



## *From the Director's Chair:* **MULTIFAMILY**

Happy end of summer....bummer. This quarter we want to share our insight and perspective on the white-hot multifamily apartment sector. We will provide highlights and insight as to the national scene as well as a recap of the local, New Hampshire specific market at large. As always, we welcome your feedback and encourage you to reach out to us for expert counsel, advice, and representation. Whether you are buying or selling a multifamily property in New Hampshire, no other firm has a grasp on the national trends that affect the local markets, and the secondary markets, more so than the Team at Berkshire Hathaway Verani Realty. We look forward to working with you!

The investment market for multi-family apartment assets continues to remain white hot amongst seasoned and newer investors alike. Favorable financing, continued demand, evolving demographics and a general lack of safe, clean, affordable rental options are just a few of the drivers for this sector.

New Hampshire has certainly benefited from many of these same trends that typically affect the larger, metro areas of the United States. In many ways, due partly to its' geographical size and limited quality investment opportunities for larger (100+ units), New Hampshire is not a prime target of acquisitions for the larger players in the arena-Public companies, Real Estate Investment Trusts (REIT'S), and the larger multi-generational owners/managers have not allocated the huge sums of investment capital as they have in other submarkets. New Hampshire is a submarket of a submarket, and in many ways, this creates a compelling opportunity for astute investors to obtain quality assets with stable occupancy and positive effective rent growth-two very important metrics when analyzing apartment investments.

New Hampshire possesses many favorable investment characteristics in comparison to many metrics than the larger metro's, and certainly better than most submarkets including vacancy rates, rent growth, per unit pricing.



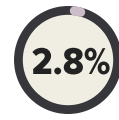
Let's take a look at some interesting points (Nationally):



Although new supply outpaced demand slightly, the Q2 vacancy rate edged up slightly by 10 basis points to a still healthy 4.7%.



Average rents rose \$3.00 in July to an all-time high of \$1409.00 per month.

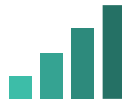


Year over year, rents are up 2.8%, which is still down 10 basis points from June. For all of 2017 effective net rent growth closed at an increase of 2.0%.



Secondary Markets

Growth continues to be lead by



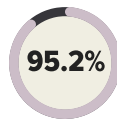
The top rent growth markets in the U.S.

continue to be led by the usual candidates-Orlando (6.9%), Las Vegas (5.8%), the Inland Empire (5.5%) and Phoenix (4.9%).



The slowest growing market

in terms of effective rental growth include San Antonio (0.6%), Baltimore (0.8%) and Washington D.C. (1.5%).



Occupancy levels remain healthy at 95.2% as of the first half of 2018.



The closest major metro to

New Hampshire is Boston - one of the nations 'Sexy Six' markets as described by economic and real estate pundits around the globe.



Boston's apartment sector is currently

running year over year rent growth of 2.9%



In 2017, the national average of existing apartment communities consisting of 50 units and larger that sold throughout the U.S. indicated a per unit door price in excess of \$350,000 per door.

### Average National Multifamily Cap Rates by Class & Tier:

#### Major Markets:

*Class A:*

**4.5%**

*Class B:*

**5.1%**

*Class C:*

**6.0%**

#### Secondary Markets:

*Class A:*

**5.1%**

*Class B:*

**5.7%**

*Class C:*

**6.6%**

#### Average New Hampshire Multifamily Cap Rates:

*Class A:*

**6.0%**

*Class B/C:*

**8.0 - 8.5%**

**\*NOTE:** Class A assets in major markets (Boston, NY, Chicago, Los Angeles, etc.) trade at an average cap rate of 4.5%. If an investor compares the same asset class of multifamily property in a secondary market, they can expect to achieve an approximate yield enhancement of 61 basis points. If the same investor prefers to stay in a major market, they can achieve the same yield enhancement moving from class A product type to Class B product in the same major market. Class B product in secondary markets typically yields an additional 62 basis points, averaging 5.73%

Looking at the time period from Q1 2013 up to and through Q1 2018, the per unit sales price for all Northeast apartment assets rose from \$350,000 per unit, to now being recorded at slightly more than \$450,000 per unit. An increase of more than 28%! This statistic applies to all sales transactions of \$10 million and above. The Northeast far and away exceeded the per unit sales price recorded for all apartment assets sold during this period. The Southwest recorded the lowest price per unit during this time frame, recording a per unit sales price of \$+/- \$140,000 per unit in Q1 2013, and remaining remarkably close to the same figure as of close of Q1 2018, just about \$135,000 per unit.

Now let's take a look at New Hampshire...

## New Hampshire



*Statewide, vacancy rates are a paltry*  
2% for 'all apartment' units-including  
studios, 1-bdrm, 2-bdrm and 3-bdrm units



*The average vacancy rate for*  
New England by itself stands at 5.1%



*Rents increased by 3.0% for 2017 and*  
remain on pace to meet and exceed  
these levels by year-end 2018



*Rockingham County presented the highest*  
monthly median rent for a 2-bedroom unit  
in 2017 at \$1409, followed closely by  
Hillsborough County at \$1384.



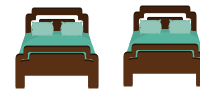
*For the most popular unit preference amongst*  
renters (2-bdrm), the vacancy rate stood  
at a mere 1.4% for all of 2017



*A vacancy rate of approximately 5%*  
is considered healthy.



*The monthly median rental amount for a*  
2-bedroom unit in New Hampshire during  
2017 was \$1296 per month.



*Rockingham County presented the lowest*  
median monthly rental rate for a 2-  
bedroom unit at \$818 per month.



**In 2017, the national average of existing apartment communities consisting of 50 units and larger that sold throughout New Hampshire indicated a per unit door price in excess of \$100,000 per door.**



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What does all of this information and statistical data imply? Where are the opportunities? Good questions. A very broad answer is....'it depends'.....

Generally speaking, there are a number of important criteria such as your financial resources, return expectations, holding period, tax consequences, geographical preference, risk tolerance and a myriad of other metrics. These are **FANTASTIC** times to invest (wisely) in New Hampshire multifamily properties. We have played an integral role in several significant asset sales during the past year alone. We have represented seller's who desire extreme confidentiality and want their property presented to well qualified buyers-only, without any sort of mass marketing campaigns. We have been engaged to represent buyers (institutions and private investors alike) to identify, underwrite and recommend properties for acquisition. We are frequently called upon to provide expert testimony and valuation services for buyers, sellers, appraisers and lenders throughout New England. Most of the opportunities currently pursuing is working on behalf of buyers seeking a compelling opportunity to add value to their portfolio of multifamily properties in preparation of disposition, or, with the investor looking to exploit pricing arbitrage within the market. An area that we are uniquely qualified to provide sound counsel and advice.

Our approach is staunchly collaborative, and our Team of seasoned Advisors, our internal marketing and research departments, and our Senior leadership all play critical roles in the entire process of identifying/underwriting potential investments, creating unique and compelling marketing packages for seller's of multifamily properties, as well as provide insight and perspective to our valued clients who may need nothing more than assurances that the market is not crazy, and how best to approach the next wave of this economic cycle. Noone has a crystal ball to predict what will happen next in this economy or this frothy market, however, aligning with a seasoned group of professional real estate advisors is a great first step towards protecting your very valuable real estate assets-whether it's a one-off or a portfolio of properties, Berkshire Hathaway has your best interests at the forefront of everything we do. Every day, our mission to ensure capital preservation and value creation of your commercial real estate assets. For today. For tomorrow. For the next generation of your legacy, we know New Hampshire commercial real estate.

We look forward to working with you.