TOP STORIES

- **New Opportunities, Positive Market Trends And New Leadership Team Set The Stage For CFSEI Annual Conference and MASFA Expo**
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- **Results Of 10-Year Durability Study Released**
  The Steel Framing Alliance (SFA) announced today the results of a 10-year study of the durability of cold formed steel (CFS) members. More

MARKETPLACE

- **A More-Comprehensive Approach To New Energy Codes**
  If the multi-housing and commercial building industries have heard a lot more about new energy-efficiency codes recently, it’s because the time has come to pay the piper. More

- **The Building Boom To Come**
  The construction slump is well out of proportion to the bubble of the mid-2000s. But policymakers haven’t responded appropriately. More

- **Wood First Initiative Is The Wrong Approach**
  Governments like to be seen as doing something active to support industry. Unfortunately, such interventions are often well-meaning, but misguided. Take, for example, British Columbia’s Wood First Initiative. More

- **U.S. Apartment Market Continues Strong Recovery In 2011**
  According to the National Multi Housing Council’s (NMHC) latest Quarterly Survey of Apartment Market Conditions, the U.S. apartment industry's recovery continues briskly. More

U.S. March Construction Spending Rose 1.4 Percent
WASHINGTON — Builders began work on more office buildings, hotels and factories in March, lifting U.S. construction spending after three straight monthly declines. More

[ Top ]
Lawmakers Must Consider Apartment Sector’s Unique Needs As They Weigh Housing Finance Reform Options

WASHINGTON - A government-supported secondary market is absolutely critical to the apartment industry if it is to continue meeting the nation’s demand for affordable and workforce housing, according to testimony given today by Mark J. Parrell, Executive Vice President and Chief Financial Officer of Equity Residential. More
TOP STORIES

New Opportunities, Positive Market Trends And New Leadership Team Set The Stage For CFSEI Annual Conference and MASFA Expo

The 2011 CFSEI Annual Conference started off with an engaging review of the state of the cold-formed steel industry, growth potential and upcoming opportunities. The opening session set the stage for a series of events attended by over 130 industry leaders and 14 sponsors, which included exhibitors and attendees from as far away as California and Canada, culminating in the swearing in of the 2011 CFSEI Executive Committee.

Hosted jointly by the Cold-Formed Steel Engineers (CFSEI) and the Mid-Atlantic Steel Framing Alliance (MASFA) at the Historic Inns of Annapolis, Maryland, on May 23-24, the conference provided a unique opportunity for networking, education and an exposition of the latest innovation, technology and principles in cold-formed steel.

With profound changes in the economy and the construction industry, the conference began with a keynote presentation by Mike Anderson, Vice President of Gypsum Management and Supply who spoke on trends and ideas that have impacted the market viability of CFS and also discussed how to work through the turbulent times and prepare for the upcoming months and years.

Bill Babich, Florida chapter outgoing chair of CFSEI, emphasized the development of technical information to make CFS designs safer and more cost effective. He also issued a call for members to actively engage in the activities of CFSEI, citing specific needs for participants to help author and review technical notes and other educational materials. He highlighted the importance of social media as part of the communications efforts through LinkedIn and encouraged members to join the online discussion.

Tuesday’s luncheon keynote was from SFA President Mark Nowak, who called on CFSEI members to step up and expand their role in overall building design to address the expanding influence of energy codes on the structure system. He engaged the group with new concepts on how to incorporate exterior foam insulation and siding attachment requirements with CFS structural systems.

The MASFA expo has been an annual opportunity to spread the word on steel framing, as well as provide educational sessions on the latest trends and developments in the steel framing industry. This year provided a special opportunity by combining the expo with the CFSEI annual meeting.

The conference closed on Tuesday evening with the State of the Institute address by outgoing CFSEI Chairman Bill Babich (of ITW Building Components Group Inc., Haines City, Fla.) The address was followed by the swearing in of three new CFSEI executive committee members, and the new chair and vice-chair of the institute. Jay Larson of the American Iron and Steel Institute (AISI) and Nabil Rahman of The Steel Network (TSN) were elected to a second 2-year term on the Executive Committee, and were sworn in with new board member Steve Tipping of Tipping+Mar Associates, a structural engineering firm in Berkeley, Calif.

Continued on page 4  [ Top ]
In addition, Winston (Ed) Kile (of Structuneering, Inc., Houston) was sworn in as the new CFSEI Chairman and Nabil Rahman was sworn in as CFSEI Vice-Chairman.

“I feel honored that the membership would trust me with the leadership of this organization to follow the great precedents for leadership set by Bill Babich and John Madson before me. I am most excited about the prospects for a certified CFS engineer designation over the next year. CFS certified designation will raise the level of professionalism and quality of CFS designs,” said Ed Kile.

The next CFSEI expo is planned for Spring 2012 in Napa, California. Details will be posted at www.cfsei.org as they become available.

- Editor, Framework Online
TOP STORIES

‘Wood First’ Movement Still Smoldering

Over the last several years, Canada’s wood industry had been the driving force behind a series of legislative initiatives created to absorb massive amounts of wood killed by the mountain pine beetle, and to pick up the slack caused by weaker U.S. demand.

These legislative proposals would impose new regulatory requirements that favor the use of wood in construction—removing the selection of materials from the purview of the designer, and handing a new market advantage to the wood industry.

Some of these proposals require that government entities assign wood preferred status as a building material for state-funded construction projects. Others mandate that a percentage of the wood used in a particular province originate from that province.

But perhaps most irresponsibly, some efforts seek changes in building codes to permit wood to be used to frame mid-rise buildings above four-stories—a move that corrupts building codes that were created to ensure safety and structural integrity.

The story began in British Columbia, where from 1998 to 2009, the pine beetle killed approximately half of the province’s commercial pine. To help unload the dead timber, wood interests succeeded in passing a provincial Wood First Act that requires wood to be considered as the primary building material for all provincially funded building projects. The Act, which became law in October 2009, aims to create what the province calls “a culture of wood.” At about the same time (April 2009), the provincial building code was changed to permit wood-framing in buildings up to six stories.

The potential effects of this effort on steel framing were exemplified in a September 2010 National Forests Week news release celebrating the province’s Wood First Act—as well as changes to the B.C. Building Code. In that release, the Ministry of Forests and Range touted an example of the effort’s success: A six-story, commercial use project originally planned to be built from steel framing was redesigned for wood framing following changes in the building code.

But even as that announcement was made, the steel industry, along with partners from construction materials organizations, already were mounting a successful counter offensive to head off Wood First efforts in other areas of Canada.

In Ontario, where an effort is underway at the Ministry of Municipal Affairs and Housing to amend the provincial building code to increase the current four-story limit on wood-framed construction to six stories for business, mercantile and residential use, the Canadian Steel Construction Council, the Canadian Sheet Steel Building Institute (CSSBI), and other Canadian and US steel interests have been active opponents of the effort, filing comments against proposed code changes.

Continued on page 6  [ Top ]
In addition, a task group composed of organizations representing steel, cement, masonry and other materials industries is actively tracking developments there.

The steel industry joined a special coalition specifically dedicated to addressing another emerging threat in Quebec, where Provincial Bill 490 would require every new building built in the province, other than residential, to contain at least 5 percent wood material certified and processed in Quebec. For new state buildings, the minimum would be 25 percent. If passed, the changes would kick in January 2012.

National Wood Initiative Goes Down To Defeat

The steel industry, along with partners from other building materials organizations, also worked together in Canada to successfully defeat a national Wood First initiative, Bill C-429, which sought to amend Canada’s Department of Public Works and Government Services Act to favor the use of wood in federally funded public works projects.

The bill was defeated in the House of Commons in December 2010—thanks in large measure to the efforts of the Coalition for Fair Construction Practices, which includes representatives of the steel, masonry and other construction materials industries.

Expect Effort To Spread To U.S.

Wood First efforts have begun to emerge on the US side of the border too, and we are actively tracking and fighting those as well.

For example, we are monitoring legislation under consideration in the Oregon legislature that would require the state Department of Administrative Services to adopt rules regarding the preferential use of wood in buildings constructed by public bodies financed through state funding. This effort has been stalled for the current legislative session but may come back up again in the future.

SFA also is activating members nationally, asking them to contact members of Congress to push back against a new initiative launched in March by the U.S. Department of Agriculture. That mandate, under the guise of sustainability, requires the Forest Service to preferentially select wood in new building construction. SFA members are encouraged to let their congressional representatives and senators know that the policy issued by Secretary Vilsack of the Department of Agriculture to give wood preferential status is ill-advised. It ignores the negative impact on the jobs created by other industries that are critical to the current economic recovery. Further, safety of building occupants should not be decided by proclamation but by the professionals who are specifically trained in these areas. Congress needs to take action to override backdoor initiatives to implement practices that discriminate against specific US –based industries in favor of materials that are mostly imported from elsewhere.

Continued on page 7
Building On Success

With the exception of British Columbia, our industry has successfully leveraged proven and legitimate engineering and design concerns to oppose building code changes that would permit wood-framed structures above four stories. The fact that British Columbia chose to ignore legitimate concerns points to the need for a response that includes persistent monitoring of legislative activities designed to by-pass the technical processes that have served the building industry well in the past.

As a part of our overall effort, for example, SFA and our allies have been active in informing policymakers and builders about structural concerns and shrinkage in taller wood-framed structures. The steel industry has been joined by other industries and fire officials who have voiced concerns about the fire dangers presented by tall wood-framed buildings, especially during construction—facts born out by an extensive fire study completed in London in 2010.

The case against wood-framed construction above four stories was reinforced late this spring in Richmond, B.C., when a six-story, all-wood condo project—meant to be the first example of such all-wood structures built under the new B.C. Building Code—burnt to ground while still under construction. The fire served to substantiate the findings of the London fire study.

But we have our work cut out for us. The wood industry is well-funded. And it is well-subsidized by the U.S. and Canadian governments. There will be many more attempts at municipal, state, provincial and national levels to launch legislative end runs around common-sense building codes and regulations.

If we are to be successful, the steel industry will need to be more actively engaged in monitoring state and provincial activities. Without the resources to monitor hundreds of jurisdictions, we will need our members to work with us to identify actions as early as possible to stop them before they gain any serious momentum. We ask that you forward information on local or state activities when they develop so we can help maintain a level playing field that respects proven and safe construction practices.

To read more on each individual issue, visit –

<table>
<thead>
<tr>
<th>Topic</th>
<th>Link</th>
</tr>
</thead>
<tbody>
<tr>
<td>Info on pine beetle infestation</td>
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</tbody>
</table>

Continued on page 8  [ Top ]
Quebec bill 490

Bill 3429 in Oregon
http://www.leg.state.or.us/11reg/measures/hb3400.dir/hb3429.intro.html

USDA action
http://nafoalliance.org/featured/forest-owners-praise-vilsack-conservation-leadership-through-wood-use/

- Editor, Framework Online
TOP STORIES

Results Of 10-Year Durability Study Released

The Steel Framing Alliance (SFA) announced today the results of a 10-year study of the durability of cold formed steel (CFS) members. The project was sponsored by SFA, the American Iron and Steel Institute (AISI) and the International Zinc Association.

With "sustainability" being the buzzword nearly everywhere one turns, this study is a timely confirmation of the durability of zinc-coated steel products used in construction. The results show that CFS products used as recommended by industry standards have life expectancies conservatively estimated at 300 to 1000 years.

According to Jay Larson, the project representative for AISI, “This significant long-term study of CFS framing confirms what we have always been confident of – zinc-coated steel framing is an extremely durable material for building construction.”

A summary report of the study is available on the Steel Framing Alliance website Click here to download
A More-Comprehensive Approach To New Energy Codes

If the multi-housing and commercial building industries have heard a lot more about new energy-efficiency codes recently, it’s because the time has come to pay the piper. And the piper is the American Recovery and Reinvestment Act of 2009 (ARRA). States that accepted ARRA stimulus funds did so with strings attached—including the requirement that they adopt the 2009 International Energy Conservation Code (IECC) and subsequent editions.

ARRA also requires states to develop procedures to verify 90 percent compliance with IECC, and many states already have begun the process for adopting the code. That means that most designers will be affected by the IECC very soon. Moreover, because the IECC references ASHRAE 90.1 as a compliance alternative, that standard also is part of the ARRA mandate. ASHRAE 90.1 sets minimum energy-efficiency requirements for all but low-rise residential construction.

There is also another driver behind the stricter energy-efficiency standards. The Department of Energy, the American Institute of Architects and others have agreed to a goal of improving energy codes by 30 percent over 2004-2006 requirements. This has helped to speed the adoption of much more stringent insulation requirements in the latest editions of both the IECC and ASHRAE 90.1.

As a result of these factors, the course toward more energy-efficient construction is already well charted. And the new energy codes that will guide this construction are poised to have a profound effect on parts of the structural design of multi-housing and commercial buildings.

This may seem counter-intuitive. Historically, the path of the structural engineer seldom has crossed those of other engineering professionals in the normal course of design. Adhering to the American Iron and Steel Institute specifications and/or other standards, the structural engineer focused exclusively on the structural system, while others followed a similar process to develop HVAC, plumbing, lighting and other systems.

But as stricter energy code requirements have begun to take hold over the past year, there are new incentives for structural engineers—especially those engineers using cold-formed steel (CFS) for exterior load-bearing or curtain walls—to go beyond the design of the load-bearing frame and begin to develop solutions that conform to new energy-efficiency requirements.

In fact, if they are to design and construct energy-efficient, steel-framed buildings, structural engineers must get up to speed with today’s new energy codes and standards, and understand how all the other systems in the building integrate with CFS structural components to meet energy-efficiency objectives.

Continued on page 11
For example, the 2012 IECC contains new insulation requirements that significantly expand the use and thickness of continuous foam insulation on the exterior walls of CFS and other buildings. This presents new challenges for both structural engineers and other members of design teams, who will have to examine how the foam insulation interacts with the lateral resistance of the building, how exterior cladding is attached over the insulation, and many other issues.

In this case, these new energy requirements provide structural engineers with a unique opportunity to expand their role in the design of the thermal envelope and other parts of the energy system in a building. Structural engineers are well versed in performance-based design concepts. A similar path exists for energy code compliance that allows them to look at optimizing the energy components to provide a cost-effective thermal envelope that is compatible with the structural system.

This means that structural engineers, working alongside CFS manufacturers, have the opportunity today to harness relatively inexpensive software solutions to conduct energy design simulations that will not only satisfy the new energy code requirements, but also meet cost and performance objectives.

The foam insulation requirements mentioned earlier are perhaps the best opportunity for a designer to address and create a more cost-effective design. In many climates, the cost of the foam insulation is far greater than any related energy savings and creates significant cladding attachment, fire and other issues. A simple trade-off substituting slightly more efficient air conditioners or furnaces often is enough to minimize the need for the foam insulation while still delivering a building that meets or exceeds code requirements.

With a low-cost investment in some software and a small learning curve, the structural designer could develop an improved structural system that is safer from a fire-safety and structural perspective than the default prescriptive energy code insulation requirements while delivering a more cost-effective design to the builder and the occupant who eventually pays the energy bills.

Stepping outside of our comfort zone is always difficult. However, the latest energy codes will require someone involved in the building's design to do just that. With steel-framed buildings, the opportunity for an engineer, architect or even the steel supplier to deliver a value-added service that is more inclusive of the energy system design will create a better and more cost-effective building.

Mark Nowak is president of the Washington, D.C.-based Steel Framing Alliance. He recently presented a session on “Energy Codes and Structural Design—Challenges and Opportunities for the Designer” at the Mid-Atlantic Steel Framing Alliance Expo And National CFSEI Annual Conference on May 23 in Annapolis, Md.

Source: Multi-Housing News, May 19, 2011
MARKET PLACE

The Building Boom To Come

The construction slump is well out of proportion to the bubble of the mid-2000s. But policymakers haven't responded appropriately.

In the mid-2000s, the United States had a construction boom. From 2003 to 2006, annual construction spending rose to a level well above its long-run trend. Thus, by the start of 2007, the country was, in essence, overbuilt - about $300 billion in excess of the long-run trend in construction spending.

When these buildings were constructed, they were expected to more than pay for themselves. But their profitability rested on shaky foundations that didn't hold up, including optimism about real estate as an asset class.

By 2007, therefore, it was reasonable to expect that construction spending would be depressed for some time to come. Since construction spending was $300 billion above normal, it would have to fall $300 billion below normal to return to balance.

So, in 2007, everyone expected a construction-led slowdown. And, starting that year, construction spending did indeed fall. But we were expecting a minor decline - $150 billion a year for two years, or $100 billion a year for three years. Instead, spending plummeted $300 billion below the long-term trend in 2007 alone, and it has remained depressed for four years. Moreover, there is no prospect of a rapid return to normal levels.

Therefore, when this construction cycle has run its course, U.S. building will have seen a boom of $300 billion above normal followed by a much bigger slump of $2 trillion below normal. The net effect will be a construction shortfall of at least $1.7 trillion. That is a lot of unbuilt houses, apartment buildings, offices, and stores, and it is a truly radical difference between the size of the recent construction boom and the size of the current construction bust.

Not necessary

Indeed, this radical disproportion makes nonsense of all arguments that the current distressed state of the U.S. economy is in some sense necessary, deserved, or inevitably resulting from the over exuberant mid-2000s building in the desert between Los Angeles and Albuquerque, N.M. Otherwise, the construction-led economic slowdown would not be today's $1 trillion in annual lost production. It would be one-tenth the size of what the country is enduring, and it would be largely confined to the construction sector. And, in that alternative universe, having worked off the entire burden of overbuilding, we would by now have returned to normal levels of production, employment, and demand.

Continued on page 13
There is one silver lining as we contemplate our macroeconomic wreckage: When incomes, production, and employment return to their long-term levels, Americans will demand an extra $1.7 trillion worth of buildings. And because those buildings will not exist, construction demand will come roaring back. If America does recover to the level of the previous long-run trend, the next decade will likely witness a construction boom that puts the mid-2000s boom in the shade.

But that is not now. And it is not for some years to come.

Tomorrow's excuses

There is another lesson here. The economists Kenneth Rogoff and Carmen Reinhart argue that recovery after a financial crisis is almost always slow. But there is at least one important sense in which America's current construction bust suggests that they are wrong. One factor behind slow post-financial-crisis recovery is that nobody knows how the division of labor will be rearranged. But right now we know a lot about that.

We know that when Americans become confident again - when they believe they could find new jobs if they lost their current ones, and when they can no longer tolerate doubling up with their in-laws - they will demand more dwellings than the country has. If incomes and demand were normal, we would want a lot more new construction then we do now.

But even though we can see the magnitude of the construction shortfall and understand how large it will be when recovery is complete, it doesn't help right now. Right now, incomes are slack, households have become crowded, and there is a surplus of housing on the market - all because nominal demand is still far below the long-term trend.

In 20 years, historians will interview the then-aged monetary, banking, and fiscal policymakers of the 2000s. They will ask why they did not take more aggressive steps to return incomes and demand to trend levels when they were sitting in the hot seats. I already wonder what their excuses will be.

- J. Bradford DeLong is a former assistant treasury secretary, a professor of economics at the University of California at Berkeley, and a research associate at the National Bureau for Economic Research. This was distributed by Project Syndicate.

Source: Philadelphia Inquirer, May 27, 2011
MARKET PLACE

Wood First Initiative Is The Wrong Approach

Governments like to be seen as doing something active to support industry. Unfortunately, such interventions are often well-meaning, but misguided. Take, for example, British Columbia's Wood First Initiative.

The goal of the Wood First Initiative is to “create a culture of wood” by encouraging “a cultural shift toward viewing wood as the first choice for construction, interior design and daily living, while strengthening B.C.’s traditional lumber, pulp and paper sectors.”

The Ministry of Forestry, Lands & Natural Resource Operation website states that “using more wood will help strengthen the province’s forest-dependent communities and assist in meeting our climate change goals.”

A key component to the Wood First Initiative is the Wood First Act, which requires that wood be considered as the primary building material in all new publicly-funded buildings, such as schools, libraries or sports complexes.

In an average year, the province funds almost $3 billion on such capital investments. This act is now supported by a myriad of local government resolutions and bylaws with the same objective.

A related initiative is the amendment to the B.C. Building Code to change the maximum height of combustible buildings (wood) from four storeys to six.

Real technical challenges such as fire safety, seismic integrity, building envelope integrity, and sound transmission, were quickly dismissed as insufficient to deter the goals of the Wood First Initiative.

Wood First promises a greener, more prosperous, and more beautiful future for B.C., all brought about by using a superior building product that we possess in abundance.

Who could argue with that?

Well, let’s look at the claimed advantages one by one. First, the Wood First Initiative touts wood as a superior and cheaper method of construction.

This raises an obvious question: if it is superior and cheaper, why does government need to intervene to promote its greater use? Did our development and design professional community forget about wood? Does it now need the government to remind it of wood’s many benefits?

Or, is it perhaps safe to assume, that these professionals in fact know very well what blend of products best achieves the design and budget needs of their clients?

If we make this latter assumption, it becomes clear that the purpose of the Wood First Initiative is to increase domestic consumption of wood beyond normal market levels.

Continued on page 15
In other words, the increased use will be at increased costs, providing an indirect subsidy to the forestry industry, at taxpayer cost.

Second, wood is presented as environmentally more sustainable than other methods of construction. However, determining the overall environmental sustainability of a particular method of construction is unfortunately not as straightforward as the Wood First Initiative would suggest.

For example, if the wood comes from harvesting some of B.C.’s remaining old growth forests, the result may technically be sustainable, but it is hardly what most of us think of as green. How concrete and steel compare to wood in terms of environmental sustainability also depends on the circumstances.

Although cement production is an energy-intensive process, the increased use of fly ash (a coal combustion waste product), significantly enhances the sustainability of concrete. Reinforcing steel used in the concrete is in most cases made from recycled steel (scrap).

Sustainability also depends on durability. Concrete does not rust, rot, burn, shrink or generally require maintenance. It is for this reason that it has been widely used for 2,000 years and is the most widely used building material in the world.

Third, wood is presented as the right economic choice for B.C. because of the importance of the forestry industry to our local economy. However, for the government to make wood the new building material winner, there will be new losers. The B.C. concrete industry alone employs more than 9,000 people working at 120 local concrete plants.

The government website makes no mention of how its well-intentioned intervention will impact these workers. There is no question that wood is an excellent building product and should be used in a great number of applications. However, the design and development industry doesn’t need the paternalistic hand of government guiding it towards wood’s greater use.

Norm Streu is the chief operating officer of LMS Reinforcing Steel Group. He is a past chair of the Vancouver Regional Construction Association and a member of the Journal of Commerce’s Editorial Advisory Board.

Source: Journal of Commerce, May 4, 2011
MARKET PLACE

U.S. Apartment Market Continues Strong Recovery In 2011

According to the National Multi Housing Council's (NMHC) latest Quarterly Survey of Apartment Market Conditions, the U.S. apartment industry's recovery continues briskly.

The Market Tightness Index, which examines vacancies and rents, rose to a record 90 from 78 last quarter. For all indexes, a reading above 50 indicates improving market conditions. Almost four in five respondents (79%) said markets were tighter (lower vacancies and/or higher rents) and -- for the first time ever--not a single respondent thought conditions were looser.

"The apartment industry rebounded strongly in 2010 as demand for apartment residences outpaced the sluggish recovery in the job market nationally," said NMHC Chief Economist Mark Obrinsky. "These results show the apartment industry continues to do well even though the nation's overall rate of economic growth has slowed. This is driven largely by the increased appeal of renting generally but also by the large number of young people entering the housing market for the first time--and young people are much more likely to rent than buy."

These strong fundamentals are bringing investors off the sidelines. The Equity Financing Index rose to another record high of 76 from last quarter's record of 74. A record percentage -- 54% -- of respondents said they had greater access to equity capital in the past three months. Debt capital was also more available in the last quarter, with an increase in the Debt Financing Index to 69 from 48 in January.

"Investors are well aware of the apartment recovery and are eager to deploy capital in the sector," noted Doug Bibby, NMHC's President. "Sales volumes are still rising, which suggests that more investors are willing to 'pull the trigger' at current cap rates."

Key findings include -

The Market Tightness Index rose to a record 90 from 78. Nearly 80% of respondents reported tighter markets; none said markets were looser. This is the fifth straight quarter that the index topped 50, which indicates improving conditions.

The Equity Financing Index rose to a record-high 76 from its previous record of 74. Fifty-four percent indicated that equity financing conditions were better than three months earlier--also a second-straight all-time high. A mere 1% regarded conditions as worse. This is the seventh quarter in a row where more respondents said equity financing conditions were improving.

The Sales Volume Index increased to 65 from 62. This was the seventh consecutive quarter the index has been above 50, indicating improving sales volume. Thirty-seven percent of respondents said sales volume was higher this quarter.

Continued on page 17  
[ Top ]
The Debt Financing Index rose to 69 from 48. Just under half of respondents said borrowing conditions were unchanged compared to three months ago. But 44% indicated that conditions had improved and only 7% said conditions had worsened compared with three months ago. Yields on Treasury securities are down by roughly 40 basis points over this time, which likely accounts for the rise in this index.

Source: World Property Channel, May 5, 2011
MARKET PLACE

US March Construction Spending Rose 1.4 Percent

WASHINGTON — Builders began work on more office buildings, hotels and factories in March, lifting U.S. construction spending after three straight monthly declines.

Construction spending rose 1.4 percent in March, the Commerce Department said Monday. It was the biggest advance since last April and was helped by a rise in spending on home-improvement projects.

The overall increase, however, came after building activity had fallen in February to the lowest level in more than a decade. Even with the advance, activity in March stood at a seasonally adjusted annual rate of $768.9 billion, just half the $1.5 trillion pace considered healthy by economists. It could take four years for the construction industry to fully recover from the housing bust and deep recession, economists say.

John Ryding, an economist at RDQ Economics, said the gains in March represent a bounce back from a slow winter hampered by harsh weather in many parts of the country. Construction was among the industries that dragged on economic growth in the January-March quarter. Construction spending should add to economic growth in the April-June quarter.

"The rebound in construction spending in March provides further evidence that construction activity was held back early in the first quarter by the weather," Ryding said in a note to clients.

Private construction projects increased 2.2 percent to a seasonally adjusted annual rate of $476.1 billion. The gain reflected a 2.6 percent rise in residential construction and a 1.6 percent increase in nonresidential projects.

The gain in residential activity came from spending on home-remodeling projects. Spending on both single-family homes and apartments declined.

The rise in nonresidential projects was led by a 5.5 percent increase in the construction and expansion of factories. Spending on hotels and motels rose 4.7 percent. Office building projects grew 1.4 percent.

Government building projects edged up 0.3 percent to an annual rate of $292.8 billion. Federal construction dropped 2 percent while spending at the state and local levels edged up 0.3 percent.

Source: Associated Press, May 2, 2011
MARKET PLACE

Lawmakers Must Consider Apartment Sector’s Unique Needs As They Weigh Housing Finance Reform Options

WASHINGTON - A government-supported secondary market is absolutely critical to the apartment industry if it is to continue meeting the nation's demand for affordable and workforce housing, according to testimony given today by Mark J. Parrell, Executive Vice President and Chief Financial Officer of Equity Residential.

Parrell testified today on behalf of the National Multi Housing Council (NMHC) and the National Apartment Association (NAA) before the Senate Banking Committee’s hearing on housing finance reform.

Highlighting elements of the existing housing finance system that worked, he explained that Fannie Mae and Freddie Mac's multifamily programs were not part of the meltdown and are not broken.

"Their multifamily programs have outperformed the private markets and have default rates of less than one percent—one-tenth the size of the delinquency/default rates plaguing single family," he said. "And they remain profitable. They have generated $2 billion for the federal government since they were placed in conservatorship."

He warned lawmakers to be careful not to create a capital shortage for the lower-profile, yet vital, apartment sector as they fix the well-documented single-family problems. He explained that the apartment industry has relied heavily on the liquidity provided by Fannie Mae and Freddie Mac to develop and maintain workforce housing in all markets and all economic conditions.

"History has shown that the private market simply cannot meet the entire capital needs of the apartment sector," he said. "Absent a market dislocation like we just experienced, private capital is good at financing higher-end properties in top-tier markets, but it is not as good at supporting the more complex deals, workforce housing or housing in second-tier markets."

As a result of the existing federal backstop, the apartment industry has produced more than 10 million apartments affordable to working families since 1996.

Without a federal credit guarantee, the apartment industry cannot meet the nation's current or future housing needs. This is important, Parrell noted, because changing demographics and new economic realities are driving more people away from the typical suburban house and causing a surge in rental demand.

In this decade, renters could make up more than half of all new households—more than seven million new renter households.

Continued on page 20
Because of these changes, University of Utah Professor Arthur C. Nelson predicts that half of all new homes built between 2005 and 2030 should be rental units.

Parrell urged Congress to retain the successful elements of the current system as they phase out Fannie Mae and Freddie Mac: "Their multifamily programs met the mark, even during the financial crisis," he said. "They can serve as a model for a continued federal guarantee for rental housing in a reformed housing finance model."

NMHC/NAA's written testimony is available at www.nmhc.org/goto/6127.

The National Multi Housing Council (NMHC) and National Apartment Association (NAA) operate a Joint Legislative Program and represent the nation's leading firms participating in the multifamily rental housing industry. NMHC/NAA's combined memberships are engaged in all aspects of the development and operation of apartment communities, including ownership, construction, finance and management. One-third of Americans rent their housing, and over 14 percent of all U.S. households live in an apartment home. For more information, contact NMHC at 202/974-2300, e-mail the Council at info@nmhc.org or visit NMHC's web site at http://www.nmhc.org.

Source: National Multi Housing Council, May 26, 2011