



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

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Today



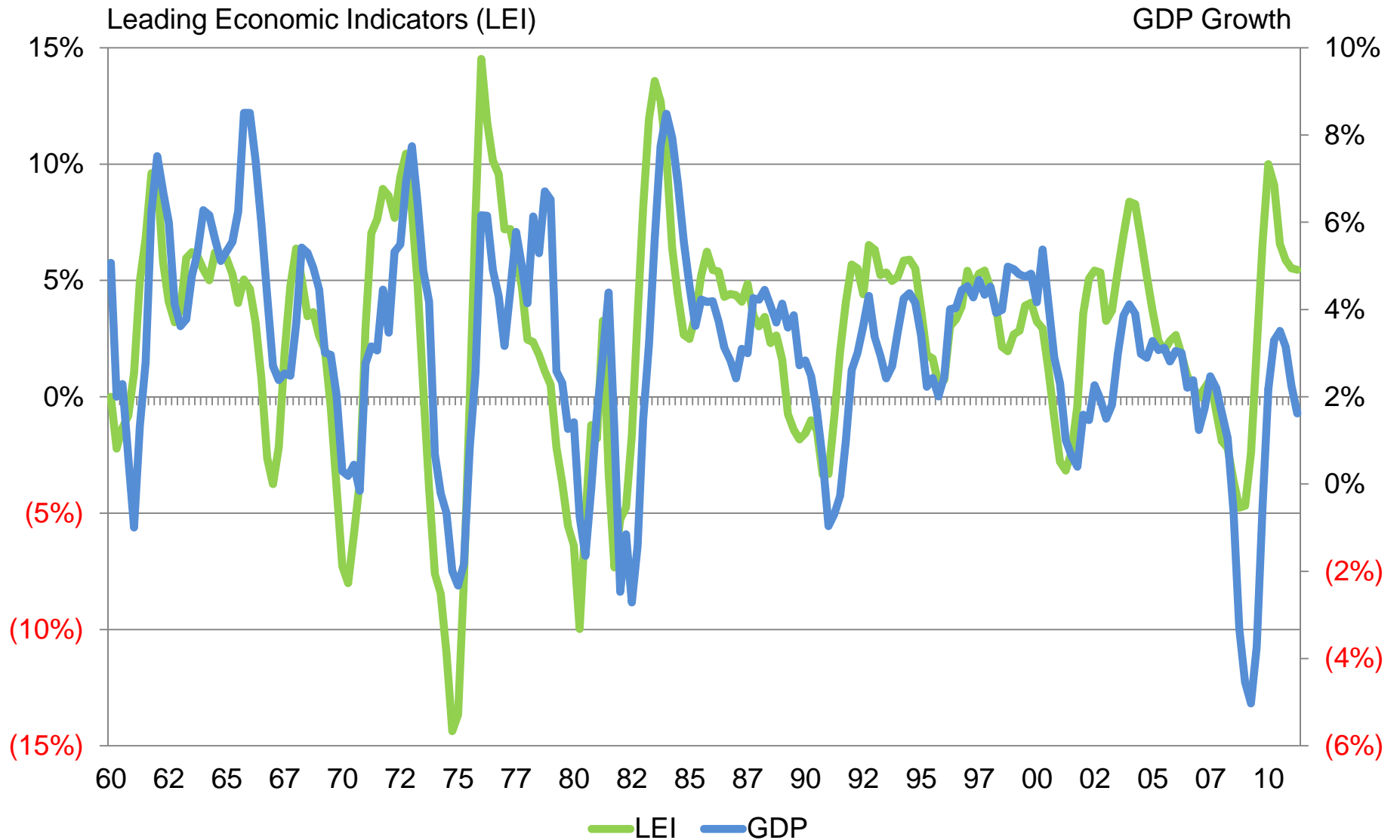
- Economy
- Leasing Fundamentals
- Capital Markets
- Sales Trends
- Summary and Q&A



Economy

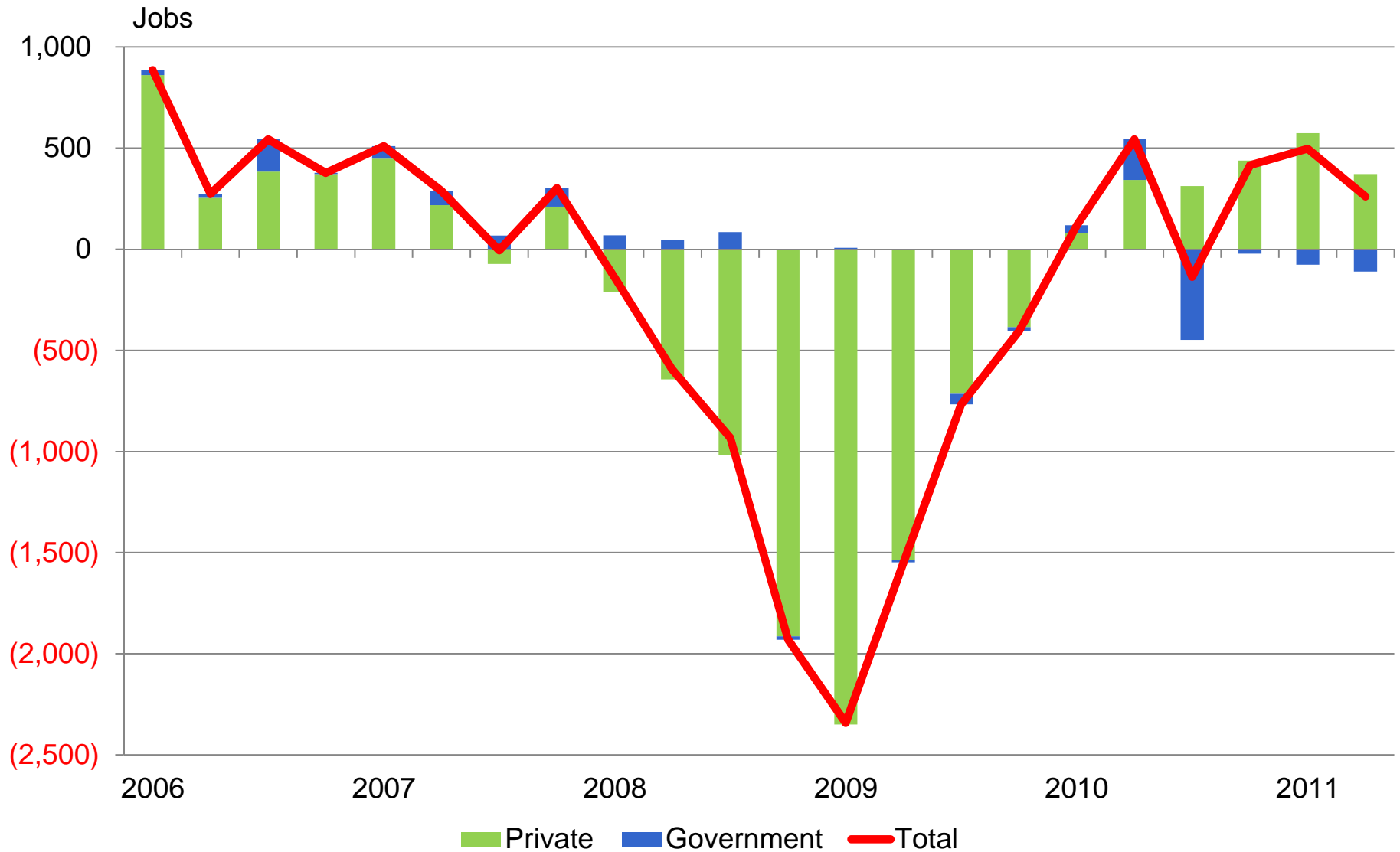


Leading Indicators Are Mixed



Sources: Conference Board; BEA

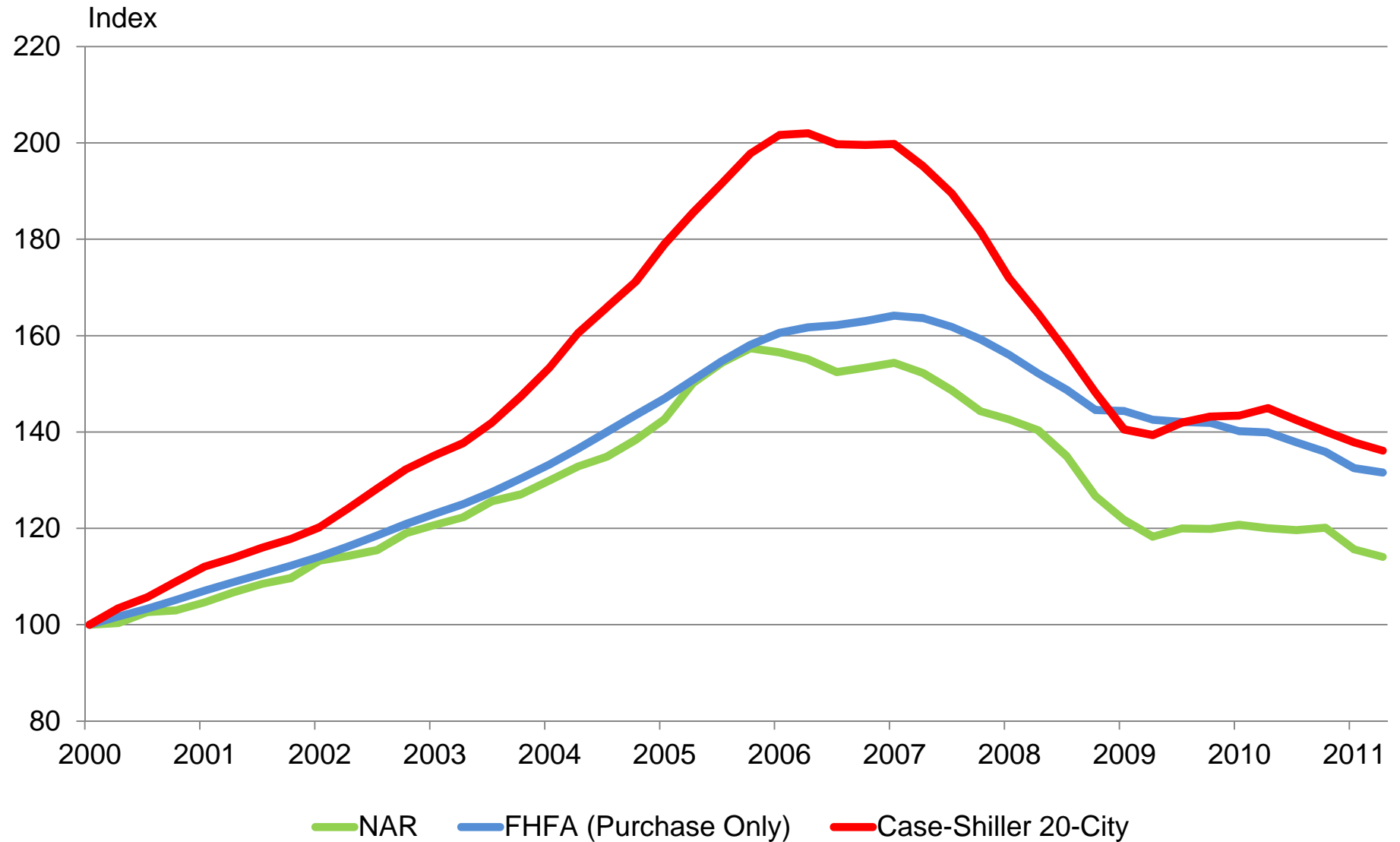
Government Job Losses Weighing On Labor Market



Sources: BLS



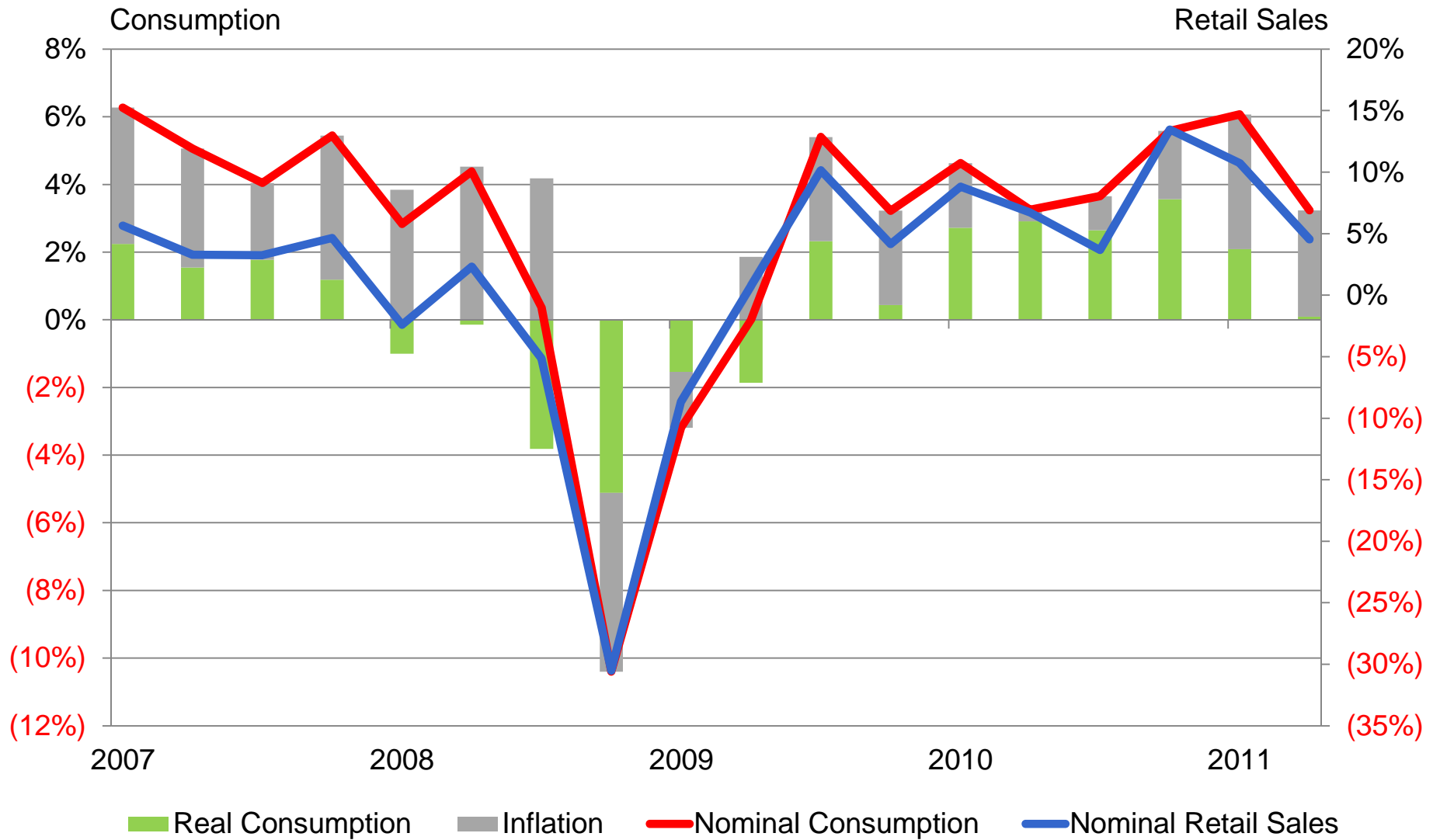
A Double Dip in Housing



Sources: NAR; FHFA; Case-Shiller



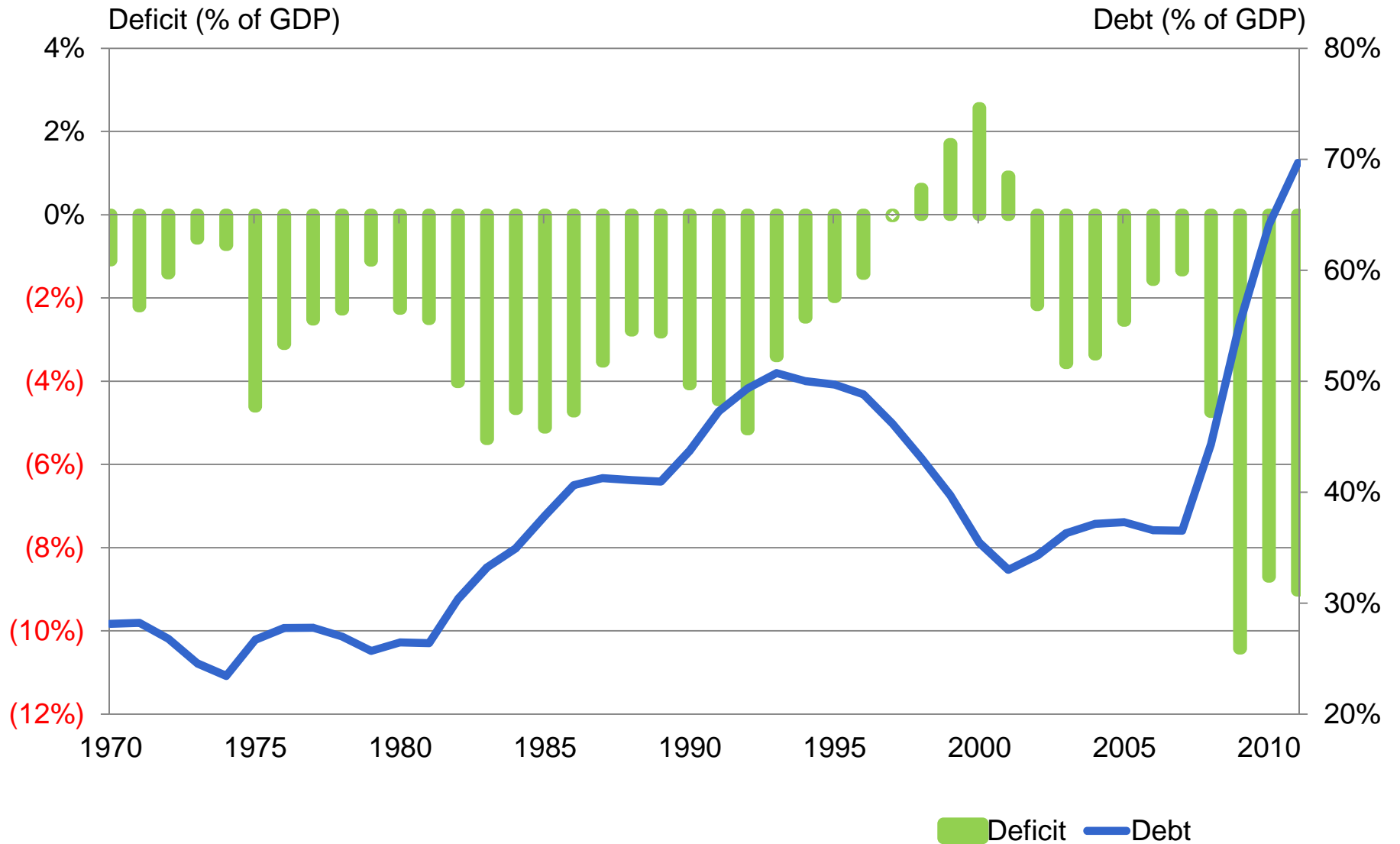
Inflation is Killing Consumer Spending



Sources: BEA; Census Bureau



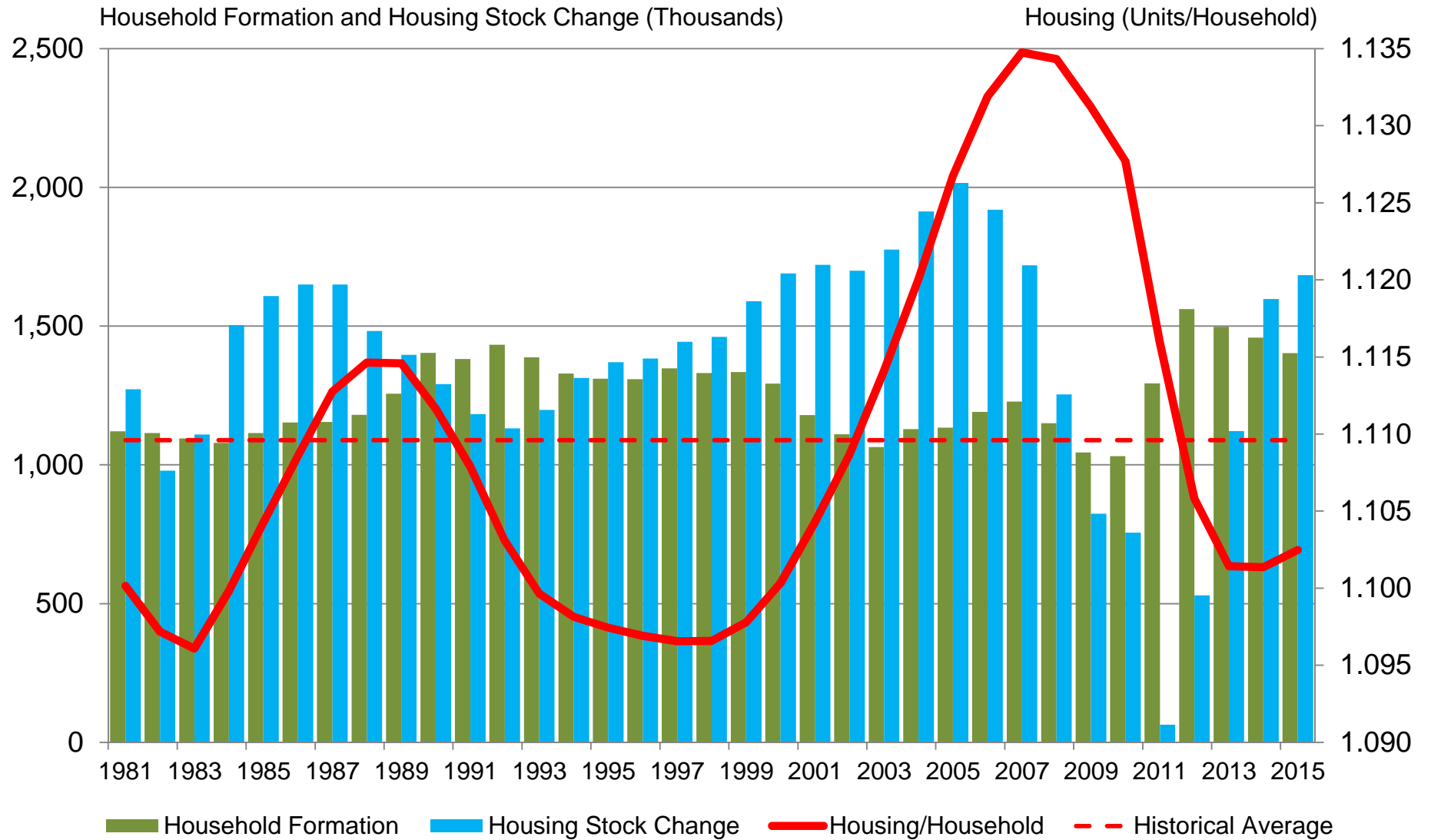
Federal Debt is The Next Challenge



Sources: Bureau of the Public Debt; BEA; Moody's Analytics



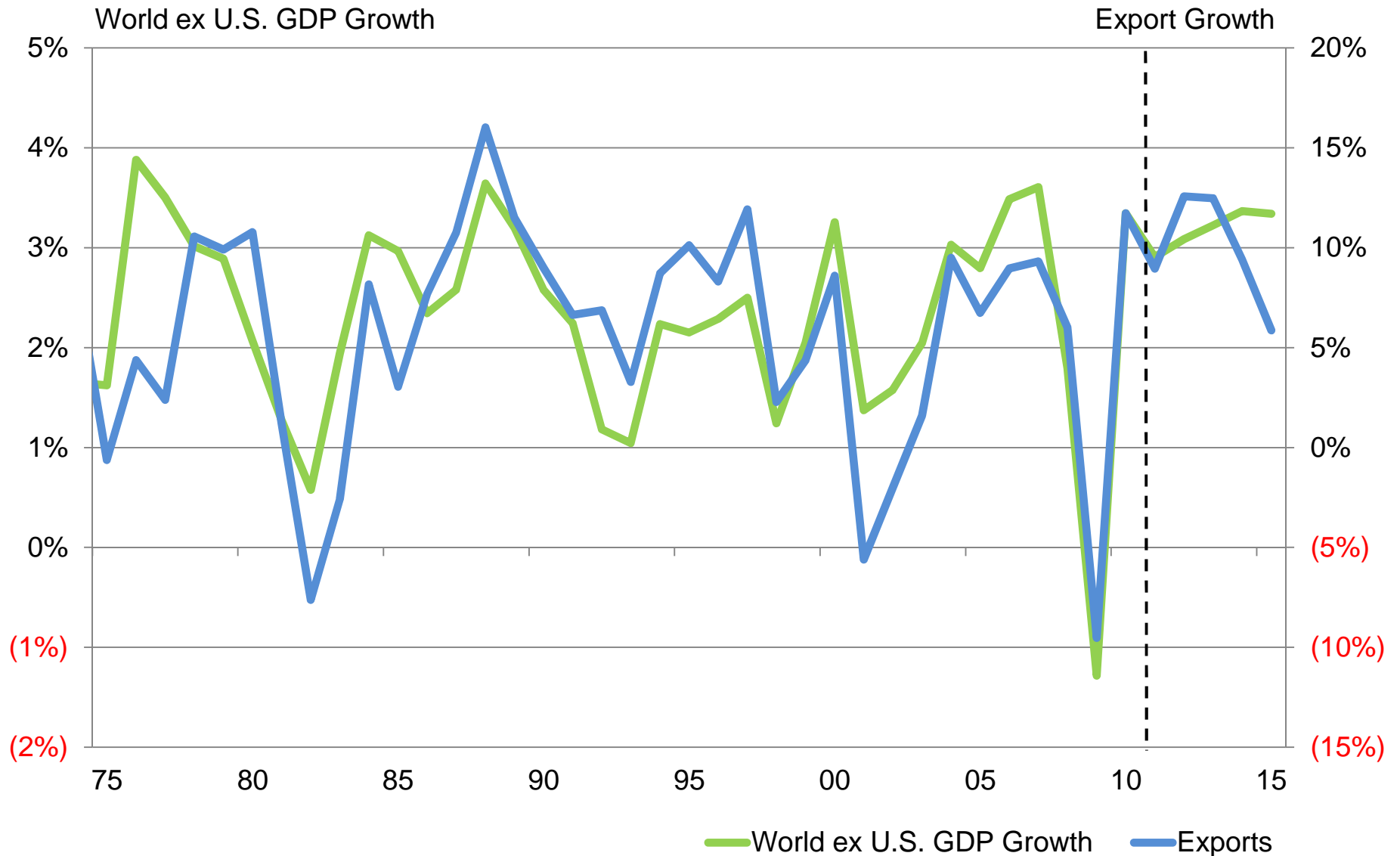
Housing Shortage



Sources: Census Bureau; Moody's Analytics; PPR



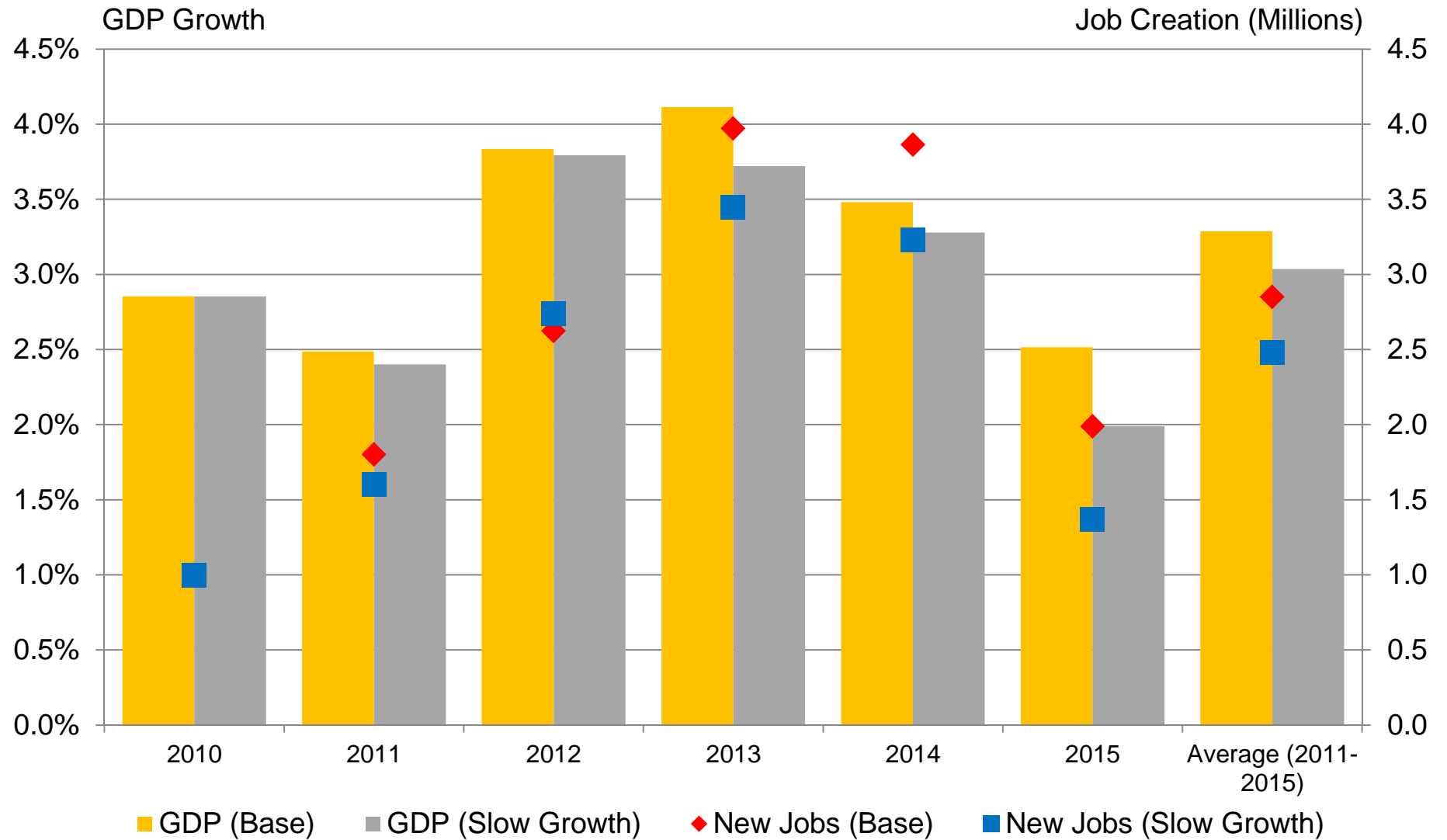
Global Growth Will Drive Exports



Sources: BEA; Global Insight; Moody's Analytics



There Are Risks To The Outlook

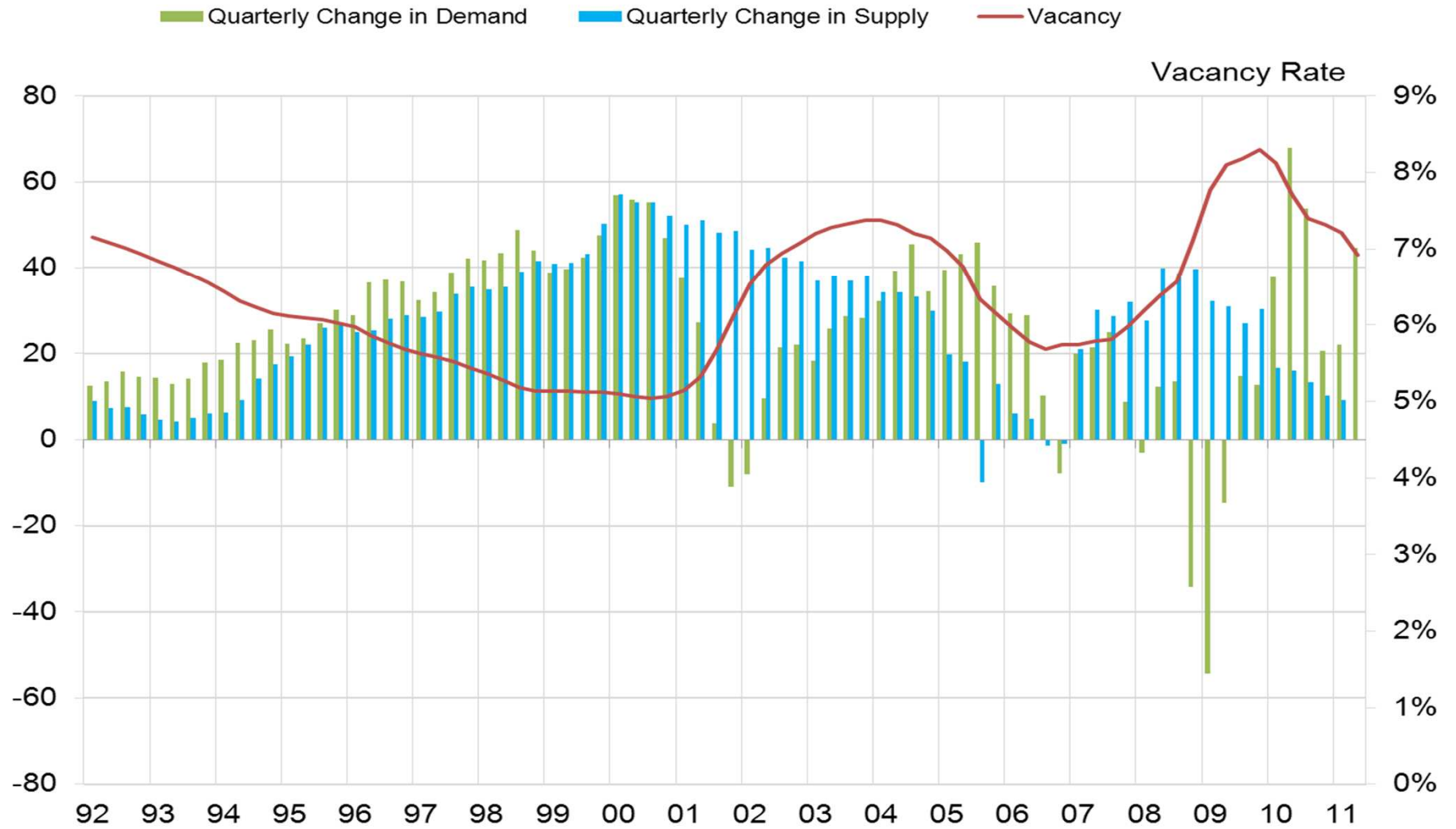


Sources: Moody's Analytics



Leasing Fundamentals

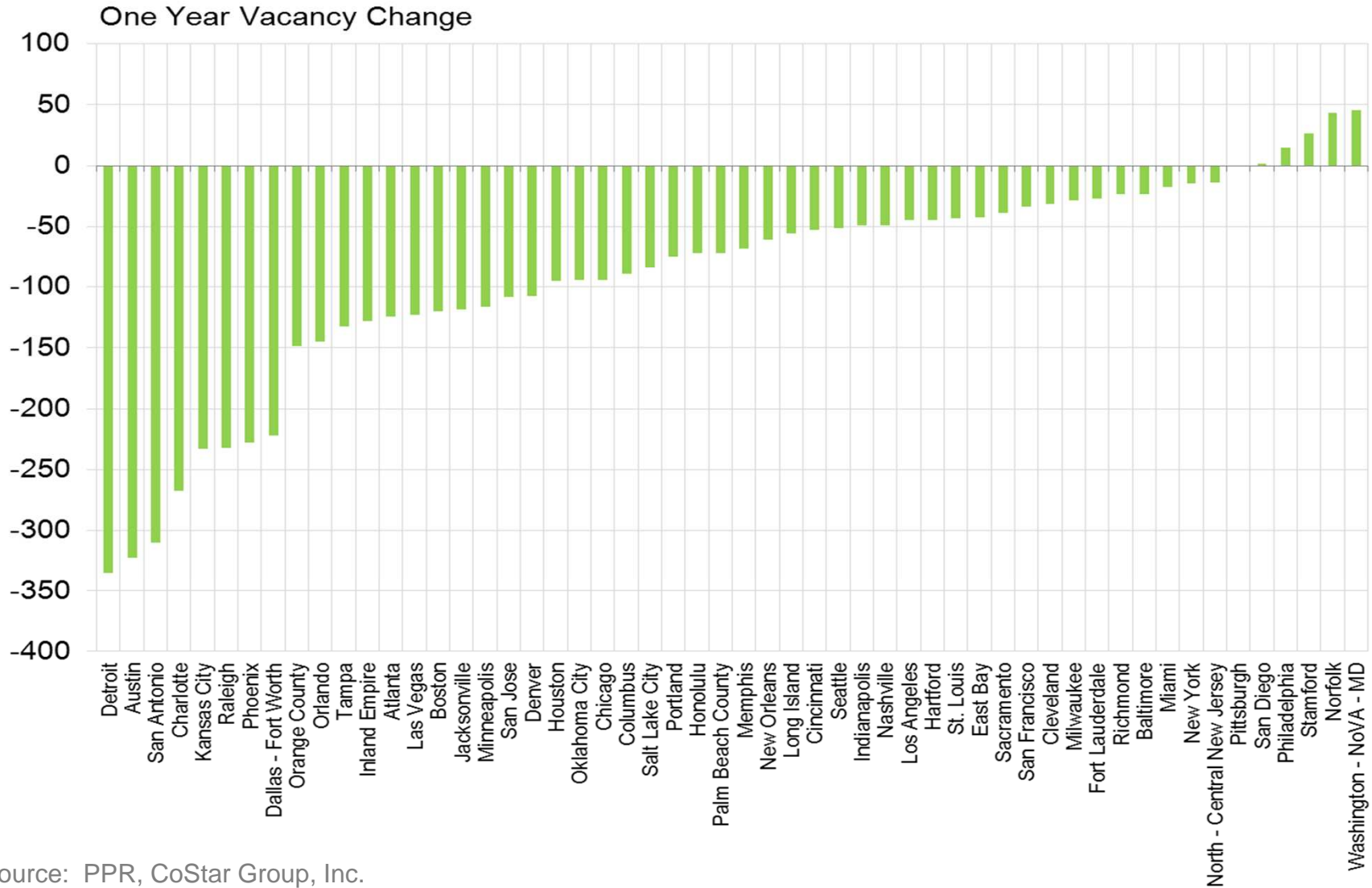
Another Solid Quarter For The Apartment Market



Source: PPR, CoStar Group, Inc.



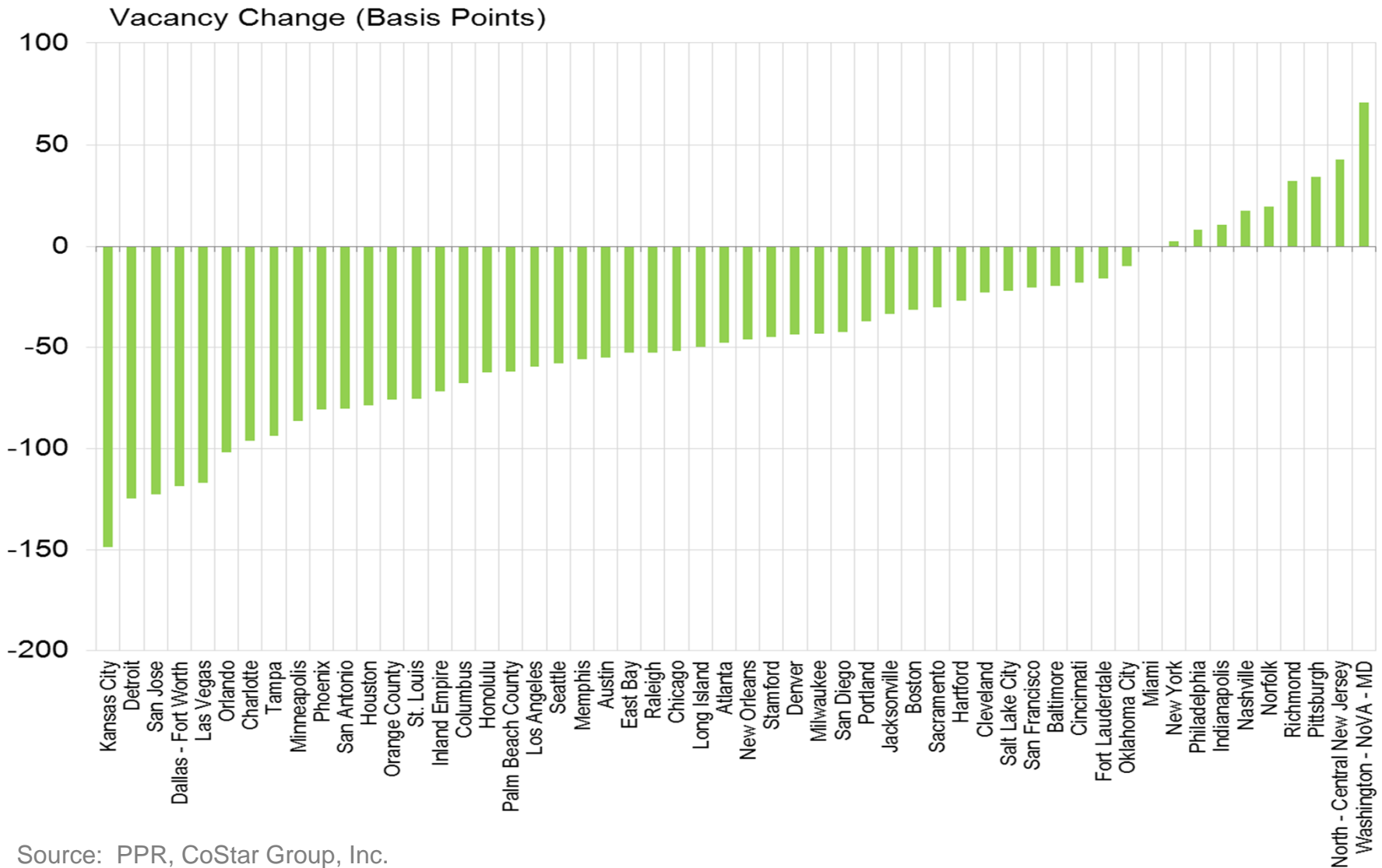
Where Have Vacancies Fallen The Most In The Past Year?



Source: PPR, CoStar Group, Inc.



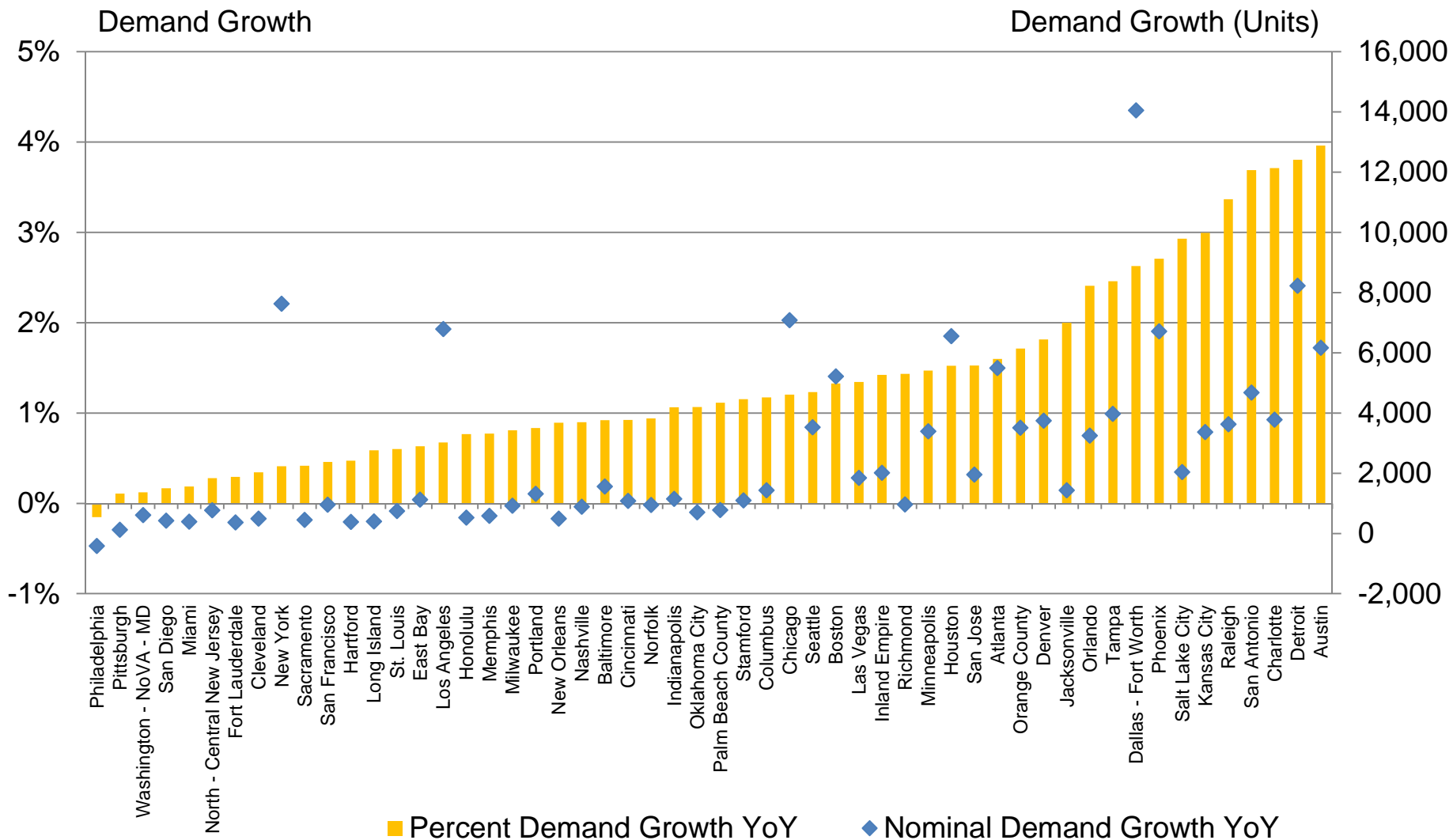
A Snapshot Over The Past Six Months



Source: PPR, CoStar Group, Inc.

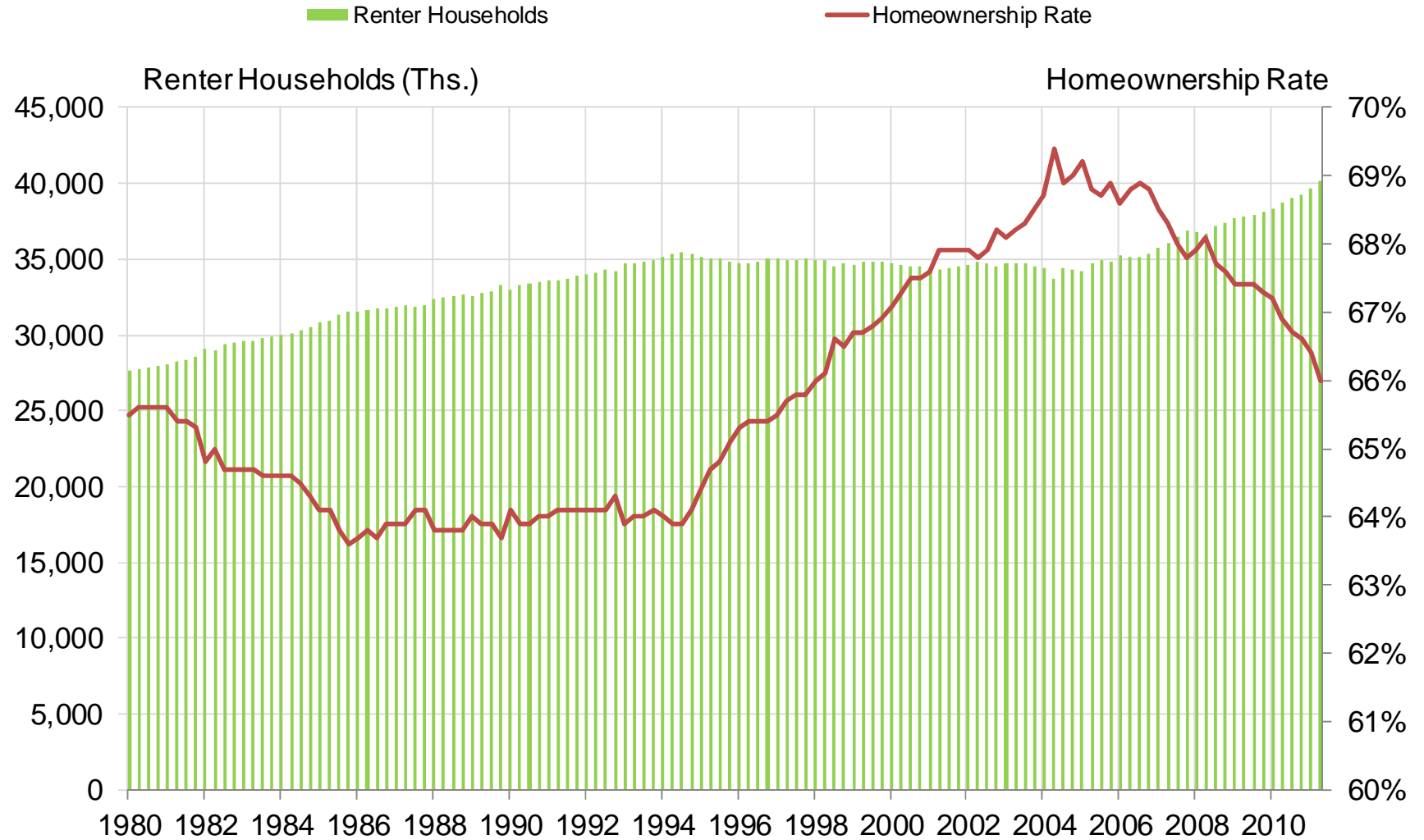


Leaders and Laggards On The Demand Front



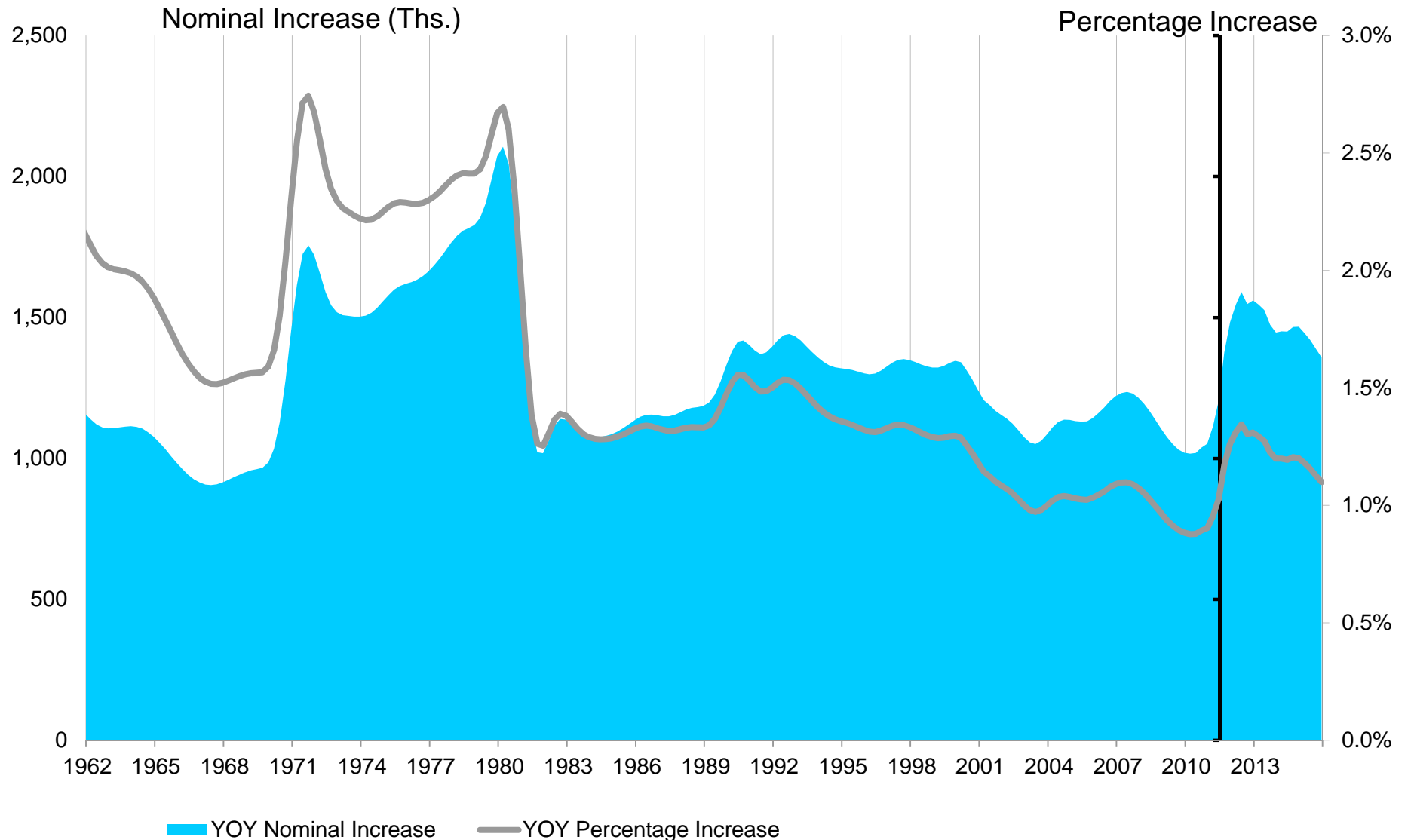
Source: PPR, CoStar Group, Inc.

A Declining U.S. Homeownership Rate = More Rental Households



Source: Moody's Economy.com, PPR, CoStar Group, Inc.

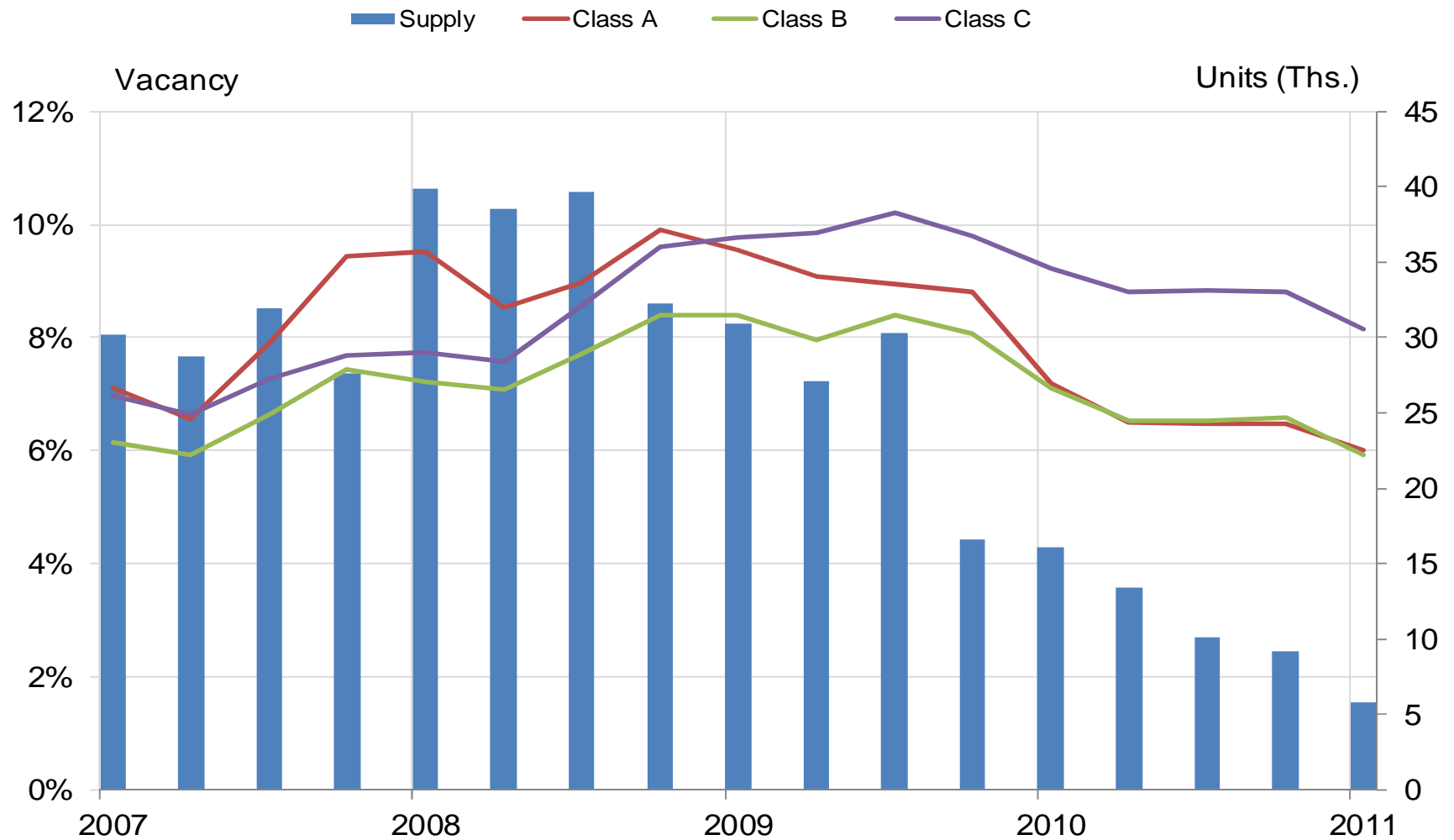
A Demographic Tailwind Should Produce Above Average HH Formation



Source: Moody's Economy.com, PPR, CoStar Group, Inc.



Class C Apartment Vacancies Are Still Elevated



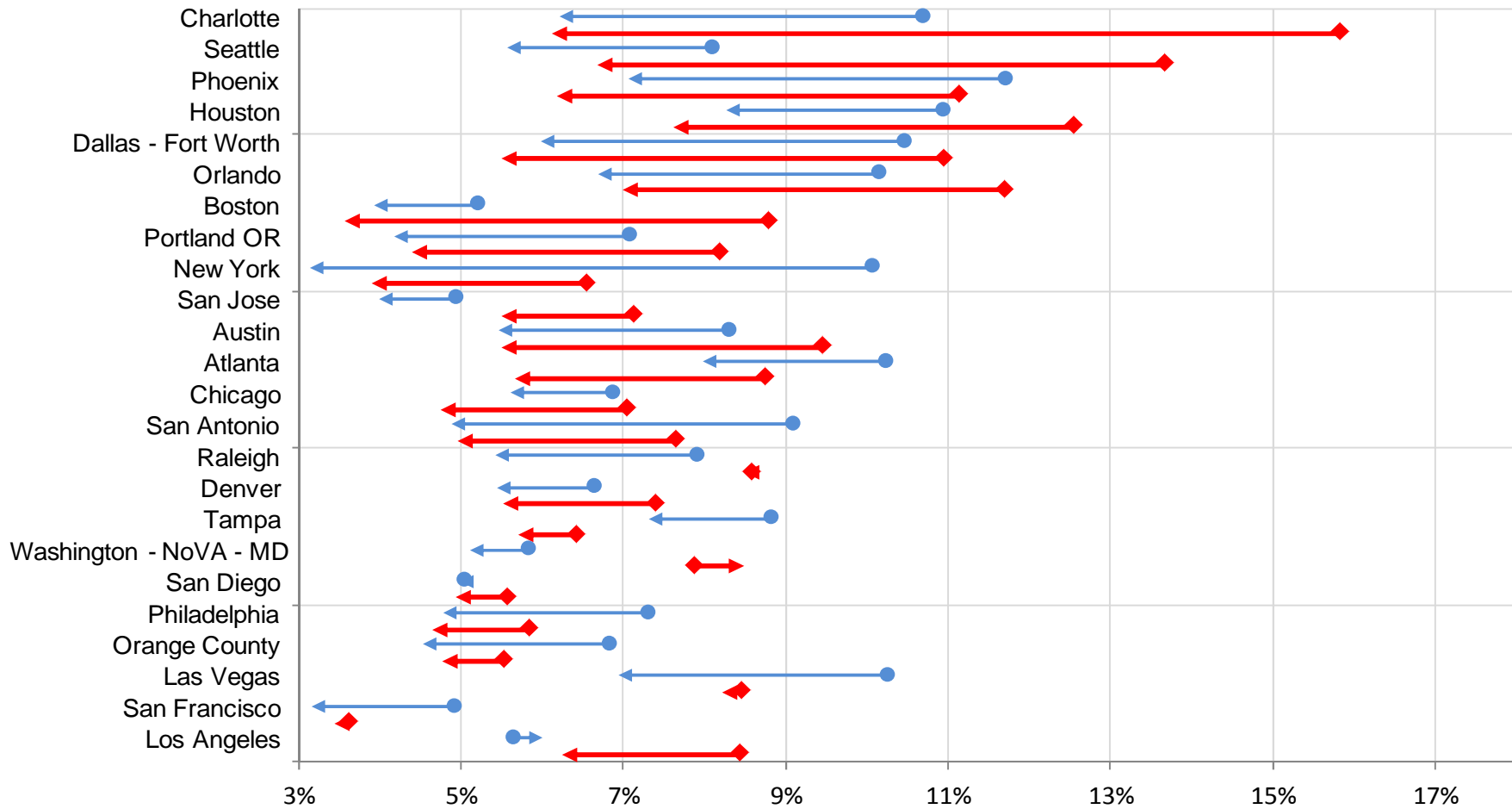
Source: Axiometrics, PPR, CoStar Group, Inc.



Class Trends By Metro

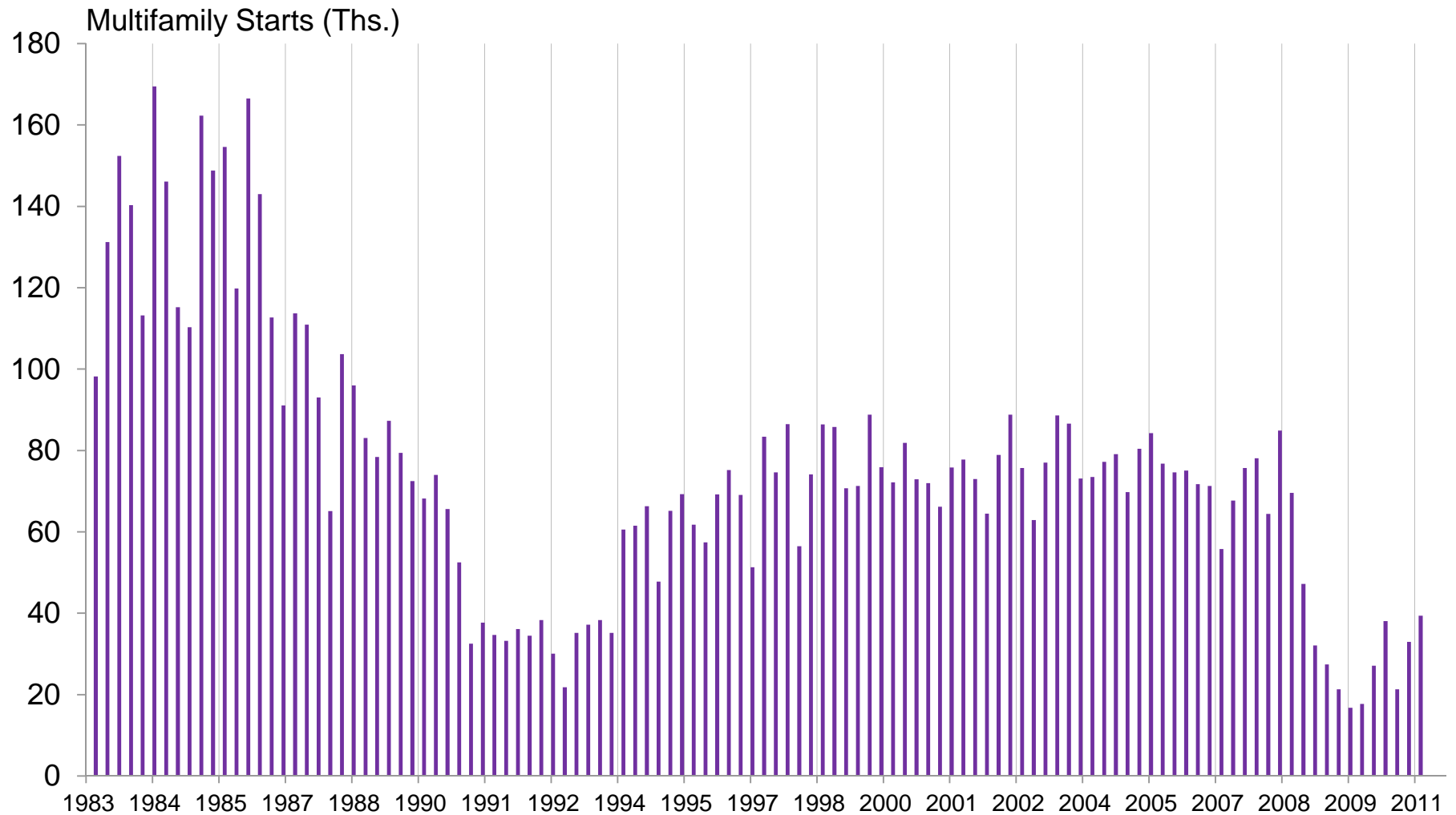
◆ Class A ● Class B

Change in Vacancy Rate by Class, 09Q4 - 11Q2



Source: Axiometrics, PPR, CoStar Group, Inc.

Landlords Pay Attention: U.S. Multifamily Starts Continue To Tick Up

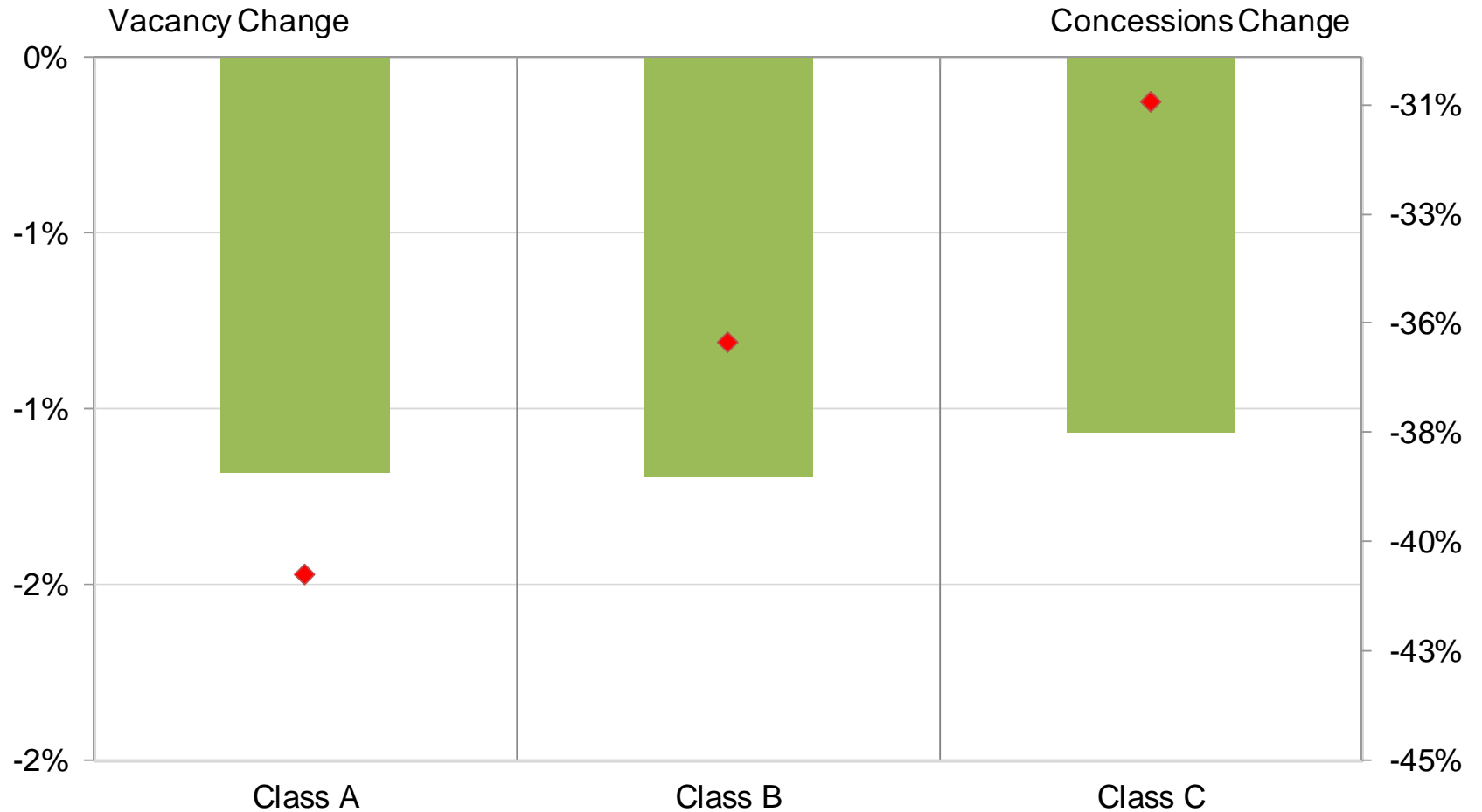


Source: Moody's Economy.com, PPR, CoStar Group, Inc.



Concessions Continue To Ease

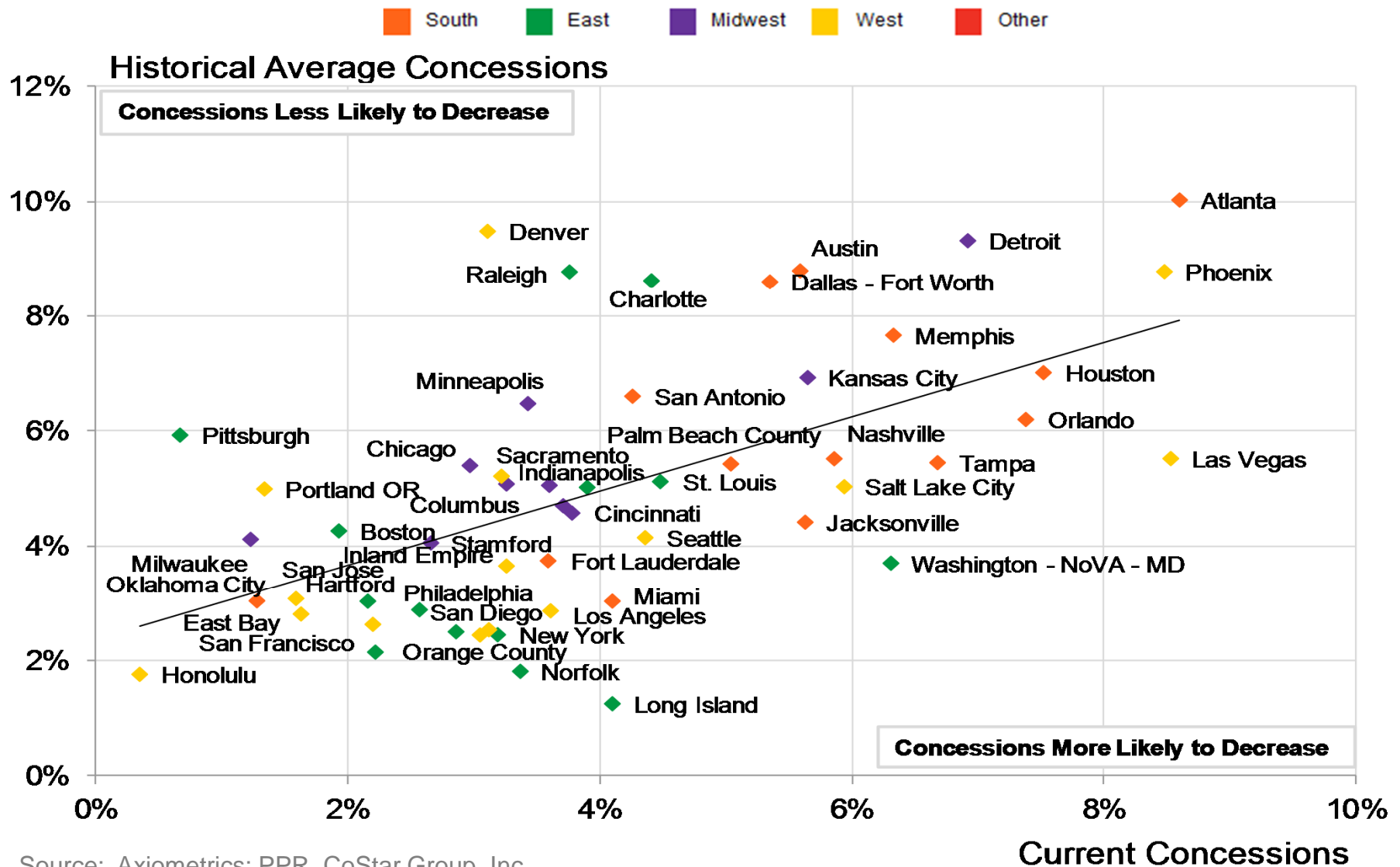
■ Year-Over-Year Change in Vacancy ◆ Year-Over-Year Change in Average Concessions



Source: Axiometrics, PPR, CoStar Group, Inc.



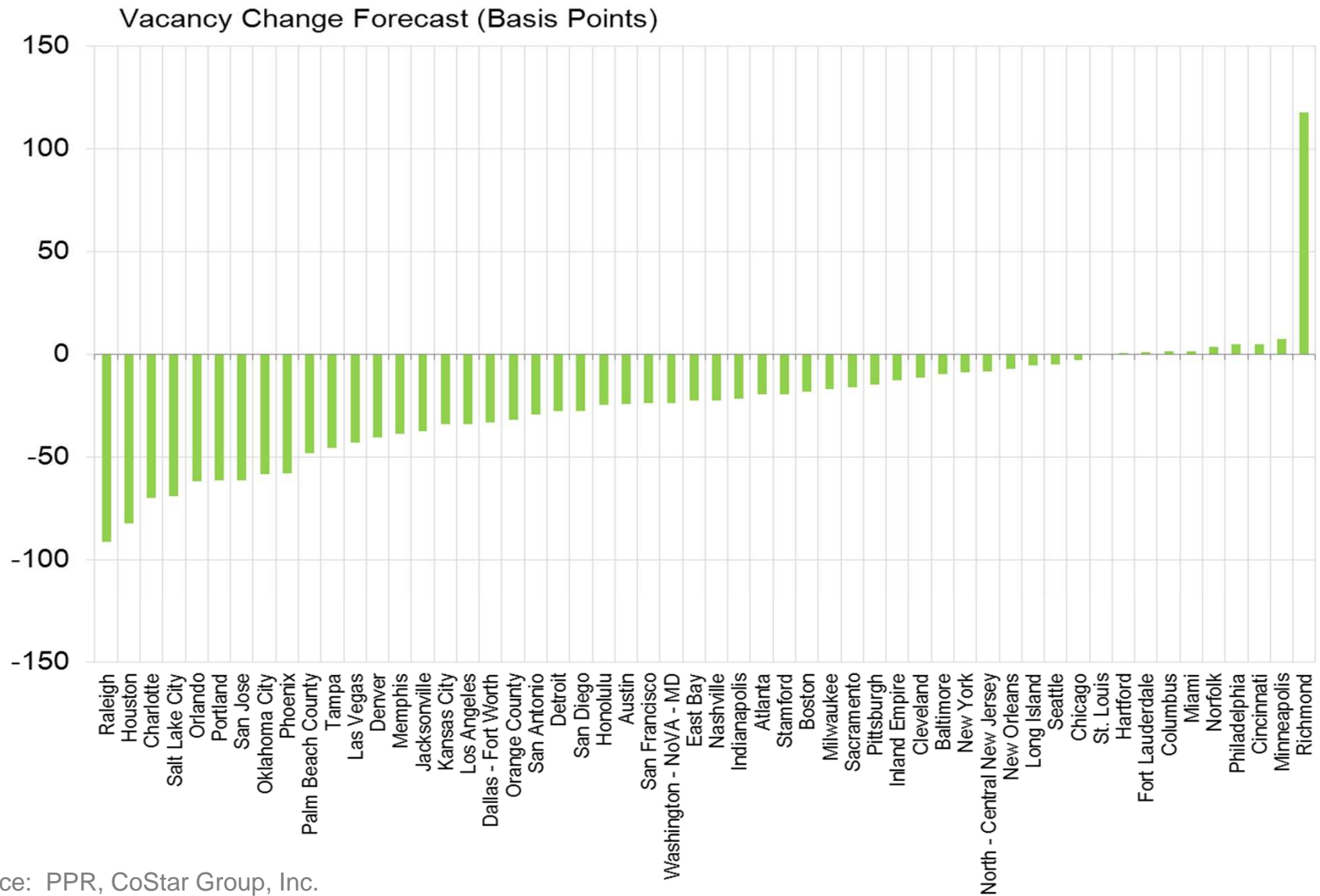
Concessions Becoming Less Generous By Historical Standards



Source: Axiometrics; PPR, CoStar Group, Inc.



What's In Store For The Second Half Of 2011

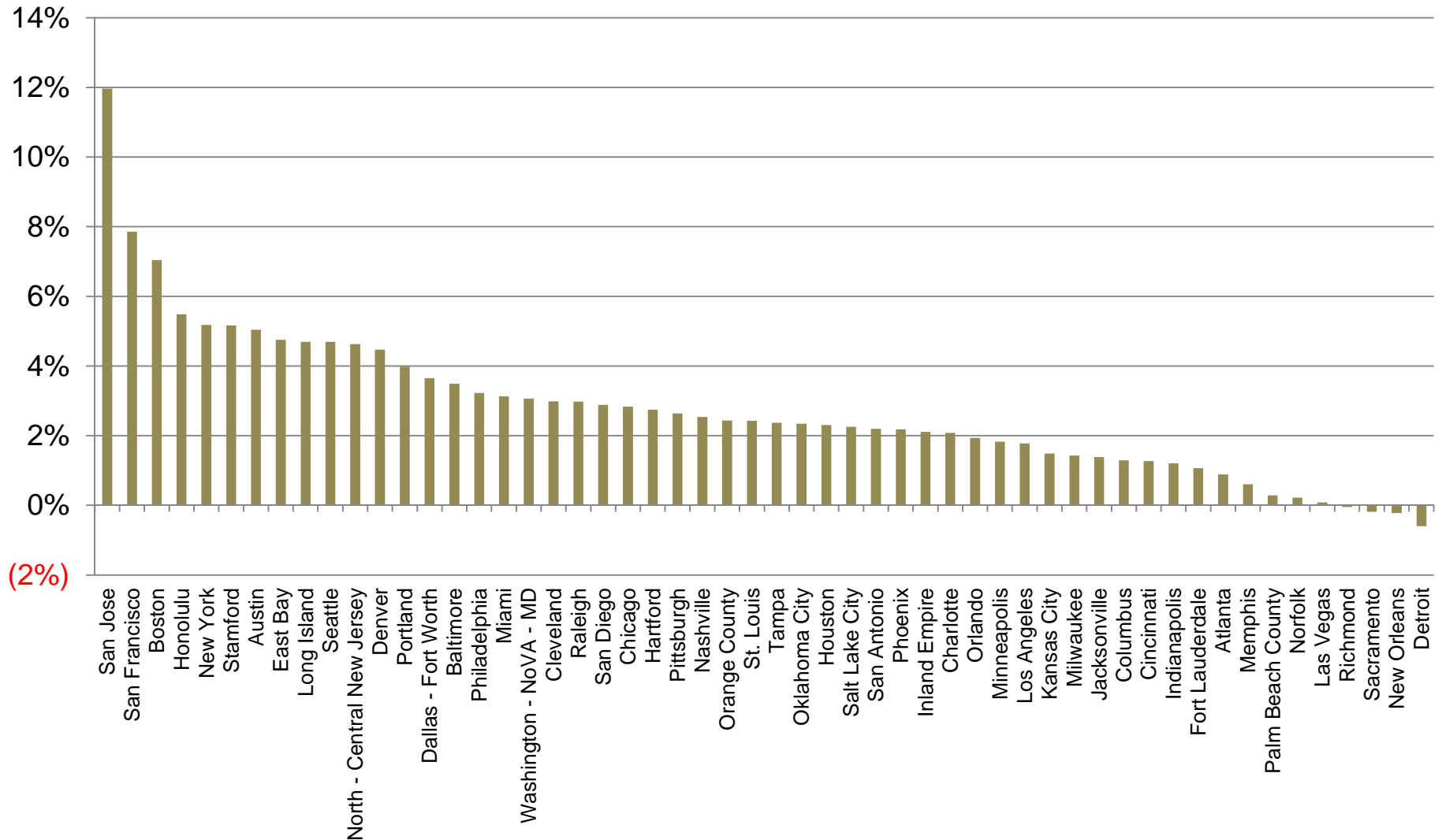


Source: PPR, CoStar Group, Inc.



High Barrier Coastal Markets Will See The Strongest Rent Gains This Year

2011 Rent Growth Forecast



(2%)

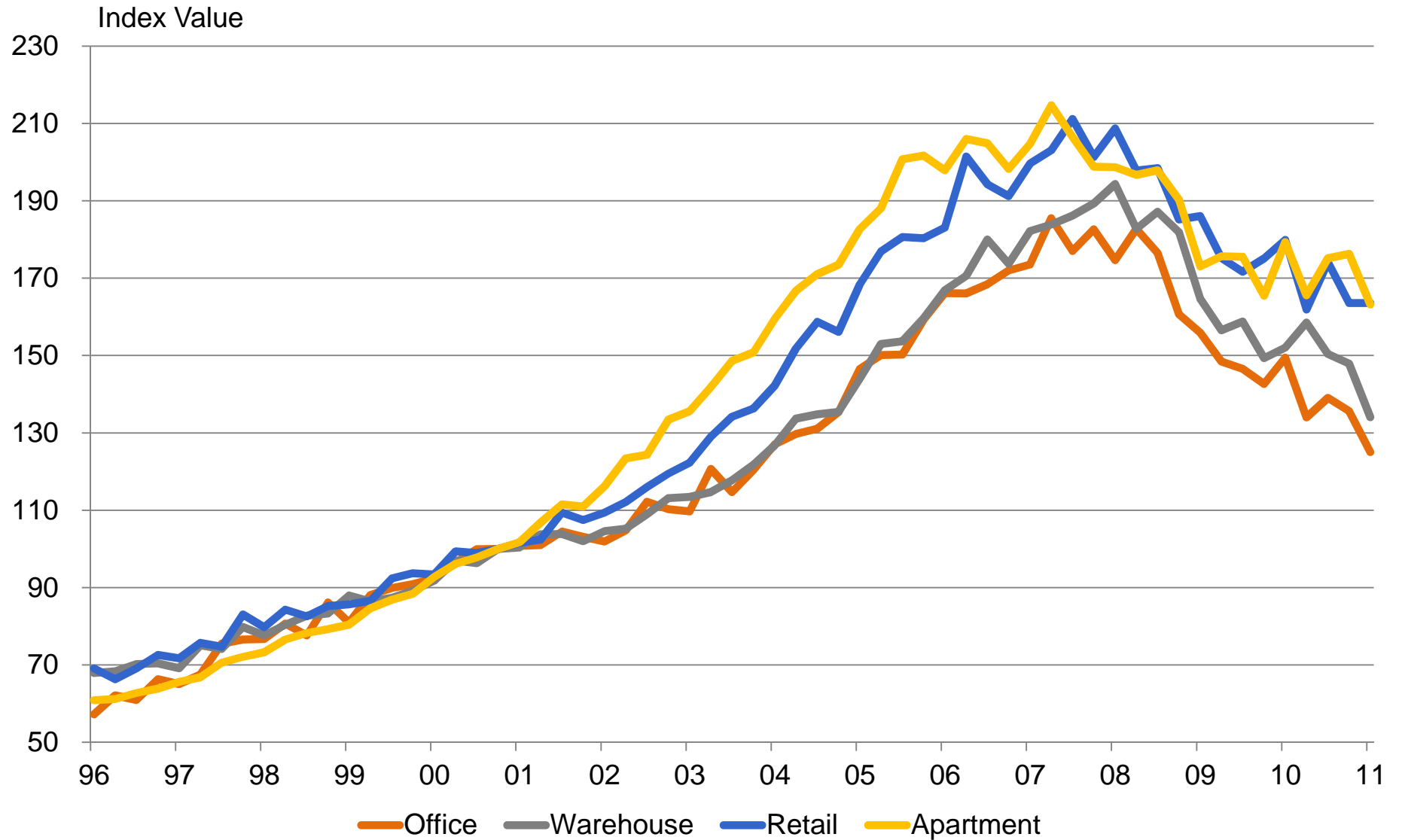
Source: PPR, CoStar Group, Inc.



Capital Markets

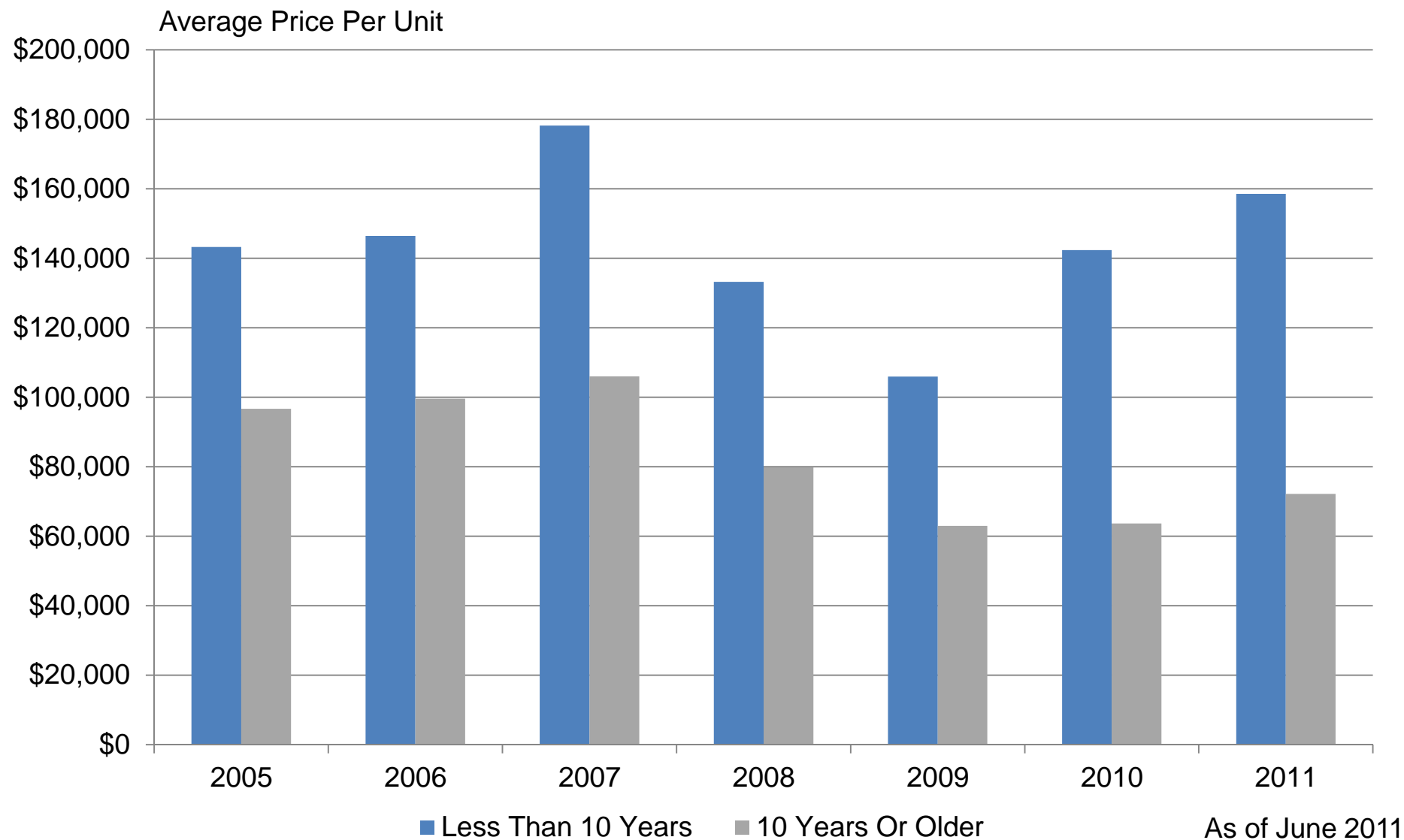


Apartment and Retail Values Appear To Have Bottomed



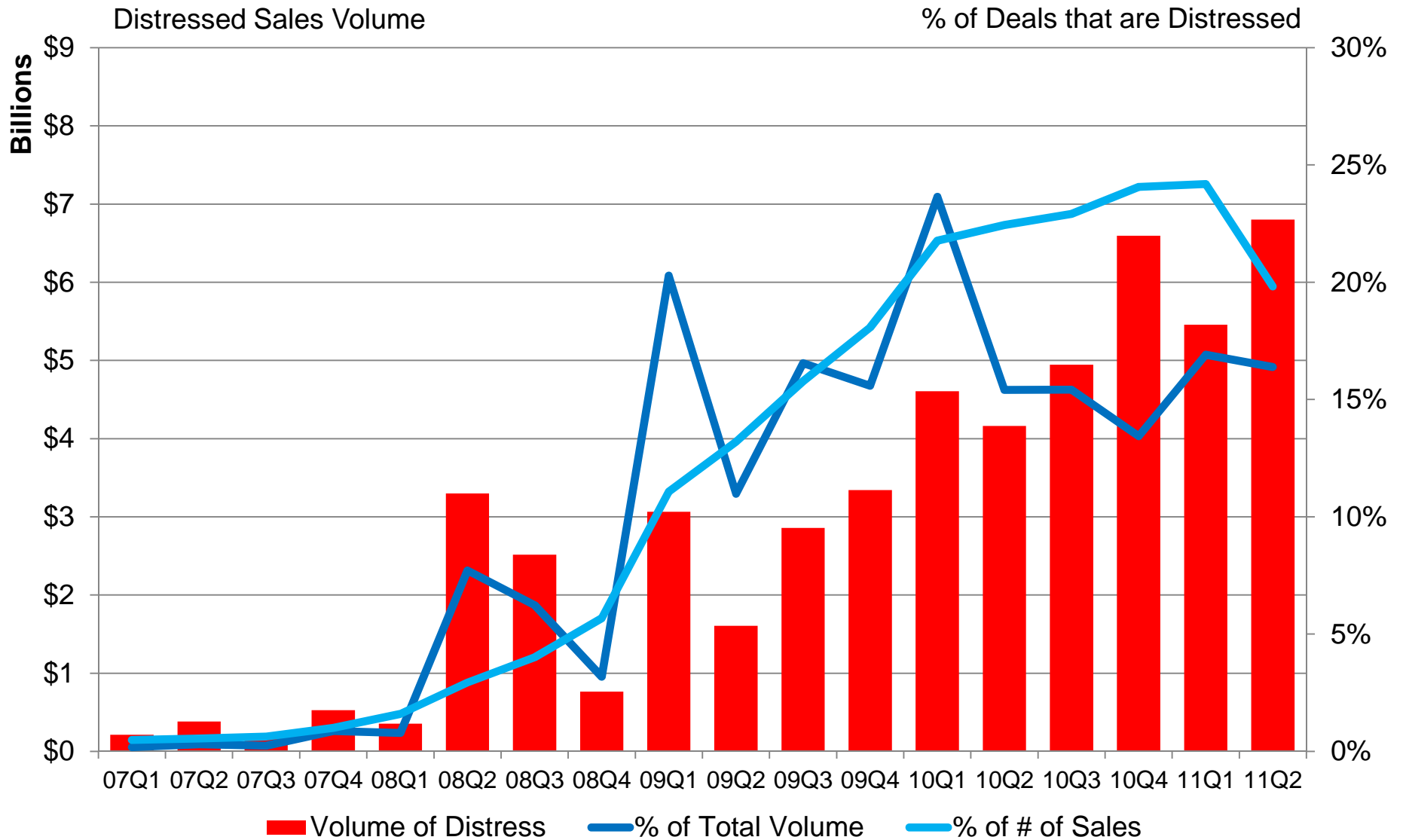


Newer Asset Pricing Rebounds



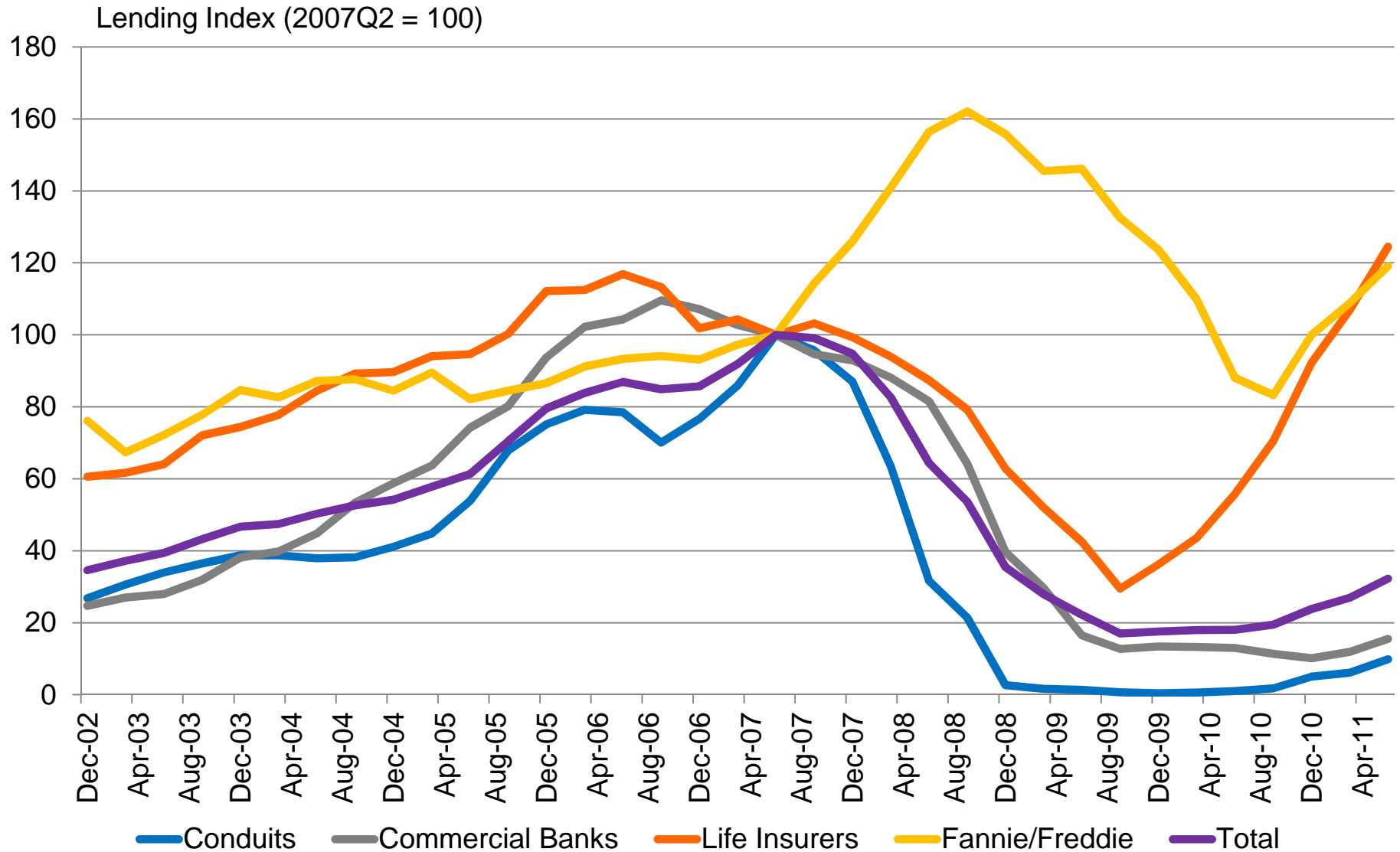


Distress Is By No Means Old News



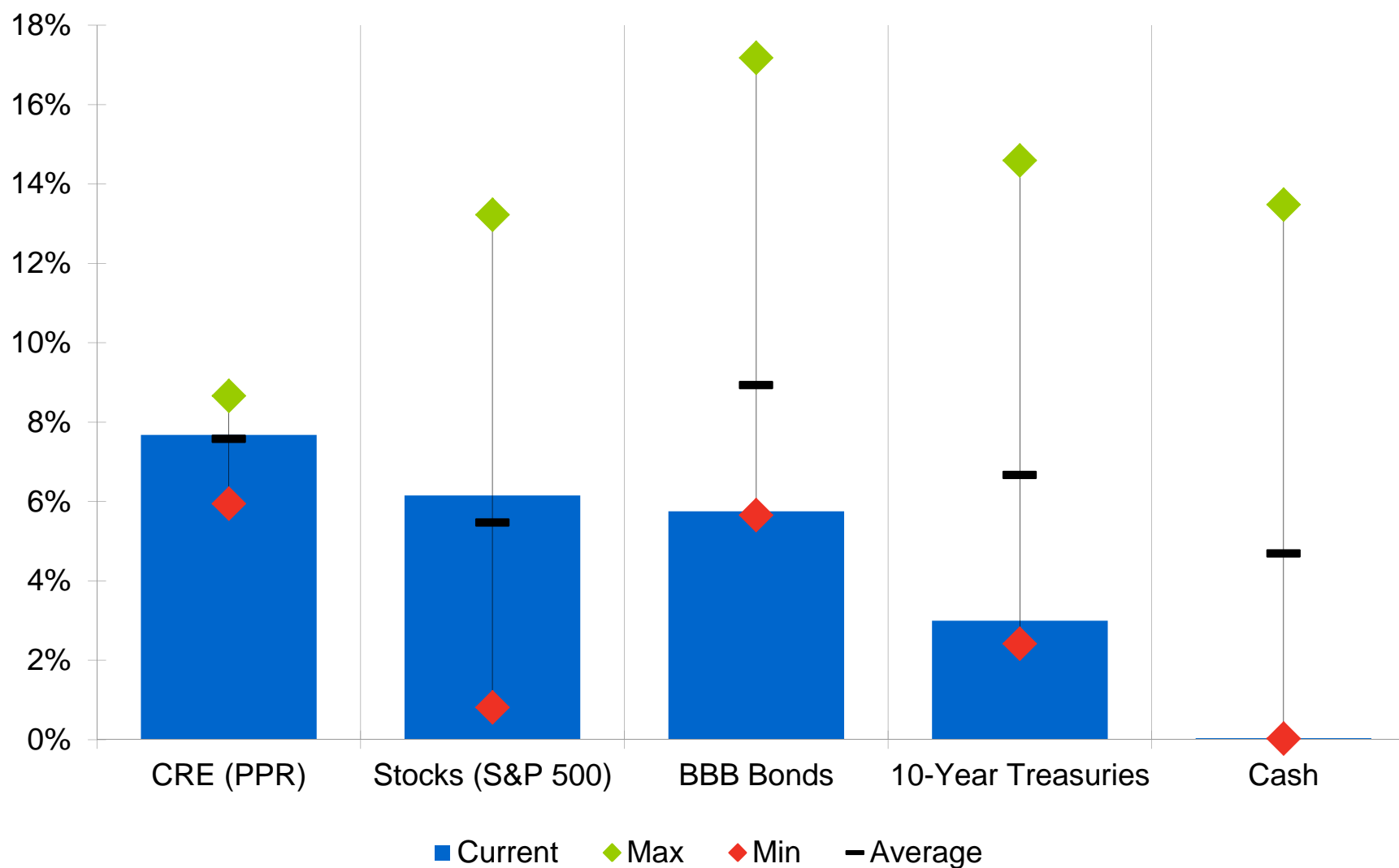


CRE Lenders Have Turned The Corner



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

Attractive Yields Pulling In Private Equity

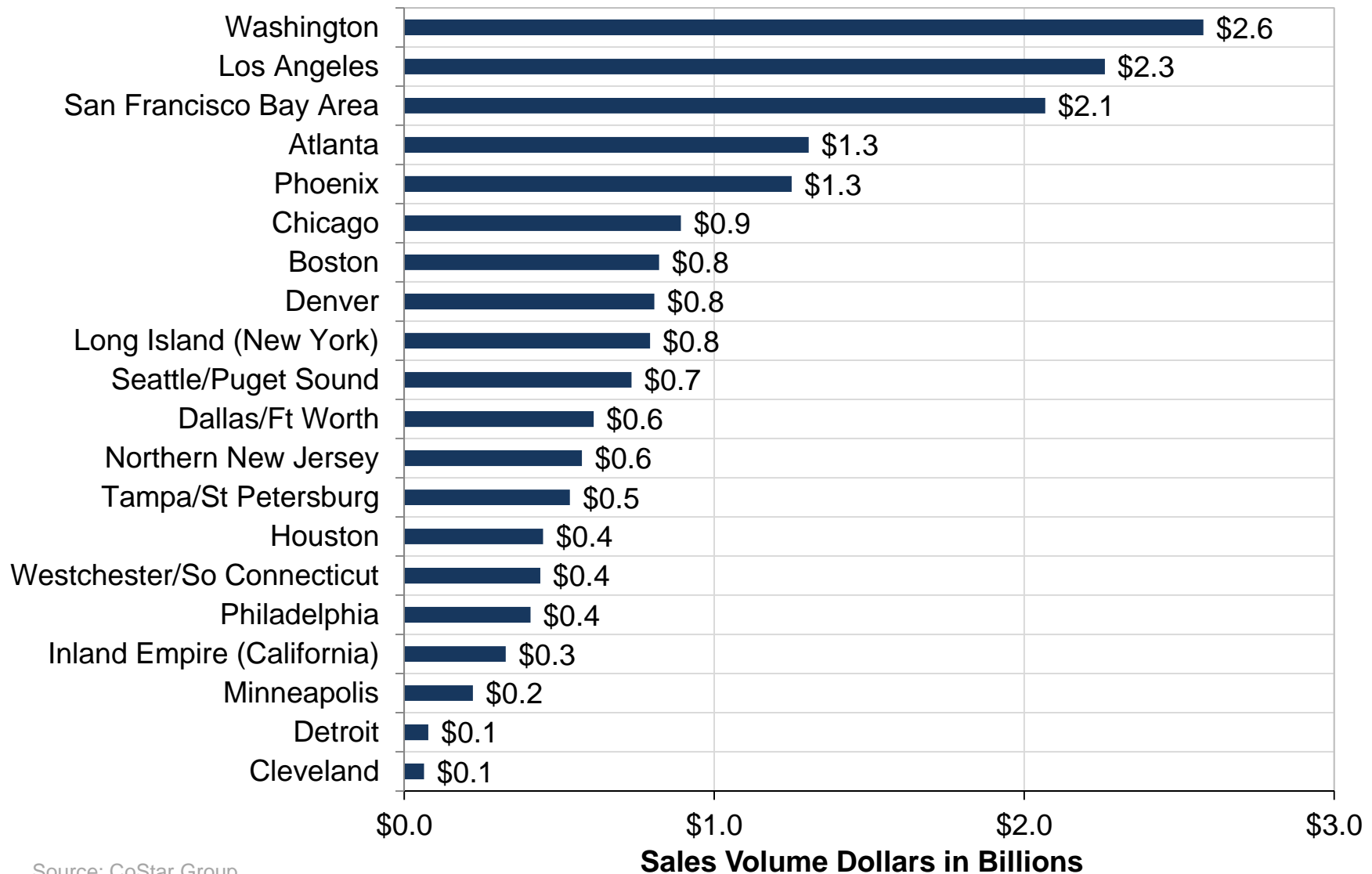




Sales Transactions

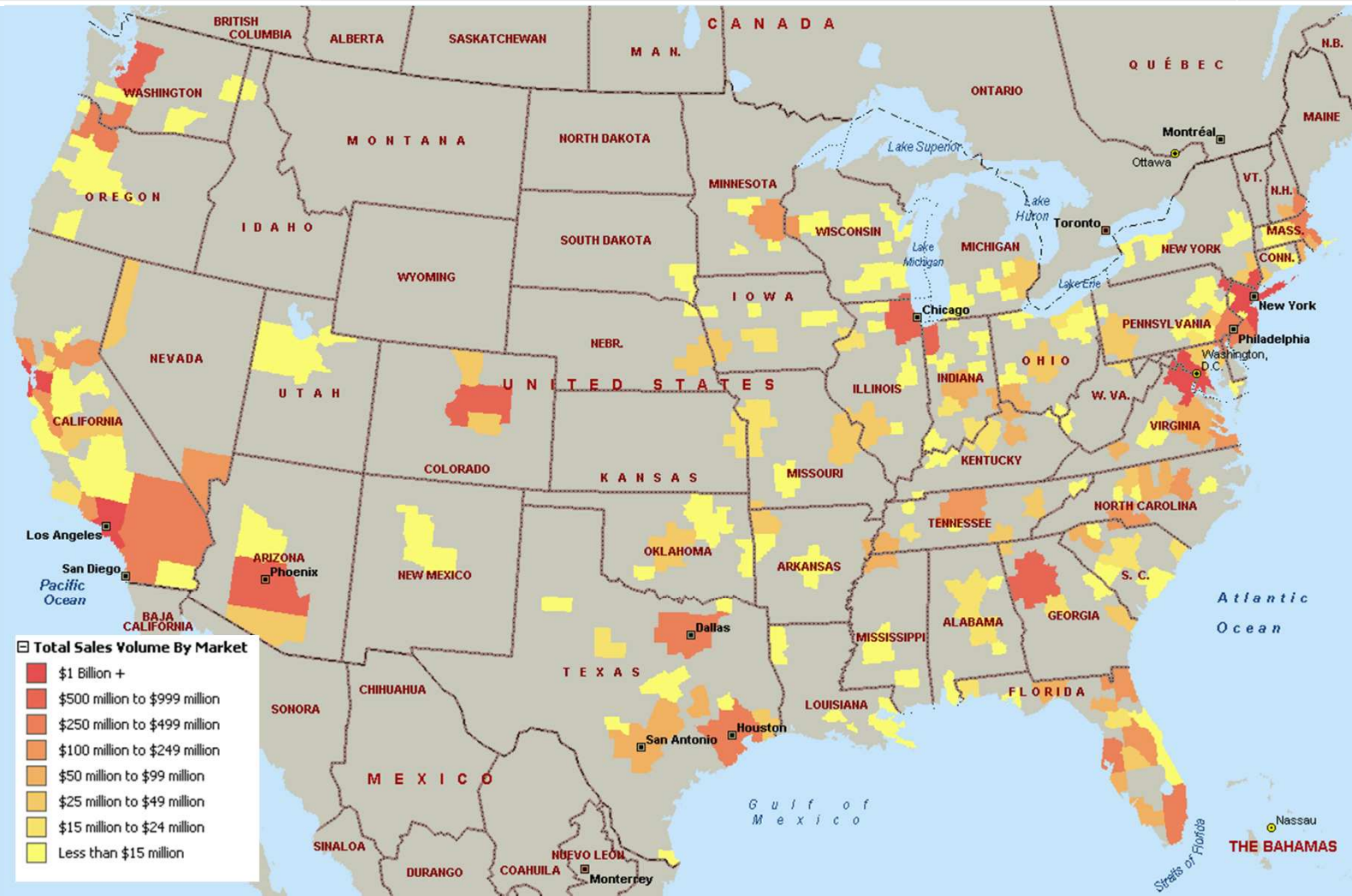


Year-to-Date Sales Volume in 20 Largest Markets





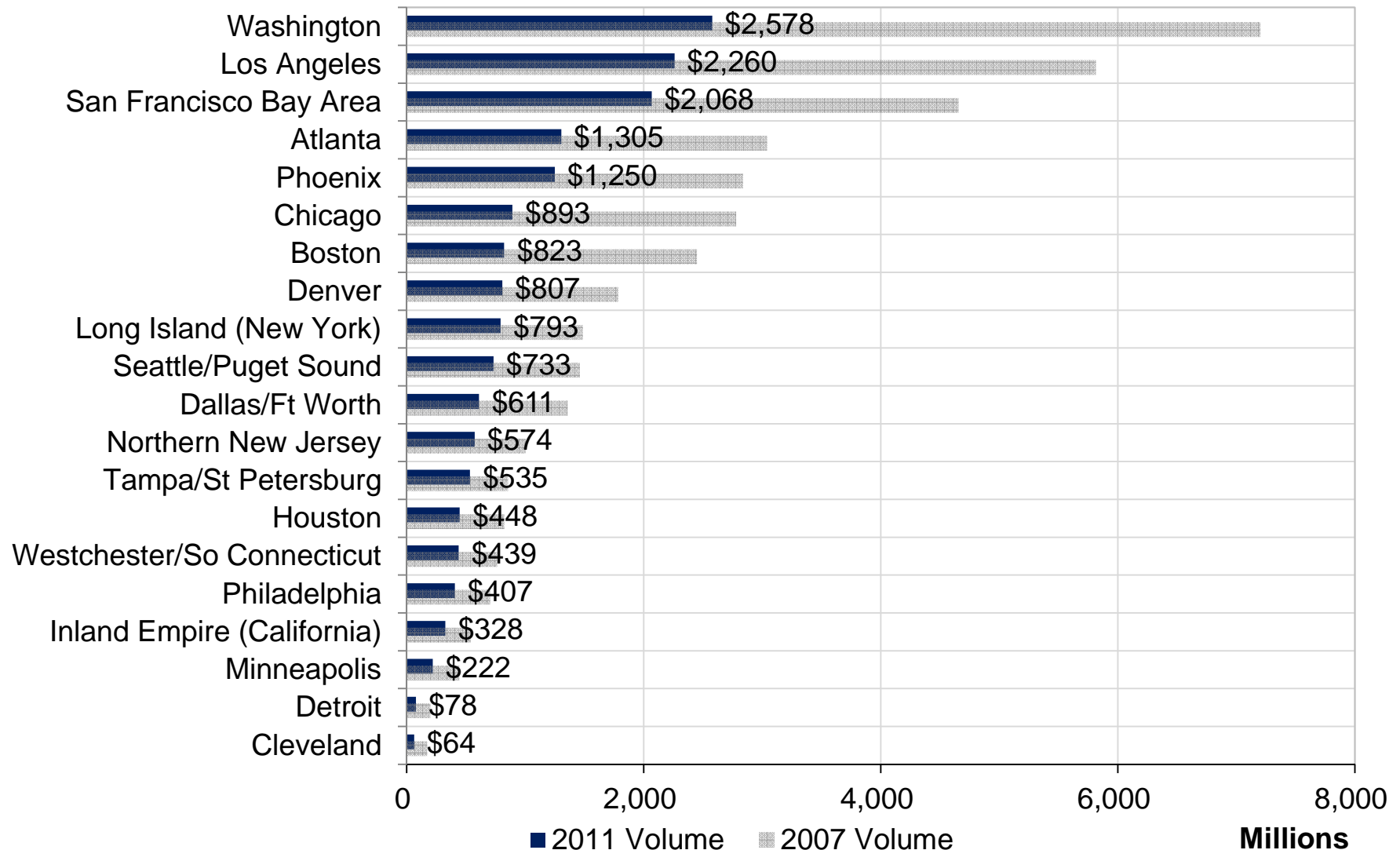
1Q & 2Q 2011 Sales Volume by Market



Source: CoStar Group, Inc.



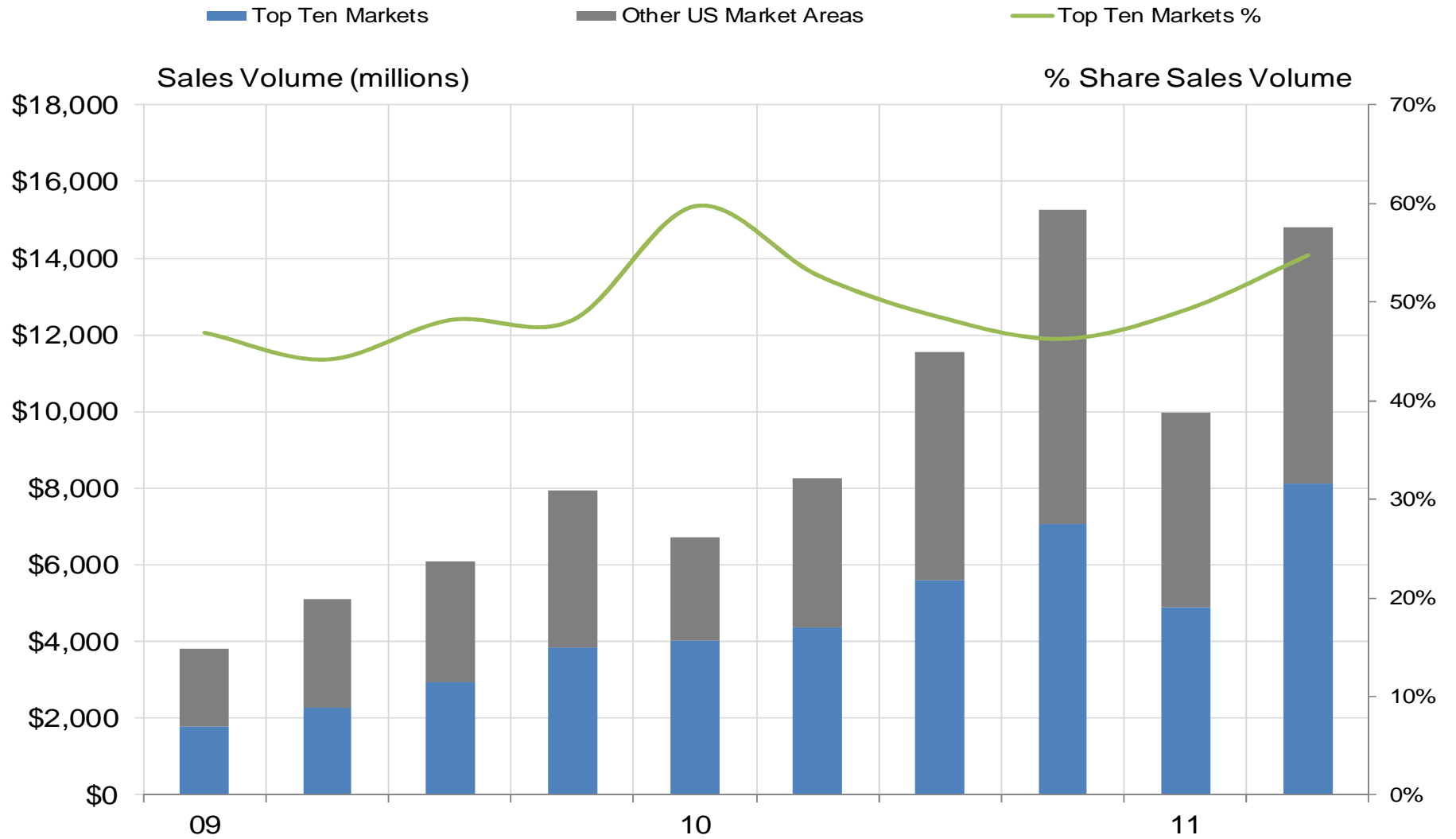
YTD 2011 Sales Volume versus 2007 Sales Volume in Same Period



Source: CoStar Group



Top 10 Markets (by Sales Volume) Share of Total Sales Volume

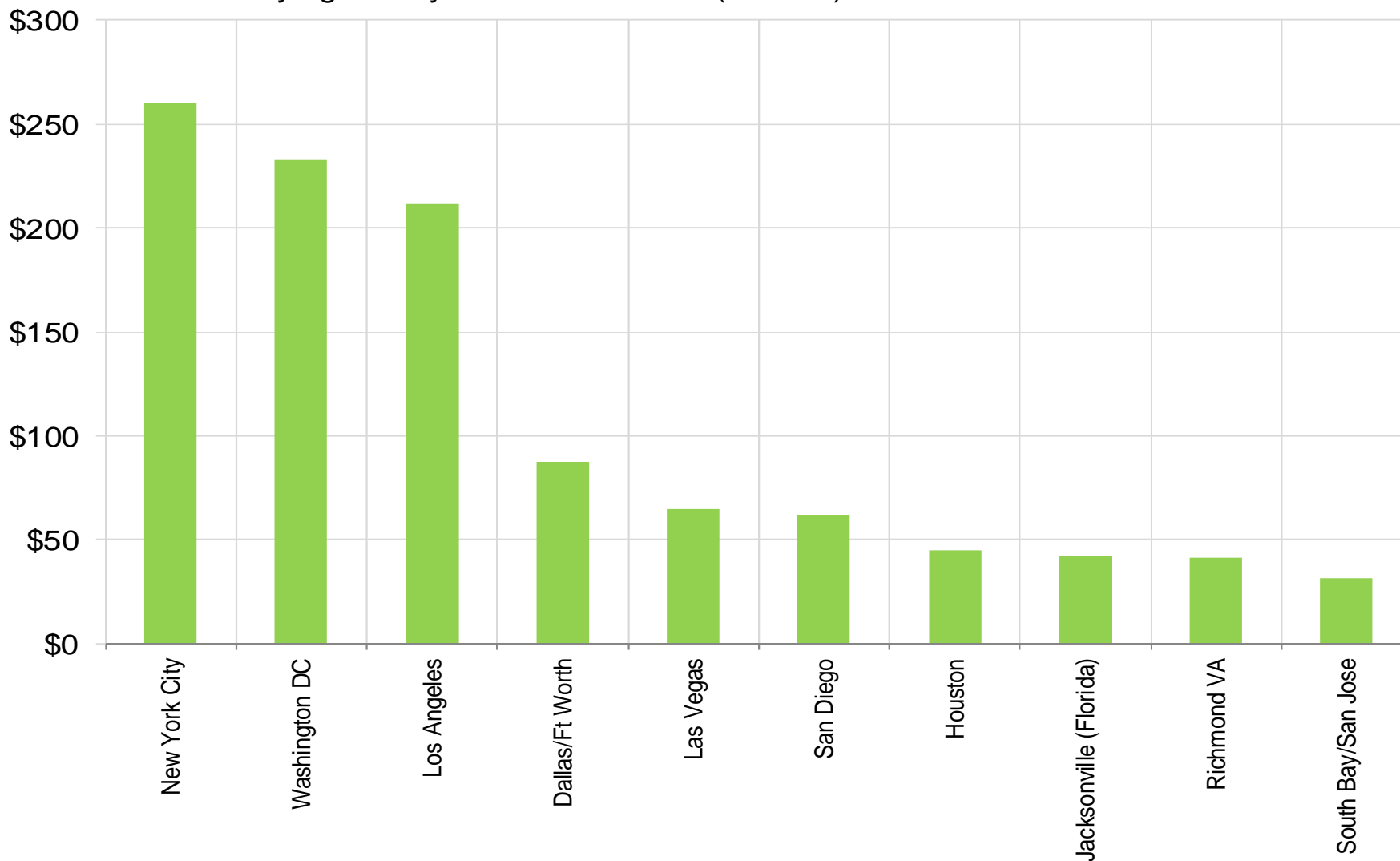


Source: CoStar Group, Inc.



Top Markets – REIT Buyers

REIT Net Buying Activity 2011 Year to Date (millions)

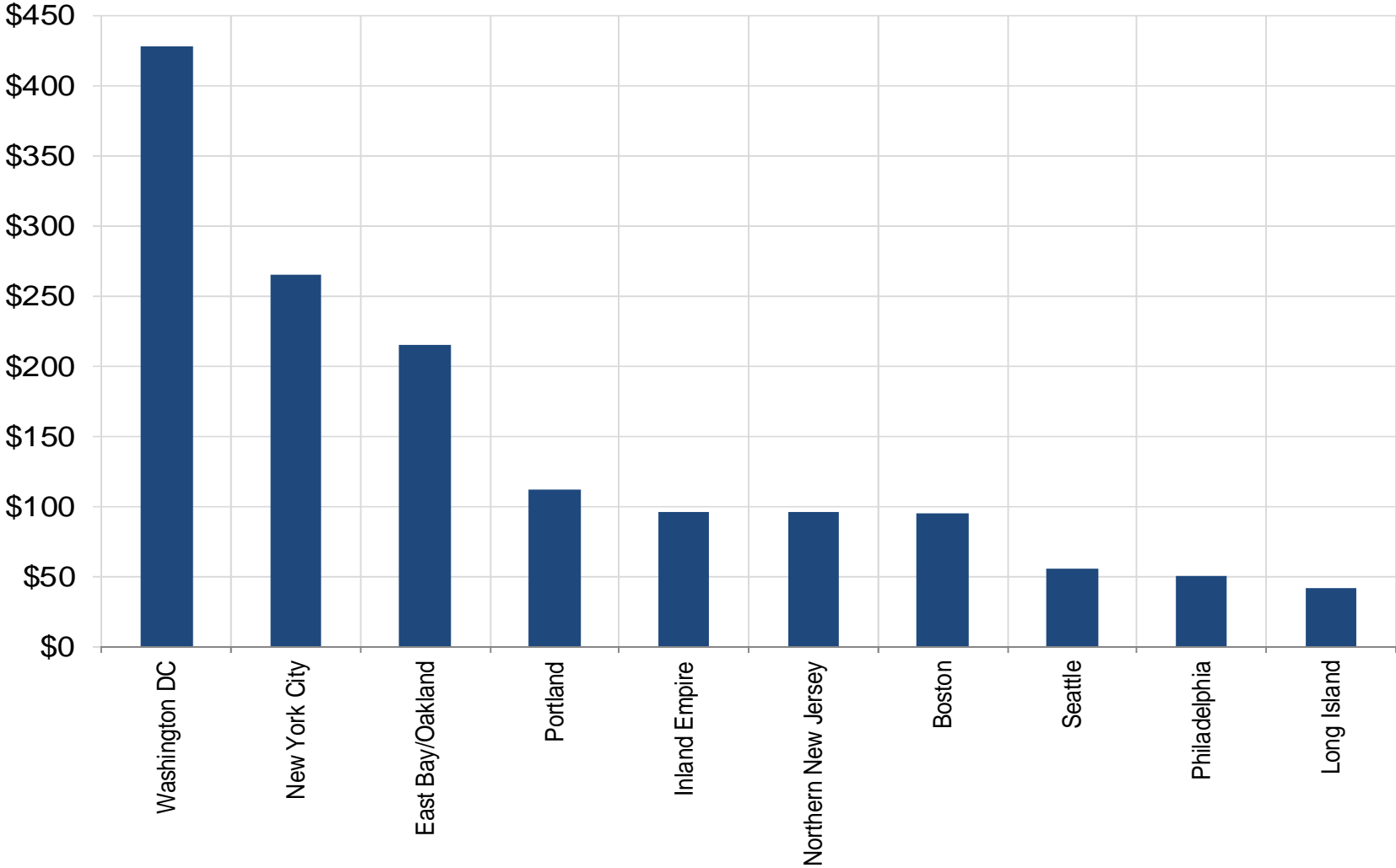


Source: CoStar Group, Inc.



Top Markets – Institutional Buyers

Institutional Net Buying Activity 2011 Year to Date (millions)

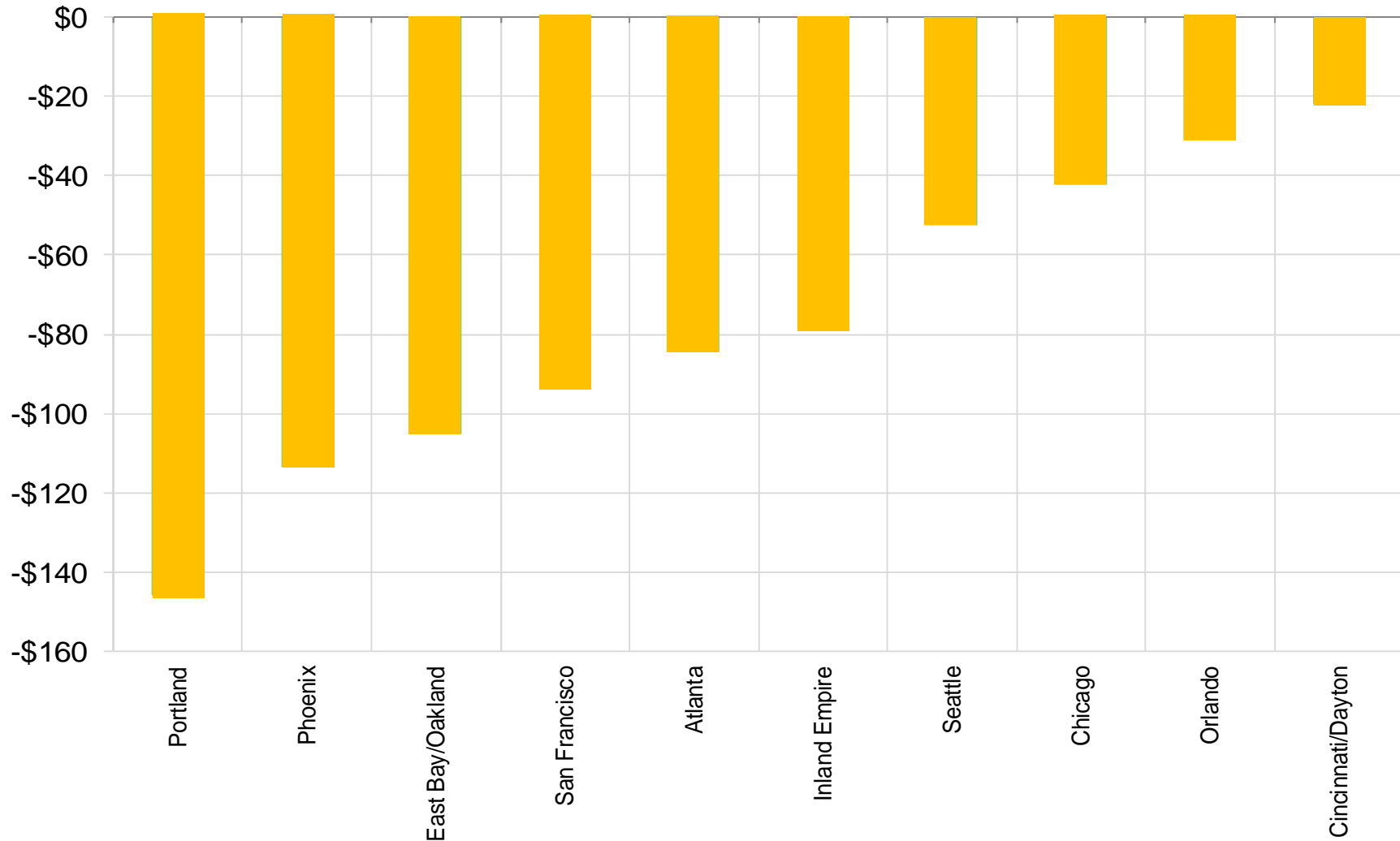


Source: CoStar Group, Inc.



Top Markets – REIT Sellers

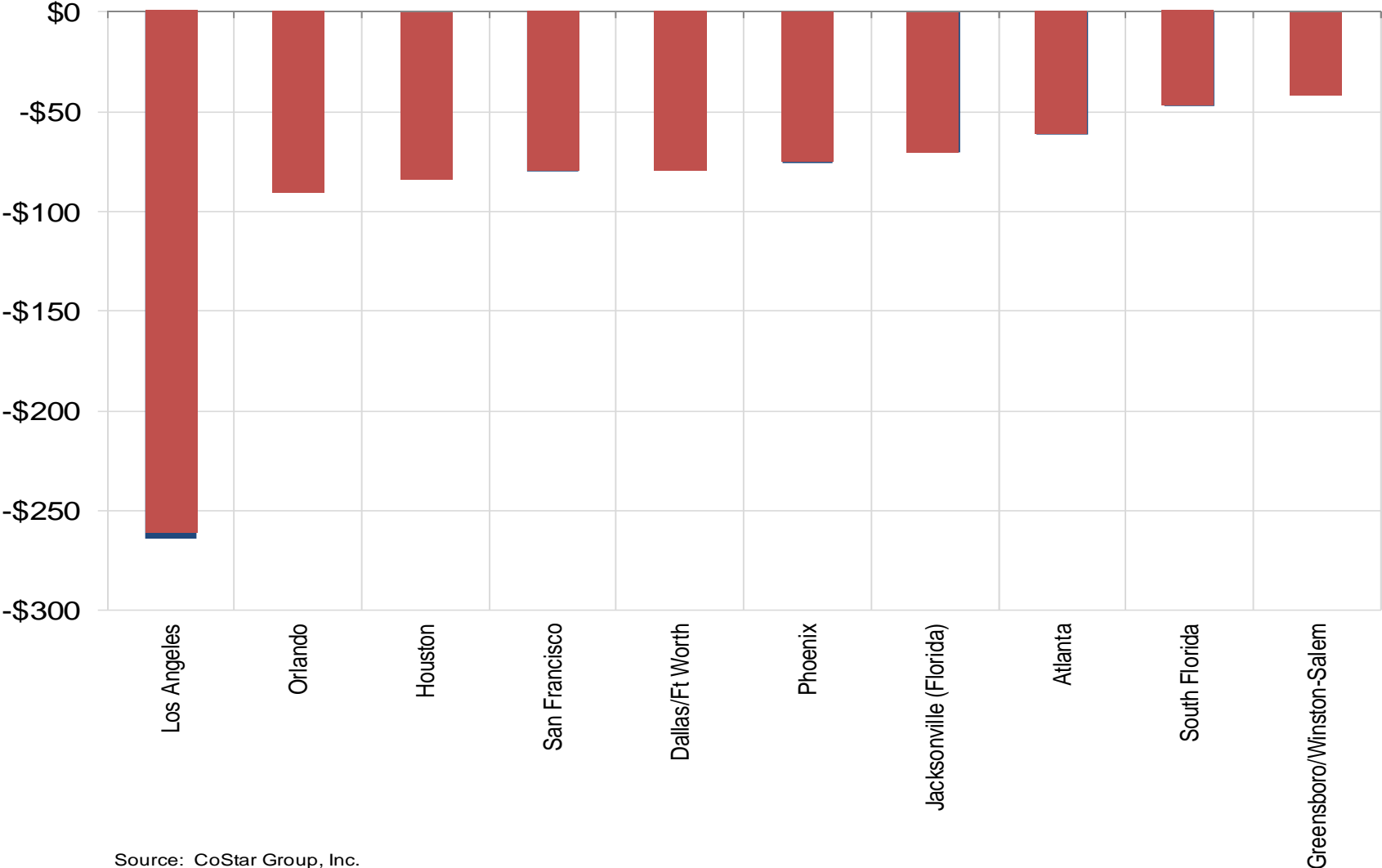
REIT Net Selling Activity 2011 Year to Date (millions)





Top Markets – Institutional Sellers

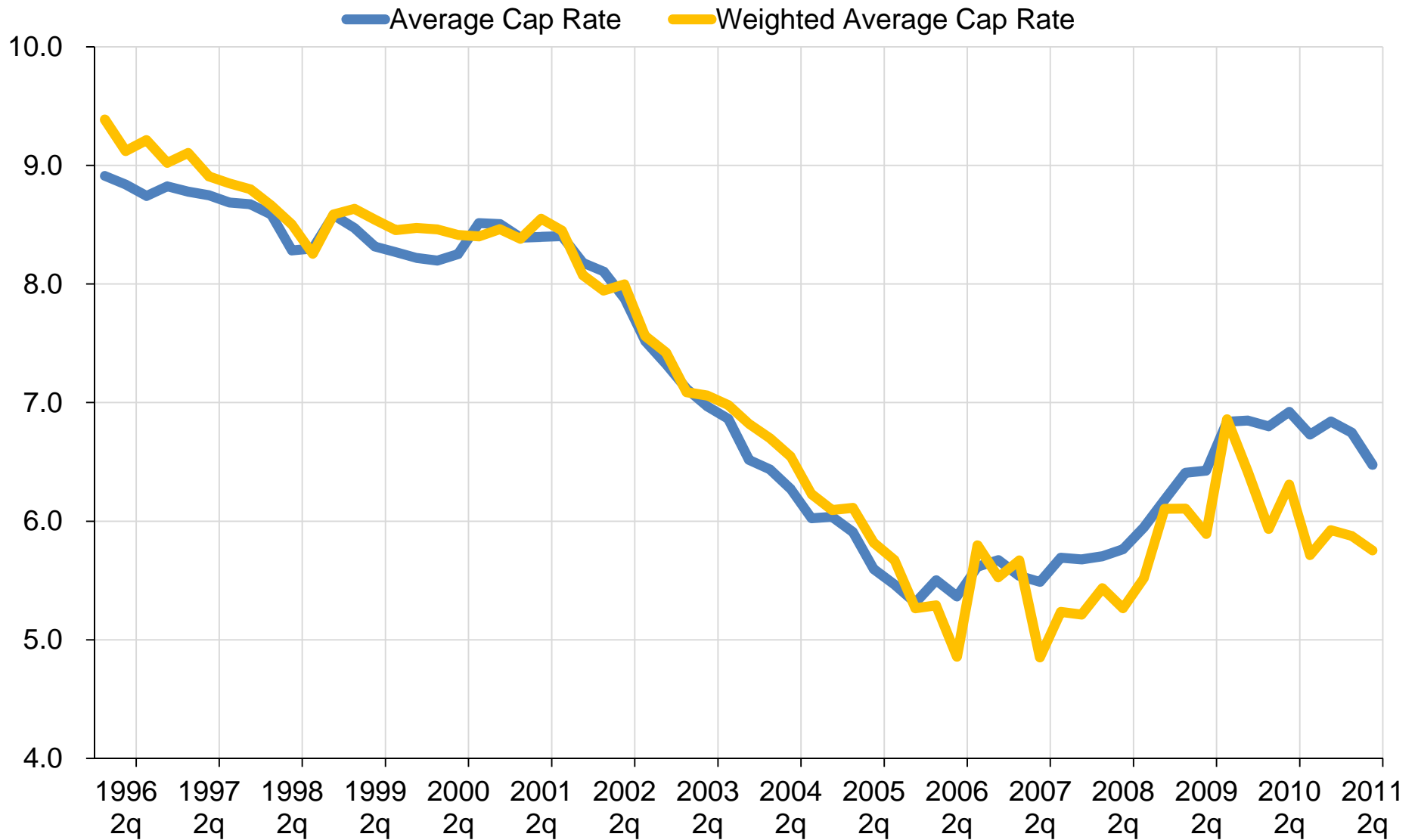
Institutional Net Selling Activity 2011 Year to Date (millions)



Source: CoStar Group, Inc.

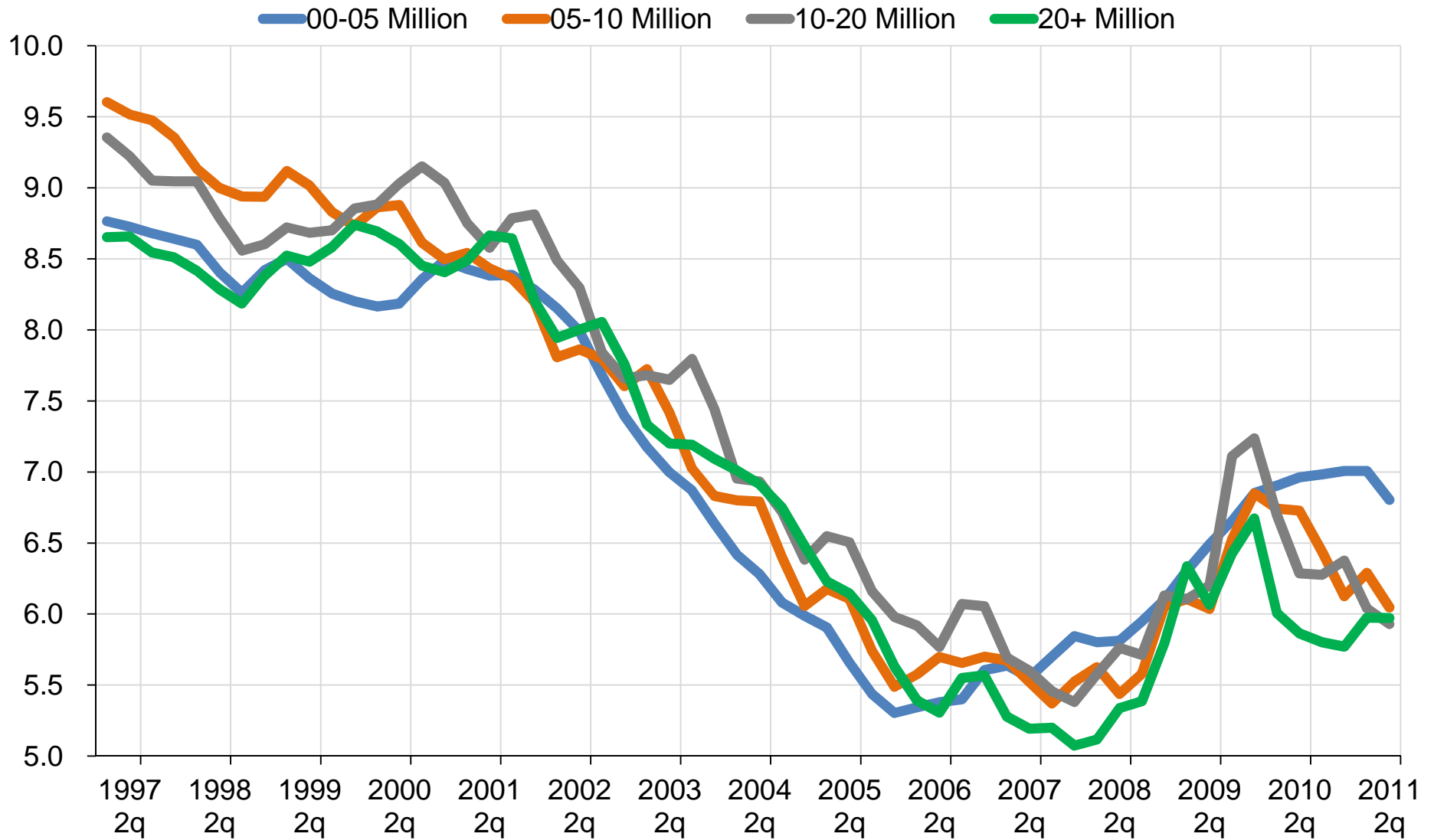


Apartment Cap Rates Continue To Drop



Source: CoStar Group

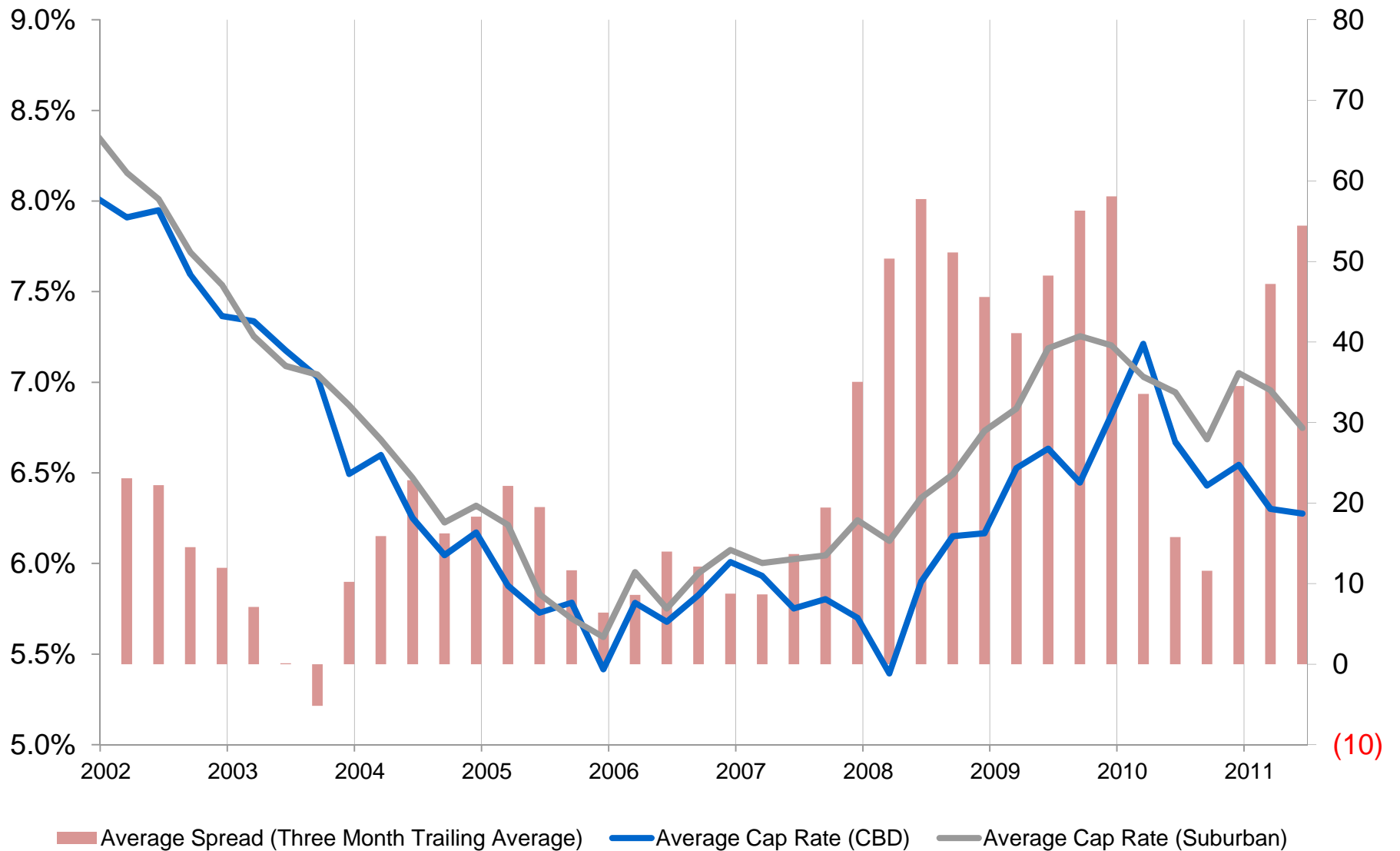
Cap Rates For Mid-Sized Deals Coming Down



Source: CoStar Group



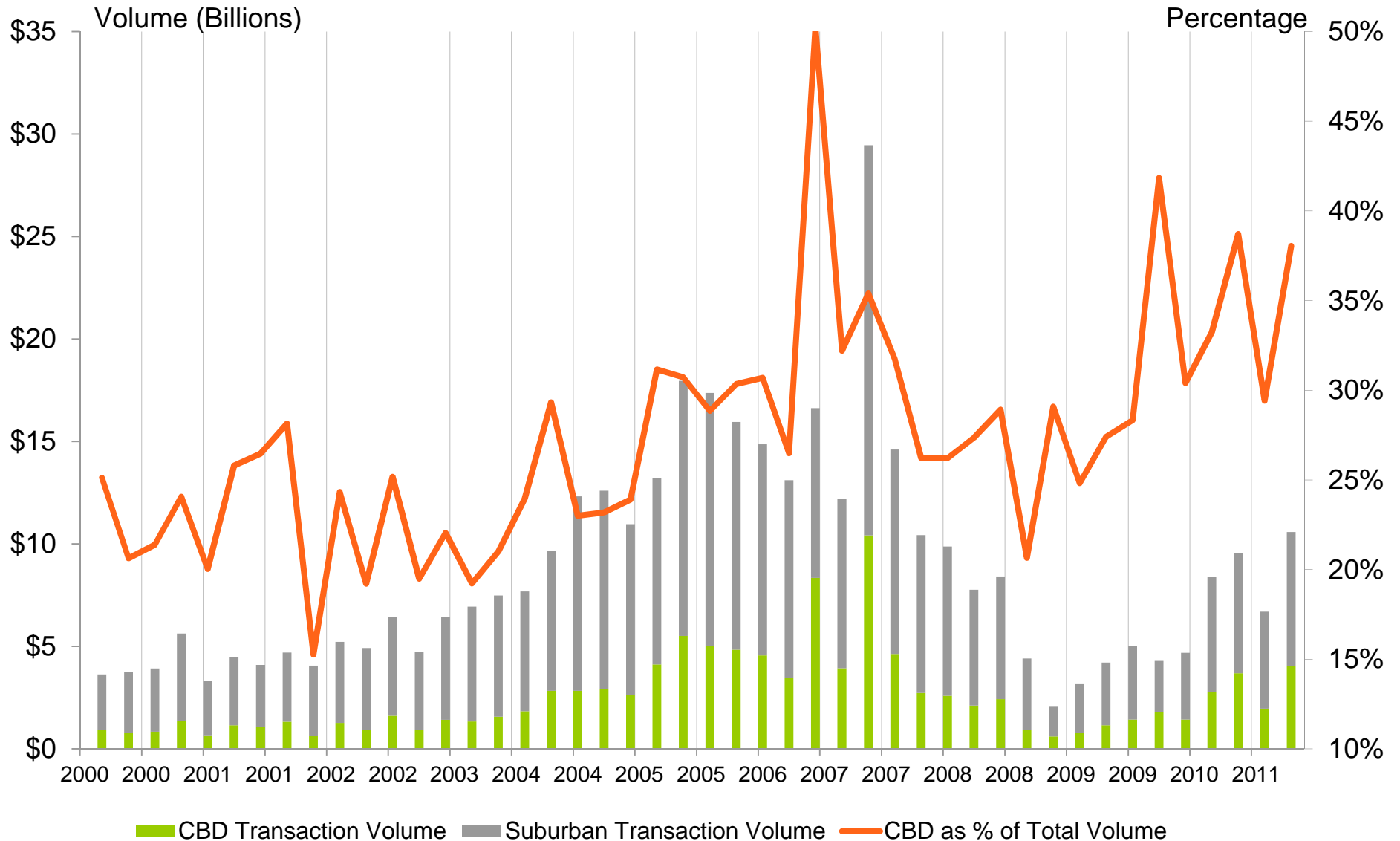
Everyone Wants To Be In The CBD



Source: CoStar



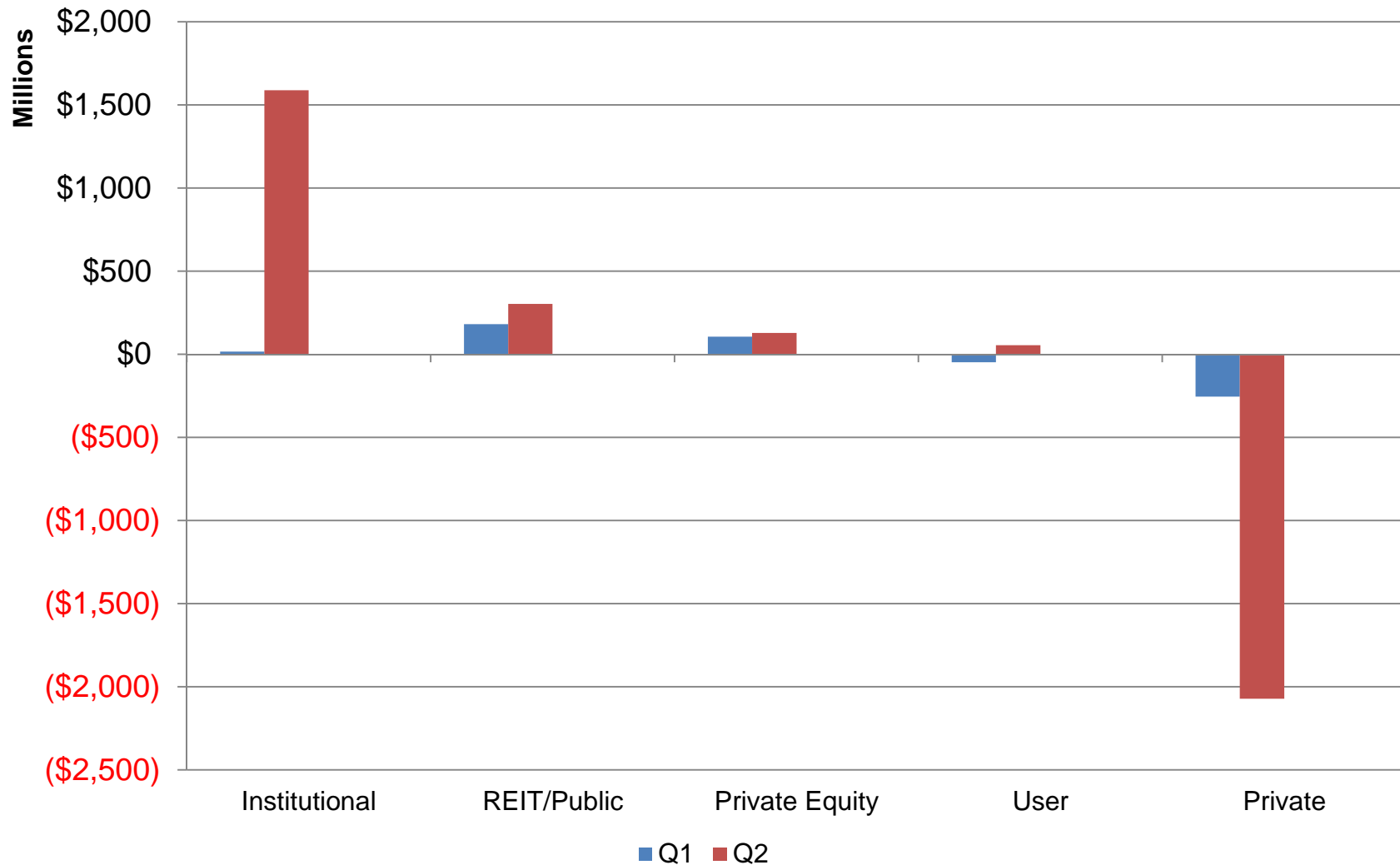
Centrally Located Submarkets Getting The Lion's Share Again



Source: CoStar



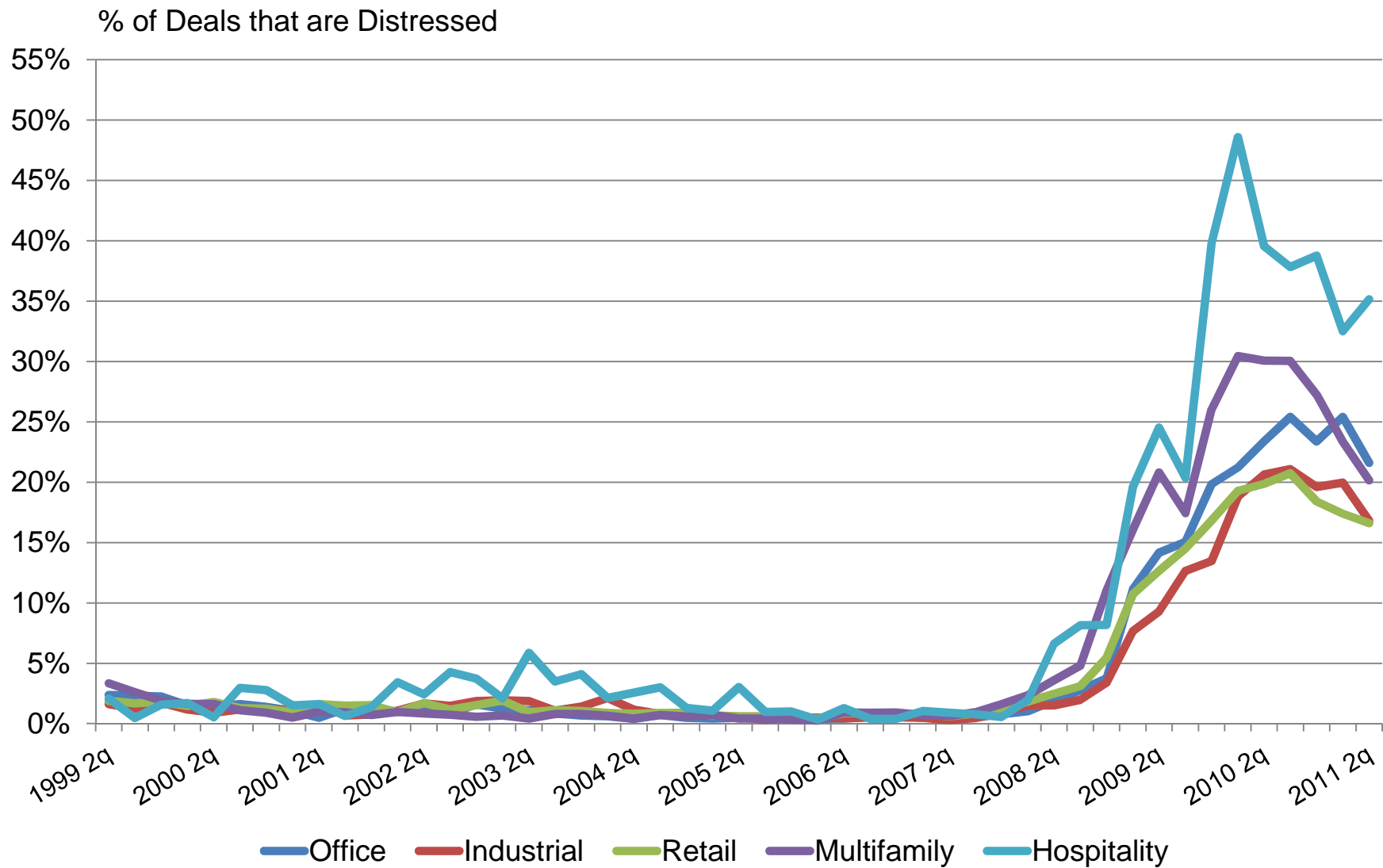
Multi-Family Net Buying By Quarter in 2011



Source: CoStar

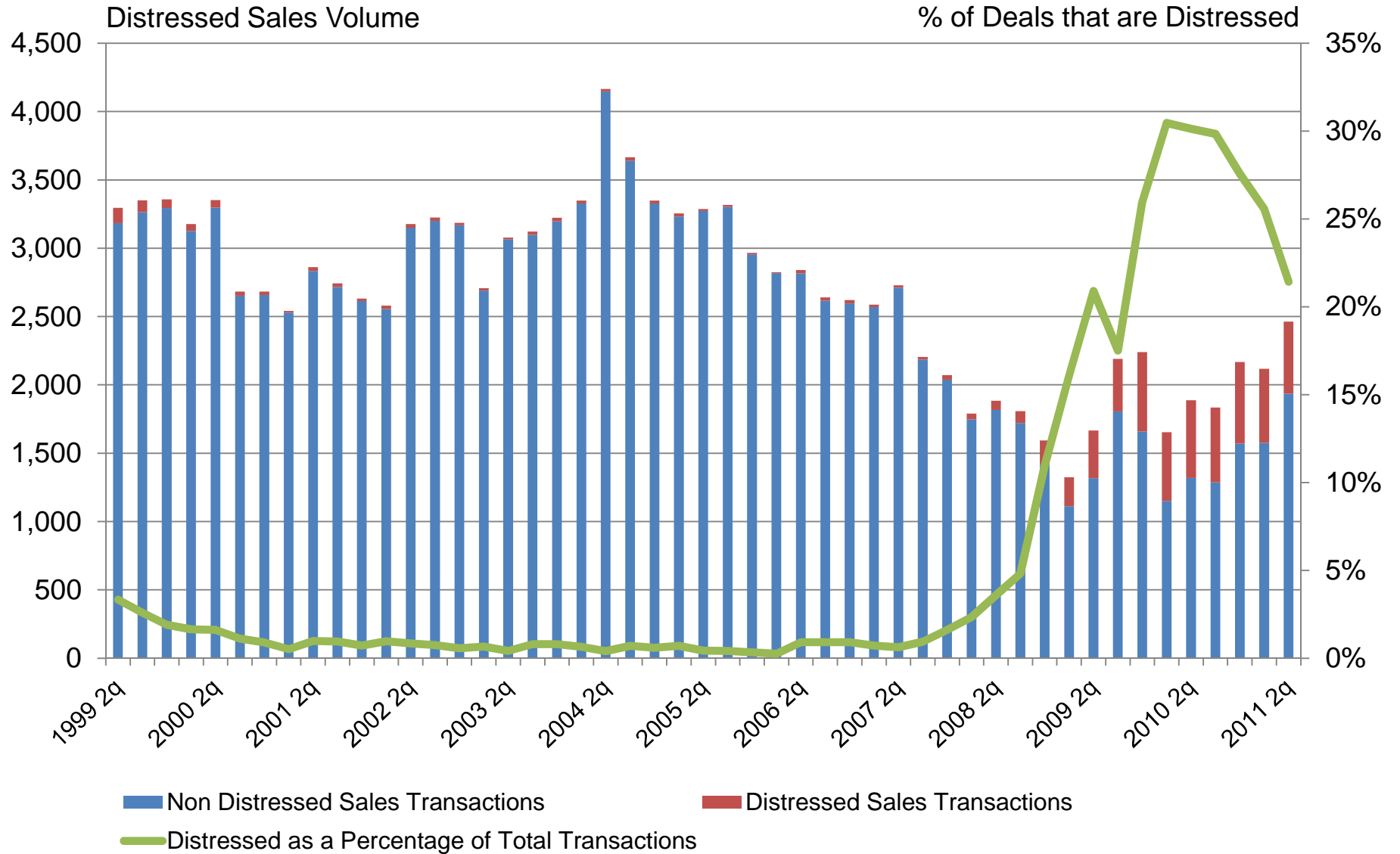


Distressed Transactions By Property Type





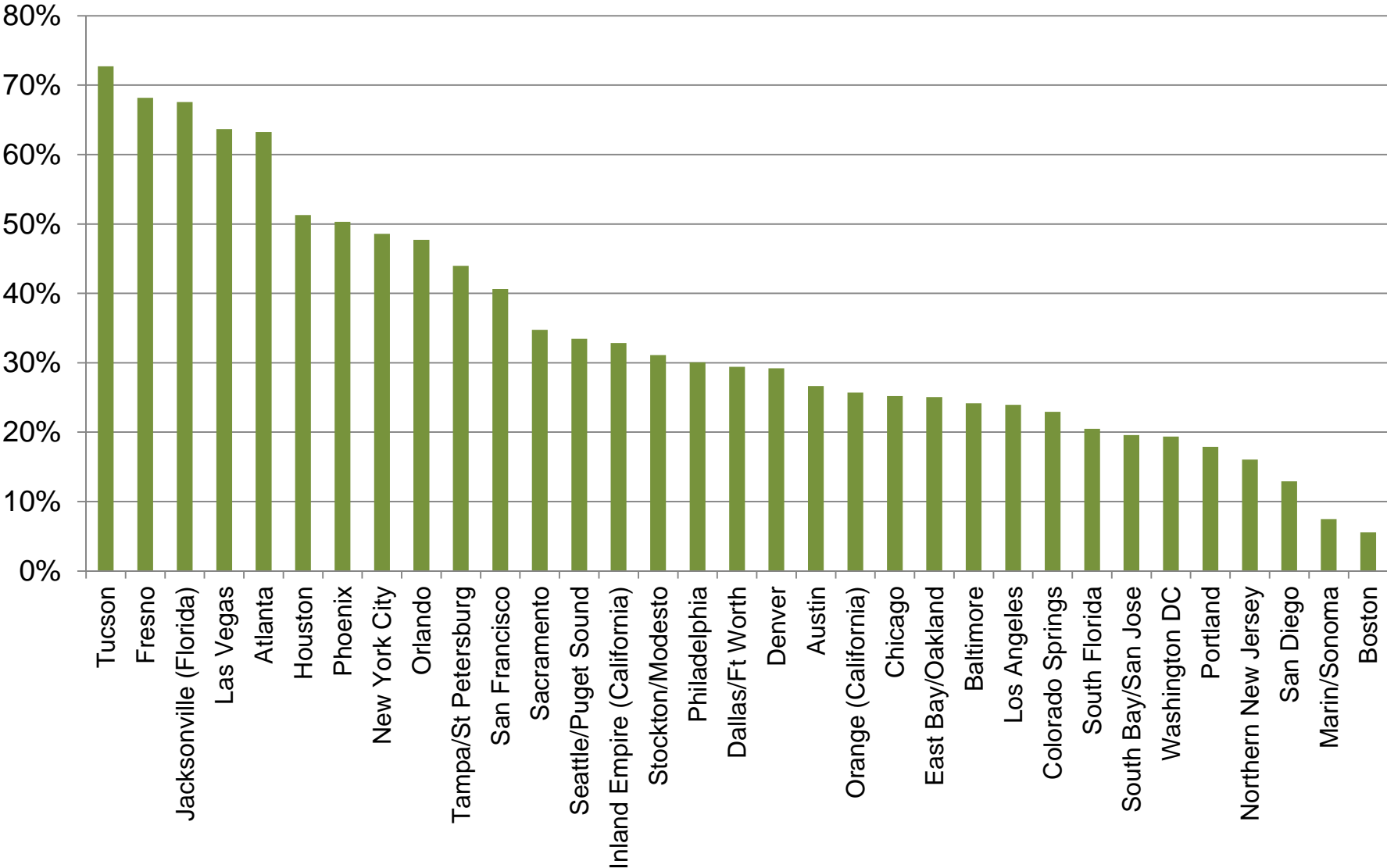
Multi-Family Distressed Versus Non-Distressed (Trend Is Improving...)



Source: CoStar



Percentage of Multi-Family Sales Distressed Since 2009



Source: CoStar



Selected Top Multi-Family Deals – 2Q2011



The Corner – New York, NY
200 West 72nd Street
Gothem Organization and Philips
Internal sold to
TIAA-CREF
for \$209 million
\$1,071,795 per unit



National Foreclosure Portfolio
20 properties; AZ, DC, FL, NC*
Fannie Mae sold to
The Related Companies
a 25% partial interest
for approximately \$300 million
* The full list of properties involved is not yet
available.



654 Unit Apartment Building – Seattle, WA
6th Avenue at Lenora Street
NewTower Trust Company sold a 44%
equity interest to
Canada Pension Plan Investment Board
for \$84 million
\$291,910 per unit



Georgia and Florida Portfolio
10 properties; 2,746 units
ECI Group sold to
AREA Property Partners
In a recapitalization deal
for \$208.5 million
\$75,929 per unit



Southern California Portfolio
6 properties; 1,418 units
UDR sold to
Avalon Bay Communities
as part of a 1031 exchange
for \$237 million
\$167,137 per unit



CityFront – Chicago, IL
400 North McClurg Court
RREEF sold to Crescent Heights
for \$107 million
\$222,917 per unit



Summary and Q&A