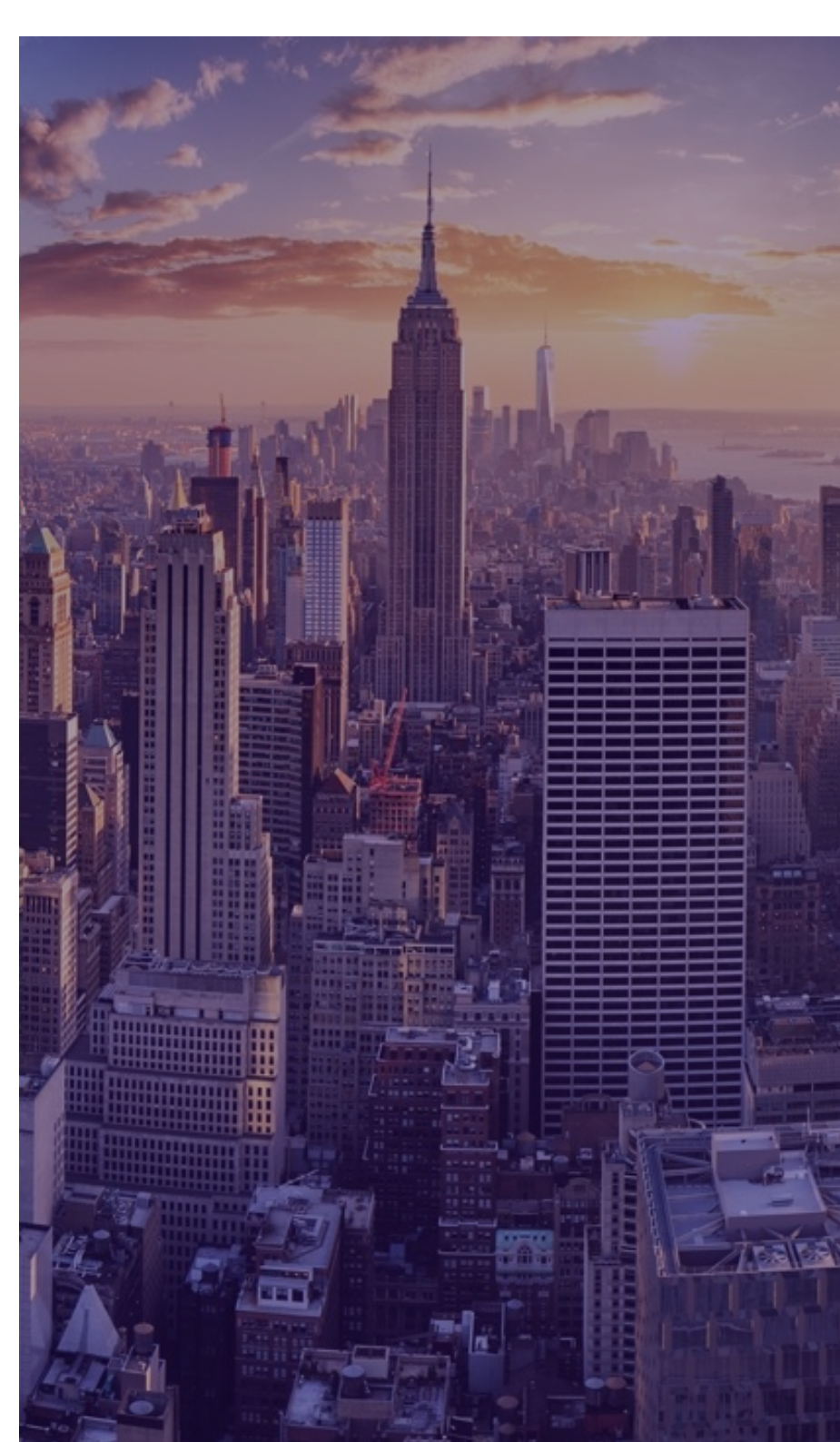




Rental Market Update

March 6, 2025

Please refer to the end of the slide presentation for disclosure information



■ Agenda

Multifamily Operating Fundamentals

Multifamily Transaction Market

Single-Family Rental Update

Multifamily



Three Things

1. DC – Too Soon to Tell
2. Q1 Improvement, Spring the Key
3. Starts Down, but Not Out

DC Market Report



A WALKER & DUNLOP COMPANY

February 24, 2025

Industry Comment

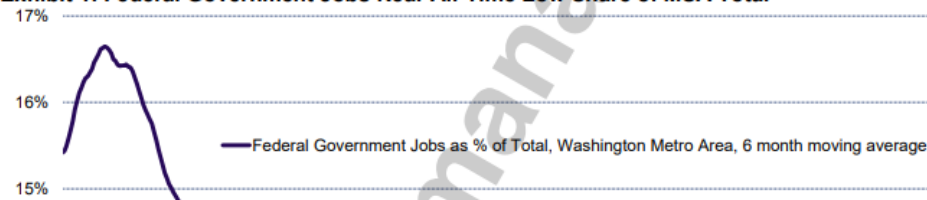
Sector: Apartments

Cloudy Crystal Ball Uncertainty Looming in the Washington Metro Area Economy

The talk of the town in the DC area lately is the fate of the local economy and housing market in the face of federal workforce cuts by the Department of Government Efficiency and related policies. We believe this will negatively impact the market for a considerable period, though the size and scope of that impact are difficult to forecast so early on. Lost federal jobs are just the starting point as federal contractors and dependent job sectors are also at risk. We are continuously monitoring available data and soliciting opinions from our network of industry contacts, both of which we summarize below. Job growth is the principal input into any housing demand model, so any job loss is adverse, even in a large, diverse economy like Washington. Uncertainty affects the financial decisions of firms and households, and this situation has injected a noticeable dose of that into several aspects of the market. On the other hand, the local apartment market has performed well and there are mitigating factors to these job cuts. For the apartment REITs, \$1.3 billion, or 11% of 2024 same-store revenue came from this market. We reiterate our Underperform rating for the sector which we outline in more detail [here](#).

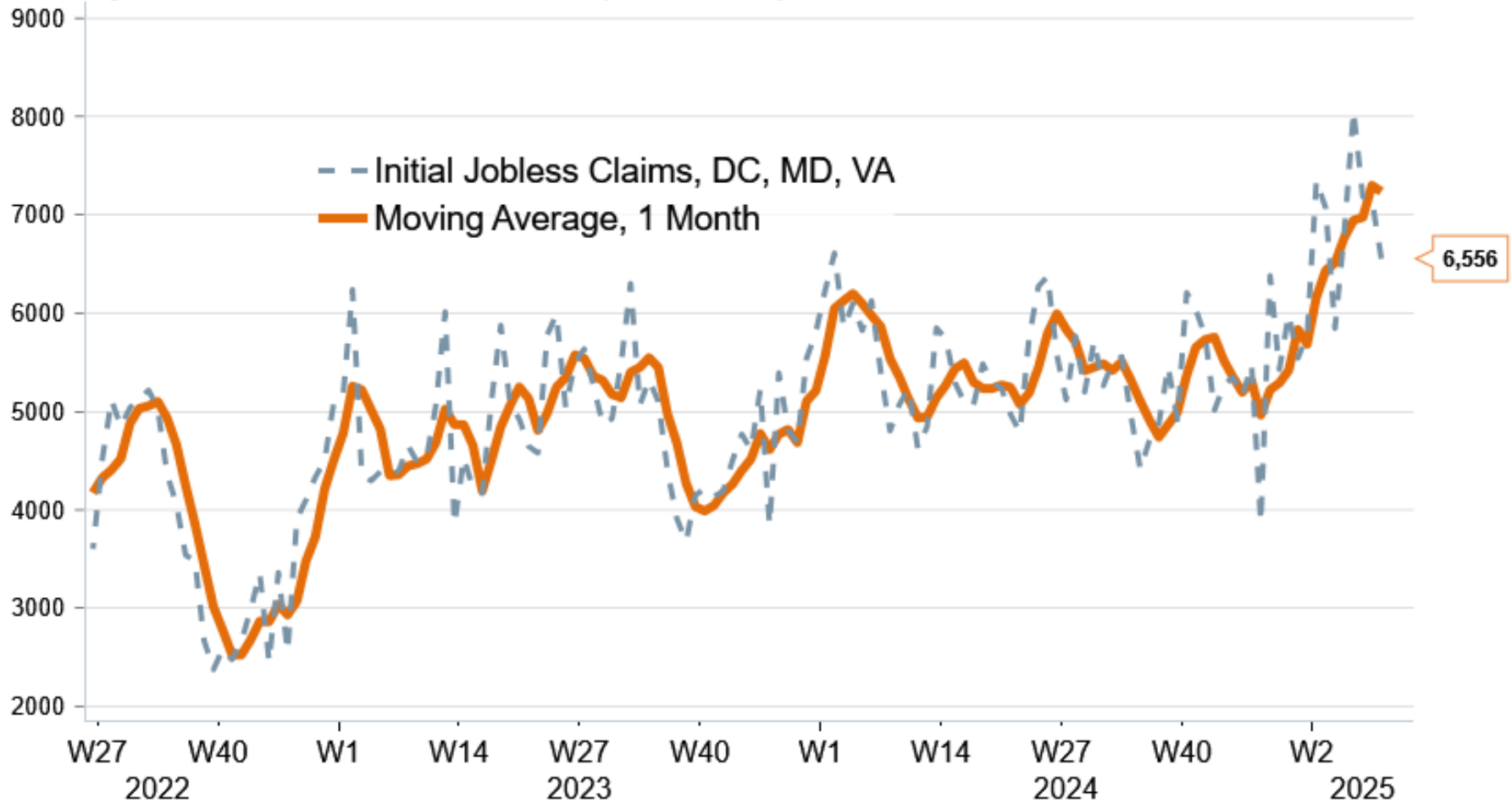
- **Federal Jobs 11% of DC Market, Near All-Time Low, Still Too Large to Ignore:** There are 375,000 federal employees in the Washington Metro Area, making up 11% of the market's workforce. Even though this is near the lowest share since at least 1990, we believe this is too large to ignore. Some of these jobs could be more insulated because a large portion of them – some estimates are as high as 70% – are tied to defense or security, but no sector is completely immune. (See Exhibit 1)

Exhibit 1: Federal Government Jobs Near All-Time Low Share of MSA Total



Jobless Claims – DC, MD, VA

Weekly Jobless Claims, DC, MD, VA (state-level)

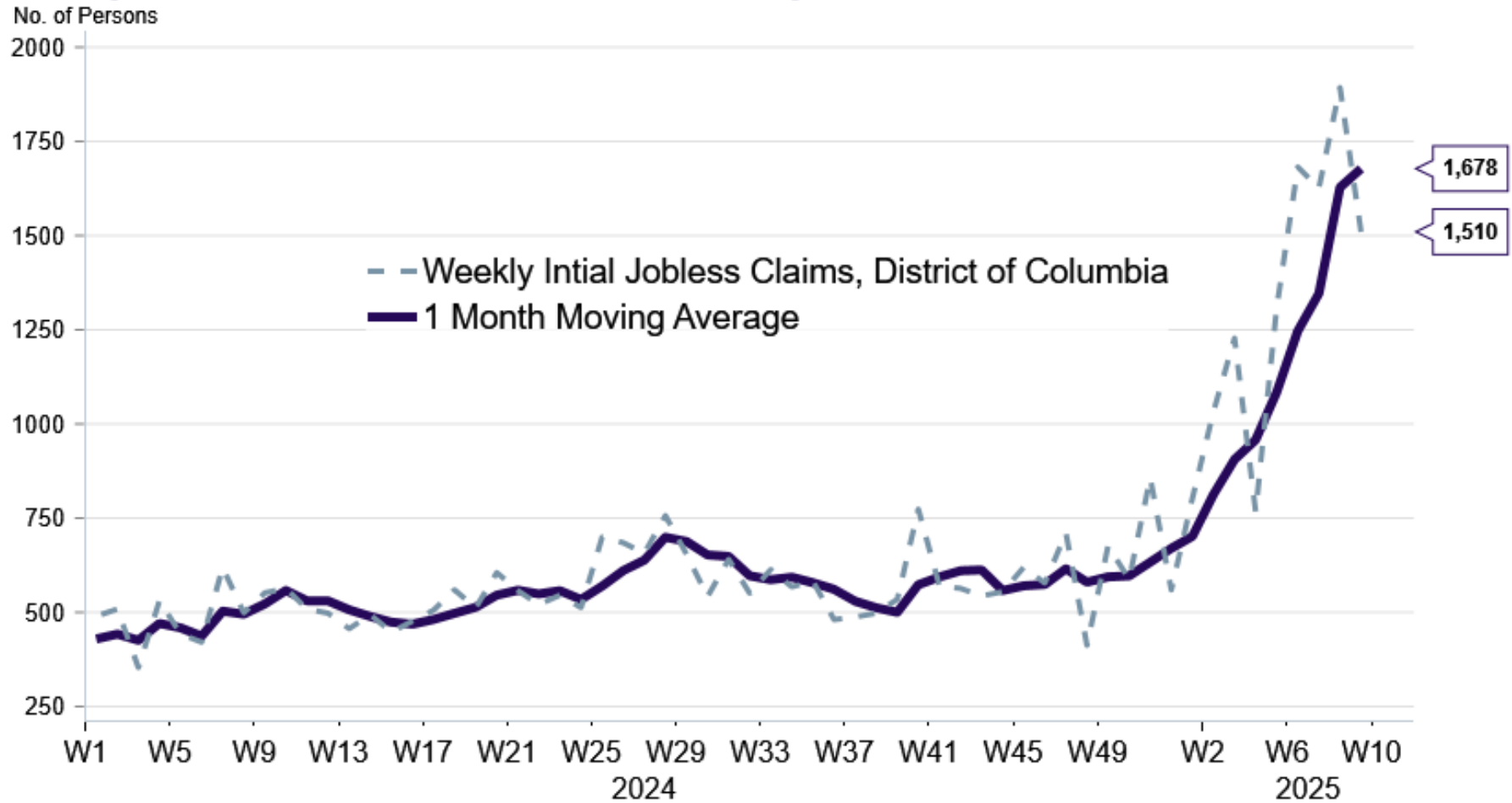


Source: U.S. Department of Labor



Jobless Claims – DC Only

Weekly Jobless Claims, District of Columbia only



1,678

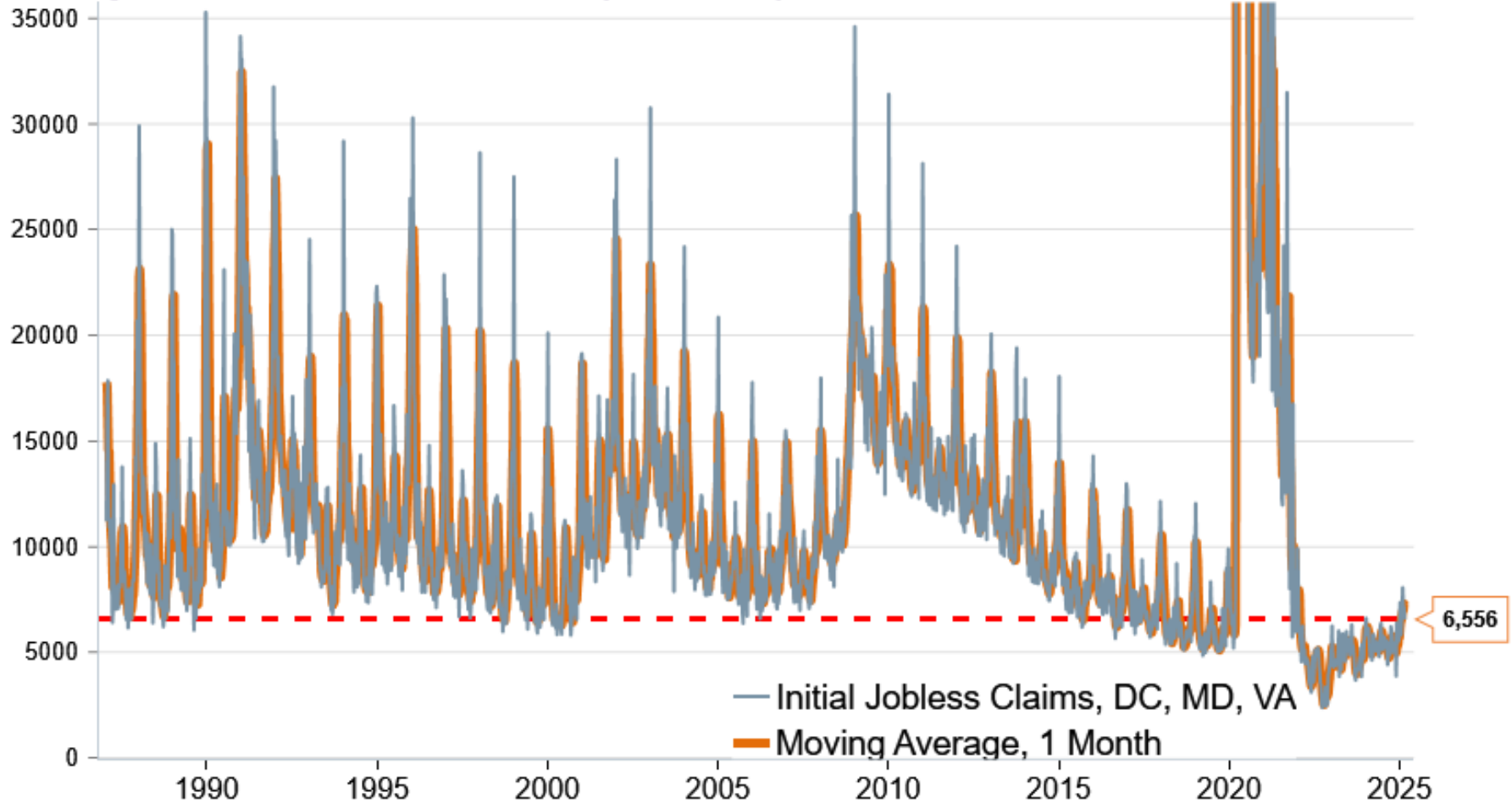
1,510

Source: U.S. Department of Labor



Jobless Claims – DC, MD, VA

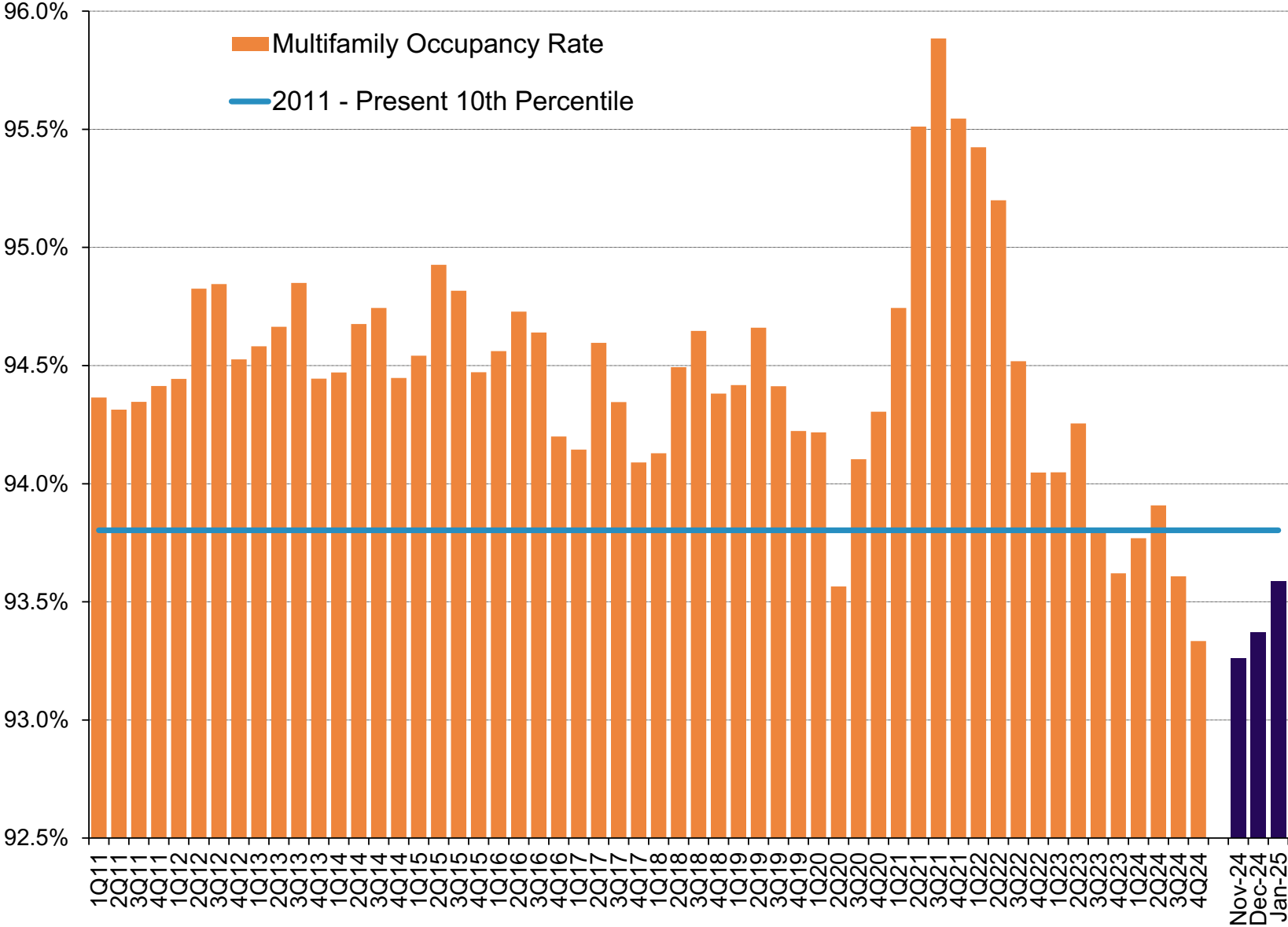
Weekly Jobless Claims, DC, MD, VA (state level)



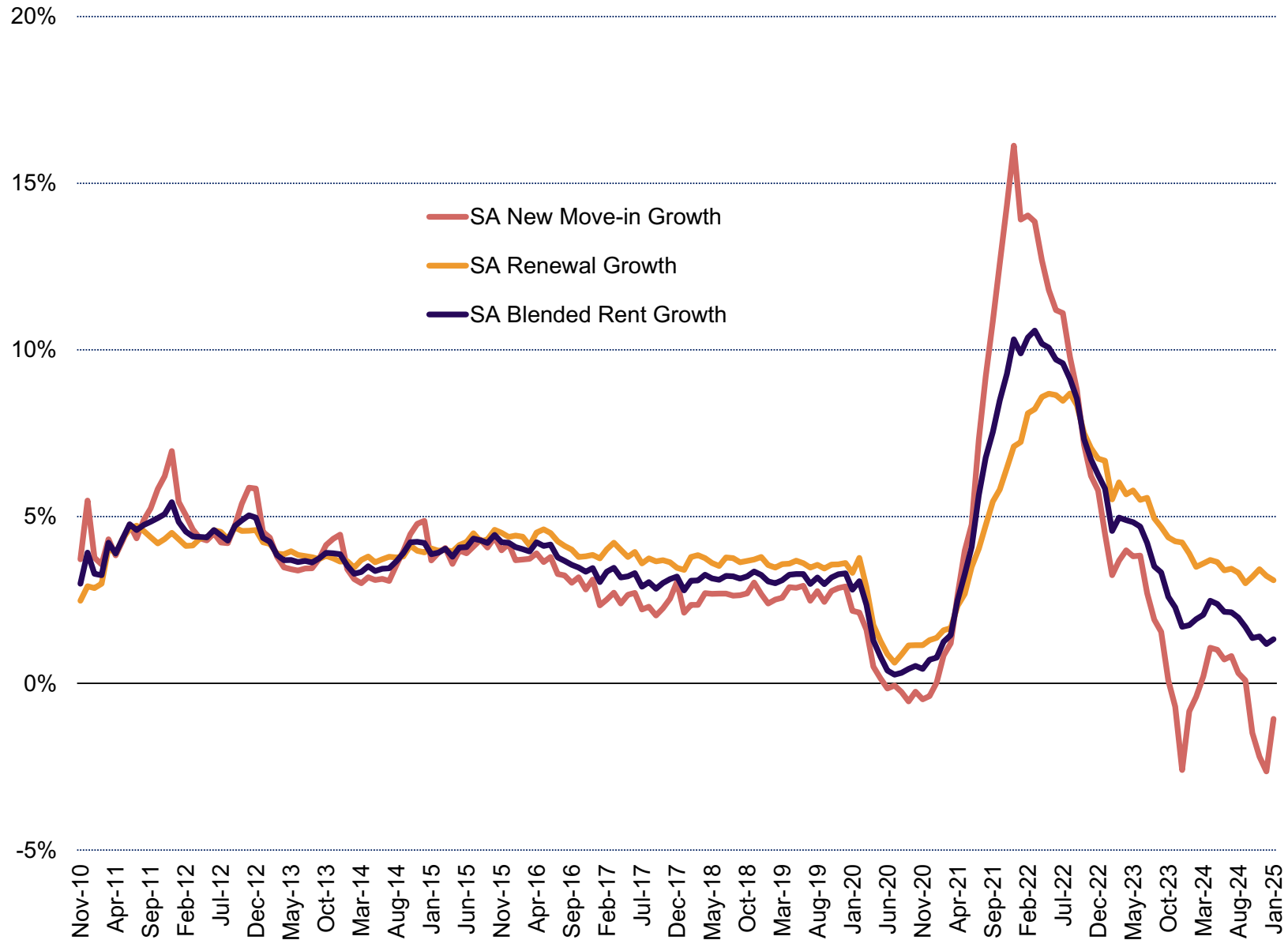
Source: U.S. Department of Labor



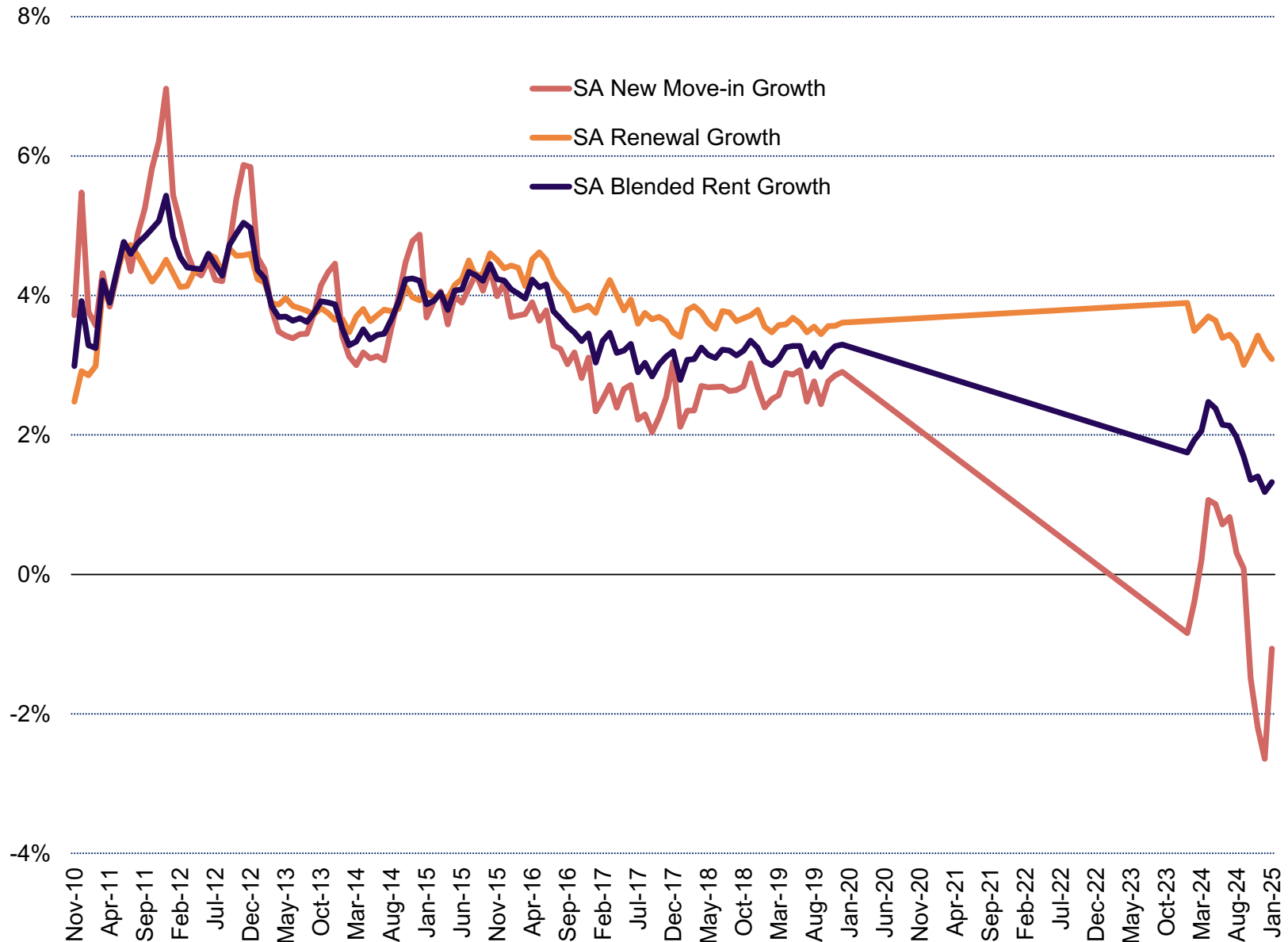
Occupancy Improving, Still Low



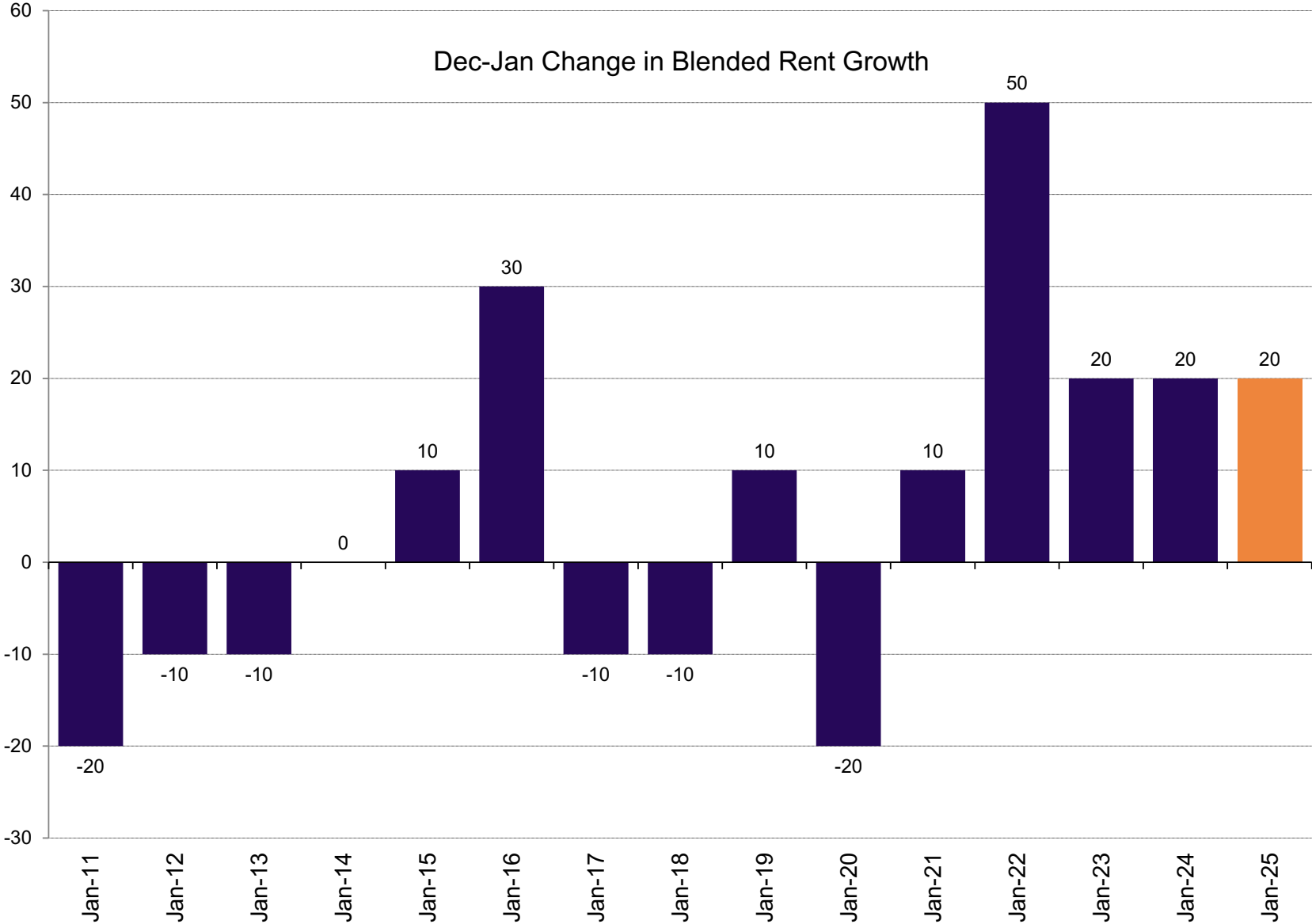
Rent Growth Flattening Out



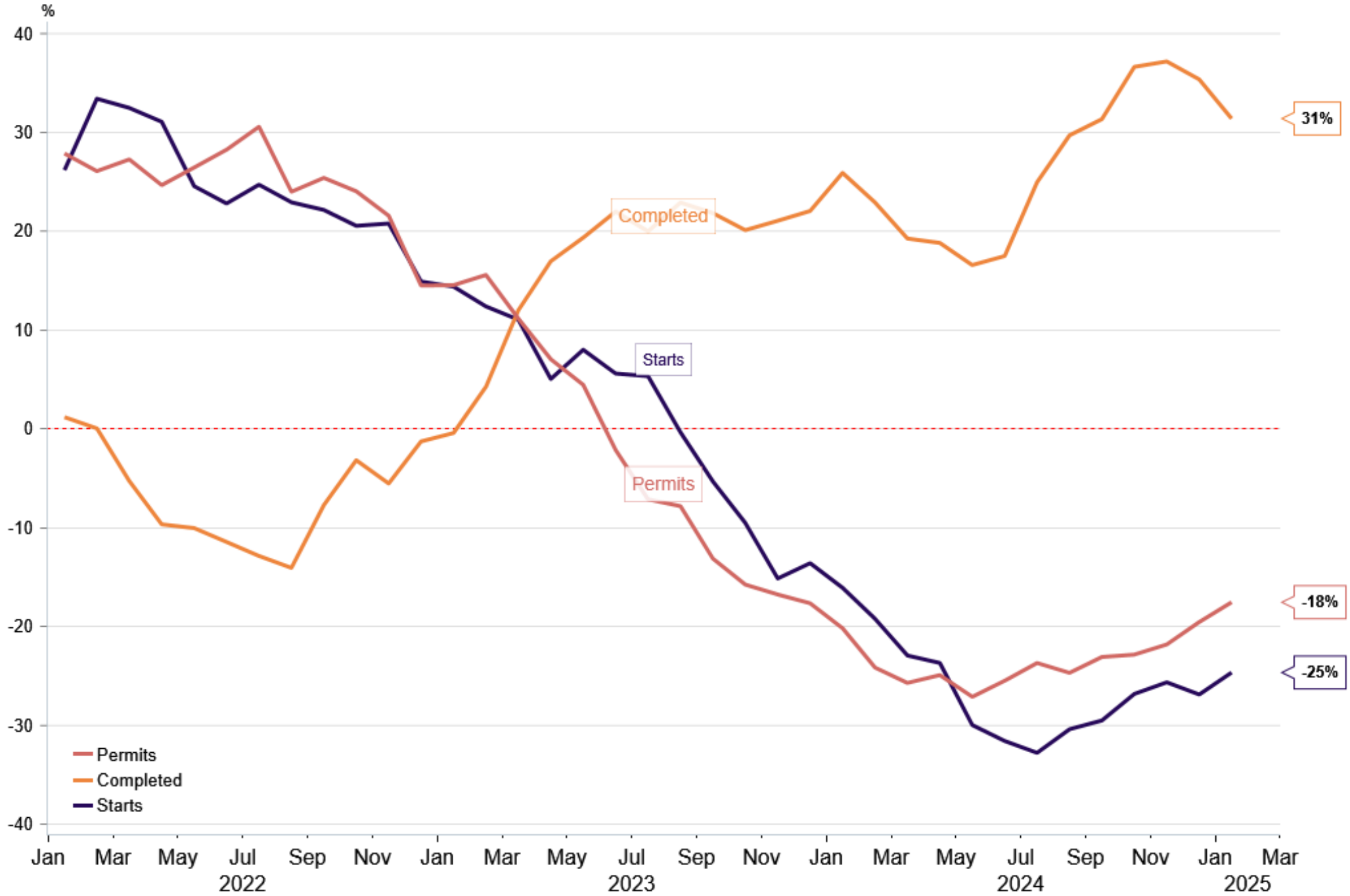
Rent Growth Flattening Out



Rent Growth Saw Similar January Improvement

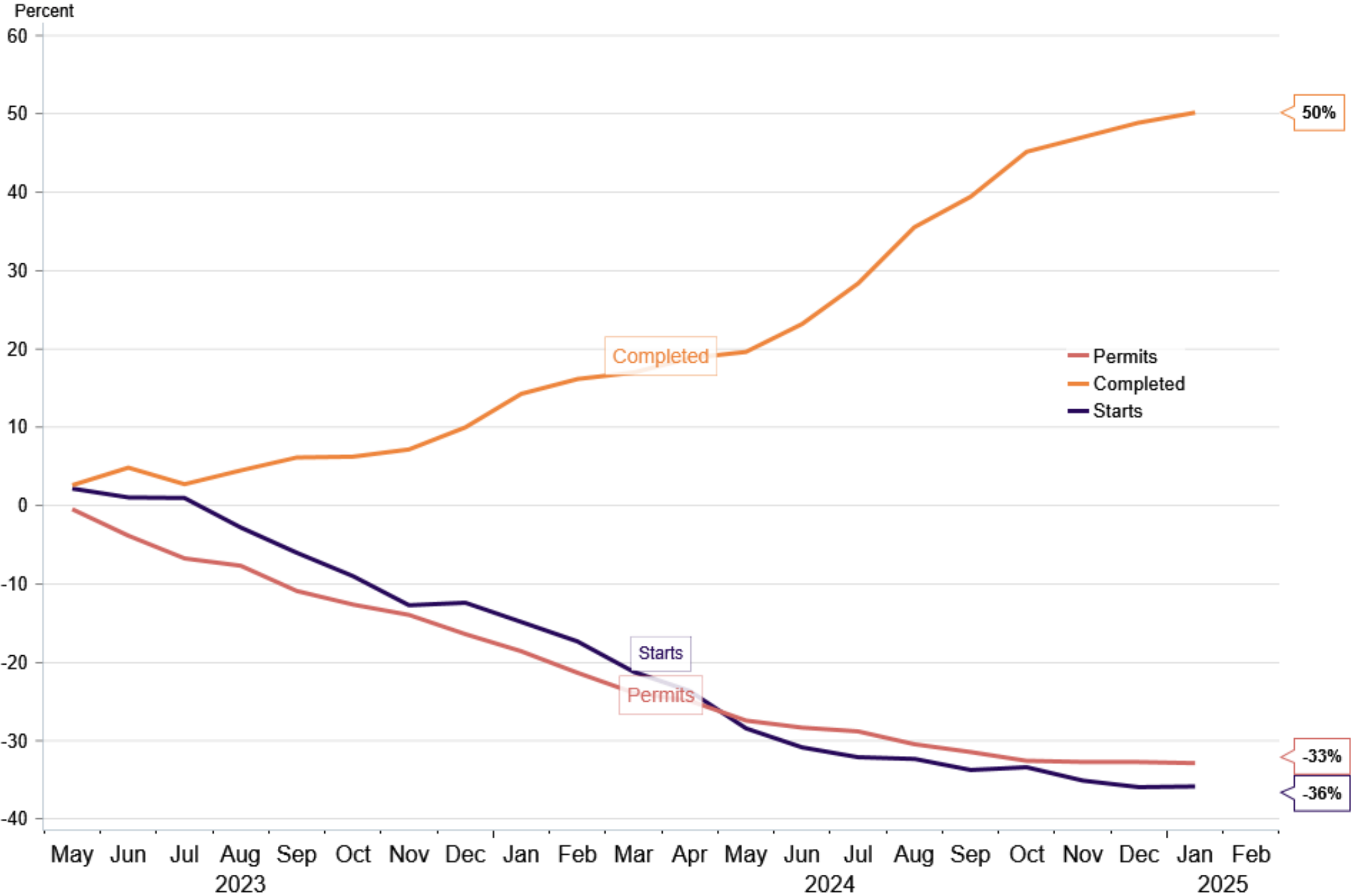


Multifamily 5+, NSA, Trailing 12 Month Total, YOY% Chg



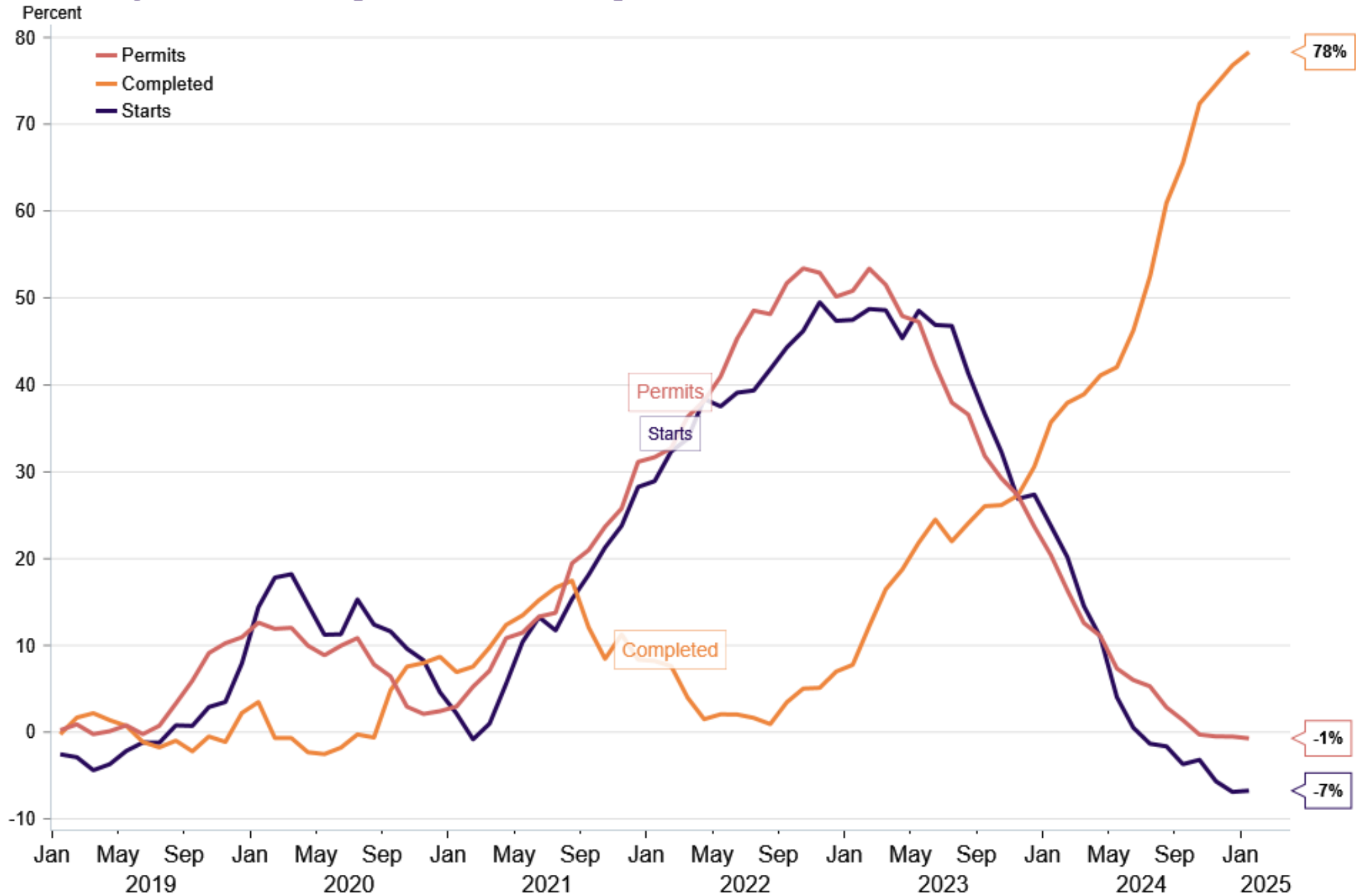
Source: U.S. Census Bureau

Multifamily 5+, NSA, Trailing 12 Month Total, Chg % from Mid 2023 Peak



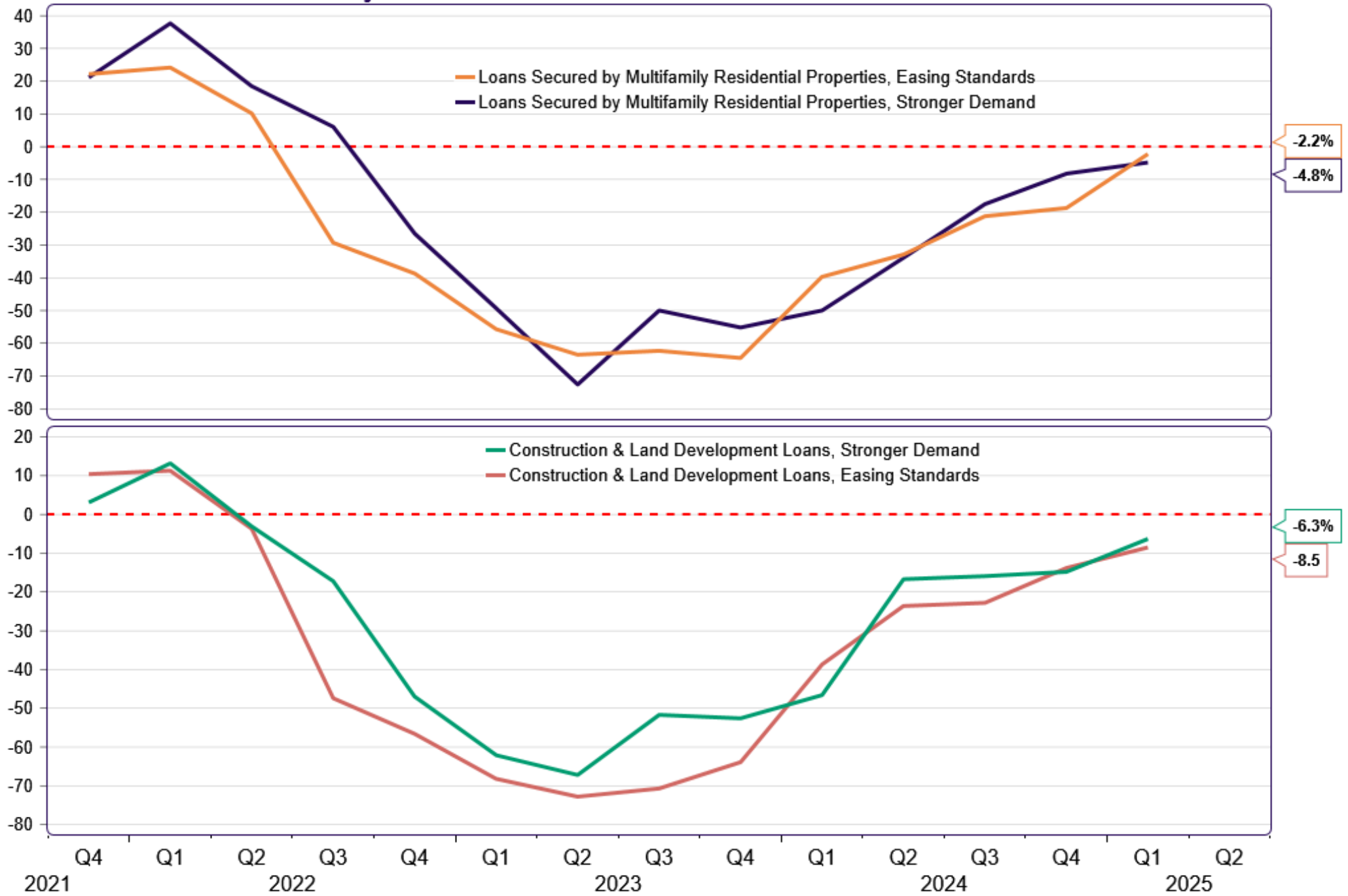
Source: U.S. Census Bureau

Multifamily 5+, NSA, Trailing 12 Month Total, Chg % from Jan 2019



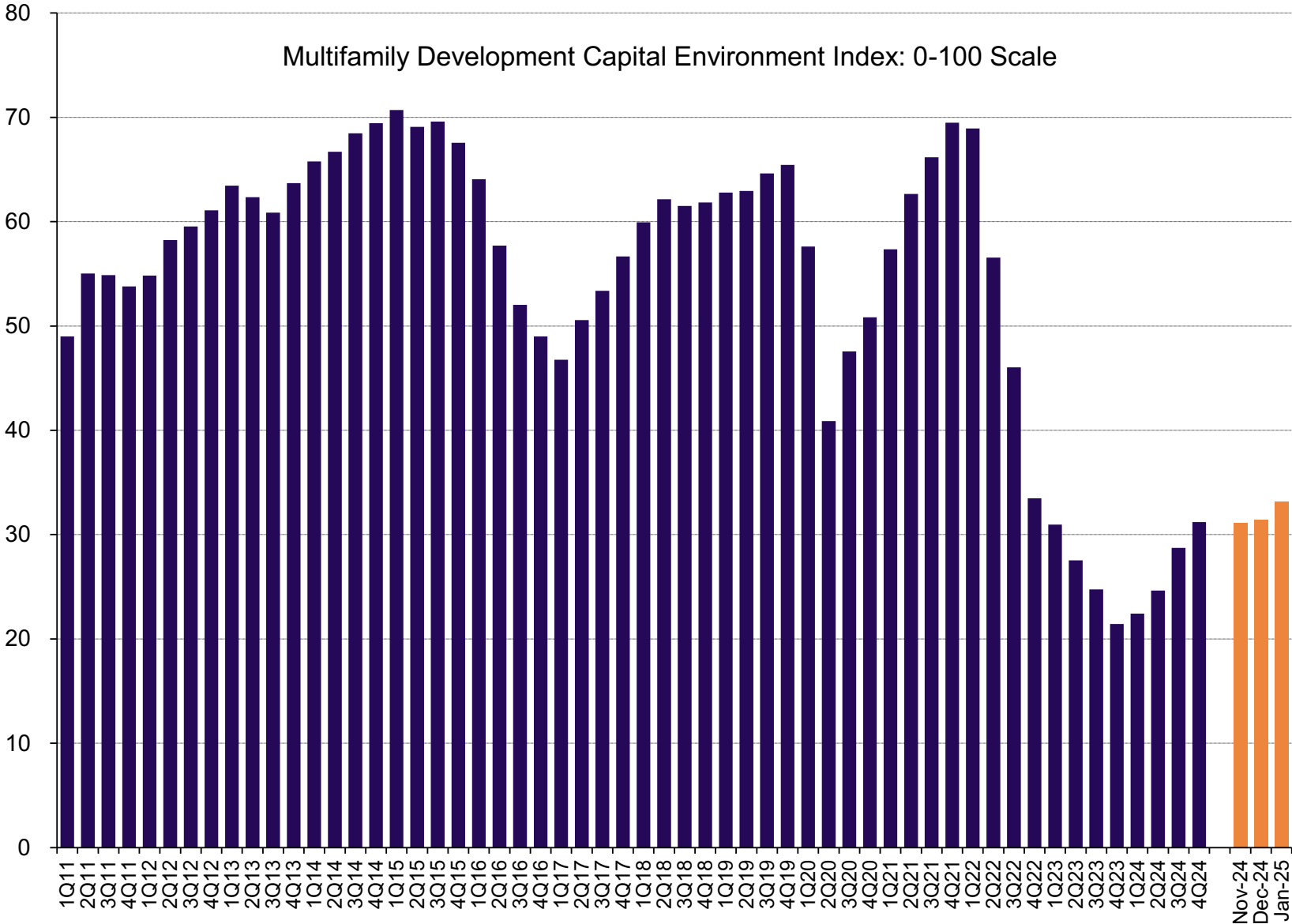
Source: U.S. Census Bureau

Fed Senior Loan Officer Survey

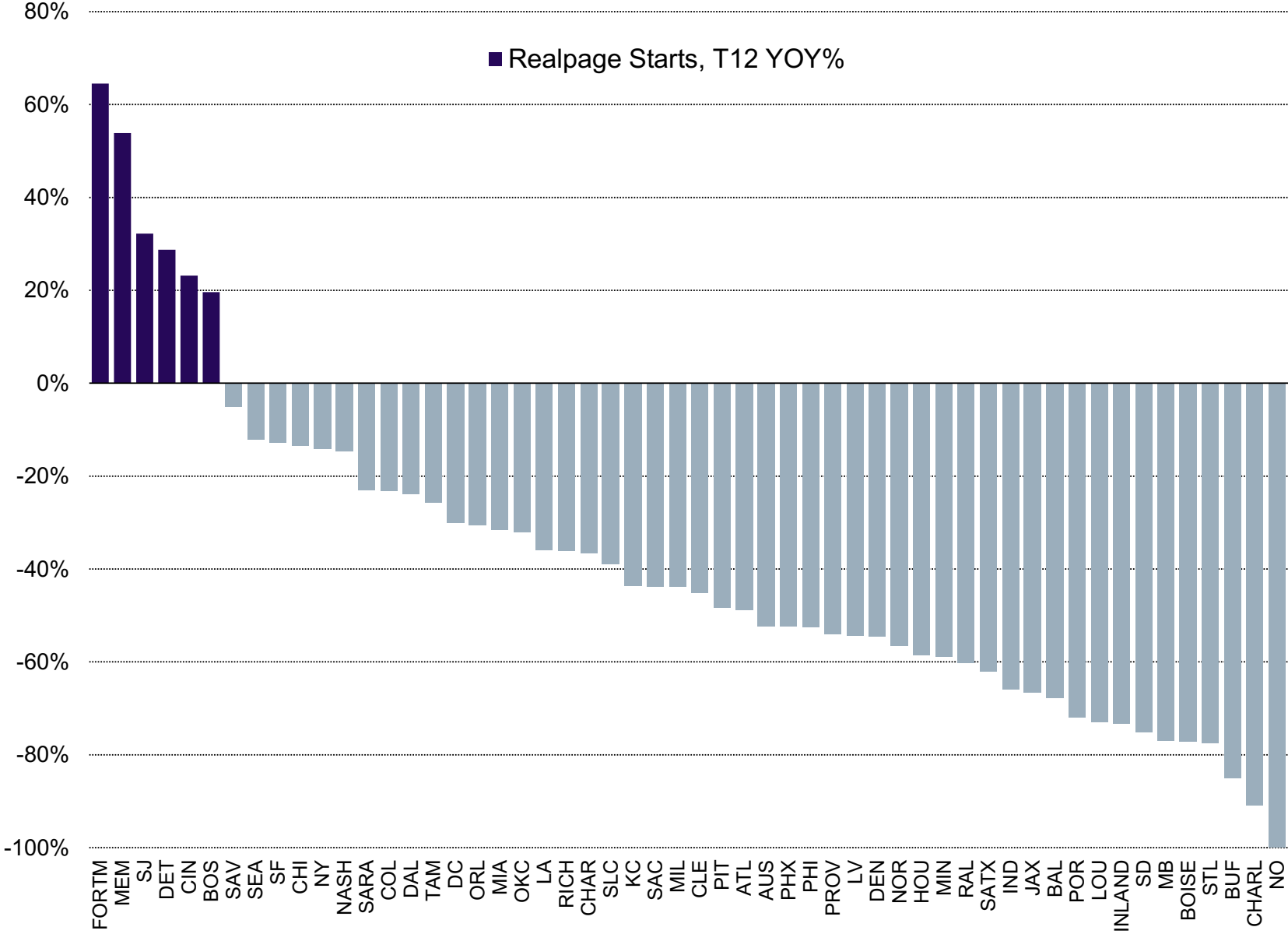


Source: Federal Reserve

Development Financing Sneaking Up

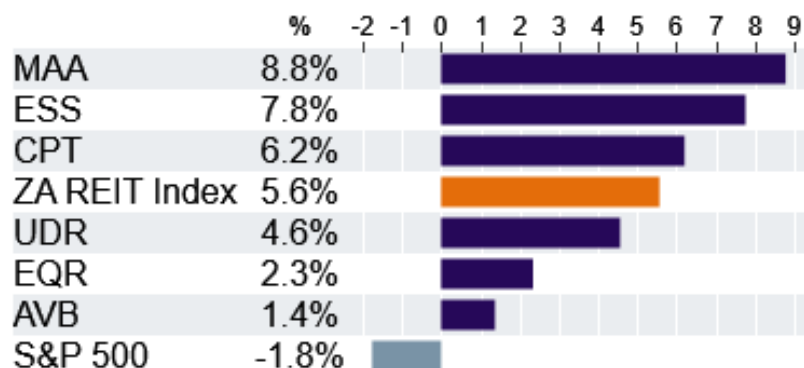


Starts Down in Almost Every Market

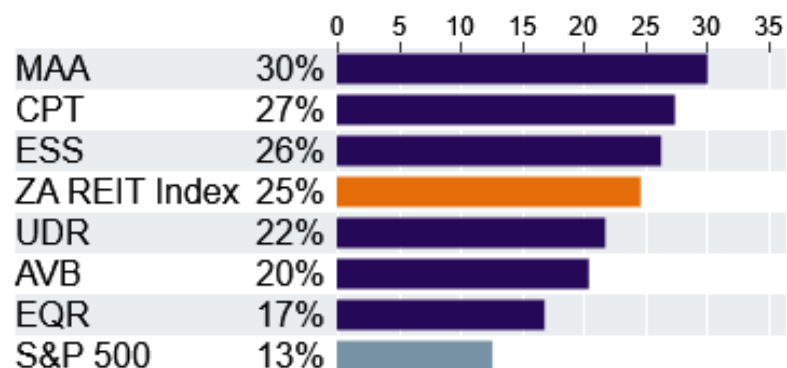


Apartment REIT Stock Performance

YTD 2025 Performance



YOY% Performance



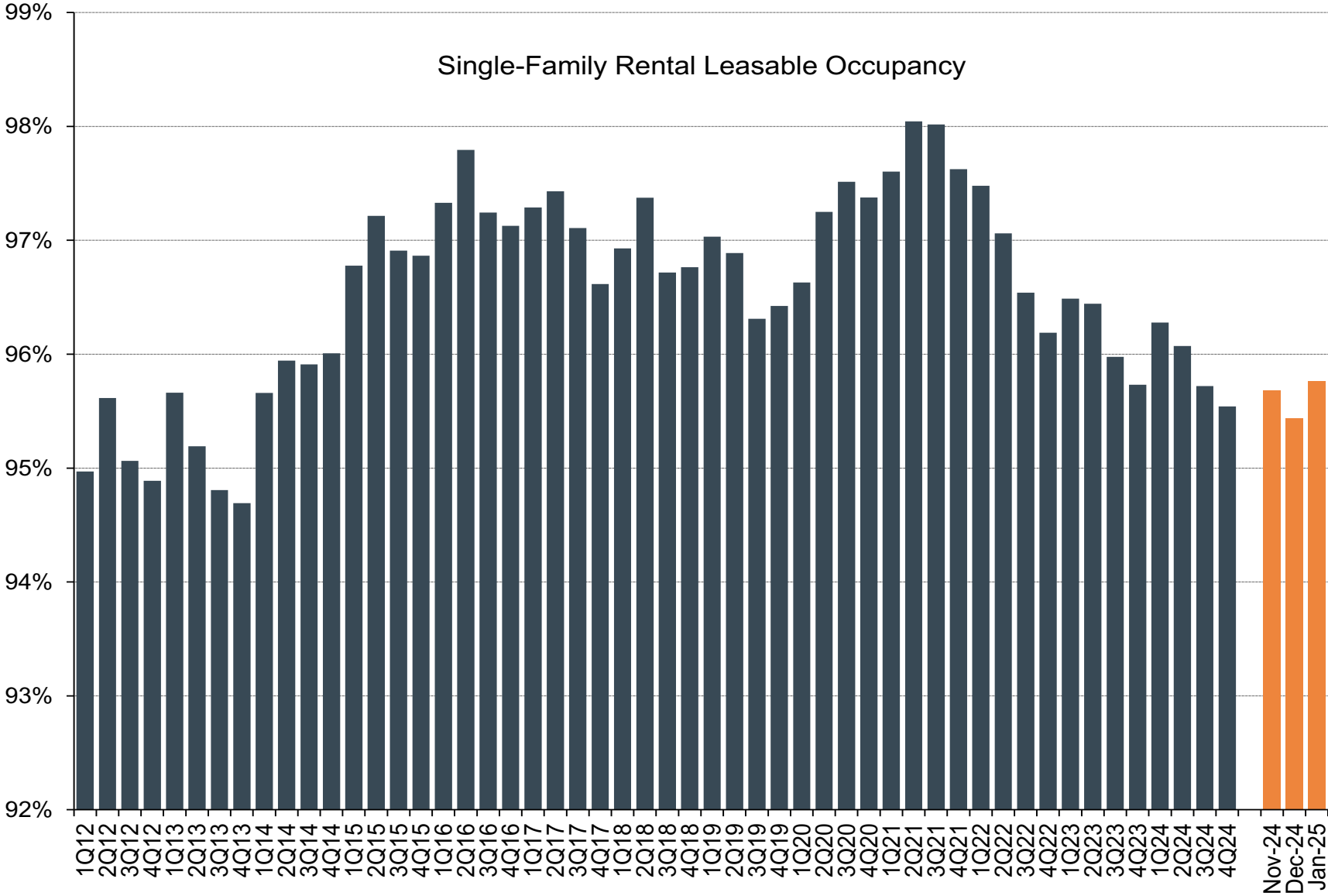


Single-Family Rental

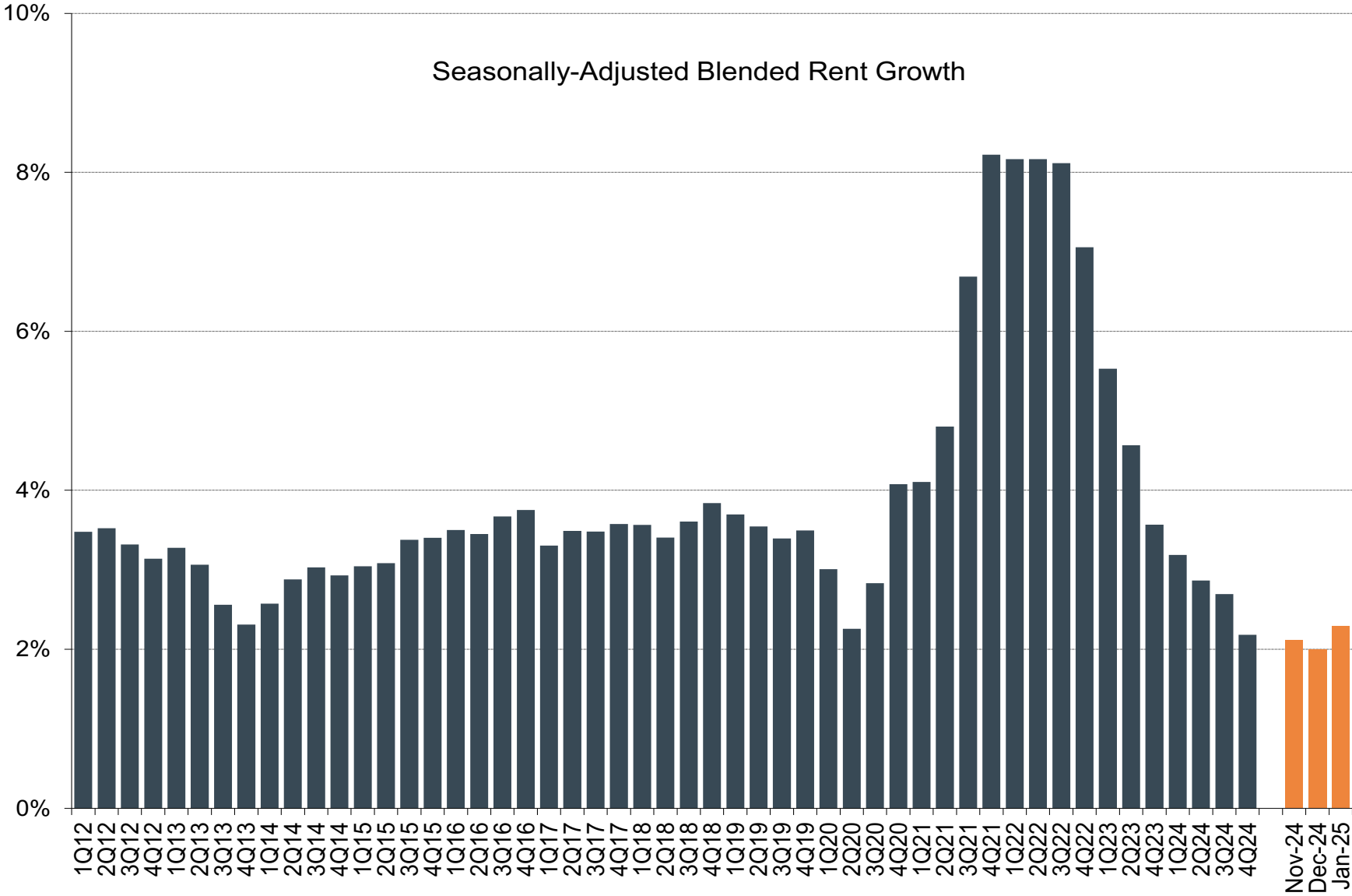
Single-Family Outlook Key Takeaways

- Occupancy Appears to Have Largely Stabilized
- 2025 Rent Growth On Further Decelerating Trajectory
- Share of Contacts With Negative New Move-Ins Elevated
- SFR Affordability Stretched Relative to History
- Expecting 2026 to be Better
- Built-For-Rent Starts Finally Pulled Back in 4Q24

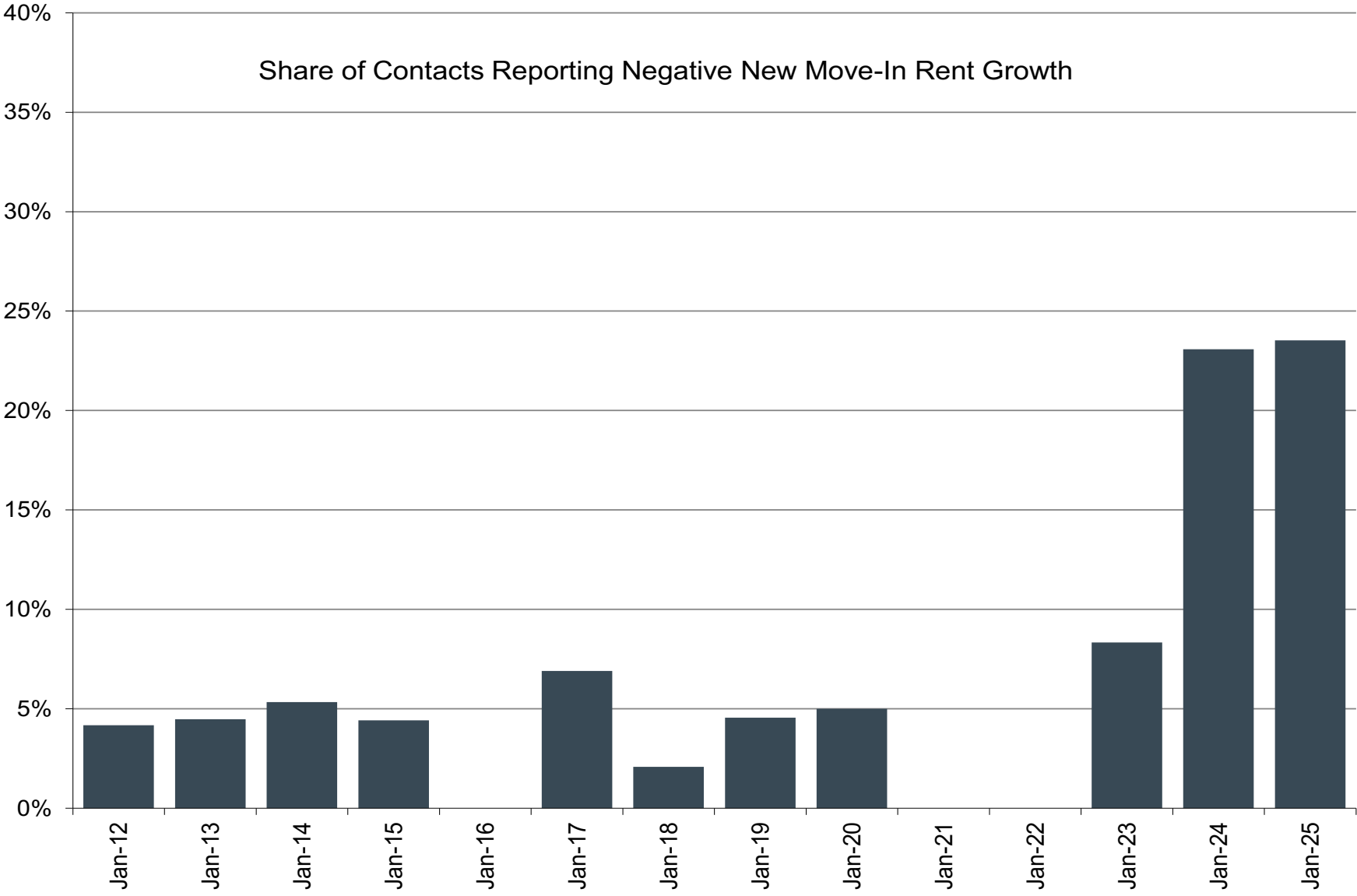
Occupancy Appears to be Stabilizing



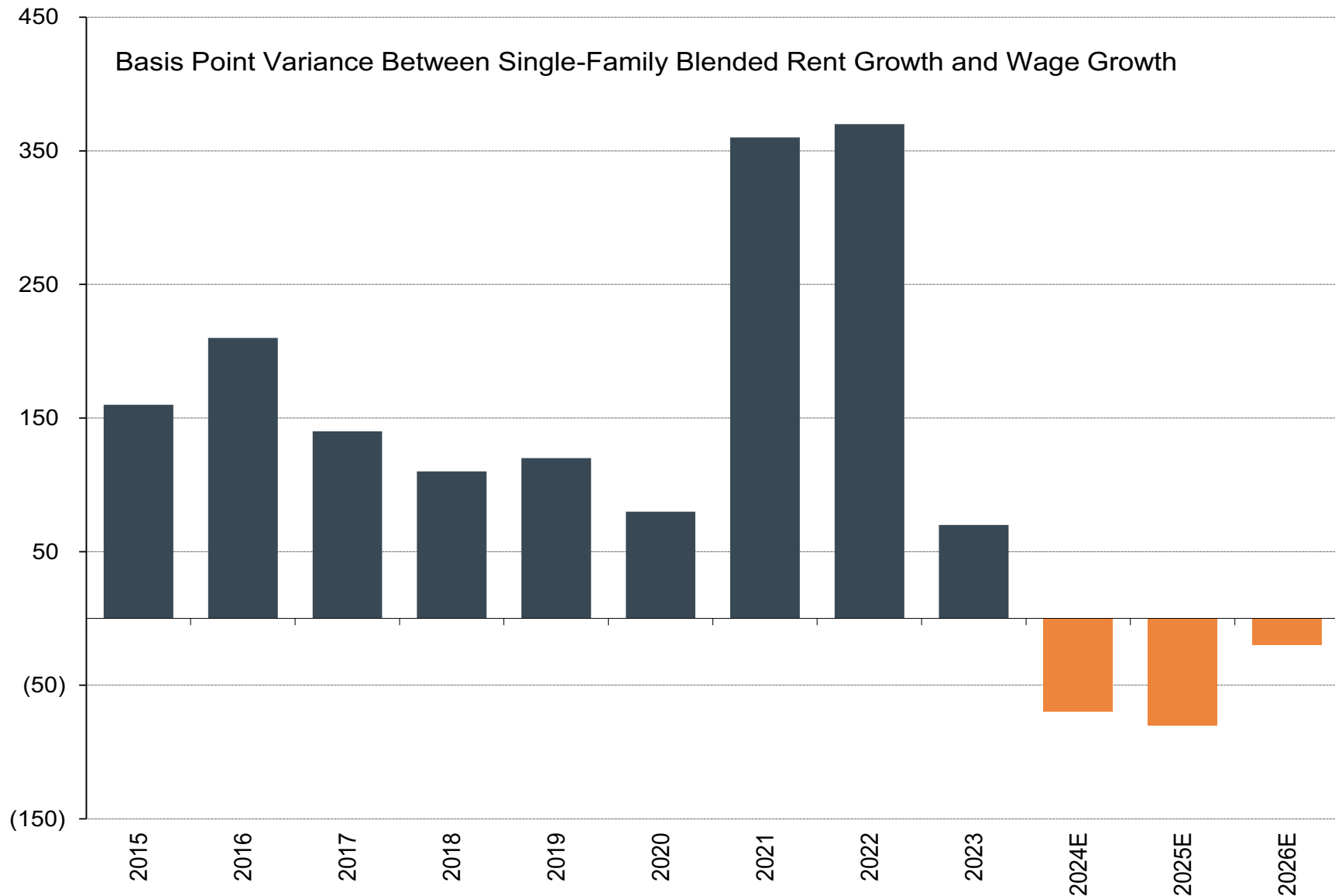
Blended Rent Growth Accelerates to Start Year



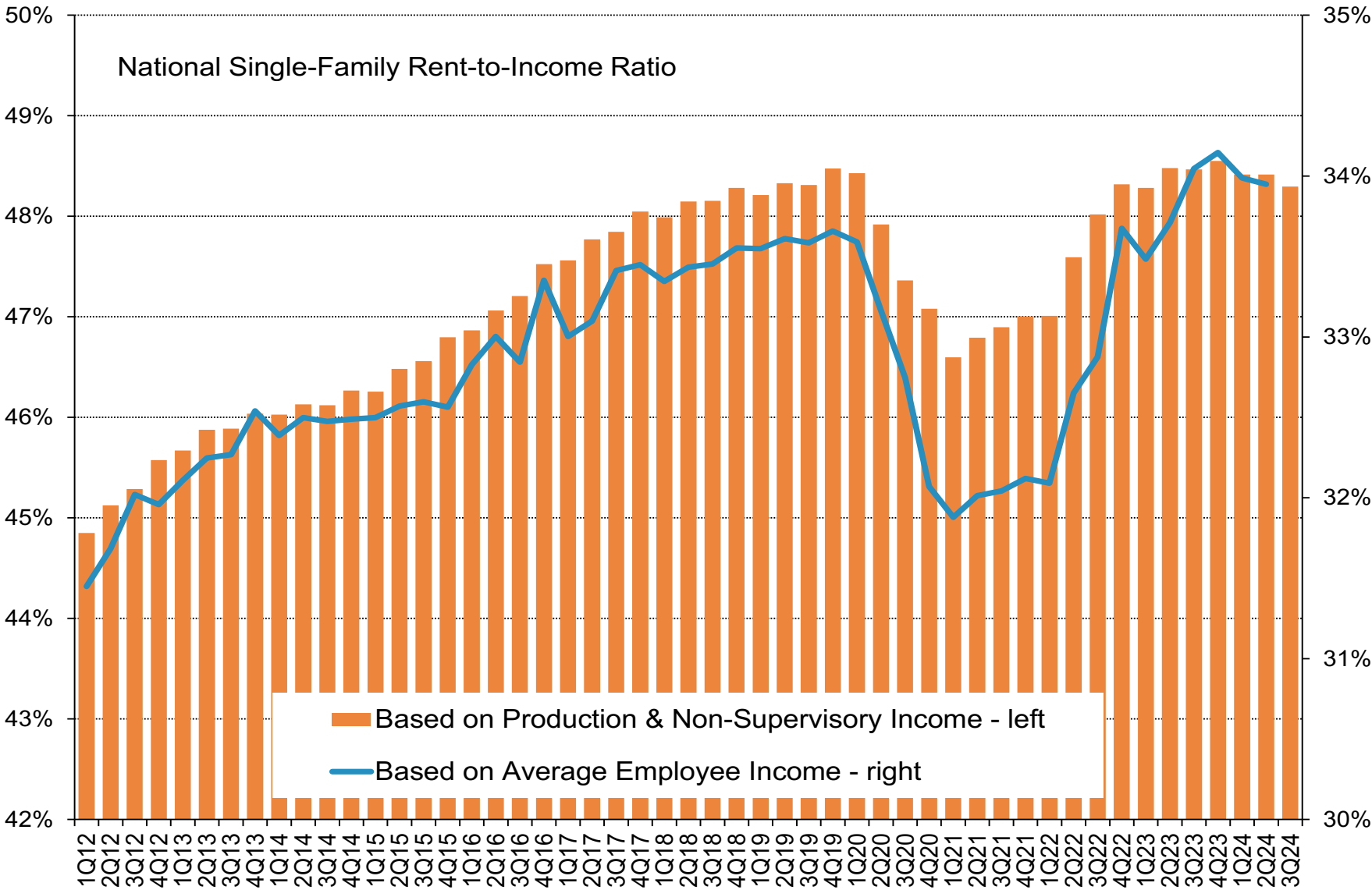
Share Noting Negative New Move-Ins Elevated



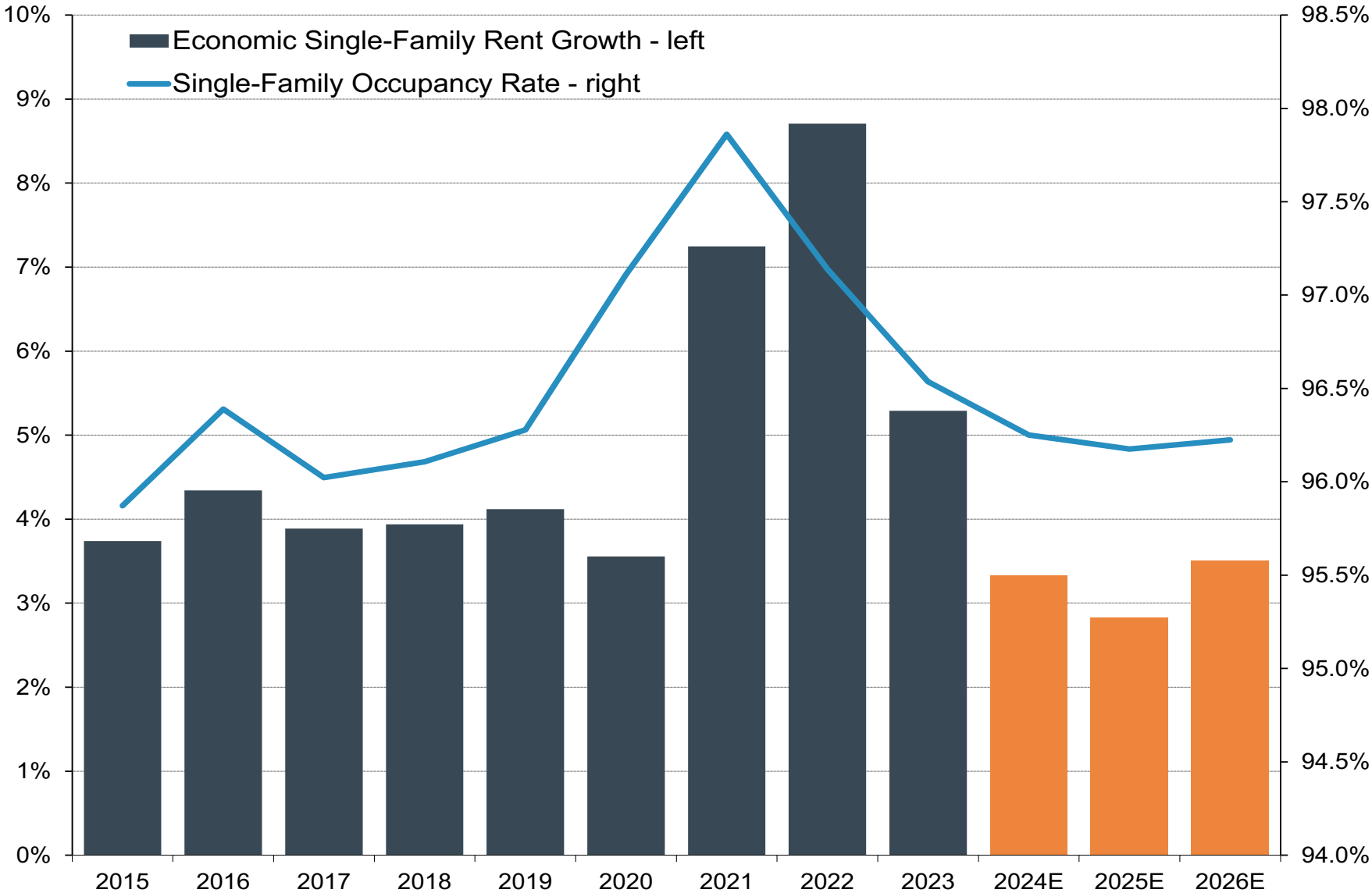
2021-22 Rent Growth Outpaced Wage Growth



Single-Family Rental Affordability Stretched



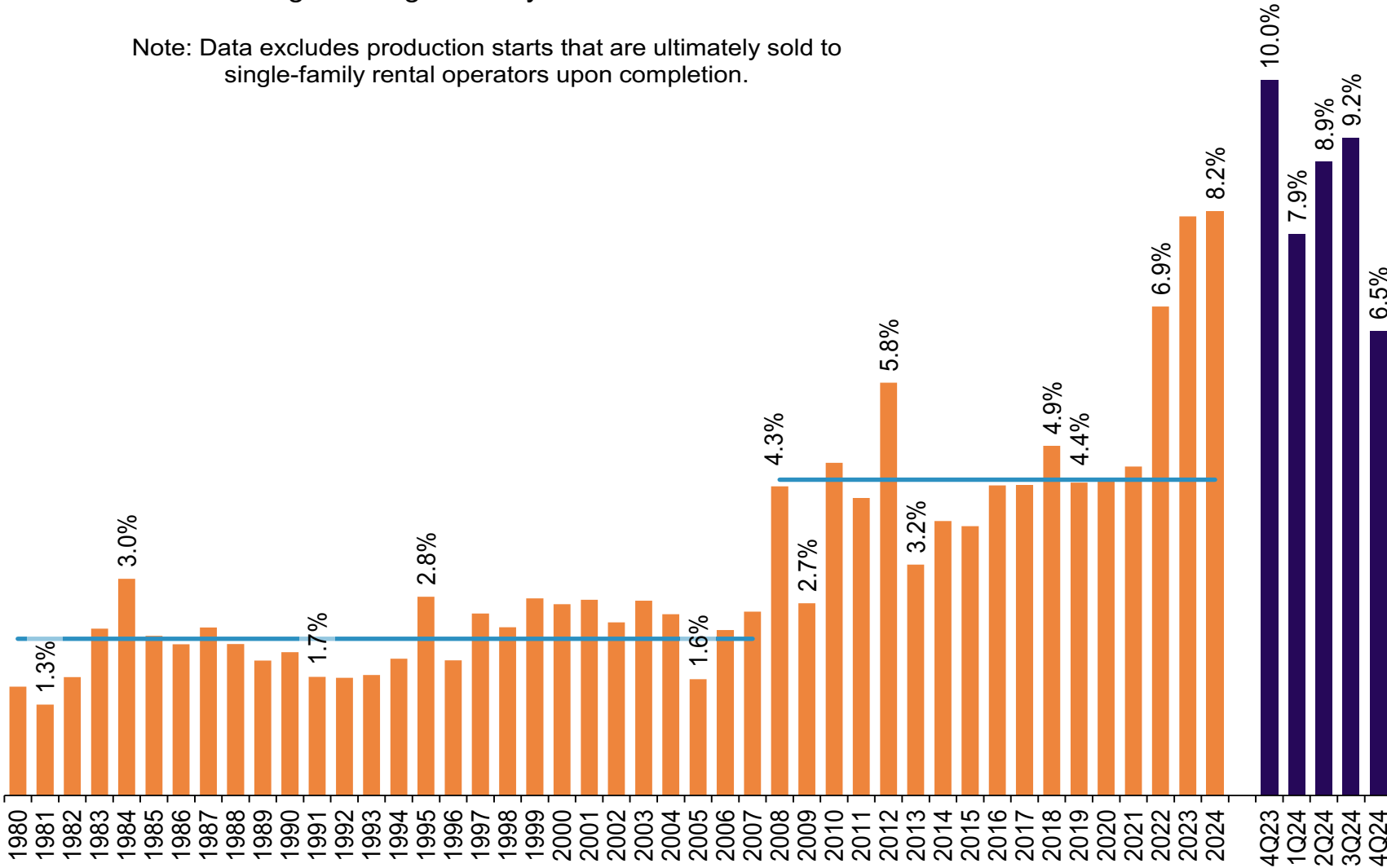
Single-Family Rental Forecasts



Built-For-Rent Starts Moderating

Percentage of Single-Family Starts Built for Rent

Note: Data excludes production starts that are ultimately sold to single-family rental operators upon completion.



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Disclosure

Price Charts:

For charts containing rating and price target information of covered companies, please contact Zelman & Associates via phone at 212-993-5840 or mail at 27101 East Oviatt Road, Suite 14, Bay Village, OH 44140.

As of October 6, 2023, Zelman & Associates' Ratings are defined as follows:

OUTPERFORM – The security is expected to outperform the relevant benchmark* within the next 12 months.

NEUTRAL – The security is expected to perform in line with the relevant benchmark* within the next 12 months.

UNDERPERFORM – The security is expected to underperform the relevant benchmark* within the next 12 months.

* *Relevant benchmark: Ratings are based on a stock's total return relative to Zelman & Associates' industry sector universe**, which consists of all companies covered by Zelman & Associates within the relevant sector (further specified below).*

Zelman & Associates Ratings System prior to October 6, 2023:

BUY: The security is deemed under-priced by at least 10-15% relative to fair value.

HOLD: The security is priced within approximately 10% of fair value.

SELL: The security is deemed over-priced by at least 10-15% relative to fair value.

Industry sector weightings are distinct from Zelman & Associates' stock ratings and are based on Zelman & Associates' expectations for the fundamentals and/or valuation of the sector relative to S&P 500. An industry coverage sector consists of all companies covered by Zelman & Associates within the relevant sector.

OVERWEIGHT: Zelman & Associates' expectation for the sector's fundamentals and/or valuation is favorable over the next 12 months.

MARKET WEIGHT: Zelman & Associates' expectation for the sector's fundamentals and/or valuation is neutral over the next 12 months.

UNDERWEIGHT: Zelman & Associates' expectation for the sector's fundamentals and/or valuation is cautious over the next 12 months.

Zelman & Associates Distribution of Investment Ratings as of 3/31/2024:

OUTPERFORM/BUY: (37.2%; 0.0% Investment Banking Clients)

NEUTRAL/HOLD: (39.5%; 5.9% Investment Banking Clients)

UNDERPERFORM/SELL: (23.3%; 0.0% Investment Banking Clients)

**While the investment recommendations within the three-tiered, relative stock rating system used by Zelman & Associates do not directly correlate to buy, hold and sell recommendations, for the purposes of the FINRA ratings distribution disclosure requirement, our stock ratings of outperform, perform and underperform most closely correspond buy, hold and sell, respectively, as our stock ratings are determined on a relative basis.*

Disclosure

**Below is a list of the Zelman & Associates' industry sectors that are currently weighted along with the list of companies covered by Zelman & Associates that constitute each "industry sector universe":

Mortgage & Real Estate Services

Anywhere Real Estate (HOUS)
Compass (COMP)
Opendoor Technologies (OPEN)
RE/MAX Holdings (RMAX)
Redfin (RDFN)
Rocket Companies (RKT)
Zillow Group (Z)

Homebuilding

Beazer Homes (BZH)
Century Communities (CCS)
D.R. Horton (DHI)
Dream Finders Homes (DFH)
Five Point Holdings (FPH)
Hovnanian Enterprises (HOV)
KB Home (KBH)
Lennar (LEN)
M/I Homes (MHO)
Meritage Homes (MTH)
NVR (NVR)
PulteGroup (PHM)
Taylor Morrison (TMHC)
Toll Brothers (TOL)
Tri Pointe Homes (TPH)

Single-Family Rental

American Homes 4 Rent (AMH)
Invitation Homes (INVH)

Building Products

American Woodmark (AMWD)
Armstrong World Industries (AWI)
AZEK Company (AZEK)
Beacon Roofing Supply (BECN)
Builders FirstSource (BLDR)
Carlisle Companies (CSL)
Ferguson (FERG)
Fortune Brands Innovations (FBIN)
Installed Building Products (IBP)
Masco (MAS)
MasterBrand (MBC)
Mohawk Industries (MHK)
Owens Corning (OC)
Sherwin-Williams (SHW)
Stanley Black & Decker (SWK)
TopBuild (BLD)
Trex Company (TREX)

Homecenters

Lowe's Companies (LOW)
The Home Depot (HD)

Disclosure

Zelman & Associates Research Disclosures as of:

April 22, 2024

Company	Ticker	Rating	Price	Disclosure
American Homes 4 Rent	AMH	Underperform	\$35.51	None
American Woodmark	AMWD	Outperform	\$90.30	1
Anywhere Real Estate	HOUS	Underperform	\$5.48	None
Apartment Income REIT	AIRC	Not Rated	\$38.40	None
Armstrong World Industries	AWI	Outperform	\$114.70	None
AvalonBay Communities	AVB	Not Rated	\$186.87	None
AZEK	AZEK	Neutral	\$45.00	None
Beacon Roofing Supply	BECN	Underperform	\$96.06	None
Beazer Homes	BZH	Outperform	\$26.59	1
Builders FirstSource	BLDR	Outperform	\$178.21	1
Century Communities	CCS	Underperform	\$79.73	1
Camden Property Trust	CPT	Not Rated	\$98.07	None
Carlisle Companies	CSL	Underperform	\$370.29	1
Compass	COMP	Outperform	\$3.32	None
Dream Finders Homes	DFH	Neutral	\$34.14	1, 2
D.R. Horton	DHI	Neutral	\$143.07	None
Equity Residential	EQR	Not Rated	\$62.54	None
Essex Property Trust	ESS	Not Rated	\$239.89	None
Ferguson	FERG	Outperform	\$208.19	None
Five Point Holdings	FPH	Neutral	\$3.00	None
Fortune Brands Innovations	FBIN	Outperform	\$72.90	1
Hovnanian Enterprises	HOV	Underperform	\$138.88	1
Installed Building Products	IBP	Neutral	\$223.43	1
Invitation Homes	INVH	Outperform	\$33.78	None
KB Home	KBH	Neutral	\$62.69	1
Lennar	LEN	Outperform	\$151.57	1
Lowe's Companies	LOW	Neutral	\$231.23	None
M/I Homes	MHO	Neutral	\$112.70	1
Masco	MAS	Neutral	\$72.02	None
MasterBrand	MBC	Neutral	\$16.81	1
Meritage Homes	MTH	Outperform	\$152.07	1
Mid-America Apartment Communities	MAA	Not Rated	\$127.47	None
Mohawk Industries	MHK	Underperform	\$109.95	None
NVR	NVR	Neutral	\$7,806.79	None
Opendoor Technologies	OPEN	Neutral	\$2.17	None
Owens Corning	OC	Underperform	\$164.44	None
PulteGroup	PHM	Neutral	\$107.83	1
Redfin	RDFN	Neutral	\$5.24	None
RE/MAX Holdings	RMAX	Underperform	\$7.12	1
Rocket Companies	RKT	Outperform	\$11.97	None
Sherwin-Williams	SHW	Neutral	\$309.26	None
Stanley Black & Decker	SWK	Outperform	\$89.35	1
Taylor Morrison	TMHC	Neutral	\$55.05	1
The Home Depot	HD	Outperform	\$336.11	None
Toll Brothers	TOL	Outperform	\$113.81	1
TopBuild	BLD	Neutral	\$384.66	None
Trex	TREX	Neutral	\$87.82	None
TRI Pointe Homes	TPH	Underperform	\$35.27	None
UDR	UDR	Not Rated	\$37.01	None
Zillow Group	Z	Outperform	\$42.24	None

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