Forecast Outlook for 2023 and 2024 in the Region

Midwest: Normal demand and manageable supply

Make this one short: In contrast to the national trend of abundant supply and regular demand, the Midwest stands as the only exception. In this region, demand remains relatively typical in many aspects, while the supply pipeline never reached the same saturation level as seen in other parts of the country. Consequently, the Midwest's markets continue to exhibit some of the strongest indicators in terms of supply and demand balance, rent growth, and occupancy rates on a national scale.

Looking ahead to the remaining months of 2023, numerous Midwest markets are expected to perform exceptionally well, ranking among the top quartile nationwide. Barring any unforeseen events, the combination of limited supply pressure and a steady yet gradual increase in demand points towards a positive and promising outlook for the Heartland region of the United States.

Northeast: General stability with some urban core pressure

Several Northeast markets have similar characteristics to those in the Midwest. These markets have seen moderate construction, and the demand has been stabilizing, which has improved their prospects compared to the national average.

As long as there is no intense supply pressure, the Northeast markets are expected to continue performing well. However, there are exceptions. Urban cores in cities like Boston, Philadelphia, and riverfront Northern New Jersey, which have significant construction projects underway, may not perform as strongly as suburban areas in the region until the supply pressures ease.

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South: A wide range of outlooks

The South's apartment performance in 2023 and 2024 varies. Less flashy markets like Virginia Beach, Richmond, and Baltimore, which have stable supply, are expected to lead in fundamentals.

However, markets with strong economic growth but limited supply like Dallas/Fort Worth and South Florida may perform moderately. Markets with both high supply and demand, such as Charlotte, Raleigh/Durham, Nashville, Tampa, and Orlando, have uncertain outcomes, with Central Florida cooling down recently.

The weakest outlook is for markets with supply pressure and/or local challenges like Jacksonville, Atlanta, Houston, and to some extent, San Antonio, which might face difficulties through 2023 and 2024.

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West: West region markets lag the U.S. with a few pockets of strength to be found

West region markets lag the U.S. with a few pockets of strength to be found As of 2nd quarter 2023, only two major West region markets boast annualized rent change above the U.S. norm: San Diego and San Jose. The 2024 outlook in those markets is easily the strongest within the region. San Diego’s stable demand amid modest supply benefits the near-term outlook. San Jose, meanwhile, is capturing a larger share of Bay Area demand as San Francisco suffers lingering demographic shifts from the pandemic.

Orange County (Anaheim) and the Inland Empire (Riverside) boast relatively strong 2024 outlooks within this region, though the Inland Empire outlook appears to be heavily bifurcated between Class A (likely lagging) and Class B (likely leading). Los Angeles, meanwhile, trails the rest of Southern California, especially in supply-heavy neighborhoods such as Hollywood, Downtown and Mid-Wilshire.

Tech-heavy markets like Seattle, San Francisco and, to a lesser degree, Portland always feature a wider risk/reward range. Thus far, those markets appear to be bogged down by economic challenges stemming from 2022’s tech market adjustment. Within these metros, expect a discrepancy between urban core (lagging) and suburban (leading) performance.

And last, markets with a severe slowdown in 2022 performance will likely continue to work through challenges in the outlook period. Supply is the number one challenge to Phoenix’s outlook – a market in which nearly every neighborhood is seeing negative annualized rent growth. As such, the outlook for places like Las Vegas, Phoenix and Sacramento is among the nation’s weakest through 2024.

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What the SEC's Accredited Investor Definition Means to You

In August of 2020, the **SEC** announced a revised definition of an accredited investor, broadening the pool of persons who can qualify to join in the exclusive "**party**" of real estate syndication investors.
The majority of real estate syndication projects are exclusively available to authorized investors, although some are open to sophisticated investors as well.

Before you begin investing, you must first determine which clique you belong to (smart or accredited) and how to use your money to acquire access to the investment possibilities you deserve. In other words, you want to be invited to the party at all!

So, you're probably asking, "Am I an accredited investor, and will the new rules help me?"

The Traditional Meaning of Accredited Investor

To become an accredited investor according to the SEC, you need to meet either the income or net worth requirements. The income requirement is an individual income of over $200K per year or joint income of over $300K per year. Alternatively, you can qualify with a net worth of at least $1M in assets, excluding your primary residence. You don't need to fulfill both criteria, just one is enough. If you don't meet these standards, keep in mind that there may be a revised definition of an accredited investor in the future.

The New/Expanded Definition Of Accredited Investor

The August 2020 update expanded the criteria for being classified as an accredited investor beyond just income or net worth requirements. The updated definition now includes spousal equivalents, allowing non-traditional couples to combine their income and assets to meet the original qualifications.

This change promotes inclusivity for LGBTQIA+ couples, ensuring they have the same opportunities as traditional couples. Additionally, the update recognizes professionals with certifications, experience, or knowledge in investment securities and associated risks, allowing them to qualify as accredited investors even if they don't meet the traditional financial criteria.

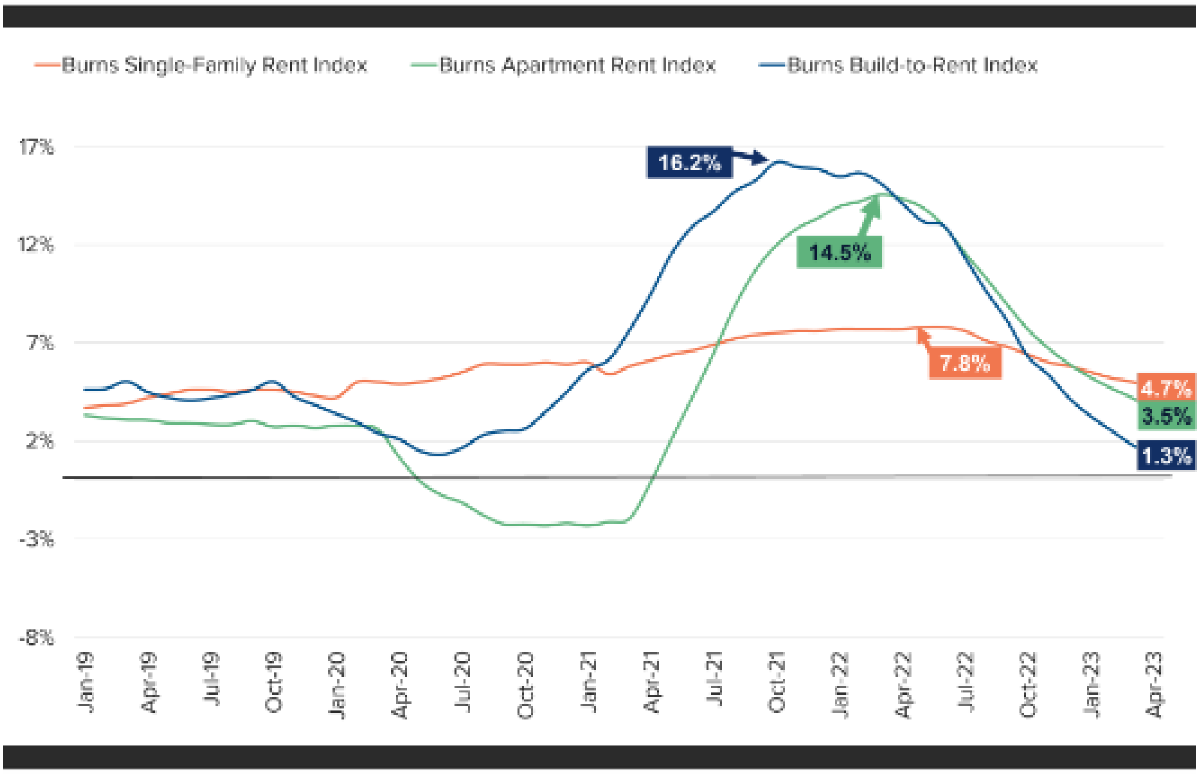
Overall, the amended definition opens doors for a broader range of individuals, regardless of their lifestyle or financial status, creating a more inclusive and diverse investor community.

How the New Accredited Investor Definition Affects You?

We are pleased to announce that the amended definition of an accredited investor now includes ***non-traditional couples, experienced investors, and licensed professionals***, providing expanded access to wealth-building real estate syndication investments. If you meet the criteria under these new guidelines, we extend a warm invitation to you and other high-net-worth individuals to join us at Evergreen Capital.
Whether you are confident in your status or uncertain, we invite you to initiate a conversation with us. Let's discuss your experience and investment goals, so we can present suitable opportunities tailored to your needs. Remember, establishing a relationship is vital for access and seizing the chance to join our family to create the life and passive income you deserve.

Three Types of Rentals Compete for Funds and Renters

Rental Communities Analysis and Forecast report, which tracks build-to-rent (BTR), scattered single-family rental homes (SFR), and apartment trends nationwide, illustrates how single-family rents are a pretty stable business, while BTR and apartment rents are more volatile.



Over the past four-plus years, SFR rents have remained stable while BTR and apartment rents experienced fluctuations. During the 2020-2021 boom, professional investors rapidly raised BTR and apartment rents in response to increased household formation, while SFR owners adjusted rents at a normal pace. However, a small number of large SFR owners also reacted quickly by raising rents. In the cooling years of 2022-2023, rent increases have slowed due to competition from household formation rates, a slight occupancy decline, and the completion of various BTR and apartment projects. Apartments and BTR are particularly influenced by new community developments impacting rental prices.

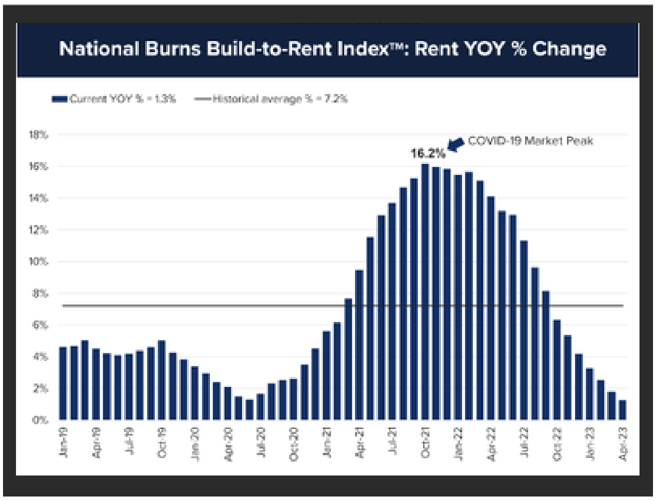
Rent Trends for BTR & Apartments vs. SFR

BTR rents are presently expanding at a lesser rate (1.3% YOY) compared to apartments (3.5%) and single-family rentals (4.7%) after seeing skyrocketing rent increases considerably beyond dispersed SFR and apartment rents in 2021 and the majority of 2022.
The markets for BTR and apartments with a significant amount of fresh supply have softened the most. According to our Burns Apartment Rent IndexTM, BTR rent is declining in Houston and Phoenix, while apartment rent is declining in Atlanta, Las Vegas, and Phoenix.

A national cooling in BTR rent trends is revealed by the build-to-rent index.

According to Burns Build-to-Rent Index* (BBTRITM), BTR operators are putting the brakes on rent increases. National rent growth is currently under 1.3% YOY, down from a peak of 16% YOY in late 2021. We anticipate that some of the staggering gains made by BTR operators in some metros and submarkets in 2021 and 2022 will have to be given back when supply enters the market, competition rises, and market conditions deteriorate as a result of the impact of inflation on family budgets.

The industry's growth trajectory and the product's appeal among renters are reflected in the BTR supply's expected astounding 90% increase over the coming years.
The bulk (81%) of BTR communities that are now operating are made up of connected houses, including duplexes, single-level rowhomes, cottage patio homes, and multiplex townhomes. The most common type of housing is a townhouse. However, horizontal flats are gaining market share in upcoming modern constructions.



Due to the rising cost of land, density patterns are changing. There are now 1,177 BTR villages, with an average of 124 residences in each neighborhood. The soon-to-be-released data, however, reveals 708 localities with an average of 185 dwellings each. These bigger communities are a reflection of investor demand, which enables better amenity cost amortization and operating efficiency. Many cities in the future will have larger densities in order to reduce expenses per door and support tenant affordability.

Final Thought

At Evergreen Capital, we understand the importance of staying ahead in the competitive real estate market. Our in-depth study of build-to-rent (BTR) communities equips our clients with valuable knowledge to make informed decisions and capitalize on opportunities. We analyze BTR development patterns and their impact on businesses, enabling our investors to navigate the market with confidence.

With our expertise, you can make wise choices and stay well-informed about the risks associated with each investment. We are committed to providing you with the tools and insights necessary to stay ahead of the curve and make strategic moves in the dynamic world of real estate.