



2015: A Year of Change for Real Estate

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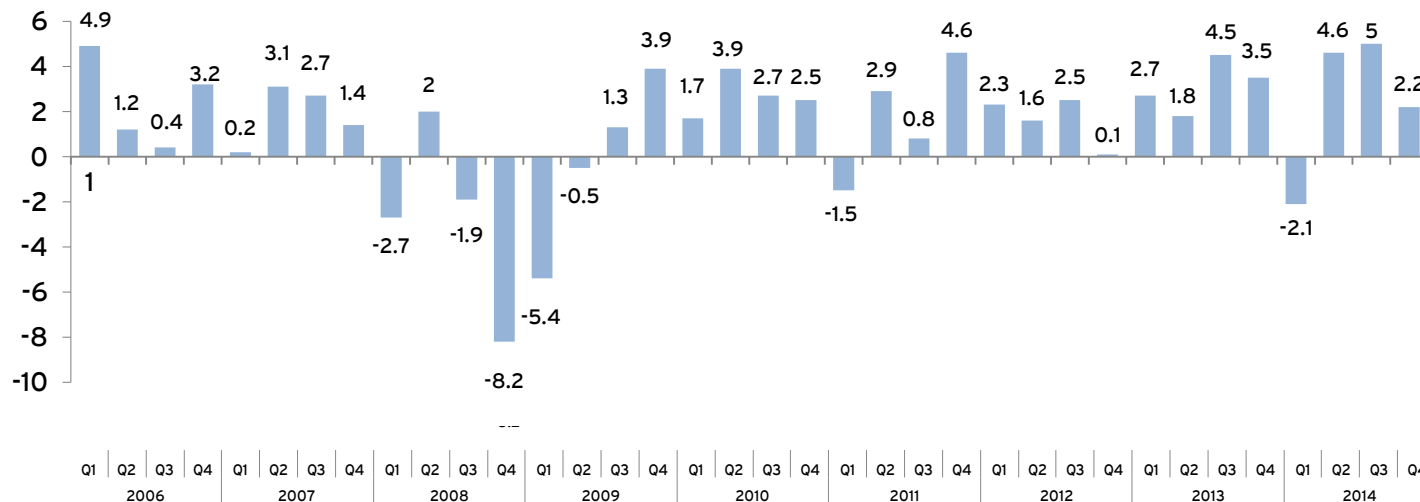
Agenda

- Oh, how the US economy grew in 2014.
- Review of major demographic forces.
- Recent trends in the housing market.
- Broader trends that have changed the strategic landscape for housing (and that will continue to influence investment and development decisions in the near term).
- Quick update on seniors housing.
- Update on capital markets.

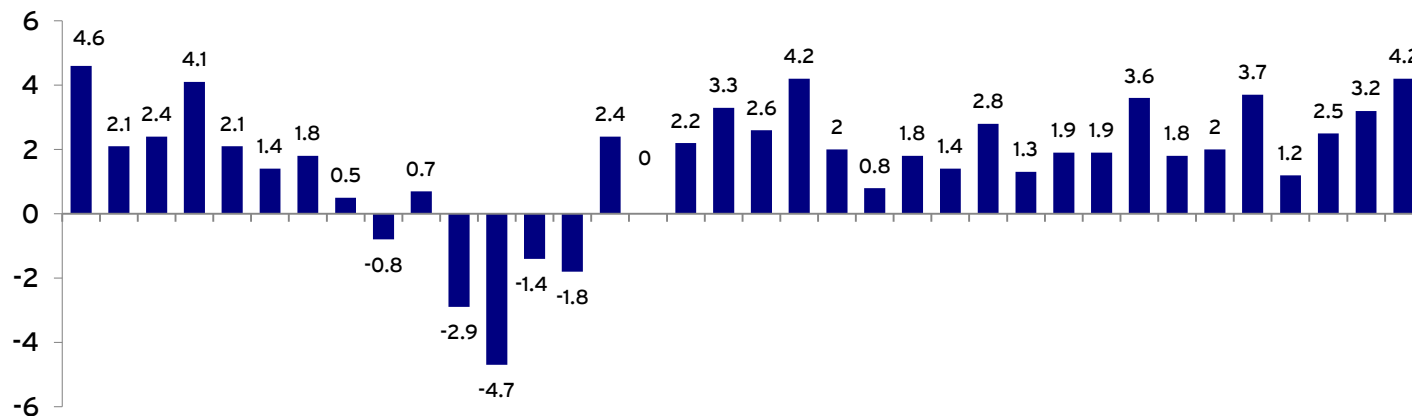
The Macroeconomic Backdrop

Source: Bureau of Economic Analysis

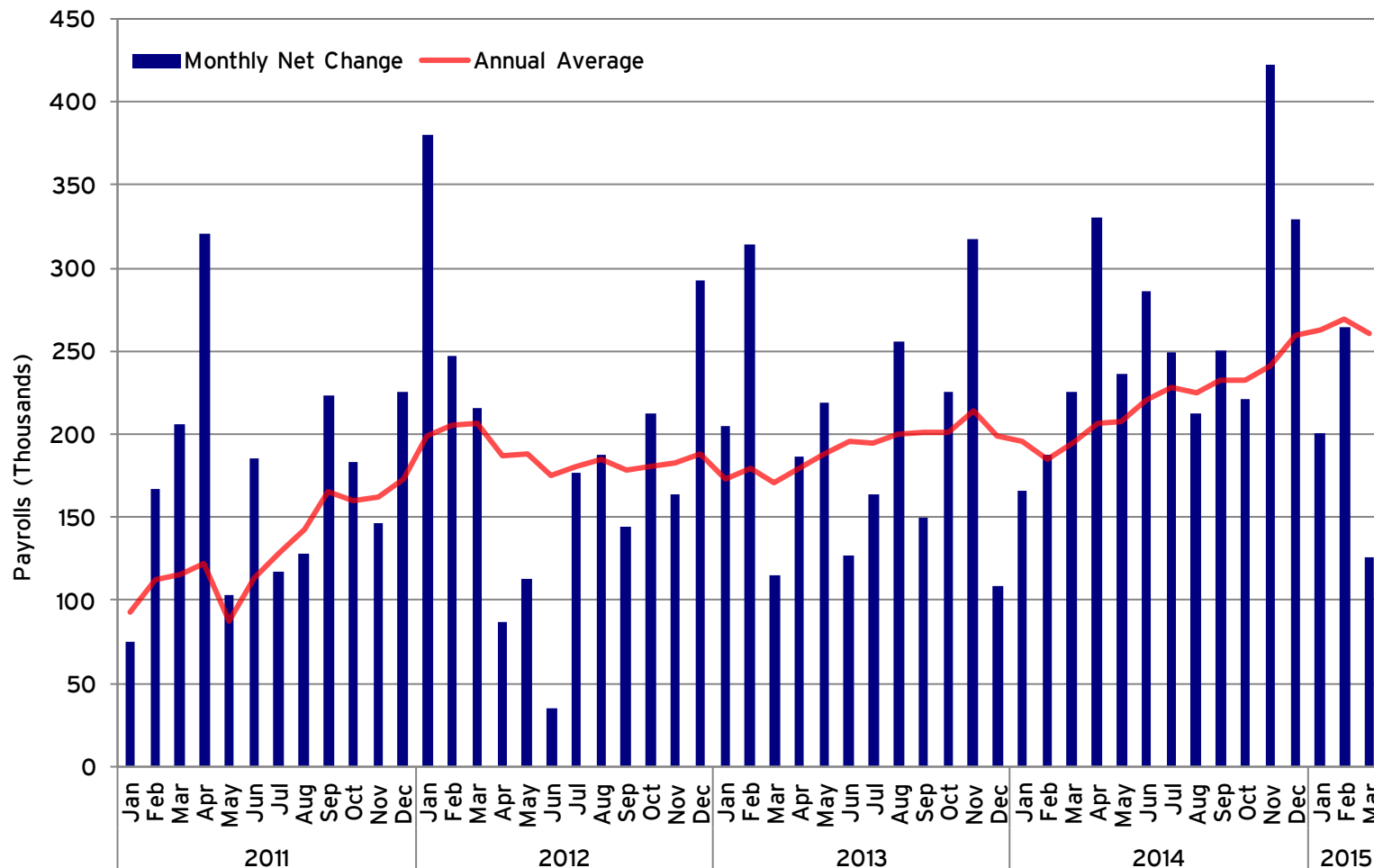
GDP
Percentage
Change at
Annual Rate



Consumer Spending
Percentage
Change at
Annual Rate



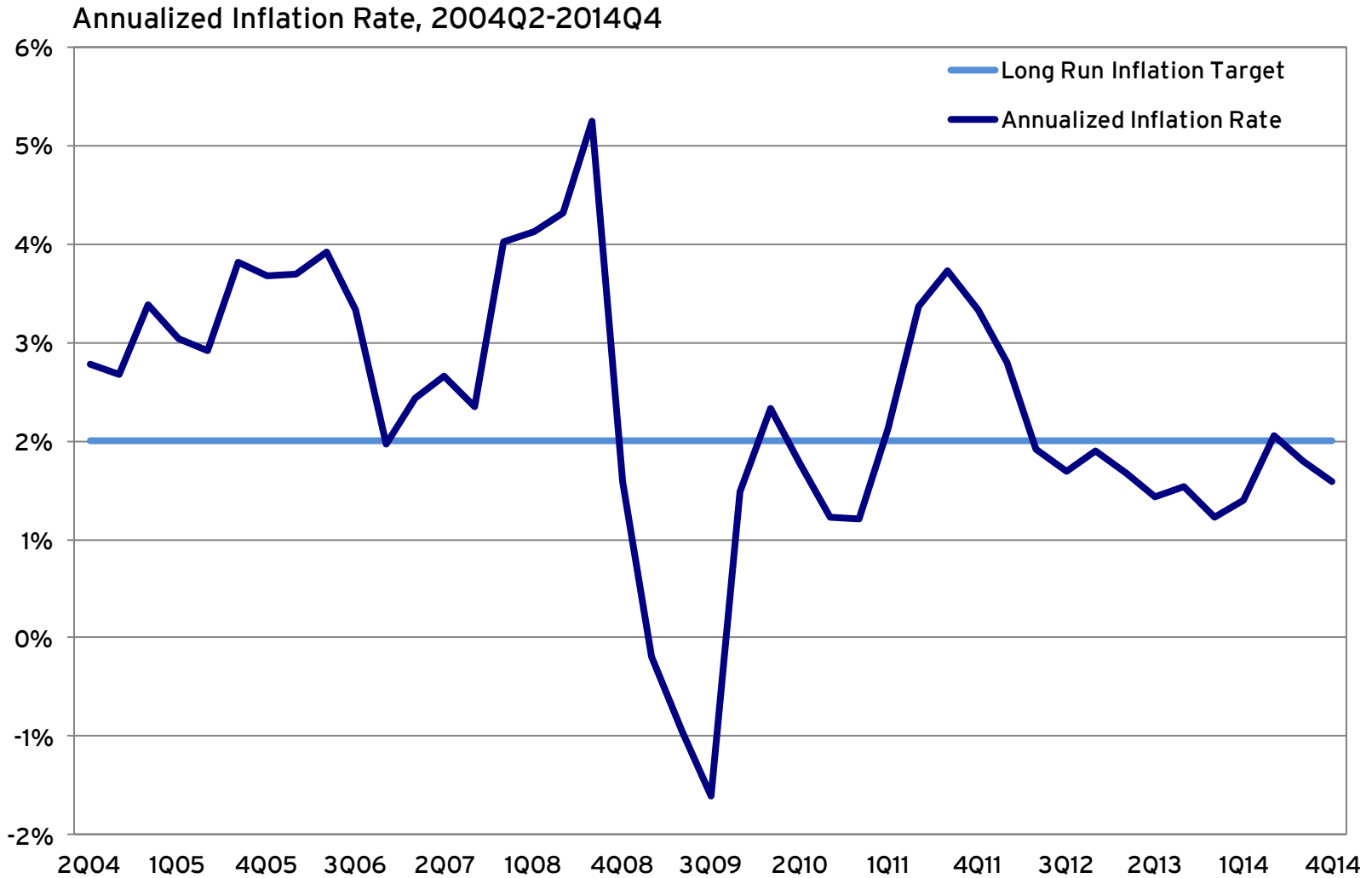
Payroll Growth Accelerated in 2014



Source: BLS

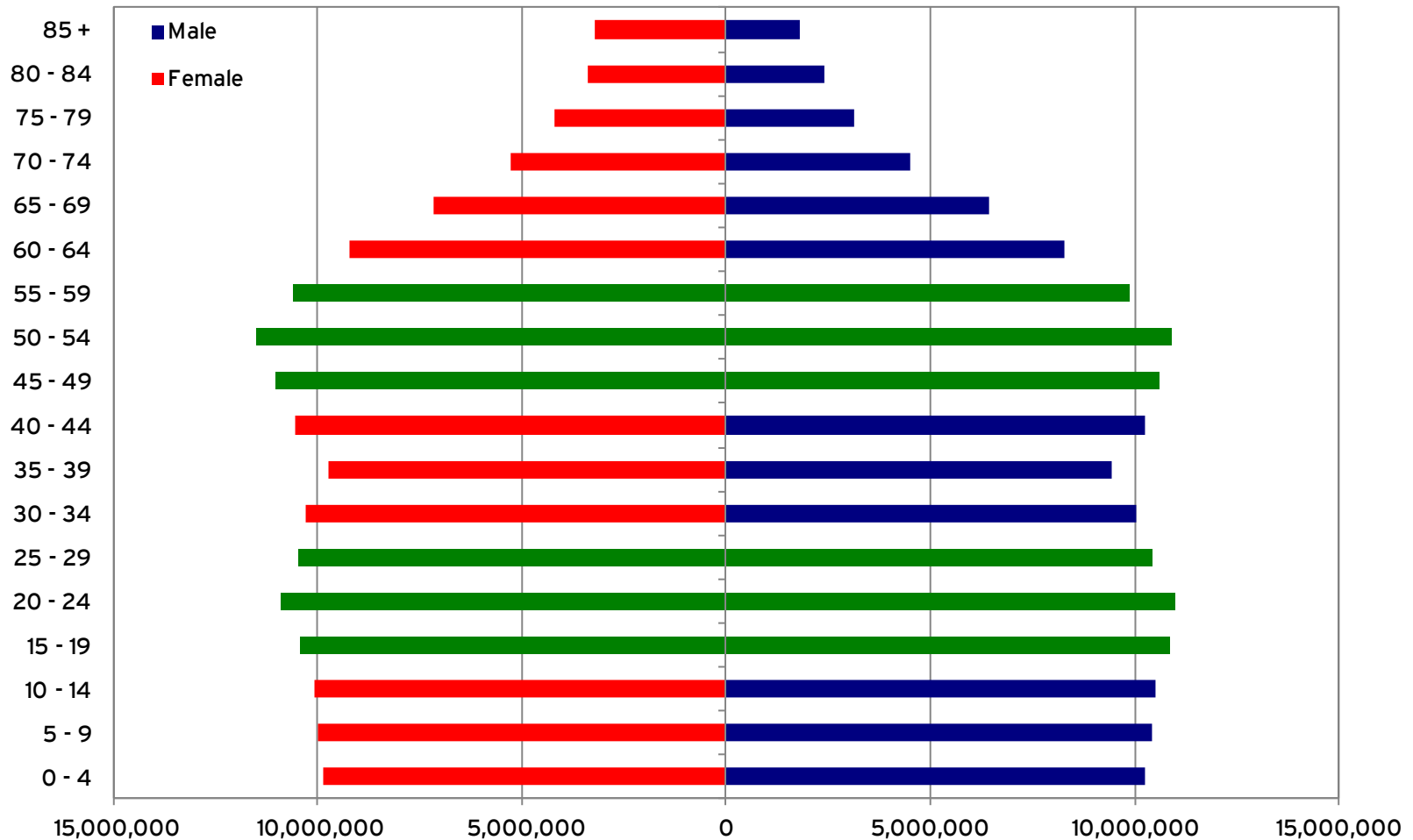
Inflation Decelerating

Current Inflation Rate vs. Long Run Inflation Target



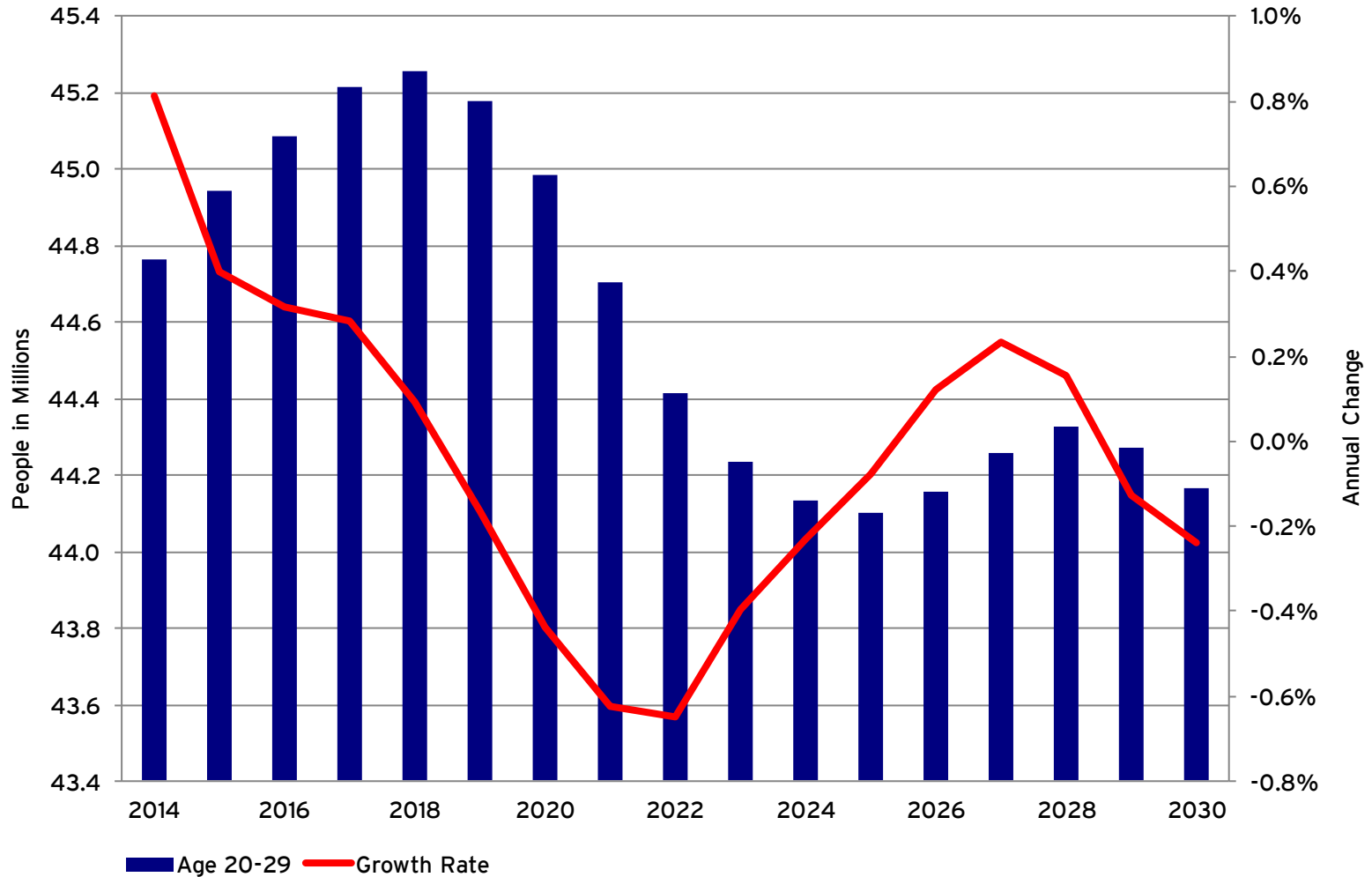
Source: Moody's Analytics

Population Pyramid



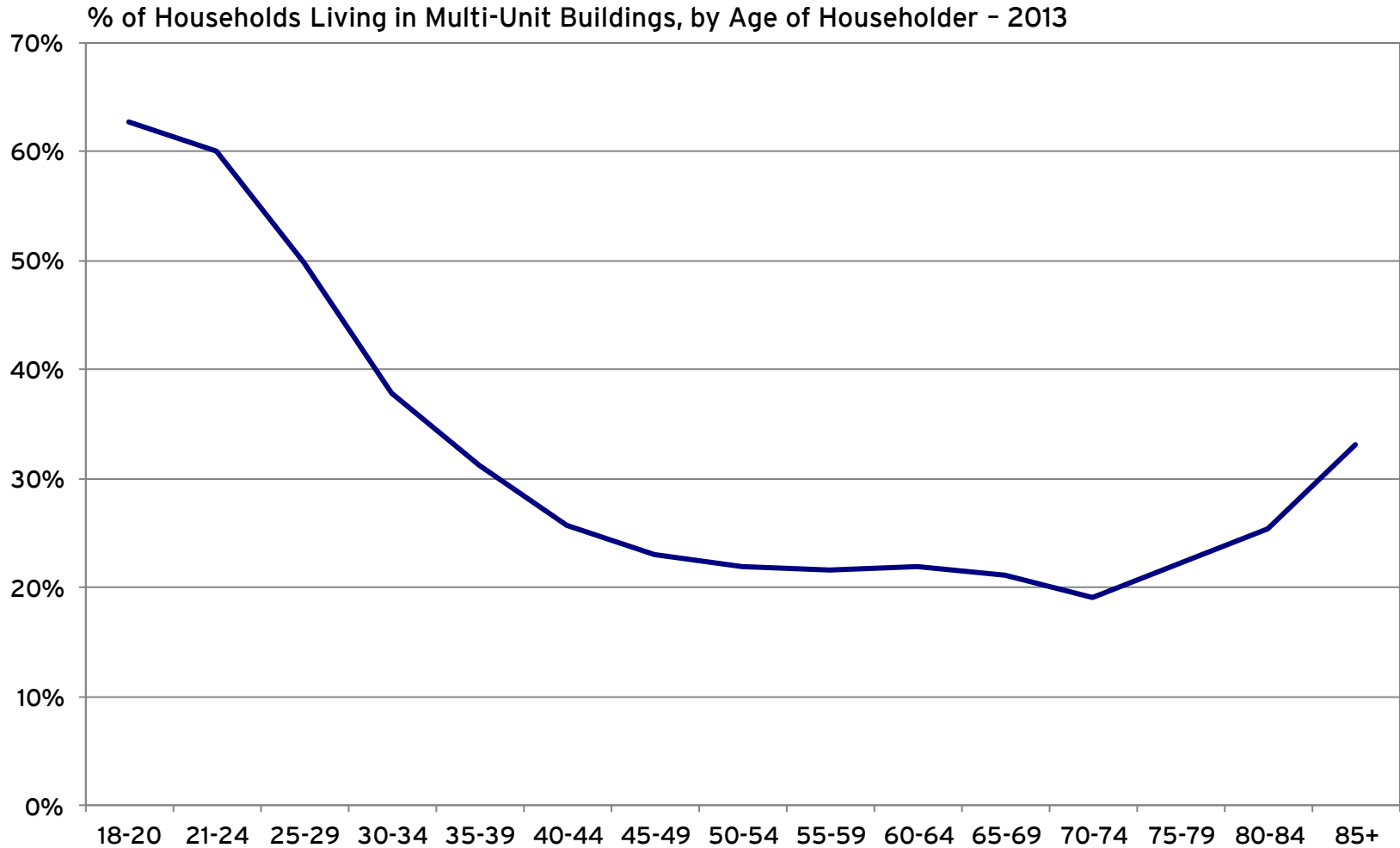
Source: Census

Echo Boom Times Ahead



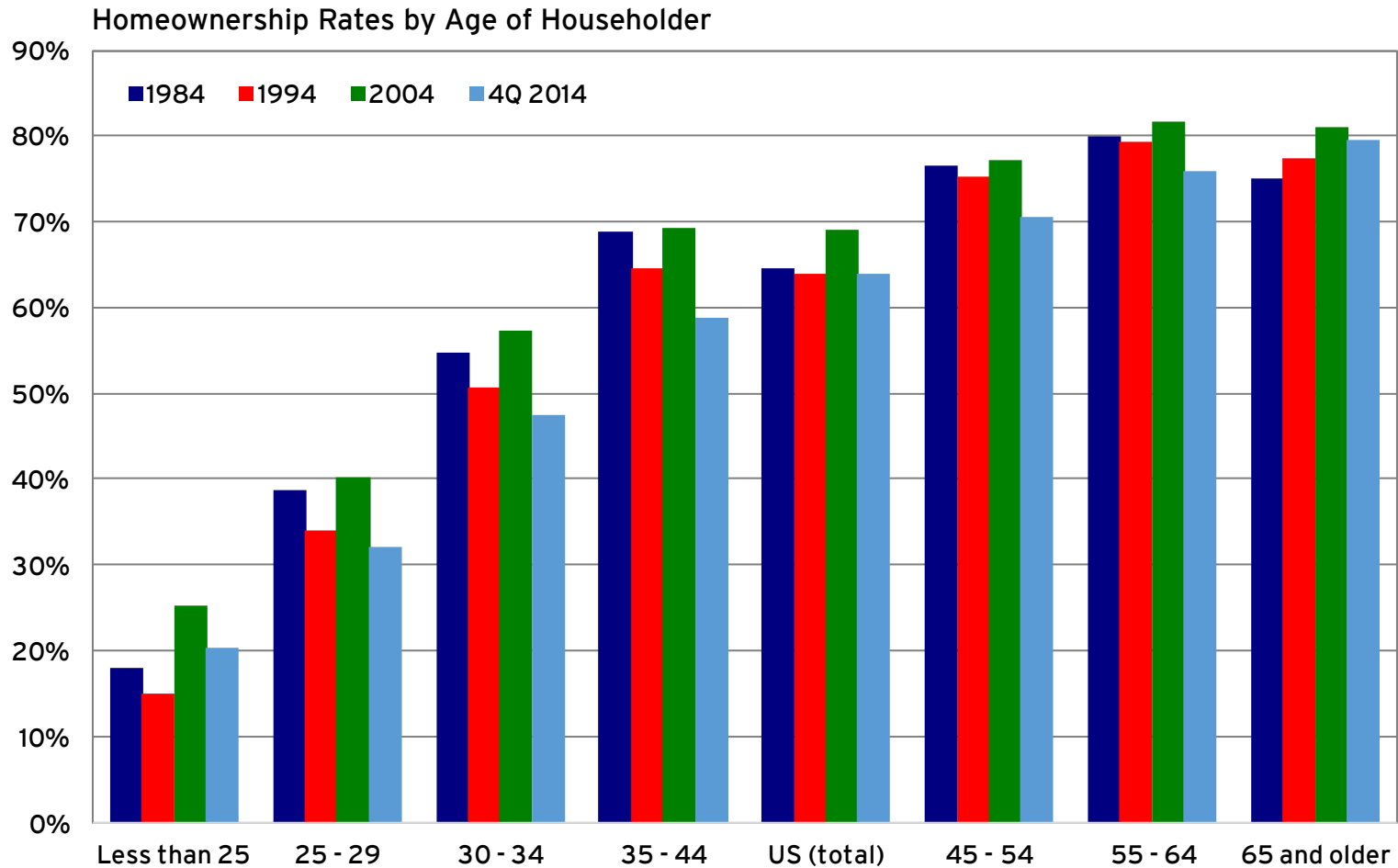
Source: Moody's Analytics

Renter Lifecycle



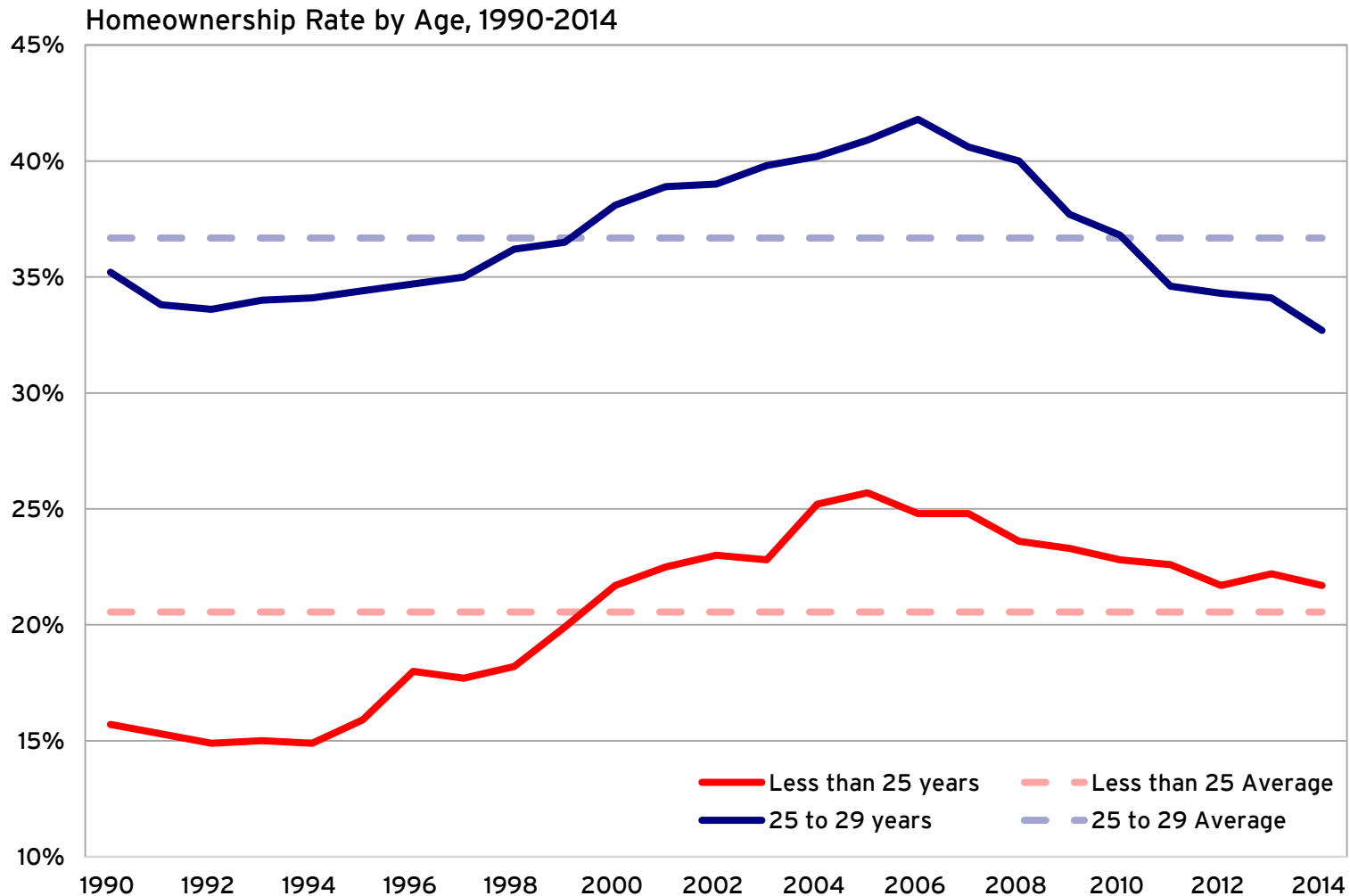
Source: Census, Trulia

Trends in Homeownership Across Age Groups



Source: Census

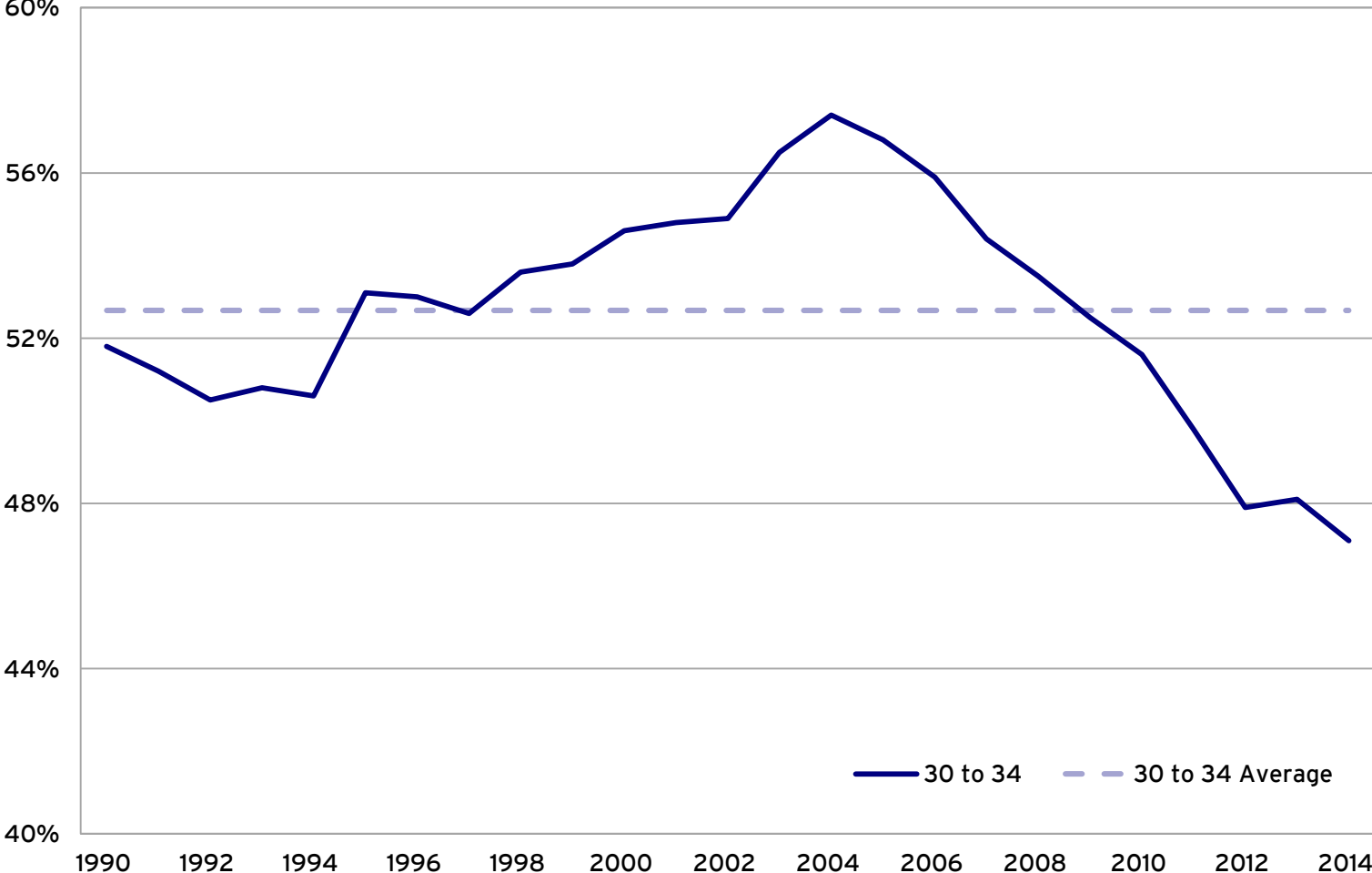
Homeownership Rates



Source: Census

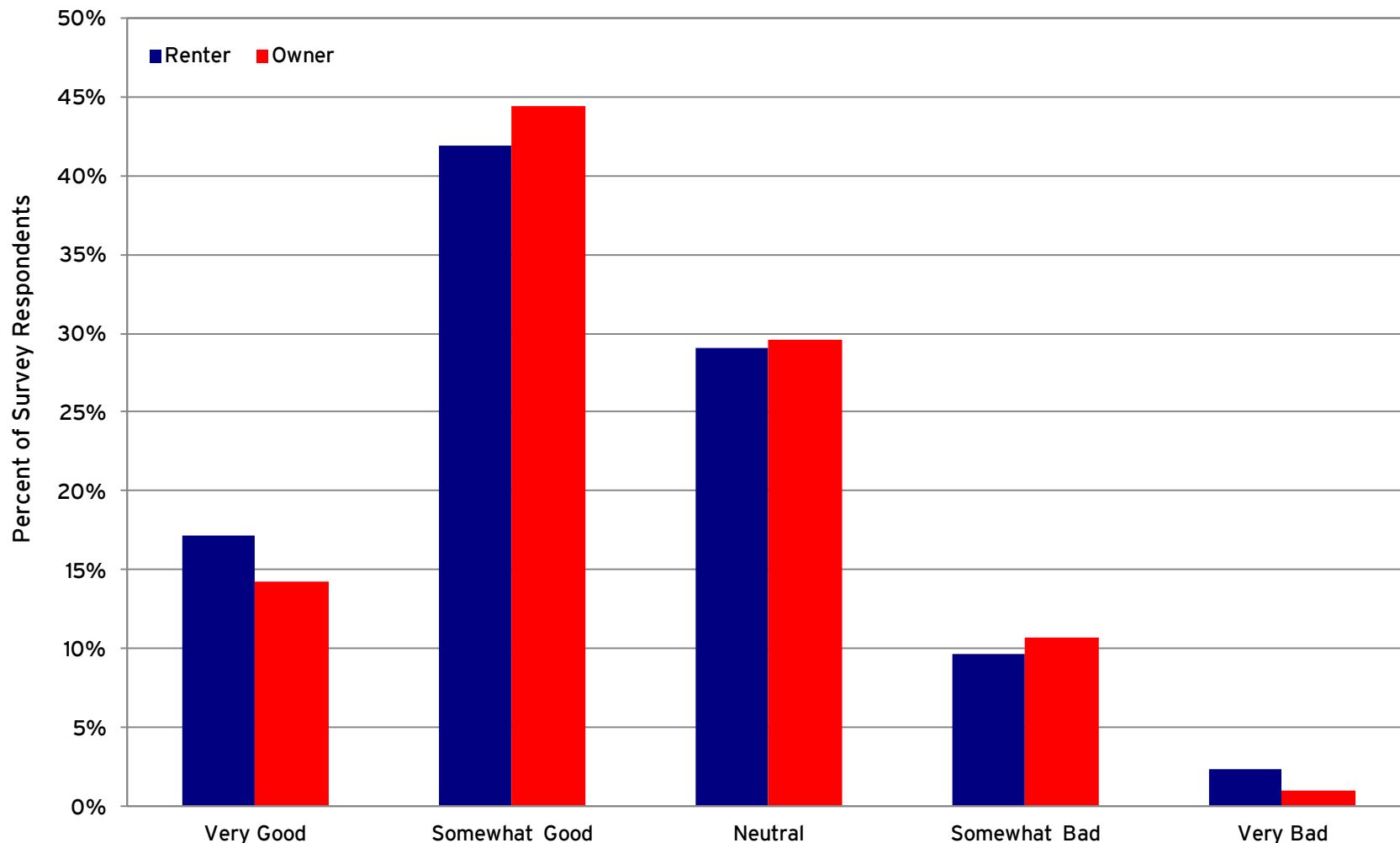
Homeownership Rates

Homeownership Rate by Age, 1990-2014



Source: Census

Is Housing a Good or Bad Investment?



Source: New York Fed's Survey of Consumer Expectations

National Apartment Market

Quarterly and Annual Market Conditions



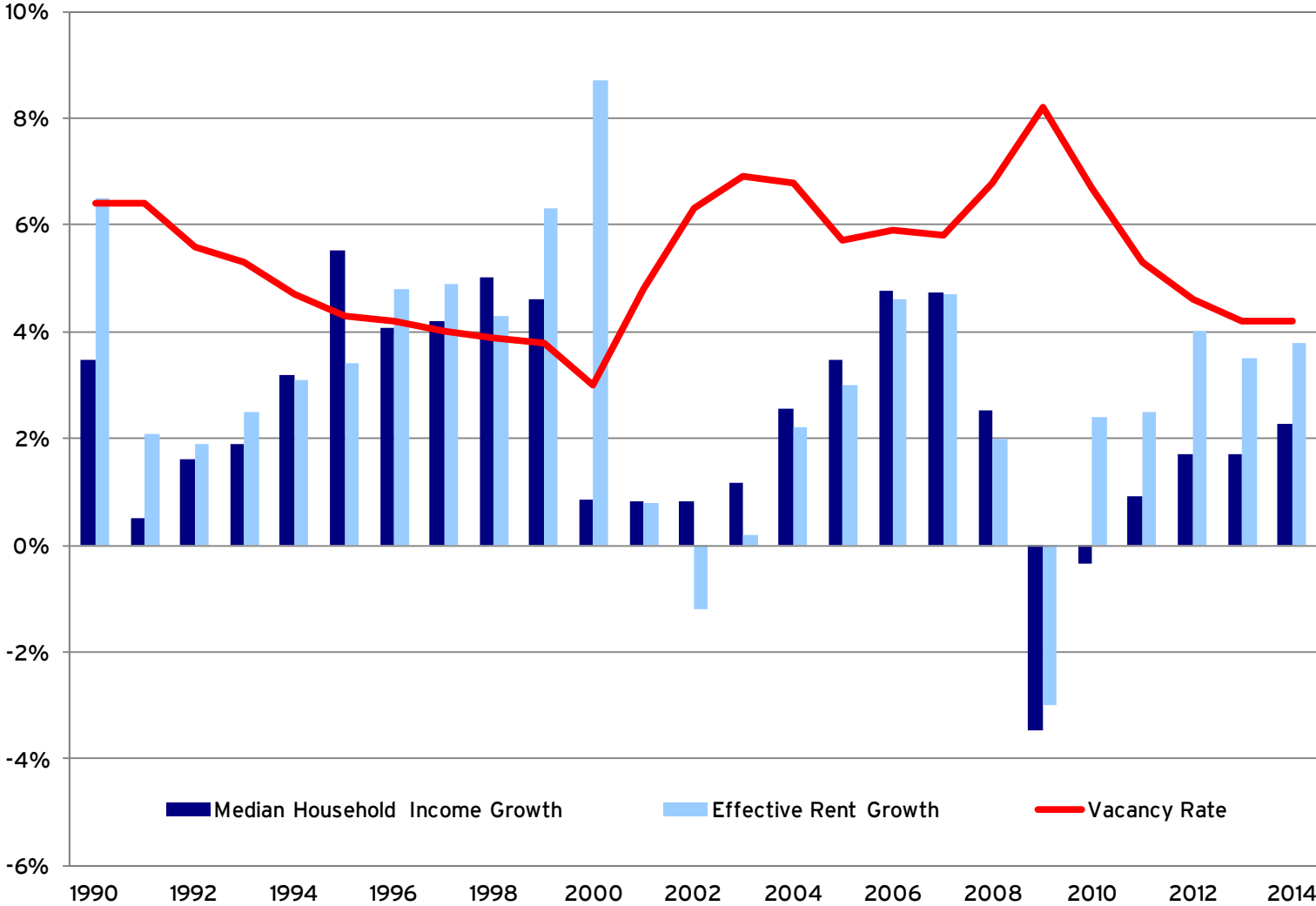
Year	Qtr	Asking Rent	Percent Change	Effective Rent	Percent Change	Vacancy Rate
2008	1	\$1,035	0.9%	\$982	0.8%	6.0%
2008	2	\$1,046	1.0%	\$992	1.0%	6.1%
2008	3	\$1,052	0.6%	\$998	0.6%	6.2%
2008	4	\$1,050	-0.2%	\$993	-0.4%	6.7%
2009	1	\$1,045	-0.5%	\$983	-1.1%	7.4%
2009	2	\$1,039	-0.5%	\$974	-0.9%	7.7%
2009	3	\$1,033	-0.5%	\$971	-0.3%	7.9%
2009	4	\$1,026	-0.7%	\$964	-0.7%	8.0%
2010	1	\$1,028	0.2%	\$967	0.3%	8.0%
2010	2	\$1,033	0.4%	\$975	0.7%	7.8%
2010	3	\$1,038	0.5%	\$981	0.7%	7.1%
2010	4	\$1,043	0.5%	\$987	0.6%	6.6%
2011	1	\$1,048	0.4%	\$992	0.5%	6.2%
2011	2	\$1,054	0.6%	\$998	0.6%	5.9%
2011	3	\$1,060	0.7%	\$1,005	0.7%	5.6%
2011	4	\$1,065	0.4%	\$1,011	0.5%	5.3%
2012	1	\$1,071	0.5%	\$1,020	0.9%	5.0%
2012	2	\$1,082	1.1%	\$1,033	1.3%	4.8%
2012	3	\$1,092	0.9%	\$1,043	0.9%	4.8%
2012	4	\$1,098	0.6%	\$1,050	0.6%	4.6%
2013	1	\$1,104	0.5%	\$1,056	0.6%	4.4%
2013	2	\$1,112	0.7%	\$1,064	0.8%	4.3%
2013	3	\$1,123	1.0%	\$1,075	1.1%	4.3%
2013	4	\$1,133	0.9%	\$1,085	0.9%	4.3%
2014	1	\$1,141	0.7%	\$1,093	0.8%	4.1%
2014	2	\$1,153	1.0%	\$1,105	1.1%	4.2%
2014	3	\$1,166	1.1%	\$1,118	1.2%	4.2%
2014	4	\$1,173	0.6%	\$1,125	0.6%	4.2%
2015	1	\$1,179	0.6%	\$1,132	0.6%	4.2%

Year	Asking Rent	Percent Change	Effective Rent	Percent Change	Vacancy Rate
2005	\$944	2.5%	\$891	3.0%	5.7%
2006	\$982	4.0%	\$930	4.4%	5.8%
2007	\$1,026	4.4%	\$974	4.7%	5.7%
2008	\$1,050	2.4%	\$993	2.0%	6.7%
2009	\$1,026	-2.3%	\$964	-2.9%	8.0%
2010	\$1,043	1.7%	\$987	2.3%	6.6%
2011	\$1,065	2.1%	\$1,011	2.4%	5.3%
2012	\$1,098	3.1%	\$1,050	3.9%	4.6%
2013	\$1,133	3.2%	\$1,085	3.3%	4.3%
2014	\$1,172	3.5%	\$1,124	3.6%	4.2%
2015	\$1,213	3.5%	\$1,161	3.3%	4.8%
2016	\$1,251	3.1%	\$1,194	2.8%	5.1%
2017	\$1,284	2.7%	\$1,222	2.4%	5.4%
2018	\$1,315	2.4%	\$1,250	2.2%	5.5%
2019	\$1,344	2.2%	\$1,280	2.4%	5.8%

- National vacancy declined during the quarter by 10 basis points to 4.1%. Over the last year, national vacancy is unchanged.
- Asking and effective rent growth were virtually unchanged versus last quarter, both increasing by 0.6%.
- Annualized rent growth strongest of the major property types.

Source: Reis; 79 of 275 Apartment Markets

Strong Correlation Between Income Growth and Rent Growth

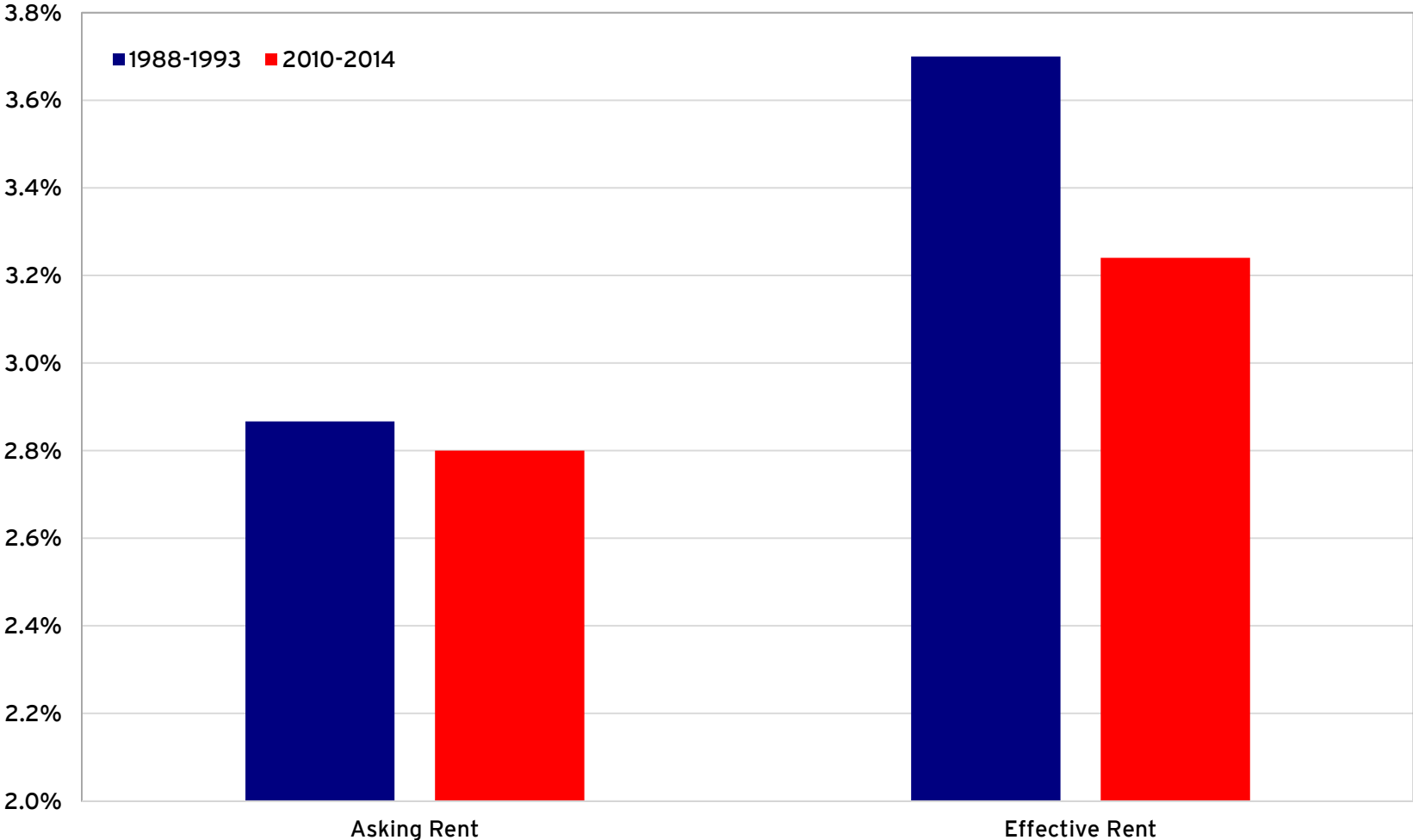


Source: Census

Average Annual Apartment Rent Growth



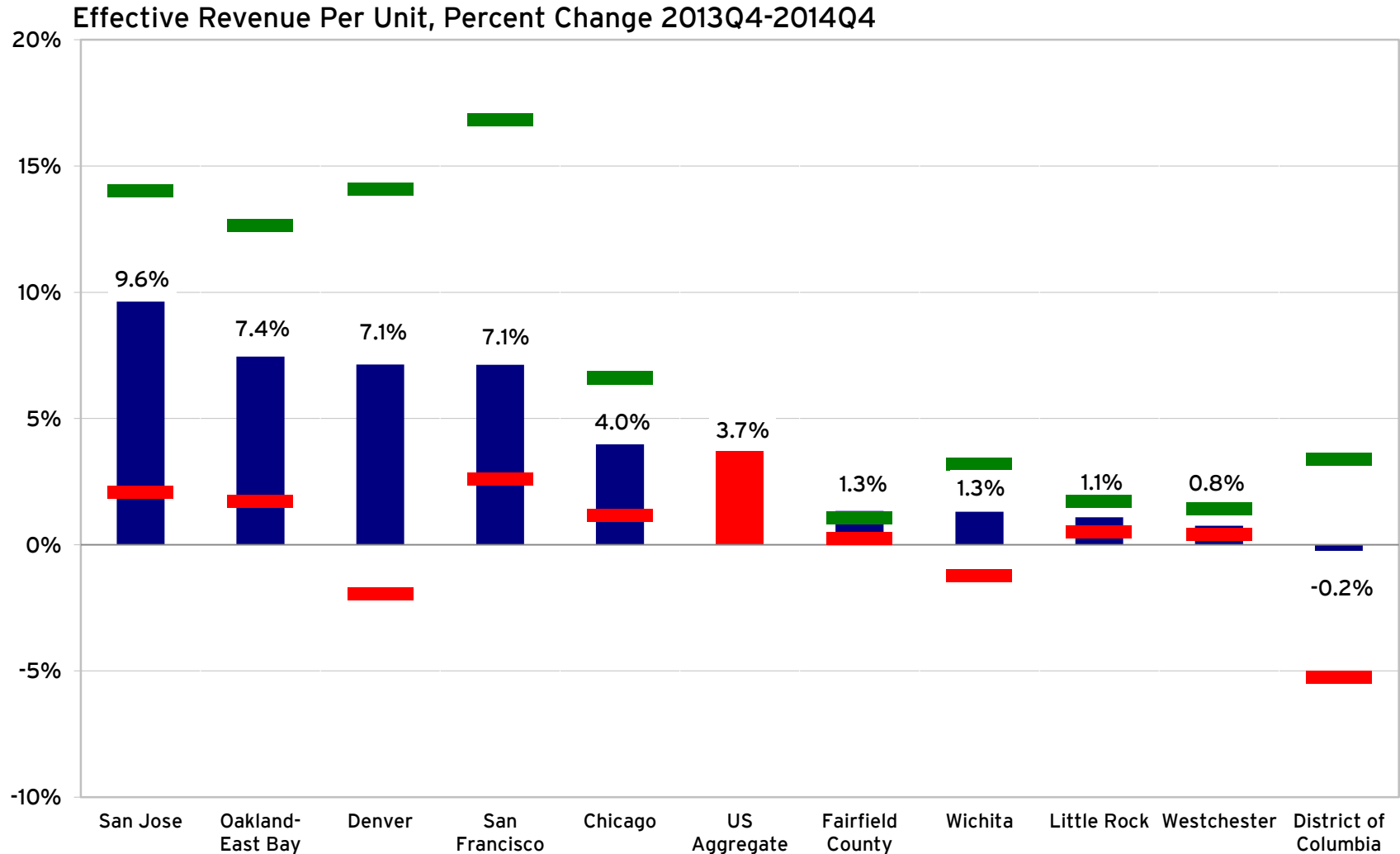
1988-1993 vs. 2010-2014



Source: Reis Inc

Top and Bottom Apartment Markets

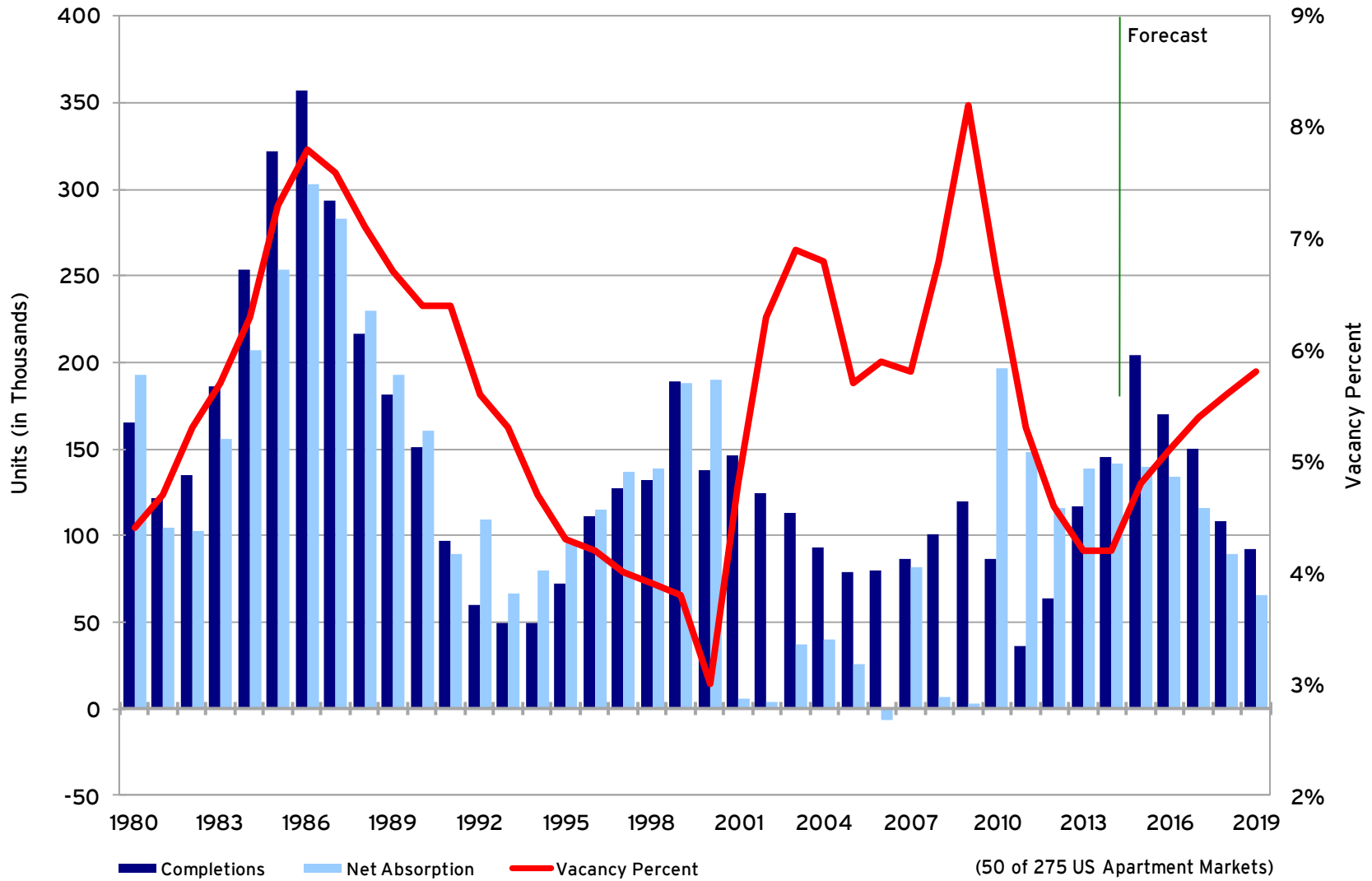
Year-Over-Year Comparisons for the Fourth Quarter of 2014



Source: Reis

National Apartment Market

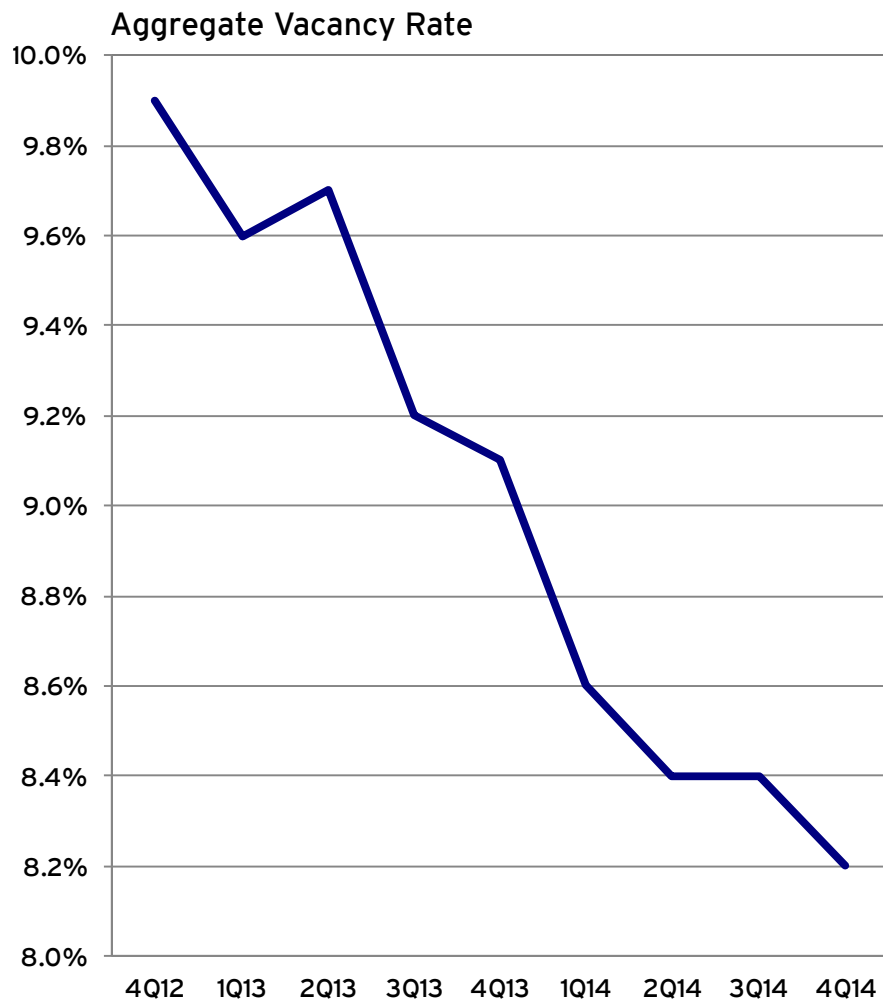
Supply & Demand Trends



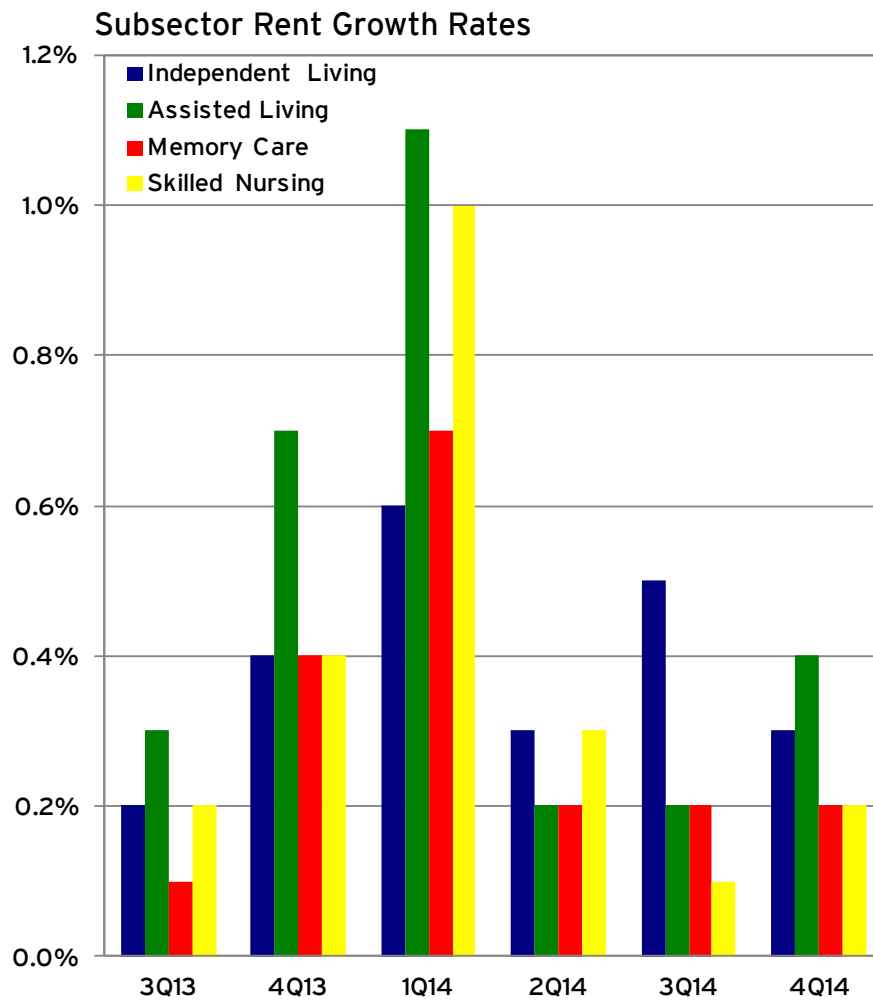
Source: Reis

(50 of 275 US Apartment Markets)

Seniors Housing Fundamentals



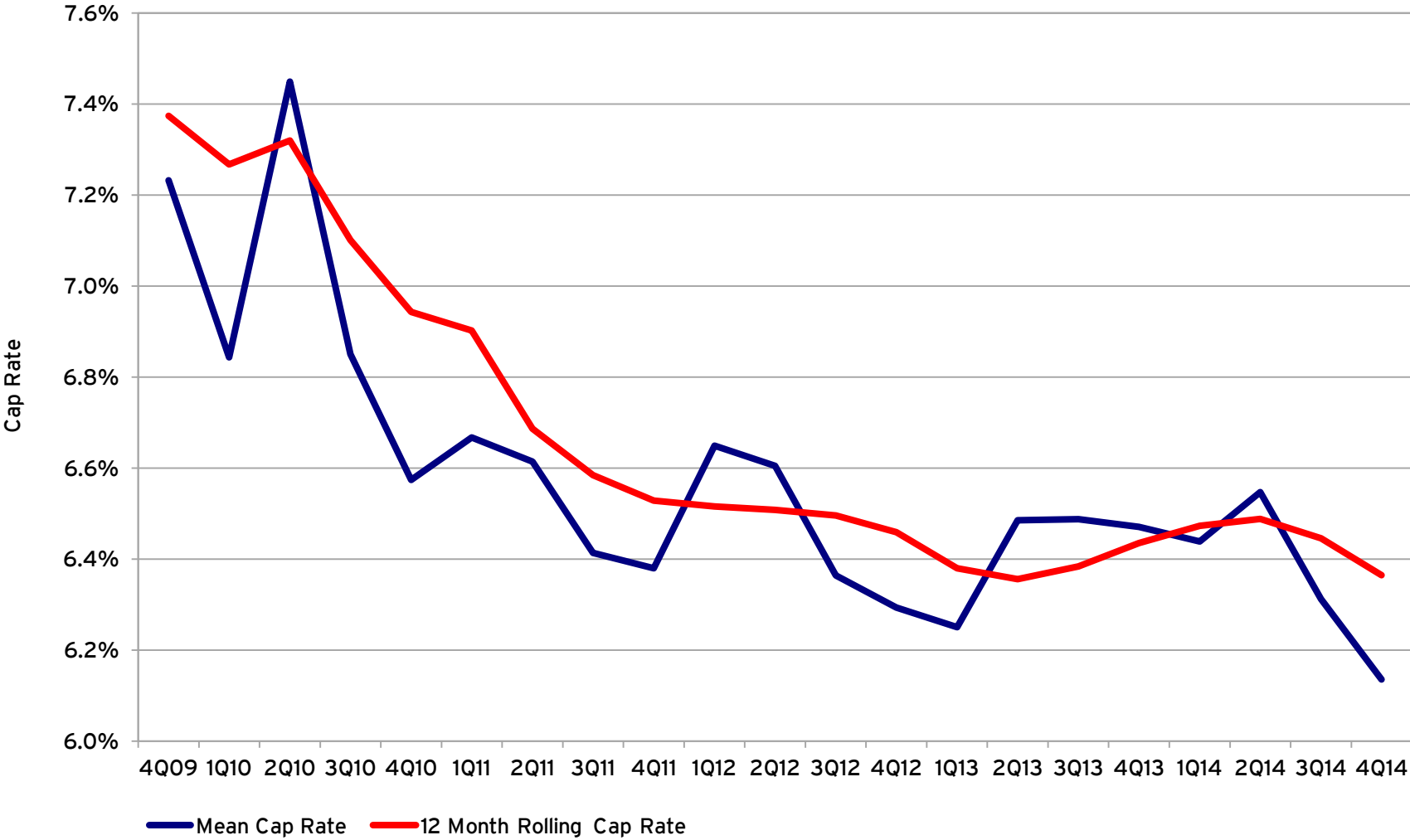
Source: Reis



National Apartment Market

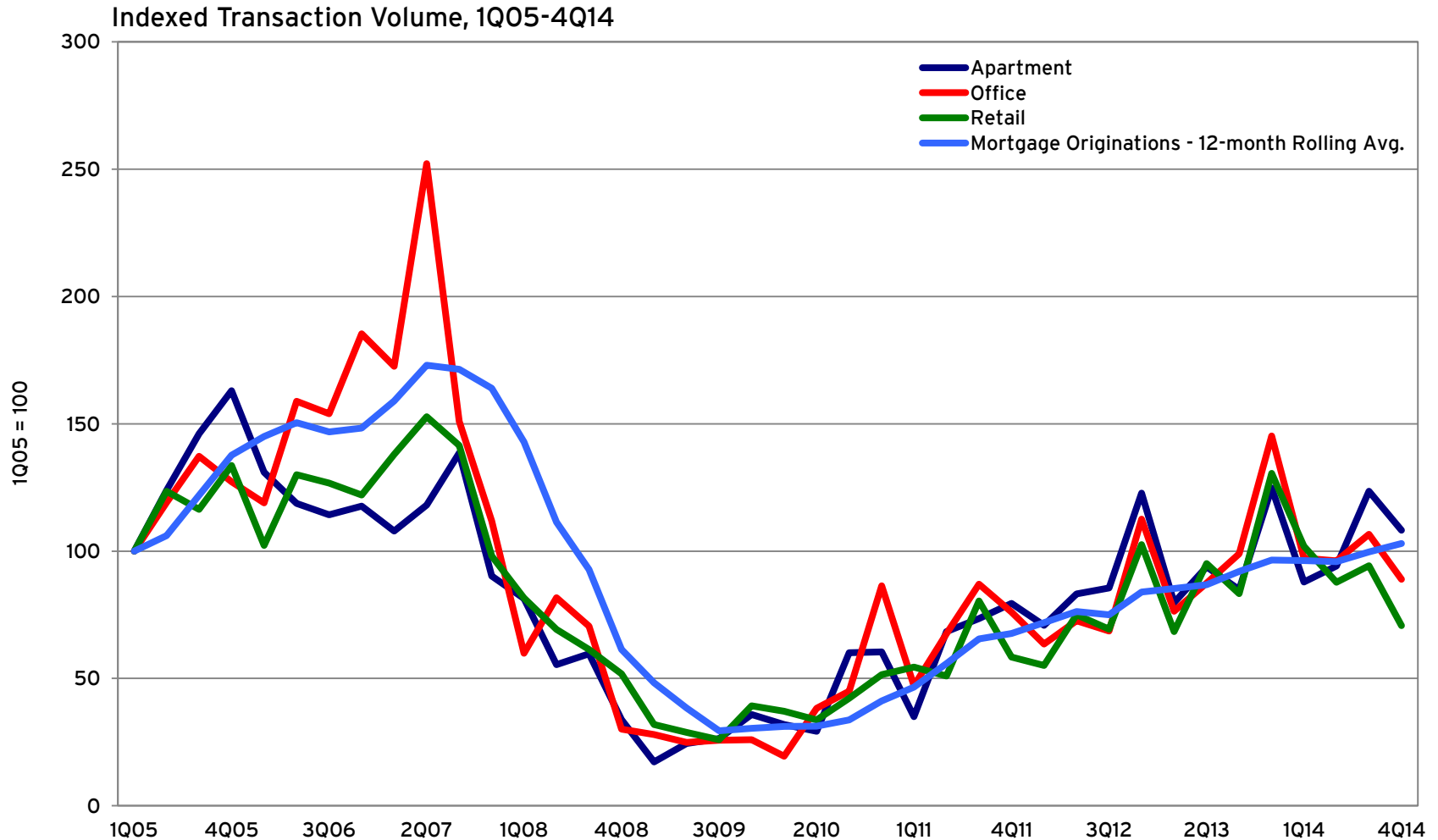


Cap Rate Trends



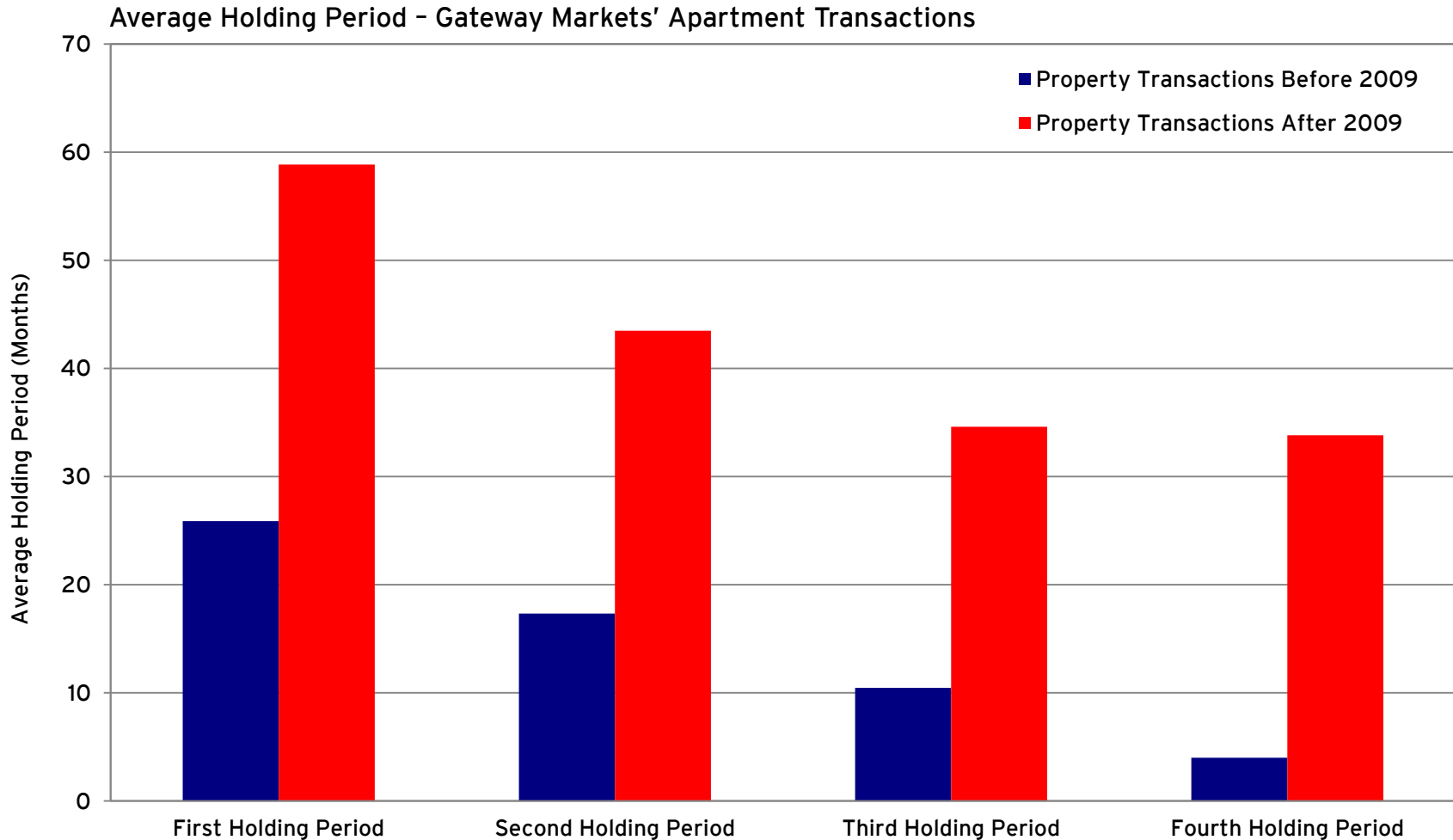
Source: Reis

Transaction Volume



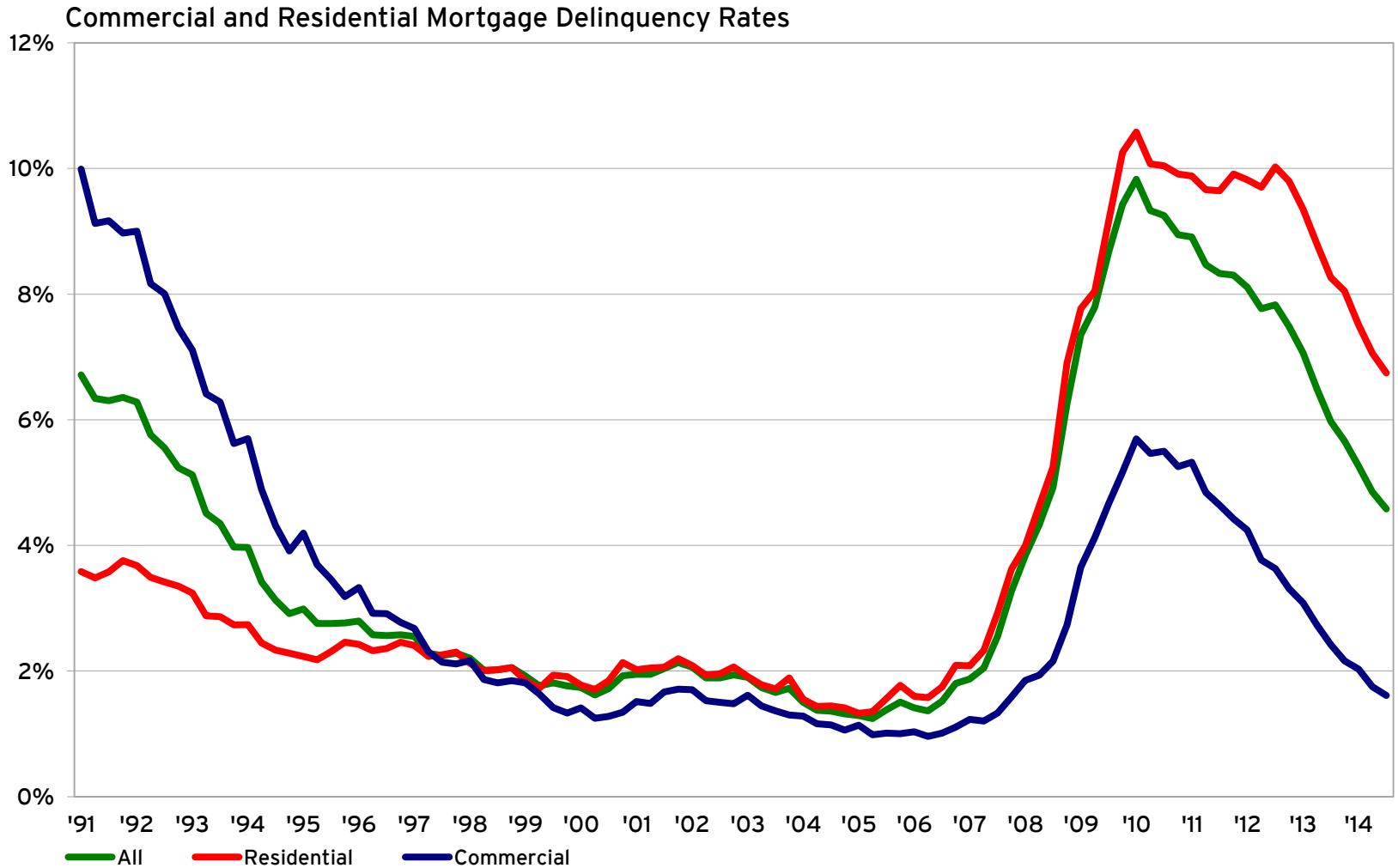
Source: Reis

Longer Holding Periods



Source: Reis

Mortgage Performance



Source: Federal Reserve; FDIC Quarterly Banking Profile

Summary and Conclusions

- Multifamily fundamentals remained strong, but vacancies may really begin to rise this year.
- The for-sale housing market is rebounding and should accelerate along with the macroeconomy.
- The US is unlikely to be bogged down in stagnation; but given our integration with the global economy, non-domestic idiosyncratic factors (very challenging to forecast) now represent the highest risk to the rosier of predictions for US growth in 2015.



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