

Camden Property Trust: when should the next apartment start?

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A strategy case for MBA students and working professionals
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The decision

On November 1, 2024, Camden Property Trust's latest quarterly filing described a deliberate pause in four predevelopment projects. Camden had recognized a \$41.0 million noncash impairment on three land parcels and said it would stop capitalizing interest and expenses associated with those sites. The filing does not map each impaired parcel to each paused project. The quarter's management commentary also laid out a substantial pipeline of construction and planned development. Camden still had to finish five communities already under construction, while it considered what to do with its remaining land and future starts.

The question for Camden is how to set its **hurdle and trigger policy for future multifamily starts and land**. Should the company preserve the option to wait until market and capital conditions improve? Should it start only projects that clear new project-level gates? Or should it advance more aggressively to maintain growth and build into the expected demand recovery? It must make this choice while funding construction in progress and honoring its stated approach to capital flexibility.

The four predevelopment projects were already paused at the cutoff. Their pause is not the decision in this case, and students should not assume Camden intended to restart them. Camden also disclosed three communities in a development-pipeline table and five projects under construction. These are separately reported groups; the fact that four predevelopment projects were paused does not mean Camden had frozen its entire development program.

Camden's November 1 earnings call added detail about timing. Management said approximately \$320 million of development had commenced in the second half of 2024. It anticipated an additional \$375 million of starts in early 2025 and planned to start a remaining owned-land project of about \$300 million in late 2025 or early 2026. It also said contracted land could lead to starts in 2025 or 2026. The \$320 million was described as commenced; later start amounts and dates were management plans, not completed outcomes or binding project authorizations.

Prepare a recommendation for Camden's capital-allocation leadership. Establish a policy that states what evidence would preserve, advance, defer or redirect development capital. Choose among these **constructed teaching alternatives**:

1. **Defer and preserve options:** complete and lease the five projects underway, maintain the option value of land and wait for clearer market and financing evidence before additional discretionary starts.

2. **Selectively advance:** use project-specific market, cost, financing and lease-up gates to advance only future projects that meet Camden's investment standards.
3. **Accelerate the planned starts:** advance more of the planned pipeline to protect future growth. For any alternative, assess land sales, debt paydown, distributions, repurchases and other uses as funding choices and opportunity costs alongside development capital.

These alternatives frame a teaching decision; they are not a disclosed board resolution. No project-level yield hurdle, IRR, cap-rate forecast, or specific project authorization is provided in the public information available here. State which data you would require before setting numerical thresholds.

A multifamily REIT with an active pipeline

Camden owns, operates, develops, redevelops and acquires multifamily apartment communities. At September 30, the company reported interests in, operation of or development activity at 177 properties with 59,996 homes across the United States. Five projects were under construction. The portfolio's operating economics depended on rent, occupancy, expenses and resident retention, while development required capital well before stabilized rental income.

The operating backdrop was mixed. Same-property revenue increased 0.6% year over year in the third quarter, expenses grew 1.8%, and NOI was flat. Occupancy was 95.5%, unchanged from a year earlier. October preliminary data showed weaker new-lease pricing than renewals: signed new-lease rates were down 4.8% and effective new-lease rates were down 4.4%; renewal rates remained positive. Management said new supply in its submarkets would remain elevated through the rest of 2024 and into 2025, but expected continued demand to absorb deliveries. That expectation was management's view, not a guaranteed outcome.

The Q3 earnings release reported a GAAP loss of \$0.04 per diluted share, including a \$0.37-per-share land-development impairment. The company also reported \$1.65 FFO, \$1.71 Core FFO and \$1.48 Core AFFO per diluted share. These measures answer different questions. FFO, Core FFO and Core AFFO are non-GAAP measures; Camden's Core FFO and recurring-capex definitions may differ from other REITs. Do not read the impairment-driven GAAP EPS loss as a cash development outlay or treat Core FFO/AFFO as cash available for a particular new start.

Capital allocation and market exposure

At September 30, Camden said it had nearly \$1.1 billion of liquidity, including \$31.2 million of cash and more than \$1.0 billion available on its unsecured revolver. Approximately \$267 million remained to fund the five wholly owned projects under construction. This indicates meaningful access to capital, not imminent liquidity distress. It does not make every possible start attractive: the same capital may fund completion, future development, debt, distributions, share repurchases or land alternatives.

Camden's balance-sheet disclosures showed \$688 million of floating-rate debt at a weighted-average rate of 6.2%, total reported notes payable of \$3,451.8 million at carrying value, a 4.2% weighted-average debt rate and a 6.5-year weighted-average debt maturity. The notes-payable carrying amount includes debt discounts, issuance costs and fair-value adjustments; contractual principal maturities are a distinct measure. Camden reported a three-month net-debt-to-annualized-Adjusted-EBITDA ratio of 3.9x, a company-defined supplemental measure. The figures help describe financing exposure but do not establish Camden's marginal cost of capital or a project hurdle rate.

Camden also reported nine-month cash outflows of \$306.6 million for development and capital improvements, \$337.5 million for distributions and \$50 million for share repurchases. These are consolidated historical uses, not project-level returns. A recommendation should make the opportunity cost of land and development explicit without pretending that a single published liquidity figure resolves the allocation question.

Exhibits

Exhibit 1. Operating and financial context

Measure	Reported value
Properties / homes in portfolio, including development	177 / 59,996
Operating properties / homes	172 / 58,250
Same-property Q3 revenue / expense / NOI growth, year over year	+0.6% / +1.8% / 0.0%
Same-property occupancy, Q3	95.5%
October preliminary signed new / renewal lease rate	−4.8% / +3.0%
October preliminary effective new / renewal lease rate	−4.4% / +3.4%
Q3 EPS / FFO / Core FFO / Core AFFO per diluted share	−\$0.04 / \$1.65 / \$1.71 / \$1.48
Q3 impairment included in GAAP EPS	\$41.0m; \$0.37 per diluted share

Sources: Q3 2024 earnings release [1] and Q3 10-Q [2]. October lease and occupancy data were preliminary as of October 30. FFO, Core FFO and Core AFFO are supplemental non-GAAP measures; the issuer provides definitions and reconciliations in [1] and [2].

Exhibit 2. Construction and development pipeline at September 30

Portfolio group	Homes	Estimated total cost	Cost incurred	Simple remainder from disclosed amounts
Five properties under construction	1,746	\$675.0m	\$408.0m	\$267.0m
Three development-pipeline communities	1,325	\$673.0m	\$129.5m	\$543.5m

The under-construction group included Camden Durham, Long Meadow Farms, Village District, South Charlotte and Blakeney. The separately disclosed development-pipeline table listed Camden Baker, Camden Nations and Camden Gulch. Both cost totals are management estimates. The \$543.5 million subtraction is arithmetic, not a near-term cash commitment, contractual funding schedule or forecast. The two portfolio groups should not be conflated.

Sources: Q3 10-Q [2], MD&A pp. 23-24. The company also reported \$418.2 million on its balance sheet for properties under development and land, including \$230.9 million related to properties under construction and \$187.3 million primarily invested in land. Those balance-sheet classifications should not be added mechanically to the pipeline table.

Exhibit 3. Management's development statements on November 1

Status as described on the public Q3 call	Amount / timing	How to interpret
Development commenced during the second half of 2024	Approximately \$320m	Management reported these starts had commenced by the call.
Additional developments anticipated to start	Approximately \$375m in early 2025	Management expectation, not completed work or a guarantee.
Remaining owned-land project planned to start	Approximately \$300m in late 2025 or early 2026	Management plan; not a disclosed project authorization in this case.
Other land parcels under contract	May lead to starts in 2025 or 2026	Conditional possibility, not an approved or realized start.

Management also said that it reviewed all developments, believed the named pipeline projects' yields "worked," and had paused four other predevelopment projects that no longer met its current investment criteria. The call transcript is a retrospective text locator for the public live call, held before the information cutoff.

Source: November 1 public earnings call [3], transcript pp. 2, 4 and 8. The four predevelopment projects and three impaired parcels are described in the Q3 release [1] and 10-Q [2].

Exhibit 4. Funding and competing uses

Item	September 30 / nine-month disclosure
Cash and cash equivalents	\$31.2m
Revolver availability	More than \$1.0bn
Total liquidity reported by Camden	Nearly \$1.1bn
Remaining funding for five projects under construction	Approximately \$267m
Notes payable at carrying value	\$3,451.8m
Weighted-average debt rate / maturity	4.2% / 6.5 years
Floating-rate debt / weighted-average rate	\$688m / 6.2%
Net debt / annualized Adjusted EBITDAre, three-month basis	3.9x
Nine-month development and capital improvements	\$306.6m
Nine-month distributions / common share repurchases	\$337.5m / \$50m

Sources: Q3 10-Q [2], notes and MD&A; Q3 financial supplement [1]. Net debt/annualized Adjusted EBITDAre is a company-defined non-GAAP ratio. Notes payable at carrying value is distinct from contractual principal maturity amounts. Revolver availability is borrowing capacity, not cash on hand.

Your assignment

Recommend a policy for future starts and land that:

- Selects one of the constructed alternatives and states whether the planned pipeline pace should proceed, be gated or be deferred.
- Defines the project-level market, cost, financing, construction and lease-up evidence needed to advance a start.
- Explains how to treat the already-paused four projects, the noncash impairment and the remaining five construction projects.
- Identifies how the separate three-community development pipeline and other land positions fit into the recommendation.
- Compares development with land sale, debt reduction, distributions, repurchases or other capital uses without inventing returns.
- Names two or more observable triggers that would change the pace of starts.
- Distinguishes Camden's reported results from its expectations and avoids unsupported numeric IRRs, yields-on-cost, cap rates or rent forecasts.

Sources

1. Camden Property Trust, [Q3 2024 operating-results release](#), dated October 31, 2024; and [SEC-filed Q3 financial supplement](#), Exhibit 99.2 to accession 0000906345-24-000039.
2. Camden Property Trust, [Q3 2024 Form 10-Q](#), accession 0000906345-24-000041, accepted November 1, 2024, 12:09:30 ET; [SEC filing detail](#).
3. Camden Property Trust, [Q3 2024 public earnings-call transcript](#), live call held November 1, 2024, 10:00 a.m. CT / 11:00 a.m. ET. Transcript is a later-hosted retrospective locator for remarks made before the 4:00 p.m. ET cutoff.

This case uses only information public by November 1, 2024, 4:00 p.m. ET. Subsequent starts, results, guidance and market outcomes are excluded.