|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Credit Exposure Name:** | Elme Communities | **Public / Private:** | - | **Servicing Category:** | - |
| **iRisk Parent Name:** | ELME COMMUNITIES | **Headquarters:** | - | **PruScore:** | - |
| **Industry:** | - | **Region:** | - | **NAIC Designation:** | - |
| **Real Assets Category:** | - | **MD:** | - | **S&P / M / Fitch:** | - |
| **Stat. Country:** | - | **Team Leader:** | - | **Other Ratings:** | - |
| **Economic Risk Country:** | - | **Secondary:** | - | **Unqualified Audit:** | - |
| **Valuation Country:** | - | **Analyst:** | - |  |  |

|  |  |
| --- | --- |
| **Key Credit Merits** | **Key Credit Risks** |
| Moderate leverage profile | Execution risk on portfolio sale and liquidation |
| Stable liquidity and access to revolving credit | Refinancing and transition risk |
| High occupancy, diversified multifamily portfolio | Geographic concentration in DC and Atlanta |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Elme Communities - Capitalization Table** | | | | | |
| **Item** | **Amount** | **PPC Holdings** | **Coupon** | **Secured** | **Maturity** |
| Cash and Equivalents | 7,093 |  |  |  |  |
| Revolving Credit Facility | 175,000 | - | S + 80-150 | N | 2028 |
| 2023 Term Loan | 125,000 | - | S + 95 | N | 2026 |
| Senior Unsecured Notes | 50,000 | - | 7.25% | N | 2028 |
| Senior Unsecured Notes | 350,000 | - | 3.44% | N | 2030 |
| (Less: Unamortized Debt Issue Costs) | -1,804 | - | - | N | - |
| **Total Debt** | **698,196** |  |  |  |  |
| Book Value of Equity | 1,046,193 |  |  |  |  |
| **Book Capitalization** | **1,744,389** |  |  |  |  |
| ***Key Financial Ratios:*** | | | | | |
| Total Debt To Adj Ebitda | - |  |  |  |  |
| Unencumbered Assets To Unsecured Debt | None |  |  |  |  |
| Total Debt To Market Value Of Re Assets | None |  |  |  |  |
| Total Debt To Market Capitalization | - |  |  |  |  |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Elme Communities - Historical Financial Analysis** | **Fiscal Year Ended** | |  |  |  | **YTD** | | **LTM** |
| **Metric** | **2020** | **2021** | **2022** | **2023** | **2024** | **03/31/24** | **03/31/25** | **03/31/25** |
| **Revenue** | **294,118** | **169,151** | **209,380** | **227,911** | **241,935** | **4,642** | **4,486** | **241,779** |
| ***% YoY Growth*** | - | (42.5%) | 23.8% | 8.9% | 6.2% | - | - | - |
| Cost of Goods Sold | 69,127 | 66,915 | 81,437 | 87,938 | 97,562 | 23,937 | 24,240 | 97,865 |
| **Gross Profit** | **224,991** | **102,236** | **127,943** | **139,973** | **144,373** | **(19,295)** | **(19,754)** | **143,914** |
| ***% Margin*** | - | - | - | - | - | (415.7%) | (440.3%) | 59.5% |
| Operating Expenses | 143,981 | 100,194 | 119,980 | 156,697 | 120,904 | 31,139 | 32,468 | 122,233 |
| Adjustments | 130,664 | 72,807 | 98,845 | 140,512 | 105,427 | 29,952 | 26,665 | 102,140 |
| **Adjusted EBITDA** | **152,883** | **68,214** | **97,122** | **117,449** | **128,896** | **35,799** | **31,450** | **124,547** |
| ***% Margin*** | - | - | - | - | - | 771.2% | 701.1% | 59.5% |
| Interest Expense | 37,305 | 34,063 | 24,940 | 30,429 | 37,835 | 9,494 | 9,460 | 37,801 |
| Taxes | - | - | - | - | - | - | - | - |
| Change in Working Capital | - | - | - | - | - | (387) | (4,669) | - |
| *Other* | - | 4,109 | 712 | 569 | 1,410 | 1,410 | - | - |
| Capital Expenditures | 58,317 | 32,459 | 38,256 | 38,626 | 47,602 | 6,313 | 5,559 | 46,848 |
| **Free Cash Flow** | **54,674** | **56,697** | **34,955** | **46,043** | **47,641** | **7,594** | **10,477** | **50,524** |
| Acq. / Disp. | 152,889 | 744,035 | (204,433) | (107,595) | - | 5,272 | - | (5,272) |
| Change in Debt | - | - | - | - | - | - | - | - |
| Equity / Dividends | (96,959) | (88,984) | (58,333) | (63,838) | (63,636) | 15,911 | 15,898 | (63,649) |
| *Other* | 5,080 | 7,114 | 3,334 | 2,924 | 6,796 | 180 | 236 | 6,852 |
| **Change in Cash** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Cash - End of Period** | **8,303** | **234,220** | **9,852** | **8,538** | **8,609** | **-** | **-** | **-** |
| **Total Debt** | **987,370** | **496,946** | **552,359** | **679,345** | **698,953** | **682,539** | **705,061** | **705,061** |
| **Book Equity** | **1,320,787** | **1,316,755** | **1,263,488** | **1,154,060** | **1,081,797** | **1,136,116** | **1,062,922** | **1,062,922** |
| ***Key Financial Ratios:*** | |  |  |  |  |  |  |  |
| EBITDA / Int. Exp. | 4.10x | 2.00x | 3.89x | 3.86x | 3.41x | 3.77x | 3.32x | 3.29x |
| Total Debt / EBITDA | 6.46x | 7.29x | 5.69x | 5.78x | 5.42x | 19.07x | 22.42x | 5.66x |
| Total Debt / Book Capital | 42.8% | 27.4% | 30.4% | 37.1% | 39.3% | 37.5% | 39.9% | 39.9% |
| Total Debt + Leases / EBITDA | 6.46x | 7.29x | 5.69x | 5.78x | 5.42x | 19.07x | 22.42x | 5.66x |
| Total Debt + Leases / Book Capital | 42.8% | 27.4% | 30.4% | 37.1% | 39.3% | 37.5% | 39.9% | 39.9% |
| EBITDAR / Interest + Rent | - | - | - | - | - | - | - | 3.29x |

## Income Statement

* Investment income grew 6% in FY24, driven by strong market performance in the Washington, D.C. metro area due to favorable demand-supply dynamics (54% less construction since 3Q22) and limited availability of value-oriented housing. Same-store lease growth stood at 2.3% in FY24, with strong occupancy of 95%. Market tailwinds were offset by oversupply in the Atlanta housing market (expected to improve by FY26) and delinquency-related occupancy pressure (~2% of revenue in 4Q24 due to higher-than-expected delinquencies). These are being addressed via improved processes and eviction timelines.
* In YTD period, Elme continued to see strong investment income growth of ~3%, driven by similar market dynamics. Despite high exposure to Washington, D.C., only 7.2% of jobs are non-DoD federal agency jobs, minimizing DOGE risk.
* The Fund generated $118.0M EBITDA in FY24, with margins contracting 130bps due to higher utility and administrative costs. EBITDA margins declined 30bps in LTM period.

## Cash Flow Statement

* Elme generated strong FCF of $47.6M in FY24 (~4% YoY growth), supported by topline growth and favorable changes in working capital, despite 24% higher capex.
* Elme completed 500 full renovations in 2024 (17% ROI) and launched Phase 1 of Wi-Fi initiative (7 communities). In Q1, 88 property renovations were completed. Elme continues capex with focus on targeting growth communities.
* No M&A activity in FY24 or 1Q25.
* Elme paid out $66.6M in dividends in FY24, consistent with past payouts.

## Balance Sheet

* Elme maintains disciplined balance sheet with leverage of 5.9x and unencumbered portfolio.
* Fund maintains a balanced maturity schedule and ample liquidity ($9.0M cash and $182.0M revolver availability as of April 29, 2025).
* Ended 1Q25 with ample liquidity.
* In 3Q24, downsized bank facility from $700M to $500M due to non-usage; $70M outstanding as of April 29, 2025.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **ESG Factor** | **Risk Rating** | **ESG Factor** | **Risk Rating** | **ESG Factor** | **Risk Rating** |
| **Climate Regulation** | \* | **Product Safety** | \* | **Board Composition** | \* |
| **Climate Change** | \* | **Workplace Safety** | \* | **Succession planning** | \* |
| **Habitat** | \* | **Health & Wellness** | \* | **Data Security** | \* |
| **Sustainability** | \* | **Stakeholder Engagement** | \* | **Labor Relations** | \* |
| **Blended Score** | \* | **Max Factor Score** | \* | **Aggregate Risk** | \* |
| **ESG Engagement** | \* | \* | \* | \* | \* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Elme Communities - Credit Comparable Analysis** | | | | | | | | | | | |
|  | **LTM** | |  |  |  |  |  |  |  |  |  |
| **Ticker** | **LTM Rev (000s)** | **LTM EBITDA (000s)** | **EBITDA Mrgn %** | **EBITDAR (Int + Rents)** | **(Tot Debt + COL) EBITDAR** | **(Net Debt + COL) EBITDAR** | **(Tot Debt + COL) Tot Cap** | **(FCF + Rents) (Tot Debt + COL)** | **3-Year Average Total Debt + COL / EBITDAR** | **3-Year Average Total Debt + COL / Total Cap** | **3-Year Average FCF + Rents / Total Debt + COL** |
| *ELME COMMUNITIES* | 241779.0 | 80100.0 | 33.1% | 3.12x | 0.00x | -0.05x | 0.00x | - | 0.00x | 0.00x | - |
| *MID AMERICA APARTMENT COMMUNITIES INC.* | 2197492.0 | 1339112.0 | 60.9% | 7.73x | 0.00x | -0.04x | 0.00x | - | 0.00x | 0.00x | - |
| *CAMDEN PROPERTY TRUST* | 1559606.0 | 835758.0 | 53.6% | 6.38x | 4.47x | 4.51x | 0.44x | 0.11x | 3.35x | 0.42x | 0.00x |
| *UDR, INC.* | 3365816.0 | 1039545.0 | 30.9% | 1.44x | 2.21x | 2.17x | 0.58x | 0.42x | 2.21x | 0.55x | 0.41x |
| *INDEPENDENCE REALTY TRUST, INC.* | 640406.0 | 255926.0 | 40.0% | 3.42x | 0.00x | -0.19x | 0.00x | - | 0.00x | 0.00x | - |
| **AVERAGE** | **1601019.0** | **710088.0** | **43.7%** | **4.42x** | **1.34x** | **1.28x** | **0.20x** | **0.27x** | **1.11x** | **0.19x** | **0.21x** |
| **MEDIAN** | **1559606.0** | **835758.0** | **40.0%** | **3.42x** | **0.00x** | **-0.04x** | **0.00x** | **0.27x** | **0.00x** | **0.00x** | **0.21x** |

|  |  |  |
| --- | --- | --- |
| **Elme Communities - Covenant Summary** | | |
| **3/31/2025** | | |
| **Term** | **Covenant Level** | **Reported** |
| **Maximum Leverage Ratio** | \* | \* |
| **Unconsolidated Affiliates / Total Asset Value** | \* | \* |
| **Total Marketable Securities, etc. / Total Asset Value** | \* | \* |
| **Minimum Fixed Charge Coverage Ratio** | \* | \* |
| **Maximum Secured Indebtedness** | \* | \* |
| **Maximum Unencumbered Leverage Ratio** | \* | \* |
| **Additional Covenants / Baskets** | | |
| **Unimprovement Land / Unencumbered Pool Value** | \* | \* |
| **Development, JVs, etc. / Unencumbered Pool Value** | \* | \* |

Note: '\*' indicates the data source for these data is yet to be configured.