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Multifamily is Bright Spot in Still-Struggling Economy

The shift to renting over homeownership may not be permanent, but "Renter Nation" optimism continues to dominate amongst attendees of the 2011 Multifamily Executive Conference.

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Credit: John Morris Photography

Although the notion of "Renter Nation" might seem far-fetched, one thing is for sure: The apartment industry is at the starting point of a great run.

Attendees and speakers at the 2011 Multifamily Executive Conference, held Oct. 3-5, 2011, at the ARIA Hotel & Casino in CityCenter Las Vegas, were assertive in voicing their agenda on the future of multifamily, pointing to a run of development and transactional activity that will keep business solid until at least 2014, if not 2016.

Driven in part by the decline in single-family homeownership, a favorable supply/demand imbalance, and a compelling demographic story, multifamily is one of the few sectors of the real estate industry—nay, the whole economy—that has seen growth, positive revenue, and optimistic forecasts.

"Multifamily is the food group of choice among investors," said Jeff Meyers, principal of RealFacts/Meyers, a housing research group based in Rancho Santa Fe, Calif., and one of the speakers on the conference's annual economic roundtable. "The capital flows show that everyone is focused on multifamily."

Highlights from the Show

Nearly 650 people were in attendance, up by more than 20 percent over the previous year. The event culminated with the naming of the MFE Executive of the Year. The 2011 recipient of the award was Mark Alfieri, chief operating officer for the multifamily platform at Dallas-based Behringer Harvard. In his acceptance speech, Alfieri focused on the contributions of his team in taking Behringer Harvard from a virtual unknown to one of the most well-regarded companies in multifamily Class A ownership today.

Other award winners at the Multifamily Executive Award Gala, held in conjunction with the conference, included: Kenneth Naylor, chief operating officer for Miami-based Carlisle Development, the second winner of the MFE Rising Star of the Year; as well as

The Fitzgerald, a cutting-edge mid-rise property in Baltimore developed by The Bozzuto Group that won the Editor's Choice Award.

In addition to the awards ceremony, the event included a custom research presentation about the behavior and preferences of online renters, presented by Doug Miller, president of SatisFacts. The survey, conducted in July 2011, offered a number of surprising takeaways about how to communicate with and market to residents. For example, 78 percent of residents have smart phones, yet only a fraction of managers communicate with residents via cell phone or text message. What's more, residents say their preferred method of communication is far and away e-mail.

Miller also delved into the value of resident portals versus community social media efforts such as Facebook pages or Twitter accounts. Across the board, portals—particularly those where residents could pay rent without a convenience fee or submit service requests—were considered extremely valuable and important in the leasing decision process. Social media efforts were significantly less important. (You can download Doug's presentation here .)

Interestingly, in the conference's closing keynote, Tippingpoint chief strategy officer Andrew Davis focused on how to leverage social media effectively. Rather than focusing on multiple platforms, Davis suggested picking one platform and learning how to do that as effectively as possible. The keys to such success are to make sure the content being posted on the social media platform of choice is high-quality, frequent, and relevant. Only then will residents truly adopt and escalate the use of social media in the apartment industry—both of which are pre-requisites to being able to monetize social media. (You can view Andrew's presentation here.)

Zandi Predicts Double-Dip, though Multifamily is Safe

The conference's opening and closing keynote luncheons included entertaining presentations by Moody's chief economist Mark Zandi and, respectively.

Opening keynoter Zandi, who split his presentation in two, spent the first half "leading us into the darkness," discussing the still-struggling economy, the debt crisis in the United States and Europe, and the woeful jobs outlook. The second half of the presentation, however, focused on the positive fundamentals and strong growth seen in the apartment sector. "But it's still almost even odds that the economy is going to go downwards again," Zandi said. "'We are still fighting a recession."

Slowing the general economic growth and health of the country are three factors: 1) Rising energy prices; 2) continuing impact of the Japanese tsunami on manufacturing; and 3) weakened consumer confidence thanks to a decimated job market. "The most fundamental reason for optimism is the health of the private sector balance sheet," Zandi added. "That's why the question isn't can corporations and businesses invest, but will they?"

Consumer and business confidence aside, there are other policies that Zandi points to as being pre-requisites for a recovery. First, the Fed needs to continue to ease monetary policy. Though he doesn't predict that this will be a problem, Zandi pushed further, suggesting that a second round of QE funding was likely in order. Second, Zandi said that the country must reduce fiscal restraints, particularly by extending the payroll tax holiday that will expire at the end of this year. Finally, Congress has to follow through on the debt ceiling level, otherwise global investors will question our commitment to economic and fiscal health and once again reduce ratings on U.S. debt.

More granularly, Zandi believes that on the housing side of the equation, once the subsidies for single-family housing subside, it will be substantially more feasible and economically wise to rent versus buy. And the demographics support that push, particularly in major metros. "The Rosetta stone is global metropolitan areas, places that have foreign trade, capital, and immigration," Zandi said. "These are the three drivers of markets with the greatest potential, particularly for urban real estate growth."

Zandi concluded: "Is the job market as bad as we think it is? Yes. But the issue is not just the high rate of unemployment but the underemployment by a portion of the workforce. Once that eases, the outlook is especially favorable for [the apartment] sector."

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