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THE CF APARTMENT REPORTER

A Clayton-Fillmore Publication

Volume 7, No. 1

www.clayfil.com

November-December 2001

Denver

Population: 2,034,300

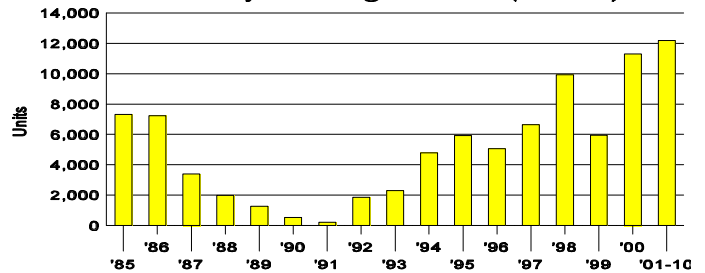
Annual Annual Population Growth 1996-2000: 2.0%

Average Household Income: \$96,209*

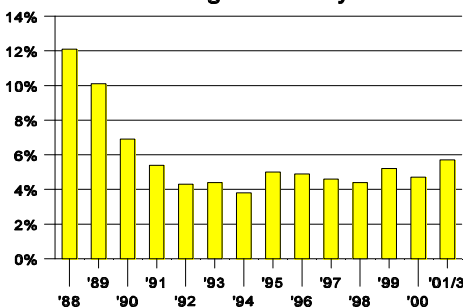
Median Single-Family Resale Price: \$224,000 (3Q '01)

Economy: Some cracks in the edifice finally have appeared. High-tech layoffs have been announced and will soon show up in job data. Net job losses have been recorded in recent months. Home foreclosures are up. Population growth is strong.

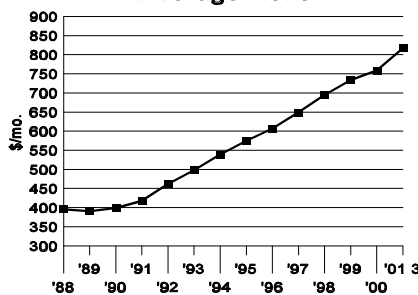
Multifamily Building Permits (CMSA)



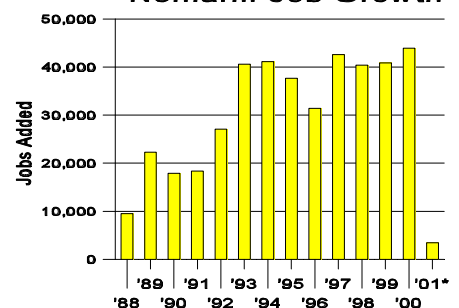
Average Vacancy



Average Rent



Nonfarm Job Growth



Overview: The market has not retreated from its ongoing boom, despite the weakening economy. 4,300 units started construction in 3Q alone as construction reaches a “new high,” reports AA&C. 8,000 units will be delivered in 2001; the same in 2002. Through 10 months of 2001 alone nearly 12,200 multifamily units were approved for construction, higher than all *complete year* totals within memory. However, one major developer has stopped looking for sites and growing investor and lender caution are noted. 3Q vacancy, at 5.7%, was up notably from MY’s 4.5%, according to AAMD data. Reis reports 3Q vacancy at 4.1%, up from 2.6% per 3Q 2000. The average rent is \$818, up 8.8% from 12 months prior, reports AAMD. A strong condo conversion trend could help supply problems if they occur.

Submarkets: Construction is widespread. The SE, especially Arapahoe County, site of the Denver Tech Center (DTC), and rapidly growing Douglas County lead in development and rents. But growth increases in areas of the North and NW, including Broomfield on the burgeoning Denver-Boulder corridor anchored by Highway 36. In Denver, massive redevelopment of the core brings

Sources: Apartment Assn. of Metro Denver (AAMD); Apartment Appraisers & Consultants (AA&C); Marcus & Millichap (MM); RealFacts, Inc. (RF) (Novato, CA); Reis Inc.

upscale loft development to downtown’s “LoDo” area and to Lowry Air Force Base in east Denver.

Sales: The Brookside Village complex in Greenwood Village sold for \$131,579 per unit, among other high-priced sales, reports RF. A 228-unit complex in Littleton was bought for condo conversion. The selling price was \$25 million, reports MM.

Major Players: Include BRE, Camden, Carmel, Embrey Partners, Fairmark, Greystar, JPI, Legacy Partners, McDermott Properties, Morgan Group, Phoenix, Post, Prime Residential, Simpson Housing, Trammell Crow, United Dominion, Wellsford Residential, and others.

Outlook: Concern mounts over the huge volumes of construction under way in the weakening economy. Higher vacancy is anticipated, but Reis expects rental growth to proceed at favorable rates.

In This Issue: Cincinnati, Dallas, Denver, Houston, Memphis, **Orlando, Portland**, Seattle

Next Issue: Atlanta, Austin, Kansas City, Los Angeles, Minneapolis, Nashville, Orange County, San Diego

Orlando

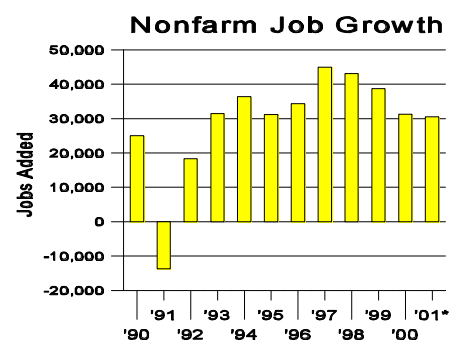
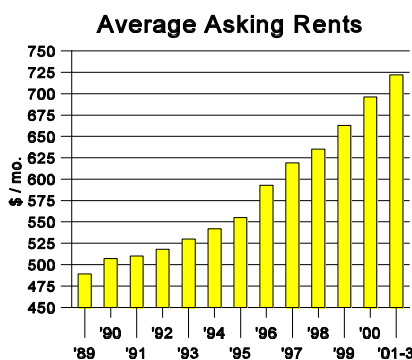
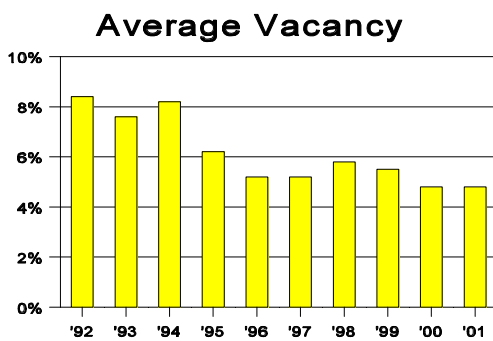
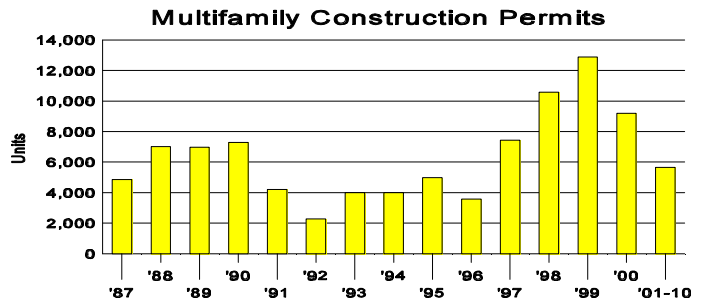
Population: 1,690,000

Annual Population Growth 1996-2000: 2.8%

Average Household Income: \$73,775 *

Median Single-Family Resale Price: \$127,100 (3Q)

Economy: The economy has held up well so far, but the area's large tourism sector remains vulnerable to recession. Growth in high-tech is a recent plus. So is the major defense department contract awarded to Lockheed Martin to develop a new fighter aircraft.



Overview: The market has retained its balance, but concern with respect to possible oversupply is noted amid the national recession. Construction is down sharply: GSt. reports activity through 3Q's of 2001 down "at least 50%" from the 1999 peak. Additional declines may be expected, according to MM and CWC. Through 10 mos. of 2001, 5,663 multifamily units were approved for construction, still a substantial sum. Reis projects a 2001 delivery of 6,450 units; a drop to 5,500 is projected for 2002. While there have been reports of oversupply, the vacancy number overall remains moderate. MM reported a MY average of 7.4%, down from 8.6% at YE 2000. Per 3Q 2001, Reis puts the rate at 4.8%, up from 4.6% a year earlier. A YE average of 5.2% is forecast. AAGO put 2Q vacancy at 7.7%, down from 8.3% a year earlier. Reflecting low income levels, rents are not high generally. Reis puts the 3Q asking average at \$722 per month, up 5.1% from a year earlier. A shortage of prime development sites has been reported.

Submarkets: The SW suburbs, including the greater Disney-Universal Studios area, sees heaviest demand and development. 2,900 new units are projected for SW/I-435 by Reis for 2002-05; 3,200 came on line during 2000-01. In Kissimmee, the 990-unit Remington project is planned. Lake Buena Vista is also active. In the north, Lake Mary-Heathrow is fast becoming a substantial high-tech center. Epoch Properties and

Prudential are the developers of the 743-unit Park Avenue at MetroWest. Its \$65m construction financing package was the largest in Orlando's history, GSt. has reported. A number of major projects are under way in Sanford and Lake Mary in the Far North, including the 466-unit Colonial Grand from developer Colonial Properties Trust in Lake Mary, for which Reis projects an April 2002 delivery. Far North and SW/I-435 have some of the highest average rents at \$806 and \$790. Far South/Lake Buena Vista is tops at \$876. Far North vacancy is highest at 9.0%.

Major Players: Recent and current major developers active locally include Archstone, Colonial, Epoch (see above), JPI, LeCesse, Summit, Tarragon, Trammell Crow Residential, ZOM, and others.

Outlook: Expectations of overbuilding proclaimed but a few quarters ago have been downgraded in the latest available reports, an ongoing testament to the strength of demand that this market has so often showed. Once gain, though, uncertainty raises its head with the recent assaults on the tourism sector and, more generally, consumer confidence. The slowdown in construction seems well-timed. Whether it has been curtailed sufficiently remains to be seen.

Portland

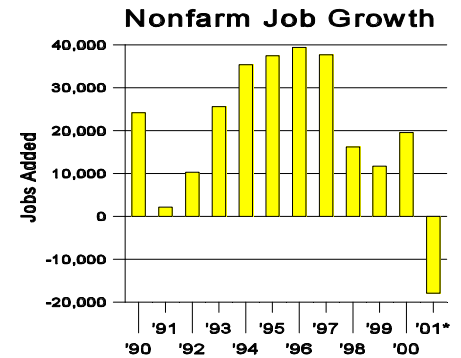
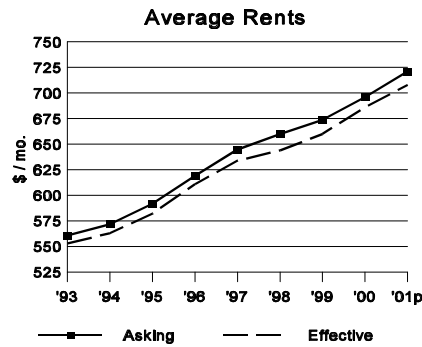
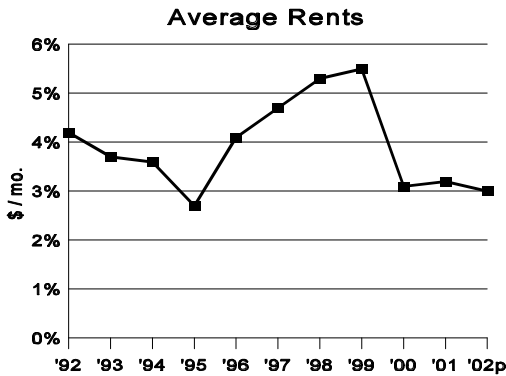
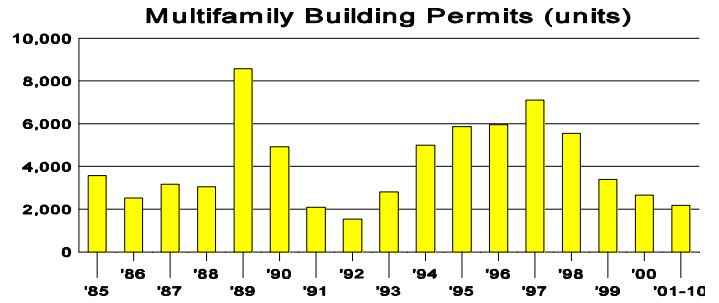
Population: 1,951,900

Annual Population Growth 1996-2000: 1.9%

Average Household Income: \$84,811 *

Median Single-Family Resale Price: \$174,900 (3Q '01)

Economy: A substantial decline is noted, led by job losses in high-tech. Now, the national recession adds its own burdens. Oct. PMSA unemployment was a high 6.4%. Population growth has been strong due to business and residential in-migration. Housing is no longer "affordable" here.



Overview: The market is showing resilience in the face of substantial economic weakening. Reis reports 3Q vacancy at a low 3.1%, up from MY's 2.8% but down from 3.6% a year earlier. According to M-R, MY vacancy was 4.2%, down from 5.4% a year earlier. This unusual occurrence--simultaneous declining vacancy and economic softening--is attributed by M&M to sharply curtailed construction coincident with ongoing demand. As of July this source was reporting average vacancy at 5.3%. Through 10 months of 2001, 2,174 multifamily units were approved for construction. In 2000 the total was 2,666. Reis predicts the delivery of only 855 units in 2001, down from 1,534 in 2000. However, the completion average for 1996-1999 was about 4,500. "Demand is expected to outpace new supply over the next 12 to 18 months as construction activity continues to recede" predicted M&M in July. Reis cites a 3Q average asking rent of \$713, up 4.2% from a year earlier. Behind the favorable vacancy a significant role is played by rental concessions, particularly for Class A units in the western and SW'ern suburbs, although they are declining as construction slows. According to M&M, the average rent grew 3% during the first half of 2001 to more than \$680 per month. Over the 12-month period ending at mid-2002, average rental growth of 4% is projected.

Submarkets: With higher vacancy and recent softness in the Class A SW suburban markets of Beaverton and the Sunset Corridor, development has shifted toward Portland (the core area's Pearl District) and elsewhere. One of the few projects under way in the high-tech SW suburbs is GSL Properties' 276-unit Westridge Meadows. In Gresham on the suburban east side, the 440-unit Altamonte Summit complex opened in May 2001. In the south, the 326-unit Wilsonville Summit complex started construction in Oct. Expansion of the urban growth boundary could bring increased activity to Clackamas County (south suburban).

Sales: In possibly "the highest-priced apartment transaction in Oregon history," the 497-unit, 2000-built Avalon Palladia, in Hillsboro, sold in Oct. for \$51.25 m (\$103,800 per unit), reports *BJ*. AvalonBay, which bought the property a year earlier for \$46.3 m, was the seller. The buyer was Equity Residential Trust. On a per-unit basis, the sales record is held by Portland's 156-unit Oakwood Essex House, which sold at \$141,000/unit.

Outlook: The favorable performance of the market should continue, aided by low construction volumes. Rental growth is expected to persist at favorable levels. Low vacancy is expected to continue.