Fourth Quarter 2024 Earnings Call
February 7, 2025 – 10:00 AM CT

Kim Callahan – Camden Property Trust

Good morning and welcome to Camden Property Trust's Fourth Quarter 2024 Earnings Conference Call. I'm Kim Callahan, Senior Vice President of Investor Relations. Joining me today are: Ric Campo, Camden's Chairman and Chief Executive Officer; Keith Oden, Executive Vice Chairman; and Alex Jessett, President and Chief Financial Officer. Today's event is being webcast through the Investors Section of our website at Camdenliving.com, and a replay will be available shortly after the call ends. And please note, this event is being recorded.

Before we begin our prepared remarks, I would like to advise everyone that we will be making forward-looking statements based on our current expectations and beliefs. These statements are not guarantees of future performance and involve risks and uncertainties that could cause actual results to differ materially from expectations. Further information about these risks can be found in our filings with the SEC, and we encourage you to review them. Any forward-looking statements made on today's call represent management's current opinions, and the Company assumes no obligation to update or supplement these statements because of subsequent events.

As a reminder, Camden's complete Fourth Quarter 2024 Earnings Release is available in the Investors section of our Website at camdenliving.com, and it includes reconciliations to non-GAAP financial measures which will be discussed on this call.

We would like to respect everyone's time and complete our call within one hour, so please limit your initial question to one, then re-join the queue if you have a follow-up question or additional items to discuss. If we are unable to speak with everyone in the queue today, we'd be happy to respond to additional questions by phone or email after the call concludes. At this time, I'll turn the call over to Ric Campo.

Ric Campo – Camden Property Trust

Thanks Kim. Good morning. The theme for our on-hold music this quarter is "It's time to move on!"

The late, great Tom Petty captured the current sentiment of Team Camden in this verse:

> It's time to move on, it's time to get going
> What lies ahead, I have no way of knowing
> But under my feet, baby, grass is growing
> It's time to move on, it's time to get going

After a few years waiting (somewhat impatiently) for better investment opportunities in our markets, we believe 2025 is the year for Camden to move on.

In 2024 we saw multifamily deliveries reach a peak level not seen in over 40 years. We expect new supply pressure to lessen throughout 2025, setting the stage for a return to improved revenue and NOI growth. As the headwinds in recent years turn to tailwinds in 2025 and beyond, there are attractive opportunities for us to continue development starts and to pursue acquisitions.

The positive market backdrop positions Camden to begin executing our 2025 strategic plan. The plan follows a similar playbook that we executed after the Great Financial Crisis, where we acquired $2.7 billion in apartments with an average age of 4 years, developed $4.2 billion of apartments and sold $3.8 billion of apartments with an average age of 24 years. Recycling capital in this way keeps our portfolio competitive, lowers capital expenses and accelerates our return on invested capital, driving long-term core FFO growth. It's time to move on. It's time to get going.

I want to give a big shout out to Team Camden for their outstanding performance in 2024, exceeding our operating budgets by a wide margin despite record supply. Team Camden works smart, implementing new technologies that continue to improve customer experiences and reduce costs.

Occupancy and rents in most Sunbelt markets have likely bottomed. Resident retention and customer sentiment remains high. The premium to own versus rent continues to be at historic levels, making apartment homes a more affordable and attractive option for consumers.

Wage growth has outpaced rent growth for the past couple of years, strengthening our residents' financial prospects and improving rent-to-income ratios. Population growth to our Sunbelt markets continues to outpace the nation. Texas and Florida added over 1 million new residents in 2024, which was nearly 1/3 of the nation's population growth. Each new family needed a place to call home. Texas and Florida are projected again to lead the nation's population growth over the next 5 years. The states in which Camden operates captured 58.3% of the U.S. population growth. This long-term megatrend continues to produce outsized housing demand in our markets.

We know it's time to get going, but we will not move on from Camden's “WHY,” which as many of you know is to improve the lives of our teammates, our customers, and our stakeholders, one experience at a time. Keith Oden is up next.

Keith Oden – Camden Property Trust

Thanks, Ric. Camden’s same property revenue growth was 1.3% in 2024, with most of our markets achieving results within 100 basis points of their original budgets. San Diego/Inland Empire and Washington DC Metro both outperformed our expectations, while Austin and Nashville came in slightly below budget.

For 2025, we anticipate same property revenue growth of 1%, with the majority of our markets falling between 0% and 2%. Our top 5 markets should see revenue growth in the range of 2.0-2.5%, and these markets account for over 40% of our budgeted revenue. Several of these markets were top performers last year, including Southern California, Washington DC Metro, and Houston, and we expect Tampa to join them as one of our top markets this year. Our next 8 markets are budgeted for revenue growth between 0-1% and they comprise over half of our 2025 budgeted revenue. These markets include Denver, Atlanta, Phoenix, Raleigh, Orlando, Southeast Florida, Dallas, and Charlotte.

And our last 2 markets - Nashville and Austin – represent 6% of Camden’s revenues. These markets were down roughly 3% on revenues last year and are expected to remain challenged this year given the continued levels of new supply coming online. We expect them to decline another 0-3% this year, but we are cautiously optimistic that they will end 2025 in a better position than where they started.

As many of you know, we have a tradition of assigning letter grades to forecast conditions in our markets at the beginning of each year and ranking our markets in order of their expected performance during 2025. We currently grade our overall portfolio as a “B” with a stable outlook, slightly better than our “B” with a moderating outlook last year. Our full report card is included as part of our earnings call slide deck, which is incorporated into this webcast and available on our website.

The overall economy remains healthy, and we expect our Sunbelt-focused market footprint will allow us to outperform the U.S. outlook. We expect to see continued in-migration into our markets and strong demand for apartment homes given the relative unaffordability of buying a single-family home.

We reviewed supply forecasts from several third-party data providers, and their projections range from 160,000 to 230,000 completions across our 15 markets over the course of 2025, compared with 230,000 to 280,000 delivered in 2024. Despite the wide range of estimates, the unanimous conclusion from each firm was that supply in our markets peaked during 2024 and will be declining as we move through 2025, setting up 2026 to be a below-average year for new supply. As a reminder, these supply estimates are totals for each of the MSAs, and not all of this new product will be competitive with our existing portfolio given various submarket locations and price points.

As I mentioned earlier, we expect revenue growth in the range of 2.0-2.5% for our top five markets. Four of Camden's markets received a grade of "A-" with varying outlooks of improving, stable or moderating. Tampa earns an "A-" with an improving outlook, and it should be one of our best performers this year given strong occupancy levels, manageable supply, and a boost in demand that we saw during 4Q24. Our Southern California markets would be next with both LA/Orange County and San Diego/Inland Empire expected to finish in the top three again, as they did in 2024. Their growth rates are expected to slow a bit during 2025 given slightly higher levels of supply and less of a tailwind from bad debt declining, thus they received stable to moderating outlooks. Washington DC Metro would also rank as an "A-" with a moderating outlook. Supply remains in check, particularly in our submarkets in Northern Virginia and Maryland, and we expect revenue growth to be slightly below the 3.7% achieved last year. Houston rounds out the top 5 with a "B+" rating and stable outlook. Houston ranked #5 for revenue growth in 2024 and this year should see more of the same with limited supply and healthy demand.

Most of our next 8 markets received a "B" grade with one "B+" and 2 "B-" ratings, and we are budgeting revenue growth of 0%-1% all eight. We rate Denver a "B+" with a moderating outlook and expect their revenue growth to be closer to 1% this year versus 1.6% last year given moderate supply coupled with moderating job growth. Atlanta ranks as a "B" performer with an improving outlook, mainly due to the progress we've made in reducing bad debt and fraudulent activity.

Phoenix and Raleigh are next and graded "B" with stable outlooks, followed by Orlando and Southeast Florida as "B"s with moderating outlooks. Phoenix, Raleigh, and Orlando should all see slight declines in supply over the course of 2025, but pricing power in those markets will likely be limited for most of this year. Southeast

Florida was one of our top performers in 2024, but we expect to see moderation this year from the above-average occupancy levels we achieved there last year.

Dallas earns a “B-” with a stable outlook again this year, with minimal revenue growth expected in 2025. While Dallas still ranks as one of the nation’s top metros for job growth, in-migration, and quality of life, the market is still working through much of the new supply that was delivered over the past year. And Charlotte is rated a “B-” with a moderating outlook. The aggregate level of new supply coming online in the Charlotte MSA is still elevated this year, and we expect our main competition will continue to fall in the Uptown/South End submarket.

And finally, Nashville and Austin receive the same grades as last year with a “C” and “C-” respectively. Both markets posted negative revenue growth in 2024 and will likely repeat that in 2025 as new supply continues to pose a challenge. Our outlook for Nashville is improving, particularly outside of the downtown/CBD area while Austin’s outlook is stable.

Now a few details on our 4Q24 operating results. Rental rates for the fourth quarter had signed new leases down 4.7% and renewals up 3.2%, for a blended rate of negative 1.2%. Renewal offers for February through April were sent out with an average increase of 4%. And as expected, moveouts to purchase homes remain very low at 9.6% for both 4Q24 and full year 2024. I’ll now turn the call over to Alex Jessett, Camden’s President, and Chief Financial Officer.

<u>Alex Jessett – Camden Property Trust</u>

Thanks Keith. Before I move on to our financial results and guidance, a brief update on our recent real estate activities: During the fourth quarter of 2024, we completed construction on Camden Durham, a 420-unit $145 million community located in the Raleigh Durham market of North Carolina, which is now almost 80% leased, and Camden Long Meadow Farms, a 188-unit $72 million single family rental community located in suburban Houston, which is now almost 55% leased. Additionally, we continued leasing at Camden Woodmill Creek, a 189-unit $72 million single family rental community also located in suburban Houston. Subsequent to quarter end, we acquired for approximately $68 million Camden Leander, a newly constructed 352-unit suburban Austin community which is currently 85% occupied. This community was purchased at a stabilized yield of 5%.

Turning to financial results, last night we reported Core Funds from Operations for the 4th quarter of 2024 of $190.4 million, or $1.73 per share, $0.03 ahead of the midpoint of our prior quarterly guidance. This outperformance resulted from $0.005 in higher other income and $0.025 in lower operating expenses driven entirely by lower than anticipated core property insurance claims and lower final tax valuations.

For 2024 we delivered same store revenue growth of 1.3%, expense growth of 1.8%, and NOI growth of 1.1%. Our 1.8% full year expense growth was driven primarily by declines of 0.2% and 16.9% on property taxes and insurance, respectively.

You can refer to page 24 of our 4th quarter supplemental package for details on the key assumptions driving our 2025 financial outlook. One of the key drivers of this year's guidance is an uptick in acquisitions and dispositions with a midpoint of $750 million anticipated for each. Operating a geographically diversified portfolio helps ensure consistent cash flow for our investors. Over the next few years, consistent with past messaging, we will seek greater market balance by reducing our exposure to our two largest markets, DC Metro and Houston, through a combination of select dispositions and growth in our other existing markets, with a target of no one market representing more than 10% of our Net Operating Income and no market representing less than 4% of our Net Operating Income by the end of 2027. Additionally, we will dispose of older more capital-intensive assets and redeploy the proceeds into newer faster growing communities. As we execute this plan, depending upon the location and age of the disposed communities, there may be a 0 to 100 basis points negative FFO yield differential for these matching transactions, while we expect AFFO yields to be relatively flat. The end result will be a more geographically diverse, newer, and faster growing portfolio.

We expect our 2025 Core FFO per share to be in the range of $6.60 to $6.90, with the midpoint of $6.75 representing a $0.10 per share decrease from our 2024 results. This decrease is anticipated to result primarily from:

- An approximate $0.06 per share increase in Core FFO related to the growth in operating income from our development, non-same store, and retail communities, resulting primarily from the incremental contribution from our 5 development communities in lease-up during 2024 and / or 2025.
- A $0.01 per share net increase from the timing of our assumed $750 million of offsetting acquisitions and dispositions. For tax efficiency purposes and to facilitate reverse 1031 exchanges, we are anticipating completing the acquisitions on average two months before their matching disposition,

This $0.07 cumulative increase in anticipated Core FFO per share is offset by:

- A $0.10 per share increase in interest expense, attributable to $250 million of higher average anticipated debt balances outstanding in 2025 as compared to 2024, and lower levels of capitalized interest as we complete certain development communities. The higher debt balances result in part from the timing of our acquisition and disposition activity. For 2025 we are anticipating $485 million on average outstanding under our Line of Credit with an average rate of approximately 4.9%.

- A $0.04 per share decrease in interest and other income due to minimal cash balances in 2025, and,
- An approximate $0.03 per share decrease in Core FFO resulting primarily from the combination of higher general and administrative and property management expenses.

At the midpoint, we are expecting flat same store net operating income with revenue growth of 1% and expense growth of 3%. Each 1% increase in same store NOI is approximately $0.09 per share in Core FFO.

Our 2025 same store revenue growth midpoint of 1% is based upon a flat earn-in at the end of 2024 and an effectively flat loss to lease. We expect a 1.4% increase in market rental rates from December 31, 2024, to December 31, 2025. Recognizing half of this annual market rental rate increase results in a budgeted 70 basis point increase in 2025 net market rents. We are assuming occupancy averages 95.4% in 2025, a 20-basis point annual improvement, and that bad debt averages 70 basis points in 2025, a 10-basis point annual improvement. When combining our 70-basis point increase in net market rents with our 20-basis point increase in occupancy and our 10-basis point decline in bad debt, we are budgeting 2025 rental income growth of 1%. Rental income encompasses approximately 90% of our total rental revenues. The remaining 10% of our property revenues is primarily comprised of utility rebilling and other fees and is anticipated to grow at a similar level as our rental income.

Our 2025 same store expense growth midpoint of 3% does not contain any significant category outliers.

Page 24 of our supplemental package also details other guidance assumptions including the plan for up to $675 million of development starts spread throughout the year and approximately $285 million of total 2025 development spend.

Non-core FFO adjustments for the year are anticipated to be approximately $0.10 per share and are primarily legal expenses and expensed transaction pursuit costs.

We expect Core FFO per share for the 1st quarter of 2025 to be within the range of $1.66 to $1.70. The midpoint of $1.68 represents a $0.05 per share decrease from the 4th quarter of 2024 which is primarily the result of:

- An approximate $0.04 per share sequential decline in same store NOI driven by an increase in sequential same store expenses resulting from the timing of quarterly tax refunds, the reset of our annual property tax accrual on January the 1st of each year and other expense increases primarily attributable to typical seasonal trends including the timing of onsite salary increases, and

- An approximate $0.015 per share increase in interest expense from our higher debt balances resulting in part from our actual and anticipated 1st quarter acquisitions.

This $0.055 per share cumulative decrease in quarterly sequential Core FFO is partially offset by:

- An approximate $0.005 per share increase in Core FFO related to our 1st quarter acquisition activity.

We are anticipating blended lease trade outs for the 1st quarter to be relatively flat.

At year end, approximately 80% of our debt was fixed rate. We had less than $200 million outstanding on our $1.2 billion credit facility, no maturities over the next 12 months, and less than $250 million left to fund under our existing development pipeline. Our Balance Sheet remains strong with Net Debt to EBITDA at 3.8 times. At this time, we will open the call up to questions.

Jamie Feldman – Wells Fargo

I was just hoping you could provide some more color on your blend assumption. Can you talk about what you're thinking on new and renewal lease growth throughout the year? And how do you think it trends first quarter through fourth quarter?

Alex Jessett – Camden Property Trust

Sure, absolutely. The way I would look at it for the full year is we're anticipating somewhere between 1% to 2% on a blend. If you look at new leases, new leases will be slightly negative for the full year and renewals will probably be in the high 3% range. If I look at how that progresses throughout the year, obviously we are very optimistic about the way 2025 is going to unfold, in particular with the absorption of the new supply. So, we're anticipating that by the time we get to the third quarter, this is when you'll start to see positive new leases and then it will continue from that point on.

Brad Heffern – RBC Capital Markets

Are you seeing signs right now of the impact of supply fading on the ground? And if so, what are those signs?

Alex Jessett – Camden Property Trust

We absolutely are. The largest indicator that we're looking at is the signed new lease improvement throughout the fourth quarter. And although we are not going to give monthly new lease and renewal data, I will tell you that we're very encouraged by what we're seeing so far in January in terms of signed new lease improvements.

Sanket Agrawal – Evercore ISI

I had a question around transaction guidance. After a muted couple of years from the transaction market standpoint, it seems like things are opening up and you're guiding to $750 million of acquisitions and dispositions. Can you help us provide more color on this in terms of timing, cap rate, what are the type of buyers and seller pools you're seeing in the market today?

Ric Campo – Camden Property Trust

Sure. When you think about the last couple of years, it's been a very muted sales transaction market. What's happened primarily is that buyers and sellers have been sort of at odds. Sellers want high prices and buyers don't want to pay high prices, and that's created a standoff between buyers and sellers. So, transaction volume has been significantly lower in the last couple of years. But I think what's happened now is that with rates continuing to be higher for longer, it put pressure on the sellers. Then also on the buyer side, you have a pretty constructive view of the future. We believe supply has peaked for sure and that 2025 is going to be a better year than 2024 from an accelerating growth perspective. And then in 2026-2027, you're going to have some pretty outsized rental increases. So, what that's allowed buyers to do is increase their pro forma rent growth and feel pretty confident about that so that they could actually maybe pay a higher price than they thought before, because the inflection point of positive second derivatives on rental rates is going to happen sometime during 2025. So, what that's led to then is a closing of the gap, if you want to call it that, between the buyers and the sellers. From our perspective, since we're going to be recycling capital, we're going to be buying. And then as Alex pointed out earlier, we're going to be selling to fund those acquisitions. As we did in our last big acquisition/development/disposition cycle, we think that this next couple of years is going to be pretty much like it was after the Great Financial Crisis where you have a lot of transactions that have to move and you're going to have a lot of activity. And I think that it sets up really well for us to recycle capital and to get more aggressive on the acquisition side and the development side going forward.

Jeff Spector – BofA

Ric, I'll ask a follow-up to that point. Post World Financial Crisis, there was a lot of distress. And as of today, I'd say we're hearing mixed things but not really hearing distress. What are you seeing and hearing that gives you confidence that there will be similar distress that Camden can take advantage of?

Ric Campo – Camden Property Trust

Sure. When you go back to the Financial Crisis, there was moderate distress, but it was primarily in 2008, maybe 2009, and 2010. After that, there was really no distress. If you think about what happened, the Fed took interest rates to 0% and the FDIC and the Federal Reserve propped up banks by saying they didn't have to mark-to-market construction loans. That eliminated a lot of the distress that people thought was going to happen after the Great Financial Crisis. The difference today versus the GFC is that as a result of the GFC, overleveraging is not part of the equation today. Banks have significantly decreased their commercial real estate exposure, and they've also diversified their commercial real estate exposure. So, banks are stronger, borrowers are stronger, and you're in a situation where there's no real pressure on borrowers or the banks to force people to sell. And that, of course, is what creates distress. Now there's clearly distress in the C/D part of the market, where you had syndicators raising money online and through GoFundMe pages and were buying pretty low-quality properties and leveraging them up. There have been some significant stories about that kind of distress, but not in the institutional investor quality space. Sellers today are not financially stressed. So, I don't think we're going to get "distressed" out there. What we're going to get is better pricing than we had during the peak, when cap rates were in the 3%s. Now cap rates are going to be 4.5% to 5% with a better growth prospect in your pro-formas going forward so that you can get your IRRs up into the 7%s on an unleveraged basis. So, it's a little different today. I don't think we're going to have distress in the market and buy all these great deals. On the other hand, the deals are good. When you look at our Camden Leander transaction, it's a project in lease-up in Austin, a very complicated market. Obviously Austin has more supply than most. We're buying the property at 15% below replacement cost. Rents are depressed. And once the supply gets worked out in Austin over the next year or so, you're going to see outsized growth in Austin. When you look at Austin in terms of its population growth, it's like #1 in America on a percentage basis for population growth. Austin is going to be great in 2026, 2027 and 2028. So, we're able to buy below replacement cost. I could build there, but why build when I can buy it below replacement cost and then be positioned in the marketplace to have outsized growth to drive that cap rate up into a really good number?

Haendel St. Juste - Mizuho

I was wondering if you could walk us through the quarter a bit and give us some color on how the portfolio performed in terms of new lease rate expectations. They seemed to be a bit more resilient in the fourth quarter versus your peers. And with the stability in new lease rates and improvement you noted in January and occupancy I think above 95%, it seems like you can push rate a bit sooner this year than we might have previously expected. So maybe give us some color on what new lease rates are embedded in the first quarter guide you provided. But broadly, the sense of how much the improvement or stability you're seeing here can result in you perhaps being a bit more aggressive on that front?

Keith Oden – Camden Property Trust

Yes. So Haendel, our fourth quarter was actually a little bit better than we thought it would be, and it was pretty broad across all of our markets. In terms of expectations for next year, I think Alex walked through those in his commentary regarding what the full year guidance is et cetera. I think that the improvement that we're seeing is just stickiness around occupancy rates across our entire portfolio, which allows us and our pricing model to do what it does best, which is find strength and then price accordingly. So, I think it's really good operating fundamentals, and we had a good fourth quarter. And as Alex mentioned, it looks like it's carried over into January. So last year, we started out really strong in January, a good month that led to some optimism around here and maybe other places for what that foretold for maybe the first quarter and the full year. It turned out that wasn't really the case, and we had kind of an air pocket in February of last year, and we don't think we're going to see that this year - we don't anticipate that. But so far, so good. Good month in January for sure, and we expect that it's going to continue to improve throughout the year because every month that goes by, we're taking another big chunk out of the supply bubble that we've been fighting and continue to have in front of us. I think things on the horizon, the back half of 2025 looks to be pretty constructive for us. But I think more importantly, when you get past it - 2025 is kind of a transition year between getting back to more normal supply/demand dynamics. When you look out to 2026 and what's been happening on starts and what's likely to happen on completions in 2026 and 2027, I think we're set up for one of those 2- or 3-year runs that are going to be pretty impressive for the entire multifamily sector. I think where Camden is located in our markets, we're going to benefit more than most from that.

Eric Wolfe - Citi

It seems like based on your interest expense guidance, you're front-loading the acquisitions. Can you just talk about the rationale around the strategy? And also, I think you mentioned 0 to 100 bps of potential GAAP dilution from this activity, and that this transaction activity could last through 2027. So, should we be building in our models 50 bps of GAAP dilution on $750 million of transactions for the next couple of years? Or is that not what you meant by this continuing through 2027?

Alex Jessett – Camden Property Trust

We'll hit both parts of it. The first thing is that we anticipate that we're going to buy before we sell, and we're doing that for tax efficiency purposes. We'll do these in reverse 1031 exchanges. The second part that you have to look at is what we're looking at for 2025 is the dispositions that we will first complete will be our older, more capital-intensive assets. And so because of that, you're probably going to see a larger spread between FFO on the assets we're buying and FFO on the assets we're selling. I think it's important to note that on an AFFO basis, that spread will be very tight. But on an FFO basis, it's going to be a little bit wider, call it around the 100 basis point range for what we're going to look at for 2025. If you think about what happens as we go throughout 2026 and 2027 completing our plan, we're going to get to a point in time where we're going to be trading very comparable assets, but just not in the geography where we want them. So, for instance, we talked quite a bit about how we'll lower our exposure in D.C., and we'll lower our exposure in Houston. If we're going to sell a community in D.C. in 2026 and in 2027, I think it's likely that it will be a particular community that will probably trade at a pretty good cap rate, and we'll be trading that for a community in Nashville or Austin that will also be trading at a comparable cap rate. So, I don't think it's fair to take the dilution that you're seeing in 2025 and extrapolate that into 2026 and 2027.

Ric Campo – Camden Property Trust

Yes. The other thing I would add is that if you look at the last time we did this, where we did $2.7 billion of acquisitions and $3.8 billion of dispositions, at that time we were budgeting over 100 basis point negative spread, and it turned out to be flat. Once the market starts getting attuned to higher revenue growth and higher NOI growth, those cap rates are going to compress, and older property cap rates are going to converge to newer property cap rates. And then part of the dilution issue is that it's not permanent dilution because of the spread. When you look at the Camden Leander transaction, it was 84% occupied. It's not finished leasing or stabilized. So, you're going to have more dilution when we're buying properties that are not necessarily fully leased up yet. That's part of that equation. I expect that the transaction market through the middle of the year will start gaining steam, which means that you'll have $300 billion or $400 billion of capital that's still waiting in the wings entering the market. I think cap rates are going to be tighter and the spreads will be tighter towards the back half of the year. We have budgeted this 100 basis points, but I'm sure we'll do better.

Austin Wurschmidt - KeyBanc

So, keeping the conversation going on your portfolio management objectives. Alex, you hit on this with your comments about selling down some D.C. and Houston, which you guys have talked about. What's the right exposure for those top markets? Are there any new markets that you could enter with the strategic plan? And then just given the constructive outlook for fundamentals in the next few years, what would it take for you to lean into your balance sheet capacity instead of the tax-efficient paired trade strategy?

Alex Jessett – Camden Property Trust

What I said on the call is that by the end of 2027, we do not want to have any one market that's over 10% of NOI. If you think about it, there are only two markets that we have today that are over that, which is D.C. Metro and Houston. So, that's where we'll be bringing that down. Additionally, it doesn't make a ton of sense to us to have a market that has less than 4% of NOI. The only market that falls into that category today is Nashville. So, we'll be bringing that up, and that will obviously be one of our main target markets. When you think about leaning into our balance sheet, absolutely. The reason why we have a 3.8x debt to EBITDA, which is #1 in the multifamily sector, is because it gives us capacity and ability to take advantage of opportunities. If there are opportunities there where we can create some real value for our shareholders, and increase a little bit of leverage, but still stay below the 5x level, and take advantage of some great opportunities, we're going to absolutely do that. That's something that we're absolutely looking at. I think you're not going to see that right now because right now, what we're looking for is some more stability in the transaction market. And right now, there's just not a tremendous amount of opportunity. So, the opportunities that are there, we will match fund with dispositions in the near term. But as we go forward and execute the plan, you should see us buying and building more than we are selling.

John Kim – BMO Capital Markets

I wanted to ask about revenue enhancing and repositioning CapEx, which you're looking to increase this year versus last year. Can you remind or update us on the typical return or rental uplift you get? And what was the contribution to either blended rents or same-store revenue of the $86 million that you had?

Alex Jessett – Camden Property Trust

Yes, absolutely. Well, first of all, this is the first question we've had on repositions in about 3 years. So, thank you, John, for bringing those back in. Our reposition program has been an absolute tremendous success. We are generally getting somewhere around an 8% to 10% return on invested capital for what we're doing. The way you should think about that is that generally equates to about $150 plus or minus per door in additional rent. When I look at the impact in 2024 from repositions on an NOI basis, it was 10 to 15 basis points, which is certainly not nothing. It's certainly something that makes a ton of sense to us. But you have to remember that the real reason we do repositions is that it refreshes our portfolio. If you think about the type of real estate that we build on the exterior, it is absolutely timeless. But like everything else, kitchens and bathrooms are what really show the age of a development. It shows the age of your house. So, if we can go in and we can refresh a kitchen and a bathroom and make it look brand new and the exterior looks brand new, it really does create a natural defense against the new supply that we see in the market. You think about a brand-new asset has a much higher basis and of course, whoever owns that must charge much higher rents just to get the adequate return. We can have an asset next door or directly adjacent that looks brand new and has brand-new kitchens and bathrooms. And because we have a lower basis, we can charge a lower rental rate, and it positions us incredibly well. So, the reposition program is something that makes a ton of sense to us. It's something that you're going to see us do quite a bit. The other thing that I'd point out is that we are also looking at repurposing some of our real estate. And what that means is looking at space that we have in a community, maybe an indoor basketball court that nobody uses, and turning that into additional units. That makes a lot of sense to us as well.

Rich Hightower - Barclays

I think it's been a pretty consistent theme this earnings season that there is a pretty progressive step-up in blended rents and ultimately rent growth in Sunbelt markets over the course of the year. But I'm trying to get a sense of the risk that all of us are wrong about the pace of supply dropping off over time? And how much of that cushion is baked into the current same-store guidance?

Ric Campo – Camden Property Trust

Well, I think when you look at anyone's numbers, whether it be Witten or RealPage, the supply is baked in for the next two years right now. You're not starting a bunch of units. Most supply is down and starts are down 50%-60%. In a couple of markets, it's up a little - like Phoenix - but it's all on the west side of Phoenix, and we happen to be on the east side of Phoenix, which is a big difference. I don't think there's a lot of risk on supply being ratcheted up when you look at the pressure on developers today, when the ten-year is pushing 4.5% and short rates haven't dropped as much as people thought they would drop. Construction costs, while they're not up dramatically, are also not down dramatically. There's still a lot of pressure on construction costs. We think they're up maybe 1% or 2% from last year, but that doesn't include tariff issues. We did an analysis and on tariffs, that will add another 2% to 3% in cost. Most of the products bought -- lumber comes out of Canada, a lot of products are from Mexico, electrical boxes, and things like that. So, I would say that with the current cost structure, you have to really pro-forma significant rent increases in 2026, 2027, 2028 in order to make a pro forma work. So, I don't think that there's a big risk in a big upturn in development starts unless you have rates fall dramatically, construction costs fall dramatically, and that's just not happening. So, I think there's pretty low risk from a supply perspective. I think the bigger risk probably is in what happens to the overall economy. If we have a recession in 2025, then I think all bets are off on how well things progress. I don't think that's on people's radar screen, but I do think that's probably the bigger risk when you think about how 2025 could play out. It's not going to be on the supply side. I mean, the supply is coming, we know it's coming, then it stops.

Even if you had a 50% increase in starts this year, it wouldn't come into play until 2027 or 2028. It just takes that long to deliver. So, I think we've got clear sailing on supply at least through the end of 2027 and into 2028.

Ami Probandt – UBS

You discussed Tampa, L.A., San Diego, Washington, D.C., and Houston as the top markets. Do you think that Camden's performance in these markets is representative of the overall market? Or are there some Camden-specific attributes that are leading to stronger performance? And then specifically on Tampa, you mentioned a boost in demand in the fourth quarter. I'm wondering if that's hurricane-related and sustainable?

Keith Oden – Camden Property Trust

In Tampa, it is hurricane related for sure, and eventually that will moderate over time. We've seen that happen in Houston with Harvey, et cetera. So, that was definitely a hurricane related thing. On the performance in those other markets, I think if you look at the peer group in those other markets, the biggest overlap that we have with public market peer group is in Washington, D.C. Metro. I think everybody had pretty constructive commentary around what's happening in Washington, D.C. Metro. Houston is the differentiator for us because we're the only public company that has any meaningful presence, and as Alex pointed out, it's 13%. It's our largest NOI concentration market that we have. We're committed to bringing that down to single digits over some period of time. But the reality is that Houston has just been a great performer for the last 1.5 years, and again, it looks like it will be in 2025 as well. That's a combination of relatively low supply. The current pipeline was being put in play a couple of years ago, and Houston sort of got missed because of a lot of other issues. But the energy sector is performing incredibly well. I think all indications are that's going to continue to be supported and maybe even much more supported than it has been in the last 4 years.

So those 2 markets for sure. I think anybody who has assets in those markets has done pretty well. In California, that story has been pretty good as well. A lot of that is driven by the cessation and the working through all of the COVID-related initiatives to include coming down on bad debts, et cetera. So, I think that's also a pretty good story for anybody that owns assets in Southern California. We tend to operate better in our markets on metrics, on occupancy and NOI growth across the board. So, there's probably some Camden-ism, just the way and the efficiency with which we operate our portfolio and our time in these markets and understanding how that helps. But all five of those markets, if you've got assets in those markets, you're probably really happy right now and looking forward to -- let's bring on 2025.

Ric Campo – Camden Property Trust

I would brag a little bit more on Camden's execution ability. You don't become one of the 100 Best Companies to Work For on Fortune's list for 17 years straight if you don't have a great team. We all know the Super Bowl is coming up on Sunday, and we know that it's not just one player, it's a team, it's philosophy, it's energy, it's that synergy that brings the best out of the players. And in our case, our players are working every day and believing that they really want to take care of their customers, and that just adds value and customers feel it. If you have a really great team, it's going to benefit customers and lower turnover. And when you ask somebody to raise their rent, they're going to say, yes, okay, I like this place, and you guys are fun and great people. And so sure, I'll pay more. I think that's a big part of Camden. There's no question.

Rob Stevenson - Janney

Regarding the $175 million to $675 million development start guidance, can you talk about where expected yields on any of these new starts are penciling today given construction costs and expected rents, if you need to wait for anything to start those projects? And also, where is the expected yield there versus the expected yield on the three North Carolina assets you currently have under construction?

Ric Campo – Camden Property Trust

Sure. Our projected yields given the current backdrop of cost and rental rate growth and what have you, is around 6%. That's kind of where our development numbers have been, including the ones that are currently under construction. I will tell you, it's not easy to find a lot of developments that pencil to those numbers. That's why we haven't been able to lean in as much as we'd like to. But I think given the markets that we're in and where our developments are located, we should have outsized rent growth that could get us to those numbers or better.

Adam Kramer – Morgan Stanley

I wanted to ask about Washington, D.C. a little bit and maybe a few questions in here. I think first maybe the latest on demand there. Obviously, a lot of headlines around what's happening with federal workers and maybe a smaller federal government. So, what's happening from the demand side in the last couple of weeks there and maybe what your outlook is as the composition of the government changes? And then just as a second part there, again still in D.C., what are you guys seeing in terms of cap rates or even on a per square foot basis in terms of the transaction market in D.C.?

Ric Campo – Camden Property Trust

Let me hit the transaction market first. D.C. is a great transaction market. Cap rates are (depending on the property) in the mid-4%s to high 4%s plus or minus. So, there's still decent demand there. And when you look at the fact that D.C. has been an outperformer on revenue growth the last couple of years and will continue, we think, to be in that "A" category range, I think that transaction volume will be good. When you think about government changes, it's really interesting. If you look at some of the single-family markets there, there's been a spike in prices in for sale property there because of the transition, and because of the new administration. There always tends to be more demand during transitions than if you just had an incumbent win. I'll let Keith talk more about the current demand. Go ahead, Keith.

Keith Oden – Camden Property Trust

Yes. Trying to figure out the cross currents right now between what's being talked about versus what you think is actually going to happen, it's a crapshoot, I think. You hear the potential of government downsizing of people. I think the latest number I heard was they offered everybody in the entire federal government a buyout package. And at the last count, I think it was up to 20,000 or 25,000 people who said they're going to sign up for that, which is a rounding error of the total federal workforce. So, at the same time, that conversation is going on. You're having another broader conversation about if you're a federal employee, you're going to have to come back to the office. I think that there's probably a knock-on effect there of D.C. proper, which frankly, for us has been the weak link in our D.C. Metro portfolio over the last two years. It could very well be that as people have to return to work in an actual office, the preponderance and a big portion of which are in D.C. proper, that it's going to make more sense for them to potentially move back closer to or into D.C. proper. So, I think there are a lot of cross currents, I think there's a lot of talk. And I think you're probably never going to go broke betting on the under on how many federal employees are actually going to go do something else regardless of who asked them to do so.

Alex Jessett – Camden Property Trust

And I'll tell you, year-to-date, D.C. Metro has our highest increase in signed new lease rates.

Julien Blouin – Goldman Sachs

Yes. I just wanted to ask on the spread between the low end and the high end of development starts in 2025. What drives you to trend closer to the low end versus the high end this year?

Ric Campo – Camden Property Trust

It's just a matter of making sure that we hit what we believe would be reasonable spreads and a reasonable return. Just take Nashville as an example. Nashville is so busy from a development perspective. Costs went up so dramatically that you couldn't get anybody to bid your jobs. Now we have seven deep of subcontractors bidding on our Nashville Nations property. So, what's happened then is that A, you've had construction costs flatten, and maybe go down a little. And then B, on the other hand, you have a broader sub base, which tells me that once we execute contracts, we can probably get buy-out anywhere from 2% to 3% or 4% less when we actually buy the contracts rather than just asking them to tell us what they would go for. So, towards the middle of the year we will have a better view of when that second derivative turns positive in a lot of these markets on rental rates, and that will give us more confidence to lean in. So, it's really a decision about we need to get paid for development risk. We need 100 to 150 basis points of positive spread between what we can buy for and what we can build for. And then we have to have the confidence that the revenue growth is going to be there in 2026 and 2027 and 2028. We'll get more confidence of that mid-year. So, that will determine whether we get to the high end of that range. One of the other opportunities that we could see basically is merchant builders who can't get their deals done and we can then step into those deals and get those done. We have historically done that a lot over the years, especially during transition times like we have now. And so we might be able to pick up some of those that can't get done either. That could push us towards the high end of that range as well.

Connor Mitchell – Piper Sandler

Maybe just going back to the broader transaction markets. I appreciate all the color so far. It just seems like there's still a ton of money bidding on apartments inside financing costs and the expectations for rent growth to eventually overcome that obstacle. You guys have talked about maybe the increased pickup in the back half of the year. How much longer do you think the negative leverage will last, especially thinking about how much more there is to come in transactions in the back half? And a quick follow-up on that, do you think the market might be too aggressive on the rate of growth being underwritten for 2026 and 2027? Or is it really that high of an expectation that justifies the negative leverage?

Ric Campo – Camden Property Trust

Well, that's what people are betting on for sure, is that 2026 and 2027 are going to be outsized growth years. And if history is any indication of what might be the future, that's exactly what's happened over the years. You have a downturn, you have excess supply, you have a recession or what have you. And then what happens is you have a snapback. And usually, supply continues to be robust, but we know that supply is not going to be robust. And if the job market holds up and the economy holds up, we'll get 2% GDP growth or 1.5% to 2%, and buyers are going to be underwriting significant rent growth in 2026 and 2027, 2028. Otherwise, they can't make their numbers, right? Especially when you look at where the prices are today. So, I think what's going to happen that will drive buyers and sellers closer together is that NOIs are going to go up in some markets in 2025. And when you think about our top markets, our NOIs are growing. Even if the cap rate stays the same, the cash flows are growing, and you have a trajectory that you can count on. And then hopefully, I think people are betting that even though rates are going to be higher for longer, over a longer period, they believe that they're going to come down some. So, I think the combination of supply, the ability to drive your revenue growth and your NOI growth is going to keep people able to continue to buy even with negative leverage today. I think long term, if the NOI growth isn't there and if rates don't come down some, then cap rates have to go up or you're going to have a stalemate between the buyers and the sellers.

We'll see what happens, but right now the market is pretty robust. And what happens is really interesting. There was a transaction, for example, that we were bidding on in Nashville recently. If you're trying to buy at a specific cap rate (like we are), the seller basically just said "look, we hear your number, and we're going to hold." Their view is that they're going to get a higher price in the future. The cap rate will be the same perhaps, but their cash flow growth will be higher. I think it will be very interesting to see what happens between now and mid-year and the end of 2025. I think it's going to be a more robust transaction market. I think all the signs are that we'll get that positive second derivative on new rent growth, and that's going to create a lot of opportunity for sellers to come into the market and for buyers to buy.

Michael Lewis - Truist

I wanted to come back to this decision to have no more than 10% of your portfolio in any market. There's been this trend toward diversification in apartment REITs lately. As you know, a lot of that is coastal investors diversifying into more of your markets. Aren't there any markets that you just think are better? They're just flat-out better apartment markets for the next 10 or 15 years or whatever it might be? Or is that not really the case? There's nothing structural or secular there? Does this decision say more about Houston and D.C.? Or does it say more about a wide opportunity set across your markets and it being a little bit difficult to distinguish?

Keith Oden – Camden Property Trust

I would say it's more about the opportunity set across all our markets. You say some markets are better. Well, it depends on when. For example, 3 years ago Houston and Washington, D.C. were the problem children in

Camden's portfolio. It's all anybody wanted to talk about, and it's a lot of what we talked about internally because those are our 2 largest markets, and they were underperforming and had been for about 2 or 3 years straight. So fast forward, here we are today, Washington, D.C. Metro and Houston are in the top 5 performers and probably slated to be in the top 2 or 3 for this year and probably next year as well. So, if you ask that question, are some markets just better? Four years ago, all of them would have been better than Houston and D.C. Metro, and today it's reversed. It's more about just having a balance among 15 markets that we absolutely love. Every market that's in our portfolio has the characteristics that exemplify what we want to see in migration, job growth, consistently performing on the ability to move rents over time and to operate the assets from an expense standpoint, at a level that allows us to grow cash flow. So, it's not a statement any way about D.C. and Houston. It's just a statement about having great opportunities in other markets, growth opportunities in markets like Austin and Nashville where we're underweight, and it's just balancing those opportunities.

Daniel Tricarico - Scotiabank

Alex, I wanted to clarify your answer to Jamie's question at the beginning. You said new lease rates turning positive in Q3 and continuing from there. Does that mean it's going to continue to improve on an absolute basis? Are you assuming a normal seasonal pattern into the fourth quarter? Or is there a comp benefit with supply being absorbed that would cause Q4 to look seasonal?

Alex Jessett – Camden Property Trust

We're going to return to seasonality, at least that's what's in our budget. What that means is that you see positive new lease rates in the third quarter. And then in the fourth quarter, that's always our softest quarter. There are just not a lot of people who want to move around the holiday season, et cetera. That's usually when we have the least amount of pricing power. So, you should see it start to return to a more normal seasonal pattern at that point in time.

Dave Segall - GreenStreet

I just wanted to drill down a bit more on to the proposed development starts. Can you ballpark the rents or rent per unit you would need to achieve in Nashville and Denver to achieve a 6% yield?

Alex Jessett – Camden Property Trust

I don't. We'll have to get back to you with that.

Alex Kim - Zelman

I always appreciate the song choices leading up to the call as well. I was wondering if you could talk about your leasing trends so far for the three communities in lease-up and how that flows into the lease-up revenue line for the quarter and then more broadly for your 2025 view?

Alex Jessett – Camden Property Trust

Yes, absolutely. If you look at the communities that we have in lease-up, two of them are the single-family rental communities. We've been very upfront that our single-family rental communities are slow leasing. They just are. The particular demographic that looks for that product type has a tendency to show up once, then they show up again, then they show up and they measure a bedroom and make sure that their furniture can fit, et cetera. So, it's slower leasing. Now the good news is that we think they're going to be really sticky. And we think once they're in, if it takes them that long to make a decision to move in, we think it will take them equally as long as to make a decision to move out. But that's what we've been seeing. When I look at Camden Durham, which is the third one that's in lease-up. During the fourth quarter, we had the type of leasing that we would expect, which is slower. As I said to one of the previous questions, the fourth quarter is always the slowest quarter, and that's no different whether or not it's a new lease-up or an existing asset. That being said, if you look where they are, Woodmill Creek is 89% occupied. Durham is 78% occupied. So, both of those are getting very close to stabilization. And so obviously, we should get some uptick in 2025 from those two as they stabilize. And then Long Meadow Farms is a little bit behind the other two, just because it started after them and is at 53% leased.

Ric Campo – Camden Property Trust

We appreciate your time today, and we're glad to close out the earnings season for large cap multifamily. So, we'll see you at the next conference or next road show. Thanks.

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