

CAPITAL MARKETS UPDATE



APARTMENT MARKET REPORT

Week Ending: March 4, 2011

DEBT MARKETS

- The CMBS market continues to pick up steam; in the past few weeks there has been over \$6.5 billion in new securitizations coming to market plus two additional Freddie Mac offerings totaling \$1.86 billion. February's activity alone is approximately 2/3 of total CMBS deals offered last year.
- The number of FDIC insured institutions declined by 354 in 2010. With 197 due to mergers and the other 157 due to bank failures, more failures than any year since 1992. As of 4Q10, there are 884 banks listed on the FDIC's problem bank list, an increase from 860 the previous quarter.

Capital	Max LTV	Coupon	DSCR
Credit Company	Up To 75%	4.00%-7.00%	1.00 -1.25x
Life Company	Up To 75%	3.50%-5.50%	1.25 -1.30x
Bank	Up To 75%	3.00%-6.00%	<1.00 -1.20x
Agency / Conduit	See Indicative Pricing Below		1.20 -1.35x

EQUITY MARKETS

- Investors chasing core properties fueled a strong rebound in apartment sales last year, setting the stage for a potential recovery in the trading of higher-yield buildings. Some \$19.1 billion of large multi-family properties traded hands in 2010, nearly triple the previous year's activity. The volume almost returned to the 2008 level, but still remained well below the range of \$40 billion to \$52 billion in the peak years of 2005-2007.
- As of 3Q10, there were 288 closed-end funds investing in the Americas. 10.4% of these funds are dedicated solely to multifamily, representing the third most active asset class. Debt funds came in at second at 20.1% with diversified funds at 36.1%.

Investment Profile	Leveraged IRRs
Core	8%-10%
Core-Plus	11%-14%
Value-Add	15%-18%
Opportunistic	+19%

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INDICATIVE PRICING

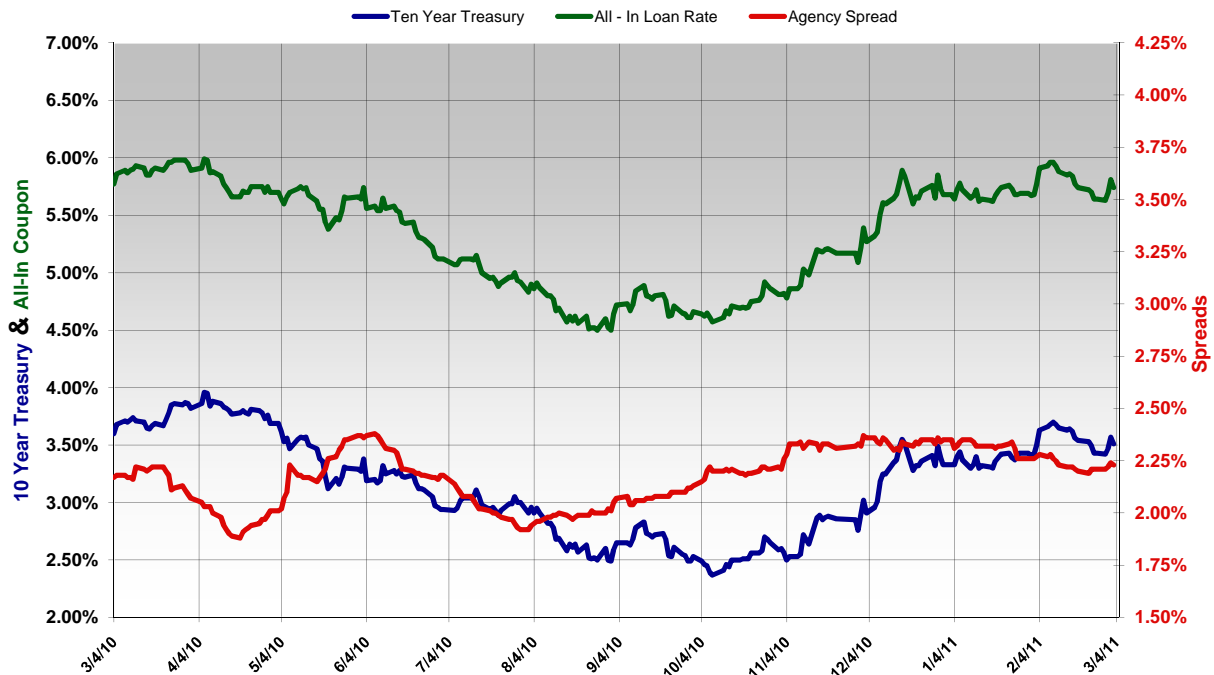
Fannie Fixed	DSCR/LTV	Index	Spread	Coupon
5 YR	1.25x / 80%	2.21	2.48	4.69
7 YR	1.25x / 80%	2.92	2.43	5.35
10 YR	1.25x / 80%	3.51	2.23	5.74

Fannie ARM	Index	Spread	Coupon	Capped Rate
5 YR	0.26	4.27	4.53	7.53
7 YR	0.26	4.41	4.67	7.67
10 YR	0.26	4.45	4.71	7.71

Conduit Pricing	DSCR/LTV	Index	Spread	Coupon
5 YR	1.20x / 80%	2.21	+/-2.55	4.76
7 YR	1.20x / 80%	2.92	+/-2.55	5.47
10 YR	1.20x / 80%	3.51	+/-2.10	5.61

Other Programs	Index	Spread	Coupon	Comments
HUD A7	N/A	N/A	4.45	Includes MIP
HUD 223(f)	N/A	N/A	4.45	Includes MIP

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