



The State of the Commercial Real Estate Industry: **Q1 2011 Multi-Family Review & Outlook**

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Today

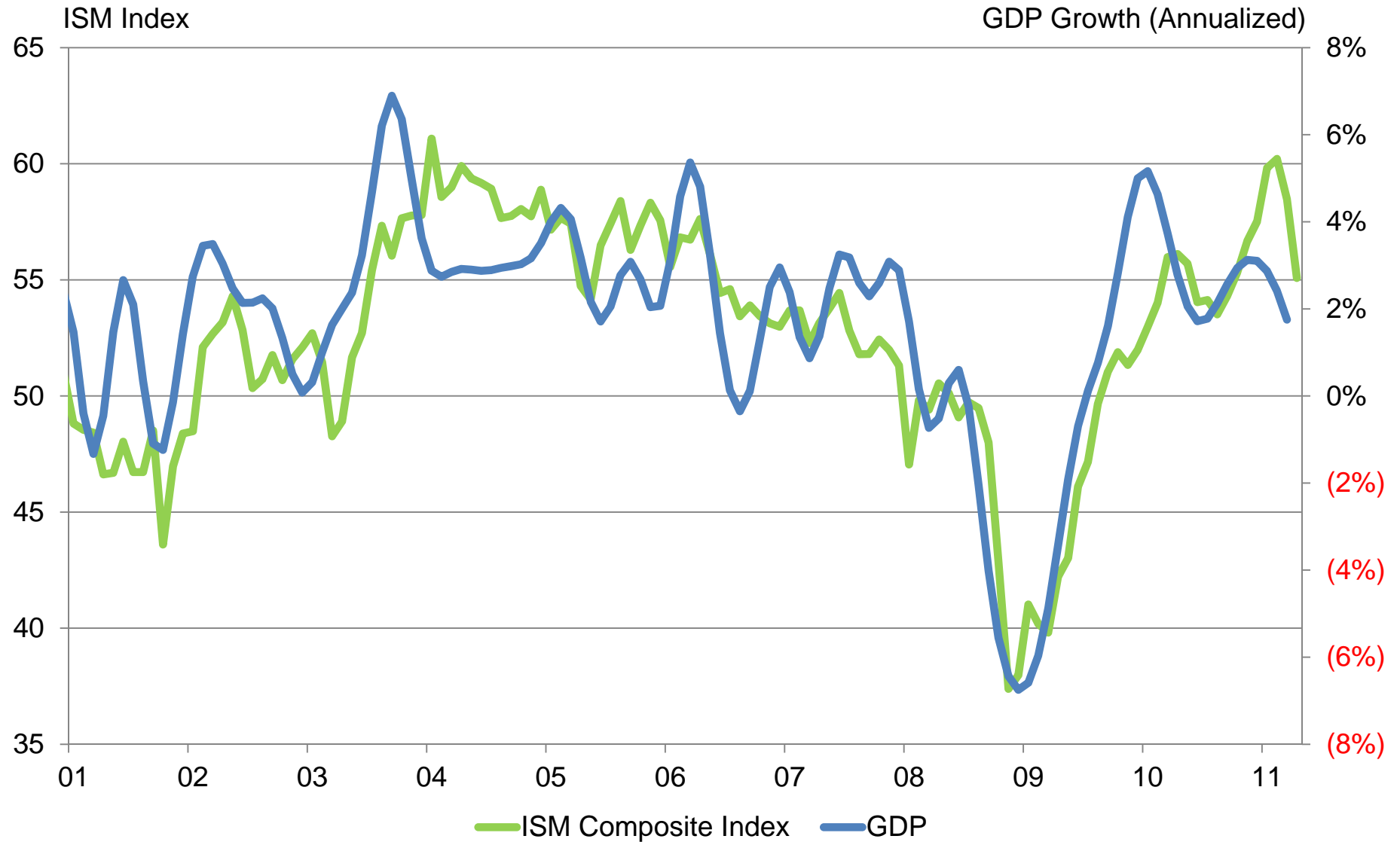
- Economy
- Leasing Fundamentals
- Capital Markets
- Sales Trends
- Summary and Q&A



Economy

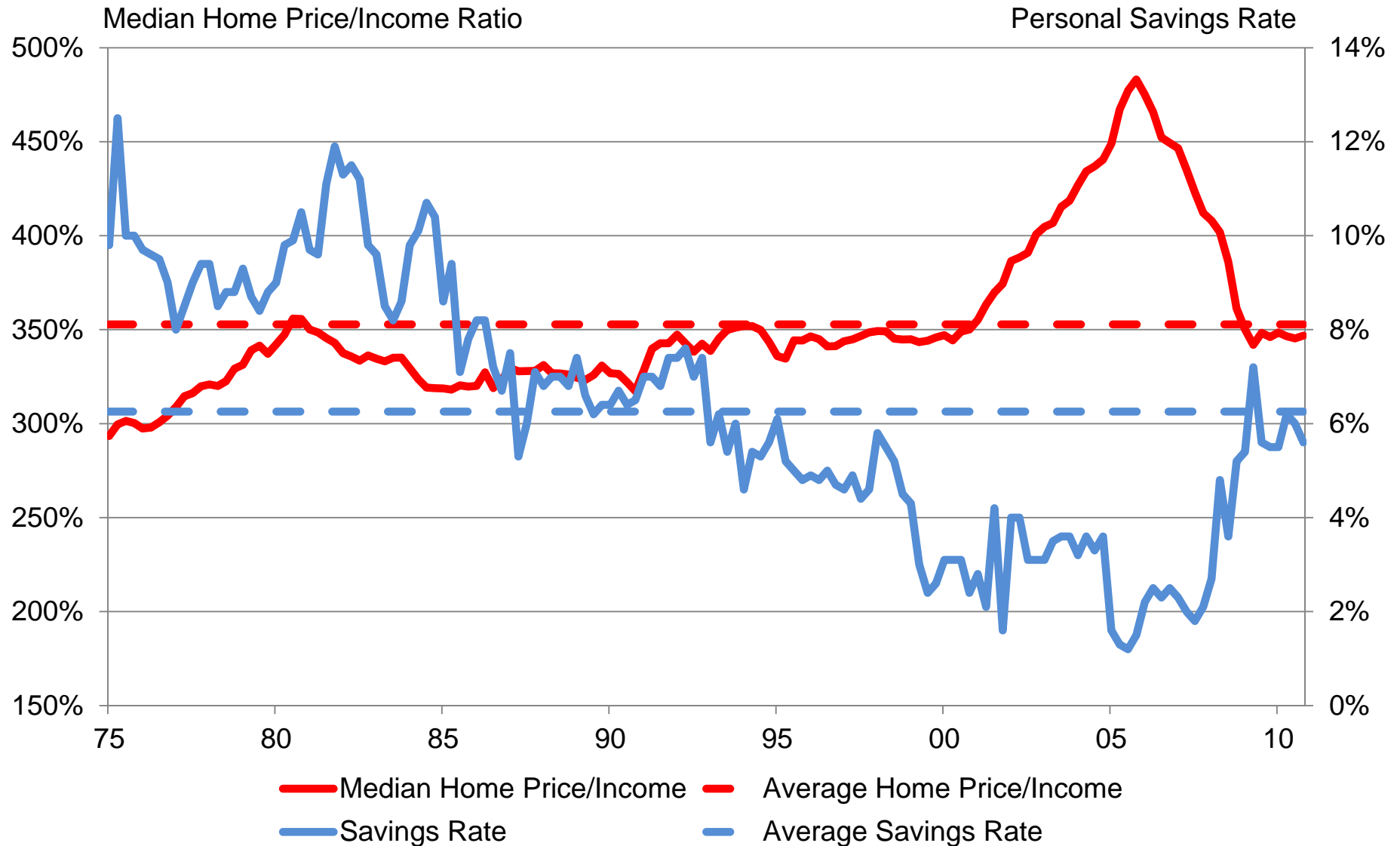


The Expansion Has Recently Cooled



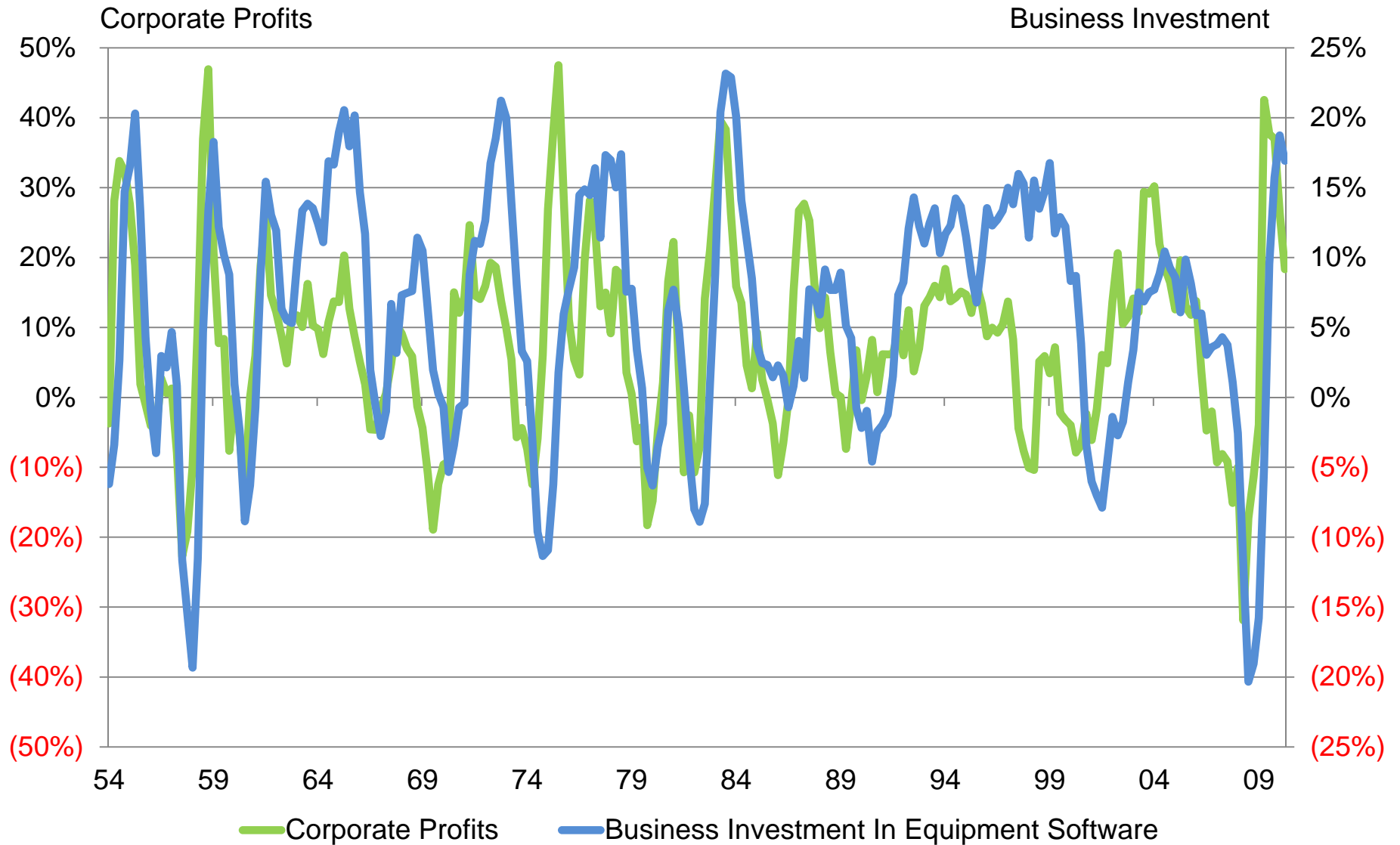


Imbalances Have Been Purged



Sources: BEA; Moody's Analytics

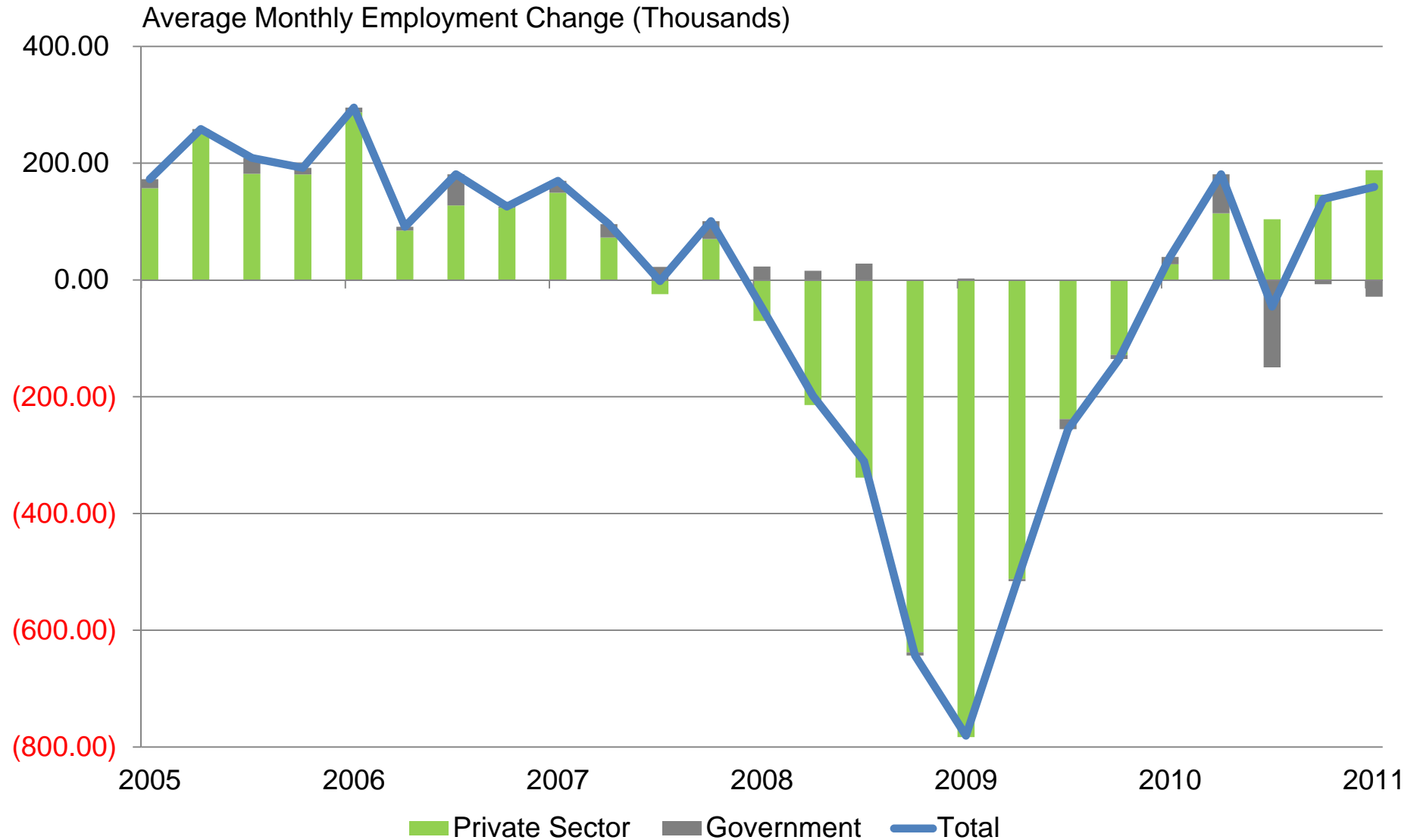
Strong Earnings are Supporting Business Investment



Sources: Federal Reserve; BEA



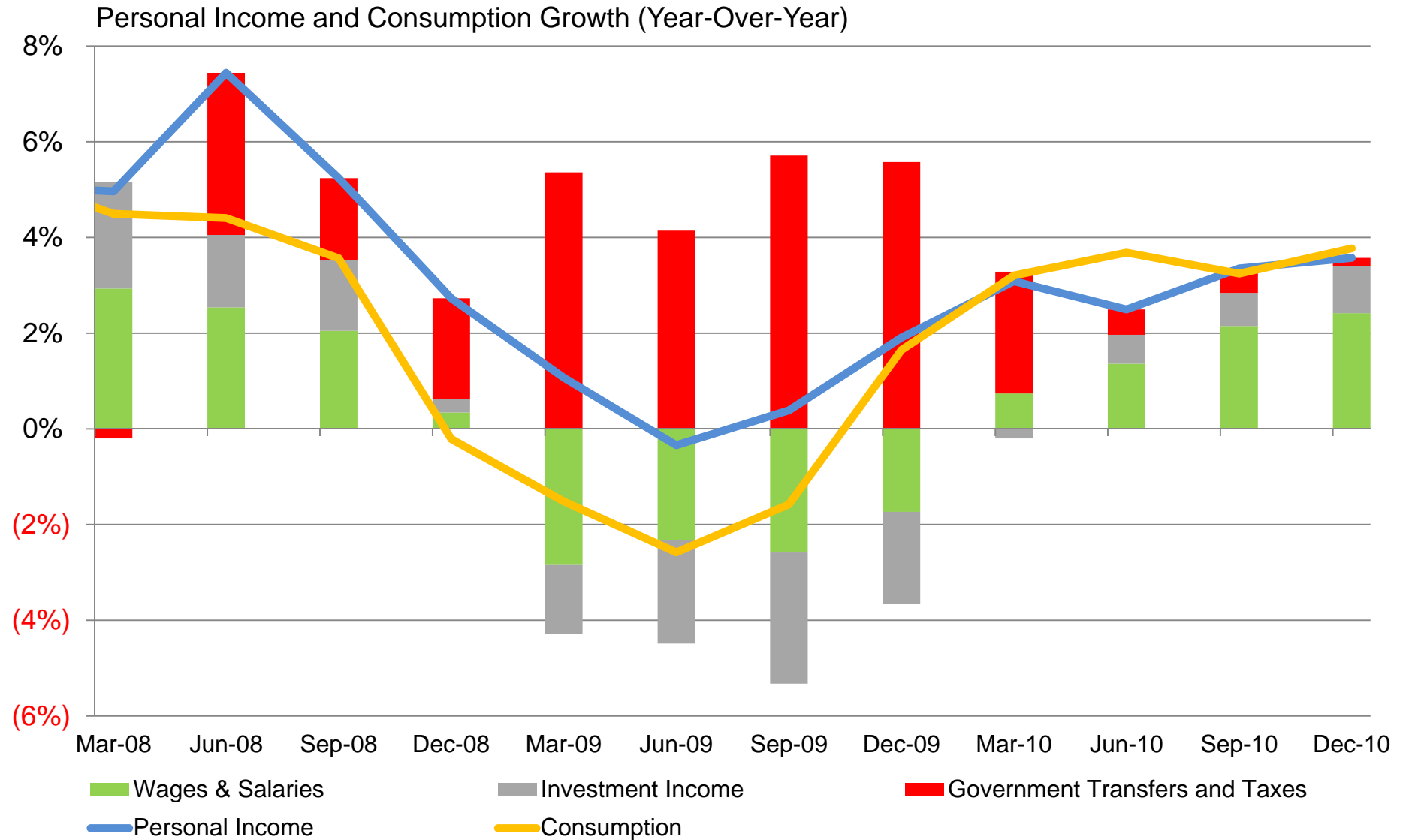
Job Creation Has Kicked Into Gear



Source: BLS



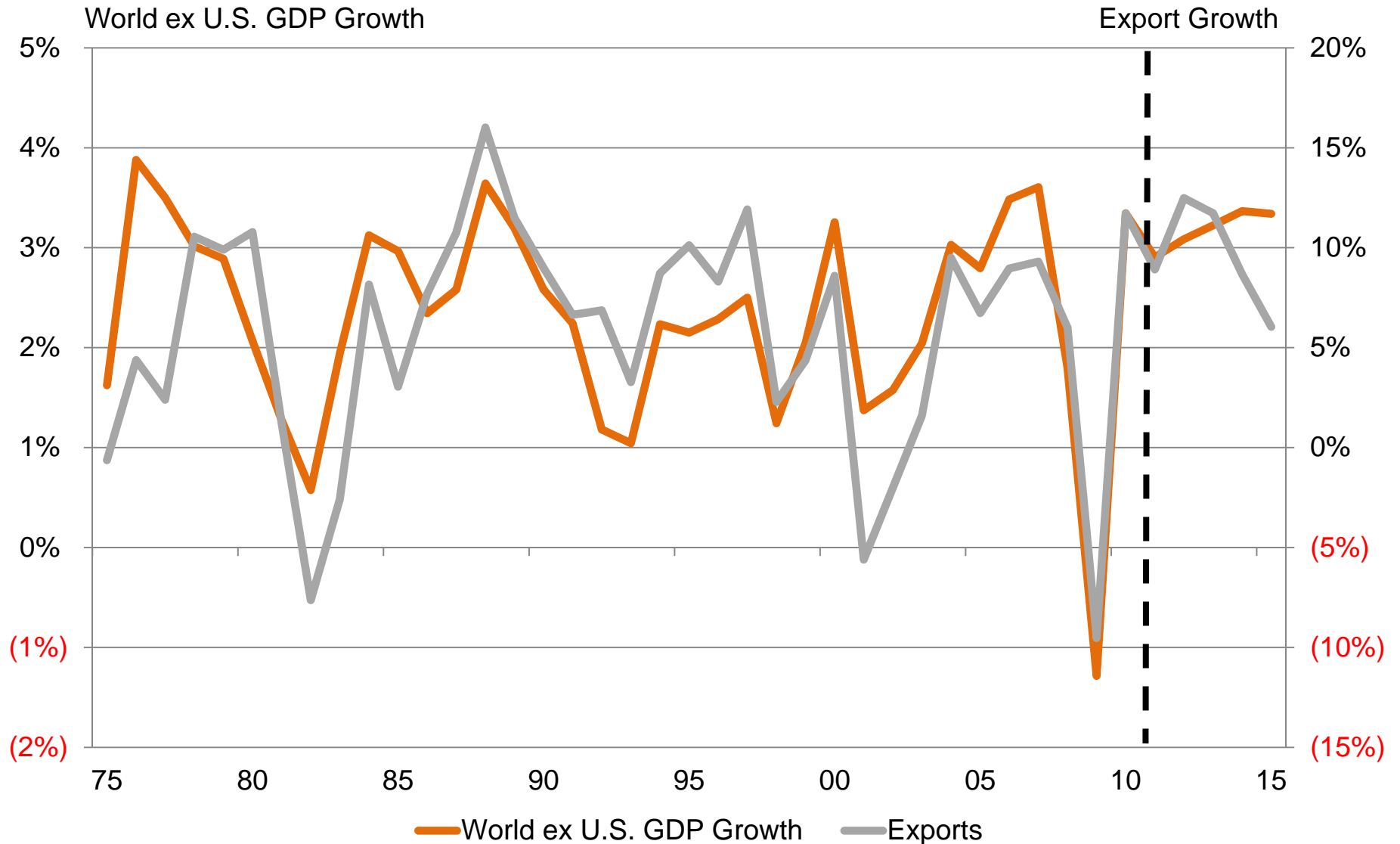
Wages Are Replacing Handouts



Source: BEA



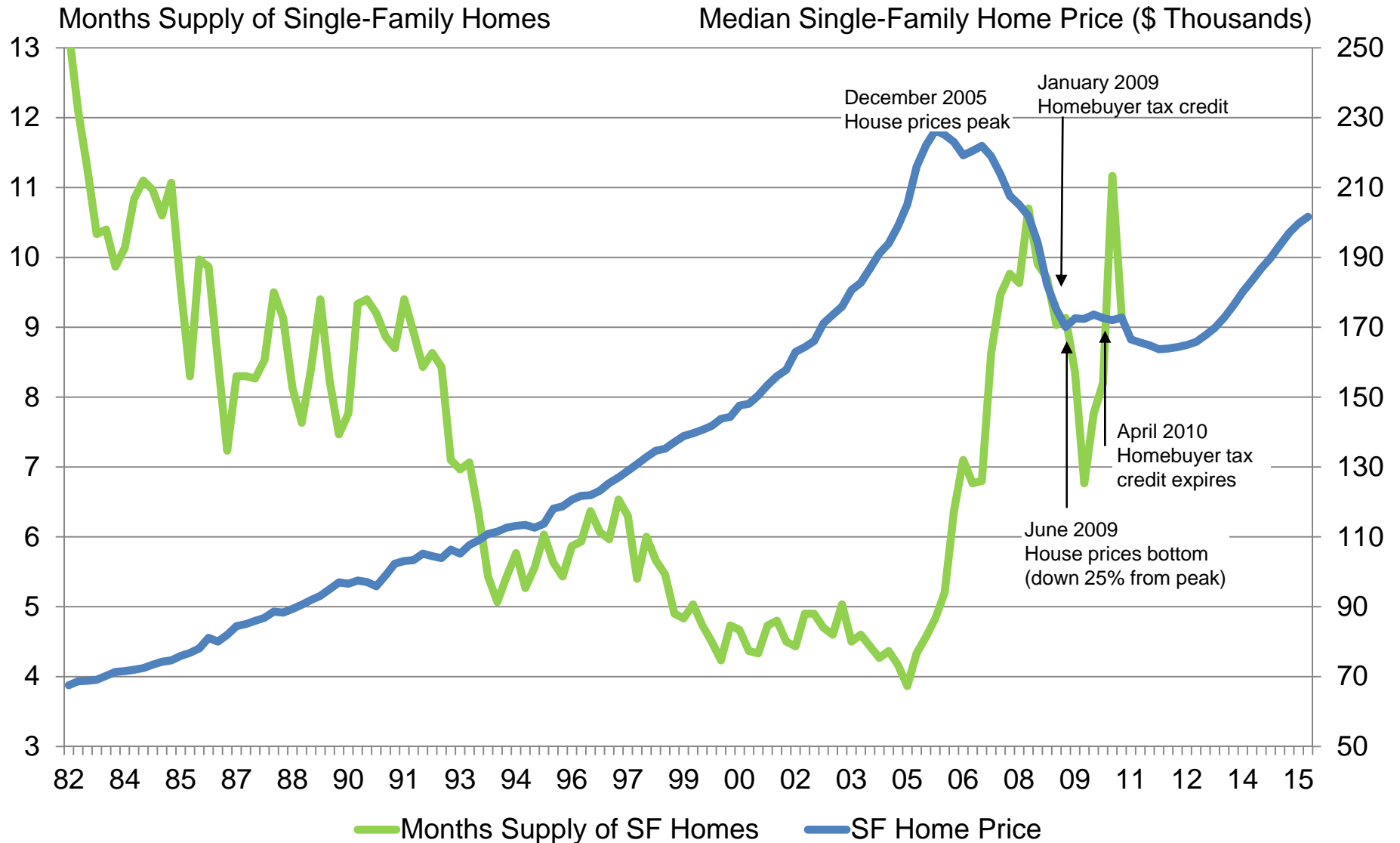
Global Growth is Driving Exports



Sources: BEA; Global Insight; Moody's Analytics

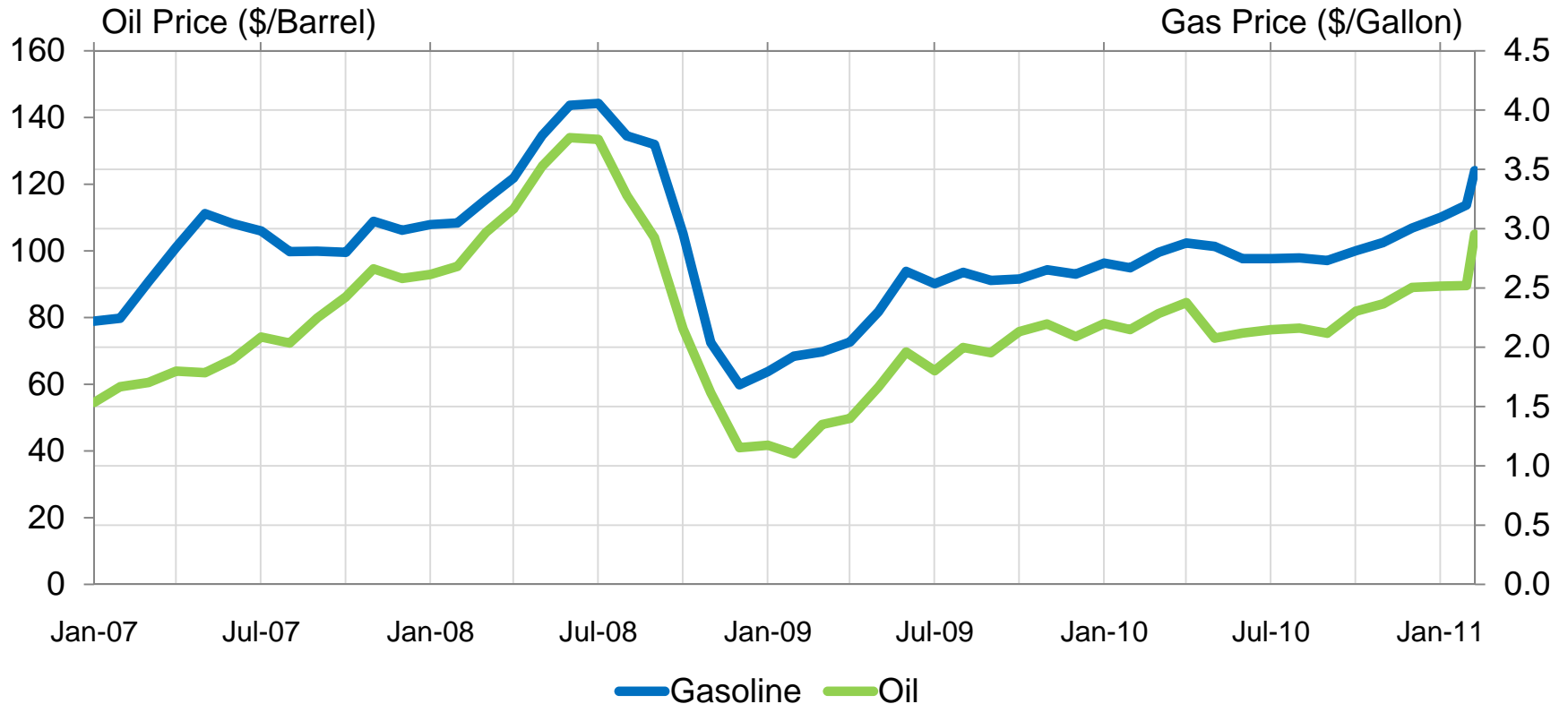


A Double Dip In Housing



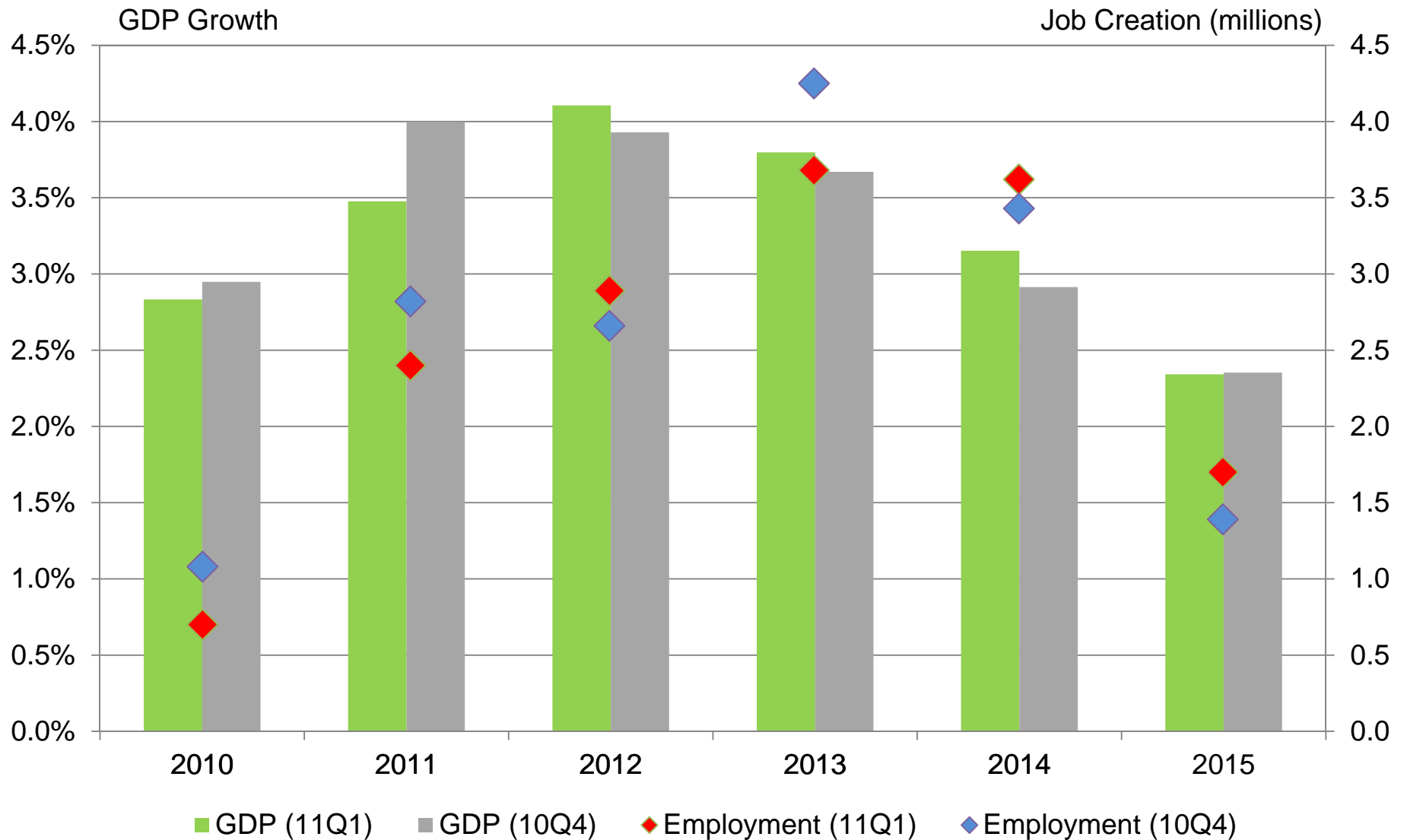


An Oil Shock is a Bigger Downside Risk



Oil Price	GDP Growth Impact	2011 GDP Growth	2011 Job Creation (Millions)
90	0.0%	3.7%	2.7
105	(0.3%)	3.4%	2.0
120	(0.7%)	3.0%	1.4
140	(1.1%)	2.6%	0.6

The Near-Term Outlook Has Dimmed Slightly

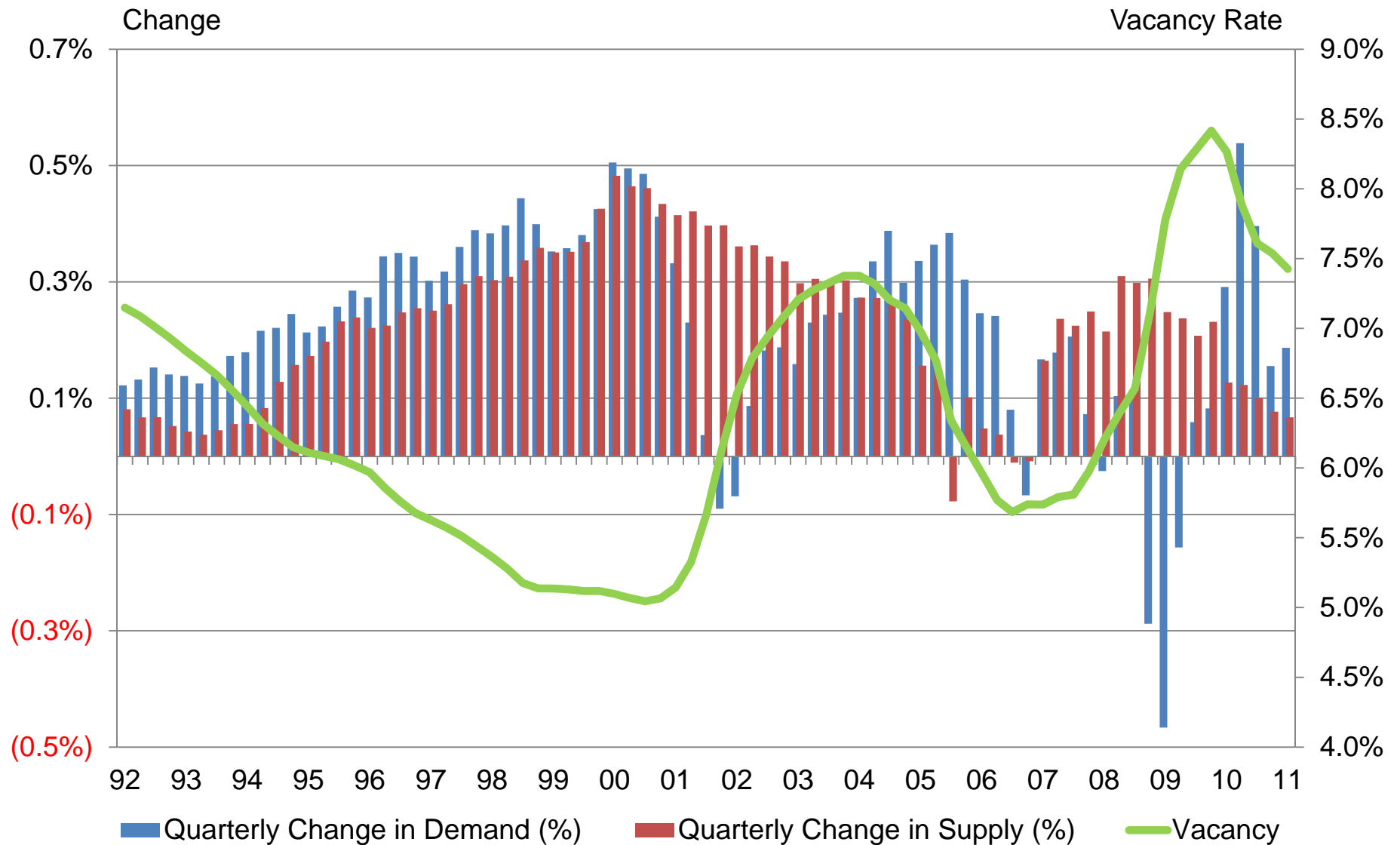


Sources: Moody's Analytics

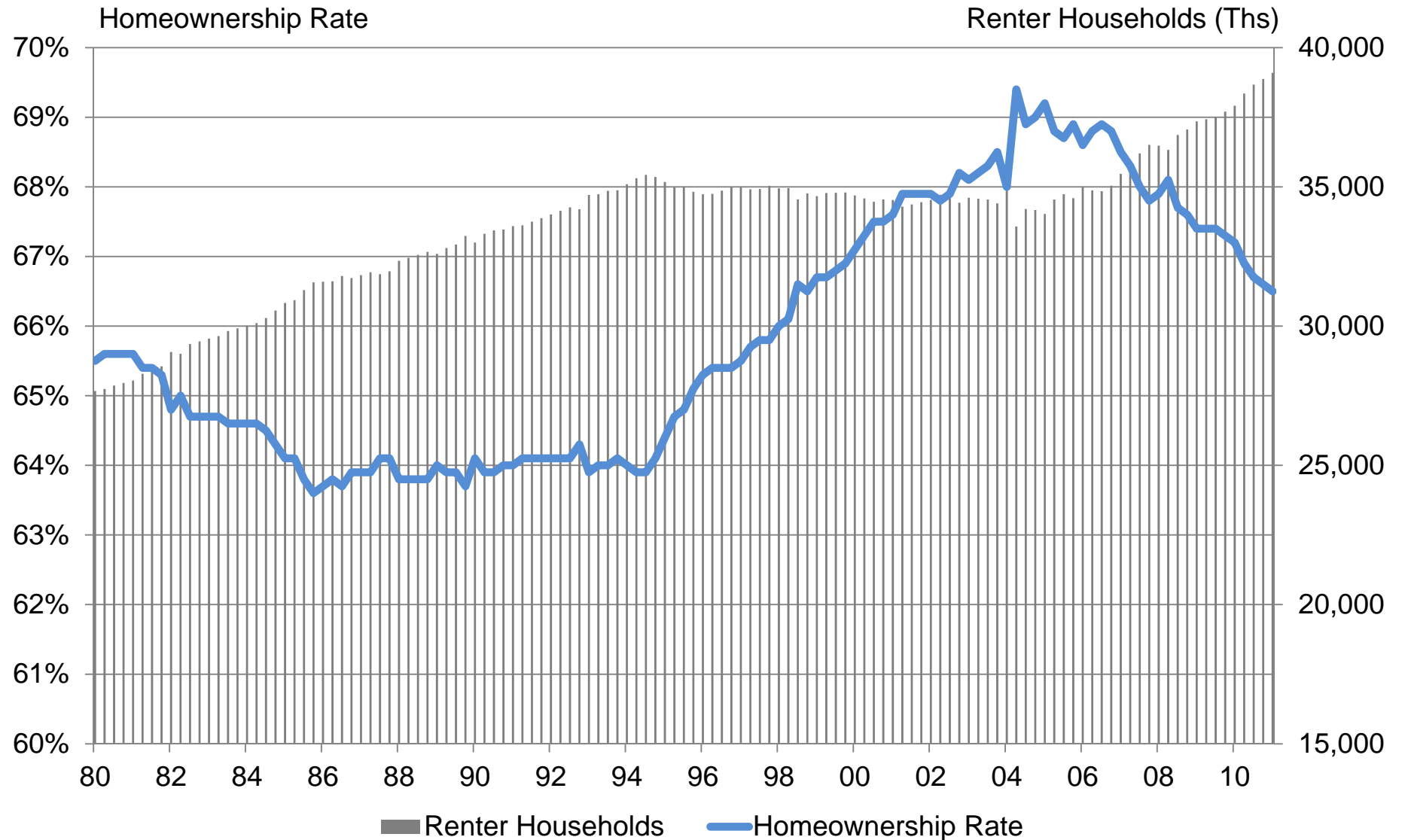


Leasing Fundamentals

Nationally, 2011 Off To A Positive (Albeit Less Robust...) Start



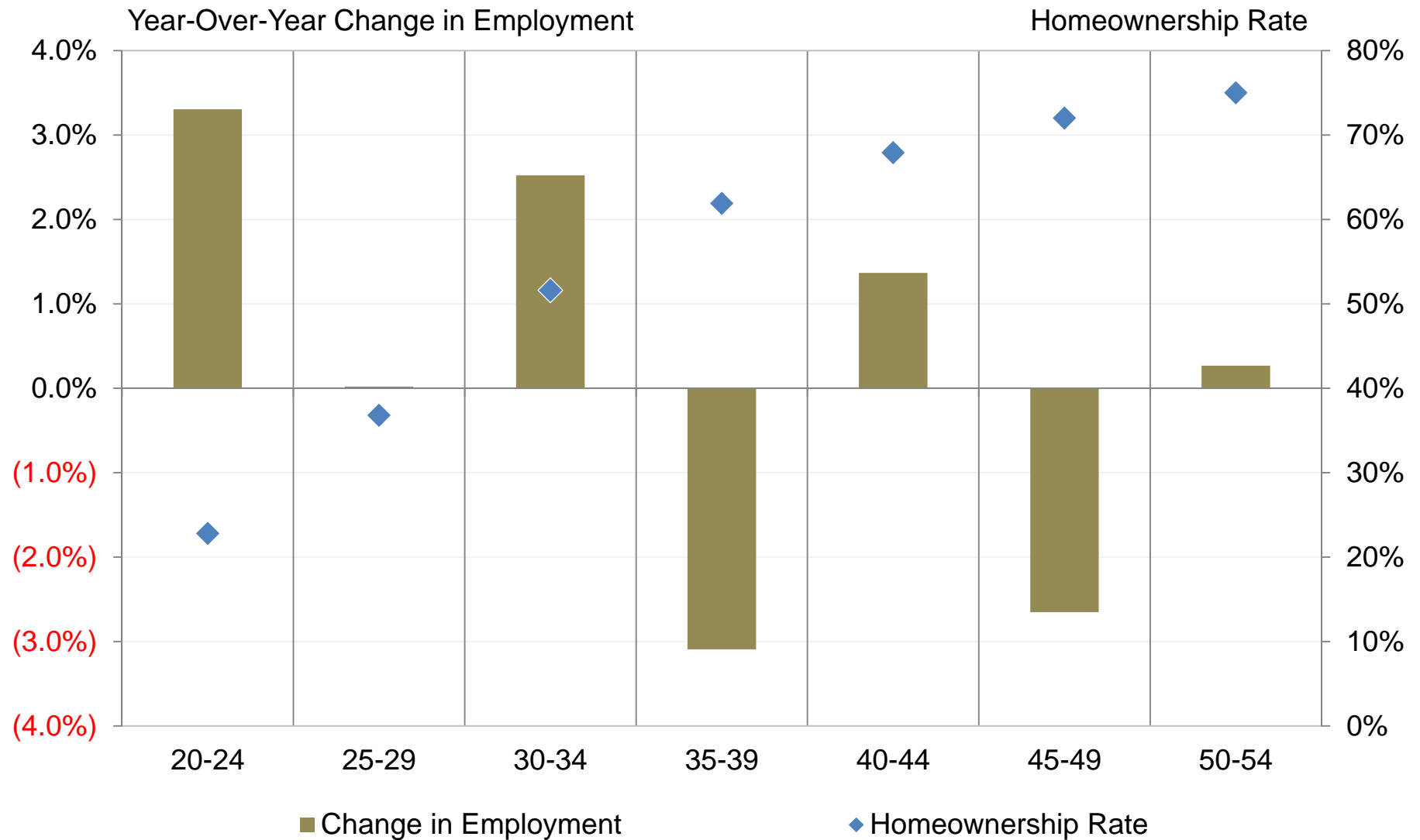
Homeownership Continues To Decline



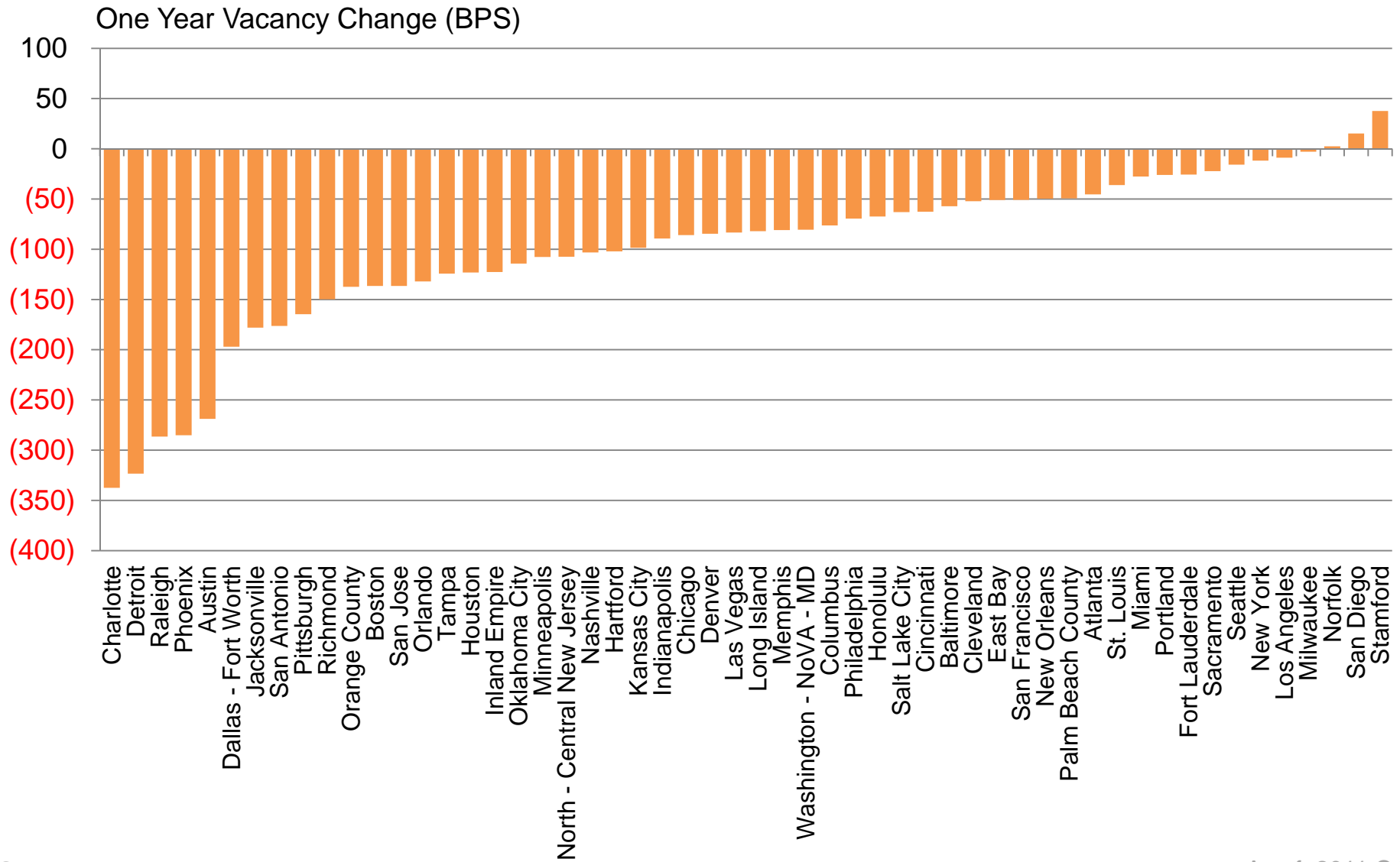
Source: Moody's Analytics; U.S. Census

As of: 2011 Q1

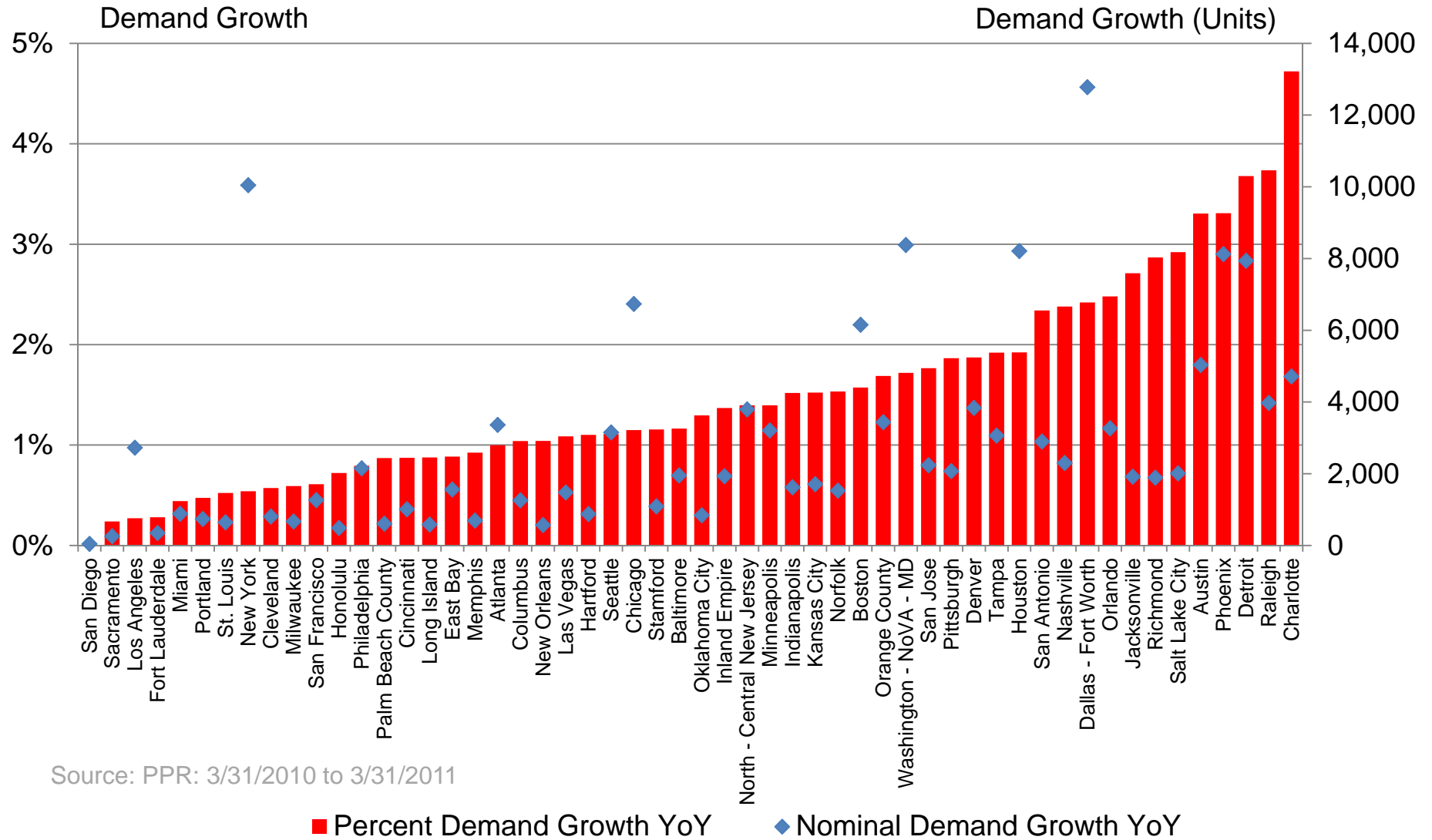
Young (Renters) Are Snatching Up The Jobs That Are Available



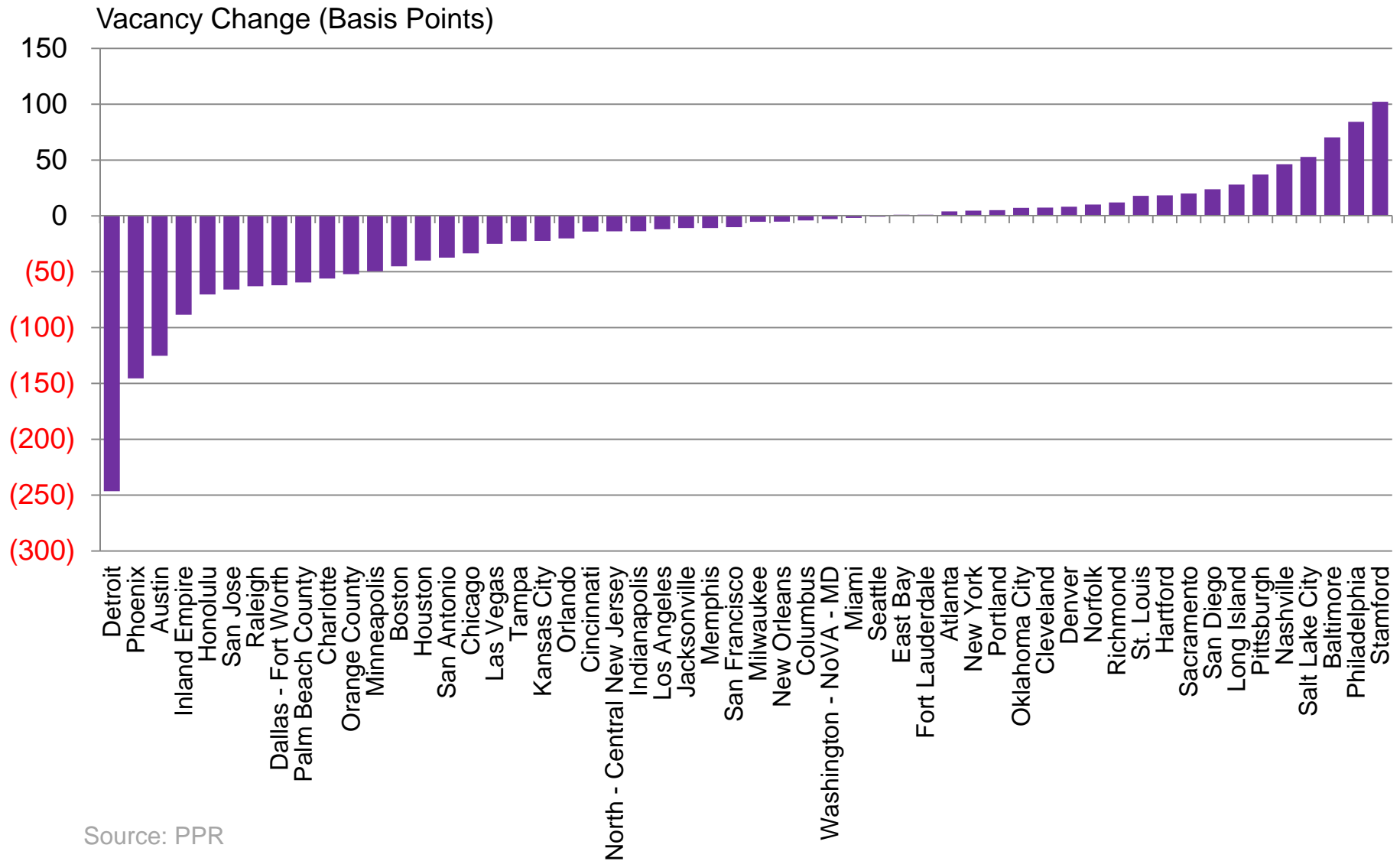
High Growth Metros Have Led The Recovery (Note Detroit Though!)



Leaders And Laggards Over The Past Year

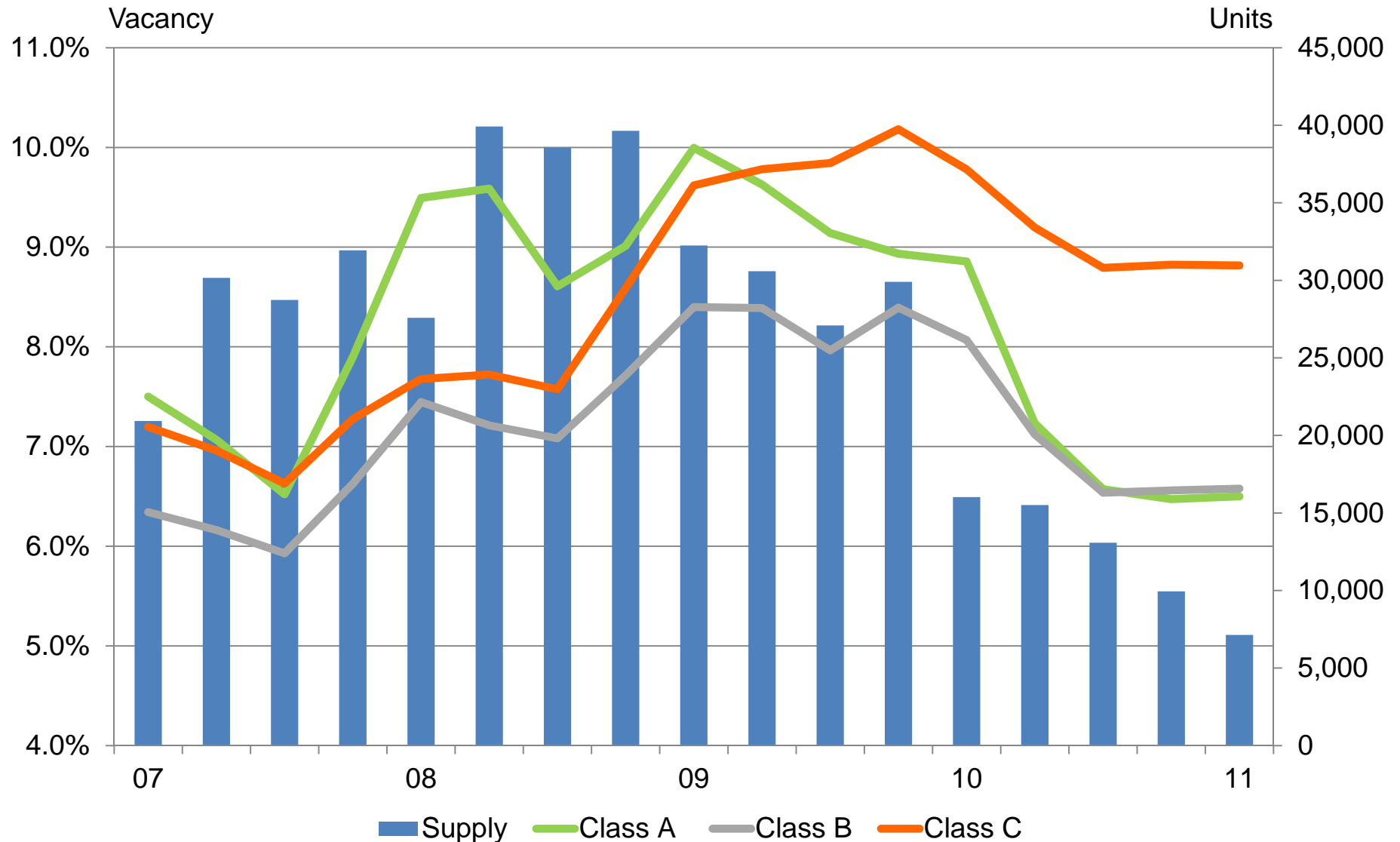


Last Two Quarters Viewed In Isolation – A Bit Less Exciting For Landlords



Source: PPR

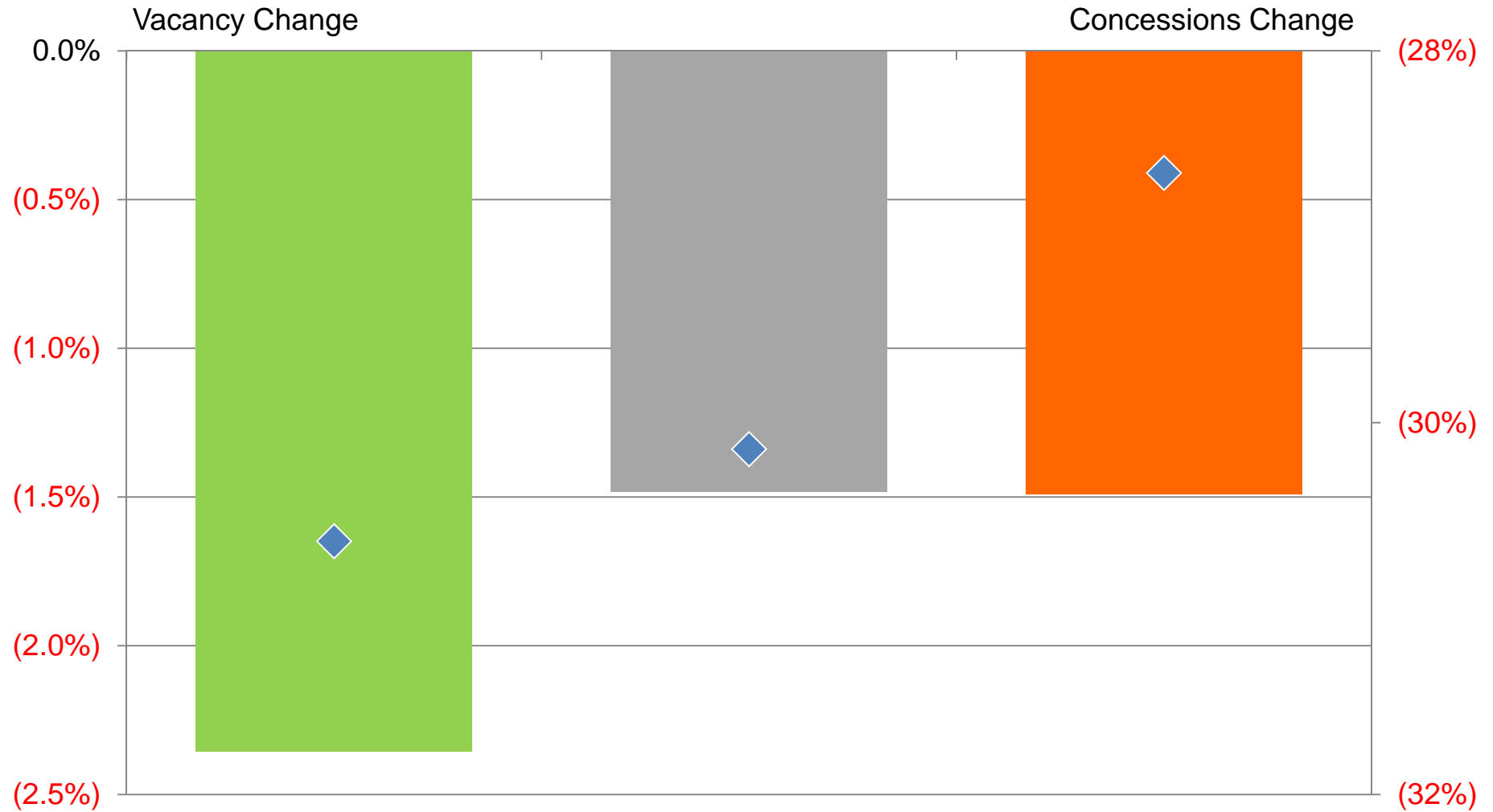
Minimal Supply Propels Recovery For High Quality Product



Source: PPR; Axiometrics

As of: 2011 Q1

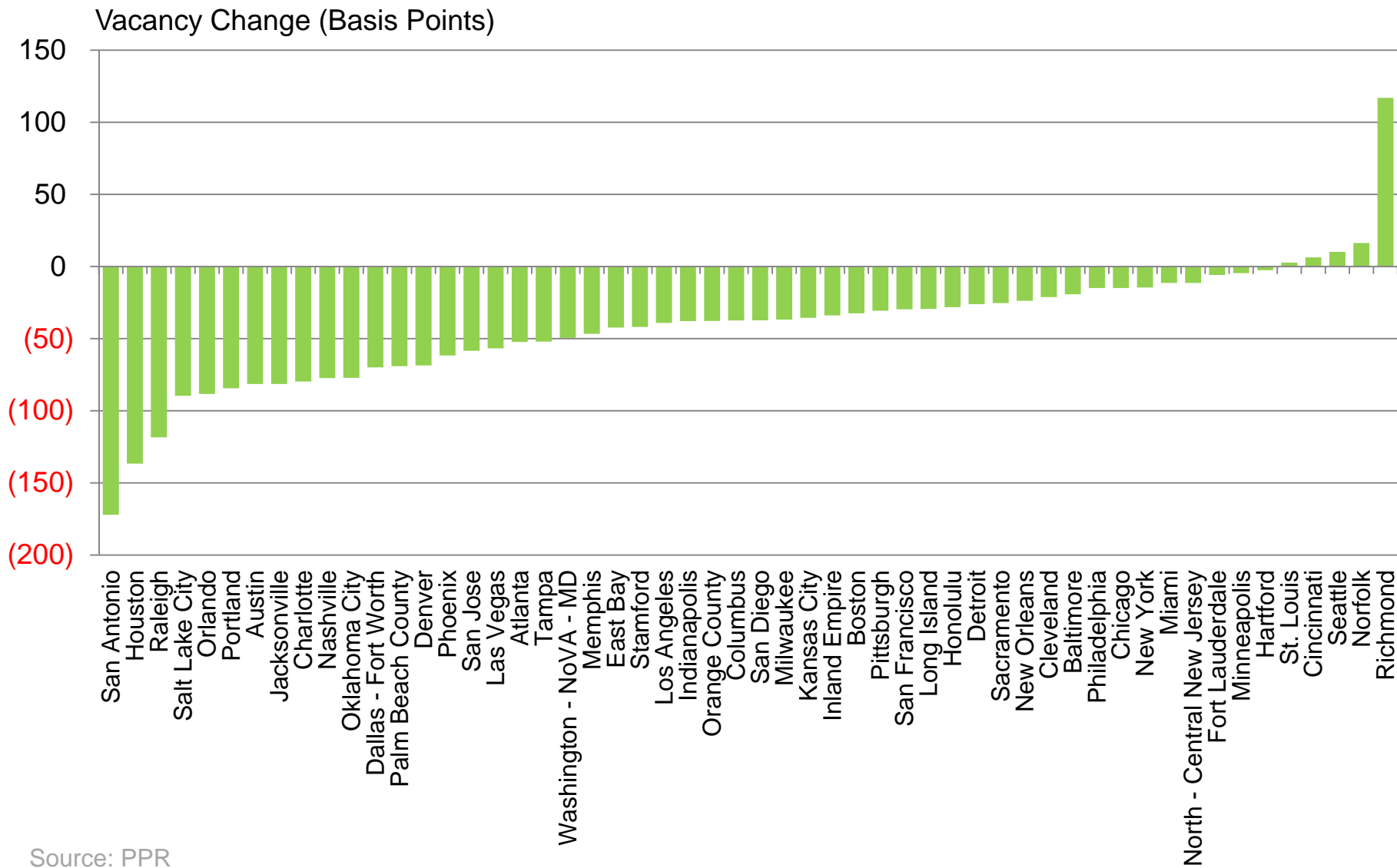
Landlords Easing Back On Concessions For Class A/B Product



Source: PPR; Axiometrics

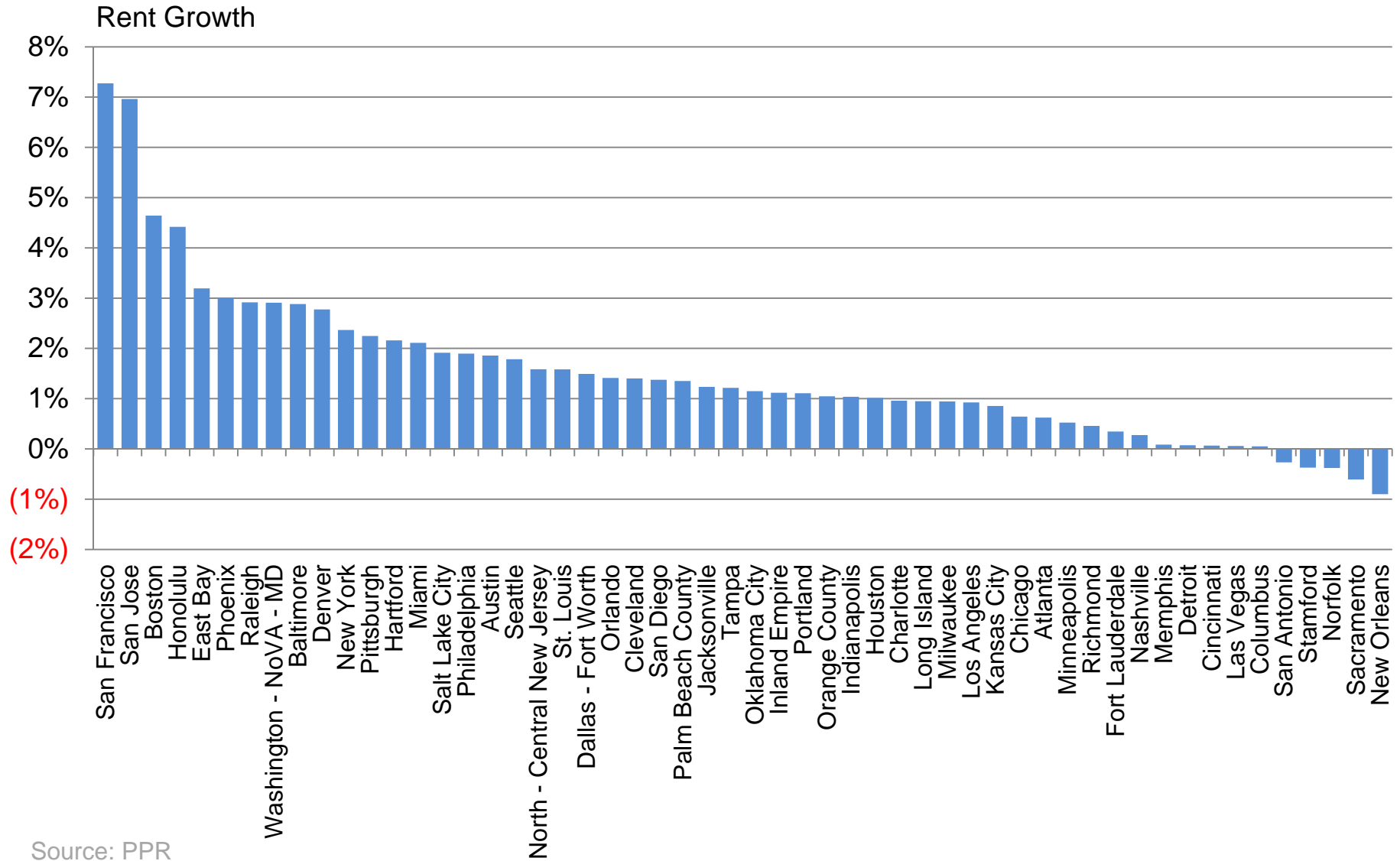
■ Year-Over-Year Change in Vacancy ◆ Year-Over-Year Change in Average Concessions

Most Metros Will See Vacancies Drop Over The Next Three Quarters



Source: PPR

Asking Rent Growth For CY'11 – Look At The Pop In The Bay Area



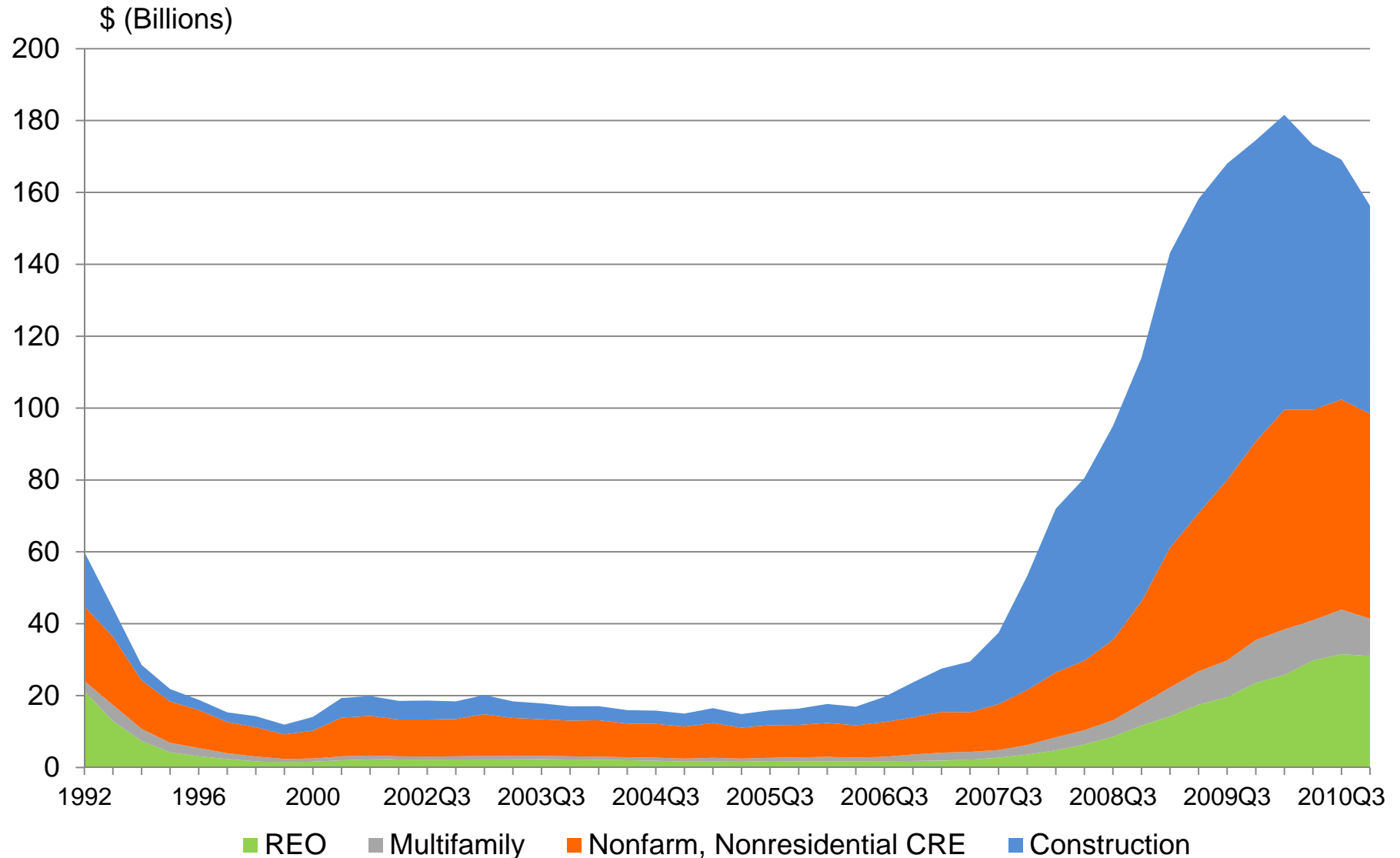


Capital Markets



More Distress Is Coming

Bank CRE Portfolio Delinquent Loans



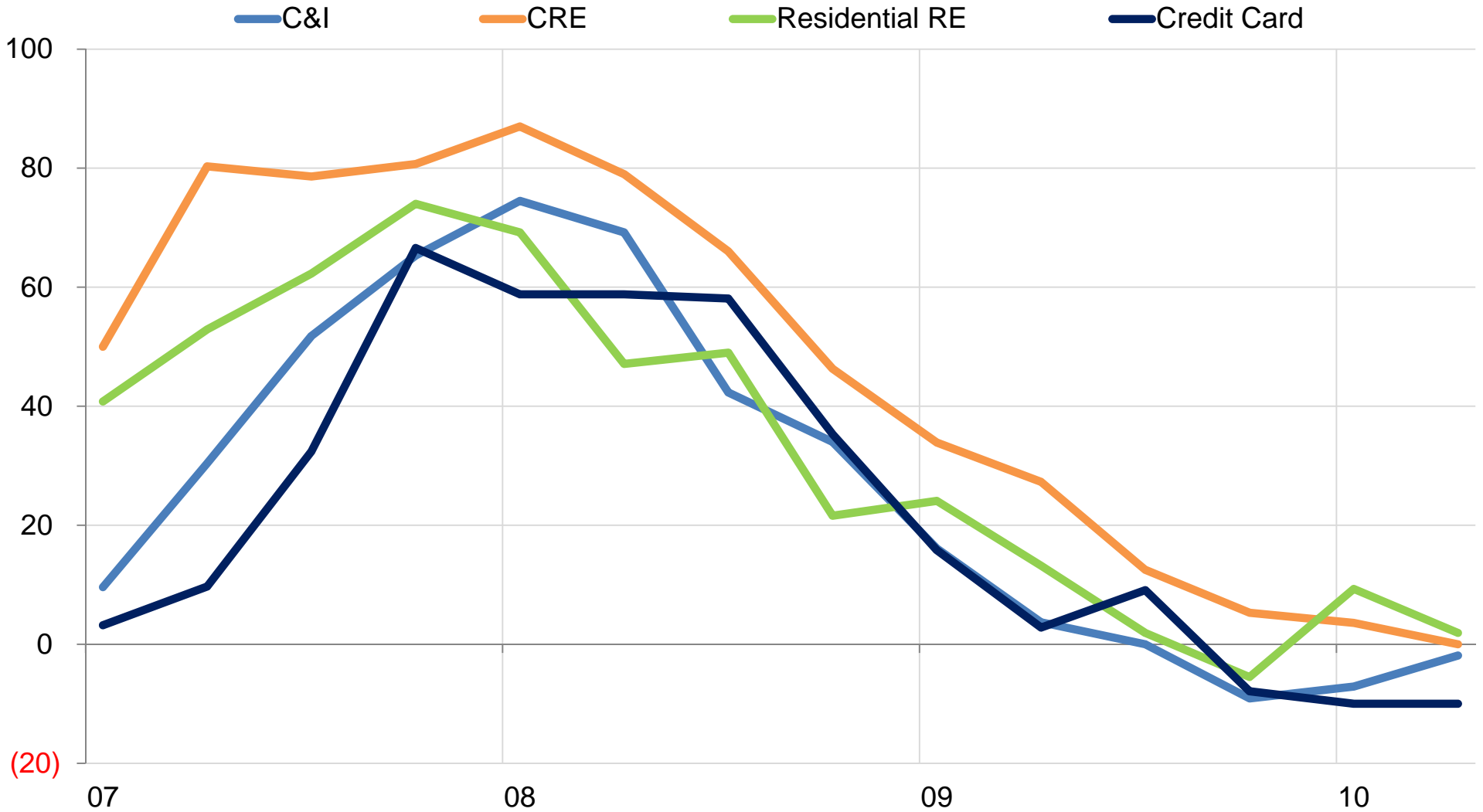
Source: PPR

As of: 2011 Q1



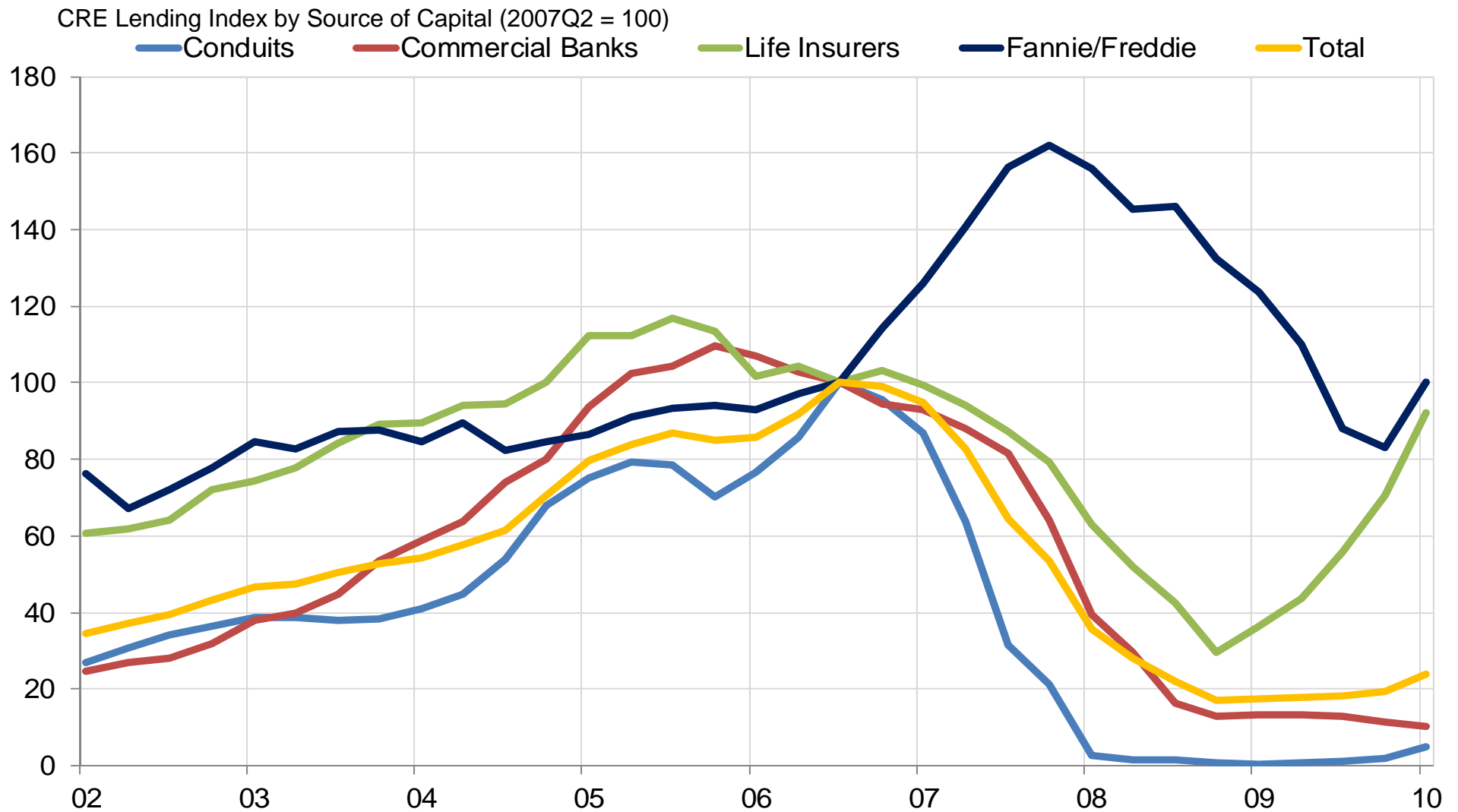
Banks Are Loosening Up

Federal Reserve Loan Officer Survey Net % Of Respondents Tightening Standards





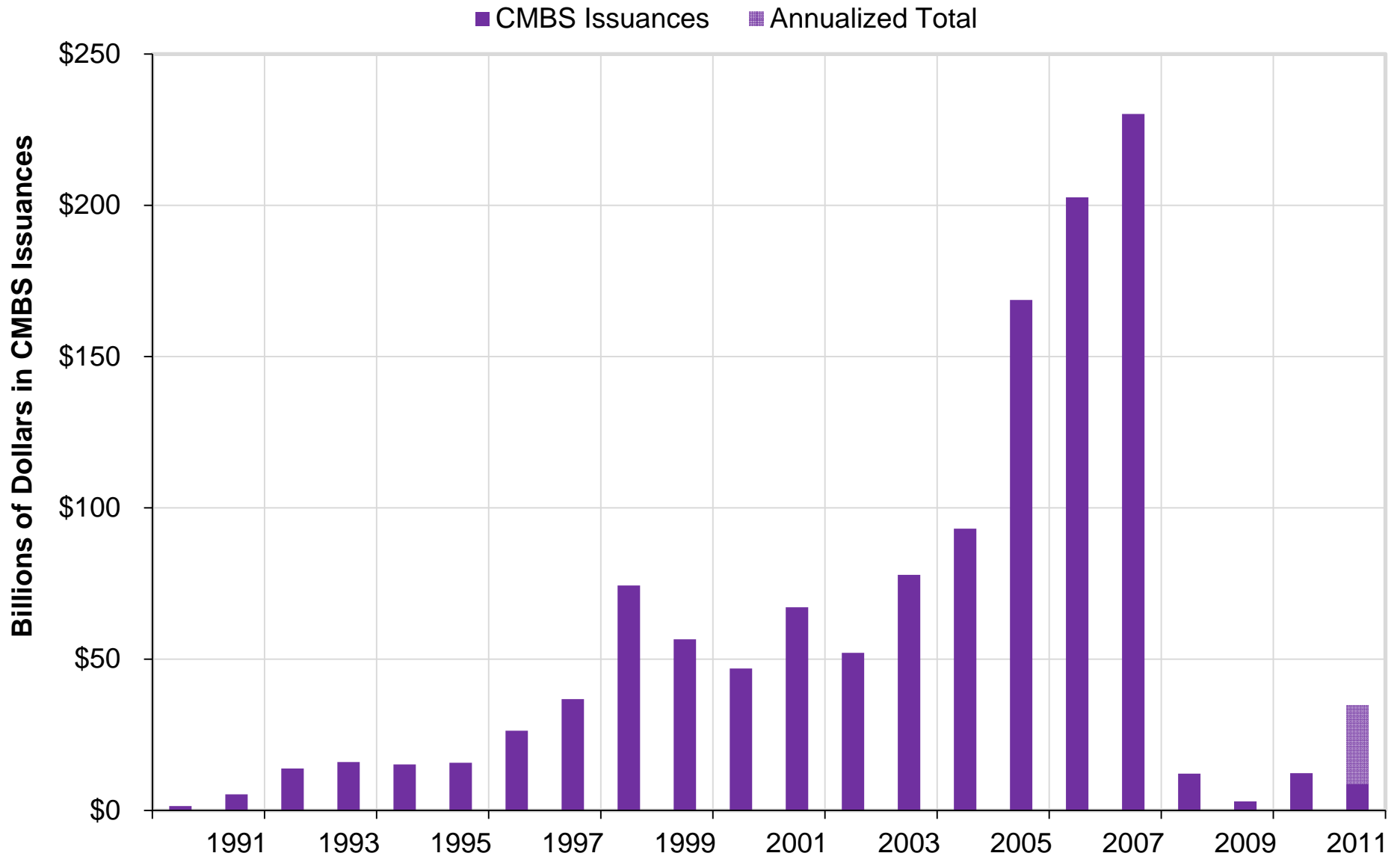
Debt Capital Is Returning



Source: ACLI; Moody's Analytics; Commercial Mortgage Alert; MBA

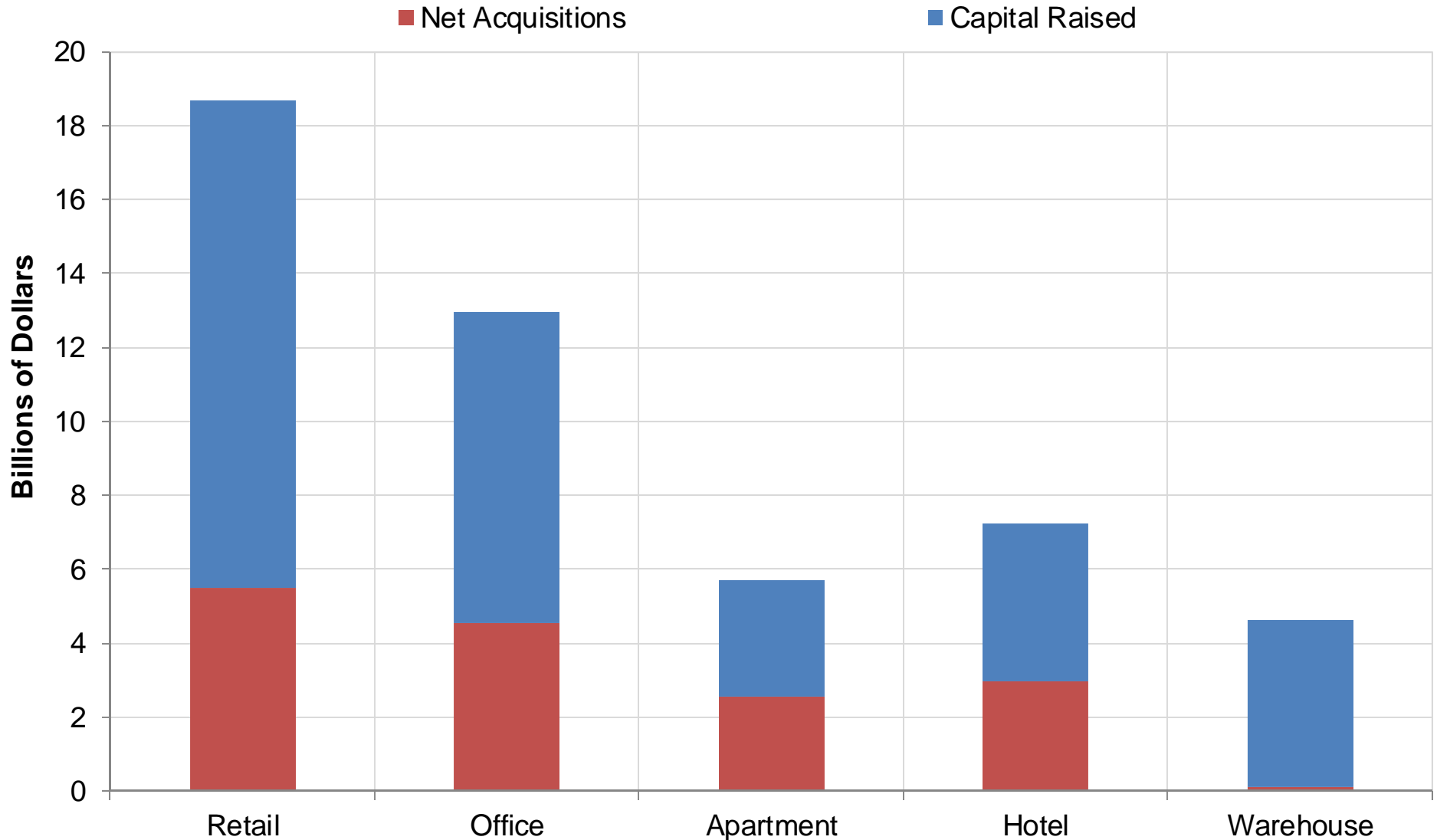


Quarterly CMBS Issuances Picking Up



Source: CMLS

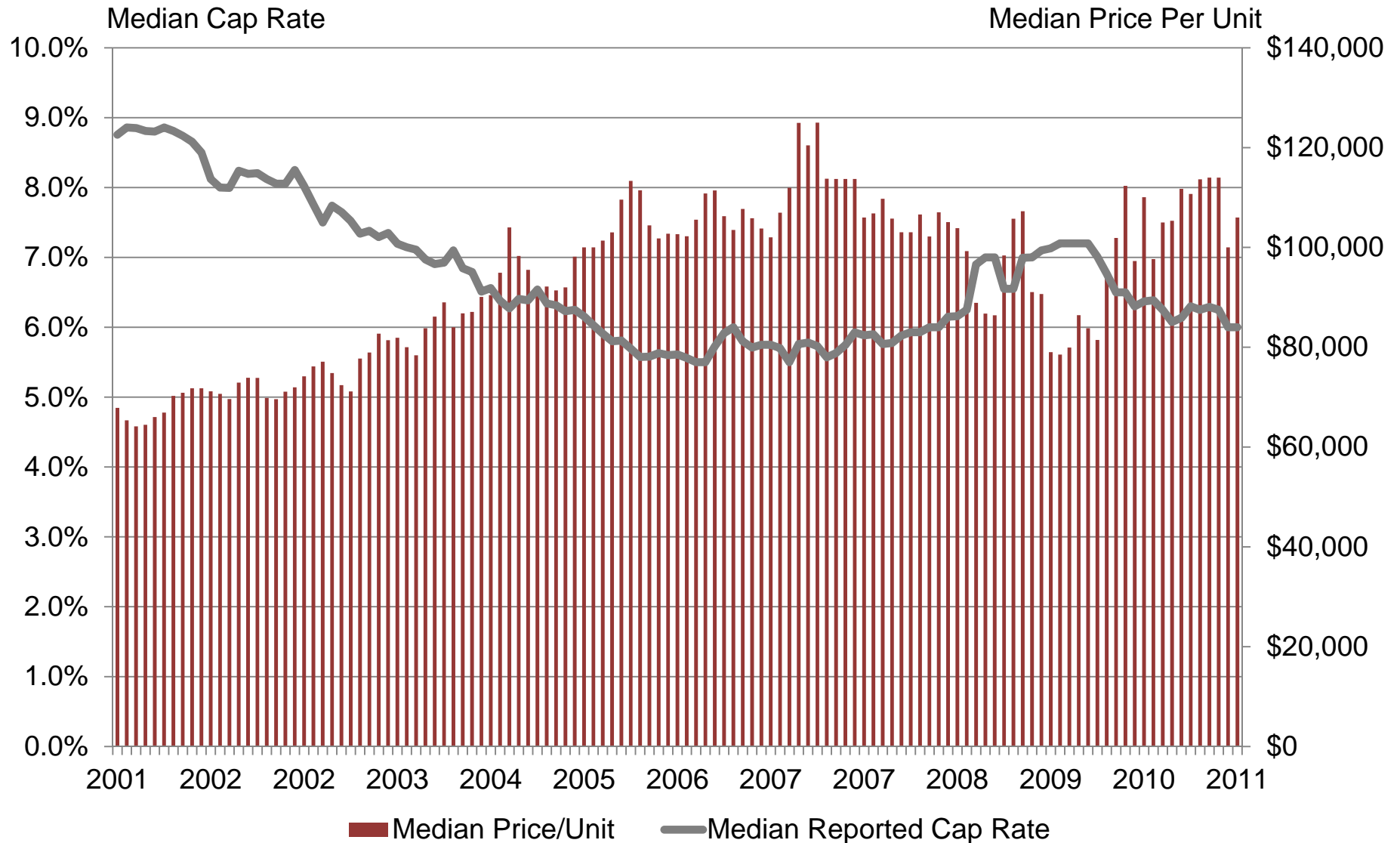
Public REITs Successful in Raising Capital





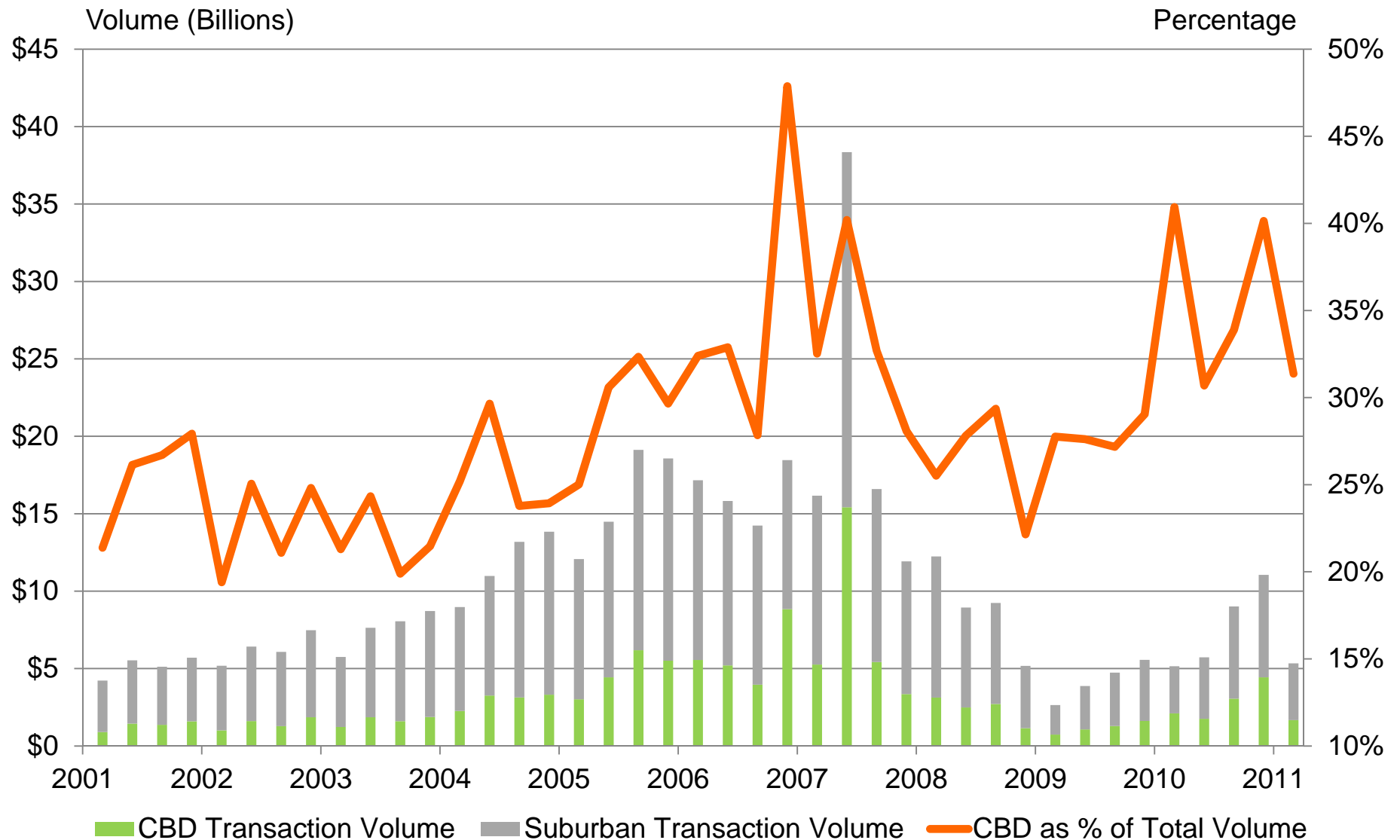
Property Sales

Overall, Apartment Pricing Continues To Recover



Source: CoStar Group

Centrally Located Submarkets Getting The Lion's Share Again



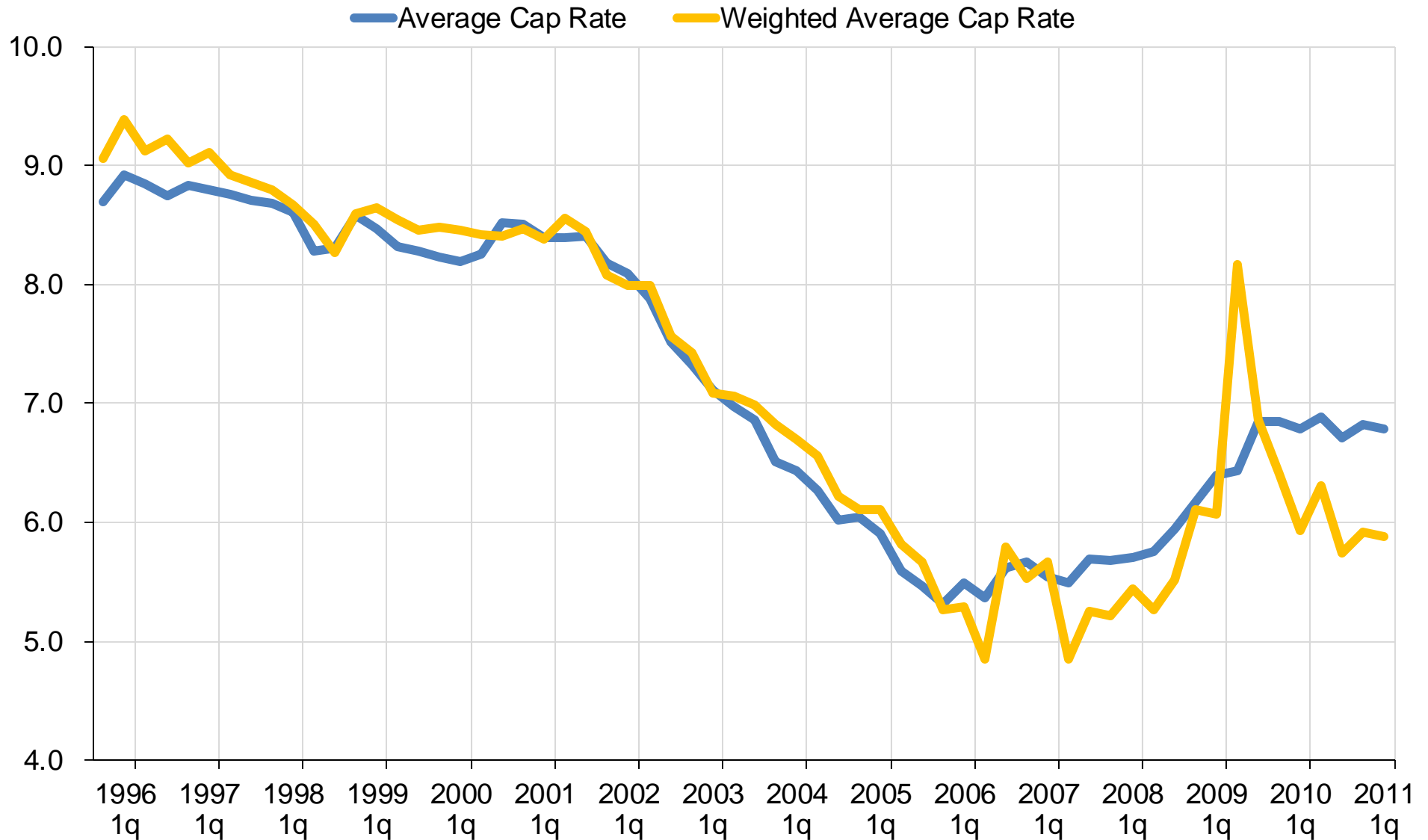


Everyone Wants A New, Shiny Asset

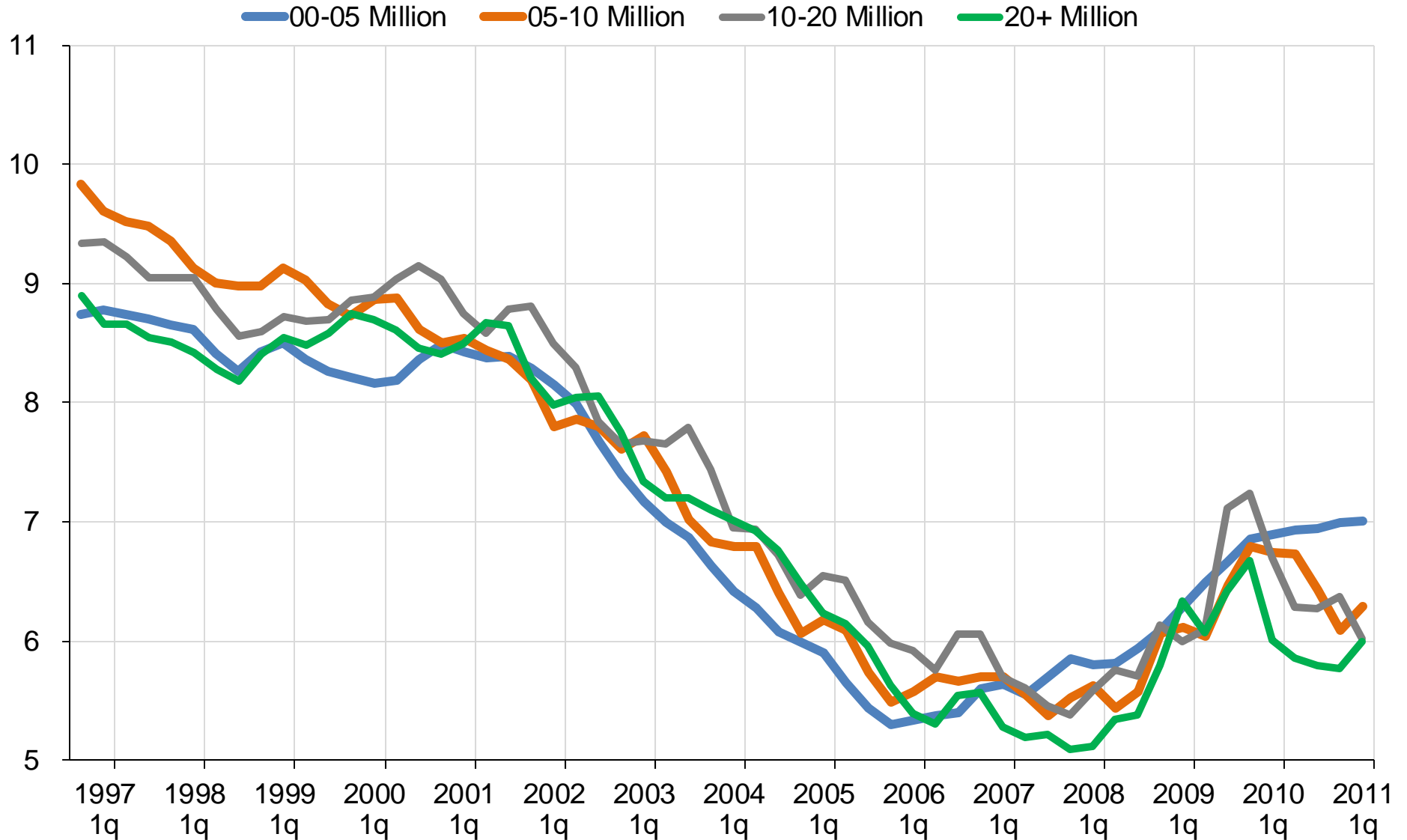




A Sharp Movement In Pricing (Wow!)



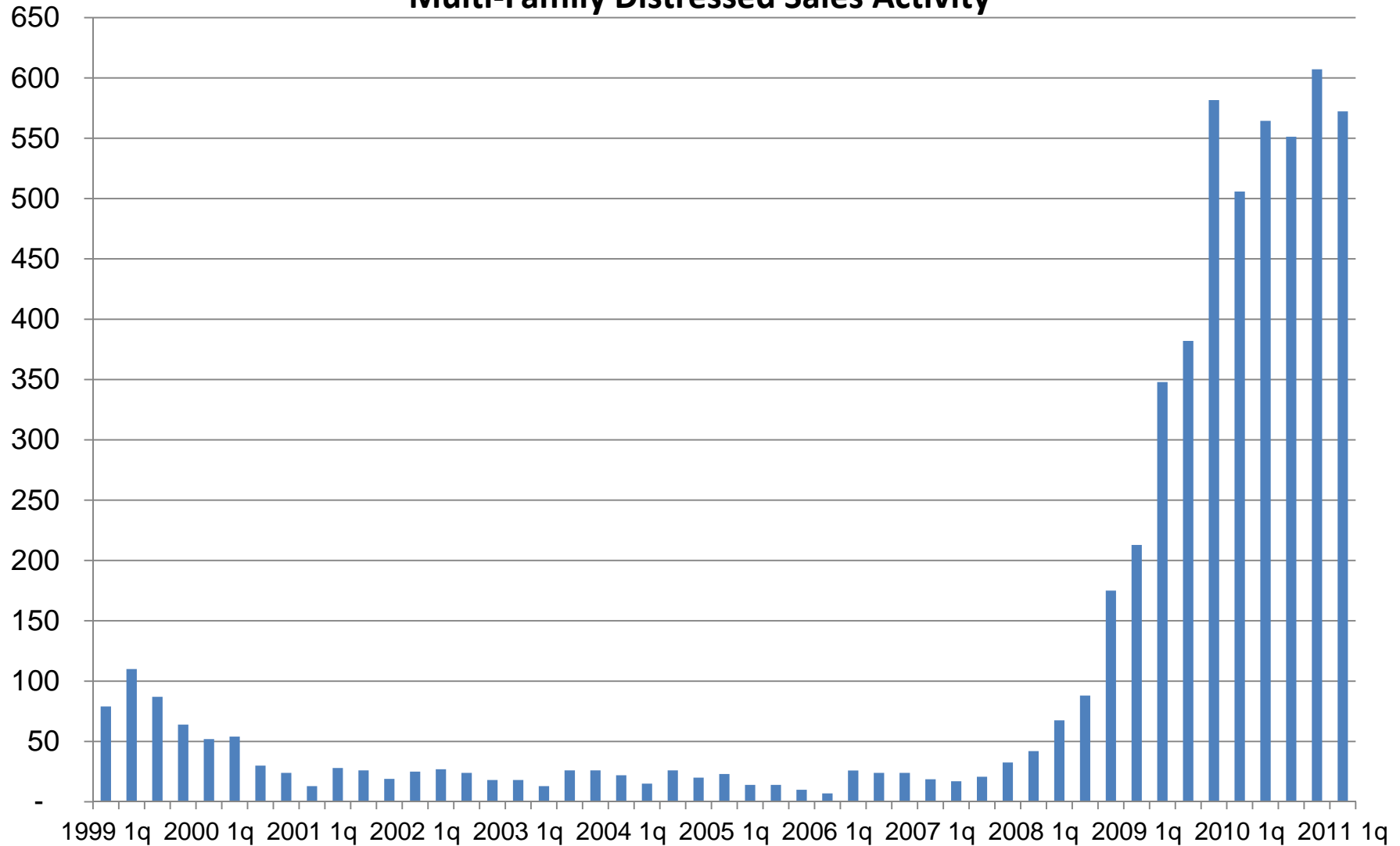
Weighted Average Cap Rates By Deal Size (Two Quarter Moving Average)



Distressed Assets Continue To Trade In A Pronounced Manner



Multi-Family Distressed Sales Activity

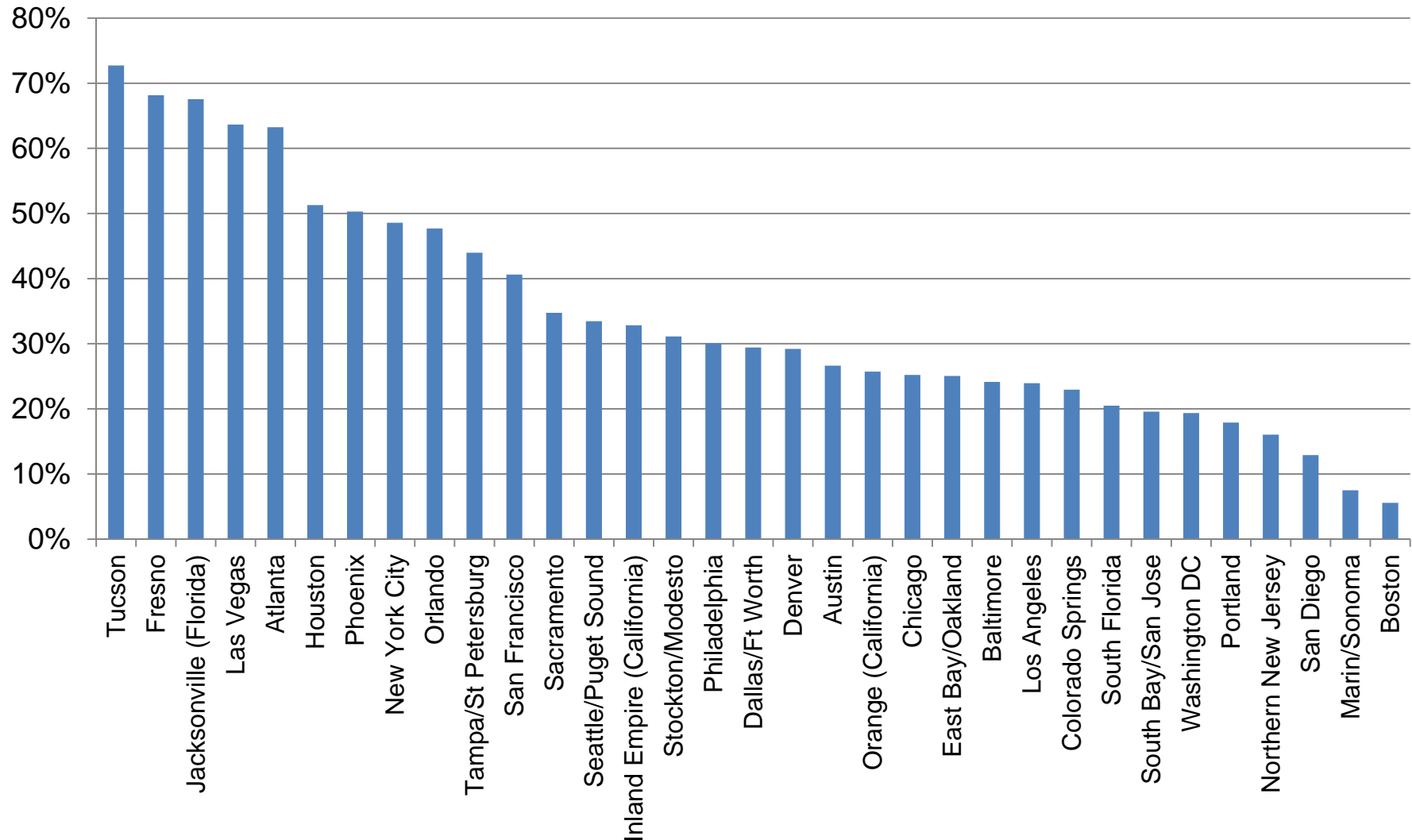


Source: CoStar Group

A Breakdown Of Distressed Trades By Metro (The “Usual Suspects”)



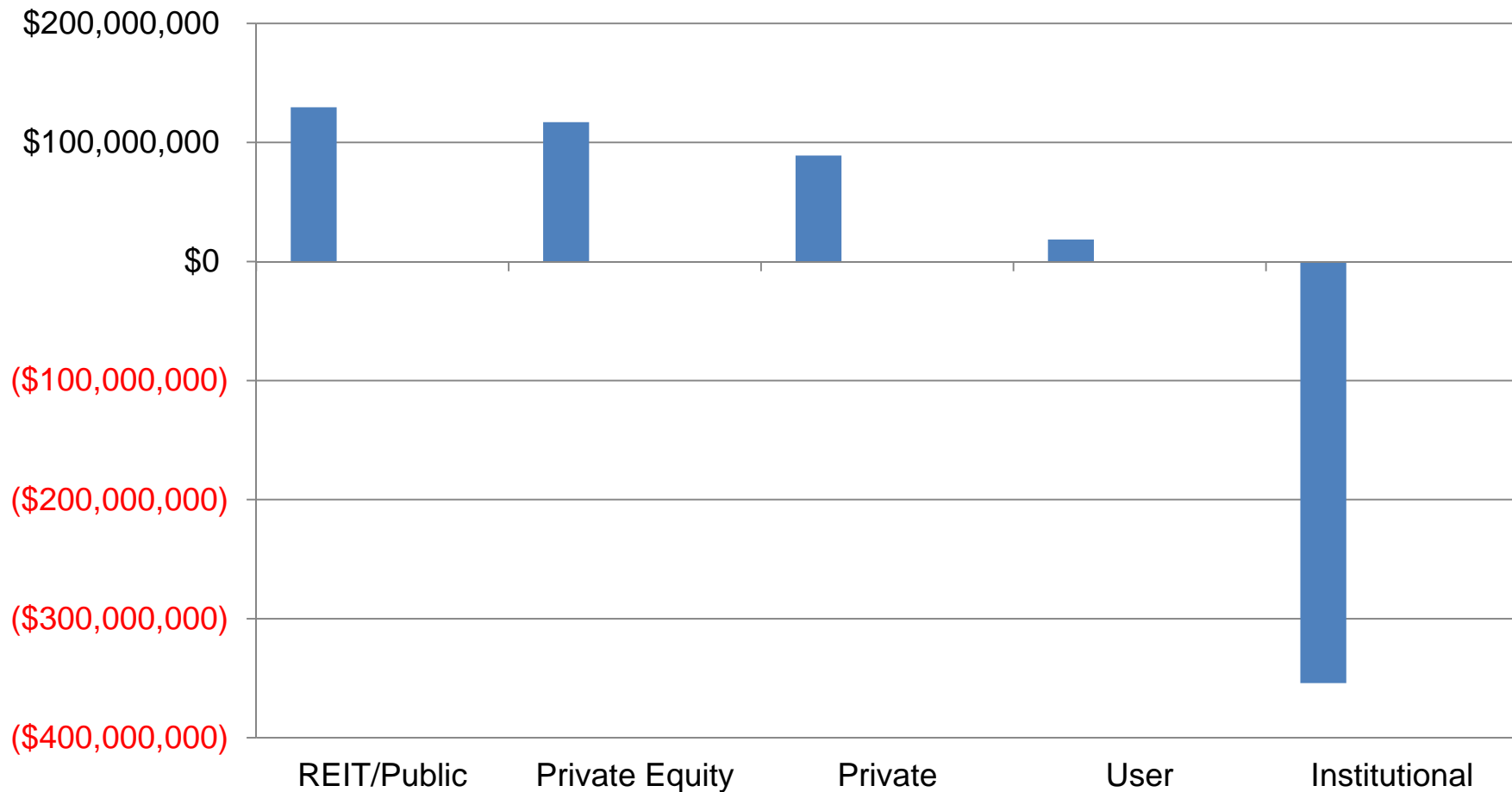
Percentage of Multi-Family Sales Distressed since 2009 by SF



Who Were The Net Buyers In The First Quarter Of 2011?

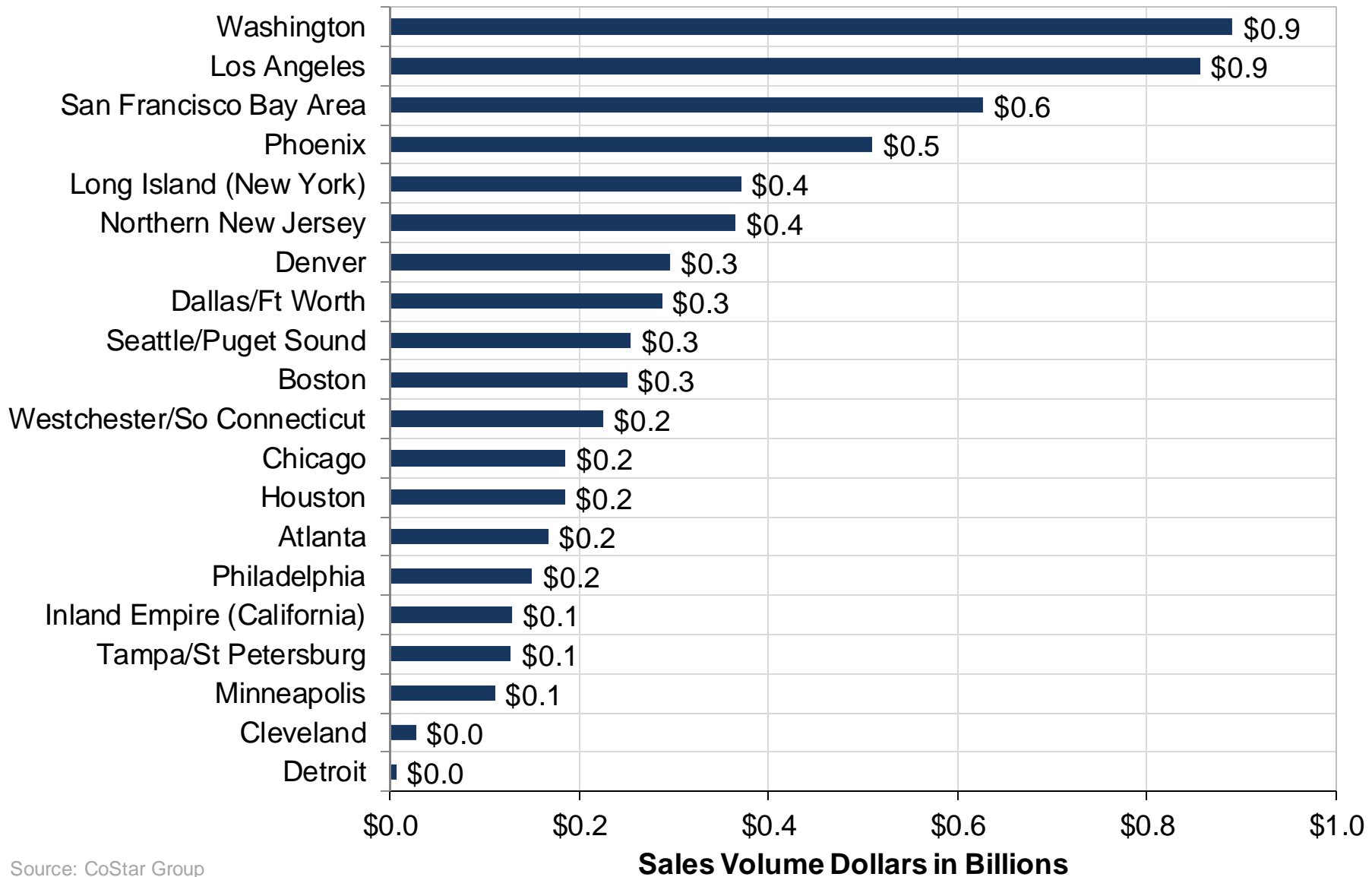


Institutional Multi-Family Net Buying By Qtr in 2011

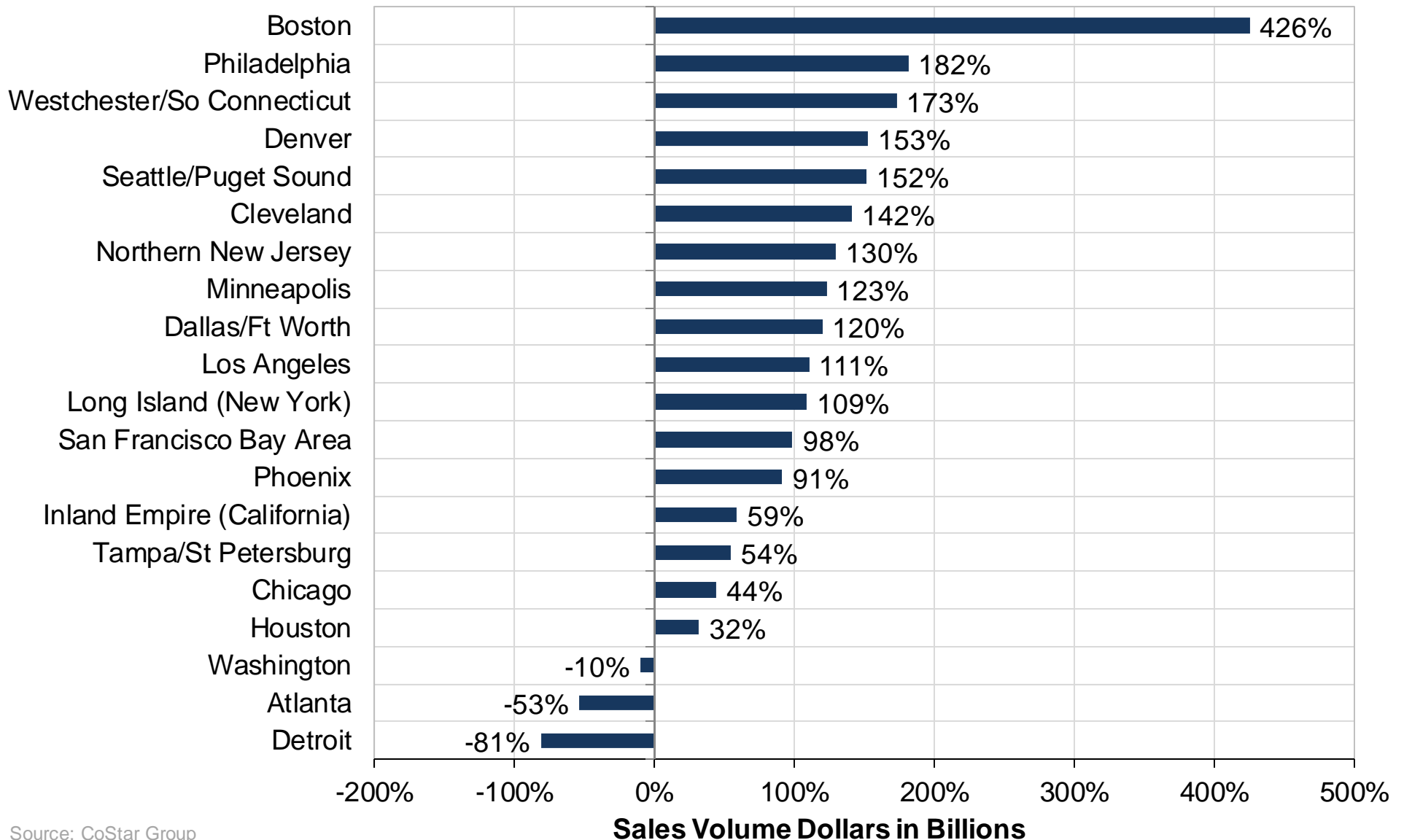


Source: CoStar Group

Year-to-Date Sales Volume in 20 Largest Markets



Year-Over-Year Same Period Change in Sales Volume





Selected Top Multi-Family Deals – 1Q2011



Suburban Washington DC Portfolio Virginia & Maryland

8 properties; 2,580 units
RREEF & Bainbridge Companies sold to
Dune Real Estate Partners & Pantzer
Properties
for \$460 million
\$178,300 per unit



Hudson Towers – Jersey City, NJ

33 Hudson Street
Northwestern Mutual sold to
JP Morgan
for \$280 million
\$432,100 per unit
*Photo credit: www.libertytowersapts.com



The CityView at Longwood – Boston, MA

75 Saint Alphonsus
Back Bay Manor Associates sold to
Equity Residential
for \$92 million
\$312,900 per unit
*Photo credit: www.equityapartments.com



Elektra – New York, NY

290 Third Avenue
JP Morgan sold to
INVESCO
for \$122.5 million
\$724,900 per unit



Legacy Fountain Plaza – San Jose, CA

190 Ryland Street
Legacy Partners sold to
INVESCO
for \$91 million*
\$248,000 per unit



Summary