



According to new IREM benchmarking study reports Conventional rental buildings saw slight dips/increases in expenses/rents in 2010

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Total expenses for three of four conventional rental apartments (garden; low-rise, 25-plus units; and elevator) dipped between 1.0 and 1.7% in 2010 from the prior year, while those for low-rise buildings with 12 to 24 units rose a mere 1.3%. Gross possible rents last year for two of the four building types examined rose 0.5% and 2.6%, respectively, from the year earlier, with the two remaining building types experiencing year-to-year declines of 0.2% and 2.1%, respectively.

These are among the key findings reported in the 2011 edition of the Income/Expense Analysis: Conventional Apartments, a new benchmarking study published by the Institute of Real Estate Management (IREM). This annual study by IREM analyzes the previous year's operating income and cost figures for 3,059 multifamily rental properties representing over 645,000 units across the U.S. and Canada. It is designed to help real estate professionals evaluate multifamily development and investment options and compare their buildings' performance to industry norms. The publication also is an invaluable resource to build better budgets; identify ways to trim waste, address inefficiencies, and make needed improvements; prepare feasibility studies, appraisals and loan requests; and much more.

NOI DIPS

NOI for three building types for which data was available rose slightly or stayed essentially the same last year versus 2009. NOI for low-rise buildings with 25 or more units rose 6.0% to \$4.45 per s/f; that for elevator buildings increased 3.5% to \$8.17 per s/f; and NOI for garden apartments dipped a slight 0.8% to \$4.86 per s/f.

VACANCY AND RENT LOSS LEVELS SEE SLIGHT DECREASE

A 2010 versus 2009 comparison of vacancy and rent loss as a percentage of gross possible income shows a minor decrease - from 0.1% to 3.0% - for all conventional apartment types. Differing economic conditions and levels of multifamily development experienced by each metropolitan area analyzed produced significant differences in vacancy and rent loss levels. The lowest vacancy and rent loss level in the U.S. was in Boston, Mass., where a median vacancy and rent loss of 4.5% or less of gross income was reported for the three building types for which data was available.

EXPENSE AND RENT SPECIFICS

Owners of three of the four building types analyzed found them slightly less expensive to operate in 2010 than in 2009. Total expenses for garden apartments declined 1.7% to \$5.13 per s/f; those for elevator buildings decreased 1.3% to \$7.32 per s/f; and those for low-rise buildings with 25-plus units dipped a mere 1.0% to \$4.92 per s/f. On the up side, expenses for low-rise buildings with 12 to 24 units rose 1.3% to \$5.51 per s/f.

Looking at gross possible apartment rent specifics in 2010, elevator buildings experienced the largest gain, 2.6%, raising the rent per s/f to \$15.15 per s/f last year versus \$14.76 the year earlier. Also on the plus side, low-rise buildings with 12 to 24 units saw rents increase 0.5% to \$11.82 last year from \$11.76 in 2009. By comparison, the rents in garden buildings decreased 2.1% in 2010 to \$10.43 per s/f from \$10.65 the prior year, whereas rents in low-rise buildings with 25 or more units experienced a year-to-year decrease of 0.2%, bringing rents to \$9.98 per s/f.

Low-rise buildings with 25 or more units in the Southeast region reported the lowest median rents at \$7.66 per s/f. Elevator buildings in the West Coast region reflected the highest gross possible rents at \$18.31 per s/f.

UTILITY COSTS INCREASE SLIGHTLY

Utility costs were reported for three of the four building types, with all three showing relatively minor increases in 2010 from the prior year. Elevator buildings continue to have the highest utility costs, rising 5.1% last year to \$1.23 per s/f. Low-rise buildings with 25-plus units saw a cost rise of 1.4%, increasing to \$0.75 per s/f, while garden buildings saw a cost rise of 4.6%, increasing to \$0.68 per s/f.

MAINTENANCE AND REPAIR COSTS UP AND DOWN, SOME BY DOUBLE DIGITS

Maintenance and repair costs for low-rise buildings with 12 to 24 units experienced a 16% increase in 2010 from the year earlier, whereas those for low-rise buildings with 25-plus units fell 13.2%. In contrast, maintenance and repair costs for elevator buildings dropped 8.3% while those for garden buildings remained unchanged. Garden buildings reported the lowest median maintenance and repair cost at \$0.27 per s/f. Low-rise buildings with 12 to 24 units reported the highest such costs at \$0.94 per s/f.

OPERATING RATIOS RELATIVELY STABLE

For all building types in 2010, less than 51% of a typical property's annual collections were used to cover operating costs, versus less than 53% in 2009. Operating ratios remained relatively stable, with garden buildings experiencing the highest operating ratio at 50.8, 0.6% lower this past year than the year prior. Low-rise buildings with 12 to 24 units were the only building type to report a higher operating ratio in 2010 vs. 2009, rising just 0.2 to 48.5%.

MOST BUILDING TYPES SEE LOWER TENANT TURNOVER

Three of the four building types examined experienced a decrease in tenant turnover in 2010 vs. the year earlier. Turnover for low rise buildings with 25-plus units declined 8.7% to 40.7%; that for elevator buildings decreased 8.2% to 34.4%; and that for garden buildings dipped 1.3% to 53.0%. By comparison, turnover in low-rise buildings with 12 to 24 units rose a mere 0.5%.

PRICE AND ORDERING INFORMATION

The 232-page Income/Expense Analysis: Conventional Apartments is available for \$449.95 (plus \$15.50 shipping and applicable state sales tax). The IREM Member price is \$224.95 (plus shipping and sales tax). To order, contact IREM's Customer Service Department at 430 N. Michigan Ave., Chicago, IL 60611-4090 or call toll-free at (800) 837-0706, ext. 4650. Credit card orders (VISA, MasterCard, Discover or American Express) can be faxed toll-free to (800) 338-4736 or e-mailed to custserv@irem.org. Internet users can order the study in soft cover or in a downloadable format by accessing the Publications section (click on Income/Expense Analysis Reports on the drop-down menu) of the IREM web site at www.irem.org. As a special incentive, purchasers of the report in print format can also receive it in downloadable Excel file and PDF format for just \$99.99.

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