Multifamily:
Real Estate’s New Darling

Wendy Drucker
Managing Director
Drucker & Falk, LLC
WE’VE COME A LONG WAY, BABY!

- OCCUPANCY IS UP
- RENT GROWTH IS ABOVE INFLATION
- NOI GROWTH IS STRONG
- CAP RATES ARE LOW
- NEW DEVELOPMENT IS STRONG
HOME OWNERSHIP DECLINE

HOMEOWNERSHIP RATE (%)

Q3 2000  Q3 2010  Q3 2015

U.S.:  Under 35  35 to 44  45 to 64  55 to 64  65+  Principal Cities in MSA  Suburbs

35  45  55  65  75  85
THE MULTIFAMILY OUTLOOK IN HAMPTON ROADS

- VALUE ADD
- SHINY AND NEW
- HISTORY IN THE MAKING
VALUE ADD

- 55% OF APARTMENTS PRE-1980
- HIGHEST VACANCY RATES
- STRATEGIC RENOVATIONS AND AMENITY ENHANCEMENTS YIELDING DOUBLE DIGIT RETURNS ON A 4-5 YEAR HOLD
SHINY AND NEW

- 3,000 UNDER CONSTRUCTION, 2,800 PROPOSED
- SMALL SQUARE FOOTAGE, HIGH END MATERIALS AND AMENITIES
- HIGH TECH, HIGH TOUCH
HISTORY IN THE MAKING

- USE OF HISTORIC TAX CREDITS
- RENOVATING HOTELS, BANKS, OFFICE BUILDINGS, RETAIL
- APARTMENTS OFFER HIGH END LUXURY AMID HISTORIC INTEGRITY
# KEY MARKET INDICATORS

<table>
<thead>
<tr>
<th>Supply</th>
<th>96,902</th>
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<tbody>
<tr>
<td>Direct vacancy rate</td>
<td>5.75%</td>
</tr>
<tr>
<td>Under Construction</td>
<td>3,198</td>
</tr>
<tr>
<td>Demand</td>
<td></td>
</tr>
<tr>
<td>Net absorption</td>
<td>1,545+</td>
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<tr>
<td>12-month overall rent % change</td>
<td>1%-2%</td>
</tr>
<tr>
<td>Class A Overall asking rent</td>
<td>$1,295</td>
</tr>
<tr>
<td>Class B Overall asking rent</td>
<td>$ 966</td>
</tr>
<tr>
<td>Class C Overall asking rent</td>
<td>$ 806</td>
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</tbody>
</table>
2016 WILL BE A VERY GOOD YEAR

- DEMAND EXCEEDS SUPPLY
- RENOVATE, RENOVATE, RENOVATE
- BUILD IT “SMALL & SMART,” AND THEY WILL COME
2016 Hampton Roads Real Estate Market Review & Forecast

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