

Apartment Analysis & Forecast

Metro Market and REIT Market Outlook

November 2011



JOHN  BURNS
REAL ESTATE CONSULTING
Trusted Analysis for Executive Decisions

Headquarters

16485 Laguna Canyon Road, Suite 130

Irvine, CA 92618

Tel: 949-870-1200

www.realestateconsulting.com

Offices

Irvine • San Diego • Sacramento • Texas • Florida • New England

Contact Information

Lesley Deutch

Vice President

(561) 432-6209

ldeutch@realestateconsulting.com

John Burns

CEO

(949) 870-1210

jburns@realestateconsulting.com

TABLE OF CONTENTS

| | |
|--|-----------|
| 1. EXECUTIVE SUMMARY..... | 1 |
| 2. KEY ECONOMIC AND APARTMENT STATISTICS..... | 19 |
| 3. SHORT-TERM DEMAND..... | 20 |
| National Job Growth and Forecast..... | 20 |
| Regional Job Growth and Forecast..... | 20 |
| Income Trends..... | 22 |
| 4. LONG-TERM DEMAND: DEMOGRAPHICS..... | 23 |
| 25-34 Year Olds..... | 23 |
| 18-24 Year Olds..... | 24 |
| Regional Population and Household Growth..... | 25 |
| Immigrant Demand..... | 25 |
| Future Population Growth..... | 26 |
| 5. RENT VS. OWN DECISION..... | 26 |
| Homeownership Rate Forecast..... | 27 |
| After-Tax Housing Costs Versus Renting..... | 31 |
| Excess Vacancy and Shadow Inventory..... | 32 |
| 6. WHAT THESE TRENDS MEAN FOR THE APARTMENT SECTOR..... | 33 |
| Vacancies..... | 34 |
| Demand..... | 35 |
| Rents..... | 36 |
| Construction..... | 37 |
| 7. INVESTMENT MARKET..... | 38 |
| The Mortgage Market..... | 38 |
| Asset Values..... | 41 |
| Capitalization Rates by MSA..... | 42 |
| Delinquency/Default Rates..... | 43 |
| 8. APARTMENT REIT DIFFERENTIATION..... | 44 |
| Regional Diversification..... | 44 |
| Washington D.C. Critical for Many REITs..... | 44 |
| 5 Apartment Markets on Average Comprise 36% of REIT NOI..... | 45 |
| JBREC Qualitative Outlook for Rent Appreciation in Top 5 REIT Markets..... | 47 |
| JBREC Overall REIT Ranking..... | 49 |
| Financial Performance..... | 51 |
| 3Q2011 Same Store REIT Metrics Continue to Improve..... | 52 |
| 3Q2011 REIT Earnings Summary..... | 54 |
| 3Q2011 REIT Earnings Summary Market Color..... | 55 |
| Acquisition and Disposition Trends..... | 61 |
| Comparison of REIT Market Conditions..... | 62 |
| Employment Growth in REIT Markets..... | 63 |

| | |
|---|-----------|
| Median Rent Appreciation in REIT Markets..... | 64 |
| Housing Affordability in REIT Markets..... | 64 |
| Median Household Income in REIT Markets..... | 65 |
| Construction Activity in REIT Markets..... | 66 |
| 9. MARKET ANALYSIS BY REIT..... | 67 |
| AIMCO Markets (AIV)..... | 67 |
| Avalon Bay Markets (AVB)..... | 68 |
| BRE Properties Markets (BRE)..... | 69 |
| Camden Properties Markets (CPT)..... | 70 |
| Colonial Properties Trust Markets (CLP)..... | 71 |
| Equity Residential Markets (EQR)..... | 72 |
| Essex Property Markets (ESS)..... | 73 |
| Home Properties Markets (HME)..... | 74 |
| Mid-America Apartments Markets (MAA)..... | 75 |
| Post Properties Markets (PPS)..... | 76 |
| United Dominion Markets (UDR)..... | 77 |
| REGIONAL ANALYSIS & FORECAST..... | 78 |
| 10. EXECUTIVE SUMMARY..... | 78 |
| 11. REGIONAL OVERVIEW..... | 91 |
| Summary..... | 91 |
| Regional Snapshot (Data)..... | 91 |
| Individual Regional Summaries (Local Commentary)..... | 93 |
| Housing Cycle Risk Index-A Leading Indicator for Housing..... | 98 |
| Demand & Supply Forecasts..... | 100 |
| Demand Indicators..... | 103 |
| Employment Growth..... | 104 |
| Employment Growth / Permit Ratio..... | 104 |
| Resale Sales Volume..... | 105 |
| Supply Indicators..... | 105 |
| Construction Permits by Region..... | 105 |
| Resale Listings..... | 106 |
| Resale Months of Supply..... | 107 |
| Pre-Foreclosure Notices to 1,000 Households..... | 108 |
| Home Price Forecasts..... | 109 |
| Resale Median Home Price..... | 110 |
| Affordability Indicators..... | 111 |
| JBREC Affordability Index..... | 111 |
| Median Housing Cost / Median Income..... | 113 |
| Median Home Price / Median Income..... | 113 |

| | | |
|---|---|------------|
| | U.S. Price Index..... | 114 |
| | Resale Median Price Changes Month-over-Month..... | 114 |
| | Resale Median Price Change Year-over-Year..... | 114 |
| | Last Month Current Median Price Achieved..... | 116 |
| | S&P/Case-Shiller® Resale Home Price Indices..... | 116 |
| | Realtor Market and Price Ratings..... | 118 |
| Apartments..... | | 123 |
| Demographic Drivers..... | | 124 |
| | Relocation Statistics..... | 124 |
| | Immigrant Demand..... | 124 |
| | Future Population Growth..... | 125 |
| | Five-Year Change in Population by Metro..... | 125 |
| | Consumers' Reasons for Purchasing Homes..... | 128 |
| | Home Sales Compared to Total Households..... | 129 |
| | U.S. Population by Census Region..... | 129 |
| Regions..... | | 131 |
| | Northern Florida..... | 131 |
| | Southern Florida..... | 149 |
| | Southeast..... | 167 |
| | Midwest..... | 191 |
| | Texas..... | 214 |
| | Southern California..... | 235 |
| | Northern California..... | 257 |
| | Southwest..... | 276 |
| | Northeast..... | 297 |
| | Northwest..... | 319 |
| 12. METHODOLOGY, LIMITING CONDITIONS AND CONTACTS..... | | 338 |
| | Methodology..... | 338 |
| | A Word of Caution..... | 343 |
| | Limiting Conditions..... | 343 |
| | Contact Information..... | 347 |