Welcome

Greater Cincinnati/Northern Kentucky Apartment Association

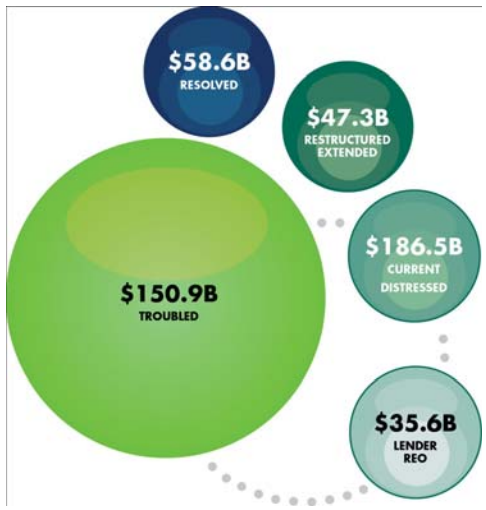
2011 Apartment Market Overview

2011 Apartment Market

- Distress Report/Capital Markets
- Economic Fundamentals
- Development
- Rents & Occupancies
- Investment Market
- Forecast for 2011

2011 Apartment Market

US Distressed Market Volume



Source: RCA Troubled Assets Radar, December 2010

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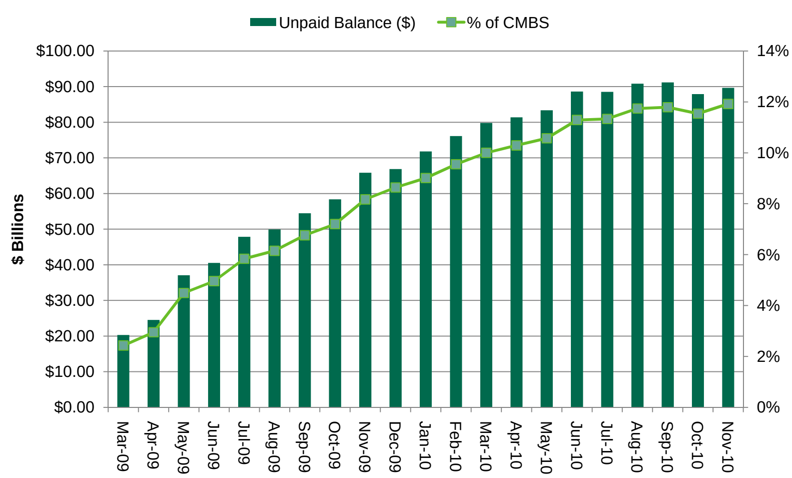
2011 Apartment Market

Loans in Special Servicing % of CMBS Outstanding



Source: Realpoint Monthly Delinquency Report – December 2010

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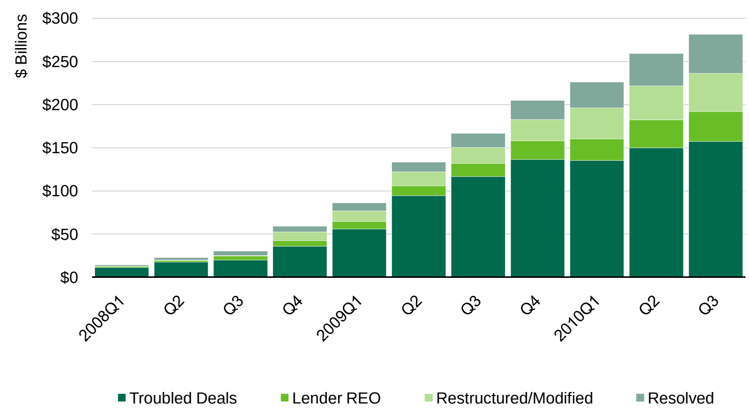
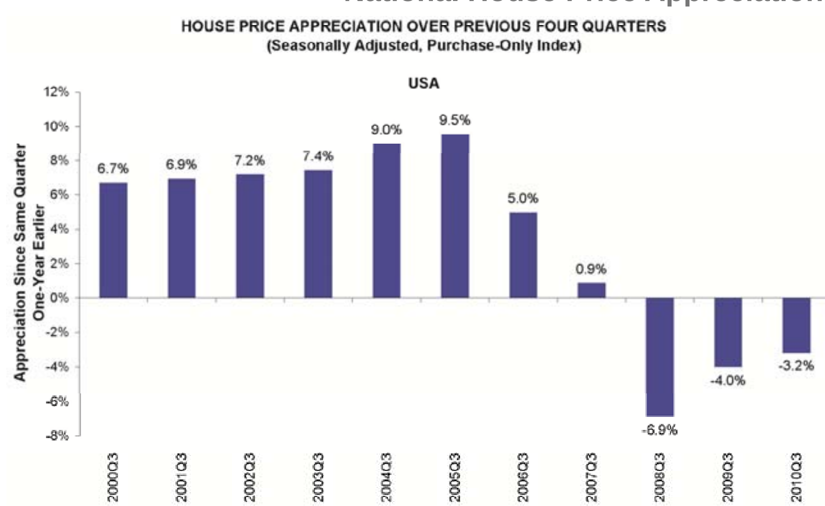
Distress Growing, Along with Resolutions



Source: RCA Troubled Assets Radar, October 2010

2011 Apartment Market

National House Price Appreciation



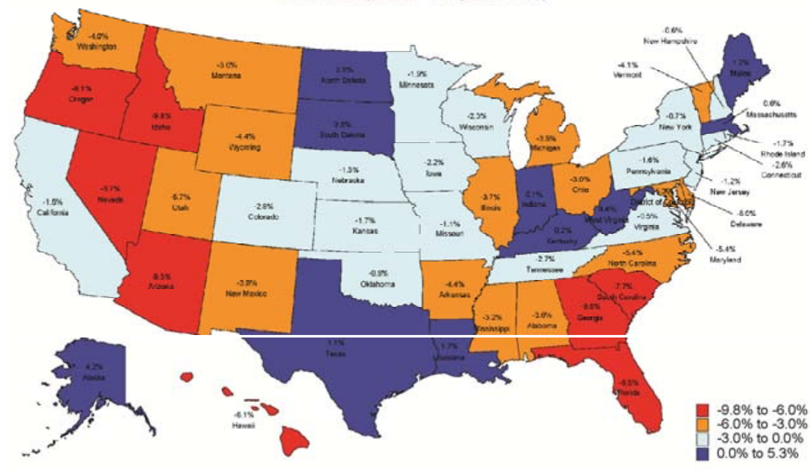
Source: Federal Housing Finance Authority, Nov. 24, 2010 News Release

2011 Apartment Market

House Price Change by State

Four-Quarter Price Change by State: Purchase-Only Index (Seasonally Adjusted)

US Four-Quarter Appreciation = -3.2% (2009Q3- 2010Q3)



Source: Federal Housing Finance Authority, Nov. 24, 2010 News Release

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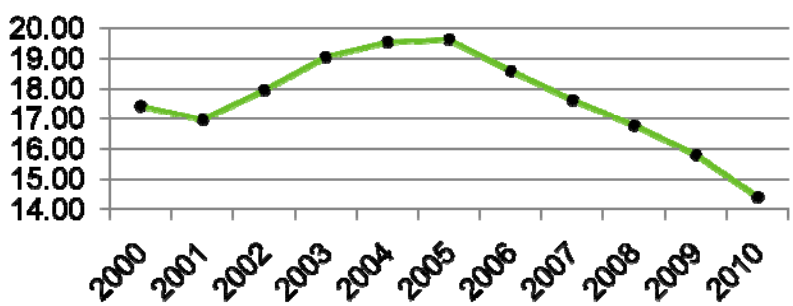
2011 Apartment Market

Cincinnati MSA Price to Rent Ratio



National Ratio a/o Sept. 2010 =
14.85

Cincinnati MSA Ratio a/o YE. 2010 =
14.40

Source: Cincinnati Area Board of Realtors, CB Richard Ellis, Wall Street Journal

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Jobs :: Statewide Unemployment Rate

Current / Low / High – Seasonally Adjusted

	Current*	Low	*Year*	High	*Year*
Nationwide	9.4%				
Indiana	9.8%	2.6%	*1999*	12.7%	*1983*
Ohio	9.8%	3.8%	*2001*	13.8%	*1983*
Kentucky	10.2%	4.1%	*2000*	12.0%	*1983*

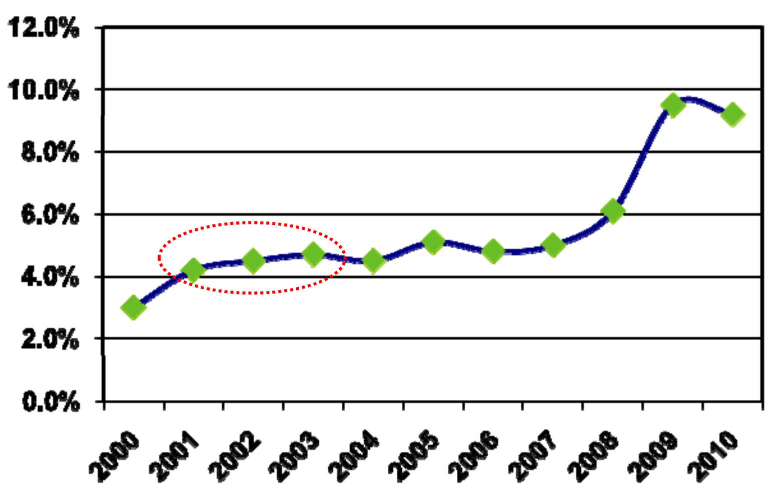
* As of November 2010p

Source: Bureau of Labor Statistics

2011 Apartment Market

Greater Cincinnati MSA Unemployment Rate

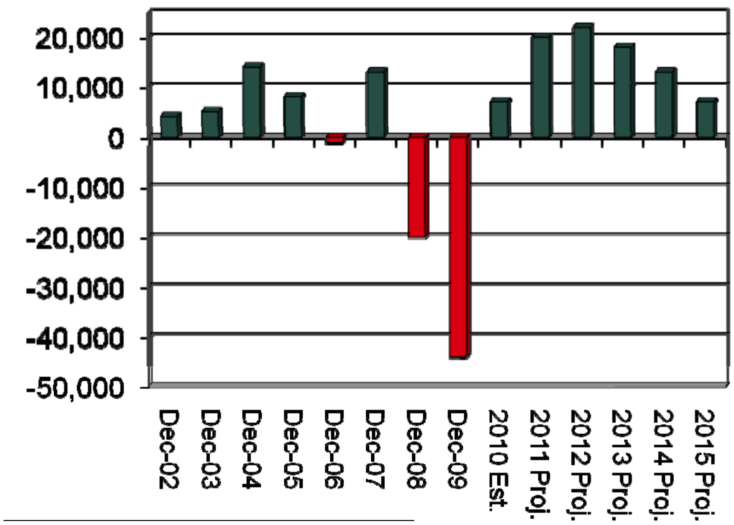
(Not Seasonally Adjusted)



Source: Bureau of Labor Statistics

2011 Apartment Market

Greater Cincinnati Net Job Growth



Source: CBRE Econometric Advisors

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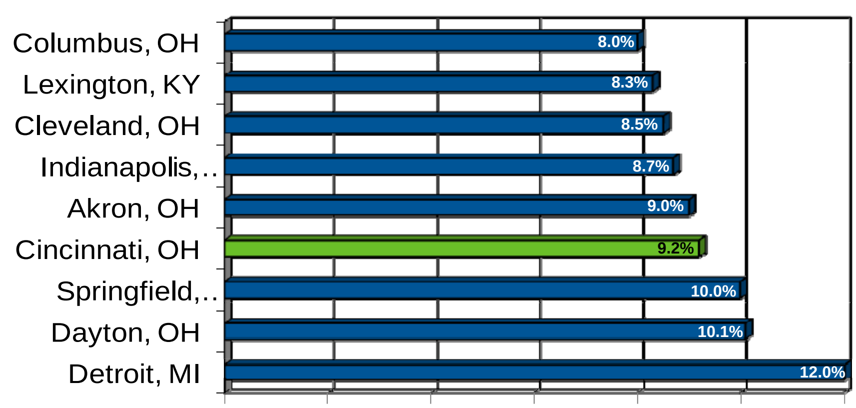
Jobs :: Local MSA Unemployment Rates

Not Seasonally Adjusted as of November 2010p



Source: Bureau of Labor Statistics

2011 Apartment Market

Noteworthy Headlines

Cincinnati housing prices post nation's No. 2 increase

"Local housing prices jumped 6.4 percent in the four months ended in January compared with the prior quarter, according to a monthly national housing report from Clear Capital, a Truckee, Calif.-based real estate valuation analysis firm"

– Cincinnati Business Courier, 2.3.2011

Cincinnati Gets Horseshoe casino

"Local housing prices jumped 6.4 percent in the four months ended in January compared with the prior quarter, according to a monthly national housing report from Clear Capital, a Truckee, Calif.-based real estate valuation analysis firm"

-Cincinnati Enquirer, 2.4.2011

DHL to expand hub at CVG

"DHL said Wednesday it will invest $22.5 million to expand its package delivery hub at the Cincinnati/Northern Kentucky International Airport to meet rising international demand…The CVG hub handles about 90 percent of the DHL volume that enters the United States."

-Cincinnati Enquirer, 2.9.2011

The Most Affordable Cities in America

"The Midwest dominated our bargain city list…Ohio's three largest metros, Cincinnati (No. 5), Cleveland (No.8) and Columbus (No. 13)…Cincinnati Asking Price Rank=4, Salary Rank=25, Cost-of-Living Rank=6, Unemployment Rank=32"

– Forbes.com, 1.7.2011

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Cincinnati/Northern Kentucky International Airport

Current 2010

200 Daily Departures

70 Unique Destinations

Peak 2005

600 Daily Departures

115 Unique Destinations

In 2005, CVG was one of only eight U.S. airports with more than 115 unique destinations

	YTD 2010	2005	2010 vs. 2005
Passengers *(Enplaned & Deplaned)*	7,977,588	22,778,785	-64.98%
Air Express *(Tons)*	400,278	201,327	98.82%
Air Freight *(Tons)*	15,414	63,791	-75.84%

Source: CVG, Cincinnati Business Courier

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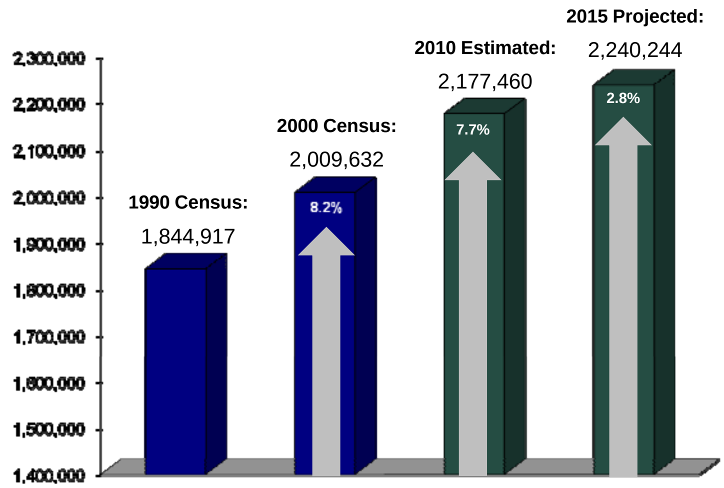
Cincinnati MSA Population :: Growth



Source: CB Richard Ellis

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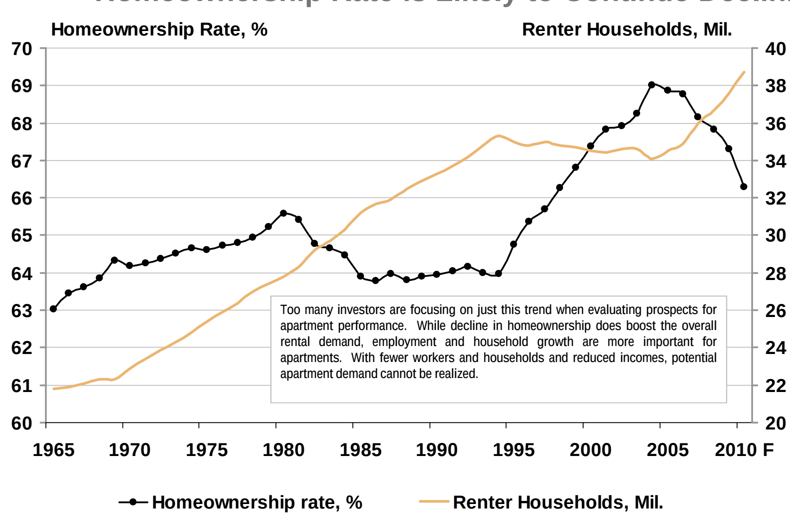
2011 Apartment Market

Homeownership Rate is Likely to Continue Declining



Source: Bureau of the Census, CBRE Econometric Advisors

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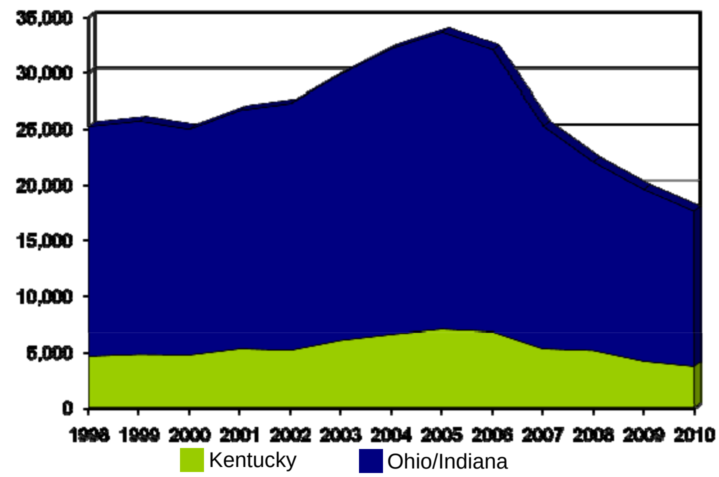
2011 Apartment Market

Cincinnati MSA Housing Market

Number of Single Family Sales



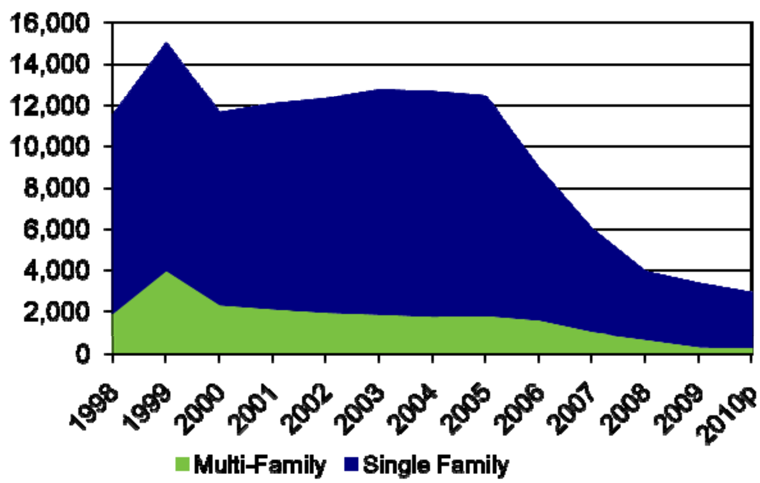
17,577 Single Family Sales in 2010

Source: Cincinnati Board of Realtors & Northern Kentucky Association of Realtors

2011 Apartment Market

Building Permits Issued

YTD Nov 2010 Single Family Permits : 2,701 **/ YTD Nov 2010 Multi-Family Permits :** 247



Source: US Census

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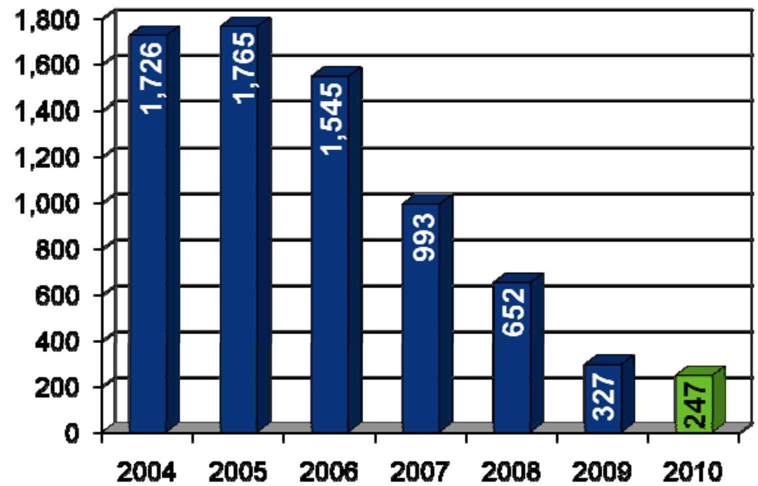
Multi-Family* New Residential Permits

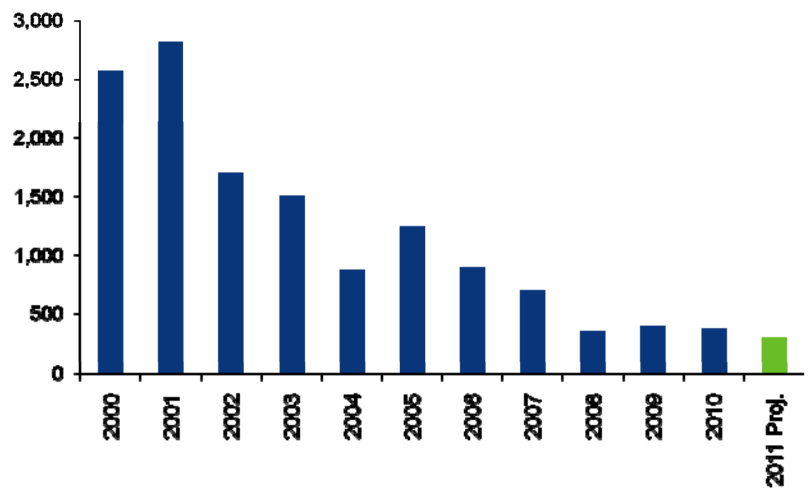
*Multi-Family Defined as 5+ Units



Source: US Census

2011 Apartment Market

Units Built and Projected



Source: CB Richard Ellis

2011 Apartment Market

Development

Independence Oaks

144 Units in Independence, KY

2 & 3 BR Units | 1,050-1,350 SF | $750+

First delivery: April 2011 | Completion: December 2011

Source: "Independence apartment development taking shape," www.nky.com 1.9.2011; CB Richard Ellis

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2011 Apartment Market

Development

Current @ The Banks

300 Units in Downtown Cincinnati

Studio, 1- and 2- BR Units | $800-$2,540

First delivery: April 2011 | To date rentals: 128 (42.6% leased)

Source: CB Richard Ellis

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Development

65 West

Source: CB Richard Ellis

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2011 Apartment Market

Development

Jefferson House Apartments

Van Street

Benchmark Site (Short Vine)

Source: CB Richard Ellis

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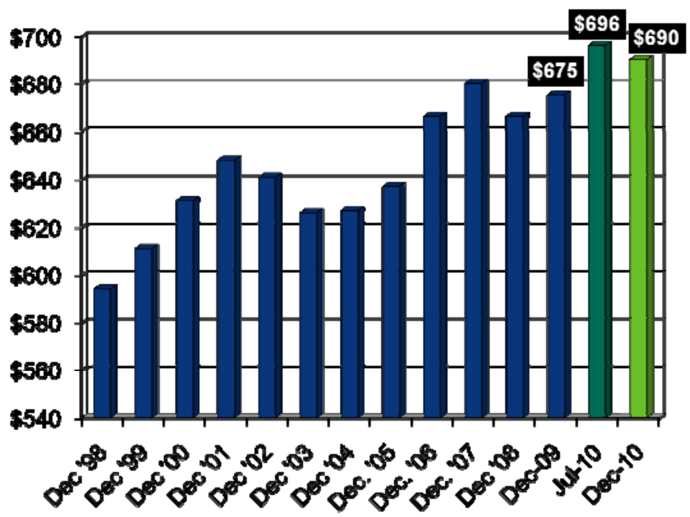
2011 Apartment Market

Effective Rents



Source: CB Richard Ellis

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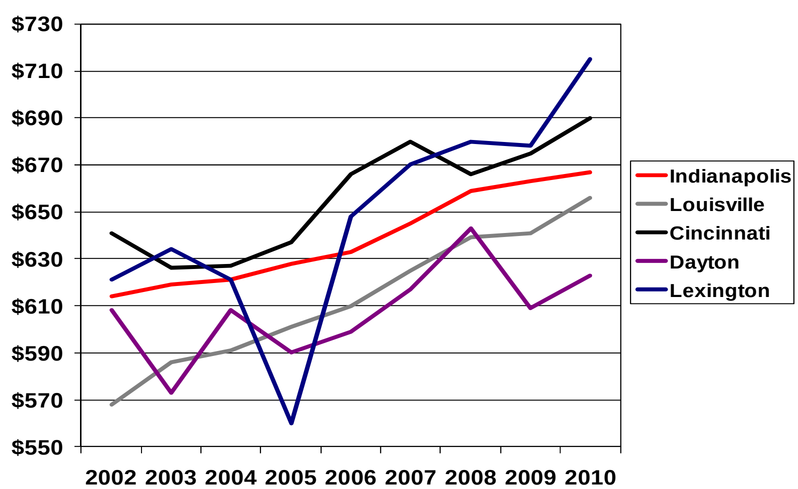
2011 Apartment Market

Central Midwest Historical Effective Rents



Source: CB Richard Ellis

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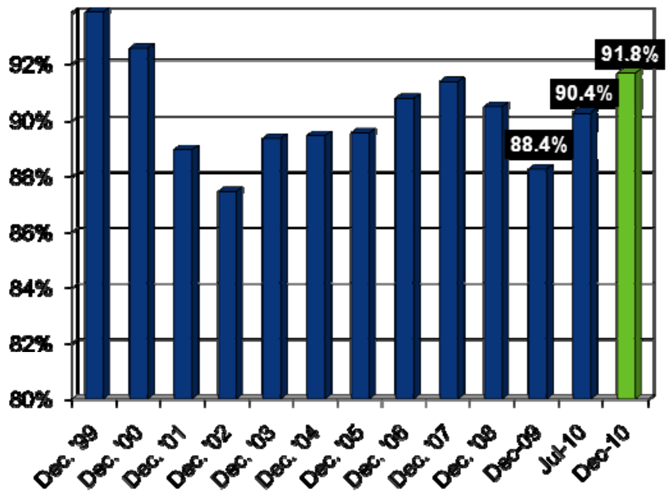
2011 Apartment Market

Historical Occupancy



Source: CB Richard Ellis

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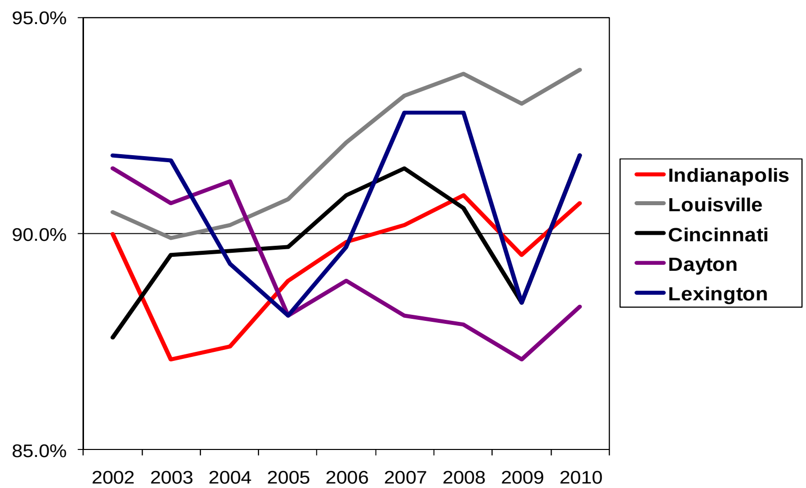
2011 Apartment Market

Central Midwest Historical Occupancy Rates



Source: CB Richard Ellis

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2011 Apartment Market

Rents & Occupancy – Overall Market

	December					July	Dec.
	2005	2006	2007	2008	2009	2010	2010
Occupancy	89.7%	90.9%	91.5%	90.6%	**88.4%**	90.4%	**91.8%**
Effective Rent	$637	$666	$680	$666	**$675**	$696	**$690**
Effective Rent Per SF	$0.71	$0.74	$0.75	$0.75	**$0.74**	$0.69	**$0.77**

Source: CB Richard Ellis

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2011 Apartment Market

Occupancy by Submarket

	December					July	Dec.
	2005	2006	2007	2008	2009	2010	2010
Overall	89.7%	90.9%	91.5%	90.6%	**88.4%**	90.4%	**91.8%**
Northwest	90.8%	90.4%	90.1%	89.0%	**87.8%**	90.1%	**91.0%**
Northern Kentucky	91.3%	92.8%	93.9%	91.1%	**88.0%**	92.1%	**92.2%**
West	82.3%	89.2%	89.0%	87.1%	**84.8%**	86.7%	**89.9%**
East	91.0%	91.2%	91.7%	92.8%	**90.8%**	92.4%	**92.7%**
Central	89.5%	89.4%	90.1%	90.5%	**88.4%**	85.1%	**90.3%**
Northeast	90.3%	91.6%	93.2%	92.9%	**89.8%**	93.5%	**93.5%**

Source: CB Richard Ellis

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2011 Apartment Market

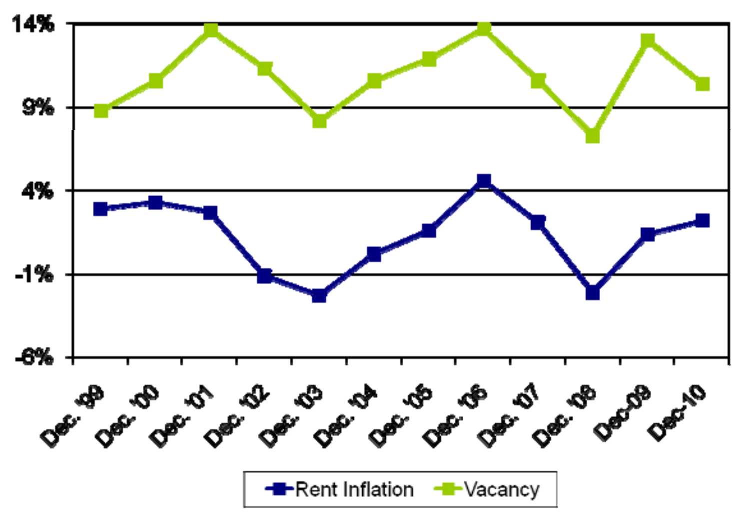
Rent per SF by Submarket

	December					July	Dec.
	2005	2006	2007	2008	2009	2010	2010
Overall	$0.71	$0.74	$0.75	$0.75	**$0.74**	$0.75	**$0.77**
Northwest	$0.68	$.70	$0.72	$0.69	**$0.67**	$0.69	**$0.71**
Northern Kentucky	$0.66	$0.69	$0.70	$0.71	**$0.69**	$0.71	**$0.72**
West	$0.64	$0.64	$0.69	$0.67	**$0.64**	$0.66	**$0.66**
East	$0.72	$0.75	$0.74	$0.74	**$0.77**	$0.77	**$0.77**
Central	$0.76	$0.80	$0.79	$0.84	**$0.83**	$0.81	**$0.91**
Northeast	$0.78	$0.81	$0.83	$0.85	**$0.81**	$0.85	**$0.84**

Source: CB Richard Ellis

2011 Apartment Market

Vacancy Rate vs. Rent Inflation

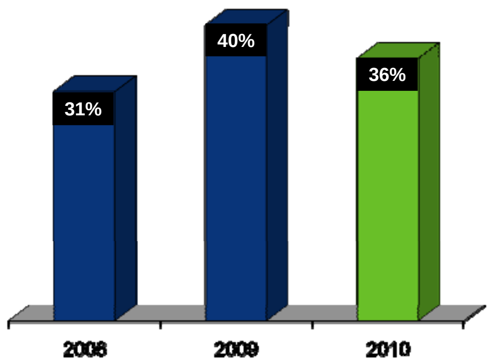


Source: CB Richard Ellis

2011 Apartment Market

Rents & Occupancy
:: Greater Cincinnati Concession Summary

- Percentage of Properties Offering Concessions:



- Avg. Monthly Concessions by Style:

December	2009	2010
Efficiency	$35	$25
1 Bedroom	$57	$48
2 Bedroom	$64	$57
3 Bedroom	$75	$72
4 Bedroom	$106	$66

Source: CB Richard Ellis

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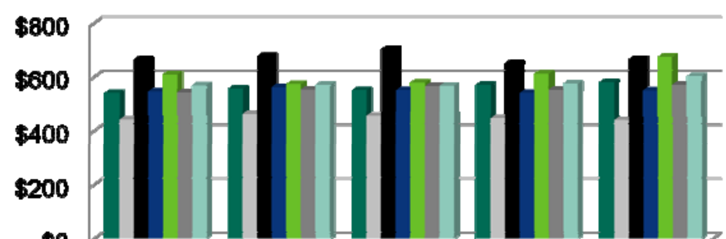
2011 Apartment Market

1 Bedroom / 1 Bath Effective Rents



	2006	2007	2008	2009	2010
East	$539	$555	$549	$569	$579
West	$440	$461	$454	$445	$439
N. East	$663	$676	$701	$649	$664
N. West	$544	$561	$549	$539	$548
Central	$608	$572	$577	$610	$672
N. Ky.	$541	$552	$564	$551	$569
Overall	$567	$569	$566	$573	$601

Source: CB Richard Ellis

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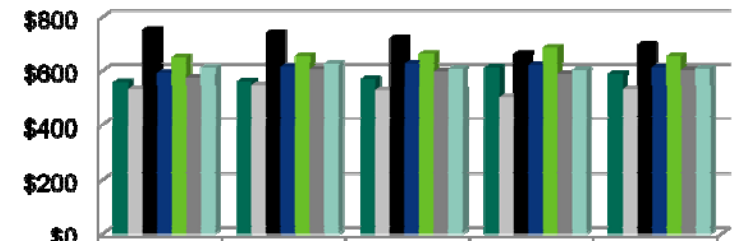
2011 Apartment Market

2 Bedroom / 1 Bath Effective Rents



	2006	2007	2008	2009	2010
East	$555	$558	$566	$609	$587
West	$530	$544	$526	$499	$530
N. East	$749	$739	$719	$660	$694
N. West	$589	$612	$624	$618	$610
Central	$647	$653	$660	$683	$651
N. Ky.	$571	$603	$594	$587	$600
Overall	$608	$624	$604	$599	$606

Source: CB Richard Ellis

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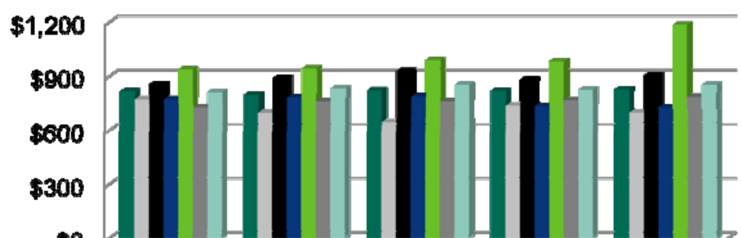
2011 Apartment Market

2 Bedroom / 2 Bath Effective Rents



	2006	2007	2008	2009	2010
East	$813	$794	$819	$818	$825
West	$769	$694	$642	$734	$697
N. East	$852	$887	$926	$879	$901
N. West	$769	$778	$785	$733	$724
Central	$934	$940	$987	$980	$1,181
N. Ky.	$726	$759	$758	$763	$783
Overall	$809	$831	$849	$822	$850

Source: CB Richard Ellis

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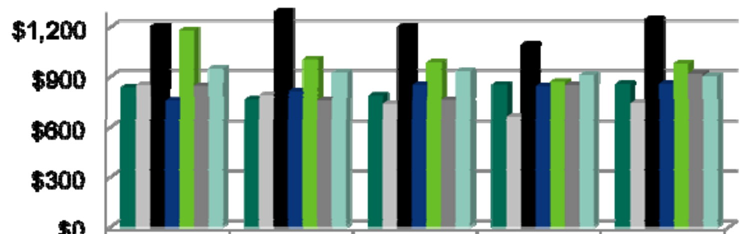
2011 Apartment Market

3 Bedroom Effective Rents



	2006	2007	2008	2009	2010
East	$832	$757	$780	$848	$851
West	$843	$783	$732	$654	$735
N. East	$1,200	$1,289	$1,199	$1,089	$1,243
N. West	$750	$807	$846	$839	$852
Central	$1,175	$1,001	$981	$864	$975
N. Ky.	$840	$752	$756	$844	$913
Overall	$945	$919	$927	$904	$897

Source: CB Richard Ellis

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2011 Apartment Market

Interest Rates

	February						
	2005	2006	2007	2008	2009	2010	2011
Prime Rate	5.50%	7.50%	8.25%	6.00%	3.25%	3.25%	3.25%
LIBOR (3-mo)	2.81%	4.77%	5.36%	3.09%	1.24%	0.25%	0.31%
5-Year Treasuries	3.50%	4.59%	4.68%	2.74%	1.87%	2.25%	2.33%
10-Year Treasuries	4.27%	4.60%	4.69%	3.68%	2.89%	3.63%	3.60%

Source: Bloomberg.com; 2011 rate as of 2/15/2011 at 3:39 PM

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2011 Apartment Market

5- and 10-Year Treasuries since 2007

Source: Federal Reserve Board 2011

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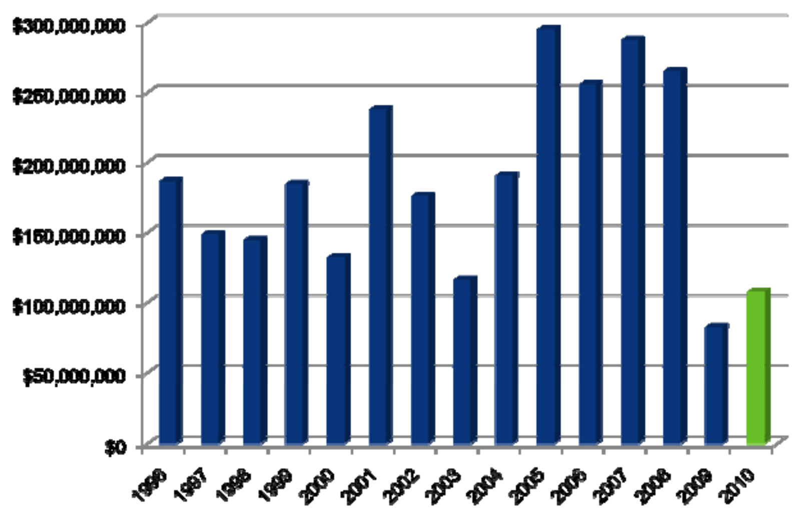
2011 Apartment Market

Greater Cincinnati Multi-Housing Sales Volume



Source: CB Richard Ellis

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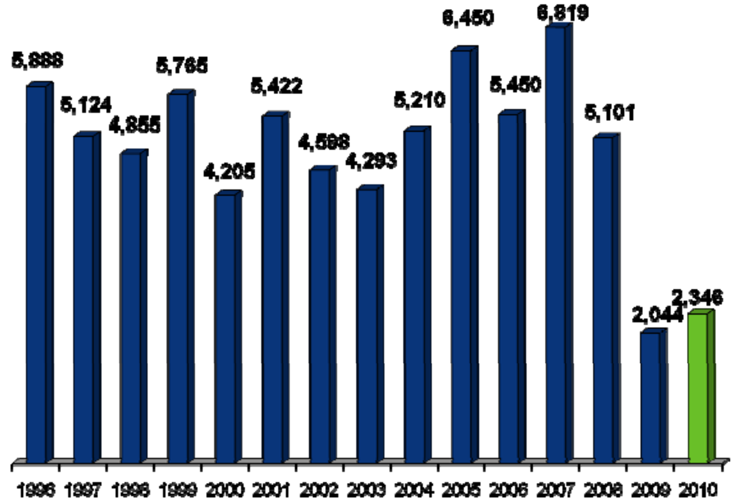
2011 Apartment Market

Apartment Units Sold in Cincinnati



Source: CB Richard Ellis

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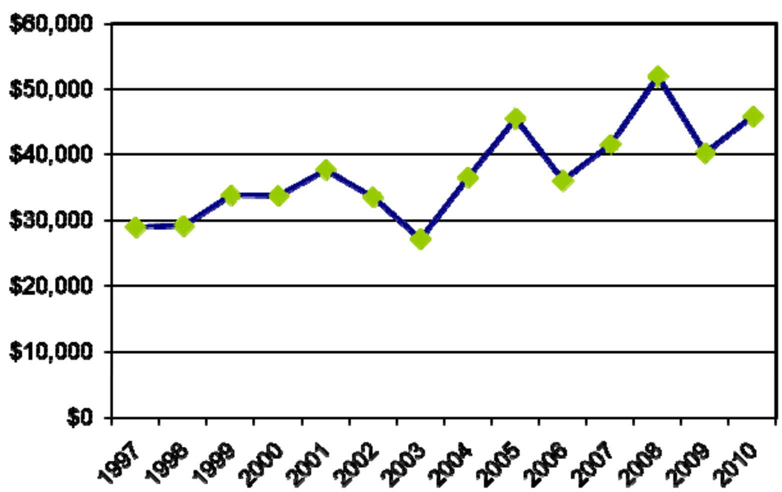
2011 Apartment Market

Average Price Per Unit



Source: CB Richard Ellis

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2011 Apartment Market

Investment Market :: 2010 Sales

- **Park Tower**
  - Cincinnati, OH
  - 110 Units

Peak Sale	3/2004	$2,670,000	$24,273/Unit
Current Sale	**11/2010**	**$750,000**	**$6,818/Unit**

Source: CB Richard Ellis

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2011 Apartment Market

Investment Market :: 2010 Sales

- **Meadowood**
  - Cincinnati, OH
  - 106 Units

Peak Sale	6/2005	$3,180,000	$30,000/Unit
Current Sale	**11/2010**	**$1,300,000**	**$12,264/Unit**

Source: CB Richard Ellis

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2011 Apartment Market

Investment Market :: 2010 Sales

- **Kings Court Apartments**
  - Cincinnati, OH
  - 117 Units

Peak Sale	1/2008	$2,220,000	$18,974/Unit
Current Sale	**1/2010**	**$425,000**	**$3,632/Unit**

Source: CB Richard Ellis

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Investment Market :: 2010 Sales

- **Sun Valley**
  - Cincinnati, OH
  - 116 Units

Peak Sale	8/2007	$2,675,000	$23,060/Unit
Current Sale	**3/2010**	**$1,875,000**	**$16,164/Unit**

Source: CB Richard Ellis

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2011 Apartment Market

Investment Market :: 2010 Sales

- **Burgundy Court Apartments**
  - Cincinnati, OH
  - 234 Units

Peak Sale	10/2005	$9,455,653	$40,409/Unit
Current Sale	**9/2010**	**$5,308,000**	**$22,684/Unit**

Source: CB Richard Ellis

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2011 Apartment Market

Investment Market :: 2010 Sales

- **Woodmere Apartments**
  - Cincinnati, OH
  - 150 Units

Peak Sale	11/2005	$6,945,000	$46,300/Unit
Current Sale	**9/2010**	**$3,402,000**	**$22,680/Unit**

Source: CB Richard Ellis

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2011 Apartment Market

Investment Market :: 2010 Sales

- **Mills Run Apartments**
  - Cincinnati, OH
  - 212 Units

Peak Sale	8/2004	$11,365,000	$53,608/Unit
Current Sale	**9/2010**	**$7,650,000**	**$36,085/Unit**

Source: CB Richard Ellis

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Investment Market :: 2010 Sales

- **Sterling at McMillan**
  - Cincinnati, OH
  - 122 Units / 442 Beds

Current Sale	**8/2010**	**$14,000,000**	**$31,675/Bed**

Source: CB Richard Ellis

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2011 Apartment Market

Investment Market :: 2010 Sales

- **Nantucket**
  - Deerfield Twp, OH
  - 394 Units

Current Sale	8/2010	$35,000,000	$88,832/Unit

Source: CB Richard Ellis

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2011 Apartment Market

Investment Market :: 2010 Sales

- **Glenbridge Manors**
  - Cincinnati, OH
  - 274 Units

Current Sale	9/2010	$26,200,000	$95,620/Unit

Source: CB Richard Ellis

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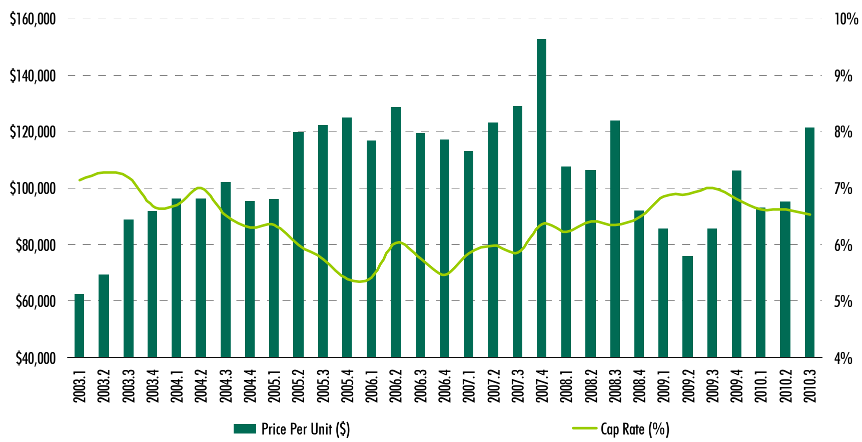
2011 Apartment Market

National Value Trends - Apartments



Source: Real Capital Analytics, Q3 2010

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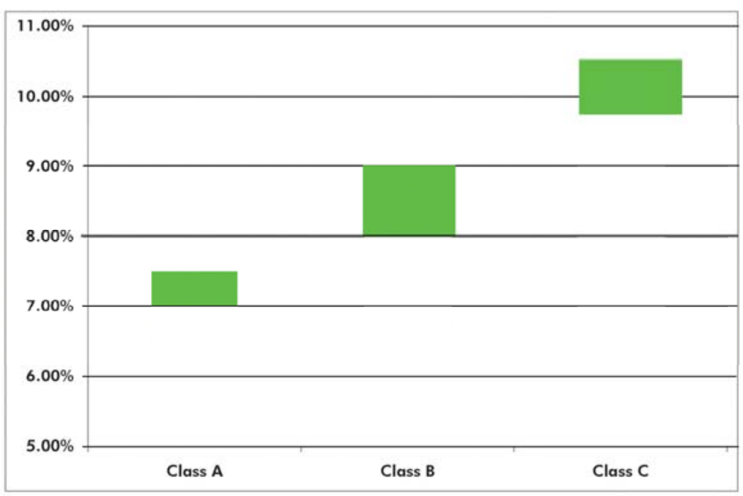
2011 Apartment Market

2008 Cap Rates



Source: CB Richard Ellis

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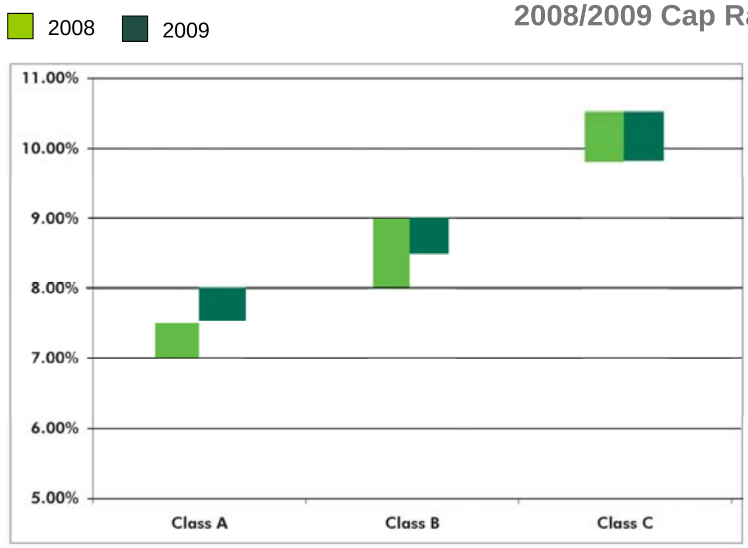
2011 Apartment Market

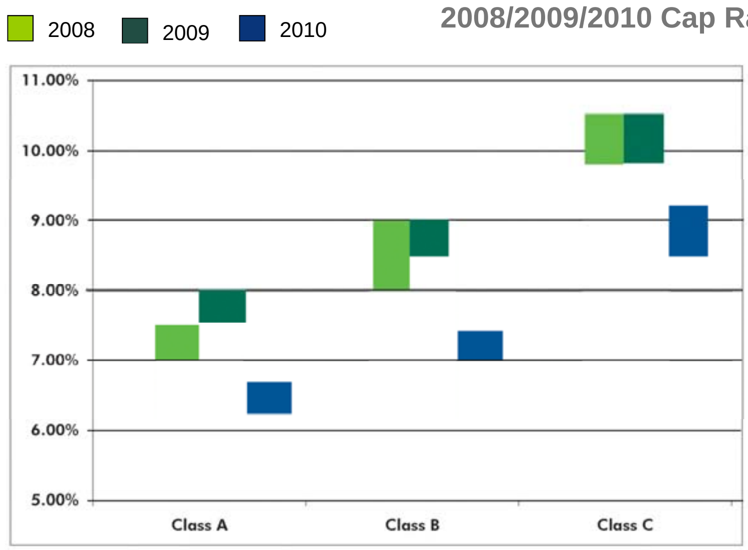
2008/2009 Cap Rates



Source: CB Richard Ellis

2011 Apartment Market

2008/2009/2010 Cap Rates



Source: CB Richard Ellis

2011 Apartment Market

Recap of Dave's 2010 Forecast

- Effective Rents will increase by 1.0%
- Occupancy will increase to 91.5% by mid-year and remain constant.
- New development will be minimal.
- Better quality assets facing maturity will come to the market
- Cap Rates will not move any higher on Class A or Class B assets. Cap Rates could creep higher on Class C assets.

Source: CB Richard Ellis

2011 Apartment Market

Dave's 2011 Forecast

- Effective rents will increase 3.0%
- Most new units will be "purpose-built"
- Occupancy will be 93.5% at mid-year and remain steady through year end
- Cap rates will remain steady for "A" and "B" –grade assets. Class "C" cap rates will rise.
- Energy/Resource Cost Control will move to the forefront

Source: CB Richard Ellis

CB Richard Ellis

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2011 Apartment Market

For more information

- To **download a copy** of tonight's presentation, please visit our team website at:
  - **www.cbre.com/mhgic**
- If you would like to receive a hardcopy of the presentation **please email**:
  - **emily.cantley@cbre.com**

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Thank you for attending our
Greater Cincinnati/Northern Kentucky Apartment Association
2011 Apartment Market Overview