

Residential REITs

BofA's jobless claims tracker – a real time snapshot on the state of Resi demand

Industry Overview

Jobless claims data can help assess demand risk

In this report, we track the Department of Labor's (DoL) unemployment claims (initial and continued) data. The data is useful for tracking potential changes in demand for the Residential REITs. Jobless claims are filed weekly providing a real time snapshot on the state of the labor market. We publish this report bi-weekly to provide insight into the current state of the labor market and implications for the Residential REITs.

Sunbelt has strong demand but supply risk too acute in '24

As Exhibit 2 highlights, the absolute levels of initial jobless claims as a percent of the population are lower in the Sunbelt (0.5%) than in Gateway (1.3%). On a relative basis, Exhibit 2 shows that Sunbelt (-1bp) is outperforming Gateway (+12bp) in 1Q24. Note that a positive change reflects an increase in claims as a percent of the population (negative for demand). We have Underperforms on both Sunbelt Apartment REITs (Camden [CPT, \$94.48, B-3-7] and Mid-America [MAA, \$125.68, B-3-7]) given the supply risk.

Little relative change between Gateway & Sunbelt

Exhibit 1 shows jobless claims indexed to 100 at the start of '23. Jobless claims in the Gateway markets started rising in October '22 and peaked in March '23. We attribute this increase to tech layoff announcements. Since July '23, there has been little relative change between Gateway & Sunbelt markets. We will be watching closely for any signs of a weakening labor market. Please see inside for more charts and tables highlighting the relative performance across markets and REITs.

Exhibit 2: Total initial jobless claims during the quarter as a percent of the population

Initial claims are trending better than last year

	1Q24	Rank	4Q23	Δ Q/Q	Rank	1Q23	Δ Y/Y	Rank
National	0.8%		0.8%	-1bps ▼		0.9%	-4bps ▼	
Gateway	1.3%	2	1.2%	12bps ▲	2	1.3%	-2bps ▼	1
Sunbelt	0.5%	1	0.6%	-1bps ▼	1	0.6%	-1bps ▼	2
Apartment REITs								
AIRC	1.3%	6	1.2%	12bps ▲	6	1.3%	-4bps ▼	4
AVB	1.4%	7	1.3%	14bps ▲	7	1.5%	-4bps ▼	6
CPT	0.8%	3	0.7%	3bps ▲	3	0.8%	-2bps ▼	8
EQR	1.5%	8	1.3%	15bps ▲	8	1.5%	-4bps ▼	3
ESS	1.6%	9	1.4%	17bps ▲	9	1.6%	-6bps ▼	1
MAA	0.6%	1	0.6%	-1bps ▼	2	0.6%	-1bps ▼	9
UDR	1.2%	5	1.1%	11bps ▲	5	1.2%	-3bps ▼	7
SFR REITs								
AMH	0.6%	2	0.6%	-4bps ▼	1	0.6%	-5bps ▼	2
INVH	0.9%	4	0.9%	7bps ▲	4	1.0%	-4bps ▼	5

Source: Department of Labor, Haver Analytics, company filings

Note: current quarter sum is projected based on QTD data available.

Gateway consists of CA, D.C., MA, NY, WA; Sunbelt consists of AZ, FL, GA, NC, TN, TX

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Equity
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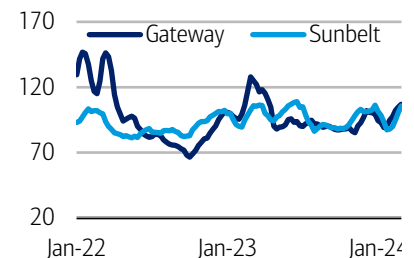
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See Team Page for List of Analysts

Exhibit 1: Gateway vs sunbelt markets

T4Wk average of Initial jobless claims, indexed to 100 on 1/7/2023



Source: Department of Labor, Haver Analytics

Note: Gateway consists of CA, D.C., MA, NY, WA;

Sunbelt consists of AZ, FL, GA, NC, TN, TX

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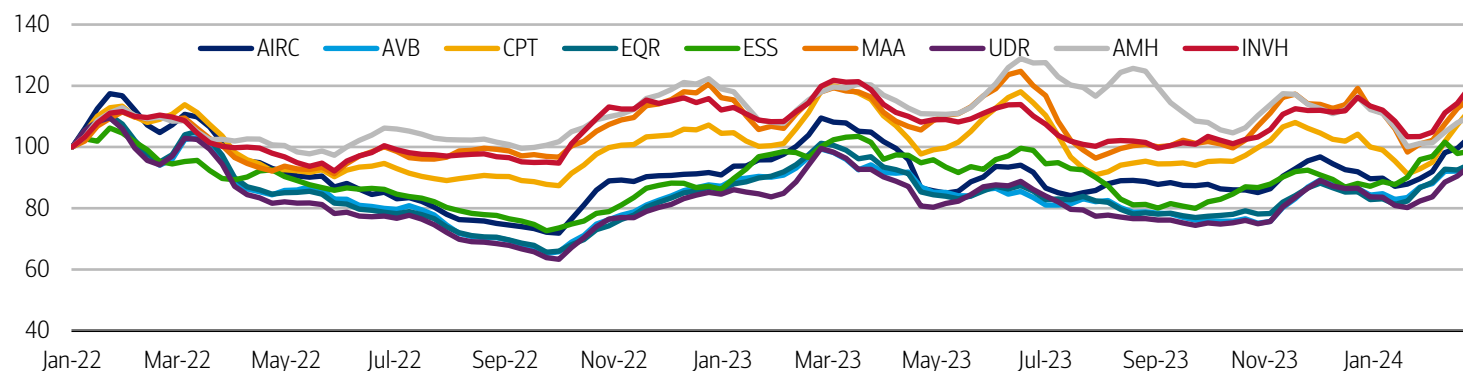
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Exhibit 3 Relative performance of initial jobless claims across each REIT's portfolio

Trailing four-week average of Initial jobless claims, indexed to 100 on 1/1/2022; Initial claims in Residential REITs are trending higher since October 2022

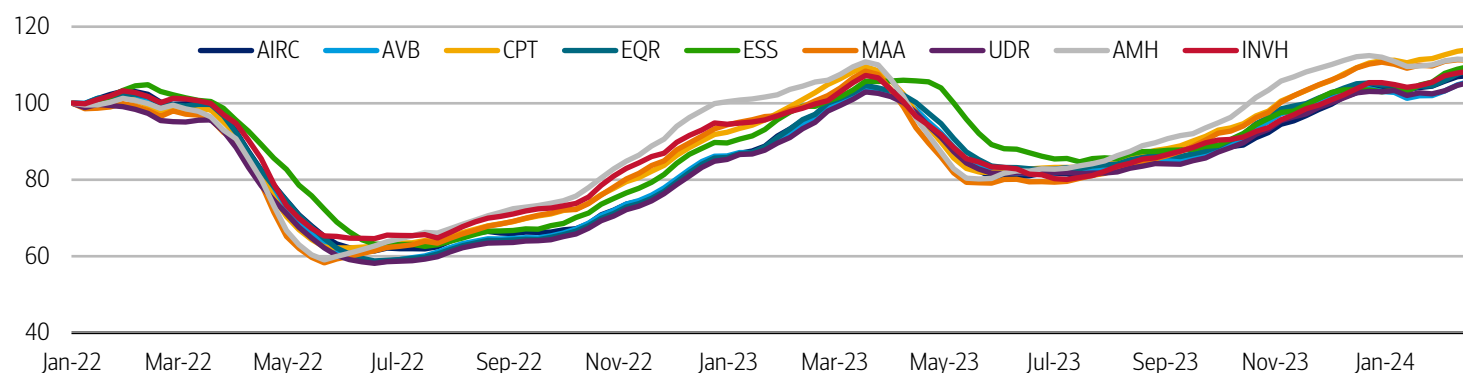


Source: Department of Labor, Haver Analytics, company filings

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Exhibit 4: Relative performance of continuing jobless claims across each REIT's portfolio

Trailing four-week average of continuing jobless claims, indexed to 100 on 1/1/2022; Continuing claims in Residential REITs are trending higher since June 2022

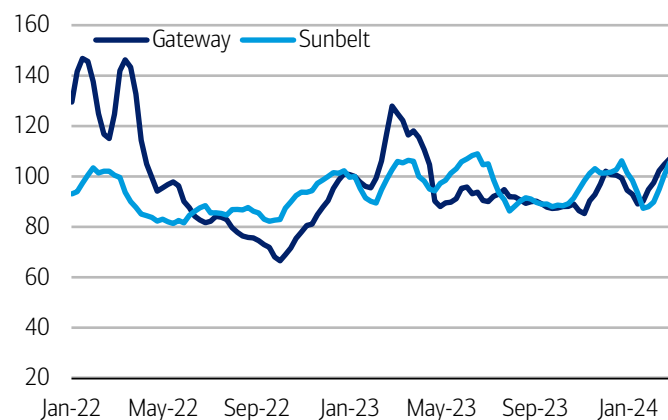


Source: Department of Labor, Haver Analytics, company filings

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Exhibit 5: Initial jobless claims - Gateway vs sunbelt markets

T4Wk average of Initial jobless claims, indexed to 100 on 1/7/2023; Sunbelt is in line with Gateway since July 2023



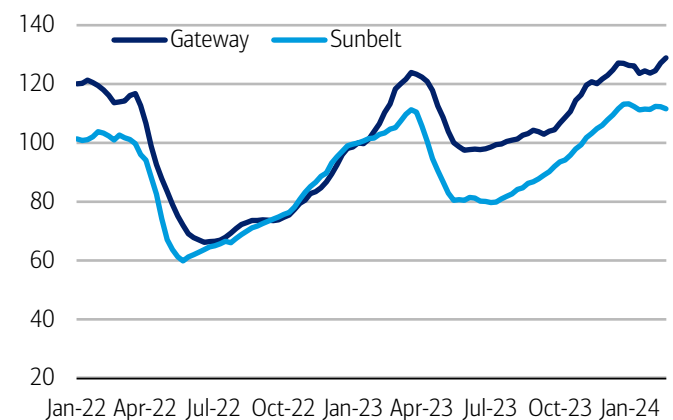
Source: Department of Labor, Haver Analytics

Note: Gateway consists of CA, D.C., MA, NY, WA; Sunbelt consists of AZ, FL, GA, NC, TN, TX

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Exhibit 6: Continuing jobless claims - Gateway vs sunbelt markets

T4Wk average of continuing jobless claims, indexed to 100 on 1/7/2023; Sunbelt is outperforming Gateway since January 2023



Source: Department of Labor, Haver Analytics

Note: Gateway consists of CA, D.C., MA, NY, WA; Sunbelt consists of AZ, FL, GA, NC, TN, TX

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Jobless claims per population

In the charts below we calculate jobless claims as a percentage of the population. We believe looking at claims as a percent of the population normalizes the data for the size of each state.

Exhibit 7: Total initial jobless claims during the quarter as a percent of the population

Initial claims are trending better than last year

	1Q24	Rank	4Q23	Δ Q/Q	Rank	1Q23	Δ Y/Y	Rank
National	0.8%		0.8%	-1bps ▼		0.9%	-4bps ▼	
Gateway	1.3%	2	1.2%	12bps ▲	2	1.3%	-2bps ▼	1
Sunbelt	0.5%	1	0.6%	-1bps ▼	1	0.6%	-1bps ▼	2
Apartment REITs								
AIRC	1.3%	6	1.2%	12bps ▲	6	1.3%	-4bps ▼	4
AVB	1.4%	7	1.3%	14bps ▲	7	1.5%	-4bps ▼	6
CPT	0.8%	3	0.7%	3bps ▲	3	0.8%	-2bps ▼	8
EQR	1.5%	8	1.3%	15bps ▲	8	1.5%	-4bps ▼	3
ESS	1.6%	9	1.4%	17bps ▲	9	1.6%	-6bps ▼	1
MAA	0.6%	1	0.6%	-1bps ▼	2	0.6%	-1bps ▼	9
UDR	1.2%	5	1.1%	11bps ▲	5	1.2%	-3bps ▼	7
SFR REITs								
AMH	0.6%	2	0.6%	-4bps ▼	1	0.6%	-5bps ▼	2
INVH	0.9%	4	0.9%	7bps ▲	4	1.0%	-4bps ▼	5

Source: Department of Labor, Haver Analytics, company filings

Note: current quarter sum is projected based on QTD data available.

Gateway consists of CA, D.C., MA, NY, WA; Sunbelt consists of AZ, FL, GA, NC, TN, TX

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Exhibit 8: Average continued jobless claims during the quarter as a percent of the population

Continued claims are trending worse than last year

	1Q24	Rank	4Q23	Δ Q/Q	Rank	1Q23	Δ Y/Y	Rank
National	0.6%		0.5%	1bps ▲		0.5%	4bps ▲	
Gateway	1.0%	2	1.0%	4bps ▲	2	1.0%	6bps ▲	2
Sunbelt	0.3%	1	0.3%	2bps ▲	1	0.3%	3bps ▲	1
Apartment REITs								
AIRC	0.9%	6	0.9%	7bps ▲	7	0.9%	4bps ▲	5
AVB	1.1%	7	1.0%	6bps ▲	6	1.0%	5bps ▲	7
CPT	0.5%	3	0.5%	4bps ▲	3	0.5%	4bps ▲	4
EQR	1.1%	8	1.0%	7bps ▲	8	1.0%	5bps ▲	9
ESS	1.1%	9	1.0%	9bps ▲	9	1.1%	5bps ▲	8
MAA	0.4%	1	0.4%	2bps ▲	2	0.3%	3bps ▲	3
UDR	0.9%	5	0.8%	5bps ▲	5	0.8%	4bps ▲	6
SFR REITs								
AMH	0.4%	2	0.4%	1bps ▲	1	0.4%	3bps ▲	2
INVH	0.6%	4	0.6%	5bps ▲	4	0.6%	2bps ▲	1

Source: Department of Labor, Haver Analytics, company filings

Note: current quarter average is calculated with QTD data available.

Gateway consists of CA, D.C., MA, NY, WA; Sunbelt consists of AZ, FL, GA, NC, TN, TX

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Key terms

Mkts: Markets

T4Wk: Trailing 4-Week Average

Resi: Residential

SA: Seasonally Adjusted

SFR: Single Family Rental

AZ: Arizona

CA: California

D.C.: Washington D.C.

FL: Florida

GA: Georgia

MA: Massachusetts

NC: North Carolina

NY: New York

TN: Tennessee

TX: Texas

WA: Washington

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

Price objective basis & risk

Camden Property Trust (CPT)

Our price objective for CPT of \$97 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.

Mid-America Apartment Communities, Inc. (MAA)

Our \$132 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.

Analyst Certification

I, Joshua Dennerlein, 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
	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
	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
	Ventas, Inc.	VTR	VTR US	Jeffrey Spector
	Welltower	WELL	WELL US	Joshua Dennerlein
NEUTRAL				
	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
	OMEGA Healthcare	OHI	OHI US	Joshua Dennerlein
	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
	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
	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

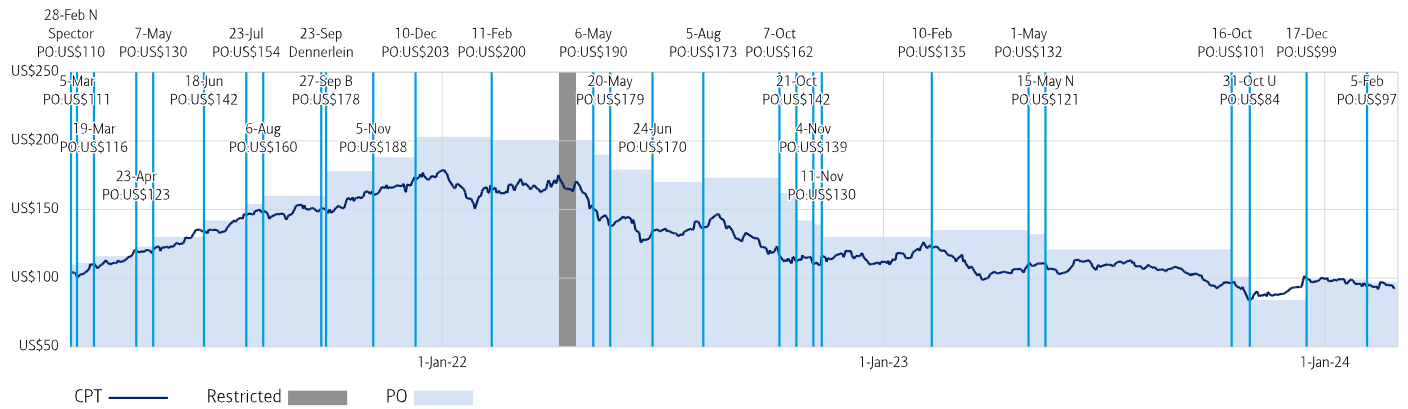
US - REITs Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Tanger Inc	SKT	SKT US	Jeffrey Spector
	WP Carey	WPC	WPC US	Joshua Dennerlein

Disclosures

Important Disclosures

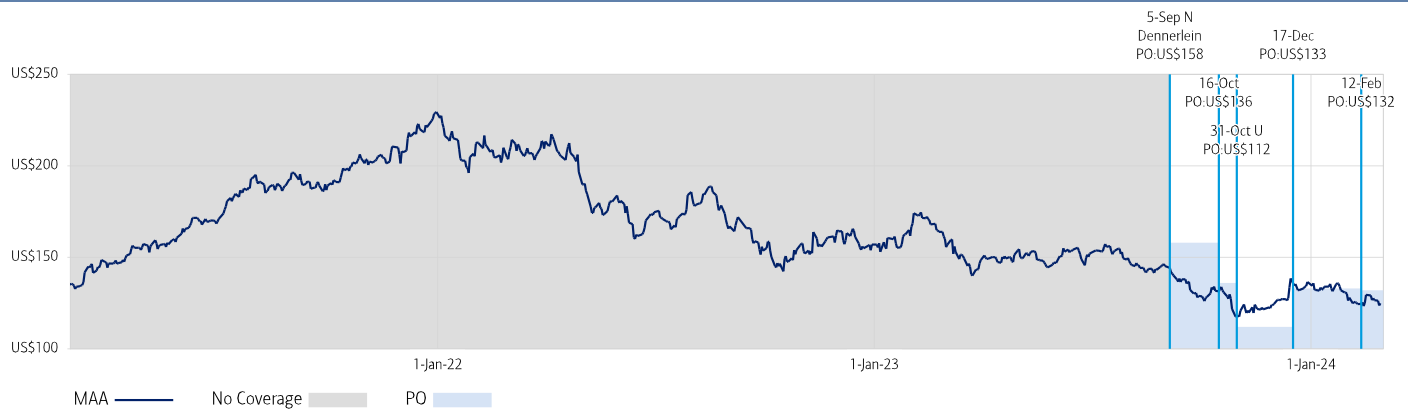
Camden Property (CPT) Price Chart



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.

Mid-America Ap (MAA) 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 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	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 ^{R1}	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%

^{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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