

NCREIF Fall Conference 2024

Hollywood, Florida – Diplomat Resort





NCREIF Valuation Committee

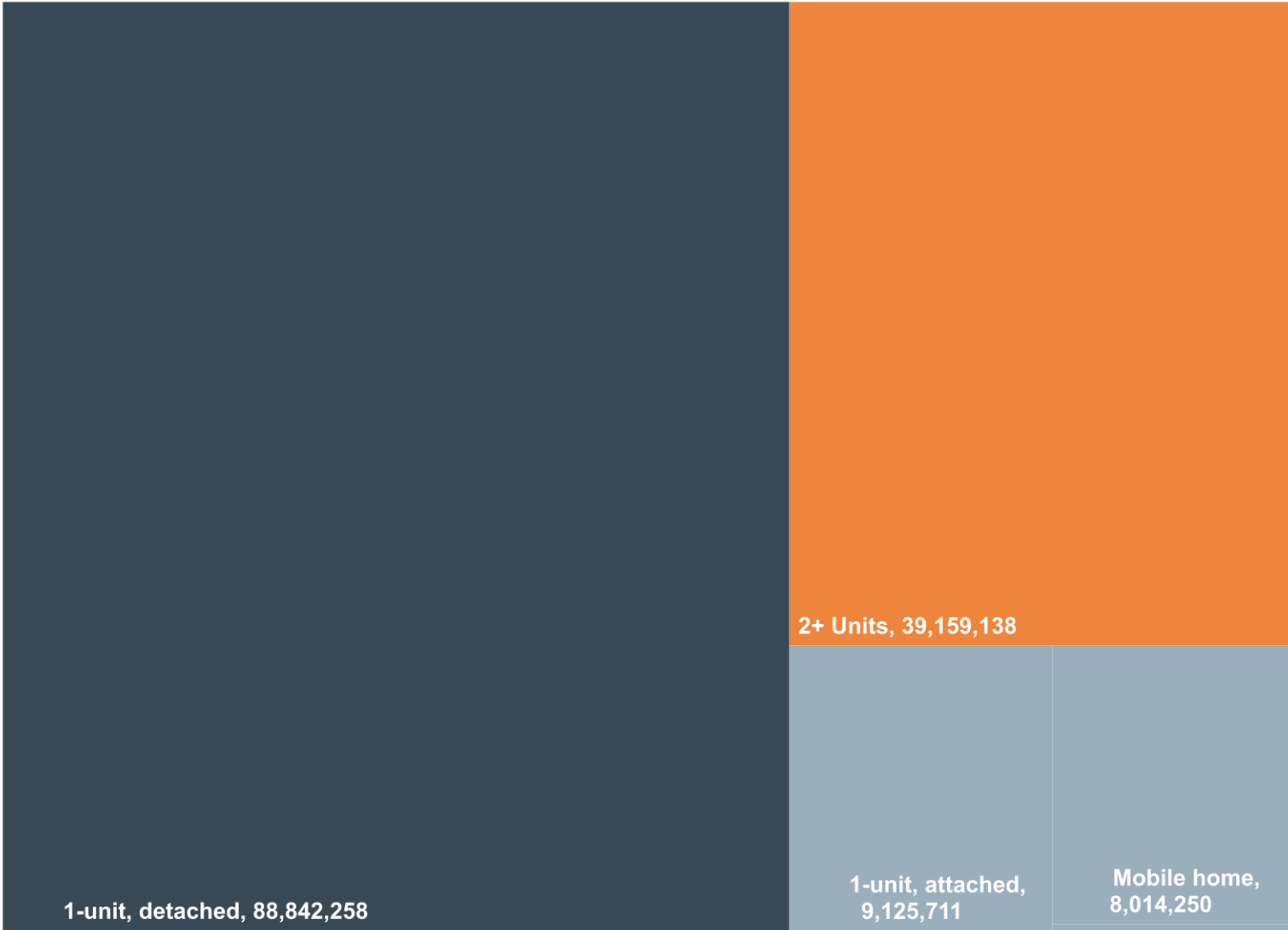
October 2024

mark@zelmanassociates.com

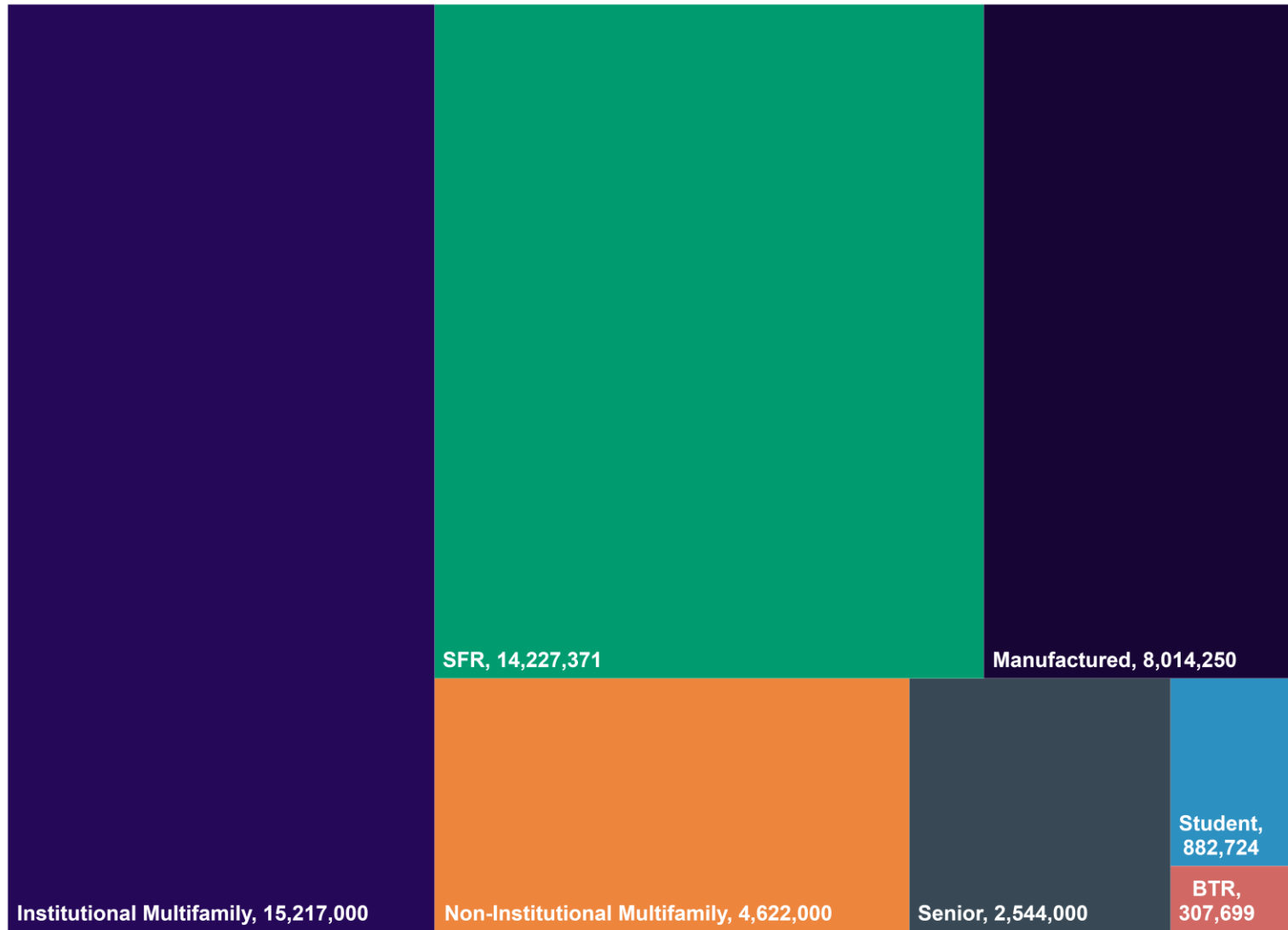
Introduction & Key Takeaways

- Who is Zelman & Associates?
 - *Affordability*
 - *Multifamily*
 - *SFR-BTR*
 - *Senior*
 - *Student*
 - *Manufactured Housing*
1. Patience and optimism
 2. Focus on housing
 3. Risk factors

Size the Market



Size the Market

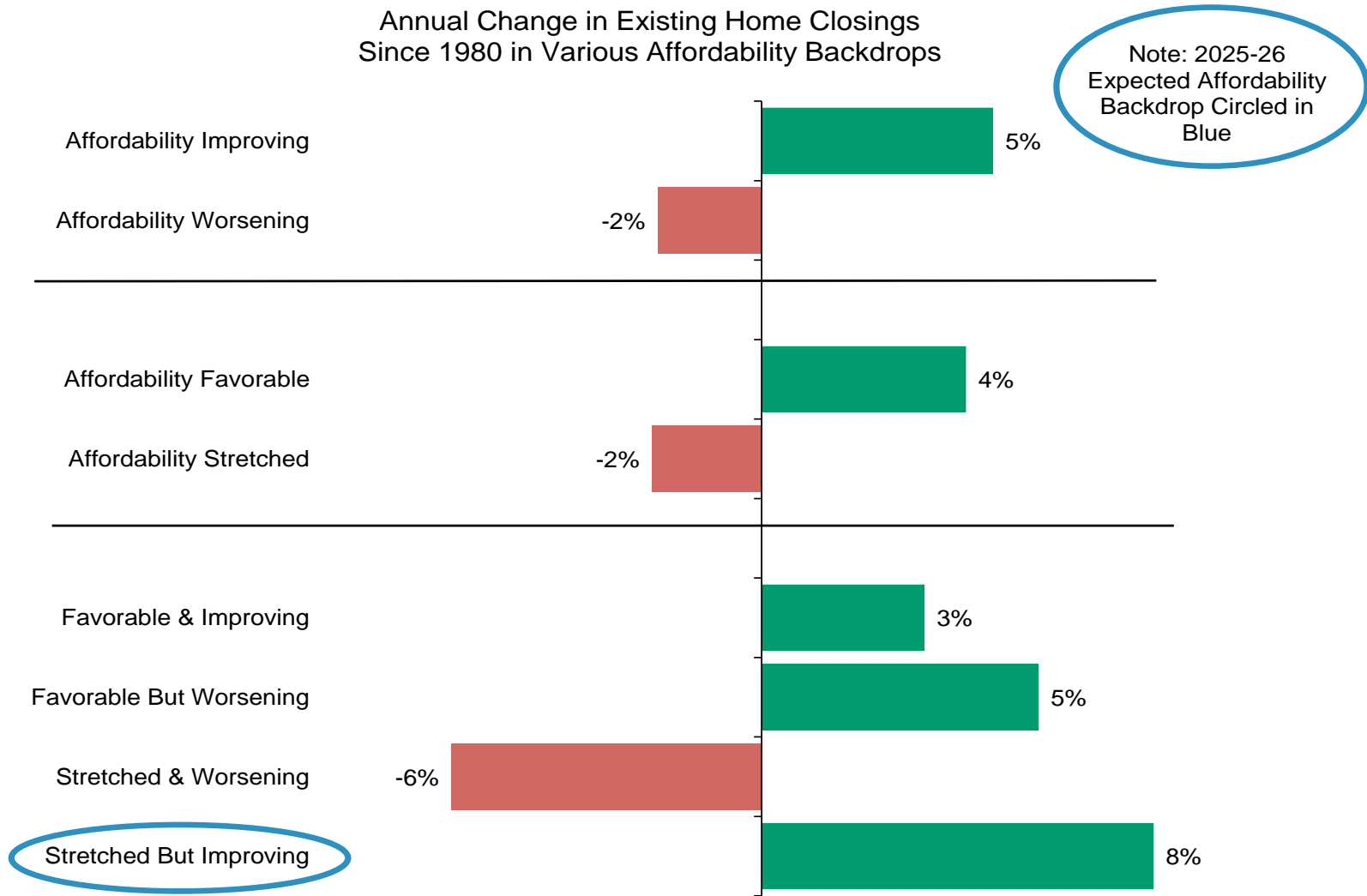


Affordability

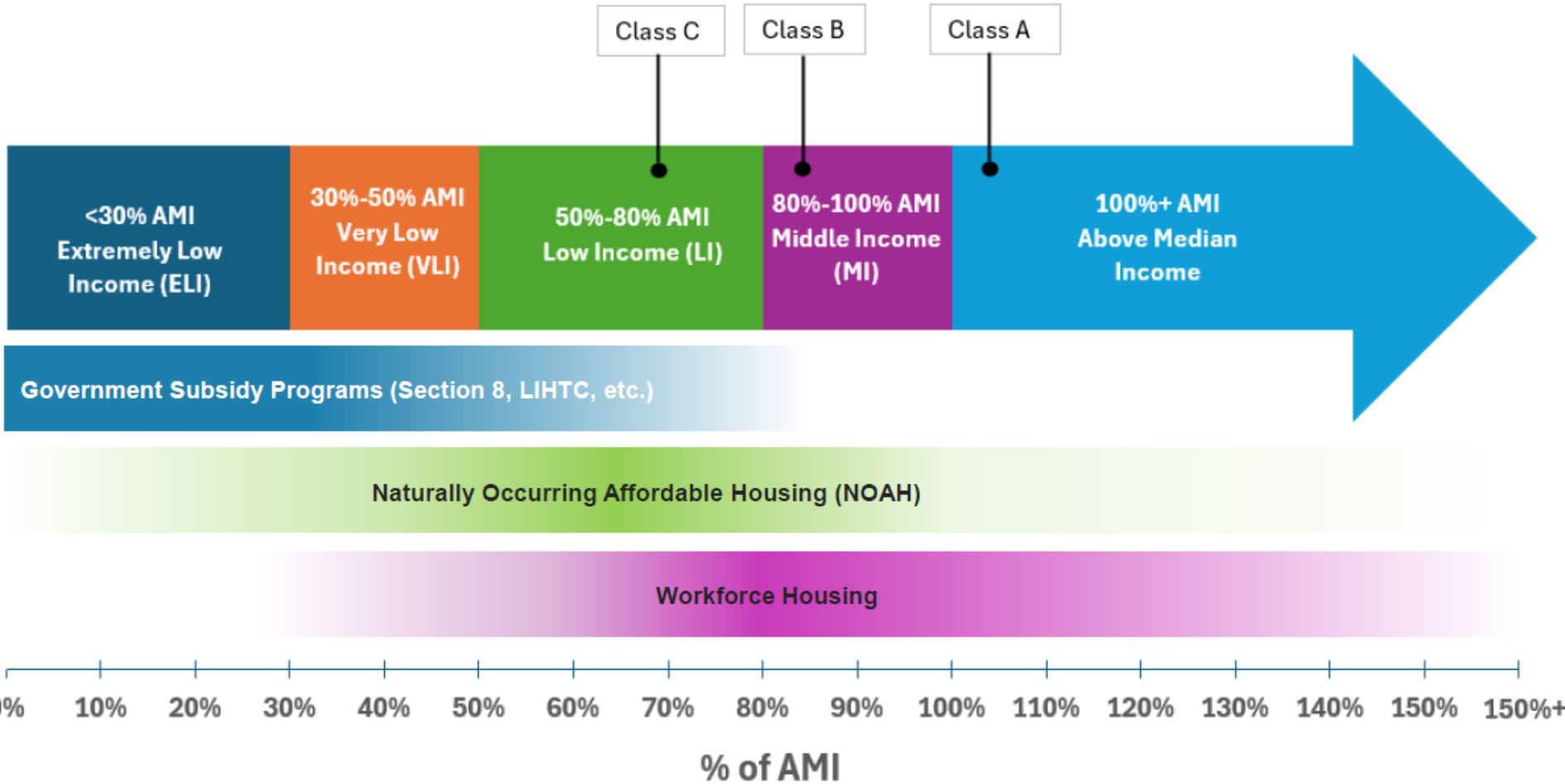
- Own and rent both stretched, ownership more stretched
- 50% price growth versus 30%
- 250-300 bps increase

Stretched But Improving Affordability a Positive Backdrop

Annual Change in Existing Home Closings
Since 1980 in Various Affordability Backdrops

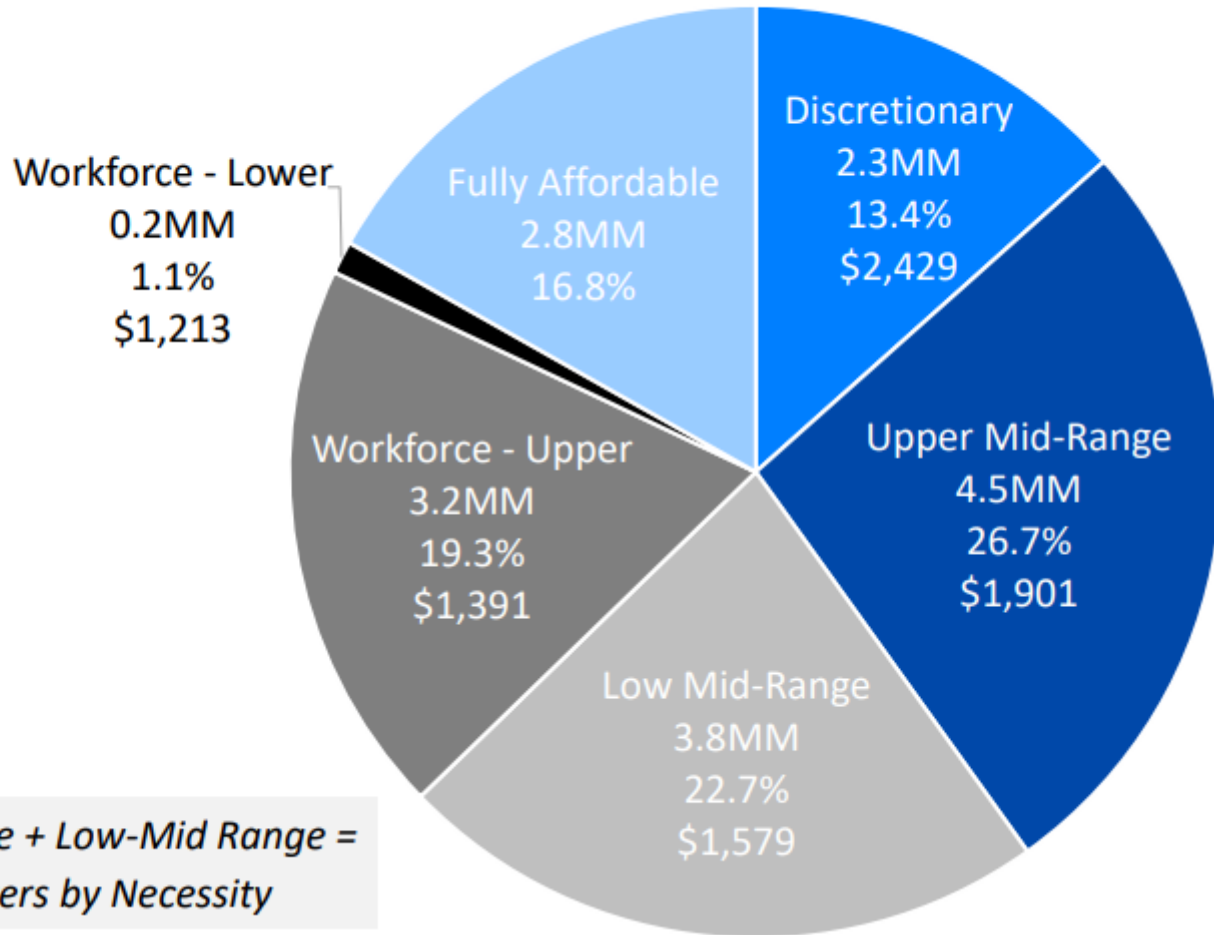


Many Categories of Affordable Housing



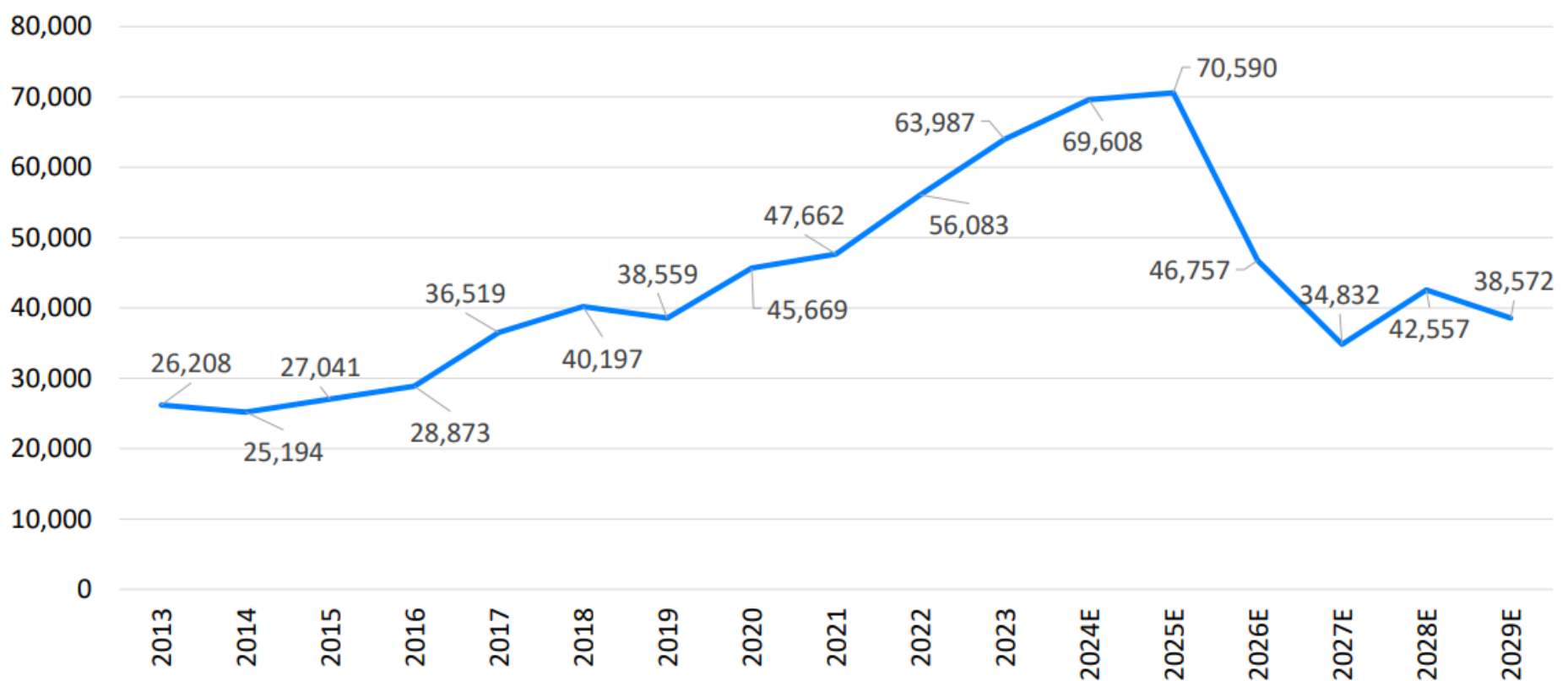
Many Categories of Affordable Housing

Completed Inventory 16.8 MM: Composition By Rental Category
Units, % of Total Inventory & Asking Rent \$/month



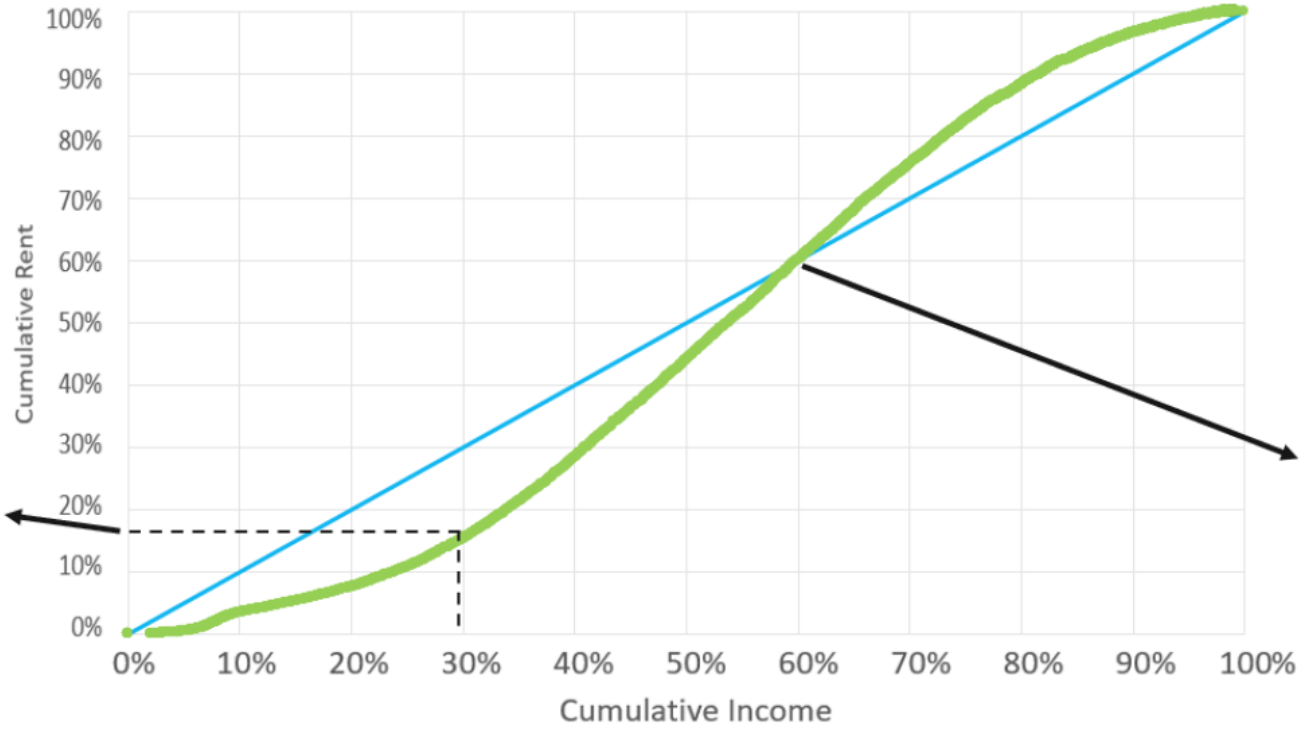
Like Multifamily, Affordable Supply Hitting Peak

Fully Affordable Completions (Units)



Affordability Curve Shows Gaps

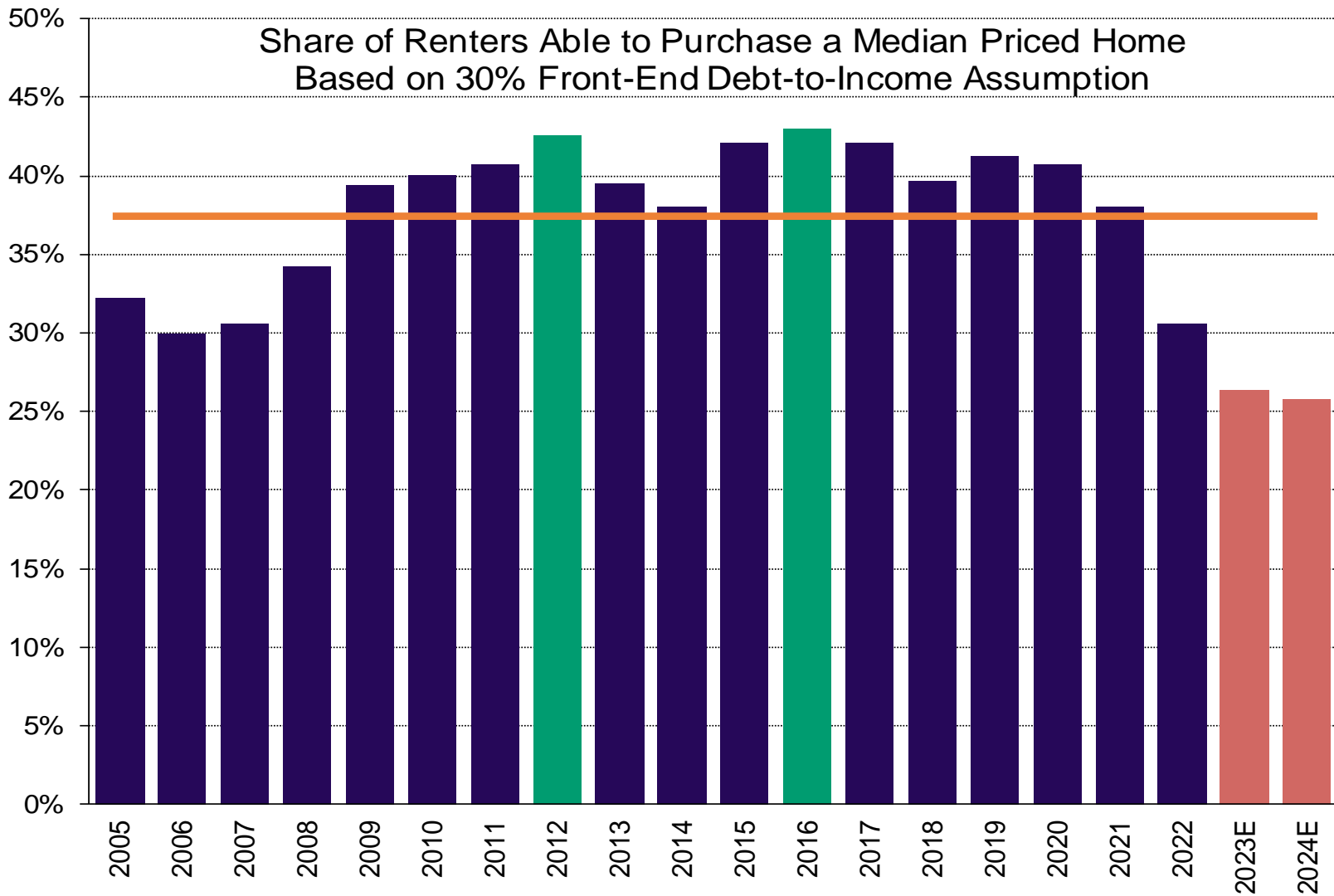
National Affordability Curve



The largest disparity is at the 29th percentile of income, only 14% of units are affordable

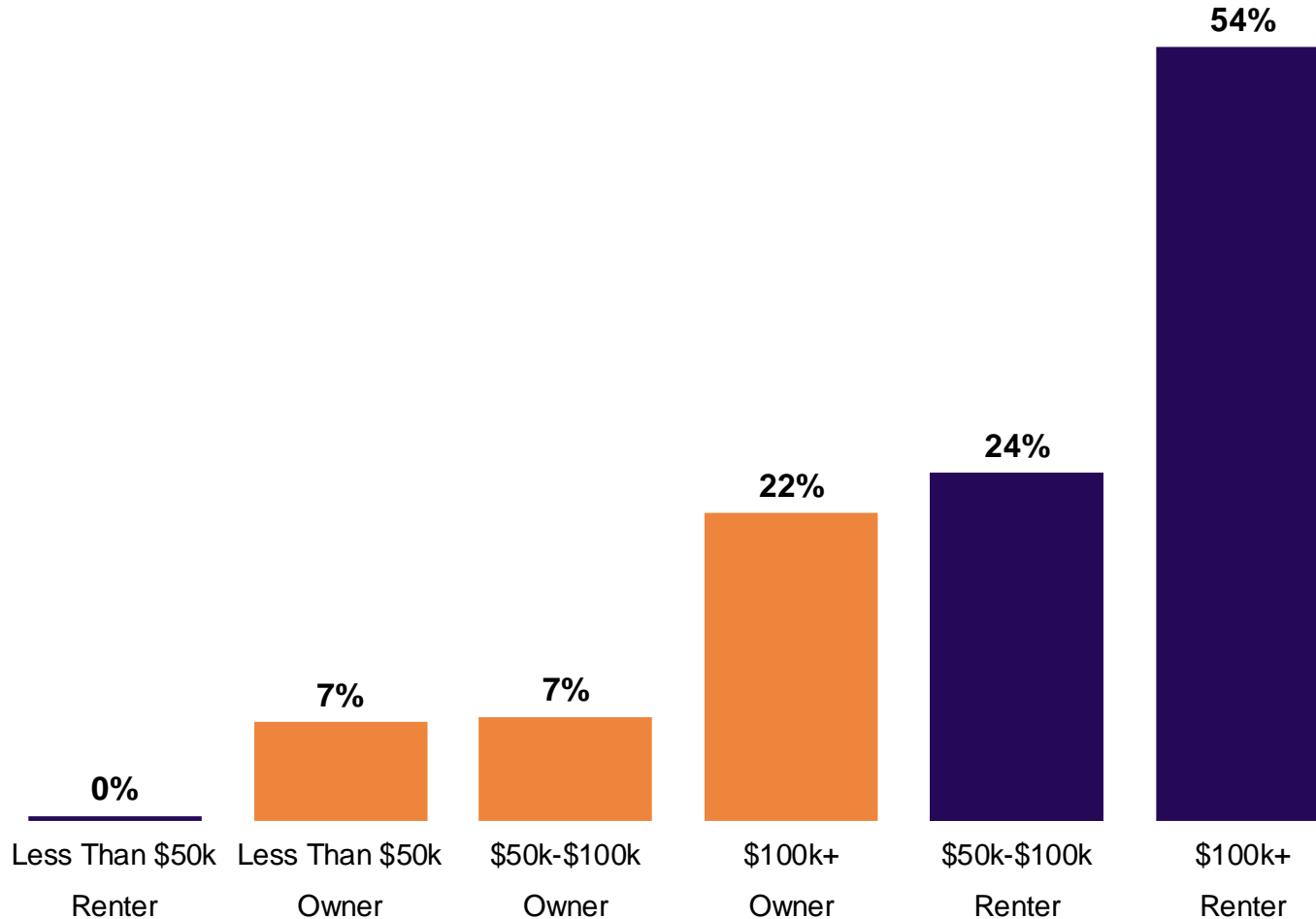
The intersection represents at what income level there is no longer a shortage of affordable rental units: 60th percentile or 69% of AMI

... Or Said Differently, Fewer Renters Can Afford to Buy



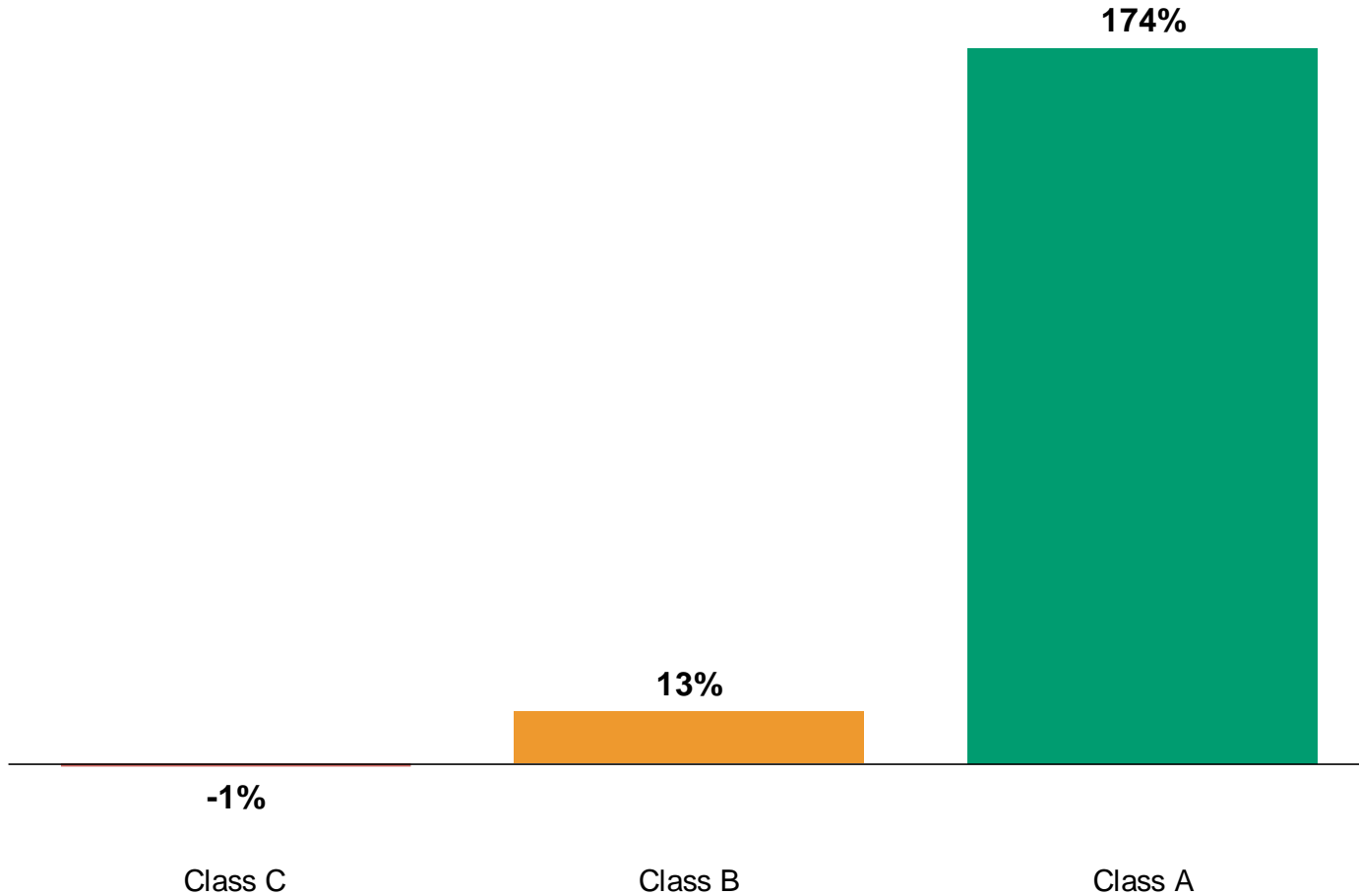
Higher-Income Renter Growth Strongest

2010-2022 Change in Households by Owner/Renter and Income



Developers Meet Demand

2012-2024 Multifamily Inventory Growth by Class

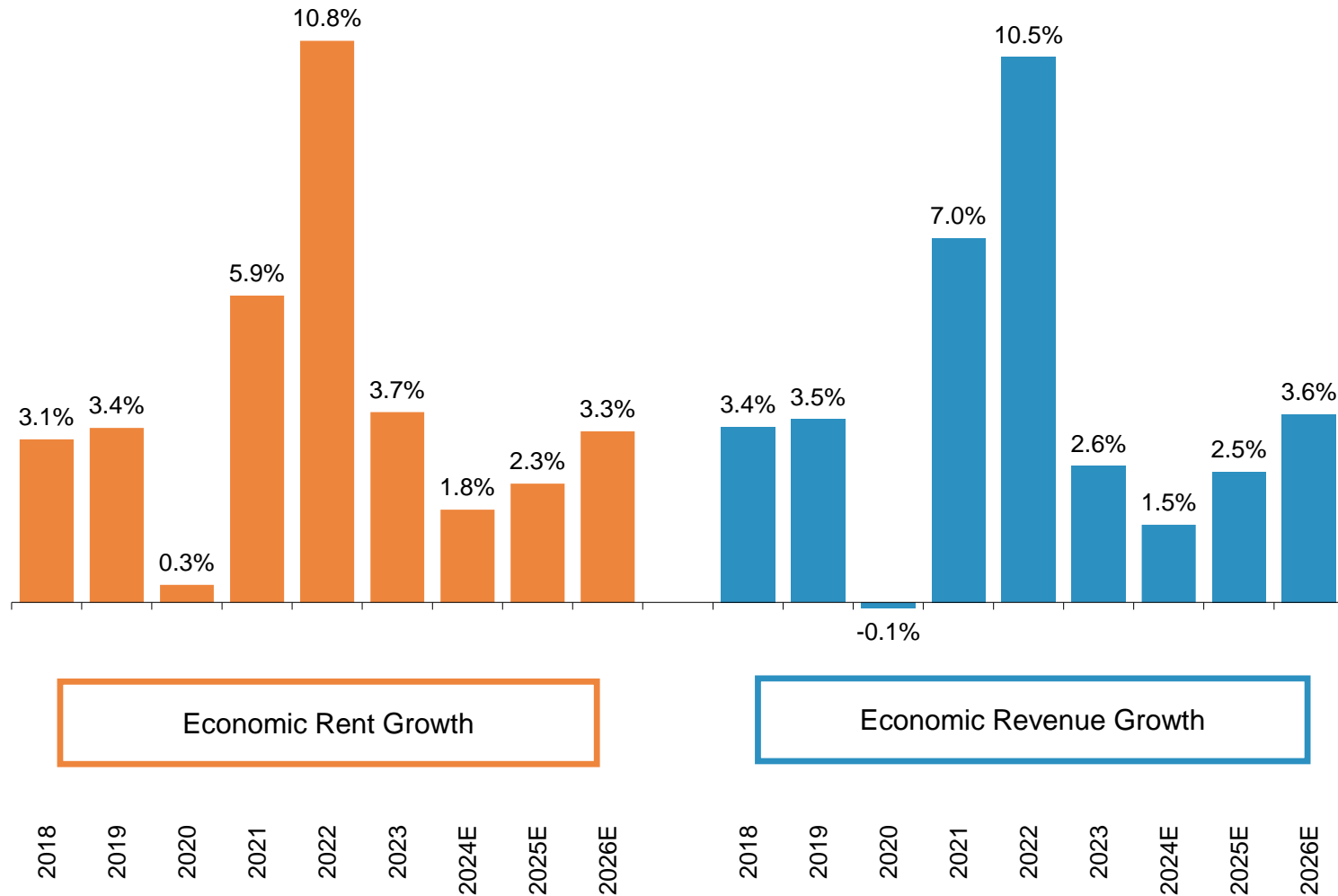


Multifamily

- FOMO
- Q4 sales volume
- Cap rates range-bound
- Rent growth trajectory
- Peak supply
- Outstanding demand
- Development finds a way

Rent Growth Outlook Improving

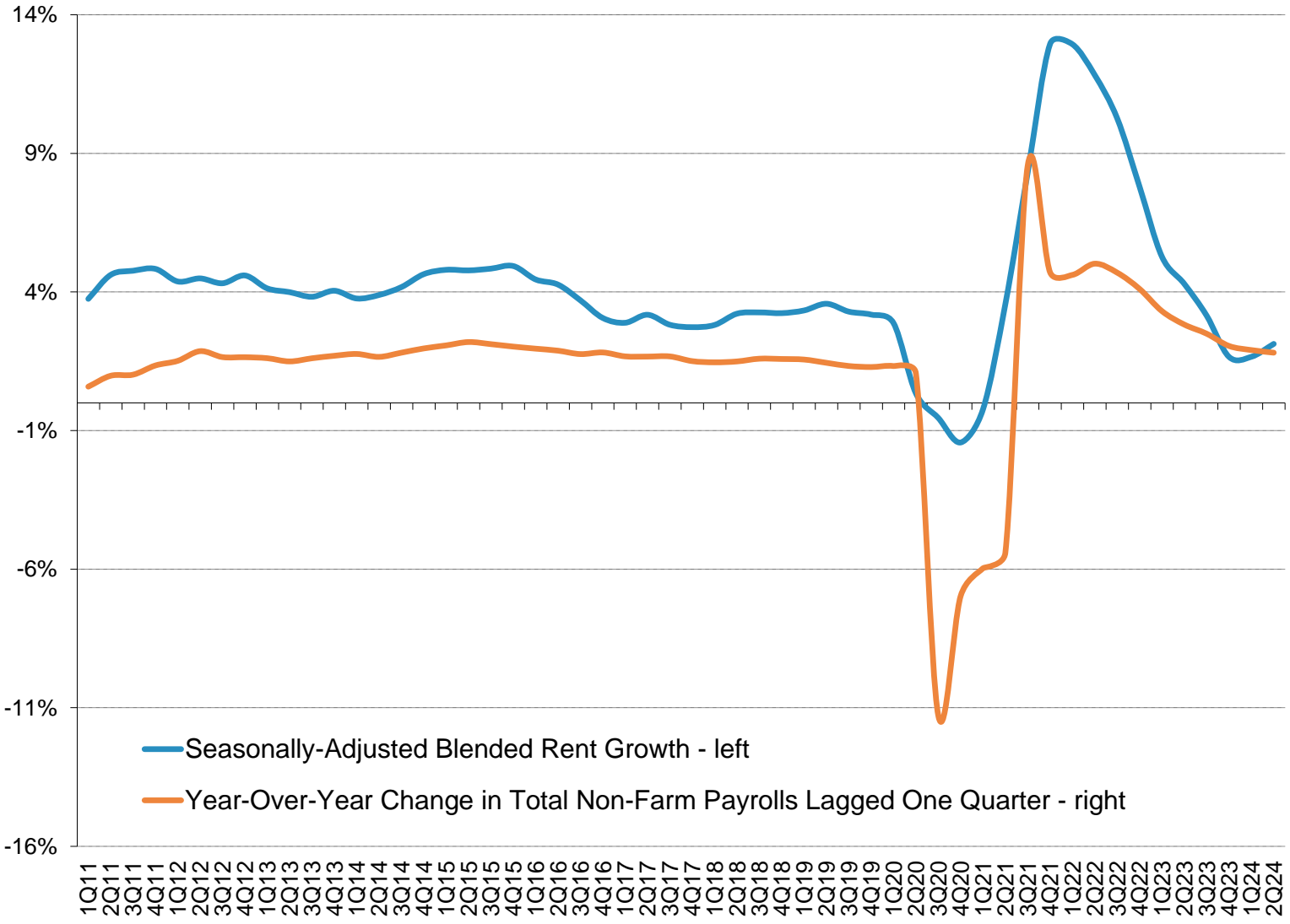
Change in Multifamily Fundamental Metrics



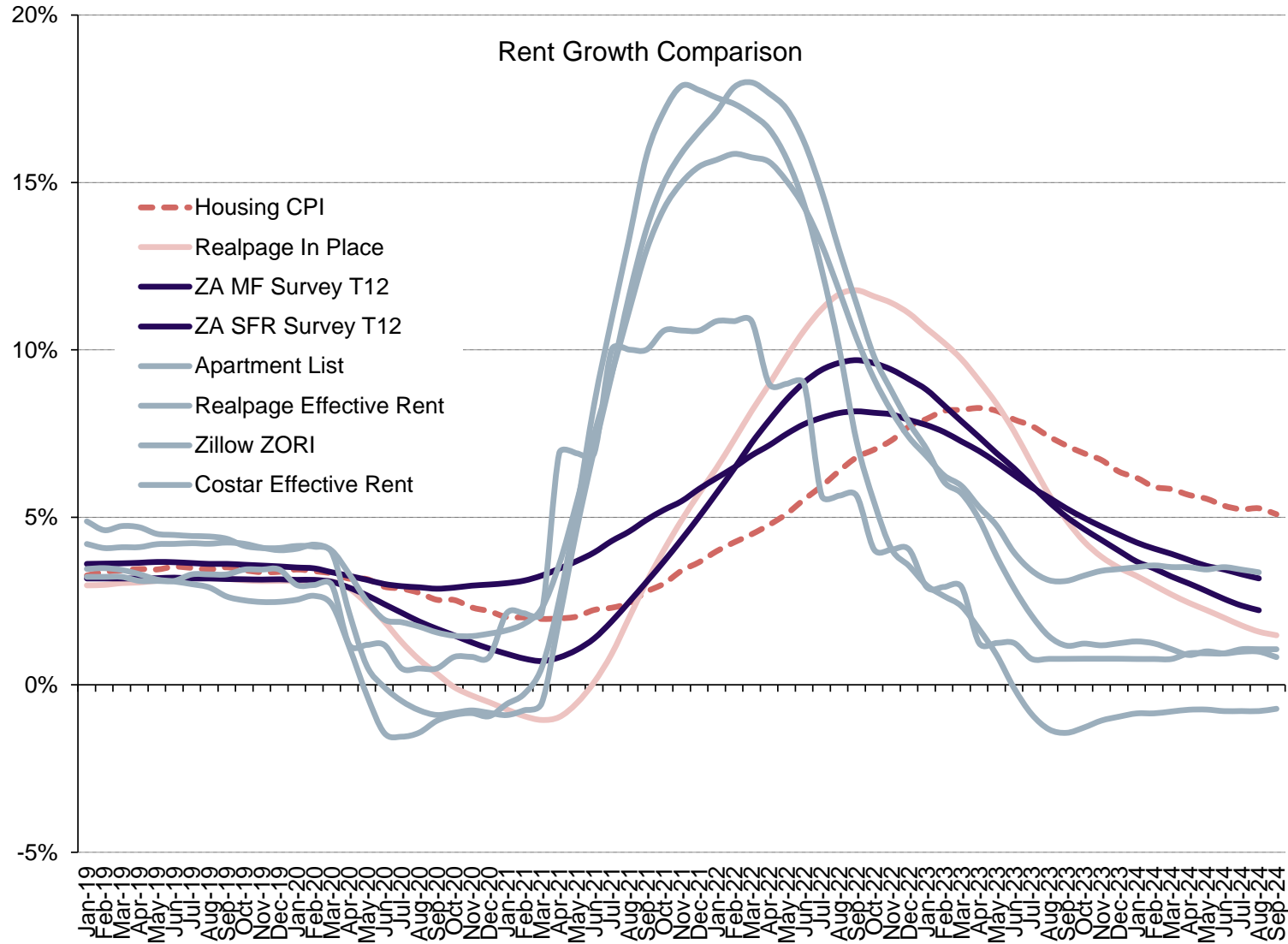
Economic Rent Growth

Economic Revenue Growth

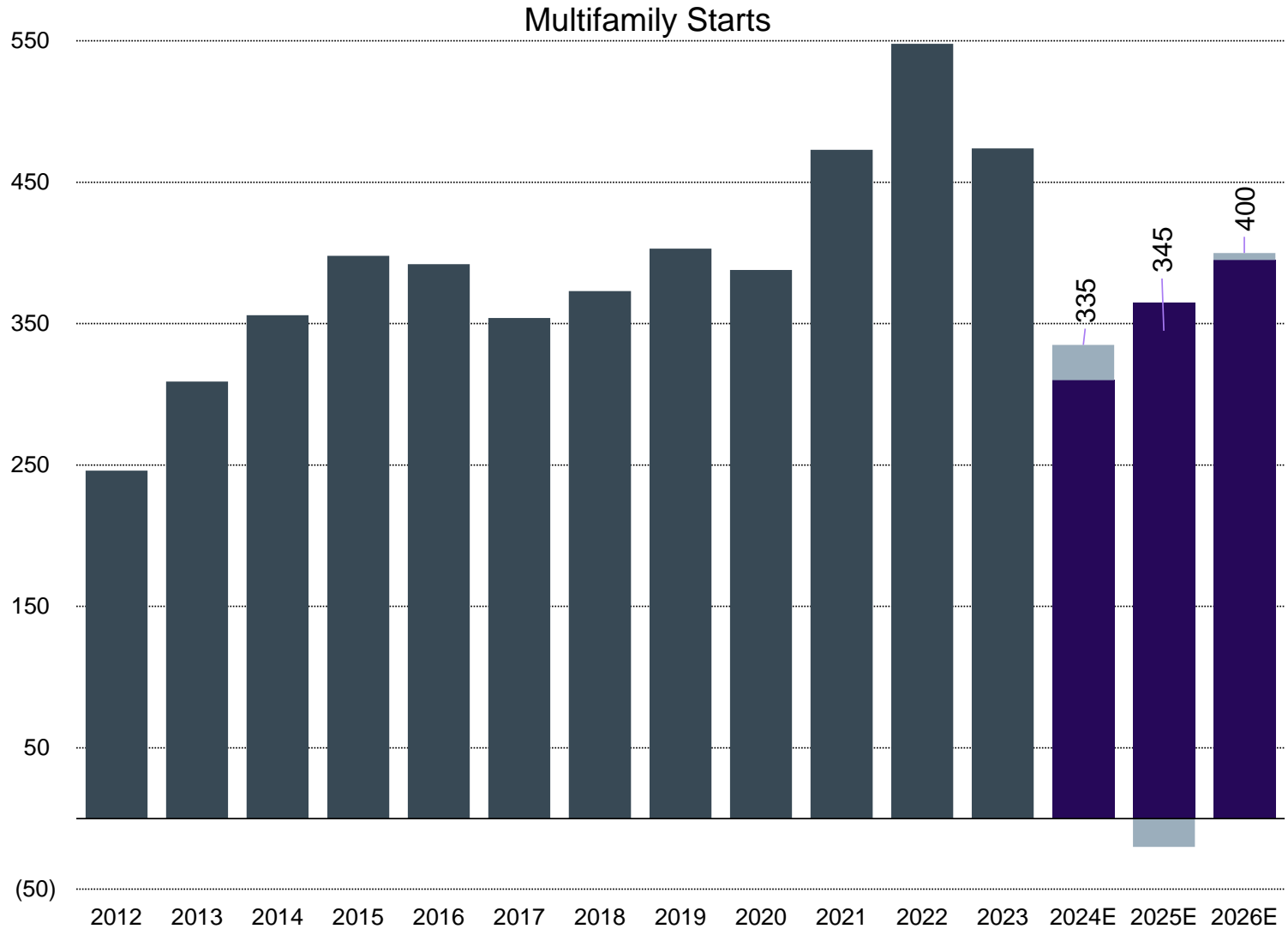
Job Growth Supports Rent Growth



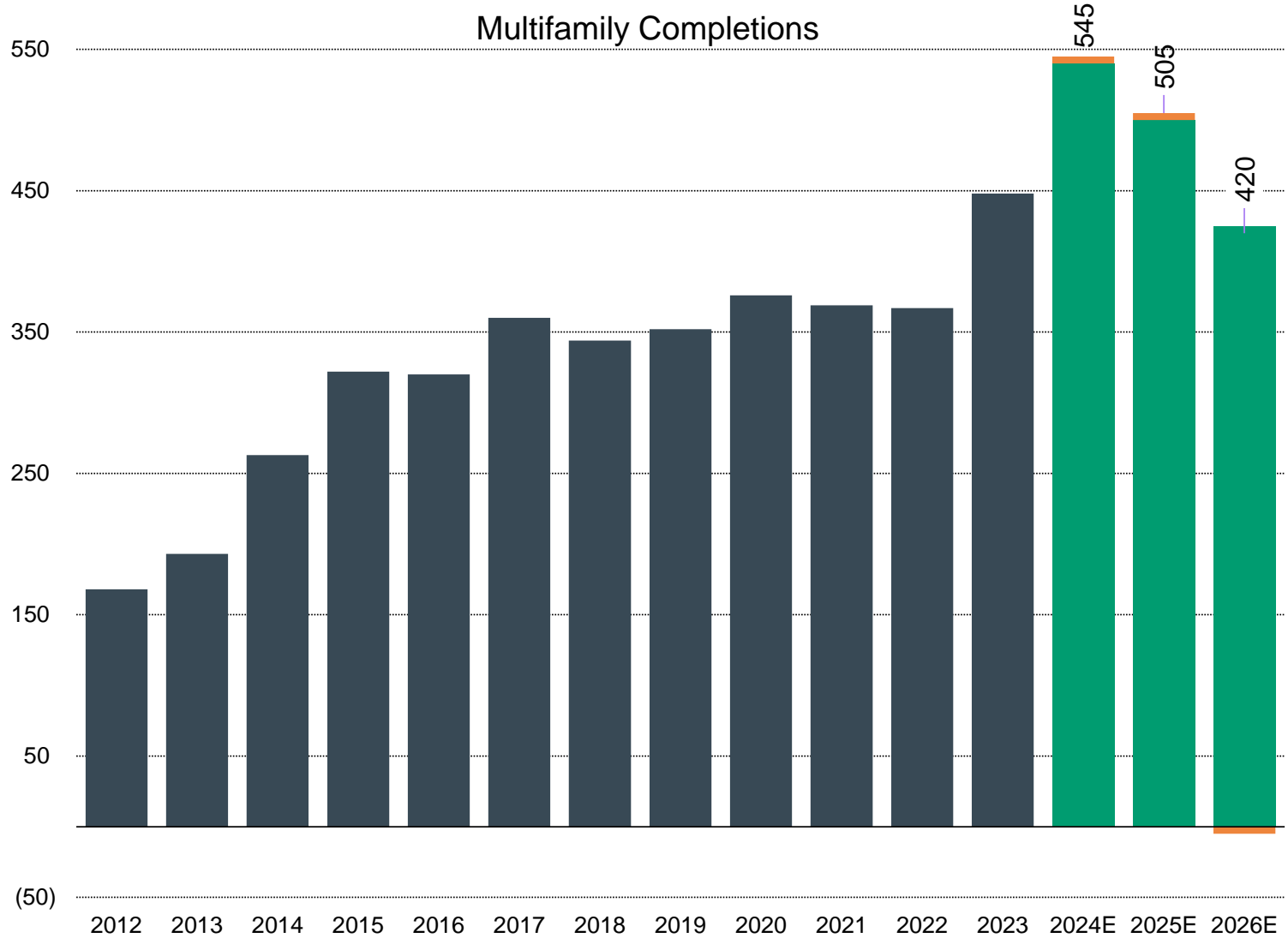
Rent Growth Metrics Bottoming



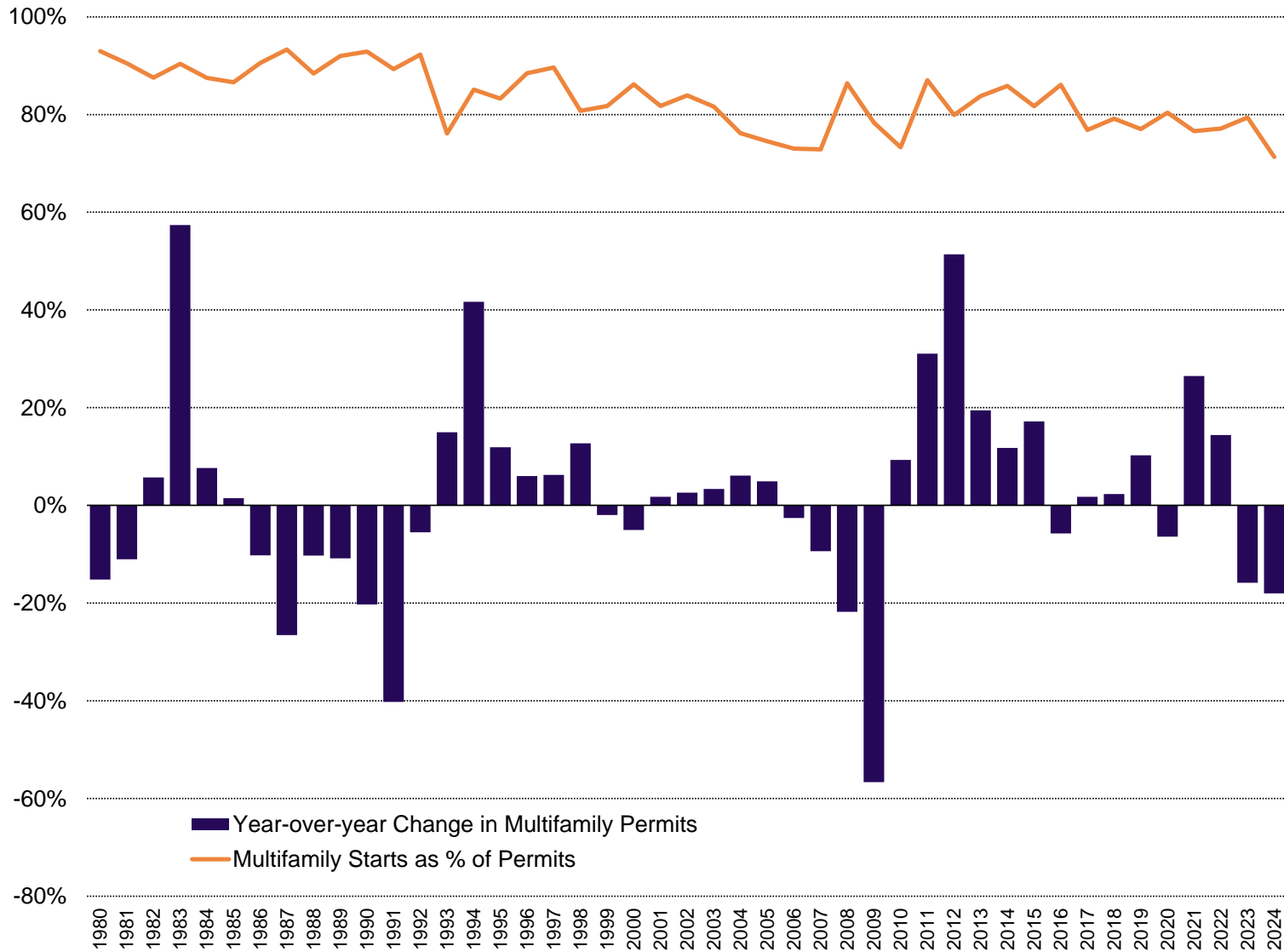
Starts Taking Breather in 24, Set to Bounce Back



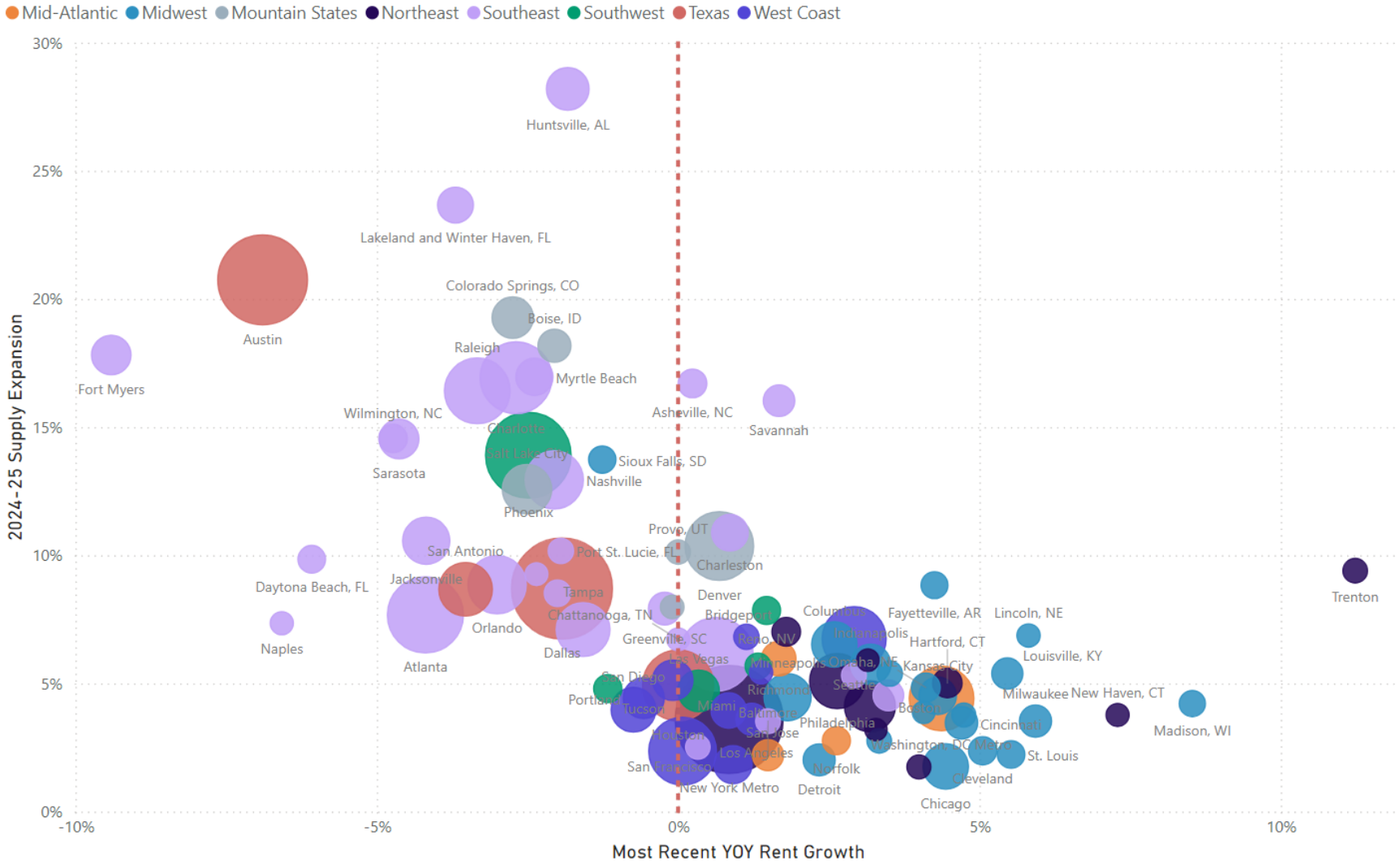
Delivery Wave Is Here



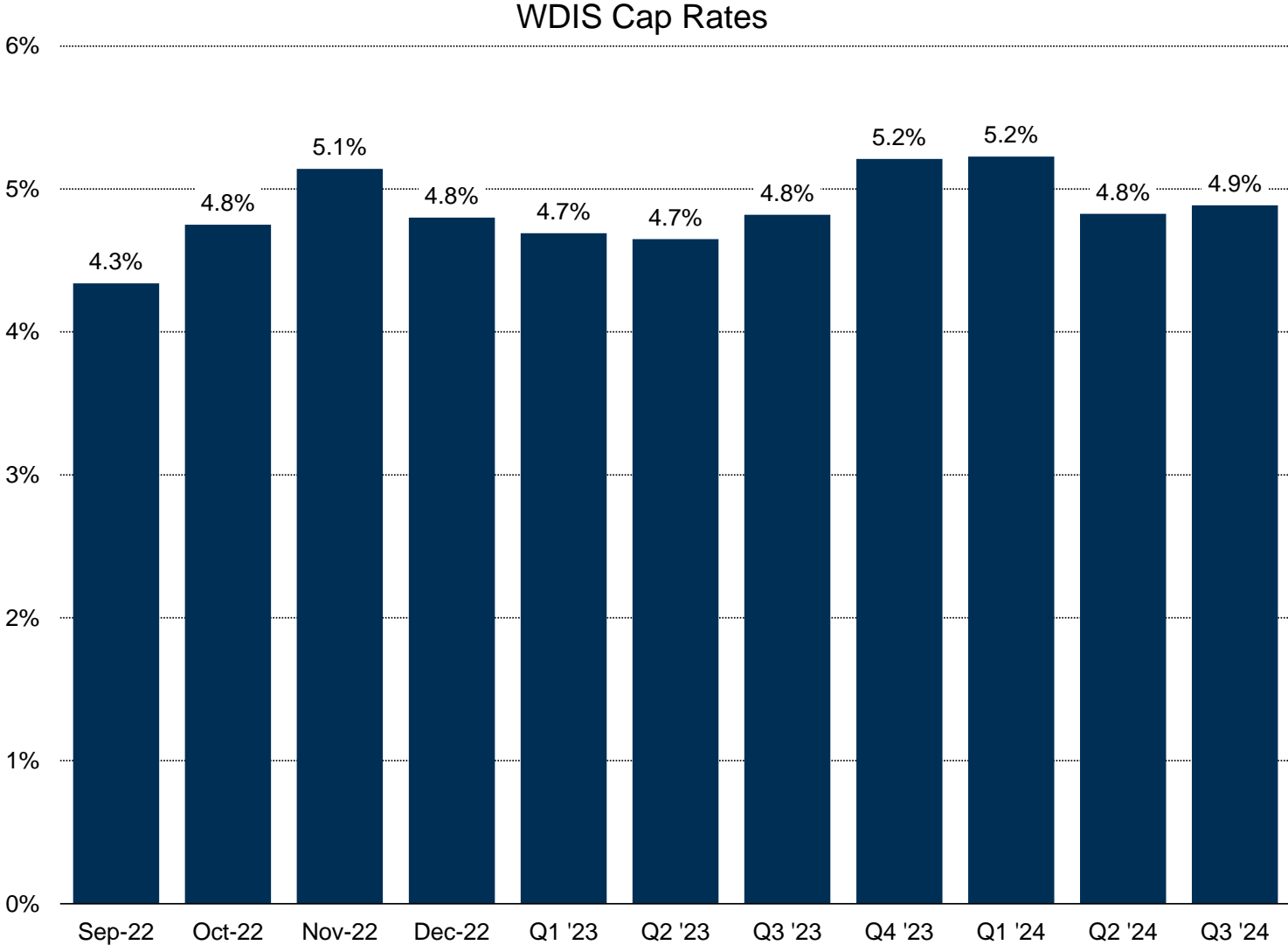
Permit Trends a Backstop to Starts



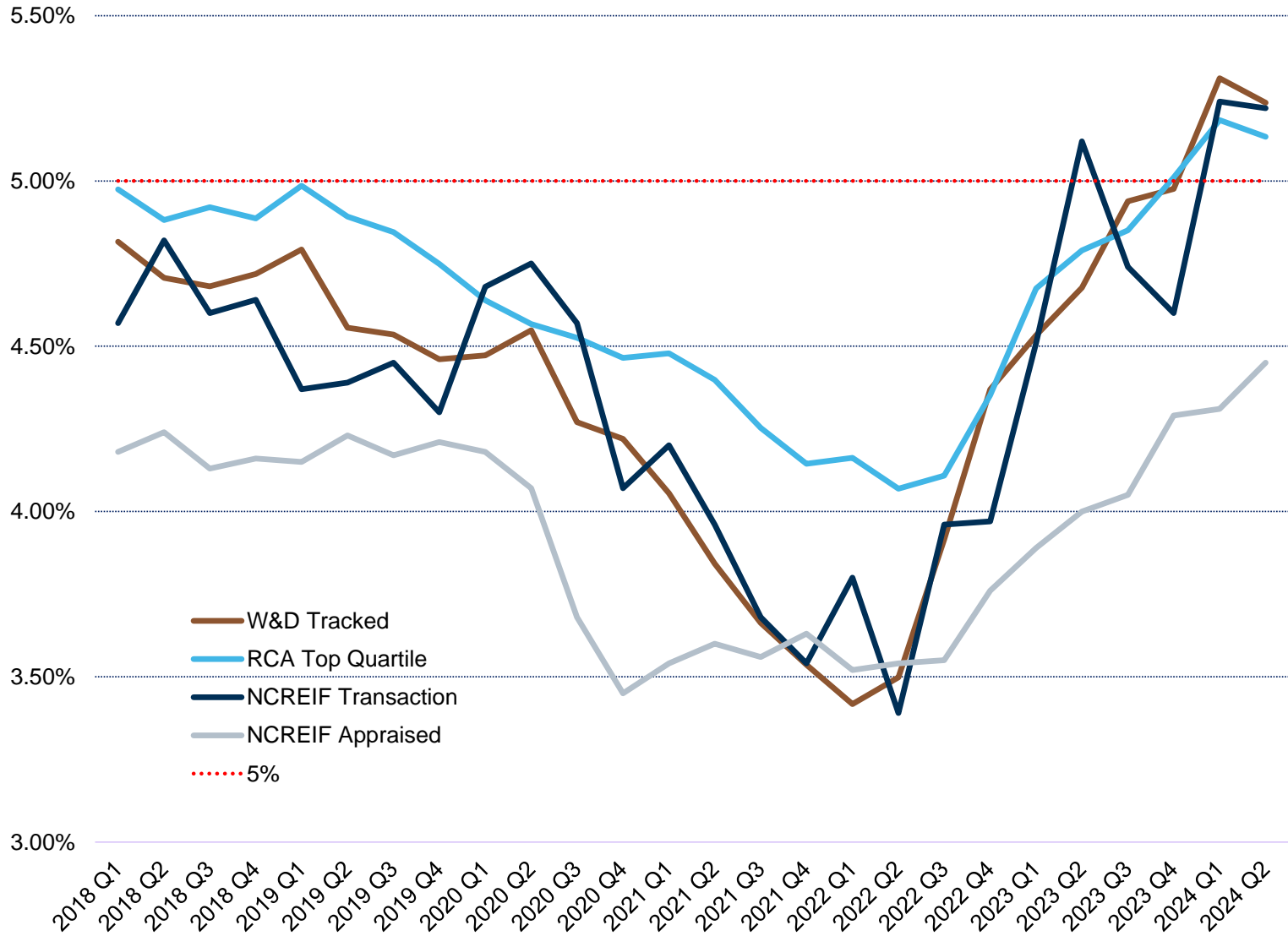
More Supply, More Problems



Cap Rates for “Haves” Looking Good

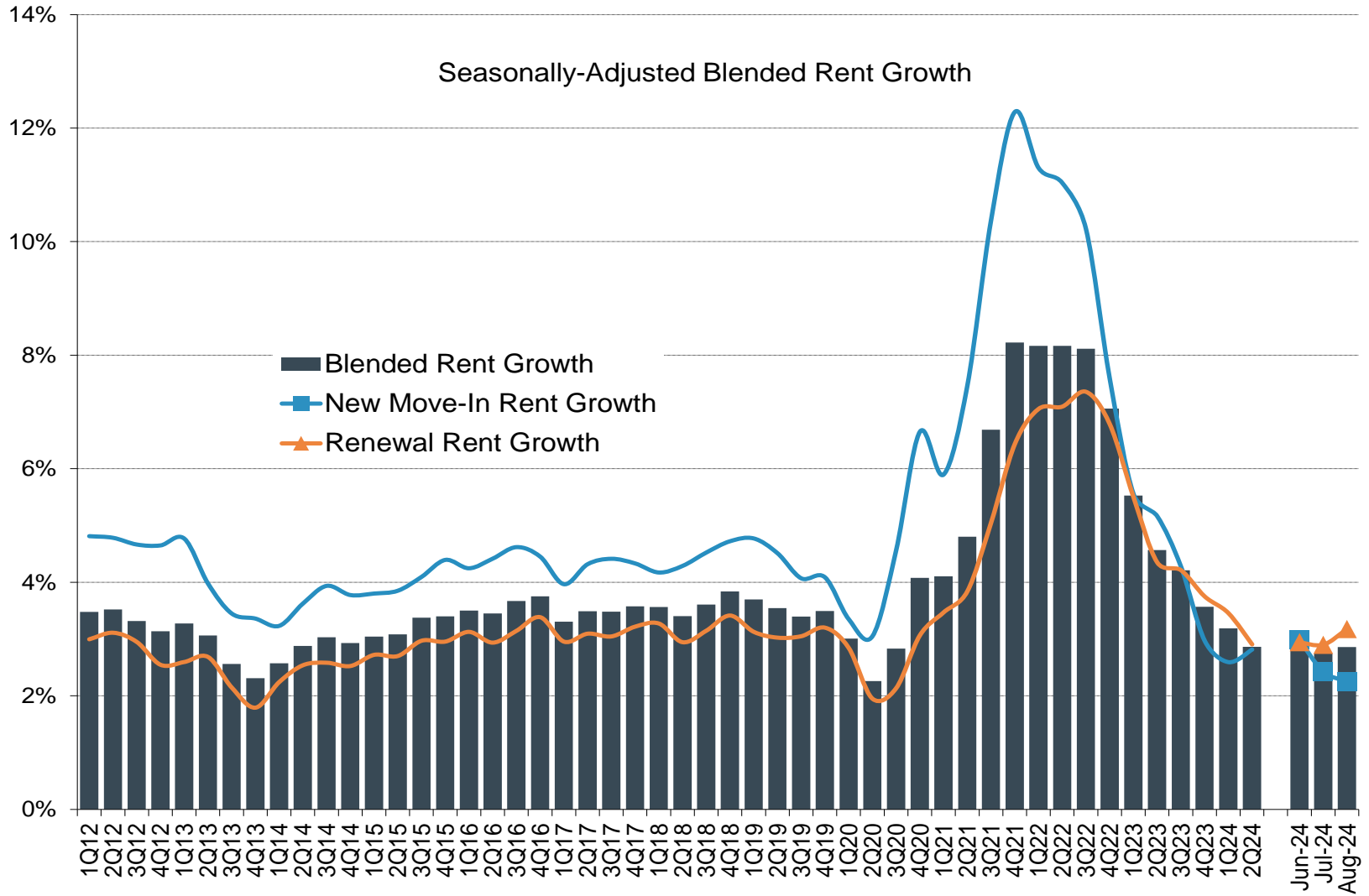


Cap Rates Meeting Upward Resistance

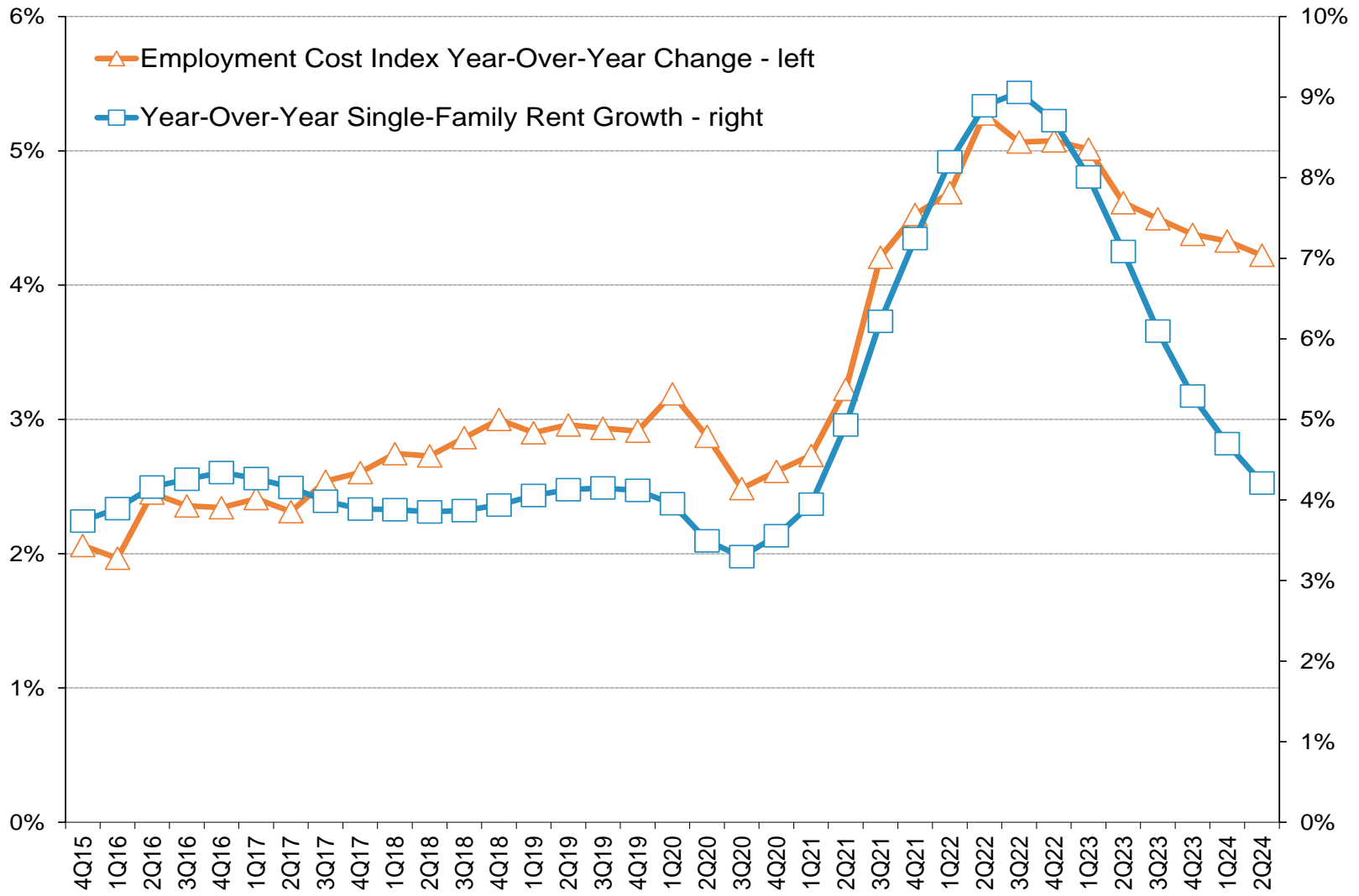


- Rent growth lagging pre-covid
- Wage growth support
- Production still ramping

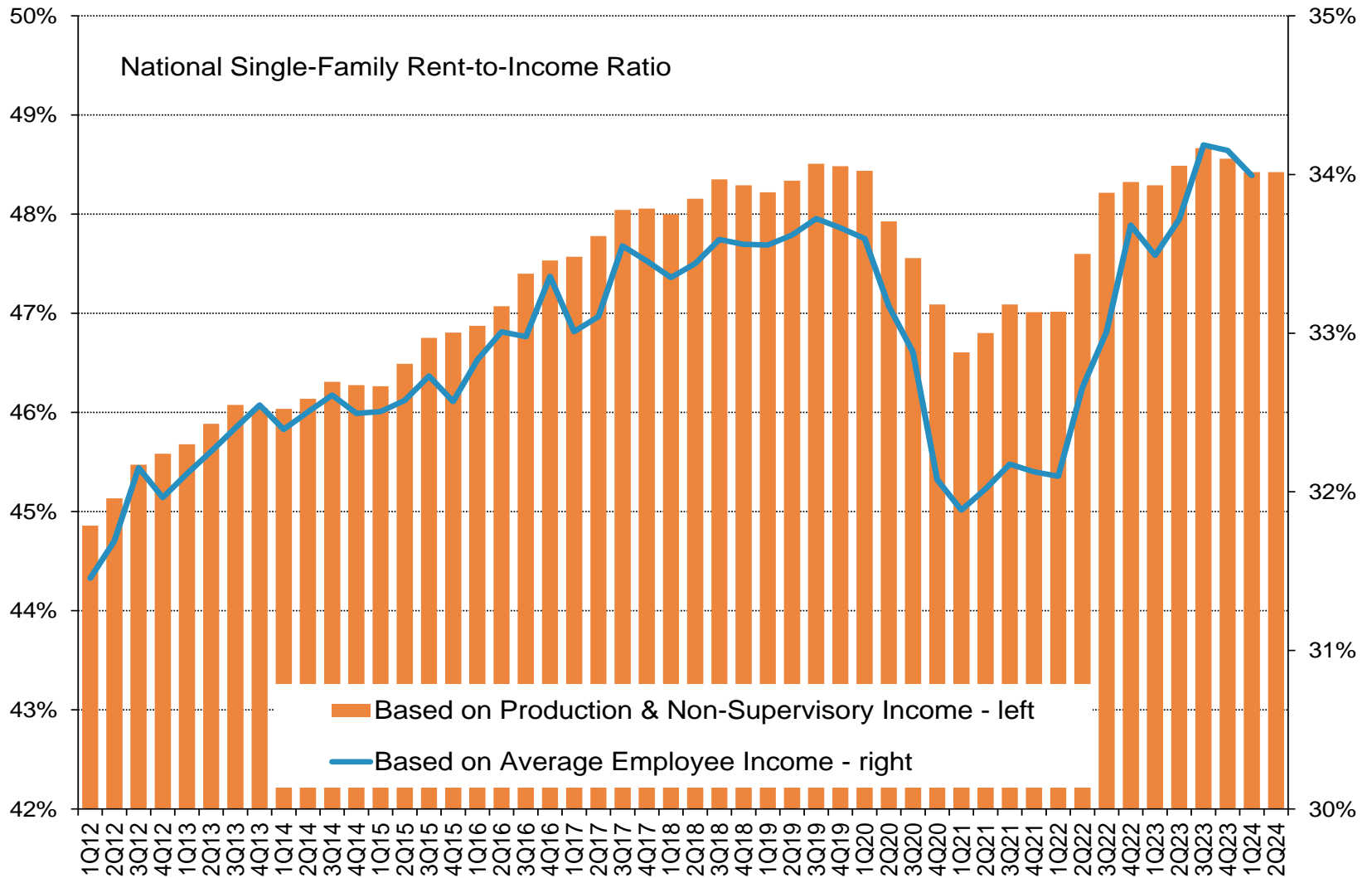
Blended Rent Growth on Downward Trajectory



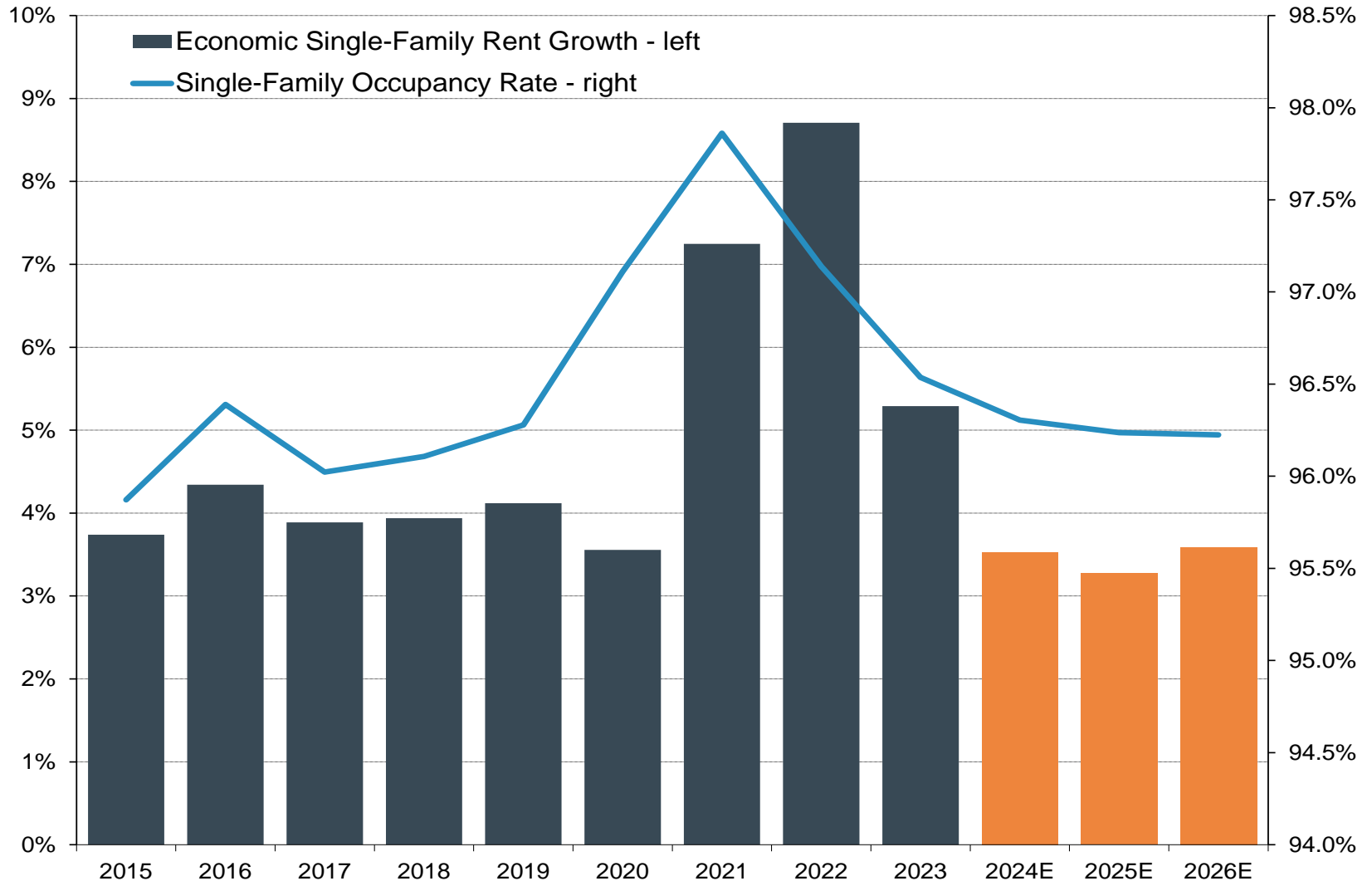
Rent Growth Intertwined With Wages



SFR Affordability Challenges Underappreciated



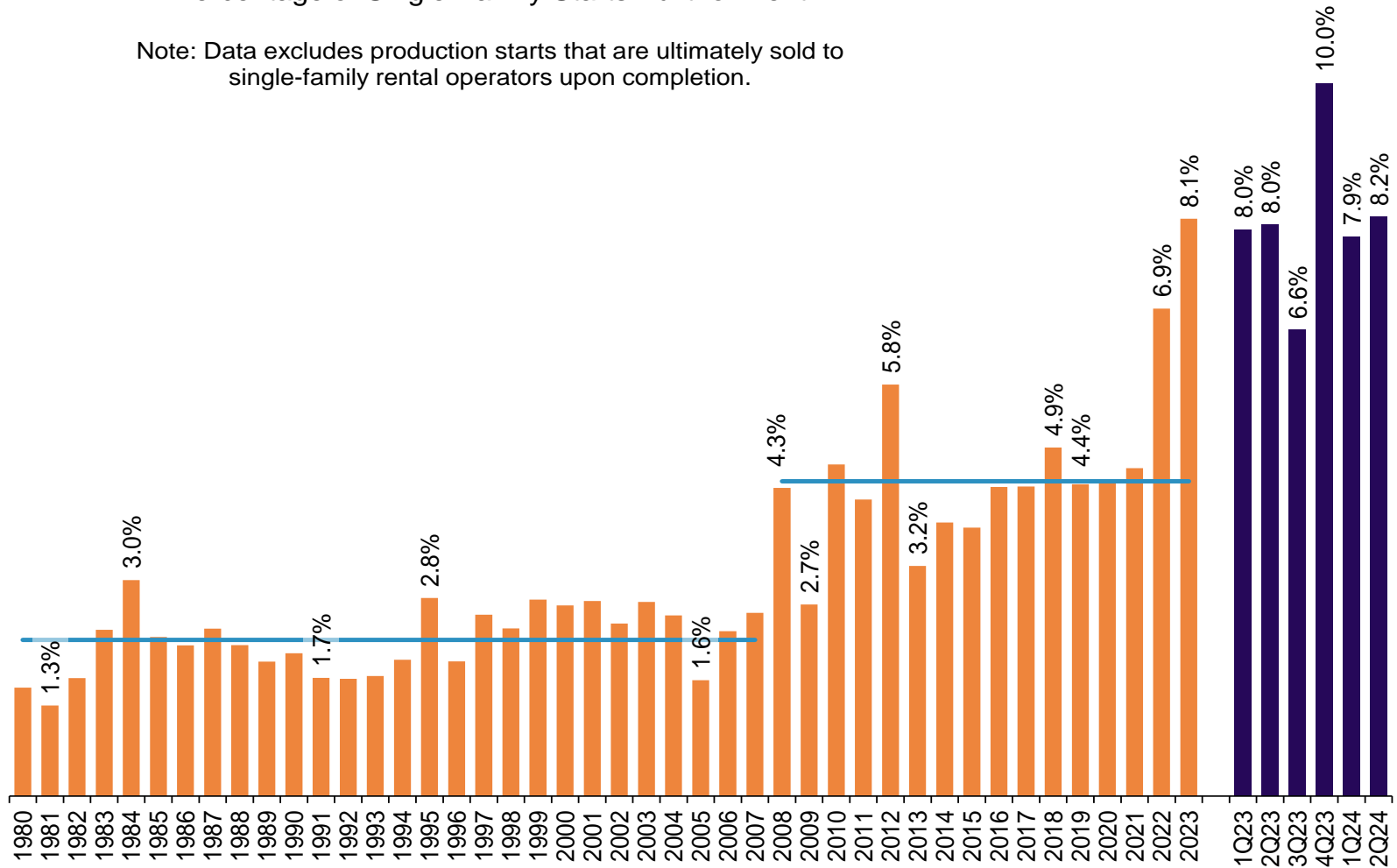
Expecting Multi-Year “Giveback” Period



Built-For-Rent Starts Still Elevated

Percentage of Single-Family Starts Built for Rent

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

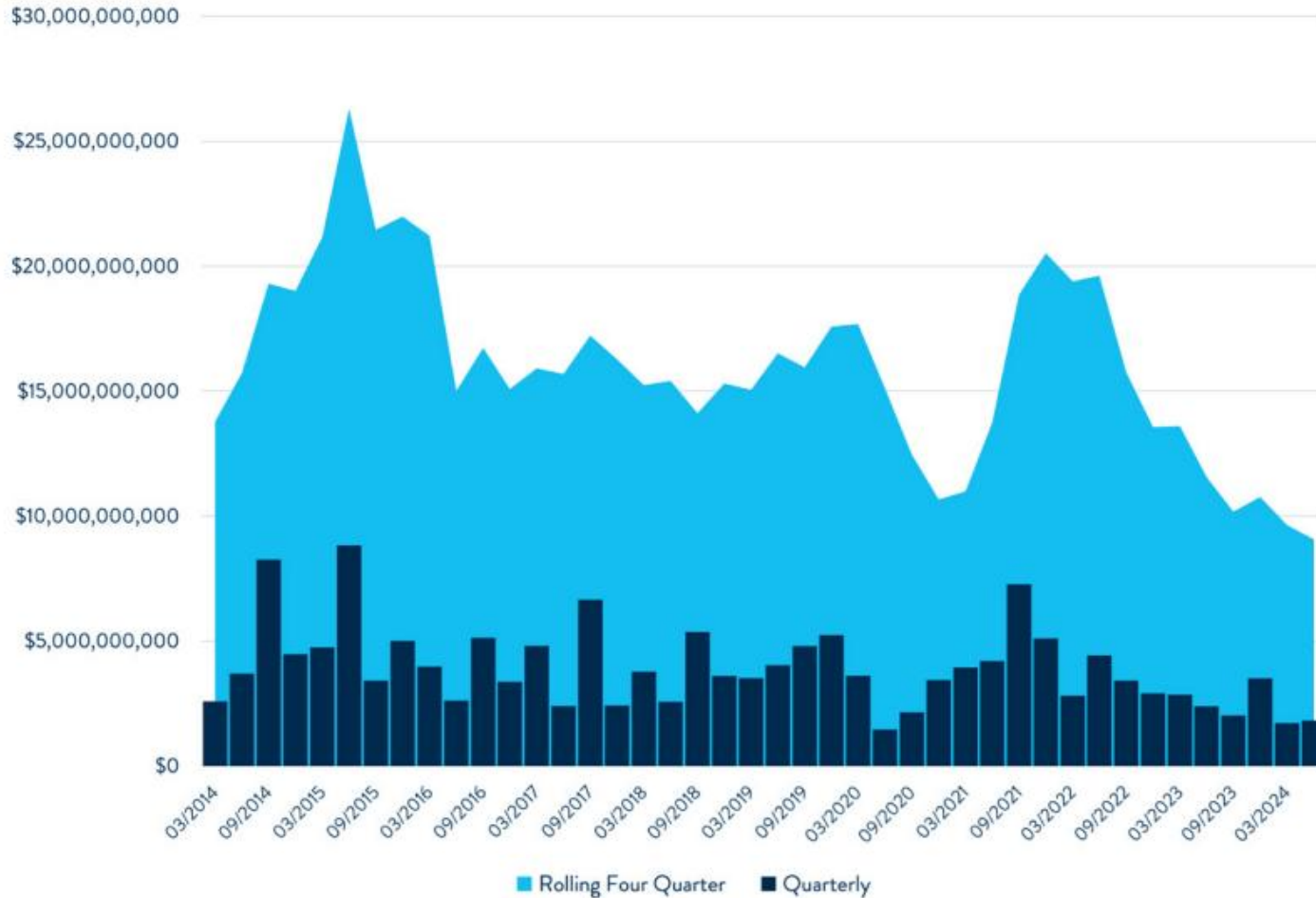


Senior Housing

- 25-50 bps cap rate spread, could be lower
- Market stratifications
- Lease up pacing
- Cap rates went from mid-high 4 to 6
- Focus on the sector
- Clear pricing objectivity
- Next year = phenomenal
- Q4 jump start, 10-15 year run
- Limited development capital

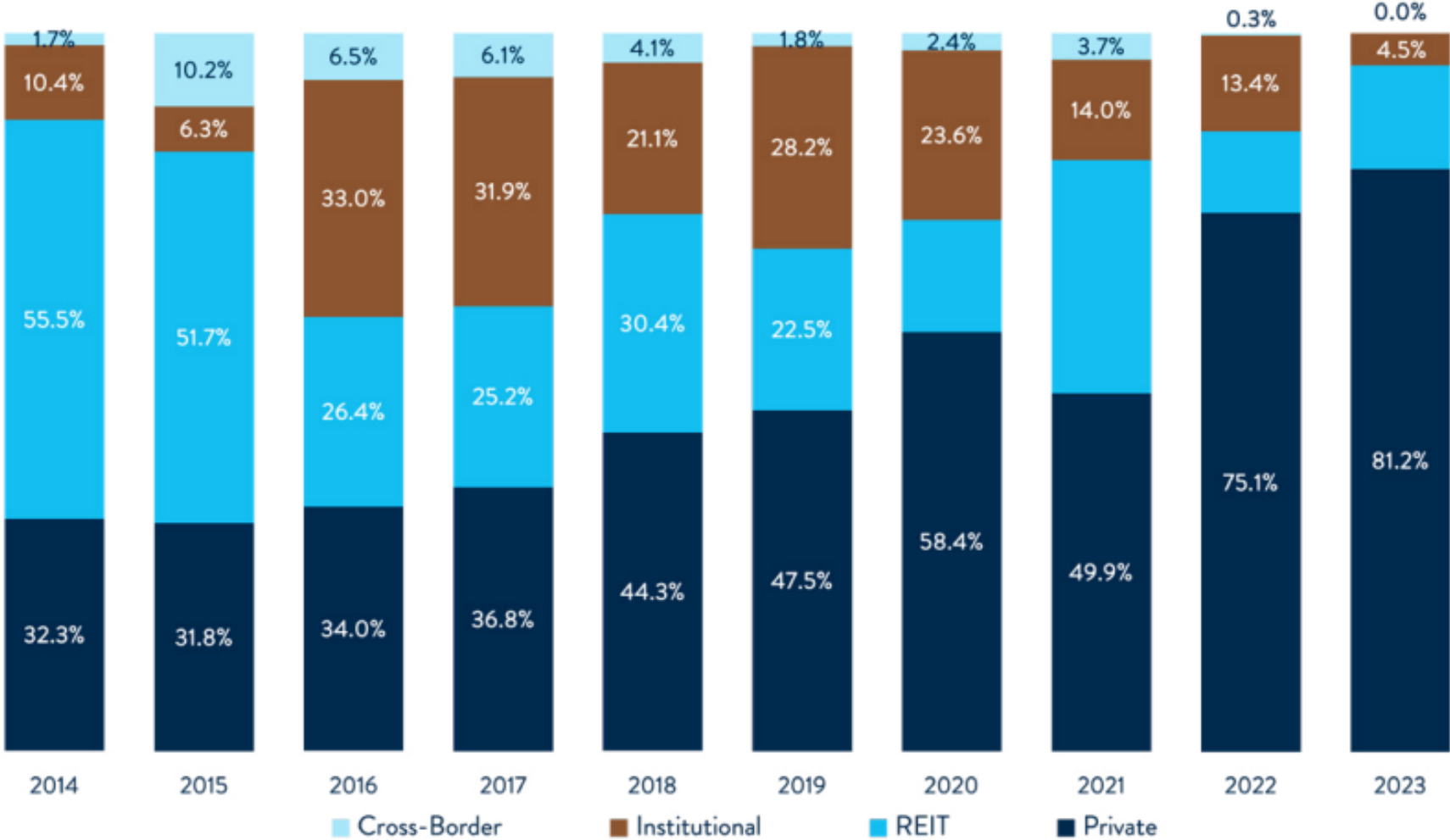
Senior Housing

First half 2024 seniors housing volume at \$3.5B, down 32% YoY



Senior Housing

Seniors housing buyer evolution



Senior Housing

Operating/Valuation Statistics: “A” vs “B” vs “C” AL Properties Sold in 2023

	“A” Properties	“B” Properties	“C” Properties
Av. NOI Per Unit	\$16,800	\$10,200	\$7,600
Av. Operating Margin	22.8%	16.1%	15.0%
Av. Occupancy	86.8%	78.1%	84.3%
Av. Cap Rate	8.0%	8.5%	11.3%

Student Housing

- 50-100 bps cap rate differential, could be 0
- 100% occupancy, 10% rent growth
- Under construction pipeline slow
- University growth favorable
- 3-5 year cycle
- Fall 2025 lease could be slow(er)
- \$20m-\$70m sweet spot
- Recession resilience
- 40-45k beds per year deliveries
- \$10b sales volume, 2023 was half

Student Housing Factors

SEVERAL FACTORS WE'RE KEEPING OUR EYE ON



Student housing rent growth is outperforming conventional multifamily assets in several prominent markets.



Pre-leasing velocity continues to shift earlier as top markets become more competitive amidst growing university enrollment.

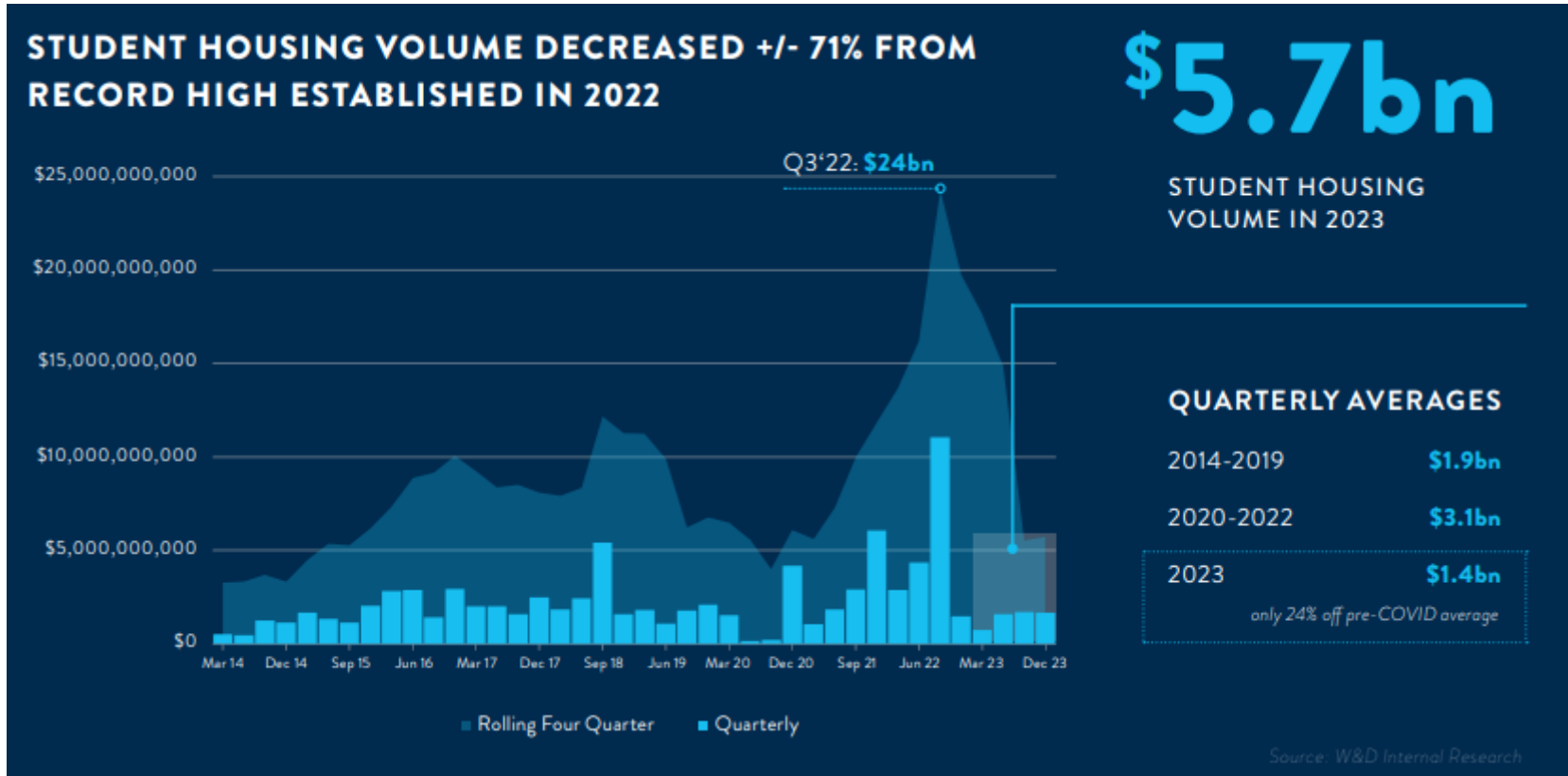


Premier off-campus student housing has emerged as a competitive advantage for colleges in their new student recruiting programs.

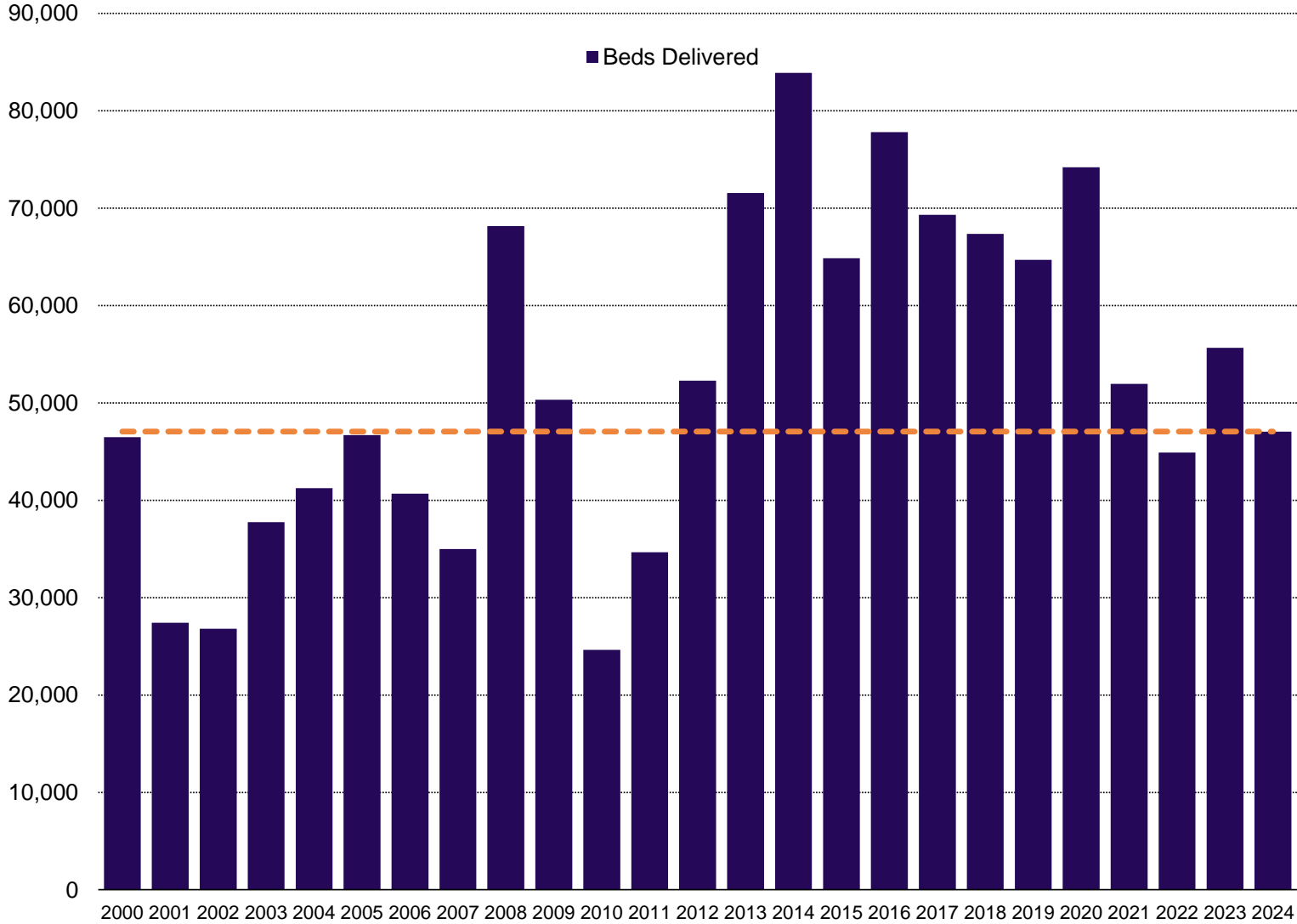


Advancements in student-athletic contracts have helped put smaller schools on the radar of national developers and investors.

Sales Volume Recovering

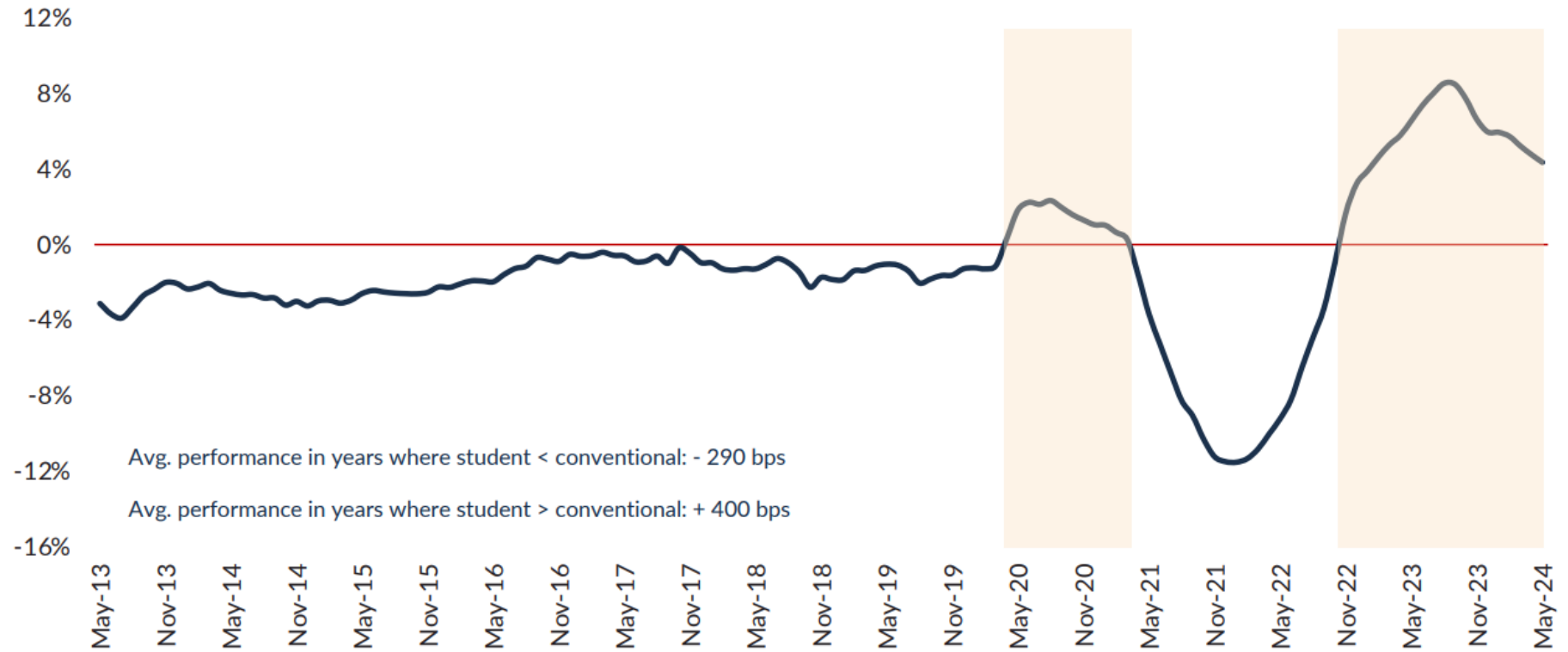


Student Housing Pipeline



Student Housing Outperforming

Delta between U.S. Student Housing & Conventional Housing
(Student Outperformance Shaded Yellow)



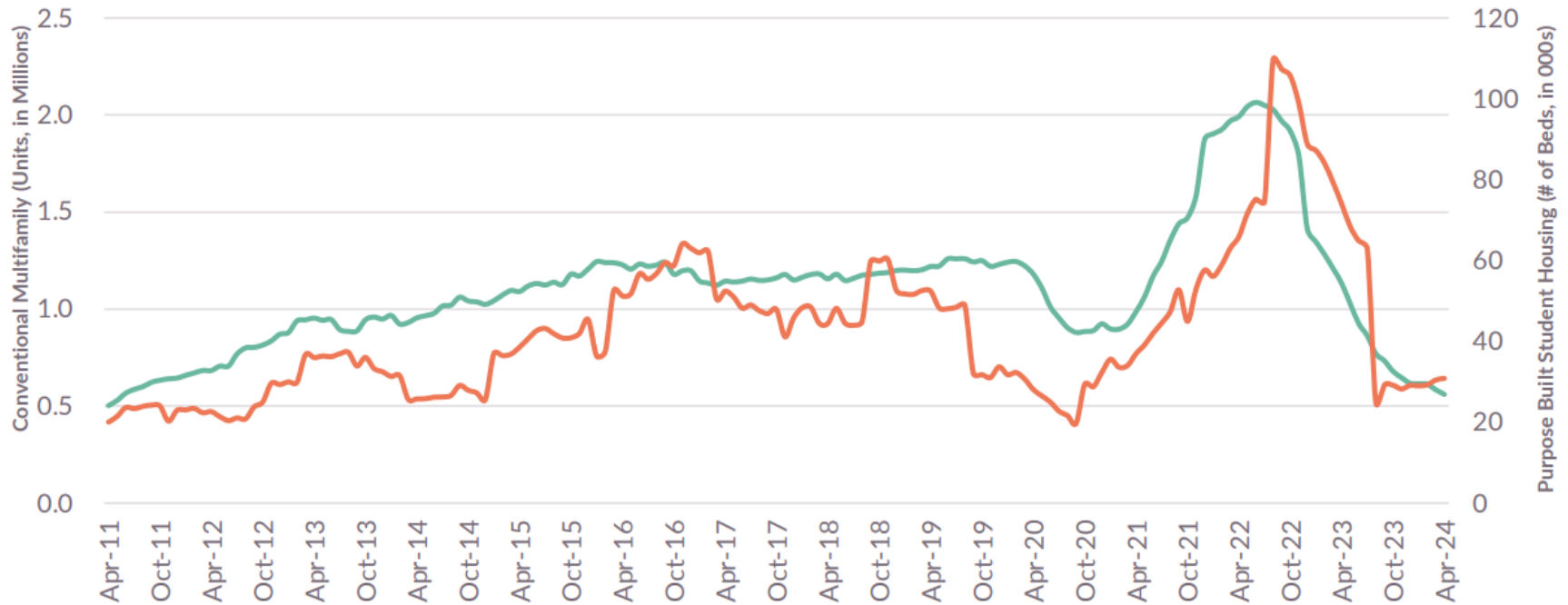
Source: RealPage Market Analytics for Student Housing

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Student Housing Volume Tracks with Multifamily

Total # of Beds (Student Housing) & Units (Conventional Multifamily) Traded: Trailing 12 Month Sum

Conventional Multifamily (Left Axis, # of Units in Millions) Purpose-Built Student (Right Axis, # of Beds in 000s)



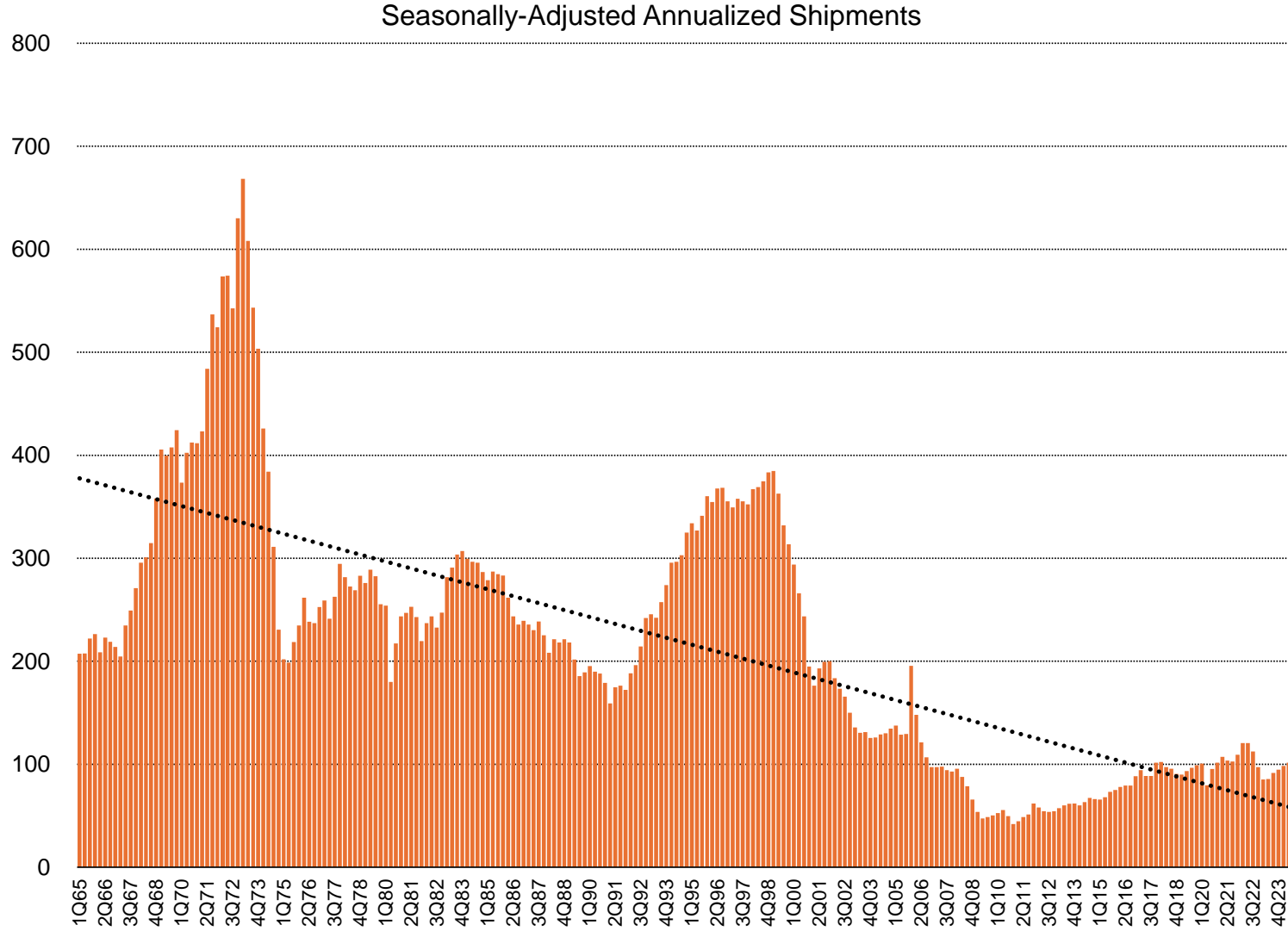
Source: MSCI-Real Assets

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Manufactured Housing

- THE most affordable
- Declining for decades
- Consolidation

Manufactured Housing on Long-Term Decline



The Big Idea

- Patience and optimism

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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)

Apartments

AvalonBay Communities (AVB)
Camden Property Trust (CPT)
Equity Residential (EQR)
Essex Property Trust (ESS)
Mid-America Apartment Communities (MAA)
UDR, Inc. (UDR)

Disclosure

Zelman & Associates Research Disclosures as of:

October 4, 2024

Company	Ticker	Rating	Price	Disclosure
American Homes 4 Rent	AMH	Underperform	\$38.34	None
American Woodmark	AMWD	Neutral	\$92.09	1
Anywhere Real Estate	HOUS	Underperform	\$5.03	None
Armstrong World Industries	AWI	Outperform	\$134.74	None
AvalonBay Communities	AVB	Neutral	\$221.02	None
AZEK	AZEK	Neutral	\$43.79	None
Beacon Roofing Supply	BECN	Outperform	\$88.75	None
Beazer Homes	BZH	Underperform	\$32.38	1
Builders FirstSource	BLDR	Neutral	\$192.28	1
Century Communities	CCS	Underperform	\$98.44	1
Camden Property Trust	CPT	Underperform	\$120.86	None
Carlisle Companies	CSL	Underperform	\$454.48	1
Compass	COMP	Outperform	\$6.07	None
Dream Finders Homes	DFH	Outperform	\$34.30	1, 2
D.R. Horton	DHI	Neutral	\$184.64	None
Equity Residential	EQR	Outperform	\$73.53	None
Essex Property Trust	ESS	Neutral	\$289.88	None
Ferguson	FERG	Outperform	\$194.95	None
Five Point Holdings	FPH	Neutral	\$4.24	None
Fortune Brands Innovations	FBIN	Outperform	\$86.84	1
Hovnanian Enterprises	HOV	Neutral	\$197.88	1
Installed Building Products	IBP	Underperform	\$238.77	1
Invitation Homes	INVH	Outperform	\$34.54	None
KB Home	KBH	Underperform	\$81.77	1
Lennar	LEN	Outperform	\$182.25	1
Lowe's Companies	LOW	Neutral	\$267.76	None
M/I Homes	MHO	Neutral	\$165.72	1
Masco	MAS	Neutral	\$82.37	None
MasterBrand	MBC	Neutral	\$17.75	1
Meritage Homes	MTH	Outperform	\$198.04	1
Mid-America Apartment Communities	MAA	Underperform	\$154.62	None
Mohawk Industries	MHK	Underperform	\$154.44	None
NVR	NVR	Underperform	\$9,515.00	None
Opendoor Technologies	OPEN	Neutral	\$1.99	None
Owens Corning	OC	Underperform	\$172.01	None
PulteGroup	PHM	Outperform	\$139.44	1
Redfin	RDFN	Neutral	\$11.11	None
RE/MAX Holdings	RMAX	Underperform	\$11.85	1
Rocket Companies	RKT	Outperform	\$17.52	None
Sherwin-Williams	SHW	Neutral	\$371.30	None
Stanley Black & Decker	SWK	Outperform	\$107.38	1
Taylor Morrison	TMHC	Outperform	\$67.76	1
The Home Depot	HD	Outperform	\$408.36	None
Toll Brothers	TOL	Outperform	\$149.89	1
TopBuild	BLD	Neutral	\$385.85	1
Trex	TREX	Outperform	\$66.25	None
TRI Pointe Homes	TPH	Neutral	\$43.82	None
UDR	UDR	Outperform	\$44.59	None
Zillow Group	Z	Outperform	\$62.78	None

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