2009 Multi-Family
Market Review & Forecast

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TOPICS

The Operational Side
- Market data as of October 2008
- Conclusions and consensus from multi-family executives
- New additions to the supply
- Where are the jobs coming from to occupy new supply?
- Forecasting

The Investment Side
- National sales
- Sales in Hampton Roads

Call to Action and Closing

Multi-Family Occupancy
Major Southeastern Cities

Occupancy Levels in Major Southeastern Markets

Virginia Beach is still the rent leader.

Rent growth here has cooled down for the time being.

Average Rents, Second Half

Submarket Rental Rates
Vacancy, by October, had crept up to 6.9%.

Submarket Vacancy Comparisons

New Additions to Supply

As of October
- 1,670 units under construction
- 1,985 units are planned (some will take a while)
Where are they?

Under Construction or Planned

Where is the job growth?

Countervailing Forces
Our Trump Card: Rent vs. Buy

Rent vs. Mortgage Costs

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Conclusion and Consensus

Finding: Oct. 08 vacancy was 6.9%
Consensus:
1. That was correct
2. It has risen by 30 to 40 basis points since then

Finding: Rent growth stopped. In fact, rents declined 0.8% in LH 2008
Consensus:
1. If viewed as effective rents, they got it right
2. Most owners struggling to hold at current levels. “Flat is the new up!”

Conclusion and Consensus

Question: Have delinquencies and uncollected increased?
Consensus: Yes, but only by 5 to 10% over last year

Question: What are the most challenging submarkets?
Consensus: Williamsburg, some parts of Newport News, Eastern Va. Beach
And the next year? Chesapeake and Norfolk

The Investment Side

Apartment Sales Nationally
Hampton Roads Multi-Family Sales
Largest Deals of 2008

National Multi-Family Sales

Source: RCA Historical All Type 2001-2008
Multi-Family Sales
Hampton Roads

Largest Multi-Family Sale 2008
Buyer: Harbor Group International
Property: Runaway Bay Apartments

Second Largest Multi-Family Sale 2008
Buyer: Harbor Group International
Property: Mariner’s Cove Apartments

Third Largest Multi-Family Sale 2008
Buyer: Harbor Group International
Property: Waterman’s Crossing Apartments

Time for Operational Excellence
- Challenge all your old assumptions.
- Select and invest carefully in your staff.
- Challenge them to do more in-house.
- Work very closely with your vendors. Think of them as your partners.

Time for Operational Excellence
- Tenant retention is absolutely key. Investment here is better than turnover costs or vacancy.
- Ramp up your outreach marketing.
...and, whatever you do,

Don't let them take away your…

Thank You!