We are pleased to present the 2009 CBRE Multi-Housing Capital Markets Annual Market Report. In an effort to better reflect the reach of our international multi-housing platform, we have added market highlights from Canada, the United Kingdom and Europe, and China. Given the increasing flow of cross border capital for multi-housing, we believe that we are well-positioned to assist our clients in making their international investment decisions.

2008 was a year in which investors went from focusing on risk arbitrage to risk triage. Caution has replaced boldness as the pricing of multi-housing has gone from “pricing to perfection” in 2007 to “pricing for protection” in 2008. Buyers prefer well-located Class B+ and Class A properties in primary markets with predictable cash flows. We fully expect this trend to continue through 2009. Buyers have the leverage and are generally not demonstrating a sense of urgency. There is an expectation among buyers that there will be continued upward pressure on cap rates. We are starting to see signs of distress in the multi-housing loan portfolios of banks and CMBS special servicers.

While in general we do not have the overbuilding conditions of the late 1980’s, we do have, in many cases, the “stealth” destroyer of values: overleveraging. Competitive pressures compelled many lenders to offer full term interest-only loans on top of the market valuations, often times underwriting at low debt coverage on projected cash flows. These capital structures assumed optimal property performance. Unfortunately, softening market conditions in many multi-housing markets coupled with 150 to 200 basis point increases in cap rates have put many of these loans at risk. This general sense of distress in the market will set the tone for 2009 and beyond.

Having said that, there are still markets, such as Washington, D.C., Boston, San Francisco and Portland, where property performance has been steady and values have been relatively less affected. As 2009 progresses we expect to see some very attractive buying opportunities as a result of the repricing of multi-housing.

The construction of this Annual Market Report is truly a reflection of the broad resources and culture of collaboration within CBRE. Significant contributions have been made by CBRE Torto Wheaton Research, as well as from our Investment Sales and Debt & Equity Finance professionals. We hope you find this report to be useful and we look forward to continuing to put you, our clients, first always.

Sincerely,

[Signature]

Peter Donovan
Senior Managing Director
Multi-Housing Group
CB Richard Ellis
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Investment Properties Market Trends

2008 was a year of tectonic plate shifts in multi-housing. As a capital driven business, we are subjected to the vagaries of the capital markets. The major themes for 2009 reflect some recent conversations with investors. However, one thing we can assure our clients is that in six months things will be different.

The Three “F’s” – Freddie, Fannie, and FHA
Multi-housing will continue to enjoy unparalleled liquidity and benefit from the existence of the two Government Sponsored Enterprises (GSEs), as well as FHA financing for potential new construction. Other asset classes that were inherently tied to CMBS financing are confronting challenging times as deals with 2009 to 2010 maturities face a constrained debt market. Although the GSEs are tightening underwriting standards with higher debt service coverage ratios (DSCRs) and lower loan-to-values (LTVs) which will put a crimp on proceeds, “all in rates” have recently been hovering in the 6% to 6.50% range, which is very attractive debt. We believe that 75% of the overall capitalization at a 6% rate will serve our clients well over the next 5 to 10 years. Fannie Mae and Freddie Mac are less willing to do 5-year deals due to exit strategy concerns, but prefer the longer term 7- and 10-year deals due to better refinancing options for the borrower. Interest-only is also still available but at lower LTVs and for shorter periods of 2 to 3 years. Given the low cost of either new debt or assumable debt and the ability to create positive leverage, the current returns will continue to rise assuming flat Net Operating Income (NOI). The 10-year Treasury is at an unusually low level and has more of an upward movement bias over the next 24 months.

Underwriting 101 – Back to Basics
Spilling over from 2008 into 2009 is a back-to-basics underwriting model. Buyers and lenders are using 30-, 60- or 90-day trailing revenue annualized with trailing 12 month expenses adjusted for inflation to forecast Year 1 NOI. Unfortunately, fundamentals are weakening in virtually every market and forecasting positive rent growth is an unsafe assumption. Depending on the market, most investors believe effective revenue growth will be negative in 2009 and potentially in 2010, with a recovery expected in 2011. Of course, this depends on the length and depth of the recession. If a property is not stabilized, buyers are not willing to pay the seller for the upside. Value-add deals will become more scarce in this market as it has become increasingly difficult to obtain adequate financing to justify the renovation, and potential buyers are only interested in paying for in-place NOI.
Remember the Old Benchmark? – Cash-on-Cash Return

Investors (particularly private investors) are again suggesting the only benchmark that matters is cash-on-cash returns, with one caveat: conservative Year 1 underwriting with a solid debt quote or in-place assumable debt. Given the decrease in equity stock portfolio values, a large number of private investors are raising high-net-worth money through syndications and promoting high single-digit or low double-digit cash-on-cash returns. Reversing from the high octane days of 2005 through 2007, where reversions were accounting for an atypical portion of the return due to cap rate compression, investors are once again focused on cash flow contributing to IRR.

Keep an Eye on the NOI – From Acquisition to Asset Management

Given the dearth of investment sales due to the bid-ask gap, investors have shifted their focus to asset management. Cap rate compression is no longer an option to bail out an aggressive value-add plan in the early years of the holding period, as what was once a three-year hold has turned into a five- to seven-year hold or longer. Some investors have suggested that they are shifting their acquisition teams to asset managers, who are working on executing the acquisition business plan. As such, driving NOI in a rising cap rate environment is really the only way to hold or increase a property’s value. Operators with efficient management platforms who hold turnover and related turnover costs to a minimum, replacing aging systems with newer and more efficient ones, and those with buying power for supplies and competitive efficiencies, will be the winners in this new environment.

Buying Notes – Hold to Maturity or Loan to Own?

Investors are buying notes at discounts to par and projecting vastly superior returns relative to a single asset purchase. Assuming discounts off the note’s face value, even if investors hold to maturity and are paid off, IRR’s will approach 30% or greater. Most understand this and would like to own the real estate, so in the event of a default they will foreclose and take over the asset. However, the bid-ask gap for loan sales continues to be wide. While we expect to see a significant amount of loan sales in 2009, it is contingent upon sellers or lenders moving to meet the market.

Selling in 2009 – Why Sell?

In all likelihood, REITs will be net sellers in 2009. REITs are willing to meet the market for a buyer that can close. Many continue to have assets in markets that they previously announced they would exit, and continue to sell out of non-core markets, then recycle the cash into new assets in core markets, pay off debt, buy back stock, or sit on the cash and wait for opportunities. Sellers are being creative with taking back paper. The best financing available is most often the current in-place financing. Deals with assumable financing will get done in this environment. Pension funds and life companies will be selling primarily due to redemption requests in open ended funds, or culling assets that do not fit into long term strategies or to strengthen balance sheets and maintain their ratings.
Overview

By virtue of the continued availability of financing from Fannie Mae and Freddie Mac, multi-housing is the asset type most likely to sell in today’s market. The challenge is determining what to sell – the lower quality assets that will be tougher to close, or the better quality assets that attract higher demand but, if sold, may reduce the quality of the remaining portfolio. Deals sized from $20 million to $50 million are the new sweet spot. Institutions have indicated they are willing to sell assets that have been in their portfolio for a long time as these will show a profit compared to acquisitions made from 2005 through 2007. Overall, many market participants believe there will be an increase in product coming to the market in late 2009 and early 2010 as institutional investors sell to meet cash requirements and foreclosed assets from banks and special servicers come to market.

Buying in 2009 – Why Buy?
In 2009, buyers will continue to be opportunistic in chasing yield. Also, given the current market environment, buyers will dictate terms and pricing. Most sellers understand the dramatic shift in the markets and the resulting negative effect on values, which range from 20% to 40% when comparing peak to trough declines. Buyers’ sense of urgency is gone and sellers are now hoping for a competition between two bidders, when the previous bidder pool would have contained five or more investors. That said, deals are closing mostly to private investors who have local market knowledge and patient equity and are not concerned with a short term paper or mark to market write down. These investors have a long-term perspective and goals to build inventory in targeted markets. It is unlikely that REITs and pension funds will be substantial buyers in 2009; however, they are expected to be opportunistic and possibly active in deals where the first buyer falls out. Market participants believe that tremendous buys will be made in the next 18 to 36 months as buyers are able to purchase at solid discounts compared to peak pricing in mid 2007. At best, overall transaction volume is expected to be flat for 2009.

Alternative Investments Providing Superior Returns
Alternative investments are providing superior yields relative to multi-housing. Investors are weighing the option of either continuing to invest in apartments, which have produced some of the best long term NCREIF returns with the lowest volatility, or moving to higher risk asset classes such as office, industrial and retail at significantly higher going-in cap rates. Alternatively, CMBS AAA paper could be traded with low-teens returns, but not without the risk of battles between the different classes or tranches. Some of the capital earmarked for multi-housing and real estate in general is being siphoned to other alternatives.

Cap Rates – Reverting to the Long Term Mean or Higher: Acquisition Cost vs. Replacement Cost
Cap rates are facing increased pressure as buyers have alternative investments and want to be rewarded for their risk in investing in real estate. Due to the weakening fundamentals and lack of clarity on when the market will hit bottom, investors are increasing cap rates to account for the perceived risk. Investors are widening the cap rate gap on secondary and tertiary markets even further than core markets or quality assets. The gap will widen between the Class A and Class C properties due to a continued flight to quality. Combining the changes in underwriting and debt quotes, and alternative investments, investors continue to increase going-in cap rates to make up the loss in IRRs from two years of flat-to-negative rent growth due to weakening fundamentals.

Where Do We Go From Here?
Many investors continue to be on the sidelines until the markets start to settle down. Others have indicated that they are in the market and will dollar-cost-average as they pursue trophy assets for long-term holds. 2009 multi-housing starts are projected to be approximately 50,000 to 100,000 units vs. 275,000 units started in 2008, which will result in supply constraints after 2010. Demographics will drive demand as well. Multi-housing is clearly ranked toward the upper end of desired asset classes, which should perform above other property types as we move through this cycle. Private buyers want to participate in the much-anticipated rent spikes that everyone is hoping for from 2012 through 2015, given the lack of supply delivering after 2010 and, hopefully, an improving economy.
Debt & Equity Finance Market Trends

In 2008 the tumultuous commercial real estate lending landscape that surfaced in the latter half of 2007 continued and worsened, while the overriding expectations for 2009 are not any better. With the onset of the credit crunch in late 2007, decreased investment activity in 2008 was expected; however, most in the industry did not anticipate the overall U.S. investment sales tally to decline by almost 75% from the 2007 peak. The multi-housing sector fared better due to the consistent presence of reasonably priced debt capital available through Freddie Mac and Fannie Mae; however, volume still fell a dramatic 62% for a variety of reasons, including the disappearance of institutional equity capital after September 2008.

Debt Overview

Underlying treasury yields remained within a fairly narrow band for the first half of 2008, starting the year at just under 4% on the 10-year and hitting a peak of 4.25% in mid-June. As the failures and troubles with financial institutions began to mount later in the year, investors began flocking to the perceived safety of government backed securities. This began driving treasury yields precipitously lower, with the 10-year treasury closing the year at 2.25%. Since that time, treasury yields have widened to about 3.00% range and the overriding expectation is that treasury yields will remain relatively low until and unless some signs of recovery are seen.

Meanwhile, as the credit markets deteriorated, lender credit spreads widened. Agency spreads began the year in the high 100s and low 200s, while 10 year spreads with Freddie Mac and Fannie Mae currently range from about 300 to 340 basis points, with spreads on shorter term loans as high as 400+ basis points due to the lender’s perceived increased exit risk on a shorter term loan.

Although the credit parameters were significantly tightened by the agencies, competitive pressure from the life insurance companies will not exist unless corporate bond yields decline, allowing life companies to make loans at interest rates below 7.00%. Agency floating rate product will continue to be popular in 2009 as investors seek permanent financing, which will allow future pre-payment flexibility, as well as the opportunity to convert to fixed rate financing should credit spreads decline to more normal historic levels. A re-emergence of the CMBS market in any form is not expected in 2009 or 2010.

Equity Overview

Although debt capital has remained largely available in the multi-housing sector, equity has seemingly vanished with the exception of select private capital sources. Institutional equity is on the sidelines as the large investors focus on asset management and mitigation of issues existing in their portfolios. Issues include decreasing values due to rising cap rates, as well as the economic factors negatively affecting net operating incomes. Additionally, investment managers and pension funds are being affected by the “denominator effect,” one of the buzz terms of 2008. Few pension funds have capital available for real estate investment due to the erosion in value of their equity portfolios, while some investors are indicating they do not want additional capital calls on funds they had previously committed.

Meanwhile, any new capital being raised for real estate investment is targeting distressed purchases (primarily mortgages), with the expectation of extremely favorable returns. A majority of the REITs are on the sidelines, as their share prices have been decimated, down by 50% to 60%. Some have had to resort to selling into this market due to problematic debt burdens. Meanwhile, investors with available capital are having difficulty determining value in a climate with few comparable sales and so many negative pressures potentially affecting net operating income in the near term. Private investors, while also significantly affected by the downturn, have been one of the few groups transacting, often in cases where a seller has bridged the bid-ask gap and the private investor can purchase the property on a per-unit basis without being subject to investment committee, equity partnership approvals and IRR hurdles. It is estimated that roughly half of overall investment sales in 2008 involved private investors on the acquisition side.

A Look Ahead

Uncertainty is about the only certainty in 2009. The good news is that the agencies should continue to provide liquidity to the market, given their
conservatorship and the likelihood that the conservatorship will be extended at least through 2010. It is expected that discussions about the future of Fannie Mae and Freddie Mac would not begin in earnest until the fall of this year. Federal Housing Finance Agency (FHFA), who is the regulator for Fannie Mae and Freddie Mac, has made it clear that they are committed to maintaining liquidity for multi-housing as part of our overall housing policy. Questions do remain, as the current Federal mandate is to shrink the portfolios. Most anticipate agency mortgage rates will remain relatively consistent through the course of the year, with any improvement in the economic outlook potentially helping ease spreads. In that scenario, however, treasury yields would likely climb as investors exit treasuries and begin investing in the private sector. Cap rates are expected to rise, with the relevance of cap rate discussions in question given the low sales volume and increasing instability of NOIs. There is not likely to be a notable change in the availability of institutional equity and as more distressed sellers meet the market, there will be more pressure on pricing. Sales volume will likely be down in 2009, as asset and portfolio management become points of emphasis for multi-housing owners.

Senior Housing Outlook

As 2007 drew to a close, some senior housing segments were starting to feel the impact of the credit market upheaval. This trend continued throughout 2008 as seniors began recognizing that the equity in their homes had eroded. Independent living and continuing care retirement communities (CCRCs) have been the two most impacted sectors because both are seen as lifestyle choices. CCRCs have been affected to a larger degree, as most seniors require the proceeds from the sale of their homes in order to move into these particular housing segments, which have large entrance fees.

The credit crunch is impacting new construction in senior housing, as starts of new independent living and assisted living units fell dramatically. Independent living starts were down 87% in the third quarter of 2008 versus the second quarter of the same year, and assisted living starts were down 72% in the same time period. This trend is likely to continue downward given the tight credit markets, which should lead to slower supply growth in 2009. According to Ziegler Capital Markets, approximately 50 CCRC development projects across the United States have been put on hold due to lack of financing.

Alzheimer’s, dementia care, and skilled nursing occupancies have seen a less dramatic decrease than independent living and CCRCs because they are needs driven. However, the median and average occupancy rates for independent living and assisted living are at the lowest point in three years. Median and average occupancy rates continued to decline in 2008 from their first quarter 2007 peaks, while revenue per occupied unit growth remained in the 4% to 5% range. Alzheimer’s/dementia units under construction fell in the third quarter of 2008 but remained 32% above a year ago.

Alzheimer’s/dementia care growth slowed in 2008 and occupancy rates inched lower. Average monthly revenue per occupied unit was up 4.10% in the third quarter of 2008 versus the third quarter of 2007. The median occupancy rate fell ten basis points to 94.30%, while the mean occupancy rate fell 20 basis points to 89.30%.

Skilled nursing revenue growth per occupied unit accelerated, while occupancy rates inched lower. In the third quarter of 2008 average per diem

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**PROJECTED POPULATION GROWTH BETWEEN 2005 - 2030 WILL FUEL DEMAND FOR SENIOR HOUSING**

Source: US Census Bureau
Revenue per occupied bed rose 5.10% over the third quarter of 2007, according to third-party industry metrics provider NICMAP.org. The median occupancy rate fell ten basis points to 93.10% and the average fell 30 basis points to 89.80%. Beds under construction inched lower during 2008 but overall were 24% higher than a year ago. The skilled nursing sector was spared a Medicare cut in 2008, and Medicare is still the component that drives earnings and growth potential at most of the companies. However, with trillion-dollar federal deficits, not to mention possible developments at the state level, reimbursement increases will be few and far between in the coming years.

Fourth quarter 2008 occupancy data is slowly becoming available and the new occupancy numbers have instilled a bit of optimism in the senior housing industry. One key reason for this optimism is that several top operators at a recent senior housing conference reported flat occupancy on a sequential basis and healthy year-over-year rent growth for the fourth quarter of 2008, even in the face of severe economic challenges. Many industry experts had assumed that occupancy would continue to fall, and it has not. “Flat is the new up” was a common refrain at the senior housing conference in January 2009.

With little financing available, investors are fortunate that Fannie Mae and Freddie Mac are still in business on the senior housing side. Fannie Mae invested over $1.5 billion in the first half of 2008, a pace which is expected to decline as transaction volume drops through 2009. One bright spot is that the government just streamlined its FHA/HUD program, which makes securing funds easier and faster for nursing homes and assisted living facilities. According to National Investment Center for Seniors Housing and Care (NIC), financing volume beyond government loan programs for seniors housing fell 84% in the third quarter from the same period in 2007.

While large senior housing deals have been scarce in the last 18 months, in January 2009 the CBRE Senior Housing Group closed the largest deal since 2007: a 45-community portfolio in 11 states with 85% occupancy for $364 million. The lack of liquidity in the current environment made this transaction dependent upon the purchaser and existing lender working out mutually agreeable assumption terms of the existing in-place debt.

Despite all of these substantive market changes, the fundamentals of senior housing remain strong. With the cessation of overbuilding in the last seven or eight years, operators have been able to obtain regular rental rate increases at or above CPI. Ultimately, during the next 10 to 20 years, demand will far outstrip current supply as baby boomers reach their 70s and 80s. This translates into an extremely positive outlook for senior housing owners and investors.

**Student Housing Outlook**

Initially a niche within multi-housing, student housing has evolved and earned a place as a mainstream investment. The sole focus of two public REITs and the core of several institutional investment funds, this segment of multi-housing has created its own following—and rightfully so.

Faced with uncertainty about the full extent of reductions in endowment earnings, likely state funding cuts and an already short supply of housing, universities continue the struggle to meet the demands of today’s students. If that wasn’t enough, enrollment growth from the Echo Boom generation is expected to put continued upward pressure on schools throughout the 2009/2010 academic year.

Challenging economic times typically increase the number of students on college campuses. Graduating college seniors face dismal job...
prospects and out-of-work executives decide to return to school to further their education, which poses an increased burden to off-campus housing.

Due primarily to uncertainty in the capital markets, 2008 took its toll on most real estate asset classes. Student housing wasn’t entirely immune, with transaction activity off approximately 50%. However, even post-conservatorship, Freddie Mac and Fannie Mae continued to show enthusiasm for student housing and developed separate underwriting guidelines for this asset type. On the opposite side of the spectrum, groups with equity in-hand seemed to control the market. Alternative investment options were plentiful and the continual fluctuations in pricing something in such high demand kept everyone guessing.

While we expect properties located 2 to 3 miles from campus to bear the brunt of increased cap rates, with cap rates up 100+ basis points in the last 12 months, the overall fundamentals of this asset class remain relatively unchanged. Owner/operators report pre-leasing levels for 2009/2010 at either equal or better than this same time last year, with minimal to no concessions thus far. The lease rates will be watched very closely for the school year in order to determine whether the effects of the economy place downward pressure on rents.

Overall, with a projected boost in demand for housing by an increasing number of students and the government’s commitment to fund student housing loans in spite of private lenders withdrawing from the market, the asset class should weather the storm well. According to a recent article in the Wall Street Journal,* for the 2008/2009 school year, federal government guaranteed student loans were up nearly 20% while lending for home mortgages were down nearly 40% for the same time period.

Debt, equity, endowments, state budgets and the federal government aside, basic fundamentals, coupled with little to no construction loans available for aspiring student housing developers should allow the asset class to continue its course as a mainstream investment in the coming years.

**Manufactured Housing Outlook**

As today’s commercial real estate investor scrambles to find recession-proof investments and value, a new attraction to manufactured housing is emerging. This niche has long been recognized as one of the best performing asset types over the past 20 years, with its passive nature and great cash flow.

Most new investors expect to buy Class A manufactured home communities 200 basis points above Class A multi-housing, when in fact, most Class A trades on par, or within 50 basis points of Class A apartment properties. The combination of limited supply and high demand for well-managed and highly occupied communities has held the cap rates down. However, today investors can easily find an 8% to 9% cap rate within the many Class B and Class C communities.

There are an estimated 2,500 investment-grade communities that contain more than 200 spaces available in the United States. This industry has lacked data, which has allowed the top 300 consolidators (REITS, institutional and private portfolio owners) to steadily mine the quality, small portfolios and individual communities. The industry still remains quite fragmented and provides great opportunities for consolidation. Additional opportunities exist for buyers when the large owners dispose of assets that do not fit their portfolio objectives.

In the 1980s and 1990s, owners had dealers pay them to bring homes into their community. However, since the demise of the chattel lending market in the early 2000s, it has been harder to fill communities. Obviously in recent years, consumers had many affordable conventional housing choices due to the availability of high leverage financing. Today, community owners often purchase homes and lease or lease-to-own the homes in order to occupy a vacant lot. This requires significant capital and has put tremendous pressure on the balance sheet of many operators.

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*“Tuition Ammunition: a Happy Lesson on Lending”, Wall Street Journal, Jan 6, 2009*
Many operators are mentally and psychologically exhausted with the market of the past decade and need capital or a JV partner to fight on another day. Others have given up on their banks or servicers. Many owners have exhausted their capital to keep afloat during this period, and face resets of large debt pools. The contrarian investors are seeking new markets, as a result of many asset classes currently being oversupplied. The industry has lost communities to the same infill development and little to no new construction of communities has existed in the past 15 years.

Today the manufactured homes are better, the parks are becoming communities and consumers are in real need of affordable housing alternatives.

Many feel that manufactured housing will be the big winner as a result of the financial crises. This will allow the existing communities who had declining occupancy to achieve higher than average NOI growth in the coming years. Many victims of today’s economy will be seeking new housing and a second chance on ownership. This will allow new capital to enter the market at significant discounts and establish a much lower cost basis than today’s existing institutions.

Low Income Housing Tax Credit Outlook

Based on recent activity, CBRE’s National Tax Credit Advisory Group has observed certain real estate and capital market conditions that have dramatically impacted the Section 42 Low Income Housing Tax Credit (LIHTC) market segment. In general, the LIHTC market for new project allocations experienced a significant slowdown beginning in late 2007. A combination of factors – including increased investor yield expectations coupled with the credit markets crisis and the decision by Fannie Mae and Freddie Mac to exit the market for the foreseeable future – led to a reduction in the number of new projects being started. Fannie Mae and Freddie Mac have historically been the leading investors in tax credits. The slowdown was further exacerbated by the weakening economy and subsequent reduction of corporate profits. Many private and federal agency investors announced their decision to either reduce or suspend investment in the LIHTC segment for calendar year 2009. This appears to be in response to liquidity and pricing issues and the overall effects of the general economic downturn.

Tax credit syndicators have been forced to evaluate and identify the exit strategy with investors much earlier than in the past. Many syndicators have exited the business, and warehousing of tax credit products can no longer ensure a profitable exit as investor expectations and liquidity have changed dramatically. The current market to sell tax credits is very thin, with only a few players still active. Tax credit pricing, when available, is in the $0.65 to $0.75 per credit range with all in yields approaching the 9% to 10% range. This is a substantial reduction from historical highs in excess of $1.00 per credit and all in yields in the low 4% range. As a result, only projects in strong markets with substantial, experienced developers are receiving tax credit commitments for current projects. A project’s ability to attract soft debt from local and state sources is critical in forming the capital structure for each deal.

The strongest markets for LIHTC investment continue to be California and major metropolitan areas in the northeast. These areas have a significant need for LIHTC investment to preserve and increase affordable apartments for a growing tenant base. There has been a tightening of acceptable submarkets within these areas, as investors are more cautious in the face of continued and projected job losses.

Exit strategies for Year 15 tax credit properties and the sale of general partnership interests during the compliance period appear to be gaining momentum. As the LIHTC program continues to mature, more properties will reach the end of the compliance period each year. Current owners of Year 15 partnerships will have to make a decision to sell, refinance or re-syndicate these properties as all tax benefits and compliance periods expire. These properties will continue to have extended use provisions, which place various rental restrictions on new owners and typically result in slightly higher capitalization rates than unrestricted properties. General partnership sales are gaining momentum and acceptance in the marketplace and typically sell based on an internal rate of return in the low to mid 20% range.

Despite the recent market challenges, the LIHTC market fundamentals remain strong at the property level and the investor market has proven to be very resilient in past periods of economic challenges. Vacancy rates remain low and rental rates continue to grow. While the next year will be challenging,
the longer term outlook suggests the LIHTC market will continue to provide a stable return for owners and operators.

Agency Lending Programs Outlook
2008 was an unprecedented year for the two Government Sponsored Enterprises (GSEs), Fannie Mae and Freddie Mac. The housing market turbulence, which began in 2007, accelerated dramatically in 2008 and combined with a credit crunch to significantly erode the agencies’ single-family mortgage portfolios. After taking some interim steps, the federal government put them into conservatorship in the beginning of September 2008 to keep the companies afloat.

In contrast to the single-family divisions of Fannie Mae and Freddie Mac, the multi-housing divisions had a very good year in 2008. With the demise of the CMBS market in 2007, Fannie Mae and Freddie Mac dramatically increased their market share and are estimated to have done approximately 80% of the multi-housing finance business last year, totaling $50 to $60 billion in loan production.

The multi-housing divisions were not immune to the troubles of their corporations or the general economic turmoil, however. Questions over how long the treasury would be backstopping agency debt under the conservatorship and bond market instability made it much more costly for the GSEs to issue medium- and long-term debt. This had a direct impact on Fannie Mae and Freddie Mac’s spreads on multi-housing loans. In addition, spreads on commercial mortgage-backed securities widened to unprecedented levels. Spread over comparable maturity treasury securities on some AAA-rated bonds skyrocketed to nearly 1,100 basis points in November 2008. In response to these developments and the continued instability in markets in general, Fannie Mae and Freddie Mac increased their spreads in late November and early December 2008 by approximately 125 to 150 basis points over prior levels (50% to 60% increases).

The consensus is that 2009 will also be a challenging year for multi-housing real estate finance with anemic transaction activity, continued value erosion and flat to negative rent growth for most major markets. Financing activity is likely to be the inverse of years past, with refinances of existing debt that may be coming due in the near term comprising the majority of deals (and the phrase “cash-in refinance” will become more commonplace). In response to the deteriorating economic fundamentals, Fannie Mae and Freddie Mac have tightened up their credit standards. Gone are the days of the five-year term, full term interest only, 1.15x debt service coverage ratio (DSCR), 85% loan to cost (LTC) acquisitions. The 10-year fixed term, 1.25x DSCR, 75% to 80% loan to value (LTV), and maybe partial term interest-only refinance has become the standard in this current environment.

On a more positive note, in contrast to most other asset types, multi-housing real estate can still be financed on historically attractive terms as Fannie Mae and Freddie Mac remain very active lending sources. The primary goal for the agencies remains to support liquidity and availability of mortgage finance. The strategies being employed by the conservator are an attempt to do just that, while helping the agencies effectively manage the size of their respective portfolios. Although spreads have increased, the net effect is that overall interest rates still remain attractive in the low 6% range.
Canadian multi-housing properties became an increasingly important part of many investment portfolios in 2008 as investors sought stability in times of economic uncertainty.

2007 was a record year for investment in the multi-housing sector; however, the overall number of multi-housing transactions and trade volume declined significantly in 2008. At year-end, 768 multi-housing transactions worth $3.1 billion were completed. Trade volume was 30% lower compared to 2007 when 1,051 multi-housing transactions worth $4.4 billion were recorded.

Cap rates have risen for all types of commercial real estate, but they have increased at a slower rate for multi-housing properties. Multi-housing cap rates across Canada predominantly range from 6.0% to 7.50%, except for Vancouver, where cap rates range from 4% to 6% as a result of activity related to the 2010 Winter Olympics.

Canada avoided the worst of the global economic downturn prior to October 2008. The economy grew by 1.30% in the third quarter, but the greater impact of the financial crisis was felt soon thereafter. A steady decline in global consumer confidence, retail spending and industrial production hurt Canadian exports and caused a -0.10% GDP contraction in October. The national unemployment rate rose from 6.10% to 6.60% by the end of 2008 due to job losses in the manufacturing and construction sectors. Manufacturing industry weakness continues to undermine economic growth in Ontario and Quebec, and decreased oil exploration, as a direct result of falling oil prices, has started to cool the overheated Western economy.

Despite the decline in investment, the Canadian multi-housing market continues to experience low vacancy rates due to immigration and eroding affordability of home ownership. The national vacancy rate decreased from 2.30% in 2007 to 2.10% in 2008, and overall vacancy is especially low in Vancouver (0.50%), Winnipeg (1%), Ottawa (1.40%), and Toronto (2%). These low vacancy rates reflect high demand for rental units in major cities where home ownership is often unaffordable, especially for new immigrants.
The key participants in the Canadian multi-housing market are private and foreign investors. There were two primary types of multi-housing transactions in 2008: private investors completing many small deals, and foreign investors completing a few large transactions that accounted for half the total volume of multi-housing trades last year. Canadian investors are looking for low risk investments and multi-housing has always been viewed as providing stable returns. Foreign investors are investing in the relatively stable Canadian real estate market as an alternative to investing in the more volatile stock market. The Canadian multi-housing market is particularly attractive for American investors since lending rates from the Canadian Mortgage and Housing Corporation are less than 3.0% and mortgage rates from U.S. Government Sponsored Enterprises, Fannie Mae and Freddie Mac, are higher than 6.0%.

The majority of trades have occurred in Canada’s largest markets, in the suburban markets and areas outside of downtown cores. Mid-rise buildings in Vancouver were very active and low and mid-rise properties in Montreal are being sought out by American investors. The largest multi-housing trade of 2008, completed in December, was Transglobe Property Management Services’ purchase of 29 buildings in Ontario and Quebec for $400 million from El-Ad Canada Group Inc.
The Englishman’s home is his castle.

The remaining 30% is split between “social rented” housing – provided in part or in whole by the state – and multi-housing or “private rented” housing. Private rental properties represent 12% of households in Britain, which equates to around 2.5 million homes.

Roughly 60% of rental properties are owned by “buy-to-let” investors, known as “mom and pop” investment in the United States. In contrast, institutional investors such as pension and other investment funds, hold only 5% (or only 125,000 homes) across Britain.

There are some well-founded historical reasons why institutions have largely avoided the sector, including rent controls and government regulation. Traditional property investors have remained dissuaded by returns that are heavily reliant on capital growth, with yields often at or below the cost of debt.

The downturn will provide exceptional buying opportunities, particularly for equity-driven purchasers. Capital values have fallen while rents have hardened, making yields look attractive. In addition, the pound sterling has weakened by as much as 30% against the U.S. dollar and the dollar-pegged currencies of the Middle East and Far East. This has generated a noticeable increase in interest from U.S. multi-housing operators and investors from these other nations. Dollar-backed buyers are discovering that their money will buy roughly 50% more house in the U.K. than it did 18 months ago.

There is a further opportunity for U.S. multi-housing operators considering investment in the U.K. private rental sector. The British government is embarking on an ambitious drive to increase homebuilding levels. However, with the onset of the credit crunch, the homebuilding sector has effectively shut down, meaning that the government is likely to fall woefully short of its goals, as shown in the graph entitled “U.K. House Building Starts.”

In order to counter this trend, the British Property Federation is encouraging the government to consider a multi-housing style investment product as a way of improving new construction levels. Sir Bob Kerslake, Chief Executive of the Homes and Communities Agency (a quasi-government department with an annual budget of over £5 billion per annum), endorsed this proposal at an industry conference on January 27, 2009. This could involve the development of 100% private rental communities of scale for the first time in the U.K. Given the maturity of this market in the U.S., this may be an ideal time for large U.S. residential operators to leverage their skills in the U.K.
Residential investment opportunities for U.S. firms are not confined to the U.K., but they have previously been met with mixed results. In the past, U.S. investors targeted the residential sectors in the major cities of France and Germany. However, the highly regulated markets of northern Europe have held back total returns through rent controls and other policy measures. In places like Germany, which has one of the lowest home ownership rates of any industrialised nation, the model of buying units in bulk at a discount and selling them individually at market value has had limited appeal.

In contrast, Italy and other southern European states have exceptionally high rates of home ownership. With a tradition of moving from the family home only after marriage and limited trading up, the small private rental market has enjoyed fairly limited appeal.

However, the sharp change in capital growth that has gripped virtually all developed economies is creating the potential for new buying activity. Market rumors of specialized investment funds getting set to enter the market suggest that the time for opportunistic deals may be near. For the lucky few with equity and expertise, 2009 may be a year to remember for residential investment across Europe.

Source: CML Research, CB Richard Ellis

Notes:
1. There is a step change in the H1 2005 figures as a large lender submitted data for the first time. Hence, comparisons between the period H2 2004 and H1 2005 cannot be made on a like-for-like basis. Lending figures are otherwise grossed up to ensure figures are compatible across periods.
2. CML has estimated lending data where a lender has not reported figures in a particular period.
3. Underwriting criteria represent the median average of the individual limits applied by lenders.
4. Results may be compared over time but care should be taken with pre-2000 figures.
In Greater China, the major investment markets are Beijing, Shanghai and Hong Kong, while Guangzhou and Shenzhen also have some investment-grade property.

In identifying foreign investment preference, Hong Kong has the most favourable investment entry and exit environment, while Shanghai offers a large rental market as a result of the growing preference of Fortune 500 companies to locate national headquarters there. As the central government increases its development focus on Northern China, particularly on the growing conurbation of Beijing and Tianjin, it is expected that Beijing will continue to attract investor attention.

In 2008, all first tier cities experienced significant decreases in investment sales volumes and pricing. Most severely affected were Guangzhou and Shenzhen, where sales volumes fell more than 50% year-over-year, and primary market residential prices dropped 15% to 30% year-over-year, depending on the development.

Beijing, while experiencing a 50% year-over-year fall in sales volume, has not experienced large changes in pricing for luxury residential properties due to the stable rental income and strong financial positions of the purchasers. In Beijing, it is common that investors will purchase properties outright without financing. This happens in 46% of transactions in the luxury residential market, where the property is valued at US$279 per square foot (RMB20,000 per square meter). Mortgages are more likely to be used by returning overseas Chinese nationals, Hong Kong residents, foreign nationals and those under 40 years of age. Prior to the 2008 Olympics, there was significant investment into the serviced apartment sector.1 This large increase in supply, coupled with a slowdown in foreign investment into Beijing, means that income stabilization will take longer than expected.

Shanghai also has experienced a large contraction in sales volumes and a stall in investment activity. Some developers of luxury apartments began lowering asking prices in the fourth quarter, causing the average asking price of Shanghai luxury apartments to drop by 1.10% quarter-over-quarter, recorded at RMB36,419 per square meter (US$495 per square foot). Meanwhile, the average rent of luxury apartments continued to drop, decreasing by 1.60% quarter-over-quarter to RMB152.60 per square meter per month (US$2.73 per foot per month).

In Hong Kong, both prices and rents peaked in 2008, and the fourth quarter witnessed sharp drops in capital values and rental rates as the global financial turmoil heavily affected investment sentiment. As both
interest rate and price drops are expected over the next quarter, yields in the property market should look increasingly attractive to capital-rich bargain hunters, though activity is not expected to increase until the third quarter of 2009. The most exclusive category of serviced apartments continued to show resilience, although the least expensive category was hit hard by the global economic slowdown. The Chinese central government’s policy implemented in the second half of 2007 aimed at restricting developer access to funding, including bank loans, IPOs and other forms of credit, will have lasting effects into 2009. Many cities across China have seen land price increases of 250% to 330% over the prior three years and speculation was prevalent. With prices increasing annually by 25% to 30%, affordability in many cities was at low levels, and concerned with possible resultant social instability, the government acted to restrain credit growth expecting that this would cool the market.

The global credit crunch and financial crisis were unexpected when these policies were being formed, which has severely impacted the global economy of which China is now such a large part. The central government has since been reversing major policy stances on interest rates, credit availability, and transaction, property and capital gains taxes in order to improve sentiment. In addition a RMB4 trillion (US$585 billion) expansion fiscal stimulus is currently underway. As the flow-through effects arrive in the second half of 2009 it is expected that the residential market will stabilize and investor confidence will slowly return.

Source CBRE Research

Note:
1 Completed apartment projects, with high quality and consolidation of the property ownerships, are provided with hotel-standard services by professional management groups.
The January 2009 CBRE Albuquerque apartment market survey indicates that the city is not entirely immune to national economic downturns. Albuquerque normally experiences a 1% to 1.50% decline in 2009 occupancy over the winter months. In January 2009 occupancy declined to 91%, down 4% from 95% in September 2008. January average rent ($682) also declined by 0.87% since September ($688), although average rent between May 2008 ($675) and January 2009 actually increased by 1.04%. This pattern of occupancy and rent decline is common across virtually the entire western United States.

The good news is that Albuquerque's occupancy and rent decline is not the product of overbuilding or the large shadow market of unsold condos or single-family homes competing for rentals found in a number of other markets. The city has typically been relatively unaffected by past national economic downturns due to a large public sector economic component: Sandia National Laboratories, Kirtland Air Force Base, The University of New Mexico and a host of other city, county, state and federal entities. Albuquerque unemployment was only 4.70% in December 2008 versus a national figure of 7.90%. We believe that Albuquerque's apartment statistical declines are a product of the typical tenant suffering wage reductions and having to move in with family or friends. That trend will reverse when economic health improves.

Two private sector investments should also bolster the local economy: Hewlett-Packard is building a plant in Albuquerque that will employ about 1,500 employees, and Intel announced plans to spend roughly $2.5 billion to upgrade its Rio Rancho plant over the next 18 months. It will hire about 1,500 contract employees during the construction period with no gain in permanent employment after completion. Albuquerque is a low-cost place to live and do business, which supports job and population growth.

Albuquerque is substantially built out. There have been only eight new market-rate apartment properties over 100 units built since 2000, with four of them currently either nearing completion or in lease-up. All are Class A or A+ and have higher than average asking rents. It is expected that the current economic malaise will slow lease-up and that these properties will not be in direct competition with most of the existing product.
ATLANTA MARKET HIGHLIGHTS

In 2008, average occupancy in Atlanta dipped to 88% and concessions came back to most submarkets. With performance sliding backward and a crippled credit market, deal volume was down by approximately 40% from 2007, totaling $1.5 billion in 2008.

Private, leveraged buyers and fund operators are taking advantage of this market and upgrading their portfolios while targeting Class A and Class B infill communities.

Infill apartments (particularly in Midtown and Buckhead) have experienced the best performance. Better located properties closer to major employment and retail centers will continue to outperform the market. Investor appetite remains strong in these submarkets.

The ability to utilize floating rate debt provided by Freddie Mac and Fannie Mae drove many of the transactions in 2008. This will continue into 2009, although fixed rate, ten-year terms with a moderate amount of interest-only will also become popular.

Investors believe Atlanta is at or near the bottom. They see value here for several reasons:

- The city’s growth of 120,000 people each year for the past ten or more years has swelled the metro population to 5.3 million and prospects for future growth remain positive.
- Apartment development has been held in check, averaging just 7,000 units per year for the past six years. In 1991-2001, the average was 13,800 units annually, which illustrates the significant reduction of apartment starts with a substantially larger population base today.
- In 2009, starts will total less than 2,000 units, perhaps setting the stage for a more rapid rental segment recovery than some might predict.
- Atlanta remains geographically appealing for many businesses, especially in light of its expanding airport, which once again ranked among the country’s busiest in 2008.
- Since the banking crisis exploded in September 2008, cap rates have increased by approximately 100 basis points, depending on the location strength and asset quality. With the ability to buy at a 7% cap, investors have found a meaningful amount of leverage to capture attractive cash-on-cash yields given current interest rates.

We expect the primary sellers will be institutional investors in need of capital due to redemptions, and owners that have short-term debt maturities. Transaction volume will increase in the third and fourth quarters of 2009.

APARTMENT TRANSACTIONS

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales Volume, $ Mil.</th>
<th>Properties Sold</th>
<th>Units Sold</th>
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<tbody>
<tr>
<td>2008</td>
<td>1,450</td>
<td>66</td>
<td>19,618</td>
</tr>
<tr>
<td>2007</td>
<td>3,170</td>
<td>128</td>
<td>38,024</td>
</tr>
<tr>
<td>2006</td>
<td>3,275</td>
<td>139</td>
<td>41,210</td>
</tr>
<tr>
<td>2005</td>
<td>3,026</td>
<td>137</td>
<td>41,291</td>
</tr>
</tbody>
</table>

* Transaction data provided by RCA

CAP RATE

Class A Asset (Stabilized/Value Add) 7.00% - 8.00%
Class B Asset (Stabilized/Value Add) 7.50% - 8.25%
Class C Asset (Stabilized/Value Add) 8.75% - 9.25%
9.25% and up

HOUSEHOLDS*** (Occupied Housing Units in Thousands)

<table>
<thead>
<tr>
<th>Total</th>
<th>Owner</th>
<th>Renter</th>
<th>% Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,968</td>
<td>1,378</td>
<td>590</td>
<td>30</td>
</tr>
</tbody>
</table>

Sources:
* MPF-CBRE Torto Wheaton Research
** Real Capital Analytics
*** Bureau of the Census
In the last four quarters, Austin’s employment has grown at an average of 2.10%, and is expected to grow 2.90% over the next five years. Economy.com named the Austin MSA the #2 market for business vitality. Austin is one of the few metro areas projecting positive job growth in 2009.

Multi-housing rents have grown for fifteen consecutive quarters in the Austin market with an increase of 4.10% in 2008. Austin is projected to have nominal rent growth of 1.50% to 2% in 2009, due to the slowing economic conditions and new supply.

The development pipeline projects the delivery of approximately 9,000 units in 2009, and an additional 3,500 units in 2010. Additional permitting for multi-housing development beyond 2010 has tapered off to nearly nothing.

Austin cap rates have seen an increase of approximately 175 basis points from the 2006 low. It is anticipated that cap rates will remain in the 6.50% to 7.25% range in 2009, dependent upon location and property age.

Private investors have been the main driver of Austin’s investment market over the past months. Traditionally, institutional investors and REITs dominate the ownership of Class A assets. Most of these investors are currently on the sidelines, while few are planning on selling their positions in the market.
EXISTING PRODUCT IS SHOWING STRENGTHENING OCCUPANCY AND STRONGER RENTS IN MOST BOSTON SUBMARKETS AS CONSTRUCTION STARTS CONTINUE TO WANE. ACCORDING TO THE MPF-TWR MULTI-HOUSING OUTLOOK, RENTS IN THE BOSTON AREA ROSE 3.30% OVER THE PAST YEAR, THE BIGGEST INCREASE IN SEVEN YEARS, WHILE RISING FORECLOSURES AND A SLUMPING HOUSING MARKET PUSHED MORE PEOPLE INTO APARTMENT LIVING. THERE IS ALSO A VERY LIMITED SHADOW RENTAL MARKET FROM VACANT CONDOMINIUM PROJECTS AND SINGLE-FAMILY HOMES.

TRANSACTION VOLUME IN THE GREATER BOSTON MULTI-HOUSING MARKET DECLINED SIGNIFICANTLY IN 2008. THIS DECREASED TRANSACTION VOLUME IS DUE TO THE LACK OF MOTIVATED SELLERS, AN INCREASE IN FINANCING RATES, AND A WIDENING GAP IN OPINION OF VALUES BETWEEN BUYERS AND SELLERS. THE FEW LARGE TRADES THAT OCCURRED WERE AT CAP RATES IN THE 5.5% RANGE, THOUGH MOST BUYERS CONTINUE TO UNDERWRITE WITH 6%+ CAP RATES FOR PROPERTIES IN AND AROUND BOSTON AND 7%+ IN SURROUNDING SUBURBAN MARKETS.

BOSTON HAS SEEN AN INFLUX OF NEW BUYERS TO THE MARKET IN 2008 INCLUDING TGM ASSOCIATES, INVERCO, GUARDIAN LIFE AND HENDERSON GLOBAL INVESTORS, SUPPORTING THE RELATIVE STRENGTH OF THE BOSTON AREA.

REDUCED TRANSACTION VOLUME IS EXPECTED IN 2009 UNTIL THE GAP BETWEEN BUYER AND SELLER EXPECTATIONS HAS NARROWED. MARKET FUNDAMENTALS IN THE BOSTON AREA WILL CONTINUE TO STRENGTHEN WITH A REDUCED DEVELOPMENT PIPELINE AND FEW NEW HOME PURCHASERS.
The recent financial meltdown has drawn significant attention to Charlotte, known over recent years as headquarters to two of the largest banks in the country, Wachovia and Bank of America. Although the financial sector is suffering a tough blow, the Charlotte region, which has enjoyed phenomenal growth over the past decade, continues to be a diverse economy with a strong base of professional service, health care, production and distribution businesses. The metro area is home to nine Fortune 500 companies and three of the top fifty. Additionally, Charlotte is the regional headquarters for many foreign-owned companies.

With a record low 1.60% vacancy rate last year (0.20% for Class A), the city’s CBD (and home to the banks), will see available office space increase and lease rates decrease over the next two years as bank layoffs continue and 2.9 million square feet in four new towers reach completion. Even so, with the anticipated space needs of other financial service providers, vacancy is not expected to reach double digits.

Vacancy rates in the multi-housing sector have increased dramatically from approximately 6.50% last summer to a current level of almost 9%. CBRE Torto Wheaton Research forecasts 4,703 completions in 2009 with absorption of 3,667 units in a market of over 117,000 units. Vacancy rates will almost certainly remain high for all of 2009 and perhaps 2010, as well.

Due to the positive long-term prospects for the market, multi-housing investors remain keenly interested in Charlotte. For solid Class B properties, cap rates have increased about 100 basis points from over a year ago to around 7%, but few deals are trading due to a significant disconnect between bid and ask prices. Buyers across the board want more opportunity-priced deals. With sellers so far unwilling to trade down, the volume of transactions in the region will likely remain low through the year.
While the Downtown Chicago rental market is battling an oversupply of inventory, it will be drastically reduced as the new inventory is absorbed, and both rental and condominium projects are cancelled due to lack of financing and weakening fundamentals. Suburban supply is in check with only a handful of projects delivering or starting construction during 2009. Given the fact that there will be 3,000 rental units delivered between 2009 and 2010, as well as a healthy supply of condos for rent, CBRE is predicting little to no rent growth (likely negative) for institutional grade apartments in 2009 and 2010.

Multi-housing sales investment activity in 2008 ended up about 70% lower than the record sales volume established in 2007. Private investors dominated buying activity on Class B and Class C assets, typically local operators who primarily utilize Freddie Mac, Fannie Mae or local banks to finance acquisitions. There also has been 1031 trade money driving acquisitions. Institutional investors are open for business, but continue to be cautious. Investors are focused on Transportation Oriented Development (TOD) projects and those that offer stable resident profiles not tied to any one industry. Cap rates have increased over 100 basis points since late 2007 and are typically well above 6% for a suburban Class B deal and over 7% for a suburban Class C deal.

Looking ahead to 2009, we anticipate that there will be a continued pause on the part of buyers early in the year, but activity will pick up in the second half of the year. Buyers and sellers will become more creative in an effort to get deals done. Seller financing, for example, is becoming a popular alternative in the current market. REITs as well as some institutional players are expected to be sellers in 2009.

Chicagoans are cautious but excited about the upcoming October 2009 decision on the 2016 Olympics, which if selected, would provide a significant boost to the city’s economy.
CINCINNATI MARKET HIGHLIGHTS

The Greater Cincinnati Apartment Market was experiencing a strong recovery in the 18 months preceding year-end 2008, but a weakening economy is sapping rental demand and limiting rental growth. The market is in a tenuous recovery; soft demand is tempered by relatively few additions to supply. Rents should increase between 1% and 1.50% in 2009, and fewer than 400 new units will be added to inventory.

The effects of the recession began to be felt in the second half of 2008. After a year-over-year rent increase of 4.40% at mid-year, effective rents fell 2.40% in the second half of the year. As the local economy absorbed job-cuts and credit-tightening, many renters chose to seek alternative and lower-cost living arrangements. More renters are opting for shared-unit roommate situations or are choosing to move in with family in order to offset economic difficulties. Going forward, while rent increases will be limited to less than 1.50% in 2009, areas close to universities and major employment will outperform the overall market and should expect increases closer to 2.50%. Shadow inventory from vacant single-family and condo units will be minimal and easily absorbed.

The deterioration of credit markets is holding down new apartment construction in the Tri-State area. The current pipeline of new units is less than one-third of previously anticipated volumes, and new deals have been delayed or cancelled due to lack of construction financing. Renters exposed to $4.00 per gallon gasoline are favoring urban infill projects. Towne Properties will soon break ground on a 56-unit second phase to DeSales Crossing, while the long awaited Banks development will break ground on 300 new units in June 2009, with deliveries scheduled for spring of 2010.

Financial market turmoil and a general risk repricing caused a dramatic slowdown in the Cincinnati investment market in the second half of 2008 – a trend that will continue for the next 12 to 18 months. In the first half of 2008, sale volumes in Greater Cincinnati exceeded $200 million, but in the second half of 2008 numbers showed a 65% decrease. REIT and institutional sales to private buyers were the dominant market factor. Institutions are expected to continue sale programs due to portfolio rebalancing and the “denominator effect.” Cap rates have increased more than 100 basis points between March 1 and November 1 in 2008. Cap rates for Class A quality assets now begin with the number “7.” Distressed asset sales have been limited to lesser quality Class C or Class D assets, but some better-quality, over-leveraged assets may come to market in 2009.
2008 was a tale of two halves for the Dallas/Fort Worth multi-housing market. The first half of 2008 was defined by strong rent growth and high occupancy, while the second half was defined by declining occupancy and a growing need for concessions. At the end of the fourth quarter 2008, occupancy stood at 91.40%, down from 94.10% at the end of 2007, while average effective rents were only off 0.30% from 2007.

Class A and Class B transaction volume decreased by 45% and 36%, respectively, in 2008 from 2007 volume. Sales for both asset classes steadily declined as 2008 progressed. In fact, there were only nine total Class A sales and 16 total Class B sales in the second half of 2008. Cap rates for Class A and Class B properties steadily increased during 2008, inching nearly 75 to 100 basis points each. Cap rates for Class A properties in the fourth quarter of 2008 ranged between 6.15% and 7%, with Class B cap rates ranging between 50 and 75 basis points above those achieved for Class A.

The majority of capital for Class A properties in the first half of 2008 was institutional (private with institutional equity) with a preference toward perceived value-add plays. The majority of capital for Class A properties in the second half of 2008 was private with a preference toward strong locations, especially those located near one of Dallas/Fort Worth’s major employment centers. Class B capital was strictly private in 2008. Overall, while transaction volume was down in 2008, Dallas/Fort Worth will remain a preferred investment market due to its comparatively low cost of living, strong population growth, impressive employment base and overall market fundamentals.
The Denver multi-housing market is poised to ride out the economic downturn with attractive supply and demand fundamentals and a comparatively favorable economic forecast. Rent growth and occupancy increases reversed slightly in the fourth quarter of 2008, for the first time in five years. New construction remains in check with a 1.50% increase in supply or an estimated 4,000 units to be built in 2009. The construction pipeline is expected to drop by at least 50% in 2010, to approximately 2,000 units. Builders continue to struggle with financing, lack of equity and construction costs, limiting new development opportunities, keeping the supply and demand curve in balance.

Transaction volume declined significantly in 2008, with 30 sales compared to 69 sales in 2007. Transaction volume in 2009 is expected to remain down, and could even drop below 2008 volume as the bid-ask price gap has widened between buyers and sellers. Cap rates have increased for all asset classes, ranging from 50 to 100 basis points in core locations and 100 to 200 basis points for Class C properties in suburban locations. The few owners that have been shopping their properties in the market have been unable or unwilling to meet current offer levels.

The number of buyers seeking distressed assets is rapidly increasing in comparison to the number of opportunities in the market. The number of sellers under duress appeared to be few and far between at the end of 2008, as owners with debt maturing or underperforming assets sought relief from their lender and/or recapitalized projects. Initial research also shows that there is a minimal amount of debt maturing in the multi-housing CMBS market in 2009. Private capital buyers are becoming more active by taking advantage of the increased cap rates and selectively acquiring assets.
Detroit Market Highlights

Based on record-low new construction activities, the troubled housing market and uncertainties surrounding the automotive industry, Detroit’s rental market expects to maintain its stability in occupancy and rents for 2009. Sales volume, however, has decreased significantly compared to previous years’ averages. REOs, loan restructuring and recapitalizations are expected to increasingly dominate multi-housing transactions.

Multi-housing fundamentals remain sound despite the economic challenges in the Detroit region. With restricted new supply, the demand for rental housing will maintain this product type’s ability to generate cash flow. Buyers are drawn to Michigan’s higher cap rates and the Midwest’s historical consistency in buffering the peaks and valleys of property values.

Average cap rates for stabilized and value-add properties rose 25 to 50 basis points over the past year. Given the anticipated increases in REOs and work outs, cap rates could be skewed and increase another 50 to 100 basis points through 2009.

New construction multi-housing activities plummeted this year with only 509 permits issued for the entire southeast Michigan region. Any new products tend to be smaller infill projects, typically under 100 units. With the exception of the Ann Arbor market, where student housing and urban infill housing projects remain active, the metropolitan area will decelerate considerably in new supply for the near term.

In 2009 private buyers are expected to lead multi-housing acquisitions as institutional players continue to scale back ownership in Michigan, as evidenced by the AIMCO and Consolidated portfolios exiting this market in 2008.

In spite of the struggling manufacturing sector, specialty submarkets, such as the Detroit CBD, Ann Arbor, and Grand Rapids, hold desirable demographic fundamentals that support investment rationale. Student housing products, particularly within walking distance to campus, persistently generate strong interest from active buyers.
Houston’s economic resilience stood out in 2008, continuing to run counter to the rest of the United States, adding jobs at nation-leading rates (267,600 since 2006). In the multi-housing market, year-end 2008 fundamentals were strong with 5.20% overall rent growth and nearly 11,000 units being absorbed. Because of its stronger fundamentals and fewer excesses, Houston is a target market for investors in 2009. While projections of oil price increases this year greatly benefit Houston, the city also boasts large concentrations of growth-oriented industries in the Texas Medical Center, the world’s largest, and the Port of Houston, the second largest in the United States. Houston’s diversified economy makes it well-equipped to weather the current economic environment, and ensures it will rebound quickly when the national outlook begins to improve. For instance, Houston is expected to have job losses in 2009, much like the rest of the country, but its losses will be minimal, ranging from 10,000 to 30,000, or merely 0.40% to 1% of the overall employment base. Job losses, coupled with an anticipated 18,000 units coming on line, will weaken fundamentals in 2009, but ultimately this will not keep investors out of Houston. Near- and long-term growth for Houston is projected to be exceptionally strong. On the sales front, cap rates have risen 200 to 250 basis points and stand at 7.50% to 8% for Class A assets and 8% to 9% for Class B assets. The velocity of sales will remain flat or will rise slightly in 2009, pending foreclosure activity with private capital players dominating the buyer side. Additionally, the market is trending away from Class A and core communities due to the difficult credit environment and toward Class B and Class C communities with good to strong locations, value-add plays and distressed properties.
INDIANAPOLIS MARKET HIGHLIGHTS

Gross rents in the Indianapolis area climbed 2.20% from 2007 to 2008, and marketwide occupancies for the same period were up 0.70% from 90.20% to 90.90%. Downtown Indianapolis communities led rent growth with a 4.50% increase over 2007. Rents in the CBD average $0.93 per square foot. Despite strong rent growth for the period, downtown occupancy fell to 91%, down 0.50% from 2007. The north side of Indianapolis also experienced strong rent growth of 3% with a 0.30% drop in occupancy levels. Accounting largely for these declining occupancies was the increase in the supply of new product.

Like most other markets, the Indianapolis transaction volume was dramatically impacted by the strains of the national credit crisis in 2008. Within the Indianapolis MSA, $250 million in multi-housing property transacted in 2008. This consisted of 27 communities totaling 6,946 units and represented a 46% decline in volume over 2007 levels. Accounting for much of this decline was the sharp drop off in core asset sales which fell by nearly 73% from 2007 figures. Value-add deal volume increased by more than 9% over the same period.

An influx of new supply, particularly on the north side of Indianapolis, combined with recessionary pressures, is expected to produce less robust rent and occupancy gains in 2010; however, the demise of the single family industry has helped put the Indianapolis multi-housing sector on its best footing in ten years. Fundamentals are expected to remain solid through 2009, and recent investment from new sources, ranging from private to institutional, and local to coastal, speak to the bright outlook for the Indianapolis area.

It is anticipated that the buyer profile in 2009 will be similar to 2007 and 2008, with heavy capital flows from the East Coast and an increase in Midwest sources. Rising cap rates are expected to cause well-capitalized local groups to be more competitive in their attempts to acquire.

There will likely be a wave of primarily Class C distressed assets and REO opportunities in the second half of 2009. There will be continued demand for heavily discounted (true value-add) deals with superior access to transportation arteries and major employment centers. Demand will remain high for a very limited pool of quality urban and university-related (Indiana University/Purdue University at Indianapolis) acquisitions and development. Demand will also remain high for north side acquisitions given strong demographics in spite of the new construction.
JACKSONVILLE MARKET HIGHLIGHTS

According to more than 660 real estate experts nationally, Jacksonville is a “market to watch.”

In a recent annual report produced by the Urban Land Institute and PricewaterhouseCoopers titled “Emerging Trends in Real Estate,” these professionals cited the city’s path to international markets, major international airport and shipping port, educated workforce and vital downtown as reasons why Jacksonville has potential to continue piquing investors’ interest.

Geographically covering 834 square miles, the Jacksonville MSA is one of the largest metropolitan areas in Florida in terms of physical size. Its population has grown at a healthy pace of more than 2% per year, or twice the national average.

Considered “the gateway to where Florida begins,” Jacksonville remains the transportation hub between Florida and the northern U.S. – as well as international – markets. With the addition of two major Asian shipping lines by 2011, Jacksonville will become the second largest port on the eastern seaboard. The Mitsui and Hanjin contracts will triple Jaxport’s cargo volume and add thousands of jobs over the next several years. Part of the port’s future depends on dredging to make room for larger ships. A plan is under way to deepen a portion of the shipping channel to 45 or possibly 50 feet to coincide with the expansion of the Panama Canal within the next decade. The economic impact of the deepwater system has the potential to generate between $3 billion and $6 billion in revenue as new terminals come online.

Over the next decade, Jacksonville will see growth in employment, population, income levels and city infrastructure. Set in motion by significant increases in health, professional, leisure/hospitality and wholesale trade job sectors, a steady flow of new jobs will be incrementally added over the next five years. This increase in job growth will nourish an already growing population. In order to support this expansion, the area will implement the “Better Jacksonville Plan,” a $2.25 billion comprehensive growth management program that will target economic development including new and improved public facilities, parks, amphitheaters and arenas for the increasing population. Jacksonville’s city government is one of the most efficient in Florida because it has been annexed to the county. This combined with Jacksonville’s low cost of living, business-friendly environment, state-of-the-art healthcare facilities and above-average income levels, give an extremely positive outlook for the city going forward.

APARTMENT TRANSACTIONS

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Volume, $ MIl.</td>
<td>202</td>
<td>403</td>
<td>497</td>
<td>1,016</td>
</tr>
<tr>
<td>Properties Sold</td>
<td>12</td>
<td>25</td>
<td>26</td>
<td>47</td>
</tr>
<tr>
<td>Units Sold</td>
<td>2,809</td>
<td>5,872</td>
<td>5,807</td>
<td>12,546</td>
</tr>
</tbody>
</table>
* Transaction data provided by RCA

RENT GROWTH VS VACANCY RATE*

2008 MULTI-HOUSING PIPELINE (5+ UNITS)*

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completions</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Starts</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
</tbody>
</table>

2008 SNAPSHOTS

Total Employment 620,000
Population 1,323,000
Per Capita Income $39,465
Multi-Housing Units 104,197

% GROWTH LAST 5 YRS (Average Annual Growth)

Total Employment 1.7%
Population 1.8%
Per Capita Income 4.4%
Multi-Housing Units 4.5%

% GROWTH NEXT 5 YRS (Average Annual Growth)

Total Employment -0.2%
Population 1.2%
Per Capita Income 3.1%
Multi-Housing Units 0.4%

CAP RATE

Class A Asset (Stabilized/Value Add)
7.00% - 7.50%
7.00% - 7.50%
Class B Asset (Stabilized/Value Add)
7.25% - 7.75%
7.00% - 7.50%
Class C Asset (Stabilized/Value Add)
7.50% - 8.00%
7.25% - 7.75%

HOUSEHOLDS***

(Occupied Housing Units in Thousands)

Total: 509
Owner: 351
Renter: 158
% Rent: 31

Sources:
* MFP-CBRE Torto Wheaton Research
** Real Capital Analytics
*** Bureau of the Census
**KANSAS CITY MARKET HIGHLIGHTS**

The Kansas City multi-housing market remains resilient despite the economic downturn. Job losses have negatively impacted vacancy rates and produced more modest rent growth, but the effect has been somewhat subdued through slowing deliveries over the last couple of years and the absence of a serious threat from shadow market rentals.

Kansas City remains a viable investment market due to its diverse economic base, low cost of living, above average per capita income and restricted development pipeline. Sustained job growth in the government services and education and health services sectors have offset some of the losses in the manufacturing, construction and financial services sectors. Kansas City continues to gain a significant presence in the animal and human life sciences industry, sectors which are typically recession-proof. Furthermore, the area’s central location has driven continued growth in distribution and intermodal related development, primarily in South Johnson County.

Deliveries in 2009 look to be only slightly higher than 2008’s five-year low of 497 units, easing the strain on supply-demand fundamentals. Downtown will receive its first garden-style apartment community with the completion of Market Station Apartments, a 323-unit luxury apartment community in the River Market neighborhood. Watch for developers to flock to East Jackson County due to the recent announcement of a 500-acre life-science research park in Blue Springs.

A joint-development with the University of Missouri, the research park is estimated to eventually yield $1 billion in total capital investment and up to 5,000 high-paying jobs, and further reinforces Kansas City’s growing reputation in the life-sciences industry.

Regional private equity will likely continue to make up the majority of transaction volume, which is expected to increase in the second-half of 2009. As the disconnect between buyer and seller narrows, cap rates are expected to increase 50 to 75 basis points across all asset classes.

In general, the weakened economy should push renters into more affordable housing options. Well-located Class B and Class C assets near employment centers, public transportation and interstate access will benefit. As such, investor appetite will be strong in Johnson County, Northland and East Jackson County submarkets. Downtown Kansas City should also be of interest, as young professionals are choosing to locate in traditional office submarkets. Downtown Kansas City should also be of interest, as young professionals are choosing to locate near the newly opened 450,000-square-foot Power & Light Entertainment District and Sprint Center Arena.

---

**REGIONAL HIGHLIGHTS**

**2008 SNAPSHOT**

<table>
<thead>
<tr>
<th>Total Employment</th>
<th>Population</th>
<th>Per Capita Income</th>
<th>Multi-Housing Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,016,000</td>
<td>2,005,000</td>
<td>$41,581</td>
<td>135,020</td>
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**% GROWTH LAST 5 YRS**

<table>
<thead>
<tr>
<th>Total Employment</th>
<th>Population</th>
<th>Per Capita Income</th>
<th>Multi-Housing Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1%</td>
<td>1.0%</td>
<td>4.4%</td>
<td>1.5%</td>
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</table>

**% GROWTH NEXT 5 YRS**

<table>
<thead>
<tr>
<th>Total Employment</th>
<th>Population</th>
<th>Per Capita Income</th>
<th>Multi-Housing Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.0%</td>
<td>0.4%</td>
<td>3.7%</td>
<td>0.4%</td>
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**CAP RATE**

<table>
<thead>
<tr>
<th>Class A Asset</th>
<th>Class B Asset</th>
<th>Class C Asset</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.75% - 7.25%</td>
<td>7.00% - 7.50%</td>
<td>7.50% - 8.00%</td>
</tr>
<tr>
<td>6.75% - 7.25%</td>
<td>7.50% - 8.00%</td>
<td>8.00% - 8.25%</td>
</tr>
<tr>
<td>8.50% - 10.00%</td>
<td>7.50% - 8.25%</td>
<td></td>
</tr>
</tbody>
</table>

**HOUSEHOLDS**

<table>
<thead>
<tr>
<th>Total</th>
<th>Owner</th>
<th>Renter</th>
<th>% Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>784</td>
<td>541</td>
<td>243</td>
<td>31</td>
</tr>
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**APARTMENT TRANSACTIONS**

<table>
<thead>
<tr>
<th>2008</th>
<th>2007</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Volume, $Mil.</td>
<td>332</td>
<td>684</td>
<td>330</td>
</tr>
<tr>
<td>Properties Sold</td>
<td>25</td>
<td>35</td>
<td>19</td>
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<tr>
<td>Units Sold</td>
<td>330</td>
<td>5,613</td>
<td>10,495</td>
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**RENT GROWTH VS VACANCY RATE**

<table>
<thead>
<tr>
<th>Rent Growth, %</th>
<th>Vacancy Rate, %</th>
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<tbody>
<tr>
<td>0</td>
<td>10</td>
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<tr>
<td>2</td>
<td>8</td>
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<tr>
<td>4</td>
<td>6</td>
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<tr>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td>10</td>
<td>0</td>
</tr>
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</table>

**UNITS SOLD IN YEAR, THOUSANDS**

<table>
<thead>
<tr>
<th>Sales Volume, $ Bil.</th>
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<tbody>
<tr>
<td>0.0</td>
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<table>
<thead>
<tr>
<th>Units Sold, Ths.</th>
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</thead>
<tbody>
<tr>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Completions, Ths.</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
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</tbody>
</table>

**2008 MULTI-HOUSING PIPELINE (5+ UNITS)**

<table>
<thead>
<tr>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Permits</th>
<th>Starts</th>
</tr>
</thead>
<tbody>
<tr>
<td>500</td>
<td>1,000</td>
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**COMPLETIONS VS JOB GROWTH**

<table>
<thead>
<tr>
<th>Employment Growth, %</th>
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</thead>
<tbody>
<tr>
<td>0.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Completion, Ths.</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.0</td>
</tr>
</tbody>
</table>

**Sources:**

* MFP-CBRE Torto Wheaton Research Multi-Housing Outlook
** Real Capital Analytics
*** Bureau of the Census
The Las Vegas multi-housing market continued to decline in 2008, falling from its occupancy peak in 2005. Las Vegas’ biggest challenges include job losses, home rentals and new construction. Investors, developers and existing owners look forward to a brighter 2010 as City Center, Cosmopolitan, Fountain Bleau and the M-Resort open an additional 14,000 hotel rooms and bring in new employment opportunities by the fourth quarter of 2009.

Vacancy rates increased from the average of 7.68% in 2007 to 8.76% in 2008. In 2009, it is expected that the market will continue to deteriorate through the first three quarters, and should show signs of stabilization by the fourth quarter.

The Las Vegas apartment market experienced a decline in street rents of 1% from the fourth quarter of 2007 through the fourth quarter of 2008, as the average rent went from $932 per month to $925 per month. Concessions in the market also increased from 2007 through 2008.

New supply of rental apartments for 2008 was approximately 4,200 units, down slightly from 4,500 units completed in 2007. In 2009, the initial projection is for 6,000 units to be completed, an increase of 43%. Over the past 12 years, Las Vegas has averaged 5,300 units completed annually. Beyond 2009, market conditions and limited construction lending availability will constrict new construction and it is expected that deliveries will fall below 3,000 units in 2010.

2008 sales volume was down dramatically compared to 2007. Thirteen transactions of 100+ units were completed in 2008 versus 40 in 2007, down 67.5%. In 2009, transaction volume is expected to be similar to 2008. Bank foreclosures will be the primary source for sellers in 2009 and buyers will be looking to take advantage of distress. Owners who are not forced to sell will wait for better market conditions and more liquidity in the lending market. Of the transactions that are completed in 2009, cap rates will rise significantly over 2008 levels due to the increasing cost of debt and equity.
LOS ANGELES MARKET HIGHLIGHTS

Los Angeles’ apartment market fundamentals are faltering and are not expected to fully recuperate in 2009. Aside from combating job losses, single-family home foreclosures, and woes common across other metros, Los Angeles has the added burden of coping with too many new apartment units entering the supply in the short-term. 2008 saw a dramatic increase in completions and 3,500 to 4,000 additional units are scheduled for delivery in 2009, many of which will come from projects intended for condominium for-sale product that now are being offered for rent. All of these forces resulted in same-store effective rents dropping across all product types – down about 4% on aggregate from one year ago. Occupancy also dropped to the lowest level in at least five years. The deteriorating fundamentals are less pronounced in the older, more affordable product since this class provides an affordable haven for renters.

Investment activity hobbled along in the Los Angeles metro in 2008, so the “new market” (i.e., cap rates) has yet to surface. Investors still have interest in the area, but many are waiting to deploy capital into distressed assets, most of which are in the early stages of the foreclosure process. The queue of these assets is mounting, especially in tertiary and highly saturated markets such as downtown Los Angeles. As more of these opportunities appear, investment activity will pick up from a dismally low 2008. We expect this to happen in the second half of 2009.
Entering the fourth quarter of 2008, the Memphis market was holding up against the pressures of the economic downturn. Occupancies and street rents grew at a steady pace. However, the market showed some signs of softness in November and December through an increase in vacancy and delinquencies in certain submarkets.

Rents increased steadily throughout the year. Average rent per unit was $709, a 1.60% increase from the previous year. 1980s construction showed the highest percentage of rent increases throughout the year at 3.10%. Average occupancy was 89.50%, a decline of 0.8 percentage points from year-end 2007. Occupancies increased for older vintage properties by 1.2 percentage points, but declined for 1980s and newer construction submarkets by 1.7 and 2.1 points, respectively.

Job announcements were mixed, with some companies announcing layoffs, while other companies are expanding, such as Medtronic, Nucor and New Breed Logistics. FedEx, Memphis’ largest employer, recently announced pay cuts for employees, but have not yet planned massive layoffs. The medical sector continues to shine, and several expansions totaling more than $1 billion are currently underway. Memphis is a diverse economy and is expected to be one of the first markets to recover once the economy strengthens, primarily because of the distribution presence in the market.

Approximately 1,400 units of rental apartments were delivered to the market in 2008, nearly half of them in the upscale Germantown/Collierville submarket. Construction is expected to decrease significantly through 2010. The lack of new supply will positively impact occupancies and absorption.

Private equity remains the largest buyer segment, although high-end properties continue to receive institutional interest. All 2008 sales were to private equity groups. Because of the turmoil in the credit markets, sales volume was off considerably in 2008. Cap rates continually increased throughout the year, especially during the fourth quarter. Cap rates are expected to hold steady during the early part of 2009, as long as interest rates remain in line with where they are today.
MIAMI/SOUTH FLORIDA MARKET HIGHLIGHTS

The South Florida mega MSA (Miami-Dade, Broward and Palm Beach counties) experienced a 70% drop in transaction volume during 2008, totaling only $394 million.¹ Equity yield requirements increased nearly 200 basis points from August 2007 to December 2008 mainly due to increasing cost of debt, a condominium overhang, and rising unemployment.

We anticipate 2009 sellers to be REITs, banks/lenders, and owners with debt maturities. Buyers will be made up of national and regional private equity groups and national/international distressed/opportunity funds. Product will either be conventional Class B assets, failed condominium conversions and partially sold new condominium developments. Most of these groups are attracted to the South Florida region due to its organic growth potential, expected baby-boomer migration and international inward migration patterns.

While macro economic indicators were poor, rental performance fundamentals were relatively stable for most of the region. During 2008, physical occupancy in Miami-Dade County averaged 95% with few concessions; Broward County averaged 94% with 8 to 10 points of concessions; and Palm Beach County averaged 92% with 8 to 16 points of concessions.

To date, Palm Beach County has been the hardest hit by shadow condominium and single-family home overhang, delaying a recovery of occupancy for the immediate central business district (CBD) and northern portion of the county. However, we are already seeing signs of recovery in economic occupancies in the southern half of the county. Rents are expected to remain flat in 2009.

Broward County has over 1,200 new rental units coming on line during 2009 in the Ft. Lauderdale CBD, which may take through the first half of 2011 to absorb. There are also a few significant deliveries in the Sunrise, Plantation and Pembroke Pines submarkets. However, the overall county is expected to remain stable through 2009 and begin economic recovery by mid 2010. Rents are expected to remain flat in 2009.

Miami-Dade County is projected to continue to perform well throughout the suburbs. However, the Brickell, Miami CBD and Biscayne corridors, which currently have in excess of 8,000 new condominium units vacant, will get hit with an additional 7,000 units during 2009. These are all expected to enter the rental pool in the near term and will trigger a sharp decline in asking rents and occupancies.

Sources:
* MFR-CBRE Torto Wheaton Research
** Real Capital Analytics
*** Bureau of the Census

¹Real Capital Analytics (100 units and higher)
“We’ll be fine in 2009” is the hope – but perhaps not the reality – for the Minneapolis-St. Paul market. Although healthy fundamentals existed marketwide for most of 2008, a noticeable slowdown occurred in the fourth quarter with rental rates declining 1.70% resulting in a 0.70% net gain for the year. Concessions popped in some markets and currently continue into first quarter 2009.

Sales volume for properties valued over $5 million in 2008 totaled $312 million, down from $431 million in 2007. Apartment rental growth occurred despite the loss of 43,000 jobs in the 13-county Twin Cities metro area. Fall out from the single-family housing market, where the median home sale price decreased 13% to $195,000 during the past 12 months, continued to be a contributing factor. Approximately 1,000 units were delivered in 2008 (down 30% from planned) and several proposed projects were tabled due to the challenging debt and equity markets.

Strong local ownership has stepped in for the institutional buyer. Many investors, both local and national, look at the Minneapolis-St. Paul market as a safe haven during these difficult economic times. And although return parameters have lifted, the stability and diversity of the local economy and current property fundamentals have so far prevented capitalization rates from rising on par with other large metropolitan communities throughout the U.S.

It is clear that 2009 will be a challenging year, but after a 15% drop in pricing in late 2008, a lack of new product coming to market, the widespread acceptance of rental housing, and the benefit of a diverse economic base, the Minneapolis-St. Paul market is well positioned to weather the current recession.
NASHVILLE MARKET HIGHLIGHTS

The Nashville market boasts a diversified, stable economy with job growth above the national average. The primary drivers of Nashville’s market fundamentals include strong barriers to entry for multi-housing development due to zoning restrictions and topography issues, as well as a slowdown in both apartment and single-family residential development.

Nashville’s multi-housing fundamentals continued a steady upward trend throughout the fourth quarter of 2008, with only a slight drop in overall occupancy. Market rents are expected to remain stable, while retaining the ability to absorb new product. Current development levels have slowed and are not expected to overtake demand, keeping concessions under control.

Transaction volume dipped to just $355 million in 2008 after a banner year in 2007 with sales totaling $601 million.

Cap rates for Class A assets have increased slightly since the credit slow down. While Class A deals will continue to attract investors in 2009, there is renewed interest in mid-range quality product with visible upside potential.

Significant multi-housing development remains focused in suburban communities surrounding Nashville, especially southeast of Davidson County, because of the thriving economic development in the city of Murfreesboro, along the I-24 business corridor. Additional submarkets to watch will be the communities of Hendersonville/Gallatin (northeast) and Mt. Juliet/Lebanon (east), where multi-housing activity is responding to moderate retail and business development in an increasingly upscale environment.

REGIONAL HIGHLIGHTS

2008 SNAPSHOT
Total Employment 760,000
Population 1,560,000
Per Capita Income $40,658
Multi-Housing Units 106,335

% GROWTH LAST 5 YRS (Average Annual Growth)
Total Employment 1.7%
Population 2.2%
Per Capita Income 4.0%
Multi-Housing Units 1.7%

% GROWTH NEXT 5 YRS (Average Annual Growth)
Total Employment 1.1%
Population 1.6%
Per Capita Income 4.1%
Multi-Housing Units 1.0%

CAP RATE
Class A Asset (Stabilized/Value Add) 6.75% - 7.25%
6.75% - 7.25%
Class B Asset (Stabilized/Value Add) 7.50% - 8.00%
7.50% - 8.00%
Class C Asset (Stabilized/Value Add) 8.00% - 9.00%
8.00% - 9.00%

HOUSEHOLDS***
(Occupied Housing Units in Thousands)
Total: 603
Owner: 410
Renter: 193
% Rent: 32

Sources:
* MPF-CBRE Torto Wheaton Research
Multi-Housing Outlook
** Real Capital Analytics
*** Bureau of the Census

APARTMENT TRANSACTIONS

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales Volume, $ Mil.</th>
<th>Properties Sold</th>
<th>Units Sold</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>355</td>
<td>18</td>
<td>5,406</td>
</tr>
<tr>
<td>2007</td>
<td>601</td>
<td>30</td>
<td>8,408</td>
</tr>
<tr>
<td>2006</td>
<td>442</td>
<td>29</td>
<td>6,570</td>
</tr>
<tr>
<td>2005</td>
<td>500</td>
<td>27</td>
<td>8,213</td>
</tr>
</tbody>
</table>

* Transaction data provided by RCA

RENT GROWTH VS VACANCY RATE*

UNITS SOLD IN YEAR, THOUSANDS**

COMPLETIONS VS JOB GROWTH*

2008 MULTI-HOUSING PIPELINE (5+ UNITS)*
The 2008 Manhattan multi-housing market was characterized by declining fundamentals. As a result, transactional volume for apartment properties during the first 8 months of 2008 declined 60% against the same period in 2007. This substantial volume reduction is paired with declining values, as demand characteristics for rental and for-sale units has declined substantially.

The market for rental apartments has been exposed to negative rent growth and increasing vacancy. Manhattan’s available rental inventory is historically extremely small, maintaining 2% vacancy during the recent landlord’s market. Current vacancy is estimated to be 3.4%, projected to rise to 4.7% in 2009, the highest rate since 1980. Job losses, estimated to surpass 165,000 over the next two years, have negatively impacted rental rates, which declined 5.2% in doorman buildings during 2008.

The condominium market has also been affected by job losses as well as mortgage lending limitations. As a result, renegotiation of contracted sales prices has been a growing trend, and has negatively impacted the median sales price for apartments. 40% fewer sales were recorded in the fourth quarter of 2008 than the same period in 2007 and contracted sales have shown a 20% decrease in average price for transactions taking place after August 2008.

Looking toward 2009, cap rates are set to increase as demonstrable income has become the primary transaction driver. This transition will encourage the purchase and sale of well-occupied property, notably buildings with a high proportion of rent stabilized apartments. These prime rent stabilized buildings, often sold at cap rates of less than 3% from 2005 to 2008, will appear of great value to bargain hunters.

As distressed mortgages and construction loans become more prevalent, we anticipate cash-rich buyers to enter the multi-housing arena as foreclosure opportunities begin to proliferate. Rental properties purchased in the outer boroughs and upper Manhattan at high GRM levels have been hurt the most and will be likely candidates for distressed sales or foreclosures.

### New York City Market Highlights

#### Regional Highlights

**2008 Snapshot**
- Total Employment: 5,239,000
- Population: 11,653,000
- Per Capita Income: $55,643
- Multi-Housing Units: 2,061,422

**% Growth Last 5 Yrs**
- Total Employment: 1.0%
- Population: 0.3%
- Per Capita Income: 6.5%
- Multi-Housing Units: 0.9%

**% Growth Next 5 Yrs**
- Total Employment: -0.8%
- Population: 0.2%
- Per Capita Income: 3.6%
- Multi-Housing Units: 0.7%

**Cap Rate**
- Class A Asset (Stabilized/Value Add) 6.50% - 7.00%
- Class B Asset (Stabilized/Value Add) 6.75% - 7.25%
- Class C Asset (Stabilized/Value Add) 7.50% - 8.00%

**Households***
- Total: 4,343
- Owner: 1,781
- Renter: 2,562
- % Rent: 59

Sources:
- * MPF-CBRE Torto Wheaton Research Multi-Housing Outlook
- ** Real Capital Analytics
- *** Bureau of the Census

**Rent Growth vs Vacancy Rate**

**Units Sold in Year, Thousands**

**Completions vs Job Growth**

---

*NYC Cap Rate for the value-add category is applicable for assets with at least 50% of units subject to rent stabilization.*
ORANGE COUNTY (CA) MARKET HIGHLIGHTS

Orange County multi-housing remains relatively stable, despite the severe deterioration of global and national economic conditions. This relative stability is due in part to geographic barriers-to-entry, healthy historical growth, a diversified regional economy and the superior quality of life that Orange County provides its residents. Orange County has experienced sizeable job losses in the real estate and financial sectors due to the mortgage related fallout and subsequent turmoil within the capital markets. On the mid- to long-term horizon, these numbers are forecasted to rebound ahead of national predictions as the county’s nimble economy continues to diversify and not rely on any particular sector. From 1997 to 2007, the county has added an average of 23,000 new jobs per year, and is forecast to add several thousand jobs in 2010 and more than 38,500 jobs in 2011, according to Economy.com. 2008 was the worst year for Orange County employment since 1990 with a net decrease of more than 45,000 jobs.

Multi-housing fundamentals remain stable with a slight negative effective rent growth of –1% in 2008 and a stable overall occupancy of 94%. The Class A submarket began to show softness in the third quarter of 2008 due to the competition of the shadow rental market, as well as renters downsizing to more affordable rental options (roommate, moving back home, or to a more affordable Class B property, etc.). Occupancy expectations for 2009 are 92% – 95% county-wide. Limited to no rental growth is forecast for the county, and in some submarkets negative rental growth is anticipated.

Transaction volume during 2008 was modest at best, with volume severely falling off in the fourth quarter. 2008 total volume was fall far short of 2007’s record activity. Of the six transactions closed in 2008, institutional investors represented 33% of the total volume and private capital represented 67% of the total volume.

Sales volume is expected to maintain its current subdued level for much of 2009 due to the continued volatility in the Capital Markets; however, “real” sellers are coming in to the market with higher frequency as the financial sector continues to deteriorate. Cap rates have expanded 150 to 200 basis points for core assets and 200 to 250 basis points for non-core assets from third quarter 2008 to second quarter 2009. For the remainder of 2009 and going forward, more buyer opportunities will arise from distressed assets. Buyers are preserving capital and are being more strategic in identifying acquisition opportunities of quality properties in infill locations.
ORLANDO MARKET HIGHLIGHTS

Fundamentals in the metro Orlando multi-housing rental market were largely unchanged in 2008, and are several points off the highs seen in 2005. Gross occupancy registered 91.50% at year-end 2008, which is down slightly from 92.10% at the end of 2007. Orlando area apartment complex owners, who enjoyed a 12.30% rent increase over the last four years, experienced flat effective rents in 2008. Several submarkets are forecasted to outperform the market in 2009, including Altamonte Springs/Longwood, Southwest Orange County, Winter Park/Maitland and Winter Springs/Casselberry.

With minimal new supply in the pipeline for 2009 and 2010, occupancy and rents will likely see noticeable improvement over the next three years. Despite strong demand, new construction of market-rate units is relatively modest, with only about 2,700 apartments scheduled for completion in 2009. With a total rental pool of approximately 140,000 units in Orlando, these new deliveries will represent less than 2% of rentable units. Orlando led Florida in transaction volume in 2008, with more than $600 million in local apartment sales. Cap rates continued to rise due to the economy and the credit markets. Most new owners were private equity buyers, and REITs were among the most active sellers.

Through third quarter 2008, Orlando was the only metropolitan airport in Florida that continued to have positive job formation. Higher-wage, white-collar jobs are expected to grow 15% by 2010, with strong gains projected in health care, biotech and animation. Two independent economic research companies estimated that the new University of Central Florida medical school could generate $1.4 billion a year for the city. The City of Orlando and Orange County have also passed a billion-dollar development plan to build a new arena and a new performing arts center. Those projects began in 2008 and are expected to create more than 10,000 new jobs over the next three years. These strong economic drivers should help lead to a healthy apartment market later in 2009 and beyond.

Sources:
* MPF-CBRE Torto Wheaton Research
Multi-Housing Outlook
** Real Capital Analytics
*** Bureau of the Census
Multi-housing will again be one of the most sought-after investment property types in the coming year. Cap rates were reported in the 6% to 7% range in 2008, and are expected to increase by 50 to 75 basis points in 2009. Fannie Mae and Freddie Mac will likely increase their spreads and underwrite loans more conservatively. Apartment pricing will soften only slightly due to strong market fundamentals.

Rents will grow modestly, in the range of 1% to 3% per annum. Investment demand and available capital will again exceed the supply of product for sale.

The number of apartment sales in 2008 decreased 50% and pricing was 10% to 15% lower compared to 2007. As the severity of the recession unfolds in 2009, the growth (or shrinkage) of the workforce will affect apartment rental growth and occupancy levels. Occupancies, currently in the 93% to 95% range, could remain at that level throughout 2009, or fall below 90%.

The Philadelphia Metro area apartment market benefits from a well diversified economy, a growing population and workforce, and a fixed supply of rental product due to overly restrictive zoning practices by local municipalities. This benefits owners of older Class B and Class C apartments, who enjoy high occupancy and consistent annual rental growth. Investors can buy older product without fear of future obsolescence and offer a very competitive rental product (especially units that have upgraded kitchens and baths).

Investment capital for new transactions will primarily come from private capital value-add funds seeking opportunities to increase cash flow by renovating unit interiors and repositioning assets. Core assets or those properties without a significant value-add component will attract less attention and may trade at higher cap rates.
PHOENIX MARKET HIGHLIGHTS

The Phoenix multi-housing market continues to be severely impacted by the 2008 capital market slowdown and deteriorating fundamentals during which rental growth slowed, vacancies rose and concessions grew to more than a month per year. Occupancy and revenues have been eroded by a growing number of single-family rentals and job declines.

Current declines in job totals are expected to bottom this year, and regain healthy growth by 2011. Population growth is continuing at slower rates, estimated to be around 2% for this year and next, before higher growth resumes. Single family values have reached a new low, which has resulted in an upturn in sales volume.

Multi-housing transaction velocity fell significantly in 2008, with $580 million in volume for the year, only 14% of the 2007 volume. Average price per unit ($101,178) and price per square foot ($118) remained high due to a disproportionate number of Class A sales. Major buyers were Equity Residential, Sterling Equities and Colony Realty Partners.

CBRE forecasts 2009 overall transaction volume will improve due to an increase in lender-owned buying opportunities and current owners selling to improve their balance sheet positions.

Private capital sources are dominating the buyer pool. Buying interest will be focused on REO properties and opportunities to purchase based on cash flow. Some REITs are selectively repositioning their assets.

Cap rates for multi-housing investments have risen 200 to 300 basis points since the credit crunch with underwriting based on trailing historical performance rather than year one. Transactions in 2009 will be underwritten based on cash flow, the current cash-on-cash return to equity, debt proceeds and replacement cost comparisons.

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RENT GROWTH VS VACANCY RATE*

UNITS SOLD IN YEAR, THOUSANDS**

COMPLETIONS VS JOB GROWTH*

HOUSING REPORTS

** Regional Highlights

2008 Snapshot
Total Employment 1,847,000
Population 4,308,000
Per Capita Income $34,942
Multi-Housing Units 317,610

% Growth Last 5 Yrs (Average Annual Growth)
Total Employment 2.4%
Population 3.3%
Per Capita Income 3.7%
Multi-Housing Units 2.3%

% Growth Next 5 Yrs (Average Annual Growth)
Total Employment 0.2%
Population 2.5%
Per Capita Income 2.2%
Multi-Housing Units 0.3%

CAP RATE
Class A Asset (Stabilized/Value Add) 6.75% - 7.25%
7.00% - 7.50%
Class B Asset (Stabilized/Value Add) 7.25% - 7.75%
7.50% - 8.00%
Class C Asset (Stabilized/Value Add) 8.00% - 9.00%
8.00% - 9.00%

HOUSEHOLDS (Occupied Housing Units in Thousands)
Total: 1,575
Owner: 1,087
Renter: 488
% Rent: 31

Sources:
* MPT-CBRE Torto Wheaton Research
** Real Capital Analytics
*** Bureau of the Census
PORTLAND MARKET HIGHLIGHTS

Considered to be one of the most affordable West Coast markets, Portland has a multi-housing market with 95% market-wide occupancy. There is limited new construction outside of downtown Portland and continued infill trends will lead to additional household formation and demand for apartments in 2009.

Multi-housing investors seek Portland’s strong fundamentals. There are limited developable sites available, with the Urban Growth Boundary constraining future development. Portland leads the green industry, in part fueled by growth in the 25 to 34-year-old age group.

Cap rates have risen 100 to 125 basis points over the past 12 months, along with other West Coast markets. Investors now differentiate cap rates based on the quality of the assets.

For 2009, Portland expects continued growth in green technology job formation, while the overall employment level is expected to be flat. Construction jobs will decline as the market will see few starts across all sectors.

The market will continue to enjoy occupancy over 94%. However, landlords will use concessions and rental discounts to maintain occupancy.

While Portland remains a target market for investors, those looking to capitalize on distressed properties will find few distressed opportunities. Fundamentals support prior revenue growth projections and refinancing opportunities. The buyer profile for 2009 will be composed of private capital and opportunity funds, both of which will use leverage.

Trades will occur with partially completed value add properties (10 to 30 years old) and properties poised for renovation. Downtown and the Westside submarkets will see the most activity, due to their strong market fundamentals. Investors should not expect trades of any newly constructed or under construction assets with significant lease-up risk.

% GROWTH LAST 5 YRS (Average Annual Growth)
Total Employment 1.8%
Population 1.7%
Per Capita Income 3.8%
Multi-Housing Units 2.3%

% GROWTH NEXT 5 YRS (Average Annual Growth)
Total Employment 0.3%
Population 1.8%
Per Capita Income 3.0%
Multi-Housing Units 1.5%

RENT GROWTH VS VACANCY RATE*

APARTMENT TRANSACTIONS*

CAP RATE
Class A Asset (Stabilized/Value Add)
6.25% - 6.50%
6.50% - 7.00%

Class B Asset (Stabilized/Value Add)
6.50% - 7.00%
6.50% - 7.00%

Class C Asset (Stabilized/Value Add)
7.00% - 7.50%
7.00% - 7.50%

HOUSEHOLDS***
(Occupied Housing Units in Thousands)
Total: 858
Owner: 558
Renter: 300
% Rent: 35

Sources:
* MPF-CBRE Torto Wheaton Research
Multi-Housing Outlook
** Real Capital Analytics
*** Bureau of the Census
RALEIGH MARKET HIGHLIGHTS

The Raleigh-Durham multi-housing market is showing resiliency despite an increase in new construction and four employment news. Market fundamentals were tested in 2008 unlike any year since 2002 as the region managed to avoid job decline. Future market indicators for 2009 forecast Raleigh is not immune to weakening fundamentals, but the region remains a favored market for multifamily investment.

Raleigh-Durham employment has grown at an annual clip of 3.40% over the past five years and population growth has been equally impressive. Over the past year, despite the misfortunes in the national economy, Raleigh-Durham’s employment actually increased slightly. The region is bracing for another round of layoff announcements and may suffer significant job losses in 2009.

Occupancies decreased from 94.70% at the close of 2007 to 92.80% at the end of fourth quarter 2008. Occupancy is forecast to recede throughout 2009 as new deliveries exceed anticipated absorption, but return to historic levels of 5-6% as new construction comes to a stand-still and the economy recovers in 2010. Raleigh had positive average rent growth of just under 1% in 2008; however, rents are expected to remain flat or subside in 2009. South Durham and Chapel Hill are expected to outperform the overall market.

Concerns of oversupply have been mitigated by positive absorption and a drop in new starts. The majority of construction is occurring in North Raleigh – in particular the Brier Creek area of northwest Raleigh at the intersection of US70 and I-540 – and in North Cary near I-540 and NC55. These submarkets have historically absorbed an influx of new units due to proximity to major employers of the Research Triangle Park. Successful lease-up will parallel the Research Triangle Park’s ability to weather job losses and possibly gain employment in the upcoming year. Anticipated deliveries in 2009 are expected to total 4,375 units or 3.7% of supply.

Annual multi-housing investment exceeded $1 billion in 2008, ranking Raleigh-Durham 8th in total volume nationally. The sales tally included several portfolio transactions that closed early in the year. Raleigh-Durham historically absorbed an influx of new units due to long-term prospects for growth due to a highly diversified and well-educated workforce; but most telling of the current environment is the fact that only three properties have traded since October totaling little more than $50 million.
The Sacramento/Central Valley multi-housing rental market softened mildly in 2008, with vacancy rising 0.70% to 7%. The market was buoyed from a growth in home foreclosures, which displaced many residents who became apartment renters. Rental rates remained flat during the year.

We expect rental fundamentals to soften further during the first half of 2009 due to rising unemployment and an abundance of vacant single-family homes that will be rented competitively. However, several consecutive years of strong rent increases in the nearby Bay Area are expected to spawn a wave of migration into the Sacramento/Central Valley – just as it has in past cycles – of individuals seeking more affordable living and business costs along with lifestyle advantages.

Development has virtually stopped, which means we are at least three years away from any significant new apartment supply. As such, the current oversupply of housing in the area will return to equilibrium sooner than other U.S. housing boom markets.

Cap rates are moving up and the spread in rates between quality segments has expanded. Very recently, stabilized cap rates on closed deals ranged between 4.75% to 5.50%, from Class A to Class C. Today’s rates likely need to range from 6.25% to 8.25% to clear the market.

Local and regional private capital and institutional investors with local expertise continue to actively seek apartment deals in the Sacramento/Central Valley, with a recent surge in interest from value-oriented investors that are focused on favorable discount to replacement cost dynamics. The current lower-priced selling environment will discourage some sellers, but with REITs exiting the market, and a growing emergence of financially distressed properties, the number of multi-housing investment offerings should remain abundant.

2009 will provide some excellent long-term investment opportunities at very attractive prices. Strong population growth, affordability advantages, economic stability, lifestyle attractions, and proximity to several world-class destinations continue to make the Sacramento/Central Valley’s long-term outlook very bright.
SALT LAKE CITY MARKET HIGHLIGHTS

Rent growth in 2008 ended at a positive 2.10%. As rent growth tapered due to the overall economic slowdown, vacancy rates have seen a significant increase, ending the year at 6.42%. Concessions became more prevalent during the fourth quarter of 2008 with 47% of communities offering some type of rent discount, the most common concession being free rent.

The average rent across all submarkets has risen by 2% from fourth quarter 2007. At year end the average monthly rent sits at $814, with an average rent of $0.95 per square foot. The southeast submarket experienced the largest margin of growth with regard to dollars per square foot; from December 2007 to December 2008, market rents have risen 6.20% to $1.03 per square foot. However, average rents have seen the most significant increase in the northwest submarket, rising $25 (3.70%) from its first quarter 2008 rate of $679 ending the year at $704.

Ownership transactions in Salt Lake County were similar in 2008 as in 2007 with approximately $300 million of transactions occurring. Closing cap rates have increased slightly over last year ranging from 6% to the high 7% depending on asset quality, location and age.

According to the Census Bureau, in the 2008 fiscal year that ended July 1, for the second consecutive year Utah was the fastest growing state in the country based on percentage. Salt Lake’s diversified economy has kept unemployment at 3.70%, 3% below the national average. These indicators should allow Salt Lake to remain a stable performing apartment market moving through 2009.

CAPE RATE
Class A Asset (Stabilized/Value Add)
6.75% - 7.25%
7.25% - 7.50%
Class B Asset (Stabilized/Value Add)
7.25% - 7.75%
7.50% - 8.00%
Class C Asset (Stabilized/Value Add)
7.75% - 8.25%
7.75% - 8.50%

HOUSEHOLD***
(occupied Housing Units
in Thousands)
Total: 370
Owner: 252
Renter: 118
% Rent: 32

Sources:
* MPF-CBRE Torto Wheaton Research
Multi-Housing Outlook
** Real Capital Analytics
*** Bureau of the Census
The San Diego market should prove to be one of the more stable rental markets in the country for 2009, assuming job losses remain consistent with predicted levels. While occupancy rates will likely decrease slightly, operating fundamentals are expected to remain healthy compared to most metro markets. In addition to a relatively stable and diverse economy, the extremely high barriers to entry continue to limit the amount of new product coming to market. Furthermore, San Diego’s shadow market is not significant and is primarily limited to downtown San Diego condos.

As a result of job losses, estimated to range from 10,000 to 15,000 jobs in 2009, occupancies are projected to decrease slightly to the 95% range, down from the 96-98% levels seen in 2008. Rent growth is expected to be 1% at best, but is more likely to remain flat and may even decrease slightly in some areas and for some product types, depending upon the extent of the job losses.

There is no shortage of buyers interested in purchasing – just a shortage of sellers willing to sell at prices attractive to buyers looking for a deal. Transaction volume for 2008 was down over 50% from 2007. With minimal distress in the marketplace, transaction volume is expected to remain well below normal through 2009. Most owners will continue to hold properties and focus on operations to improve NOI. 2009 should be the year of the private investor. Kept out of the market for the last several years, they will be able to take advantage of marketplace conditions that leave the REITs and other institutional investors on the sidelines. Private distress funds will also be looking for lender-owned properties and/or sellers with an extremely high motivation and commitment to sell. However, given that the number of distressed properties in San Diego will likely be limited, there may be more market observers than actual transactions completed.

The lack of transaction data makes cap rate projections an educated guess at best. Once the uncertainty in the general real estate marketplace settles down, cap rates will likely range from 6.25% – 6.50% for better properties in quality locations, to 7.50% – 8% for older and less well-located assets.
SAN FRANCISCO MARKET HIGHLIGHTS

Led by weakening in the finance, construction, and technology employment sectors, CBRE Torto Wheaton Research projects flat rental performance in the San Francisco MSA, retraction of rents in the Oakland MSA, and flat to slightly declining rents in the San Jose MSA in 2009. In spite of employment base contraction driven by layoffs, all three MSAs posted 96%+ occupancy in the third quarter of 2008.1 M|PF Yieldstar predicts occupancy levels will decline by 0.70% to 95.60% across the Bay Area in the third quarter of 2009 based on weakened demand from a projected 1% decline in employment. Torto Wheaton projects net job creation of 16,000 in 2010.

Constrained new supply of only 4,299 units² in 2008-09 distinguishes the six million person, six-county Bay Area from most markets nationally and differentiates this recession from the 2000-2001 downturn, during which 7,800 units were delivered.

Housing development has stalled given the dearth of available equity and construction financing. Developers once again demand an appropriate risk premium above core cap rates for taking development risk, which impairs land values. The lack of construction starts in 2008 and 2009 will limit new supply delivering in 2010 when the economy recovers,² possibly yielding a healthy increase in rents and occupancy.

In recognition of the broadened bid-ask spread in cap rates and little expectation of operational distress or sales necessitated by refinancing-induced equity shortfalls, CBRE projects de minimis 2009 sales activity. CBRE expects the majority of activity to remain in Silicon Valley with bidding activity being dominated by private capital buyers who are heavily reliant upon plentiful but slightly less attractively priced agency debt.

The well-diversified Bay Area economy, featuring such industries as education, biotechnology and healthcare, is expected to outperform³ the national economy. While many investors are sidelined as they await a rebound in values and cap rates, the flight to quality theme continues to benefit the region, rated in Urban Land Institute’s “Emerging Trends in Real Estate 2009” as the leading “buy” market for apartment investment.

Sources:
* M|PF Yieldstar
** Real Capital Analytics
*** Bureau of the Census

1 M|PF Yieldstar
2 100+ unit, market rate communities, excluding condominium units converting to the rental pool and foreclosure homes which anecdotally, have not been a significant source of apartment move-outs
3 CBRE Torto Wheaton Research
4 ULI Emerging Trends in Real Estate 2009
The Seattle apartment market was recently rated the top market in the country by the Urban Land Institute. Driving this rating is a combination of a broad array of intellectual based companies that call Seattle home, a limited amount of new apartment construction and a modest over-hang of shadow product to compete with new apartments (condos and single family homes).

Although the market is considered one of the safest to invest in, it is still facing many of the same challenges as other markets in wake of the credit crisis. In the fourth quarter, several of the major employers such as Washington Mutual, Boeing, Microsoft and Starbucks announced either employment cuts or hiring freezes. This has led to a drop in vacancy rate to the low 90% range and signs that concessions are creeping back into the market.

With debt markets reeling and the overall economy in decline, there has not been an apartment transaction of any significance since October 2008. With such limited trading activity as well as low inventory levels, it is more anecdotal than factual when pegging cap rates. The Seattle market is probably about 200 basis points higher today than the market peak in mid-2007.

2009 is expected to be a difficult year as unemployment crimps demand. It will also be the high water mark for absorption as approximately 5,000 units are brought on line. The market should move back toward equilibrium in 2010 as apartment starts have dropped off dramatically in the past 18 months. Opportunistic buyers with a long term hold mentality are expected to be active. The product that will be available will be distressed: either bank owned or institutional owners who need to monetize some outstanding apartment properties they have held for a number of years.

### SEATTLE MARKET HIGHLIGHTS

**2008 SNAPSHOT**

- **Total Employment**: 1,767,000
- **Population**: 3,378,000
- **Per Capita Income**: $50,238
- **Multi-Housing Units**: 345,600

**% GROWTH LAST 5 YRS** (Average Annual Growth)

- **Total Employment**: 2.4%
- **Population**: 1.4%
- **Per Capita Income**: 4.9%
- **Multi-Housing Units**: 1.9%

**% GROWTH NEXT 5 YRS** (Average Annual Growth)

- **Total Employment**: 0.5%
- **Population**: 1.3%
- **Per Capita Income**: 3.5%
- **Multi-Housing Units**: 1.4%

**CAP RATE**

- **Class A Asset**: 6.25% - 7.00%
- **Class B Asset**: 7.00% - 7.50%
- **Class C Asset**: 8.00% - 8.50%

**HOUSEHOLDS***

- **Total**: 1,326
- **Owner**: 849
- **Renter**: 477
- **% Rent**: 36

**Sources:**

* MPF-CBRE Torto Wheaton Research

**Multi-Housing Outlook**

**Real Capital Analytics**

**Bureau of the Census**

### RENT GROWTH VS VACANCY RATE*

#### UNITS SOLD IN YEAR, THOUSANDS**

#### COMPLETIONS VS JOB GROWTH**

### APARTMENT TRANSACTIONS

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
<th>2005</th>
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</thead>
<tbody>
<tr>
<td>Sales Volume, $ Mil.</td>
<td>1,521</td>
<td>3,107</td>
<td>2,328</td>
<td>2,285</td>
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<tr>
<td>Properties Sold</td>
<td>68</td>
<td>126</td>
<td>134</td>
<td>132</td>
</tr>
<tr>
<td>Units Sold</td>
<td>11,097</td>
<td>19,828</td>
<td>19,152</td>
<td>20,898</td>
</tr>
</tbody>
</table>

* Transaction data provided by RCA
The St. Louis rental market continues to be stable. Last year the region lost 19,000 jobs and it is anticipated that another 18,000 jobs will be lost in 2009. Supply of new units is constrained due to both the economics and the difficulty of zoning within the metro area. In 2008, 1,643 units came on line with 1,459 absorbed. St. Louis is expected to see negative absorption in 2009, with supply growing by only 993 units. Most of the new units are either in the senior or student niche markets, or larger buildings started before the end of last year.

Sales are slow with only a few large complexes trading since September 2008, the majority of trades taking place in the West County submarket. This was by virtue of a single local owner divesting a high end portfolio, much of which had assumable financing. In addition, this submarket includes only about six percent of the overall inventory, has experienced the fewest completions (zero), maintained the lowest vacancy rate at 3.10% in the fourth quarter of 2008, and established one of the region’s highest rent growth rates at 2.90%. West County is showing the fastest year-over-year gain in occupancy moving up 4% to 97%. Rental rates overall grew at about 3% in the higher income areas and 2.40% on average over the entire area.

National buyers continue to look at the St. Louis market because of the consistent value and performance relative to more volatile areas of the country. Reflecting this stability when aggregating the entire metropolitan area, the vacancy rate is only expected to grow from 7.20% in 2008 to 7.50% in 2009. Transactions are few due to the gap between buyer expectations and seller perceptions.
The Tampa Bay multi-housing market remained weak in 2008, primarily due to job losses and competition from single-family and condominium rentals. Unemployment in the fourth quarter of 2008 increased over 3% to 7.80% compared to the same period in 2007. Average gross occupancies in the Bay Area have declined 3% over the previous year and are currently at 91%. Concessions have remained in the one to two month range in most submarkets.

Despite this rather lackluster performance in the apartment sector, investors are paying close attention to corporations locating to the Tampa/St. Petersburg area, such as Charles Stark Draper Laboratories and SRI, and business expansions such as the Port of Tampa, Cott Beverage and McDill Air Force Base. New apartment construction has remained below historic levels for several years and is expected to be fewer than 3,000 units in 2009. The Westshore submarket is the most active area for new construction with five properties either under construction or planned.

When the national and regional economy recovers, the Tampa Bay area will be well-positioned for strong occupancies and robust rent growth.

Cap rates increased by approximately 75 to 100 basis points during 2008, but are expected to stabilize as long as interest rates remain in the 6% to 6.50% range and there is no disruption in multi-housing lending from the agencies.

Private investors are targeting distressed opportunities in both debt and real estate and are focusing on owners that have compelling motivation to sell with realistic pricing expectations. Minimally fractured condo conversion projects will attract interest from investors, as well as newly constructed condos that can be purchased for deep discounts off retail sales prices. There were 31 sales totaling approximately $450 million in 2008 in the Tampa Bay area and similar sales volume is anticipated in 2009.
WASHINGTON DC MARKET HIGHLIGHTS

The Washington/Baltimore Metro area remains one of the strongest multi-housing markets nationwide due to a diverse economic engine providing solid underlying fundamentals, but the area has not been spared of the immediate economic issues facing the rest of the nation. Job growth in 2008 fell into the red for the Washington/Baltimore MSA with a net job loss of 20,168. However, the longer term outlook is somewhat brighter for employment, as the region is expected to gain 171,000 new jobs as a result of the $789 billion American Recovery and Reinvestment Act (“ARRA”). Unemployment in the region remains relatively low, with Washington DC and Baltimore at 4.70% and 5.80%, respectively (compared to 7.20% nationally) as of December 2008. Vacancy rates inched up for stabilized properties from 3.70% to 4.30% over 2008 in the District, while Baltimore’s stabilized vacancy remains unchanged at 4.60%. Both markets are still well below the national vacancy rate of 6.10%.

Investors are attracted to the Washington/Baltimore market as the local economy remains relatively guarded from the effects of the recession due to the presence of the federal government and strong industry sectors including health, education, and service/hospitality. While the regional economy has experienced a slowdown over the past year, it is well-positioned for significant positive changes in the near future. In addition to the anticipated job growth resulting from the ARRA, BRAC (Base Realignment and Closure) is expected to bring 60,000 to 65,000 new jobs over the next several years. Massive infrastructure improvements and development projects are currently underway to accommodate the anticipated influx of new residents.

Over the past year, capitalization rates have increased approximately 125 basis points (pro forma) and up to 300 basis points (in-place). In 2008, transaction volume was down significantly as compared to previous years (although still outpacing most of the country at approximately $2.2 billion in the combined D.C., Baltimore and Northern Virginia market), but is expected to increase in 2009 as expectations of buyers and sellers are aligning. The area is experiencing an increase in distressed assets and motivated sellers. Investors (likely to be dominated by private capital, pension funds and REITs) are expected to pursue stabilized communities with in-place net operating income sufficient for a steady DSCR of 1.30x and/or a first-year cash-on-cash return from mid-6% and up.
CURRENT MARKET CAP RATES

Cap rates were provided from an informal survey of CBRE professionals in the respective markets. The rates are approximations that were current as of March 02, 2009, and are intended to provide perspective to the market as we see it today. Given the recent volatility in the market, we realize that cap rates are rapidly shifting and difficult to pinpoint at times.

<table>
<thead>
<tr>
<th>MARKET</th>
<th>CLASS A ASSET Stabilized/Value Add</th>
<th>CLASS B ASSET Stabilized/Value Add</th>
<th>CLASS C ASSET Stabilized/Value Add</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albuquerque</td>
<td>7.25-7.50%/7.25-7.50%</td>
<td>7.50-8.00%/8.00-8.50%</td>
<td>8.50-9.00%/9.00% +</td>
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<td>7.50-8.25%/7.50-8.25%</td>
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<tr>
<td>Boston</td>
<td>6.00-6.50%/6.00-6.675%</td>
<td>6.50-7.50%/6.25-7.25%</td>
<td>7.50-8.50%/7.25-8.50%</td>
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<tr>
<td>Charlotte</td>
<td>6.50-7.25%/6.75-7.50%</td>
<td>7.25-7.75%/7.50-8.00%</td>
<td>8.00-10.50%/7.00-9.00%</td>
</tr>
<tr>
<td>Chicago</td>
<td>6.50-6.75%/6.25-6.50%</td>
<td>7.00-7.50%/6.75-7.25%</td>
<td>8.00-8.75%/7.75-8.25%</td>
</tr>
<tr>
<td>Cincinnati</td>
<td>7.00-7.50%/6.75-7.25%</td>
<td>8.00-8.50%/7.75-8.25%</td>
<td>9.50-10.25%/9.00-9.50%</td>
</tr>
<tr>
<td>Dallas</td>
<td>6.75-7.25%/7.00-7.50%</td>
<td>7.75-8.25%/7.75-8.25%</td>
<td>9.00% and up/9.00% +</td>
</tr>
<tr>
<td>Denver</td>
<td>6.50-7.00%/6.25-7.00%</td>
<td>7.00-8.00%/7.00-8.00%</td>
<td>7.75-8.50%/7.50-8.50%</td>
</tr>
<tr>
<td>Detroit</td>
<td>7.75-8.25%/8.00-8.50%</td>
<td>8.50-9.00%/8.50-9.00%</td>
<td>9.50-10.00%/9.75-10.25%</td>
</tr>
<tr>
<td>Houston</td>
<td>7.50-8.00%/7.50-8.00%</td>
<td>8.00-9.00%/8.00-9.00%</td>
<td>9.00% and up/9.00% +</td>
</tr>
<tr>
<td>Indianapolis</td>
<td>7.00-7.50%/6.75-7.25%</td>
<td>7.75-8.25%/7.50-8.00%</td>
<td>9.00-10.00%/9.00-10.00%</td>
</tr>
<tr>
<td>Jacksonville</td>
<td>7.00-7.50%/7.00-7.50%</td>
<td>7.25-7.75%/7.00-7.50%</td>
<td>7.50-8.00%/7.25-7.75%</td>
</tr>
<tr>
<td>Kansas City</td>
<td>6.75-7.25%/7.00-7.50%</td>
<td>7.50-8.00%/6.75-7.25%</td>
<td>8.50-10.00%/7.50-8.25%</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>6.75-7.00%/6.75-7.00%</td>
<td>7.00-7.25%/7.00-7.50%</td>
<td>7.50-8.00%/7.25-7.75%</td>
</tr>
<tr>
<td>Memphis</td>
<td>6.00-6.50%/6.00-6.25%</td>
<td>7.00-7.50%/6.75-7.25%</td>
<td>7.50-8.00%/7.25-7.75%</td>
</tr>
<tr>
<td>Miami</td>
<td>7.25-7.75%/7.25-7.75%</td>
<td>8.00-8.75%/8.00-8.75%</td>
<td>9.00% and up/9.00% +</td>
</tr>
<tr>
<td>Minneapolis</td>
<td>6.50-6.65%/6.35-6.65%</td>
<td>7.35-8.00%/7.35-8.00%</td>
<td>8.00-9.00%/8.00-9.00%</td>
</tr>
<tr>
<td>Nashville</td>
<td>6.50-7.00%/6.50-7.00%</td>
<td>7.00-7.50%/7.00-7.50%</td>
<td>7.25-8.25%/7.25-8.25%</td>
</tr>
<tr>
<td>New York*</td>
<td>6.50-7.00%/5.50-5.50%</td>
<td>6.75-7.25%/5.50-6.25%</td>
<td>7.50-8.00%/6.50-8.00%</td>
</tr>
<tr>
<td>Orange County</td>
<td>6.25-7.65%/6.00-6.50%</td>
<td>6.75-7.50%/6.50-7.25%</td>
<td>7.50-8.25%/7.25-7.75%</td>
</tr>
<tr>
<td>Orlando</td>
<td>6.75-7.00%/6.50-7.00%</td>
<td>7.25-7.75%/7.00-7.50%</td>
<td>7.50-8.00%/7.50-8.00%</td>
</tr>
<tr>
<td>Philadelphia</td>
<td>6.50-7.65%/6.50-6.75%</td>
<td>7.00-7.50%/7.00-7.50%</td>
<td>7.50-8.00%/7.50-8.00%</td>
</tr>
<tr>
<td>Phoenix</td>
<td>6.75-7.25%/7.00-7.50%</td>
<td>7.25-7.75%/7.50-8.00%</td>
<td>8.00-9.00%/8.00-9.00%</td>
</tr>
<tr>
<td>Portland</td>
<td>6.25-6.50%/6.50-7.00%</td>
<td>6.50-7.00%/6.50-7.00%</td>
<td>7.00-7.50%/7.00-7.50%</td>
</tr>
<tr>
<td>Raleigh</td>
<td>7.00-7.50%/6.25-7.00%</td>
<td>7.25-7.75%/6.50-7.50%</td>
<td>8.00-10.00%/7.50-10.00%</td>
</tr>
<tr>
<td>Sacramento</td>
<td>6.25-6.75%/6.50-7.00%</td>
<td>6.50-7.25%/6.75-7.50%</td>
<td>7.25-8.25%/7.50-8.50%</td>
</tr>
<tr>
<td>Salt Lake City</td>
<td>6.75-7.25%/7.25-7.50%</td>
<td>7.25-7.75%/7.50-8.00%</td>
<td>7.75-8.25%/7.75-8.50%</td>
</tr>
<tr>
<td>San Diego</td>
<td>6.25-7.65%/6.25-6.75%</td>
<td>6.50-7.00%/6.50-7.00%</td>
<td>7.00-7.50%/7.00-7.50%</td>
</tr>
<tr>
<td>San Francisco</td>
<td>6.25-6.75%/6.25-6.75%</td>
<td>6.50-7.25%/6.50-7.25%</td>
<td>7.00-8.00%/7.00-8.00%</td>
</tr>
<tr>
<td>Seattle</td>
<td>6.25-7.00%/6.25-7.00%</td>
<td>7.00-7.50%/7.00-7.50%</td>
<td>8.00-8.50%/8.00-8.50%</td>
</tr>
<tr>
<td>St Louis</td>
<td>6.50-7.00%/6.25-7.00%</td>
<td>7.50-8.00%/7.00-7.75%</td>
<td>8.50-10.50%/7.50-10.00%</td>
</tr>
<tr>
<td>Tampa</td>
<td>6.75-7.25%/6.50-7.00%</td>
<td>7.50-8.00%/7.50-8.00%</td>
<td>8.00-9.00%/8.00-9.00%</td>
</tr>
<tr>
<td>Washington, DC/Baltimore</td>
<td>6.25-6.65%/6.25-6.65%</td>
<td>6.70-7.10%/6.65-7.10%</td>
<td>7.50-8.50%/7.50-9.25%</td>
</tr>
</tbody>
</table>

The cap rates are based on an estimated NOI derived by annualizing the last 90 days of revenue and subtracting what buyers would estimate as stabilized, year one expenses after adjustments for real estate taxes and reserves. Actual cap rates within each asset class will vary, occasionally outside of the stated ranges, based on asset/location quality and property-specific opportunities for NOI enhancement.

*NYC Cap Rate for the value-add category is applicable for assets with at least 50% of units subject to rent stabilization.
CBRE CAPITAL MARKETS MILESTONES

Capital Markets

#1 Top Broker Ranked (Overall/Apartment/Retail/Industrial)
REAL CAPITAL ANALYTICS

#1 Top Brokerage Firm
REAL ESTATE ALERT

#1 Brokerage and Capital Markets Firm
REAL ESTATE FORUM

#1 Firm for Multi-housing/Retail/Industrial Loan Originations
MORTGAGE BANKERS ASSOCIATION

#2 Ranked Among All Commercial Mortgage Loan Intermediaries
2007 MORTGAGE BANKERS ASSOCIATION ANNUAL RANKINGS

Company-Wide

World’s Most Powerful Brokerage Firm
COMMERCIAL PROPERTY NEWS

U.S. EPA 2008 & 2009
Energy Star Partner of the Year
U.S. ENVIRONMENTAL PROTECTION AGENCY

Companies That Care Honor Roll
CENTER FOR THE COMPANIES THAT CARE

First Commercial Real Estate Firm Included in Fortune 500
FORTUNE

2009 Roster of Most Admired Companies in the U.S.
FORTUNE

2008 SNAPSHOT

Nearly $36 billion in U.S. capital markets transactions in 2008

Over $7 billion in multi-housing sales in 2008

Over $4 billion in multi-housing financing in 2008

National network of 300 multi-housing professionals in every U.S. market

Over $3 billion in GSE production in 2008 (Fannie Mae DUS and Freddie Mac Seller/Servicer Programs)

Over $86 billion in multi-housing sales since 2000

CBRE Capital Markets Activity Levels

2008 U.S. INVESTMENT SALES ($ in billions)

- **% of dollar volume ($26 billion)**
  - 27% ($7.0B)
  - 18% ($4.8B)
  - 8% ($2.0B)
  - 45% ($11.8B)
  - 2% ($0.4B)

- **% of transactions (1,249)**
  - 33% (408)
  - 24% (304)
  - 26% (320)
  - 14% (179)
  - 8% (38)

2008 DEBT AND EQUITY FINANCE

- **% of dollar volume ($10.2 Billion)**
  - 42% ($4.3B)
  - 23% ($2.3B)
  - 15% ($1.5B)
  - 10% ($1.0B)
  - 3% ($0.3B)
  - 8% ($0.8B)

- **% of transactions (642)**
  - 43% (275)
  - 17% (107)
  - 17% (108)
  - 12% (79)
  - 10% (61)
  - 2% (12)
CBRE’s Multi-Housing Group offers multi-housing owners and investors the industry’s best real estate advisory services. The group’s national network of more than 300 professionals is dedicated solely to the multi-housing sector in every major United States market.

The Multi-Housing Group’s partnership under CBRE Capital Markets affords financing options synchronous with each transaction’s requirements. In addition, each client has comprehensive access to CBRE’s globally dominant and industry-leading real estate services.

By offering unparalleled access to both private and institutional investment capital, including 1031 exchange investors, the Multi-Housing Group is equally adept at transacting a single, local-market asset as a sophisticated, multi-location portfolio.

The Multi-Housing Group offers expertise in specialized apartment transactions as well as access to expanded services offered by CBRE’s global real estate services platform.

ABOUT CBRE’S MULTI-HOUSING GROUP
The international presence of CBRE is undeniable. As a result of technology-supported information sharing and dedicated global leadership, clients have access to global capital and intelligence through the Company’s international offices.

In 2007, this collaboration resulted in significant global activity of just under $180 billion including user sales.

CB Richard Ellis offers strategic advice and execution for residential and multi-housing assignments worldwide. As the global leader in real estate services, our residential platform dominates the industry across all disciplines:

• Asset acquisition and disposition
• Access to international capital, investors and owners
• Market positioning advice
• Development and project marketing consultancy services
• Overseas marketing
• After-sales services
• Corporate residential portfolio management

Multi-Housing and Residential Services Coverage Worldwide
SELECT CBRE TRANSACTION HIGHLIGHTS

SUNWEST MANAGEMENT INDEPENDENT & ASSISTED LIVING PORTFOLIO
AL, AZ, CA, CO, NC, OR, SC, TN, TX, WA & WY
Jan-09
$364,250,000

AUSTIN 9 PORTFOLIO
Austin, TX
Aug-08
$270,000,000

WESTCHESTER WEST
Silver Springs, MD
Dec-08
$49,500,000

AVALON WALK
Hamden, CT
Aug-08
$124,000,000

DEER VALLEY VILLAGE I & II
Phoenix, AZ
Apr-08
$85,200,000

DELANCEY
Arlington, VA
Mar-08
$85,000,000
AVALON AT BLOSSOM HILL
San Jose, CA
Sep-08
$84,000,000

PEGASUS APARTMENTS
Los Angeles, CA
Aug-08
$78,000,000 Fixed Rate Financing

PRADO AT LAGUNA HILLS
Laguna Hills, CA
May-08
$77,000,000

AVALONBAY (WYNHAVEN)
Issaquah, WA
Apr-08
$66,250,000

ROSEMEADE
Roseville, CA
Jul-08
$63,500,000

CENTURY
Cockeysville, MD
Nov-08
$52,000,000
CBRE Torto Wheaton Research (CBRE TWR), an independent research firm owned by CB Richard Ellis, the world’s largest real estate services company, provides best-in-class research, data, analytical tools and advisory services to its clients.

Leveraging over 25 years of real estate experience, CBRE TWR offers services to clients who understand that superior market and investment knowledge translates to maximum investment returns. CBRE TWR has earned international recognition with its highly rigorous and reliable forecasting models, a proven record of accomplishment and sophisticated analytical expertise. CBRE TWR’s fee-based services are customized to each firm’s needs that range from individual asset research to market targeting and portfolio-level support. The range of strategy services provided by CBRE TWR includes:

- Serving as the real estate research department for firms requiring customized research expertise;
- Using tools tied to market portfolio theory to help quantify risk and return outlooks for various portfolio allocation strategies;
- Assessing market performance for specific assets – new acquisitions or managed properties;
- Providing ongoing insight into the real estate investment environment;
- Working with executive teams on strategic initiatives;
- Assisting in market selection or targeting for new and existing funds/portfolios; and
- Monitoring market conditions specific to existing portfolios or in support of new funds.

Our rigorous approach to modeling, forecasting and investment strategy, combined with the transactional knowledge and the local-market expertise of CBRE, underscores an unmatched research platform. The dedicated team leverages its data and this research platform to provide directional advice, insightful decision-making and enhanced investment performance. The core client base for strategy services includes institutional advisors, plan sponsors, opportunity fund managers and insurance companies.

www.tortowheatonresearch.com
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