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THE 11TH ANNUAL CASDEN MULTIFAMILY FORECAST PROGRAM

WELCOME

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

Alan Casden | Chairman and Chief Executive Officer
Casden Properties, LLC

CASDEN REAL ESTATE ECONOMICS MULTIFAMILY MARKET FORECAST

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

FORECAST INDUSTRY RESPONSE

MODERATOR

Michael L. Matkins | Senior Partner
Allen Matkins Leck Gamble Mallory & Natsis, LLP

PANEL

Dave Bragg | Managing Director
Green Street Advisors

Con Howe | Managing Director, Los Angeles Fund
CityView

Kevin Kaberna | Managing Director/Principal
Greystar

Mitchell W. Kiffe | Senior Managing Director
CBRE Capital Markets

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A CONVERSATION WITH . . .

Alan W. George | Executive Vice President, Chief Investment Officer
Equity Residential

Raphael Bostic | Director
Bedrosian Center on Governance, USC Price School of Public Policy

MULTIFAMILY OUTLOOK

MODERATOR

Steven K. Fowlkes | President
R.W. Selby & Company, Inc.

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Baru Investments, Inc.

Alan W. George | Executive Vice President, Chief Investment Officer
Equity Residential

William B. Montgomery | President, Acquisitions and Investment
SARES•REGIS Group

Chris Payne | Senior Vice President - Development
AvalonBay Communities Inc.

CLOSING REMARKS

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

NETWORKING LUNCH

REPORT AUTHORS



VINCENT REINA | RESEARCH ASSOCIATE, USC CASDEN REAL ESTATE ECONOMICS FORECAST

Vincent Reina is a doctoral student at the USC Price School of Public Policy. Prior to joining USC, he was a Visiting Scholar at the Furman Center for Real Estate and Urban Policy at New York University, where he conducted and published research on housing programs and markets. He has worked at the Local Initiatives Support Corporation as a Senior Program Officer, where he underwrote financing for affordable multifamily rental housing developments across the country. In addition, he has worked as Project Manager in HUD's Office of Multifamily Housing and as a Community Planning and Development Representative in its Office of Community Planning and Development. Vincent was a Coro Community Fellow and an Associate

at the Centre for the Analysis of South African Social Policy. He earned a B.S. in Urban Studies from Cornell University with honors, a M.Sc. in Comparative Social Policy from Oxford University, and a MBA with a concentration in Economics and Real Estate from New York University's Stern School of Business.

SELMA HEPP, PH.D. | SENIOR ECONOMIST, CALIFORNIA ASSOCIATION OF REALTORS

Dr. Hepp is Senior Economist for the California Association of REALTORS (C.A.R.), a statewide trade organization with more than 150,000 members dedicated to the advancement of professionalism in real estate.

Dr. Hepp directs the activities of the Association's Research and Economics Group. She oversees the research and analysis of housing market and economic trends, member and consumer surveys, and the impact of real estate related regulatory and legislative policy. She regularly monitors and writes columns on the latest academic research in housing and urban economics, foreclosures, international housing markets, and demographic trends. Her research has been published in a number of academic journals, including Housing Policy Debate, Journal of the Center for Real Estate Studies, Papers in Regional Science, International Regional Science Review.

Before joining C.A.R. in 2012, Dr. Hepp was Economist and Manager of Public Policy and Homeownership at the National Association of REALTORS®. She also worked as a research associate at the Department of Housing and Urban Development and the National Center for Smart Growth Research and Education, and was an instructor at George Washington University. Currently, Dr. Hepp collaborates with the USC Lusk Center for Real Estate and the REALTOR® University Center for Real Estate Studies.

She earned her Masters from the SUNY at Buffalo and a PhD from the University of Maryland.



REPORT AUTHORS CONTINUED

RICHARD GREEN | DIRECTOR, 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, 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. 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. 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.

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.

In 1995, Green was honored as "Teacher of the Year" by the University of Wisconsin Graduate Business Association, and soon thereafter was inducted into that University's Teaching Academy.

FORECAST INDUSTRY RESPONSE

Dave Bragg | Managing Director | Green Street Advisors

Dave leads Green Street's Residential Research team, covering apartments, student housing, and manufactured housing. He is a member of the National Multi-Housing Council (NMHC). Prior to joining Green Street in 2013, Bragg developed and led the REIT effort at Zelman & Associates. Before that, he was a member of Institutional Investor's #1 ranked REIT team at ISI and Merrill Lynch.

Bragg earned his B.A. in International Relations from Tufts University and M.A. in International Business from the University of Florida.



Con Howe | Managing Director, Los Angeles Fund | CityView



Con Howe is Managing Director of CityView's \$150 million Los Angeles Fund, partnering with developers and operators to build or acquire workforce housing in greater Los Angeles. CityView, founded by Henry Cisneros, has financed over 7000 units of housing in over 40 projects in California and throughout the United States.

Previously Howe was Director of the Urban Land Institute's (ULI) Center for Balanced Development in the West, focusing ULI's national work on the special land development issues of the Western United States.

Howe served as the Director of Planning for the City of Los Angeles from 1992-2005. His work included: revision of the City's General Plan to provide a comprehensive strategy for growth; updating the City's 35 Community Plans; streamlining the development permitting process; creating new zoning to encourage mixed-use and infill housing projects, and the adaptive reuse of older structures into housing.

From 1987 to 1991, he served as Executive Director of the New York City Planning Department where he directed a staff of 400 located in a central office and five borough offices. Earlier, as director of the agency's Manhattan Office, he helped direct major commercial growth to West Midtown, and established urban design and preservation requirements for the City's Theatre District and Times Square.

Prior to coming to New York City, Howe was Executive Director of the Massachusetts Land Bank, a state redevelopment agency, and served in the Governor's Office.

Howe received a masters degree from MIT's School of Architecture and Planning and an undergraduate degree from Yale. He currently teaches a graduate course in planning and redevelopment at the University of Southern California.

Kevin Kaberna | Managing Director/Principal | Greystar

Kevin Kaberna is a Senior Managing Director of Investments. He is responsible for leading Greystar's investments, acquisitions, dispositions and portfolio management in the Western and Central United States. Prior to joining Greystar in 2006, Kaberna was a Senior Consultant with Ernst & Young's Financial Services Advisory Group and a Certified Public Accountant in the state of New York. Kaberna is a graduate of Harvard Business School and the University of South Dakota (B.S.B.A. in Accounting and a Masters in Professional Accountancy), where he graduated with highest honors. Kaberna is a member of National Multifamily Housing Council and ULI's Multifamily Silver Council.



Mitchell W. Kiffe | Senior Managing Director | CBRE Capital Markets

Mitchell W. Kiffe joined CB Richard Ellis Capital Markets in May 2010 and is currently Co-Head of National Production for the Debt & Equity Finance Group within CBRE Capital Markets. Along with the other Co-Head of Production, Mike Riccio, he is responsible for business development, origination results and assists in the management of a 30 office production network. Given his extensive experience in multifamily finance, he is responsible for multifamily mortgage originations nationwide. This includes Agencies (Fannie Mae, Freddie Mac, and FHA), as well as Life Insurance Companies, Conduits, Banks and other capital providers. He has significant relationship management responsibilities with respect to the Agencies and other Lenders, in addition to his relationship management activity with major national and regional clients. He also is a member of the CBRE Capital Markets Fannie Mae DUS Loan Committee.



Kiffe spent over 17 years with Freddie Mac between 1992 and 2010 in various leadership, production and credit roles. During his tenure as head of production, loan purchase volume increased from \$1.7 billion in 1997 to \$19.0 billion in 2008. In total, he has been responsible for over \$120 billion of multifamily mortgage production. He also led Freddie Mac's expansion into: Seniors Housing, Student Housing, Tax-Exempt Bond Credit Enhancements, Structured Transactions, and Credit Facilities. He also was responsible for maintaining the Program Plus Seller/ Servicer network nationwide. Freddie Mac's four regional offices reported to Mr. Kiffe, as did the Seniors Housing and Structured Transactions business units.

Before joining Freddie Mac, Kiffe spent approximately ten years at GMAC Mortgage Corporation and Norwest Mortgage, Inc. in Minneapolis, Minnesota. He spent his entire career at GMAC/Norwest involved in commercial real estate lending and mortgage banking, most recently as a Senior Vice President.

For five years prior to Norwest, Kiffe also worked in Minneapolis as an attorney specializing in commercial real estate for the law firm of Moss & Barnett, P.A. and the general contracting and engineering firm of Ibberson, Inc.

Kiffe serves on the Executive Committee and the Board of the National Multi-Housing Council. He is also a member of The American Seniors Housing Association, The Urban Land Institute, The Mortgage Bankers Association and the National Investment Center for the Seniors Housing and Care Industry. He holds a J.D. degree from the University of Minnesota and a B.A. degree from Gustavus Adolphus College.



Michael L. Matkins | Senior Partner | Allen Matkins Leck Gamble Mallory & Natsis, LLP

Matkins is a founding partner of the firm and one of the country's leading lawyers in real estate development and finance. For more than 30 years, he has advised institutional investors, lenders, property owners, and developers in all aspects of purchase, sale, financing, leasing, and construction of properties ranging from office and retail to recreational and mixed-use projects. He guides institutional lenders and investors through the complexities of real estate investing, offering established expertise in loans, joint ventures, partnerships, sale-leasebacks, and other forms of

financing and investing. Matkins has been involved in numerous multi-hundred-million-dollar real property asset portfolio acquisitions. He has also represented institutional investors in the restructuring of substantial investments in California real property, as well as institutional developers in acquiring, entitling, and developing master-planned communities.

Matkins is a frequent speaker on real estate and finance trends for various professional organizations. He has been ranked as one of the best real estate lawyers in California, according to a survey of his peers. Matkins was featured in the Los Angeles Business Journal's Special Report on Who's Who in Real Estate. He is a member of the Urban Land Institute, the Advisory Council of the USC Lusk Center for Real Estate, the Pepperdine University Graziadio Board of Visitors, and sits on the Urban Land Institute—Los Angeles Executive Committee. Michael is also a member of the Council of Advisors for the National Geographic Society.

A CONVERSATION WITH . . .

Alan W. George | Executive Vice President, Chief Investment Officer | Equity Residential

Alan W. George is the Executive Vice President and Chief Investment Officer of Equity Residential, a position he has held since 2001. George joined Equity in 1992 as Vice President – Asset Management. In 1993 he was named Vice President – Acquisitions and in 1998 became Executive Vice President – Acquisitions.

Equity Residential is an S&P 500 company focused on the acquisition, development and management of high quality apartment properties in top U.S. growth markets. The company was organized as a real estate investment trust to continue the multifamily real estate business controlled by Samuel Zell, which was originally founded in 1969. The company, which was taken public in an initial public offering completed in August 1993, is listed on the New York Stock Exchange. Equity Residential owns or has investments in 418 properties in 14 states and the District of Columbia consisting of 119,084 apartment units and has approximately 3,800 employees.

George holds a B.A. from Beloit College. He is a member of the Executive Committee of the National Multi Housing Council, a member of the Urban Land Institute and a Governor of the Urban Land Institute Foundation.



Raphael Bostic | Director | Bedrosian Center on Governance, USC Price School of Public Policy

Dr. Raphael Bostic was previously Director of the school's Master of Real Estate Development degree program and was the founding Director of the Casden Real Estate Economics Forecast, which tracks and models southern California's office, industrial, and multifamily apartment markets. He also served as the Interim Associate Director of the USC Lusk Center for Real Estate.

Dr. Bostic has recently returned to USC after serving 3 years in the Obama Administration as the Assistant Secretary for Policy Development and Research at the U.S. Department of Housing and Urban Development. In that Senate-confirmed position, Dr. Bostic was a principal advisor to the Secretary on policy and research, with the goal of helping the Secretary and other principal staff make informed decisions on HUD policies and programs.

Dr. Bostic is an expert on housing and home ownership, and has extensively studied the roles that credit markets, financing, and policy play in enhancing household access to economic and social amenities. His most recent work examines how mortgage finance institutions, such as Fannie Mae and Freddie Mac, have influenced the flow of mortgage credit through lenders that mainly originate high cost, or subprime, loans and through the Federal Housing Administration insurance program. He is also currently studying the role of the private label secondary market in facilitating the flow of capital to subprime and possibly predatory loans.

Dr. Bostic is an active contributor to professional and industry organizations. He has held leadership positions in the American Real Estate and Urban Economics Association, the Association of Public Policy and Management, and the National Economic Association, and served on a National Academies Committee charged with evaluating the research plan of the Department of Housing and Urban Development. He has also been named a Faculty Fellow of the Urban Land Institute and was a Fellow of the Royal Institute for Chartered Surveyors.

Dr. Bostic is a frequent featured speaker to industry groups. He also offers insights to the broader public through the media, and has been quoted in numerous outlets, including television appearances on The Today Show (NBC), CNBC, and Fox News, radio interviews on national public radio, Bloomberg, KNX and KFI, and quotes in newspapers such as the Wall Street Journal, USA Today, Chicago Tribune, and Los Angeles Times.

Prior to joining SPPD, Mr. Bostic spent six years on the staff at the Federal Reserve Board of Governors. He received his B.A. in psychology and economics from Harvard University in 1987 and his Ph.D. in economics from Stanford in 1995.

MULTIFAMILY OUTLOOK

Jim Andersen | CEO | Baru Investments, Inc.

As CEO, Mr. Andersen leads all strategic, operational and investment activities for Baru Investments, Inc. Prior to forming Baru Investments, Mr. Andersen served as the President of NMS Properties, leading the organization since 2008 when his tenure began as the company's Chief Operating Officer. A 29-year real estate industry veteran, Mr. Andersen oversaw all aspects of NMS Properties from finance and asset management to development. Prior to joining NMS Properties, Mr. Andersen spent 12 years as Senior Vice President and Partner at Legacy Partners where he was responsible for operations, acquisitions and development activities in the Southern California, Nevada and Arizona markets. Prior to Legacy Partners, Mr. Andersen served as Chief Financial Officer for Bay Apartment Communities, a publicly traded Real Estate Investment Trust, and the predecessor to Avalon Bay. Mr. Andersen also served as Executive Vice President and Chief Financial Officer of Trammell Crow Company's Northwest Region. Mr. Andersen holds a B.S. Degree from Loyola Marymount University. He is a member of Urban Land Institute.



Steven K. Fowlkes | President | R.W. Selby & Company, Inc.

Steven K. Fowlkes joined Selby & Co. in 1977. Prior to his association with Selby, Mr. Fowlkes was active in residential development in both Southern California and Texas. As Chief Operating Officer and a Principal in the firm, Mr. Fowlkes is responsible for strategic direction, timing, partnership formation, structured financial activities and the firm's acquisitions.

Fowlkes holds a B.S. in Accounting and Finance and an M.B.A. from the Marshall School of Business at the University of Southern California. Mr. Fowlkes also serves on the Board of Directors of USC Marshall Partners, the support group for the USC Marshall School of Business, is a former Special Presidential Appointee to the Board of Governors of the USC Alumni Association, a Presidential Level Supporter of USC Associates, a Member of Cardinal and Gold, a member of the Lusk Center for Real Estate Executive Committee, a Guest Lecturer, and a Member of the Lusk Executive Mentor Program.

Fowlkes is a Member of the California Housing Council, the Urban Land Institute, and is a licensed Real Estate Broker in both California and Texas.

William B. Montgomery | President, Acquisitions and Investment | SARES•REGIS Group

William B. Montgomery joined SARES•REGIS Group in April of 2003, and currently serves as President, Multifamily Acquisitions for Investment & Development, of SRG's Multifamily Division. Montgomery is responsible for managing all of SRG's combined multifamily acquisition activity for existing apartment community investments, condominium conversions and land site acquisitions. Prior to joining SRG, Montgomery served from 2001 to 2003 as Director of Acquisitions for Western National Properties, a western regional multifamily investment and development company, where he managed the acquisition of existing apartment communities throughout California, Colorado and Seattle, Washington. From 1996 to 2001, Montgomery served as Director of Acquisitions of Shea Properties, a multifaceted real estate company responsible for land acquisition, design, development, construction and management of business parks, shopping centers, apartment communities and mixed-use environments, where he was responsible for creating and directing the acquisitions group and managing the acquisition process from site/project identification, initial project design/planning and underwriting/diligence through the close of escrow. Prior to joining Shea Properties, Montgomery served from 1985 to 1995 as an investment real estate broker for Sperry Van Ness and CB Commercial (now CB Richard Ellis). Montgomery earned a Bachelor of Science in Business at California Polytechnic University at San Luis Obispo, California and is a licensed real estate broker. Montgomery is a member of the Urban Land Institute and an associate member of the National Multi Housing Council.



Chris Payne | Senior Vice President - Development | AvalonBay Communities Inc.

Chris Payne is Senior Vice President of Development for AvalonBay Communities, Inc., a publicly traded Real Estate Investment Trust (NYSE : AVB) focused on developing, redeveloping, acquiring and managing high-quality apartment communities in high barrier-to-entry markets of the United States. These markets are in the Northeast, Mid-Atlantic, Midwest, Pacific Northwest, Northern California and Southern California regions of the country where AvalonBay owns or holds an interest in 273 apartment communities containing more than 81,499 apartment homes.

Payne joined AvalonBay in 2000 and is responsible for initiating and managing all new development activity in the Southern California region. He has broad experience in developing in urban and suburban locations using multiple product types including garden, mid-rise, high-rise, and mixed-use. Prior to joining AvalonBay, Mr. Payne held various positions with Belmont Corp. and Greystone Homes managing development opportunities within the Southern California region.

Payne was awarded with honors, a Master of Real Estate Development degree from the University of Southern California in 1996, and a Bachelor of Science degree in Finance from California State University Fullerton in 1991. In addition, Mr. Payne is a licensed California Real Estate Broker. His professional affiliations include the Urban Land Institute, National Multi Housing Council, and the California Building Industry Association.

EXECUTIVE SUMMARY

Demand for multifamily rental housing increased across Southern California, with positive net absorption and increased occupancy rates in the four metro areas: Los Angeles, the Inland Empire, Orange County, and San Diego. Between the second quarters of 2012 and 2013, almost 6,700 multifamily rental units were completed across these four markets, with the most units completed in Los Angeles County. This represents a 113 percent increase in completions from the previous year and the highest number of completions across the four markets in the past three years. In addition, almost 11,900 multifamily units were absorbed across all four markets. Orange County and the Inland Empire absorbed more units than the previous year while Los Angeles and San Diego absorbed fewer units than the previous year.

The vacancy rate decreased in all four markets between 2012Q2 and 2013Q2. San Diego County had the lowest vacancy rate in 2013Q2, 2.3 percent, followed by Los Angeles at 3.2 percent, Orange County at 3.2 percent, and the Inland Empire at 3.6 percent. San Diego also had the largest decrease in vacancy rate in the past year, a 37.1 percent decrease, followed by the Inland Empire with a 17.3 percent decrease, Orange County with a 12.4 percent decrease, and Los Angeles with a 10.6 percent decrease. In this report we analyze 86 submarkets within these four larger markets and find that over the past year, the vacancy rate decreased in 78 of these submarkets, remained the same in two, and increased in only six. The El Cajon, Santee, Lakeside submarket had the lowest vacancy rate of any submarket, at 1 percent, while Victorville had the highest vacancy rate at 7.8 percent. The submarket with the highest decrease in vacancy rate was the North Beaches submarket with a 53.1 percent decrease, and the highest increase was in the Carson, San Pedro, E. Torrance, Lomita submarket with a 33.3 percent increase.

The average rents in all four markets also increased between the second quarters of 2012 and 2013. Orange County had the highest average rent in 2013Q2, at \$1,572, followed by Los Angeles at \$1,435, San Diego at \$1,388, and the Inland Empire at \$1,059. Los Angeles, however, was the market with highest growth in the past year, with the average rent increasing by 2.86 percent, followed by Orange County at 2.80 percent, San Diego County at 2.75 percent and the Inland Empire at 1.90 percent.

The submarket with the lowest rent was Victorville at \$755, while the submarket with the highest rent was Santa Monica at \$2,328. Beverly Hills, however, experienced a 7.60 percent increase in average rent, which was the highest percent increase of the submarkets. The Crenshaw submarket experienced a 0.39 percent decrease in average rent and was the only submarket out of the 86 in this study with a lower rent in 2013Q2 than 2012Q2.

Our forecast shows rising rents for all four metro areas over the next two years. We believe that the growth rate for rents will be slower for Los Angeles and Orange County, but will increase slightly for the Inland Empire and San Diego. We expect vacancy rates will decrease across all four markets, however, they will decrease at a slightly slower rate in Los Angeles, the Inland Empire, and San Diego, and at a higher rate in Orange County.

