



MAA EARNINGS CONFERENCE CALL | SECOND QUARTER 2025

TRANSCRIPT | MANAGEMENT PREPARED COMMENTS | JULY 31, 2025, 9:00 AM CT

Andrew Schaeffer, SVP, Treasurer and Director of Capital Markets

Thank you, Regina, and good morning, everyone. This is Andrew Schaeffer, Treasurer & Director of Capital Markets for MAA. Members of the management team participating on the call this morning are Brad Hill, Tim Argo, Clay Holder and Rob DelPriore.

Before we begin with prepared comments this morning, I want to point out that as part of this discussion, company management will be making forward-looking statements. Actual results may differ materially from our projections. We encourage you to refer to the forward-looking statements section in yesterday's earnings release and our '34-Act filings with the SEC, which describe risk factors that may impact future results.

During this call, we will also discuss certain non-GAAP financial measures. A presentation of the most directly comparable GAAP financial measures, as well as reconciliations of the differences between non-GAAP and comparable GAAP measures, can be found in our earnings release and supplemental financial data.

Our earnings release and supplement are currently available on the "For Investors" page of our website at www.maac.com. A copy of our prepared comments and an audio recording of this call will also be available on our website later today.

After some brief prepared comments, the management team will be available to answer questions.

I will now turn the call over to Brad.

Brad Hill, President, Chief Executive Officer

Thanks Andrew, and good morning, everyone.

As detailed in our release, second quarter Core FFO results were ahead of our expectations with the sequential improvement in new, renewal, and blended lease-over-lease rates all exceeding the prior year's sequential improvement. While the economic uncertainty has caused the pace of recovery in pricing power to slow across the country, the recovery in our portfolio is underway and as the economic uncertainty stabilizes and deliveries continue to decline, the recovery should accelerate. Demand remains resilient with absorption across our markets reaching the highest level in over 25 years. Encouragingly, absorption has now outpaced new deliveries for four consecutive quarters with the gap between the trailing 12-month absorption and new deliveries in our markets approaching the level last seen during Covid.

The downward trend in new deliveries is helping market conditions to firm up with market-level occupancies improving in many of our markets, and we are seeing pockets of decreasing concessions, a combination that should lead to improved pricing power. With a stable employment sector and strong wage growth, our residents are financially healthy, leading to continued good collections and improving rent to income ratios. Our diversified portfolio, focus on high-growth markets, and operating scale continue to position MAA best to capitalize on these favorable trends to a greater degree as the demand/supply balance moves more in our favor. The resilience of our platform is evident. In the midst of still elevated supply, we have maintained stable occupancy,



achieved higher renewal rates and increased our retention, the result of our team's focus on customer service and operational consistency.

On the external growth front, because of our access to capital, we continue to find select compelling development opportunities. We remain committed to the disciplined expansion of our development pipeline, and we are making progress toward that goal. In the second quarter, we started construction on a 336-unit suburban project in Charleston, SC, which is expected to deliver a stabilized NOI yield of 6.1%, bringing our active pipeline to 2,648 units at nearly \$1 billion. We own or control 12 additional sites with approvals of nearly 3,300 more units. Amid record pressure from competitive lease-ups in our markets, we remain patient in our approach to leasing up our new communities and are prioritizing rents and long-term value creation, allowing us to achieve our expected lease-up rents and deliver stabilized NOI yields that continue to trend above our original expectations. Our development projects are well-positioned to benefit from the declining new starts and the tightening supply backdrop.

The acquisition market remains relatively quiet. Transaction volumes are still muted as bid-ask spreads persist and capital remains cautious given elevated interest rates. That said, we are evaluating several opportunities. We have a stabilized suburban acquisition with a small phase II development component in the Kansas City market under contract and we expect it to close upon the completion of our due diligence review during the third quarter. Our strong balance sheet and liquidity position will allow us to be opportunistic should more attractive acquisition opportunities become available in the second half of the year.

With a 30-year track record of navigating economic cycles, we remain confident in our ability to execute through this transition period and that our focus on high demand and high growth markets will continue to lead to higher earnings and lower volatility over the full cycle. Our markets continue to benefit from higher job growth, wage growth, household formation, and demographic tailwinds than the national average. We're encouraged by the building blocks that are in place and the growing momentum heading into the back half of the year and remain confident in our ability to deliver compounding revenue and earnings performance as the recovery continues to accelerate.

To all our associates across our properties and in our corporate and regional offices—thank you for your continued dedication and focus during this pivotal leasing season.

Tim Argo, EVP, Chief Strategy and Analysis Officer

Thanks Brad and good morning, everyone.

For the second quarter, we saw steady progression in new lease-over-lease rates from what was achieved in the first quarter. Though as Brad mentioned, broad economic uncertainty did slow the pace of new lease pricing recovery that we saw through April and caused May and June new lease pricing to be a bit below our expectations. The uncertainty showed up twofold, with prospects being more selective in making decisions and operators continuing to lean toward occupancy despite broadly improving market level occupancies. However, renewal lease performance, represented by the high level of renewal acceptance and the rates achieved, continued to outperform expectations. As a result, we saw lease-over-lease pricing improvement from the first to second quarter that exceeded 2024 for new leases and renewals, which manifested into stronger sequential blended pricing growth as compared to the prior year. Blended pricing for the quarter was 0.5%, which represented a 100bps improvement from the first quarter. Along with the stronger pricing trend, we had stable average physical occupancy of 95.4% and another quarter of strong collections, with net delinquency representing just 0.3% of billed rents.



Our strongest performing markets continue to be consistent with what we have seen in the last few quarters, led by many of our mid-tier markets. Our Virginia markets remained strong, and other mid-tier markets such as Kansas City, Charleston, and Greenville all demonstrated strong pricing power. Of our larger markets, Tampa continued to show pricing recovery, and Houston was steady as well. We also continue to see a slow but steady recovery in Atlanta, which had our largest year-over-year improvement in both blended pricing and occupancy of any of our higher concentration markets. Austin continues to face record supply pressure resulting in weaker new lease pricing. Phoenix and Nashville are two other markets facing significant pricing pressure.

We have seen the uncertainty and higher leasing pressure particularly impact the leasing velocity of our lease-up portfolio and in turn we pushed the stabilization dates by one quarter for three of our lease-up properties (West Midtown, Vale, and Val Vista). However, across our lease-ups we have achieved rents to date 2.5% ahead of proforma. We had one property, MAA Boggy Creek, reach stabilization in the quarter and our six-remaining lease-up properties ended the quarter with a combined occupancy of 80.7%.

Despite supply concerns, we continued to execute various targeted redevelopment and repositioning initiatives in the second quarter, and we expect to accelerate these programs over the remainder of 2025 and into 2026. Through the second quarter of 2025 year to date, we completed 2,678 interior unit upgrades, achieving rent increases of \$95 above non-upgraded units and a cash-on-cash return in excess of 19%. This was an acceleration in both volume and rent growth achieved from the first quarter. Despite this more competitive supply environment, these units leased on average 9.5 days faster than non-renovated units when adjusted for the additional turn time. We still expect to renovate approximately 6,000 units in 2025, with more expected in 2026. For our repositioning program, we began re-pricing in the second quarter at five of our six recent repositioning projects, with the last slated to begin re-pricing in August. Early results are encouraging with NOI yields in the low teens based on current pricing. We have identified several additional projects to start later this year with anticipated re-pricing in time for the prime 2026 leasing season. Work also continues on 23 retrofits for community-wide Wi-Fi with go-live dates planned through the remainder of 2025.

With July close out in process, we continue to see seasonal pricing and occupancy trends that are aligned with our guidance. July pricing is trending better than the second quarter and our current occupancy at the end of July is 95.7%. Our 60-day exposure for July is 7.1%, 10bps lower than this time last year and keeps us in a position for stable occupancy to allow for pricing power, assuming demand fundamentals remain intact. Brad noted the exceptionally strong absorption, with absorption in our markets exceeding new supply for the fourth straight quarter; or said another way, the fourth straight quarter with fewer available units for lease in our markets than the prior quarter. Strength in our renewals continues, with the percentage of our residents accepting renewal offers exceeding last year's record level, and lease-over-lease growth rates on renewals accepted for July, August, and September in the 4.5% range. Strong absorption, declining deliveries, and high retention rates underly our optimism for an expected continuously improving leasing environment over the next several quarters.

That is all I have in the way of prepared comments; I will now turn the call over to Clay.

Clay Holder, EVP, Chief Financial Officer

Thank you, Tim, and good morning, everyone.

We reported Core FFO for the quarter of \$2.15 per diluted share, which was \$0.02 per share ahead of the midpoint of our second quarter guidance. The favorability to our guidance was driven by 2.5 cents related to favorable overhead expenses, 1 cent of favorable interest expense and other non-



operating income, and a half cent from our same store NOI performance, partially offset by unfavorable non-same store NOI of 2 cents, which was mostly driven by the impact of elevated supply pressure on the lease-up portfolio.

Our same store revenue results for the quarter were “in-line” with our expectations, as revenues benefited from strong collections during the quarter. Our same store expense performance was better than expected, primarily driven by real estate tax expense. We now have more information relating to our real estate expense for the year as municipalities have started providing 2025 property valuations, which I will discuss more with our revised guidance in a moment.

During the quarter, we funded approximately \$92 million in development costs for the current \$943 million pipeline, leaving an expected \$326 million to be funded on our current pipeline over the next two to three years.

Our balance sheet remains well positioned to support future growth opportunities, with \$1.0 billion in combined cash and borrowing capacity under our revolving credit facility and our low net Debt/EBITDA at 4.0x. At quarter-end, our outstanding debt was approximately 94% fixed with an average maturity of 6.7 years at an effective rate of 3.8%. We have an upcoming \$400 million bond maturity in November that we plan to refinance later this year.

Finally, we are reaffirming the midpoint of our same store NOI and Core FFO guidance for the year, while revising other areas of our detailed guidance that we’ve previously provided.

Given our operating results achieved through the second quarter, we are making slight adjustments to our guidance associated with same store rent growth. We are lowering the midpoint of effective rent growth guidance to -0.25%, while maintaining average physical occupancy guidance at 95.6% for the year. Total same store revenue guidance for the year is revised to 0.10%, which also reflects continued strong rent collection performance over the back half of the year.

We are lowering our same store property operating expense growth projections for the year to 2.25% at the midpoint. We have better insight into our real estate tax expense for 2025 and have lowered the midpoint of our guidance to 0.25%. The lowered guidance is primarily due to favorable property valuations in certain jurisdictions as compared to our original expectations. Also, we recently renewed our property and casualty insurance programs on July 1st and achieved an overall premium decrease on our property and casualty lines. We now expect our insurance expense for the full year to increase by 1.3% as compared to last year.

The changes to our property operating expense projections, combined with our updated same store revenue expectations, resulted in us reaffirming our original expectation for same store NOI at -.15%.

In addition to updating our same store operating projections, we are revising our 2025 guidance to reflect favorable trends in overhead expenses along with adjusting our acquisition and disposition volume for the year given the current transactions market.

The impact of these adjustments, combined with our continued focus on pricing in our lease-up portfolio, resulted in us maintaining the midpoint of our full year Core FFO guidance at \$8.77 per share, while narrowing the range to \$8.65 to \$8.89 per share.

That is all we have in the way of prepared comments, so, Regina, we will now turn the call back to you for questions.