



Greensboro/Winston-Salem

Multifamily Housing Update 3Q11 November

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Payroll Job Summary

	G/HP	W-S
Payrolls (000s):	339.1	206.6
Y-o-Y Change:	+0.2m	+4.1m
Year-to-date (SA)	+2.4m	+4.6m
2012 Forecast	+3.3m	+4.0m
2013 Forecast	+3.5m	+3.5m
Sep Unemployment	10.4%	9.4%

3Q11 Payroll Trends and Forecast

The Winston-Salem MSA labor market rebounded in 3Q, posting the strongest quarterly results in three years. Payroll employers added workers at a 4,100-job, 2.0% year-on-year rate, up from an 800-job add during 2Q11. Net gains were fueled by faster hiring in the construction, manufacturing and E&HC service sectors and slower attrition by business service and government establishments.

By contrast, employment growth in Greensboro-High Point decelerated, falling from a 1,200-job

net gain in 2Q11 to a 200-job advance in 3Q. Slower hiring among business service concerns and accelerating jobs losses in the health care and education service sector was responsible.

The outlook for Triad employment trends is constructive. A linear RED model projects total payroll gains in 2012 approaching 7,500 jobs, followed by a moderately smaller 7,000-job add in 2013. Stronger construction and manufacturing hiring should boost metro incomes and consumption.

Vacancy Rate Summary

Vacancy Rate (Reis)	8.0%
Shadow RED 50 Rank	47th
Annual Chg (Reis)	-3.0%
Reis YE11 Forecast	7.8%
Reis YE12 Forecast	6.8%
Reis YE13 Forecast	6.5%

3Q11 Absorption and Vacancy Rate Trends

Net tenant demand decreased for the fourth consecutive quarter in 3Q as 354 Triad units were absorbed, down from 538 and 1,265 in the previous and prior-year quarters, respectively. Developers delivered only 54 units of new supply, however, making room for a 40 basis point sequential average occupancy gain to 92.0%, a 3-year high.

Every metro submarket posted positive net absorption except Alamance Co., where -33 net unit move-outs were recorded. Owners in three submarkets filled a net of 82 units or more: North

Winston-Salem and Northeast and Southwest Greensboro. Each chalked down a 70 (SWG) to 110 (NWS) bps sequential occupancy gain.

Reis expect tenants to absorb another 247 units in 4Q11 and 1,261 in 2012. The firm foresees offsetting supply of 919 units during the same period, lifting average occupancy to 93.2% by YE12. Reis expect demand to continue to outstrip supply through 2015, when the firm sees average occupancy approaching 95%. NWS is tipped for the best performance, rising 380bps to 95.3%.

Effective Rent Summary

Mean Rent (Reis)	\$626
Annual Change	2.3%
Shadow RED 50 Rank	T25th
Reis 2011 Forecast	2.6%
Reis 2012 Forecast	3.2%
Reis 2013 Forecast	3.8%
CAGR 2010 -15	3.6%

3Q11 Rent Trends

Effective rents remained in a gradual ascending trajectory, rising \$2 (0.3%) sequentially to \$626, the second consecutive quarterly gain of this magnitude and third in four quarters. Asking rents advanced \$1 (0.14%) to an average of \$679.

Eight of the metro's nine submarkets posted sequential effective rent increases, the exception being Southwest Greensboro (-0.6%), where rents averaged \$691, highest in the market. Elsewhere, sequential gains ranging from 0.2% to 0.8% were

recorded, with the largest advances observed in North (0.7%) and West (0.8%) Winston-Salem and Northwest Greensboro (0.7%).

Reis have a bullish view of prospective metro rent trends, forecasting a robust \$6 (0.96%) increase for the fourth quarter and a useful \$20/3.2% bump next year. The service also expects above average 3.6% compound annual rent growth to persist through 2015.

Trade & Yield Summary

\$5mm+ Sales	11
Approx. Proceeds	\$105mm
Cap Rate (T12 Med)	7.1%
Avg. Price/Unit	\$45,250
Class-A Cap Rates:	6% - 6.9%
Class-B Cap Rate:	6.5% - 8.0%
Distressed Assets:	9.5%+

3Q11 Property Markets and Total Returns

Investors actively pursued Triad multifamily opportunities, catalyzing some of the fastest sales velocity observed in any U.S. tertiary market. At least 12 properties valued at \$5mm or more exchanged hands through the October, with total proceeds approaching \$105mm. In the comparable period of 2010, only four trades were consummated for total value of approximately \$50mm.

The price of an average unit year-to-date was in the \$45,000 range. Three properties traded at

prices equating to more than \$60,000 per unit, most notably a 232-unit, 1999-vintage SW Greensboro asset traded at a \$75,000/unit price.

Institutional investors evinced a willingness to bid aggressively for newer assets with up-management potential. The 1999-vintage SW Greensboro trophy traded to an estimated 6.2% cap rate. Distressed assets, conversely, trade at relatively high cap rates. Investors appeared to achieve 9.5% and high levels for bank REO assets.