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CASDEN REAL ESTATE ECONOMICS FORECAST

Multifamily Market Forecast 2011 Report

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Contents

USC Casden Forecast | 2011 Multifamily Market Report

The Casden Real Estate Economics Forecast is pleased to present its 2011 report on the Southern California multifamily real estate markets. 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: one covering the region's office and industrial markets and the other covering apartment markets. These reports 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. At the end of the report, we present our two-year forecast for rents and vacancy rates in each of the four metro markets. This year, for the first time, we are including individual forecasts for each of the submarkets and statistical confidence bounds on all of our predictions. The submarket forecast graphs may be found in the appendices at the back of the report. Commentary on the submarket results is included with the metro-level forecast commentary where the results differ from the metro-level prediction.

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 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: MPF Research (who also provided the apartment market data), Chandler Partners, City National Bank, Forest City, Goodwin Procter, Heffernan Insurance Brokers, L.A. Downtown News, Newport Investment Associates, NNC Apartment Ventures, and PNC.

Executive Summary

Although the economy still has a long way to go to fully recover from the financial crisis and crushing economic slowdown of 2008-2009, the US has experienced six straight quarters of positive GDP growth and the employment picture has shown small signs of improvement. The Southern California apartment market, similarly, has shown widespread improvements in rents and vacancy rates since December of 2009.

Apartment demand has improved during 2010, with positive net absorption and increased occupancy rates for all four metro areas. Orange County, San Diego County, and the Inland Empire, furthermore, experienced higher levels of positive net absorption than in 2009. Positive net absorption in Los Angeles County was just over one-quarter the level observed in 2009. Despite the improvement in apartment demand, vacancy rates are still 1 to 3 percentage points above their "natural" level—the level at which inflation-adjusted rents remain constant.

Southern California rents remained largely flat over the last year at the metro level, both on average for all properties and on a same-store basis. The Inland Empire performed the strongest, with an average rent increase of 1 percent and a same-store rent increase of 1.2 percent. San Diego was the only metro area to experience a decline in rents (either average or same-store), with a decline in average rents of 0.2 percent. Overall, Southern California fell short of both the national average in rent growth (2.3 percent) and the West region (1.7 percent).

Twenty-six out of 40 Southern California submarkets experienced flat or increasing average rents in 2010, compared with only three out of 40 in 2009. Between a reduction in multifamily conversions of for-sale product, a dwindling supply of single-family homes and condominiums for lease, and improvements in the macroeconomy, we are observing a strengthening in fundamentals on both the supply and demand side, which is serving to boost rents and fill units.

We forecast virtually flat average rents and vacancy rates for Orange County, San Diego County, and the Inland Empire over the next eight quarters. We expect Los Angeles County to experience a modest decline in average rents and vacancy. For the second year in a row, we expect Los Angeles County to be the weakest performer in terms of average rent changes.

Los Angeles County

The Los Angeles apartment market had a mixed performance in rents across its 11 submarkets, to go along with the mixed performance in the broader regional economy. The county gained 2,500 jobs in 2010 – not great by most standards, but a significant improvement over the 225,000 jobs lost in 2009. The greatest gains came in the sectors of Information (which includes the television and film industry), Education/Health Services, and Leisure/Hospitality. The biggest losses came in Local Government, Manufacturing, Construction, and Trade.

Intown Los Angeles showed the largest increase in average rents (6.8 percent), followed by the South Bay submarket (5.9 percent). Tri Cities showed the largest decline (9.2 percent), and was one of only two submarkets with larger declines in average rents for 2010 relative to 2009. Seven of the 11 submarkets showed increases in average rents and six showed increases in same-store rents. As of Q4 2010, average rents for the county are off 6.8 percent from the peak in Q2 of 2008.

The demand for apartments in 2010 continued to improve, although positive net absorption was only 28 percent of the 2009 total: 6,290 vs. 22,690 units. The overall occupancy rate increased 0.2 percentage points to 94.1 percent. The average monthly effective rent rose 0.9 percent to $1,501.

New units were delivered in all submarkets except the San Gabriel and Santa Clarita Valleys. Completions for 2011 are expected to decline by about 60 percent from 2010 levels. Intown LA, Hollywood, and the San Fernando Valley submarkets, which account for 37 percent of the Los Angeles apartment market, are expected to supply just over 60 percent of the new supply.

Orange County

Following a loss of 75,000 jobs in 2009, the employment picture stabilized somewhat in 2010. Orange County saw a gain of 6,500 jobs, with the largest gains occurring in the Professional/Business Services and Leisure/Hospitality sectors. The largest declines in employment were posted in the Trade and Transportation/Utilities sectors. The unemployment rate in December 2010 was 8.9 percent, down from 9.5 percent in December 2009.

Demand for apartments increased from Q4 2009 to Q4 2010 with positive net absorption of 5,830 units, an increase of 39 percent over the prior four quarters. Occupancy increased another 1.2 percentage points during 2010, bringing the overall rate to 94.9 percent.

Average rents increased by 0.8 percent in 2010, while same-store rents remained unchanged. The average monthly rent for the county at the end of 2010 was $1,475.

The Irvine submarket, which accounts for 17 percent of the total apartment supply, added 1,909 of the 3,187 new units completed in 2010, or 60 percent. Anaheim, North County, Santa Ana, and Central County submarkets accounted for the remainder of the new units added. Completions for 2011 are expected to drop precipitously, with North Orange County, Anaheim, and Huntington Beach scheduled to add only 176 new units.

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. As of December 2010, combined unemployment for the two counties still stood at 14 percent. Although the employment picture has improved, the region still reported a loss of 7,600 jobs in 2010. The largest losses occurred in the sectors of Construction, Government, and Manufacturing. The strongest growth occurred in the Professional/Business Services, Leisure/Hospitality Services, and Transportation/Utilities sectors.

Like Orange County, demand for apartments in the Inland Empire increased during 2010. The region ended the year with positive net absorption of 4,280 units, an increase of 15 percent over the 2009 tally.

East San Bernardino logged the largest improvement over 2009, more than tripling the number of net move-ins for 2009. East San Bernardino, which accounts for 24 percent of the total apartment stock, accounted for over 30 percent of the net move-ins for the metro area, or 1,320 units. Outer Riverside/San Bernardino experienced the biggest slow-down relative to 2009, with only 290 net move-ins, or 35 percent of its 2009 total. Occupancy increased in all submarkets, with East San Bernardino posting the largest gain.

Effective rents increased by 1.0 percent, while same-store rents increased by 1.2 percent. At the end of 2010, the average effective monthly rent was $1,034.

Southwest Riverside, which contains 17 percent of the total apartment stock, added 45 percent of the 2,068 new units completed in 2010. Again, like Orange County, completions are expected to drop off sharply in 2011. Just over 200 new units are scheduled for delivery between East San Bernardino, Southwest Riverside, and Coachella Valley submarkets.

San Diego County

The unemployment rate fell to 10.1 percent in December of 2010, second lowest among the four metro areas covered in the report. After reporting 43,000 job losses in 2009, San Diego County ended 2010 with 5,200 jobs gained. The broad services sector posted the majority of the gains. The largest losses occurred in the Construction sector.

The demand for apartments continued its upward trend from 2009, with 3,420 units of positive net absorption. Although the number of net move-ins was 82 percent higher than in the prior year, this was the lowest absolute level of net absorption among the four metro areas in the study and the second worst relative change in demand for 2010. Occupancy increased 0.3 percent to 95.4 percent, which is the highest level among the four metro areas.

Average monthly rents fell by 0.2 percent to $1,320, while same-store rents rose by 0.9 percent. Despite experiencing average rent declines in 2010, the most expensive regions remain the coastal communities of Northwest San Diego and La Jolla/University City with average monthly rents of $1,696 and $1,650, respectively.

Completions logged in at 2,616 for 2010, an increase of nearly 1,000 units over the 2009 total. Intown/Coronado, Chula Vista/Imperial Beach, and Escondido are scheduled to add 1,051 new units in 2011.

Current View of the Economy

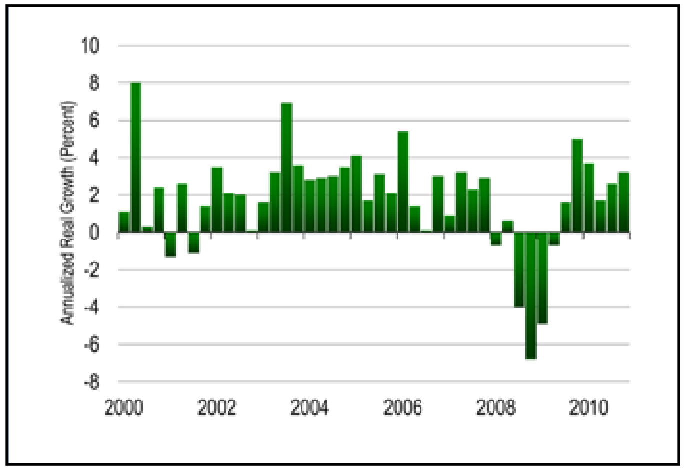
The fourth quarter of 2010 marked the sixth straight quarter of positive annualized growth in Gross Domestic Product, but the trend witnessed over the past year-and-a-half has not served to undo much of the economic damage that occurred in the second half of 2008 and first half of 2009. During that period, the economy shed more output than in any other four quarter period in the post World War II era. The employment-to-population ratio fell to its lowest level since 1984, and in December 2010 it stood at a level only slightly higher than its bottom in December 2009. Corporate America has come out of the recession – seeing an increase in profits in 2010 of 29.2 percent – but in 2010, it did not put those profits towards new hiring.

Job creation has begun to pick up in the first months of 2011; in February alone, the state of California added 96,500 new jobs. The growth in employment brought the statewide unemployment rate down to 12.2 percent, but it remains the second-highest in the nation. The national unemployment rate, as of this writing, stands at 8.9 percent.

Overall, the US economy still has about 7.5 million fewer jobs since employment peaked in the fourth quarter of 2007 and California alone has lost 1.4 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. Furthermore, both the national and California labor forces are considerably larger now than they were at the beginning of the decade. In Los Angeles, Riverside, San Bernardino, and San Diego Counties, unemployment is above ten percent, while in Orange County it is just below ten percent. Taking into account all of the discouraged workers who no longer get counted as unemployed because they have stopped looking for jobs, the numbers look even worse.

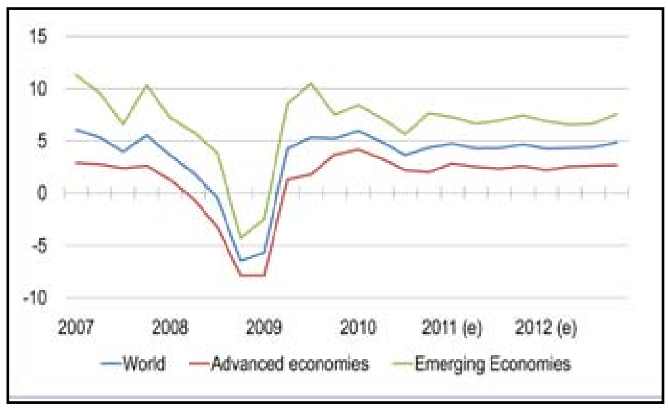
In February, the Philadelphia Federal Reserve Bank *Survey of Professional Forecasters* improved

GDP Growth



Source: Bureau of Economic Analysis

GDP Growth Comparison



Source: International Monetary Fund

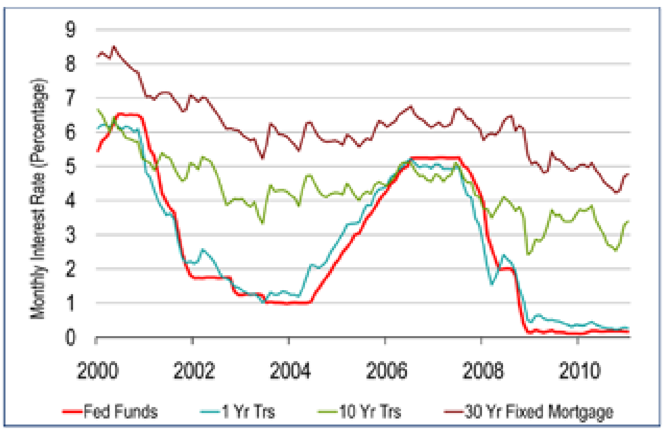
New Home Sales

Source: U.S. Census Bureau

STOCK AND BOND PRICES

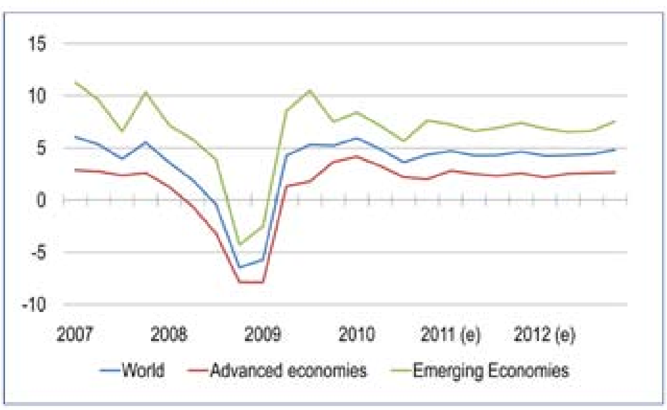
Source: Lehman Brothers

INTEREST RATES



Source: Federal Reserve, Freddie Mac

U.S. UNEMPLOYMENT



Source: Bureau of Labor Statistics

its outlook, projecting unemployment to fall below 8 percent by 2013, and predicting 3.2 percent GDP growth for 2011. In addition, the forecasters expect inflation to remain below two percent on average for the next two years. This should keep pressure off of interest rates, but it will mean that the real value of debt carried by real estate will remain high.

Other macroeconomic positives include:

- A rebound in Asian economies abroad: GDP growth in China, India, and to a lesser extent, Korea
- Surprising performance in the Automobile sector. Ford Sales are up 14.5 percent year-to-date from 2009 and General Motors Initial Public Offering was more successful than analysts generally anticipated.

The largest apparent obstacle to recovery, at the moment, appears to be the recent surge in oil prices. Crude oil began 2010 at $81 dollars per barrel and has since increased to $104 per barrel. While this figure is still $30 per barrel below the peak that occurred in the summer of 2008, the ongoing turmoil in the Middle East and North Africa suggest that oil prices will continue to rise. With an average price of $4.02 per gallon, California leads the Continental US in the average price of gasoline. The increase in the price of oil will no doubt impact the real estate industry, impacting construction costs and reducing the attractiveness of properties in the outlying areas of major metro markets.

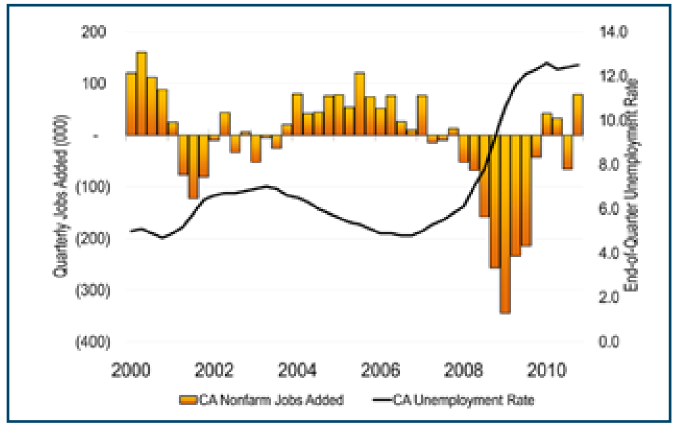
Over the last two years, the Federal Government has responded to the absence of strong growth with extraordinary monetary policy. Most recently, the Federal Reserve began purchasing long-term Treasuries in the hope of lowering interest rates. At the time "Quantitative Easing II" (QE2) was initiated, the 10-year Treasury rate was below three percent. The rate hit a high of 3.75 percent in mid-February but has since dropped back to 3.5 percent as of this writing. In the future, the Fed may consider purchasing other types of debt instruments. Although the rate is around 110 basis points above the low recorded in October 2010, it remains relatively low by historical standards. Perhaps more important is the fact that the 30-year fixed rate conforming mortgage spread over 10-year Treasuries has remained narrow and interest rates on 30-year fixed rate mortgages remain near the lowest levels recorded since the instrument began in the 1970s.

If the Fed is successful in lowering rates (or keeping them lower than they otherwise would have been given other macroeconomic factors), it will make the dollar less attractive to other assets, because returns to dollar denominated assets will be lower than returns to the Chinese RMB and the Euro. Should the dollar depreciate, American goods will be more competitive abroad. This could matter even in the real estate context: if rents in New York and Los Angeles become lower relative to London and Tokyo, firms will have an incentive to do more business in the United States.

On the housing front, things have recently taken a turn for the worse. The most recent Case-Shiller news release showed a 3.1 percent year-over-year decline in prices within its "Composite 20" sample and a 2 percent year-over-year decline within the "Composite 10". Los Angeles recorded a 1.8 percent year-over-year drop and a 0.6 percent drop from December 2010 to January 2011. The median house price for California stood at $278,900 at the end of January. Transactions were uneven during 2010, spiking during the eligibility period for the Federal and California housing tax credit and dropping precipitously upon expiration of the programs. According to the California Association of Realtors, the inventory of homes selling for less than $750,000 stands at about 6.7 months, which suggests that the conforming loan market is currently in balance.

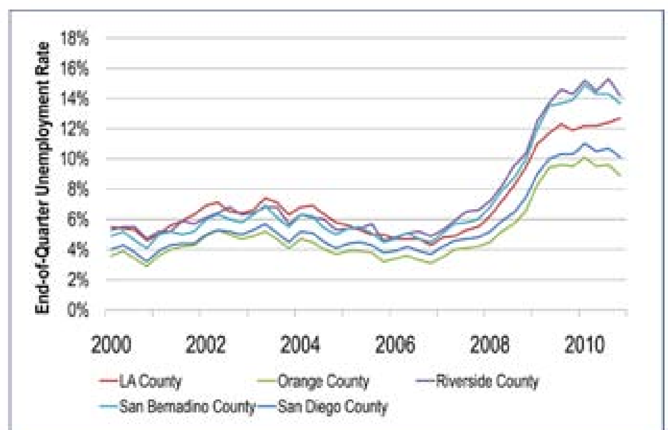
All in all, because of low interest rates and the crash in house prices, owner-occupied housing in California has reached its most affordable levels in decades; owning is often competitive with renting on an after-tax, cash flow basis. The recent report on housing may generate new interest in homeownership among well-capitalized renter households, but many may hold out on buying until there are stronger indicators of a self-sustaining economic recovery.

California Unemployment



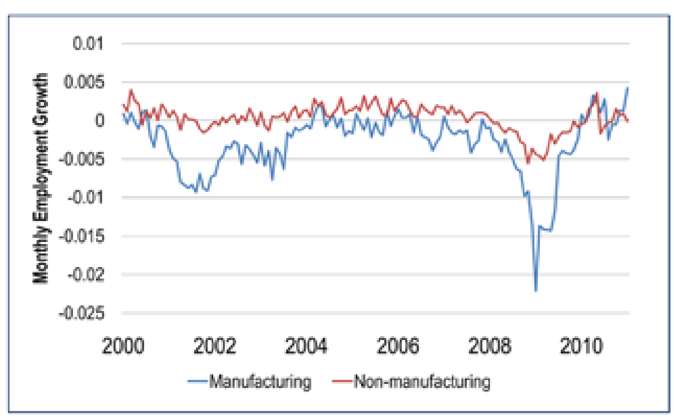
Source: Bureau of Labor Statistics

County-Level Unemployment



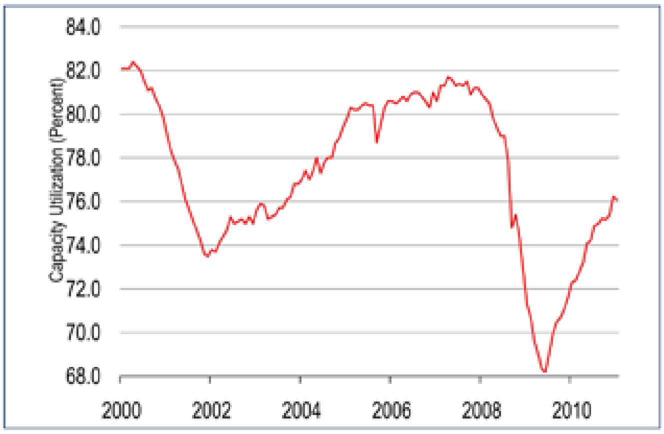
Source: Bureau of Labor Statistics

Manufacturing vs Non-manufacturing Employment



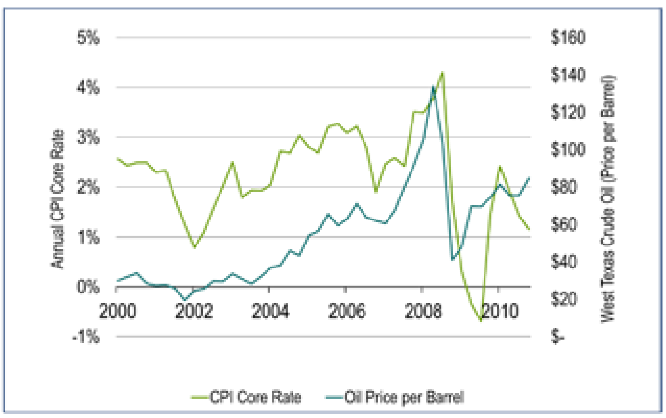
Source: Bureau of Labor Statistics

Capacity Utilization



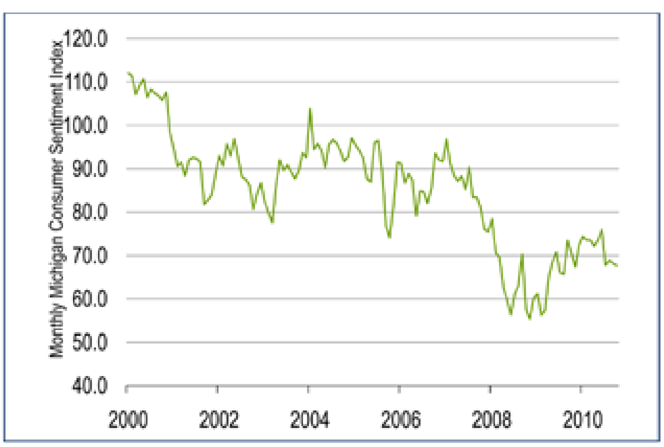
Source: Bureau of Labor Statistics

Oil Prices vs cPI Core



Source: Federal Reserve, Bureau of Labor Statistics

Consumer Sentiment



Source: Michigan Survey of Consumer Sentiment

As we look forward, let us again 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 examine the outlook for each of these components and ask how they influence Southern California.

The outlook for consumption continues to be bleak. While consumer sentiment is well above its nadir a year ago, it is well below neutral. Although consumers have stopped losing their jobs, and credit conditions have improved, household balance sheets remain in bad condition. Consumer debt burdens reached unsustainable levels, as consumer debt rose from 60 percent of GDP in 1980 to more than 100 percent in 2007. According to the Federal Reserve's Survey of Consumer Finances, the ratio of mortgage debt to income for 50-59 year olds had doubled over the past 20 years. De-leveraging has become a common word in the business lexicon and households are going to need to do more of it for quite some time. So far, many households have been using lower mortgage rates to shorten term, rather than reduce payments. In addition, households have been putting equity into their homes in order to get their mortgages refinanced at the most favorable terms. While these actions will help improve household balance sheets, they will not stimulate consumption. All in all, we believe that consumption will not drive economic growth over the next several years.

The investment and export sectors go hand-in-hand. 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 consumers in those markets will demand goods manufactured in the United States and services from the United States. Additionally, US labor productivity is high and the dollar is dropping in value, making American goods more competitive abroad. We took this view last year, and have since seen exports rise 17.5 percent, adding about 1.5 percent to GDP. The higher the demand for American goods, the greater the demand will be for American workers, which will have a positive impact on the entire economy, not just real estate.

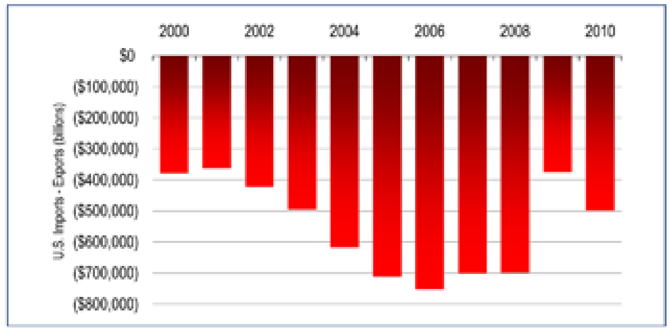
One longer term issue for the multi-family market is the possibility of fundamental tax reform, at both the federal and state levels. Federal revenues are currently running at about 15 percent of GDP, which is well below its long term average of 18 to 19 percent. At the same time, neither political party seems to have the stomach to raise tax rates. Indeed, the bipartisan commission on deficit reduction, led by Erskine Bowles and Alan Simpson, has called for raising revenue while reducing rates. The mechanism for doing this would be fundamental tax reform, which would reduce or eliminate a variety of tax deductions.

The deductions that have the greatest impact on real estate are the mortgage interest and property tax deductions for homeowners, and the depreciation deduction for landlords. Owners of investment properties also benefit from the ability to engage in like-kind exchanges, and from preferential rates for capital gains income. As Congress searches for new sources of revenues, all of these things are on the table. A scaling back of the mortgage interest deduction could benefit owners of rental property, as home-owning becomes less attractive. On the other hand, should Congress go after depreciation, capital gains preferences, and like kind exchanges—as it did in 1986—this would be harmful to apartment owners.

On the state level, there has been some discussion of changing Proposition 13. It is unlikely that the treatment of owner-housing would change, but there is a possibility of a split roll, where residential property is taxed at its value at time of acquisition, while commercial property is marked to market for tax purposes. It is not clear how apartments would be treated under a split roll, but it is another layer of uncertainty for the market.

In summary, changes in the major macroeconomic indicators indicate that recovery is on the horizon, but geopolitical turmoil, rising oil prices, and problems due to over-leveraging – at the household, corporate, and municipal levels – lead us to maintain very cautious optimism heading into the next couple of years.

Trade Deficit



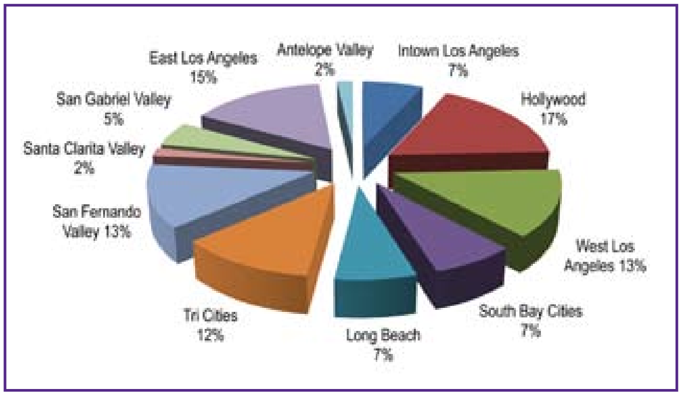
Source: U.S. Census Bureau

Los Angeles Multifamily Market Trends

The Los Angeles multifamily market is diverse, dynamic, and large, with over one million apartments across 11 submarkets. The metro area saw continued improvement in demand during 2010, logging 6,290 net move-ins, although performance differed significantly from submarket to submarket. Occupancy grew by 0.2 percentage points to 94.1 percent. Four of the 11 submarkets posted lower occupancy rates than in Q4 2009, with the Intown and Hollywood submarkets posting the largest declines. The largest occupancy gains were recorded by the South Bay and West Los Angeles submarkets. The overall increase in demand appears to have resulted from the nationwide trend of families moving from shadow-market inventory back to traditional multifamily product, either due to foreclosure or sale of shadow-market properties or a general preference for the amenities and conveniences offered by traditional multifamily properties. As the economy continues to improve more renters may be lured into homeownership, but for the time being, home sales remain low and job growth remains a long way off from true recovery.

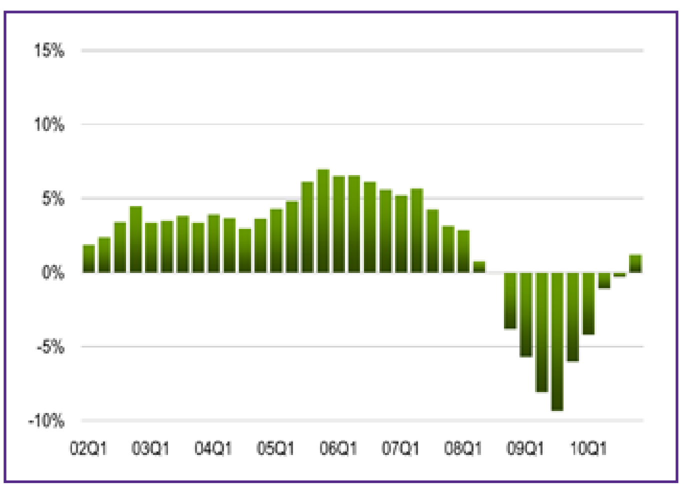
At the same time that occupancy was improving, rents were increasing as well. Same store rent growth in Los Angeles County was 1.2 percent, up from negative 6.0 percent in 2009 and negative 3.8 percent in 2008. Los Angeles and the Inland Empire tied for the strongest same-store rent performance in Southern California for 2010. Average monthly rents for the area were $1,501, up 0.9 percent from 2009, although rents ended the year lower than their peak of $1.77 per square foot. Intown Los Angeles and South Bay submarkets posted the highest rent increases, with gains of 6.8 percent and 5.9 percent, respectively, while Tri Cities posted the steepest decline (9.2 percent). The next worst performer was the Antelope Valley, which posted a 3.7 percent rent decline for 2010.

Los Angeles Multifamily Submarket Shares



Average Rents and Vacancy Rates in LA County

Annual Growth in Same-Store Rents for Los Angeles



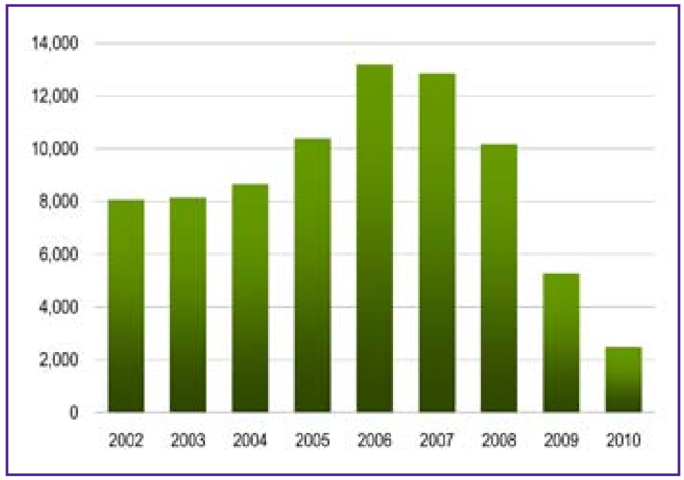
Construction Activity

Over 5,200 apartment units were completed in Los Angeles in 2010, comprising 40 percent of the total product to come online in Southern California. This increased the existing apartment stock by about 0.5 percent, just below the increase seen in 2009.

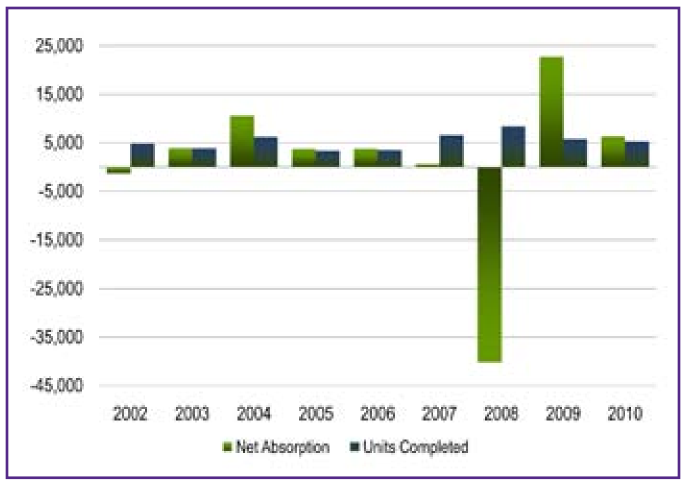
As of the end of this year, 2,175 units are scheduled for delivery in 2011. This represents over 60 percent of the deliveries scheduled for 2011 in Southern California. Over half of the new construction is taking place in Intown and Tri Cities submarkets.

No single developer dominates in Los Angeles County. Of the 22 projects currently underway, seven projects have over 100 units. Among the most active developers are Sares-Regis Group, with 480 units under construction at Westgate (Tri Cities submarket), G H Palmer and Associates, with 335 units under construction at the Piero II (Intown submarket), and Rosemark Equity Partners, with 180 units under construction at The Avenue (Hollywood submarket).

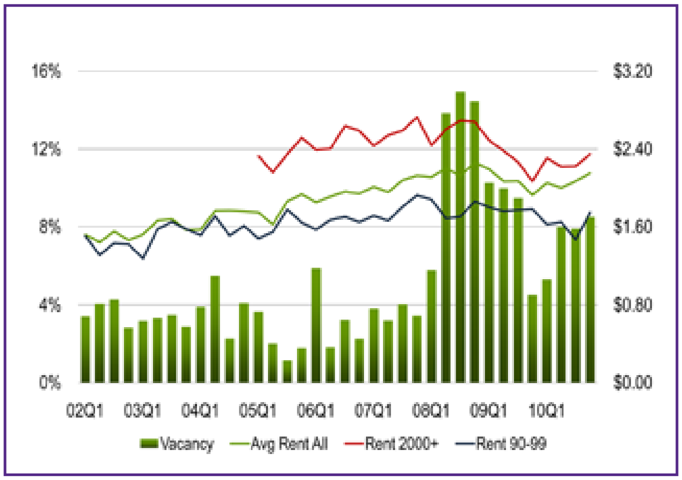
Year-End Construction Activity in Units for LA County



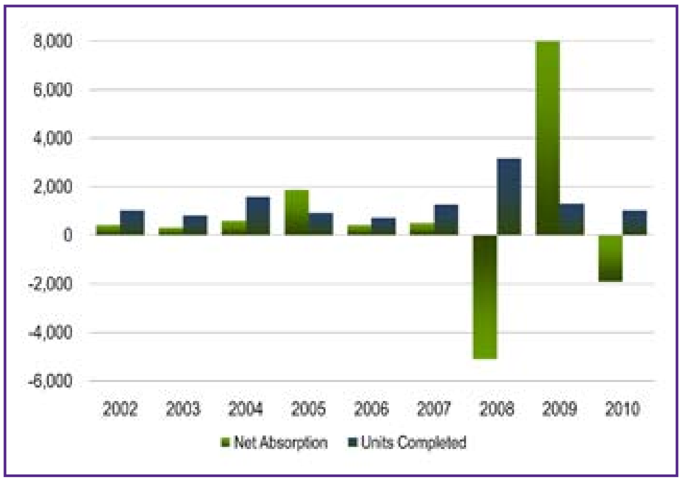
New Supply and Net Absorption for LA County



Vacancy Rate and Average Rent by Age of Apartment for Intown



New Supply and Net Absorption for Intown



Intown

Over the past several years, Intown has experienced a surging population and rising incomes, but the recession eroded that momentum during 2008. In 2009, the area enjoyed a strong surge in demand in the wake of falling rents. It lost ground again in 2010, a trend which was observed in many of last year's top performers across all four metro areas. Intown experienced 1,900 net move-outs, bringing occupancy down 4 percentage points to 91.5 percent.

Average rents recovered somewhat from the losses experienced in 2009, rising 6.8 percent to $1,767 per month. Same-store rents rose 3.5 percent.

In the Intown area,1,014 new units were completed across nine projects. (Net completions totaled 946 units, however, as one 68-unit property was removed from the local stock). Six of these projects are located within a six-by-four-block area bounded by 3rd Street in the north, 9th street in the south, South Main St. in the East and South Hill Street in the West.

In contrast to 2009, which saw the completion of 5 condominium projects that reverted to rentals after construction began, only one 2010 delivery was a re-positioning: the 250-unit SB Tower by SB Properties. Other completed projects include the 156-unit Orsini III, the 142-unit Spring Arcade Building, and the 62-unit Jewelry Trades Building. G H Palmer and Associates' Orsini III is a luxury property featuring full-side basketball courts, a rooftop swimming pool, and 13,000 square feet of street-level retail. The Spring Arcade and Jewelry Trades Buildings were generated from a multi-million dollar renovation effort by Fifth Street Funding. The 195,000 square foot Spring Arcade structure has two towers and an interior arcade that connects Spring Street and Broadway. The 98-year-old, 9-story Jewelry Trades Building features one- and two-bedroom apartments and preserves many of the structure's original design details.

The Intown submarket is expected to see delivery of 537 new units across 4 properties in 2010. Three of these properties are located west of the I-110. One of the four projects is a condominium re-positioning (the 78-unit 2121 Lofts by Concerto Development). The largest of these projects will be the second phase of G H Palmer's Piero development, with 335 units. The Italian villa-inspired property will include a rooftop swimming pool and pedestrian bridge that will connect the new structure to Piero I next door.

Hollywood

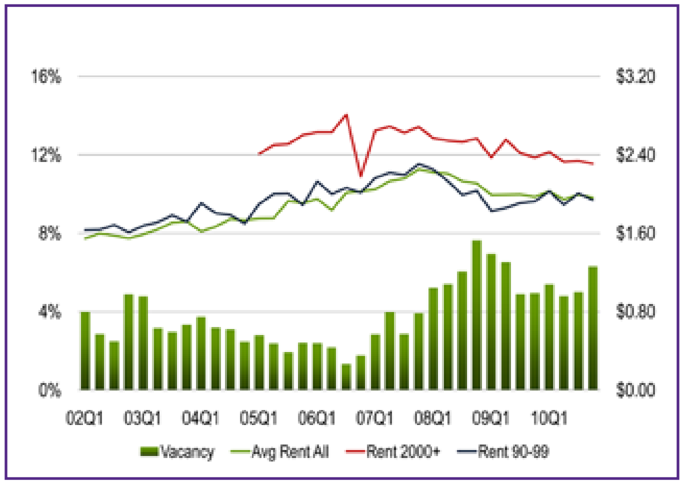
The Hollywood area includes Hancock Park, Los Feliz, Silver Lake, North Hollywood, Park LaBrea,

Studio City, Universal City, and Toluca Lake. Like Intown, Hollywood bounced back significantly in 2009 only to lose ground again in 2010. The submarket experienced 1,620 units of negative net absorption, which led to a drop in occupancy of 1.4 percentage points. The submarket ended the year with occupancy at 93.7 percent. Average rents showed much weaker performance than the Intown submarket, gaining only 0.6 percent to end the year at $1,629 per month. Same-store rents fell 1.9 percent.

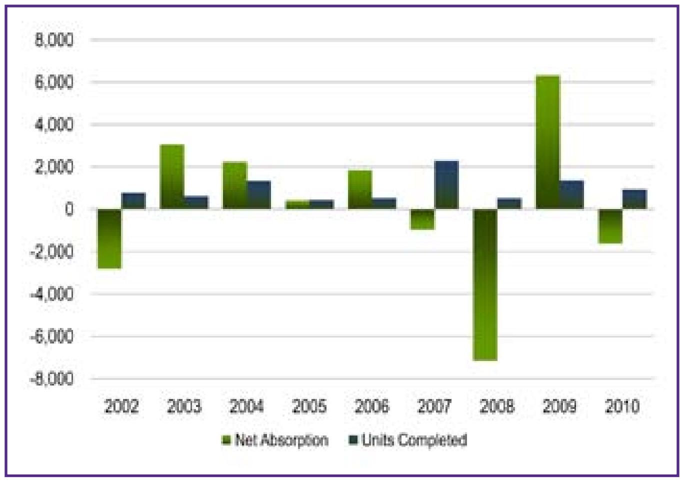
Downtown North Hollywood's access to mass transit has spurred growth and developers have been consistently adding new supply. In 2010, developers completed 930 new units, to add to the 1,365 units brought to market in 2009. Four of these properties, totaling 456 units, were re-positioned from for-sale product. Deliveries included the 146-unit La Belle at Hollywood Tower and JPI Multifamily's Jefferson at Hollywood, a 270-unit luxury apartment community with 8,500 square feet of retail space.

The Avenue, a 180-unit condominium re-positioning by Resmark Equity Partners, is the only project anticipated for completion in 2011. Resmark purchased the partially completed building in a trustee sale in late 2009 for $20 million. John Laing Homes was the original developer.

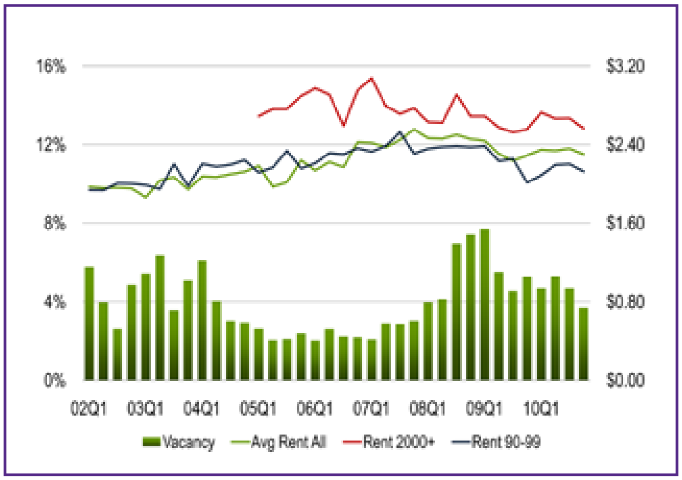
Vacancy Rate and Average Rent by Age of Apartment for Hollywood



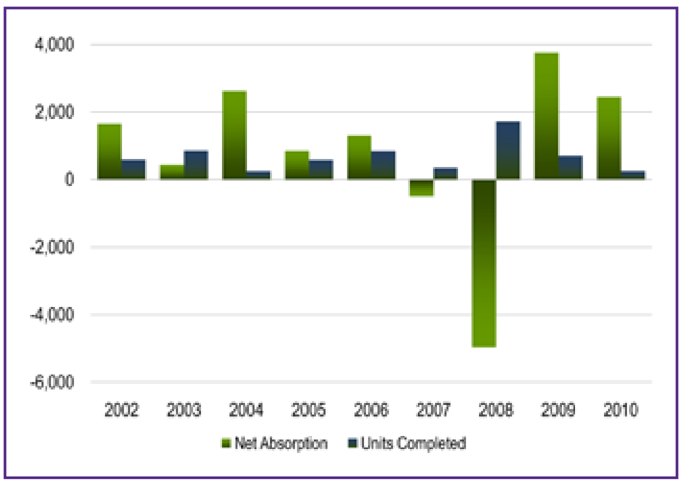
New Supply and Net Absorption for Hollywood



Vacancy Rate and Average Rent by Age of Apartment for West Los Angeles



New Supply and Net Absorption for West Los Angeles



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.

Demand increased for the second year in a row. With 2,450 net move-ins in 2010, West Los Angeles had the second highest level of net absorption among submarkets. Occupancy subsequently increased 1.6 percentage points to a metro-level high of 96.3 percent. Average rents, which are the highest among Los Angeles submarkets, increased 1.0 percent to $2,110. Same-store rents increased 3.4 percent.

West Los Angeles took delivery of 245 new units in 2010 via five projects of 62 units or less. Four of the five were located in Santa Monica. One of these projects was a condominium re-positioning – the 58-unit Ashton Westwood by Hanover Company. The largest of the newly completed developments was BW Brody's Metro Art in Brentwood.

One hundred sixty new units are expected for delivery in 2011 across two projects. In June, Wiseman Development is expecting completion of its 63-unit Santa Monica Plaza, a condominium re-positioning venture which will include 11,200 square feet of retail space and two levels of subterranean parking. In August, NMS Properties hopes to deliver the 97-unit Quonset Court in Santa Monica, an affordable housing project that will incorporate the site's original Quonset hut into the building's design.

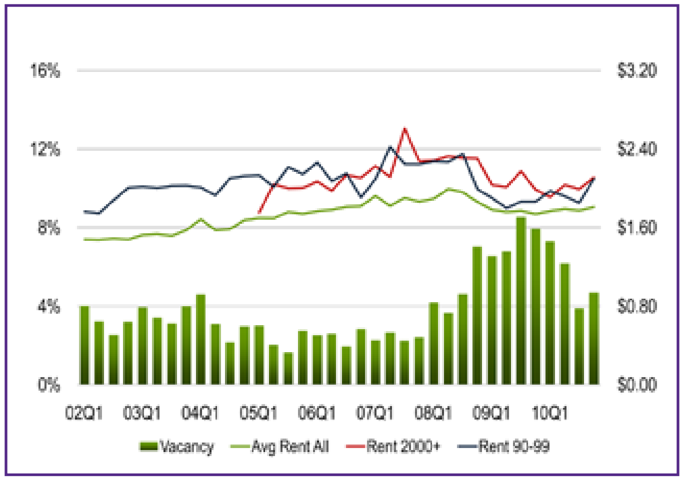
South Bay

After showing relatively unchanged demand in 2009, the South Bay took off in 2010, with 2,480 units of positive net absorption. Occupancy subsequently increased 3.2 percentage points to 95.3 percent, the second highest occupancy level among submarkets. Recent improvements in manufacturing and trade activity surrounding the Port of Los Angeles may have played a significant role in the increase.

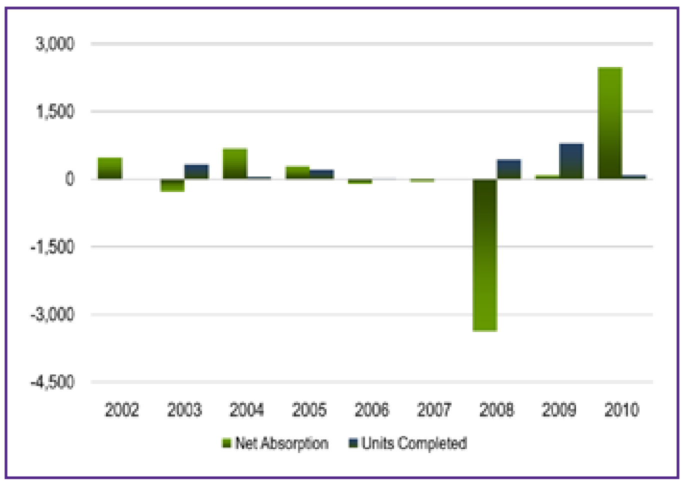
The South Bay recorded the strongest performance among submarkets on the rent side as well, recording a 5.9 percent increase in average rents and a 4.5 percent increase in same-store rents. Average rents ended the year at $1,637, surpassing Hollywood to become the second most-expensive submarket in the county.

In 2010, 83 units of new supply were delivered via two projects: The 49-unit Brisa in Westchester and AMCAL Multi-Housing's 34-unit Mirandela Senior in Ranco Palos Verdes. One additional 49-unit project is slated for completion in December 2011: NEW's Toberman Village, an affordable housing development located in San Pedro.

Vacancy Rate and Average Rent by Age of Apartment for South Bay



New Supply and Net Absorption for South Bay

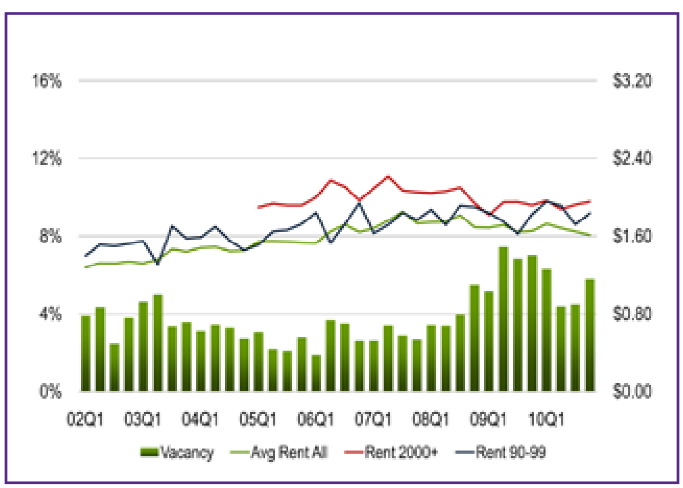


Long Beach

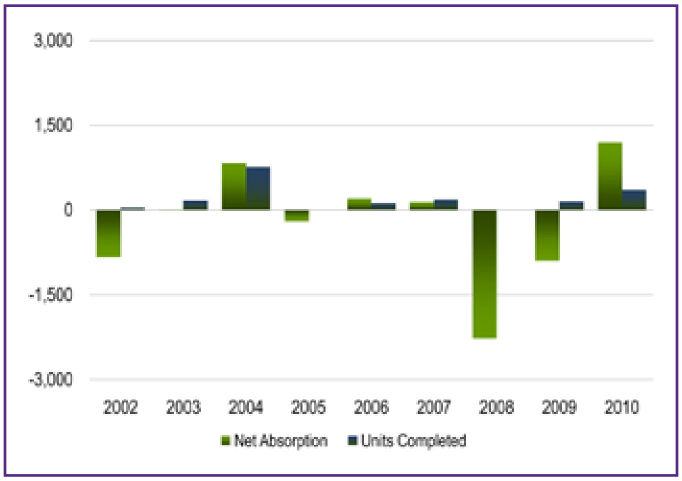
Long Beach, one of only two Los Angeles submarkets to experience negative net absorption in 2009, bounced back in 2010 with 1,190 net move-ins. Occupancy subsequently jumped 1.2 percentage points to 94.2 percent. The improvement in demand may have been a consequence of falling rents: during 2010, average rents declined by 1.7 percent to $1,357 per square foot, while same-store rents fell 1.1 percent.

Long Beach added 352 new units of multifamily to the existing stock in 2010 via two projects: Meta Housing Corporation's 46-unit Long Beach and Burnett Apartments and Lyon Realty Advisors' 306-unit gallery 421. Both of these completions occurred in the

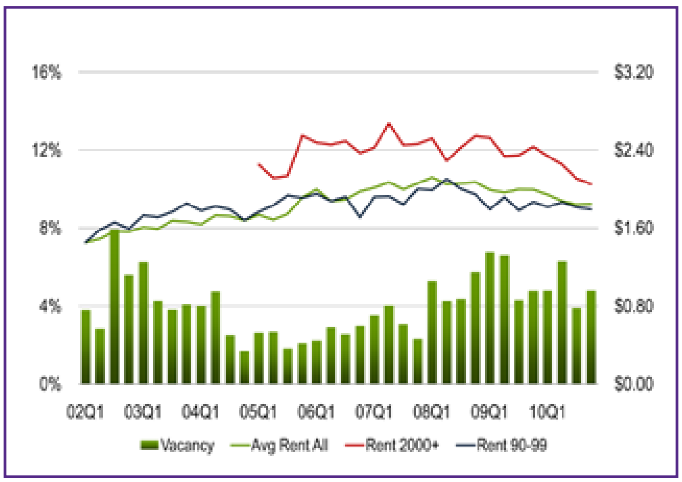
Vacancy Rate and Average Rent by Age of Apartment for Long Beach



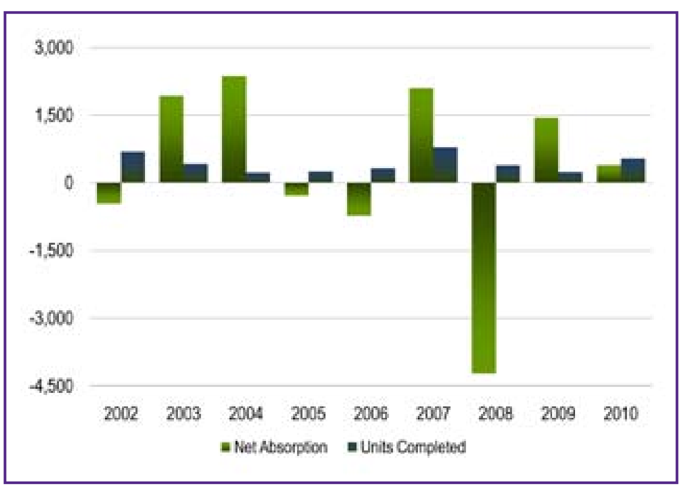
New Supply and Net Absorption for Long Beach



Vacancy Rate and Average Rent by Age of Apartment for Tri Cities



New Supply and Net Absorption for Tri Cities



fourth quarter. The Long Beach and Burnett Apartments is a mixed-income community offering 10 units at market rate and 36 units for very low- to moderate-income renters. Gallery 421 is Lyon Realty Advisors' third luxury project in downtown Long Beach.

Only 86 units are currently expected for delivery in 2011, via Thomas Safran & Associates' affordable senior community Carson City Center.

Tri Cities

For the second year in a row, the Tri Cities submarket, which includes Burbank, Glendale, Pasadena, and their surrounding areas, saw decreases in rents coupled with positive net absorption. The area logged 390 net move-ins, but experienced a 9.2 percent drop in average rents to $1,522 per month. Same-store rents also fell by 4.6 percent. These rent decreases were the largest among submarkets by a significant margin and dropped the Tri Cities area from second to fifth place in average rents. The occupancy rate held steady at 95.2 percent.

The Tri Cities submarket took delivery of 541 new units in 2010, more than double the number delivered in the prior year. The most notable of these projects are the 163-unit Paragon at Old Town in Monrovia, and the Empire Landing in Burbank. 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. Casden Properties' Empire Landing features 276 Craftsman-style, luxury rental homes within walking distance of the Bob Hope Airport Metrolink station. The property includes 1000 square feet of resident-oriented retail and a 5,500 square-foot clubhouse.

Another 530 units are anticipated for delivery in 2011 between Sares-Regis Group's 480-unit Westgate project in Pasadena and Abode Communities' 50-unit Glassel Park project in Los Angeles. Sares-Regis Group is seeking LEED certification for the Westgate project and plans to prohibit smoking anywhere on the premises. The Glassel Park project is being developed as a joint venture with LA Unified School District on LAUSD-owned land. The development will feature 50 affordable units and will share its site with an early education center.

San Fernando Valley

The San Fernando Valley continued to see improvement in demand, although net absorption levels were down from 2009. The area experienced 1,290 net move-ins, and finished the year at 94.7 percent occupancy, up 0.1 percentage points. Average rents were up 2.7 percent to $1,387 per month, while same-store rents were up 2.6 percent.

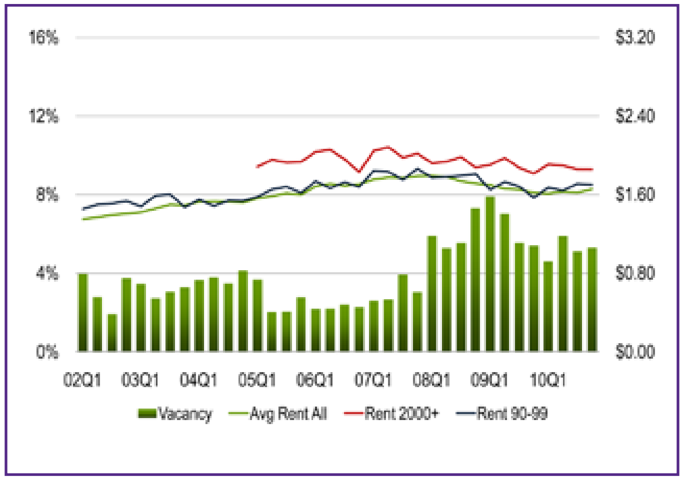
The San Fernando Valley added 1,204 new units to its supply in 2010 via eight projects, up from 722 units in 2009. Four of these developments were over 100 units. The largest of these projects is Dinerstein Company's 438-unit Millennium at Warner Center in Woodland Hills, completed in December. In May, Fairfield Residential completed the 224-unit Carabella, also at Warner Center. Among the smaller projects, Abode Communities completed the Ivy Terrace in June. The 52-unit affordable development in Van Nuys features solar panels for the partial powering of common areas and other energy-efficient features.

Only 298 new units are expected in 2011 via three projects: The 125-unit Legado Encino, the 96-unit Moniecello Terraces in Panorama City, and the 75-unit Canyon Creek Calabasas. The Legado Companies' Legado Encino will be a four-story, mixed-use development with 17,000 square feet of retail space and 108,000 square feet of subterranean parking.

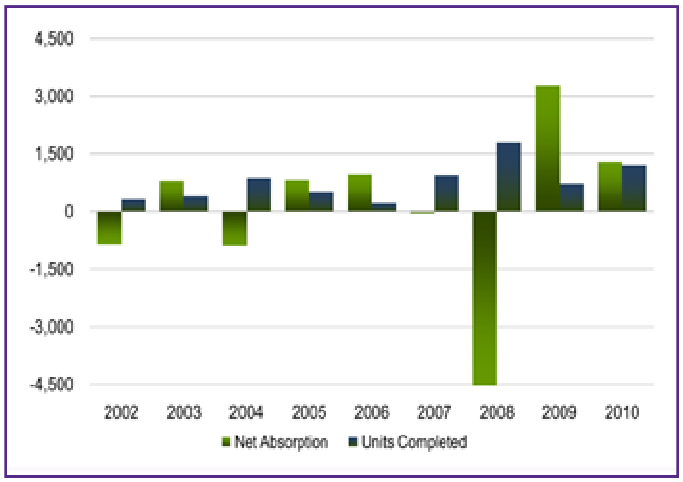
Santa Clarita Valley

The Santa Clarita Valley experienced a slight decrease in demand, with 30 net move-outs for 2010. The occupancy rate fell 0.1 percentage points to 91.4 percent, remaining the second

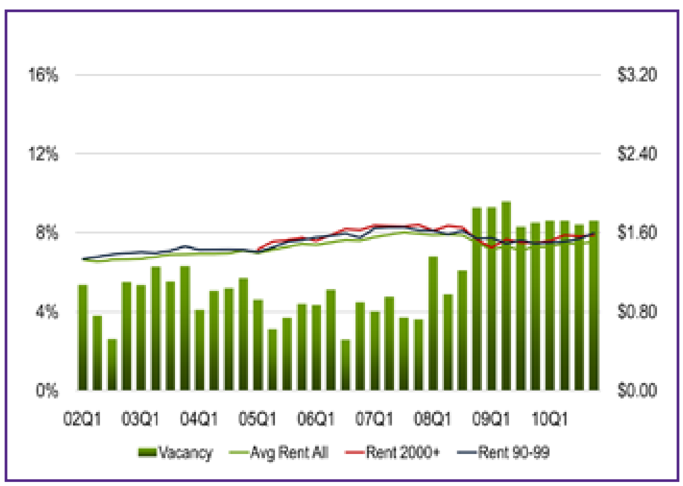
Vacancy Rate and Average Rent by Age of Apartment for San Fernando Valley



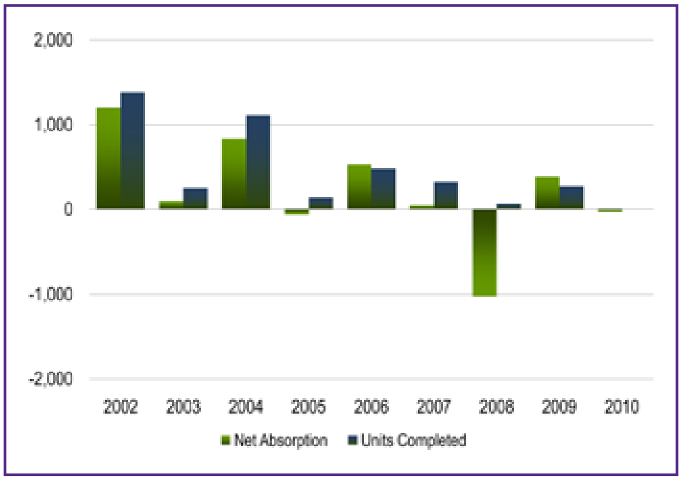
New Supply and Net Absorption for San Fernando Valley



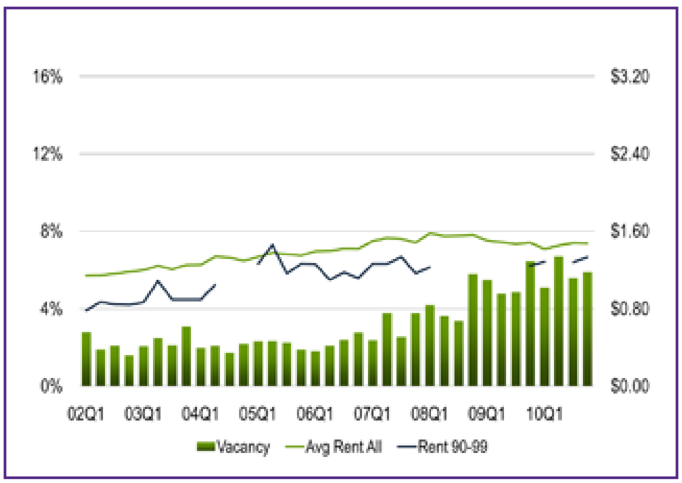
Vacancy Rate and Average Rent by Age of Apartment for Santa Clarita Valley



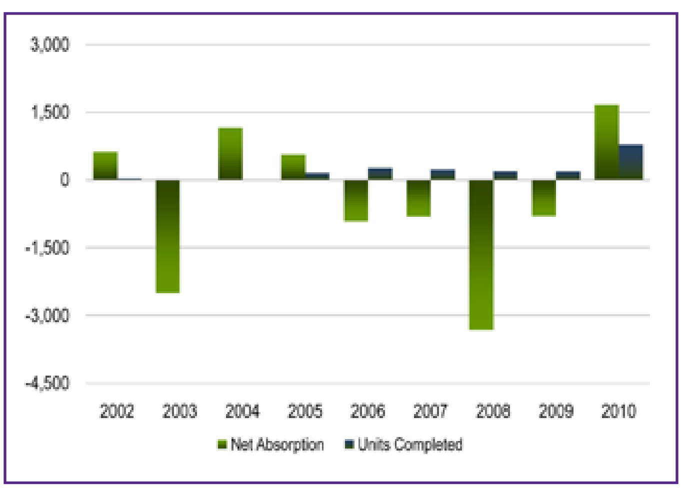
New Supply and Net Absorption for Santa Clarita Valley



Vacancy Rate and Average Rent by Age of Apartment for East Los Angeles



New Supply and Net Absorption for East Los Angeles



lowest among submarkets. Average rents grew 2.1 percent to $1,418 per month, while same-store rents climbed 2.8 percent.

The Santa Clarita Valley received no new supply in 2010 and no further deliveries are anticipated for 2011.

East Los Angeles and San Gabriel Valley

The two eastern submarkets, San Gabriel Valley and East Los Angeles, both logged increases in demand, but experienced very different performance in rents. The San Gabriel Valley saw positive net absorption of 370 units and recorded an increase in occupancy of 1.7 percentage points. East Los Angeles had positive net absorption of 1,660 units, which was the third largest increase in demand among submarkets. Occupancy increased by 0.6 percent. San Gabriel Valley and East Los Angeles ended 2010 at 95.0 and 94.1 percent occupancy, respectively.

San Gabriel Valley recorded an average rent increase of 2.2 percent, bringing the average monthly rent level to $1,216. Same-store rents increased 4.2 percent, which was the second-largest increase among submarkets. East Los Angeles, on the other hand, saw average rents fall by 0.9 percent and same-store rents fall by 3.8 percent. The average monthly rent stood at $1,206 in December, the second-lowest level among submarkets. Same store rents fell by 3.8 percent, which was the second-largest decrease in the metro area.

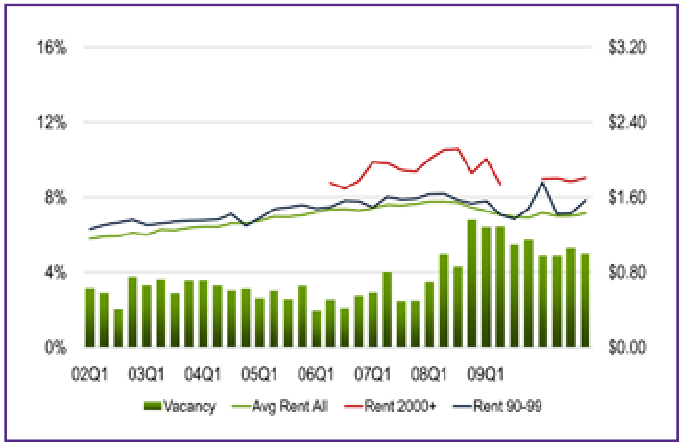
No new units were completed in the San Gabriel Valley in 2010 and no completions are anticipated for 2011.

East Los Angeles gained 786 new units in 2010, after a relatively slow year for completions in 2009. The increase in deliveries was largely attributable to the completion of the 420-unit University Gateway project at USC. Five other projects generated the remaining 366 units. The largest among these was the 110-unit

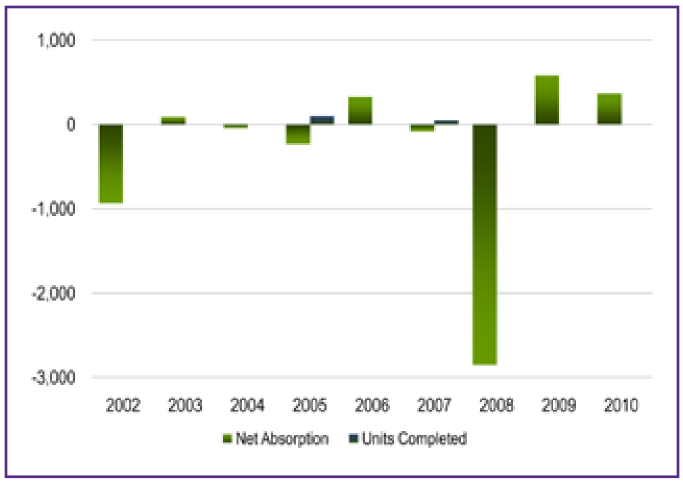
Hollydale Plaza in Southgate, an affordable senior housing community by Sinanian Development, Inc.

Three hundred thirty five more units are scheduled for completion in 2011 across five projects. In July, Symphony Development expects to complete the 161-unit West 27th Place. The project is aimed at the USC student community and hopes to achieve LEED Gold certification. If certified, the West 27th Place development will be the only privately-financed LEED certified student housing development in Los Angeles. The Lorena Apartments, expected for completion in December, will bring 112 low-income family-oriented units to the Boyle Heights neighborhood.

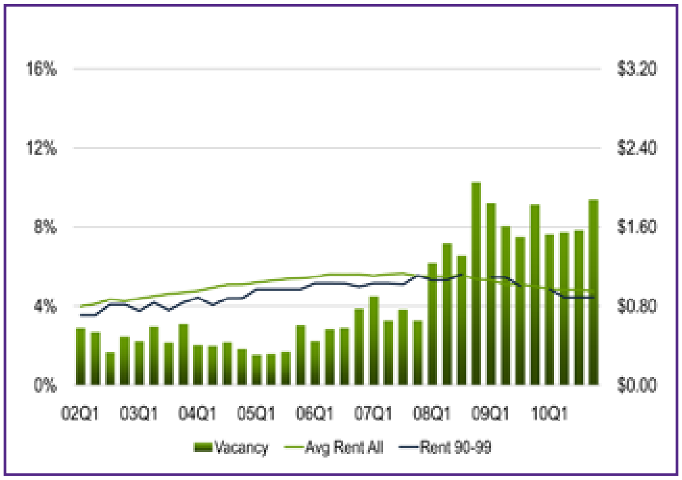
Vacancy Rate and Average Rent by Age of Apartment for San Gabriel Valley



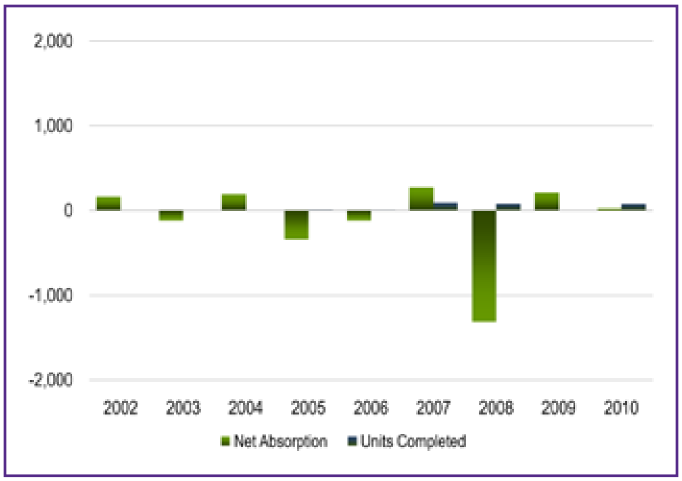
New Supply and Net Absorption for San Gabriel Valley



Vacancy Rate and Average Rent by Age of Apartment for Antelope Valley



New Supply and Net Absorption for Antelope Valley



Antelope Valley

The Antelope Valley submarket is in the northern outskirts of Los Angeles County and includes the cities of Lancaster and Palmdale. The area logged 20 net move-ins for 2010, down from 210 in the prior year. Occupancy fell 0.3 percentage points to 90.6 percent, the lowest level in the county.

Rents took another big hit this year, falling 3.7 percent on both an average and same-store basis. At the end of 2010, the average rent stood at $811 per month, the lowest in the county by almost $400.

Seventy-eight new units were delivered in 2010 via AMCAL Multi-Housing's Palo Verde Terrace in Palmdale. The 100 percent affordable senior community is located next to the Palmdale Senior Center and features amenities such as on-site educational classes, reading rooms, and a computer lounge. No additional completions are expected in 2011.

Orange County Multifamily Market Trends

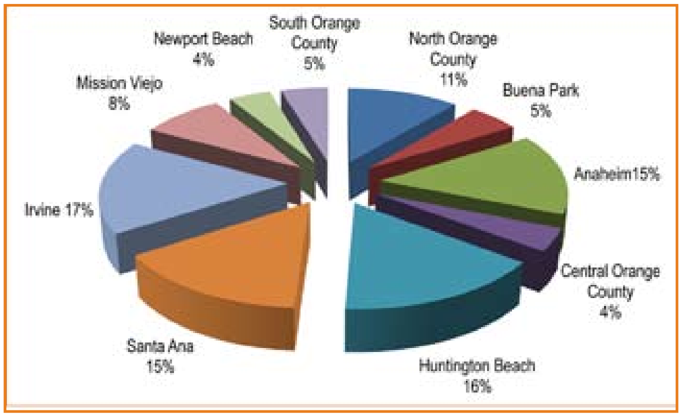
The subprime mortgage crisis dealt a hard blow to Orange County between 2007 and 2009, resulting in over 150,000 jobs lost. As the national and regional economy has improved, so has the employment picture in Orange County. In 2010, the county gained 6,500 new jobs and saw the unemployment rate fall from 9.5 percent to 8.9 percent. 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, and lower than the nation overall. Furthermore, home prices remain high relative to the rest of Southern California. As of this writing, the median home price in Orange County was $496,000, compared with $367,000 for San Diego, $286,000 for Los Angeles, and $174,000 for the Inland Empire. Both the employment picture and relative lack of home affordability have helped support the multifamily market in 2010.

Demand for multifamily units increased in 2010. The county recorded 5,830 net move-ins, a 40 percent increase from 2009. For the second year in a row, Irvine and Anaheim experienced the highest levels of net absorption among submarkets, with 2,930 and 1,720 net move-ins, respectively. Two submarkets experienced negative net absorption for the year: Mission Viejo, with 100 net move-outs, and Central County, with 30 net move-outs.

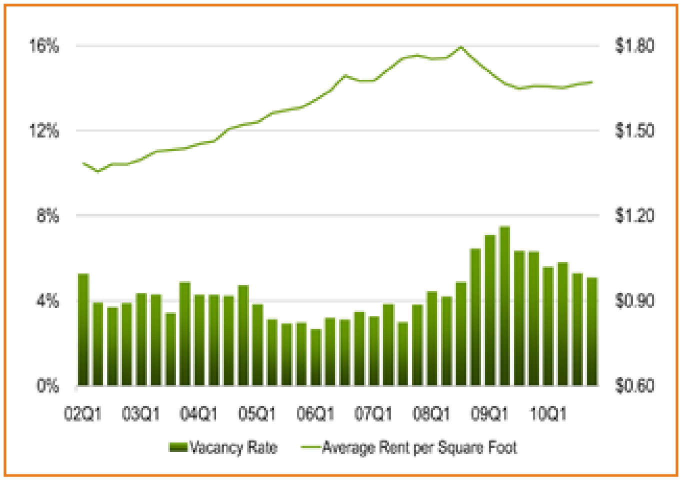
With demand significantly outpacing growth in supply, apartment occupancy in Orange County increased 1.2 percentage points in 2010 to 94.9 percent.

Occupancy outpaced the West region by 0.8 percentage points, and was the second-best showing in Southern California. Buena Park ended the year with the highest level of occupancy among submarkets at 96.9 percent, while North Orange County ended the year with the lowest level of occupancy at 93.8 percent.

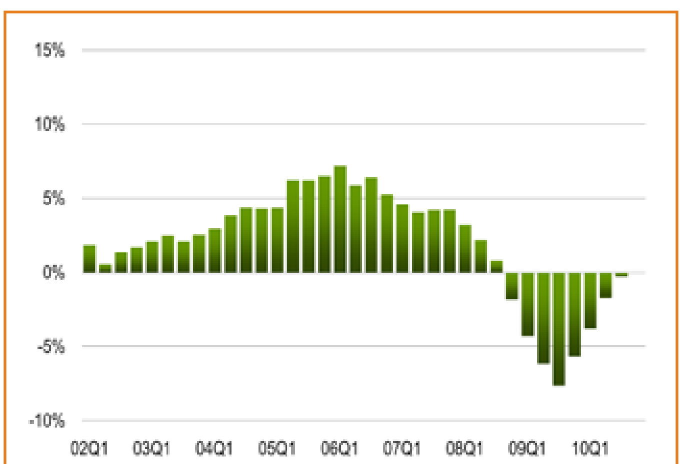
Orange County Multifamily Submarket Shares



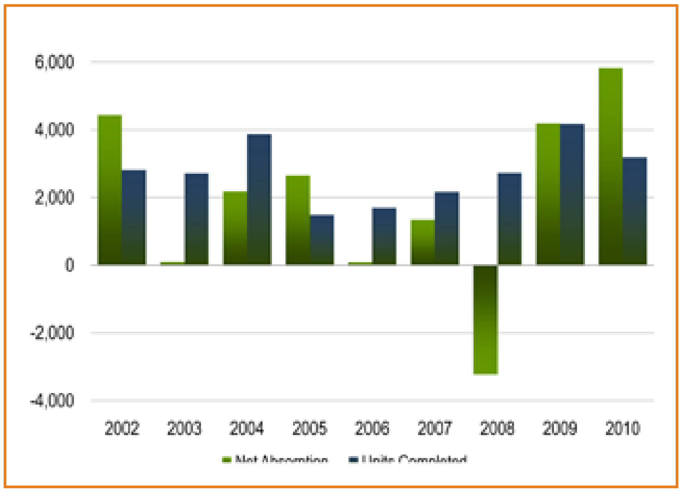
Average Rents and Vacancy Rates in Orange County



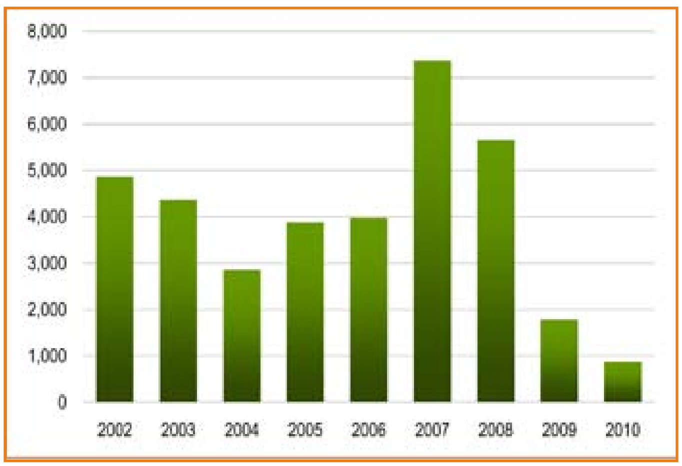
Annual Growth in Same-Store Rents for Orange County



New Supply and Net Absorption for Orange County



Year-End Construction Activity in Units for Orange County



The average monthly rent for apartments in Orange County in 2010 was $1,475, an increase of 0.8 percent from 2009. Same-store rents on existing apartments were flat in 2010. Orange County's annual rent performance was the fourth-weakest among the 64 metro areas tracked by MPF Research.

Construction Activity

In 2010, the rental inventory in Orange County expanded by nearly 3,187 units. (This was over 1,400 units more than was predicted in 2009). Although half of the county's ten submarkets received new deliveries in 2010, Irvine dominated the group with 1,909 new units or 60 percent of the new inventory. Considering the quantity of new rental stock delivered in Irvine, its net absorption numbers are all the more impressive. As of this writing, only 176 new units are scheduled to be delivered in 2011 across three submarkets: North County, Anaheim, and Huntington Beach. The largest project currently underway, with completion scheduled for 2012, is Irvine Apartment Communities' Park at Irvine Spectrum Center II (694 units).

Irvine

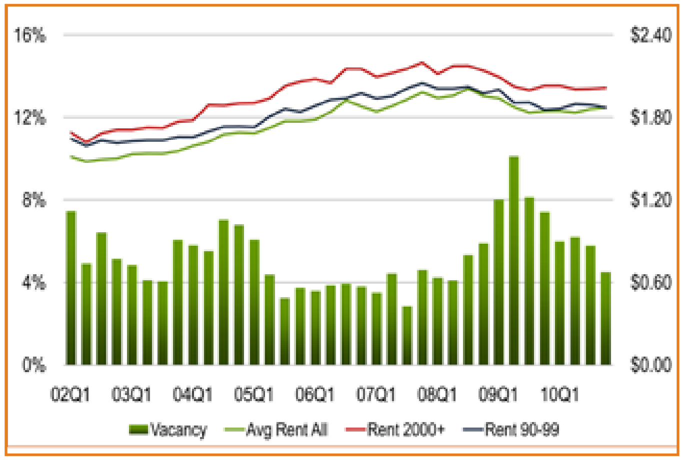
Irvine experienced positive net absorption in 2010 of 2,930 units, more than doubling the total net absorption from 2009. This increase in demand helped boost occupancy 2.9 percentage points to 95.5 percent, the third-highest among Orange County submarkets. Average monthly rental rates increased 1.8 percent to $1,699 per month. Same-store rents, however, declined 0.1 percent.

As in 2009, Irvine continues to be the focal point of most of the County's new construction. Adding to the 1,901 units delivered in 2009, six developers completed another 1,909 units in 2010. These completions accounted for 60 percent of the County total. Four of the six projects were 250 units or more. In March, AvalonBay Communities, Inc. completed the 279-unit Avalon Irvine, and in June, Irvine Apartment Communities completed the 762-unit Park at Irvine Spectrum Center I. The Park at Irvine Center features "soft-loft" design and includes amenities such as saltwater pools, themed clubrooms and a 2.4 acre park.

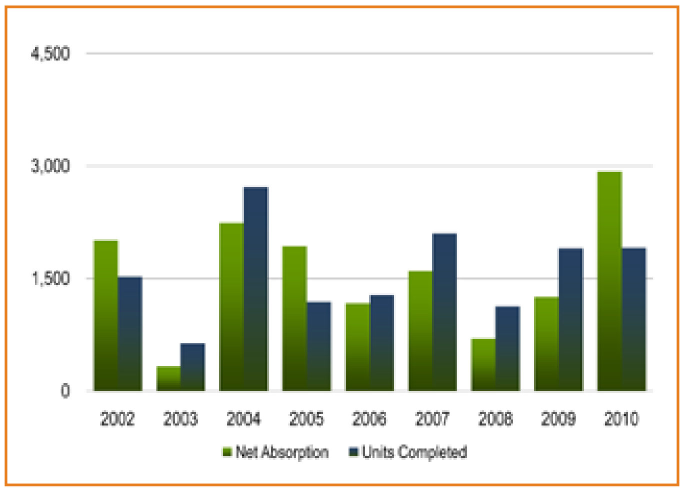
September saw the delivery of American Campus Communities' 331-unit Camino del Sol and 389-unit Puerta del Sol, aimed at the UC Irvine student population.

No deliveries are expected for 2011, although the second phase of The Park at Irvine Center is expected to be completed in the third quarter of 2012. Given the impressive demand numbers for 2010 and the lack of new deliveries expected for the coming year, we should expect to see further improvement in occupancy and rents for 2011.

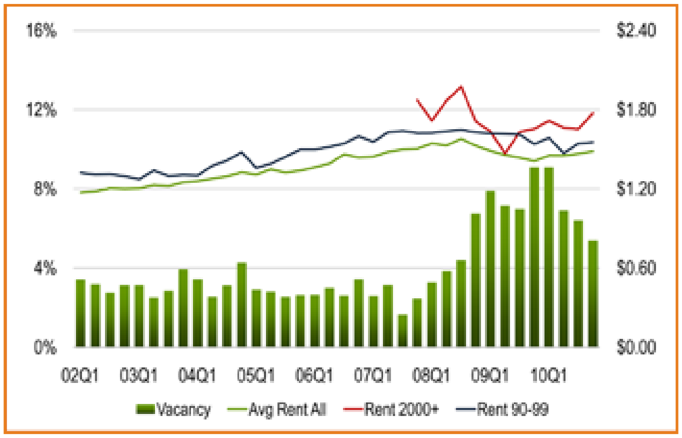
Vacancy Rate and Average Rent by Age of Apartment for Irvine



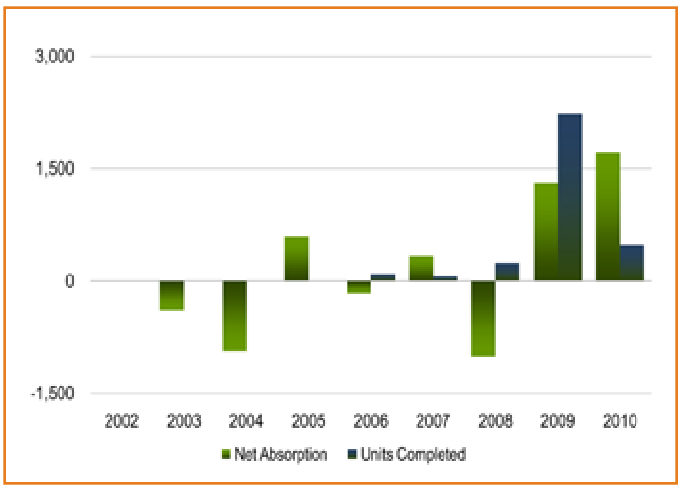
New Supply and Net Absorption for Irvine



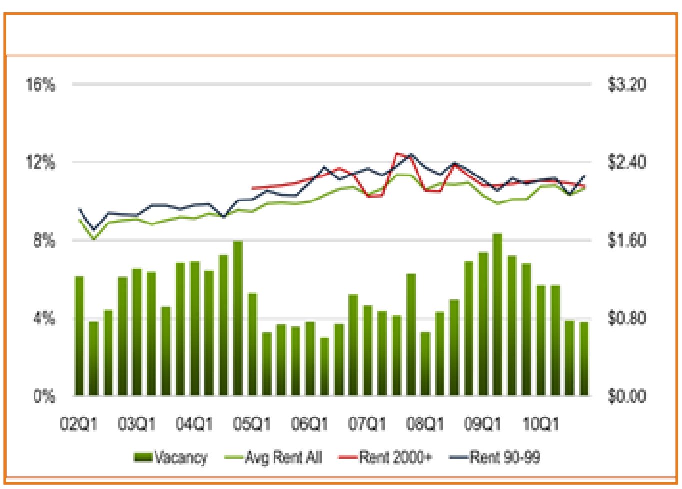
Vacancy Rate and Average Rent by Age of Apartment for Anaheim



New Supply and Net Absorption for Anaheim



Vacancy Rate and Average Rent by Age of Apartment for Newport Beach



Anaheim

After Irvine, Anaheim logged the second-highest number of net movie-ins for 2010 with 1,720. This performance continued the trend of improvement from 2009. Occupancy subsequently increased 3.7 percentage points to 94.6 percent.

In 2010, Anaheim surpassed Santa Ana to have only the second-lowest rents in the County. Average rents increased 5.4 percent to $1,277 per month. Same-store rents increased 1.8 percent.

The Anaheim submarket added 481 units of new supply in 2010, less than one-quarter of the total for 2009. All of these completions occurred in the third quarter. The largest of these projects was The Crossing, Sares-Regis Group's 312-unit LEED Gold certified apartment community. In August, Related California completed the 149-unit Pradera, an affordable housing community featuring onsite preschool, after-school programs, tot lots, and a smoke-free environment.

Forty-six new multifamily units are currently anticipated for delivery in 2011, via Global Premier Development's Bell View property.

Newport Beach

Demand for multifamily in Newport Beach increased significantly in 2010 as the area saw 290 units of positive net absorption and a 3.0 percentage-point increase in occupancy. At 96.2 percent, Newport Beach now has the second highest occupancy rate among submarkets. The area also experienced the highest average rent growth in the county. The 8.0 percent increase brought the average monthly rent to $2,195, the highest level in the county by a margin of nearly $500 per month.

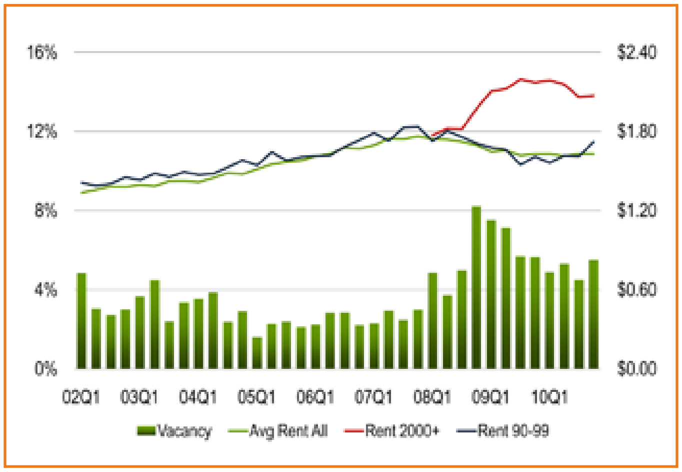
There was no new supply delivered in 2010 and there are no completions planned for 2011.

Huntington Beach

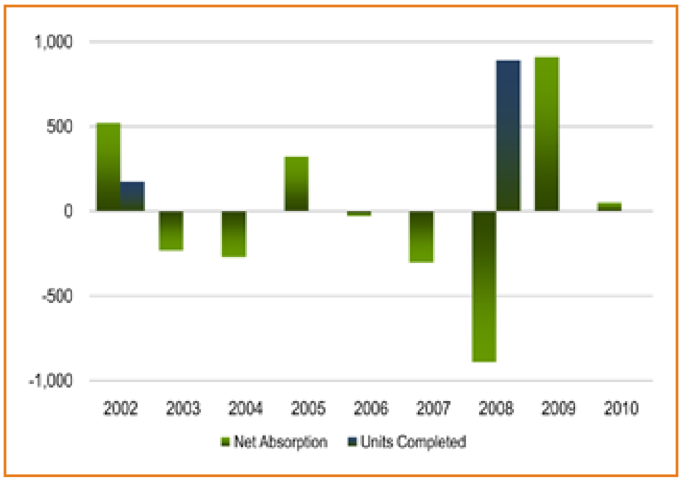
After logging 910 units of positive net absorption in 2009, Huntington Beach experienced a slowdown in demand in 2010, posting only 50 net move-ins for the year. Occupancy rose a modest 0.2 percentage points to 94.5 percent, the second-lowest occupancy rate among submarkets. Average monthly rents showed little change, rising only 0.1 percent to $1,378. Same-store rents increased 0.4 percent.

No new construction was completed in 2010, but 36 new units are slated for delivery in 2011. Completion of AMCAL Multi-Housing, Incorporated's Royale was slated for March of this year. The affordable housing development will be aimed at families earning 30-60 percent of AMI.

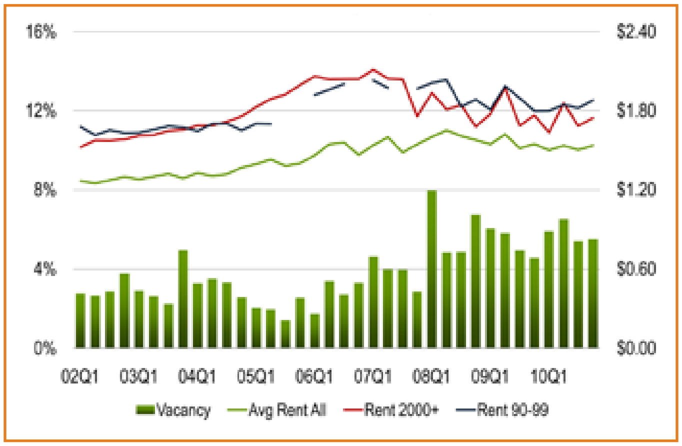
Vacancy Rate and Average Rent by Age of Apartment for Huntington Beach



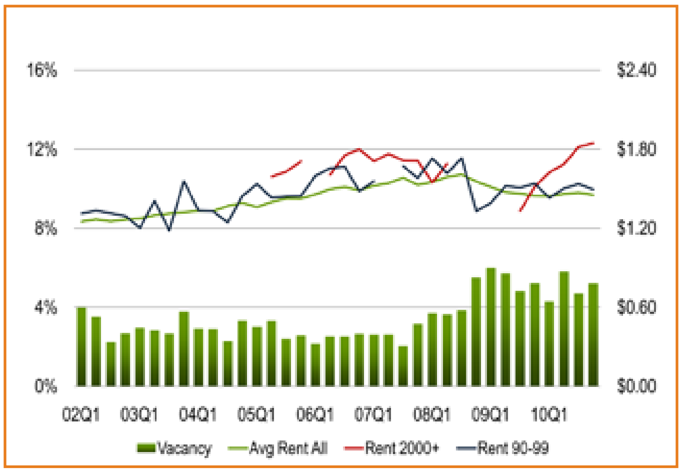
New Supply and Net Absorption for Huntington Beach



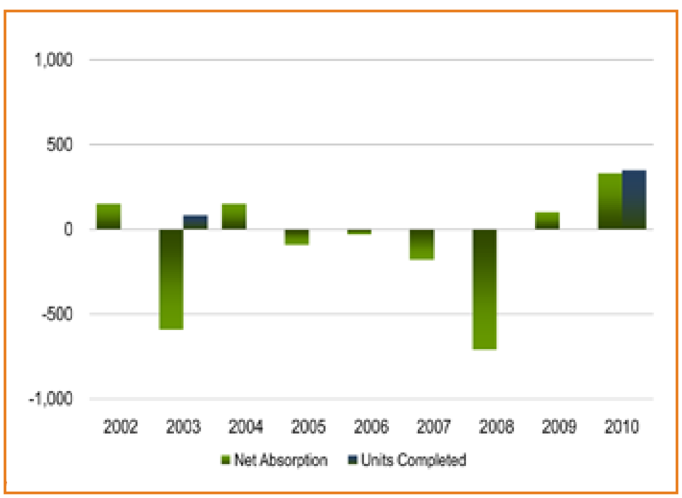
Vacancy Rate and Average Rent by Age of Apartment for Central Orange County



Vacancy Rate and Average Rent by Age of Apartment for Santa Ana



New Supply and Net Absorption for Santa Ana



Central Area

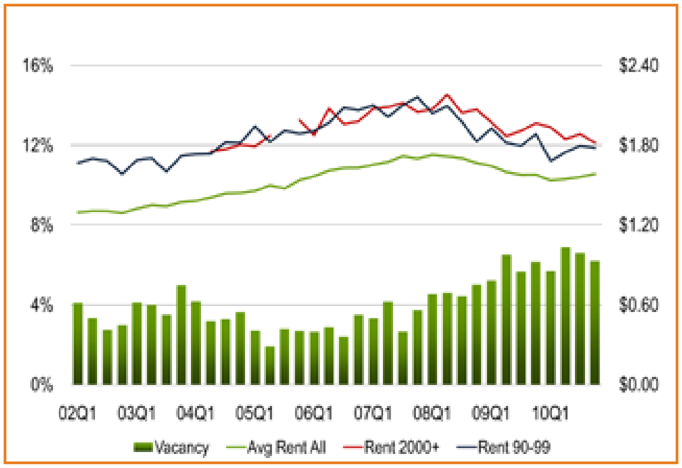
Central Orange County lost some of the ground gained in 2009 with 30 units of negative net absorption in 2010. Occupancy ended the year at 94.5 percent, tied with Huntington Beach for second lowest in the County and down 0.9 percentage points from 2009. Average rents rose 2.1 percent to $1,439 per month. Same-store rents, however, fell 0.6 percent.

Fifty-seven units came online in 2010 as part of Orange Housing Development Corporation's Citrus Grove project in Orange. The project, which is currently seeking LEED Gold certification, features a computer lab and afterschool programs. No new deliveries are anticipated for 2011.

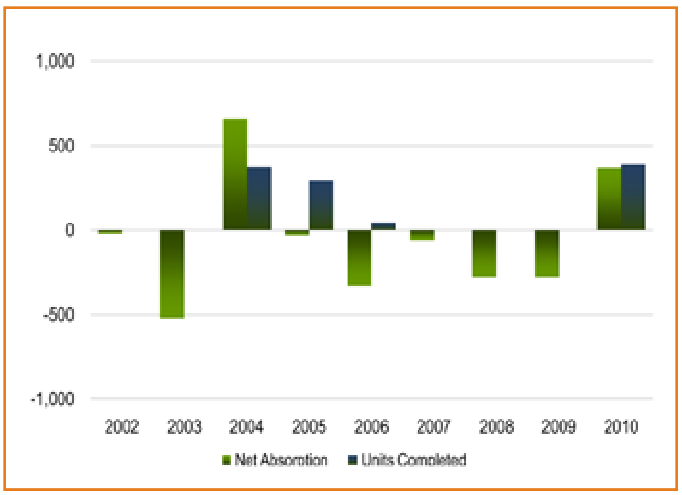
After logging 100 units of positive net absorption in 2009, Santa Ana recorded another 330 net move-ins in 2010. Occupancy remained constant at 94.8 percent. Average rent increased by 0.6 percent to $1,274 per month, the lowest in the county. Same-store rents were up 0.9 percent.

In March of 2010, Essex Property Trust purchased the 349-unit Essex Skyline at MacArthur Place as a distressed condominium development and delivered it to the market shortly thereafter as ultra-luxury rentals. The project, which consists of two 25-story towers, includes amenities such as Viking appliances, temperature-controlled wine storage, a putting green, and a bocce court. No new deliveries are expected for the Santa Ana submarket in 2011.

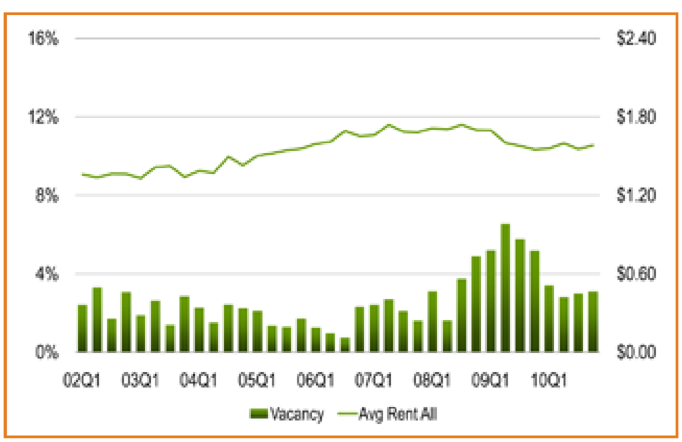
Vacancy Rate and Average Rent by Age of Apartment for North Orange County



New Supply and Net Absorption for North Orange County



Vacancy Rate and Average Rent by Age of Apartment for Buena Park



North Area

The North Area of Orange County includes two submarkets: North Orange County and Buena Park. North Orange County encompasses the cities of Fullerton, Brea Yorba Linda, La Habra, and their surrounding areas.

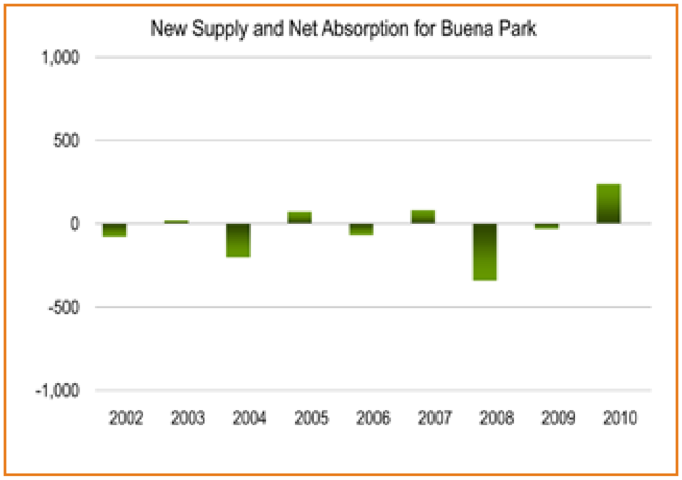
After being only one of two submarkets to experience negative net absorption in 2009, North Orange County bounced back in 2010 with 370 units of positive net absorption. Occupancy remained unchanged at 93.8 percent. Although in the middle of the pack last year, North County's occupancy level was the lowest among submarkets in 2010. Average rents remained unchanged as well, ending the year at $1,308 per month. Same-store rents fell 0.4 percent.

Buena Park, the other submarket to record negative net absorption for 2009, fared a bit better. Its 240 units of positive net absorption led to an increase in occupancy of 1.8 percentage points. The submarket ended the year at 96.9 percent occupancy, the highest in the County. Average rents increased by 1.4 percent to $1,309, while same-store rents increased by 0.5 percent.

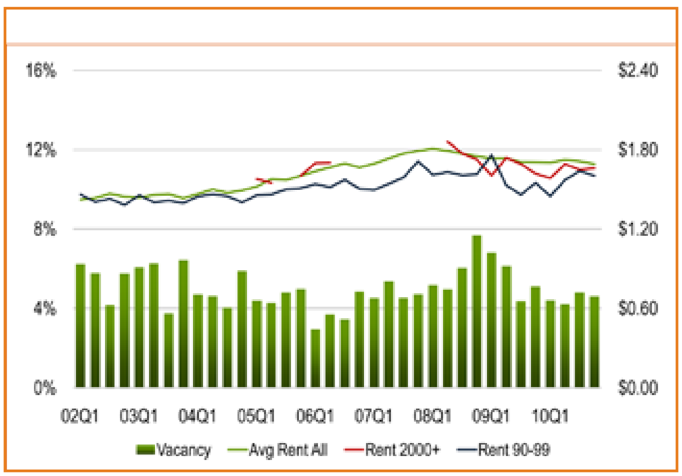
In 2010, North County saw the delivery of 391 new units across two projects: Morgan Group's 131-unit Jacaranda Senior Apartments, located in Fullerton, and The Pointe, Olen Properties' 260-unit development in Brea. Ninety-four units are slated for completion in 2011, via Jamboree Housing Corporation's Bonterra in Brea. Bonterra will provide affordable rental housing within the Blackstone master-planned community. It will include seven three-story buildings arranged around central courtyards.

Buena Park did not receive any new units in 2010 and no new units are anticipated for delivery in 2011.

New Supply and Net Absorption for Buena Park



Vacancy Rate and Average Rent by Age of Apartment for South Orange County



New Supply and Net Absorption for South Orange County

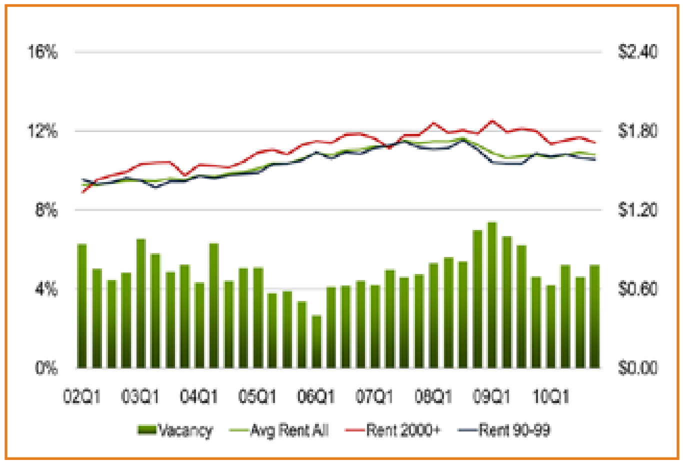
South Area

The South Area experienced mixed performance across its two submarkets, Mission Viejo and South Orange County, although there was a general slowdown in demand relative to 2009. South Orange County includes the cities of Laguna Beach, Dana Point, San Juan Capistrano, San Clemente, and their surrounding areas. Mission Viejo logged 100 net move-outs and saw occupancy fall 0.6 percent, while South Orange County logged 50 net move-ins and saw occupancy increase by 0.5 percent. In 2009, the submarkets recorded a combined 740 units of positive net absorption.

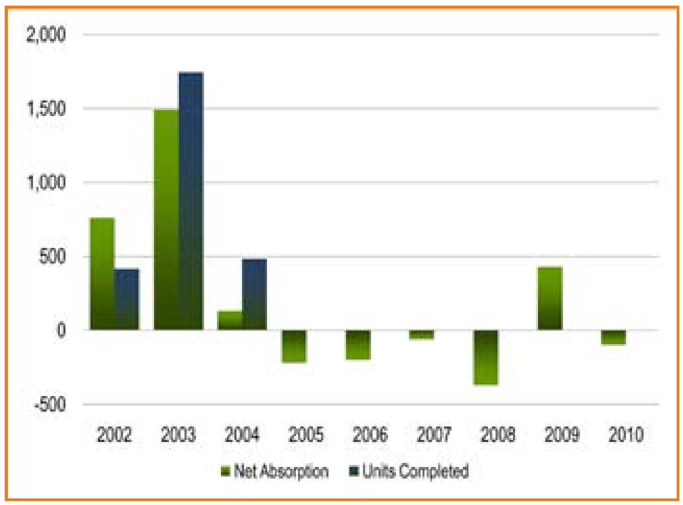
Rents declined in both submarkets in 2010. In Mission Viejo, average rents fell 1.4 percent to $1,455, while same-store rents fell 1.1 percent. South Orange County saw both average and same-store rents fall 0.7 percent. Average rents ended the year at $1,522 per month, third-highest in the county.

Neither submarket received any new units in 2010 and no further completions are anticipated for 2011.

Vacancy Rate and Average Rent by Age of Apartment for Mission Viejo



New Supply and Net Absorption for Mission Viejo



Inland Empire Multifamily Market Trends

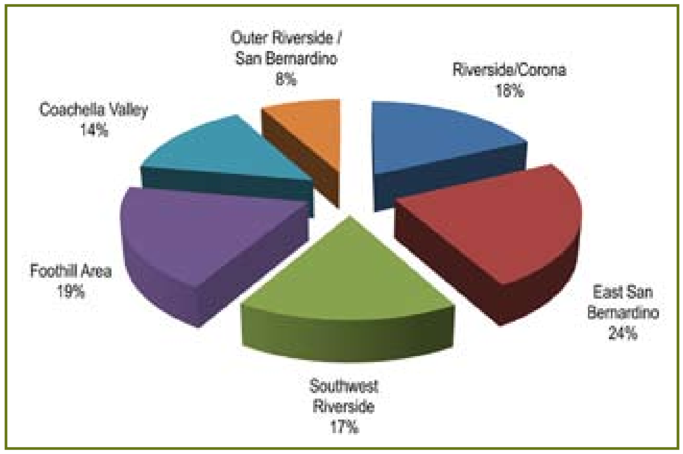
The Inland Empire, which includes San Bernardino and Riverside counties, has been devastated by the recession, registering one of the highest foreclosure rates in the country and heavy job losses. Although a significant improvement over the period 2007-2009, the combined Riverside-San Bernardino area registered 7,600 job losses in 2010 and ended the year with an unemployment rate of 14 percent, the highest in Southern California.

In spite of the continuingly dismal economic picture, the area continued its trend of improvement from 2009 in both demand and rents. The area registered 4,280 net move-ins for 2010, a 15 percent increase from the 3,710 net move-ins recorded in the prior year. Although occupancy increased 1.5 percentage points to 93.9 percent, occupancy in the Inland Empire remains the lowest among Southern California metro areas.

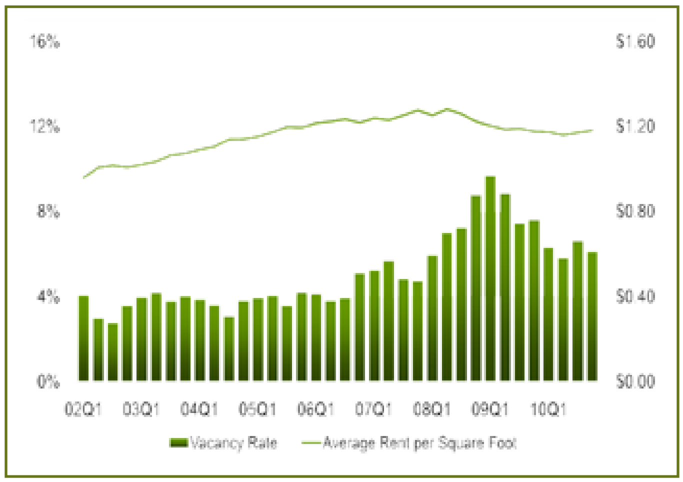
Average and same-store rent increases were the highest in Southern California, at 1.0 and 1.2 percent, respectively. Given the relative abundance of land and distance from major urban centers, rents in the Inland Empire are substantially lower than Los Angeles, Orange County, and San Diego. The region's average was $1,034 per month.

The Inland Empire's multifamily performance most likely came from shadow-market renters returning to traditional multifamily product, either because of sale, foreclosure, or dissatisfaction with the shadow-market product.

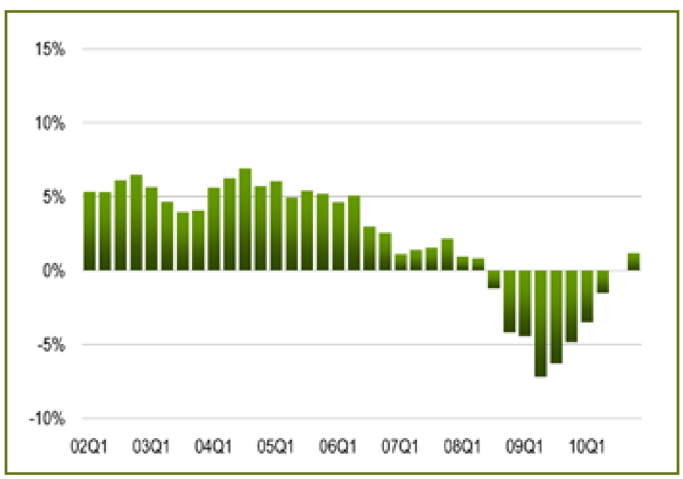
Inland Empire Multifamily Submarket Shares



Average Rents and Vacancy Rates in Inland Empire



Annual Growth in Same-Store Rents for Inland Empire

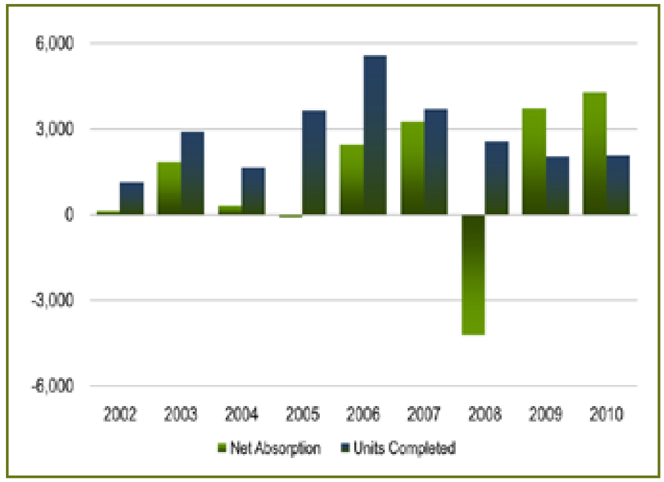


Construction Activity

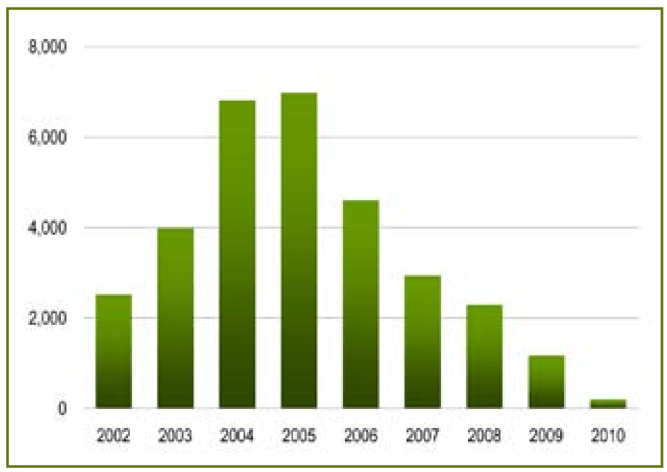
Two thousand and sixty-eight new units were delivered in 2010, a slight uptick from 2009. Unique among the four regions discussed in this report, the Inland Empire saw new units completed in every one of its submarkets. In first place was the Southwest Riverside area, which received 929 new units across 5 projects. The largest of these were Dinerstein Companies' Vineyards at Old Town in Temecula (248 units), A G Spanos Companies' Antelope Ridge in Menifee (248 units), and McFarlane Costa Housing Partners' Oakwood Apartments in Moreno Valley (241 units). East San Bernardino came in second, with deliveries of 407 units across 6 properties. None of the properties completed in this submarket were over 90 units.

During 2011, only 201 units are scheduled for completion. Only three of the six submarkets anticipate delivery of new units: East San Bernardino, Coachella Valley, and Southwest Riverside. All of the projects currently underway are senior or family-oriented affordable housing.

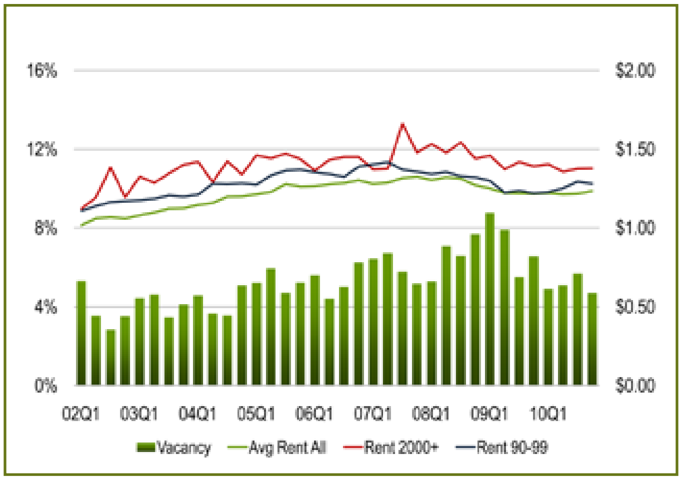
New Supply and Net Absorption for Inland Empire



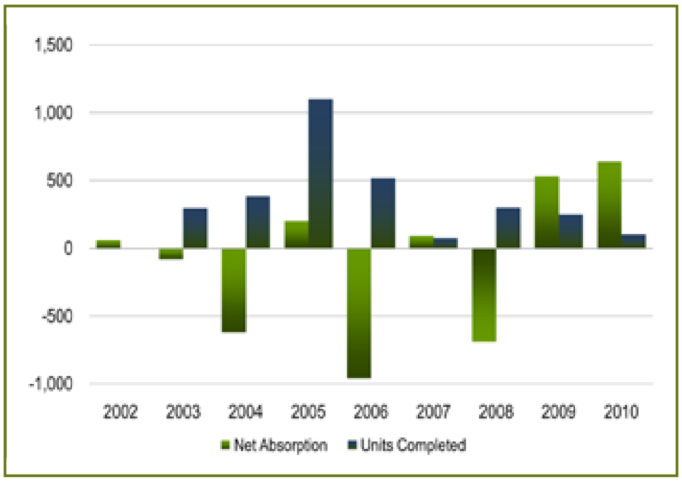
Year-End Construction Activity in Units for Inland Empire



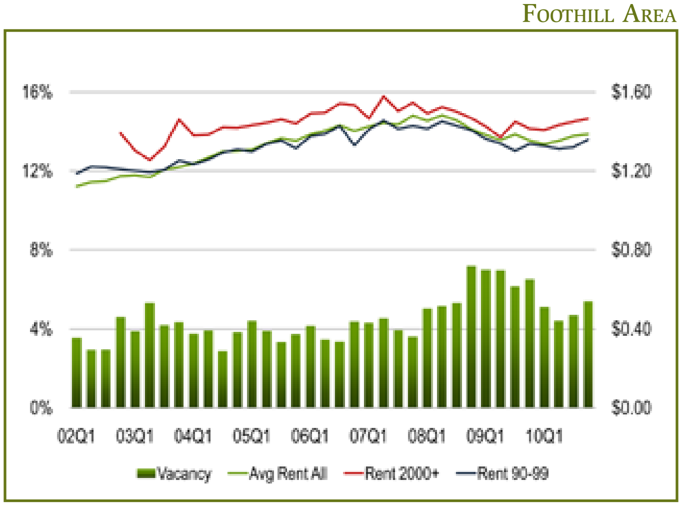
Vacancy Rate and Average Rent by Age of Apartment for Riverside Corona



New Supply and Net Absorption for Riverside Corona



Vacancy Rate and Average Rent by Age of Apartment for Foothill Area



Riverside/Corona

Riverside/Corona experienced 640 net move-ins for 2010, compared with 530 net move-ins for 2009. Occupancy increased 1.9 percentage points to 95.3 percent, the highest in the region. Reversing the trend from 2009, rents increased on both an average and same-store basis for 2010. Average rents rose 1.7 percent to $1,066 per month, while same-store rents increased by 2.2 percent.

During 2010, Riverside/Corona received 102 new apartment units, which increased the overall multifamily stock by 0.3 percent. Located in the unincorporated community of Glen Avon in the County of Riverside, Mission Village Senior by Workforce Homebuilders provides affordable senior housing units in a three-story urban-edged building that maintains the mission style architecture and landscape of historic Riverside County. The project was completed in March of 2010. No new deliveries are scheduled for 2011.

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 2010, the submarket experienced 630 units of positive net absorption, a 28 percent decline from the 880 units of positive net absorption logged in 2009. Occupancy increased by 1.1 percentage points to 94.6 percent, the second highest in the market.

The Foothill area maintained the highest average rents in the region at $1,234 per month, and recorded the highest rent growth in the area. Average rents grew 2.2 percent in 2010, while same-store rents grew 2.6 percent.

In 2010, The Foothill area received 316 new units across two projects: Related Companies' City Senior Center in Ontario and Lewis Companies' Homecoming at Terra Vista IV in Rancho Cucamonga. The 75-unit City Center

Senior was completed in October, and is located with easy access to the library, senior center, city hall, and the shops on Euclid Avenue.

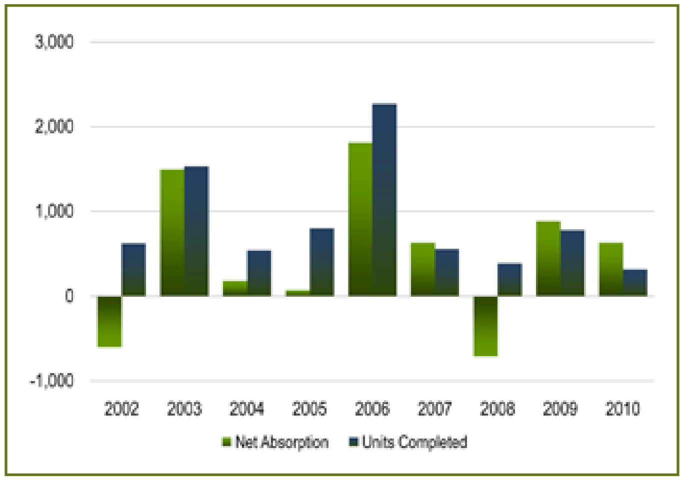
East San Bernardino County

After two years of being near the bottom among Inland Empire submarkets in net absorption, East San Bernardino experienced the largest increase in demand in 2010, with 1,320 units of positive net absorption. Occupancy subsequently increased 2.7 percentage points to 94.1 percent, which stands as the third-highest among Inland Empire submarkets.

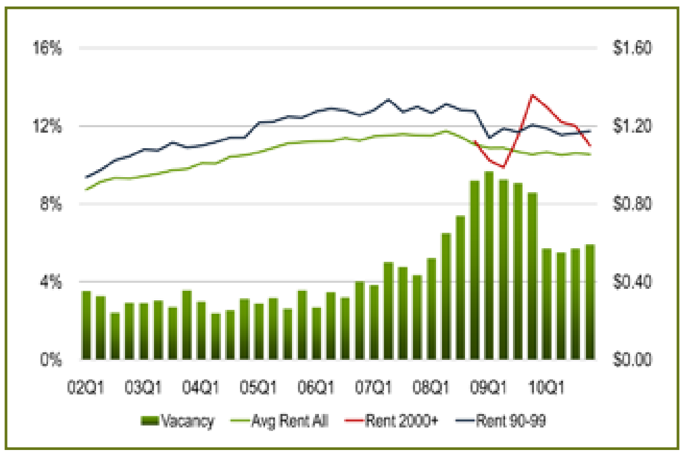
Both average and same-store rent increased by 1.4 percent. The average asking rent at the end of 2010 was $886, the second lowest among submarkets.

In 2010, 407 units were added across six different projects. The projects ranged in size from 46 to 90 units. An additional 121 units are scheduled for completion in 2011 across two projects: TELACU's 75-unit Hacienda Senior in San Bernardino and the Fontana Housing Authority's 46-unit Paseo Verde II. All of the projects delivered in 2010 and scheduled for delivery in 2011 are affordable and/or age-restricted.

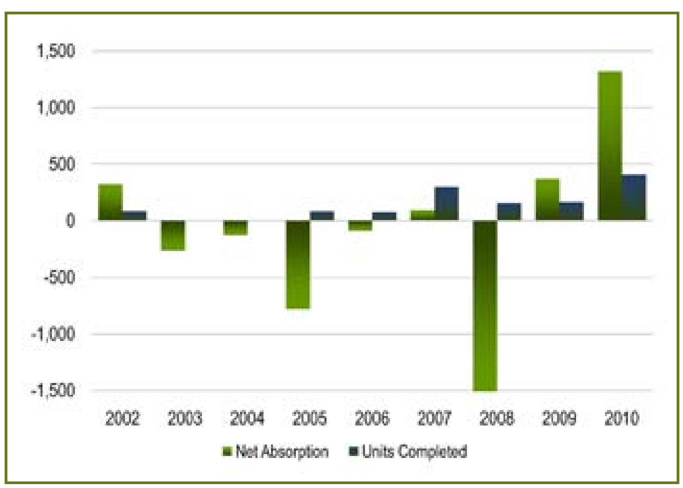
New Supply and Net Absorption for Foothill Area



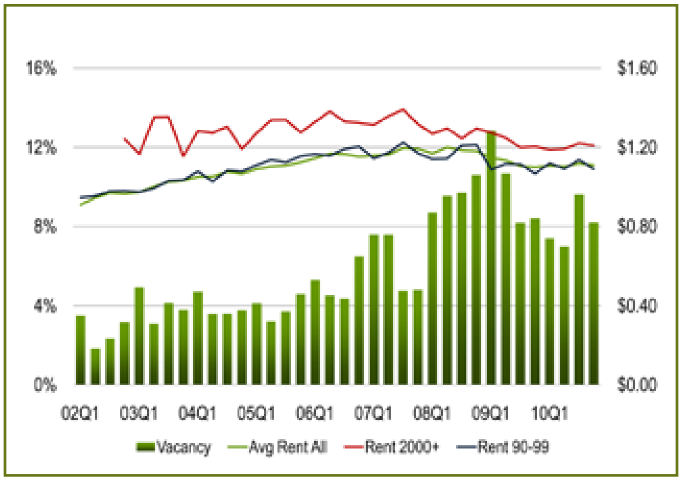
Vacancy Rate and Average Rent by Age of Apartment for East San Bernardino County



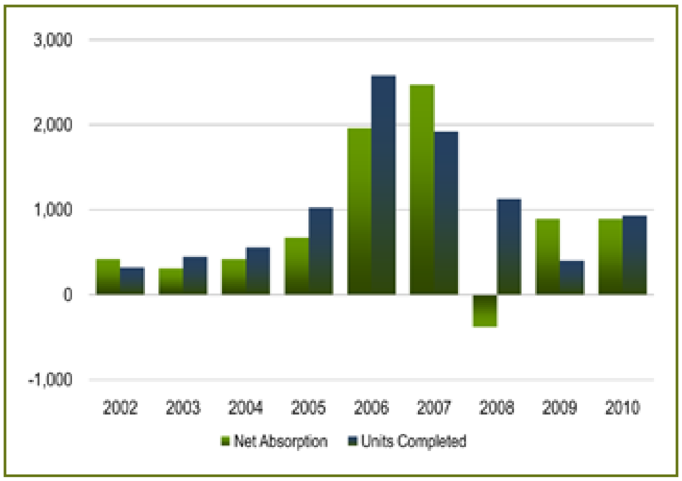
New Supply and Net Absorption for East San Bernardino County



Vacancy Rate and Average Rent by Age of Apartment for Southwest Riverside



New Supply and Net Absorption for Southwest Riverside



Southwest Riverside

Southwest Riverside County experienced the second strongest increase in demand among Inland Empire submarkets. Net absorption was positive 890 units -- exactly the same as in 2009.

Occupancy rose by 0.2 percent to 91.8, which was the lowest among Inland Empire submarkets.

Average rents rose 2.0 percent to $998 per month, while same-store rents rose 0.5 percent. The average rent increase was the second highest among Inland Empire submarkets and was a sharp turnaround from 2009, in which rent declines were the worst in the metro area.

The Southwest Riverside County submarket had the highest level of new completions in 2010 with 929 units across five projects. M Timm Development's 96-unit La Pacifica III was on hold as of the end of 2009, but was eventually completed in January of 2010. In August, Dinerstein Cos. completed The Vineyards at Old Town, a 274-unit luxury apartment community in Temecula featuring a limited number of walk-up two bedroom townhomes reminiscent of brownstones. Other projects included the 248-unit Antelope Ridge in Menifee by AG Spanos Cos. and the 241-unit Oakwood apartments in Moreno Valley.

Only 20 units are scheduled for completion in 2011 by way of Bridge Housing Corporation's Summerhouse I, an affordable housing community located in Temecula.

Coachella Valley

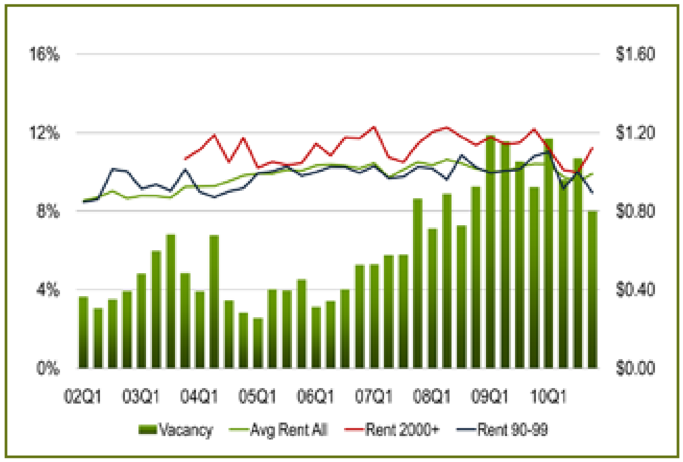
In 2010, the Coachella valley recorded 510 net move-ins, more than double the number of net move-ins from 2009. Occupancy was up 1.2 percentage points to 92.0 percent, but remained the second lowest among Inland Empire submarkets.

After being the only submarket in the Inland Empire to experience rent growth in 2009, Coachella Valley was the only submarket to experience an average rent decline in 2010. Average rents fell 3.0 percent to $895, while same-store rents fell 6.7 percent.

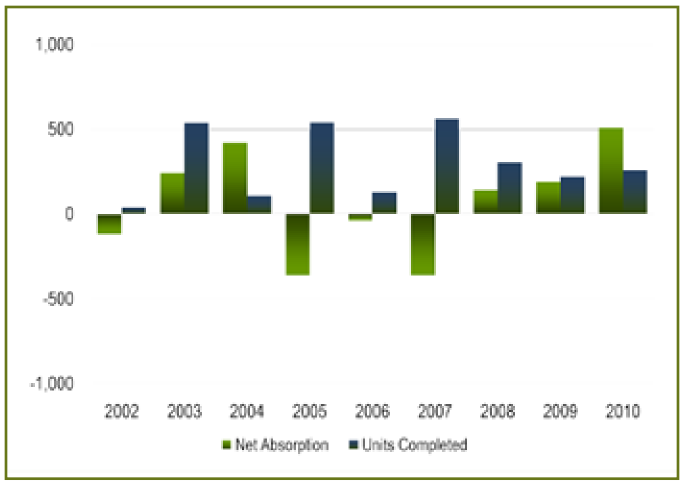
In 2010, 260 units of new supply were delivered via a single project: In March, Vineyards Development LLC delivered the Vineyards at Palm Desert. Near the Cal State University of San Bernardino and UC Riverside Palm Desert Campus, Vineyards offers such amenities as a designer-appointed clubhouse, tennis court and putting green.

Sixty apartments – all affordable -- are scheduled for completion in 2011 as part of National Community Renaissance's River Canyon Project in Cathedral City.

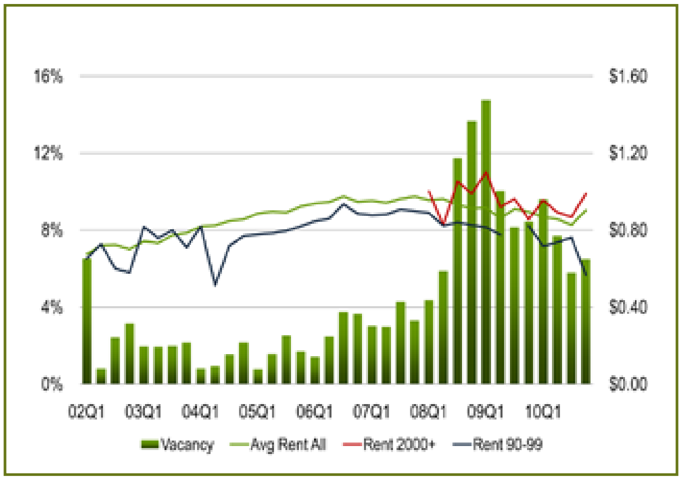
Vacancy Rate and Average Rent by Age of Apartment for Coachella Valley



New Supply and Net Absorption for Coachella Valley



Vacancy Rate and Average Rent by Age of Apartment for Outer Riverside San Bernardino



New Supply and Net Absorption for Outer Riverside San Bernardino

Outer Riverside/ San Bernardino

After a devastating 10.4 percentage-point decline in occupancy in 2008, this largely rural submarket has shown significant improvement in demand over the last two years. The submarket ended 2010 with positive net absorption of 290 units and an increase in occupancy of 1.9 percentage points. The 93.5 percent occupancy rate is the third-lowest among submarkets

Rent performance was mixed: while average rents increased by 1.7 percent, same-store rents fell 4.3 percent. Average rents ended the year at $799 per month, the lowest level among Inland Empire submarkets. Outer Riverside/San Bernardino remains the only submarket in Southern California with rents per square foot below $1.00 ($0.90 at the end of 2010).

One project comprised of 54 units was completed in 2010: The Villas at Hesperia III, an affordable housing development by ICI Development Company. No new completions are anticipated for 2011.

San Diego Multifamily Market Trends

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

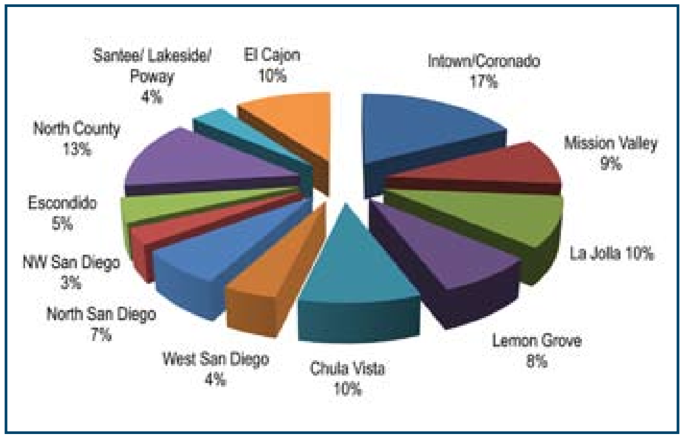
The city of San Diego has long been one of the fastest-growing cities in the nation and remains a desirable place to live because of its diverse economy, first-rate educational institutions, and high quality of life. Although San Diego has not been immune to the effects of the financial crisis, it weathered 2009 better than most of the Southern California markets. The region ended the year with the second lowest unemployment rate (10.1 percent) and the second highest number of jobs gained (5,200). The services sector was responsible for the majority of the new jobs created.

Like Orange County and the Inland Empire, San Diego experienced a continuing trend of increasing demand. The area logged 3,420 net move ins for the year, up over 80 percent from the prior year. Occupancy stood at 95.4 percent, up 0.4 percentage points from 2009, and remained the highest in Southern California. Occupancy ranged from a low of 90.7 percent in Intown/Coronado to a high of 97.6 percent in La Jolla/University City. North County experienced the largest increase in demand, with 1,220 net move-ins, while Intown/Coronado easily performed the worst, with 770 net move-outs.

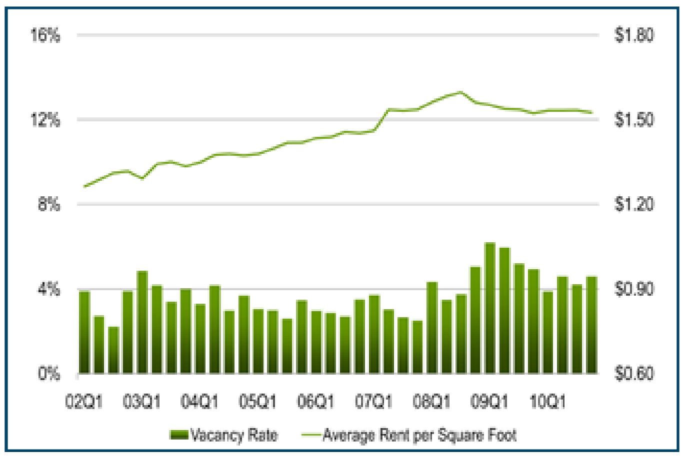
As in the Inland Empire, the increase in demand was most likely due to shadow-market renters returning to traditional multifamily product.

On the rent side, San Diego was the only metro area to experience a decline in average rents (0.2 percent), although same-store rents increased by 0.9 percent. The average monthly rent for the County was $1,320. The most expensive regions remain the coastal communities of Northwest San Diego/ Encinitas, with average rents of $1,696 per month and La Jolla/University City with rents of $1,650 per month.

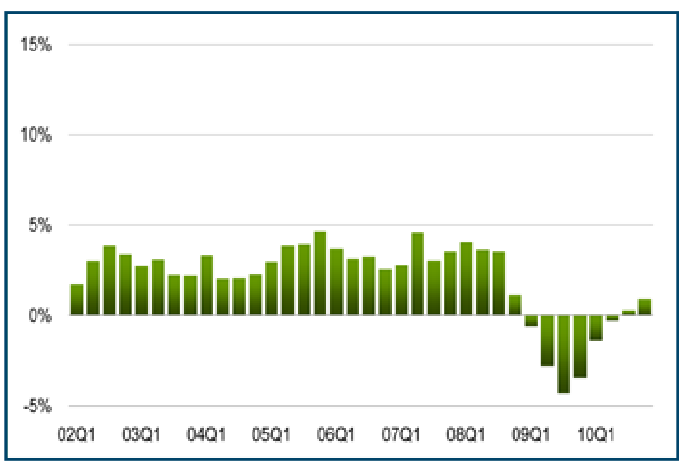
San Diego County Multifamily Submarket Shares



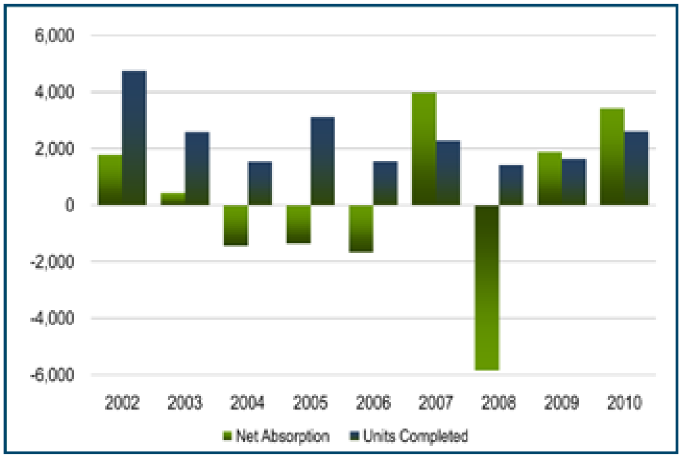
Average Rents and Vacancy Rates in San Diego County



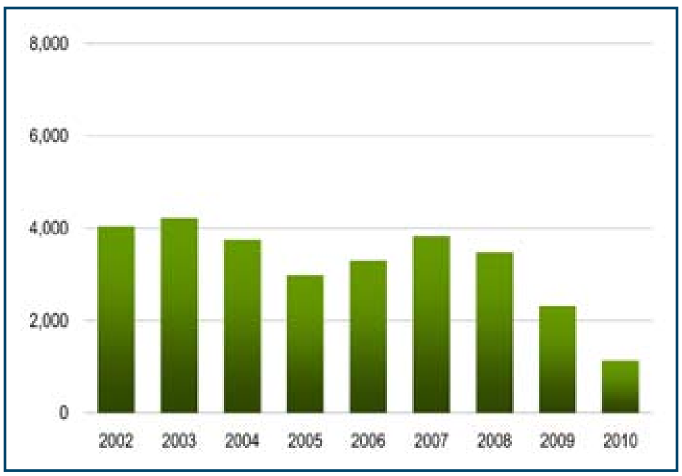
Annual Growth in Same-Store Rents for San Diego County



New Supply and Net Absorption for San Diego County



Year-End Construction Activity in Units for San Diego County



Construction Activity

During 2009, 2,616 new units were completed, an increase of nearly 60 percent over 2009. Intown/Coronado received 1,071 of those units – about 41 percent – across three condominium re-positioning projects. The majority of the units came from the 679-unit Vantage Point, by Pointe of View. North County came in second with 378 units across three projects. The largest of these was ConAm Group's 231-unit Piazza D'Oro.

As in the other Southern California metro areas, completions are expected to decline significantly in 2011. Currently, 1,051 units across 9 projects are under construction in three of the county's 11 submarkets: Chula Vista/Imperial Beach, Intown/Coronado, and Escondido. The largest of these is Garden Communities' 644-unit Greenfield Village in the Chula Vista/Imperial Beach submarket. One additional project of 77-units is scheduled for completion in 2012 in the Lakeside/Santee/Poway submarket.

Intown/Coronado

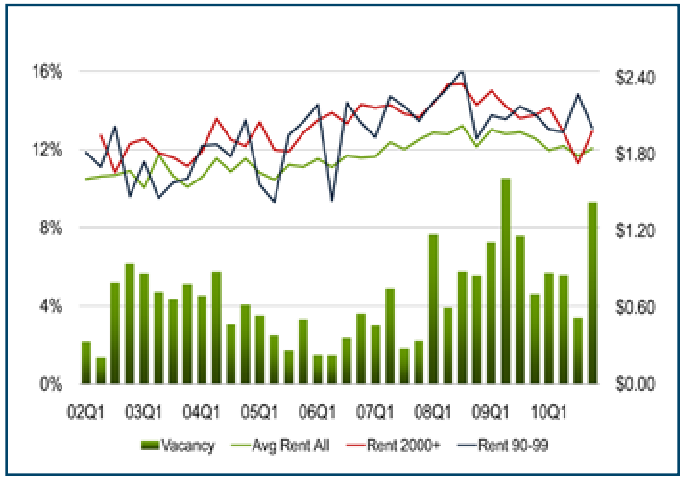
After two years of solid increases in demand, the Intown/Coronado submarket lost ground in 2010, recording 770 net move-outs. Occupancy subsequently fell nearly 5 percentage points to 90.7 percent, the lowest level among submarkets by nearly 4 percentage points. All of this change took place in the fourth quarter and may have resulted, in part, from movements out of pre-2000-era multifamily product as well as the completion of 679 new units in September.

At the same time, average and same-store rents experienced the largest decline among submarkets. Average rents fell by 2.3 percent to finish the year at $1,364, while same-store rents fell 3.1 percent. Overall, Intown/Coronado has experienced the greatest volatility in rents over the last 3 years, registering the only rent decreases among submarkets in 2008, the only rent increases in 2009, and the largest rent decreases within mixed market performance in 2010.

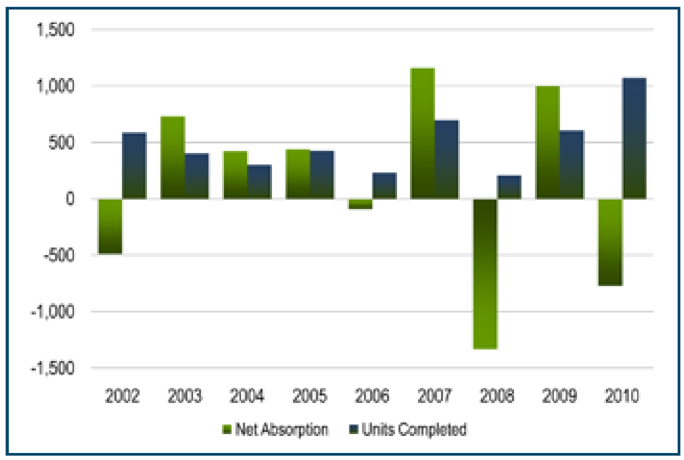
The urban San Diego submarket of Intown/Coronado received a total of 1,071 units across three projects in 2010: The Hanover's 163-unit Strata, Affirmed Housing Group's 229-unit Ten Fifty B, and Pointe of View's 679-unit Pointe. All three of these projects are located in Downtown San Diego, and all were condominium re-positionings. The most notable among the recent completions is the 23-story Ten Fifty B, which is LEED Gold Certified and consists of 100 percent affordable units.

In 2011, 222 more units are scheduled for completion across 3 projects. Price Charities' City Heights Square III is scheduled for delivery in October and will provide 92 units of low- and very low-income senior housing. In August, ROEM Development Corporation is expected to complete Cedar Gateway, a 65-unit mixed-use development which will include affordable family apartments, homes for mentally disabled adults, and 4,300 square feet of retail space. Perhaps the most

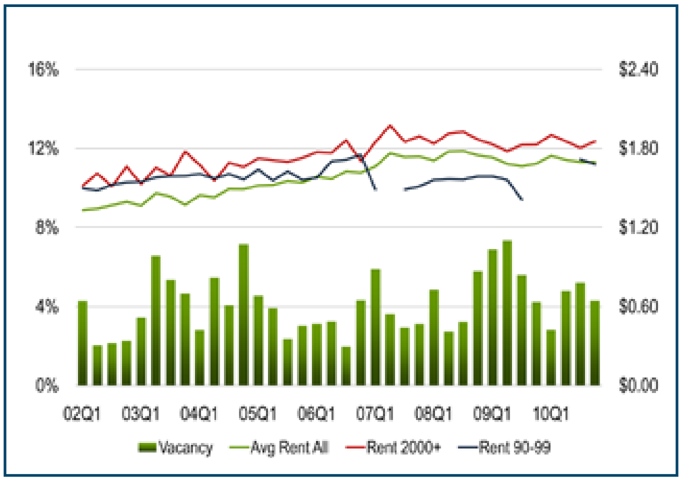
Vacancy Rate and Average Rent by Age of Apartment for Intown – Coronado



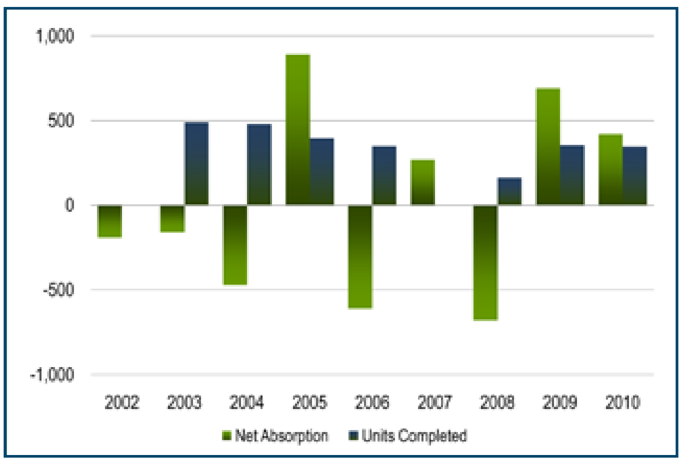
New Supply and Net Absorption for Intown-Coronado



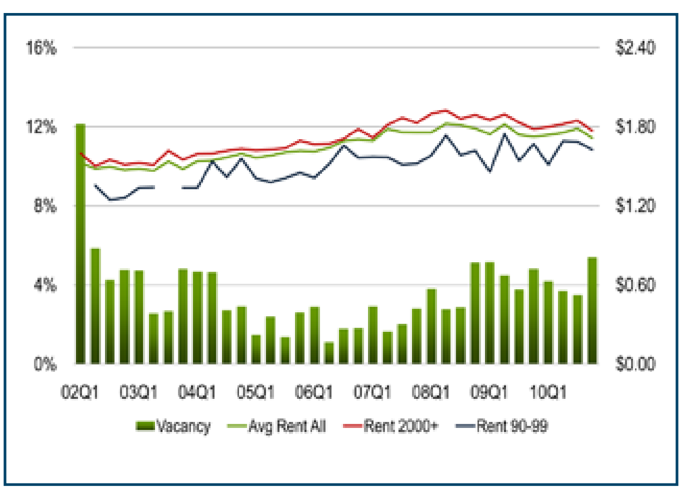
Vacancy Rate and Average Rent by Age of Apartment for Mission Valley



New Supply and Net Absorption for Mission Valley



Vacancy Rate and Average Rent by Age of Apartment for Northwest San Diego/Encinitas



interesting of the bunch is the 12-story, 65-unit 15th & Commercial project, by Father Joe's Villages. The finished property will include single-room, affordable dwellings for the homeless working to get back on their feet, dormitory-style transitional housing, and a day care facility for the children of homeless families.

Mission Valley

Mission Valley experienced mixed performance in both demand and rents for 2010. While the submarket logged 420 net move-ins for 2010, it saw occupancy decline by 0.1 percentage points to 95.7 percent. Most of the positive change in demand came in the fourth quarter. Average rents increased by 1.3 percent to $1,479, while same-store rents fell by 1.2 percent.

The year 2010 brought the completion of 347 new multifamily units across two projects: Chelsea Investment Corporation's 87-unit Dawson Avenue Senior and Dinerstein Companies' 260-unit student housing complex at San Diego State University, Sterling Collwood. No new units are currently scheduled for delivery in 2011.

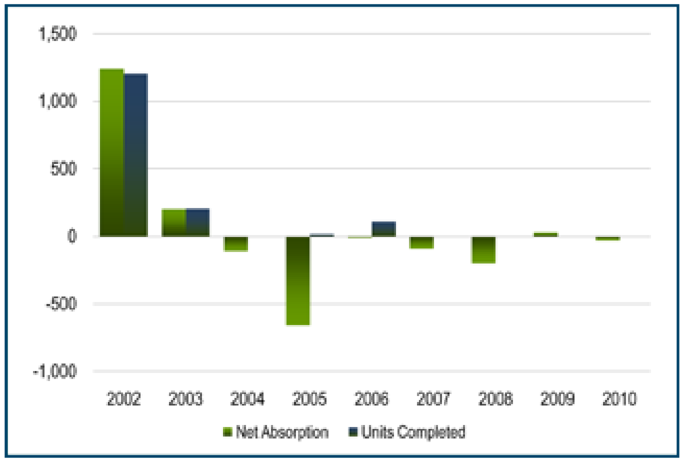
Coastal Communities

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 differed significantly in their performance in 2010. While La Jolla/University City experienced 230 net move ins, Northwest San Diego/Encinitas recorded 30 net move-outs, Similarly, occupancy in La Jolla/University City increased by 0.6 percentage points, while occupancy in Northwest San Diego/Encinitas decreased by 0.6 percentage points. La Jolla/University City and Northwest San Diego/Encinitas ended the year with occupancy rates of 97.6 and 94.6 percent, respectively. Currently, La Jolla/University City carries the highest occupancy rate among submarkets.

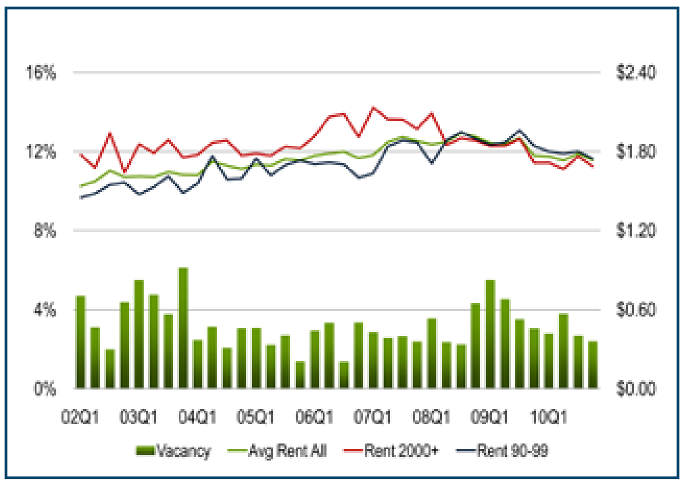
Although La Jolla/University City registered a stronger performance on the demand side, rents fared worse. Average rents declined 1.4 percent to $1,650 and same-store rents fell by 0.6 percent. In Northwest San Diego/Encinitas, average rents fell by only 0.9 percent, while same-store rents increased by 0.6 percent.

Neither area experienced a change in supply in 2010 and no new completions are anticipated in 2011.

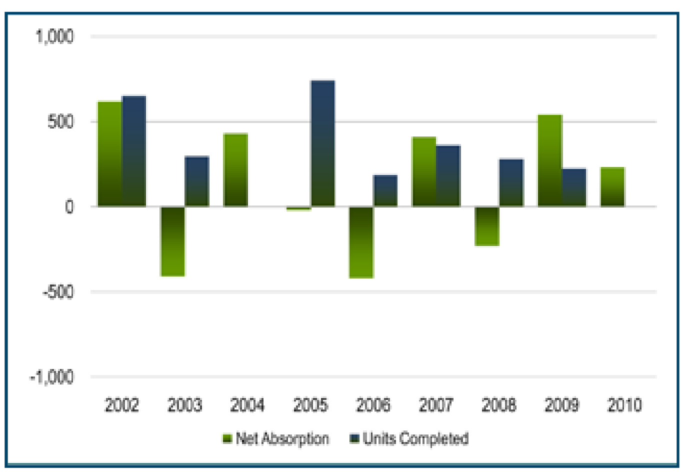
New Supply and Net Absorption for Northwest San Diego/Encinitas



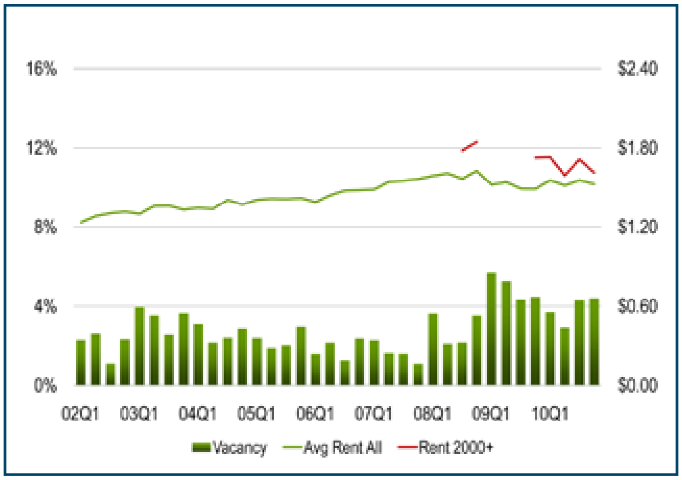
Vacancy Rate and Average Rent by Age of Apartment for La Jolla/University City



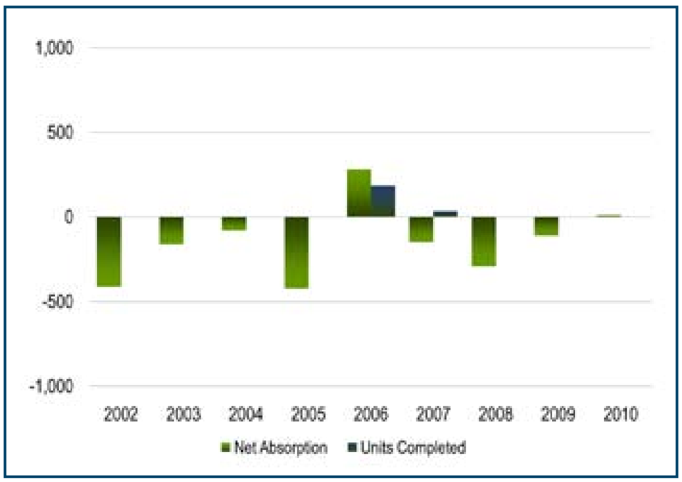
New Supply and Net Absorption for La Jolla/University City



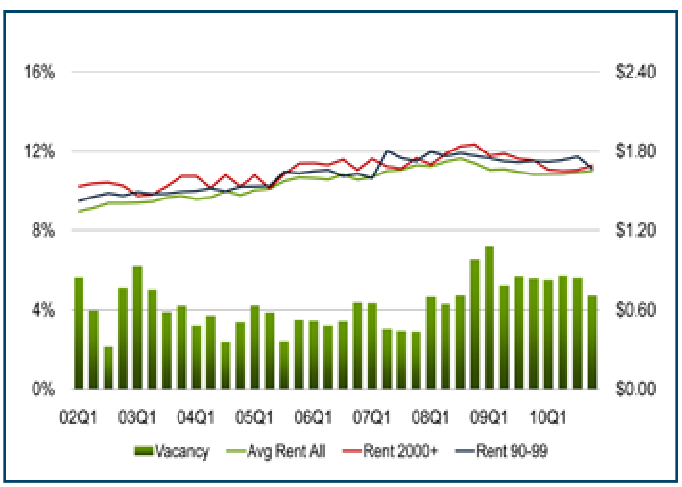
Vacancy Rate and Average Rent by Age of Apartment for West San Diego



New Supply and Net Absorption for West San Diego



Vacancy Rate and Average Rent by Age of Apartment for North San Diego



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.

While North San Diego clearly outpaced West San Diego in demand, both areas experienced improvement over their 2009 performance. North San Diego registered 580 net move-ins, up from 180 in 2009; West San Diego experienced 10 net move-ins, up from 110 net move-outs in the previous year. This strengthening in demand led to a 0.9 percentage-point increase in occupancy in North San Diego and a 0.1 percentage-point improvement in occupancy in the West submarket. North and West San Diego ended the year at 95.3 and 95.6 percent occupancy, respectively.

After sharp drops in rents in 2009, both submarkets rebounded in 2010 on both an average and same-store basis. Average rents rose in North San Diego by 1.3 percent to $1,464 per month, while same-store rents rose by 3.3 percent. Average rents rose in West San Diego by 2.9 percent to $1,274 per month, while same-store rents rose by 2.3 percent. West San Diego's rise in average rents was the highest among submarkets for 2010.

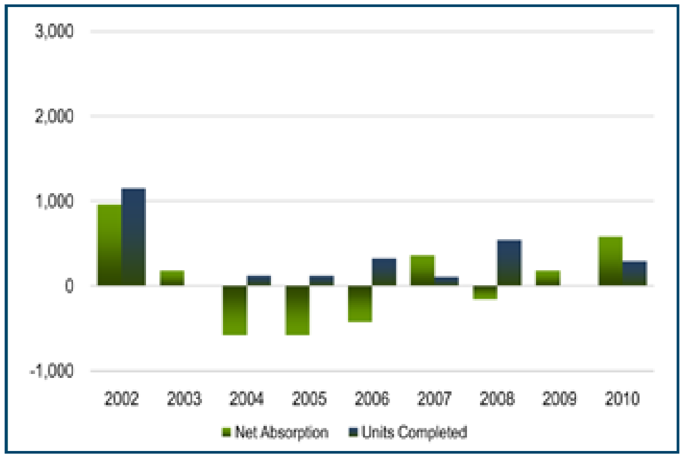
North San Diego added 289 new units via Simpson Housing's Mira Bella. Near the intersection of SR-163 and I-805, the luxury apartment community offers such amenities as a private Yoga/Pilates studio, outdoor grilling areas, a salt-water pool and spa, and a WiFi café. West San Diego did not receive any new units in 2010. Neither submarket is expected to receive any new inventory in 2011.

San Diego South

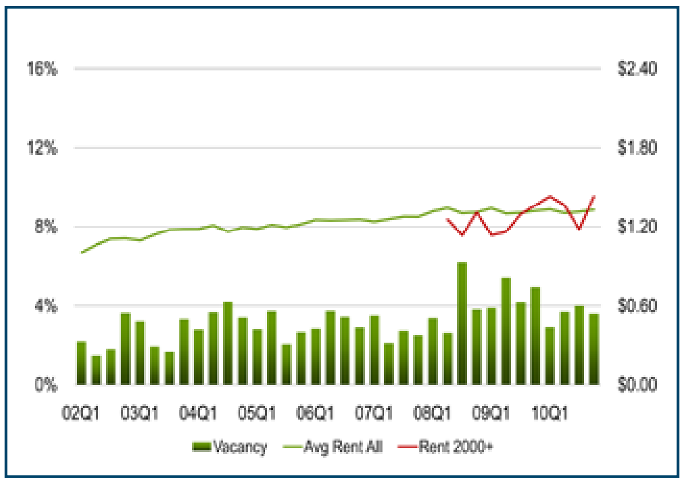
The southern region of San Diego is comprised of the Chula Vista/Imperial Beach and Lemon Grove/National City areas. After two straight years of net move-outs, both submarkets experienced a significant increase in demand in 2010. Chula Vista/Imperial Beach logged 530 units of positive net absorption for the year, while Lemon Grove/National City recorded 360 units of positive net absorption. The increase in demand led to a 1.3 percentage-point increase in occupancy for both areas. Chula Vista/Imperial Beach ended the year with occupancy at 96.4 percent, while Lemon Grove/National City ended the year at 96.0 percent. Only four submarkets in San Diego County ended the year with occupancy rates of 96 percent or higher.

Both submarkets had similar performance on the rent side as well. Average rents for Chula Vista/Imperial Beach fell 1.8 percent, while Lemon Grove/National City average rents fell 2.1 percent. Same-store rents, meanwhile, rose 0.6 and 0.7 percent, respectively. Average rents in Chula Vista/Imperial Beach ended the year at $1,213 per month, while average rents in Lemon Grove/National City finished at $1,065.

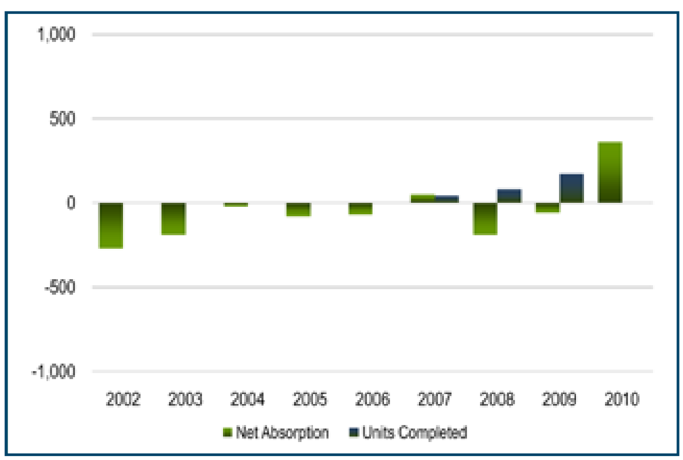
New Supply and Net Absorption for North San Diego



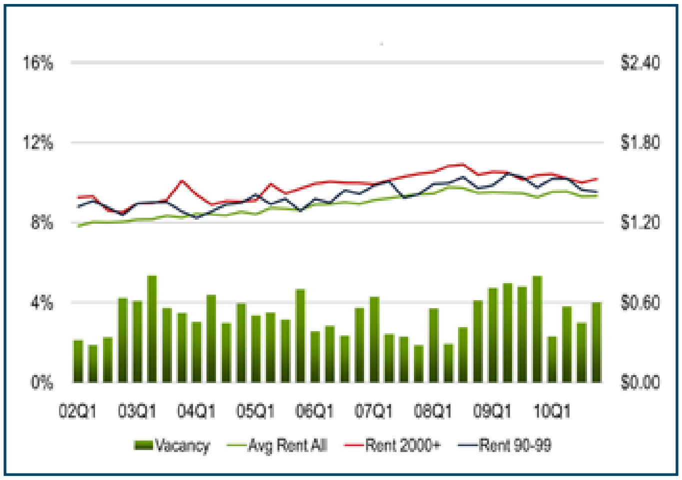
Vacancy Rate and Average Rent by Age of Apartment for Lemon Grove/National City



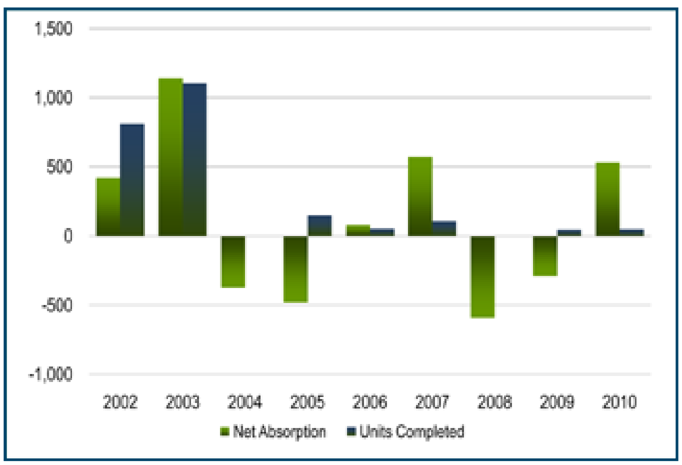
New Supply and Net Absorption for Lemon Grove/National City



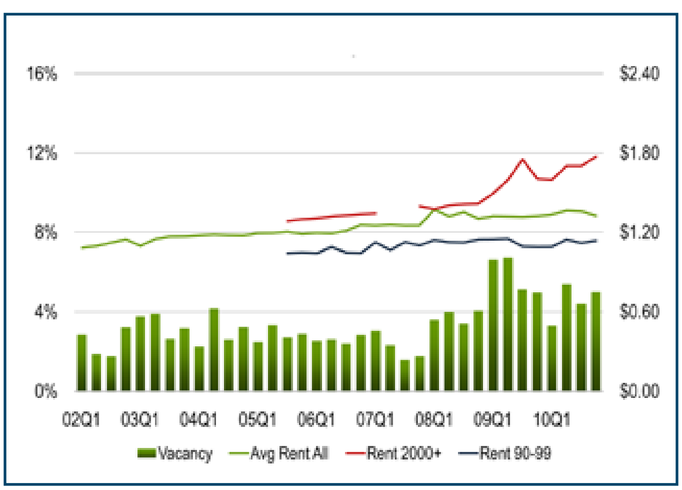
Vacancy Rate and Average Rent by Age of Apartment for Chula Vista/Imperia Beach



New Supply and Net Absorption for Chula Vista/ Imperia Beach



Vacancy Rate and Average Rent by Age of Apartment for El Cajon



Chula Vista/Imperial Beach received 45 new units in 2010 via Global Premier Development's El Pedregal in San Ysidro. The affordable family housing community features a computer center and extensive resident social service programs. In 2011, 774 new units are scheduled for completion. Most notable is the 644 unit Greenfield Village by Garden Communities. This property, located near the intersection of the I-805 and I-905, will consist of 14 buildings, with underground parking and a full array of luxury amenities.

No completions were recorded in the Lemon Grove/National City area in 2010, and no new deliveries are anticipated for 2011.

Inland San Diego

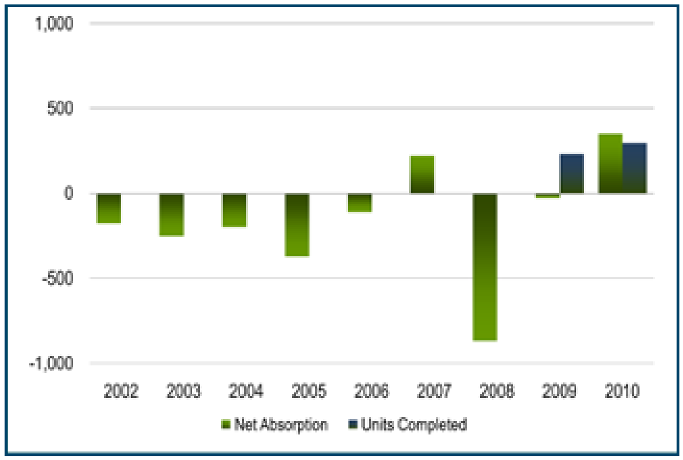
San Diego's inland submarkets of El Cajon and Santee/Lakeside/Poway had a combined 670 net move-ins for 2010, up from 60 net move-ins in 2009. Occupancy in El Cajon held steady at 95.0 percent, while occupancy in Santee/Lakeside/Poway rose 1.2 percentage points to 96.6 percent (second-highest in the county).

El Cajon fared worse than Santee/Lakeside/Poway in rents, experiencing a drop of 1.4 percent in average rents and a 0.2 percent drop in same-store rents. Average rents ended the year at $1,089 per month. Santee/Lakeside/Poway on the other hand, saw a 2.7 percent increase in average rents and a 3.9 percent increase in same-store rents. Average rents stood at $1,122 at the end of 2010.

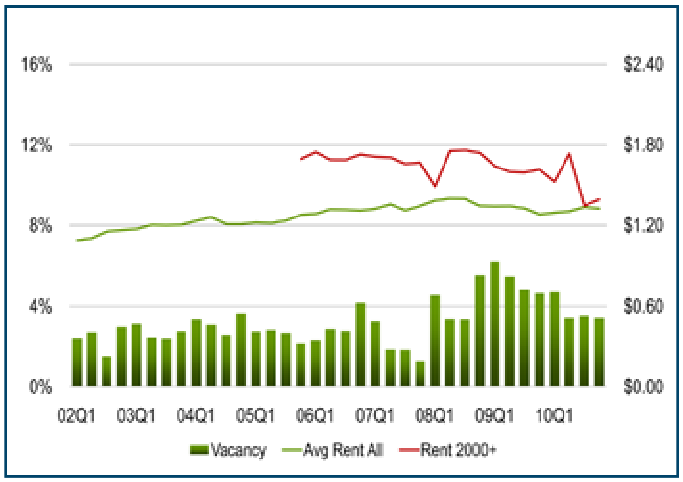
In 2010, El Cajon received 297 new units, via a single property: Fairfield Residential's Alterra at Grossmont Trolley. This project represents the second phase of the Pravada community, which is part of the $100 million Grossmont Transit Station project in La Mesa. No new deliveries are anticipated for 2011. Santee/Lakeside/Poway received 128 new units via two projects, both by Chelsea Investment Corp. Silver Sage in Lakeside is a condominium re-positioning consisting of 80 affordable units across 14 garden-style buildings. The Cedar Creek development in Santee consists of 48 affordable units, and includes sustainable design features such as solar water heating, storm water treatment measures, and low-water-use landscaping.

No new units are scheduled for delivery in either submarket during 2011

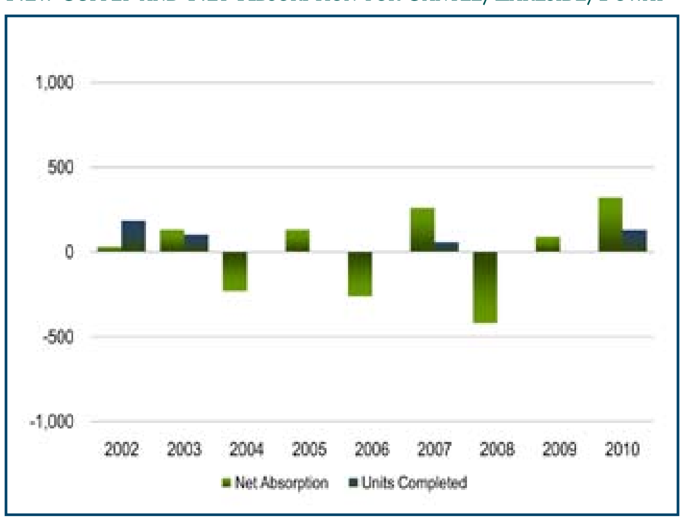
New Supply and Net Absorption for El Cajon



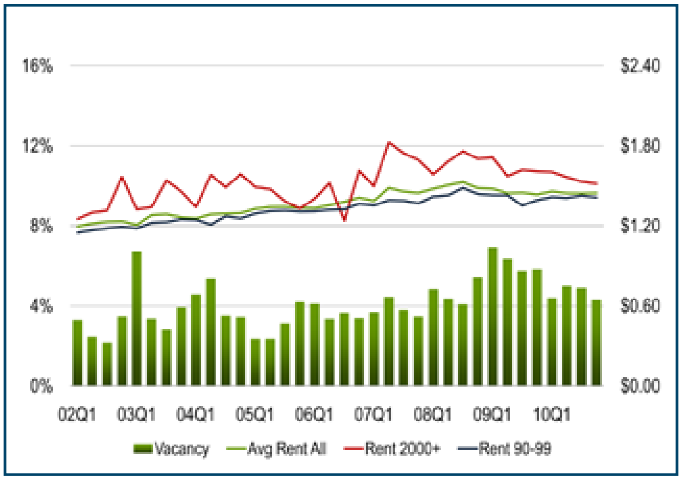
Vacancy Rate and Average Rent by Age of Apartment for Santee/Lakeside/Poway



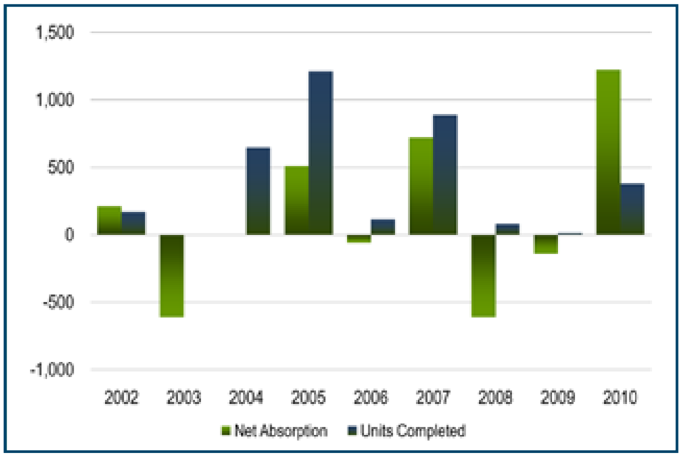
New Supply and Net Absorption for Santee/Lakeside/Poway



Vacancy Rate and Average Rent by Age of Apartment for North County



New Supply and Net Absorption for North County



North County

The North County submarket includes Carlsbad and Oceanside on the west and extends east to San Marcos and north to Fallbrook. After logging the second-weakest demand among submarkets in 2009, North County bounced back with the strongest demand among submarkets in 2010. The submarket experienced 1,220 net move-ins, and saw occupancy rise by 1.5 percentage points to 95.7 percent.

Average rents gained 2.7 percent to finish the year at $1,282. Same-store rents rose 1.0 percent.

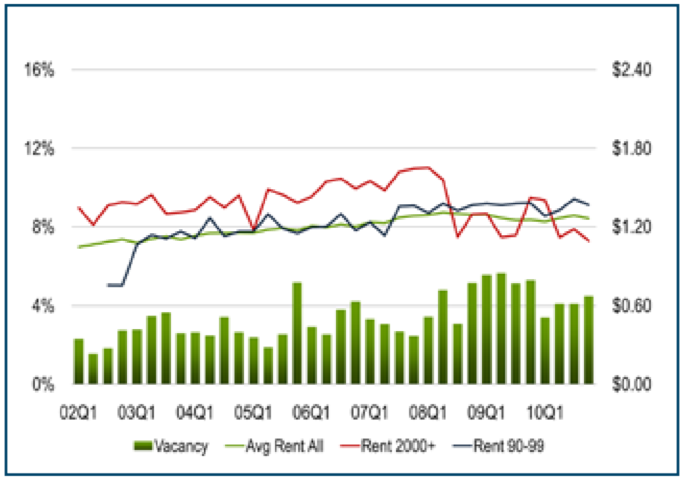
Three projects were completed in 2010, bringing 378 new units to the market. Largest among these was ConAm Group's Piazza D'Oro, which features 231 three-level townhome rentals with attached garages. Community amenities include a clubhouse with a Plasma TV and billiards, a heated swimming pool and spa, paddle tennis, and a bocce ball court. This property was originally planned as condominiums but switched to rental during construction. In April, Community Collective Development Partners finished Autumn Terrace, a 103-unit affordable housing project in San Marcos. The property received LEED Platinum certification in the Fall. No completions are expected for 2011.

Escondido

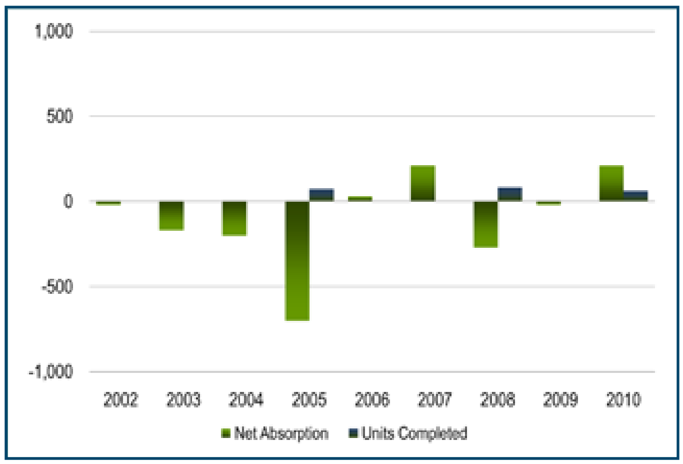
The Escondido submarket recorded 210 net move-ins in 2010, up from 20 net move-outs in 2009. Occupancy increased 1.2 percentage points to 95.7 percent. Average monthly rents finished the year at $1,020, up 0.8 percent. Same-store rents rose 1.9 percent for the year. Average rents remain the lowest among San Diego submarkets.

With the completion of National Community Renaissance's Juniper Senior village, Escondido received 61 new units. Another 55 (affordable) units are expected for delivery in April via Urban Housing Communities' Crossings at Escondido.

Vacancy Rate and Average Rent by Age of Apartment for Escondido



New Supply and Net Absorption for Escondido



Multifamily Market Forecast

After two years of negative rent growth, all four markets experienced a turnaround in 2010. All four markets showed year-over-year effective rent increases. Vacancy rates fell as well, although the decline was not as steep as in 2009. Over the next two years, we expect to see mostly stable rents and stable-to-declining vacancy across the four markets.

Although rents increased in Los Angeles County over the year ending December 2010, rents were trending downward from March 2010 onward, so we expect some further decline. In Orange County, the Inland Empire, and San Diego, we expect flat-to-slightly-increasing rents. On the vacancy side, we expect Los Angeles to lose another half percent in vacancy, smaller declines in the Inland Empire and San Diego, and stable vacancy rates in Orange County. All areas are likely to remain well above "natural" vacancy for the foreseeable future in the absence of sustained economic growth or a negative shock to supply.

Overall, the future health of the multifamily market will be dependent upon several factors:

The employment picture. From Q2 2008 to Q2 2009, 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 employment is on a path to recovery, as the February and March 2011 payroll reports suggest, the multifamily market should see further improvements in rental rates and occupancy.

Home prices. Home affordability is still bleak in San Diego and Orange County, which bodes well for the multifamily market in these areas. 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. 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 to the financial struggles of foreclosed households.

Shadow market inventory. Residential rental inventory grew tremendously during 2008 and 2009 when homeowners looking to move found themselves unable to sell or unwilling to take a large hit to their equity, and chose to rent out their homes. The increase in competition put significant downward pressure on rents in traditional multifamily product. In 2010, shadow market competition is believed to have declined, either through sales/foreclosures of shadow market units, or due to a growing preference for traditional multifamily product. If this trend continues, rents will increase and vacancy will decline further in traditional multifamily product.

Construction activity. The number of completions decreased sharply from 2008 to 2010, as land acquisitions in prior years were targeted for condominium development rather than multifamily. In the coming year, completions will decline further in most areas. Very few condominium re-positionings are still under construction and many of the deliveries anticipated for 2011 are family- or senior-oriented affordable housing. In short, the smaller the increase in supply, the more likely we are to see rising rents and falling vacancies, all else equal.

Rising oil prices. Oil/gasoline prices have risen sharply over the last several months, and with no end in sight to the political turmoil in the Middle East, the upward trend is likely to continue. Rising gasoline prices should generate higher demand for multifamily product closer to the economic centers of Southern California. Farther-flung submarkets such as the Antelope Valley of Los Angeles or Outer Riverside/San Bernardino may see declining rents as residents move closer to their workplaces and attempt to lessen the cost of their commute.

In summary, the interplay of these five factors will guide the future path of rents and vacancies. More generally, 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 1 to 3 percentage points above their natural vacancy rates. Ranking the four metro markets based on our econometric forecast of rents for 2011-2012, we expect Los Angeles to perform the worst, followed by Orange County, and San Diego. The Inland Empire is expected to experience the greatest increase in rents. We must stress, however, that the differences between the four metros are extremely small.

Submarket Forecasts

This year, for the first time, the Casden Forecast is including rent and vacancy forecasts for individual submarkets. Relative submarket performance is most likely to be influenced by:

- Relative changes in employment as a percentage of the submarket employment base
- Relative changes in supply as a percentage of total submarket supply due to completions of new units

Expected best - and worst-performing submarkets in rents and vacancies are listed in the appropriate metro-level sections below.

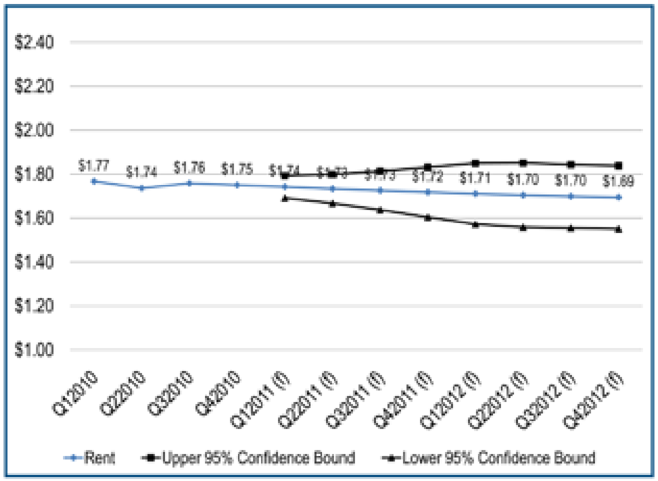
A Note on Confidence Intervals

This year, also for the first time, the Casden Forecast is reporting 95 percent confidence intervals on our forecast estimates. These intervals, depicted in the forecast graphs by black lines, represent the upper and lower bounds between which the "true" rent or vacancy rate is likely to fall with 95 percent probability. As the reader will observe, the confidence intervals are relatively narrow for Q1 and Q2 2011 and get wider as we move further into the future. In other words, accurately predicting the next quarter or two of rent is relatively easy; predicting beyond that with much precision is difficult. So even though we can rank the four metro areas in terms of the trends in the actual forecast estimates, the true realization may paint a very different picture. But generally speaking, all four areas are expected to behave similarly to one another, remaining relatively stable in rents and vacancies over the next two years.

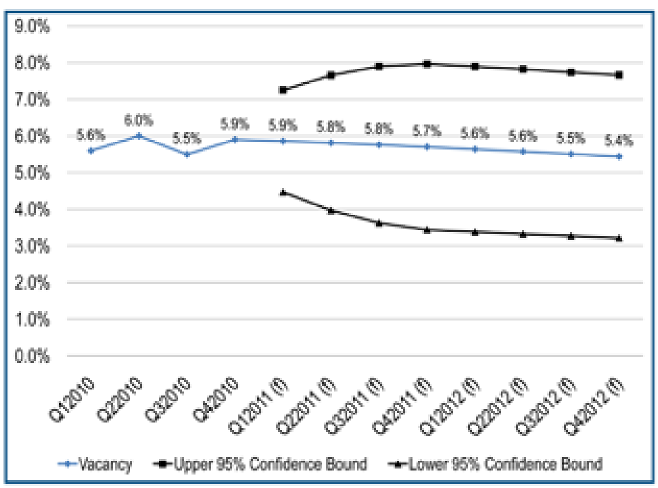
Los Angeles Forecast

We expect vacancy rates to decline further in 2011, but rents to decline slightly as well.

Forecast Average Rents for Los Angeles



Forecast Vacancy Rates for Los Angeles



The positives:

- Job losses have stopped; 2,500 jobs were created in 2010 and 25,000 to 35,000 more are anticipated for 2011. Higher family incomes will lead to greater demand for units (via less doubling-up, more young people leaving home) and a higher willingness to pay for the units they desire.
- Renters have been moving out of shadow market inventory and back into traditional multifamily product. Although much of this has been by necessity -- due to foreclosures or sales of the shadow market properties -- many households simply have discovered that they prefer the amenities and lifestyle associated with living in traditional multifamily units. This trend is expected to continue through 2011.
- The supply of new units continues to fall; only 2,175 new units are expected to be added in 2011, and 310 in 2012. Only 221 of these units are part of condominium re-positioning projects.
- Single family home sales have been lagging over the past year, and there are no particular indicators of recovery at the moment.

The negatives:

- MPF Research has accounted for over 2,000 additional projects that were shelved during various stages of the construction process that could resurface if market conditions improve.

Submarket notes:

- The Intown submarket is expected to see the largest growth in supply at 0.8 percent. Tri Cities is expected to come in second, with 0.4 percent growth in supply. The anticipated growth in supply for the metro area as a whole is 0.2 percent.

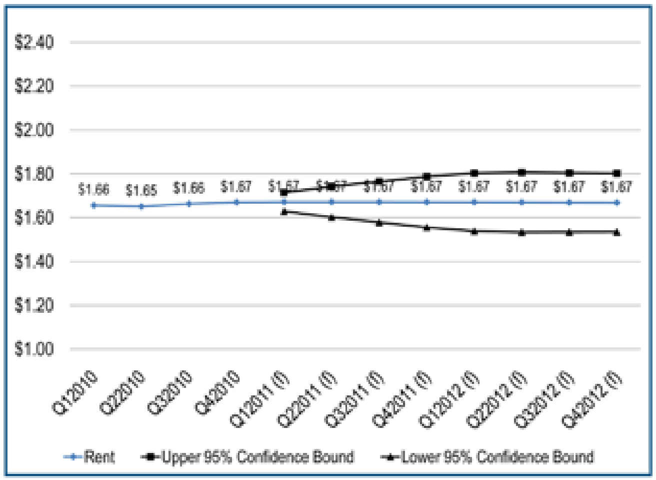
Our models predict a 1.85 percent decrease in average rents in 2011, and a total decrease of 3.2 percent from Q4 2010 to Q4 2012. Vacancy rates are expected to remain constant over the next year and fall less than 0.5 percentage points through Q4 2012. Rents may continue to fall in spite of an increase in demand due to ongoing slackness in the LA multifamily market.

Our models predict the Tri-Cities area to have the highest rent growth over the next two years, at 2.1 percent. All other submarkets are expected to have flat or declining rents. The Antelope Valley is expected to post the largest rent decline, at 8.2 percent over the next two years. Hollywood came in second, with an anticipated decline of 4.1 percent over the next two years.

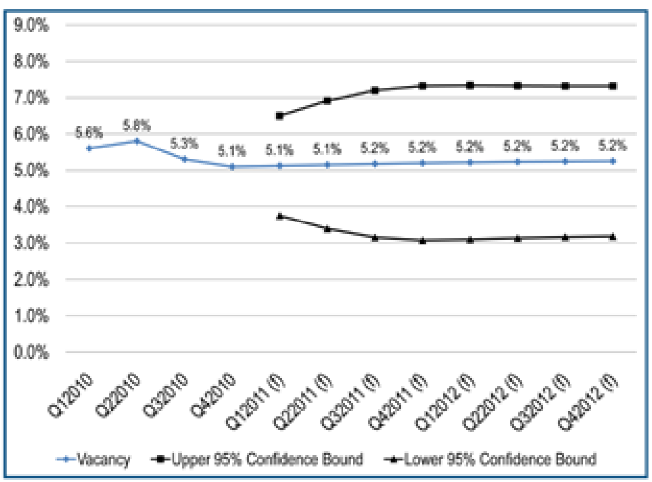
On the demand side, Hollywood is expected to see the largest absolute decline in vacancy over the next two years, at 1.7 percentage points. Long Beach came in second, with a 1.1 percentage-point anticipated decline. Both of these submarkets are expected to end 2012 at 4.7 percent vacancy. The remaining submarkets are expected to see very little change.

Orange County Forecast

Forecast Average Rents for Orange County



Forecast Vacancy Rates for Orange County



Our models predict flat rents and vacancy rates over 2011 and 2012.

The positives:

- As in Los Angeles, job losses stopped; 6,500 jobs were created in 2010 and economists predict that another 20,000 to 30,000 jobs will be created in 2011.
- Home prices are the least affordable in Southern California by a wide margin. Any decline in home prices should not have much of an impact on multifamily demand or rents, at least in the short run.
- Shadow market competition is believed to be low and will remain so for the coming year.
- Only 176 units are expected to be delivered in 2011, the lowest annual total in nearly 20 years. One 694-unit project currently underway is not anticipated for delivery until Q3 2012.

The negatives:

- A number of recent, large, high-end deliveries are still working through their lease-up phase, which means that we are not likely to see much upward movement in rents in the upper strata of the multifamily market.

Submarket notes:

- North Orange County is expected to see the largest growth in supply among submarkets, with expansion of 0.4 percent. The metro level stock is expected to increase by 0.1 percent.

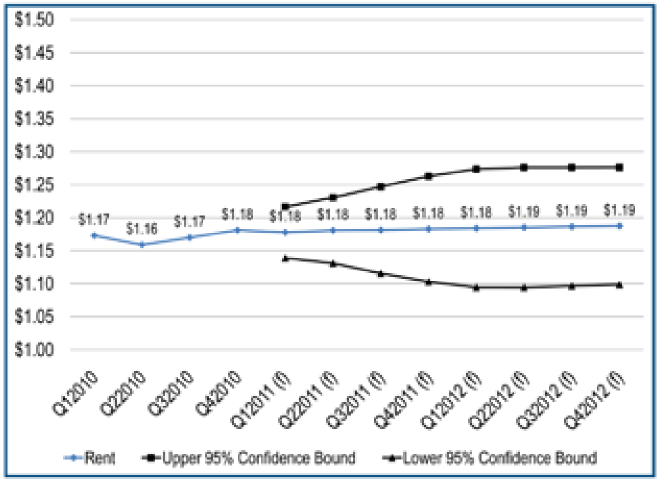
Given the unusually low number of completions at the metro level relative to the past, the vacancy rate is likely to fall, despite what the econometric forecasting techniques predict.

According to our models, none of the submarkets in Orange County are expected to register more than 2 percent rent growth through 2012. North Orange County and Santa Ana are expected to see the largest declines, at 4.6 and 3.2 percent, respectively, over the next two years.

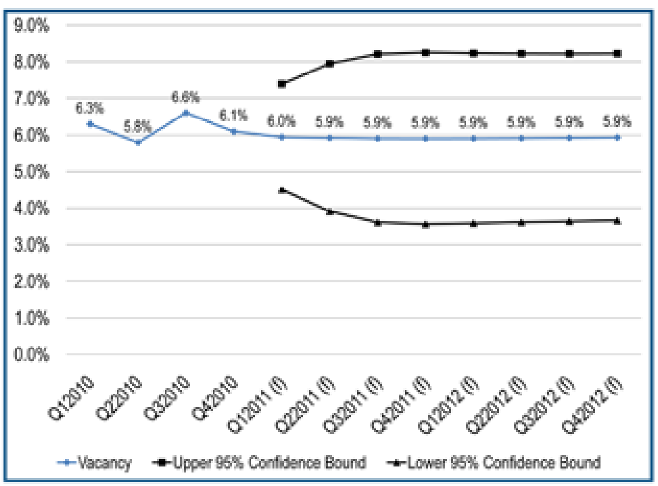
Our models predict Santa Ana to see the largest decline in vacancy over the next two years, with a 1.1 percentage-point drop. Huntington Beach comes in second, with a 0.8 percentage-point decline. Santa Ana and Huntington Beach are expected to end 2012 at 4.1 and 4.7 percent vacancy, respectively. Newport Beach is expected to incur the worst decline in demand; vacancy is expected to increase by 1.2 percentage points to 5 percent. The Irvine submarket is close behind, with an expected increase of 1.1 percentage points. We anticipate 5.6 percent vacancy by the end of 2012. The reader should take note of the fact that the standard errors of the vacancy forecasts (that is, the implied levels of precision) tend to be quite high, even looking just one or two quarters ahead.

Inland Empire Forecast

Forecast Average Rents for Inland Empire



Forecast Vacancy Rates for Inland Empire



Our models predict flat to slightly-increasing rents through 2012 and flat vacancy rates.

The positives:

- Job losses are expected to end in 2011. Economists predict the creation of 10,000 to 15,000 new jobs in the Inland Empire in 2011.
- As in Los Angeles and Orange County, completions are expected to fall sharply in 2011. Only 201 new units are scheduled for completion.

The negatives:

- Although home prices are up for 2010, they remain the most affordable in Southern California by a large margin. Improvements in the job picture could tip the scales in favor of purchasing a home rather than continuing to rent.
- Many of the homes sold in 2008-2010 went to investors who have yet to put them (back?) into the shadow-market rental pool. There is a belief, however, that this will soon change.

Submarket notes:

- East San Bernardino and Coachella Valley are expected to see the largest relative increases in supply, with expansion of 0.3 percent each. The metro market as a whole is anticipating a 0.1 percent increase in supply.

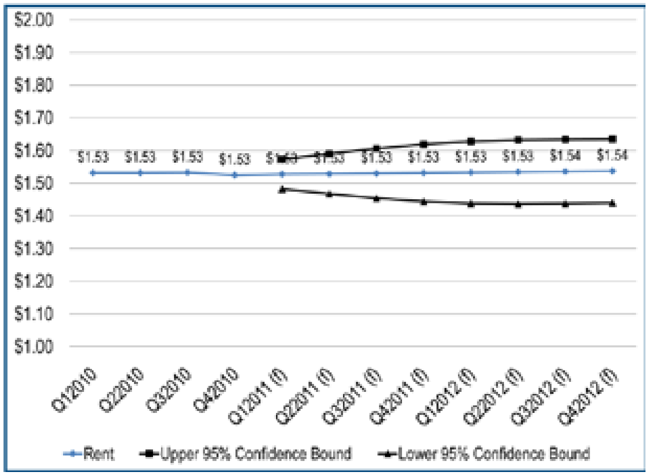
Our models predict flat rents over 2011 and a total increase of 0.5 percent through Q4 2012. The vacancy rate will remain flat through Q4 2012.

According to our models, The Riverside/Corona submarket is expected to see the strongest rent performance, with an increase of 2 percent over the next two years. Outer Riverside/San Bernardino is expected to see the worst rent performance, with a decline of 2.7 percent over the next two years.

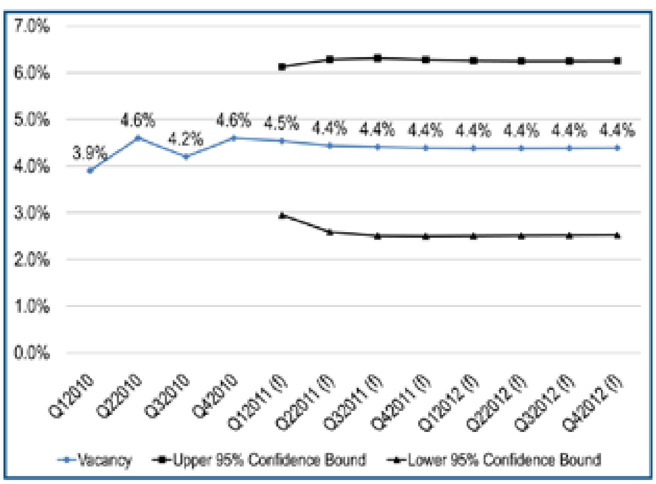
The largest decline in vacancy is expected in the Southwest Riverside submarket; our models predict a 1.3 percentage-point decline (to 6.9 percent)

San Diego County Forecast

Forecast Average Rents for San Diego



Forecast Vacancy Rates for San Diego



Our models predict a 0.4 percent increase in rents in 2011 and a 0.8 percent total increase in rents in 2012. Vacancy is expected to remain essentially flat through Q4 2012.

The positives:

- As in Los Angeles and Orange County job losses stopped; 5,200 jobs were created in 2010 and another 10,000 to 20,000 jobs are expected to be created in 2011.
- Completions will fall in 2011 relative to prior years. Chula Vista/Imperial Beach submarket is expected to receive the bulk of the 1,051 units expected for delivery.
- Home affordability is the second lowest in Southern California
- Competition from shadow-market supply is low.

The negatives:

- Employment growth is not expected to be as robust in San Diego as in other submarkets.
- Relative supply growth is expected to be larger in San Diego than in other Southern California markets.

Submarket notes:

- Chula Vista/Imperial Beach is expecting growth in supply of 2.9 percent, which is significantly greater than the 0.4 percent growth in supply at the metro level.

According to our models, La Jolla is expected to see the strongest performance in rents, with an increase of 2.3 percent over the next two years. Chula Vista/Imperial Beach is expected to be another strong performer, with an expected increase of 1.3 percent over the next two years, but the addition of over 774 new units will likely temper that result somewhat. Intown is expected to see the weakest performance, with a decrease of 2.0 percent in 2011, followed by a slight recovery in 2012.

On the vacancy side, Intown is expected to see the largest dip in vacancy over the next two years, from 9.3 percent to about 5 percent. Northwest San Diego is expected to come in second, with a decline of 1.6 percentage points, to about 3.8 percent. Chula Vista/Imperial Beach vacancy is forecasted to see a small decline in vacancy over the next two years, but that could easily change if absorption of the 2011 expected deliveries does not go as planned.

Technical Notes

Inventory: The MPF Research 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 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 double counting 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: MPF Research 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 MPF Research nor the Casden Forecast make any warranties or representations as to the completeness or accuracy thereof.

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%)

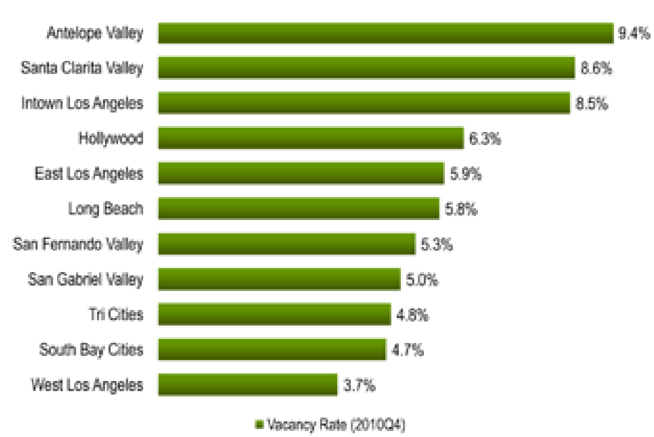
Market Snapshot Los Angeles

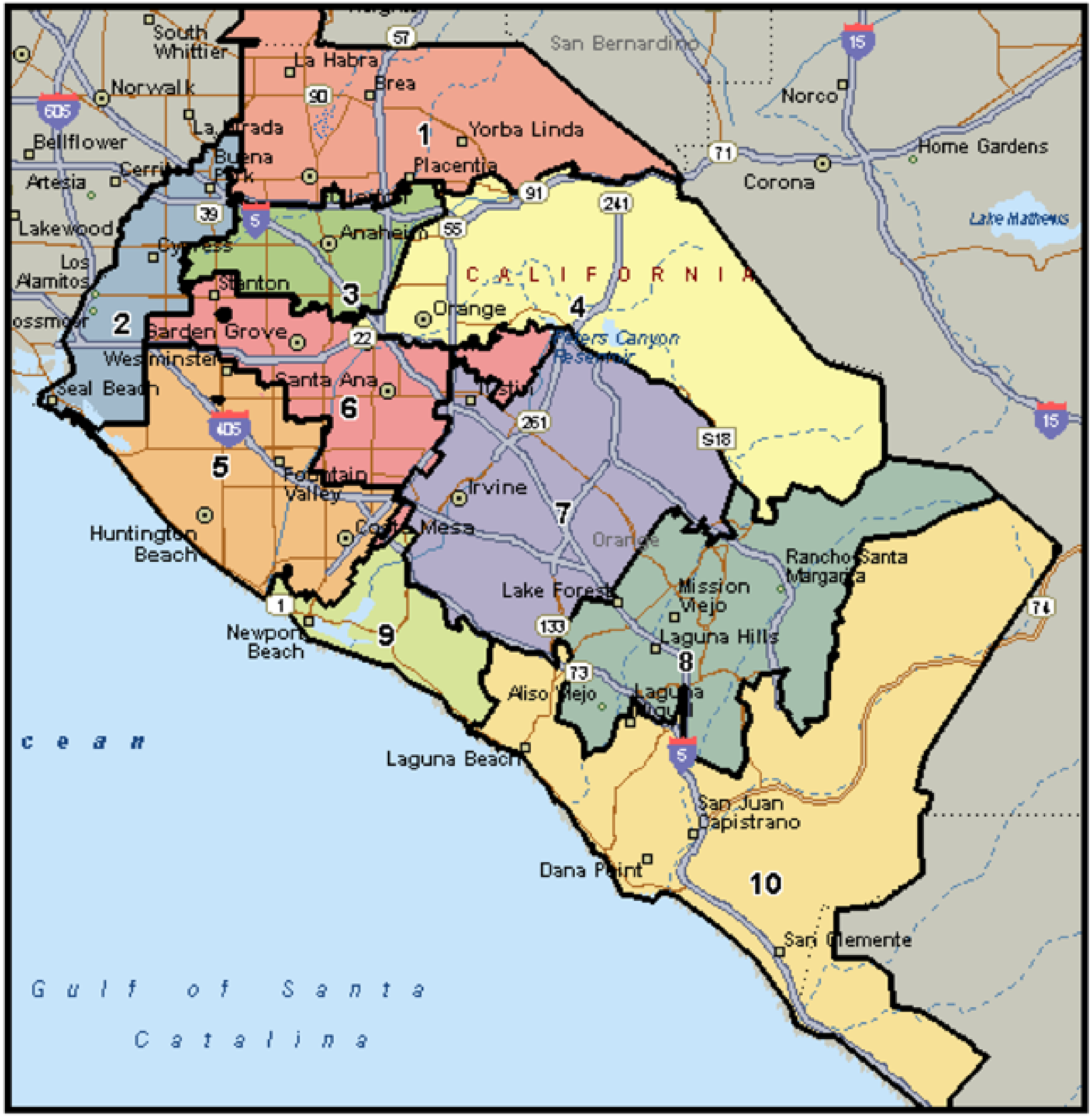
Average Monthly Rent	1-BR	2-BR	3-BR	Total	Change in Ave. Rent	Same-Store Rent Growth	New Supply Units Completed	Annual Units Completed
	Q4 2010				2009-10	2010	2010	2011 (est.)
Intown Los Angeles	$1,566	$2,232	$2,263	$1,767	6.8%	3.5%	1,014	537
Hollywood	$1,451	$1,960	$2,390	$1,629	0.6%	-1.9%	930	180
West Los Angeles	$1,746	$2,597	$3,674	$2,110	1.0%	3.4%	245	160
South Bay Cities	$1,431	$1,786	$2,299	$1,637	5.9%	4.5%	83	49
Long Beach	$1,183	$1,522	$1,671	$1,357	-1.7%	-1.1%	352	86
Tri Cities	$1,357	$1,763	$1,762	$1,522	-9.2%	-4.6%	541	530
San Fernando Valley	$1,176	$1,625	$2,132	$1,387	2.7%	2.6%	1,204	298
Santa Clarita Valley	$1,225	$1,456	$1,757	$1,418	2.1%	2.8%	0	0
San Gabriel Valley	$1,035	$1,318	$1,588	$1,216	2.2%	4.2%	0	0
East Los Angeles	$1,059	$1,334	$1,482	$1,206	-0.9%	-3.8%	786	335
Antelope Valley	$726	$824	$972	$811	-3.7%	-3.7%	78	0
Los Angeles County	$1,322	$1,679	$1,928	$1,501	0.9%	1.2%	5,233	2,175

Average Rent PSF / Average Gross Occupancy	Current Qtr		Previous Qtr		1 Year Ago		Net Absorption	Annual Units Absorbed
	Q4 2010		Q3 2010		Q4 2009		2010	2009
Intown Los Angeles	$2.15	91.5%	$2.07	92.1%	$1.93	95.5%	(1,900)	8,350
Hollywood	$1.97	93.7%	$2.00	95.0%	$1.97	95.1%	(1,620)	6,310
West Los Angeles	$2.30	96.3%	$2.36	95.3%	$2.29	94.7%	2,450	3,750
South Bay Cities	$1.81	95.3%	$1.77	96.1%	$1.74	92.1%	2,480	80
Long Beach	$1.61	94.2%	$1.65	95.5%	$1.65	93.0%	1,190	(900)
Tri Cities	$1.85	95.2%	$1.84	96.1%	$1.99	95.2%	390	1,440
San Fernando Valley	$1.66	94.7%	$1.62	94.9%	$1.62	94.6%	1,290	3,280
Santa Clarita Valley	$1.51	91.4%	$1.49	91.6%	$1.46	91.5%	(30)	390
San Gabriel Valley	$1.43	95.0%	$1.40	94.7%	$1.38	94.3%	370	580
East Los Angeles	$1.48	94.1%	$1.48	94.4%	$1.48	93.5%	1,660	(800)
Antelope Valley	$0.95	90.6%	$0.97	92.2%	$1.00	90.9%	20	210
Los Angeles County	$1.75	94.1%	$1.76	94.5%	$1.73	93.9%	6,290	22,690

Average Rents for LA Submarkets

Average Vacancy Rates for LA Submarkets





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%)

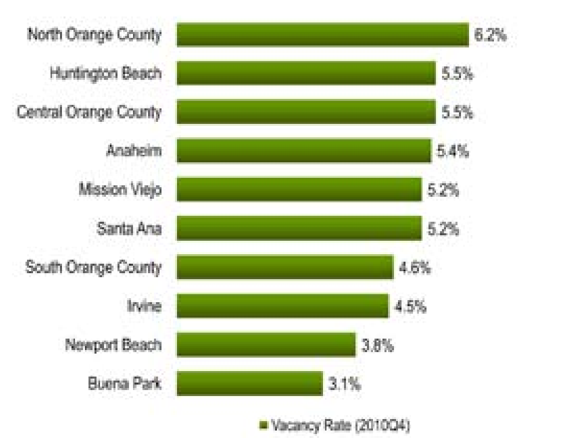
Market Snapshot Orange County

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 2010				2009-10	2010	2010	2011 (est.)
North Orange County	$1,135	$1,491	$1,811	$1,308	0.0%	-0.4%	391	94
Buena Park	$1,142	$1,417	$1,740	$1,309	1.4%	0.5%	0	0
Anaheim	$1,067	$1,427	$1,955	$1,277	5.4%	1.8%	481	46
Central Orange County	$1,280	$1,545	$1,855	$1,439	2.1%	-0.6%	57	0
Huntington Beach	$1,222	$1,536	$1,836	$1,378	0.1%	0.4%	0	36
Santa Ana	$1,090	$1,418	$1,666	$1,274	0.6%	0.9%	349	0
Irvine	$1,434	$1,804	$2,396	$1,699	1.8%	-0.1%	1,909	0
Mission Viejo	$1,257	$1,588	$2,147	$1,455	-1.4%	-1.1%	0	0
Newport Beach	$1,678	$2,332	$3,153	$2,195	8.0%	0.6%	0	0
South Orange County	$1,328	$1,623	$1,989	$1,522	-0.7%	-0.7%	0	0
Orange County	$1,247	$1,616	$2,191	$1,475	0.8%	0.0%	3,187	176

Average Rent PSF	Current Qtr		Previous Qtr		1 Year Ago		Net Absorption Units Absorbed	Annual Units Absorbed
Average Gross Occupancy	Q4 2010		Q3 2010		Q4 2009		2010	2009
North Orange County	$1.58	93.8%	$1.56	93.4%	$1.58	93.8%	370	(280)
Buena Park	$1.58	96.9%	$1.55	97.0%	$1.55	94.8%	240	(30)
Anaheim	$1.48	94.6%	$1.47	93.6%	$1.41	90.9%	1,720	1,300
Central Orange County	$1.54	94.5%	$1.50	94.6%	$1.55	95.4%	(30)	200
Huntington Beach	$1.63	94.5%	$1.63	95.5%	$1.63	94.3%	50	910
Santa Ana	$1.45	94.8%	$1.47	95.3%	$1.45	94.8%	330	100
Irvine	$1.87	95.5%	$1.86	94.2%	$1.85	92.6%	2,930	1,250
Mission Viejo	$1.62	94.8%	$1.64	95.4%	$1.62	95.4%	(100)	430
Newport Beach	$2.13	96.2%	$2.07	96.1%	$2.02	93.2%	290	10
South Orange County	$1.69	95.4%	$1.71	95.2%	$1.71	94.9%	50	310
Orange County	$1.67	94.9%	$1.66	94.7%	$1.66	93.7%	5,830	4,190

Average Rents for OC Submarkets

Average Vacancy Rates for OC Submarkets



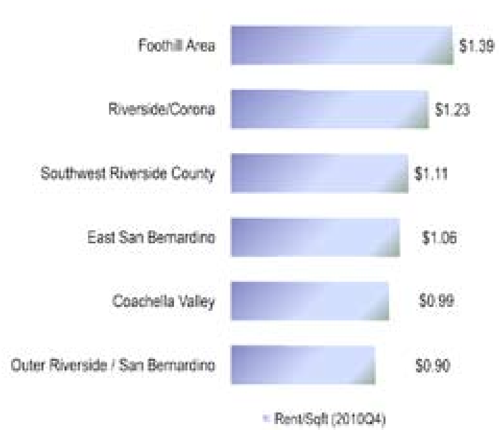
1. Riverside/Corona (18%)
2. East San Bernardino (24%)
3. Southwest Riverside (17%)
4. Foothill Area (19%)
5. Coachella Valley (14%)
6. Outer Riverside/ S. Bern (8%)

Market Snapshot Inland Empire

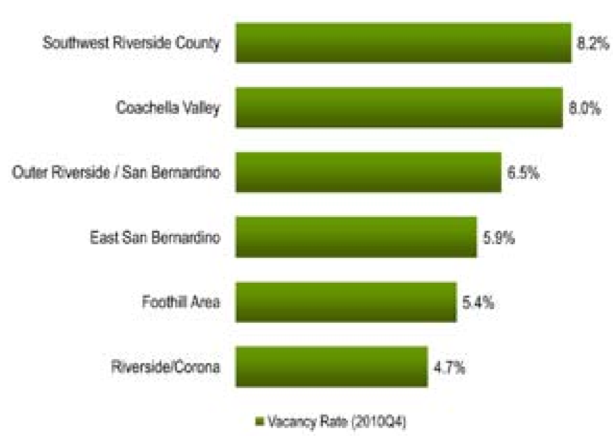
Average Monthly Rent	1-BR	2-BR	3-BR	Total	Change in Ave. Rent	Same-Store Rent Growth	New Supply Units Completed	Annual Units Completed
	Q4 2010				2009-10	2010	2010	2011 (est.)
Riverside/Corona	$894	$1,132	$1,684	$1,066	1.7%	2.2%	102	0
East San Bernardino	$755	$926	$1,174	$886	1.4%	1.4%	407	121
Southwest Riverside	$849	$1,033	$1,310	$998	2.0%	0.5%	929	20
Foothill Area	$1,023	$1,321	$1,683	$1,234	2.2%	2.6%	316	0
Coachella Valley	$795	$963	$1,019	$895	-3.0%	-6.7%	260	60
Outer Riverside/S Bernardino	$694	$798	$1,020	$799	1.7%	-4.3%	54	0
Total Inland Empire	$882	$1,083	$1,418	$1,034	1.0%	1.2%	2,068	201

Average Rent PSF	Current Qtr		Previous Qtr		1 Year Ago		Net Absorption Units Absorbed	Annual Units Absorbed
Average Gross Occupancy	Q4 2010		Q3 2010		Q4 2009		2010	2009
Riverside/Corona	$1.23	95.3%	$1.22	94.3%	$1.22	93.4%	640	530
East San Bernardino	$1.06	94.1%	$1.06	94.3%	$1.05	91.4%	1,320	370
Southwest Riverside	$1.11	91.8%	$1.12	90.4%	$1.10	91.6%	890	890
Foothill Area	$1.39	94.6%	$1.38	95.3%	$1.35	93.5%	630	880
Coachella Valley	$0.99	92.0%	$0.95	89.3%	$1.04	90.8%	510	190
Outer Riverside/S Bernardino	$0.90	93.5%	$0.83	94.2%	$0.89	91.6%	290	840
Total Inland Empire	$1.18	93.9%	$1.17	93.4%	$1.18	92.4%	4,280	3,710

Average Rents for IE Submarkets



Average Vacancy Rates for IE Submarkets



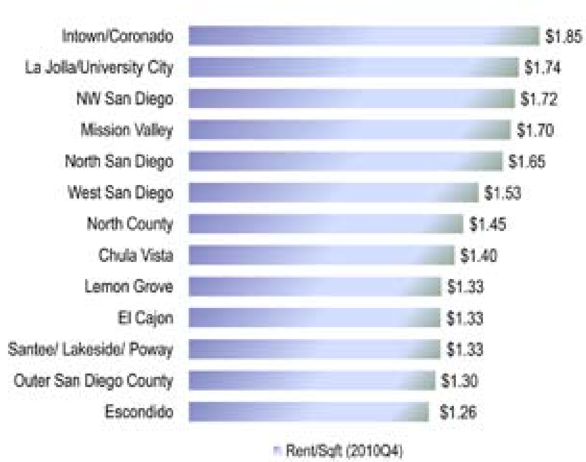
1. Intown/Coronado (17%)
2. Mission Valley (9%)
3. La Jolla (10%)
4. Lemon Grove (8%)
5. Chula Vista (10%)
6. West San Diego (4%)
7. North San Diego (7%)
8. NW San Diego (3%)
9. Escondido (5%)
10. North County (13%)
11. Santee/Lakeside/Poway (4%)
12. El Cajon (10%)

Market Snapshot San Diego

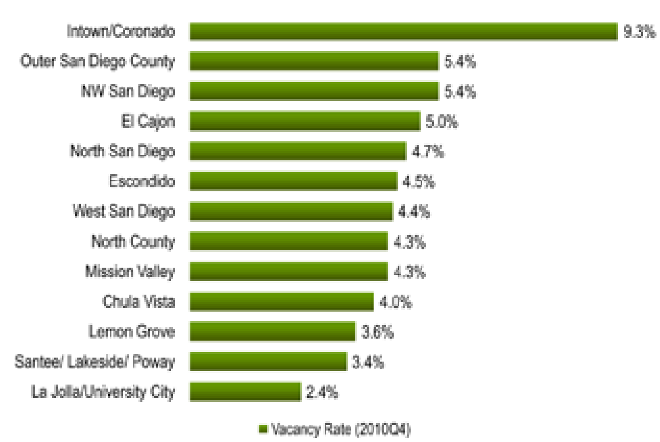
Average Monthly Rent	1-BR	2-BR	3-BR	Total	Change in Ave. Rent	Same-Store Rent Growth	New Supply Units Completed	Annual
	Q4 2010				2009-10	2010	2010	2011 (est.)
Intown/Coronado	$1,330	$1,650	$1,359	$1,364	-2.3%	-3.1%	1,071	222
Mission Valley	$1,240	$1,578	$2,500	$1,479	1.3%	-1.2%	347	0
La Jolla/University City	$1,388	$1,835	$2,530	$1,650	-1.4%	-0.6%	0	0
Lemon Grove/National City	$879	$1,145	$1,358	$1,065	-2.1%	0.7%	0	0
Chula Vista/Imperial Beach	$993	$1,277	$1,555	$1,213	-1.8%	0.6%	45	774
West San Diego	$1,038	$1,362	$1,750	$1,274	2.9%	2.3%	0	0
North San Diego	$1,251	$1,556	$1,796	$1,464	1.3%	3.3%	289	0
Northwest San Diego/Encinitas	$1,410	$1,799	$2,129	$1,696	-0.9%	0.6%	0	0
Escondido	$879	$1,126	$1,281	$1,020	0.8%	1.9%	61	55
North County	$1,104	$1,337	$1,615	$1,282	2.7%	1.0%	378	0
Santee/Lakeside/Poway	$977	$1,198	$1,316	$1,122	2.7%	3.9%	128	0
El Cajon	$953	$1,160	$1,456	$1,089	-1.4%	0.2%	297	0
San Diego County	$1,137	$1,409	$1,710	$1,320	-0.2%	0.9%	2,616	1,051

Average Rent PSF	Current Qtr		Previous Qtr		1 Year Ago		Net Absorption Units Absorbed	Annual
Average Gross Occupancy	Q4 2010		Q3 2010		Q4 2009		2010	2009
Intown/Coronado	$1.85	90.7%	$1.79	96.6%	$1.92	95.4%	(770)	1,000
Mission Valley	$1.70	95.7%	$1.70	94.8%	$1.68	95.8%	420	690
La Jolla/University City	$1.74	97.6%	$1.78	97.3%	$1.77	97.0%	230	540
Lemon Grove/National City	$1.33	96.4%	$1.31	96.0%	$1.32	95.1%	360	(60)
Chula Vista/Imperial Beach	$1.40	96.0%	$1.40	97.0%	$1.39	94.7%	530	(290)
West San Diego	$1.53	95.6%	$1.55	95.7%	$1.49	95.5%	10	(110)
North San Diego	$1.65	95.3%	$1.64	94.4%	$1.62	94.4%	580	180
Northwest San Diego/Encinitas	$1.72	94.6%	$1.79	96.5%	$1.72	95.2%	(30)	30
Escondido	$1.26	95.5%	$1.29	95.9%	$1.25	94.7%	210	(20)
North County	$1.45	95.7%	$1.44	95.1%	$1.43	94.2%	1,220	(140)
Santee/Lakeside/Poway	$1.33	96.6%	$1.34	96.5%	$1.28	95.4%	320	90
El Cajon	$1.33	95.0%	$1.36	95.6%	$1.32	95.0%	350	(30)
Outer San Diego County	$1.30	94.6%	$1.32	95.4%	$1.23	97.4%	(10)	10
San Diego County	$1.53	95.4%	$1.53	95.8%	$1.52	95.1%	3,420	1,880

Average Rents for SD Submarkets

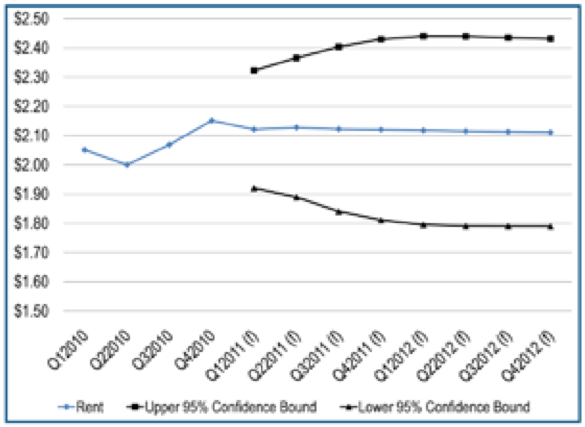


Average Vacancy Rates for SD Submarkets

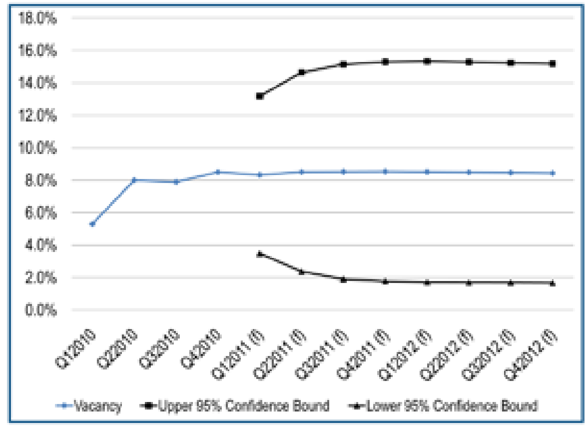


Appendix I • Los Angeles Forecasted Rents and Vacancy

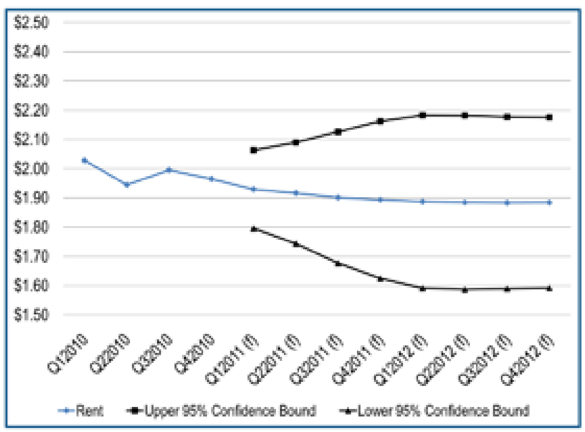
Intown Forecasted Rents



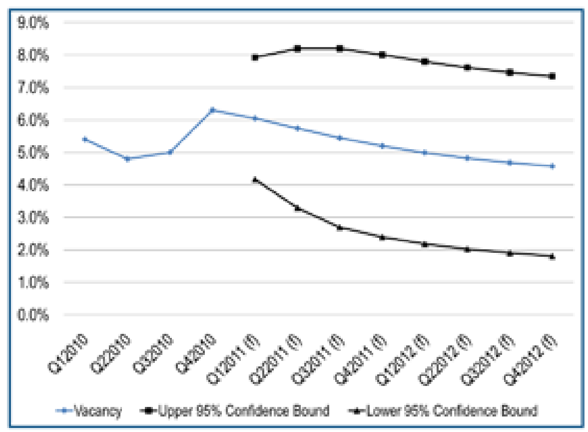
Intown Forecasted Vacancy



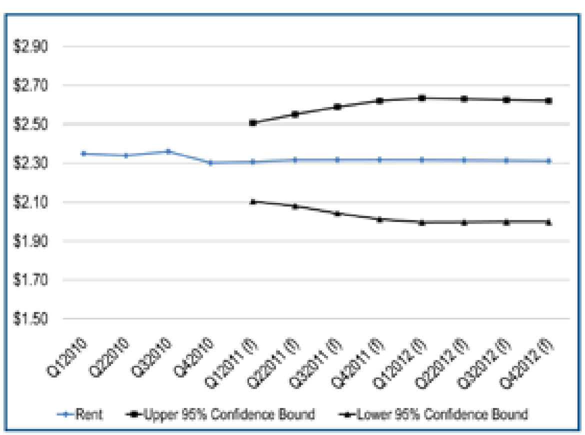
Hollywood Forecasted Rents



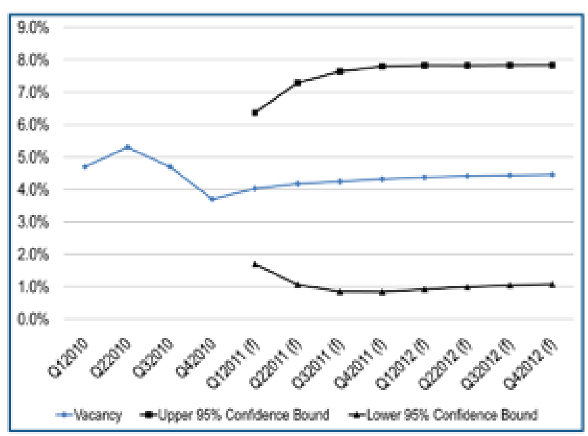
Hollywood Forecasted Vacancy



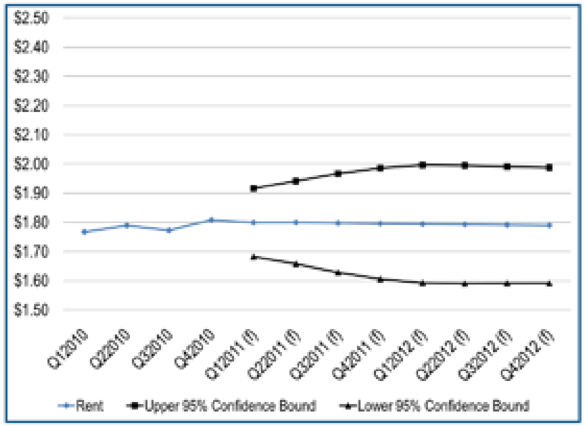
West Los Angeles Forecasted Rents



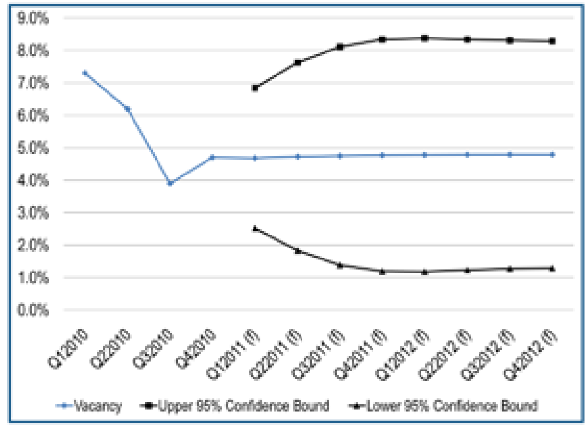
West Los Angeles Forecasted Vacancy



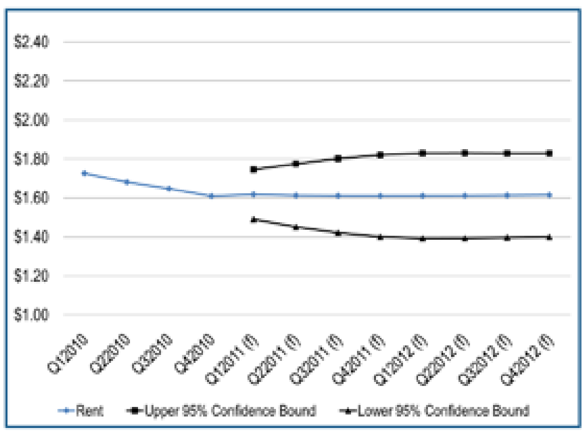
South Bay Forecasted Rents



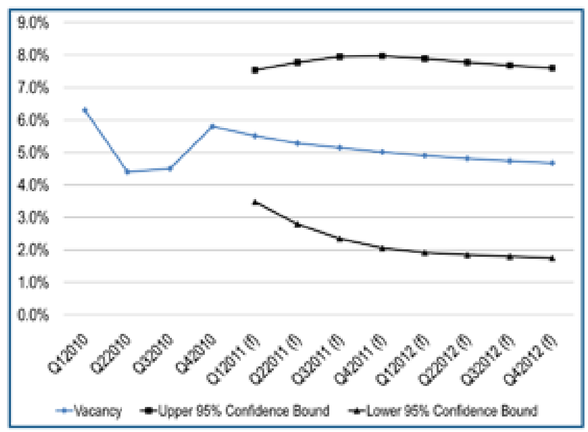
South Bay Forecasted Vacancy



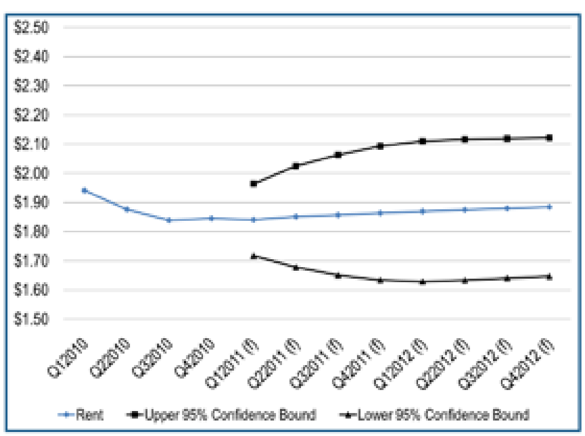
Long Beach Forecasted Rents



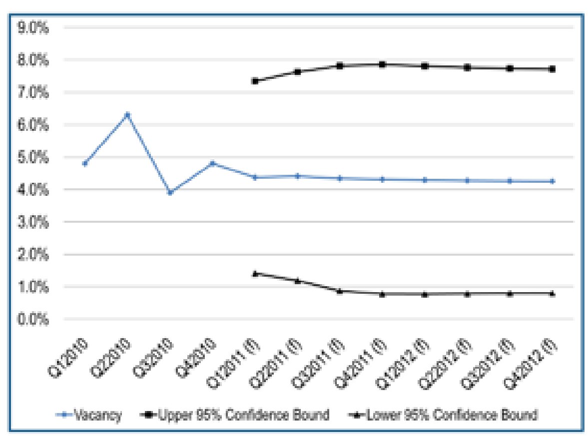
Long Beach Forecasted Vacancy



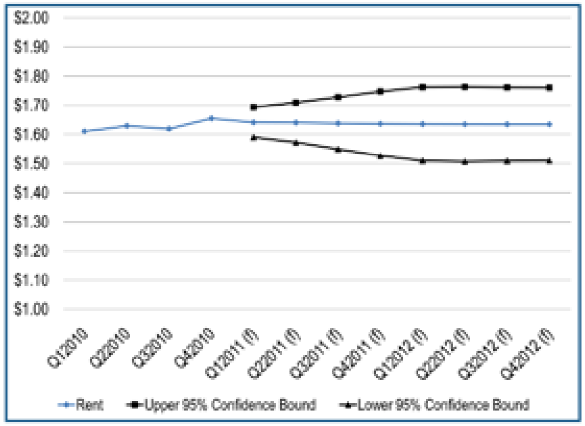
Tri Cities Forecasted Rents



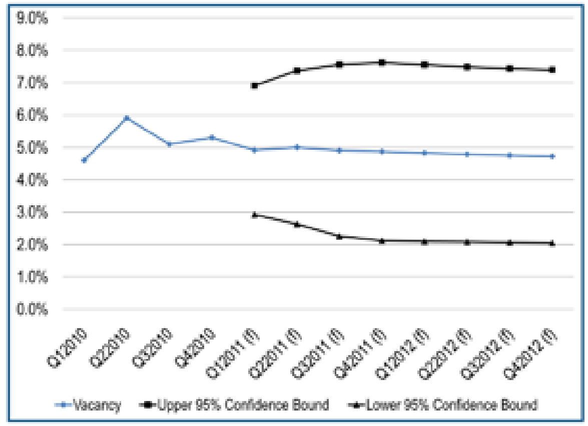
Tri Cities Forecasted Vacancy



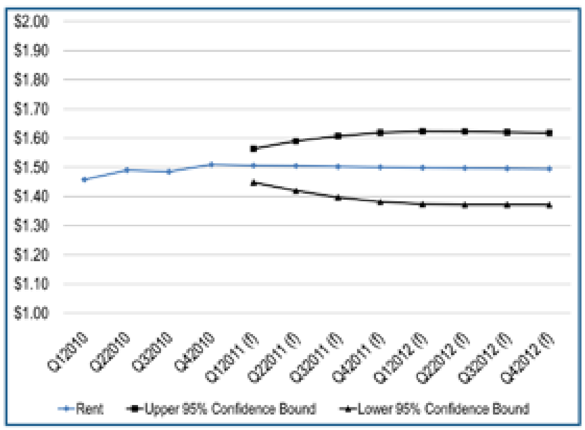
San Fernando Valley Forecasted Rents



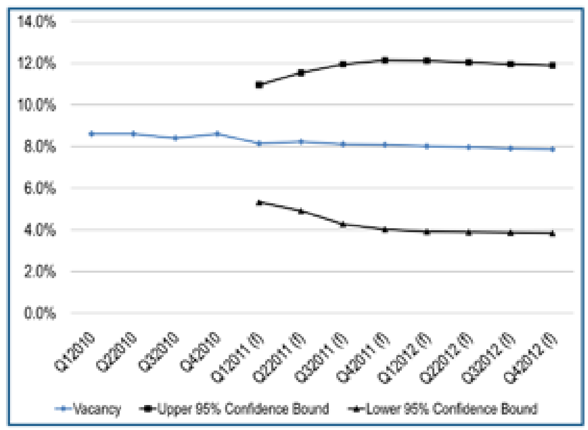
San Fernando Valley Forecasted Vacancy



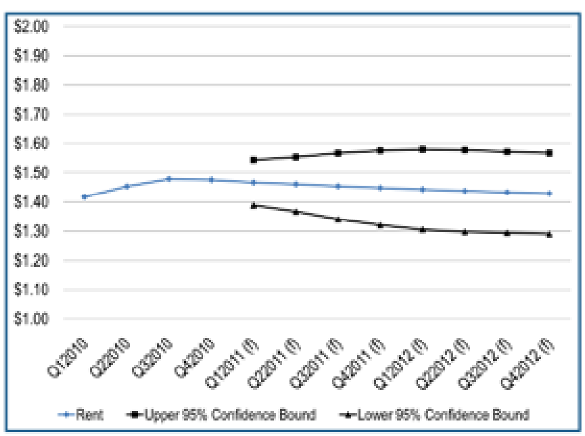
Santa Clarita Forecasted Rents



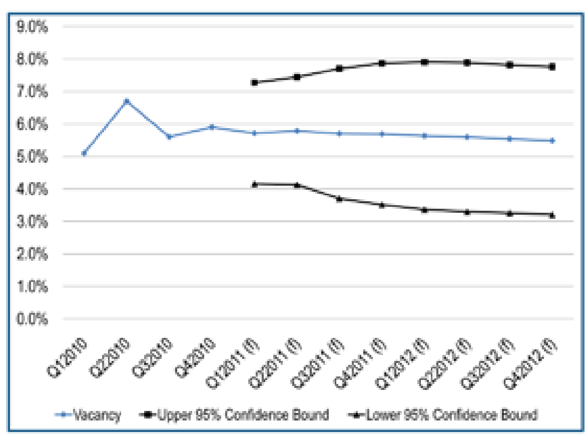
Santa Clarita Forecasted Vacancy



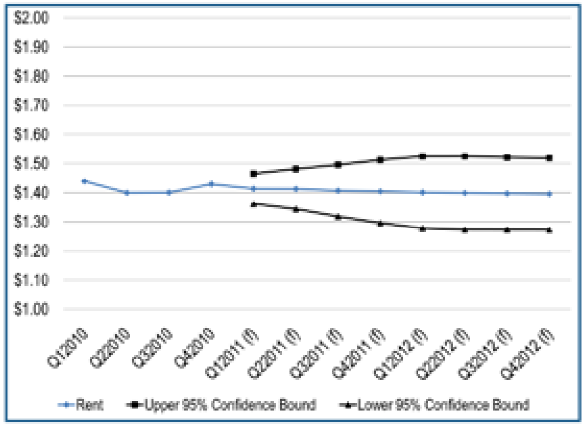
East Los Angeles Forecasted Rents



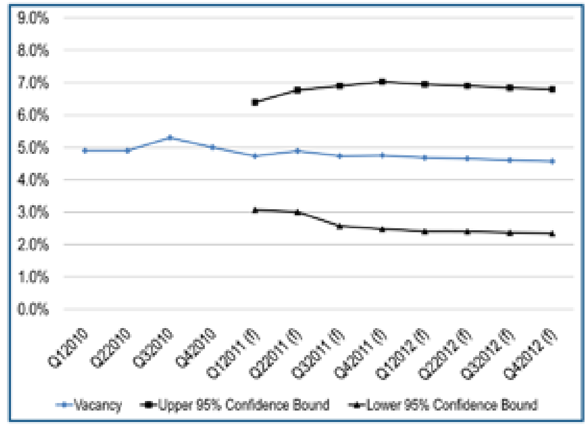
East Los Angeles Forecasted Vacancy



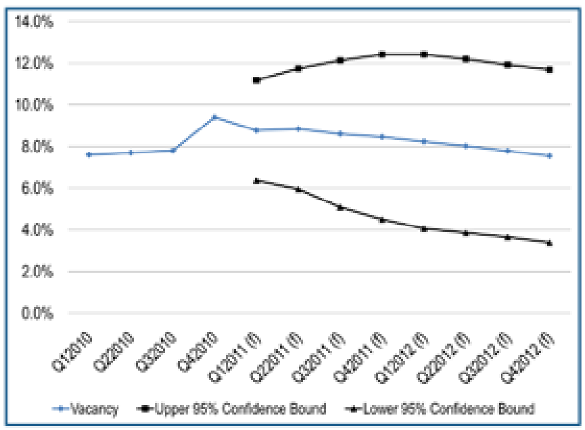
San Gabriel Valley Forecasted Rents



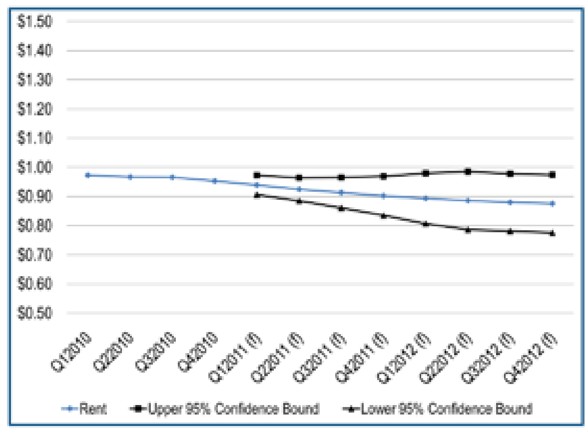
San Gabriel Valley Forecasted Vacancy



Antelope Valley Forecast Vacancy

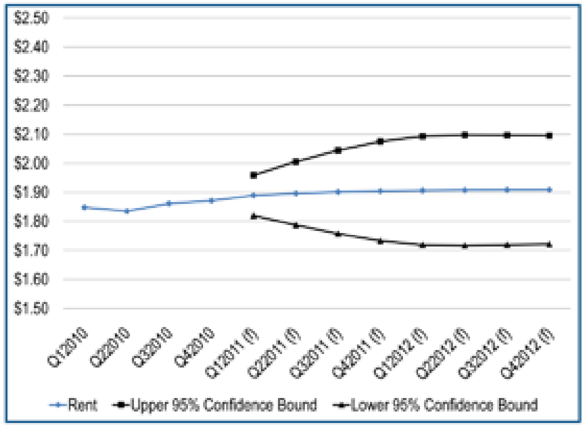


Antelope Valley Forecasted Rents

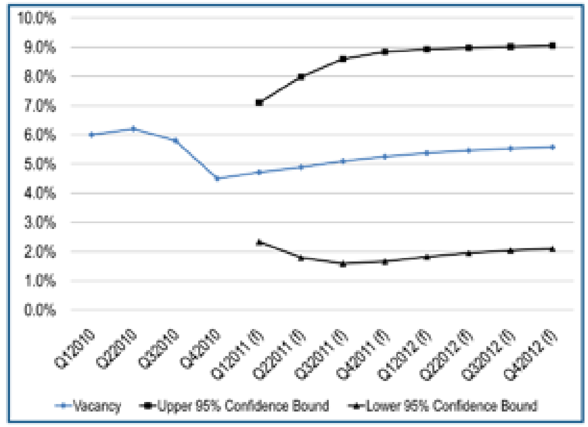


Appendix II • Orange County Forecasted Rents and Vacancy

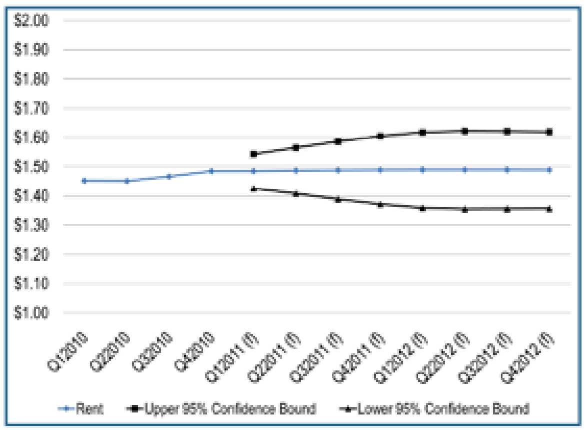
Irvine Forecasted Rents



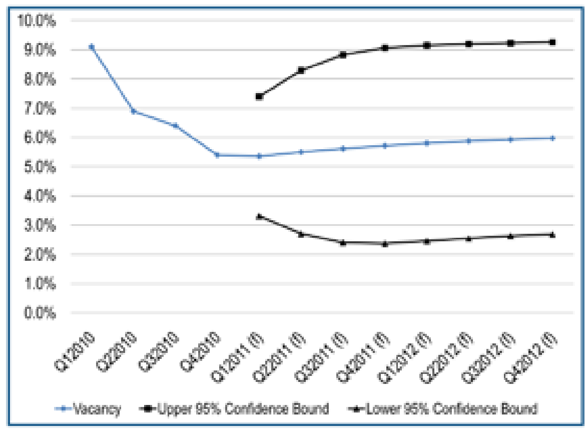
Irvine Forecasted Vacancy



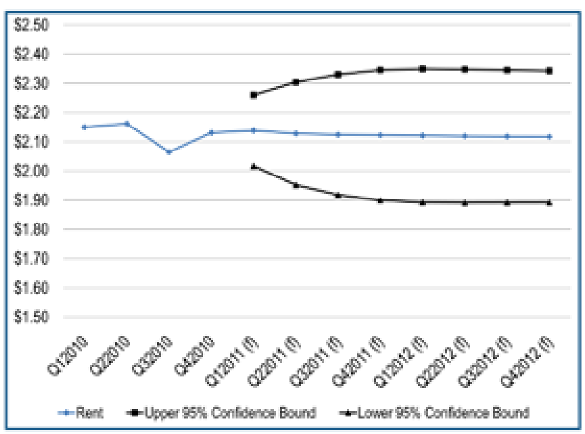
Anaheim Forecasted Rents



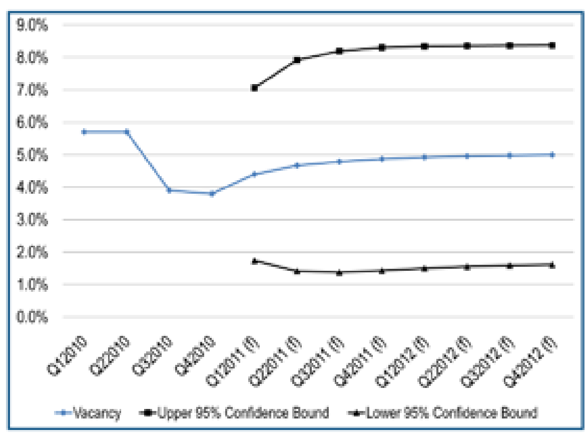
Anaheim Forecasted Vacancy



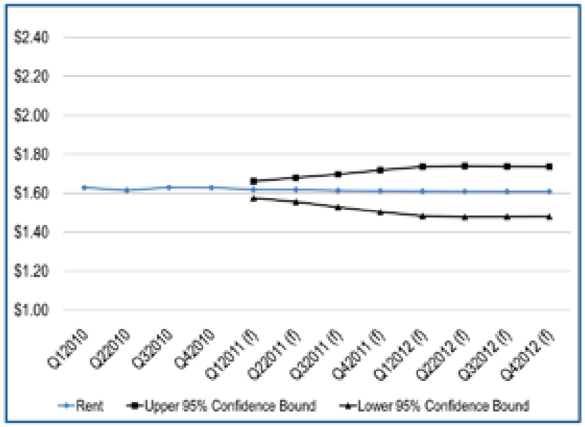
Newport Beach Forecasted Rents



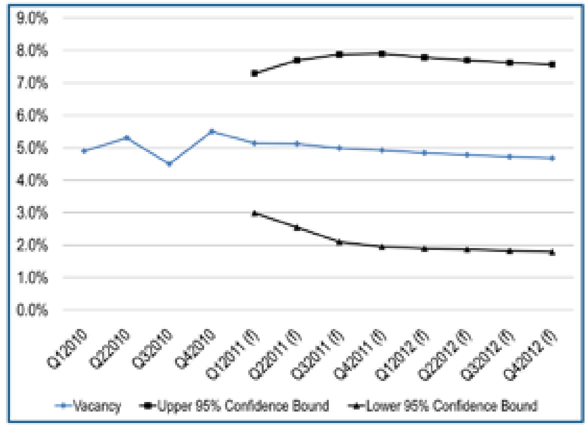
Newport Beach Forecasted Vacancy



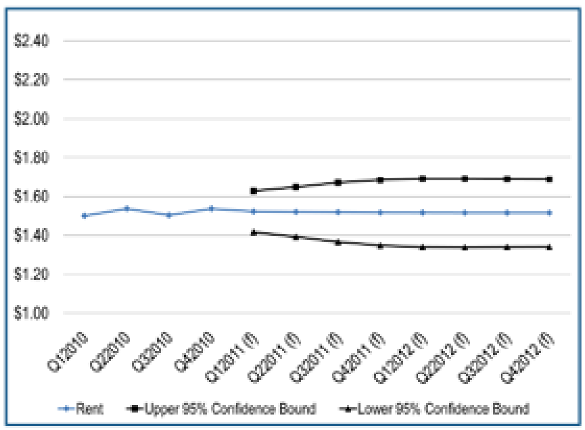
Huntington Beach Forecasted Rents



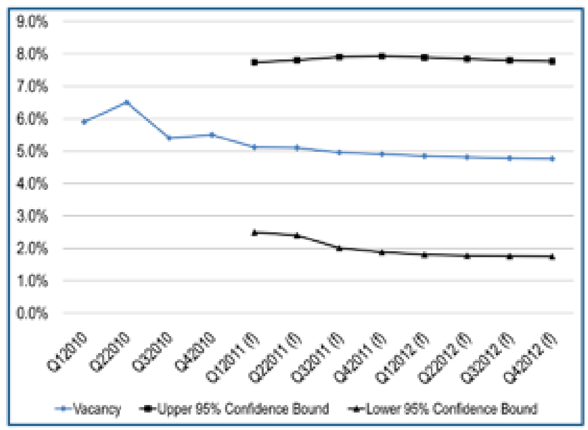
Huntington Beach Forecasted Vacancy



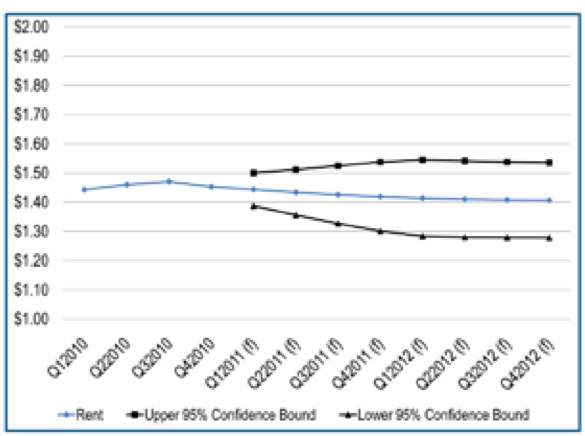
Central County Forecasted Rents



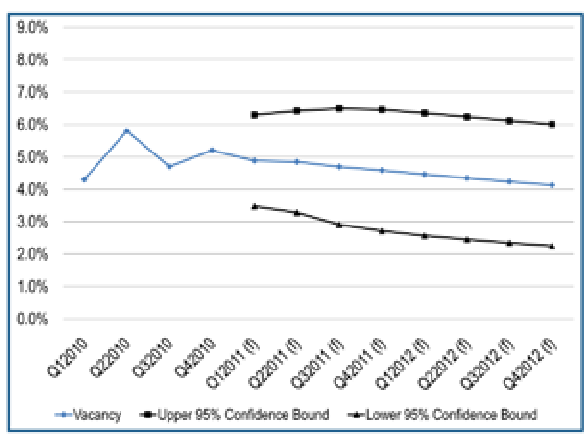
Central County Forecasted Vacancy



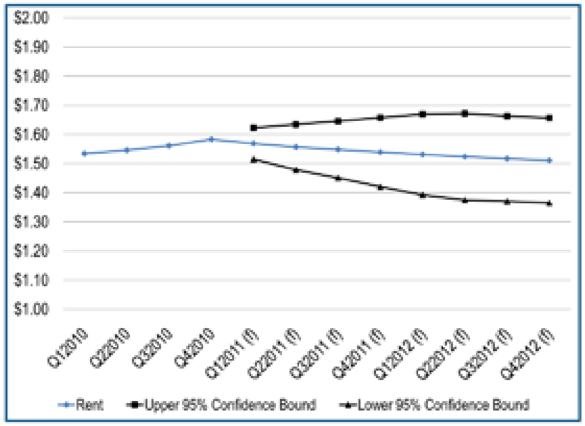
Santa Ana Forecasted Rents



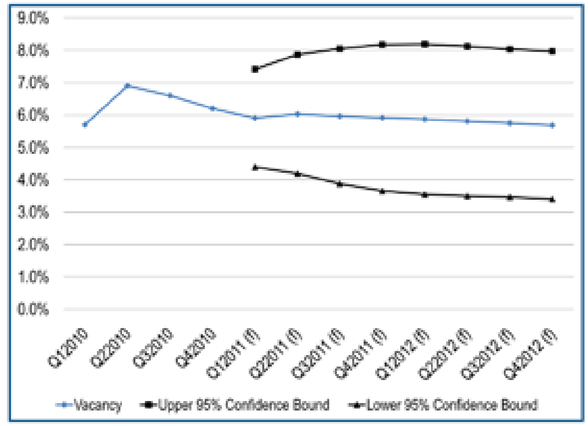
Santa Ana Forecasted Vacancy



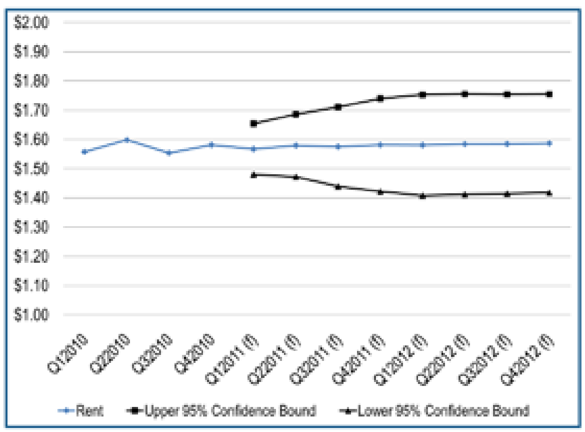
North County Forecasted Rents



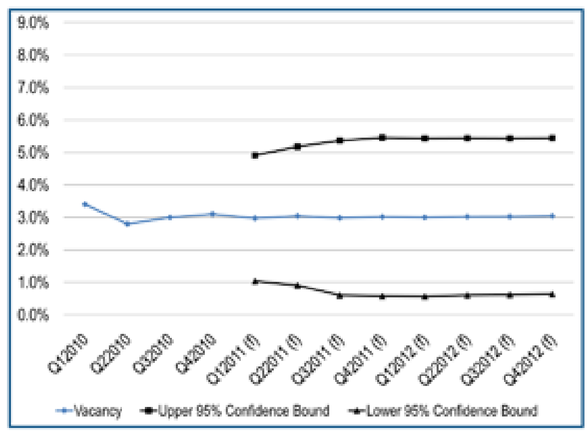
North County Forecasted Vacancy



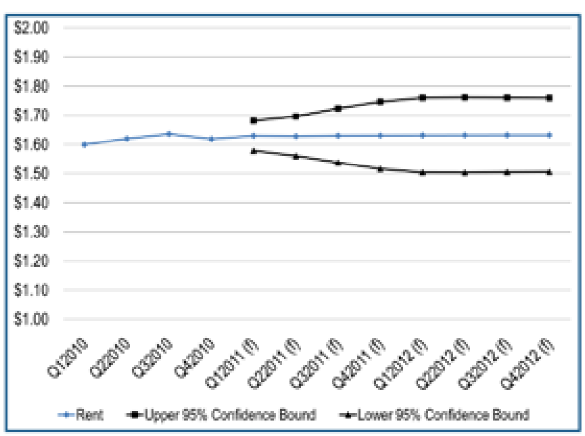
Buena Park Forecasted Rents



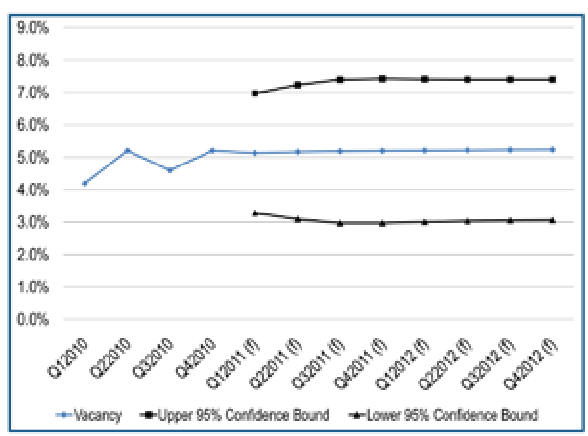
Buena Park Forecasted Vacancy



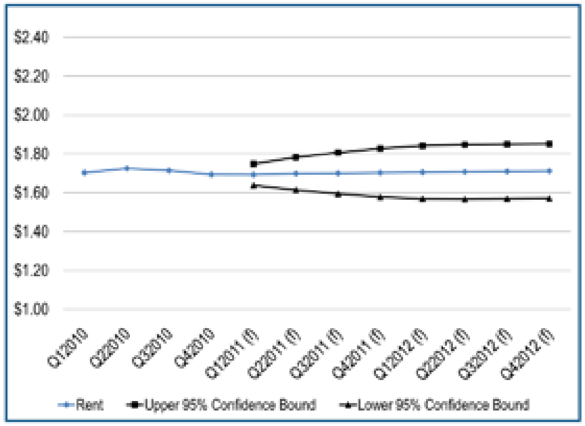
Mission Viejo Forecasted Rents



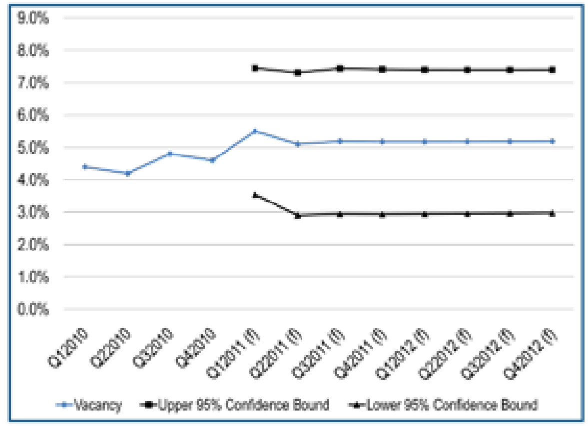
Mission Viejo Forecasted Vacancy



South County Forecasted Rents

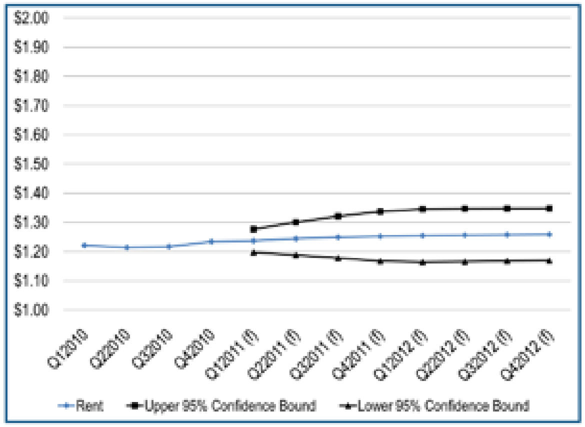


South County Forecasted Vacancy

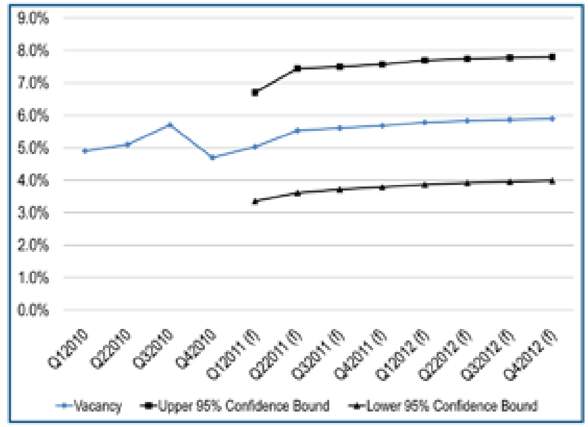


Appendix III • Inland Empire Forecasted Rents and Vacancy

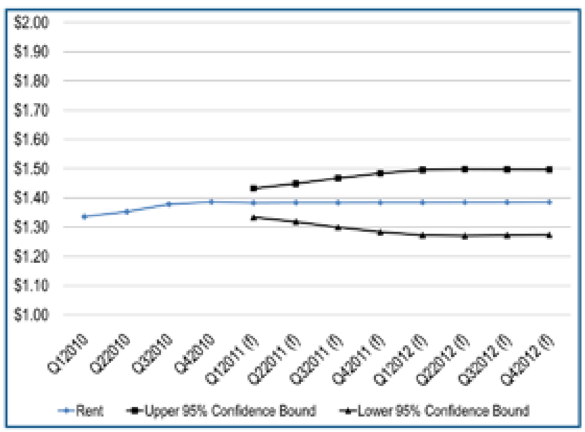
Riverside/Corona Forecasted Rents



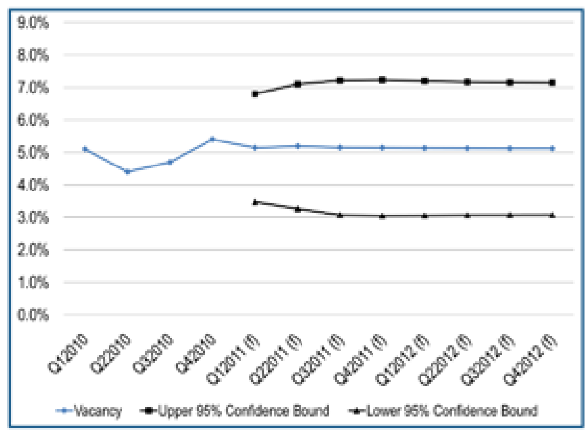
Riverside/Corona Forecasted Vacancy



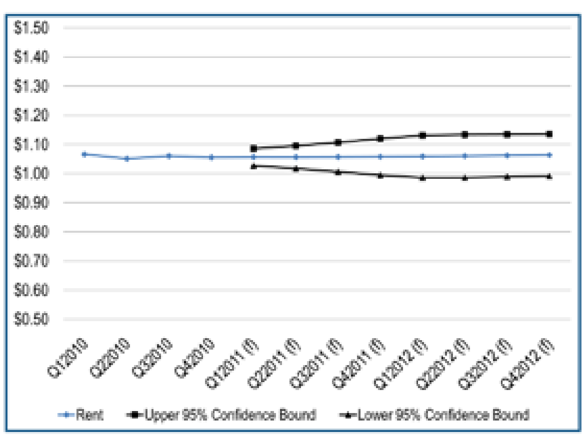
Foothill Area Forecasted Rents



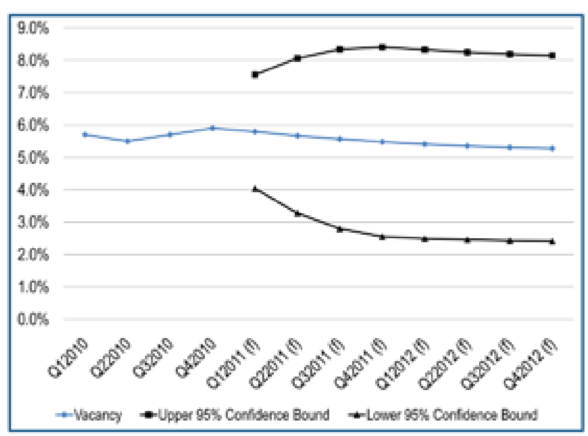
Foothill Area Forecasted Vacancy



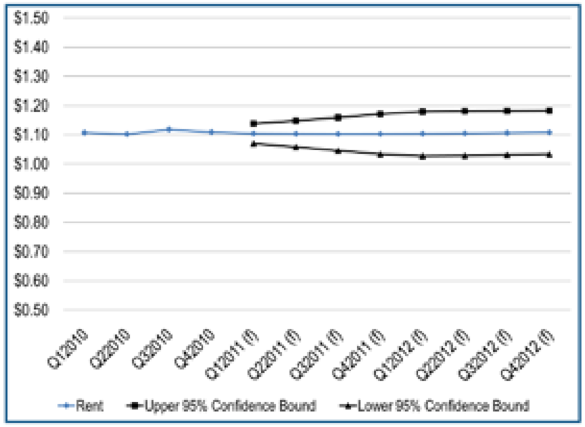
East San Bernardino Forecasted Rents



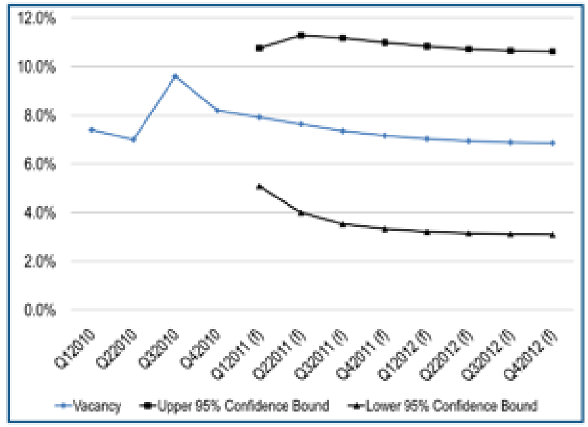
East San Bernardino Forecasted Vacancy



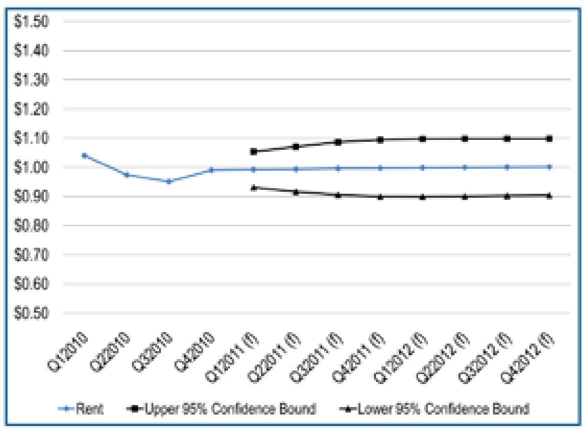
Southwest Riverside Forecasted Rents



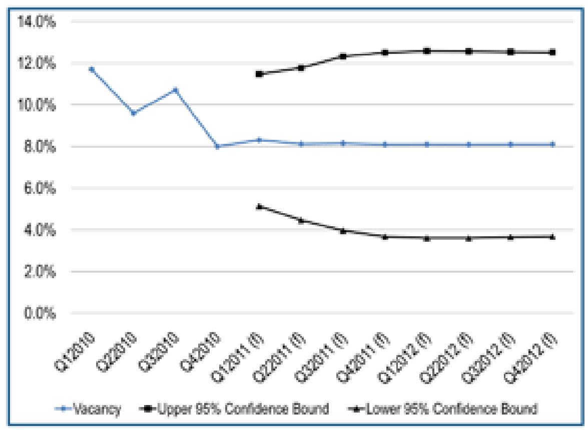
Southwest Riverside Forecasted Vacancy



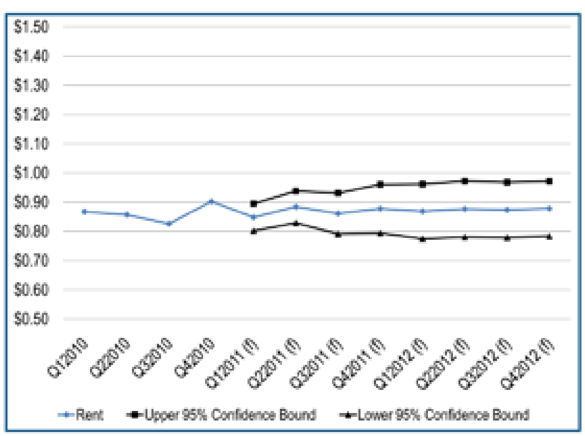
Coachella Valley Forecasted Rents



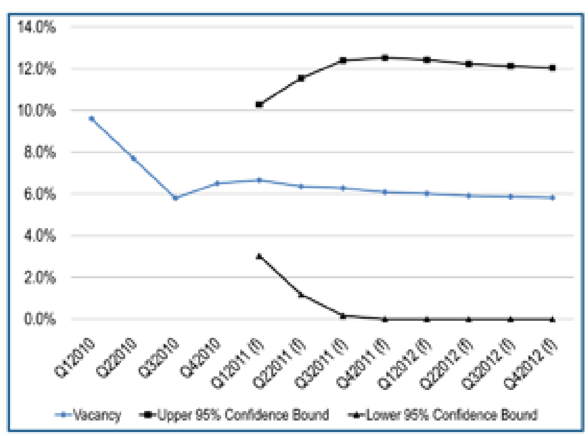
Coachella Valley Forecasted Vacancy



Outer Riverside Forecasted Rents

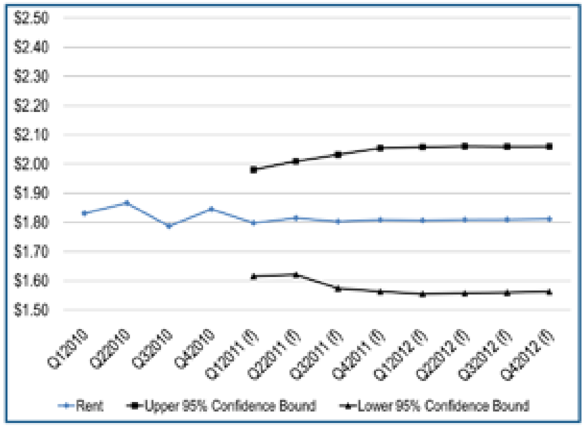


Outer Riverside Forecasted Vacancy

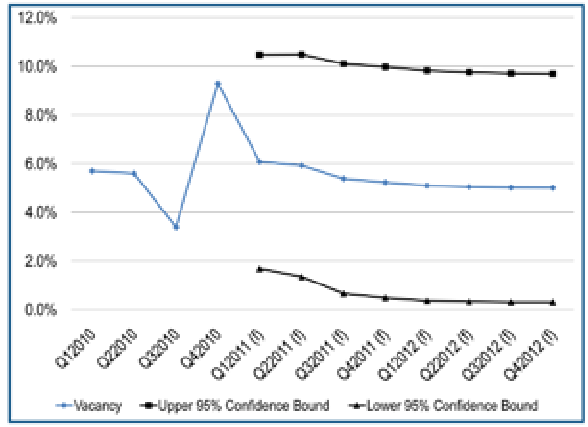


Appendix IV • San Diego Forecasted Rents and Vacancy

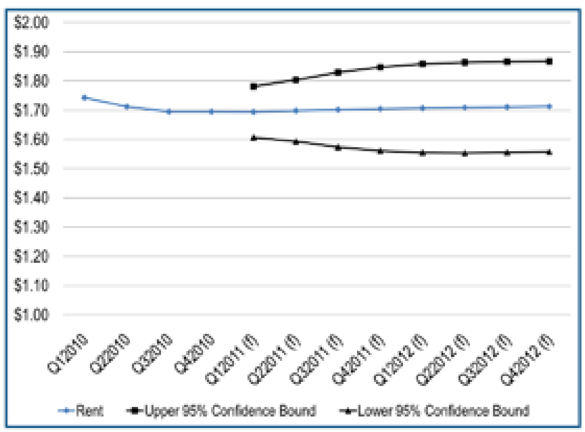
Intown Forecasted Rents



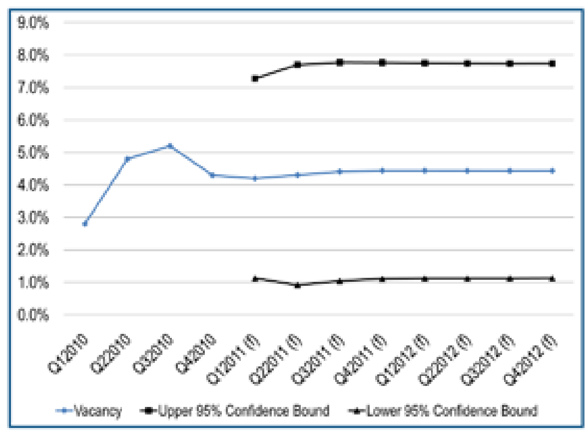
Intown Forecasted Vacancy



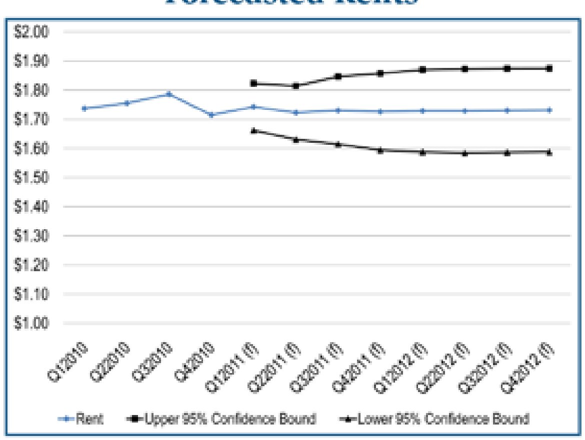
Mission Valley Forecasted Rents



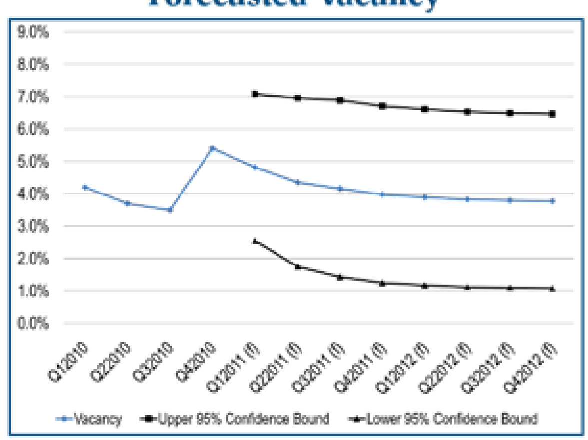
Mission Valley Forecasted Vacancy



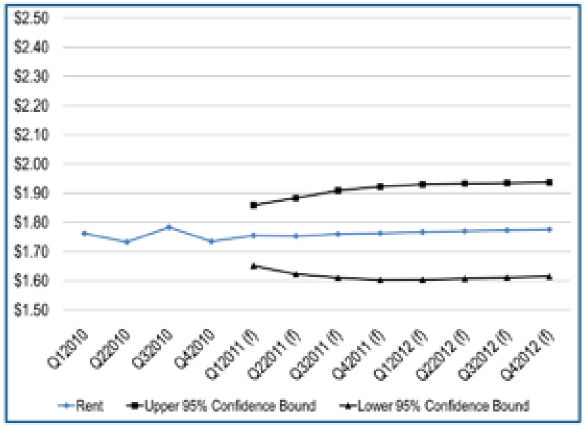
Northwest San Diego/Encinitas Forecasted Rents



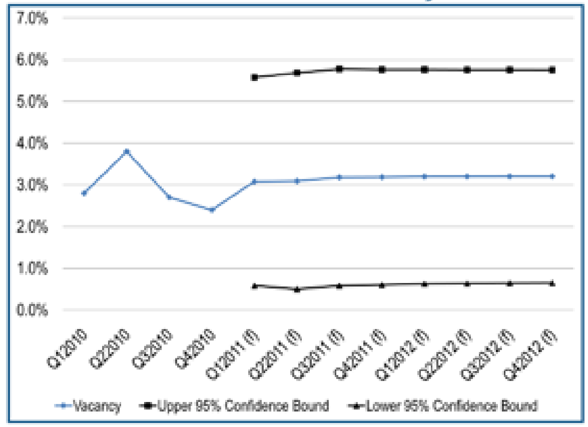
Northwest San Diego/Encinitas Forecasted Vacancy



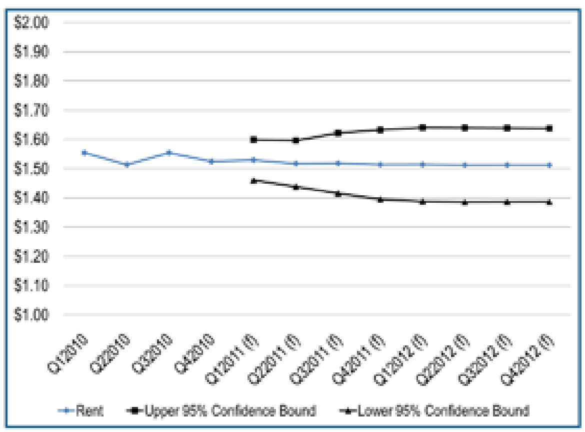
La Jolla/University City Forecasted Rents



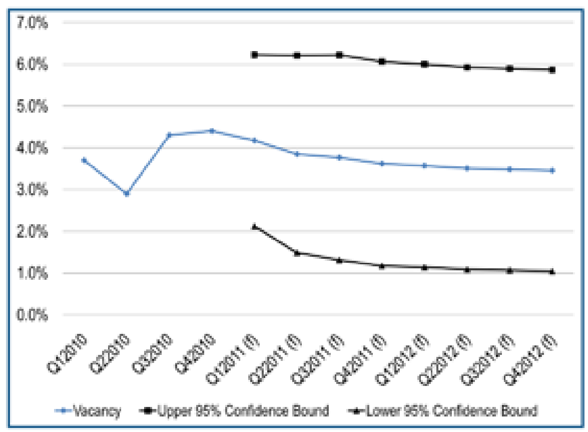
La Jolla/University City Forecasted Vacancy



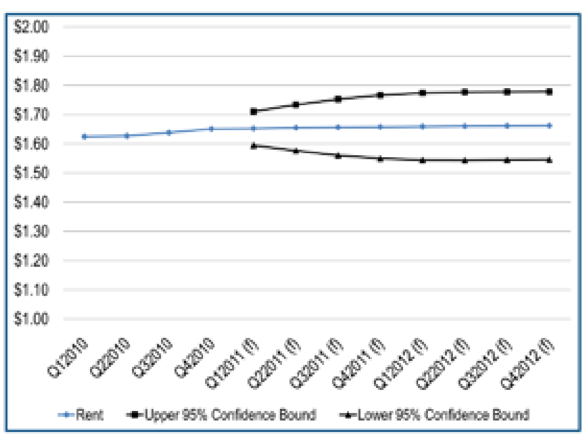
West Area Forecasted Rents



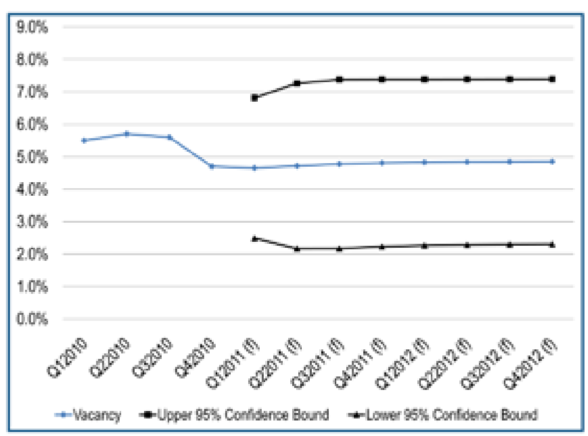
West Area Forecasted Vacancy



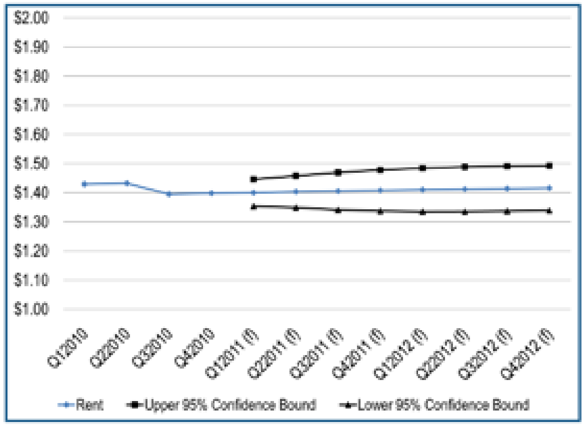
North San Diego Forecasted Rents



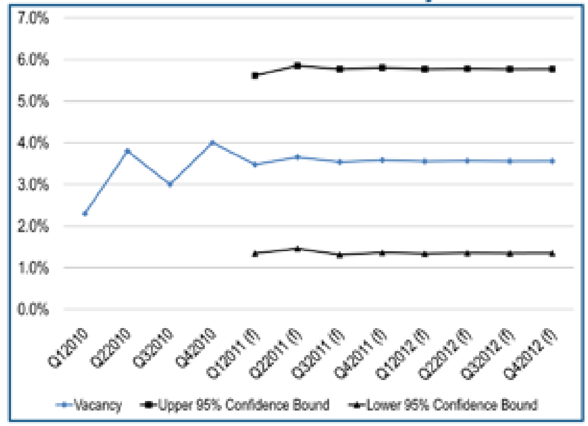
North San Diego Forecasted Vacancy



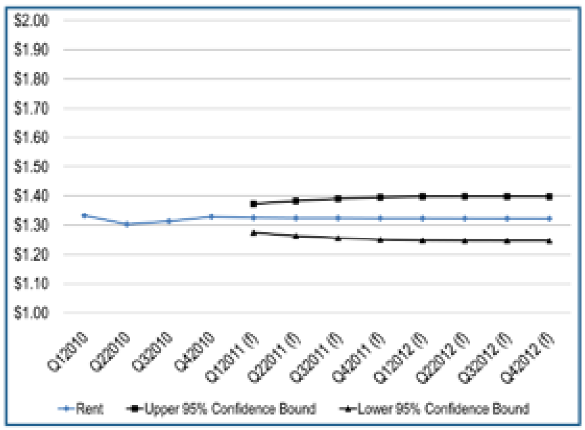
Chula Vista/Imperial Beach Forecasted Rents



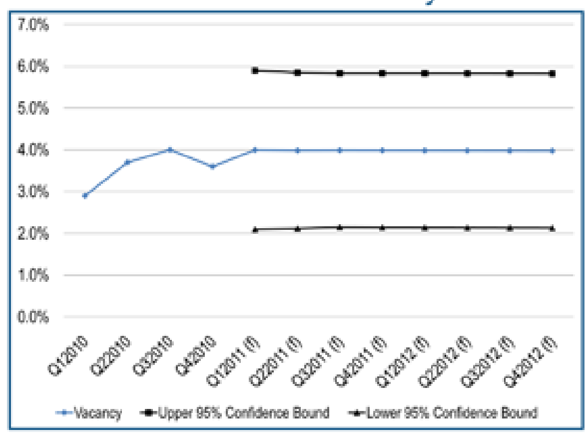
Chula Vista/Imperial Beach Forecasted Vacancy



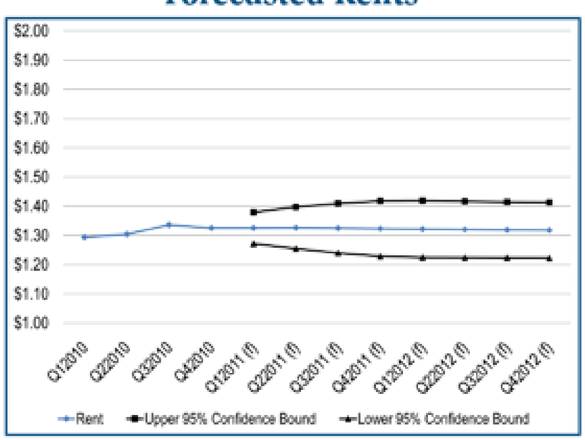
Lemon Grove/National City Forecasted Rents



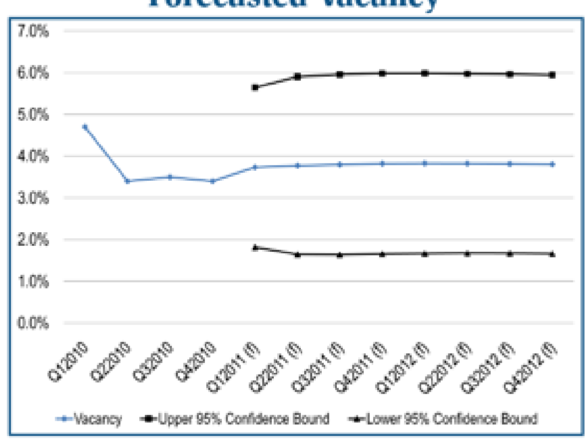
Lemon Grove/National City Forecasted Vacancy



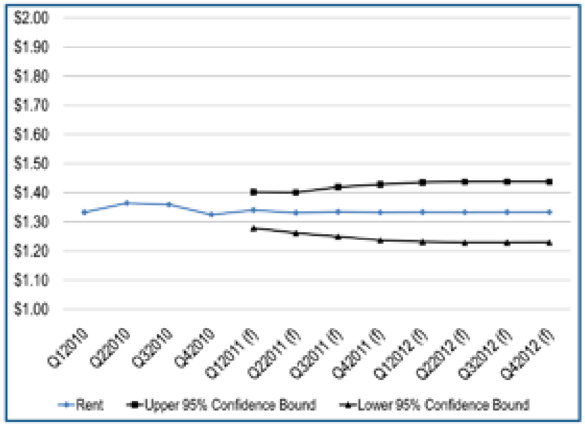
Santee/Lakeside/Poway Forecasted Rents



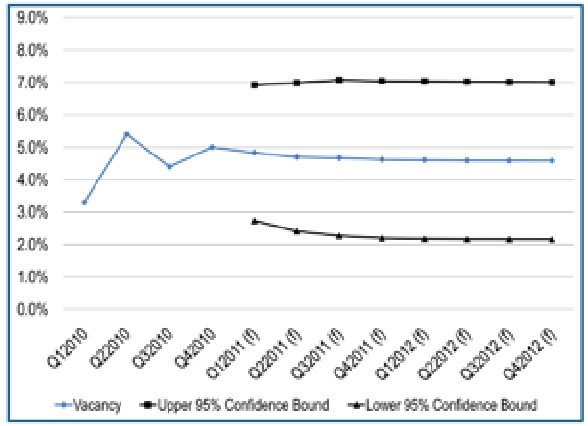
Santee/Lakeside/Poway Forecasted Vacancy



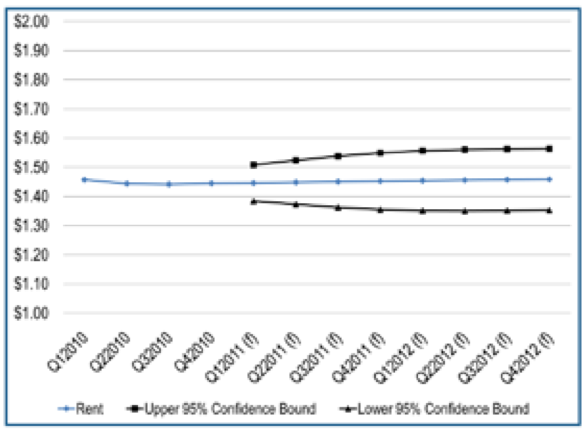
El Cajon Forecasted Rents



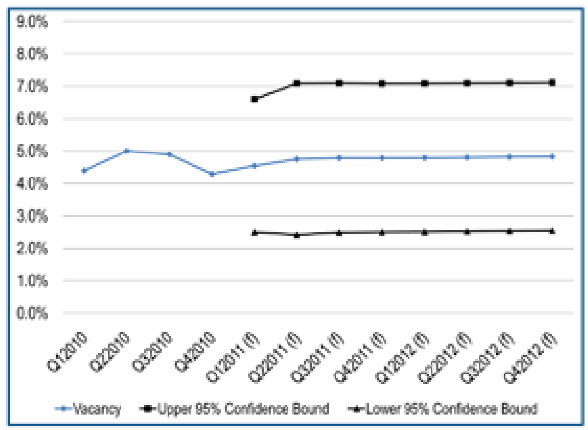
El Cajon Forecasted Vacancy



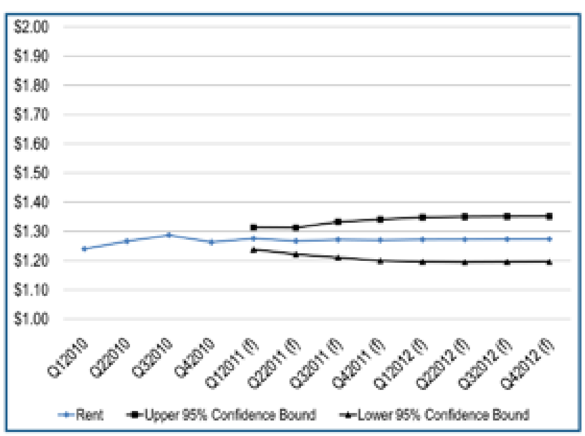
North County Forecasted Rents



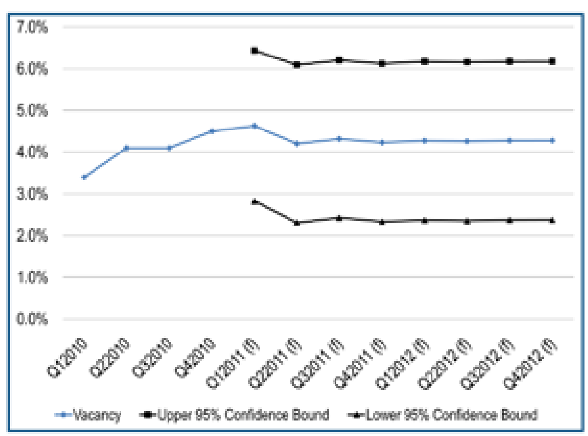
North County Forecasted Vacancy



Escondido Forecasted Rents



Escondido Forecasted Vacancy



Bios

Richard K. Green | Director | 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.

Dr. Green earned his Ph.D. and M.S. in economics from the University of Wisconsin-Madison. He earned his A.B. in economics from Harvard University.

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 | USC Casden Real Estate Economics Forecast

Tracey Seslen received her Ph.D. in Economics from the Massachusetts Institute of Technology in 2003 and has been an Assistant Professor of Clinical Finance and Business Economics since 2006. She currently teaches Real Estate Finance in the Marshall School of Business and the School of Policy, Planning, and Development at USC. She is also one of the core finance instructors for the Ross Minority Program in Real Estate. Her past research has focused on housing cycles, the capitalization of risk and return into housing prices, household mobility behavior, and termination risk in commercial mortgages.

For the past year, she has been the co-author of the Casden Real Estate Report and in that role has developed new models for predicting price and vacancy movements for office, industrial and multi-family markets in Southern California. Her expertise in real estate finance has led to quotes in the LA Times, Wall Street Journal, OC Register, LA Business Journal, Long Beach Business Journal, California Real Estate Journal, SmartMoney.com, Downtown News, and other local and national publications. In addition, she has appeared on the Today Show, Marketplace Radio, and various local network news broadcasts. Recently, she has worked as an expert witness on real estate valuation issues.

When not working in the field of real estate, she is an avid international traveler, photographer, and skier. She lives in Marina del Rey with her husband and 2-year-old daughter.

Skye Tirsbier | MBA/MPL Dual Degree Candidate | University of Southern California

Skye Tirsbier is a Master of Business Administration/Master of Planning dual degree candidate at USC. Before attending USC, she worked for real estate developer 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 applying her business knowledge and real estate experience in the education sector or working for a real estate development firm in Southern California.