

MONTHLY MULTI-FAMILY REPORT
U.S. MARKET UPDATE

RENTAL TRENDS™

REAL ESTATE MARKET INSIGHT FOR THE MULTI-FAMILY INDUSTRY



MARCH
2012

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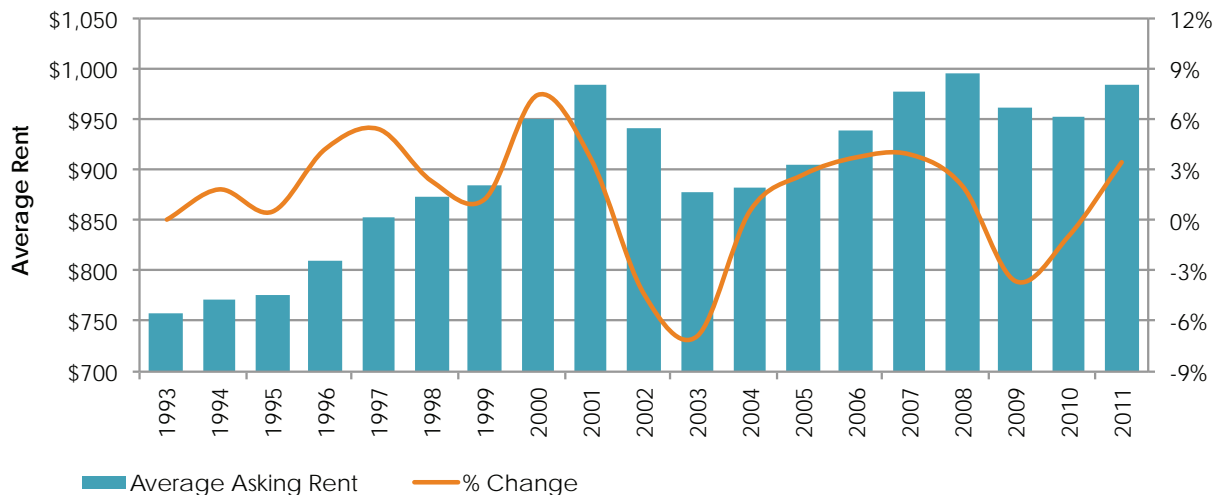
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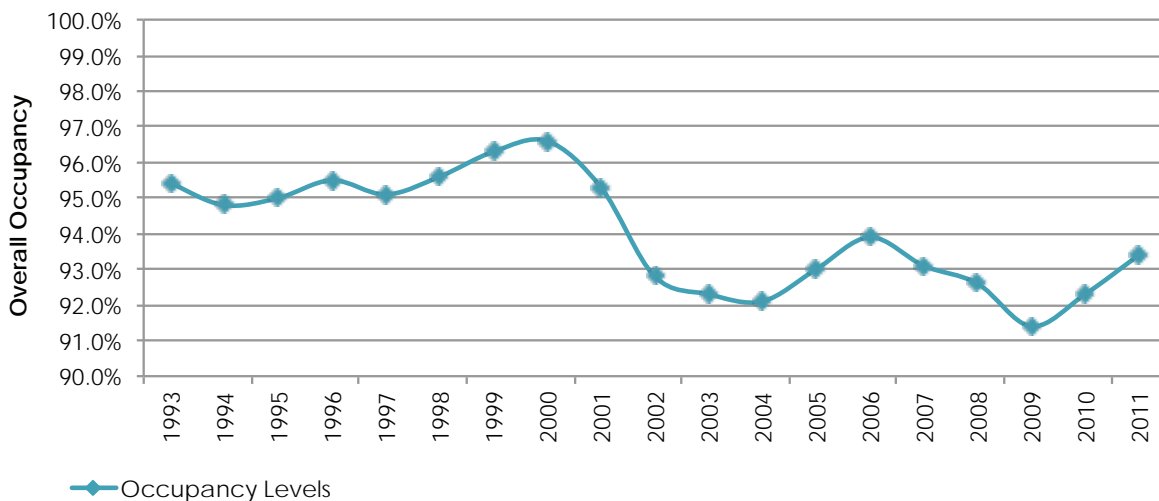
National Market Review

Despite only tepid job growth on a national level, the U.S. multifamily market continues to show a strong turnaround. The national average rent (for markets covered by RealFacts) bumped up to \$985 in 2011, up 3.5% from a year ago and is just \$12 shy of its peak in 2008. The average national occupancy rate also edged higher to 93.4% in 2011. On a more local level, the nation's gateway and high barrier to entry markets saw strong gains in rents propelled by job growth in highly skilled industries. Markets such as San Francisco, San Jose, and Boston saw double digit annual gains in rents. In the fourth quarter, the national average rent saw a slight dip from the previous quarter and reached \$992. Rental growth is forecast to increase another 3% this year as demand fundamentals point to increased demand for apartments.

National Average Rent

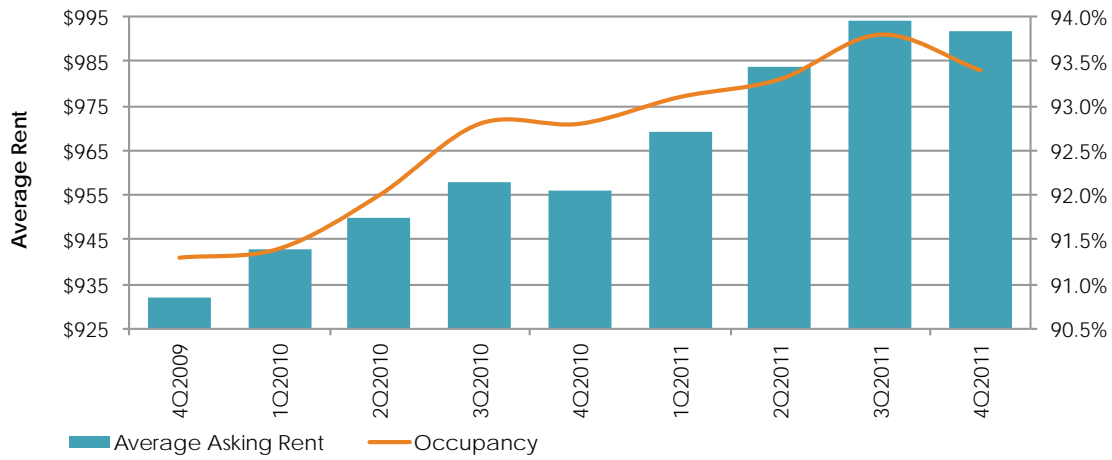


National Occupancy Rate

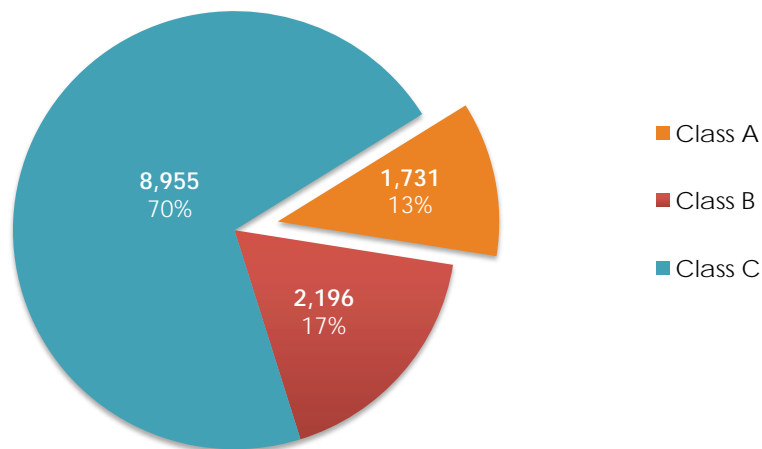


Source: RealFacts

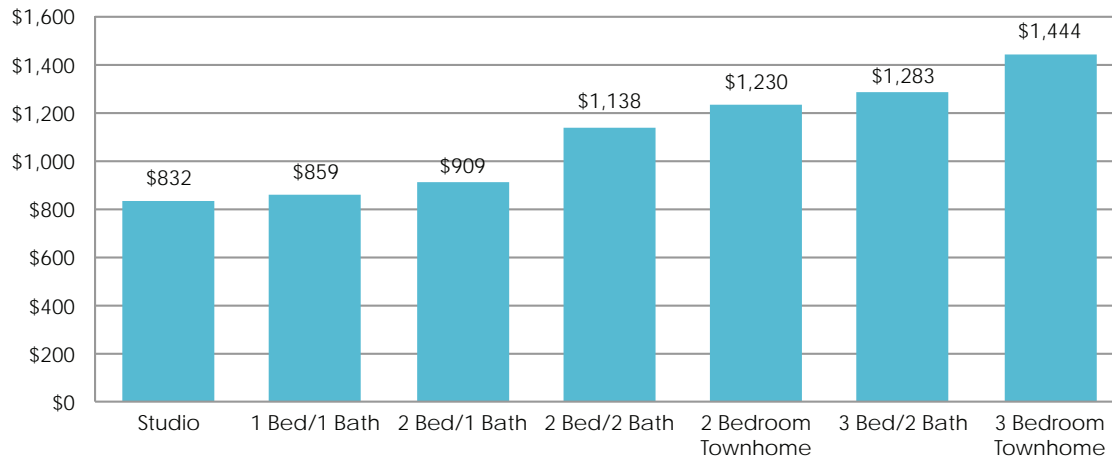
National Quarterly Trends



Existing Properties by Class



Average Asking Rent by Bed/Bath



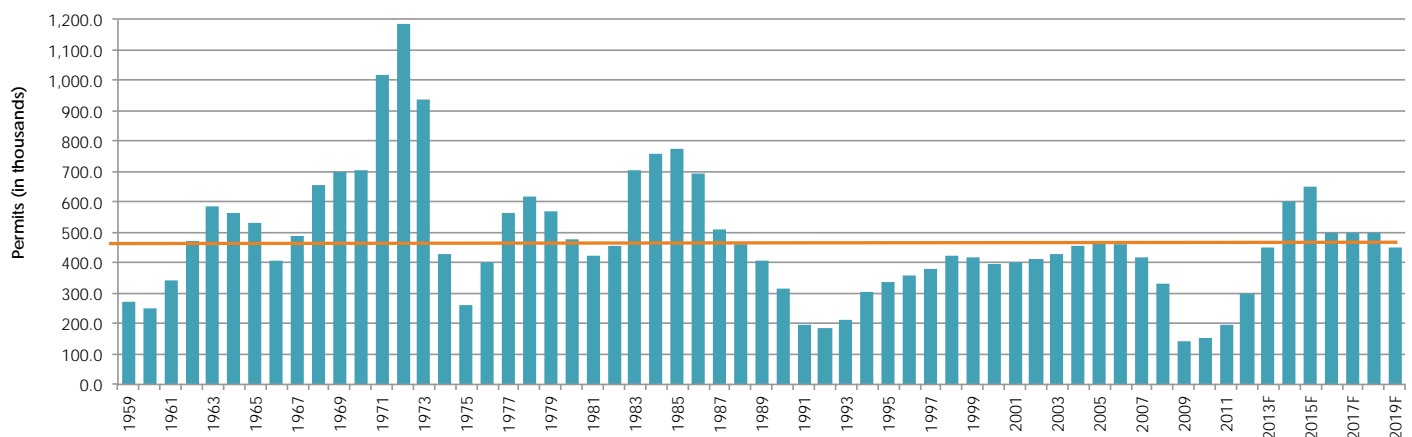
Source: RealFacts

Multifamily Permit Issuances

In decade by decade analysis of multifamily permits, apartments hit a peak in the 1970's with 6.7 million permits. During this period, a large majority of the Baby Boomer generation hit the workforce in their 20's and rented for the first time. The impact of this generation on the multifamily market was substantial.

Multifamily permits were near record low levels at the start of this decade. In 2011, there were 197,100 permits for multifamily homes issued last year, up 25% from the record low seen the previous year. Despite the gain, permit levels remain well below historical averages. The aging stock of apartments and the influx of the even larger Gen Y demographic cohort will propel the multifamily market and reshape the apartment industry over the next decade. Our forecast shows a strong resurgence for apartments but still remains below peak levels since in the 1970's.

Multifamily Permit Issuances (1959 - 2019F)



RealFacts Meyers Index

RealFacts Meyers created an investment index tracking 28 areas throughout the United States. Eleven indicators including rental increases, occupancy, absorption, job growth, multifamily permit levels, and estimated cap rates for stabilized properties were compiled and measured against historical averages. The subsequent investment index offers a benchmark of the apartment industry for each metro area from a standpoint of an investor looking at ground up development. The United States scored a 4.6 on the scale, holding steady from our midyear analysis. All but two of the areas saw an annual increase in rent although two-thirds of the markets surveyed saw an uptick in occupancy levels from last year.

In the **top tier** markets rents are up 6% annually and occupancy rates hover around 95%. High investment keeps CAP rate levels near or below 5%. Many of these top markets are gateway cities. While employment is generally diverse, tech does factor heavily in many of these markets. The most significant ground up activity (based on multifamily permit levels) can be found in San Francisco, Washington DC, Austin, and San Diego. These markets have seen permit levels more than double from a year ago.

The **middle tier** markets saw rents tick up 3% and occupancy levels are 93% on average. CAP rates in these markets are in the low to mid 5% range. Investment activity is focused on new ground up construction near employment cores as well as value-add plays. Walkability or access to mass transportation and proximity to jobs are key factors for these markets. Development activity will increase significantly over the next 2 years, but timing of market entry and exit will be more critical.

The **two bottom tier** metros—Las Vegas and Detroit—both saw a decline in rents from 2010 with an average occupancy of 92%. With the exception of Detroit, these markets saw a significant ramp up in new for-sale housing during the previous housing cycle and are now hard hit by foreclosures and short sales. The glut of newly built distressed housing that is affordably priced competes directly with the rental market. The rent to mortgage payment ratio ranges from 1.28X to 4.78X in these markets. Qualifying for mortgages, however, remains difficult for most and the rental market can expect to recapture many of these previous homeowners, particularly younger singles and couples.

Top Tier		Middle Tier		Bottom Tier	
7.3	San Francisco	5.7	Denver	3.8	Las Vegas
6.7	San Jose	5.7	Charlotte	3.1	Detroit
6.7	Washington D.C.	5.7	Los Angeles		
6.3	Boston	5.5	Chicago		
6.2	Austin	5.5	Orange County		
6.2	Oakland	5.4	Minneapolis		
6.1	New York/New Jersey	5.1	Phoenix		
6.1	Dallas	5.1	Houston		
5.9	Seattle	5.1	Miami		
5.8	Baltimore	4.8	Sacramento		
5.8	Portland	4.7	Atlanta		
5.8	San Diego	4.6	Tampa		
		4.6	United States 2/		
		4.2	Inland Empire		
		4.0	Jacksonville		

RealFacts Meyers MF Investment Index

Metro Area	Apartment Metrics						Rents vs. Mortgage Payment
	2011 Rent	Annual % Change	2011 Occupancy	Annual % Change	% of Class A	2011 Units Absorbed	
San Francisco	\$2,077	10%	96%	2%	12%	960	0.97x
Washington D.C.	\$1,604	5%	94%	0%	17%	-74	1.29x
San Jose	\$1,747	12%	96%	0%	12%	815	1.00x
Boston	\$2,052	11%	95%	1%	28%	68	1.59x
Austin	\$879	6%	94%	2%	29%	2,199	1.18x
Oakland	\$1,466	7%	97%	1%	11%	768	1.13x
New York/New Jersey	\$2,291	4%	96%	0%	33%	61	1.59x
Dallas	\$787	3%	93%	2%	10%	6,466	1.36x
Seattle	\$1,079	6%	94%	-1%	17%	468	1.02x
Baltimore	\$1,270	3%	95%	1%	0%	30	1.40x
Portland	\$891	5%	96%	1%	11%	825	1.03x
San Diego	\$1,396	2%	95%	1%	14%	798	0.98x
Charlotte	\$701	2%	94%	2%	2%	170	0.90x
Denver	\$920	6%	94%	1%	22%	1,303	1.00x
Los Angeles	\$1,652	3%	95%	1%	22%	1,135	1.32x
Chicago	\$1,172	6%	95%	0%	11%	92	1.80x
Orange County	\$1,538	4%	95%	1%	15%	513	0.86x
Minneapolis	\$1,071	5%	93%	0%	0%	-19	1.78x
Phoenix	\$734	1%	91%	3%	17%	4,322	1.55x
Houston	\$792	1%	91%	2%	13%	5,432	1.28x
Miami	\$1,206	2%	95%	1%	15%	300	1.64x
Sacramento	\$950	2%	94%	1%	14%	457	1.45x
Atlanta	\$842	3%	92%	0%	23%	211	2.34x
Tampa	\$837	1%	93%	1%	9%	532	1.55x
United States ^{2/}	\$985	3%	93%	1%	15%	37,785	1.52x
Inland Empire	\$1,088	3%	94%	0%	22%	427	1.59x
Jacksonville	\$815	1%	92%	1%	13%	296	1.69x
Las Vegas	\$751	-1%	92%	0%	15%	872	1.55x
Detroit	\$853	-4%	94%	0%	21%	5	4.23x

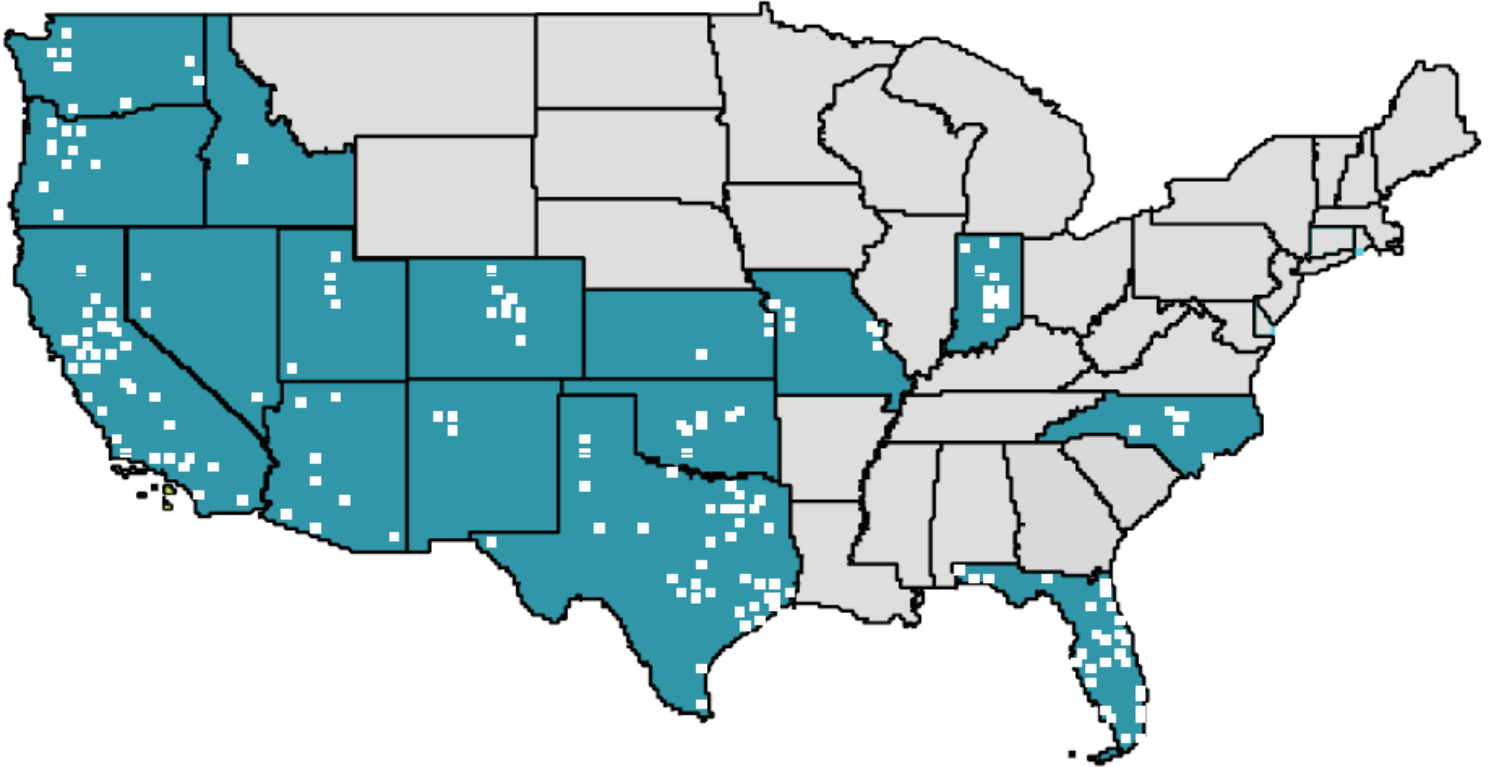
SOURCE: RealFacts; Census; NAHB, Bureau of Labor Statistics; Indeed.com

1/Estimated Cap rate from a survey of brokers (CBRE, Marcus & Millichap) for stabilized properties.

2/United States rental stats reflect data collected by RealFacts, which includes coverage of 96 MSAs in 14 states.

Class A Est. Cap Rate 1/	Supply			Demand				Investment Index
	Annualized MF Permits	% Change	MF % of Total Permits	Job Growth	Jobless Rate	Job Postings Per Capita	% of Renters	
4.00 - 5.00	2,456	176%	87%	11,075	8.2%	91	45.3%	7.3
4.75 - 5.25	9,002	152%	49%	25,250	5.6%	141	32.7%	6.7
4.00 - 5.00	2,584	-22%	100%	51,100	9.8%	199	40.1%	6.7
4.25 - 4.75	2,312	-21%	41%	48,900	6.4%	100	34.3%	6.3
4.60 - 5.20	3,864	161%	38%	15,475	7.0%	73	48.1%	6.2
5.75 - 6.00	1,406	66%	64%	375	10.2%	94	44.0%	6.2
4.75 - 6.00	14,901	28%	71%	50,250	8.3%	48	48.9%	6.1
5.00 - 6.00	10,013	95%	41%	75,175	7.9%	62	37.4%	6.0
4.75 - 5.25	4,920	26%	44%	36,300	8.5%	87	40.5%	5.9
4.60 - 4.85	1,588	-22%	32%	7,950	7.2%	107	31.4%	5.8
4.75 - 5.25	1,985	78%	39%	13,300	8.5%	63	35.9%	5.8
4.25 - 4.75	3,190	161%	58%	22,550	9.8%	52	44.6%	5.8
5.00 - 5.50	1,439	51%	23%	4,750	10.4%	82	33.5%	5.7
5.00 - 5.50	2,657	92%	42%	10,700	8.2%	89	36.1%	5.7
4.25 - 4.75	6,959	45%	75%	25,550	12.0%	39	33.1%	5.7
4.75 - 5.00	3,243	7%	43%	38,575	9.6%	51	31.8%	5.5
4.25 - 5.00	2,534	60%	57%	15,750	8.6%	39	38.5%	5.5
5.00 - 5.50	1,105	-42%	23%	23,500	6.1%	91	29.4%	5.4
4.50 - 5.25	2,103	93%	22%	24,900	8.2%	65	38.5%	5.1
5.25 - 6.25	7,856	53%	25%	73,525	8.2%	58	73.8%	5.1
4.75 - 5.25	3,267	21%	44%	21,325	10.5%	33	34.0%	5.1
5.50 - 6.00	697	30%	27%	-2,400	11.7%	55	42.0%	4.8
5.00 - 6.50	2,606	119%	29%	-15,450	9.8%	67	35.4%	4.7
5.25 - 6.00	2,028	-4%	31%	15,825	10.6%	61	30.4%	4.6
6.60 - 7.20	182,465	21%	33%	1,475,833	8.7%	12	33.7%	4.6
5.60 - 6.20	1,328	21%	28%	5,775	13.6%	26	33.8%	4.2
5.75 - 6.00	707	223%	18%	5,775	9.8%	59	33.8%	4.0
5.75 - 6.25	1,264	49%	25%	4,375	12.9%	54	48.1%	3.8
8.00 - 9.50	443	-43%	13%	26,900	11.1%	53	27.6%	3.1

RealFacts Geographic Footprint



RealFacts Database Facts

- Database of 12,861 Properties
- 2.8 Billion Square Feet of Apartments
- 92 Consecutive Quarterly Updates of Rents & Occupancy
- 96 MSA's in 16 States
- More than 3,300,000 Units
- 136 Individual Search Criteria Used Alone or Combined
- Over 4,800 Sales Transactions Recorded in the Past Eight Years
- 95% of the Database Resurveyed Each Quarter
- 19 Year History for Individual Complexes
- 23 Years of Experience 1989-2012

For more information on RealFacts, contact Rick Baldonado at 925.998.4552

About Us

Meyers LLC Advisory Services & Analytics

- Multifamily feasibility studies
- Highest and best use analysis
- Consumer research
- Portfolio strategy
- Cash flow analysis
- Planning and entitlements
- Mitigation management
- Project management and development

VALUATION

- portfolio strategy
- feasibility study
- highest and best use analysis
- product repositioning
- asset management

Market valuation on over \$2 billion in assets in 2010.

FINANCIAL ANALYSIS

- debt, equity, and partnership restructuring
- sell/hold sensitivity
- investment fund strategy
- recapitalization

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- quarterly newsletter tracking nation's largest markets
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- strategic partnerships with state economists

Over \$500 million in land transactions tracked quarterly.

Upcoming Events

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19^{MAR}

Crittenden Multifamily Conference “Navigating the Development and Financing of Multifamily Projects”

21^{MAR}

2012 PCBC Housing Forecast Series

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Meyers LLC has extensive experience in the real estate development industry, advising a long list of national and local apartment developers and financial institutions. We understand the challenges our clients face, and can apply our expertise in research, analysis and capital sourcing to ensure they prosper—today and in the future.

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