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Location, Location, Location:  
*Implications For Apartments and Retail*

PPR

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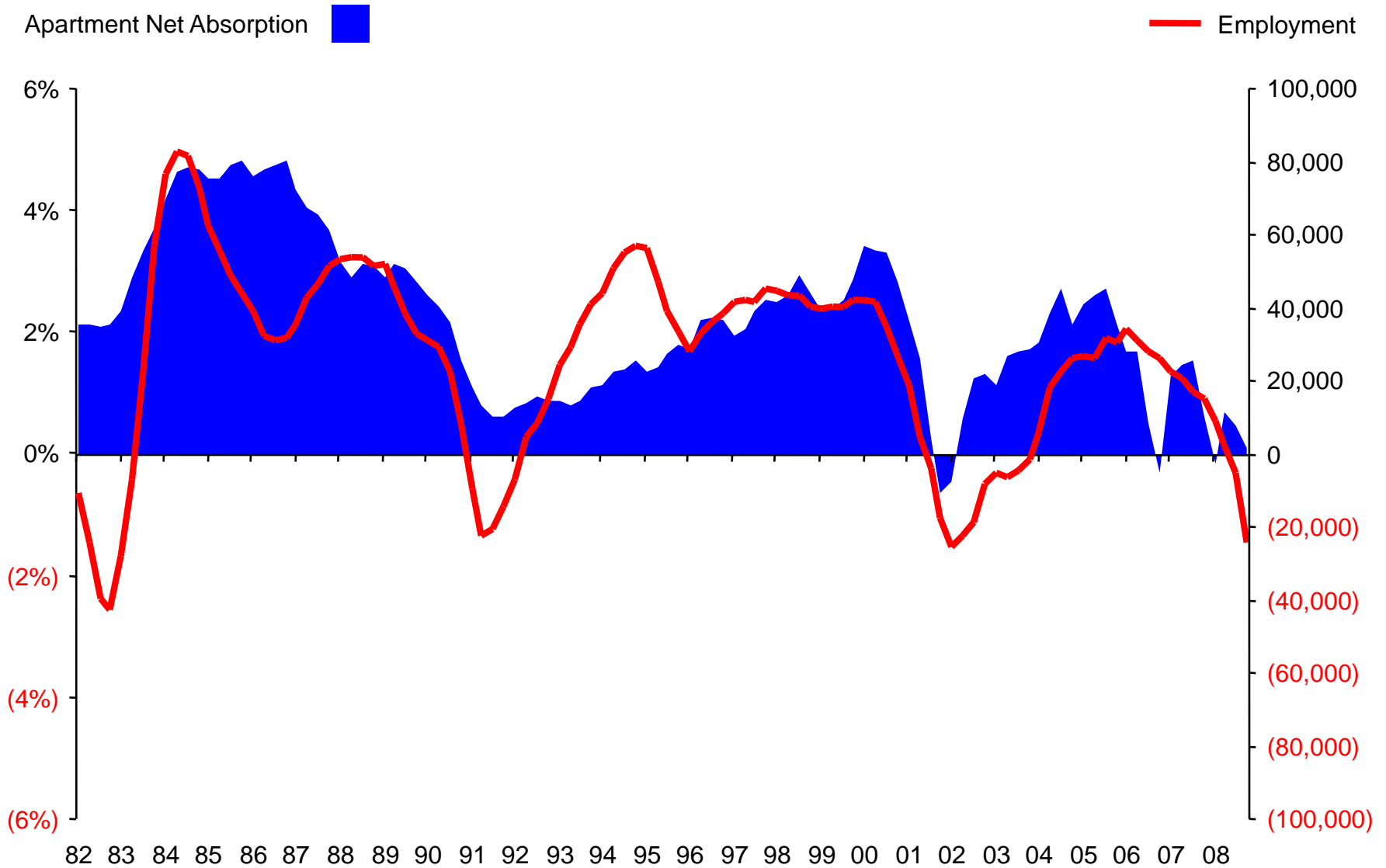
**MBA CREF/Multifamily Conference** / February 10, 2009

Property & Portfolio Research, Inc.

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Apartments: It's Going To Get Worse,  
Before It Get's Much Better!

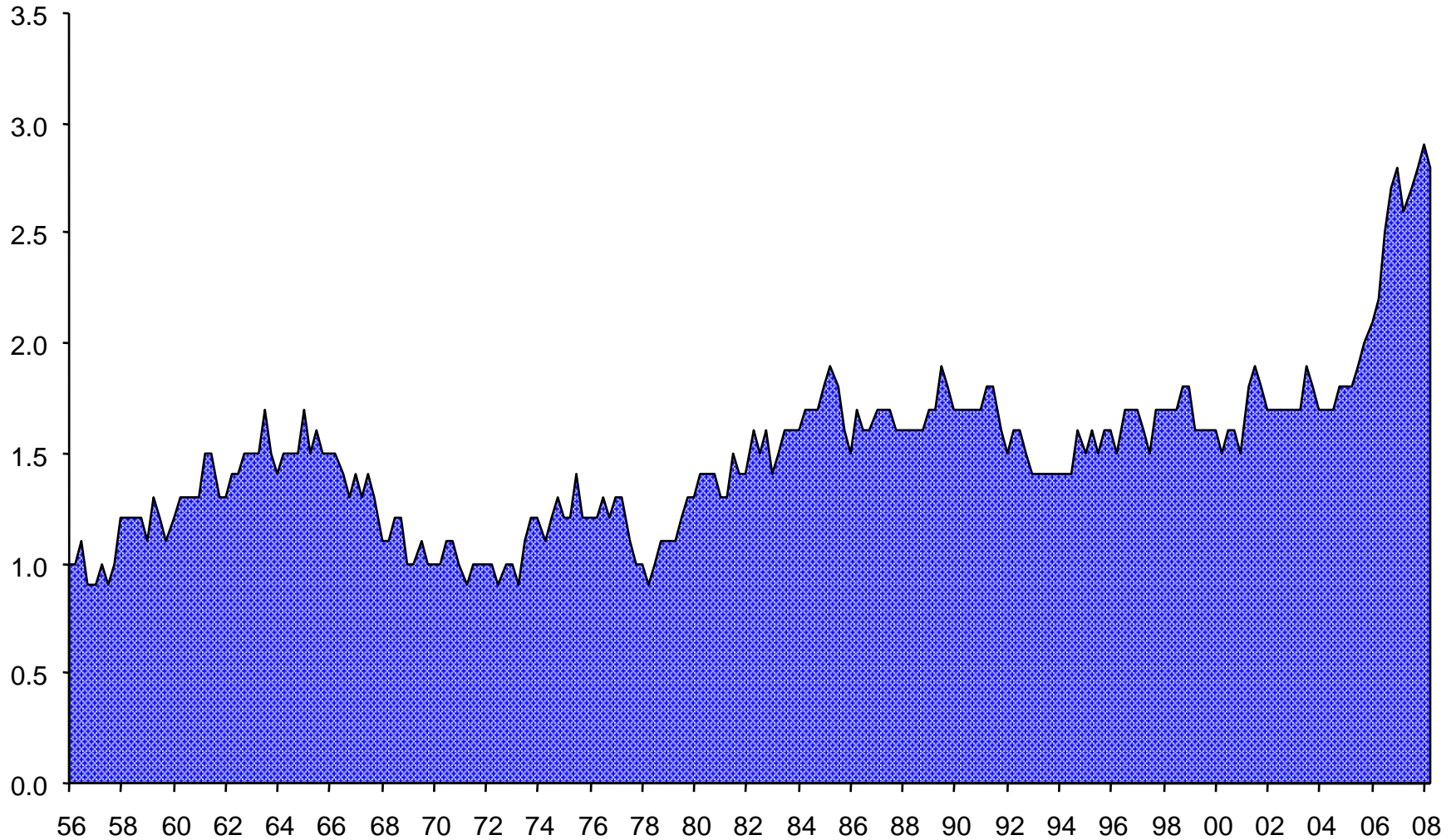
# You Need A Job To Pay The Rent...



Sources: U.S. Bureau of Labor Statistics; PPR

# U.S. Homeowner Vacancy Rate Sitting At 50+ Year High

Vacancy Rate (%)



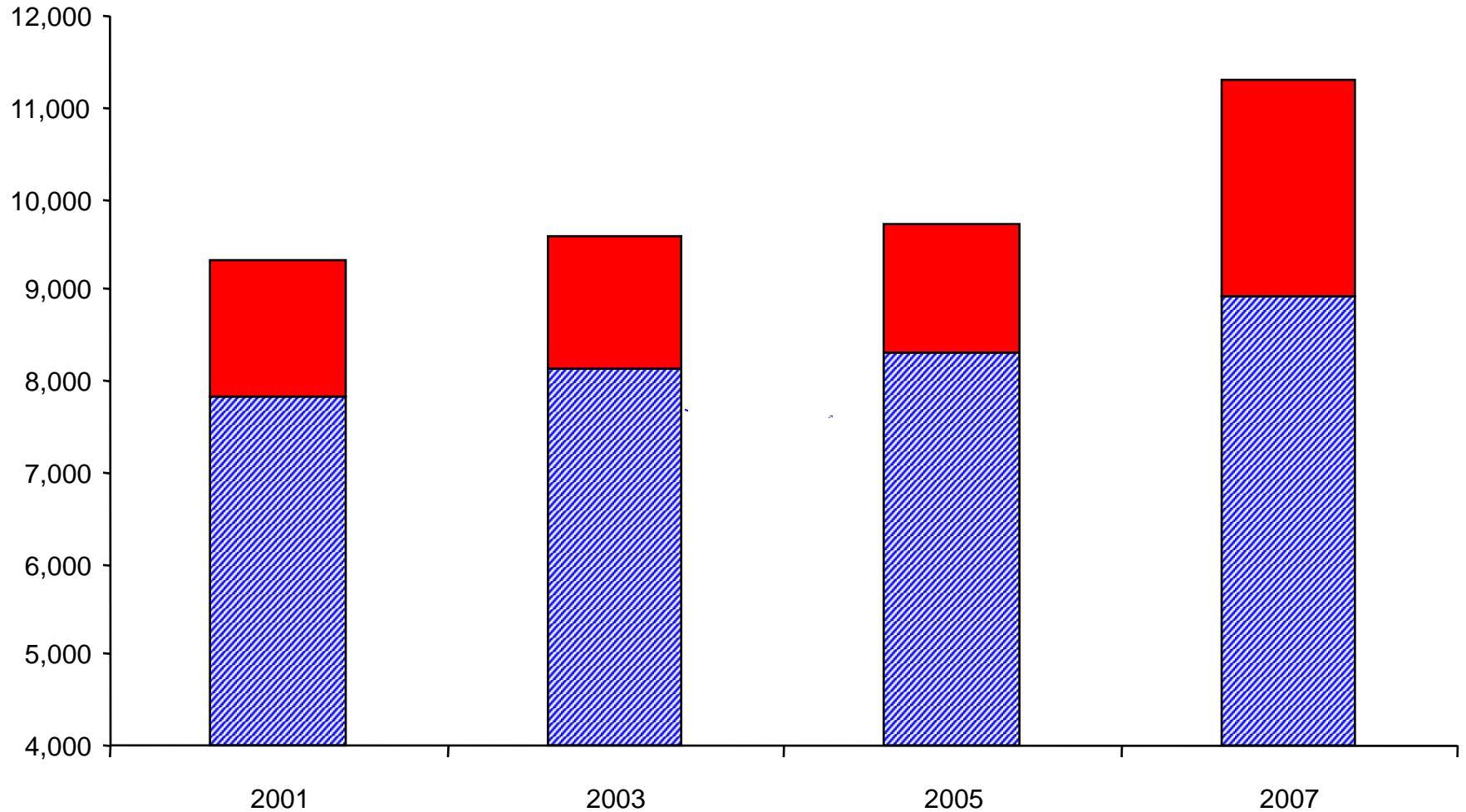
Source: U.S. Census Bureau

\*As of 08Q3

# Shadow Supply Attracts More Renter Households

1 Unit Detached      Condo/Co-Op

Total Units (In 000's)



Source: 2007 American Housing Survey

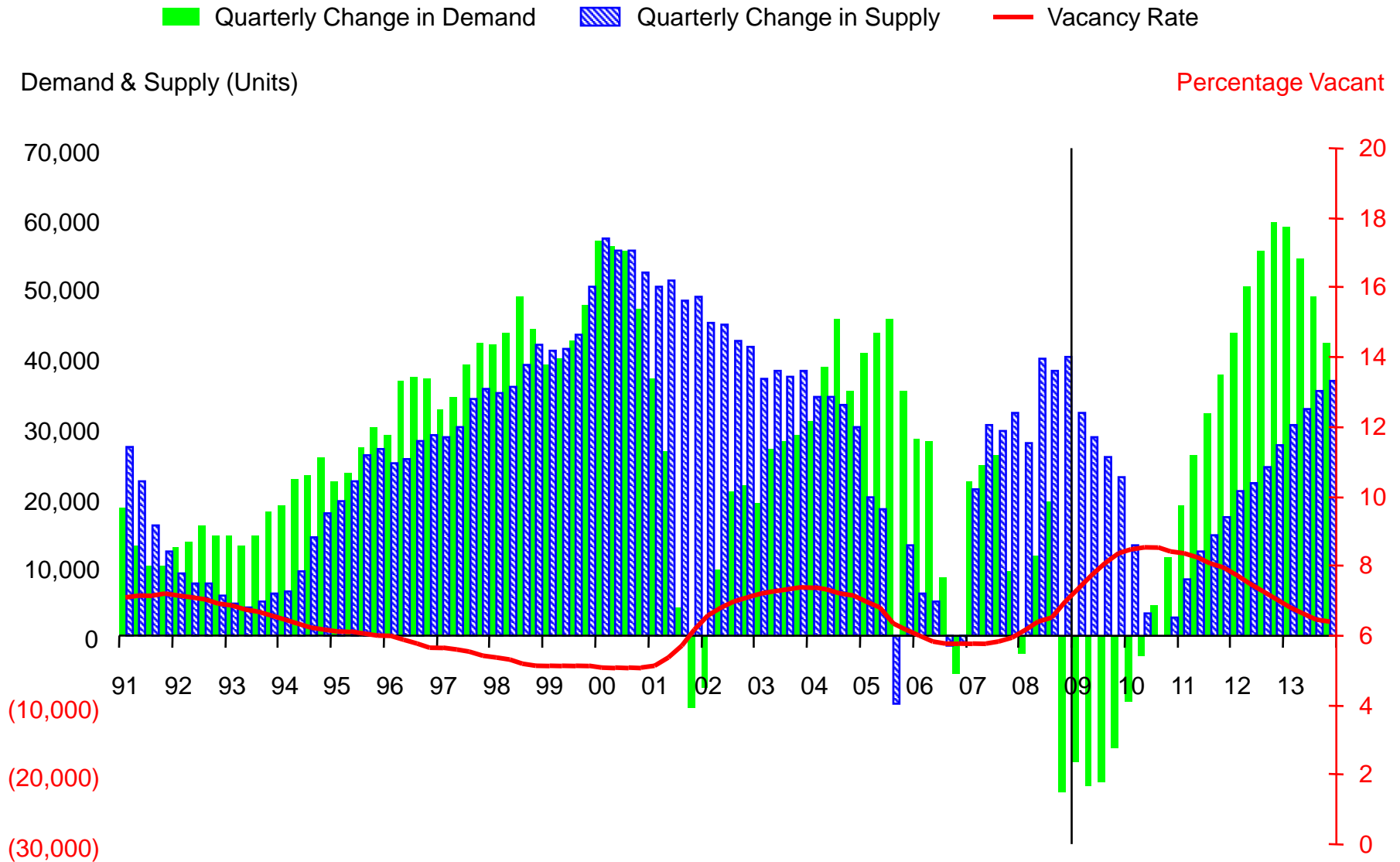
# Vacancies Are Going Up For Different Reasons



Sources: Moody's Economy.com; PPR

\*\*Bubble Size represents Supply to be delivered in 2009\*\*

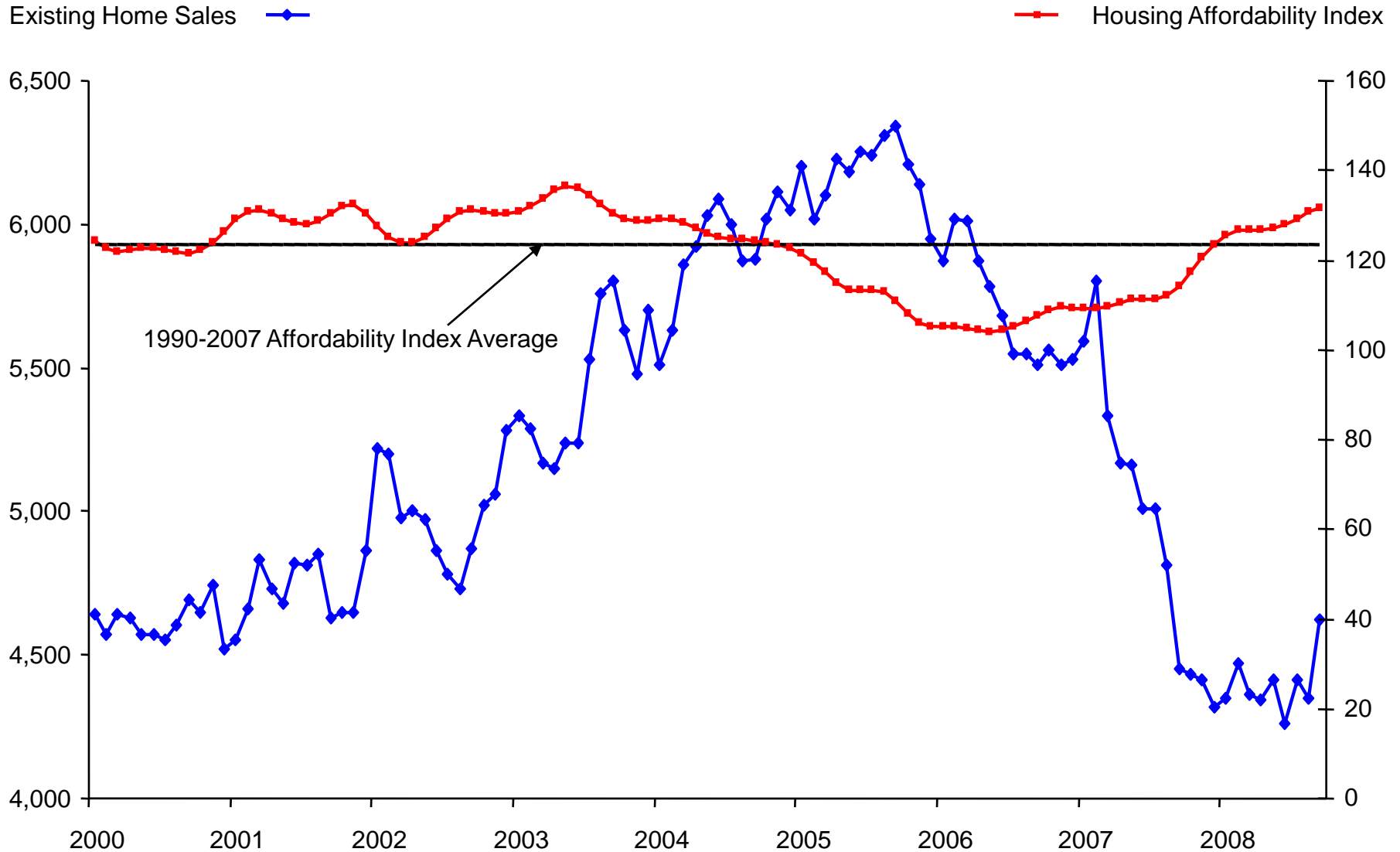
# The "Perfect Storm" Will Pass



Source: PPR (PPR54)

As of 08Q4

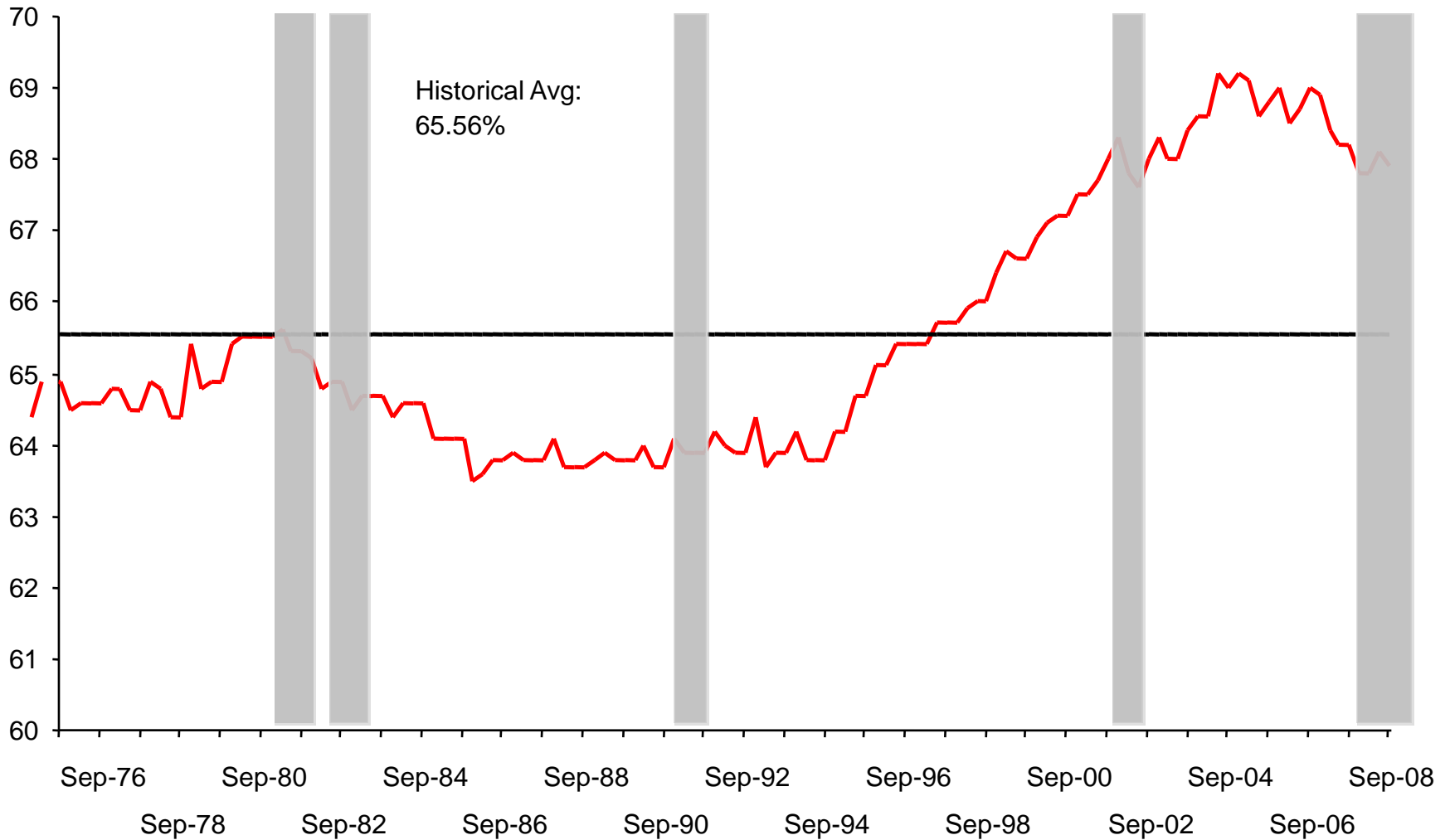
# Home Sales Are Stabilizing on the Back of Improving Affordability



Sources: Moody's Economy.com; National Association of Realtors

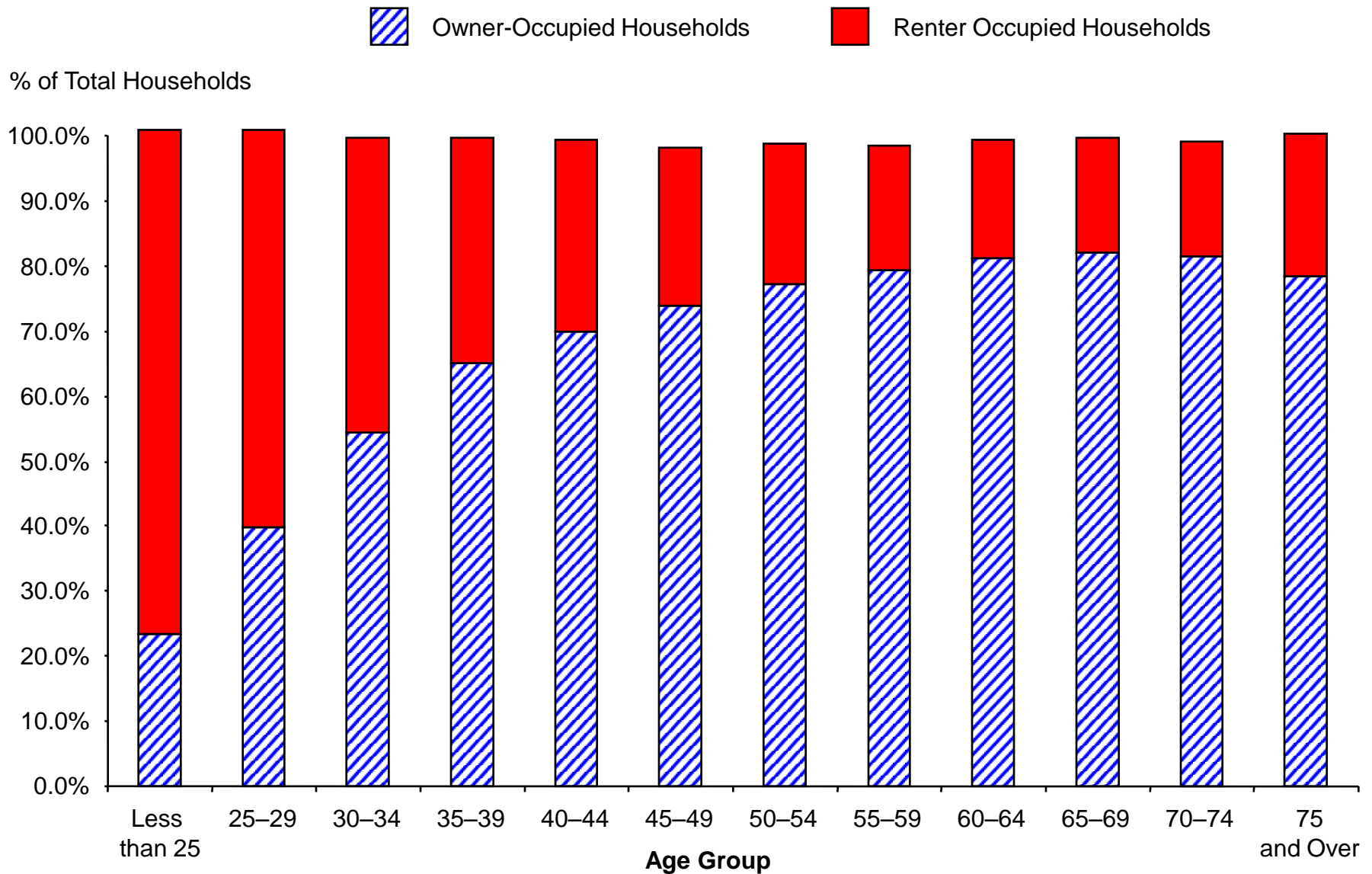
# But, U.S. Homeownership Will Continue To Ease

Homeownership Rate



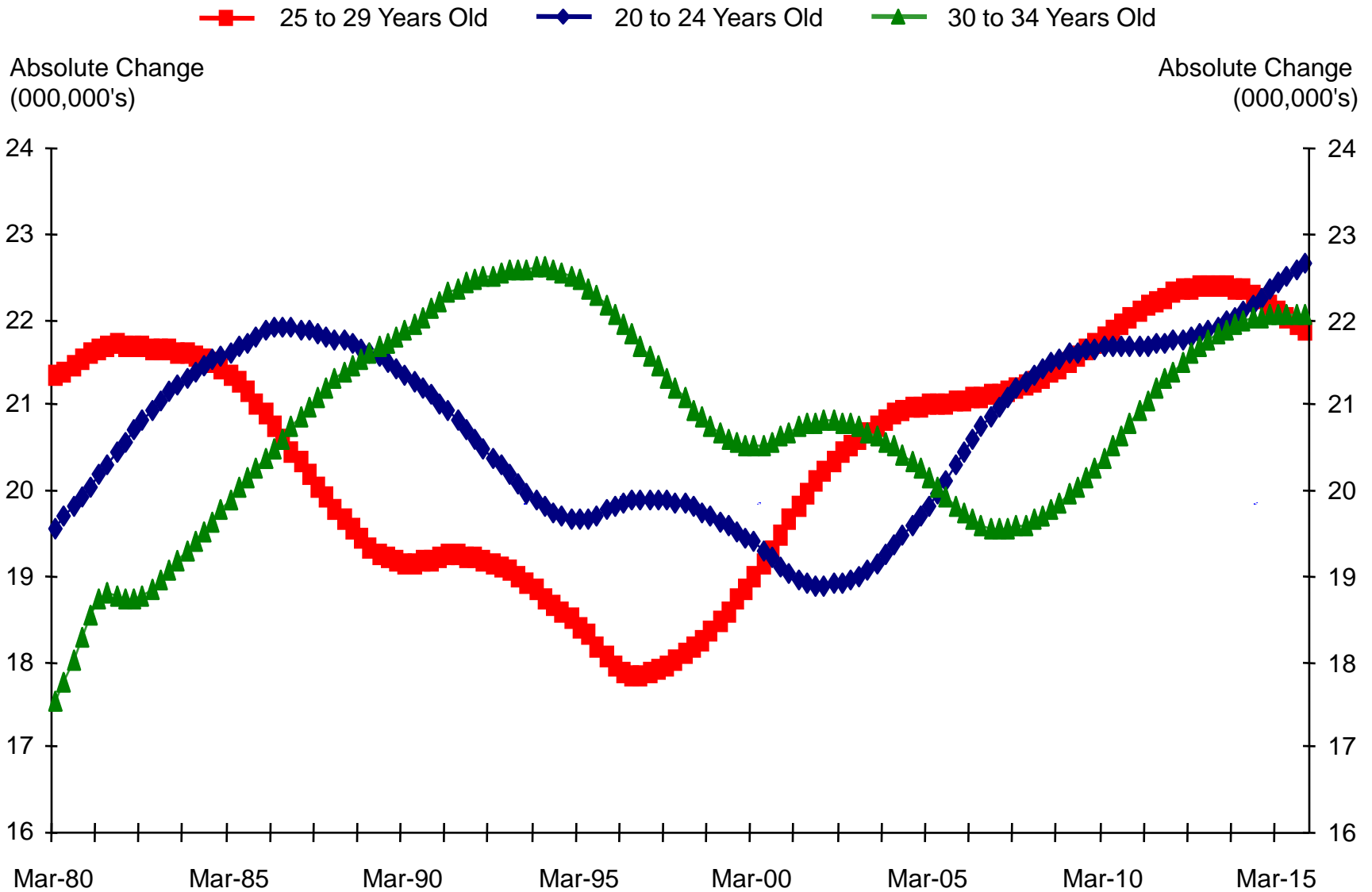
Sources: U.S. Census Bureau; PPR

# The Young Disproportionately Rent



Sources: U.S. Census Bureau; PPR

# Here Comes The Echo Boom

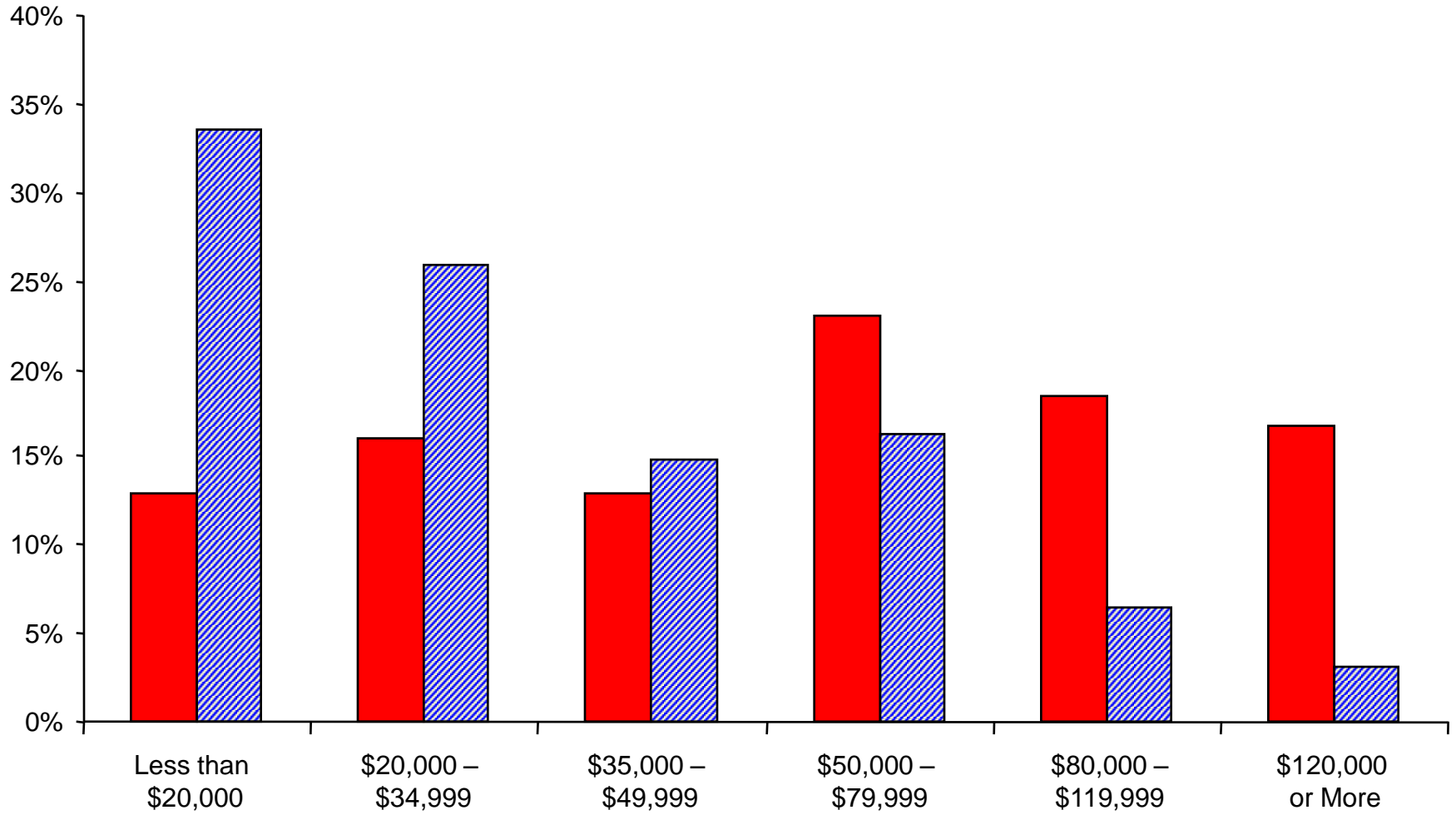


Source: Moody's Economy.com

# Most Rent Out Of Necessity

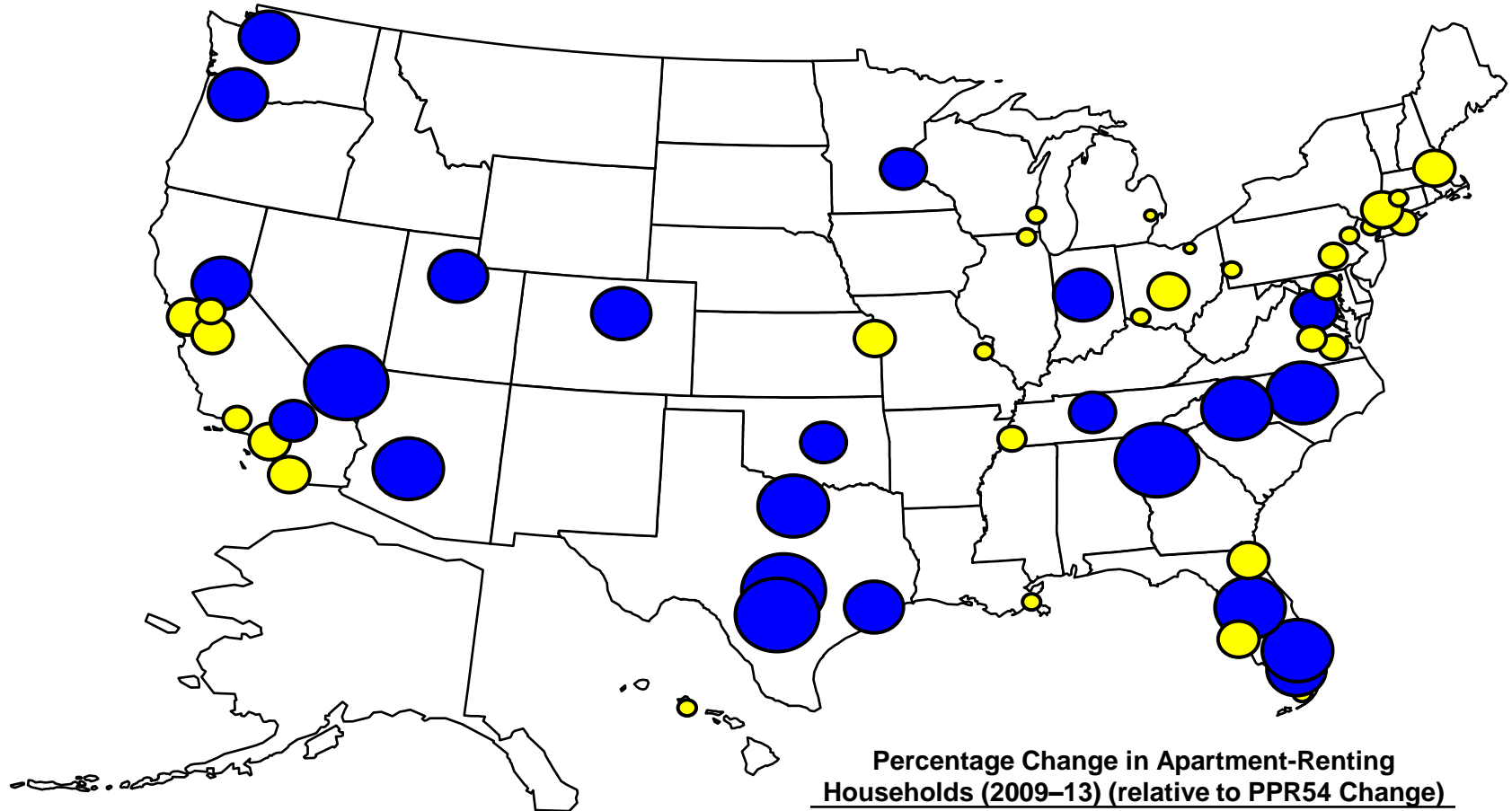
Owner Occupied      Renter Occupied

% Of Occupied Households

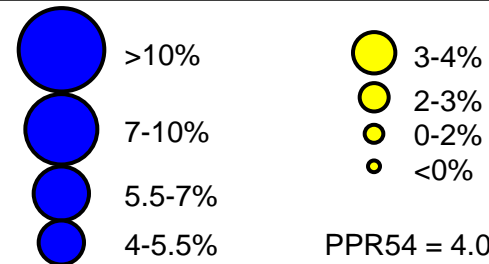


Source: American Housing Survey 2007

# Growth in Apartment-Renting Households (2009–2013)



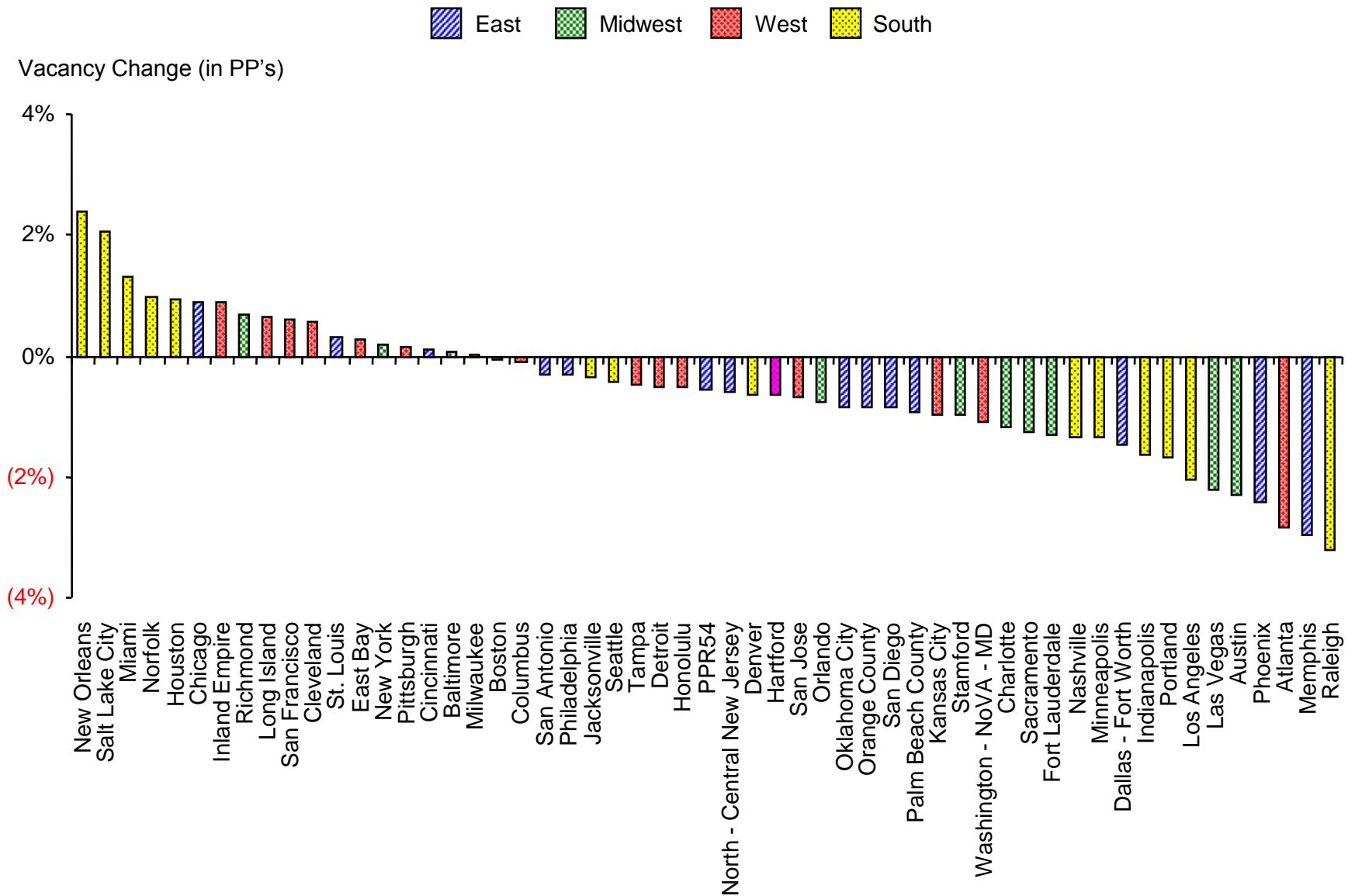
**Percentage Change in Apartment-Renting Households (2009–13) (relative to PPR54 Change)**



PPR54 = 4.00%

Sources: Moody's Economy.com; PPR

# Changes In Vacancy Across Metros (08Q4–13Q4)



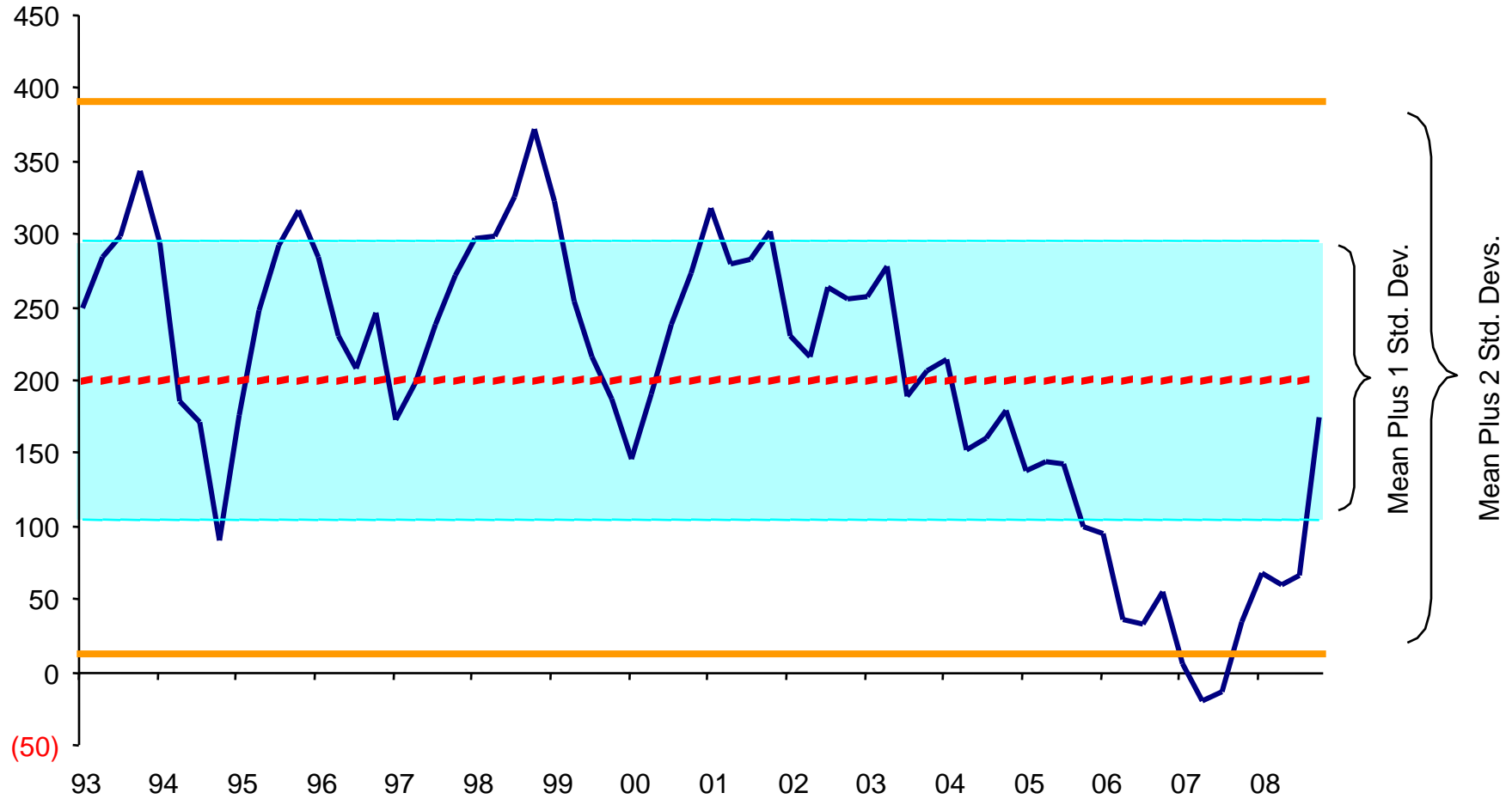
Source: PPR

As of 08Q4

# Apartment Spreads Over 10-Year Treasury

(1993Q1–2008Q4)

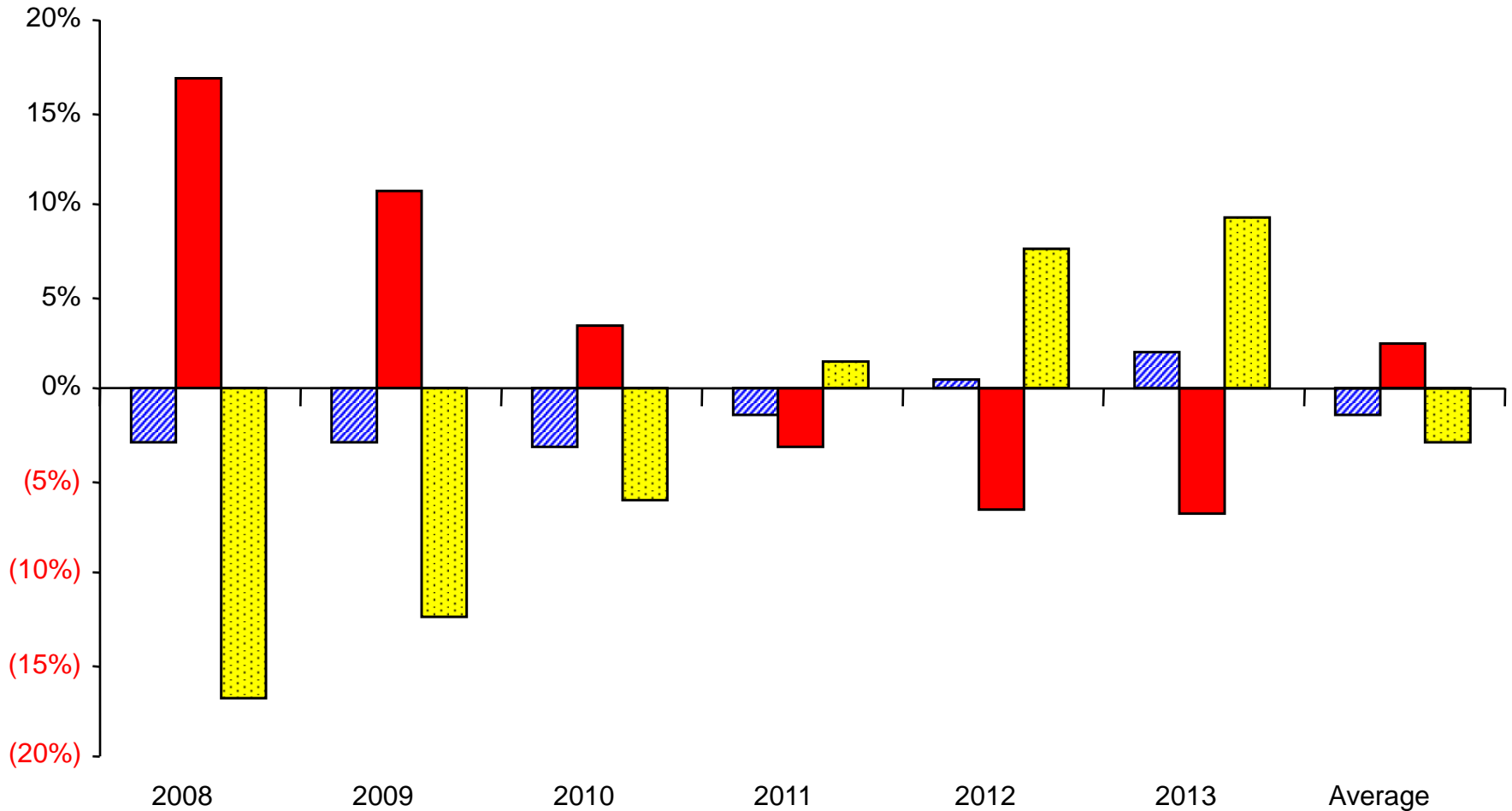
Basis Points



Sources: NCREIF; PPR

# Apartment NOI Growth vs. Cap Rate Increase (%)

Annual NOI Growth
  Annual Cap Rate Change (%)
  Value Appreciation



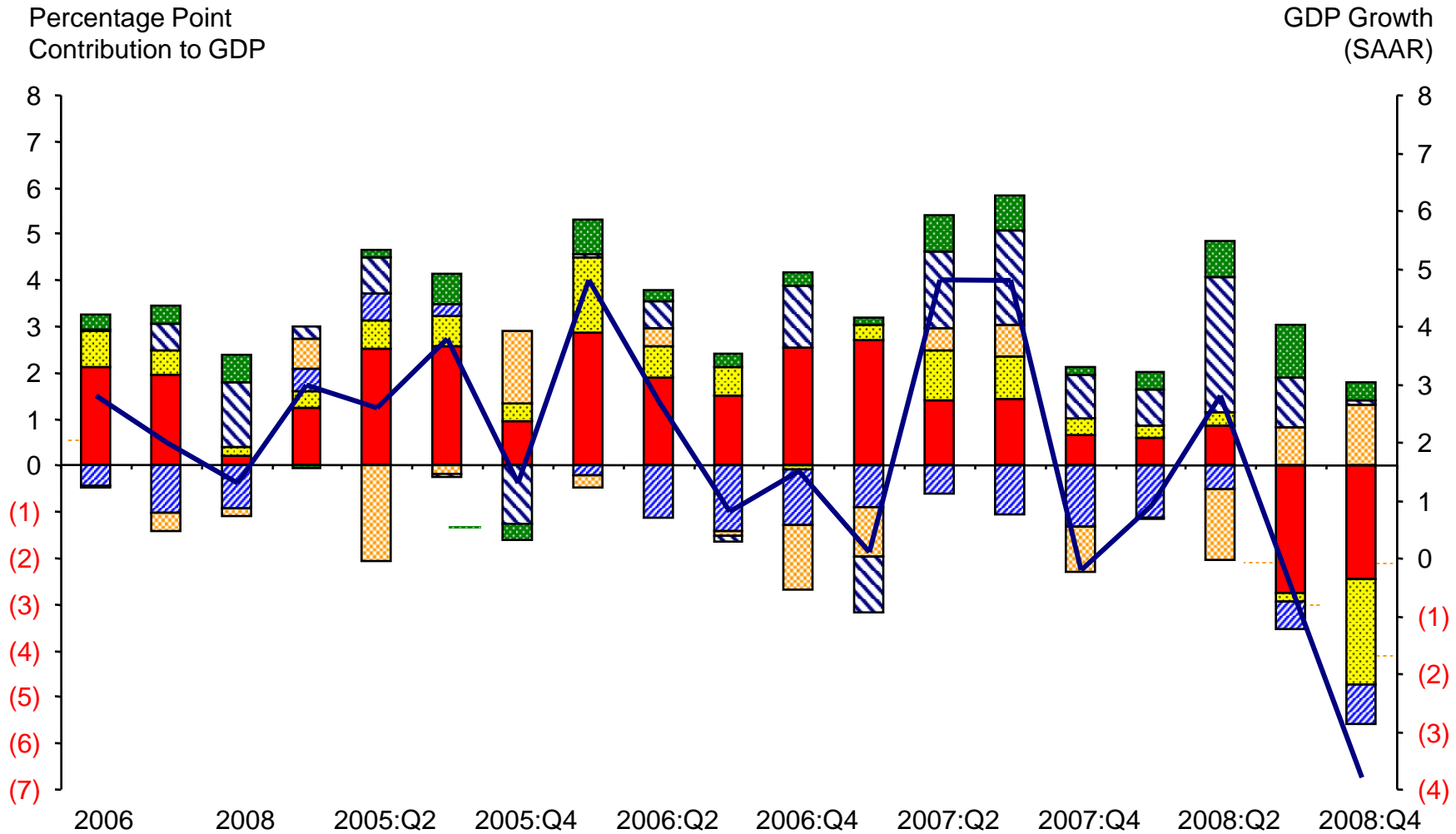
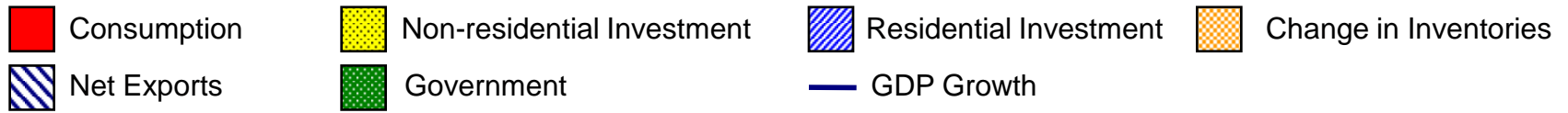
Source: PPR

As of 08Q4

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Retail: The Consumer Retrenches;  
But, What About All That New Supply?

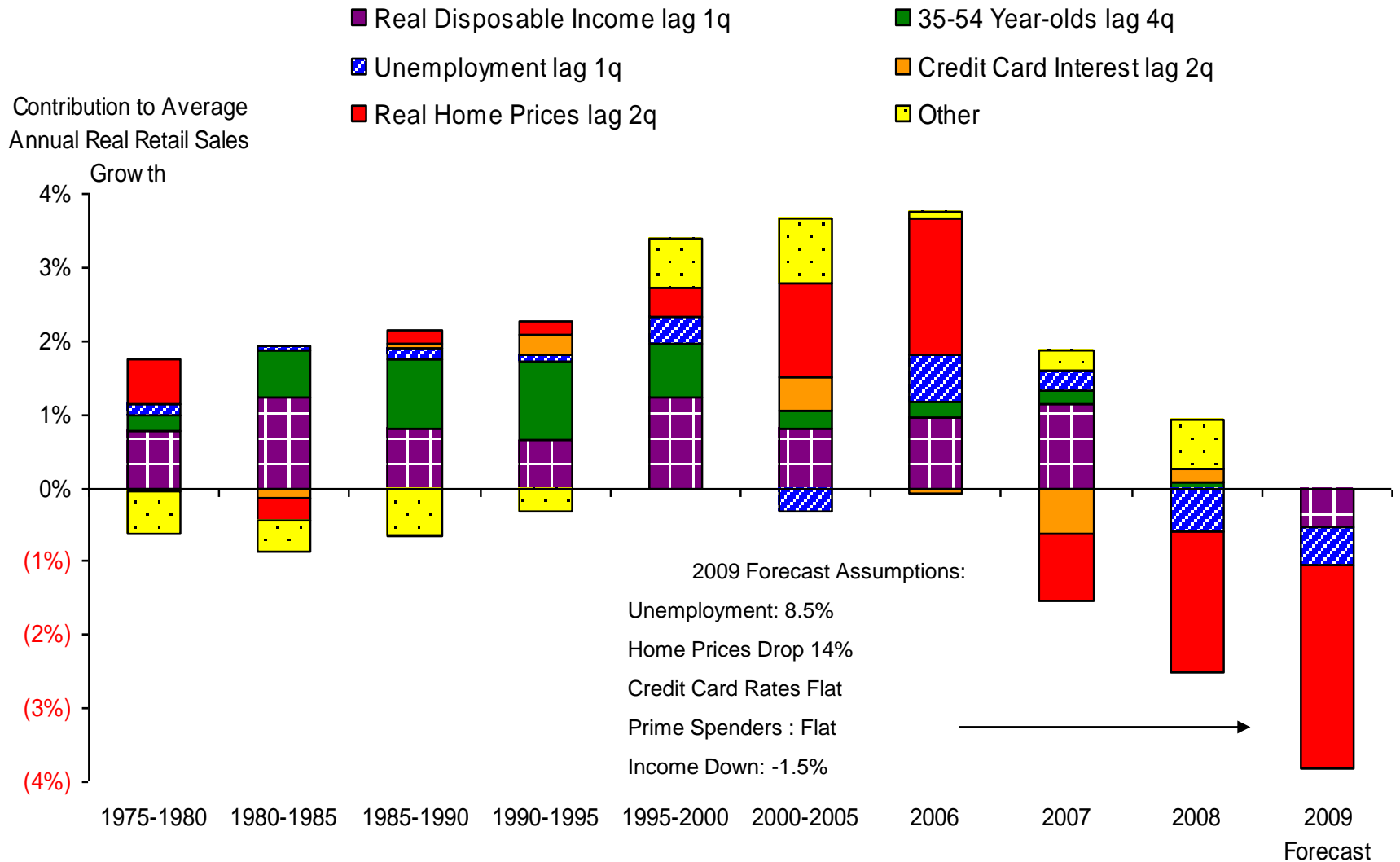
# You Can Actually See It Hitting the Fan



Source: Bureau of Economic Analysis

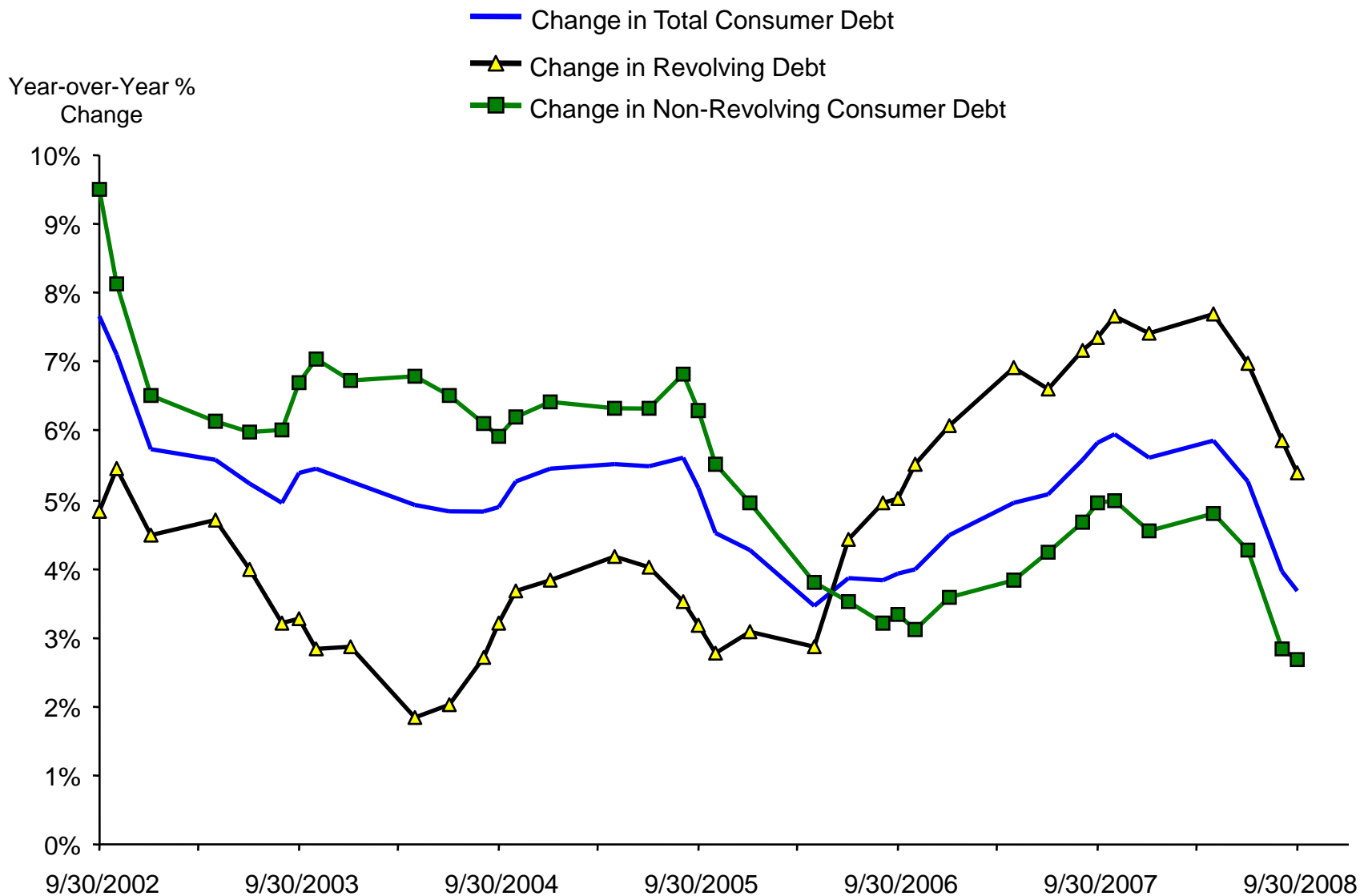
# ...And the Consumer Will Remain Under Pressure in

## 2009



Sources: PPR, Census Bureau, BLS, Fed, Economy.com

# Consumers Slow Rate of New Borrowing

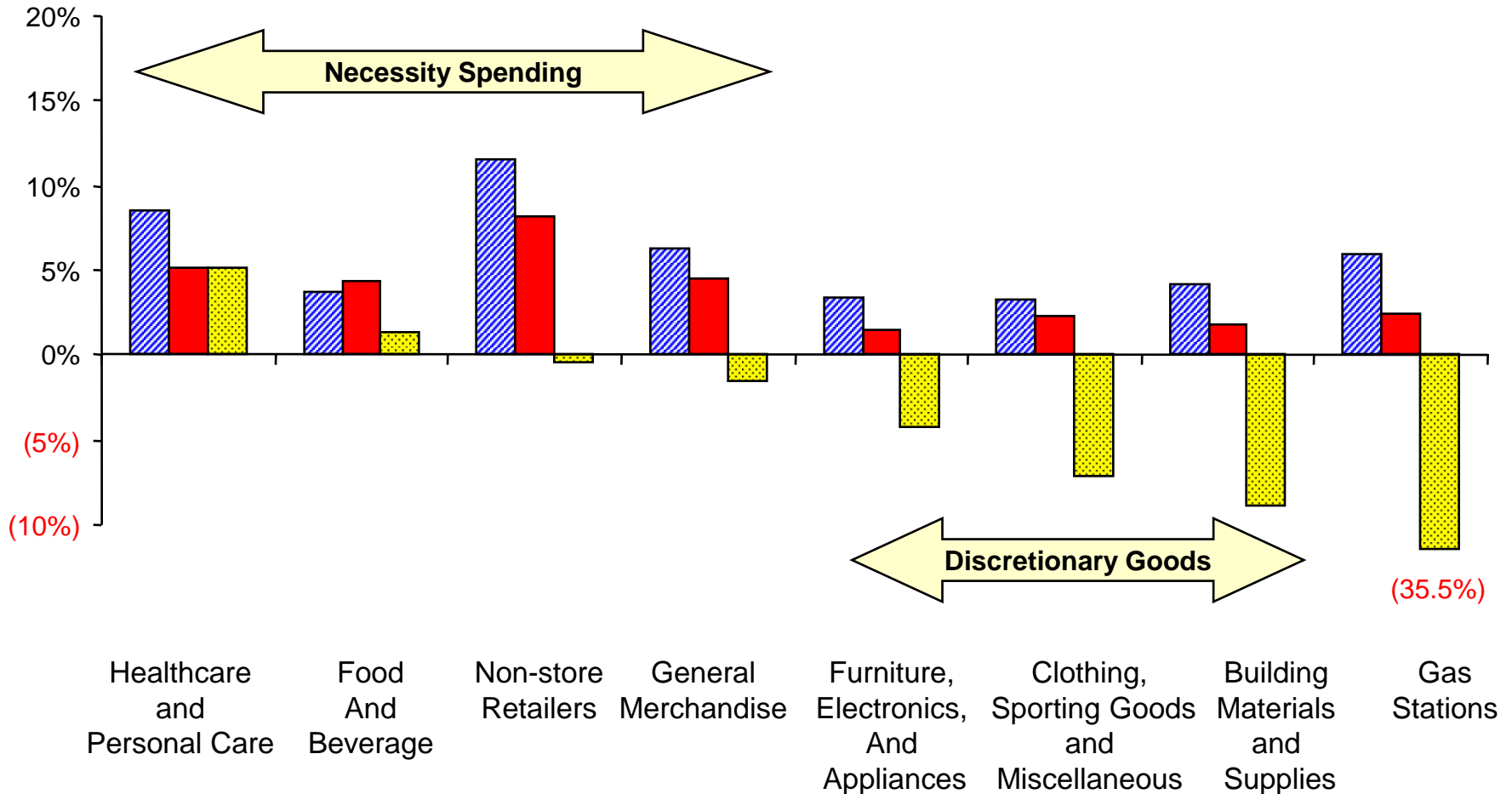


Source: Federal Reserve Board

# Most Retail Sectors Showing More Negative Growth

Last 10 Years
  Last 5 Years
  Last 12 Months

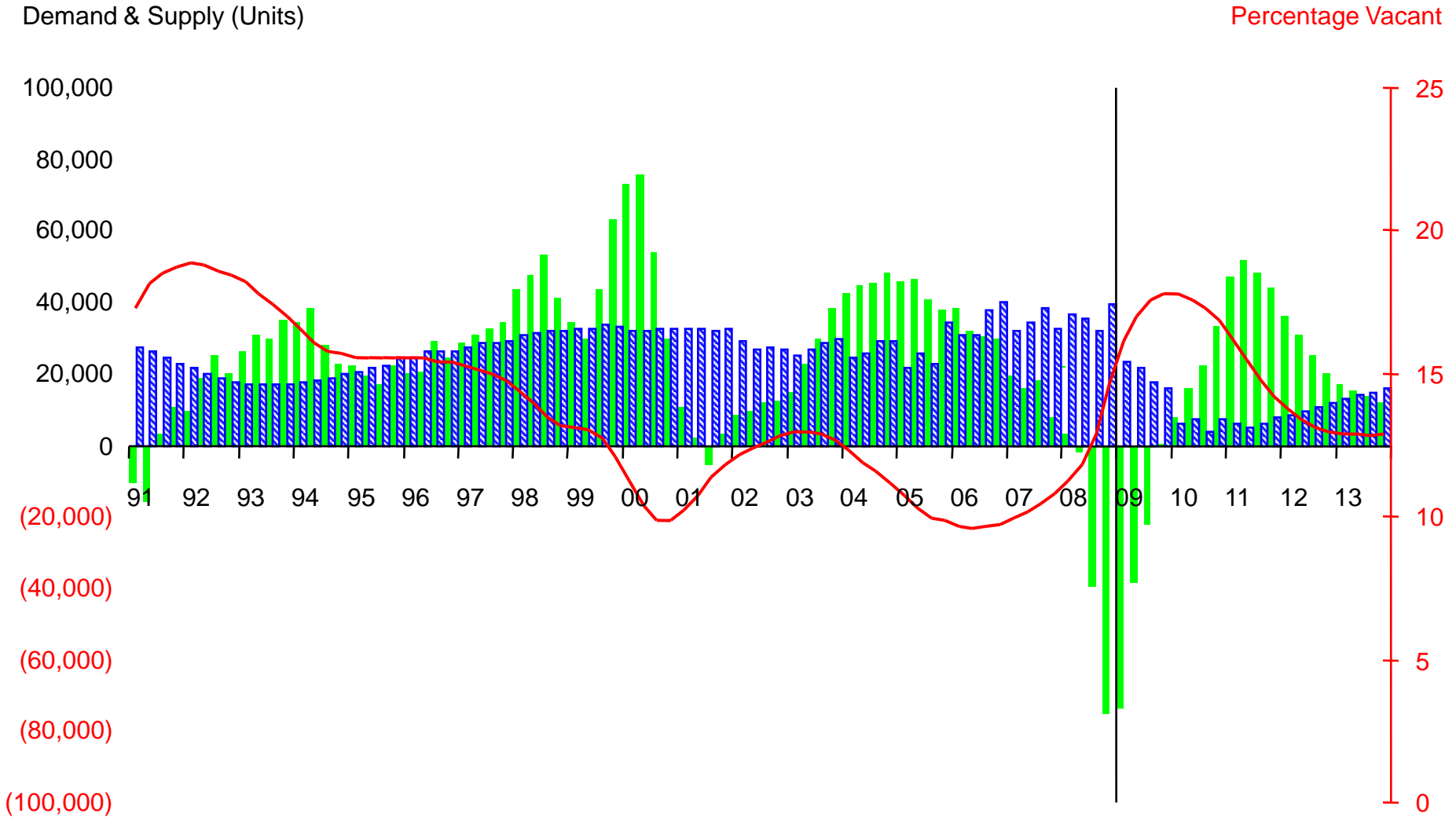
Average Annual Growth Rate



Source: Census Bureau

# PPR54 Retail Market Fundamentals

■ Quarterly Change in Demand    
 ▨ Quarterly Change in Supply    
 — Vacancy Rate



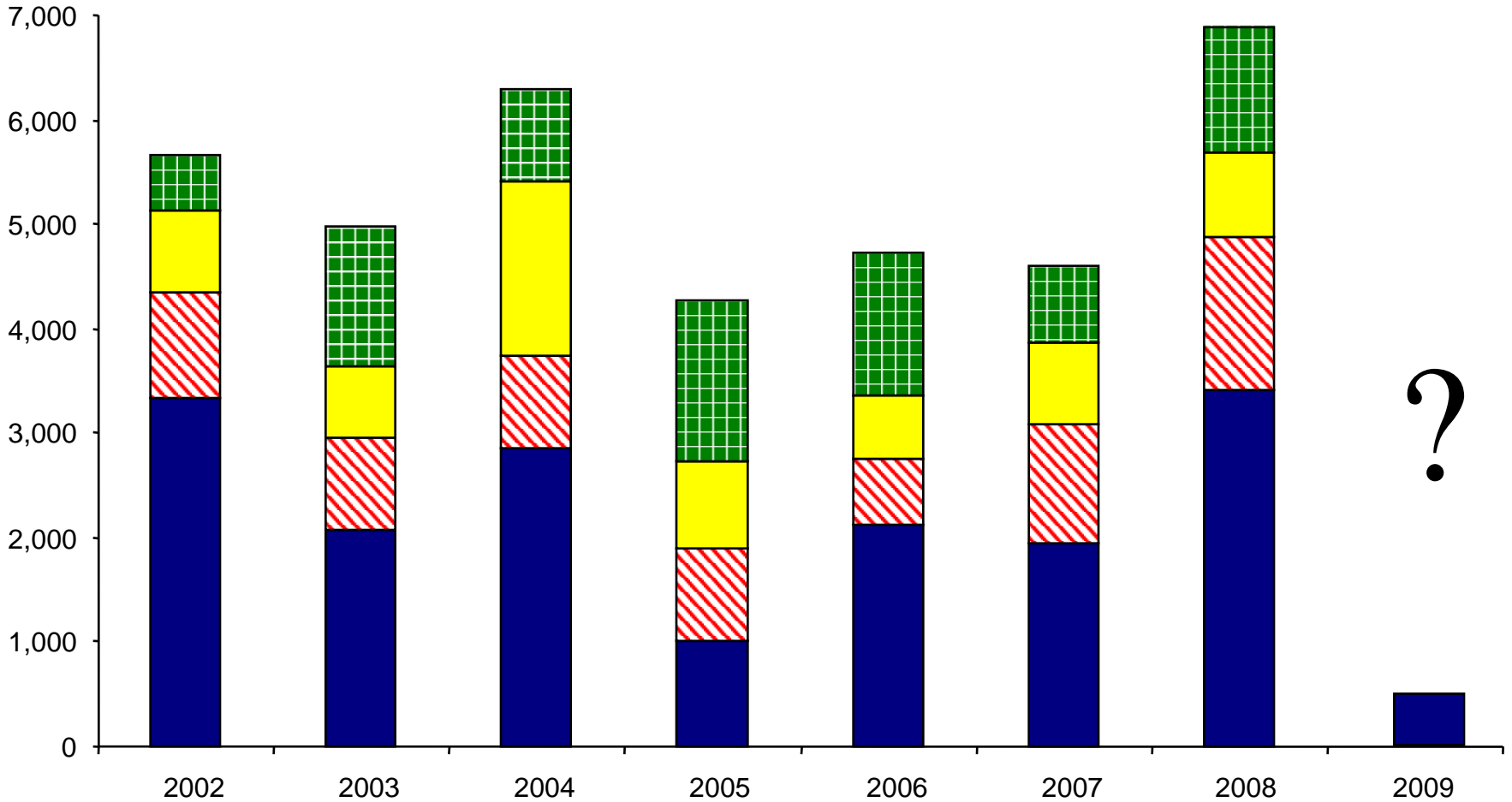
Source: PPR

As of 08Q4

# Shuttered Stores

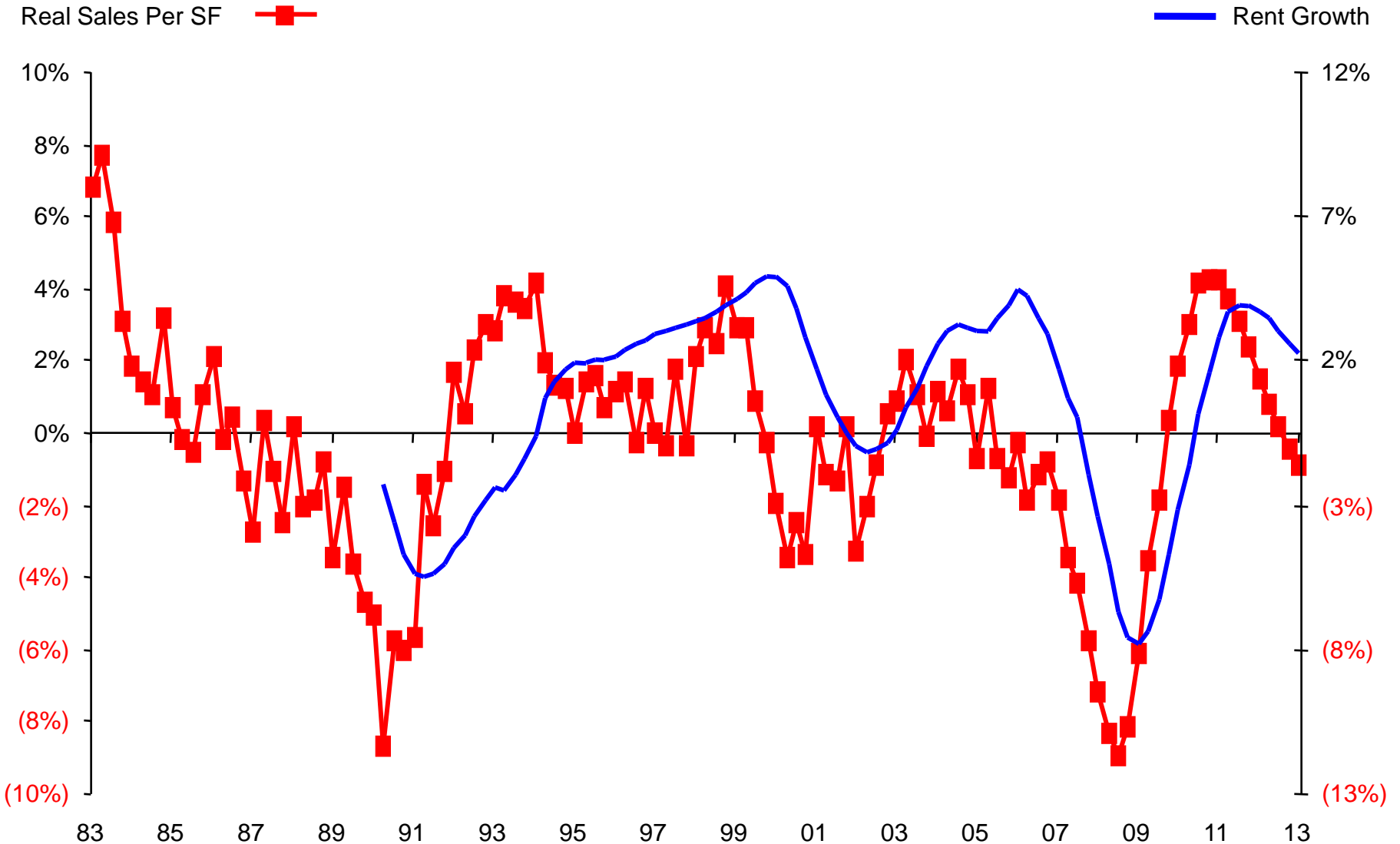
■ 1st Quarter    ▨ 2nd Quarter    ■ 3rd Quarter    ▩ 4th Quarter

Announced Quarterly  
Store Closings



Sources: ICSC; PPR

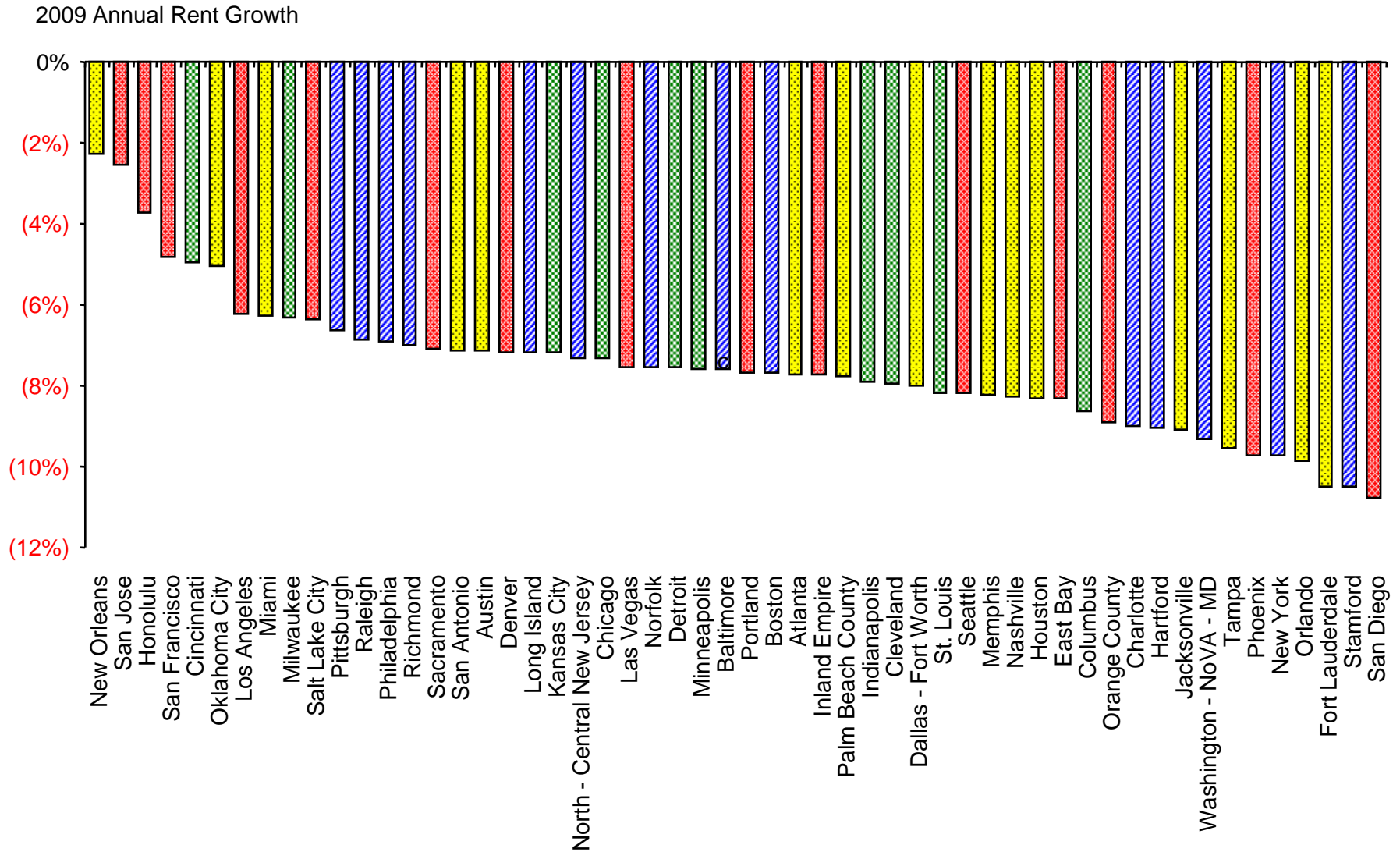
# Slower Growth in Revenues/SF Limits Landlord Upside



Sources: PPR; U.S Census Bureau; Moody's Economy.com

# 2009 Retail Rent Growth by Metro

East
  Midwest
  West
  South

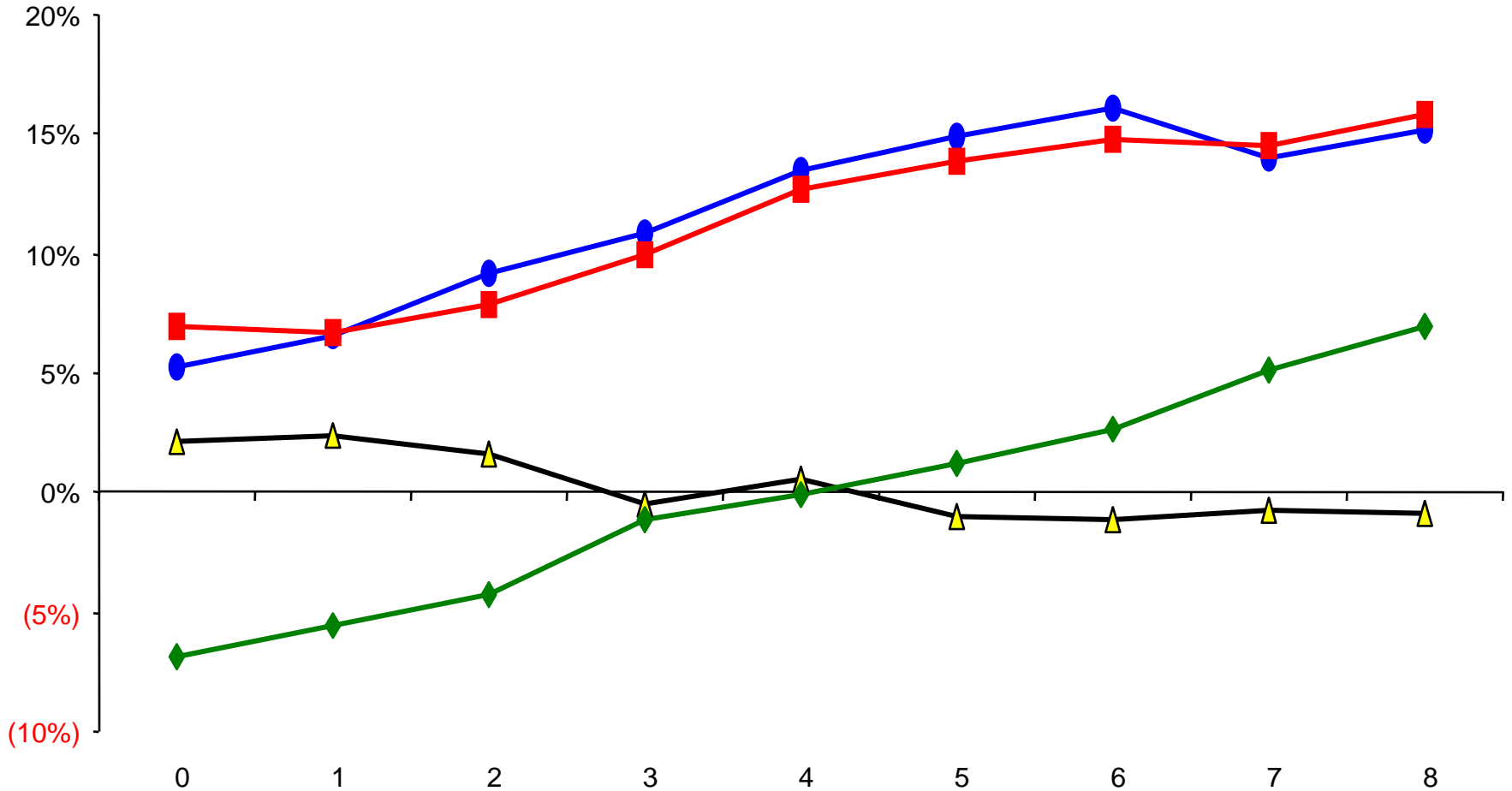


Source: PPR

# Higher Yields Drive Total Returns

● 1981-82    ▲ 1990-91    ■ 2001    ◆ 2008-2009

Total Returns  
(8 quarters from recession end)



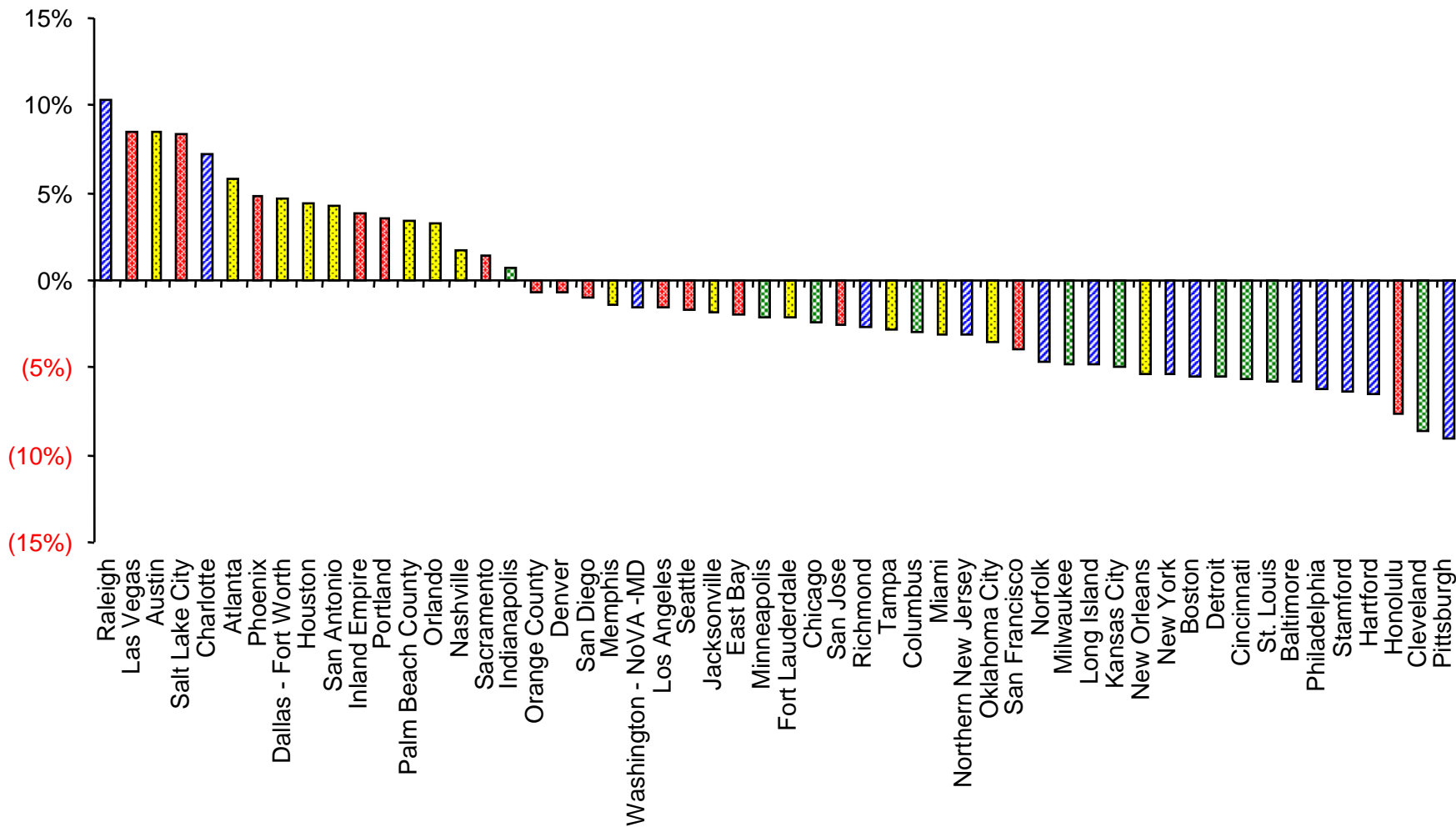
Source: PPR

As of 08Q4

# Five Year Change in Population of 35-54 Year-Olds

East
  Midwest
  West
  South

Percentage Change in Population  
(2009–2013)



Source: Moody's Economy.com

