

**EISLEN**  
*Topline*

**REPORT**

**Phoenix Market**  
**September, 2008**  
August, 2008 Reporting Data

**Methodology**

The Topline Report surveys a matched stratified sample of the full apartment universe of 50+ unit properties. The survey is conducted monthly during the second and third weeks of the month by surveyors represented as prospective renters. Sample size is established to provide a 90% statistical confidence level of accuracy among each of four rental household categories (Workforce; Low Mid-Range; Upper Mid-Range; and Discretionary).

**Rental category composition** incorporates Pierce-Eislen's Context® property improvements ratings as:

<u>Rental Household Category</u>	<u>Improvements Ratings</u>
Discretionary	A+ / A
Upper Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

**Sale Reporting** – Sale reporting illustrates a twelve month moving period and the most recent three month period, ending in the month prior to the current report.

**Completed Phoenix apartment inventory** incorporates 1,155 properties – 243,053 units – distributed among rental household categories as:

<u>Category</u>	<u>Properties</u>		<u>Units</u>	
	<u>Number</u>	<u>Share of Total</u>	<u>Number</u>	<u>Share of Total</u>
Discretionary	144	12.5 %	42,695	17.6 %
Upper Mid-Range	233	20.2	62,900	25.9
Low Mid-Range	301	26.1	66,844	27.5
Workforce	477	41.3	70,614	29.1
Total	1,155	100.0 %	243,053	100.0 %

## Executive Summary

August, 2008 Phoenix market Topline survey results illustrated:

- **Average rent**, at \$753.72, declined \$13.55 from the prior month – \$767.28 – survey average.
- **Rental concession participation** at 33.8% of the apartment base declined from a prior month 38.0% participation.
- **Two new property completions** incorporating 428 units were finalized during the month.
- **One new property start** incorporating 314 units was initiated during the month.
- **Sale activity** reached \$75 million during the prior 90-day period, a 93.8% reduction from the prior year same-period.

## Rental Market Activity

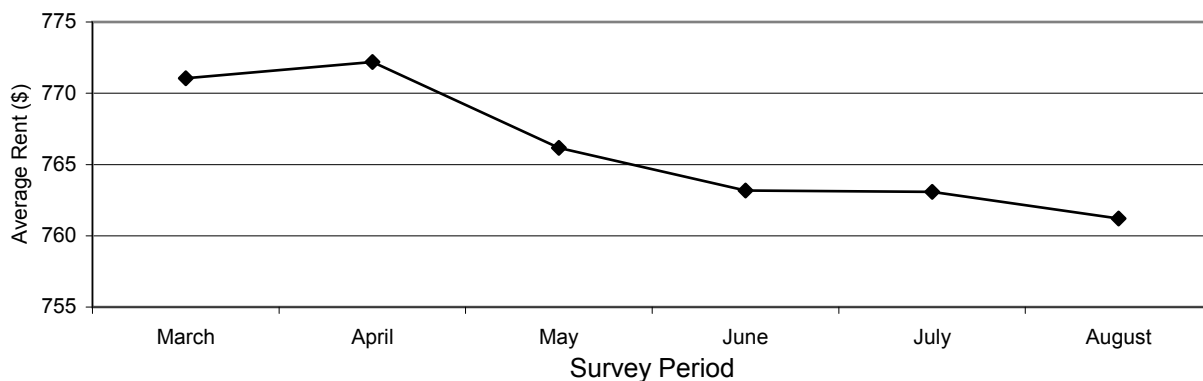
### Rental Rate Change

Activity during the most recent month among rental categories illustrated weakening rental market conditions:

Category	Average Rent*				Moving Period
	Current Month	Prior Month	Change – Month		Change – Percentage Three Month
			Dollars	Percentage	
Discretionary	\$923.47	\$935.43	(\$11.95)	(1.3) %	0.3 %
Upper Mid-Range	873.27	883.49	(10.23)	(1.2)	(0.3)
Low Mid-Range	698.39	719.11	(20.72)	(2.9)	(1.4)
Workforce	604.07	614.42	(10.35)	(1.7)	(1.3)
Total	\$753.72	\$767.28	(\$13.55)	(1.8) %	(0.7) %

\* “Average Rent” is a weighted mean average.

The moving three month average rent composite illustrated a weakening rental market:



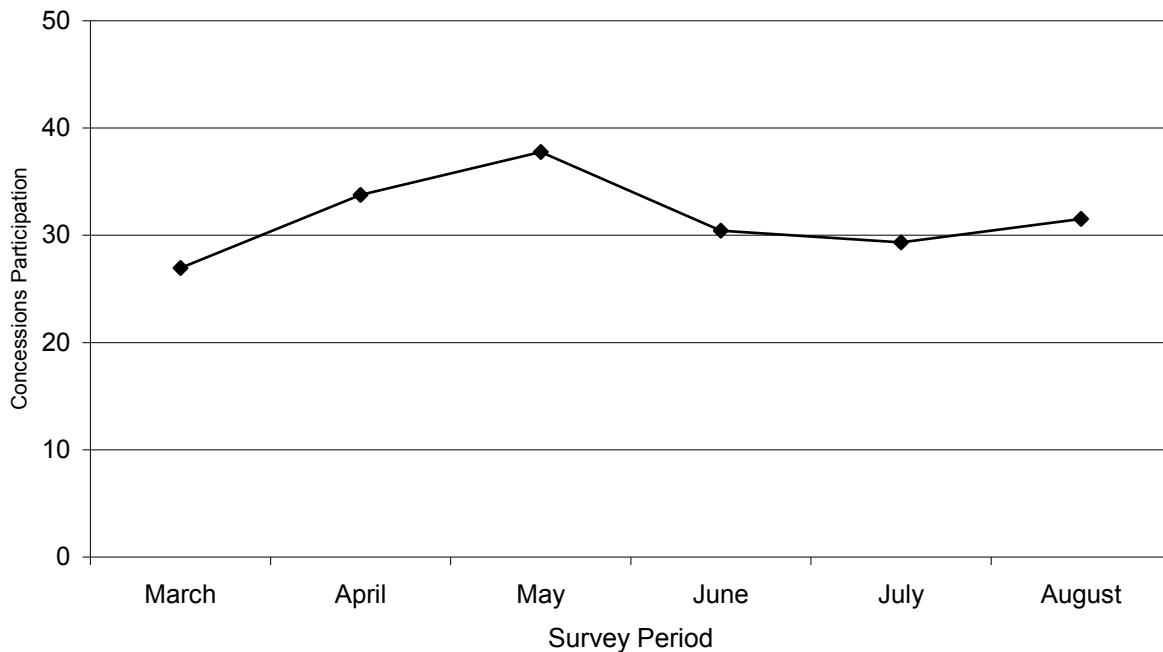
**Rental Market Activity** (continued)

***Rental Concessions Participation***

Apartment communities offering inducements to promote rental illustrated strengthening conditions in concessions participation across all rental household segments except the Discretionary and Upper Mid-Range categories:

Category	Participation Percentage		Period Change	Moving Period	
	Current Month	Prior Month		Three Month	Six Month
Discretionary	35.0 %	30.0 %	5.0 %	28.3 %	27.5 %
Upper Mid-Range	42.9	25.0	17.9	31.0	31.5
Low Mid-Range	33.3	61.5	(28.2)	40.2	41.9
Workforce	30.1	31.7	(1.6)	27.6	33.8
Total	33.8 %	38.0 %	(4.3) %	31.5 %	34.6 %

The moving three month concessions participation period defined a stable rental market condition:



**Investor Activity**

**Apartment property sale composition during the twelve-month period** included 70 sales, ranging among property categories as:

Category	Apartment Sales -12 Month Period			
	Properties	Units	Dollars(000)	Percentage
Discretionary	11	3,109	\$421,723	31.8 %
Upper Mid-Range	11	3,805	415,350	31.3
Low Mid-Range	18	3,355	256,279	19.3
Workforce	30	4,079	233,810	17.6
<b>Total</b>	<b>70</b>	<b>14,348</b>	<b>\$1,327,161</b>	<b>100.0 %</b>

**Total dollar sales among rental categories during the twelve-month period** reduced by a factor of 70.0%, compared with prior year same-period sales:

Category	Dollar Sales (MM)		Share of Total	Change – 2007/2008	
	2007	2008		Dollars (MM)	Percentage
Discretionary	\$1,172	\$422	31.8 %	(\$750)	(64.0) %
Upper Mid-Range	1,488	415	31.3	(1,073)	(72.1)
Low Mid-Range	1,154	256	19.3	(898)	(77.8)
Workforce	606	234	17.6	(372)	(61.4)
<b>Total</b>	<b>\$4,419</b>	<b>\$1,327</b>	<b>100.0 %</b>	<b>(\$3,092)</b>	<b>(70.0) %</b>

**Total sales during the most recent three-month period** contrasted with prior year same period illustrated a 93.8% transaction volume reduction:

Category	Three Month Period			
	Property Sales (000)		Change	
	2007	2008	Dollars	Percentage
Discretionary	\$310,160	\$ —	(\$310,160)	— %
Upper Mid-Range	243,160	17,650	(225,510)	(92.7)
Low Mid-Range	417,131	32,150	(384,981)	(92.3)
Workforce	225,156	24,750	(200,406)	(89.0)
<b>Total</b>	<b>\$1,195,606</b>	<b>\$74,550</b>	<b>(\$1,121,056)</b>	<b>(93.8) %</b>

**Investor Activity** (continued)

**Average per-unit sale pricing** ranged during three moving periods - past 12 months, the most recent three months, and the most recent six-month period - as:

Category	12 Months				Moving Periods	
	Current <sup>(1)</sup>	Prior <sup>(2)</sup>	Monthly Change		Three <sup>(3)</sup> Months	Six <sup>(4)</sup> Months
			Dollars	%		
Discretionary	\$135,646	\$137,775	(\$2,129)	(1.5) %	\$ —	\$137,046
Upper Mid-Range	109,159	109,732	(573)	(0.5)	91,927	100,402
Low Mid-Range	76,387	74,511	1,877	2.5	74,249	68,943
Workforce	57,320	55,248	2,073	3.8	52,548	54,227
<b>Total</b>	<b>\$92,498</b>	<b>\$91,094</b>	<b>\$1,404</b>	<b>1.5 %</b>	<b>\$68,020</b>	<b>\$89,830</b>

**Average per-square foot sale pricing** ranged during the three periods as:

Category	12 Months				Moving Periods	
	Current <sup>(1)</sup>	Prior <sup>(2)</sup>	Monthly Change		Three <sup>(3)</sup> Months	Six <sup>(4)</sup> Months
			Dollars	%		
Discretionary	\$136.69	\$133.05	\$3.64	2.7 %	\$ —	\$144.85
Upper Mid-Range	117.39	122.20	(4.81)	(3.9)	92.70	107.52
Low Mid-Range	94.88	97.89	(3.01)	(3.1)	93.47	83.99
Workforce	84.99	84.12	0.87	1.0	77.87	79.81
<b>Total</b>	<b>\$109.91</b>	<b>\$110.56</b>	<b>(\$0.66)</b>	<b>(0.6) %</b>	<b>\$87.48</b>	<b>\$105.69</b>

- Notes:** (1) Sale totals – moving 12-month period, through 30 days prior to the current period.  
(2) Prior year sales represent a 12-month year-to-date average during the period ending in the month prior to the surveyed months.  
(3) The most recent three month moving period sales activity ending in the month prior to the survey period month.  
(4) The most recent six month moving period sales activity, ending in the month prior to the survey period month.

**New Development**

**Construction Starts**

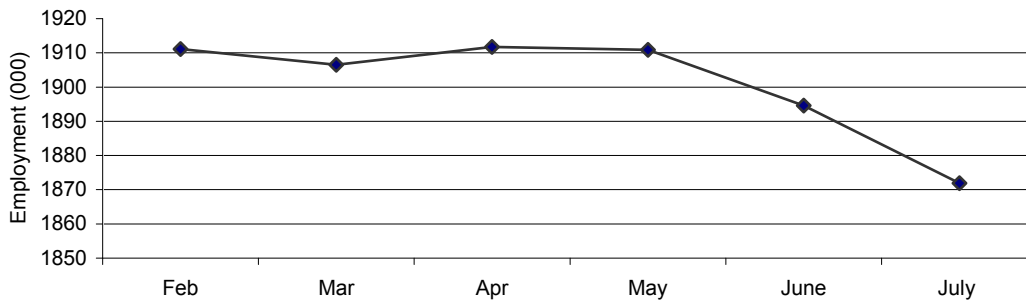
One new property start incorporating 314 units was initiated during the month.

**Completions**

Two new property completions incorporating 428 units were finalized during the month.

**Employment**

The three month moving metropolitan area employment average illustrated a job loss trend:



*Source: State of Arizona Department of Commerce*

Note: Information illustrated is the most currently available data. Data will be updated by the reporting agency, which may require that reported results be altered.

**Single Family Home Affordability**

Recent Affordability Index change illustrated continuing improvement in the median income households' ability to purchase a median-priced home.

Quarter	2008	1	111
	2008	2	118
Monthly	2008	June	118
	2008	July	125
	2008	August	124

*Sources:*

Median Home Price: National Association of Realtors

Median Household Income: United States Department of Housing and Urban Development

Interest Rate (applied to affordability index calculation): U.S. Federal Reserve