamily demand. Amid a temperate climate, business-friendly tax environment and lower average asking office rent than adjacent Southeast Florida metros, local hiring is set to accelerate in 2024. This will stand in contrast to all other major Florida markets, and follows the metro's near record-high addition of traditionally office-using jobs recorded last year. As such, the metro will boast the second-fastest rate of job growth in the state, a boon for apartment demand, which allows Fort Lauderdale to hold the second-lowest multifamily vacancy rate among the same sample size by year-end. The metro, however, faces some long-term headwinds as elevated local living costs adjust renter preferences and migration trends. Fort Lauderdale's mean marketed rent has jumped nearly 50 percent since 2019, directing more residents to lower-cost units as Class C vacancy held below its historical average. Growth within the 20- to 34-year-old cohort is also decelerating, partially associated with higher living costs. This dynamic goes up against the metro's largest delivery slate on record in 2024.

Improved capital landscape helps return institutional investment. Transaction velocity picked up in the later months of 2023 amid eased aggressiveness on rate hikes by the Federal Reserve. A clearer financing outlook has helped institutional-level capital deployment return to pre-pandemic norms. Frequently completing deals in northwestern areas of the metro near Plantation-Sunrise and Coral Springs, firms acquiring assets here benefit from vacancies that stand below the market average despite notable supply-side pressure. Buyer-seller expectations are also coming back into alignment, which should facilitate trade moving forward. While near-term pricing corrections benefit buyers, owners are still able to capitalize on the more than 30 percent appreciation to Fort Lauderdale's average price per unit noted since the onset of the pandemic.

2024 MARKET FORECAST

NMI RANK 5 *Strong employment and rent growth propel Fort Lauderdale to the top of the high-ranking Southeast Florida cohort of metros.*

+2.2% — **EMPLOYMENT:** The addition of 20,000 roles this year will allow Fort Lauderdale's pace of job growth to trail only Miami among major Florida metros.

6,500 *units* — **CONSTRUCTION:** Supply additions in 2024 exceed the previous record high observed last year by more than 1,800 units, increasing the metro's existing stock by 3.2 percent.

+30 bps — **VACANCY:** Record inventory expansion and tempered population growth relative to recent norms maintain upward vacancy movement in 2024. This allows the rate to reach 6.0 percent by year-end.

+2.0% — **RENT:** Higher availability results in this year's rent growth figure holding below the metro's long-term mean of 4.8 percent per annum. Still, Fort Lauderdale's average will inch up to $2,515 per month.

INVESTMENT: *A higher share of activity is accounted for by out-of-state buyers. Many of these properties have older vintages and above-market average vacancy rates, indicating investors are seeking value-add projects.*

Sustained Regional Affordability, Emerging High-Wage Job Prospects Foretell Notable Migration

Houston will remain a magnet for relocating households. 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 households in Houston between 2020-2023. Correlating with that influx, rent growth was exceptional prior to last year's moderation, resulting in an aggregate 25 percent surge. Some other Sun Belt metros had even larger hikes, altering the spectrum of relative living costs. Houston's mean effective rent trailed the average of major Sun Belt markets by about $180 per month in 2020. Entering this year, that relative monthly discount stretched to roughly $370. This positions Houston to sustain migration long-term, especially if an economic slowdown leads to an uptick in budget-conscious movers. 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 affordability, alongside attractive wage prospects, should continue to stoke migration and housing demand.

Surging 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. Buyers willing to take on greater costs, due to the market's favorable long-term outlook, could focus on particular suburbs exhibiting robust demographic growth, including Clear Lake, Conroe-Montgomery County, Katy and Spring-Tomball.

2024 MARKET FORECAST

NMI RANK 4	***Houston ranks in the top 12 for job and household creation, which, with relatively stable vacancy, earns a bullish position.***

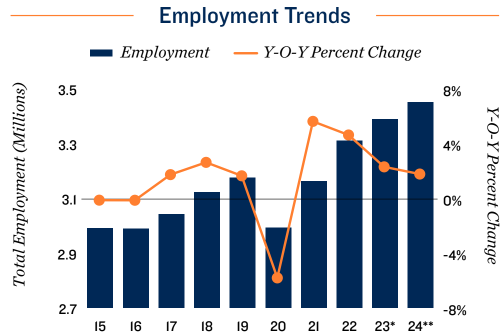
+1.8% — **EMPLOYMENT:** The net gain of 213,200 positions in Houston since the end of 2019 ranked as the second-largest rise nationally. Projected to add 62,000 jobs in 2024, Houston will retain that same spot.

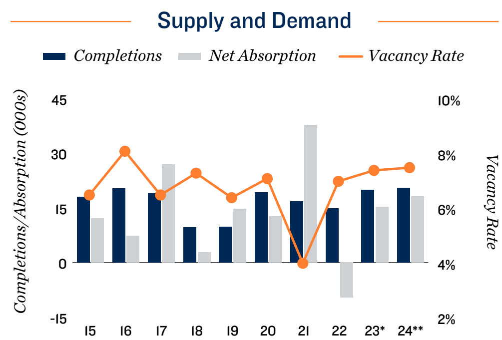
20,500 *units* — **CONSTRUCTION:** Marketwide, apartment inventory expands by 2.7 percent this year, matching the 2023 pace. The pipeline is shrinking, however, with about half of 2024's volume slated for next year.

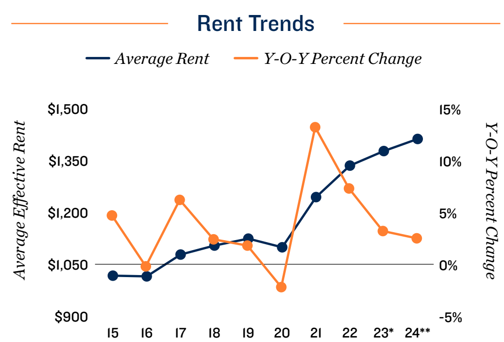
+10 bps — **VACANCY:** While vacancy is expected to rise for a third straight year to 7.5 percent, the change is moderate. Other major Texas markets all have projected hikes of at least 30 basis points in 2024.

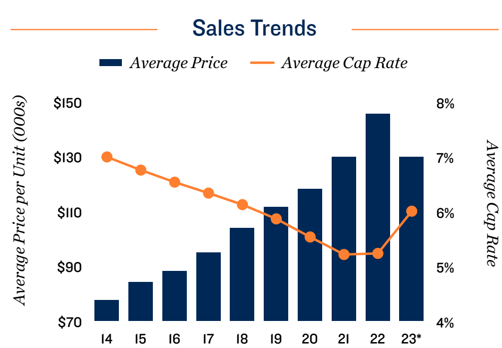
+2.5% — **RENT:** Despite rent growth tapering to its slowest pace since the 2020 shock, Houston maintains a rate of increase that ranks in the top 15 nationally. The mean effective rent reaches $1,410 per month.

INVESTMENT: *Largely overlooked in favor of fast-growing suburbs recently, buyers may return to urban core neighborhoods like Downtown-Montrose-River Oaks and West University-Medical Center amid notable hiring here.*









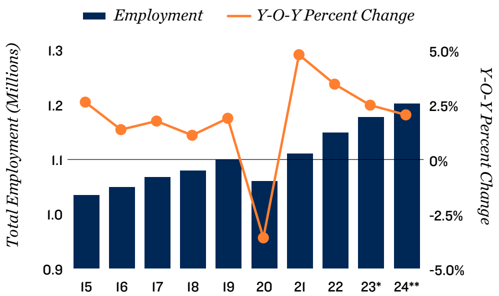
* Estimate; ** Forecast

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

INDIANAPOLIS

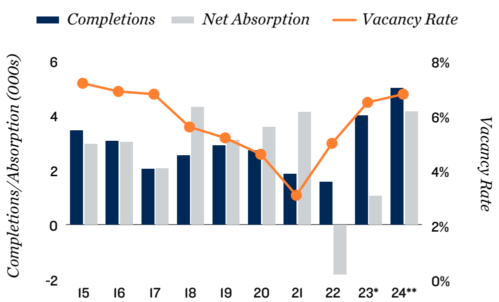
Class A Apartment Demand Elevated; Core Neighborhoods Remain a Target for Investors

Employment Trends



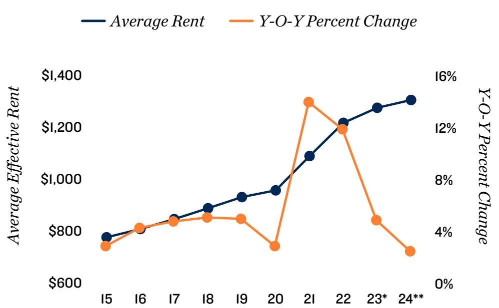
Record supply concentrated in Carmel as downtown popularity grows. The local CBD vacancy rate entered 2024 below its pre-pandemic measure, an uncommon occurrence for most major U.S. metros. Renter popularity here is partially the result of improvements to office occupancy as tenant needs for such spaces showed positive momentum entering the new year. Amid robust renter demand, supply-side pressure was substantial here last year and resulted in vacancy lifting roughly 100 basis points. This should temper in 2024, however, as the local pace of development slows dramatically and directs more renters to existing units. Conversely, the Carmel-Hamilton County area will experience unprecedented inventory growth of more than 10 percent. Nearly half of the metro's record delivery slate will complete in the submarket, likely applying upward momentum to local concession use. On a market level, notable luxury apartment demand has stood out. Entering 2024, few major U.S. metros other than Indianapolis recorded segment vacancy in line with, or below, their 2019 measures. This trend was prominent in Carmel, warranting its volume of construction, though its pace of additions still presents challenges.

Supply and Demand



First-ring suburbs remain areas of emphasis for investors. Although velocity likely remains tame amid sustained high debt costs, downtown-adjacent areas are still a focal point for investors. Improving office leasing in the city center is prompting residents to look for shorter commutes. This may support population migration into downtown, aiding multifamily demand long-term. The East and Southeast portions of Central Marion County are the most active CBD-adjacent areas for trades, more specifically Arlington Woods and Beech Grove. As more institutional-level capital returns to the market following interest rate stabilization late last year, velocity may pick up in the Carmel-Hamilton County area amid a widening selection of Class A stock and robust renter demand here.

Rent Trends



2024 MARKET FORECAST

NMI RANK	14	***Indianapolis holds the highest ranking among Midwest markets amid improving revenues and growing employment landscape.***

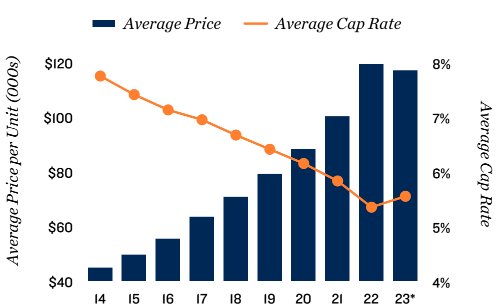
+2.0% **EMPLOYMENT:** Local employers add 24,000 positions on net in 2024, a slight pullback from 2023's gain. Still, the metro's workforce lifts by 5,000 more jobs than the pre-2019 decade-long average.

5,000 *units* **CONSTRUCTION:** Indianapolis' 2.9 percent stock expansion will be the second-fastest rate among major Midwest markets this year, and the metro's largest increase on record.

+30 bps **VACANCY:** Market vacancy will rise by the same margin as the national rate. Reaching 6.8 percent by year-end, the measure will be at its highest point since 2017.

+2.4% **RENT:** Another year of climbing vacancy halves Indianapolis' pace of rent growth from 2023's increase, bringing the metro's average effective rate to $1,300 per month.

Sales Trends



INVESTMENT: *Southern Marion County is increasing in popularity for investors seeking larger assets. Properties here often exceed 200 units and support industrial operations near the International and Greenwood airports.*

* Estimate; ** Forecast

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

JACKSONVILLE

Demand for New Units Tested as Metro Leads Florida Markets in Stock Expansion for a Third Straight Year

Completions may represent the last in a wave of elevated development. After vacancy reached a historic low of 2.8 percent in 2021, a group of projects were started to capture renter demand from corporate relocations and population gains. Now in 2024, multifamily fundamentals will be tested by these decisions. Specifically, the three submarkets that comprise Southside — Mandarin, Baymeadows and Upper Southside — will account for 40 percent of this year's deliveries. Exiting 2023, a collective 3,800 units were underway here, equating to 8.4 percent of existing Southside stock. Elsewhere, projects are centered in St. Augustine and Central Jacksonville, providing some relief for other submarkets like Arlington and Westside, where vacancy is above the metrowide mean. While overall supply additions are elevated, a pullback in starts is likely amid rising local insurance costs. If this comes to fruition and population gains remain steady, most units delivered in 2024 should be absorbed over the near term.

Regionally discounted investment opportunities support diverse buyer mix. The metro's average Class C rent rose by roughly 6 percent over the course of 2023, while declines were noted in the luxury and mid-tier segments. A still notable gap between the mean lower-tier and Class B rates is poised to influence active investors to pursue Class C listings, confident that future income gains are plausible. Institutions focused on larger properties and private buyers seeking sub-$5 million commitments should each target Central Jacksonville, where sub-$100,000 per unit pricing is obtainable and listings are most frequent. Those eying sizable complexes higher on the class spectrum may find the most opportunities in Southside neighborhoods. Here, Class A and B rentals are available in the $200,000 to $300,000 per unit band. Based on recent and ongoing construction here, chances to acquire newer-built assets could rise during 2024.

2024 MARKET FORECAST

NMI RANK 31 — ***Strong household growth is offset by deliveries and one of the nation's higher vacancy rates, placing the metro outside the top 30.***

+1.5% — **EMPLOYMENT:** Jacksonville's total job count expands by 12,000 positions during 2024. The expected addition of 2,500 white-collar roles bodes well for Class A rental demand.

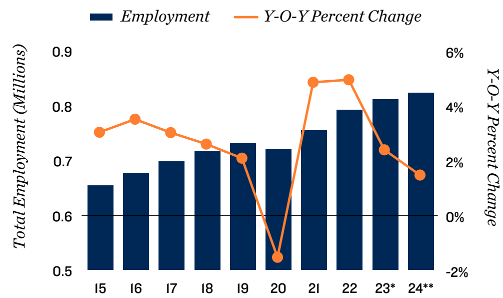
7,100 *units* — **CONSTRUCTION:** Developers grow the local apartment inventory by 5.1 percent this year, the eighth-largest increase among major U.S. rental markets. Deliveries are sizable in scope, averaging 240 units.

+30 bps — **VACANCY:** After compressing to 2.8 percent in 2021, vacancy climbs for a third straight year, reaching 8.1 percent. Still, renters absorb a net of roughly 6,100 units in 2024, the largest annual total on record.

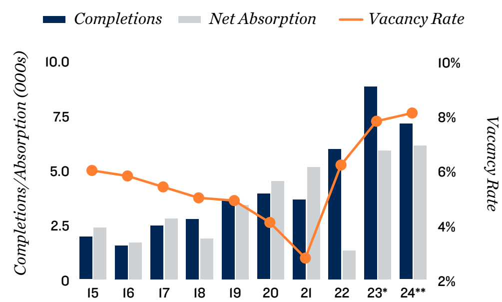
+1.3% — **RENT:** A sizable net absorption tally supports rent growth in 2024, a contrast to last year. At $1,510 per month, the metro's average effective rate is at least $280 below all other major Florida markets.

INVESTMENT: *The University of Florida has received $75 million in state funding for a 10,000-student satellite campus in Jacksonville. Once a site is selected, competition among investors for nearby rentals may heat up.*

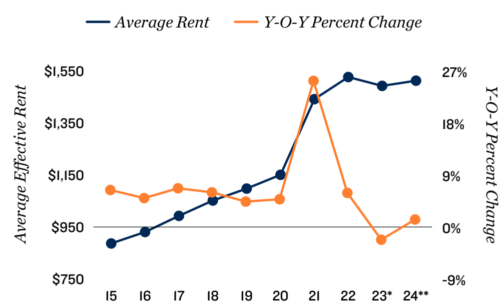
Employment Trends



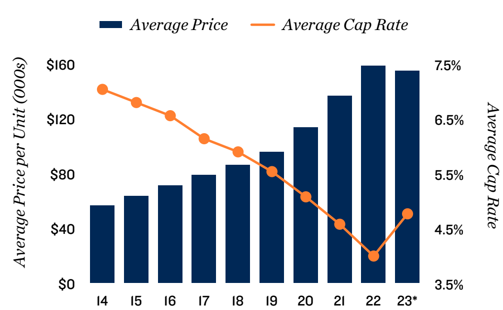
Supply and Demand



Rent Trends



Sales Trends



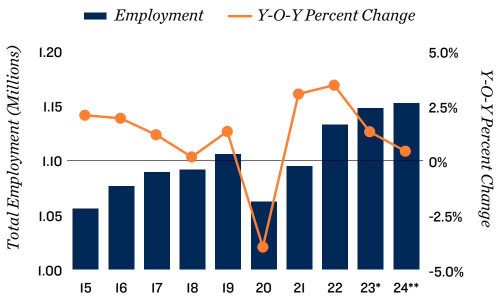
* Estimate; ** Forecast

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

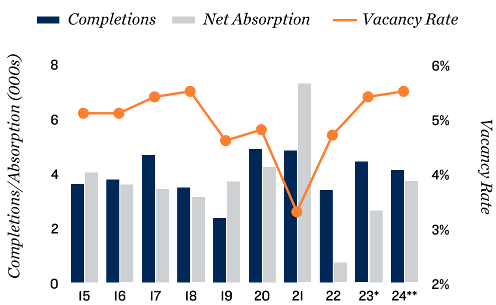
KANSAS CITY

Class A Vacancy Expected to Stay Tight in 2024; Riverfront Developments Offer Opportunities

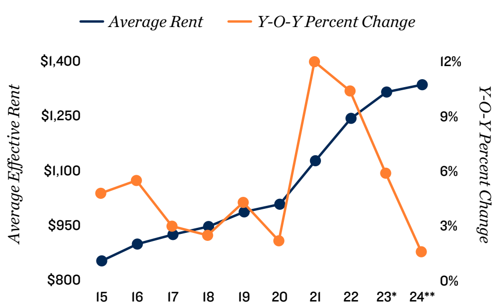
Employment Trends



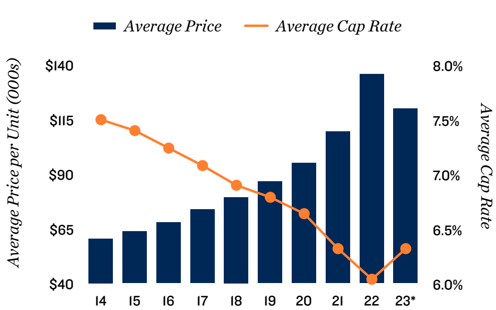
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

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

New builds create localized headwinds, but top-tier vacancy is expected to stay low. Kansas City was one of five major U.S. markets that logged a lower Class A vacancy rate entering 2024 than in 2019. Demand for top-tier space over the last four years has been driven by plummeting active single-family listings in the metro. Some residents may be able and willing to purchase a home — despite the median price surging 46 percent from 2019 to 2023 — but limited for-sale inventory could keep these perspective homeowners in the renter pool going forward. Demand from these residents could be directed into Class A units in 2024. The median household income in Kansas City also continues to improve, and is projected to climb 3.1 percent this year, adding another tailwind for luxury buildings. Continued supply additions will contribute to a slight uptick in overall vacancy this year, but the impact of these builds will be concentrated in three main areas. More than half of the underway projects slated for delivery in 2024 and beyond are located in Central Kansas City, Shawnee-Lenexa-Mission and Clay County.

Investors drawn by new riverfront developments. Construction on the Rock Island Railroad Bridge over the Kansas River began at the end of 2023, with completion expected in spring 2024. Following the redevelopment, a new entertainment district is planned, including event spaces and dining options. The project aims to draw residents to the West Bottoms neighborhood. Investment activity in Midtown, proximate to West Bottoms, picked up in 2023, and could continue this year as buyers anticipate renewed renter demand in the area. In contrast, investors prioritizing areas with tight vacancy entering 2024 may focus on affluent suburban submarkets, such as Overland Park and Shawnee-Lenexa-Mission. While these areas expect substantial new builds in the next three years, renter demand for luxury units will likely mitigate supply pressure on vacancy.

2024 MARKET FORECAST

NMI RANK 46 — ***Kansas City logs a nominal vacancy change, but limited household formation keeps the metro in a lower echelon this year.***

+0.4% — **EMPLOYMENT:** Hiring will slow this year, constricted by an uncertain macroeconomic outlook and a tight labor market entering 2024. Overall, total employment will grow by 5,000 positions on net.

4,100 *units* — **CONSTRUCTION:** Deliveries will moderate this year, falling below 2023's total. The pace of inventory expansion in 2024 will match the trailing 10-year average of 2.3 percent.

+10 bps — **VACANCY:** A slowing rate of supply additions will prevent a major, marketwide vacancy swing in Kansas City. The rate will inch up to 5.5 percent this year, still below historical norms.

+1.5% — **RENT:** Following three years of strong growth, the average effective rent will increase at a milder pace. By year-end, the mean marketed rate will reach $1,330 per month, 35 percent above the 2019 mark.

INVESTMENT: *Private investors have actively pursued urban, sub-100-unit properties built before 2000. This trend will likely carry into 2024 as buyers look for assets priced below the metro average amid higher debt costs.*

Amid Rapid Growth, Housing Cost Dynamics Favor an Improvement in Local Multifamily Fundamentals

Homeownership hurdles for most new households fuel long-term rental demand. Apartment vacancy in Las Vegas is at a 10-year high; however, the relationship between income and home prices points to this rate reducing over the near term. Entering 2024, the metro's median household income trailed the national average by $8,000, while its median home price exceeded the U.S. mean by roughly $50,000. This dynamic and the recent lack of for-sale inventory indicate that immediate homeownership will be out of reach for most of the estimated 25,300 households formed this year. Instead, this group will funnel into the rental pool, a boon for developers with upcoming deliveries and operators of Class B and C complexes. Looking beyond 2024, the metro's regionally lower cost of living and economic growth are expected to support the addition of 500,000 residents over the subsequent 10 years. This 20-plus percent population boost should support tightening vacancy, especially if local construction begins to pull back as expected.

Out-of-state capital maintains suburban focus. Despite financing hurdles and a moderate decline in local rents, the metro's growth prospects supported a comparable mix of small and large-scale property trades last year. This distribution of deal flow is likely to continue in 2024. Out-of-state investors keen on properties with 100-plus rentals have been active in Sunrise Manor of late, acquiring Class B assets. These buyers' attention, however, may shift to Henderson and Southwest Las Vegas, the clear leaders in absorption last year. Private investors with an eye for higher yields should target Central Las Vegas, home to the tightest local vacancy and lowest average rent. Here, assets with less than 40 units are obtainable at mid-5 to 7 percent cap rates, with sub-$150,000 per unit pricing frequent. These investors may also consider listings near the University of Nevada, Las Vegas, as the campus added a record number of first-year students in fall 2023.

2024 MARKET FORECAST

NMI RANK	10	***A standout rate of household growth supports vacancy compression and revenue gains, solidifying Las Vegas' high rank.***

+1.9% — **EMPLOYMENT:** The expected addition of 22,000 positions during 2024 will place Las Vegas' year-end job count approximately 113,000 roles above its 2019 mark.

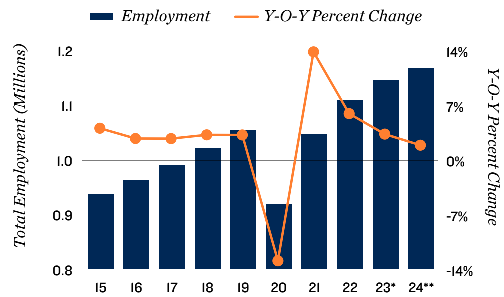
4,300 *units* — **CONSTRUCTION:** After last year's record delivery total, completions somewhat moderate in 2024. Still, local inventory expands by 1.9 percent, besting the prior five-year average growth rate.

-60 bps — **VACANCY:** Historically strong household formation in 2024 aids rental demand across property tiers, lowering year-end vacancy to 6.9 percent. This rate is just below that of Denver and Salt Lake City.

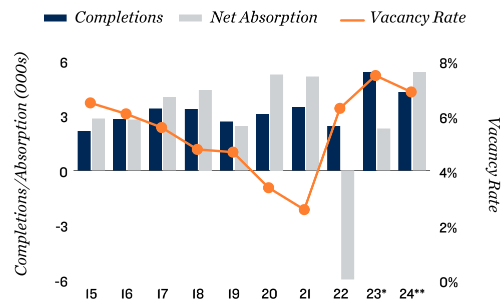
+2.7% — **RENT:** Vacancy compression supports rent growth, raising Las Vegas' mean monthly rate to $1,500. While a local record, this figure still represents a significant discount to Southern California markets.

INVESTMENT: *Statewide bills focused on eviction reform and rent increase caps were vetoed by Nevada's governor last year. This act may attract more California investors to Las Vegas amid a rise in rent control in their state.*

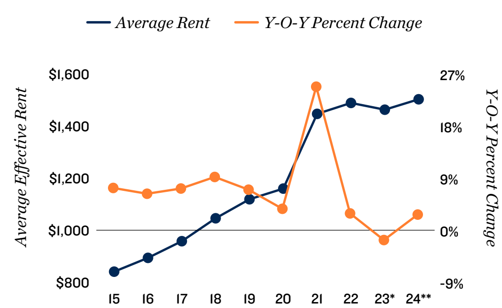
Employment Trends



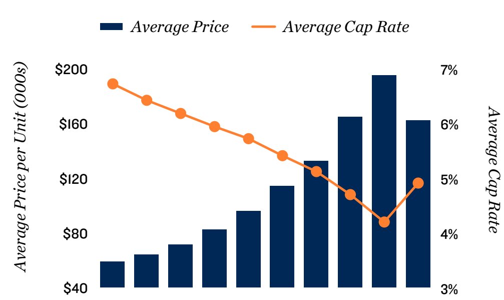
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

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

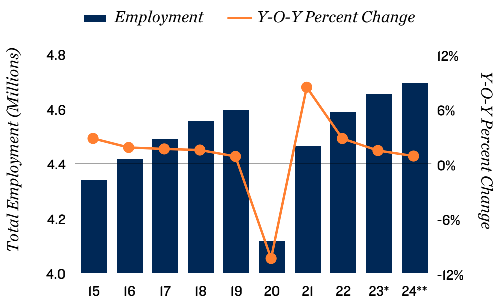
LOS ANGELES

Pullback in Local Deliveries Contrasts National Trend; Future of Measure ULA on Investors' Minds

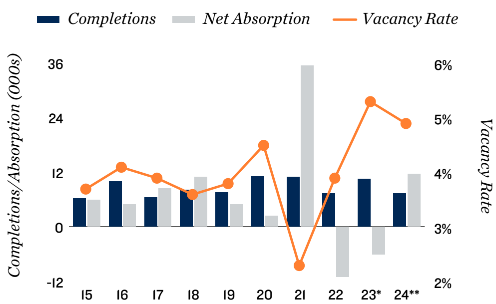
Household formation tally to set near-term record in nation's second-largest market. Since matching its historically low mark of 2.1 percent in early 2022, Los Angeles County's vacancy rate has steadily risen, reaching the low-5 percent band at the end of last year. This streak, however, ends during 2024. 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. Entering 2024 with vacancy rates below the metrowide average, 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.

Lower-tier fundamentals outperform, eliciting investment. Class C transactions accounted for 80 percent of metro deal flow last year. Near double-digit rent growth in the sector and a metrowide Class C vacancy rate nearly on par with the long-term average should continue to funnel 1031 exchange capital into lower-tier rentals. Home to some of the tightest Class C conditions, the San Fernando Valley, Westside Cities and Southeast Los Angeles submarkets should remain top targets. Sales activity in Los Angeles proper, however, may trail these areas. Since the enactment of Measure ULA, deal flow above the $5 million threshold has been scant here. 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. Also, the Los Angeles City Council voted to lift a rent freeze on rent-controlled units late last year.

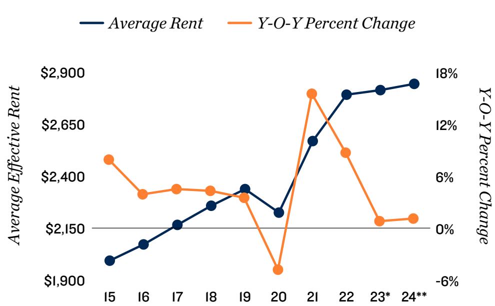
Employment Trends



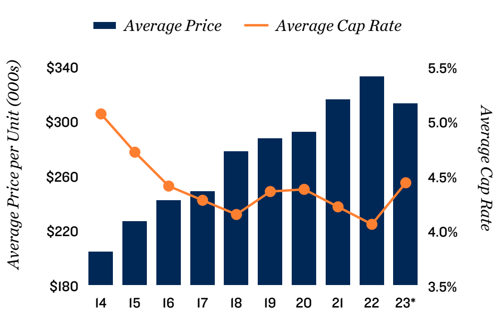
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

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

2024 MARKET FORECAST

NMI RANK 19 *Los Angeles registers the slowest inventory growth among markets in this year's Index, allowing the metro to crack the top 20.*

+0.9% **EMPLOYMENT:** After surpassing its 2019 tally last year, the metro's job count increases by 40,000 positions in 2024. Additions in white collar employment sectors, albeit moderate, may aid Class A demand.

7,300 units **CONSTRUCTION:** Delivery volume in 2024 trails the prior 10-year average by roughly 1,300 units. Among key areas of the metro, Greater Downtown Los Angeles is slated to add the most apartments.

-40 bps **VACANCY:** Demand outpaces supply for the first time since 2020, dropping vacancy to 4.9 percent. While 100 basis points above its long-term mean, the metro's rate ranks among the nation's lowest.

+1.1% **RENT:** Vacancy compression supports a second straight year of moderate rent growth. At $2,840 per month, the average effective rate will trail that of Orange County for the first time in 21 years.

INVESTMENT: *Investors seeking assets in Los Angeles proper not subject to Measure ULA may target Koreatown. Here, the frequency of sub-$300,000 per unit pricing allows for a larger variety of sub-$5 million acquisitions.*

Shrinking Office Employment Impacts Class A Sector; First-Ring Suburbs Attract Capital

Lower-tier leasing to restrain rising overall vacancy rate. The metro's traditional office-using sectors have noted attrition since late 2022, in turn slackening conditions in Class A and B rentals. Nevertheless, the metro boasts a roster of stalwart tenants that anchor the metro's office corridors, including Humana, Yum! Brands and Baird. The latter firm even noted a landmark expansion at the former PNC Tower last year. These employers remain committed to the market, providing a solid backstop for employment even as general white-collar recruitment hits some speedbumps, which should mitigate vacancy decompression in upper-tier apartments. The metro's broader employment outlook is also more positive, with a slow but steady increase likely to keep Class C vacancy in line with the historical average. Certain fields, such as the manufacturing and construction sectors, noted multi-decade highs in staffing counts in late 2023, which should facilitate demand for lower-tier apartments this year. The education and health services sector also noted record employment during that span. The wide spectrum of incomes these industries provide will act as a support for leasing across all apartment classes.

Investment largely concentrated within Louisville's immediate eastern suburbs. Responding to both tight financial markets and a large volume of incoming supply scheduled for 2024 and beyond, investors are mostly sticking to proven locales in Louisville proper. Properties changing hands are mostly Class C builds pertaining to the sub-$5 million price tranche, as the bulk of deal flow currently stems from smaller private investors. Still, multiple larger builds exceeding $30 million traded last year, indicating that institutional investors are identifying opportunities within the metro. Both institutional and private parties are often active in eastern Jefferson County, as they prioritize the higher-income areas of Louisville's first-ring suburbs.

2024 MARKET FORECAST

NMI RANK 44	*Declining effective rents and continued vacancy challenges place Louisville within the lower 10 metros in this year's Index.*

+0.6% **EMPLOYMENT:** Louisville's total net employment increase in 2024 will be roughly half of the previous year's, as losses in white collar sectors temper overall growth.

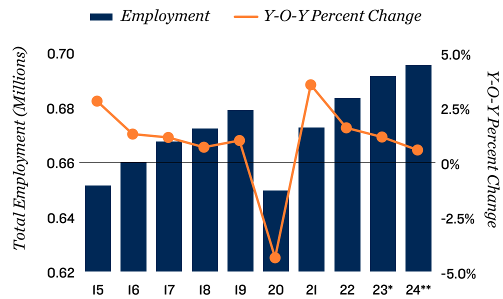
1,300 *units* **CONSTRUCTION:** Completions rise on an annual basis, though fall short of the trailing decade-long average of nearly 1,800 doors per annum. Supply will expand by roughly 1.3 percent this year.

+60 bps **VACANCY:** The metrowide vacancy rate will decompress for a third consecutive year, closing out 2024 at 7.2 percent. This is the highest level recorded in the market since 2007.

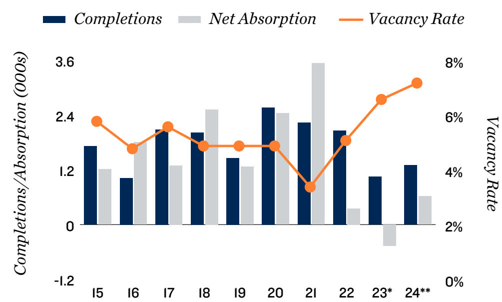
-2.2% **RENT:** Louisville will note its first decline in the average effective rent in more than a decade, falling to $1,167 per month. Nevertheless, this metric exceeds the year-end 2019 level by 28.7 percent.

INVESTMENT: *Buyers seeking out new builds will likely gravitate toward Southeast and Southwest Louisville. At the start of 2024, roughly 2,400 units were underway in these two submarkets.*

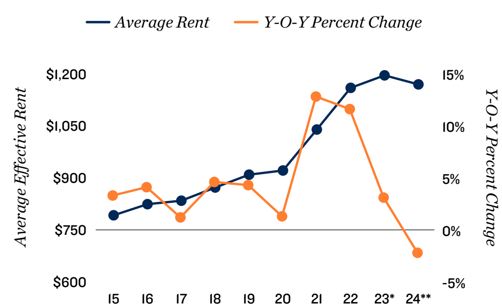
Employment Trends



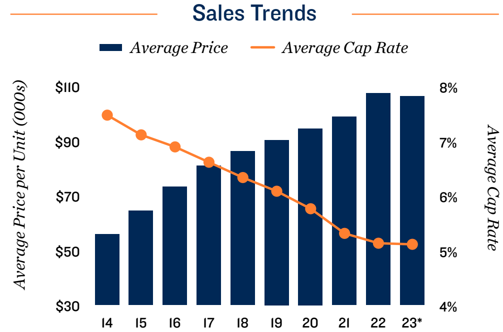
Supply and Demand



Rent Trends



Sales Trends



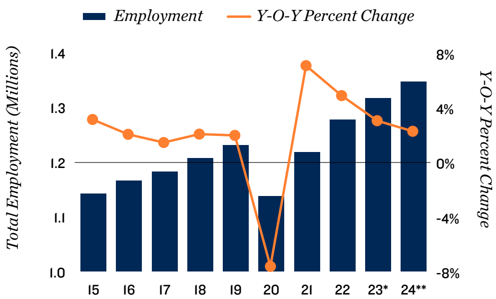
* Estimate; ** Forecast

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

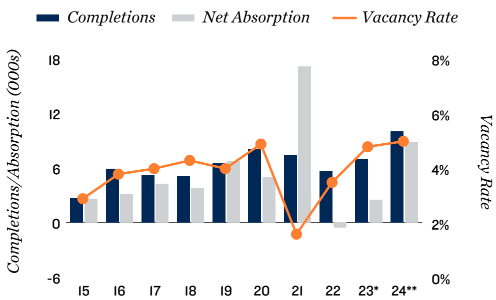
MIAMI-DADE

Local Homeownership Hurdles Among the Nation's Steepest, Helping Curb Increasing Apartment Vacancy

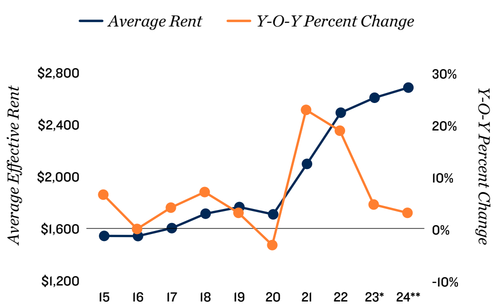
Employment Trends



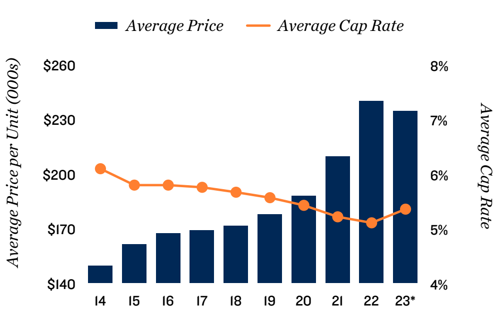
Supply and Demand



Rent Trends



Sales Trends



*Estimate; ** Forecast

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

Growth dynamics are above historical norms, despite some tempering momentum. Robust in-migration over the last three years has boosted the average apartment rent roughly 50 percent since 2020. The loss of some affordability advantages may now partially hinder inflows as population gains are expected to moderate. Nevertheless, corporate relocations and expansions are helping drive a rate of growth that remains above historic norms. Citadel's move to Brickell is a notable example, adding to the metro's base of skilled labor. Though many of these new positions are higher-wage jobs, homeownership challenges are directing more residents to apartments. In addition to elevated mortgage rates, Miami boasts the third-highest median home price in the country, following a 65 percent hike between 2019 and 2023. This dynamic helps tame the pace of vacancy expansion in 2024, allowing the metro to retain the lowest measure among major Florida markets. A record supply influx, however, is set to place particular pressure on the luxury segment, increasing concession offerings in the near-term.

Locational interest varies in accordance with capital deployment. Trading velocity significantly declined last year, following a historic count of transactions in 2022. Institutional grade activity, however, has started to return amid the Federal Reserve easing up on rate hikes, while some funds face capital deployment expirations. Western Miami-Doral and Hialeah-Miami Lakes should continue to be popular areas among these investors. Tighter Class A conditions here than the overall market is a driver for initiating deals, while a subdued active pipeline locally may maintain this dynamic moving forward. Private buyers acquiring assets are increasing their holdings in North Central and Northeast Miami. These units are attractive for renters, given their proximity to nearby beaches, urban amenities and affordability relative to Brickell and Downtown-South Beach.

2024 MARKET FORECAST

NMI RANK 7 — ***A remarkably high home price-to-income ratio and notable rent growth aid in Miami-Dade's top-10 ranking this year.***

+2.3% — **EMPLOYMENT:** The addition of 30,000 positions on net this year will allow for Miami's overall employment growth rate to exceed all other major Florida metros in 2024.

10,000 *units* — **CONSTRUCTION:** Deliveries this year will surpass Miami's previous all-time high by roughly 2,000 units, increasing stock by 3.1 percent. Downtown-South Beach accounts for nearly one-third of new supply.

+20 bps — **VACANCY:** Reaching 5.0 percent by year-end, market vacancy will be the lowest among major Sun Belt metros, aside from California markets like Los Angeles, San Jose and San Diego.

+3.0% — **RENT:** Miami's average effective rent reaches $2,678 per month in 2024. This will be roughly 52 percent ahead of its 2019 mean, the second-largest gain among major U.S. markets over that span.

INVESTMENT: *Local affordability challenges will continue to support renter demand for Class C units, preserving nationally-tight segment vacancy and consistent rent growth. This may elevate investor interest moving forward.*

Milwaukee Poised to Garner Additional Investment Interest Amid Strong Performance Metrics

Sustained tight conditions spur nationally fast pace of rent growth. For the third straight year, vacancy in Milwaukee will stand below every major market across the country except New York. Below-average, single-family home construction starts and higher mortgage payments are enabling this feat, directing more residents to rental units. The Downtown-Shorewood and Waukesha County areas exhibited the strongest absorption momentum entering this year. Notable corporate relocations, such as Baker Tilly and Rite-Hite Holding Corporation, as well as solid Class B/C office occupancy, are helping direct renter demand downtown across all multifamily class tiers. Out west, Waukesha County's strong industrial warehousing and distribution presence is supporting remarkably tight Class C vacancy, a trend that is also observed in the mid-tier segment. A muted delivery slate further contributes to the metro's nationally tight conditions, as renters are given fewer new apartment options than in 2023. These dynamics result in Milwaukee's annual pace of rent growth exceeding all other major markets across the country in 2024.

Deal flow holds steady as more out-of-state investors enter the market. Last year, Milwaukee stood out as the only major U.S. metro to record an increase in transaction velocity relative to the prior annual period. The metro stands out nationally for its consistently tight vacancy rate and elevated pace of rent growth. These factors may draw active, out-of-market Midwest investors in 2024 as Milwaukee gains regional prominence. Transaction velocity has mostly been concentrated in Downtown Milwaukee and first-ring suburbs as of late. Deal flow slightly north near the University of Wisconsin-Milwaukee is also notable, as operators benefit from a steady renter base and strong mid-tier rent growth. Improving rent rolls here are benefiting cap rates, which lifted by a pace that was nearly half that of the national average last year.

2024 MARKET FORECAST

NMI RANK 32 — ***Despite tight vacancy and strong rent growth, slow household formation weighs on the metro's national standing.***

+0.8% — **EMPLOYMENT:** The addition of 7,000 new roles this year will help expand Milwaukee's employment base at a rate that doubles the metro's long-term average.

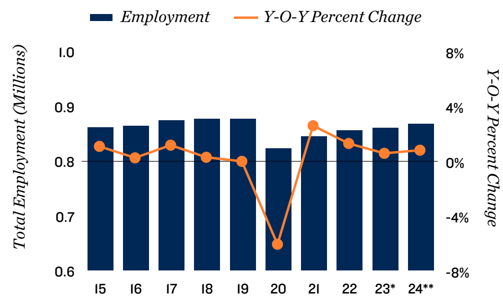
2,750 *units* — **CONSTRUCTION:** Builders will add 250 fewer units this year than in 2023, increasing overall apartment stock by 1.7 percent. Downtown-Shorewood welcomes about one-third of this new supply.

+10 bps — **VACANCY:** A minor lift to Milwaukee's vacancy rate brings the metro's measure to 3.7 percent by year-end. Still, this will stand more than 100 basis points below any other major Midwestern market.

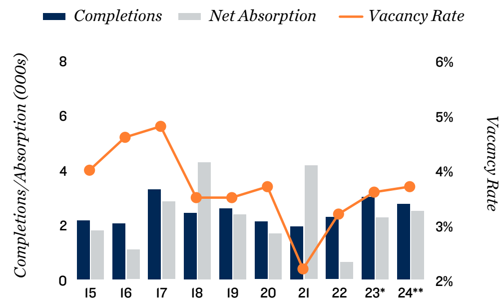
+3.6% — **RENT:** The metro's nationally strong pace of rent growth will raise its average effective rate to $1,590 per month, surpassing Minneapolis-St. Paul as the second highest among major Midwestern markets.

INVESTMENT: *Home to the metro's lowest vacancy rate entering 2024, Racine may draw increased investor interest this year. A limited active pipeline here is a boon for existing properties moving forward.*

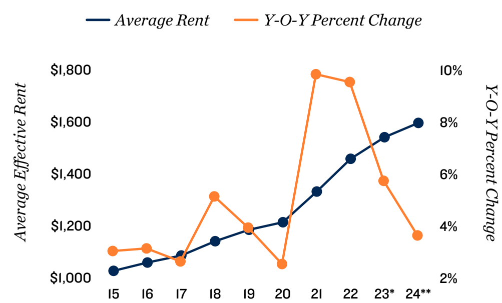
Employment Trends



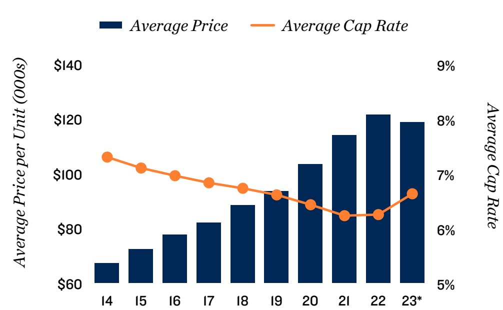
Supply and Demand



Rent Trends



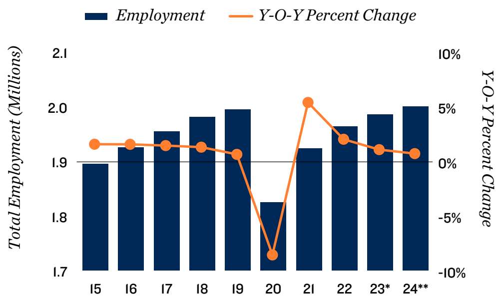
Sales Trends



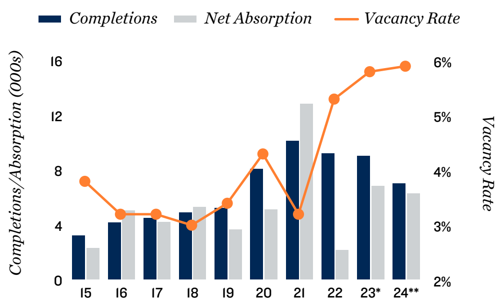
* Estimate; ** Forecast

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

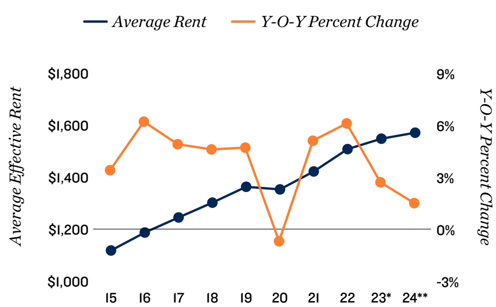
Employment Trends



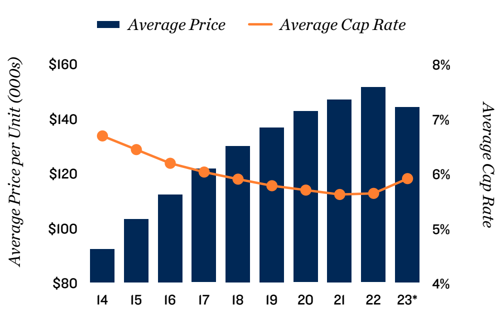
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

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

MINNEAPOLIS-ST. PAUL

Curbed Construction Aids the Metro's Outlook, While St. Paul Fundamentals Moderate

Minneapolis-St. Paul's regionally strong inventory growth starts to temper. Local apartment vacancy consistently ranked among the five lowest across major U.S. markets in the half-decade leading up to the pandemic. As a result, builders increased local stock at a rate faster than any other Midwestern metro between 2019 and 2023. This supply pressure coincided with household consolidation, reflected by a lower two- and three-bedroom unit vacancy rate than one-bedroom options. However, the pace of arrivals in 2024 falls to a five-year low, which should facilitate greater stability for existing units this year. The Bloomington, Plymouth-Maple Grove and Uptown-St. Louis Park areas have each started to capture this momentum as vacancies here trended downward entering 2024. Dynamics in Central St. Paul are also improving as operators and renters continue adjusting to recent rent control legislation. Here, Class B vacancy ebbed last year while the Class C segment remained below 2.5 percent. Amendments to the ordinance that allow for exemptions up to 8 percent-plus inflation are already being enacted, potentially impacting demand for lower- and mid-tier units in the area this year.

Suburban assets remain popular as university corridors gain attention. A substantial lift to transaction velocity across the metro in the latter half of 2023 was the result of improved activity among sales above the $20 million threshold. More of these deals may close this year, given the metro's high volume of units delivered over the past three years. Among private investors, activity has been moving north of the river from West Bank to the University area. Near Dinkytown, operators benefit from a stable renter base of students, while local mid-tier rent growth consistently outpaces the segment's marketwide mean. A clearer outlook regarding operators' ability to adjust rents in St. Paul should also maintain activity in the city's downtown and surrounding neighborhoods this year.

2024 MARKET FORECAST

NMI RANK 39 — ***Minor employment growth and a mid-tier revenue gain result in a ranking toward the lower end of the 2024 NMI.***

+0.8% — **EMPLOYMENT:** The addition of 15,000 jobs on net will allow Minneapolis-St. Paul's employment base to breach 2 million in total and exceed its previous record high noted in 2019.

7,000 *units* — **CONSTRUCTION:** After expanding inventory by 3.0 percent on average over the last four years, builders reduce the number of completions by 2,000 units in 2024. Still, stock grows by 2.1 percent.

+10 bps — **VACANCY:** A Midwest-high absorption total and a reduced delivery slate will slow the pace of vacancy expansion this year. As a result, the figure lifts marginally to 5.9 percent.

+1.5% — **RENT:** Despite a smaller increase, vacancy still reaches its highest point since 2010, weighing on rent growth. This prompts the effective rate to rise slightly to $1,568 per month on average.

INVESTMENT: *Population growth and household formation dynamics returning to pre-pandemic norms benefit trading activity in 2024, with Minneapolis proper and western suburbs likely garnering the most buyer interest.*

Widespread Net Absorption Upstaged by Another Set of Deliveries and Moderate Vacancy Increase

Local economic strength may amplify demand across property tiers. After noting the largest inventory gain among major U.S. markets last year, Nashville's stock is expected to increase by another 6.3 percent during 2024. While this supply influx will place upward pressure on vacancy, the increase registered is expected to be moderate for several reasons. Most of the metro's employment sectors entered 2024 with record job counts, as overall unemployment was at a historically low level. This standing suggests companies will recruit from outside the metro with increased frequency this year, specifically when filling higher paying roles. The positive net in-migration this creates will not only lift Nashville's populace, but also demand for luxury apartments, goods and services. The latter will necessitate an increase in health services and retail trade-related jobs, aiding demand in the Class B and C segments. Together, these dynamics should allow most, if not all, metro submarkets to record positive net absorption for a second consecutive year.

Outer submarket accounts for a larger share of the metro's sales compilation. Deal flow in Rutherford County nearly matched the transaction total in Nashville proper last year, with the area's rental pool well positioned for near-term expansion. Home to below-average vacancy and 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 complexes with value-add potential. Closer in, active private buyers with a preference for centrally-located Class B and C assets may comb West End neighborhoods, including Hillsboro Village. This submarket has historically offered investors the most sub-$5 million acquisition opportunities, primarily due to its stock of older properties.

2024 MARKET FORECAST

NMI RANK 18 — ***One of the nation's top metros for job creation, Nashville ranks in the top half of the Index, despite the supply influx.***

+1.9% — **EMPLOYMENT:** Hiring velocity outpaces the national rate for a 15th straight year, growing Nashville's job count by 22,000 roles. Traditional office-using additions will nearly match last year's tally.

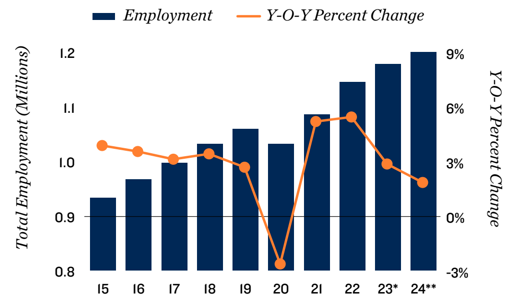
11,700 *units* — **CONSTRUCTION:** Nashville's rental stock growth in 2024 ranks as the sixth-highest pace among major U.S. markets. Locally, Germantown, Midtown and the city of Lebanon add the most units.

+20 bps — **VACANCY:** Amid another wave of deliveries, diverse hiring and relocations to the metro prevent a sizable rise in vacancy from occurring. Still, at 6.3 percent, Nashville's year-end rate is its highest since 2009.

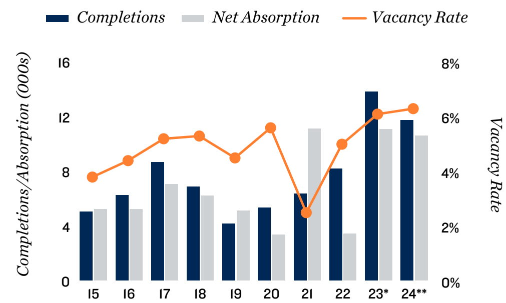
+1.8% — **RENT:** Notable net absorption supports a moderate pace of rent growth in 2024, elevating Nashville's average to $1,670 per month. While a local record, this effective rate is $170 below the U.S. mean.

INVESTMENT: *The historic number of projects delivered by merchant builders over the past four years, and the wave of supply additions in 2024, may translate to more newly-built assets trading this year, aiding sales volume.*

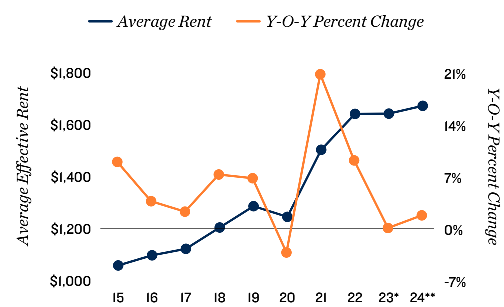
Employment Trends



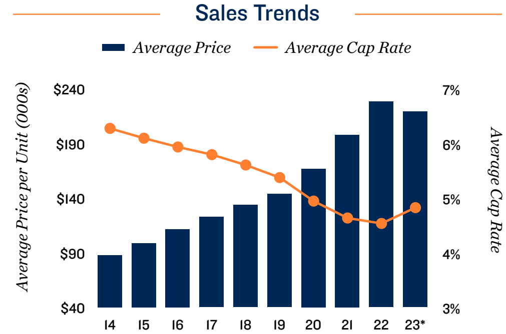
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

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

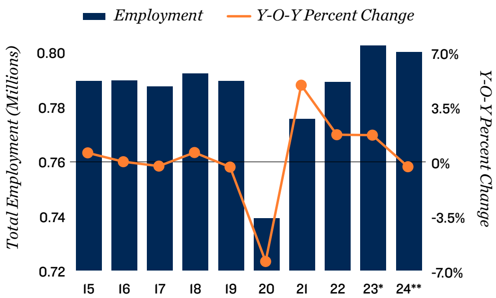
NEW HAVEN-FAIRFIELD COUNTY

Vacancy Anticipated to Rise Regionwide, Though Certain Locales Better-Braced than Others

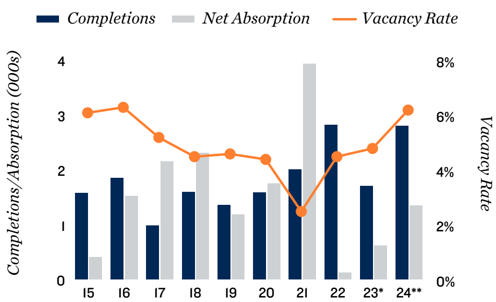
Market impacted by diverse demand factors, leading to bifurcated performance. The persistence of hybrid schedules among New York employees continues to bolster southwestern Connecticut's renter base, especially in Fairfield County's commuter-friendly downtowns. Class A vacancy was on a downward trend here in 2023, ending the year roughly 50 basis points below the long-term average. Still, a sizable delivery schedule marketwide is likely to exert upward pressure on vacancy in both this segment and newer Class B builds in 2024. This trend will be pertinent in New Haven County, where rental demand is more heavily influenced by local drivers. These new arrivals are ill-timed with a slowdown in New Haven's biotech industry, 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 projected 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 less than half of the post-2006 average, contrasting Fairfield County, where cost-of-living concerns have driven up the rate in recent years.

Northern New Haven County emerges as transaction epicenter. Tepid development in New Haven County's outlying town centers has drawn investors to opportunities farther from the market's densest areas. Downtown Waterbury has been the most active locale for trades in both 2022 and 2023, supported by a growing renter base attracted to a lower cost-of-living compared to Connecticut's coast. Increasing investor appeal, supply gains here continue to trail the broader market, keeping operations tighter relative to the wider region. Low prices compared to the regional average and an active private buyer pool lead to transactions in the sub-$5 million price tranche being the norm here, and a wide selection of vintage assets should continue to incentivize value-add strategies.

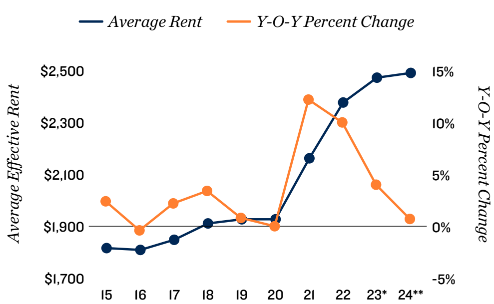
Employment Trends



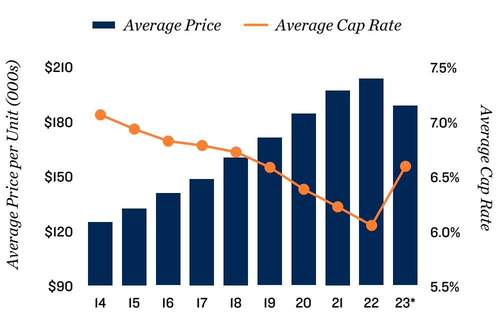
Supply and Demand



Rent Trends



Sales Trends



*Estimate; ** Forecast

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

2024 MARKET FORECAST

NMI RANK 48 *A rapid jump in the vacancy rate, combined with tepid population growth, place the market low in the Index for this year.*

-0.3% **EMPLOYMENT:** Staffing counts across the market's two counties will contract by 0.3 percent in 2024, but gains in nearby metros should help offset the impact of this local decline on rental demand.

2,800 *units* **CONSTRUCTION:** This year's completion total will be the second highest on record, nearly equaling the all-time high noted in 2022. Apartment inventory will expand by 2.3 percent.

+140 bps **VACANCY:** Brisk supply gains will drive vacancy to 6.2 percent by the end of this year, the highest rate noted since mid-2012, when the metric recorded a multi-decade peak of 8.1 percent.

+0.7% **RENT:** Vacancy rising to the highest level in more than a decade will restrain rent growth to the slowest rate since 2020. The average effective rent will bump up to $2,488 per month.

INVESTMENT: *In line with increasing attendance in recent years, Yale University welcomed a record-setting freshman class in fall 2023. This bodes well for rental demand in downtown New Haven in the coming years.*

Early Indicators Suggest Peaking Construction, Despite City's Legislative Efforts to the Contrary

Attempts to increase apartment supply fall short of prodigious renter demand. New York's apartment market entered the year with a 1.8 percent vacancy rate, tying the two-decade low achieved in 2021. Though the city is consistently one of the nation's most active metros by construction, 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" initiative, aiming to support the completion of 100,000 apartments within the next 15 years. Still, state legislation has already adversely impacted attempts to grow the city's apartment supply. According to 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 eased the financial burden of multifamily development. The full impact of these changes on the construction pipeline is yet to be seen, but the sharp decline in construction filings could have an effect on the delivery schedule as early as 2025.

Lack of long-term clarity sidelines some investors. 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. Additionally, since 2022, increases allotted by the Rent Guidelines Board for rent-regulated units have trailed the rate of inflation, complicating the upkeep of older Class B and C apartments, and potentially dampening buyer demand in these tiers. With over 40 percent of units subject to rent control, this legislation affects a broad swath of the investment market.

2024 MARKET FORECAST

NMI RANK 21 *An extremely tight overall housing market secures New York a top-half ranking in this year's National Multifamily Index.*

+1.1% **EMPLOYMENT:** Job growth will reach 50,000 new roles this year after just 30,000 positions were created in 2023, when losses in traditionally office-using sectors stunted overall gains.

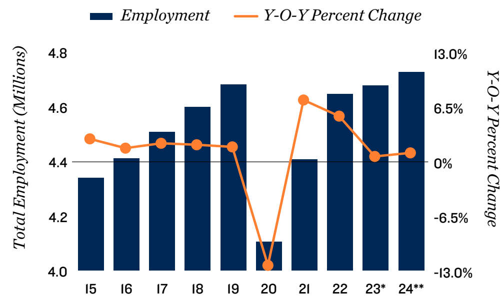
24,000 *units* **CONSTRUCTION:** Completions in 2024 will breach the 20,000-unit threshold for the second time in the last half-decade, with developers expanding apartment supply by 1.1 percent this year.

+20 bps **VACANCY:** Vacancy creeps up to 2.0 percent by year-end, the highest measure since early 2021. Still, this is well below the city's long-term average of 2.6 percent.

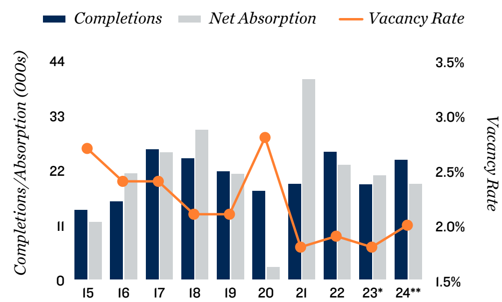
+1.1% **RENT:** While rent growth will be the slowest yet seen since 2020, the average effective monthly rent will close out December at $2,912, the highest level on record.

INVESTMENT: *Investors seeking recent larger builds will likely target Brooklyn moving forward. Over a third of proposals with more than 100 units filed in 2023 were located here, with a large portion in the Gowanus area.*

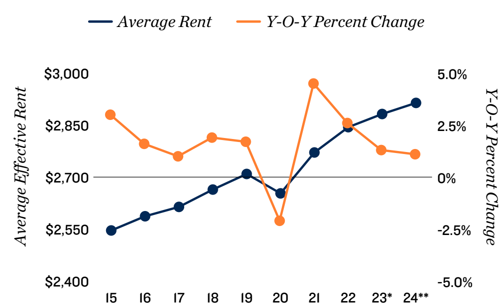
Employment Trends



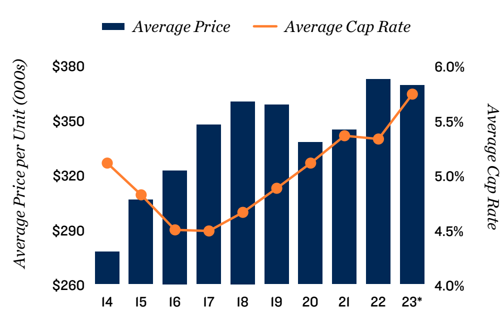
Supply and Demand



Rent Trends



Sales Trends



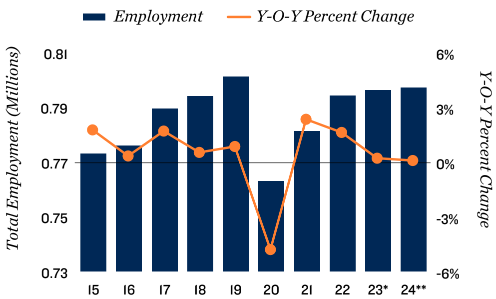
* Estimate; ** Forecast

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

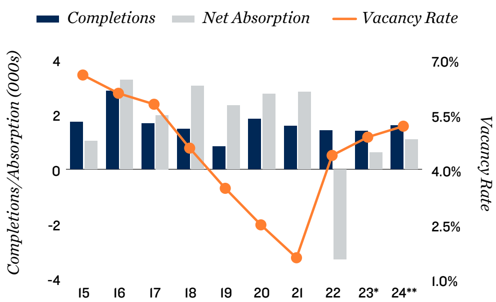
NORFOLK-VIRGINIA BEACH

Structural Shift in Housing Market Emphasizes Rental Options for New Residents

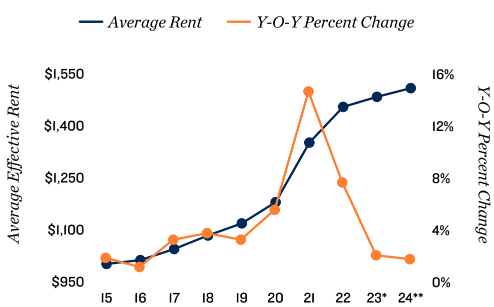
Employment Trends



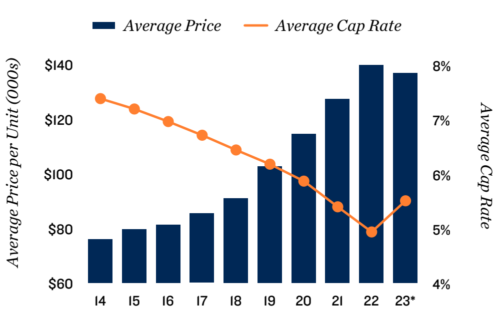
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

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

Metro records regionally-low Class A vacancy. For most of the decade trailing 2024, it was less costly to make a home mortgage payment in Norfolk-Virginia Beach than to rent a top-tier apartment. However, entering the year, the trade-off had flipped. This dynamic is steering a larger portion of newly-forming households to Class A and B rentals, following near-decade high net in-migration last year. The recent surge in demand enabled top- and mid- tier vacancy to fall through most of last year, with the metro's Class A rate ranking as the lowest among any major mid-Atlantic market as of late 2023. Boding well for sustained luxury sector declines, new supply in 2024 will be concentrated in Southern Norfolk and Williamsburg-Jamestown, areas that have recently observed easing vacancy overall. Roughly 1,400 units, or nearly 90 percent of this year's pipeline, are slated for delivery between the two areas. Across property tiers, absorption will be supported by a diverse income profile of local renters. NAF Human Resources and BDO continue to hire in Norfolk proper, while James City County draws rental demand from students and staff at The College of William & Mary.

Mid- and lower-tier rent growth draws buyers. Relative to 2019, average effective Class B and C rents have each grown more than 30 percent. Subsequently, deals for these complexes in 2023 garnered average entry costs that were each at least 35 percent higher than pre-pandemic marks, reflecting buyer competition amid improving property metrics. This trend should continue to define trading in Norfolk City, where mean effective rents climbed more than 30 percent in the last four years. Eastern Virginia Beach is also positioned to experience a similar dynamic near-term, with Amazon setting up a 3 million-square-foot logistics facility here in May. A larger blue-collar workforce should increase renter demand for Class B and C units, fueling investor interest for these listings.

2024 MARKET FORECAST

NMI RANK 42 — ***A near-static job count offsets nationally modest supply growth to give Norfolk-Virginia Beach a lower-echelon rank this year.***

+0.1% — **EMPLOYMENT:** Job gains in education and health services fields make up for losses in the leisure and hospitality sectors, contributing to the metro's total headcount growing by 1,000 roles in 2024.

1,600 *units* — **CONSTRUCTION:** While marketwide stock is slated to expand by 1.1 percent in 2024, local growth is expected to remain below that mark in Newport News and Virginia Beach West.

+30 bps — **VACANCY:** The metro's vacancy rate will rise to 5.2 percent in 2024; however, nominal deliveries in Portsmouth-Suffolk, Chesapeake and Hampton-Poquoson could support greater stability locally.

+1.7% — **RENT:** Norfolk-Virginia Beach preserves the lowest effective rate among any major mid-Atlantic market in 2024, as the metric closes out the year at $1,505 per month.

INVESTMENT: *New employers in Portsmouth-Suffolk helped stir metro-leading local net absorption last year. Investors may keep an eye on this dynamic moving forward in anticipation of new sources of apartment demand.*

Wave of Luxury Projects Tests Top-Tier Rental Demand; Inland Zones Retain Buyer Appeal

Supply trends to prompt varied performance across apartment classes. A large volume of luxury rental units slated for delivery in 2024 is likely to recalibrate Class A vacancy in the short-term. Still, demand in this segment has remained robust of late, with top-tier vacancy falling well below the long-term average of 7.4 percent last year, despite local downsizing in traditionally office-using sectors. With these employment trends expected to reverse in 2024, gains in high-compensation industries should set an upper limit on increases in luxury apartment vacancy. The market's home price to income ratio also exceeds the national average, disincentivizing higher-earning renters from home-ownership. While supply gains place upward pressure on the Class A segment, conditions should remain much tighter on the other end of the spectrum. Entering 2024, the Class C vacancy rate had held under 3 percent for 12 straight quarters, the longest such span on record. Aiding matters, employment is anticipated to continue expanding this year, albeit at a 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.

Areas with scant construction note the steadiest investor base. Contrasting declines in deal flow across most of the market, transaction velocity in Morris and Passaic counties last year continued at rates comparable to what was noted in 2022. Such consistent activity in these inland zones likely stems from a lack of incoming supply and notably tight operations. Assisted by a dearth of construction in these submarkets, vacancy in these locales has been consistently lower than the metrowide average, with both maintaining sub-3 percent vacancy rates entering 2024. Institutional investment may also flow back into the market's densely-populated zones as the selection of upper-tier stock expands, and the near-term future of fundamentals in these locales becomes easier to gauge.

2024 MARKET FORECAST

NMI RANK 40 — ***A nationally low vacancy rate is offset by softer job and population growth for a position in the final 15 of rankings for 2024.***

+0.7% — **EMPLOYMENT:** Northern New Jersey will note a 15,000-position uptick in staffing counts in 2024, bringing the local employment base to its highest mark on record.

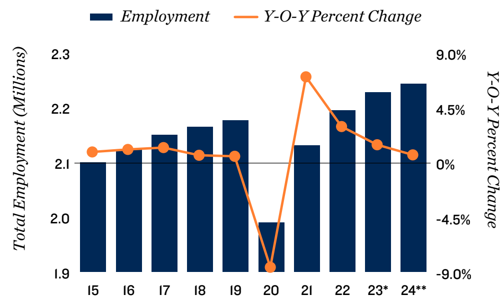
15,000 *units* — **CONSTRUCTION:** This year's delivery volume will be the largest noted in multiple decades, boosting inventory by 3.4 percent. The bulk of completions are slated for waterfront locales.

+70 bps — **VACANCY:** The metrowide vacancy rate will close out 2024 at 5.1 percent, the highest level since 2020. Increases will likely be more acute in Essex and Hudson counties due to local supply gains.

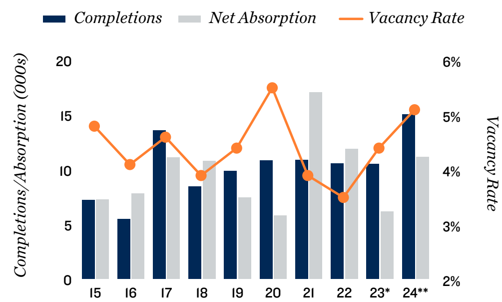
+2.6% — **RENT:** Rents will continue to grow this year, though at a comparatively tepid pace relative to previous spans. The average effective rent will reach $2,453 per month by the end of December.

INVESTMENT: *Competition among incoming luxury apartments may prompt investors that acquire Class A properties in 2024 to implement innovative concepts to attract tenants, such as on-site carsharing services.*

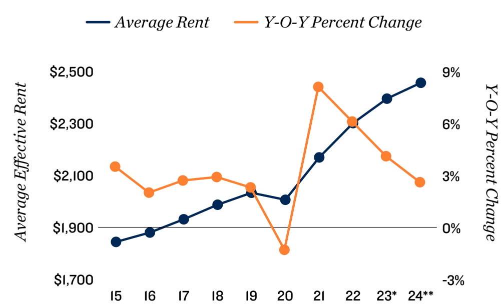
Employment Trends



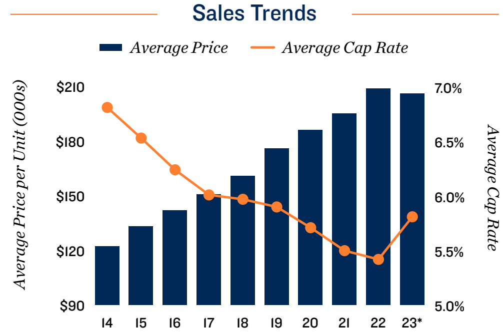
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

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

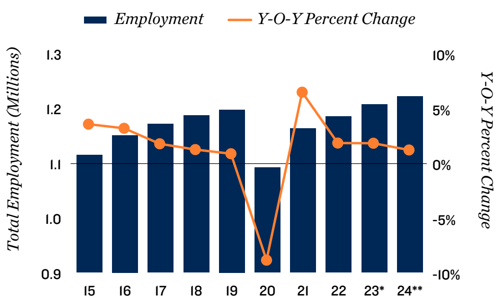
OAKLAND

South Suburbs Have More Upbeat Outlook; Oakland's Core Represents the Nucleus of Rent Softening

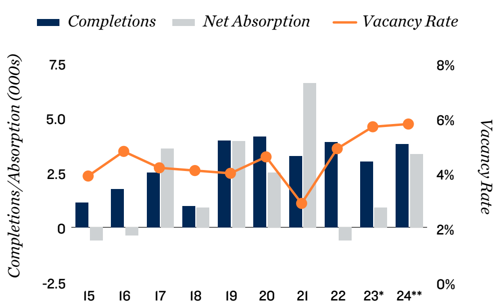
Elevated development in the most vacant area enflames headwinds. South Contra Costa and Alameda counties are better positioned than most other portions of Oakland amid metro-level performance softening in 2024. San Ramon-Dublin and Hayward-San Leandro-Union City, in particular, stand out as areas with 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. Diverse rental demand is reflected in both submarkets having Class A and Class C vacancy below their respective metro averages. Conversely, challenges in the urban core could grow, after the area showed initial resilience when 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. Beyond 2024, however, the pipeline here is thin, potentially allowing new supply to be absorbed.

Comparatively stable operating costs, higher yield potential aid investment. Many apartment operators across the country are being acutely impacted by rising expenses, particularly insurance premiums and property taxes. Oakland has largely avoided this headwind, however, with the local average operating expense growing by about one-fourth the national increase last year. This, and Oakland maintaining a mean cap rate that exceeds other Bay Area metros by 60-plus basis points, should capture investment interest. Relatively stronger performance in South Contra Costa and Alameda counties may drive buyers to these areas.

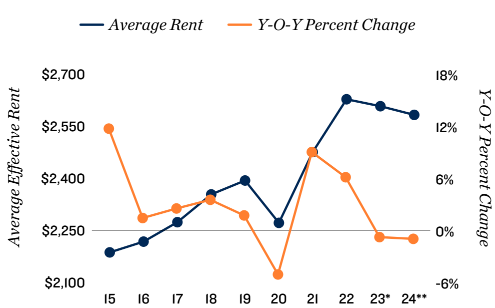
Employment Trends



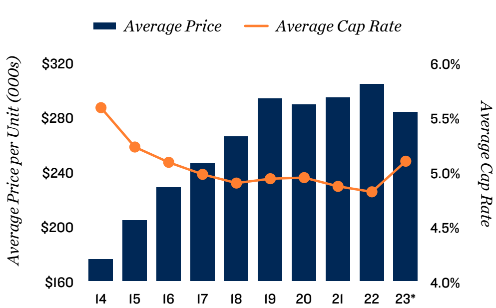
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

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

2024 MARKET FORECAST

NMI RANK 24 — ***Oakland ranks in the middle of major California metros as soft multifamily performance counterweighs solid job metrics.***

+1.2% — **EMPLOYMENT:** Oakland ties for fastest pace of employment growth among major California markets in 2024, adding at least 5,000 more local jobs than both Bay Area peers — San Jose and San Francisco.

3,800 *units* — **CONSTRUCTION:** Development remains consistent with the trailing five-year average of 3,650 units delivered. Construction outside of the core is most substantial in Fremont and San Ramon-Dublin.

+10 bps — **VACANCY:** Considerable supply pressure in the largest submarket by stock — Oakland-Berkeley — contributes to the metrowide vacancy measure lifting to 5.8 percent, the highest mark in over 20 years.

-1.0% — **RENT:** For a second straight year, the average effective rent will inch down amid decade-plus high vacancy. Oakland's mean monthly rate will end 2024 at $2,580, which is about $45 under the 2022 peak.

INVESTMENT: *Economic pressures could steer investors to areas with more stable demand drivers, such as university-adjacent neighborhoods. Buyers willing to accept relatively lower cap rates may target Berkeley.*

Metro Remains a Statewide Standout as Santa Ana Rent Control Hinges on Voter Approval

Broad demand poised to support rent growth across apartment sectors. 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 by delivering more than 3,000 units for the first time in six years. Completions, however, are centered in Irvine, which appears warranted considering the city's roughly 2 percent vacancy at the onset of 2024. The relatively moderate volume of rentals added across the rest of the metro and record-high Class A rent will require most households to occupy Class B and C units, maintaining nationally tight conditions in both segments.

Decision on local rent control may shift some investors' attention to adjacent cities. Historically home to one of the nation's tightest Class C vacancy rates, Orange County will remain a target for private, often 1031 exchange, investors from throughout California in 2024. West Anaheim, Garden Grove and other areas with sub-3 percent Class C vacancy and below-metro average rents stand to receive notable interest, specifically for smaller complexes. Typically, Santa Ana, which accounted for roughly 20 percent of the metro's lower-tier deal flow last year, would 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 on units built prior to February 1995. Buyers with an appetite for sub-20-unit assets may also turn to Huntington Beach, where price points below those found in other cities along Highway 1 exist.

2024 MARKET FORECAST

NMI RANK 13 — ***Low vacancy and high home prices slot Orange County among the top markets for revenue growth, equating to a high ranking.***

+1.0% — **EMPLOYMENT:** Orange County employers are expected to add 18,000 roles this year, supporting the strongest annual rate of job growth among major Southern California markets.

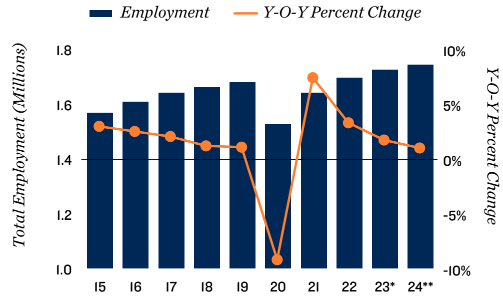
3,300 units — **CONSTRUCTION:** Delivery volume reaches a five-year high as developers expand the local rental stock by 1.2 percent. Apart from Irvine, Anaheim is slated to add the most new units among cities.

+10 bps — **VACANCY:** After rising 60 basis points last year, the pace of vacancy increase slows in 2024 as 2,900 units are absorbed. At 3.9 percent, the metro's year-end rate is 20 basis points below its long-term mean.

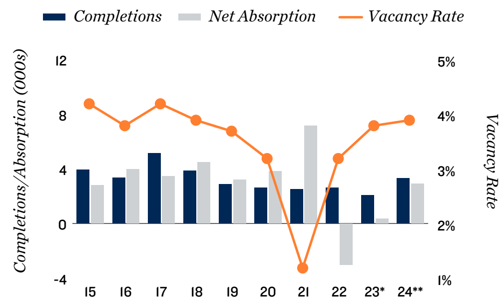
+2.9% — **RENT:** A fourth straight year of rent growth lifts the average effective rate to $2,870 per month, allowing Orange County to surpass Los Angeles as Southern California's highest cost rental market.

INVESTMENT: *Investor competition for relatively newer complexes with triple-digit unit counts should be fierce as the metro was the only U.S. market to enter 2024 with Class A and B vacancy rates below 4 percent.*

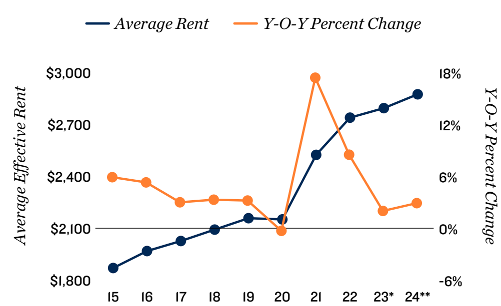
Employment Trends



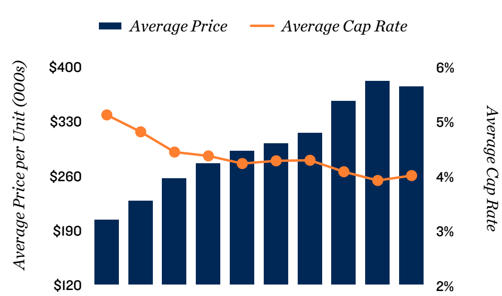
Supply and Demand



Rent Trends



Sales Trends



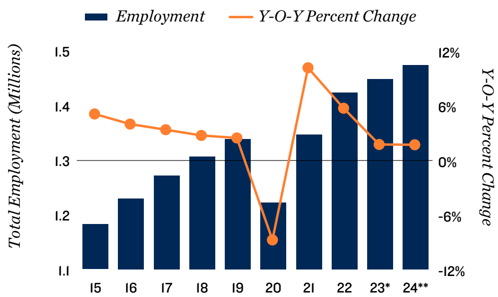
** Estimate; ** Forecast*

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

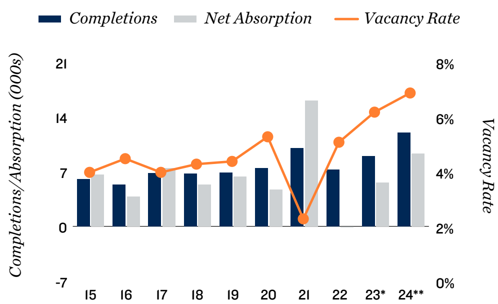
ORLANDO

The Metro Claims Florida's Fastest Pace of Household Formation, Backstopping Apartment Demand

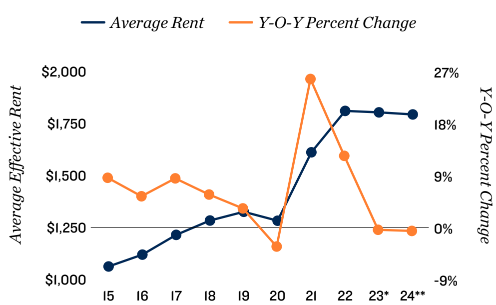
Employment Trends



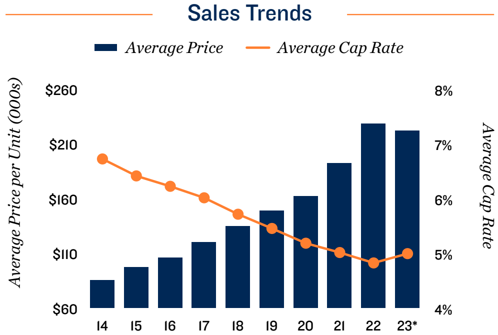
Supply and Demand



Rent Trends



Sales Trends



*Estimate; ** Forecast

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

Regional affordability aids long-term outlook. Incoming supply 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 as supply and demand realign. In 2024, the metro will claim the fastest rate of household growth among major Florida markets at 2.3 percent, and the median single-family home price in Orlando has risen by over 50 percent since 2019, putting homeownership out of reach for more individuals. As such, many new households will funnel into the renter pool, enabling the total occupied apartment stock to reach an all-time high by year-end. The market's favorable demographics are unlikely to subside going forward 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 those relocating to the state, particularly retirees on a budget.

Long-term growth potential boosts investment in Orlando. Rising insurance costs in Orlando may complicate some multifamily developments and trades going forward. Still, the metro is less prone to flooding and natural disasters compared to coastal Florida markets. This reduced susceptibility could draw regional investors to Orlando as climate concerns mount elsewhere. Price appreciation in assets purchased prior to the pandemic may motivate current owners to list assets. The average price per unit in 2023 sat 50 percent higher than the 2019 mean and more than doubled the recording from a decade ago. A possible rise in listings volume would provide additional options for out-of-market buyers eager to establish or expand their local portfolios. Private buyers seeking smaller, sub-$10 million assets should remain active in Apopka and Lake County. The metro's growth potential is also poised to attract investors to the area.

2024 MARKET FORECAST

NMI RANK 30 — ***Strong hiring and new young adult renters offset elevating vacancy, slotting the market slightly under the Index midpoint.***

+1.7% — **EMPLOYMENT:** Job growth in Orlando will match last year's count at 25,000 new positions on net in 2024. This will bring total metro employment more than 130,000 jobs above the 2019 count.

12,000 *units* — **CONSTRUCTION:** Inventory will grow by 4.5 percent this year. The bulk of new units are expected in Kissimmee, South Orange County and the Ocoee-Winter Garden-Clermont area.

+70 bps — **VACANCY:** Record stock growth will place upward pressure on vacancy in 2024. The rate will rise for the third consecutive year, reaching 110 basis points above the long-term average at 6.9 percent.

-0.6% — **RENT:** The average effective rent in Orlando will slide annually for the third time in the last half decade. The metric will inch down to $1,790 per month by December.

INVESTMENT: *East and Southwest Orlando may receive additional investor interest this year as the influence of the new Brightline station on local housing demand becomes clearer.*

City Set for Record Year of Supply Additions; Suburban Fundamentals to Hold Steadier

Full force of urban supply wave to materialize this year. A tax abatement that facilitated multifamily development within the city of Philadelphia expired in 2022, prompting a swell of developers to break ground on apartment projects while the program was still in effect. The first stages of this supply surge came to fruition late last year, leading to a record-breaking delivery schedule in 2023. Deliveries are anticipated to surpass that total in 2024, which will put further upward pressure on vacancy in urban areas. Apartments within the city limits have withstood this supply influx so far, accounting for over 80 percent of the wider metro's net absorption total last year. Still, the rapid delivery of these projects will put acute operational pressure on existing Class A and B properties. The outlook in other locales is better balanced, with significantly less incoming supply pressure aiding suburban Pennsylvania and New Jersey submarkets. The sustained practice of hybrid office operations gives some renters in these locales little incentive to reduce commutes for the foreseeable future by relocating back to Philadelphia proper.

Expanded renter base in affluent suburban locales keeps buyers active. Though transaction velocity remains subdued after record deal flow was noted in 2022, investors remain most active in the suburbs north and west of the city relative to the preceding two years. The renter population in these zones grew sharply in the immediate aftermath of the pandemic, with many of these households anticipated to remain in their new suburban abodes. Areas farther out, where stock expansion has been the most tepid and rent gains are above market average, such as Gloucester County and the Outer Wilmington area, could also attract more buyers moving forward. In the longer term, after the current supply wave terminates, the sizable number of new projects coming online in Philadelphia proper could draw larger investors to newly-completed opportunities in the city.

2024 MARKET FORECAST

NMI RANK 41 — ***A slowdown in job creation, paired with elevated new supply pressure, limit Philadelphia in the rankings for 2024.***

+0.8% — **EMPLOYMENT:** Following a swift employment recovery and further growth in 2023, job gains will transition to more typical levels for the metro. The region will add roughly 25,000 positions this year.

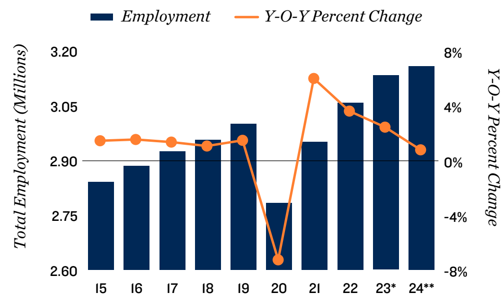
12,000 *units* — **CONSTRUCTION:** A record amount of units will come online for the second consecutive year as stock grows by 2.9 percent. The majority of these projects will open in 2024 within the city of Philadelphia.

+10 bps — **VACANCY:** Despite record supply additions in the core, solid absorption in Philadelphia's urban zones and robust suburban demand will restrain vacancy, with the metric ticking up to 5.0 percent.

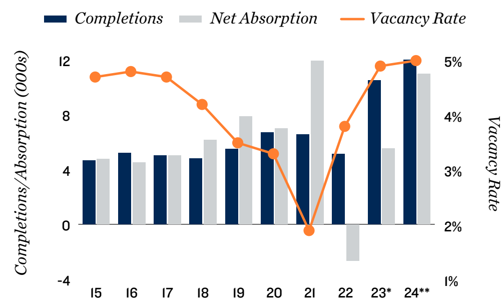
+1.8% — **RENT:** A rise in concession activity within Philadelphia proper will slow overall rent growth, but solid demand in the suburbs will help bring the average effective rent to $1,834 per month.

INVESTMENT: *With groundbreaking initiated in October 2023, the first private housing project in the Philadelphia Navy Yard in more than 30 years may signal new investment opportunities here long-term.*

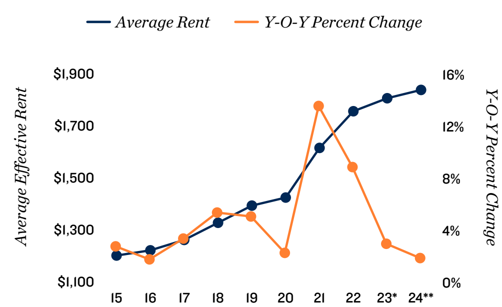
Employment Trends



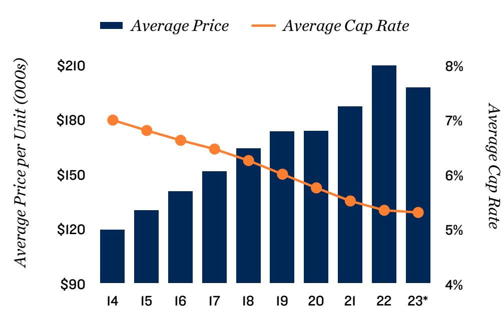
Supply and Demand



Rent Trends



Sales Trends



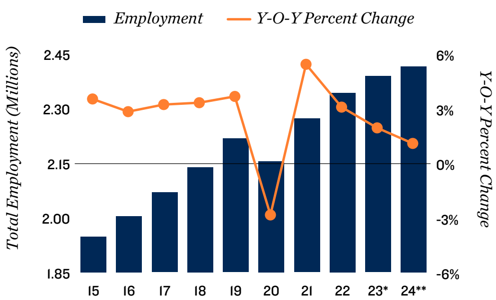
** Estimate; ** Forecast*

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

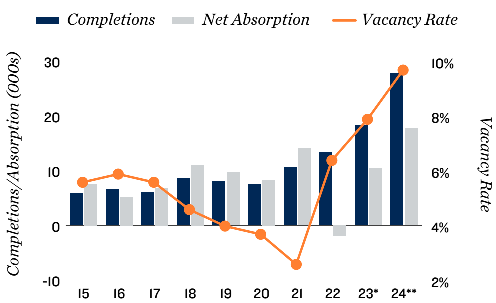
PHOENIX

Regional Living-Cost Advantage Preserves Elevated Net In-Migration

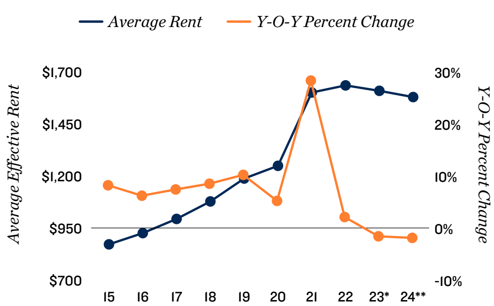
Employment Trends



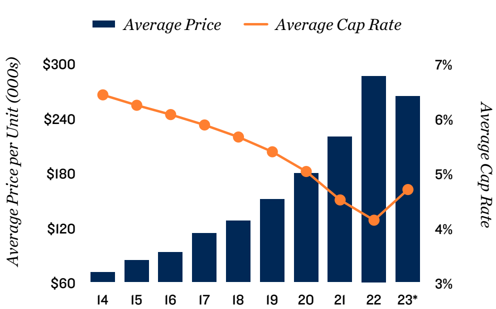
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

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

Phoenix entices budget-conscious renters. Record rent growth across the U.S. in 2021 and 2022 outpaced wages, which began to curb household formation. However, Phoenix's cost-of-living advantage is aiding the multifamily sector amid such headwinds. Entering 2024, the mean effective rent represented 24 percent of the median monthly household income — well below the national mark of 30 percent — and a large drop-off from the ratios noted nearby in Los Angeles and San Diego. Regionally-affordable rents have fueled robust absorption of new supply. Avondale-Goodyear-West Glendale, Central Phoenix and Gilbert define this trend, with each recording some of the highest stock growth in the region over the last five years and rental demand that has mostly kept pace. This year, they host the delivery of 13,000 units, but the affordability advantage will drive demand from relocating renters. Overall rents across these neighborhoods are below all but one major Southern California submarket, emphasizing the draw from a broad spectrum of potential tenants. While higher rents relative to 2019 may temper household formation among current residents, transplants from nearby metros seeking greater budgetary freedom will help sustain elevated net in-migration and apartment demand in 2024.

Recent appreciation moves needle on deals. Mean per-unit pricing in Phoenix rose 75 percent since the end of 2019, the fastest among any major Sun Belt metro. Owners — cognizant of the Federal Reserve intending to keep rates higher for longer — are listing assets more often to reap proceeds from value appreciation. Entry costs in Camelback and Tempe, for example, doubled since 2019, likely motivating more owners to list in 2024 despite a fall-off from peak pricing. Property metrics and buyer interest here are aided by a growing renter base, as each area draws many of the metro's new employers — including Perkins COIE, Kimley-Horn and Imagine Learning — who move into new offices in 2024.

2024 MARKET FORECAST

NMI RANK 34 — ***Record construction instigates nationally-high vacancy in Phoenix, and pulls its ranking into the lower half of the 2024 NMI.***

+1.1% — **EMPLOYMENT:** Employers in Phoenix add 26,500 roles on net in 2024. This will mark the second consecutive year where overall job growth stands under the metro's long-term pace of 2.8 percent.

27,800 *units* — **CONSTRUCTION:** Phoenix hosts the second-largest delivery slate among major U.S. metros in 2024, as overall inventory expands by an all-time high of 6.9 percent.

+180 bps — **VACANCY:** The marketwide vacancy rate elevates to 9.7 percent in 2024. Still, West Phoenix, South Tempe and North Glendale's pipelines of under 150 units should stoke greater stability in local rates.

-1.9% — **RENT:** Following a 1.6 percent decline in 2023, the average effective rate ticks down again, to $1,575 per month this year. Nevertheless, the metric will still stand roughly 33 percent higher than in 2019.

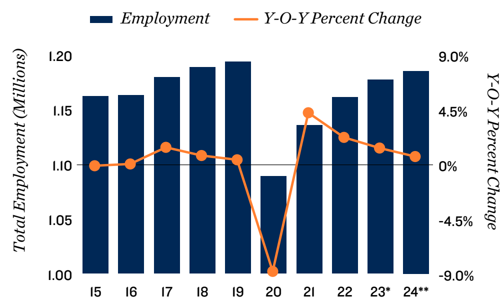
INVESTMENT: *Although Taiwan Semiconductor Manufacturing Company's fab expansion in Deer Valley has been pushed back to 2025, the development is still stoking investor interest for nearby workforce-suitable housing.*

Measured Construction and Selection of Vintage Stock Prop up Fundamentals, Investment

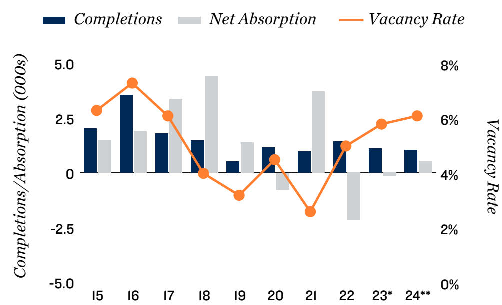
Slow inventory expansion helps minimize near-term speedbumps. Hiring velocity is expected to decelerate across most local employment segments this year, with traditional office-using industries anticipated to contract over the course of 2024. The collapse of Silicon Valley Bank may also have lingering effects on the area's tech sector, as this institution financed many startups linked to the metro's prestigious universities. This could, in turn, impact lease-up among upper- and mid-tier apartments in Pittsburgh proper. Recent expansions by established firms nevertheless highlight the long-term importance of the market's tech base for the local economy. In 2023, Apple occupied a 72,000-square-foot lease at The Assembly, which should support Class A apartment demand in and around the Oakland-Shadyside submarket. Tepid supply gains marketwide add another positive note, with a dearth of development in exurban locales supporting robust fundamentals away from the core. Westmoreland-Fayette Counties saw tightening throughout last year, reaching a 1.0 percent vacancy rate by late 2023. Construction activity in this submarket remains nominal, indicating unit availability will likely remain low here.

Well-located properties and value-add deals win over buyers. Entering 2024, investors appear to be largely waiting out near-term demand headwinds, though some buyers remain active in pockets of stable absorption. Neighborhoods east of Greater Downtown and adjacent to the city's universities were the most active through late 2023. While deal flow is still sparse in outlying zones, notably tight operations and a lack of incoming supply farther from the core have drawn some investors to opportunities here. Properties changing hands in Washington and Westmoreland counties have often been renovated within the last half-decade. This could prompt investors seeking to execute value-add strategies on vintage assets in the sub-$5 million price band to fan out here from the core.

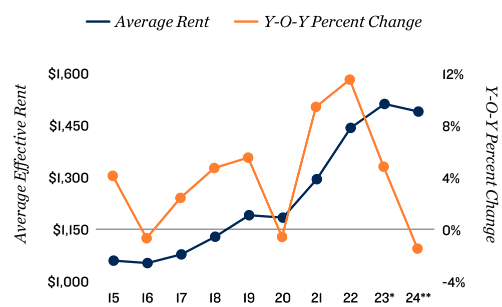
Employment Trends



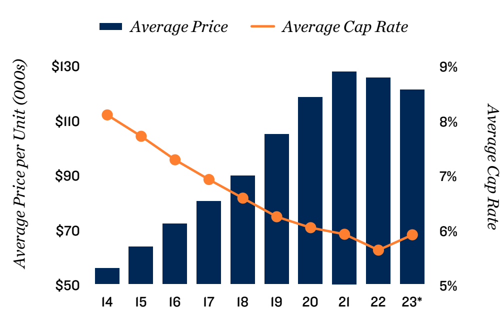
Supply and Demand



Rent Trends



Sales Trends



2024 MARKET FORECAST

NMI RANK 50 *Despite some silver linings, tempered employment growth and contracting rents constrain Pittsburgh's ranking for this year.*

+0.7% **EMPLOYMENT:** Overall employment will increase by 8,000 positions on a net basis by the end of this year, but this figure is tempered by a loss of 2,000 jobs in traditional office-using sectors.

1,050 *units* **CONSTRUCTION:** Unit additions will mark a three-year low, expanding metrowide supply by about 0.7 percent in 2024. Still, these completions are roughly in line with the post-2000 annual average.

+30 bps **VACANCY:** Net absorption for the year will return to positive territory for the first time since 2021, though the metrowide vacancy rate will nevertheless record a slight upward adjustment to 6.1 percent.

-1.5% **RENT:** A third consecutive year of increasing vacancy will translate to a minor rent retreat over the course of 2024. The average effective rate will fall to $1,487 per month by the end of December.

INVESTMENT: *A Live Nation-operated concert venue was approved for construction at the former Civic Arena site, potentially drawing renters and investors to nearby apartments downtown before its completion in late 2025.*

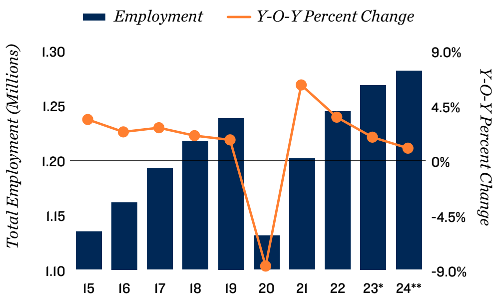
** Estimate; ** Forecast*

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

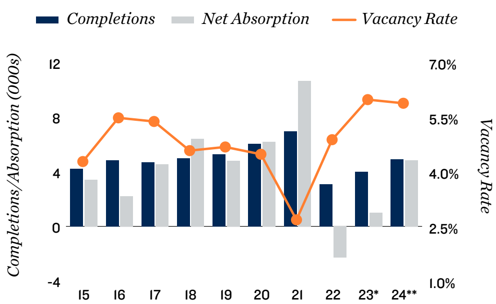
PORTLAND

Vancouver's Demand Ranks at the Top of West Coast Submarkets; Newfound Affordability Props up the Core

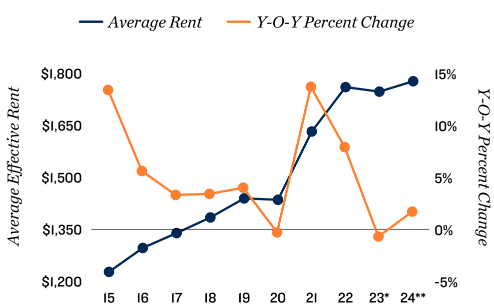
Employment Trends



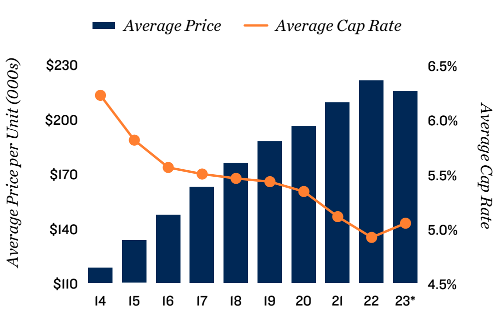
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

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

Structural shift gives apartments more favorable long-term position. Driven by rapid job growth in the tech sector, the average effective rent in Portland had exceeded the U.S. benchmark for six years leading up to 2020. Entering this year, the rate stood nearly 4 percent below the national average, after changes in office use have transformed the local economy. This shift has better-equipped the metro to attract a broader spectrum of household incomes, placing apartment net absorption in 2024 on track to nearly double the long-term mean of 2,500 units per annum. Vancouver, in particular, is positioned to record one of the strongest net absorption totals among major West Coast submarkets for a second consecutive year. The lack of a personal income tax in the state of Washington is a particular advantage for middle- and higher-wage renters seeking to safeguard budgets against inflation. At the same time, Portland's core has become a more affordable place to rent. The gap between the CBD's average effective rate and the mean marketwide rent slimmed from $350 per month in 2019, to under $75 at the end of last year. Both of these factors will be critical to the absorption of new supply moving forward, with Vancouver and Central Portland each hosting the delivery of approximately 1,300 units in 2024.

Housing needs shape investor activity. Vancouver continues to be the focal point for trades. Clark County's household growth will outpace the metro over the next five years, keeping rental demand and investor interest elevated. Class C deal flow is on the rise here and in Damascus, after the low-tier mean effective rent grew more than 5 percent in each area during 2023. Southeast Portland, in particular, had the fastest Class C rent growth among submarkets, as many communities here are outside of Portland's Urban Growth Boundary. Cities like Sandy and Barton are notably omitted from affordable housing development, keeping Class C vacancy risk low relative to elsewhere in the metro.

2024 MARKET FORECAST

NMI RANK 22 — ***Declining vacancy amid continued household growth enables rents to tick up and places Portland in the top 25 of the NMI.***

+1.0% — **EMPLOYMENT:** A local housing crunch contributes to ongoing hiring in the construction sector. Still, overall job growth downshifts from last year, with the addition of 13,000 roles on net in 2024.

4,900 *units* — **CONSTRUCTION:** Supply expansion accelerates from 2023; however, a much larger portion of new builds deliver in Central Portland. This contributes to marketwide stock advancing 2.1 percent this year.

-10 bps — **VACANCY:** Portland will be one of only eight major metros to record an overall vacancy drop in 2024. The rate ticks down to 5.9 percent at the end of this year as net absorption keeps pace with completions.

+1.7% — **RENT:** Reversing from last year's rent decline, the average effective rate will rise to $1,775 per month in 2024. Still, the metric is expected to remain at least $150 under every other major West Coast market.

INVESTMENT: *Amazon's move-in to a 500,000-square-foot logistics facility in Canby during late 2023 was one of the city's largest economic boosts. This should raise investor interest in nearby Class B and C complexes.*

Delivery Count Nearly Triples Pre-2023 Record Ahead of Major New Corporate Commitments

Research Triangle awaiting multi-billion dollar influx. The Raleigh metro contains one of the southeastern United States' most educated labor forces, with 44 percent of locals holding a bachelor's degree. This attribute has recently helped attract marquee investments in the private sector, which have the potential to increase the market's overall labor base and household incomes. Wolfspeed and VinFast, for example, are constructing manufacturing facilities in Chatham County that will help create over 9,000 skilled trade jobs. At the same time, Apple is underway on a new 41-acre campus, with plans to hire over 3,000 high-paying roles. Still, opening dates are uncertain, and in the meantime, the metro will observe the second-highest growth in rental stock among any major market in 2024. The uneven new supply placement should lead to varied vacancy movement across submarkets in the near-term. Southeast and Central Raleigh will record supply expansions upward of 10 percent this year, while suburbs north of the city host limited arrivals. Near North, Far North and Northeast Raleigh recorded two-decade highs in net absorption over most of last year, helping local vacancies generally trend down into 2024.

Transitional performance shapes investor activity. Some buyers are honing in on longer-term strategies amid declining rents and higher borrowing costs. This trend is driving deal flow in Downtown Raleigh, where shrinking opportunities for new, ground-up development are supporting investor interest. Class B and C properties have comprised the majority of trades, with these assets evading much of the risk associated with ongoing, record-level completions. Local deal flow for Class A buildings has nevertheless improved, a trend that is also being noted in the southern portions of the Durham area. South Morrisville and Cary are likely to house many new hires from the multiple manufacturing expansions taking place nearby, aiding local rental demand and buyer interest.

2024 MARKET FORECAST

NMI RANK 12 — ***Exceptional job creation and household growth expand Raleigh's renter base and give it a top-15 ranking in the 2024 Index.***

+2.4% — **EMPLOYMENT:** The addition of 26,000 new personnel in Raleigh throughout 2024 will be primarily supported by the professional, business, education and health services sectors.

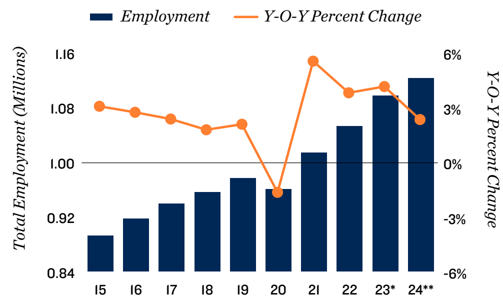
15,700 ***units*** — **CONSTRUCTION:** Prior to 2023, builders had not completed more than 6,500 units in any year. Now in 2024, they are expected to more-than double that mark, expanding the metro's stock by 8.2 percent.

+130 bps — **VACANCY:** The opening of over 25,000 apartments across just two years will push the marketwide vacancy rate up to an over decade-long high of 8.1 percent in 2024.

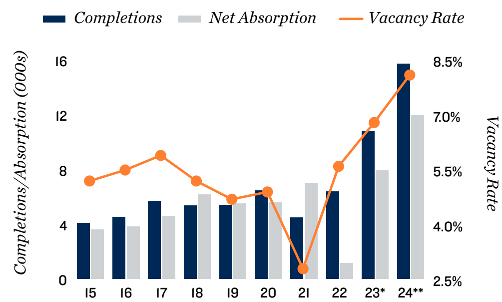
-1.3% — **RENT:** The metro observes the first annual decline in its average effective rent since 2009, the last time marketwide vacancy was above 8 percent. The mean rent ticks down to $1,540 per month in 2024.

INVESTMENT: *Assets located around Six Forks-Falls of Neuse are landing on more investors' radars. The neighborhood is quickly developing into an office corridor of its own, especially supporting Class A rental demand.*

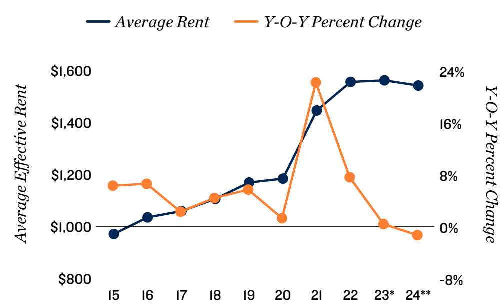
Employment Trends



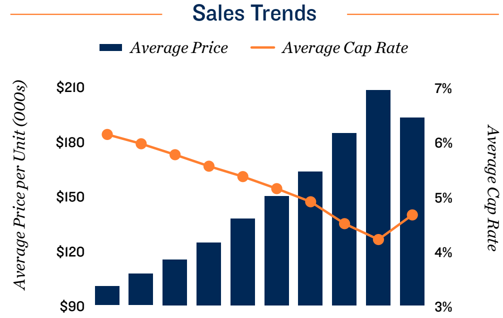
Supply and Demand



Rent Trends



Sales Trends



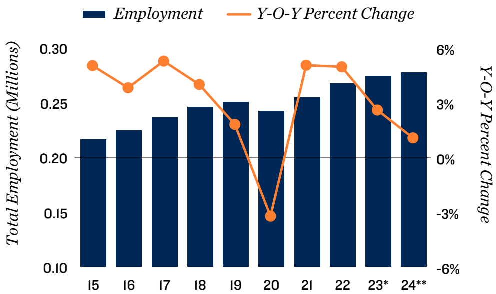
* Estimate; ** Forecast

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

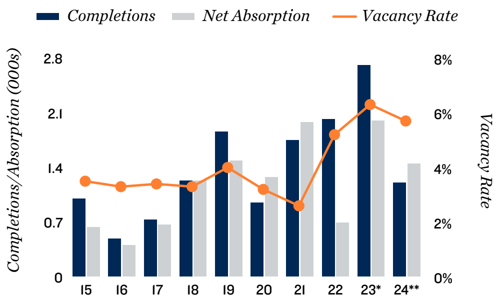
RENO

Reno's Notable Rate of Household Formation Generates Renter and Investor Demand Across Property Tiers

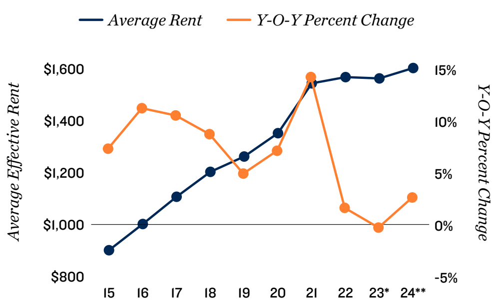
Employment Trends



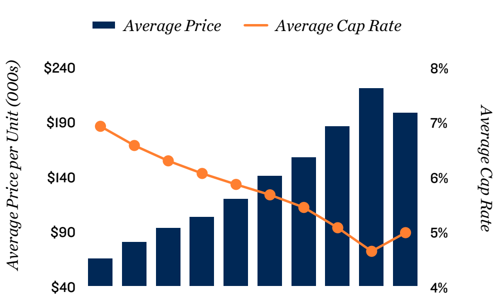
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

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

Net absorption overtakes supply additions, after a record year for completions. The outlook for Reno's rental sector is positive as the metro continues to rank among the nation's fastest-growing markets. Specifically, the local household count is expected to increase by 2.3 percent in 2024, landing in the top five among major U.S. markets. This standout pace of household formation coincides with a pullback in apartment deliveries, which will aid the record number of units completed last year that have yet to secure renters. Existing Class B and C properties also stand to benefit from the same strong household formation, with the latter segment's vacancy rate well positioned to fall below its long-term average this year. Looking beyond 2024, local economic growth — highlighted by large-scale expansions at the Tahoe-Reno Industrial Center — is anticipated to support a steady rate of net in-migration for the foreseeable future. This dynamic suggests Class A and B vacancy rates will return to their tighter historical averages over time.

Investors keen on high-growth tertiary markets comb listings. Reno's growth projections and its mean price point of roughly $225,000 per unit over the past two years are poised to attract out-of-state investors, specifically those based in California. Historically, the metro offers buyers a comparable mix of sub-30-unit assets and larger properties for acquisition, a dynamic that should translate to a diverse buyer pool this year. Private investors seeking smaller complexes may target Midtown Reno and the adjacent Wells Avenue neighborhood. Both zones have lacked near-term deliveries, possess scant proposed pipelines and are home to some of the metro's lowest rents, creating upside potential. Institutional groups, meanwhile, will focus on the suburbs, specifically areas that provide quick access to interstates and the McCarran Loop. South Reno entered 2024 on an extended streak of positive quarterly net absorption, increasing its appeal among buyers.

2024 MARKET FORECAST

NMI RANK 17 ***Notable household growth supports vacancy compression, despite a sizable inventory gain, ranking Reno in the top 20.***

+1.1% **EMPLOYMENT:** Metro employers add 3,000 positions in 2024, with industrial sector growth playing a role. Retail trade and transportation-related job creation will aid demand for Class B and C units.

1,200 *units* **CONSTRUCTION:** After expanding by 10 percent over the past two years, rental stock grows by 2.3 percent in 2024. Adjacent to Greater Nevada Field, Ballpark Apartments is this year's largest addition.

-60 bps **VACANCY:** For the sixth time in seven years, Reno's net absorption total surpasses the 1,200-unit mark. This steady level of demand exceeds new supply, lowering year-end vacancy to 5.7 percent.

+2.6% **RENT:** Vacancy compression supports an annual pace of rent growth that slightly trails the metro's long-term average. At $1,600 per month, Reno's year-end effective rate is $100 above Las Vegas' mean.

INVESTMENT: *Rentals near the University of Nevada, Reno may attract a larger number of investors as 21,600 students were enrolled at the institution last fall, with additional growth expected over the near term.*

Regional Affordability Continues to Expand the Local Renter Pool; Investors Broaden Their Boundaries

Most cities lack near-term completions, despite metro's elevated delivery volume. Based on its mean effective rate and median income, 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 interval. Population growth continues this year, a boon for a metro with 5-plus percent vacancy across property tiers and a historically large near-term delivery slate. Fortunately, the latter is not the result of widespread development. Instead, completions are concentrated in Temecula-Murrieta 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.

Central and outlying assets each prove appealing. Inland Empire deal flow was well dispersed last year, with at least 33 cities recording closings. As the local populace continues to expand, and more outlying areas register notable resident gains, the distribution of sales may further diversify. Accounting for one-third of San Bernardino County trading last year, Mojave Desert cities including Victorville are attracting more Southern California-based investors. Here, the average rent is around $1,600 per month and Class C assets have recently been acquired for less than $150,000 per unit. Buyers targeting larger, central areas with below-average rents should be most active in San Bernardino proper and Fontana this year. Here, Class B and C complexes can be obtained for less than $250,000 per door. Elsewhere, Ontario and Riverside proper's sizable renter pools and minimal construction pipelines should improve each area's demand outlook, eliciting investment.

2024 MARKET FORECAST

NMI RANK 29 — ***The Inland Empire ranks just inside the top 30, thanks to the strongest household growth rate among California markets.***

+0.4% — **EMPLOYMENT:** Labor sectors whose workers historically slot into the renter pool will drive hiring activity during 2024, with the Inland Empire's overall job count expanding by 6,000 roles.

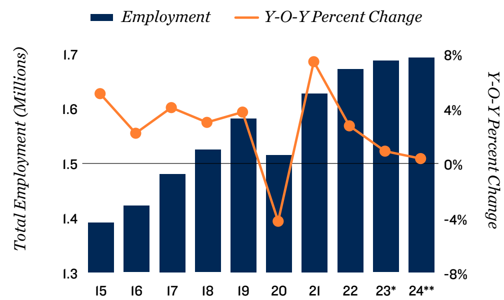
3,100 *units* — **CONSTRUCTION:** Delivery volume reaches a 17-year high in 2024 as the number of units added to stock exceeds San Diego's total and nearly matches that of Orange County.

+20 bps — **VACANCY:** After rising 460 basis points over the prior two years, the pace of vacancy increase slows significantly in 2024. Still, at 6.2 percent, the rate is 170 basis points above the metro's long-term mean.

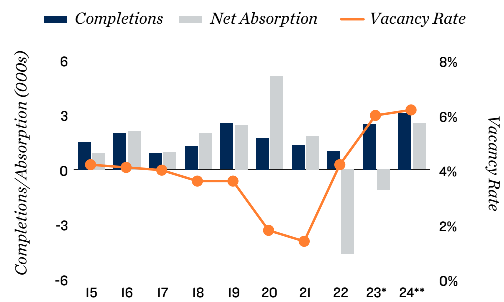
+2.3% — **RENT:** Positive net absorption supports a 15th straight year of rent growth. This lifts the mean effective rate to $2,270 per month, a metric at least $600 per month below other Southern California markets.

INVESTMENT: *Home to locally tight vacancy, minimal construction and above-average rent growth, Coachella Valley will register a level of investor attention that may support a diverse group of closings this year.*

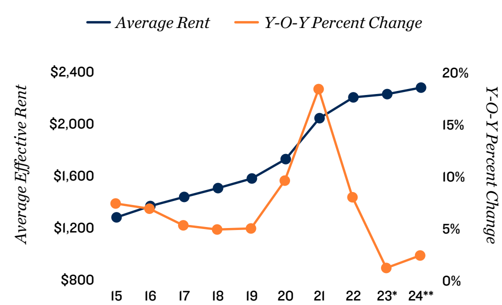
Employment Trends



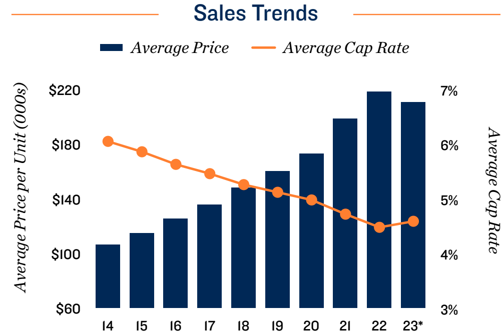
Supply and Demand



Rent Trends



Sales Trends



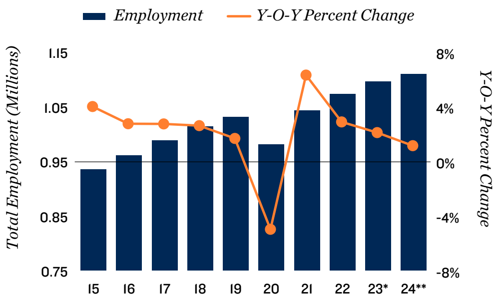
* Estimate; ** Forecast

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

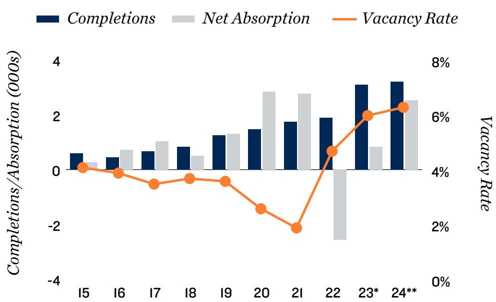
SACRAMENTO

State's Most Affordable Major Market Retains Cost-of-Living Charm, Yet has the Fastest Rising Vacancy

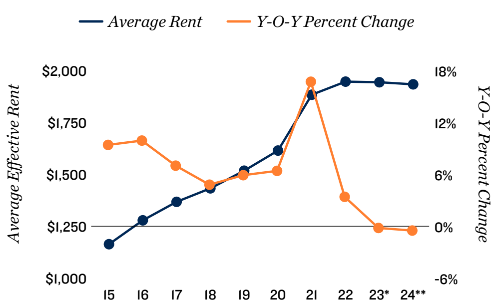
Employment Trends



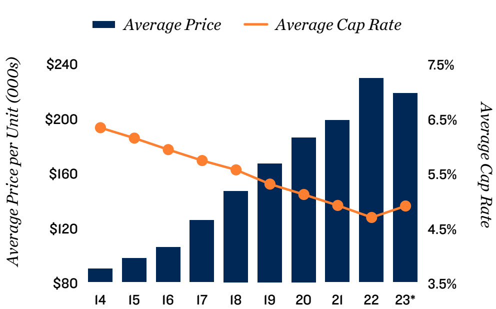
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

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

Improved demand downtown is paramount for metro stabilization. Sacramento entered this year with a mean effective rent that trailed other major California markets by $280 to $1,100 per month, a discount that should attract relocating households contending with multiple years of elevated inflation. Demographic trends, however, are somewhat misaligned with construction. While the overall metro population is projected to expand in 2024, the age 20- to 34-year-old cohort is forecast to shrink by over 1 percent. As young adults are more prone to live in urban settings for lifestyle advantages, this downward trend is creating challenges amid aggressive construction downtown. Central Sacramento's apartment inventory grew by almost 15 percent over the past two years and will expand by an additional 4 percent in 2024. These new units are beginning to be absorbed, but the submarket still accounted for the greatest share of vacant rentals metrowide entering this year. By comparison, Roseville-Rocklin and Davis — the next two fastest-growing areas for apartment supply — had the tightest vacancies in Sacramento to open the year. This appetite for new units present in suburban settings will need to extend to the core for Sacramento's multifamily sector to stabilize on a broader level.

Labor market dynamics may hint at opportunities. Sacramento's workforce expanded twice as fast as the next-closest northern California market since the onset of the pandemic. Alongside the potential for greater yields as the metro has the second-highest average cap rate in the state, these factors could pique buyer interest in 2024. At the same time, uneven job growth may influence strategies. Since 2019, the professional and technical services sector — which often pays higher wages — grew by over 25 percent, fueling Class A/B rental demand. Conversely, retail trade, as well as accommodation and food services, rose by less than 2 percent, curbing Class C demand.

2024 MARKET FORECAST

NMI RANK 43 — ***A shrinking young adult populace and surging vacancy put Sacramento at the tail-end of California's major markets in 2024.***

+1.2% — **EMPLOYMENT:** Sacramento ties for the fastest pace of job growth in California this year by adding 13,000 positions. This puts the local headcount nearly 8 percent above 2019, the largest bump in the state.

3,200 *units* — **CONSTRUCTION:** One year after setting an all-time high with 3,100 units delivered, a new record is achieved in 2024. Natomas and Folsom-Orangevale-Fair Oaks have the greatest suburban pipelines.

+30 bps — **VACANCY:** Among California's eight major metros, Sacramento's vacancy increase ranks as the largest this year, as it expects the second-fastest pace of inventory growth. The rate climbs to 6.3 percent.

-0.5% — **RENT:** A second consecutive year of aggressive construction and the highest vacancy rate since 2009 put some downward pressure on rents. The average effective monthly rate will tick down to $1,930.

INVESTMENT: *Aligning with labor market trends, sturdier vacancy and stronger rent growth in the Class A segment may stimulate investment activity, particularly in the east suburban corridor from Arden-Arcade to Folsom.*

Growth Prospects Warrant Continued Supply Wave, Though Near-Term Pressures Remain

Dynamic employment environment bolsters housing demand. Salt Lake City boasts the fastest-growing labor market west of Texas, a trend that will continue to hold true this year. An expanding manufacturing and logistics sector is spearheaded by New Balance, IDF and Frito-Lay's growing presence in Salt Lake City proper. New job opportunities are, in turn, aiding demand for apartments, given an increased cost of homeownership as local population growth far exceeds the national rate over the next five years. Entering 2024, the average monthly cost of a mortgage payment on a median-priced home in Salt Lake City was more than double that of the metro's mean effective Class A rent. Although these dynamics warrant an influx of new apartment stock, a second consecutive year of inventory growth that ranks among the nation's fastest places near-term challenges on vacancy. The South Salt Lake-Murray area may be more susceptible to this hurdle as local supply is anticipated to expand by roughly 10 percent while annual absorption has cooled. This trend is consistent across the market, impacting luxury and mid-tier units more dramatically. The Class C segment is likely to be more isolated from this dynamic, however, as some renters button up their budgets amid slowed overall economic growth.

Pricing resilience is moderating the local investment market. Robust economic and population growth spurred considerable investor interest in Salt Lake City following the onset of the pandemic. As such, substantial price appreciation, coupled with high interest rates, resulted in the metro experiencing one of the nation's largest pullbacks in transaction velocity last year. Further long-term growth, however, should still generate investment activity in notable areas. Operators downtown and in Provo benefit from substantial Class C rent growth, helping to resume deal flow. The Midvale and Millcreek areas have also been of interest, with a variety of new and vintage stock trading here.

2024 MARKET FORECAST

NMI RANK	6	*Salt Lake City ranks in the top 10, as a dynamic employment market and housing ownership challenges aid apartment usage.*

+2.0% — **EMPLOYMENT:** Employers will add a net of 29,000 jobs locally in 2024. This helps grow Salt Lake City's overall employment base by the sixth-fastest rate among major U.S. metros.

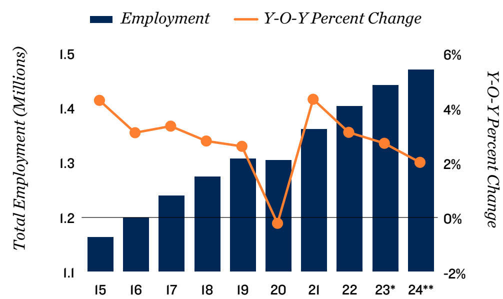
11,000 *units* — **CONSTRUCTION:** Supply additions this year exceed 2023's former record high by 750 units, increasing metro stock by 7 percent. This gain will be the largest of any major western U.S. market.

+80 bps — **VACANCY:** A substantial pace of inventory growth continues to weigh on local vacancy as the rate rises to 7.2 percent by year-end. Nevertheless, this year's lift is nearly half of 2023's hike.

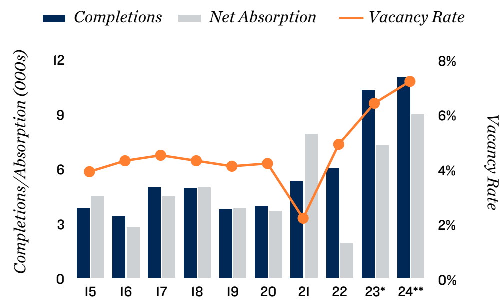
+2.0% — **RENT:** Notable population growth trends and a sizable spread between homeownership and renting will aid the pace of growth this year. This raises the average effective rate to $1,620 per month.

INVESTMENT: *Trade, transportation and utility employment has grown more than 15 percent since the onset of the pandemic, bolstering Class C demand. This should support additional investor interest for lower-tier assets.*

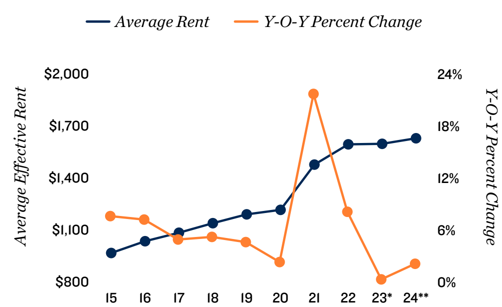
Employment Trends



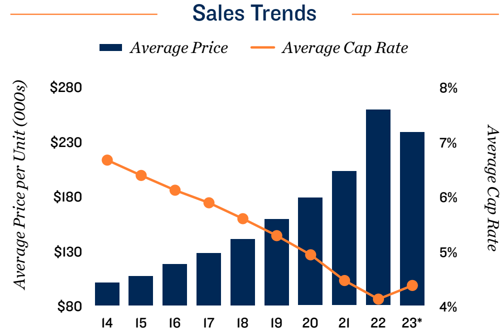
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

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

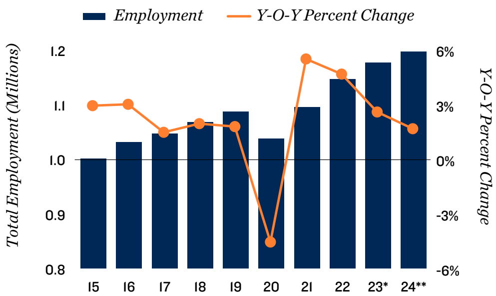
SAN ANTONIO

San Antonio is Positioned to Weather Near-Term Supply Headwinds Amid Strong Population Inflows

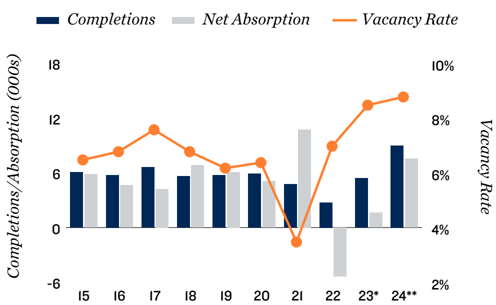
Corporate investments backstop Class A demand. Total occupied stock in San Antonio will reach a record high in 2024, illustrating how apartment demand has stayed strong even as record supply additions pressure vacancy. While the marketwide rate will increase for the third straight year in 2024, prolonged high population growth suggests the rate will tighten again long-term, particularly as multifamily starts slow. Corporate investments, like JCB's expansion planned for 2024 that is slated to bring at least 1,500 new jobs, will help maintain a steady level of in-migration. Over the next five years, nearly 100,000 residents will move into the metro, expanding the renter pool. The Class A segment, which faces the most competition from new deliveries, had the lowest metro vacancy rate among class types exiting 2023, demonstrating the resilience of renter demand 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, resulting in an uptick in concession usage.

Commuter routes and outer areas draw investment. Investors have become more active in San Antonio, though persistent capital market headwinds may weigh on deal flow in 2024. Buyers preferring Class B/C properties could nonetheless target areas proximate to major commuter routes, such as suburbs near Interstate 10 leading into the urban core, and around Interstate 410 circumventing the city center. Assets in New Braunfels are likely to garner additional interest as vacancy here was the lowest among San Antonio's submarkets entering 2024. New supply slated for the area could place some upward pressure on local vacancy, but will also provide additional options for buyers. The area's proximity to Austin and its lower average effective rent than neighboring San Marcos is likely to backstop renter demand, especially from commuters between the two metros.

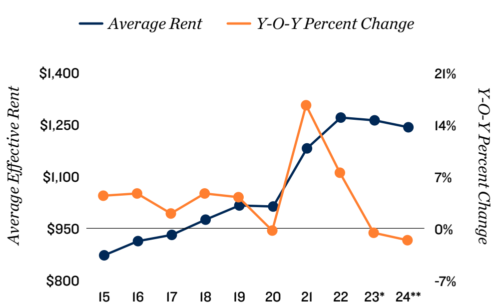
Employment Trends



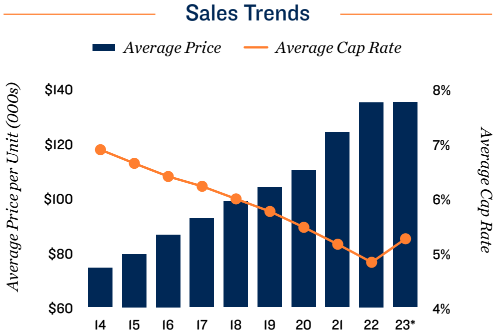
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

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

2024 MARKET FORECAST

NMI RANK 26 — ***San Antonio sits in the middle of the Index as job growth and a high number of new young adult renters offset supply pressure.***

+1.7% — **EMPLOYMENT:** Job growth in San Antonio will fall just below 2023's mark this year as 20,000 positions are added on net. This will be the smallest gain among major Texas metros.

9,000 *units* — **CONSTRUCTION:** The 2024 completion slate will reach a record high as inventory expands by 4.0 percent. By year-end, the total number of units that have delivered since 2019 will surpass 33,500.

+30 bps — **VACANCY:** Supply additions advance San Antonio vacancy to 8.8 percent in 2024. This is the third-highest measure among major U.S. metros and sits 180 basis points above the long-term mean.

-1.6% — **RENT:** San Antonio's average asking rent will decrease for the second straight year as supply and demand remain misaligned. The metric will shrink to $1,240 per month by December.

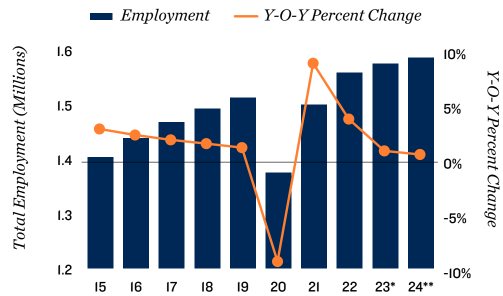
INVESTMENT: *San Antonio was the only major Texas market to note an increasing average sale price per unit in 2023. This may motivate some owners to sell going forward to capitalize on price appreciation.*

Limited Vacancy Evident Across Asset Classes, Preserving San Diego's Top Status on a National Scale

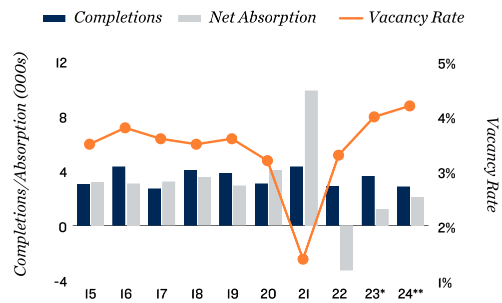
Metro is an area of steadfast rental demand. Spanning property tiers, San Diego ranked among the nation's five tightest major markets at the onset of this year, maintaining a sub-5 percent vacancy rate since early 2012. The metro is poised to maintain this ranking for the foreseeable future, as it is 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 completed 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 noticeably active in areas popular among younger renters. Local Class C vacancy entered 2024 below its long-term mean, with rent growth exceeding double digits last year. Despite financing hurdles, these dynamics continue to fuel competition among private investors for lower-tier units throughout the county. Specifically, sub-20-unit assets will remain in demand among 1031 exchange buyers, with Balboa Park-adjacent areas and lower-cost cities, including El Cajon and Chula Vista, warranting activity. Contrasting this deal flow, only a handful of properties with more than 100 units traded last year. Nevertheless, opportunities to invest upward of $10 million per transaction will be available in 2024. Investors seeking deployments at or above this threshold can target 25- to 100-door assets in neighborhoods historically populated by college students and young professionals, such as Pacific Beach, Ocean Beach and Little Italy.

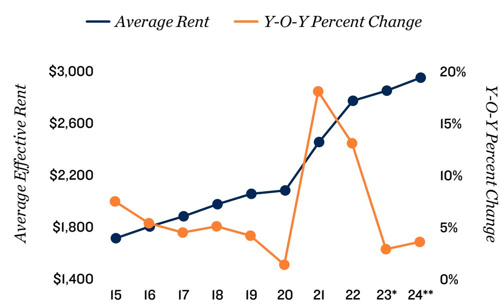
Employment Trends



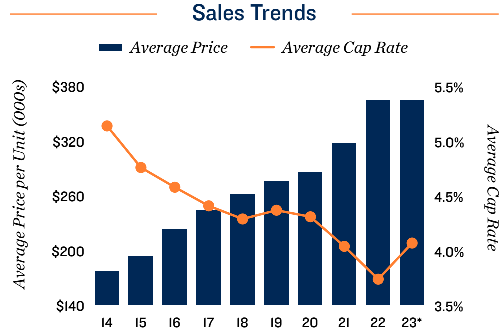
Supply and Demand



Rent Trends



Sales Trends



2024 MARKET FORECAST

NMI RANK 2 — ***San Diego's prominent standing in this year's Index is thanks in large part to its low vacancy rate and strong revenue growth.***

+0.7% — **EMPLOYMENT:** San Diego's workforce grows by 11,000 roles in 2024. A favorable trend of tourism spending should support retail, leisure and hospitality-related hiring, aiding rental demand.

2,850 *units* — **CONSTRUCTION:** For a 12th straight year, annual delivery volume surpasses the 2,000-unit mark. Still, San Diego adds the fewest units of any Southern California market, expanding stock by 0.9 percent.

+20 bps — **VACANCY:** Net absorption also exceeds the 2,000-unit threshold, limiting the extent of vacancy increase. At 4.2 percent, the year-end rate will rank as the fourth lowest among major U.S. rental markets.

+3.5% — **RENT:** Nationally tight vacancy across property tiers supports a pace of rent growth on par with the metro's 2001-2020 average. This gain lifts the mean effective rate to $2,940 per month.

INVESTMENT: *Unlike Los Angeles and Orange County, no city in the San Diego metro has in-place rent control. This standing will continue to attract private buyers, especially if the Costa-Hawkins Act is upheld this November.*

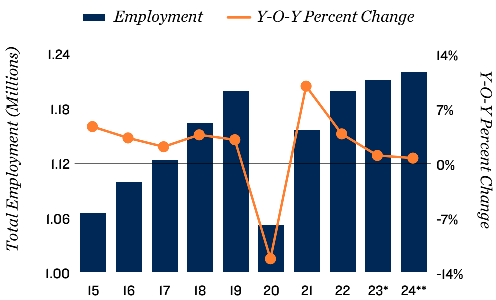
** Estimate; ** Forecast*

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

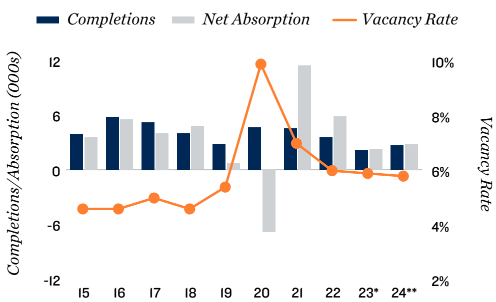
SAN FRANCISCO

Market Dynamics Favor Mid-Tier Assets; Legacy Inventory Draws Local Capital

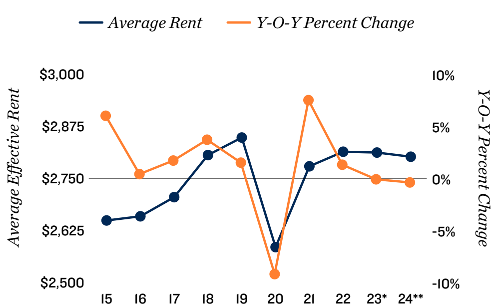
Employment Trends



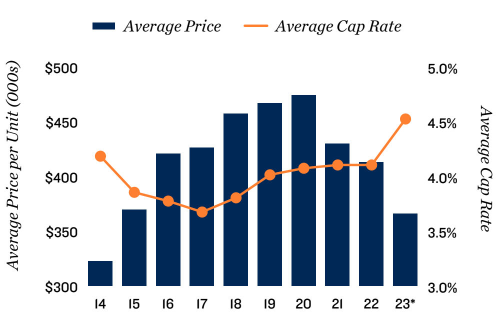
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

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

Incoming supply injection poses little risk to Class B and C performance. The market's broader employment outlook marks a note of positivity, with overall hiring this year to bring the metrowide staffing count 1.7 percent ahead of its year-end 2019 level. Aiding matters, the health and education services sectors have grown roughly 10 percent since the onset of the pandemic, double the national pace. Employers in these categories are dispersed throughout the metro, supporting leasing for mid- and lower-tier units in a wide variety of neighborhoods. With over 90 percent of deliveries this year in San Francisco County located in the Downtown and SoMa submarkets, near-term supply-side pressure will be limited elsewhere. This bodes well for the Marina-Pacific Heights-Presidio area, where vacancy trailed the long-term average of 5.5 percent by 70 basis points in late 2023. Furthermore, in downtown-adjacent zones, a notable affordability gap between unit tiers in areas of rapid supply gains indicates that a largely luxury construction pipeline will have little impact on mid-tier performance. Late last year, the difference in effective monthly rents between Class A and B units in the SoMa district was $723.

Vintage assets in city's northern reaches attracting nearby investors. With the bulk of San Francisco County's near-term supply additions slated for Downtown and the SoMa district, investors may look to the Marina-Pacific Heights-Presidio submarket. This locale noted the lowest vacancy rate of any area within the city limits in late 2023, and nominal construction should keep operations tight in the near term. A predominantly local buyer pool is targeting early-20th century builds in the sub-$10 million price tranche, with cap rates up to the low-6 percent band noted in these neighborhoods. While deal flow remains well under pre-pandemic norms, the prospect of elevated returns and lower entry costs here, could bring more investors to the table as this year progresses.

2024 MARKET FORECAST

NMI RANK 23 — ***Substantial home ownership barriers and a progressing multifamily recovery bump San Francisco above the Index midpoint.***

+0.7% — **EMPLOYMENT:** Hiring eases with the addition of just 8,000 positions expected throughout 2024. While declines in white-collar sectors continue, they are tempering relative to last year.

2,700 *units* — **CONSTRUCTION:** Completions rise on an annual basis, expanding metrowide inventory by 1.0 percent. Roughly two-thirds of this year's supply is slated for San Mateo County.

-10 bps — **VACANCY:** Renters continue to filter back into the metro, bringing vacancy down to 5.8 percent by the end of the year. This level is just 40 basis points above the pre-pandemic measure.

-0.4% — **RENT:** Supply gains in submarkets still recovering from the pandemic will keep concessions on the table for many Class A options, helping drive down the average effective rent to $2,800 per month.

INVESTMENT: *A city-sponsored initiative launched last year encouraging office-to-residential conversions could translate to opportunities for capital placement along prime office corridors in the coming years.*

Employment Opportunities and Population Growth Aid Apartment Demand Across San Jose

Construction activity returns to Santa Clara. By year-end, San Jose's total populace will come within 1.5 percent of its 2019 measure, a much stronger recovery than nearby San Francisco. This dynamic is partially the result of a strengthened local employment market, with higher wage industries, such as professional-technical and healthcare services, exhibiting positive momentum entering 2024. Still, income growth since 2019 has been far outpaced by the cost of housing, particularly single-family homes. In 2023, the spread between an average mortgage payment on a median-priced home in San Jose and the mean effective Class A rent eclipsed $8,700 per month, surpassing San Fransisco as the nations widest affordability gap. These dynamics are a boon for apartment demand, as net absorption reaches a three-year high in 2024. Supply pressures, however, elongate the metro's run on upward vacancy momentum. Completions this year will double 2023's recording as construction activity in Santa Clara resumes. While last year's inventory expansion here was marginal, in 2024, builders will increase the area's stock by the fastest rate in multiple decades. Coupled with a luxury vacancy rate 200-plus basis points above its historical average, operators here will likely offer more concessions in the near-term.

New Google campus construction pauses, adjusts the local investment market. Elevated interest rates and rising insurance costs continue to complicate deal-making in San Jose. A hold on the development of Google's Downtown West campus near Diridon Station, however, is driving more interest to Los Altos, adjacent to the company's headquarters. Private buyers have been most active here, acquiring assets in the sub-20-unit range. Some optimism for the completion of Google's Downtown West project long-term is associated with deal flow in the city center. Transactions here are garnering a below-market average price per square foot and cap rates in-line with the metro mean.

2024 MARKET FORECAST

NMI RANK 27 — ***Low vacancy positions San Jose near the middle of the NMI, despite a slight pullback in effective rents.***

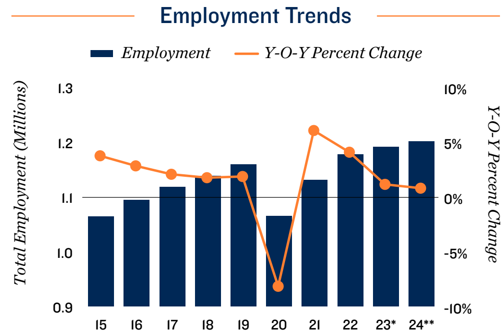
+0.8% — **EMPLOYMENT:** Employers are anticipated to create 10,000 new positions on net in 2024. Notable hiring in the logistics and healthcare sectors helps offset losses in other fields.

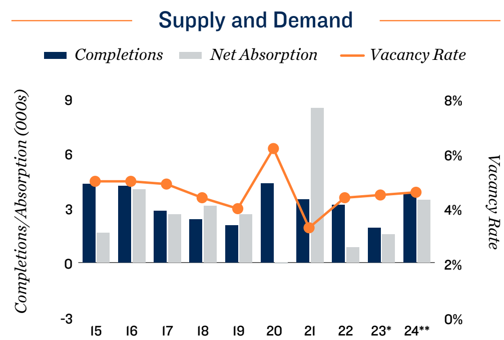
3,800 *units* — **CONSTRUCTION:** Completions this year expand metro stock by 2.1 percent. This will be the largest gain among major California markets, and outpaces the metro's 1.8 percent trailing 10-year average.

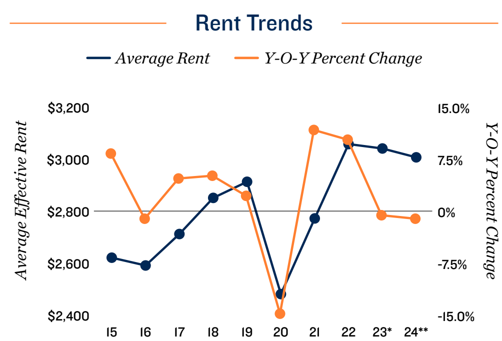
+10 bps — **VACANCY:** The net absorption of 3,400 units will help curb vacancy expansion in 2024, which is anticipated to match 2023's lift. Still, the measure will increase to 4.6 percent by year-end.

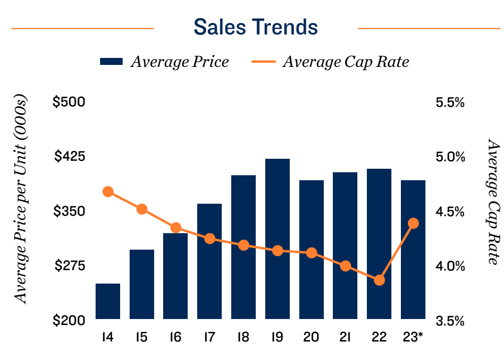
-1.1% — **RENT:** San Jose's average effective rent continues to pull back this year. Despite falling to $3,004 per month, the local figure will remain the highest measure among major California markets.

INVESTMENT: *A notably expanding graduate student population at San Jose State University, along with undergraduate enrollment gains, should increase investor interest in Downtown neighborhoods moving forward.*









* Estimate; ** Forecast

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

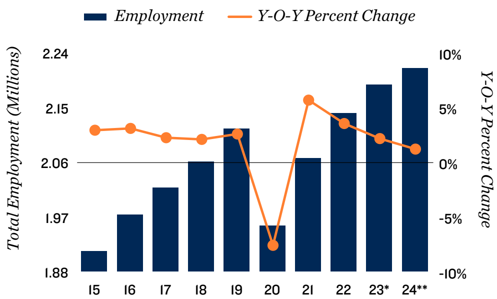
SEATTLE-TACOMA

Those Facing Affordability Challenges Receive Supply-Induced Relief, Lifting Household Count

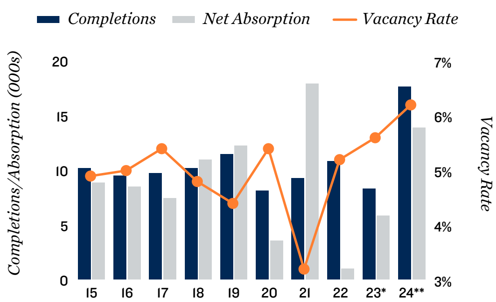
Lower cost-of-living facilitates more renting. The metro is on track to add a decade-long high of 26,000 new households this year. Easing multifamily rents and continued wage growth are enabling many younger residents who have previously doubled up or lived at home to seek new living situations. Locations observing supply-induced rent reductions are at the center of this trend. Downtown Seattle, for example, was the metro's only submarket to record a notable vacancy ease last year, coinciding with a 2 percent drop in the local mean effective rent. The 4,600 units slated for completion here through 2025 will serve as an additional short-term roadblock for rent growth, while supporting more young professionals entering the local high-end renter pool. This trend is also taking place in Capitol Hill-Central District and northern Tacoma, amid over-10 percent expansions in their local inventories this year. A larger portion of supply shifting away from Seattle's east side may, in contrast, sustain rent growth across these neighborhoods. This trend could direct a larger portion of younger, median-wage renters into northern Tacoma and Seattle's core as they each become comparatively more affordable.

Ballard and Tacoma emphasized by investors. Overcoming higher borrowing costs, areas with above-metro-average cap rates are hosting a growing share of deal flow. This is elevating activity in Ballard and Tacoma, where many deals penciled in the 5 to 6 percent band in 2023. While deliveries are accelerating, the dearth of new Class B and C supply should enable metrics to improve and draw investors to these listings during 2024. Meanwhile, Downtown Seattle is garnering greater buyer interest for Class A assets, with renter incomes now ranking as the third-highest in the U.S. amid a persistent lack of for-sale homes. As more affluent locals stay in the renter pool for longer, aiding absorption Downtown, investors may look to luxury rentals in such highly-amenitized locations.

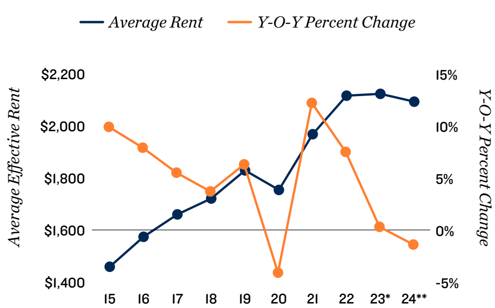
Employment Trends



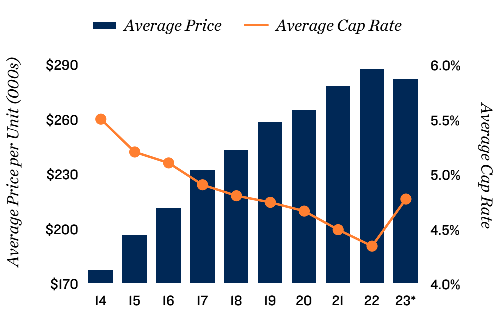
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

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

2024 MARKET FORECAST

NMI RANK 15 *Housing expense dynamics in Seattle-Tacoma heavily favor rentals and help earn the metro a top 20 ranking in the 2024 NMI.*

+1.2% **EMPLOYMENT:** Job growth slows from last year's 2.2 percent gain, as 27,000 personnel are added in 2024. The office-using headcount continues to grow, with 1,000 roles added this year.

17,600 *units* **CONSTRUCTION:** Seattle hosts the delivery of 15,200 rentals this year, while Tacoma welcomes 2,400 new units. The two slates combine to expand marketwide stock by a record 4.0 percent.

+60 bps **VACANCY:** While the metro's vacancy rate rises to 6.2 percent this year, submarkets like Federal Way-Des Moines, Renton and Kent-Auburn may note greater stability amid limited completions.

-1.4% **RENT:** All-time high deliveries add competition for existing Class A properties, weighing on monthly rates. This will lead the overall average effective rent to dip to $2,090 per month in 2024.

INVESTMENT: *Boeing's move-in to 840,000 square feet of manufacturing space in Spanaway this April should increase rental demand, and subsequently elevate investor interest for nearby mid- and lower-tier apartments.*

New Units are Concentrated in Specific Submarkets; Outer Areas Present New Investment Opportunities

Central vacancy hindered by new supply, while outer suburbs stay tight. Substantial rent gains over the last three years, in addition to persistent inflation, have placed a strain on household budgets. In St. Louis, the ratio of gross monthly income spent on apartment rent rose last year to the highest annual level since at least 2000, reaching 21 percent. As such, fewer households are likely to form due to financial reasons, easing the pace of rent growth to a more sustainable level of 1.6 percent in 2024. Supply additions — which reach a quarter-century high this year — will place some upward pressure on vacancy. The CBD, encompassing the Central West End, Forest Park and downtown St. Louis, is slated to receive nearly 45 percent of new stock in 2024. These urban areas may note upward vacancy adjustments, while suburban submarkets with fewer new projects coming online, such as South St. Louis and Jefferson counties, are likely to stay tight through the near-term. Buoyed by leases signed in suburban areas, total occupied stock in St. Louis will still reach an all-time high by year-end, despite a climbing vacancy rate.

Illinois offers tight vacancy and low entry costs. Investors targeting areas with vacancy under 3.5 percent entering 2024 will likely be drawn to outer submarkets, such as South St. Louis County-Jefferson County and St. Clair-Madison Counties. St. Clair County, specifically, is positioned to maintain tight vacancy. The area has a limited construction pipeline and announced some company expansions in 2023, such as Gulfstream Aerospace Corp.'s project to build out existing operations at the St. Louis Downtown Airport in Metro East, adding 200 jobs. Paired with the submarket's already low entry costs, this could further direct investor focus to the area. In Missouri, assets in downtown-adjacent neighborhoods have been targeted. Buyers willing to pay a premium will likely stay active in Mid St. Louis County, including in University City, Maplewood and Clayton.

2024 MARKET FORECAST

NMI RANK 47 — ***A modest climb in vacancy, slow hiring and new supply pressure will push St. Louis toward the bottom of the Index in 2024.***

+0.7% — **EMPLOYMENT:** Job creation in 2024 will slow from last year, but St. Louis will still add 10,000 positions on net by December. Total employment will sit 2 percent higher than the 2019 year-end mark.

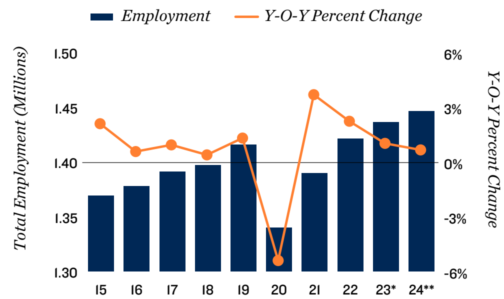
2,900 *units* — **CONSTRUCTION:** Completions will surpass 2023's openings as stock grows by 1.7 percent. Despite this increase, St. Louis will be tied for the second-lowest delivery slate among major Midwest markets.

+30 bps — **VACANCY:** Net absorption will fall short of supply additions in 2024, placing upward pressure on vacancy. The rate will rise to 6.2 percent by the fourth quarter, the highest year-end rate since 2017.

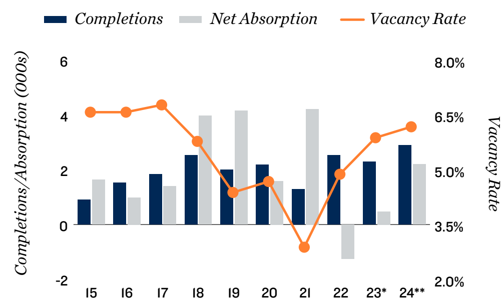
+1.6% — **RENT:** More vacant units on the market will slow St. Louis' pace of rent growth. By December, the average effective rent will have increased by its lowest margin since 2017 to $1,300 per month.

INVESTMENT: *St. Louis offered one of the highest mean cap rates among major U.S. markets in 2023. Both in-state and out-of-market, yield-driven investors are likely to stay active or set their sights on the metro in 2024.*

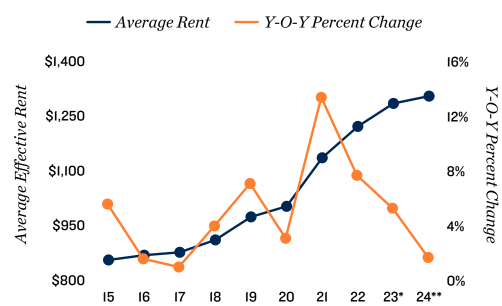
Employment Trends



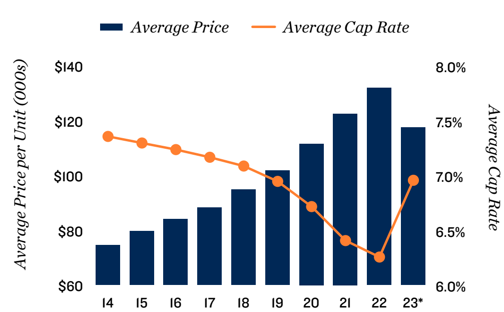
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

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

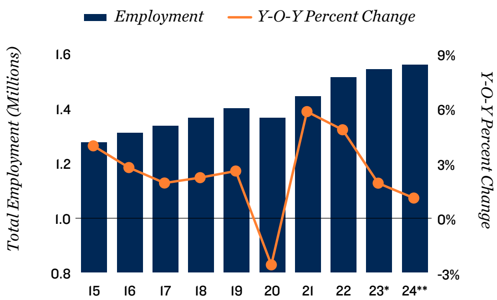
TAMPA-ST. PETERSBURG

Deluge of Rentals Warranted as Tampa Continues to Rank Among the Nation's Top Markets for In-Migration

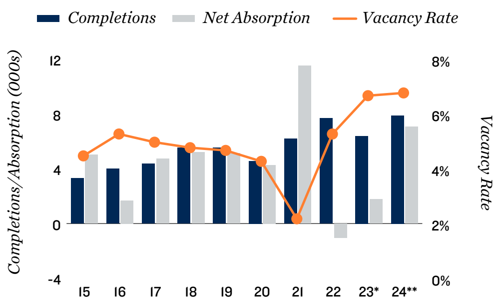
Delivery volume slated to peak. Responding to a strong inflow of new residents that reduced metro vacancy to the low-2 percent range, developers broke ground on a host of apartments in Pasco County and Tampa proper during 2021 and 2022. Approximately 7,900 of those units will come to fruition this year, 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, incoming inventory should be absorbed over time.

Various investment strategies can be readily executed. Contrasting other major markets nationally, Tampa registered a relatively equal share of Class A/B transactions and Class C trades last year. This trend suggests opportunities to acquire 100-plus-unit assets, and smaller properties should be comparable in 2024. The dynamic, along with the metro's encouraging growth prospects, will appeal to both private and institutional capital, preserving a diverse buyer pool. Those seeking larger assets will scour Tampa proper, where newer properties and older garden-style communities remained available below $300,000 and $200,000 per unit, respectively, last year. Private buyers with an eye for smaller Class C complexes may look to Pinellas County, where some of the metro's highest rents generate strong demand for the area's stock of lower cost apartments.

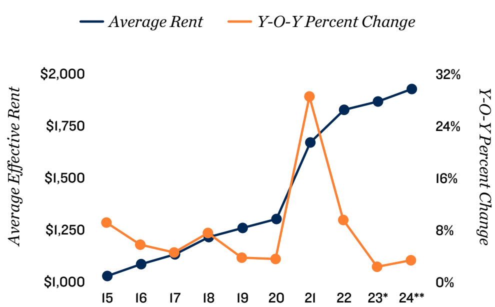
Employment Trends



Supply and Demand



Rent Trends



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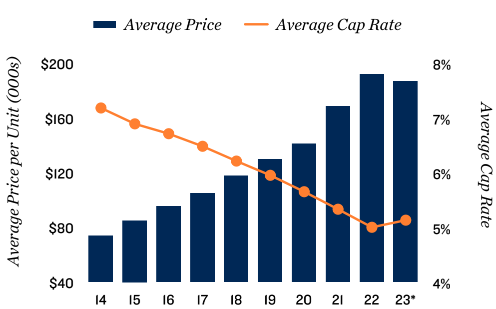


** Estimate; ** Forecast*

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

2024 MARKET FORECAST

NMI RANK 3 — ***Tampa snags the highest ranking among East Coast metros in the NMI this year, driven by standout revenue growth.***

+1.1% — **EMPLOYMENT:** Roughly 20 percent of the jobs created in 2024 are expected to be white-collar roles, aiding demand for Class A and B units. Overall, Tampa's workforce expands by 1.1 percent.

7,900 *units* — **CONSTRUCTION:** Delivery volume surpasses the 6,000-unit mark for a fourth straight year. Local completions account for nearly 20 percent of the doors added across Florida's six major rental markets.

+10 bps — **VACANCY:** Higher-paying job creation and an inflow of new residents nearly offset the impact of a record supply wave. A moderate rise in vacancy is the result, placing the year-end rate at 6.8 percent.

+3.2% — **RENT:** A historically strong year for net absorption elevates the mean effective rent to $1,920 per month. This rate represents a discount of at least $580 when compared to Southeast Florida markets.

INVESTMENT: *The presence of the University of South Florida and a sizable medical district may draw investors to Uptown and nearby areas, attracted to the in-place renter pool of students and health professionals.*

Cost-of-Living Advantages Drive Renter Demand and Tighten Vacancy

Three-year migration surge revitalizes rental landscape. Tucson is projected to be one of just eight major U.S. markets to record declining vacancy this year. While completions are slated to rise to a two-decade high, renter demand is being bolstered by historic migration. By the end of 2024, over 34,000 transplants will have entered the populace through the last three years, marking the highest 36-month gain since before 2000. A comparably lower cost-of-living is facilitating this migration from nearby markets, as well as household formation among current residents. From 2019 to 2024, wage growth in Tucson far outpaced the U.S. mean, while the average effective rent has advanced slower than the national pace. This trend is especially supporting demand within the Class A segment, where the mean rent is among the lowest of any major U.S. market. Class A vacancy fell nearly 100 basis points below the mid- and lower-tier rates through most of 2023, after having the highest average over the previous half-decade. Nevertheless, Tucson's growing manufacturing sector should greatly boost demand for Class B and C rentals in the medium-term. American Battery Factory, for example, plans to hire 1,000 roles for its facility slated to deliver in 2025 at Pima County's Aerospace Research Campus.

Financing shift attracts regional interest. The dynamic lending environment has led many investors to seek out higher-yield properties, seeing opportunities to lift property values after acquisition. Central Tucson is seeing renewed investor interest for this reason, by way of buyers from Phoenix and Southern California metros, where cap rates for assets in similar core locations are much lower. While Class B and C buildings are being traded more frequently than higher-tier counterparts, recent growth in the segment could spur more listings moving forward. The Class A average effective rent rose 47 percent from 2020 to the end of 2023, which was the fastest among major U.S. metros.

2024 MARKET FORECAST

NMI RANK 20 — ***Strong household growth supports improving property performance and a top half ranking for Tucson in the 2024 NMI.***

+0.5% — **EMPLOYMENT:** While the headcount is projected to grow by a net of just 2,000 positions this year, it will be the combined result of substantial gains in government and losses in most office-centric sectors.

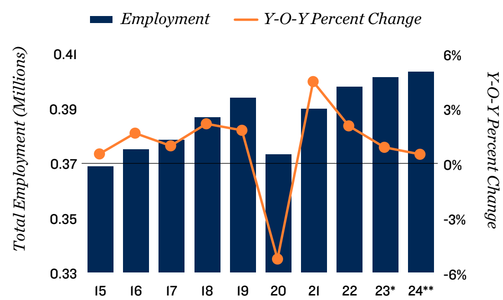
1,900 *units* — **CONSTRUCTION:** Inventory advances by an all-time high of 2.2 percent in 2024. Casas Adobes-Oro Valley, in particular, is expected to record a 7-plus percent stock expansion this year.

-20 bps — **VACANCY:** Amid sustained demographic growth, net absorption is anticipated to surpass supply additions and lower the marketwide vacancy rate down to 7.0 percent in 2024.

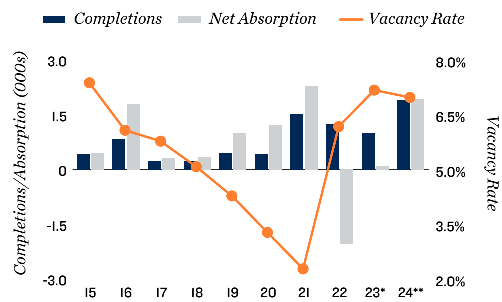
+3.3% — **RENT:** Fueled by declining vacancy, the average effective rent will rise to $1,260 per month this year. This marks Tucson's 14th consecutive year-over-year rate increase.

INVESTMENT: *The Northwest Tucson-Oro Valley industrial corridor continues to grow and spur buyer interest in mid- to lower-tier assets nearby. Maya Tea and Marsden Services were among those who moved here last year.*

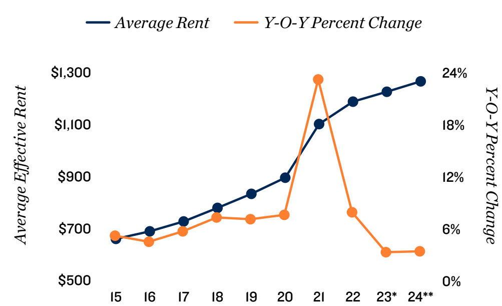
Employment Trends



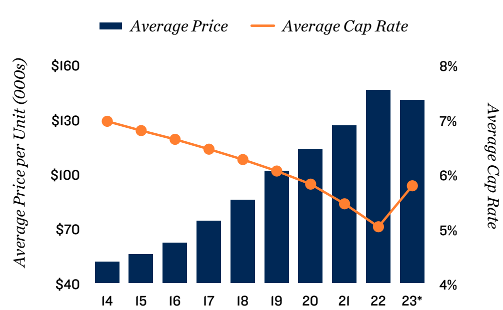
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

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

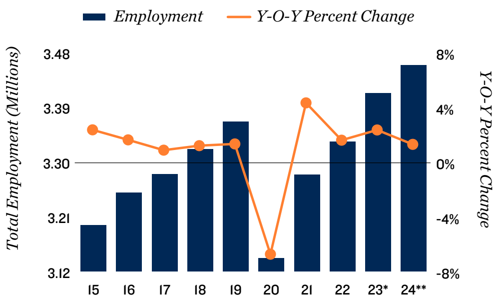
WASHINGTON, D.C.

New Rate Dynamic Gives the District a Favorable Opportunity Cost for Renters, Defining Local Demand

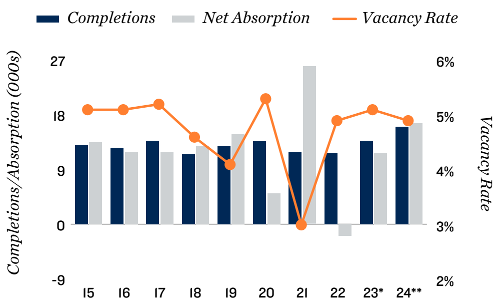
Supply influx bolsters District affordability. Among major primary metros expecting over-2 percent stock growth this year, Washington, D.C. stands alone as the only market poised to record a vacancy decline. The continued strength of renter demand in the District will be vital to this trend. In 2019, the area's top-tier average effective rent was $110 more per month than northern Virginia's; however, as notable supply additions motivated greater concessions usage, the gap has closed to only $5 entering this year. At the same time, its discount relative to southern Maryland has also widened to a near-record of $340, supporting rental performance here. Despite the area hosting nearly one-half of the metro's deliveries in 2023, its top-tier vacancy fell roughly 70 basis points, coinciding with the Class B rate holding steady. While the opening of 11,000 units here through 2025 may challenge multifamily metrics in the near-term, higher concessions usage from elevated supply should anchor renter demand for new units across District neighborhoods. Representing one of these, Navy Yard-Capitol South will host the arrival of 1,800 units this year. While its mean effective rent was the highest in the region entering 2024, these new builds will help dispel cost limitations for renters, lifting the local household count.

Investors look to areas with limited pipelines. Among District submarkets, only Southeast D.C. expects less than 1,000 deliveries through 2025. Limited supply-side competition here should aid metrics at existing properties and attract investor interest, especially after the local Class B rent grew at a nationally-high pace in 2023. Gaithersburg and Columbia Pike should elicit similar activity, given that they both anticipate sparse completions over the next two years. Entry costs for Class B and C assets across each of these submarkets averaged less than $200,000 per unit last year, an additional factor that should facilitate deal-making as some buyers grapple with financing difficulties.

Employment Trends



Supply and Demand



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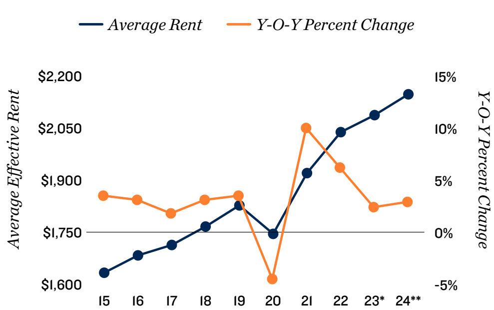

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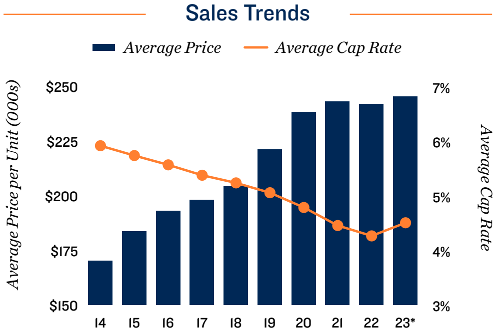


** Estimate; ** Forecast*

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

2024 MARKET FORECAST

NMI RANK 11 — *Washington, D.C. reports one of the 10 best vacancy and rent changes in the U.S., placing it among the 15 highest in the NMI.*

+1.3% — **EMPLOYMENT:** Employers in Washington, D.C. will add the most amount of personnel among any metro not located in New York or Texas, at 46,000 in 2024.

16,000 units — **CONSTRUCTION:** The District hosts the delivery of 7,800 units this year, while northern Virginia and southern Maryland combine for 9,700 rentals. These additions propel stock growth to 2.3 percent.

-20 bps — **VACANCY:** The return of net in-migration in 2023 will help propel net absorption to surpass supply additions this year. This dynamic enables Washington, D.C.'s vacancy rate to tick down to 4.9 percent.

+2.9% — **RENT:** Falling marketwide vacancy fuels greater rent momentum than last year, causing the mean effective rate to close out 2024 at $2,145 per month. This metric will be 18 percent higher than 2019.

INVESTMENT: *Northwest D.C.'s strong performance as of late could stir more investor interest in local assets moving forward. Here, overall vacancy fell considerably last year, amid higher concessions usage from new supply.*

Young Adult Population Growth Generates Renter Demand as Operators Incur Increasing Expenses

Younger populace underpins apartment use in West Palm Beach. Since the onset of the pandemic, the metro has outpaced the rest of Southeast Florida in population growth. This feat is partially the result of positive momentum within the 20- to 34-year-old demographic, a dynamic contrary to Fort Lauderdale and Miami. This is aided by new job opportunities, as the local pace of hiring exceeds the national average in 2024. Meanwhile, a high cost of homeownership is encouraging apartment usage for many new residents. Entering 2024, West Palm Beach noted the nation's largest increase to its median home price relative to 2019, exceeding 65 percent. This helps reduce the impact of an anticipated record supply influx, as vacancy lifts at a substantially slower pace than the prior two periods, while rent growth accelerates. The Boca Raton area is further protected from this supply-side pressure as less than 10 percent of metro deliveries are anticipated to complete here in 2024. While stock expands at a similar rate as in 2023 around the Delray Beach area this year, local vacancy stood closer in line to its 4.6 percent pre-pandemic measure than any other metro submarket.

Insurance costs continue to complicate deal-making. In addition to elevated lending rates, commercial insurance climbed at an unprecedented pace leading into 2024 as monetary impacts of natural disasters became more pronounced. Higher expenses are likely to continue challenging deal-making as underwriters account for potential adjustments over their anticipated holding periods. As a result, fewer deals are being completed by out-of-state buyers amid long-term uncertainty. This dynamic, however, may lead to opportunities for local buyers accustomed to weathering risks and deals initiated by distress due to the increased cost burden. Population and economic growth momentum are also intriguing investors as homeownership hurdles remain.

2024 MARKET FORECAST

NMI RANK 9 *A substantial homeownership affordability gap and growing local economy support a top-10 ranking this year.*

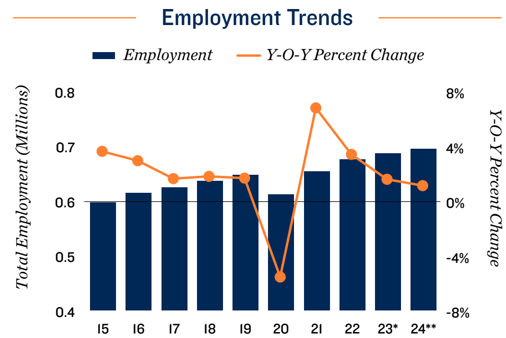
+1.2% **EMPLOYMENT:** Local employers add 8,000 new jobs on net in 2024. This will be a deceleration from last year's count, and marks the slowest annual pace of job creation in over a decade, aside from 2020.

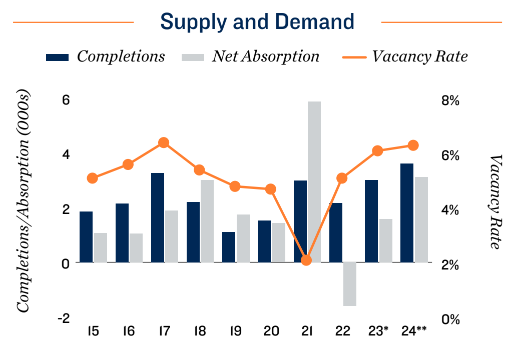
3,600 *units* **CONSTRUCTION:** Developers will add a record number of units, increasing stock by 2.8 percent in 2024. Yet, this matches Tampa as the slowest pace of inventory growth among major Florida metros.

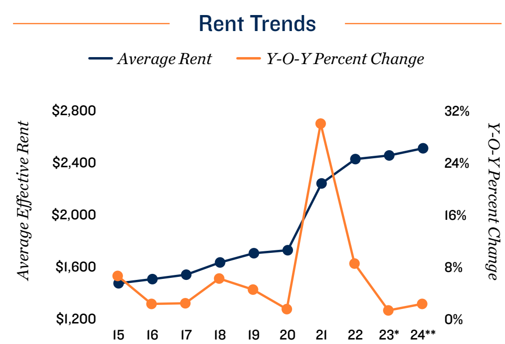
+20 bps **VACANCY:** Population dynamics help tame the expansion of local vacancy as 2024's lift will be 80 basis points short of last year's surge. The measure will end December at 6.3 percent.

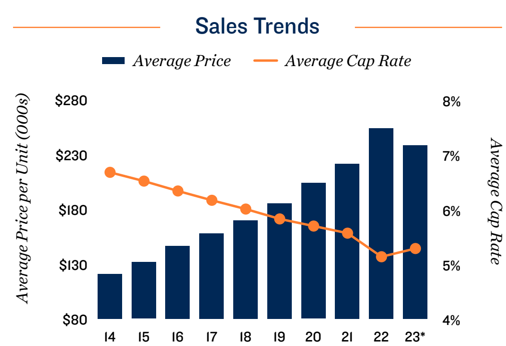
+2.2% **RENT:** Amid improving absorption, rent growth accelerates from 2023's marginal lift. This brings West Palm Beach's average effective rate to $2,500 per month by year-end.

INVESTMENT: *Although typically the most active area in the metro, velocity in West Palm Beach proper may slow in the near-term amid notable local supply pressure, weighing on the submarket's vacancy rate.*









* Estimate; ** Forecast

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

United States

Corporate Headquarters
Marcus & Millichap
23975 Park Sorrento
Suite 400
Calabasas, CA 91302
(818) 212-2250
www.MarcusMillichap.com

Atlanta
1100 Abernathy Road, N.E.
Building 500, Suite 600
Atlanta, GA 30328
(678) 808-2700
John M. Leonard

Austin
9600 N. Mopac Expressway
Suite 300
Austin, TX 78759
(512) 338-7800
Bruce Bentley III

Bakersfield
4900 California Avenue
Tower B, Second Floor
Bakersfield, CA 93309
(661) 377-1878
Jim Markel

Baltimore
One West Pennsylvania Avenue
Suite 850
Towson, MD 21204
(443) 703-5000
Brian Hosey

Baton Rouge
10527 Kentshire Court, Suite B
Baton Rouge, LA 70810
(225) 376-6800
Jody McKibben

Birmingham
800 Shades Creek Parkway
Suite 815
Birmingham, AL 35209
(205) 510-9200
Jody McKibben

Boise
800 W. Main Street, Suite 1460
Boise, ID 83702
(208) 401-9321
Adam Lewis

Boston
100 High Street, Suite 1025
Boston, MA 02110
(617) 896-7200
Thomas Shihadeh

Charleston
151 Meeting Street, Suite 450
Charleston, SC 29401
(843) 952-2222
Benjamin Yelm

Charlotte Uptown
201 S. Tryon Street, Suite 1220
Charlotte, NC 28202
(704) 831-4600
Benjamin Yelm

Chicago Downtown
333 W. Wacker Drive, Suite 200
Chicago, IL 60606
(312) 327-5400
Joseph Powers

Chicago Oak Brook
One Mid-America Plaza, Suite 200
Oakbrook Terrace, IL 60181
(630) 570-2200
Steven D. Weinstock

Cincinnati
600 Vine Street, 10th Floor
Cincinnati, OH 45202
(513) 878-7700
Josh Caruana

Cleveland
Crown Center
5005 Rockside Road, Suite 800
Independence, OH 44131
(216) 264-2000
Grant Fitzgerald

Columbia
1320 Main Street, Suite 300
Columbia, SC 29201
(803) 678-4900
Benjamin Yelm

Columbus
500 Neil Avenue, Suite 100
Columbus, OH 43215
(614) 360-9800
Grant Fitzgerald

Dallas
5001 Spring Valley Road, Suite 100W
Dallas, TX 75244
(972) 755-5200
Mark R. McCoy

Dallas Uptown
3131 Turtle Creek Boulevard
Suite 1200
Dallas, TX 75219
(972) 267-0600
Mark R. McCoy

Denver
1144 15th Street, Suite 2150
Denver, CO 80202
(303) 328-2000
Adam A. Lewis

Detroit
2 Towne Square, Suite 450
Southfield, MI 48076
(248) 415-2600
Steven Chaben

Encino
16830 Ventura Boulevard, Suite 100
Encino, CA 91436
(818) 212-2700
Jim Markel

Fort Lauderdale
5900 N. Andrews Avenue, Suite 100
Fort Lauderdale, FL 33309
(954) 245-3400
Harrison E. Rein

Fort Worth
300 Throckmorton Street, Suite 1500
Fort Worth, TX 76102
(817) 932-6100
Mark R. McCoy

Fresno
6795 N. Palm Avenue, Suite 109
Fresno, CA 93704
(559) 476-5600
Jim Markel

Greensboro
200 Centreport Drive, Suite 160
Greensboro, NC 27409
(336) 450-4600
Benjamin Yelm

Hampton Roads
208 GoldenOak Ct, Suite 210
Virginia Beach, VA 23452
(757) 777-3737
Benjamin Yelm

Houston
3 Riverway, Suite 800
Houston, TX 77056
(713) 452-4200
Ford Noe

Indianapolis
600 E. 96th Street, Suite 500
Indianapolis, IN 46240
(317) 218-5300
Josh Caruana

Inland Empire
3281 E. Guasti Road, Suite 800
Ontario, CA 91761
(909) 456-3400
Mario J. Alvarez, Jr.

Iowa
425 Second Street S.E., Suite 610
Cedar Rapids, IA 52401
(319) 333-7743
Todd Lindblom

Jacksonville
5200 Belfort Road, Suite 250
Jacksonville, FL 32256
(904) 672-1400
Justin W. West

Kansas City
7400 College Boulevard, Suite 105
Overland Park, KS 66210
(816) 410-1010
David Saverin

Knoxville
1111 Northshore Drive, Suite S-301
Knoxville, TN 37919
(865) 299-6300
Jody McKibben

Las Vegas
9205 W Russell Road, Suite 100
Las Vegas, NV 89148
(702) 215-7100
Cameron Glinton

Los Angeles
1900 Avenue of the Stars, Suite 2000
Los Angeles, CA 90067
(213) 943-1800
Tony Solomon

Louisville
9300 Shelbyville Road, Suite 1012
Louisville, KY 40222
(502) 329-5900
Josh Caruana

Manhattan
260 Madison Avenue, Fifth Floor
New York, NY 10016
(212) 430-5100
John Horowitz

Memphis
5100 Poplar Avenue, Suite 2505
Memphis, TN 38137
(901) 620-3600
Jody McKibben

Miami
2916 North Miami Avenue, Suite 700
Miami, FL 33127
(786) 522-7000
Harrison E. Rein

Milwaukee
13890 Bishops Drive, Suite 300
Brookfield, WI 53005
(262) 364-1900
Todd Lindblom

Minneapolis
1601 Utica Avenue South, Suite 301
Minneapolis, MN 55416
(952) 852-9700
Todd Lindblom

Mobile
208 N. Greeno Road, Suite B-2
Fairhope, AL 36532
(251) 929-7300
Jody McKibben

Nashville
6 Cadillac Drive, Suite 100
Brentwood, TN 37027
(615) 997-2900
Jody McKibben

New Haven
265 Church Street
Suite 210
New Haven, CT 06510
(203) 672-3300
John Horowitz

New Jersey
250 Pehle Avenue, Suite 501
Saddle Brook, NJ 07663
(201) 742-6100
Jim McGuckin

New Mexico
100 Sun Avenue N.E., Suite 650
Albuquerque, NM 87109
(505) 445-6333
Ryan Sarbinoff

Oakland
555 12th Street, Suite 1750
Oakland, CA 94607
(510) 379-1200
Ramon Kochavi

Oklahoma City
101 Park Avenue, Suite 1300
Oklahoma City, OK 73102
(405) 446-8238
Jody McKibben

Orange County
19800 MacArthur Boulevard
Suite 150
Irvine, CA 92612
(949) 419-3200
Jonathan Giannola

Orlando
300 S. Orange Avenue, Suite 700
Orlando, FL 32801
(407) 557-3800
Justin W. West

Palm Springs
74-710 Highway 111, Suite 102
Palm Desert, CA 92260
(909) 456-3400
Mario J. Alvarez, Jr.

Palo Alto
2626 Hanover Street
Palo Alto, CA 94304
(650) 391-1700
Ramon Kochavi

Philadelphia
2005 Market Street, Suite 1510
Philadelphia, PA 19103
(215) 531-7000
Brian Hosey

Phoenix
2398 E. Camelback Road, Suite 300
Phoenix, AZ 85016
(602) 687-6700
James K. Crawley

Portland
111 S.W. Fifth Avenue, Suite 1950
Portland, OR 97204
(503) 200-2000
David Tabata

Raleigh
101 J Morris Commons Lane, Suite 130
Morrisville, NC 27560
(919) 674-1100
Benjamin Yelm

Reno
50 W. Liberty Street, Suite 400
Reno, NV 89501
(775) 348-5200
Daniel A. Kapic

Richmond
4401 Waterfront Drive, Suite 230
Glen Allen, VA 23060
(804) 802-6900
Benjamin Yelm

Sacramento
3741 Douglas Boulevard, Suite 200
Roseville, CA 95661
(916) 724-1400
Daniel A. Kapic

Sacramento Downtown
333 University, Suite 150
Sacramento, CA 95825
(916) 724-1400
Daniel A. Kapic

Salt Lake City
95 South State Street, Suite 1280
Salt Lake City, UT 84111
(801) 736-2600
Adam Christofferson

San Antonio
8200 IH-10 W, Suite 603
San Antonio, TX 78230
(210) 343-7800
Bruce Bentley III

San Diego
12544 High Bluff Drive, Suite 100
San Diego, CA 92130
(858) 373-3100
Damon Wyler

San Francisco
750 Battery Street, Fifth Floor
San Francisco, CA 94111
(415) 963-3000
Ramon Kochavi

Seattle
401 Union Street, Suite 3200
Seattle, WA 98101
(206) 826-5700
Joel Deis

South Bay
880 Apollo Street, Suite 101
El Segundo, CA 90245
(424) 405-3900
Dawson Rinder

St. Louis
7800 Forsyth Boulevard, Suite 710
St. Louis, MO 63105
(314) 889-2500
David Saverin

Tampa
201 N. Franklin St., Suite 1100
Tampa, FL 33602
(813) 387-4700
David G. Bradley

Tucson
2 E Congress Street, Suite 1050
Tucson, AZ 85701
(520) 202-2900
James K. Crawley

Washington, D.C.
7200 Wisconsin Avenue, Suite 1101
Bethesda, MD 20814
(202) 536-3700
Brian Hosey

Westchester
50 Main Street, Suite 925
White Plains, NY 10606
(914) 220-9730
John Horowitz

Canada

Calgary
602-16 Avenue Northwest
Suite 211
Calgary, Alberta T2M 0J7
(587) 349-1302
Michael Heck

Edmonton
10175 101 Street, Suite 1820
Edmonton, Alberta T5J 0H3
(587) 756-1600
Michael Heck

Montreal
1250 Rene Leveque Boulevard West
Suite 2200
Montreal, Quebec H3B 4W8
(438) 844-6500
Kevin Marshall

Ottawa
275 Bank Street, Suite 301
Ottawa, Ontario K2P 2L6
(613) 364-2300
Mark Paterson

Toronto
200 King Street W, Suite 1210
Toronto, Ontario M5H 3T4
(416) 585-4646
Mark Paterson

Vancouver
1111 West Georgia Street, Suite 1100
Vancouver, British Columbia
V6E 4M3
(604) 638-2121
Michael Heck

CONTACTS, SOURCES AND DEFINITIONS

Multi Housing Division

John S. Sebree | *Senior Vice President, Director*
(312) 327-5400 | john.sebree@marcusmillichap.com

Peter Standley | *Vice President, Director*
(317) 218-5300 | peter.standley@marcusmillichap.com

Research Services Division

John Chang | *Senior Vice President, Director*
Peter Tindall | *Vice President, Director of Research Operations*
Greg Willett | *First Vice President, IPA Multifamily Research*
Luke Simurda | *Director of Canada Research*
Cody Young | *Research Publication Manager*
Jacinta Tolinos | *Research Operations Manager*
Josh Craft | *Research Analyst*
Maria Erofeeva | *Graphic Designer*
Luis Flores | *Research Analyst II*
Nayomi Garcia | *Copy Editor, Digital Media Editor*
Jessica Henn | *Research Analyst*
Benjamin Kunde | *Research Analyst II*
Luke Murphy | *Research Analyst*
Chris Ngo | *Data Analyst II*
Adam Norbury | *Data Analyst II*
Benjamin Otto | *Digital Media Manager*
Erik Pisor | *Research Analyst*
Daniel Spinrad | *Research Analyst*
Musab Salih | *Junior Data Analyst*
Neel Sodhi | *Research Associate*
Frank Zhao | *Research Associate*

Contact:

John Chang | *Senior Vice President*

Director, Research and Advisory Services

4545 East Shea Boulevard, Suite 201

Phoenix, Arizona 85028

(602) 707-9700 | john.chang@marcusmillichap.com

Senior Management Team

Hessam Nadji
President and Chief Executive Officer

Richard Matricaria
Executive Vice President, Chief Operating Officer, Western Division

J.D. Parker
Executive Vice President, Chief Operating Officer, Eastern Division

Evan Denner
Executive Vice President, Head of Business, MMCC

Steve DeGennaro
Executive Vice President, Chief Financial Officer

Gregory A. LaBerge
Senior Vice President, Chief Administrative Officer

Andrew Strockis
Senior Vice President, Chief Marketing Officer

Adam Christofferson
Senior Vice President, Division Manager

Michael L. Glass
Senior Vice President, Division Manager

John Horowitz
Senior Vice President, Division Manager

Brian Hosey
Senior Vice President, Division Manager

Ryan Nee
Senior Vice President, Division Manager

Tim Speck
Senior Vice President, Division Manager

John Vorsheck
Senior Vice President, Division Manager

Media Contact:

Gina Relva | *Public Relations Director*

555 12th Street, Suite 1750

Oakland, CA 94607

(925) 953-1716 | gina.relva@marcusmillichap.com

[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 December 2023. 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 the fourth quarter and represent estimates of future performance. 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: Marcus & Millichap Research Services; AAA; Adobe Analytics; Charlotte Area Transit System; CoStar Group, Inc.; Downtown Partnership 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 Growth[2]				Completions (Units)[2]				Vacancy Rate[2]				Effective Monthly Rate[2]				Average Price per Unit[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	3.0%	6.2%	8.1%	9.6%	$1,602	$1,694	$1,654	$1,603	$168,400	$184,200	$179,500	Atlanta
Austin	10.0%	6.0%	3.1%	2.6%	11,700	14,300	18,500	27,000	2.9%	5.9%	7.1%	7.9%	$1,580	$1,668	$1,640	$1,650	$191,600	$229,800	$208,100	Austin
Baltimore	4.6%	0.5%	2.3%	1.3%	1,900	1,100	3,200	2,200	2.6%	4.8%	6.1%	5.9%	$1,564	$1,648	$1,680	$1,720	$172,100	$191,000	$156,800	Baltimore
Boston	5.4%	3.1%	2.3%	1.0%	6,100	5,900	7,500	9,500	2.6%	4.0%	5.0%	5.4%	$2,558	$2,800	$2,915	$2,974	$310,700	$310,800	$312,800	Boston
Charlotte	3.9%	3.1%	4.1%	2.3%	9,300	7,300	14,100	17,100	2.9%	5.8%	6.6%	7.9%	$1,445	$1,591	$1,595	$1,575	$187,800	$234,000	$208,500	Charlotte
Chicago	5.7%	2.7%	0.5%	0.6%	7,400	6,000	7,500	7,400	3.4%	4.8%	5.2%	5.3%	$1,711	$1,879	$1,960	$2,025	$169,800	$173,200	$175,900	Chicago
Cincinnati	4.2%	2.7%	2.4%	1.7%	1,000	2,200	2,700	2,800	1.9%	3.9%	4.8%	4.9%	$1,147	$1,307	$1,370	$1,390	$82,400	$98,000	$108,300	Cincinnati
Cleveland	2.7%	1.1%	1.7%	0.9%	900	1,100	1,400	2,000	2.3%	4.0%	5.6%	6.0%	$1,074	$1,192	$1,240	$1,230	$78,400	$86,800	$84,300	Cleveland
Columbus	4.6%	1.3%	0.7%	1.6%	5,400	3,700	5,300	6,000	2.5%	4.4%	5.6%	5.8%	$1,150	$1,270	$1,330	$1,340	$113,000	$122,700	$123,800	Columbus
Dallas-Fort Worth	6.7%	5.6%	3.9%	3.0%	28,100	20,800	26,500	44,000	2.9%	5.9%	7.1%	7.5%	$1,388	$1,533	$1,560	$1,605	$157,400	$178,900	$171,000	Dallas-Fort Worth
Denver	7.0%	2.4%	-0.2%	0.3%	7,300	8,700	10,500	17,500	3.2%	5.6%	6.2%	7.1%	$1,765	$1,868	$1,920	$1,978	$242,500	$249,300	$254,700	Denver
Detroit	6.1%	2.0%	0.3%	0.2%	2,200	1,500	2,000	2,900	1.7%	4.5%	5.8%	6.2%	$1,165	$1,262	$1,300	$1,290	$103,700	$116,200	$114,900	Detroit
Fort Lauderdale	6.1%	3.1%	2.5%	2.2%	4,000	2,900	4,650	6,500	1.9%	5.0%	5.7%	6.0%	$2,152	$2,404	$2,465	$2,515	$194,400	$226,700	$221,700	Fort Lauderdale
Houston	5.7%	4.7%	2.4%	1.8%	16,800	14,900	20,000	20,500	4.0%	7.0%	7.4%	7.5%	$1,242	$1,333	$1,375	$1,410	$129,900	$145,600	$129,800	Houston
Indianapolis	4.8%	3.4%	2.5%	2.0%	1,900	1,600	4,000	5,000	3.1%	5.0%	6.5%	6.8%	$1,084	$1,212	$1,270	$1,300	$100,200	$119,300	$117,000	Indianapolis
Jacksonville	4.9%	5.0%	2.4%	1.5%	3,600	5,900	8,800	7,100	2.8%	6.2%	7.8%	8.1%	$1,439	$1,524	$1,490	$1,510	$136,500	$158,300	$154,800	Jacksonville
Kansas City	3.1%	3.5%	1.3%	0.4%	4,800	3,400	4,400	4,100	3.3%	4.7%	5.4%	5.5%	$1,122	$1,238	$1,310	$1,330	$109,300	$135,700	$119,900	Kansas City
Las Vegas	13.9%	6.0%	3.3%	1.9%	3,500	2,400	5,400	4,300	2.6%	6.3%	7.5%	6.9%	$1,444	$1,486	$1,460	$1,500	$164,200	$194,800	$161,900	Las Vegas
Los Angeles	8.4%	2.8%	1.5%	0.9%	10,900	7,300	10,500	7,300	2.3%	3.9%	5.3%	4.9%	$2,565	$2,788	$2,810	$2,840	$315,800	$332,600	$312,700	Los Angeles
Louisville	3.6%	1.6%	1.2%	0.6%	2,200	2,100	1,050	1,300	3.4%	5.1%	6.6%	7.2%	$1,037	$1,157	$1,193	$1,167	$98,800	$107,500	$106,400	Louisville
Miami-Dade	7.1%	4.9%	3.1%	2.3%	7,400	5,600	7,000	10,000	1.6%	3.5%	4.8%	5.0%	$2,091	$2,485	$2,600	$2,678	$209,400	$240,000	$234,500	Miami-Dade
Milwaukee	2.6%	1.3%	0.6%	0.8%	1,900	2,300	3,000	2,750	2.2%	3.2%	3.6%	3.7%	$1,326	$1,452	$1,535	$1,590	$113,900	$121,400	$118,800	Milwaukee
Minneapolis-St. Paul	5.4%	2.1%	1.1%	0.8%	10,100	9,200	9,000	7,000	3.2%	5.3%	5.8%	5.9%	$1,419	$1,505	$1,545	$1,568	$146,700	$151,200	$144,000	Minneapolis-St. Paul
Nashville	5.2%	5.5%	2.9%	1.9%	6,300	8,200	13,800	11,700	2.5%	5.0%	6.1%	6.3%	$1,501	$1,639	$1,640	$1,670	$197,600	$228,000	$219,000	Nashville
New Haven-Fairfield County	4.9%	1.7%	1.7%	-0.3%	2,000	2,800	1,700	2,800	2.5%	4.5%	4.8%	6.2%	$2,159	$2,374	$2,470	$2,488	$196,700	$203,000	$188,300	New Haven-Fairfield County
New York City	7.4%	5.4%	0.6%	1.1%	19,200	25,600	19,000	24,000	1.8%	1.9%	1.8%	2.0%	$2,769	$2,842	$2,880	$2,912	$344,600	$372,200	$368,900	New York City
Norfolk-Virginia Beach	2.4%	1.7%	0.3%	0.1%	1,600	1,400	1,400	1,600	1.6%	4.4%	4.9%	5.2%	$1,348	$1,451	$1,480	$1,505	$127,300	$139,700	$136,900	Norfolk-Virginia Beach
Northern New Jersey	7.1%	3.0%	1.5%	0.7%	10,800	10,500	10,500	15,000	3.9%	3.5%	4.4%	5.1%	$2,166	$2,298	$2,392	$2,453	$195,000	$208,800	$205,900	Northern New Jersey
Oakland	6.5%	1.9%	1.9%	1.2%	3,300	3,900	3,000	3,800	2.9%	4.9%	5.7%	5.8%	$2,473	$2,625	$2,605	$2,580	$294,200	$304,200	$283,500	Oakland
Orange County	7.5%	3.3%	1.8%	1.0%	2,500	2,600	2,050	3,300	1.2%	3.2%	3.8%	3.9%	$2,520	$2,735	$2,790	$2,870	$355,000	$380,800	$373,400	Orange County
Orlando	10.2%	5.7%	1.8%	1.7%	10,000	7,300	9,000	12,000	2.3%	5.1%	6.2%	6.9%	$1,608	$1,807	$1,800	$1,790	$192,400	$228,400	$221,800	Orlando
Philadelphia	6.0%	3.6%	2.5%	0.8%	6,600	5,100	10,500	12,000	1.9%	3.8%	4.9%	5.0%	$1,611	$1,752	$1,802	$1,834	$186,900	$209,400	$197,200	Philadelphia
Phoenix	5.5%	3.1%	2.0%	1.1%	10,600	13,300	18,300	27,800	2.6%	6.4%	7.9%	9.7%	$1,597	$1,631	$1,605	$1,575	$219,100	$285,900	$263,800	Phoenix
Pittsburgh	4.3%	2.3%	1.4%	0.7%	1,000	1,400	1,100	1,050	2.6%	5.0%	5.8%	6.1%	$1,292	$1,440	$1,509	$1,487	$127,700	$125,400	$121,000	Pittsburgh
Portland	6.2%	3.6%	1.9%	1.0%	6,900	3,100	4,000	4,900	2.7%	4.9%	6.0%	5.9%	$1,630	$1,758	$1,745	$1,775	$209,000	$221,100	$215,300	Portland
Raleigh	5.6%	3.8%	4.2%	2.4%	4,500	6,400	10,800	15,700	2.8%	5.6%	6.8%	8.1%	$1,444	$1,554	$1,560	$1,540	$184,300	$208,000	$192,900	Raleigh
Reno	5.1%	5.0%	2.6%	1.1%	1,700	2,000	2,700	1,200	2.6%	5.2%	6.3%	5.7%	$1,541	$1,565	$1,560	$1,600	$185,600	$220,100	$197,800	Reno
Riverside-San Bernardino	7.4%	2.7%	0.9%	0.4%	1,300	1,000	2,500	3,100	1.4%	4.2%	6.0%	6.2%	$2,035	$2,195	$2,220	$2,270	$198,500	$218,100	$210,400	Riverside-San Bernardino
Sacramento	6.4%	2.9%	2.1%	1.2%	1,700	1,900	3,100	3,200	1.9%	4.7%	6.0%	6.3%	$1,880	$1,943	$1,940	$1,930	$198,300	$229,100	$218,000	Sacramento
Salt Lake City	4.3%	3.1%	2.7%	2.0%	5,300	6,000	10,250	11,000	2.2%	4.9%	6.4%	7.2%	$1,468	$1,585	$1,588	$1,620	$202,300	$258,500	$238,200	Salt Lake City
San Antonio	5.5%	4.7%	2.6%	1.7%	4,800	2,700	5,400	9,000	3.5%	7.0%	8.5%	8.8%	$1,179	$1,268	$1,260	$1,240	$124,100	$134,900	$135,000	San Antonio
San Diego	9.0%	3.9%	1.0%	0.7%	4,300	2,900	3,600	2,850	1.4%	3.3%	4.0%	4.2%	$2,444	$2,762	$2,840	$2,940	$317,700	$364,600	$364,200	San Diego
San Francisco	9.9%	3.8%	1.0%	0.7%	4,500	3,600	2,200	2,700	7.0%	6.0%	5.9%	5.8%	$2,777	$2,812	$2,810	$2,800	$430,200	$413,200	$365,800	San Francisco
San Jose	6.1%	4.1%	1.2%	0.8%	3,500	3,200	1,900	3,800	3.3%	4.4%	4.5%	4.6%	$2,769	$3,055	$3,038	$3,004	$400,900	$406,100	$389,900	San Jose
Seattle-Tacoma	5.7%	3.6%	2.2%	1.2%	9,200	10,800	8,300	17,600	3.2%	5.2%	5.6%	6.2%	$1,965	$2,113	$2,120	$2,090	$277,800	$287,100	$281,500	Seattle-Tacoma
St. Louis	3.7%	2.3%	1.1%	0.7%	1,300	2,500	2,300	2,900	2.9%	4.9%	5.9%	6.2%	$1,131	$1,217	$1,280	$1,300	$122,500	$131,900	$117,500	St. Louis
Tampa-St. Petersburg	5.8%	4.8%	1.9%	1.1%	6,200	7,700	6,400	7,900	2.2%	5.3%	6.7%	6.8%	$1,663	$1,820	$1,860	$1,920	$168,300	$192,000	$186,800	Tampa-St. Petersburg
Tucson	4.5%	2.1%	0.9%	0.5%	1,500	1,300	1,000	1,900	2.3%	6.2%	7.2%	7.0%	$1,096	$1,182	$1,220	$1,260	$126,400	$145,800	$140,300	Tucson
Washington, D.C.	4.4%	1.7%	2.4%	1.3%	11,900	11,700	13,700	16,000	3.0%	4.9%	5.1%	4.9%	$1,918	$2,036	$2,085	$2,145	$243,100	$241,900	$245,400	Washington, D.C.
West Palm Beach	6.8%	3.4%	1.6%	1.2%	3,000	2,200	3,000	3,600	2.1%	5.1%	6.1%	6.3%	$2,230	$2,417	$2,445	$2,500	$221,200	$253,800	$238,300	West Palm Beach
United States	**5.1%**	**3.2%**	**1.7%**	**1.1%**	**356,200**	**328,600**	**420,000**	**480,000**	**2.6%**	**4.9%**	**5.7%**	**6.0%**	**$1,637**	**$1,783**	**$1,811**	**$1,839**	**$183,400**	**$205,800**	**$199,000**	**United States**

** Estimate ** Forecast*

[2] See Statistical Summary Note on Page 64.

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JOHN SEBREE
Senior Vice President, Director
Multi Housing Division
john.sebree@marcusmillichap.com

PETER STANDLEY
Vice President, Director
Multi Housing Division
peter.standley@marcusmillichap.com

EVAN DENNER
Executive Vice President, Head of Business
Marcus & Millichap Capital Corporation
evan.denner@marcusmillichap.com

JOHN CHANG
Senior Vice President, Director
Marcus & Millichap Research Services
john.chang@marcusmillichap.com

OFFICES THROUGHOUT THE UNITED STATES AND CANADA

RESEARCH SERVICES
4545 E. Shea Boulevard • Phoenix, AZ 85028 • 602.707.9700