

Apartment Markets Remain Strong

by the National Multi-Housing Council

WASHINGTON, DC – Consumer demand for apartments grew for the 15th consecutive quarter according to the National Multi Housing Council’s (NMHC) April 2007 Quarterly Survey of Apartment Market Conditions. The sector’s strong conditions continue to attract equity investors with the availability of equity capital for apartments also rising for the 15th consecutive quarter.

“The apartment markets continue to enjoy largely favorable conditions,” noted NMHC Chief Economist Mark Obrinsky. “Although both owners and managers are well aware of the ‘shadow rental market’—condos and single-family homes originally intended for sale but being rented out instead—any supply spillover from the for-sale market has so far not exceeded the growing demand for apartment residences.”

One-third of respondents said that occupancy rates and/or rents rose during the first quarter of the year. As a result, the survey’s **Market Tightness Index** edged up slightly to 56. (For all four of the survey indexes, a reading above 50 indicates that, on balance, conditions are improving; a reading below 50 indicates that conditions are worsening; and a reading of 50 indicates that conditions are unchanged.) In most markets, conditions were largely unchanged according to 43 percent of respondents.

The long-term demographics favoring rental housing—namely the coming of age of the echo boomers and strong immigration level—make the sector a favorite among equity investors. Although the **Equity Financing Index** fell slightly to 53 from 56 in the last quarter, it was still the 15th straight over-50 reading. Equity capital for investment in apartments remains widely available as evidenced by the 71 percent of respondents who considered conditions unchanged compared to three months earlier.

A slight drop in the **Debt Financing Index** (to 54 in April from 56 in January) suggests that lenders may be tightening credit terms since interest rates are a bit lower than they were three months ago. Even so, only eight percent of respondents regarded debt finance conditions as worse now than three months earlier; the vast majority (70 percent) thought conditions were unchanged.

The one index that remains below 50 is the **Sales Volume Index**, which slipped to 38 from 41 in January and is the sixth straight sub-50 reading. With sales of apartment properties to condo converters essentially out of the picture now, the sub-50 reading suggests some modest slowing in sales to apartment buyers. Nevertheless, the share of respondents who noted higher sales compared with three months earlier grew slightly, to 13 percent in April from 10 percent in January.

Full survey results are posted at www.nmhc.org/Content/ServeContent.cfm?ContentItemID=4336. Note: The April 2007 quarterly survey was conducted April 23-30, 2007. Seventy-nine CEOs and other senior executives of apartment-related firms nationwide who serve on NMHC’s Board of Directors or Advisory Committee responded. The January 2007 quarterly survey was conducted January 22-29, 2007; 90 responded.

Based in Washington, DC, NMHC is a national association representing the interests of the larger and most prominent apartment firms in the U.S. NMHC's members are the principal officers of firms engaged in all aspects of the apartment industry, including owners, developers, managers and financiers. Nearly one-third of Americans rent their housing, and almost 14 percent live in a rental apartment. For more information, contact NMHC at 202/974-2300, e-mail the Council at info@nmhc.org, or visit NMHC's web site at www.nmhc.org.