



2006

APARTMENT TRENDS

A National Multifamily Market Overview

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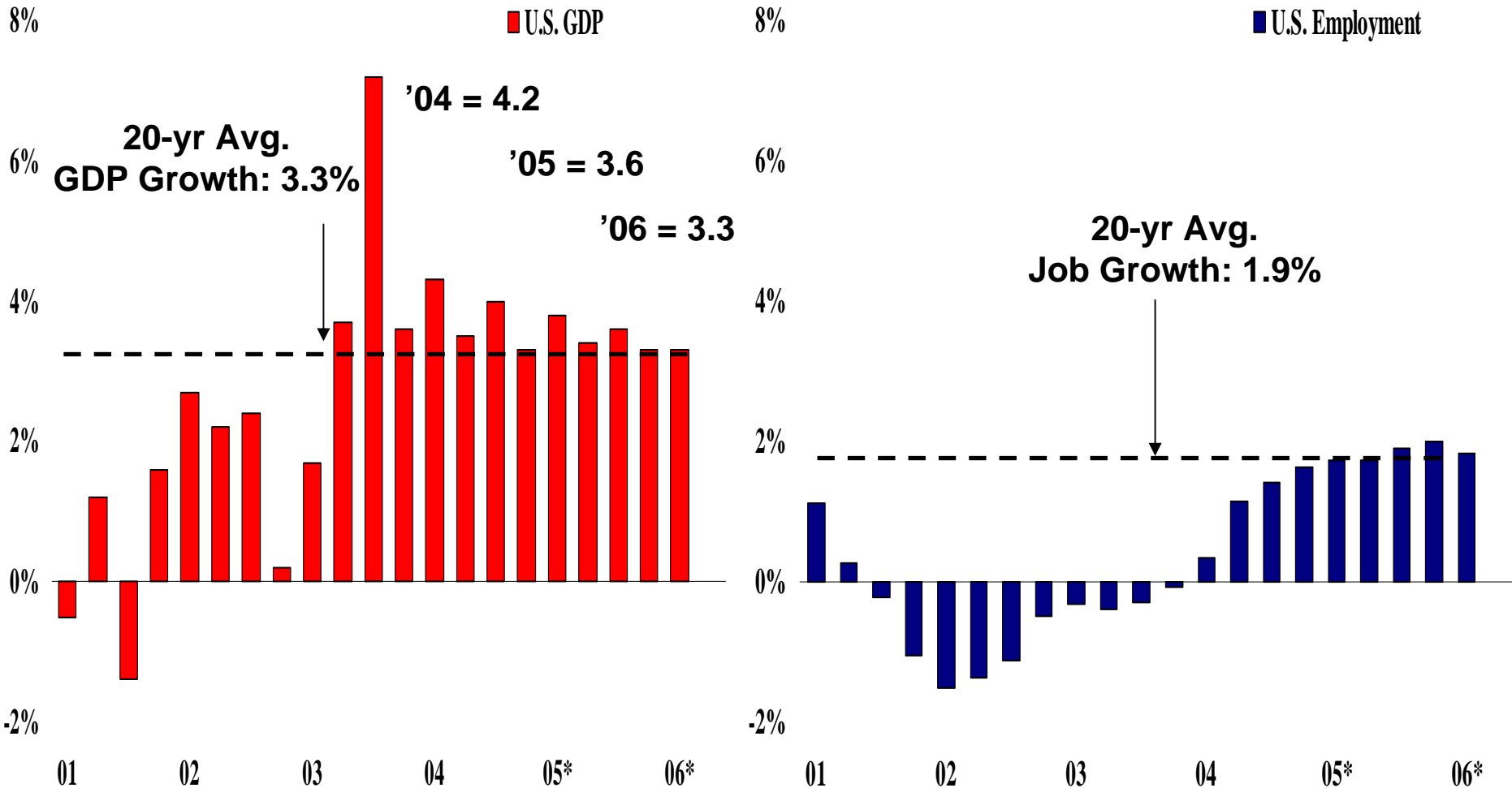
Marcus & Millichap

NATIONAL MULTI HOUSING GROUP

U.S. Apartment Market Outlook

2006 Economic, Demographic Drivers and Apartment Market Performance

Economic Conditions Still Favorable: GDP & Job Growth In-Line with Long-Term Trend

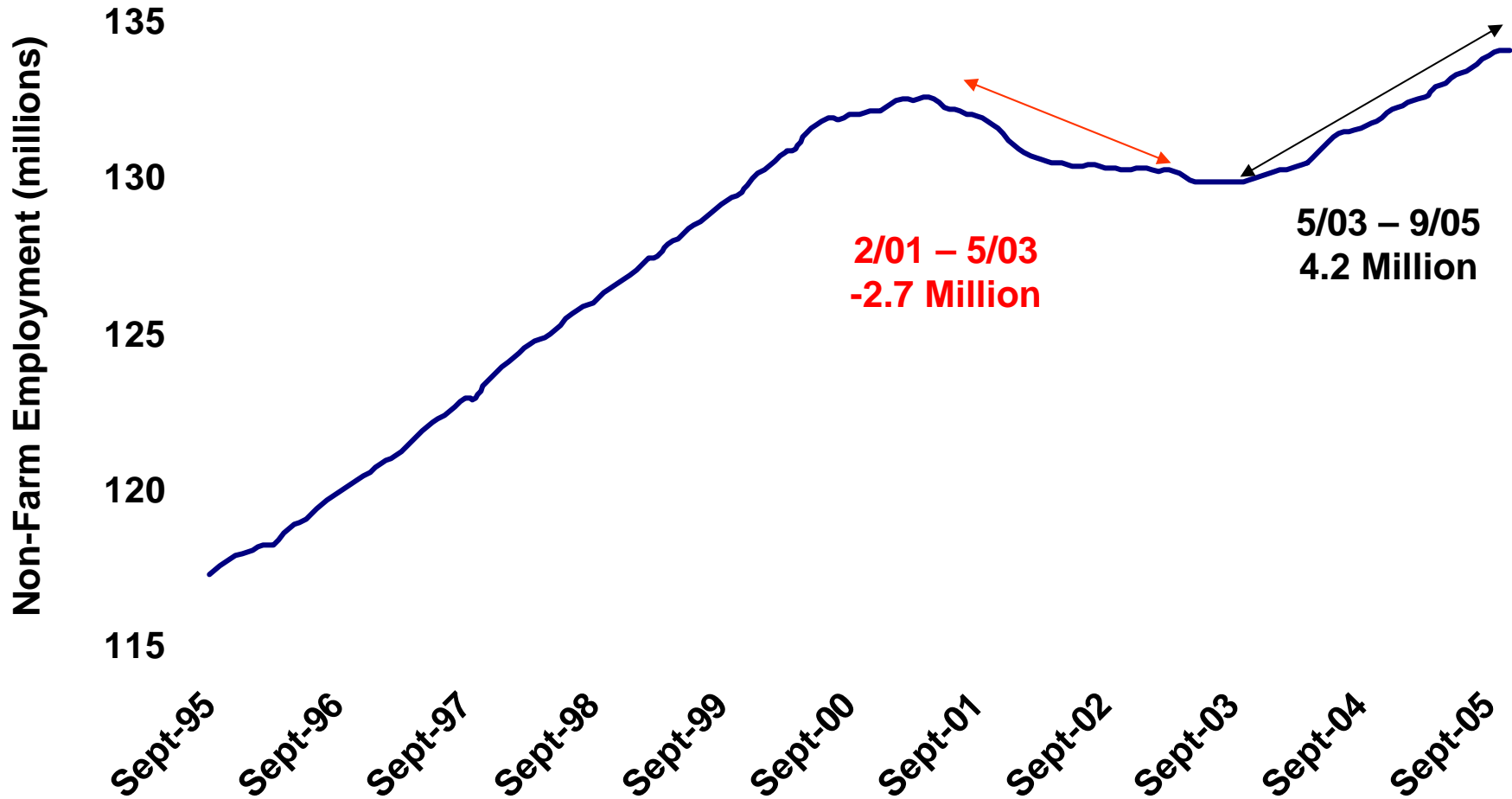


*Forecast

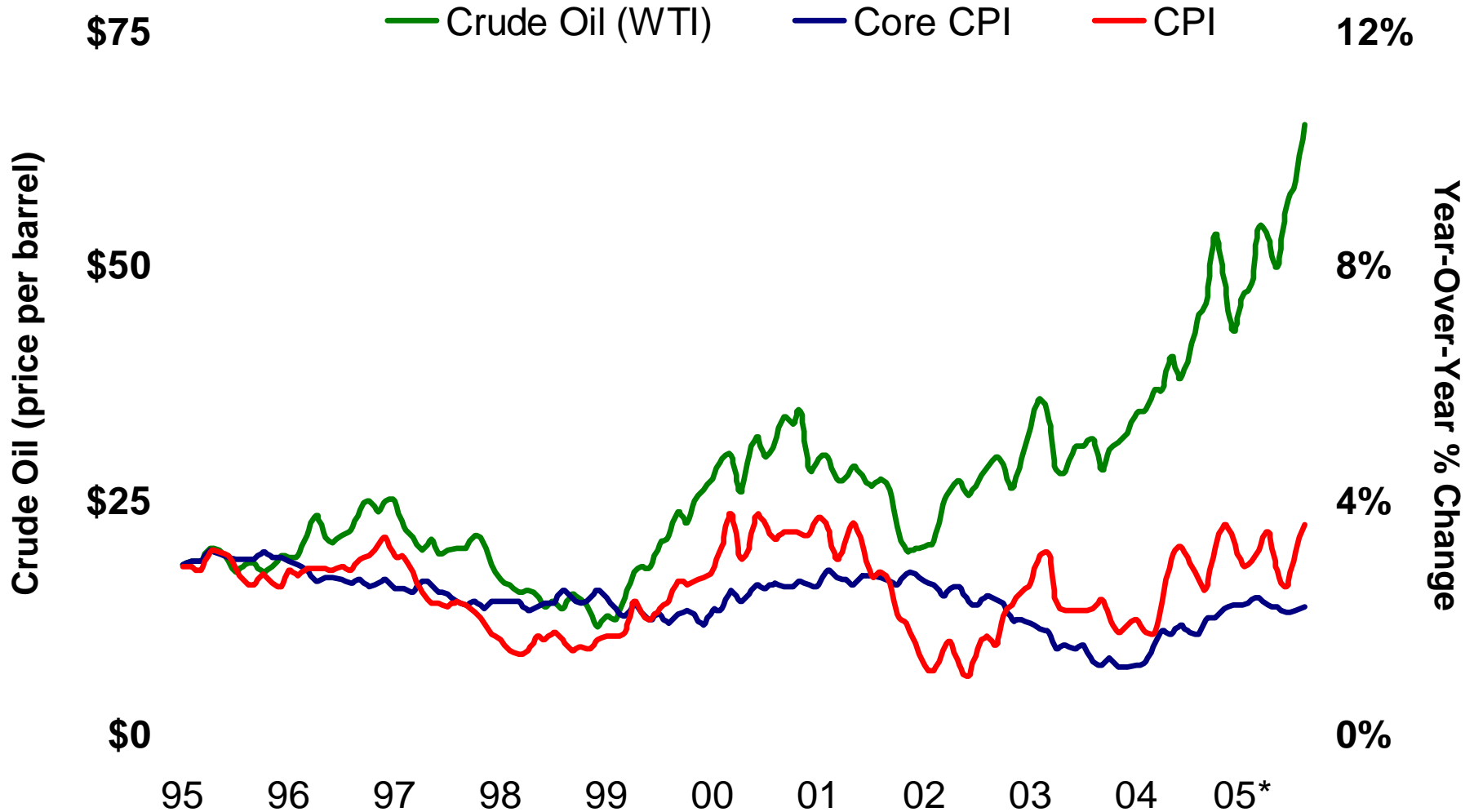
Sources: Marcus & Millichap Research Services, BLS, Commerce Dept., Economy.com

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U.S. Employment Well Beyond Recovery



Record Oil Prices a Natural Break (For Now) Inflation Pressures Building Gradually

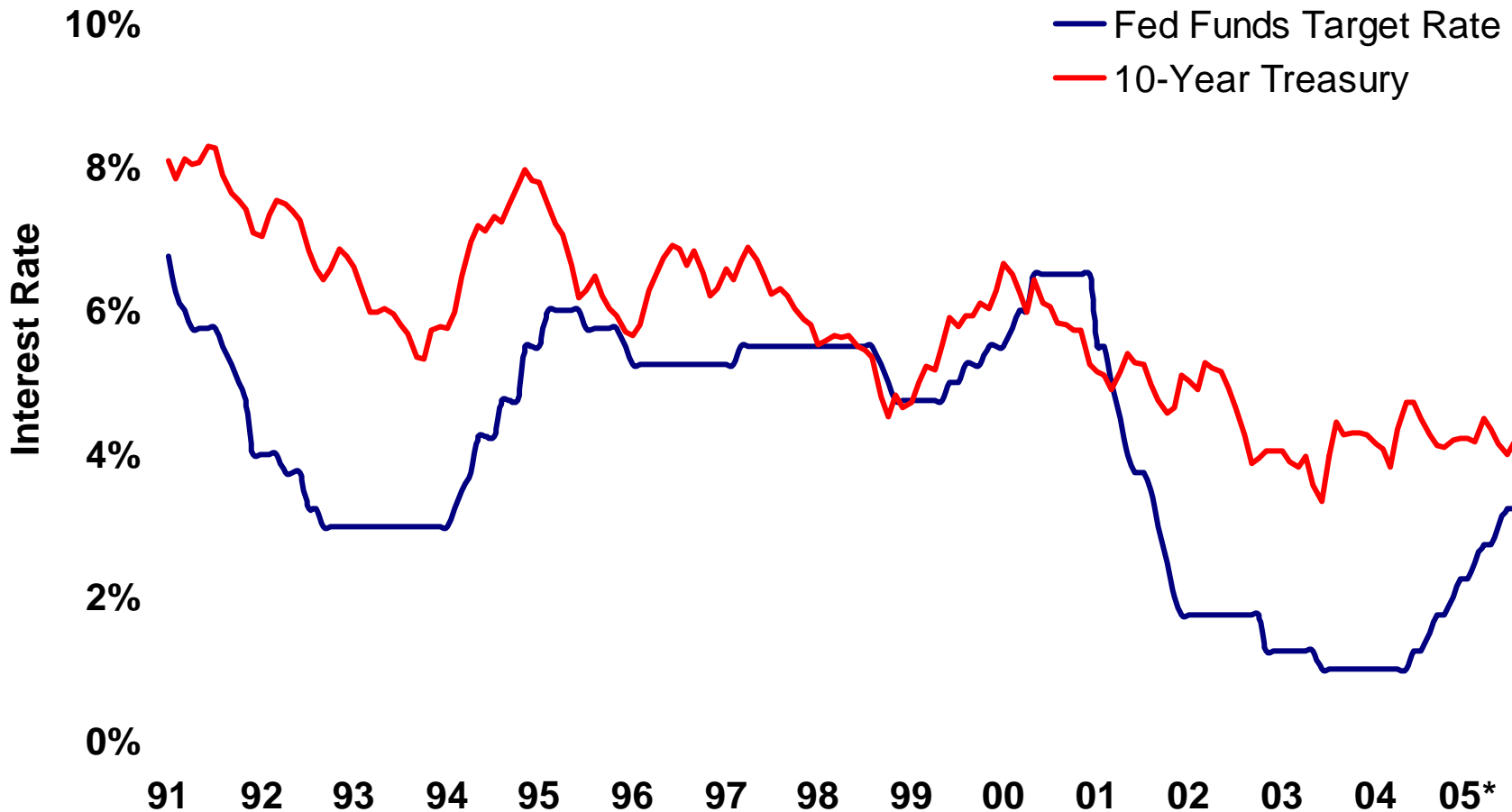


*Forecast

Sources: Marcus & Millichap Research Services, BLS, Economy.com

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Short-Term Rate Increases to Continue, Long-Term Rates On Gradual Upswing

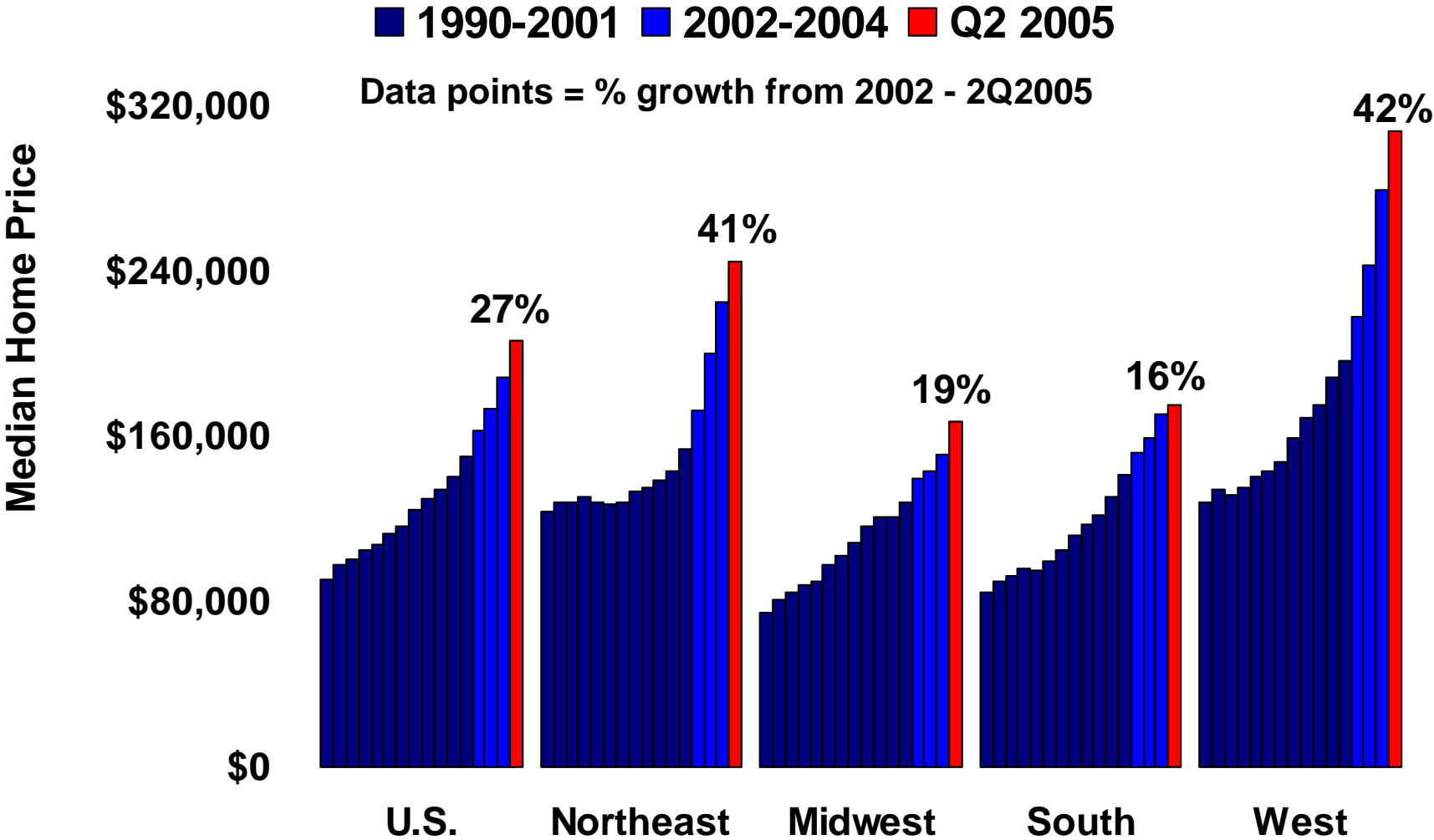


*As of 10/7/05

Sources: Marcus & Millichap Research Services, BLS, Economy.com, Federal Reserve

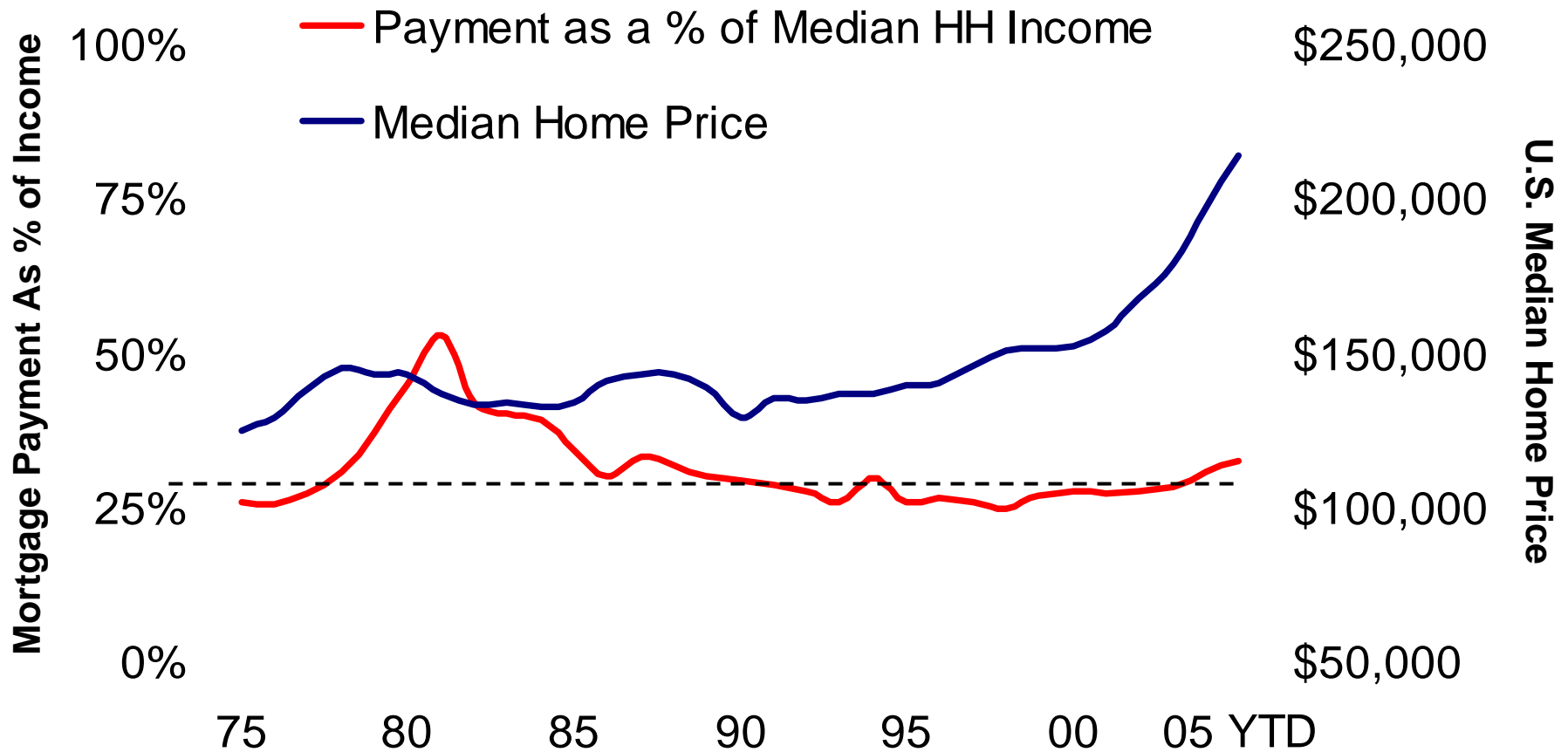
Marcus & Millichap

U.S. Median Home Prices Existing Single-Family Homes

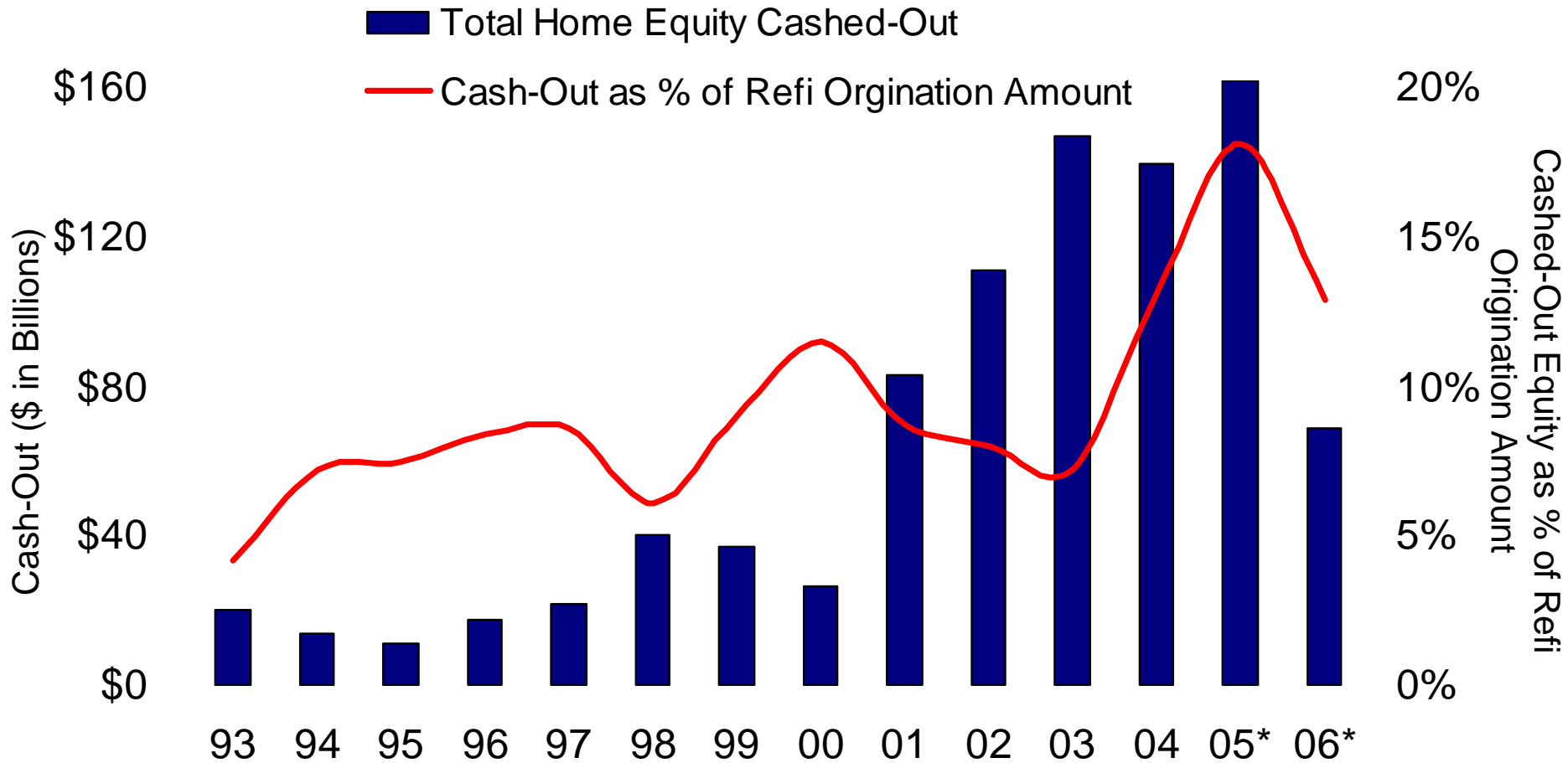


Sources: Marcus & Millichap Research Services, Economy.com, National Association of Realtors

Unprecedented Home Price Appreciation Fueled by Moderate Rise In House Payments



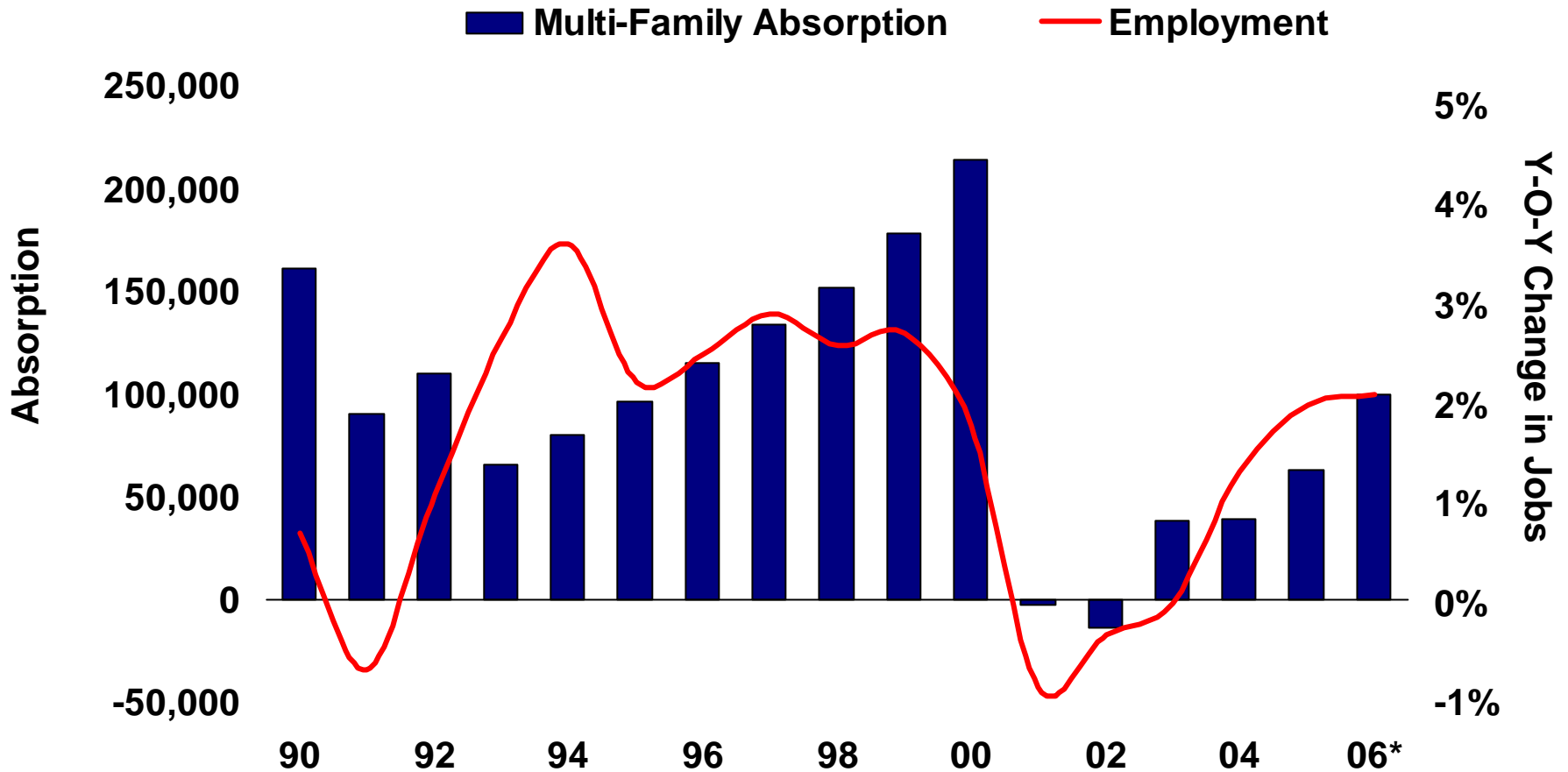
Cash-Out Refinancing Volume



*Estimate ** Forecast

Sources: Marcus & Millichap Research Services, Economy.com, Freddie Mac

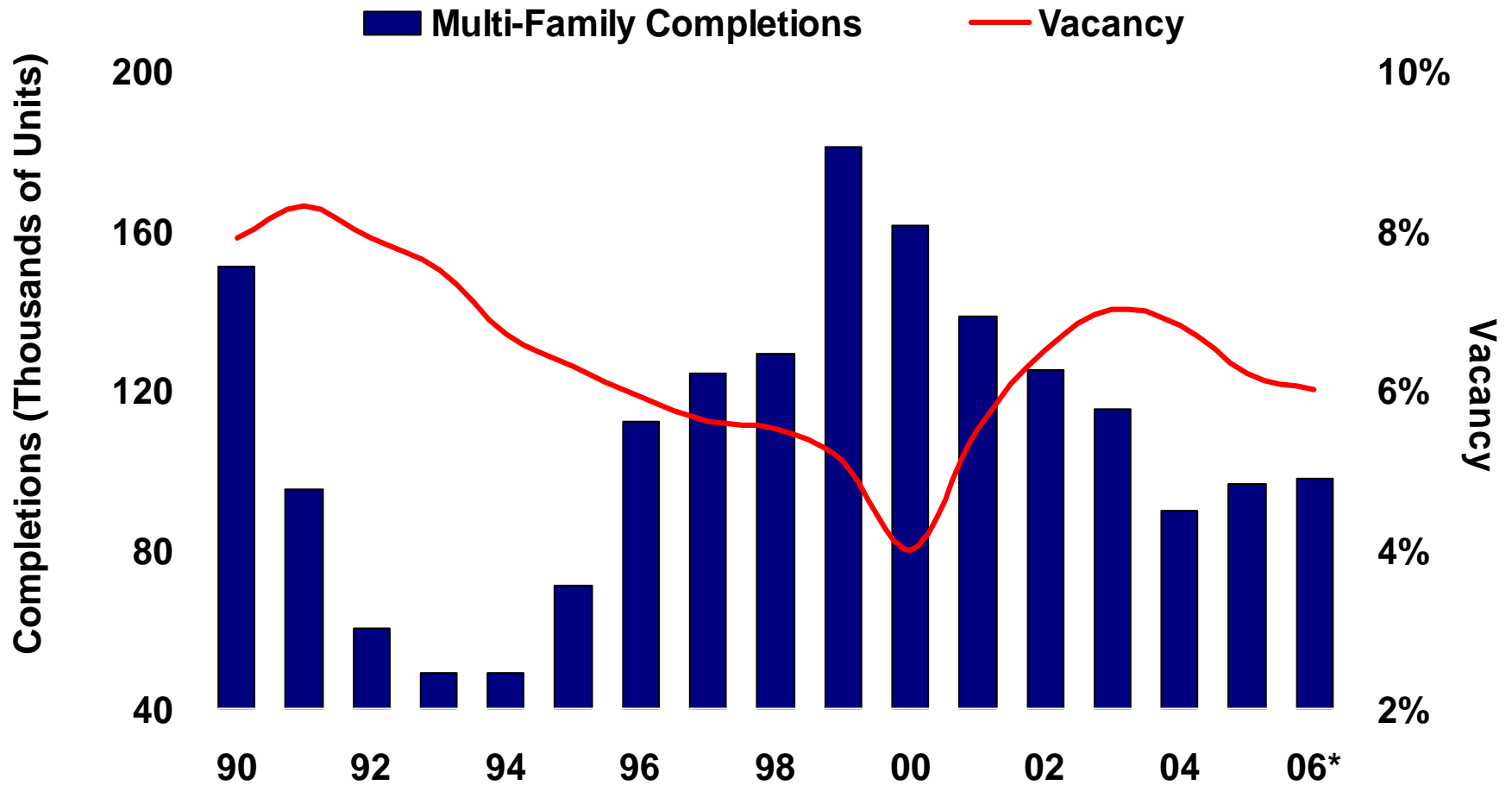
U.S. Job Growth Will Generate Renter Demand



*Forecast

Sources: Marcus & Millichap Research Services, Economy.com, Reis

U.S. Vacancy Cycle Recovery Well Entrenched

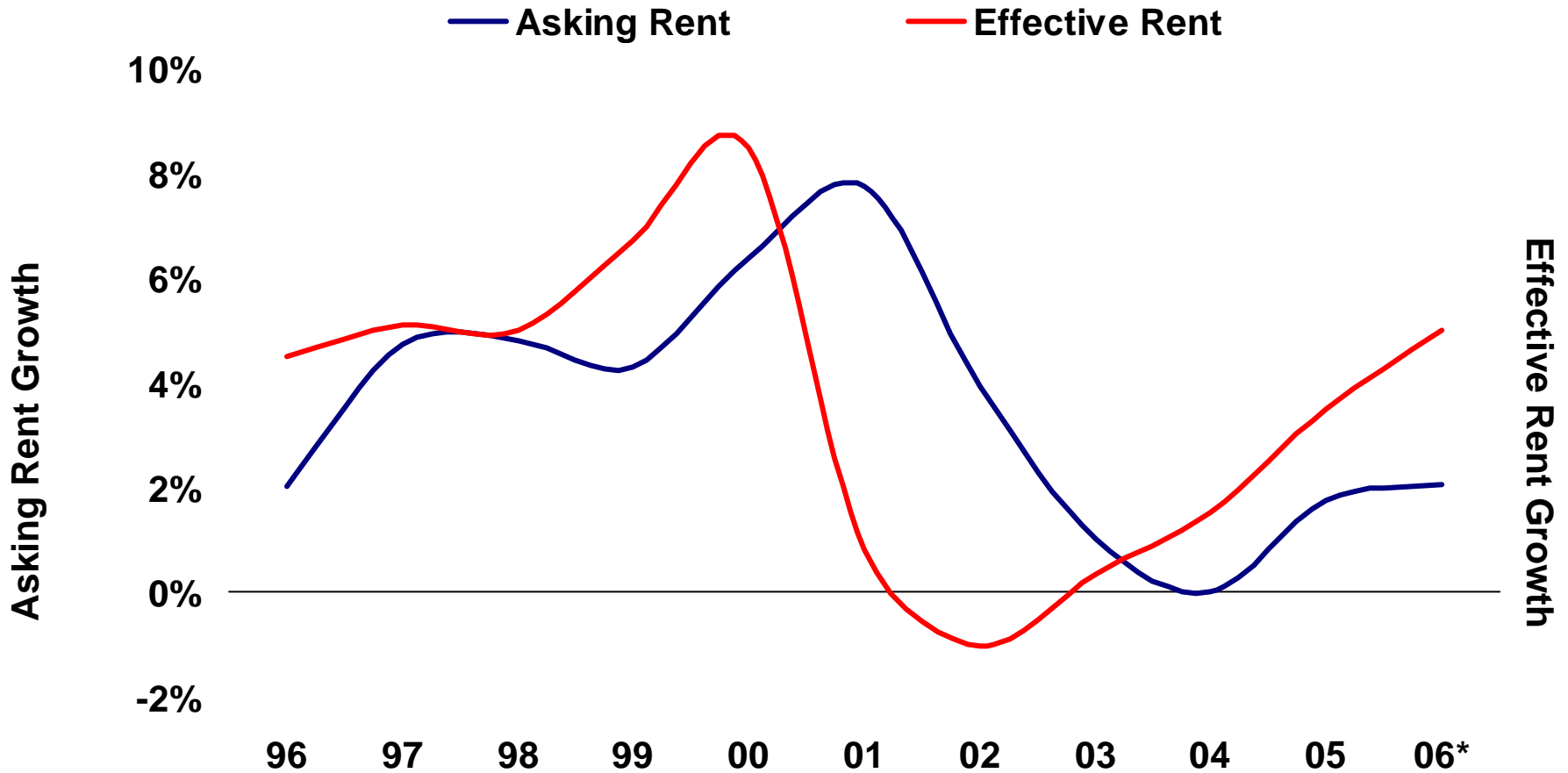


*Forecast

Sources: Marcus & Millichap Research Services, Reis, U.S. Census Bureau

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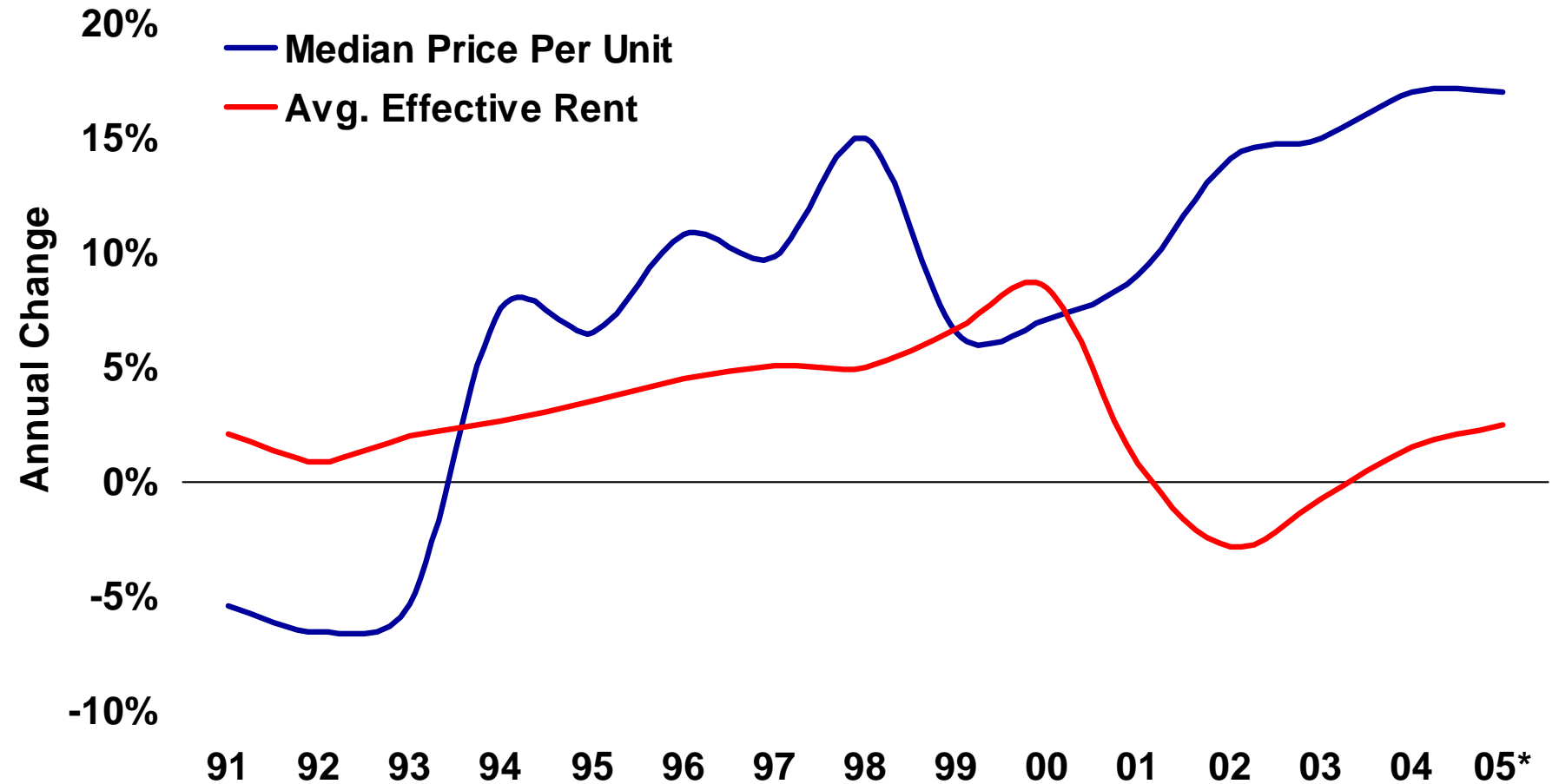
Average Asking and Effective Rent Growth



*Forecast

Sources: Marcus & Millichap Research Services, Reis

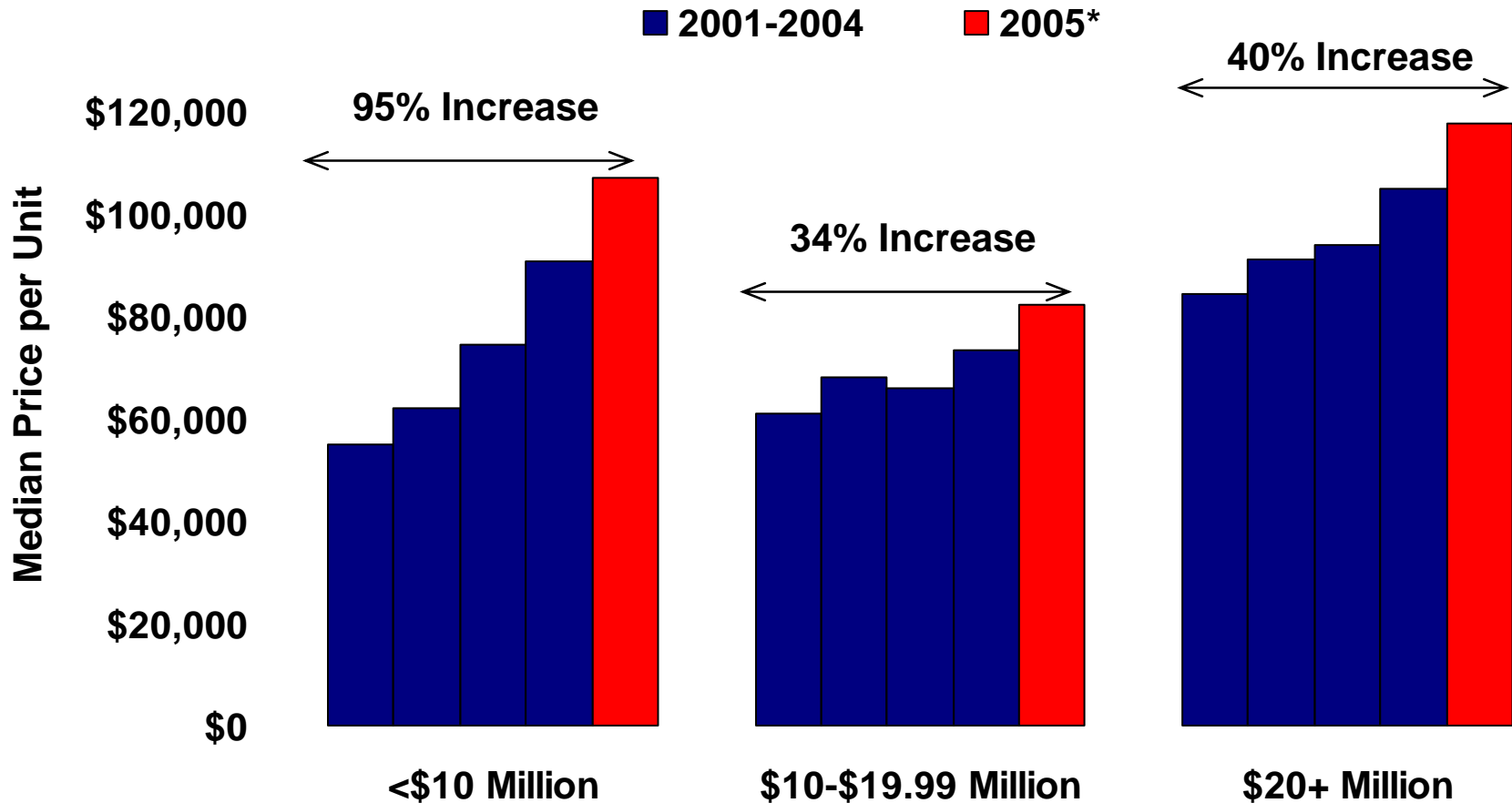
Apartment Fundamentals Slowly Catching Up To Capital Market Driven Pricing



*First half sales activity for sales of \$500,000 and above nationally

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

Apartment Price Appreciation Trends By Price Category



*YTD Estimate

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

Marcus & Millichap

Top 10 U.S. Apartment Markets By Vacancy Rate 2006 Forecast

| | 2005* | 2006* | Bps Change |
|--------------------------|-------------|-------------|------------|
| Orange County | 3.5% | 3.2% | -30 |
| Los Angeles | 3.4% | 3.2% | -20 |
| Las Vegas | 3.7% | 3.3% | -40 |
| San Diego | 3.5% | 3.3% | -20 |
| Ft. Lauderdale | 3.7% | 3.4% | -30 |
| New York | 3.7% | 3.6% | -10 |
| Miami | 4.0% | 3.9% | -10 |
| Riverside/San Bernardino | 4.3% | 4.0% | -30 |
| Philadelphia | 4.3% | 4.1% | -20 |
| Northern New Jersey | 4.4% | 4.5% | 10 |
| U.S. Average | 6.3% | 5.9% | -40 |

*Forecast

Sources: Marcus & Millichap Research Services, Reis

Marcus & Millichap

Bottom 10 U.S. Apartment Markets By Vacancy Rate 2006 Forecast

| | 2005* | 2006* | Bps Change |
|---------------------|-------------|-------------|------------|
| San Antonio | 9.0% | 8.6% | -40 |
| Columbus | 8.9% | 8.6% | -30 |
| Cincinnati | 9.0% | 8.9% | -10 |
| Charlotte | 9.7% | 9.0% | -70 |
| Milwaukee | 9.2% | 9.0% | -20 |
| Austin | 9.5% | 9.2% | -30 |
| Atlanta | 9.5% | 9.4% | -10 |
| Indianapolis | 9.9% | 9.7% | -20 |
| Dallas/Fort Worth | 11.0% | 10.3% | -70 |
| Houston | 13.3% | 11.3% | -200 |
| U.S. Average | 6.3% | 5.9% | -40 |

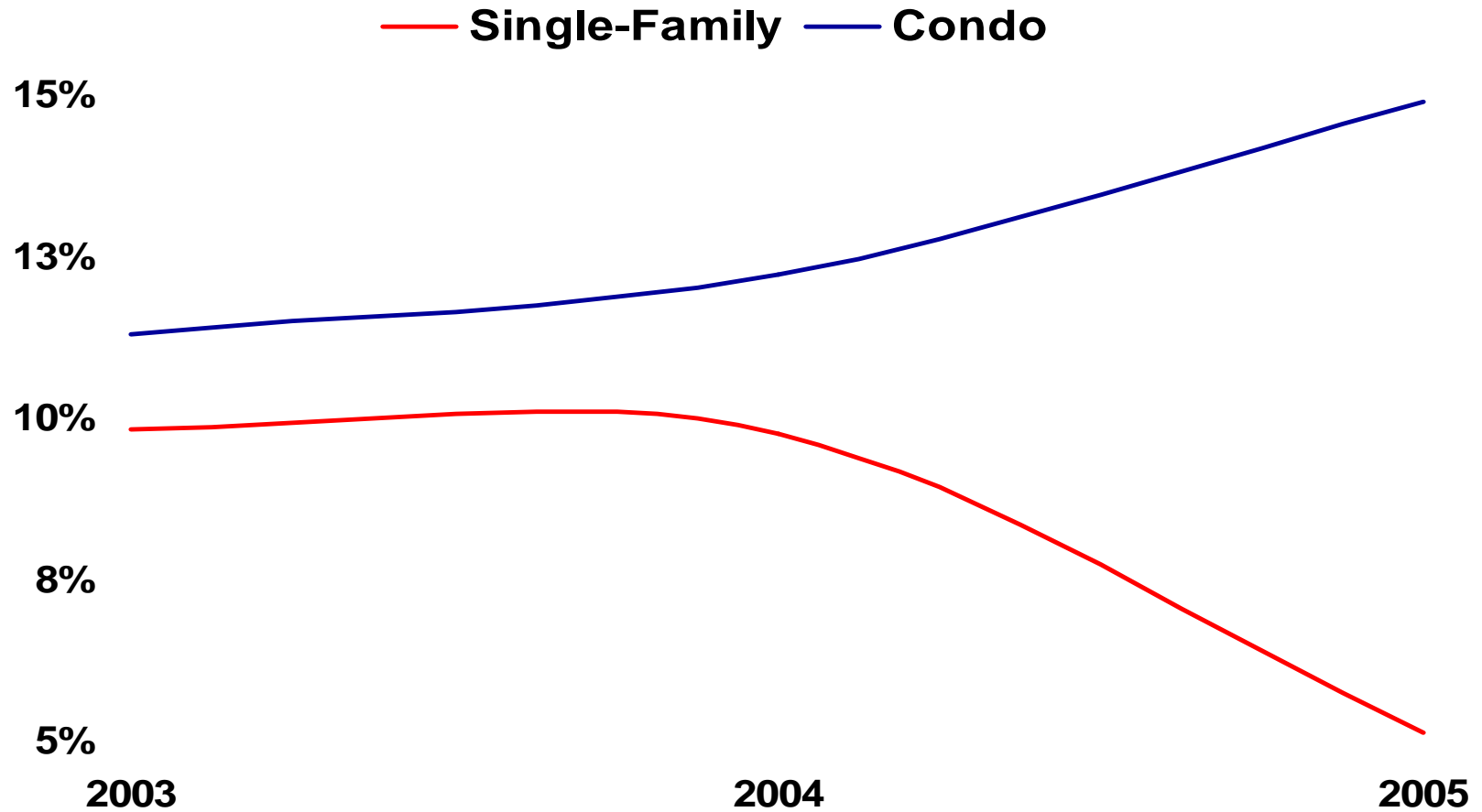
*Forecast

Sources: Marcus & Millichap Research Services, Reis

Marcus & Millichap

U.S. Housing Sales Activity

Percent Change in Number of Transactions



* Based on seasonally adjusted annual rate as of August 2005

Sources: Marcus & Millichap Research Services, National Association of Realtors

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Developers/Converters Drawn by Strong Appreciation

Median Price Growth 2002 – 2005 YTD*

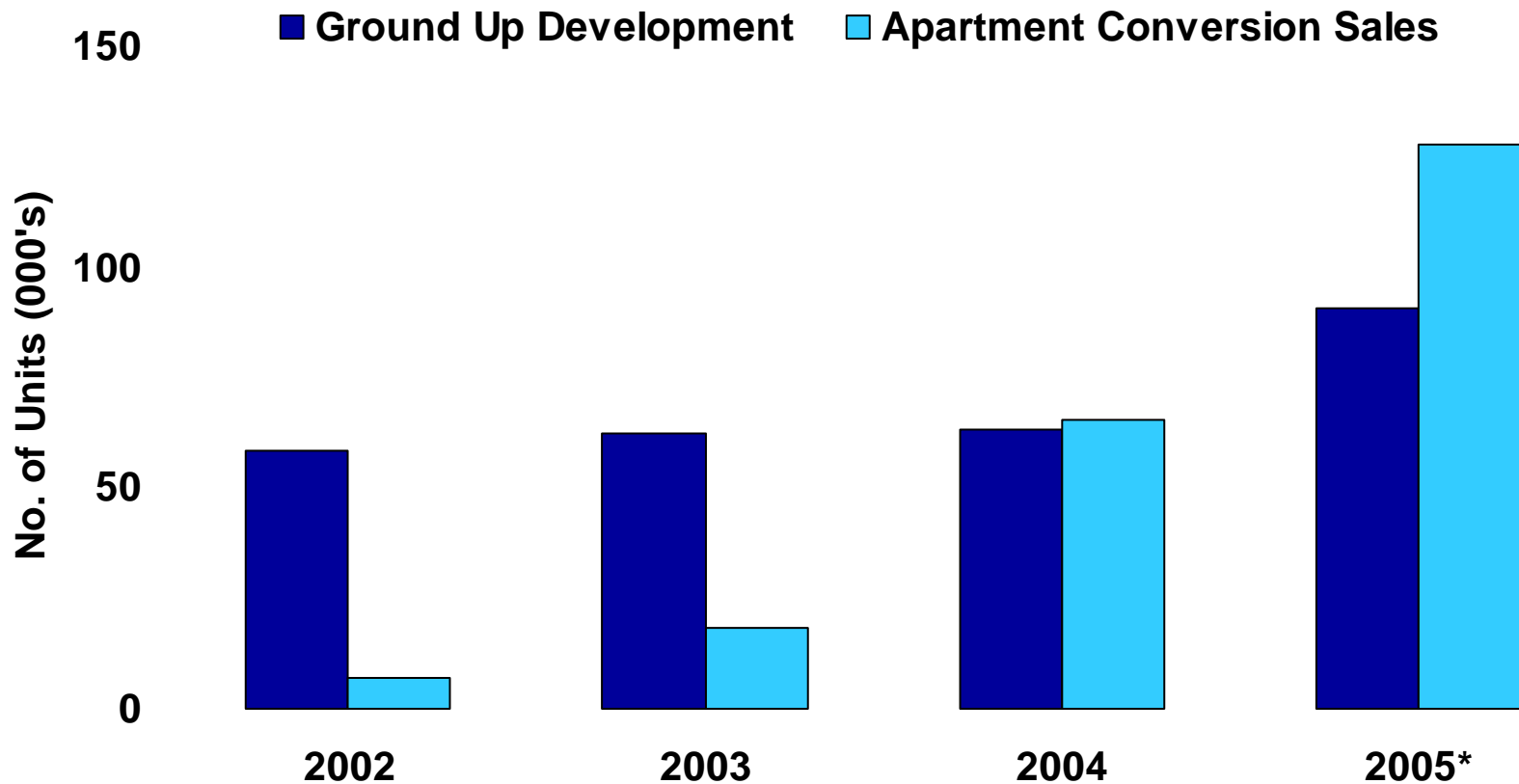
| <u>Region</u> | <u>Single-Family</u> | <u>Condo</u> | <u>Spread</u> |
|---------------|----------------------|--------------|---------------|
| South | 25.5% | 82.1% | 56.6% |
| United States | 32.5% | 56.3% | 23.8% |
| Northeast | 53.5% | 69.7% | 16.2% |
| West | 44.2% | 58.9% | 14.7% |
| Midwest | 23.2% | 26.0% | 2.9% |

Data as of August 2005

Sources: Marcus & Millichap Research Services, National Association of Realtors

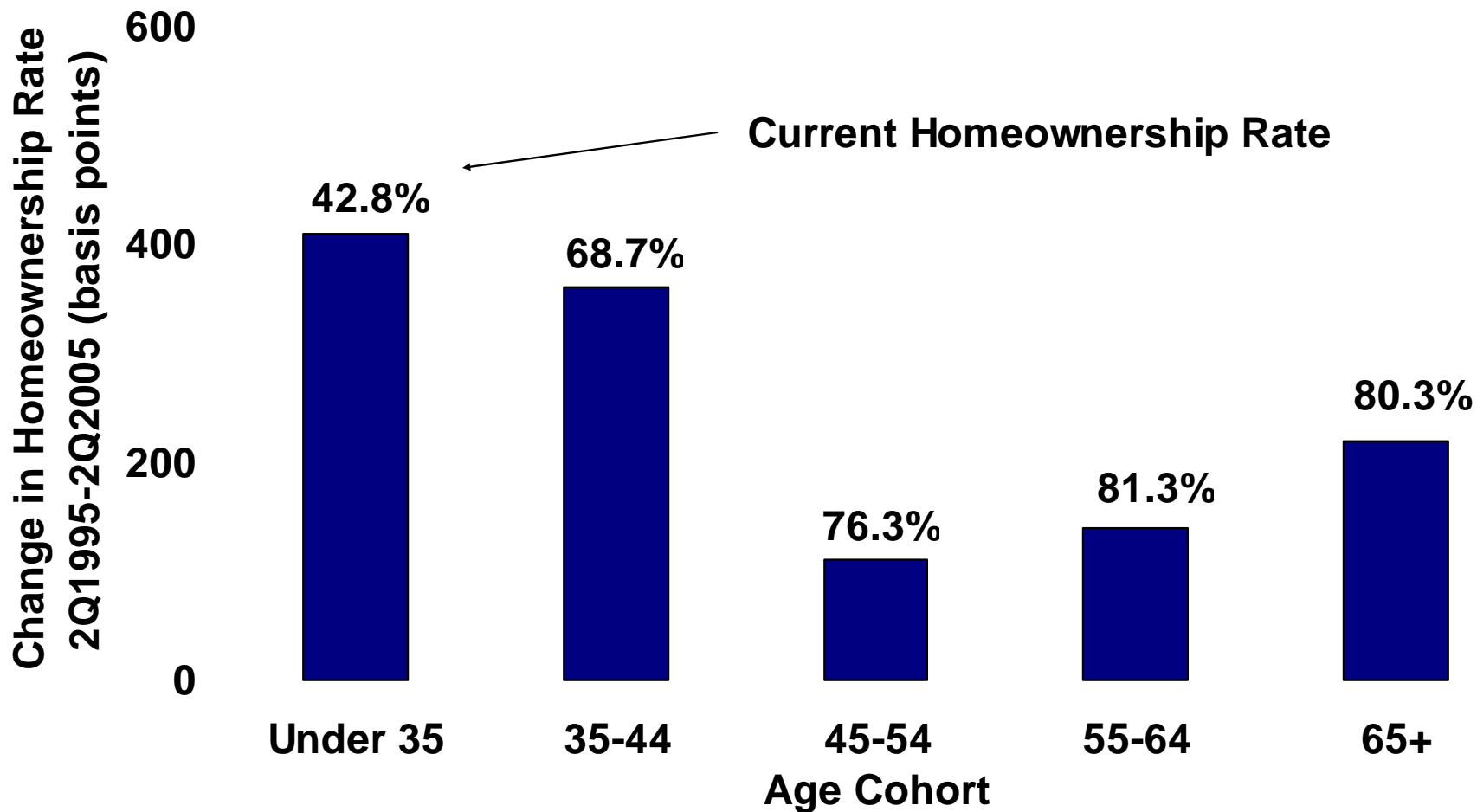
Marcus & Millichap

Growth in U.S. Condominium Market

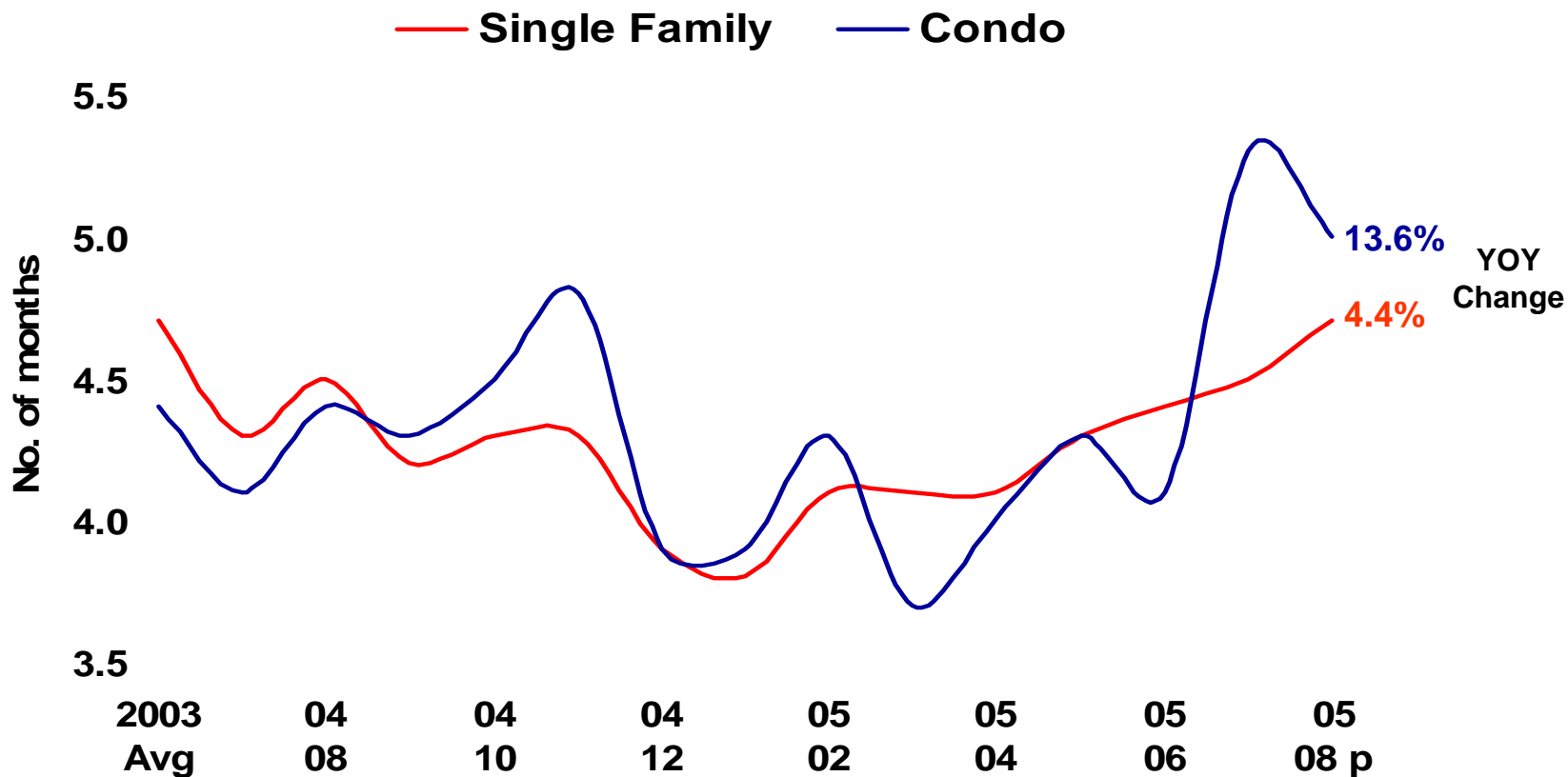


* YE estimate

Youngest Cohorts Have Experienced the Largest Ownership Increase



U.S. Housing Market Months of Available Supply



* preliminary

Growth in U.S. Condominium Market

Most Active MSAs in 2005

Ground Up Development

| MSA | # of Units* | % change from 2004 |
|-------------------------|-------------|--------------------|
| Miami/Ft. Lauderdale | 16,189 | 162% |
| Atlanta | 7,886 | 259% |
| Chicago | 7,141 | 74% |
| Washington, D.C. | 5,048 | 27% |
| Minneapolis/St. Paul | 4,699 | 177% |
| Riverside/S. Bernardino | 4,582 | 1,554% |
| Los Angeles | 4,484 | 55% |
| Denver | 3,984 | 108% |
| Tampa-St. Petersburg | 3,815 | 130% |
| San Diego | 3,582 | 102% |

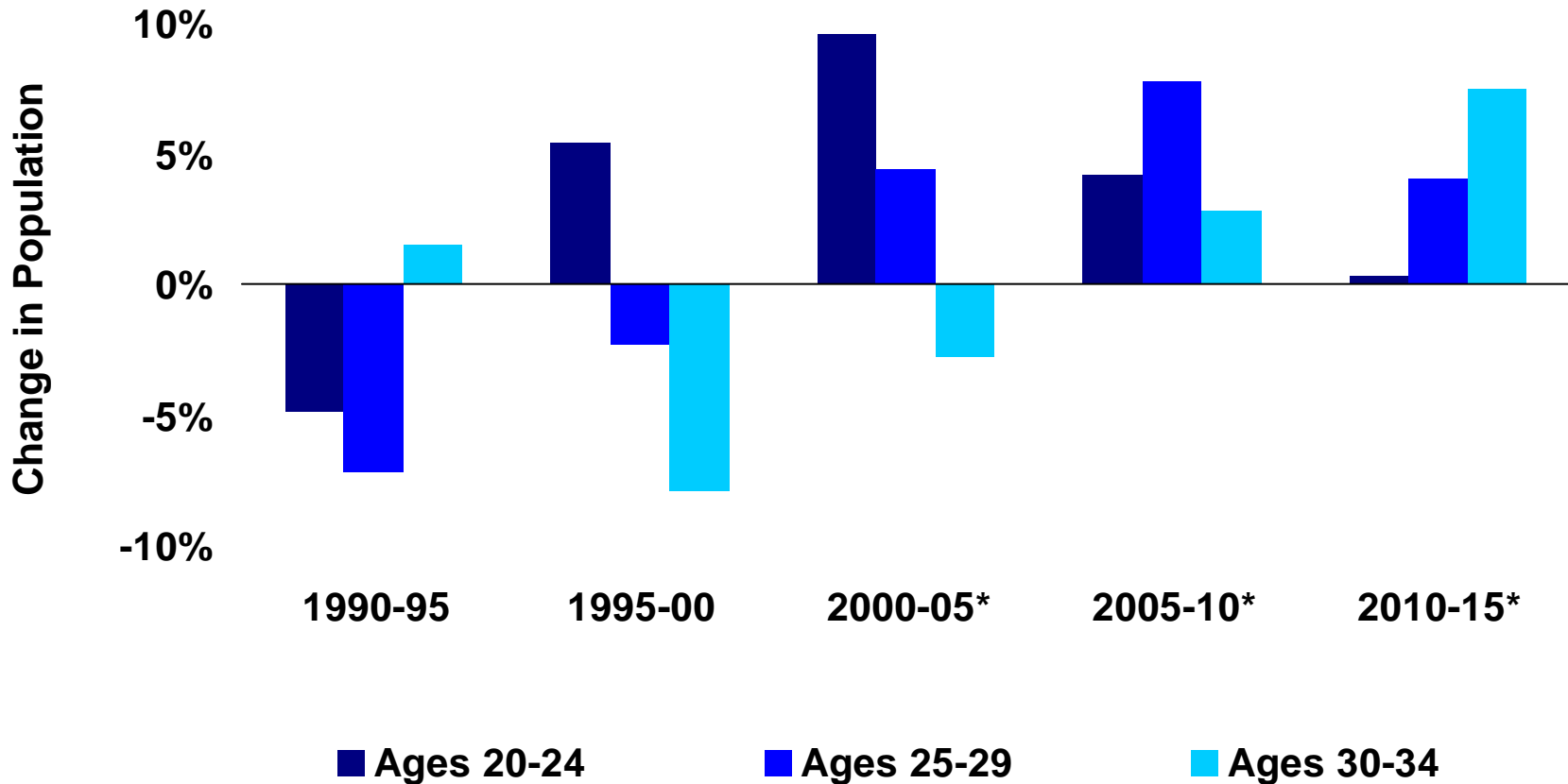
Apartment Conversion Sales

| MSA | YTD 2005* | 2004 Total |
|----------------------|-----------|------------|
| Miami/Ft. Lauderdale | 17,200 | 16,818 |
| Orlando | 10,513 | 4,406 |
| Tampa | 9,264 | 2,356 |
| Phoenix | 8,594 | 1,200 |
| Washington, D.C. | 6,744 | 4,417 |
| West Palm Beach | 5,254 | 2,556 |
| Chicago | 4,964 | 1,333 |
| Las Vegas | 4,491 | 6,823 |
| San Diego | 4,255 | 7,741 |
| NYC-Manhattan | 3,911 | 1,800 |

*Year end estimate

*YTD through September

U.S. Renter Demographics Turning Positive



* Forecast

2006 Economic, Apartment Market Outlook

- **Recovery of Renter Demand on Solid Ground:**
 - **Employment Growth Spurring Household Formation**
 - **Housing Market Cooling, Price Premium, Consumer Squeeze Favors Rentals**
 - **Favorable Demographic Shift in Full Swing**
- **Capital Markets Tightening Moderately, Macro Trend Still Favorable for Apartments**
- **Capital Rotation Among Markets, Class of Asset a Major Consider for Reshaping Portfolio, Increasing ROE**
- **Risks: Higher-Than Expected Inflation Build-Up in Late '06-'07, Capital Market Shock (CMBS, Debt Availability)**



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