

Residential Rental Demand Sustained by the Persistent Unaffordability of Homeownership

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EXECUTIVE SUMMARY

Higher buying costs and fewer affordable options are keeping would-be buyers in rentals. We believe multifamily occupancy rates could achieve high levels in many markets across the U.S.

- **Owning a home has gotten pricier.** Home prices, mortgage rates, insurance, and taxes have all risen materially. At the same time, affordability protections on roughly **900,000** income-restricted apartments are set to expire by **2033**, pushing more households into residential rental.
- **More renters, longer tenures.** From 2021–2023, the U.S. added about **1.5 million** renter households. Since early 2020, average rents are up **~22%**, while typical mortgage payments have more than doubled, widening the monthly cost gap.
- **The Result? Fewer first-time buyers.** Only **24%** of recent home purchases were by first-timers, and the **median first-time buyer is 38 years old**, both historic records—a sign that many households are delaying ownership.

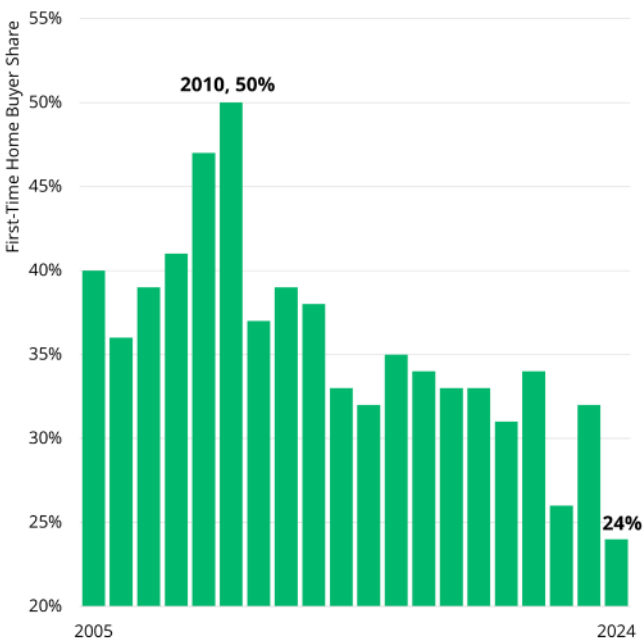
RESIDENTIAL RENTAL DEMAND SUSTAINED BY THE PERSISTENT UNAFFORDABILITY OF HOMEOWNERSHIP

Homeownership has become increasingly less attainable over the past several years. As a result, millions of U.S. renter households cannot afford the median-priced home in their local market, and the pipeline of would-be buyers continues to thin. We believe this affordability shock is not transitory; it is embedded in both sides of the attainability equation—restricted supply of affordable options and elevated all-in costs of owning relative to renting.

On the supply side, affordability protections for subsidized rental housing are rolling off. Roughly 900,000 affordability restrictions are scheduled to expire by year-end 2033,¹ shrinking the stock of regulated units and pushing more households into the market-rate rental pool. Newly constructed affordable housing may, in our view, offset the sunseting of protections, but only to a degree—and not enough to make forward progress.

On the demand side, the cost of accessing homeownership remains increasingly high versus renting, with higher home prices, elevated mortgage rates, insurance inflation, and rising taxes observed in many metros. We view this as contributing to a widening and persistent “rent-versus-own” gap that keeps households in rental tenure longer.

Share of First-Time Home Buyers at a Record Low⁵



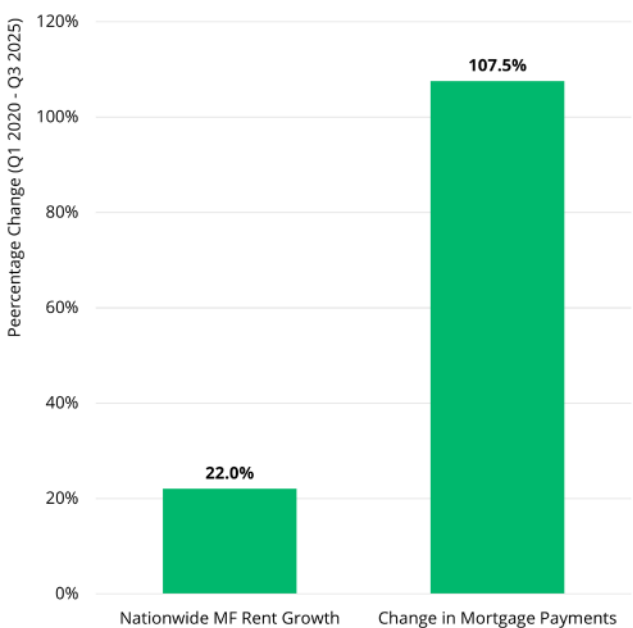
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Household formation appears to support this trend. Approximately 1.5 million renter households were formed between 2021 and 2023, according to the latest U.S. Census data—about three times the growth observed between 2015 and 2019.² While many of these new renter households faced rents that have increased 22% since the beginning of 2020, during the same period mortgage payments more than doubled.³

Market activity hints at how the story is evolving. First-time homebuyers represent just 24% of transactions, the lowest share since tracking began in 1981, while the median age of first-time buyers has climbed to 38 in 2024, the highest on record.⁴ Both indicators point to delayed entry into ownership and extended rental duration.

Bottom line: With more renter households unable to bridge the affordability gap to ownership, we believe multifamily occupancy rates could achieve levels above historical averages in many markets across the U.S. This supports our high thematic conviction for residential rental broadly while also reinforcing the attractive investment characteristics of well-located, institutionally managed rental housing.

Accessing the Homeownership Market Is Prohibitively Expensive⁶



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ENDNOTES

¹ National Housing Preservation Database. Public and Affordable Housing and Research Corporation and the National Low Income Housing Coalition, 2024 Picture of Preservation, December 2024.

² U.S. Census Bureau, American Community Survey, 1-Year Estimates, 2023.

³ RealPage, as of Q3 2025. Moody's Analytics and Bloomberg, as of October 2025. Mortgage calculations are based upon median existing home prices between 2020 and 2025.

⁴ National Association of Realtors, Profile of Home Buyers and Sellers, 2024.

⁵ National Association of Realtors, Profile of Home Buyers and Sellers, 2024.

⁶ RealPage, as of Q3 2025. Bloomberg, Moody's Analytics, and National Association of Realtors, as of October 2025. Mortgage payments are calculated using median existing home prices and Freddie Mac 30 Year Fixed Mortgage Rate.

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