Multifamily Market Outlook

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Multifamily Mortgage Business

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“I hope we can flip it before the tide comes in.”

Source: The New Yorker
Real Estate Fundamentals: Demographics Favorable

Demographics are in Multifamily’s favor over the long-term, especially in the younger aged cohort...

Source: U.S. Census, Fannie Mae
Real Estate Fundamentals: Demographics Favorable

...and even though there are more 1-4 unit rentals than 5+ unit rentals...

U.S. Renter Occupied Stock by Structure

Source: Census Bureau

* Other includes manufactured/mobile homes, boats, RVs, vans etc.
Real Estate Fundamentals: Demographics Favorable

...younger renters tend to prefer renting multifamily (but they also like renting single-family homes).

**Single-Family and Multifamily Occupied Dwellings**

Cohort Structure/Tenure Share

- **SF Own**
- **SF Rent**
- **MF Own**
- **MF Rent**

**Source:** MBA
Real Estate Fundamentals: Continued Demand

National estimated multifamily vacancy rates are at their trough...

Estimated National Rent Level and Vacancy Rate

Source: Fannie Mae Multifamily Economics and Market Research Estimates
Real Estate Fundamentals: Rental Demand Stable

...with all classes seeing robust rent growth...

National Effective Rent Growth by Class

Source: Axiometrics
Real Estate Fundamentals: Rental Demand Stable

...bringing concession rates to their all-time lows.

National Concession Rate

Source: Axiometrics
“He’s renting one of the new micro-units up on the 6th floor.”

Source: The New Yorker
Real Estate Fundamentals: Supply and Demand

Multifamily starts are now ahead of historically average levels...

Multifamily (5+ units) Starts
(3 month moving average)

Source: U.S. Department of Commerce, Bureau of the Census, per Haver Analytics DLX
Real Estate Fundamentals: Supply and Demand

…and the number of multifamily projects due this year is rising…

National Condo and Apartment Completions and Units Underway

Source: CBRE-EA/Dodge Pipeline, July 2015

* Anticipated completion date

NOTE: Pipeline data is not an actual forecast of activity, it is a monitor of activity reported on to-date. As more projects are planned and tracked, figures in future periods might go up.
Real Estate Fundamentals: Supply and Demand

…but much of the completions coming online soon are concentrated in about 12 metros…

Source: CBRE-EA/Dodge Pipeline, July 2015 – Metros with 2,000 or more units underway

NOTE: Pipeline data is not an actual forecast of activity, it is a monitor of activity reported on to-date. As more projects are planned and tracked, figures in future periods might go up.
Real Estate Fundamentals: Supply and Demand

...some of which may see job growth slow down over the next two years.

Change in Employment – Select Metros

- Phoenix
- Orlando
- Jacksonville
- Las Vegas
- Atlanta
- Miami
- Dallas
- Seattle
- Austin
- Denver
- Houston
- Salt Lake City
- **United States**
- Boston
- New York
- Washington

Source: Moody’s Analytics, 2Q2015
Real Estate Fundamentals: Multifamily Investment

Manhattan

Apartments and Condos Underway
(152 projects/30,812 Units/20.8M SF)

Source: CBRE-EA/Dodge Pipeline, July 2015

Brooklyn

Apartments and Condos Underway
(399 projects/20,664 Units/22.8M SF)

NOTE: Pipeline data is not an actual forecast of activity, it is a monitor of activity reported on to-date. As more projects are planned and tracked, figures in future periods might go up.
**Real Estate Fundamentals: Multifamily Investment**

**Washington, DC Metro Area – New Construction: Bidding/Underway**

166 projects/33,500 Units/49.2 M SF

<table>
<thead>
<tr>
<th>CBRE-EA Submarket</th>
<th>Number of Projects</th>
<th>Total Sq Ft (000's)</th>
<th>Total Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anacostia/Northeast DC</td>
<td>15</td>
<td>3324</td>
<td>2988</td>
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<tr>
<td>Bethesda/Chevy Chase</td>
<td>7</td>
<td>1818</td>
<td>1054</td>
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<td>Brookland/Ft. Totten</td>
<td>6</td>
<td>1906</td>
<td>1059</td>
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<tr>
<td>Capitol Hill/Southwest</td>
<td>10</td>
<td>2696</td>
<td>2892</td>
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<tr>
<td>Charles County</td>
<td>2</td>
<td>826</td>
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<td>College Park/Greenbelt</td>
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<td>1980</td>
<td>1545</td>
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<tr>
<td>Columbia Pike/Shirlington</td>
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<tr>
<td>District Heights</td>
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<tr>
<td>Downtowner/Logan Circle</td>
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<td>417</td>
<td>436</td>
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<tr>
<td>Dupont Circle/Adams Morgan</td>
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<td>1918</td>
<td>1393</td>
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<tr>
<td>Falls Church/Annandale</td>
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<td>510</td>
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<tr>
<td>Foggy Bottom</td>
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<tr>
<td>Frederick County</td>
<td>11</td>
<td>1961</td>
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<tr>
<td>Fredericksburg City</td>
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<tr>
<td>Gaithersburg/Germantown</td>
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<tr>
<td>How ard U./Mt. Pleasant/Brigh</td>
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<td>911</td>
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<td>Landover</td>
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<td>Laurel</td>
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<th>Total Sq Ft (000's)</th>
<th>Total Units</th>
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<tbody>
<tr>
<td>Loudoun County</td>
<td>12</td>
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<tr>
<td>Montgomery County/Other</td>
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<td>932</td>
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<tr>
<td>NE Alexandria/Glebe Road</td>
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<td>106</td>
<td>78</td>
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<tr>
<td>Old Town</td>
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<td>1700</td>
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<td>Pentagon City/Crystal City</td>
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<td>1671</td>
<td>1308</td>
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<td>Prince George's County</td>
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<td>4177</td>
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<td>Rosslyn/Ballston</td>
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<td>2206</td>
<td>1769</td>
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<tr>
<td>SE Fairfax County</td>
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<td>365</td>
<td>360</td>
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<tr>
<td>Seminary Road/Landmark</td>
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<td>702</td>
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<td>Spotsylvania County</td>
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<tr>
<td>Stafford County</td>
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<tr>
<td>Tysons Corner/Fairfax City</td>
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<td>2061</td>
<td>1641</td>
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<tr>
<td>Western Fairfax County</td>
<td>6</td>
<td>1934</td>
<td>1372</td>
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<tr>
<td>Woodley Pk./Cleveland Pk./Van Nis</td>
<td>2</td>
<td>590</td>
<td>532</td>
</tr>
</tbody>
</table>

Source: CBRE-EA Dodge Pipeline – August 13, 2015

NOTE: Pipeline data is not an actual forecast of activity, it is a monitor of activity reported on to-date. As more projects are planned and tracked, figures in future periods might go up.
Cap rate spreads have stayed wide...

Source: Real Capital Analytics, and Federal Reserve, Selected Interest Rates H.15, per Haver Analytics DLX
Real Estate Fundamentals: Multifamily Investment

...as investors have increasingly turned to buying existing apartment buildings.

Source: Real Capital Analytics – Note: Chart excludes $22B Tishman-Speyer transaction in October 2007
And remember:

Thank You!

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