



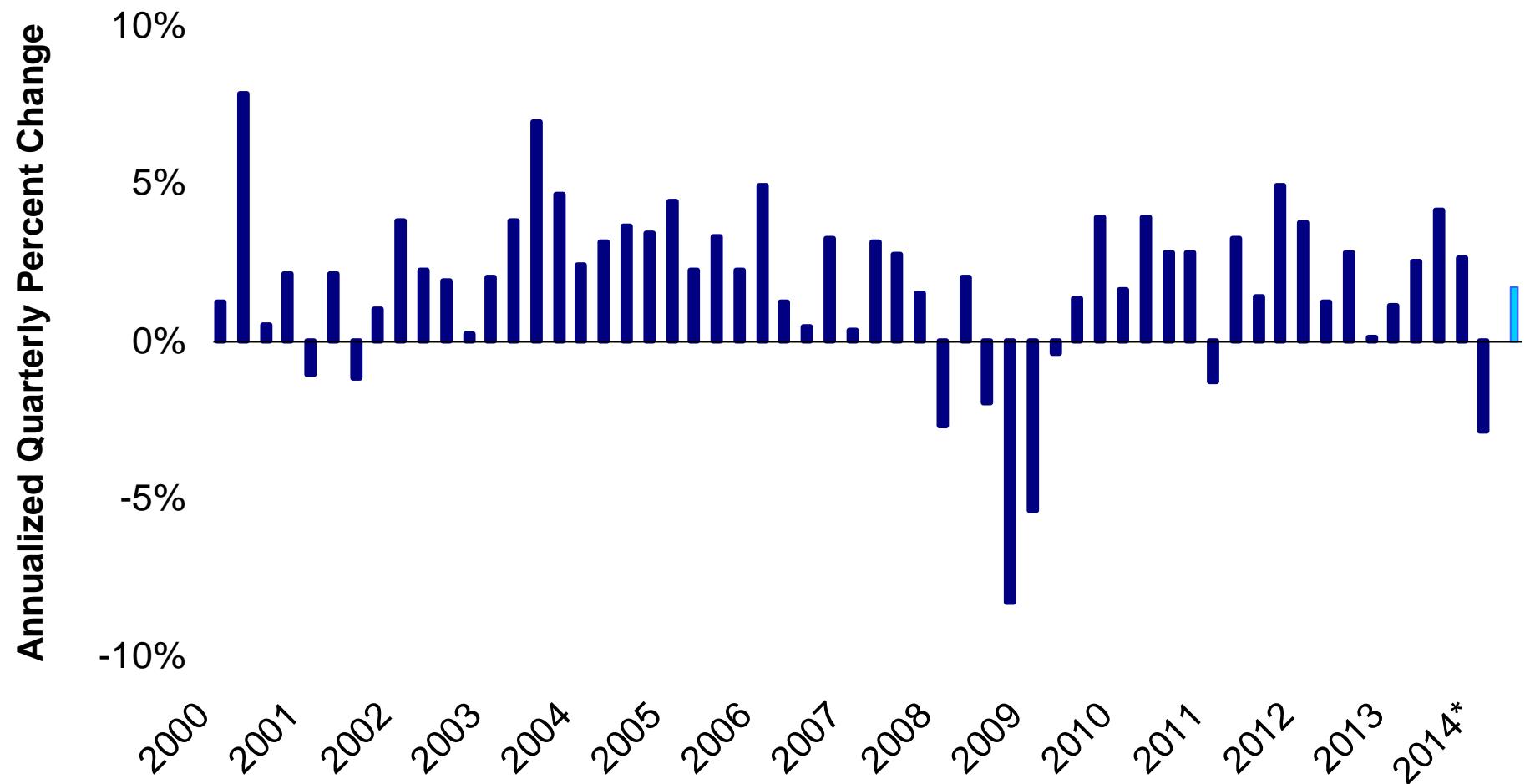
2014

U.S. Economic and Apartment Market Overview and Outlook

July 15, 2014

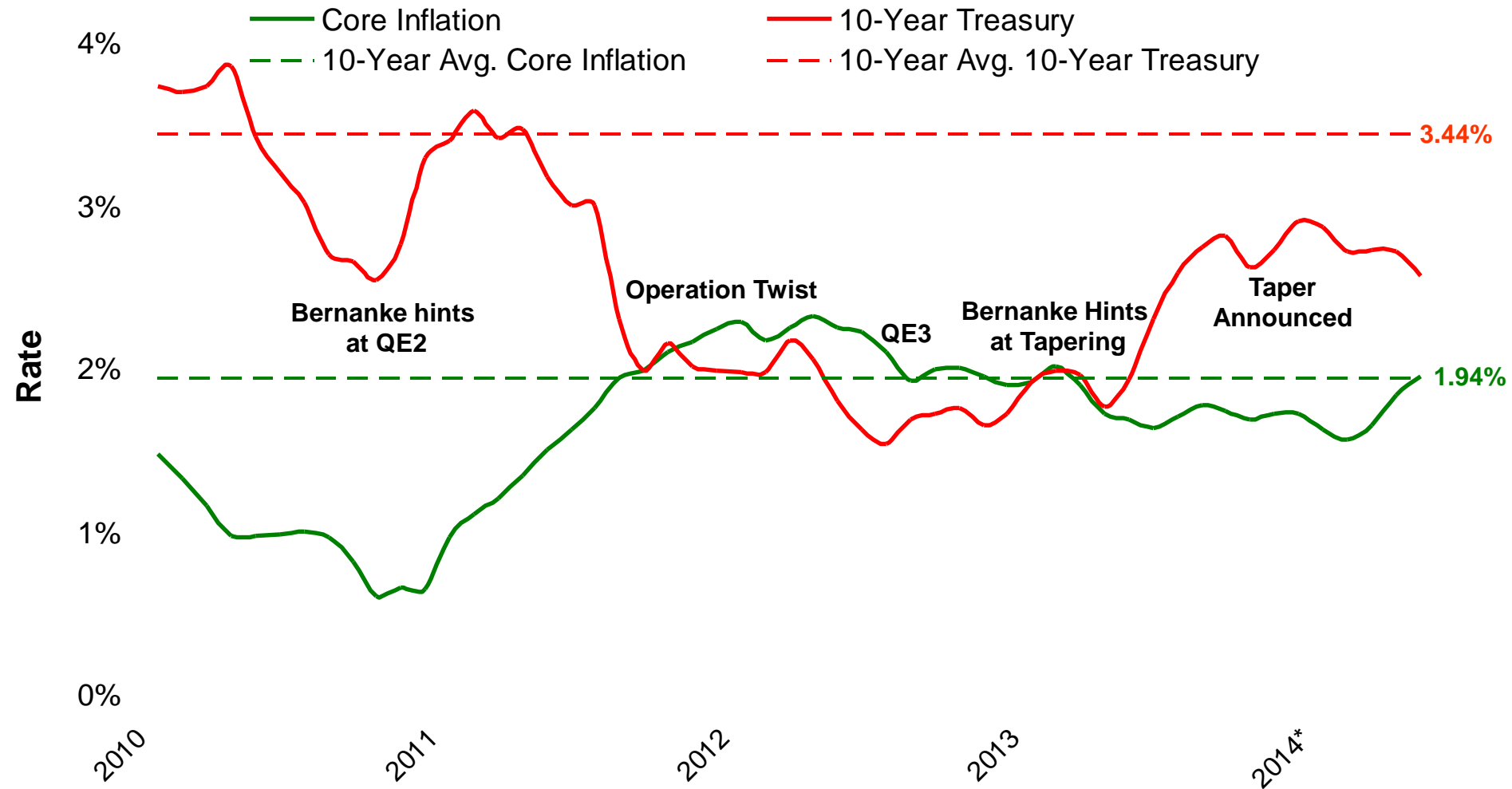
U.S. Economic Overview

U.S. GDP Growth Persistent Despite 1Q Polar Vortex

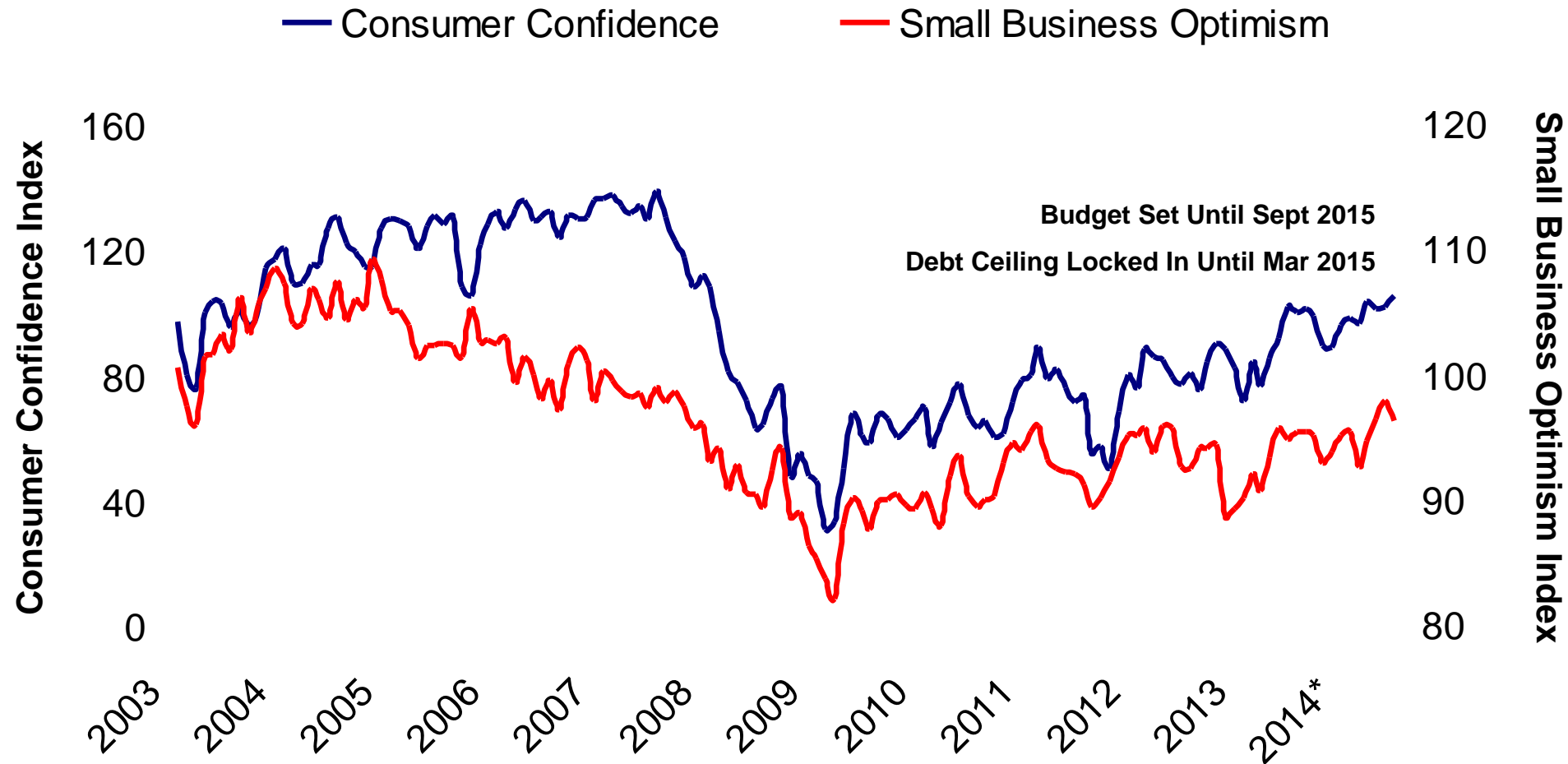


* Forecast
Sources: Marcus & Millichap Research Services, BEA

Core Inflation Tame 10-Year Treasury Stable



Confidence Rising as Headwinds Abate



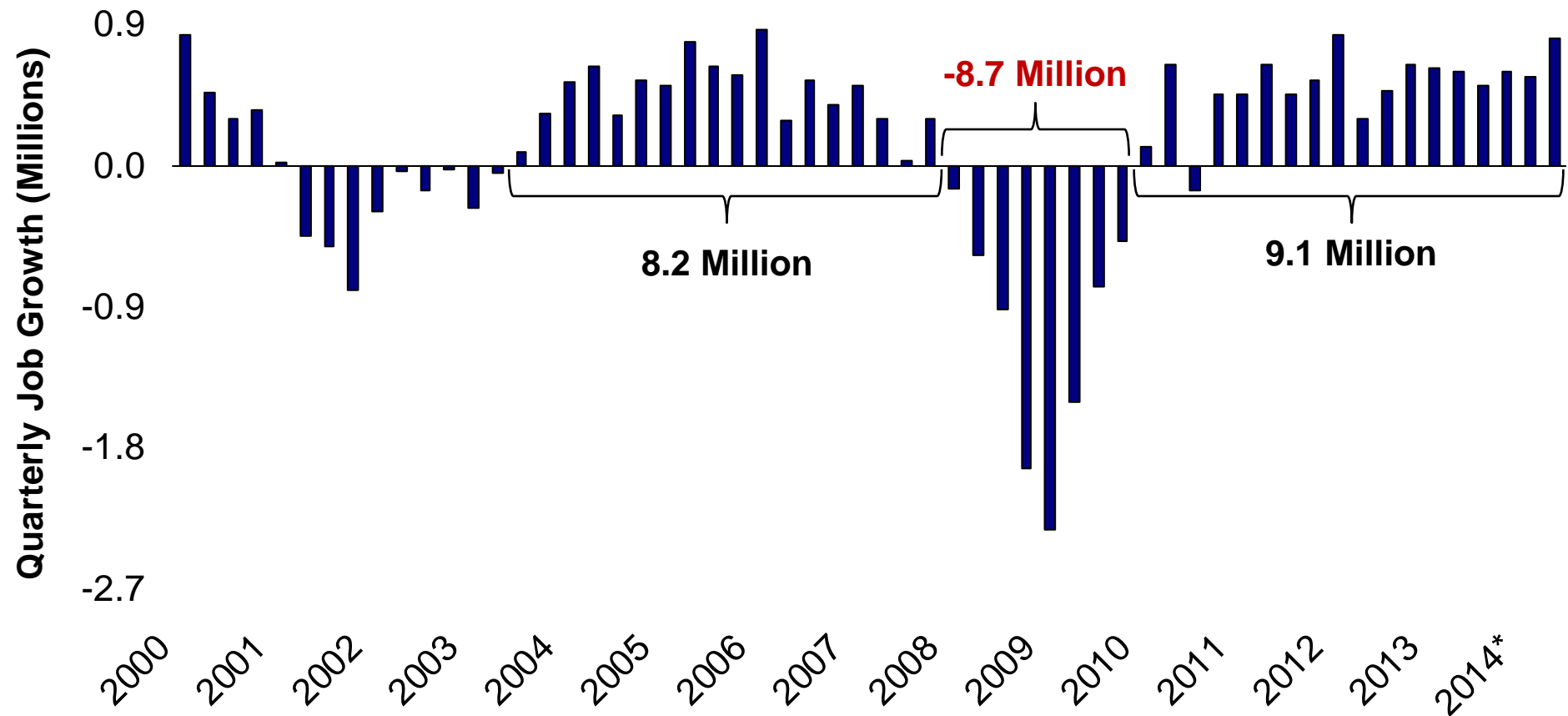
* Through June

Index: December 2002 = 100

Sources: Marcus & Millichap Research Services, The Conference Board, NFIB

Marcus & Millichap

Quarterly Employment Steady Full Recovery of Jobs Lost in Recession



Full Jobs Recovery But Not For All Metros

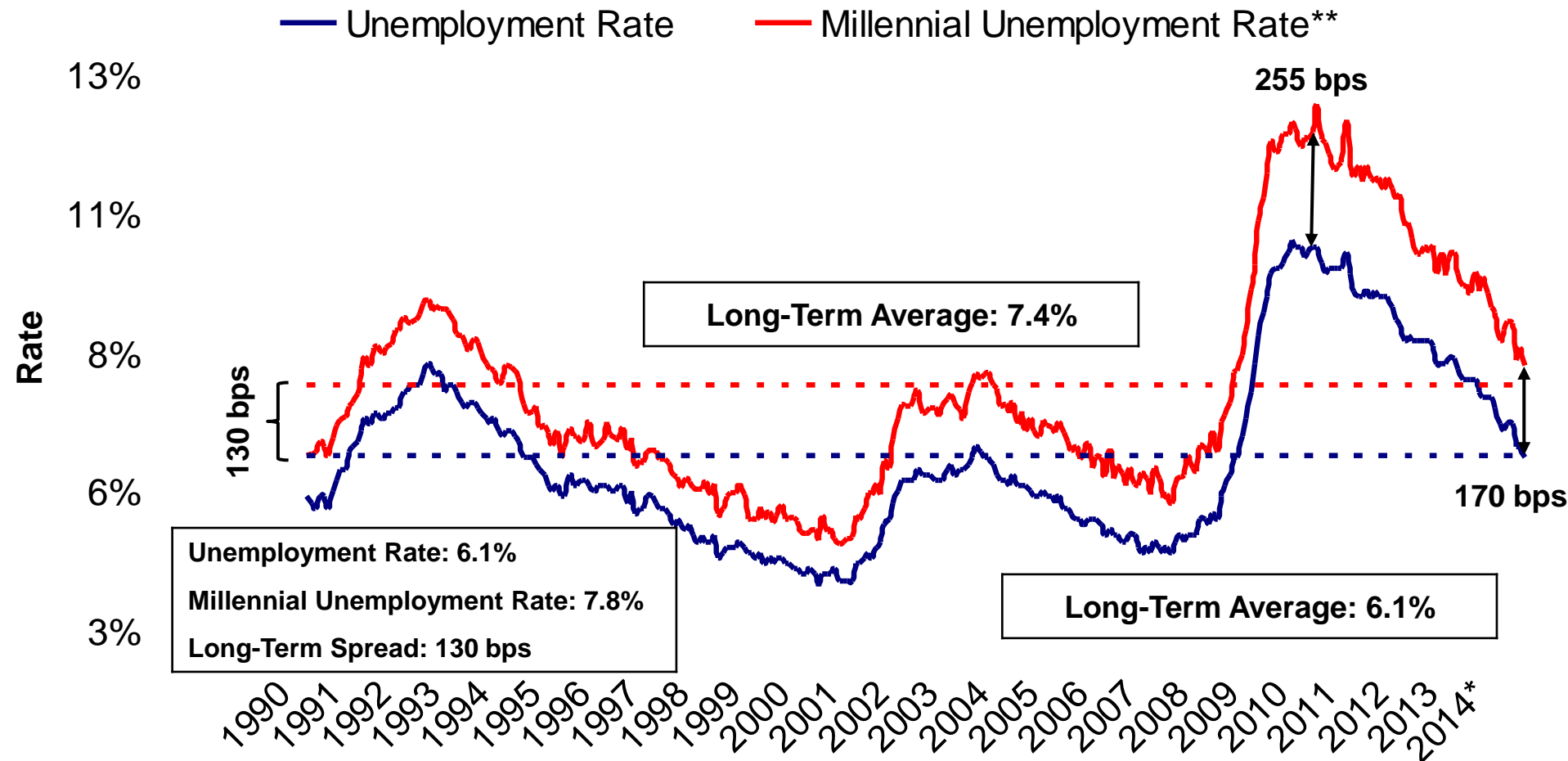
Absolute Change Jan. 2008-May 2014

Top 10 Metros	Absolute Change	Percent Change	Y-O-Y Abs. Change*	Bottom 10 Metros	Absolute Change	Percent Change	Y-O-Y Abs. Change*
Houston	289,400	11.2%	96,800	Chicago	-116,000	-2.5%	17,900
New York	246,400	6.5%	74,800	Phoenix	-89,100	-4.6%	24,000
Dallas-Ft. Worth	208,300	7.0%	115,300	Detroit	-82,600	-4.2%	-4,100
Austin	116,700	15.1%	31,300	Northern NJ	-67,200	-3.4%	17,900
San Francisco	80,500	7.9%	28,100	Las Vegas	-59,300	-6.4%	25,900
Washington, D.C.	78,500	2.6%	4,800	Philadelphia	-52,800	-1.9%	21,400
San Antonio	78,100	9.2%	24,400	Orange County	-42,700	-2.8%	24,600
Denver	70,000	5.6%	35,900	St. Louis	-40,200	-2.9%	15,000
Boston	67,400	2.7%	38,472	Cleveland	-38,200	-3.6%	9,000
Nashville	62,900	8.2%	25,900	Sacramento	-23,100	-2.5%	25,000
U.S. Total	127,000	0.3%	2,408,000	U.S. Total	127,000	0.3%	2,408,000

* Trailing 12-month change through May
 Sources: Marcus & Millichap Research Services, BLS

Marcus & Millichap

Young Adults Finding Work as Unemployment Tightens



* Through June

** 20-34 age cohort

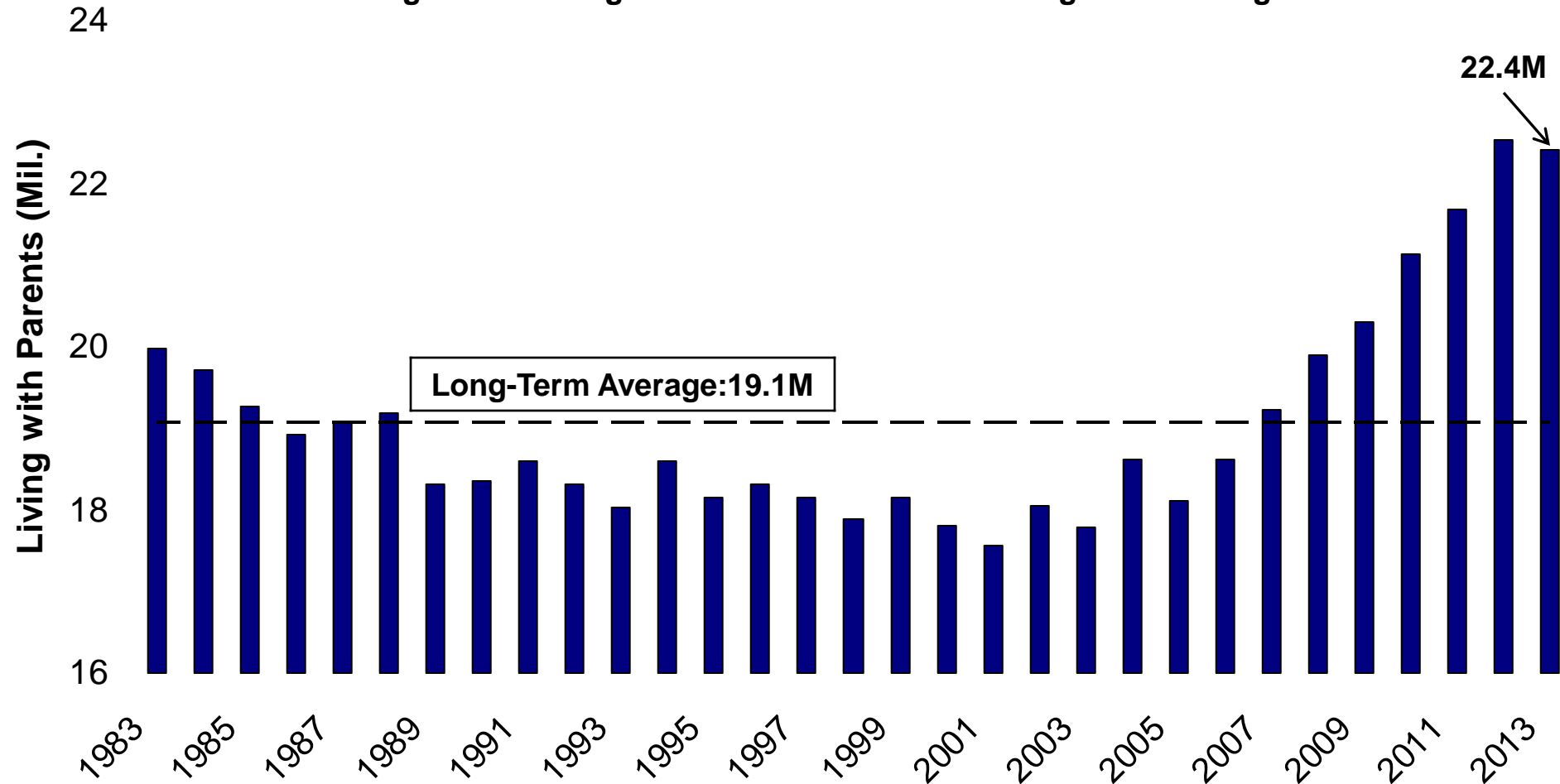
Sources: Marcus & Millichap Research Services, BLS

U.S. Economic Overview

Millennials to Drive Apartment Demand

18-34 Year Old Population Living at Home

Young Adults Living with Parents 3.3M Above Long-Term Average



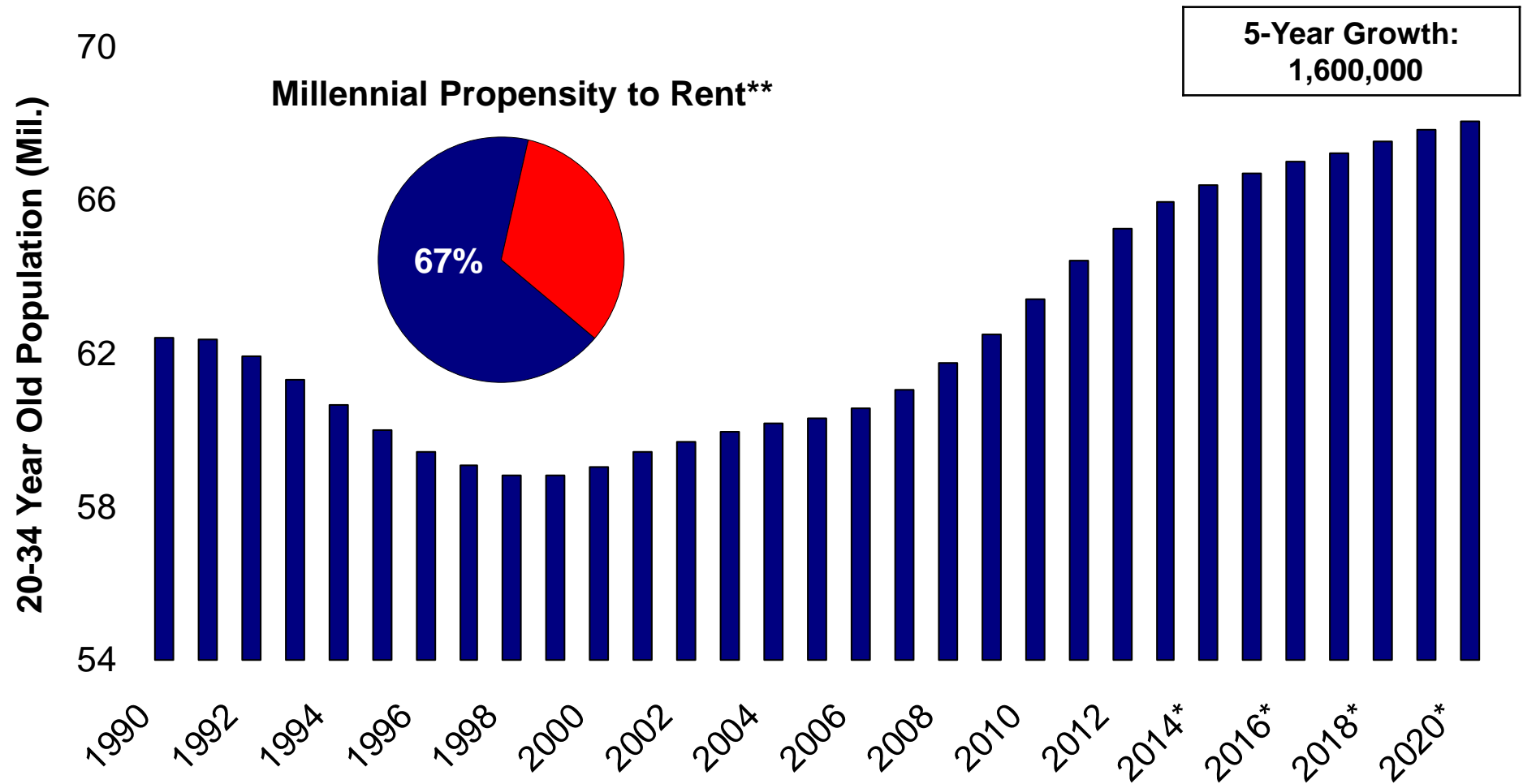
22.4M

Long-Term Average: 19.1M

Note: Unmarried college students living in dormitories are counted as living in their parents' home
Sources: Marcus & Millichap Research Services, U.S. Census Bureau

Marcus & Millichap

U.S. Population 20-34 Years Old



* Forecast

** 2012 American Community Survey

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

Marcus & Millichap

Potential 5-Year Millennial Apartment Demand Rank by Metro

Top 10 Metros	Propensity to Rent*	Abs. 20-34 Age Cohort Growth**	Potential Apartment Demand Growth
Los Angeles	82.9%	107,300	89,000
Dallas-Ft. Worth	71.6%	123,900	88,800
New York	85.3%	90,500	77,200
Austin	73.8%	100,000	73,800
Houston	68.6%	96,200	66,000
Phoenix	67.2%	96,100	64,600
Washington, D.C.	68.6%	86,700	59,500
Atlanta	67.2%	85,500	57,400
Las Vegas	72.1%	60,000	43,300
Boston	72.9%	58,600	42,700
United States	67.4%	1,600,000	1,078,000

* Based on 2012 American Community Survey

** Forecast

Sources: Marcus & Millichap Research Services, U.S. Census Bureau, Moody's Analytics

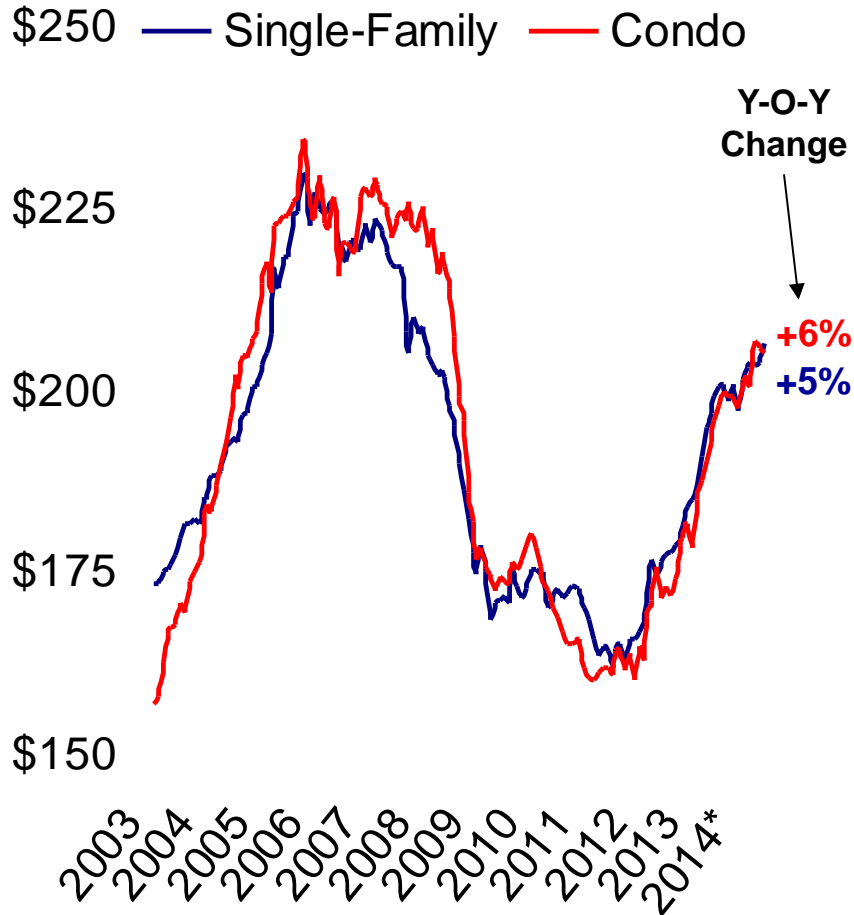
Marcus & Millichap

Millennials to Drive Apartment Demand

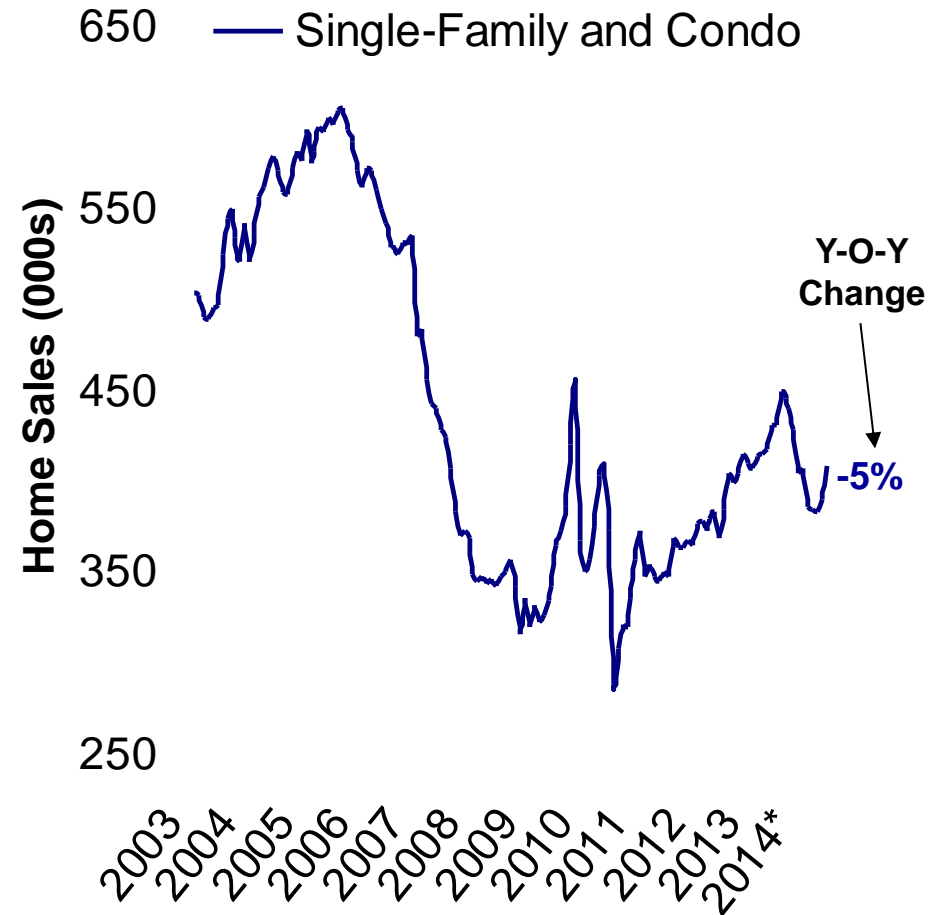
Housing

Single-Family Housing and Condo Market Improving Despite Recent Sales Slowdown

Median Home Prices



Existing Home Sales

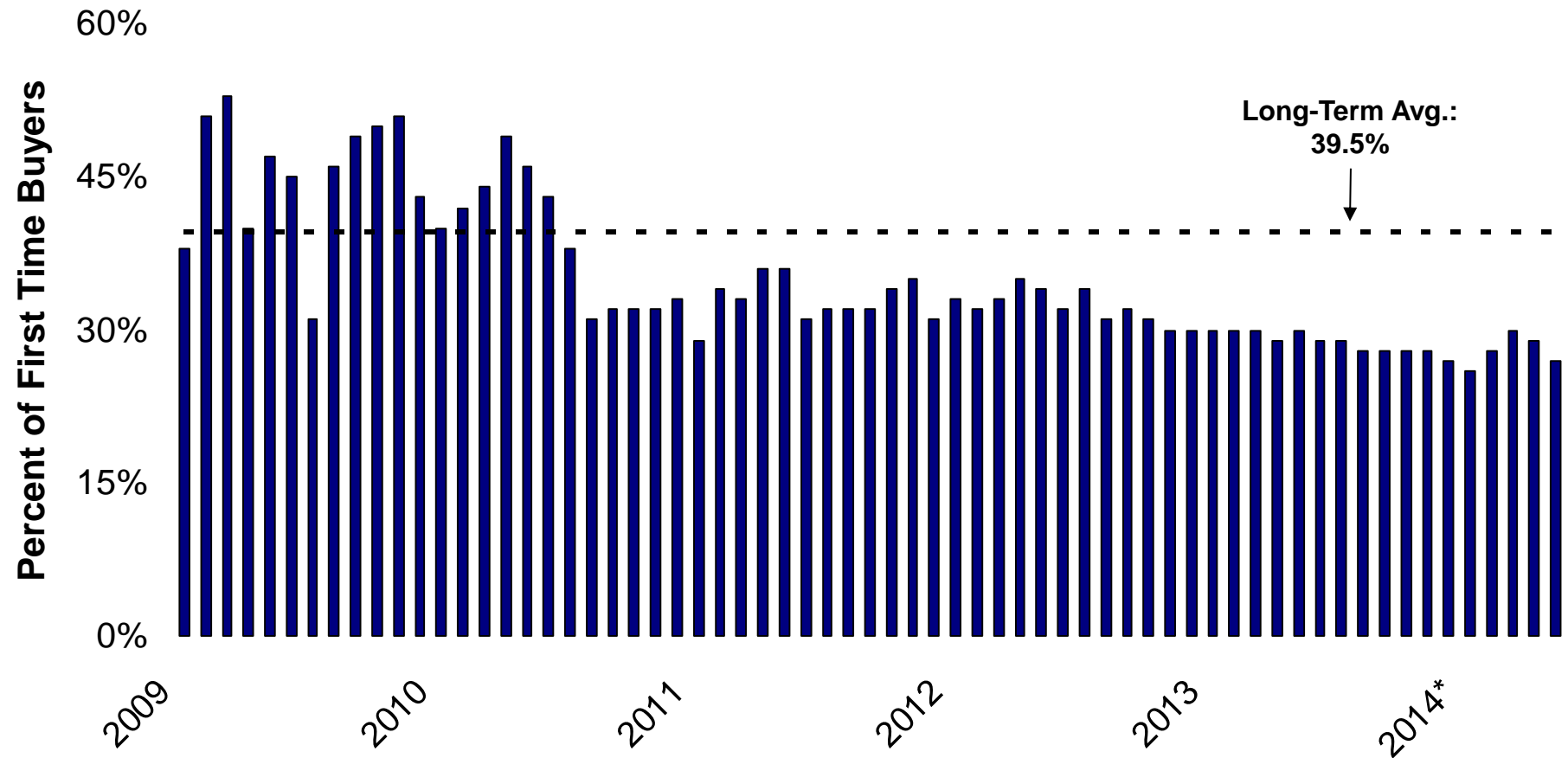


* Through May

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

Marcus & Millichap

First Time Home Buyers Yet to Recover; May Spark Loosening Lending Standards

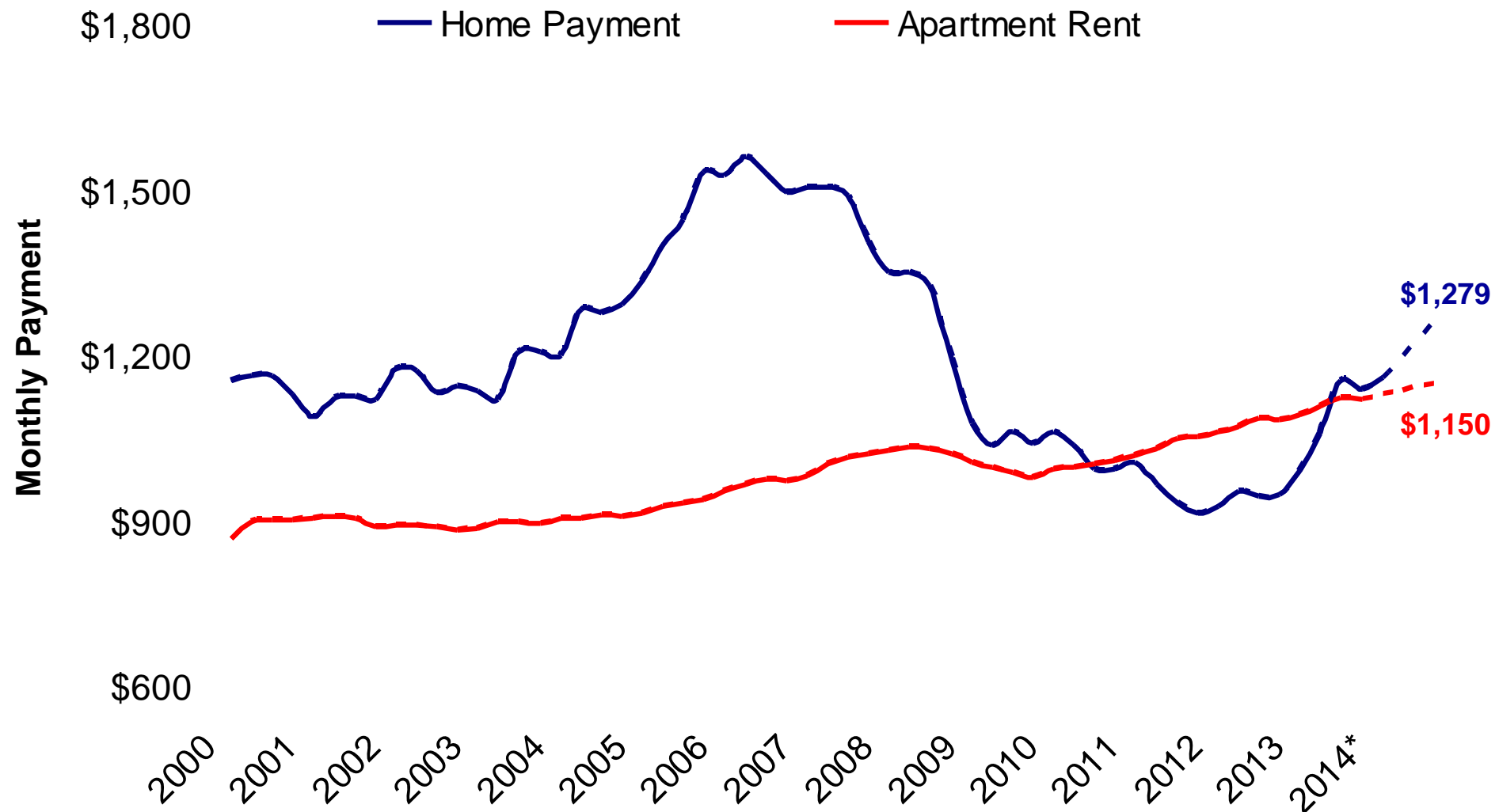


* Through May

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

Marcus & Millichap

Gap Between Median Home Mortgage Payment and Apartment Rents Widens in 2014



* Forecast assumes 1% increase in mortgage rates

Mortgage payments based on quarterly 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

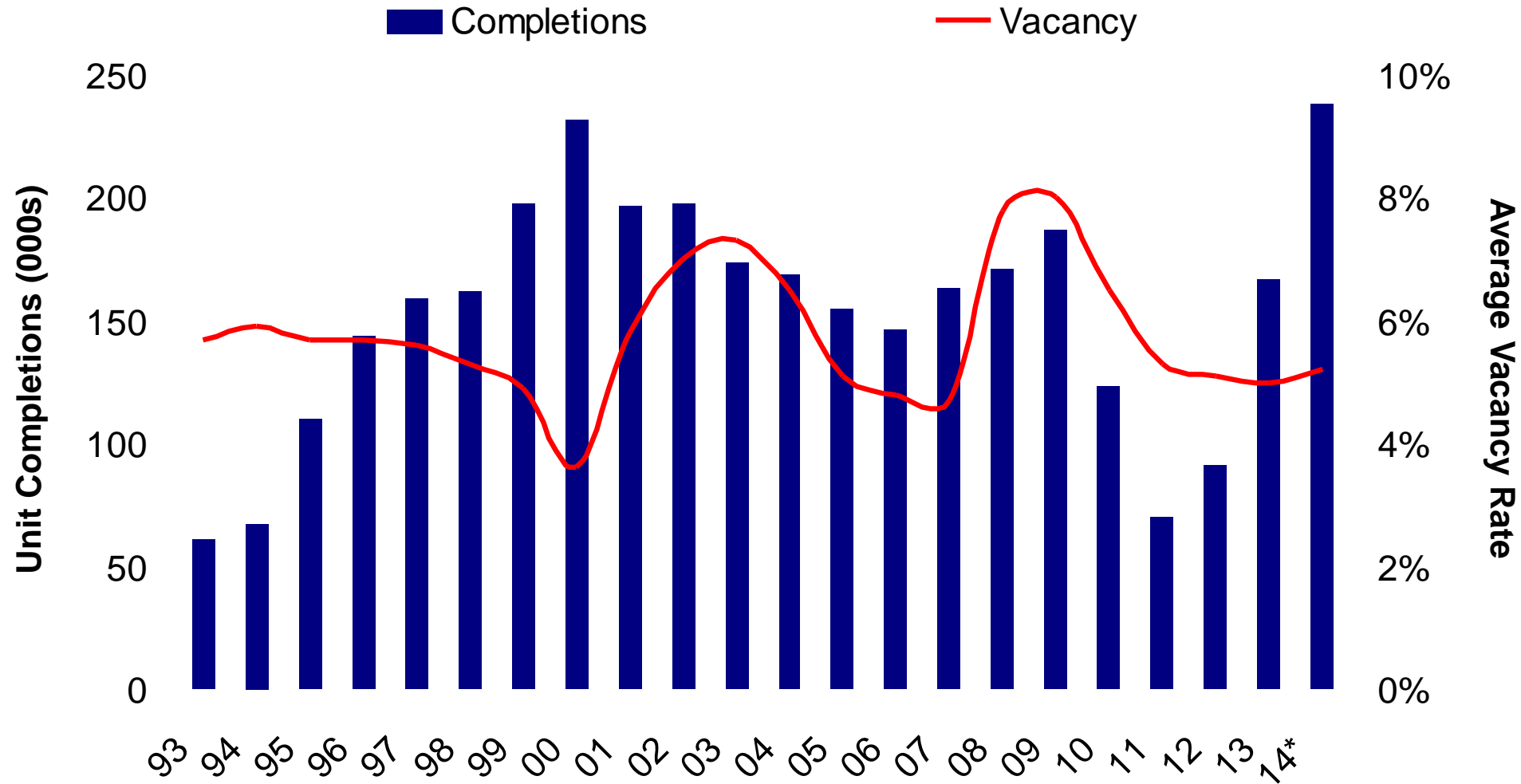
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Housing

National Apartment Overview

Apartment Construction Accelerates

Vacancies Remain Stable



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

National Apartment Rank by Metro

2014* Completions and Job Growth Per Unit

Top 10 Metros	2014* Completions	Jobs per Unit	Y-O-Y Vacancy Bps Chg
Dallas-Ft. Worth	19,000	6.0	-20
Washington, D.C.	18,000	3.2	80
Austin	11,500	3.5	100
Houston	10,900	10.2	-10
Denver	9,600	5.1	60
New York	8,800	12.8	30
Seattle-Tacoma	8,100	5.7	30
Atlanta	6,300	11.9	-10
Los Angeles	6,000	15.8	40
Orlando	5,700	6.3	90
United States	238,000	11.3	20

Bottom 10 Metros	2014* Completions	Jobs per Unit	Y-O-Y Vacancy Bps Chg
Las Vegas	420	58.6	-80
Detroit	500	58.0	-30
Cleveland	750	12.4	70
Cincinnati	800	27.9	20
Sacramento	800	26.1	30
Oakland	1,200	20.5	-20
Inland Empire	1,200	25.2	40
St. Louis	1,200	13.3	30
Milwaukee	1,400	11.6	50
Palm Beach	1,700	9.9	-10
United States	238,000	11.3	20

* Forecast

Sources: Marcus & Millichap Research Services, MPF Research

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National Apartment Rank by Metro

2Q 2014 Vacancy Rate

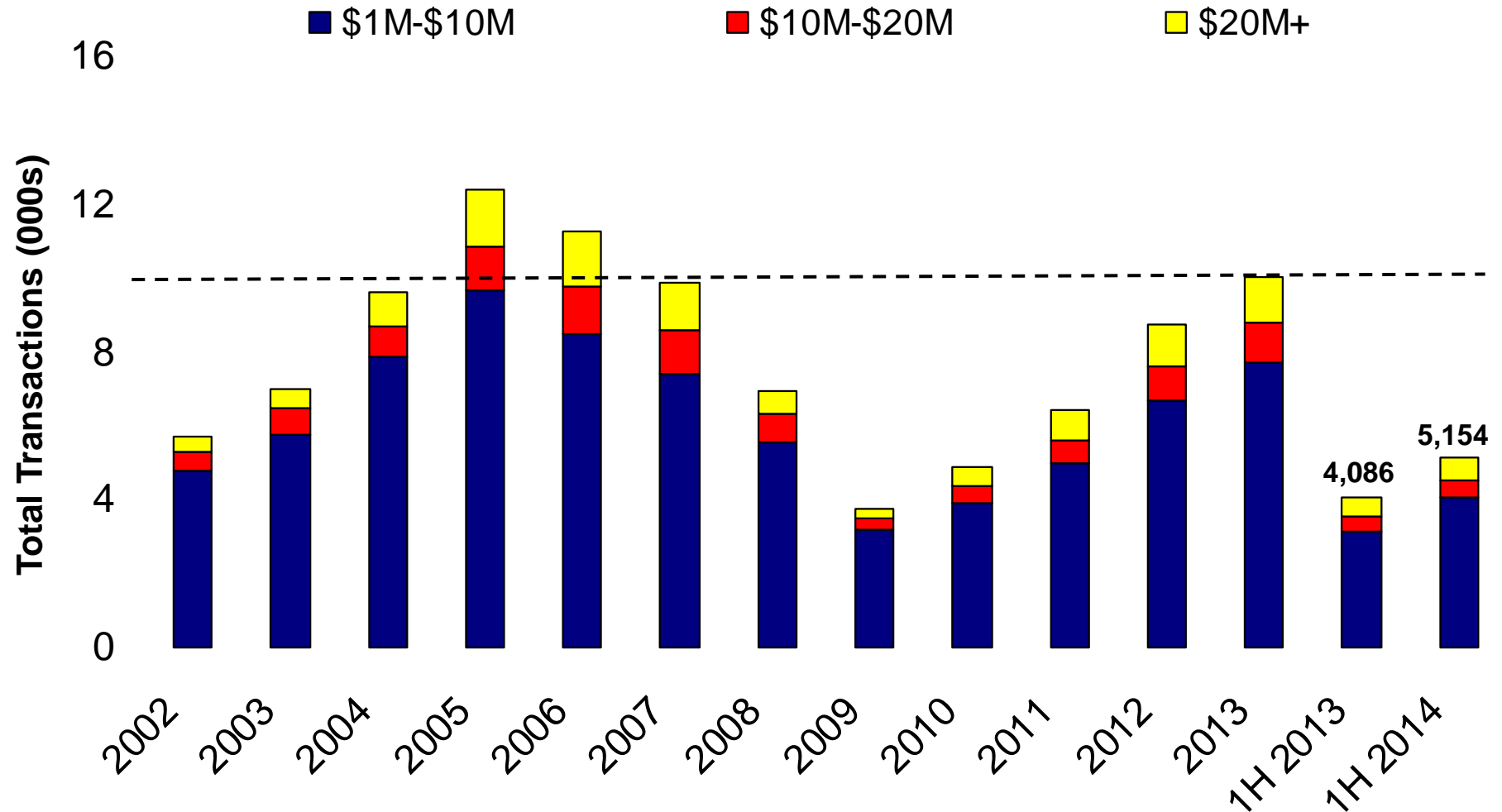
Top 10 Metros	2Q 2014 Vacancy	Y-O-Y Bps Change	Bottom 10 Metros	2Q 2014 Vacancy	Y-O-Y Bps Change
Oakland	2.3%	-40	Las Vegas	7.0%	-50
Portland	2.4%	-60	Indianapolis	6.8%	-50
Minneapolis	2.5%	10	San Antonio	6.8%	40
San Jose	2.5%	-40	Atlanta	6.5%	-130
New York	2.6%	40	Phoenix	6.3%	-60
Miami	2.8%	-10	Jacksonville	6.1%	-120
Boston	2.9%	-20	St. Louis	5.9%	-90
Milwaukee	3.1%	-10	Houston	5.6%	-80
Northern NJ	3.1%	40	Dallas-Ft. Worth	5.5%	-40
San Diego	3.2%	-20	Las Vegas	7.0%	-50
U.S. Average	4.4%	-30	U.S. Average	4.4%	-30

National Apartment Overview

National Sales Trend Overview

U.S. Apartment Investment Trends

Total Transactions by Price Tranche

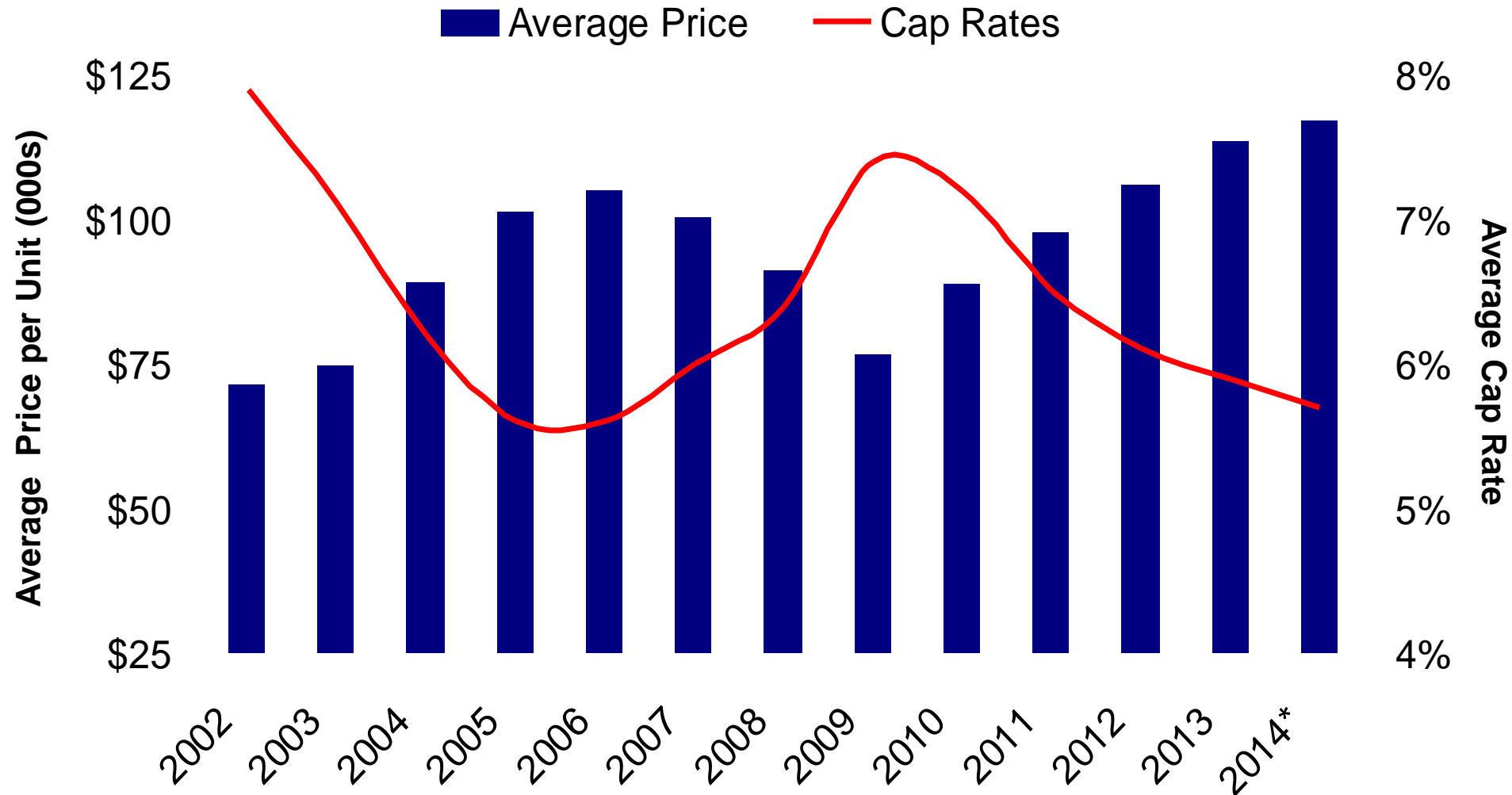


Includes sales \$1 million and greater

Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics

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U.S. Apartment Price and Cap Rate Trends



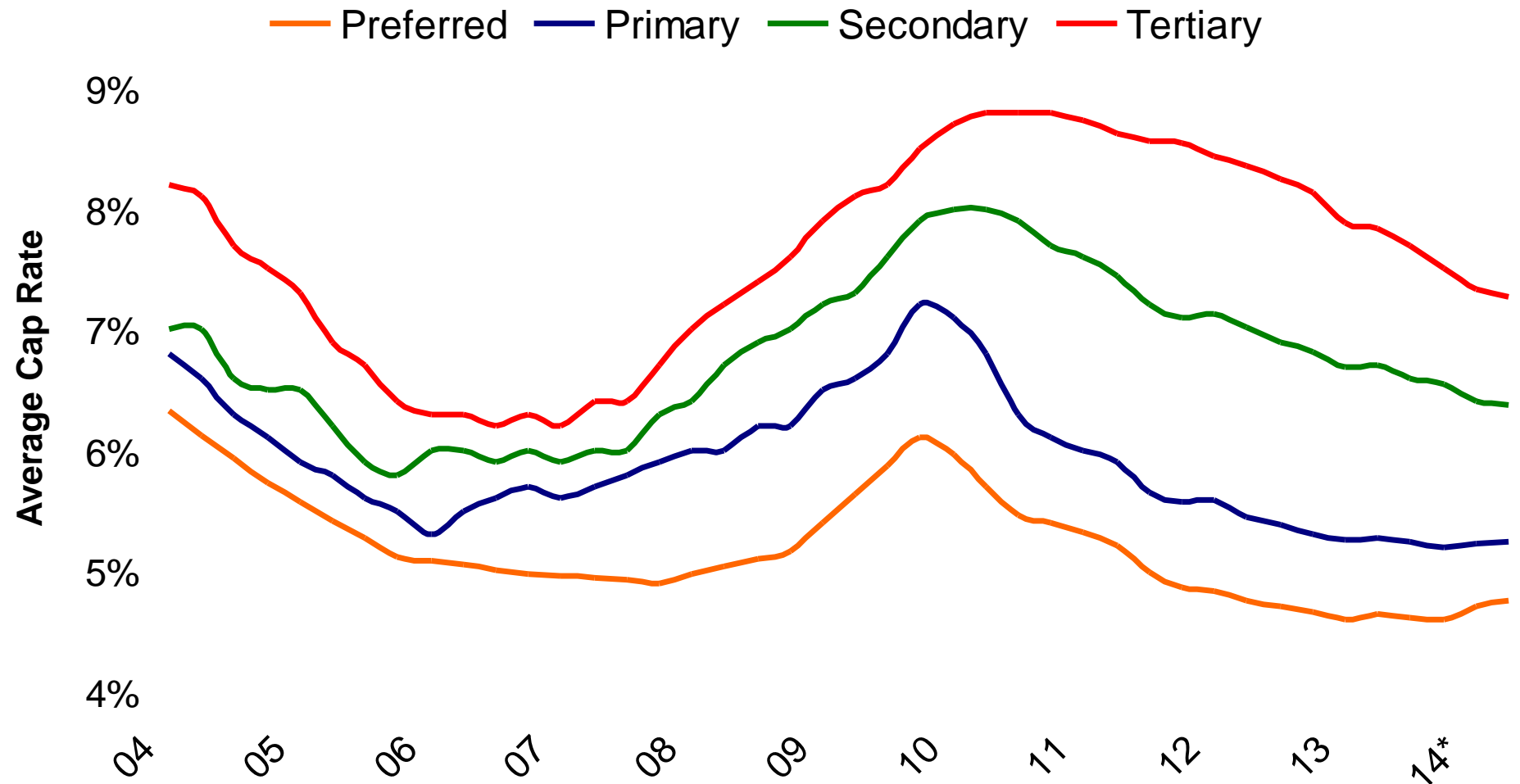
* Through 2Q

Includes sales \$1 million and greater

Sources: Marcus & Millichap Research Services, Real Capital Analytics, CoStar Group, Inc.

Marcus & Millichap

Repricing of Risk by Quality Reflected in Apartment Cap Rate Trends by Market



* Through 2Q

Includes sales \$1 million and greater

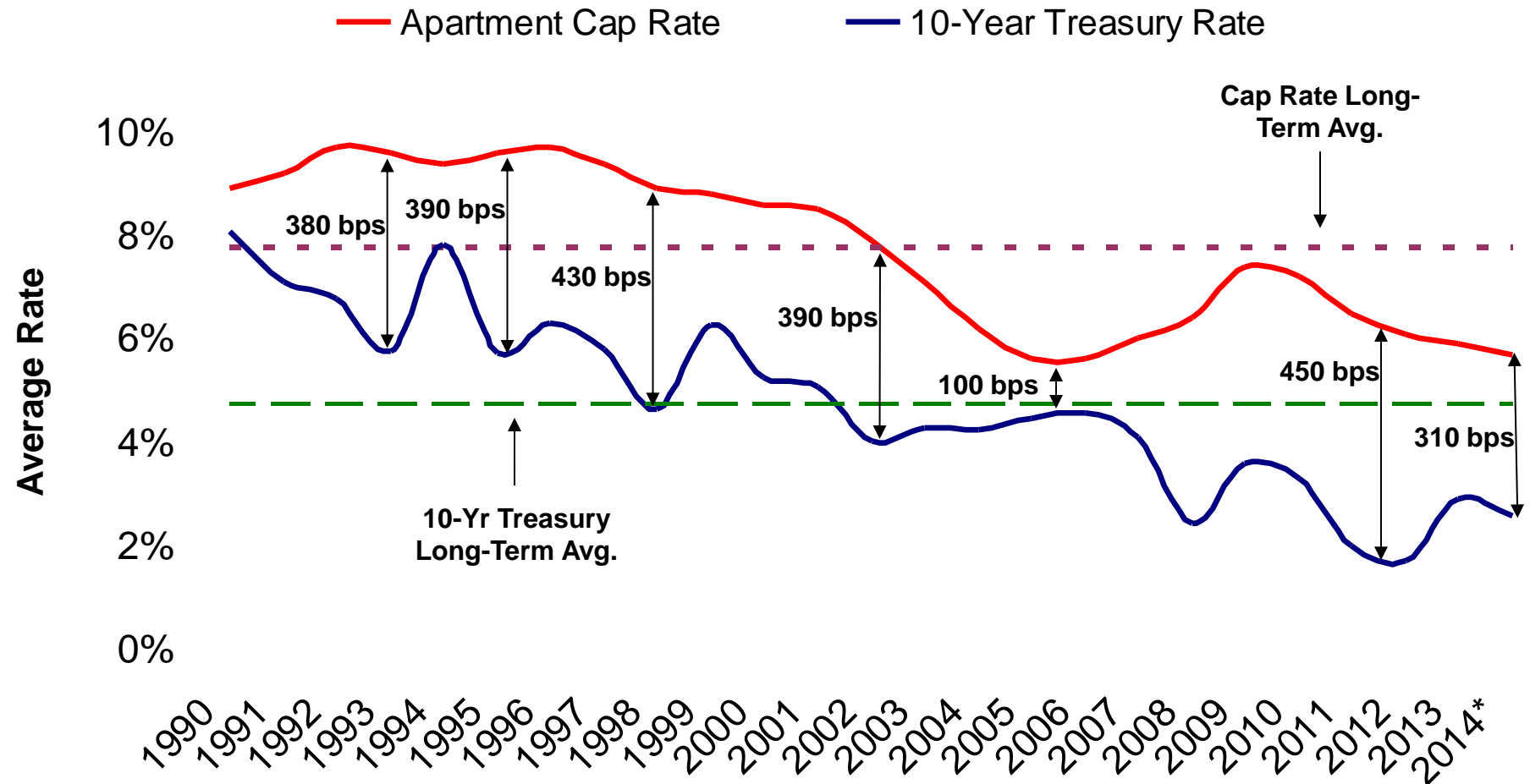
Preferred Markets Include: NY, DC, BOS, SD, LA, OC, SJ, SF, SEA

Sources: Marcus & Millichap Research Services, Real Capital Analytics, CoStar Group, Inc.

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Apartment Cap Rate Trends

Average Cap Rates vs. 10-Year Treasury



* Through July 8

Includes sales \$1 million and greater

Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics, Federal Reserve

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National Sales Trend Overview

Questions?



2014

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