



## The State of the Commercial Real Estate Industry: **3Q 2010 Multi-Family Review & Outlook**

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# Today

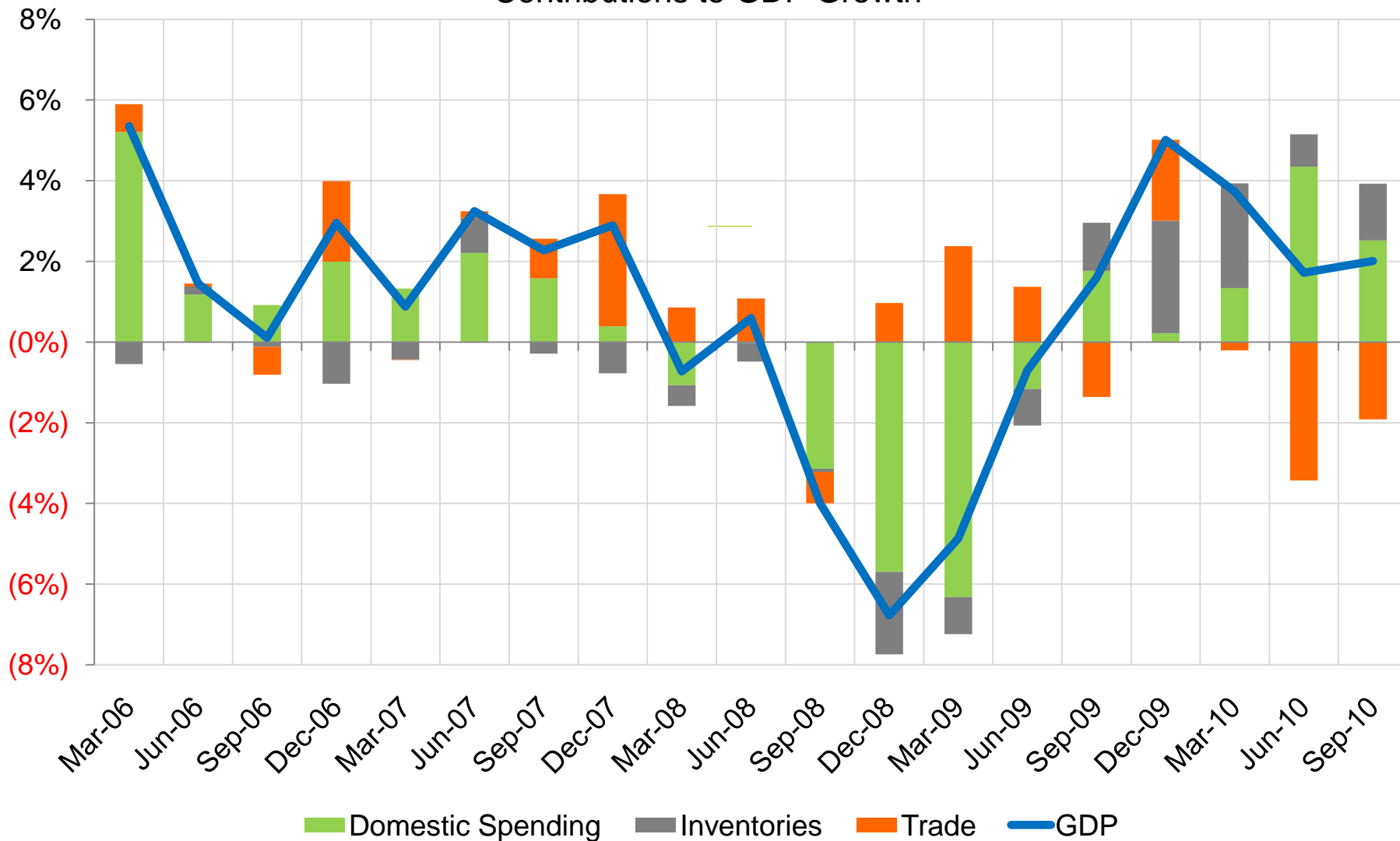
- Economy
- Capital Market
- Property Leasing Market
- Property Sales Market
- Question and Answer



# The Economy

# Recent Weakness is Entirely Trade-Related

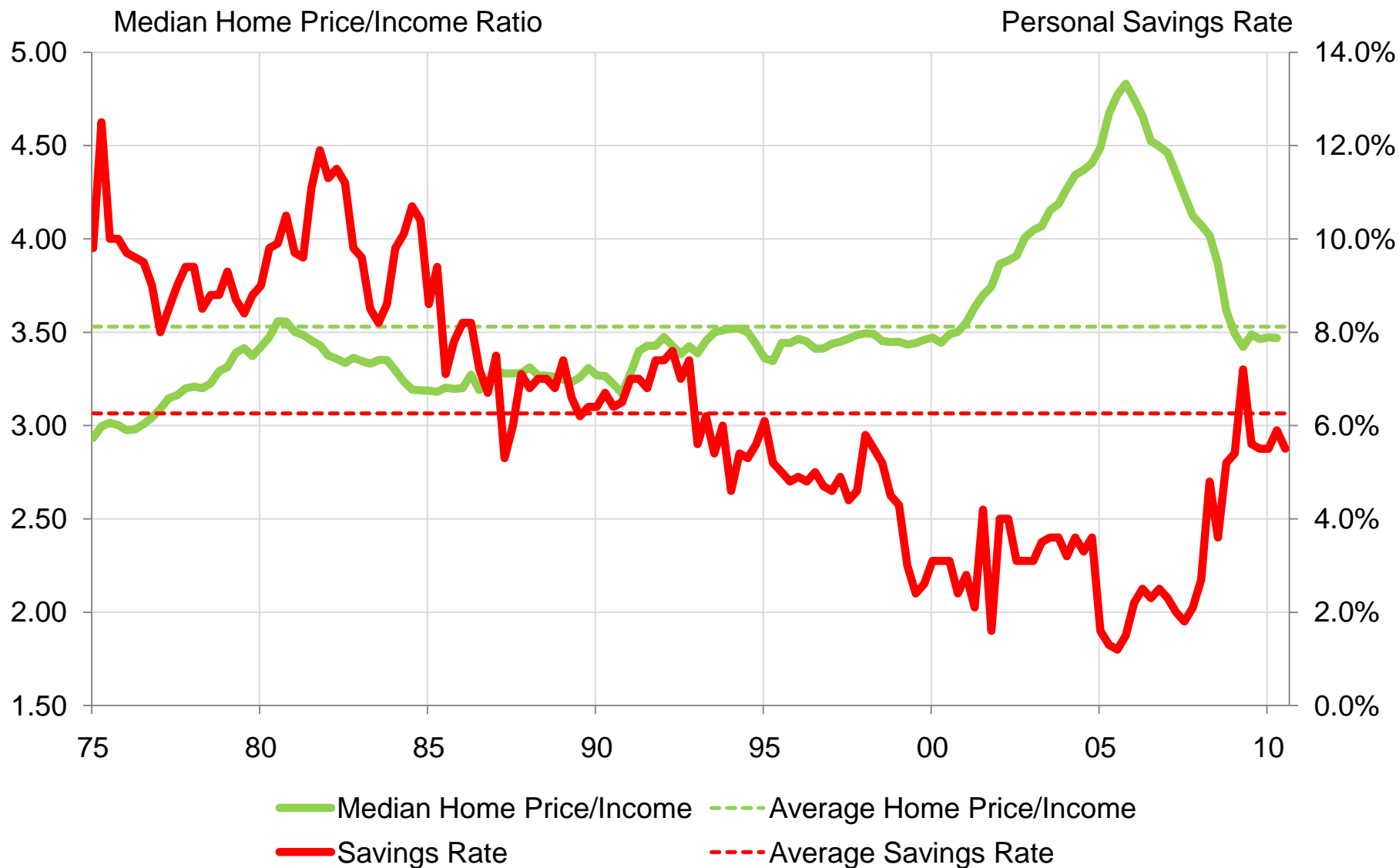
### Contributions to GDP Growth



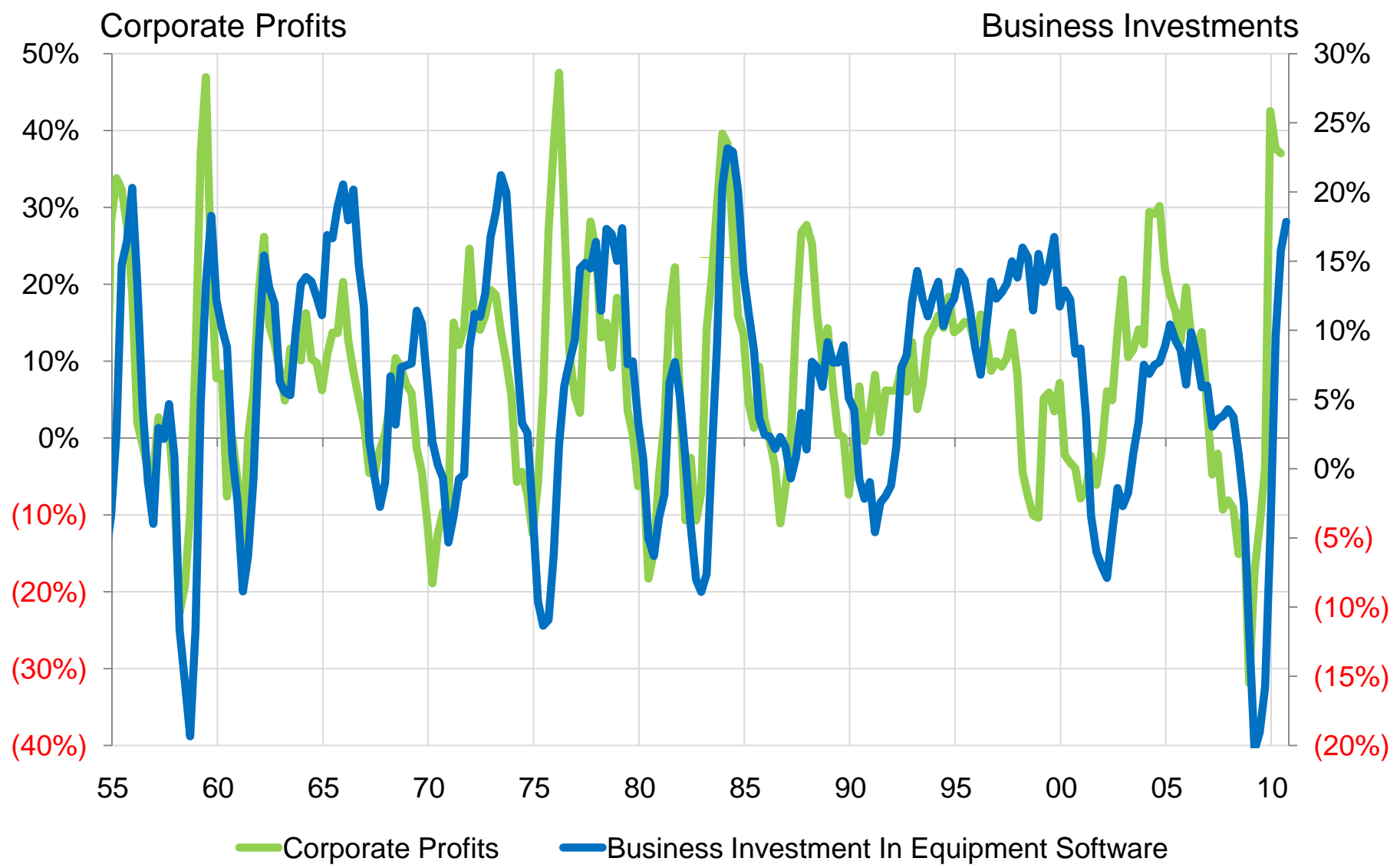
Source: BEA



# Imbalances Have Been Purged



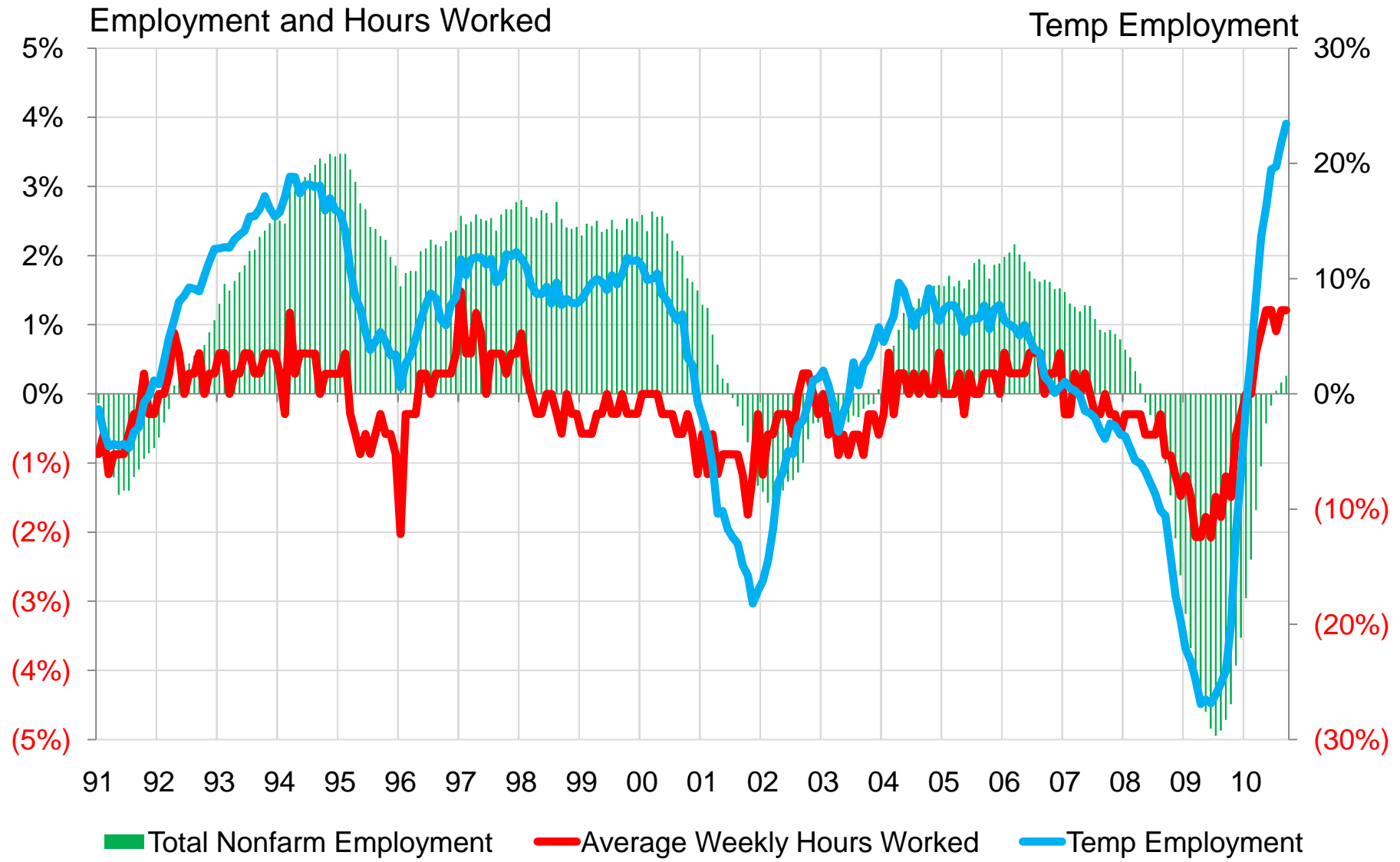
# Strong Earnings Are Supporting Business Investment



Source: Federal Reserve; BEA

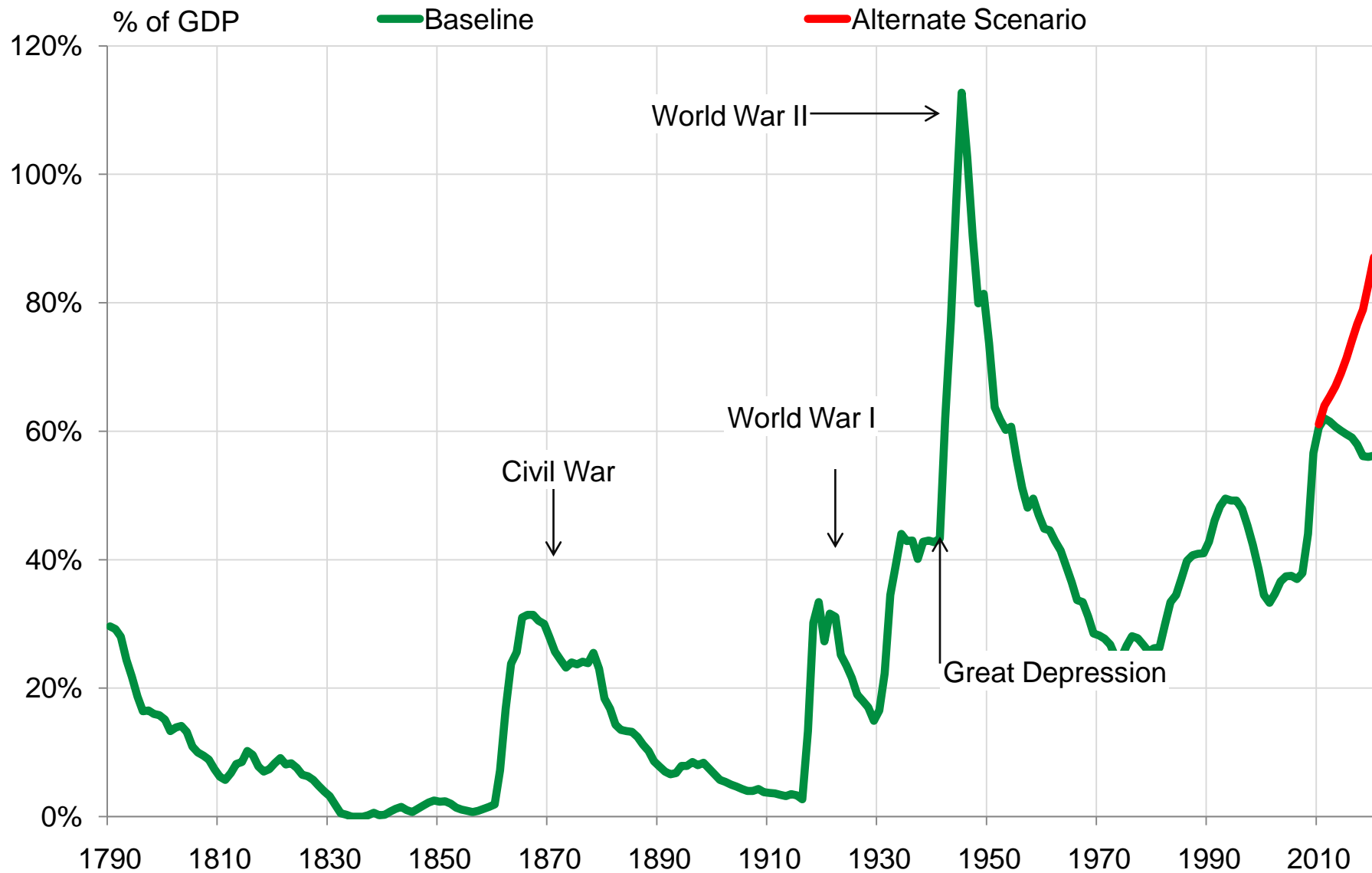


# Leading Indicators Signal A Job Recovery



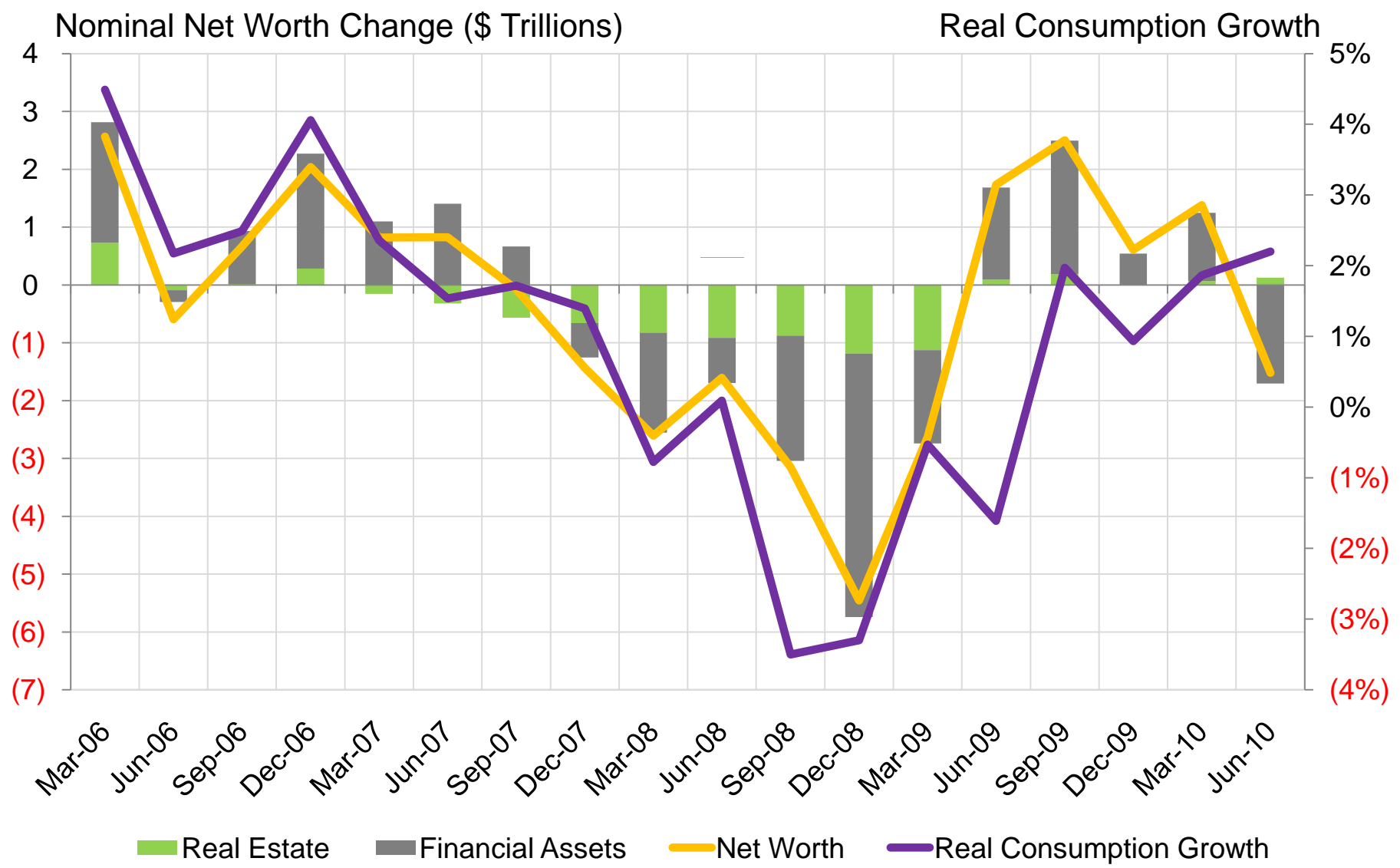
Source: BLS

# Public Debt is a Major Challenge





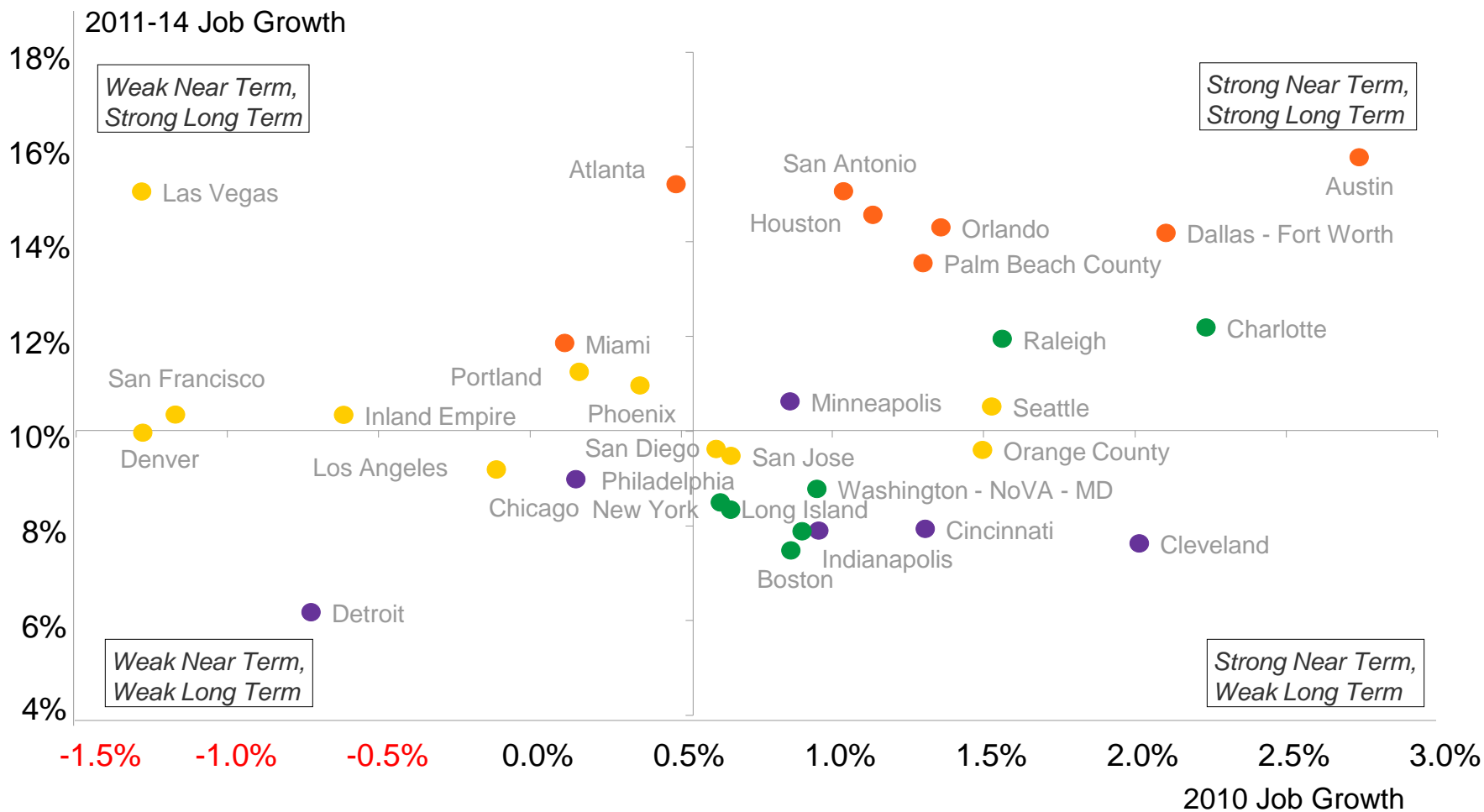
# QE2 Could Underpin Wealth and Spending



Source: BEA



# Tech, Energy, and Demographics Will Drive Performance

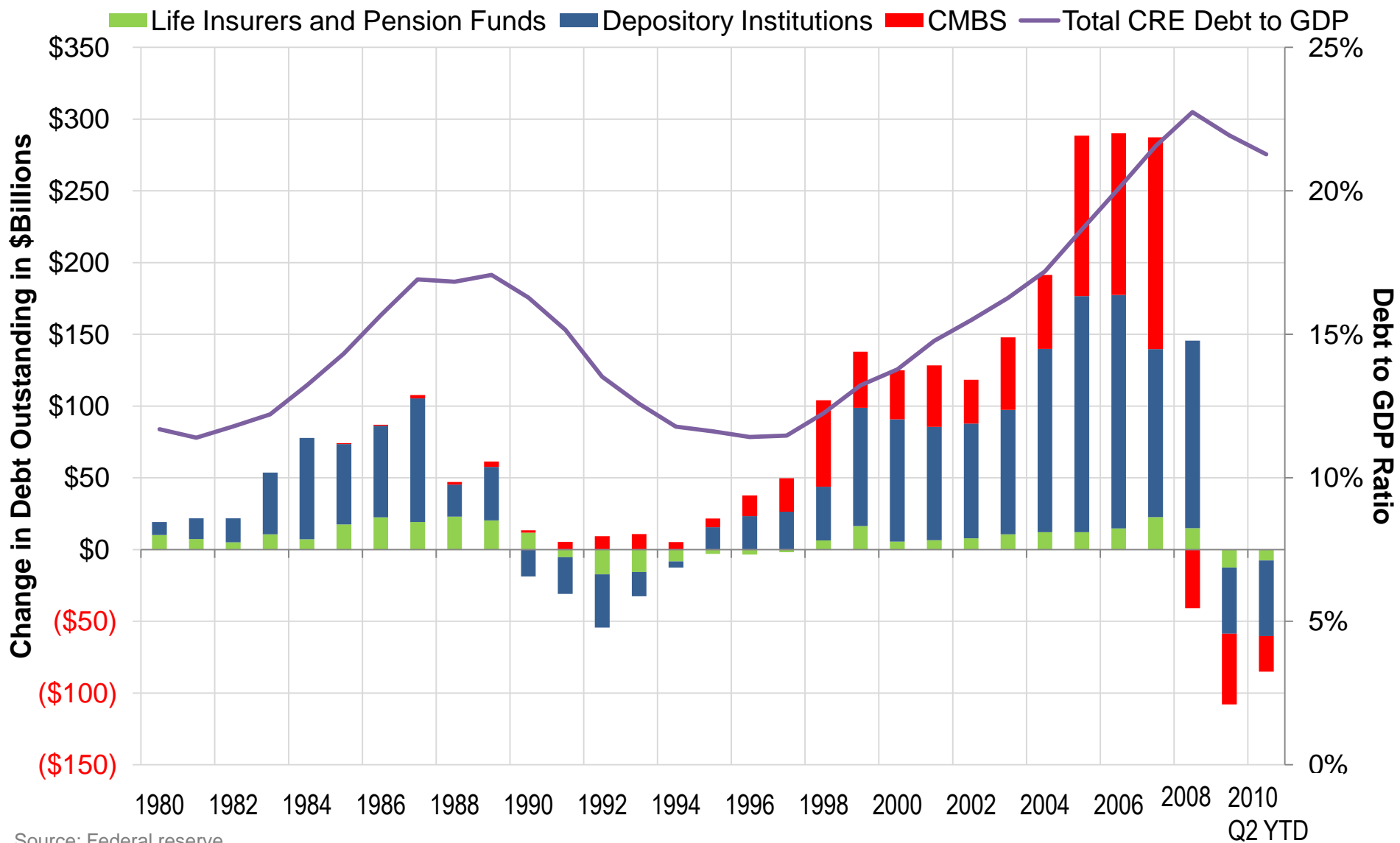




# Capital Markets



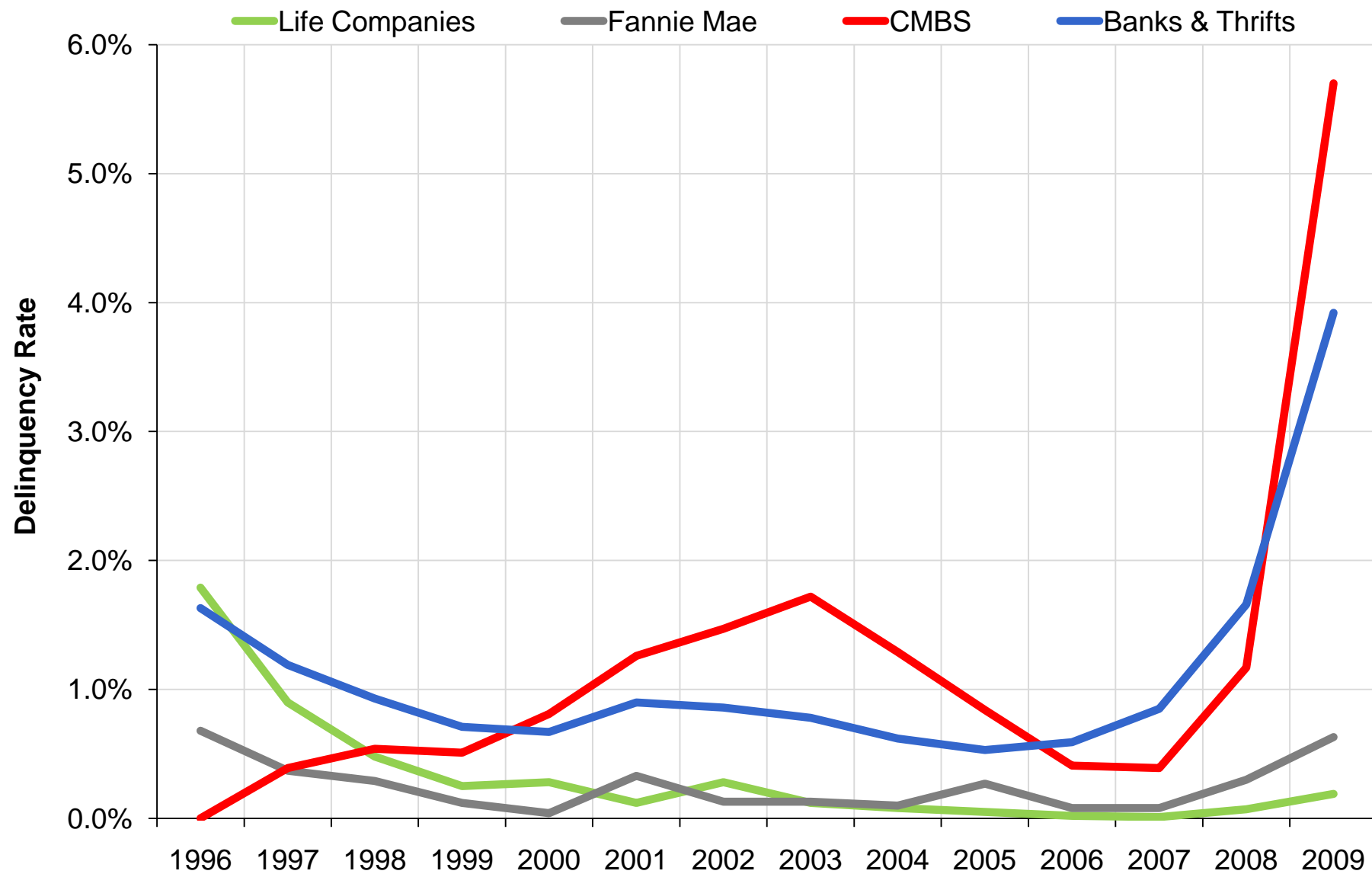
# Leverage Continues to Come Out of the System



Source: Federal reserve

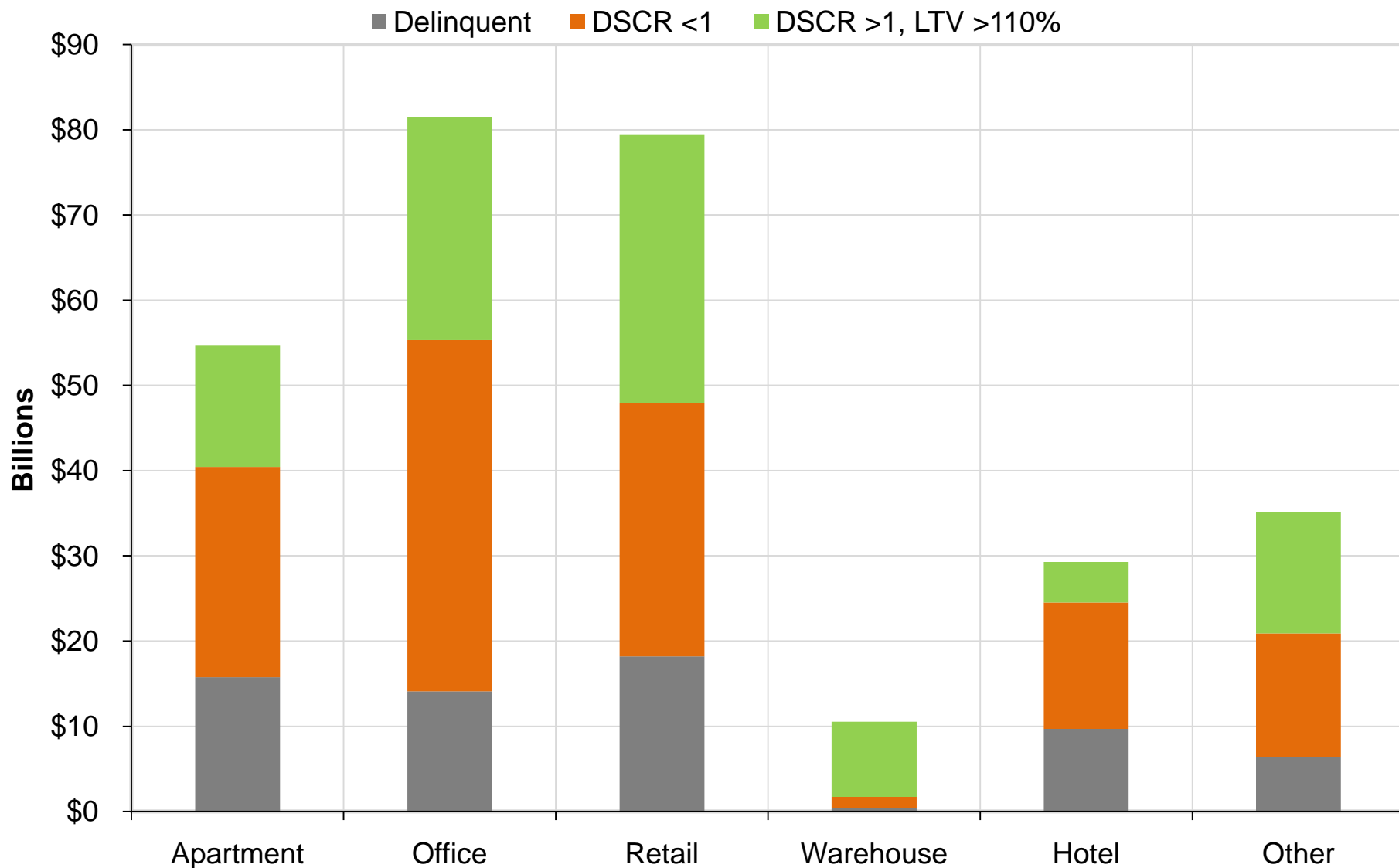


# Multifamily Delinquency Rates

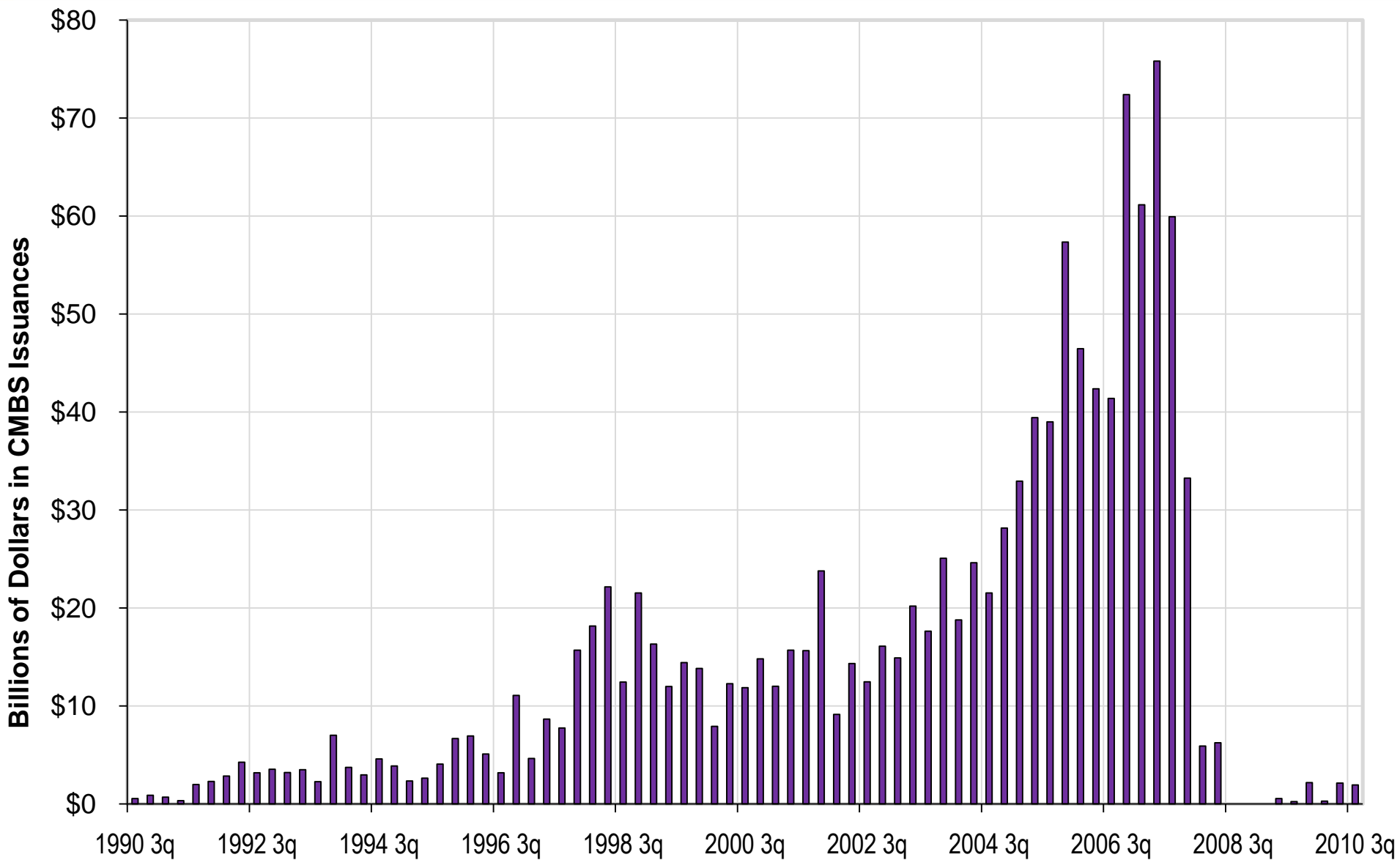




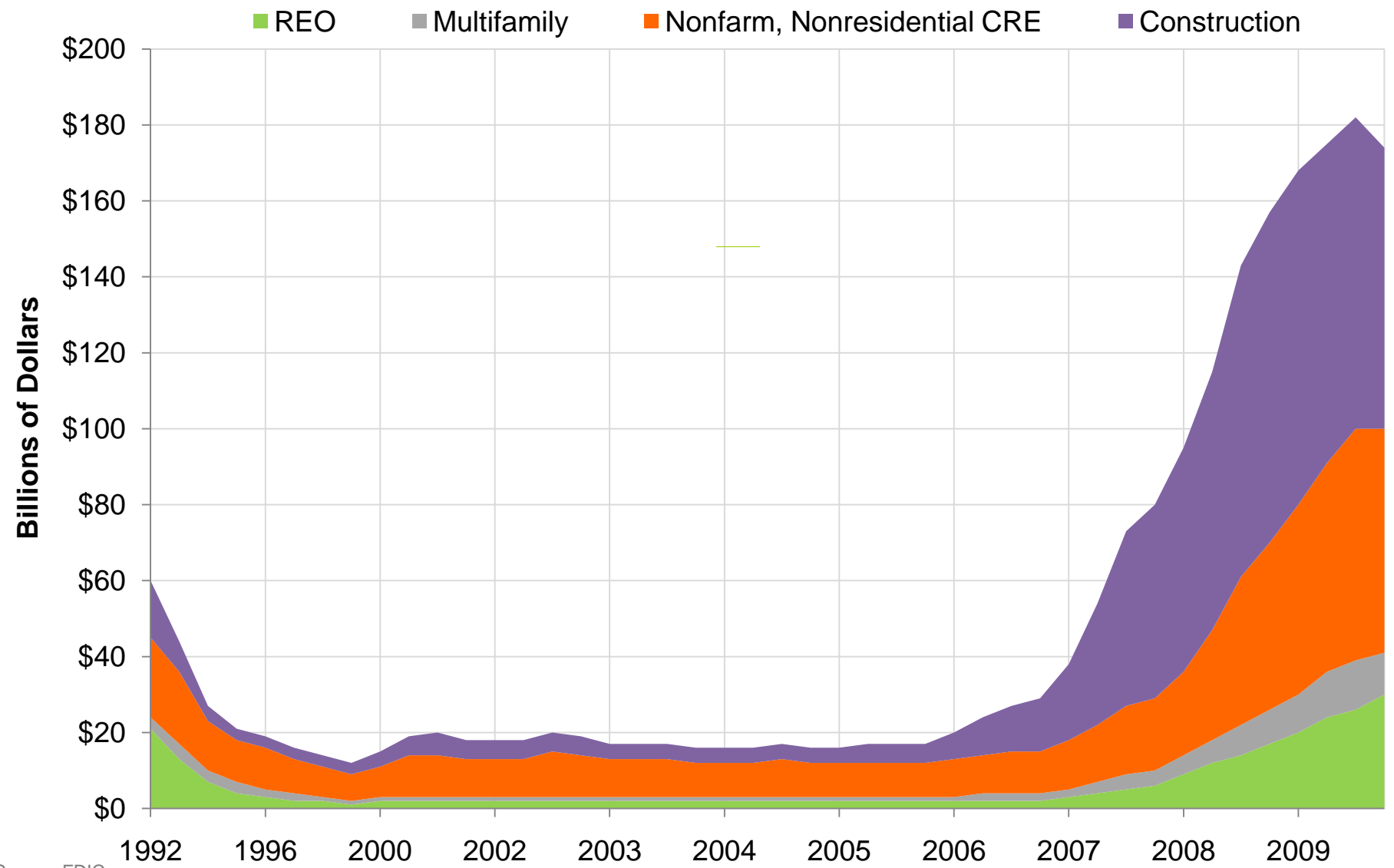
# Distressed Loans in the CMBS Market



# Quarterly CMBS Issuances



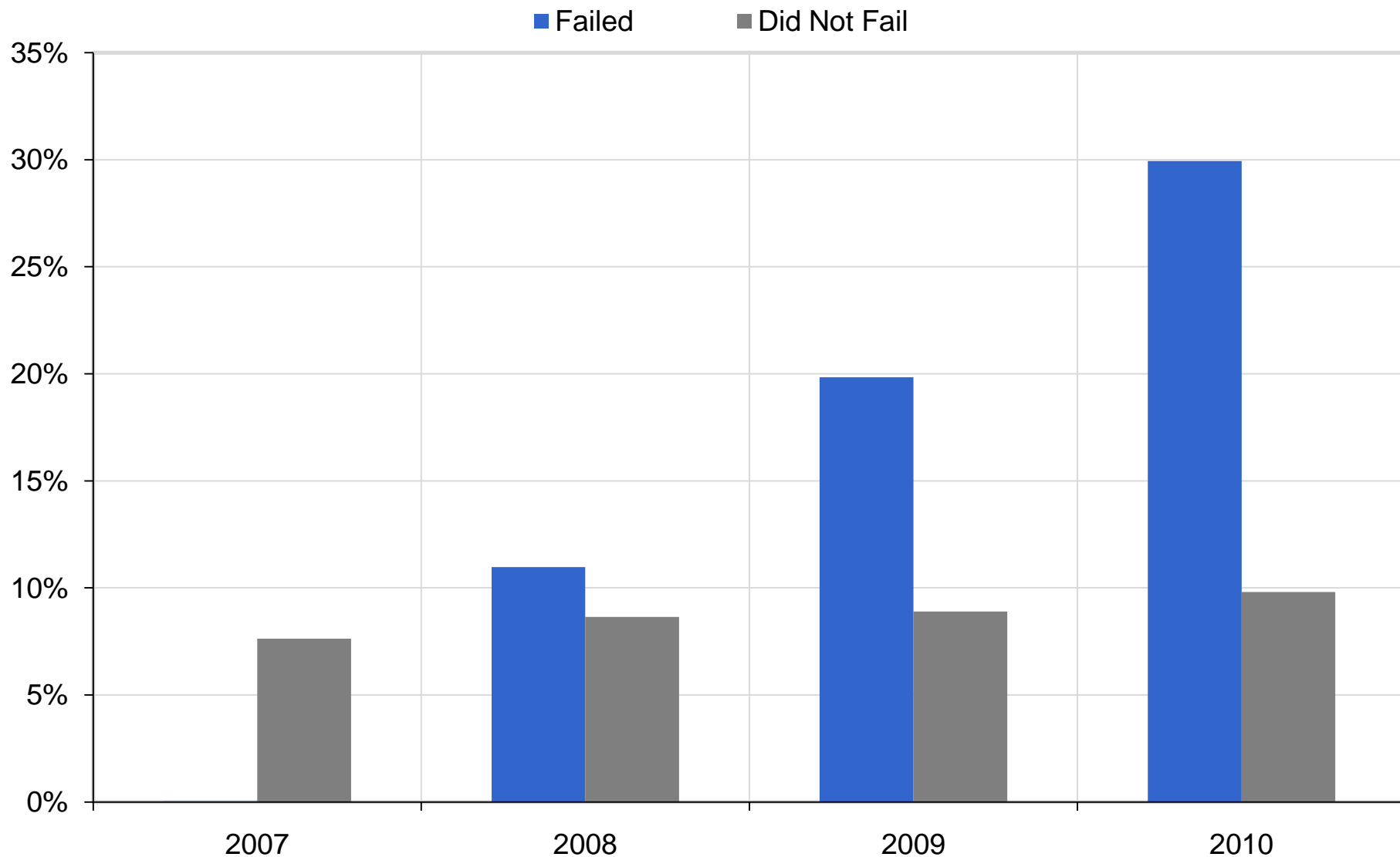
# Bank Commercial Real Estate Portfolio Delinquent Loans



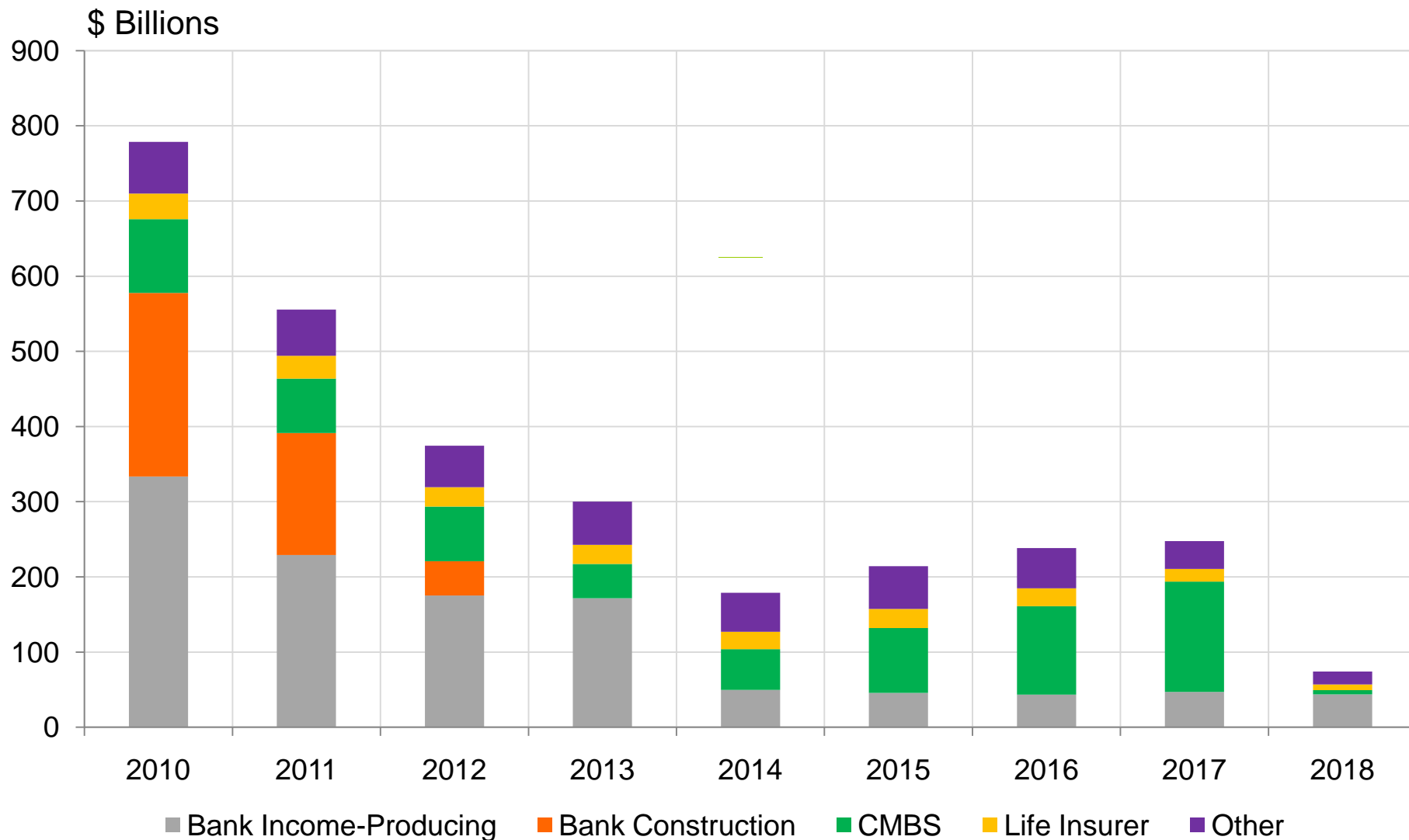
Source: FDIC



# Commercial Real Estate as % of Total Assets For Failed Banks

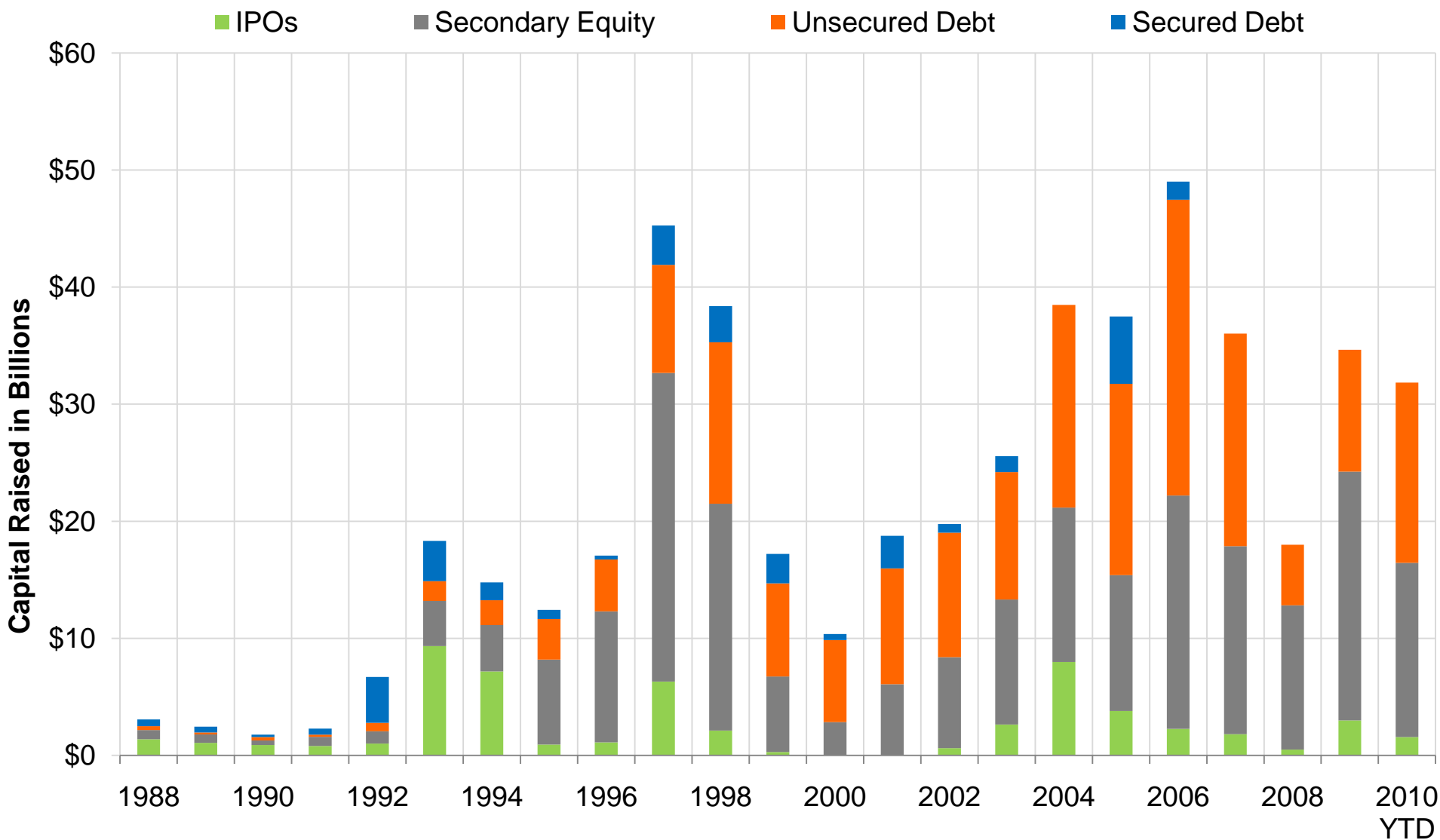


# Commercial Real Estate Loan Maturities



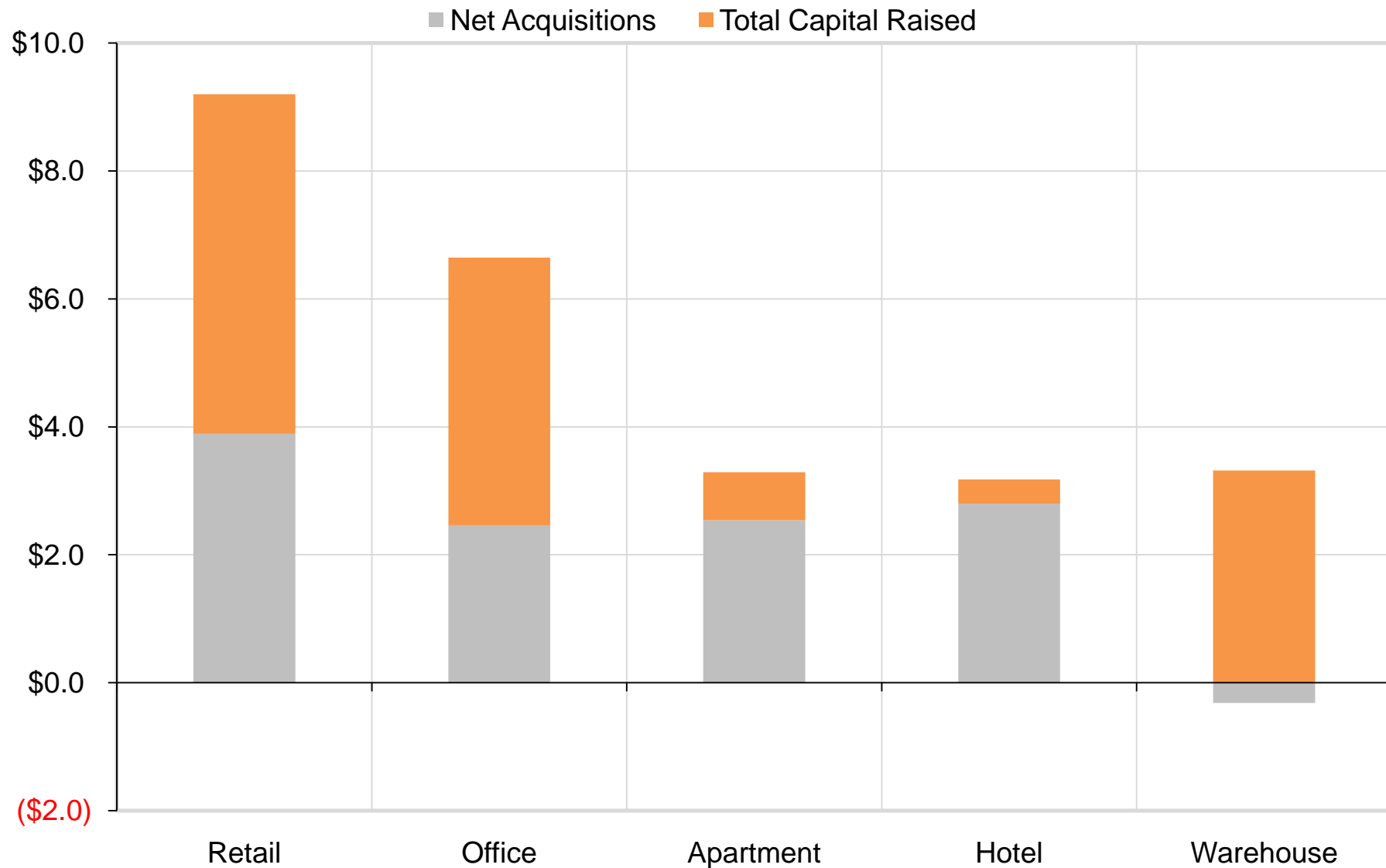


# REIT Capital Offerings (thru 9/30/2010)





# 2010 REIT Capital Raised and Net Acquisition Activity

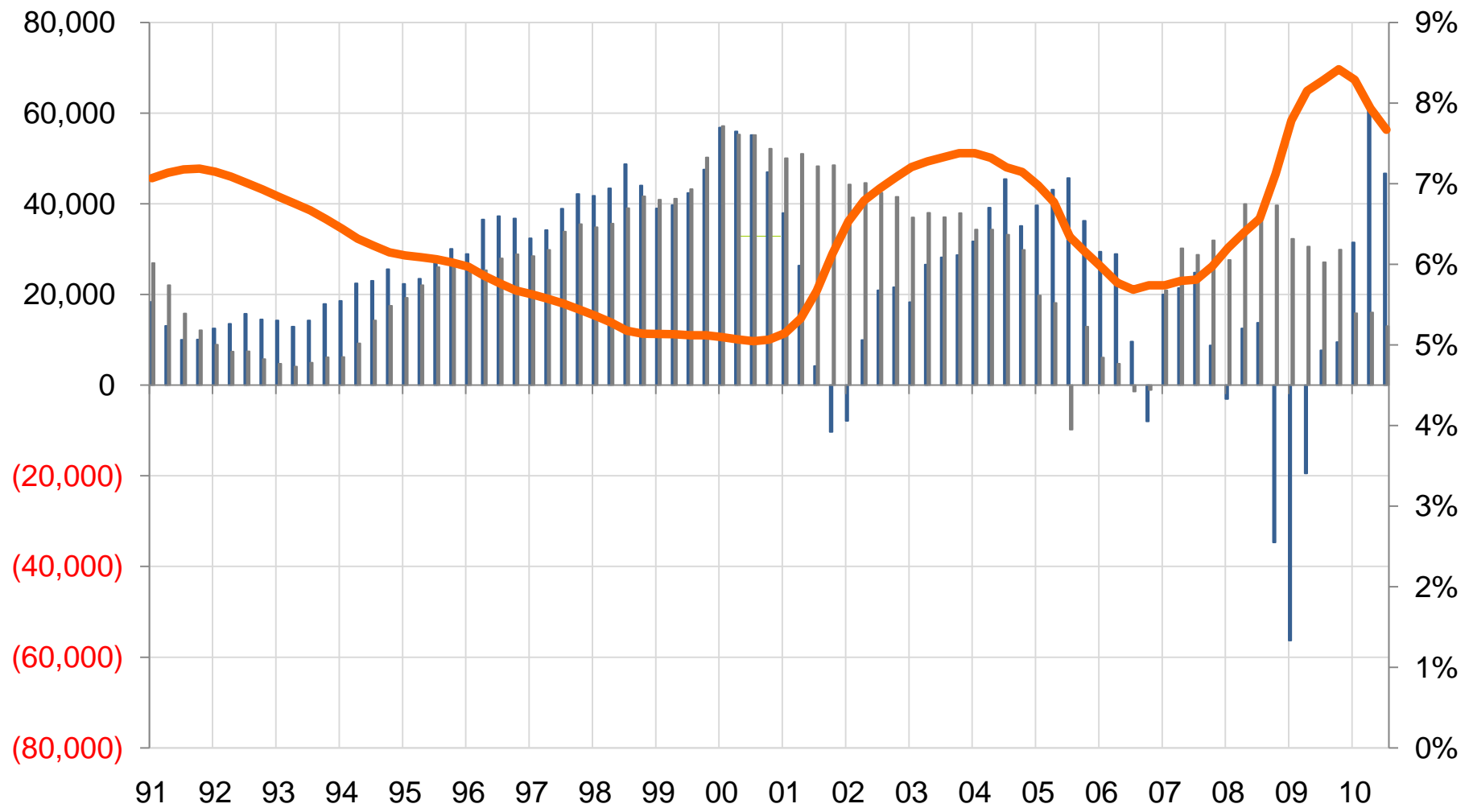




# Leasing Fundamentals



# U.S. Apartment Market Chalks Up Another Good Quarter (PPR54)

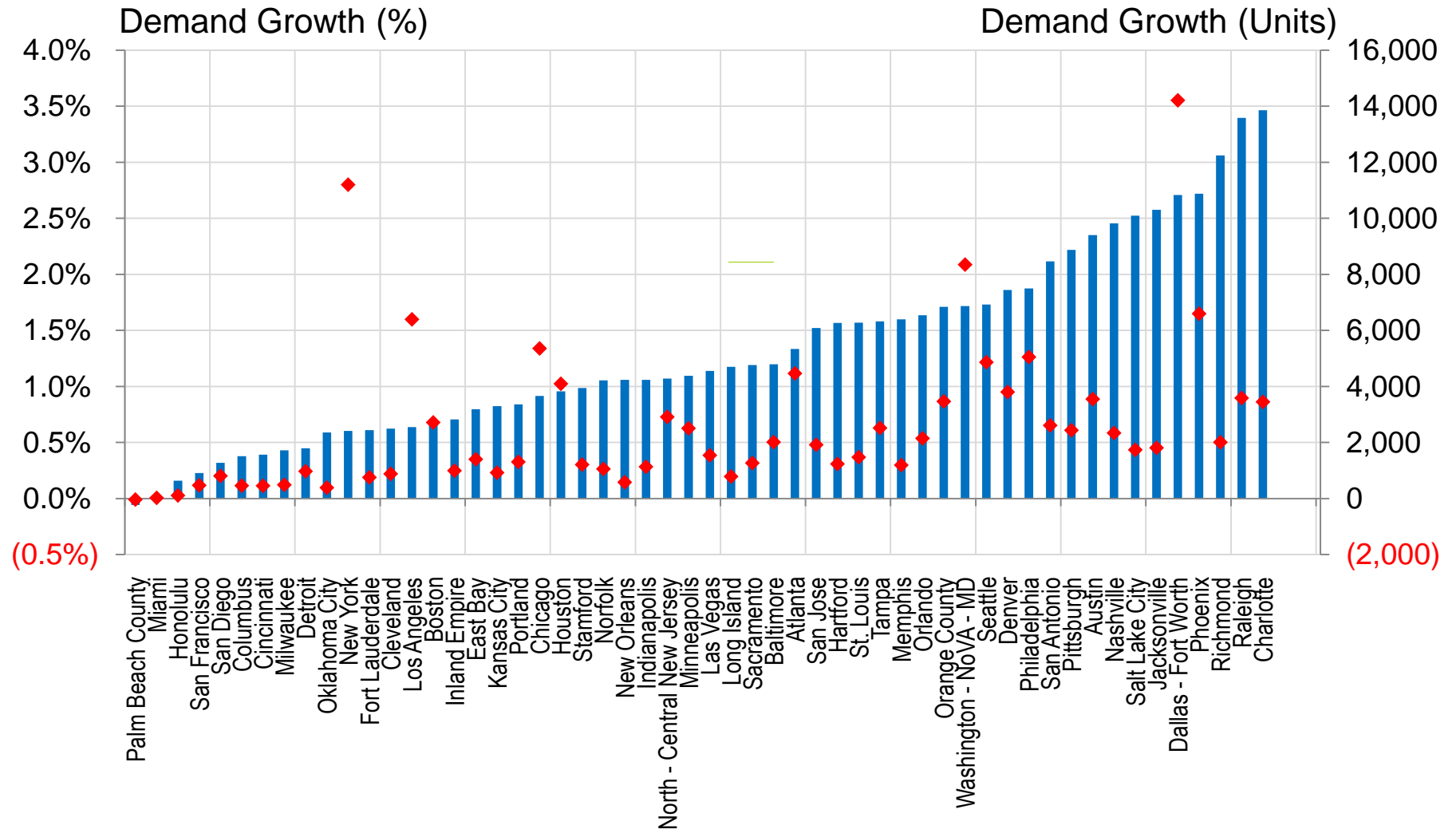


Source: PPR

■ Quarterly Change In Supply   ■ Quarterly Change in Demand   — VACANCY



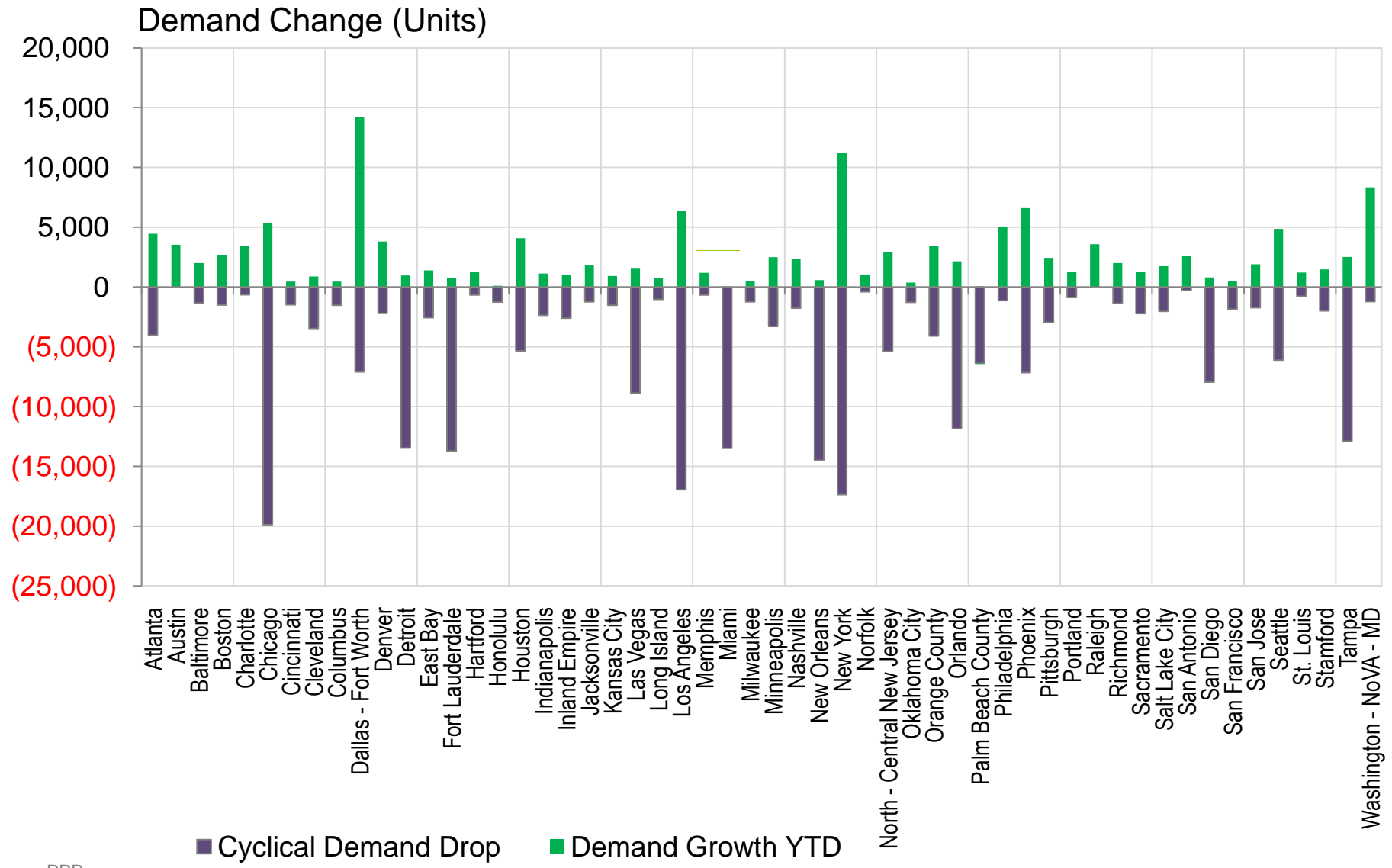
# Apartment Demand Growth By Metro (YTD as of 10Q3)



■ Percentage Demand Growth YTD ◆ Nominal Demand Growth YTD

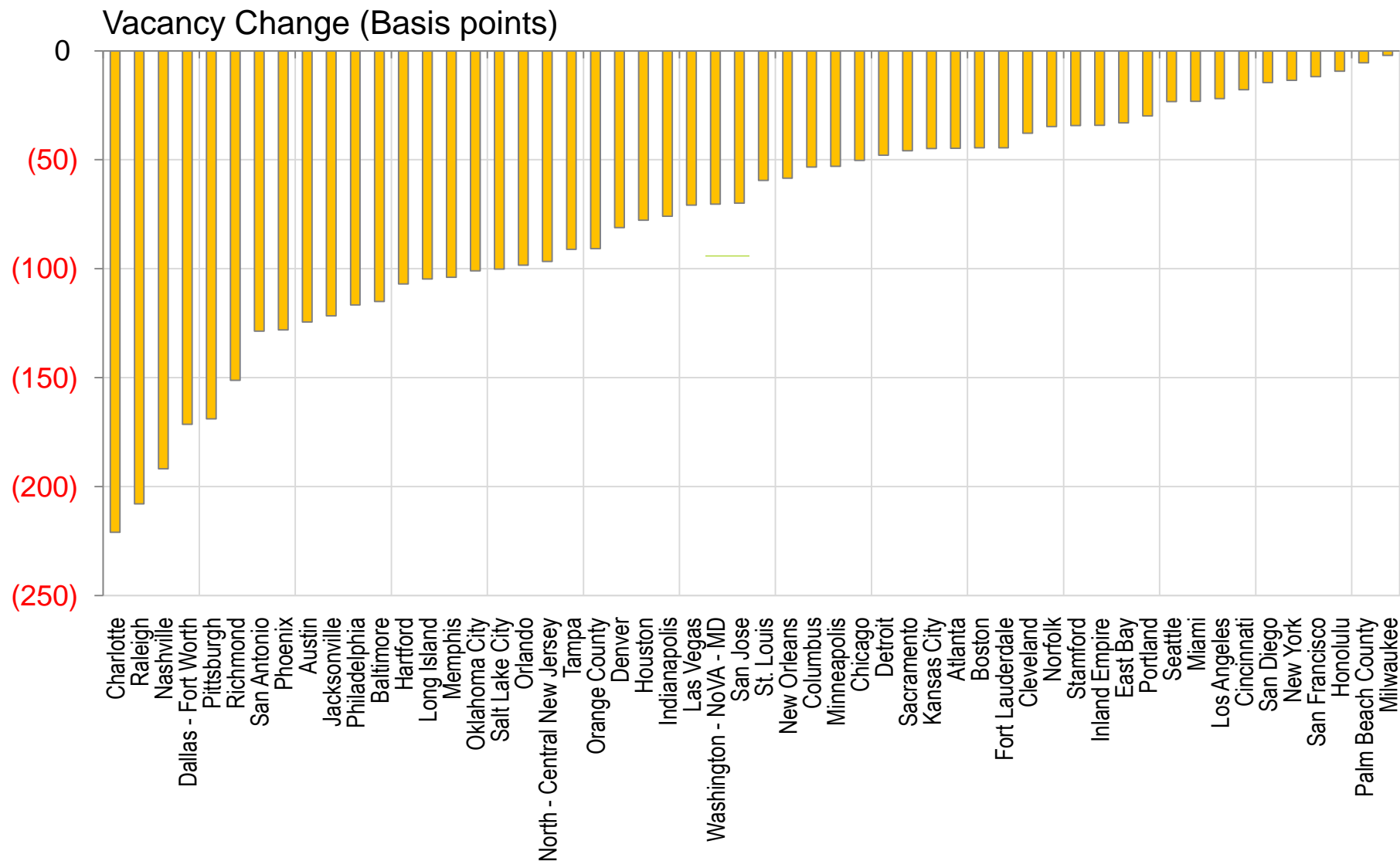


# Where Was The Pain Most Pronounced?





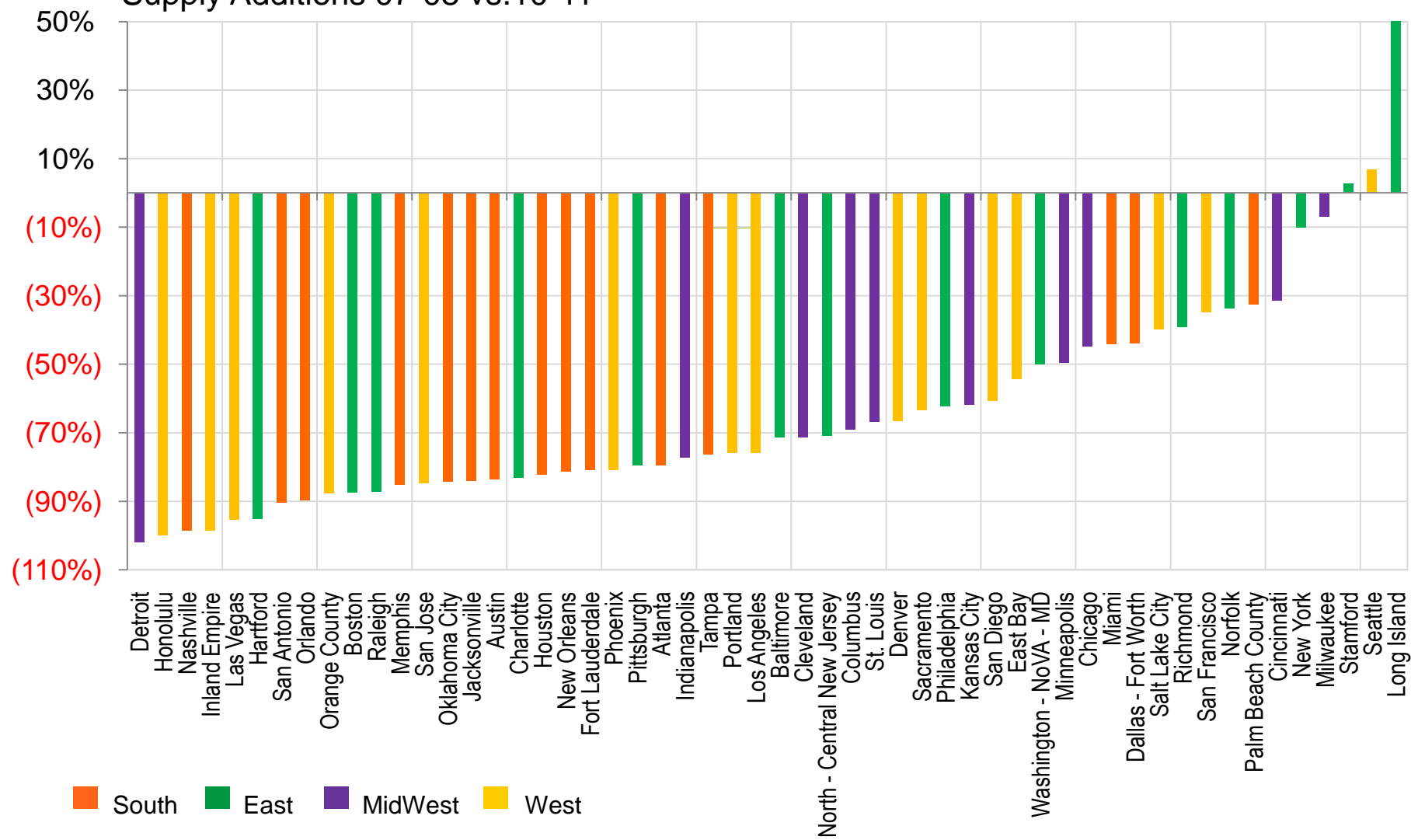
# Vacancy Change Last Six Months



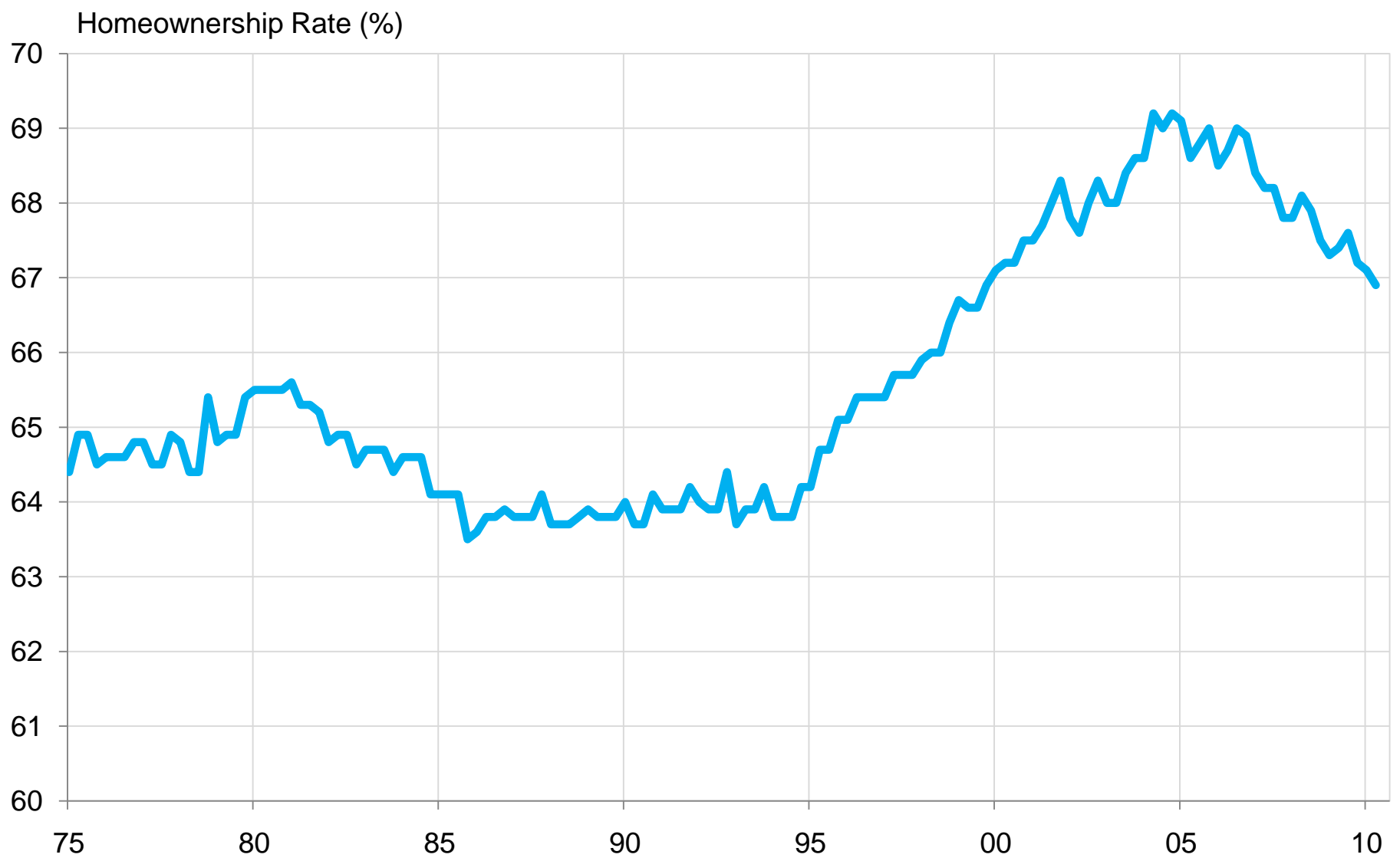


# Supply Shuts Down In Most Metros

Supply Additions 07-08 vs.10-11



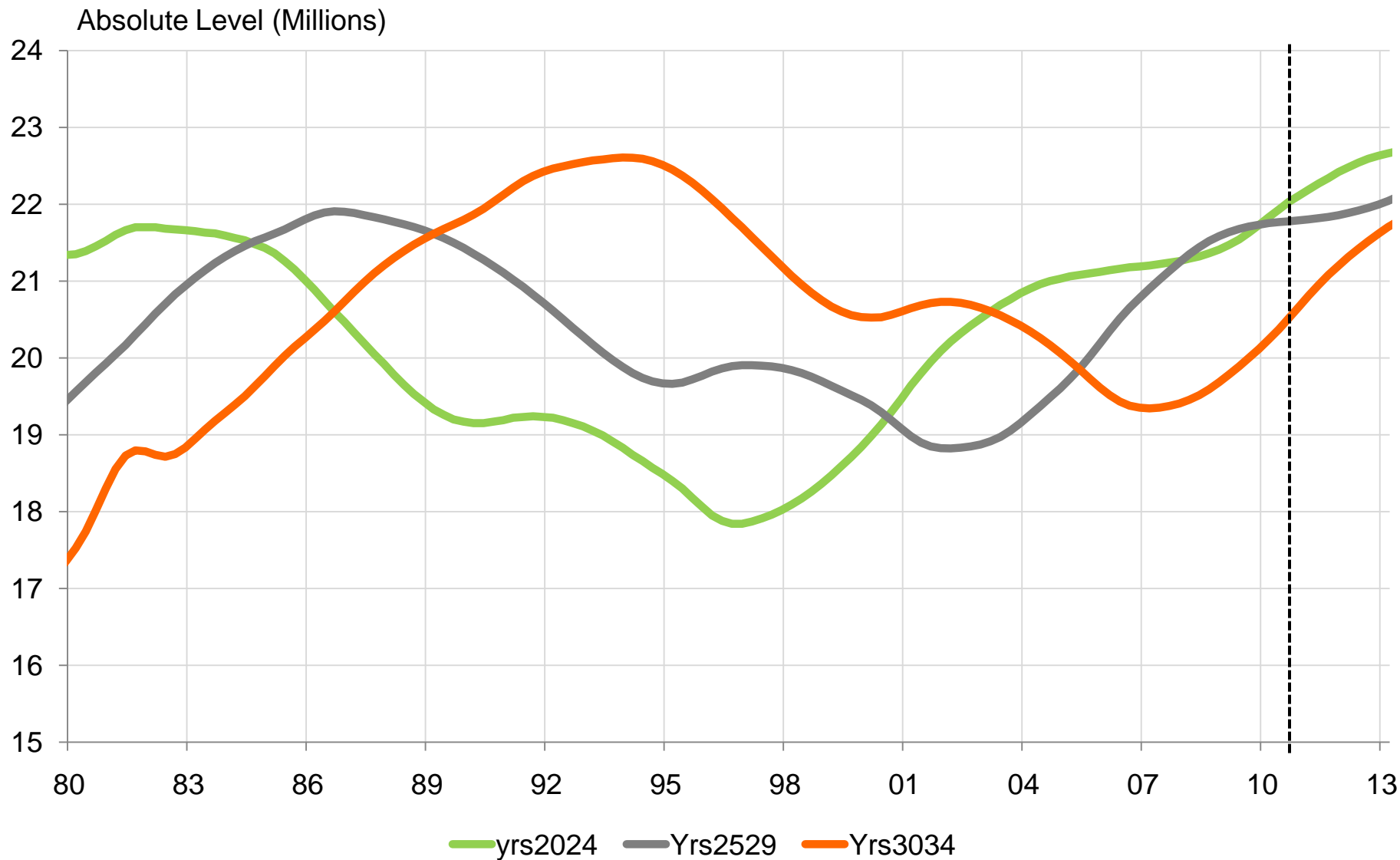
# U.S. Homeownership Rate Back To 1999 Levels



Source: U.S. Census Bureau

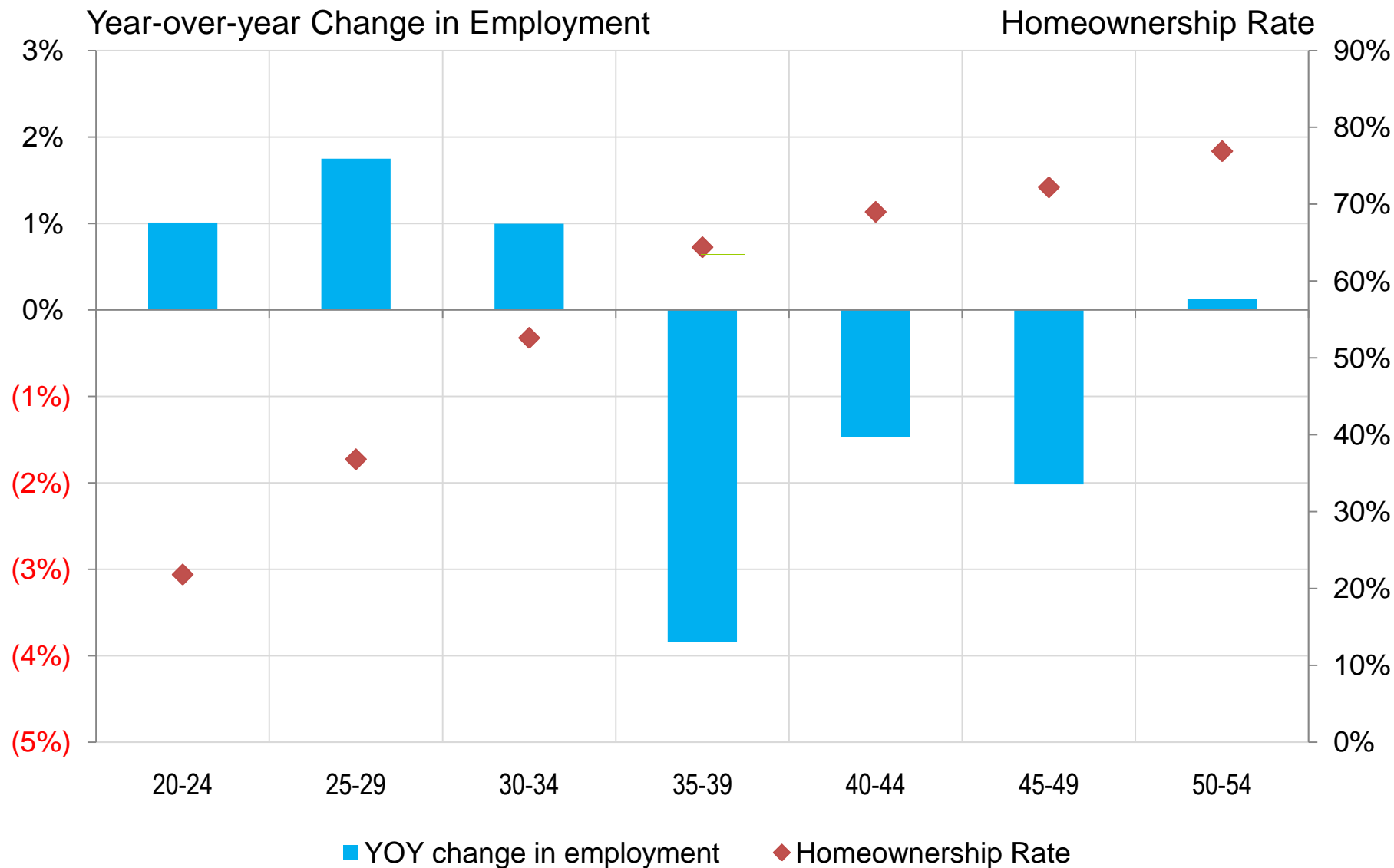


# Here Comes The Echo Boom



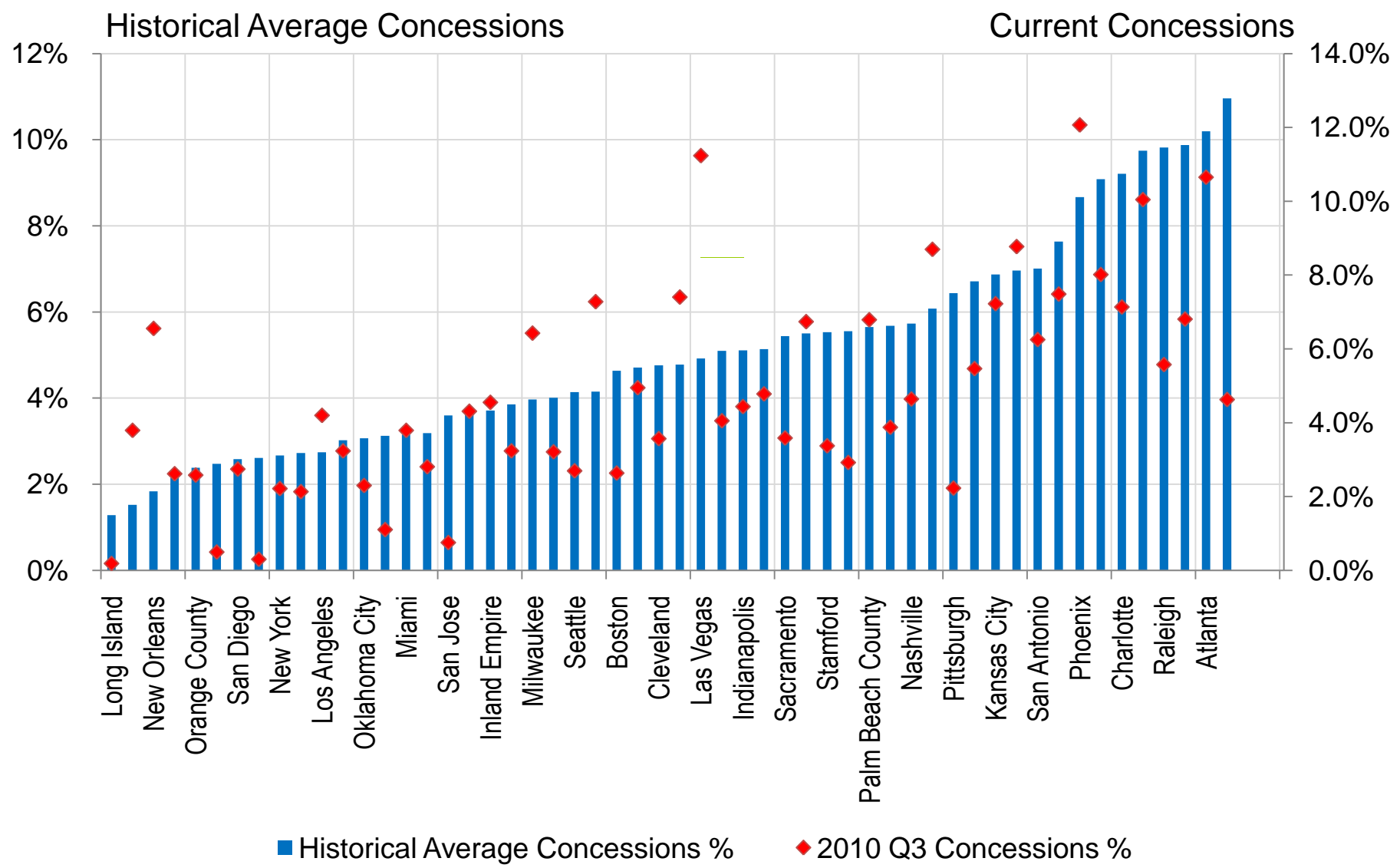


# Year-Over-Year Change In Total Employment By Age Cohort





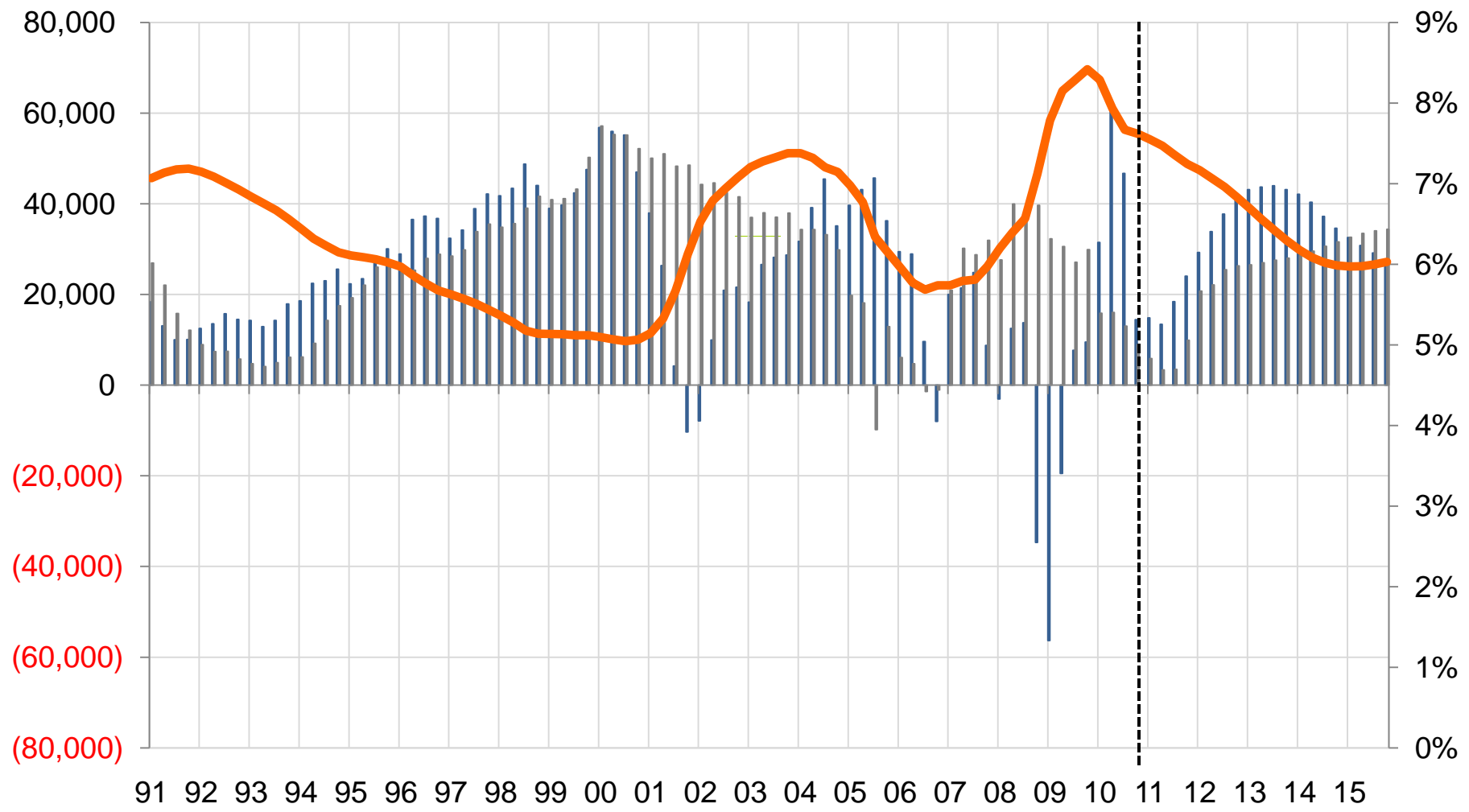
# Historical Concessions vs. Today's Concessions (as a % of Asking Rent)



Source: Axiometrics



# The National Apartment Outlook Remains Promising (10Q3 Forecast)



Source: PPR

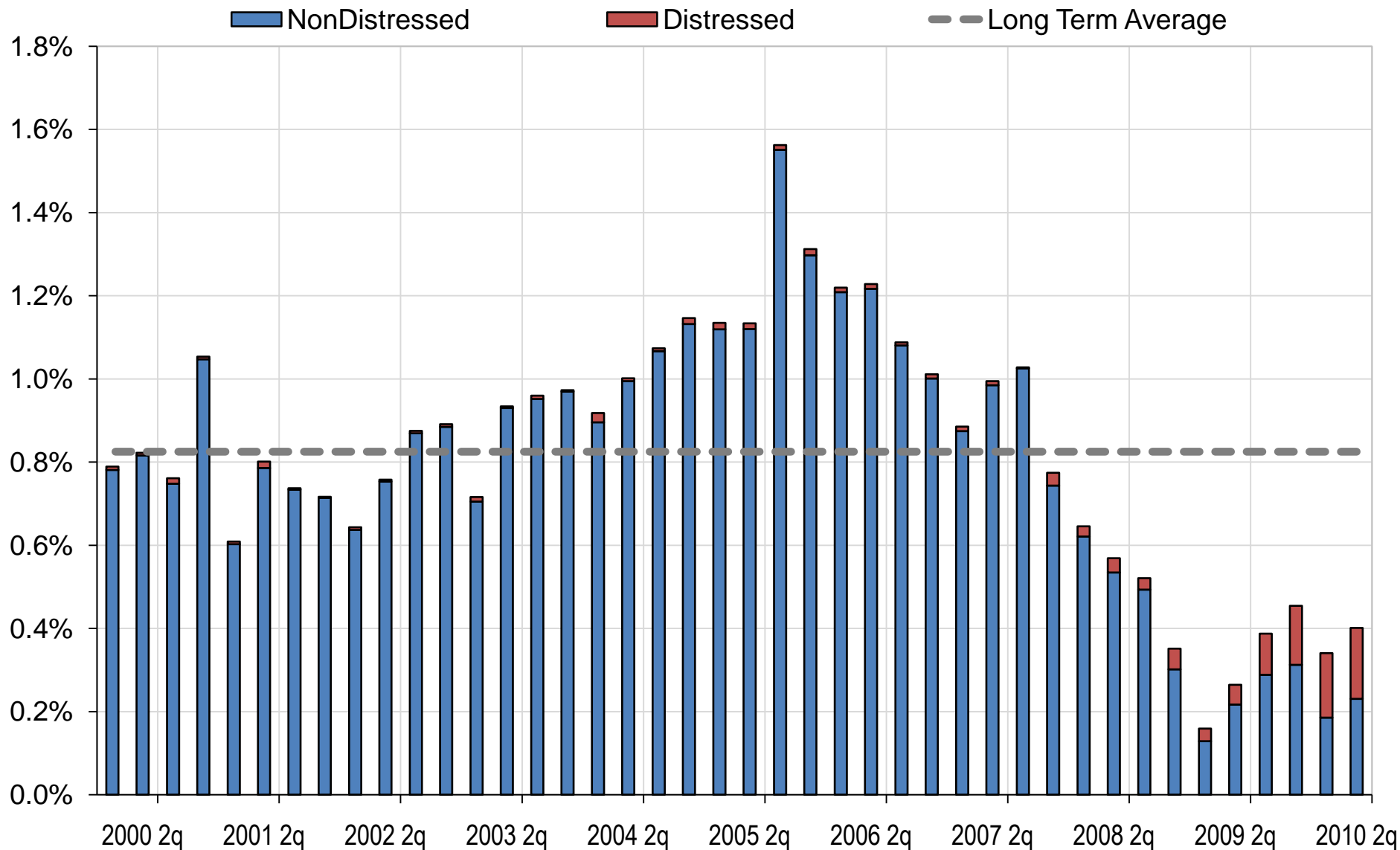
■ Quarterly Change In Supply    ■ Quarterly Change in Demand    — VACANCY



# Property Sales Market

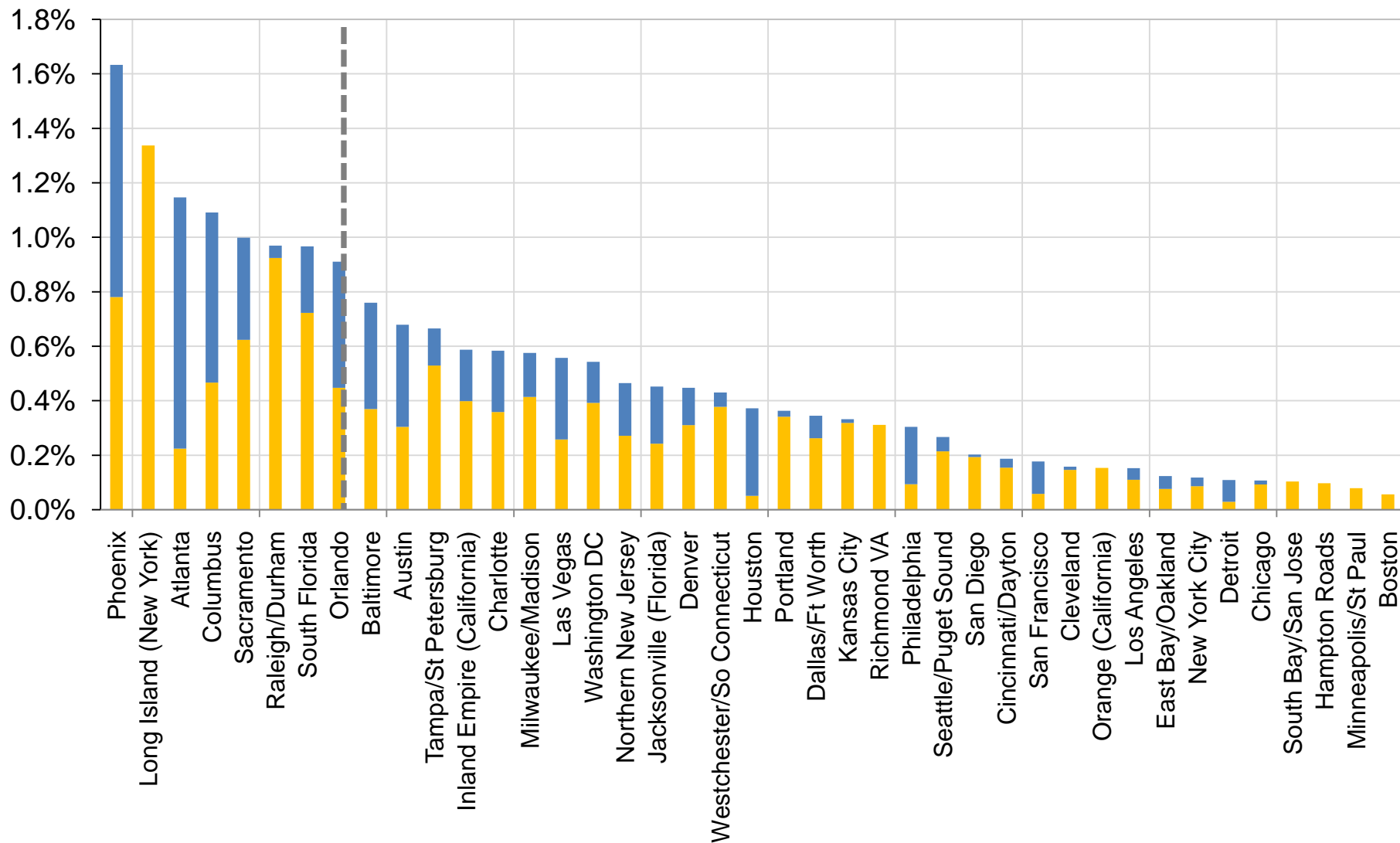


# Sales Transaction Units as a Percent of Total Market Size



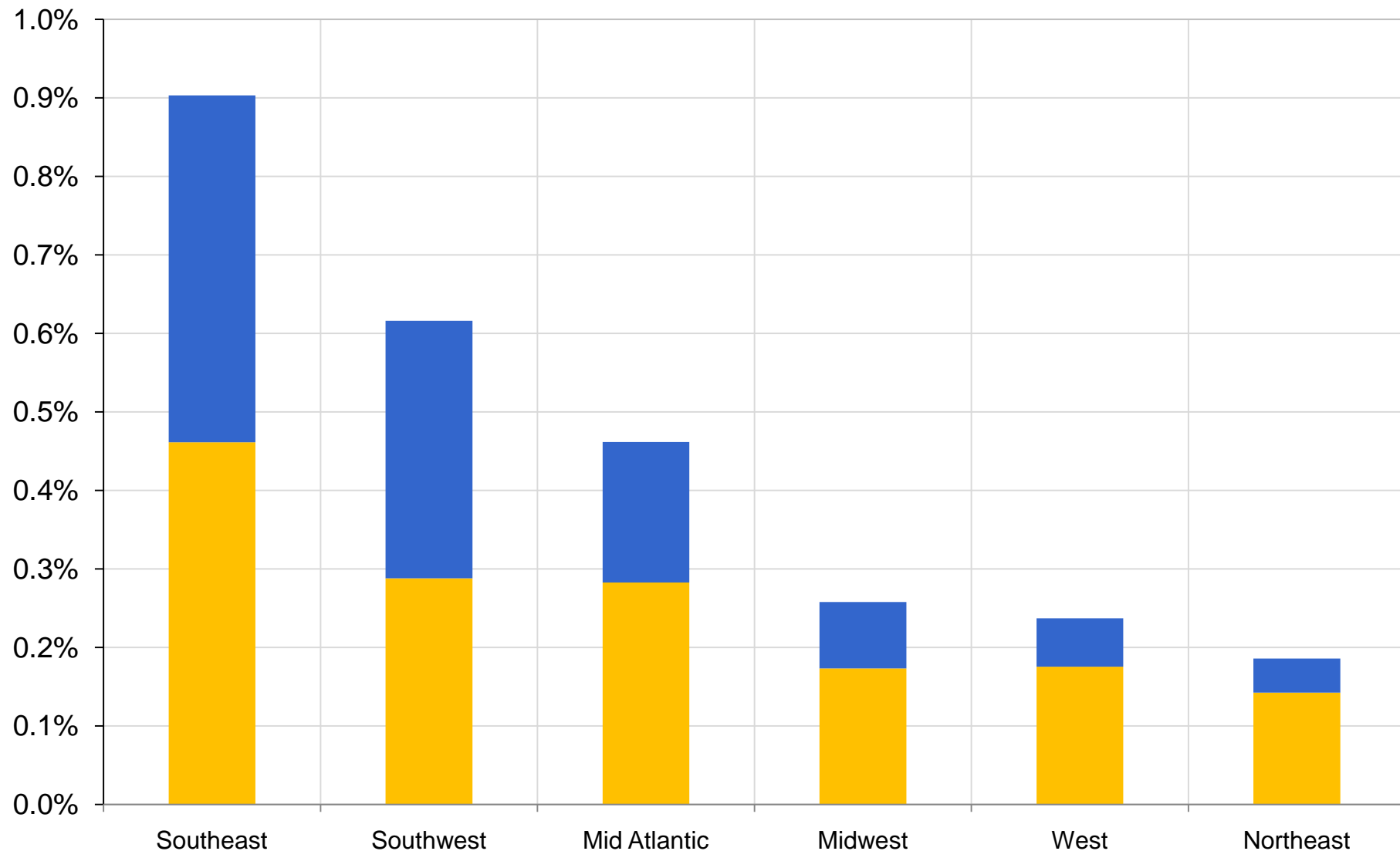


# 2010 Sales Square Footage as a Percent of Total Market Size



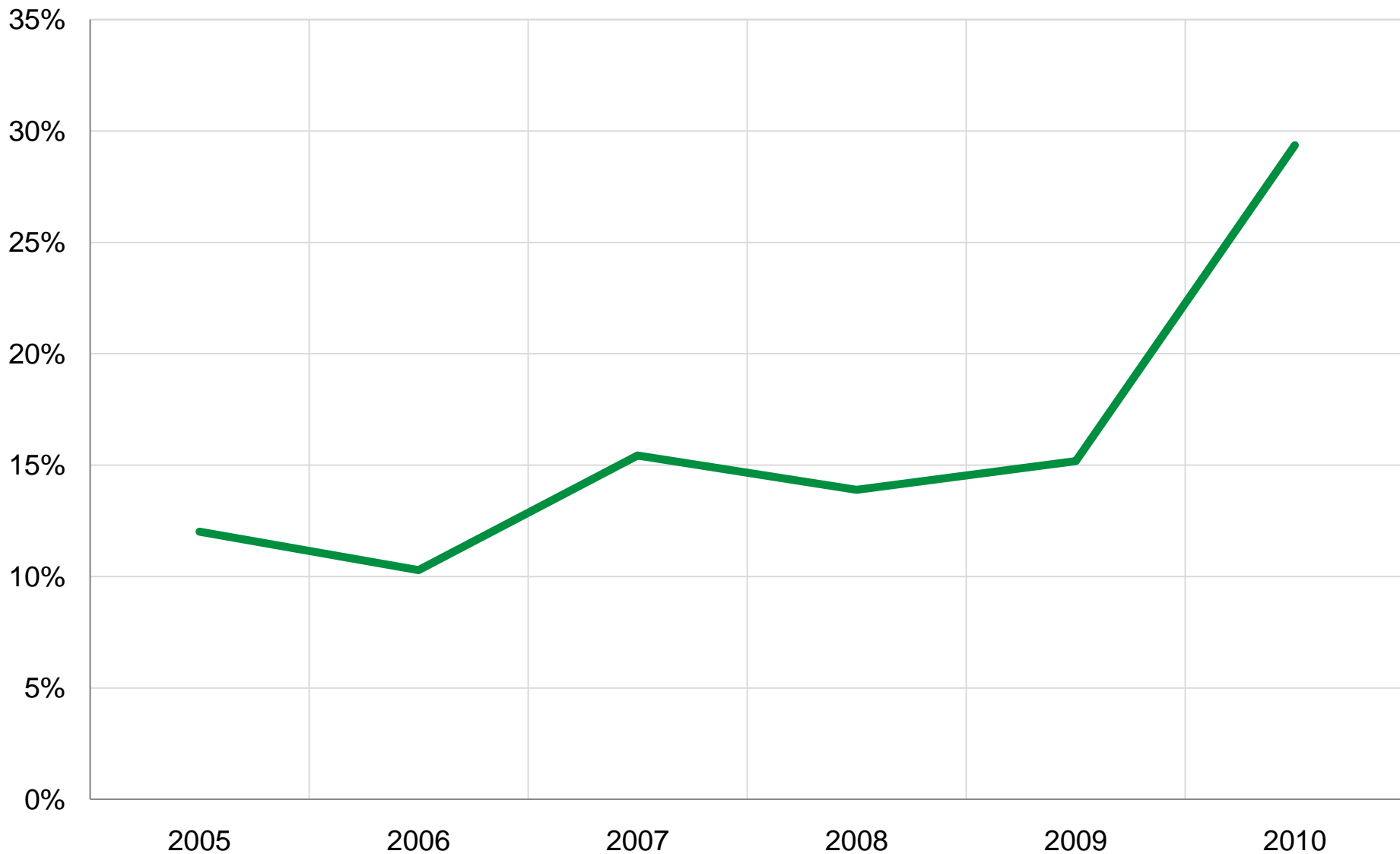


# 2010 Sales Square Footage as a Percent of Total Market Size



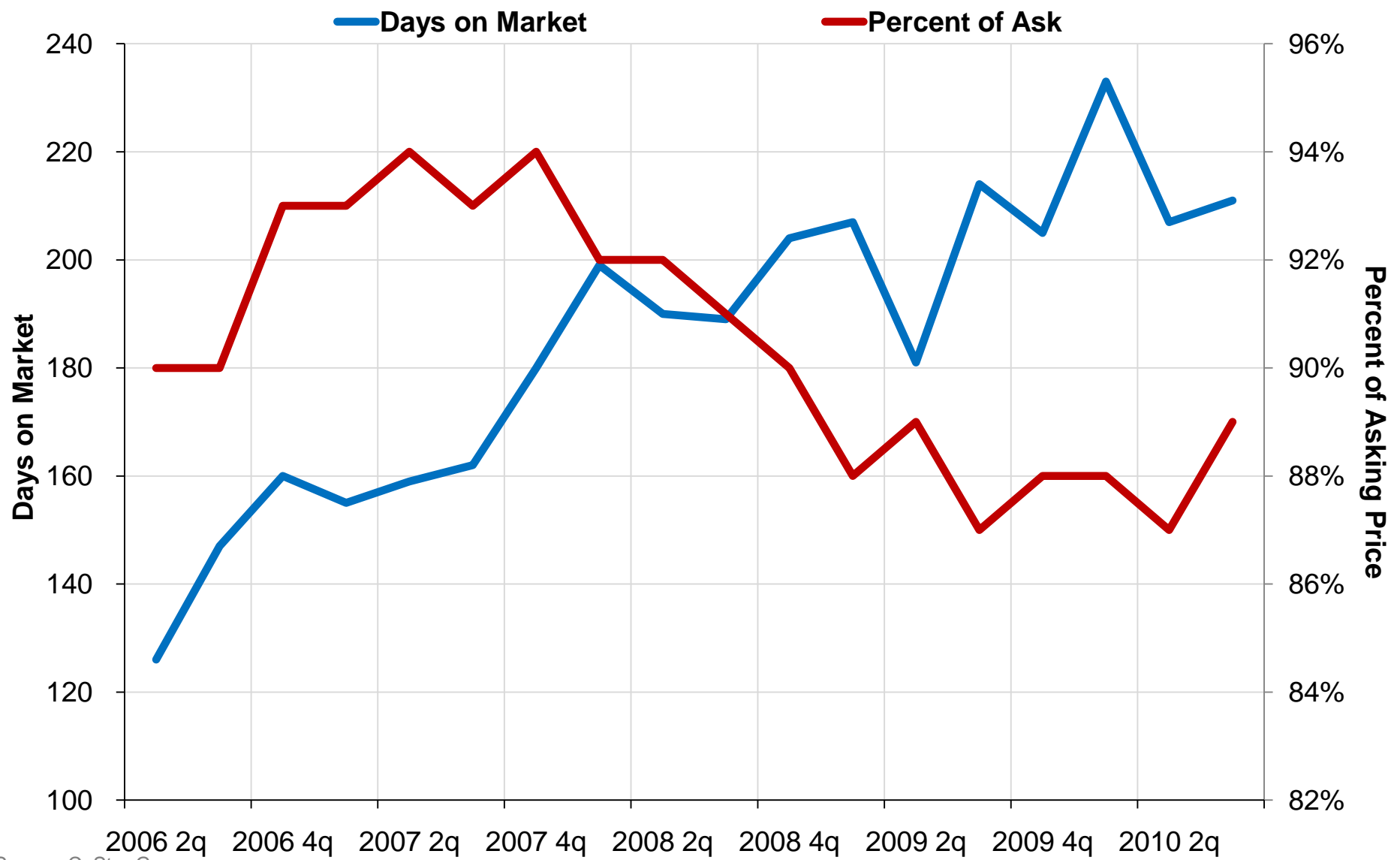


# Percent of Dollar Volume in Newer Apartments (Under 10 Years Old)





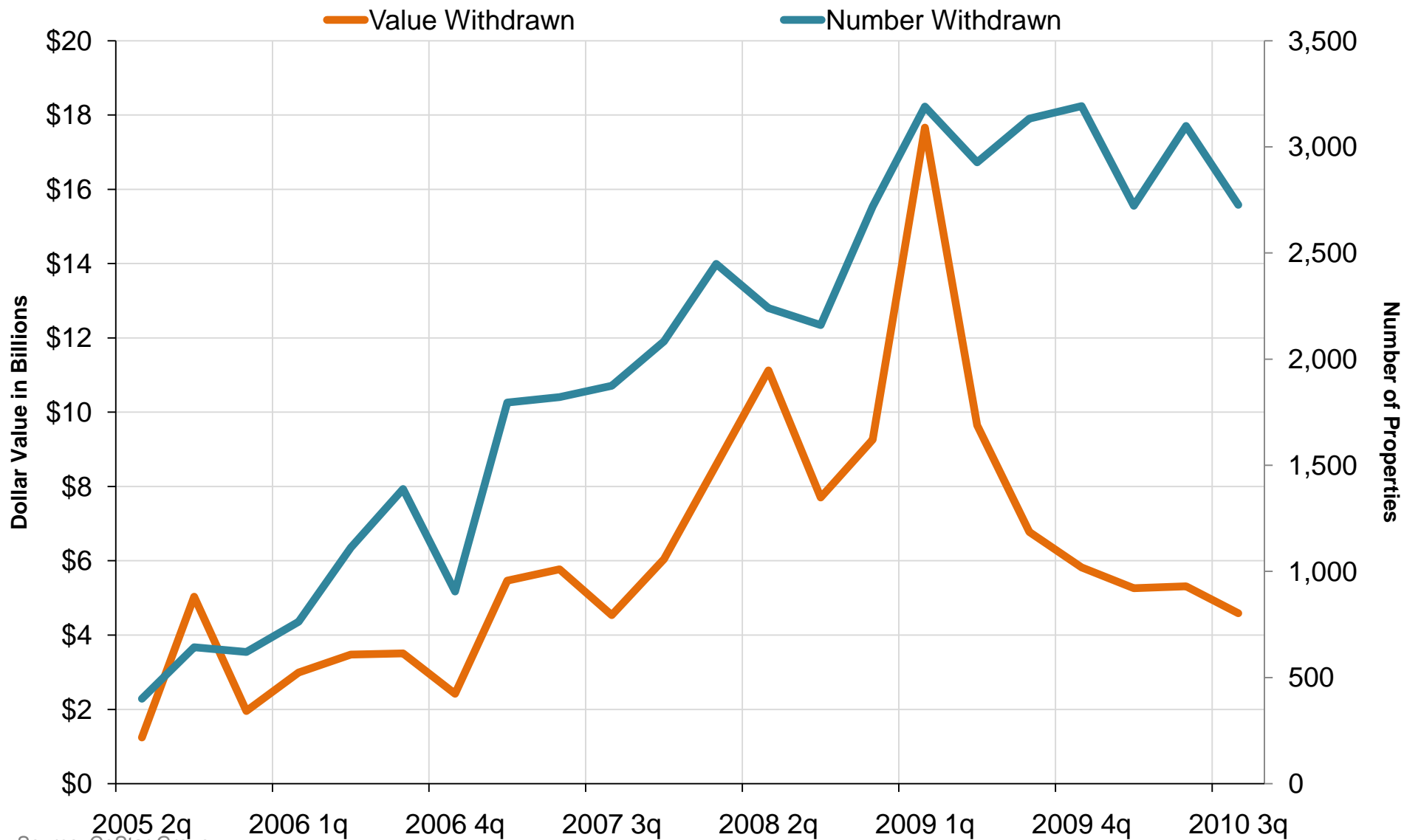
# U.S. Retail Days on Market vs. Selling Price as a Percent of Asking Price



Source: CoStar Group



# Multifamily Sales Withdrawn from Market



Source: CoStar Group

# Top Sales in Third Quarter 2010



## Resort at Pembroke Pines In Ft. Lauderdale

**Date:** 9/1/2010  
**Price:** \$194 Million  
**Price/Unit:** \$127,000  
**Cap Rate:**  
**Buyer:** CB Richard Ellis  
Investors  
**Seller:** Heitman



## Marina Pointe Apartments In Los Angeles

**Date:** 9/15/2010  
**Price:** \$157 Million  
**Price/Unit:** \$270,000  
**Cap Rate:** 4 Something  
**Buyer:** UDR  
**Seller:** BlackRock,  
CalPERS

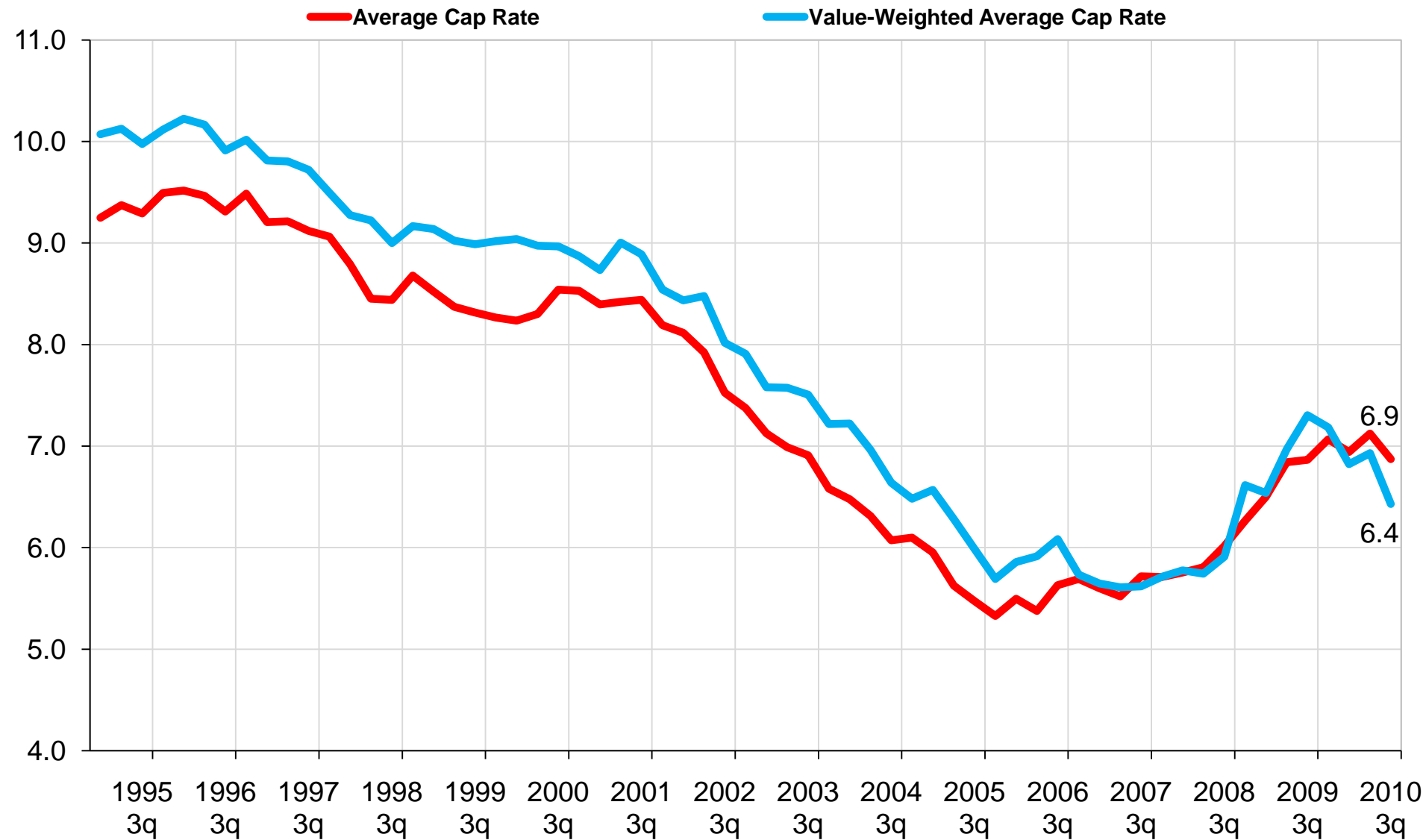


## Aqua Marina Del Ray In Los Angeles

**Date:** 8/31/2010  
**Price:** \$166 Million  
**Price/Unit:** \$332,000  
**Cap Rate:** 4.60%  
**Buyer:** Brookfield Asset  
Management  
**Seller:** BRE Properties

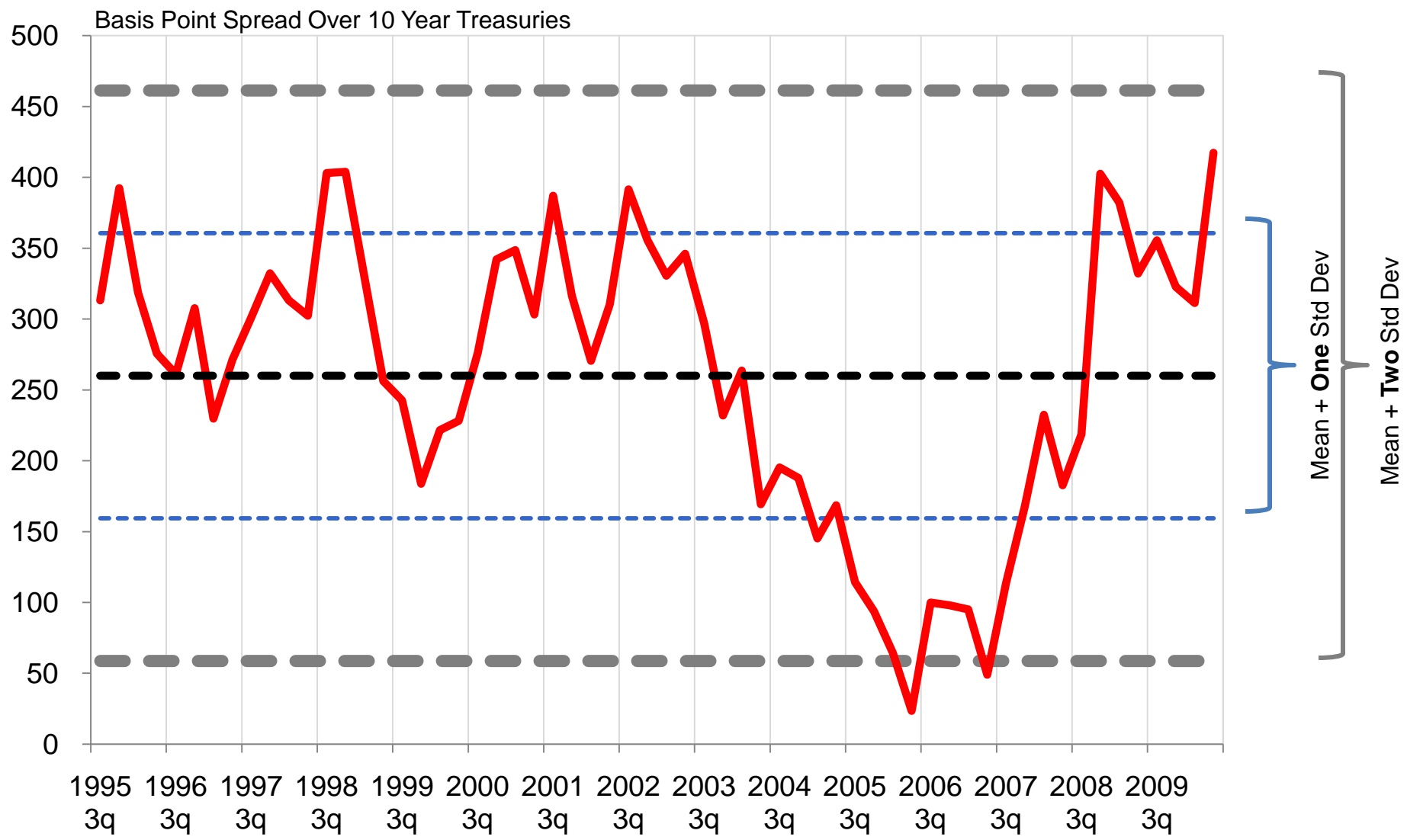


# Cap Rates



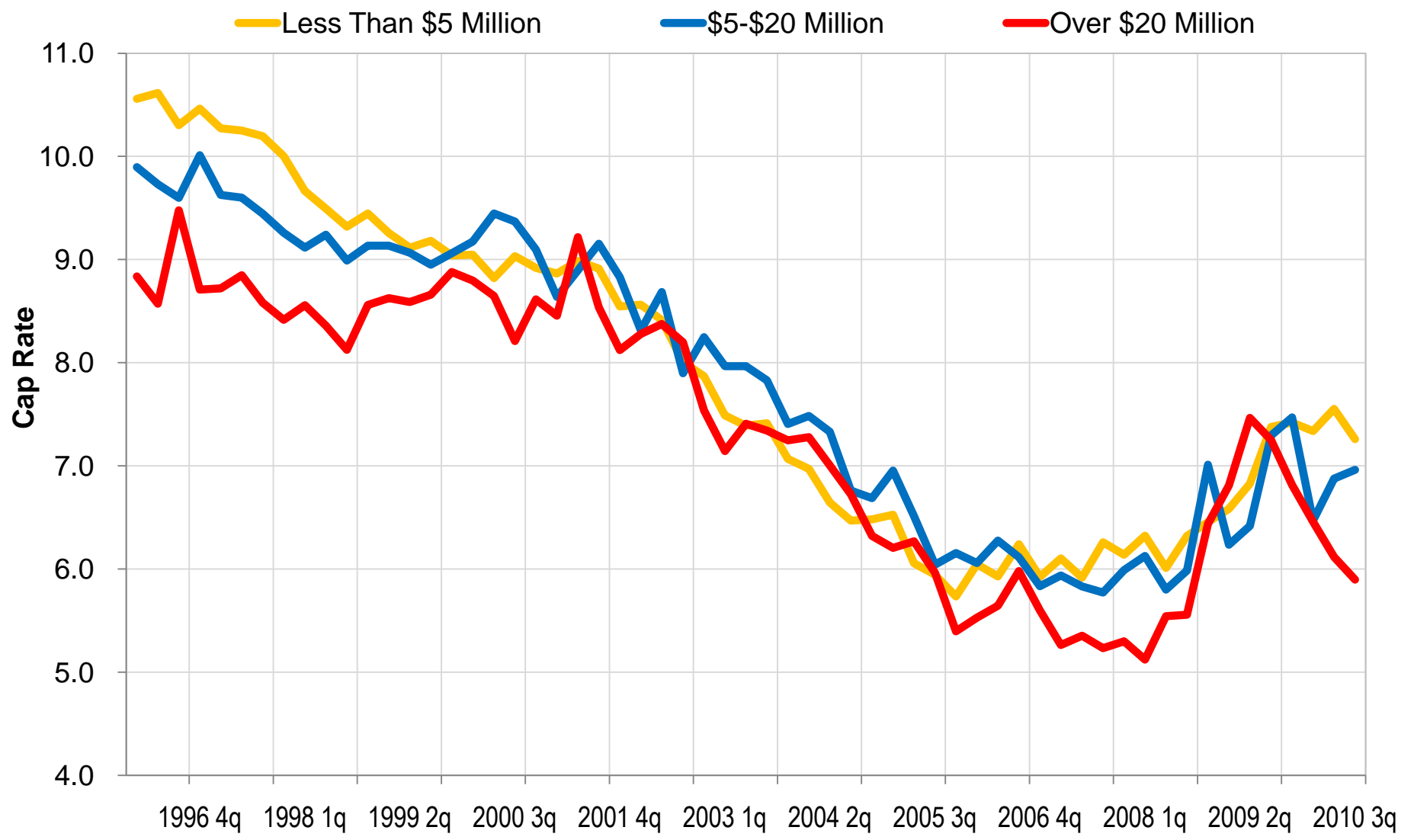


# Cap Rate Spread High But Leveling Off



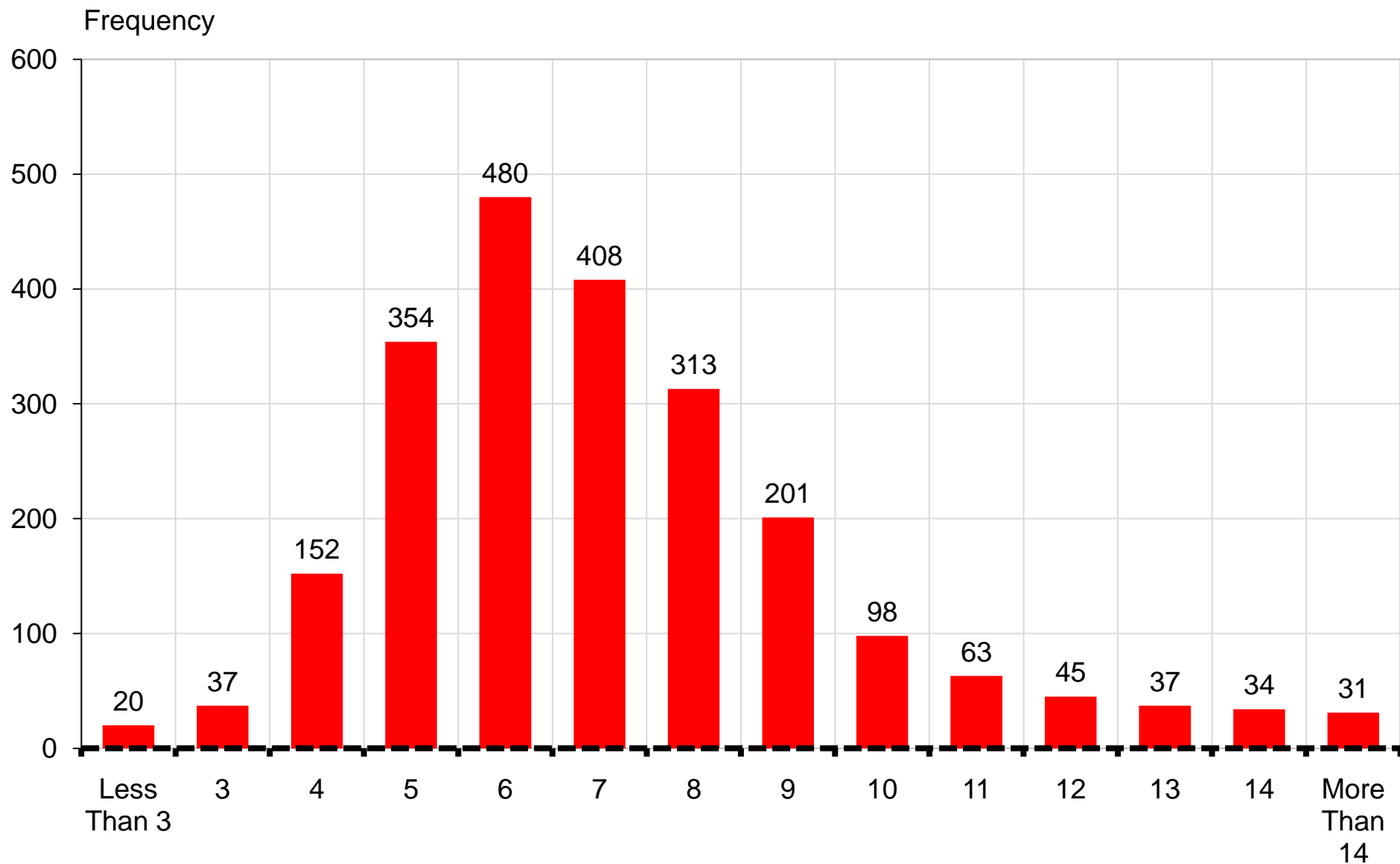


# Weighted Average Cap Rates By Deal Size (Two Quarter Moving Average)



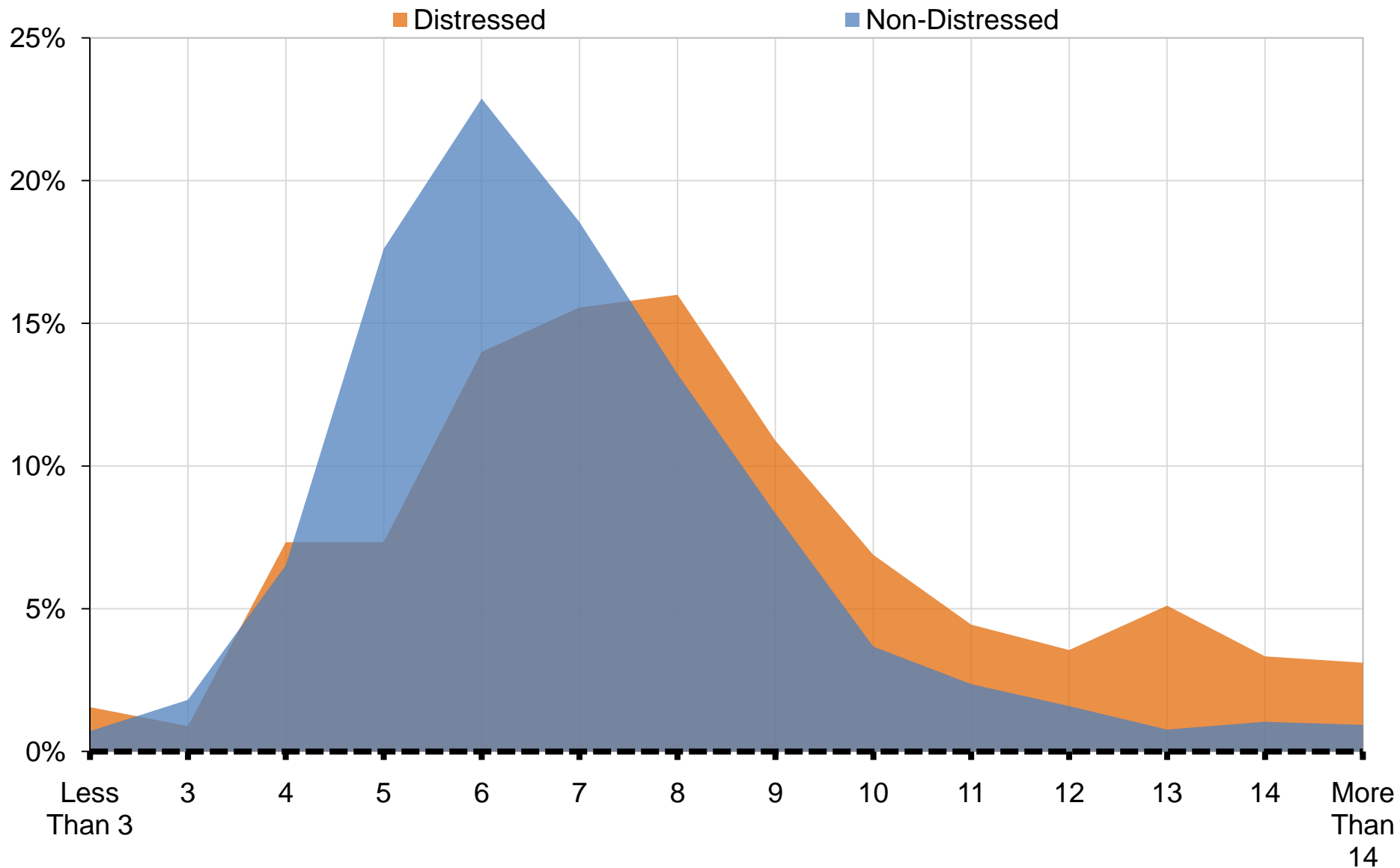


# 2010 Cap Rate Distributions



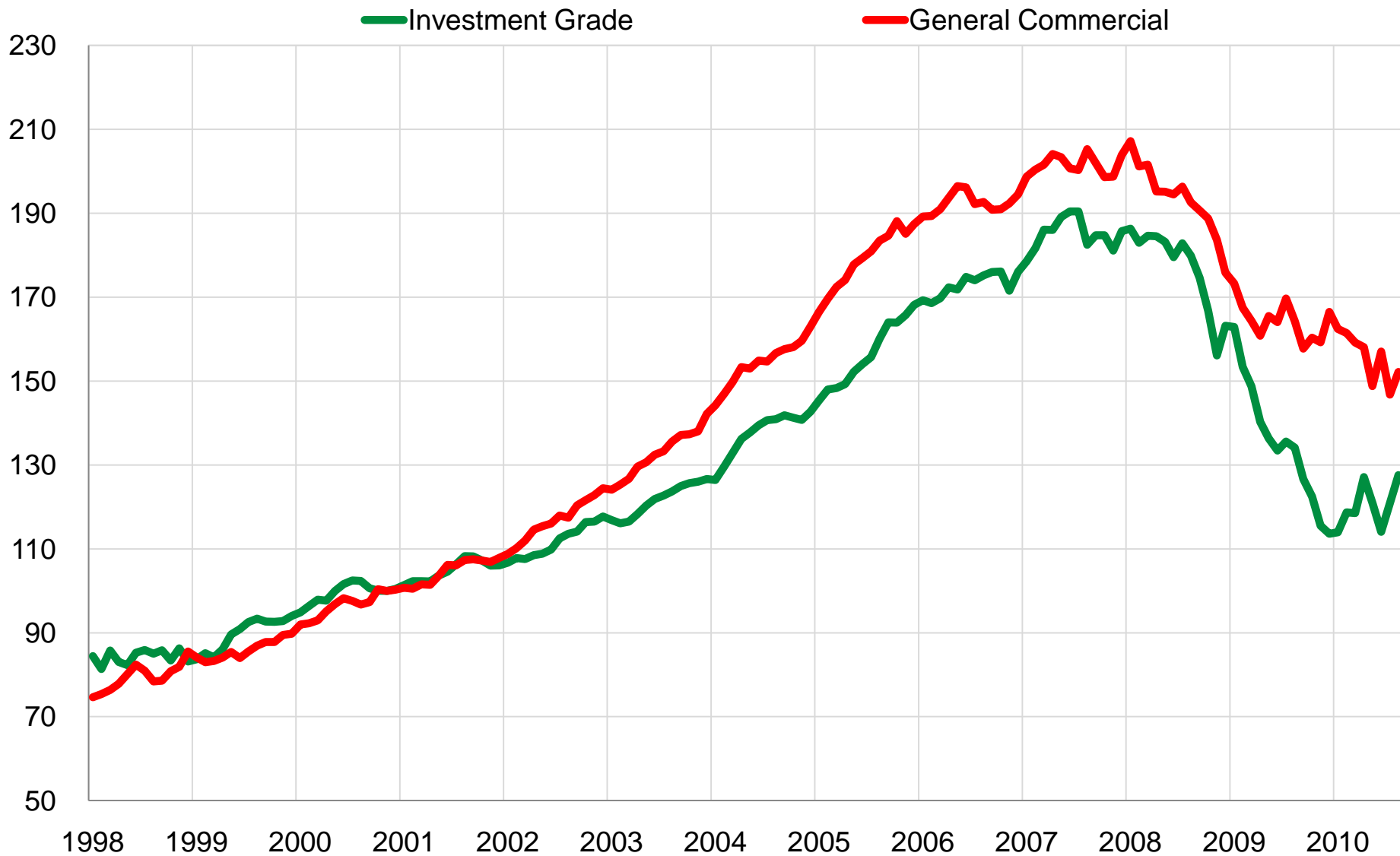


# Distribution of Distressed vs. Non-Distressed Cap Rates on Sales in 2010



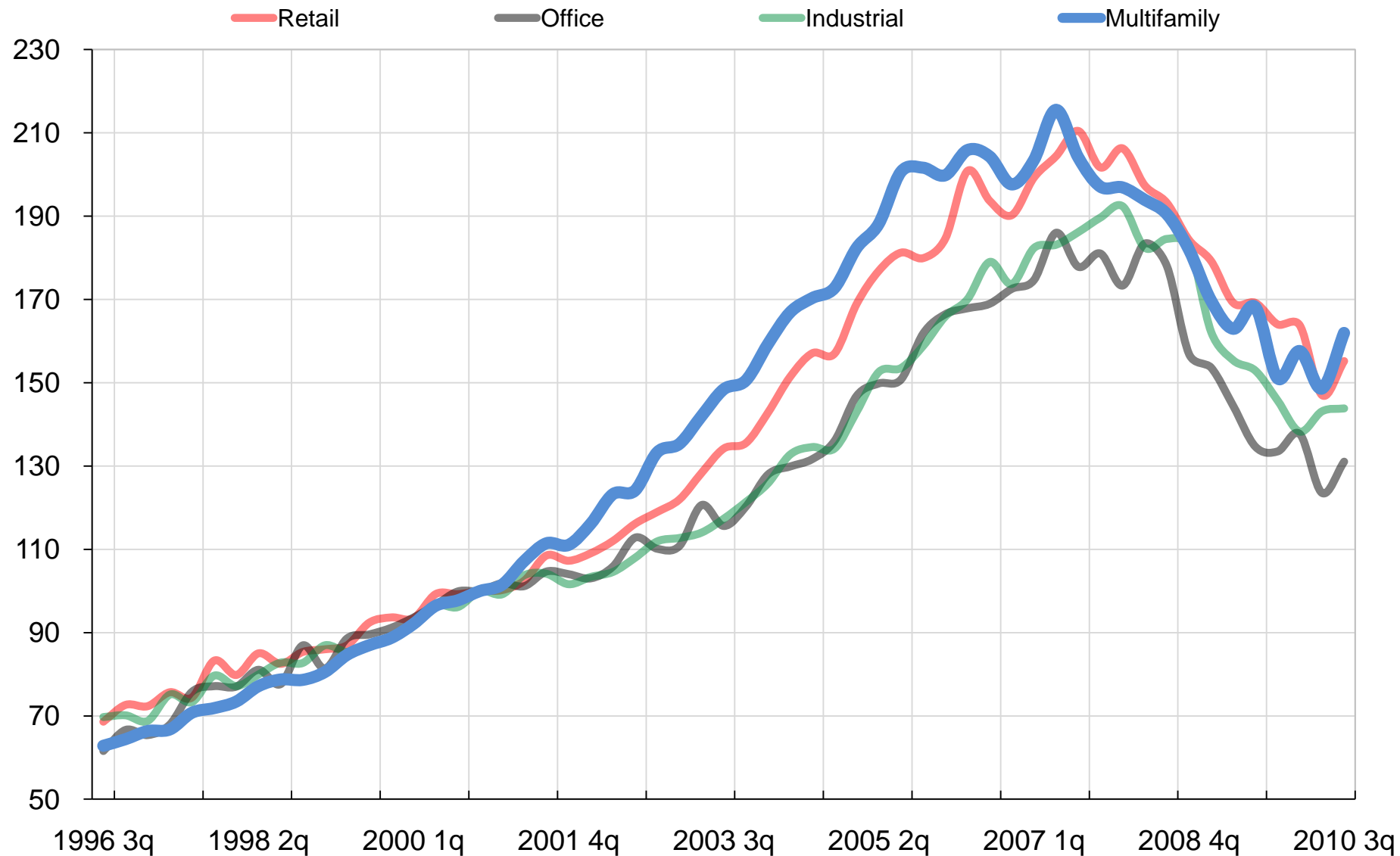


# CoStar Repeat Sales Index



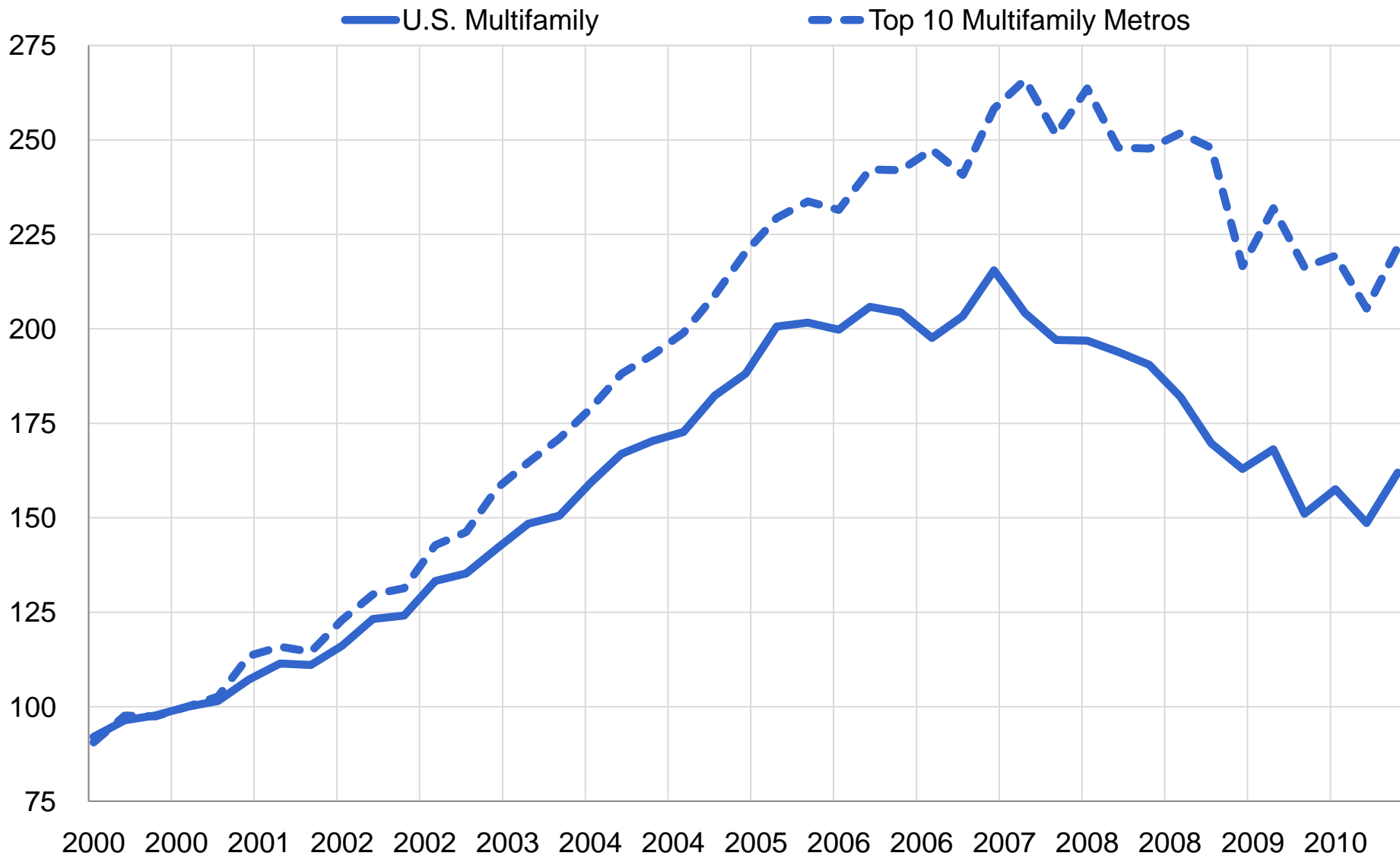


# CoStar Repeat Sale Indices

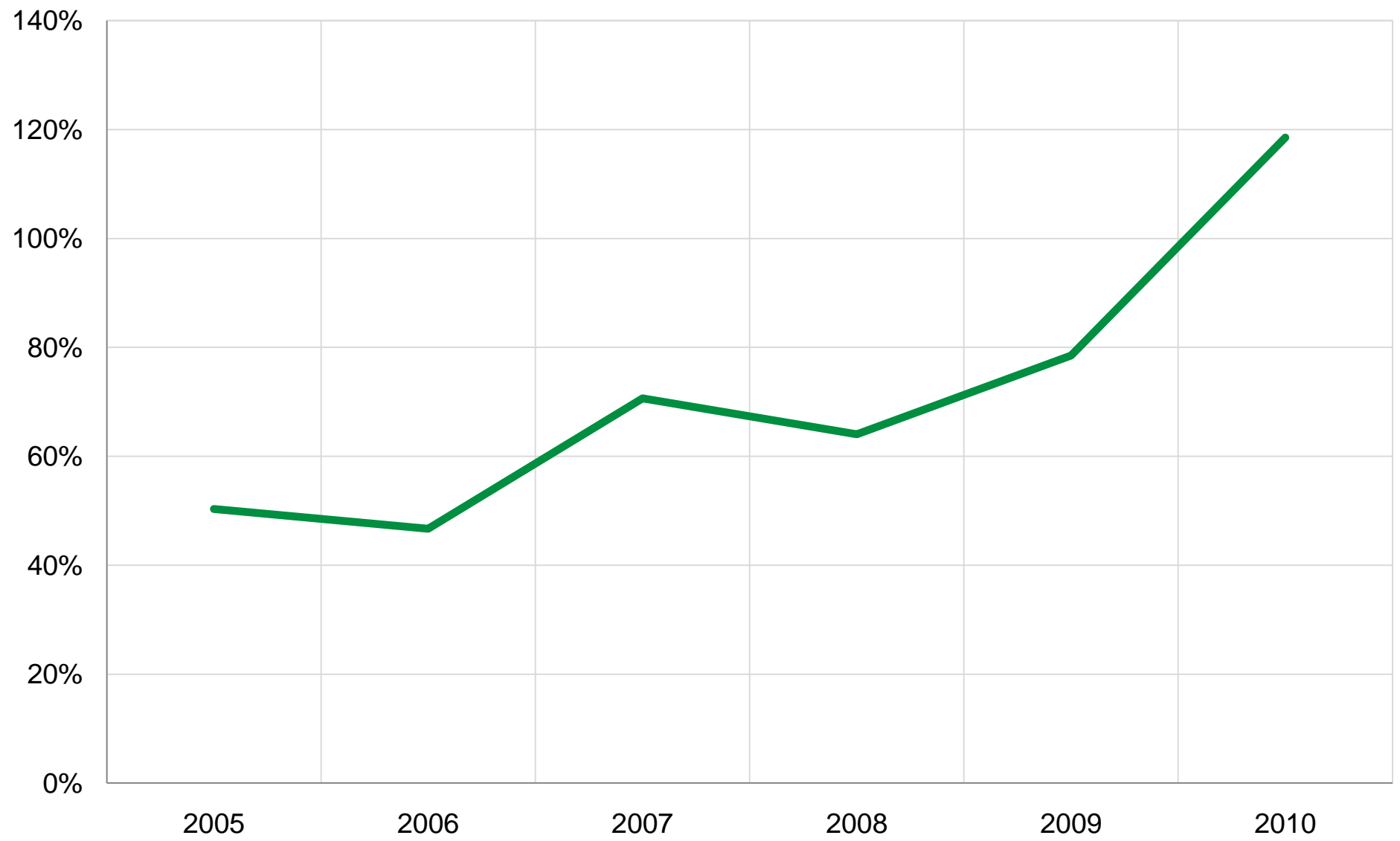




# CoStar Repeat Sales Index

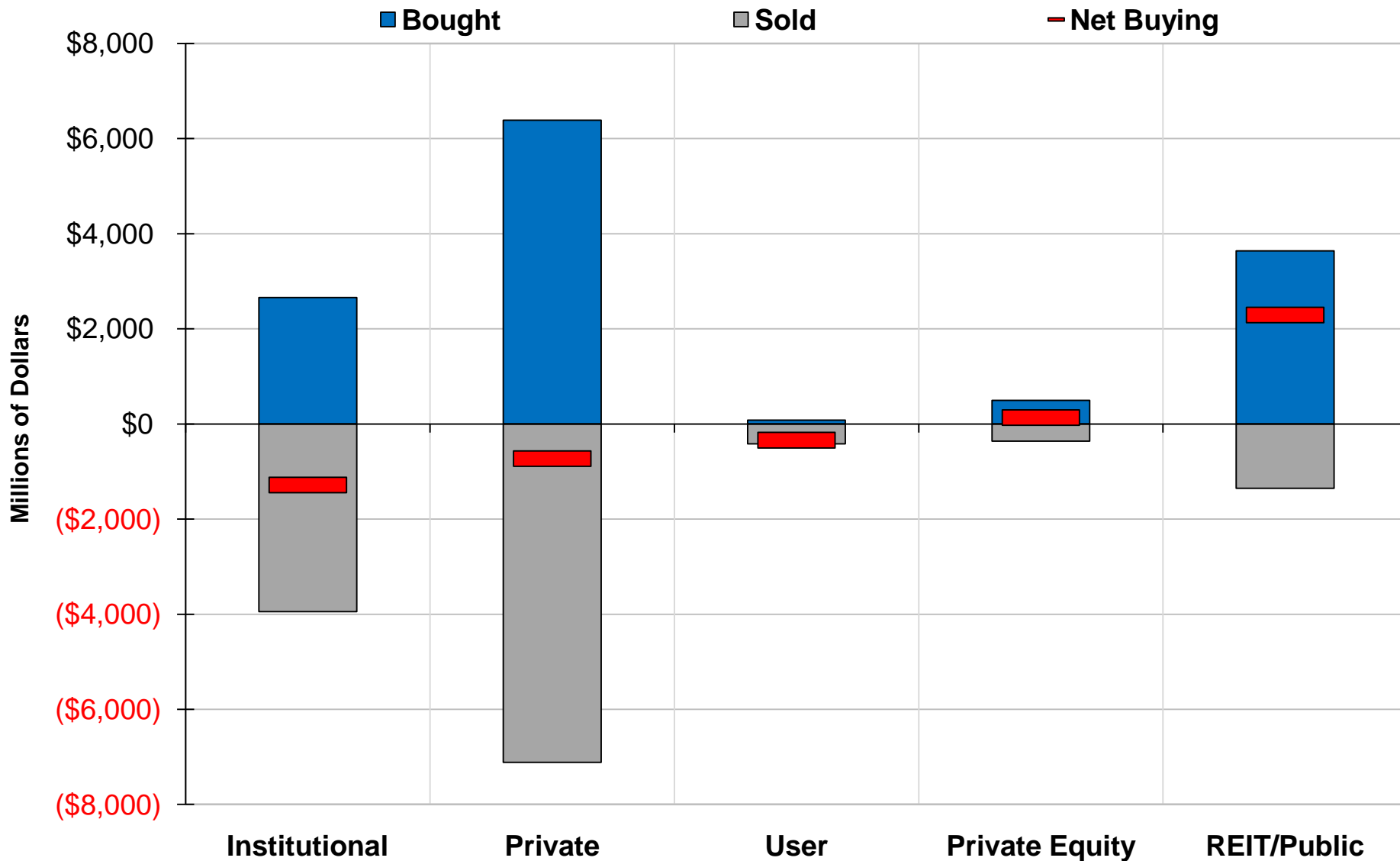


# Pricing Premium For Apartments Under 10 Years Old vs. Older Than 10 Years Old





# Net Buying of Multi-Family Properties by Investor Type





**Thank You**