

INTERESTING DATA POINTS FROM SOUTHEAST MULTIFAMILY FORUM

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By: Jeffrey R. Margolis

The Southeast Multifamily Forum provided information and statistics regarding the state of the multifamily real estate market, investment opportunities, trends. Below are some of the highlights.

State of the Market

- After the election, growth in the multifamily real estate market picked up, not because of who was elected, but because uncertainty dissipated.
- The Southeast multifamily real estate market continues to outpace the national average. With development going hand-in-hand with job growth and population growth, the continued growth in the Southeast is fueled by job growth, population growth, and a dynamic and robust economy.
- Capital is coming to the Southeast at a record pace. As activity and transactions in other regions are beginning to slow down, investors are flocking to markets throughout the Southeast.
- New units completed in 2018 are expected to be less than 2017; 335,000 new units are anticipated to be delivered in 2018, 50% of which are anticipated to be in 10 markets including Dallas, New York, Los Angeles, Washington D.C., Denver and Atlanta.
- Although new multi-family units are being delivered, the number of units is not keeping up with demand.
- The cost of owning a home is increasing more than the cost of renting.
- Workforce and affordable housing rent is increasing more than Class A and Class B rental rates.
- Class A and Class B vacancy rates are increasing more than Workforce and affordable housing vacancy rates.
- The velocity of multifamily products being sold today has dropped 4.5% from 2015.
- Although an adjustment in the market is inevitable, it is anticipated that any adjustment will be much more subtle than the past recession.
- At this point in the cycle, the headwinds facing the multifamily real estate market are labor shortages and costs and construction costs.
- Affordability and mobility continue to be the big issues for the multifamily real estate market.

Investment Opportunities

- Urban expansion, with more retail moving to secondary and tertiary markets, is creating more investment opportunities in secondary and tertiary markets.
- Investors who are chasing yield, rent growth and low vacancy rates are moving to secondary and tertiary markets; currently there is more investment in secondary and tertiary markets than primary markets. There is also good opportunity on the fringes of primary markets.

- Key to a good investment is transit; successful projects are located in close proximity to mass transit centers and hubs.
- Opportunities in the current market are harder to find; most good opportunities are off-market, relationship driven, all-cash deals with little or no due diligence.
- Job growth and population grown markets are where to find opportunities.
- Opportunities come with patience and by looking not at the state of the market today, but where the market is headed.
- Investors give little or no value to retail within a project and are often providing incentives or free rent for 6, 9 and up to 12 months to bring in retail tenants.

Trends

- The major trend in the multifamily real estate market can be summarized as ease of living and includes: shared workspaces within a multifamily project which allows residents to easily work from home; connectivity and technology, including strong and high-speed wifi; reliable cell phone reception; “smart” buildings with easy interface to personal devices; smart thermostats; sufficient number of electric car charging stations; smartphone use for access as opposed to fobs and other access control devices; bike storage; facilities that can handle the volume of packages being delivered, including refrigerated storage for grocery deliveries; on-demand services and “valet living”.
- Amenities spread throughout a community or project as opposed to being concentrated or centered in one area.
- Fitness facilities are becoming less important as residents increasingly have gym memberships.
- Traditional cable television is becoming a thing of the past; there are less bulk agreements and less exclusive agreements.
- Data analytics and intelligence that is available leads to less guessing and more efficiency in developing and operating a project.
- Virtual property managers and chat bots are becoming more popular as residents want less human interaction.

For more information, please contact the author Jeffrey Margolis on our Business, Finance & Tax Team.

Related Team Member(s)

Jeffrey R. Margolis

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