

July 2011

units

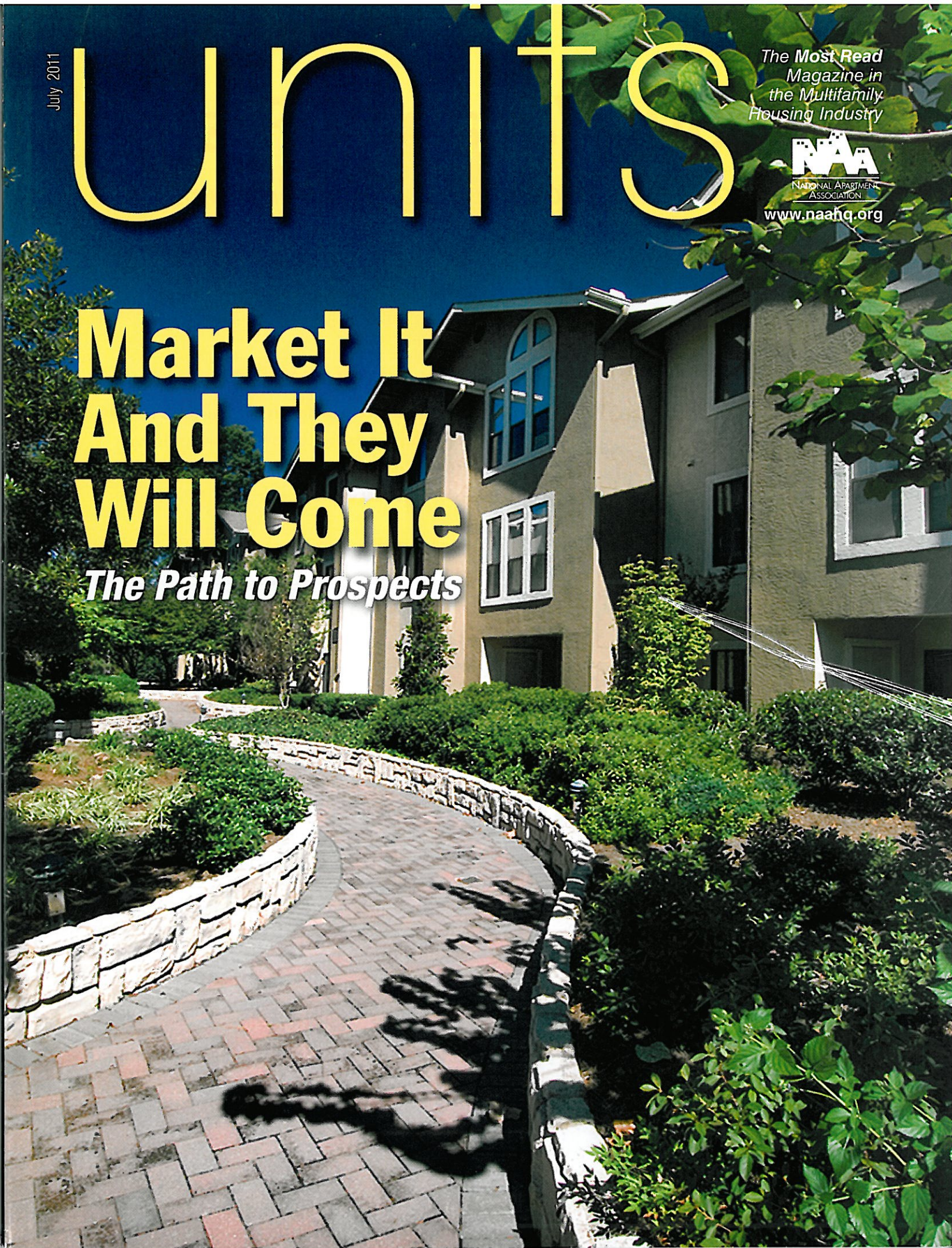
The Most Read
Magazine in
the Multifamily
Housing Industry



www.naahq.org

Market It And They Will Come

The Path to Prospects



Report: U.S. Apartment Market to Strengthen Over Next Two Years



Clearbrooke Apartments, Burton Carol Management LLC, Brunswick, Ohio, is in a thriving Cleveland submarket. Cleveland had one of the biggest moves up Axiometrics' list.

“Some markets, though still experiencing solid increases in effective rents, have slowed down a bit, but overall the trend is onward and upward. Also, we may be seeing that other regions, which so far had not experienced strong growth in occupancy and rents, are now joining the party too.”

*Ron Johnsey
President
Axiometrics Inc.*

THE NEXT TWO YEARS will be even stronger for the multifamily housing industry, according to a recent report based on April information from Axiometrics, a provider of data and analysis on the multifamily housing sector.

The report indicates that the U.S. apartment market is poised to deliver outstanding returns for owners and operators over the next 20 months as effective rent growth and occupancy rates remain at near-record highs. As a result, most residents—especially in booming markets—are likely to find their wallets lightened by the rising rental rates.

“After what we had seen in the first quarter of this year, our April numbers sound a bit like a broken record—effective rents and occupancy rates continue to grow,” said Ron Johnsey, President of Axiometrics Inc. “Some markets, though still experiencing solid increases in effective rents, have slowed down a bit, but overall the trend is onward and upward. Also, we may be seeing that other regions, which so far had not experienced strong growth in occupancy and rents, are now joining the party too.”

Effective Rents. Nationally, effective rents increased 0.68 percent between March and April 2011. Year-to-date effective rent growth of 2.45 percent outpaced 2010’s rate of 1.96 percent. While still quite strong, annual effective rent growth declined ever so slightly, from 5.02 percent in March to 4.96 percent in April.

Rankings for annual rent growth showed that since the end of 2010 there has been a bit of a change in the top performing markets. Specifically, Cleveland had one of the biggest moves up the list, with growth improving from 3.88 percent in December to 6.25 percent in April. In addition, markets such as Houston and Orange County have also moved up in the rankings, though their overall growth is still less than the national average.

Several markets, while still growing, have slowed a bit and dropped out of the top 10 markets overall for annual effective rent growth. Such markets include Raleigh, N.C.; Nashville; Washington, D.C., metro market; and Tacoma, Wash.

Occupancy Rates and Concession Values. The national occupancy rate increased for the 11th time in the past 15 months. Specifically, the rate grew 33 basis points (bp), from 93.48 percent in March to 93.81 percent in April. In addition, the 61 bp growth the past two months was the best stretch since last April/May of 2010, when occupancy improved by a combined 65 bp. Overall, 10 markets had an occupancy rate of 96 percent or higher in April, five of which were in Northern California and New York.

Concession value declined nationally from 4.39 percent in March to 4.05 percent in April (a value of 8.33 percent is the equivalent of one month free rent on a 12-month lease). The last time there was a lower concession value at the national level was September 2008 (3.80 percent).