

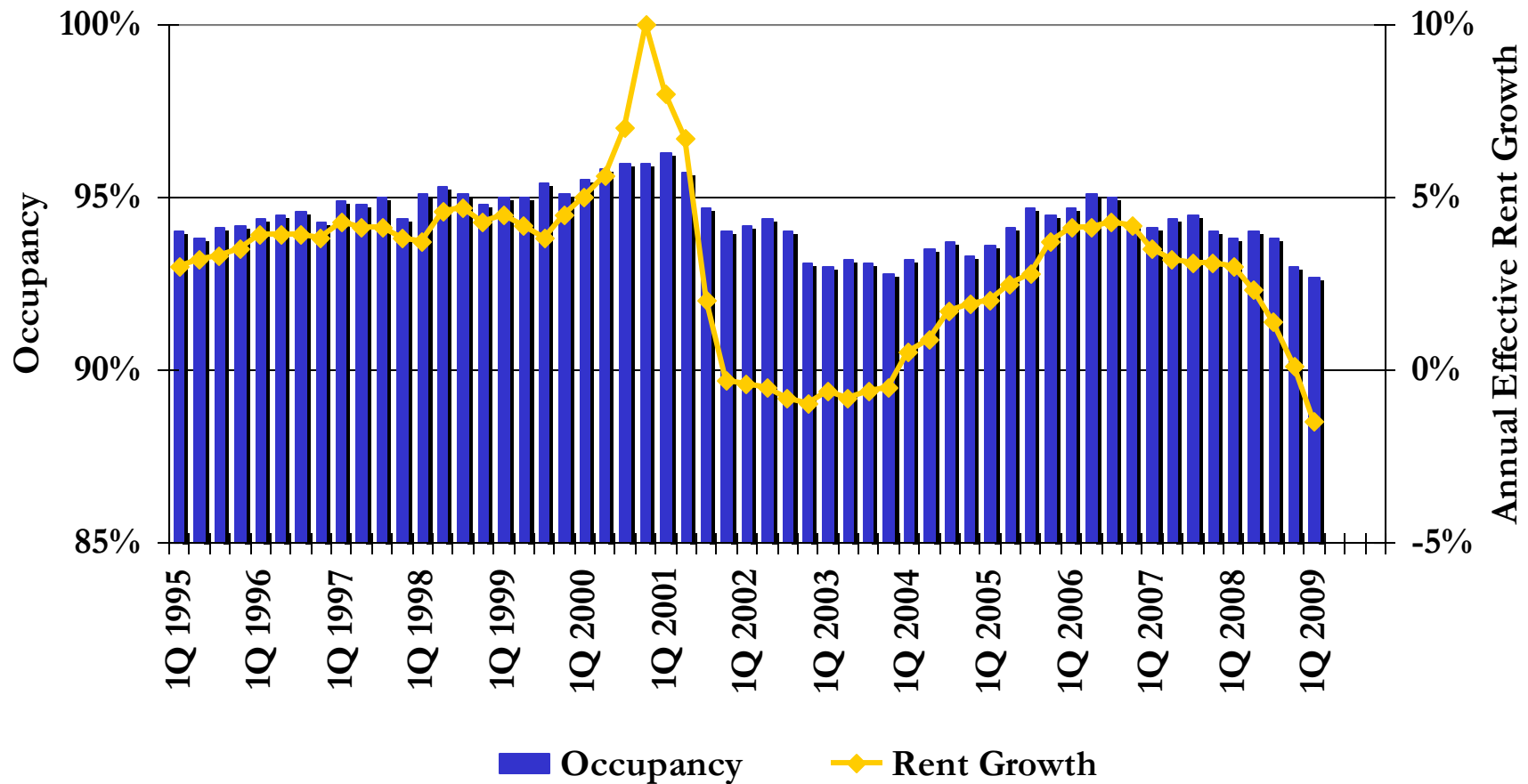
U.S. Apartment Markets:
In Search of a Bottom

Agenda for Call

- U.S. Apartment Market Update
 - Recent Trends
 - Demand Drivers
 - Supply Drivers
 - Outlook
- Local Market Prospects
 - A Tale of Three Markets
- The Landscape from Here
- Q&A

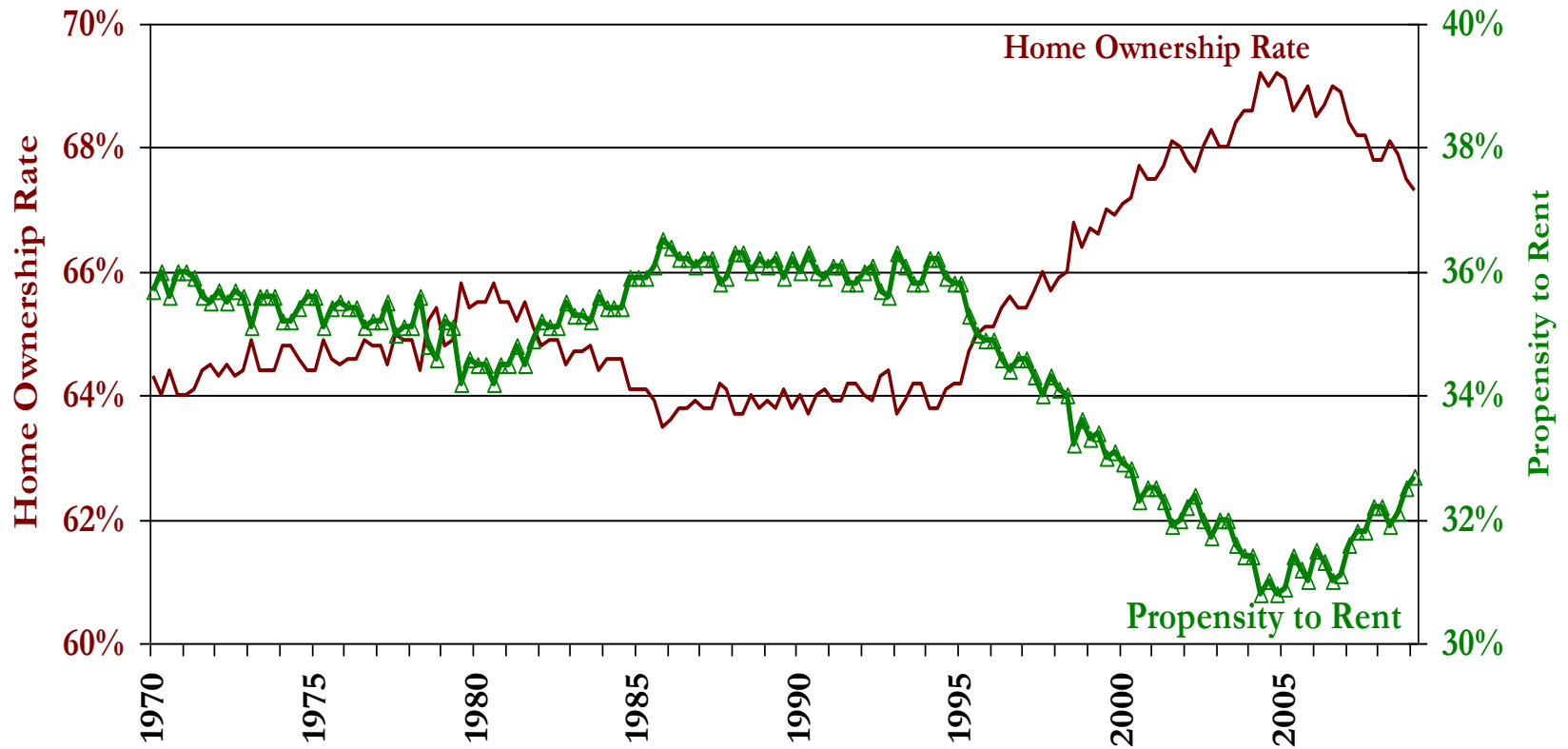
U.S. Apartment Market Update

Early 2009: occupancy beats expectations, rents don't



Source: Witten Advisors

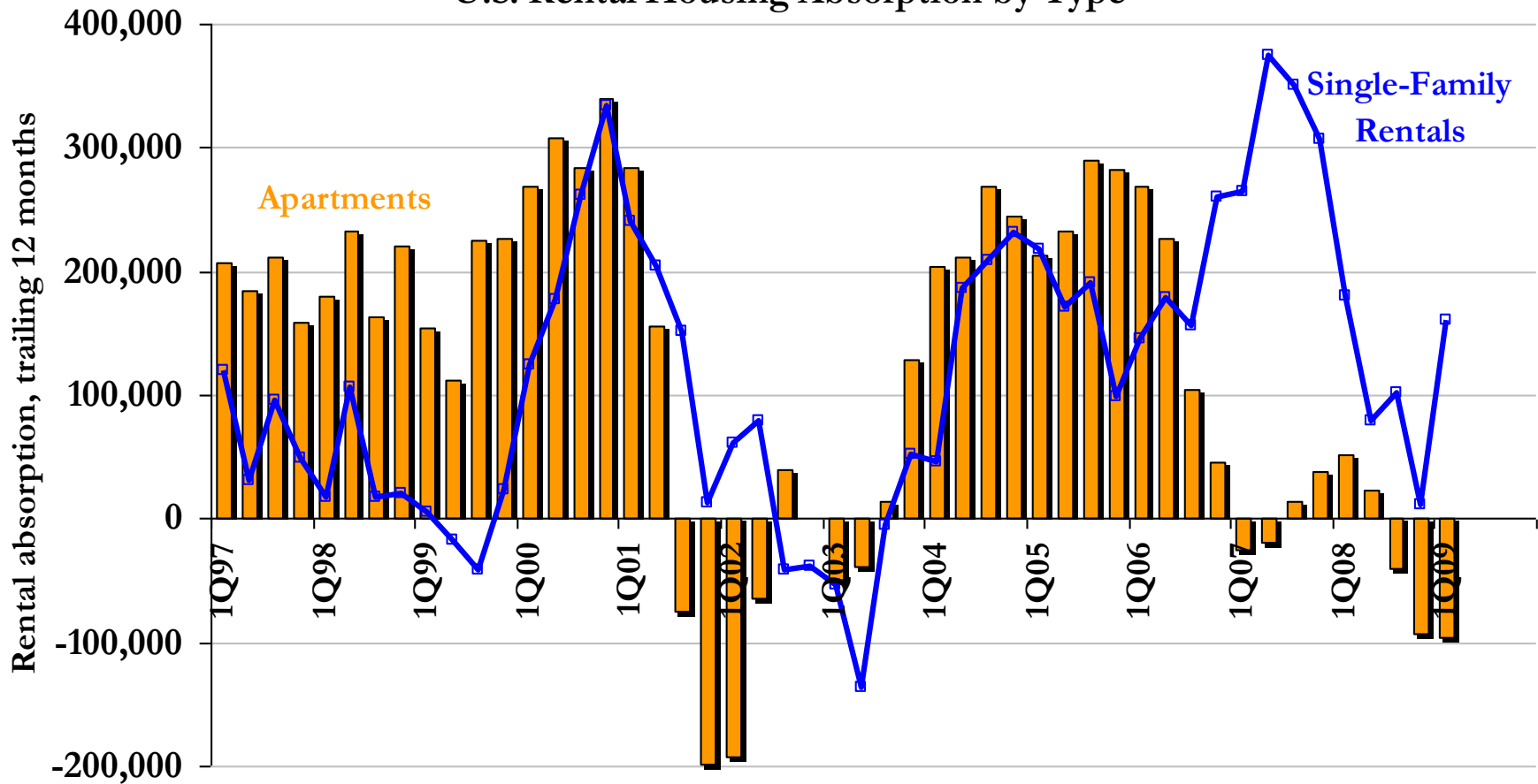
U.S. moving away from home ownership, for now



Source: U.S. Department of Commerce

Single-family rentals still a threat

U.S. Rental Housing Absorption by Type



Source: Witten Advisors calculations

1Q 2009 Actuals: Rental Demand Highlights

Apartment Absorption: Leaders

12 Months ending 1Q 2009

1.	Houston	11.4k
2.	Raleigh	1.4k
3.	Charlotte	1.2k
4.	Columbus	0.6k
5.	Orlando	0.2k
6.	West Palm Beach	0.1k
7.	Portland	-0.2k
8.	St. Louis	-0.5k
9.	Riverside	-0.5k
10.	San Francisco	-0.5k

Absorption Rate: Laggards

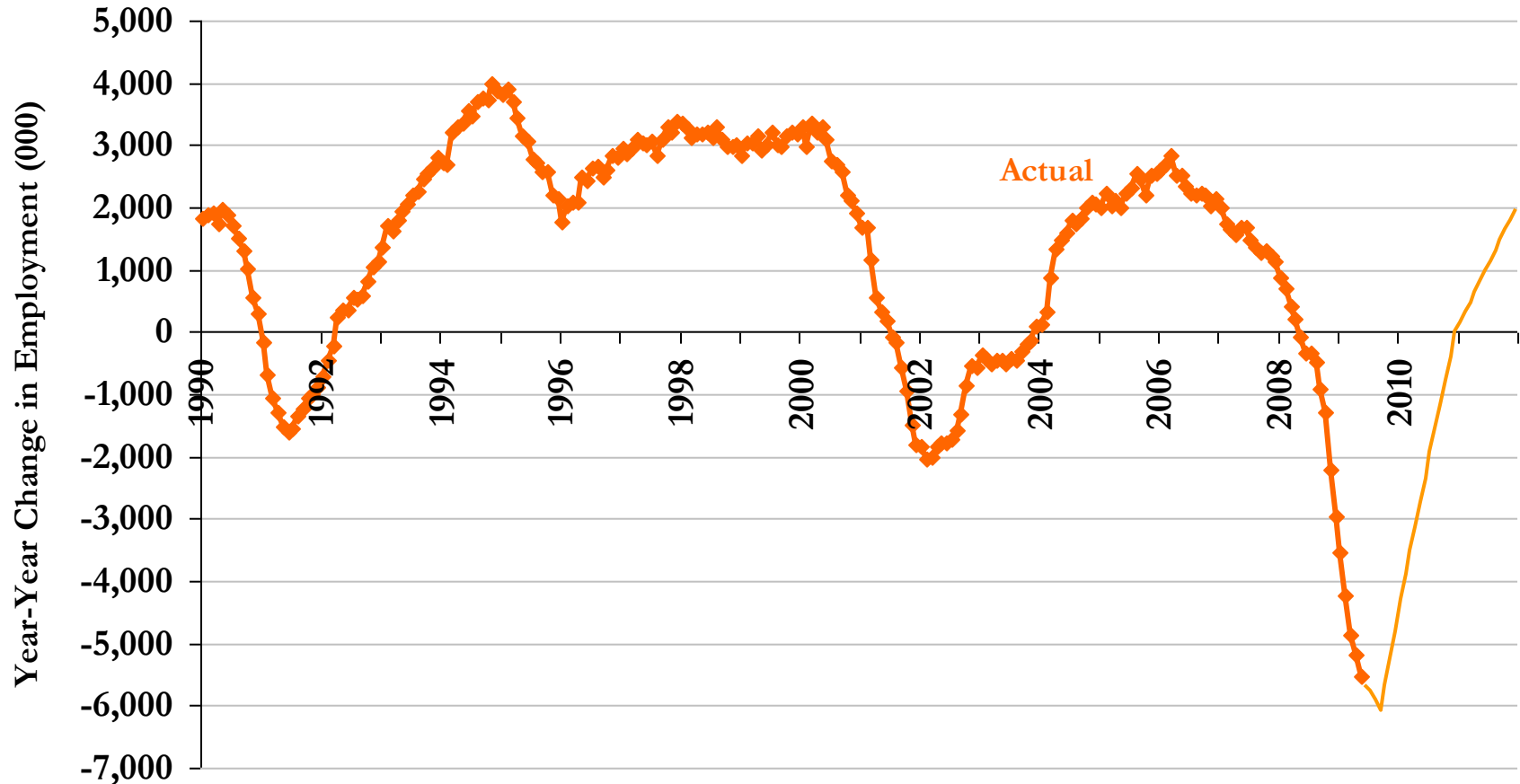
12 Months ending 1Q 2009

33.	Kansas City	-1.6%
34.	Las Vegas	-1.6%
35.	Minneapolis	-1.6%
36.	Fort Worth	-1.7%
37.	Seattle	-1.8%
38.	Detroit	-2.1%
39.	Oakland	-2.2%
40.	Chicago	-2.2%
41.	Philadelphia	-2.5%
42.	Phoenix	-3.0%

Source: Witten Advisors

Apartment Demand Drivers Weak Near-Term

Lose 4.8m jobs in 2009; 2010 flat; 2011+ recovery



Sources: U.S. Bureau of Labor Statistics; forecast by Witten Advisors

April 2009 Actuals: Job Growth Highlights

Employment Growth

12 Months ending April 2009

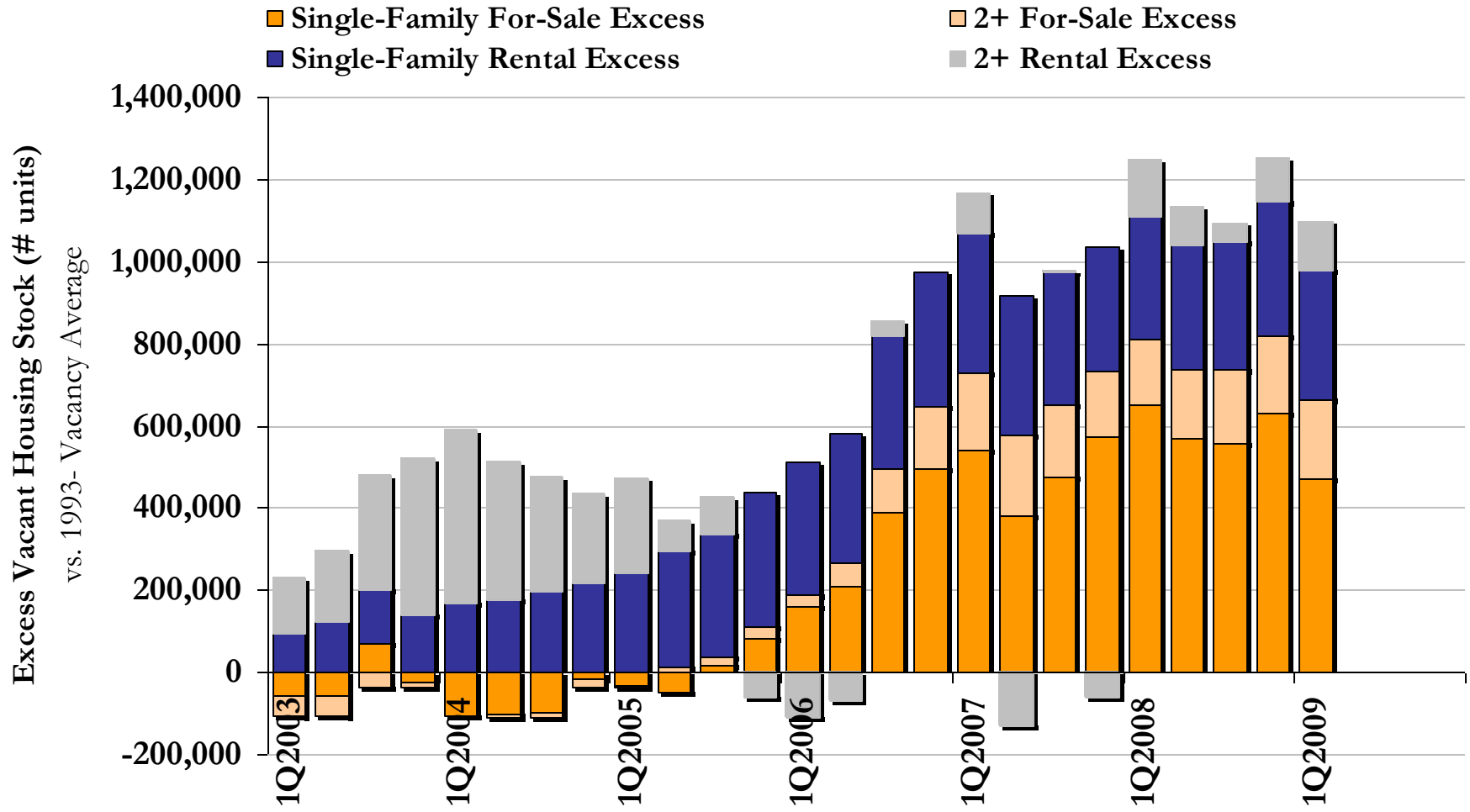
1.	Austin	+3.4k
2.	San Antonio	-4.6k
3.	Norfolk	-6.4k
4.	Fort Worth	-6.6k
5.	Columbus OH	-18.7k
<hr/>		
38.	<i>Atlanta</i>	<i>-123.6k</i>
39.	<i>Phoenix</i>	<i>-129.7k</i>
40.	<i>Detroit</i>	<i>-143.4k</i>
41.	<i>Los Angeles</i>	<i>-167.9k</i>
42.	<i>Chicago</i>	<i>-171.3k</i>

Employment Growth Rate

12 Months ending April 2009

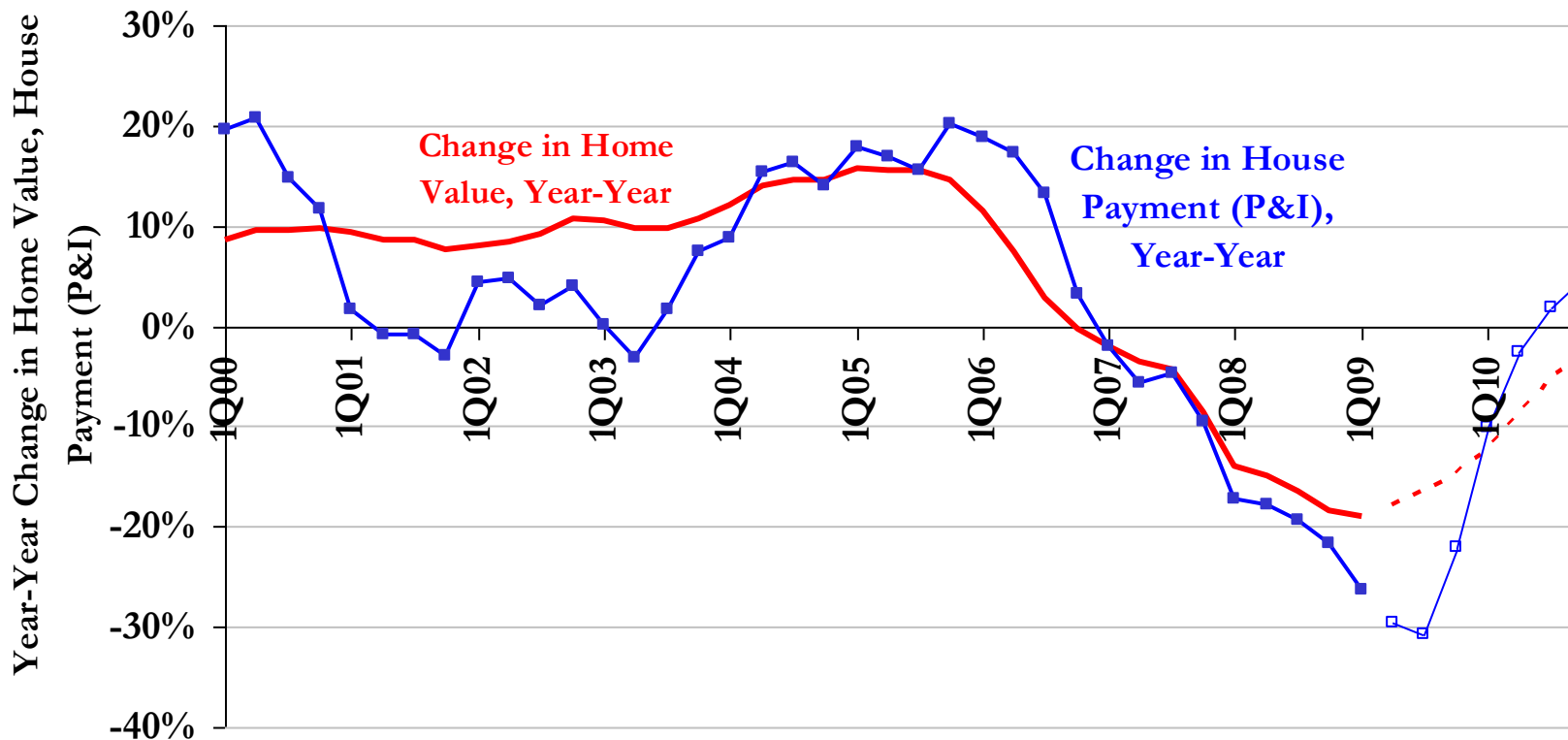
1.	Austin	+0.4%
2.	San Antonio	-0.5%
3.	Fort Worth	-0.8%
4.	Norfolk	-0.8%
5.	West Palm Beach	-1.0%
6.	Houston	-1.4%
7.	Columbus OH	-2.0%
8.	Dallas	-2.0%
9.	Kansas City	-2.3%
10.	St. Louis	-2.5%

Shadow market no longer growing



Source: Witten Advisors

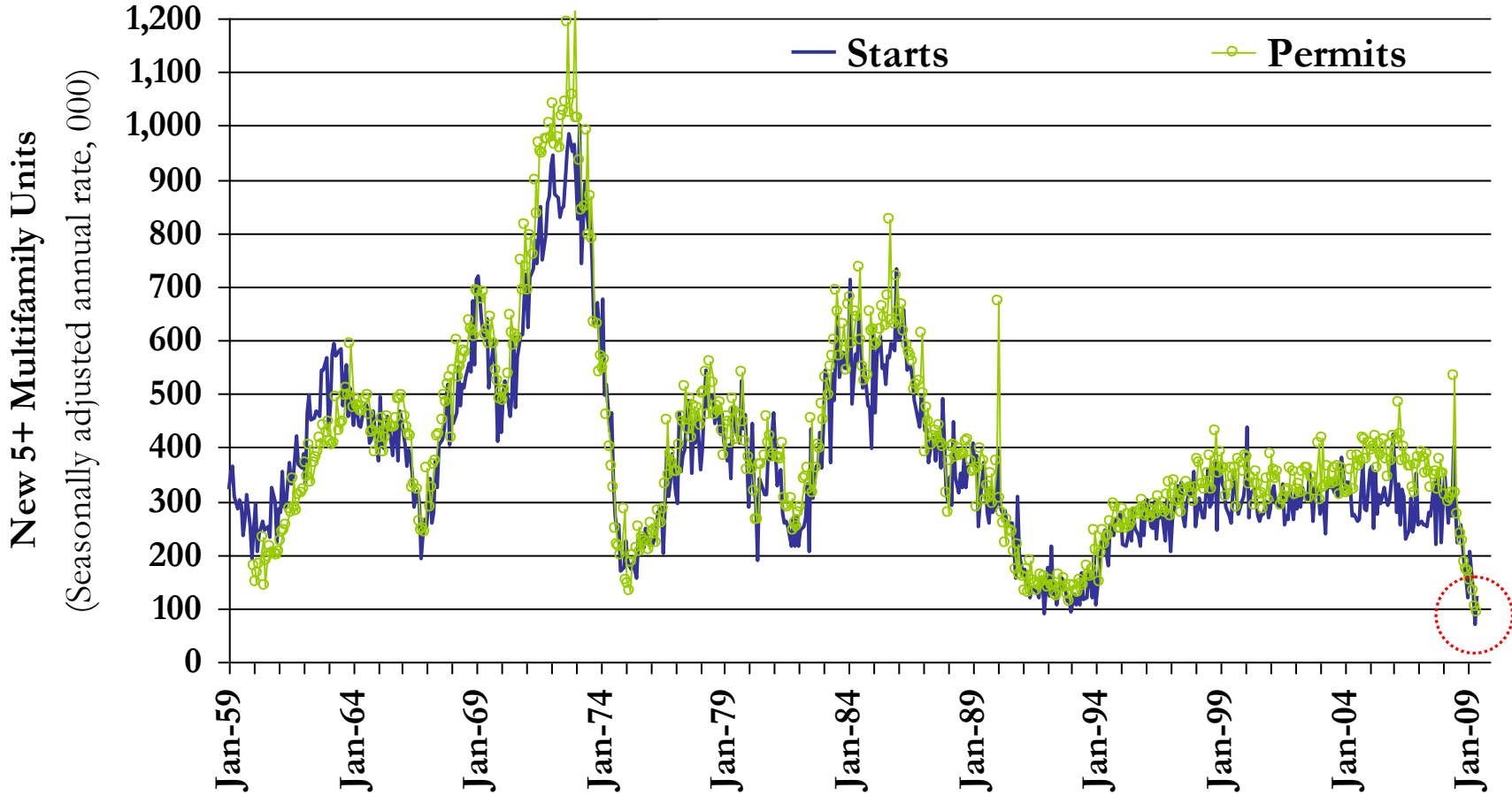
Home buying increasingly affordable in 2009



Sources: Calculated from Case-Schiller national home price series history and mortgage rates from Federal Housing Finance Board; forecast by Witten Advisors

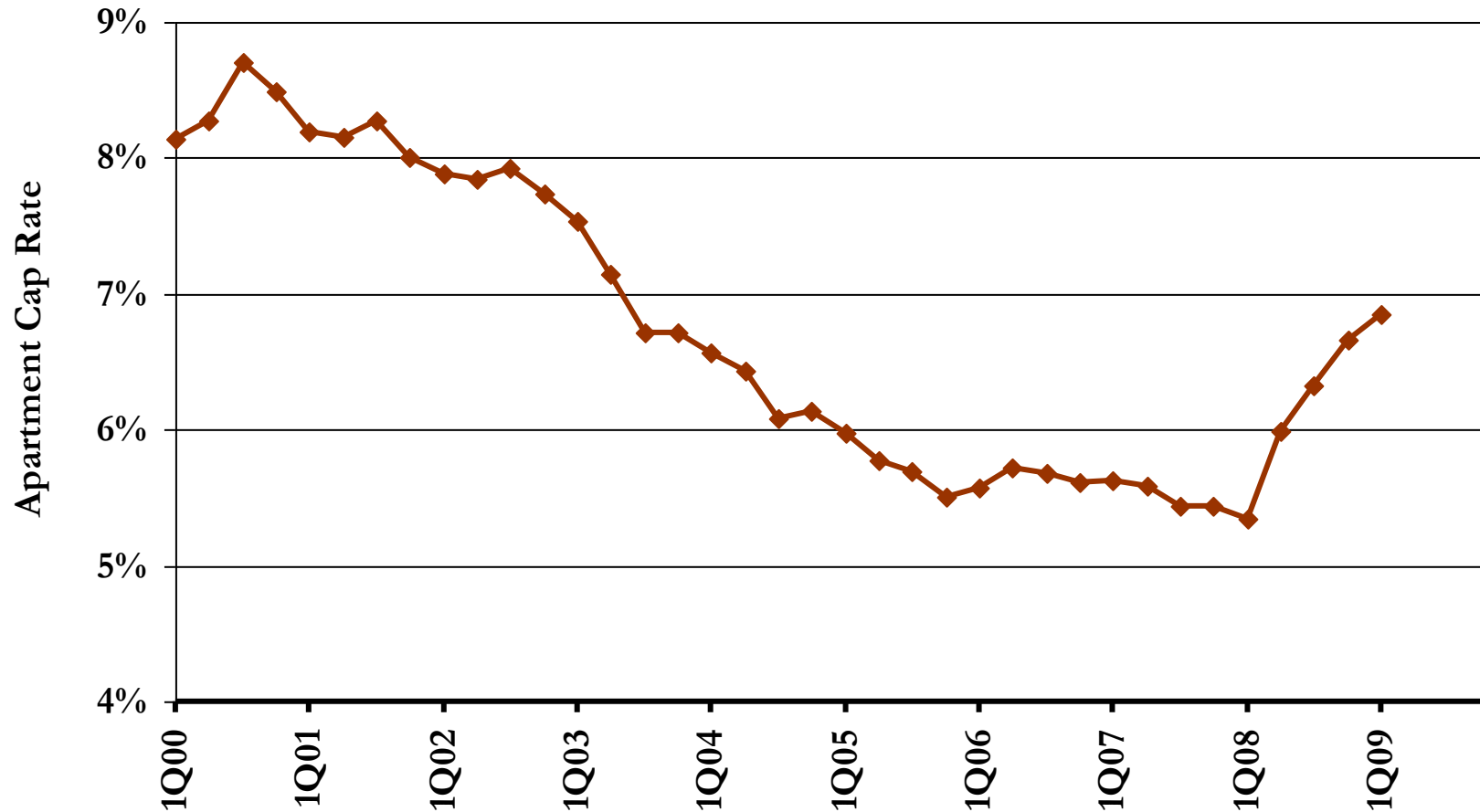
Multifamily Supply Stymied

“Groundbreakings of homes with **five or more units** -- or multifamily -- were **77.1% higher**” – WSJ, June 16



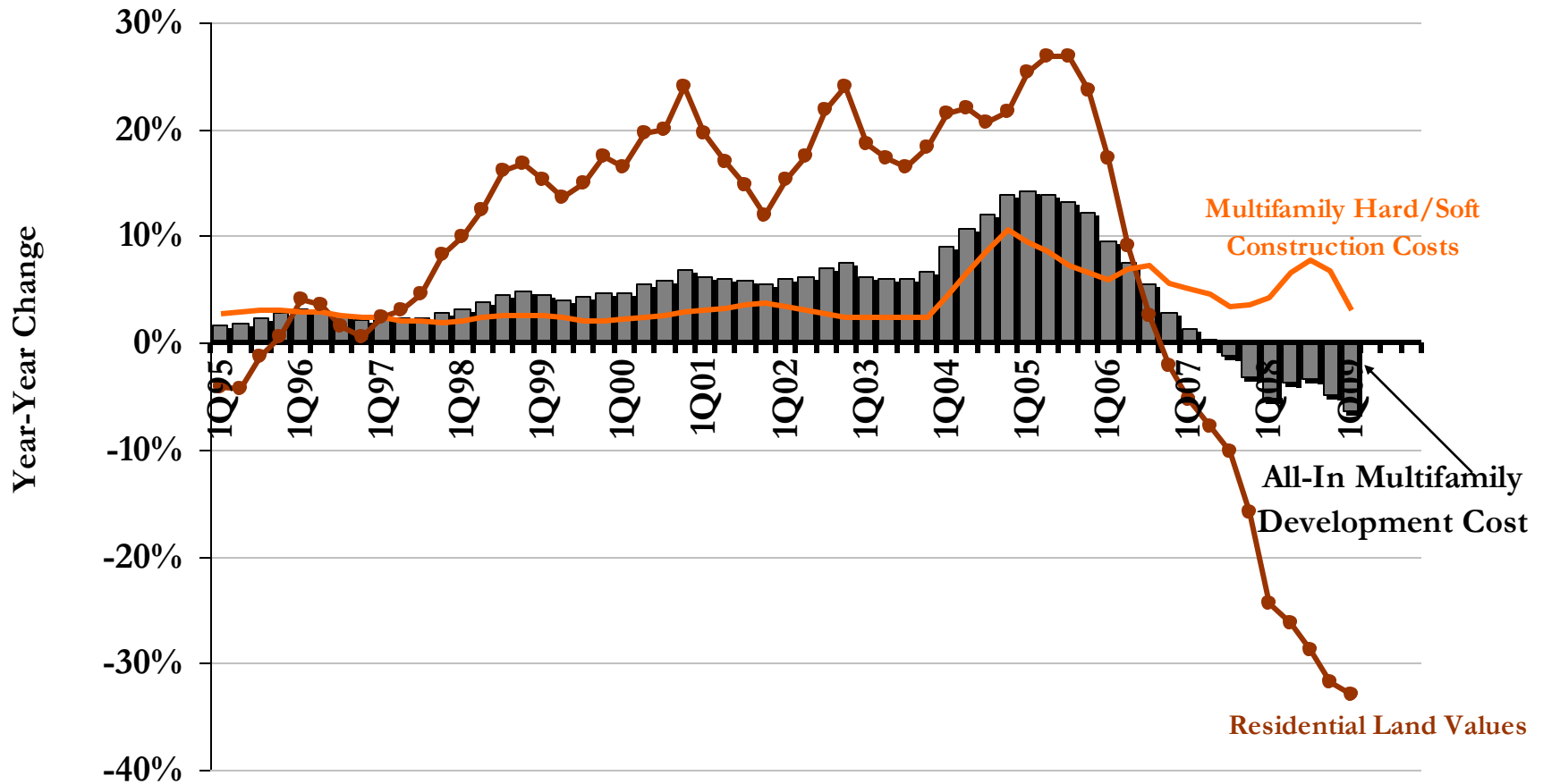
Source: U.S. Department of Commerce

Apartment cap rates up sharply in past year



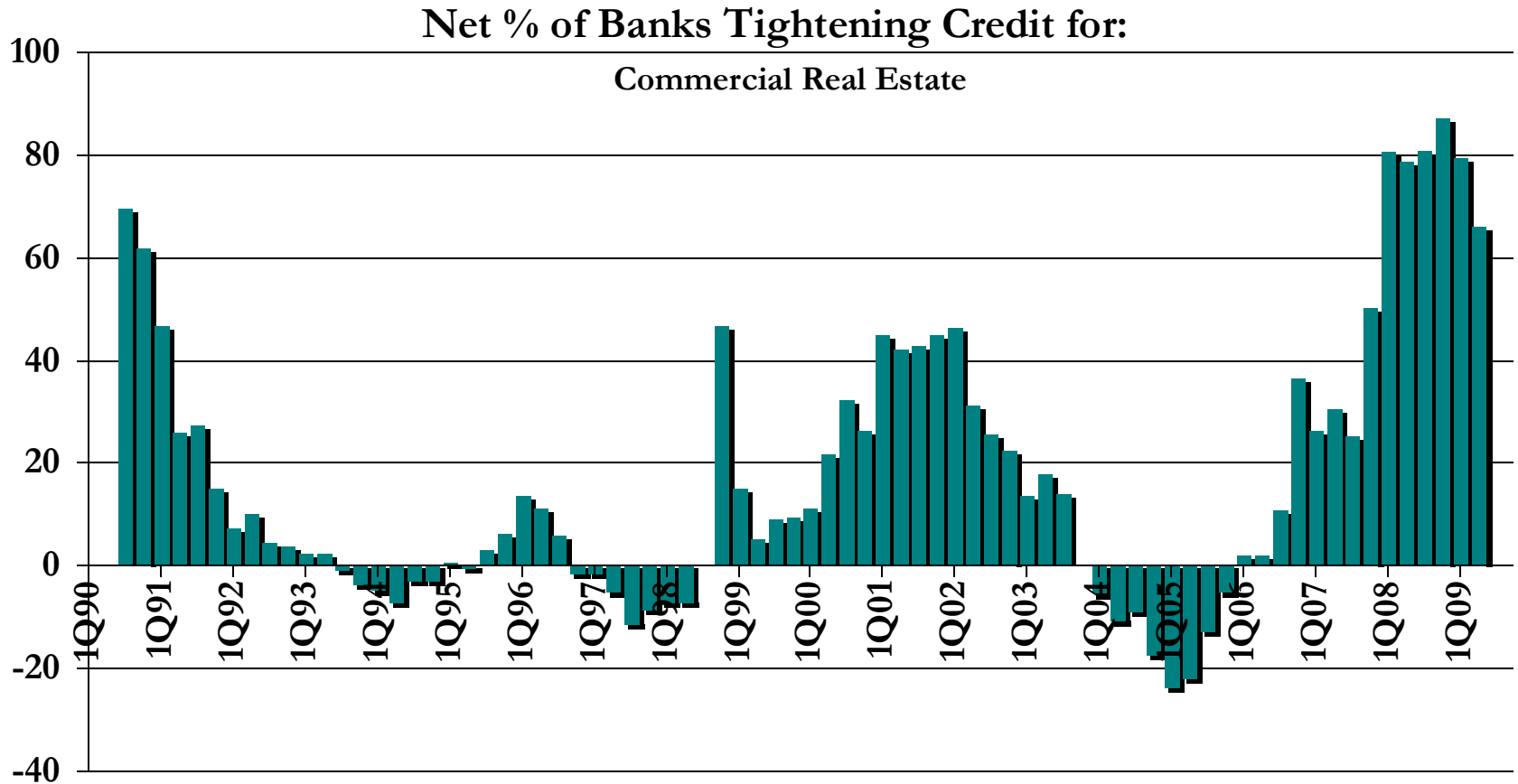
Source: Witten Advisors, composite of Real Capital Analytics and adjusted NCREIF

Even with land plummeting, all-in costs fairly stable



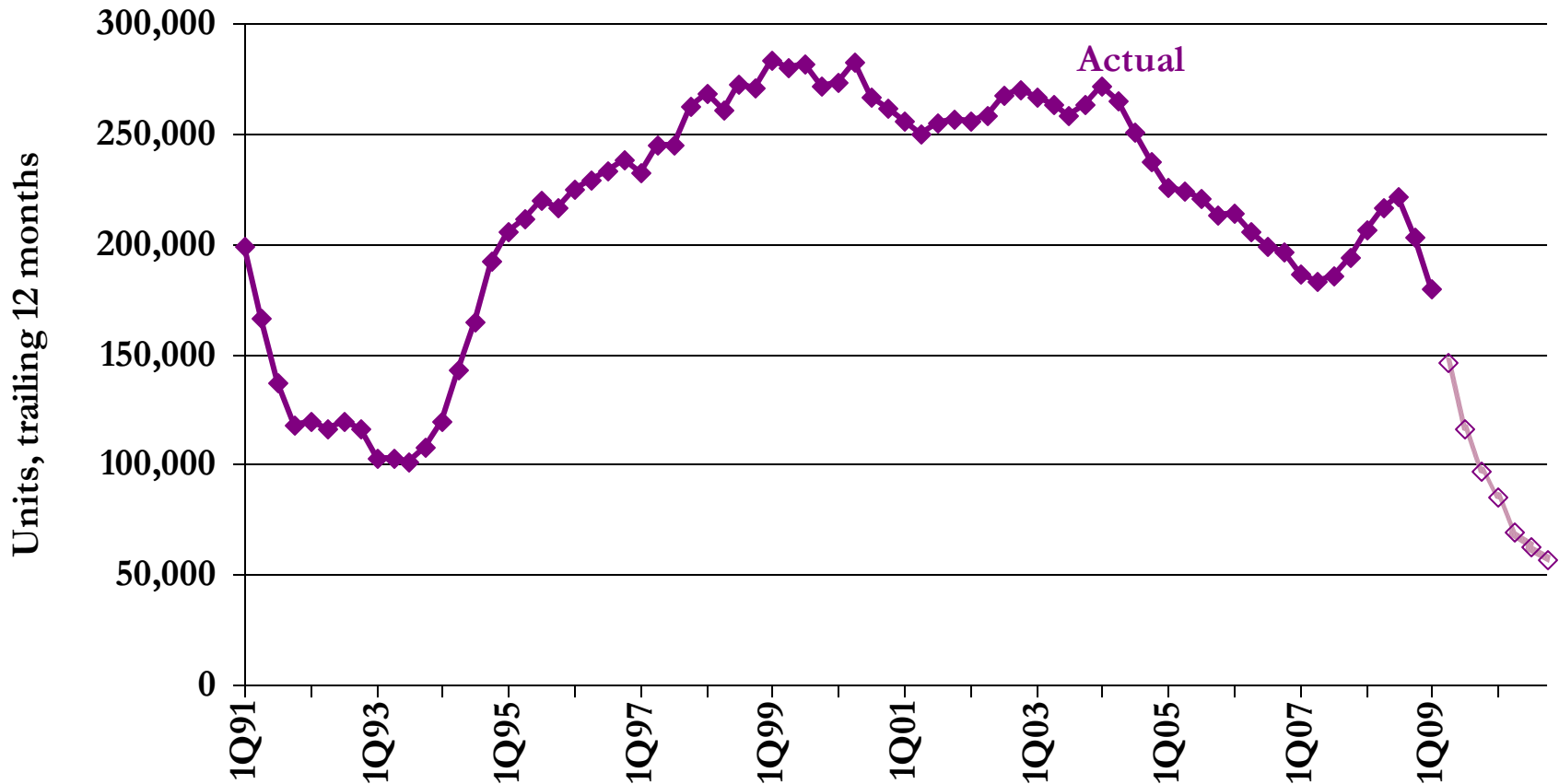
Sources: Construction cost inflation from Producer Price Index, Bureau of Labor Statistics; land value changes from Fed study

Banks not interested in new construction loans



Source: Federal Reserve Board survey

MF rental starts will set a post-WWII low

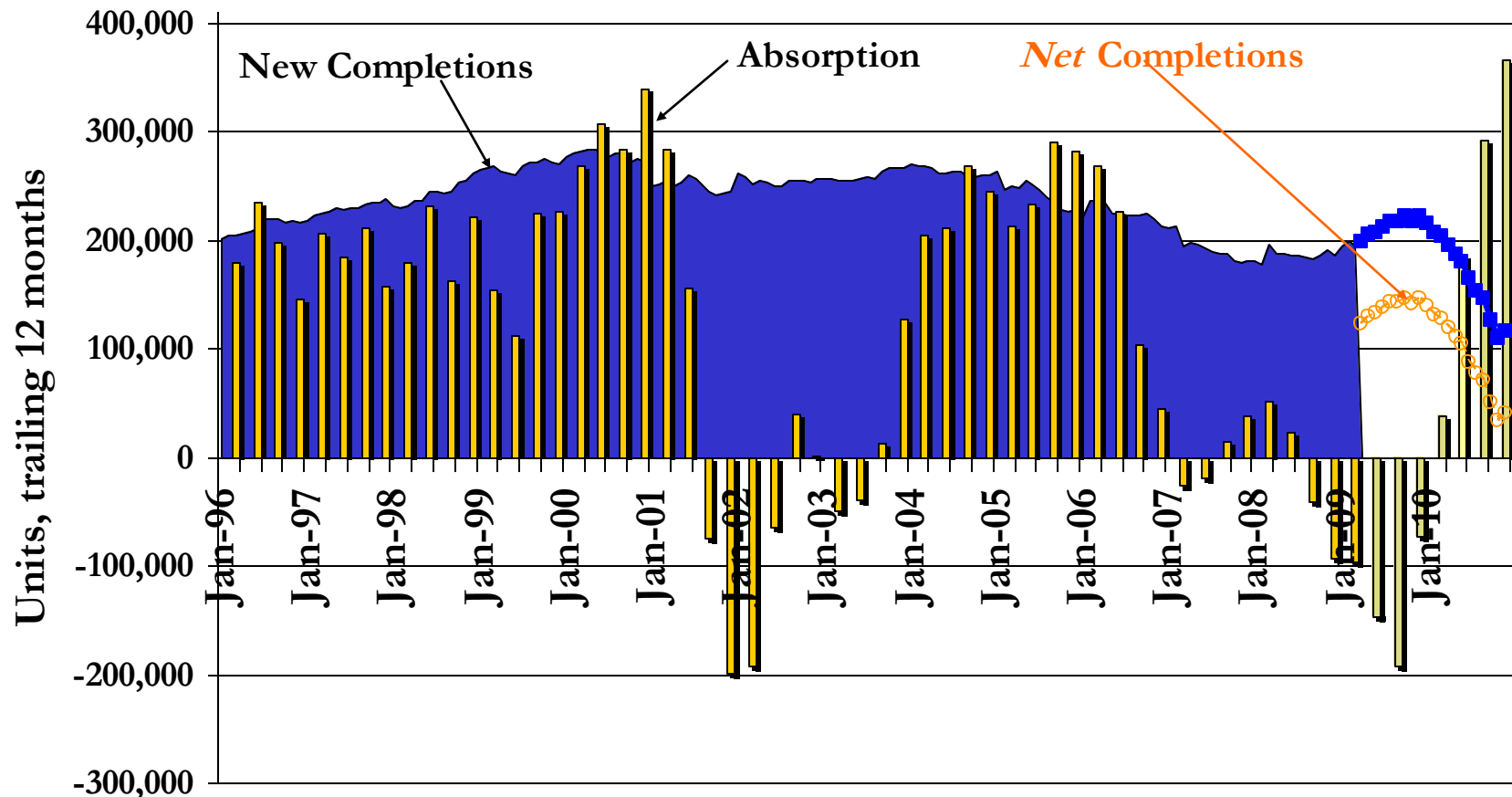


Predicted starts based on return on new development relative to U.S. Treasuries and inflation, availability of debt and equity financing

Source: Witten Advisors

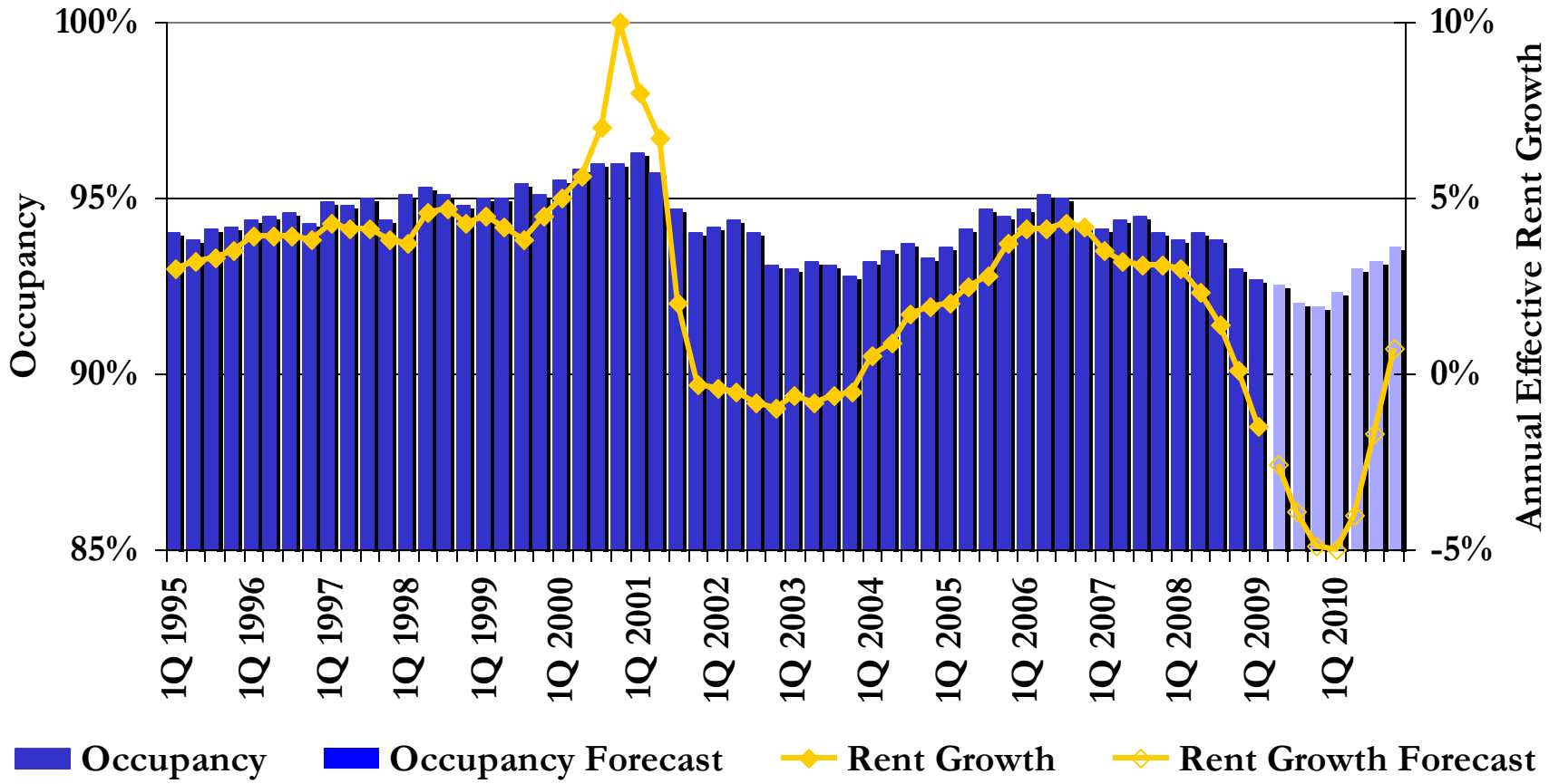
Outlook for the U.S. Apartment Market

Demand weak now, recovers 2010+; little new supply



Source: Witten Advisors

Market challenged near-term



Source: Witten Advisors

Local Market Prospects

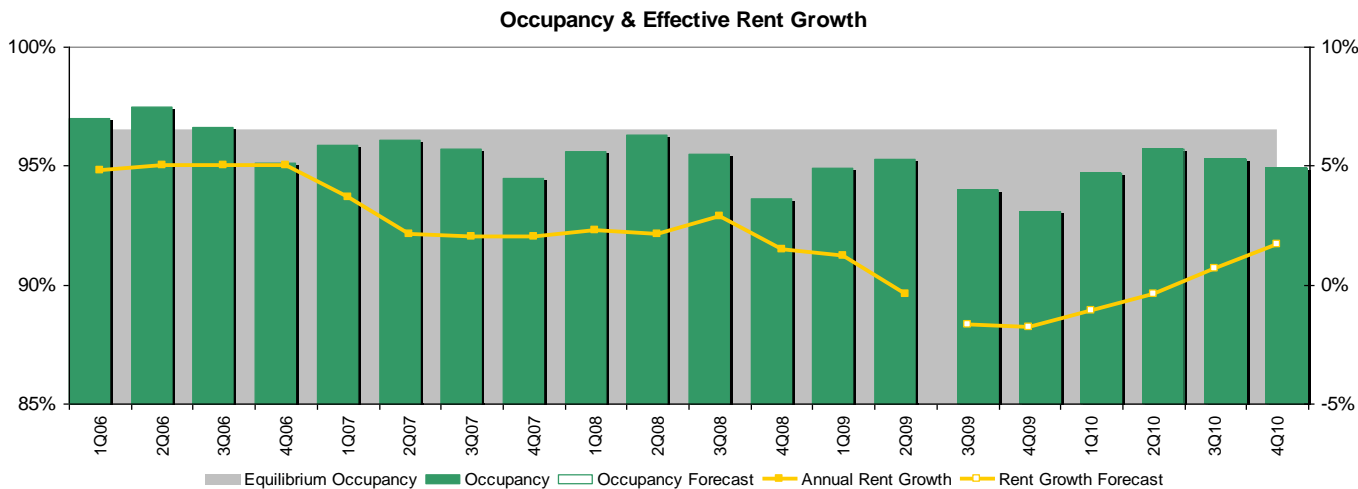
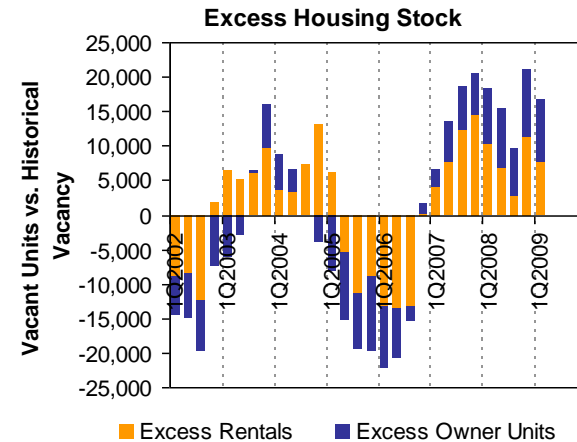
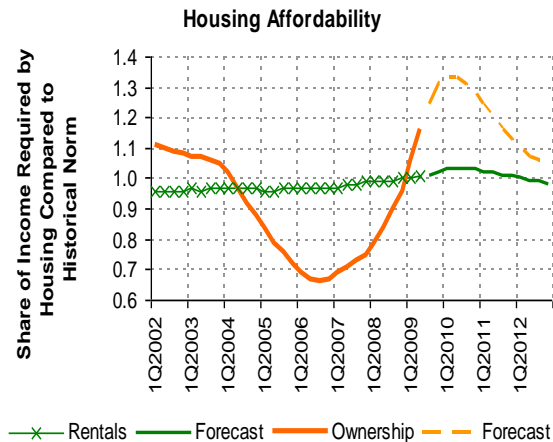
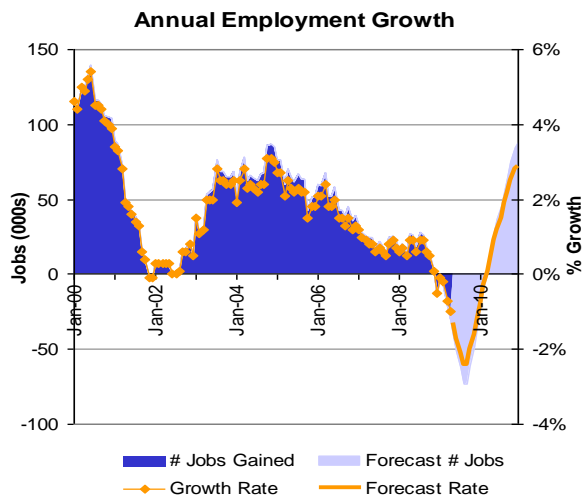
Mid-2009 Snapshot: A Tale of 3 Markets

- ❑ Metro Washington DC
 - ❑ Mixed news in 2009-2010

- ❑ Dallas TX
 - ❑ Big construction pipeline the story in 2009

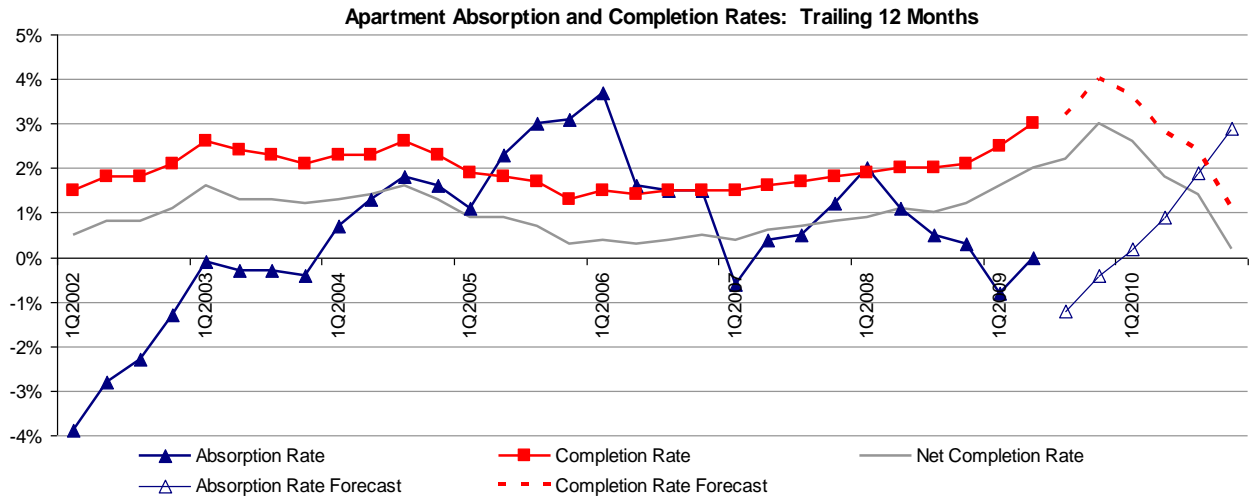
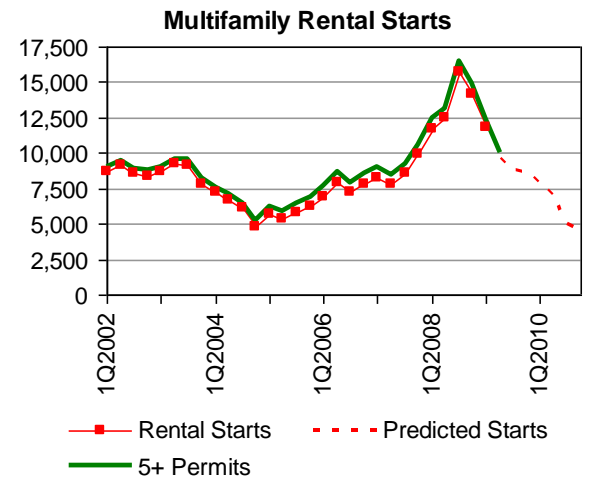
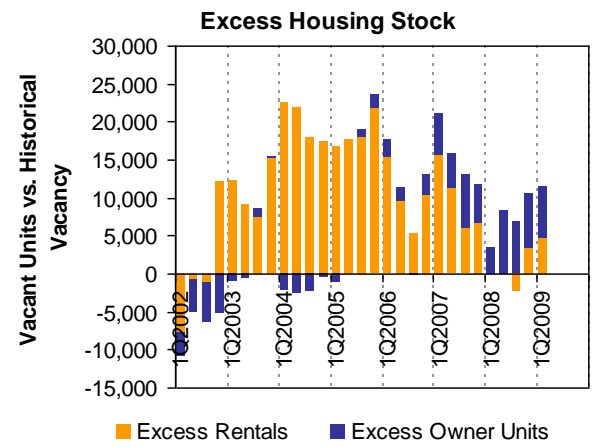
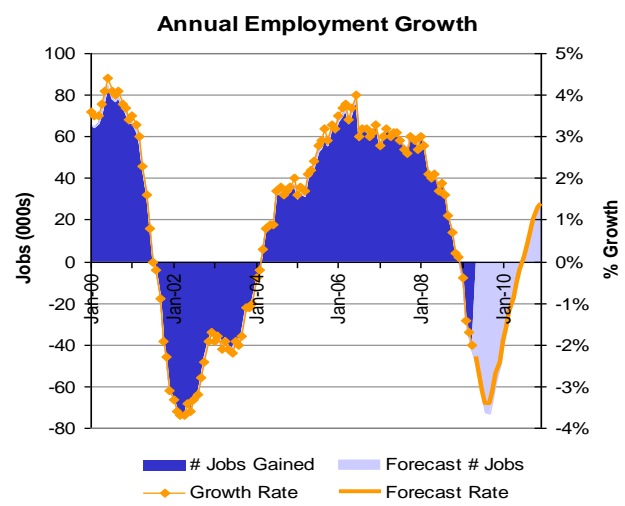
- ❑ Phoenix AZ
 - ❑ View from the bottom

Washington DC: Mixed news in 2009-2010

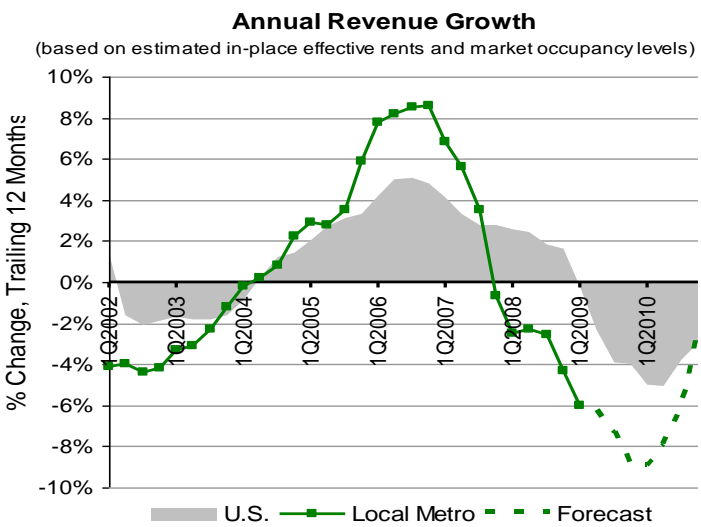
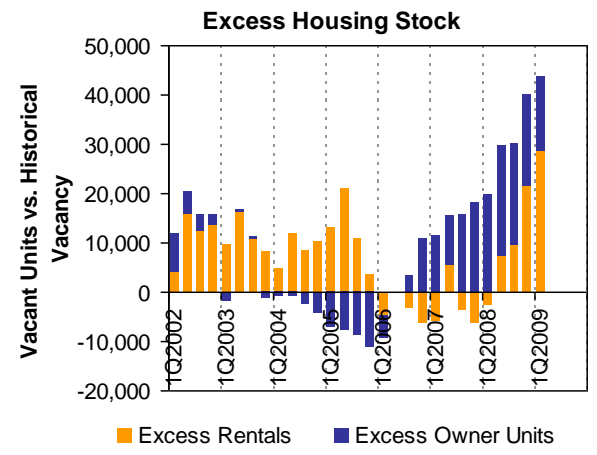
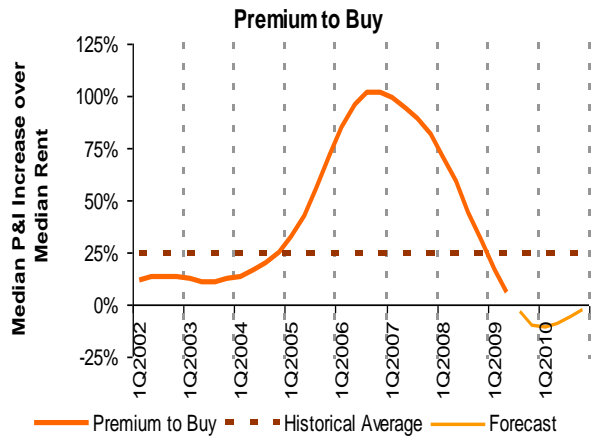
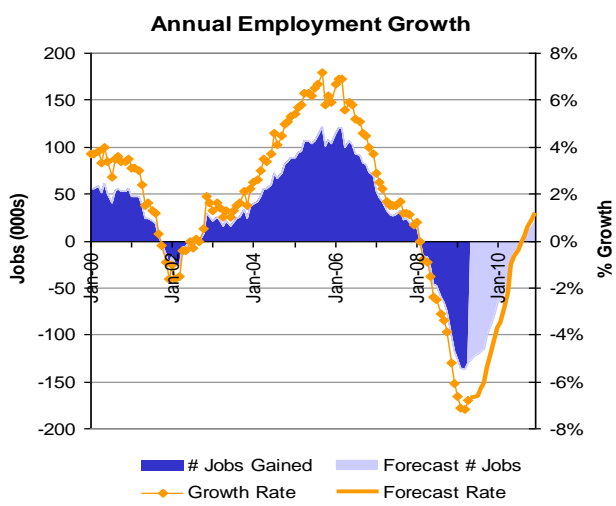


Source: Witten Advisors 24
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 Dallas, Texas

Dallas: Big construction pipeline the story in 2009



Phoenix: View from the bottom



Market insights for apartment owners, developers, investors and lenders

Conference Call for Barclays Capital
June 29, 2009

Source: Witten Advisors 26
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Dallas, Texas

The Landscape from Here

- 2009: Challenging
- 2010: Toward stabilization
- 2011-2012: Strong fundamentals

Questions