AMAZON HQ2 POTENTIAL IMPACT ON MULTIFAMILY INVESTMENTS

PRESENTED BY:

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WHO WE ARE
The Zupancic Group of Marcus & Millichap is one of the leading multifamily brokerage teams in the DC, Maryland, and Virginia areas. We consist of eight investment sales/advisory agents, a marketing team, and an operations team, who are eager to help you achieve your real estate goals.

WHAT WE DO
The Zupancic Group provides multifamily advisory and transaction services to an extensive client network in the DC/Metro area. Understanding the market and the possibilities that lie ahead is essential to fully maximizing the potential of your real estate investments. We pride ourselves on taking the time to explore every option available, while working with clients to create custom solutions to help them achieve their real estate investment goals.

HOW WE GOT HERE
The Zupancic Group of Marcus & Millichap recently partnered with the Northern Virginia Apartment Association in order to collaborate with members and keep them informed and involved with the ever-changing real estate market of Northern Virginia.
Impact on Multifamily Investment Properties

Over time:

- Gradual rent increases
- Growth in “Other Income”
  - Parking income
- Slight drop in vacancy rates
- Stronger absorption rates in Class A properties
- Increase in property taxes
- Greatest effect in Pentagon City/Crystal City
In 2015, Uber announced that it would locate its HQ in Oakland after acquiring $123.5 million office building known as Uptown Station

- 2,000 to 3,000 Employees to move to the new location; Significantly smaller than Amazon HQ2
- Average Cap Rate for apartments within a 1-mile radius of the prospective HQ decline 70 basis points, in comparison with the yearlong period prior to the news
- Tumbling Class C yields as the locale’s many older assets quickly gained more upside and became highly desirable
Impact on Sellers

- Ride the “Hype-Wave”
- Increase in the number of offers received
- If brokered properly, expect a more competitive process, which leads to higher prices, better terms, higher probability of close
- Profit-driven owners may place more focus on “timing the market”
  - Sell now vs. Sell in 3 years vs. Sell in 5 years
Marcus & Millichap 2018 Capital Migration
Helping Virginia Investors Access $268 Million

Trailing 12 months through 3Q 2018
Sources: Marcus & Millichap Research Services, MNet
Impact on Buyers

- Over time, expect to pay higher prices with more competitive terms needed to win a deal
- Influx of out-of-market capital, including foreign capital
- Increase in the bid / ask gap
- Lower leverage deals, increased equity
- All-cash deals may become more prevalent
Effect on Multifamily Investment Strategies

- Increase in condo conversions
- Increase in adaptive reuses
  - Office $\rightarrow$ Multifamily
  - Mixed-Use Development
- Greater value-add opportunities in secondary markets
- Added pressure on affordable housing supply
  - Housing Conservation District (HCD)
- Joint Ventures as a viable option
Recommendations for Multifamily Investors

- Current Owners should seek advisory & brokerage services
- Sellers should consider 1031 exchanges
  - Cap Rate arbitrage
- Keep informed on debt markets
THANK YOU

For more information on our team’s multifamily services, please visit our website at

www.dmvmultifamily.com

For additional Marcus & Millichap Real Estate Investment Reports, please visit the following link

http://dcmultifamily.listinglab.com/AmazonHQ2PresentationDocuments/