

## Silly Season and Multifamily Policy

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When celebrity icon Donald Trump's tweet about former Hewlett-Packard CEO Carly Fiorina's appearance is the top national news of the day, it is safe to say the silly season is upon us. Given the quality of the discussion involving the presidential race, ignoring the news for the next year or so might improve one's sanity.

However, the multifamily industry does not have that luxury. The combination of the proposed reform of the government-sponsored enterprises (GSEs), banking regulations that were conceived in the wake of the credit crisis that are only now on the verge of implementation, and legislation on issues such as taxes and energy policy means that what happens in Washington could have a big impact on the long-term health of the industry. Consequently, ignoring the political realm is not an option, no matter where one stands on the ideological spectrum.

Fundamentally, the outlook for the multifamily market remains positive. Speaking at the National Multi-Housing Council's executive committee meeting in Washington, D.C., on Sept. 16, NMHC chief economist Mark Obrinsky said the next 12 months are likely to look like the last 12 months: increasing payrolls, GDP growing at long-term averages, improving consumer spending, low inflation, falling homeownership and rising household formations. All of those elements paint "a bright picture for our industry," Obrinsky said.

Kim Betancourt, director of economics and multifamily research at Fannie Mae, concurred with the rosy outlook. Betancourt pointed to the record low multifamily vacancy rate of 4.75% nationally, the growth in the young adult renter cohort that extends into the middle of the next decade and the ongoing tepid supply increases as reasons for optimism about multifamily fundamentals. What's more, she noted that solid performance was broad-based and not limited to core markets such as New York and San Francisco or trendy markets such as Denver and Portland. Cincinnati, Columbus, Nashville and Phoenix were among the metros cited by Betancourt that are adding jobs and population and whose multifamily markets are currently thriving.

With fundamentals humming along, near-term disruption to the industry may be more likely to stem from a regulatory or legislative misstep than the economy. While it isn't possible to fully discuss all of the many issues of importance to the industry, the following is a snapshot of some of the major ones:

### GSE Reform

Probably the issue with the biggest long-term effect on the sector is GSE reform. Fannie Mae and Freddie Mac supply roughly 35-40% of the mortgages on apartment buildings in any given year so they are crucial to the health of the industry. Fannie and Freddie started the year with \$30 billion allotments, which were quickly used up. They subsequently were given another \$15 billion, and have focused much of that on financing properties with affordable components.