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Over the years Synergetic Investment Group has frequently showcased the strength of the Multifamily Real Estate Market. Below are reports by Marcus and Millichap and the National Real Estate Investor. Defying obstacles, investor interest is still very high in the multi-family sector of the market. Houston Metro Area is still strong.

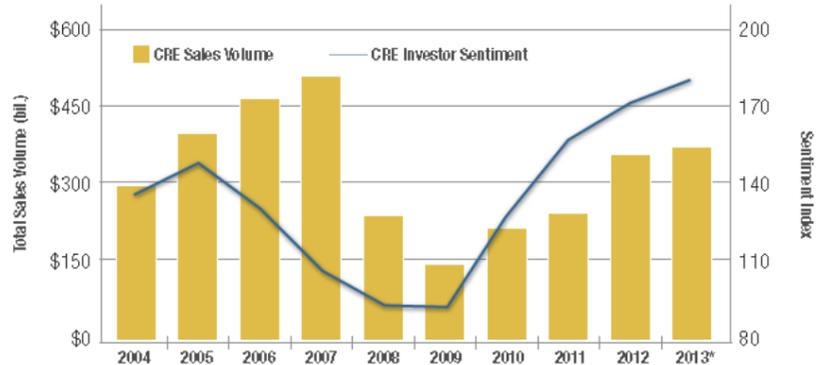
We expect to be closing soon on our newest acquisition in Houston and will share some of the details in the future newsletters.

Investors Confidence Hits Record High

Enthusiasm defies obstacles such as higher taxes, sequestration and rising interest rates.

Investor confidence notched steady gains in the first half of 2013. The latest results from an exclusive investor survey conducted jointly by *National Real Estate Investor* and Marcus & Millichap shows a continued positive outlook for property performance and a strong appetite to increase investment over the next 12 months. The NREI/Marcus & Millichap Investor Sentiment Index reached a new record high climbing from a mark of 174 in the first quarter of 2013 to 180 in the second quarter—the highest level since the index launched in 2004 [Figure 1]. The current reading also is nearly double the mark of 91 that was achieved at the low point of the Great Recession in 2009. “That is a tremendous sign of confidence and increased enthusiasm for commercial real estate. It validates the theme of improving fundamentals combined with very competitive yields, as well as the opportunity to lock-in still low interest rates ahead of the true recovery cycle for most property types,” says Hessem Nadjji, Chief Strategy Officer and Director of Specialty Groups at Marcus & Millichap Real Estate Investment Services in Calabasas, Calif. The Investor Sentiment index measures investors’ views on anticipated changes in property values and plans to increase or decrease total real estate holdings in the coming year. Above 100 indicates a positive outlook....

FIGURE 1. INVESTOR SENTIMENT INDEX HAS ALSO BEEN A STRONG INDICATOR OF CRE CAPITAL FLOWS

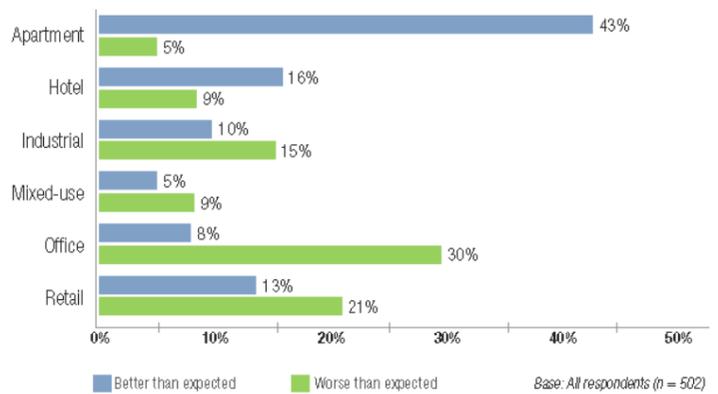


* Forecast
2012 investor sentiment index: 171; 2Q 2013 investor sentiment index: 180 Includes all apartment, office, retail and industrial sales \$1 million and greater. Sources: Marcus & Millichap Research Services, CoStar Group, Inc., M&M/NREI Investor Survey

Confidence starts to expand Apartments have been the clear leader in the commercial real estate recovery and are still a strong favorite among investors. Overall, 43 percent of respondents said that apartments performed better than expected over the past 24 months. At the opposite end of the spectrum, respondents were most surprised that retail and office performed worse than expected over the past two years at 21 percent and 30 percent, respectively [Figure 2]. Those results are not surprising given the stellar fundamentals among apartment properties in terms of strong occupancies and rent growth, and the challenges that both the office and retail sectors have faced related to high vacancies and discounted rents. [Read more](#)

FIGURE 2. PROPERTY SECTOR PERFORMANCE

Which property sector performance has most surprised you over the past 24 months?



Houston: Soaring Economy Sustaining Heated Investment Market

The Houston apartment sector is riding the tailwinds generated by one of the nation’s strongest and fastest growing metro economies. High oil prices, rising energy demand, and expanded production throughout the state are driving vigorous job growth locally, not only in fields directly linked to energy, but in other industries as well. Retail, healthcare, and leisure and hospitality, in particular, are expanding and creating new jobs, and enabling residents to form new rental households. Broad-based hiring across multiple industries enhances the metro’s stature as a magnet for recent graduates from local and regional colleges, further expanding the pool of prospective renters. Builders have taken note, and are steering several thousand rental units through the development pipeline, but demand has kept ahead of deliveries thus far. Over the past year, more than 11 jobs were created for every new apartment brought online. The trend needs to persist in order to maintain the metro vacancy rate near the current level and avert disrupting the operations of existing complexes...With the economy growing vigorously, transactions continue to occur at an elevated pace across all investor segments, ranging from small, local investors to institutions. Access to capital has expanded, enabling a greater number of investors to participate in the market, and leverage is available up to 75 percent for many transactions and sponsors. The recent rise, and subsequent stabilization, of interest rates did not trigger a widespread re-pricing of assets, though further increases will eventually raise investors’ first-year return expectations. [Read More](#)

2013 Annual Apartment Forecast



Employment: Employers will create 100,500 positions in 2013 to expand employment 3.7 percent. All 10 private-employment sectors added workers last year for a net gain of nearly 100,000 jobs.



Construction: Builders will deliver 9,250 units in Houston this year. An average 10,965 units were completed annually over the past five years, including approximately 5,200 apartments in 2012.



Vacancy: Strong job growth will sustain demand for rental housing and slice vacancy 50 basis points this year to 7.0 percent, the fourth consecutive annual decline. The vacancy rate tumbled 60 basis points last year.



Rents: This year, the average rent in the metro will increase 4.6 percent to \$908 per month; a 5.1 percent gain was posted in 2012.

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Synergetic Investment Group, LLC acquires multi-family assets in emerging U.S. markets. We look for stabilized and distressed assets that provide our investors above average rates of return and a strong equity position. Our investment strategy provides qualified investors an opportunity to expand and diversify their investment portfolio and participate in all the benefits of owning commercial real estate without any of the acquisition, management or sale responsibilities.

For more information

Visit our website at www.SynergeticIG.com

Jeff Greenberg
877.734.3572 Ext 208
Jeff@SynergeticIG.com

Dee Thomas
877.734.3572 Ext 202
Dee@SynergeticIG.com

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