Portland State
U.S. and Portland Economic and Real Estate Overview and Outlook

Marcus & Millichap
Real Estate Investment Services
Total U.S. Employment Trends

* Through April
Sources: Marcus & Millichap Research Services, BLS
U.S. Retail Sales Have Recovered From Dramatic Drop – Headwinds to Growth Remain

* Through April
Sources: Marcus & Millichap Research Services, U.S. Census Bureau
Housing Contribution to GDP

- Recession*
- Post Recession**

Percent Change

Average Historical Post Recession Gain: +39.0%

Average Historical Recessionary Loss: -14.5%


** Post recession defined by 15 quarters following the official end of the recession, or beginning of following recession in the event of overlap

Sources: Marcus & Millichap Research Services, BEA
Single-Family Housing and Condo Market Improving with Brighter Outlook

**Median Home Prices**

- $250 \[\text{Single-Family} \quad \text{Condo}\]

**Existing Home Sales**

- 650 \[\text{Single-Family and Condo}\]

* Through April

Sources: Marcus & Millichap Research Services, National Association of Realtors
Single-Family Home Construction vs. Household Formation

* Forecast
Sources: Marcus & Millichap Research Services, U.S. Census Bureau
# U.S. Employment Gains Have Been Broad Y-O-Y Sector Change Through April 2013

<table>
<thead>
<tr>
<th>U.S. Employment Sectors</th>
<th>Absolute Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prof &amp; Business Services</td>
<td>587,000</td>
<td>3.3%</td>
</tr>
<tr>
<td>Trade, Transport &amp; Utilities</td>
<td>428,000</td>
<td>1.7%</td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>378,000</td>
<td>2.8%</td>
</tr>
<tr>
<td>Education &amp; Health Services</td>
<td>373,000</td>
<td>1.8%</td>
</tr>
<tr>
<td>Construction</td>
<td>154,000</td>
<td>2.7%</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>99,000</td>
<td>1.3%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>70,000</td>
<td>0.6%</td>
</tr>
<tr>
<td>Other Services</td>
<td>53,000</td>
<td>1.0%</td>
</tr>
<tr>
<td>Information</td>
<td>12,000</td>
<td>0.4%</td>
</tr>
<tr>
<td>Natural Resources &amp; Mining</td>
<td>12,000</td>
<td>1.4%</td>
</tr>
<tr>
<td><strong>Total Gain</strong></td>
<td><strong>2,166,000</strong></td>
<td></td>
</tr>
<tr>
<td>Government</td>
<td>-89,000</td>
<td>-0.4%</td>
</tr>
<tr>
<td><strong>Total Loss</strong></td>
<td><strong>-89,000</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Net Change</strong></td>
<td><strong>2,077,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

Sources: Marcus & Millichap Research Services, BLS
Corporate Profits at Record Levels
Uncertainty Restraining Fixed Investments

Sources: Marcus & Millichap Research Services, BEA
Commercial Property Vacancies in Gradual Recovery – Apartments Near Pre-Recession Low

* Forecast

2012 vacancy rate: Apartment (5.1%), Retail (8.1%), Office (16.7%), Industrial (11.2%)

Source: Marcus & Millichap Research Services, MPF Research, CoStar Group, Inc.
Core Inflation vs. 10-Year Treasury

Core Inflation vs. 10-Year Treasury

*Through April 2013
Sources: Marcus & Millichap Research Services, Federal Reserve
U.S. Commercial Real Estate Investment Trends
Annual Dollar Volume by Property Type $1M+

* Annualized 1Q preliminary estimate
Includes sales $1 million and greater
Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics
U.S. CRE Average Price Trends

* Preliminary estimate through 1Q
Includes sales $1 million and greater
Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics
CRE Investor Sentiment Index Points to Further Rise in Capital Flows Into the Sector

* Annualized preliminary estimate
2012 investor sentiment index: 171; 1Q 2013 investor sentiment index: 174
Includes all apartment, office, retail and industrial sales $1 million and greater
Sources: Marcus & Millichap Research Services, CoStar Group, Inc., M&M/NREI Investor Survey
Office/Retail/Industrial Composite Cap Rate Trends by Market Type

* Preliminary estimate through 1Q
Includes sales $1 million and greater
Sources: Marcus & Millichap Research Services, Real Capital Analytics, CoStar Group, Inc.
Commercial Real Estate Avg. Yield vs. 10-Yr. Treasury – Spread Indicates “Buy” Window

* Through May 29
Includes all apartment, office, retail and industrial sales $1 million and greater
Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics
Portland Economic and Real Estate Market Overview
U.S. Employment vs. Portland Employment

Trailing 12 Months Job Growth

Portland: +13,800
United States: +2,077,000

* Through April
Sources: Marcus & Millichap Research Services, BLS
**Single-Family Home Price Trends**

Portland vs. United States

<table>
<thead>
<tr>
<th>Year Range</th>
<th>Portland</th>
<th>United States</th>
<th>2000-2013*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-2007</td>
<td>52%</td>
<td></td>
<td>48%</td>
</tr>
<tr>
<td>2007-2013*</td>
<td>-15%</td>
<td>-7%</td>
<td>31%</td>
</tr>
</tbody>
</table>

* Forecast

Sources: Marcus & Millichap Research Services, National Association of Realtors
Supply and Demand
Apartment

Portland
- Completions
- Vacancy

United States
- Completions
- Vacancy

Units Completed (000s)

Vacancy Rate

2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013*

2% 4% 6% 8% 10%

* Forecast
Sources: Marcus & Millichap Research Services, MPF Research
Apartment Cap Rate Trends

* Preliminary estimate through 1Q
Includes sales $1 million and greater
Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics
Supply and Demand
Retail

Portland

United States

Sources: Marcus & Millichap Research Services, CoStar Group, Inc.

* Forecast
Retail Cap Rate Trends

Average Cap Rate

* Preliminary estimate through 1Q
Includes sales $1 million and greater
Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics
Supply and Demand
Office

Portland
- Completions
- Vacancy

United States
- Completions
- Vacancy

* Forecast
Sources: Marcus & Millichap Research Services, CoStar Group, Inc.
Office Cap Rate Trends

* Preliminary estimate through 1Q
Includes sales $1 million and greater
Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics
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