



Apartment Firms Rule Out Executive Raises for 2010

Dec 10, 2009 11:25 AM, By Denise Kalette

The new year promises to be a lean one for apartment company executives. A new survey shows that nearly two-thirds of multifamily companies (63%) say they do not plan to raise executive salaries in 2010.

Still, that number is an improvement from 2009, when 75% of apartment companies declined to raise executive salaries, according to the National Multi Housing Council (NMHC), which released the survey results.

Managers fared better than company chiefs, as just 42% of firms ruled out raises for managers and other non-executive professionals. That was an improvement from 2009, when 46% of apartment firms tightened their belts and restricted raises for those professionals.

The interim survey supplements a more comprehensive survey on pay and benefits that NMHC conducts annually. The survey released in early December shows that 18% of companies plan to give 3% increases to non-exempt employees in 2010, and 19% plan to give a 3% raise to exempt non-executives.

□ The apartment industry, like most other sectors, continues to tightly manage expenses in the economic downturn and this includes employee compensation. Other cost-containment strategies reported by some firms include salary reductions, position eliminations and layoffs, modifications to medical plan coverage, and conditioning bonuses on community performance or overall corporate profits, □ said Betsy Feigin Befus, NMHC □'s vice president of employment policy and counsel in a statement.

The survey is based on information provided by 107 apartment firms in mid to late October. More than 90% of the respondents were privately held companies, while about 9% were publicly traded.

The Council □'s annual compensation and benefits survey is conducted by Watson Wyatt Data Services, which provides information on pay for about 65 apartment industry positions.

Vacancy rate keeps climbing

The apartment industry □'s fundamentals have suffered dramatic declines as a result of the recession and credit crisis. According to New York-based research firm Reis, the national vacancy rate reached 7.8% in the third quarter, a level not seen since 1986. Reis projects that the vacancy rate will reach 8.3% in 2010.

Many newly completed buildings came on line 50-60% vacant, Reis reports, and rents continue to fall even as landlords offer more concessions.

By the end of the year, the number of new apartment units added to the market is expected to total of 100,000, according to Reis.

Meanwhile, many apartment companies have had trouble meeting their loan payments. The delinquent unpaid balance for multifamily loans held in commercial mortgage-backed securities reached \$8.4 billion in September, up sharply from a low point of \$903 million in mid-2007, according to Realpoint LLC, a data provider and credit rating agency based in Horsham, Pa.

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