The NOI Case for Flexible Accommodations

Building-level economics for institutional multifamily portfolios. A matched-pair analysis of operating performance with and without flexible accommodations.

MARKET CONTEXT

National apartment vacancy stands at 7.3% (March 2026), with 35% of properties offering concessions averaging five weeks of free rent[2,3]. New construction lease-up periods average 12 to 18 months[5]. Sun Belt markets face acute pressure from supply-side oversaturation. These conditions create structural NOI drag that traditional leasing alone cannot resolve within standard hold period timelines. This framework reflects observed data from partnerships including Greystar, the world's largest apartment operator (946,000 units)[10].

14.2% Austin, TX vacancy[8]	**12.5%** Phoenix, AZ vacancy[8]	**7.4%** Miami, FL vacancy[8]	**7.3%** National average[2]
38 days Average time to lease[4]	**12 to 18 mo** Lease-up period[5]	**35%** With concessions[3]	**5 wks** Average free rent[3]

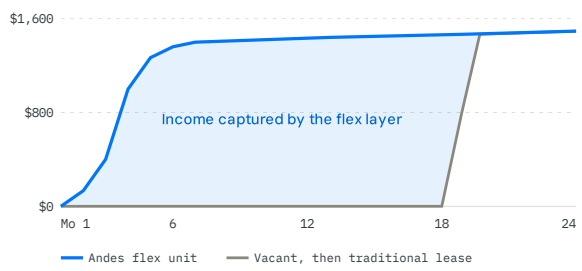
ADDITIVE NOI IMPACT

Flexible accommodations do not replace traditional leasing. They generate incremental NOI from units that would otherwise produce zero revenue during vacancy or lease-up. The operator's existing program continues unchanged. Andes adds a revenue layer on top[1].

Metric	Traditional operations	+ Andes flex layer	Combined portfolio
Units	180 occupied (90%)	20 vacant units activated	200 total
Annual NOI	$1,880,000	+$378,000	$2,258,000
NOI per unit	$10,444	$18,900 (flex units)	$11,290 (blended)
NOI uplift			+20.1%

Assumptions: 200-unit Sun Belt Class B, $1,500/mo avg rent, 10% structural vacancy (20 units), 42% OpEx ratio. Flex units at $2,500/mo avg (1.67x premium), 90% flex occupancy, 30% flex OpEx, FF&E at $10,000/unit.

PER-UNIT INCOME: FLEX VS. VACANT, 24 MONTHS



Cumulative per-unit NOI differential over 24 months: +$37,800[1]. Shaded area: income captured by flex that the vacant unit forfeits.

METHODOLOGY

Matched-pair analysis, Q4 2023 through Q1 2026. Baseline: 12 months pre-deployment. Comparison: 12 months post. Revenue and OpEx tracked at unit level. Market baseline: CoStar submarket averages. The 20 activated units generated $378K in net NOI from units that were producing zero revenue[1].

> **+$6.3M building value.** Sum of parts: traditional income at market cap (5.0%), flex income discounted at +100bp (6.0%). Even with the risk premium, the building gains $6.3M in value. At parity: +$7.6M.

VALUATION IMPACT (100BP PREMIUM ON FLEX INCOME ONLY)

Traditional NOI valued at market cap rate. Flex income discounted separately at +100bp. Building value = sum of parts.

Income stream	Annual NOI	Cap rate	Implied value
Traditional operations (180 units)	$1,880,000	5.0%	$37,600,000
+ Andes flex layer (20 units)	$378,000	6.0% (w/ 100bp premium)	$6,300,000
Combined building value	$2,258,000	5.14% (blended)	**$43,900,000**

Value created: +$6.3M over baseline ($43.9M vs $37.6M). At parity (5.0% on all income): +$7.6M.

CapEx: 20 units x $10K = $200K. Payback: 6.3 months. Year 1 cash-on-cash: $378K / $200K = 189%.

VALUE CREATION MECHANISMS

50 to 67%

Faster stabilization

Accelerated stabilization

Flex units generate revenue during lease-up. Traditional leasing continues in parallel. Industry average stabilization: 12 to 18 months[5]. With flex: 6 to 9 months observed[1].

+20%

NOI uplift (200-unit basis)

Permanent NOI increment

The income is structural, not cyclical. Flex units absorb vacancy that traditional leasing cannot fill within standard hold periods. At 5.0% cap, each $100K in incremental NOI = $2.0M in asset value.

6.3 mo

Payback period

FF&E-only CapEx

No structural renovation. FF&E at $8,400 to $12,400 per unit[6]. No permits, no construction risk. Units revert to traditional leasing at zero cost.

> "This is the solution we've been looking for. Well thought out, investor-friendly, and doesn't add work to our plate."
>
> Austin-based asset manager

SOURCES

[1] Andes operating data, Q4 2023 through Q1 2026. Matched-pair analysis, 200-unit Sun Belt Class B portfolio. Revenue, occupancy, and OpEx tracked at unit level.

[2] Apartment List National Rent Report, March 2026. National vacancy index: 7.3%.

[3] CNBC, "Apartment concessions hit highest level in over a decade," March 17, 2026. RealPage Market Analytics: 16.6% of stabilized properties offering concessions, January 2026.

[4] Apartment List, March 2026. Average days to lease: 38 (up 5 days YoY).

[5] NAHB; ALN Apartment Data, "Average Lease-up Time Has Decreased After Years of Increase," 2025. Industry standard: 12 to 18 months.

[6] Furnishr 2026 Cost Guide. Residential furnishing: $8,400 to $12,400/unit (living room, bedroom, dining, kitchen essentials).

[7] Matthews Real Estate Investment Services, 2025 Cap Rate Recap. Multifamily Class A: 5.0% avg., Class B: 7.0% avg. Apartment Loan Store, Q1 2026.

[8] CoStar Group via Matthews Real Estate Q4 2025 (Austin: 14.2%), GetMultifamily/CoStar January 2026 (Phoenix: 12.5%), CoStar Q3 2025 (Miami: 7.4%). AirDNA demand benchmarks.

[9] NAHB/TheGuarantors. Lease-up velocity benchmarks for new construction multifamily.

[10] Greystar Real Estate Partners. Public company data. Partnership with Andes since Q4 2023, expanded from 1 to 6 buildings based on observed results.

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