NATIONAL APARTMENT ASSOCIATION
We Lead the Way Home

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In Case You Are Asked
Talking Points – Advocate 2024

Please refer to these talking points *only if* these topics come up during Lobby Day meetings.

Rent

- Broadly speaking, the nation's rental market is stabilizing following the pandemic's height, in part thanks to a boom in new construction.
    - According to ApartmentList, Annual rent growth is now -1%, a major deceleration from recent years where rent growth neared 18% nationally.
        - January 2024 marked six consecutive months of negative rent growth.
        - Year-over-year rent growth is now negative in 60 of the nation's 100 largest cities.
    - Specific conditions vary widely by market; pandemic era policies, where in place, continue to distort the market.
- Despite this, our nation continues to face housing affordability challenges fueled by a longstanding supply shortage.
    - Rents trace back to supply/demand: Limited supply = more competition = higher rents.
    - The U.S. needs to build 4.3 million new apartments by 2035 to meet future demand and address affordability and the current apartment deficit at all price points.
- A historic supply/demand imbalance led to rent increases post-Pandemic.
    - Decades of underbuilding – alongside 3 generations occupying rental housing – led to rent increases in 2021 and 2022.
    - Hot for-sale market placed upward pressure on rents by increasing demand for rental housing + increasing costs for apartment development *and* operation. Mortgage growth *substantially* outpaced rents.
- The industry continues to advocate for responsible policies that will address the underlying issues placing upward pressures on rent – the nation's supply/demand imbalance.

White House Blueprint for a Renters Bill of Rights

- We need your help to hold the executive branch accountable:
    - Last year, the White House released its "Blueprint for a Renters Bill of Rights," which proposed five, nonbinding principles meant to shift what they view as a power imbalance between housing providers and their residents in the rental market.
    - These principles have spurred a number of agency actions, such as proposals that make impossible changes to the way housing providers disclose fees, continued federal interference into states' eviction policies, proposing failed solutions like rent control in enterprise-backed housing and more.
    - These proposals ignore the operational realities of rental housing and pose additional threats to long-term housing affordability.
- Rental markets vary widely across the country, which is why local solutions tailored to individual markets are most appropriate, not a one-size fits all approach.
- Imposing federal landlord and tenant requirements conflicts with lease agreements already governed by states and often makes it confusing for housing providers to understand their compliance responsibilities.
- Expanding federal landlord and tenant requirements onto housing providers in the private market can also have unintended consequences.
    - If, for example, rent control was imposed by the Federal Housing Finance Agency on federally backed properties, it will further discourage housing providers' use of federal resources, and cause disruption in the capital markets impacting the federal government's ability to attain its housing goals.
- Overregulation of the industry negatively impacts the quality and quantity of affordable rental housing available to renters.

- The industry remains strongly opposed to expanded federal involvement in the landlord/tenant relationship and we urge your opposition as well.
- That's also why your support for our 3 federal priorities is critical. We need more carrots, not sticks to make it easier to build and operate affordable housing and move away from sweeping, emergency measures implemented during the pandemic.

Algorithms & Revenue Management

- At the end of the day, rental housing is an essential business, providing a home for more than 40 million Americans. Like any business, housing has essential costs to develop, operate and maintain for the future.
- Part of business – in any industry – is embracing technology like algorithms. The industry's financial viability in part depends on evolving to meet market needs, including the use of new technologies and algorithms.
- Algorithms provide data-driven insights into supply and demand and, while they can increase rent, the reverse is also true – if the market cannot support rent levels, asking rents will drop.
- The goal isn't to drive renters out of housing – empty buildings don't help residents, and they certainly don't help housing providers who still need to pay mandatory expenses when units are empty (taxes, insurance, maintenance, payroll).
- We can't lose sight of the bigger picture here – an unprecedented housing affordability crisis, spurred by a critical lack of all types of housing at all price points.
    - Without the rental housing industry – including rental housing owners and operators of all portfolio sizes and technological capabilities – we would be in a far worse affordability crisis.
- NAA has been aggressively advocating for responsible solutions since the onset of the crisis, namely:
    - Revitalizing rental subsidy programs to support low- and moderate-income renters (short-term)
    - Removing restrictive barriers at all levels of government to apartment development to boost construction of much-needed housing (long-term)

Rising Operational Costs

- Owners and operators of rental housing continue to navigate skyrocketing operational costs amid continued economic volatility.
    - Rental housing is a small-margin industry. Nationally, on average, 93 cents of every rent dollar cover essential operating costs: maintenance, insurance and staffing) and support the local community (through property taxes that support schools and community services).
- Amid economic uncertainty and lingering inflation, many of these essential expenses (operating costs, insurance and property taxes) skyrocketed, impacting rental housing providers of all portfolio sizes:
    - Insurance: As of June 2023, average quarterly apartment insurance premiums stood at $180 / unit, a 33% year-over-year spike [Marcus & Millichap].
        - Insurance now accounts for 8% of owners' quarterly-per-unit operating expenses, double the share from five years ago.
        - Florida and California markets have seen the most pronounced increases year-over-year: Orange County, CA at 79.1%, Jacksonville at 61.8% and Tampa-St. Petersburg at 52.1%.
    - Property Taxes: From 2021 to 2022, many markets saw significant property tax increases: Richmond (15.3%), Orlando (12.2%) and Salt Lake City (11.9%) [Trepp].
- Interest Rates: As the Federal Reserve raised interest rates to combat record inflation, housing providers have felt the impacts.
    - Many apartment communities operate on variable interest loans, which have reset this year; interest rates are impacting expenses as much if not more than record insurance premium increases.
    - In the market, high interest rates have dampened consumer sentiment particularly for those looking to purchase a home.
- Rental application fraud continues to impact housing costs as incidences of fraudulent applications, financial fraud and identity fraud rises significantly.
    - According to a recent NAA/NMHC survey of housing providers, 93.3% of respondents experienced fraud in the past 12 months, more than 70% increased fraudulent activity over the past year and a whopping 80% saw applicants misrepresent information on applications.