

Notable Rises Reported in Cap Rates Across US

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LOS ANGELES — Cap rates for multifamily transactions across the country are ticking up at a decent pace. That's what CB Richard Ellis found in its third informal survey of capitalization rates among apartment transactions in 35 major US markets. Senior professionals who participated in the survey provided their best estimates for stabilized and value-add deals on class A, class B and class C multifamily properties.

The locally based firm found that in 33 of the 35 markets examined, cap rates rose by an average of 150 basis points between March 2008 and March 2009, due in large part to the turmoil in the capital markets as well as poor real estate funda-

mentals. The increases were higher for class A properties compared with class B or C, whereas in the past, the latter classes would see cap rates move up sooner and further than class A assets.

Likewise, value-add opportunities saw greater upticks than stabilized deals. Among metros, for class A stabilized communities, Atlanta saw the biggest increase over the year, 225 basis points, to range from 7% to 8% in March 2009. Houston came in second, with a 213-basis-point increase to 7.5% to 8%. Rising 200 basis points a piece were New York City and Portland, which had cap rates ranging from 6.5% to 7% and 5.25% to 6.75%, respectively.

For value-add opportunities in the class A space, Atlanta again saw the largest basis point increase (250) between March 2008 and March 2009, for cap rates ranging from 7% to 7.75%. Cap rates for San Diego value-add properties rose 238 basis points to fall between 6.25% and 7.25%. And rounding out the top three was Phoenix, where rates went up 225 basis points to between 7% and 7.5%.

Seeing no movement at all were cap rates for deals involving value-add properties in Cincinnati and Detroit, where they ranged from 6.75% to 7.25% and 8% to 8.5%.

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