

PROPERTY SECTOR CYCLES

Apartment

APARTMENTS BY THE NUMBERS

- After three straight years of falling capitalization rates, the urban multifamily capitalization rate average rose from 6.53% to 7.06%
- Similarly, after consecutive decreases, the suburban multifamily capitalization rate rose; jumping 62 basis points to 6.96%.
- Despite rising moderate rate increases, suburban and urban multifamily properties hold the number one and two ranks in our rates survey results, respectively.

• While the multifamily market appears significantly less stable than last year, IRR professionals indicated that they anticipate the multifamily sector to be less unstable than others. With 81.5% of respondents projecting increases in urban multifamily property capitalization rates and 81.8% projecting increases in suburban multifamily cap rates, the multifamily market is still generally embroiled in the downward trends afflicting other property sectors.

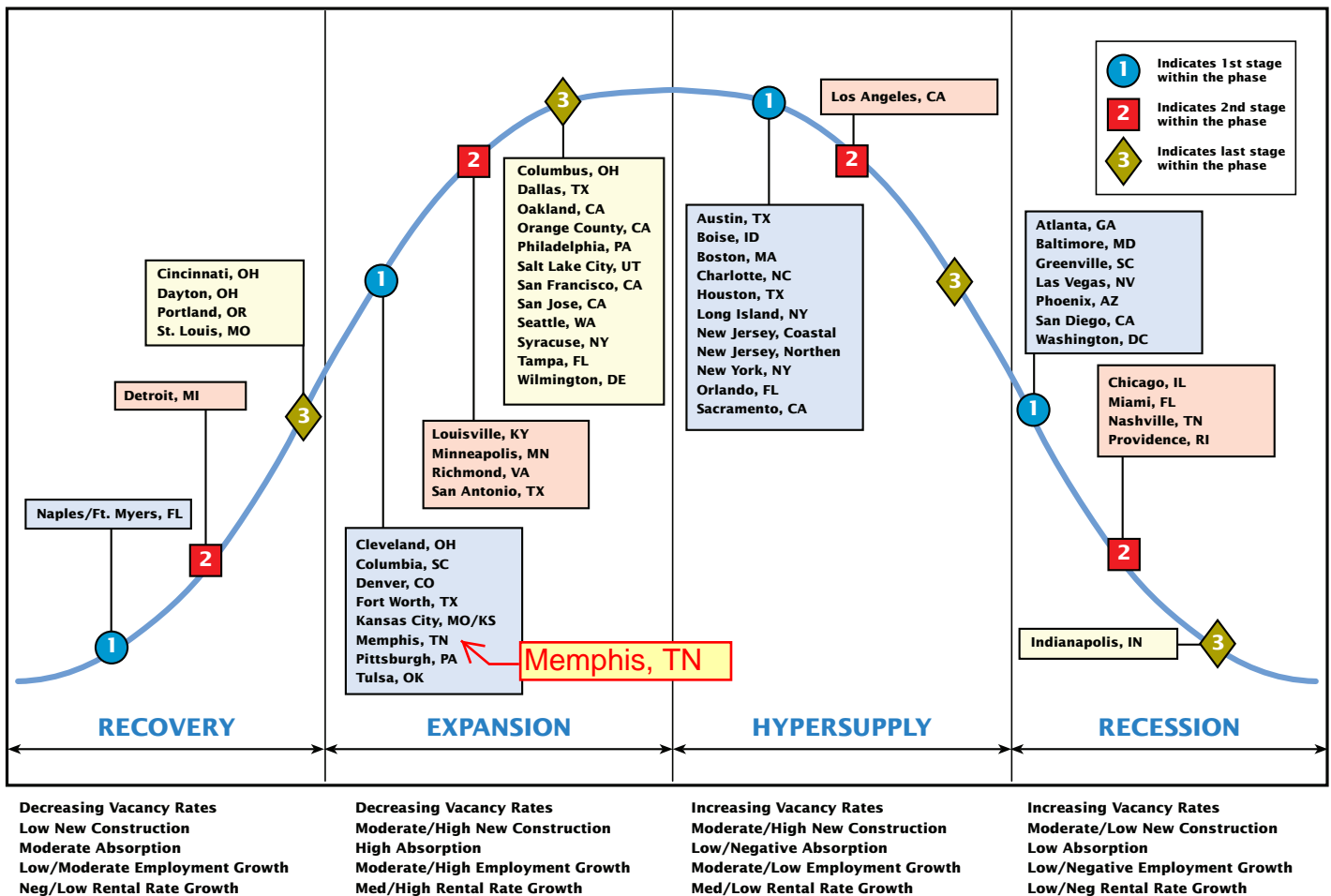
• The average suburban multifamily discount rate average is 8.63%, a moderate increase from last year's 8.00%. However, this is still below the 2005 and 2004 averages of 8.8% and 9.7% respectively.

• Of the IRR offices, 16.36% project urban multifamily discount rates to remain stable and 19.64% project suburban multifamily discount rates to remain stable.

Vacancy rates have increased over the last year. This year the weighted vacancy rate is 6.32%, compared with last year's 5.77%. While last year only five of the markets surveyed indicated vacancy rates above 9.0%, this year eleven indicate vacancies above 9%. As would be expected, the forecasted

FIGURE 20

APARTMENT MARKET CYCLE



*City data compiled using the following sources: IRR Surveys, REIS and Legg Mason
© Copyright 2008 Integra Realty Resources