Update on Economic and Housing Market Trends

Apartment Strategies Update
Mark Obrinsky, SVP and Chief Economist, NMHC
September 16, 2015
GDP Growth At Long-run Average
Nonfarm Payrolls Solid, Not Spectacular
(3-month average, 000s)
Employment-Population Ratio Still Low
Inflation Well Below Fed’s Target By Any Measure
(year-over-year change in price indexes)

-3.0%  -2.0%  -1.0%  0.0%  1.0%  2.0%  3.0%  4.0%  5.0%  6.0%  7.0%


CPI  Core CPI  PCE index
...So Are Inflation Expectations
Long-term Inflation Picture Also Positive
(year-over-year change in price indexes)
Treasury Yields Have Edged Up, Still Low
...Especially In Hindsight

[Graph showing interest rates from 1960 to 2015 for 10-year Treasury and Fed funds rates]
Total Household Net Worth Rising Steadily

$ Trillions

But Median Net Worth Is Still Down

$ Thousands


$ Thousands

0 20 40 60 80 100 120 140 160

Is Household Deleveraging Over?
(denominated as a share of disposable income)
Median Income of Renters Going Nowhere

- **All Households**
- **Owners**
- **Renters**

<table>
<thead>
<tr>
<th>Year</th>
<th>Median Income</th>
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<tbody>
<tr>
<td>1979</td>
<td>$30,000</td>
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<tr>
<td>1982</td>
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<td>1985</td>
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<td>1988</td>
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<td>1991</td>
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<tr>
<td>2009</td>
<td>$30,000</td>
</tr>
<tr>
<td>2012</td>
<td>$30,000</td>
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</tbody>
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Productivity Decoupled From Compensation

- Productivity
- Compensation
Is Household Formation Picking Up Again?

Millions

Many Young Adults Still Living at Home

Significant Pent-Up Demand?

Number (millions)

Share
Homeownership Rate Continues to Edge Down
SF Homeowner Vacancy Rate Still Above Average

![Graph showing the SF Homeowner Vacancy Rate from 1980 to 2012. The rate is above 2.5% from around 2003 to 2008.]
Hence SF Housing Starts Remain Low
Apartment Markets Getting Tighter Again
NMHC Quarterly Survey: Sales Volume Steady