Transcript of
Elme Communities
Second Quarter 2023 Earnings Conference Call
August 1, 2023

Participants

Amy Hopkins - Vice President of Investor Relations, Elme Communities
Paul McDermott - President and Chief Executive Officer, Elme Communities
Steven Freishtat - Chief Financial Officer, Elme Communities
Grant Montgomery - Vice President, Research, Elme Communities
Tiffany Butcher - Chief Operating Officer, Elme Communities

Analysts

James Feldman - Wells Fargo
Alan Peterson - Green Street Advisors
Tony Paolone - JP Morgan
Michael Gorman - BTIG, LLC

Presentation

Operator

Welcome to the Elme Communities Second Quarter 2023 Earnings Conference Call. As a reminder, today's call is being recorded.

At this time, I would like to turn the call over to Amy Hopkins, Vice President, Investor Relations. Amy, please go ahead.

Amy Hopkins - Vice President of Investor Relations, Elme Communities

Good morning and thank you for joining our second quarter earnings call. Today's event is being webcast with the slide presentation that is available on the Investors section of our website and will also be available on our webcast replay.

Before we begin our prepared remarks, I would like to remind everyone that this conference call contains forward-looking statements that involve known and unknown risks and uncertainties which may cause actual results to differ materially, and we undertake no duty to update them as actual events unfold. We refer to certain of these risks in our SEC filings.

Reconciliations of the GAAP and non-GAAP financial measures discussed on this call are available in our most recent earnings press release and financial supplement, which was distributed yesterday and can be found on the Investors page of our website.

And with that, I'd like to turn the call over to our CEO, Paul McDermott.

Paul McDermott - President and Chief Executive Officer, Elme Communities

Thanks, Amy. We delivered a very strong second quarter with same-store multifamily NOI growth of 10.9% and core FFO per share growth of 14.3% year-over-year. I am very pleased to share that we have officially completed the transition of community-level operations to Elme management.

We kicked off this strategy in 2021, and I want to thank all of the team members that contributed to countless hours to designing and implementing our new operating model. I would also like to welcome our newest community team members and thank them for all the hard work and dedication to customer service that they've shown throughout this transition. We launched our new platform with minimal disruption to our existing residents and very high community team retention. We are thrilled to have this transition behind us, and we look forward to turning our full attention to our operating initiatives.

On that note, we welcomed the new Chief Operating Officer to our executive team in July. Tiffany Butcher brings extensive experience in multifamily operations that aligns well with our goals for our operating platform. I expect her leadership to enhance our ability to drive NOI growth and look forward to her participation on future earnings calls.

Before I turn to our operating trends, I'd like to address our multifamily NOI guidance reduction. We had expected to see a more pronounced seasonal upswing into the spring and summer leasing seasons than we experienced in our markets. Additionally, our rebranding and transition activities had a greater impact on our ability to generate leads and push rents during the summer months than we had anticipated. These two impacts resulted in lower-than-expected new lease rate growth achieved during the second quarter and lower assumed new lease rate growth in the third quarter compared to our original expectations.

As communities have transitioned, we have been closely monitoring community level performance and have seen a rebound in our ability to drive rent growth as communities have restabilized under Elme management. Additionally, our renewal rates and occupancy trends remain in line with our expectations. Therefore, we feel good about our outlook for high single-digit same-store multifamily NOI growth this year, which represents strong performance for our core business during a period when we were executing significant changes to our internal systems. With the execution risk related to the onboarding process now behind us, we are shifting our focus to realizing the full benefits of our new multifamily platform.

Turning to operating trends. We generated effective blended lease rate growth of 3.7% during the quarter for our same-store portfolio comprised of renewal lease rate growth of 6.4% and new lease rate growth of 0.4%. Renewal rates remained very strong throughout the summer months, and we signed renewal offers for July and August lease expirations of 5% on average in line with our expectations for continued moderation in renewal rates over the course of the year.

Our focus on occupancy continues to deliver good results and we have driven occupancy gains across our entire portfolio since the end of last year. Same-store occupancy averaged 95.6%

during the quarter, up 10 basis points compared to the prior quarter and ending occupancy was 95.9%, up 30 basis points year-over-year.

Retention remains strong at 63% during the quarter, up 200 basis points compared to the prior year and above our historical average in the mid-50% range due to lower move-outs to own and our focus on maintaining strong retention throughout the portfolio transition to Elme management.

Our geographic expansion strategy has yielded solid results thus far and our Atlanta communities are contributing very good growth. Revenue for our same-store Atlanta portfolio increased 15% year-to-date compared to prior year period and NOI grew 24%. Occupancy for our entire Atlanta portfolio averaged 94.2% during the second quarter, 120 basis points above the market average due to our focus on driving occupancy.

Same-store multifamily revenue increased 9.6% in the second quarter compared to the prior year, comprised of approximately 9.5% growth from our DC Metro portfolio and over 12% growth from our Atlanta portfolio.

Our current rent levels translate to rental growth of approximately 5.6% year-over-year which represents 90% of the rental rate growth we need to achieve the midpoint of our guidance.

Turning to renovations, our price points provide the opportunity to offer like new interiors at several hundred dollars below the monthly costs of Class A apartments, which allows us to generate cash-on-cash renovation premiums in the mid-teens. We have completed over 141 renovations year-to-date at an average ROI of approximately 14%. This return does not include the market rent growth that we achieved.

By executing renovations on turn, we have the flexibility to increase or pull back the pace of renovations as revenue maximization opportunity shift. Given the very strong renewal rates we are seeing, we are strategically keeping turnover low and have, therefore, slowed down the pace of renovations as less homes have become available to renovate. While our total pipeline and value creation opportunity has not changed, we now expect to complete 300 to 350 renovations this year. With a 2,900-unit pipeline we have more than enough runway to drive renovation-led value creation over the next several years.

The rent-to-income ratio for new leases signed in the second quarter was in the mid-20s consistent with our historical average and the average income for those leases increased nearly 9% year-over-year as we continue to see that income growth is keeping up with the pace of rent growth in our markets. For the first time since early 2021, the affordability outlook is improving nationwide as middle-class wages grew faster than the rate of inflation in May and June.

Despite improving affordability, the cost of owning a home or living in recently built apartment communities remains unaffordable for mid-market renters in our markets. Near our communities, recent deliveries are priced $440 to $680 or 28% to 32% more than our rents. The cost of owning a home is even higher differential compared to our mid-market rent levels. In addition to the relative insulation provided by our price points, most of our communities are not located in the path of new supply next year. While at the market level, annual supply will peak for Washington, D.C. and Atlanta in 3Q 2024, over 40% of Elme's Communities are located in submarkets where supply is expected to peak this year.

Overall, as we look towards 2024 and beyond, we see favorable demand dynamics for our price points, supported by the financial health of our residents and improving outlook for wage growth versus inflation and the affordability of our rent levels for the deepest sector of the renter market.

With that, I'd like to turn the call over to Steve Freishtat, our CFO to discuss our transition to Elme management and balance sheet and guidance updates.

Steven Freishtat - Chief Financial Officer, Elme Communities

Thanks, Paul. I'll start by reiterating how pleased we are to have achieved our goal of having the full transition of community operations behind us by the end of July. Our focus on making this transition as seamless as possible to our residents, supported very strong resident retention and renewal rate growth throughout the onboarding process. Thanks to the extensive amount of planning and relationship building done by our teams, 93% of our community level staff chose to transition to Elme, which provided continuity for our residents during the transition.

With the transition behind us, our teams now have significantly more capacity to focus on driving operational improvements and leveraging our new technology to increase our profitability. These operational upside initiatives include smart home packages that will drive higher rents and reduce operating expenses, reducing vacant days by implementing revised scheduling, policy and process adjustments to manage our occupancy levels more effectively, fee income opportunities, cash management and expense initiatives and centralizing resident accounts management, which represents Phase 1 of our multiyear centralization initiative.

We estimate the additional FFO that we expect to generate from these initiatives above what we would have otherwise generated from 2023 through 2025 to be between $4.25 million and $4.75 million. Furthermore, we have the opportunity to drive additional upside by centralizing renewal negotiations, leasing and maintenance, and we look forward to providing more detail as we continue to make progress on our centralization plan.

Moving on to our balance sheet. We are well positioned with limited exposure to interest rates and no debt maturities until 2025 with options to extend our 2025 term loan maturity another two years. Our annualized second quarter net debt-to-EBITDA was 4.8x and we have over $680 million of availability on our line of credit as of quarter end. We are running below our targeted leverage level with about $100 million to $150 million of investment capacity. We will continue to evaluate acquisition opportunities in our target markets as owners come to terms with the reality of an ongoing higher interest rate environment and will pursue further acquisitions when they create additional value for shareholders.

Now turning to our outlook for the balance of the year. We lowered the top end of our core FFO guidance range to $0.96 to $1.00 per fully diluted share. As Paul mentioned, the reduction in our same-store and non-same-store multifamily NOI growth guidance ranges are the result of lower-than-expected new lease rate growth expectations for the year.

We have seen a sequential improvement in new lease rates in July and are seeing a favorable trend in August. Given our year-to-date growth achieved and the trends we are seeing heading into the Fall, we feel good about our ability to achieve high single-digit same-store NOI growth for the year.

We lowered our guidance for G&A by $750,000 at the midpoint, interest expense by $500,000 at the midpoint and reiterated our guidance for Watergate 600. Watergate is approximately 88% occupied, we have no remaining lease expirations this year and limited lease roll over the next few years. We continue to expect our core AFFO payout ratio for this year to be at or below our mid-70s target, and we are managing to an AFFO growth profile that should provide us with additional flexibility to grow the dividend over time.

And with that, I will now turn the call back to Paul.

Paul McDermott - President and Chief Executive Officer, Elme Communities

Thank you, Steve. To conclude, we remain on track to achieve very strong growth this year despite some friction related to our community onboarding process. The onboarding process is now complete and the execution risk related to transitioning our systems is behind us.

We have been doing all our pricing and asset management in-house since 2017. But for the first time, we have the team and technology in place to take our platform to the next level. 93% of our community teams transitioned from our third-party Managers to Elme. Our regional managers have over 20 years of experience in our markets and we have a new COO with an extensive background in residential asset management.

Given where we are today and the opportunity set ahead of us, we believe our value proposition is compelling, and we expect to earn a lower implied cap rate as we deliver the operational upside embedded in our platform.

And now operator, I'd like to open it up for questions.

Operator

Thank you very much. At this time, we are opening the floor for questions. Your first question is coming from Jamie Feldman from Wells Fargo. Jamie, your line is live.

Q: Great, thank you and good morning. I guess I know you gave some color on the guidance cut, but maybe if we could dig a little deeper. Can you just talk us through your initial guidance, your first guidance revision and this one, just in terms of what the process was to get the information and what you learned, what the process was that made you cut it again? Just so we have some clarity on -- is this the last time this will happen?

Steven Freishtat - Chief Financial Officer, Elme Communities

Yes, Jamie, this is Steve. And I'll kind of -- going back to the beginning of the year, the initial guidance, we spoke about. And we came out with our initial guidance back in September, reiterated in February. And saw more of a -- compared to where we are now, more demand in the Spring leasing season, allowing us to drive rental growth on new lease rates than we did. When we got to April, we didn't see that early Spring leasing season kind of kick in that would get us to the top end of our guidance. And so to be transparent, we adjusted our guidance in April to reflect that.

Now that we're sitting here on August 1st, we've seen the demand trends for how we've been able to do lease rates and be able to push new lease rates we felt it appropriate to adjust it according to what we're seeing in the market. According to what we're seeing in our July and August, which as we said in our scripted remarks, is trending better but still not compared -- not up to what we had seen or what we were needed in order to hit our initial guidance.

So this updated guidance, revised guidance kind of reflects what we're seeing in the market, what we're seeing through August and even having -- getting to see September some early lease information there as well.

As far as how we feel about the guidance, we mentioned also in the prepared remarks that 90% of our rental rate growth is locked in at the end of June. I mentioned being able to see lease rates now through August and September, the onboarding process is now complete and behind us. So the risks related to that. We've put that behind us and the impact on leasing, we'll see a little bit of that in Q3 with the most recent onboardings, but should have that behind us here very quickly.

On the expense side, that's been pretty constant for us that we see expenses pretty stable at this point in time for the year. So we feel pretty good about where we are in our ability to meet this revised guidance.

Q: Okay. And just to confirm, how much of the change is due to kind of bad information because pre-internalization and how much of it is purely fundamentals? It sounds like it's mostly fundamentals from your answer. I just want to confirm that?

Steven Freishtat - Chief Financial Officer, Elme Communities

Yes. I mean we've looked into it. It's hard to quantify, which of it is kind of the market growth versus the friction from onboarding. So it's both happened during -- at the same time during the spring leasing season. We certainly felt the impact of both. With the transition behind us, as I said, we're now poised to drive growth with everything under our Elme management. And our revised guidance reflects the more modest expectations for new lease rates kind of trending throughout the rest of the year.

Q: Okay. And then what are your assumptions on rent growth in the third quarter and fourth quarter?

Steven Freishtat - Chief Financial Officer, Elme Communities

Yes. So looking at as far as our renewals and new lease rate growth, when we talk about renewals, it's really the renewals have stayed in line with how we saw them coming into the year that high single-digits at the beginning of the year, by the middle of the year mid single-digits and really trending down to the lower single-digits towards the end of the year. And that's really been following that pattern. As far as new lease rate growth, we've seen now July and August tick up a bit from where the new lease rate growth has been around 1%, 1.5%. But we've got it then kind of coming down towards the end of the year and finishing the year just above flat.

Q: And do you think supply has an impact on that moderation?

Grant Montgomery - Vice President, Research, Elme Communities

So we definitely think that supply is having effect on the overall market performance. But as we've messaged for a while, we've remained really disciplined in deploying our capital and really looking to stay below 95% of market median rents on the capital we have put out, and we do think that's blunting the most direct impacts of new supply. But we have seen that the share of product that's in lease-up or that is delivered since 2021, that's below that 95% threshold has increased this year from around 3% to around 12%.

But even so, when you look at the submarkets immediately surrounding our properties, there's still a significant gap. So for Washington, that gap is around $450 or 24% versus Class A product. And in Atlanta, that's around $470 or 30%. So we really don't see a lot of cross shopping on our product within our Class B resident base.

Q: Okay. And then just one more for me. You cut your G&A guidance. How does that impact your ability to grow the platform? I think in the past, you said you can expand by 80% without adding more G&A. Does that lower that number?

Steven Freishtat - Chief Financial Officer, Elme Communities

No, Jamie, I think that our movement in guidance this quarter for G&A is more impactful to just 2023 and not really ongoing that what we've said before about the ability to nearly double the unit count of the company and keep G&A materially still the same, still applies here that we're still focused on growing the company and this guidance adjustment hasn't changed that.

Q: Okay. So can I assume from your answer that it ramps back up in '24, if it's just a ‘23 G&A cut?

Steven Freishtat - Chief Financial Officer, Elme Communities

We are not giving '24 guidance right now, but like I said, the impact that we just adjusted for this quarter for G&A is related primarily just to '23.

Q: What exactly is the cut?

Steven Freishtat - Chief Financial Officer, Elme Communities

It's just a compensation adjustment for '23.

Q: Okay. All right. Thank you.

Operator

Thank you very much. Our next question is coming from Alan Peterson from Green Street. Alan, your line is live.

Q: Hey guys, thanks for the time. Steve, within the NOI guidance change, I appreciate the comments on expenses. Is the 6% to 6.5% expense range that you shared last quarter, is that still intact? Or is there any idiosyncratic headwinds or tailwinds to expense growth this year that you're not expecting to repeat?

Steven Freishtat - Chief Financial Officer, Elme Communities

No. Alan, I think the 6% to 6.5% still applies. That's where we're forecasting expenses to finish out the end of the year. Maybe there's some slight movements within some of those line items. But overall, that 6% to 6.5% still applies.

Q: Understood. And then maybe as you guys are setting out renewals today, I appreciate the comments on 5% renewals in July and August. Can you give us a sense of where renewals are being sent out within September and October renewal negotiations?

Steven Freishtat - Chief Financial Officer, Elme Communities

Yes, we're still sending them out at 5% to 6%. We are seeing some negotiating. So that number could come down from what we're sending it out at. But again, like I said, we're really still seeing renewals trending in line with what we expected. As the year progressed and still seeing it trending down to the low single-digits by the end of the year.

Q: Understood. And then as you guys round out the summer leasing season here, are you guys offering concessions across any of your properties on any specific floor plans or any specific communities?

Steven Freishtat - Chief Financial Officer, Elme Communities

Yes, Alan. So concessions overall remain low. However, we are seeing a slight uptick in the concessionary environment in some of our submarkets, that we're needing to do that in order to maintain our favorable occupancy trend. But year-to-date, we're seeing concessions on about 11% of leases. When you look at across all new leases, that concession is less than half a week.

Q: I appreciate that. And last one for me, maybe for Paul. I know that there's an asset right now that's being marketed some media outlets reported on the office market on Eye Street being now marketed at a low double-digit nominal cap rate. I understand that Watergate 600 has a better WALT and better occupancy today. But could we see a scenario where Watergate 600 could be marketed if it were to be today at a double-digit nominal cap rate versus inside 10%?

Paul McDermott - President and Chief Executive Officer, Elme Communities

Alan, I know the asset, I think I would say that that is really an apples and oranges comparison in terms of asset quality, location, the amount of CapEx that we've put back into our building. And as you highlighted, a different WALT structure. And also, I would add a different credit profile with ours probably being superior to that. That is a bank-led note auction, which should say a lot about those cap rates we continue to see. And quite frankly, the only fact pattern we do have here in Washington, D.C. has really been driven by bank auctions and note auctions at significant discounts.

I don't think there is a comparison between the Watergate and the asset on Eye Street that you're referencing. Obviously, we'll have to wait and see. Number one, if that asset even clears the market. And number two, we will take that information and probably interpolate the cap rate. But beyond that, it's really just speculation at this point, Alan.

Q: I appreciate the time guys. Thanks.

Operator

Thank you very much. Your next question is coming from Tony Paolone from JPMorgan. Tony, your line is live.

Q: Hey guys, you have Nahom on the line for Tony this morning. I guess, firstly, congratulations to Tiffany on joining the Elme team as COO. Just curious if you could speak to any near-term focus as you guys will have on the operations front.

Tiffany Butcher - Chief Operating Officer, Elme Communities

Sure. I'd be more than happy to speak to that. I think a lot of the things that we were focusing on and we'll be focusing on going forward were outlined in our prepared remarks and in our slides, but we're obviously focused on finishing the year strong from an operations standpoint from both rent and occupancy and that we're very excited. Now that we have the Elme management in place to be able to start driving our operational upside. So we're really going to be focusing on ways to bring down our average days occupancy through changes to our policies and procedures and how we're addressing move-outs, which we think will be a very strong help as we move into 2024.

We're also focusing on our smart home technology rolling that out, which obviously will help drive revenue and also help on the expense side with some of the leak detectors and some of the other smart thermostats that are part of that rollout. We're also testing managed Wi-Fi at one of our communities, which is a fee income opportunity. So there's lots of operational upside that we're working on right now that we're very excited about. It is part of that $4.25 million to $4.75 million that Steve talked about in his remarks.

Q: Got it. And I guess one more just for me. Maybe on the transaction market. You guys have been -- I guess, like guidance has been for acquisitions to be paused for the rest of the year, but I'm kind of curious with what you guys are seeing in terms of cap rates in the market? Maybe if you could break it down just from like the Washington, D.C. area and then Atlanta?

Paul McDermott - President and Chief Executive Officer, Elme Communities

Not a lot of movement. We haven't seen a tremendous amount of movement since our remarks in the first quarter. I would say, however, that of the brokers and even some of the operators we've screened both in D.C. and in Atlanta, we believe that we're going to see more product in September and towards the end of the year.

Two of the brokers had commented that their BOV activity had doubled over the last 30 days. I think just in terms of cap rates, kind of the Class A value add. We've seen trade in the low 4s, and others -- other Class As kind of in that 4.5% to 4.75% range. Class B, I would go 25 to 50 bps on top of that. The going-in yields have been fairly consistent, but where we're seeing the higher cap rate trends or lower growth kind of those outside markets. But again, that's going to vary submarket-by-submarket and by vintage.

When we look at the folks, because as we've said, we have stayed in the game. We track every deal that's out there. Our observation would be that the sellers probably 80% of those sellers are institutional. We're seeing more and more closed-end fund activity or folks trying to fund another part of their business, in particular, funding a redemption queue.

On the buy side, we've seen kind of 80% of that be private and with financing contingencies. And I'd say of that private, that's really made up of high net worth private syndicators, family offices, 1031s. And the sweet spot we would observe in the marketplace right now, just appears to be that $40 million to $60 million deal, maybe even as high as $75 million, and those are candidly commanding kind of a scarcity premium right now, but it looks like kind of the line in the sand is $100 million or over I mean we would also observe that that kind of $100 million to $120 million, all cash really seems to be where the opportunity is. And that's really because number one, no financing contingency, offering certainty of execution being a cash buyer. And those large syndicators really cannot syndicate that big at equity component quick enough.

The lender market, we're definitely seeing getting a little bit more aggressive, lenders are really scrubbing current cash flows as we would expect them to and adjusting for taxes and insurance. Fannie and Freddie are really not beating the market right now. I mean they're really emphasizing mission driven aspects of higher quality and affordable components. And we've seen the debt funds really step up three year deals in that 7% to 7.25% range. But a lot of the deals with the private folks were seeing people either buying down rate or trying to get more proceeds pushing for that higher LTV. But interestingly, those 7% to 18% IRRs, we're quickly seeing turn into 12% to 13%.

Operator

Thank you very much. Your next question is coming from Michael Gorman from BTIG. Michael your line is live.

Q: Yes, thanks. Good morning. Maybe if you could just kind of synthesize a few different things here. Paul, it sounds like you're starting to see some movement on the transaction side, which is obviously a potential positive as we get into the back half of the year. As you think about that, especially some of the potentially larger transactions where maybe you have a competitive advantage. Obviously, there's some capacity on the balance sheet side. But as you think about the cost of equity versus the potential proceeds from a sale of Watergate even in a challenged market. How do you balance that out if you found a transaction where you needed some more equity funding. How do you think about the current value of the stock versus selling out of the Watergate?

Paul McDermott - President and Chief Executive Officer, Elme Communities

Well, let me start off with just that entering cap rate, and then Steve can maybe talk about what we would look at in terms of funding sources or potentially other sources of equity. I think the first thing to say is like we don't just look at what the going in cap rate is. We're investing for the long-term, and our strategy has always been targeting the deepest and most underserved renter cohorts in some markets where we have high exposure to industries that will benefit from job and productivity growth. And we've seen cap rates, Michael, just in the last several months where you might be going into -- in a mid 5% up to 5%, but you're quickly above a 6% in the first nine to 12 months.

And even as I think as we talked about with some of our investors at NAREIT, we're not kind of running the company on a quarter-by-quarter basis. But if we see a value creation opportunity and there's some low-hanging fruit. I mean just as recent as last month, we looked at an asset that did not have a daily pricing model where we knew we could actually move the cap rate above -- over 6% in the first nine months. Those are assets that we feel bear go through the underwriting process and see if there's an opportunity to accelerate that.

But we are trying to create long-term value for our shareholders here. And just in our observations when I talked about the transaction market, because we do have that capacity and it appears that those deals over $100 million, the herd is really thinned out, both from buyers and lenders. It's an opportunity that we think we would like to capitalize on, but we have to find the right transaction that fits the box. And Steve, maybe you could talk about sources.

Steven Freishtat - Chief Financial Officer, Elme Communities

Yes, I'll talk about the balance sheet and kind of where we get sources from, Mike. So as you mentioned, the first is our balance sheet, we're running below our targeted leverage level. So we can, of course, draw on that $680 million availability on our line. So we can certainly go there. You mentioned the equity markets. Obviously, the capital markets have been disrupted for a while. Our focus, as Tiffany pointed out, is executing on our plan for '23 and taking advantage of the upside that we have in front of us to be able to take -- to be able to bring down the implied cap rate and be able to get equity to -- right now, it doesn't pencil out, but maybe to in the future, get something where it might pencil out.

You mentioned Watergate, but we also have other assets in the D.C. area, where maybe some of our multifamily assets are lower growth or maybe have a CapEx need that we could look to recycle out of. And that could be a source of capital as well as we look to go into higher growth assets in the Sunbelt. We've always said that we use the right capital for each opportunity, and that's not going to change going forward as we find opportunities that Paul discussed, we'll look to each of these sources and pick the one that makes sense.

Q: Okay. Thank you.

Operator

Thank you very much. We appear to have reached the end of our Q&A session. I'd now like to turn the floor back over to the management for any closing comments.

Paul McDermott - President and Chief Executive Officer, Elme Communities

Thank you. Again, I would like to thank everyone for your time and interest today, and we look forward to speaking with many of you over the next several weeks. Please enjoy the rest of your summer. Thank you.

Operator

Thank you very much. This does conclude today's call.