

Deaton Investment Real Estate's **Investment** **REAL ESTATE REPORT** JULY 2012 for the Triangle, Triad and Eastern North Carolina

News, notes and available
properties from
North Carolina's
Apartment Market



MULTI-FAMILY NEWS: POSITIVE & INFORMATIVE

As we have read news about the multi-family market recently, there is very strong, positive and confident sentiment in the marketplace. Read through this collection of national publications we accumulated in the last few weeks to see some of the highlights. We have also included a couple of informative pieces that should be interesting and useful to some of you.

Why Now is the Best Time for Multi-Family Acquisitions

Multi-Housing News interviewed W. Dean Henry, president of Legacy Partners Residential, about why now is the best time for multifamily acquisitions. In it, Henry said, "There are several important reasons why now is a great time to acquire existing multifamily assets. Let's start with demand and supply." Henry's reasons included:

- The U.S. population is increasing by approximately 3 million people per year, plus the legal immigrants who enter the country, and 75 to 85 percent of whom rent rather than buy.
- Secondly, the 18- to 35-year-old population totals approximately 65 million and will be relatively constant for several years. It is this age group that generally rents multifamily apartments.
- As we know from our daily news, beginning in the middle of the 1990s, we began losing renters to homeownership. That trend reversed in early 2005, but by then we had lost between 5 and 7 million renters to homeownership, many of whom were not qualified to own a home. Since then, approximately 3.5 million renters who became homeowners have returned to the rental pool creating a significant demand.
- At the same time that the demand has been huge, the supply has dwindled. For the past 15 years or so, new multifamily starts in the United States have averaged approximately 300,000 units per year. In 2009, 2010 and 2011, the aggregate total was just over 300,000, meaning we are building new apartments at the rate of approximately one third of the last 15 years. Clearly, when you have this imbalance of supply and demand, an increase in occupancy and rent levels is predictable and is occurring at this time in almost every major market in the United States.

Rental Market Activity Increasing

According to Freddie Mac's U.S. Economic and Housing Market

Outlook for June, 2012: " ... rental market activity has been a bright spot for the housing market, and due to rental demand of those postponing home ownership, further increases are expected in the coming year."

Frank Nothaft, Freddie Mac's vice president and chief economist, added, "Further increases in rental demand are likely in the coming year as newly formed households postpone homeownership decisions until the economy strengthens and they have accumulated sufficient savings. Overall apartment market trends may show further vacancy declines and rent gains, with property values improving as well."

Additional highlights of the report include:

- Over the year ending March 2012, an additional 1.5 million households moved into rental housing, a 4 percent increase in a single year.
- Rental vacancy rates have dropped roughly 2 percentage points over the past two years.

More Rentals Exist in Houses Than Apartment Buildings

The Wall Street Journal reported that there are more rentals in houses than apartment buildings. That number comes from CoreLogic economist Sam Khater, who crunched Census numbers to determine that about 20.7 million rentals are in 1-to-4 unit homes, including both detached and attached homes, compared with about 17.1 million rentals in buildings with 5-or-more units.

Multi-Family Prospects Favorable for Foreseeable Future

In a story titled, "Report Reveals Favorable Multifamily Prospects for the Foreseeable Future" on Multihousingnews.com, more good news about the apartment market emerged.

The story read, "A recent report by TD Economics, an affiliate of TD Bank, confirms the generally positive state (for landlords)

continued next page

of the U.S. multifamily housing market, with prospects good for the foreseeable future. The easy-to-understand situation is that demand continues to outstrip supply, even though between 2009 and '11 multifamily housing starts rose nationwide 59 percent while single-family starts declined 2 percent as high unemployment, falling home prices and increased foreclosures strengthened rental demand.

But not all areas of the nation will enjoy quite the same robust market. According to the TD Economics report, favorable demographics and years of underinvestment have primed the South Atlantic states for a sustained rebound in multifamily housing construction."

North Carolina, for instance, has very favorable apartment market fundamentals. [Alistair Bentley, the TD economist who authored the report, says,] "The outlook for North Carolina multifamily housing development is among the best of the 17 states we surveyed in the Northeast and South Atlantic regions."

We echo Alistair's outlook that North Carolina's fundamentals are especially strong in more densely populated areas like Charlotte and Raleigh-Durham.

Students Voice Housing Preferences

The CCIM Institute wrote on its website relative to findings in a Student Housing survey, "College students and their parents rely on ... friends and roommates as their main referral source for housing decisions. The survey also found that landlords should emphasize price to appeal to students, but highlight location and safety features to their parents.

Thirty-eight percent of students and 35 percent of parents said friends or roommates were the most common way to learn about student housing. This dwarfed social media, which only 3 percent of students said they use to find housing."

Also worthwhile in the report:

- Students and parents rate private bathrooms as the most important feature, followed by in-unit laundry and large bedrooms.
- When researching student housing Websites, 57 percent of students and 48 percent of parents say they are most interested in finding pricing information. Viewing property photos ranks as the second most important activity.

Echo Boom Generation Fuels Multi-Family

The CCIM Institute, in a separate news item entitled "Echo Boom Generation Fuels Multi-Family," wrote that "Echo Boomers -- educated and recently employed children of baby boomers -- are benefitting from the uptick in employment. Paycheck in hand, this population is moving into cities that provide good jobs and a high quality of life. The cities that fit this criteria are coastal gateway markets and urban/infill submarkets, according to the report. Multifamily buildings that offer green amenities such as bike storage, recycling, and energy reduction are more attractive to this age group."

FOR SALE: 48 UNITS IN NEW BERN



UNDER CONTRACT!

Deaton.com Keyword: hunterslanding

\$1,295,000

1728 Racetrack Road, New Bern, NC 28562

Hunters Landing is located less than a mile from the intersection of HWY-70 and Glenburnie Road and is spread over 4.69 acres featuring 48 units divided among six buildings. The property is subject to income and rent restrictions until December of 2027 as regulated by the Low Income Housing Tax Credit (LIHTC) Restrictive Covenants.

48 units built in 1997 / Vinyl exteriors on slab / Mix of one-two- and three-bedroom units / Potential gross monthly rents = \$24,000+

FOR SALE: 31 UNITS NEAR DUKE



Deaton.com Keyword: DukeView

\$992,000

1011 Morreene Road, Durham, NC 27705

Duke View Apartments are located about 3/4 miles from the heart of Duke University Campus. The property features 31 identical 1 BD/1 BA apartments. Average rents are currently \$408/unit. With improvements the property could be re-positioned to achieve rents greater than \$600/unit.

**31 x 1 BD/1 BA apartments / Walking distance to Duke University / On the Durham and Duke busline
Great value-add opportunity**

INVESTOR LIQUIDATION: SIX MULTIFAMILY PROPERTIES FOR SALE

SAME OWNER - ALL NORTHEAST RALEIGH LOCATIONS - PACKAGE SALES CONSIDERED

Keyword: CoralRidge4905



\$130,000

4905 Coral Ridge Court
Raleigh, NC 27616

- > Fully-leased duplex
- > Large, 2 BD/2.5 BA floorplans
- > Tenants pay all utilities

Keyword: CoralRidge4913



\$200,000

4913 Coral Ridge
Raleigh, NC 27616

- > Fully-leased triplex
- > Large, open floorplans
- > Decks and screened porches

Keyword: CoralRidge4909



\$130,000

4909 Coral Ridge Court
Raleigh, NC 27616

- > Fully-leased duplex
- > Large, 2 BD/2.5 BA floorplans
- > Tenants pay all utilities

Keyword: Brockton4500



\$240,000

4500 Brockton Drive
Raleigh, NC 27604

- > Quad in "Mini-City"
- > well maintained interiors
- > Two new heat pumps

Keyword: CoralRidge4913



\$200,000

4929 Coral Ridge Court
Raleigh, NC 27616

- > Fully-leased triplex
- > Built 1996, vinyl siding
- > Tenants pay all utilities

Keyword: Wallingford4801



\$245,000

4801 Wallingford Drive
Raleigh, NC 27616

- > Four, 2 BD/2 BA units
- > Northeast Raleigh convenience
- > Popular rental location

SHORT SALE OPPORTUNITY

12 UNITS: \$199,000

1320 Poole Road, Raleigh, NC 27610

- > Twelve, 2 BD/1 BA units
- > Central heat, no AC
- > City of Raleigh Inspections has list of required repairs for vacant units
- > Needs work & hands-on management

Deaton.com keyword: Poole1320



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16 UNITS INSIDE THE BELTLINE

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