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NMHC: Trump Ushers in Optimism and Caution

Demographics is destiny, said Mitt Romney, and though the former Republican presidential candidate was talking about the U.S. economy, that sentiment forms the basis for the optimism surrounding the multifamily industry headed into 2017.

Romney's fellow panelists at last week's National Multifamily Housing Conference annual meeting in San Diego referenced the healthy demographic position in which the industry finds itself. Favorable fundamentals include the growing number of Millennials in the prime 20-34-year-old renter group, the increasing number of Baby Boomers with an escalating propensity to rent, urbanization and flattening of homeownership trends.

Given these promising demand trends that are expected to continue for at least a few more years in conjunction with the expected leveling of supply after 2017, the multifamily occupancy rate should continue at high levels in most metros. The overall performance of the industry, therefore, will rest on the strength of the capital markets and global economy.

In those areas, too, the trends look favorable. Property values have skyrocketed since the last downturn, as equity capital from around the world flows into the sector and interest rates remain low. With some exceptions, such as properties in tertiary markets, debt capital is also readily available, as lenders view apartments as a relatively safe asset class. Unlike other commercial property types, multifamily has a unique source of debt capital: the government-sponsored enterprises (GSEs), which have been lending at record levels.