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Contact: Michael Tucker
(202) 974-2360
mtucker@nmhc.org
www.nmhc.org/Content/PressRoom/

ALL RESIDENTIAL REAL ESTATE IS NOT EQUAL: APARTMENT SECTOR THRIVES AMIDST
SINGLE-FAMILY DOWNTURN

WASHINGTON, DC - Not all residential real estate is equal, according to the National Multi Housing Council's (NMHC) latest Market Trends report. In stark contrast to the single-family residential sector, which is suffering from its worst downturn since the Great Depression and a 10-month backlog of supply, conditions in the apartment sector remains strong.

"Apartment owners exercised great restraint during the housing boom," noted NMHC Chief Economist Mark Obrinsky. "As a result, they have escaped the oversupply problems plaguing the single-family sector."

Last year, the number of renters in professionally managed apartments increased by the largest amount since 2000. In fact, the increase was as large as that for the previous five years combined. Prior to that, between 2004 and 2006, 1.2 million households joined the ranks of renters, more than making up for the loss in renter households sustained from 2002 to 2004.

"While the so-called 'shadow' rental market (unsold houses and condos that have left the for-sale market to enter the rental market) may attract some apartment renters," noted Obrinsky, "thus far, the lowest homeownership rate in almost seven years seems to have increased demand for apartment residences, especially professionally managed apartments."

The number of renters nationwide is projected to increase by almost four million households over the next 10 years, with half of those households likely to rent apartments. To meet that demand, the nation needs to produce at least 250,000 new apartment residences each year. Yet apartment completions have averaged just two-thirds of that in recent years. Last year, both starts and completions of all multifamily units (both condos and rental apartments) fell to their lowest levels since 1996 and 1997, respectively.

"By all measures, new apartment supply clearly remains in check," said Obrinsky. "Thanks to those solid fundamentals, rents continue to show modest increases even as single-family house prices continue to fall."

Rents for professionally managed apartments tracked by M/PF YieldStar rose by 3.5 percent in the fourth quarter of 2007, a pickup from the 2.9 percent increase of the previous two quarters. Apartment vacancy rates have changed little over the last five quarters and are at exactly the same level as a year ago.

"Apartments continue to be an investor favorite," said Obrinsky. "And rightly so. 'Real' returns (that is, returns over and above the rate of inflation) to privately held apartments have averaged almost 11 percent over the last five years."

"The outlook for the apartment industry going forward is very strong," said Obrinsky. "The long-term demographics are quite favorable for rental housing. The nation's 75 million echo boomers are already entering the housing market, and most begin as renters. Strong immigration levels add even more demand for rental housing."

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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 more than 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.

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The National Multi Housing Council, 1850 M Street, NW, Suite 540, Washington, DC 20036.
202/974-2300 www.nmhc.org