

Residential REITs

Refining our estimates and POs ahead of 3Q results

Price Objective Change

Apartments: expect further softening in lease rate growth

At our Global Real Estate conference, apartment REITs reported QTD operating updates weaker than expected. The average QTD blended leasing rate is 2.9% vs. our estimate of 3.7%. We believe the softer than expected lease growth continued into the rest of the quarter. Accordingly, we adjust our models by lowering 3Q & 4Q23 blended leasing rate growth. See Exhibit 1 for our 3Q23 same store estimates vs. Street going into earnings.

Operating expenses: mixed bag as we head into 2024

We expect ongoing margin pressure from insurance renewals in 2024. Higher prices are likely to be a factor for the next several years and our models reflect this headwind. Real estate taxes are a wild card but for those with Texas exposure there is a silver lining. Texas recently passed legislature that \$18bn budget surplus will be used to lower school district property tax rates but voters need to ratify it in November. CPT & MAA have the most exposure to Texas within our coverage (Exhibit 5). We look to calls for color on where other expenses are heading in 2024 to refine our estimates. Inside this report, we have pulled their commentary from our Global Real Estate conference.

CPT's floating rate debt exposure: headwind to growth

We have updated our models to reflect the rise in interest rates since 2Q results. CPT has the highest exposure to floating rate debt (22.2%). As a result, our forward growth assumptions come down meaningfully in 2H23 and 2024. We now assume 2024 FFO growth of 2.7% (previously: 3.9%).

Current interest rate costs warrant a bump in cap rates

Across the Residential REITs sector, we are increasing our applied cap rates given the move in interest rates. As a result, we are lowering our POs across the sub-sector. As shown in Exhibit 6, the spread between private market cap rates and the 10-year Treasury has narrowed to +66bp vs. the historical (2011-19) average of +300bp. Our Apartment models now assume the spread is roughly half of its historical average. See Exhibit 7 for the comparison between our new and previous applied cap rates.

SUI: more headwinds to growth since our downgrade

All eyes are on SUI after a \$358.5mn loan SUI issued to Robert Bull defaulted. Guidance assumed the loan was repaid mid-3Q and proceeds were used to pay down debt. They plan to sell the underlying collateral as soon as they get it out of receivership. Additionally, SUI announced the sale of its stake in Ingenia. We update our model to reflect these announcements and a business interruption add back of \$5.5mn per quarter. We lower our PO to \$110 from \$128 and our '24 estimate to \$7.26 from \$7.30. Key question is on its ability to collect on the underlying collateral for the defaulted loan.

CPT & MAA: our 2024 estimates are below the Street

After reviewing our models, we are lowering 2024 core FFO estimates for CPT and MAA to \$6.97 (2.7pp below Street) and \$9.29 (1.5pp below Street), respectively.

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See key terms inside

See PO & estimate changes inside

Key reports:

[Residential REITs operating update: mixed](#)[Apt update: AMH shines brightest](#)[Residential REITs operating update: more](#)[mixed updates from Apartments](#)[Residential REITs operating update part 3:](#)[ELS and SUI](#)[Residential REITs operating update part 4:](#)[UDR QTD update weaker than we expected](#)[Apartment cap rate analysis](#)

Same store estimates vs. Street

Exhibit 1: Same store metrics vs. Street for 3Q23E (Y/Y)

Our estimates for 3Q23 are in line with the Street

	Revenue growth		Expense growth		NOI growth		Blended lease rate growth	
	BofAe	Street	BofAe	Street	BofAe	Street	BofAe	Street
Apartment								
AVB	5.1%	4.4%	7.9%	6.7%	4.5%	4.9%	3.5%	n.a.
CPT	4.5%	4.6%	7.6%	7.4%	2.8%	4.0%	3.8%	3.6%
EQR	4.6%	4.2%	3.4%	3.2%	5.1%	5.6%	3.5%	n.a.
ESS	2.6%	3.1%	3.5%	3.8%	2.3%	2.7%	2.3%	n.a.
MAA	3.2%	3.6%	5.4%	4.4%	2.0%	3.0%	2.1%	n.a.
UDR	5.0%	5.0%	3.6%	2.9%	5.6%	6.1%	2.1%	n.a.
SFR								
AMH	6.3%	6.2%	11.0%	10.6%	3.7%	4.7%	7.6%	n.a.
INVH	6.0%	6.2%	7.3%	8.7%	5.4%	5.0%	6.4%	6.4%
MH								
ELS	4.8%	5.7%	5.0%	6.4%	4.7%	5.8%	n.a.	n.a.
SUI	6.3%	5.7%	7.6%	6.3%	5.8%	4.8%	n.a.	n.a.

Source: Visible Alpha, BofA Global Research estimates

Note: For ESS and UDR, same store metrics are on cash basis; others are on GAAP basis.

Street consensus are pulled from Visible Alpha

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Exhibit 2: Same store metrics vs. Street for 4Q23E (Y/Y)

Our estimates for 4Q23 are in line with the Street

	Revenue growth		Expense growth		NOI growth		Blended lease rate growth	
	BofAe	Street	BofAe	Street	BofAe	Street	BofAe	Street
Apartment								
AVB	3.8%	4.1%	3.5%	5.8%	4.0%	4.6%	3.0%	n.a.
CPT	4.3%	4.3%	7.1%	7.6%	2.8%	3.7%	2.7%	2.9%
EQR	3.9%	4.2%	2.2%	2.5%	4.7%	5.4%	3.2%	n.a.
ESS	2.4%	2.7%	3.3%	3.2%	2.1%	2.5%	2.4%	n.a.
MAA	2.2%	2.6%	4.4%	4.7%	1.1%	1.2%	1.9%	n.a.
UDR	4.6%	4.5%	2.8%	3.5%	5.3%	5.0%	2.6%	n.a.
SFR								
AMH	5.8%	5.7%	6.9%	7.0%	5.2%	6.2%	5.3%	n.a.
INVH	5.1%	5.4%	4.1%	3.1%	5.6%	6.5%	4.4%	5.9%
MH								
ELS	6.9%	6.2%	7.8%	6.8%	6.3%	6.6%	n.a.	n.a.
SUI	6.2%	6.0%	7.6%	3.1%	5.4%	8.6%	n.a.	n.a.

Source: Visible Alpha, BofA Global Research estimates

Note: For ESS and UDR, same store metrics are on cash basis; others are on GAAP basis.

Street consensus are pulled from Visible Alpha

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Exhibit 3: Same store metrics vs. Street for 2024E (Y/Y)

Our estimates for 2024 are slightly higher than the Street

	Revenue growth		Expense growth		NOI growth		Blended lease rate growth	
	BofAe	Street	BofAe	Street	BofAe	Street	BofAe	Street
Apartment								
AVB	3.9%	3.3%	5.9%	4.0%	3.0%	3.0%	2.8%	n.a.
CPT	3.6%	3.0%	4.3%	3.9%	3.2%	2.4%	2.7%	2.2%
EQR	4.1%	3.5%	4.2%	3.8%	4.1%	3.4%	2.9%	n.a.
ESS	4.0%	3.0%	3.5%	3.5%	4.2%	2.9%	3.3%	n.a.
MAA	3.6%	2.3%	3.4%	4.3%	3.7%	1.4%	3.2%	n.a.
UDR	4.6%	3.2%	4.8%	3.6%	4.5%	3.1%	3.7%	n.a.
SFR								
AMH	5.5%	4.7%	7.2%	5.6%	4.6%	4.2%	4.8%	n.a.
INVH	4.7%	4.3%	6.3%	5.2%	3.9%	4.0%	4.5%	4.5%
MH								
ELS	6.3%	5.2%	5.4%	5.4%	7.0%	5.1%	n.a.	n.a.
SUI	5.1%	4.6%	6.5%	4.7%	4.3%	4.3%	n.a.	n.a.

Source: Visible Alpha, BofA Global Research estimates

Note: For ESS and UDR, same store metrics are on cash basis; others are on GAAP basis.

Street consensus are pulled from Visible Alpha

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Exhibit 4: FFO estimates vs. Street

Our estimates for 3Q23 are in line with the Street

	3Q23E		4Q23E		2024E		2024E FFO growth	
	BofA	Street	BofA	Street	BofA	Street	BofA	Street
Apartment								
AVB	\$2.61	\$2.63	\$2.73	\$2.72	\$11.34	\$11.15	7.2%	5.2%
CPT	\$1.69	\$1.73	\$1.73	\$1.79	\$6.97	\$7.16	2.7%	4.2%
EQR	\$0.97	\$0.97	\$1.00	\$1.01	\$3.98	\$3.98	5.3%	4.8%
ESS	\$3.73	\$3.77	\$3.86	\$3.84	\$15.37	\$15.53	2.7%	3.3%
MAA	\$2.25	\$2.27	\$2.32	\$2.34	\$9.29	\$9.43	1.8%	2.8%
UDR	\$0.62	\$0.63	\$0.64	\$0.65	\$2.58	\$2.59	4.5%	4.1%
SFR								
AMH	\$0.41	\$0.41	\$0.42	\$0.42	\$1.77	\$1.76	7.3%	6.5%
INVH	\$0.44	\$0.45	\$0.45	\$0.46	\$1.89	\$1.90	6.2%	6.3%
MH								
ELS	\$0.71	\$0.72	\$0.74	\$0.72	\$2.98	\$3.03	4.6%	6.3%
SUI	\$2.50	\$2.50	\$1.41	\$1.42	\$7.26	\$7.57	2.3%	6.3%

Source: Visible Alpha, BofA Global Research estimates

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Texas exposure

Exhibit 5: Texas exposure of each residential REIT
CPT has the largest Texas exposure of 24.7% as of 2Q23.

Ticker	Texas exposure as of 2Q23
CPT	24.7%
IRT	18.9%
MAA	24.4%
UDR	8.9%
AMH	12.0%
INVH	4.2%
SUI	6.3%
ELS	6.2%

Source: company filings
Note: IRT is not covered by BofA.
CPT: NOI contribution by Market (Operating communities)
IRT: As a percentage of total NOI
MAA: As a percentage of Same Store NOI
UDR: As a percentage of total NOI
AMH: As a percentage of same home NOI
INVH: As a percentage of same home NOI
ELS: As a percentage of total # of sites - as of year-end 2022
SUI: As a percentage of total NOI

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Apartment cap rate

In the monthly [Apartment cap rate analysis report](#), we track private market cap rates for apartments using Real Capital Analytics (RCA) transaction data by MSA. We then overlay these cap rates onto each Apartment REIT's geographic exposure to build up to a portfolio-wide private market cap rate.

Exhibit 6: Spread between private market cap rates and 10-year Treasury yield

The spread between private market cap rates and the 10-year Treasury has narrowed significantly.

Ticker	Current spread	Historical average spread
AVB	0.78%	2.58%
AIRC*	0.47%	3.01%
CPT	0.79%	3.53%
EQR	0.72%	2.62%
ESS	0.38%	2.27%
IRT*	0.84%	3.55%
MAA	0.39%	3.21%
UDR	0.69%	2.86%
VRE	0.91%	3.37%
Average	0.66%	3.00%

Source: RCA analytics, company filings, S&P Global

Note: *Not covered by BofA.

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Exhibit 7: Our applied cap rates for residential REITs

We raised applied cap rates for apartment REITs

	New	Previous
AVB	5.9%	5.4%
CPT	6.5%	5.7%
EQR	6.2%	5.3%
ESS	5.8%	5.4%
MAA	6.3%	5.7%
UDR	6.1%	5.4%
VRE	6.4%	5.5%
AMH	5.0%	5.0%
INVH	5.0%	5.0%
ELS	4.7%	3.7%
SUI	5.5%	5.4%

Source: BofA Global Research estimates

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Key quotes from BofA Global Conference

AVB

- **Views on operating expenses for 2024:**
 - **Payroll:** "I think on the sort of places where we think expenses will be constrained, effectively the opportunity to maybe have continued lower expenses in '24 relative to '23, payroll is on the top of that list."
 - **Taxes:** "I'd say, on a more relatively stable category in expenses, taxes, putting aside New York City pilots, we expect to be relatively stable."
 - **Utilities:** "we expect to be relatively stable."
 - **Insurance:** "The higher -- potential higher expenses for 2024, insurance, we're better positioned than most there, but expect some continued insurance pressure."
 - **Legal costs:** "And then I'll talk more about bad debt, but the increased legal costs. We're benefiting a lot from improved bad debt right now, but there is increased legal costs associated with it. So that could lead to some higher expense increases for 2024."
- **Renewal lease rate:** "we've been sending out renewal notices for September and October in the 5.5% range. We do, as usual, negotiate some off of that. Then you can kind of think about 150 basis points sort of negotiation discount, but kind of achieving in that 4% type of range."
- **Loss to lease today:** "at this point, our loss-to-lease is about 3.5%. So a little bit elevated relative to a normal year."

CPT

- **Property taxes:** "the state of Texas, where we have obviously a big presence, just reduced the school tax component of property taxes pretty significantly, and it's got to be ratified by the voters in November, but everybody thinks it's going to pass. But you're talking multiple millions of dollars in savings just for Camden's portfolio this year, and that's only a partial year. So we're going in line to see some pretty significant property tax savings in our Texas portfolio."
- **Property insurance:** "our increase in insurance expense as a result of that renewal was up about 40% over the prior year."
- **Personnel expense:** "my guess is 2024 is going to be another above-trend year for wage growth, but we'll see."

EQR

- **Lease rate growth:** "Lease rates for us peaked the second week of August and have been declining."
- **Earn in for 2024:** "The beginning of this year, it was four percentage points for us, a little bit above that. That's a very high number. That number for us is usually 50 basis points to one percentage point. The way we're talking about it with you all at this point is assuming the year ends as we would expect. The earn-in or embedded growth would be somewhere between those two poles, but further away from four."
- **Supply impact:** "And the hurricane of supply is offshore, okay? It is not yet onshore. The amount of supply in the Sunbelt markets in '24 and '25 is very significant. And because it's compounds for years, it will affect rents for several years."

- **Operating expense for 2024:**

- **Property insurance:** "Our insurance costs were up 20%. I would expect a similarly strong number or high number next year."
- **Real estate taxes:** "Property taxes for us this year are about 2.5%. I think they'll be a little higher next year."
- **Payroll, R&M & utilities:** "I think we'll do better on payroll. This year is going to be a 5% payroll year for us that's higher than we usually put up. There's some special reasons for that. I think next year will be lower and hopefully, the same on repairs and maintenance and utilities."
- **Other operating expenses:** "I think we won't have as high a number on -- there's a line we call other operating costs, which is usually pretty low, but it does include legal costs from processing evictions. I think next year will be much, much lower. That's a line item as millions of dollars running through it."
- **Overall:** "So I'd say it will be above what it was the last five years for us. We had years where same-store expense growth was 1.5%. It's going to be higher than that, I would think. But I think the number we put up this year is probably the high end of the range for next year."

ESS

- **Loss to lease:** "So our loss-to-lease is 1.6% through August. We haven't disclosed our earn-in yet. I think it's a little too early to discuss that at this point. But we use our loss-to-lease as a proxy for where our earn-in will be in '24. We'll know more in September, but we have peaked in terms of rents, and so we would expect that loss-to-lease to come down a little bit from here."

MAA

- **Blended lease rate growth:** "So I think that would put the second half a little bit below 3%, call it, 2.5% range, something like that, 2% and 2.5% range."
- **New and renewal lease rate growth:** "we would expect renewals to be pretty stable in the 4.5% to 5.5% band for the back half of the year and the new lease be the most competitive point, call it, 1.5% maybe from 0 to negative 2% down as the most competitive point for the remainder of the year."
- **Real estate taxes:** "The taxes legislation should give us some relief there. And so we're looking at -- continue to look into that. But then as you see cap rates move up and some of our properties out there kind of stable off from a revenue growth standpoint, we expect those property valuations to slow down, and that will benefit us from the real estate tax standpoint as well."
- **Insurance:** "insurers are still probably going to be looking to try to recoup some of the losses that they've had over the past several years. And so that could continue to be a challenge for us."
- **Personnel and R&M expenses:** "Personnel and repair and maintenance, we expect that to moderate from where it's sitting today, and it's been moderating over the first half of the year, and we expect that to continue over the latter half of the year. And we expect also that to, going into next year as well, we'll have more to say about that in the coming months."



UDR

- **Lease rate growth:** "when you look at our blends of 2%, they're really made up of 4.5% to 5% renewals, offset by a negative new lease growth."
- **Loss to lease:** "You look at here and see the portfolio level loss to lease of 2%."
- **Potentially capturing loss to lease:** "That's why all else equal, if we see normal seasonal patterns as we move into 4Q, demand continues to hold up, we battle against supply, you come up on easier comps and see that news potentially start to move higher and start to capture some of that loss to lease."
- **Operating expenses for 2H23:** "I think previously we expect a pretty big drop-off on year-over-year growth in expenses in the second half versus first half. we do see that occurring."
- **Operating expenses for 2024:** "As it relates to next year, next year kind of feels a lot like this year, to be honest, in terms of the kind of overall levels when you mash everything together."
- **Insurance renewal in December:** "But you're probably looking at another challenging year. Last year, we were at 20-plus percent. Wouldn't be surprised by the same type of levels this year."

AMH

- **Insurance:** "We renewed in the first quarter. We saw an increase in the 20s, which is pretty consistent with our expectations what we had contemplated in guidance." "Unfortunately, I don't see things changing in the near term from an insurance market perspective overall."
- **Real estate taxes:** "based on the information we have kind of a not seeing anything out of balance with what's contemplated in our guidance, which, as a reminder, at the midpoint, contemplates property tax growth this year of 9%." "Our view is that property taxes over time directionally trend with home price appreciation."

SUI

- **MH rental rate growth:** "This year, we are building up to an increase of about 6.3%, 6.4% by the end of the year."
- **Insurance:** "The overall insurance market, I would say has not improved as far as macro backdrop for insurance. I think what's particular to Sun is the fact that we largely have the same insurance program as we've had historically. So low -- very low deductibles, very little inside of the captive insurance company that we've set up and very little self-insurance as it relates to our insurance stack."

PO & estimate changes

Exhibit 8: Summary of PO changes

Updated price objectives after review of models

Ticker	Old PO	New PO	QRQ	Price
AVB	\$215.00	\$191.00	B-1-7	\$176.42
CPT	\$121.00	\$101.00	B-2-7	\$96.47
EQR	\$83.00	\$68.00	B-1-7	\$59.89
ESS	\$262.00	\$231.00	B-2-7	\$219.46
MAA	\$158.00	\$136.00	B-2-7	\$131.42
UDR	\$49.00	\$42.00	B-1-7	\$36.15
VRE	\$21.00	\$17.00	B-2-7	\$15.79
AMH	\$43.00	\$40.00	B-1-7	\$34.85
INVH	\$41.00	\$38.00	B-1-7	\$32.54
ELS	\$81.00	\$70.00	A-1-7	\$64.58
SUI	\$128.00	\$110.00	B-2-7	\$104.85

Source: BofA Global Research, prices as of 10/15/2023

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Exhibit 9: Summary of estimate changes

Updated FFO estimates after review of models

Ticker	2023E		2024E		2025E		2026E		2027E	
	Old	New	Old	New	Old	New	Old	New	Old	New
ELS	\$2.86	\$2.85	\$3.04	\$2.98	\$3.20	\$3.10	\$3.35	\$3.22	\$3.49	\$3.30
INVH	\$1.79	\$1.78	\$1.91	\$1.89	\$2.05	\$1.96	\$2.15	\$1.99	\$2.25	\$2.04
VRE	\$0.54	\$0.54	\$0.68	\$0.65	\$0.88	\$0.76	\$1.07	\$0.92	\$1.25	\$1.04

Source: BofA Global Research estimates

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AVB (B-1-7)

After reviewing our model, we are including the Structured Investment Program income in our model, assuming the full balance of \$450mn will be deployed by mid-2025. We are lowering our PO to \$191 from \$215. Our \$191 price objective for AVB trades in line with our new forward NAV estimate of \$191. We derive our NAV estimate by applying a 5.9% cap rate (previously 5.4%) to our forward NOI estimate of \$1.9bn. We use a 5.9% cap rate based on our outlook for interest rates and current market/transaction comps.

CPT (B-2-7)

After reviewing our model, we are lowering our PO to \$101 from \$121. Our \$101 price objective for CPT trades at a 10% discount to our new forward NAV estimate of \$113. We derive our NAV estimate by applying a 6.5% cap rate (previously 5.7%) to our forward NOI estimate of \$1.0bn. We use a 6.5% cap rate based on our outlook for interest rates and current market/transaction comps.

EQR (B-1-7)

After reviewing our model, we are lowering our PO to \$68 from \$83. Our \$68 price objective for EQR trades in line with our new forward NAV estimate of \$68. We derive our NAV estimate by applying a 6.2% cap rate (previously 5.3%) to our forward NOI estimate of \$2.1bn. We use a 6.2% cap rate based on our outlook for interest rates and current market/transaction comps.

ESS (B-2-7)

After reviewing our model, we are lowering our PO to \$231 from \$262. Our \$231 price objective for ESS trades at a 5% discount to our new forward NAV estimate of \$243. We derive our NAV estimate by applying a 5.8% cap rate (previously 5.4%) to our forward NOI estimate of \$1.2bn. We use a 5.8% cap rate based on our outlook for interest rates and current market/transaction comps.



MAA (B-2-7)

After reviewing our model, we are lowering our PO to \$136 from \$158. Our \$136 price objective for ESS trades at a 10% discount to our new forward NAV estimate of \$152. We derive our NAV estimate by applying a 6.3% cap rate (previously 5.7%) to our forward NOI estimate of \$1.4bn. We use a 6.3% cap rate based on our outlook for interest rates and current market/transaction comps.

UDR (B-1-7)

After reviewing our model, we are lowering our PO to \$42 from \$49. Our \$42 price objective for UDR trades in line with our new forward NAV estimate of \$42. We derive our NAV estimate by applying a 6.1% cap rate (previously 5.4%) to our forward NOI estimate of \$1.2bn. We use a 6.1% cap rate based on our outlook for interest rates and current market/transaction comps.

VRE (B-2-7)

After reviewing our model, we are lowering our estimates (see the table above) and lowering our PO to \$17 from \$21. Our \$17 price objective for VRE trades at a 10% discount to our new forward NAV estimate of \$18. We derive our NAV estimate by applying a 6.4% cap rate (previously 5.5%) to our forward NOI estimate of \$203.8mn. We use a 6.4% cap rate based on our outlook for interest rates and current market/transaction comps.

AMH (B-1-7)

After reviewing our model, we are lowering our PO to \$40 from \$43. Our \$40 price objective for AMH trades in line (previously 5% premium) with our new forward NAV estimate of \$40. We are removing the premium because of rising interest rates. We derive our NAV estimate by applying a 5.0% cap rate (unchanged) to our forward NOI estimate of \$940.0mn. We use a 5.0% cap rate based on our outlook for interest rates and current market/transaction comps.

INVH (B-1-7)

After reviewing our model, we are lowering our estimates (see the table above) and lowering our PO to \$38 from \$41. Our \$38 price objective for INVH trades at a 5% discount (previously trades in line) to our new forward NAV estimate of \$40. We are assuming the uncertainty around their ability to continue pushing rate above peer AMH and more mixed commentary on fundamentals heading into 4Q. We believe a discount is now warranted. We derive our NAV estimate by applying a 5.0% cap rate (unchanged) to our forward NOI estimate of \$1.6bn. We use a 5.0% cap rate based on our outlook for interest rates and current market/transaction comps.

ELS (A-1-7)

After reviewing our model, we are lowering our estimates (see the table above) and lowering our PO to \$70 from \$81. Our \$70 price objective for ELS trades at a 20% premium (previously trades in line) to our new forward NAV estimate of \$58. 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 4.7% cap rate (previously 3.7%) to our forward NOI estimate of \$613.4mn. We use a 4.7% cap rate based on our outlook for interest rates and current market/transaction comps.

SUI (B-2-7)

After reviewing our model, we are lowering our PO to \$110 from \$128. Our \$110 price objective for SUI trades at a 10% discount (previously trades in line) to our new forward NAV estimate of \$122. We believe the discount is warranted given the uncertainty around its UK business and a recent default on a note receivable. We derive our NAV estimate by applying a 5.5% cap rate (previously 5.4%) to our forward NOI estimate of \$1.3bn. We use a 5.5% cap rate based on our outlook for interest rates and current market/transaction comps.

Key terms

Apt: apartment
 FFO: funds from operation
 GSE: Government-Sponsored Enterprise
 JV: joint venture
 MH: manufactured housing
 MSA: Metropolitan statistical area
 PO: price objective
 pp: percentage point
 QTD: quarter to date
 RV: recreational vehicle
 SFR: single-family rental
 SS: same store
 Y/Y: year over year
 YTD: year to date
 AIRC: Apartment Investment and Management Co
 AVB: AvalonBay Communities Inc
 CPT: Camden Property Trust
 EQR: Equity Residential
 ESS: Essex Property Trust Inc
 IRT: Independence Realty Trust Inc
 MAA: Mid-America Apartment Communities Inc
 UDR: UDR, Inc.
 VRE: Veris Residential Inc
 AMH: American Homes 4 Rent
 INVH: Invitation Homes Inc
 ELS: Equity LifeStyle Properties Inc
 SUI: Sun Communities Inc

Exhibit 10: Companies Mentioned

These are the REITs mentioned in this report

Ticker	PO (\$)	Rating	QRQ	Price
AVB	191.00	BUY	B-1-7	\$176.42
CPT	101.00	NEUTRAL	B-2-7	\$96.47
EQR	68.00	BUY	B-1-7	\$59.89
ESS	231.00	NEUTRAL	B-2-7	\$219.46
MAA	136.00	NEUTRAL	B-2-7	\$131.42
UDR	42.00	BUY	B-1-7	\$36.15
VRE	17.00	NEUTRAL	B-2-7	\$15.79
AMH	40.00	BUY	B-1-7	\$34.85
INVH	38.00	BUY	B-1-7	\$32.54
ELS	70.00	BUY	A-1-7	\$64.58
SUI	110.00	NEUTRAL	B-2-7	\$104.85

Source: BofA Global Research, prices as of 10/15/2023

BofA GLOBAL RESEARCH

Price objective basis & risk

American Homes 4 Rent (AMH)

Our \$40 PO for AMH trades in line with our forward NAV estimate. We now apply a 5.0% cap rate to our forward stabilized NOI estimate. We derive current cap rates from Zillow based on median home prices and rents per MSA. Upside and downside risks to our PO are: inability to obtain financing for further acquisitions, acquisition pace of homes faster/slower than expected, home price appreciation faster/slower than expected (impacting the number of homes that can be acquired), transaction cap rates in its



markets are higher/lower than what we're applying in the NAV, and stabilized NOI generated from its homes is higher/lower than expected.

AvalonBay Communities Inc (AVB)

Our \$191 price objective for AVB trades in line with its forward NAV estimate. We apply a 5.9% cap rate to our forward NOI estimate to derive our NAV estimate. We use 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 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 \$101 trades at a 10% discount to our forward NAV estimate. We derive our NAV estimate from applying a 6.5% cap rate to our forward NOI estimate. We use a 6.5% 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 LifeStyle Properties (ELS)

Our \$70 price objective for ELS trades at a 20% premium to our forward NAV estimate. We derive our NAV estimate by applying a 4.7% cap rate to our forward NOI estimate. We use a 4.7% 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.

Equity Residential (EQR)

Our \$68 PO for EQR trades in line with our forward NAV. We derive our NAV estimate by applying a 6.2% cap rate to our forward NOI estimate. We use a 6.2% 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 \$231 price objective trades at a 5% discount with our forward NAV estimate. We derive our one year forward NAV estimate by applying a 5.8% cap rate to our forward NOI estimate. We use 5.8% 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.

Invitation Homes Inc (INVH)

Our \$38 PO for INVH trades at a 5% discount to our forward NAV estimate. We apply a 5.0% cap rate to our forward stabilized NOI estimate. We derived current cap rates based on our view of interest rates over the next year, current private market/transaction comps, and INVH's current market exposure. Upside and downside risks to our PO are: access to financing, lower/higher interest rates, high/lower macro growth, lower/higher mortgage availability for homeowners, home price appreciation faster/slower than expected (impacting the number of homes that can be acquired and/or NAV), acquisition pace of homes faster/slower than expected, transaction cap rates in its markets are lower/higher than what we're applying in the NAV, and stabilized NOI generated from its homes is higher/lower than expected.

Mid-America Apartment Communities, Inc. (MAA)

Our \$136 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.

Sun Communities (SUI)

Our \$110 price objective for SUI trades at a 10% discount to our forward NAV estimate. We derive our NAV estimate by applying a 5.5% cap rate to our forward NOI estimate. We use a 5.5% rate based on our view of interest rates over the next year, current private market/transaction comps, and the market exposure of SUI. 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.

UDR, Inc. (UDR)

Our \$42 price objective for UDR assumes the stock trades in line with our forward NAV estimate. We apply a 6.1% cap rate to our forward NOI estimate to derive our NAV. We use a 6.1% 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.

Veris Residential Inc (VRE)

Our price objective of \$17.00 for VRE is a -10.0% discount to our forward NAV estimate. This discount reflects above average leverage which presents higher risk given tighter capital market conditions, below average earnings visibility and execution risk on efforts to lease large blocks of vacant space. We apply a 6.4% blended cap rate to our forward

NOI estimate. We base our cap rates on our view of interest rates over the next year, current private market/transaction comps, and the market exposure of VRE. Upside risks to our PO are plan execution, operating conditions and investment yields above our expectations, and capital focused on VRE's markets driving asset values higher. Downside risks to our PO are plan execution, operating conditions, investment yields and disposition cap rates below our expectations. Further, a prolonged period of tight credit market conditions could weigh on the shares.

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
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 LifeStyle Properties	ELS	ELS US	Jeffrey Spector
	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
	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 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.

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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.

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