

## Residential REITs

Introducing the BofA US Apartment REIT  
Market Rent Growth Tracker

Industry Overview

## Focusing on rental price trends and their impact

This new monthly proprietary report is intended to identify trends in market rent growth and the impact on apartment REITs under our coverage. Our conclusions are drawn by using data from research firm Yardi Matrix and overlaying it with each REIT's geographic exposure. We believe the results are a good proxy for rent growth in the sector. Maintain ratings on covered companies.

## Sunbelt markets are underperforming the Gateway

In November, market rents in Sunbelt decreased 1.1% Y/Y (prior month: -0.9%), a sign that conditions are worsening for apartment owners there. By contrast, Gateway markets increased 1.3% (prior month: 1.2%), likely driven by base effects due to tech layoffs. Among apartment REITs, AVB had the highest market rent growth of 1.3% given it is mostly Gateway concentrated. Sunbelt-focused MAA had the lowest at -1.7%.

## We expect Sunbelt pricing pressure to last through 2024

Our models assume that REITs with significant Sunbelt exposures (CPT, MAA, UDR) will see a 3.8% decline in 4Q23 new lease rate (market rent) growth, on average. REITs with primarily Gateway exposures (AVB, EQR, ESS) will only see a 1.6% drop. Our forecasts illustrate the dynamic facing merchant builders. Higher interest rates are pressuring them to increase income to meet their debt ratios. As a result, they are offering more concessions (free rent) to lease up faster. Higher concessions reduce effective rents. Thus, we expect negative pricing pressure to last through 2024 in the Sunbelt and possibly continue into 2025 given peak supply likely will not hit until summer 2024.

## CPT, MAA, UDR: supply to impact 4Q SS revenue growth

As shown in Exhibit 23, for 4Q23, we are estimating on average SS revenue growth for CPT, MAA & UDR of 2.0%, lower than the Street's 2.3%. This reflects our view supply is weighing on market rent growth in Sunbelt. For FY24, our estimates across all apartment REITs are above the Street as we are modeling higher renewal lease rate growth than St. If new lease rate growth remains pressured, it would eventually weigh on the renewals.

**Exhibit 1: Yardi market rent growth vs. BofA new lease rate growth estimates (Y/Y)**

Our estimates are lower than Yardi's data

	Oct - 23		Nov - 23		Dec - 23		4Q23
	Yardi	Actual	Yardi	Actual	Yardi	Actual	BofAe
AIRC	1.3%	1.3%	1.2%	n.a.	n.a.	n.a.	n.a.
AVB	1.2%	-0.8%	1.3%	n.a.	n.a.	n.a.	-0.5%
CPT	-0.3%	-2.5%	-0.4%	n.a.	n.a.	n.a.	-4.5%
EQR	0.8%	-3.1%	0.8%	n.a.	n.a.	n.a.	-4.5%
ESS	-1.2%	0.1%	-1.3%	n.a.	n.a.	n.a.	0.2%
IRT	-1.1%	-2.3%	-1.1%	n.a.	n.a.	n.a.	n.a.
MAA	-1.5%	-5.9%	-1.7%	n.a.	n.a.	n.a.	-4.5%
UDR	0.7%	n.a.	0.9%	n.a.	n.a.	n.a.	-2.5%

Source: Yardi Matrix, company filings, earnings call & presentations; BofA Global Research. AIRC and IRT are not covered by BofA.

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03 January 2024

Equity  
United States  
REITs

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[See Team Page for List of Analysts](#)

[See Key terms & notes inside](#)

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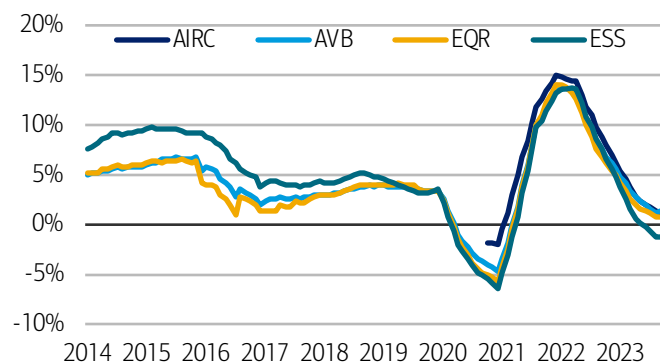
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Timestamp: 03 January 2024 12:01AM EST

## Apartment REIT market rent growth

### Exhibit 2: Market rental rate growth across REIT portfolios

Market rent growth has dropped from the peak during pandemic



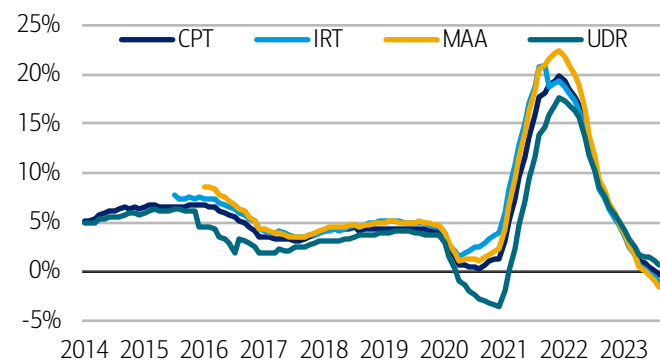
Source: Yardi Matrix, company filings

Note: AIRC and IRT are not covered by BofA.

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### Exhibit 3: Market rental rate growth across REIT portfolios

Market rent growth has dropped from the peak during pandemic



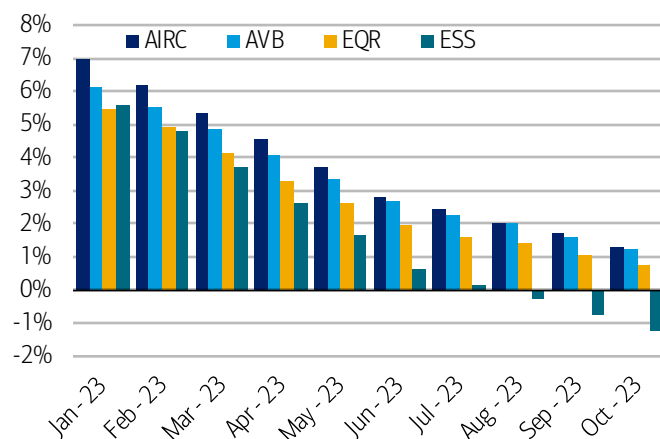
Source: Yardi Matrix, company filings

Note: AIRC and IRT are not covered by BofA.

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### Exhibit 4: Market rental rate growth across REIT portfolios

Market rent growth has been declining since the beginning of 2023



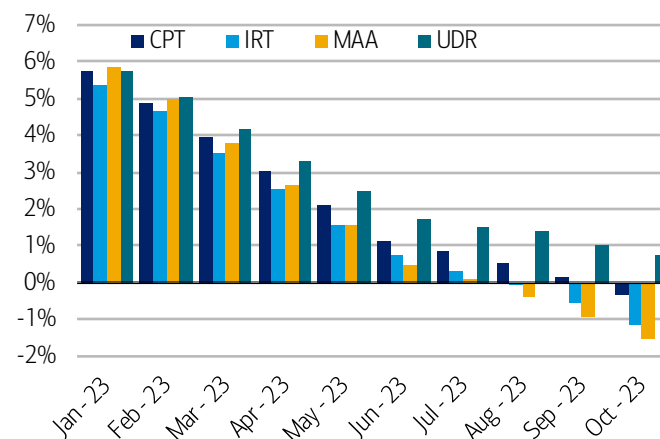
Source: Yardi Matrix, company filings

Note: AIRC and IRT are not covered by BofA.

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### Exhibit 5: Market rental rate growth across REIT portfolios

Market rent growth has been declining since the beginning of 2023



Source: Yardi Matrix, company filings

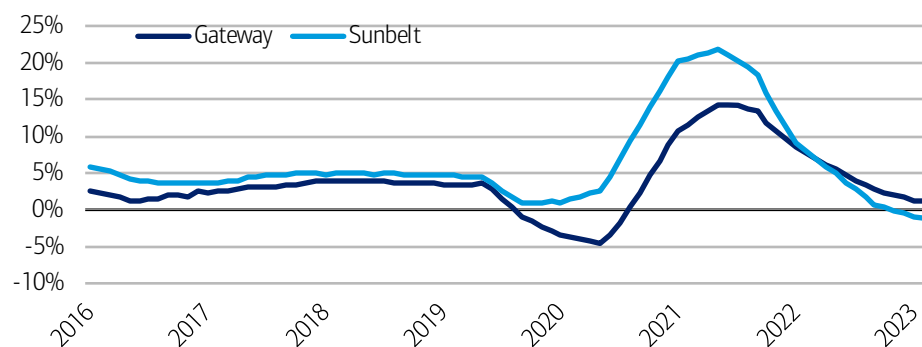
Note: AIRC and IRT are not covered by BofA.

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## Gateway vs. Sunbelt market rent growth

### Exhibit 6: Gateway vs. Sunbelt market rent growth

Gateway is outperforming Sunbelt



Source: Yardi Matrix; BofA Global Research

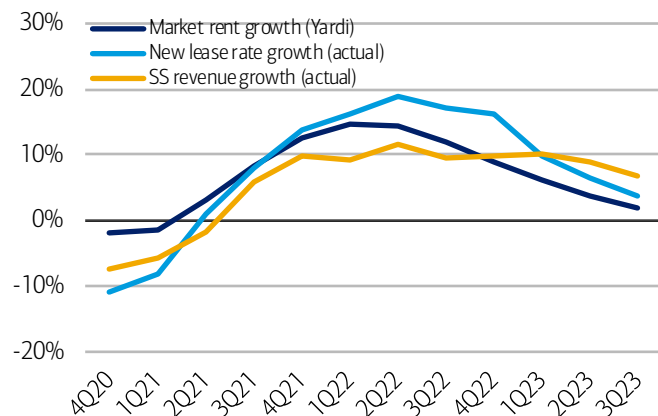
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# Company market rent growth

## Apartment Income REIT Corp (AIRC)

### Exhibit 7: AIRC market rent growth across the portfolio

Market rent growth has come down from 2022 peak



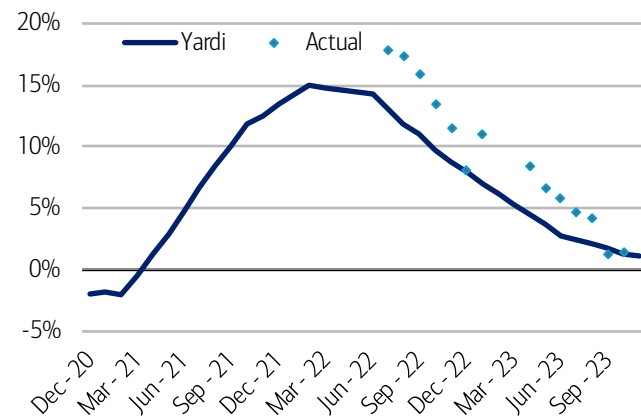
Source: Yardi Matrix, company filings

Note: AIRC is not covered by BofA.

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### Exhibit 8: AIRC Yardi monthly market rent growth vs. actual

Yardi market rent growth tracks closely to the actual new lease rate growth



Source: Yardi Matrix, company filings

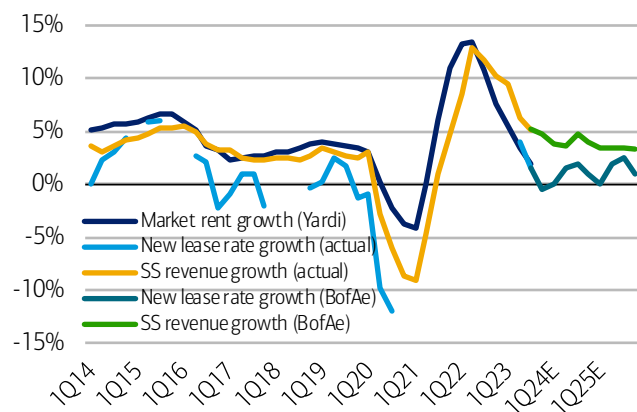
Note: AIRC is not covered by BofA.

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## AvalonBay Communities (AVB)

### Exhibit 9: AVB market rent growth across the portfolio

Market rent growth has come down from 2022 peak



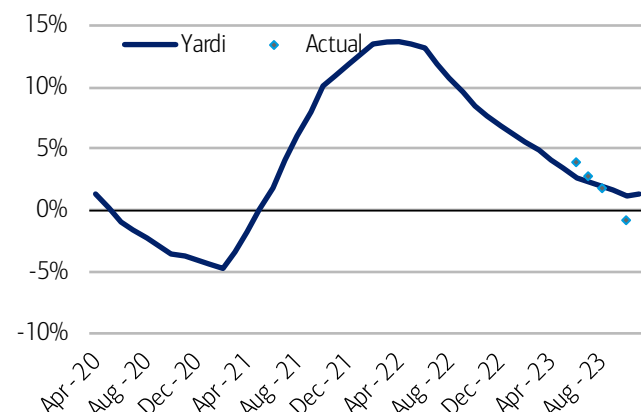
Source: Yardi Matrix, company filings

Note: AVB stopped disclosing new lease rate growth since 4Q20 and restarted disclosing since 2Q23.

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### Exhibit 10: AVB Yardi monthly market rent growth vs. actual

Yardi market rent growth tracks closely to the actual new lease rate growth



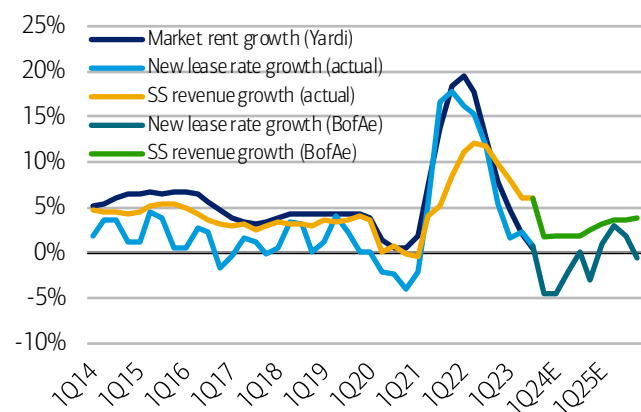
Source: Yardi Matrix, company filings

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## Camden Property Trust (CPT)

### Exhibit 11: CPT market rent growth across the portfolio

Market rent growth has come down from 2022 peak

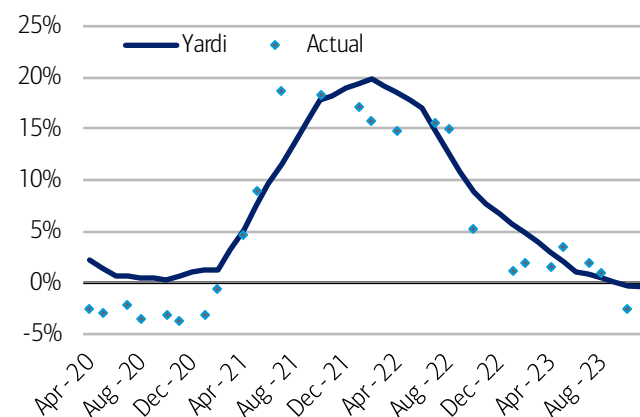


Source: Yardi Matrix, company filings

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### Exhibit 12: CPT Yardi monthly market rent growth vs. actual

Yardi market rent growth tracks closely to the actual new lease rate growth



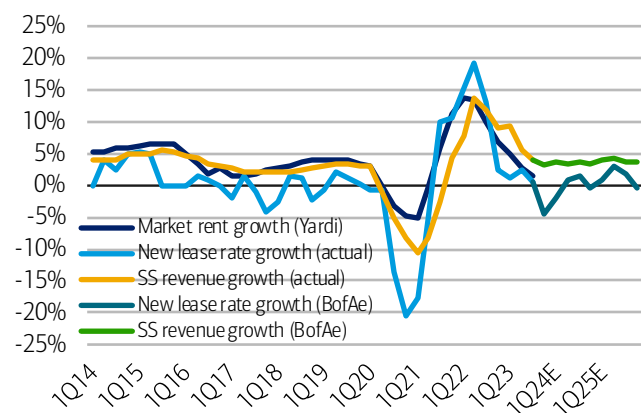
Source: Yardi Matrix, company filings

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## Equity Residential (EQR)

### Exhibit 13: EQR market rent growth across the portfolio

Market rent growth has come down from 2022 peak

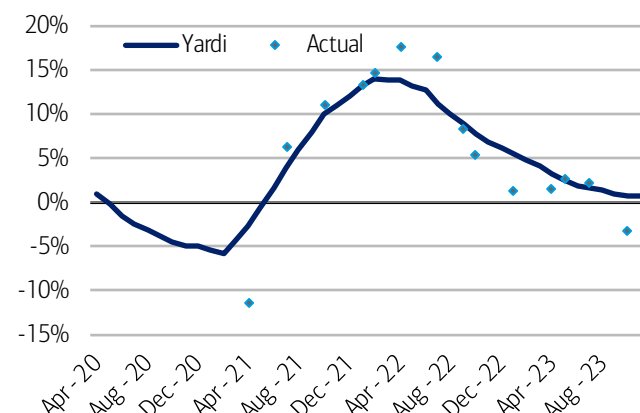


Source: Yardi Matrix, company filings

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### Exhibit 14: EQR Yardi monthly market rent growth vs. actual

Yardi market rent growth tracks closely to the actual new lease rate growth



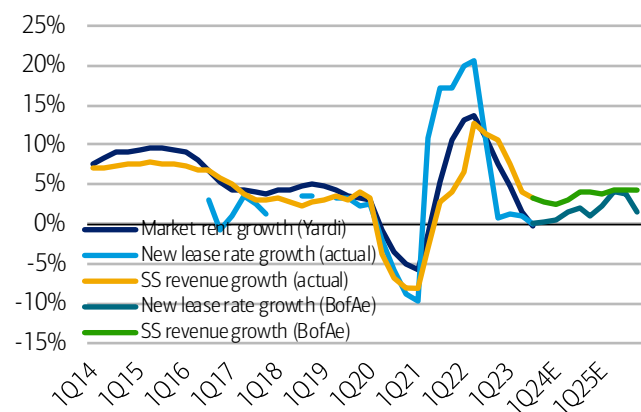
Source: Yardi Matrix, company filings

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## Essex Property Trust (ESS)

### Exhibit 15: ESS market rent growth across the portfolio

Market rent growth has come down from 2022 peak

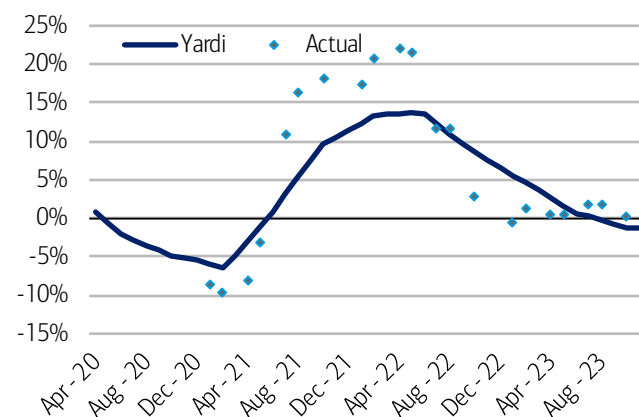


Source: Yardi Matrix, company filings

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### Exhibit 16: ESS Yardi monthly market rent growth vs. actual

Yardi market rent growth tracks closely to the actual new lease rate growth



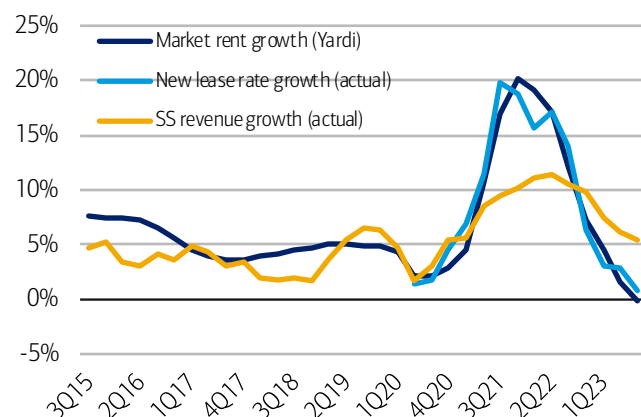
Source: Yardi Matrix, company filings

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## Independence Realty Trust (IRT)

### Exhibit 17: IRT market rent growth across the portfolio

Market rent growth has come down from 2022 peak



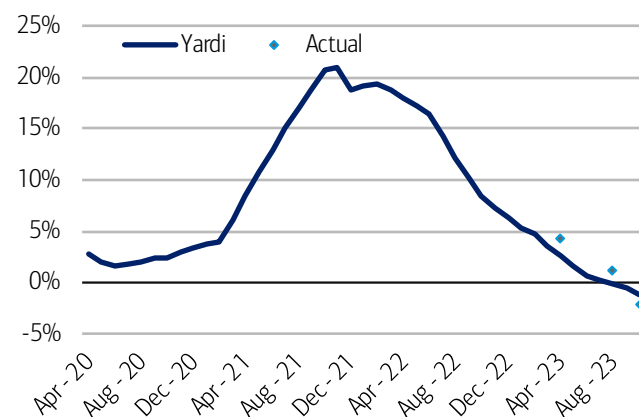
Source: Yardi Matrix, company filings

Note: IRT is not covered by BofA.

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### Exhibit 18: IRT Yardi monthly market rent growth vs. actual

Yardi market rent growth tracks closely to the actual new lease rate growth



Source: Yardi Matrix, company filings

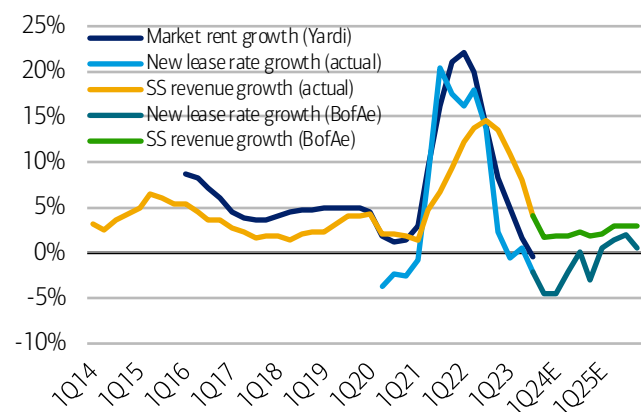
Note: IRT is not covered by BofA.

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## Mid-America Apartment Communities (MAA)

### Exhibit 19: MAA market rent growth across the portfolio

Market rent growth has come down from 2022 peak

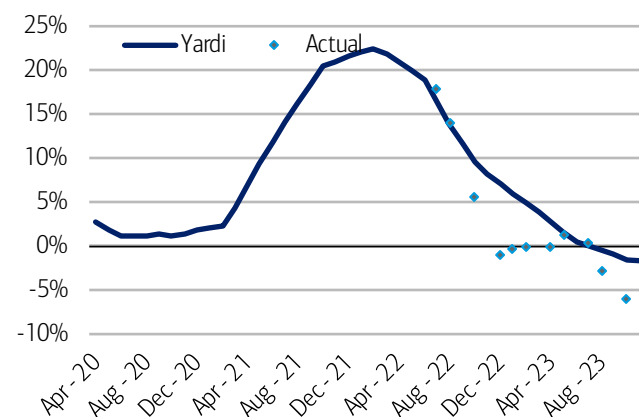


Source: Yardi Matrix, company filings

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### Exhibit 20: MAA Yardi monthly market rent growth vs. actual

Yardi market rent growth tracks closely to the actual new lease rate growth



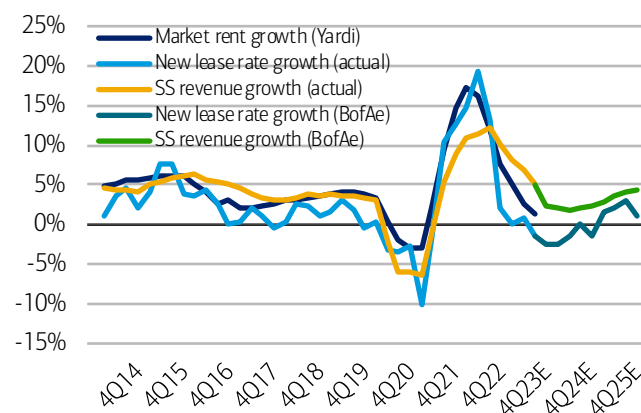
Source: Yardi Matrix, company filings

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## UDR Inc. (UDR)

### Exhibit 21: UDR market rent growth across the portfolio

Market rent growth has come down from 2022 peak

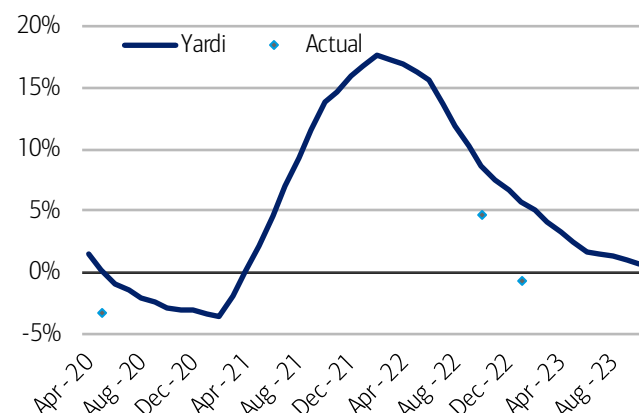


Source: Yardi Matrix, company filings

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### Exhibit 22: UDR Yardi monthly market rent growth vs. actual

Yardi market rent growth tracks closely to the actual new lease rate growth



Source: Yardi Matrix, company filings

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# SS revenue growth (Y/Y) estimates

## Exhibit 23: Same-store revenue growth (Y/Y) estimates: BofAe vs. Street

Our estimates are higher than Street for FY2024

	4Q23E		2023E		1Q24E		2Q24E		3Q24E		4Q24E		2024E		2025E	
	BofA	Street	BofA	Street	BofA	Street	BofA	Street	BofA	Street	BofA	Street	BofA	Street	BofA	Street
AVB	4.7%	4.0%	6.4%	5.8%	3.7%	3.5%	3.6%	3.0%	4.7%	2.9%	4.0%	2.7%	4.0%	2.9%	3.4%	3.0%
CPT	1.8%	2.2%	5.0%	5.1%	1.8%	1.8%	1.9%	1.1%	1.9%	0.8%	2.5%	1.8%	2.0%	1.3%	3.5%	2.7%
EQR	3.2%	3.3%	5.6%	5.6%	3.6%	3.2%	3.3%	2.6%	3.6%	2.6%	3.5%	2.7%	3.5%	2.6%	3.9%	3.2%
ESS	2.7%	2.6%	4.4%	4.4%	2.5%	2.8%	3.0%	2.7%	4.0%	2.5%	4.0%	2.4%	3.4%	2.5%	4.2%	3.2%
MAA	1.7%	2.1%	6.2%	6.3%	1.9%	1.5%	2.0%	1.1%	2.4%	0.9%	1.8%	1.4%	2.0%	1.2%	2.7%	2.7%
UDR	2.4%	2.7%	5.7%	5.9%	2.2%	2.5%	1.8%	1.9%	2.1%	1.3%	2.3%	1.8%	2.1%	1.9%	3.7%	3.1%

Source: Visible Alpha; BofA Global Research

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## Key terms & notes

### Key terms:

FY: full year

SS: same store

St: street

Y/Y: year over year

### Companies mentioned:

AIRC: Apartment Income REIT Corp

AVB: AvalonBay Communities

CPT: Camden Property Trust

EQR: Equity Residential

ESS: Essex Property Trust

IRT: Independence Realty Trust

MAA: Mid-America Apartment Communities

UDR: UDR Inc.

### Definitions:

- Gateway markets:** We define Gateway markets to include the following: Anaheim-Santa Ana-Irvine, CA; Baltimore-Columbia-Towson, MD; Boston-Cambridge-Newton, MA-NH; Chicago-Naperville-Arlington Heights, IL; Los Angeles-Long Beach-Glendale, CA; New York City; Philadelphia, PA; Riverside-San Bernardino-Ontario, CA; San Diego-Carlsbad, CA; San Francisco-Oakland-Berkeley, CA; San Jose-Sunnyvale-Santa Clara, CA; Seattle-Bellevue-Everett, WA; Washington-Arlington-Alexandria, DC-VA-MD-WV
- Sunbelt markets:** We define Sunbelt markets to include the following: Atlanta-Sandy Springs-Roswell, GA; Austin-Round Rock, TX; Charlotte-Concord-Gastonia, NC-SC; Dallas-Plano-Irving, TX; Denver-Aurora-Lakewood, CO; Houston-The Woodlands-Sugar Land, TX; Las Vegas-Henderson-Paradise, NV; Miami-Miami Beach-Kendall, FL; Orlando-Kissimmee-Sanford, FL; Phoenix-Mesa-Scottsdale, AZ; Raleigh, NC; Tampa-St. Petersburg-Clearwater, FL



Exhibit 24: Stock Mentioned

Stock prices and ratings mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
AVB	AVB US	AvalonBay	US\$ 188.17	B-1-7
CPT	CPT US	Camden Property	US\$ 100.38	B-3-7
EQR	EQR US	Equity Residential	US\$ 62.15	B-1-7
ESS	ESS US	Essex Property	US\$ 249.87	B-2-7
MAA	MAA US	Mid-America Ap	US\$ 135.84	B-3-7
UDR	UDR US	UDR, Inc.	US\$ 38.64	B-2-7

Source: BofA Global Research

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## Price objective basis & risk

### AvalonBay Communities Inc (AVB)

Our \$209 price objective for AVB trades in line with its forward NAV estimate. We apply a 5.7% cap rate to our forward NOI estimate to derive our NAV estimate. We use 5.7% cap rate based on our view of interest rates over the next year, current private market/transaction comps, and the market exposure of AVB. The upside risks to our price objective are better-than-expected employment and operating conditions in AVB's markets and lower interest rates. The downside risks to our price objective are employment and operating conditions in AVB's markets deteriorating beyond our expectations and higher interest rates. The development pipeline also exposes AVB to project execution and lease-up risk. In addition, a reduction in GSE lending to the multifamily sector could weigh on AVB's access to capital, borrowing costs and direct real estate values.

### Camden Property Trust (CPT)

Our price objective for CPT of \$99 trades at a 10% discount to our forward NAV estimate. We derive our NAV estimate from applying a 6.4% cap rate to our forward NOI estimate. We use a 6.4% cap rate for CPT based on our view of interest rates over the next year, current private market/transaction comps, and the market exposure of CPT. The upside risks to our price objective are better-than-expected job growth and operating conditions in CPT's markets and lower interest rates. The downside risks to our price objective are unemployment and operating conditions in CPT's markets deteriorating beyond our expectations and higher interest rates. In addition, a reduction in GSE (government sponsored enterprise) lending to the multifamily sector could weigh on CPT's access to capital, borrowing costs, and direct real estate values.

### Equity Residential (EQR)

Our \$71 PO for EQR trades in line with our forward NAV. We derive our NAV estimate by applying a 5.9% cap rate to our forward NOI estimate. We use a 5.9% cap rate based on our view of interest rates over the next year, current private market/transaction comps, and the market exposure of EQR. The upside risks to our price objective are better-than-expected employment and operating conditions in EQR's markets and lower interest rates. The downside risks to our price objective are employment and operating conditions in EQR's markets deteriorating beyond our expectations and higher interest rates. The development pipeline also exposes EQR to project execution and lease-up risk. In addition, a reduction in GSE (government-sponsored enterprise) lending to the multifamily sector could weigh on EQR's access to capital, borrowing costs and direct real estate values.

### Essex Property Trust, Inc. (ESS)

Our \$257 price objective trades in line with our forward NAV estimate. We derive our one year forward NAV estimate by applying a 5.6% cap rate to our forward NOI estimate. We use 5.6% cap rate based on our view of interest rates over the next year, current private market/transaction comps, and the market exposure of ESS. We like the high quality nature of ESS' West Coast markets that are expected to see above average job and wage growth. The upside risks to our price objective are better than expected employment and operating conditions in ESS's markets and lower interest rates. The downside risks to our price objective are employment and operating conditions in ESS's markets deteriorating beyond our expectations and higher interest rates. Also, developments expose ESS to project execution and lease-up risk. In addition, a reduction in GSE lending to the multifamily sector could weigh on ESS's access to capital, borrowing costs, and direct real estate values.

### Mid-America Apartment Communities, Inc. (MAA)



Our \$133 price objective implies a 10% discount to our forward NAV estimate. We derive our one year forward NAV estimate by applying a 6.3% cap rate to our forward NOI estimate. We use a 6.3% cap rate based on our view of interest rates over the next year, current private market/transaction comps, and the market exposure of MAA.

Downside risks to our PO are the company's high exposure to rising levels of supply, increasing tax and insurance expenses, and slowing inbound migration.

Upside risks to our PO are positive suburban trends, less of an impact from supply on fundamentals, and long-term demand in the Sunbelt.

#### **UDR, Inc. (UDR)**

Our \$39 price objective for UDR assumes the stock trades in line with our forward NAV estimate. We apply a 6.0% cap rate to our forward NOI estimate to derive our NAV. We use a 6.0% cap rate based on our view of interest rates over the next year, current private market/transaction comps, and the market exposure of UDR. The downside risks are operating conditions in UDR's markets deteriorating beyond our expectations, increased project execution and lease-up risk from development projects, timing risk from JVs, and higher interest rates. A reduction in GSE lending to the multifamily sector could weigh on UDR's access to capital, borrowing costs and direct real estate values. The upside risks to our price objective are better-than-expected employment and operating conditions in UDR's markets, and lower interest rates.

### **Analyst Certification**

We, Joshua Dennerlein and Jeffrey Spector, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective 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
<b>BUY</b>				
	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
	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
	Federal Realty	FRT	FRT US	Jeffrey Spector
	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
	Rexford Industrial Realty	REXR	REXR US	Camille Bonnel
	Sabra Health Care	SBRA	SBRA US	Joshua Dennerlein
	Simon Property	SPG	SPG US	Jeffrey Spector
	Welltower	WELL	WELL US	Joshua Dennerlein
<b>NEUTRAL</b>				
	Acadia Realty Trust	AKR	AKR US	Jeffrey Spector
	CubeSmart	CUBE	CUBE US	Jeffrey Spector
	EPR Properties	EPR	EPR US	Joshua Dennerlein
	Equity LifeStyle Properties	ELS	ELS US	Jeffrey Spector
	Essex Property Trust, Inc.	ESS	ESS US	Joshua Dennerlein
	Extra Space Storage, Inc.	EXR	EXR US	Jeffrey Spector
	Getty Realty Corp.	GTY	GTY US	Joshua Dennerlein
	Highwoods Properties	HIW	HIW US	Camille Bonnel
	InvenTrust Properties	IVT	IVT US	Jeffrey Spector
	Kilroy Realty Corporation	KRC	KRC US	Camille Bonnel
	Macerich	MAC	MAC US	Jeffrey Spector
	Realty Income	O	O US	Jeffrey Spector
	Retail Opportunity Investments Corp.	ROIC	ROIC US	Jeffrey Spector
	SL Green Realty	SLG	SLG US	Camille Bonnel
	Sun Communities	SUI	SUI US	Joshua Dennerlein
	UDR, Inc.	UDR	UDR 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
<b>UNDERPERFORM</b>				
	American Assets Trust	AAT	AAT US	Camille Bonnel
	Armada Hoffer Properties	AHH	AHH US	Camille Bonnel
	Camden Property Trust	CPT	CPT US	Joshua Dennerlein
	Douglas Emmett	DEI	DEI US	Camille Bonnel
	Healthpeak Properties, Inc.	PEAK	PEAK US	Joshua Dennerlein
	Hudson Pacific Properties, Inc.	HPP	HPP US	Camille Bonnel
	Kennedy Wilson	KW	KW US	Joshua Dennerlein
	LXP Industrial Trust	LXP	LXP US	Camille Bonnel
	Medical Properties Trust, Inc.	MPW	MPW US	Joshua Dennerlein
	Mid-America Apartment Communities, Inc.	MAA	MAA US	Joshua Dennerlein
	National Storage Affiliates Trust	NSA	NSA US	Jeffrey Spector
	NetSTREIT	NTST	NTST US	Joshua Dennerlein
	NNN REIT Inc	NNN	NNN US	Joshua Dennerlein
	Paramount Group	PGRE	PGRE US	Camille Bonnel
	Peakstone Realty Trust	PKST	PKST US	Joshua Dennerlein
	STAG Industrial	STAG	STAG US	Camille Bonnel



## US - REITs Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Tanger Factory	SKT	SKT US	Jeffrey Spector
	WP Carey	WPC	WPC US	Joshua Dennerlein
<b>RSTR</b>				
	Spirit Realty Capital	SRC	SRC US	Joshua Dennerlein

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## Important Disclosures

## Equity Investment Rating Distribution: REITs (Real Estate Investment Trusts) Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	40	46.51%	Buy	33	82.50%
Hold	27	31.40%	Hold	21	77.78%
Sell	19	22.09%	Sell	16	84.21%

## Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> 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.

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

<sup>R2</sup> 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.

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