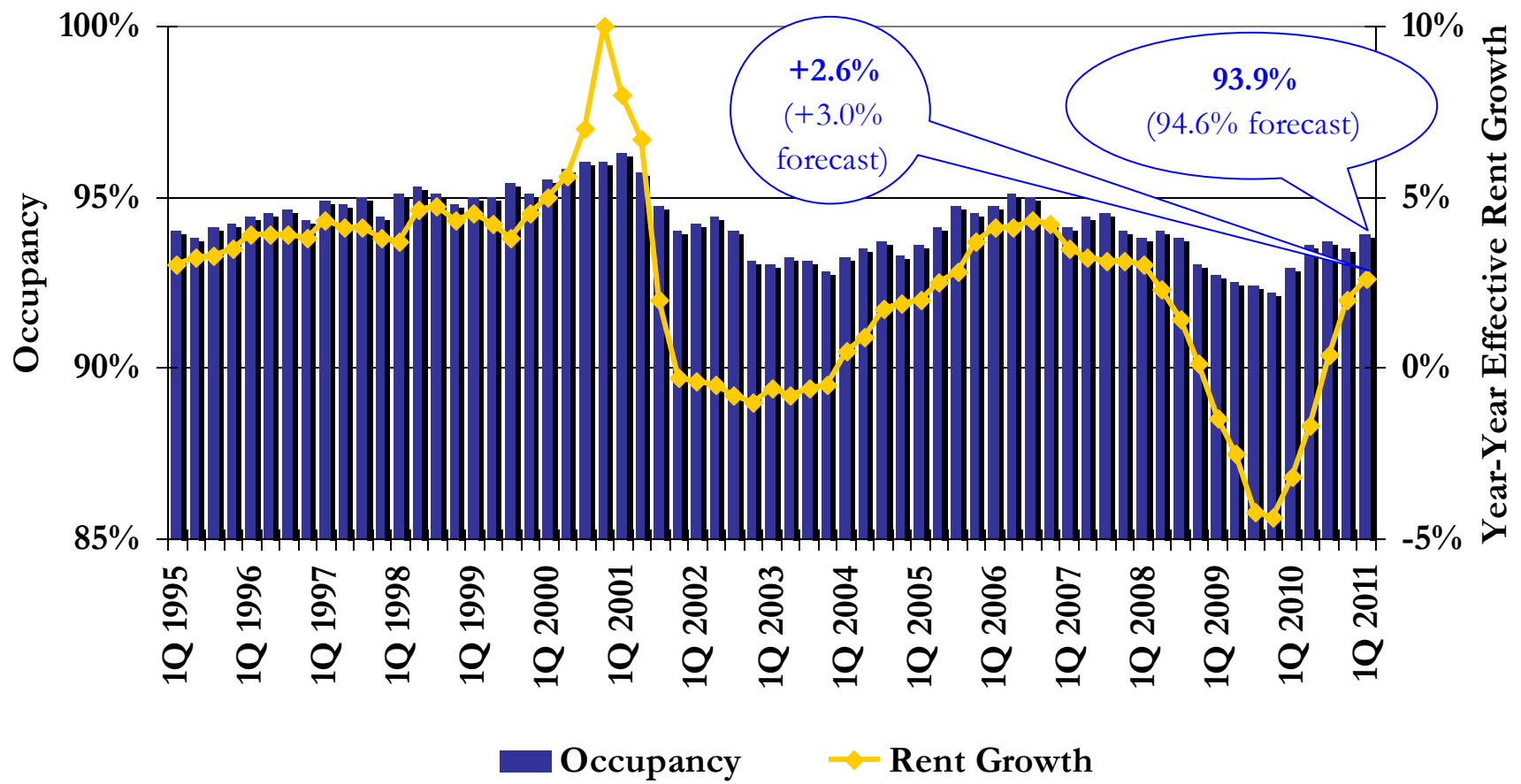


# Multifamily Market Prospects

for

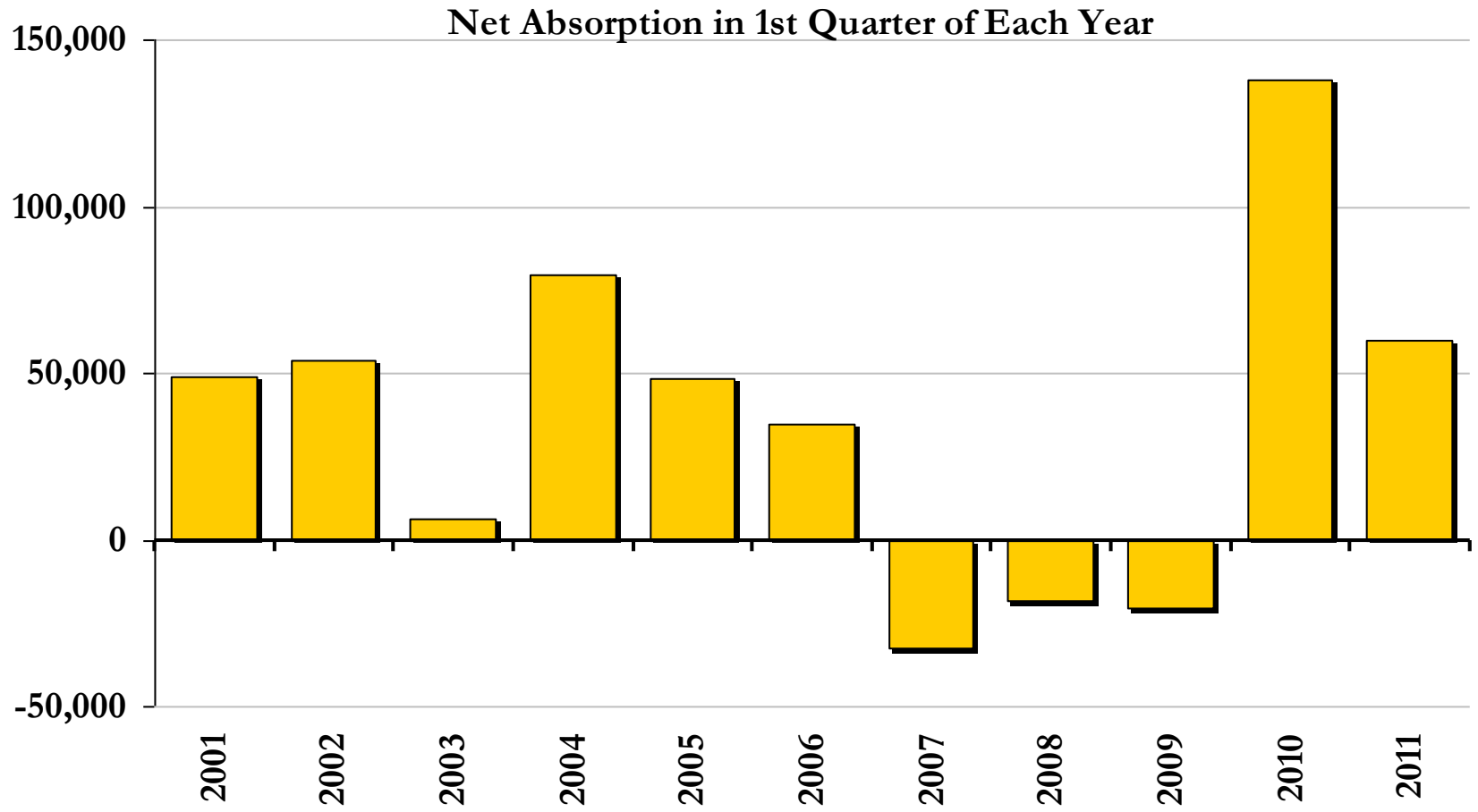
## NAHB Multifamily Leadership Board

# 1Q11: solid but below last year's expectations...



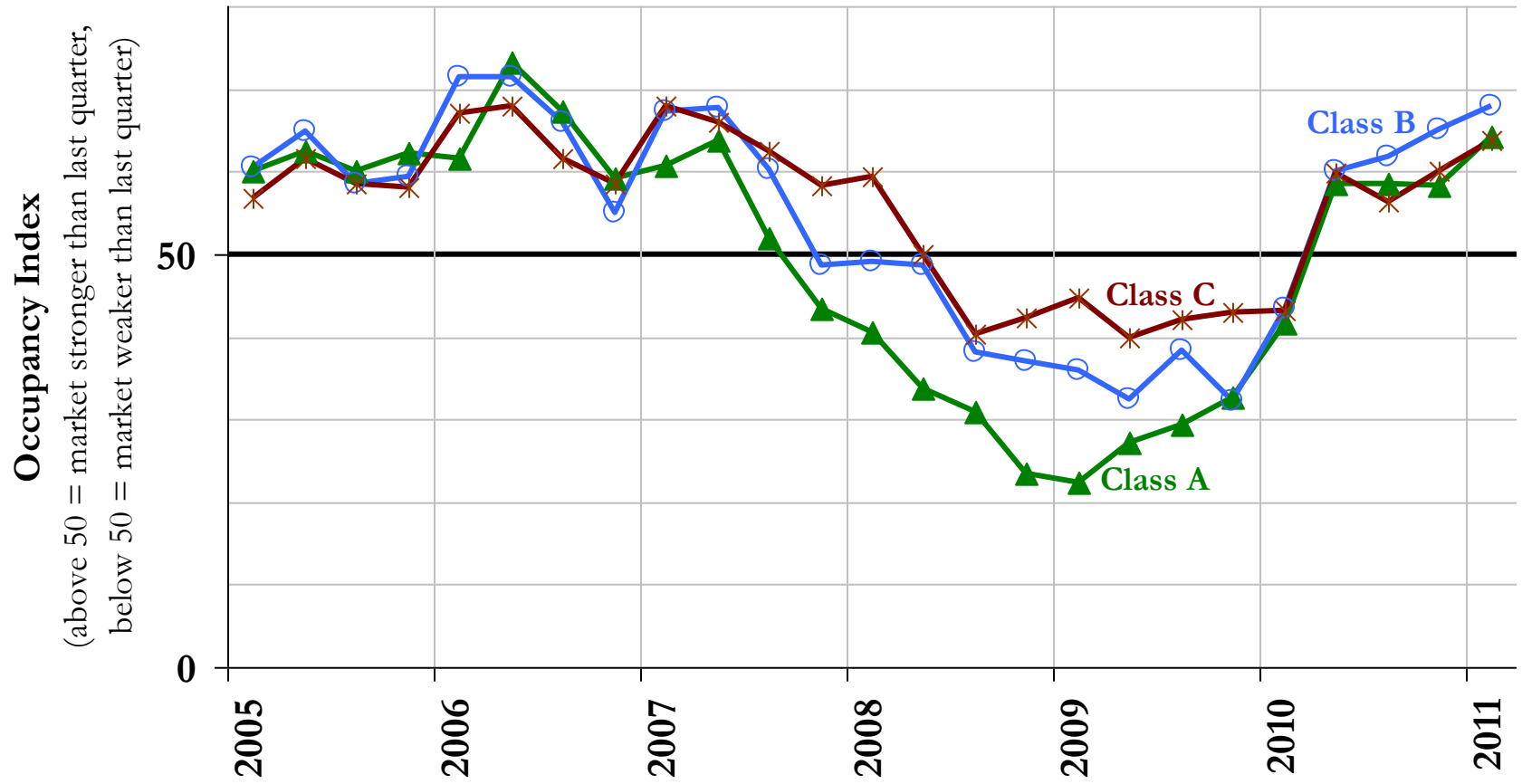
Source: Witten Advisors

...since 1Q11 demand slowed (*still 2<sup>nd</sup> best in 7 years*)



Source: Witten Advisors

# Class A had largest drop and largest rebound



Source: NAHB Multifamily

# Apartment demand growing in all markets

## Absorption Rate\* Leaders

12 Months ending 1Q 2011

1.	Salt Lake City	5.8%
2.	Austin	4.1%
3.	Charlotte	3.3%
4.	Jacksonville	3.2%
5.	Raleigh	3.1%
6.	San Antonio	2.6%
7.	Phoenix	2.4%
8.	Fort Worth	2.1%
9.	Dallas	2.0%
10.	Norf, Nash, Hous	1.9%

## Absorption Rate\* Laggards

12 Months ending 1Q 2011

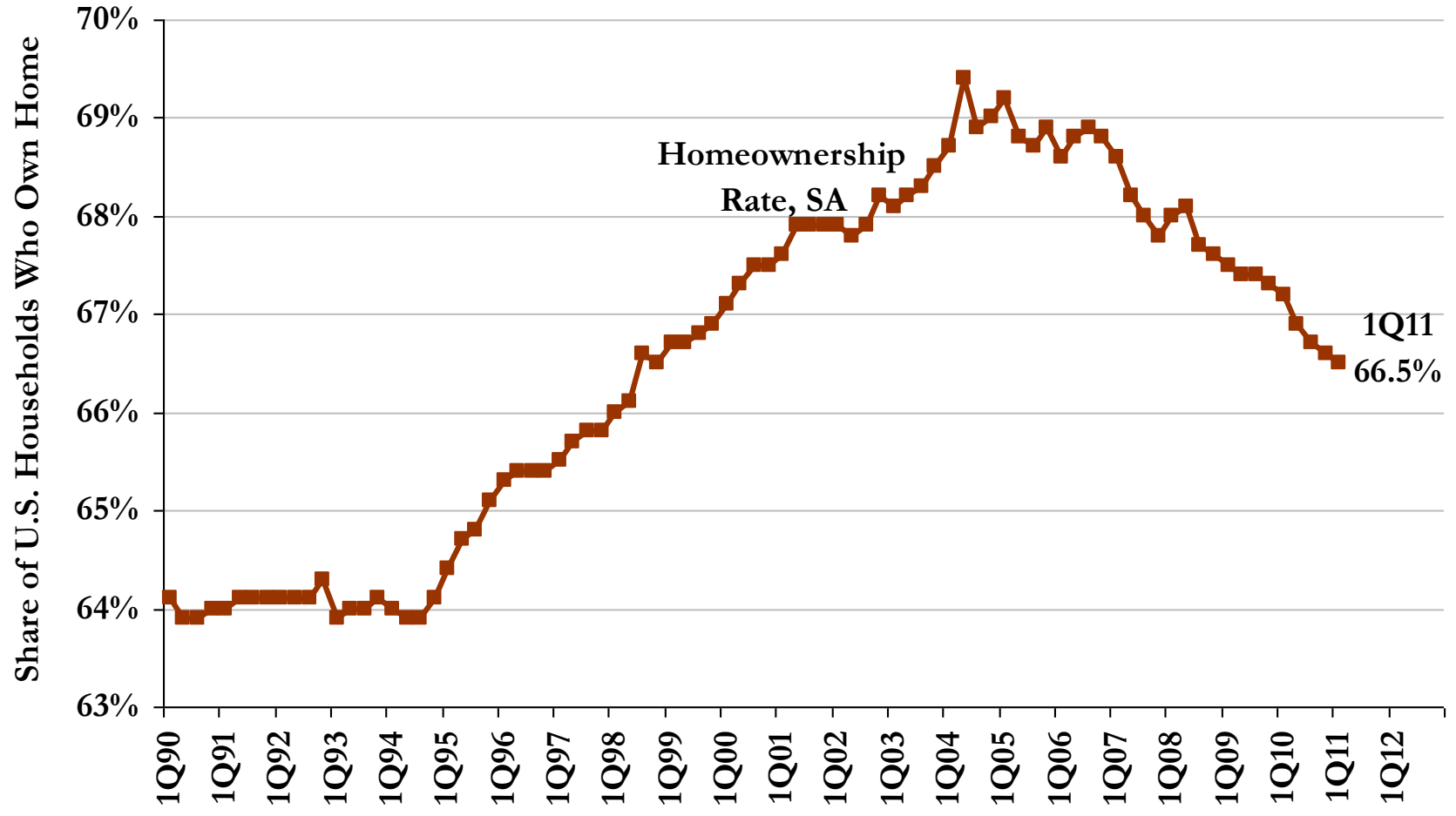
34.	Oakland	0.7%
35.	Chicago	0.7%
36.	St. Louis	0.6%
37.	Los Angeles	0.6%
38.	Boston	0.6%
39.	Las Vegas	0.5%
40.	Philadelphia	0.5%
41.	San Diego	0.5%
42.	New York	0.4%
43.	Orange County	0.3%

**U.S. +0.9%**

\*year-year % change in occupied apartments

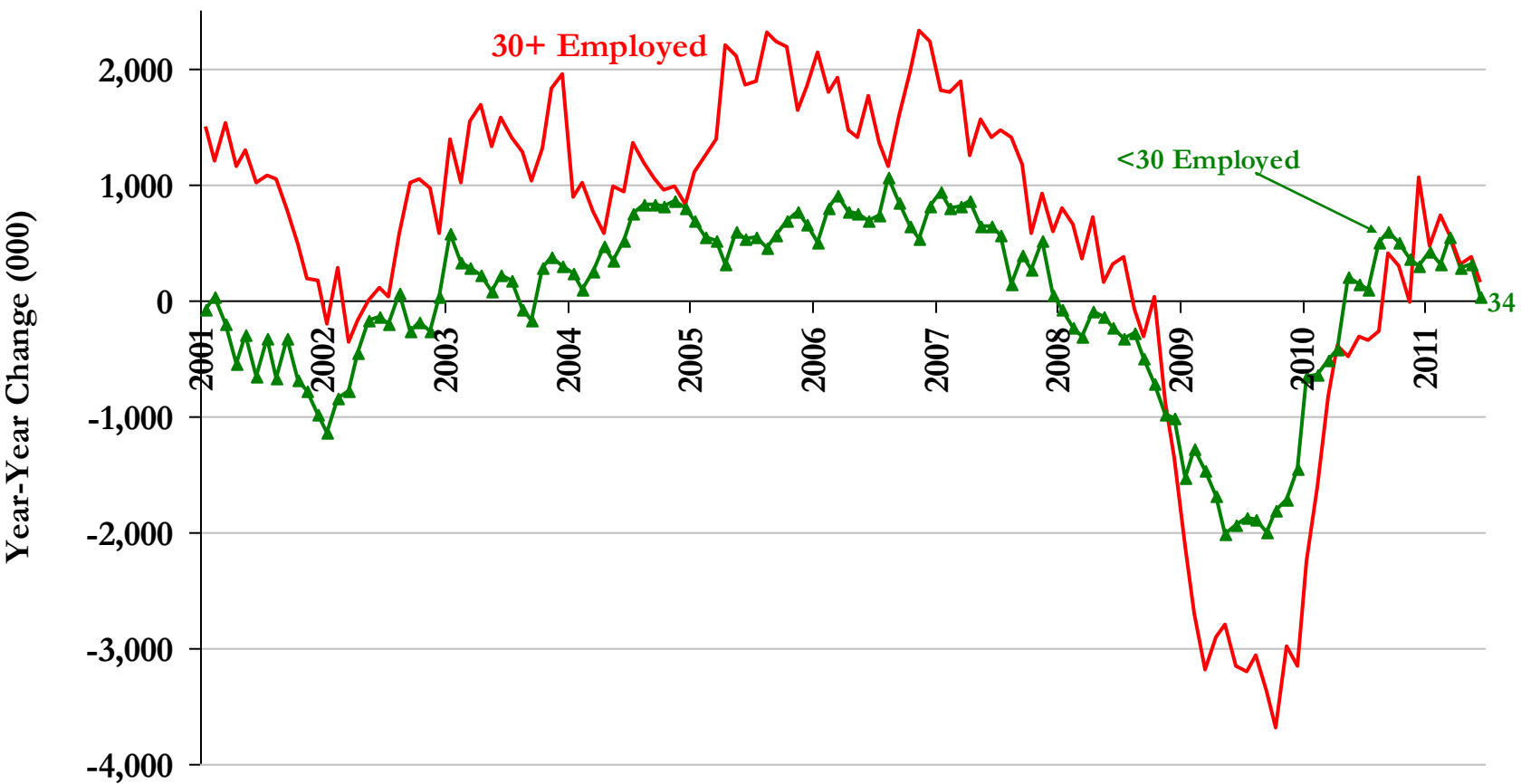
Source: Witten Advisors

# Rental demand gains by flight from ownership...



Source: U.S. Department of Commerce

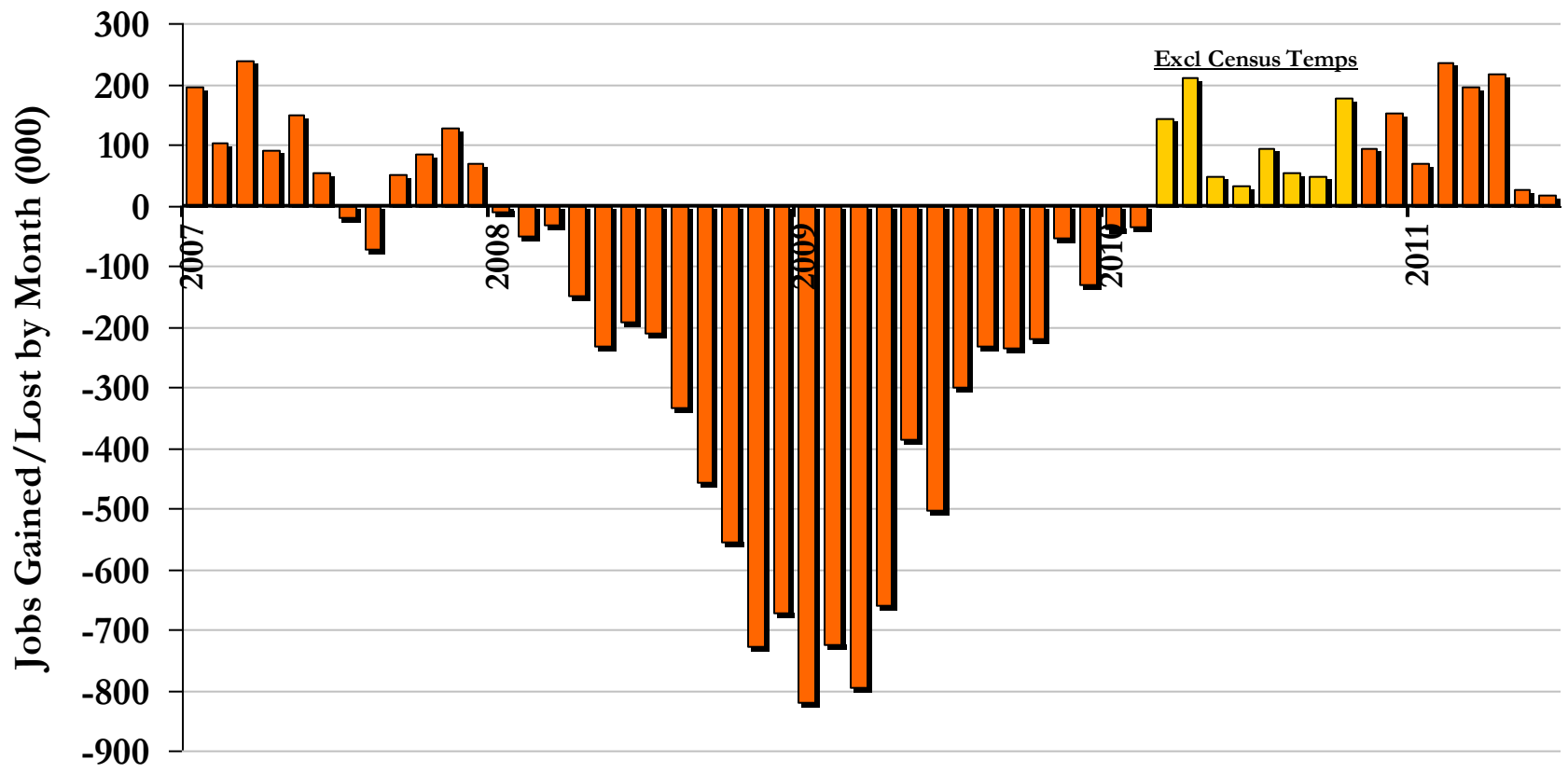
# ...and from more young adults at work – ?



Source: U.S. Bureau of Labor Statistics

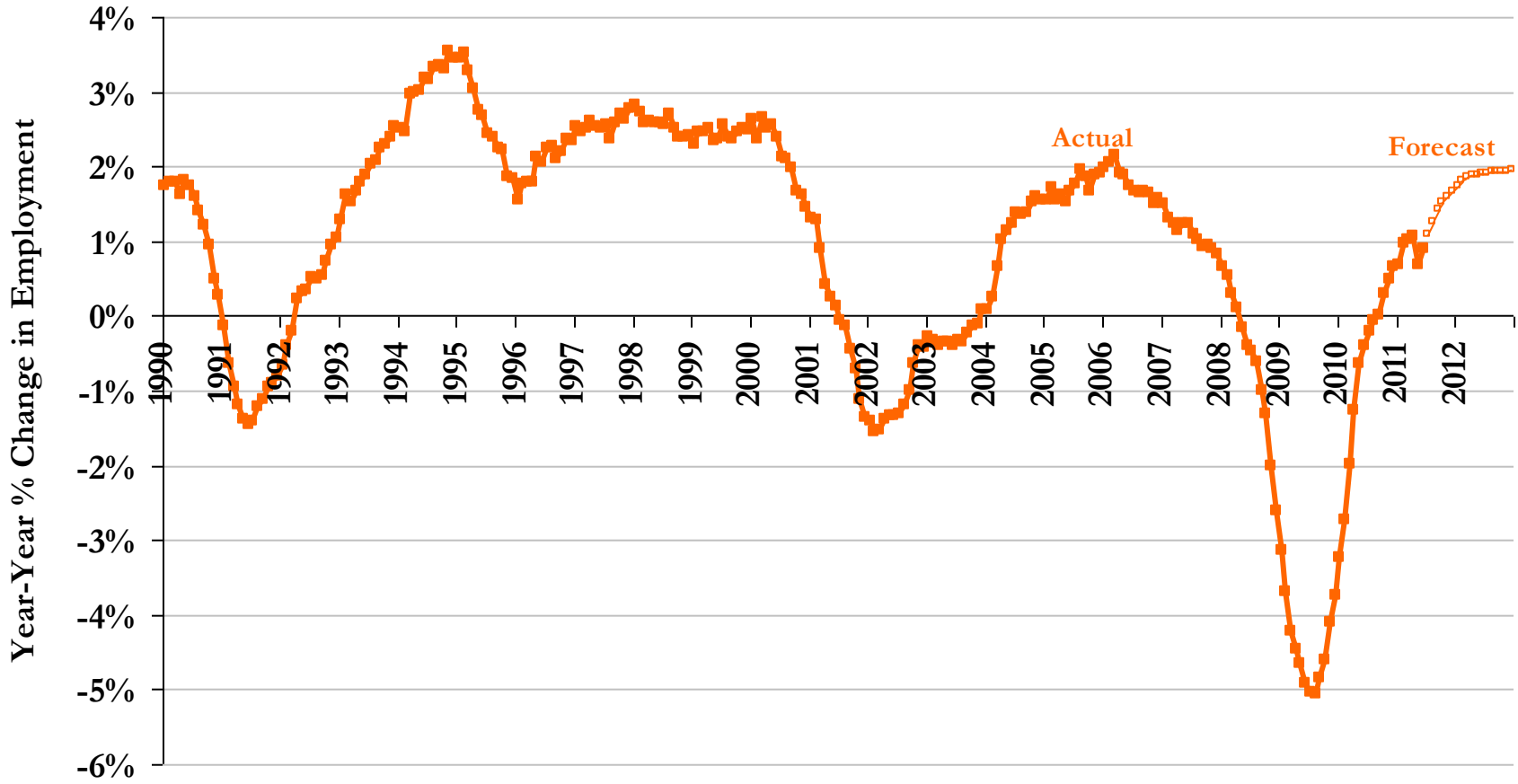
# Outlook for Apartment Demand Drivers

# Job growth since March 2010; scant in May-June



Source: U.S. Bureau of Labor Statistics establishment survey

# Jobs forecast continues to expect moderate growth



Sources: U.S. Bureau of Labor Statistics establishment survey; Consensus forecast

# Metro job growth softened in May 2011

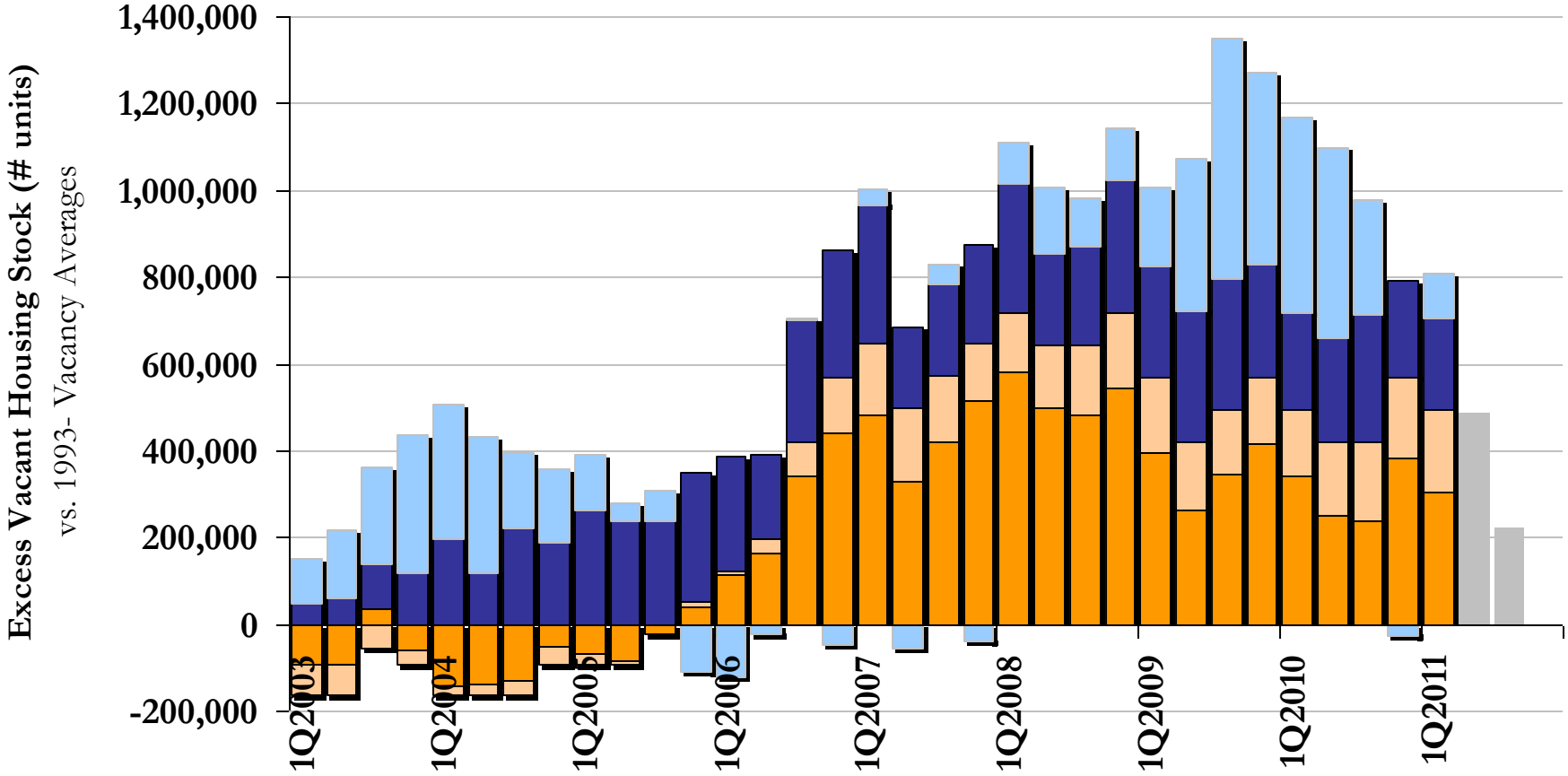
Employment Growth	
<u>12 Months ending May 2011</u>	
1. Dallas	49.6k
2. Houston	45.0k
3. Seattle	26.9k
4. Boston	21.5k
5. Chicago	19.1k
<hr/>	
39. <i>Baltimore</i>	<i>-11.8k</i>
40. <i>Sacramento</i>	<i>-12.7k</i>
41. <i>Riverside</i>	<i>-16.9k</i>
42. <i>New York</i>	<i>-17.3k</i>
43. <i>Atlanta</i>	<i>-30.0k</i>

Employment Growth Rate	
<u>12 Months ending May 2011</u>	
1. Dallas	+2.5%
2. Seattle	+2.0%
3. Austin	+1.8%
4. Houston	+1.8%
5. Columbus	+1.3%
6. San Jose	+1.1%
7. Fort Worth	+1.1%
8. Portland	+1.0%
9. Nashville	+1.0%
10. Salt Lake City	+0.9%
	<i>U.S. +0.7%</i>

Source: U.S. Bureau of Labor Statistics  
Copyright 2011, Witten Advisors LLC  
Dallas, Texas

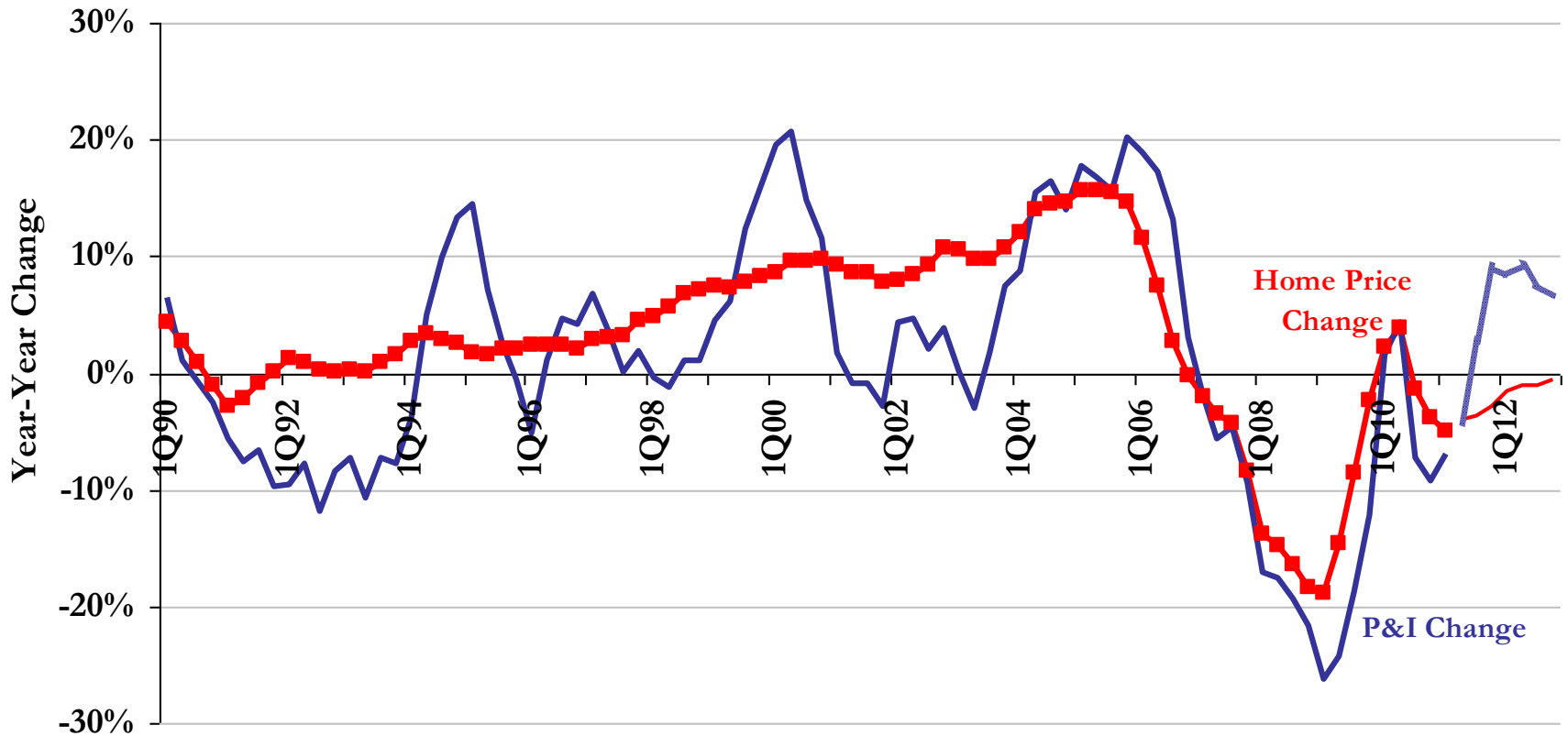
# Housing recovery at large stalled in 1Q11

- Single-Family For-Sale Excess
- Single-Family Rental Excess
- Forecast
- 2+ For-Sale Excess
- 2+ Rental Excess



Sources: Witten Advisors, U.S. Census Bureau vacancy data

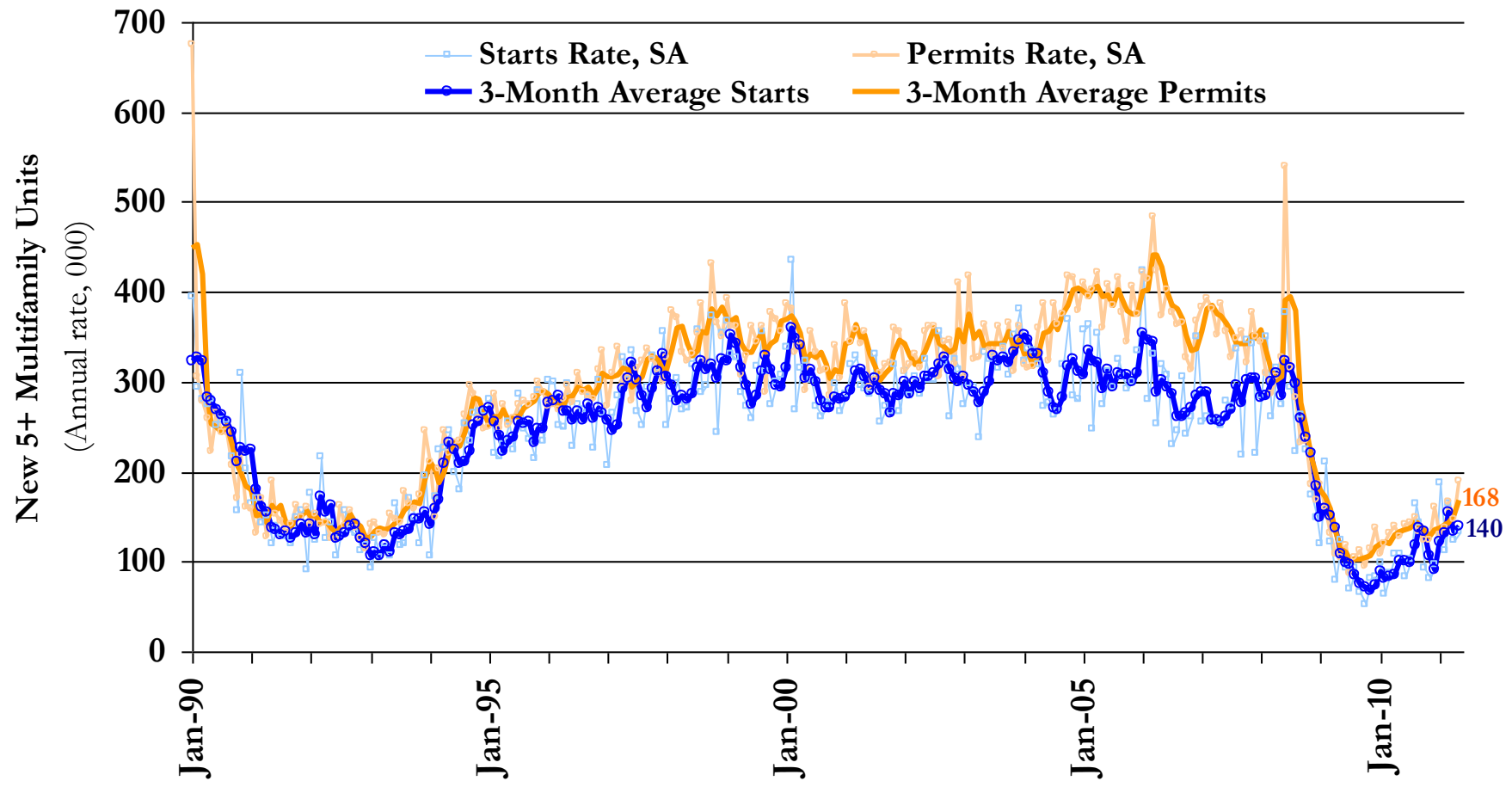
# Home prices drop, but higher rates boost P&I



Sources: Calculated from Case-Schiller national home price series; consensus forecast for mortgage rates; home price forecast by Witten Advisors

# Outlook for Apartment Development

# Multifamily construction gaining momentum



Source: U.S. Department of Commerce

# So far, new apartment starts limited, concentrated

5+ Rental Starts	
<u>Trailing 12 months, 1Q11</u>	
1. New York	6.7k
2. Houston	5.8k
3. Dallas	4.3k
4. Los Angeles	3.7k
5. Washington DC	3.7k
6. San Jose	2.2k
7. Chicago	2.2k
8. Miami	2.0k
9. Boston	1.7k
10. Indianapolis	1.7k
<i>U.S.</i>	<i>99.2k</i>

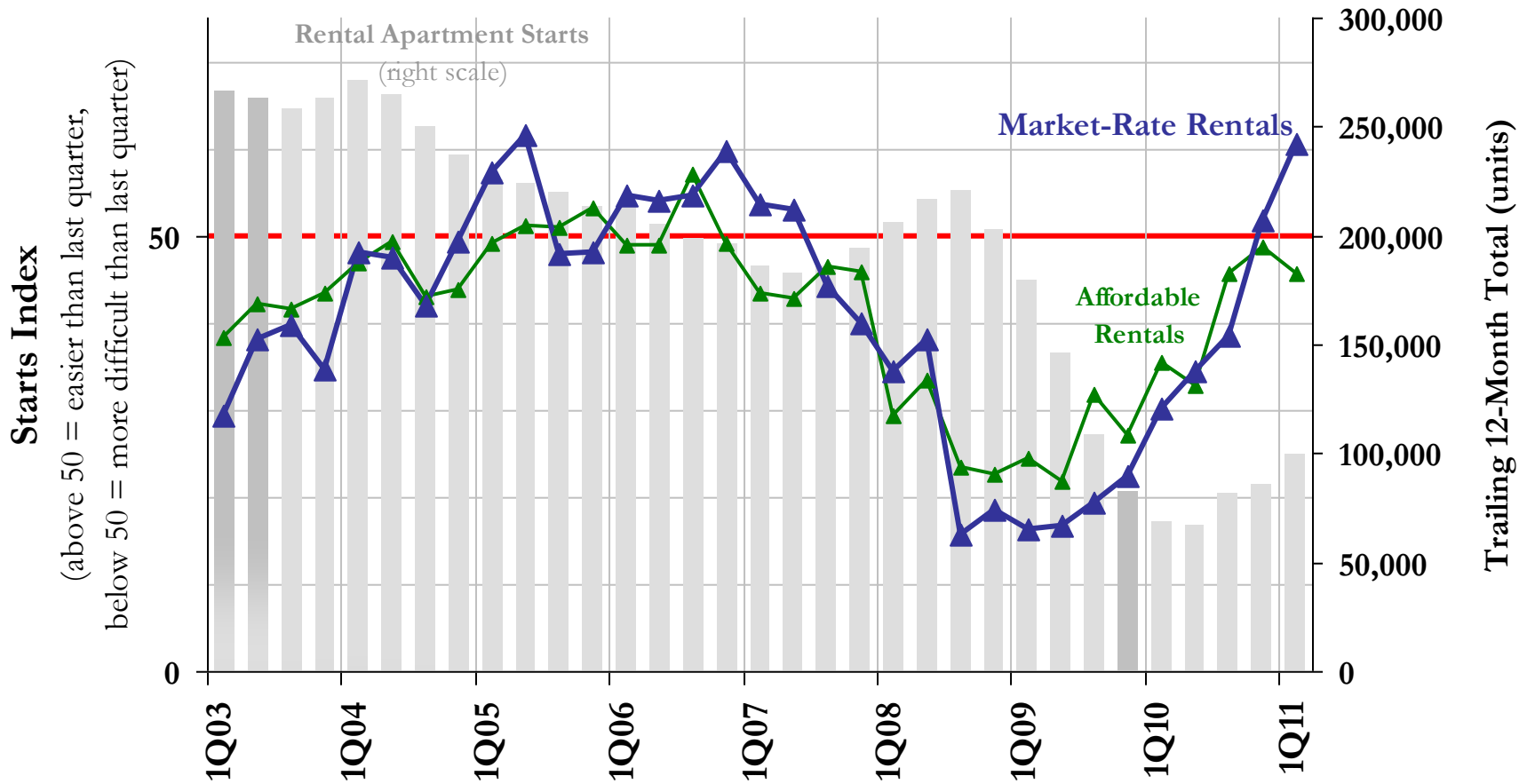
5+ Rental Starts Rate	
<u>Starts % of Stock, 1Q11</u>	
1. San Jose	1.6%
2. Indianapolis	1.4%
3. San Antonio	1.2%
4. Salt Lake	1.1%
5. Fort Worth	1.1%
6. Houston	1.1%
7. Dallas	1.0%
8. Raleigh	1.0%
9. Tampa	0.9%
10. Charlotte	0.8%
<i>U.S.</i>	<i>0.5%</i>

Sources: U.S. Census Bureau, Witten Advisors

Copyright 2011, Witten Advisors LLC

Dallas, Texas

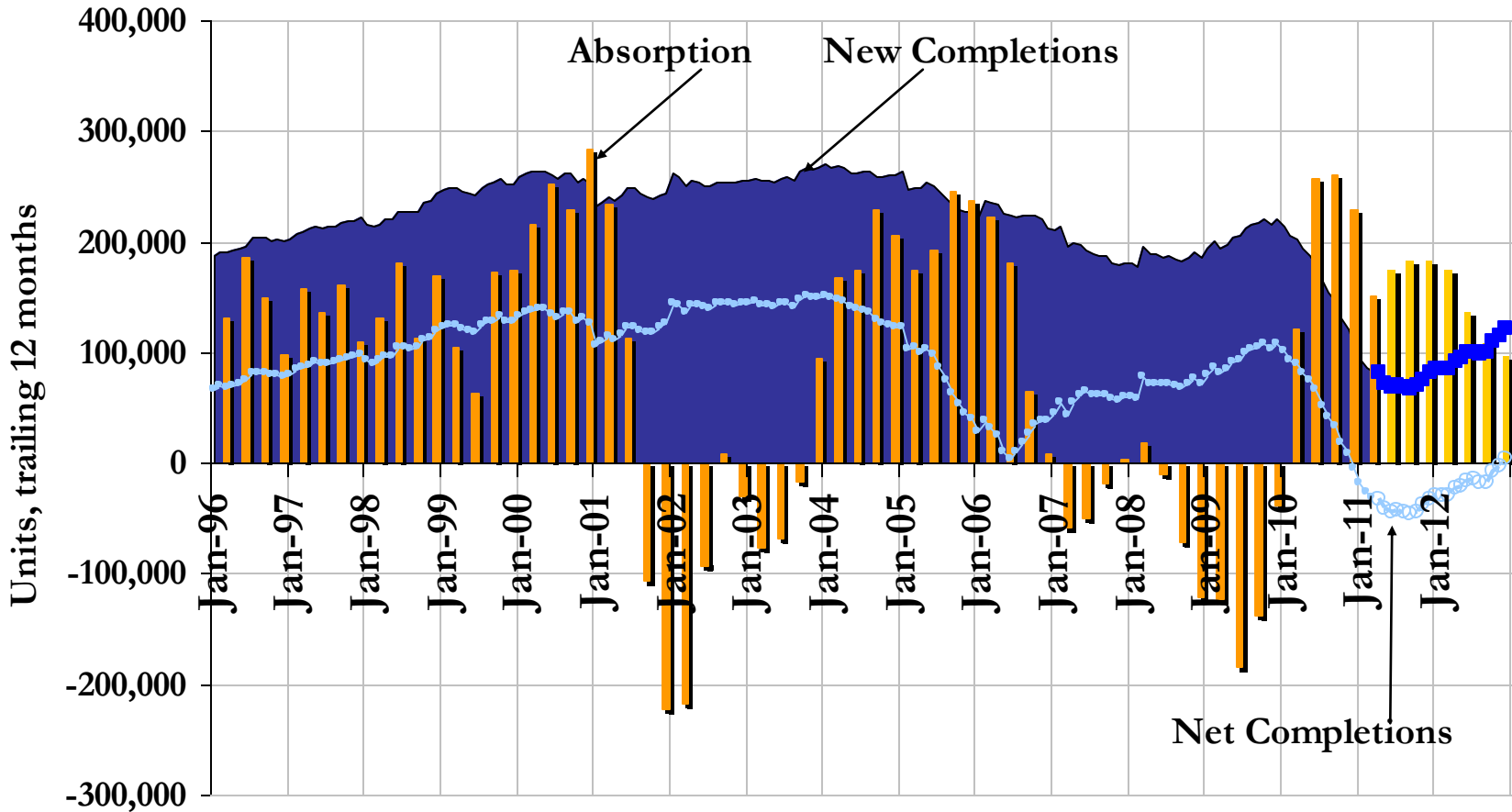
# Developers agree: Better environment for MF starts



Sources: NAHB Multifamily, Witten Advisors

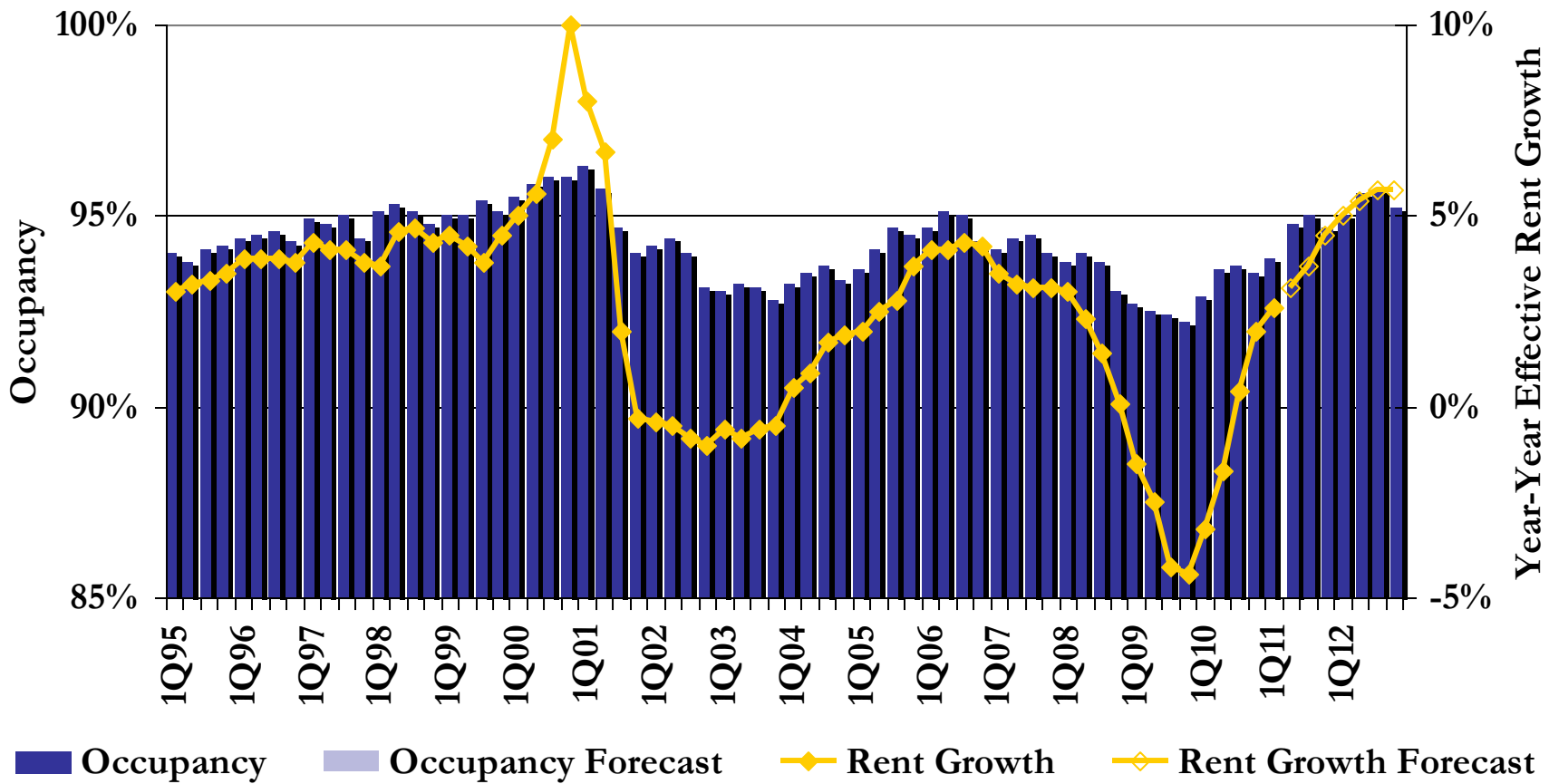
# U.S. Apartment Market Performance Outlook

# 2011-2012: Demand solid; apartment stock shrinks



Source: Witten Advisors

# Near-term outlook for rents, occupancy above trend



Source: Witten Advisors



# The Outlook From Here

- This year: Heaven in twenty-eleven
  - With jobs, more young adults enter the apartment market
  - With home prices and mortgage access down, relatively few buyers
  - New supply not yet a factor
  - Effective rents and NOIs up  $\pm 5\%$
- Next year: Even better...?
  - Still little threat from new completions
  - Employment growth gains momentum
  - Rents , NOIs up 5%+
- Market selection: Picking from many good options
  - Big spread between top and bottom, though (700+ bps)

# Questions