

Little Rock 1Q 2024 Market Report

MARKET SNAPSHOT



AVERAGE RENT
\$983 1Q 2024



1Q 2024 RENT CHANGE
3.5%



OCCUPANCY RATE
90.5% 1Q 2024



ANNUAL OCCUPANCY CHANGE
-100 BASIS POINTS



TOTAL OPERATING EXPENSE ANNUAL CHANGE
6.6% (FEB 2024)



NET OPERATING INCOME ANNUAL CHANGE
9.2% (FEB 2024)

KEY TAKEAWAYS

- **Rent Growth Remains Solid:** Little Rock's average effective rents for new leases rose by 3.5% year-over-year to \$983/month, outperforming many regional markets. Across submarkets, rents showed positive annual improvements led by Conway submarket's 9.1% increase.
- **Occupancy Optimism Persists:** Despite a year-over-year decrease of 100 basis points in Q1 2024, bringing occupancy levels to 90.5%, the market remains optimistic. Notably, nine of Little Rock's submarkets still recorded occupancy rates above the metro average led Saline County at 96.7%.
- **Capital Investments to Bolster Demand:** The demand outlook in Little Rock, AR remains positive, bolstered by stable economic expansion and significant capital investments supporting major employment sectors.

* Please note that these employment figures have been adjusted for seasonal variations and are based on Moody's Analytics forecast as of January 1, 2024.

** Please note that these unemployment rates are estimates that have not been adjusted for seasonal variations, and they are derived from Moody's Analytics forecast as of January 1, 2024.

Supply & Demand

1Q 2024

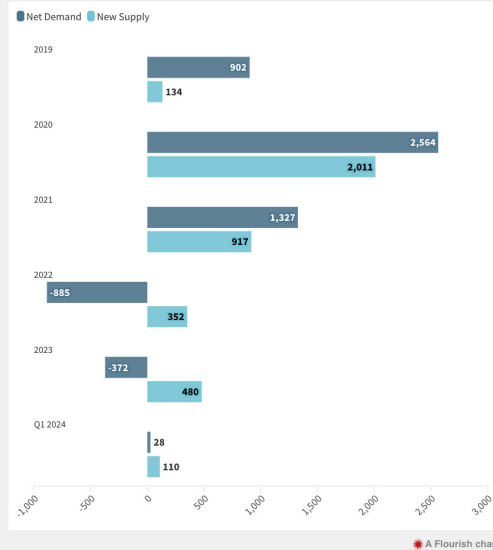


28 Units
QUARTERLY DEMAND



110 Units
QUARTERLY COMPLETIONS

Annual Demand Vs Completions



Demand Trends

In the first quarter of 2024, Little Rock's apartment market showed signs of cautious stabilization after seven consecutive quarters of negative absorption. Although modest, the positive absorption of 28 units indicates a return to stability as the market enters the historically strong spring and summer leasing periods. Of Little Rock's twelve submarkets, six reported positive absorption, with the Midtown/Hillcrest submarket demonstrating particularly healthy demand. However, this was offset by negative absorption in other submarkets across Little Rock.

Construction Trends

In the same period, Little Rock's apartment inventory saw an increase of 110 units, primarily in the Conway submarket, with North Little Rock adding the remaining 5 units. Over the past year, significant additions were also made in the Southwest/University submarket, which added 249 units, and the West Little Rock submarket, which added 176 units. This measured approach to development underscores the market's stability and strategic growth focus.

Occupancy & Rent Trends



OCCUPANCY TRENDS

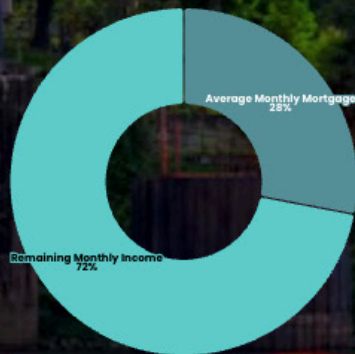
In the year leading up to March 2024, Little Rock's apartment market saw a 100-basis point decline in average occupancy, stabilizing at 90.5%. This adjustment reflects a moderation from the elevated supply levels of 2022. However, occupancy rates have remained steady over the past quarter, with decreases reported in only five of the city's twelve submarkets. Notably, nine submarkets maintained occupancy rates above the metropolitan average. Saline County achieved the highest rate at 96.7%, while both Grant County and the Jacksonville/Sherwood submarkets saw occupancy increases during the quarter.

RENT TRENDS

In the first quarter of 2024, Little Rock's multifamily market experienced significant rental price growth, driven by a deep pool of mid-tier properties offering affordable rents. Average effective rents for new leases rose 3.5% year-over-year to \$983 per month, far surpassing the national growth rate of 0.8% and positioning Little Rock as a leading market nationally. Despite varied rent performance across submarkets, all areas recorded positive annual gains. The Conway submarket in the northwest suburbs led with a remarkable 9.1% increase, while the Southwest/University submarket saw a more modest 0.6% rise.

Steady supply dynamics have allowed landlords to raise rents gradually in most submarkets. Despite recent quarters of negative absorption, the decline wasn't severe enough to trigger a concessions and pricing war among operators. Little Rock's relative affordability has provided a stable price floor, enabling multifamily owners to gradually increase rents.

MONTHLY MORTGAGE AS A SHARE OF INCOME



\$1,263

Average Monthly Mortgage Payment

MONTHLY RENT AS A SHARE OF INCOME



\$983

Average Monthly Rent

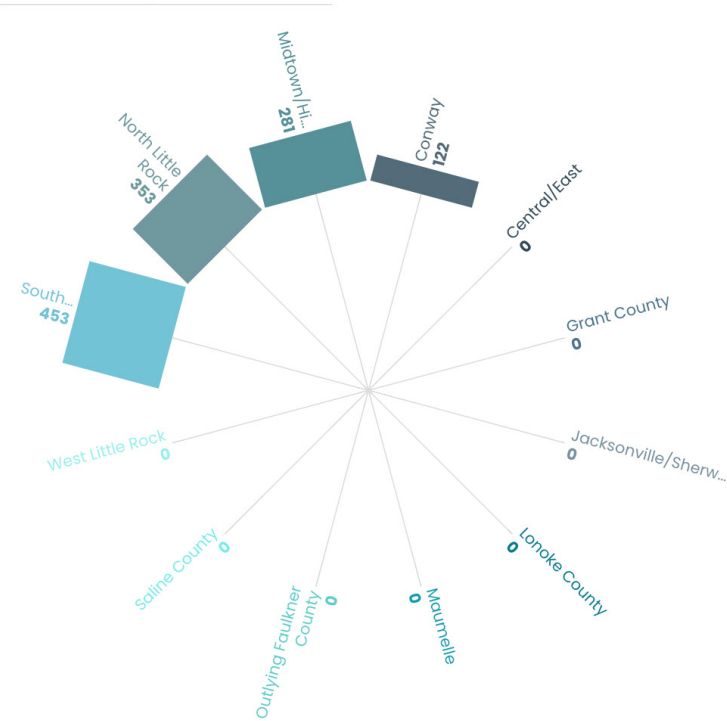
Submarket Rent & Occupancy

Submarket	Q1 2024 Occupancy	Annual Occupancy Change	Q1 2024 Effective Annual Rent Growth	Q1 2024 Effective Rent/Unit
Central/East	93.5%	-1.3%	2.1%	\$1,021
Conway	93%	-1.7%	9.1%	\$923
Grant County	95.2%	1.1%	2.1%	\$695
Jacksonville/Sherwood	91.3%	0.4%	2.9%	\$762
Lonoke County	95.7%	-0.7%	2.5%	\$969
Maumelle	94.3%	-0.8%	1.4%	\$1,066
Midtown/Hillcrest	88.9%	-1.2%	1.7%	\$919
North Little Rock	86.8%	0%	0.7%	\$1,033
Outlying Faulkner County	92.1%	-0.1%	2.3%	\$829
Saline County	96.7%	-0.4%	7.5%	\$934
Southwest/University	88.1%	-1.2%	0.6%	\$978
West Little Rock	88.1%	-1.8%	4.1%	\$1,098

A Flourish table

Submarket Construction Pipeline

Units UC Delivering In the Next 4 Quarter



Submarket	Units UC Delivering In the Next 4 Quarters	Under Construction Units	% of Total Market Wide UC
Central/East	0	0	0%
Conway	122	124	10.1%
Grant County	0	0	0%
Jacksonville/Sherwood	0	0	0%
Lonoke County	0	0	0%
Maumelle	0	0	0%
Midtown/Hillcrest	281	283	23.2%
North Little Rock	353	360	29.5%
Outlying Faulkner County	0	0	0%
Saline County	0	0	0%
Southwest/University	453	455	37.2%
West Little Rock	0	0	0%
Total	1,209	1,222	100%

A Flourish table

A Flourish hierarchy chart

Sales Activity

Quarterly transaction activity saw a sharp decline in the number of property deals and total dollar volume, which reached \$53.9 million from two multifamily transactions, according to MSCI Real Capital Analytics. This marks a 57.2% drop in transaction volume compared to the previous year. Historically, private investors have dominated Little Rock's property acquisitions. However, this quarter included a notable acquisition by institutional manager CALCAP, which purchased the 160-unit Chapel Ridge of Sherwood, a single-family rental community in January for \$15 million. The second transaction was executed by a private investor who bought the second phase of Landmark Apartments in February for \$38.9 million, equating to \$221,233 per unit.

TRANSACTION VOLUME

\$53.9M

YTD Transaction Volume

-57.2%

Y-O-Y Change

2 YTD

Individual Transaction Count

\$112.2k*

Price Per Unit

-5.0%

Annual PPU Change

* Trailing 4Q average PPU

* Preliminary Data from RCA – Individual transaction \$2.5M +

Income & Expense Analysis

Please note that the income and expense data presented in this section is sourced from third-party providers. Our firm does not provide any warranty or guarantee as to the accuracy or reliability of this information. We recommend that users exercise their own discretion and professional judgment when interpreting and utilizing this data.

Income & Expenses

— Operating Income Metrics

Income Assumptions	Value / Unit	Year Change (%)
Rental Income / Occupied Unit	\$879.58	8.1%
Recoverable Expenses / Occupied Unit	\$31.73	1.8%
Other Income / Occupied Unit	\$44.66	9.3%
Total Income / Occupied Unit	\$955.97	8.0%
Rental Income	\$834.16	8.0%
Recoverable Expenses	\$30.10	1.7%
Other Income	\$42.36	9.2%
Total Income	\$906.61	7.9%

— Operating Expense Metrics

Operating Expenses	Value / Unit	Year Change (%)
Payroll	\$98.07	9.1%
Repairs & Maintenance	\$24.09	14.5%
Leasing	\$47.40	7.6%
General	\$26.57	7.9%
Marketing & Advertising	\$12.20	8.4%
Repairs & Maintenance	\$95.28	5.3%
Cleaning	\$17.08	10.5%
Roads & Grounds	\$12.35	0.9%
General	\$65.85	4.9%
Administrative	\$28.46	1.8%
Security	\$4.52	-0.6%
General	\$23.94	2.2%

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Management Fees	\$41.19	7.9%
Utilities	\$50.56	0.8%
Electric	\$15.33	6.6%
Gas	\$1.80	-12.8%
Water/Sewer	\$33.43	-0.8%
Real Estate & Other Taxes	\$74.88	11.8%
Insurance	\$37.38	3.6%
Other Operating Expenses	\$0.35	
Total Operating Expense	\$438.38	6.6%

Net Operating Income

	Value / Unit	Year Change (%)
Net Operating Income	\$468.24	0.1%

Market Outlook

The Little Rock apartment market is poised for growth, underpinned by several positive economic and developmental factors. Recent quarters have seen the introduction of new properties causing minor fluctuations, yet the overall market balance remains stable. As interest rates rise, construction is expected to slow, potentially tightening supply. However, the outlook for demand remains optimistic, bolstered by nearly a billion dollars in capital investments pledged by public and private entities, which are anticipated to drive population and job growth. The local economy appears to be in expansion mode, with significant contributions from the University of Arkansas for Medical Sciences in North Little Rock, which supports high-salaried jobs and creates substantial economic impact. Additionally, the largest employment sectors, the state and local government, along with education and health services, are solid anchors of the regional economy, further supported by recent expansions like those by CARTI and CHI St. Vincent. This confluence of factors suggests a robust future for the Little Rock apartment market.

Sources: Yardi Matrix; Costar; MSCI

TO GAIN FURTHER INSIGHTS INTO THE LITTLE ROCK MARKET PLEASE REACH OUT TO OUR LOCAL TEAM



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