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Apartments: Smart Communities, Smarter Living

News Release

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Apartment Sector Sets Records in Market Tightness and Equity Availability, NMHC Market Conditions Survey Finds

WASHINGTON, DC – The apartment industry's recovery continues briskly, according to the National Multi Housing Council's (NMHC) latest **Quarterly Survey of Apartment Market Conditions.**

The **Market Tightness Index, which examines vacancies and rents, rose to a record 90** from 78 last quarter. For all indexes, a reading above 50 indicates improving market conditions. Almost four in five respondents (79%) said markets were tighter (lower vacancies and/or higher rents) and—for the first time ever—not a single respondent thought conditions were looser.

"The apartment industry rebounded strongly in 2010 as demand for apartment residences outpaced the sluggish recovery in the job market nationally," said NMHC Chief Economist Mark Obrinsky. "These results show the apartment industry continues to do well even though the nation's overall rate of economic growth has slowed. This is driven largely by the increased appeal of renting generally but also by the large number of young people entering the housing market for the first time—and young people are much more likely to rent than buy."

These strong fundamentals are bringing investors off the sidelines. The **Equity Financing Index rose to another record high of 76** from last quarter's record of 74. A record percentage—54%—of respondents said they had greater access to equity capital in the past three months. Debt capital was also more available in the last quarter, with an increase in the **Debt Financing Index to 69** from 48 in January.

"Investors are well aware of the apartment recovery and are eager to deploy capital in the sector," noted Doug Bibby, NMHC's President. "Sales volumes are still rising, which suggests that more investors are willing to 'pull the trigger' at current cap rates."

Key findings include:

- **The Market Tightness Index rose to a record 90 from 78.** Nearly 80% of respondents reported tighter markets; none said markets were looser. This is the fifth straight quarter that the index topped 50, which indicates improving conditions.

- **The Equity Financing Index rose to a record-high 76 from its previous record of 74.** Fifty-four percent indicated that equity financing conditions were better than three months earlier—also a second-straight all-time high. A mere 1% regarded conditions as worse. This is the seventh quarter in a row where more respondents said equity financing conditions were improving.

- **The Sales Volume Index increased to 65 from 62.** This was the seventh consecutive quarter the index has been above 50, indicating improving sales volume. Thirty-seven percent of respondents said sales volume was higher this quarter.

- **The Debt Financing Index rose to 69 from 48.** Just under half of respondents said borrowing conditions were unchanged compared to three months ago. But 44% indicated that conditions had improved and only 7% said conditions had worsened compared with three months ago. Yields on Treasury securities are down by roughly 40 basis points over this time, which likely accounts for the rise in this index.

Full survey results are posted at www.nmhc.org/goto/6099.

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