NMHC National Multi Housing Council®
Apartments: Smart Communities, Smarter Living

MEMORANDUM

TO: NMHC Members

FROM: Mark Obrinsky

RE: Update on Research Activities

DATE: March 30, 2013

Below are the highlights of NMHC research activities since January 2013.

- The 24th annual NMHC Top 50 Apartment Owners and Managers will be published in April by *National Real Estate Investor* magazine. The summary report that accompanies the rankings (*"Strong Apartment Demand Drives Top Firms' Performance"*) discusses the strong apartment market even in an environment characterized by a still-weak job market and uncertain political and economic forces. Boston Capital remains atop the NMHC 50 owners list, and Hunt Companies jumped five places from last year to number two. Greystar Real Estate Partners LLC also retained its #1 position on the NMHC 50 managers list. The survey – which for the fourth straight year was handled by Kingsley Associates for NMHC – documents the increasing influence of foreign capital on the multifamily market. Additional sidebar articles focus on the divergent strategies in terms of portfolio strategies among the owner and manager firms, as well as the increasing production of new units by apartment firms last year. Complete rankings and analysis can be found on the NMHC website at: www.nmhc.org/goto/2013top50.

- In the aftermath of the Great Recession – and a 50-year low in new construction – apartment development has begun to ramp up. The resulting increase in supply has reduced the number of vacant apartments. Now the key question is whether there remains excess apartment inventory – and if so, how large it is. Public data sources are too limited to provide a clear answer. Nonetheless, there are strong reasons to conclude that there is little or no excess vacant inventory of apartments. For more information, see *Research Notes for* March 2013 at: www.nmhc.org/goto/61124.

- The state of the apartment market was mixed in the fourth quarter of 2012. Sales volume decreased to $26.3 billion, a 1.2 percent decline from the third quarter. For the year, however, transaction volume rose to $84.6 billion, the most since 2007. Apartment returns remained strong, posting total returns of 11.2 percent on an unlevered basis, 150 basis points higher than the average for the previous 20 years. Apartments continued last year's trend of outperforming the office (9.5 percent), industrial (10.7 percent), and hotel (8.2 percent) sectors, but unlike last year, came in just below retail (11.6 percent). Multifamily completions fell, but with starts continuing to ramp up, completions should rise in coming quarters. Multifamily net absorptions decreased by 41,288, but were roughly in line with normal seasonal falloff in leasing activity. Apartment rents as tracked by MPF Research rose at a

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moderate pace; rents rose by 3.0 percent year over year, and were up by similar amounts in all four regions. For more information, see February's *Market Trends* at: www.nmhc.org/goto/61092.

- "The Trillion Dollar Apartment Industry", featuring research and analysis by Dr. Stephen Fuller of George Mason University, was released in February. According to the report, the combined spending by the apartment industry and its 35 million residents generated an economic contribution of $1.1 trillion to the national economy and supported 25.4 million jobs in 2011. The vast majority of that contribution is from resident spending, which contributed $885.2 billion to the economy, followed by $182.6 billion from existing apartment operations, and $42.5 billion from apartment construction. The full report is available here: http://www.nmhc.org/files/ContentFiles/General/FullerReportFinal.pdf. In addition, data for all 50 states and for 12 metropolitan areas are available at www.weareapartments.org.

- Trends were mixed in the January *Quarterly Survey of Apartment Market Conditions*. For the first time since 2010, two of the four indexes dipped below 50, though just barely – the Market Tightness Index, which came in at 45, and the Sales Volume Index (49). The Equity Financing Index remained unchanged at 56, marking the fourteenth straight quarter where the index was above 50. The Debt Financing Index edged down from 65 to 57; that was still the eighth straight quarter it was above 50, indicating improvement. Slightly less than half of respondents (43 percent) reported constrained acquisition, development, and construction capital availability in secondary and tertiary markets, but widely available capital in primary markets. Only 12 percent of respondents thought construction capital was widely available for all types of apartment properties in all markets, and 28 percent of respondents thought acquisition and development capital was widely available. Full survey results are posted at: www.nmhc.org/goto/QuarterlySurvey.

- For a full overview of NMHC research see the NMHC web site at: www.nmhc.org/goto/5983.