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## Insights and perspectives in the multifamily market

April 11, 2013 - Appraisal & Consulting

The New England Chapter of the Counselors of Real Estate held its spring meeting on April 4th at The BC Club and the featured topic was "Insights and Perspectives in the Multifamily Market." CRE members and guests heard insightful comments from Harold Brown, chairman and CEO of The Hamilton Co. and David Hall, development partner, The Hanover Co.

The New England Chapter has a keen interest in the multifamily asset class given significant levels of development activity, dramatic rental growth and tight occupancy levels which, along with capital market conditions, have driven economics into areas that are unprecedented and uncharted.

The two presenting firms and principals have significantly different business plans. The Hamilton Co., led by Brown for nearly 60 years, typically targets acquisitions, repositioning/rehab opportunities and development deals in the mid-size portion of the market - between the deals favored by smaller, local owners and large national firms. In addition, The Hamilton Co. self-finances its deals and holds properties over the long term. The Hanover Co. entered the Boston market in 2003 and is building high-end rental properties that are sold shortly after completion, teaming with various capital partners. Their focus has migrated from suburban to urban markets and they are currently constructing multifamily properties in both the Seaport and Cambridge.

Aside from these very different business plans, comments shared by Brown and Hall demonstrated the multifamily market is evolving and, even in these different market segments, the two firms share common insights. Some highlights include:

**Rent versus Own:** Both presenters agreed there is cyclicity to owning and renting and as house prices increase, rent increases will slow and the extraordinary rent gains of the past few years will moderate.

**Unit types:** Both presenters indicate that the optimal apartment size is declining modestly (approximately 10%-15%) as demand for smaller units and more efficient units has emerged. They pointed out that the market for "micro units" or "innovation housing" is untested and the cost to install the kitchen and bath, even in a smaller unit, is the area of greatest expense. The resulting rental rates per foot are at a premium to a more traditional unit size and the future success of this unit is unknown.

**Amenities:** Brown notes his apartments are first and foremost a place to live and while the market is tight availability is the primary factor (over amenities). When the market softens sometimes other amenities (such as offering furnished apartments) are necessary. (Brown is known for having installed the first rooftop pool in Boston.) Hall commented that Hanover builds a significant amenity package into all its properties to meet these cyclical market moves including fitness areas, business centers, theatres and pools. Hall noted an outdoor pool will be featured at its 100 Pier 4 property.

Both presenters offered additional views on the sector in even greater detail than space in this column allows. The New England Chapter would like to express its gratitude to Harold and David for

their open and insightful presentations.

#### 2013 Calendar of Events

- \* 2013 Midyear Meetings, April 28 - May 1, 2013 - Waldorf Astoria - New York City
  - \* Summer Social - Harpoon Brewery Beer Hall, 306 Northern Ave., Boston, June TBD
  - \* Fall Chapter Event, September TBD
  - \* 2013 Annual Convention, October 20-23, 2013 - The Ritz Carlton Hotel - San Francisco
  - \* "Hot Topics" Luncheon, CB-NE, 33 Arch Street, Boston - November, Date TBD
  - \* December 12, 2013 Annual Holiday Reception, Algonquin Club, Boston.
- Jill Hatton, CRE, is the 2012 New England/Upstate N.Y. CRE chapter chair, Boston, Mass.

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The New England Counselors wrapped up their year of activities with the Annual Holiday Reception at the Algonquin Club in Boston on December 13, 2012. The first meeting of the 2013 will feature Ray Torto, CRE, Ph.D. and Global Chief Economist in Global Research and Consulting at CBRE. Ray will provide his Commercial Real Estate Economic Outlook to the New England Counselors at a Luncheon on January 22, 2013 at his offices. Invitations have been sent to CRE members.

Following are CRE New England Chapter Officers for 2013.

#### 2013 Chapter Officers

Jill Hatton, Real Estate Consultant, Chapter Chair  
Peter Nichols, NorthStar Ally LLC, Vice-Chair  
Robert E. Costello, Capital Crossing Servicing Co., LLC, Board Member  
Martha O'Mara, Corporate Portfolio Analytics, Board Member  
Harris Collins, CB Richard Ellis - NE Partners, Board Member  
John McLaughlin, McLaughlin Investment, Inc., Board Member  
John Baczewski, Real Estate Fiduciary Services, LLC, Board Member

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