



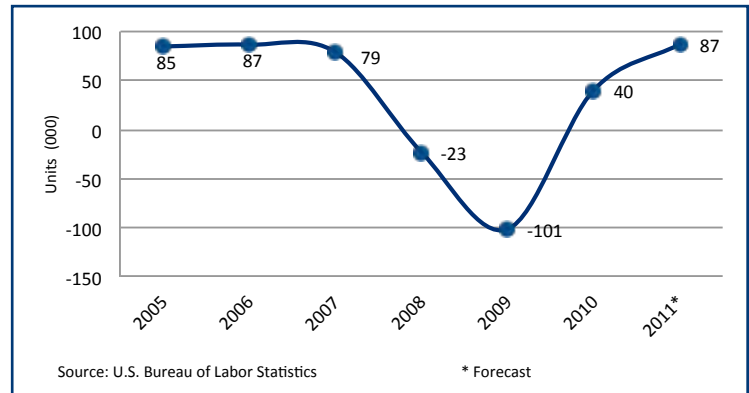
the ARA Multi-family Market Update 1Q2011

Texas Leads The Pack

Everything's bigger in Texas! Well maybe not everything but when it comes to our country's economy, the Texas star is shining bigger and brighter than the rest! Texas leads the economy in job growth, having added 19,100 jobs in November and nearly reaching the level of jobs that we saw prior to the dip that began in early 2009. For the 12 months November 2009 through November 2010, **Texas gained 192,100 jobs** – more than any other state in the nation! Due to its diversified economy and unique attractions for visitors and residents alike, Texas enjoys a healthy business climate. Home to more *Fortune 500* companies than any other state, Texas appears to have weathered the storm and is experiencing growth in fields such as high-tech manufacturing, solar and wind power, and multi-family homebuilding, just a few of the industries with expected to grow in the near term.

- The Civilian Labor Force rose for the sixth time this year, adding 68,600 persons for an estimate of 12,226,900 individuals; since the start of 2010, the Civilian Labor Force expanded by 132,500 individuals. From last year's level, the Civilian Labor Force expanded by 171,600 persons.
- The number of employed Texans expanded for the seventh time this year, increasing 21,100 people for an estimate of 11,214,600. The number of those seeking employment opportunities increased by 47,500 persons for an estimate of 1,012,300. Since January 2010, Texas dropped 32,400 people from the ranks of the unemployed.
- Texas is the world's 12th largest economy – 70% of all new U.S. jobs have been created since 2008
- Texas is expected to add 1.5M jobs by 2016 (2.3% increase) – one of six states projected to grow more than 2.1% between 2010 and 2016 *IHS Global Insight* (2011, January)

Local Job Growth/Formation



- Texas topped the list as the #1 "Magnet State in 2010", realizing the highest net relocation gains in the nation – this is the sixth straight year in a row *PRNewswire* (2011, January)
- **D/FW ranked as the #1 major market of the decade, *Southern Business Development* (2010, May)**
- Ranked #1 as Best State for Business 2010 *Chief Executive Magazine* (2010, January)
- Texas ranked #1 as the America's Top State for Business 2010 *CNBC Special Report* (2010, July)

Unemployment Rate

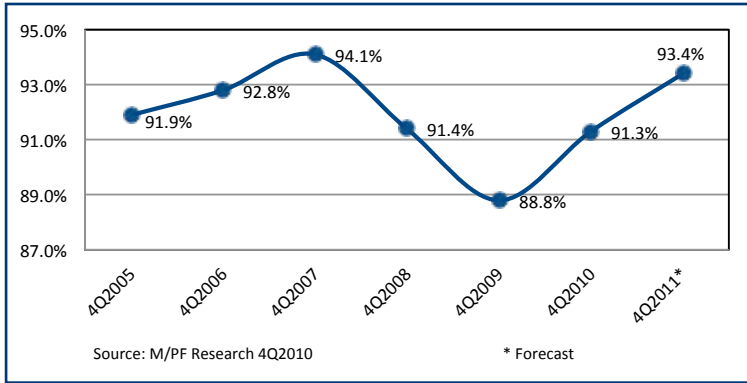
United States	9.1%
State of Texas	8.0%
Dallas/Fort Worth	7.9%

Source: Texas Labor Market Review, January 2011

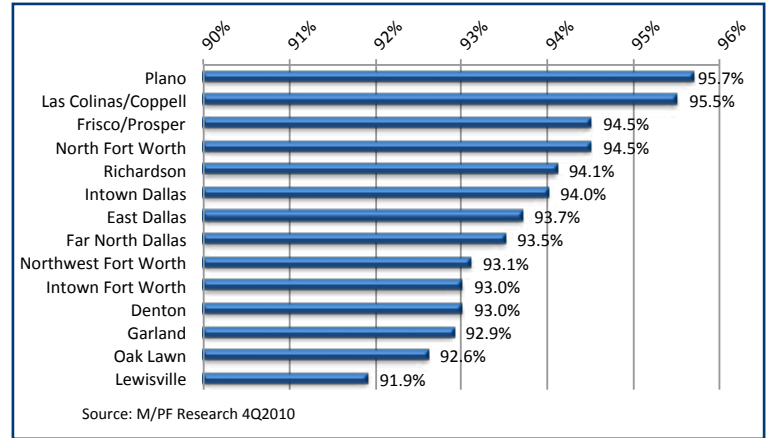


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Overall D/FW Market Occupancy



Highest Demand Submarkets – Occupancy Top Submarkets in D/FW

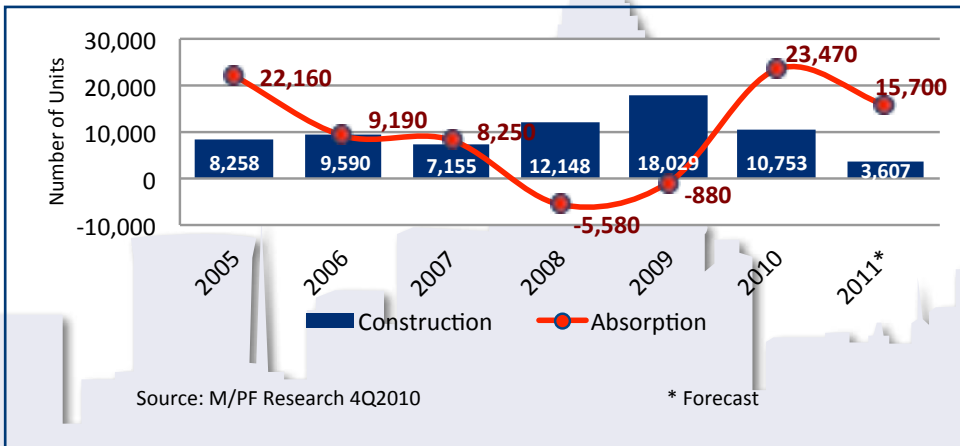


Unit Absorption & Construction

The big story in D/FW centers on new construction and unit absorption. Dirt was flying in the mid-2000s but things have calmed down considerably and D/FW is now sitting at an **18-year low** for multi-family construction projects. M/PF Research is forecasting that less than 4,000 units will be delivered to the Metroplex in 2011 despite the fact that D/FW recorded near-historic levels of demand last year. **The Metroplex led the nation in multi-family construction** (10,753 units came on line last year) and North Texas' economic engine helped generate an astronomical absorption of 23,470 units last year alone! Demand factors such as job creations and tepid entry-level home sales helped to spur the multi-family absorption numbers. We will once again cycle to more development when rents rise and occupancy reaches the healthy mid-90% mark; in fact, multi-family construction nationwide is expected to almost triple from 2010 levels during the next five years (\$10B+ in 2010 to \$30B+ in 2015).

Currently several Metroplex submarkets have reached and maintained strong occupancy levels of 92%+ and the metro area is projected to see a tightening which will result in substantially higher occupancy numbers (up to two percentage points) along with solid revenue growth. In 2010, 31 of the 36 submarkets in M/PF's survey posted improvements in occupancy and rental increases. That was a huge boost to our market as a whole.

Six Year Historical Absorption & Construction



Although last year the newer product outperformed the older properties, we suspect there will be a "trickle-down effect" that will catch up sooner rather than later in the older properties serving the blue collar and working-class tenants. Increased job creations in several of the sectors such as manufacturing, construction, service, retail, and warehousing will help to bump up the occupancy level in Class 'B' and 'C' product. Actual rental growth is projected to be 3.3% in the overall market and could be higher in certain submarkets. Healthy employment growth is anticipated which will, in turn, fill vacant units and improve the bottom line.

Source: M/PF Research and Reed Construction



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