

WILLIAM RICH PRESENTATION THE REGIONAL ECONOMY AND THE NORTHERN VIRGINIA APARTMENT MARKET



MARCH 17, 2015



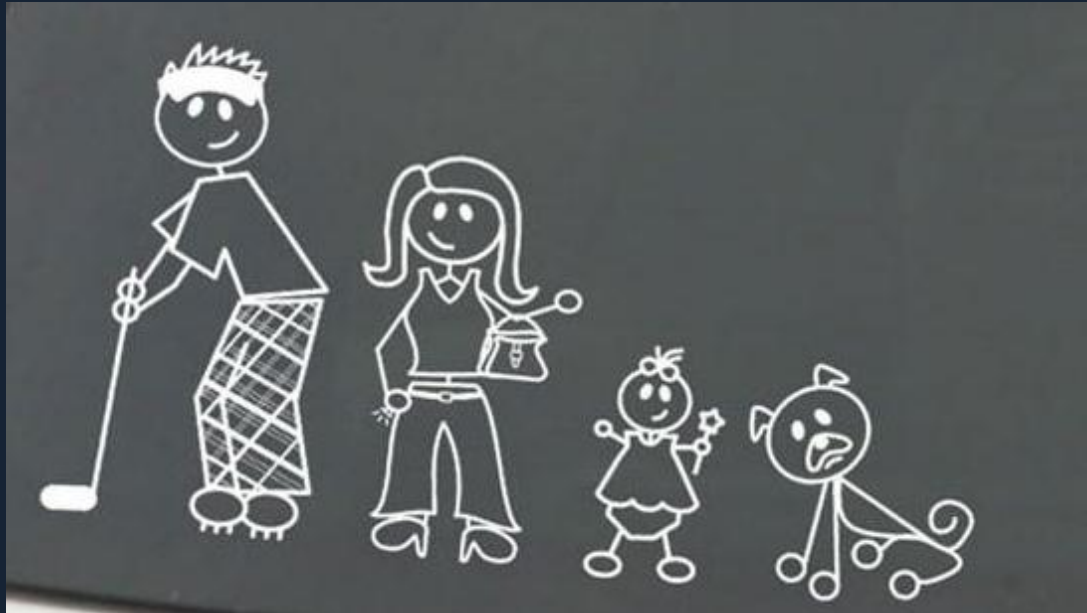
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THE NEW GENERATION OF GROWTH



THE NEW GENERATION OF GROWTH



THE REGIONAL ECONOMY AND THE NORTHERN VIRGINIA APARTMENT MARKET

THE NATIONAL ECONOMY



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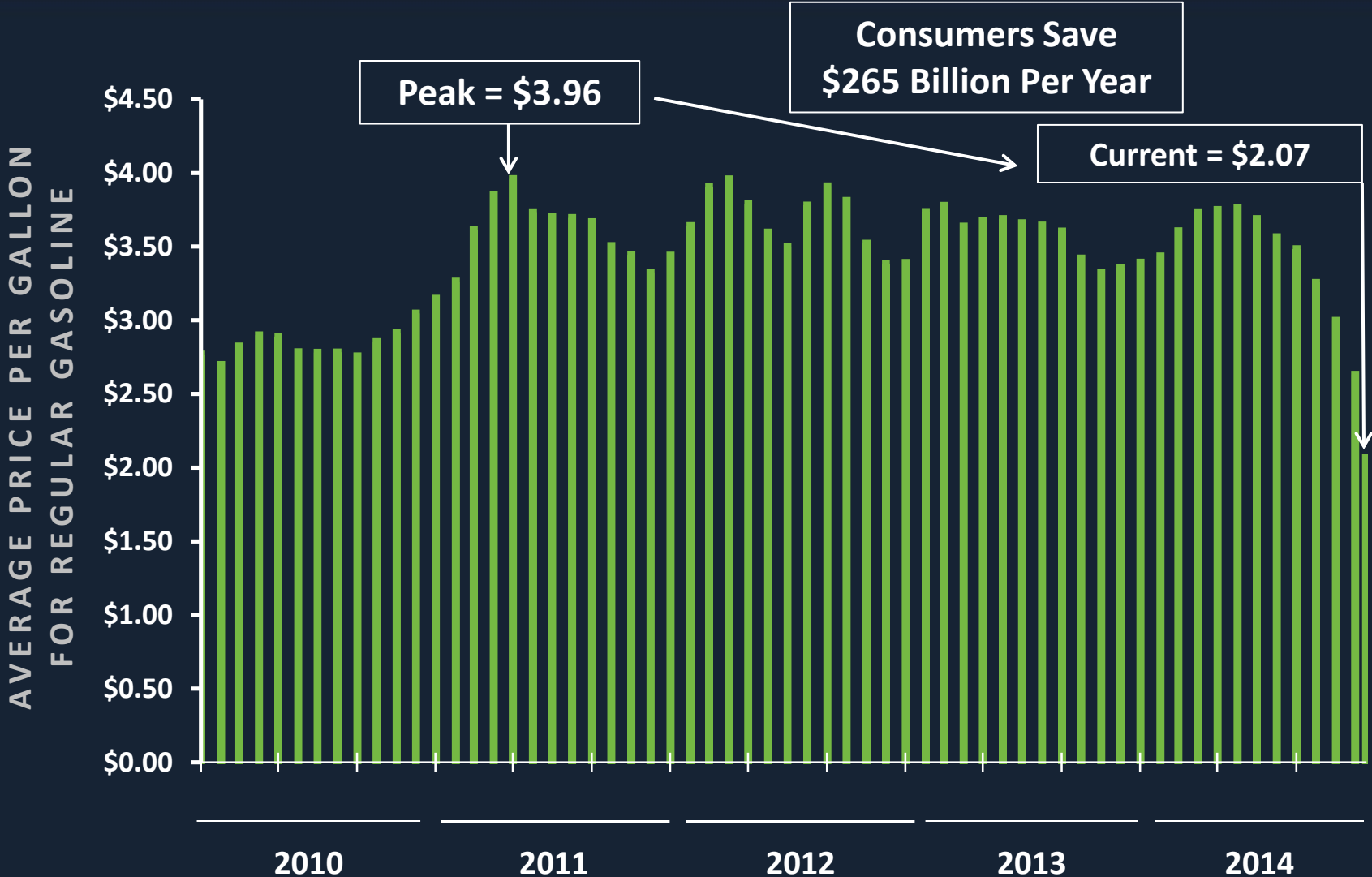
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GASOLINE PRICES

United States | 2010 – 2015



Source: U.S. Energy Information Association, Delta Associates; March 2015.

ECONOMIC TRENDS AND FORECAST

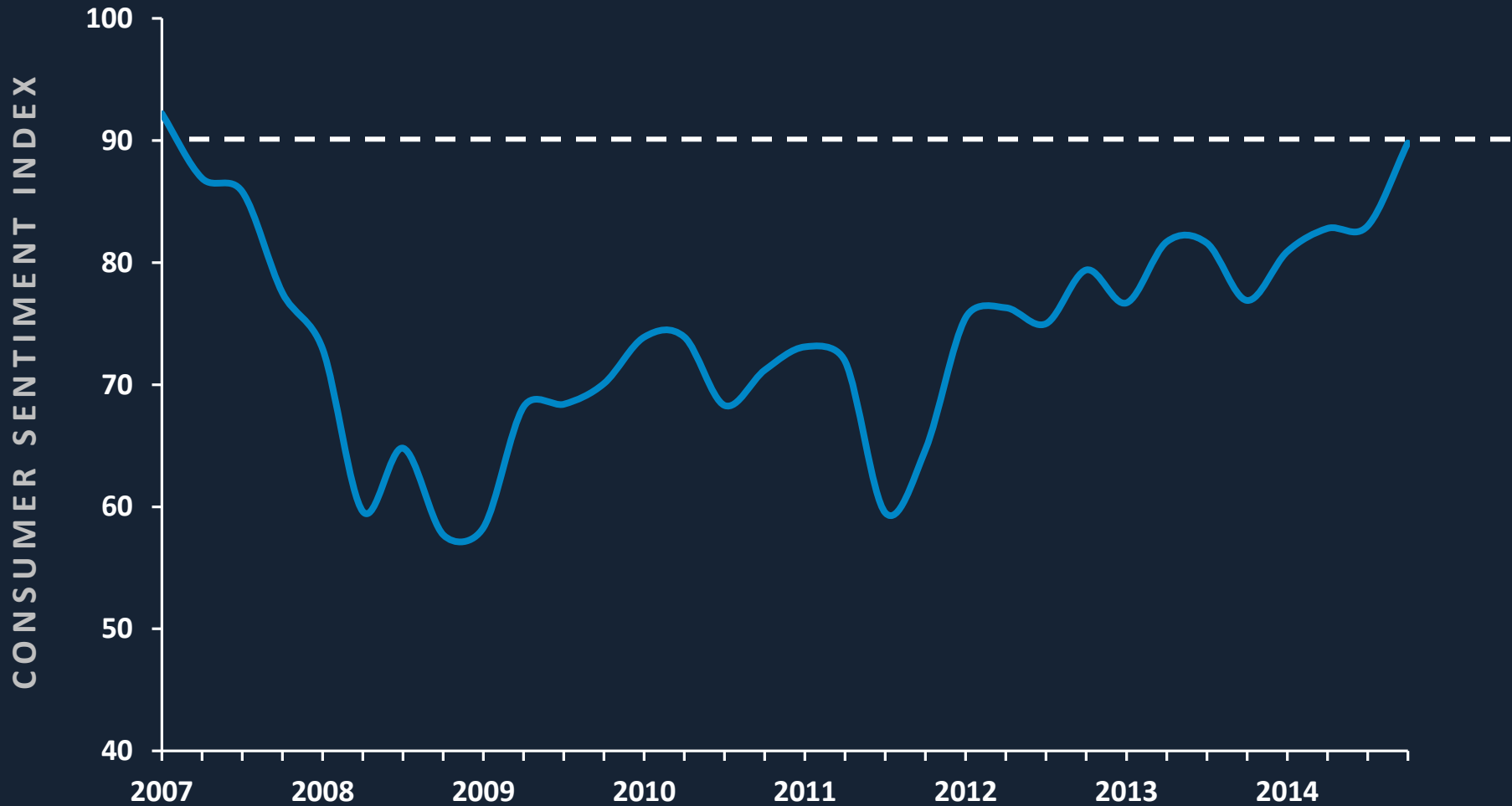
United States



Source: BLS, BEA, Center for Regional Analysis, Global Insight, Delta Associates; March 2015.

CONSUMER SENTIMENT

United States | 2007 – 2014



Note: Quarterly three-month moving average.
Source: University of Michigan, Delta Associates; March 2015.

THE REGIONAL ECONOMY AND THE NORTHERN VIRGINIA APARTMENT MARKET

THE REGIONAL ECONOMY



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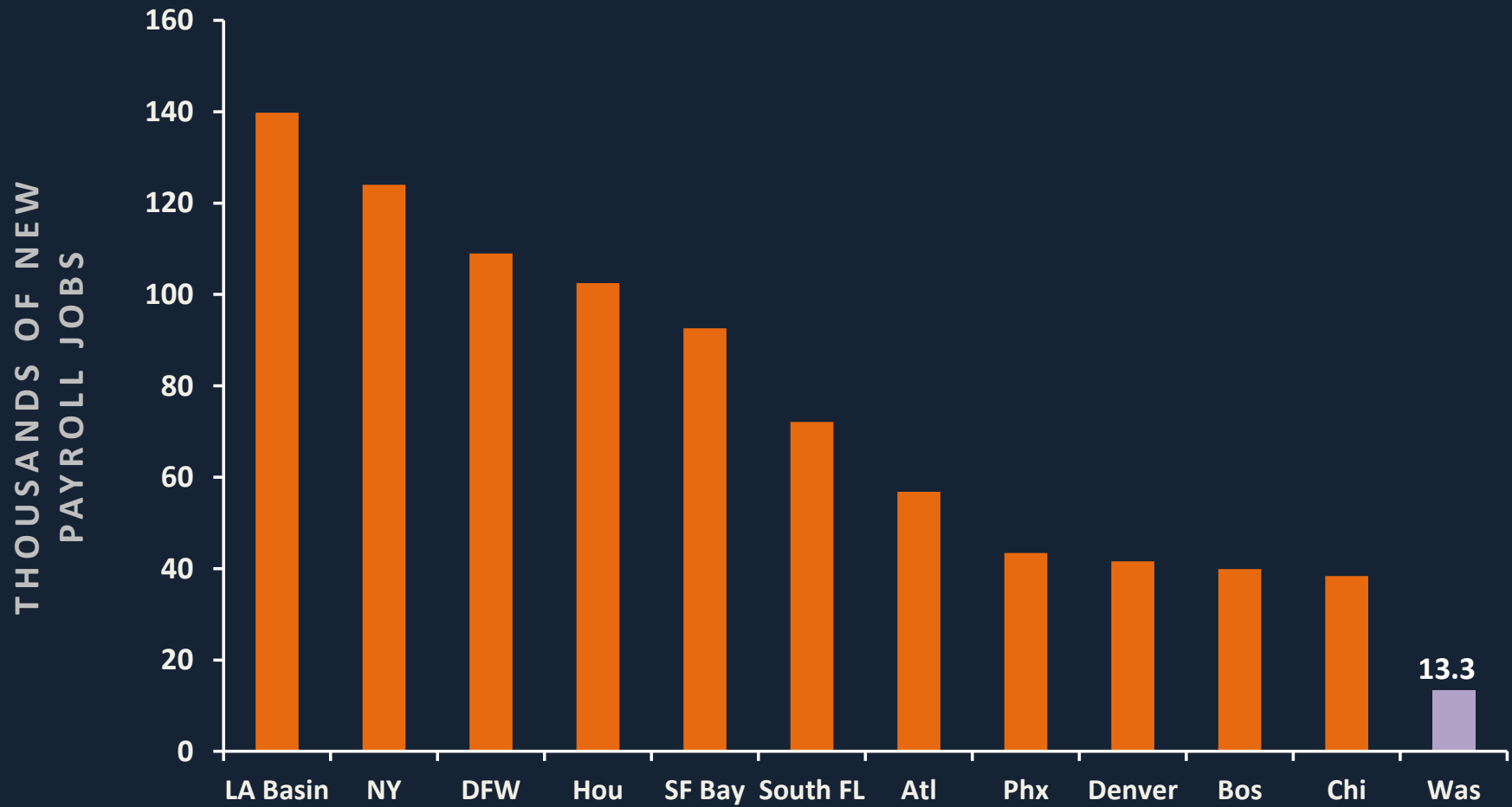
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PAYROLL JOB GROWTH

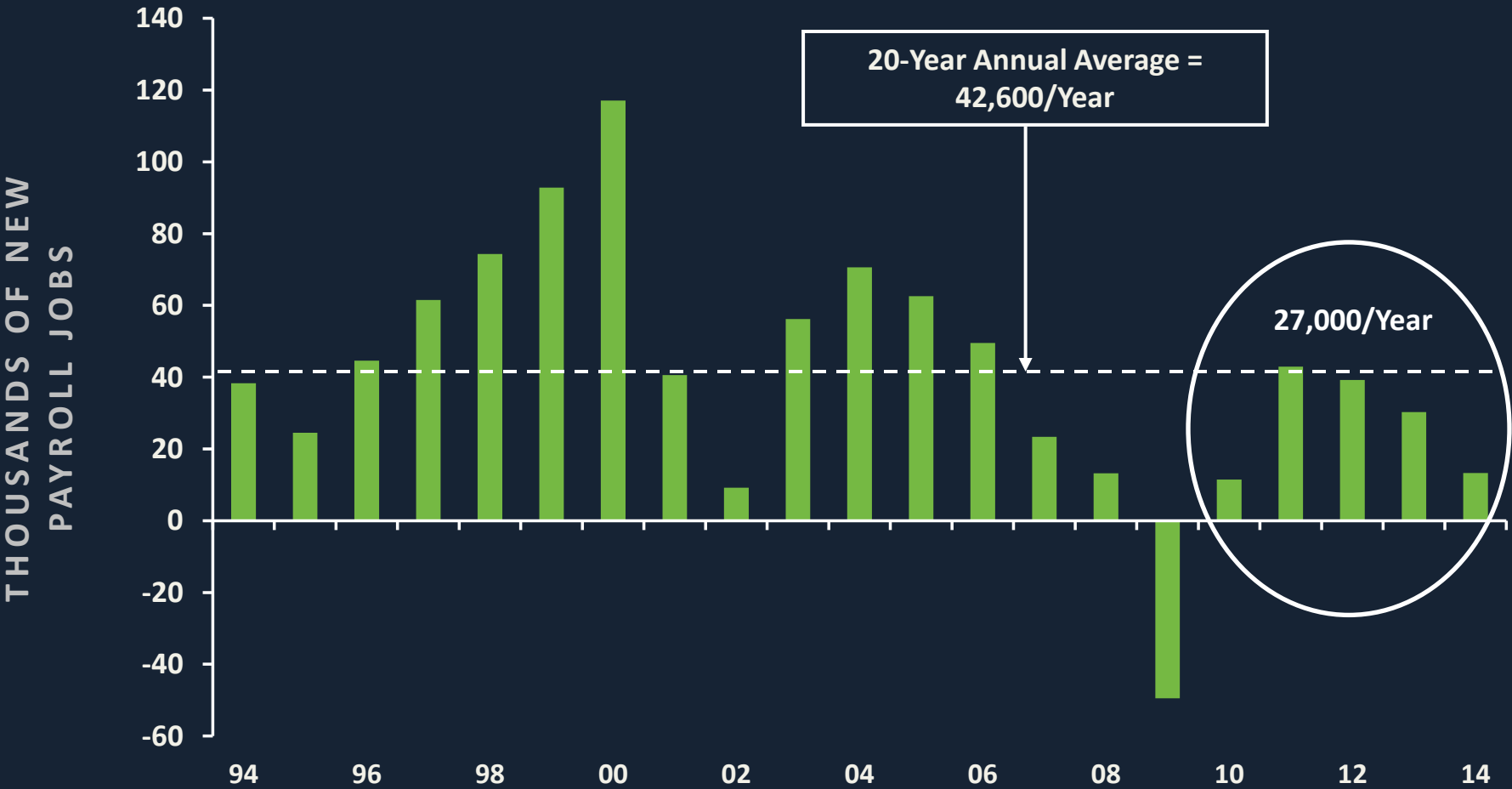
Selected Large Metro Areas | 2014



Source: Bureau of Labor Statistics, Delta Associates; March 2015.

PAYROLL JOB GROWTH

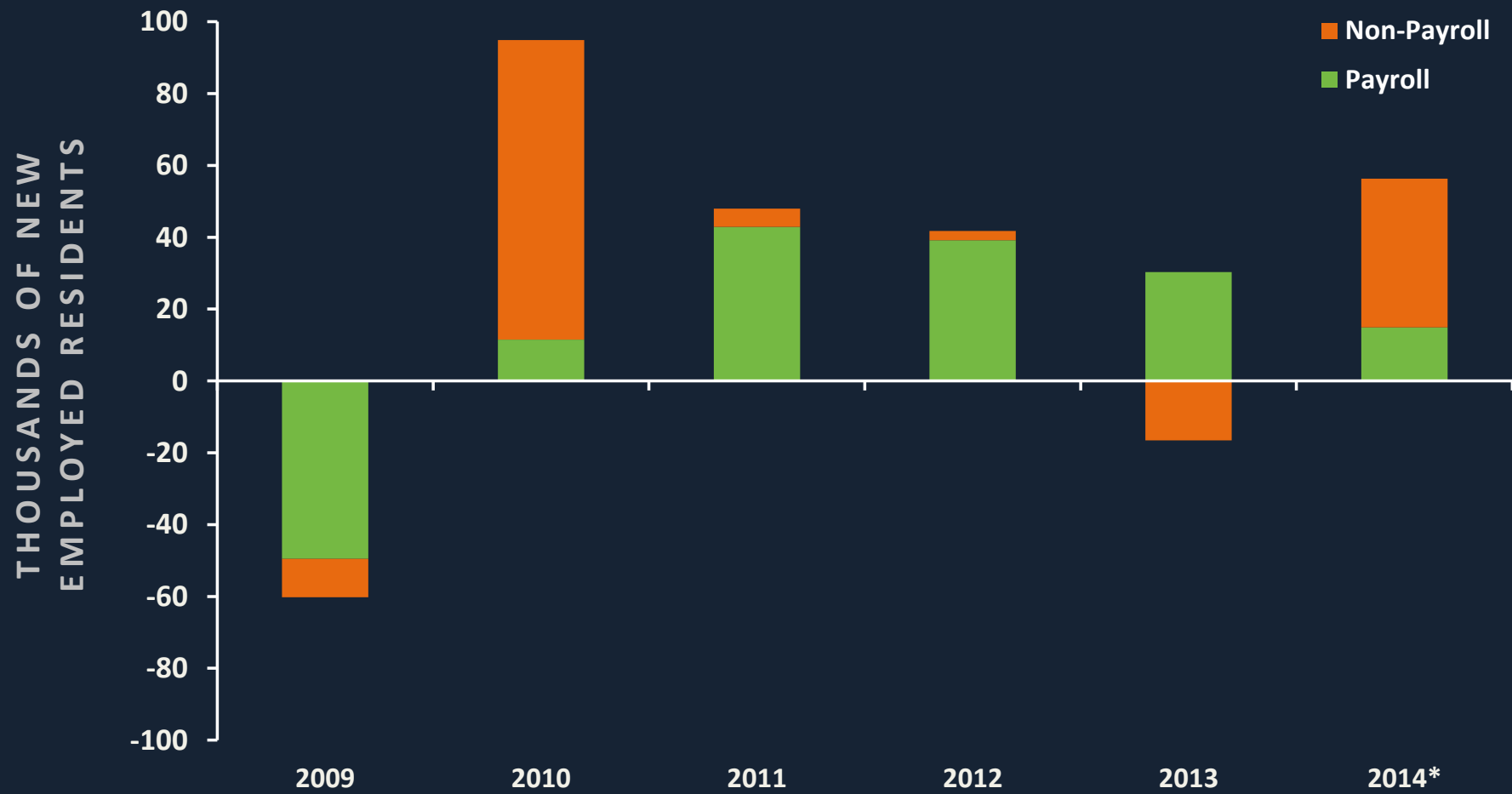
Washington Metro Area | 1994 – 2014



Source: Bureau of Labor Statistics, Delta Associates; March 2015.

CHANGE IN EMPLOYED RESIDENTS

Washington Metro Area | 2009 – 2014

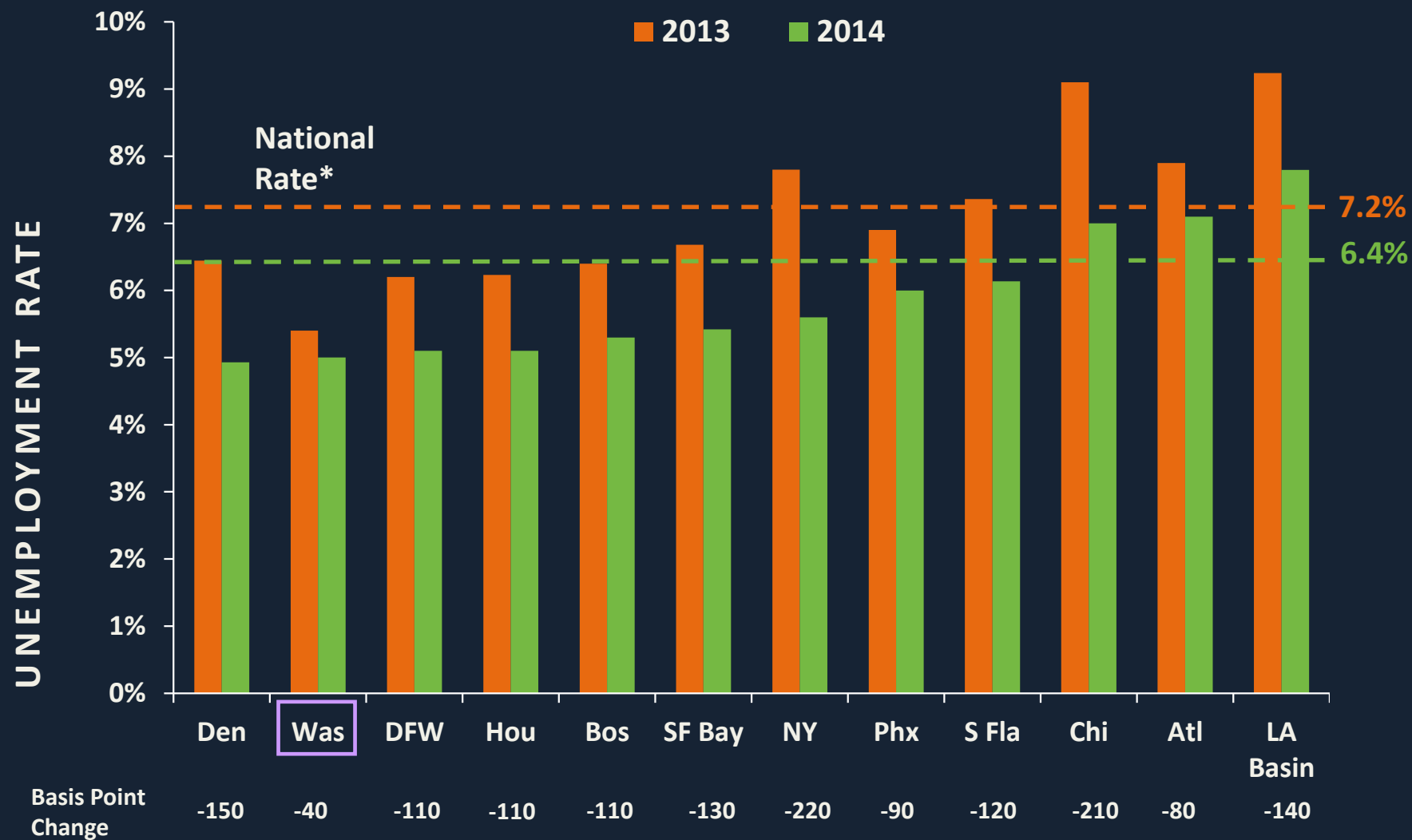


**12 months ending October 2014.*

Source: Bureau of Labor Statistics, Delta Associates; March 2015.

UNEMPLOYMENT RATE

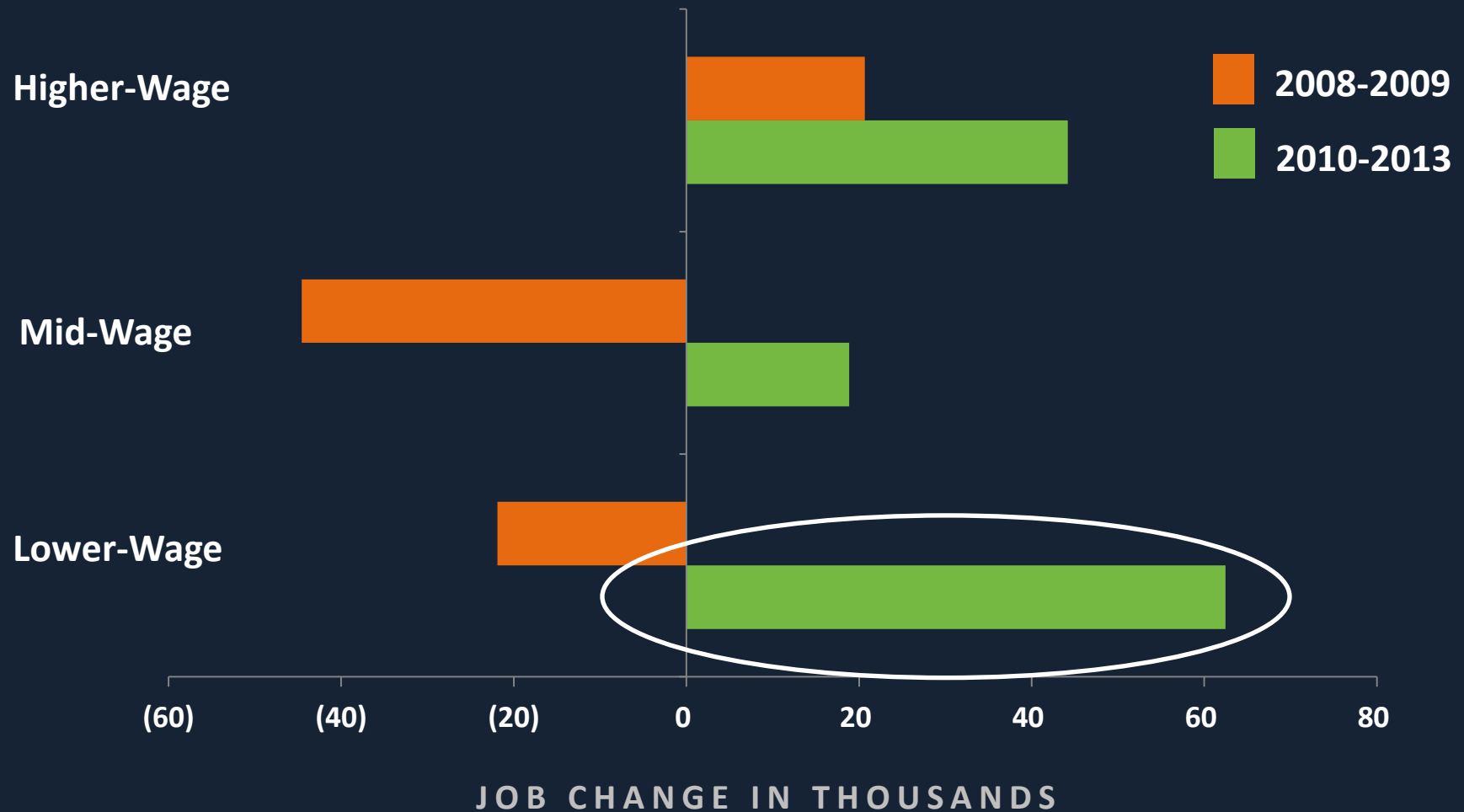
Selected Large Metro Areas | 2013 vs. 2014



**Seasonally adjusted.*
Source: Bureau of Labor Statistics, Delta Associates; March 2015.

PAYROLL JOB CHANGE BY WAGE

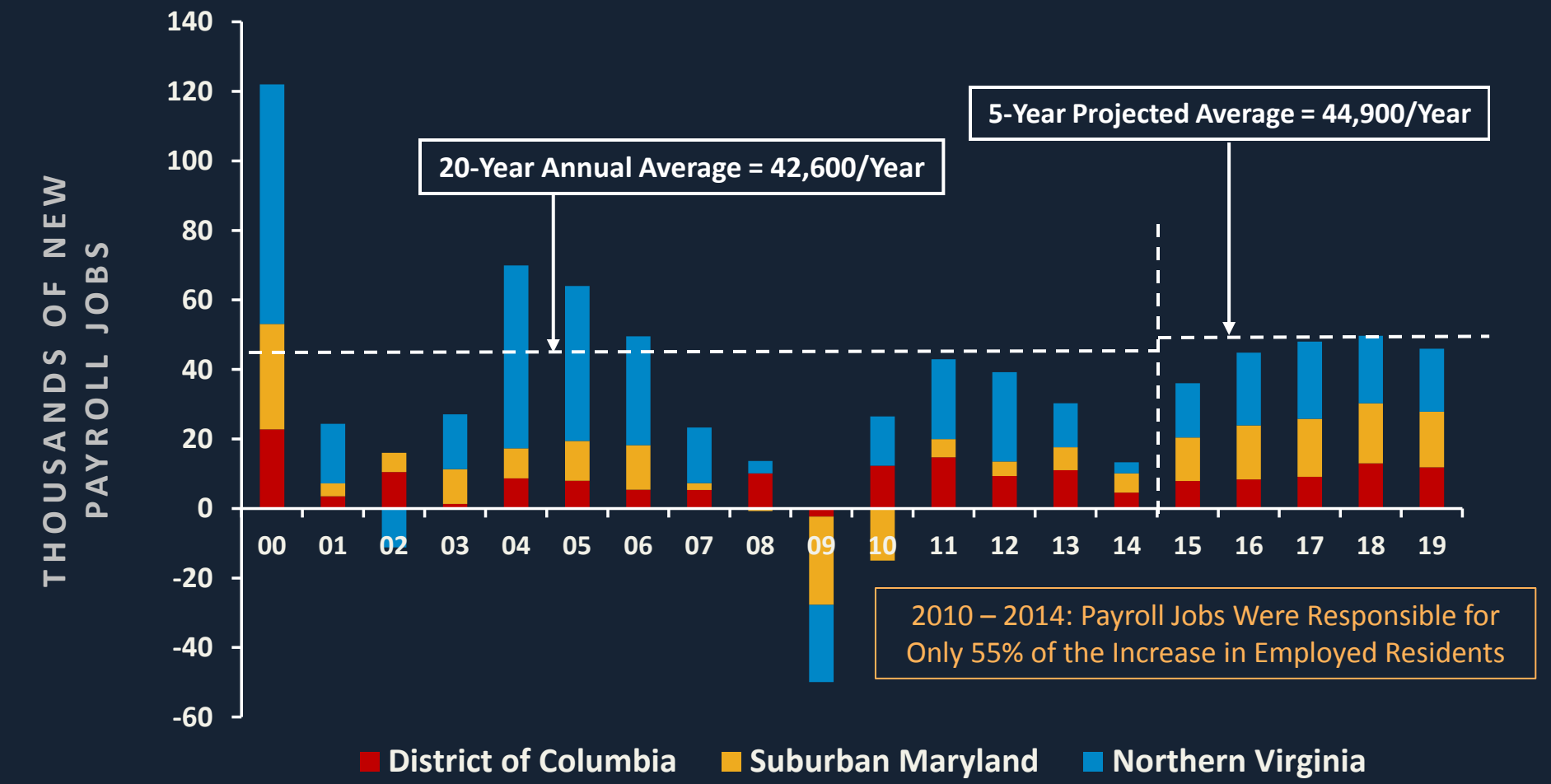
Washington Metro Area



Source: Dr. Stephen Fuller, Delta Associates; March 2015.

PROJECTED JOB GROWTH

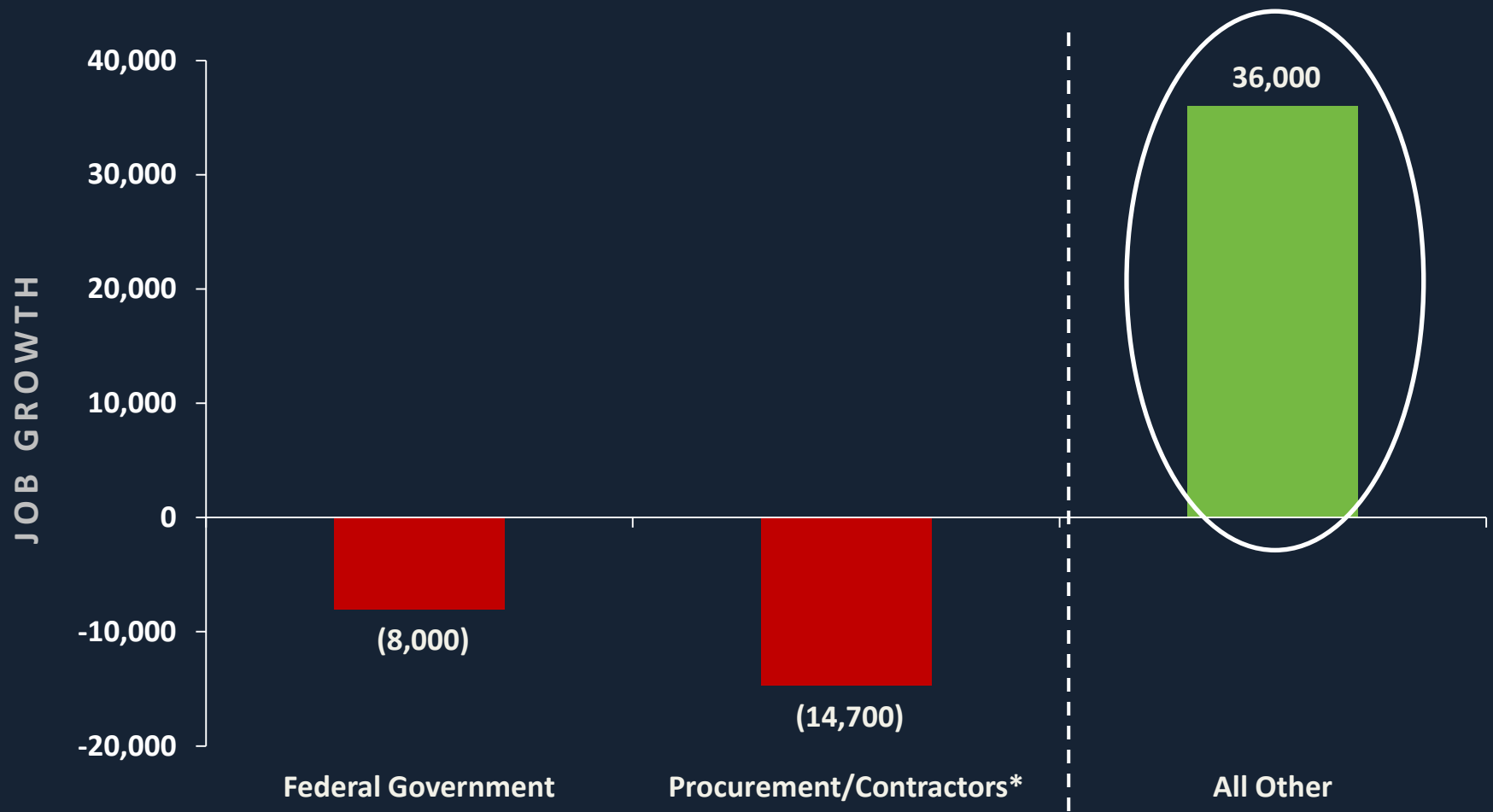
Washington Metro Area



Source: Bureau of Labor Statistics, Dr. Stephen Fuller, Delta Associates; March 2015.

PAYROLL JOB GROWTH

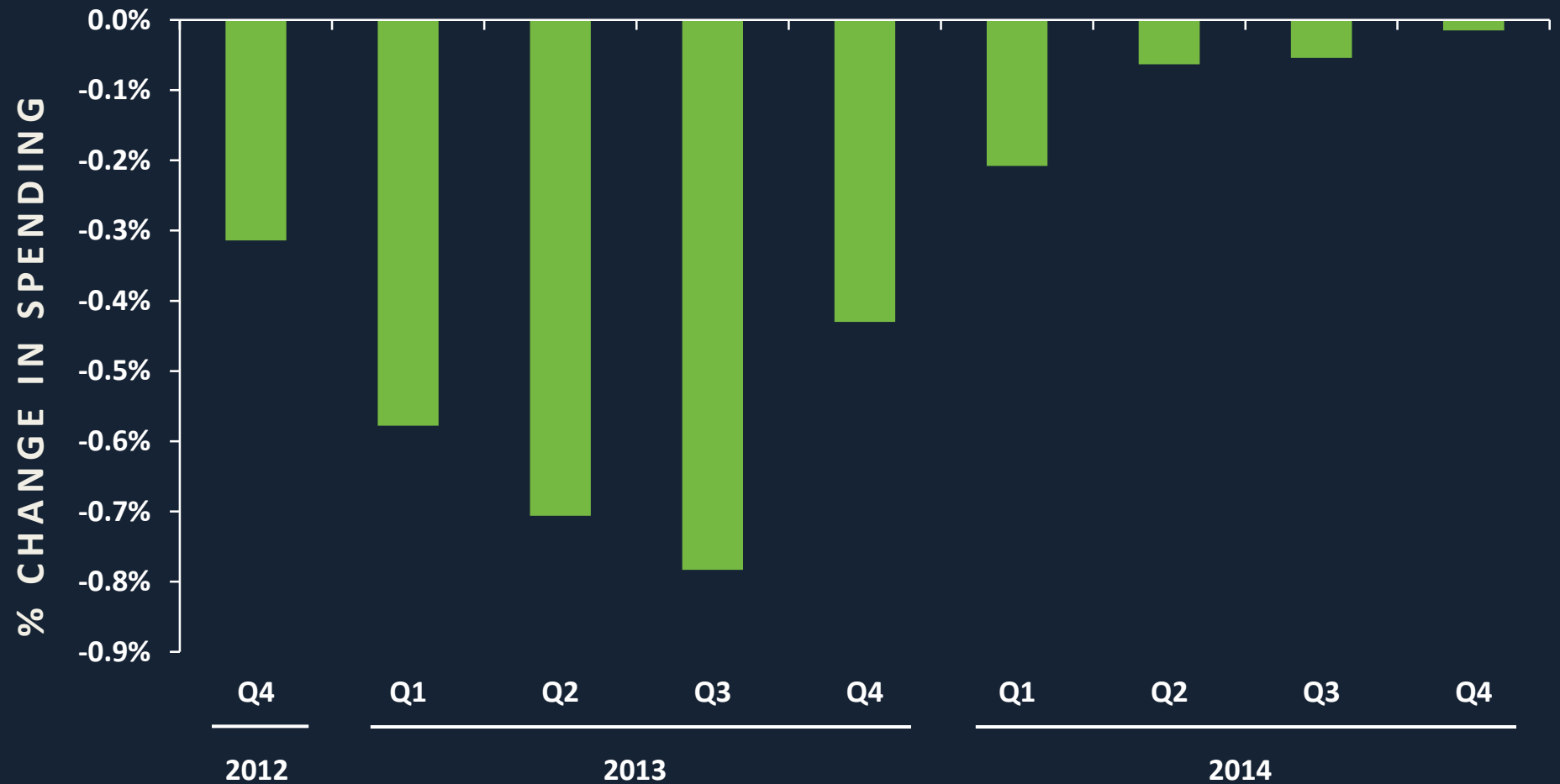
Washington Metro Area | 2014



**Estimate.*
Source: Bureau of Labor Statistics, Dr. Stephen Fuller, Delta Associates; March 2015.

IMPACT OF SEQUESTER ON GDP GROWTH

Washington Metro Area | 2012 – 2014



Source: Moody's Analytics, Delta Associates; March 2015.

THE REGIONAL ECONOMY AND THE NORTHERN VIRGINIA APARTMENT MARKET

INVESTMENT SALES



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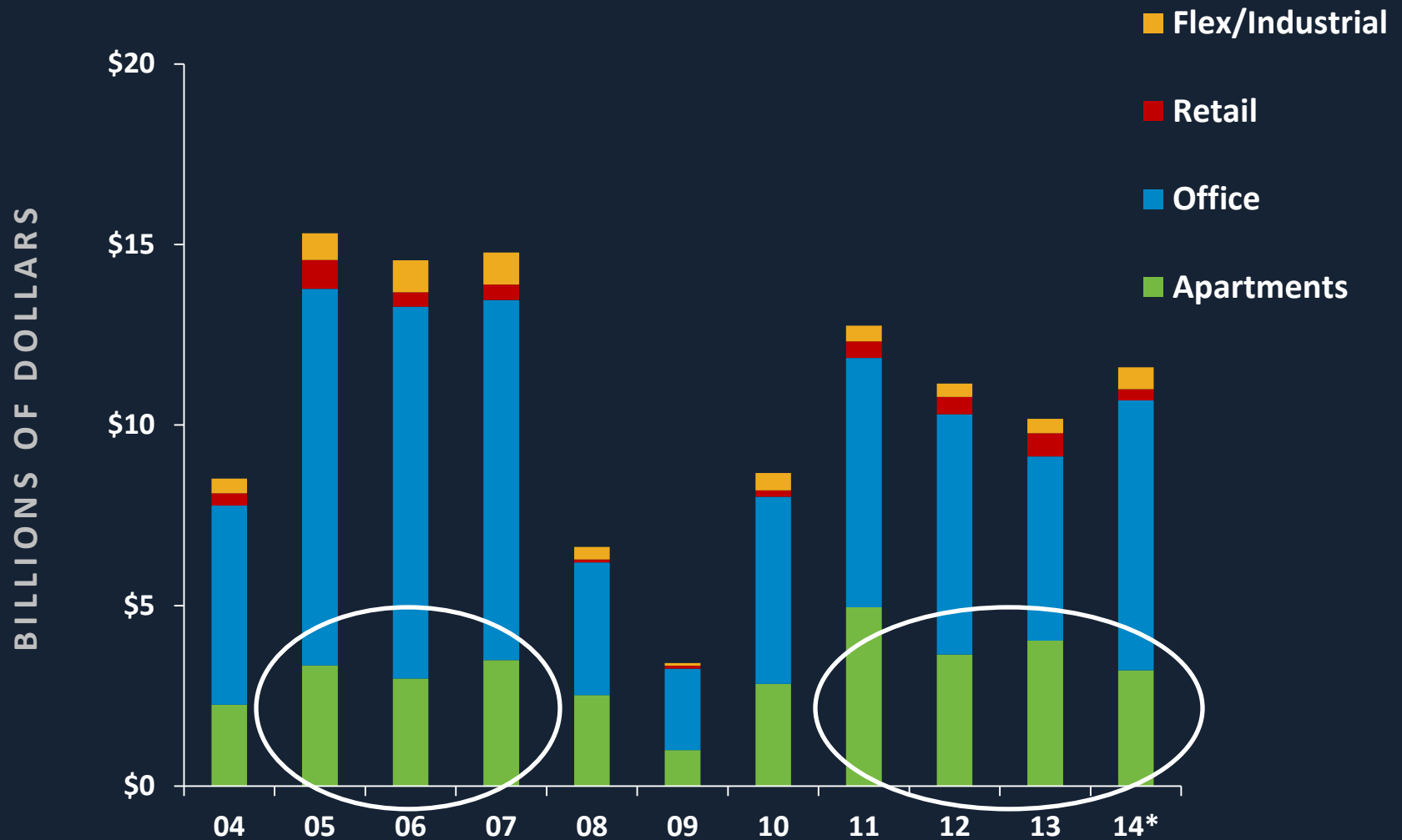
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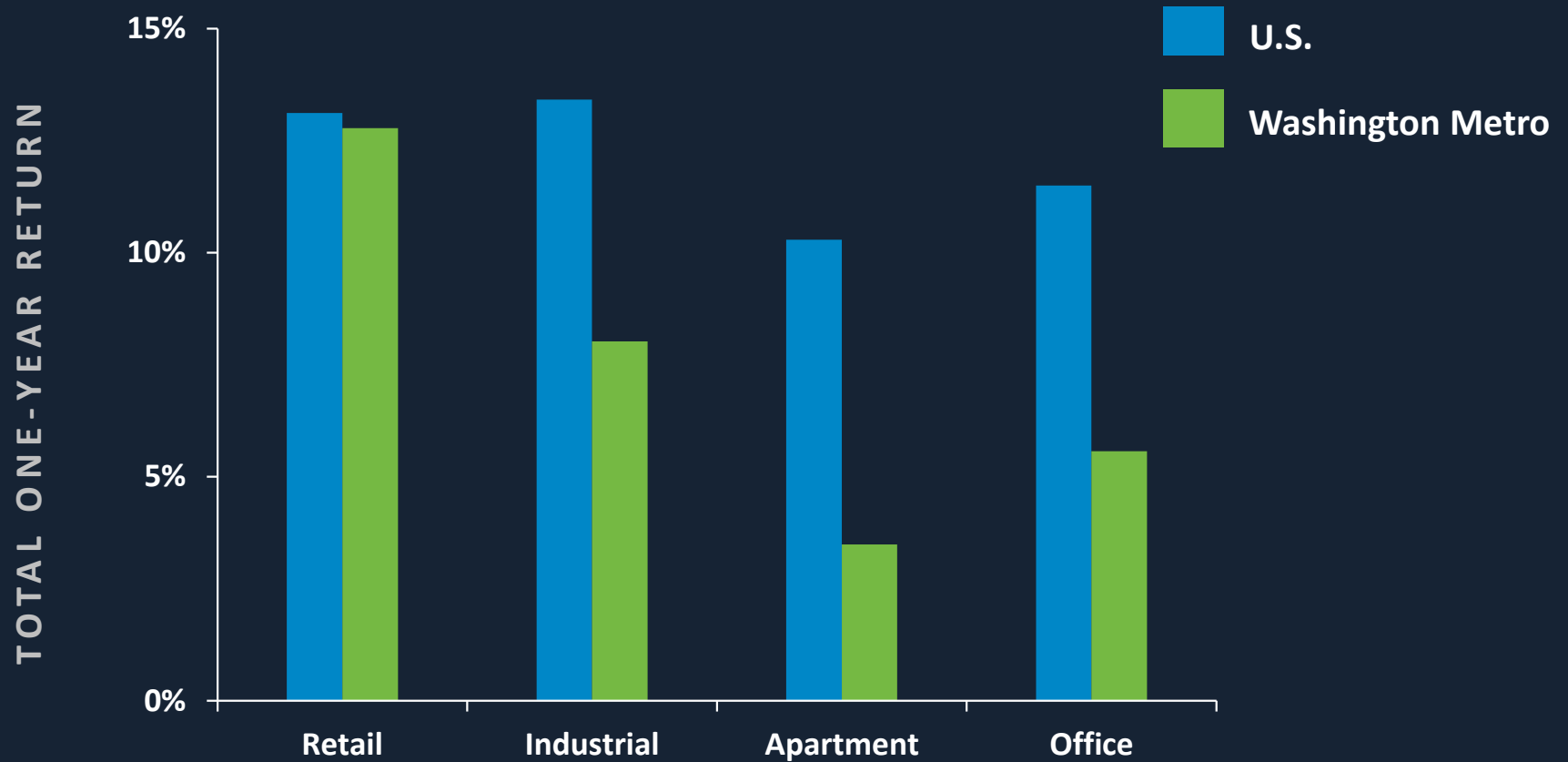
INVESTMENT SALES

Washington Metro Area



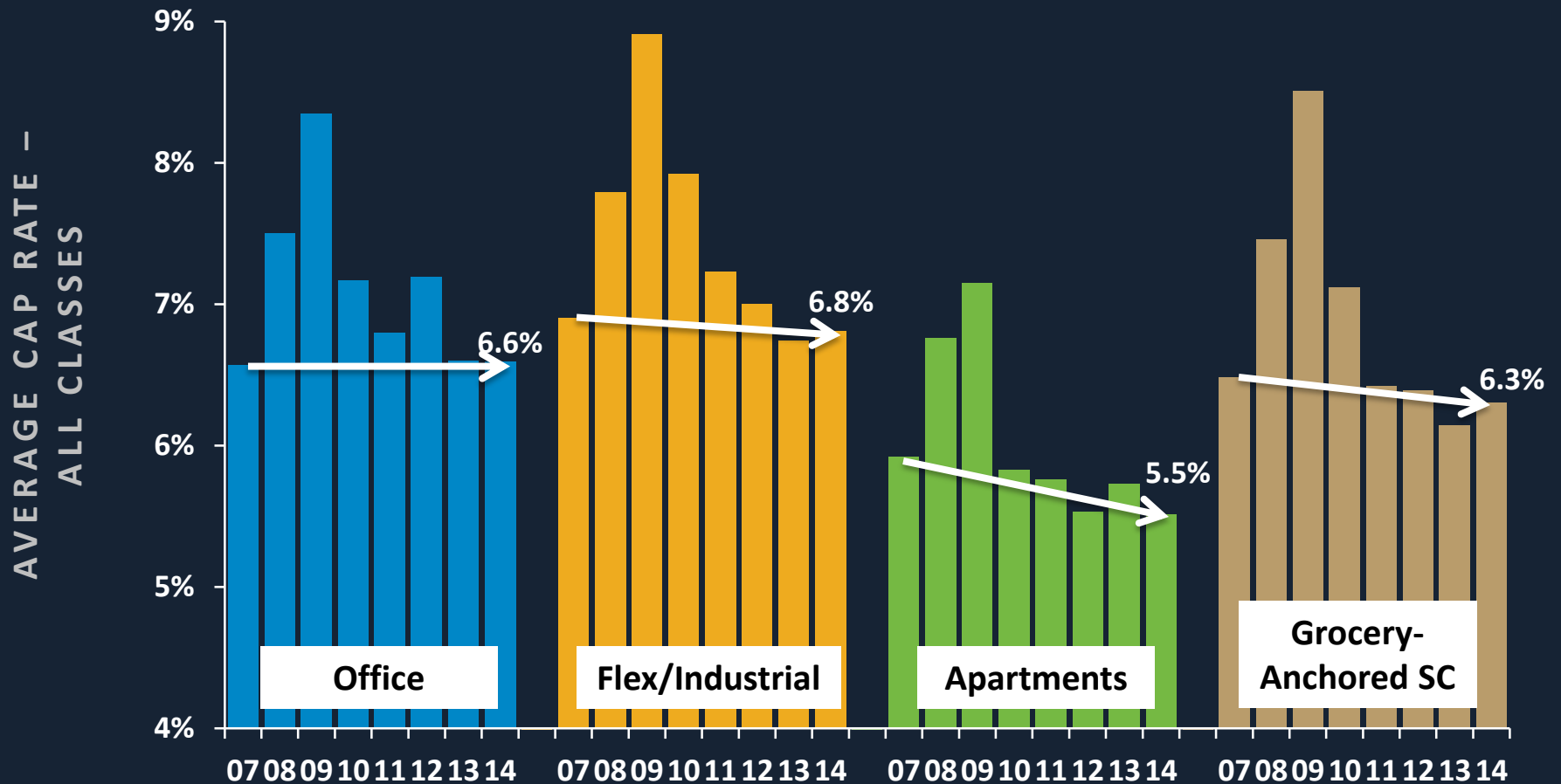
TOTAL INVESTMENT RETURNS IN 2014 CORE COMMERCIAL REAL ESTATE

United States vs. Washington Metro Area



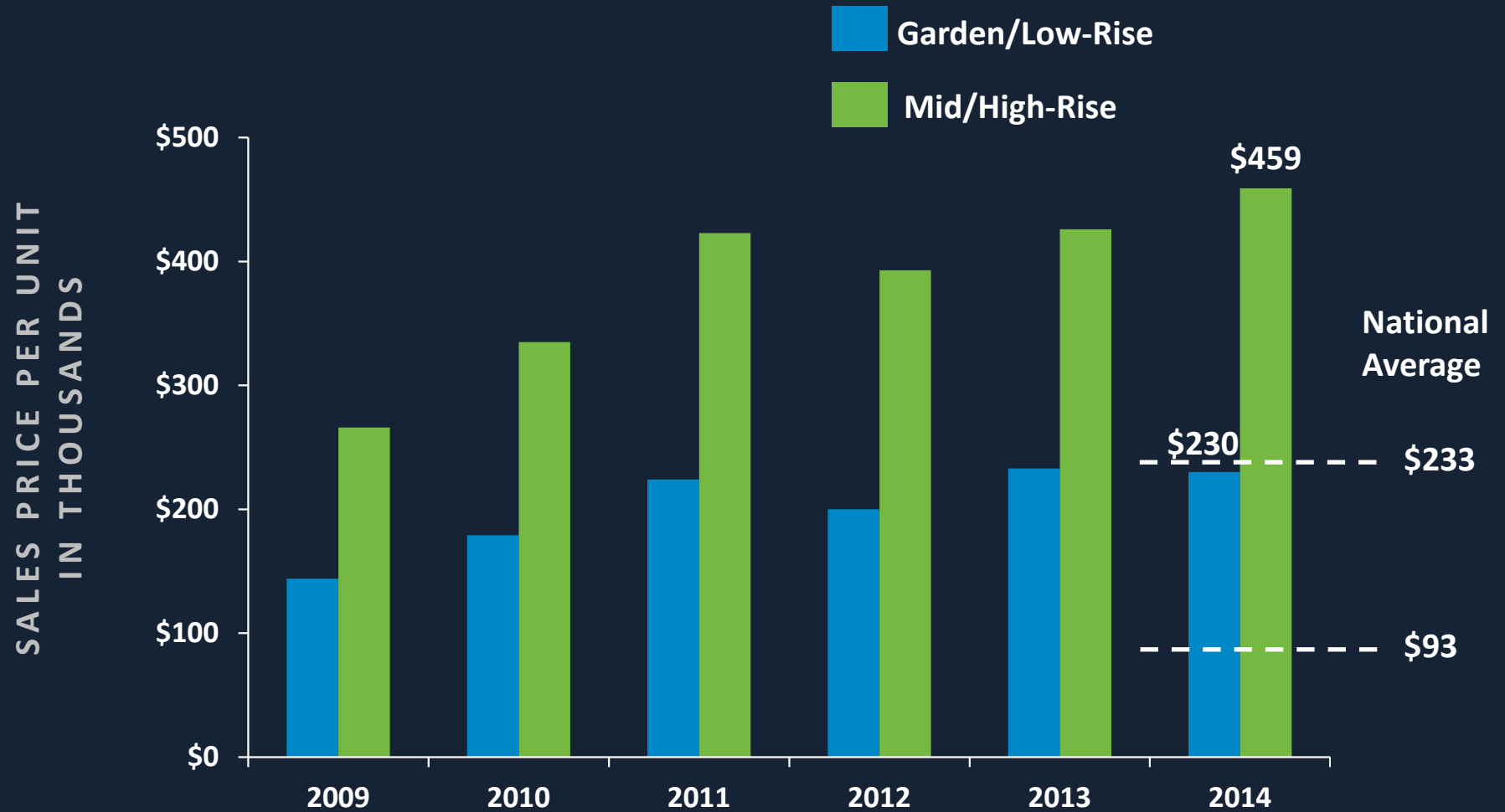
YEAR-END CAP RATES

Washington Metro Area



APARTMENT PRICING – CLASS A

Washington Metro Area



THE REGIONAL ECONOMY AND THE NORTHERN VIRGINIA APARTMENT MARKET

DEMOGRAPHIC SHIFTS IMPACT APARTMENTS



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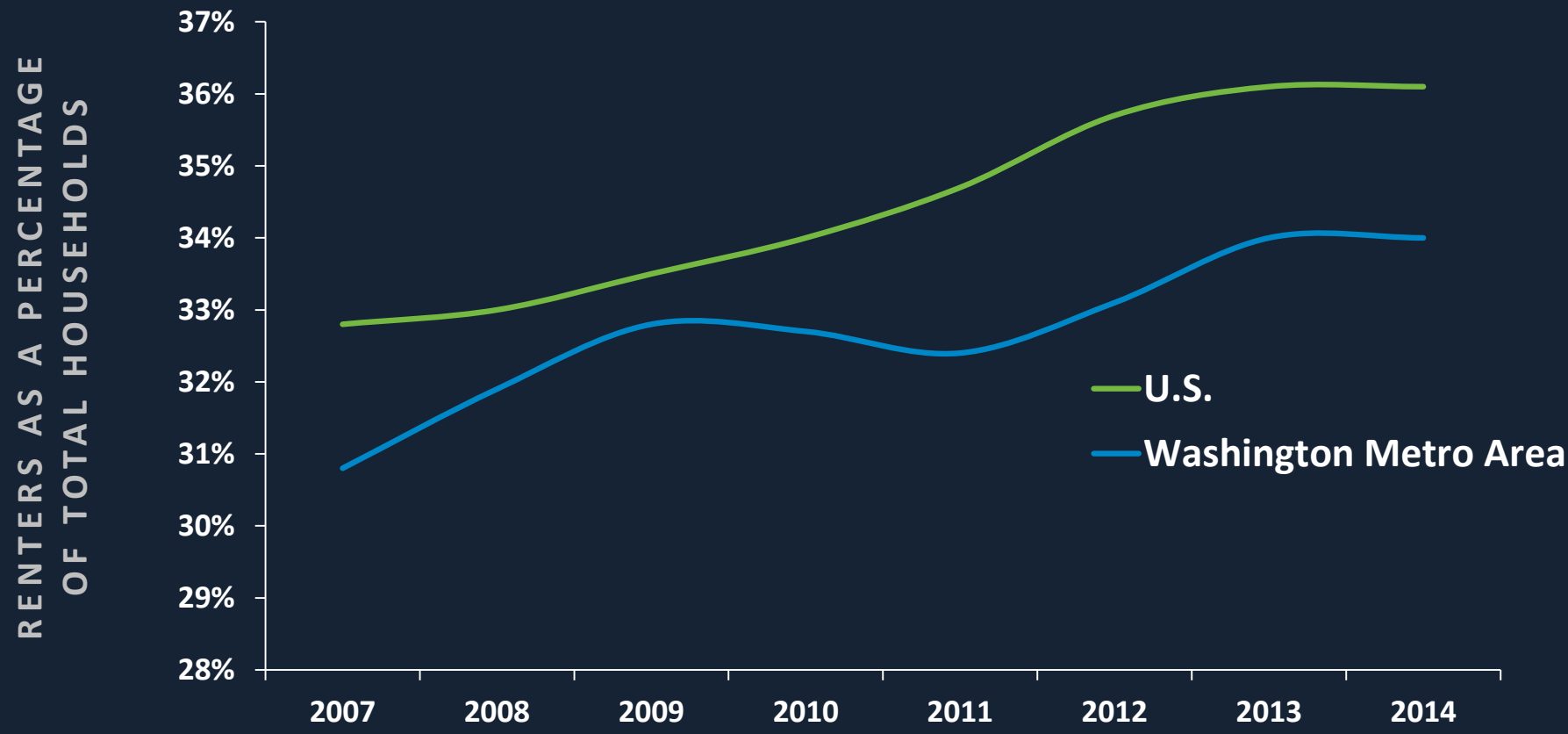
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RENTER PREFERENCE

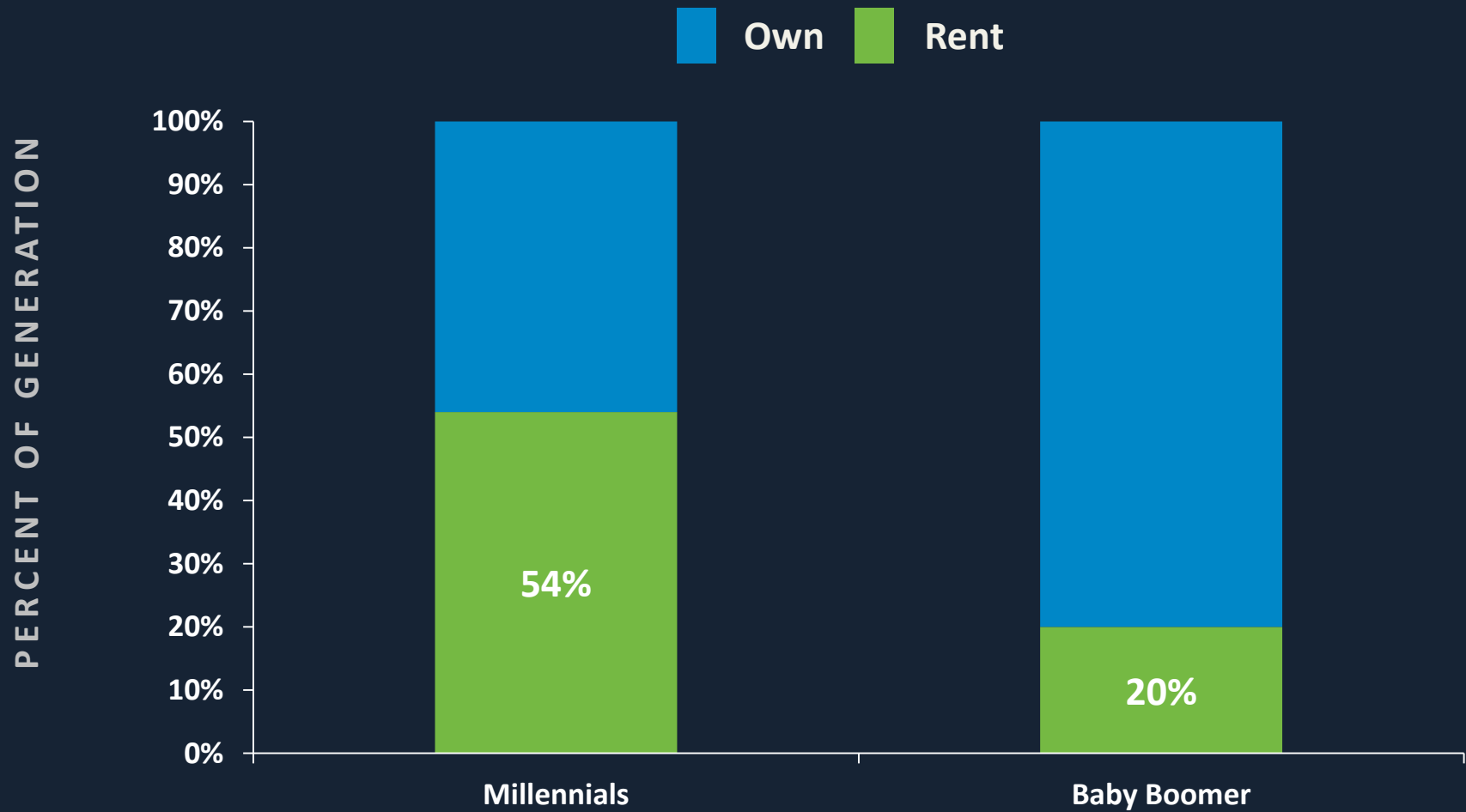
Washington Metro Area vs. United States



Source: U.S. Census, Delta Associates; March 2015.

OWN vs. RENT RESIDENCE

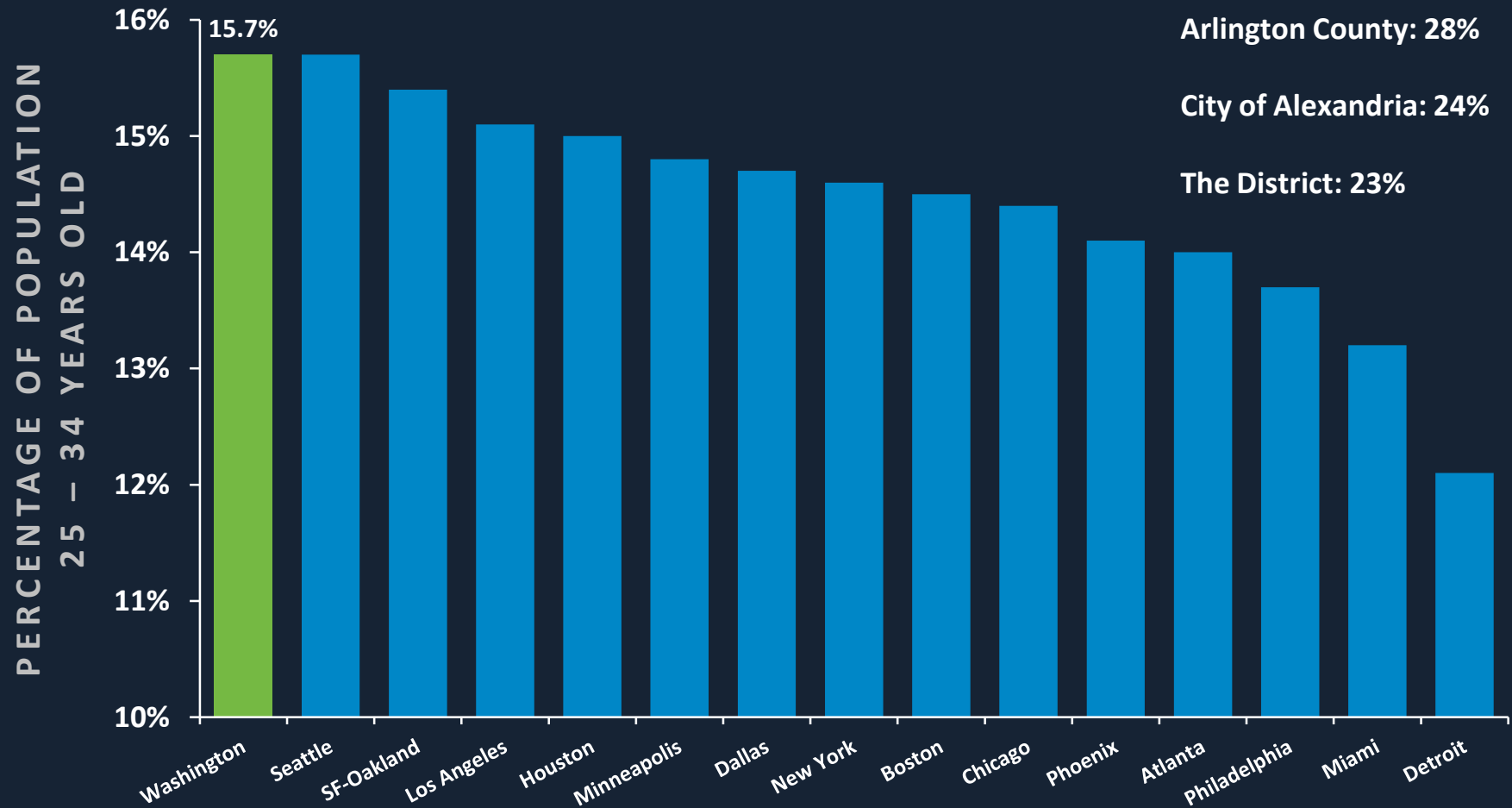
United States



Source: 2013 ULI/BRS National Survey, Delta Associates; March 2015.

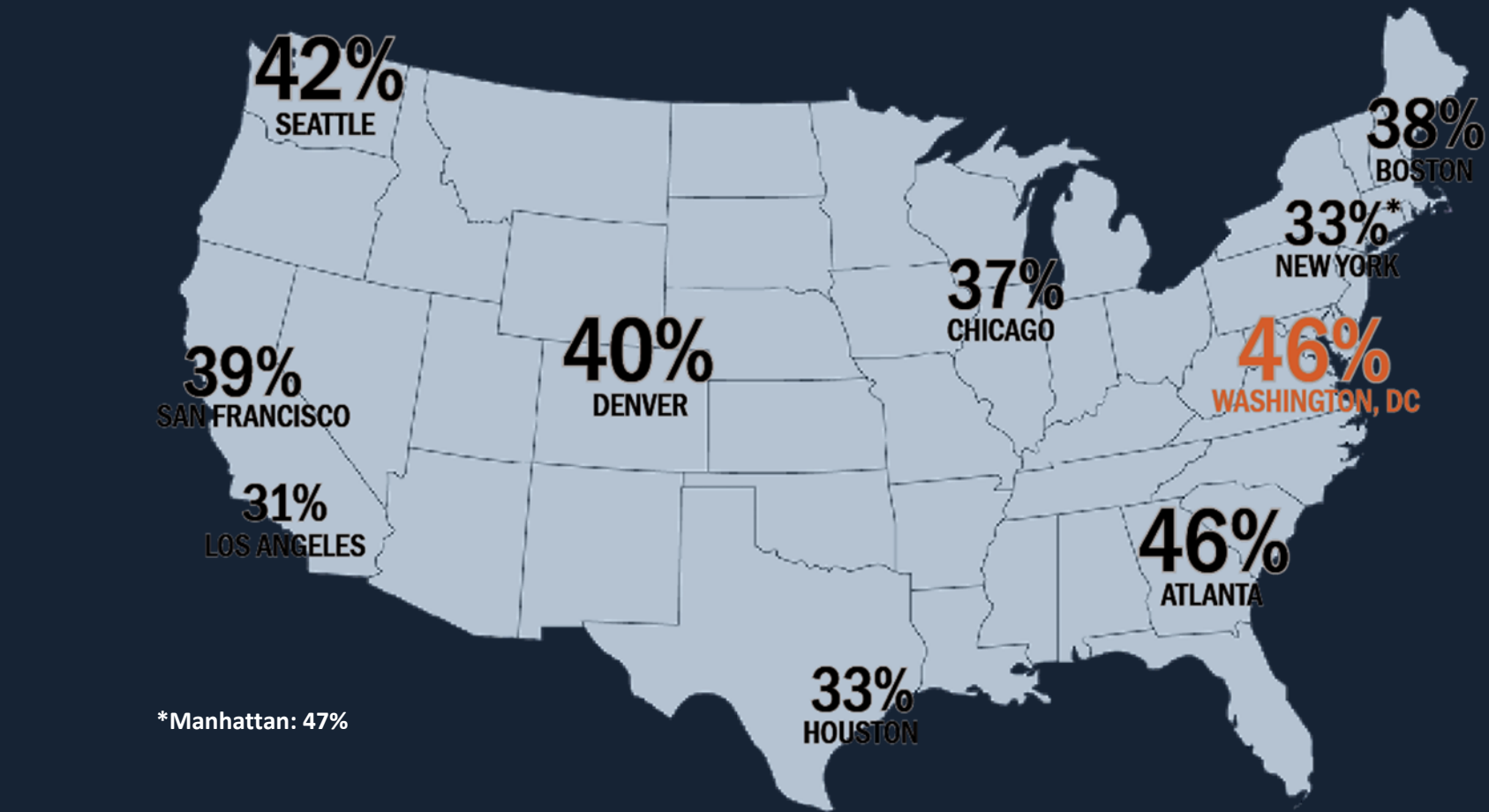
SHARE OF POPULATION BETWEEN 25 – 34 YEARS OLD

Large Metros | 2013



CHANGING DEMAND PATTERNS

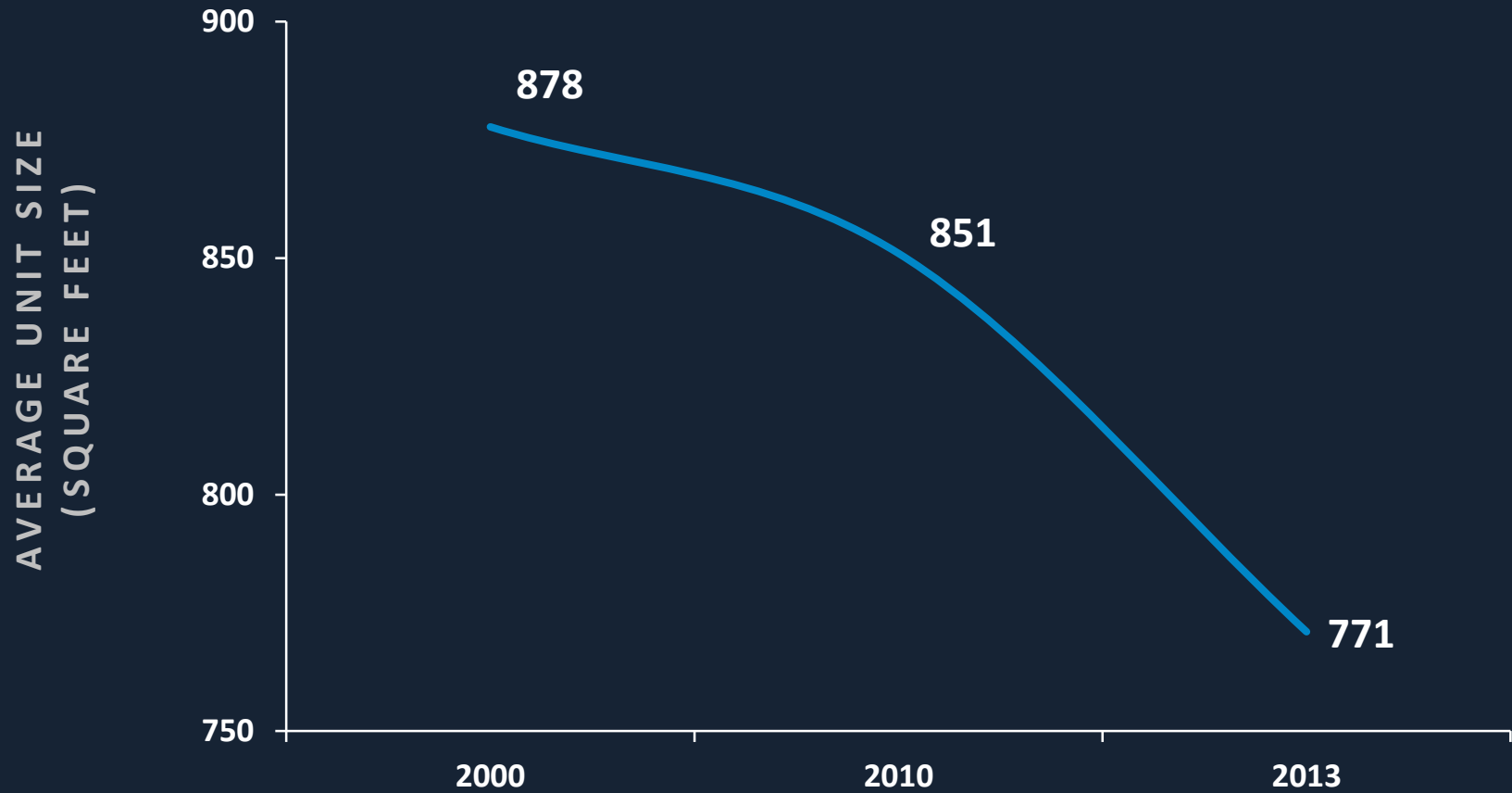
Single Person Households for Major Cities | United States



Source: U.S. Census, Delta Associates; March 2015.

CLASS A HIGH-RISE APARTMENTS AVERAGE UNIT SIZE

District of Columbia



Source: Delta Associates; March 2015.

APARTMENTS

Changing Nature of Space



THE REGIONAL ECONOMY AND THE NORTHERN VIRGINIA APARTMENT MARKET

THE WASHINGTON AREA APARTMENT MARKET



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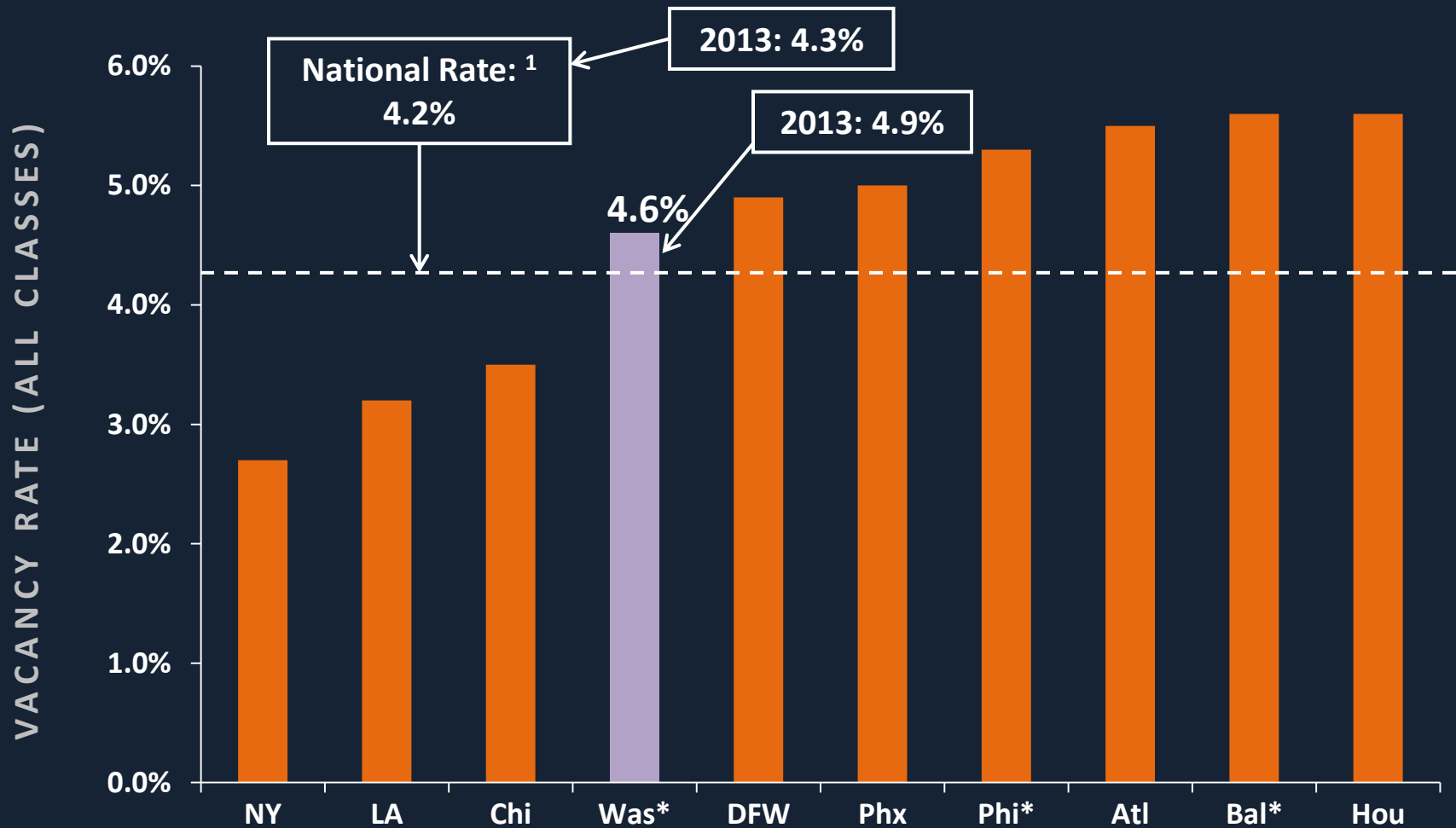
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STABILIZED APARTMENT VACANCY RATES

Major Apartment Markets at Year-End 2014



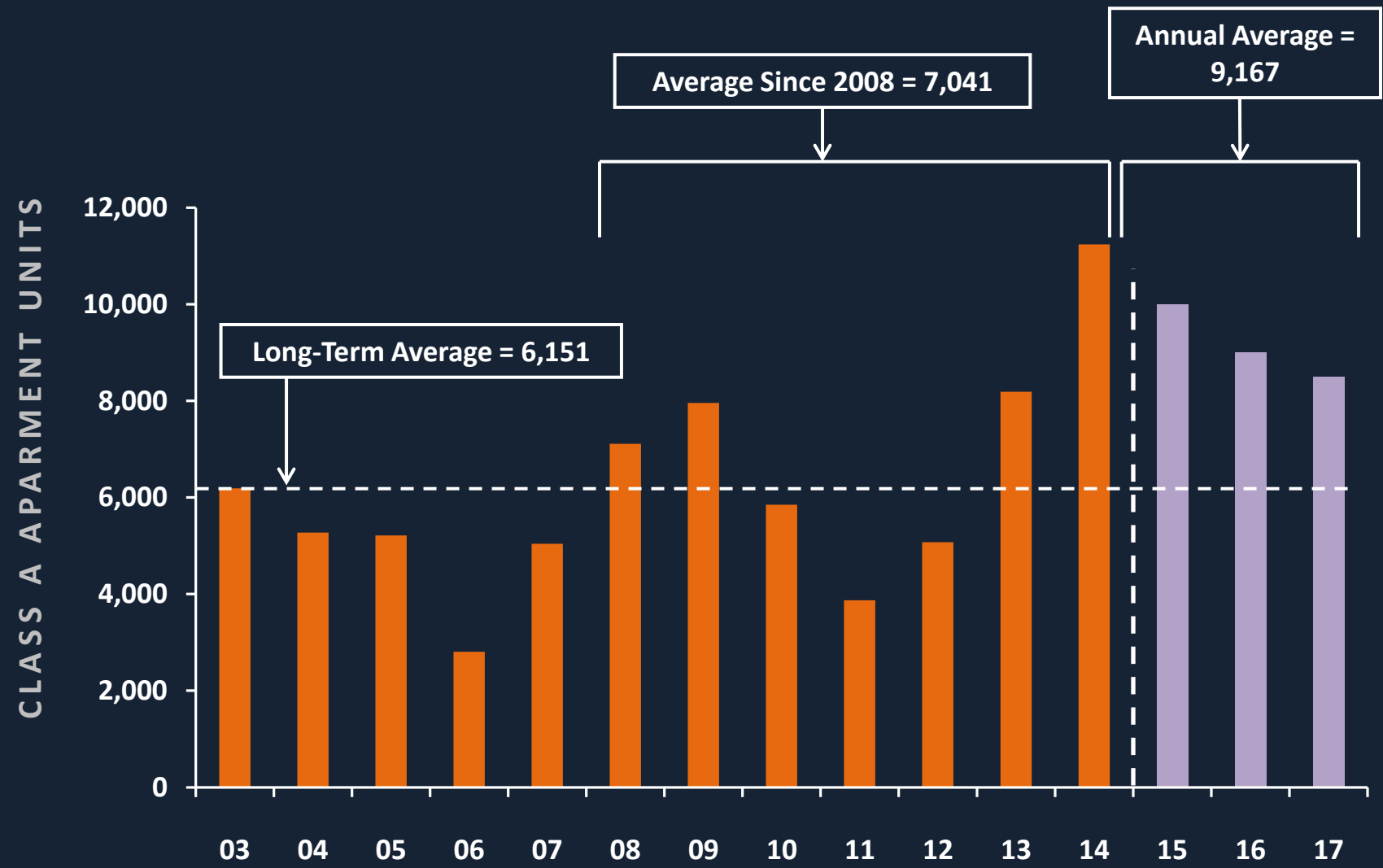
¹ The 79 largest apartment markets in the U.S.

*Third Quarter 2014 data except for Washington, Baltimore and Philadelphia which are as of Year-End 2014.

Source: REIS Services, LLC, Delta Associates; March 2015.

CLASS A APARTMENT ABSORPTION

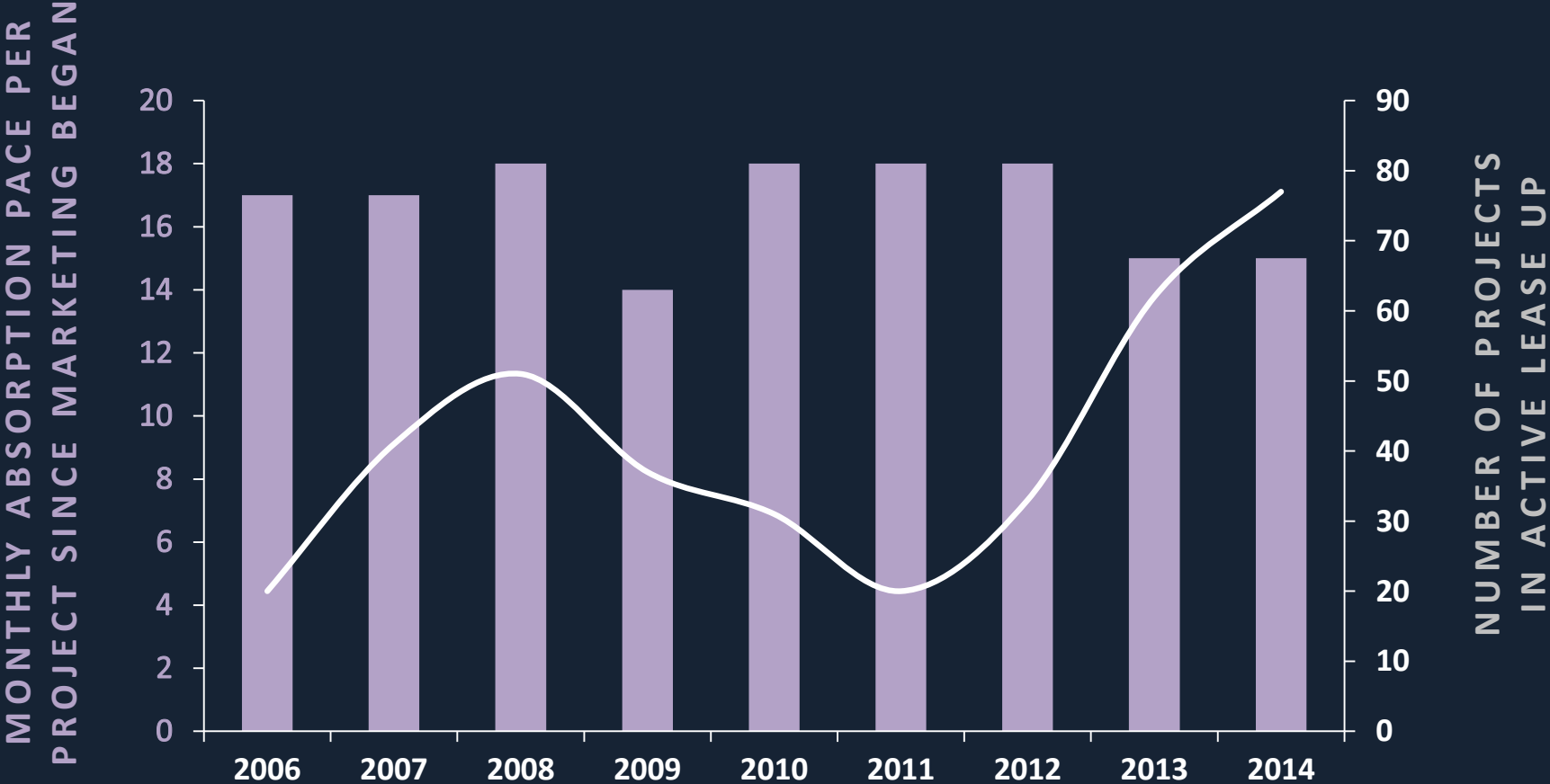
Washington Metro Area



Source: Delta Associates; March 2015.

ABSORPTION PACE PER PROJECT PER MONTH

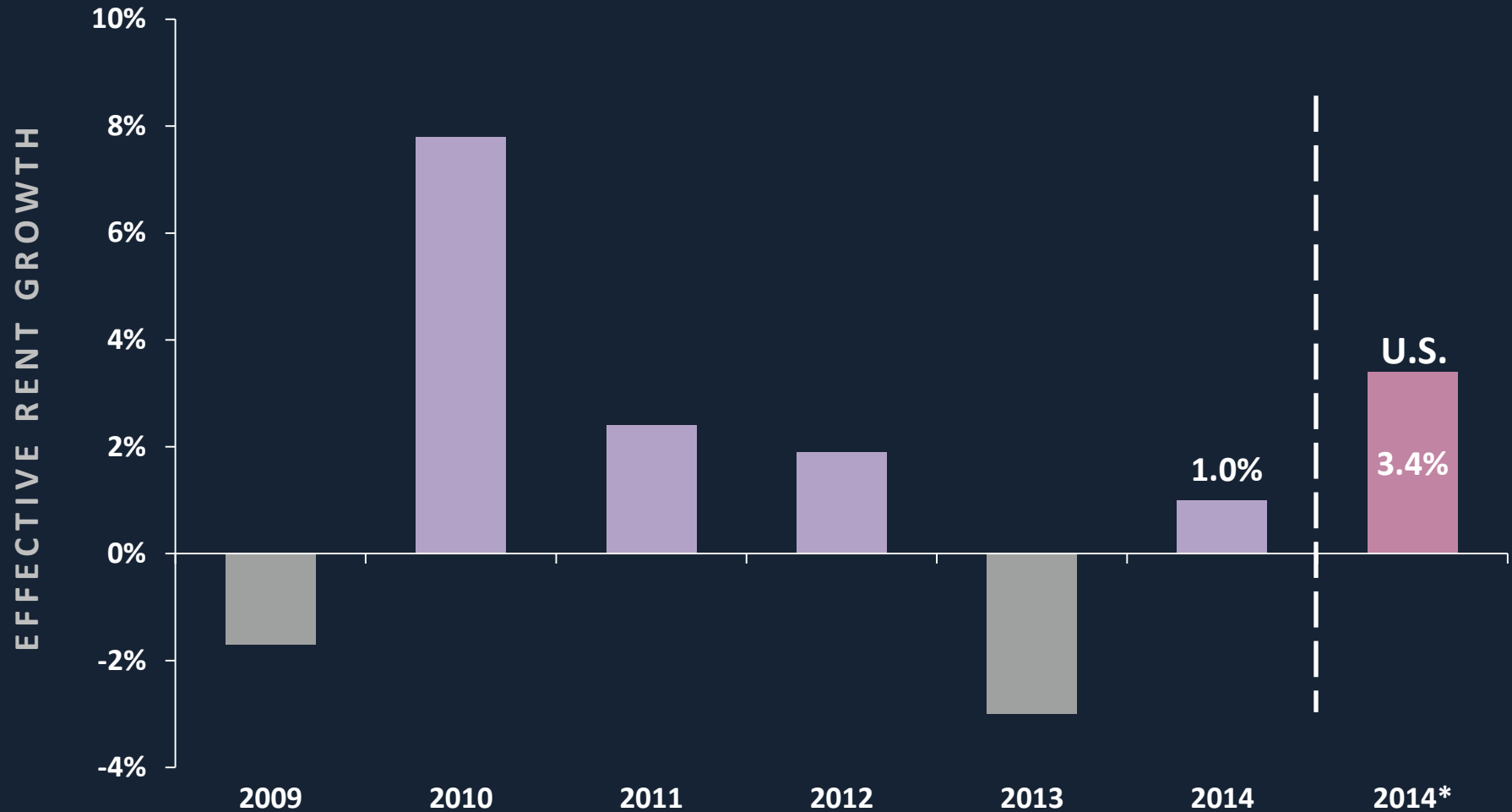
For Projects in Initial Lease-Up | Washington Metro Area



Source: Delta Associates; March 2015.

ANNUAL CLASS A APARTMENT EFFECTIVE RENT GROWTH

Washington Metro Area



*REIS.

Source: Delta Associates; March 2015.

36 MONTH APARTMENT DEVELOPMENT PIPELINE

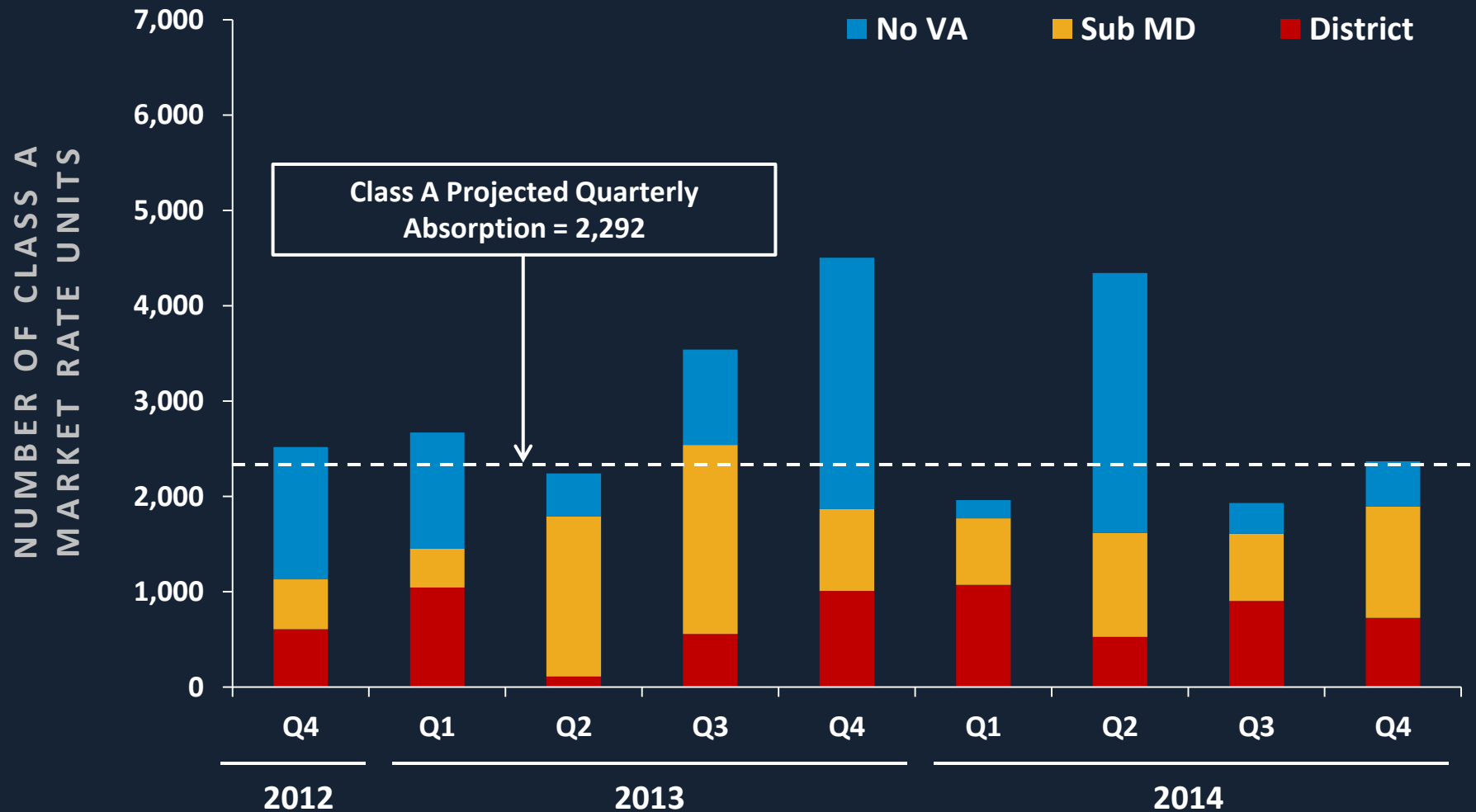
Washington Metro Area



Source: Delta Associates; March 2015.

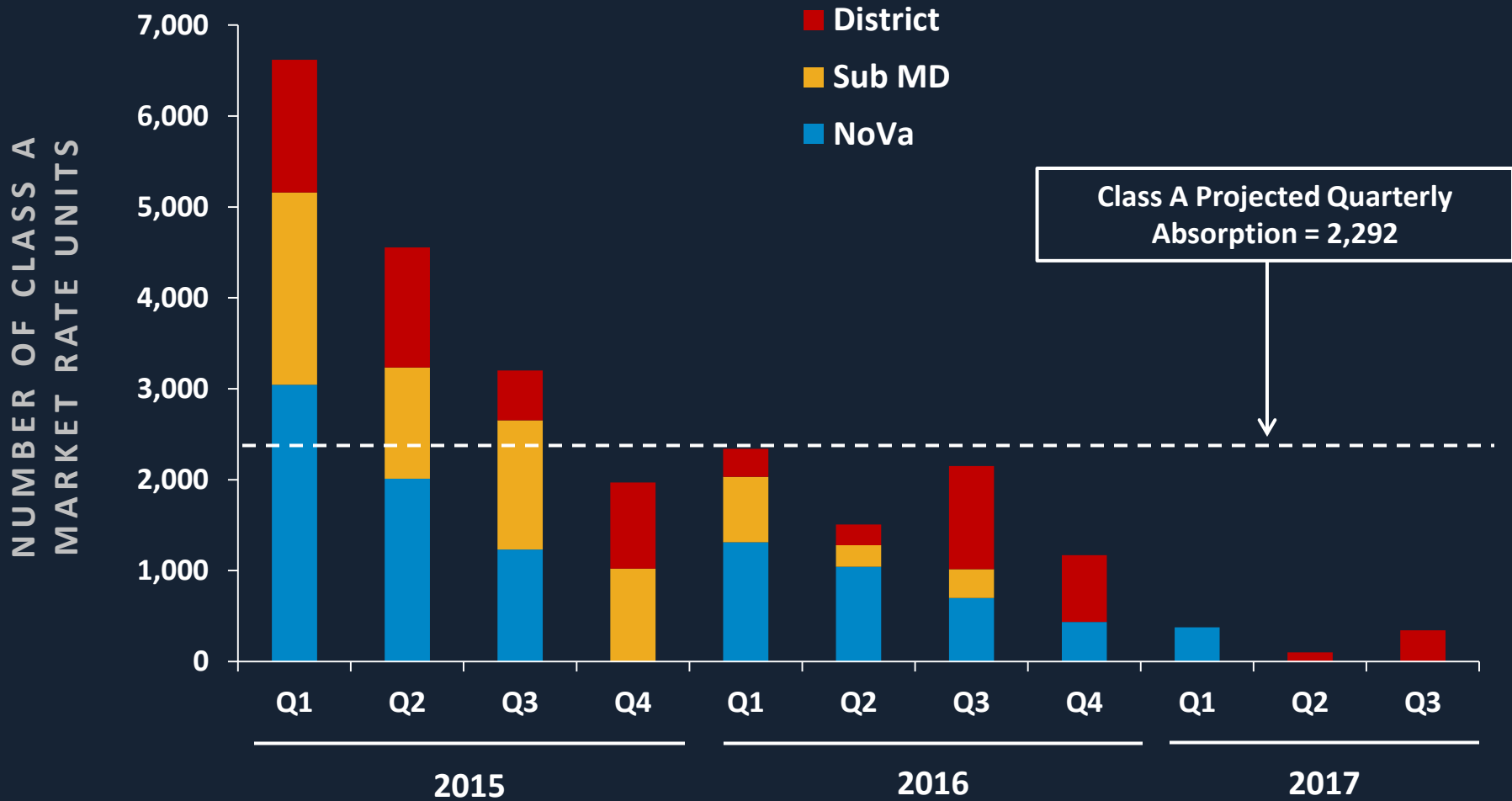
CLASS A APARTMENT UNIT STARTS

Washington Metro Area



PROJECTED DELIVERIES | PROJECTS CURRENTLY UNDER CONSTRUCTION

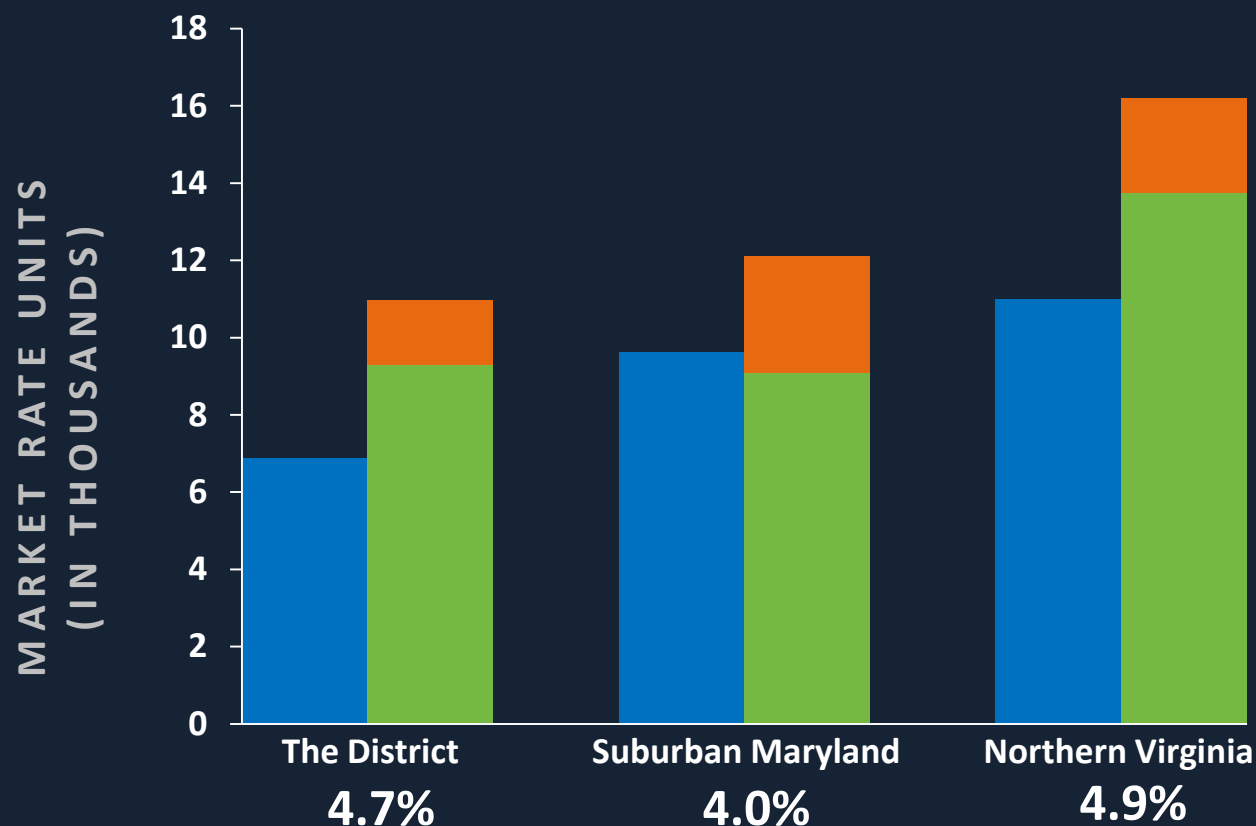
Washington Metro Area



Source: Delta Associates; March 2015.

CLASS A APARTMENT DEMAND AND DELIVERY PROJECTIONS

Three Years Ending December 2017




Projected Stabilized Vacancy at December 2017


4.6% Metro-Wide

 Demand

Net Absorption:
9,167/Year = 27,500

Deliveries

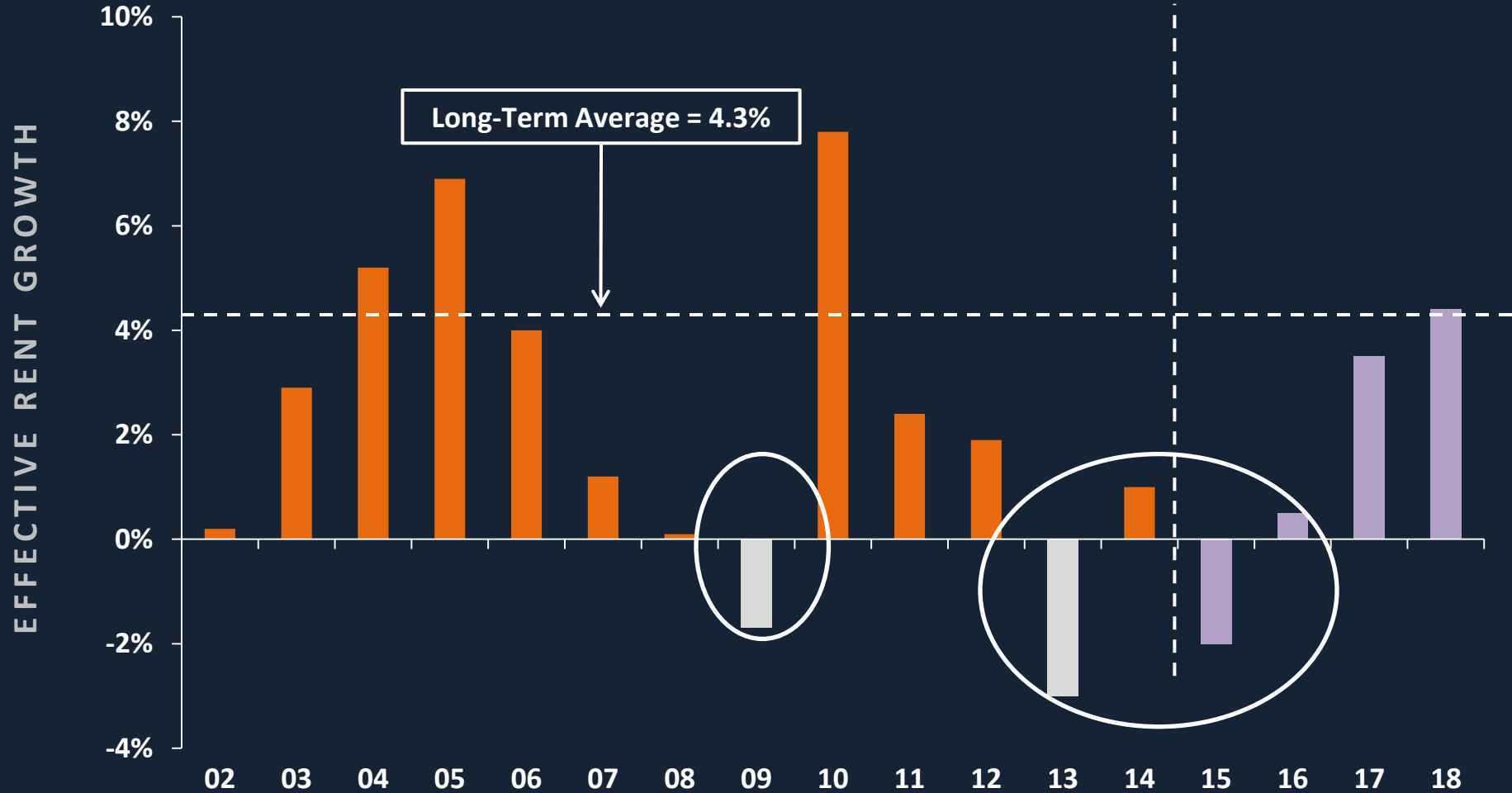
 Planned and may deliver by 12/17:
7,123 units

 Under construction:
32,131 units

Total = 39,254 units

CLASS A APARTMENT RENT GROWTH

Washington Metro Area



THE REGIONAL ECONOMY AND THE NORTHERN VIRGINIA APARTMENT MARKET

FOCUS ON THE NORTHERN VIRGINIA APARTMENT MARKET



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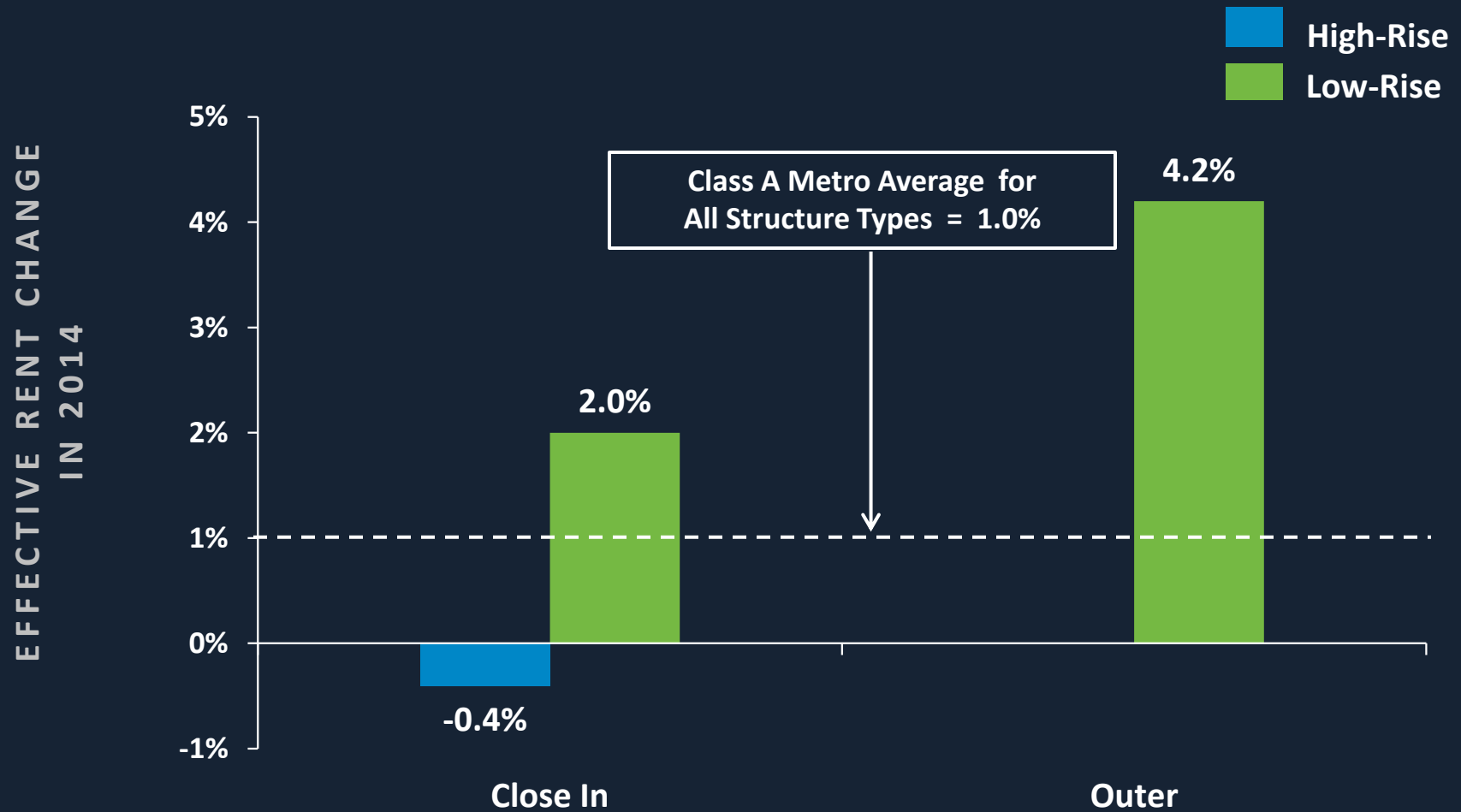
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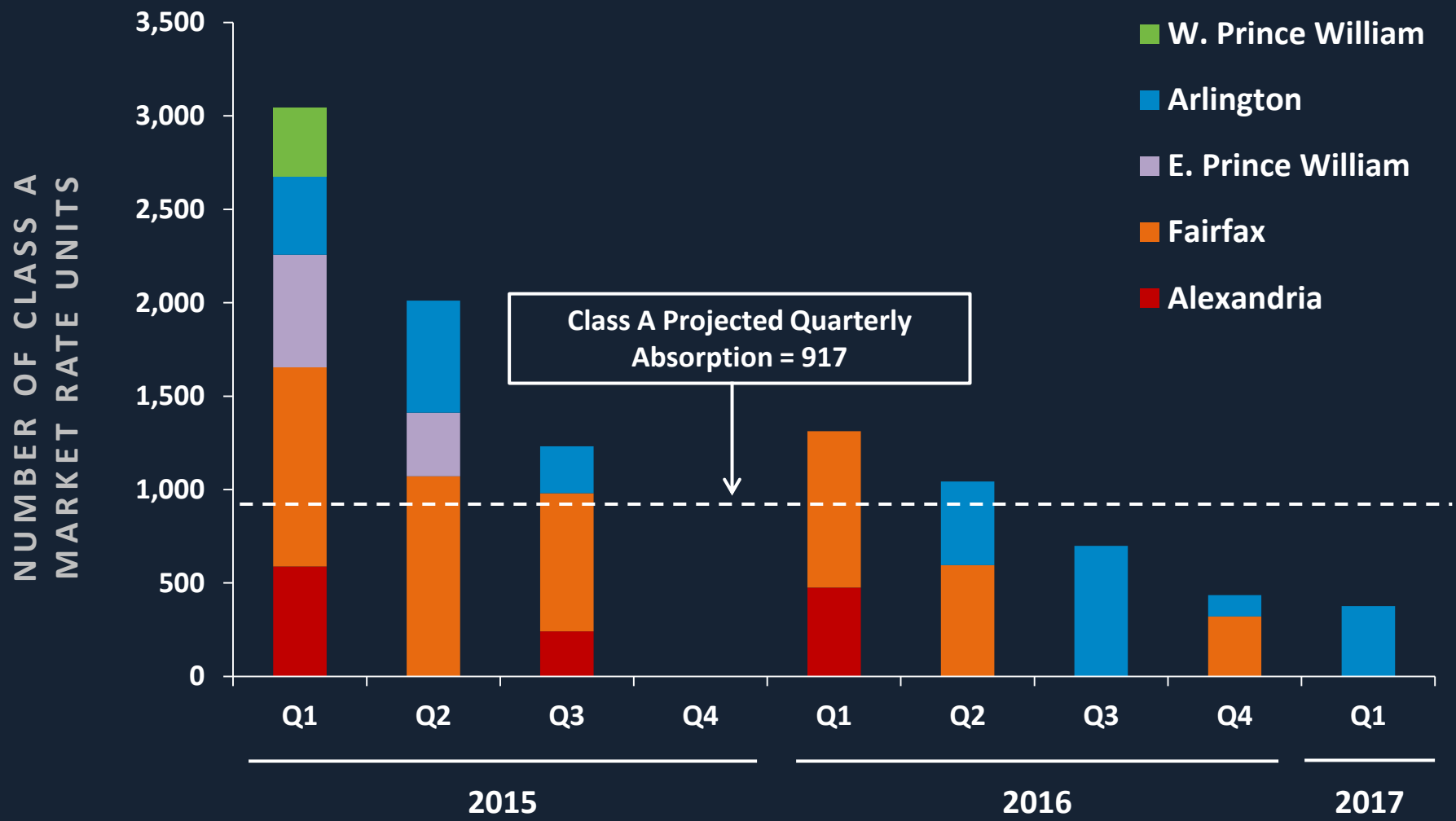
NORTHERN VIRGINIA CLASS A APARTMENTS EFFECTIVE RENT CHANGE

Low-Rise vs. High-Rise in 2014



PROJECTED DELIVERIES | PROJECTS CURRENTLY UNDER CONSTRUCTION

Select Northern Virginia Jurisdictions



Source: Delta Associates; March 2015.

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