

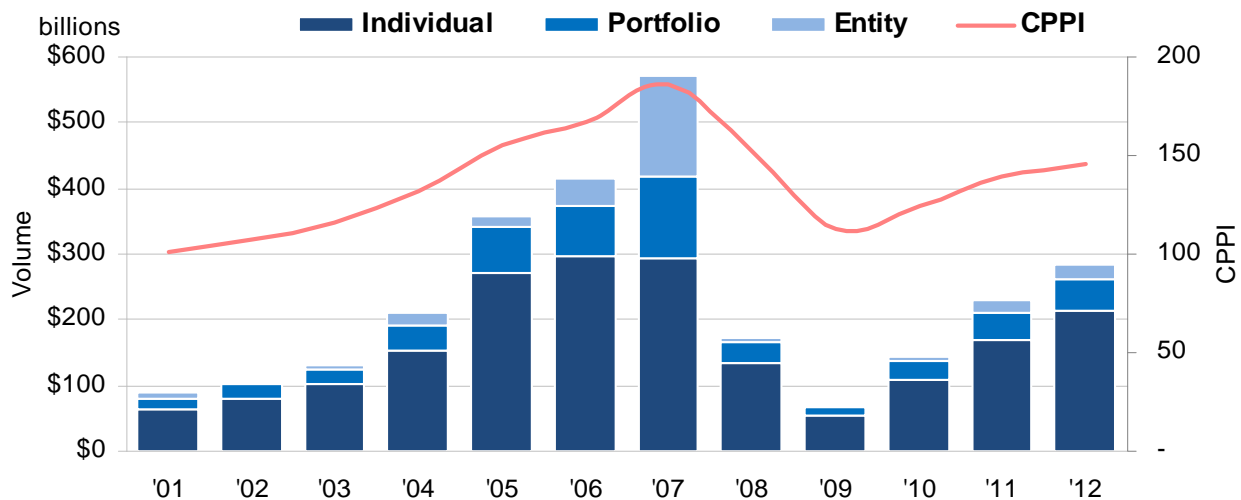
Multifamily Market Commentary – February 2013

Apartment Property Sales Up Again in 2012

Sales of apartment properties valued at \$2.5 million or greater saw another year of significant activity in 2012, climbing 47 percent from 2011 to end the year at \$84.6 billion, according to data from Real Capital Analytics. More than 5,200 apartment properties traded hands last year, up 38 percent from 2011. Apartment property sales may slow somewhat in 2013 on a national level, although buyers may continue to show strong interest in well-positioned properties in key rental metro areas, such as New York City and San Francisco.

Apartment Sales up Three Years in a Row

Apartment sales in the fourth quarter of 2012 totaled \$26.3 billion, more than 40 percent higher than the \$18.3 billion in sales in the fourth quarter of 2011. Approximately half of the 2012 fourth quarter property sales occurred in December, making it the most active month for sales since October 2007, according to Real Capital Analytics. Apartment sales last year again consisted primarily of individual property sales and some portfolio sales, as illustrated in the chart below. Multifamily individual sales totaled \$61.0 billion, compared to \$13.2 in portfolio sales and \$10.3 billion in entity sales.



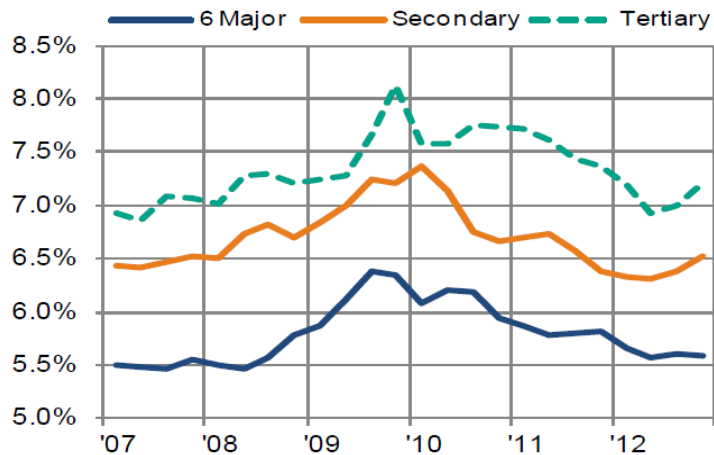
Source: Real Capital Analytics, www.rcanalytics.com

Stabilizing Trend for Capitalization Rates

Capitalization (cap) rates remained fairly stable in most metro areas during the latter half of 2012, as seen in the chart below, despite an increase in overall apartment property prices.

According to Real Capital Analytics, prices were at or above peak levels in the top six major metro areas¹. Interestingly, some non-major metro areas, such as Seattle and Denver, are now at above-peak prices. Real Capital Analytics notes that this phenomenon is not widespread, and many metro areas, especially those located in the Midwest and Southeast regions of the country, are still lagging behind their previous peak prices.

Average Apartment Cap Rates



Source: Real Capital Analytics, www.rcanalytics.com

¹ **Major metro areas:** Boston; Chicago; Washington, DC area; Los Angeles area; New York City area; and San Francisco area.
Secondary metro areas: Atlanta, Austin, Charlotte, Cincinnati, Cleveland, Columbus, Dallas, Baltimore, Denver, Detroit, Houston, Indianapolis, Jacksonville, Kansas City, Las Vegas, Memphis, Milwaukee, Minneapolis, Nashville, Norfolk, Orlando, Philadelphia, Phoenix, Pittsburg, Portland, Raleigh/Durham, Sacramento, Salt Lake City, San Antonio, San Diego, Seattle, South Florida, St. Louis, and Tampa.
Tertiary metro areas: All other U.S. markets.

More Steady Trends Expected in 2013

Interest in investing in the multifamily sector is expected to remain steady this coming year, due partly to forecasted positive household formations and ongoing improvement in job growth. Yet, with an increase in new construction development expected to come online in a number of sub-markets this year, there remains the potential for short-term, localized over-supply, which could negatively affect rent growth and vacancy trends in neighboring apartment properties.

Nevertheless, it is expected that multifamily cap rates should remain fairly steady in 2013, along with property prices. Sales activity should stay positive, with continued but slowing interest from institutional buyers.

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February 2013

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