

Multifamily in 2016

CoStar Offers a Glimpse Into Two Trends – and How to Capitalize on Them

The past few years represent the era of the renter. With record levels of demand and a wave of new supply taking hold, the implications for property managers, asset managers, and owners have been nothing short of historic.

As the “Renaissance” continues in 2016, indicators point to a market crest. While that signifies some potential headwind for multifamily professionals in the year ahead, the opportunities far outweigh the challenges. Here, CoStar offers up two key trends that are expected to shape the multifamily market in the new year – and ways you may be able to capitalize on them.

The Rise of the Baby Boomer Expected to Continue.

Since 2004, the US has seen a considerable decline in home ownership rates. CoStar research shows that the swift drop has contributed some five million additional households to the renter population – a record level. We know the under-35 age cohort has seen significant decline in home ownership, pushing the percentage of renter households in that age group to 63%. But the US rental landscape is much broader and more diverse than we often give it credit for.

“Renters by choice,” for example, are more likely to be middle aged. Based on CoStar Portfolio Strategy research, the 45-to-64 age cohort contributes over three million households to the renter group. Often, an intense focus on millennials causes this portion of the renter set to be overlooked.

Additionally, recent research shows that Baby Boomers are increasingly searching online for the perfect apartment community – and 63% of those surveyed rely on online ratings and reviews to gather information about the communities that interest them.*

What You Can Do:

- **Punch up your listings** with the things that matter to Baby Boomers. Words like “clean,” “safe,” and “quiet” resonate with this demographic.
- **Provide photos** of the amenities Baby Boomers are looking for. If your property features a pool, gym, or community space, show it off, and call it out!
- **Tailor your marketing plan** to attract Baby Boomers to your community. This growing – and responsible – generation of renters values peace and tranquility. Position your property as a pleasant place to live through your listings, photos, 3D tours, on-site signage, and community spaces.
- **Encourage your residents to write reviews** once they’ve settled into their new home. Make sure to provide the best welcome experience possible!

Increasing Supply Has Softened Rent Growth

Average apartment rents experienced a slight decline in October and November of 2015 – the first decline seen since 2013. Higher quality and recently completed assets were impacted the most.

Not surprisingly, the decline is tied to the increasing supply of apartments being delivered in markets and metropolitan areas across the country. CoStar analysis suggests that while the dip does not mark the end of the strong multifamily cycle, it does indicate that record levels of supply, and aggressive pricing versus affordability, are beginning to create a headwind for landlords.

This is not to suggest a spike in vacancy rates over the next few years, however. Demand for apartment living has been strong since the end of the last recession, driven by the increasingly diverse renter pool.

What You Can Do:

- **Step up your online marketing and advertising game.** Approximately 75% of potential renters first visit apartment listing sites during their online search for the perfect home, and Apartments.com and ApartmentFinder.com are the two most widely used sites for apartment searches.* Ensure your listings are as up-to-date and eye-catching as possible. That means photos, photos, and more photos – and HD video tours as well. Professional quality is a must.
- **Don't guess about how competitive you are.** Knowledge is profit. Today, it's the difference between getting the highest rents possible and giving away concessions you may not even need to make. CoStar Market Analytics offers the most accurate information about what your competitors are doing, the rents they're asking, the specials they're offering, and whether your market is healthy enough that you can grow rents without having to give anything away.
- **Consider a facelift.** Often, the smallest improvement can tip the scales in your favor when it comes to winning renters. The Apartments.com network also informs the CoStar Market Analytics database. That means when you see listed rents, you know you're getting real-time numbers. Beyond that, you can see the competitive points with your own eyes. If the property down the road recently updated its kitchens and baths, you'll know it. You can create a game plan to determine whether you'd get a stronger premium after an upgrade or renovation. You can also take small steps to add appeal to your property from the street. Consider new plants or shrubbery – or create a fenced-in area for dog owners if you don't already have one.

In 2016, we believe the victors in the multifamily game will be those who take action, armed with accurate information. Visit the URLs below to learn more about how to stay one step ahead of the market crest – and your competitors.

**Source: J Turner Research, Marketing to Different Generations: Emerging Online, Language, and Lifestyle Trends, September 2015*

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