



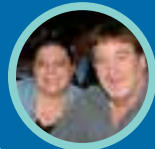
Volume 52, Number 2

# APARTMENT

# News

April - June 2012

## Seafood Extravaganza



*March 30th, 2012*  
*Thanks to all our sponsors!*

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## Baton Rouge Lunch

# Highlights

stats from



Business Facilities magazine has named Greater New Orleans, Inc. as one of the top three in the USA in its new award for overall "Economic Development Excellence," calling it "a shining model of diverse, growth-oriented success."

- Greater New Orleans was named the fastest improving economy in the United States (The Wall Street Journal)
- Greater New Orleans was named the #1 Metro for IT Growth in USA (Forbes)
- New Orleans- Metairie-Kenner was included in Top 10 Metros for Corporate Facility
- New Orleans was named 8th on the list of Top Cities for Relocation (Forbes)
- New Orleans was ranked 16th in the US for best Cities for Families (Parenting.com)
- Louisiana was named 2011 State of the Year [Southern Business & Development]
- New Orleans is the fourth most competitive state in terms of job growth exceeding national trends (New Geography)



## SUPER COMMITTEE'S FAILURE Leaves Large Tax Agenda on Congress' Plate

The failure of the Joint Select Committee on Deficit Reduction (Super Committee) to agree on a deficit reduction and tax reform plan means Congress now faces a number of important tax provisions set to expire at the end of the year, some of which could stress multifamily firms' rent revenue streams by affecting tenants' abilities to pay. The most notable are the one-year Social Security payroll tax cut and the Alternative Minimum Tax (AMT). Given the still fragile state of the economy, lawmakers are expected to retain the payroll tax cut after navigating disputes over how to offset the \$120 billion cost. They are also expected to extend the so-called AMT patch to shield nearly 30 million taxpayers from this onerous and supplemental levy. However, as has been the case in past years, they may not do so until early next year.

Of additional interest to NAA/NMHC are the approximately five dozen business provisions set to expire on December 31. They include a number of energy efficiency incentives, immediate expensing of brownfield remediation costs and the New Markets Tax Credit. In the past, Congress has extended these for one to two years; however, as with the AMT patch, lawmakers have often failed to act before they expire and have extended them retroactively.

Bonus depreciation is also on the radar. A temporary incentive allowing businesses to immediately write off 100% of the cost of qualifying property, including building components (but not the building itself), falls to 50% in 2012. It is unclear whether Congress might act to retain the 100% bonus depreciation in an effort to stimulate capital investment. ▲



### *NAA predicts...*

..we will see a strong demand for new employees due to the fact that more people are renting than buying homes. Currently the multi-family industry employs over 1 million people. The percentage of Americans wanting to own a home has dropped. In 2004 69.2% owned a home in June 2011 65.9 percent owned a home.

Across the state we are seeing steady occupancy all reporting above 90% occupied. The Lafayette area is leading the state for occupancy at 94.7% for January 2012.

**The Apartment Association of Louisiana Annual Conference will take place in September 2012 in New Orleans.**

**More details to follow!**

### *Best Advice for 2012:*

Attend education classes to keep up with what is going on. Continue Networking at Apartment Association lunches. Share information amongst your peers. Check out the National Apartment Association website. ▲

# Walkable Neighborhoods

from Walkscore.com

Walkability offers surprising benefits to our health, the environment, our finances, and our communities.

**Health:** The average resident of a walkable neighborhood weighs 6-10 pounds less than someone who lives in a sprawling neighborhood.

Cities with good public transit and access to amenities promote happiness.

**Environment:** 82% of CO2 emissions are from burning fossil fuels.<sup>3</sup> Your feet are zero-pollution transportation machines.

**Finances:** Cars are the second largest household expense in the U.S.<sup>4</sup> One point of Walk Score is worth up to \$3,000 of value for your property.

**Communities:** Studies show that for every 10 minutes a person spends in a daily car commute, time spent in community activities falls by 10%.<sup>6</sup>



## One-Mile Walk in a Compact Neighborhood.....

A one-mile walk in Seattle's Phinney Ridge takes you through a grid-like street network with a mix of residences and businesses.

## One-Mile Walk in a Sprawling Suburb

A one-mile walk in Bellevue, WA with cul-de-sacs and winding streets has few shops and services within walking distance.

## What makes a neighborhood walkable?

**A Center:** Walkable neighborhoods have a center, whether it's a main street or a public space.

**People:** Enough people for businesses to flourish and for public transit to run frequently.

**Mixed Income, Mixed Use:** Affordable housing located near businesses.

**Parks and Public Space:** Plenty of public places to gather and play.

**Pedestrian Design:** Buildings are close to the street, parking lots are relegated to the back.

**Schools and Workplaces:** Close enough that most residents can walk from their homes.

**Complete Streets:** Streets designed for bicyclists, pedestrians, and transit. ▲



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Join today and become a **BIG** fish! Click n' Lease is available in 42 states and will save you time and increase your bottom line. It's just another way NAA is working for you!

For information visit [www.naahq.org/lease](http://www.naahq.org/lease)

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## CREShow: US Apartment Market Continues to Roll

February 6, 2012

The U.S. apartment market has performed spectacularly in recent years, and the sector will continue to roll in the years ahead as "Echo Boomers" enter the workforce.

Guests on the most recent episode of the "Commercial Real Estate Show" shared those observations and others in a wide-ranging update on the market. Topics included occupancy rates, rent growth, future development locations and a "game-changing" way of setting rents.

The overall national apartment occupancy rate was 93.5 percent in 2011, said Ronald G. Johnsey, president of AxioMetrics Inc. The 2012 rate should climb to 95 percent, he predicted. Apartment rents grew by 4.1 percent last year, and are expected to grow by 5.5 percent in 2012, Johnsey added.

Class C apartments have lagged slightly in occupancy when compared to Class A and B, but "this is the year we're going to fill in Class C," Johnsey said.



"We're going to see the occupancy rates in all classes get closer to 95 percent, and that's going to create really strong pricing power."

The entrance of Echo Boomers - those born in the 1980s and early 90s - into the rental pool is another reason why Johnsey is predicting a long-term bull market for the sector. Echo Boomers are getting married later and often carry significant college debt - two factors that decrease their likelihood of buying a home in the near future, he noted. ▲



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# Renters face fewer vacancies, rising rates

By Bobby Allyn, The (Nashville) Tennessean

NASHVILLE – During the boom years of home buying, property manager Charlie Biter used to offer new apartment tenants one or two months' free rent as a lease enticement. Now, as rental demand continues to surge, no such offers are necessary.

"Back then, everybody was being creative to bring renters in," said Biter, who oversees 2,000 apartment units in the Nashville area for Continental Property Management. "But now I'm not aware of any units offering concessions."

Across the country, as more people compete for apartments in the wake of the housing collapse, the market has swung in favor of landlords. For tenants, that means saying goodbye to move-in incentives and watching rents edge higher.

About a quarter of all apartments nationwide offered some type of concession in last year's fourth quarter. By comparison, 53% of apartments offered concessions in the first quarter of 2010, according to data tracker MPF Research's latest report.

"The industry moves in cycles, and right now not a lot of apartments are available," said Jay Parsons, an analyst at MPF Research. Until apartment construction catches up to demand, landlords will maintain their control of the market, he said.

The vacancy rate in Pittsburgh, at 2.2%, is among the lowest in the country, according to MPF's fourth-quarter data from 2011. University of Pittsburgh master's student Harrison Murphy knows the difficulty first-hand. Four years ago, he found an apartment within an hour of searching, he said. Now, not only are rentals harder to come by, but many landlords are requiring stricter background checks.

"I have been unable to find a single place that doesn't require a recommendation from your previous landlord, with some even asking for recommendations from teachers," Murphy, 24, said.

In New York, too, as rental demand swells in some of the most desirable neighborhoods, rates are reaching new highs. In 2011, average rents across all apartment categories rose 8.4% compared with the year-ago levels, according to the Citi Habitats annual report. In Chelsea and the East Village, average monthly rent in January for a one-bedroom apartment hit \$3,218 and \$2,616 respectively. Both neighborhoods have vacancy rates below 1.5%. Furthermore, landlord concessions in New York plunged 68% from 2010, according to the report.

"With high demand in the marketplace, landlords were not likely to negotiate with potential renters, and needed to do little to attract clientele to their available apartments," said Citi Habitats President Gary Malin. In Portland, Ore., one of the country's tightest markets, the year-end vacancy rate was 3.1%, according to the Barry Apartment Report, a local data tracker.

"Nobody's giving concessions. That's history," said Joe Weston of Weston Investment, which owns 3,000 apartments in the Portland area.

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In April, his firm plans to raise rental rates about 5%. "People living in suburbia are moving to the city center," he said. "And some of those people were foreclosed on and are now renting."

Feeling squeezed increasingly, real estate observers say, more people are finding themselves in situations like Chicago resident David Sundquist, who says his rent, which continues to inch up, squeezes his budget. He said most affordable apartments he finds on Craigslist ads are in unsafe neighborhoods. In addition, "It seems like the only way to get a place is to have a roommate," said the 31-year-old commodities trader. In the heyday of the housing market, when the country saw droves of empty apartment units, some landlords attempted to woo tenants in striking ways. For instance, Woody McLaughlin of Nashville's apartment association remembers one landlord offering a trip to the Bahamas to new lease-signing tenants. But now, deals offering even one free month's rent are scarce, he said.

Todd Jackovich, a developer with Atlanta-based Stonehenge DCM, said he and other property managers use a computer program that shows how much rents can be increased based on rates at nearby

apartment buildings. "Landlords are trying to set a new floor (price) on some of their products," he said. While the country's single-family home construction is still recovering from the depths of the downturn, this year is expected to be an important milestone in the tide of new multifamily home construction occurring in many cities. MPF Research estimates 125,000 apartment units will be completed by year's end, an 89% gain from 2011.

"That sounds like a huge increase," MPF's Parsons said. "But it's really still on the low side by historic standards. (It) puts in perspective just how very, very low 2011 was."

Waiting lists are getting longer at apartment buildings around the country, which is fueling a spike in apartment development, real estate professionals said. Skeptical observers, such as Weston, the Portland apartment manager, worry some markets may be over-betting on construction, creating the conditions for a speculative bubble several years from now. "The income the developers want for some of their units is too high," Weston said. "By 2015 we'll have a lot of apartment products, but will there be enough people?" ▲

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# CALENDAR OF EVENTS

## May

### Management Workshop – Orleans Parish Evictions

Wednesday, 9th, 1:00 pm–3:00 pm  
421 Loyola Ave, Court Room 202 –  
Civil District Court Building, New Orleans

**Instructor:** Attorney Jacob Kansas

**Cost:** \$23 per person

### Maintenance Workshop – Helping Your Property to be Energy Efficient

Tuesday, 15th, 11:30 am–1:30 pm  
(LUNCH will be served)

Location TBA

**Instructor:** Stacey Whitney with Domain Companies

**Cost:** \$23 per person

## June

### Maintenance Workshop - Safety (Risk Management)

Date & Location TBA

## July

### Management Class – Affordable Tax Credit Workshop

Date & Location TBA

**Affordable Tax Credit** classes will be offered in 2012. AAGNO is waiting to confirm dates and times with instructors. If you are interested in the HCCP Certification, AAGNO needs to know so we may determine if the certification will be held in 2012.

If you have any comments, questions or suggestions, email Tammy at [tammysponge@aagno.com](mailto:tammysponge@aagno.com)

Flyers will be emailed for each event for reservations and other details.



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