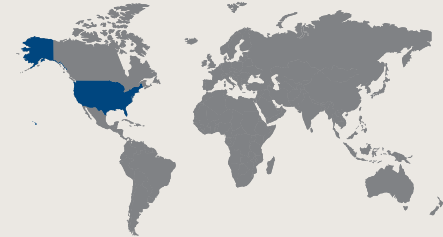


Market Research

MULTI-FAMILY | FOURTH QUARTER | 2009



MARKET INDICATORS

4Q 2009 | 1Q 2010*

APARTMENT VACANCY ↑ ↑

APARTMENT RENTS ↓ ↓

INVESTMENT CAP RATES ↑ ↑

POPULATION GROWTH ↑ ↑

JOB GROWTH ↓ ↓

* PROJECTED

East Bay Market Conditions

ECONOMIC CONDITIONS

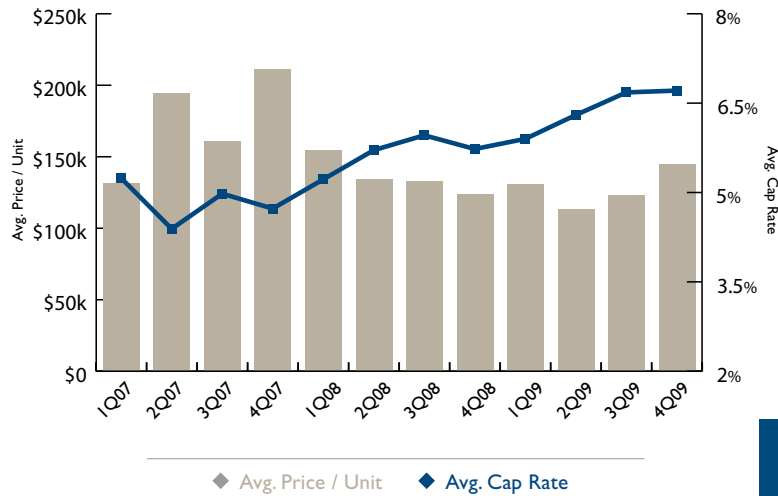
The multi-family market and overall economy continued to stagnate through the fourth quarter of 2009. Unemployment moved higher into double digits. At the end of November, unemployment was 11.5% in both East Bay counties, a full percentage point below the unemployment rate for all of California, which stood at 12.5%. According to UCLA economist Jerry Nickerson, the East Bay's economy will likely rebound after San Francisco's and Silicon Valley's due to the East Bay being "bogged down by its reliance on public sector employees which has more jobs to shed."

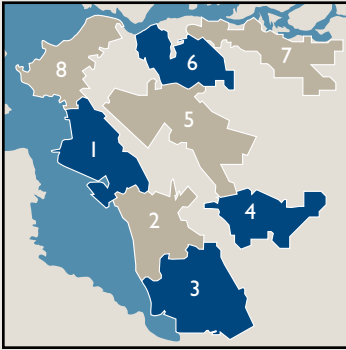
Amid the downtrodden economy, there are some indicators of improving economic conditions. Fueled by the falling dollar, exports from the Port of Oakland have grown in the fourth quarter. And, home sales have actually increased through 2009 in the East Bay.

APARTMENT SALES TRENDS

Sales velocity continued to decline through the fourth quarter in both Alameda and Contra Costa counties. After a surprise uptick in the number of transactions in the first quarter of 2009, sales have declined in the past two quarters. In the fourth quarter of 2009, only seven multi-family properties over ten units sold in Alameda County, and only two sold in Contra Costa County in that same period. The declining number of transactions has affected both larger and smaller multi-family properties.

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





SUBMARKET MAP

1. OAKLAND, BERKELEY, EMERYVILLE & ALAMEDA
2. SAN LEANDRO, HAYWARD & CASTRO VALLEY
3. FREMONT & NEWARK
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

The number of transactions for multi-family properties with fifty or more units has plummeted since peaking in the third quarter of 2006. Sales velocity for buildings with fifty or more units is off by more than ninety percent, falling from ten to only one in the current quarter in the East Bay. Buildings with ten to forty-nine units have seen a steady decline in sales velocity as well. The number of transactions peaked at thirty-five in the first quarter of 2006, and since then has plummeted to two in the fourth quarter of 2009; a decline of 68%.

Cap rates continued to increase in the fourth quarter, even though the average price per unit rose during the same period. Properties in Alameda and Contra Costa counties sold at an average cap rate of 6.76% in the fourth quarter, up 0.16% from the third quarter. Alameda County properties traded at lower cap rates than their Contra Costa County counterparts, recording an average cap rate of 6.67% for the period, up only 0.2% from the previous quarter. Multi-family properties in Contra Costa County sold at much higher cap rates on average, selling at a cap rate of 8.75% in the fourth quarter, up 1.595 from the third quarter of 2009.

The average price per unit also continued to decline in the fourth quarter. The average price per unit fell from \$164,150 in the third quarter to \$144,542 in the fourth quarter in both Alameda and Contra Costa Counties.

RENTAL TRENDS

Average asking rents for apartments continued to fall across the East Bay in the fourth quarter of 2009. For the entire East Bay, rents fell 3.0% to \$1,273 per unit. Rent fell 2.0% to \$1,334 in Alameda County and 2.2% to \$1,212 in

Contra Costa County. The smallest declines in asking rent were experienced by the Oakland, Berkeley, and Alameda submarkets as well as the Tri Valley submarket. Average asking rents fell 0.3% in Oakland, Berkeley, and Alameda while average asking rents fell 0.6% in the Tri Valley. The most dramatic rent decreases were seen in the Concord and Walnut Creek submarkets, declining 3.5% and 6.6% respectively.

Landlords continued to dole out ample concessions to tenants in the fourth quarter. Across both counties in the East Bay, landlords gave an average of \$1,111 in rent concessions over a twelve month lease. That figure amounts to 8.2% of the actual annual rent, and equates to conceding almost one month in free rent. From the previous quarter, rental concessions are up 0.4% from 7.7% in the third quarter. The highest rent concessions were in West Contra Costa County where landlords conceded 10.4% or \$1,567, over the course of a twelve month lease. The Walnut Creek submarket had the lowest amount of rent concessions, conceding only 4.8%, or \$715, on a twelve month lease.

CAPITAL MARKETS

By Matt Cheeseman, Financing Specialist, Colliers International Financial Services Group

Thanks to Fannie Mae and Freddie Mac, apartment financing continues to be the most accessible of any of the commercial lending products. But, as with all end-of-the-decade lending, there is a big disparity between advertised products and deliverable loan terms. Borrowers are subject to much

MARKET ACTIVITY

SIGNIFICANT FOURTH QUARTER TRANSACTIONS

SIGNIFICANT SALES

PROPERTY NAME / PROPERTY ADDRESS	DATE	UNITS	BUYER / SELLER	CITY
Springhouse Apartments/5505 Springhouse Dr	11/6/09	354	Springhouse Investors LLC/Principal Life Insurance Co.	Pleasanton
Casa Adobe Apartments/1230-1252 Pine St	10/29/09	22	Sowardkamola Properties/Marcotte & Sons	Martinez
2525 Le Conte Ave	10/20/09	14	Amelion Properties II LLC/Campus Living LLC	Berkeley
1550 Walnut St	10/20/09	13	Amelion Properties I LLC/Four Cedars LLC	Berkeley
3720-3726 Maybelle Ave	10/21/09	11	Armstrong Development Services/Lee Family Living Trust	Oakland
Roosevelt Avenue Apartments/2112 Roosevelt Ave	11/17/09	10	Humphrey Chen/Drury & Catherine Schultz	Berkeley

MULTI-FAMILY MARKET STATISTICS
 FOURTH QUARTER 2009

EXISTING PROPERTIES			DEMOGRAPHICS			RENT TRENDS			SALES		
CLASS	BLDGS	TOTAL INVENT. SQ FT	TOTAL INVENT. # UNITS	TOTAL POPULATION	% OF H.H.WHO RENT	AVERAGE ASKING RENTS	% CHANGE FROM PREV. QUARTER	AVG. CON. ON 12 MO. LEASE	CON. % OF AVG. RENT	AVERAGE CAP RATE 4Q09	AVERAGE PRICE PER UNIT 4Q09
SUB MARKETS											
OAKLAND, BERKELEY, EMERYVILLE & ALAMEDA											
TOTAL	1,733	31,053,222	41,725	601,854	57.2%	\$1,562	(0.3%)	\$1,793	9.4%	5.9%	\$181,661
SAN LEANDRO, HAYWARD & CASTRO VALLEY											
TOTAL	618	18,718,252	23,446	298,259	39.8%	\$1,121	(2.9%)	\$917	6.7%	6.7%	\$144,068
TRI-VALLEY											
TOTAL	97	6,984,671	8,144	195,984	29.7%	\$1,382	(0.6%)	\$1,027	6.2%	6.7%	\$144,524
FREMONT & NEWARK											
TOTAL	213	13,572,659	16,871	319,901	34.3%	\$1,286	(3.4%)	\$1,181	7.6%	-	-
CONCORD, MARTINEZ & PLEASANT HILL											
TOTAL	298	15,215,230	19,873	194,453	36.7%	\$1,107	(6.6%)	\$1,140	8.8%	8.8%	\$52,273
WALNUT CREEK, LAMORINDA, DANVILLE & SAN RAMON											
TOTAL	209	11,761,927	12,189	241,467	24.8%	\$1,356	(3.5%)	\$715	4.8%	-	-
EASTERN CONTRA COSTA COUNTY											
TOTAL	158	10,856,030	13,112	271,891	27.6%	\$1,141	(1.0%)	\$1,097	8.9%	7.9%	\$65,538
WESTERN CONTRA COSTA COUNTY											
TOTAL	259	12,925,477	12,897	224,707	40.2%	\$1,282	(0.8%)	\$1,567	10.4%	-	-
MARKET TOTAL											
ALA	2,661	70,328,804	90,186	1,415,998	45.5%	\$1,334	(2.0%)	\$1,104	7.2%	6.7%	\$149,438
CC	924	50,758,664	58,071	932,518	30.5%	\$1,212	(2.2%)	\$1,119	8.9%	8.8%	\$52,273
Total	3,585	121,087,468	148,257	2,348,516	39.3%	\$1,273	(3.0%)	\$1,111	8.2%	6.9%	\$144,524
QUARTERLY COMPARISON AND TOTALS											
Q4-09	3,585	121,087,468	148,257	2,348,516	39.3%	\$1,273	(3.0%)	\$1,111	8.2%	6.9%	\$144,524
Q3-09	3,585	121,087,468	148,257	2,348,516	39.3%	\$1,312	-	\$1,191	7.7%	6.7%	\$117,546

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greater scrutiny and should expect a lower loan-to-value than in recent years. On the plus side, interest rates are still very attractive and near historic lows.

Fannie Mae and Freddie Mac are not totally immune to the struggling commercial real-estate market. The firms were responsible for approximately 85% of all multifamily lending last year, up from 35% of the market in 2006, according to the Federal Housing Finance Agency. Fannie, which has been more active than Freddie, faces the biggest problems. Its delinquency rate stands at 0.62% at the end of September, up from 0.16% a year ago. One-quarter of the \$180 billion of apartment-building loans on Fannie's books were originated near the top of the market in 2007 and those loans account for nearly half of all its commercial delinquencies. The losses from Fannie's and Freddie's \$300 billion in apartment-building loans will be a fraction of their losses on single-family homes (the two firms back \$5 trillion of loans).

Locally, we have seen two substantial players in the Multi-Family Lending arena taken over and subsequently sold. United Commercial Bank

and Pacific National Bank were taken over by the FDIC and the next day sold to East West Bank and US Bank respectively.

WHAT THE FUTURE HOLDS

Although there are indicators that some elements of the East Bay economy may be stabilizing, the recovery will continue slowly in 2010 and into 2011. The East Bay will continue to experience economic pain longer than other markets in the Bay Area, in large part because of the significant numbers of workers subject to the ebbs and flows of the state government. The apartment market will continue to adapt to a post recession norm, including lower income (and NOI) and greater concessions. When the economic recovery does take hold, and the jobs market begins to rebound, the multi-family sector will likely be the first asset type to see conditions improve. With a lack of new apartment construction, and factors such as positive net population migration into the East Bay, multi-family properties should be the first commercial property sector to benefit in an expanding economy.

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

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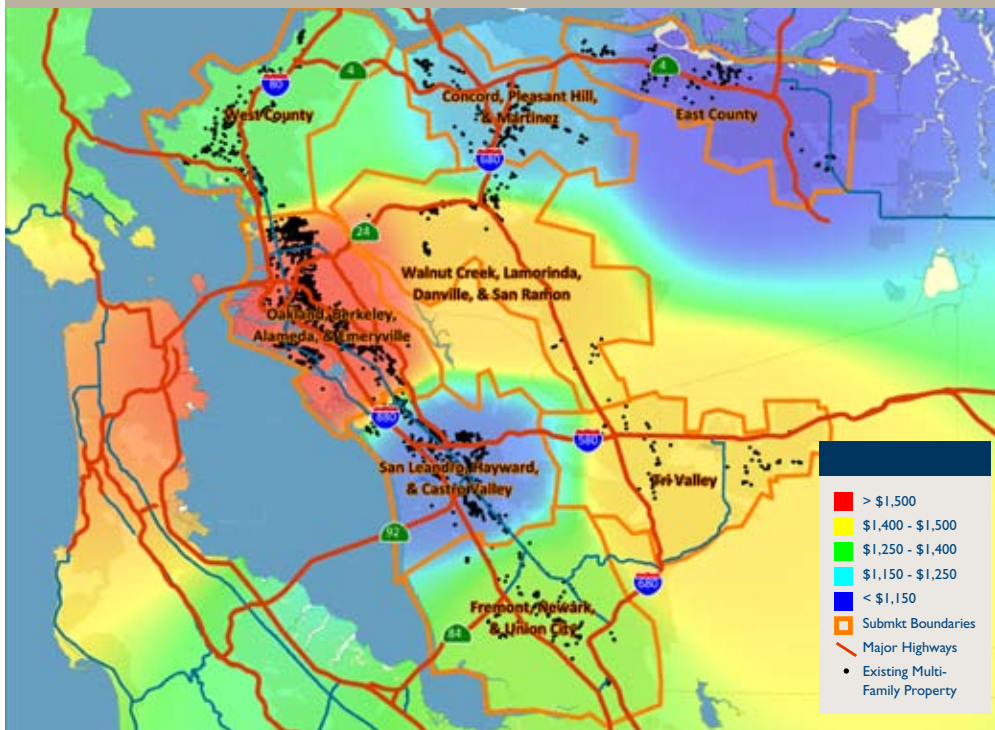
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EAST BAY MULTI-FAMILY - ASKING RENTAL RATES (MONTHLY)



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