

APARTMENT SUPPLY WAVE

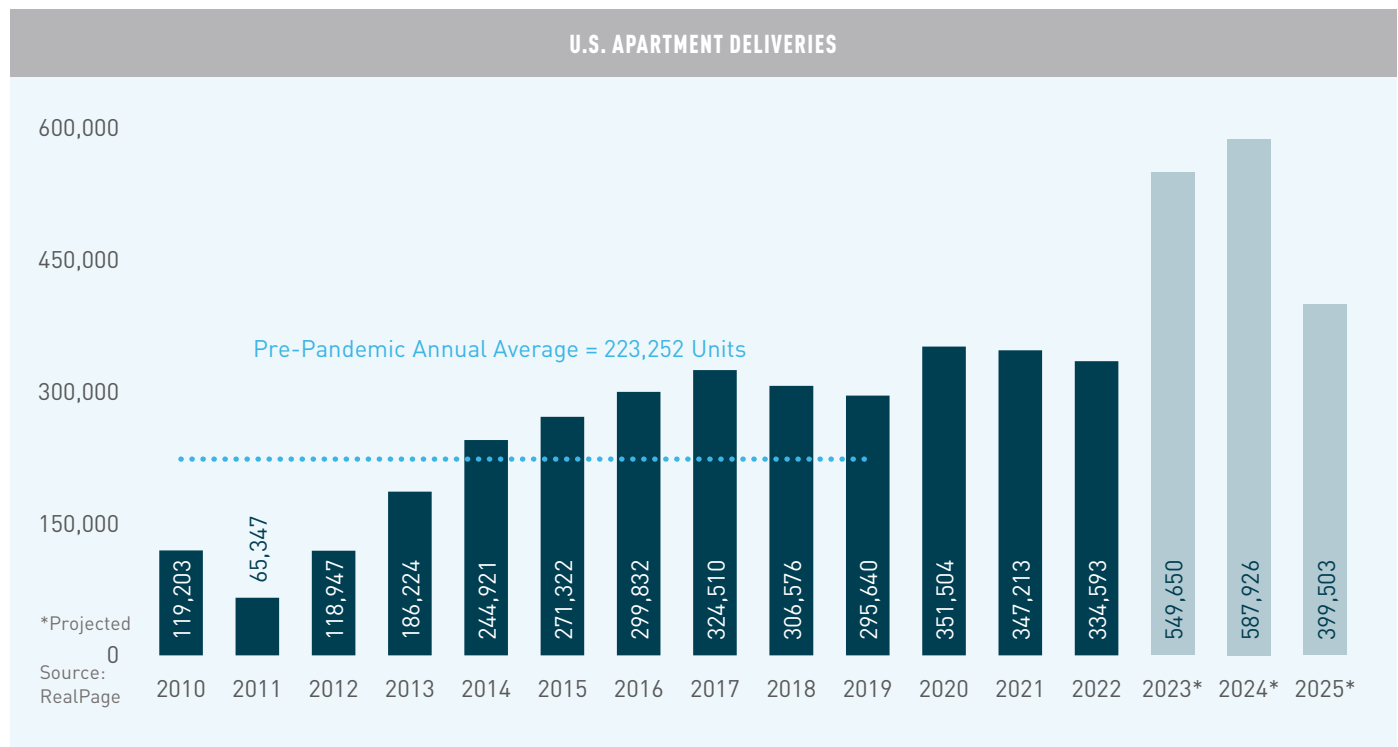
JUNE 2023



APARTMENT SUPPLY WAVE

Since the Great Financial Crisis, the U.S. housing market has faced a shortage. This has contributed to apartment occupancy consistently rising over the years.

Apartment builders ramped up activity to fill the housing gap, leading to more than half a million units scheduled to come online in 2023. With an increase of more than 64.3% from last year, 2023 would set a record for annual deliveries in the 21st century.



Sustained demand has underpinned developers' confidence in the apartment industry. Prolonged leasing activity resulted in U.S. occupancy elevating from 94.5% to 95.1% in the prior decade, even as nearly 3 million units came online.



RECENT HEADWINDS

Reverberations from the pandemic have created headwinds for the apartment industry recently. Existing construction timelines have extended, and several planned projects have been put on hold or even canceled. Also, softening household formation led to a decline in apartment leasing activity last year.

These trends have impacted apartment markets with sizable pipelines. As a result, average occupancy in these markets has consistently dropped at a faster rate than the national average.

Supply side pressure is expected to continue this year as deliveries in top markets far outstrip their historic norms. Markets where development was focused pre-Covid will still see a significant influx of deliveries thanks to pandemic delays, but many areas that saw significant net migration over the last several years will be facing an unprecedented number of deliveries. Not only do these top 15 markets make up a larger percentage of overall deliveries than in the past, but nine of them will be taking delivery of more than double that of their 10-year annual average.

LARGEST APARTMENT DELIVERIES MARKETS THROUGH 1Q23

Market	Deliveries in the Last Year	Occupancy	Annual Occupancy Change
Dallas-Fort Worth	22,291	93.6%	-3.7%
Phoenix	16,051	93.4%	-3.9%
Houston	14,271	92.8%	-3.5%
Washington, D.C.	13,733	94.9%	-2.5%
Austin	13,528	93.6%	-3.6%
Atlanta	13,460	93.4%	-3.5%
South Florida	12,040	95.5%	-2.7%
New York	11,494	97.3%	-1.1%
Northern New Jersey	10,841	97.0%	-0.9%
Seattle-Tacoma	10,132	94.6%	-2.5%
Nashville	10,016	94.5%	-3.0%
Charlotte	9,248	93.9%	-3.2%
Los Angeles	8,986	95.8%	-2.1%
Denver	8,894	94.1%	-2.9%
Minneapolis-St. Paul	8,705	94.3%	-2.3%
National	358,088	94.8%	-2.7%

Source: RealPage

MULTIFAMILY DELIVERIES

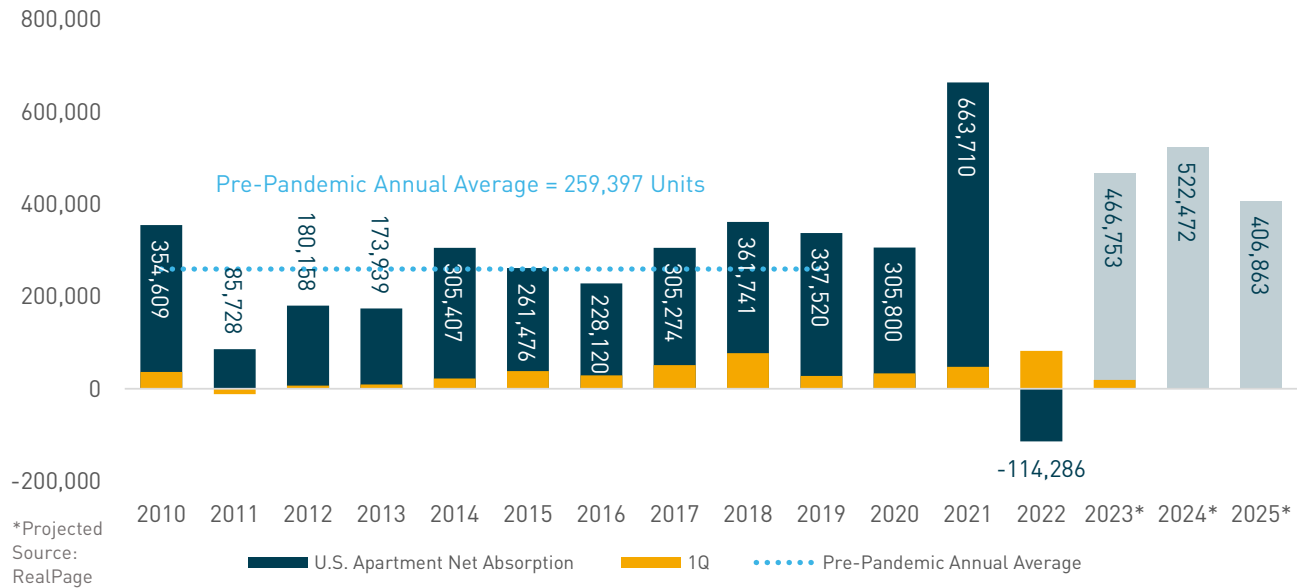
Market	2023 Scheduled Deliveries	10-Year Annual Average	Difference
Dallas-Fort Worth	34,345	21,689	58.3%
Phoenix	26,887	7,804	244.5%
Houston	20,843	15,319	36.1%
Washington, D.C.	17,623	12,624	39.6%
Austin	26,187	9,784	167.7%
Atlanta	20,130	9,434	113.4%
South Florida	21,019	10,372	102.7%
New York	16,020	9,289	72.5%
Northern New Jersey	15,715	7,839	100.5%
Seattle-Tacoma	13,341	9,636	38.4%
Nashville	12,966	5,640	129.9%
Charlotte	16,494	7,225	128.3%
Los Angeles	19,086	7,823	144.0%
Denver	17,790	7,768	129.0%
Minneapolis-St. Paul	9,829	5,633	74.5%
National	549,650	296,234	85.5%

Source: RealPage

LOOKING AHEAD

This year has already begun to show signs that many Americans are turning to apartments for housing. Net absorption in the first quarter of 2023 elevated nearly 33% year over year during the typically slow winter season.

U.S. APARTMENT NET ABSORPTION



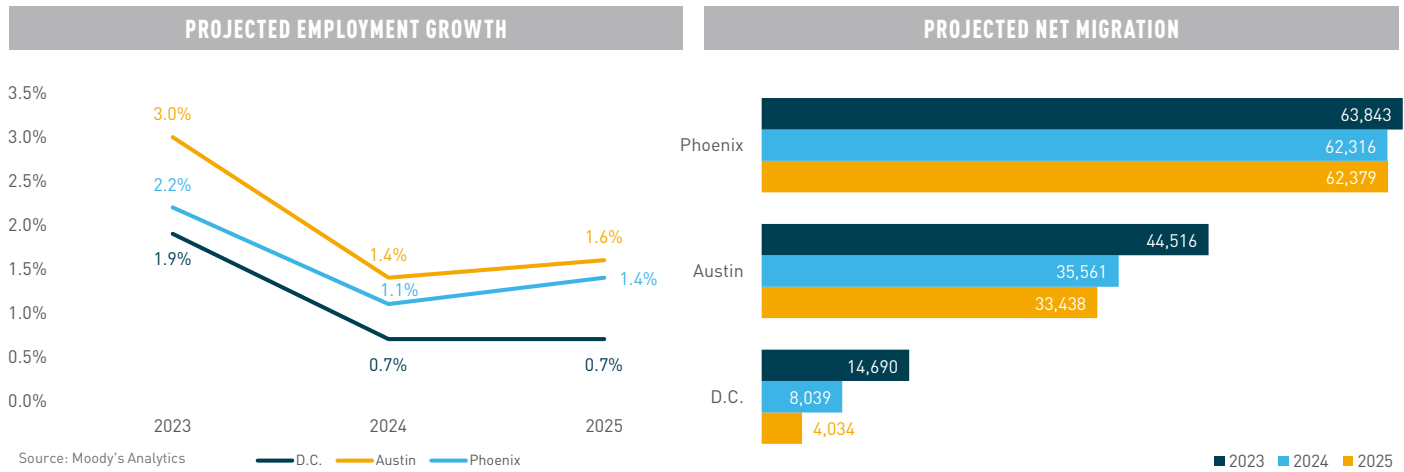
Escalating leasing activity is expected to continue through the crest of an apartment supply wave, forecast for 2024. Even though annual net absorption over the next three years is projected to reach levels 79% higher than the pre-pandemic cycle, supply-side pressure will impede apartment occupancy recovery.

LARGEST APARTMENT DELIVERIES MARKETS THROUGH 2025

Market	New Supply (2023-25)	4Q22 Occupancy	4Q25 Occupancy	3-Year Occupancy Change
Dallas-Fort Worth	104,804	94.1%	93.1%	-1.0%
Phoenix	82,517	93.5%	94.0%	0.5%
Austin	78,332	94.1%	94.5%	0.4%
New York	63,199	97.7%	96.5%	-1.2%
South Florida	58,994	95.7%	95.8%	-0.1%
Houston	54,823	93.0%	91.6%	-1.4%
Atlanta	52,919	93.8%	93.7%	-0.1%
Los Angeles	52,553	96.1%	96.1%	0.0%
Denver	52,348	94.4%	93.8%	-0.6%
Charlotte	50,350	94.2%	94.1%	-0.1%
Washington, D.C.	44,666	95.1%	95.4%	0.3%
Seattle-Tacoma	41,257	94.9%	94.8%	-0.1%
Orlando	40,267	94.9%	94.1%	-0.8%
Raleigh-Durham	39,782	94.3%	94.3%	0.0%
Nashville	36,047	94.9%	94.3%	-0.6%
National	1,537,079	95.1%	94.9%	-0.2%

Source: RealPage

While many apartment markets with the largest pipelines will face stress over the next three years, Phoenix, Austin, and Washington, D.C., are projected to see occupancy rise by year-end 2025. These apartment markets will benefit from strong projected demographic and economic trends that include substantial net in-migration and growing payrolls.



For the high construction activity markets, the slowdown in deliveries beyond 2025 is based in the scaling back of starts this year. Multifamily starts decelerated year over year in two-thirds of the top 15 pipelines. Even so, the levels of starts have remained higher than the 10-year average for most of these markets.

Beyond the three-year window, U.S. apartment deliveries are expected to decelerate to a level nearer the pre-pandemic cycle average of 223,000 units per year. These additions will be essential, as approximately 266,000 units will be needed annually through 2035 to meet the demand for rental housing, according to the latest National Multifamily Housing Council (NMHC) survey.

MULTIFAMILY STARTS*					Sources: RealPage; Moody's Analytics; U.S. Census Bureau; National Multifamily Housing Council
Market	Apr-23	Annual Change	10-Year Average	Difference	
Dallas-Fort Worth	26,339	-0.3%	19,865	32.6%	
Phoenix	14,013	20.1%	7,785	80.0%	
Houston	20,852	2.5%	14,546	43.4%	
Washington, D.C.	11,860	-4.6%	10,301	15.1%	
Austin	12,641	-50.1%	11,338	11.5%	
Atlanta	17,125	7.8%	7,560	126.5%	
South Florida	18,193	18.4%	10,887	67.1%	
New York	26,699	-22.5%	26,644	0.2%	
Northern New Jersey	6,722	-5.5%	4,526	48.5%	
Seattle-Tacoma	11,244	-28.4%	12,939	-13.1%	
Nashville	6,363	-27.6%	6,332	0.5%	
Charlotte	9,254	-8.4%	6,316	46.5%	
Los Angeles	10,533	-17.5%	11,938	-11.8%	
Denver	12,424	21.5%	8,257	50.5%	
Minneapolis-St. Paul	5,615	-54.1%	6,274	-10.5%	
National	502,000	-23.0%	364,983	37.5%	

*Seasonally adjusted annual rate

Sources: Moody's Analytics; U.S. Census Bureau

BERKADIA®
Built for the now. And the next.®

BERKADIA.COM / 800.446.2226

a Berkshire Hathaway and Jefferies Financial Group company

© 2023 Berkadia Proprietary Holding LLC. Berkadia® is a trademark of Berkadia Proprietary Holding LLC. Commercial mortgage loan banking and servicing businesses are conducted exclusively by Berkadia Commercial Mortgage LLC and Berkadia Commercial Mortgage Inc. This advertisement is not intended to solicit commercial mortgage loan brokerage business in Nevada. Investment sales / real estate brokerage business is conducted exclusively by Berkadia Real Estate Advisors LLC and Berkadia Real Estate Advisors Inc. Tax credit syndication business is conducted exclusively by Berkadia Affordable Tax Credit Solutions. In California, Berkadia Commercial Mortgage LLC conducts business under CA Finance Lender & Broker Lic. #988-0701, Berkadia Commercial Mortgage Inc. under CA Real Estate Broker Lic. #01874116, and Berkadia Real Estate Advisors Inc. under CA Real Estate Broker Lic. #01931050. For state licensing details for the above entities, visit www.berkadia.com/legal/licensing/0222.