

## MARKET OVERVIEW

This report comes to you following news of the Federal Reserve Board's most recent 25 basis point increase from 5% to 5.25% to the Federal Funds Rate, the interest rate that commercial banks charge each other on loans. This was the 17<sup>th</sup> consecutive increase since June 2004 in an effort by the Fed to curb rising inflation. The federal funds rate directly influences other short-term rates such as the prime rate effecting consumer and business loans alike.

According to Freddie Mac's Chief economist, Frank Nothaft, "financial markets continue to expect more rate hikes by the Fed over the next six months, which has added pressure on mortgage rates". In related news, the average rate on 30 year fixed rate mortgages rose to 6.78%, the third straight week of increases hitting the highest level since May 24, 2002.

Dean and I are seeing the effects of these increases with a larger number of apartment properties on the market, more frequent price reductions and fewer recorded transactions. The market has in fact shifted from a "sellers" market to a "buyers" market while patient investors search for value. As capitalization rates rise following interest rate increases, the definition of value is measured more in cash flow than anticipated appreciation.

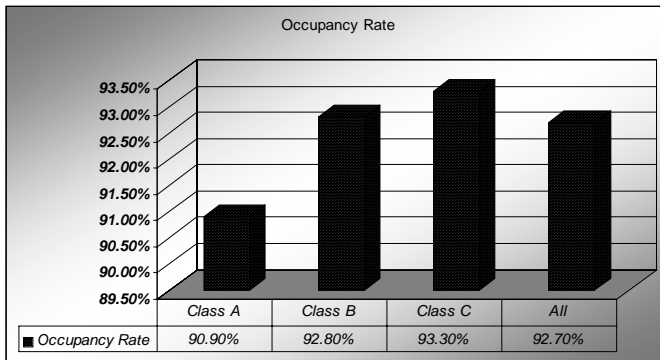
Amid this shift in the financial markets and change in investors' attitudes, buyers remain enthused in our Sacramento apartment market. The statistics may not be there but the indicators, such as continued population and job growth, reduced single family home affordability and fewer apartments under construction, suggest that occupancy and rental rates will increase in the near term.

## OCCUPANCY RATES

The occupancy rate and annual percentage change reported by product class is as follows:

|                        | Class A       | Class B       | Class C       | All           |
|------------------------|---------------|---------------|---------------|---------------|
| <b>Occupancy Rate</b>  | <b>90.90%</b> | <b>92.80%</b> | <b>93.30%</b> | <b>92.70%</b> |
| <b>Annual % Change</b> | <b>2.50%</b>  | <b>.10%</b>   | <b>.40%</b>   | <b>.70%</b>   |

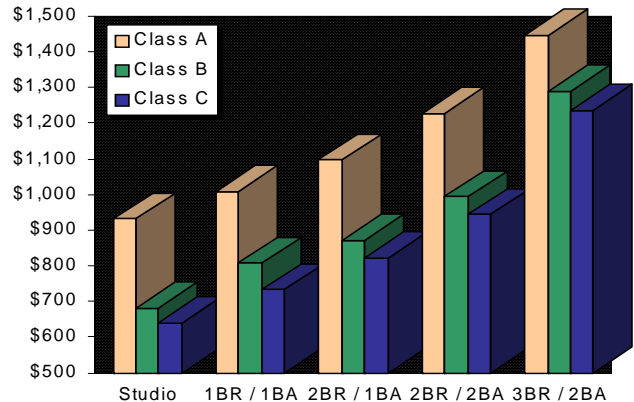
Data Source: Real Facts



## RENTAL RATES

The average asking rental rate for area apartments rose 1.5% from one year ago. Rents by product class and floor plan are as follows (monthly rent & rent per square foot):

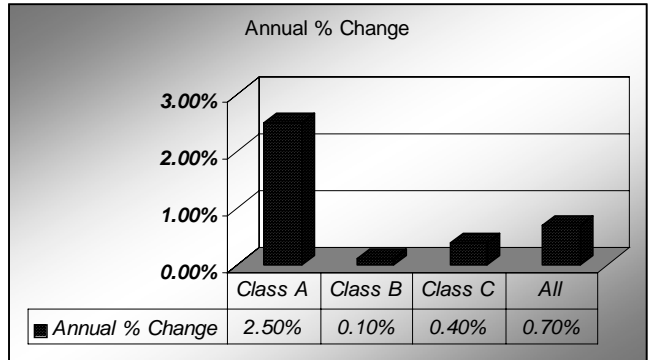
|        | Class A |          | Class B |          | Class C |          |
|--------|---------|----------|---------|----------|---------|----------|
| Studio | \$933   | \$1.23sf | \$681   | \$1.35sf | \$640   | \$1.38sf |
| 1 / 1  | \$1,009 | \$1.25sf | \$808   | \$1.18sf | \$733   | \$1.10sf |
| 2 / 1  | \$1,097 | \$1.12sf | \$871   | \$1.03sf | \$822   | \$0.99sf |
| 2 / 2  | \$1,227 | \$1.14sf | \$995   | \$1.04sf | \$944   | \$0.98sf |
| 3 / 2  | \$1,447 | \$1.15sf | \$1,290 | \$1.09sf | \$1,236 | \$1.01sf |



## MARKET TRENDS

Increasing land and construction costs mean that a significant percentage of new units coming on line this year will be "for sale product". This reduction in the supply of new rental units, coupled with continued population and job growth and the decline of single family home affordability, lead Dean and me to predict a decline in the market vacancy rate, with rental rates steadily increasing throughout 2006.

While every attempt is made to ensure the integrity of the content provided, TRI Commercial makes no warranty or representation as to the accuracy or completeness of the information herein. Sources: Real Facts, Costar Group, Rosen Consulting Group.





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## SALES ACTIVITY

Investment sales have slowed as illustrated by 42 transactions reported during the first two quarters of 2006 compared to 76 during the same period in 2005. Prices are stable however while capitalization rates have only slightly increased.

|                   | 5-19 Units | 20-50 Units | 51- 00 Units | 101-300 Units | 301+ Units |
|-------------------|------------|-------------|--------------|---------------|------------|
| # of Transactions | 20         | 12          | 6            | 3             | 1          |
| Avg. \$/Unit      | \$103,025  | \$78,853    | \$90,594     | \$117,909     | \$130,407  |
| Avg. \$/SF        | \$144.79   | \$102.19    | \$110.46     | \$137.10      | \$144.56   |
| Avg. GIM          | 11.75      | 9.56        | 9.11         | 8.93          |            |
| Avg. Cap Rate     | 5.48%      | 5.63%       | 6.42%        | 6.06%         | 4.9%       |

*Data Source: CoStar*

## TRI's APARTMENT ADVISORY TEAM SALES & MARKETING ACTIVITY

The following represents our listings and sales in the Greater Sacramento Area & Yuba City Markets:

| Property         | Units | Price        | \$/Unit  | Cap Rate | Sub-Market | Status    |
|------------------|-------|--------------|----------|----------|------------|-----------|
| Rivergate        | 140   | \$12,300,000 | \$87,857 | 5.5%     | Pocket     | Sold      |
| Bonanza Suites   | 54    | \$3,225,000  | \$59,722 | 5.75%    | Yuba City  | Sold      |
| Orangevale Farms | 49    | \$3,400,000  | \$69,387 | 6.0%     | Orangevale | In Escrow |
| Marconi Woods    | 64    | \$5,800,000  | \$90,625 | 5.0%     | Carmichael | Available |
| Courtside        | 87    | \$6,650,000  | \$76,437 | 5.2%     | Carmichael | Available |

| Listing | Address                         | Property Name  | Units | Price        | \$/Unit   | Cap Rate |
|---------|---------------------------------|--|-------|--------------|-----------|----------|
| 041700  | 041700 Lafayette Blvd Apt       | 1844 18th Street, Sacramento, CA 95811                   | 200   | \$20,000,000 | \$100,000 | 5.0%     |
| 041800  | 041800 Oak Street               | 4007 Oak Street Dr., Sac, CA 95817                       | 274   | \$27,400,000 | \$100,000 | 5.1%     |
| 041900  | 041900 Fair Oaks Blvd           | 4000 Fair Oaks Blvd., Fair Oaks, CA 95629                | 236   | \$23,600,000 | \$100,000 | 5.1%     |
| 042000  | 042000 Fair Oaks Blvd           | 4000 Fair Oaks Blvd., Fair Oaks, CA 95629                | 270   | \$27,000,000 | \$100,000 | 5.2%     |
| 042100  | 042100 Broadway at Strawberry C | 5222 Colville Rd., Sacramento, CA 95822                  | 272   | \$27,200,000 | \$100,000 | 5.2%     |
| 042200  | 042200 Alameda Plaza            | Alameda Center, 1000 Alameda Blvd., Sacramento, CA 95811 | 278   | \$27,800,000 | \$100,000 | 5.3%     |
| 042300  | 042300 Broadway Court           | 4305 43rd Street, Sacramento, CA 95822                   | 195   | \$19,500,000 | \$100,000 | 5.4%     |
| 042400  | 042400 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 042500  | 042500 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 042600  | 042600 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 042700  | 042700 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 042800  | 042800 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 042900  | 042900 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 043000  | 043000 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 043100  | 043100 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 043200  | 043200 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 043300  | 043300 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 043400  | 043400 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 043500  | 043500 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 043600  | 043600 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 043700  | 043700 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 043800  | 043800 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 043900  | 043900 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 044000  | 044000 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 044100  | 044100 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 044200  | 044200 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 044300  | 044300 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 044400  | 044400 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 044500  | 044500 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 044600  | 044600 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 044700  | 044700 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 044800  | 044800 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 044900  | 044900 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 045000  | 045000 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 045100  | 045100 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 045200  | 045200 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 045300  | 045300 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 045400  | 045400 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 045500  | 045500 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 045600  | 045600 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 045700  | 045700 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 045800  | 045800 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 045900  | 045900 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 046000  | 046000 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 046100  | 046100 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 046200  | 046200 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 046300  | 046300 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 046400  | 046400 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 046500  | 046500 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 046600  | 046600 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 046700  | 046700 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 046800  | 046800 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 046900  | 046900 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 047000  | 047000 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 047100  | 047100 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 047200  | 047200 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 047300  | 047300 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 047400  | 047400 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 047500  | 047500 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 047600  | 047600 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 047700  | 047700 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 047800  | 047800 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 047900  | 047900 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 048000  | 048000 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 048100  | 048100 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 048200  | 048200 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 048300  | 048300 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 048400  | 048400 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 048500  | 048500 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 048600  | 048600 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 048700  | 048700 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 048800  | 048800 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 048900  | 048900 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 049000  | 049000 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 049100  | 049100 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 049200  | 049200 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 049300  | 049300 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 049400  | 049400 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 049500  | 049500 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 049600  | 049600 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 049700  | 049700 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 049800  | 049800 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 049900  | 049900 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |
| 050000  | 050000 Riverfront               | 1400 Riverfront Blvd., Sacramento, CA 95811              | 150   | \$15,000,000 | \$100,000 | 5.5%     |

For more information on any of our listings, or for your exclusive copy of our GREATER SACRAMENTO AVAILABLE APARTMENTS (updated monthly, pictured left) please contact:

**Dean Bagneschi or John Gallagher**  
 Thanks for your interest!

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