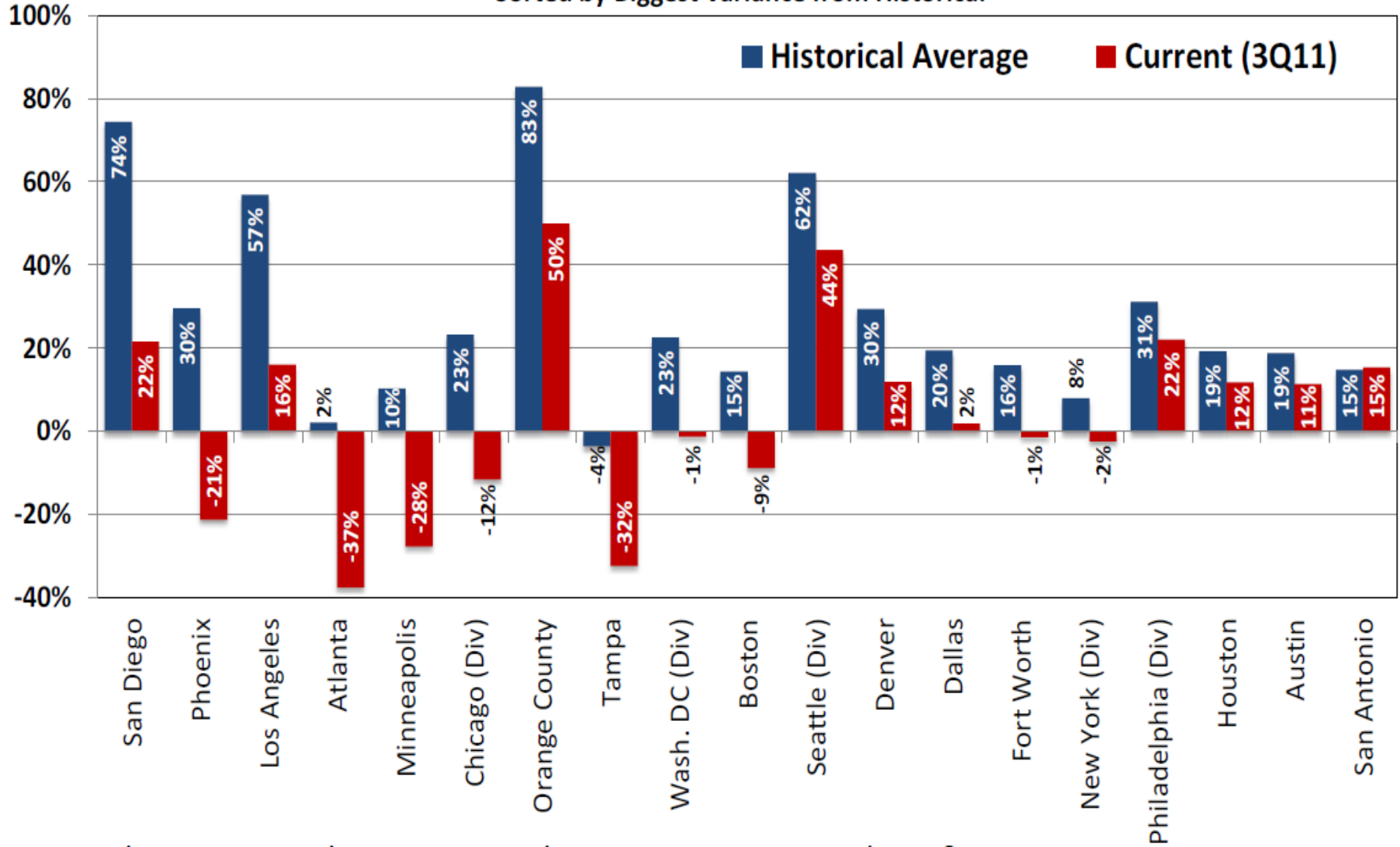


Many reasons to own: In Phoenix, the monthly cost of owning is usually 30% more expensive than renting. Today, it is 21% cheaper.

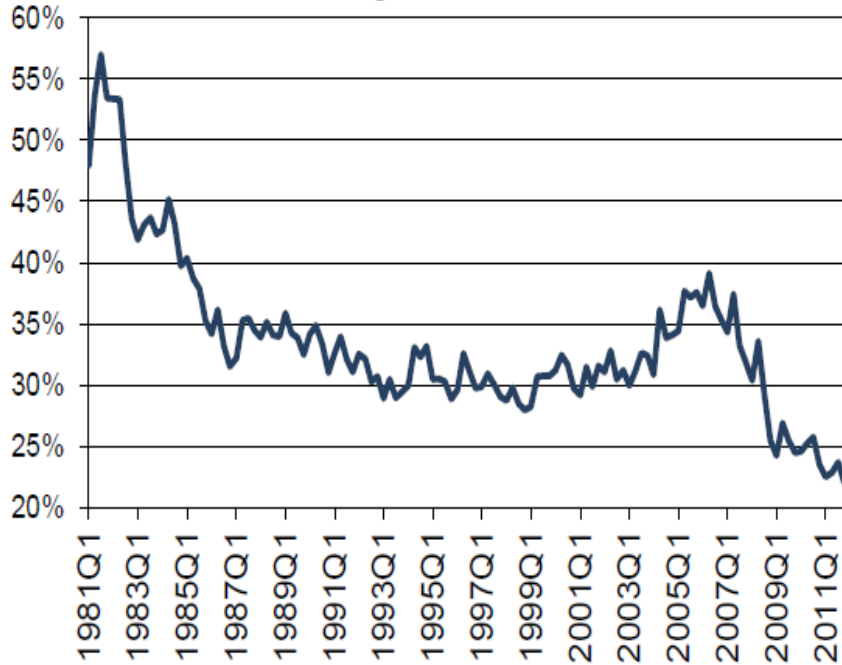
Historical Own/Rent Difference vs. Current Difference

Sorted by Biggest Variance from Historical



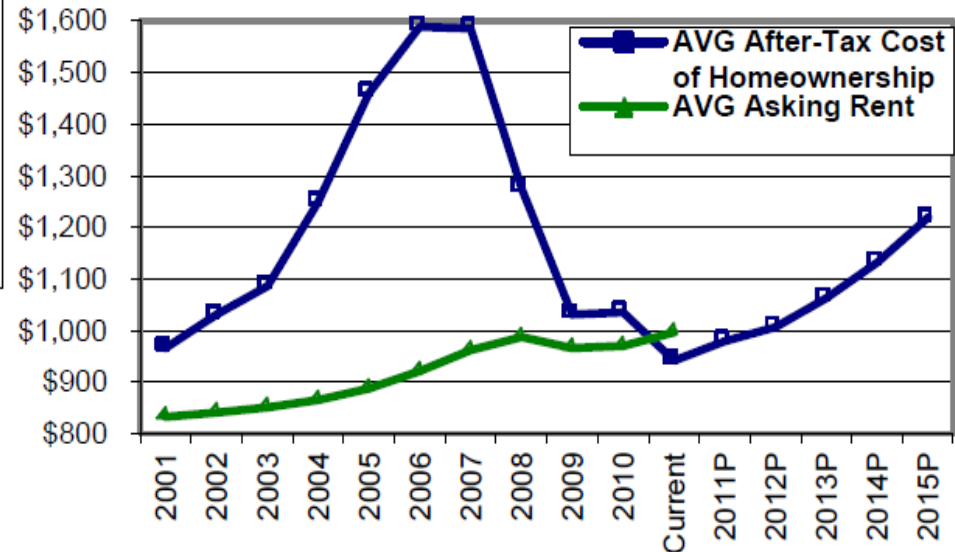
Homeownership is Very Affordable, which creates the potential for appreciation.

Median Housing Cost to Income Ratio



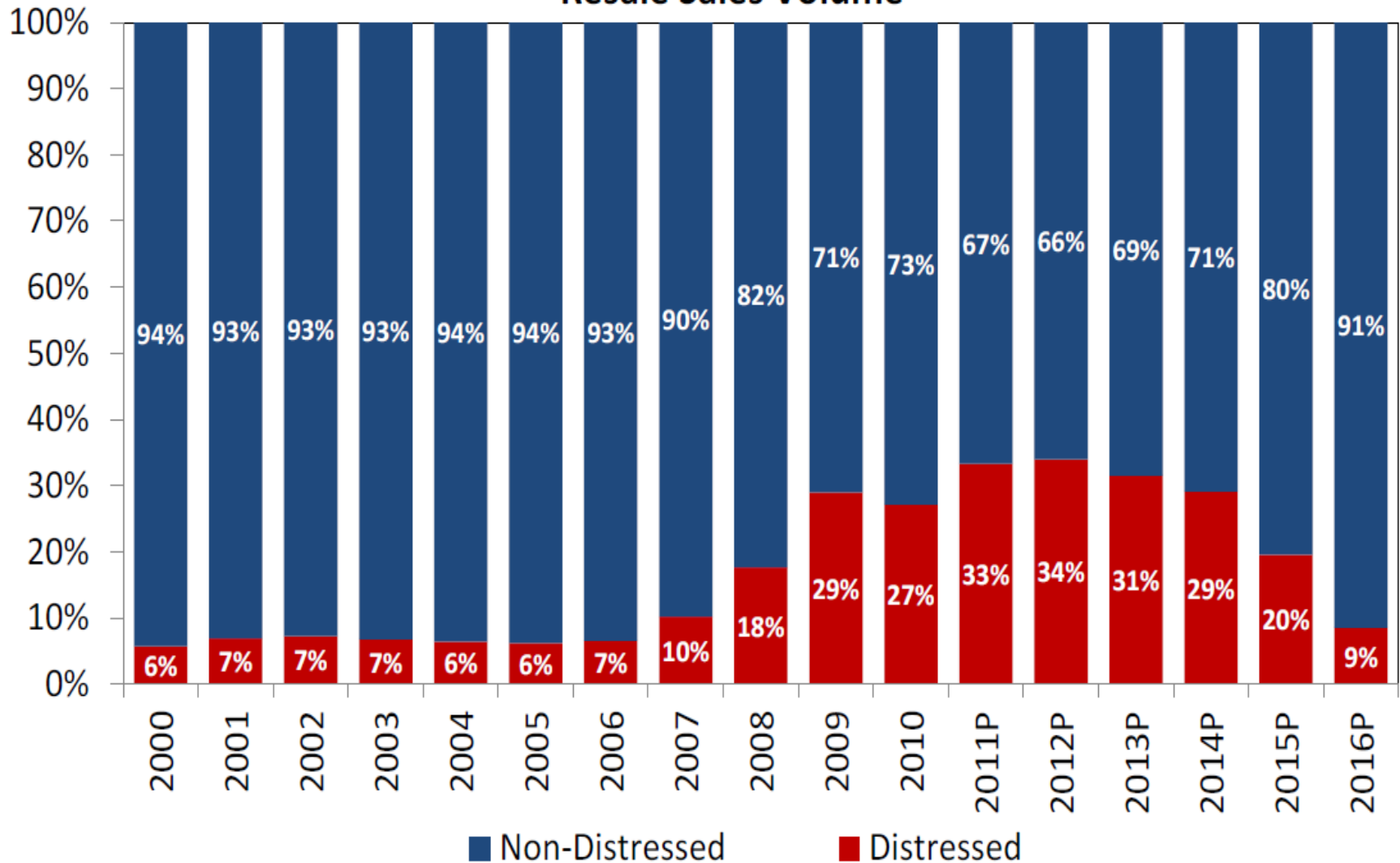
Source: JBREC, updated through Oct 2011; 22.0%

After-Tax Housing Costs vs Asking Rents
(Annual Averages of All Markets Represented)

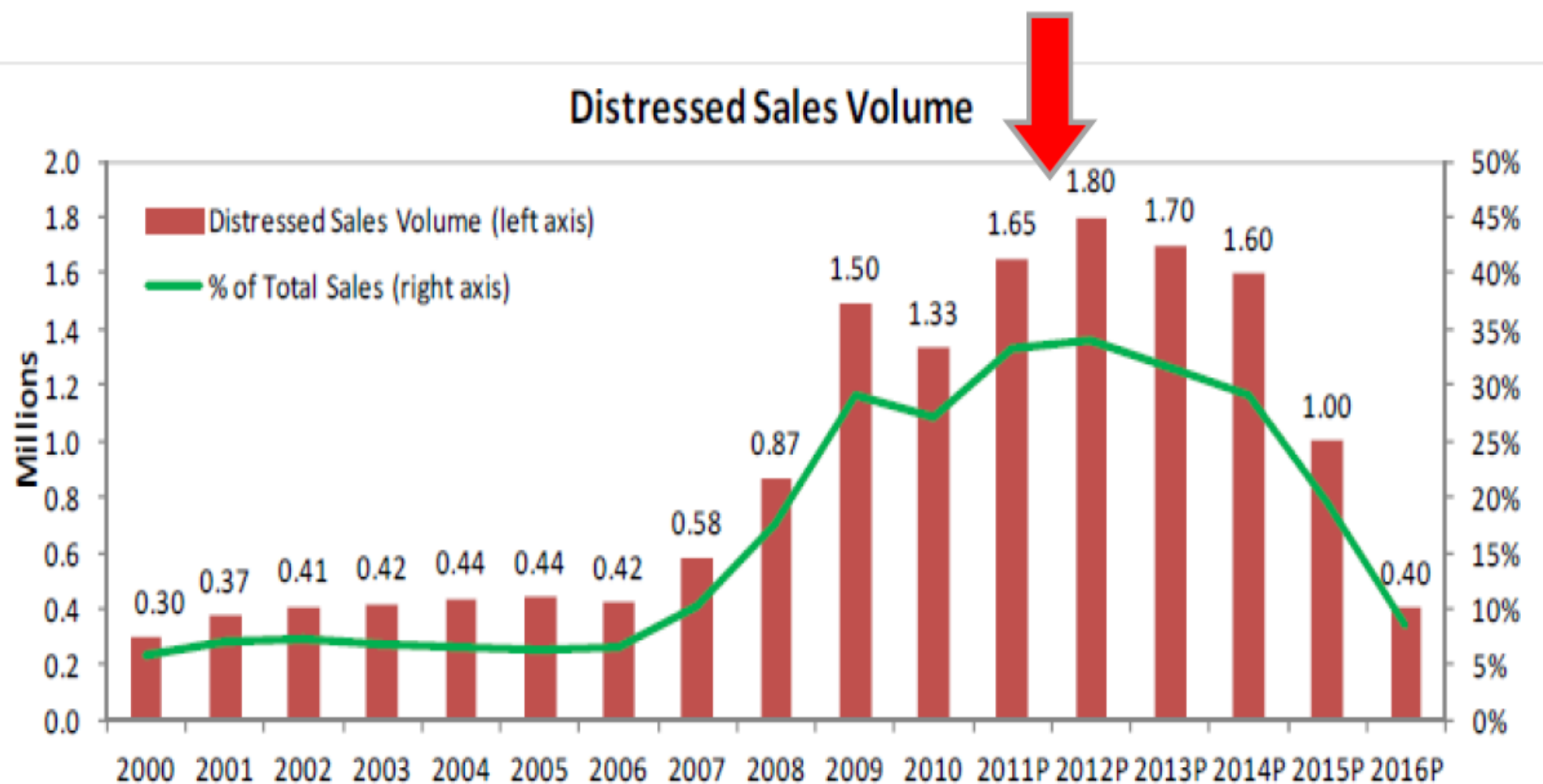


Distressed sales are expected to be 29% of the market through 2014.

Resale Sales Volume

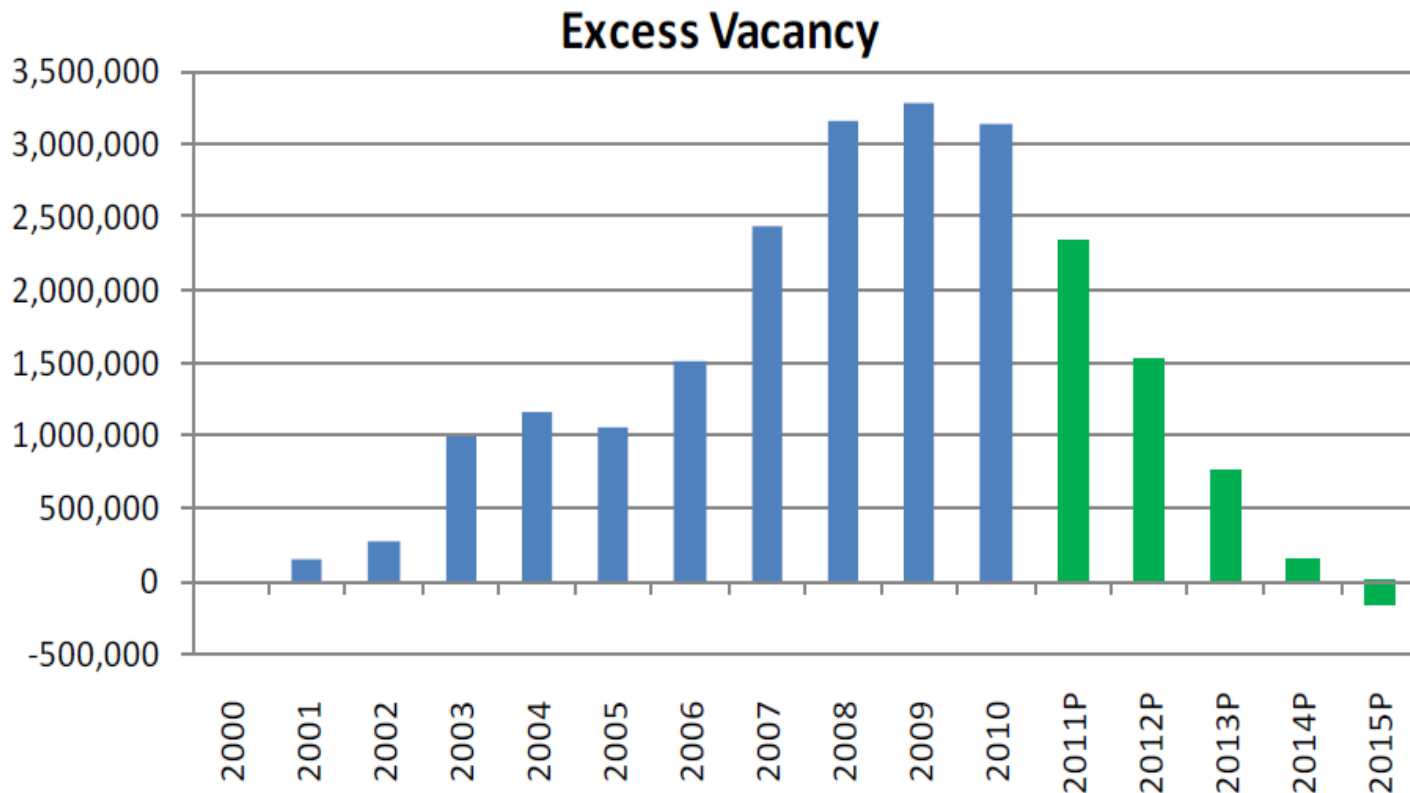


REO and Short sales should peak in 2012, and remain elevated through 2014



U.S. vacancy back to equilibrium in 2015

- Speed to Equilibrium is caused by Demand (job growth / household formation) and supply (construction)
- Household growth averaging 1.46MM/yr through 2015
- Construction averaging 1.03MM/yr through 2015



Excess vacant units will clear nationally in 2015, but varies by market.

2012

Orange County
San Antonio

2013

Washington DC
Philadelphia
Dallas
Fort Worth
Minneapolis
Baltimore
Portland
Boston

2014

Seattle
San Diego
Phoenix
New York
Los Angeles
Nassau
San Francisco

2015

Houston
Atlanta
Riverside-
San Bernardino
Tampa
St. Louis
Denver
Oakland
Ft. Lauderdale

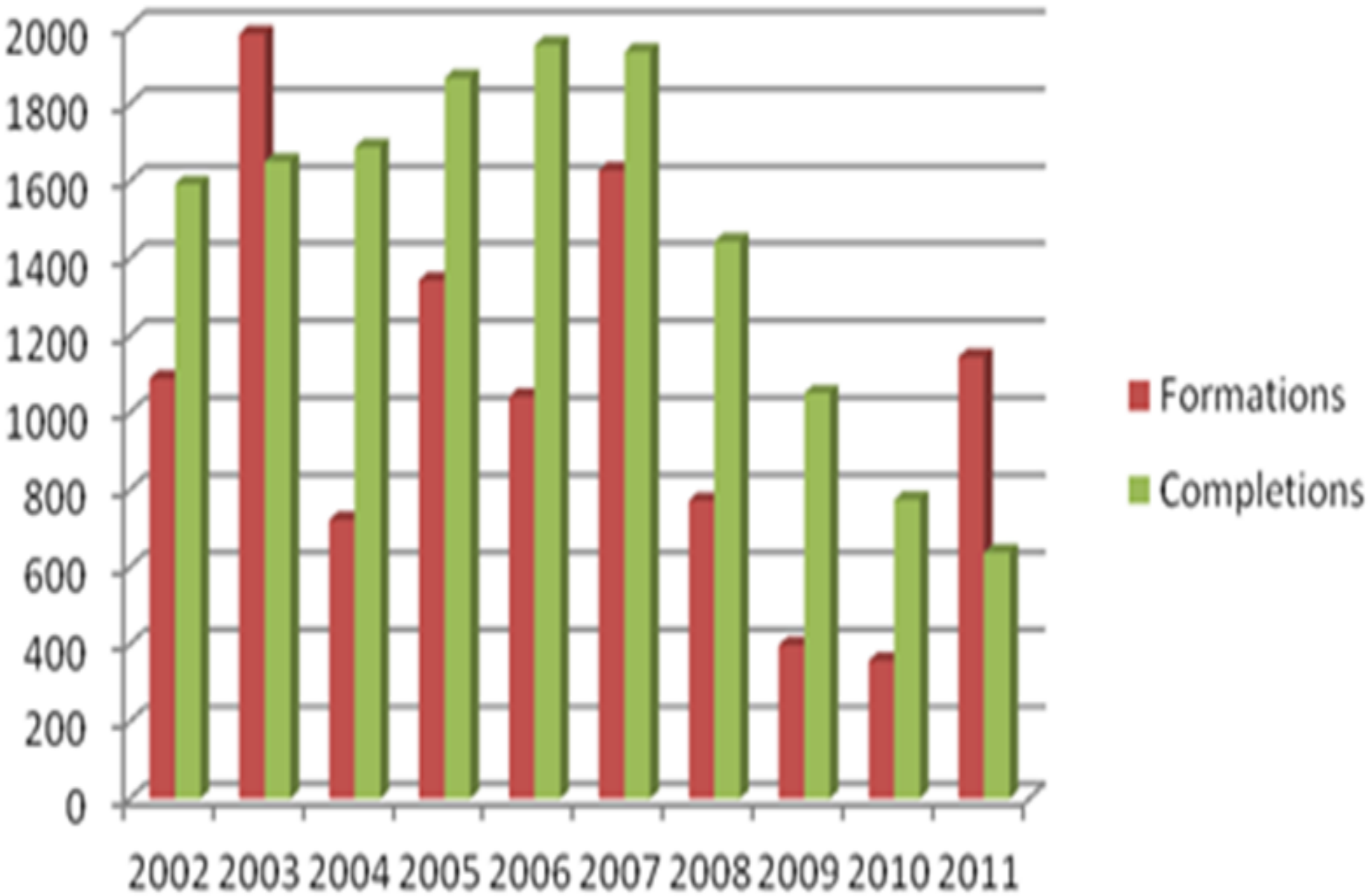
2016

Sacramento
Orlando
Miami
Chicago
Newark

2017+

Kansas City
Las Vegas
Indianapolis
Cleveland
Warren MI
Cincinnati
Pittsburgh
Edison NJ
Columbus
Detroit

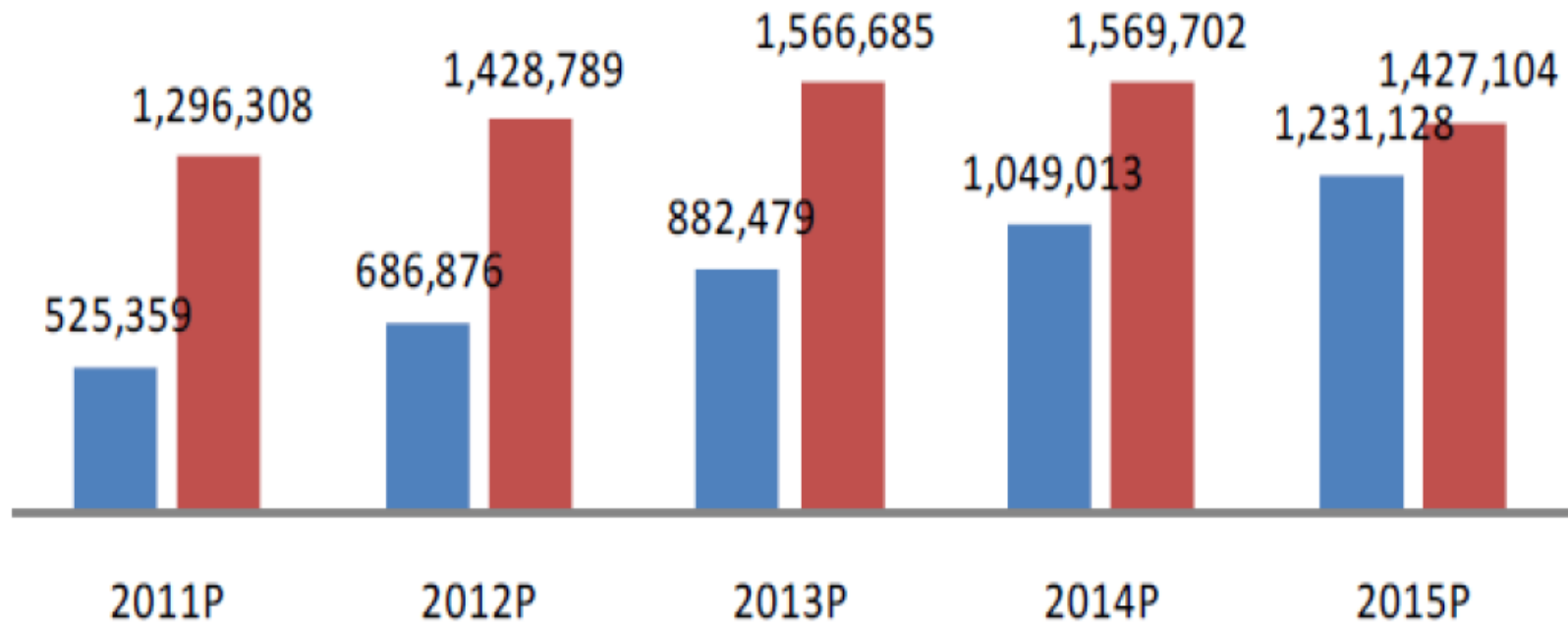
Net Household Formations and Housing Completions



Vacancy will clear as household formations outpace construction.

Demand Outpacing Supply

■ Construction
(less obsolescence) ■ Household Growth



Opportunity in Housing

... Yes, there are headwinds

Jobs

Buyers look in \$25k increments

But...

Purchase Price _____

– **Population**

– **Time in home**

– **Historical Appreciation. Look at Manhattan** _____

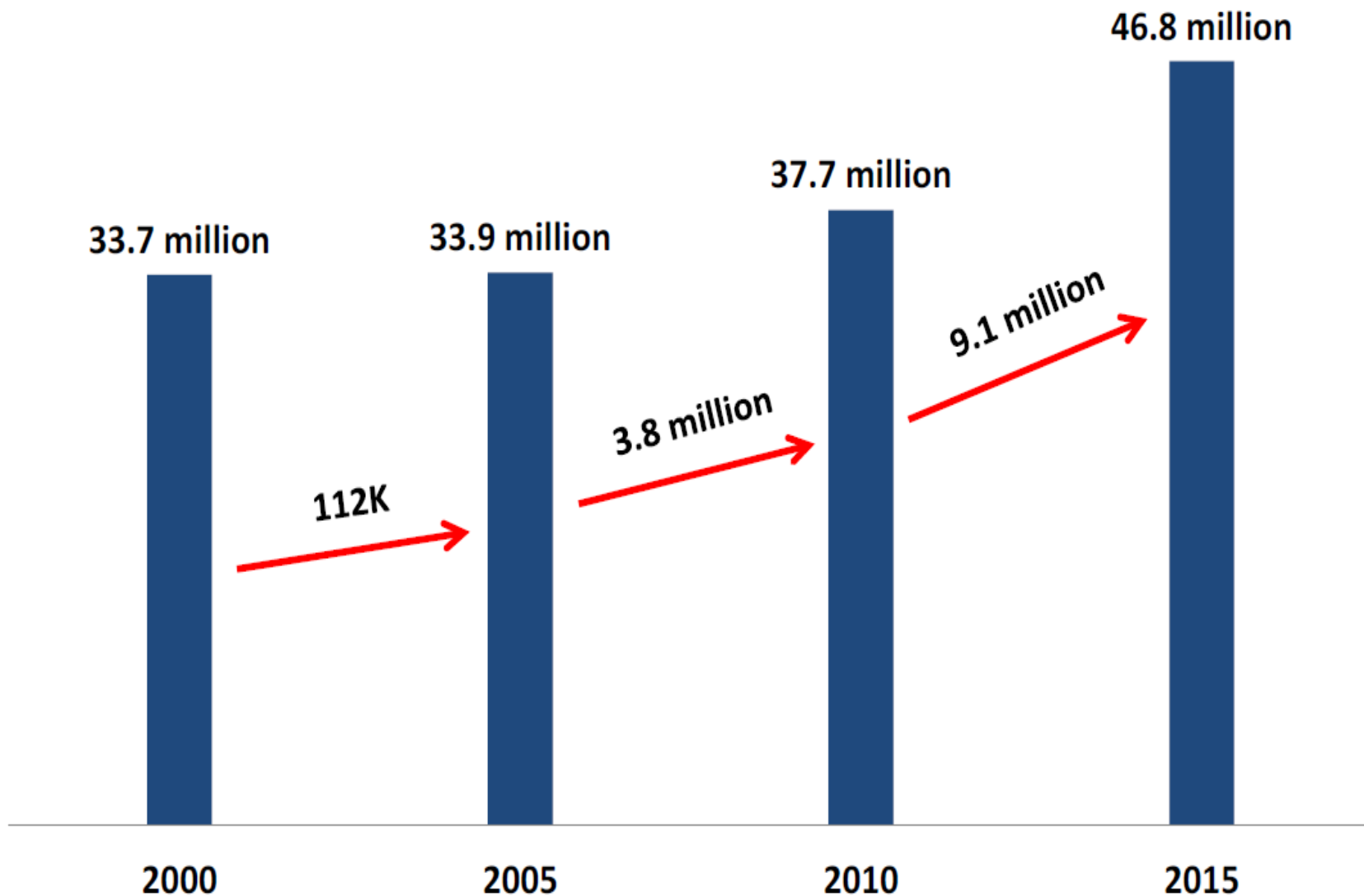
– **What if Only 2% Appreciation** _____

– **Cash flow**

Compare to rent for similar home

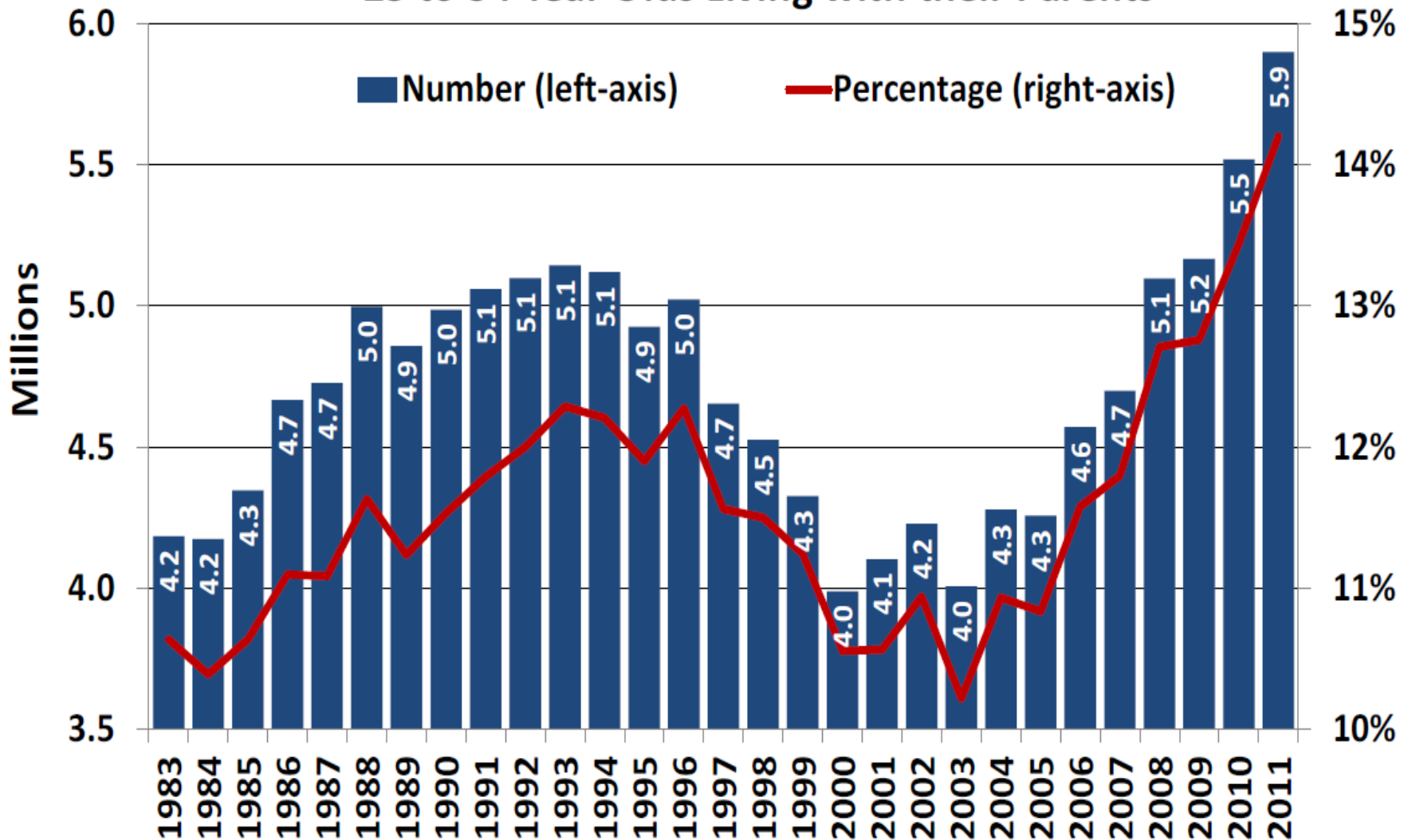
We expect demand for apartments to nearly double over the next 5 years.

Total Renter Households



There is substantial pent-up demand.

25 to 34 Year Olds Living with their Parents



Time Magazine

"The US economy remains almost comatose. The slump already ranks as the longest period of sustained weakness since the Depression. The economy is staggering under many "structural" burdens, as opposed to familiar "cyclical" problems. The structural faults represent once-in-a-lifetime dislocations that will take years to work out. Among them: the job drought; the debt hangover; the banking collapse; the real estate depression; the health care cost explosion and the runaway federal deficit."

Written in 1992!!

