



MAA EARNINGS CONFERENCE CALL | FIRST QUARTER 2025

TRANSCRIPT | MANAGEMENT PREPARED COMMENTS | MAY 1, 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, first quarter performance results were ahead of our expectations as strong demand was evident in multiple areas of our performance including occupancy, collections, and pricing trends. While pricing trends for new resident move-ins continue to reflect the impact from new supply delivering in several of our markets, renewal pricing remains strong and our retention rate increasing, leading to first quarter 2025 blended lease pricing that was ahead of our expectations. We are encouraged by the resilience our portfolio has displayed in the face of the unprecedented levels of new supply that we've experienced over the past year as well as our positioning to capture continued improvement as we enter the summer leasing season. As Tim will discuss in more detail, we are seeing encouraging signs that indicate leasing conditions are poised to support stable occupancy and improvement in blended lease rates that align with the outlook that we provided in our prior guidance, having a compounding impact on revenue performance throughout the year.

While macroeconomic uncertainties have increased due to the potential tariffs, our exclusive focus on high-growth markets, lower average price point, broad diversification by market, submarket, and price point, our operating efficiencies, and scale should position MAA to weather tariff or economic challenges and allow us to take advantage of growth opportunities that may arise. Because of these portfolio characteristics, MAA has not only outperformed in previous downturns and times of uncertainty but delivered good performance over the past year in the face of a 50-year record-high level of supply. In the first quarter, we were able to increase our year-over-year occupancy by 30



basis points and produce average effective rent per unit that was only down \$9 per unit from the level we achieved in the first quarter of 2024. Our current metrics are indicating no material change in customer behavior. Leads and leasing traffic remain strong, collections are solid, migration trends are positive, and the challenges of single-family home availability and affordability continue to support our strong renewal performance. Our focus on customer service is paying off, as reflected in our sector leading Google scores, contributing to our growing retention rates. Supported by our asset management group, the teams are focused on harvesting the benefits of several leasing and reporting tools introduced over the past few years to maximize our operational effectiveness.

We continue to invest in key areas that will support future earnings growth, including various new technology initiatives that enhance efficiencies and support our centralization and specialization efforts. We are ramping up the rollout of property wide Wi-Fi across our portfolio and investments in our interior renovation and repositioning programs are increasing. On the external growth front, our pipeline of lease-ups and active developments stand at a combined cost of \$1.5 billion. Our operating performance at these properties should benefit from a supply environment that is trending below historical levels. We continue to believe investing in new developments will produce strong future earnings growth, especially considering the declining new starts and additional headwinds from decreased equity capital available for new projects. We anticipate starting between three to four new developments this year, with a suburban development in the Charleston, SC market on track to start construction during the second quarter. Based on our expected starts and completions for the year, our development pipeline should remain in the \$1 billion to \$1.2 billion range, a very comfortable level given our scale and balance sheet strength. We are focused on acquiring properties where we can utilize our various platform capabilities to generate attractive long-term returns for capital, but with the transaction market pretty slow, it will likely be the back half of the year before we see more compelling opportunities begin to materialize. As part of our ongoing recycling efforts to improve the earnings quality of our portfolio, during the first quarter of 2025 we exited Columbia, SC with the sale of two properties with an average age of 32 years that went under contract in 2024. We expect continued recycling efforts to occur later this year.

With a 30-year performance record focused on high-growth markets and an average executive team member tenure of 16 years, we have operated through prior cycles of high supply and uncertainty. I remain optimistic about the approaching recovery cycle and our markets' ability to absorb the new supply. Today, our more diversified and higher quality portfolio, stronger operating platform, and stronger balance sheet, position us to compete at an even higher level. Our high-growth markets continue to see stronger job growth, household formation, and investor demand. Through our internal and external investments, we have meaningful future value growth on the horizon as new supply deliveries decline and leasing conditions strengthen. We remain excited about the outlook over the next few years.

To all our associates at the properties and our corporate and regional offices, thank you for your hard work and dedication in preparation for the busy leasing season. Your commitment and dedication to our residents and fellow associates are greatly appreciated.

With that, I'll turn the call over to Tim.

Tim Argo, EVP, Chief Strategy and Analysis Officer

Thank you, Brad, and good morning, everyone.

Following up on Brad's comments, we were encouraged by the first quarter operating trends with blended pricing, occupancy, and collections all slightly outperforming our expectations. We entered 2025 with occupancy and exposure in a strong position that helped drive a steady increase in pricing, particularly on our new leases. The acceleration in new lease-over-lease pricing growth was greater



than what we have seen on average historically, increasing 180bps sequentially from the fourth quarter of 2024. The resulting new lease pricing on a lease-over-lease basis for the first quarter was -6.3%. Additionally, renewal rates for the quarter showed strength, growing 4.5% on a lease-over-lease basis, which was a 30bps increase sequentially over the fourth quarter. The resulting lease-over-lease pricing on a blended basis was -0.5%, which represented a 160bps improvement sequentially from the fourth quarter of 2024. Average physical occupancy was 95.6%, up 30bps as compared to the same period in 2024. Collections continued to outperform expectations, with net delinquency representing just 0.3% of billed rents. These factors combined drove the resulting Same Store revenue growth of 0.1% for the quarter.

Many of the markets that were outperformers in 2024 from a blended lease-over-lease pricing standpoint continued to do well in the first quarter of 2025, including several of our mid-tier markets. Virginia stands out with Richmond, Norfolk, Fredericksburg and our four Northern Virginia properties all exceeding the portfolio average. Charleston, Savannah, and Greenville also demonstrated strong pricing power. Of our larger markets, Tampa continued to show pricing recovery, Houston held steady, and encouragingly, we saw significantly improved performance from Atlanta, particularly as compared to market conditions there in the first quarter of 2024. Austin remains the laggard as it continues to face significant supply pressure, with Phoenix and Nashville continuing to struggle with lingering supply concerns also.

Touching on our lease-up portfolio, we had one property, MAA Optimist Park, reach stabilization in the quarter. Our seven remaining lease-up properties are competing well against the record new supply being delivered in our markets and ended the quarter with a combined occupancy of 71.6%. We pushed the expected stabilization date back one quarter for MAA Boggy Creek in Orlando and expect six of the seven lease-up properties to stabilize in 2025. Rents for the group continue to exceed our proforma expectations and should result in significant value creation for this portfolio.

We continued to execute on our various redevelopment and repositioning initiatives in the first quarter, and we expect to accelerate these programs over the course of 2025 and into 2026. For the first quarter of 2025, we completed 1,102 interior unit upgrades, achieving rent increases of \$90 above non-upgraded units and a cash-on-cash return of just under 18%. Despite this more competitive supply environment, these units were vacant on average 9 days less than non-renovated units when adjusted for the additional turn time. We expect to renovate even more units in Q2 and Q3 with a goal to renovate approximately 6,000 units in 2025, with an even larger increase expected in 2026. For our repositioning program, we have effectively completed the re-pricing phase on all the legacy 2023-2024 projects with NOI yields approaching 10%. We have an additional six projects finishing up construction that will begin the re-pricing phase between now and July, in what we believe will be a strengthening leasing environment. We are also now live on the four property-wide Wi-Fi retrofit projects we began in 2024 and are currently in the planning or construction phase for an additional 23 projects that we targeted for 2025.

As we close out April, we continue to see encouraging trends that are aligned with our guidance. New lease and blended pricing in April improved as compared to both March and the full first quarter with average daily occupancy for the month of 95.5%. Our 60-day exposure for April is 8.4%, 20bps lower than this time last year and keeps us in a position for stable occupancy to allow for pricing power, assuming the strong demand we have seen to date remains intact. On the demand side, absorption in our markets in the first quarter was at a record level and represented the third straight quarter units absorbed exceeded units delivered, putting our markets in a good position to achieve a robust recovery as supply continues to decline. Additionally, the percentage of our residents accepting renewal offers exceeds last year's record level, with lease-over-lease growth rates on renewals accepted for May and June outpacing our strong year to date renewal growth rates. This lower turnover is another mitigating factor against supply pressure with fewer units coming to market.



Improving new lease rates should further help support continued strong renewal performance throughout the spring and summer leasing season.

That is all I have in the way of prepared comments, now I will 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 \$2.20 per diluted share, which was \$0.04 per share above the midpoint of our first quarter guidance. About \$0.025 of the favorability was due to Same Store NOI performance with an additional \$0.025 due to favorable timing of overhead and interest expenses, partially offset by \$0.01 of Non-Same Store NOI performance.

In addition to our Same Store revenue performance slightly exceeding our expectations, real estate tax expense was favorable in the quarter due to the timing of tax litigation settlements that were initially projected to be completed in the second quarter. Personnel costs, repair and maintenance expenses and marketing costs were all generally in line with our expectations.

During the quarter, we funded approximately \$67 million in development costs of the current \$852 million pipeline, leaving an expected \$305 million to be funded on our current pipeline over the next two to three years. We also invested approximately \$17 million of capital in the first quarter through our redevelopment, repositioning and Wi-Fi retrofit initiatives that Tim spoke of earlier.

Our balance sheet remains strong. With \$1.0 billion in combined cash and borrowing capacity under our revolving credit facility and our low net Debt/EBITDA at 4.0x, our balance sheet is well positioned to take advantage of opportunities should they emerge. At quarter-end, our outstanding debt was approximately 94% fixed with an average maturity of 7.0 years at an effective rate of 3.8%.

Finally, with much of the leasing season still ahead of us coupled with the uncertain macroeconomic environment, we are maintaining our Core FFO and Same Store guidance for the year.

As outlined in our release, we expect Core FFO for the second quarter of 2025 to be in the range of \$2.05 to \$2.21 per diluted share, or \$2.13 per share at the mid-point. This mid-point includes the timing impact of the real estate tax litigation settlement previously discussed along with the typical seasonality of leasing and maintenance related operating expenses.

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