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Just Announced: Save the Date for the 2009 NAA Green Conference & Exposition (April 27-29, 2009 ~ Phoenix, AZ)

Top Story



Time Warner Cable Community Solutions has proven success partnering with MDU owners, providing quality voice/video/data products to their residents.

The Industry Insider, a weekly e-newsletter from the National Apartment Association (NAA), is your source for apartment industry news and information. This is a free benefit of your membership with NAA.

The National Apartment Association (NAA) is America's leading advocate for quality rental housing. NAA's mission is to serve the interests of multifamily housing owners, managers, developers and suppliers and maintain a high level of professionalism in the multifamily housing industry to better serve the rental housing needs of the public.

For more information on NAA and *The Industry Insider*, contact:

National Apartment Association
4300 Wilson Blvd.,
Suite 400
Arlington, VA 22203
703/ 518-6141
membership@naahq.org

U.S. Seizes Control of Mortgage Giants

Digested From "U.S. Seizes Control of Mortgage Giants"

Washington Post (09/08/08) P. A1; by Neil Irwin; Zachary A. Goldfarb

The federal bailout of Fannie Mae and Freddie Mac is official and involves putting the companies under conservatorship and placing the Federal Housing Finance Agency in charge of their operations and appointment of senior managers. The government has dismissed Fannie Mae and Freddie Mac's CEOs--who will, however, assist in the transition--and will provide capital, if necessary. The plan also calls for a cut in the stake of current shareholders to 20 percent from 100 percent. It additionally will require an increase in mortgage funding by Fannie Mae and Freddie Mac through the end of next year to stabilize the housing market; however, mortgage volume will be reduced 10 percent annually for a decade beginning in 2010 to reduce risks to the overall financial system. The companies--which will no longer be allowed to lobby or engage in other political activities--will be restructured by Congress before 2010.

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Industry News



IRES offers property management software solutions. Its world-class offerings provide clients flexibility, transparency and a competitive advantage.

Apartment REITs Seen at a Crossroads

Digested From "Apartment REITs Seen at a Crossroads"

Investment News (09/08/08) by Janet Morrissey

Apartment REITs have been on a hot streak since the first of the year, cashing in on a troubled housing market that has kept many would-be homeowners on the sidelines as apartment residents. At the same time, steady access to cheap debt from Fannie Mae and Freddie Mac has provided a buffer to apartment REITs from the deepening credit crunch. However, some troubling signs have been appearing lately in the form of surging commodity prices, increasing joblessness, and widening spreads on government-sponsored enterprise debt--all of which have begun to have a negative impact on some apartment REITs, making it more difficult for them to raise monthly rents or access cash for new developments to maintain growth. At the same time, falling home prices coupled with rising foreclosures could begin to make buying a home increasingly attractive again--which would almost certainly hurt apartment rents and occupancy levels in various areas. (EDITOR'S NOTE: Operations of Fannie Mae and Freddie Mac have been taken over by the U.S. government as of Sept. 8 and placed in a conservatorship since this article was published.)

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AvalonBay Forms \$950 Million Apartment Fund

Digested From "AvalonBay Forms \$950M Apartment Fund "

Commercial Property News (09/04/08) by Barbra Murray

AvalonBay Communities Inc. has announced the creation of a new fund that will focus on the acquisition and management of apartment communities in high barrier-to-entry markets throughout the Northeast, Mid-Atlantic, Midwest, and on the West Coast. Dubbed AvalonBay Value Added Fund II L.P., this private discretionary investment vehicle has a total \$333 million in equity commitments resulting in leveraged buying power of as much as \$950 million. Acquisitions via Fund II will target apartment communities that present the opportunity to create value through improved operations, redevelopment and/or favorable market fundamentals. AvalonBay will make the apartment acquisitions solely via the fund for the first three years after closing, unless 90 percent of its committed capital has been invested in advance of that time frame. In addition, the Virginia-based company will serve as property manager for the newly acquired communities and be compensated for that role and for its asset management and redevelopment services. As of the end of this year's second quarter, AvalonBay had ownership stakes in 180 apartment communities containing more than 51,100 units in 10 states and the District of Columbia.

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Post Properties Sets Tighter Focus to Get Through

Digested From "Post Sets Tighter Focus to Get Through"

Wall Street Journal (09/03/08) P. C10; by Dawn Wotapka

Failing to attract an interested buyer when it put itself on the market earlier in the year, Post Properties Inc. now plans to downsize and streamline its operations. The Atlanta-based apartment firm already has slimmed down its development pipeline to half the previous size and pulled back from the condominium sector. Going forward, its growth-restructuring plan centers on a share repurchase program; debt reductions; and, possibly, a special payout to stockholders, who have seen the share price retreat after topping the \$50 threshold in 2007. Post expects to cull the funds needed to pursue these goals from the proposed sale of roughly \$500 million of property, which would represent its biggest asset sale ever. Selling apartment communities during the current landscape will present a challenge, however. Keefe, Bruyette & Woods analyst Stephen C. Swett notes that some \$17 billion worth of apartment communities were on the market in this year's second quarter. "The number of assets for sale is likely to continue to outnumber interested and competitive buyers," he predicts. Post is encouraged so far, though, as its Oglethorpe property in Atlanta fetched roughly \$38.5 million, and the company will post an estimated \$23 million gain. Ultimately, the objective is to sell five communities in Atlanta, one in Northern Virginia and two in New York.

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Study Forecasts Bright Future for San Antonio Apartments

Digested From "Future Looks Bright for San Antonio Apartment Market, Study Finds"

San Antonio Business Journal (09/04/08) by Trcia Lynn Silva

According to Hendricks & Partners Inc.'s 2008 Apartment Update, the outlook for San Antonio's apartment market is positive. For the 12 months ended June 30, the city recorded a 2 percent employment growth rate. By comparison, the national growth rate fell 0.1 percent over the same time period. In turn, the local job growth is spurring demand for multifamily housing. At the end of this year's second quarter, the local apartment sector posted a vacancy rate of 6.6 percent--down from 7 percent a year earlier. Meanwhile, the average monthly rent rose \$19 on a year-over-year basis, rising from \$655 to \$674 a year later. Looking ahead, San Antonio is expected to see a windfall due to the 2005 Base Realignment and Closure Commission (BRAC) construction push--to the tune of nearly 6 million square feet of development and more than \$2 billion worth of construction-related spending. Another major plus for the city is a recent Forbes magazine story, which ranked San Antonio as the second most recession-proof city in America. Hendricks & Partners is one of the biggest property firms focused solely on the sale of multifamily housing assets.

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CPN Says More Multifamily Housing in the Nation's Future

Digested From "Condo Trends: More Units in the Future"

Realty Times (09/08/08) by M. Anthony Carr

The editors of Commercial Property News report that there is a growing need for more apartment and condominium development in the face of increasing single-family home foreclosures. The publication cites the swelling "echo boomers" population now launching their careers--and who eventually want to buy a home--as reason for the need. New multifamily housing development would help fill the need for the demographic, which numbers 7 million, according to the editors. Multifamily housing completions are on track this year to surpass last year's levels by more than 56,000 units, totaling nationwide construction of approximately 250,000 units--the highest in three years. In particular, many urban renewal programs are targeting new multifamily housing construction as a means of revitalizing downtown areas and creating affordable housing opportunities.

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Orlando Apartment Sector Caught in a Downturn

Digested From "Caught in a Downturn"

Orlando Sentinel (FL) (09/01/08) by Richard Burnett

Cushman & Wakefield reports that apartment construction is down sharply in the Orlando metro area this year, as are sales of local rental communities. At 2007's midpoint, only a handful of major apartment communities were under construction in the market--1,850 units compared with around 2,400 units a year ago. Jay Ballard, senior director of the multifamily housing division in Cushman & Wakefield's Orlando office, states, "Starts have really been kept in check, as a result of the capital markets turmoil and other factors," and other apartment developments in the pipeline could also be delayed. During the first half of 2007, 11 apartment communities were sold in and around Orlando for a combined \$273 million. That is down nearly 50 percent from the same time a year

earlier, confirms the Cushman & Wakefield study. The Orlando apartment market-- primarily Orange, Osceola and Seminole counties--has posted upwards of \$1 billion in annual apartment sales every year since 2003. Sales, though, will likely be down by at least 25 percent in 2008, Ballard cautions, and even that assumes a stronger second half. On the positive front, Orlando was recently ranked as the best major market for apartment residents in the nation by Forbes magazine. The publication noted that monthly rents are averaging \$824 in the city, which is substantially below the average mortgage payment of nearly \$1,285 for a median-priced house in the market. Miami, Denver, Milwaukee and Tucson rounded out the top five in the survey of the 40-biggest U.S. metro areas.

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Joint Venture to Buy Distressed Apartments

Digested From "Joint Venture to Buy Distressed Apartments"
Crain's New York Business (09/05/08) by Theresa Agovino

GFI Capital Resources Group has partnered with The Carlyle Group to form a \$300 million joint venture to purchase distressed apartment communities. Michael Weiser, executive vice president of acquisitions and dispositions at GFI, reports that the venture's plan is to leverage that cash to acquire \$1.2 billion worth of apartments. The New York-based diversified real estate company currently owns around 20,000 apartments in five states. Weiser adds that the joint venture aims to buy nearly 30,000 apartments in several states. Amid the ongoing credit crunch, such joint ventures have become increasingly popular. Weiser notes that the driving force of this particular venture was to capitalize on the deteriorating real estate market which has compelled some owners to sell assets at sizable discounts. He concludes, "There is going to be a lot of opportunity out there," adding that by pooling resources, GFI and Carlyle can buy more apartments and diversify their holdings.

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Mortgage, Credit Crunch Fills Pittsburgh Apartment Communities

Digested From "Mortgage, Credit Crunch Fills Apartment Complexes to Capacity"
Pittsburgh Tribune-Review (08/31/08) by Sam Spatter

For the first time in years, many Pittsburgh apartment owners have 100 percent occupancy at their various communities due to such factors as positive job growth and an influx of college students. Owners report that the high occupancy is a result of tighter credit standards and the ongoing mortgage crisis that has eliminated many from the homebuying market. Don Gross of Meyers Management is in charge of one fully occupied apartment community in the Pittsburgh area. He states, "We were amazed that we obtained the full occupancy because it came at a time we instituted the highest rental increase." Steve Worobe, president of the Apartment Association of Metropolitan Pittsburgh, adds that his members have been recording higher occupancies this summer and that there seems to be more apartment residents out there due to the tightened mortgage criteria. The National Association of Realtors, meanwhile, calculates that the apartment vacancy rate for the Pittsburgh metro area was around 3 percent in this year's second quarter, a tie with Newark, N.J., and Salt Lake City, Utah, for the lowest vacancy rate in the country. The nation's average occupancy rate for the same time frame was reportedly 5.4 percent. Richard Moody, chief economist and director of research for Mission Residential LLC, applauds Pittsburgh for avoiding the home building excesses seen in many markets during recent years. Not surprisingly, the high apartment occupancy levels in Pittsburgh coupled with the stability of its rental apartment sector has brought many out-of-town investors to Steeltown looking for apartment communities to gobble up as investments. Cynthia Kamin, senior vice president of CB Richard Ellis/Pittsburgh, concludes, "With our occupancy level at 98 percent, it's no wonder that 70 percent of apartment building sales here are to out-of-town investors."

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Pa. Apartment Owners Face Challenges, But Benefit From Economy

Digested From "Landlords Benefit From Economy"
Patriot-News (PA) (08/29/08)

For some Pennsylvania-based apartment owners, changes in the economy have helped them to fill vacancies to the point of 100-percent occupancy. Elaine Beachler, president of the Apartment Association of Central Pennsylvania, reports that occupancy rates are "phenomenal" compared to previous years. She adds, "Everyone is in the high 90s [percent] or full." Many owners have been drawing from the increasing number of former homeowners who have suffered from foreclosure. On the downside, owners continue to deal with such rising costs as water, sewer service and trash collection. In some areas, these costs are rising faster than owners' ability to hike rents. Mike Murphy owns more than 500 apartment units in Pennsylvania, of which 99 percent are occupied. During the

housing boom, Murphy often lost his best residents to homeownership. Now, more are staying put. Still, Murphy has vowed not to raise rents beyond 2 percent or 3 percent a year for fear of losing residents. At some of his communities, though, his cost to provide heating oil has gone from \$15,000 to \$40,000. He states, "You can't get that kind of increase out of the [resident]. We're definitely getting squeezed." Murphy is also reporting substantially higher costs for trash service, particularly in Dauphin County, where rates have increased to help pay debt on a local incinerator. Beachler forecasts that annual rent increases in this area will run from 2.5 percent to about 5 percent for 2008, which is consistent with past years.

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Essex Property Trust Announces Third Quarter Acquisition and Disposition Activity

Digested From "Essex Property Trust Announces Third Quarter Acquisition and Disposition Activity"

Market Wire (09/04/08)

Essex Property Trust Inc. this past week confirmed that it has purchased two apartment communities for \$88.4 million and sold two other communities and a couple of recreational vehicle parks for a gross sales price of \$89.8 million. The acquisitions were the Chestnut Street Apartments in Santa Cruz, Calif., and The Highlands at Wynhaven in Issaquah, Wash. Essex Property Trust, Inc. is a California-based REIT that specializes in acquiring, developing, redeveloping and managing apartment communities in some of the country's most desirable and supply-constrained markets. It currently has ownership stakes in 133 apartment communities, containing 26,790 rental units.

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UDR Completes Reinvestment of Funds from March Portfolio Sale

Digested From "UDR Completes Reinvestment of Funds from March Portfolio Sale"

Business Wire (09/04/08)

UDR Inc. has completed the reinvestment of 1031 exchange funds from its early March portfolio sale. As of the end of August, the Denver-based apartment REIT had invested \$951 million of the \$1.7 billion proceeds to acquire 4,093 rental units in a dozen communities. UDR President and CEO Thomas W. Toomey remarks, "A year ago, we embarked on an ambitious plan to transform our portfolio, and I'm pleased to report that we have exceeded our objectives. The first step of the plan was to sell 25,684 homes in 86 communities. We were able to complete this transaction on March 3, ahead of current difficult market conditions." The next step was to buy up apartment communities in certain target markets to bolster UDR's property portfolio. Since the first of the year, the REIT has completed \$1.059 billion in new transactions and now boasts a solid portfolio of newer apartment communities in markets with positive job growth and even higher rent-growth potential. An S&P 400 company, UDR currently owns more than 44,000 apartments and has another 5,116 units in various stages of development.

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Legislative/Legal News



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Fannie, Freddie Expand in Apartment Sector

Digested From "Fannie, Freddie Expand in a Bright Spot"

Wall Street Journal (08/30/08)

In return for buying loans that help finance apartment communities, Fannie Mae and Freddie Mac are demanding higher returns from lenders as the two government-sponsored enterprises continue their expansion into the sector. The rate increases are attributable to generally higher borrowing costs and efforts by companies to maximize gains from the sole bright spot in their portfolios. The terms of the apartment sector today "are better from a credit and pricing perspective than 12 months ago," notes Mitch Kiffe, vice president of multifamily loan production at Freddie Mac. Since the start of 2008, Freddie Mac has hiked rates as much as 0.6 percentage point to purchase multifamily loans. Heidi McKibben, vice president of multifamily-loan production at Fannie Mae, remarks, "We saw lenders pull back from the [multifamily] market. That's allowed us to increase our purchase of multifamily loans." Both GSEs provide funds for the

purchase of apartment communities. Neither loans directly to borrowers, but rather buys individual loans and pools of loans from a list of lenders that follow guidelines the two GSEs set down. (EDITOR's NOTE: Operations of Fannie Mae and Freddie Mac have been taken over by the U.S. government as of Sept. 8 and placed in a conservatorship since this article was published.)

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Decision Nears in NJ on Requiring Sprinklers in High-Rise Apartments

Digested From "Decision Nears on Requiring High-Rise Sprinklers"
New Jersey Star-Ledger (09/05/08) by Tom Hester

New Jersey Gov. Jon Corzine has until Sept. 17 to decide if the new state fire code should require that sprinklers be installed in about 470 high-rise apartment, condominium and office buildings statewide. The proposed mandate is targeted at buildings more than seven stories tall that were built prior to 1988. It is favored by fire safety officials, but opposed by building owners who contend it would be too expensive and drive rents up. Before taking a position for the administration, Community Affairs Commissioner Joseph Doria hired a consultant to determine the potential cost to apartment residents, condo owners and office tenants. Cambridge Construction Management, the consultant, estimated the cost of installing sprinklers at a little over \$16 per square foot of floor space. Arthur Londensky, president of the New Jersey Fire Prevention and Protection Association, believes proponents would be open to seeing the sprinkler mandate phased in to allow the work to be done when condos, apartments and offices are vacant. Nicholas Kikis, director of regulatory affairs and research for the New Jersey Apartment Association, counters that current state fire code requirements have made high-rises safe and retrofitting the buildings with sprinklers would impose a financial hardship on both owners and residents. The Apartment Association estimates it would cost between \$15,000 and \$30,000 per apartment depending on the construction of the building. Kikis concludes, "Families living in these apartments simply cannot afford the rent increases that would be caused by the retrofitting. This would raise rents over 10 years between \$200 and \$400 a month and would seriously exacerbate the state's housing affordability crisis."

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NAA Announcements

2008 NAA Accessibility Conference (Nov. 12, 2008 ~ The Westin Galleria in Dallas) – Don't miss the Early Bird rate of \$399!

Register early and receive the discounted "Early Bird" rate of \$399. Registration fees will increase after September 30.

The one-day conference will be held Nov. 12, 2008, at the Westin Galleria in Dallas, prior to the Assembly of Delegates meeting. Click on the link below for hotel and schedule information, and to register online.

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2009 NAA Student Housing Conference & Exposition (February 2-4, 2009 ~ The Palazzo/Venetian Hotel in Las Vegas) – Save The Date!

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2009 NAA Education Conference & Exposition (June 25-27 ~ Las Vegas, NV) – Save The Date/Early Bird Registration!

Save the Date: June 25-27, 2009. NAA returns to the Mandalay Bay Resort & Casino for the 2009 NAA Education Conference & Exposition. Registration is open and NAA is offering a special early bird registration. So register today and save your company money! Hotel information and a schedule of events to come. Check the NAA Web site for updated information.

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Just Announced: Save the Date for the 2009 NAA Green Conference & Exposition (April 27-29, 2009 ~ Phoenix, AZ)

Has your company considered "going green"? NAA's latest conference offering will highlight the opportunities, hurdles and potential pitfalls for the apartment industry that have arisen as a result of the "green movement." In addition to several education sessions, the conference will feature a state-of-the-art exposition for apartment industry suppliers to showcase their valuable green products and services.

If you are a Multifamily Apartment Owner, Manager, Builder, Developer, Architect, Investor, or a Broker, this is a conference that you cannot afford to miss! [Web Link](#) | [Return to Headlines](#)

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