THE BEST BAD NUMBER EVER?
WEAK Q1 NUMBER DUE TO WEATHER-RELATED DISRUPTIONS

Contribution to GDP Growth

Sources: BEA; PPR

As of 14Q1
NO DEBT CEILING DRAMA IN 2014
CONGRESS PASSES CLEAN DEBT CEILING RESOLUTION ON FEB 15

CONGRESS PASSES CLEAN DEBT CEILING RESOLUTION ON FEB 15

Sources: Moody's Analytics; Conference Board; PPR

As of May 2014
CONSTRUCTION OFFERS UPSIDE IN GROWTH
COMMERCIAL AND RESIDENTIAL RE INVESTMENT REMAINS WELL BELOW TREND

Trailing 4-Qtr Average Real Output per Capita / 2000-2007 Average

Source: Moody’s Analytics; PPR. Data labels indicate effect of mean reversion to 2000-2007 average. As of 14Q1
HOUSING RECOVERY BECOMING MORE TENUOUS?
OVERVIEW OF HOME SALES, AFFORDABILITY AND CONSTRUCTION

Housing Starts (000's, SAAR) vs Multifamily as % Total

Affordability Index vs 30yr Mortgage Rate (%)

Y/Y Change Existing Home Sales (%)

Homes Sales (000's, SAAR) vs Condo & Coop as % Total

Sources: NAR; FHFA; PPR As of 14Q1

2014: An Evolving Economic Story
NMHC Apartment Strategies and Finance Conference
13 May 2014
LEADING INDICATORS CONSISTENT WITH STRONGER GROWTH
LEI AND GDP GROWTH (Y/Y)

Sources: Moody's Analytics; Conference Board; BEA; PPR
A WHITE COLLAR RECOVERY SO FAR
TOTAL AND OFFICE-USING EMPLOYMENT GROWTH

Employment Growth (Y/Y)

Sources: Moody's Analytics; PPR

As of March 2014
THE U.S. ECONOMY COULD ACHIEVE “ESCAPE VELOCITY”
IT’S A POSSIBILITY

Sources: Moody’s Analytics; BEA; PPR

As of 14Q1
These materials contain financial and other information from a variety of public and proprietary sources. Property and Portfolio Research, Inc. (PPR) and its parent, CoStar Group, Inc. (collectively referred to as the “Company”), assumed and relied upon, without independent verification, the accuracy and completeness of such third party information in preparing these materials.

The modeling, calculations, forecasts, projections, evaluations, analyses, simulations, or other forward-looking information prepared by the Company and presented herein (the “Company Materials”) are based on various assumptions concerning future events and circumstances, which are speculative, uncertain and subject to change without notice. You should not rely upon the Company Materials as predictions of future results or events, as actual results and events may differ materially. All Company Materials speak only as of the date referenced with respect to such data and may have materially changed since such date. The Company has no obligation to update any of the Company Materials included in this document. You should not construe any of the data provided by the Company as investment, tax, accounting or legal advice.

The Company does not represent, warrant or guaranty the accuracy or completeness of the information provided herein and shall not be held responsible for any errors in such information. Any user of the information provided herein accepts the information “AS IS” without any warranties whatsoever. To the maximum extent permitted by law, the Company disclaims any and all liability in the event any information provided herein proves to be inaccurate, incomplete or unreliable.

© Property and Portfolio Research, Inc. No reproduction or distribution without permission.
What’s Changed (or Hasn’t) Since January?
NMHC Apartment Strategies/Finance Conference

Greg Willett
MPF Research, a division of RealPage, Inc.
May 13, 2014
U.S. apartment demand continues to mirror (increasing) completion volumes

U.S. data is based on the 100 metros that form the core of MPF Research’s coverage.
Minus minor seasonal variation, national occupancy has been running at 95% since fall 2011.

U.S. data is based on the 100 metros that form the core of MPF Research’s coverage.
The pace of starts remains substantial, counter to some slowing that was expected previously.

Source: U.S. Census Bureau.
We’re continuing to see annual rent growth near 3%, a performance sustained for seven quarters.

U.S. data is based on the 100 metros that form the core of MPF Research’s coverage.
Rent Growth Leaders 1Q 2014

<table>
<thead>
<tr>
<th>Metro</th>
<th>1Q 2014 Annual Rent Growth</th>
<th>4Q 2013 Annual Rent Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oakland</td>
<td>9.1%</td>
<td>6.6%</td>
</tr>
<tr>
<td>San Jose</td>
<td>8.7%</td>
<td>7.0%</td>
</tr>
<tr>
<td>San Francisco</td>
<td>8.1%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Denver</td>
<td>7.6%</td>
<td>7.0%</td>
</tr>
<tr>
<td>Portland</td>
<td>7.2%</td>
<td>6.2%</td>
</tr>
<tr>
<td>Seattle</td>
<td>6.2%</td>
<td>5.5%</td>
</tr>
<tr>
<td>Miami</td>
<td>5.7%</td>
<td>5.2%</td>
</tr>
<tr>
<td>Houston</td>
<td>4.7%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Austin</td>
<td>4.5%</td>
<td>4.8%</td>
</tr>
<tr>
<td>San Diego</td>
<td>4.4%</td>
<td>3.6%</td>
</tr>
<tr>
<td>Atlanta</td>
<td>4.3%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Nashville</td>
<td>4.3%</td>
<td>3.7%</td>
</tr>
</tbody>
</table>

But we’re getting to that U.S. average a little differently, with the already strong performers getting even stronger.

Rankings include only the nation’s top 50 largest markets.
Lagging rent growth in the Northeast and Midwest looks weather related, suggesting some upside potential.
Thanks!

MPF Research, a division of RealPage, Inc.
www.mpfresearch.com
www.realpage.com