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March 10, 2009



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**The National Apartment Association (NAA)** is America's leading advo

## Top Story



THE POI

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

## Keep Your Eye on Apartment REITs

Digested From "Keep Your Eye on Apartment REITs"  
*TheStreet.com (03/06/09)*

Today's apartment sector is dealing with a host of new challenges. Chief among them is the so-called "shadow" housing market, which consists of homes and condominiums that owners have pulled from the selling block and have put in direct competition with rental apartments for residents. To counter, more and more apartment communities are again offering free rent and other incentives. In terms of apartment developers and operators, net operating income (NOI) is on the decline and hesitant investors are keeping their distance. Many of the nation's biggest apartment REITs--including Apartment Investment & Management Co., Essex Property Trust and AvalonBay Communities--have been hit hard in recent months and are currently at five-year lows. Steve Steadele, author of the book "Multifamily Millionaire," notes that one bright spot is a recent National Association of Home Builders study that showed multifamily housing starts falling to their lowest number on record. This puts the recent increase in apartment vacancies as the result of rising unemployment and the competing shadow market, not new construction. Indeed, such apartment REITs as AvalonBay and BRE Properties have either canceled or postponed development projects across the nation. Steadele still believes the long-term outlook for apartment REITs is good, concluding, "Although demand is hampered somewhat by the housing and job market, roughly 4 million people will turn 18 every year for the next 10 years. Combine demand with limited supply, and the apartment market will rebound relatively quickly, although job growth is the key ingredient."

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## Industry News



### Nevada Apartments Go Green With Recycling

Digested From "Valley Apartments Go Green With Recycling"  
*Las Vegas Sun (03/06/09) by Jeff Pope*

In Clark County, Nev., a handful apartment communities have begun recycling efforts for their residents as an alternative to taking their recyclables to either drop-off sites or the home of a friend or relative who has curbside pickup. One such program was started at the Summerlin retirement community after residents grew tired of driving recyclables off site. After contracting with Republic Services, the 306-unit community has managed to cut down its trash containers from three to one, saving about \$2,500 a year in fees to Republic Services. Company President Bob Coyle says the town of Las Ventanas is a classic example of how apartment recycling programs can work by making them simple for residents to use. He states, "The difference there is [residents] don't have to work harder to figure out where the recycling container is. Whereas you get into the bigger apartment [communities], unless they were designed to have a trash container and a recycling container side by side, the recycle container may be 300 feet from somebody's apartment door. Most apartment dwellers don't wander around the complex looking for the [recycling] container." Apartments make up the second most common form of residence in Clark County with 155,200 units. That is more than all the condominiums, townhouses and mobile homes combined.

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### Colonial Properties Bucks Trend, Snagging \$350M Credit Facility

Digested From "Colonial Properties Bucks Trend, Snagging \$350M Credit Facility from Beleaguered Fannie Mae"  
*Commercial Property News (03/03/09) by Barbra Murray*

Colonial Properties Trust last week closed a \$350 million credit facility originated by PNC ARCS L.L.C. for repurchase by troubled mortgage lender Fannie Mae. The Alabama-based REIT's new credit facility, secured by 19 multifamily housing assets encompassing more than 6,500 apartments, comes with a 10-year term and a 6.04 percent weighted average

fixed interest rate. Proceeds will go to pay down its \$675 million unsecured line of credit, leaving the balance at only \$35 million. In addition, the facility allows for the shoring up of the company's unsecured bond repurchase program and the increasing of its liquidity for the management of debt maturities through 2010. Despite its financial troubles, Fannie Mae continues to be active outside the single-family housing market. Rod Petrik, managing director with Stifel Nicolaus & Co., states, "While their volume levels are down, Fannie Mae and Freddie Mac continue to lend on multifamily. . . . They generally look for sponsorship--larger companies with equity--so they have become very aggressive lending to apartment REITs. Despite their lower share prices, apartment REITs still have equity." Colonial Properties closed 2008 with a portfolio of 35,504 apartment units, approximately 16.5 million square feet of office space and another 8.9 million square feet of retail space.

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### **Out-of-Work New Yorkers Can Exit Archstone Leases**

Digested From "New York Unemployed Renters Can Exit Archstone Leases"  
*Bloomberg (03/03/09) by Bob Ivry; Oshrat Carmiel*

New Yorkers who lose their jobs will be allowed to walk away from their Archstone-Smith Trust apartment leases if they live in one of the company's metro-area buildings. Dubbed the Archstone Lease Assurance Program, this initiative is open to those who sign or renew leases prior to March 21. Under this program, residents have 45 days after loss of employment to cancel their rental contracts without being penalized in any way. Matt Smith, Archstone's executive vice president of operations for the east region, comments, "New York is one of the hardest hit markets and many people have a very real concern about the stability of their jobs. We want to give them some peace of mind in making the important decision of where to call home." The Denver-based apartment REIT's initiative comes as some airlines and car companies are offering similar contingency plans to would-be customers who might be lured by an escape clause. Archstone owns and manages more than a dozen apartment communities throughout Manhattan; Brooklyn; Hoboken, New Jersey; and on Long Island.

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### **Aimco Brings 1,600 Units in Phoenix to Market**

Digested From "Aimco Brings 1,600 Units in Phoenix to Market"  
*GlobeSt.com (03/02/09) by Brian K. Miller*

Apartment Investment & Management Co. (Aimco) is looking to sell 40 percent of its apartments in the Phoenix metro area. The Denver-based REIT has listed for sale via CB Richard Ellis five garden-style apartment communities in the cities of Phoenix, Chandler, and Mesa. Together, these communities contain 1,635 rental units. Currently, there are no asking prices for the communities, which are for sale both individually and as a portfolio. Offers are due March 20. The disposition is part of a larger company effort to sell off \$2 billion of market-rate and affordable apartment communities over the next couple of years, primarily in such non-target markets as Austin, Baltimore, Nashville and Raleigh. Last year, Aimco sold more than 38,000 units in 155 communities for \$2.58 billion. Aimco CIO David Robertson states, "Looking forward, we plan to sell most of the \$1.5 billion dollar balance of conventional properties located outside of our target markets as well as a significant number of affordable properties, with the majority of these sales occurring in 2009 if market conditions allow."

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### **Lafayette Apartment Vacancies on the Rise as Market Softens**

Digested From "Rental Vacancies on the Rise as Market Softens"  
*Lafayette Daily Advertiser (LA) (03/08/09) by Jeff Moore*

The previously tight apartment sector in Lafayette, La., has eased somewhat thanks to a number of new apartment communities. The local market is currently at 93.3 percent occupancy, reports the Acadiana Apartment Association--down about six points from 2005 when evacuees from Hurricanes Katrina and Rita pushed occupancy rates to near full capacity. Developers responded to that need by building 15 new apartment communities in the two years following the disastrous storms. Many of those communities, which together

contain approximately 1,700 rental units, welcomed their first residents last year. Despite the ongoing credit crunch, developers continue to express confidence that occupancy rates will climb even higher as new apartments are absorbed into the marketplace. Regardless, Lafayette's occupancy rates remain above the U.S. average of 90 percent.

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### **Aragon Holdings Buys Four San Antonio Apartment Complexes**

Digested From "Aragon Holdings Buys Four San Antonio Apartment Complexes"  
*San Antonio Business Journal (03/03/09) by Tricia Lynn Silva*

Aragon Holdings has acquired four apartment communities in San Francisco for an undisclosed sum. Denver-based Apartment Investment and Management Co. (Aimco) was the seller of the four communities, which together contain 820 rental units. Aragon Holdings, a wholly owned subsidiary of Los Angeles-based LandBanc Capital, was formed last year to focus on apartment acquisitions across the Southwest. To date, it has focused on cities that have healthy economies and solid job growth. San Antonio represents one of the firm's newest markets. Aragon Holdings President Larry Clark states, "This is a unique and excellent time to be acquiring cash-flow-producing assets. Multifamily housing remains a bright spot in the investment arena, [and] we believe Texas offers a stable investment environment with great opportunities for growth."

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### **Atlanta Apartment Vacancies Rise as Students Move Home**

Digested From "Rental Vacancies Shoot up as Students Move Home"  
*Atlanta Business Chronicle (02/27/09) by Leslie Williams Johnston*

Atlanta is seeing rising apartment vacancies as a result of increased unemployment and the fact that more and more college students are moving home after graduation rather than renting places of their own. Atlanta's unemployment rate rose to 7.6 percent near the end of 2008. Meanwhile, the U.S. Department of Commerce reports that the rental apartment vacancy rate climbed to 10.8 percent in last year's fourth quarter--the highest since 2005's July-through-September period. Post Apartment Management President Tom Wilkes states, "Like every other aspect of the economy, business is not doing as well as it had in the prior year."

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### **Aimco CEO's 2008 Compensation Disclosed**

Digested From "Aimco CEO's 2008 Compensation: \$4.9 Million"  
*Associated Press (03/06/09) by Mark Jewell*

Apartment Investment & Management Co. (Aimco) has disclosed that CEO Terry Considine received compensation valued at \$4.9 million in 2008, a year when the Denver-based REIT kept paying out shareholder dividends even as its shares lost two-thirds of their value. Considine, who has served as chairman and CEO since 1994, received his base salary in the form of stock options instead of cash for the third consecutive year. In 2008, he was awarded options to acquire 138,249 shares, which were valued at \$600,001 when they were awarded on Jan. 29, 2008. In addition, the 61-year-old received another options award of 599,078 shares, which the company valued at \$2,599,999 based on the Jan. 29, 2008 award date. The REIT's stock is now trading below \$5 per share. A cash incentive of \$1.7 million based on meeting certain performance goals was the only other compensation Considine was awarded in 2008. In February, Aimco announced that it would slash its regular quarterly dividend from 60 cents per share to 25 cents starting with the dividend in the second quarter. As of the end of last year, the company owned or managed a portfolio of 992 apartment communities in 44 states, the nation's capital and Puerto Rico.

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**Legislative/Legal News**

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### **Plots & Ploys: TALF Talk**

Digested From "Plots & Ploys: TALF Talk"  
*Wall Street Journal (03/04/09) P. C6; by Lingling Wei*

The Treasury Department and Federal Reserve have announced the launch of the Term Asset-Backed Securities Loan Facility (TALF), which is eventually expected to cover securitized loans tied to such commercial properties as apartment communities and hotels. Critics are concerned, though, that the program in its current form may not be enough to attract investors to the property sector. Such naysayers pointing to a mismatch between the terms of the TALF funds--which are three years--and most commercial mortgages that are bundled into bonds that typically run for seven to 10 years. They say an investor utilizing TALF funds to purchase commercial mortgage-backed securities would have to secure alternative funding sources or plan to sell the assets in order to repay the TALF loan when it reaches its three-year expiration.

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### **Nevada Lawmaker's Bill Adds Protections for Apartment Residents**

Digested From "Lawmaker Says Bill Would Add Protections for Renters"  
*Las Vegas Review-Journal (03/07/09) by Brendan Riley*

Supporters of a proposed apartment residents' rights law said that owners in Nevada are currently in a position to move too quickly against slow-paying residents. As a result, they have called on state legislators to change that by allowing more time for apartment residents to catch up on what they owe. Assemblyman Joe Hogan (D-Las Vegas) reports that his Assembly Bill 189 would double the state's five-day period during which residents can stay in apartments before being subject to an eviction order for nonpayment. Hogan laments that the current time frame is one of the country's shortest, insisting that his bill would "give [residents] and their families a little more time to avoid homelessness in these very difficult times." Rhonda Cain, an apartment community owner and member of the Northern Nevada Apartment Association, is one of many opposed to the bill. She contends that similar laws in California and elsewhere favor residents over owners, adding, "It's the bad [resident] who this law will protect. It's beyond me that we would want to mirror California at this point."

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### **Trio of San Francisco Apartment Laws Now in the Works**

Digested From "3 New S.F. Rent Laws in the Works"  
*San Francisco Chronicle (03/04/09) by Marisa Lagos*

In San Francisco, three apartment laws recently proposed by Supervisor Chris Daly are now up for discussion. The laws seek to prohibit apartment owners from increasing rent to more than 33 percent of a resident's income, expand the rights of residents who want to add roommates and limit the amount of so-called banked rent increases in which annual hikes permitted under city laws are saved up and then imposed all at once. The proposals have been criticized by owners, who argue that they are already struggling amid a soft rental market and rising vacancy rates. Daly, though, notes that almost 66 percent of San Franciscans rent. His stance is that as the federal government steps in to help homeowners on the brink of foreclosure, governments should do whatever they can to help those who rent stay in their apartments. Janan New, executive director of the San Francisco Apartments Association, describes the proposals as "legally tenuous." New believes residents should be encouraged to either individually renegotiate their leases or ask owners for payment plans if they cannot afford to pay their current rent. She concludes, "This is the worst rental market I've seen in 20 years. This isn't a market where people want to lose a [resident]. I don't understand the premise."

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### **Wisconsin City OKs Smoke Alarm Ordinance Affecting Apartments**

Digested From "Common Council Passes Smoke Alarm Ordinance"  
*Channel3000.com (Madison, WI) (03/04/09)*

In Wisconsin, the Madison Common Council this past week unanimously voted for the "Peter Talen Smoke Alarm Ordinance," which requires apartment owners and homeowners in the city to install a smoke alarm in every bedroom and on every floor of a residence. The Talen family lost their son, Peter, in a 2007 Madison fire in which a half-dozen disabled smoke detectors issued no warning. The ordinance also bans the use of 9-volt batteries in detectors. Instead, owners and residents can either install a non-removable smoke alarm that has a 10-year lithium battery or a detector that is wired and has a non-rechargeable or rechargeable battery. The Apartment Association of South Central Wisconsin supported the ordinance, even though it will cost owners anywhere from a couple hundred dollars to tens of thousands of dollars for larger communities. Apartment communities are required to have the specified smoke alarms installed by Aug. 15 of this year. Individual-owned homes will have until Aug. 15, 2010. A major part of the ordinance is education about smoke alarms, particularly for apartment residents. With each new lease and once a year, owners will be required to give residents fire safety brochures with info on everything from how to test the alarms to a list of penalties for tampering with them. The Madison Fire Department will supply the fire safety materials.

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### **Pittsburgh Apartment Association Challenges City Ordinance**

Digested From "Pittsburgh Apartment Association Challenges City Ordinance"  
*Pittsburgh Business Times (03/02/09) by Ben Semmes*

The Apartment Association of Metropolitan Pittsburgh is pursuing legal action to block a city law that cracks down on negligent apartment owners. The association recently filed a complaint in Allegheny County Court of Common Pleas, challenging a city ordinance that mandates the registration and inspection of all rental housing units within the city limits. The association is seeking relief from the bill, which was passed in the fourth quarter of 2007, that would require owners to pay a \$12-per-apartment fee by April 1 and to subject their communities to inspections. The next step will be to seek an injunction suspending the registration program. The Apartment Association of Metropolitan Pittsburgh represents 186 apartment owners throughout the area.

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### **NAA Announcements**



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### **NEW REDUCED RATES for Hotel Rooms at the NAA Education Conference & Exposition**

New reduced rates for hotel rooms for the NAA Education Conference & Exposition have been negotiated, giving industry professionals even more reason to attend the largest national conference in the multifamily housing industry.

**Mandalay Bay Resort: \$129 per room, per night (was \$227).**  
**THE Hotel at Mandalay Bay: \$169 per room, per night (was \$257).**  
**Luxor: \$79 per room, per night (was \$129).**

\*If you have previously made hotel reservations, the lower rate will automatically be

applied to all reservations made.

In 2009, we all know the game is changing; so we're changing with it! Please check out our conference video **Trailer** and visit us online to register and join us for what is promising to be the best NAA Education Conference & Exposition ever. Registration discounts are available until March 31.

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## Planning Your Capitol Hill Visits for the 2009 NAA Capitol Conference

Information on how to make and report your Capitol Hill visits is now available on the NAA Capitol Conference Planning Your Hill Visits page. You will find step-by-step instructions for contacting the offices of your Senators and Congressmen so that you can quickly and efficiently schedule your meetings.

**If you have already scheduled your visits, please report those to NAA.** Please send information to Chanal Thomas by e-mail ([chanal@naahq.org](mailto:chanal@naahq.org)) or fax (703/248-9440).

Preliminary issue sheets are also available for the five topics that are currently planned for lobbying:

- Balanced Housing Policy
- Green Building & Energy Efficiency
- Capital Markets
- Carried Interest
- Employee Free Choice Act – Union “Card Check” Issue

For complete schedule, registration and housing information, please visit the link below.

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## Register Today for the NAA Green Conference & Exposition

Learn from green industry experts, including Senior Vice President, UDR Inc. about how to improve an apartment community's environmental performance that has the potential to positively impact the owner's bottom line through reduced operational costs. During this session, panelists will share their methods for obtaining tangible results with solid returns on investments for comprehensive green initiatives.

Register today! [Click here to complete the Online Registration Form](#). To view a complete schedule and descriptions of education sessions and to register online, visit the link below.

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## Reserve Your Booth Space at the NAA Green Conference & Exposition

Supplier partners interested in showcasing their green products and services at the conference must act quickly.

For information about registration, exhibit space and sponsorship, [Visit the Green Conference page on the NAA Web site](#) or contact John Murray at 703/518-6141 Ext. 131, [john@naahq.org](mailto:john@naahq.org) or Justin Barker at Ext. 129, [justin@naahq.org](mailto:justin@naahq.org).

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## APTly Spoken: The New NAA Blog

NAA is pleased to announce the launch of its blog APTly Spoken - the premier apartment

industry blog for information and poignant perspectives on the latest industry news, trends and ideas.

Our featured bloggers include leaders from all sectors of the apartment industry, from on-site operations to executive management, covering Economic Issues, Green Issues, Marketing, Operations and more. Visit the blog today, comment and start a conversation with the bloggers. You can also [subscribe](#) to the blog via RSS.

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### **NAA Government Affairs HotSheet—Latest Edition**

NAA's Government Affairs Department HotSheet highlights critical state and local legislative activity affecting the multifamily housing industry. This electronic newsletter is delivered by NAA once per month. Visit the [Web Link](#) below to access the latest edition.

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