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**February 24, 2011**

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April 27-28, Dallas, TX

### [2011 NMHC Research Forum](#)

April 27-28, Dallas, TX

### [2011 NMHC Apartment Strategies Update and Finance Conference](#)

May 24-25, Palm Beach, FL

### [2011 NMHC Spring Board of Directors Meeting](#)

May 25-26, Palm Beach, FL

NMHC represents the larger and most prominent apartment firms in the U.S. The Council serves as the apartment industry's primary advocate on legislative and regulatory matters. It also conducts apartment-related research, produces strategic information on business-related issues, and promotes the desirability of apartment living.

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## Finance and Capital Markets

### Banks Tiptoe Back Into Commercial Lending

A wave of fresh capital into the commercial real estate market is reviving delayed projects and helping new apartments, offices, and stores get off the ground. Pockets of demand for new commercial space are emerging even as many U.S. banks continue juggling billions of dollars in problem loans. J.P. Morgan Chase & Co. says that in the third and fourth quarters of 2010, construction loans were picking up, but now there is much more activity. The lender financed as much construction lending in the first six weeks of 2011 as the nation's second-largest bank by assets did in all of last year. While it will take years to replace the more than 2 million construction jobs lost since the real estate bubble popped, commercial projects could help buffer the U.S. economy if public-sector construction dives as a result of impending government

executive summary of noteworthy articles of interest to apartment executives and an exclusive membership benefit for Council members.

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From "Lending Revives Stalled Projects"  
*Wall Street Journal (NY) (02/23/11) P. C1 Troianovski, Anton*

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### Rental Market Big Part of Housing's Future

The Obama Administration's proposal to phase out Fannie Mae and Freddie Mac makes it final that rental housing will play a major role in the changed housing landscape. The government white paper released on Feb. 11 details three options for what could take the place of the mortgage giants and lays the groundwork for a debate over the country's \$10.6 trillion mortgage market. Multifamily housing support, which currently involves purchasing the multifamily loans that others originate and refinance, will more than likely withstand the final reform, though it is unclear exactly how.

Nevertheless, the long-awaited report acknowledges the government's realization that, in the wake of the housing bust, more Americans are foregoing ownership in favor of renting. The nation's renter households now exceed a record 37 million, and an additional 4.4 million households could be added by 2015. The report indicates, "Americans should have choices in housing that make sense for them and for their families. This means rental options near good schools and good jobs. As we wind down Fannie Mae and Freddie Mac, it will be critical to find ways to maintain funding to this segment of the market."

Without support from Fannie and Freddie between 2008-2010, multifamily building owners would have been hard pressed to refinance maturing mortgages, which could have led to a rise in foreclosures and displaced renters. "Reform is absolutely necessary to address the serious flaws in the single-family sector. Policymakers need to understand that the GSEs' multifamily programs were not part of the meltdown, and they are a vital capital source for the rental housing sector," says NMHC.

From "Rental Market Big Part of Housing's Future"  
*Dow Jones Newswires (02/11/11) Wotapka, Dawn*

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### GSE Reform Needs to Factor in Rental Housing

In this REIT.com video, NMHC President Doug Bibby discusses the recent government sponsored enterprise (GSE) reform proposal issued by the White House. Of the three options in the proposal, Bibby calls the first two options -- privatization of the entire housing finance market and maintaining a backstop capacity for borrowers in times of financial crisis -- impractical. The third option would allow private capital sources to assume primary credit risk in the mortgage market and the government to provide reinsurance on specific mortgages. This option would best meet the needs of the rental housing market, says Bibby. "The single most important thing that policymakers can focus on is the fact that Fannie Mae's and Freddie Mac's multifamily books of business are platinum. Their serious delinquencies are about half of 1 percent, 50 basis points, versus a serious delinquency rate for CMBS of about 10 percent. These books of business have been profitable for the agencies at a time when their single-family business is in total disarray," he says. Policymakers need to look to these models that are positive, such as Freddie Mac's prior approval program, he

Bibby says reforms will take a long time to address, with U.S. Treasury Secretary Tim Geithner estimating it could take five to seven years to resolve. Bibby does not see changes happening until the beginning of 2013.

From "GSE Reform Needs to Factor in Rental Housing"  
*REIT.com (02/16/11)*

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### **Apartment Owners React Cautiously to Proposed GSE Reform**

The good news for the apartment sector is that the Obama Administration, in a plan presented by U.S. Treasury Secretary Timothy F. Geithner earlier in February, appears to offer unprecedented support for rental housing, a departure from previous administrations. Doing away with the profitable apartment business of Fannie and Freddie along with the dysfunctional residential mortgage programs would be a mistake, apartment advocates assert. "Reform is absolutely necessary to address the serious flaws in the single-family sector. But as the administration recognizes, policymakers need to understand that the GSEs' multifamily programs were not part of the meltdown, and they are a vital capital source for the rental housing sector," NMHC said in a statement.

"We are encouraged that the Obama Administration explicitly notes the need to support rental housing and to return to a housing framework that understands that not every American wants to, or should, own a house," NMHC President Doug Bibby said. Bibby urged legislators to proceed with caution and to avoid putting rental housing at risk of turning into a "collateral victim of the single-family meltdown." "Quite simply, the GSEs' multifamily programs are not broken," Bibby stated. Bibby said the apartment industry is ready to pay for a continued federal guarantee, priced so it does not compete unfairly against private debt capital.

From "Apartment Owners React Cautiously to Proposed GSE Reform"  
*CoStar Group (02/16/11) Drummer, Randy*

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### **Fannie/Freddie Plan Ignores Underlying Cause of Crisis**

In this opinion piece, Christopher Leinberger of the Brookings Institution and the Urban Land Institute says the federal government's recommendations to reform Fannie Mae and Freddie Mac do not take into consideration the reason for the collapse of the housing and mortgage markets, making it difficult to prevent another collapse in the future. He believes a structural shift in market demand caused the collapse -- not lax underwriting standards, corruption, and greed. Leinberger says real estate has been focused on suburban, low-density, and socially and economically segregated single-family houses, but millennials and empty-nester baby boomers began to demand walkable urban developments with mixed use and transportation options. He states, "The market has fundamentally changed in how it wants to live and work. The real estate and financial industries and federal policy have to change as well to allow that pent-up demand to be met -- which will put a sustainable foundation under our

From "Federal Restructuring of Fannie and Freddie Ignores Underlying Cause of Crisis"

*Urban Land Institute (02/10/11) Leinberger, Christopher*

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### **Beyond Fannie and Freddie, a New Approach**

Harvard Economics Professor Edward Glaeser believes the U.S. Treasury's "Reforming America's Housing Finance Market" is a good start toward revamping Fannie Mae and Freddie Mac, especially as it indicates that homeownership will be less of a focus in the future. In particular, Glaeser cites two parts of the report, one of which states, "Our plan champions the belief that Americans should have choices in housing that make sense for them and their families. This means rental options near good schools and good jobs." The second part of the report highlighted by Glaeser states, "This does not mean our goal is for all Americans to be homeowners."

Glaeser says, "Our pro-homeownership policies have encouraged millions of Americans to make vast leveraged bets on housing prices -- and many of those bets have led to foreclosures. These policies implicitly push Americans from urban apartments to suburban houses, and that makes little economic or environmental sense. The Republican Party retook the U.S. House with a promise to reduce the government's interference in private decision-making. I deeply hope it lives up to that promise and joins the fight against socially-engineered homeownership."



From "Beyond Fannie and Freddie, a New Approach"  
*New York Times (NY) (02/15/11) Glaeser, Edward L.*

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### **Archstone Looks Likely to Go Public Again**

Observers say Archstone could go public again in 2011 as the result of a significant increase in the value of apartment buildings. It could be the biggest real-estate initial public offer in history. Green Street Advisors indicates that Archstone could generate \$4 billion to \$5 billion by selling its shares, valuing the company at \$18 billion, including debt, which is only slightly less than its peak value of \$22 billion. Since the buyout by Lehman Brothers Holdings Inc., Bank of America Corp., and Barclays PLC, which took the company private, Archstone has sold over \$2 billion in assets. However, economic turmoil and the size of the offering make the success of an Archstone IPO uncertain. Archstone CEO R. Scot Sellers says, "At some point, [these banks are] going to want to monetize their investment, and an IPO would make sense, [but] there are no imminent plans for an IPO at the moment." Archstone owns 200 apartment communities in the United States and 230 apartment communities in Europe.

From "Archstone Looks Likely to Go Public Again"  
*Wall Street Journal (02/23/11) Whelan, Robbie*

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**Housing Policy**

The U.S. homeownership rate has fallen from almost 70 percent in 2004 to 66 percent in 2010 and continues its downward trek. A rate of 64 percent is the historic norm, and economists call the decline a correction. With mortgage lenders requiring higher credit scores, higher incomes, and higher down payments, Brian Wesbury, chief economist at First Trust Portfolios, says more people are renting instead of buying. Felix Salmon, a financial blogger for Reuters, says, "It's great that homeownership is going down because homeownership is actually bad for the economy. What homeownership does is it keeps people stuck in one place. And what you need when you have an economy with high unemployment, like we have right now, is labor mobility. We want people to be able to up and leave to where the jobs are as easily as possible, and it's very hard to do that when you own your own house, and it can take months to sell it, even if you're lucky."

From "The New Reality of the Housing Market"  
*NPR Online (02/20/11)*

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### **Owning a House No Longer Part of the American Dream?**

Homeownership is no longer the primary goal of housing policy following the financial crisis, and lawmakers are scrambling to craft reforms to shore up the housing markets that rebalance policy to ensure that renting and homeownership's debts and responsibilities are outlined clearly. Previous policies ensured that homeownership was subsidized well either through the mortgage-interest tax deduction, various real estate tax deductions, deductions for mortgage insurance, and tax credits for first-time homebuyers.

In terms of the White House's plan for winding down Fannie Mae and Freddie Mac, HUD Secretary Shaun Donovan says that the goal of the Obama Administration is no longer to push all Americans into homeownership. NMHC President Doug Bibby says that the "[administration's] return to a housing framework that understands that not every American wants to or should own a house" is a positive development.

Thus far, the number of renters has risen at the same time the rate of homeownership has declined. The administration's plan could steer more people into rental housing by increasing downpayment requirements for Fannie and Freddie mortgages to 10 percent, strengthening credit standards, increasing insurance premiums, raising downpayment requirements for FHA loans, and ensuring Fannie and Freddie remain guarantors of apartment housing loans as well as "targeted support" for affordable rental housing through a trust fund. Other changes to housing policy could include a scaling back of the mortgage interest deduction and property tax deductions for high-income homeowners.

From "Owning a House No Longer Part of the American Dream?"  
*Washington Times (02/15/11) Hill, Patrice*

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### **Mortgage Interest Tax Break No Longer Sacred?**

The mortgage interest tax deduction has been a sacred policy that lawmakers dared not touch for many years, but a growing number of experts have suggested it be eliminated. Economists say they doubt the deduction actually

write off huge loans on mansions. "The mortgage interest deduction, while many people gain from it, is not a wise use of our tax dollars at this point," says Ted Gayer, economist and former Treasury Department official. It costs the government too much -- up to \$130 billion a year, he says -- and a bipartisan federal commission recently suggested replacing it with a more targeted credit for lower-income Americans that would cost the government much less. Some say ending the tax credit would actually lower house prices and make it easier for people to buy houses, while others note that countries like Canada and Australia do not offer a tax credit and their homeownership rates are about the same as the United States.

From "Mortgage Interest Tax Break No Longer Sacred?"  
*NPR Online (02/12/11) Arnold, Chris*

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### **Kill the Mortgage Deduction and Give It to Entrepreneurs**

Winding down and scrapping the mortgage interest deduction would be a boon to business, say critics. Mortgage write-offs do nothing to revive the housing industry and that money can be better used by giving it to entrepreneurs to create jobs, says Reuters Columnist John Wasik. The mortgage deduction also does not make housing more affordable, and it actually makes houses more expensive because the subsidy drives up prices. Alan Mallach, senior fellow at the Center for Community Progress, found that "barely 10 percent of homeowners earning less than \$30,000 take the deduction, but they pay higher prices for their houses to benefit more well-off homeowners. On top of this, it is projected to add \$120 billion to the federal deficit next year."

From "Kill the Mortgage Deduction and Give It to Entrepreneurs"  
*Reuters (02/11/11) Wasik, John F.*



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### **Homeownership Loses Its Luster**

Economists continue to see trends where Americans are moving away from the idea of homeownership toward renting, as many are unwilling to tie up money in house repairs and maintenance or lose the flexibility they need to pursue job opportunities elsewhere or make large purchases. As house prices continue to fall, many workers are "increasingly skeptical" about homeownership, with only about 67 percent of Americans seeing a house as a good investment, down from 83 percent in 2003. The homeownership rate has fallen below 69 percent to just 66.5 percent, and fewer Americans are aspiring to own a house, according to recent Fannie Mae data. Some experts indicate the decline is related not only to falling house prices, but also stricter mortgage requirements and the sense that many young workers have that they will need to be able to move for better job opportunities.

Strategic Business Insights Psychologist David Sleeth-Keppler says, "We're becoming more of a renting/sharing society. People are staying less bogged down, in case something bad happens." More renters will flood the market, which could push up rents, according to experts. However, Trulia.com's rent-vs.-buy formula indicates that renting is the better option in a number of cities, including Los Angeles and Seattle. National Foundation for Credit Counseling Spokesperson Gail Cunningham says, "Homeownership is not right for everyone, nor has it ever been right for everyone. That's part of what got us into trouble -- the idea that every American should own a house."

From "Homeownership Loses Its Luster"

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### **Obama Administration: Not Everybody Should Own a House**

U.S. housing policy for decades been based on the ideal that everyone should own a house, but the Obama Administration's recent housing finance report takes a different view. The report says the nation needs to ensure that housing is affordable, but "this does not mean all Americans should become homeowners." The government should make sure that those who can afford a house are able to buy one, the report says, but also should make sure there are affordable rental options.

From "Obama Administration: Not Everybody Should Own a Home"  
*NPR Online (02/11/11) Goldstein, Jacob*

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## **Environment and Sustainability**

### **Daily Show: Edward Glaeser Promotes Higher-Density Living**

In discussing his book, "Triumph of the City," on The Daily Show with Jon Stewart, Edward Glaeser discusses how cities can make people happier, healthier, safer, and greener. He notes that cities often "play to our greatest assets, learning from each other." Cities have assets that young people particularly value, but they can work for everyone. Glaeser suggests that people living in cities tend to live longer. He notes that clean water is often a priority of city governments, and people tend to live healthier lifestyles by walking to and from their destinations, whether it be work or the grocery store.

The American Dream should not be white picket fences in suburbia, but the economic powerhouses of cities, he says. If more areas were as productive as New York City, the per-capita American GDP would increase 43 percent because of competition, innovation, and change. He says we have anti-urban policies in place currently, such as the mortgage-interest tax deduction, which makes homeownership into a "fetish." Even transportation policies continue to throw investments at suburbia, building more highways and infrastructure. Glaeser says the ratio of investments in suburban vs. urban areas is 2-to-1 when it comes to transportation.

From "Daily Show: Edward Glaeser"  
*The Daily Show (02/14/11)*

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## **Apartment Market Conditions**

### **National Survey Reveals Renter Moving Plans for 2011**

In a January survey of 1,800 Website visitors, Apartments.com discovered that nearly triple the number of renters (28.8 percent) were looking to move this year for employment opportunities than the 10.4 percent looking to move in

wanted a less expensive apartment and 6.7 percent had to move due to a rent increase. Moreover, many renters or current homeowners are searching for apartments much earlier than their expected move-in date, with 20 percent starting their apartment searches nearly four months in advance and nearly 25 percent looking up to five to 12 months in advance.

Over 20 percent of respondents looking for an apartment are current homeowners, and 32 percent of those are first-time renters. Those former homeowners say they are renting in 2011 because it provides them with greater flexibility in terms of job relocation.

From "Apartments.com National Survey Reveals Renter Moving Plans for 2011"  
*Bradenton Herald (FL) (02/22/11)*

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## NMHC News

### NMHC Forums: Research and Human Resources

Register now for NMHC's annual [Research Forum](#) and [Human Resources Forum](#).

Held April 27-28 in Dallas's historic Adolphus luxury hotel, these concurrent Forums bring senior executives together for in-depth discussions on best practices and industry trends as well as high-level networking.

Registration and more information is available at  
<http://www.nmhc.org/goto/meetings>.

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