2012 Hampton Roads Real Estate Market Review

Multi-Family
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President

• The average rent is currently $926/month ($0.98/SF)
  • +$26 over 2010 and +$64 since 2007
• Vacancy is 6.4%
  • +0.7% over 2010 and +1.3% since 2007
• Rent growth is currently at 2.81%**
• There are currently 90,378 completed units in this market.
  • +853 over 2010 and +6,502 over 2007.
• There are currently 1,940 units under construction
  • +833 increase over units U/C in 2010

*Data from Apartment Index

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Hampton Roads Overview

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Occupancy
Southeast US* vs. Hampton Roads vs. National

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Total Units vs. Occupancy
By Submarket

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Rent Growth
Southeast US* vs. Hampton Roads vs. National

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Mortgage Cost vs. Rent Cost
Hampton Roads Market

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*Data from Real Capital Analytics and Apartment Index

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**Rent growth versus previous calendar year
Multi-Family Drivers

- Despite record low home mortgage rates, credit still remains tight without the best credit history and capability to make a large down payment.
- Cost of home mortgages may soon meet or dip under the cost to rent in our market, but only for few qualified loan applicants.
- Homeownership rates continue to fall.
- The apartment sector’s recovery is supported by favorable demographic trends such as echo boomers, government sponsored entity financing and a limited supply pipeline.
- Household formation dropped to 500,000 from 2008-2010, well below the long-term average of 1.2 million.
National Transaction Overview 2011

- Volume: $51.4 billion
  - +47% year-over-year
- # of Properties: 3,361 Properties
  - +43% year-over-year
- Price per Unit: $101,204
  - +5% year-over-year
- CAP Rate: 6.3%
  - -25bps year-over-year

*Data from Real Capital Analytics

Transaction/Buyer Trends

- 2011 Transaction Breakdown
  - 86% Private Capital (19)*
  - 6% REIT (1)
  - 6% Community Redevelopment Corp (1)
- 2010 Transaction Breakdown
  - 80% Private Capital (4)
  - 20% University (1)
- National Average CAP: ~6.3%

*One Portfolio Transaction accounts for 9 properties under Private Capital

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What Does it All Mean?

- Lenders want to lend to multi-family projects.
- SFH Mortgages may be affordable, but not necessarily accessible
- Tenants are moving from Class B/C properties, to class A.
- Class A rents are increasing much faster than B/C—can it continue?
- Construction pipeline remains in check- Can developers be trusted to overdue a good thing