



Market Report

MULTI-FAMILY | MID-YEAR | 2008



MARKET INDICATORS

TRENDS SINCE END OF YEAR 2007

VACANCY.....



RENTAL RATES.....



SALES VOLUME.....

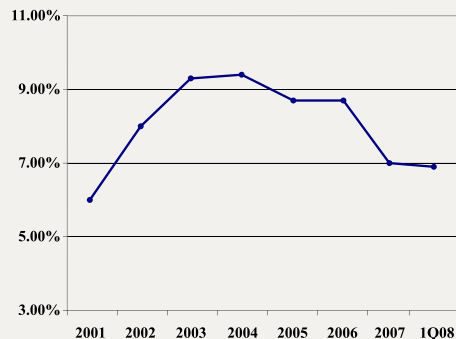


CAP RATES.....



UPDATE

GREATER CINCINNATI
APARTMENT VACANCY RATE



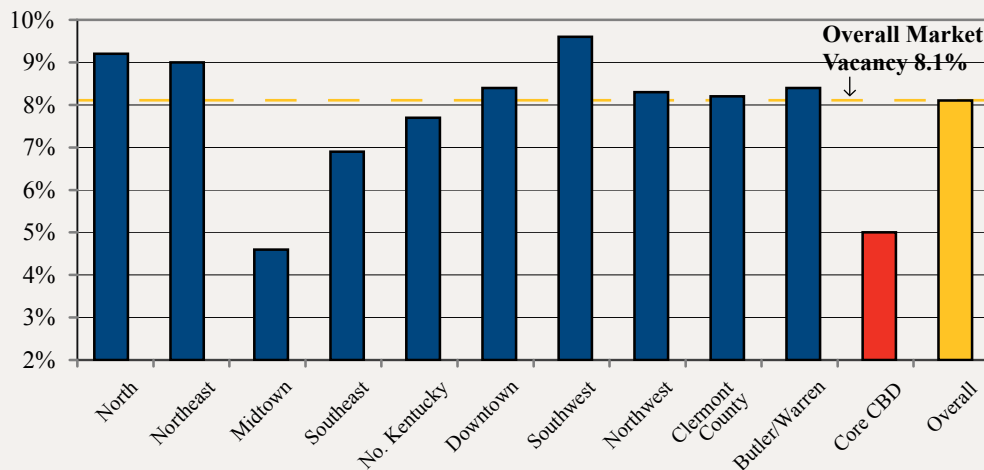
Despite an overall slowdown in the economy, the local multi-family market remains strong. While tight capital markets have slowed the flow of capital into the investment market, multi-family has become an attractive investment vehicle. Office, retail and industrial deals have all been impacted by higher fuel costs and the general economic malaise; however, an essential commodity -- shelter, backs the multi-family market. While consumers may seek to cut back on spending, there is always a need for housing. Therefore, while the residential single family and condo markets are languishing under the pressure of a collapsing mortgage market fueled by subprime securities, apartments in Cincinnati are enjoying a resurgence.

As a result of the downturn in owner-occupied real estate, multi-family owners are experiencing decreased vacancy and real rent growth. In many parts of Cincinnati, in real dollar terms, rents were cheaper in 2007 than 2000. Due to the boom in single-family homes, rents were flat and not keeping pace with inflation. As a result of the flat rental rates, vacancy and overall inflation, owners were beginning to feel pressure. This pressure was strongest on heat-supplied properties, as energy costs have increased dramatically in recent years.

The shift back to the city center continues. Mixed-use projects have enjoyed success. These communities include the Stetson Square near University Hospital, consisting of both condominiums and rentals with street level retail, DeSales Corner in East Walnut Hills consisting of rental units and street level retail with plans to build an additional 75 units, and University Park Apartments on the campus of the University of Cincinnati with underground parking, street level retail and multi-level student housing above. Mixed-use communities are leaping off the drawing board. Planned communities include Xavier Square by Corporex

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APARTMENT VACANCY BY SUBMARKET



TURLEY
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STETSON SQUARE APARTMENTS

This mixed-use project near University Hospital has enjoyed healthy occupancy and a 25% rent premium in the market.



UNIVERSITY PARK APARTMENTS

The prototype for things to come in the Uptown area surrounding UC. It features street-level retail with student housing above.

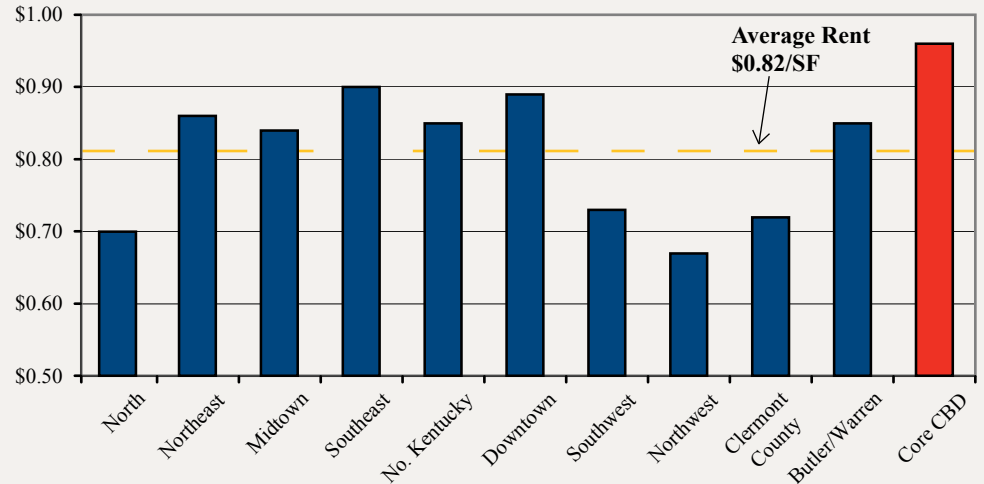


WALNUT HILLS APARTMENTS

This 198-unit subsidized senior housing building sold for \$40,404/unit (for a total of \$8 million). It has a 30-year tax abatement ending in 2031.

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CINCINNATI RENT PER SQUARE FOOT BY SUBMARKET



and Xavier University, a student housing project in Corryville by Trammell Crow, The Banks by Carter/Dawson and Ovation by Corporex.

- Xavier Square is slated to include 550 units of student housing, 120 units of market rate housing, a 100-bed hotel, 100,000 SF of retail space, and 120,000 SF of office space. The site will sit on 20 acres of reclaimed brownfield industrial land, the former homes of BASF and Zumbiel Packaging. Xavier University also recently purchased Norwood Plaza, a 12.7-acre site near the Xavier Square project.
- The Trammell Crow project in Corryville will consist of 140 units of student housing and 10,000 SF of street level retail with an estimated cost of \$24 million. Additionally, Towne Properties plans to build at

least 200 units in the area adjacent to the University of Cincinnati. The Uptown area attracts roughly 113,000 people every 24-hours, as a result of commuters to the various hospitals on Pill Hill and the university. Arn Bortz, principal of Towne Properites LLC said, "It may be the strongest market in the region."

- The Banks is currently under construction and phase one will contain 100 condominiums and 300 market rate apartments with 70,000 SF of retail space. This phase is scheduled for completion in early 2010.
- Ovation by Corporex will be located on the riverfront in Newport on the site of a former low income housing project. The development will contain townhomes, condominiums, senior housing, a substantial office



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component, retail space, two hotels and public spaces.

- 3CDC has continued to enjoy success at the Gateway Quarter development even during the housing downturn. This can be attributed to the high numbers of first time home buyers who do not need to sell existing homes to purchase new ones and the desire of young professionals to live in an urban setting.

Of the top ten investment transactions thus far in 2008, 7 have been multi-family sales. These multi-family sales represent \$130.3 million of the total \$253.3 million in investment sales volume in the market.

While credit is harder to get, multi-family deals continue to get done. Both Fannie Mae and Freddy Mac have tightened lending restrictions. Loan to value ratios are now 65% of value, down from 75-80%. Additionally, Debt Service Coverage Ratios have risen from 1.20 to the 1.30-1.35 range and these higher DSCR numbers are based on in-place figures rather than pro forma numbers.

Apartment Market Trends & Activity

Overall apartment vacancy in Greater Cincinnati has fallen to around 6.9% through the first half of 2008. This reflects a significant decrease from the 9.4% vacancy rate reported in 2004. Cincinnati's apartment vacancy still remains higher than the overall vacancy in the Midwest (5.8%) and the United States (5.9%). Local average rents through the first part of 2008 are \$722/month, an

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LARGEST 2008 APARTMENT SALES TRANSACTIONS

Property Name	Zip Code	County	Class	# Units	Sale Date	Price	Price/Unit
Hawk's Landing	45056	Butler	A	122	02/12/08	\$12,908,102	\$105,804
Windsor at Brookstone	45209	Hamilton	A	276	05/07/08	\$25,500,000	\$92,391
Grandview Summit	41017	Kenton	A	192	05/28/08	\$15,500,000	\$80,729
McCauley's Crossing	45241	Butler	A	264	05/07/08	\$20,250,000	\$76,705
Milford Vista	45150	Clermont	B	48	04/25/08	\$2,925,000	\$60,938
Mt Zion Apartments	41042	Boone	A	432	01/29/08	\$26,066,775	\$60,340
Woodside on the Lake	45069	Butler	B	300	03/31/08	\$17,558,000	\$58,527
Beechwood Villas	45244	Clermont	Sec.8	184	05/15/08	\$10,100,000	\$54,891
Hunters Creek	45242	Hamilton	A	146	05/03/08	\$7,900,000	\$54,110
MacArthur Park	45140	Clermont	Sec.8	85	05/15/08	\$4,122,500	\$48,500
Walnut Hills Apartments	45206	Hamilton	Sec.8	198	06/09/08	\$8,000,000	\$40,404
Falcon Crest Apt	45150	Clermont	C	71	02/20/08	\$2,500,000	\$35,211
Long Acres Apartments	45245	Clermont	B	144	06/19/08	\$5,000,000	\$34,722
Symmes Apartments and Townhomes	45014	Butler	C	98	02/19/08	\$3,250,000	\$33,163
Arbor Pointe	45014	Butler	C	392	03/04/08	\$12,500,000	\$31,888
Valley Vista Apartments	45220	Hamilton	C	151	02/26/08	\$4,462,500	\$29,553
Coachwood Apartments	45211	Hamilton	D	60	03/26/08	\$1,600,000	\$26,667
Stone Meadows	45205	Hamilton	D	144	03/25/08	\$2,827,107	\$19,633
Hillside Apartments	45204	Hamilton	D	68	03/26/08	\$1,300,000	\$19,118

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increase from \$676/month in 2007, \$670/month in 2006 and \$657/month in 2005. Concessions continue to be lower than one month on average, less than the average two month concession seen in the past few years.

The Conner Group picked up three additional properties, Grandview Summit, McCauley's Crossing, and Windsor at Brookstone, totaling 762 units for \$61.3 million or \$80,446/unit. This follows their acquisition of the 242-unit Charleston at Blue Ash in late 2007 for \$23 million or \$95,041/unit. This current string of acquisitions brings Conner Group's local holdings to 2,859 units spread across 11 properties.

Aimco sold the 146-unit Hunter's Creek for \$7.9 million or \$54,110/unit. The complex was built in 1981 and has visibility along the Ronald Reagan Cross County Highway in Blue Ash. In early June Aimco picked up the 198-unit Walnut Hills Apartments, a 10-story subsidized senior housing facility located at Gilbert Avenue and Martin Luther King Road in Walnut Hills. The property was built in 1983 and is subject to a 30-year tax abatement which runs through 2031.

Outlook

- Continued buoy to occupancies as new home sales lag and foreclosures show no end in sight.
- Banks choke sales as greater cash is demanded and higher debt coverage on in-place income continues.
- Rent growth will continue to outpace inflation in the near term.
- Heat component during the heating season becomes more accepted by tenants.
- Downward pressure on sellers' expectations for price as they anticipate capital gains tax increases in 2009.
- Buyers with cash continue to be in the catbird's seat.

MANAGING PRINCIPAL AND MULTI-FAMILY INVESTMENT SERVICES - CINCINNATI



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COLLIERS INTERNATIONAL

267 OFFICES IN 57 COUNTRIES ON 6 CONTINENTS

129 Americas
95 United States
17 Canada
17 Latin America
53 Asia Pacific
85 Europe, Mid East & Africa

\$1.6 billion in total revenue

595.7 million square feet under management

10,171 Professionals

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