ESSENTIAL REALTY CAPITAL

Sunbelt & Midwest Submarket Rankings

Where Demand Outruns Supply — Briefing Edition

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KEY FINDINGS

Our five-factor screening framework for Sunbelt and Midwest multifamily submarkets — employment and capex gravity, in-migration, supply pipeline versus inventory, affordability spread, and regulatory posture. This briefing carries the framework and its verified inputs; the full factor tables follow in the designed edition.

01 Capex gravity is measurable and concentrated.

Data-center construction spending reached ~$41B in 2025 and manufacturing-facility construction ~$220B — with computer/electronics plants at ~$104B vs ~$9B in 2020 (US Census, full-year 2025). Announced projects such as TSMC Phoenix (~$165B planned) anchor demand in specific metros.

02 The supply trough has a timetable.

Multifamily starts fell ~35% from the 2022 peak (Census/NAHB, Jun 2026); Yardi Matrix projects national deliveries declining to ~441K units in 2026 and ~407K in 2027 (Oct 2025). Submarkets with thin pipelines clear first.

03 Renter demand is durable and suburbanizing.

US renter households reached a record ~46.1M in 2025 — ~79% of all household growth (Arbor/Chandan, Apr 2026). Renters now outnumber owners in 203 suburbs of the 20 largest US metros (Point2Homes analysis of Census ACS, Jun 2025).

04 Affordability locks the spread in.

Buying carried a ~108% monthly premium over renting in Q2 2025 vs ~68% pre-pandemic (CBRE, Sep 2025); the median first-time buyer age hit a record 40 (NAR, Nov 2025). Where the spread is widest, rental demand is stickiest.

05 Rankings are a screening tool, not underwriting.

Scores synthesize third-party data as of the dates indicated. Every acquisition is underwritten asset-by-asset against the Three Guidelines: 100+ unit suburban garden-style, $5M–$15M typical equity check, targeting a minimum 2.0x equity multiple. Targets are objectives, not guarantees.

IMPORTANT DISCLOSURES

This briefing is market commentary for informational purposes only. It is not investment, legal, or tax advice, and nothing in it constitutes an offer to sell or a solicitation of an offer to buy any security. Offerings, if any, are made exclusively to accredited investors through definitive offering documents. Any targeted returns are objectives only — targets are not guarantees, and there can be no assurance they will be achieved. Investing in real estate involves substantial risk, including illiquidity, the use of leverage, and possible loss of the entire principal amount invested. Data is drawn from third-party sources believed reliable as of the dates indicated; Essential Realty Capital has not independently verified it and it is subject to revision. Past performance is not indicative of future results.