

Silver Linings?

“Still, bright spots exist that could contain the implosion. Housing distress is **benefiting the apartment market**, ranked in the ULI/PricewaterhouseCoopers survey as the **number-one asset class for investors**. Moderate-income apartments in core urban markets near mass transit centers offer the best buy.”



Co-Star Article written by Randy Drummer Published: 10-22-08
Frozen By Fear: Forecasters Say Real Estate Likely to Hit Bottom in '09
<http://www.costar.com/News/Article.aspx?id=41A9DE2D4E098EDEFBB56A05FBBB79A3&ref=100>

“As the single-family home market reels from falling prices, home-builder bankruptcies and thousands of foreclosures, the apartment sector remains calm. Rare are stories of repossessed apartment complexes forcing renters out onto the streets. “To date, there have been almost no foreclosures on U.S. apartment buildings,” according to Caroline Latham, owner of Novato-based RealFacts, which tracks the apartment industry nationally. Although it's true that values are falling alongside those of conventional homes, apartment occupancy and rental rates here and across the United States have held steady. That's enabling apartment owners to ride out the foreclosure crisis that's smacking homeowners. **Some now say that apartment owners are like the bankers who avoided risky lending during the housing boom and today look like geniuses.**”



Sacramento Bee article written by Jim Wasserman Published: 10-17-08
Home Front: Apartment owners, renters in area spared housing market chaos
<http://www.sacbee.com/736/story/1321324.html>

“Despite the financial turmoil and its toll on sales, leasing and occupancy, the outlook for multifamily REITs is stable, Moody's Investor Service reported last week, as apartment REITs began dropping their third-quarter earnings statements. Seven of the nine REITs rated by Moody's have stable outlooks with investment-grade credit on average, and all should have adequate liquidity through next year, despite slowing cash flows from slower renting of properties. Moody's Vice President Chris Wimmer said he is encouraged by companies' decisions to tamp down the development pipeline, which should free up much needed dry powder for better days ahead. Apartments are one of the very few bright spots in the gloomy forecast in the 2009 Emerging Trends in Real Estate by the Urban Land Institute and PricewaterhouseCoopers. **More than 700 real estate investors, lenders, developers, brokers and consultants ranked apartments as the top investment opportunity next year.** “We expect REITs to continue to slow their development activities, preserve cash, and take advantage of better acquisition pricing, perhaps in distressed situations, when financing markets recover.” So far in 2008, Moody's says the apartment companies have been able to hold occupancies at reasonable levels and reported healthy cash flow results during the first half of the year. Looking ahead, liquidity will be the key to success, Wimmer said. Through the first three quarters, firms have generally been reluctant to access traditional sources of capital. Most multifamily REITs have sufficient capacity to fulfill their obligations, at least through the end of 2009 -- even using conservative estimates for cash flow and for the availability of bank lines, Moody's said. Apartment firms had lowered secured debt levels during the better credit conditions of early 2007 and 2006, and this year, many have gotten financing from Fannie Mae and Freddie Mac, a source of capital whose future is uncertain, the rating agency noted.”



Co-Star Article written by Randy Drummer dated 11-5-08
Apt. Companies Holding Serve Despite Bleak Outlook: Tenant Reluctance to Buy Homes, Steady Capital From Fannie and Freddie Won't Help Multifamily Companies Ward Off A 'Very Challenging' 2009:
<http://www.costar.com/News/Article.aspx?id=94FE3DDFCDC3F06C68A42CFED86BDCF6&ref=100>

TRI Apartment Advisory Team

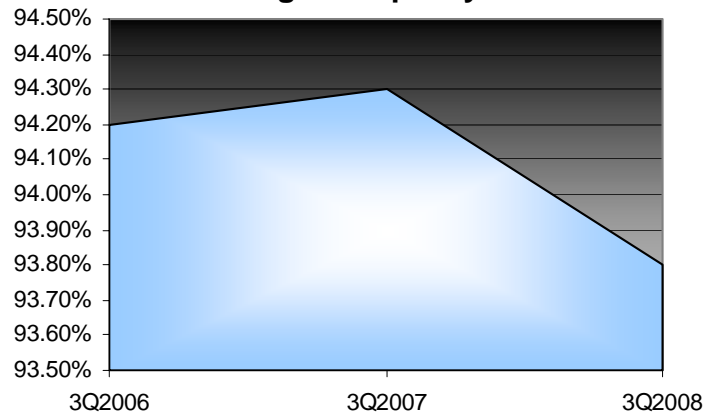
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Sacramento MSA

All Classes Quarterly Trend (RealFacts)

	3Q2006	3Q2007	3Q2008	4 term change
Avg. Rent	\$948	\$961	\$974	1.40%
studio	\$696	\$714	\$719	0.70%
jr 1bd	\$782	\$792	\$777	-1.90%
1bd 1bth	\$819	\$831	\$847	1.90%
2bd 1bth	\$859	\$873	\$888	1.70%
2bd 2bth	\$1,071	\$1,087	\$1,105	1.60%
2bd TH	\$1,089	\$1,084	\$1,110	2.40%
3bd 2bth	\$1,361	\$1,372	\$1,388	1.20%
3bd TH	\$1,394	\$1,392	\$1,405	0.90%

Avg. Occupancy



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