Navigating Multifamily Markets: Opportunities Amidst Inventory Growth

Investors, take note: While a significant number of new apartment units entered the market in 2023, strategic opportunities still exist for investors who understand regional nuances.

Key Takeaways:

- Nationally: Inventory growth surpassed rent growth, with deliveries exceeding 440,000 units and national rent increases at a mere 0.2%.
- High-supply markets: Cities like Salt Lake City and Nashville saw significant inventory growth (over 7%), leading to rent declines of 2.2% on average across 17 major markets.
- Low-supply, high-growth markets: Conversely, markets like Columbus, Minneapolis, and Denver experienced both above-average rent growth and inventory growth below or near the national average. These markets offer potential for stable cash flow and appreciation.

Evergreen Capital's Insights:

- Market dynamics vary regionally: A data-driven approach is crucial to identify markets with strong fundamentals and sustainable rent growth despite new supply.
- Focus on fundamentals: Prioritize markets with healthy job markets, long-term economic growth, and a positive outlook for population migration.
- Invest in well-positioned assets: Seek properties with strong management, desirable amenities, and location in thriving submarkets.

Conclusion:

In conclusion, the national multifamily market presents a complex picture for investors. While rising inventory typically suppresses rent growth, Columbus, Minneapolis, and Denver defied the trend. Evergreen Capital sees this as an opportunity for strategic investment. Our data-driven approach can help you identify markets like these, with strong job growth and underlying demand that can absorb new supply and maintain rental income potential. Contact us today to explore how we can navigate this market shift and build a multifamily portfolio poised for long-term success.

Multifamily Market Downturn: Navigating the Shift for Shrewd Investors

Investors, take note: The multifamily market is experiencing a significant slowdown, with January 2024 permitting dropping 9% compared to December 2023 and nearly 27% year-over-year. While this might raise concerns, Evergreen Capital sees this as an opportunity for strategic investors seeking value in a dynamic market.

Key Takeaways:

- Multifamily permitting and starts are declining, while single-family remains steady.
- Top multifamily markets like New York, Austin, and Phoenix saw significant permit decreases.
- Nashville, Greensboro, and Charlotte are among the few markets with permit increases.

Evergreen Capital's Insights:

- Market Shift, Not Collapse: The slowdown doesn't signal a housing crisis, but rather a correction after a period of rapid growth.
- Selective Opportunities: This presents an opportunity to invest in well-positioned markets with strong fundamentals and growth potential.
- Data-Driven Approach: We leverage in-depth market analysis to identify emerging trends, assess local economic factors, and pinpoint hidden gems.

Conclusion:

In conclusion, the recent slowdown in multifamily permitting suggests a potential rebalancing within the housing market. While this may present challenges for some investors, it also creates strategic opportunities for those who can adapt. By partnering with Evergreen Capital, you can gain access to the data-driven insights and expert guidance you need to navigate this evolving landscape and capitalize on the value-add opportunities that arise. Together, we can help you build a resilient and profitable multifamily portfolio that thrives in the long term.

Positive Turnaround for Multifamily Sector in 2024

Evergreen Capital presents a counter-narrative to recent concerns about the multifamily real estate sector. Despite challenges faced over the past 18 months, we see a promising outlook for 2024. Key factors include positive projections for rent growth, slowing expense growth, anticipated decreases in interest rates, and a collaborative effort by lenders and regulators to limit foreclosures.

Key Points:

- **Current Challenges**: Multifamily real estate has endured a challenging period, with expanded cap rates, declining values, and interest rate increases affecting deals. New construction highs, inflation, and lingering interest rate challenges for current owners add to the complexity.
- **Investor Insight:** Evergreen Capital argues that multifamily investors often seek long-term growth beyond immediate cash flow. Despite a 25-35% decline in values, the firm sees an opportunity for investors to "buy low" and generate strong returns over the next five to 10 years.
- **Data-Driven Optimism:** Contrary to some views, Evergreen Capital points to positive data indicating a potential recovery. Yardi Matrix projects a 1.5% increase in rents in 2024, while the expectation of falling expenses, interest rates, and cap rates contributes to a positive market outlook.
- **Rent Growth Outlook:** Despite an influx of new units in 2024, predominantly in the Class A space, demand from work-from-home employees and the ongoing unaffordability of single-family housing is expected to drive continued demand for Class B/C housing, supporting rent growth.

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- **Expense Growth:** While acknowledging increasing expenses, Evergreen Capital emphasizes the correlation between homeownership costs and rent costs. The expectation that tenants may absorb additional rent hikes due to the cost of homeownership supports the outlook for the multifamily sector.
- **Interest Rate Projections:** Anticipating a decrease in interest rates in 2024, Evergreen Capital aligns with market expectations. The firm sees the normalization of the yield curve influencing falling mortgage rates, potentially below 6% by the end of the year.
- **Lender Cooperation:** Evergreen Capital highlights lenders' reluctance to take back properties, learned from the 2008 crash. Collaboration between lenders and operators, along with government regulators' interventions, suggests a concerted effort to limit foreclosures during the current market conditions.

Key Insight from Evergreen Capital: 2024 presents challenges for multifamily operators, especially those who purchased property between 2020 and 2022. However, Evergreen Capital views the year as an opportunity to strengthen portfolios and identifies potential forward-looking investment opportunities.

Conclusion: Evergreen Capital's analysis provides investors with a nuanced perspective on the multifamily sector, offering a cautiously optimistic outlook for 2024 based on a comprehensive examination of key economic factors and historical data.

Apartment Sales Slowdown: Investor Insights for a Changing Market

Investors, take note: While the overall apartment sales volume dropped significantly in 2023, opportunities still exist in a market undergoing a shift. Here's what you need to know:

Six Priciest Apartments Sold in 2023:.

1. **Solow Tower Apartments (New York, NY):** $403 million, $1.25 million per unit (45-story building in Manhattan's Upper East Side)
2. **Southgate Towers (Miami, FL):** $241 million, $487,900 per unit (495-unit community)
3. **The Elm on Wisconsin Avenue (Bethesda, MD):** $220 million, $515,600 per unit (456-unit, two-tower community)
4. **Camden Martinique (Anaheim, CA):** $232 million, $325,000 per unit (714-unit, four-story development)
5. **Unnamed 45-story apartment tower (Chicago, IL):** $232 million, $471,000 per unit (492-unit, Chicago's tallest building west of the Kennedy Expressway)
6. **Palisade (San Diego, CA):** $203 million, $677,000 per unit (300-unit, 23-story building)

Key Takeaways:

- Apartment sales volume in 2023 decreased 61% year-over-year due to rising debt costs and economic uncertainty.
- Despite the decline, six individual apartment communities sold for over $200 million, demonstrating continued investor interest in select assets.
- Average price per unit fell 13% to $204,216, while cap rates remained the lowest among major property types (5.3%).

Evergreen Capital's Insights:

- Market correction, not collapse: The slowdown represents a natural market adjustment following two years of record-breaking sales.
- Selective opportunities: Savvy investors can identify well-positioned assets with strong fundamentals and growth potential.
- Data-driven approach: We utilize in-depth market analysis to assess investment viability, considering factors like location, property condition, and long-term demand trends.

Conclusion:

In conclusion, while the multifamily sales market saw a significant decline in 2023, strategic opportunities remain. High-profile deals like these indicate continued investor interest in well-located assets with strong underlying fundamentals. Evergreen Capital can help you navigate this market shift. Our expertise in due diligence and market analysis allows us to identify properties with the potential to deliver strong returns despite rising interest rates. Contact us today to explore how we can help you build a resilient multifamily portfolio positioned for long-term success in any market environment.

Covid Rent Debt Relief Ends: Multifamily REITs See Slow Improvement

Investors, take note: While the end of pandemic-era rent protections has led to a gradual improvement in bad debt for multifamily REITs, challenges remain in 2024.

Key Takeaways:

- Evictions and rent increases resumed after pandemic protections expired, generating some revenue for multifamily REITs facing loan maturities and slow rent growth.
- Bad debt (unpaid rent) is improving, but REITs anticipate further reductions throughout 2024.
- East Coast markets are projected to outperform the West Coast in terms of rent growth.

Evergreen Capital's Insights:

- Market recovery is gradual: Strategic investment is crucial to navigate the evolving market environment.
- Focus on fundamentals: Prioritize well-positioned assets in markets with strong job markets, limited new supply, and positive long-term growth prospects.
- Consider regional nuances: The East Coast offers potential for stronger performance in 2024 compared to the West Coast.

Conclusion:

In conclusion, the multifamily market is showing signs of recovery as Covid-era back rent begins to flow. While bad debt remains a concern for some REITs, particularly in Sun Belt markets with high new supply, the trend is moving in a positive direction. Evergreen Capital can help you navigate this evolving market. Our data-driven approach allows us to identify well-positioned markets with strong job growth and limited new construction, where bad debt is less of a risk and rental income growth is on the rise. Additionally, we can help you assess the impact of new supply on specific submarkets and time your investments accordingly. Contact Evergreen Capital today to explore how we can help you build a resilient multifamily portfolio poised for long-term success in this recovering market environment.

Partner with Evergreen Capital to:

- Identify resilient assets: We leverage in-depth market analysis to identify properties with stable cash flow and growth potential.
- Develop a data-driven strategy: We use comprehensive data and analytics to guide your investment decisions and mitigate risks.
- Navigate market shifts: Our experienced team helps you navigate the evolving multifamily market and unlock investment opportunities.
- Don't let market uncertainties hinder your investment goals. Contact Evergreen Capital today and let's explore how to build a resilient multifamily portfolio for long-term success.

Together, we can leverage market insights and strategic planning to help you achieve your investment objectives in the evolving multifamily market.