

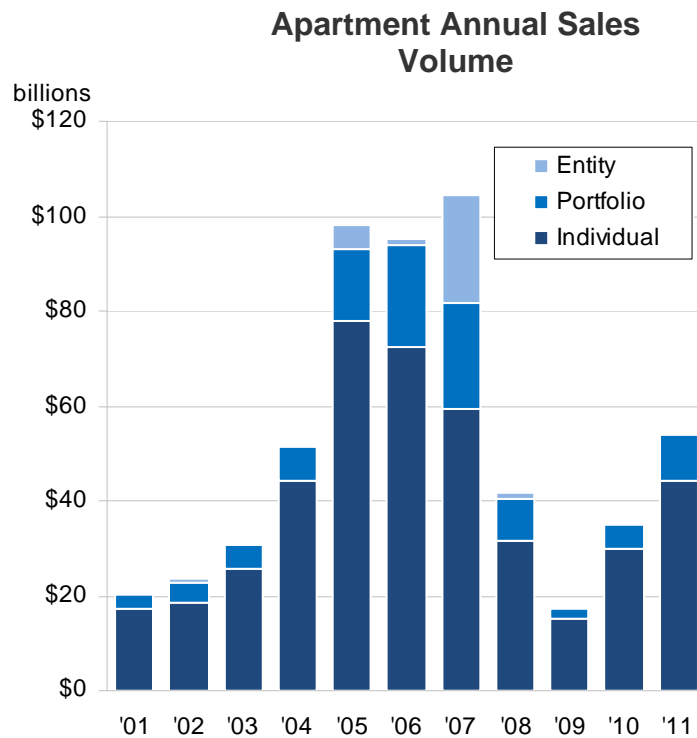
Multifamily Market Commentary – February 2012

Apartment Sales Up Significantly in 2011

Sales of apartment properties valued at \$2.5 million or greater saw a healthy increase during 2011, up 54 percent from 2010's \$34.9 billion total, to end the year totaling nearly \$54 billion, according to data from Real Capital Analytics. More than 3,500 apartment properties traded hands last year, which is up 49 percent from 2010's activity level.

Apartment sales in the fourth quarter of 2011 totaled \$16.6 billion. Although last year's transaction volume level remains well below the 2007 peak, it is on par with 2004 and is above pre-2004 levels, as seen in the chart below, signaling a robust recovery trend.

Once again, apartment sales last year consisted primarily of individual property sales and just a few portfolio sales. Multifamily portfolio sales totaled \$9.6 billion last year, compared to \$5.0 billion in 2010.

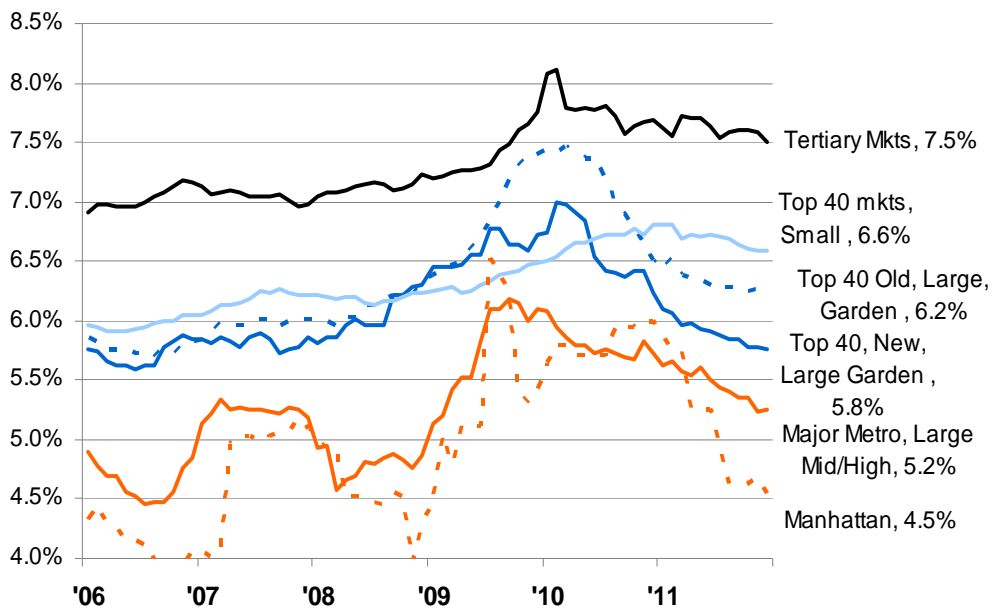


Source: Real Capital Analytics, www.rcanalytics.com

Downward Trend for Cap Rates

Cap rates fell in most markets during 2011, as seen in the chart below. Tertiary markets tended to remain at steady levels – but also at the highest levels – averaging 7.5 percent, approximately where they’ve been for the past two years. Manhattan was at the opposite end, averaging just 4.5 percent in 2011, making it the metro area with the lowest cap rate. Property sales in the six major metro areas (see chart footnote) averaged just 5.2 percent – only 70 basis points above their lowest level of 4.5 percent in 2006. Thanks to increased demand from institutional buyers and REITs, Class A garden-style properties in the top 40 metro areas have seen cap rates fall, returning to 2006 levels.

Apartment Pricing Divides



Major Metro Areas: Boston, New York City, DC, Chicago, San Francisco, Los Angeles

Top 40: Top 40 metropolitan areas in the U.S.


Large: \$10 million and greater

New: Built within 7 years of sale

Source: Real Capital Analytics, www.rcanalytics.com

Similar Trends Expected in 2012

Interest in multifamily is expected to remain healthy this year, thanks to anticipated demand from tenants and the dearth of new supply coming online. While some of the best properties in bigger metro areas have most likely been snapped up, there is still future potential for buyers in secondary and even tertiary metro areas. That’s because job growth continues to be positive in many metro areas and should keep increasing, albeit modestly, through the rest of the year and straight through to 2013. The persistent lag in the single-family housing sector’s recovery should entice more new job hires to rent rather than own, thereby providing a healthy upside potential for apartment owners during the next 18 to 24 months.



Kim Betancourt, Director
Multifamily Economics and Market Research Group
February 2012

Opinions, analyses, estimates, forecasts and other views of Fannie Mae's Multifamily Economics and Market Research Group (MEMRG) included in these materials should not be construed as indicating Fannie Mae's business prospects or expected results, are based on a number of assumptions, and are subject to change without notice. How this information affects Fannie Mae will depend on many factors. Although the MEMRG bases its opinions, analyses, estimates, forecasts and other views on information it considers reliable, it does not guarantee that the information provided in these materials is accurate, current or suitable for any particular purpose. Changes in the assumptions or the information underlying these views could produce materially different results. The analyses, opinions, estimates, forecasts and other views published by the MEMRG represent the views of that group as of the date indicated and do not necessarily represent the views of Fannie Mae or its management.