



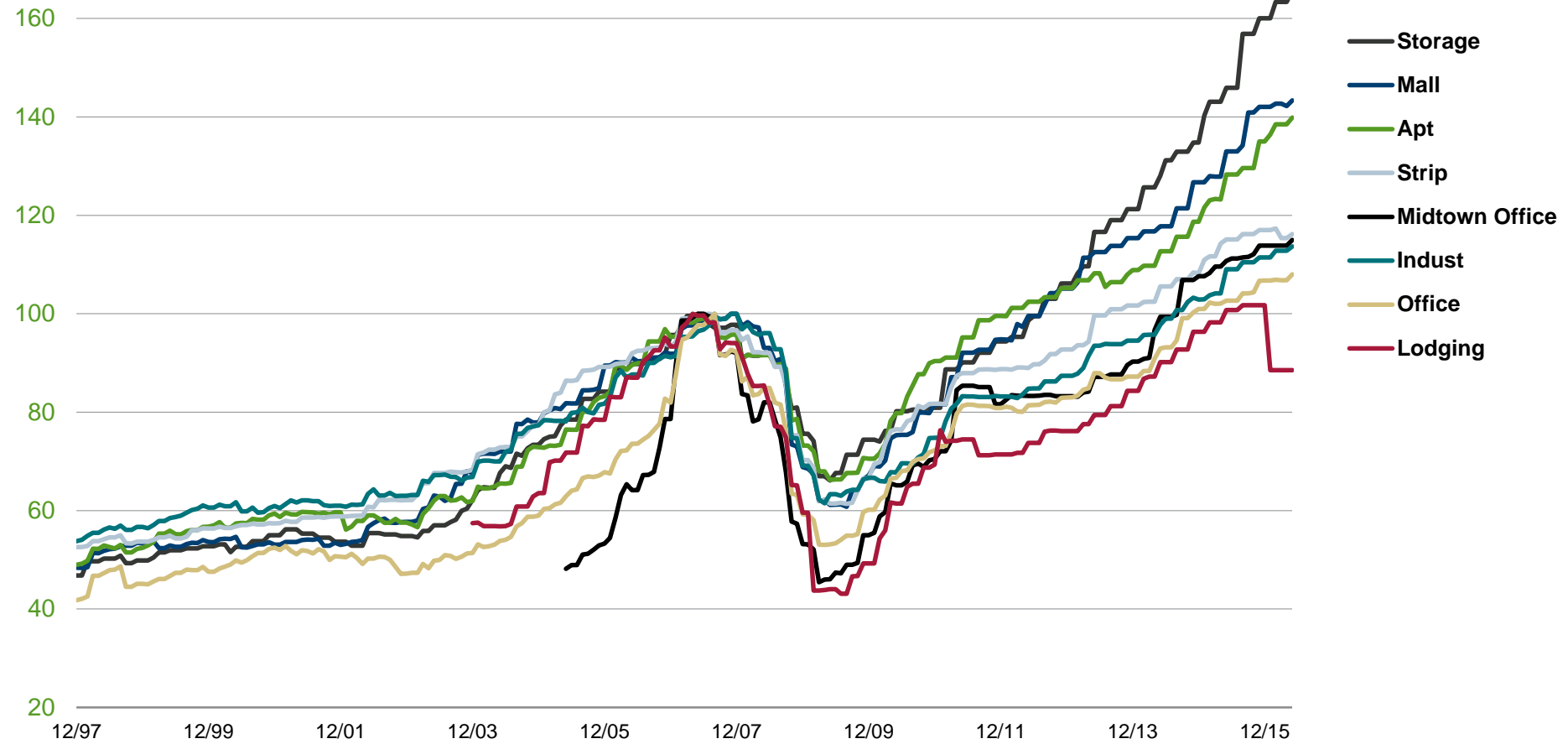
NATIONAL
MULTIFAMILY
HOUSING
COUNCIL

APARTMENT LEADERSHIP RESIDES HERE™

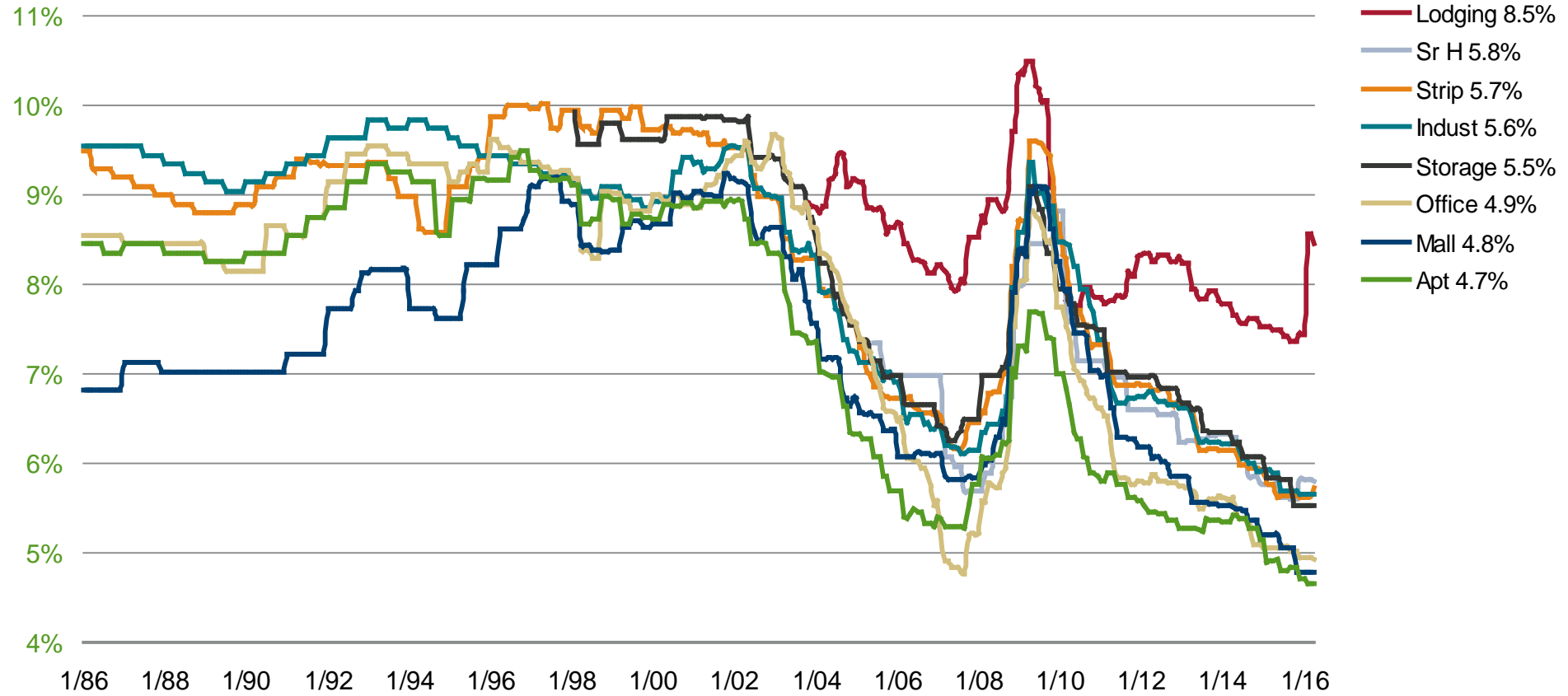
The Interconnected Private and Public Markets

2016 NMHC Spring Board of Directors Meeting
May 18-20, 2016

COMMERCIAL PROPERTY PRICE INDICES



CAP RATES

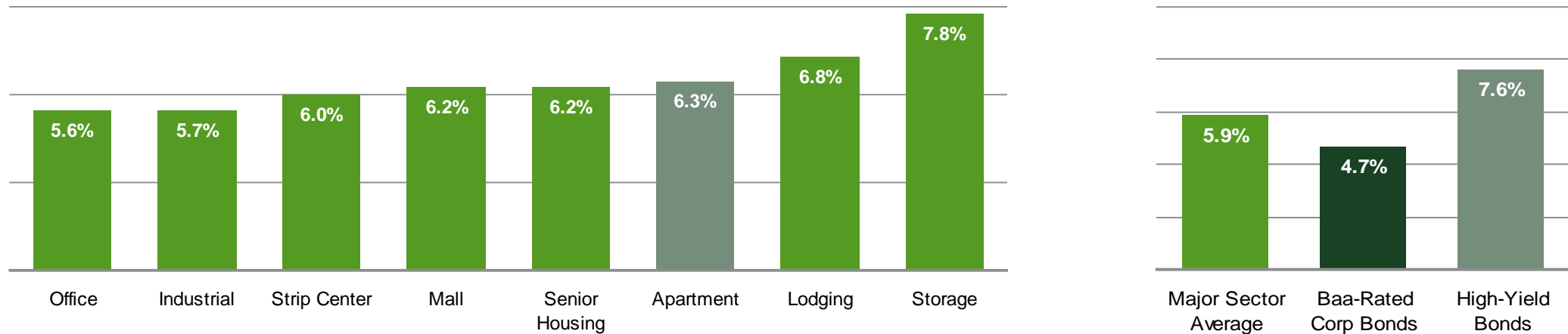


REAL ESTATE RETURNS

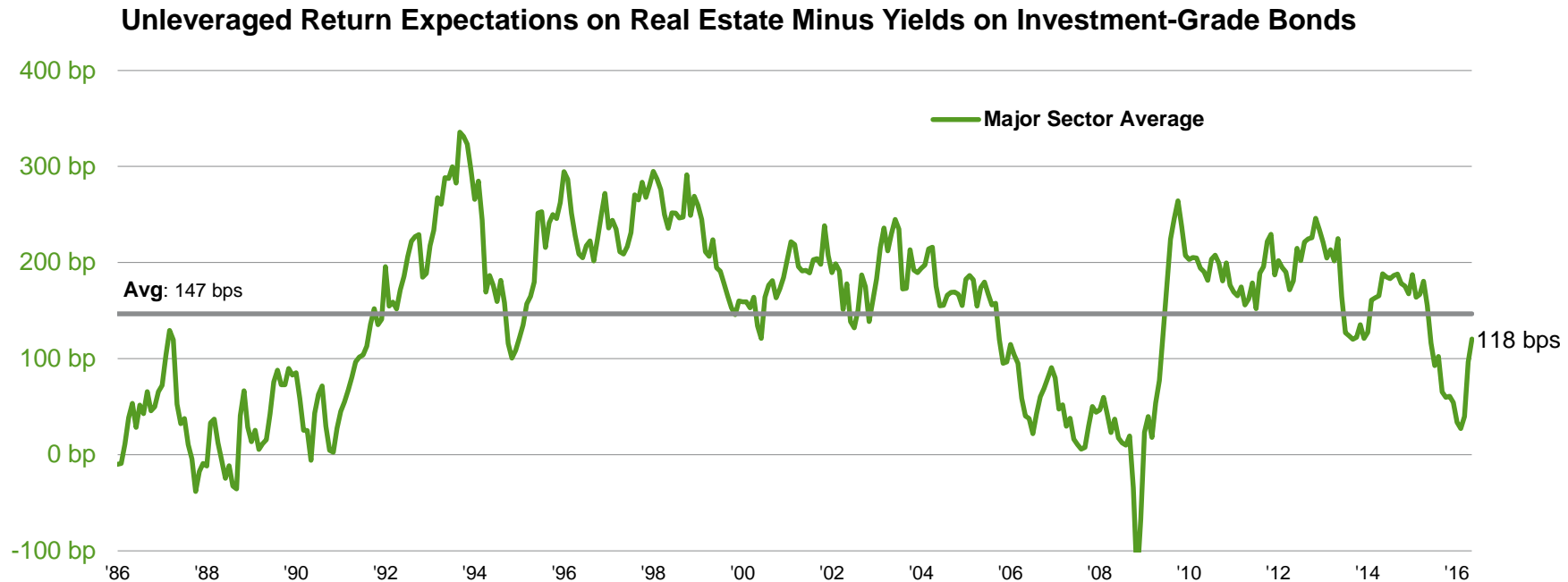
The Components of Returns from Real Estate

Sector	Nominal Cap Rate	Cap-Ex (% NOI)	Economic Cap Rate	Projected NOI Growth	
				'16-'20 (ann.)	Long Term
Apartment	4.7%	9%	4.2%	3.6%	1.80%
Industrial	5.6%	15%	4.8%	3.1%	0.30%
Mall	4.8%	11%	4.3%	3.3%	1.55%
Office	4.9%	23%	3.8%	4.3%	1.30%
Strip Center	5.7%	15%	4.9%	3.2%	0.55%
Lodging	8.5%	30%	5.9%	1.7%	1.30%
Senior Housing	5.8%	11%	5.2%	1.6%	0.80%
Storage	5.5%	5%	5.2%	5.7%	1.55%

The Unleveraged Total Returns Currently Available on Real Estate



IRRs vs. BOND YIELDS



Assuming investment-grade bond yields stay constant, a reversion of return premiums on real estate to long-term norms will involve a change in...

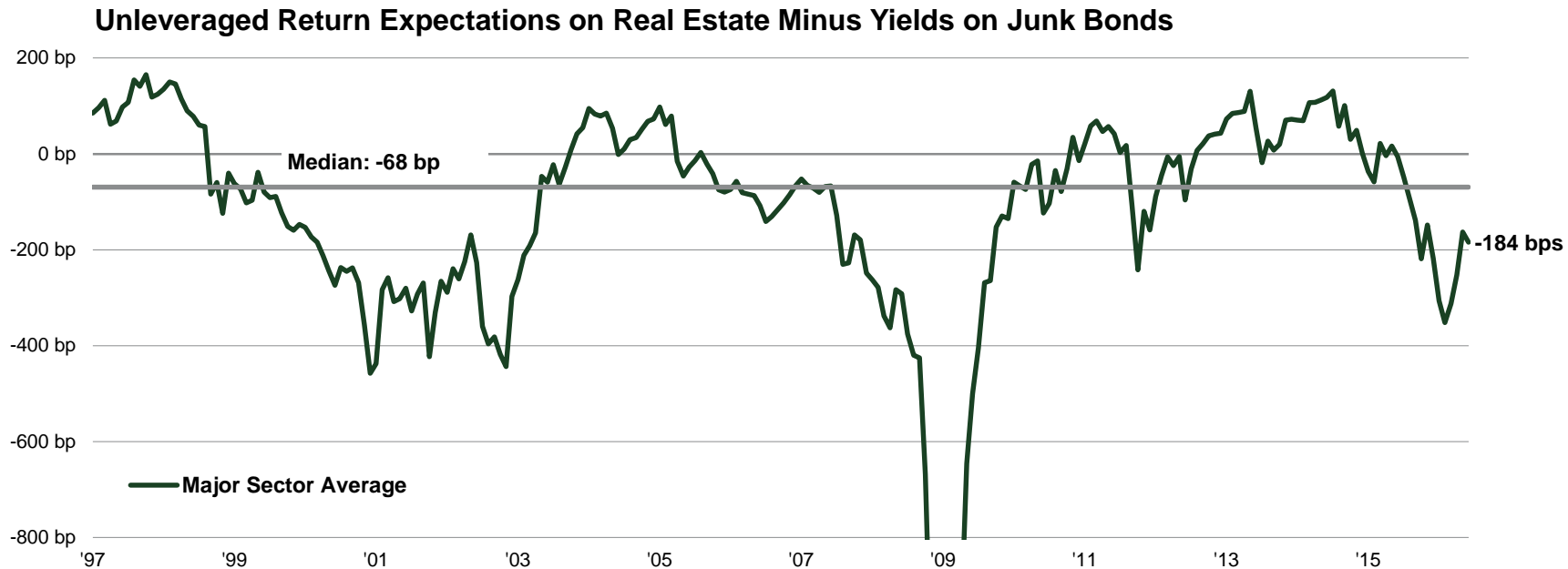
Cap Rates

29
bps

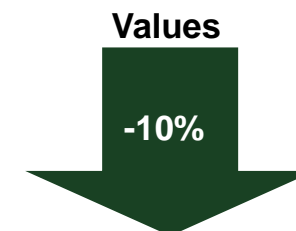
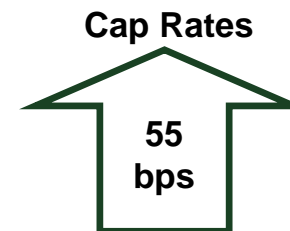
Values

-5%

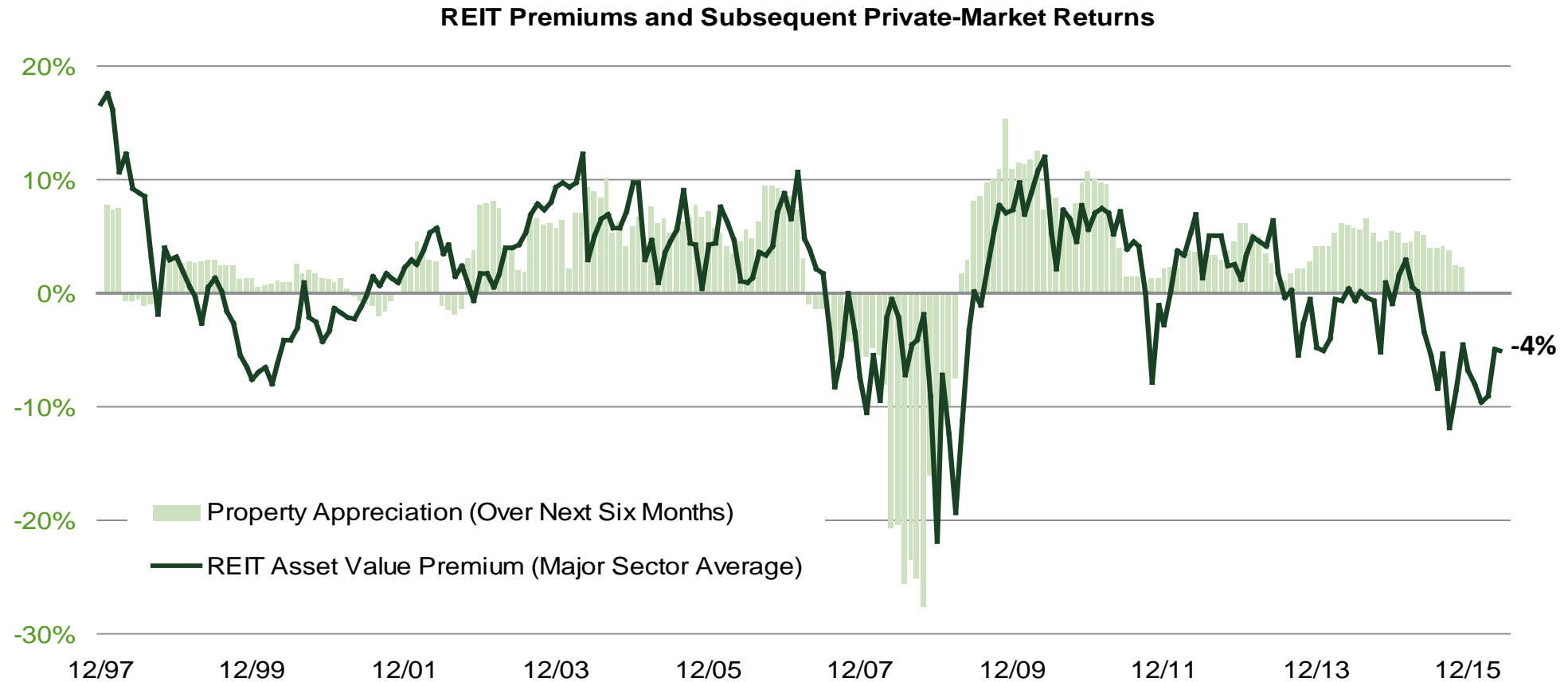
IRRs vs. BOND YIELDS (CONT.)



Assuming pricing of high-yield bonds stays constant, a reversion of return premiums on real estate to long-term norms will involve a change in...

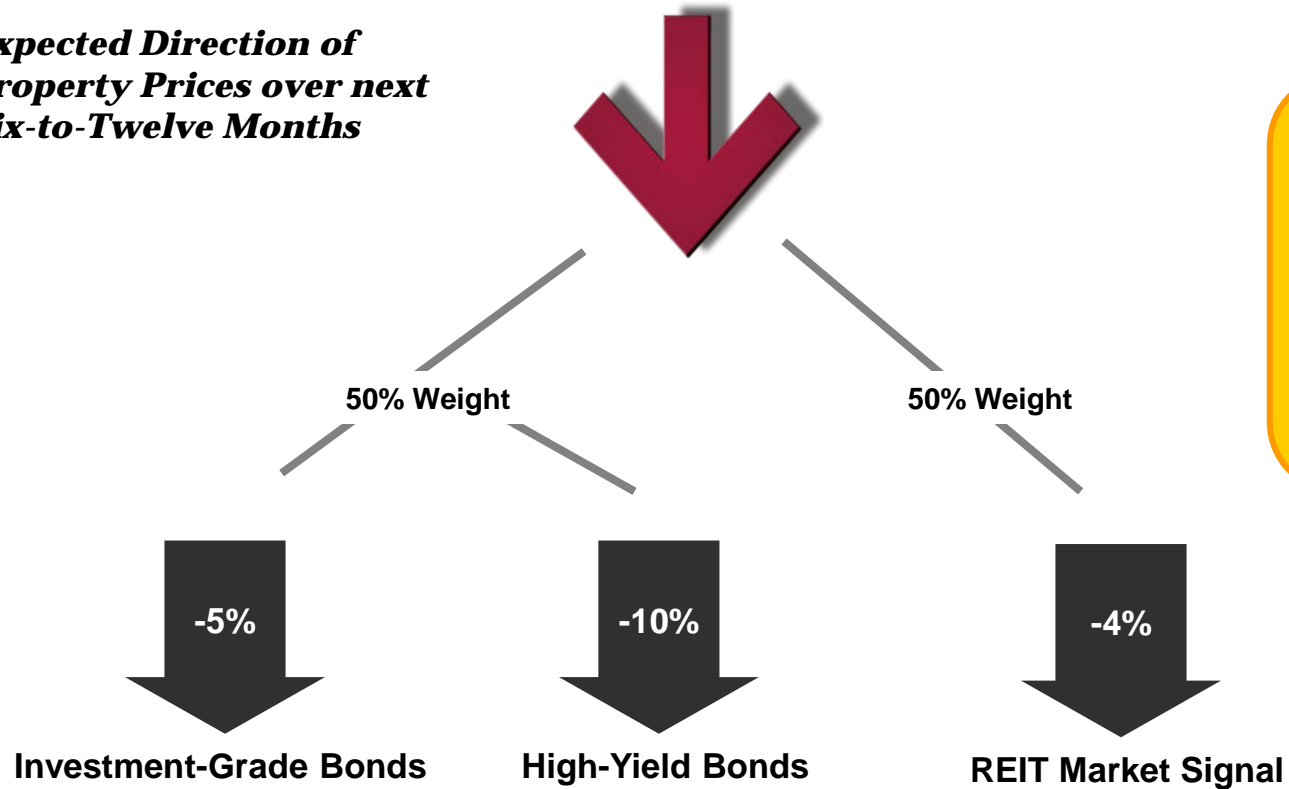


PUBLIC MARKET SIGNALS



PROPERTY PRICE FORECAST

***Expected Direction of
Property Prices over next
Six-to-Twelve Months***



Qualitative Factors to Consider

- ▲ Operating fundamentals are still healthy
- ▲ Oil companies are skewing bond yields upward
- ▲ Capital stacks are conservative vs. '07
- ▲ U.S. CRE cleanest of the dirty shirts
- ▼ Debt/CMBS markets are tightening

PRIVATE MARKET EXPECTED RETURNS

Sector	Nominal Cap Rate	Cap Ex % of NOI	Economic Cap Rate	SS NOI Growth '17-'20	SS NOI Growth Long Term	Adjustment for Risk ¹	Risk-Adjusted Expected Return (Private Market)
Self Storage	5.5%	5%	5.2%	6.4%	1.6%	-	7.7
Manuf Home	6.1%	8%	5.6%	4.1%	0.8%	+0.25%	7.3
Health Care	6.4%	5%	6.1%	2.3%	0.5%	-0.25%	6.7
Net Lease	6.9%	3%	6.7%	0.5%	-0.2%	-	6.6
Apartment	4.7%	9%	4.2%	3.0%	1.8%	+0.25%	6.4
Student Housing	5.8%	9%	5.3%	3.1%	0.6%	-	6.3
Hotel	8.5%	30%	5.9%	1.2%	1.3%	-0.50%	6.2
Mall	4.8%	11%	4.3%	3.2%	1.6%	-	6.0
Strip Center	5.7%	15%	4.9%	3.2%	0.6%	-	5.9
Industrial	5.6%	15%	4.8%	3.2%	0.3%	-	5.6
Office	4.9%	23%	3.8%	4.6%	1.3%	-	5.5
U.S. Wtd. Average	5.4%	13%	4.7%	3.3%	1.1%		6.2

PUBLIC MARKET EXPECTED RETURNS

Sector	Private-Mkt Return	REIT GAV Prem	Unadjusted Public Rtn	Balance Sht Risk	Low (High) G&A Load	External Growth	Risk-Adjusted Expected Return (REITs)
Apartment	6.4%	-6.4%	6.7%	+0.1%	+0.2%	-	7.0
Self Storage	7.7%	31.8%	6.2%	+0.2%	+0.3%	+0.1%	6.8
Hotel	6.2%	-12.2%	7.0%	-	-0.3%	-	6.7
Mall	6.0%	-11.2%	6.6%	-	+0.1%	-	6.7
Health Care	6.8%	8.3%	6.3%	-	+0.1%	-	6.4
Manuf Home	7.3%	18.2%	6.3%	-	-0.2%	-	6.1
Office	5.5%	-8.5%	5.9%	-	-0.1%	-	5.9
Student Housing	6.3%	12.3%	5.7%	-	+0.1%	-	5.7
Strip Center	5.9%	3.9%	5.7%	-	-0.0%	-	5.6
Net Lease	6.6%	20.3%	5.5%	-0.1%	+0.1%	-	5.5
Industrial	5.6%	2.3%	5.5%	-	-0.1%	-	5.4
U.S. Wtd. Average	6.2%	-0.9%	6.2%		+0.1%		6.3

REIT CAPITAL ALLOCATION

