

# Apartments Outperforming Other Assets, Says NMHC

According to a recent study, multifamily communities are outperforming most other commercial real estate property types, whether it be on a risk-adjusted or unadjusted basis, regardless of holding period, geographic region, metro size or growth rate. Here's why.

by Keith Loria | Mar 15, 2018 Mar 15, 2018



The National Multifamily Housing Council Research Foundation has released a report that reveals that [apartments are outperforming](#) most other commercial real estate property types, whether it be on a risk-adjusted or unadjusted basis, regardless of holding period, geographic region, metro size or growth rate.

*“Over a standard seven-year holding period, all commercial real estate asset classes generate strong unlevered returns, mainly through property income rather than capital appreciation,”* Mark Obrinsky, NMHC’s chief economist, told *MHN*. *“Returns on apartment properties were modestly higher than returns on industrial, office, or retail properties.”*

## IN-DEMAND CLASS

The research showed that over the last three decades, apartments have developed into an in-demand asset class among both domestic and foreign real estate investors because of their strong returns married with relatively low risk.

One of the reasons that apartment returns outperform other asset classes is because investors tend to underestimate capital expenditures for both office and industrial properties. Additionally, the authors noted that buying properties immediately after a downturn can boost returns generated by commercial real estate.

*“Real estate properties require significant capital outlays, which may not be fully appreciated by prospective investors,”* Obrinsky said. *“Apartments’ capital outlays tend to be smaller, contributing to their outperformance.”*

The research covers the period from 1987-2Q 2017 and examined all seven-year holding periods over that time.

*“These were aggregated to get the overall seven-year holding period returns,” Obrinsky said. “No attempt was made to identify changes over that period.”*

The authors did not try to predict future returns. However, Obrinsky noted that apartments have outperformed over a long span, and the authors did not uncover any specific reason for that to change.

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