

EISLEN
Topline

REPORT

Bay Area - South Bay Market
September, 2010
August, 2010 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 Context® Improvements rating categories 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, both periods ending in the month prior to the current report, and compared with a same-period sale activity during the prior year.

Completed Bay Area - South Bay apartment inventory incorporates 597 properties – 97,818 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	60	10.1 %	17,856	18.3 %
Upper Mid-Range	42	7.0	10,681	10.9
Low Mid-Range	133	22.3	23,314	23.8
Workforce	362	60.6	45,967	47.0
Total	597	100.0 %	97,818	100.0 %

Executive Summary

August, 2010 Bay Area - South Bay market Topline survey results illustrated:

- **Average rent**, at \$1,543.24, increased by \$2.21 from the prior month – \$1,541.02 – survey average.
- **Rental concession participation** at 10.7% of the apartment base reduced from a prior month 13.1% participation.
- **No new property completions** were finalized during the month.
- **No new property starts** were initiated during the month.
- **Sale activity** at \$103.9 million during the prior three-month period illustrated a 9.9% reduction from prior year same-period sales of \$115.3 million.

Rental Market Activity

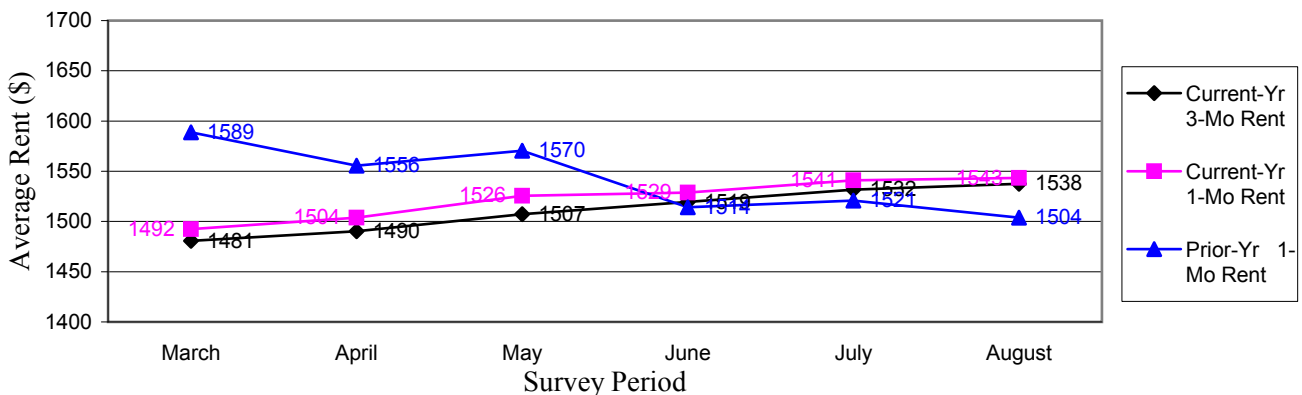
Rental Rate Change

Activity during the most recent month among rental categories illustrated stable rental market conditions, but with rental category types ranging as:

Category	Average Rent*				Moving Period
	Current Month	Prior Month	Change – Month		Three Month
			Dollars	Percentage	
Discretionary	\$1,750.72	\$1,750.91	(\$0.19)	(0.0) %	0.28 %
Upper Mid-Range	1,887.60	1,876.89	10.71	0.6	0.43
Low Mid-Range	1,484.10	1,497.48	(13.38)	(0.9)	0.15
Workforce	1,397.97	1,389.41	8.56	0.6	0.56
Total	\$1,543.24	\$1,541.02	\$2.21	0.1 %	0.39 %

* “Average Rent” is a weighted mean average.

The moving three-month average rent composite and the one month rental average illustrated a strengthening rental market. Average rents exceed prior year rents:



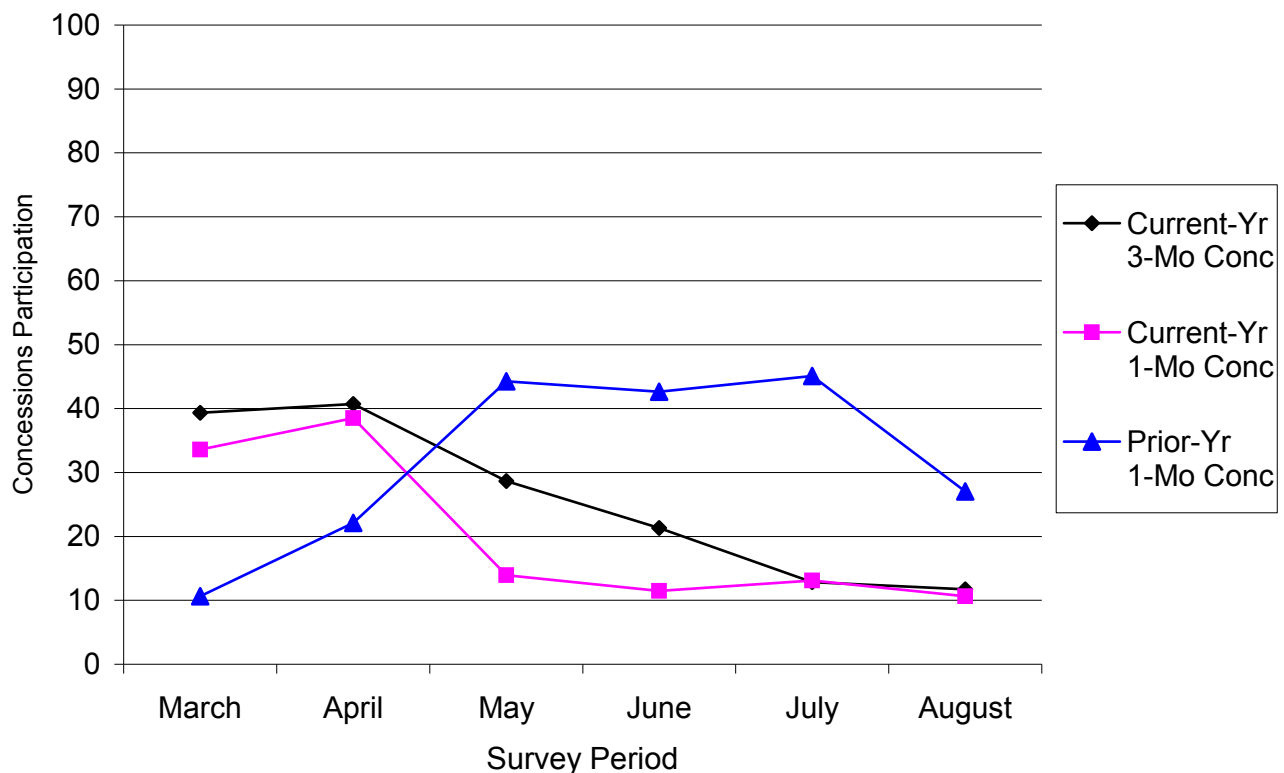
Rental Market Activity *(continued)*

Rental Concessions Participation

Apartment communities offering inducements to promote rental reduced concessions participation, with rental household segments ranging as:

Category	Participation Percentage			Moving Period	
	Current Month	Prior Month	Period Change	Three Month	Six Month
Discretionary	— %	6.7 %	(6.7) %	4.4 %	13.3 %
Upper Mid-Range	—	—	—	—	16.7
Low Mid-Range	5.0	15.0	(10.0)	10.0	19.2
Workforce	15.2	15.2	—	14.8	22.2
Total	10.7 %	13.1 %	(2.5) %	11.7 %	20.2 %

The composite moving three-month concessions participation period among all rental categories defined a strengthening rental market condition in the most recent periods:



Investor Activity

Seven apartment property sales, incorporating 1,188 units, were reported during the twelve-month period, ranging among property categories as:

Category	Apartment Sales -12 Month Period			
	Properties	Units	Dollars(000)	Percentage
Discretionary	2	418	\$83,980	42.1 %
Upper Mid-Range	1	323	64,100	32.2
Low Mid-Range	1	88	5,157	2.6
Workforce	3	359	46,030	23.1
Total	7	1,188	\$199,267	100.0 %

Total dollar sales among rental categories during the twelve-month period reduced by a factor of 33.7%, compared with prior year same-period sales:

Category	Current Twelve-Month Period versus Prior Year Same Period				
	Dollar Sales (MM)		Share of Total	Change – 2009/2010	
	2009	2010		Dollars (MM)	Percentage
Discretionary	\$126	\$84	42.1 %	(\$42)	(33.1) %
Upper Mid-Range	54	64	32.2	10	18.2
Low Mid-Range	74	5	2.6	(69)	(93.0)
Workforce	47	46	23.1	(1)	(2.6)
Total	\$301	\$199	100.0 %	(\$101)	(33.7) %

Total sale activity during the most recent three-month period contrasted with prior year same-period sales illustrated a 9.9% transaction volume reduction:

Category	Current Three-Month Period versus Prior Year Same Period			
	Property Sales (000)		Change	
	2009	2010	Dollars	Percentage
Discretionary	\$41,500	\$ —	(\$41,500)	— %
Upper Mid-Range	—	64,100	64,100	—
Low Mid-Range	40,400	—	(40,400)	—
Workforce	33,402	39,750	6,348	19.0
Total	\$115,302	\$103,850	(\$11,452)	(9.9) %

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 ⁽¹⁾	Prior ⁽²⁾	Monthly Change		Three ⁽³⁾ Months	Six ⁽⁴⁾ Months
			Dollars	%		
Discretionary	\$200,909	\$226,126	(\$25,217)	(11.2) %	\$ —	\$ —
Upper Mid-Range	198,452	189,003	9,449	5.0	198,452	198,452
Low Mid-Range	58,597	158,836	(100,240)	(63.1)	—	—
Workforce	128,217	102,092	26,125	25.6	150,568	150,568
Total	\$167,733	\$169,990	(\$2,257)	(1.3) %	\$176,917	\$176,917

Average per-square foot sale pricing reduced - significantly in Low Mid-Range, but increased in the Workforce category:

Category	12 Months				Moving Periods	
	Current ⁽¹⁾	Prior ⁽²⁾	Monthly Change		Three ⁽³⁾ Months	Six ⁽⁴⁾ Months
			Dollars	%		
Discretionary	\$204.44	\$227.34	(\$22.90)	(10.1) %	\$ —	\$ —
Upper Mid-Range	217.62	224.63	(7.01)	(3.1)	217.62	217.62
Low Mid-Range	54.34	193.47	(139.13)	(71.9)	—	—
Workforce	167.27	132.79	34.48	26.0	166.02	166.02
Total	\$185.29	\$196.49	(\$11.20)	(5.7) %	\$194.48	\$194.48

- 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

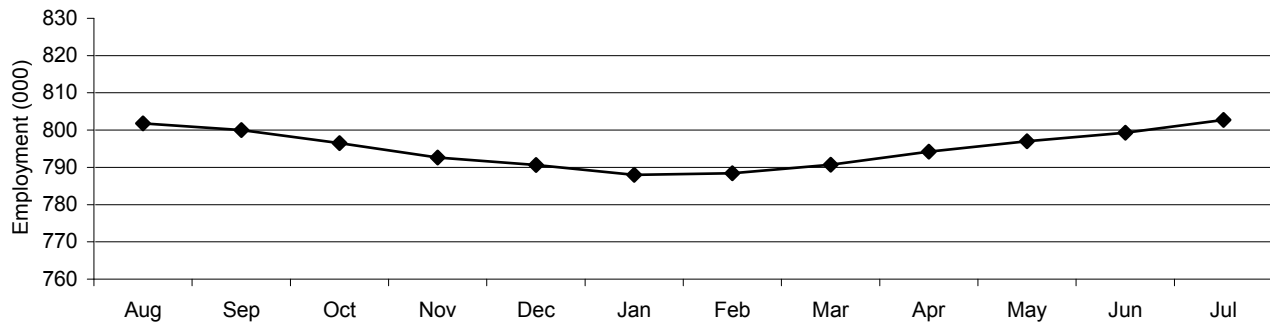
No new property starts were initiated during the month.

Completions

No new property completions were finalized during the month.

Employment

The three month moving average metropolitan area employment illustrated strengthening employment conditions in the most recent periods. The Northern California region lost 4.1% in 2009, the most in our reporting regions:



Source: State of California Employment Development Department

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 improvement in the median income households' ability to purchase a median-priced home in the most recent months.

Quarter	2010	1	88
	2010	2	87
Monthly	2010	July	92
	2010	August	94
	2010	September	

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