Apartment Thought Leadership Webinar

## Apartment Update: Let's Talk Cap Rates, Vacancies, and New Apartment Construction

Decision Maker Opinions from Across the Nation

Wednesday, August 26, 2020 at 11am EST



# This is our 31<sup>st</sup> webinar!

- 12 Apartment Developer University PAID
- 8 Apartment Leasing University PAID
- 2 Affordable Housing PAID
- 8 Apartment Thought Leadership FREE

Apartments have divorced themselves from normal economic cycles

### Asset Classes During a Recession

#### Lowest Risk

- Self storage
- Industrial

#### Apartments

- Student Housing (unknown)
- Office (medium to long term risk)
- Retail (short, medium and long-term risk)

Highest Risk

• Hotels/hospitality (severe short term risk)



### Agenda

- Rents
- Things nobody's talking about
- Cap rates and transactions
- Apartment construction



### Apartments During a Recession

- Luxury goods are the first to go.
- A Class offers the high quality units and charge the highest rents.
- Older buildings with lower rents will experience lower turnover







### The Resident Mindset

- Economic uncertainty and dwindling consumer spending
- Residents consider
  - Doubling up
  - Moving back home
  - Foreign students are not showing up







# What's Happening with Vacancies & Rents?

- Vacancies: Still very low but have doubled
- Rents at the "top" end of the market are lower



### Things Nobody's Talking About

- i. CERB morphing into Universal Income
- ii. Escalation of security
- iii. Common areas waivers
- iv. Elevators and view premiums is it the opposite now?
- v. Enforcing the mask bylaw
- vi. Small retail struggling

# **Apartment Leasing University: September**

Online Professional Training for Owners, Property Managers, Leasing Agents, and Frontline Staff

Learn How to Minimize Pressure on Vacancies, Rental Rates, and Concessions

Contact

**7 Online Courses** 

Starting September 8, 2020 at 10am EST





www.svnrock.ca

**\* (905) 331-5700** ext. 217 or 212

Use code : LOYALTY20%

# to get 20% off for anyone in your company!



### What's happening with Cap Rates?

- Cap Rates before and after the COVID shutdown (philosophically)
  - They're likely going to be the same
  - Centre ice properties might go down
  - C-Quality in C-locations might go up



### What's Happening with Transactions?

- Looking at resident profile (like retail buyers look at covenant)
- Due diligence takes longer

• Financing takes longer



#### Transaction Volume Down New Apartment Building Sales (2000+) March to August 2019; 2020



### New Apartment Building Sales (2000+) Average Price per Unit – 2 Years





SVN Rock Advisors with Real Capital Analytics

# There's a recession, but it shouldn't hit the apartment industry that bad

BLIP!





## PREPARING FOR THE WORST!



### 1. CHANGE HOW YOU TRAIN AND COMPENSATE YOUR STAFF

















### Apartment Leasing University: Course Outline



Session 1 : Profitable Preparations







#### Session 3 : The Resident Experience



Session 4 : The Perfect Tour

#### TELEPHONE DIALOGUE SCRIPT

Smile!

{Ring, ring – answer on 2<sup>nd</sup> ring}

	Agent:	"It's a great day at, what information can I get for you today?"
	Prospect:	I'm calling to find out about the price of your 2-bedroom apartments
	Agent:	Absolutely, happy to help with that. Our two-bedroom apartments begin at And if I may, let me tell you what is included in that ok? - Feature - Feature - Feature
ſ	Prospect:	Are you looking for an apartment for yourself or someone else?" I'm looking for
Į	Agent:	"Would there be any children or pets living here?" (mention you are a pet friendly building etc if that should change)
Qualify	Prospect:	I have
rospect	Agent: Prospect:	"What is important to you in a new apartment?" I'm hoping to find a place with
	Agent:	We certainly have apartment homes that I think will fit nicely with what you're looking for, "How soon do you need your new apartment?"
	Prospect:	I need to move in by about
	Agent: Prospect:	"Why is that date important to you?" Well, because
	Agent:	"What is your most pressing reason for moving right now?"
	Prospect:	The place I am in right now is
	Agent:	"Would you mind if I put you on hold for a few seconds while I check the
	Prospect:	{Gives OK}
	Agent:	"Based on what you're telling me, I think I have the perfect home for you. I'm excited to show it to you, it sounds like exactly what you're looking for. I would love to show you a few options and the many features our community offers would it be convenient for you to come over at or would you prefer to come over RIGHT NOW? Your opportunity to cell
	Prospect:	Sure I can be there at the apartment/community.

A	gent:	That sounds great. May name is, can I get your name as well so I can put you in my calendar for
P	rospect:	My name is
A	gent:	Wonderful. (Prospect's name) I'm looking forward to meeting you at (time). In case I'm running a few minutes late with another client, is there a number I can reach you at to let you know?"
P	rospect	My number is
A	gent:	"May I give you directions on how to locate the building?" (If prospect answers "yes" or says they are coming over NOW ask), "Where will you be coming from?"
P	rospect	_
A	gent:	"By the way, can I ask how you learned about us? 🛄 Online: source
		[ ] Sign [ ] Apartment Guide [ ] Resident Referral [ ] Newspaper [ ] Other
P	rospect:	saw
A	gent:	"Just so I can best be prepared for our time together, is there any other information I can gather for you before you arrive?"
P	rospect	Do you know about
A	gent:	"It was lovely speaking with you (name), I am so glad that you called and I'm looking forward to seeing you at (repeat day and time)."
P	rospect:	Great and thank you.
A	gent:	"Thanks for calling. Bye for now."



Qualify the Prospect

### Apartment Leasing University: Course Outline



#### Session 5 : Capturing Commitment



#### Session 6 : Overcoming Objections



#### Session 7

Marketing

### Compensation 1: Big Lease Up

(New Apartment Construction or Significant Vacancies) Competitive base

Per-lease bonus

Team bonus (when applicable)

Incentive for raising rents

Incentive for slow moving apartments

Flash bonuses

### Compensation 2: Stabilized Building

### Pay a graduated full house bonus

### Conditions of bonus:

- IF, all the paperwork is done
- IF, there's back to back rentals
- IF, graduated full house rent collection is met



### 2. DISSECT YOUR RENT ROLL



FULL market survey:

**Floor Plan Audit** 

What are your competitors achieving?

Which units are MOST/LEAST attractive to renters right now?



Price your units based on:

Your market position Popularity of unit type

### **2. DISSECT YOUR RENT ROLL CONTINUED...**

 It's not blanket statements, it's building specific and floor plan specific

• Everyone is saying 1 Bed + Den is a hot selling apartment





### **Rent Setting**

• Market survey

• Floor plan audit

• Premiums

Dynamic pricing





- You can't market until you know your resident profile.
- You need to understand who your target market is even in an existing building.



### WHO'S YOUR CURRENT RENTER?

- Dissect your rent roll
- Standard rental applications provide:
  - Age
  - Household status
  - Income
  - Occupation
- Create a **current renter profile** for your building





### WHO'S YOUR FUTURE RENTER?

ROCK ADVISORS INC., BROKERAGE



Urban Renters



## WHERE ARE YOUR FUTURE RENTERS?



Analytics (EA), Source: PRIZM3 2017-TSALDU, PRIZM is a registered trademark of Clantas, LLC. | Province of Ontario, York Region, Esri, HERE, USGS, EPA, NPS, NRCan, Parks Canada, Powered By Esri

Disclaiment Scale bar is for reference only!

### 4. BOOST YOUR RESIDENT REFERRAL PROGRAM



### ROCK ADVISORS INC., BROKERAGE

Urban seniors in high-rise apartments

### **REFER A FRIEND**

to live at Shadow Ridge now through the end of the year, and we'll give you

\$400<sup>°</sup> for your first referral \$500<sup>°</sup> for your second referral \$600<sup>°</sup> for your third referral

when your referral signs a 12-month lease

SHADOW RIDGE LUXURY APARTMENTS





Younger, well-educated city singles





### SUMMARY





### Developer Interest in New Apartment Construction







### It's the Perfect Storm to Build Apartments

- Strong renter demand
- Strong investor demand
- Historically low interest rates
- Maybe land prices and construction costs will go down



### SAVE THE DATE!

## **Apartment Developer University: Fall 2020**

Learn everything you need to know to become an expert apartment developer.

8 Online Sessions | Starting October 13, 2020

To register: Visit: svnrock.ca Or call: (905) 331-5700 ext. 217 or ext. 212

### Course Program

Starting October 13th • 1. The Future Apartment Developer: The Blueprint for Building Rental Apartments and Inter-Generational Wealth

• 2. How to Acquire and Entitle Land for Apartment Development: A field guide to finding the right land, at the right price, at the right time.

• 3. How to Build The Right Apartment Building In The Right Location For The Right Resident: The feasibility study determines the apartments you're going to build

• 4. Merchant Building Apartments, Structuring Joint Ventures, and Timing of Disposition

• 5. Finding Money to Build Apartments: Building A Detailed Financial Feasibility Model and Stress Testing It

- 6. Architects Panel: Designing a Building to Keep or Sell
- 7. Writing and Executing a Marketing Plan: When to Start, What to Do, and How Much Will it Cost?

8. Writing And Executing the Leasing Plan: Hiring, Training, Managing, And Compensating Your Leasing Staff

# **Apartment Leasing University: September**

Online Professional Training for Owners, Property Managers, Leasing Agents, and Frontline Staff

Learn How to Minimize Pressure on Vacancies, Rental Rates, and Concessions

Contact

**7 Online Courses** 

Starting September 8, 2020 at 10am EST





www.svnrock.ca

**\* (905) 331-5700** ext. 217 or 212