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CASDEN REAL ESTATE ECONOMICS FORECAST

Southern California Multifamily 2010 Report

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2010 Casden Real Estate **Multifamily** Market Forecast

University of Southern California
Marshall School of Business
School of Policy, Planning, and Development

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USC Casden Forecast | 2010 Multifamily Market Report

The Casden Real Estate Economics Forecast is pleased to present its 2010 report on the Southern California multifamily real estate market. The Casden Real Estate Economics Forecast is dedicated to analyzing fundamental trends and forecasting real estate market activity in Southern California. The Forecast issues two annual reports covering the region's office, industrial and apartment markets that summarize developments in the region's real estate markets during the past year and provide insights as to what might be expected in the near future.

As in previous years, the report first gives an overview of the United States and regional economies, which serve as the foundation for the analysis of the Southern California real estate markets. A comprehensive summary of the fundamental trends in the multifamily markets for Los Angeles County, Orange County, the Inland Empire and San Diego County as well as individual submarkets makes up the main body of the report. The statistical snapshots provide concise summaries of recent movements in quarterly rents, vacancy rates, and net absorption for each county and its submarkets.

Trends in multifamily market fundamentals, macroeconomic indicators, and multivariate econometric techniques are used to forecast the annual rent and vacancy levels for Los Angeles County, Orange County, the Inland Empire, and San Diego County.

A report of this magnitude is only possible through the contributions from many individuals. We thank Skye Tirsbier for her outstanding research assistance and Marilyn Ellis for her help in laying out the report. We also thank Michael Tornabene for his contribution to the special topics section. It has important policy implications with regard to the Historic Preservation Tax Credit Program.

We are also grateful to the Lusk Center staff for their assistance, especially, Matthew Faulkner, Jennifer Frappier, Dawn Santos and Sonia Savoulian. Finally, we gratefully acknowledge our sponsors: M/PF YieldStar (who also provided the apartment market data), California Real Estate Journal, Goodwin Procter, Cushman & Wakefield, Hanley-Wood Market Intelligence, Hutton Properties, Globe Street, R.W. Selby, and Heffernan Insurance Brokers.

Executive Summary

After a difficult 2008 and first half of 2009, the United States economy has begun to show signs of recovery. Credit markets have begun to loosen, job losses have slowed, and GDP has increased for the last two quarters. The Southern California apartment markets continue to adjust to the new economic realities.

Apartment demand has improved markedly from 2009 vs. 2008, but many areas continue to see negative net absorption and the vacancy rate is still well above its "natural" level in all four major Southern California markets. Southern California's apartment rents have continued to weaken on a year-over-year basis in spite of modest increases in occupancy. Only three San Diego submarkets and one Inland Empire submarket have shown average rent increases out of the 40 submarkets discussed in this report. A large shadow supply of single family homes and condos for lease may be continuing to put pressure on asking rents.

We forecast modest declines in vacancy in all markets over the next eight quarters. We also forecast continuing, modest declines in the Los Angeles and Orange County markets, and stable-to-increasing rents for the rents in Inland Empire and San Diego County.

Los Angeles County

The Los Angeles apartment market showed declines in rents across all submarkets as the recession continued to deepen through the first half of 2009. The area lost over 142,000 jobs during 2009, with the greatest job losses occurring in the manufacturing, trade, information, professional and business services, construction, and government sectors. From Q3 to Q4, however, the unemployment picture improved and with it came modest increases in rents for three submarkets: West Los Angeles, East Los Angeles, and the Santa Clarita Valley. Average rents have fallen an average of 8.0 percent from their peak in Q2 of 2008.

The demand for apartments from Q4 2008 to Q4 2009 improved substantially when compared with Q4 2007 to Q4 2008: positive 22,690 vs. negative 40,150 units. The overall occupancy rate increased 1.7 percentage points to 93.9 percent at the end of 2009. The average monthly effective rent fell 5.8 percent to $1488 in 2009, while same-store rents declined by 6.0 percent.

The largest effective rent declines occurred in the Intown submarket (9.9 percent), West Los Angeles (6.9 percent), and Antelope Valley (6.7 percent).

New units were delivered in all submarkets except the San Gabriel and Antelope Valleys. Completions for 2010 are expected to decline by about 16 percent from 2009 levels. Intown LA, Hollywood, and the San Fernando Valley submarkets, which account for 37 percent of the Los Angeles apartment market, are expected to provide nearly 72 percent of the new supply.

Orange County

The economic recession has seriously affected employment growth in Orange County; more than 53,000 jobs were lost in 2009, with the largest cuts coming in the construction, trade, and manufacturing sectors. The unemployment rate in December 2009 was 9.1 percent -- 2.5 percentage points higher than one year earlier. Nevertheless, demand for apartments increased from Q4 2008 to Q4 2009 with positive net absorption of 4190 units. This was a vast improvement over the prior one-year period, which showed negative net absorption of 3230 units. After hitting a low of 92.5 percent – the lowest rate since data collection began in 2002 – occupancy rebounded to 93.7 percent by the end of 2009.

Although down 7.7 percent from their peak in Q3 2008, rents have remained essentially flat for the last three quarters. The average monthly rent for all apartments at the end of 2008 was $1,464. Same-store rents declined 5.7 percent over the last year.

The Irvine and Anaheim markets, which account for 32 percent of the total apartment market, were the only submarkets with completions of over 50 units. They also accounted for 61 percent of the total net units absorbed in Orange County. Together with North Orange County, these two markets are the only ones scheduled to add new units in 2010.

Inland Empire

The multifamily housing markets in the Inland Empire have been severely affected by the economic recession. Riverside and San Bernardino County's unemployment rates hit 14.9 and 13.8 percent, respectively, in Q3 2009 – the highest in decades -- and have improved little since. More than 55,000 jobs were lost in 2009, with the largest cuts coming in the construction and trade sectors. Again, the demand for apartments has nevertheless improved across all submarkets, with a total net absorption of positive 3710 units. Occupancy stayed stable or increased in all submarkets, despite every submarket adding at least 150 new units.

Effective rents declined by 3.8 percent on average, while same-store rents fell by 4.8 percent. At the end of 2009, the average effective monthly rent was $1,024.

Coachella and Southwest Riverside submarkets are expected to be the leaders in units added for 2010, but the overall delivery of new units is expected to decline by more than half relative to 2009.

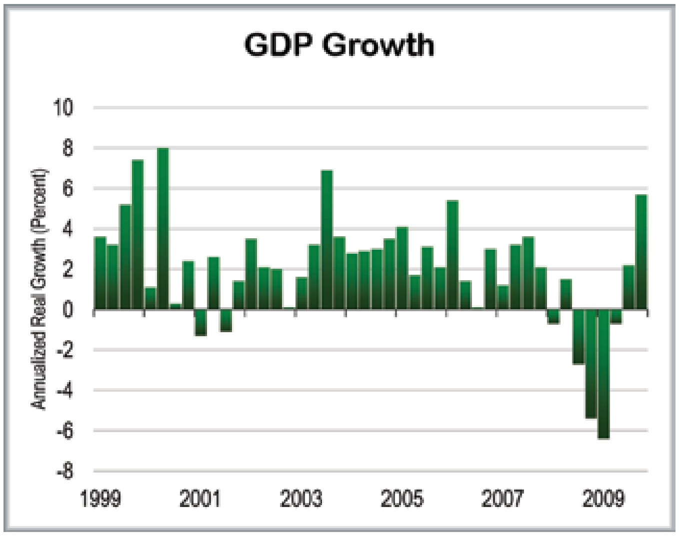
San Diego County

The unemployment rate in San Diego County reached a high of 10.4 percent in Q3 2009, second lowest among the five Southern California counties covered in the report. Job losses were the lowest both in absolute terms and relative to the size of its labor market, at over 43,000 for 2009. The sectors of professional and business services, trade, manufacturing, and construction suffered the most. The demand for apartments has improved since Q4 2008, but many San Diego submarkets continue to post negative net absorption numbers. The area overall showed the weakest increase in demand relative to its size, with a positive net absorption of 1880 units. Occupancy rates increased a modest 0.2 percent to 95.1 percent, the highest occupancy level among the four major markets.

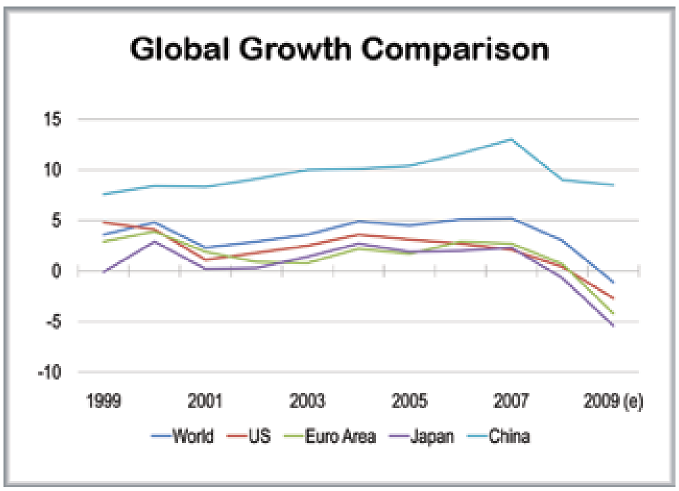
Average monthly rents fell by 1.3 percent to $1,323 at the end of 2009. The most expensive regions remain the coastal communities of Northwest San Diego and La Jolla with average monthly rents of $1,711 and $1,674, respectively.

Completions were modest in 2009 at 1640 units, and are expected to continue at a similar pace in 2010.

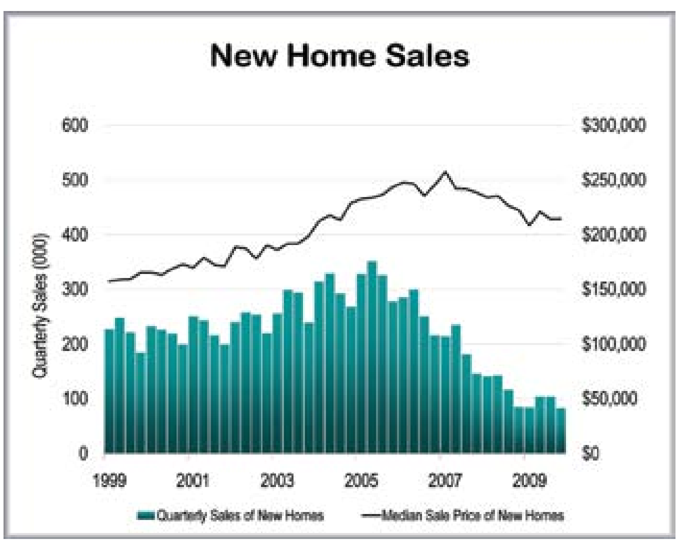
Current View of the Economy



Source: Bureau of Economic Analysis



Source: International Monetary Fund



Source: U.S. Census Bureau

National economic growth turned positive in the second half of 2009, with the fourth quarter producing the fastest quarterly growth since 2004. But GDP growth has not been sufficiently sustained to bring about employment growth, and labor force participation remains at its lowest rate in a quarter of a century. The economy is weak throughout the United States and across sectors; only health care and education saw gains in employment. Even in the presence of the stimulus package, total government employment (local, state and federal) fell. The only good employment news is that the economy is now shedding a smaller number of jobs, and in California employment flattened at the beginning of 2010. The Philadelphia Federal Reserve Bank Survey of Economic Forecasters projects unemployment to remain above 8 percent through the year 2012 and for payrolls to continue to decline in 2010, albeit not by as much as in 2009.

At the same time, likely because of this weakness, forecasters expect inflation to remain below two percent on average for the next three years. This should keep pressure off of interest rates but will mean the real value of debt carried by real estate will remain high.

The most important economic positives are a rebound in economies abroad and a sharp increase in labor productivity. In particular, manufacturing output per labor hour soared by 6.8 percent in the second quarter of 2009 and by 13.6 percent in the third quarter of 2009.

While credit conditions remain weak, they are considerably more normal than they were at this time last year. This is almost certainly because of the federal programs put in place since last year, including:

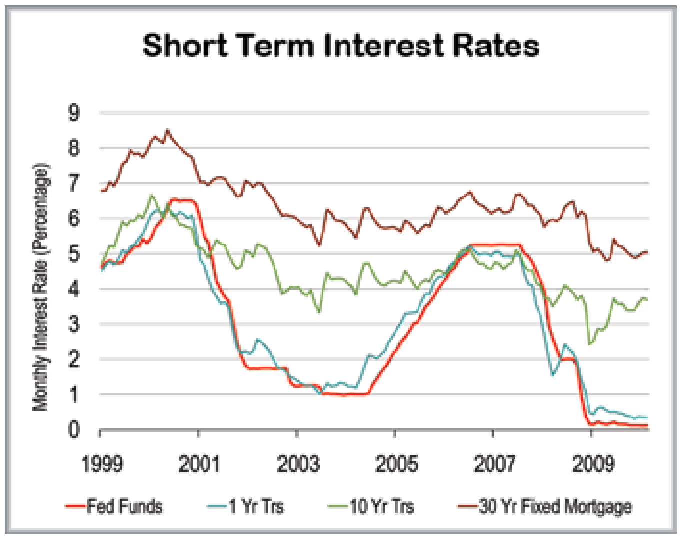
- The Troubled Asset Relief Program (TARP), which injected capital into banks.

- Term Asset Backed Securities Loan Facility (TALF), which advanced government backed loans to investors in AAA rated and other asset backed securities.
- The Public-Private Investment Program (PPIP), which provides debt to and shares equity with investors willing to bid on legacy assets.
- The Home Affordable Modification Program (HAMP), which seeks to relieve financially stressed homeowners of high payment burdens on their mortgages. The first two programs here have arguably been more effective than the second two.
- Federal Reserve purchases of $1.25 trillion of Fannie Mae and Freddie Mac Mortgage Backed Securities, which have served to push 30-year fixed rate mortgage rates down to their lowest level in 50 years. The program ended on March 31, 2010, and we are awaiting the impact of the end of this program on the residential mortgage market.

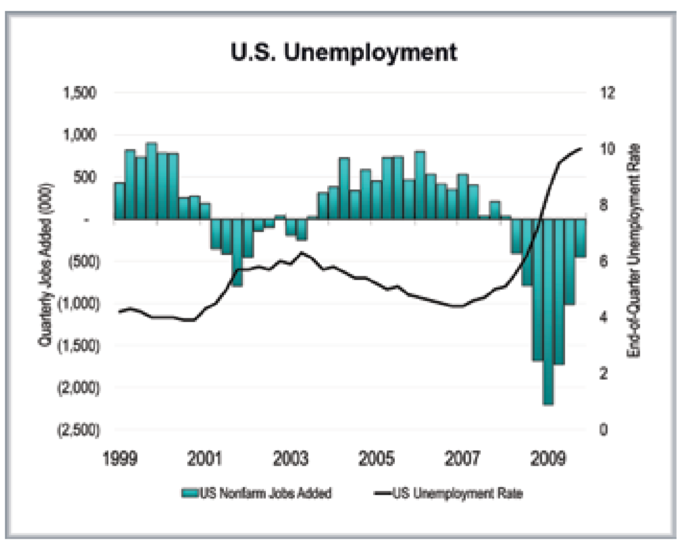
While it is debatable how much these programs have loosened up lending (except for automobile loans where conditions have returned to something like normal), spreads over Treasury rates for LIBOR and AAA rated securities have dropped considerably from their peaks. The yield on the 10-year Treasury bond is 3.89 percent as of this writing.

The housing market has returned to something like normalcy and we have reason to believe that house prices in California are at bottom, particularly at the lower end of the housing market. Almost all house price indexes have stabilized and even increased a bit during 2009. Inventories in California have dropped to less than four months for houses selling for less than $750,000; prices in many areas are below replacement cost, and with mortgage rates being so low, the cash flow cost of owning looks favorable relative to renting. Against this remain some serious problems, including a "shadow" inventory

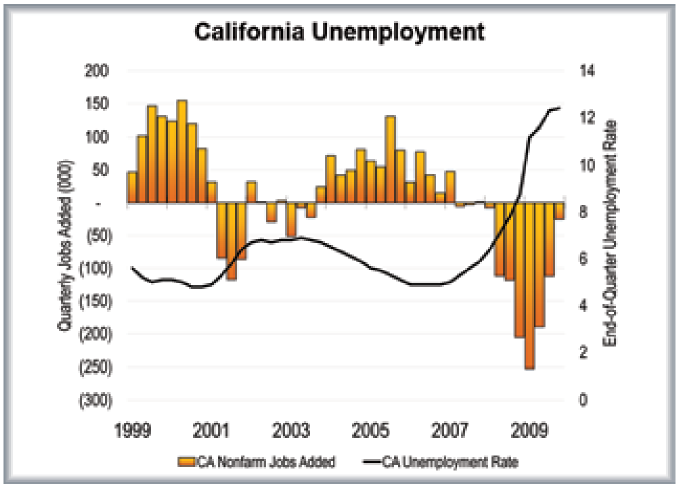
Source: Lehman Brothers



Source: Federal Reserve, Freddie Mac



Source: Bureau of Labor Statistics



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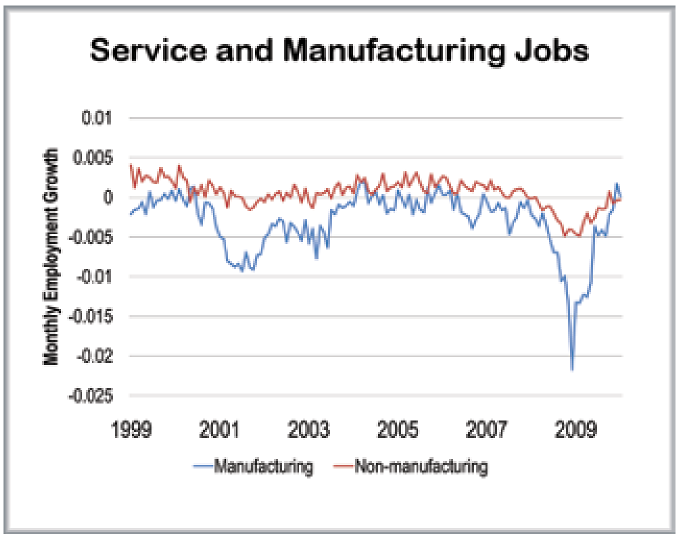
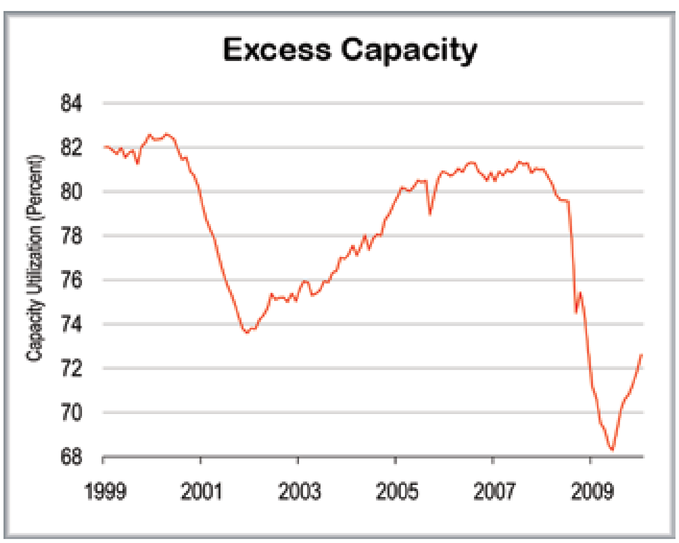


Source: Bureau of Labor Statistics



Source: Bureau of Labor Statistics

of houses that have not yet been foreclosed upon, falling rents in the apartment sector, and a stagnant job picture.

The US economy has shed more than seven million jobs since employment peaked in the fourth quarter of 2007, and California has lost almost one million jobs. The first decade of the 21st century is becoming known as "the lost decade" because the United States has gained no jobs over that period and California has actually lost jobs; both the national and California labor forces are considerably larger now than they were at the beginning of the decade. In Los Angeles, Riverside, and San Bernardino Counties unemployment is well above ten percent, while in Orange County it is close to ten percent.

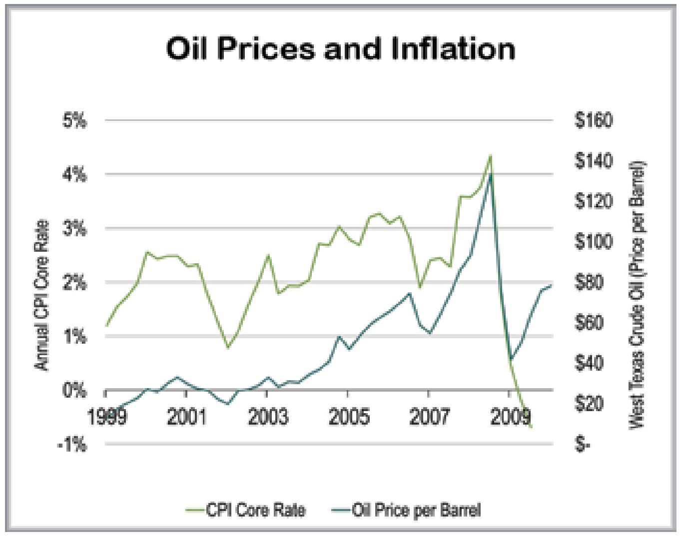
As we look forward let us consider what will drive economic growth for the United States. The National Income Identity states that total output is equal to the sum of consumption, investment, government spending, and net exports. We may look at the outlook for each of these components and ask how they influence Southern California.

The outlook for consumption is, to put it mildly, bleak. While consumer sentiment is well above its nadir a year ago, it is still substantially below neutral. This is not surprising in light of the fact that consumers are both losing their jobs and their access to credit. Consumer debt burdens reached unsustainable levels, as consumer debt outstanding rose from 60 percent of GDP in 1980 to more than 100 percent. Deleveraging has become a common word in the business lexicon and households are going to need to do more of it for quite some time. Our view is that consumption will not drive economic growth over the next five years; this has important consequences for the retail sector as well as the broader economy. Households also have much larger home mortgage balances than 20 years ago. A quick comparison of average household income for 1989 and 2007 (using the census) and average mortgage debt for those that have mortgage debt (using Survey of Consumer Finances data) among 45-54 year olds demonstrates the difference. In 1989, average household income among 45-54 year olds was $39,934; average mortgage debt outstanding among those who had debt was $39,300, so the ratio was about one-to-one. In 2007, average household income among 45-54 year olds was $83,100; average mortgage debt outstanding among those who had debt was $154,000, so the ratio was just under two-to-one. In 1989, the share of households in the age group with a mortgage was 58.3 percent; in 2007 it was 65.5 percent. The only good news: interest rates have dropped from about 10.5 percent to 5 percent. So in 1989, an average income household that wanted to amortize an average mortgage in 15 years would need to pay 14 percent of gross income to do so; in 1989 it would need to spend 19 percent. So putting this all together, the ratio of debt service to income for amortization by retirement has increased by (.19*.655/.14*.583)-1 = 52 percent.

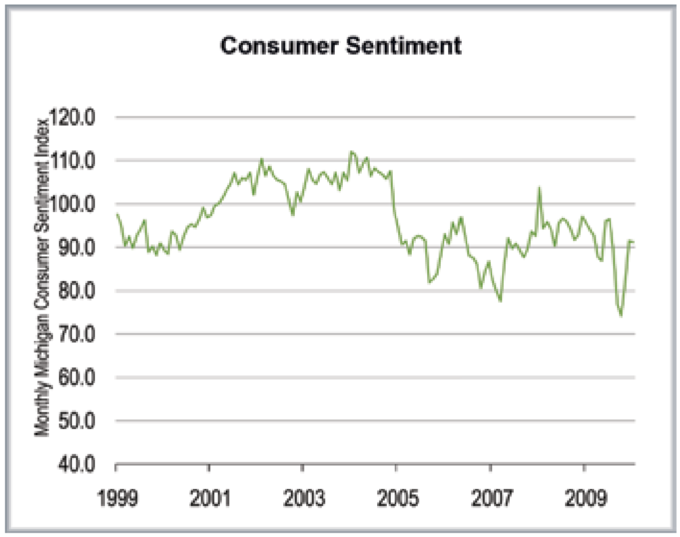
Future growth will need to come from the tangible investment and export sectors. Our view is that demand for American exports will increase in the years to come for three principal reasons: the Chinese and Indian economies continue to grow and so consumers in those markets will begin to demand goods manufactured in the United States; US labor productivity is high and, as we described earlier, is rising rapidly (and unit labor costs are falling rapidly); and the dollar will ultimately drop in value, making American goods more competitive abroad.

This has relevance as we think about the future of the Southern California economy, which has the largest container port in the United States. After three consecutive years of declining traffic, business has just recently begun to pick up again.

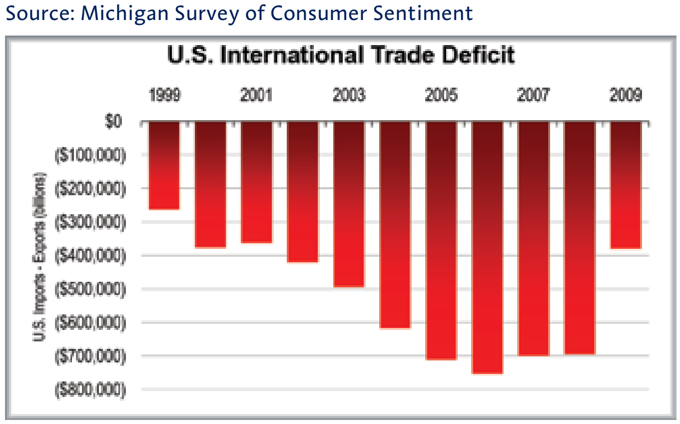
The other sectors that will likely create economic growth nationally are information technology, education, and health care. Los Angeles County has disproportionately high



Source: Federal Reserve, Bureau of Labor Statistics



Source: Michigan Survey of Consumer Sentiment



Source: U.S. Census Bureau

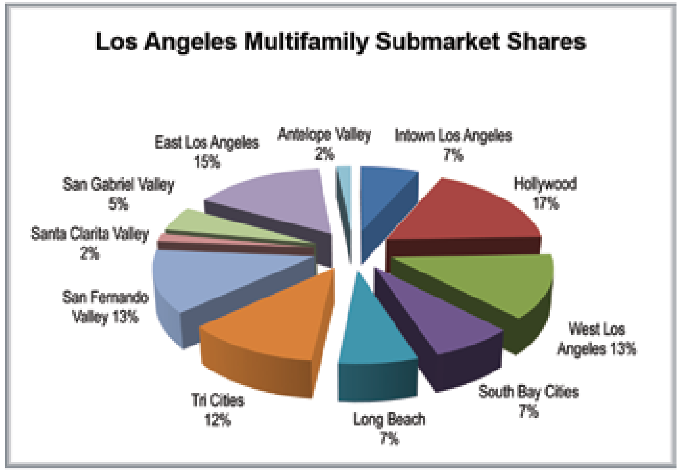
employment in all these areas – especially information technology. Orange, San Bernardino and Riverside Counties, however, have disproportionately little employment in these sectors. As information technology grows and the ports recover, Los Angeles County will as well; as the financial services sector recovers, so will Orange County. San Diego County also relies heavily on information technology for its economic health, as well as professional services. The outlook for the Inland Empire is more problematic. Riverside Country relied heavily on construction for employment; it is hard for us to see construction returning to pre-2007 levels there any time soon. San Bernardino County will benefit from its position as a major distribution center, but its relative paucity of workers with Bachelor's degrees will make it difficult for it to attract high paying jobs. As a consequence, the long term demand for apartments (as opposed to single-family homes) there could be quite strong.

Los Angeles Multifamily Market Trends

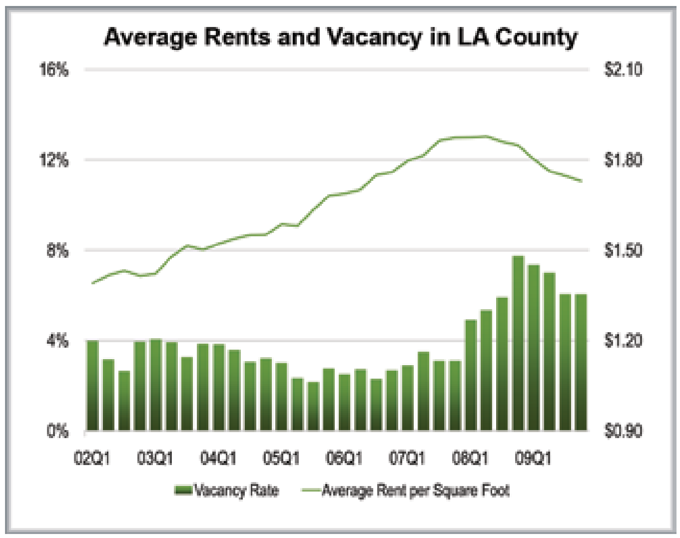
Los Angeles' multifamily real estate markets are diverse, dynamic, and large, with over one million apartments. Extending from the downtown business district to the suburbs in all directions, each submarket has a unique identity. The Los Angeles apartment market saw significant improvement in 2009 relative to the prior year, and posted its best net absorption numbers since 2000 (22,690 units absorbed). Occupancy grew 1.7 percentage points to 93.9 percent. Only the South Bay, Long Beach, and East LA saw occupancy fall over the last year. Intown Los Angeles showed an incredible recovery over the last year, with occupancy rising from 85.5 to 95.5 percent. The remaining submarkets showed increases between 0.8 and 2.7 percentage points. Overall, this increase in multifamily occupancy appears to have been helped by a decrease in shadow-market rentals -- condominiums and housing for lease. According to DataQuick, home sales in the city of Los Angeles grew 23 percent from 2008, with 55,000 units sold.

This recovery has occurred in spite of abysmal employment numbers. Unemployment hit a peak of 12.6 percent in Q3 2009, slightly higher than the California state unemployment rate at the time. Since then, the employment picture has recovered slightly, but more sustained improvement will be necessary to declare a recovery officially underway. Los Angeles County lost more than 225,000 jobs during 2009, the highest absolute total in the nation. The manufacturing, trade, information, professional and business services, construction, and government sectors posted the greatest losses. Only education and health services experienced job growth.

At the same time that occupancy was improving, rents continued to decline. Average same store rent growth in Los Angeles County was negative 6.0 percent in 2009, down from negative 3.8 percent



Source: M/PF YieldStar



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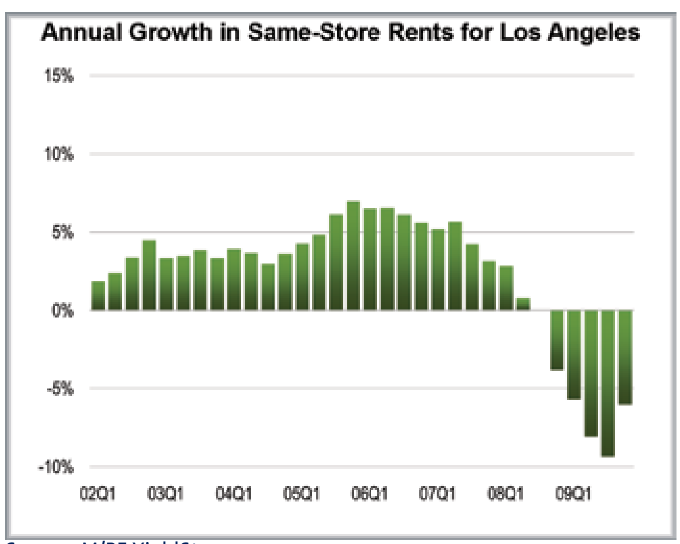


Source: M/PF YieldStar

in 2008 and negative 3.1 percent in 2007. These numbers were the worst in Southern California, and significantly worse than the nation as a whole (negative 4.1 percent), but in-line with the Western region (negative 6.2 percent). Average monthly rents in 2009 for the Los Angeles metro area were $1,488. Overall revenue changes were the 6th worst in the nation, with a decline of 12.9 percent over the last year.

Construction Activity

Over 5,700 apartment units were completed in Los Angeles in 2009, comprising about 42 percent of the new supply that came online in Southern California. This increased the existing apartment stock by about 0.6 percent, just below the increase seen in 2008. The recent total additions ranked ninth in the nation

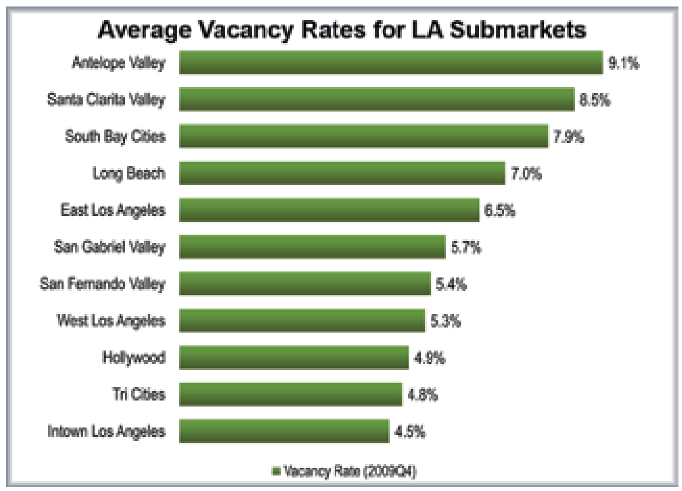
As of the end of this year, 4,805 units are scheduled for delivery in 2010. This represents over half of the deliveries scheduled for 2010 in Southern California. The majority of the construction is concentrated in Intown LA, Hollywood, and the San Fernando Valley.

No single developer dominates in Los Angeles County. Of the 41 projects currently underway, sixteen projects have over 100 units. Among the most active developers are Dinerstein Cos. with 438 units under construction at The Millenium Warner Center (San Fernando Valley submarket), Urban Partners LLC with 421 units under construction at University Gateway (East Los Angeles submarket) and Lyon Realty Advisors with 291 units under construction at West Gateway (Long Beach).

Intown

Over the past few years Intown has enjoyed a surging population and rising incomes, but the recession eroded that momentum during 2008. In 2009, the area bounced back, with a strong surge in demand. As rents

Source: M/PF YieldStar



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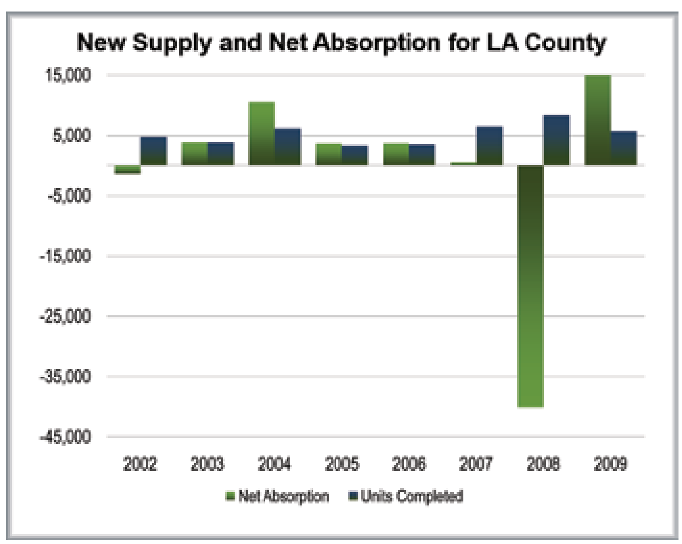

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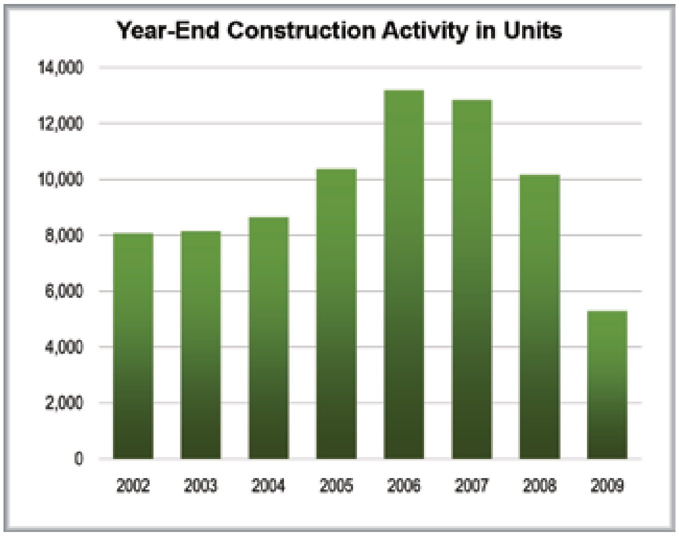

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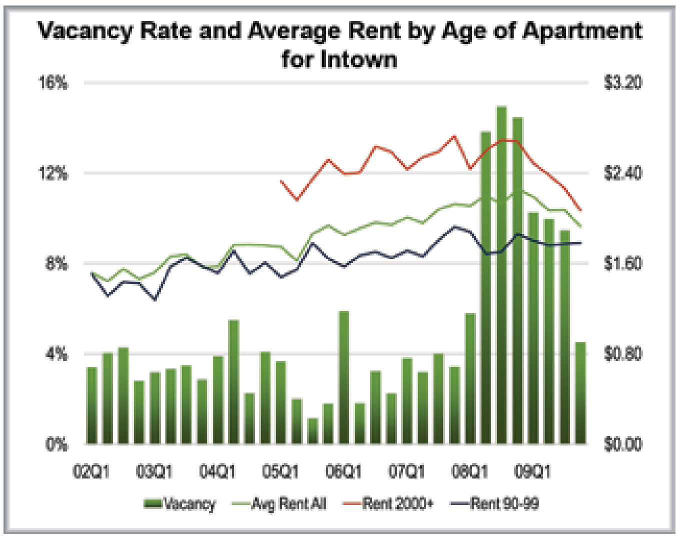

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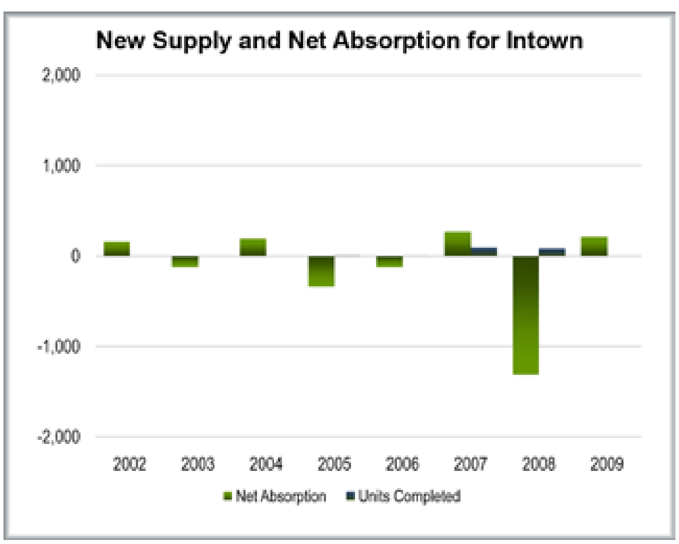


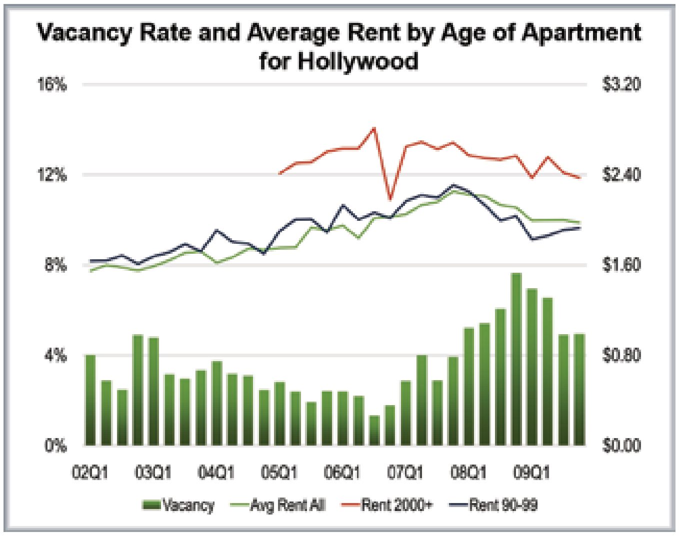
Source: M/PF YieldStar

fell, occupancy climbed to 95.5 percent, the highest among Los Angeles submarkets. The downtown Los Angeles market had 8350 net move-ins in 2009, compared to 5,090 net move-outs in 2008. Average rents ended the year at $1,654 per month, down 9.9 percent from the prior year. Same store rents, however, only fell by 4.2 percent.

In the Intown area, 1,307 new units were completed in 2009, approximately one-quarter of the total new supply in Los Angeles. Adding to the supply of new apartments were five condominium developments that reverted back to apartments for lease in a slowing buyer's market. Re-positioning of SB Main, National City Tower Lofts, Great Republic Lofts, SB Spring, and 717 Ninth brought 783 new units to the submarket, accounting for 60 percent of the submarket's new supply.

East of the 110 Freeway, eight properties with a total of more than 1,100 apartments completed construction. Most of these apartments were located in the Historic Core and South Park districts. In the South Park district, Meruelo Maddux Properties finished construction on 717 Ninth Street, a 214-unit community with 6,800 square feet of ground floor retail. SB Properties finished construction on two loft communities: SB Main with 214 lofts and, just around the corner on Spring Street, SB Lofts with 190 lofts. In mid-2009, Related Cos. completed Sakura Crossing in Little Tokyo, which consists of 230 luxury rental units.

The Intown submarket is expected to see delivery of 1,107 new units across 9 properties in 2010, once again with the most active construction occurring in the Historic Core and South Park districts. Two of these projects, accounting for 328 new units, were initially condos that were switched to rental units during construction because of the flagging economy. The 192-unit Medallion on Main Street will feature 203,000 square feet of retail and is expected for delivery in spring 2010.



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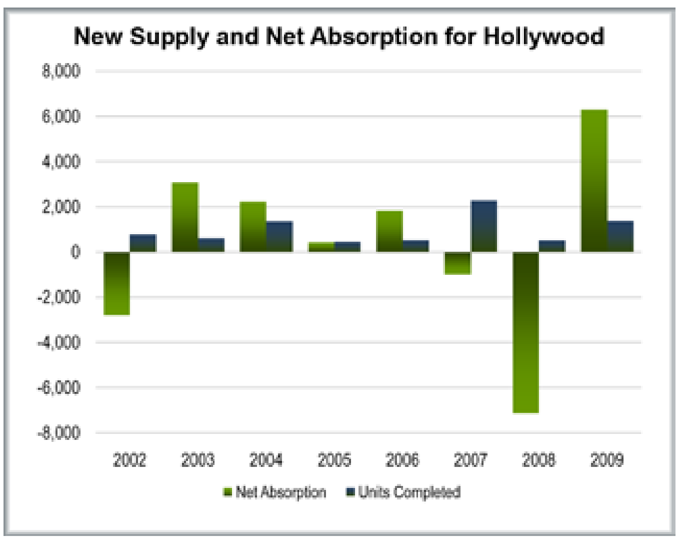


Source: M/PF YieldStar

In the Westlake area, Miramar Village, a 114-unit affordable housing community, is expected to be finished in February. In April, G.H. Palmer Associates is expecting completion of the final phase of its Orsini development in Chinatown with 210 units and 13,000 square-feet of commercial space.

Hollywood

The Hollywood area includes Hancock Park, Los Feliz, Silver Lake, North Hollywood, Park LaBrea, Studio City, Universal City, and Toluca Lake. As with Intown LA, demand for multifamily housing in Hollywood bounced back in 2009 after a dismal 2008, logging 6,310 net move-ins and an increase of 2.7 percentage points in its occupancy rate. The total occupancy of 95.1 percent was the fourth-best among Los Angeles submarkets. Average rents decreased by 5.0 percent to $1,619, while same-store rents decreased by 6.0 percent.

Downtown North Hollywood's access to mass transit has spurred growth and developers have been consistently adding new supply. In 2009, developers completed 1,365 new units, up from 515 the previous year. Deliveries included BRE Properties' LEED-certified, 284-unit 5600 Wilshire building, which includes 12,500 square feet of ground-floor restaurant and retail space. Near the Pantages Theater, Legacy Partners completed the 375-unit apartment community, 1600 Vine. The community also includes 78 affordable units and 30,000 square feet of retail space, which will include a Trader Joe's. 1600 Vine is part of the $500 million 300-room hotel and 143-condo project that will be operated by W Hotels.

The 1,155 units planned for delivery in 2010 in the Hollywood area are primarily located in central and North Hollywood. The 146-unit La Belle at Hollywood Tower is expected to be completed in this first quarter of 2010. In June 2010 North Hollywood's largest builder, JSM Construction, will add another community to its NoHo Collection portfolio with its completion of Gangi, a 158-unit mixed-use project. Also in June, JPI Multifamily expects to complete construction on Jefferson at Hollywood, a 270-unit luxury apartment community with 8,500 square feet of retail space.

In the Miracle Mile district, 5550 West Wilshire will come to market in March 2010. Although originally planned as condos, Legacy Partners is considering offering the163 units in the mixed-use project as rental units.

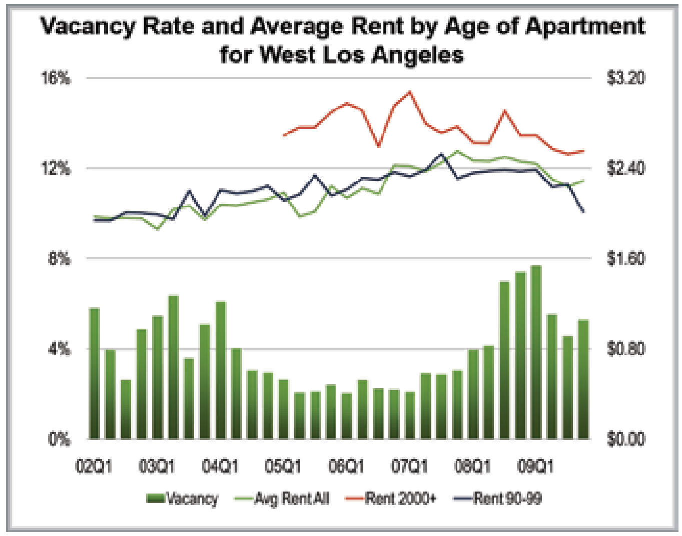
West Los Angeles

The West Los Angeles region includes Beverly Hills, Brentwood, Westwood, West Hollywood, Santa Monica, Pacific Palisades, Malibu, Marina del Rey and Venice.

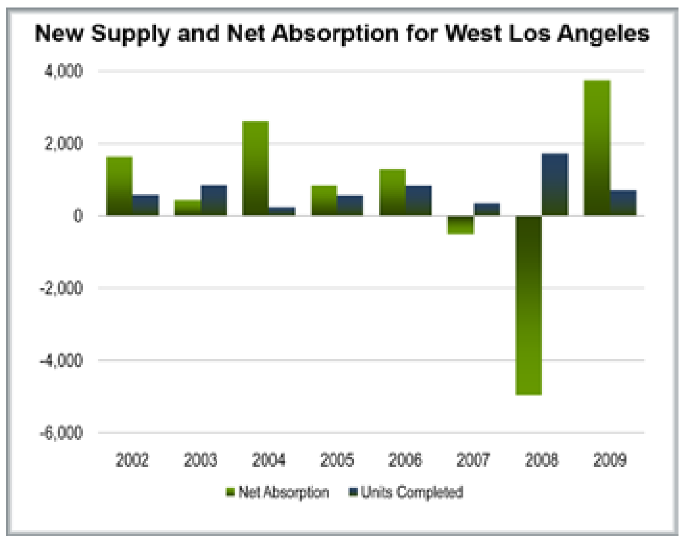
With their proximity to white-collar office jobs and numerous dining, retail, and recreational opportunities, these affluent neighborhoods remain the most desirable submarkets in Los Angeles County. Despite a 6.9 percent decrease in both average and same-store rents, average rents remain the highest in Los Angeles, at $2,089 per month. Occupancy increased 2.1 percentage points during that time to 94.7 percent.

Following Intown and Hollywood, West Los Angeles posted the third best absorption numbers with 3,750 net move-ins. The submarket experienced the delivery of 708 new units in 2009, down from 1,723 in 2008.

Most new apartment communities completed in 2009 were located north of Interstate 10, and a majority of these communities had fewer than 100 units. The one exception was in Santa Monica where NMS Properties finished construction on the first and second phases of its studio and studio loft community, Olympic Studios. Located near Santa Monica College and the Water Gardens, the project is an affordable housing community with 165 units.



Source: M/PF YieldStar



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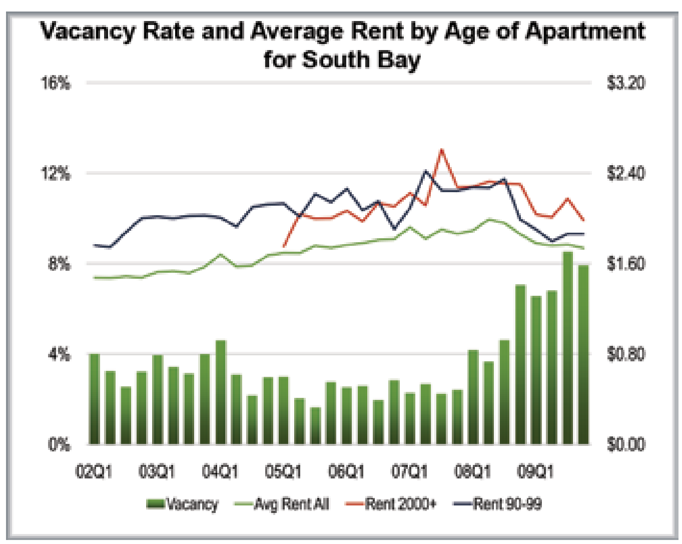

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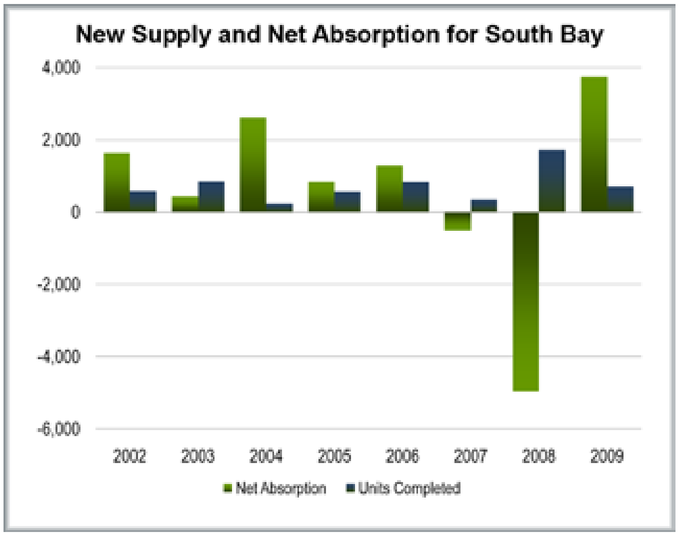

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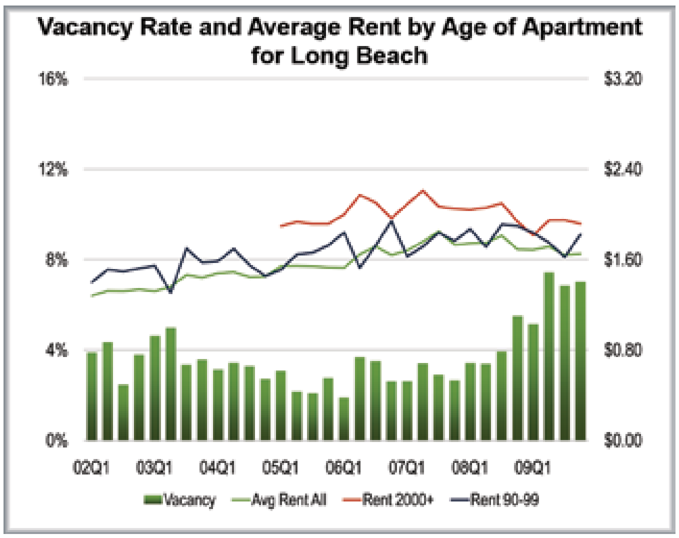

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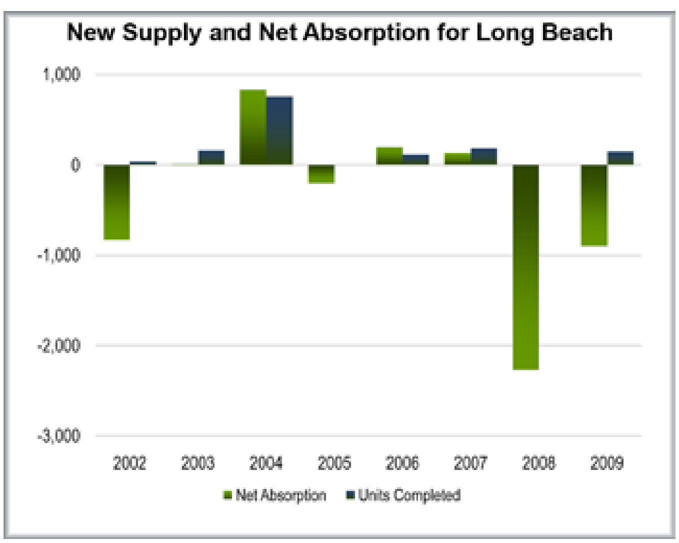


Source: M/PF YieldStar

Marina Del Rey added one new building to its large stock of luxury projects: Admiralty Apartments. Sinonian Development finished the 172-unit resort-style community in May 2009.

In 2010 construction completions will be significantly less than in previous years. Continuing with the trend seen in 2009's apartment locations, all projects expected to finish construction in 2010 are located north of Interstate 10 and have fewer than 100 units. BW Brody's The Metro Art in Brentwood is the largest project planned for completion. Within walking distance to Whole Foods, the 62-unit community expects to be finished by April 2010.

South Bay

The South Bay submarket ended 2009 about even with where it had begun in terms of demand. Net absorption was positive 80 units, while occupancy fell 0.9 percentage points. The total occupancy rate of 92.1 is lower than the metro average, but on par with the national average. Occupancy had previously been strong due to the lack of new supply and strong local employment in the defense sector, the Port of Los Angeles, and LAX. With the Port experiencing its third consecutive year of decreased traffic in 2009, tenant demand has remained soft.

Both average and same-store rents decreased 6.2 percent in 2009, slightly worse than the countywide level. Average rents finished the year at $1,546 per month.

In 2009, 788 new units of supply were delivered to the submarket across three properties. The largest of these was Decron Properties' 405-unit Playa del Oro in Playa del Rey, which features live/work units on the first level. San Pedro was the recipient of the other two: Urban Pacific Builders' Bank Lofts (133 units) and Galaxy Commercial Holdings' Dwell at Vue (250 units). Completions are expected to fall dramatically in 2010: one private developer was expected to deliver a 49-unit project in January.

Long Beach

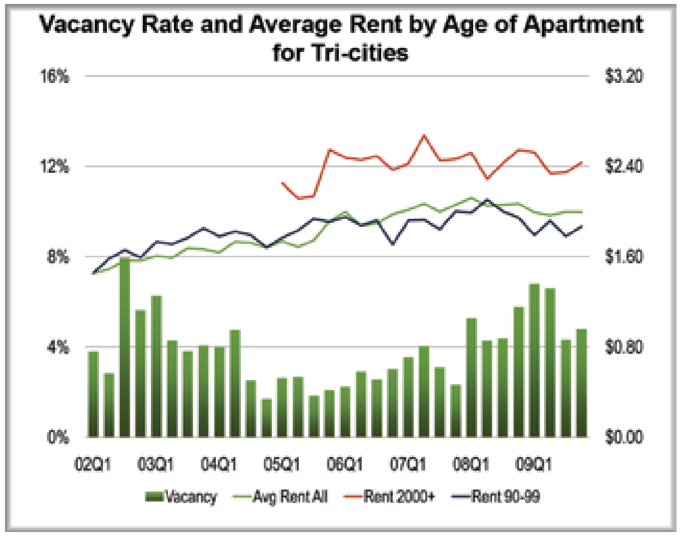
Long Beach was one of only two submarkets in 2009 to experience negative net absorption (900 units), though it still improved relative to 2008 performance. Occupancy fell 1.5 percentage points to 93.0 percent, moving from the highest occupancy rate in Los Angeles to the middle of the pack. During 2009, average rents per square foot decreased 1.1 percent, the smallest decline in the county. Same-store rents fell 2.4 percent, the second lowest in the county.

Following a year with no completions, Long Beach added 146 new units to its supply in 2009 between two projects: Advanced Development Investment Inc.'s Pacific City Lights (42 units) and Lyon Realty Advisors' Lofts at Promenade. Lofts at Promenade features 104 loft-style residences, 15,000 square feet of retail, and a rooftop pool with fireplaces. Lyon Realty Advisors is likely to produce the only new supply in 2010. The 291-unit West Gateway is slated for completion in November.

Tri Cities

The Tri Cities region of Burbank, Glendale, and Pasadena saw decreases in rents coupled with increases in occupancy and positive net absorption in 2009. Occupancy rates rose one percentage point to 95.2 percent, the second highest in the county. The area experienced 1,440 net move-ins. Average rents fell 3.2 percent, while same-store rents fell 5.9 percent. Average monthly rents for the area fell to $1,676, but still remained the second highest in Los Angeles.

Two hundred thirty four new units were added to local supply across three properties: Alliance Residential's 416 on Broadway in Glendale (118 units), privately-developed Manitou Vistas in the Happy Valley area (48 units), and Advanced Development Inc.'s Glendale City Lights (68 units). The 416 on Broadway was conceived as a mixed-use property with over 9,500 square feet of retail around a landscaped courtyard.



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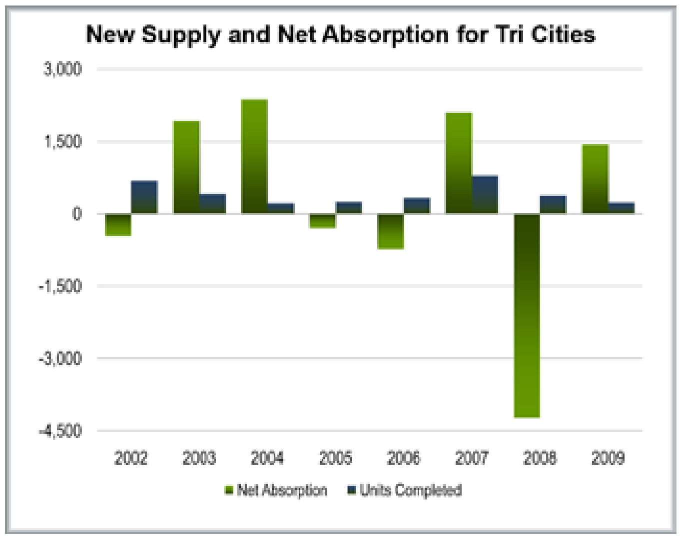

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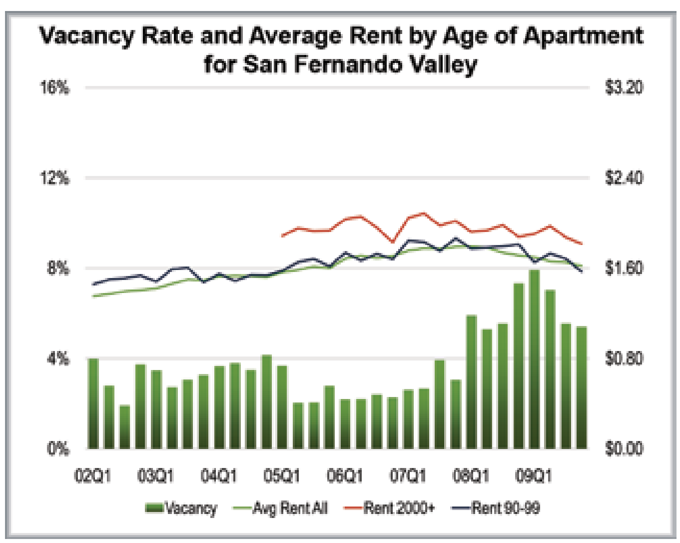

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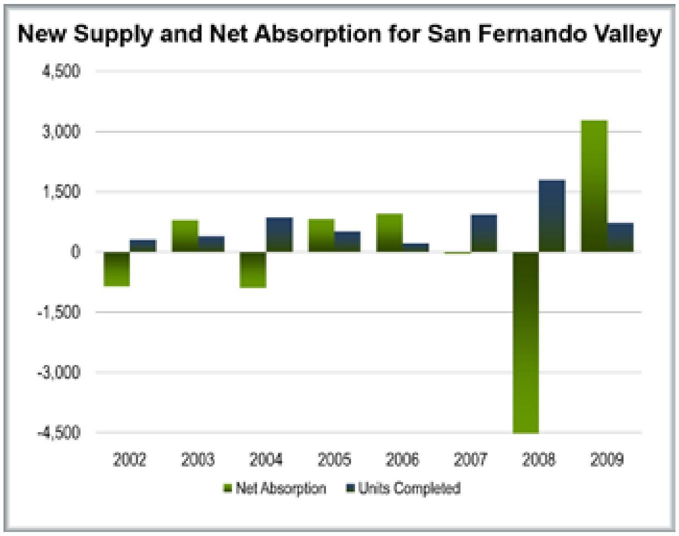

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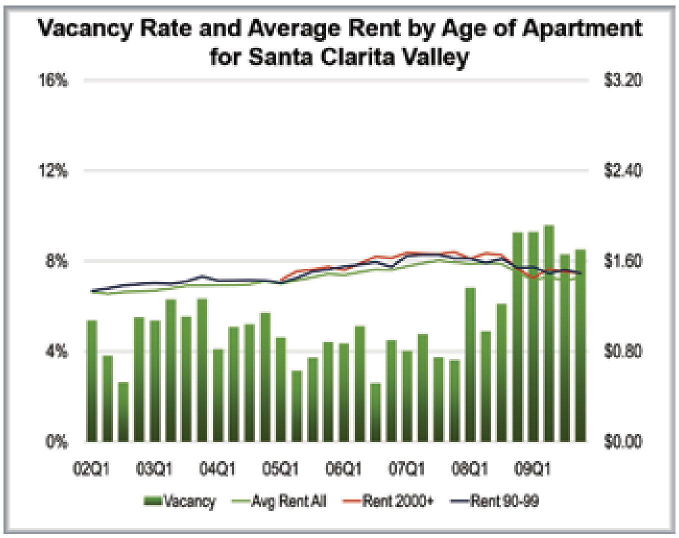

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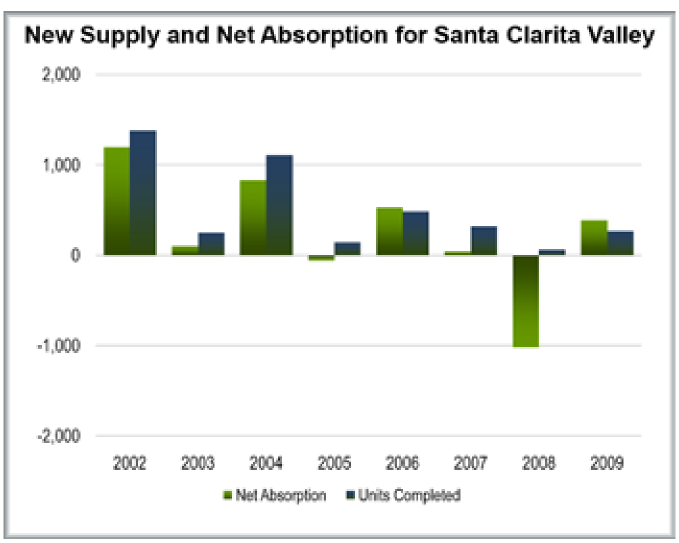


Source: M/PF YieldStar

Alliance Residential bought the property from the initial developer, Intracorp, prior to completion.

Completions are expected to increase slightly in 2010 to 265 units. Three projects are currently under construction. The 30-unit Garfield Gardens, by Thomas Safran & Associates, is scheduled for completion in February. The 163-unit Paragon at Old Town in Monrovia, by Urban Housing Group, is scheduled for completion in April. Finally, the 72-unit Vassar City Lights in Glendale, by Advanced Development Inc., is scheduled for completion in June. The Paragon at Old Town is part of a broader initiative to renovate Old Town Monrovia into a vibrant downtown area. The luxury apartments by Urban Housing Group are located near the proposed Gold Line light-rail station extension.

San Fernando Valley

The San Fernando Valley saw demand increase significantly, with positive net absorption of 3,280 units and an increase in occupancy of 1.9 percentage points. Occupancy ended the year at 94.6 percent. Average monthly rents decreased 6.4 percent to $1,351, while same-store rents declined 7.7 percent. Both of these rates substantially exceeded the countywide levels.

The San Fernando Valley added nearly 722 units of supply in 2009, down from 1,700 in 2008. Most of these projects were produced by private developers and all were under 100 units.

Slated for completion in 2010 are 1,190 units across eight projects. Dinerstein Companies is currently working on the 438-unit Millenium at Warner Center and is scheduled to deliver the project in September. Western National Group is also working on a project in the vicinity of Warner Center: the 195-unit Enclave, scheduled for delivery in April. Fairfield Residential is working on the 227-unit Carabella, and Abode Communities is constructing the 52-unit Ivy Terrace, slated for delivery in June.

Santa Clarita Valley

The Santa Clarita Valley experienced modest increases in demand, with 390 net move-ins, and an increase in occupancy of 0.8 percentage points. The year-end occupancy rate of 91.5 percent was the second lowest in the county. Average rents declined by 1.2 percent to $1,389, while same-store rents declined by 1.3 percent. The submarkets of Santa Clarita and Long Beach had the smallest rent declines in the county by a wide margin.

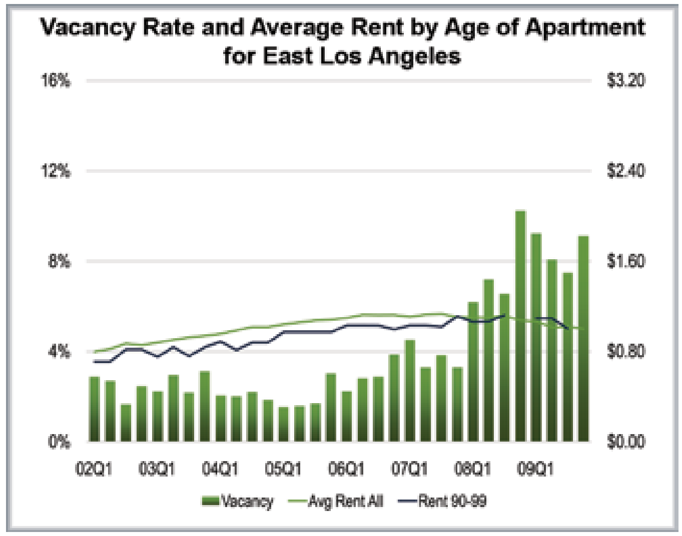
The Santa Clarita Valley received 269 units of supply in 2009 across two projects. The majority of the new supply came from the 220-unit Vistas of West Hills in Valencia, developed by LNR property group.

No new supply is expected to be delivered in 2010.

East Los Angeles and San Gabriel Valley

The two eastern submarkets, the San Gabriel Valley and East Los Angeles, performed slightly differently from one another in 2009. The San Gabriel Valley experienced positive net absorption of 580 units and an increase in occupancy, while East Los Angeles experienced negative net absorption of 800 units and a decrease in occupancy. San Gabriel Valley occupancy rose 1.1 percentage points to 94.3 percent; East Los Angeles incurred a 0.7 percentage point decline to a year-end level of 93.5 percent. Both areas are predominantly single-family home markets.

Average rents for the San Gabriel Valley ended the year at $1,190 per month, exhibiting a decline of 5.7 percent from the previous year. Same-store rents fell by 9.0 percent, the highest decline in the county. In East Los Angeles, average rents ended the year at $1,217, down 5.5 percent from the prior year. Same-store rents performed better than in the San Gabriel Valley, declining by 5.4 percent. There was no new supply generated in the San Gabriel Valley in 2009 and there is none planned for 2010, either.



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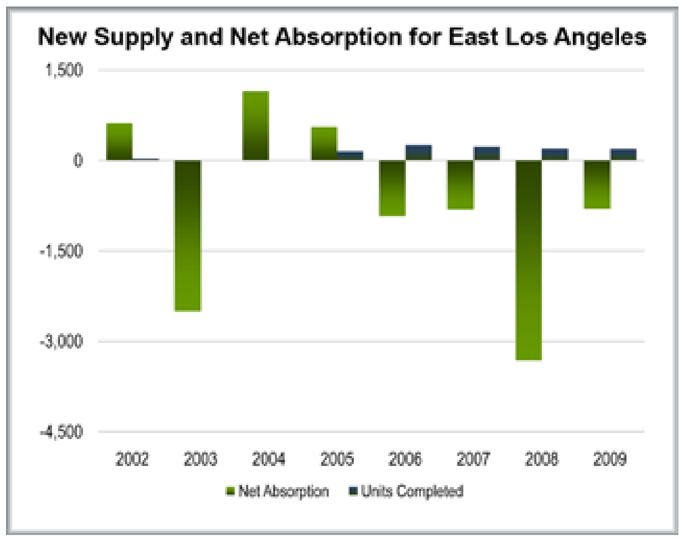

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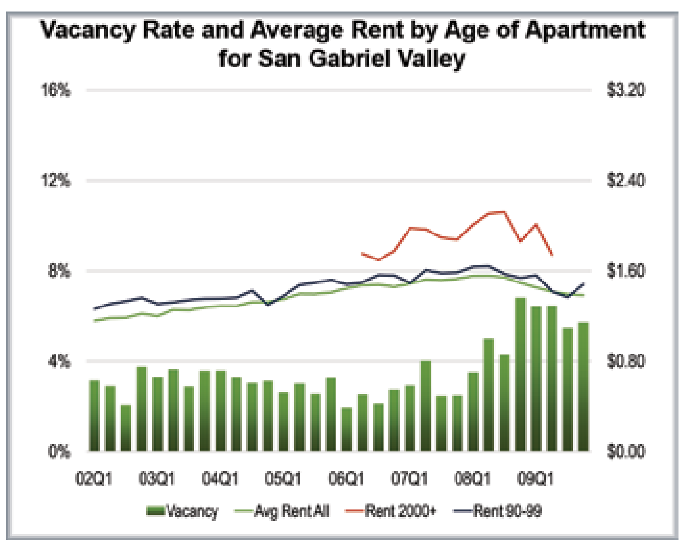

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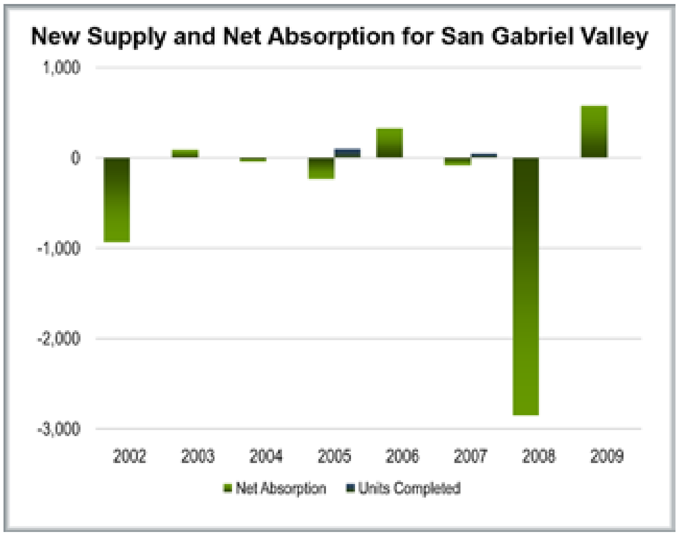

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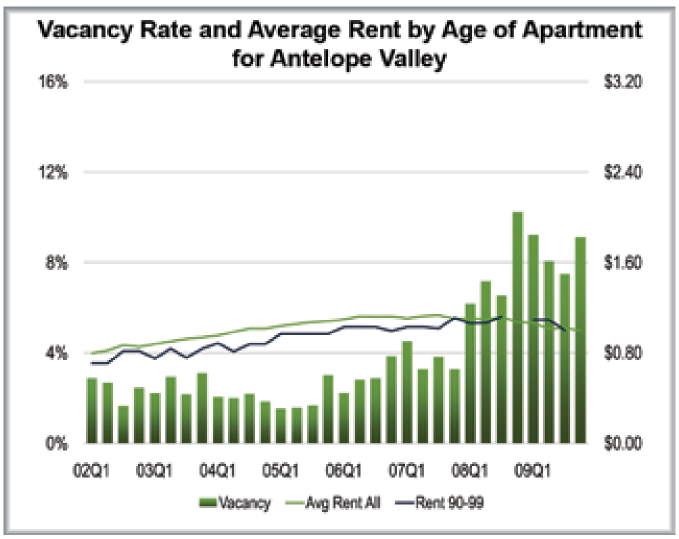

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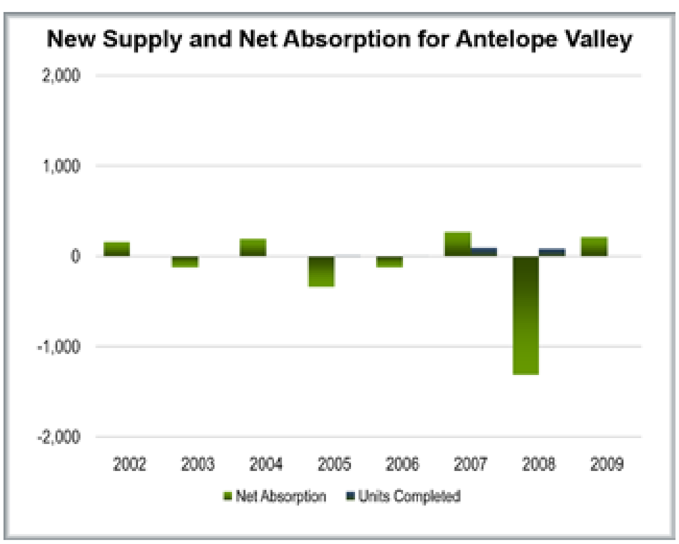


Source: M/PF YieldStar

East Los Angeles gained 190 new units in 2009. Five new units were completed by a private developer in February near the USC campus at 188 West 36th Street. Beyond Shelter Housing Development completed the 85-unit Central Village project in August. Thomas Safran and Associates completed the 100-unit Rittenhouse Square project in August as well. Both projects are located just south of Downtown

Five hundred and sixty five units are scheduled for completion in 2010, comprised mainly of the 421-unit University Gateway project. The developer, Urban Partners, anticipates completion in July. When finished, the project will house over 1,600 students and offer 82,000 square feet of retail.

Antelope Valley

The Antelope Valley submarket is in the northern outskirts of Los Angeles County and includes the cities of Lancaster and Palmdale. After experiencing steep declines in occupancy and negative net absorption of 1,310 units 2008, the area is slowly recovering. At the end of 2009, the area tallied 210 net move-ins and an increase in occupancy of 1.1 percentage points to 90.9 percent. The occupancy rate is the lowest in the county.

Rents took a big hit this year, declining 6.7 on average to $842 per month. Same-store rents fell 8.4 percent. Average rent levels are the lowest in the county by almost $350.

No new supply was delivered in 2009 and no new completions are scheduled for 2010. The most recent completion was an 81-unit development delivered in August 2008 by AMCAL Multi-Housing Inc. The affordable housing community Cielo Azul caters to active seniors and offers 64 one-bedroom apartments and 17 two bedroom units. Amenities include a spa and clubhouse.

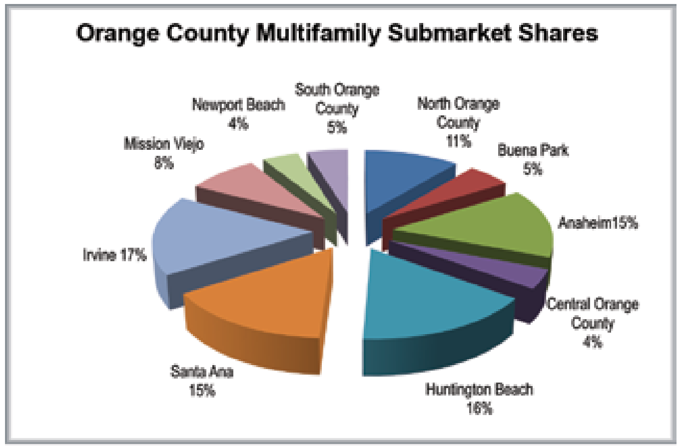
Orange County Multifamily Market Trends

The subprime difficulties in the mortgage sector have seriously affected employment growth in Orange County. With the ongoing credit crisis, job layoffs in the financial services and real estate sectors have spread to other sectors, resulting in over 75,000 jobs lost in 2009. The losses represent 4.9 percent of the county's employment base. Because of robust employment growth in preceding years, overall unemployment is still lower in Orange County than in neighboring metro areas such as San Diego, Los Angeles or the Inland Empire. The unemployment rate in Orange County ended the year at 9.1 percent, up 1.6 percentage points from one year earlier.

Despite the disappointing employment statistics, Orange County experienced a modest increase in occupancy and net absorption of 4,190 units for 2009. Anaheim and Irvine experienced the greatest increases in demand, both in absolute and relative terms, with net absorption of 1,300 and 1,250 units, respectively. North Orange County performed the worst, with negative 280 units of net absorption and holding steady from the previous year. Buena Park was the only other submarket to experience negative net absorption, with negative 30 units.

With demand slightly outpacing growth in supply, apartment occupancy in Orange County increased 0.1 percentage points in 2009 to 93.7 percent. Occupancy outpaced the West region by 0.8 percentage points, but was the second worst showing in Southern California. Mission Viejo and Central Orange County tied for the highest occupancy rates at 95.4 percent. Anaheim was the lowest at 90.9 percent.

The average monthly rent for apartments in Orange County in 2009 was $1,464, a decrease of 4.4 percent from 2008. Same-store rents on existing apartments fell 5.7



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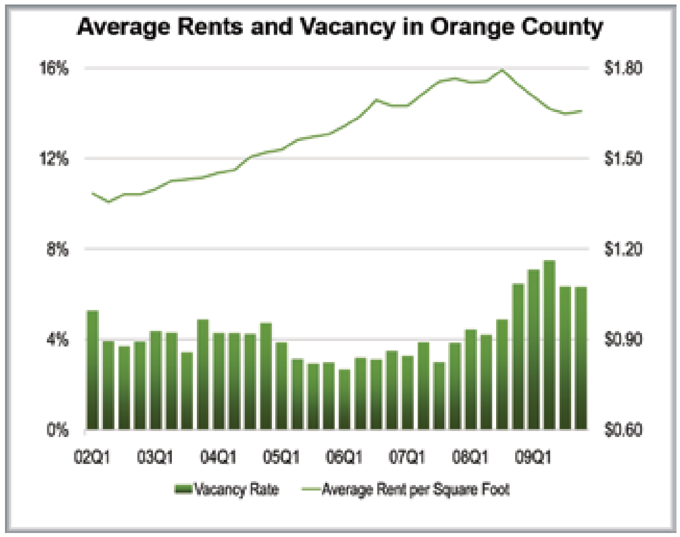

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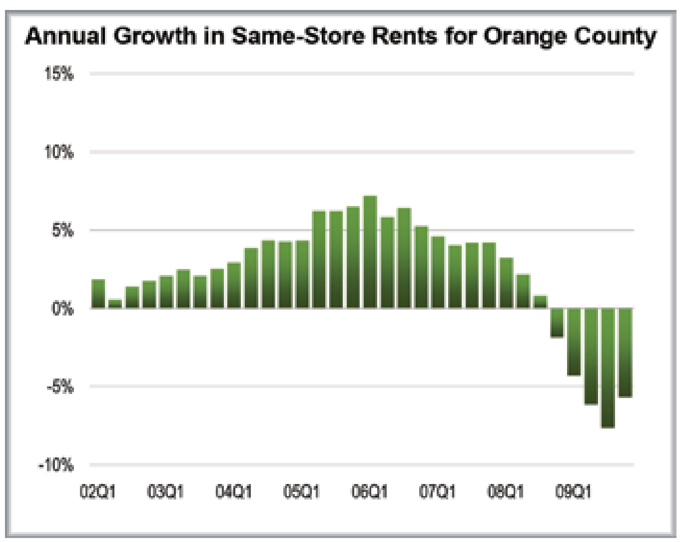

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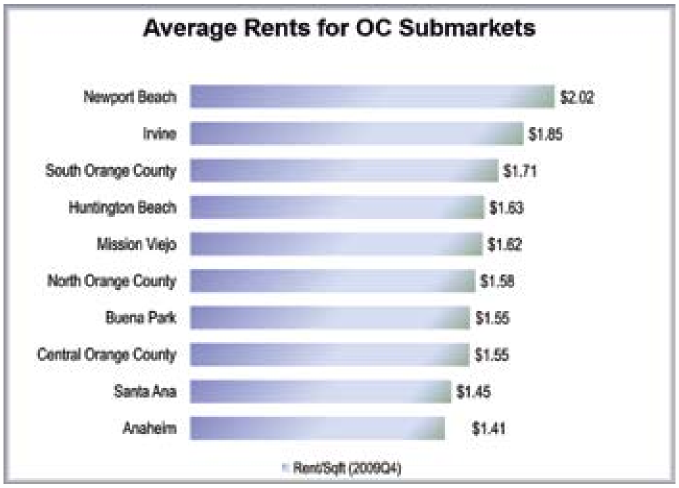

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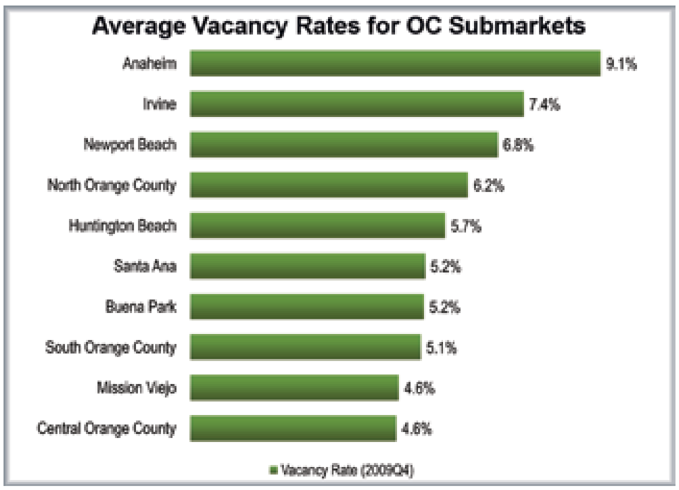

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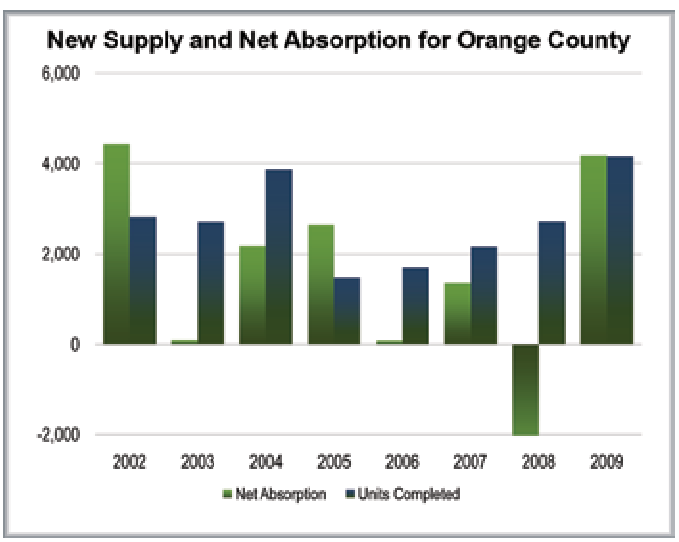

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percent during 2009, compared to a 4.1 percent decline nationwide. Apartments built prior to 1990 experienced the sharpest declines in rents – between 5 and 7 percent – while those built after 1990 experienced around a 4 percent decline. Declines in rents may be starting to slow; looking at the total percentage decline in average rents for the year, only 0.7 percent of it came in the 4th quarter of 2009. Same store year-over-year rents also improved from Q3 to Q4, moving from negative 8 to negative 5.7 percent.

Despite the economic recession, the long-term outlook for the region remains positive. Orange County's substantial entertainment, retail, and dining amenities, its skilled employment base, and a variety of family attractions will continue to sustain the region. Somewhat tight credit conditions and relatively expensive homes continue to support demand for apartments. As the credit crisis eases, employment in the financial and services industries should also improve.

Construction Activity

In 2009, the rental inventory in Orange County expanded by nearly 4,200 units. Only three of the ten submarkets received new supply during the year: Anaheim, with 2,230 units, Irvine, with 1,901 units, and South Orange County, with 38 units. Considering the quantity of new rental stock delivered in Anaheim and Irvine, their net absorption numbers are all the more impressive.

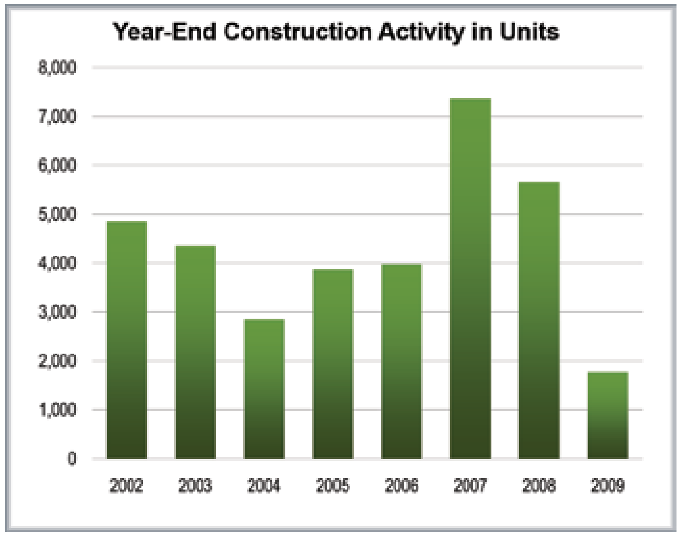
In 2010, only 1777 new units are scheduled for delivery in Orange County, less than half of the previous year's tally. The new supply will be split between three submarkets and only six total properties: North Orange County, Anaheim, and Irvine. The largest projects include Irvine Apartment Communities' Park at Irvine Spectrum Center I (762 units); Sares-Regis Groups' The Crossing in Anaheim (312 units); AvalonBay's Avalon Irvine (279 units); and Olen Properties' Olen Pointe Brea Apartments in Brea (North Orange County submarket, 260 units).

Irvine

Irvine experienced positive net absorption in 2009 of 1250 units, continuing the trend from 2008. Despite the positive absorption, however, the Irvine submarket registered a 92.6 percent occupancy rate, a decline of 1.5 percentage points from 2008. Average monthly rental rates declined 5.7 percent to $1,669 per month. Same-store rents declined 6.2 percent. Both of these numbers were worse than the county averages.

Irvine added 46 percent of the new supply delivered in 2009, for a total of 1,901 units. Irvine Apartment Communities alone accounted for 66 percent of the new construction with its 402-unit Esperanza project, its 329-unit Mirasol project, and its 528-unit Palmeras project. Jamboree Housing Corporation added an additional 161 units between its Granite Court and Arbor of Woodbury projects, and Lincoln Properties added 481 units with its Main Street Village project. Amenities in these complexes ranged from resort-style pools and spas with cabanas, to climate-controlled storage and cyber cafes. Unique among its peers, Main Street Village boasts LEED silver certification.

Irvine is set to receive 1074 new units of supply in 2010, which will account for over 60 percent of the anticipated supply in the county. Irvine Apartment Communities will be adding 762 units with its Park at Irvine Spectrum Center Phase I, which is scheduled for completion in June. AvalonBay will be adding 279 units with its Avalon Irvine project, which was scheduled for completion in January.



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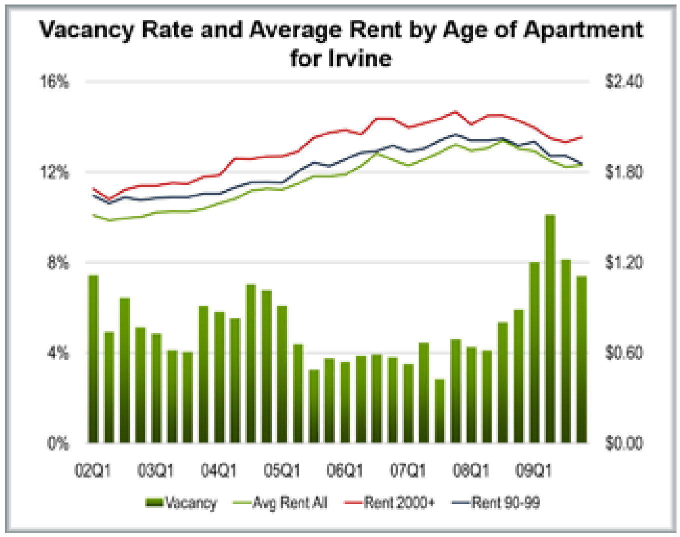

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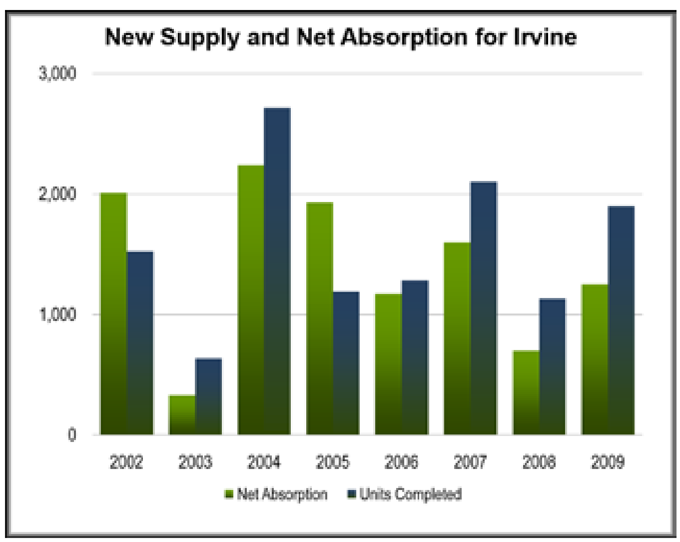

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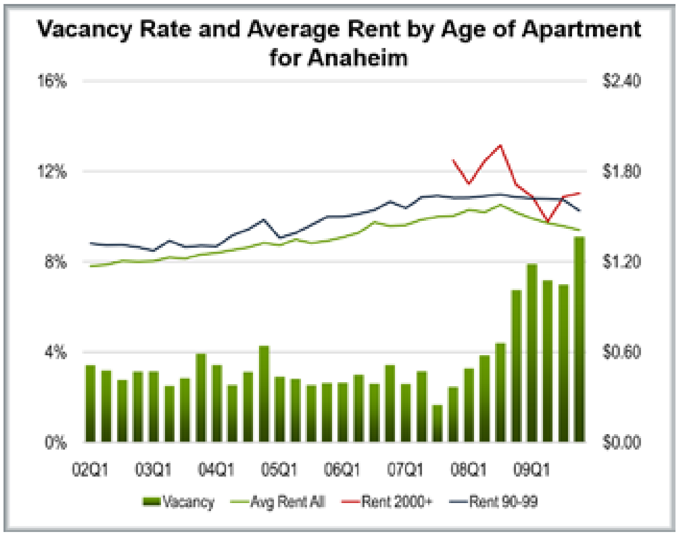

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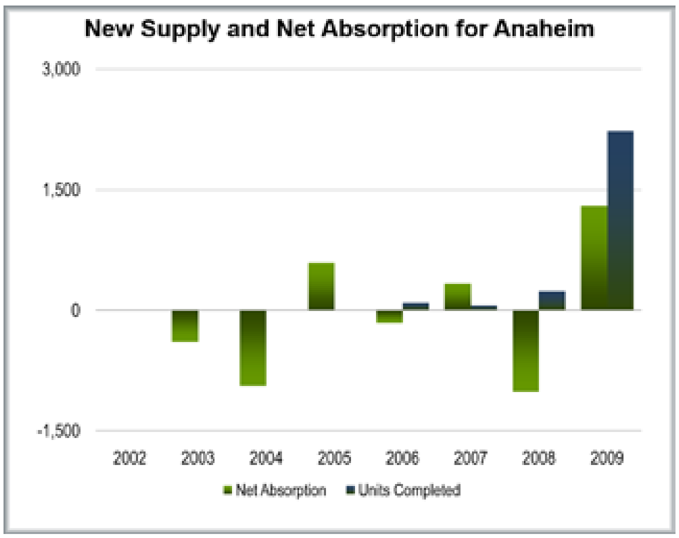

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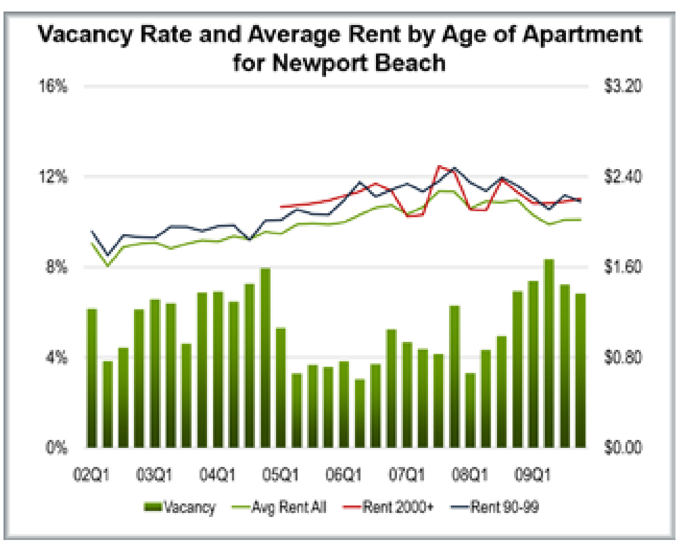

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Anaheim

Anaheim's was the leader in Orange County in net absorption for 2009 with 1300 net move-ins. This was a vast improvement over the prior year, in which the submarket had over 1000 net move-outs.

And like Irvine, the area nevertheless experienced a decline in occupancy – from 93.2 to 90.9 percent. Already having the lowest rents in Orange County, Anaheim's monthly rents decreased by 4.6 percent in 2009 to an average rate of $1,212 per month. Same-store rents in Anaheim fell by 8.6 percent, the highest in the county.

The Anaheim submarket added nearly 2,230 units of supply in 2009. CIM Group added to their mixed-use Promenade community located near Disneyland and the Anaheim Convention Center with the 58-unit Promenade Lofts. The largest completion in Anaheim was Archstone-Smith's Archstone Gateway, with 884-units. This property bills itself as a resort-style community with three pools, four spas, two gyms, and an outdoor media center. BRE Properties completed the 320-unit Park Vidrian in July. Three other projects, all located near the intersection of South State College and East Katella Boulevard, logged in at 250 units or more.

Anaheim is expecting delivery of only 312 units in 2010, an 86 percent reduction from 2009. The sole property, scheduled for delivery in July, is The Crossing, by Sares-Regis Group. The developer hopes to obtain LEED certification on the property.

Newport Beach

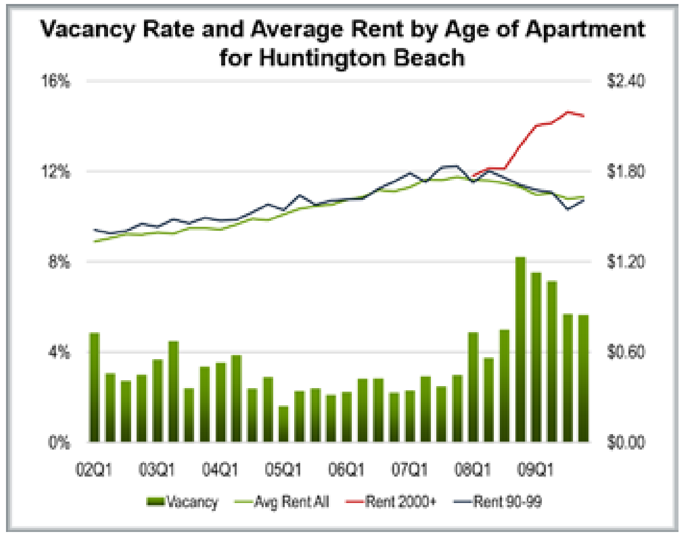
Demand for multifamily in Newport Beach held steady as the area saw 10 units of positive net absorption and a 0.1 percent increase in occupancy. Average rents in Newport Beach, historically the most expensive community in Orange County, declined 0.9 percent to $2,032 per month while same-store rents declined by 5.1 percent.

There was no new supply delivered in 2009 and there will continue to be no new construction for the foreseeable future.

Huntington Beach

Huntington Beach exhibited another sharp turnaround from 2008, posting positive net absorption of 910 units and occupancy of 94.3 percent. This was an increase of 2.5 percentage points over 2008. Huntington Beach was tied with South Orange County for the largest gain in the occupancy rate. Average monthly rents declined 5.3 percent to $1,377, while same-store rents fell 6.2 percent.

No new construction was completed in 2009, and none is expected for 2010.



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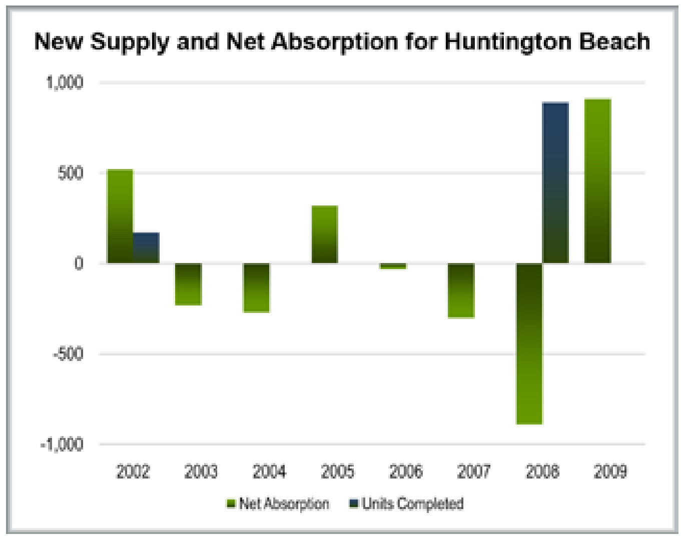

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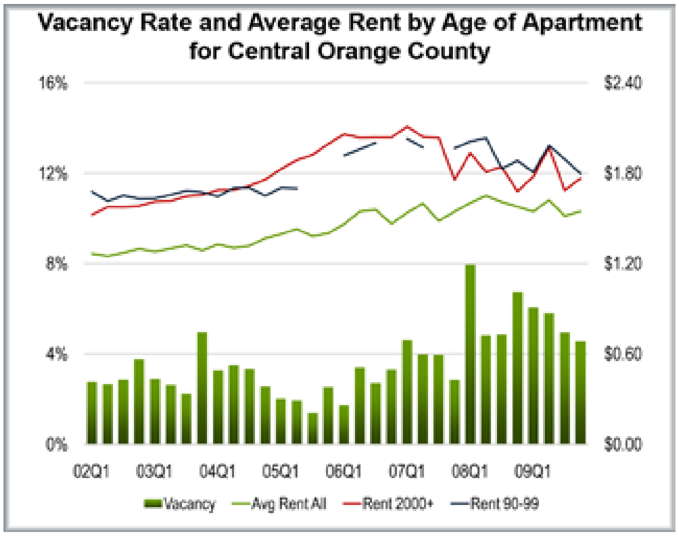

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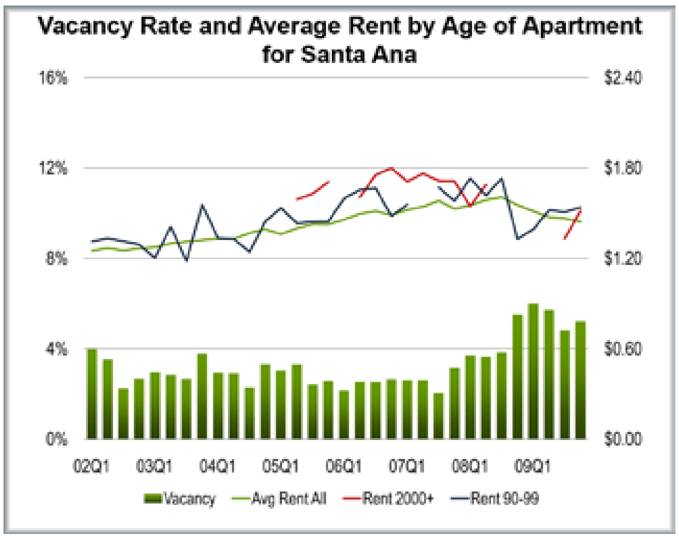

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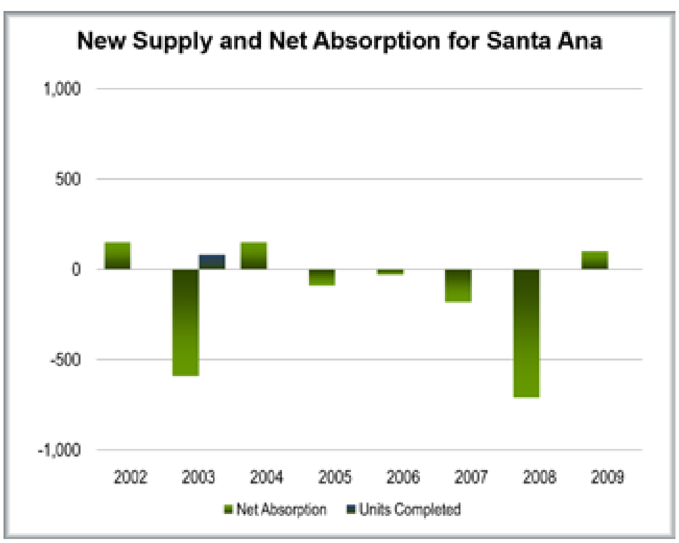

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Central Area

The Central Area of Orange County showed material increases in demand, with positive net absorption of 200 units and an increase in occupancy of 2.1 percentage points. The occupancy rate of 95.4 percent tied with Mission Viejo for the highest in the county. Average rents fell by 4.1 percent to $1,409, while same-store rents fell only 3.2 percent.

In Santa Ana, net absorption was a modest 100 units, but this was a major improvement over 2008. Occupancy increased 0.3 percentage points to 94.8 percent. Average rents fell 5.5 percent to $1,266, the second lowest in the county. Same-store rents fell by 6.4 percent.

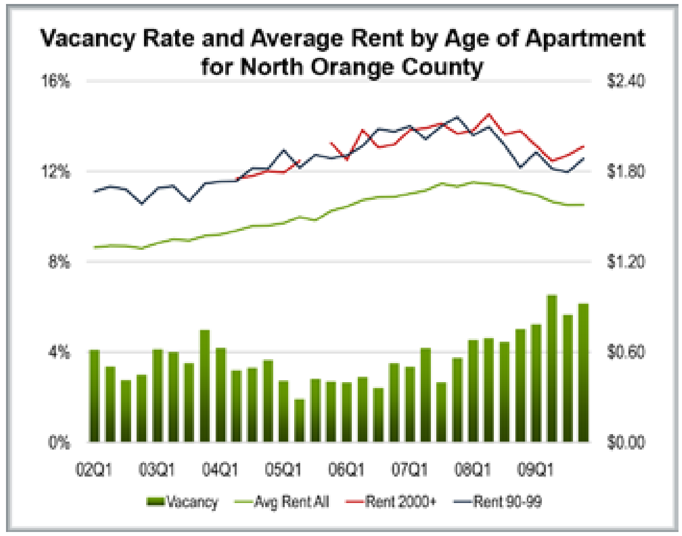
No new units came online in 2009 for either area and no new deliveries are expected for 2010.

North Area

North Orange County was one of only two submarkets to experience negative net absorption in 2009 (280 units). Along with it, came a decrease in occupancy of 1.2 percentage points to 93.8 percent. Both average and same-store rents fell by 4.6 percent, with average rents ending the year at $1,308 per month.

Buena Park, the other submarket to log negative net absorption (30 units), experienced a 0.3 percent decline in occupancy. Buena Park recorded the worst decline in both average and same-store rents at 8.0 percent. Average monthly rents ended the year at $1,291.

No new supply was delivered during 2009 in either submarket; however, 391 new units are scheduled for completion in North Orange County in 2010. The new supply will be provided by two projects: Morgan Group's 131-unit Jacaranda Senior Apartments and Olen Properties' 260-unit Olen Pointe Brea Apartments.



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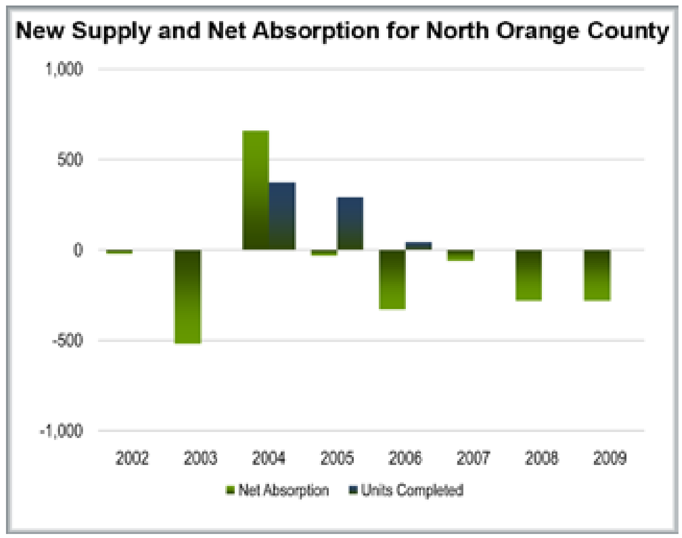

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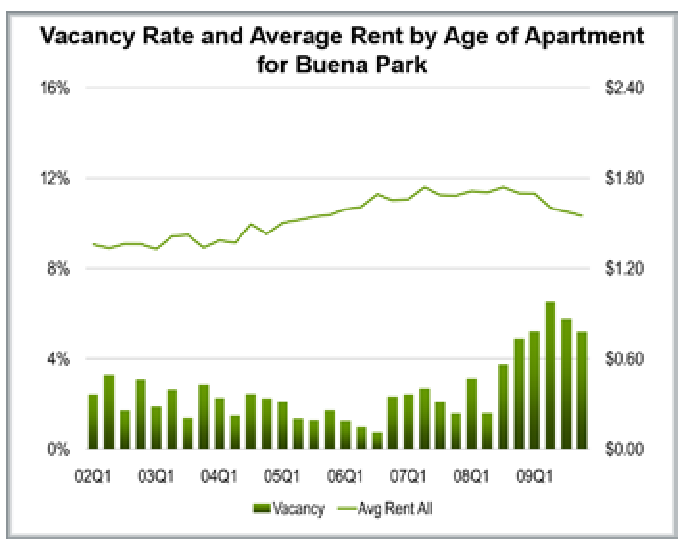

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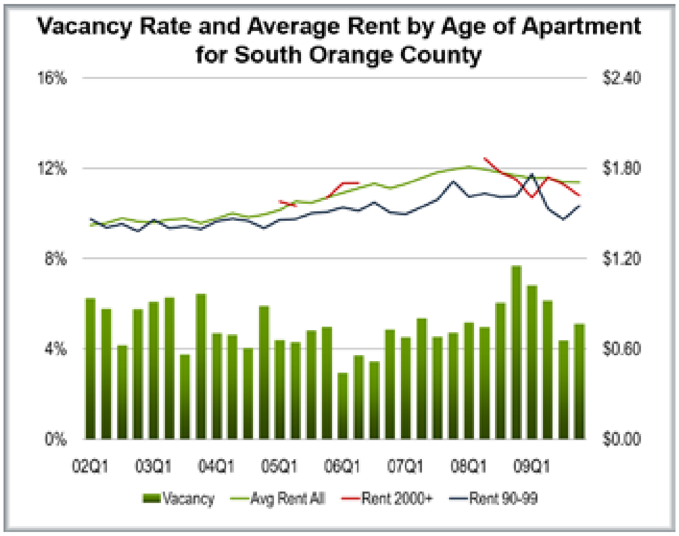

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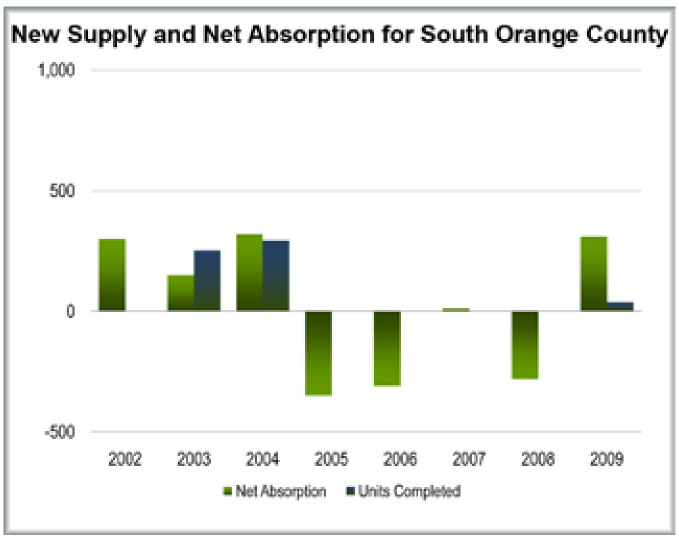

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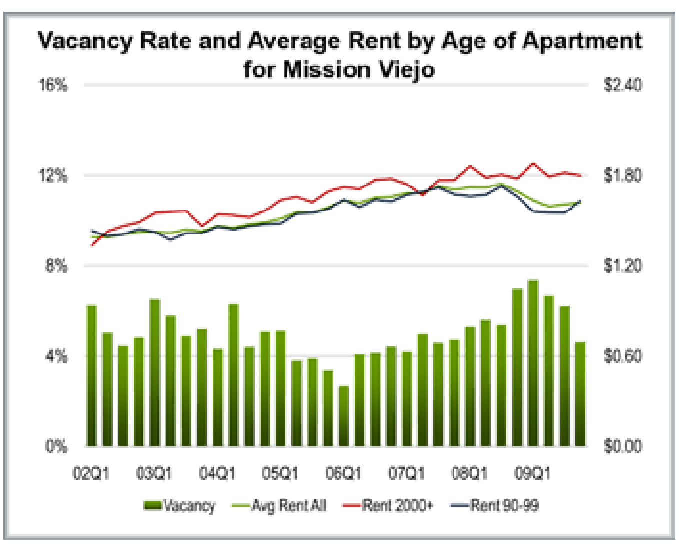


Source: M/PF YieldStar

South Area

Positive net absorption for Mission Viejo and South Orange County totaled 740 units in 2009, again a strong improvement over 2008. Occupancy in South Orange County increased 1.6 percent to 94.9 percent, while Mission Viejo's occupancy increased 2.4 percentage points to 95.4 percent. Mission Viejo was tied with Central Orange County for the highest occupancy rate in the county.

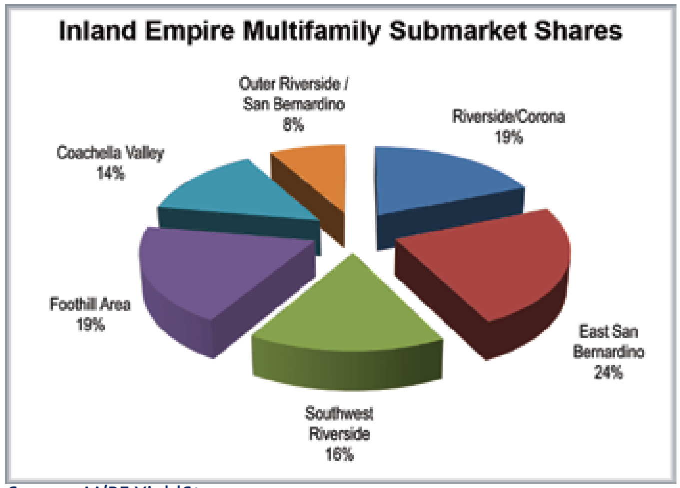
Average rents for South Orange County and Mission Viejo ended the year at $1,533 and $1,466, respectively. In South Orange County, average rents declined by 4.2 percent, while same-store rents fell 2.7 percent. In Mission Viejo, the picture was slightly different, with average rents falling 4.0 percent and same-store rents falling 4.2 percent.

Thirty-eight units were completed in South Orange County: a senior living community developed by MacFarlane partners. There were no new units delivered in Mission Viejo. No new completions are expected in 2010 for either submarket.

Inland Empire Multifamily Market Trends

The Inland Empire, which includes San Bernardino and Riverside counties, has been devastated by the recession, registering one of the highest foreclosure rates in the country and heavy job losses. More than 55,000 jobs were lost in 2009, with the largest cuts coming in the construction and trade sectors. Riverside and San Bernardino's unemployment rates hit 14.9 and 13.8 percent, respectively, in Q3 2009 and have improved little since. Lower household income and increased competition from the shadow supply of single-family homes for lease put downward pressure on both rents and occupancy during the last two years. The occupancy rate for the market continues to be the lowest in Southern California.

In the last year, however, demand has begun to improve. The market overall saw 3710 net move-ins and an increase in occupancy of 1.2 percentage points to a rate of 92.4 percent. In addition, average and same-store rent declines were the second lowest in Southern California. Given the relative abundance of land and distance from major urban centers, rents in the Inland Empire are substantially lower than Los Angeles, Orange County, and San Diego. The region's average was $1,024, down 3.8 percent from 2008. Same-store rents declined 4.8 percent.



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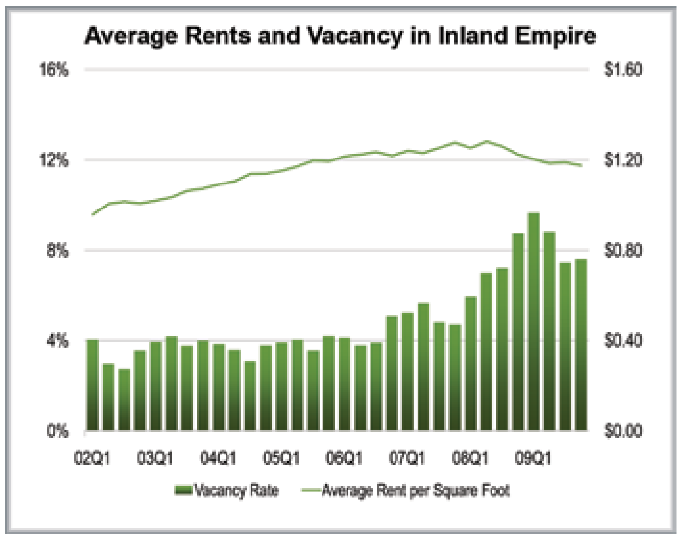

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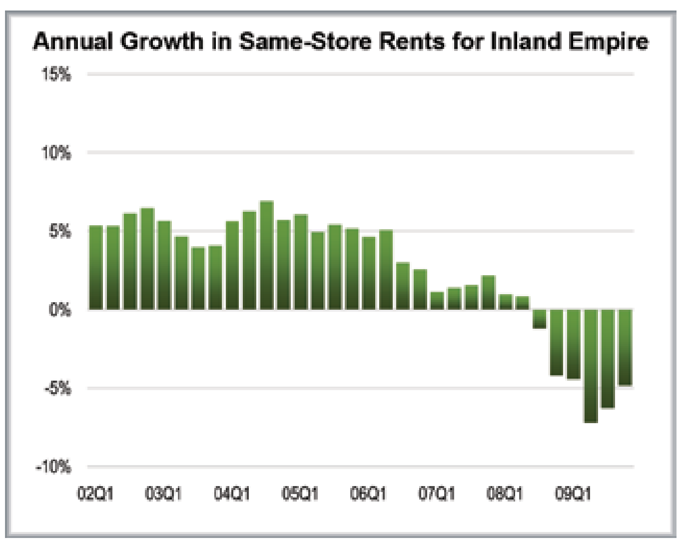

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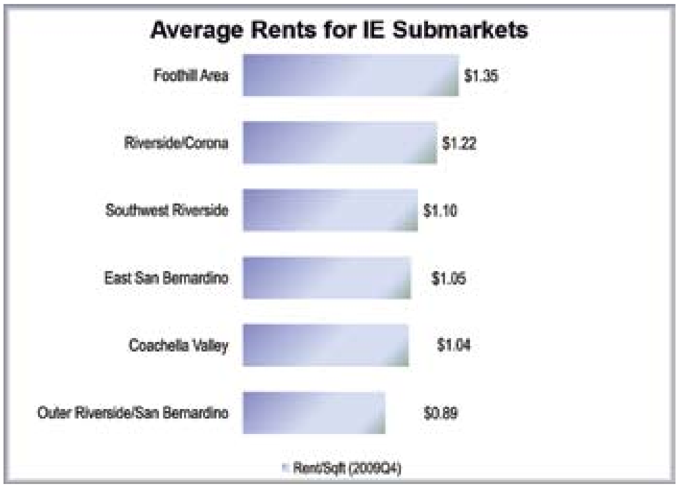

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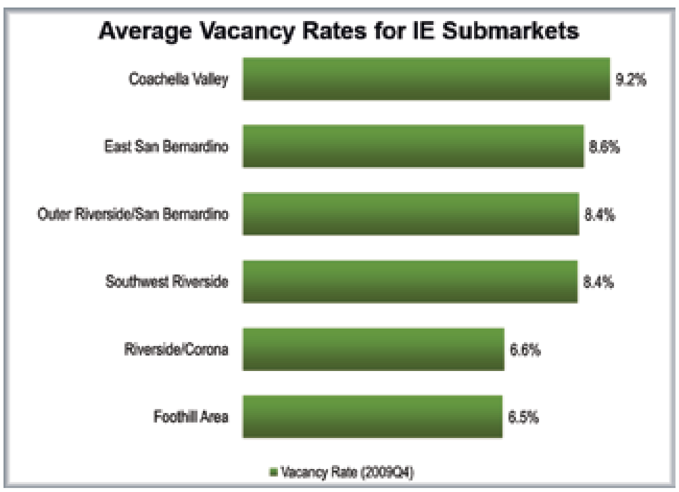


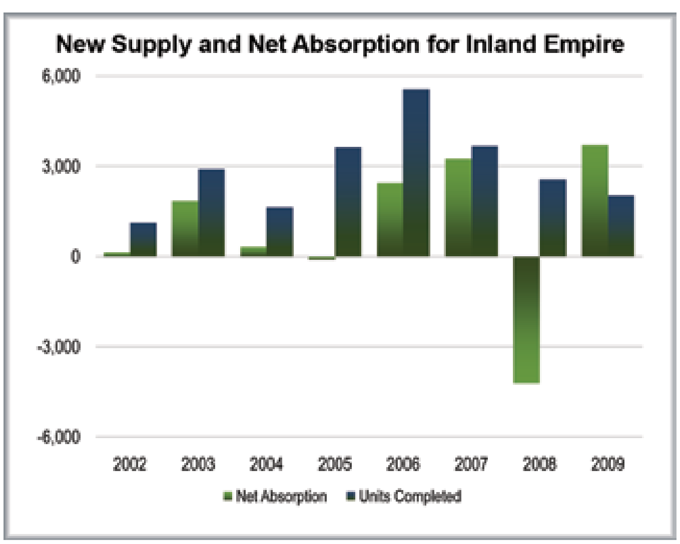
Source: M/PF YieldStar

Construction Activity

Two thousand and thirty new units were delivered in 2009, a slight uptick from 2008, but still only half of what was delivered in 2007. Unique among the four regions discussed in this report, the Inland Empire saw new units completed in every one of its submarkets. The Foothill area led the pack with 774 units, followed by Southwest Riverside, at 404 units in South Riverside. Fairfield Developers were responsible for all 404 units across two properties: the 174-unit Dakota in Winchester and the 230-unit Cantabria in Menifee. Last-place East San Bernardino welcomed 164 units of affordable housing.

During 2010, only 933 units are slated for completion. Again, all six submarkets anticipate delivery of new units. Among the largest projects are Dinerstein Companies' 274-unit Vineyards at Old Town in Temecula and the 260-unit Vineyards at Palm Desert by Vineyards Development LLC.

The 241-unit Homecoming at Terra Vista IV by Lewis Companies is anticipated for delivery in April of 2011 in Rancho Cucamonga.



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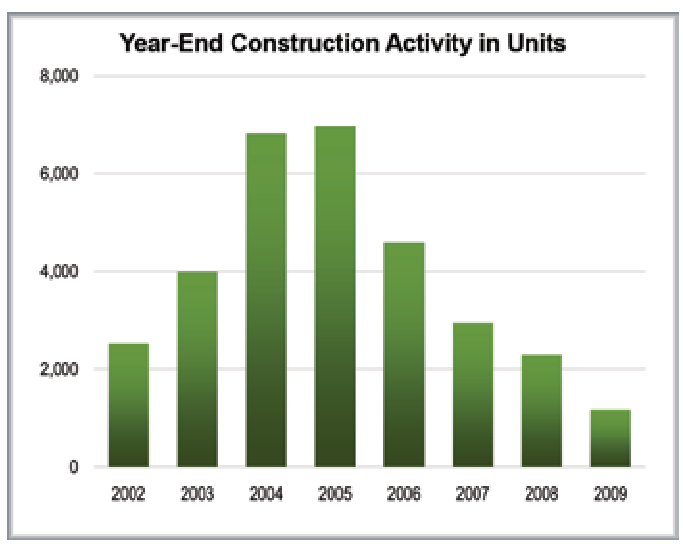


Source: M/PF YieldStar

Riverside/Corona

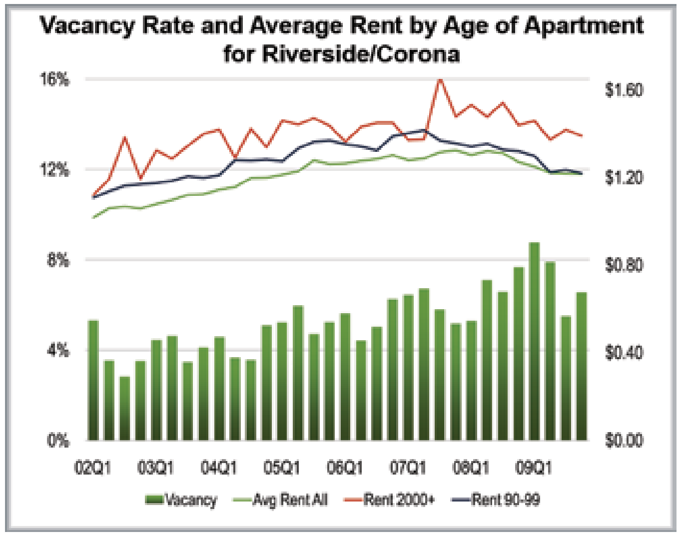
Riverside/Corona experienced 530 net move-ins for 2009, compared with 690 net move-outs in 2008. Occupancy increased 0.9 percentage points to 93.4 percent, the second highest in the region. Rents fell more sharply than in the prior year, declining by 4.2 percent on average and 4.4 percent on a same-store basis. Average rents ended the year at $1,048 per month.

During 2009, Kisco Senior Living completed a 203-unit full-service senior living community in Corona. Valencia Terrace offers independent and assisted living apartment homes. The community's amenities include formal dining venues, wellness programs, social and cultural events, volunteer programs, and a movie theater. Another senior housing community, Mission Village Senior, is scheduled to be completed in the Riverside/Corona area in March 2010. Located in the unincorporated community of Glen Avon in the County of Riverside, Mission Village Senior by Workforce Homebuilders will consist of 102 affordable senior housing units in a three-story urban-edged building that maintains the mission style architecture and landscape of historic Riverside County.

Foothill Area

The upscale amenities and facilities in the Foothill area and its proximity to the Los Angeles job market support the region's apartment demand. During 2009, the submarket experienced 880 units of positive net absorption – an improvement, once again, over the negative 710 units absorbed in 2008. Occupancy also increased by 2.7 percentage points to 93.5 percent, the highest in the market.

The Foothill area maintained the highest average rents in the region at $1,204 per



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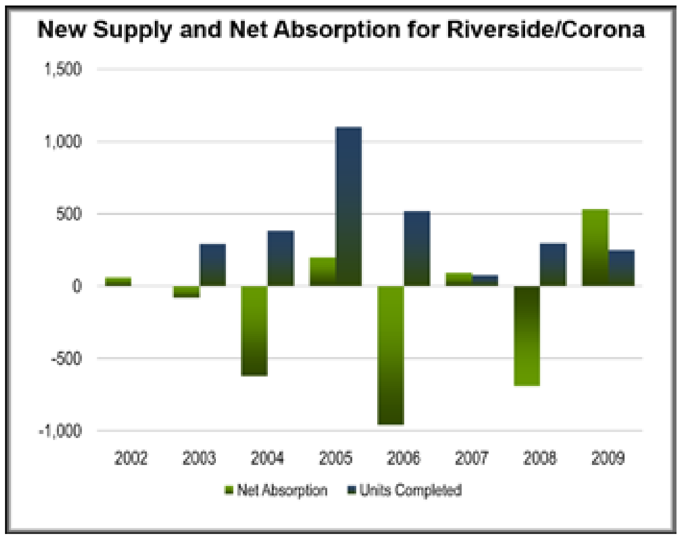

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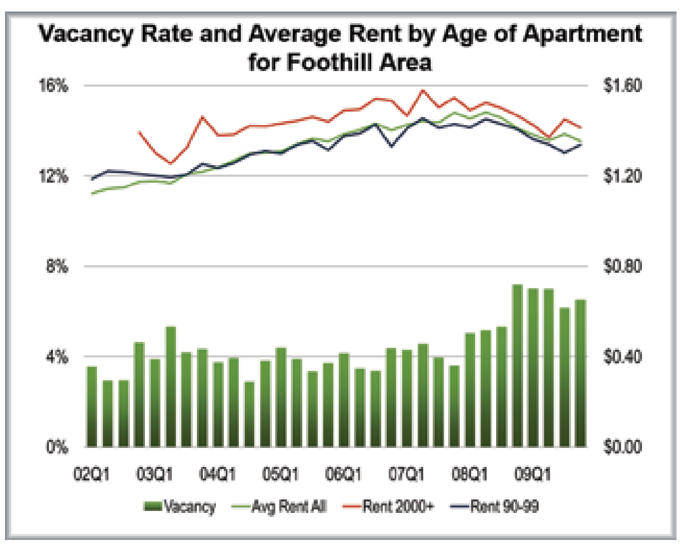

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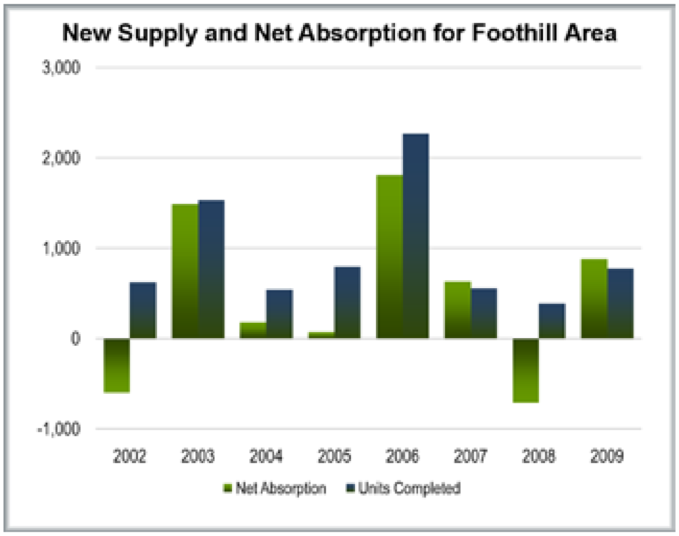

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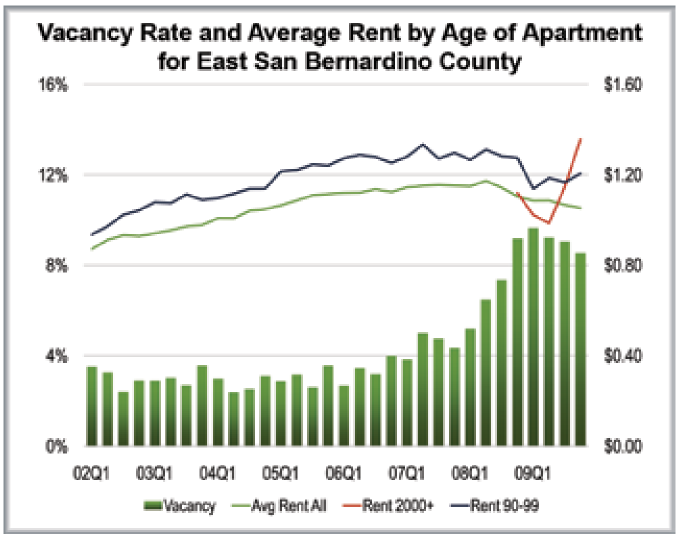

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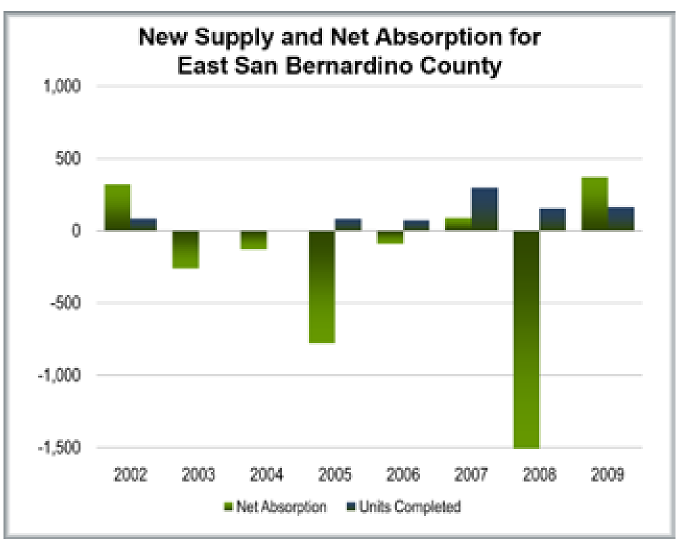


Source: M/PF YieldStar

month, although average rents were still down 4.3 percent from 2008. Rents declined by 4.1 percent on a same-store basis.

In 2009, the Foothill Area led the region in completions with 774 units of new supply delivered across three properties. The 448-unit College Park in Upland was completed in fall 2009. Adjacent to the Claremont Colleges, the luxury apartment community includes a private movie theater, walking trail, spa, resort-style swimming pools and a children's play area. In neighboring Ontario, Snyder Co. finished construction on the 160-unit Colony at Ontario Town Square. In November, Workforce Homebuilders completed its family-oriented affordable community, Villaggio on Route 66, in the heart of Rancho Cucamonga. The 166-unit community offers 2- and 3-bedroom units, as well as a 5,600 square foot community building.

Only one project is targeted for completion in 2010 in the Foothill Area. The 76-unit City Center Senior by Related Cos. is slated for completion in October. The complex is centrally located in downtown Ontario with easy access to the library, senior center, city hall, and the shops on Euclid Avenue.

East San Bernardino County

After having the worst performance among Inland Empire submarkets in net absorption for 2008, East San Bernardino found itself again near the bottom in relative demand changes for 2009, but the change was still positive. The submarket recorded 370 net move-ins for 2009, up from 1570 net move-outs in the previous year.

Occupancy rates fell 0.6 percentage points to 91.4 percent. The average monthly rent decreased 4.8 percent to $874 per month, while same-store rents dropped 5.5 percent.

In 2009, 164 units from two projects were added to the East San Bernardino County submarket. Blue Mountain Senior Villas, completed in July, was a cooperative effort between The City of Grand Terrace Redevelopment Agency and the Corporation for Better Housing. The 120-unit project accommodates seniors on limited incomes and features a 2.5-acre park as well as a 7,000 square foot community center. The 44-unit Poplar Street project, a joint venture with the Loma Linda redevelopment Agency, caters to very low income households and features a computer lab for residents.

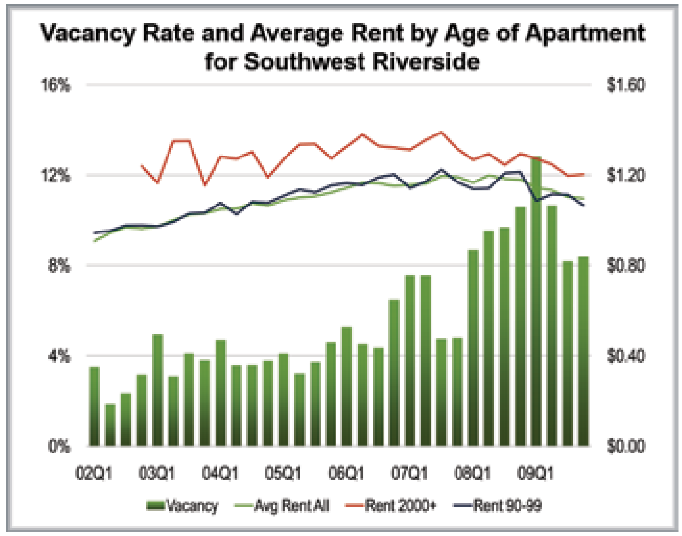
In January 2010, the Housing authority of San Bernardino anticipated completion of the 71-unit Vista del Sol in Redlands, aimed at low and very-low income seniors.

Southwest Riverside

Southwest Riverside County experienced the strongest increase in demand among Inland Empire submarkets, with positive net absorption of 890 units, after logging negative 380 units of net absorption in 2008.

Occupancy rates, which registered below 90 percent in 2008, rose to 91.6 percent in 2009. Average and same-store rents recorded the sharpest decline in the market, at 5.9 and 6.8 percent, respectively. Average rents ended the year at $978 per month.

The Southwest Riverside County submarket had the second-highest volume of new supply to enter the market at 404 units. Fairfield Residential supplied all the new apartment units for the Southwest Riverside County submarket in 2009. In August 2009, Fairfield completed the 174-unit Dakota in Winchester. Three months later, the 230-unit Cantabria community in Menifee was finished. Cantabria features a courtyard with fireplace, lounge, and fountain, a clubroom with bar, and two fully equipped business centers. Characterized as one of Fairfield's



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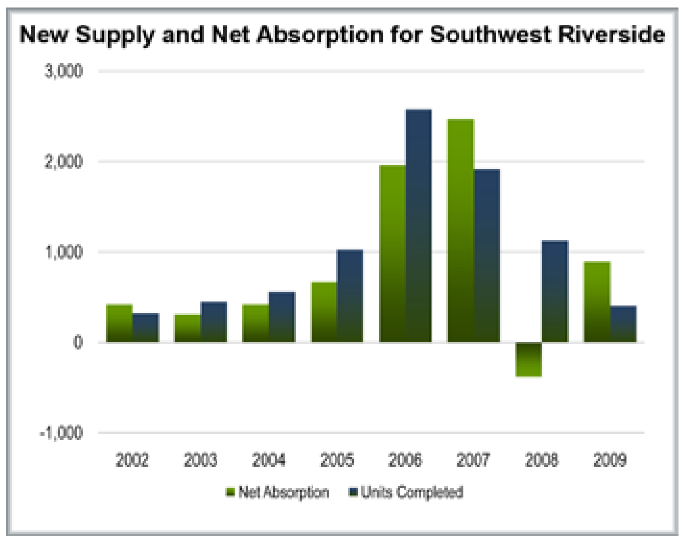

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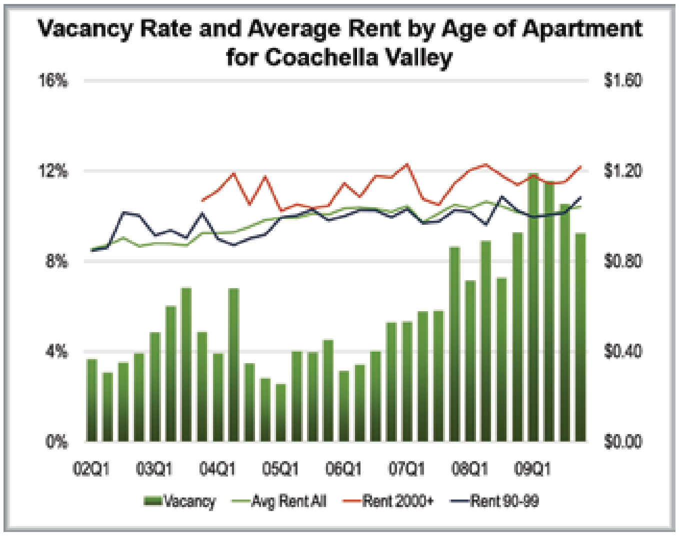

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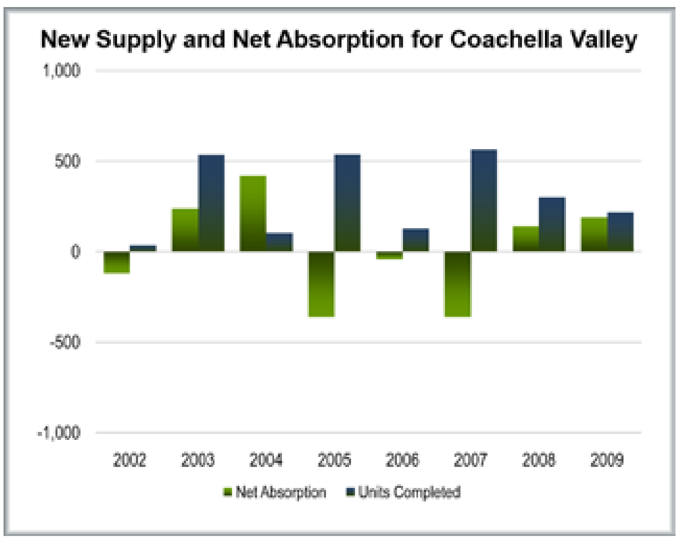


Source: M/PF YieldStar

"Living Green" communities, Cantabria offers environmentally friendly amenities, such as a carpool communication center and motion detectors in common areas for reduced energy consumption.

The Southwest Riverside area is expected to lead the market in completions in 2010 with 370 new units across two projects; however, M Timm Development's 96-unit La Pacifica III was on hold as of the end of the year. Dinerstein Cos. is targeting June 2010 for completion of the 274-unit community, The Vineyards at Old Town. In addition to luxury apartment homes, the Temecula project will have a limited number of walk-up two bedroom townhomes reminiscent of brownstones.

Coachella Valley

In 2008, the Coachella Valley fared better than other submarkets in the Inland Empire with respect to demand and average rent prices and continues to do so in 2009. After being the only submarket to experience positive net absorption in 2008, the submarket experienced another 190 net move-ins in 2009. Occupancy held steady at 90.8 percent.

The Coachella Valley was the only submarket in the Inland Empire and one of only five in Southern California to register an increase in rents in 2009. The 1.9 percent increase brought average rents to $923 per month. Same-store rents, on the other hand, were down 2.5 percent.

In 2009, 218 units of new supply were delivered via a single project: Coachella Valley Housing Coalition's Wolff Waters Place in La Quinta. This affordable housing project features a daycare center, basketball court, computer lab, and meeting rooms.

In 2010, 260 units of new construction are anticipated for delivery via Vineyards Development LLC's Vineyards at Palm Desert. Near the Cal State University of San

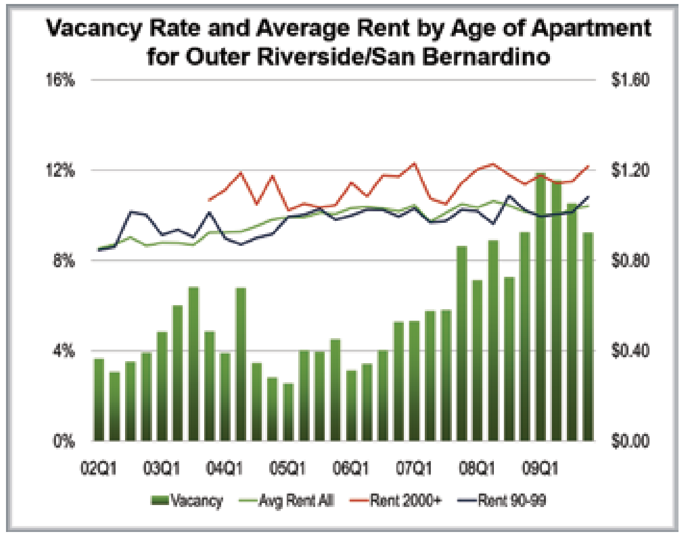
Bernardino and UC Riverside Palm Desert Campus, Vineyards will offer such amenities as a designer-appointed clubhouse, tennis court and putting green.

Outer Riverside/San Bernardino

After a devastating 10.4 percentage-point decline in occupancy in 2008, this largely rural submarket experienced a 5.3 percentage point increase in occupancy for 2009. Coupled with the increase in occupancy was a positive net absorption of 840 units.

In spite of the sharp improvement in demand, rents still fell 3.6 percent on average and 4.8 percent on a same-store basis. Rents still remain the lowest in Southern California at $784 per month. Outer Riverside/San Bernardino is the only submarket in Southern California with rents per square foot below $1.00 ($0.89 at the end of 2009).

Four new projects comprised of 222 units were completed in 2009, a slight decrease from 2008. All new construction for 2009 was in Hesperia. In June and December, ICI Development finished the first two phases of The Villas at Hesperia to reach a total of 100 completed units. Phase three, which will add an additional 54 units, were scheduled for completion in February of 2010.



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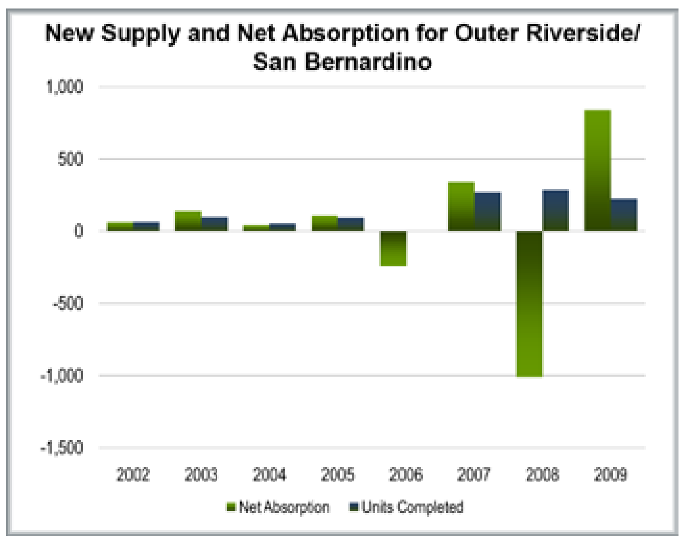

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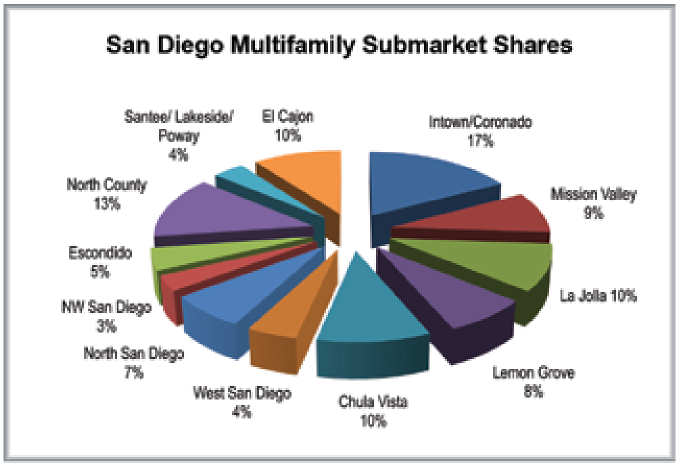
San Diego Multifamily Market Trends



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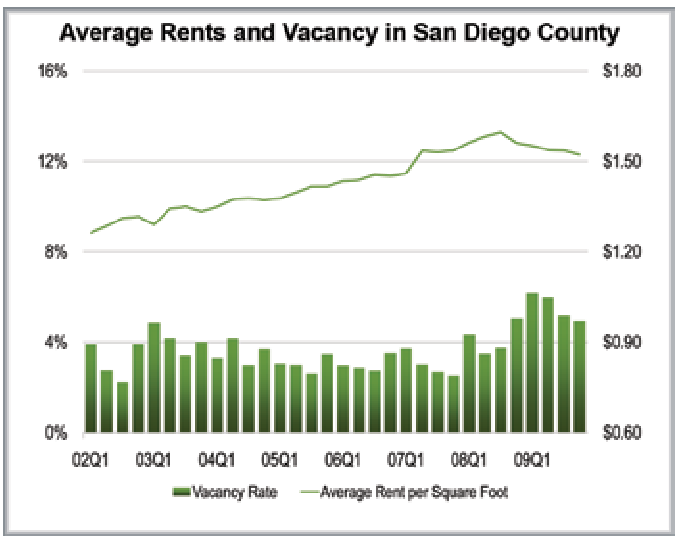

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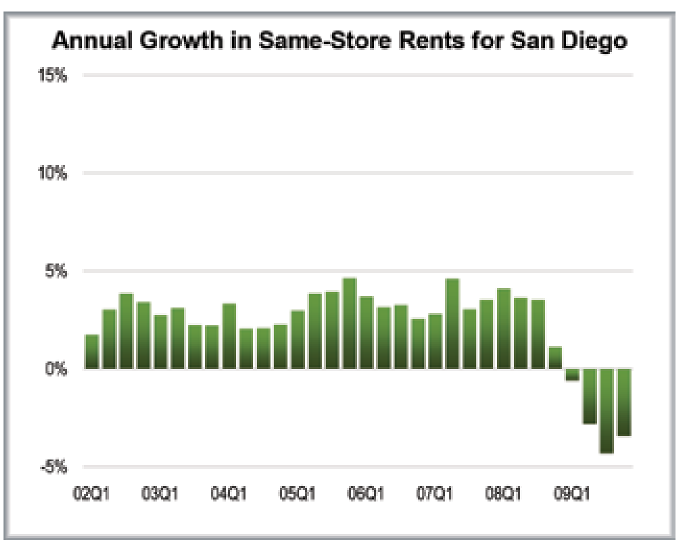


Source: M/PF YieldStar

The second largest county in California, San Diego County is home to more than three million people.

The city of San Diego has long been one of the fastest-growing cities in the nation and remains a desirable place to live because of its diverse economy, first-rate educational institutions, and high quality of life. Although San Diego has not been immune to the effects of the financial crisis, it weathered 2009 better than most of the Southern California markets. The region ended the year with the second lowest unemployment rate (about 10 percent) and the lowest number of job losses (43,000). The greatest job losses came in the sectors of professional and business services, trade, manufacturing, and construction.

In the multifamily market, San Diego experienced the smallest decline in rents and finished the year with the highest level of occupancy. Rents declined only 1.3 percent on average and 3.4 percent on a same-store basis, while occupancy rose 0.2 percentage points to 95.1 percent. Occupancy ranged from a low of 94.2 in North County to a high of 97.4 in Outer San Diego County.

Average rents finished the year at $1,323 per month. Intown/Coronado and Outer San Diego County were the only two submarkets in Southern California to experience rises in both average and same-store rents. The most expensive regions remain the coastal communities of Northwest San Diego/ Encinitas, with average rents of $1,711 per month and La Jolla/University City with rents of $1,674 per month.

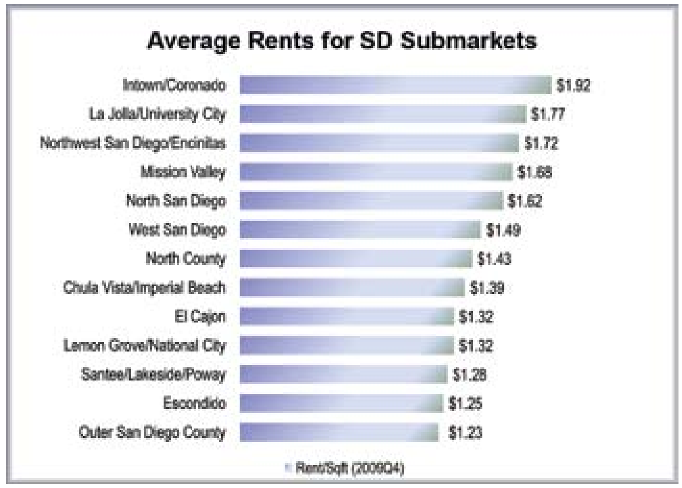
Demand for apartments has improved since Q4 2008, but nearly half of San Diego submarkets continue to post negative net absorption numbers. The San Diego area overall showed the weakest increase in demand relative to its size, with a positive net absorption of 1,880 units. Intown/

Coronado performed the best, with 1,000 units of positive net absorption, while Chula Vista/Imperial Beach performed the worst, with 290 units of negative net absorption. All submarkets performed better in net absorption relative to 2008.

Construction Activity

During 2009, 1,640 new units were completed, an increase of about 7 percent over 2008. Intown/Coronado received 604 of those units – about 37 percent – across seven projects. Mission Valley came in second with 354 units across two projects: HG Fenton Development's 254-unit Aquatera Apartment Homes and William Lyon Homes' 100-unit Levanto. Both of these projects were planned as condominiums and switched to rental during construction. Among the seven submarkets with positive completions, North County had the smallest number of units delivered: 12 apartments from Trammel Crow Residential's Bluwater Crossing in Carlsbad.

Completions are expected to increase slightly in 2010. Currently, 1,677 units across 9 projects are under construction. One 644-unit development -- Garden Communities' Greenfield Village in the Chula Vista/Imperial Beach submarket – is underway with expected completion in 2011.



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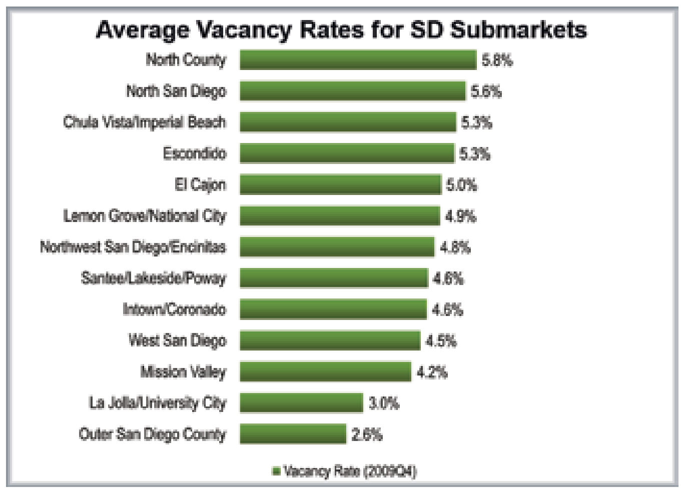

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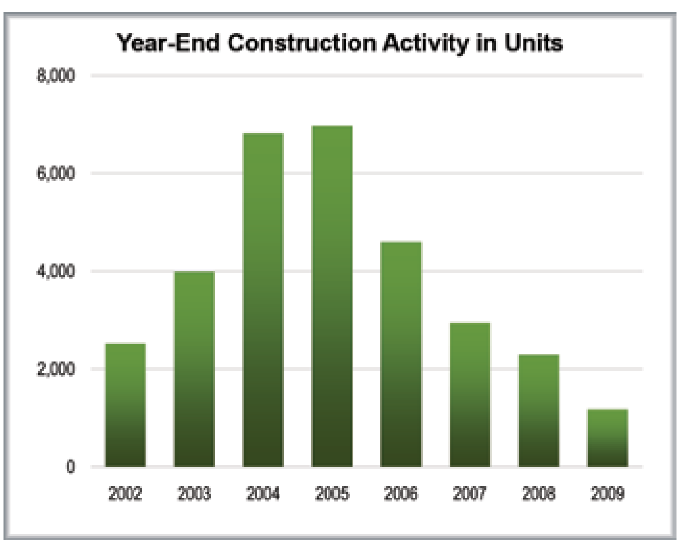

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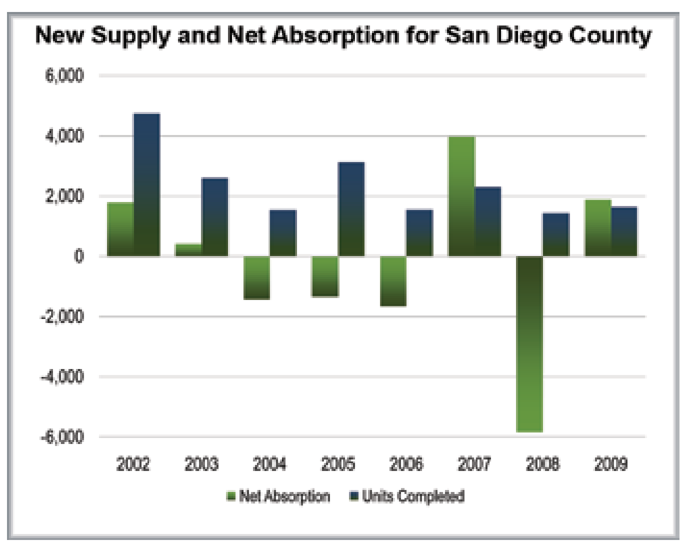

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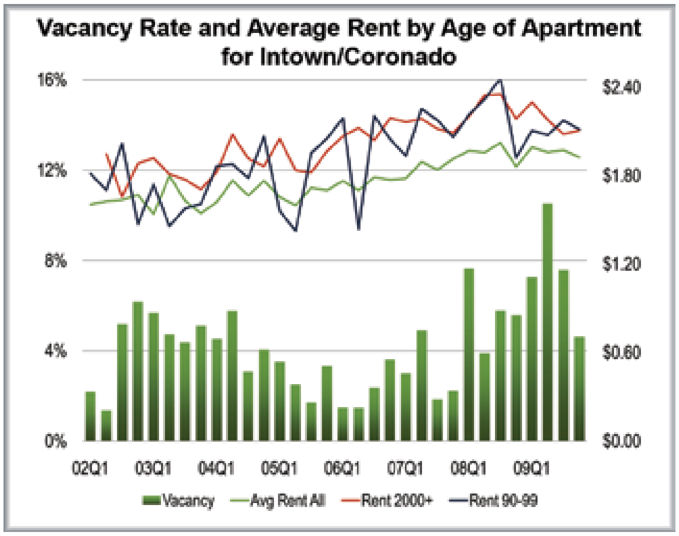

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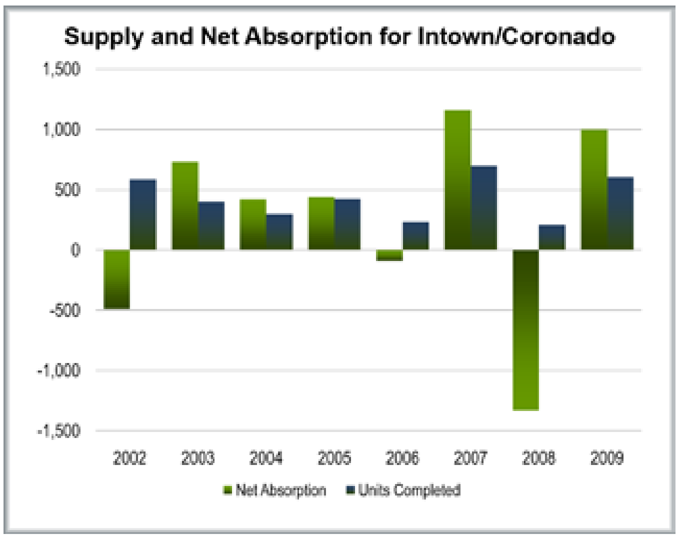

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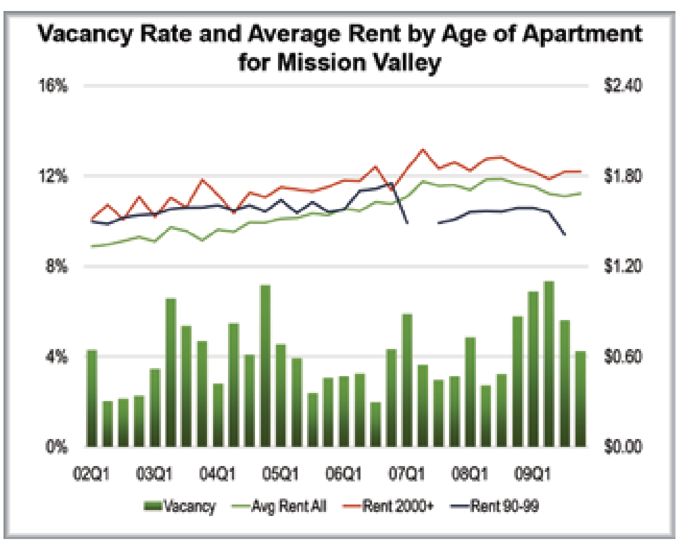


Source: M/PF YieldStar

2010 will have fewer project completions than in 2009, but those projects will be considerably larger. More than half of the communities in 2010's construction pipeline have 200 units or more. Most activity will occur in five submarkets – Intown, Mission Valley, North San Diego, North County, and El Cajon.

The most prominent developer in the area, Garden Communities, finished construction on the eighth and ninth phases of La Jolla Crossroads. Other active developers include H G Fenton Development, Fairfield Residential, Simpson Housing LP, and The ConAm Group of Companies.

Intown/Coronado

Intown/Coronado, with 1,000 net move-ins, had the highest net absorption rate, both in absolute terms and relative to market size. This was, yet again, a large improvement over 2008, when the submarket experienced 1,330 net move-outs. Occupancy meanwhile rose 1 percentage point to 95.4 percent. Perhaps more strikingly, occupancy rose by 3 percentage points from Q3 to Q4 2009. After being the only submarket in San Diego County with average and same-store rent declines in 2008, Intown/Coronado became the only submarket in Southern California to experience an average and same-store rent increase in 2009 (4.3 and 0.8 percent, respectively). Worth noting is that the same-store rent increases reflect steep price hikes from early in the year; the submarket actually saw same-store prices fall 6.2 percent between September and December. Average rents ended 2009 at $1,396 per month.

The urban San Diego submarket of Intown/Coronado received a total of 604 units across seven projects in 2009. The majority of recently completed apartment units in the Intown/Coronado submarket are concentrated in Downtown's East Village. The recently gentrified East Village district, which is home to the San Diego Padres'

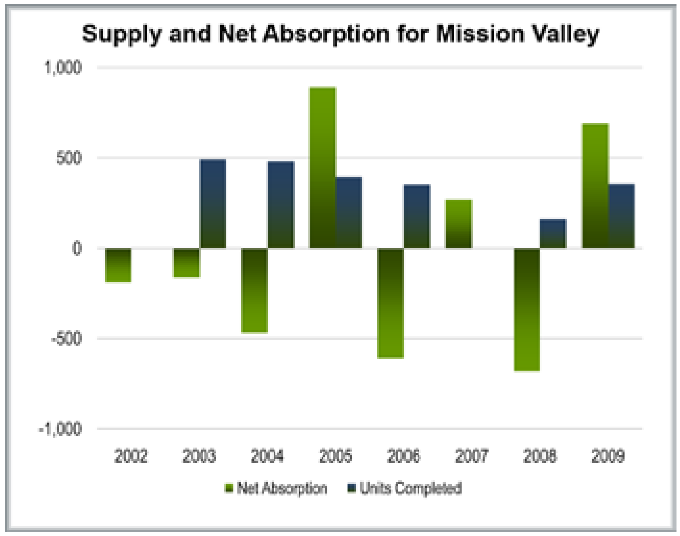
PETCO Park stadium, now has two new affordable housing communities with a total of 411 units. One of the communities, built by Father Joe's Villages, has 136 units and targets residents earning between 30 and 65 percent of the median income. The 12-story complex atop ground-level retail and subterranean parking was the first of its kind in San Diego. A few blocks south of this development, Affirmed Housing Group completed in June 2009 the 275-unit affordable housing complex Studio Fifteen.

In 2010, Affirmed Housing Group will add another 229 affordable units to the East Village area with the completion of Ten Fifty B. In January 2010, Hanover finished the 163-unit Strata community, which promotes green living with amenities such as a dedicated parking area for low-emission and fuel-efficient vehicles. Both of these apartment projects were originally planned as for-sale condominiums.

Mission Valley

Mission Valley experienced 690 net move-ins and saw occupancy increase by 1.6 percentage points to 95.8 percent. Average and same-store rents, meanwhile, fell by 2.1 and 4.6 percent, respectively. Average rents ended the year at $1,460 per month, around 10 percent above the area average.

In August 2009, H G Fenton Development completed Aquatera Apartment Homes. Named the "WaterSmart Project" for 2009 by San Diego County Water Authority, Aquatera incorporates several WaterSmart solutions, including water-efficient landscaping and highly efficient appliances and plumbing fixtures in the 254 apartment homes. Near San Diego State University, Dinerstein Cos. expects to finish the 260-unit student-housing complex, Sterling Collwood, in late 2010.



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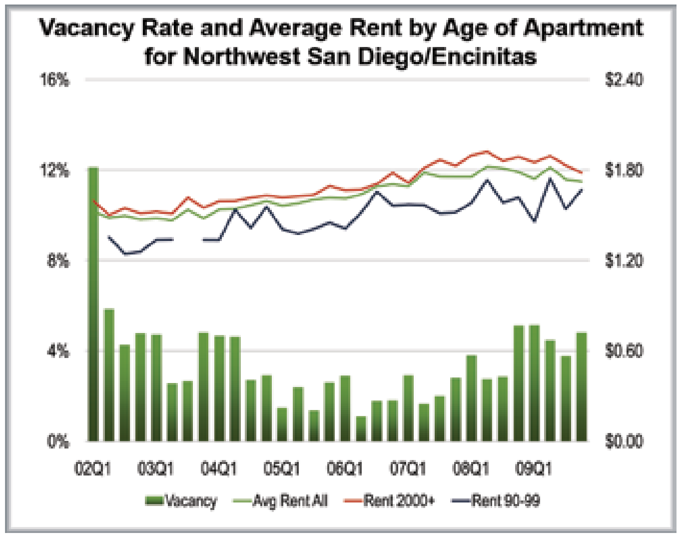

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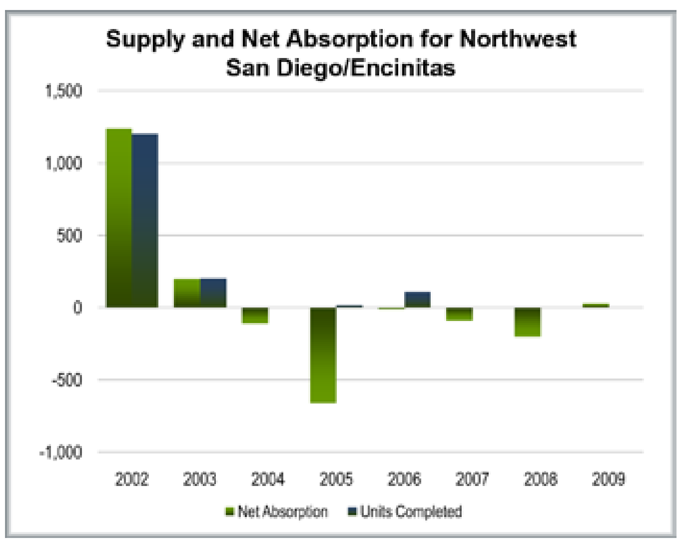

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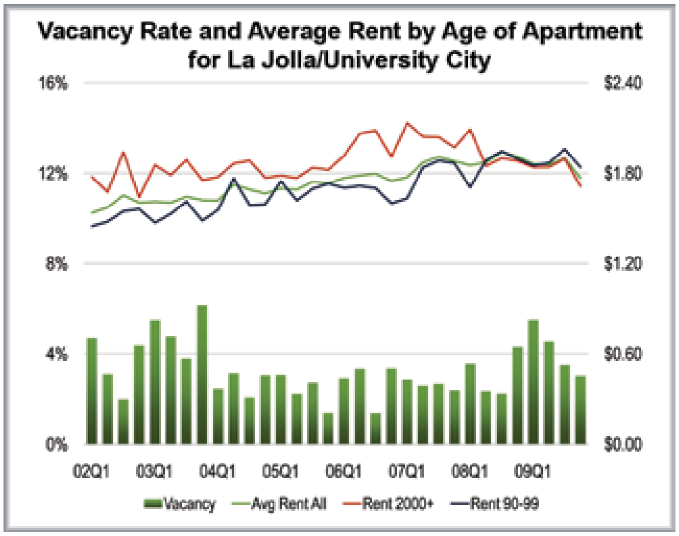

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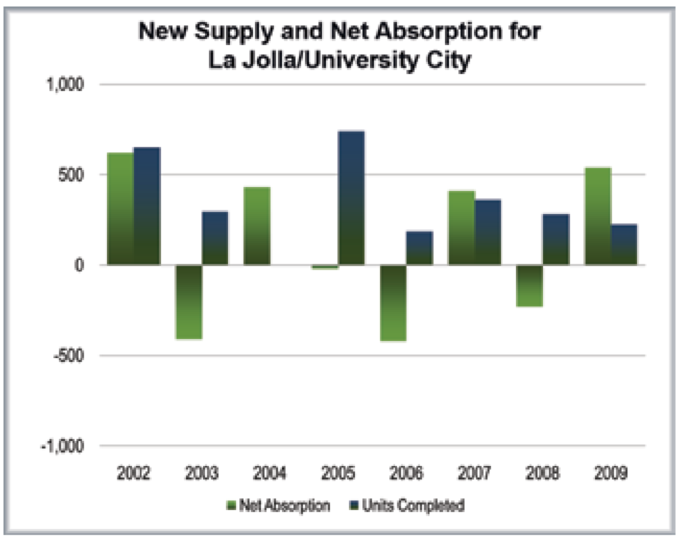

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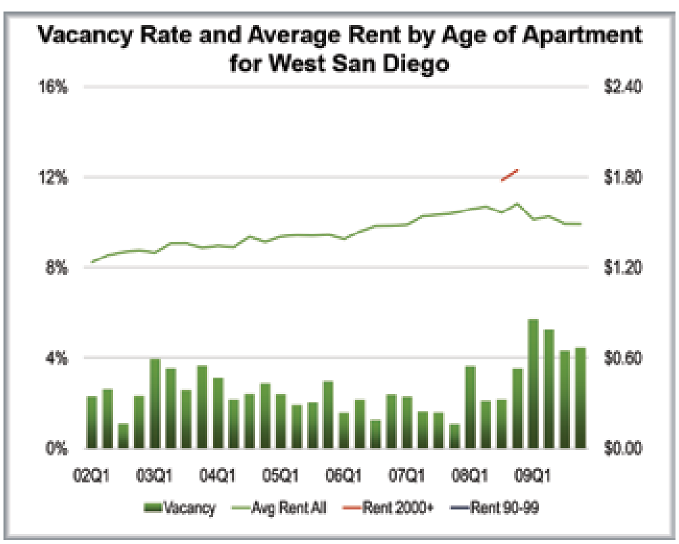


Source: M/PF YieldStar

Coastal Communities

The coastal communities region encompasses the northern coastal region of Northwest San Diego/Encinitas and extends south to the La Jolla/University City area. These coastal submarkets recorded a combined 570 net move-ins 2009, reversing their performance a year earlier of 430 net move-outs. La Jolla/University City was clearly the better performer of the two, with 540 of the 570 net move-ins and an increase of 1.3 percentage points in occupancy. La Jolla/University City ended the year with 97.0 percent occupancy, while Northwest San Diego/Encinitas ended the year up 0.3 percent to 95.2 percent.

To go along with its stronger performance on the demand side, La Jolla/University City registered a smaller decrease in rents as well. Average rents fell by only 1.1 percent to $1,674 per month, while same-store rents fell 3.1 percent. Northwest San Diego/Encinitas registered a 3.1 percent decline in average rents and a 3.5 percent decline in same-store rents. Average rents ended the year at $1,711.

While the Northwest San Diego/Encinitas area experienced no new rental supply in 2008, the La Jolla/University City saw its existing inventory increase by 224 new units. All of the new supply came from the completion of the eighth and ninth phases of the Mediterranean-inspired La Jolla Crossroads community. The Garden Communities complex features a day spa, Pilates studio, movie theater and concierge services. The latest additions join 989 units already in place.

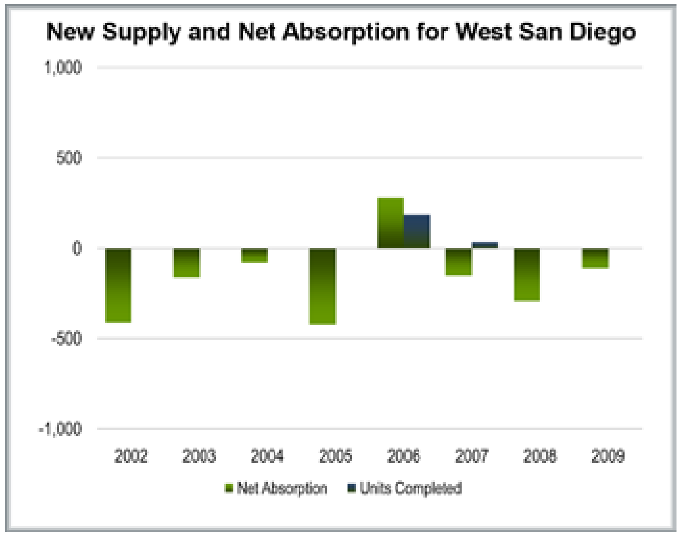
Interstate 15 Corridor

The Interstate 15 Corridor includes the North and West San Diego submarkets. The North San Diego submarket extends up the Interstate 15 Freeway north to Rancho Bernardo and south to Qualcomm Stadium, with Mira Mesa Boulevard roughly bisecting the submarket. Neighborhoods in North San Diego include Rancho Penasquitos, Sabre Springs, Mira Mesa, Scripps Ranch, and Serra Mesa. The West San Diego submarket is bordered by SR-52 to the north, I-5 to the west, and SR-163 to the east.

Demand performance across the two submarkets was mixed, but prices dropped sharply in both locales. North San Diego experienced 180 units of positive net absorption, an improvement over the negative 160 units from the prior year. Occupancy also improved 0.9 percentage points to 94.4 percent. West San Diego, meanwhile, continued the trend of weakening demand from 2008, experiencing an additional 110 net move-outs and bringing its two-year total to 400 net move-outs. Occupancy declined 1 percentage point to 95.5 percent.

North San Diego experienced average and same-store price declines of 5.1 and 5.3 percent, respectively, while West San Diego experienced average and same-store price declines of 6.2 and 6.3 percent, respectively. Average rents for North and West San Diego ended the year at $1,445 and $1,238, respectively.

Neither submarket added any new units to inventory in 2009. North San Diego is expected to receive 289 units of new supply in 2010 via Simpson Housing LP's Mira Bella. Near the intersection of SR-163 and I-805, the luxury apartment community offers such amenities as a private Yoga/Pilates studio, outdoor grilling areas, a salt-water pool and spa, and a WiFi café.



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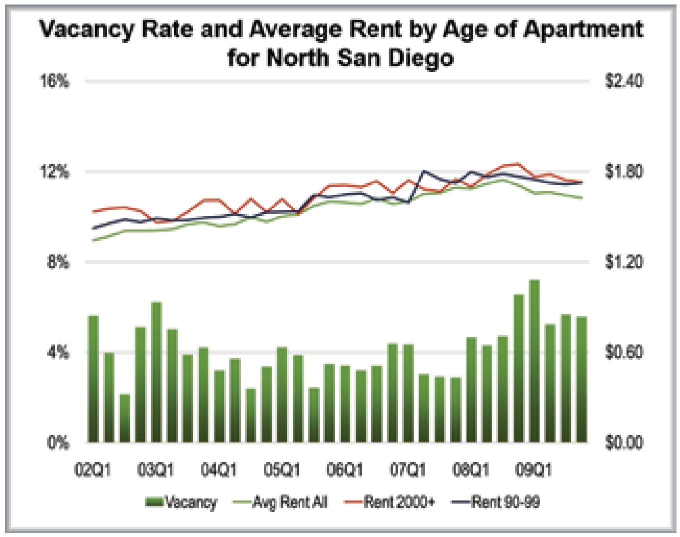

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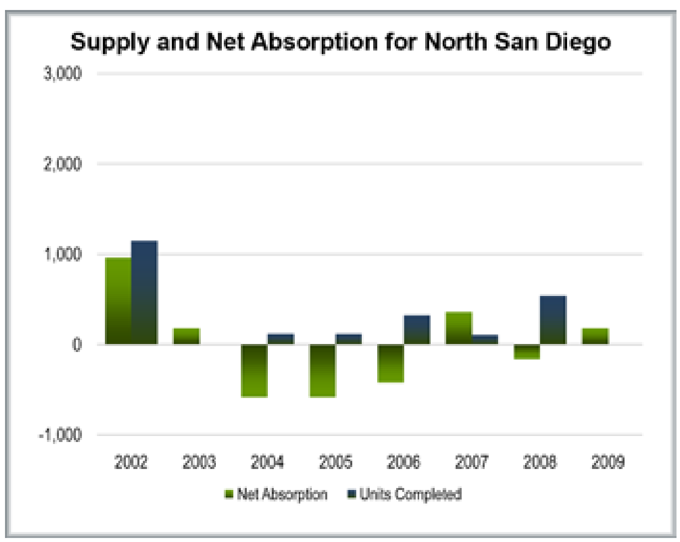

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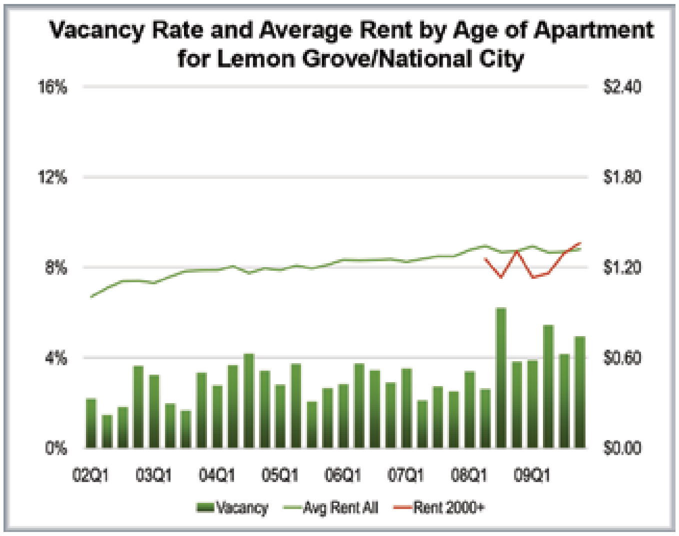

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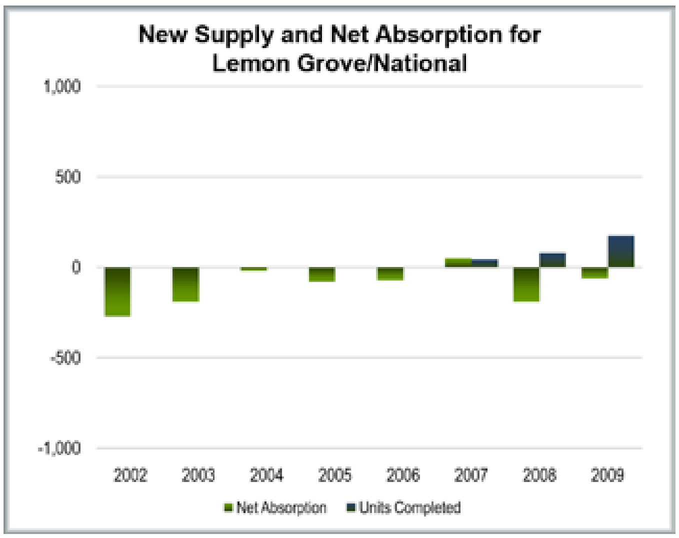

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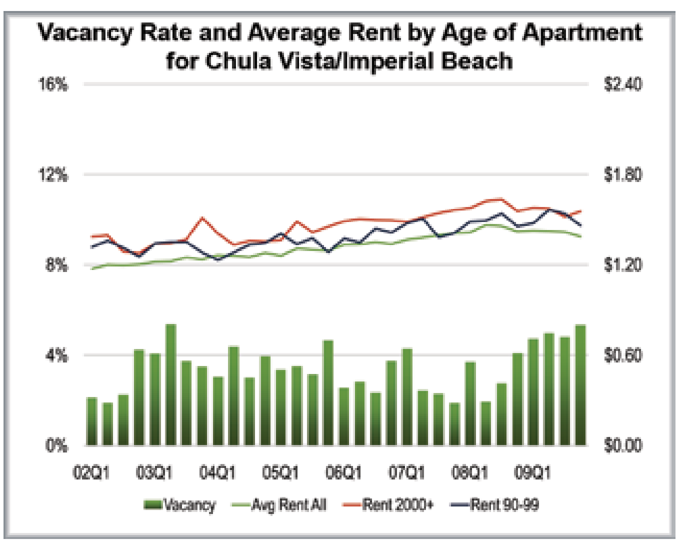


Source: M/PF YieldStar

San Diego South

The southern region of San Diego is comprised of the Chula Vista/Imperial Beach and Lemon Grove/National City areas. Both areas witnessed a decline in demand in 2009, although the decline was less than the prior year.

The Chula Vista/Imperial Beach area experienced 60 net move-outs, while Lemon Grove/National City experienced 290 net move-outs. Occupancy fell in the Chula Vista/Imperial Beach area by 1.2 percentage points to 94.7 percent and in Lemon Grove/National City by 1.1 percentage points to 95.1 percent.

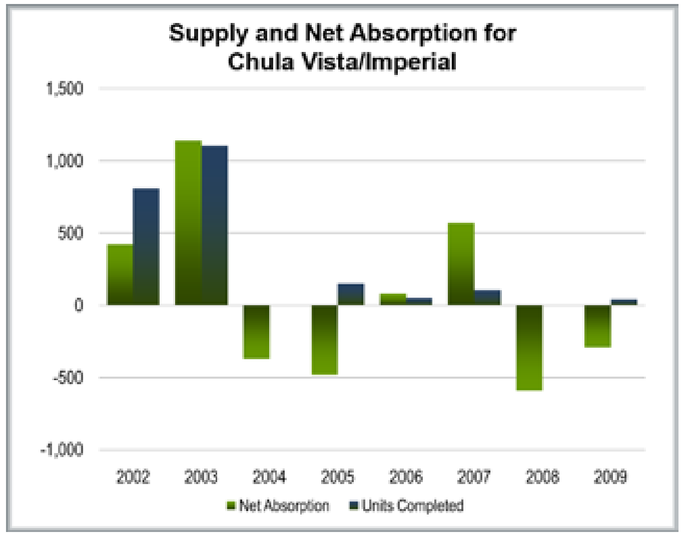
In the Chula Vista/Imperial Beach submarket, average monthly rents fell 1.9 percent to $1,235, while same-store rents fell 2.0 percent. In the Lemon Grove/National City submarket, average monthly rent increased by 1.4 percent to $1,088, while same-store rents fell by 0.8 percent.

After no completions in 2008, Chula Vista/Imperial Beach received 42 new units in 2009 from a single development project. Completed in April, Wakeland Housing's Los Vecinos became the first LEED Platinum-certified, 100 percent solar-powered apartment community in San Diego.

Inland San Diego

San Diego's inland submarkets of El Cajon and the Santee/Lakeside/Poway area had a combined 60 net move-ins for 2009. This was up from 1,290 net move-outs in 2008. Santee/Lakeside Poway fared better between the two in terms of demand, with 90 net move-ins and an increase in occupancy of 0.9 percentage points to 95.4 percent. Rents, however, fell by 2.8 percent on average and 6.9 percent on a same-store basis. El Cajon had 30 net move-outs and a drop in occupancy of 0.9 percentage points to settle at 95.0 percent. El Cajon simultaneously registered a 1.7 increase in average rents and a 1 percent decline in same-store rents. Average rents ended the year at $1,093 and $1,104 for Santee/Poway/Lakeside and El Cajon, respectively.

In 2009, no new supply came online for Santee/Poway/Lakeside and no additional deliveries are planned for 2010. El Cajon, on the other hand, received 230 units in 2009 and appears on track to exceed that number in 2010. All 230 units were delivered in March via Fairfield Residential's Pravada at Grossmont Trolley. This project represents the initial phase of the Pravada community, part of the $100 million Grossmont Transit Station project in La Mesa. In early 2009, Fairfield Residential began the 297-unit second phase. Alterra at Grossmont Trolley is scheduled for delivery in April.



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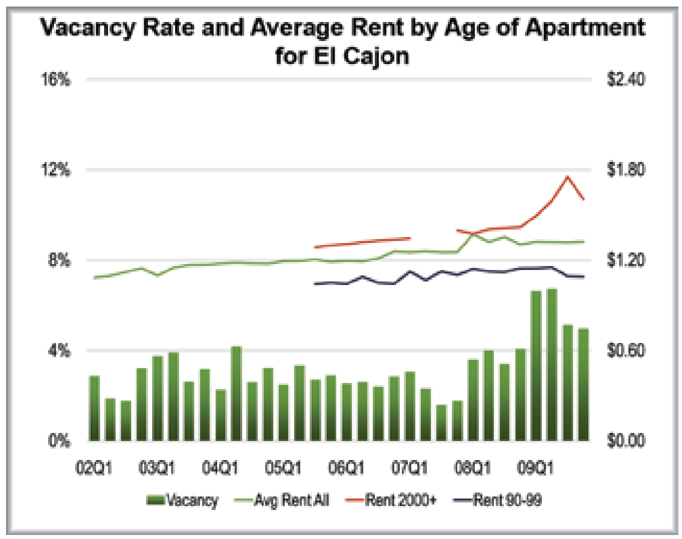

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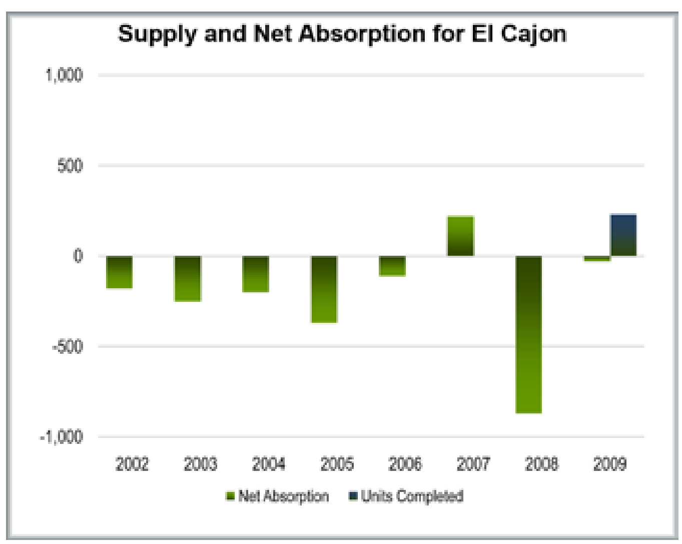

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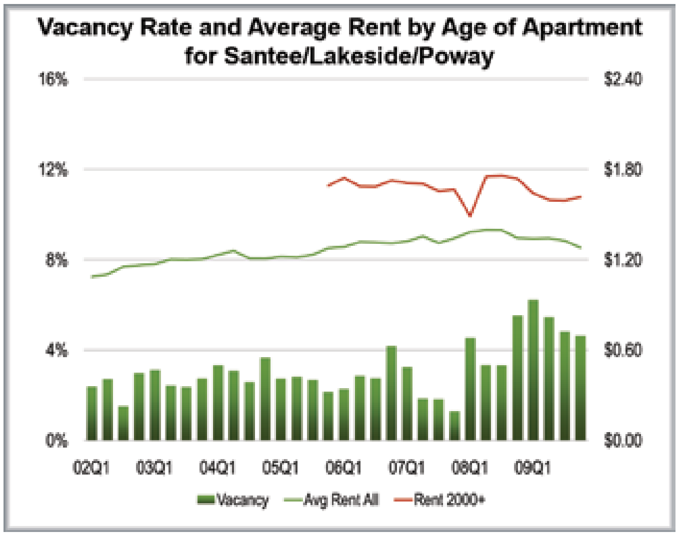

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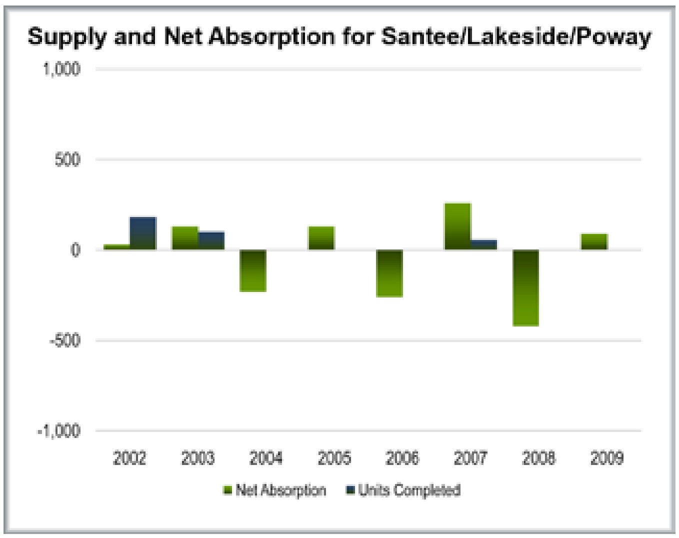

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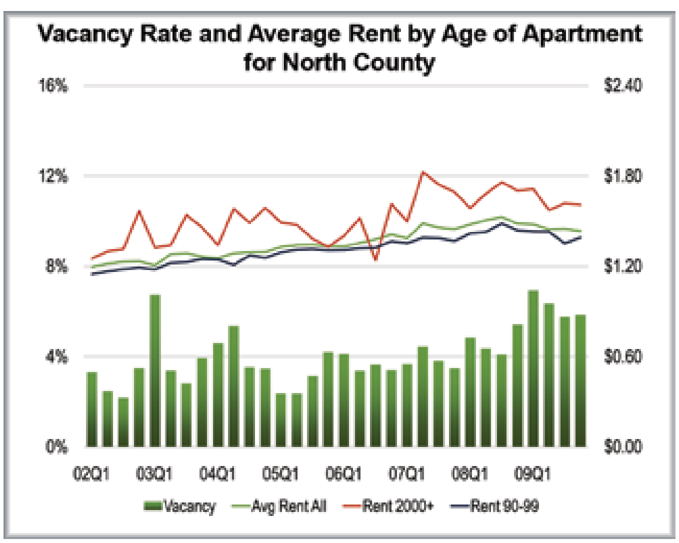


Source: M/PF YieldStar

North County

The North County submarket includes Carlsbad and Oceanside on the west and extends east to San Marcos and north to Fallbrook. Multifamily performance was weak across the board in 2009. The area recorded 140 net move-outs and a decrease in occupancy of 0.4 percentage points to 94.2 percent. In addition, average and same-store rents fell by 3.8 and 3.3 percent, respectively. Average rents ended the year at $1,248 per month.

Only one new project was completed in 2009: Trammell Crow Residential's 12-unit Bluwater Crossing in Carlsbad. Located less than a mile from the ocean, Bluwater Crossing also has for-sale live/work lofts, as well as 21,600 square feet of commercial space spread across two buildings with open plazas and benches.

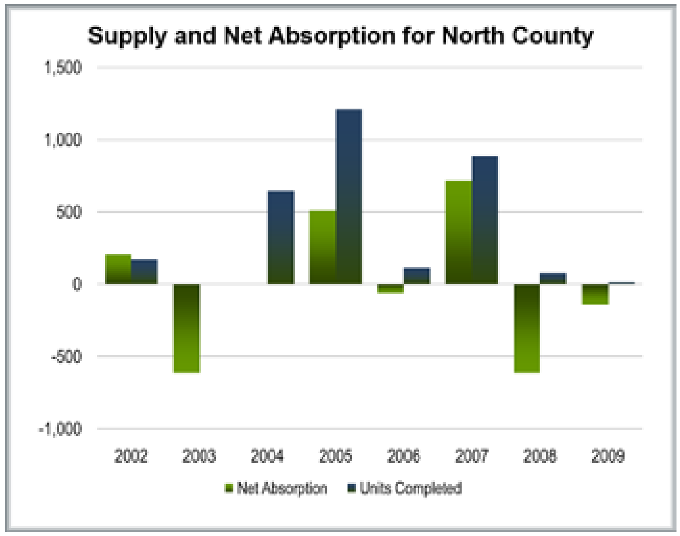
Unlike last year, 2010 will be a much more active year for North County. Three projects are scheduled to release 378 apartment units to market. Accounting for 88 percent of the total anticipated completions, Piazza D'Oro and Autumn Terrace will finish construction in the Spring. Located in Oceanside, ConAm Group's Piazza D'Oro will feature 231 three-level townhome rentals with attached garages. Community amenities include a clubhouse with a Plasma TV and billiards, a heated swimming pool and spa, paddle tennis, and a bocce ball court.

Escondido

After a disappointing end to 2008, Escondido showed some improvement in demand in 2009, finishing the year with 20 net move-outs and a decline in occupancy of 0.1 percentage point to 94.7 percent. Average monthly rents finished the year at $1,012, down 3.5 percent. Same-store rents declined 3.9 percent for the year.

Escondido received no new inventory for 2009, although a modest 61 units are planned for 2010;

Juniper Senior Village by National Community Renaissance is scheduled for completion in December.



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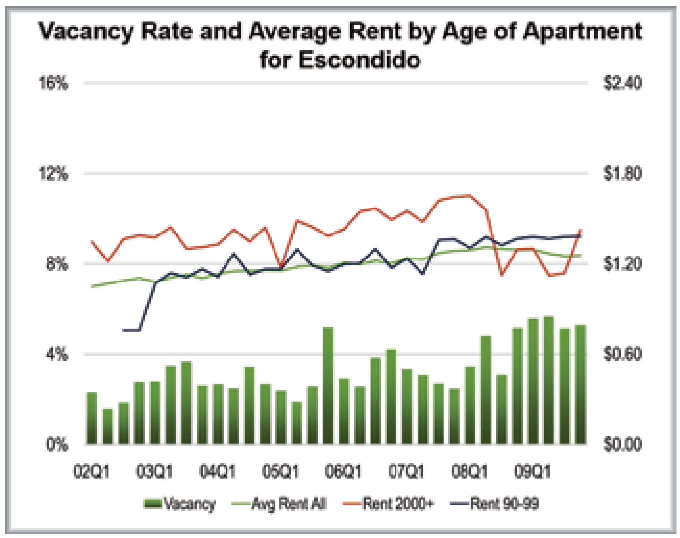

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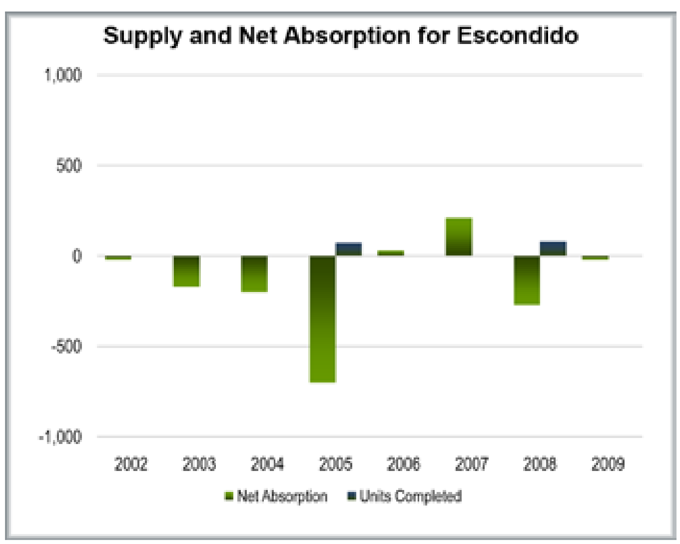


Source: M/PF YieldStar

Multifamily Market Forecast

After a dismal 2008, Southern California's apartment markets showed signs of improvement in 2009. The trend is expected to continue over the next two years. Los Angeles and Orange County will continue to see rent declines at an ever-slower rate, while the Inland Empire and San Diego Counties will see flat-to-increasing rents by 2011. All areas will see falling vacancy rates, although it will take several more years for the region to return to "natural" vacancy levels. Overall, the future health of the multifamily market will be dependent upon several factors:

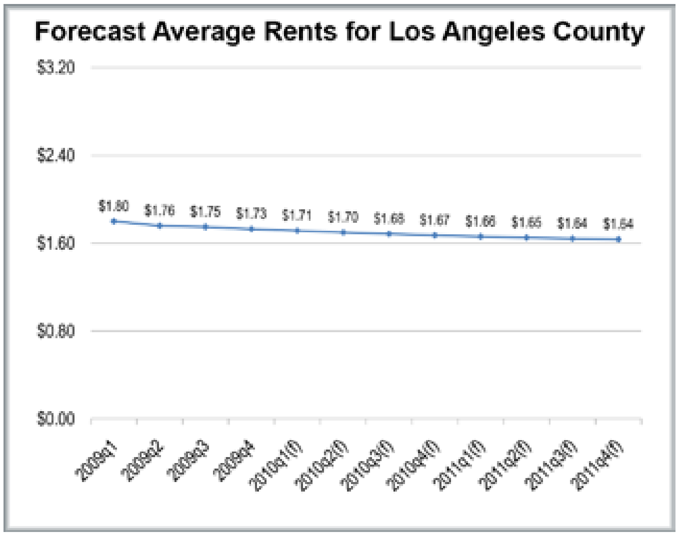
The employment picture. Over the last year, Southern California suffered some of the worst job losses as a fraction of peak employment in its history. Young adults, who make up a large share of the renter population, were heavily affected, and often responded to financial struggles by doubling-up in apartments and moving back home with parents. If the worst of the employment storm is over, as many economists predict and the March payroll report suggests, the multifamily market should see further improvements in rental rates and occupancy.

Home prices. Home affordability is still bleak in many parts of Southern California, particularly in San Diego and Orange County. In areas such as the Inland Empire, however, high foreclosure rates have led to price declines that now make purchasing a home an attractive option to well-capitalized renters. Another wave of foreclosures is expected to hit in 2010 as many individuals with option- or hybrid-ARMs taken out at the peak of the market in 2007 see them reset to fully-indexed, fully amortizing levels. The worse the foreclosure activity, the greater the negative impact on housing prices, and in turn, the greater the negative impact on the multifamily market. Multifamily vacancies will rise due to greater home affordability; rents will decline due the financial struggles of foreclosed households.

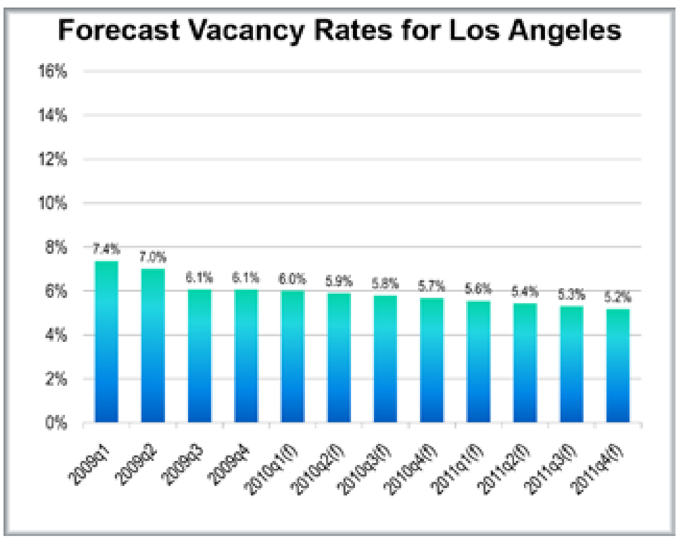
Shadow market inventory. Homeowners needing to change residences, in the past, would have put their home or condominium on the market without much hesitation. With the housing market still on the decline in most areas, many homeowners are preferring to lease out their houses (often at a loss) rather than take a huge hit on their equity investment from selling. This practice has created stiff competition in some areas for the multifamily market. Even worse, the level of competing single-family homes and condominiums is difficult to track. The more home prices improve, the more likely homeowners are to sell rather than lease.

Construction Activity. In response to declining rents and occupancy, the amount of new construction decreased sharply from 2008 to 2009. New deliveries for 2010 are expected to hold steady or decline further in most areas. As more time passes, the number of new deliveries due to re-positioning of condominium projects will get smaller and smaller, and the new units coming to market will be a better reflection of developers' demand expectations and not of developers' "Plan B". With so little new product currently under construction, and expected positive net absorption in 2010, we expect vacancies to continue to fall.

In summary, the interplay of these four factors will guide the future path of rents and vacancies. Southern California will not see sustained increases in rents until the greater economic health of the region improves and some of the slackness in the market disappears. Currently, the four markets covered in this report are all still 2 to 4 percentage points above their natural vacancy rates. Ranking the four markets in terms of outlook for 2010-2011, we expect Los Angeles to perform the worst, followed by Orange County and then the Inland Empire. San Diego is expected to experience the greatest increase in rents and lowest vacancy levels.



Source: M/PF YieldStar, Casden Forecast



Source: M/PF YieldStar, Casden Forecast

Los Angeles Forecast

We expected vacancy rates to decline further in 2010, but rents to continue their decline as well. The overall economic outlook for Los Angeles is expected to improve considerably in the coming year. Forecasts from various experts, on average, predict constant employment levels for the near future. Recently, the area has experienced an increase in single-family home transactions and an increase in the median home price. If these conditions persist, it should have a mixed effect on the multifamily market: renters will be lost to home purchases, but competition from the shadow market will subside.

Our models predict a 3.5 percent further decrease in average rents in 2010, and a total decrease of 5.2 percent from Q4 2009 to Q4 2011. Vacancy rates are expected to fall by 0.4 percentage points in 2010 and an additional 0.5 percentage points in 2011 to reach 5.2 percent.

In 2009, three submarkets received the majority of new units delivered: Intown, Hollywood, and the San Fernando Valley. This trend is expected to continue through 2010, although overall construction is expected to decrease by about 15 percent from last year. While all three areas logged positive net absorption in 2009 and some of the largest decreases in vacancy from Q4 2008 levels, we question whether there will continue to be enough demand to absorb all of the new construction.

The opening of the Gold Line extension through East Los Angeles neighborhoods was expected to lead to a building boom in the area, but with limited access to funding for developers, few projects have made recent progress. Moreover, the history of the Blue Line suggests that planners are too optimistic about the impact of light rail on development patterns. Once the broader economic picture improves, construction in all property types should begin and demand for multifamily will improve as well. This could be several years away, however.

Orange County Forecast

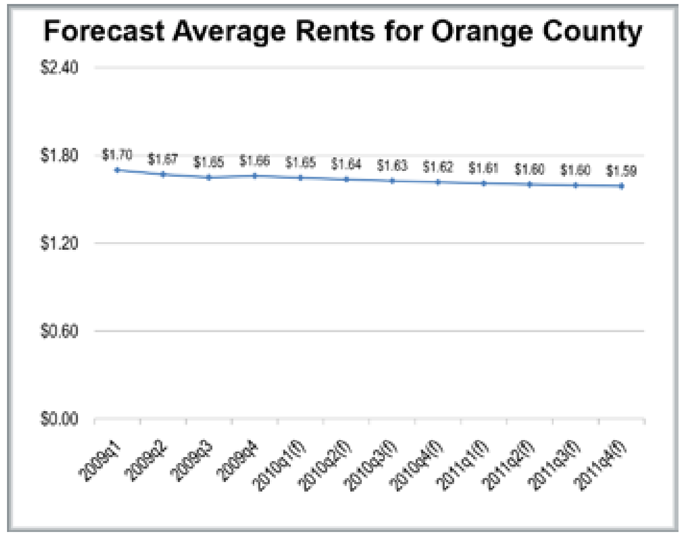
Like Los Angeles, the Orange County multifamily market should benefit from the improved employment outlook for the region. We predict rents and vacancy to both decline, but at lower rates than Los Angeles. In 2009, the county experienced the highest number of new completions of the last eight years, and demand kept pace with the addition of new inventory. Most of these projects began prior to the onset of the financial crisis, so there was a high potential for disaster that never materialized. In 2010, construction has been scaled back by nearly 60 percent, so vacancy rates should continue to improve.

The new projects in Irvine and Anaheim should generate demand for their "newness" alone, but the benefit to those submarkets could come at the expense of others. Given that Anaheim is the lowest-priced rental market in Orange County, new construction is likely to attract a broader base of households than Irvine, the second highest-priced submarket in the county.

Rents in these areas may continue to fall as landlords offer concessions to fill new units, but the extent to which this occurs will be dependent upon the area's broader economic health.

Although home prices in Orange County have fallen dramatically from their peak, the rate of decline has been decreasing in recent months and affordability indices for Orange County remain the worst in Southern California. This is good news for the multifamily market because single-family homes remain less attractive to renters interested in purchasing and as a substitute for multifamily in the leasing inventory pool.

Our models predict around a 2.5 percent further decline in rents in 2010, and a total decrease of 4.2 percent from Q4 2009 to Q4 2011. Vacancy rates are expected to fall by only 0.5 percentage points between Q4 2009 and Q4 2011.



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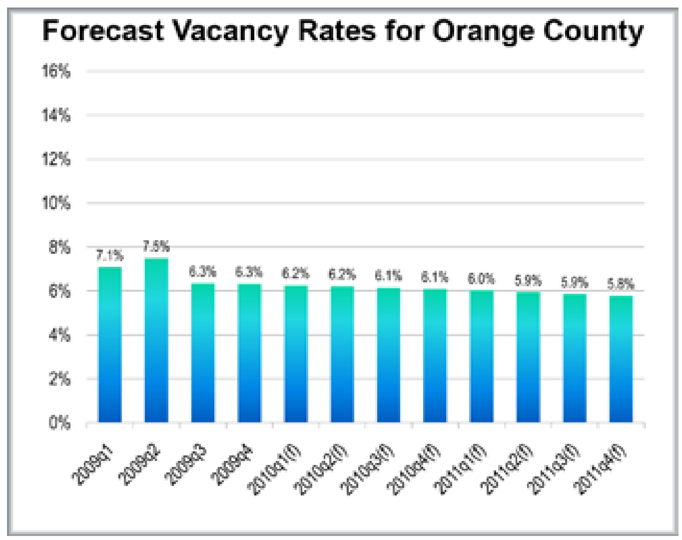

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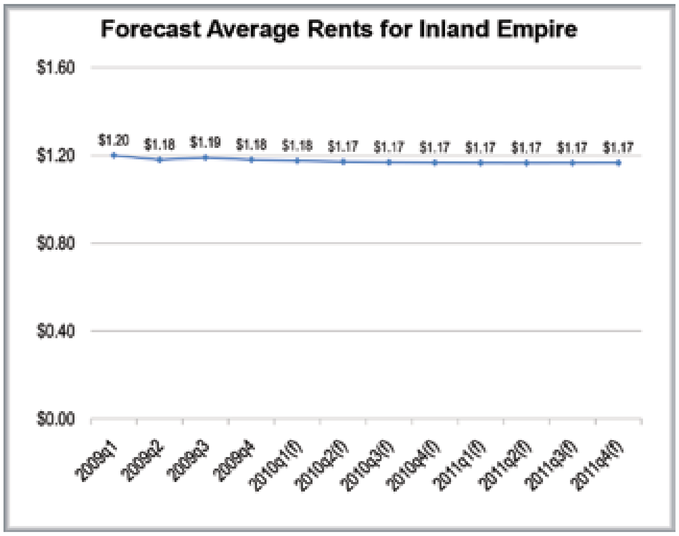

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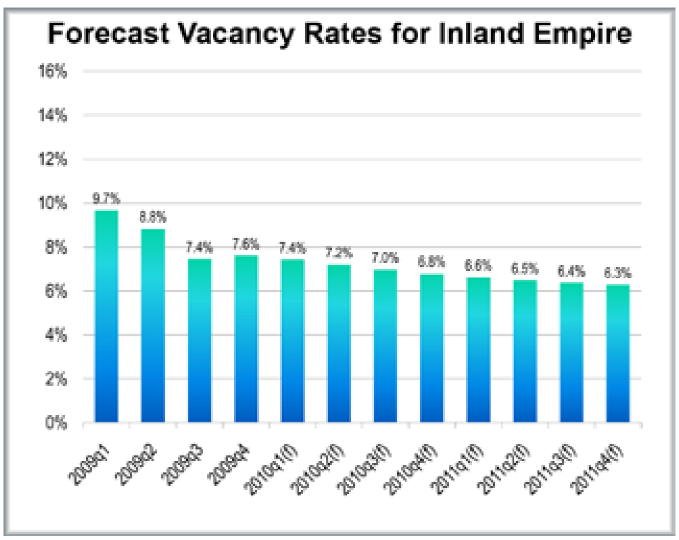


Source: M/PF YieldStar, Casden Forecast

Inland Empire Forecast

We forecast falling vacancy rates and nearly flat rents for the Inland Empire through the end of 2011.

The Inland Empire has been one of the hardest hit areas in the country owing to the financial crisis and subsequent economic recession, and it will be digging itself out for many years to come. Home prices declined 26 percent from Q3 2008 to Q3 2009 adding to a 41 percent decline in the prior four quarters. Foreclosure rates continue to be among the highest in the country from quarter to quarter. Not surprisingly, the single-family housing market in this region has the potential to play a very large role in multifamily market dynamics.

As it turns out, shadow supply on the leasing side has been very large, but recent increases in transaction volume have whittled away at that supply. In addition, investors have been responsible for a large fraction of the distressed purchases, so despite the high affordability, well-capitalized renters have not been switching to homeownership in the great numbers one might have expected: they are being outbid by investors.

In addition, completions have been steadily declining since 2006 and will drop by at least half of the 2009 level in the coming year. Most of these units will be delivered in the first quarter, allowing the opportunity for substantial lease-up by the end of the year. With so little new inventory being added and falling levels of shadow supply, the area has substantial support for rents.

The largest concerns are whether investors will continue to dominate the single-family sales market (vs. renters making first-time purchases) and whether those investors will return those homes to the shadow lease supply once again.

Our forecast models predict a 1.3 percentage-point decline in vacancy over the next two years to around 6.3 percent. Rents will decline by 1 percent or less. But because the Inland Empire submarkets are quite diverse, broad trends may not be reflected equally in each submarket.

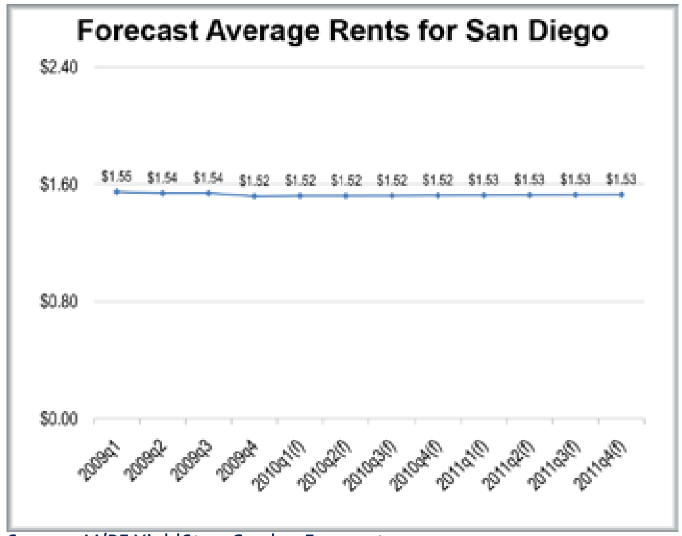
San Diego County Forecast

San Diego will continue to outperform the other Southern California markets in rents and vacancy rates, just as it has over the last year. We forecast a 0.4 percentage point decline in vacancy to around 4.5 percent and a 0.7 percent increase in rents.

Contrasting with the Inland Empire, San Diego saw only a 3 percent decline between Q3 2008 and Q3 2009. Affordability measures rank San Diego slightly worse than Los Angeles, so excess single-family inventory is not expected to draw many renters into the home-buying market. Furthermore, research suggests that renters in shadow-market condominium units have recently been drawn back to traditional multifamily units in greater numbers than traditional renters have been lost to shadow-market supply.

New multifamily supply came in around 1,600 units in 2009 and is expected to hold steady in 2010. The modest level of anticipated new supply (only 0.6 percent of current stock) should have minimal impact on rent levels.

Looking to the economy, like the rest of Southern California, San Diego has suffered heavy job losses during the last year and sits at over 10 percent unemployment. And like the rest of the region, San Diego is expected to see improvements in the coming year. The steady stream of defense contracts and strong growth in the biotech industry are predicted to help buoy the region over the next year and, in turn, keep rents from falling further.



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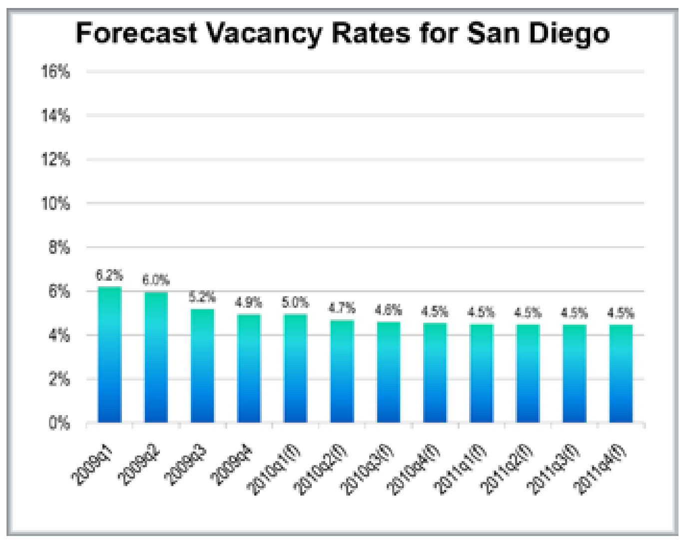


Source: M/PF YieldStar, Casden Forecast

1. Intown Los Angeles (7%)
2. Hollywood (17%)
3. West Los Angeles (13%)
4. South Bay Cities (7%)
5. Long Beach (7%)
6. Tri Cities (12%)
7. San Fernando Valley (13%)
8. Santa Clarita Valley (2%)
9. San Gabriel Valley (5%)
10. East Los Angeles (15%)
11. Antelope Valley (2%)

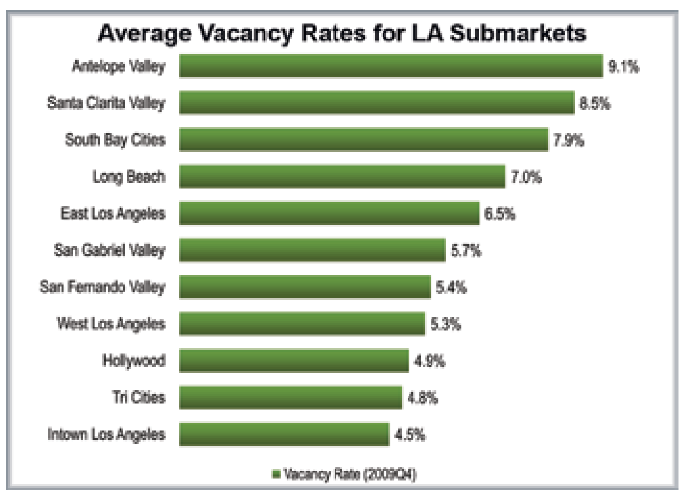
Submarkets for Los Angeles County

Los Angeles County Multifamily Snapshot

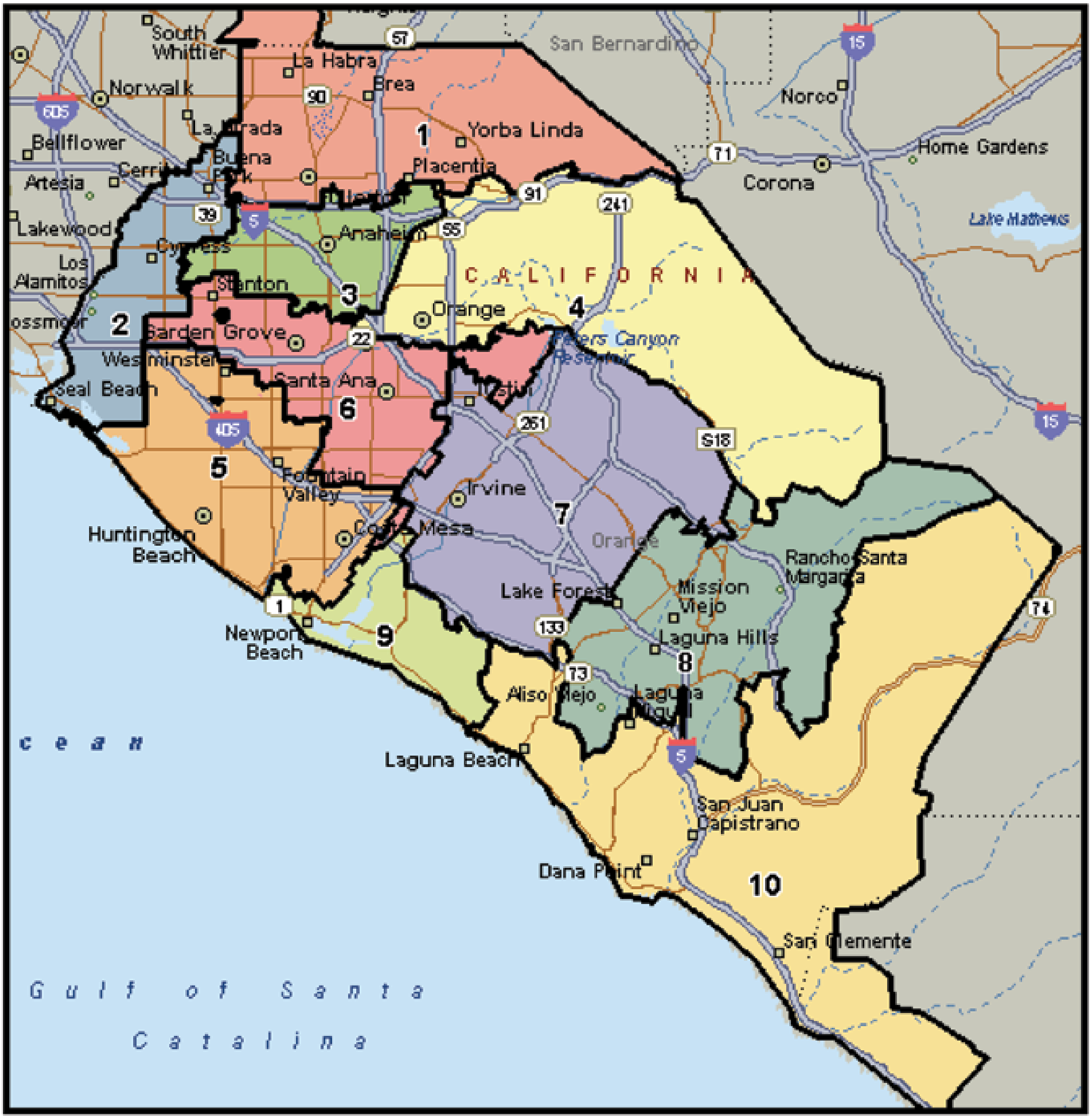
Average Monthly Rent	1-BR	2-BR	3-BR	Total	Change in Ave. Rent	Same-Store Rent Growth	New Supply Annual Units Completed	
	Q4 2009				2008-09	2009	2009	2010 (est.)
Intown Los Angeles	$1,410	$2,049	$1,547	$1,654	-9.9%	-4.2%	1,307	1107
Hollywood	$1,407	$2,010	$2,614	$1,619	-5.0%	-6.0%	1,365	1155
West Los Angeles	$1,725	$2,534	$4,015	$2,089	-6.9%	-6.9%	708	183
South Bay Cities	$1,341	$1,717	$2,045	$1,546	-6.2%	-6.2%	788	49
Long Beach	$1,233	$1,521	$1,633	$1,380	-1.1%	-2.4%	146	291
Tri Cities	$1,444	$1,925	$1,794	$1,676	-3.2%	-5.9%	234	265
San Fernando Valley	$1,150	$1,586	$2,087	$1,351	-6.4%	-7.7%	722	1190
Santa Clarita Valley	$1,191	$1,436	$1,667	$1,389	-1.2%	-1.3%	269	0
San Gabriel Valley	$1,000	$1,288	$1,565	$1,190	-5.7%	-9.0%	0	0
East Los Angeles	$1,058	$1,341	$1,485	$1,217	-5.5%	-5.4%	190	565
Antelope Valley	$736	$877	$985	$842	-6.7%	-8.4%	0	0
Los Angeles County	$1,302	$1,663	$1,955	$1,488	-5.8%	-6.0%	5,729	4805

Average Rent PSF	Current Qtr		Previous Qtr		1 Year Ago		Net Absorption Annual Units Absorbed	
Average Gross Occupancy	Q4 2009		Q3 2009		Q4 2008		2009	2008
Intown Los Angeles	$1.93	95.5%	$2.07	90.5%	$2.26	85.5%	8350	(5090)
Hollywood	$1.97	95.1%	$2.00	95.1%	$2.11	92.4%	6310	(7140)
West Los Angeles	$2.29	94.7%	$2.24	95.4%	$2.46	92.6%	3750	(4960)
South Bay Cities	$1.74	92.1%	$1.77	91.5%	$1.86	93.0%	80	(3370)
Long Beach	$1.65	93.0%	$1.64	93.1%	$1.69	94.5%	(900)	(2270)
Tri Cities	$1.99	95.2%	$2.00	95.7%	$2.07	94.2%	1440	(4230)
San Fernando Valley	$1.62	94.6%	$1.65	94.5%	$1.71	92.7%	3280	(4590)
Santa Clarita Valley	$1.46	91.5%	$1.42	91.7%	$1.50	90.7%	390	(1020)
San Gabriel Valley	$1.38	94.3%	$1.39	94.5%	$1.49	93.2%	580	(2850)
East Los Angeles	$1.48	93.5%	$1.47	95.2%	$1.56	94.2%	(800)	(3320)
Antelope Valley	$1.00	90.9%	$1.02	92.5%	$1.07	89.8%	210	(1310)
Los Angeles County	$1.73	93.9%	$1.75	93.9%	$1.85	92.2%	22690	(40150)

Source: M/PF YieldStar



Source: M/PF YieldStar



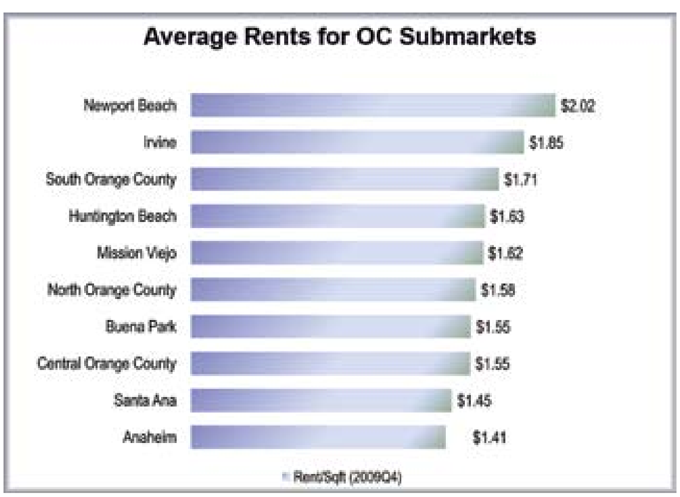
1.	North Orange County (11%)
2.	Buena Park (5%)
3.	Anaheim (15%)
4.	Central Orange County (4%)
5.	Huntington Beach (16%)
6.	Santa Ana (15%)
7.	Irvine (17%)
8.	Mission Viejo (8%)
9.	Newport Beach (4%)
10.	South Orange County (5%)

Submarkets for Orange County

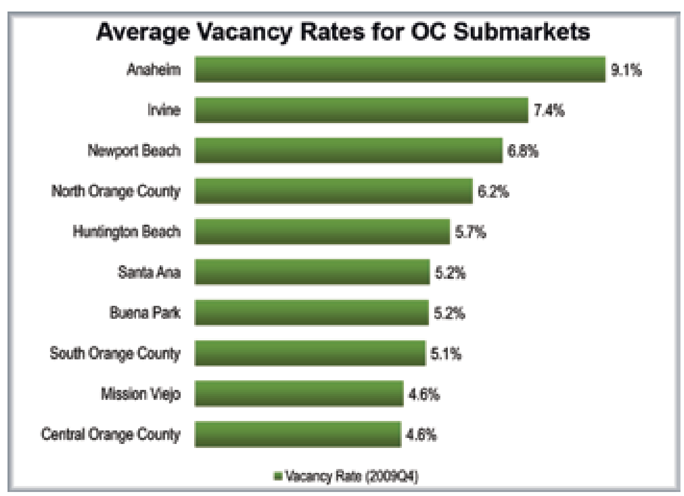
Orange County Multifamily Snapshot

Average Monthly Rent	1-BR	2-BR	3-BR	Total	Change in Ave. Rent	Same-Store Rent Growth	New Supply Units Completed	Annual Units Completed
	Q4 2009				2008-09	2009	2009	2010 (est.)
North Orange County	$1,138	$1,495	$1,802	$1,308	-4.6%	-4.6%	0	391
Buena Park	$1,139	$1,382	$1,663	$1,291	-8.0%	-8.0%	0	0
Anaheim	$1,020	$1,372	$1,700	$1,212	-4.6%	-8.6%	2,230	312
Central Orange County	$1,236	$1,527	$1,918	$1,409	-4.1%	-3.2%	0	0
Huntington Beach	$1,220	$1,526	$1,851	$1,377	-5.3%	-6.2%	0	0
Santa Ana	$1,087	$1,382	$1,647	$1,266	-5.5%	-6.4%	0	0
Irvine	$1,415	$1,793	$2,296	$1,669	-5.7%	-6.2%	1,901	1074
Mission Viejo	$1,255	$1,616	$2,237	$1,476	-4.0%	-4.2%	0	0
Newport Beach	$1,581	$2,205	$2,873	$2,032	-0.9%	-5.1%	0	0
South Orange County	$1,356	$1,623	$1,995	$1,533	-4.2%	-2.7%	38	0
Orange County	$1,242	$1,606	$2,122	$1,464	-4.4%	-5.7%	4,169	1777

Average Rent PSF / Average Gross Occupancy	Current Qtr Q4 2009		Previous Qtr Q3 2009		1 Year Ago Q4 2008		Net Absorption Units Absorbed 2009	Annual Units Absorbed 2008
North Orange County	$1.58	93.8%	$1.58	94.3%	$1.67	95.0%	(280)	(280)
Buena Park	$1.55	94.8%	$1.58	94.2%	$1.70	95.1%	(30)	(340)
Anaheim	$1.41	90.9%	$1.44	93.0%	$1.53	93.2%	1300	(1010)
Central Orange County	$1.55	95.4%	$1.52	95.1%	$1.58	93.3%	200	0
Huntington Beach	$1.63	94.3%	$1.62	94.3%	$1.70	91.8%	910	(890)
Santa Ana	$1.45	94.8%	$1.46	95.2%	$1.55	94.5%	100	(710)
Irvine	$1.85	92.6%	$1.83	91.9%	$1.96	94.1%	1250	700
Mission Viejo	$1.62	95.4%	$1.61	93.8%	$1.69	93.0%	430	(370)
Newport Beach	$2.02	93.2%	$2.02	92.8%	$2.19	93.1%	10	(50)
South Orange County	$1.71	94.9%	$1.71	95.6%	$1.75	92.3%	310	(280)
Orange County	$1.66	93.7%	$1.65	93.7%	$1.75	93.6%	4190	(3230)



Source: M/PF YieldStar



Source: M/PF YieldStar

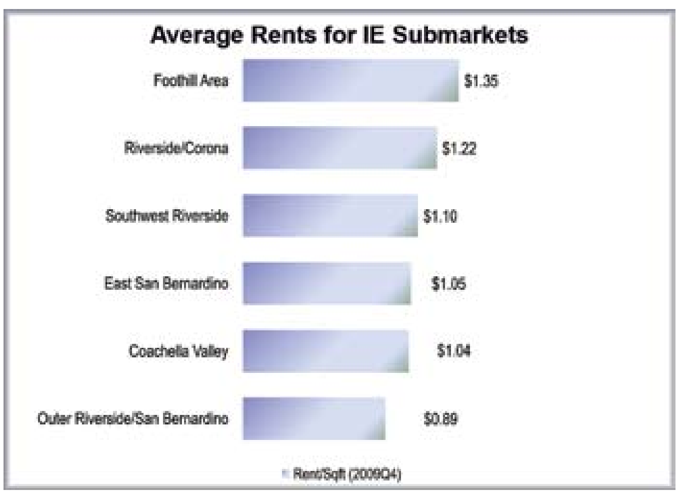
1. Riverside/Corona (19%)
2. East San Bernardino (24%)
3. Southwest Riverside (16%)
4. Foothill Area (19%)
5. Coachella Valley (14%)
6. Outer Riverside/ S. Bern (8%)

Submarkets for Inland Empire

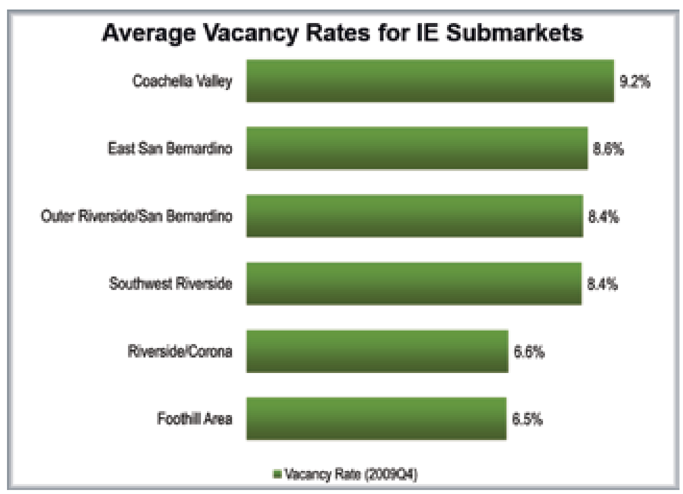
Inland Empire Multifamily Snapshot

Average Monthly Rent	1-BR	2-BR	3-BR	Total	Change in Ave. Rent	Same-Store Rent Growth	New Supply Units Completed	Annual Units Completed
	Q4 2009				2008-09	2009	2009	2010 (est.)
Riverside/Corona	$878	$1,117	$1,709	$1,048	-4.2%	-4.4%	248	102
East San Bernardino	$738	$924	$1,129	$874	-4.8%	-5.5%	164	71
Southwest Riverside	$845	$1,007	$1,256	$978	-5.9%	-6.8%	404	370
Foothill Area	$1,020	$1,280	$1,635	$1,208	-4.3%	-4.1%	774	76
Coachella Valley	$797	$1,005	$1,058	$923	1.9%	-2.5%	218	260
Outer Riverside/S Bernardino	$710	$797	$873	$786	-3.6%	-4.8%	222	54
Total Inland Empire	$877	$1,074	$1,381	$1,024	-3.8%	-4.8%	2,030	933

Average Rent PSF / Average Gross Occupancy	Current Qtr Q4 2009		Previous Qtr Q3 2009		1 Year Ago Q4 2008		Net Absorption Units Absorbed 2009	Annual Units Absorbed 2008
Riverside/Corona	$1.22	93.4%	$1.22	94.5%	$1.27	92.3%	530	(690)
East San Bernardino	$1.05	91.4%	$1.07	90.9%	$1.10	90.8%	370	(1570)
Southwest Riverside	$1.10	91.6%	$1.10	91.8%	$1.18	89.4%	890	(380)
Foothill Area	$1.35	93.5%	$1.39	93.9%	$1.41	92.8%	880	(710)
Coachella Valley	$1.04	90.8%	$1.03	89.5%	$1.02	90.8%	190	140
Outer Riverside/S Bernardino	$0.89	91.6%	$0.91	91.9%	$0.91	86.3%	840	(1010)
Total Inland Empire	$1.18	92.4%	$1.19	92.6%	$1.22	91.2%	3710	(4220)



Source: M/PF YieldStar



Source: M/PF YieldStar

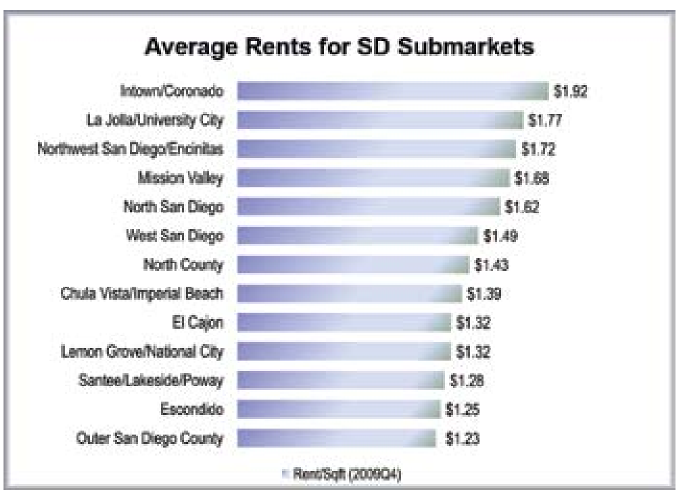
1. Intown/Coronado (17%)
2. Mission Valley (9%)
3. La Jolla (10%)
4. Lemon Grove (8%)
5. Chula Vista (10%)
6. West San Diego (4%)
7. North San Diego (7%)
8. NW San Diego (3%)
9. Escondido (5%)
10. North County (13%)
11. Santee/Lakeside/Poway (4%)
12. El Cajon (10%)

Submarkets for San Diego

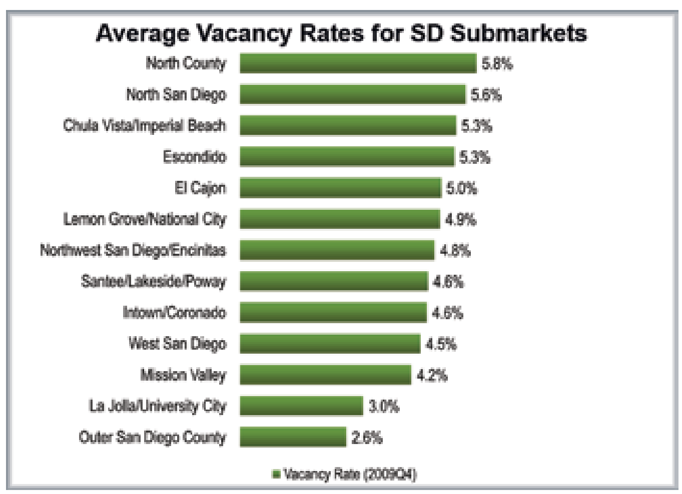
San Diego Multifamily Snapshot

Average Monthly Rent	1-BR	2-BR	3-BR	Total	Change in Ave. Rent	Same-Store Rent Growth	New Supply Units Completed	Annual
	Q4 2009				2008-09	2009	2009	2010 (est.)
Intown/Coronado	$1,395	$1,619	$1,521	$1,396	4.3%	0.8%	604	392
Mission Valley	$1,244	$1,561	$2,182	$1,460	-2.1%	-4.6%	354	260
La Jolla/University City	$1,396	$1,871	$2,560	$1,674	-1.1%	-3.1%	224	0
Lemon Grove/National City	$891	$1,153	$1,315	$1,088	1.4%	-0.8%	174	0
Chula Vista/Imperial Beach	$1,017	$1,278	$1,615	$1,235	-1.9%	-2.0%	42	0
West San Diego	$1,043	$1,301	$1,713	$1,238	-6.2%	-6.3%	0	0
North San Diego	$1,241	$1,511	$1,863	$1,445	-5.1%	-5.3%	0	289
Northwest San Diego/Encinitas	$1,438	$1,790	$2,266	$1,711	-3.1%	-3.5%	0	0
Escondido	$872	$1,112	$1,387	$1,012	-3.5%	-3.9%	0	61
North County	$1,078	$1,313	$1,546	$1,248	-3.8%	-3.3%	12	378
Santee/Lakeside/Poway	$995	$1,144	$1,305	$1,093	-2.8%	-6.9%	0	0
El Cajon	$940	$1,186	$1,533	$1,104	1.7%	-1.0%	230	297
Outer San Diego County	$848	$1,052	$0	$1,040	7.0%	2.2%	0	0
San Diego County	$1,146	$1,401	$1,737	$1,323	-1.3%	-3.4%	1,640	1677

Average Rent PSF	Current Qtr		Previous Qtr		1 Year Ago		Net Absorption	Annual Units Absorbed
Average Gross Occupancy	Q4 2009		Q3 2009		Q4 2008		2009	2008
Intown/Coronado	$1.92	95.4%	$1.97	92.4%	$1.86	94.4%	1000	(1330)
Mission Valley	$1.68	95.8%	$1.66	94.4%	$1.75	94.2%	690	(680)
La Jolla/University City	$1.77	97.0%	$1.90	96.5%	$1.91	95.7%	540	(230)
Lemon Grove/National City	$1.32	95.1%	$1.31	95.8%	$1.31	96.2%	(60)	(190)
Chula Vista/Imperial Beach	$1.39	94.7%	$1.42	95.2%	$1.42	95.9%	(290)	(590)
West San Diego	$1.49	95.5%	$1.49	95.7%	$1.62	96.5%	(110)	(290)
North San Diego	$1.62	94.4%	$1.64	94.3%	$1.71	93.5%	180	(160)
Northwest San Diego/Encinitas	$1.72	95.2%	$1.74	96.2%	$1.79	94.9%	30	(200)
Escondido	$1.25	94.7%	$1.25	94.9%	$1.29	94.8%	(20)	(270)
North County	$1.43	94.2%	$1.45	94.2%	$1.48	94.6%	(140)	(610)
Santee/Lakeside/Poway	$1.28	95.4%	$1.33	95.2%	$1.34	94.5%	90	(420)
El Cajon	$1.32	95.0%	$1.32	94.9%	$1.30	95.9%	(30)	(870)
Outer San Diego County	$1.23	97.4%	$1.28	97.3%	$1.19	96.6%	10	(10)
San Diego County	$1.52	95.1%	$1.54	94.8%	$1.56	94.9%	1880	(5840)



Source: M/PF YieldStar



Source: M/PF YieldStar

Technical Notes

Multifamily Data

Inventory: The M/PF YieldStar apartment survey includes rental properties that are attached dwellings with five or more units. For the most part, these are traditional apartment communities.

Absorption/Demand: Absorption, or demand, is defined as as the increase in physically occupied units (existing units multiplied by the occupancy rate) from one period to another. Absorption calculations in this report exclude preleasing to avoid doublecounting residents now occupying units and simultaneously preleasing other units.

Absorption of New Completions: Frequently, management of apartment communities under construction will begin leasing units as they are finished out. For consistency purposes, units are not counted as absorbed until the period that the entire property is completed. Thus, absorption will tend to be somewhat undercounted in the periods preceding completion of the property.

Completions: M/PF YieldStar collects construction permit data each quarter from all of the municipalities in the metropolitan area. Developers or contractors are called to verify the number of units and the month when all units are expected to be completed.

Occupancy: Occupancy reflects the share of the existing stock physically occupied at any point in time. Preleased units are not part of the occupancy calculation.

Rental Rates: The rental rates presented reflect a property's rent structure at the point of time of the survey, rather than the property's actual revenues (which would be shaped by rents in place when ongoing leases were signed). Unless noted otherwise, all rents are effective rates, to the degree possible. Thus, the impact of concessions that include free rent periods or discounts over the term of the lease, are calculated into the rent structure.

Same-Store Rent Growth: This measure compares rents for the same specific group of properties between two points in time, thus gauging the typical performance for an apartment community operating during that time frame. Examination of same-store rent change eliminates the misrepresentation of market conditions that can result from sampling differences in two reporting periods.

Overall Disclaimer

Some of the data in this report has been gathered from third party sources and has not been independently verified. Neither M|PF Yield Star nor the Casden Forecast make any warranties or representations as to the completeness or accuracy thereof.

Valuation of the Historic Preservation Tax Incentive Program in California

By Michael J. Tornabene

The financial valuation of historic properties is more art than science. Historic buildings have an inherent complexity that can create opportunities for success, and spectacular failure—these complexities are often beyond the grasp of the most thorough analysis. The rehabilitation process often contains unforeseen financial risk unaccounted for in the contingency budget of any economic model. This inherent risk is a primary premise behind the Federal Historic Preservation Tax Incentive program administered by the National Park Service. The tax incentive program was originally intended to reward private investment for rehabilitating income producing historic properties, and mitigate some of the risk of historic rehabilitation (Conservancy, 2007).

The goal of this paper is to review analytically the historic tax credit program, tracking the program with data spanning the thirty-two years of the program's existence. First, this paper will perform an overview of the tax certification program within California since the program's inception in 1977, analyzing the program against the value of new construction over the same period. Next this paper will review the location based trends of tax credit projects, looking at where these projects are located and why. Last, this paper will analyze market rents in San Francisco and Pasadena for both historic and non-historic properties, utilizing this data to assess the impact of age on the cost-per-square foot of properties.

Background & Basis

Since 1976, the Internal Revenue Code has contained provisions offering tax credits for historic buildings rehabilitated for income-producing purposes. The historic preservation tax incentive program has been used throughout California to promote the reuse of historic buildings, and stimulate private investment in older structures. The National Park Service (on behalf of the Secretary of the Interior) jointly administers the program with the Internal Revenue Service (on behalf of the Department of the Treasury), in partnership with State Historic Preservation Offices of California. The Historic Tax Incentive Program provides a10% or 20% tax credit for qualifying hard and soft cost expenditures during the rehabilitation process (Internal Revenue Service, 1990). The 10% rehabilitation tax credit applies only to "non-historic buildings placed in service before 1936 and rehabilitated for non-residential use" (National Park Service). The 20% rehabilitation tax credit applies only to certified rehabilitation projects conducted on certified historic structures (defined as greater than fifty years old, or of exceptional significance). The 20% rehabilitation tax credit is available for properties rehabilitated for income producing purposes, specifically commercial, industrial, agricultural, or rental residential properties.

Tax credits vary widely depending on the scope and requirements of the qualifying hard costs, thus making valuation of the tax credit program difficult. The National Park Service defines qualifying hard costs as those costs that impact the historic integrity of the structure. However, qualifying hard costs are often difficult to quantify, and if often based on the opinion and analysis of the reviewing agency. The variance in the definition of qualified costs thus presents a challenge to an overall analysis of the tax credit program.

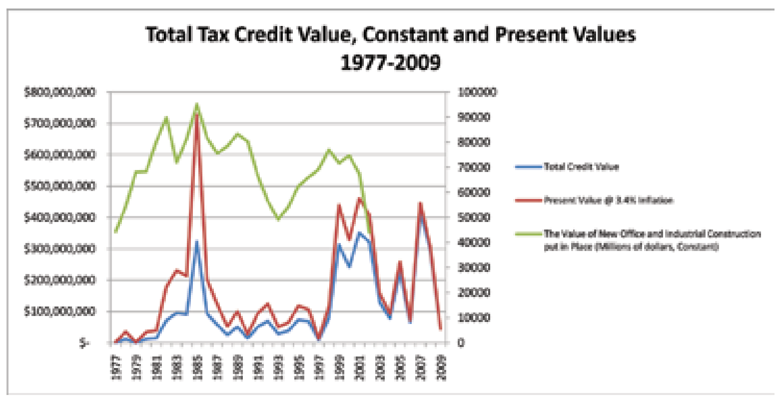
Last, prior studies have tried to quantify the monetary value and trends of the historic preservation program or historic buildings as an overall "asset class." Redfearn (2008) suggests that residential inclusion in a historic district may have a positive impact on land value to existing historic structures. This paper focuses on the commercial sector within building rehabilitation, and is informed by a number of previous analyses of the Internal Revenue Code (Section 47 – Rehabilitation Credit).[1] However, like all data attempting to quantify the impact of an intangible asset such as "historic value," Redfearn's analysis doesn't sufficiently grapple with the inherently complexity of historic preservation. The current paper will present an analysis of a data set gathered to address a specific element of the preservation tax incentive program.

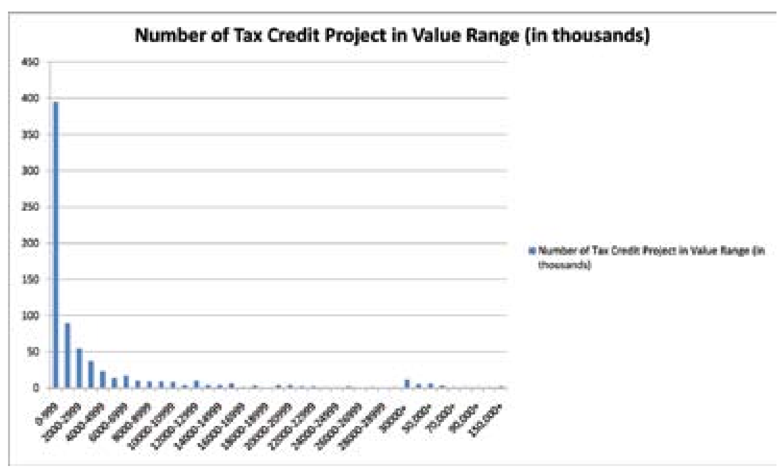
Preservation Equity

Since the program's inception in 1977, The rehabilitation tax credit program in California has distributed nearly four billion dollars to 777 certified projects.. The vast majority of the rehabilitation projects use tax credits to reduce the amount of developer equity needed to complete construction, obtain a construction loan, or repay a land/building acquisition loan. General partners can generally qualify for tax credits, but because they often have small income tax liability, they are typically unable to use the tax credits within their own business enterprises. In such cases, the general partner will enter into a limited partnership with a tax credit investor that "purchases' the tax credits. The process of syndication provides a significant gain in capital for rehabilitation projects, and is often integral to the revitalization of historic projects.

Figures 1shows that the trend of the tax credit distributions closely matches the movement of the market (US Census data) over the previous three decades. The data set reveals that the preservation tax incentive program is not a shelter to the movements of the market, an idea preservation advocates often present. Figure 1 demonstrates that the preservation tax incentive program is volatile, with a strong correlation tothe overall real estate market. The relative increase and decrease in value over time indicates that the volume of tax credit allocations is a factor of the overall market for new development. The preservation tax incentive program does not "incentivize" new development, but rather creates an investment vehicle that may be appealing to some equity investors or general partners in times of strong real estate markets.

Owing to the inherent regulatory risk within the tax incentive program, developers often do not underwrite historic tax credits into an initial pro-forma. Interviews with developers of historic properties present a compelling reason for this. Often, developers will not pursue historic preservation projects unless the project will be profitable in the absence of the tax credit program because of the regulatory risk. Thus, the tax incentive program works as a "carrot" by which developers can achieve a higher internal





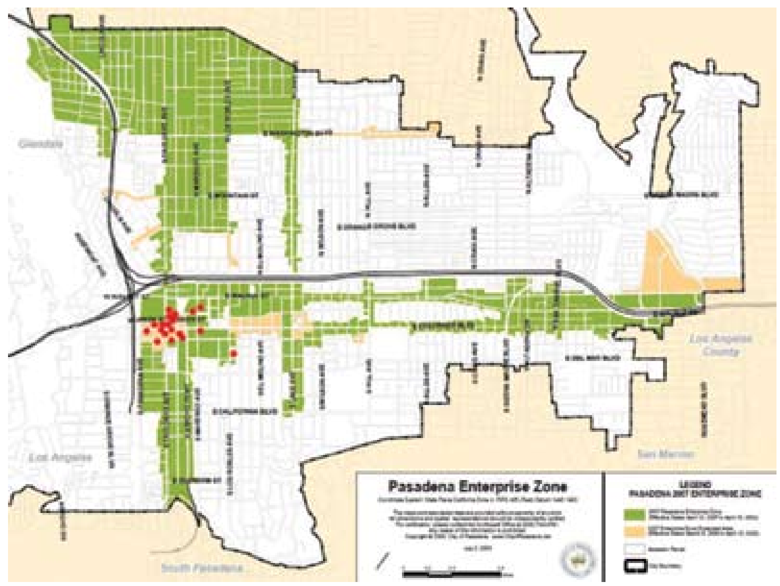
rate of return. If the tax credits are withheld because of regulatory disagreements between the developer and the reviewing agency, the developer is not tied to the reviewer's decision for the financial success of a project.

The Centralization of Rehabilitation Projects

This research initially began as a test of whether historic preservation created positive externalities to nearby buildings or proprieties. These externalities would manifest themselves in higher property prices. Although a vast number of buildings have received tax certification, inadequate numbers of transactions prevented the identification of a correlation between tax certification and property values. The data show that owners tend to hold projects after completion of adjacent tax certified rehabilitations. A second, but less common phenomenon, was the consolidation of the ownership of historic properties into one project area, followed by an en-mass application to the tax certification program.

Surprisingly, the presence of historic district status has little impact on the siting of tax credit properties. Prior inclusion in a certified historic district may reduce the requirements for approval of the Part 1 application, allowing only proof that the building is a "contributor" to the historic district. But an analysis of Los Angeles revealed that of 281 certified rehabilitation projects, only 4 fell within Historic Preservation Overlay Zones defined by the City of Los Angeles. Barriers to approval of a historic district, and lack of commercial structures within existing historic districts explain this seeming anomaly. First, historic districts create an additional, and often significant, step in the approvals process for any project within the district. This barrier has a tangible, positive or negative, impact on the valuation of the building. Thus, to limit this potential for negative impact on the overall property value, commercial building owners often resist inclusion within a proposed historic district or individual listing on the National Register of Historic Places. Second, existing historic districts tend to be residentially focused or are lower density industrial areas. As a result, although tax credit projects cluster, they tend to cluster outside of existing historic districts.[2]

At this point, the Federal Tax Certification Program requires the properties to produceincome. Although this may change (proposed Amendments to Tax Code Section 47, August 2009), the current rules limit the tax credit project to a specific subset of historic proprieties. The properties must be large enough to generate a cash flow able to



ALA	89	SBN	4
BUT	24	SBR	8
CAL	4	SDI	124
CCO	14	SFR	126
ELD	1	SJO	19
FRE	18	SLO	8
HUM	13	SMA	7
KER	4	SBA	8
KIN	1	SCL	38
LAN	281	SCR	17
MRN	37	SHA	1
MRP	5	SIS	4
MEN	7	SOL	11
MNO	1	SON	35
MNT	3	STA	5
NAP	28	SUT	4
NEV	7	TEH	3
ORA	19	TRI	6
PLA	1	TUO	1
PLU	2	TUL	1
RIV	9	VEN	7

sustain the debt, as well as covering the operating costs of a historic property. Thus, historic tax credit project tend to be in urban locations, and areoften densely centered within a specific downtown districts or revitalization areas.

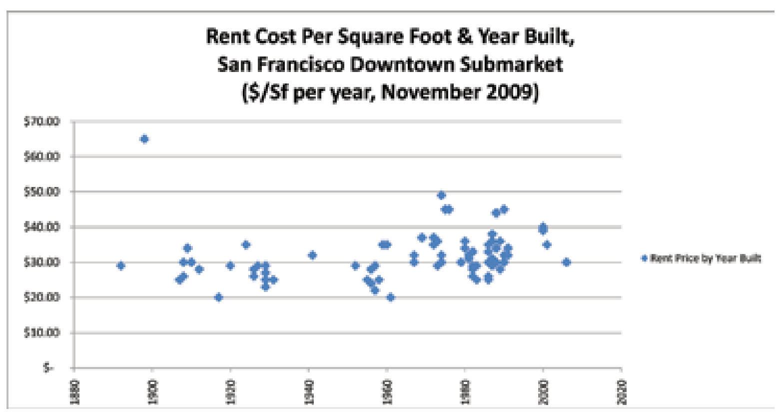
Historic Preservation and Commercial Rents

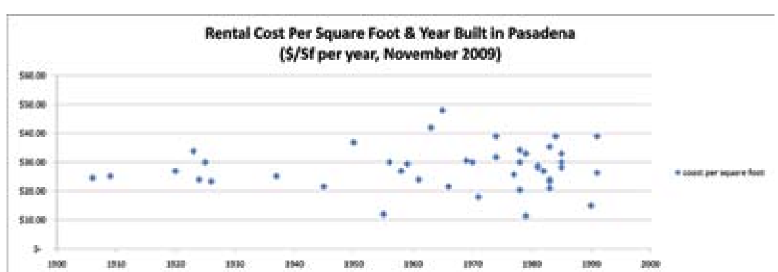
Preservation advocates often argue that the boutique nature of historic properties gives them an advantage in the marketplace. Although the boutique "appeal" may be tangible, in the current rental market, historic properties are generally classified as Class B Office rental space (with some notable exceptions such as the Ferry Building and One Market in San Francisco). Valuation of historic properties can often be difficult because some aspects of historic properties that do not lend themselves well to analytical research. In preservation parlance, this concept is referred to as "intangible heritage," a theory that warrants further exploration outside of this paper (UNESCO, 2009).[3] This analysis provides a valuation of historic buildingsby examining rents, thus "quantifying" the intangible nature of historic buildings.

To get a first cut of the impact of historic preservation status on rent, we limit ourselves to leases with the following characteristics: they are for the downtown submarkets of San Francisco and Pasadena, the first through tenth floors of the historic and non-historic buildings (to eliminate the premium for views available in taller (newer) buildings), and for contiguous space of 5,000 (to?) 12,000 square feet. This range of square footage tends to have a homogeneous user type, with similar characteristics and usage parameters. These controls allow us to have a reasonable set of comparables between historic and non-historic properties.

The analysis found that historic buildings had a rent discount of approximately 14% relative to their modern counterparts. The average annual rent t per square foot for commercial office space in San Francisco during November of 2009 was $31.46 per square foot. This data was then split into those that qualify as historic (older than 50 years, or 1959), and those built after 1959. Commercial office space within historic buildings was offered at an average of $28.33 per square foot, as compared to an average cost per square foot for buildings built after 1959 of $33.03. The average rent per square foot for historic buildings included substantial outliers such as the Ferry Building (offered at $65.00 per square foot). This analysis suggests that the historicism of an existing building did not have a substantial positive impact on the cost per square foot of rent in San Francisco. Figure 6 shows a similar relationship for downtown Pasadena.

Rents are not the only determinant of the true worth of a building, particularly in a volatile market such as 2009. owingto the complexity of leases, rents often do not reflect the true cost of occupying space. However, rents provide an insight as tohow the market values amenities. Although this analysis found that historic properties did not achieve a premium pricing in commercial office space, significant rent price differences appeared to be specific to the location of the building. A characteristic unique to historic





buildings is their relative placement on "prime" real estate of a given market.[4] Historic buildings capitalize on their location, often charging rents that reflect a location premium not associated with the "intangible heritage" associated with historic structures.

Conclusion

The historic tax incentive program can provide significant equity for the rehabilitation of a historic building for office or commercial usage. However, the historic tax incentive program does not necessarily spur development, rather a boost to the return on equity for a project that was modeled to be successful before taxes. The inherent risk of the certification process precludes underwriting of the tax certification process in the current market. These risks often depend on the location of a project, with projects in dense urban areas with previous historic tax credit projects having an advantage to those with no historic context. Last, we have no evidence that historic buildings command a rent premium. Historic buildings should be underwritten based on conservative estimates for rent prior to the restoration, with significant reserve available for the unforeseen complexities inherent in the rehabilitation process.

The historic tax credit program is on the verge of changes that will substantially affect the future of the program (Amendments to Tax Code Section 47, August 2009). A key element of the overhaul is that tax credits will now be available for non-income producing projects. Although this may have a substantial positive impact on preservation as a whole within residential neighborhoods, it has the likely outcome of increasing the review time and requirements of the State Historic Preservation Office and National Park Service. A substantial increase in the number of potential historic tax credit projects is likely on the horizon, which will inevitably lead to longer review times and potentially stricter requirements.

(Endnotes)

1 Additional studies have further expanded on this topic, including publications from the Getty Foundation (Research Report The Getty Conservation Institute, Los Angeles) and the Los Angeles Conservancy (The Los Angeles Historic Resource Survey Report).

2 This argument must also address the impact of planning review. Although historic buildings may not fall within the borders of a historic district, they are still under the purview of the California Environmental Quality Act, and are thus in the jurisdiction of the planning department. Additionally, many cities have adopted historic "conservation districts" within downtown areas. Although this is not a formal historic district, it serves many of the functions of certified historic districts.

3 For more information, see the United Nations Educational, Scientific and Cultural Organization (UNESCO) website, which provides a definition and explanation of "intangible heritage."

4 For more information on the location based complexities of real estate, see Urban Economics and Real Estate Markets by Denise DiPasquale & William C. Wheaton, Chapter 3.

Bios

Richard K. Green | Director of the USC Lusk Center for Real Estate

Richard K. Green, Ph.D., is the Director of the USC Lusk Center for Real Estate. He holds the Lusk Chair in Real Estate and is Professor in the School of Policy, Planning, and Development and the Marshall School of Business.

Prior to joining the USC faculty, Dr. Green spent four years as the Oliver T. Carr, Jr., Chair of Real Estate Finance at The George Washington University School of Business. He was Director of the Center for Washington Area Studies and the Center for Real Estate and Urban Studies at that institution. Dr. Green also taught real estate finance and economics courses for 12 years at the University of Wisconsin-Madison, where he was Wangard Faculty Scholar and Chair of Real Estate and Urban Land Economics. He also has been principal economist and director of financial strategy and policy analysis at Freddie Mac. More recently, he was a visiting professor of real estate at the University of Pennsylvania's Wharton School, and he continues to retain an affiliation with Wharton. He is or has been involved with the Lincoln Institute of Land Policy, the Conference of Business Economists, the Center for Urban Land Economics Research, and the National Association of Industrial and Office Properties. Dr. Green also is a Weimer Fellow at the Homer Hoyt Institute, and a member of the faculty of the Selden Institute for Advanced Studies in Real Estate. He was recently President of the American Real Estate and Urban Economics Association.

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His research addresses housing markets, housing policy, tax policy, transportation, mortgage finance and urban growth. He is a member of two academic journal editorial boards, and a reviewer for several others. His work is published in a number of journals including the American Economic Review, Journal of Economic Perspectives, Journal of Real Estate Finance and Economics, Journal of Urban Economics, Land Economics, Regional Science and Urban Economics, Real Estate Economics, Housing Policy Debate, Journal of Housing Economics, and Urban Studies. His book with Stephen Malpezzi, A Primer on U.S. Housing Markets and Housing Policy, is used at universities throughout the country. His work has been cited or he has been quoted in the New York Times, The Wall Street Journal, The Washington Post, the Christian Science Monitor, the Los Angeles Times, Newsweek and the Economist, as well as other outlets. He recently gave a presentation at the 31st annual Federal Reserve Bank of Kansas City Economic Symposium, where his work was cited by Federal Reserve Chairman Ben Bernanke. The National Association of REALTORS, the Ford Foundation, and the Lincoln Institute for Land Policy have funded grants to support some of Dr. Green's research. He consults for the World Bank.

Tracey Seslen | Senior Research Associate Casden Real Estate Economics Forecast

Tracey Seslen received her Ph.D. in Economics from the Massachusetts Institute of Technology in 2003 and currently teaches Real Estate Finance in the Marshall School of Business and the School of Policy, Planning, and Development at USC. Recently, her research has focused on housing cycles, the capitalization of risk and return into housing prices, household mobility behavior, and termination risk in commercial mortgages. She has presented her research both nationally and internationally, participating in real estate conferences from Boston to Beijing. When not teaching or doing research in real estate, she is an avid traveler. In 2007, she led a group of 28 MBA students on an international business study tour of Mexico and Cuba, and participated in a real estate study tour of Tokyo and Shanghai.

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Skye Tirsbier is a Master of Business Administration/Master of Planning dual degree candidate at USC. Before attending USC, she worked for New Urban West in Santa Monica for several years as the Entitlements Project Manager. Skye managed the entitlement process and secured approvals for a large mixed-use community in Southern California. Her academic honors include selection as a Marshall MBA Fellow and placement on the graduate Dean's List of the Marshall School of Business. After graduation, Skye is interested in either working for a redevelopment agency or returning to the private sector and working for a real estate development firm in Southern California.

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Michael J. Tornabene is a graduate student in the Master of Real Estate Development program, currently focusing on financial modeling, market analysis, and government initiatives for development (Historic Preservation, Low Income, and New Market Tax Credit Programs). Prior to pursuing his graduate degree, Michael specialized in the rehabilitation and tax certification process at Page & Turnbull, Inc., a San Francisco based architecture firm where he authored numerous tax credit applications, oversaw the construction process, and entitled projects at a variety of scales. During his time at USC, Michael has been an intern with the William J. Clinton Foundation - Building Retrofit Program, where he has focused on financial returns on sustainable investment within existing buildings. Additionally, Michael continues to present on the complex issues surrounding adaptive reuse, sustainability within the built environment, and the development and repositioning of existing assets. Michael is an Associate member of the AIA, a LEED accredited professional, and an active member of ULI.