



Markets, The Economy, and Commercial Real Estate: The Outlook for 2014

April 23, 2014

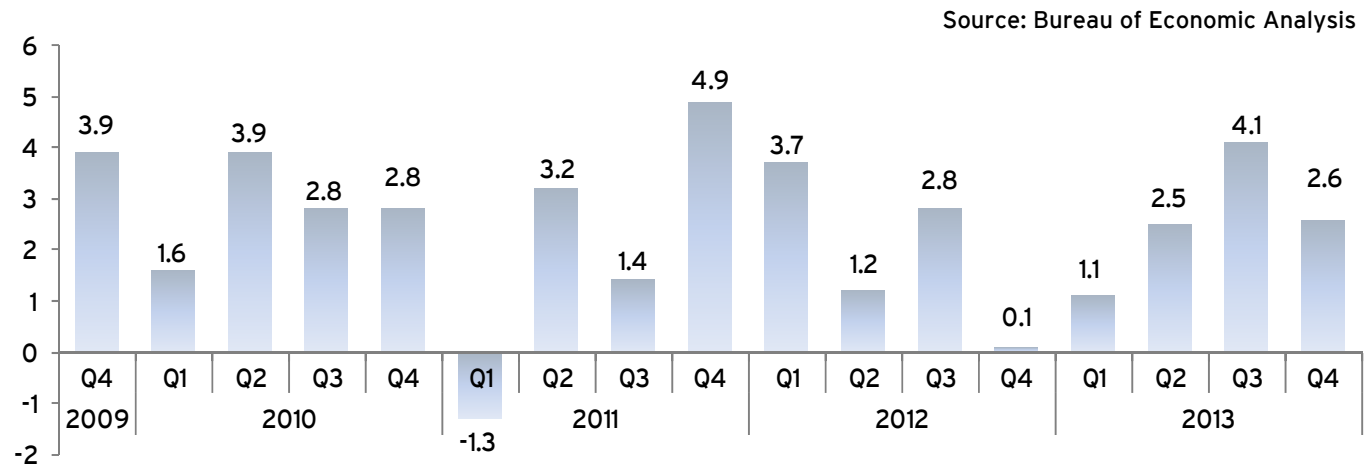
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Agenda

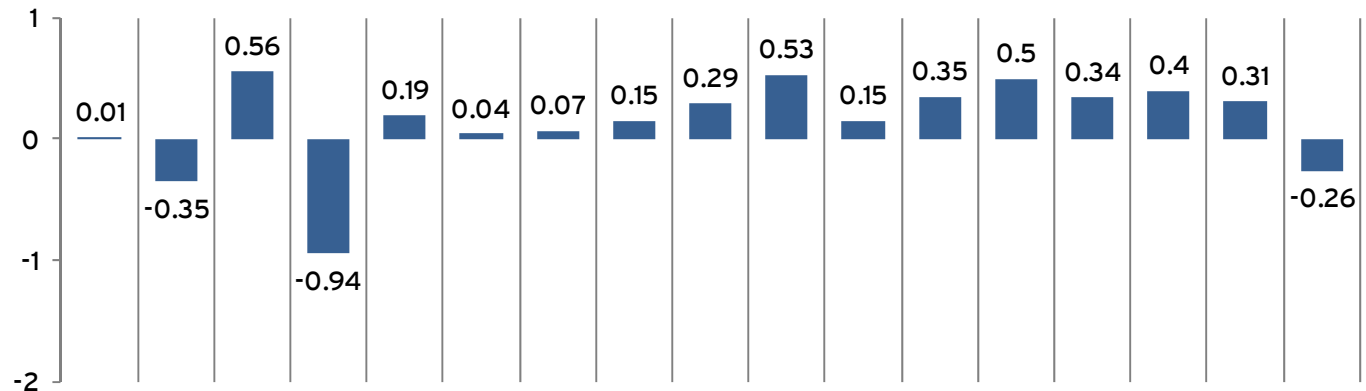
- A primer on trends the overall economy, labor markets, and monetary policy.
- An update on the performance of different property types (multifamily, office, retail, industrial) - focus on Portland and comparisons
- Capital markets and transaction trends
- Handoff to panel participants / Q&A

A Generally Positive Outlook for 2014

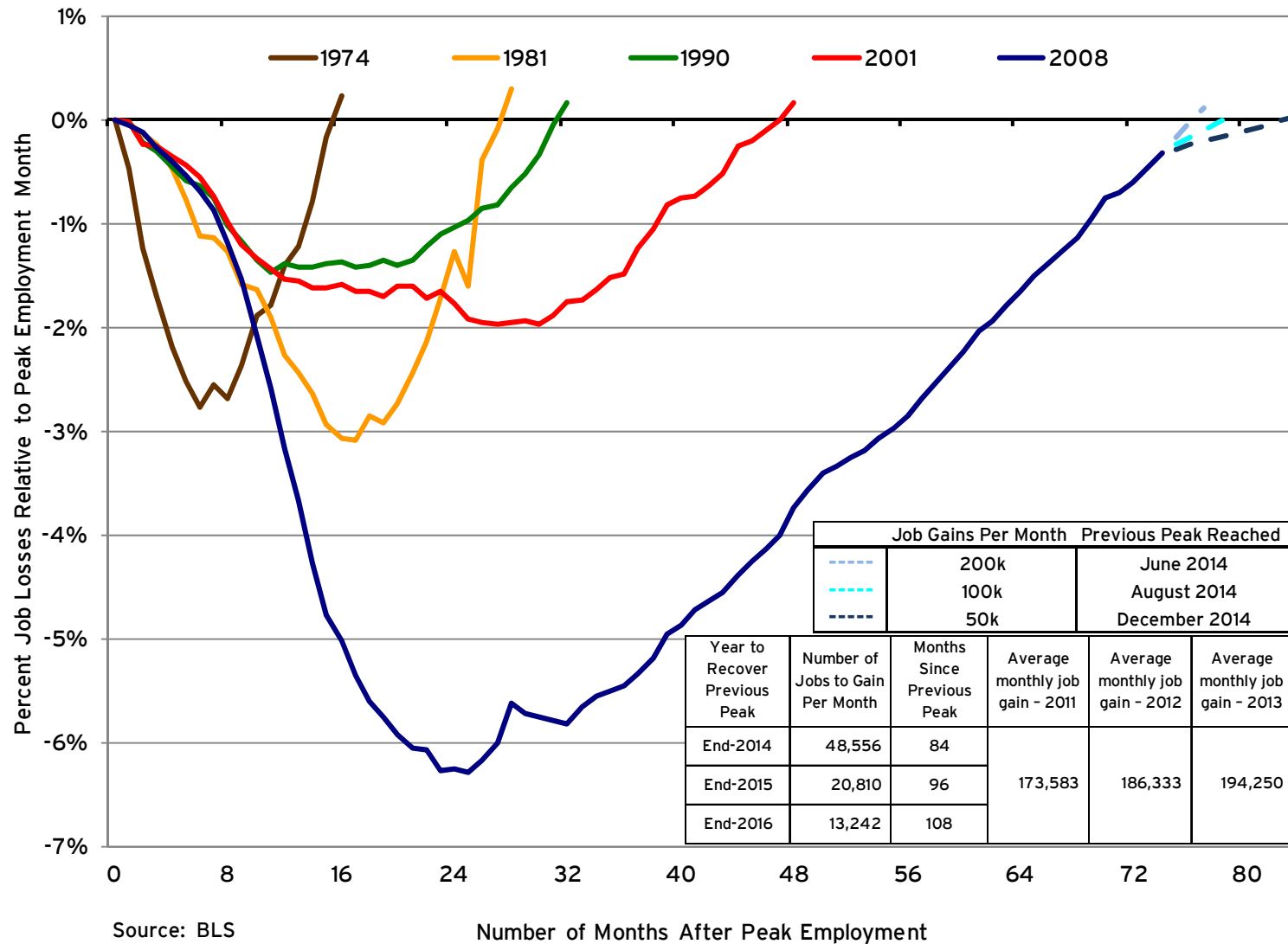
GDP Percentage Change at Annual Rate



Percent Contribution of Residential Investment



An "Acceleration" in Job Creation



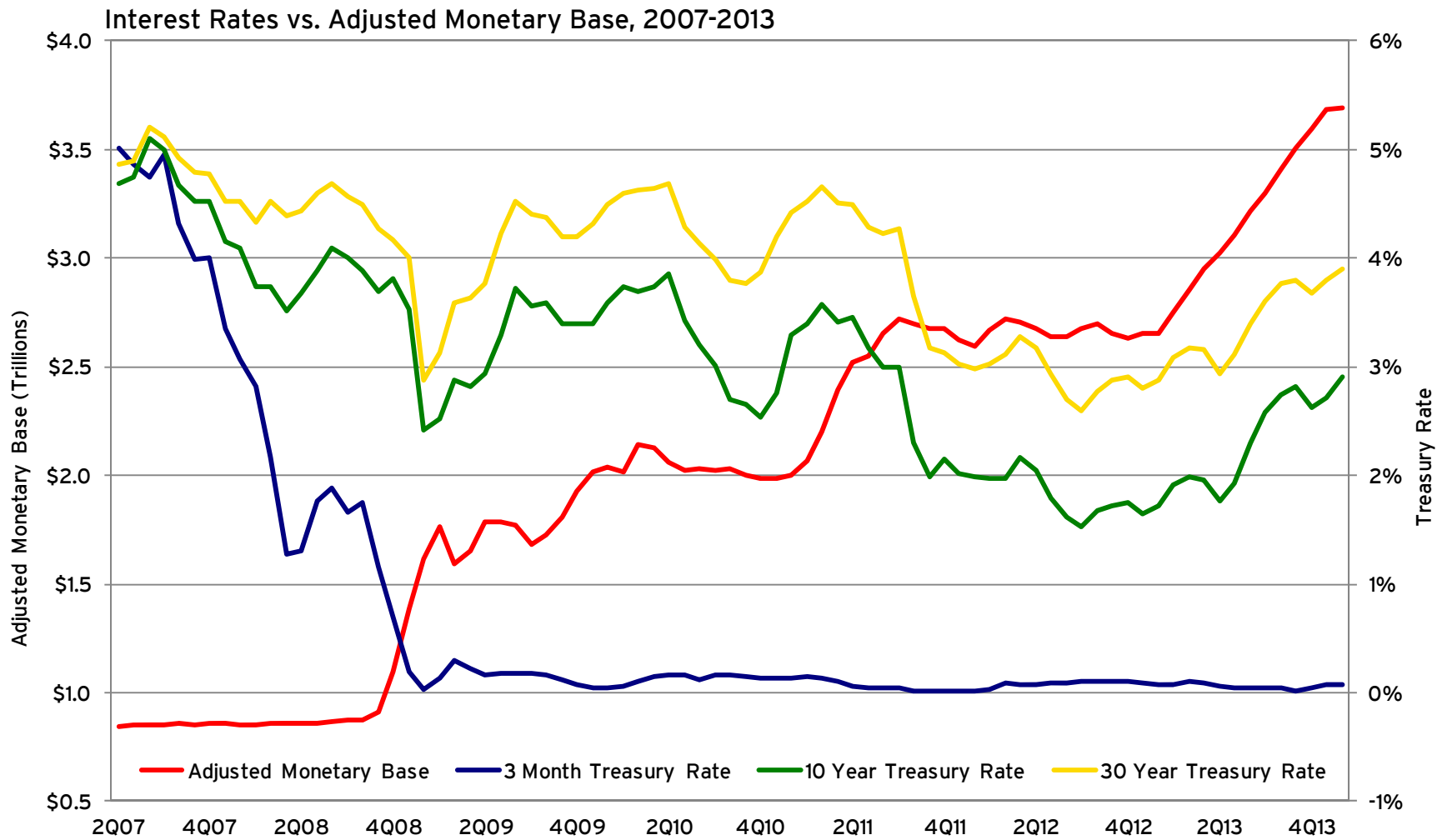
Source: BLS

Number of Months After Peak Employment

The Punch Bowl is Slowly Being Taken Away



But a Higher Interest Rate Environment is Already Here



Source: Federal Reserve

The Economic Backdrop

- GDP growth expected to be between 2.8 to 3.0 percent in 2014.
- Weaknesses and threats remain, but there are fewer specters of disaster that might lead us to temper our views.
- Will translate to 200,000 to 220,000 jobs per month created, on average, throughout the year.
- How does this affect multifamily and other types of commercial property? We'll discuss further in the next slides.
- Long term interest rates have begun to rise; Fed committed to keeping short term rates low.
- General economic outlook for 2014 is the most positive Reis has presented since the downturn began in 2008.

National Apartment Market

Quarterly and Annual Market Conditions



Year	Qtr	Asking Rent	Percent Change	Effective Rent	Percent Change	Vacancy Rate
2007	1	\$991	0.9%	\$939	0.9%	6.0%
2007	2	\$1,002	1.2%	\$951	1.3%	5.8%
2007	3	\$1,015	1.3%	\$964	1.4%	5.7%
2007	4	\$1,026	1.0%	\$974	1.0%	5.7%
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	0.1%	\$967	0.3%	8.0%
2010	2	\$1,032	0.4%	\$974	0.7%	7.8%
2010	3	\$1,038	0.5%	\$981	0.7%	7.1%
2010	4	\$1,043	0.5%	\$986	0.6%	6.6%
2011	1	\$1,047	0.4%	\$991	0.5%	6.2%
2011	2	\$1,053	0.6%	\$998	0.6%	5.9%
2011	3	\$1,060	0.7%	\$1,005	0.7%	5.6%
2011	4	\$1,064	0.4%	\$1,010	0.5%	5.2%
2012	1	\$1,070	0.6%	\$1,019	0.9%	5.0%
2012	2	\$1,082	1.1%	\$1,033	1.3%	4.8%
2012	3	\$1,091	0.9%	\$1,042	0.9%	4.7%
2012	4	\$1,097	0.6%	\$1,049	0.6%	4.6%
2013	1	\$1,103	0.5%	\$1,055	0.6%	4.4%
2013	2	\$1,111	0.7%	\$1,063	0.7%	4.3%
2013	3	\$1,122	1.0%	\$1,074	1.0%	4.3%
2013	4	\$1,131	0.8%	\$1,083	0.8%	4.2%
2014	1	\$1,137	0.5%	\$1,089	0.6%	4.0%

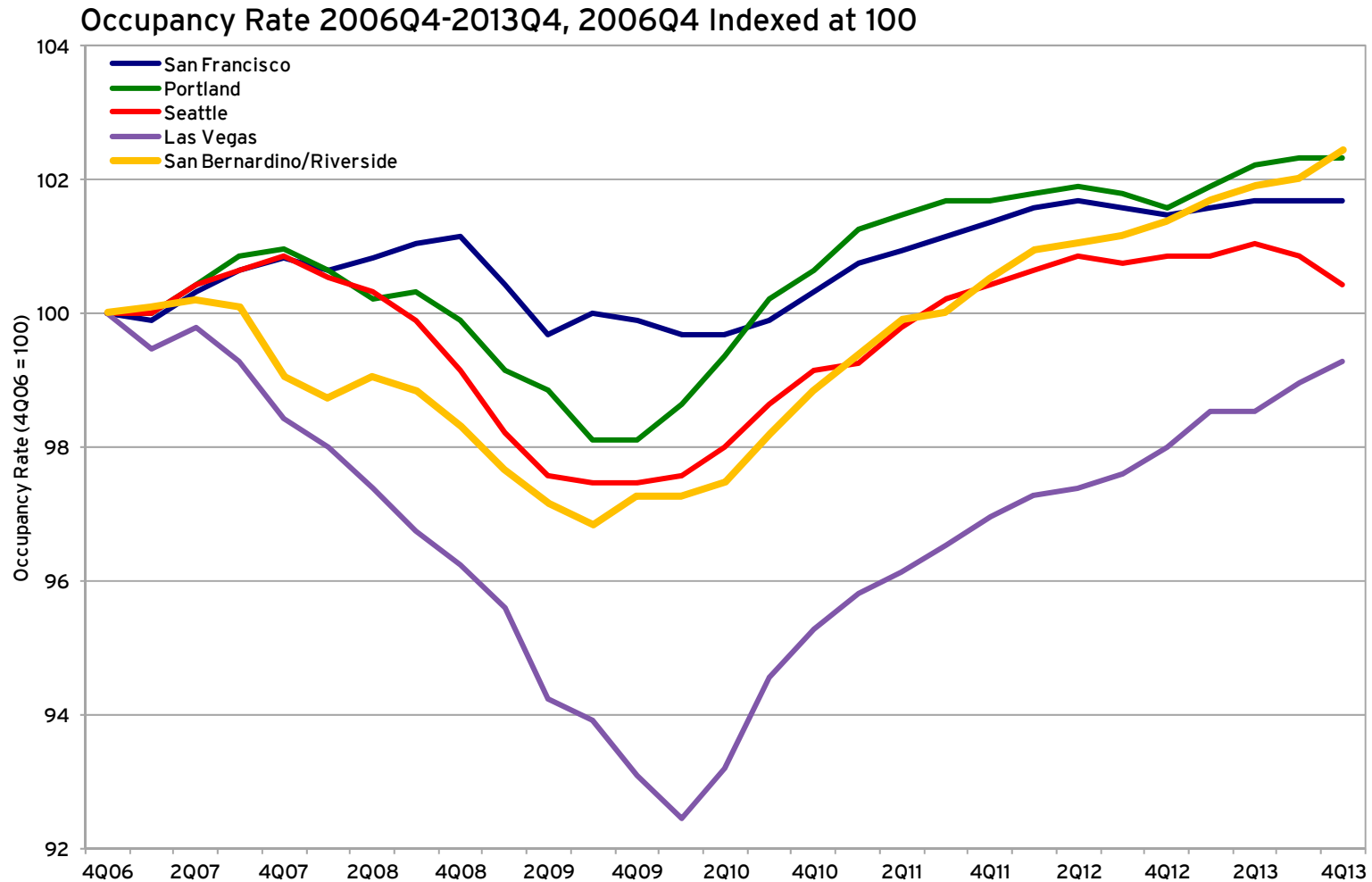
Year	Asking Rent	Percent Change	Effective Rent	Percent Change	Vacancy Rate
2004	\$921	2.1%	\$866	2.1%	6.7%
2005	\$944	2.5%	\$891	3.0%	5.7%
2006	\$982	4.0%	\$930	4.4%	5.8%
2007	\$1,026	4.4%	\$974	4.7%	5.7%
2008	\$1,050	2.4%	\$993	2.0%	6.7%
2009	\$1,026	-2.3%	\$964	-2.9%	8.0%
2010	\$1,043	1.6%	\$986	2.3%	6.6%
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2012	\$1,097	3.1%	\$1,049	3.9%	4.6%
2013	\$1,131	3.0%	\$1,083	3.2%	4.1%
2014	\$1,168	3.3%	\$1,118	3.3%	4.1%
2015	\$1,204	3.1%	\$1,151	2.9%	4.3%
2016	\$1,239	2.9%	\$1,182	2.7%	4.5%
2017	\$1,270	2.5%	\$1,209	2.3%	4.7%
2018	\$1,300	2.3%	\$1,236	2.3%	5.0%

- Vacancies continued to tighten through 2013, but at a slower pace versus 2010 to 2012.
- Rents continued to creep upwards, but at a slower pace versus 2012.
- Is Reis forecasting a significant slowdown in multifamily fundamentals over the near term?

Source: Reis; 79 of 275 Apartment Markets

The Recovery in Perspective

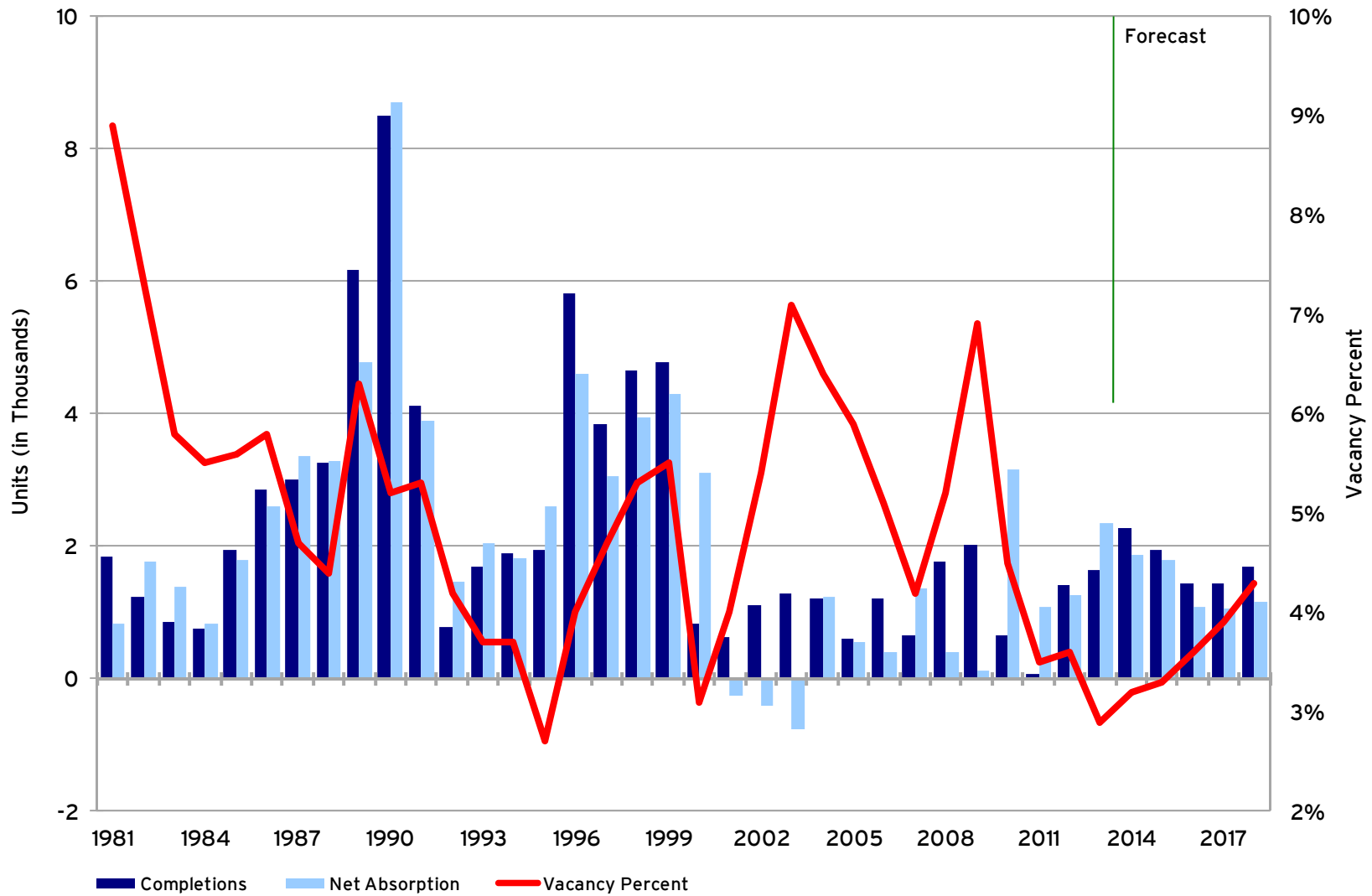
High and Low Vacancy Apartment Markets and Recent Trends



Source: Reis

Portland Apartment Market

Supply & Demand Trends



Source: Reis



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