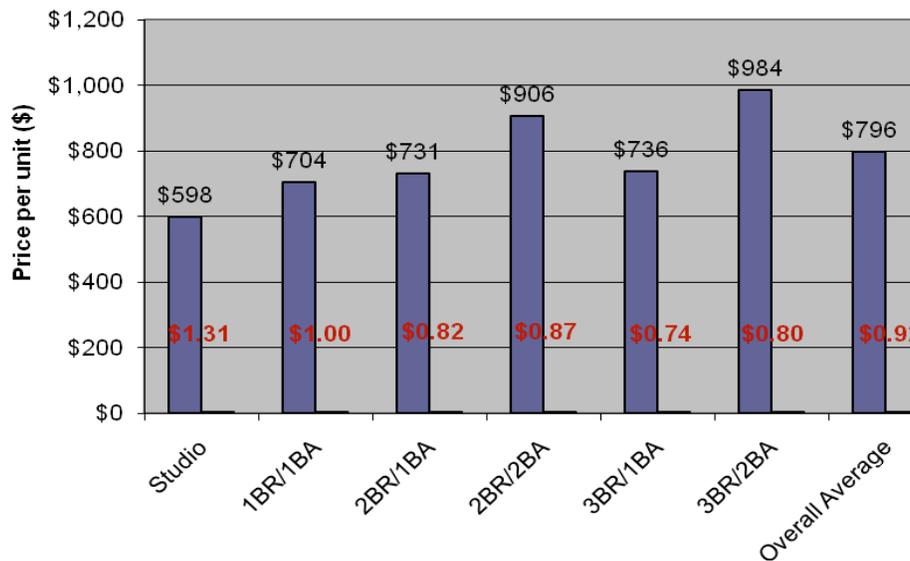


Multifamily Market Analysis

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According to Norris, Beggs & Simpson's First Quarter 2010 Multifamily Report, the overall multifamily vacancy rate has decreased to 4.82% from 5.43% in the fourth quarter of 2009 and is down from 4.96% this time last year. The average rents for the quarter are \$704 (\$1.00/SF) for a 1BR/1BA, \$731 (\$0.82/SF) for a 2BR/1BA, \$906 (\$0.87) for a 2BR/2BA and \$984 (\$0.80) for a 3 BR/2BA. These numbers are up slightly from the previous quarter. Average 2BR/2BA new units rent for \$1,537 per unit, an increase of \$207 over last quarter. This extreme increase is likely due to a flood of upscale condo conversions entering the market. Seasoned 2 BR/2BA units rent for an average \$847 per unit, which is an increase of \$17 over last quarter.

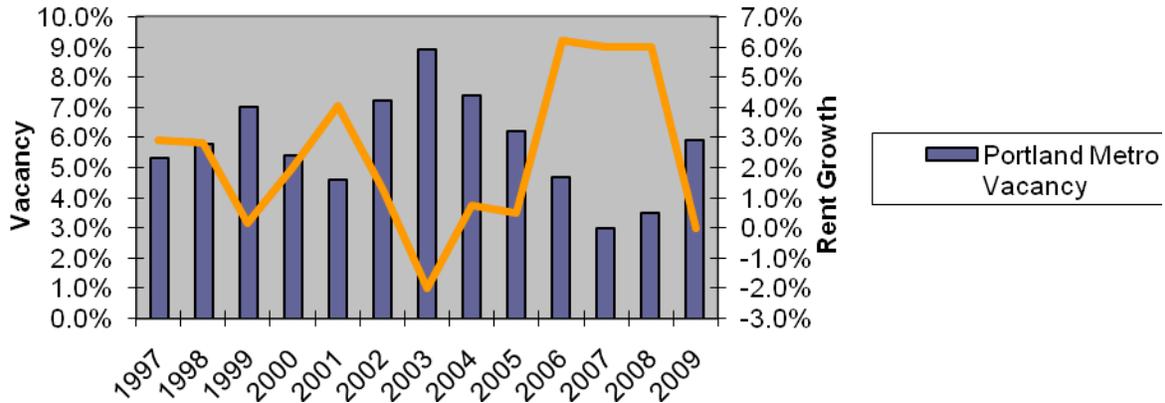
Metro-Wide Average Rents First Quarter 2010



Source: Norris, Beggs & Simpson "Portland Area Multifamily Report First Quarter, 2010"

The poor economy and high unemployment rates remain but the outlook for the multifamily market appears to be brightening, if only slightly. First quarter vacancies, according to Norris, Beggs & Simpson's Multifamily report, range from 3.99% to 10.15% across the Portland market. Downtown has the highest vacancy rate as the conversion of condos has produced oversupply in the multifamily rental market. Concessions, in the form of free rent and parking, remain commonplace though rental rates have stabilized somewhat.

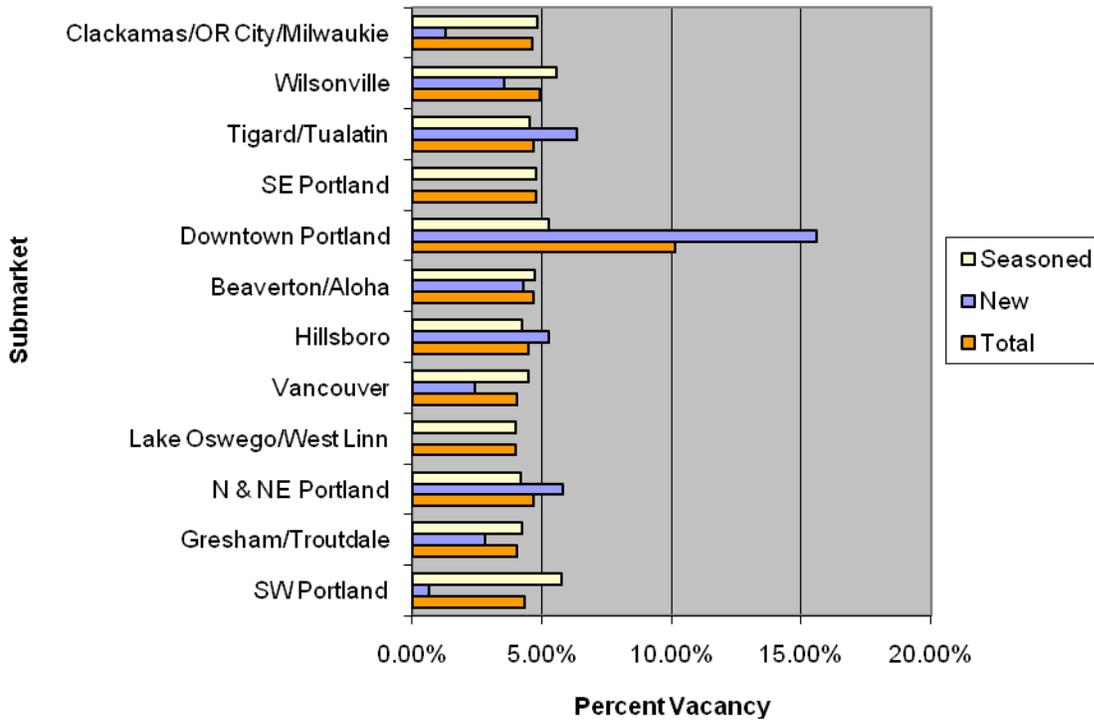
Portland Metro Vacancy and Year on Year Rent Growth



Source: Mark D Barry, The Barry Apartment Report, Winter 2010

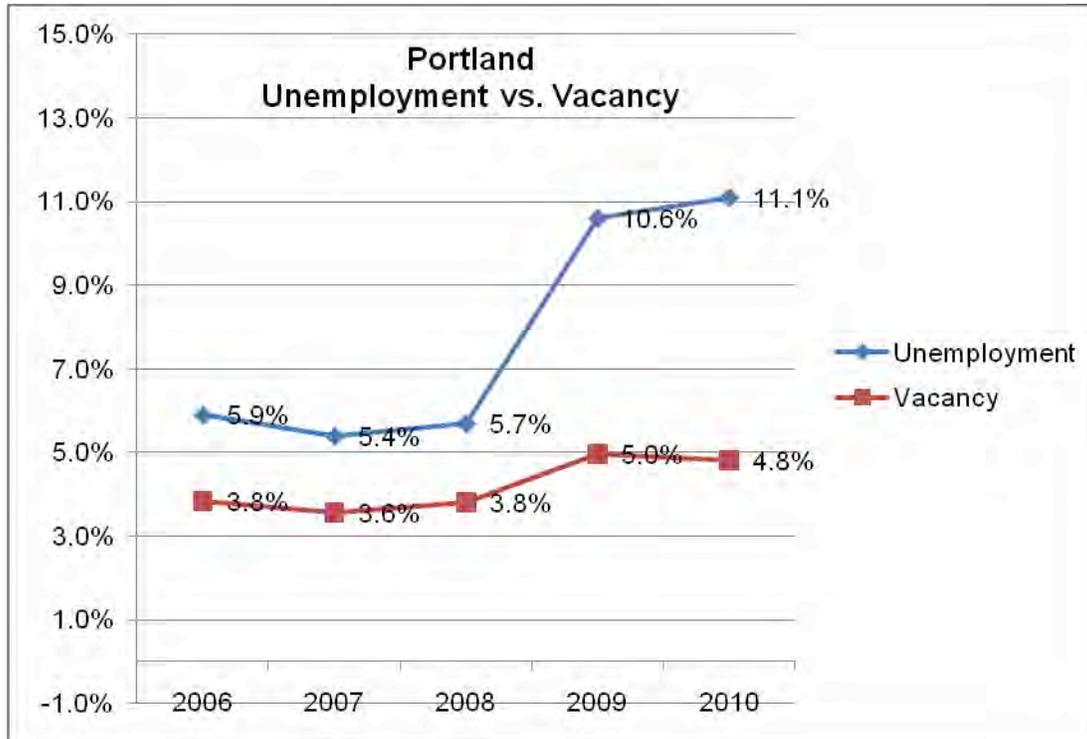
The downtown Portland submarket shows the highest total vacancy rate at 10.15%, while Lake Oswego/West Linn has the lowest submarket vacancy at 3.99%. Downtown Portland has the highest new unit vacancy at 10.6% while Southeast Portland and Lake Oswego/West Linn have the lowest vacancy rate at 0%.

First Quarter 2010 Submarket Vacancy



Source: Norris, Beggs & Simpson "Portland Area Multifamily Report First Quarter, 2010

The high local unemployment rates are having a strong negative impact on vacancies, as shown in the charts below. The dramatic rise in the unemployment rate from 5.7 % in 2008 to 10.6% in 2009 suggests that, despite the slight dip this quarter, vacancy rates might continue to rise until unemployment levels stabilize and decline.



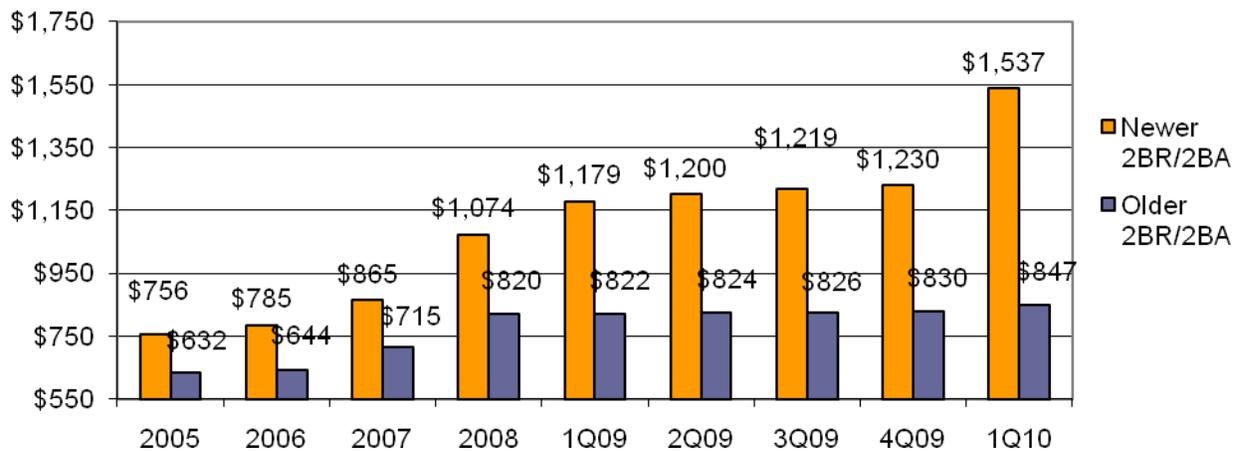
Source: Norris, Beggs & Simpson "Portland Area Multifamily Report First Quarter (2010, 2009, 2008, 2007, 2006), U.S. Bureau of Labor Statistics (Feb 2010, 2009, 2008, 2007, 2006)

Vacancies are still high not because residents are moving from Portland but primarily because tenants are doubling up, moving in with family, or moving into single-family rental homes. According to Mark Barry, condominium conversions are also having an impact on vacancy rates. The glut of conversions has put pressure on the higher end of the market and has caused effective rentals to be 15%-30% below pro forma. However, Norris, Beggs & Simpson cites U-Haul's records showing that 10.16% more people are moving to Portland than from Portland illustrating potential growth in the market and possible further vacancy decline. Colliers International's First Quarter 2010 report states that rent declines are beginning to stabilize.

To prevent tenants from fleeing, landlords are still resorting to concessions. Two months worth of free rent concessions as well as free parking are commonplace throughout the Portland metro area. Colliers International states in its midyear report that, "some new buildings even guarantee that if a tenant loses his/her job, they can end their lease agreement without penalties, early termination fees or adverse impact on credit." The widespread discounting produces net effective rents, including parking and rent concessions in select buildings throughout the metro area, ranging from 5.6% to 16.8% lower.

One of the driving factors behind the vacancy issue is affordability. According to Colliers International, the middle-income workforce that drives demand for multifamily rental housing earns between 50% and 80% of median family income (MFI). The 2009 MFI for a single person in Portland is \$49,000. Assuming rents are at 30% of gross income, the individual could afford a monthly rent of between \$613 and \$980. Options are very limited within this price range in the Portland area as studios and one-bedrooms are between \$710 and \$740 and higher range luxury options are in excess of \$1,000.

Average Portland Metro Rents



*Source: Norris & Stevens "Portland Metro Area Multifamily Report, First Quarter 2010"

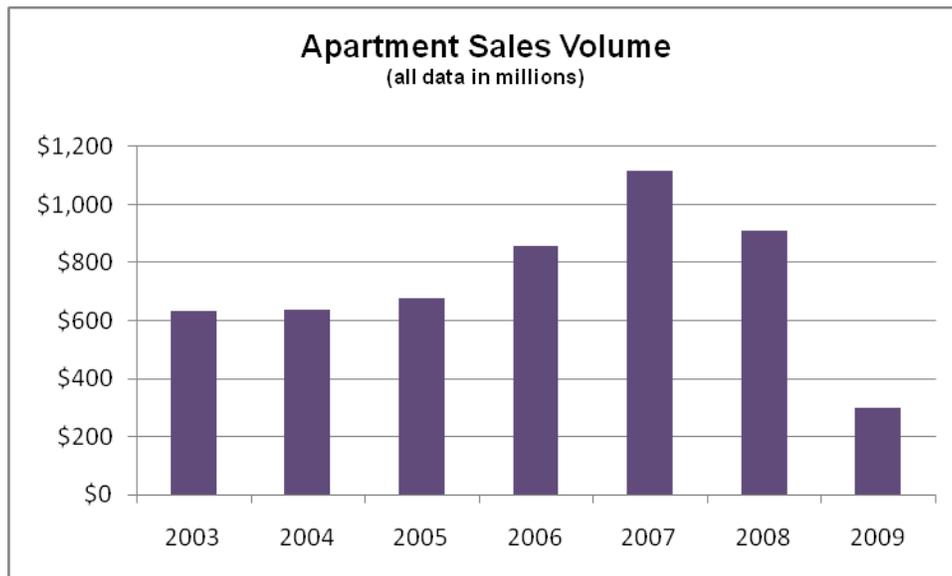
Norris, Beggs & Simpson's list of major apartment sale transactions for the first quarter include the Hallwood Apartments (76 units) in Beaverton/Aloha for \$5.6 million and the Willow Creek Apartments (77 units) in Hillsboro for \$4.8 million. There were no transactions involving properties over 100 units, as there were four in the previous quarter.

According to Mark Barry, apartment sales volumes were down significantly in 2009 relative to the prior six years. Total sales volume for the Portland metropolitan area in 2009 was estimated to be \$300 million as compared to the decade high of 1,115 million in 2007. Similarly, multifamily land sales for future development have also dried up. However, as NBS indicates in its report, it expects sales to accelerate once the availability of financing increases.

MAJOR SALE TRANSACTIONS					
Buyer	Building	Price	Units	Price/Unit	Submarket
Hallwood Properties LLC	Hallwood Apartments	\$5,600,000	76	\$73,684	Beaverton/Aloha
GFTW LLC	Willow Creek Apartments	\$4,800,000	77	\$62,338	Hillsboro
Gladstone Forest Apartments LLC	Los Verdes Apartments	\$2,842,000	53	\$53,623	Clack., Or. City, Milwk.

Northwest Group Investment LLC	Alder Village Apartments	\$2,650,000	50	\$53,000	Southeast Portland
Lantana Investment LLC	17730 Burnside St	\$2,050,000	5	\$410,000	Southeast Portland
Teasdale Apartment LLC	Teasdale Apartments	\$1,275,000	19	\$67,105	Downtown Portland
Bartmasser Family Investments	Cedarbrook Apartments	\$1,108,000	17	\$65,176	Southwest Portland

*Source: Norris Beggs & Simpson "Portland Metro Area Multifamily Report, First Quarter 2010"

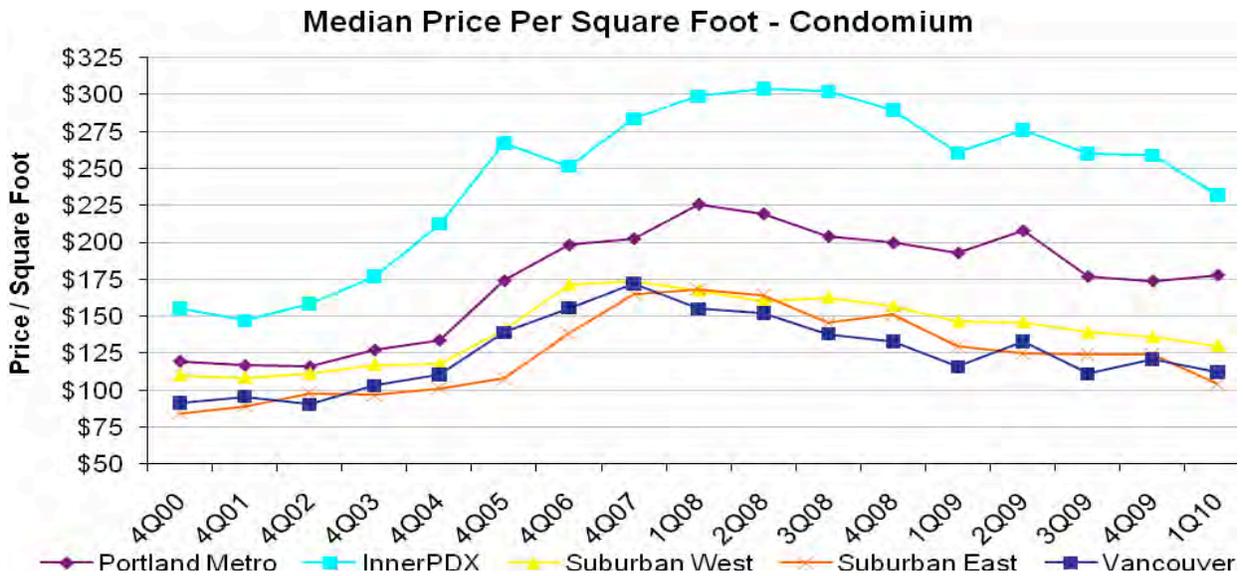
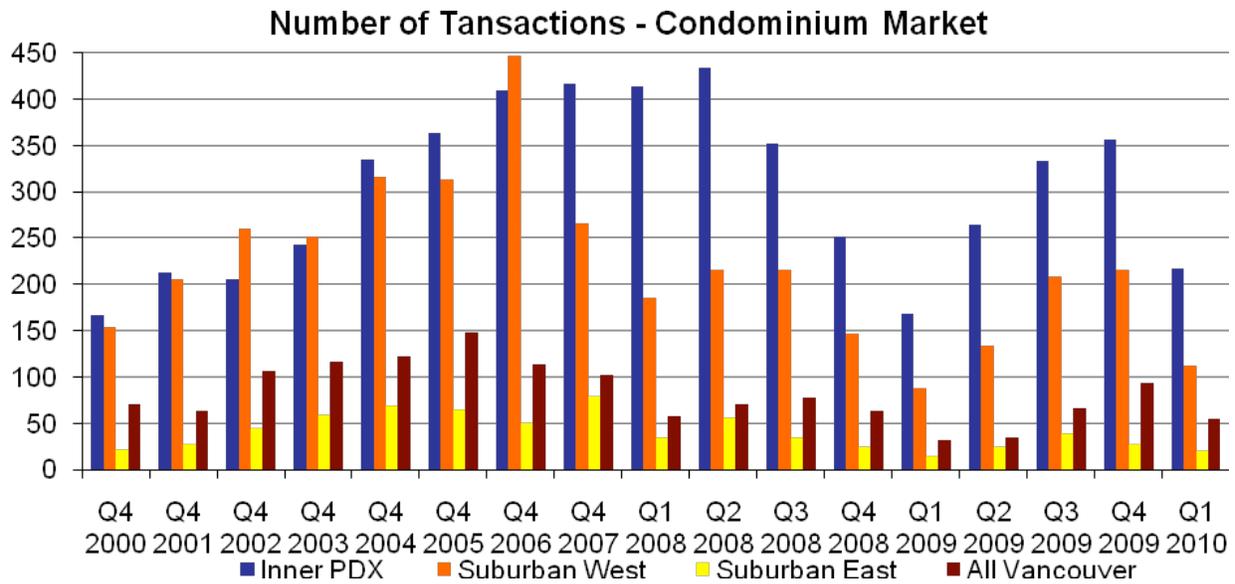


Source: Mark D Barry, The Barry Apartment Report, Winter 2010

Condominium and Attached Market

The number of condominium sales in the Portland metropolitan market is down significantly from the prior quarter as the Portland metropolitan area experienced a 42% decline in transactions while Vancouver was down 43%. However, both Portland and Vancouver sales are up annually with Portland up 29% and Vancouver up 74%.

Despite the quarterly sales decline the prices at which those sales has occurred are up slightly. The Portland metropolitan area's price per square foot is at \$178, an increase of 2% quarterly though it is still down 8% from 2009. The median price per Portland condominium unit is \$185,000 up 0.5% from the fourth quarter. Vancouver, at a price per square foot of \$112, is down 7.0% for the quarter and 3% for the year. Vancouver's median price per condominium is up to \$119,500 a decrease of 1.2% for the quarter.



Results for single-family attached housing are down for the quarter but up annually. The number of attached home sales in the Portland metropolitan area decreased 20.8% from the fourth quarter to 293. The number of sales of attached homes is up 74.4% annually with a median price of \$190,000. The Vancouver area also saw a quarterly decrease (-57%) and an annual increase (24%) as the number of attached homes sold fell to 96 from the previous quarter. For Portland, price-per-square-foot numbers (\$128) are down 3.8% from the prior quarter and 7.7% annually. Vancouver, at \$97 per square foot, saw a quarterly decrease of 7.1% but an annual increase of 0.26%. The median price for attached homes in Vancouver was \$157,500.

