

BSR Real Estate Investment Trust

Q4 2025 Financial Results Conference Call

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PRESENTATION

Operator

Good day, everyone, and welcome. My name is Jim (phon), and I will be your conference Operator today. At this time, I'd like to welcome everyone to the BSR REIT Q4 2025 Financial Results Conference Call. All lines have been placed on mute to prevent any background noise.

And after management's prepared remarks, there will be a question-and-answer session. If you would like to ask a question during that time, simply press *, and 1 on your telephone keypad. Removing yourself from the queue is just as simple. Just repeat the steps of *, and 1.

I would now like to turn our conference over to Mr. Spencer Andrews, Vice President of Investor Relations and Marketing. Please go ahead, sir.

Spencer Andrews — Vice President of Marketing and Investor Relations, BSR Real Estate Investment Trust

Thank you, Jim, and good morning, everyone. Welcome to BSR REIT's conference call to discuss our financial results for the fourth quarter and year ending December 31, 2025.

I'm joined on the call today by our CEO, Dan Oberste; our Chief Financial Officer, Tom Cirbus; and our Chief Operating Officer, Susie Rosenbaum, who are all available to answer your questions after our prepared remarks.

Before we begin, I want to remind listeners that certain statements made on this conference call about future events are forward-looking in nature. Any such information is subject to risks, uncertainties, and assumptions that could cause actual results to differ materially.

In addition, we will reference certain non-GAAP financial measures that we believe are useful supplemental information about our financial performance.

For more information, please refer to the cautionary statements on forward-looking information and a description of our non-GAAP financial measures in our news release and MD&A dated March 11, 2026.

Dan, over to you.

Dan Oberste — President and Chief Executive Officer, BSR Real Estate Investment Trust

Thanks, Spencer.

Our '25 financial performance reflects a REIT in transition, one that deliberately rotated nearly \$1 billion of property during that year. The transition is now largely complete.

We completed a strategic disposition of stabilized assets, redeployed capital into newer lease-up assets with greater growth potential, and streamlined our capital structure with the cancellation of roughly 75 percent of our Class B units or 27 percent of our total units as converted. All of these things make the REIT a far more attractive investment today than it was at this time a year ago.

Amid all this change, our team continued to perform at a high level, despite a persistently challenging leasing environment across our core Texas markets. We are generating incremental improvements in performance, supported by lease-up of our new properties and other growth initiatives.

During the year, Same Community revenue declined a modest 40 basis points, despite all the challenges I just mentioned.

Same Community NOI declined by 1.6 percent, due in part to a strategic decision to retain overhead, positioning the REIT for future growth.

Same Community weighted average occupancy closed the year at 94.3 percent. Our retention rate was 59.5 percent at quarter-end, a 130-basis-point expansion from the end of Q3, and up from 56 percent a year ago.

And we made significant progress at our two primary lease-up assets. Aura 35Fifty ended '25 percent at 92 percent occupied. That compares to 86.6 percent at the end of Q3, and the low 20s percent in early 2025. A full year of a physically stabilized Aura 35Fifty will provide year-over-year upside in '26.

And The Ownsby closed the year at 70.4 percent occupied, representing additional upside to the Non-Same-Community portfolio in '26.

Despite all the good we achieved in '25, our fourth quarter and full year '25 results, as well as our preliminary '26 guidance, reflect a few unavoidable realities.

First, new lease rate recovery has somewhat lagged our expectations, but with 24-plus months of minimal new supply ahead, we see a clear path to rate improvement.

Second, we are operating in a materially different interest rate environment than existed several years ago. While our interest hedging programs certainly helped to shield our investors from interest volatility, which allowed the REIT to distance itself from ZIRP reliance, ultimately, we expect little future benefit from zero-interest-rate policies.

And finally, rotating capital into newer, lease-up-focused assets has an immediate positive impact to our portfolio quality, but it takes time to fully flow through our financials. To state the obvious, we earn \$0 from vacant apartments. However, the earnings dragged from lease-up assets is finite. Aura 35Fifty is already at 92 percent, and The Ownsby's ramp-up is underway.

Thus, our team is going to keep doing what it does best: focus on what we can control and adeptly manage risk versus return. We will continue to drive occupancy at new assets, capitalize on organic growth opportunities embedded in our properties, minimize our cost of capital, and pursue external growth opportunities that provide accretion on a per-unit basis.

With market fundamentals steadily improving in our core Texas markets, albeit at a slower pace than we would like, and with a best-in-class portfolio in tow, we like our relative position in the market moving into 2026.

I'll now invite Tom to review our financial results and 2026 guidance in more detail. Tom?

Tom Cirbus — Chief Financial Officer, BSR Real Estate Investment Trust

Thanks, Dan.

Our operational performance in the fourth quarter was essentially in line with management's expectations and consistent with the typical Q4 slowdown in leasing activity we see annually. The seasonal slowdown did have a negative impact on rates, particularly with respect to new leases. As a result, a 2.2 percent increase in renewal rates was more than outweighed by a 6.3 percent decline in new lease rates, driving blended rates down 1.3 percent in the quarter.

Though January continued to experience a deceleration in blended rate decreases, we were encouraged to see a modest sequential improvement in blended rates in February of this year relative to January. We are continuing to monitor absorption in our markets, relative to remaining vacancy, and expect a bit more near-term monthly rate progression and regression.

However, with minimal new product expected to be added over at least the next 24 months, we are confident that the general trajectory of blended-rate changes will continue to improve in the coming quarters, given the fundamental setup in our markets.

More broadly, Same Community revenue decreased 1.2 percent year over year in Q4, primarily driven by the lower average monthly in-place leases I just spoke to. Average monthly in-place leases declined to \$1,436 per month as of December 31, 2025, from \$1,447 per month last year.

Lower average monthly rent was partially offset by an increase in other property income. Other income continues to benefit from internalization initiatives, including expansions of our existing valet trash and bulk internet initiatives. We expect these initiatives to materially enhance our organic growth beginning this year.

Same Community NOI for Q4 '25 was \$12.7 million, a 6.1 percent decrease from last year. The decline was attributable to the lower revenue I just described; the strategic decision to retain overhead, which pushed an additional \$0.3 million of expenses to Same Community Properties, relative to the comparative period; as well as a \$0.2 million increase in real estate taxes and a \$0.1 million increase in both repair and maintenance and utility expenses, all of which was partially offset by a decrease in property insurance expense of \$0.2 million.

Below NOI, G&A expenses increased by \$0.6 million due to payroll costs and legal and professional fees, and net finance costs were up \$0.1 million due to resets experienced in the REIT's interest rate derivative portfolio.

In total, FFO in Q4 '25 was \$0.14 per unit compared to \$0.19 per unit in the third quarter and \$0.22 per unit in Q4 of '24. Likewise, AFFO per unit finished the quarter at \$0.11 per unit versus \$0.17 per unit in Q3 and \$0.20 per unit last year. The sequential decline in per-unit measures between Q3 and Q4 were primarily related to the timing of real estate tax appeal proceeds, as well as legal and professional fees associated with those appeals.

The declines in FFO and AFFO per unit on a year-over-year basis were driven primarily by three items, in order of impact: first, headwinds of higher relative interest rates on the REIT; second, the inherent lag in earnings that is created when rotating capital, and particularly when rotating capital from

stabilized properties into a lower number of newer lease-up properties; and third, the leasing environment in Q4 relative to Q4 '24.

The same holds true for our full year financial results. Full year '25 FFO per unit was \$0.79 per unit versus \$0.96 per unit in 2024. And AFFO per unit was \$0.70 versus \$0.88 in 2024. To reiterate, there are a lot of moving pieces here but, in summary, the declines in FFO and AFFO per unit on our full year results also primarily relate to higher realized interest rates, timing drags created in rotating the portfolio, and a softer leasing environment in '25 relative to '24.

On the balance sheet, the REIT's debt-to-gross book value as of December 31st was 51.2 percent, essentially consistent with Q3. This amounts to \$723.1 million of debt outstanding, with a weighted average interest rate of 4 percent, 99 percent of which is either fixed or economically hedged to fixed rates.

On the liquidity front, total liquidity was \$52.7 million at year-end, including cash and cash equivalents of \$6.3 million, and \$46.4 million available under our revolving credit facility. As usual, we have the ability to obtain additional liquidity by adding unencumbered properties to the current borrowing base of the facility.

In December, we refinanced our revolving credit facility, extending the maturity to December of 2030, assuming the exercise of the REIT's one-year extension option. The refinancing of the credit facility reduced the interest rate margin for most leverage points in the agreement.

We also extended our \$160 million term loan an additional year from December of 2026 to December of '27, locking in the highly attractive cost of capital on that tranche of debt for another year.

Please note that our subsequent events highlight that the REIT's only previously remaining '26 maturity, a \$28 million loan related to our Vale Luxury property in Houston, was refinanced onto our credit facility this week and, thus, the REIT has no remaining 2026 maturities.

Finally, and turning the page to 2026, last night, we released our preliminary full year FFO-per-unit guidance of \$0.75 to \$0.79 per unit, or \$0.77 per unit at the midpoint, and full year AFFO-per-unit guidance of \$0.68 to \$0.74 ,or \$0.71 per unit at the midpoint.

This guidance assumes 50 to 150 basis points of Same Community revenue growth, 100 to 200 basis points of Same Community Property operating expense, and real estate tax growth, amounting to 0 to 100 basis points of Same Community NOI growth.

Importantly and, again, appreciating there are a lot of moving pieces here, we have also included an annual bridge from our 2025 FFO-per-unit actuals to our 2026 FFO-per-unit guidance at the midpoint for illustrative purposes. The key takeaway is that we expect our core real estate business to remain healthy despite an uncertain macro backdrop, adding \$0.03 per unit or 3.5 percent growth to the business from 2025. Unfortunately, we can currently expect this growth to be more than fully offset by increased net interest impact as we continue building revenue from our lease-up activity, along with marginal additional overhead costs.

Note, we only intend to release this bridge once a year in conjunction with our guidance initiation. We will, of course, update this guidance as needed throughout the year.

I will now turn it back to Dan for his closing remarks.

Dan Oberste

Thanks, Tom.

To put '25 in plain terms, we absorbed the impact of roughly \$1 billion in total rotations, and that cost showed up in our per-unit numbers. That chapter is now behind us.

I want to reiterate the practical growth potential we highlighted in December remains ahead of us. Our outlook and strategy has not changed.

Here's why we think these numbers reflect an inflection point.

Again, Aura 35Fifty ended the year at 92 percent occupied from the low 20s percent at the beginning of the year. The Ownsby is leasing up in '26. Our two Houston acquisitions, while fairly occupied upon purchase, will stabilize and contribute more fully in the back half of '26. A full year of physical stabilization across all four assets flows directly into cash flow in a way that 2025 simply could not reflect. That alone drives meaningful year-over-year improvement before we get any credit from the market.

But we're not waiting on the market. We can control two growth levers that are independent of where new lease rates land:

First, occupancy revenue from lease-up and stabilization at our 2025 acquisitions. All are on track to reach physical stabilization by year-end.

Second, the internalization of certain real estate-adjacent business functions. For example, as of today, 6 of our 26 properties are up and running on our bulk internet initiative. We are in active negotiations with vendors on the remaining 20 and expect to begin rollout in the relative near term.

This is a revenue line item that did not exist in our portfolio 18 months ago. And as we communicated in December, we expect up to \$0.08 per unit of incremental earnings stabilizing in early '28.

These initiatives alone will accelerate growth above and beyond whatever the market ultimately dictates is possible with market rents.

And speaking of market rents, the 24-month macro setup in our Texas market is working in our favour relative to the past 24 months. The supply wave that pressured new lease rates since mid-'23 is being absorbed, and the forward pipeline is minimal.

There has been a lot of focus on the supply situation over the last couple of years, and rightfully so. But it can't obscure the continued population and economic growth that greatly exceeds the national average and the robust absorption that continues.

The demand side of this equation has never been in question. It was always a supply story, and that story is turning.

So to summarize, our portfolio is by far the highest quality it has ever been. The trough is behind us. The lease-up ramp is underway. And we have incremental forward growth initiatives firing that are entirely within our control. We like where we stand.

Before we open the line, I want to acknowledge two board transitions.

Daniel Hughes retired from the board at the start of January. Daniel founded BSR's predecessor company and was an integral part of the BSR team for nearly three decades. He's a personal mentor of mine, and I can't overstate his contributions to our business.

And yesterday, we announced that Bryan Held will be stepping down at the upcoming annual meeting. Bryan has been a trustee since the formation of the REIT in 2018, notable for his high ethical standards and instrumental in leading our audit committee and, most recently, our governance committee. Bryan has been an invaluable member of our team, and we are grateful to both Bryan and Daniel for their contributions.

In their places, we welcome Mark Decker, who joined the board in January to replace Daniel. Mark is the President, CEO, and Director of Chiron Real Estate and previously led Centerspace, a fellow US multifamily REIT.

And at the annual meeting, the board, at the recommendation of the CGNC, has resolved to nominate Karine MacIndoe to replace Bryan. Karine has 30 years of experience, primarily in real estate and capital markets, including multiple REIT trusteeships. Both Mark and Karine bring skills and experience that will be a tremendous benefit to our team.

That concludes our prepared remarks this morning. Tom, Susie, and I would now be pleased to answer your questions. Jim, please open the line for questions.

Q&A

Operator

Certainly. Thank you. And to our phone audience joining today, at this time, we are ready to take your questions. A reminder, please press *, and 1 on your telephone keypad to signal for a question, and I will open your lines one at a time.

Once again, ladies and gentlemen, that is *, and 1 on your telephone keypad.

We'll hear first today from the line of Brad Sturges at Raymond James.

Brad Sturges — Raymond James

Hey, guys. Thanks for taking my question. Just maybe just starting with the guidance for 2026 and really do appreciate the buildup provided to get to the midpoint.

Just curious, in terms of the underlying assumptions, I'm wondering if you could just talk a little bit more in terms of what you're expecting, maybe, from, maybe, a broader range on leasing spreads and occupancy as part of your revenue guidance there.

Tom Cirbus

Yeah. Brad, it's Tom.

At the top line, as we've always said on the occupancy side, we think healthy occupancy is somewhere between 94 percent and 96 percent. Our guidance assumes, let's just call it, the midpoint of that, from an occupancy perspective.

From a rate perspective, I'd say we think rates are going to be flat to up a percent. So again, let's call that the midpoint in the 50-basis-point range, generally speaking.

Brad Sturges

And are you able to comment, I guess, from a leasing concession point of view, what that would represent within the guidance, maybe on a percentage of revenue terms or any other way you want to frame it?

Tom Cirbus

Yeah. Brad, as a reminder, our revenue is net effective or net of all concessions. So when we think through guidance, we kind of almost don't even have to take a view on concessions. Our guidance is net effective. And whether we get that through a six-week concession or a zero-week concession, we're managing towards a revenue number. So I don't have a fantastic answer for you there, but that's how we genuinely think about the business.

Brad Sturges

Yeah. Understood. I guess my other question would be just part of not only the go-forward plan for '26, but for the next three years is the ancillary revenue opportunity, just how much of that would be baked into '26. And how should we think about the ramp-up there?

Susie Rosenbaum — Chief Operating Officer, BSR Real Estate Investment Trust

Yeah. Sure, Brad. So for 2026, it's got about \$400,000 baked in for the five properties that went live with bulk internet at the end of this year—or at the end of 2025. But you got to remember that's part of the buildup, and when it's stabilized, when you get to 2028, those five should be contributing about \$1.1 million.

Now we have the 20 properties to go that we will start the implementation of in 2026. They're not going to contribute to NOI in 2026, but the ramp-ups will be in place by 2027. So those should contribute another \$2.5 million in 2027 and then complete the ramp-up at \$2.8 million in 2028.

Brad Sturges

And just for a clarification, as you're bringing properties online through that program, would there be a little bit of a near-term margin impact as the expense could be kind of in front of the revenue stream, so to speak? Like, would you see a bit more up-front cost first, and then the revenue comes online? Or how do we think about that?

Tom Cirbus

Yeah. You're thinking about it the right way, Brad. Today, the way we do internet, as we explained in December, we collect kind of participation fees with the internet service provider. And when we become in control of that, obviously, those participation fees go away.

So there's a temporary lease-up within the bulk internet initiative as well. As they come online, and as we bring—and the rent roll turns, and we bring more tenants on the program, there's a temporary

drag to margin as it leases up, but it will be more than offset in the future. That makes it a very warranted investment decision, particularly from a margin perspective, once the program is even marginally, if you will, occupied by tenants, let alone fully stabilized.

Susie Rosenbaum

It's about \$150,000 for this year, for those five.

Brad Sturges

Okay. I appreciate it. I'll turn it back. Thank you.

Operator

Our next question today will come from Sairam Srinivas at ATB Cormark Capital Markets.

Sairam Srinivas — ATB Cormark Capital Markets

Thank you, Operator. Good morning, everybody.

Dan, you mentioned lagging expectations in terms of the new lease rates. When you see Q4 '25, and if you compare it to a prior winter quarter, so Q4 '24, maybe, how has the expectations turned? Was it like worse than a normal seasonality? Or is it normally in line with expectations for a slower winter quarter?

Dan Oberste

Yeah. I'll try to take the general answer, and then I'll ask Susie to speak to specifics.

Yeah. There's always been some seasonality, Sai, in Q4 numbers, and from a very high level. I just expect us to lease half as many units in Q4 than any other quarter. And so when I'm—and we also have half as many move-outs. It's just people aren't moving in December, if that makes sense, Sai.

And so you really focus, as an operator, on the lease-up season, and I'll say the bookends between the beginning and end of summer, and that's where we've historically seen performance.

Susie, is there anything else you'd like to add?

Susie Rosenbaum

Yeah. Absolutely. So Dan is absolutely right. We sign less leases when it's cold, and that always picks up in the spring. Normally, the second and third quarters are our best.

But I'd also like to point out the fact, too, that fourth quarter year over year is getting better. Just blended last year on a same-store basis, Q4, we had negative blends of about 3.4 percent, and that's moved to negative 1.3 percent for Q4 2025. Renewals in 2024 were positive by 1.6 percent, and they are positive by 2.2 percent in Q4 of 2025. And new leases were negative 8.4 percent in Q4 of 2024, and now they are negative by 6.3 percent. So you can see right now that we're closing in on the gulf.

Sairam Srinivas

That's actually a really good point, Susie.

Maybe then going back to the volumes, have the volumes stayed consistent as well, quarter over quarter? Or has the volumes looked better in terms of the number of move-outs and move-ins?

Susie Rosenbaum

The volumes of leases we're signing are about the same quarter over quarter. It's about 1,000 in Q4, which is similar to last year. And again, that starts to double up in the spring and summer.

Sairam Srinivas

Okay. That makes sense. And maybe just kind of picking off that, as you're seeing—and as you saw in January and February, like how has the leasing momentum been so far in Q1? And how is it kind of shaping up to be towards as we head into spring?

Susie Rosenbaum

Okay. So, yeah, February improved, and we expect it to continue improving. In our minds, the— so our guidance points to things turning more positive at the end of March and early April.

Sairam Srinivas

That's great colour, Susie. And maybe, Dan, last question for you.

You mentioned one of the goals is to reduce the cost of capital looking into the year ahead. What are the gears or the ability to actually action that? And how do you think of that relative to the lease swap termination coming up?

Dan Oberste

Sai, I'm sorry. You were cutting out. Are you asking if the guidance reflects any near-term swap resets?

Sairam Srinivas

Yes. That and, also, like going back to your comment on reducing cost of capital, how do you marry that with the swaps coming up for termination out there?

Tom Cirbus

Yeah. So on the swap book, Sai, you saw us in the subsequent events do a couple of trades early this year. There was two trades done, one extended a term, and one placed a new trade in to address some of our floating-rate maturities that we incurred in the beginning of the year. Those were done at 3.13 percent and 3.19 percent.

We now have a potential slate of maturities midyear in July, and we're actively marketing or managing that every day and looking at our alternatives to lock in our rate there beyond July, assuming we get placed into the trade.

Regardless, the market today is right in between the goalposts of what we did earlier this year, somewhere between 3.1 percent and 3.25 percent, so right in the middle there. That's our assumption that's baked into the guidance from a cost-of-capital perspective. I don't think there's any other material fluctuations in our cost of capital that we're considering in our guidance at this point.

Sairam Srinivas

That is great colour, Tom. Thank you. I'll turn it back.

Operator

Next, we'll hear from Kyle Stanley at Desjardins.

Kyle Stanley — Desjardins

Thanks. Good morning, everyone.

Maybe just looking at some of the more one-time-in-nature realty tax items from the fourth quarter. Can you just walk through a little bit of what that was? And maybe how that flows through 2026? Like do you see any potential opportunities that, that might offer for your numbers in '26?

Tom Cirbus

Sure, Kyle. So we got hit in the fourth quarter in a few different ways on real estate taxes and let me provide some colour there.

First, we got zero tax refunds in the fourth quarter. By way of example, in the third quarter, we got about \$730,000 worth of tax refunds. For the full year, we got \$2.1 million of tax refunds and, again, zero in the fourth quarter. So you can—Q1, 2, and 3 saw the benefit of tax refunds, and Q4 was just taking the hit of not getting any refunds.

At the same time, on the opposite side, the real estate tax expense, as everyone knows, we accrue for our tax expense throughout the year, and we true it up when more perfect information comes

our way. In the fourth quarter, that true-up related primarily to assets we acquired during the year, where there's the most grey zone on what is an appraiser originally going to tell us versus—or what's their original stance going to be versus what we think reality is for the comps in the marketplace.

And so that was an adverse—when those initial appraisals came in in the fourth quarter, they were a bit higher than what we would have said. Yet based on our experience, we feel great about getting appeal proceeds in 2026. But since we don't have a leg to stand on from a technical accounting perspective, we true those up in the fourth quarter, and that also hampered us in the fourth quarter from a real estate tax perspective.

And then finally, it's worth noting, we got a bunch of refunds towards the end of the third quarter last year, and we use a legal expert to do that. So some of the legal fees that went up in the fourth quarter as well, that was just the bill received to those.

So it's a bit of a timing nuance. This happens every once in a while where the, if you will, refund is not matched with the expense related to achieving that refund. So that's a bit transitory in nature.

Looking forward to '26, we mention in the guidance that property operating expense and real estate taxes will be up between 100, 200 basis points. And a portion of that is certainly real estate taxes. I think real estate tax expense, we expect to be, let's call it flat, maybe down a percent, actually, as mill rates really haven't changed. And we have confidence in our ability to find the right appraisal levels.

But given all of the success we've had in refunds, we expect the refunds probably to be about half or so of what we've gotten—or what we got in 2025. That will drive—in the same (unintelligible), that will drive those real estate taxes 5 percent higher. So that's the primary driver of why our same-store operating expense guidance is moving higher, is really on account of taxes.

Kyle Stanley

Okay. No. I think that checks out. And in your comments that you made there just about feeling pretty confident about success on the appeal front, especially for the assets acquired in '25, but just not having a leg to stand on yet, would that be—the success on the appeal front, would that be baked into your guidance already at this point?

Tom Cirbus

So, yes and no. Right? We make our best estimates on what we assume our refunds will be and what we can realistically underwrite to, in conjunction with our third-party experts and in consultation based on our experience. So some portion of that is certainly included in the guidance today, but maybe not 100 percent of it. TBD on that, it's kind of at the whim of appraisals and courts, so hard to say. So we try to be appropriate there.

Kyle Stanley

Okay. Fair enough. Maybe just moving over to your lease-up assets. In the past, you've kind of mentioned, obviously, as you approach stabilization, likely seeing an improvement in the NOI margin. I'm wondering if you'd be able to disclose or talk about, maybe, where the NOI margin at Aura 36Fifty (sic), given it is quite near, if not at stabilization already, where that might sit today versus where maybe The Ownsby is, just to give us a sense of how that maybe progresses over time.

Tom Cirbus

Kyle, I don't have it in front of me, so I don't want to misquote you. So let me circle back to you on that one. I just don't have it in front of me.

Kyle Stanley

Okay. Fair enough. And just the last one for me.

Obviously, the three-year guidance that was provided through 2028 at the Investor Day—just, I guess, high-level thoughts on that still remains intact. How do you see—over three years, how do you see that maybe flowing through your results? Obviously, I think with the guidance at \$0.77 for 2026, we see a little bit of a step down versus '25. But then how do you see that kind of ramping in '27, '28? If you can talk through that?

Dan Oberste

Yeah. Kyle, this is Dan. I think—and Susie may have touched on this a little bit.

When you take the bulk internet, right, I think there's a penny sitting in '26 in bulk internet. Right? I think there's six sitting in '27, and I think there's an extra penny in the first quarter of '28. Right? That's the way I look at it, if I was going to compare and contrast the bulk internet and valet trash initiatives that we discussed in December.

And then if I think over at the occupancy side, I think, as of December, we had 250—or as of that LQA, we had 250 apartments to lease. I think, as of year-end, we had 188 apartments to lease at year-end '25. And then our expectation, naturally, is that we're going to lease all 188 throughout the course of this year. Right?

And you got to think about—and we're still not ready to talk about the margin on that, because the first of that 188 is going to have a much lower margin than the last of that 188. Right? And therein lies the problem on getting into the lagging impact of lease-up financials.

So while the properties are going to be occupied this year, I think that's a first step. But I think you see the full benefit flow through all the way into '27. You're going to see that acceleration, quarter over quarter, sequential, driven by occupancy improvement.

And then the team's going to get another bite at the apple in '27, where you're fully occupied, but we call this stabilization. You're fully occupied, and those residents may have been conceded (sic) to come into the market by 4 percent or 8 percent. That's two weeks or one month. And in '27, you're renewing those leases at higher rates. You may not get the full concession. Right? But you're going to get some benefit of that renewal as markets ramp up and reset.

Now, as far as I'm concerned, the '27—or the December '27 investment presentation, we're right on track, I mean, to earning that money. And I think the frustrating thing for our investors—and I empathize with them—is that the nature of these investments, buying lease-up assets, making initial investments in bulk internet, they don't show up tomorrow. They show up over the course of year one, and we see them showing up. And then, as a public company, you start to see that lagging impact as lease-ups really materialize, as that last unit gets leased up at 100 percent margin. Right? And then you got another bite at the apple in '27, where you see accelerated growth from compression of concessions on renewal.

Kyle Stanley

Okay.

Dan Oberste

All in, Kyle, all in, that turns into a choppy 15 percent. Right? But I'd rather—let's just say, I'd rather take a choppy 15 percent than a smooth 10 percent.

Kyle Stanley

Sounds about right. Okay. Thank you very much. I will turn it back.

Operator

Dean Wilkinson at CIBC, you have our next question.

Dean Wilkinson — CIBC

Well, thank you. Dan, this is less of a modelling question, more of a big picture.

Some of the commentary from some of the larger acquirers down in Texas have said they're basically pens down on acquisitions of a meaningful size. I guess, one, do you think this is counterintuitive because in this environment on valuations such that they are, that that's an opportune time to buy? And do you think, once you've turned the corner on the rent growth going, you're going to get a wave of capital that just starts chasing assets, and that's going to push prices up?

Dan Oberste

Yes, Dean. I'm just kidding. No. No. Yeah. I think it's—really, what we're looking at is cap rates versus cost of capital. And there's still some irrational movement between what someone can afford to finance an acquisition for and what kind of a concerned developer seller is willing to sell an asset for. And there's a ton of money sitting on both ends of that stadium. Right? And they're inching closer to meeting and agreeing.

And I think patience is important right now. But just as we've seen many times in the past, once those parties start agreeing, then you see a significant amount of transaction volume. We think that the market has improved in, I guess, just deployment of capital, a little bit, in the last few months, and we expect continued improvement.

Again, we're looking at what is our relative cost of capital, what is our available capital alternatives, what would be the impact on our leverage, what would be any potential dilution to our—or accretion to our FFO earnings plus our per-unit NAV of our investors. Okay. That's number one.

And number two, what return can we make if we acquire some assets at an opportune time? It's getting closer and closer, but we're going to remain pretty disciplined with any deployment of external capital at this time.

Dean Wilkinson

I hear you. So in essence, if the defensive end could pass the physical, you would have taken him. You know where I'm going with that one. Thanks, guys. I'll hand it back.

Dan Oberste

There you go. There you go. If Crosby would have passed the physical, we would have taken him.

Dean Wilkinson

That's it. Right? All right. Thanks, guys.

Operator

Next, we'll hear from Jonathan Kelcher at TD Cowen.

Jonathan Kelcher — TD Cowen

Thanks. Good morning. Just going back to Kyle's question on the lease-up properties. Can you guys quantify maybe how much NOI is missing from when they're eventually going to be stabilized?

Tom Cirbus

Jonathan, Dan mentioned the 188. At market rents in revenue, that's \$3 million to \$3.75 million of gross revenue. Like Dan said, I don't think we're necessarily quite ready to tell you exactly what the margin on that is going to be. When we did it in December, we had a bit of a range on it. I'd encourage you to keep using that. I don't think we have a great answer on NOI, but that's the top line point we're at sitting as of December 31st.

Dan Oberste

Yeah. And, Tom, if I may, this is Dan. And not to pile on, but we wanted to quote revenue numbers and provide our investors with margin underwriting if they'd like to choose it. It's my view, Jonathan, that, that shows up—it shows up, but it's in disguise, I would say, in the back half of the year. And then it starts to accelerate, and you really see it Q1, Q2, Q3, and then culminated in Q4 of '27. That's when the real impact of all of that revenue shows up on FFO per unit and is not otherwise distorted by any other leasing costs or things like that.

Jonathan Kelcher

Okay. So still better part of two-year build, and then '28 will be like just fully stabilized and kind of disappeared into the same property. Right?

Dan Oberste

Yeah, that's fair to say. I mean, '27 will look very—I mean, '27 will reflect a lot of this money, but it'll come in quarter-over-quarter sequential—continue to come in. So we got eight quarters of quarter-over-quarter sequential. And then you sit there in Q4 '27, and you can underwrite almost an annualized runway with some organic improvement in '28.

Tom Cirbus

And, Jon, and just one other thing on that, just as a reminder. Our guidance includes a bridge from '25 to '26, the Non-Same Community pool, which would include the lease-ups, on an FFO-per-unit perspective at the midpoint, is about \$0.19 in 2026.

Jonathan Kelcher

Okay. Yeah. Okay. And then second question on the guidance. And I guess you—and you gave a little bit of colour on the leasing trends in January and February. I think, like, would it be fair to say that

you're more back-end weighted as kind of lease-ups start to stabilize more? How should we think about the cadence of growth this year, guidance this year?

Tom Cirbus

I think that's right, Jonathan. I think, by definition, with lease-up assets in tow and being a material mover throughout the year, we expect it to ramp in the back half of the year, once that asset is—we were 100 percent stabilized in December. It'd be greater than the 70 percent it is today. Right? So I think, by definition, it would be a back-end ramp, and we expect that to play out. Of course, there's a lot of moving pieces in any given quarter, so it may not be quite linear, as we've explained in real estate taxes earlier today. But directionally, yes, it should be back-end loaded.

Jonathan Kelcher

Yeah. And should we think about that the same sort of way on the Same Community revenue growth profile?

Susie Rosenbaum

Correct. Yes.

Tom Cirbus

Yes.

Jonathan Kelcher

Okay. Thanks. I'll turn it back.

Operator

*, 1, ladies and gentlemen, for a question or follow-up. We'll hear next from Himanshu Gupta at Scotiabank.

Himanshu Gupta — Scotiabank

Thank you and good afternoon, everyone.

So just on the acquisitions done last year, say around \$300 million or so, what is the stabilized cap rate? And how big is the spread between this going-in versus the stabilized cap rate?

Dan Oberste

So, Himanshu, as we've said every quarter for the last 32 quarters, we don't report cap rates. And we've explained that the reason we don't is because there's 13 analysts on the room. If I quote a cap rate, everybody thinks of a different way to get there, just kind of like if I say everybody think of a dog, everybody's thinking of a different dog.

So BSR quoting cap rates is a lot different than open market cap rates. It's a lot different than the way other companies are. And given the translation gap between our two countries, we fear that, that creates a whole lot of distortion. So again, from now and in the immediate future, the BSR will not quote going-in cap rates.

Now to your question on cap rate velocity spread on a look back, we have discussed that in the past. And generally, as we said, in new development transactions, we like to see 200 to 250 basis points spread relative to our cost of capital to develop an asset. In lease-up transactions, we like to see 125 to 150 basis points spread on a look-back cap rate, like a year two or a year three, versus our going-in. And then on a stabilized asset, we like to see between 100 and 125 basis points of look-back cap rate expansion between the acquisition date and year two or year three look-back.

In the case of the transactions that we made last year, as I said in my remarks, all of those transactions are leasing up. They're right on schedule. And we see no reason at this time to deviate from the methodology that we've explained in quarters past. We like what we see.

Himanshu Gupta

Okay. No. Thanks, Dan. I appreciate your comment. I mean, the guidance came in lower than some of us, we were expecting. So I was kind of wondering, maybe we were always overestimating the NOI contribution from the new acquisitions, but I appreciate (unintelligible). Okay.

And then the next question is, what is the effective interest rate in 2026? I mean, based on all the swaps you do and versus the last year, just trying to see that how much of interest rate is a headwind in 2026 FFO versus the last year.

Tom Cirbus

Sai (sic), the midpoint guidance would point to a \$0.04 headwind related to interest rates in 2026.

Himanshu Gupta

Okay. So \$0.04 in 2026 versus 2025 on the interest expense side. Okay.

Tom Cirbus

Correct.

Himanshu Gupta

Okay. Okay. Fair enough. And maybe the last question I would say—yes. The last question is, has your 2026 FFO internal expectations changed since December? I mean, in the last two months. Or you were always expecting this run rate and then the ramp-up happening in the next two years?

Dan Oberste

Yeah. That's a great question, Himanshu, and I can speak for myself.

I think that my expectations have changed for December, in that I expected—as I mentioned in my comments, I expected rate improvement in our markets to occur a little bit earlier than we're seeing.

I think that impact, in my view, in January—or in December, when we spoke with our investors—all-in, is about a 1 percent number on rate for '26.

I think what's interesting is what's happening in the market projections for '27 in the back half of '26. So it looks like market-expected rent growth is a little bit higher than our initial expectations in December, in 2027. So the market's playing a little hide the ball with us. I think '26 is about a percent lighter in revenue than I would have hoped, but I'm seeing about a percent more in organic expectations in the back of '26 and, really, all the way through '27.

And again, in my prepared remarks, I'd say that it's always been a supply story. And I think that rate expectation by all of our economists—CoStar, everyone else—that movement directly attributes to lower deliveries, lower expected deliveries, and continued domestic migration, particularly in our markets.

Himanshu Gupta

Perfect. Okay. Thank you so much and I'll turn it back. Thank you.

Operator

Next, we'll hear from Jimmy Chen at RBC Capital Markets.

Jimmy Chen — RBC Capital Markets

Thanks. Just a couple of quick ones for me. So first, on the renewal rates. How would the renewal rates compare with the market rent across the different markets?

And then the second one would be on the retention rate. It is quite high. Is your expectation that'll continue at this level?

Susie Rosenbaum

Yeah. Jimmy, so the renewal rates, yes, they pretty much drive across the markets the same way I gave you for the whole portfolio earlier. They're looking better in Q4 of '25 than they did in Q4 of '24.

Same goes as well, I guess, if you're looking at the average effective rate. For 2025, it was \$1,436 a month. Right? 2026, we're looking at \$1,446. So that's a 70-basis-point increase in average effective rates over time. And the market's following similar suit.

Jimmy Chen

Okay. And what about the retention rate?

Susie Rosenbaum

Yeah. So the retention rate is about as high as it's ever been. And we'll continue to press renewals right now, given that they're more profitable than new leases, so, yes.

Jimmy Chen

Okay. So you expect it to be kind of at this level still?

Susie Rosenbaum

I'm sorry. I didn't hear your last question.

Jimmy Chen

I'm sorry. I guess you're expecting the retention rate to continue to remain at this high level?

Susie Rosenbaum

For right now, yes.

Jimmy Chen

Yeah. Okay. Thank you.

Operator

And, Matt Kornack at National Bank Financial, please go ahead with your question.

Matt Kornack — National Bank Financial

Hey, guys. Just if you could give us a sense on the demand side—I know this has always been (unintelligible) with the supply issue—but how demand is holding up and what metrics you kind of look at.

And then also, maybe, as a tangent to that, we'll see how long, like this current geopolitical situation lasts, but energy prices are up. And obviously, Texas, there's some exposure to oil and gas. So if you could give a sense if you think that would be a net positive from a demand standpoint as well.

Dan Oberste

Yeah. I'll answer the questions backwards to forwards, Matt.

So as far as the war and the political situation, are you speaking to the war? Or are you speaking to tariffs? Or has there been a tweet during our—

Matt Kornack

No. The war—

Dan Oberste

—call that I'm unaware of? That's okay.

Matt Kornack

Yeah. No. The—

Dan Oberste

So with—

Matt Kornack

For now.

Dan Oberste

With respect to the war, I don't think that it—we discussed that internally. There's no impact to our guidance or our estimate, as a result of the war, on interest rates or on our revenue estimate.

I don't think—do we see any current impact on population growth and migration patterns resulting from the war? We have no direct exposure to military bases. We're not concerned regarding an exodus of our residents following deployment, as would likely be the cases in San Diego, San Antonio, parts of North Carolina. The war, really, we don't see—we're not seeing any impact, and we don't anticipate seeing any impact right now, in the near term, to our occupancy and our FFO per unit.

As it relates to demand drivers, I mean, I think, I hope that our investors—and, Matt, I know you are looking at the same info we are, the CoStar, the CBRE, JLL, Witten. I think domestic migration remains intact. International migration remains intact. Our markets are not necessarily driven by international migration, or haven't been, as much as domestic. That remains intact.

If I look forward on population change projections, Austin's—in '26, is sitting at 1.53 percent. DFW's at about 1 percent. Houston's at about 1.15 percent. And what's changed versus the past five years is the gap between these three markets and the national average. So I just quoted 1.5 percent, 1 percent, and 1.15 percent. Right? And the national average population growth for '26 is 0.22 percent. So now I can say our markets are expected to grow by 6 times the pace of the US average, not just above the national average.

I think the four-year population growth projections for our markets are even better; Austin at 1.65 percent, DFW at 1.19 percent, Houston at 1.27 percent, versus the US at 0.23 percent. So that multiple just expands on the four-year. It kind of emboldens us in investing in this triangle. It's driven by domestic migration, and it's driven by job growth, which continues to outpace any job impact to the market.

And it's because, I think, of our discipline, Matt, of finding fast-growing markets with multiple pillars of GDP growth. You speak to the Houston energy market. I want to say Houston might be the second-largest health sciences market in the country. Right?

And if we look into these payroll numbers for the last couple of months, there's a couple of interesting facts. Number one, January national payroll was somewhat distorted by 34,000 jobs related to a nursing strike that should be added back in, in end of March or April. Right? But secondly, one of the, I want to say, two areas of the country that see payroll growth are health sciences. And we're invested in a market that has—sure, it's got an energy concentration, but it also has a massive healthcare and health sciences concentration.

So those disciplines, plus, as I've said in the past, population growth outstripping national averages, you buy apartments where people are moving to and eventually, they get filled up, and eventually there's no more apartments built and eventually, rates go up. Tried and true.

Matt Kornack

Awesome. Thanks. No. I appreciate the update on those figures. Maybe a very quick last one on the accounting side for G&A.

Was there anything one-time in nature in Q4? Or is that just a seasonality type difference? I know it's been up and down over the course of the year, so just trying to get a sense as to what a good run rate figure is there or what would be in the guidance.

Tom Cirbus

Yeah. I think in the guidance, G&A is expected to be flattish. I think it's slightly up, but basically flat.

And there's some one-time noise, certainly, in G&A in the fourth quarter. It's probably not the best run rate to look at. I would look at the year as a whole. It's a better depiction of G&A and where we stand today. I can bore you on all the nuances, but I'll spare you from that. So I'd look at the year as a whole, and I think, year over year, it's going to be generally flat.

Matt Kornack

Okay. No. That's enough for us. Okay. Thank you. Take care, guys.

Tom Cirbus

Thanks, Matt.

Operator

And we'd like to thank all of our audience members who shared their questions.

At this point, I'm happy to turn the call back to our management team and to Dan for any additional or closing remarks.

Dan Oberste

Thanks, Jim.

2025 was an ugly win, but it was a win. And I'll take an ugly win over a pretty loss any day of the week.

I want to remind everybody that we're a real estate company, not a bond alternative. Real estate companies make strategic moves designed to create value for our investors. We don't prioritize making those moves over a concern towards choppy Q4 earnings quality.

We do empathize with the potential volatility that ensues. But embedded in our DNA is a deadly focus on buying low and selling high. We have proven that time and time again, year over year over year. We've proven it in '21. We've proven it in '22. We've proven it in '19. To us, this is business as usual,

though we do empathize with the frustration of some or many of you on our Q4 FFO per unit sequential impact to Q3 FFO per unit. We certainly do.

That concludes our call today. Thank you all for joining us, and we look forward to speaking with you again following the release of our Q1 results in May.

Operator

Ladies and gentlemen, this does conclude today's session, and we thank you all for your participation. You may now disconnect your lines. Enjoy the rest of your day.