



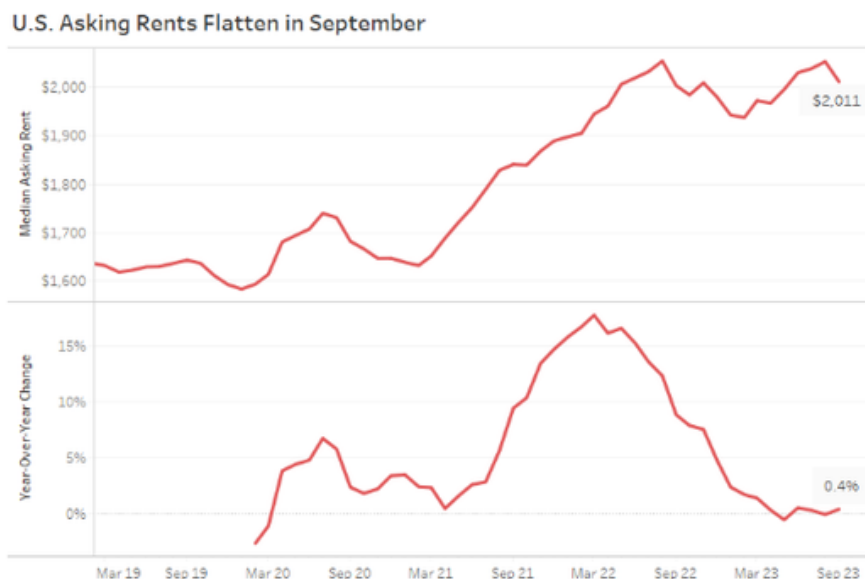
Rental Market Tracker: Asking Rents Flattened in September Amid Growing Apartment Supply

- *The median U.S. asking rent was little changed from a year earlier for the sixth straight month as an increase in the number of rentals made it harder for landlords to boost prices.*
- *But apartment construction has started to slow, which should ultimately help bolster rents.*

Rents are flattening out after going on a rollercoaster ride during the pandemic.

The median U.S. asking rent rose 0.4% year over year to \$2,011 in September—the sixth straight month in which rents were little changed from a year earlier. Prior to that, rent growth had been slowing rapidly for roughly a year, coming back down to earth after a surge in prices during the pandemic.

The median asking rent fell 2% from a month earlier in September.



“Rents have flattened because a boom in apartment building in recent years has flooded the market with supply, but they haven’t yet posted a substantial decline because there’s still demand for rentals—especially as high mortgage rates keep many would-be homebuyers and sellers on the sidelines,” said Redfin Economics Research Lead Chen Zhao. “There are still a lot of apartments under construction that will continue to hit the market, which should keep rents from increasing much in the near-to-medium term. But construction has started to slow, which should eventually help bolster rent prices.”



The Number of New Apartments Hitting the Market Continues to Rise—But Construction Has Started to Slow

The number of completed apartment buildings in the U.S. rose 32% year over year to a seasonally adjusted annual rate of 433,000 in August, the most recent month for which data is available. But the number of apartment buildings on which construction has started declined 41% year over year to a seasonally adjusted annual rate of 334,000. Building starts are a leading indicator of what's happening in the housing market, whereas building completions are a lagging indicator.

Building may be slowing, but landlords are still facing more competition than they're used to as new rentals continue to hit the market. Sometimes, their competition is an individual homeowner who's renting their home out instead of selling—either because they don't want to lose their low mortgage rate, they didn't get a good offer, or both.

"Last year, conversations with home sellers were hard. I had a lot of discussions about how they needed to lower their price expectations because the market had turned," said David Palmer, a Redfin Premier real estate agent in Seattle. "But this year, they have a better understanding of the market. We're now having the property management conversation earlier: 'Do you have a rental plan if we can't sell your home?'"

As rising rental supply leads to rising vacancies, some landlords are handing out concessions, such as a free month's rent, to attract tenants without having to lower asking rents on paper. That's good news for renters at a time when the median asking rent is still just 2.1% (\$43) below its record high.

The jump in supply isn't the only factor that has caused rents to flatten; slowing household formation, economic uncertainty and affordability challenges have also contributed.

Evergreen Insights

For Evergreen Capital, the flattening rental market with growing supply presents a cautious opportunity. While near-term rent growth may be muted, a slowdown in construction suggests potential future rent stabilization. Consider these strategies:

- **Focus on high-demand markets:** Invest in areas with robust job growth and limited new development, especially outside major metros where affordability remains attractive.
- **Prioritize operational efficiency:** Optimize existing assets through strategic upgrades and tenant retention programs to maintain competitiveness.
- **Consider value-added opportunities:** Identify underperforming properties with the potential for rent increases through improvements or niche market catering.
- **Maintain flexibility:** Monitor market trends closely and adjust strategies as needed. Be prepared to pivot from specific segments if supply pressures intensify.

By navigating this transitional phase with a data-driven, opportunistic approach, Evergreen Capital can capitalize on the long-term stability of the rental market while mitigating near-term headwinds. Remember, patience and agility will be key to maximizing returns in this evolving landscape.



September's Inflation Report: What It Means for Homebuyers and Sellers

September's inflation report came in slightly above expectations, but it is not likely to push mortgage rates up or down in the near future. The Federal Reserve is still expected to keep interest rates on hold next month, and mortgage rates are likely to remain elevated.

What this means for homebuyers

For homebuyers who are concerned about rising rates, this is good news. It means that they will have more time to shop around for a mortgage and find a rate that works for them. However, it is important to note that mortgage rates are still significantly higher than they were a year ago, so homebuyers will need to be prepared to pay more for their mortgage.

Here are some tips for homebuyers in today's market:

Get pre-approved for a mortgage before you start shopping for a home. This will give you an idea of how much you can afford to spend and will make the buying process smoother.

Be prepared to act quickly when you find a home that you love. The inventory of homes for sale is low, and homes are selling quickly.

Be willing to negotiate with sellers. In today's market, buyers have more negotiating power.

What this means for sellers.

For sellers, the news is mixed. On the one hand, elevated mortgage rates may make it more difficult to sell a home. On the other hand, the low inventory of homes for sale means that sellers who price their homes appropriately are still attracting buyers.

Here are some tips for sellers in today's market:

Price your home appropriately. If you price your home too high, it will likely sit on the market for a long time. If you price your home too low, you will leave money on the table.

Be prepared to make some concessions to buyers. In today's market, buyers have more negotiating power.

Make your home show well. Buyers are more likely to make an offer on a home that is clean, well-maintained, and move-in ready.

Overall, the September inflation report suggests that the housing market is likely to remain relatively stable in the near future. Mortgage rates are expected to remain elevated, but homebuyers and sellers should still be able to find opportunities in the market.



Professional Insights

As real estate advisors, we would recommend that both homebuyers and sellers work with a qualified professional who can help them navigate the market and achieve their goals. A good real estate agent can help you find the right home, negotiate the best price, and close the deal on time.

We would also advise homebuyers to be realistic about their budget and expectations. The housing market is still competitive, so it is important to be prepared to act quickly and compromise. Sellers, on the other hand, need to be patient and willing to negotiate. It may take longer to sell your home in today's market, but it is still possible to get a good price if you are willing to work with buyers.

Buy Your First Home: 4 Strategies for Affordability in a Challenging Market



The dream of owning a home is alive and well for many young Americans, but the reality is that it's getting harder and harder to make it happen. Home prices are soaring, mortgage rates are rising, and inventory is low. But don't despair! There are still ways to buy your first home, even in a challenging market.

Here are four strategies to consider:

- 1. Reconsider your location.** If you're priced out of your current neighborhood, don't be afraid to look elsewhere. There are plenty of affordable cities and towns across the country that offer great amenities and a high quality of life.
- 2. Start with an investment property.** If you don't want to move, you can still buy a home by purchasing an investment property in a more affordable area. This will allow you to start building equity and generating income that can be used towards a more expensive home in the future.
- 3. Reevaluate your home style.** If you're set on buying a single-family home with a yard, garage, and spacious interior, you may need to reconsider. Townhomes and condominiums are often more affordable, and they offer many of the same benefits, such as access to shared amenities and a convenient location.
- 4. Team up with a friend or family member.** Buying a home with someone else can be a great way to pool resources and make homeownership more affordable. Just be sure to establish a clear legal agreement that outlines your rights and responsibilities.

Bonus tip: Be flexible. The housing market is constantly changing, so it's important to be flexible with your plans. Don't be afraid to compromise on your location, home style, or other factors to make your dream of homeownership a reality.

Conclusion

Buying a home in today's market can be challenging, but it's not impossible. By following these strategies and staying flexible, you can increase your chances of success. And remember, homeownership is a journey, not a destination. It's okay to start small and work your way up to your dream home.