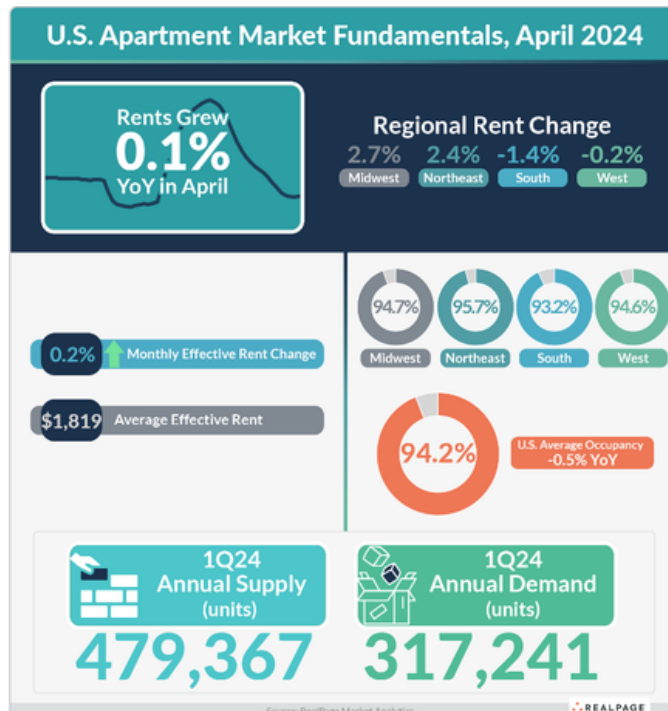




## Multifamily Market Shows Signs of Stabilization, Offering Opportunities for Savvy Investors



Apartment occupancy has ticked up for the first time since early 2022, according to data from RealPage. This positive trend, coupled with historically strong leasing activity in Q1 2024, indicates a potential turning point for the market. While rent growth remains subdued, investors can navigate this environment with a strategic approach.

### Investor Insights:

- **Market Stabilization:** A slight increase in occupancy and a return to seasonal patterns suggest a stabilizing market. This signals a potential slowdown in rent declines and a more balanced supply-demand dynamic.
- **Geographic Variations:** While some markets like San Antonio and Memphis are experiencing occupancy improvements, others like Austin are still struggling with high supply.
- **Data-Driven Selection:** Evergreen Capital can help investors identify markets with strong demand fundamentals, limited new construction, and positive long-term rental growth prospects.



**Capitalizing on Opportunities:**

The current market presents opportunities for investors with a long-term perspective. By focusing on strategic market selection, value investing, and active portfolio management, investors can position themselves for success in the multifamily sector.

**Conclusion:**

While some challenges remain, the multifamily market exhibits positive signs of stabilization. By leveraging data-driven insights and a strategic approach, investors can capitalize on the opportunities this dynamic market presents. Contact Evergreen Capital today to discuss your investment goals and explore how we can help you build a winning multifamily portfolio.

## Rising Multifamily Insurance Costs: A Challenge for Affordable Housing

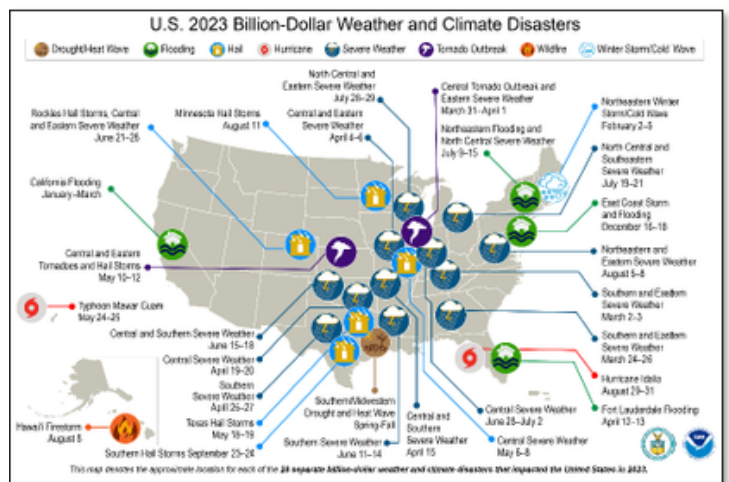
This report by Fannie Mae highlights the significant impact of climate events on multifamily property insurance costs. Here's a breakdown of the key takeaways for investors and property owners:

### Rising Costs:

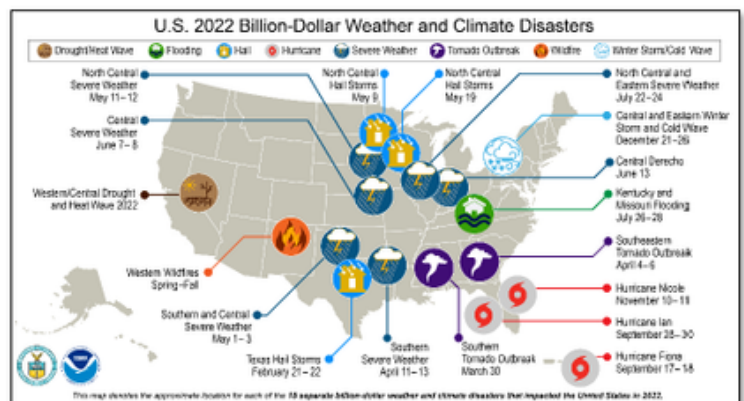
- Multifamily property insurance premiums have increased significantly in recent years, with some markets experiencing double-digit increases.
- Yardi Matrix data shows a 75% increase in premiums from 2018 to 2022, while RealPage data suggests a similar trend.
- 2022 and 2023 saw record high climate disaster costs, further impacting insurance pricing.

### Impact on Affordable Housing:

- Federally Assisted Affordable Housing (LIHTC) properties face particular challenges due to their limited ability to raise rents to cover rising insurance costs.
- Insurance costs can represent a larger share of operating expenses for Affordable properties compared to market-rate ones.
- Many Affordable housing providers have reported double-digit insurance premium hikes, squeezing their already tight budgets.



IOAA National Centers for Environmental Information (NCEI) U.S. Billion-Dollar Weather and Climate Disasters (2024). <https://www.ncei.noaa.gov/access/billions/>; DOI: [10.25921/stkw-7w73](https://doi.org/10.25921/stkw-7w73)



NOAA National Centers for Environmental Information (NCEI) U.S. Billion-Dollar Weather and Climate Disasters (2023). <https://www.climate.gov/news-features/blogs/beyond-data/2022-us-billion-dollar-weather-and-climate-disasters-historical>



### **Coping Strategies:**

- Affordable housing providers are exploring various cost-cutting measures, including reducing other operating expenses, decreasing staffing, or delaying capital improvements.+
- Some are also considering increasing deductibles or reducing insurance coverage levels, potentially impacting resident services..

### **Looking Forward:**

- While the overall market shows signs of stabilization in 2024, property owners with high-risk exposures can still expect significant rate hikes.
- Reinsurers are gradually expanding their risk appetite, offering some potential for future cost moderation.

### **Investor Considerations:**

- Rising insurance costs add another layer of complexity to multifamily investment decisions.
- Investors, particularly those focused on Affordable housing, should carefully consider these additional expenses when evaluating property valuations and potential returns.

### **Conclusion:**

Rising insurance costs pose a significant challenge for the multifamily market, particularly for Affordable housing providers. Investors and property owners need to be aware of these trends and explore strategies to mitigate their impact.

## Multifamily Rent Forecast: A Tale of Two Cities



Yardi Matrix's special report explores the current state of the multifamily market, highlighting the divergence between high-growth and secondary markets. Here's a breakdown of the key insights:

### **Economic Context:**

- Stagflation fears have subsided with the recent jobs report.
- The Fed may still raise rates in the short term to combat inflation.
- Skilled and unskilled labor markets are strong, while knowledge-based sectors are experiencing a slowdown.

### **Market Divergence:**

- High-growth markets with high supply are experiencing stagnant or declining rents (e.g., Florida, Texas, Austin).
- Secondary markets in the Midwest, Northeast, and South are seeing healthy rent growth (e.g., Albany, Milwaukee).
- Honolulu is a notable outlier with strong rent growth (5.7%).



**Forecast:**

- Markets with high supply will likely struggle in the short term but are expected to recover once supply is absorbed.
- The Fed's hawkish stance may delay a potential economic downturn but may also lead to stronger rental growth in 2025 and 2026.
- Consumers facing higher credit card debt and delinquencies may face financial strain, potentially impacting future rent growth.

**Investor Considerations:**

- Investors should be aware of the varying performance across different markets.
- Secondary markets with strong growth may present attractive opportunities.

**Overall:**

The multifamily market exhibits a clear divide between high-growth and secondary markets. While short-term headwinds exist, the long-term outlook remains positive, with a potential for stronger rental growth in the coming years.

## Multifamily Construction Boom: Hope for Renters?



The recent surge in multifamily housing construction across major US cities. This trend could offer some relief to renters facing a national housing shortage. Here's a summary:

- The Problem: The US faces a significant housing shortage, exceeding 1.5 million units.
- A Potential Solution: Construction of multifamily units has increased significantly in recent years.
- Top Multifamily Construction Cities: New York, Seattle, Boston, San Francisco, and others.
- Impact on Rents: Increased supply could lead to slower rent growth or even price decreases.
- Geographic Impact: Traditionally single-family dominated areas like the Midwest and West are also seeing a rise in multifamily construction.

### Why This Matters:

- More multifamily units could improve housing availability and affordability, especially in urban areas.
- Increased density and efficient construction methods associated with multifamily housing could offer cost-effective solutions.



**Uncertainties Remain:**

- The exact impact on rent prices will depend on various factors like demand and construction pace.
- The risk of displacing existing residents needs to be carefully managed.

**Overall:**

The rise in multifamily construction presents a potential positive development for renters struggling with affordability. However, close monitoring of the market and thoughtful planning are crucial to ensure this trend benefits renters without unintended consequences.



## Key Takeaways from C&W's Multifamily Management Strategies



This article highlights the successful multifamily management approach of Cushman & Wakefield (C&W), offering valuable lessons for property managers and investors. Here's a breakdown of their key strategies:

### Tenant Acquisition:

- Data-driven approach: Utilize market research and analytics to target ideal demographics with tailored marketing campaigns.
- Digital marketing expertise: Maintain a user-friendly website, active social media presence, and offer virtual tours for a strong online presence.
- Strategic partnerships: Collaborate with local businesses and relocation companies to expand reach.
- Exceptional customer service: Prioritize responsiveness and build trust throughout the tenancy lifecycle.

### Operational Efficiency:

- Streamlined property management: Leverage technology for tasks like rent collection, maintenance requests, and communication.
- Preventive maintenance programs: Minimize repair costs and extend property life.
- Cost control measures: Negotiate favorable contracts and utilize energy-efficient practices to reduce expenses.

### **Long-Term Asset Value Creation:**

- Capital improvement projects: Modernize the property, attract premium tenants, and justify higher rents through strategic renovations and upgrades.
- Amenity enhancements: Invest in in-demand amenities like fitness centers, co-working spaces, or laundry facilities to improve tenant satisfaction and justify higher rents.
- Sustainability initiatives: Implement eco-friendly practices and energy-efficient upgrades to reduce costs and attract environmentally conscious tenants.

### **Overall Approach:**

C&W's success stems from a multifaceted approach that considers tenant acquisition, operational efficiency, and long-term value creation. By adapting these strategies to their specific market and property, investors and property managers can achieve similar success in the multifamily market.

### **Remember:**

- Understand your target market through data analysis.
- Implement data-driven strategies for tenant acquisition and operational efficiency.
- Foster a sense of community for your tenants to improve retention and satisfaction.

By following these key takeaways and learning from C&W's best practices, you can create a thriving and profitable multifamily investment. Contact **Evergreen Capital** today to discuss your investment goals and explore how we can help you build a winning multifamily portfolio.