

Residential REITs

Residential earnings recap week 1:
downgrading ELS to Neutral

Rating Change

Valuation fully prices in ELS's growth prospects

We downgrade ELS to Neutral from a Buy, lower our PO to \$64 from \$70 and trim our growth estimates (Exhibit 2). We are positive on ELS given the favorable industry outlook, consistent steady rent increases of MH sites, stickiness of customers and little to no supply risk. However, we believe the current valuation is rich and fully reflects the strong fundamentals of the sector. Given the rise in interest rates and our expectation for cap rates to increase, we see less upside in ELS going forward.

We assume cap rates have gone up for MH / RV properties

We increase our applied cap rate on ELS to 5.1% from 4.7%. We spoke with management who flagged very little transaction activity has taken place within the sub-sector. The last big trade was at a mid 3s cap rate but the pricing was agreed to early in 2022 before rates really started to rise. We expect transaction activity to remain muted.

Low current implied cap rate results in low IRR

One way to gauge the attractiveness of ELS vs other residential REITs today is to look at unlevered IRRs. In Exhibits 3-10, we run simple IRR calculations using the market's implied cap rate as the initial yield. Given ELS's low implied cap rate, we find ELS's IRR less attractive on a relative basis despite having better SS NOI growth prospects than the rest of the sector. That said, we view ELS's business model as lower risk and a lower IRR may be warranted.

Risk: ELS's consistent income stream is more attractive

The main risk to our call is ELS catches a defensive bid. On a relative basis, ELS has one of the steadiest and consistent earning streams in all of REITs. If the economy slows and other REITs show weaker than expected growth ELS may outperform on a relative basis as investors question future growth across other REITs sub-sectors.

24 rate growth guidance is a positive read through for SUI

ELS delivered an in line with our expectations quarter (but below the Street). The main focus was on rate growth guidance for 2024. ELS sent out MH rent increases of 5.4% for 50% of their customers and annual RV rate increases of 7.0% for 95% of their customers. MH was in line with our expectations but RV was better than we initially modeled. Transient RV growth remained weak in 3Q. Our model now assumes this continues into 1H24. We note that the MH / RV rate increases is a positive read through for SUI which reports on 10/25. Our SUI model assumes 5.0% for MH & 6.3% for RV.

What you will find inside the report

Please see inside for: (1) key quotes from the earnings calls and (2) charts for key metrics we track for residential REITs, including leasing growth rates, SS operating results, key markets performance and etc. Link to the data: [BofA's Residential REITs earnings update](#)

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Exhibit 1: Key changes

We are downgrading ELS

	Previous	Current
Inv. Opinion	A-1-7	A-2-7
Inv. Rating	BUY	NEUTRAL
PO	70.00	64.00

Source: BofA Global Research

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Exhibit 2: Summary of ELS estimate changes

Updated published FFO estimates after review of models

	2024		2025	
	Old	New	Old	New
Estimates	\$2.98	\$2.92	\$3.10	\$3.04
Growth rate	4.6%	2.5%	4.0%	3.9%

Source: BofA Global Research

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See inside for Key terms

See inside for PO & estimates changes

Residential IRRs

Secenario 1: IRR using historical growth rates

Exhibit 3: Assumptions & inputs

We use inputs below for our IRR calculations

	ELS	Apartment	Single family rental
Initial NOI	\$100	\$100	\$100
*Going-in cap rate	4.0%	6.5%	5.5%
Exit cap rate	6.1%	6.5%	6.5%
*NOI growth rate	5.4%	4.3%	5.4%

Source: company filings

Note: we are using current implied cap rates (as of 10.19.23) as going in cap rates.

*For going in cap rate and NOI growth rate, Apartment is an average of AVB, CPT, EQR, ESS, MAA and UDR. Single family rental is an average of AMH and INVH.

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Exhibit 4: Cash flow stream & IRR

ELS has the lowest IRR

Year	0	1	2	3	4	5	6	7	8	9	10	IRR
ELS	-\$2,500	\$105	\$111	\$117	\$123	\$130	\$137	\$145	\$152	\$161	\$2,774	5.6%
Apartment	-\$1,538	\$104	\$109	\$113	\$118	\$123	\$129	\$134	\$140	\$146	\$2,344	10.6%
Single family rental	-\$1,824	\$105	\$111	\$117	\$123	\$130	\$137	\$144	\$152	\$161	\$2,603	9.3%

Source: BofA Global Research

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Secenario 2: IRR using go-forward growth rates

Exhibit 5: Assumptions & inputs

We use inputs below for our IRR calculations

	ELS	Apartment	Single family rental
Initial NOI	\$100	\$100	\$100
*Going-in cap rate	4.0%	6.5%	5.5%
Exit cap rate	6.1%	6.5%	6.5%

Source: company filings

Note: we are using current implied cap rates (as of 10.19.23) as going in cap rates.

*For going in cap rate and NOI growth rate, Apartment is an average of AVB, CPT, EQR, ESS, MAA and UDR. Single family rental is an average of AMH and INVH.

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Exhibit 6: NOI growth rate assumptions

We use inputs below for our IRR calculations

Year	1	2	3	4	5	6	7	8	9	10
ELS	5.1%	5.2%	5.1%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%
Apartment	3.8%	3.4%	3.3%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%
Single family rental	4.2%	3.7%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%

Source: BofA Global Research

Note: we are assuming NOI growth rates vary for the first four years and reach a steady state starting from year 5.

Apartment is an average of AVB, CPT, EQR, ESS, MAA and UDR.

Single family rental is an average of AMH and INVH.

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Exhibit 7: Cash flow stream & IRR

ELS has the lowest IRR

Year	0	1	2	3	4	5	6	7	8	9	10	IRR
ELS	-\$2,500	\$105	\$111	\$116	\$123	\$129	\$136	\$144	\$151	\$160	\$2,760	5.5%
Apartment	-\$1,538	\$104	\$107	\$111	\$115	\$119	\$123	\$127	\$131	\$136	\$2,157	9.7%
Single family rental	-\$1,824	\$104	\$108	\$112	\$115	\$119	\$123	\$127	\$131	\$135	\$2,139	7.2%

Source: BofA Global Research

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Secenario 3: IRR assuming a recession in Year 4

Exhibit 8: Assumptions & inputs

We use inputs below for our IRR calculations

	ELS	Apartment	Single family rental
Initial NOI	\$100	\$100	\$100
Going-in cap rate*	4.0%	6.5%	5.5%
Exit cap rate	6.1%	6.5%	6.5%

Source: company filings

Note: we are using current implied cap rates (as of 10.19.23) as going in cap rates.

*For going in cap rate, Apartment is an average of AVB, CPT, EQR, ESS, MAA and UDR. Single family rental is an average of AMH and INVH.

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Exhibit 9: NOI growth rate assumptions

We use inputs below for our IRR calculations

Year	1	2	3	4	5	6	7	8	9	10
ELS	5.1%	5.2%	5.1%	4.5%	4.5%	5.2%	5.2%	5.2%	5.2%	5.2%
Apartment	3.8%	3.4%	3.3%	-4.8%	-2.6%	4.8%	3.3%	3.3%	3.3%	3.3%
Single family rental	3.8%	3.4%	3.3%	-4.8%	-2.6%	4.8%	3.3%	3.3%	3.3%	3.3%

Source: BofA Global Research

Note: we assume a recession occurs in Year 4 and consequently a dip in NOI growth rate. ELS reaches a steady state starting from Year 7 while Apartment & single family rental reach a steady state starting from Year 8.

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Exhibit 10: Cash flow stream & IRR

ELS has the lowest IRR

Year	0	1	2	3	4	5	6	7	8	9	10	IRR
ELS	-\$2,500	\$105	\$111	\$116	\$122	\$127	\$134	\$141	\$148	\$156	\$2,683	5.2%
Apartment	-\$1,538	\$104	\$107	\$111	\$106	\$103	\$108	\$111	\$115	\$119	\$1,887	8.1%
Single family rental	-\$1,824	\$104	\$107	\$111	\$106	\$103	\$108	\$111	\$115	\$119	\$1,887	5.8%

Source: BofA Global Research

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Cap rates

ELS is the only Residential REIT we cover where the implied cap rate is below our applied cap rate. As of 10.20.23, ELS’s implied cap rate of 4.2% compares to our applied cap rate of 5.1%.

Exhibit 11: Applied vs. implied cap rates within residential REITs

Implied cap rates are generally higher than our applied cap rates.

	Applied	Implied
AVB	5.9%	6.1%
CPT	6.5%	7.1%
EQR	6.2%	6.5%
ESS	5.8%	6.0%
MAA	6.3%	6.8%
UDR	6.1%	6.4%
AMH	5.0%	5.6%
INVH	5.0%	5.7%
ELS	5.1%	4.2%
SUI	5.5%	5.7%

Source: BofA Global Research

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Key comments from the earnings calls

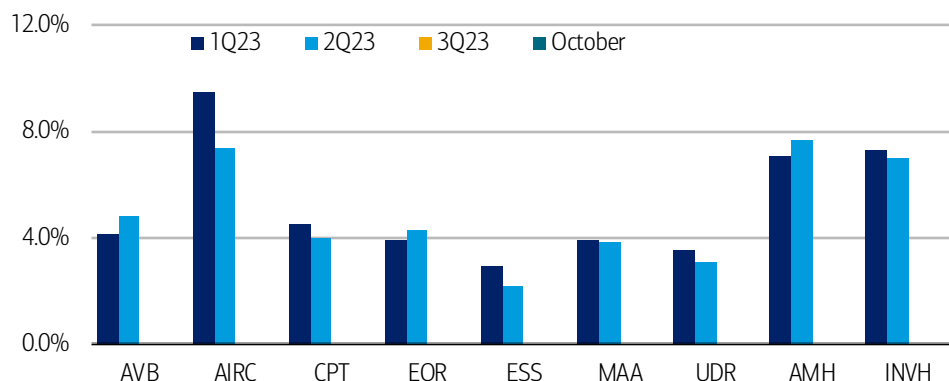
ELS – key quotes from the earnings call on 10/17

- **Full year rent growth assumption:** "Full year guidance assumes core rent growth in the ranges of 6.5% to 7.1% for MH and 8% to 8.6% for annual RV rents."
- **Assumptions for seasonal and transient segments:** "The midpoints of our guidance assumptions for combined seasonal and transient show a decline of 4.9% in the fourth quarter and a decline of 4.8% for the full year compared to the respective periods last year."
- **Utility expense expectation:** "I think that on a go-forward basis, we would probably see a more steady level to what we're seeing now. So, we were at about 6% growth at the end of the second quarter. That moderated further in the third quarter. And so, I think we would anticipate that continuing."
- **MH rate increase:** "And we did have that 150 to 200 basis point historical spread to CPI with respect to our rate increases kind of front in mind as we were working through where we were going to set increases, particularly for our in-place long-term residents." "The other thing that I was saying is the long-term agreements are more heavily weighted toward January 1, so that actually -- those tend to have a lower average increase than the market and the CPI increases, given where CPI is right now, so you have a little bit of a balancing between those two factors, so I would anticipate a relative level of consistency across the year."
- **Seasonal business in 2024:** "I think that we'll see a return to our kind of historical business, which is primarily the fourth and first quarters for the seasonal business, with strong demand leading into 2024."
- **Transient business in 2024:** "our historical baseline expectation has been, as we enter a year, that, that transient business has a modest level of growth, kind of low to mid single-digit growth on an annual basis."
- **Bump to market on turnover:** "Specific to Florida, it's effective January 1. But in the other states, it happens throughout the course of the year." "So over time, I would expect that bump to market to tend to moderate, and historically that bump to market has been, call it in the 5% to 6% range as opposed to the double-digits that we're seeing now."
- **R&M growth going forward:** "The last thing I'll touch on is R&M. I think that -- but for the local weather events that I mentioned in my opening remarks, I think that there is some easing of pressure that we have seen in the last couple of years in terms of contract labor for maintenance at our properties as well as the "cost of supplies."

Leasing rates

Exhibit 12: Residential REITs blended lease rate growth Y/Y

Last 3 quarters' blended lease growth Y/Y

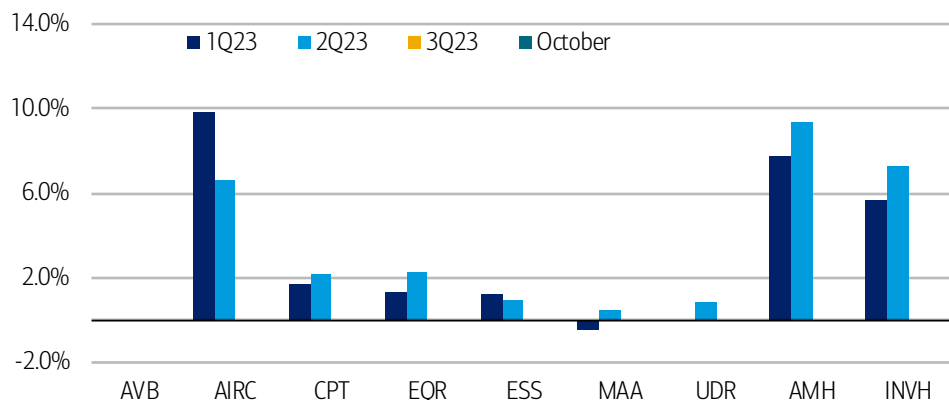


Source: Company filings

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Exhibit 13: Residential REITs new lease rate growth Y/Y

Last 3 quarters' new lease growth Y/Y

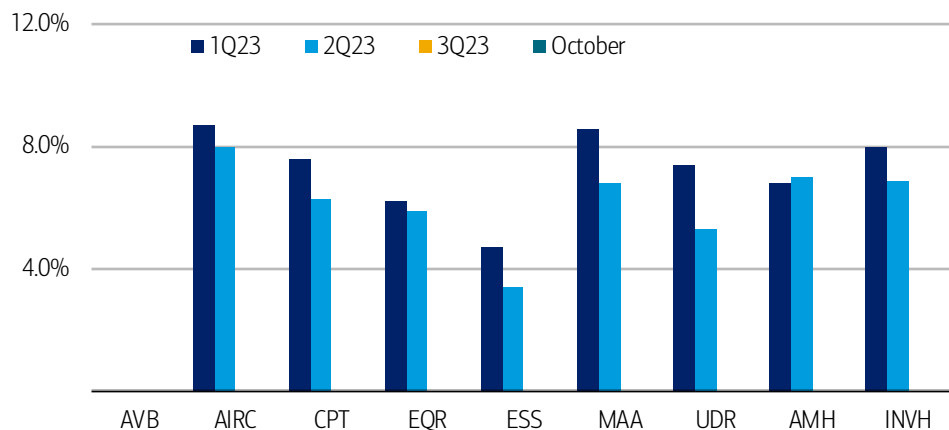


Source: Company filings

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Exhibit 14: Residential REITs renewal lease rate growth Y/Y

Last 3 quarters' renewal lease growth Y/Y



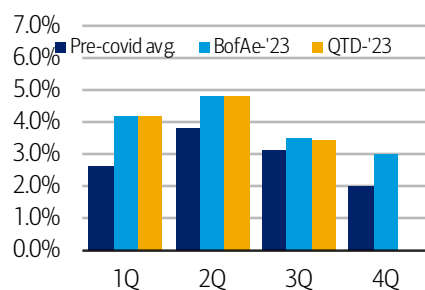
Source: Company filings

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Apartment & SFR REITs

Exhibit 15: AVB blended lease rent growth

QTD trend has been in-line with our forecast



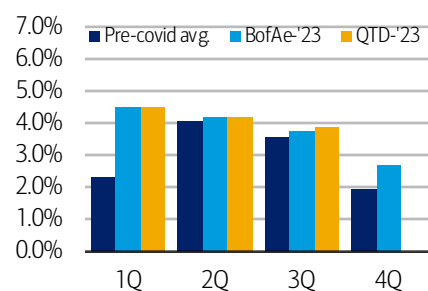
Source: company filings; management commentary

Note: Pre-covid average covers 2015-2019 while 1Q pre-covid average includes 1Q2020.

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Exhibit 16: CPT date-effective blended lease rent growth

QTD trend has been higher than our forecast



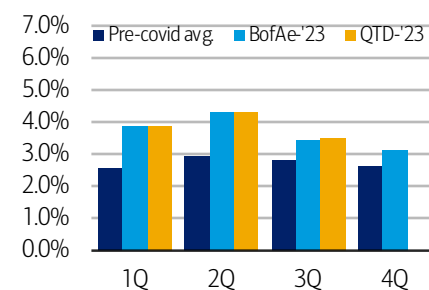
Source: company filings; management commentary

Note: Pre-covid average covers 2015-2019 while 1Q pre-covid average includes 1Q2020.

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Exhibit 17: EQR blended lease rent growth

QTD trend has been in line with our forecast



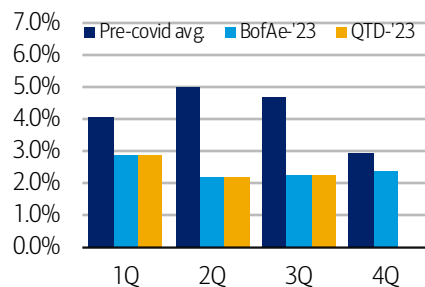
Source: company filings; management commentary

Note: Pre-covid average covers 2015-2019 while 1Q pre-covid average includes 1Q2020.

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Exhibit 18: ESS blended lease rent growth

QTD trend has been in line with our forecast



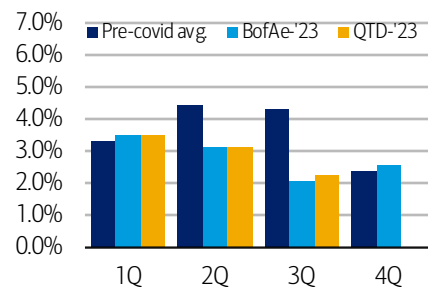
Source: company filings; management commentary

Note: Pre-covid average covers 2015-2019 while 1Q pre-covid average includes 1Q2020.

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Exhibit 19: UDR blended lease rent growth

QTD trend has been higher than our forecast



Source: company filings; management commentary

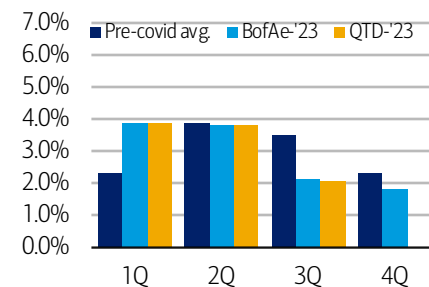
Note: Pre-covid average covers 2015-2019 while 1Q pre-covid average includes 1Q2020.

1Q guidance is 1Q blended rate estimate by management.

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Exhibit 20: MAA blended lease rent growth

QTD trend has been in-line with our forecast



Source: company filings; management commentary

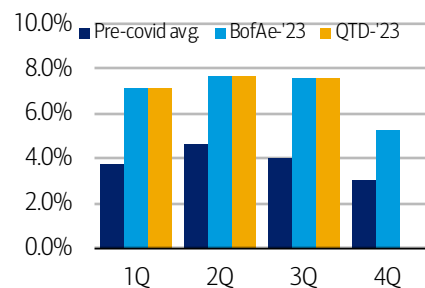
Note: Not covered by BofA.

Pre-covid average covers 2015-2019 while 1Q pre-covid average includes 1Q2020.

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Exhibit 21: AMH blended lease rent growth

QTD trend has been in line with our forecast



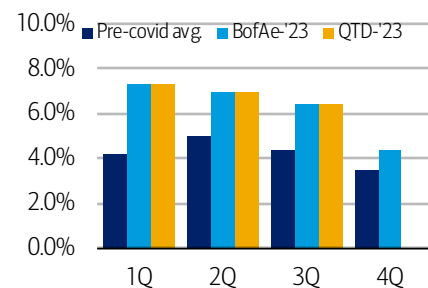
Source: company filings; management commentary

Note: Pre-covid average covers 2015-2019 while 1Q pre-covid average includes 1Q2020.

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Exhibit 22: INVH blended lease rent growth

QTD trend has been in line with our forecast



Source: company filings; management commentary

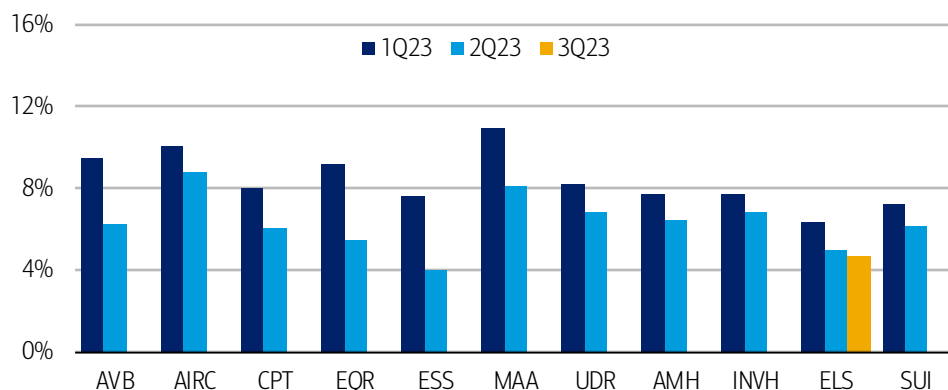
Note: Pre-covid average covers 2015-2019 while 1Q pre-covid average includes 1Q2020.

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Same store

Exhibit 23: Residential REITs SS revenue growth Y/Y

Last 3 quarters' same store revenue growth have been trending down



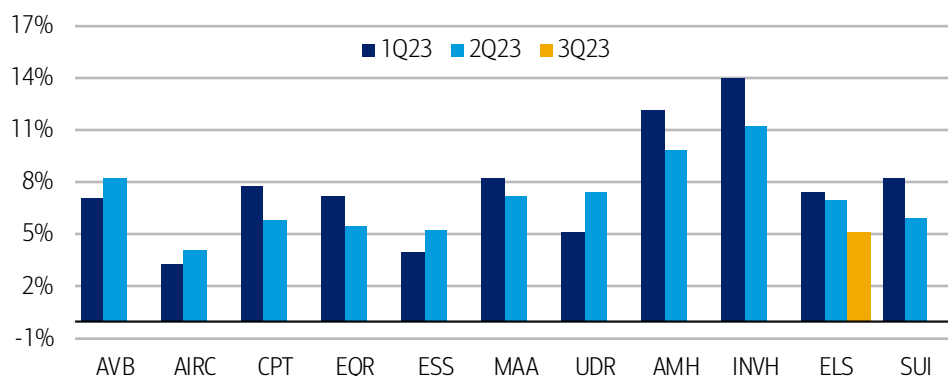
Source: Company filings

Note: SUI did not disclose total SS metrics before 1Q23. Instead, we use SS metrics for MH/RV as a proxy.

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Exhibit 24: Residential REITs SS expense growth Y/Y

Last 3 quarters' same store expense growth have been trending down



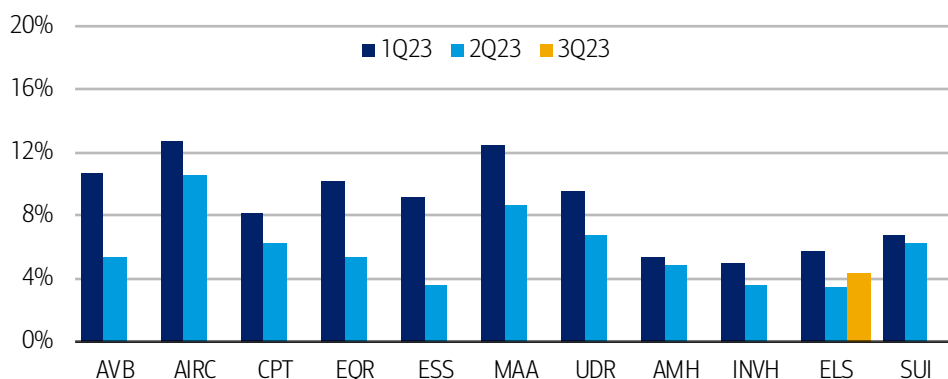
Source: Company filings

Note: SUI did not disclose total SS metrics before 1Q23. Instead, we use SS metrics for MH/RV as a proxy.

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Exhibit 25: Residential REITs SS NOI growth Y/Y

Last 3 quarters' same store NOI growth have been trending down



Source: Company filings

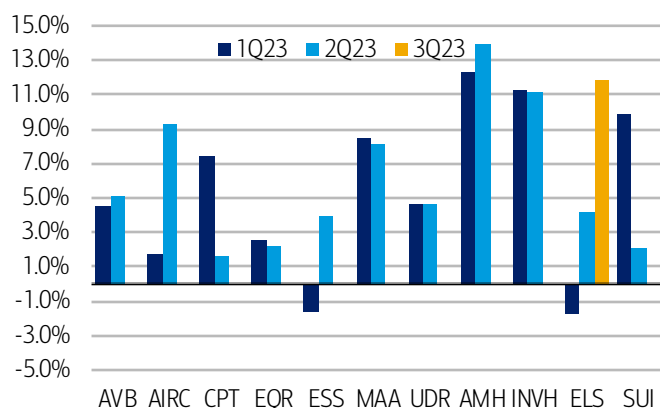
Note: SUI did not disclose total SS metrics before 1Q23. Instead, we use SS metrics for MH/RV as a proxy.

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Same store expense components

Exhibit 26: Residential REITs property taxes growth Y/Y

AMH has the highest same store real estate taxes growth Y/Y



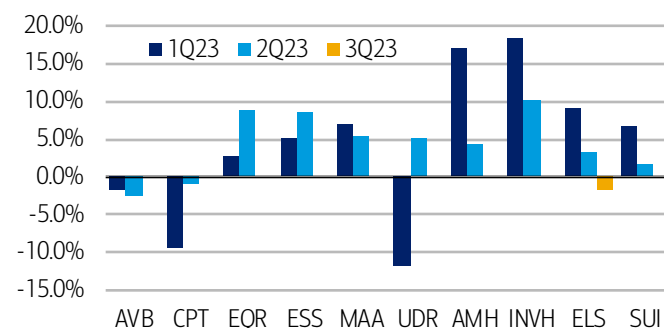
Source: Company filings

Note: SUI did not disclose total SS metrics before 1Q23.

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Exhibit 27: Residential REITs payroll growth Y/Y

INVH has the highest same store payroll growth Y/Y



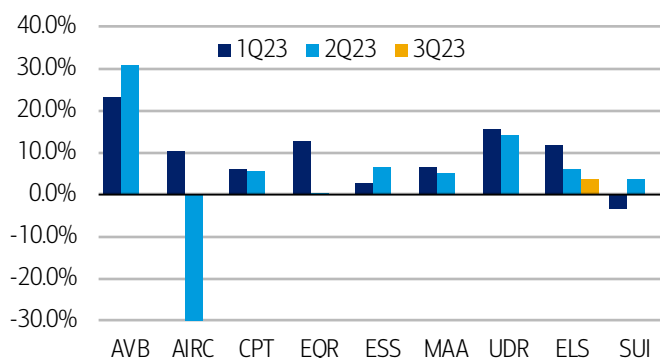
Source: Company filings

Note: ESS does not disclose payroll separately before 1Q23; we use "Administrative" instead, of which Payroll makes up a large portion. AMH does not disclose payroll separately; we use "Property management expense, net" instead, of which Payroll is majority. INVH does not disclose payroll separately; we use "Personnel, leasing and marketing" instead. SUI did not disclose total SS metrics before 1Q23.

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Exhibit 28: Residential REITs utility growth Y/Y

AVB has the highest same store utility growth Y/Y



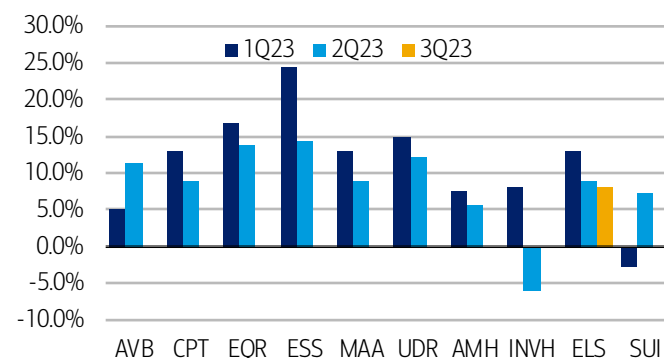
Source: Company filings

Note: SUI did not disclose total SS metrics before 1Q23.

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Exhibit 29: Residential REITs repair & maintenance growth Y/Y

ESS has the highest same store repair & maintenance growth Y/Y



Source: Company filings

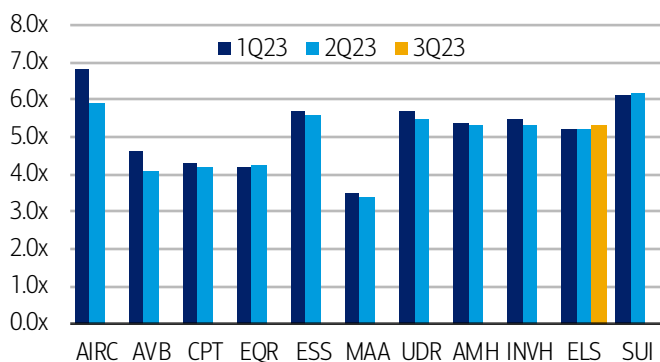
Note: SUI did not disclose total SS metrics before 1Q23.

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Leverage & annualized turnover

Exhibit 30: Residential REITs leverage

No material changes in last 3 quarters' Net debt / EBITDA

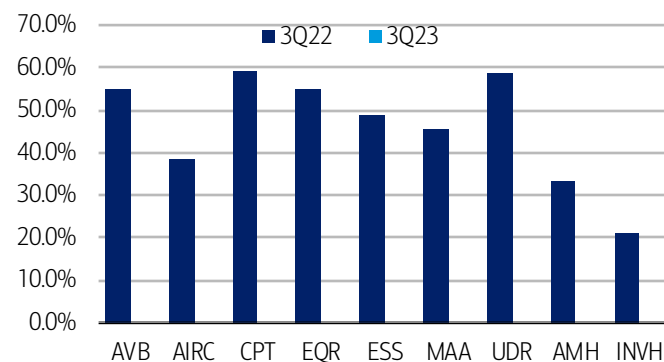


Source: Company filings

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Exhibit 31: Residential REITs annualized turnover

Apartment REITs have higher turnover than SFR REITs



Source: Company filings

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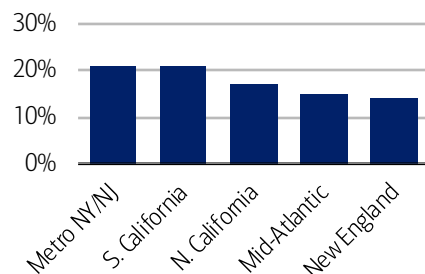


Market performance

AVB

Exhibit 32: The 5 largest markets

Metro NY/NJ is the largest market

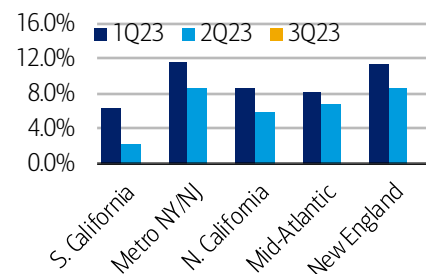


Source: Company filings

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Exhibit 33: SS revenue growth Y/Y

New England has the highest SS revenue growth

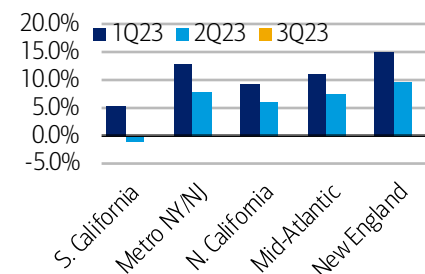


Source: Company filings

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Exhibit 34: SS NOI growth Y/Y

New England has the highest SS NOI growth

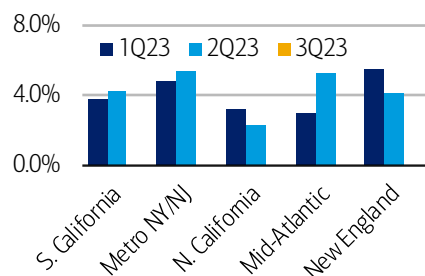


Source: Company filings

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Exhibit 35: SS blended lease rate growth Y/Y

Metro NY/NJ: the highest SS blended rate growth



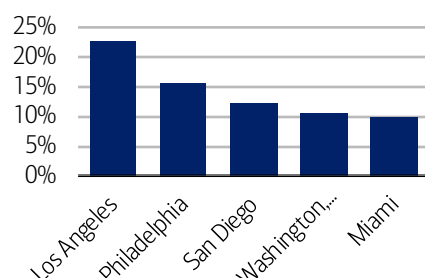
Source: Company filings

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AIRC

Exhibit 36: The 5 largest markets

Los Angeles is the largest market

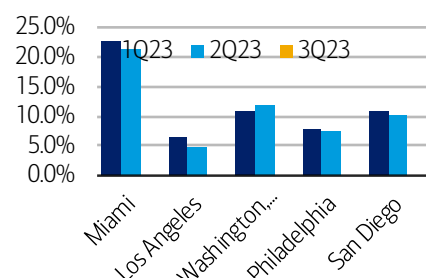


Source: Company filings

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Exhibit 37: SS revenue growth Y/Y

Miami has the highest SS revenue growth

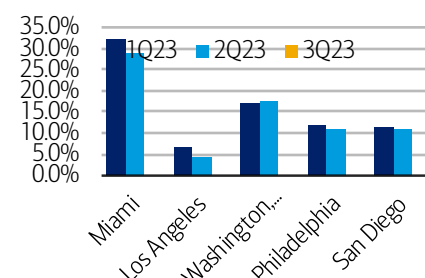


Source: Company filings

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Exhibit 38: SS NOI growth Y/Y

Miami has the highest SS NOI growth



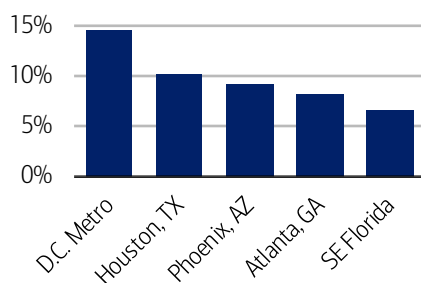
Source: Company filings

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CPT

Exhibit 39: The 5 largest markets

D.C. metro is the largest market

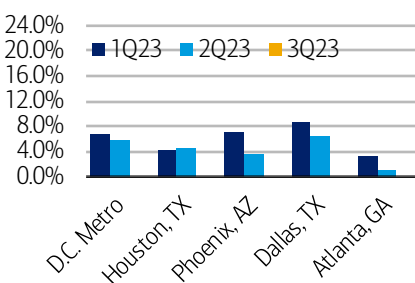


Source: Company filings

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Exhibit 40: SS revenue growth Y/Y

Dallas has the highest SS revenue growth

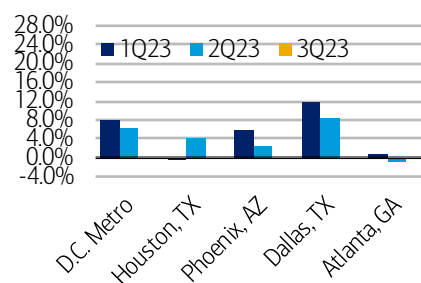


Source: Company filings

BofA GLOBAL RESEARCH

Exhibit 41: SS NOI growth Y/Y

Dallas has the highest SS NOI growth



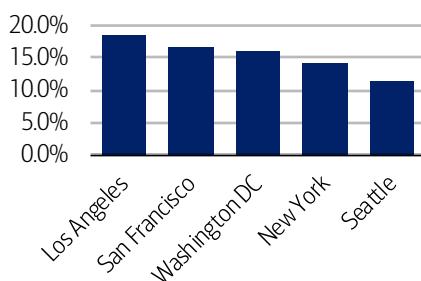
Source: Company filings

BofA GLOBAL RESEARCH

EQR

Exhibit 42: The 5 largest markets

Los Angeles is the largest market

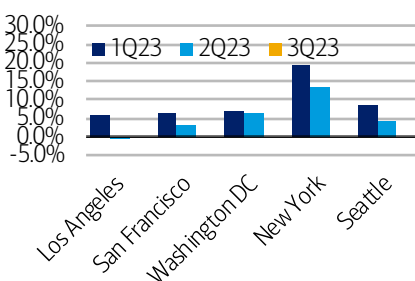


Source: Company filings

BofA GLOBAL RESEARCH

Exhibit 43: SS revenue growth Y/Y

New York has the highest SS revenue growth

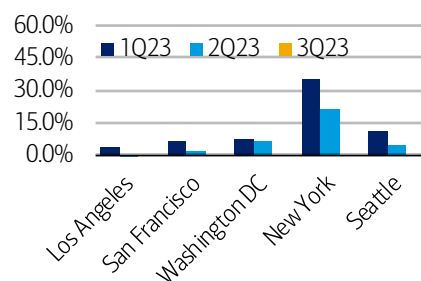


Source: Company filings

BofA GLOBAL RESEARCH

Exhibit 44: SS NOI growth Y/Y

New York has the highest SS NOI growth

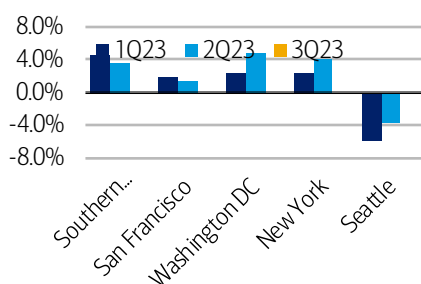


Source: Company filings

BofA GLOBAL RESEARCH

Exhibit 45: SS new lease rate Y/Y

D.C.: the highest new lease rate growth

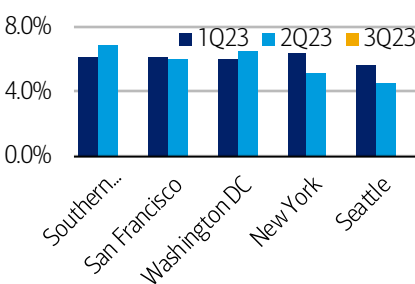


Source: Company filings

BofA GLOBAL RESEARCH

Exhibit 46: SS renewal lease rate Y/Y

South CA: the highest SS renewal rate growth

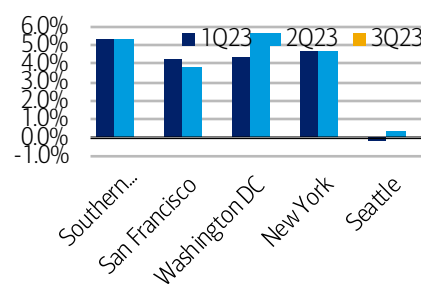


Source: Company filings

BofA GLOBAL RESEARCH

Exhibit 47: SS blended lease rate Y/Y

D.C.: the highest SS blended rate growth



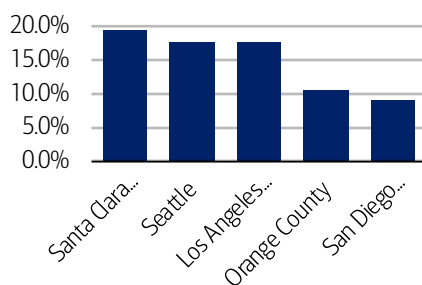
Source: Company filings

BofA GLOBAL RESEARCH

ESS

Exhibit 48: The 5 largest markets

Santa Clara County is the largest market

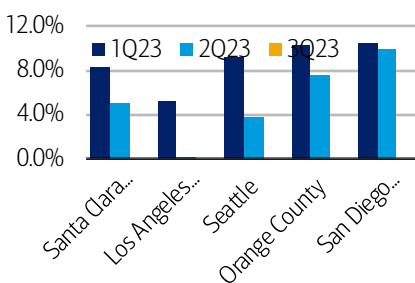


Source: Company filings

BofA GLOBAL RESEARCH

Exhibit 49: SS revenue growth Y/Y

San Diego County has the highest SS revenue growth

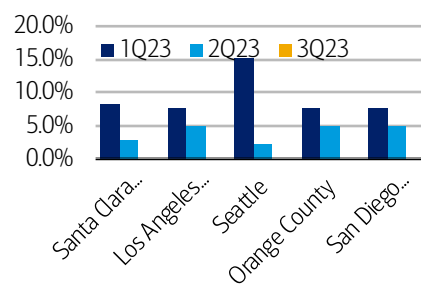


Source: Company filings

BofA GLOBAL RESEARCH

Exhibit 50: SS NOI growth Y/Y

LA has the highest SS NOI growth



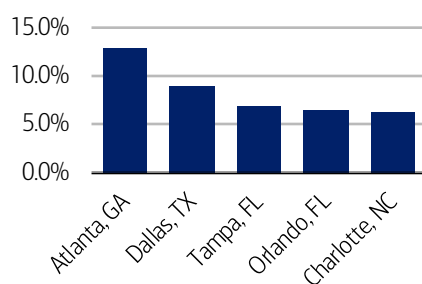
Source: Company filings

BofA GLOBAL RESEARCH

MAA

Exhibit 51: The 5 largest markets

Atlanta is the largest market

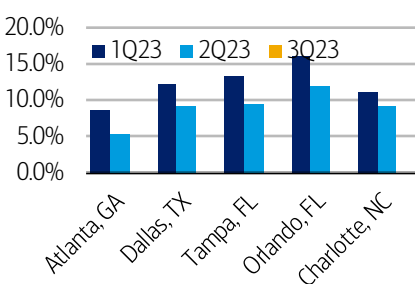


Source: Company filings

BofA GLOBAL RESEARCH

Exhibit 52: SS revenue growth Y/Y

Orlando has the highest SS revenue growth

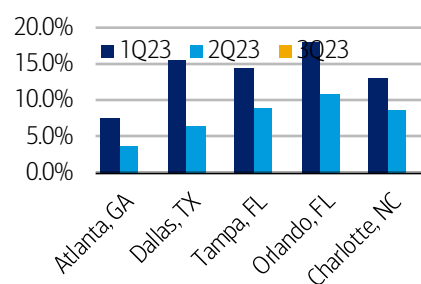


Source: Company filings

BofA GLOBAL RESEARCH

Exhibit 53: SS NOI growth Y/Y

Orlando has the highest SS NOI growth



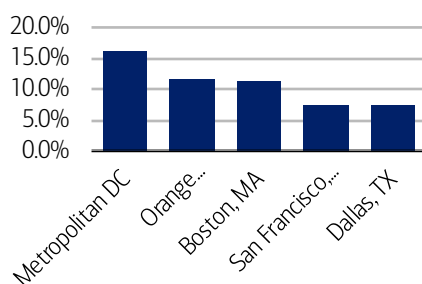
Source: Company filings

BofA GLOBAL RESEARCH

UDR

Exhibit 54: The 5 largest markets

D.C. metro is the largest market

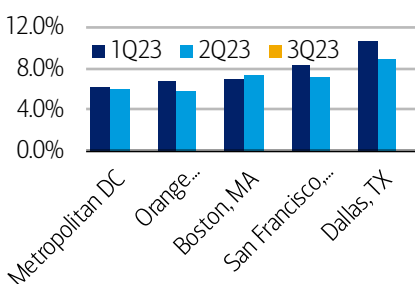


Source: Company filings

BofA GLOBAL RESEARCH

Exhibit 55: SS revenue growth Y/Y

Dallas has the highest SS revenue growth

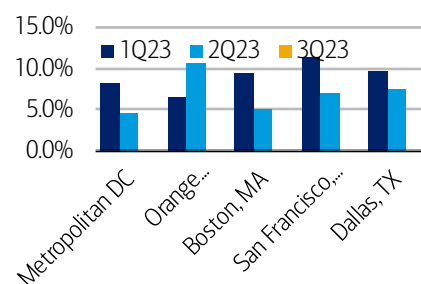


Source: Company filings

BofA GLOBAL RESEARCH

Exhibit 56: SS NOI growth Y/Y

Orange County has the highest SS NOI growth

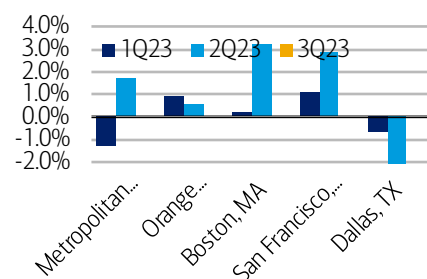


Source: Company filings

BofA GLOBAL RESEARCH

Exhibit 57: SS new lease rate Y/Y

Boston: the highest SS new rate growth

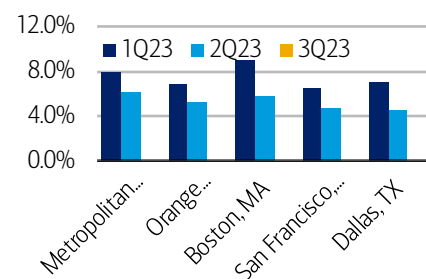


Source: Company filings

BofA GLOBAL RESEARCH

Exhibit 58: SS renewal lease rate Y/Y

D.C.: the highest SS renewal rate growth

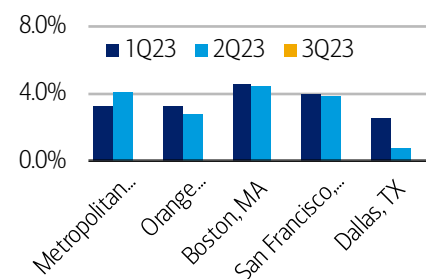


Source: Company filings

BofA GLOBAL RESEARCH

Exhibit 59: SS blended lease rate Y/Y

Boston: the highest SS blended rate growth

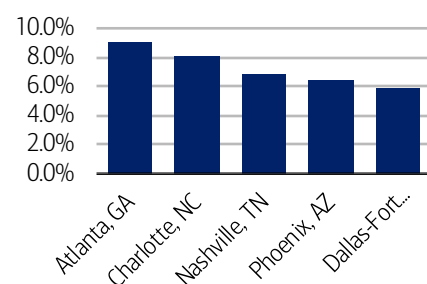


Source: Company filings

BofA GLOBAL RESEARCH

AMH**Exhibit 60: The 5 largest markets**

Atlanta is the largest market

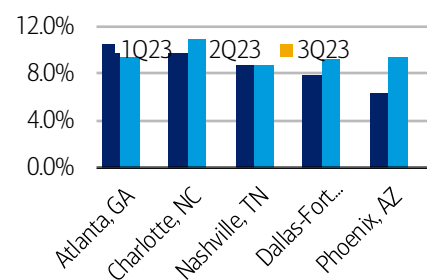


Source: Company filings

BofA GLOBAL RESEARCH

Exhibit 61: SS new lease rate Y/Y

Charlotte: the highest SS new rate growth

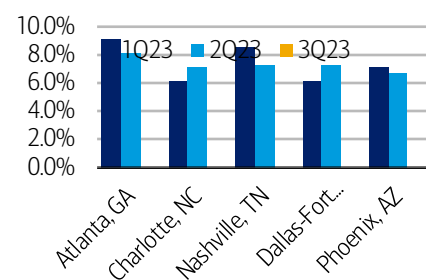


Source: Company filings

BofA GLOBAL RESEARCH

Exhibit 62: SS renewal lease rate Y/Y

Atlanta: the highest SS renewal rate growth

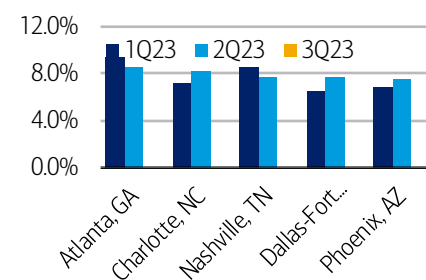


Source: Company filings

BofA GLOBAL RESEARCH

Exhibit 63: SS blended lease rate Y/Y

Atlanta: the highest SS blended rate growth



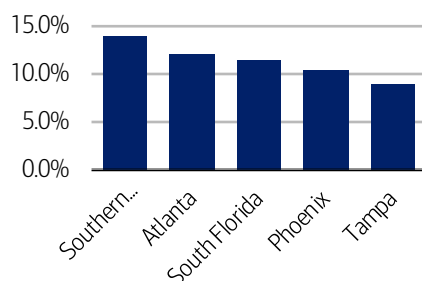
Source: Company filings

BofA GLOBAL RESEARCH

INVH

Exhibit 64: The 5 largest markets

Southern California is the largest market

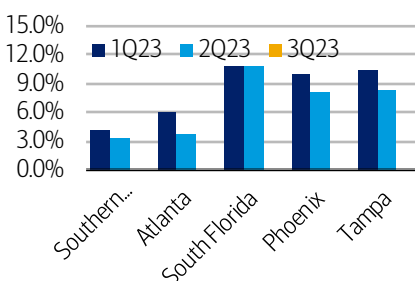


Source: Company filings

BofA GLOBAL RESEARCH

Exhibit 65: SS revenue growth Y/Y

South Florida has the highest SS revenue growth

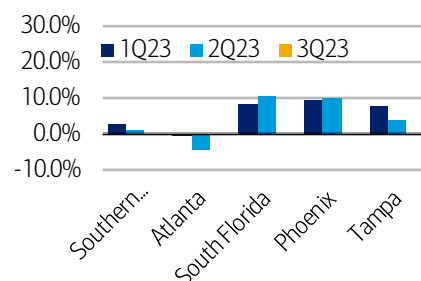


Source: Company filings

BofA GLOBAL RESEARCH

Exhibit 66: SS NOI growth Y/Y

South Florida has the highest SS NOI growth

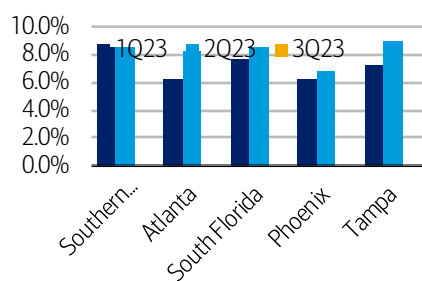


Source: Company filings

BofA GLOBAL RESEARCH

Exhibit 67: SS new lease rate Y/Y

Tampa: the highest SS new rate growth

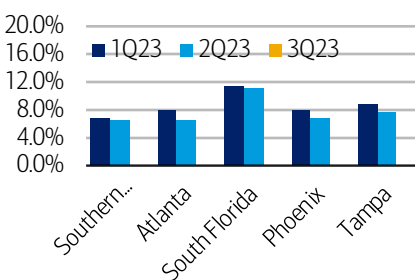


Source: Company filings

BofA GLOBAL RESEARCH

Exhibit 68: SS renewal lease rate Y/Y

South Florida: the highest SS renewal rate growth

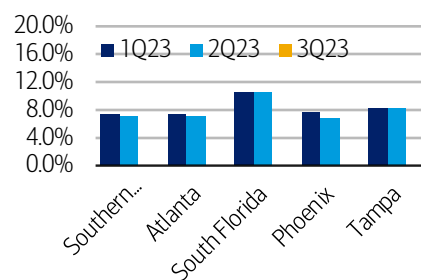


Source: Company filings

BofA GLOBAL RESEARCH

Exhibit 69: SS blended lease rate Y/Y

South Florida: the highest SS blended rate growth



Source: Company filings

BofA GLOBAL RESEARCH

Key terms

Apts: Apartments
 Avg.: average
 CA: California
 Cap rate: capitalization rate
 IRR: internal rate of return
 MH: manufactured housing
 Nareit: National Association of Real Estate Investment Trusts
 NOI: net operating income
 PO: price objective
 QTD: quarter to date
 RV: recreational vehicle
 SE: southeast
 SFR: single family rental
 SS: same store
 Y/Y: year over year
 AIRC: Apartment Income REIT Corp
 AVB: AvalonBay Communities Inc
 CPT: Camden Property Trust
 EQR: Equity Residential
 ESS: Essex Property Trust Inc
 MAA: Mid-America Apartment Communities Inc
 UDR: UDR, Inc.
 AMH: American Homes 4 Rent
 INVH: Invitation Homes Inc
 ELS: Equity LifeStyle Properties Inc
 SUI: Sun Communities Inc

PO & estimate changes

Exhibit 70: Summary of PO change

Updated price objective after review of models

Ticker	Old PO	New PO	QRQ	Price
ELS	\$70.00	\$64.00	A-2-7	\$64.83

Source: BofA Global Research, prices as of 10/20/2023

BofA GLOBAL RESEARCH

Exhibit 71: Summary of estimate changes

Updated published FFO estimates after review of models

Ticker	2023		2024		2025		2026		2027	
	Old	New	Old	New	Old	New	Old	New	Old	New
ELS	\$2.85	\$2.85	\$2.98	\$2.92	\$3.10	\$3.04	\$3.22	\$3.14	\$3.30	\$3.20

Source: BofA Global Research

BofA GLOBAL RESEARCH

ELS (A-2-7)

Post 3Q23 earnings, we are downgrading ELS to a Neutral from a Buy. We are also lowering our estimates (see the table above) and lowering our PO to \$64 from \$70. Our \$64 price objective for ELS trades at a 20% premium to our new forward NAV estimate of \$53. We believe the premium is warranted given the stability of the business model and the long duration of its debt outstanding. We derive our NAV estimate by applying a 5.1% cap rate (previously 4.7%) to our forward NOI estimate of \$616.4mn. We use a



5.1% cap rate based on our outlook for interest rates and current market/transaction comps.

Investment Rationale

Equity LifeStyle Properties

We are positive on ELS given the favorable industry outlook, consistent steady rent increases of MH sites, stickiness of customers and little to no supply risk. However, we believe the current valuation is rich and fully reflects the strong fundamentals of the sector. Given the rise in interest rates and our expectation for cap rates to increase, we see less upside in ELS going forward.

Price objective basis & risk

Equity LifeStyle Properties (ELS)

Our \$64 price objective for ELS trades at a 20% premium to our forward NAV estimate. We derive our NAV estimate by applying a 5.1% cap rate to our forward NOI estimate. We use a 5.1% rate based on our view of interest rates over the next year, current private market/transaction comps, and the market exposure of ELS. Downside risks to our PO are declining affordable manufactured housing and RV fundamentals as well as higher interest rates, while upside risks are better than expected fundamentals and accretive acquisition opportunities as well as lower interest rates.

Analyst Certification

I, Jeffrey Spector, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - REITs Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Agree Realty Corp	ADC	ADC US	Joshua Dennerlein
	Alexandria Real Estate Equities	ARE	ARE US	Joshua Dennerlein
	American Homes 4 Rent	AMH	AMH US	Jeffrey Spector
	Americold Realty Trust	COLD	COLD US	Joshua Dennerlein
	AvalonBay Communities Inc	AVB	AVB US	Joshua Dennerlein
	Boston Properties	BXP	BXP US	Jeffrey Spector
	Brixmor Property Group	BRX	BRX US	Jeffrey Spector
	COPT Defense Properties	CDP	CDP US	Camille Bonnel
	Cousins Properties Inc.	CUZ	CUZ US	Camille Bonnel
	CubeSmart	CUBE	CUBE US	Jeffrey Spector
	EastGroup Properties	EGP	EGP US	Jeffrey Spector
	Empire State Realty Trust	ESRT	ESRT US	Camille Bonnel
	Equity Residential	EQR	EQR US	Jeffrey Spector
	Essential Properties	EPRT	EPRT US	Joshua Dennerlein
	Extra Space Storage, Inc.	EXR	EXR US	Jeffrey Spector
	Federal Realty	FRT	FRT US	Jeffrey Spector
	Highwoods Properties	HIW	HIW US	Camille Bonnel
	Invitation Homes Inc	INVH	INVH US	Joshua Dennerlein
	Kimco Realty	KIM	KIM US	Jeffrey Spector
	Kite Realty Group	KRG	KRG US	Jeffrey Spector
	OMEGA Healthcare	OHI	OHI US	Joshua Dennerlein
	Phillips Edison & Company	PECO	PECO US	Jeffrey Spector
	Prologis, Inc.	PLD	PLD US	Camille Bonnel
	Public Storage, Inc.	PSA	PSA US	Jeffrey Spector
	Regency	REG	REG US	Jeffrey Spector
	Retail Opportunity Investments Corp.	ROIC	ROIC US	Jeffrey Spector
	Rexford Industrial Realty	REXR	REXR US	Camille Bonnel
	Sabra Health Care	SBRA	SBRA US	Joshua Dennerlein
	Simon Property	SPG	SPG US	Jeffrey Spector
	UDR, Inc.	UDR	UDR US	Joshua Dennerlein
	Welltower	WELL	WELL US	Joshua Dennerlein
NEUTRAL				
	Acadia Realty Trust	AKR	AKR US	Jeffrey Spector
	Camden Property Trust	CPT	CPT US	Joshua Dennerlein
	EPR Properties	EPR	EPR US	Joshua Dennerlein
	Equity LifeStyle Properties	ELS	ELS US	Jeffrey Spector
	Essex Property Trust, Inc.	ESS	ESS US	Joshua Dennerlein
	Getty Realty Corp.	GTY	GTY US	Joshua Dennerlein
	Healthpeak Properties, Inc.	PEAK	PEAK US	Joshua Dennerlein
	Hudson Pacific Properties, Inc.	HPP	HPP US	Camille Bonnel
	InvenTrust Properties	IVT	IVT US	Jeffrey Spector
	Kennedy Wilson	KW	KW US	Joshua Dennerlein
	Kilroy Realty Corporation	KRC	KRC US	Camille Bonnel
	Macerich	MAC	MAC US	Jeffrey Spector
	Mid-America Apartment Communities, Inc.	MAA	MAA US	Joshua Dennerlein
	Paramount Group	PGRE	PGRE US	Camille Bonnel
	Realty Income	O	O US	Jeffrey Spector
	SL Green Realty	SLG	SLG US	Camille Bonnel
	Sun Communities	SUI	SUI US	Joshua Dennerlein
	Ventas, Inc.	VTR	VTR US	Jeffrey Spector
	Veris Residential Inc	VRE	VRE US	Joshua Dennerlein
	Vornado Realty	VNO	VNO US	Camille Bonnel
UNDERPERFORM				
	American Assets Trust	AAT	AAT US	Camille Bonnel
	Armada Hoffer Properties	AHH	AHH US	Camille Bonnel
	Brandywine Realty	BDN	BDN US	Camille Bonnel
	Diversified Healthcare Trust	DHC	DHC US	Joshua Dennerlein
	Douglas Emmett	DEI	DEI US	Camille Bonnel
	Equity Commonwealth	EQC	EQC US	Camille Bonnel
	LXP Industrial Trust	LXP	LXP US	Camille Bonnel
	Medical Properties Trust, Inc.	MPW	MPW US	Joshua Dennerlein
	National Storage Affiliates Trust	NSA	NSA US	Jeffrey Spector
	NetSTREIT	NTST	NTST US	Joshua Dennerlein



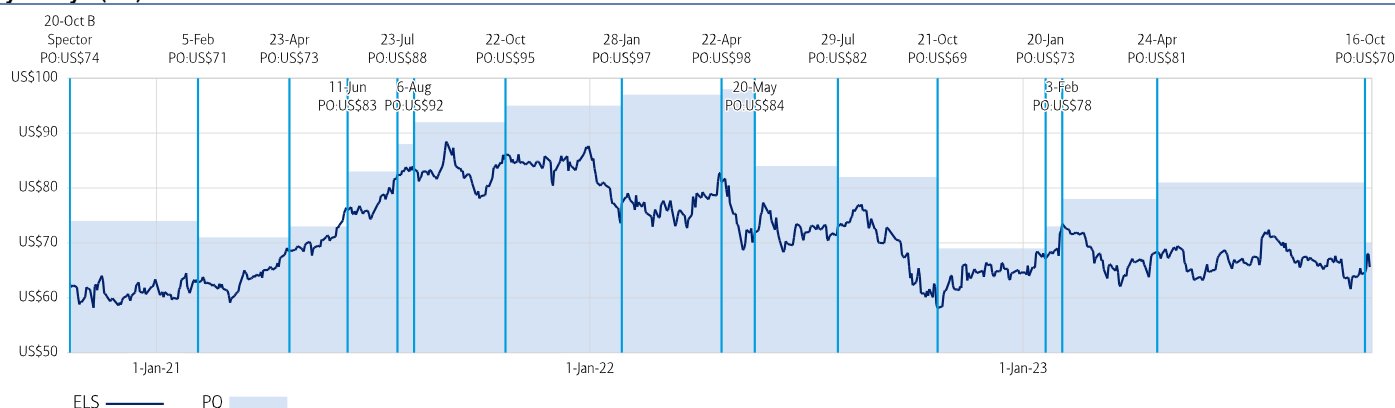
US - REITs Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	NNN REIT Inc	NNN	NNN US	Joshua Dennerlein
	Office Properties Income Trust	OPI	OPI US	Camille Bonnel
	Peakstone Realty Trust	PKST	PKST US	Joshua Dennerlein
	Physicians Realty Trust	DOC	DOC US	Joshua Dennerlein
	Spirit Realty Capital	SRC	SRC US	Joshua Dennerlein
	STAG Industrial	STAG	STAG US	Camille Bonnel
	Tanger Factory	SKT	SKT US	Jeffrey Spector
	WP Carey	WPC	WPC US	Joshua Dennerlein

Disclosures

Important Disclosures

Equity Lifestyle (ELS) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: REITs (Real Estate Investment Trusts) Group (as of 30 Sep 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	46	49.46%	Buy	38	82.61%
Hold	29	31.18%	Hold	22	75.86%
Sell	18	19.35%	Sell	15	83.33%

Equity Investment Rating Distribution: Global Group (as of 30 Sep 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1869	53.48%	Buy	1046	55.97%
Hold	828	23.69%	Hold	461	55.68%
Sell	798	22.83%	Sell	370	46.37%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. **INVESTMENT RATINGS** reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

INCOME RATINGS, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. **Coverage Cluster** is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

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