

# The 8th Annual Casden Multifamily Conference April 7, 2010



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**CASDEN** REAL ESTATE  
ECONOMICS FORECAST



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# THE EIGHTH ANNUAL CASDEN MULTIFAMILY FORECAST PROGRAM

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## WELCOME

Alan Kreditor | USC Senior Vice President Emeritus and Professor of Planning and Development, USC Lusk Center for Real Estate

Alan Casden | Chief Executive Officer  
Casden Properties, LLC

## CASDEN REAL ESTATE ECONOMICS MULTIFAMILY MARKET FORECAST

Richard K. Green | Director  
USC Lusk Center for Real Estate

Tracey Seslen | Senior Research Associate  
Casden Real Estate Economics Forecast

## MULTIFAMILY OUTLOOK

### MODERATOR

Michael Gottlieb | Executive Editor  
Daily Commerce Group

### PANEL

K. Conly Chi | Managing Principal  
QVT Mount Auburn Capital LP

Thomas K. Shelton | President  
SHI/Capital, LLC

Lori A. Torres | Portfolio Vice President  
The Irvine Company Apartment Communities

Weston W. Whitman | West Coast Managing Director  
California, Greystar

## BREAK

## KEYNOTE INTRODUCTION

Lewis G. Feldman | Partner  
Goodwin Procter LLP

## KEYNOTE

Michael A. Berman | President & Chief Executive Officer  
CW Capital

APRIL 7, 2010

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## **DISTRESSED REAL ESTATE SOLUTIONS?**

### **MODERATOR**

Marc D. Renard | Executive Managing Director, Global Capital Markets Group  
Cushman & Wakefield of California, Inc.

### **PANEL**

William R. Lindsay | Partner  
PCCP, LLC

Scott L. Bottles | Managing Director  
Wells Fargo

Kenneth J. Gaitan | Senior Asset Manager  
Bank of America

## **BUY NOW – BUY LATER: THE CAPITAL MARKETS DILEMMA**

### **MODERATOR**

Jerome Fink | Managing Director  
The Bascom Group

### **PANEL**

Constance B. Moore | President & Chief Executive Officer  
BRE Properties

Thomas Mullahey | Principal  
AEW Capital Management, LP

Peter Kaye | Managing Director  
Rockwood

Bradford Takala | Vice President of Acquisitions, Opportunity Funds  
Behringer Harvard

## **CLOSING REMARKS**

Alan Kreditor | USC Senior Vice President Emeritus and Professor of Planning  
and Development, USC Lusk Center for Real Estate

## **NETWORKING LUNCH • WATERCOURT ROOM**

## Report Authors

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### **RICHARD K. GREEN** | Director of the USC Lusk Center for Real Estate

Richard K. Green, Ph.D., is the Director of the USC Lusk Center for Real Estate. He holds the Lusk Chair in Real Estate and is Professor in the School of Policy, Planning, and Development and the Marshall School of Business.

Prior to joining the USC faculty, Dr. Green spent four years as the Oliver T. Carr, Jr., Chair of Real Estate Finance at The George Washington University School of Business. He was Director of the Center for Washington Area Studies and the Center for Real Estate and Urban Studies at that institution. Dr. Green also taught real estate finance and economics courses for 12 years at the University of Wisconsin-Madison, where he was Wangard Faculty Scholar and Chair of Real Estate and Urban Land Economics. He also has been principal economist and director of financial strategy and policy analysis at Freddie Mac. More recently, he was a visiting professor of real estate at the University of Pennsylvania's Wharton School, and he continues to retain an affiliation with Wharton. He is or has been involved with the Lincoln Institute of Land Policy, the Conference of Business Economists, the Center for Urban Land Economics Research, and the National Association of Industrial and Office Properties. Dr. Green also is a Weimer Fellow at the Homer Hoyt Institute, and a member of the faculty of the Selden Institute for Advanced Studies in Real Estate. He was recently President of the American Real Estate and Urban Economics Association.

Dr. Green earned his Ph.D. and M.S. in economics from the University of Wisconsin-Madison. He earned his A.B. in economics from Harvard University.

His research addresses housing markets, housing policy, tax policy, transportation, mortgage finance and urban growth. He is a member of two academic journal editorial boards, and a reviewer for several others. His work is published in a number of journals including the American Economic Review, Journal of Economic Perspectives, Journal of Real Estate Finance and Economics, Journal of Urban Economics, Land Economics, Regional Science and Urban Economics, Real Estate Economics, Housing Policy Debate, Journal of Housing Economics, and Urban Studies. His book with Stephen Malpezzi, *A Primer on U.S. Housing Markets and Housing Policy*, is used at universities throughout the country. His work has been cited or he has been quoted in the New York Times, The Wall Street Journal, The Washington Post, the Christian Science Monitor, the Los Angeles Times, Newsweek and the Economist, as well as other outlets. He recently gave a presentation at the 31st annual Federal Reserve Bank of Kansas City Economic Symposium, where his work was cited by Federal Reserve Chairman Ben Bernanke. The National Association of REALTORS, the Ford Foundation, and the Lincoln Institute for Land Policy have funded grants to support some of Dr. Green's research. He consults for the World Bank.



### **TRACEY SESLEN** | Senior Research Associate Casden Real Estate Economics Forecast

Tracey Seslen received her Ph.D. in Economics from the Massachusetts Institute of Technology in 2003 and currently teaches Real Estate Finance in the Marshall School of Business and the School of Policy, Planning, and Development at USC. Recently, her research has focused on housing cycles, the capitalization of risk and return into housing prices, household mobility behavior, and termination risk in commercial mortgages. She has presented her research both nationally and internationally, participating in real estate conferences from Boston to Beijing. When not teaching or doing research in real estate, she is an avid traveler. In 2007, she led a group of 28 MBA students on an international business study tour of Mexico and Cuba, and participated in a real estate study tour of Tokyo and Shanghai.



**MICHAEL J. TORNABENE** | Master of Real Estate Development Candidate

Michael J. Tornabene is a graduate student in the Master of Real Estate Development program, currently focusing on financial modeling, market analysis, and government initiatives for development (Historic Preservation, Low Income, and New Market Tax Credit Programs). Prior to pursuing his graduate degree, Michael specialized in the rehabilitation and tax certification process at Page & Turnbull, Inc., a San Francisco based architecture firm where he authored numerous tax credit applications, oversaw the construction process, and entitled projects at a variety of scales. During his time at USC, Michael has been an intern with the William J. Clinton Foundation - Building Retrofit Program, where he has focused on financial returns on sustainable investment within existing buildings. Additionally, Michael continues to present on the complex issues surrounding adaptive reuse, sustainability within the built environment, and the development and repositioning of existing assets. Michael is an Associate member of the AIA, a LEED accredited professional, and an active member of ULI.



**SKYE TIRSBIER** | MBA/MPL Dual Degree Candidate | University of Southern California

Skye Tirsбиеr is a Master of Business Administration/Master of Planning dual degree candidate at USC. Before attending USC, she worked for New Urban West in Santa Monica for several years as the Entitlements Project Manager. Skye managed the entitlement process and secured approvals for a large mixed-use community in Southern California. Her academic honors include selection as a Marshall MBA Fellow and placement on the graduate Dean's List of the Marshall School of Business. After graduation, Skye is interested in either working for a redevelopment agency or returning to the private sector and working for a real estate development firm in Southern California.



## Keynote Speaker

**MICHAEL A. BERMAN** | President & CEO, CW Capital

Michael Berman is a founder, principal, and member of the Board of Managers of CW Financial Services (CW), and serves as the President and Chief Executive Officer of CWCapital. He joined the CW companies in 1985. CWCapital is a national lender to the multifamily and commercial real estate industry, with 118 employees in 9 offices throughout the U.S. Mr. Berman oversees strategic planning and operations for all of the company's loan programs: Fannie Mae, Freddie Mac, FHA, conduit, bridge, mezzanine and balance sheet whole loans. In addition, he provides strategic input for the company's vertical integration business plan, as he serves on the Boards of CW Financial Services, CWCapital Investments and CWCapital Asset Management. The CW companies control the B Pieces and are special servicers for approximately \$164 billion of CMBS and other non-securitized transactions (approximately 13,000 loans), representing over 20% of the U.S. market. Under Mr. Berman's direction, CWCapital first entered the national lending business in 1991. Since then, loan production has grown from \$100 million to \$3 billion. CWCapital services all loans which it originates, currently servicing a portfolio of \$11.6 billion in 48 states.



Mr. Berman became Chairman Elect of the Mortgage Bankers Association (MBA) in October 2009. He currently serves as Chair of the MBA task force The Council on Ensuring Mortgage Liquidity: the Future of Fannie Mae and Freddie Mac. He also serves on the Board of the MBA (2006-2010) and the MBA Commercial Board of Governors (2007-2010); he also has served on the Fannie Mae DUS Advisory Council (2006-2008), the MBA Council to Shape Change (2005-2006), and the Executive Committee of the Board of the National Multi Housing Council (1995-2010). Since 1990, Mr. Berman has been an active speaker on multifamily and commercial real estate finance.

Prior to joining CWCapital, Mr. Berman practiced law in the Boston and San Francisco offices of a large, national law firm. Mr. Berman earned a Bachelor of Arts from Harvard University and a Juris Doctor from the University of Pennsylvania Law School.

# Multifamily Outlook

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## **MICHAEL GOTTLIEB** | Associate Editor, Daily Journal & Executive Editor, Daily Commerce Group

Michael Gottlieb is an Associate Editor with the Daily Journal, California largest legal news provider. Michael also is Executive Editor for the Daily Journal Corp.'s Daily Commerce Group where he is responsible for overseeing all aspects of an additional eight local business publications located throughout California.

A career journalist, Michael has received a variety of awards for excellence in journalism as a reporter, editor and columnist while working in various positions for Gannett Corp., Times Mirror Corp., Tribune Corp. and Daily Journal Corp. newspapers in New York and California.

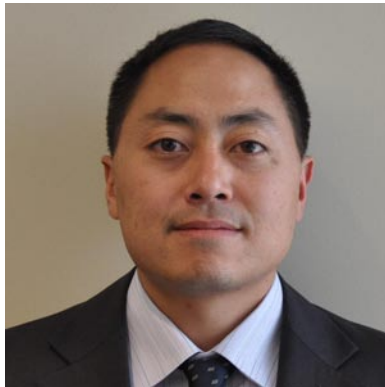
Michael is a frequent speaker on real estate matters and a panel moderator participating in programs presented by ACRE, BIA, CCIM, Corenet Global, CREW, Cushman & Wakefield, Deloitte, LACBOR, NAIOP, ULI, City of Ontario, Kern County Economic Development Corp., Century City Chamber of Commerce and UCLA's Ziman Center for Real Estate, USC's Lusk Center for Real Estate and Marshall School of Business among others.

Michael is a member of the National Association of Real Estate Editors and the American Society of Business Publication Editors. He also is a member of the Los Angeles chapter of CREW's 2009 and 2010 Advisory Board.

Immediately prior to joining the Daily Journal Corp., Michael was the Assignment Editor of the California Real Estate Journal. Michael was City Editor of the Los Angeles Times' Westside Weekly section. Michael is a graduate of the University of Southern California.



## **K. CONLY CHI** | Managing Principal, QVT Mount Auburn Capital LP



Mr. Chi is currently a Managing Principal of QVT Mount Auburn Capital LP, a private equity real estate fund formed in 2008. QVT Mount Auburn Capital LP invests on behalf of institutional and high net worth investors. Since 2008, QVT Mount Auburn Capital LP has acquired over \$150 million of real estate loans and assets. Mr. Chi has previously acted as the principal in the development and management of mixed-use projects, single family subdivisions, as well as income restricted multi-family residences. Prior to real estate development, he structured acquisitions, divestitures and financings as a real estate attorney at Sullivan & Cromwell. He has worked on over \$1 billion worth of real estate transactions. Mr. Chi is a Phi Beta Kappa and received his B.A. with high distinction from the University of California, Berkeley. Mr. Chi also has a Masters of Real Estate Development from the University of Southern California, as well as a J.D. from Harvard Law School. He is admitted to the bar in California and New York and is a licensed real estate broker in California.

## **THOMAS K. SHELTON, CAPS® , CPM®** |

Thomas K. Shelton is the former President of Western National Property Management. As president Mr. Shelton was tasked with the responsibility of directing the property management division, representing the overall interests of that division, providing strategic direction and general advice to the company relative to owned assets and a portfolio of assets owned by third party clients and insuring that properties managed under the Western National umbrella receive institutionally quality service throughout the entire investment cycle.

Prior to joining WNPM in October of 2008, he served as managing partner of Greystar Real Estate Partners where he supervised a portfolio of assets managed through six (6) full service offices throughout the Western United States. At Greystar he also





supervised the construction management, internal audit, financial reporting, business services and IT departments, as well as serving on both the Executive and Investment Committee's of the firm. Mr. Shelton also previously served as Regional Vice President of Insignia Residential Group, was Senior Vice President of Koll Management Services and Senior Vice President of Phoenix-based CBS Investment Realty.

Mr. Shelton served as the 2003 President of the National Apartment Association, was the 1998 Chairman of the Board of the Arizona Multihousing Association, is a member of the National Multihousing Council and received his Certified Property Manager (CPM) designation from the Institute of Real Estate Management. He received a Bachelor of Science degree from Arizona State University and holds real estate broker's licenses in Arizona and California.

**LORI A. TORRES, CPM®** | Portfolio Vice President, The Irvine Company Apartment Communities

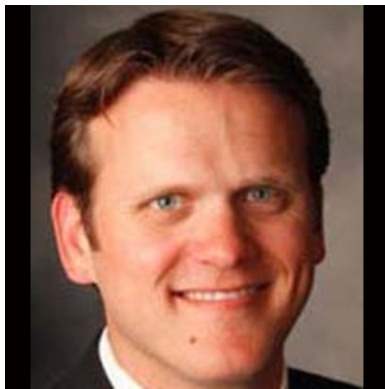
Lori joined The Irvine Company Apartment Communities in January 2000 as Vice President of Property Management and now holds the title of Portfolio Vice President overseeing over 13,000 units in Orange County, Northern California and Santa Monica. Lori oversees five Regional Managers with a portfolio of 34 assets and 350 associates.

Prior to joining Irvine Apartment Communities, Lori worked for BRE Properties, Inc., for four years as Senior Regional Property Manager and Vice President Ancillary Income. Prior to that, she was Assistant Vice President for McNeil Real Estate Management, Inc.

Lori has earned the esteemed Certified Property Manager designation from the Institute of Real Estate Management. She is the immediate past President of the Board for South Coast Apartment Association. Lori resides in Orange County with her husband and two children. In her spare time she enjoys spending time with her family, friends and golfing.



**WESTON W. WHITMAN** | West Coast Managing Director, California Greystar



Wes Whitman is the West Coast Managing Director for Greystar, one of the country's largest multifamily services companies, with 150,000 units under management, over \$3 billion of sponsored investments, and more than 100 institutional and private clients nationwide. Mr. Whitman's responsibilities include overseeing Greystar's operating platform and team members across Northern and Southern California, as well as Greystar's acquisitions, asset management, and development activities in the region. Prior to becoming Managing Director, Mr. Whitman held various positions in acquisitions, development, and asset management, and originally started with Greystar at the company's corporate headquarters in Charleston, South Carolina.

Prior to joining Greystar directly from business school in 2005, Mr. Whitman was the Co-founder and President of a web-software company in the online media industry.

Mr. Whitman received a BS in Finance from Brigham Young University and an MBA from Harvard Business School.

## Distressed Real Estate Solutions?

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**MARC D. RENARD** | Executive Managing Director, Global Capital Markets Group,  
Cushman & Wakefield of California

Marc D. Renard is Executive Managing Director of C&W's Global Capital Markets Group and is responsible for the firm's investment brokerage activities throughout Southern California. Since joining C&W in 1983, Mr. Renard has provided transaction and advisory services to clients, including the sale of more than 300 properties with an aggregate value in excess of \$10 billion. His team of 20 professionals covers a geographically diverse area, which encompasses all the major markets on the West Coast. He has marketed properties in California, Arizona, Utah, New Mexico, Colorado, Washington, Oregon, and Nevada.

Mr. Renard has been recognized with various honors including C&W's Top Investment Broker in the Western Region and/or in California for the years 1992, 1994, 1995, 1996, 1998, 2002, 2003, 2004, 2006, 2007, and 2008. He is a member of C&W's Global Advisory Board.

Client representations include MetLife, Tishman Speyer, Bank of America, Angelo Gordon, Arden Realty, AIMCO, Morgan Stanley, GE Real Estate, Fidelity Investments, BRE Properties, Equity Residential, Citicorp, Heitman, RREEF, TIAA-CREF, Cornerstone Real Estate Advisers, and Prudential.

Mr. Renard is on the Board of Directors of the Arthritis Foundation of Southern California, the Executive Committee of San Francisco's Museum of Performance and Design, the Board of Directors of the USC Lusk Center, and is a frequent guest lecturer at industry conferences. He earned a Bachelor of Arts from the University of Southern California.



**SCOTT L. BOTTLES** | Managing Director, Wells Fargo & Company

Scott Bottles serves as a Managing Director and Western Regional Credit Supervisor of Wells Fargo Real Estate Banking. He is responsible for approving and overseeing the credit quality of commercial real estate loans in the Western United States. He is based in Los Angeles, California.

Real Estate Banking provides a broad range of real estate financial products to well-capitalized commercial and residential real estate developers, operators and investors such as privately held companies, real estate funds, and public and private REITS. It also provides mezzanine financing and structured real estate debt (often non-recourse).

Scott joined Wells Fargo in 1984 as a trainee. He moved to the Los Angeles office of the Real Estate Industries Group in 1985 and went on to manage that office from 1990 to 1998. He then assumed the position of southwest division manager of Real Estate Merchant Banking. Scott left Wells Fargo in 2006 to become a partner at a regional investment bank. He rejoined Wells Fargo in his current capacity in late 2008.

Scott holds a B.A., M.A. and Ph.D. in American History from the University of California, Los Angeles. He also received a M.B.A. in Finance and Accounting from the same university.

Shortly after joining Wells Fargo, the University of California Press published Scott's book, *Los Angeles and the Automobile* which won the Donald H. Pflueger Award from the Historical Society of Southern California. He has lectured and written widely on the subjects of American history, economics and real estate finance.

Active in the community, Scott's professional and charitable affiliations include the Urban Land Institute (Industrial and Office Park Council), Los Angeles Chamber Orchestra, The Accelerated School, and California Council of the Humanities. Scott and his wife live in Pacific Palisades and have two grown children.

**KENNETH J. GAITAN** | Senior Asset Manager, Bank of America

Ken Gaitan is a 22 year veteran of Commercial Real Estate Finance with an extensive background in loan origination, underwriting and asset management of income property nationwide. As the market manager for the western region at Bank of America/OREO, Ken leads a team charged with the major task of asset management and disposition of all foreclosed income property at Bank of America. Ken's team covers Colorado to California (including Hawaii, Alaska and Texas).

As a graduate of the USC Marshall School of Business, Ken remains active at his alma mater as a member of the USC Alumni Association Board of Governors.



**WILLIAM R. LINDSAY** | Founding Partner, PCCP, LLC



William R. Lindsay is Founding Partner of PCCP, LLC, a full-service real estate investment management firm, with over \$6 billion in assets under management. PCCP manages four commingled funds of institutional investors, including banks, insurance companies and foundations, and five joint ventures with pension investors.

Prior to forming PCCP, William was a partner in Gibson, Dunn & Crutcher LLP, one of the nation's largest law firms. There, he was the co-head of the firm's Real Estate Department. From 1986 to 1987, William served as a law clerk to Chief Justice William H. Rehnquist on the United States Supreme Court. Previously, he served as a law clerk to the Honorable Carl McGowan on the United States Court of Appeals for the District of Columbia Circuit.

William is a 1981 graduate of Dartmouth College. In 1985, he graduated from Boalt Hall School of Law at the University of California, Berkeley.

# Buy Now – Buy Later: The Capital Markets Dilemma

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**JEROME A FINK** | Managing Director, The Bascom Group

Jerome A. Fink, Co-founder and Managing Partner of The Bascom Group, LLC, oversees property acquisition, financing, and disposition. Bascom has completed over \$6.0 billion in multi-family and commercial value-added transactions since 1996. Bascom's subsidiaries and joint ventures include the Southern California Industrial Fund, Rushmore Properties, Bascom Portfolio Advisors, and the Realm Group. Bascom's subsidiaries also include Premier Business Centers, the largest privately held executive suite company in the US. Prior to founding Bascom, Mr. Fink was Senior Acquisitions and Sales Manager from 1991 to 1995 for Pacific Mutual Life Insurance Company. His responsibilities included market assessment, property identification and negotiation, and the acquisition and disposition of real estate investments. Mr. Fink has a Bachelor of Science in Electrical and Computer Engineering and a Master of Business Administration in Real Estate and Finance from the University of Wisconsin-Madison. He is a member of the CCIM Institute, the Institute of Real Estate Managements (IREM), and Turnaround Management Association (TMA). Mr. Fink is a licensed real estate broker in the state of California, a Certified Commercial Investment Member (CCIM), and a Certified Turnaround Professional (CTP). He has appeared as a guest speaker at various ULI, UCI, USC, UCLA, and Real Estate Conference Group functions and was previously on the Board of Directors for the Wisconsin Real Estate Alumni Association. Mr. Fink was awarded the "Apartment Executive of the Year" by the Real Estate Conference Group's Apartments 2004, the industry's largest and most prestigious multifamily conference on the West Coast and the "Rising Star Award" by the UCI Center for Real Estate in 2008.



**PETER KAYE** | Managing Director, Rockwood

Mr. Kaye is a Portfolio Manager, based in San Francisco, and has overall responsibility for the performance of Rockwood Funds V and VII, including fund and asset strategy, structuring, capitalization, asset management and disposition. Prior to becoming Portfolio Manager, Mr. Kaye was responsible for originating, structuring and underwriting new investment opportunities and managing Rockwood's assets for the western United States. Prior to joining Rockwood in 2002, Mr. Kaye held various positions in acquisitions, originations and asset management and completed transactions for both debt and equity nationwide.

Mr. Kaye previously worked in the acquisitions group at SSR Realty Advisors in San Francisco, where he was involved in the acquisition and development of several commercial and residential projects on the West Coast. From 1998 to 2001, Mr. Kaye worked at GE Capital Real Estate where he was involved in the acquisition and financing of office, retail, hotel and multifamily assets nationwide. From 1993 to 1996, Mr. Kaye was a project manager for Clark Construction Group, a national commercial general contractor based in Washington, D.C., where he managed construction of several stadium projects and office buildings in the DC metro area.

Mr. Kaye received a Bachelor of Science in Civil Engineering from Lehigh University and a Masters of Business Administration from Boston University.

**CONSTANCE B. MOORE** | President and CEO, BRE Properties

Constance B. Moore was named BRE's President and Chief Executive Officer in 2005. She also serves on the company's board of directors. Moore has 30 years of experience in the real estate industry. Prior to joining BRE in 2002, she was the managing director of Security Capital Group & Affiliates. From 1993 to 2002, Moore held several executive positions with Security Capital Group, including co-chairman and chief operating officer of Archstone Communities Trust. She held the same position at Security Capital Atlantic, Inc., a predecessor of Archstone, playing an instrumental role in its initial public offering. During her tenure at Security Capital Group, she served on the boards of directors of both public and private companies owned or controlled by that organization.



Moore holds an M.B.A. from the University of California, Berkeley, Haas School of Business, and a bachelor's degree from San Jose State University. She is Second Vice Chair of the National Association of Real Estate Investment Trusts' (NAREIT) Board of Governors' Executive Committee, the Fisher Center for Real Estate & Urban Economics Policy Board Executive Committee, the Urban Land Institute, the RentBureau, LLC Board of Directors, the California Housing Council and the Real Estate Roundtable, and serves as director of the San Jose State University Tower Foundation.



**THOMAS MULLAHEY** | Principal, AEW Capital Management, LP

Tom Mullahey is a Principal in the firm's Direct Investment Group and heads AEW's Los Angeles office. He is responsible for the acquisition and management of a variety of investment assets, located in the western U.S. sourcing and underwriting new investment opportunities in West Coast markets. Tom joined the firm in 1995 after spending ten years at L.J. Melody and Company as correspondent to Copley Real Estate Advisors and New England Mutual Life Insurance Company. He is a graduate of the University of Arizona (B.S.) and is an active Council member of the Urban Land Institute

He has 24 years of diversified real estate experience that encompasses sourcing, structuring and managing real estate investments. Tom has sourced and closed in excess of \$4 billion of real estate transactions in his career.

Founded in 1981, AEW Capital Management, L.P. provides real estate investment management services to investors worldwide. Currently, AEW manages over \$45 billion of real estate assets and securities (as of September 30, 2009) on behalf of many of the world's leading institutional and private investors.

**BRADFORD W. TAKALA** | Vice President – Acquisitions, Behringer Harvard

Brad Takala is Vice President – Acquisitions of Behringer Harvard Opportunity REIT II, and is responsible for sourcing, negotiating and closing investment opportunities including both equity and debt investments in all assets classes. Prior to joining Behringer Harvard, Brad was a Partner at Taurus Capital Markets LLC, which is responsible for Taurus Investment Holdings' large scale acquisitions globally, fund formation, and institutional client relationships. He joined Taurus after spending 9 years with INVESCO Real Estate, the last 6 years as Acquisitions Officer. While at INVESCO, he completed over \$1B in acquisitions, executing core and value-added acquisitions in office, industrial, retail and multi-family. INVESCO is a \$24B pension fund advisor. Brad has completed acquisitions in Massachusetts, Connecticut, Washington DC, Virginia, Illinois, Maryland, Pennsylvania, New Jersey, California and Arizona. He worked in INVESCO's San Francisco, Boston, and Dallas offices.



Prior to joining INVESCO, Brad worked for Cushman & Wakefield in San Francisco in the Financial Consulting Group; in this role, he primarily worked with the Capital Markets group on institutional sales. Brad has an MBA in Finance from the Owen School of Management at Vanderbilt University, and a BA from St. Lawrence University.

# USC CASDEN FORECAST | 2010 MULTIFAMILY MARKET REPORT

## Executive Summary

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After a difficult 2008 and first half of 2009, the United States economy has begun to show signs of recovery. Credit markets have begun to loosen, job losses have slowed, and GDP has increased for the last two quarters. The Southern California apartment markets continue to adjust to the new economic realities.

Apartment demand has improved markedly from 2009 vs. 2008, but many areas continue to see negative net absorption and the vacancy rate is still well above its “natural” level in all four major Southern California markets. Southern California’s apartment rents have continued to weaken on a year-over-year basis in spite of modest increases in occupancy. Only three San Diego submarkets and one Inland Empire submarket have shown average rent increases out of the 40 submarkets discussed in this report. A large shadow supply of single family homes and condos for lease may be continuing to put pressure on asking rents.

We forecast modest declines in vacancy in all markets over the next eight quarters. We also forecast continuing, modest declines in the Los Angeles and Orange County markets, and stable-to-increasing rents for the rents in Inland Empire and San Diego County.

### LOS ANGELES COUNTY

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The Los Angeles apartment market showed declines in rents across all submarkets as the recession continued to deepen through the first half of 2009. The area lost over 142,000 jobs during 2009, with the greatest job losses occurring in the manufacturing, trade, information, professional and business services, construction, and government sectors. From Q3 to Q4, however, the unemployment picture improved and with it came modest increases in rents for three submarkets: West Los Angeles, East Los Angeles, and the Santa Clarita Valley. Average rents have fallen an average of 8.0 percent from their peak in Q2 of 2008.

The demand for apartments from Q4 2008 to Q4 2009 improved substantially when compared with Q4 2007 to Q4 2008: positive 22,690 vs. negative 40,150 units. The overall occupancy rate increased 1.7 percentage points to 93.9 percent at the end of 2009. The average monthly effective rent fell 5.8 percent to \$1488 in 2009, while same-store rents declined by 6.0 percent.

The largest effective rent declines occurred in the Intown submarket (9.9 percent), West Los Angeles (6.9 percent), and Antelope Valley (6.7 percent).

New units were delivered in all submarkets except the San Gabriel and Antelope Valleys. Completions for 2010 are expected to decline by about 16 percent from 2009 levels. Intown LA, Hollywood, and the San Fernando Valley submarkets, which account for 37 percent of the Los Angeles apartment market, are expected to provide nearly 72 percent of the new supply.

### ORANGE COUNTY

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The economic recession has seriously affected employment growth in Orange County; more than 53,000 jobs were lost in 2009, with the largest cuts coming in the construction, trade, and manufacturing sectors. The unemployment rate in December 2009 was 9.1 percent -- 2.5 percentage points higher than one year earlier. Nevertheless, demand for apartments increased from Q4 2008 to Q4 2009 with positive net absorption of 4190 units. This was a vast improvement over the prior one-year period, which showed negative net absorption of 3230 units. After hitting a low of 92.5 percent – the lowest rate since data collection began in 2002 – occupancy rebounded to 93.7 percent by the end of 2009.

Although down 7.7 percent from their peak in Q3 2008, rents have remained essentially flat for the last three quarters. The average monthly rent for all apartments at the end of 2008 was \$1,464. Same-store rents declined 5.7 percent over the last year.

The Irvine and Anaheim markets, which account for 32 percent of the total apartment market, were the only submarkets with completions of over 50 units. They also accounted for 61 percent of the total net units absorbed in Orange County. Together with North Orange County, these two markets are the only ones scheduled to add new units in 2010.

## INLAND EMPIRE

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The multifamily housing markets in the Inland Empire have been severely affected by the economic recession. Riverside and San Bernardino County's unemployment rates hit 14.9 and 13.8 percent, respectively, in Q3 2009 – the highest in decades -- and have improved little since. More than 55,000 jobs were lost in 2009, with the largest cuts coming in the construction and trade sectors. Again, the demand for apartments has nevertheless improved across all submarkets, with a total net absorption of positive 3710 units. Occupancy stayed stable or increased in all submarkets, despite every submarket adding at least 150 new units.

Effective rents declined by 3.8 percent on average, while same-store rents fell by 4.8 percent. At the end of 2009, the average effective monthly rent was \$1,024.

Coachella and Southwest Riverside submarkets are expected to be the leaders in units added for 2010, but the overall delivery of new units is expected to decline by more than half relative to 2009.

## SAN DIEGO COUNTY

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The unemployment rate in San Diego County reached a high of 10.4 percent in Q3 2009, second lowest among the five Southern California counties covered in the report. Job losses were the lowest both in absolute terms and relative to the size of its labor market, at over 43,000 for 2009. The sectors of professional and business services, trade, manufacturing, and construction suffered the most. The demand for apartments has improved since Q4 2008, but many San Diego submarkets continue to post negative net absorption numbers. The area overall showed the weakest increase in demand relative to its size, with a positive net absorption of 1880 units. Occupancy rates increased a modest 0.2 percent to 95.1 percent, the highest occupancy level among the four major markets.

Average monthly rents fell by 1.3 percent to \$1,323 at the end of 2009. The most expensive regions remain the coastal communities of Northwest San Diego and La Jolla with average monthly rents of \$1,711 and \$1,674, respectively.

Completions were modest in 2009 at 1640 units, and are expected to continue at a similar pace in 2010.

Casden Real Estate Economics Forecast  
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