

Multi-Housing MarketView

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CAP RATE STUDY

CBRE Capital Markets Multi-Housing Group has recently completed its third informal survey of transaction-based multi-housing cap rates in 35 major U.S. markets. Senior professionals in each market provided their best estimates for stabilized and value-add deals on Class A, Class B, and Class C apartment assets (survey participants were instructed to use the same cap rate concepts across markets and over time). We do recognize that the ability to execute a value-add strategy in this market is very challenging. Tables that follow summarize the results from the March 2009 survey and compare them to May 2008 and November 2008 in terms of basis points changes.

March 2009 results show that in 33 markets surveyed in May 2008, cap rates increased by approximately 150 basis points, on average. Higher cap rate increases were reported for Class A assets compared to Class B/C and value-added compared to stabilized deals. Previously Class B/C cap rates moved upward further and sooner than Class A cap rates. In a third of markets cap rates

increased by well over 150 basis points since May 2008 as deterioration in both capital markets and real estate fundamentals intensified.

Across markets, notable increases were reported in Atlanta (class A), Austin (value-add class A and B), Dallas (class C and value-add), Houston (class A), Charlotte (class B), Miami (value-add class A and B), New York (stabilized class A and B), Phoenix (value-add), Portland, Orange County, Orlando, San Francisco (class A and B), and Seattle. Chicago, Cincinnati, Detroit, Kansas City, Minneapolis, Indianapolis, St. Louis (stabilized assets), and Washington DC saw cap rate increases near or below the national average.

We invite you to contact us to discuss our cap rate surveys and the results as well as challenges we face in the capital markets today. As always, your comments and feedback are welcomed and encouraged.

March 2009 Multi-Housing Cap Rate Study

Market	Class A Asset		Class B Asset		Class C Asset	
	Stabilized	Value-Add	Stabilized	Value-Add	Stabilized	Value-Add
Albuquerque	7.25-7.50	7.25-7.50	7.50-8.00	8.00-8.50	8.50-9.00	9.00+
Atlanta	7.00-8.00	7.00-7.75	7.50-8.25	7.25-8.25	8.75-9.25	9.25+
Austin	7.00-7.50	6.75-7.25	7.25-7.75	7.00-7.50	7.75-8.25	7.50-8.00
Boston	6.00-6.50	6.00-6.75	6.50-7.50	6.25-7.25	7.50-8.50	7.25-8.50
Charlotte	6.50-7.25	6.75-7.50	7.25-7.75	7.50-8.00	8.00-10.50	7.00-9.00
Chicago	6.50-6.75	6.25-6.50	7.00-7.50	6.75-7.25	8.00-8.75	7.75-8.25
Cincinnati	7.00-7.50	6.75-7.25	8.00-8.50	7.75-8.25	9.50-10.25	9.00-9.50
Dallas	6.75-7.25	7.00-7.50	7.75-8.25	7.75-8.25	9.00+	9.00+
Denver	6.50-7.00	6.25-7.00	7.00-8.00	7.00-8.00	7.75-8.50	7.50-8.50
Detroit	7.75-8.25	8.00-8.50	8.50-9.00	8.50-9.00	9.50-10.00	9.75-10.25
Houston	7.50-8.00	7.50-8.00	8.00-9.00	8.00-9.00	9.00+	9.00+

The cap rates are based on an estimated NOI derived by annualizing the last 90-days of revenue and subtracting what buyers would estimate as stabilized, year one expenses after adjustments for real estate taxes and reserves. Actual cap rates within each asset class will vary, occasionally outside of the stated ranges, based on asset/location quality and property-specific opportunities for NOI enhancement.

March 2009 Multi-Housing Cap Rate Study (continued)

Market	Class A Asset		Class B Asset		Class C Asset	
	Stabilized	Value-Add	Stabilized	Value-Add	Stabilized	Value-Add
Indianapolis	7.00-7.50	6.75-7.25	7.75-8.25	7.50-8.00	9.00-10.00	9.00-10.00
Jacksonville	6.75-7.25	6.50-7.00	7.50-8.00	7.50-8.00	8.00-9.00	8.00-9.00
Kansas City	6.75-7.25	7.00-7.50	7.50-8.00	6.75-7.25	8.50-10.00	7.50-8.25
Las Vegas	6.75-7.00	6.75-7.00	7.00-7.25	7.00-7.50	7.50-8.00	7.25-7.75
Los Angeles	6.00-6.50	6.00-6.25	7.00-7.50	6.75-7.25	7.50-8.00	7.25-7.75
Memphis	7.25-7.75	7.25-7.75	8.00-8.75	8.00-8.75	9.00+	9.00+
Miami	6.35-6.65	6.35-6.65	7.35-8.00	7.35-8.00	8.00-9.00	8.00-9.00
Minneapolis	6.40-6.80	6.40-6.80	7.00-7.50	7.00-7.50	7.25-8.25	7.25-8.25
Nashville	6.75-7.25	6.75-7.25	7.50-8.00	7.50-8.00	8.00-9.00	8.00-9.00
New York*	6.50-7.00	5.00-5.50	6.75-7.25	5.50-6.25	7.50-8.00	6.50-8.00
Orange County	6.25-6.75	6.00-6.50	6.75-7.50	6.50-7.25	7.50-8.25	7.25-7.75
Orlando	6.75-7.00	6.50-7.00	7.25-7.75	7.00-7.50	7.50-8.00	7.50-8.00
Philadelphia	6.50-6.75	6.50-6.75	7.00-7.50	7.00-7.50	7.50-8.00	7.50-8.00
Phoenix	6.75-7.25	7.00-7.50	7.25-7.75	7.50-8.00	8.00-9.00	8.00-9.00
Portland	6.25-6.75	6.50-7.00	6.50-7.00	6.50-7.00	7.00-7.50	7.00-7.50
Raleigh	7.00-7.50	6.25-7.00	7.25-7.75	6.50-7.50	8.00-10.00	7.50-10.00
Sacramento	6.25-6.75	6.50-7.00	6.50-7.25	6.75-7.50	7.25-8.25	7.50-8.50
Salt Lake City	6.75-7.25	7.25-7.50	7.25-7.75	7.50-8.00	7.75-8.25	7.75-8.50
San Antonio	7.00-7.50	6.75-7.25	7.25-7.75	7.00-7.50	7.75-8.25	7.50-8.00
San Diego	6.25-6.75	6.25-6.75	6.50-7.00	6.50-7.00	7.00-7.50	7.00-7.50
San Francisco	6.25-6.75	6.25-6.75	6.50-7.25	6.50-7.25	7.00-8.00	7.00-8.00
Seattle	6.25-7.00	6.25-7.00	7.00-7.50	7.00-7.50	8.00-8.50	8.00-8.50
St Louis	6.50-7.00	6.25-7.00	7.50-8.00	7.00-7.75	8.50-10.50	7.50-10.00
Tampa	6.75-7.25	6.50-7.00	7.50-8.00	7.50-8.00	8.00-9.00	8.00-9.00
Washington, DC/Baltimore	6.25-6.65	6.25-6.65	6.70-7.10	6.65-7.10	7.50-8.50	7.50-9.25

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*NYC Cap Rate for the value-add category is applicable for assets with at least 50% of units subject to rent stabilization.

Basis Points Change In Average Cap Rate From May 2008 To March 2009

Market	Class A Asset		Class B Asset		Class C Asset	
	Stabilized	Value-Add	Stabilized	Value-Add	Stabilized	Value-Add
Albuquerque	163	138	175	213	250	300
Atlanta	225	250	175	225	188	288
Austin	175	200	125	150	150	175
Boston	125	163	125	150	150	163
Charlotte	138	138	125	175	225	125
Chicago	138	163	75	100	138	150
Cincinnati	100	0	100	0	135	188
Dallas	150	200	175	225	200	250
Denver	150	163	175	200	100	150
Detroit	75	0	50	0	50	23
Houston	213	200	175	200	188	213
Indianapolis	175	75	75	150	150	275
Jacksonville	150	175	175	225	225	275
Kansas City	100	75	50	-75	125	-113
Las Vegas	138	150	125	163	138	138
Los Angeles	150	163	238	205	150	200
Memphis	150	125	113	138	175	150
Miami	125	175	180	255	138	213
Minneapolis	110	85	75	63	63	25
Nashville	150	125	163	125	150	100
New York	200	75	213	93	150	175
Orange County	175	175	225	213	200	200
Orlando	163	175	150	150	150	175
Philadelphia	138	213	75	125	25	75
Phoenix	175	225	213	238	213	225
Portland	200	213	213	213	188	188
Sacramento	150	200	138	188	150	200
San Diego	175	238	163	213	150	175
San Francisco	175	200	188	213	163	188
Seattle	188	188	200	200	250	250
St Louis	113	200	63	163	138	275
Tampa	175	125	200	175	225	200
Washington, DC/Baltimore	133	133	115	113	125	188
Simple average	153	155	146	157	158	175
Stock-weighted average	162	149	163	151	153	179

Basis Points Change In Average Cap Rate From November 2008 To March 2009

Market	Class A Asset		Class B Asset		Class C Asset	
	Stabilized	Value-Add	Stabilized	Value-Add	Stabilized	Value-Add
Albuquerque	75	NA	88	150	125	238
Atlanta	150	138	113	125	125	213
Austin	100	125	100	125	100	100
Boston	75	88	88	88	100	113
Charlotte	98	138	113	150	158	75
Chicago	38	38	25	25	63	38
Cincinnati	25	0	50	0	48	38
Dallas	50	125	100	125	150	150
Denver	88	113	50	75	50	38
Detroit	75	0	50	0	50	23
Houston	163	150	75	75	25	25
Indianapolis	50	50	75	63	25	75
Jacksonville	75	75	100	150	138	200
Kansas City	63	75	50	25	0	38
Las Vegas	75	75	50	100	75	75
Los Angeles	88	88	100	88	100	88
Memphis	100	125	113	138	100	50
Miami	88	88	135	163	125	125
Minneapolis	35	35	50	75	25	38
Nashville	75	100	125	100	113	88
New York	75	25	75	38	75	150
Orange County	88	88	100	100	113	100
Orlando	113	125	125	125	100	150
Philadelphia	63	85	50	75	50	50
Phoenix	100	125	50	138	50	100
Portland	138	138	113	113	113	88
Sacramento	63	63	50	50	38	38
San Diego	100	100	75	100	100	125
San Francisco	88	138	100	150	138	188
Seattle	88	138	125	150	175	175
St Louis	50	100	50	138	50	125
Tampa	75	75	25	50	75	100
Washington, DC/Baltimore	33	13	33	33	45	108
Simple average	80	90	79	94	85	100
Stock-weighted average	80	76	76	78	82	104

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