

DELTA ASSOCIATES 12TH ANNUAL

AWARDS FOR EXCELLENCE

in the MID-ATLANTIC APARTMENT and CONDOMINIUM INDUSTRIES

Regional Economic & Multifamily
Market Trends & Outlook

By Gregory H. Leisch of Delta Associates

10.2.08



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AWARDS FOR EXCELLENCE

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Source: Bloomberg News, NY Times.com, Getty Images, Time.com, 10/2/08.

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AWARDS FOR EXCELLENCE

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Bread Line in Times Square, 1930

Source: Los Angeles Times; 10/2/08.

AWARDS FOR EXCELLENCE

in the MID-ATLANTIC APARTMENT and CONDOMINIUM INDUSTRIES

- 1. Good property performance fundamentals.**
- 2. Massive equity still on the sidelines.**
- 3. Equity at the property level.**
- 4. Federal government willing and able to act.**
- 5. Fortunate to be in the Mid-Atlantic.**

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AWARDS FOR EXCELLENCE

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Source: Delta Associates; 10/2/08.

WASHINGTON MULTIFAMILY INDUSTRY HEADLINES

- Regional economy sturdy.
- Area housing market shows early signs of stabilizing.
- Condominium market performs better than the overall housing market.
- Robust apartment market positions for the next cycle.
- Capital becomes scarce.

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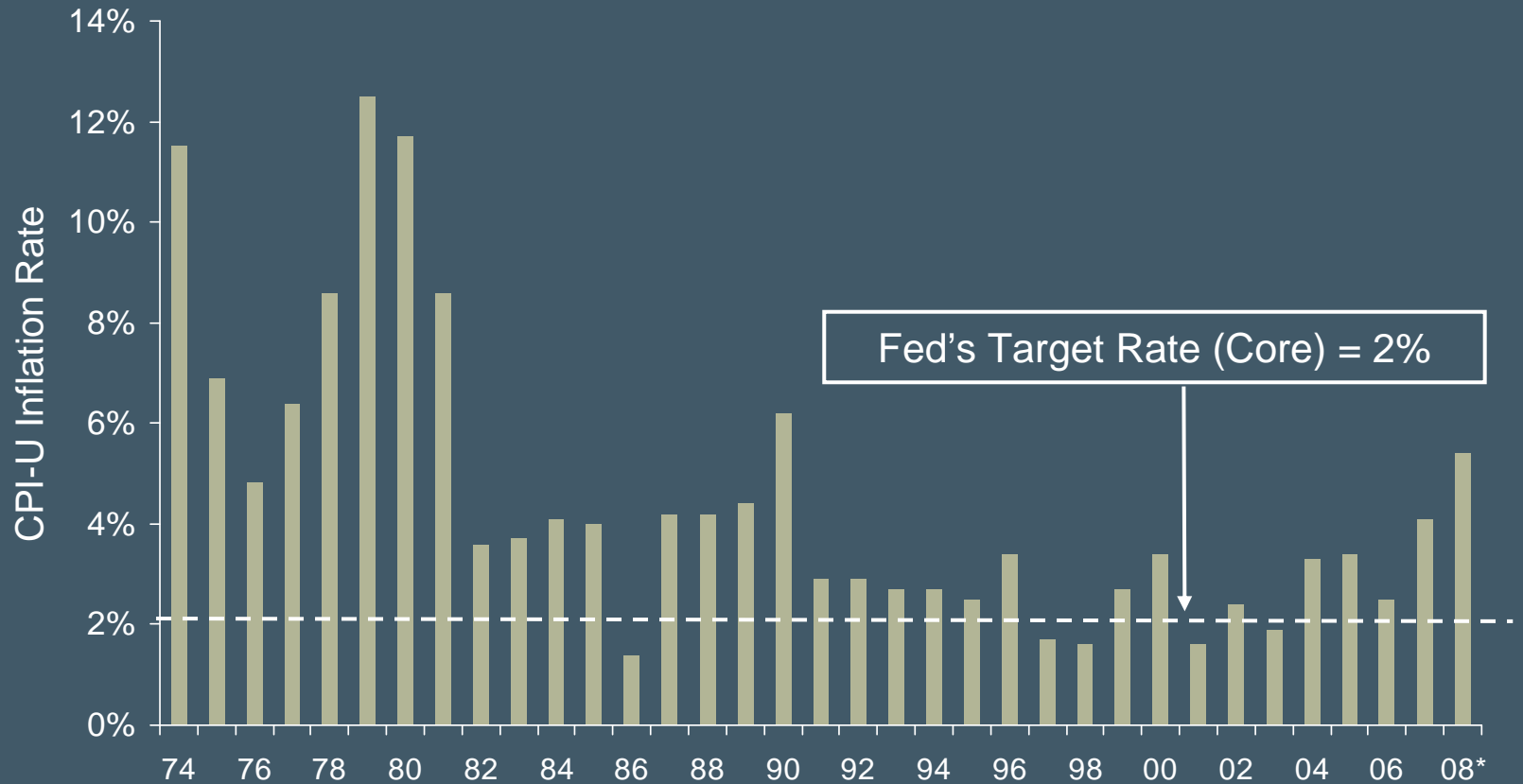
AWARDS FOR EXCELLENCE

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Third Quarter 2008 Update The National Economy

U.S. INFLATION

1974 – 2008



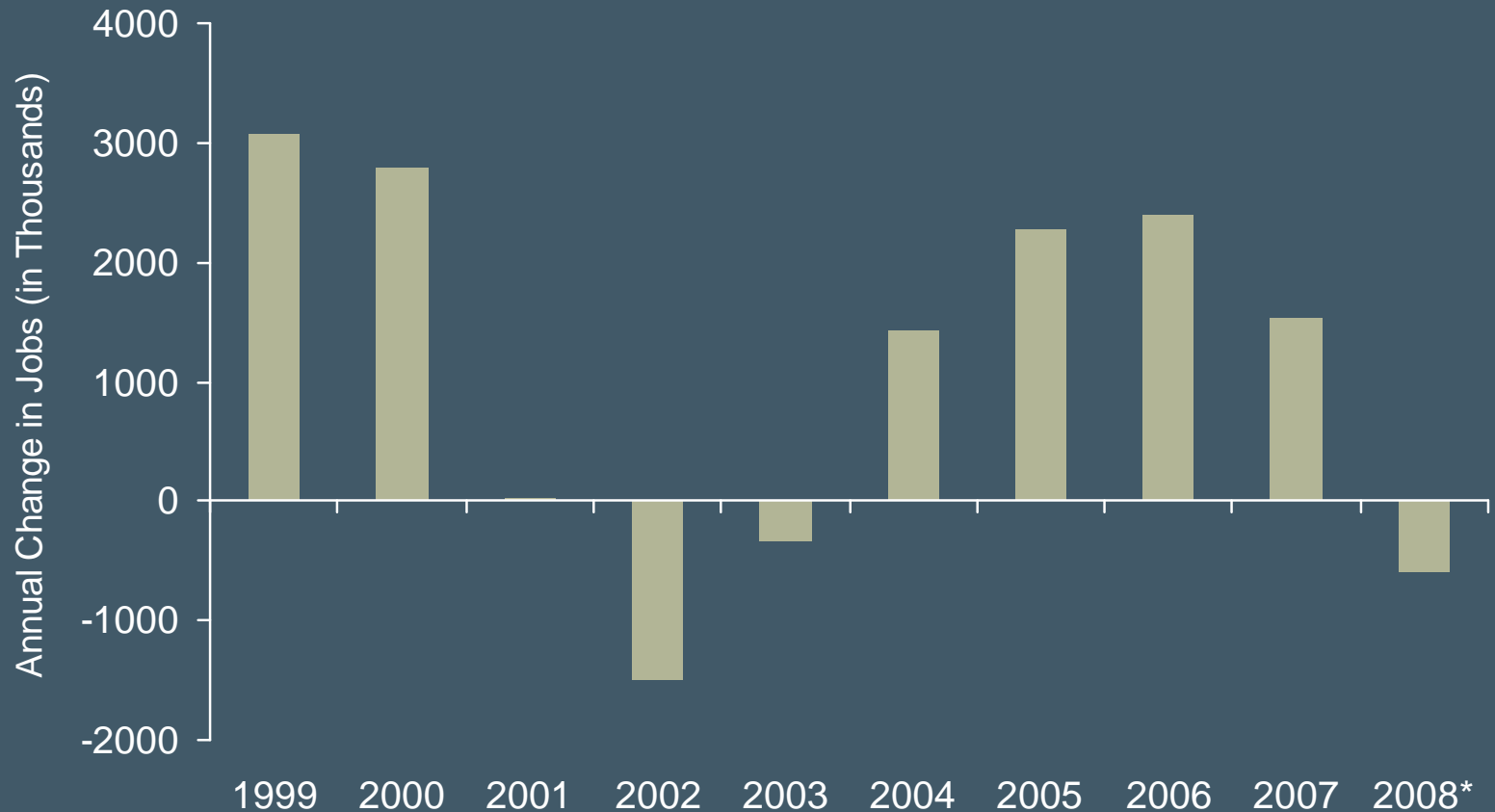
Source: Bureau of Labor Statistics, Delta Associates; 10/2/08.

*12 month percentage change through August 2008.



PAYROLL JOB GROWTH

UNITED STATES 1999 – 2008



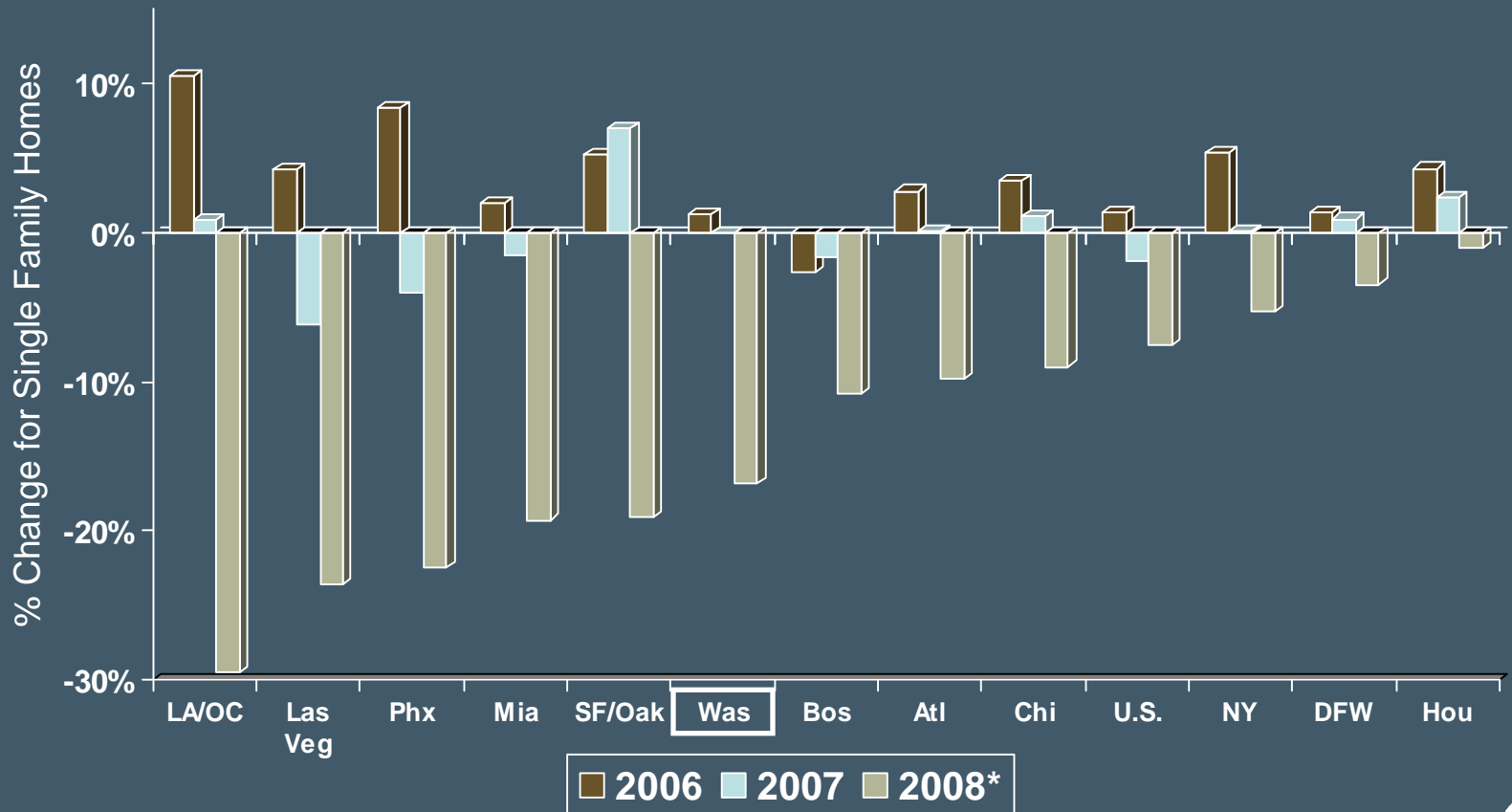
Source: Bureau of Labor Statistics, Delta Associates; 10/2/08.

*Job growth total though August 2008



CHANGE IN EXISTING HOME SALE PRICES

LARGE METRO AREAS



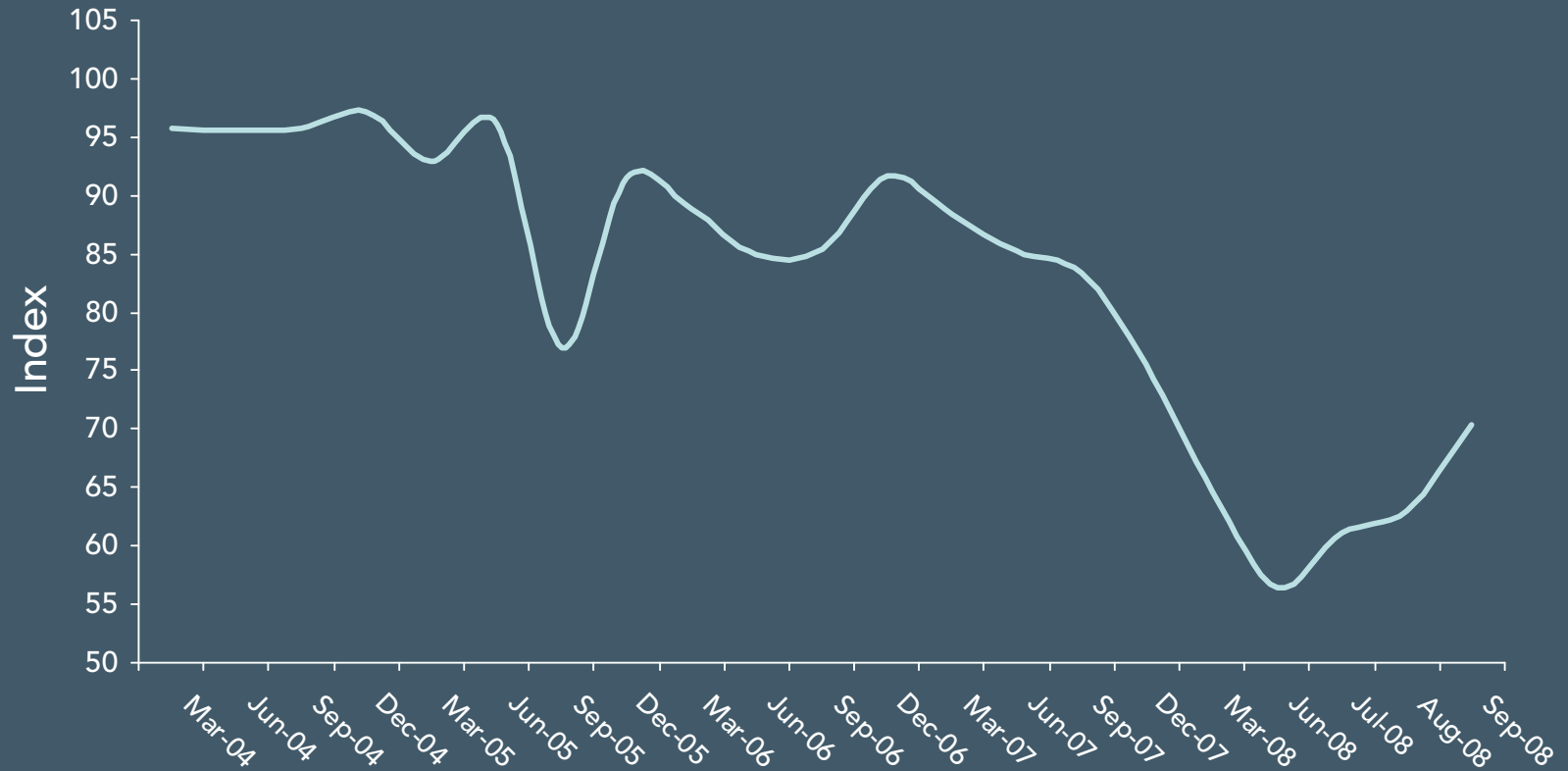
Source: National Association of Realtors; 10/2/08.

*12 months ending Q2 2008.



CONSUMER SENTIMENT

UNITED STATES 2004 – 2008

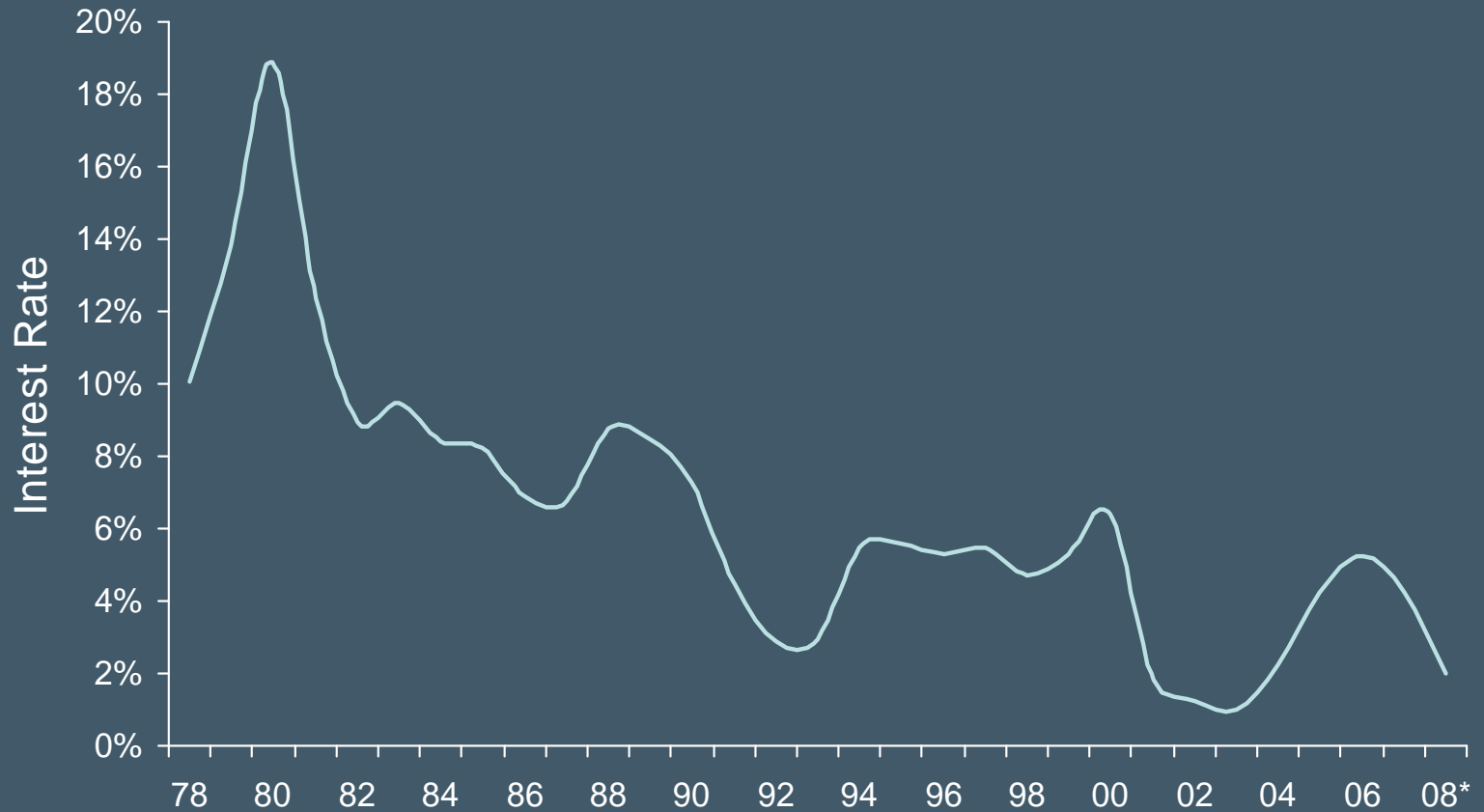


Source: University of Michigan, Reuters, Bloomberg; 10/2/08.



FEDERAL FUNDS RATE

1978 – 2008



Source: Federal Reserve Board, Delta Associates; 10/2/08.

*At October 2, 2008.



WHAT WILL REVIVE CONSUMER CONFIDENCE AND THEN THE ECONOMY?



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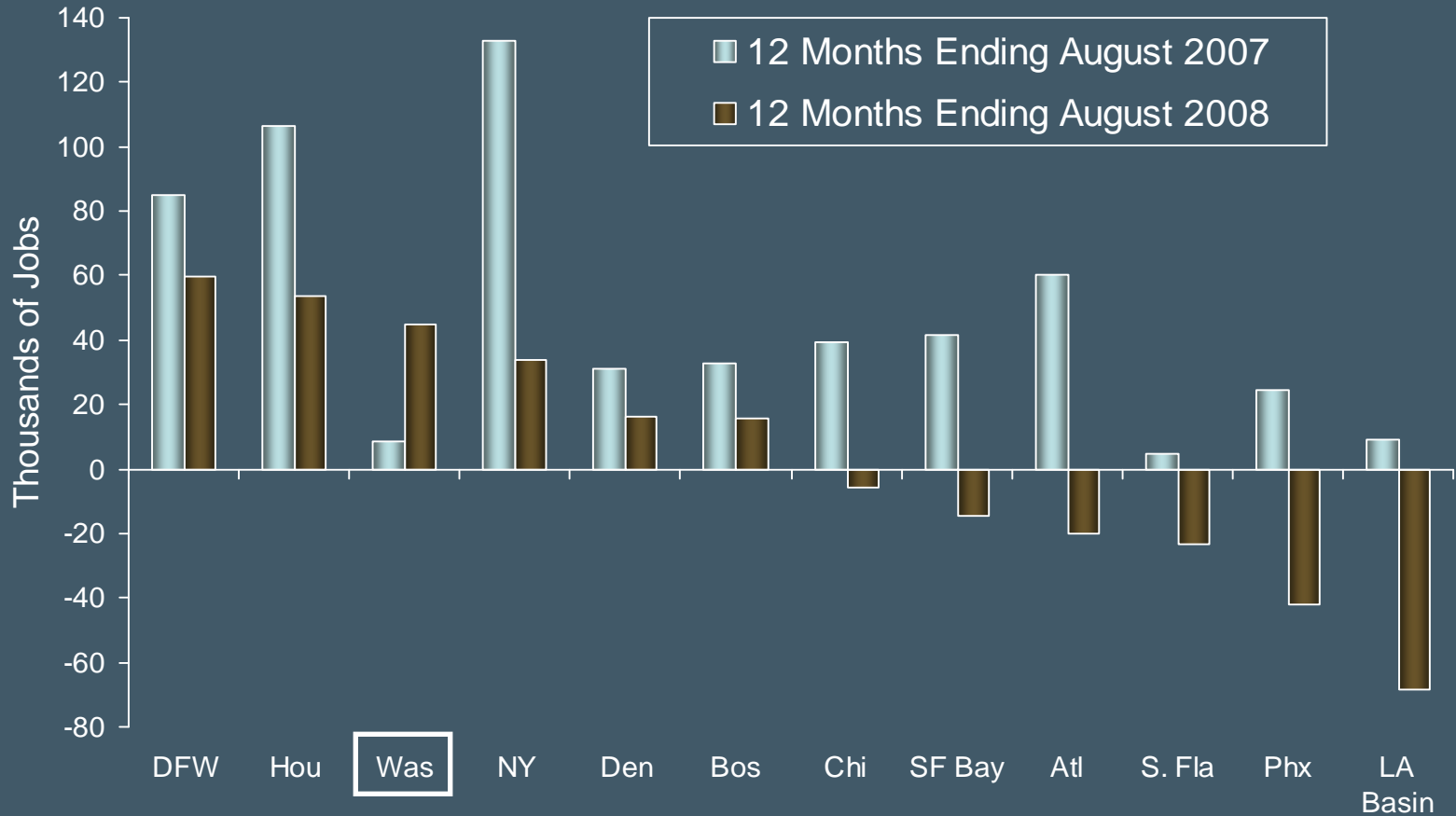
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Third Quarter 2008 Update The Regional Economy

PAYROLL JOB GROWTH

LARGE METRO AREAS



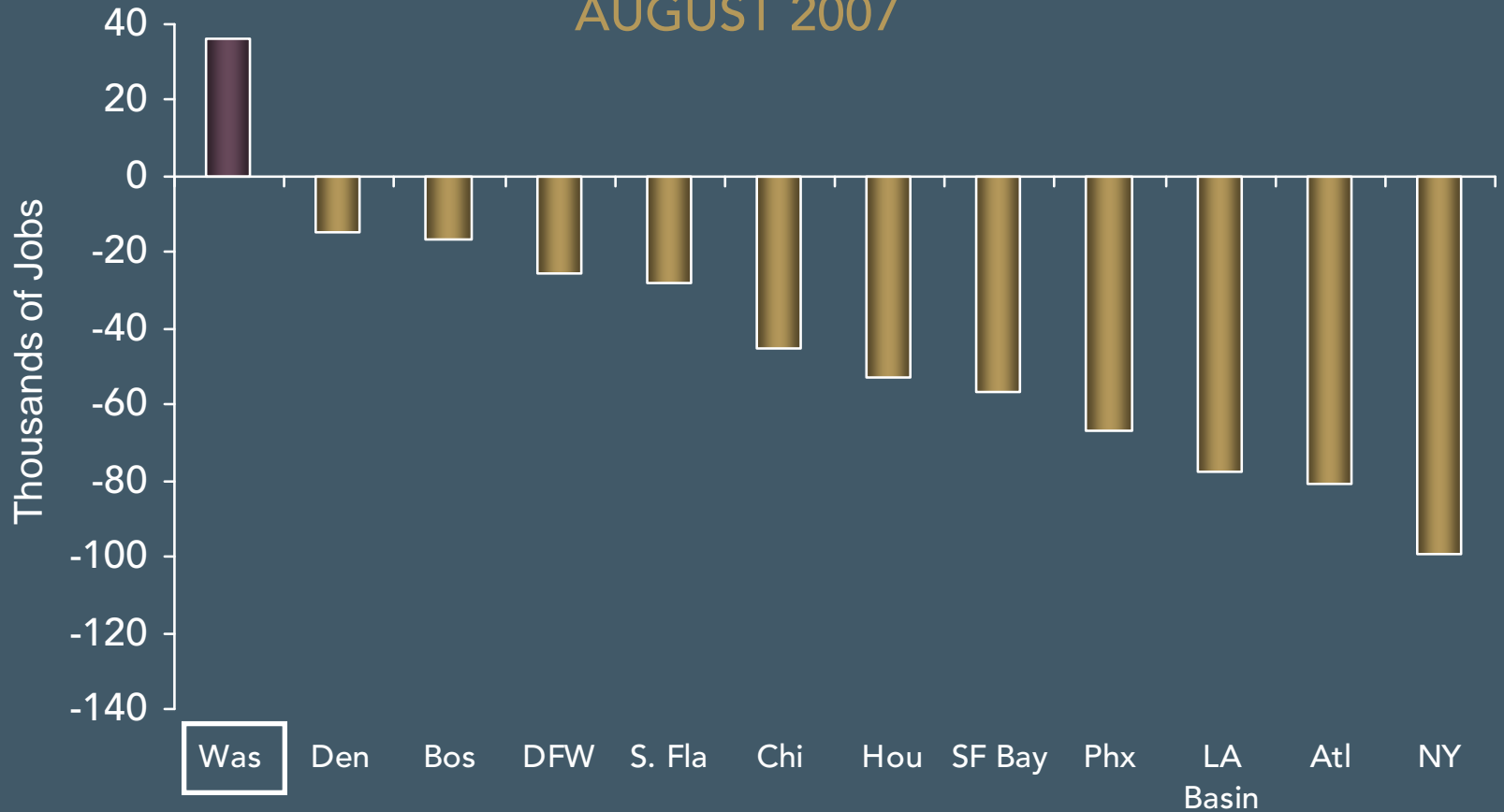
Source: Bureau of Labor Statistics, Delta Associates; 10/2/08.



PAYROLL JOB DIFFERENTIAL

LARGE METRO AREAS

12 MONTHS ENDING AUGUST 2008 vs. 12 MONTHS ENDING AUGUST 2007



Source: Bureau of Labor Statistics, Delta Associates; 10/2/08.

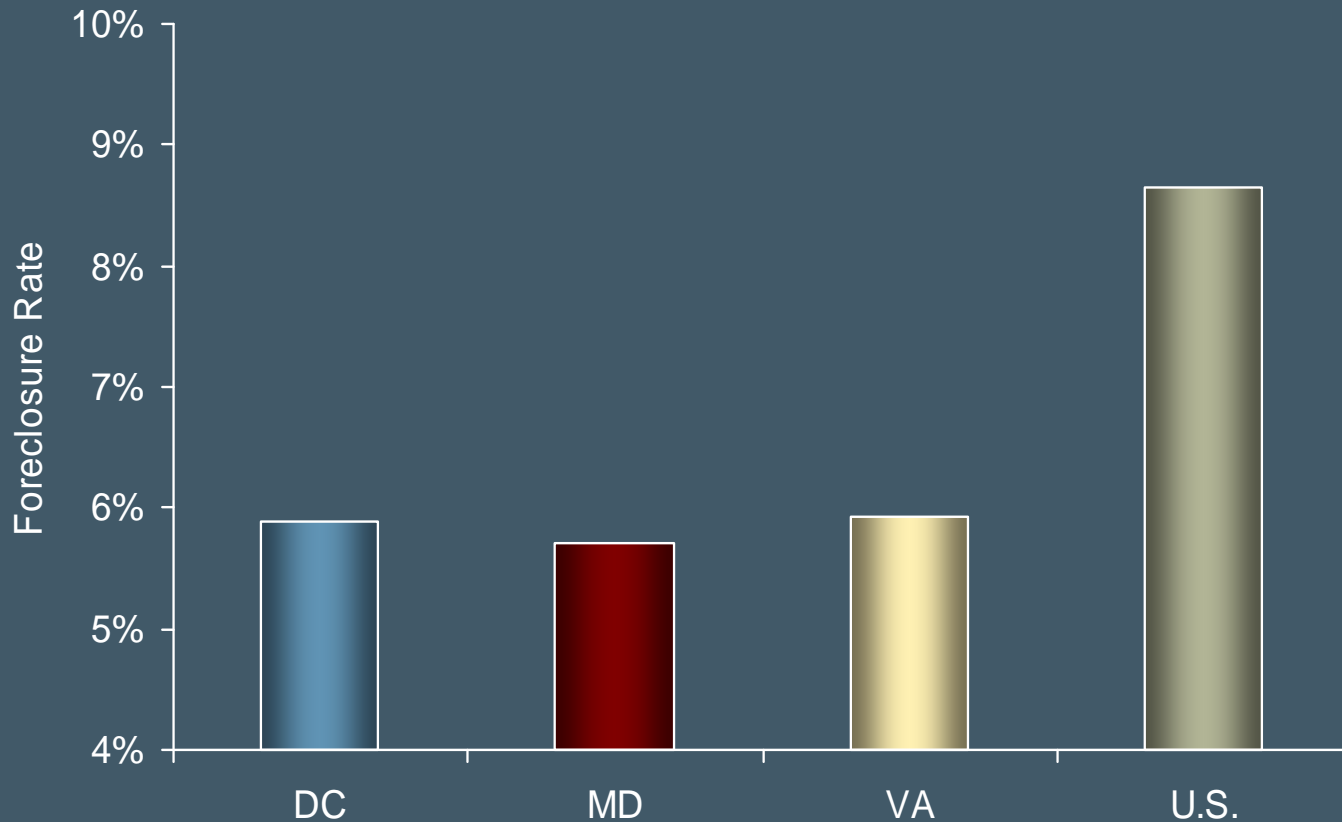
CORE INDUSTRIES

WASHINGTON METRO AREA 2007

Core Industries	% GRP
Federal Government	33%
(Federal Procurement = 16% of total GRP)	
Technology	16%
Building Industry	6%
International Business	5%
Tourism / Hospitality	<u>2%</u>
Total Core Industries	62%
Other	<u>38%</u>
Total GRP	100%

SUBPRIME MORTGAGE FORECLOSURES

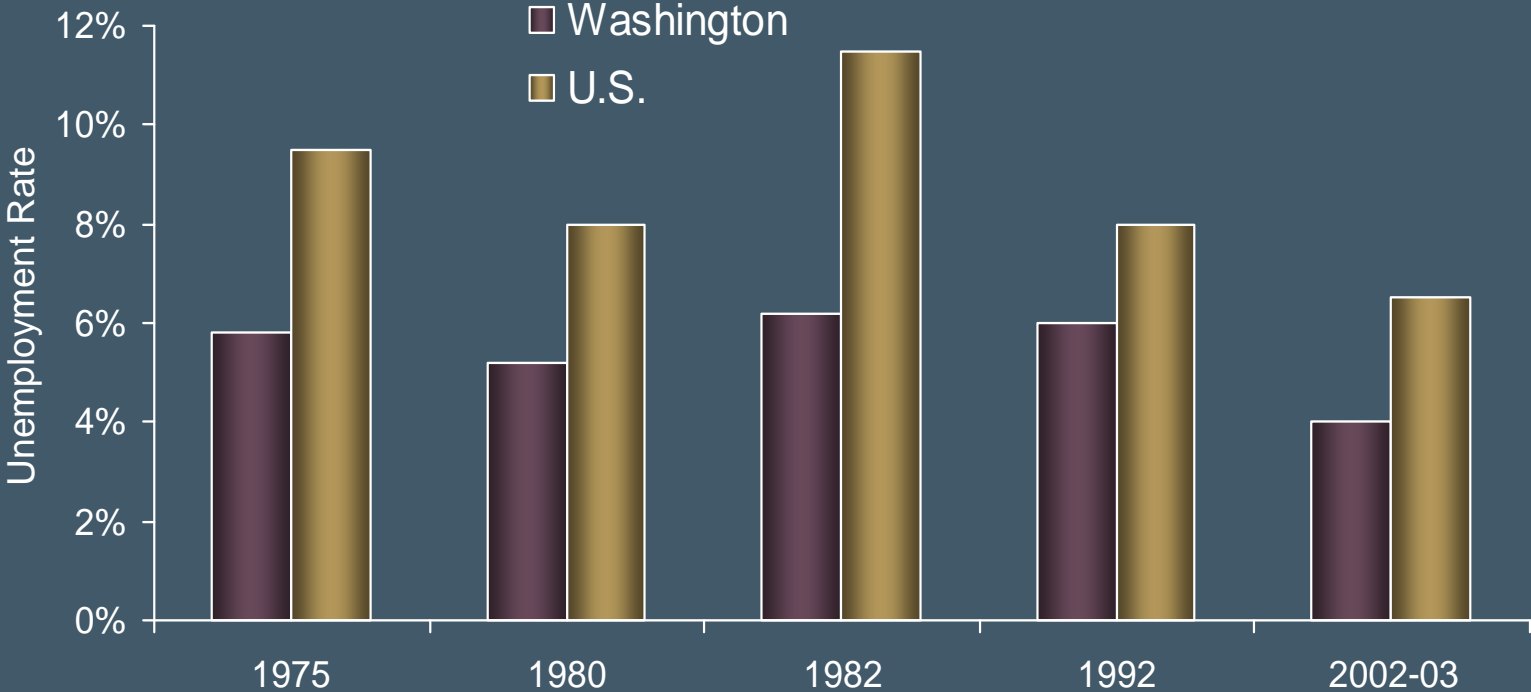
U.S. vs MID-ATLANTIC JURISDICTIONS 2007



Source: Mortgage Bankers Association, Delta Associates; 10/2/08.

PEAK UNEMPLOYMENT RATES

RECESSIONARY PERIODS WASHINGTON METRO AREA VS. U.S. AVERAGE

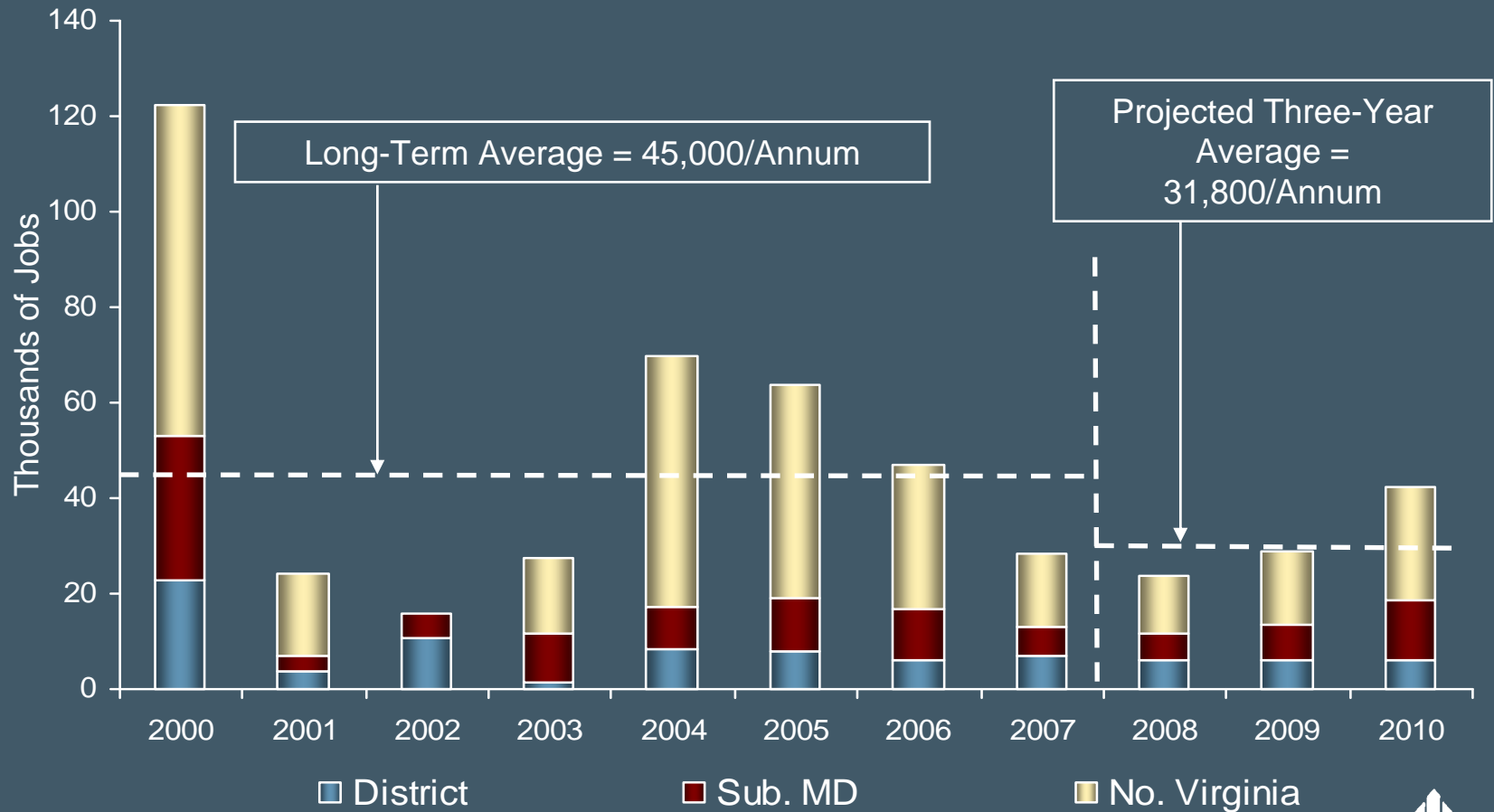


Source: Dr. Stephen Fuller, Delta Associates; 10/2/08.



PAYROLL JOB GROWTH TRENDS AND FORECAST

WASHINGTON METRO AREA 2000 – 2010



Source: Dr. Stephen Fuller and Delta Associates; 10/2/08.

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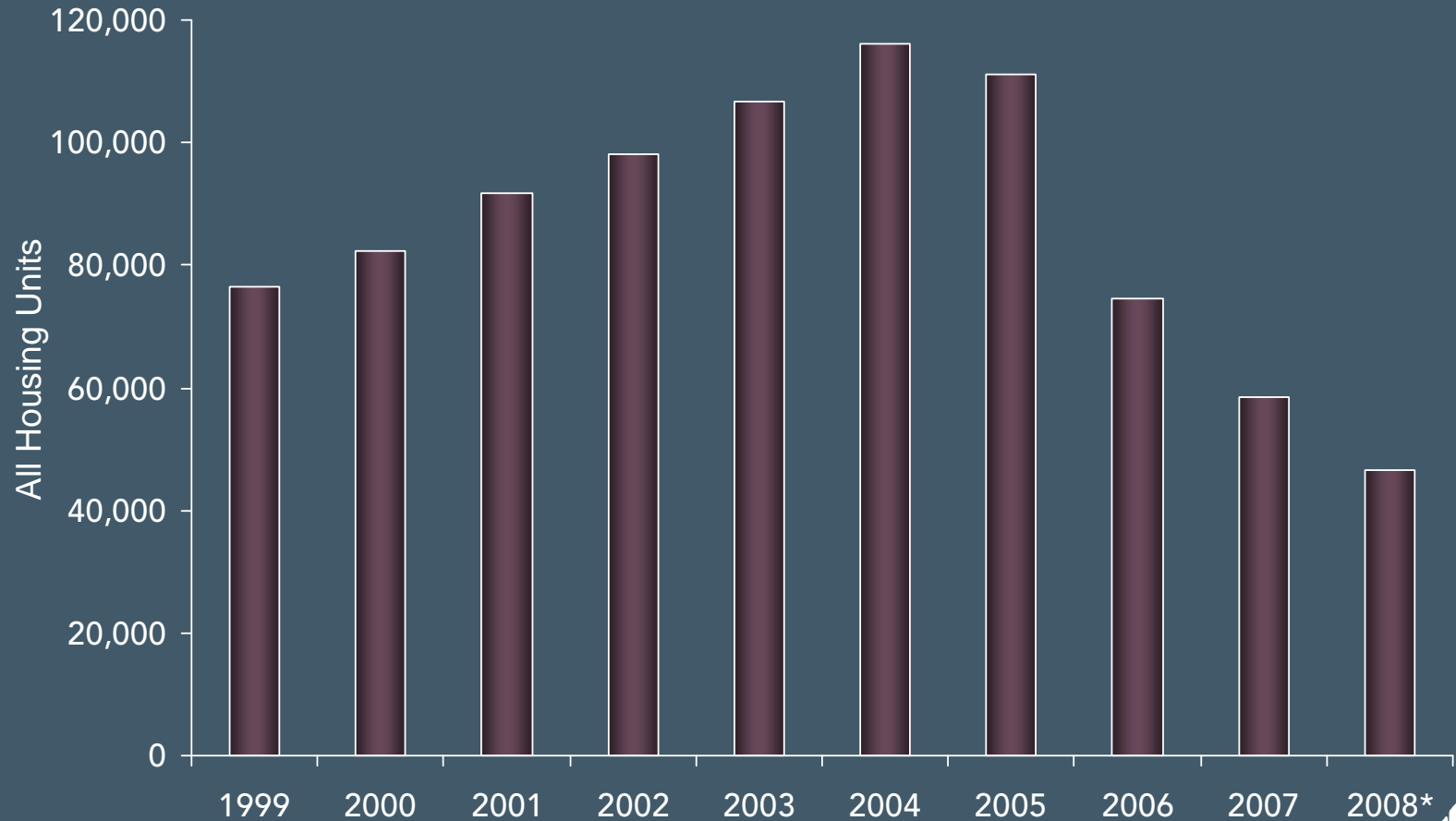
AWARDS FOR EXCELLENCE

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Third Quarter 2008 Update Washington Metro Housing Market

RESALE VOLUME

WASHINGTON METRO AREA 1999 – 2nd QUARTER 2008



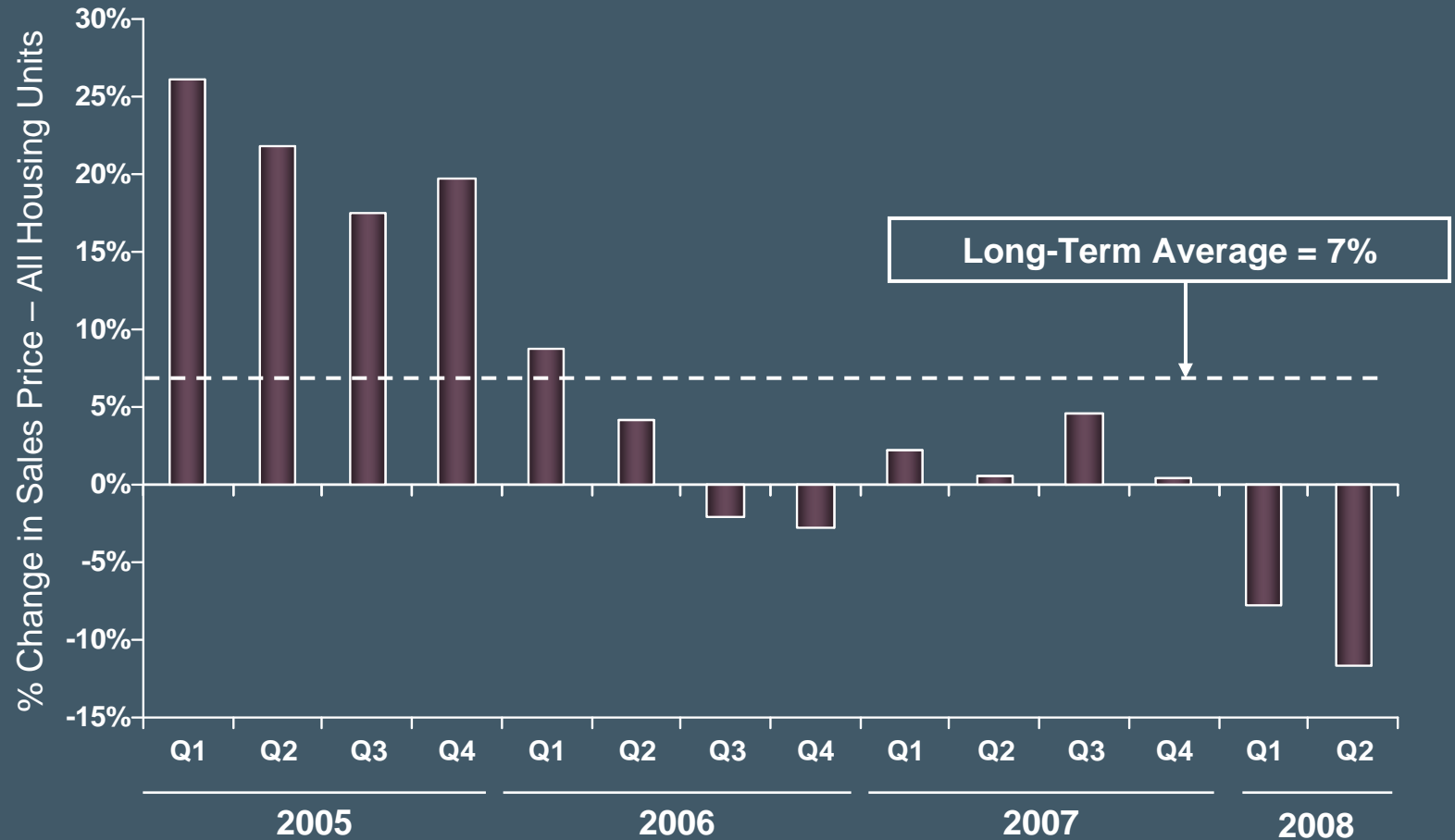
Source: MRIS, Delta Associates; 10/2/08.

*1st half 2008 annualized.



ANNUAL SALES PRICE CHANGE

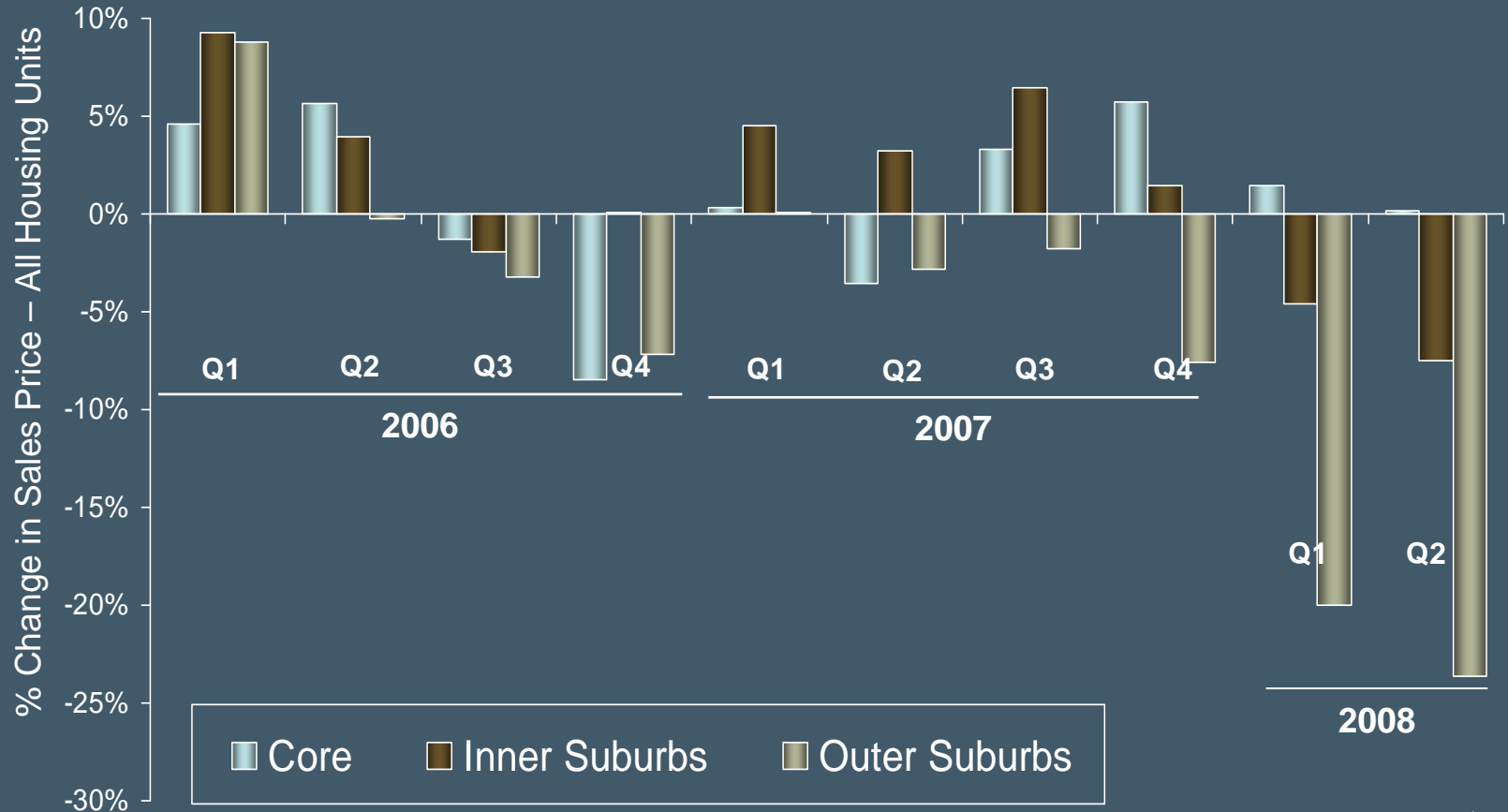
WASHINGTON METRO AREA 2005 – 2nd QUARTER 2008



Source: MRIS, Delta Associates; 10/2/08.

ANNUAL SALES PRICE CHANGE

WASHINGTON METRO AREA
2005 – 2nd QUARTER 2008



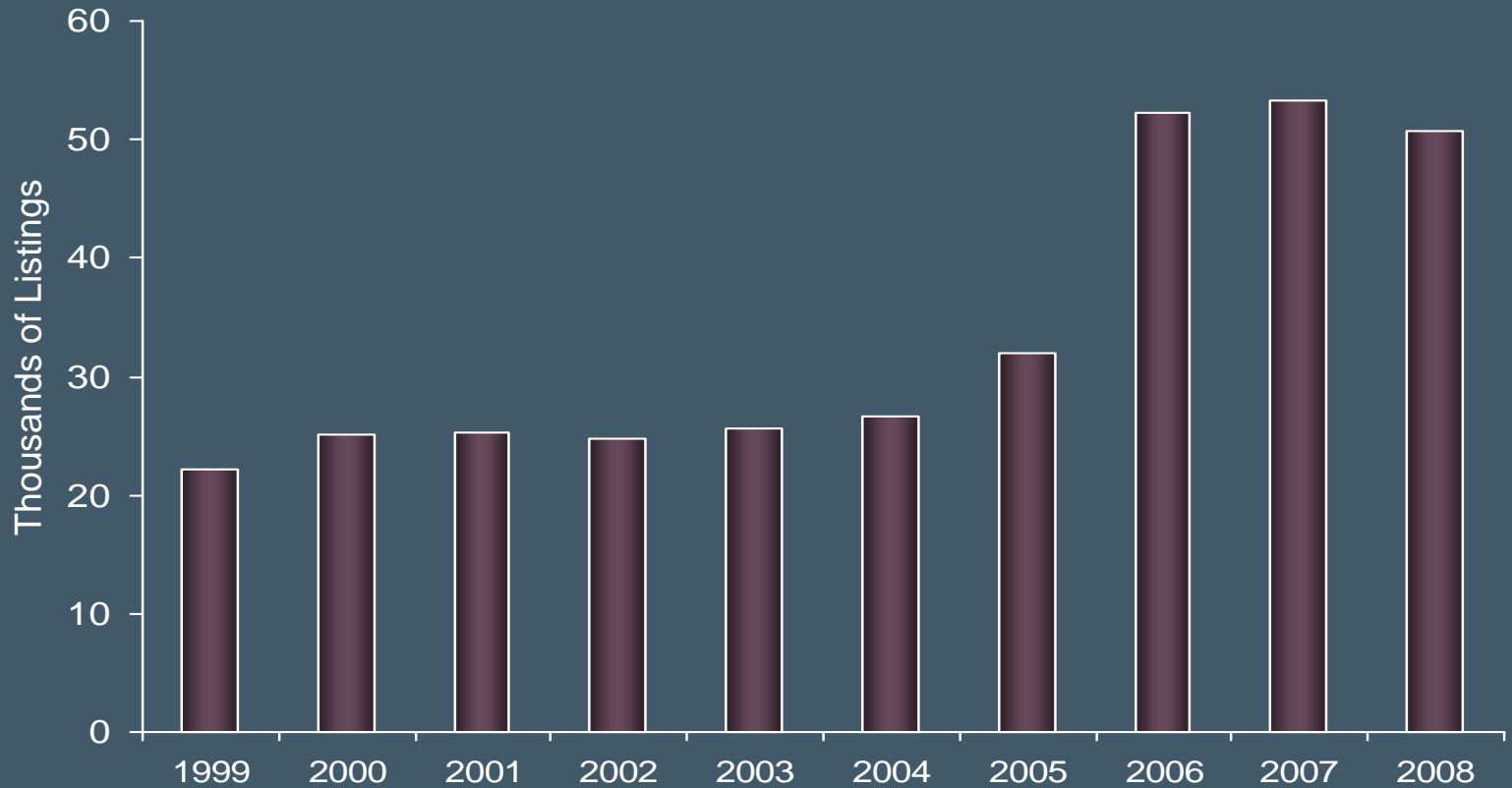
Source: MRIS, Delta Associates; 10/2/08.

Core: DC, Arlington, Alexandria.
Inner: Fairfax, Montgomery, Prince George's.
Outer: Loudoun, Prince William, Frederick.



TOTAL ACTIVE LISTINGS

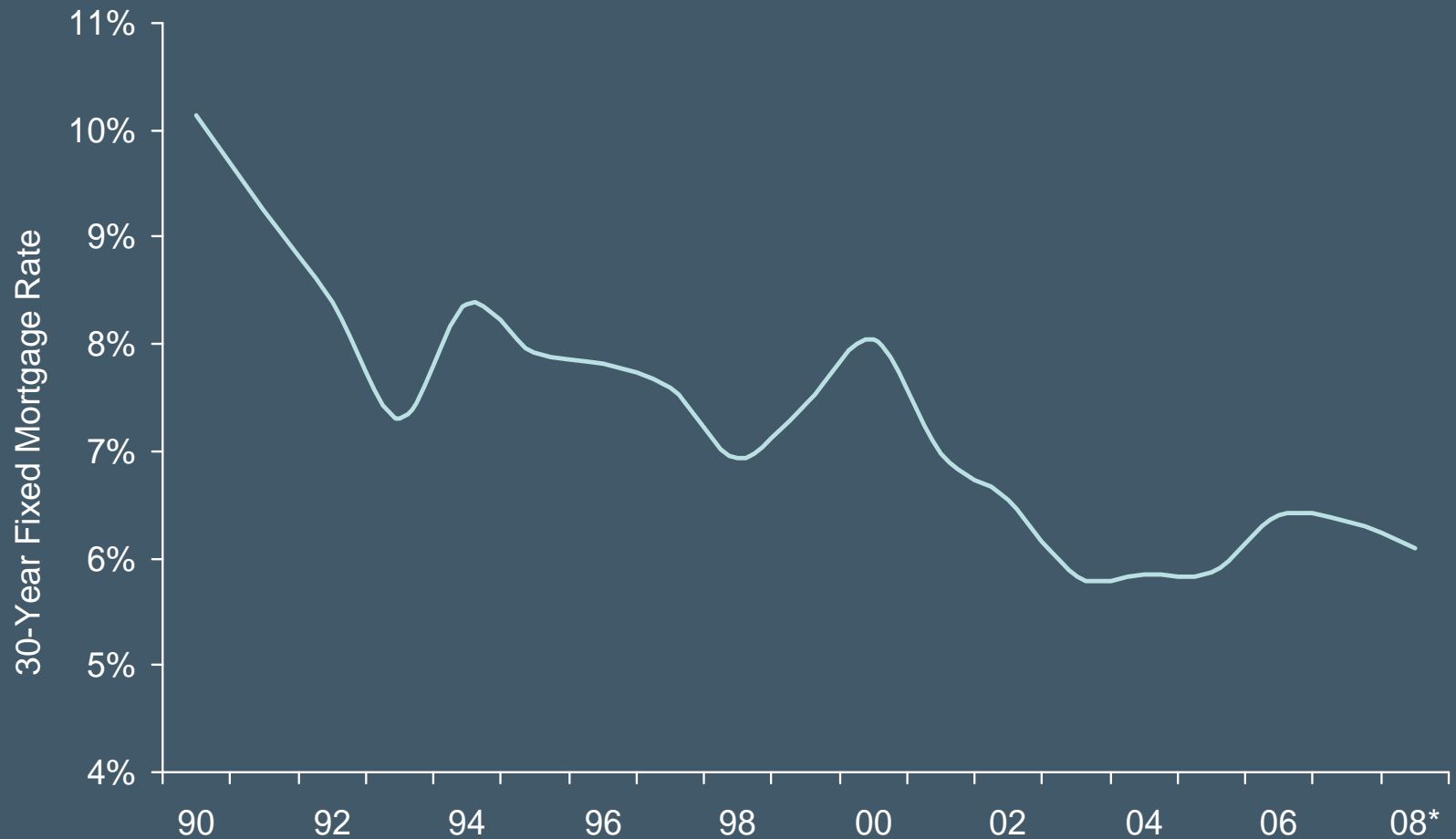
WASHINGTON METRO AREA
AUGUST OF EACH YEAR



Source: John McClain, George Mason University, Delta Associates; 10/2/08.



30-YEAR MORTGAGE RATE



Source: Freddie Mac, Delta Associates; 10/2/08.

* At September 25, 2008.



HOUSING OUTLOOK

WASHINGTON METRO AREA 2009 – 2012

➤ **Inventory:**

- Inventory stabilizing; better supply-demand balance inside the Beltway than outside the Beltway

➤ **Average Days on the Market:**

- Up to 104 days, compared to the long-term average of 76 days

➤ **Prices and Volume:**

- Inside the Beltway: For now, prices stable and volume low. Prices and volume returning to more normalized conditions by 2010.
- Outer Suburbs: For now, prices down and volume up. Prices and volume returning to more normalized conditions by 2012.

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AWARDS FOR EXCELLENCE

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The Washington Metro Condominium Market

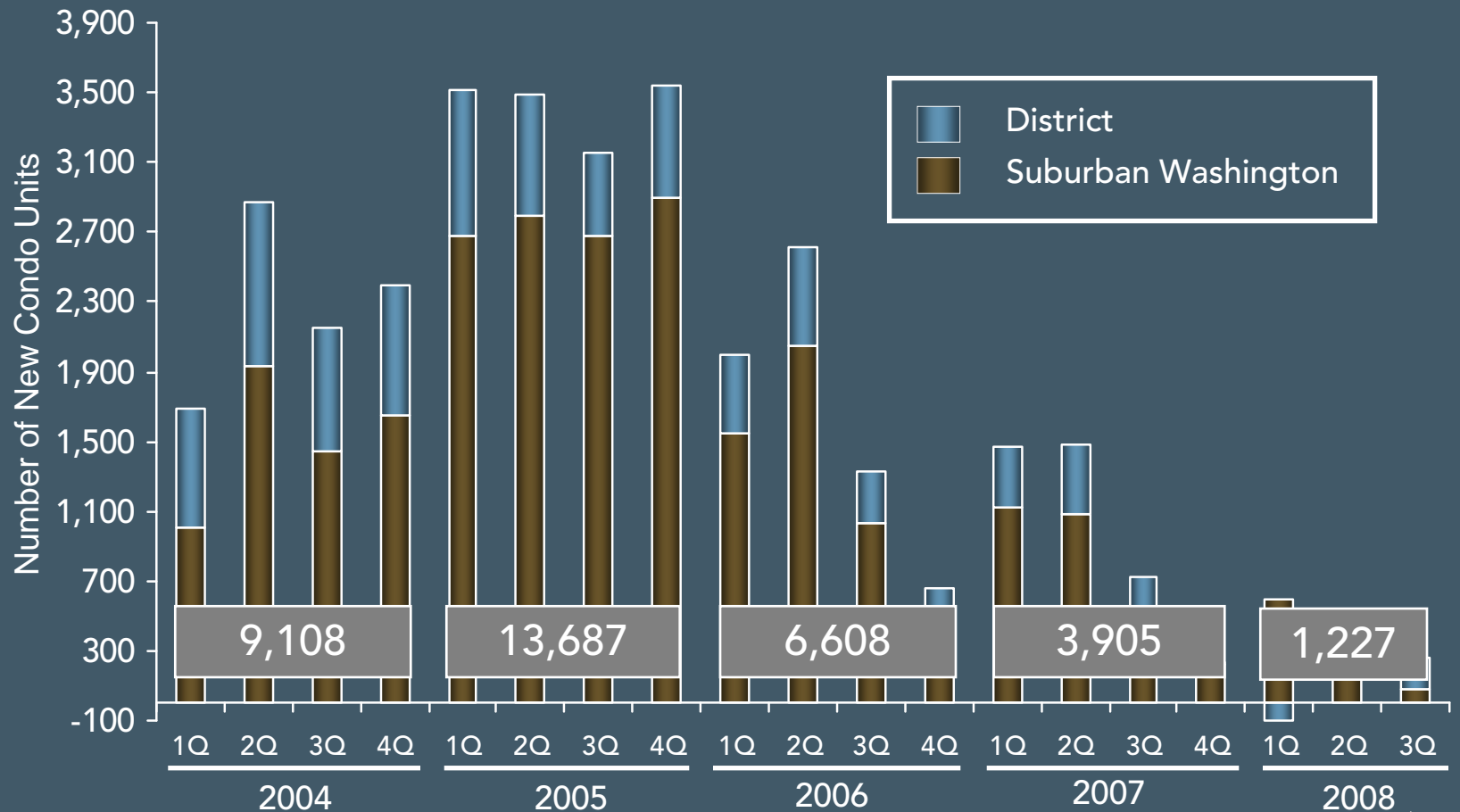
LARGEST CONDOMINIUM MARKETS



Source: U.S. Census Bureau, Delta Associates; 10/2/08.

NEW UNIT NET SALES ACTIVITY

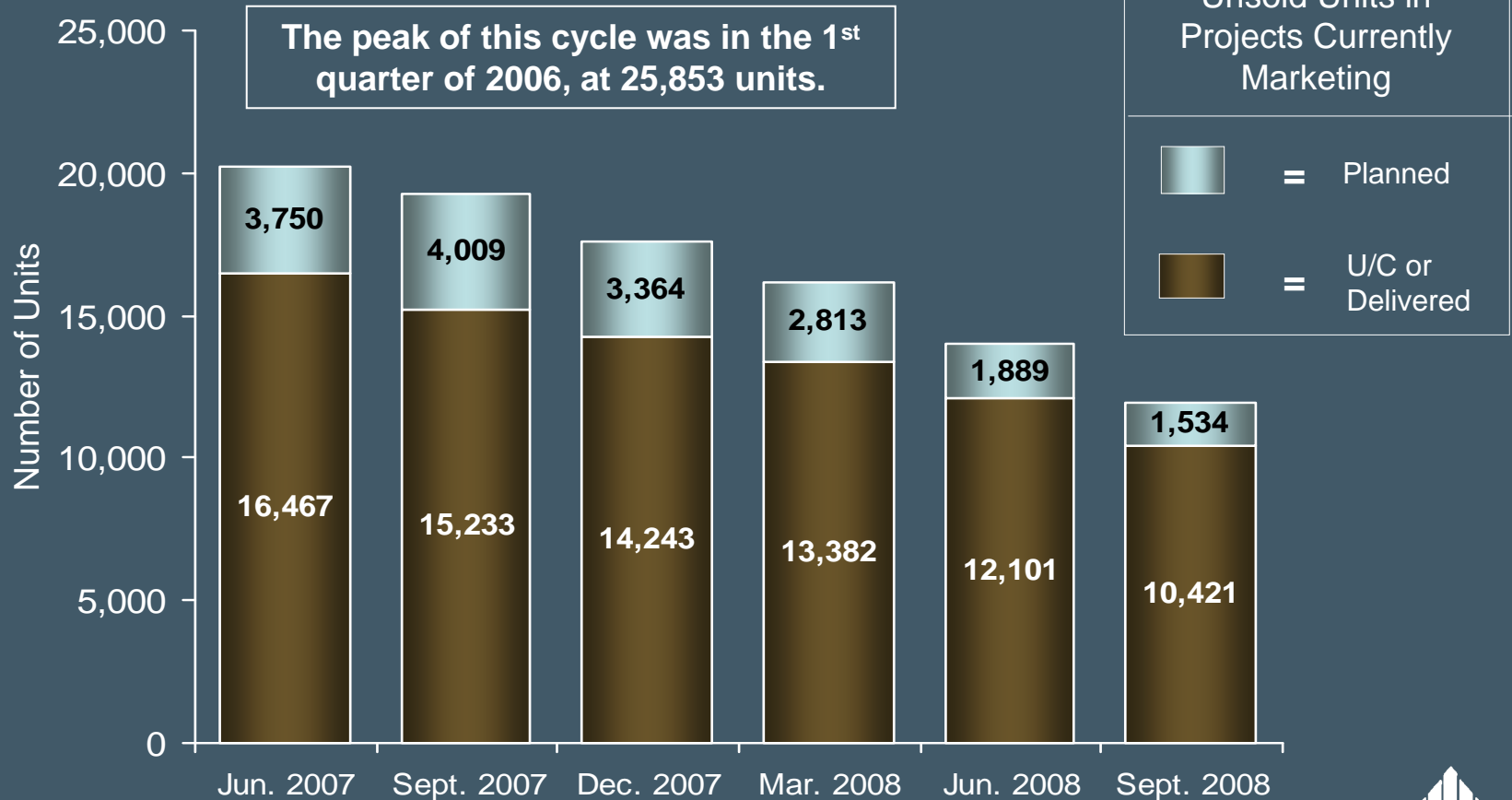
WASHINGTON METRO AREA 2004 – 3rd QUARTER 2008



Source: Delta Associates; 10/2/08.

PIPELINE OF ACTIVELY MARKETING CONDO UNITS

WASHINGTON METRO AREA
JUNE 2007 – SEPTEMBER 2008



Source: Delta Associates; 10/2/08.

CONDO DEVELOPMENT PIPELINE REMOVALS

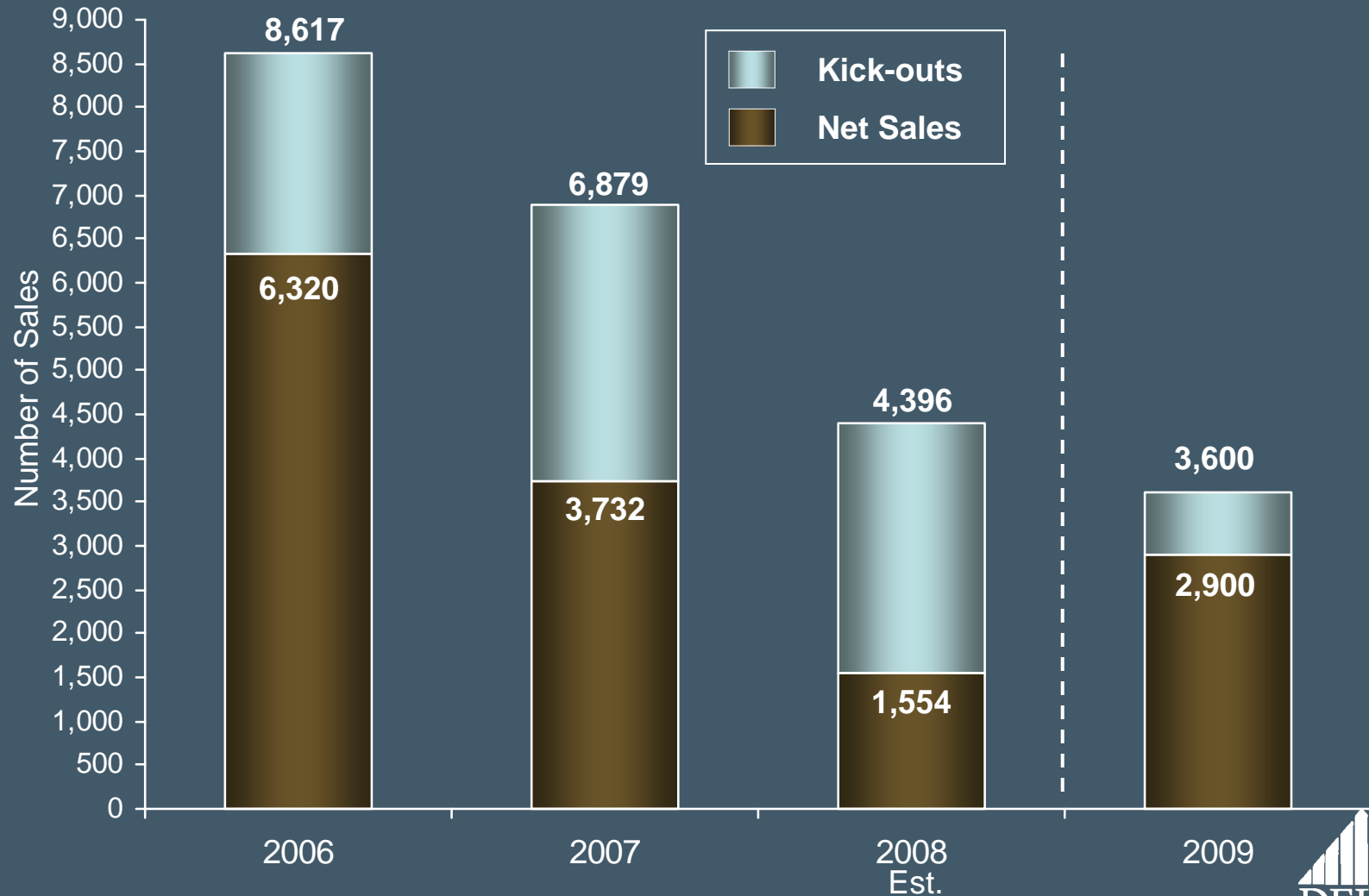
WASHINGTON METRO AREA
2nd QUARTER 2007 – 3rd QUARTER 2008



Source: Delta Associates; 10/2/08.

NET SALES VS. GROSS SALES

WASHINGTON METRO AREA 2006 – 2009



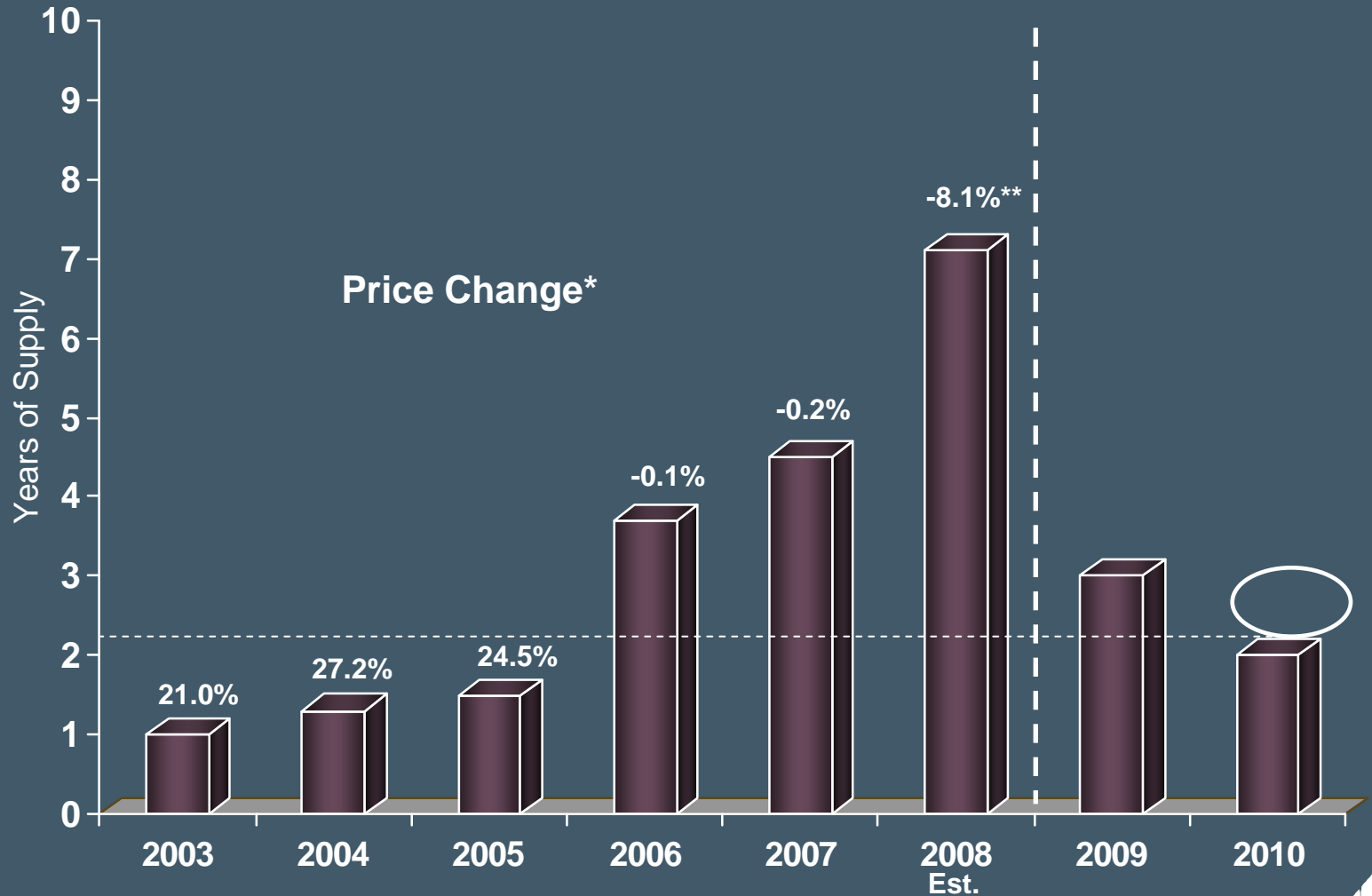
Source: McWilliams | Ballard, Delta Associates; 10/2/08.

Note: Excludes Howard & Anne Arundel Counties



YEARS OF CONDOMINIUM SUPPLY

WASHINGTON METRO AREA 2003 – 2010



Source: Delta Associates; 10/2/08.

*Resales

**12 months ending September 2008



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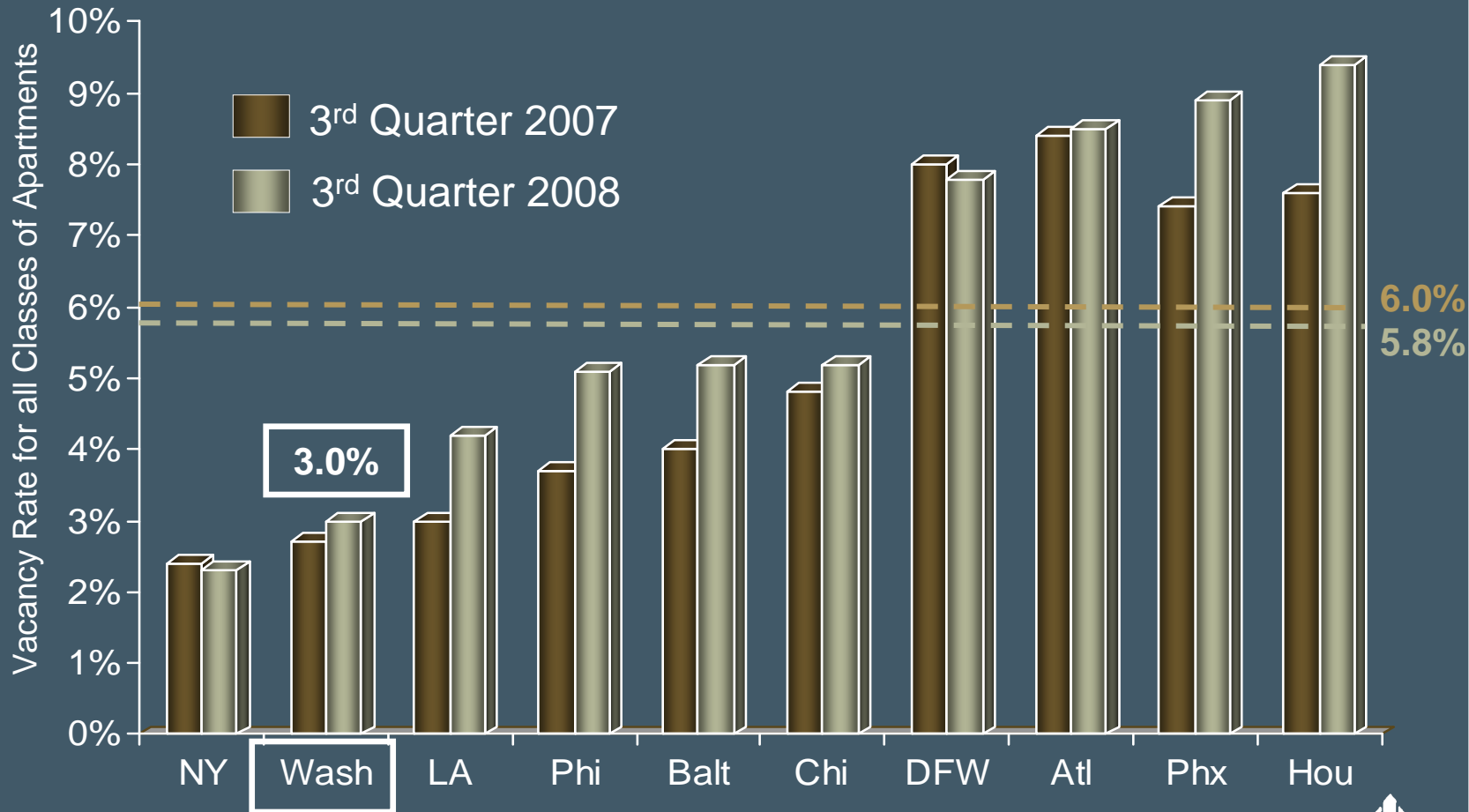
AWARDS FOR EXCELLENCE

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The Washington Metro Apartment Market

LOWEST APARTMENT VACANCY RATES

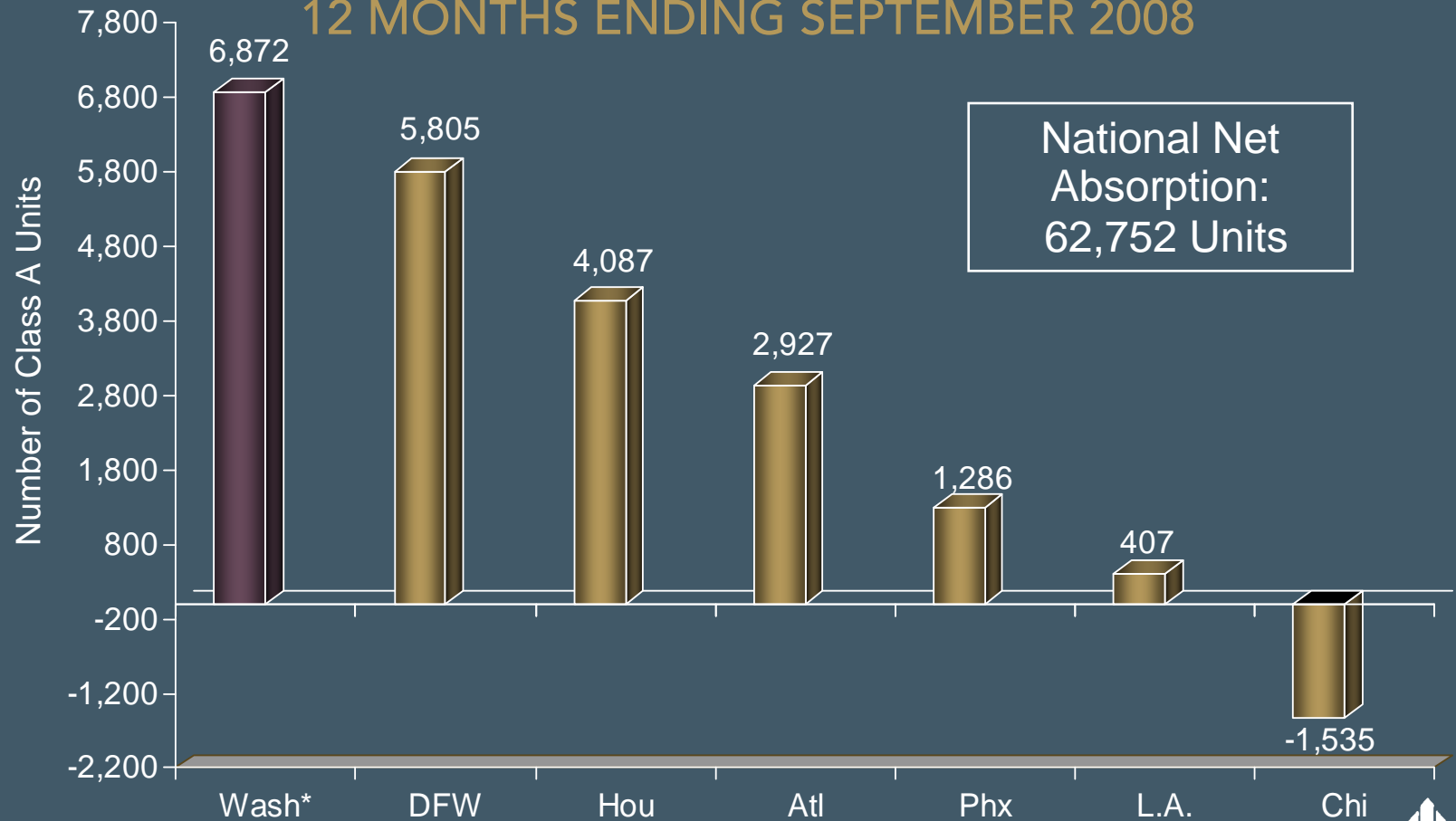
LARGE METRO AREAS



Source: REIS, Delta Associates; 10/2/08.

ANNUAL NET ABSORPTION OF CLASS A APARTMENTS

MAJOR APARTMENT MARKETS
12 MONTHS ENDING SEPTEMBER 2008



Source: REIS, Delta Associates; 10/2/08.

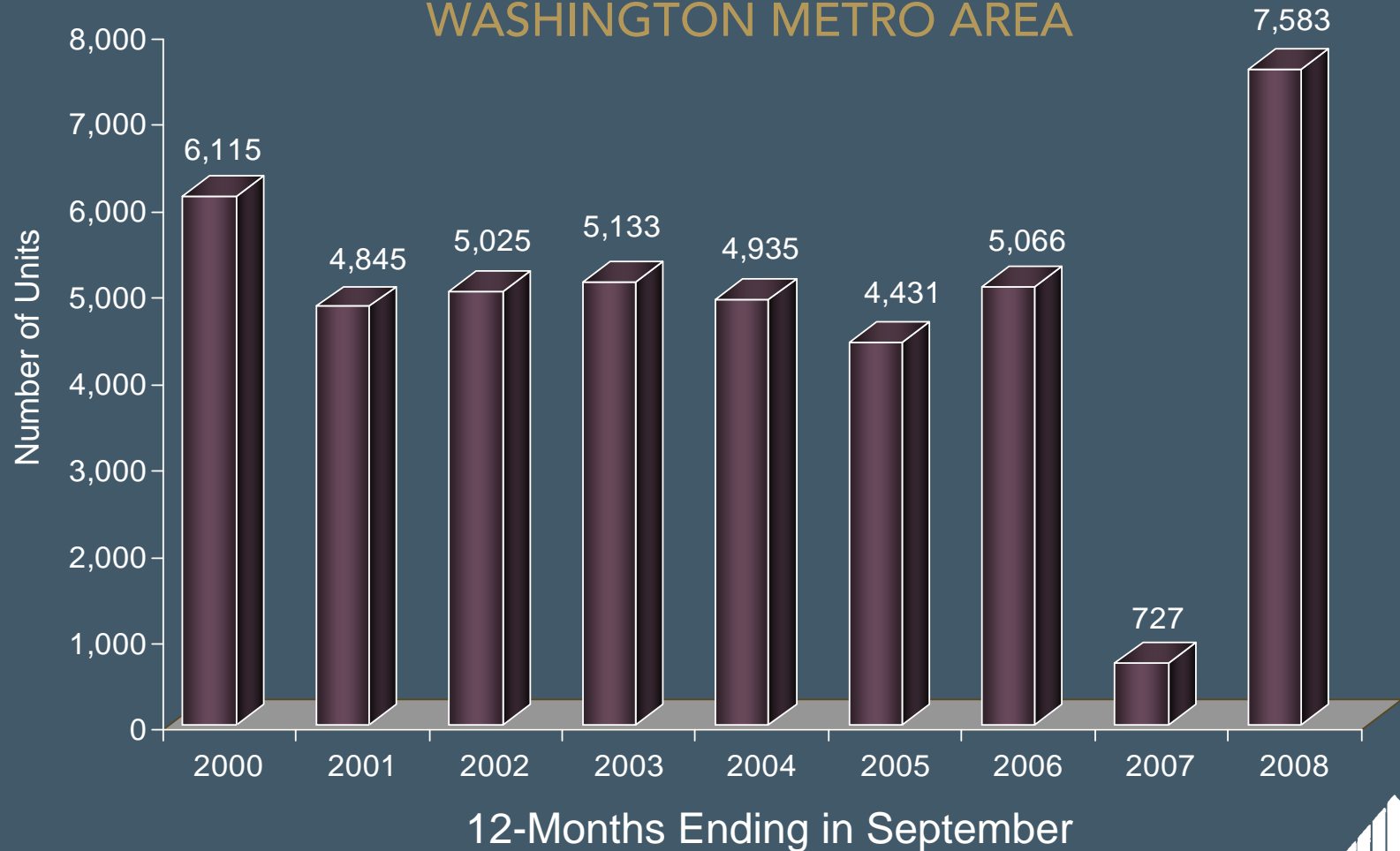
*Wash = 12 Months Ending 9/08.

All other markets are 12 months ending 6/08.



NET APARTMENT UNIT ABSORPTION

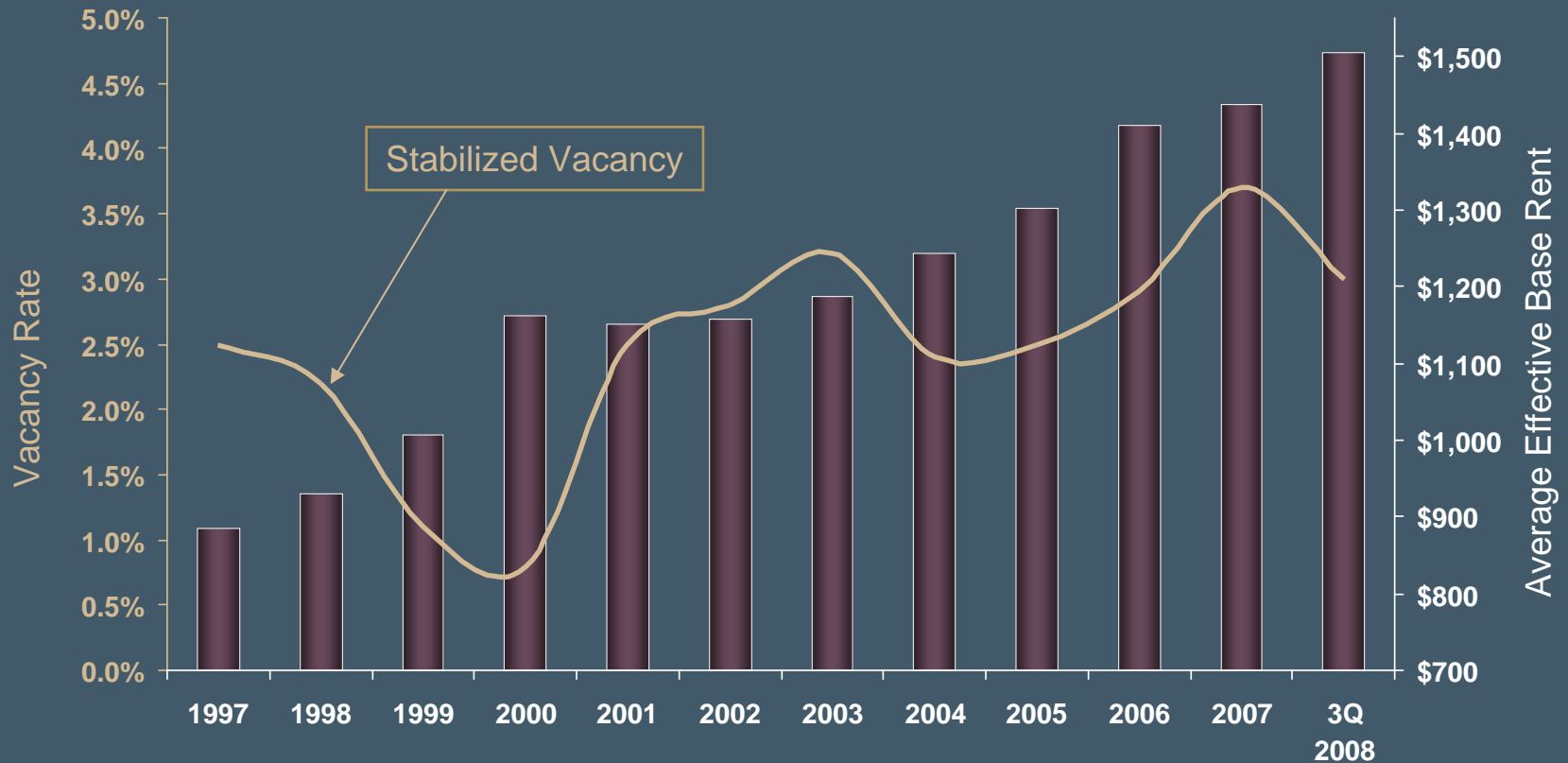
ALL TYPES AND CLASSES OF APARTMENTS
WASHINGTON METRO AREA



Source: Delta Associates; 10/2/08.

EFFECTIVE RENTAL RATE AND VACANCY RATE

ALL TYPES AND CLASSES OF APARTMENTS
WASHINGTON METRO AREA

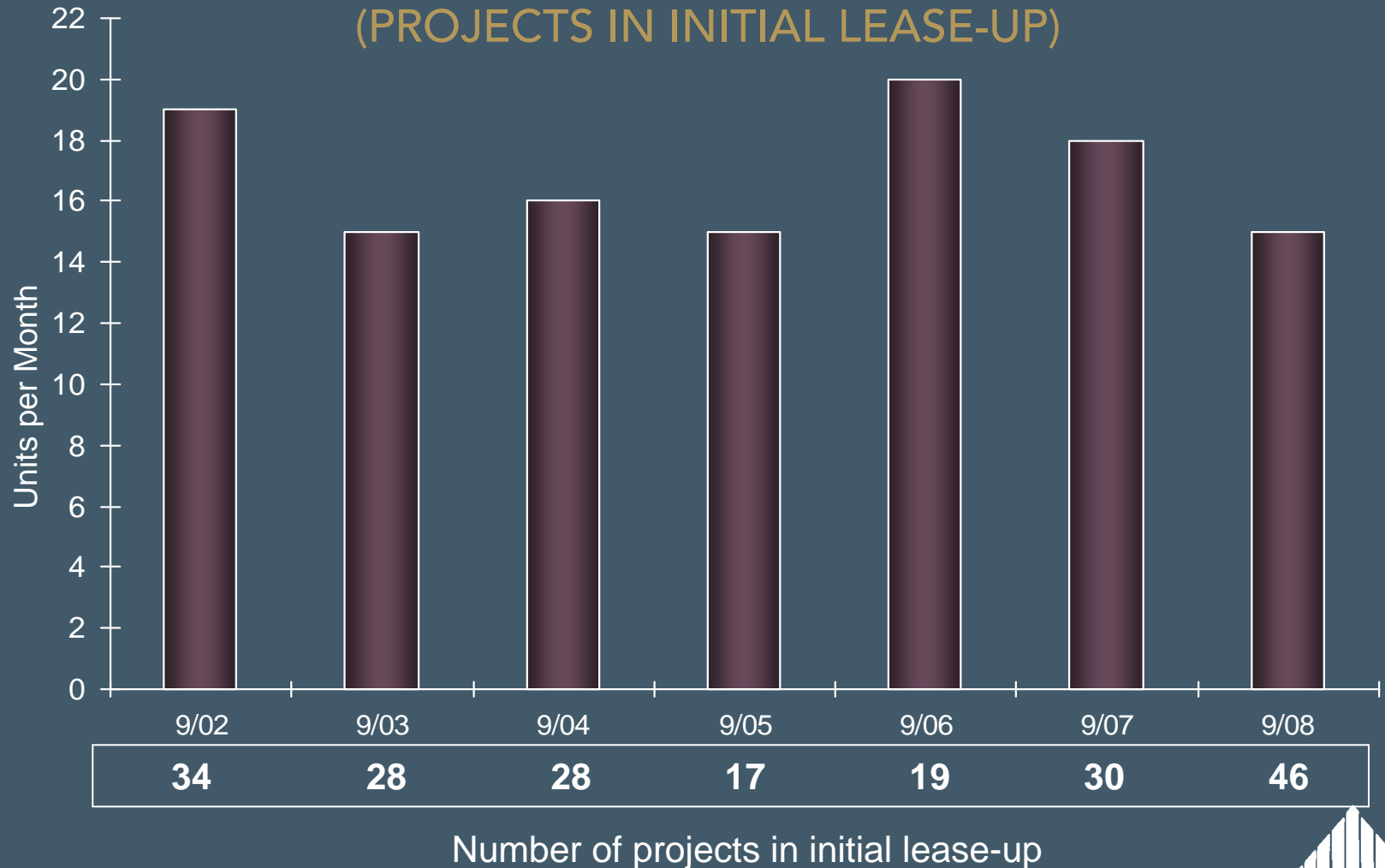


Source: Delta Associates; 10/2/08.

4.5% / yr.
Rent Growth

ABSORPTION PACE PER PROJECT PER MONTH

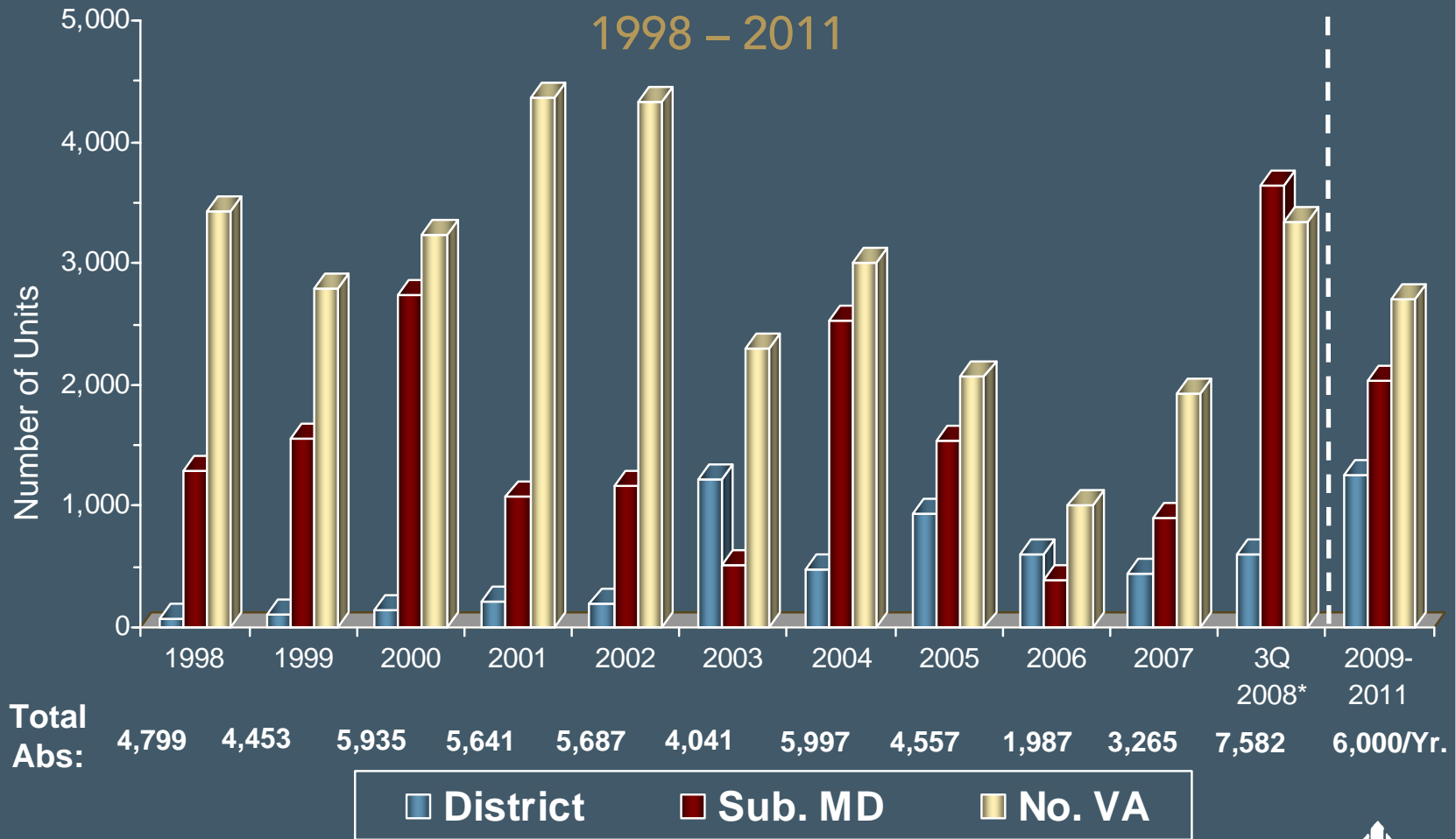
WASHINGTON METRO AREA
(PROJECTS IN INITIAL LEASE-UP)



Source: Delta Associates; 10/2/08.

ANNUAL APARTMENT ABSORPTION ALL CLASSES

WASHINGTON METRO AREA
1998 – 2011



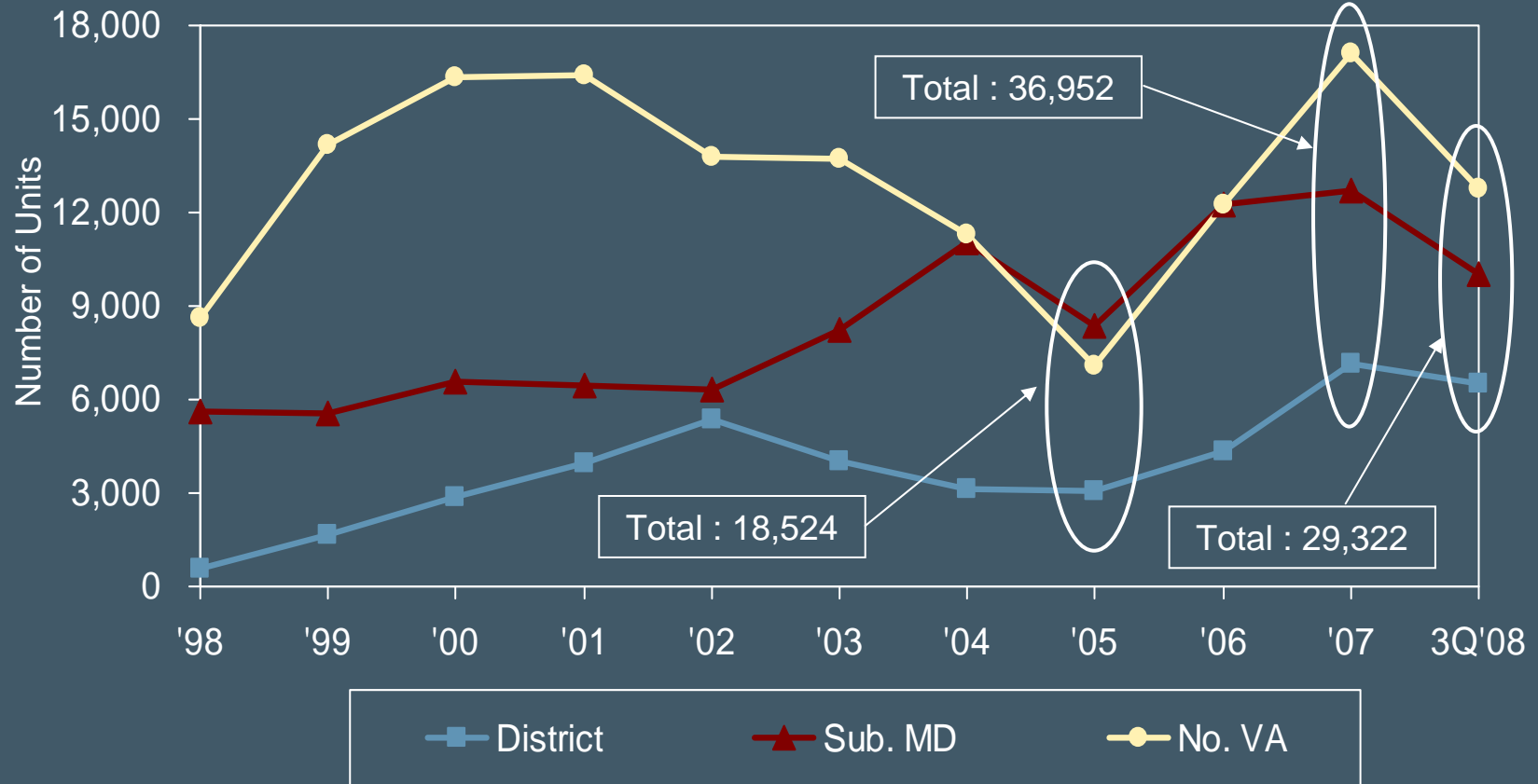
Source: Delta Associates; 10/2/08.

*12 Months Ending in September 2008.



PIPELINE ACTIVITY SINCE 1998

WASHINGTON REGION
(UNITS U/C AND LIKELY TO DELIVER IN NEXT 36 MONTHS*)



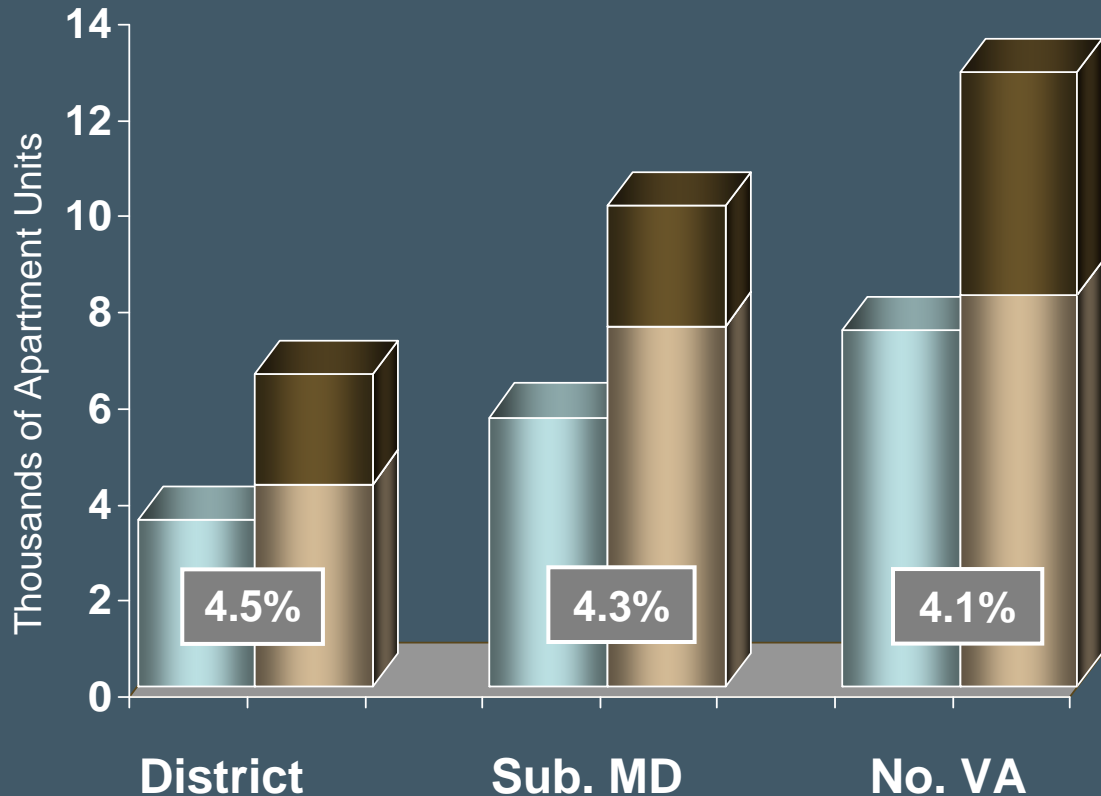
Source: Delta Associates; 10/2/08.

*Assumes attrition factor.



DEMAND AND SUPPLY PROJECTIONS CLASS A APARTMENT MARKET

WASHINGTON METRO AREA
SEPTEMBER 2008 – SEPTEMBER 2011



= Demand

Net absorption:
6,000/Yr. = 18,000

Supply

= Planned and may deliver by 9/2011:
9,440 units

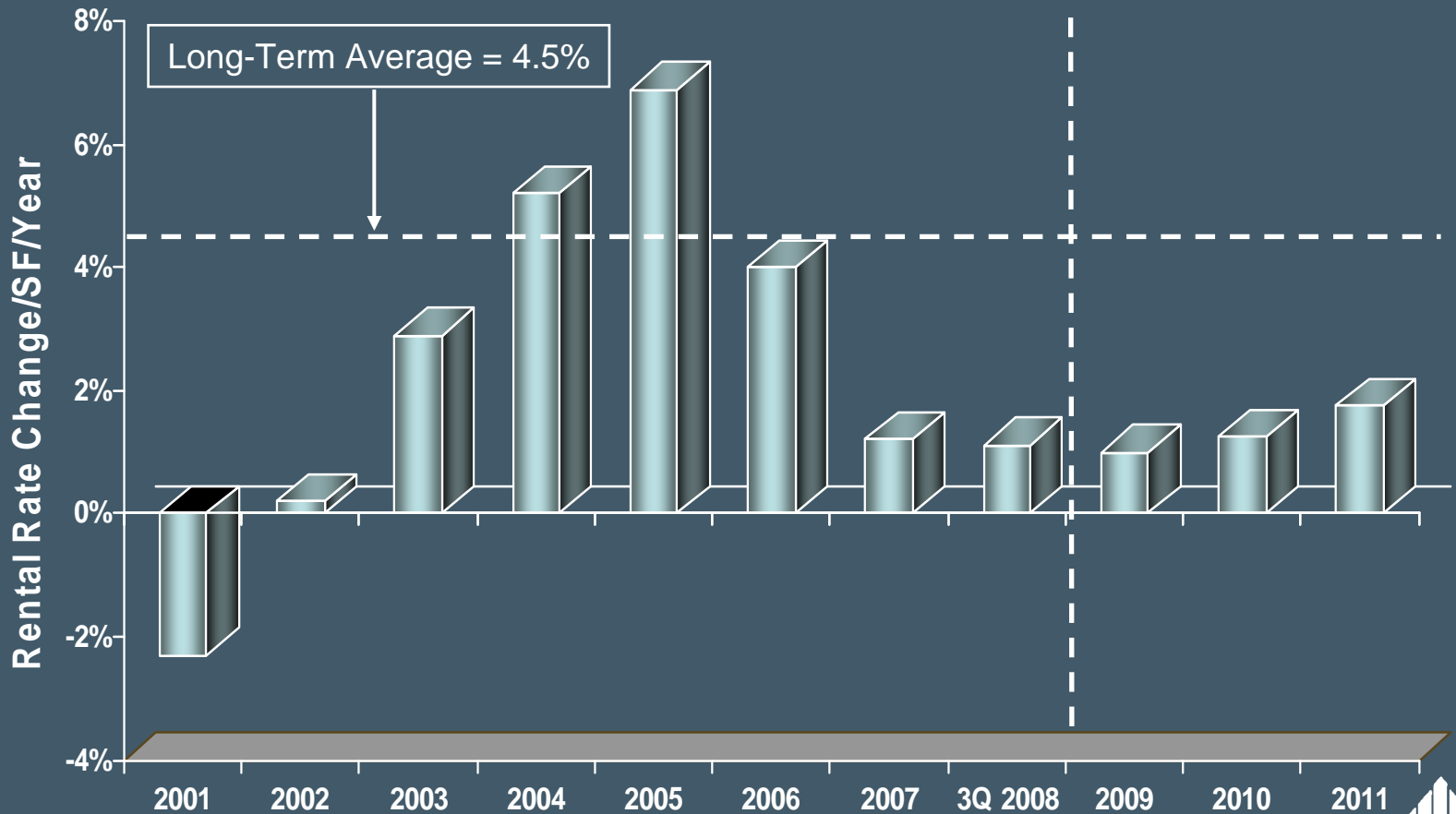
= Under Const.
19,882 units

Total = 29,322 units

Estimated Stabilized Vacancy Rate at 9/2011:
4.2% Region-Wide

EFFECTIVE RENT GROWTH PER YEAR

WASHINGTON CLASS A APARTMENTS
1999 – 2011



Source: Delta Associates; 10/2/08.

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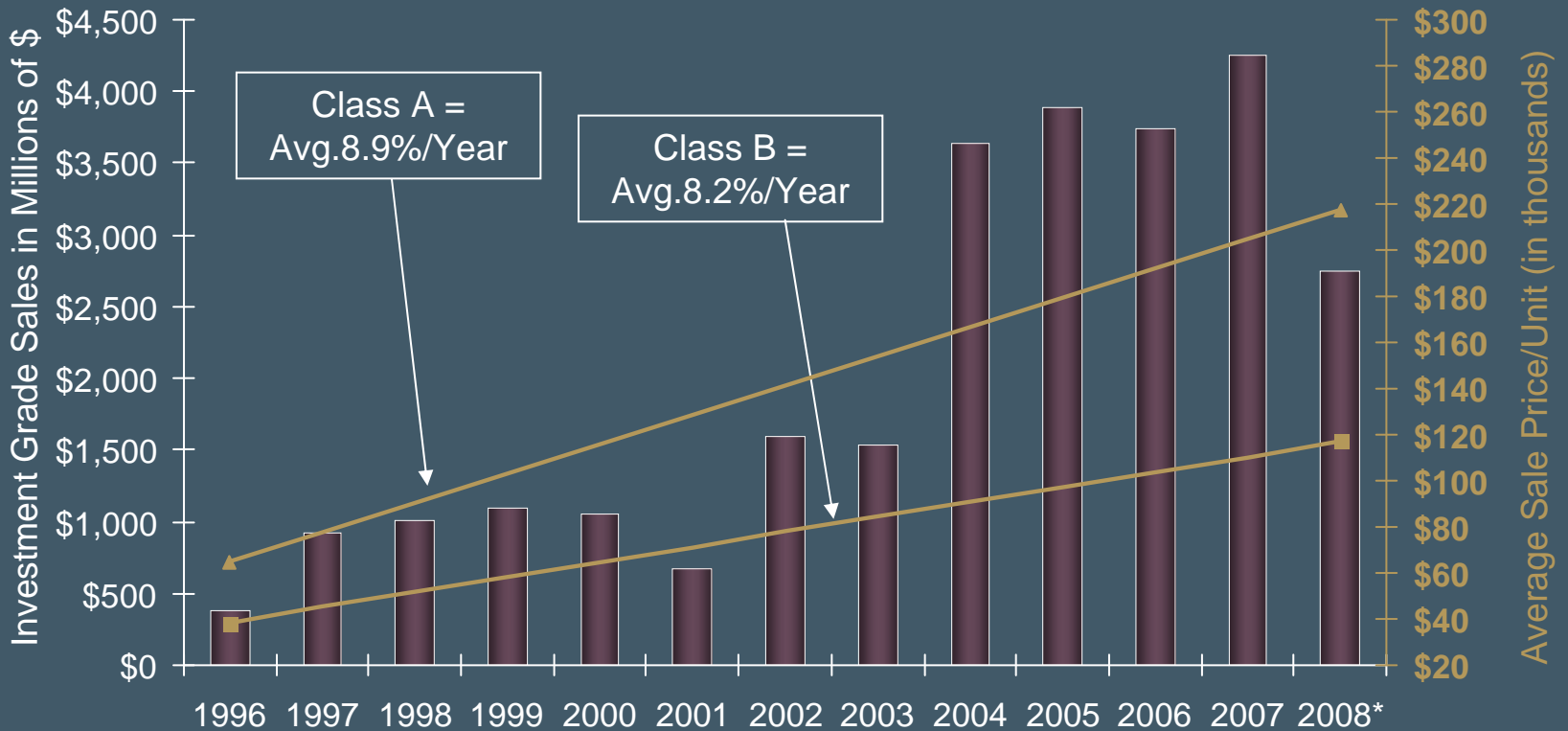
AWARDS FOR EXCELLENCE

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The Washington Metro Investment Sales

APARTMENT SALES

WASHINGTON METRO AREA
1996 – 3rd QUARTER 2008



Source: Delta Associates; 10/2/08.

*Annualized



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