



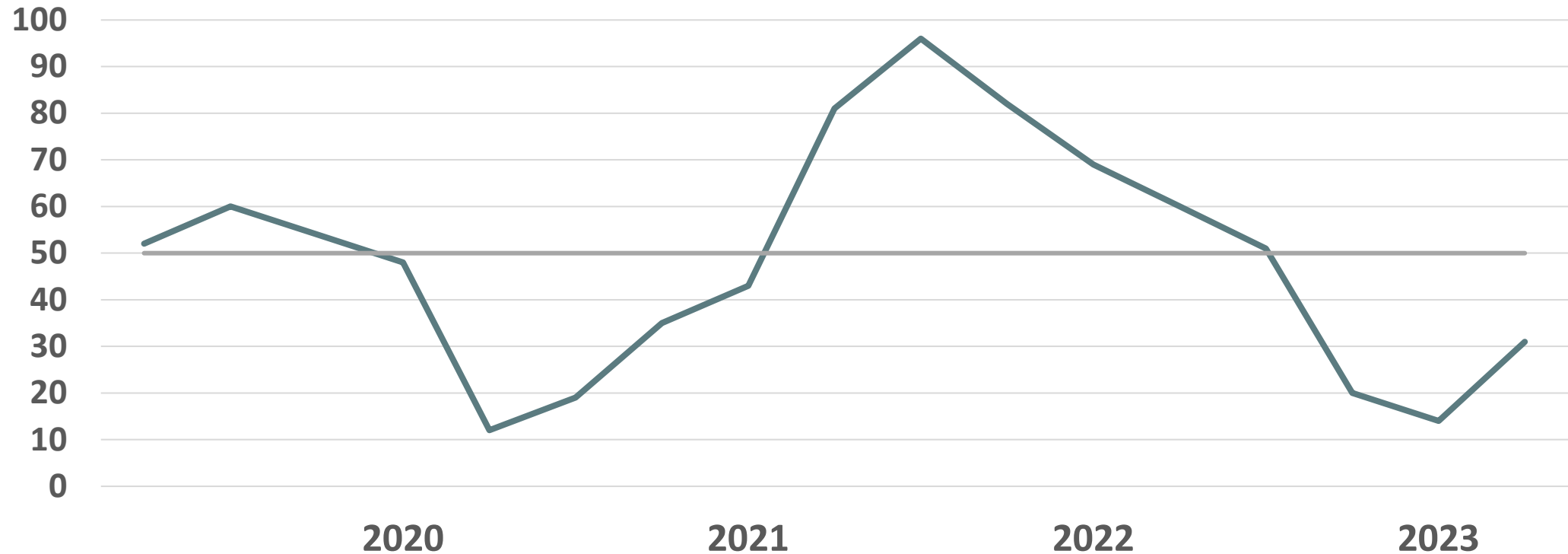
NATIONAL
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Apartment Market Overview

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NMHC
May 9, 2022

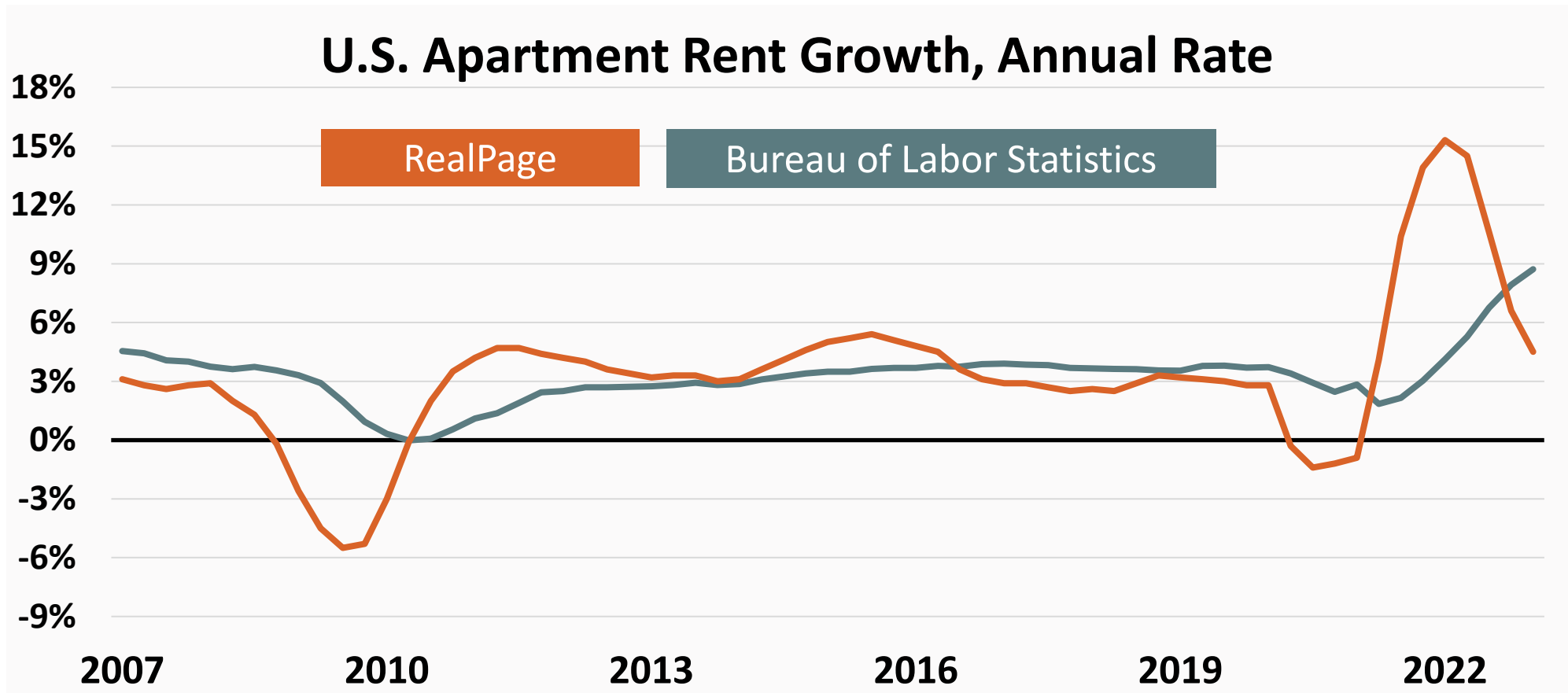
Apartment market starting to loosen

Market Tightness Index



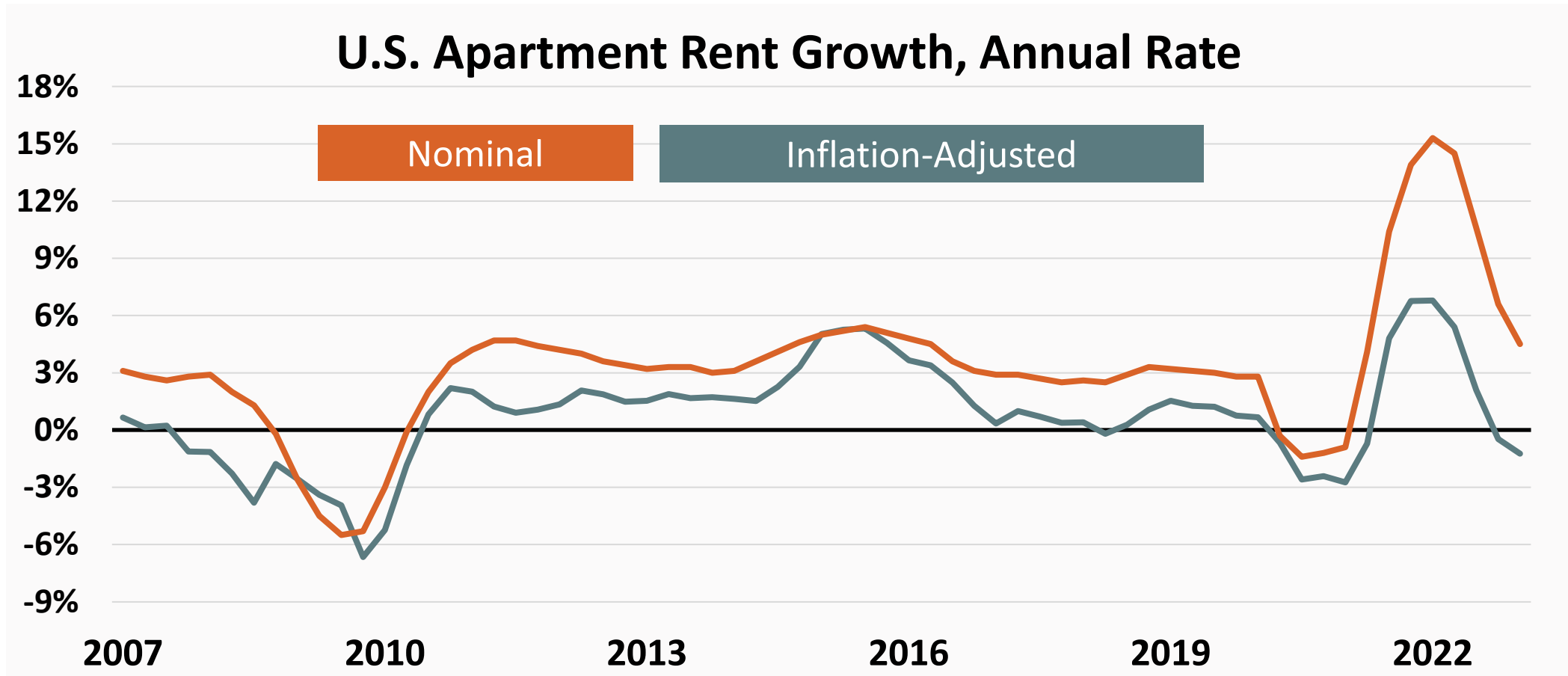
Source: NMHC Quarterly Survey of Apartment Market Conditions.

Rent growth moderating after historic surge



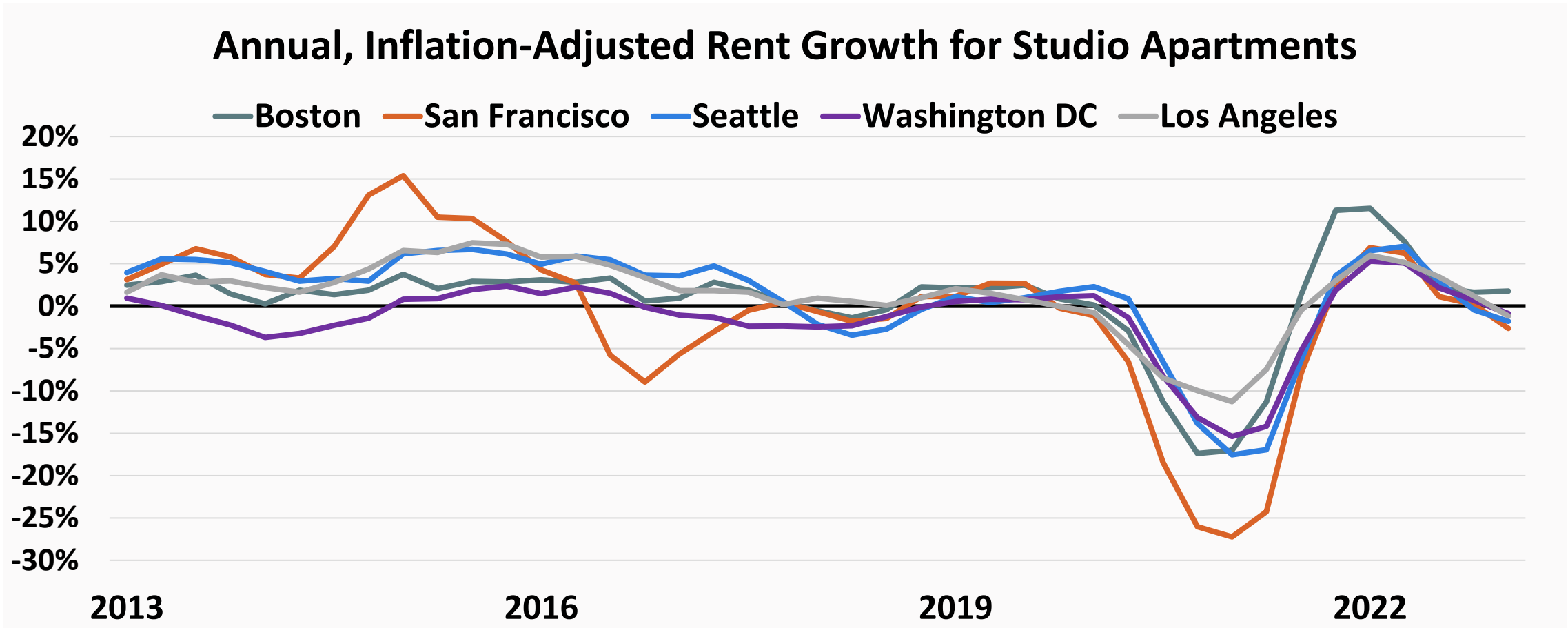
Source: Source: RealPage, U.S. Bureau of Labor Statistics.

Was post-COVID rent growth really that historic?



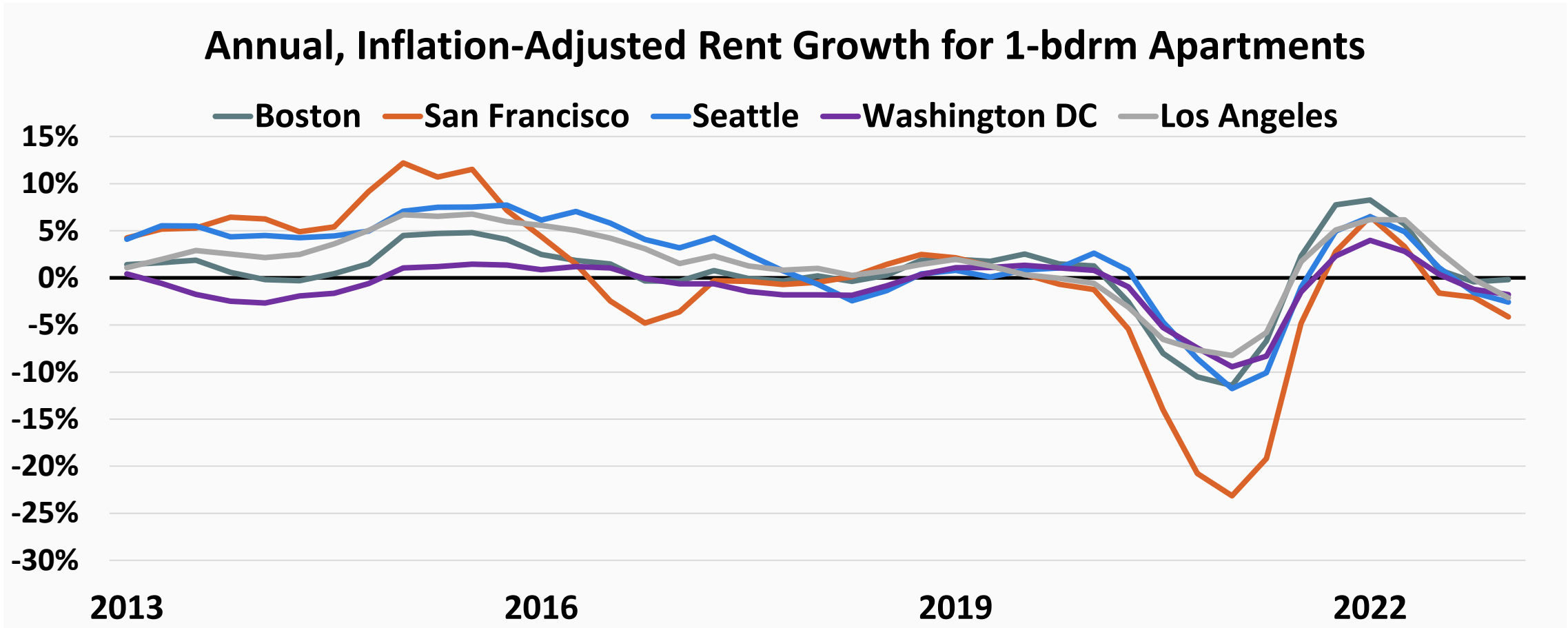
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Was post-COVID rent growth really that historic?



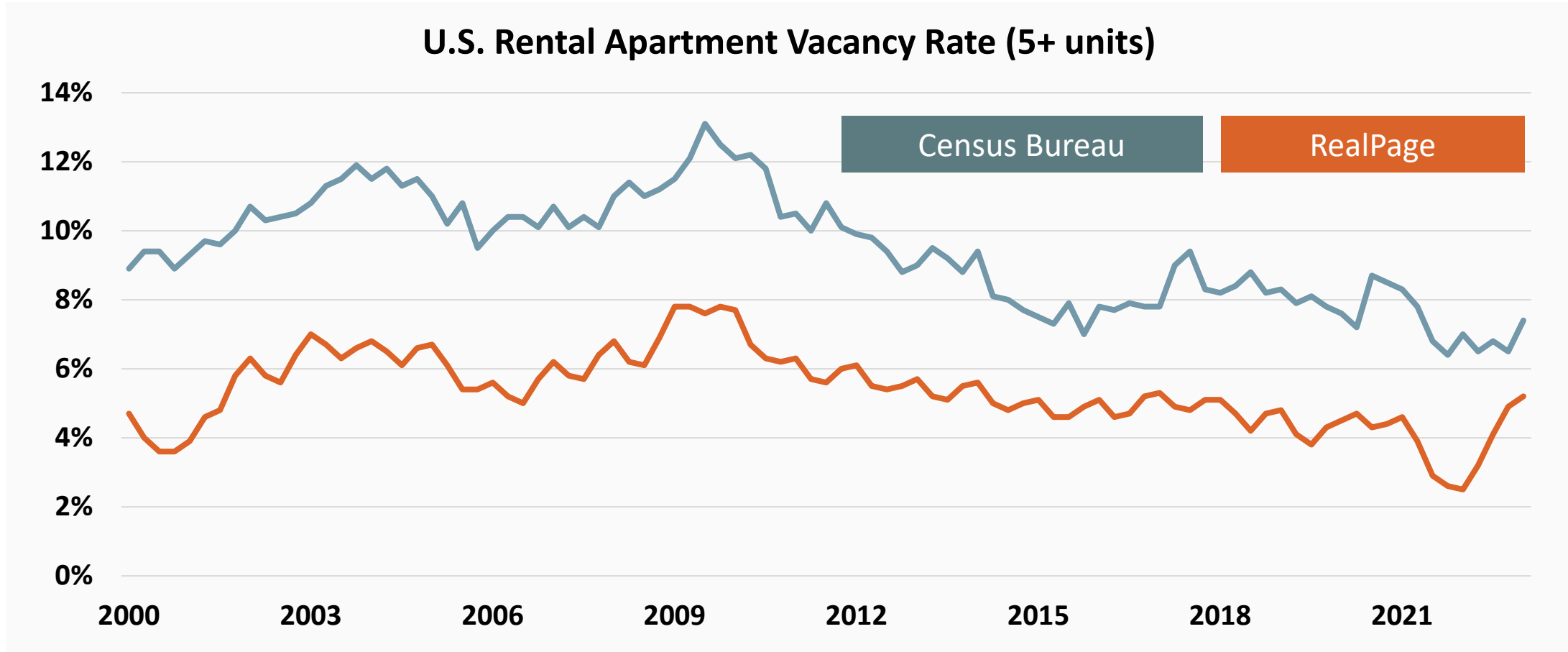
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Was post-COVID rent growth really that historic?



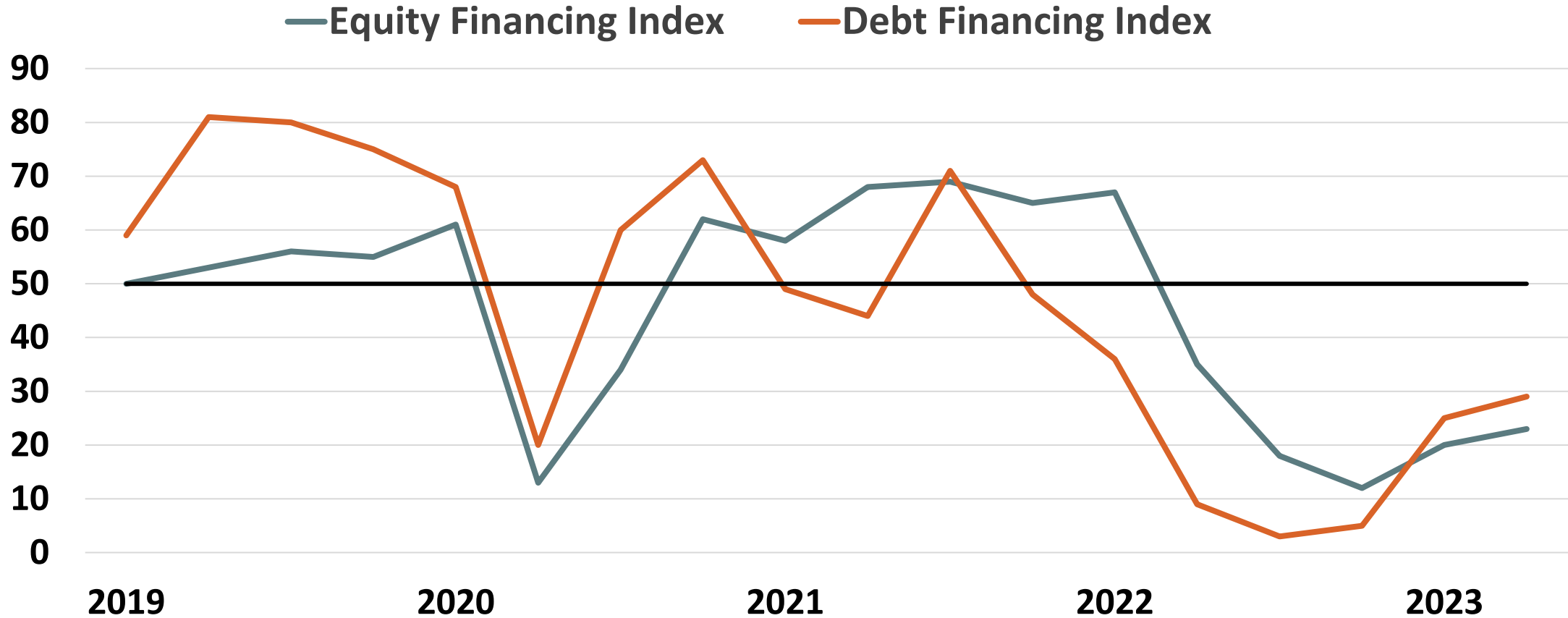
Source: Source: RealPage, U.S. Bureau of Labor Statistics.

Vacancy rates tick up



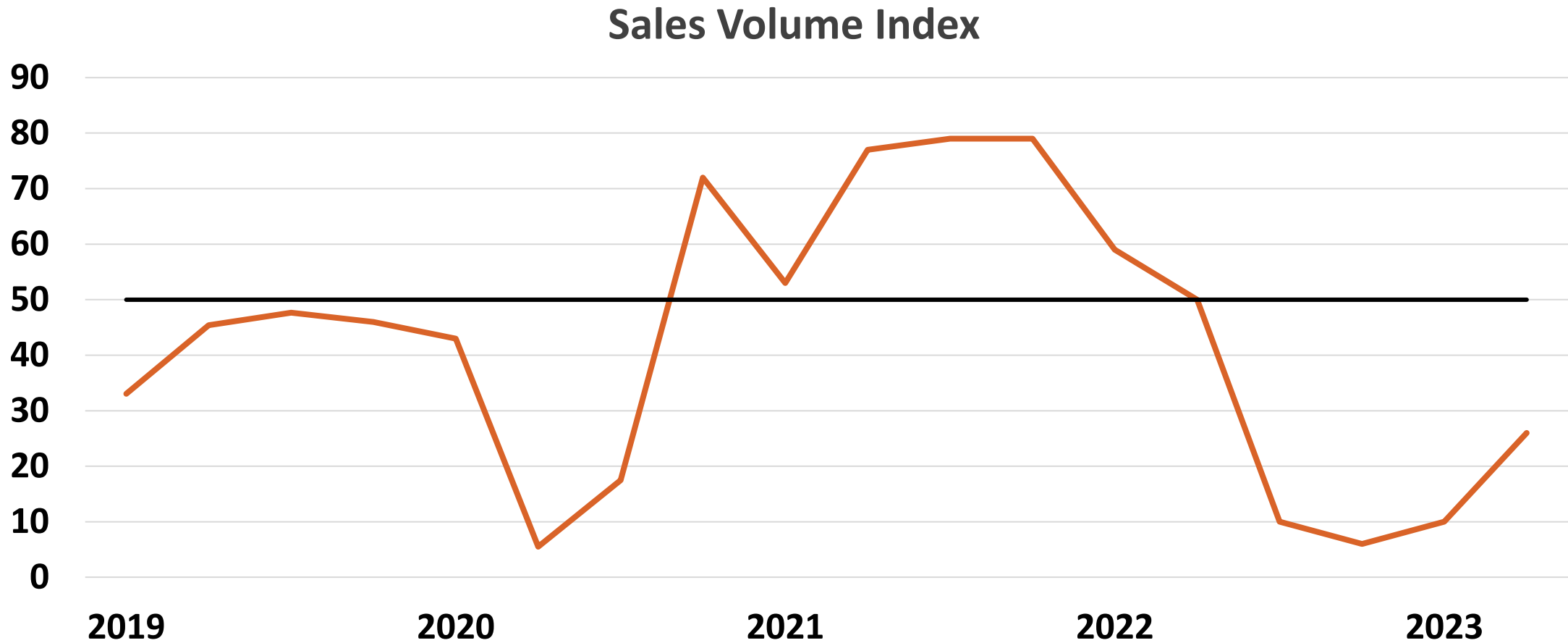
Source: RealPage; U.S. Census Bureau.

Increasing cost of debt and equity



Source: NMHC Quarterly Survey of Apartment Market Conditions.

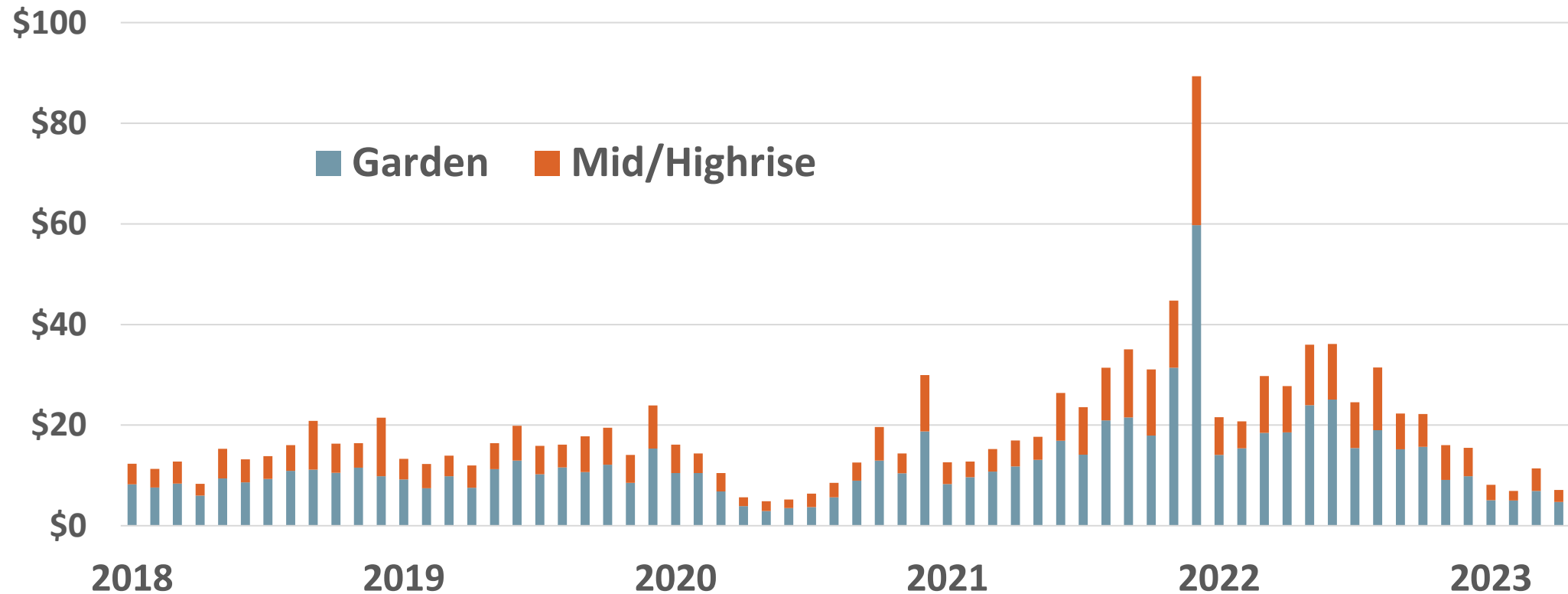
Transactions have ground to a halt



Source: NMHC Quarterly Survey of Apartment Market Conditions.

Transaction volume pulls back sharply

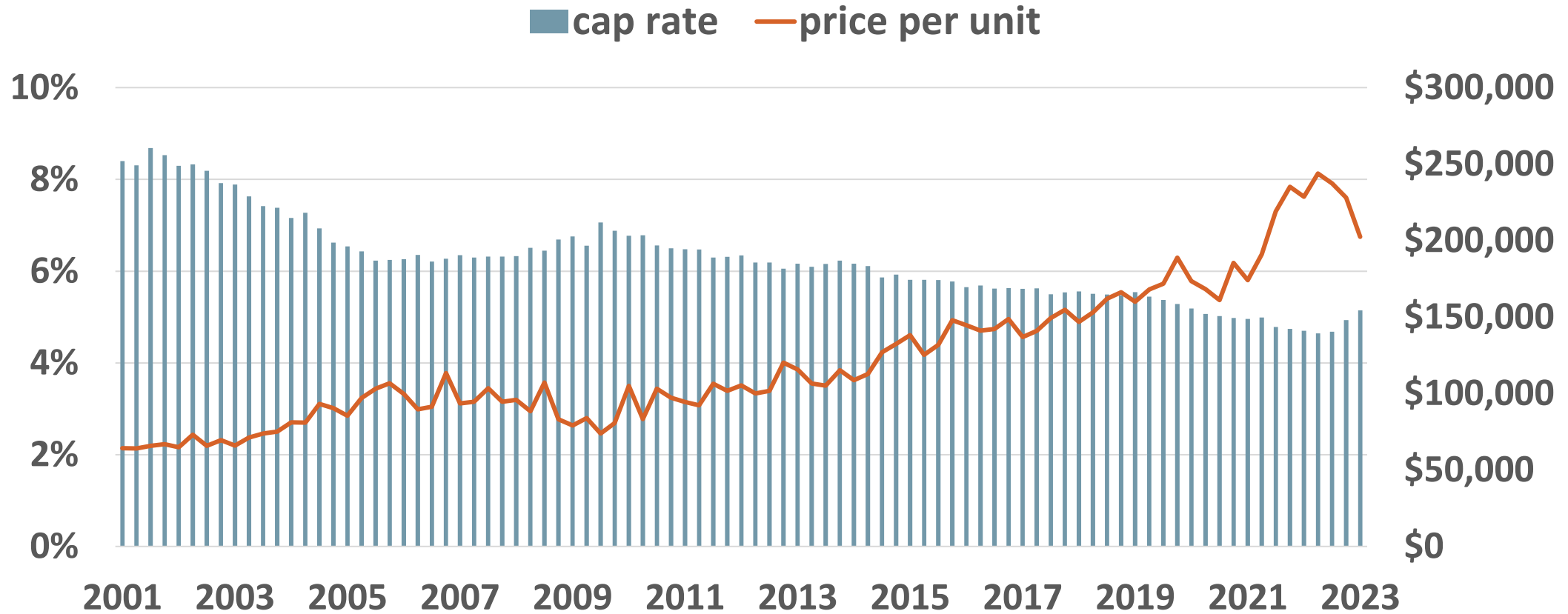
Apartment Transaction Volume (\$ billions)



Source: Real Capital Analytics.



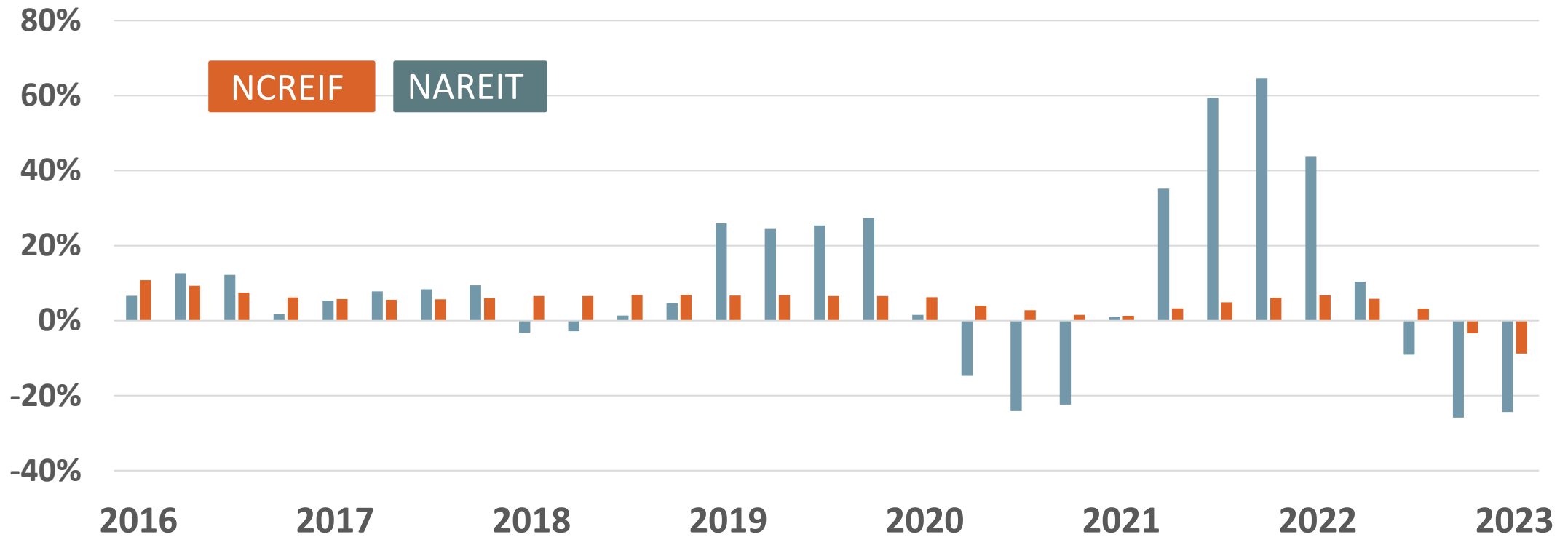
Prices decline, cap rates rise



Source: Real Capital Analytics.

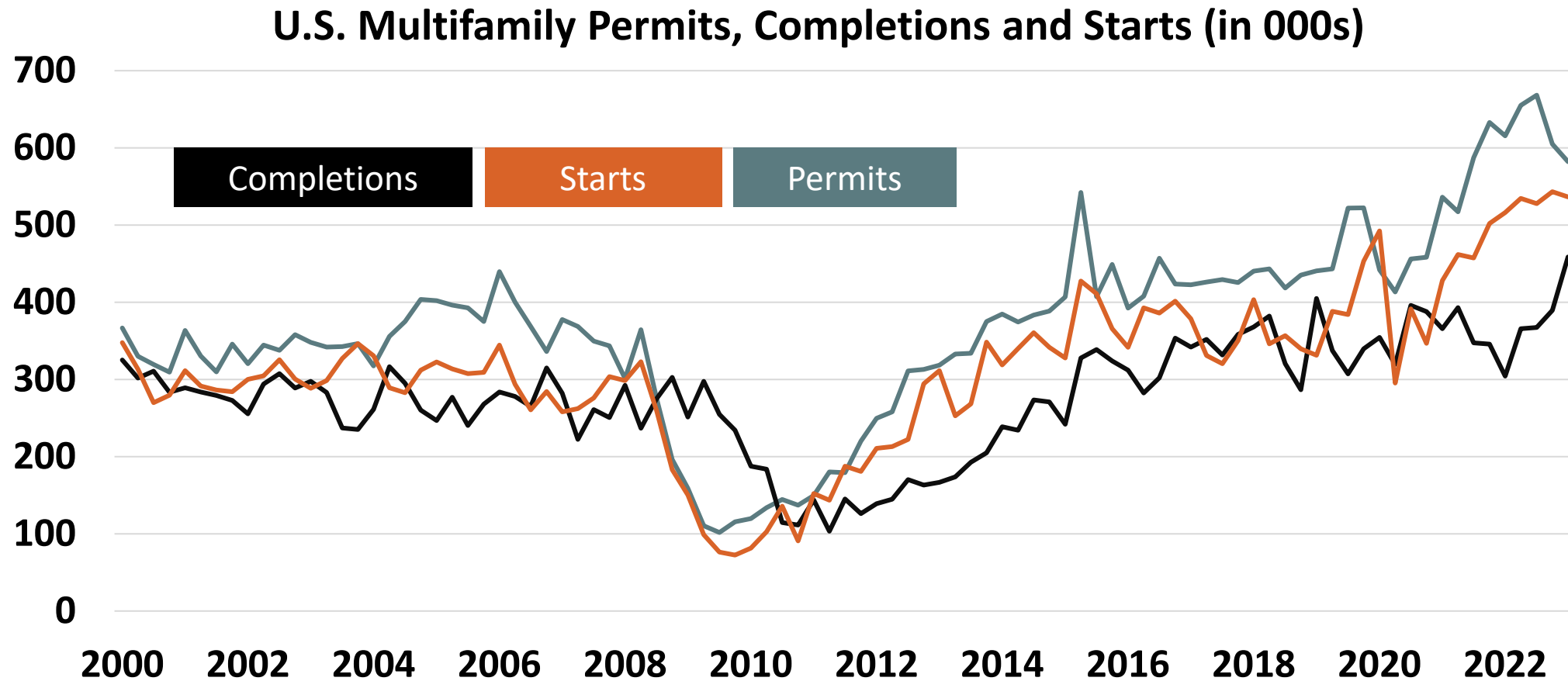
Apartment returns turn negative

Annual Apartment Returns



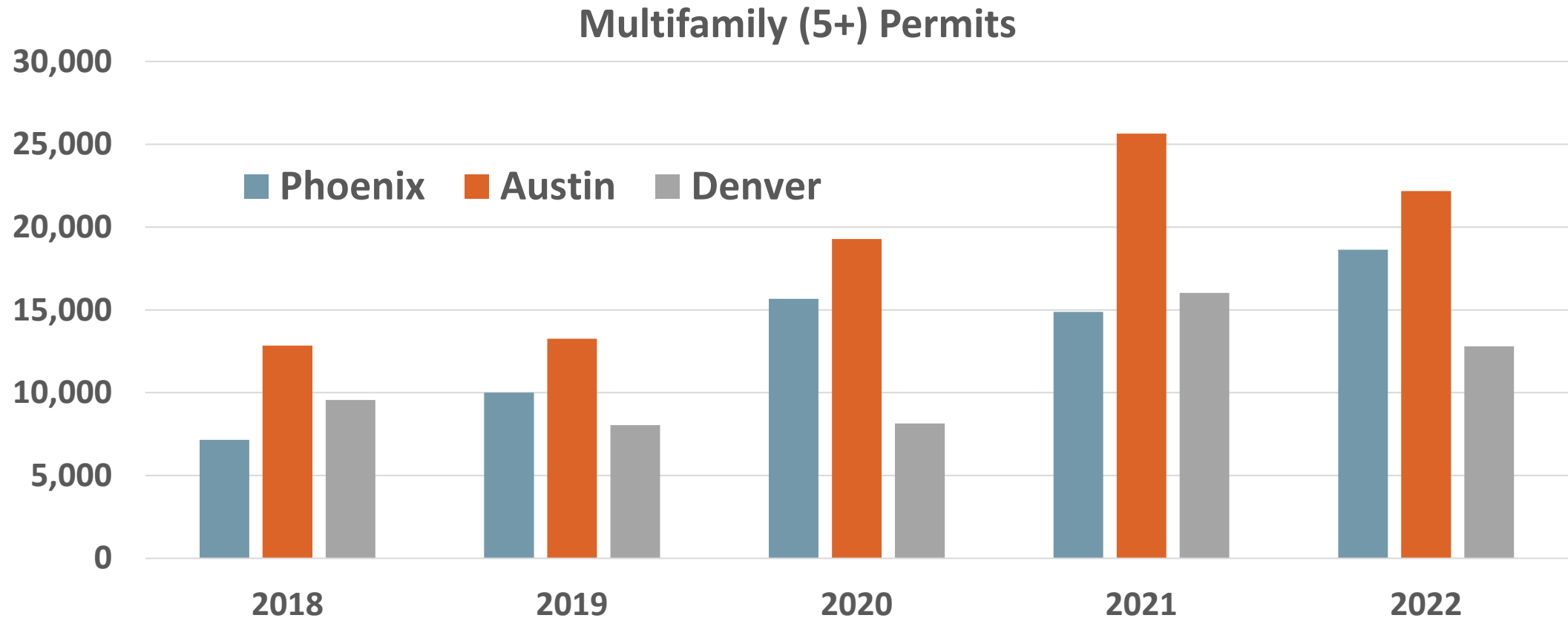
Source: NCREIF; NAREIT.

Elevated supply could exacerbate softness in some markets



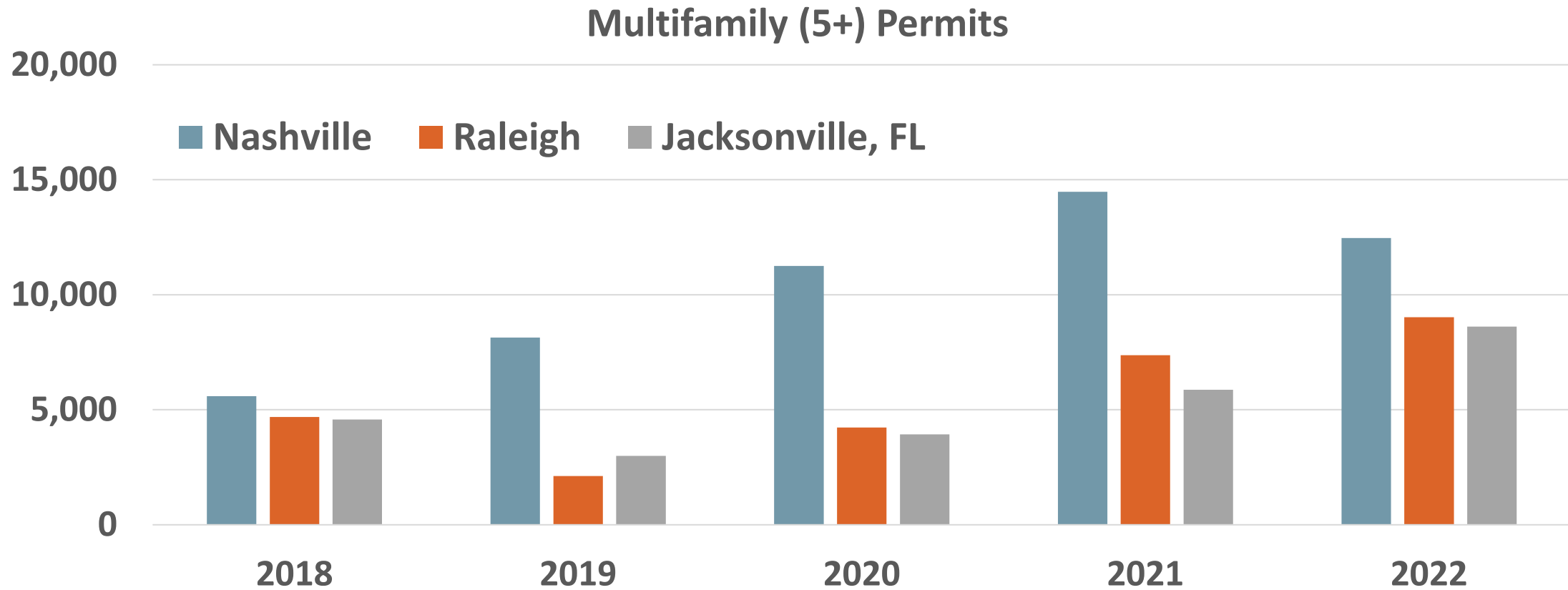
Source: U.S. Census Bureau.

Elevated supply could exacerbate softness in some markets



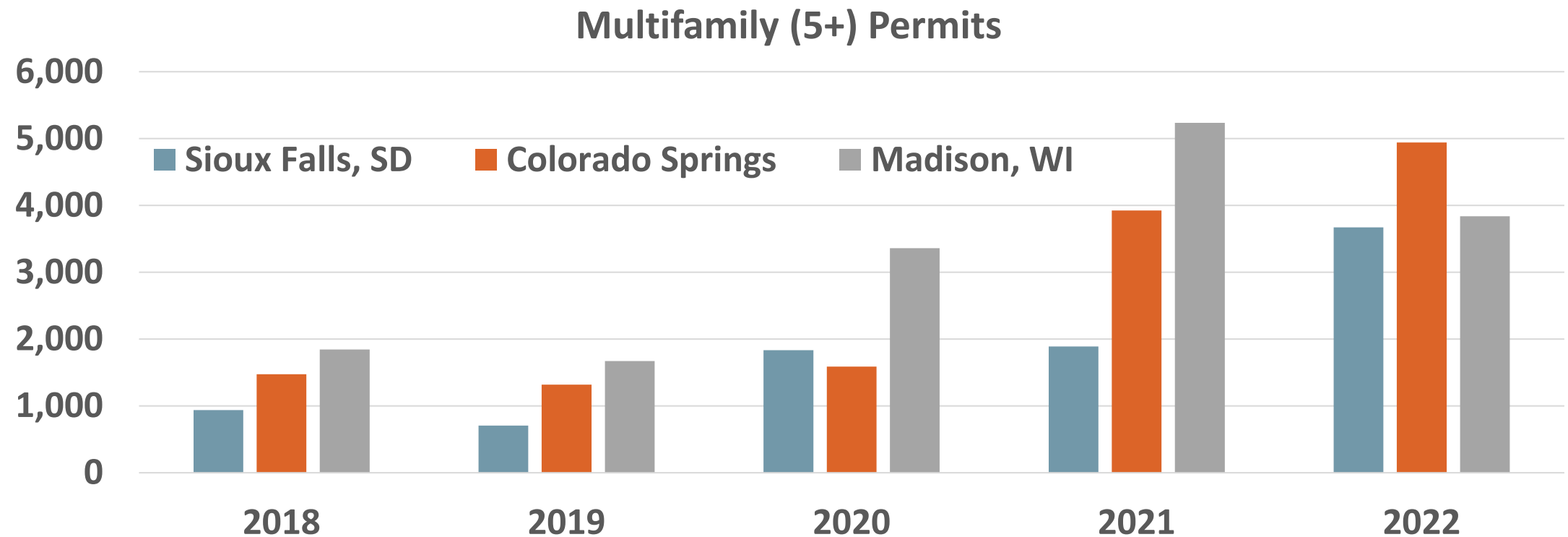
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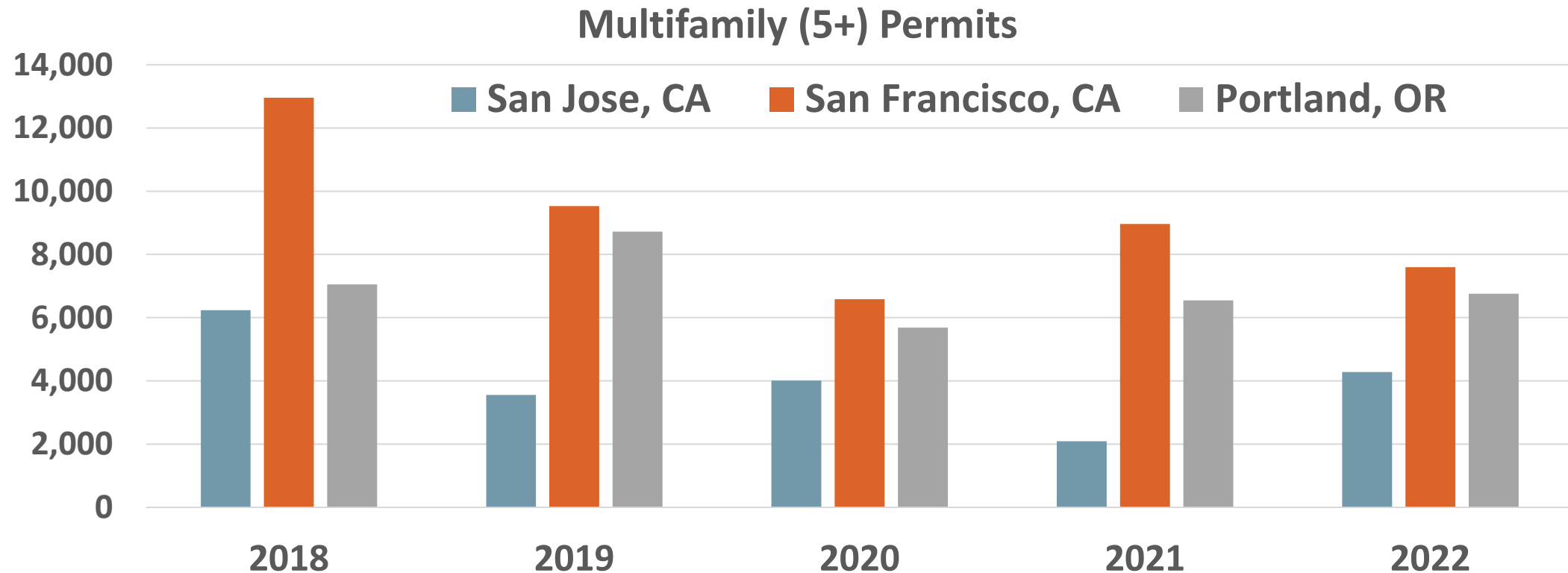
Source: U.S. Census Bureau.

Elevated supply could exacerbate softness in some markets



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Elevated supply could exacerbate softness in some markets



Source: U.S. Census Bureau.

Rising cost of insurance

22 consecutive quarters of property insurance rate increases

Four Driving Factors:



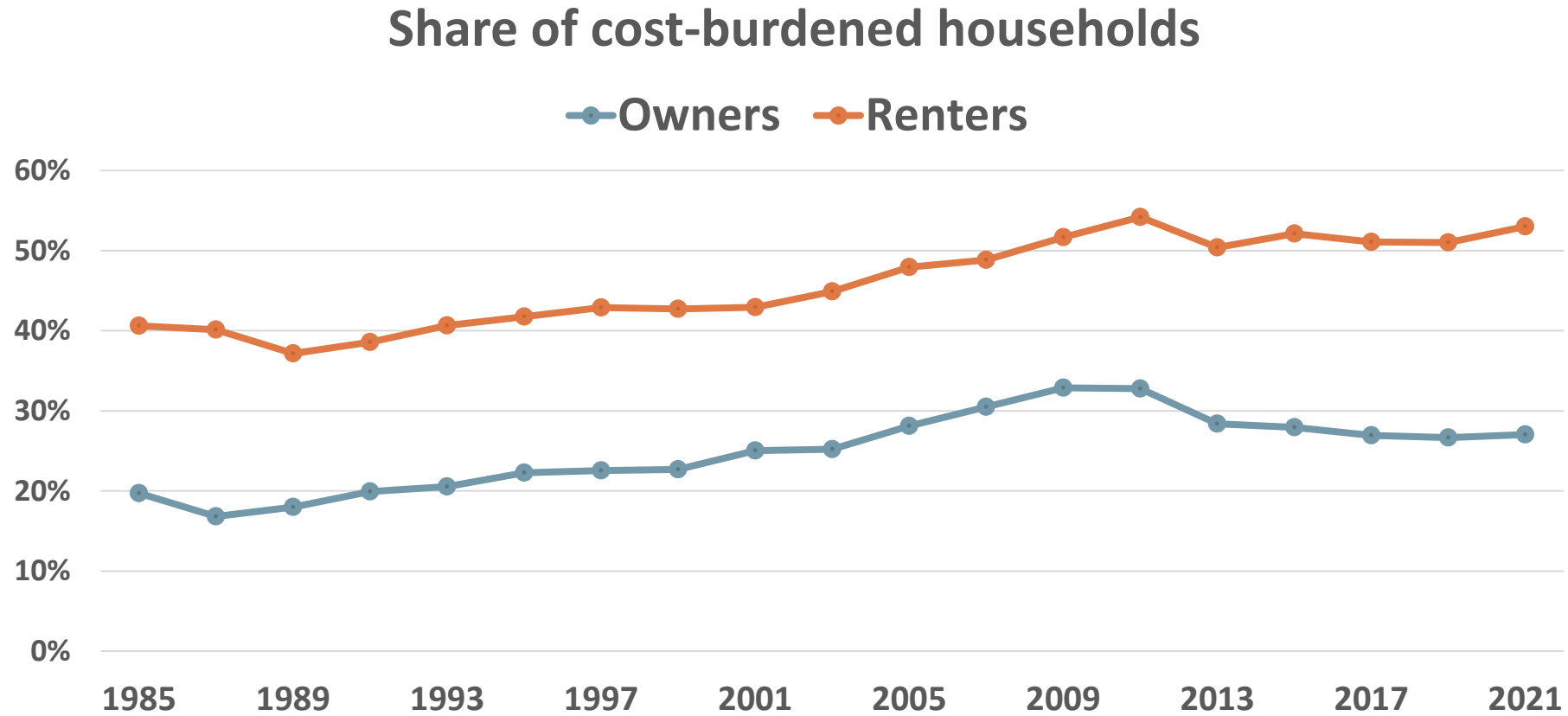
Source: FHS Risk Management; 2023 NMHC State of Multifamily Risk Survey & Report.

U.S. Housing Shortage

- 3.8 million homes (Freddie Mac, as of 2020)
- 600,000 apartment homes (NMHC & NAA, as of 2021)

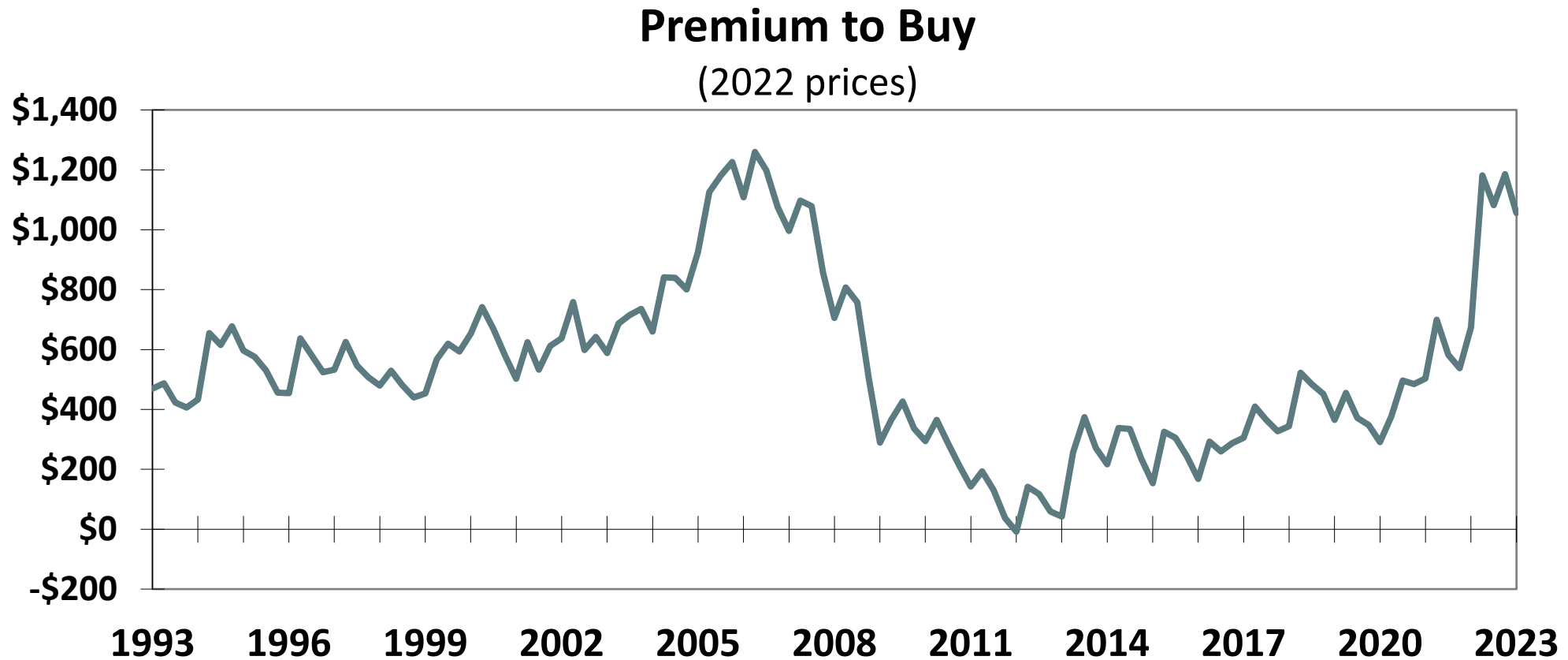
Source: NMHC/NAA; Hoyt Advisory Services; Freddie Mac.

Housing cost burdens increasing over time



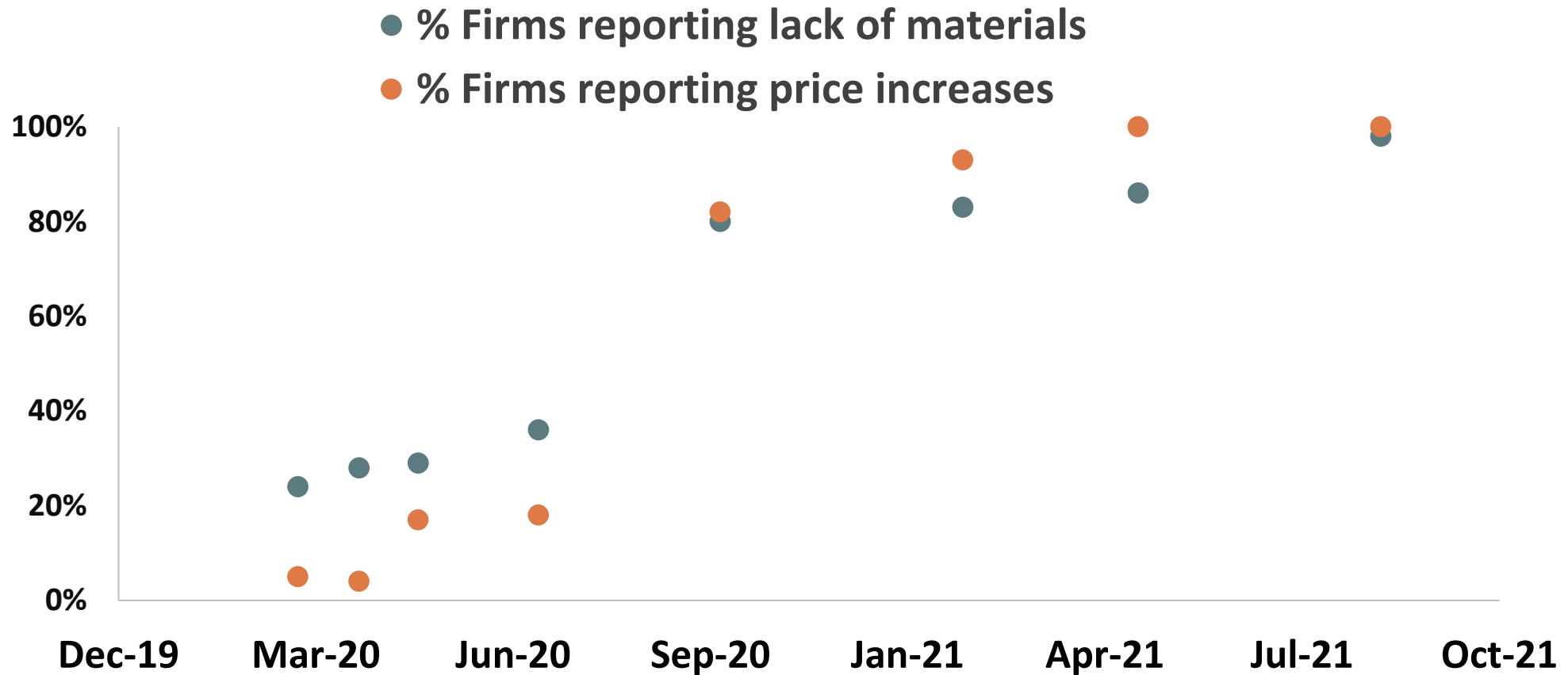
Source: NMHC tabulations of American Housing Survey microdata.

Buy-to-rent premium nearing all-time highs



Source: NMHC tabulations of data from RealPage, The National Association of Realtors, The Federal Reserve and The American Housing Survey.

Role of material prices in delays



Source: NMHC COVID Construction Survey.

Material prices continue to increase

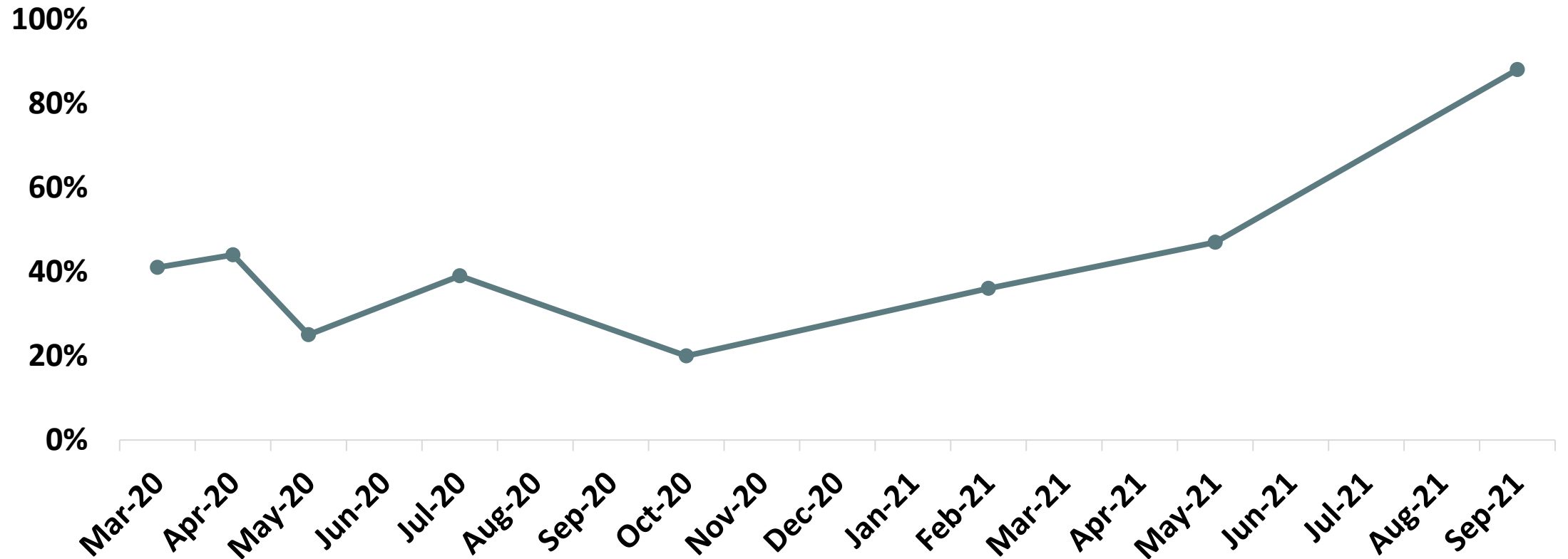
(Price increases over past three months)

Materials	March 2022	June 2022	September 2022	December 2022	March 2023
Exterior Finishes & Roofing	+14%	+11%	+8%	+9%	+4%
Electrical Components	+15%	+12%	+12%	+13%	+9%
Appliances	+5%	+5%	+6%	+9%	+7%
Insulation	+12%	+10%	+6%	+9%	+3%
Lumber	+45%	-5%	-2%	-5%	-5%

Source: NMHC Construction Quarterly Survey.

Labor became less available during COVID

Share of respondents impacted by labor availability

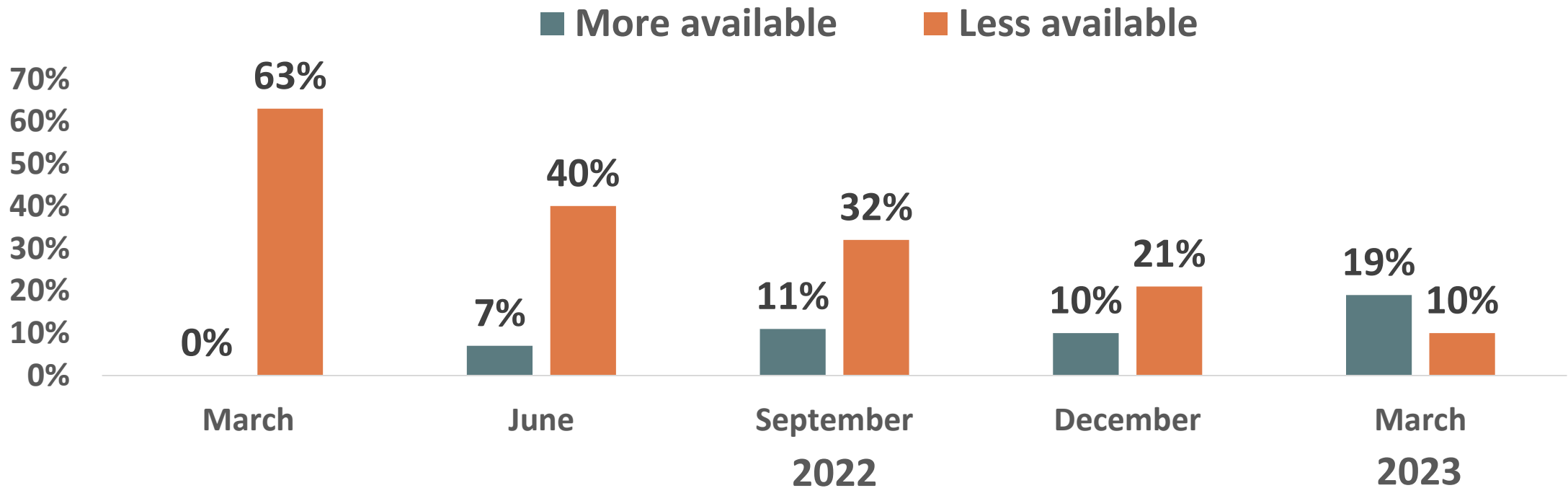


Source: NMHC COVID Construction Survey.



Construction labor market showing signs of moderation

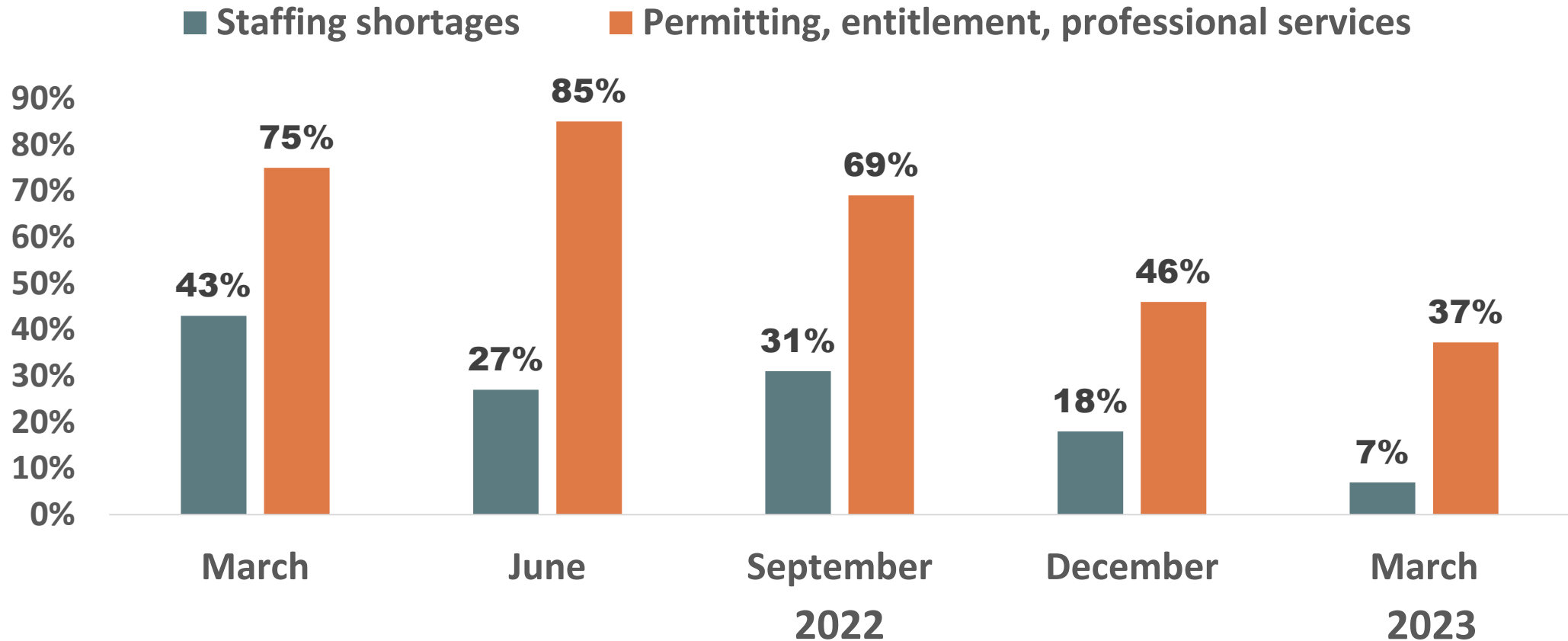
Share of respondents who saw labor as more/less available
(over the past three months)



Source: NMHC Construction Quarterly Survey.

Construction labor market showing signs of moderation

Causes of delayed starts

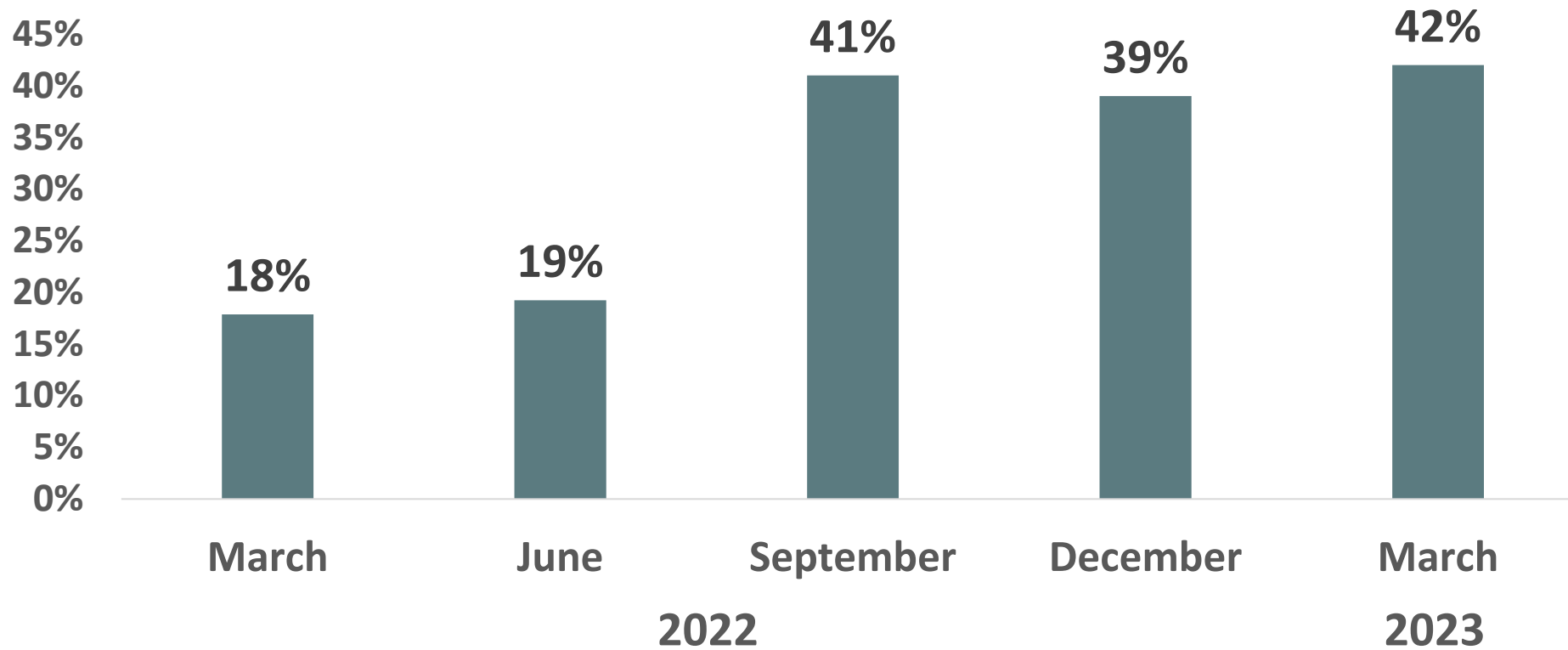


Source: NMHC Construction Quarterly Survey.

Growing economic uncertainty

Causes of delayed starts – economic uncertainty

(share of respondents)



Source: NMHC Construction Quarterly Survey.

Supply obstacles - regulation

*Regulation imposed by all levels of government accounts for an average of **40.6%** of multifamily development costs.*

- **Inclusionary zoning**

- Nearly half (47.9%) of developers said they avoid building in a jurisdiction with **inclusionary zoning requirements**.
- Those developers subject to IZ must charge 7.6% higher rents, on average.

- **Rent control:** 87.5% of developers avoid working in jurisdictions with rent control.

Source: NMHC-NAHB Cost of Regulations Report (2022)

Supply obstacles -NIMBYism

Three quarters (74.5%) of respondents said they encountered NIMBY opposition to proposed development.

- Confronting that opposition adds an average of **5.6% to total development costs.**
- Delays the completions of those properties by an average of **7.4 months.**

Source: NMHC-NAHB Cost of Regulations Report (2022)

Questions?

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