

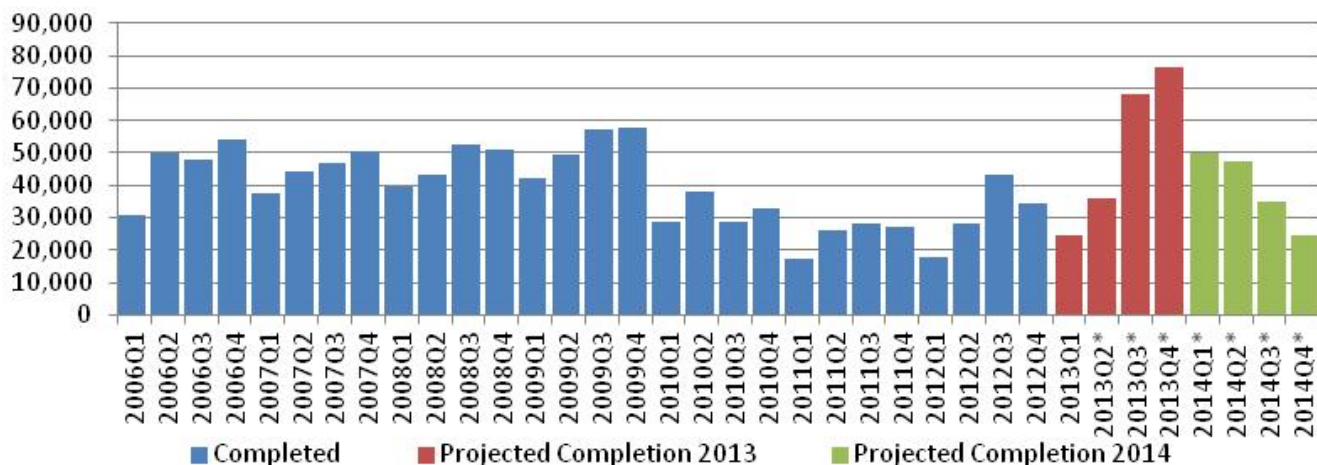
Multifamily Market Commentary – August 2013

Multifamily New Construction Remains Elevated

Apartment completions were up in 2012 after a period of below average completions in 2010 and 2011, according to updated data from McGraw Hill Construction’s Dodge Pipeline, which monitors reported construction activity. Excluding condominiums, multifamily apartment completions totaled an estimated 123,000 units compared with an estimated 99,000 units in 2011. The full year 2012 saw an increase of approximately 24 percent compared with 2011. As of June 2013, there were another 42,000 apartment units in the Final Planning/Bidding stages.

The increase in construction underway appears to be more dramatic. McGraw-Hill Construction’s Dodge Pipeline distinguishes between multifamily condo construction and multifamily apartment construction, and finds that approximately 205,000 apartment units are expected to be completed in 2013. Construction is expected to be healthy in 2014, as well. An additional 157,000 multifamily apartment units are underway nationally and expected to come online next year.

National Apartment Completions and Units Underway



Source: CBRE-EA/Dodge Pipeline, June 2013

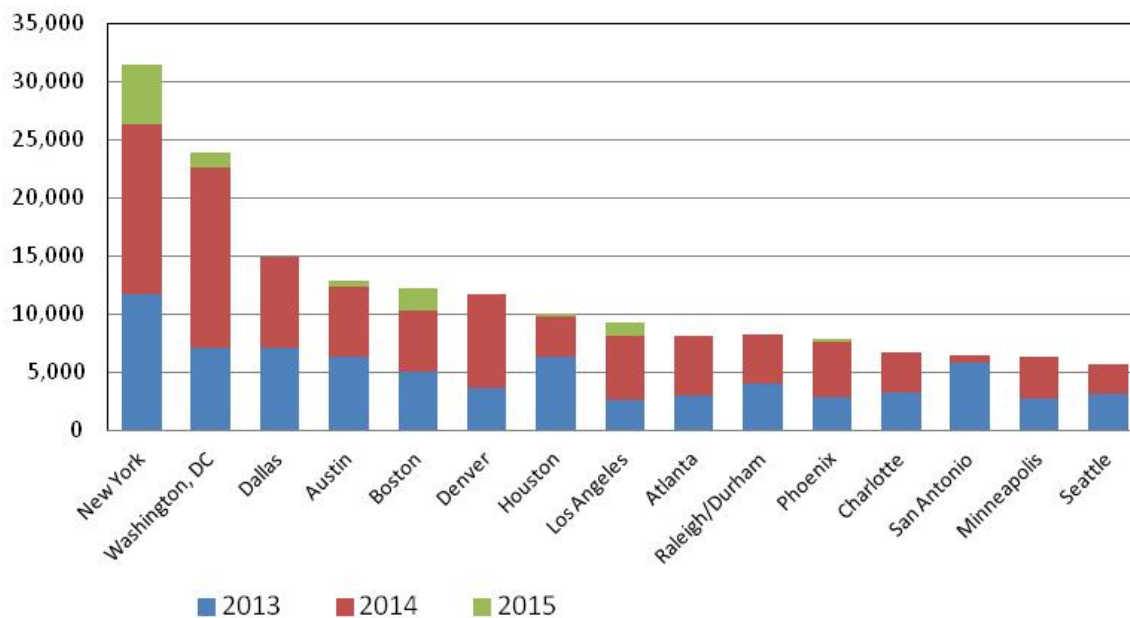
* Anticipated completion date

Please note: Dodge Pipeline data is not a forecast of construction activity; it is a monitor of activity reported to date. As more projects are planned and tracked, figures in future periods may increase.

Construction Focused in a Few Larger Metros

As seen in the chart below, not many metropolitan areas have more than 10,000 units underway, which may indicate the potential for short-term oversupply in a few local submarkets. In fact, the apartment market’s construction activity has been uneven. For example, the Washington, DC metropolitan area, with a population of 4.6 million, has nearly as many units underway as the New York City metropolitan area, with a population of slightly fewer than 12 million.

Top 15 Metro Areas for New Apartment Units Underway



Source: CBRE-EA/Dodge Pipeline, June 2013

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As seen in the chart above, many of the locations with the highest number of completions expected in 2013 include larger metropolitan areas with a fairly significant percentage of renters, such as New York City, Washington, DC, and Boston. Other larger metropolitan areas that have been able to attract development include Austin, Raleigh, Seattle, and Denver.

Potential Oversupply in Some Areas

Many of these metropolitan areas also have a good number of jobs in the higher-paying technology sector – an employment sector that weathered the economic downturn fairly well. Importantly, and especially for apartment developers, these are the same metropolitan areas that also are projected to have above-average job growth during the next five years. In contrast, many smaller metropolitan areas have not attracted as much attention – and, in turn, investment – in new multifamily construction projects.

Since much of this new supply is concentrated in a few metropolitan areas as well as in local submarkets within those areas, multifamily fundamentals could be impacted, producing a temporary slowdown in net absorption rates, occupancy levels, and effective rents later this year or early into next year.

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