



Apartment Market Overview and Outlook **NMHC Research Conference**

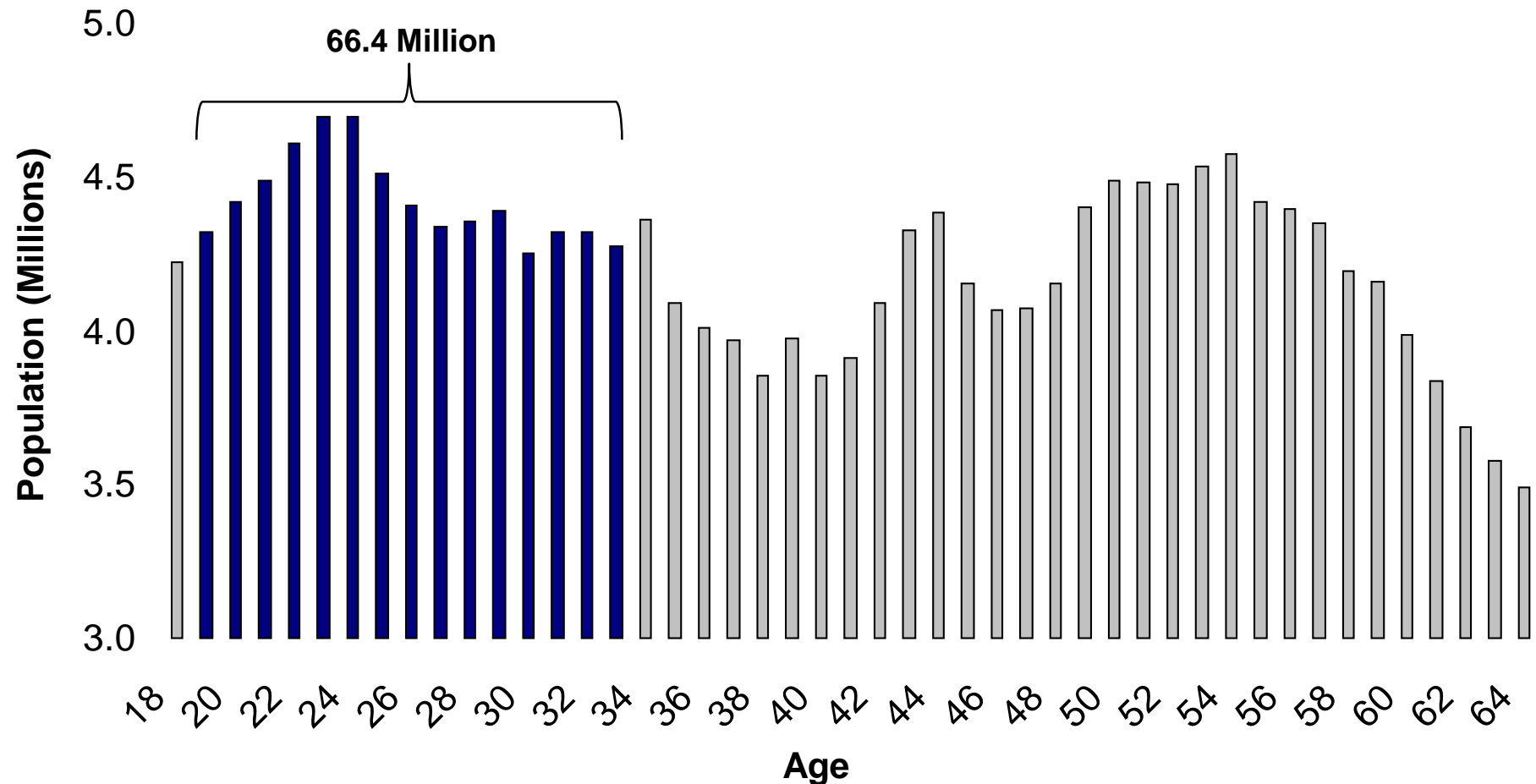
Marcus & Millichap

Millennials Reshaping Multifamily Demand

Millennial Cohort Bigger Than Baby Boom

U.S. 2014 Population by Age

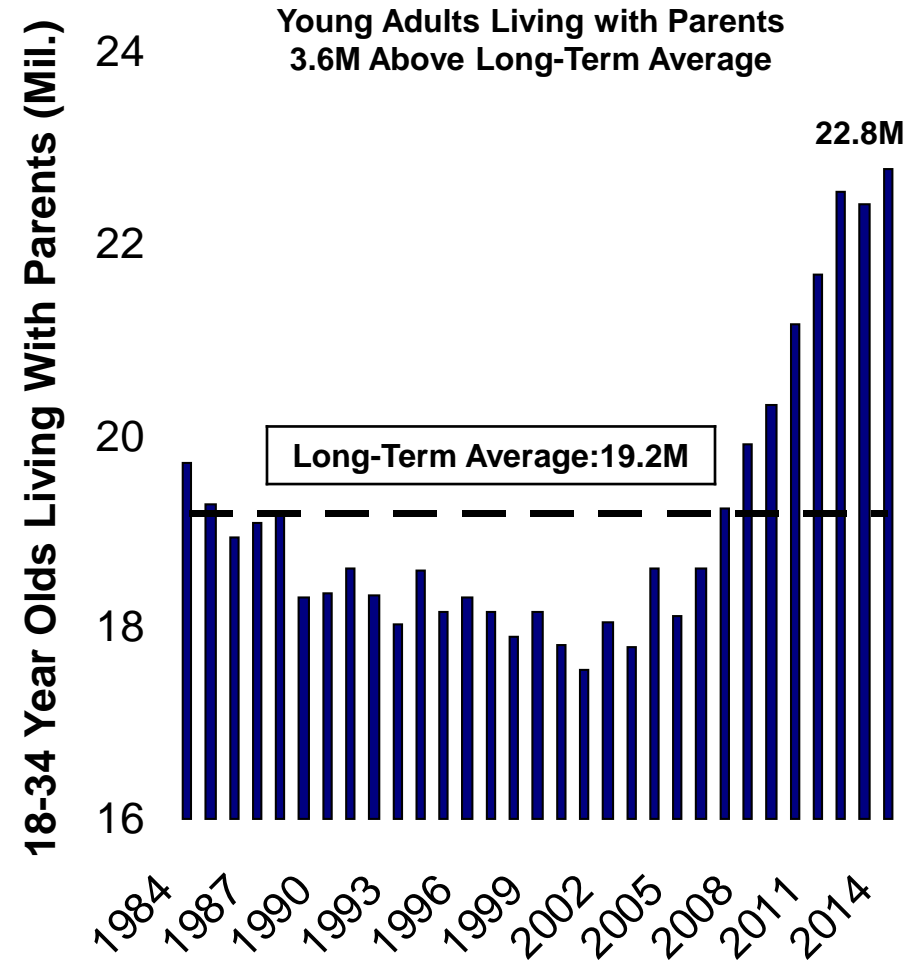
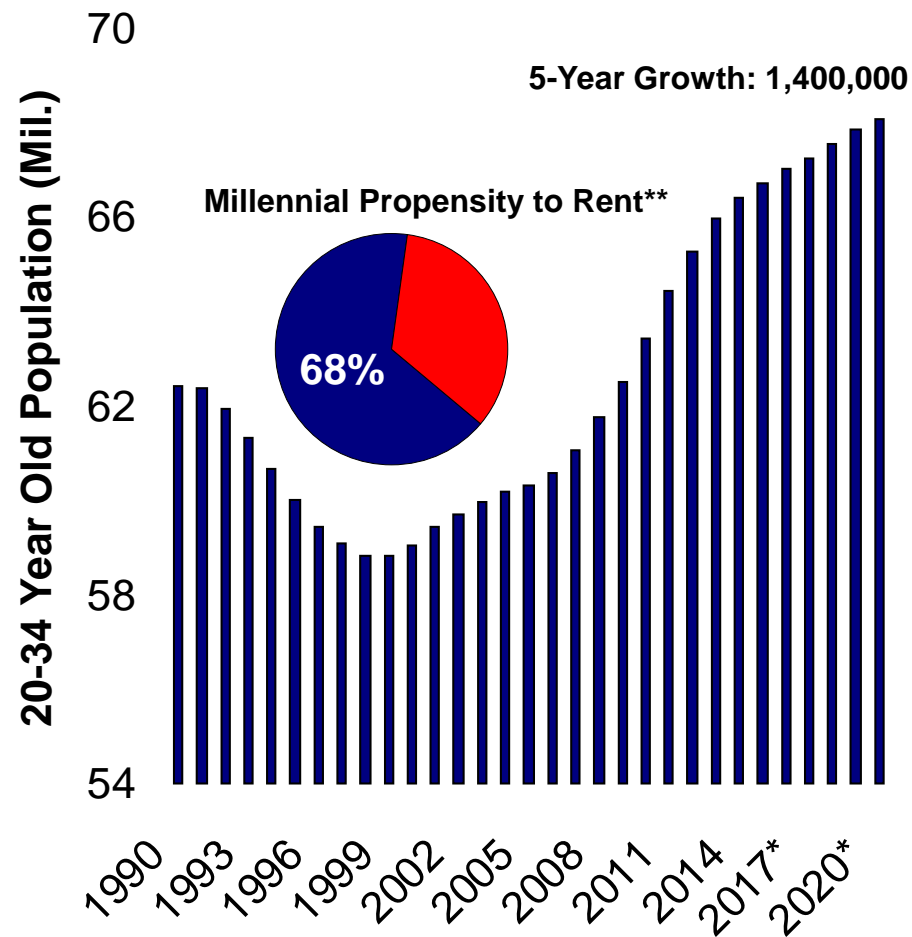
20-34 Year Old 5-Year Growth: 1,400,000



Note: Total Baby Boomer Population 75 million. Total Millennial Population 80 million

Sources: Marcus & Millichap Research Services, U.S. Census Bureau

Two-Thirds of Millennials Rent... ...If Not Living with Parents



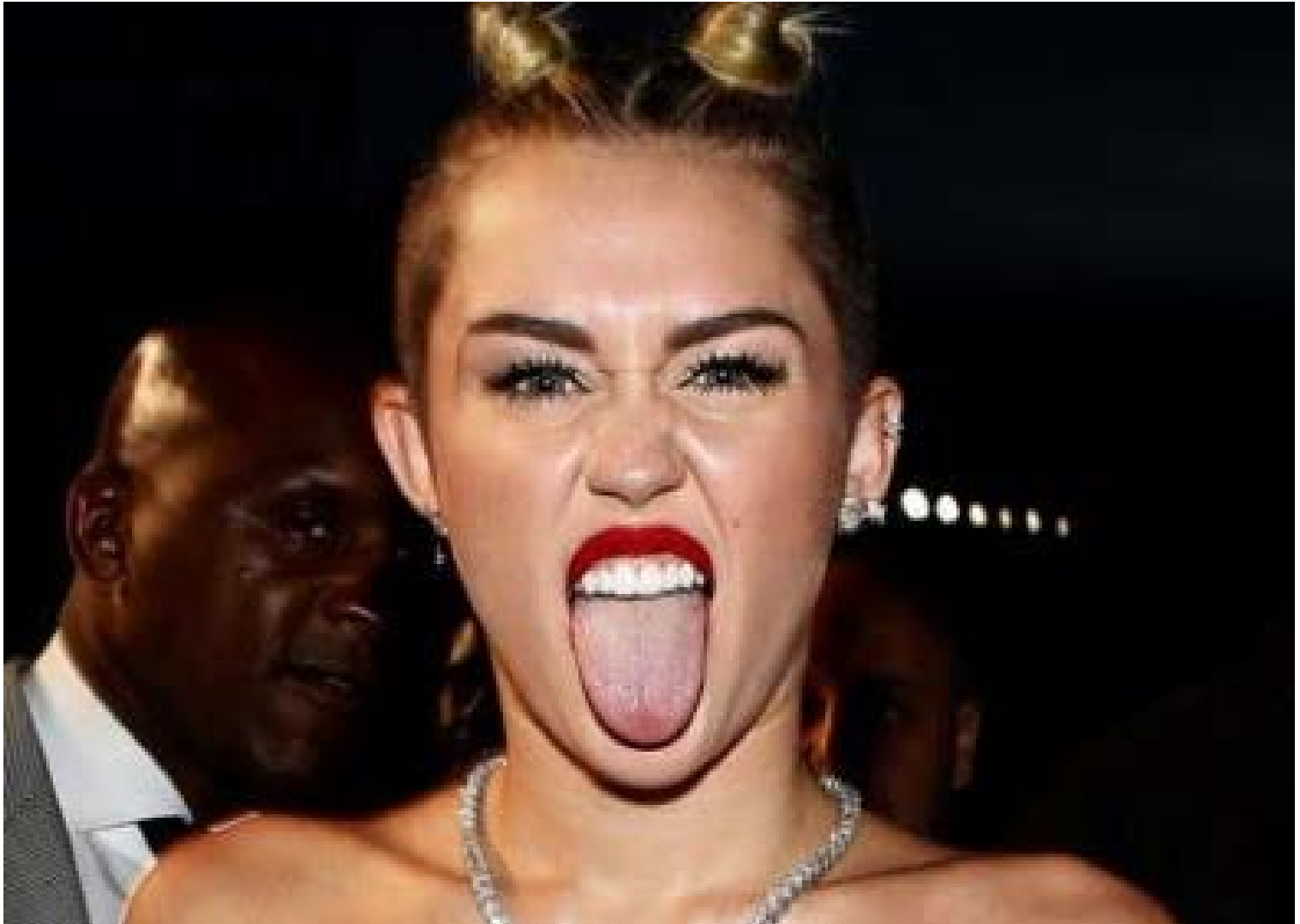
* Forecast

** 2013 American Community Survey

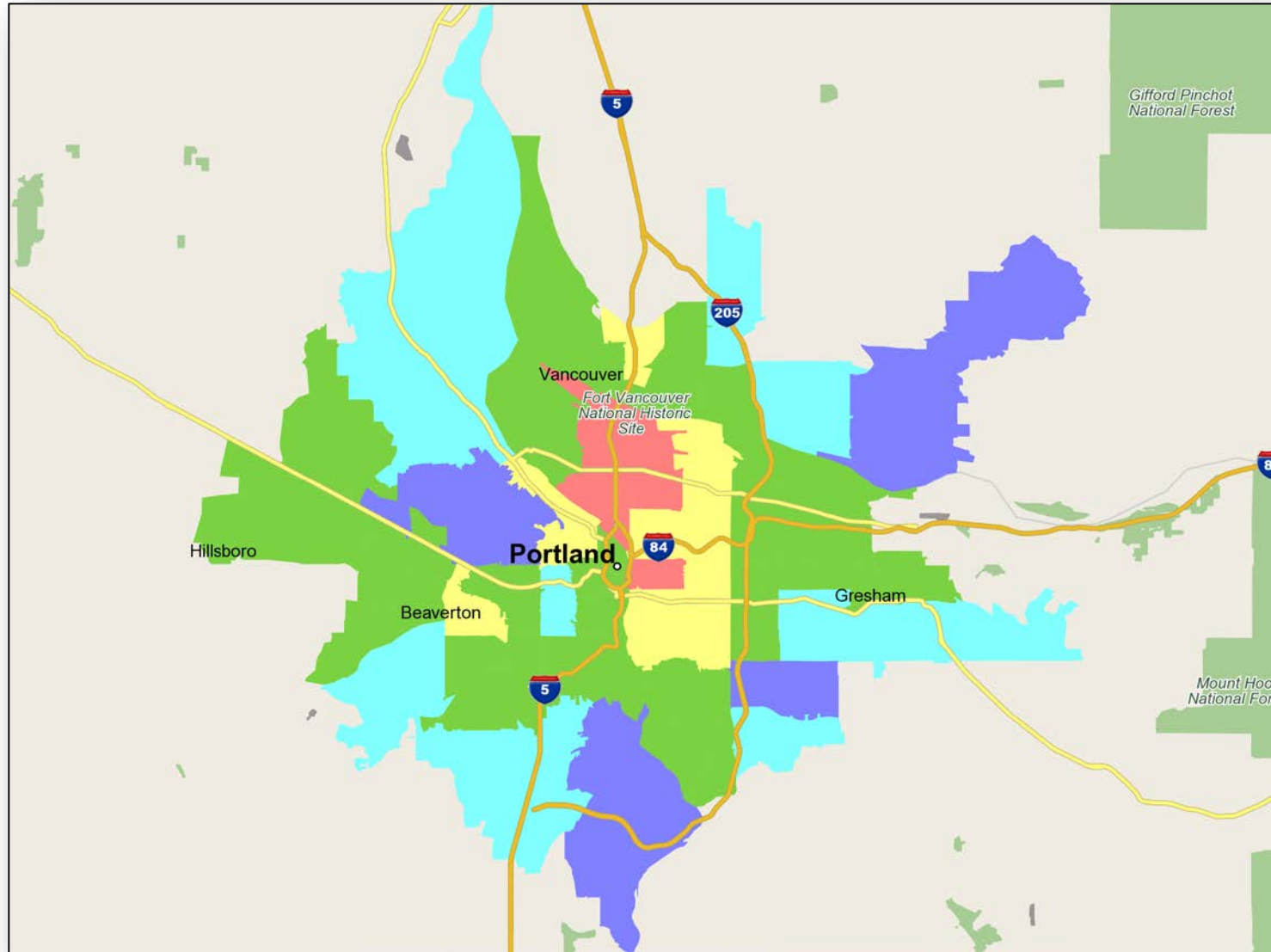
Note: Unmarried college students living in dormitories are counted as living in their parents' home

Sources: Marcus & Millichap Research Services, U.S. Census Bureau

Millennials – Live/Work/Play

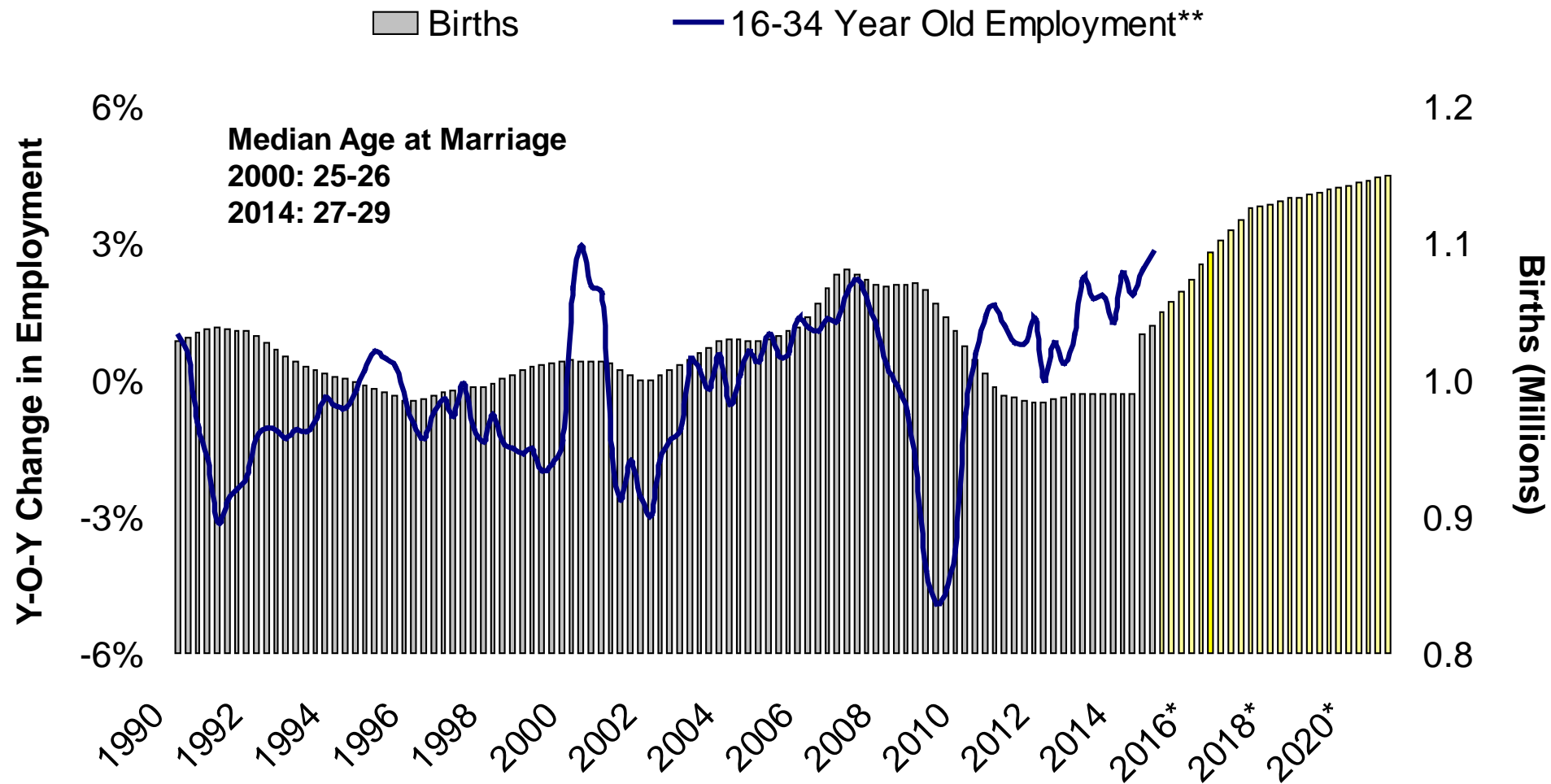


Portland 20-34 Cohort Growth (2014-2019)



- 20-34 Year Old Population Growth -High (Above 1.25%)
- 20-34 Year Old Population Growth -Above Average (0.5% to 1.25%)
- 20-34 Year Old Population Growth -Average (-0.2% to 0.5%)
- 20-34 Year Old Population Growth -Below Average (-0.9% to -0.2%)
- 20-34 Year Old Population Growth -Low (Below -0.9%)

Economic Gains Support Family Formation Could Push Millennials to Suburbs

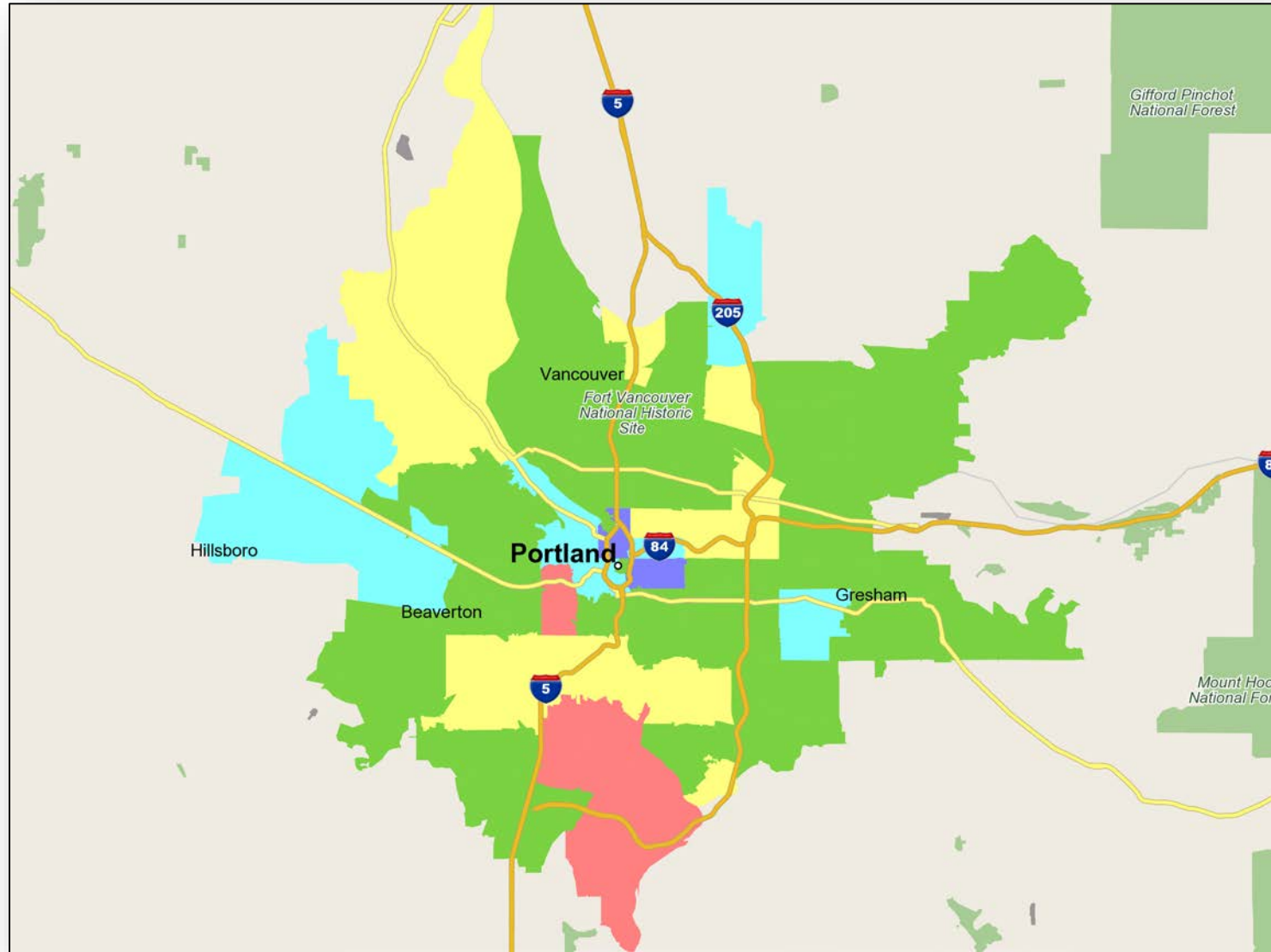


* Forecast

** Through 4Q 2014

Sources: Marcus & Millichap Research Services, U.S. Census Bureau, BLS

Portland 35-54 Cohort Growth (2014-2019)



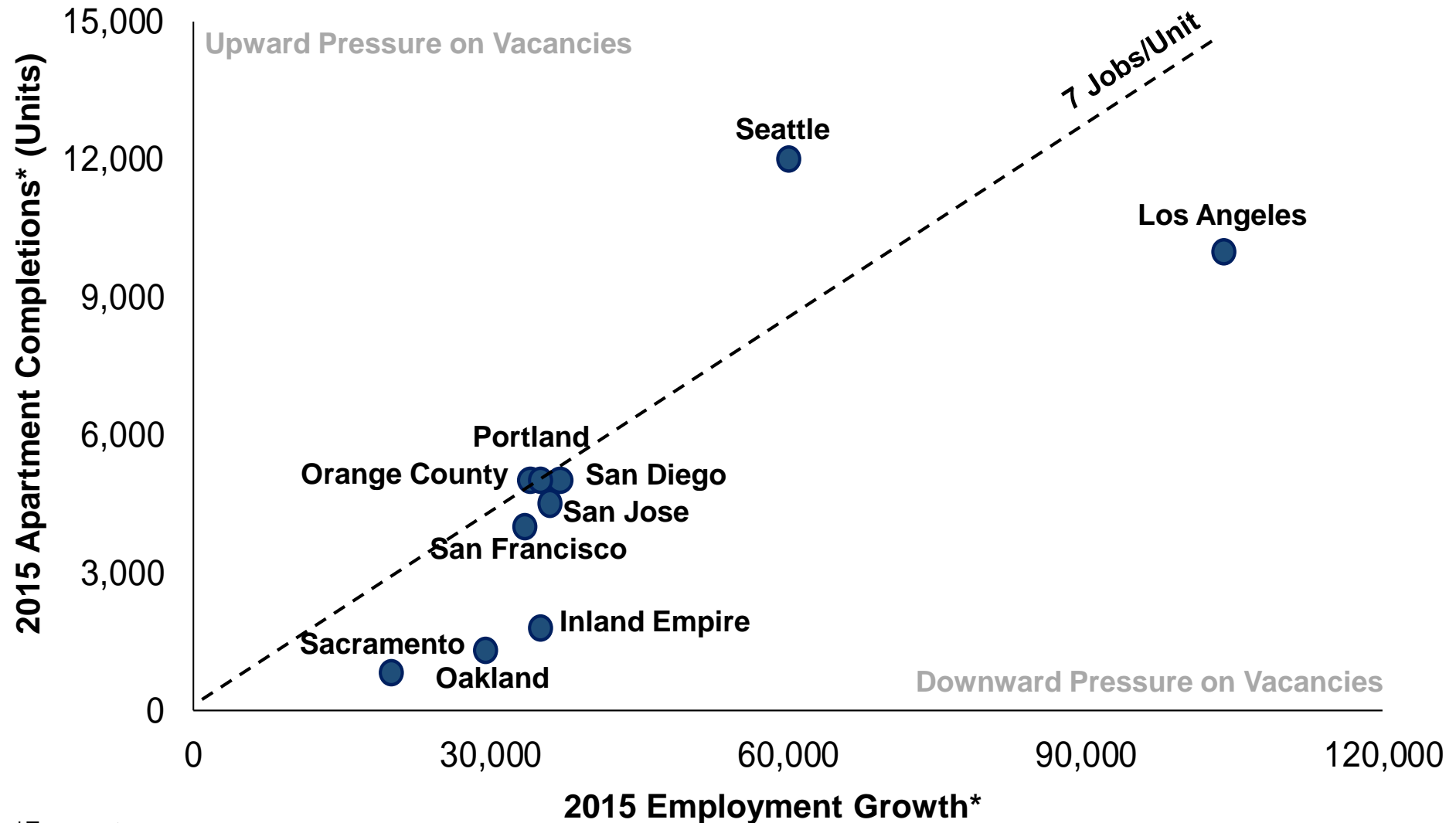
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Pacific Region
Apartment Market Trends



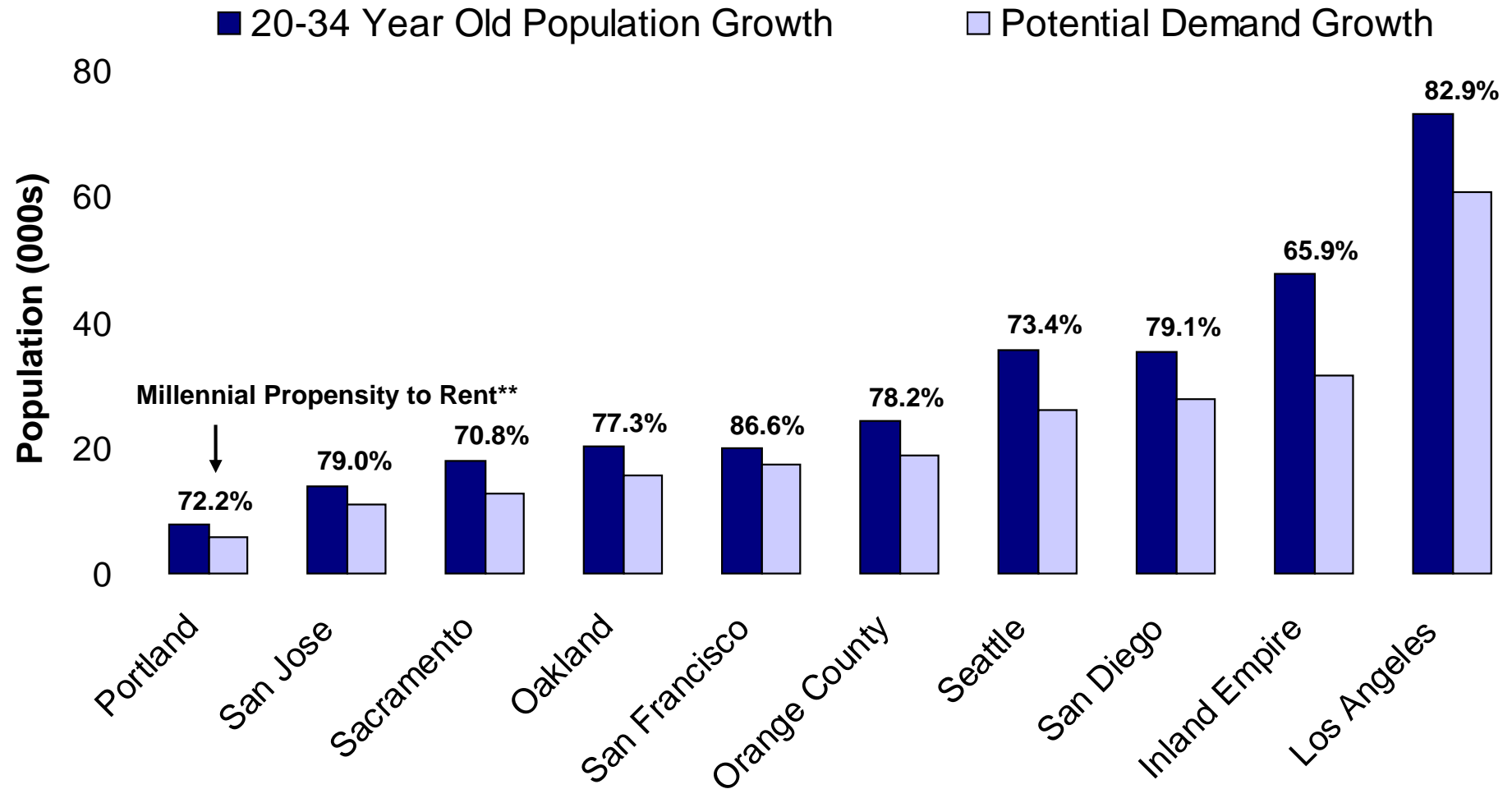
Pacific Region

Apartment Construction vs. Employment Growth



Sources: Marcus & Millichap Research Services, BLS, MPF Research

Pacific Region Five-Year Millennial Apartment Demand Growth*

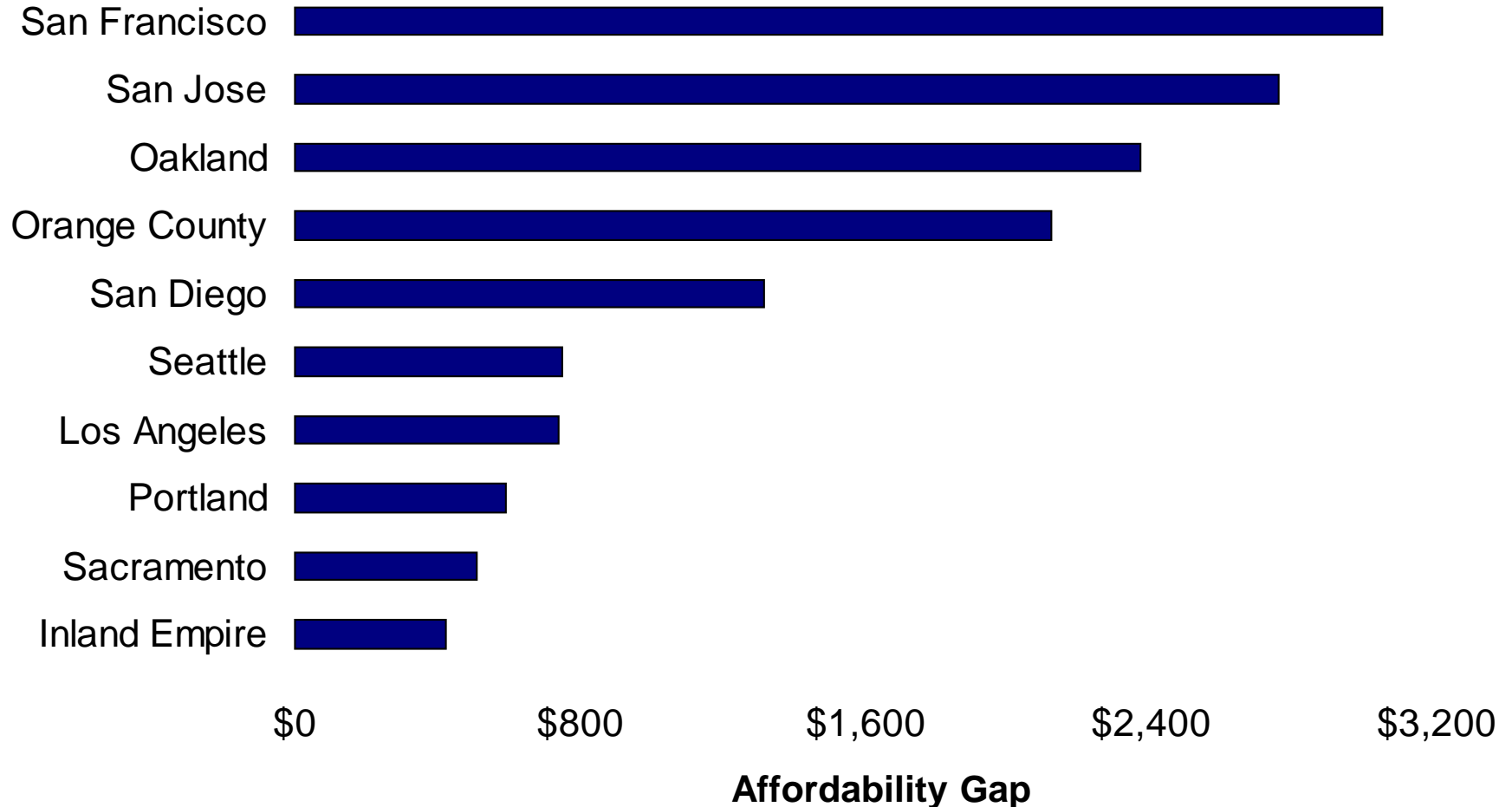


* 2015-2019

** Propensity to rent based on 2012 American Community Survey

Sources: Marcus & Millichap Research Services, U.S. Census Bureau

Pacific Region Housing Affordability Based on Home Mortgage Payment and Rent Gap

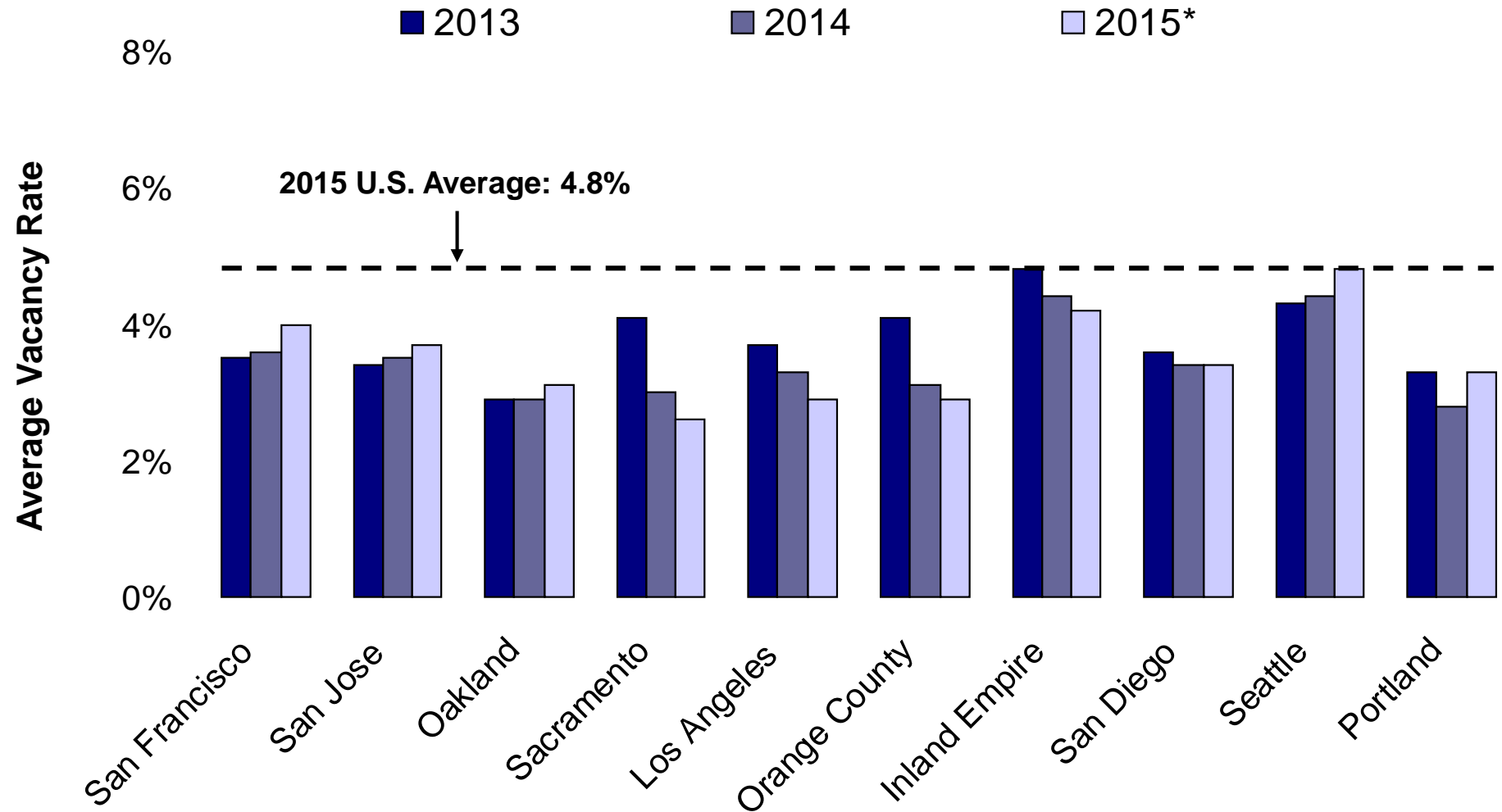


As of 4Q 2014

Mortgage payments based on 4Q 2014 median home price for a 30-year fixed rate conventional mortgage, 90% LTV, and 1.5% taxes and insurance

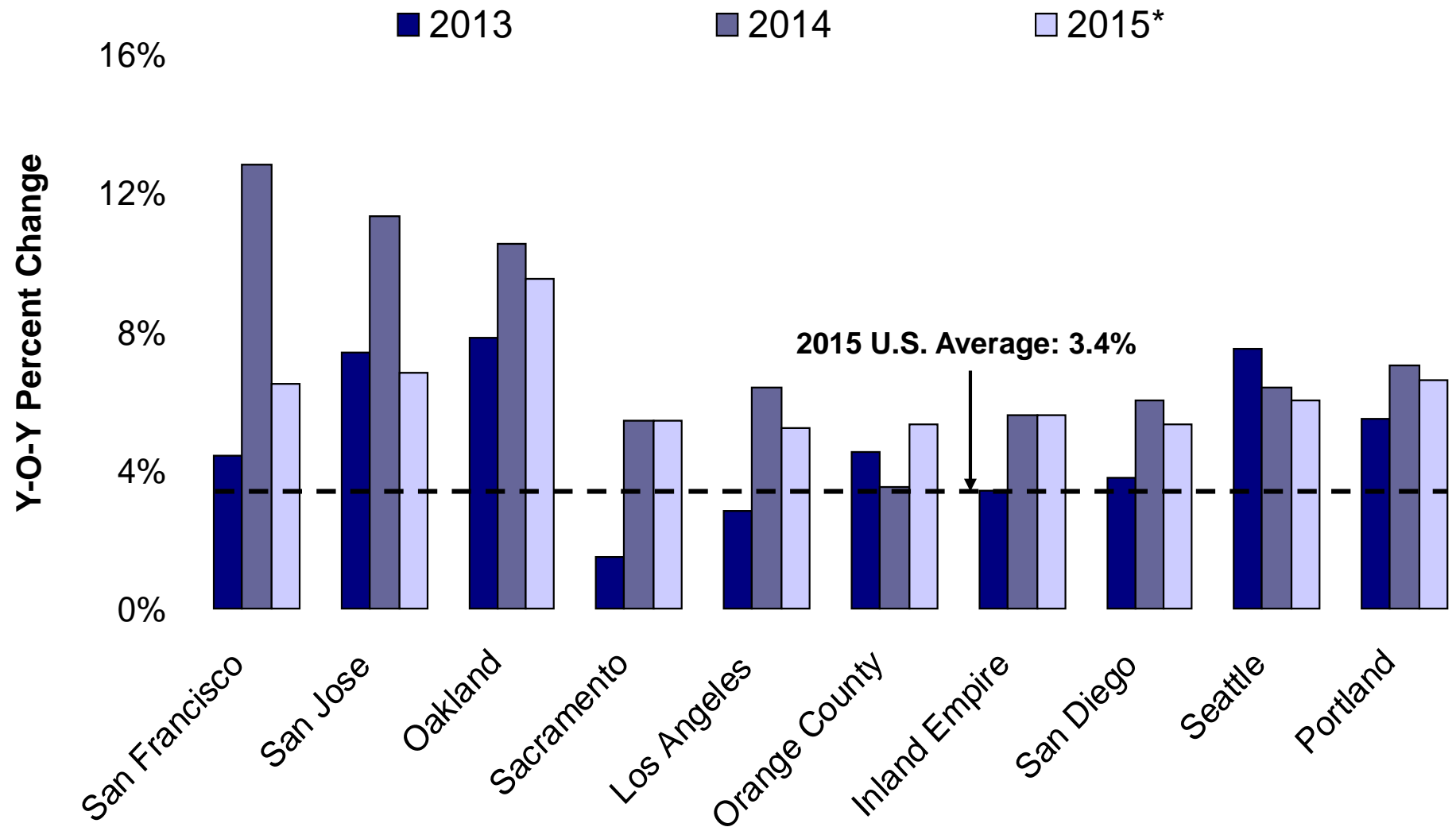
Sources: Marcus & Millichap Research Services, MPF Research, Freddie Mac, National Association of Realtors

Apartment Vacancy Rate Trends



* Forecast
Source: Marcus & Millichap Research Services, MPF Research

Apartment Effective Rent Growth Trends



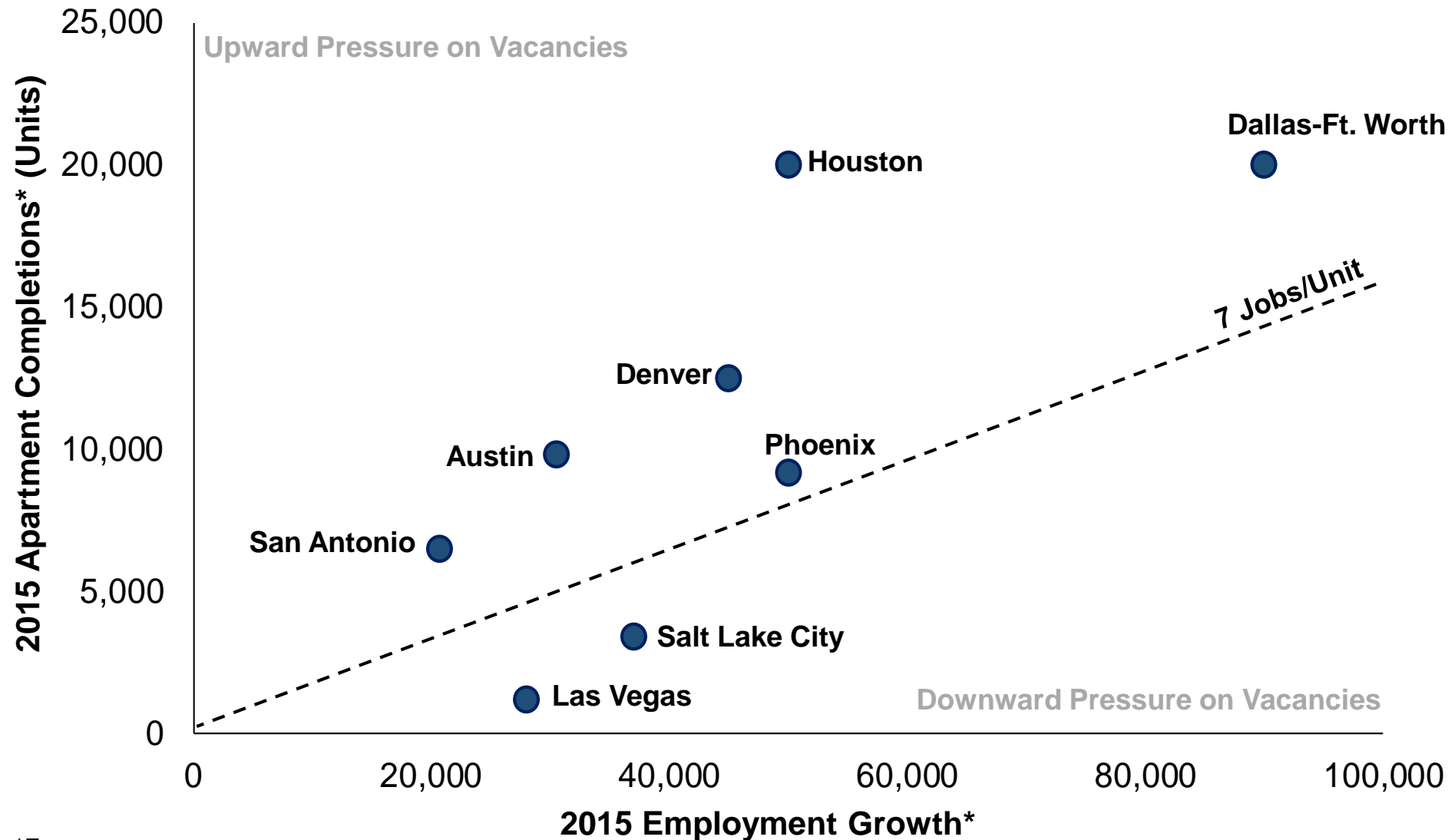
* Forecast

Source: Marcus & Millichap Research Services, MPF Research

Southwest/Mountain Region Apartment Market Trends



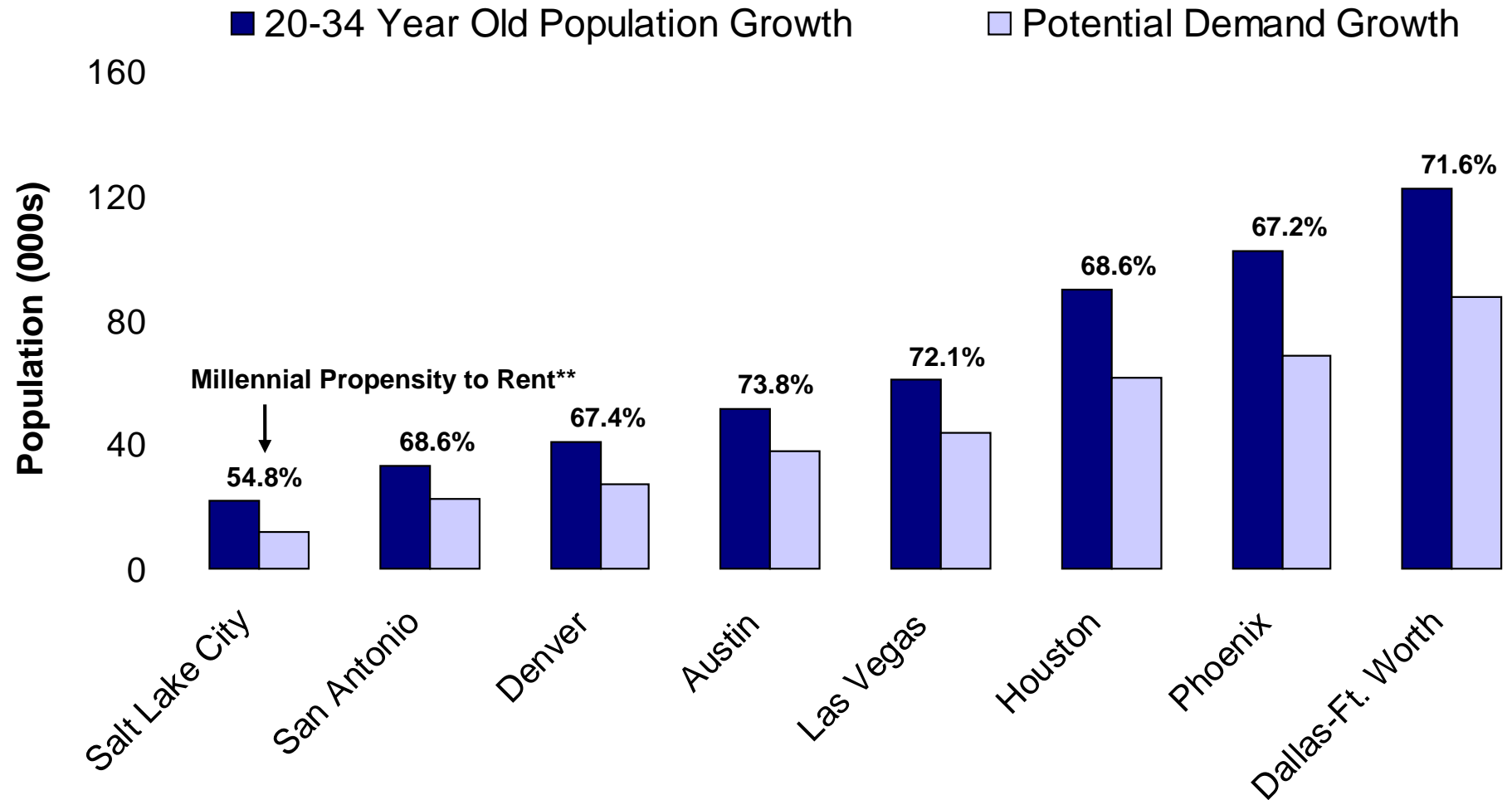
Southwest/Mountain Region Apartment Construction vs. Employment Growth



*Forecast

Sources: Marcus & Millichap Research Services, BLS, MPF Research

Southwest/Mountain Region Five-Year Millennial Apartment Demand Growth*

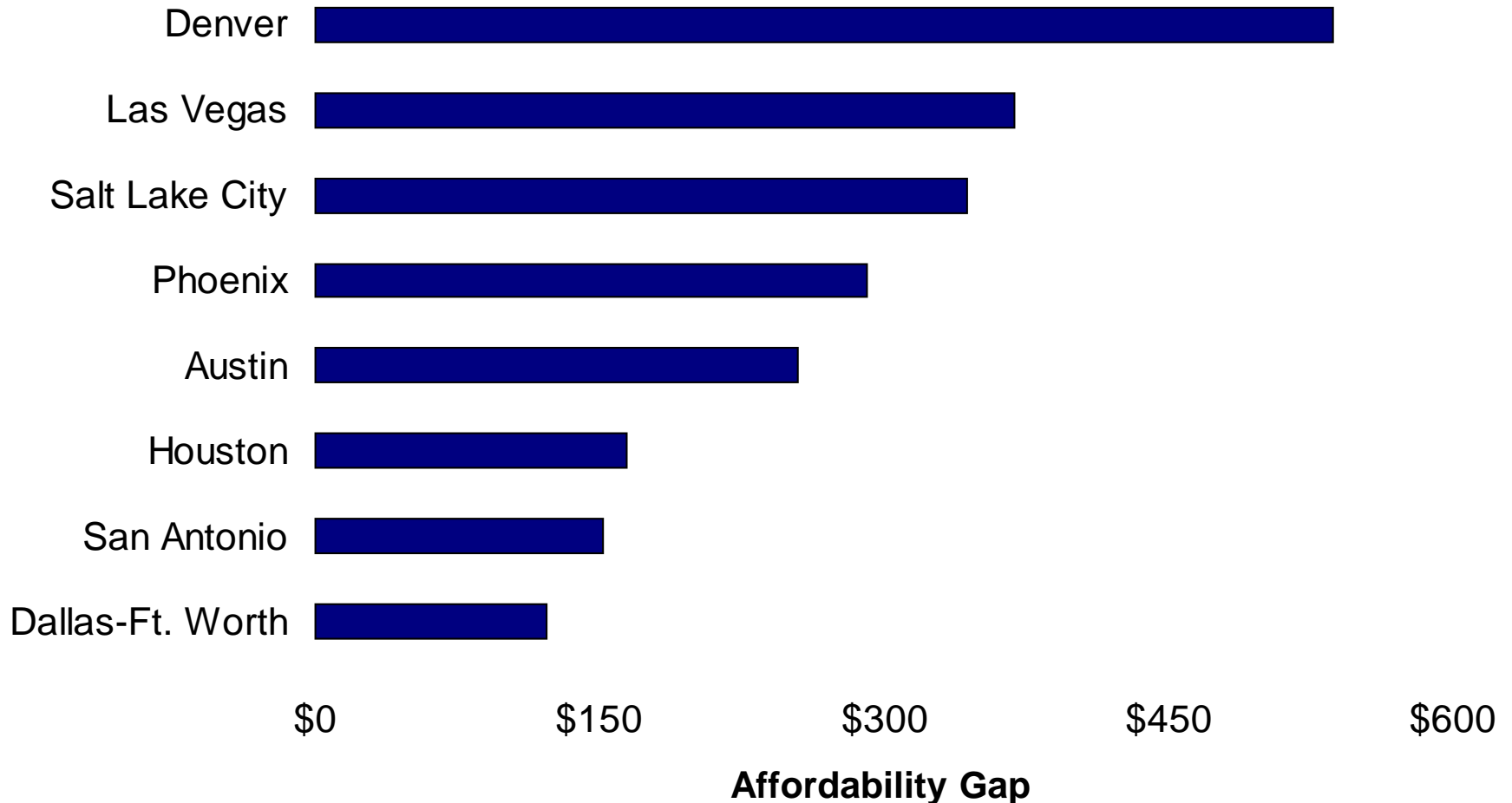


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Southwest/Mountain Region Housing Affordability Based on Home Mortgage Payment and Rent Gap

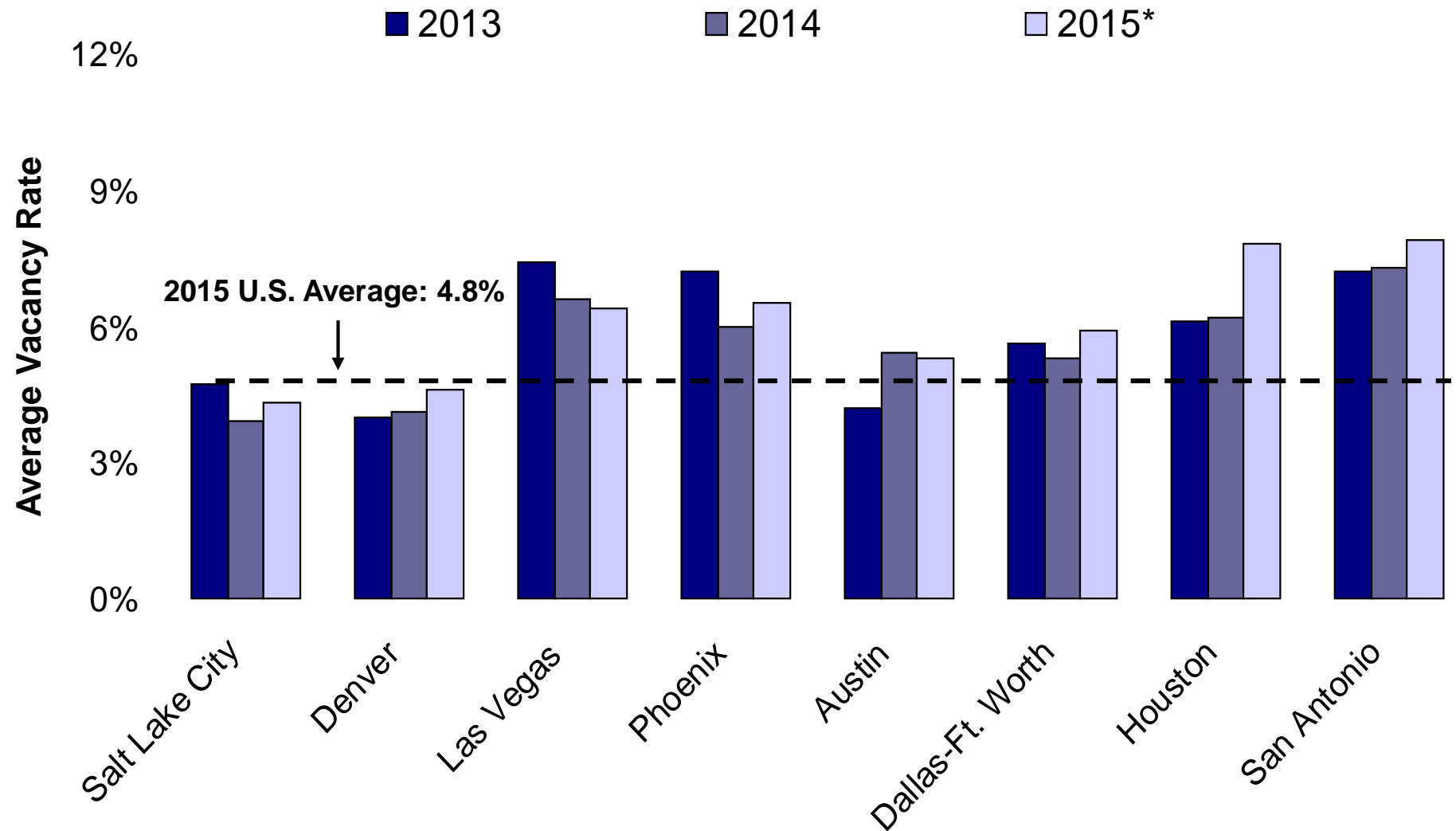


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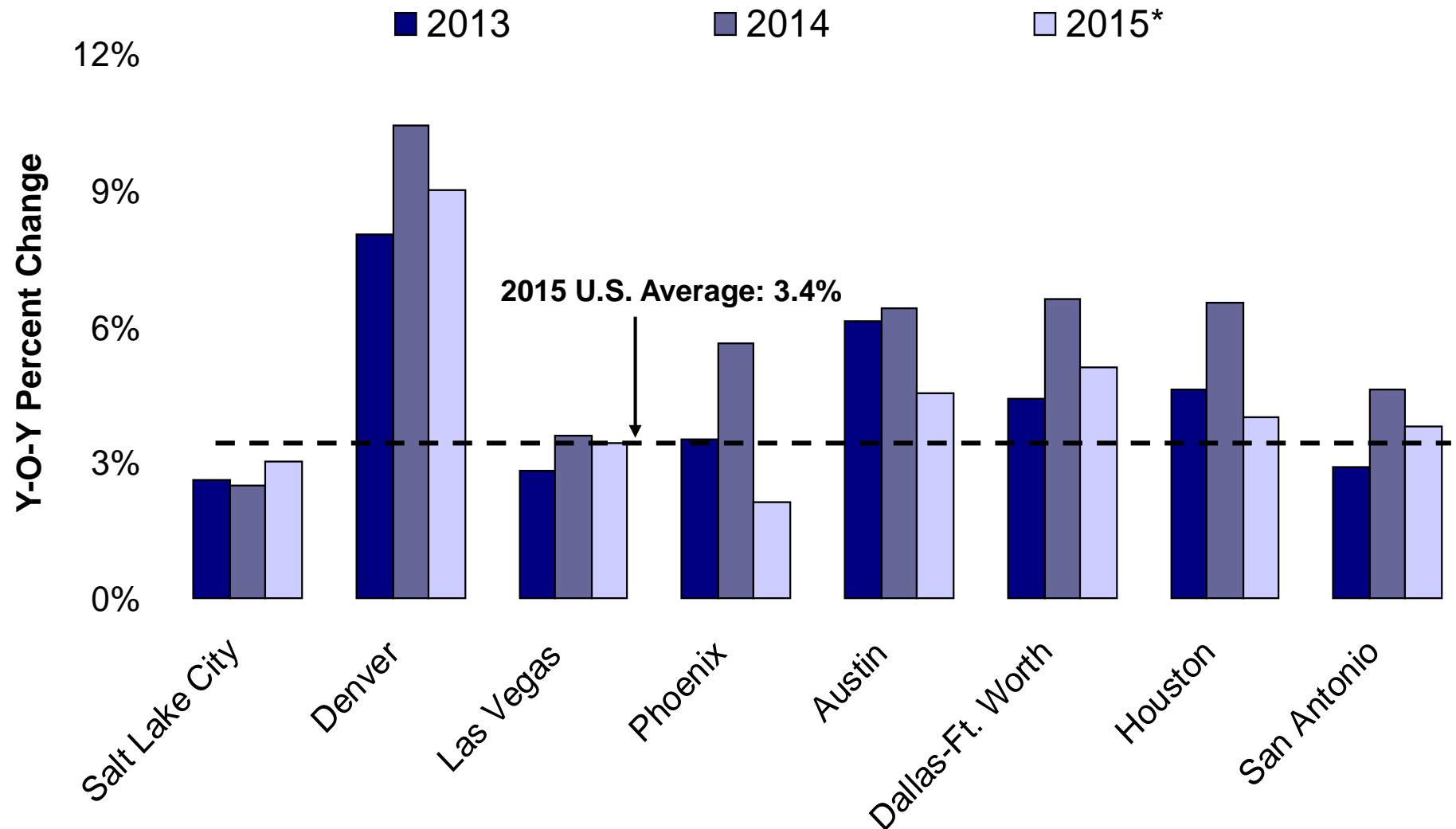
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Apartment Vacancy Rate Trends



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Apartment Effective Rent Growth Trends



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Source: Marcus & Millichap Research Services, MPF Research



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Marcus & Millichap



NMHC Research Conference

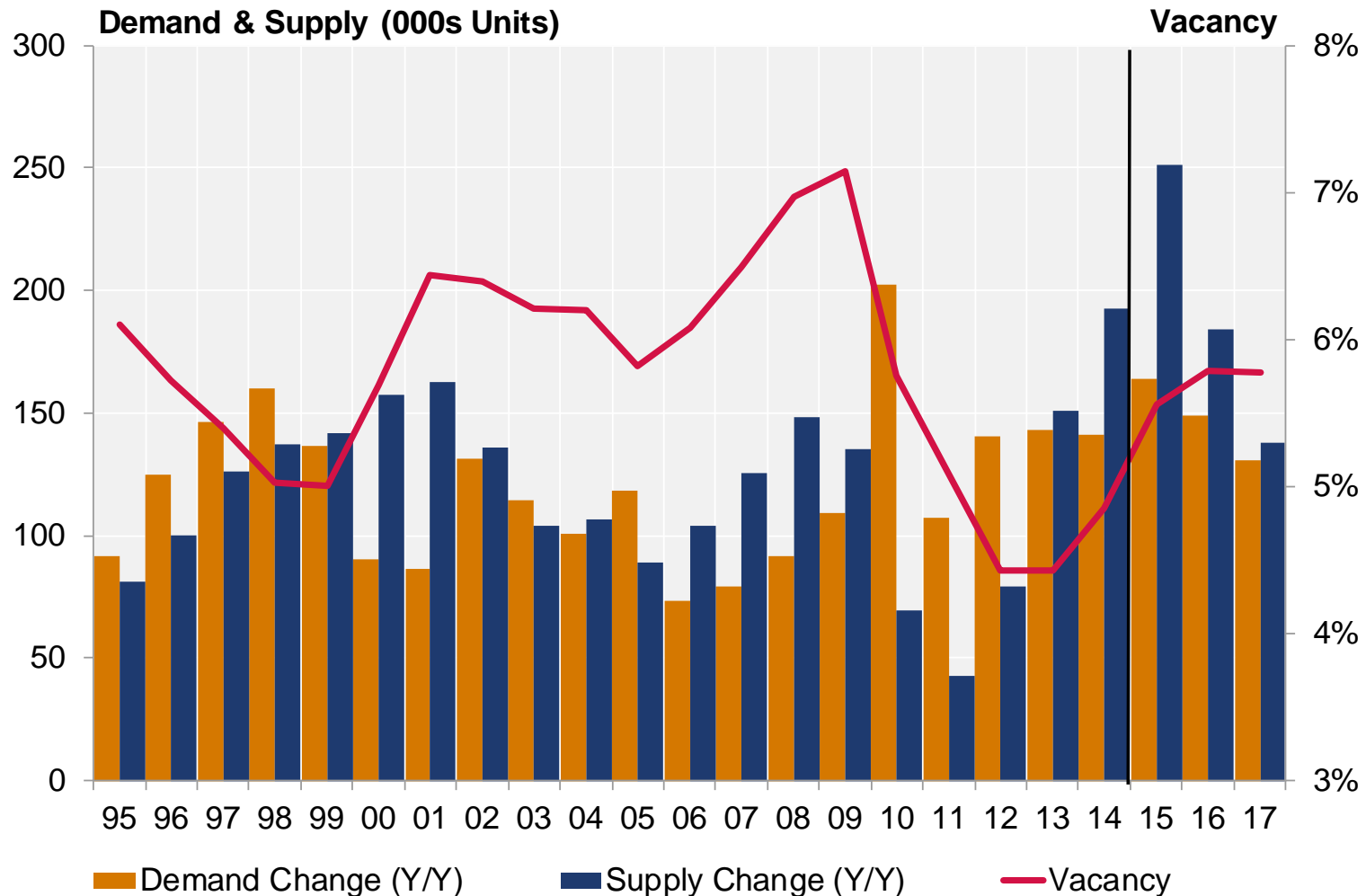
April 1-2, 2015

Macro Multifamily Trends



Supply Wave Puts a Stop to Recovery

National Apartment Supply, Demand, and Vacancy

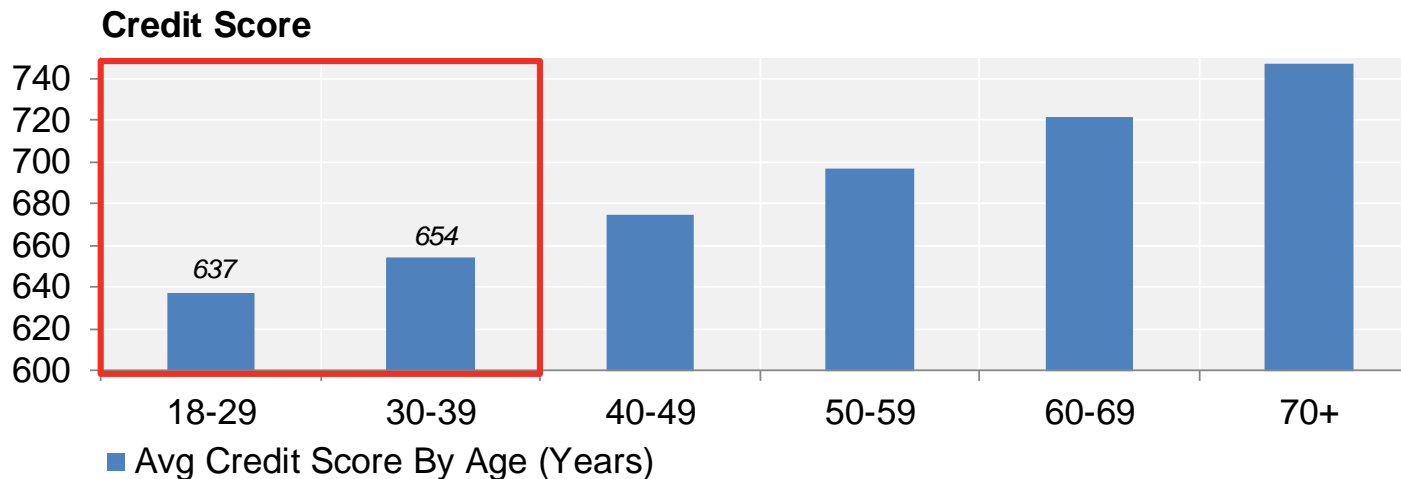
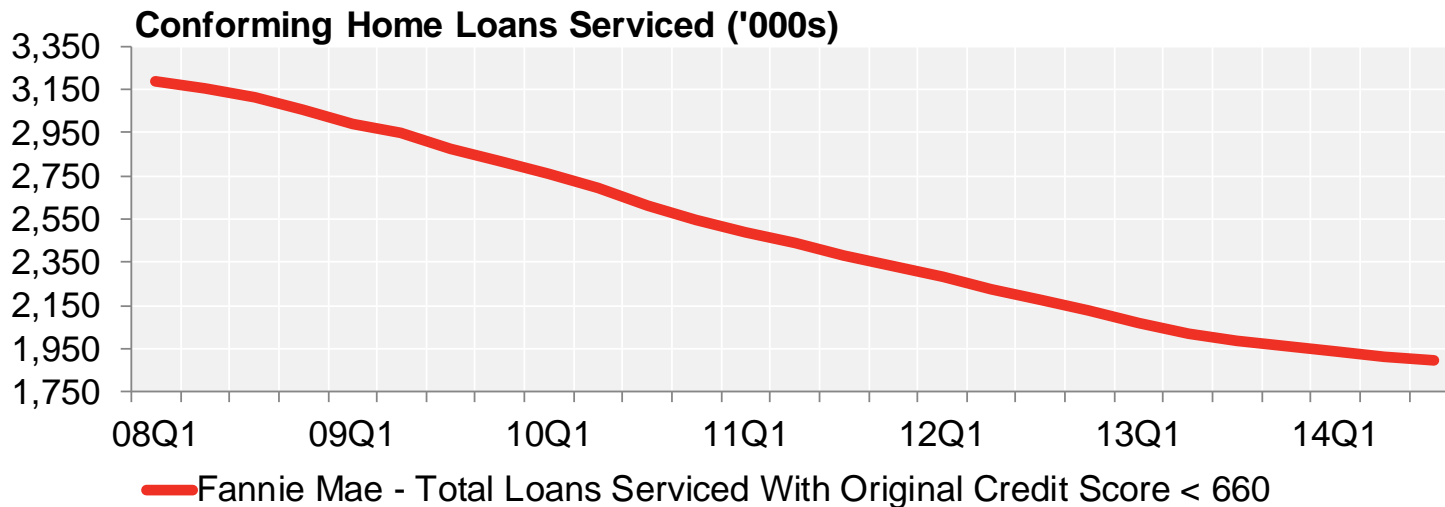


Source: CoStar Portfolio Strategy

As of 14Q4

If You're Under 40, Good Luck Getting A Loan...

Loans Serviced By Credit Score And Average Credit Scores By Age

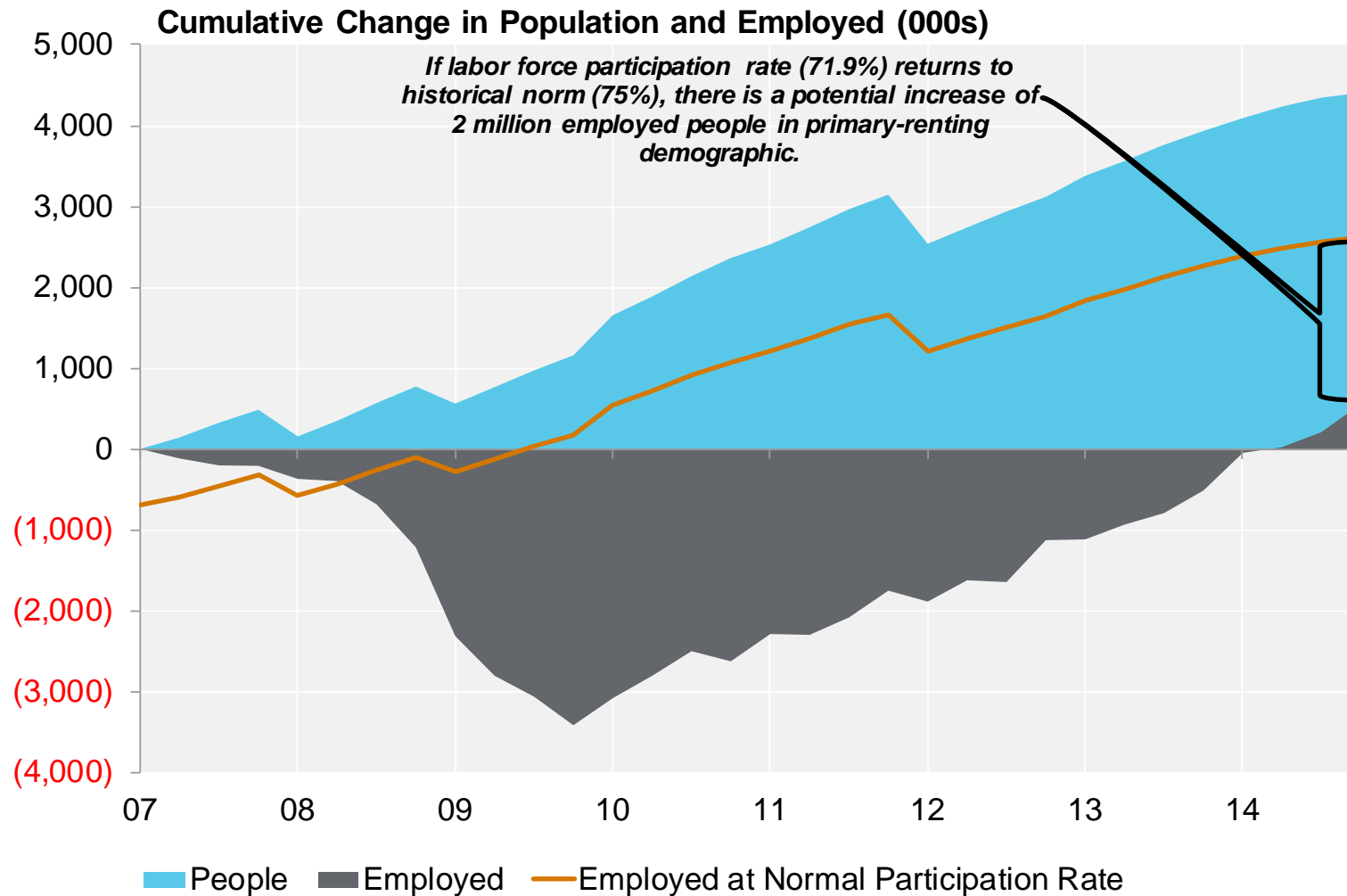


Sources: U.S. Federal Housing Finance Agency (FHFA); FreeScore.com; Costar Group, Inc.

As of 15Q1

Young People Still Underemployed

Change In Population And Employment By Age Cohort (20-34-Year-Olds)

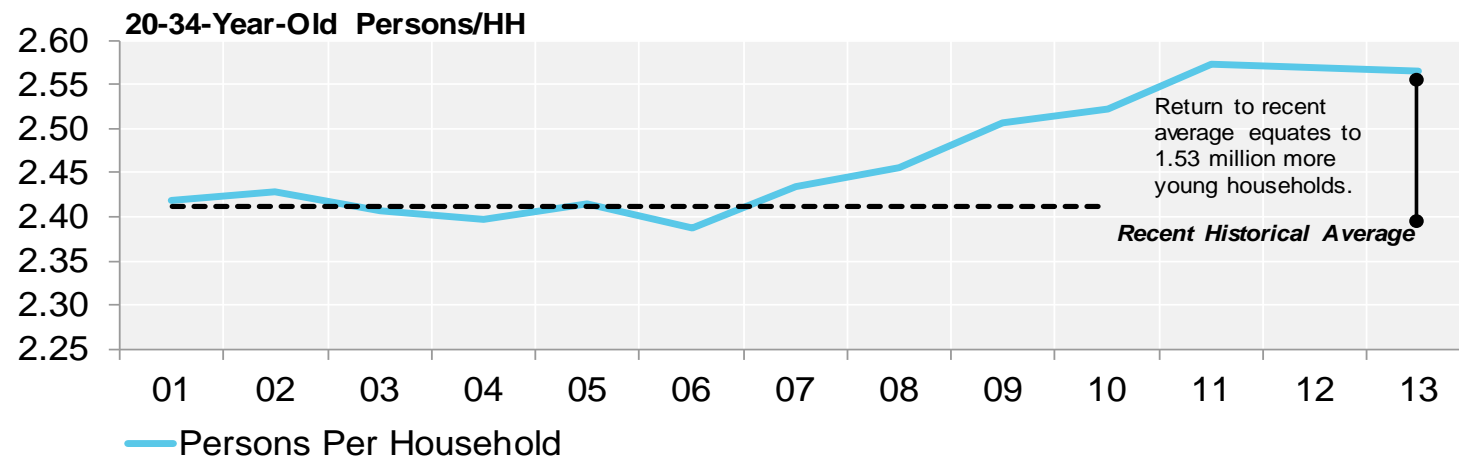
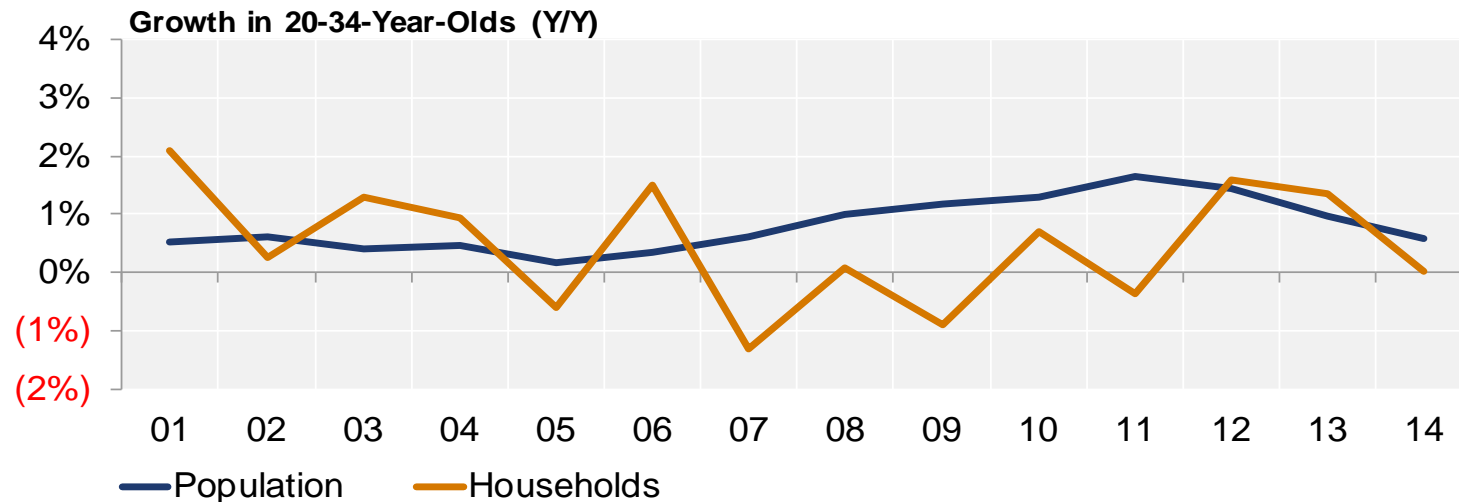


Sources: BLS; Moody's Analytics; CoStar Portfolio Strategy

As of 14Q4

Uncoupling Of Households Leaves Demand Upside

Population And Household Growth For Those 20-34

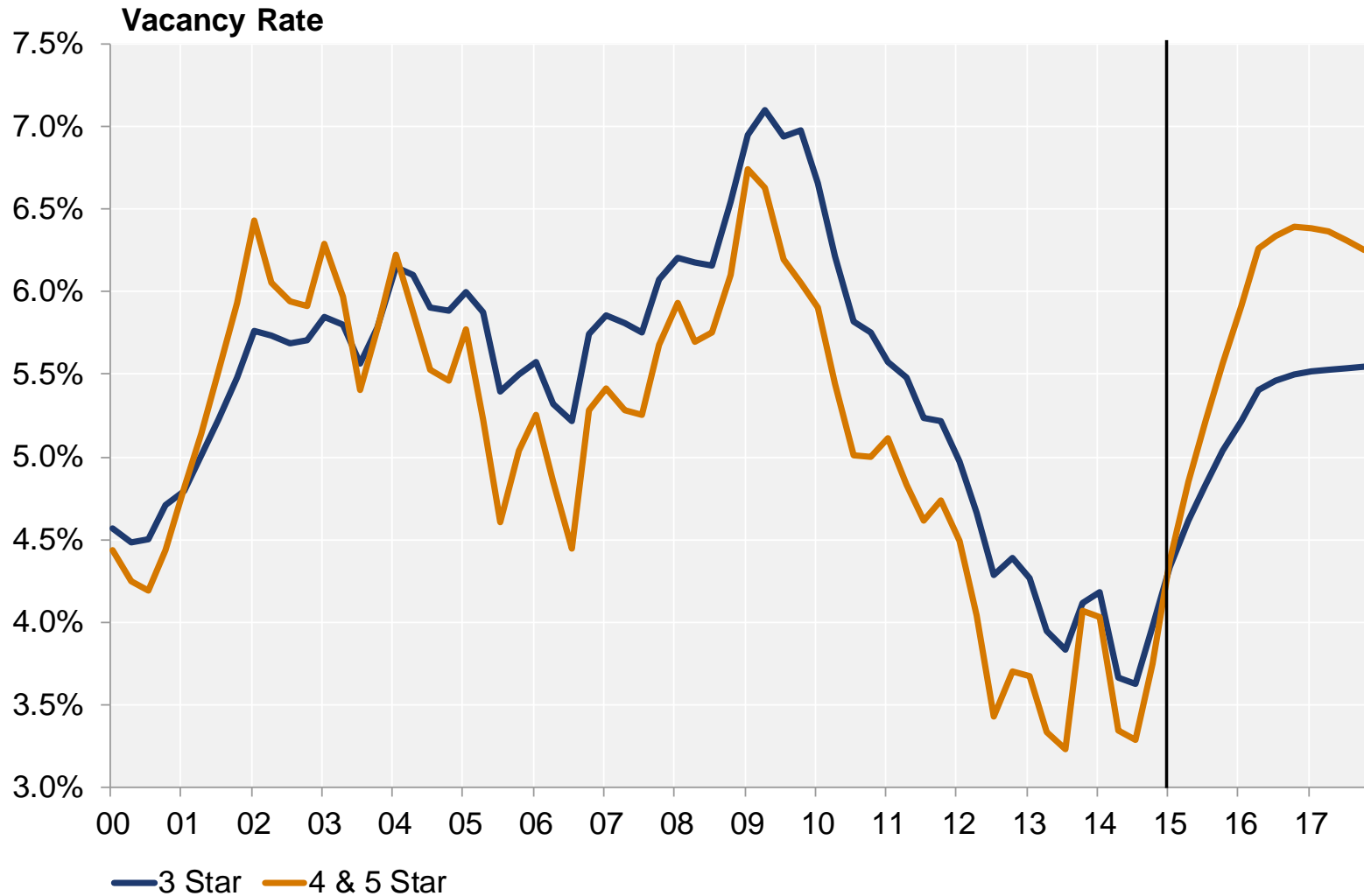


Sources: US Census Bureau; Moody's Analytics; CoStar Portfolio Strategy

As of 14Q4

4 & 5 Star Vacancies To Surpass 3 Star Vacancies

Vacancy Rate for The National Index

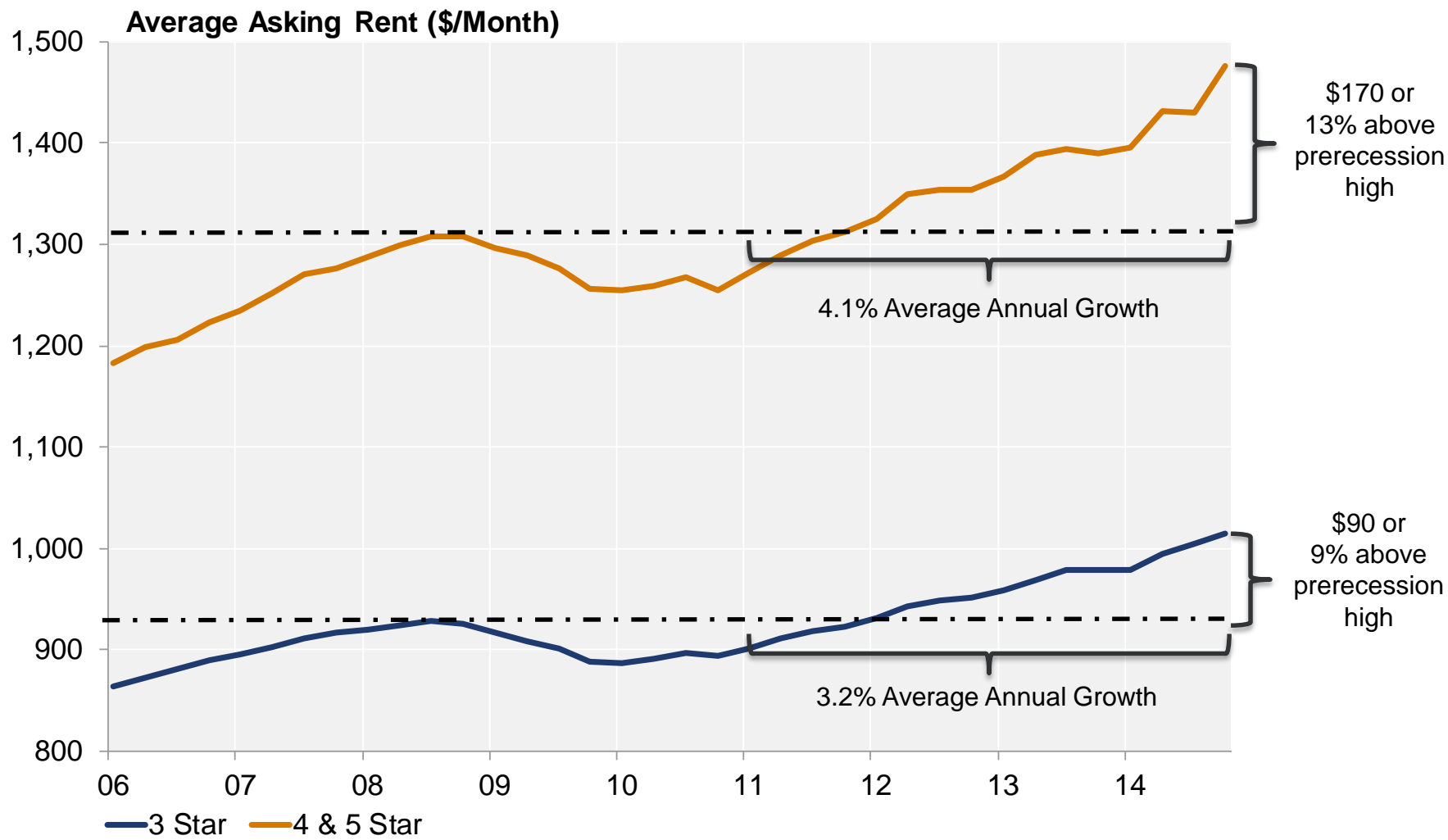


Source: CoStar Portfolio Strategy

As of 14Q4

4 & 5 Star Rents Racing Ahead

National Asking Rents By Class

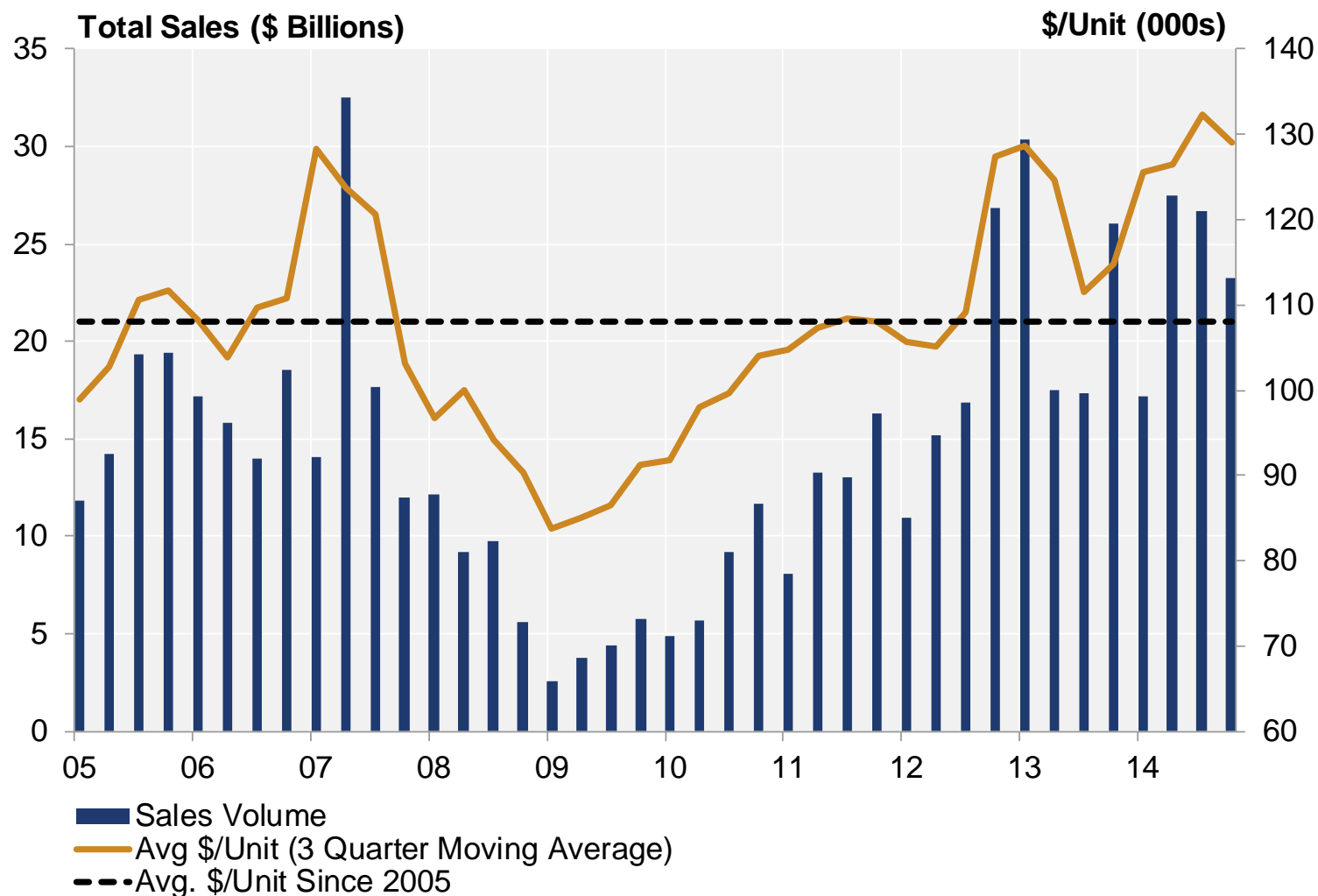


Source: CoStar Portfolio Strategy

As of 14Q4

Investors Can't Fall Out Of Love With Apartments

U.S. Quarterly Sales Volume and Price Per Unit

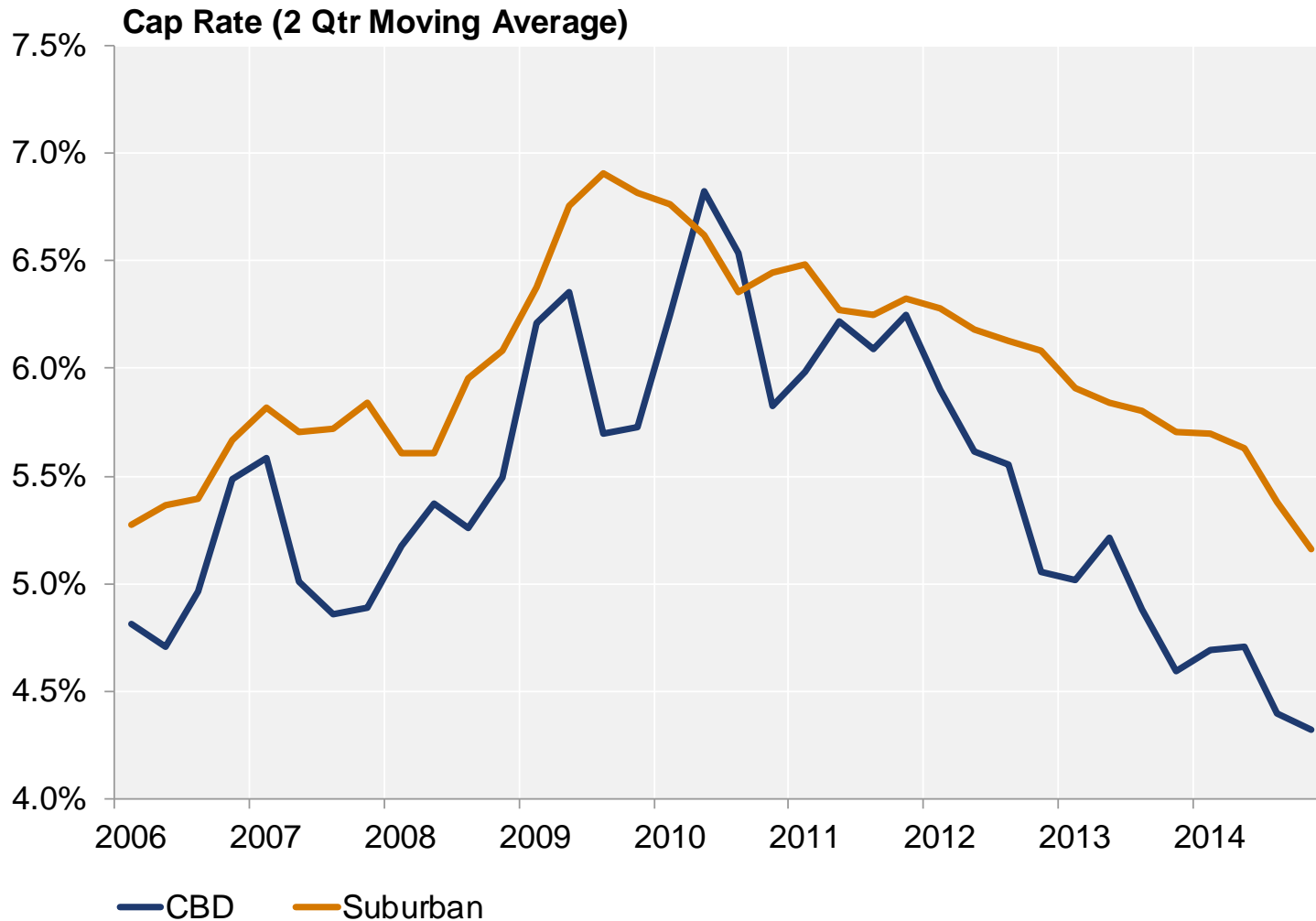


Source: CoStar Portfolio Strategy

As Of 14Q4

Widening Spread For CBD Over Suburban

Two Quarter Cap Rate Moving Average In "Sexy Six" Metros



**"Sexy Six" metros include: Boston, Chicago, Los Angeles, New York, San Francisco, and Washington, D.C.

Source: CoStar Portfolio Strategy

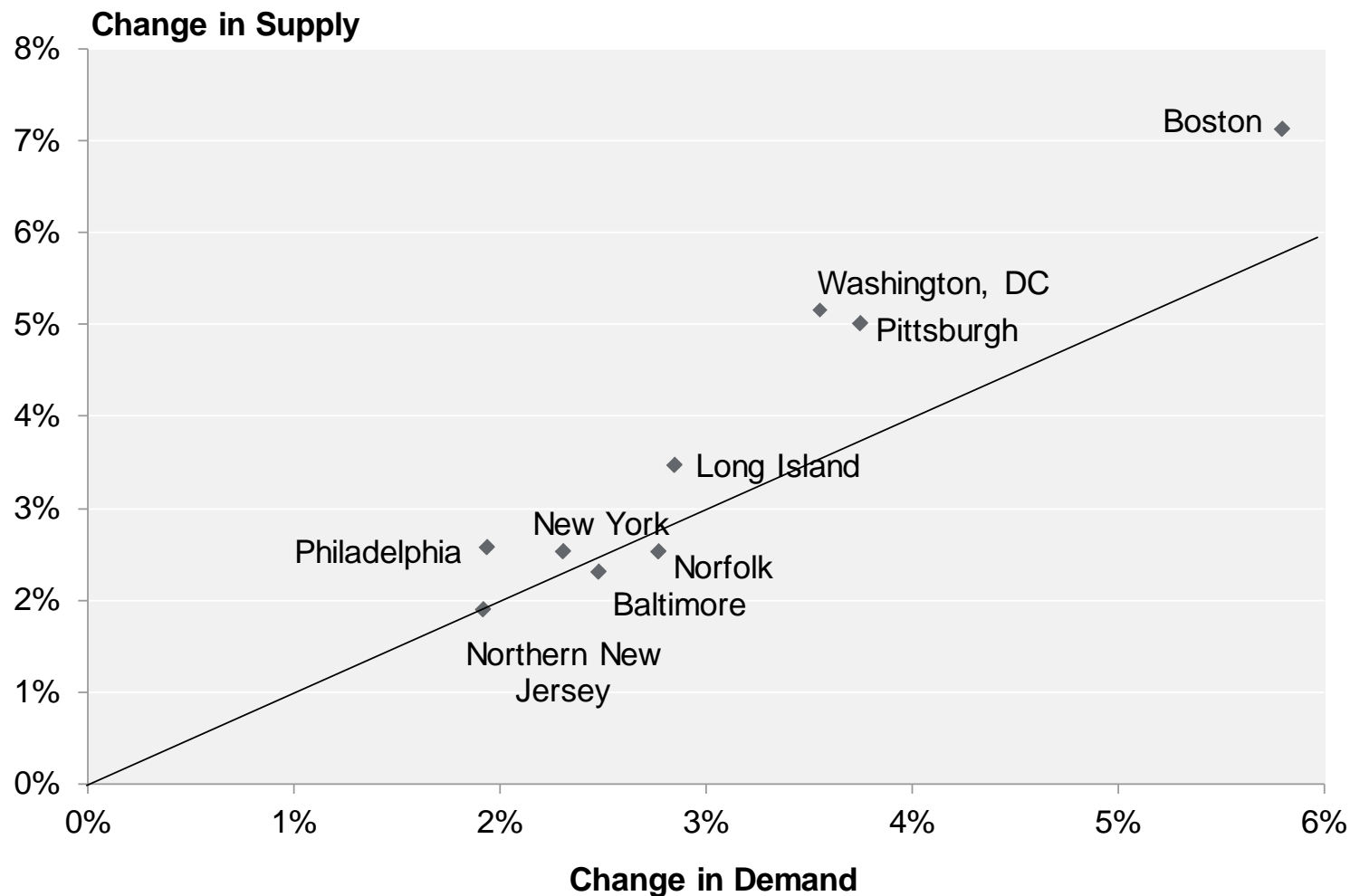
As of 14Q4

Northeast Markets



Northeast Markets: Supply Versus Demand

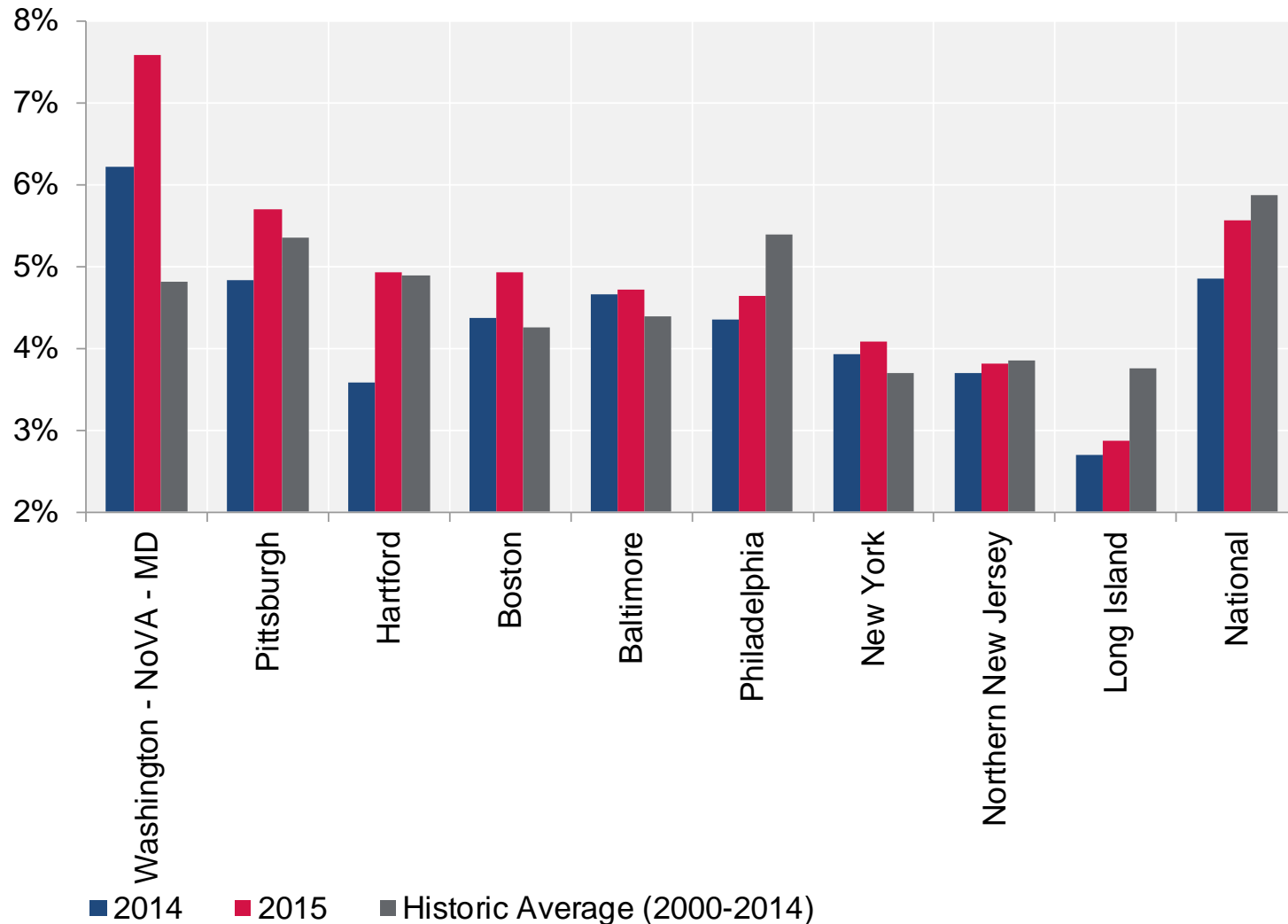
Change In Near Term (14Q4-16Q4) Supply And Demand



Source: CoStar Portfolio Strategy

As of 14Q4

Marketwide Vacancy Rate

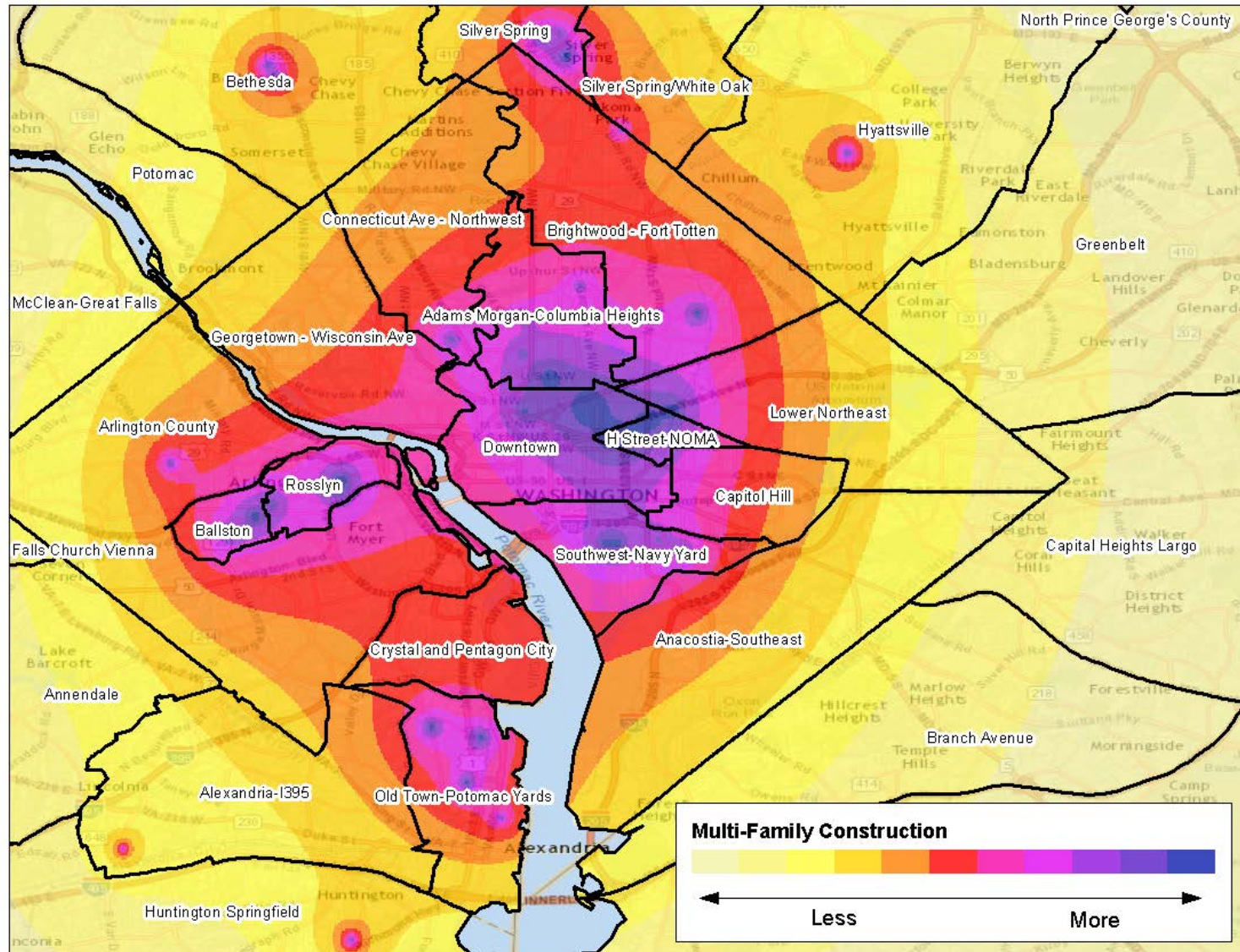


Source: CoStar Portfolio Strategy

As of 14Q4

Construction Has Spread Throughout DC

Heat Map For New Multifamily Construction

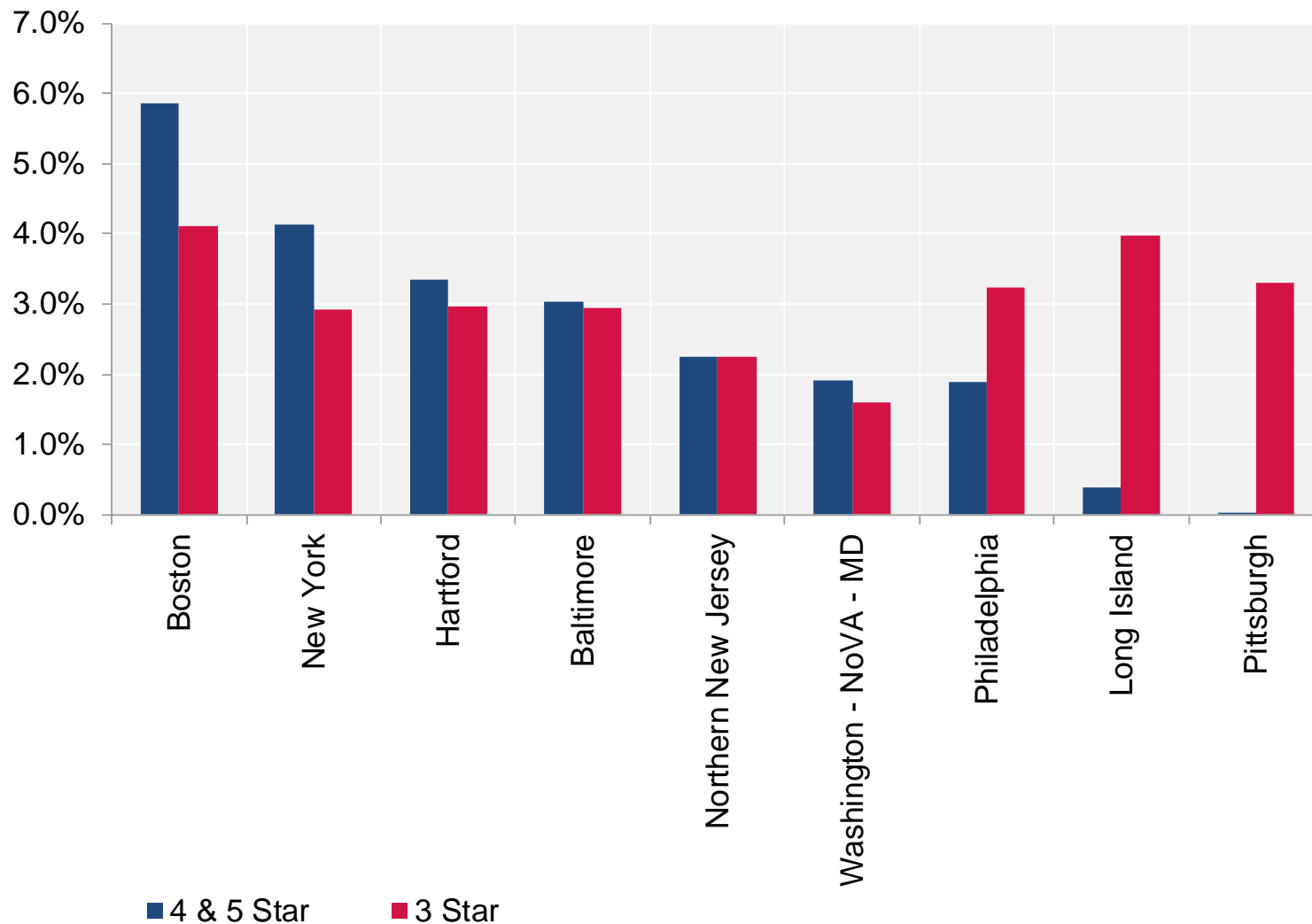


Source: CoStar Portfolio Strategy

As of 14Q4

Northeast Asking Rent Growth By Class - 2014

Year-Over-Year Rent Growth

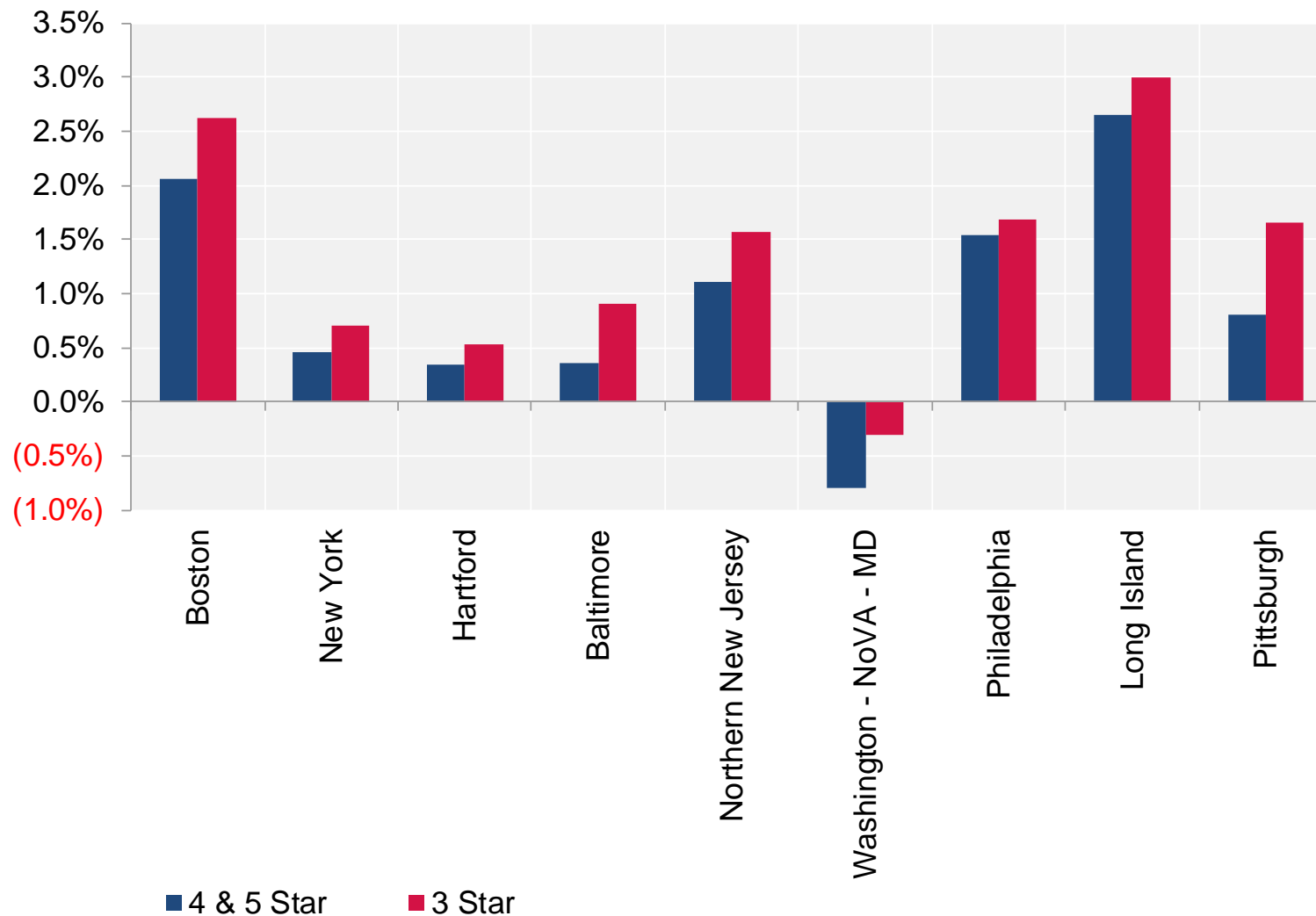


Source: CoStar Portfolio Strategy

As of 14Q4

Northeast Asking Rents By Class - Projected 2015

Year-Over-Year Rent Growth



Source: CoStar Portfolio Strategy

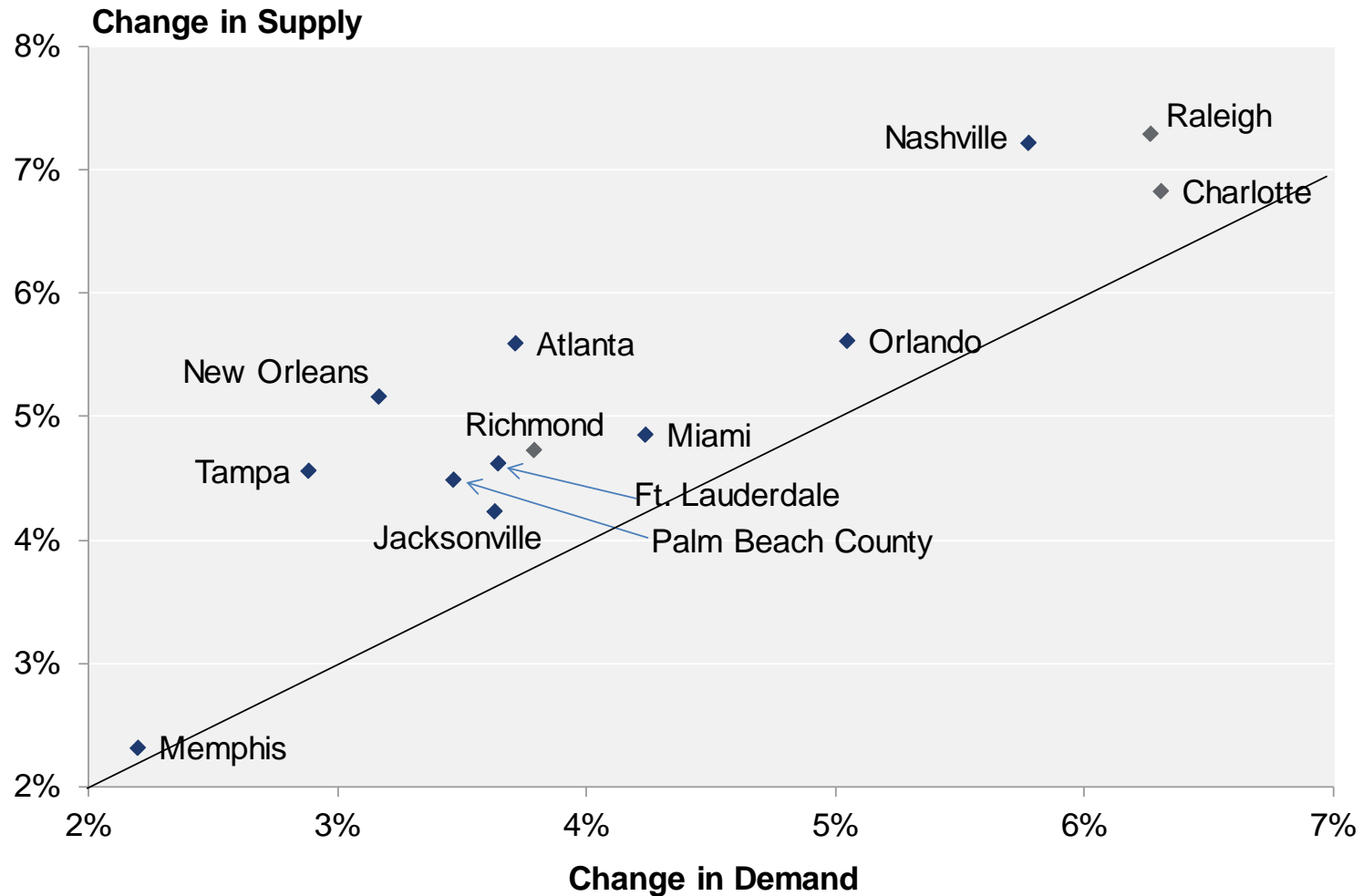
As of 14Q4

Southeast Markets



Southeast Markets: Supply Versus Demand

Change In Near Term (14Q4-16Q4) Supply And Demand



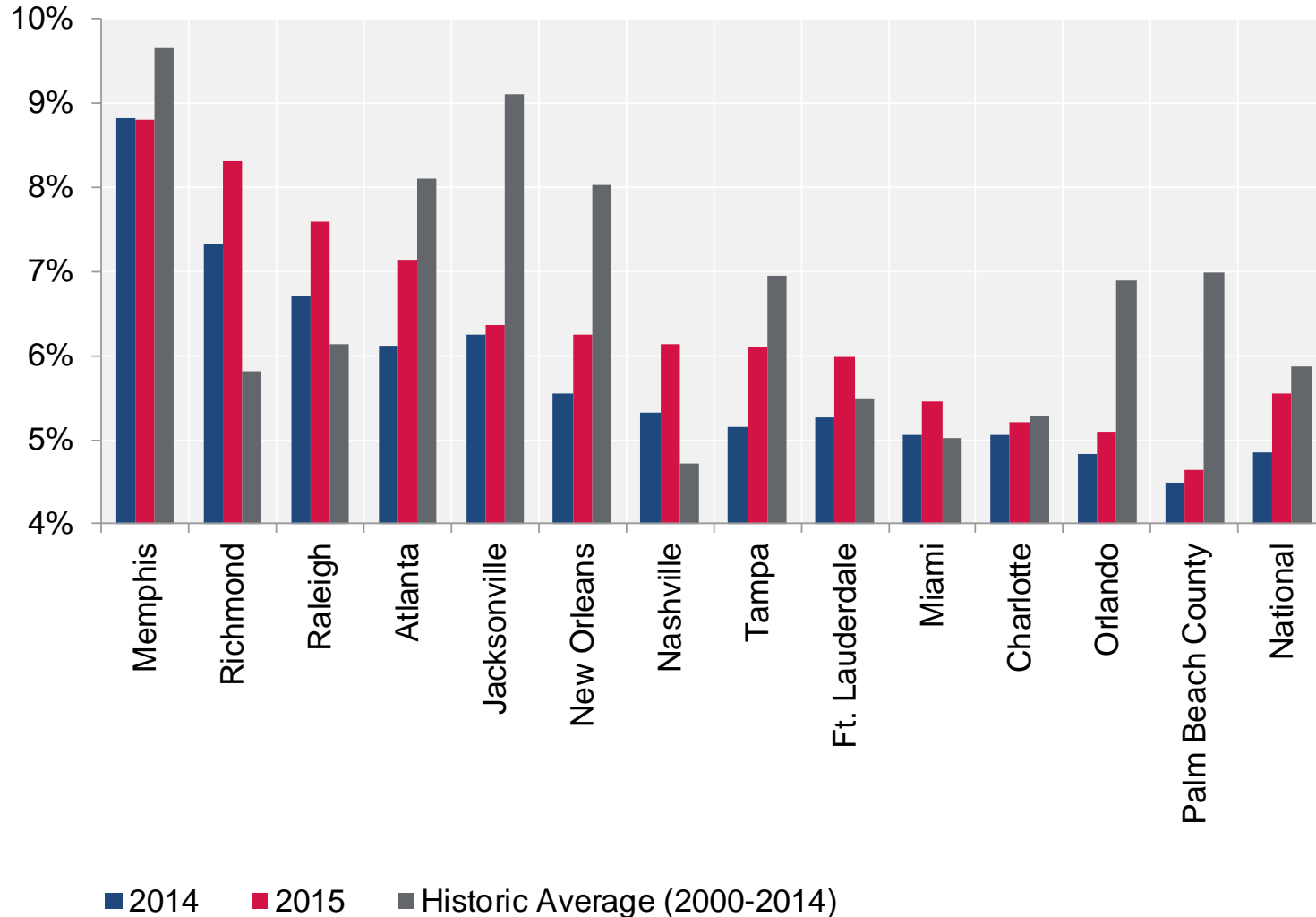
Source: CoStar Portfolio Strategy

As of 14Q4

Southeast Market Vacancies (Present, Future, Historic)



Marketwide Vacancy Rate

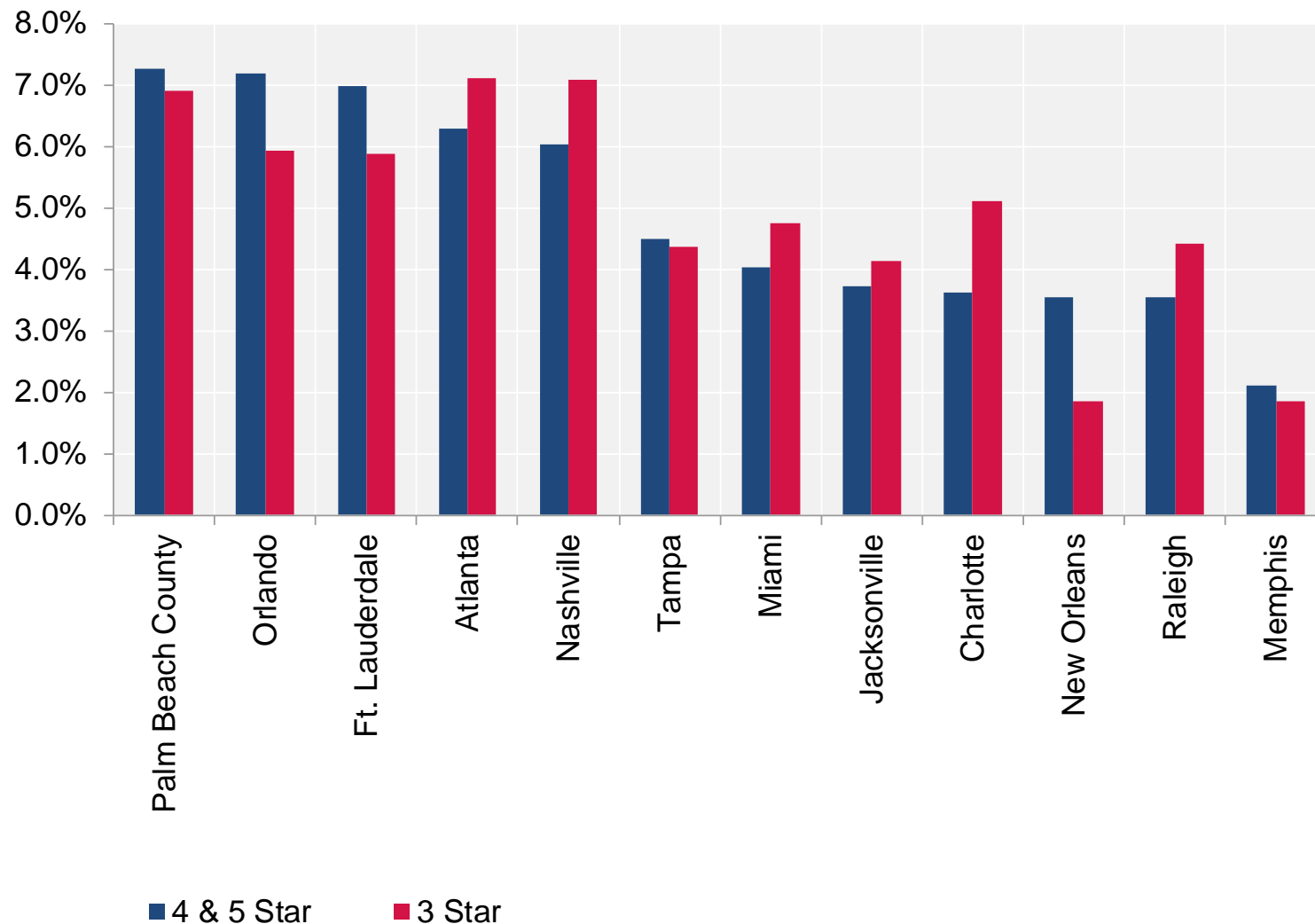


Source: CoStar Portfolio Strategy

As of 14Q4

Southeast Asking Rents By Class - 2014

Year-Over-Year Rent Growth



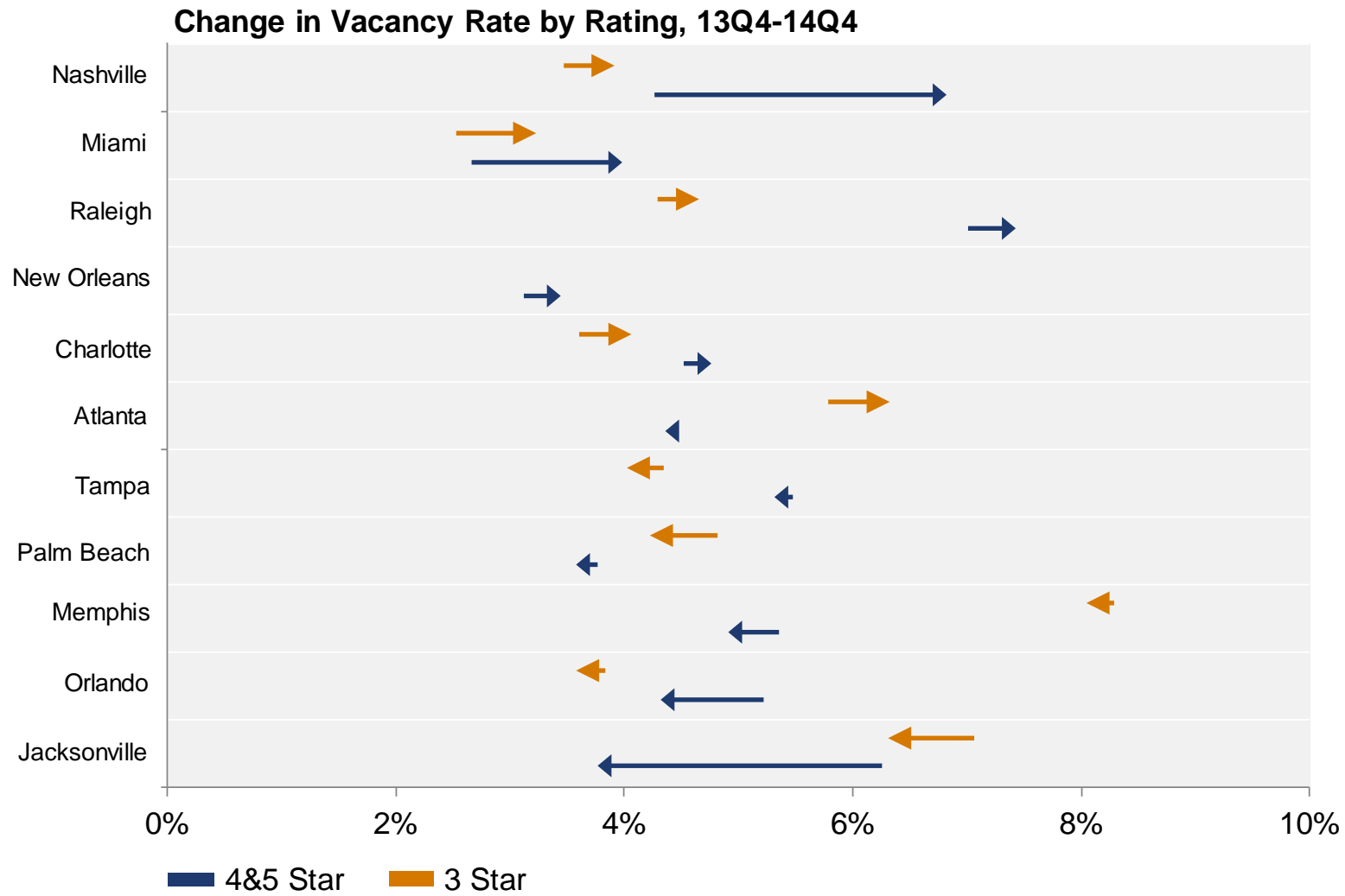
Source: CoStar Portfolio Strategy

As of 14Q4

4&5 Star Vacancies Surging In Nashville



Vacancy Rate By Star Rating – Southeast Region

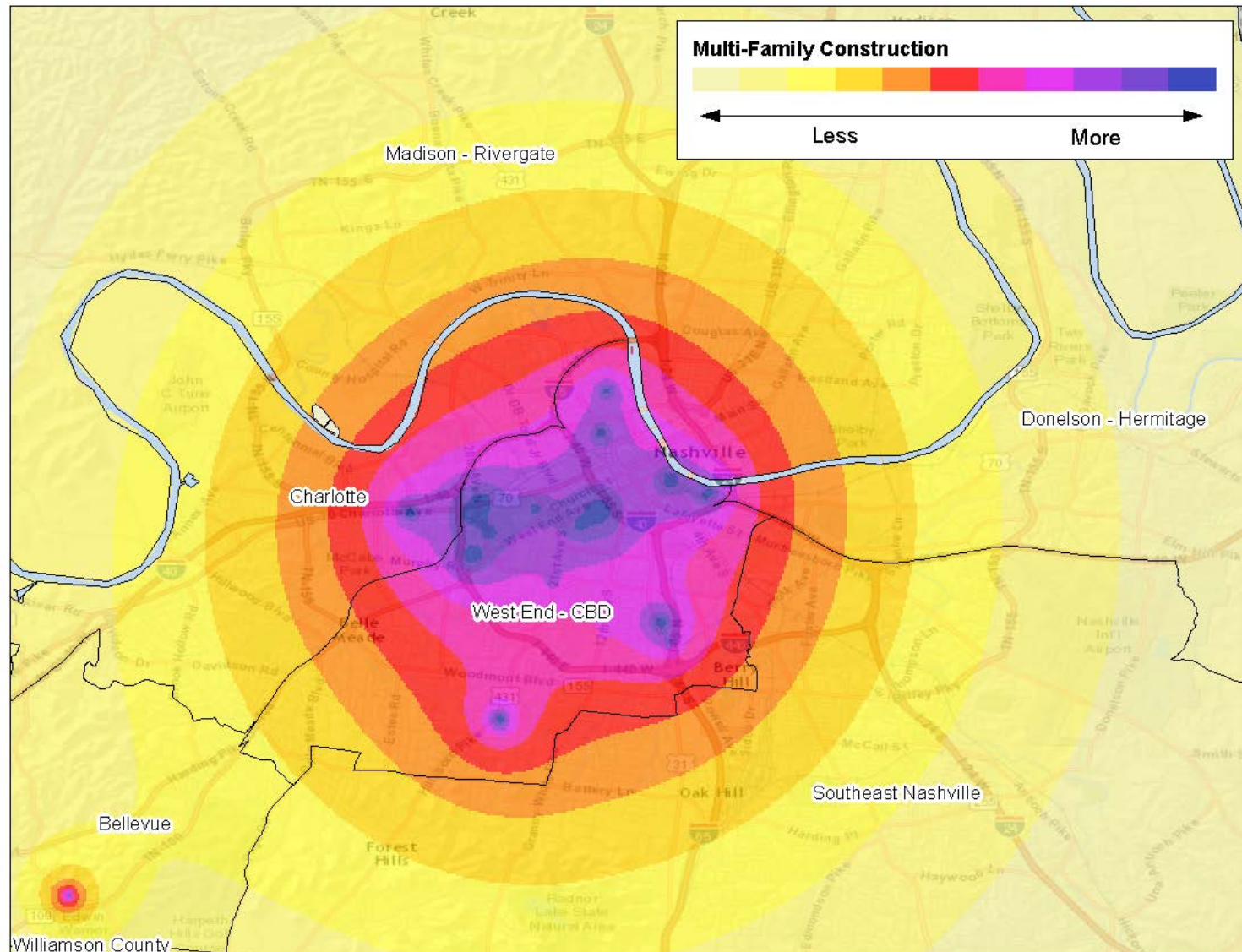


Source: CoStar Portfolio Strategy

As of 14Q4

West End-CBD, Nashville: Inventory Doubling By 2016

Heat Map For New Multifamily Construction

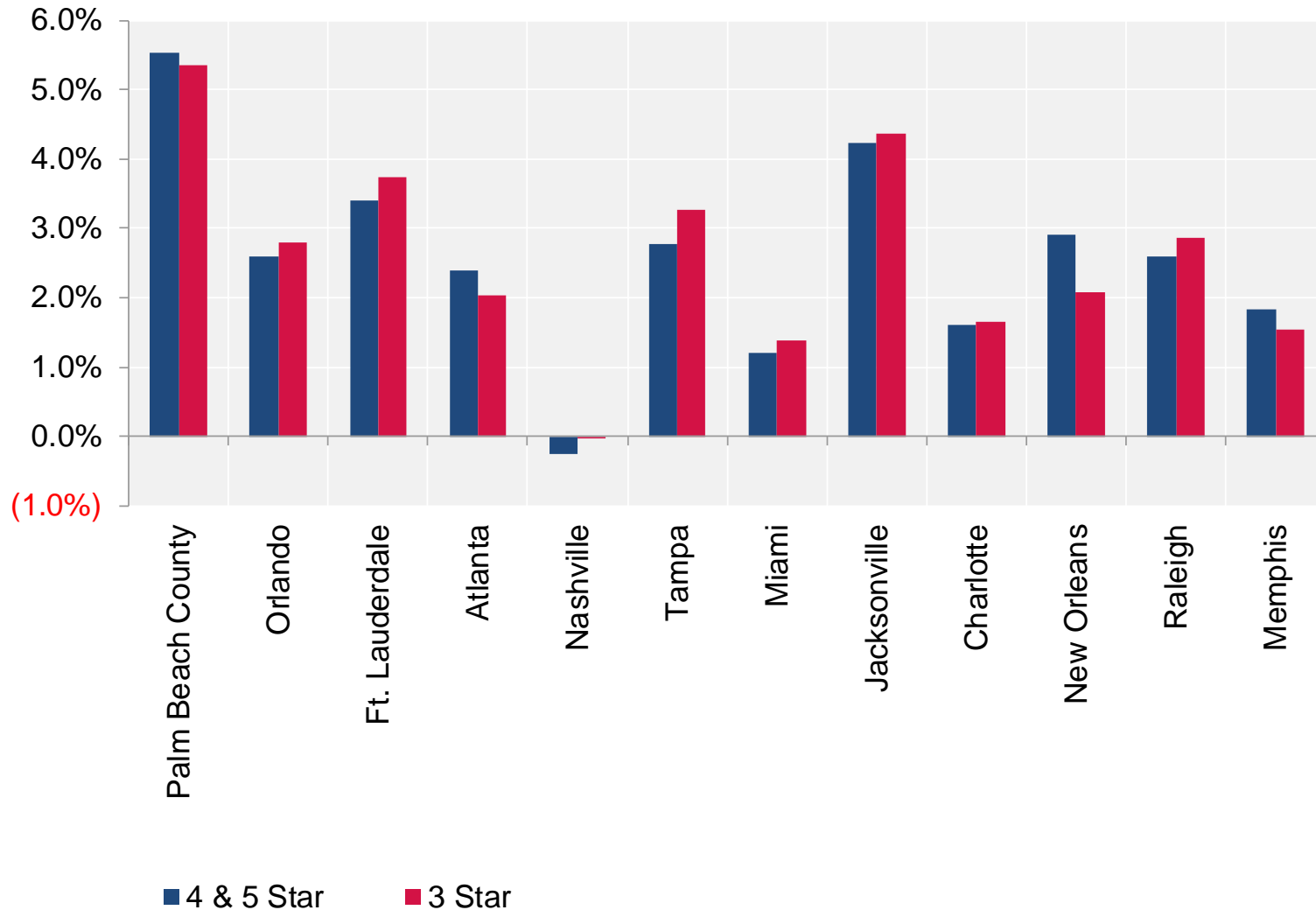


Source: CoStar Portfolio Strategy

As of 14Q4

Southeast Asking Rents By Class - Projected 2015

Year-Over-Year Rent Growth



Source: CoStar Portfolio Strategy

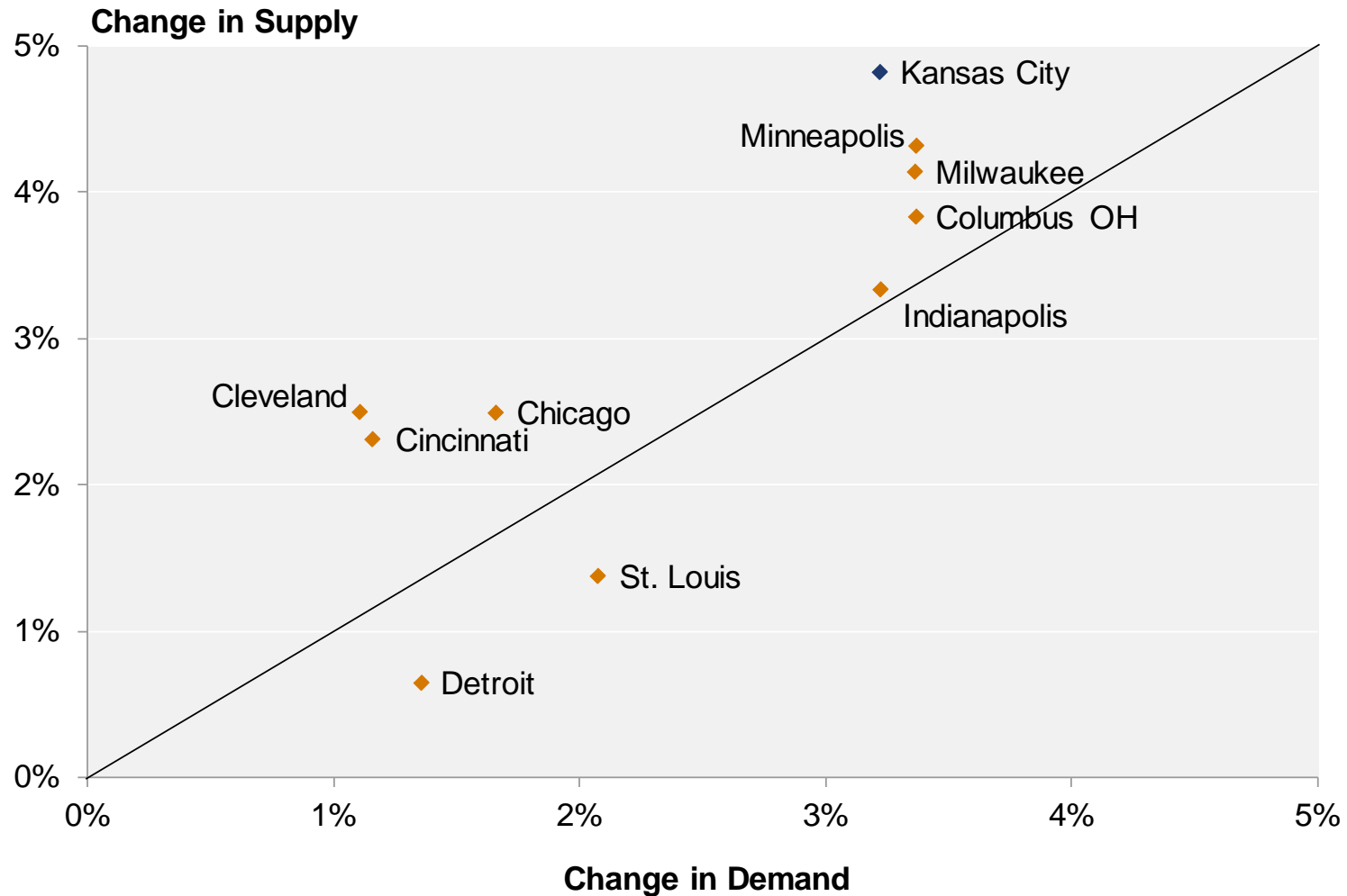
As of 14Q4

Midwest Markets



Midwest Markets: Supply Versus Demand

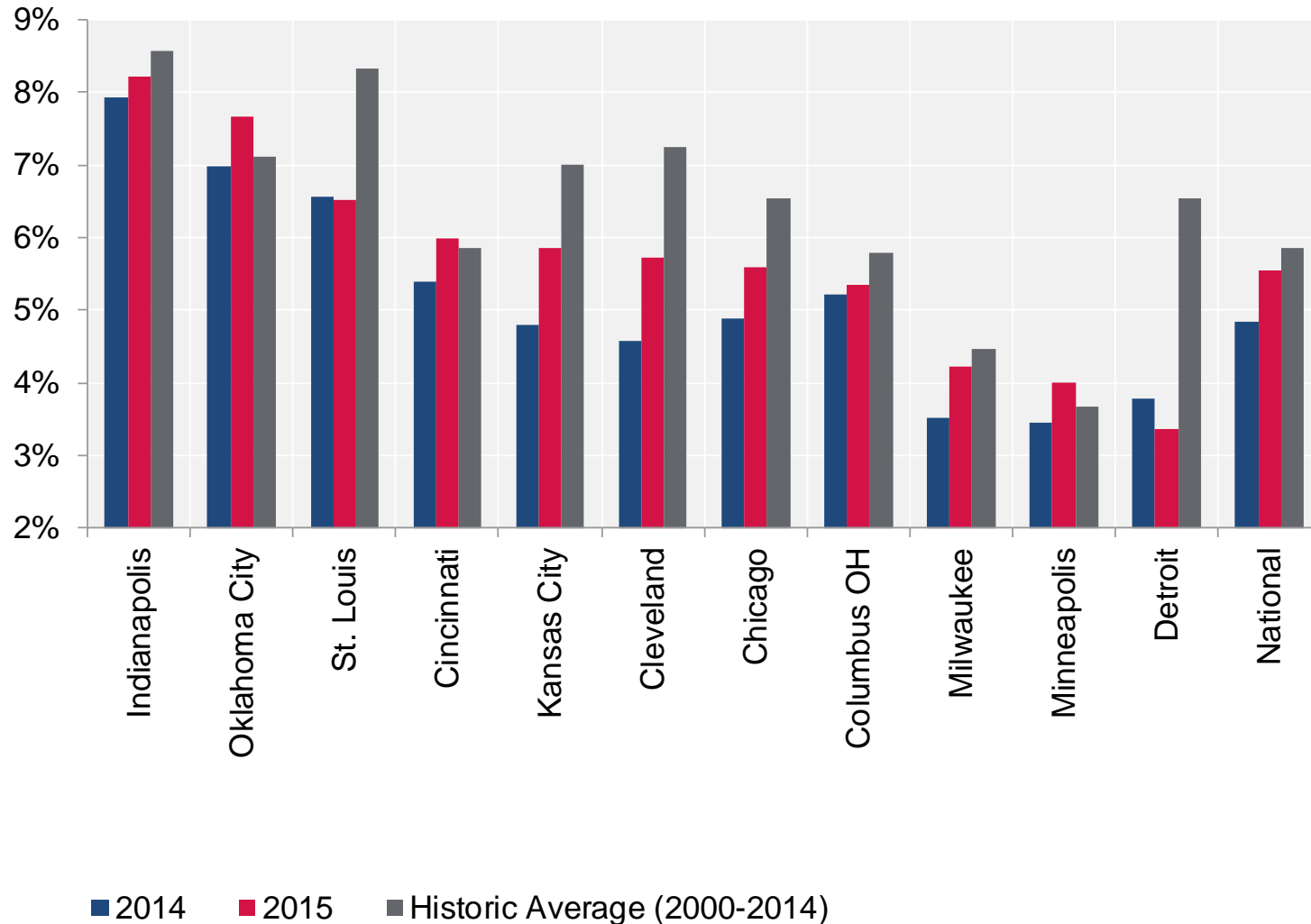
Change In Near Term (14Q4-16Q4) Supply And Demand



Source: CoStar Portfolio Strategy

As of 14Q4

Marketwide Vacancy Rate

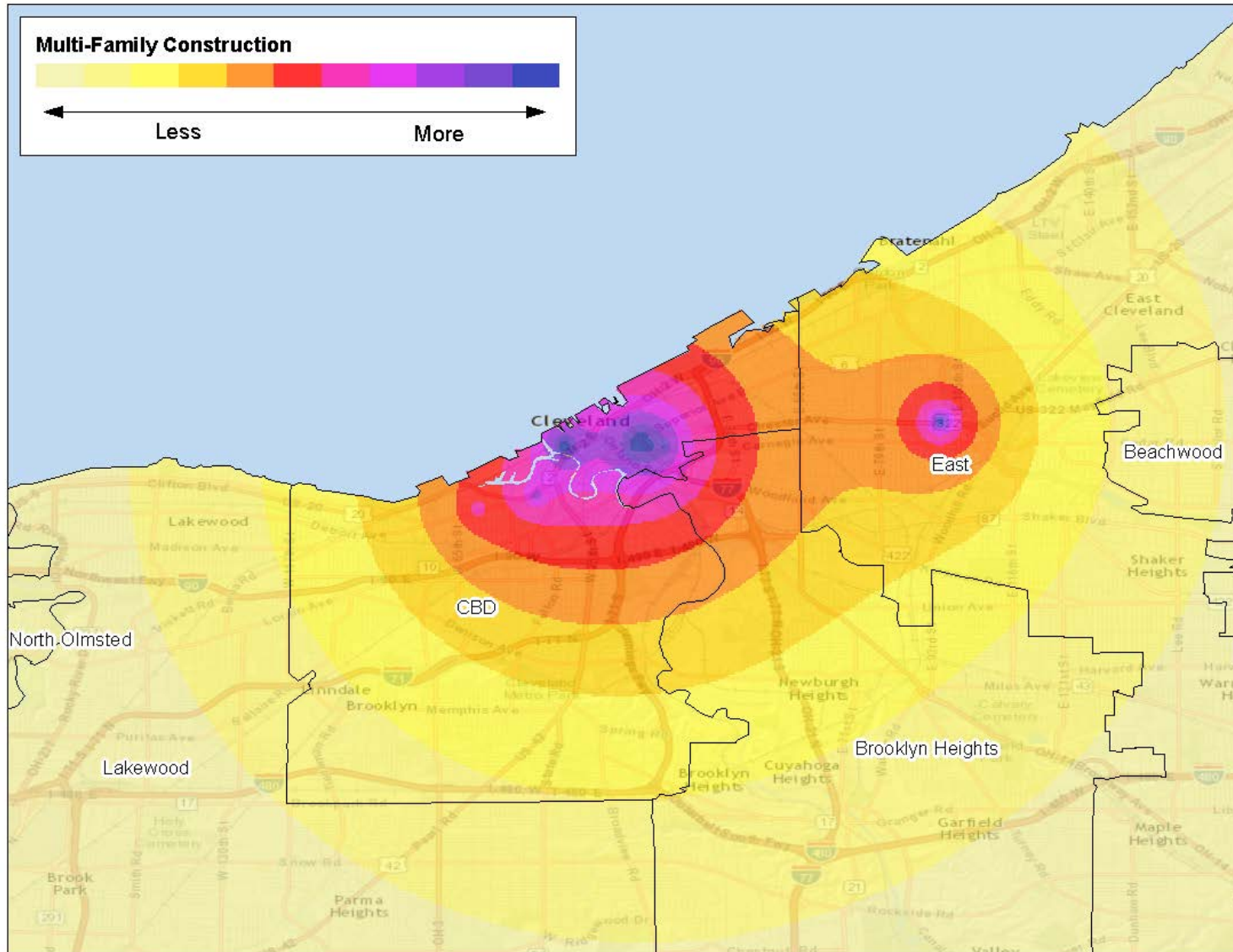


Source: CoStar Portfolio Strategy

As of 14Q4

Cleveland's Construction Moving Downtown

Heat Map For New Multifamily Construction



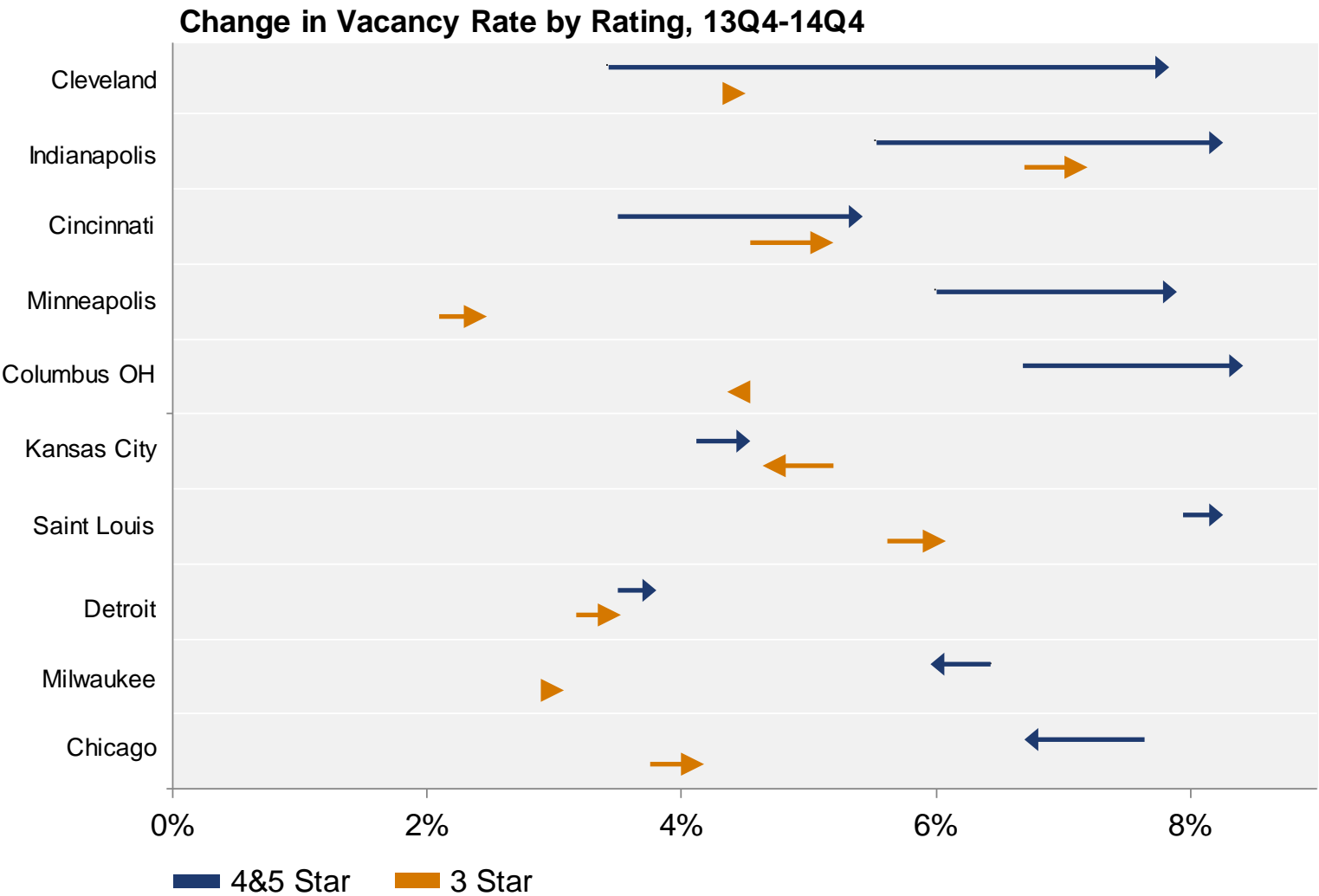
Source: CoStar Portfolio Strategy

As of 14Q4

New Construction Pushing 4 & 5 Star Vacancies



Vacancy Rate By Star Rating - Midwest Region

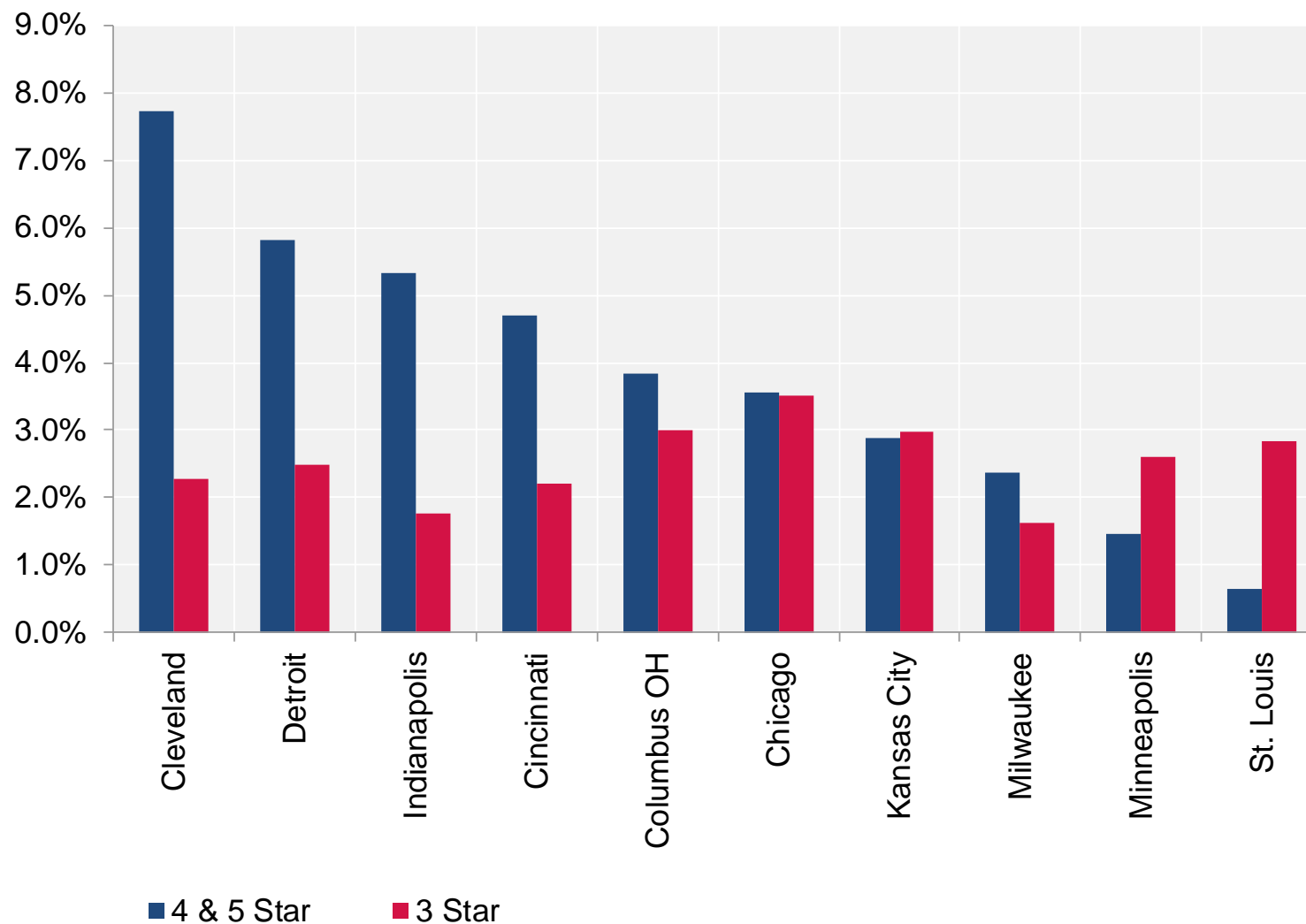


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As of 14Q4

Midwest Asking Rents By Class - 2014

Year-Over-Year Rent Growth

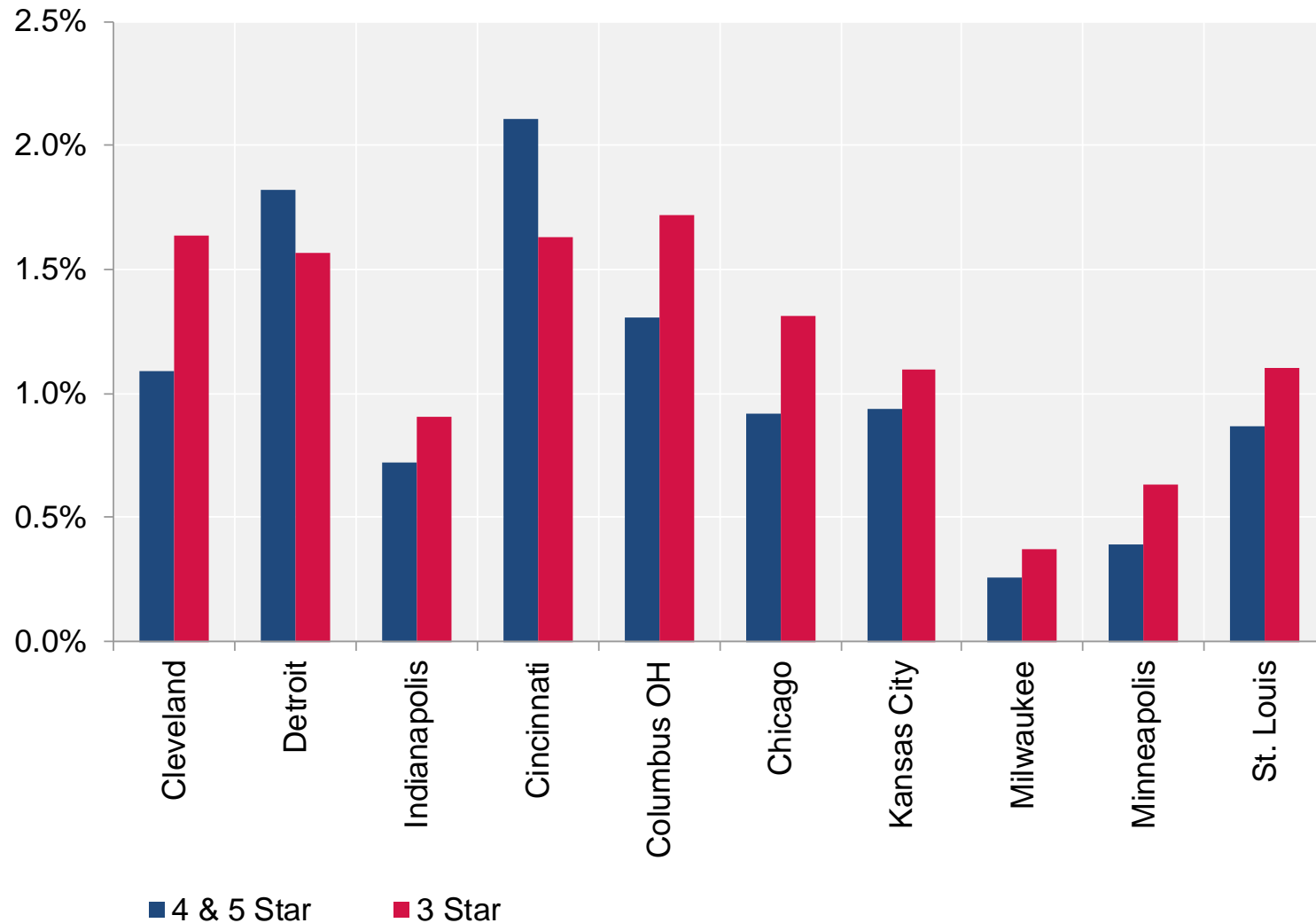


Source: CoStar Portfolio Strategy

As of 14Q4

Midwest Asking Rents By Class - Projected 2015

Year-Over-Year Rent Growth



Source: CoStar Portfolio Strategy

As of 14Q4

Francis Yuen, Senior Real Estate Economist fyuen@costargroup.com

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