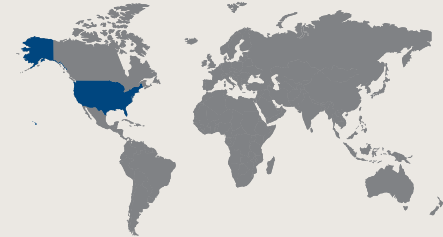


Market Research

MULTI-FAMILY | THIRD QUARTER | 2009



MARKET INDICATORS

3Q 2009 4Q 2009*

APARTMENT VACANCY ↑ ↑

APARTMENT RENTS ↓ ↓

INVESTMENT CAP RATES ↑ ↑

POPULATION GROWTH ↑ ↑

JOB GROWTH ↓ ↓

* PROJECTED

East Bay Market Conditions

Written by Brian Landes

ECONOMIC CONDITIONS

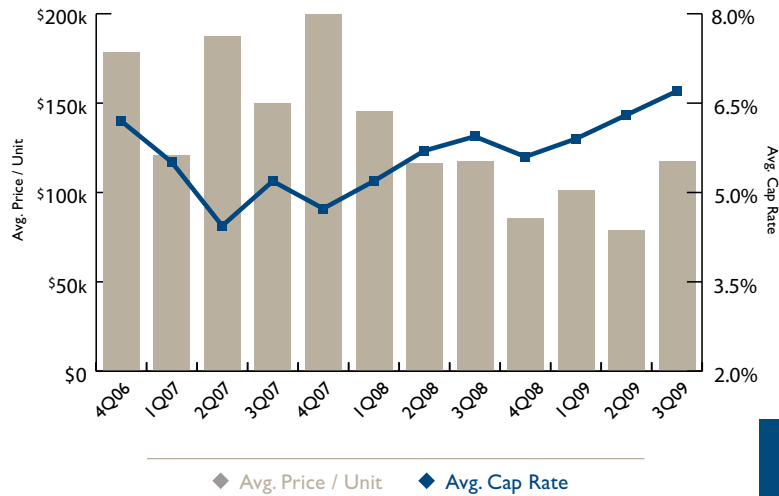
Market conditions for the apartment market continued to soften amid the softening East Bay economy. The East Bay was the first region in the Bay Area to enter the recession and has been plagued by a string of mass layoffs as of late. Kaiser Permanente is laying off 102 positions in Walnut Creek. In Union City, The San Francisco Chronicle eliminated 434 jobs at their printing facility there, while Bank of America is scheduled to eliminate 183 positions in Concord. Sun Microsystems has announced layoffs in Pleasanton while AT&T has laid off 232 employees in San Ramon.

And perhaps most significantly of all, the Nummi plant in Fremont will shutter operations next year after Toyota ceases manufacturing there next year leading to approximately 4,700 hundred employees being laid off. For the East Bay region, unemployment has surged to 11.16% with no signs of that letting up in the near future.

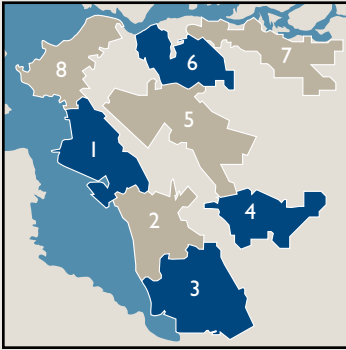
SALES TRENDS

After a slight uptick in the number of transactions during the fourth quarter of 2008 and the first quarter of 2009, deal velocity has plummeted through 2009. Since reaching a peak of 111 transactions in the fourth quarter of 2006, the number of East Bay apartment transactions (for

EAST BAY MULTI-FAMILY • AVG. PRICE / UNIT VS. AVG. CAP RATE



www.colliersparish.com



SUBMARKET MAP

1. OAKLAND, BERKELEY, EMERYVILLE & ALAMEDA
2. SAN LEANDRO, HAYWARD & CASTRO VALLEY
3. SOUTH ALAMEDA COUNTY
4. TRI VALLEY
5. WALNUT CREEK, LAMORINDA, DANVILLE & SAN RAMON
6. CONCORD, MARTINEZ, & PLEASANT HILL
7. E. CONTRA COSTA COUNTY
8. W. CONTRA COSTA COUNTY

buildings with ten or more units) per quarter has declined by 66% to 37 transactions in the third quarter of 2009.

The average price per unit has also declined considerably since the market peaked in late 2006. Across the entire East Bay, the average price per unit was \$117,648, in the third quarter, down from a peak of \$199,690 per unit during the fourth quarter of 2007. The Walnut Creek/Lafayette/Moraga submarket had the highest price per unit in the fourth quarter at \$206,000 per door. East Contra Costa County had the lowest price per unit at \$58,494 in the third quarter. Though all submarkets have been affected, there is a growing disparity between core markets near job centers and transportation hubs, and secondary markets further from job centers and with a glut of shadow market rentals. The foreclosure crisis hit East Contra Costa County particularly hard and has left a vast supply of foreclosed homes. These bank owned properties compete for renters and further drive down rents and increase vacancy

As the numbers of transactions and price per unit have both fallen, cap rates have made an uphill march over the past few quarters of 2009. For the entire East Bay, cap rates have increased 2.26% since the second quarter of 2007 for properties with ten or more units.

RENTAL TRENDS

Rental rates dropped across all submarkets in the East Bay from 2008 to 2009. Rents are down an average of 6.9% in both Contra Costa and Alameda Counties; Contra Costa rents dropped 5.2% while Alameda rents dropped 8.6% year over year. Core submarkets in Northern Alameda County and Central Contra Costa County, such as Berkeley and Walnut Creek respectively; continue to command the highest

rents while secondary markets in the Eastern Contra Costa County cities Pittsburg & Antioch have the lowest rents in the region.

More than half of all properties over 50 units are offering rent concessions. On average properties are offering \$1,191 annually as concessions, more than 7.7% of the total annual rent. Percentage wise apartment properties in Oakland and Berkeley saw the greatest amount of rent concessions, 10.2% annually, while properties in the Tri Valley submarket are offering the lowest amount at 6.0% annually.

DEMOGRAPHIC TRENDS

Though the economy has hammered away at apartment market conditions, the East Bay is uniquely situated demographically which should help ease some of that pain. The East Bay apartment market recovery could be aided by the above average number of renters, especially in Alameda County, where 45.5% of households rent compared to only 30.5% in Contra Costa County. The national average of apartment renters is 32.8%. The relatively high percentage of renters in the East Bay will continue to create a pool of potential tenant customers.

Beyond a large pool of renters, the East Bay also has a very high average household income. The average household income for the East Bay is \$109,917. This income level is 17.9% higher than the average for California, and 28.8% higher than the average household income nationally.

The population in the East Bay region is also projected to grow 4.6% to 2.6 million residents by 2013. Even amid the severe economic downturn, the East Bay continues

MARKET ACTIVITY

SIGNIFICANT THIRD QUARTER TRANSACTIONS

SIGNIFICANT SALES

PROPERTY NAME / PROPERTY ADDRESS	DATE	# OF UNITS	BUYER / SELLER	CITY
Waterford Place/4800 Tassajara Rd	9/8	390	Behringer Harvard Multifamily REIT I, Inc. / Shea Properties	Dublin
901 Jefferson St	8/1	75	Madison Park Financial / Key Bank	Oakland
City Walk/1307 Jefferson St	9/10	252	Wood Partners LLC / The Olson Company	Oakland

MULTI-FAMILY MARKET STATISTICS
 THIRD QUARTER 2009

EXISTING PROPERTIES			DEMOGRAPHICS				RENT TRENDS			SALES		
CLASS	BLDGS	TOTAL INVENT. SQ FT	TOTAL INVENT. # UNITS	TOTAL POPULATION	AVERAGE H.H. INCOME	% OF H.H. WHO RENT	AVERAGE ASKING RENTS	RENT GROWTH (past 4 yr)	AVG. CON. ON 12 MO. LEASE	CON. % OF AVG. RENT	AVERAGE PRICE PER UNIT 3Q09	AVERAGE CAP RATE
SUB MARKETS												
OAKLAND, BERKELEY, EMERYVILLE, & ALAMEDA												
Total	1,733	31,053,222	41,725	601,854	\$76,201	57.2%	\$1,566	9.9%	\$1,563	10.2%	\$62,410	7.4%
SAN LEANDRO, HAYWARD, & CASTRO VALLEY												
Total	618	18,718,252	23,446	298,259	\$78,925	39.8%	\$1,154	6.3%	\$1,171	8.6%	\$103,303	6.9%
TRIVALLEY												
Total	97	6,984,671	8,144	195,984	\$118,338	29.7%	\$1,390	0.6%	\$990	6.0%	\$190,465	6.6%
SOUTHERN ALAMEDA COUNTY												
Total	213	13,572,659	16,871	319,901	\$109,281	34.3%	\$1,331	1.4%	\$1,198	7.5%	-	-
CONCORD, MARTINEZ, & PLEASANT HILL												
Total	298	15,215,230	19,873	194,453	\$85,139	36.7%	\$1,185	3.8%	\$962	7.0%	\$95,765	-
WALNUT CREEK, LAMORINDA, DANVILLE, & SAN RAMON												
Total	209	11,761,927	12,189	241,467	\$141,458	24.8%	\$1,405	5.2%	\$1,333	7.9%	\$206,000	5.3%
EAST CONTRA COSTA COUNTY												
Total	158	10,856,030	13,112	271,891	\$84,009	27.6%	\$1,130	2.6%	\$1,332	9.4%	\$58,494	-
WEST CONTRA COSTA COUNTY												
Total	259	12,925,477	12,897	224,707	\$74,091	40.2%	\$1,292	3.8%	\$1,138	6.7%	\$71,492	7.6%
MARKET TOTAL												
ALA	2,661	70,328,804	90,186	1,415,998	\$88,649	45.5%	\$1,361	1.0%	\$1,185	8.1%	\$125,858	6.6%
CC	924	50,758,664	58,071	932,518	\$101,233	30.5%	\$1,239	3.8%	\$1,235	7.5%	\$71,273	7.2%
Total	3,585	121,087,468	148,257	2,348,516	\$93,832	39.3%	\$1,312	2.5%	\$1,191	7.7%	\$119,298	6.7%
QUARTERLY COMPARISON AND TOTALS												
Q3-09	3,585	121,087,468	148,257	2,348,516	\$93,832	39.3%	\$1,312	2.5%	\$1,191	7.7%	\$119,298	6.7%

THIS REPORT AND OTHER RESEARCH MATERIALS MAY BE FOUND ON OUR WEBSITE AT WWW.COLLIERSPARRISH.COM. THIS IS A RESEARCH DOCUMENT OF COLLIERS PARRISH - WNC. QUESTIONS RELATED TO INFORMATION HEREIN SHOULD BE DIRECTED TO THE RESEARCH DEPARTMENT AT 925.279.0120. INFORMATION CONTAINED HEREIN HAS BEEN OBTAINED FROM SOURCES DEEMED RELIABLE AND NO REPRESENTATION IS MADE AS TO THE ACCURACY THEREOF. COLLIERS PARRISH IS AN OWNER MEMBER OF COLLIERS INTERNATIONAL, A WORLDWIDE REAL ESTATE PARTNERSHIP WITH OFFICES IN THE AMERICAS, EUROPE, ASIA, AUSTRALIA, AND AFRICA.

to house a growing pool of relatively high income residents in need of rental housing. For apartment owners, the East Bay's strong demographics, coupled with a rebound in the jobs market and constrained inventory of new apartment units should present opportunities in the months and years ahead.

CAPITAL MARKETS

By Robert Kincheloe,
Managing Director, Cohen Financial

Multifamily is by far the easiest segment of commercial real estate to finance. Although Banks and Life Insurance companies have the desire to lend in this segment, the agencies (Fannie Mae, Freddie Mac and HUD) continue to dominate the market, with Banks filling the gap on some of the smaller and non-stabilized properties. All of the agencies have tightened their underwriting in the past 3 to 6 months due to concerns about declining values, rental rates and occupancies, and some markets (such as Phoenix) are being heavily scrutinized, but on stabilized properties (at least 85% and better) in good markets, you can expect to get

to 70% to 75% of realistic current value with rates in the 5.5% to 6.0% and 10 year fixed rate terms. For deals that do not fit with the agencies due to being in a tertiary market, lower occupancy, etc., the banks are lending (on a recourse basis) to about 65% to 70% of value. Bank deals are typically in the 6.25% to 6.75% range, 10 year term (rate locked for 5 years) and a 25 or 30 year amortization. Although the banks are usually full recourse (except for low leverage), their process tends to be much easier and faster than the agencies.

WHAT THE FUTURE HOLDS

Though the East Bay apartment market has been seriously affected by the declining economy, it is well positioned when the eventual recovery comes. Positive demographic trends and a diverse economy make the East Bay more competitive during economic recovery. However the apartment market will continue to have to wade through economic uncertainty. Landlords may have to adapt to a new definition of market normalcy with lower rents and higher vacancy.

294 OFFICES IN 61 COUNTRIES
ON 6 CONTINENTS

USA 94
Canada 22
Latin America 17
Asia Pacific 64
EMEA 97

\$48.1 billion in annual transaction
volume
1.1 billion square feet under
management
12,729 Professionals

CONTACT INFORMATION

David Orozco
Senior Vice President
dorozco@colliersparrish.com
CA License No. 00984722
925.227.6223

Rich Martini
Vice President
rmartini@colliersparrish.com
CA License No. 01505297
925.279.4614

Joe Owens
Associate
jowens@colliersparrish.com
CA License No. 01707768
925.279.4605

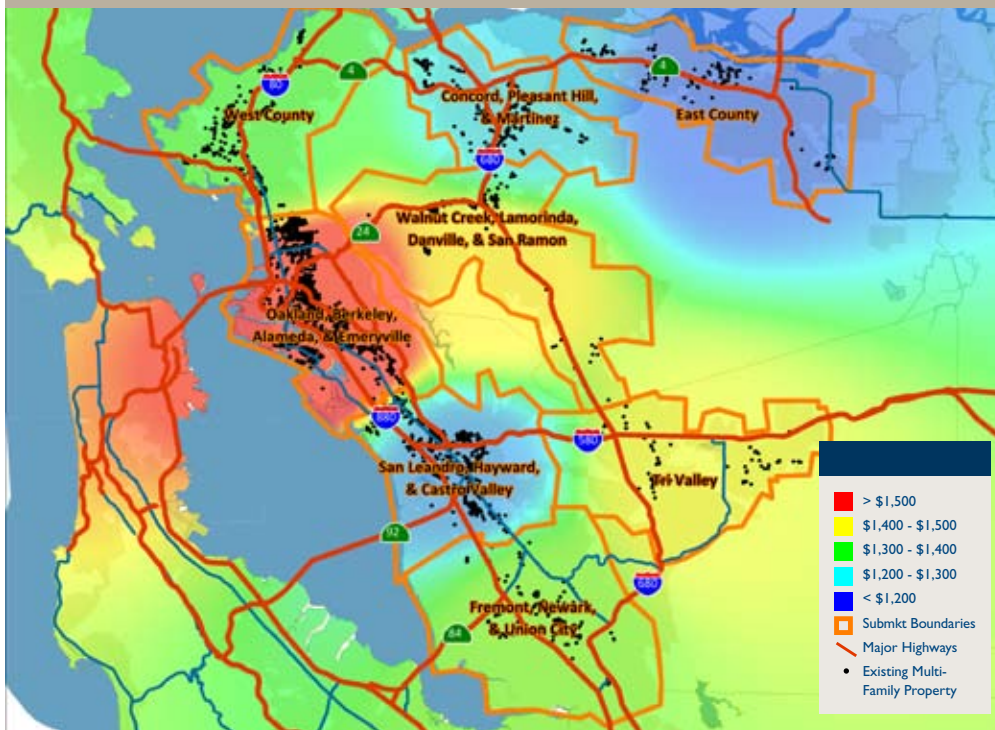
Brian Landes
Research Analyst
blandes@colliersparrish.com
925.279.4620

This report and other research materials may be found on our website at www.colliersparrish.com. This is a research document of Colliers International – Walnut Creek, CA. Questions related to information herein should be directed to the Research Department at 925-279-4620. Information contained herein has been obtained from sources deemed reliable and no representation is made as to the accuracy thereof. Colliers Parrish International, Inc., dba Colliers International in the State of California is an independently owned and operated business and member firm of Colliers International Property Consultants, an affiliation of independent companies with 294 offices throughout 61 countries worldwide.



www.colliersparrish.com

EAST BAY MULTI-FAMILY - ASKING RENTAL RATES (MONTHLY)



INFORMATION SOURCES: REALQUEST, COSTAR, PIERCE-EISEN, NIELSEN CLARITAS