Witten Advisors

MARKET-SMART INVESTMENT DECISIONS

Introduction to Witten Advisors

Our Mission. To provide thoughtful, fact-based insights regarding a) the forces shaping apartment market fundamentals and b) the resulting outcomes of future market performance

Our Goal. To enable our clients to make informed, "market-smart" investment decisions regarding new apartment acquisitions or development and also existing asset hold/sell options

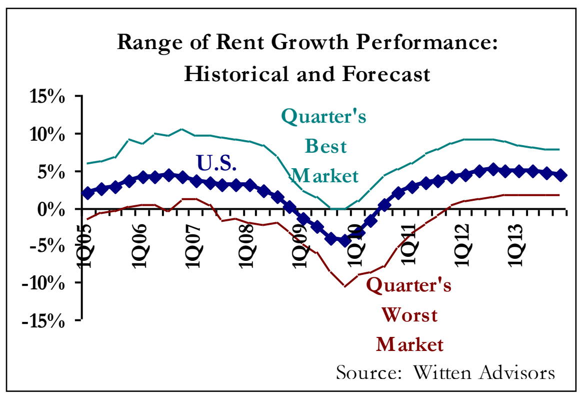
Our Clients and Our Services. Witten Advisors serves nationally and regionally active multifamily investors, developers and lenders, both public and private, in an ongoing retainer format. Clients receive a) web-accessed metro and U.S. forecast reports, b) proprietary quarterly conference calls as well as c) ad hoc consultation and research support as requested.

The Witten Advisors Difference

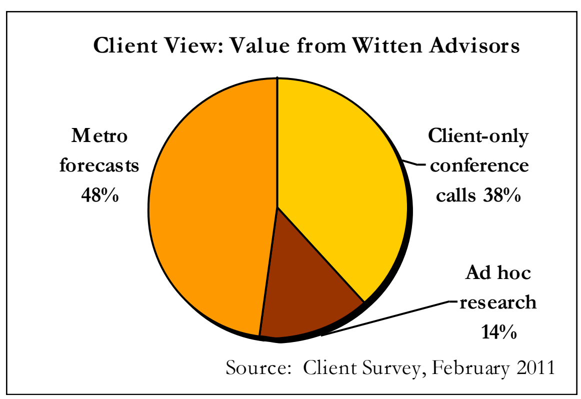
Depth of experience and understanding. Witten Advisors was launched after Ron Witten spent 20+ years as president of M/PF Research, leading that firm toward its role as a leading nationwide provider of apartment market data. This experience provided Witten with unique opportunities to learn from the industry's leaders, to hear their concerns and to understand their business models. These insights have been enhanced by his tenure as a commercial bank director, as investment committee advisor to a major apartment firm, and as co-manager of a REIT hedge fund.

Multifamily focus with comprehensive perspective. The sole advisory focus of Witten Advisors is the nation's apartment market and industry. However, in addition to considering apartment market trends, a broader grasp of the housing market at large and the economy are essential to understanding the apartment market's direction. All Witten Advisors forecasts incorporate all these dimensions, tailored uniquely for each local market.

Forward-looking. Real estate returns depend on future performance, not last quarter's results. Though the market's status today is important, a sound view of the future is essential. The fact-based models developed and refined by Witten Advisors take the emotion of the current market – whether good or bad – out of the equation, providing solid foresight for the future. As an example, the phrase "Heaven in 2011" was coined in Witten Advisors' presentation to ULI's Multifamily Council in October 2008, in the gloom days after the failure of Lehman Brothers. While never perfect, Witten Advisors' forecasts are current, thoughtful and comprehensive. History clearly illustrates that picking the top markets rather than the bottom always produces drastically different results.



Discussion, not just data. While many firms first seek Witten Advisors' services for metro apartment market forecasts, clients report that these forecasts only provide a portion of the value they receive from their relationship. In fact, in a February 2011 survey, clients responded that they receive as much value from Witten Advisors' proprietary conference calls and ad hoc consultation as from the individual metro market forecasts.



Market Selection and Timing Do Matter.

Apartment Market Outlook: U.S., Dallas and Texas

DFW Apartment Brokers
March 29, 2012

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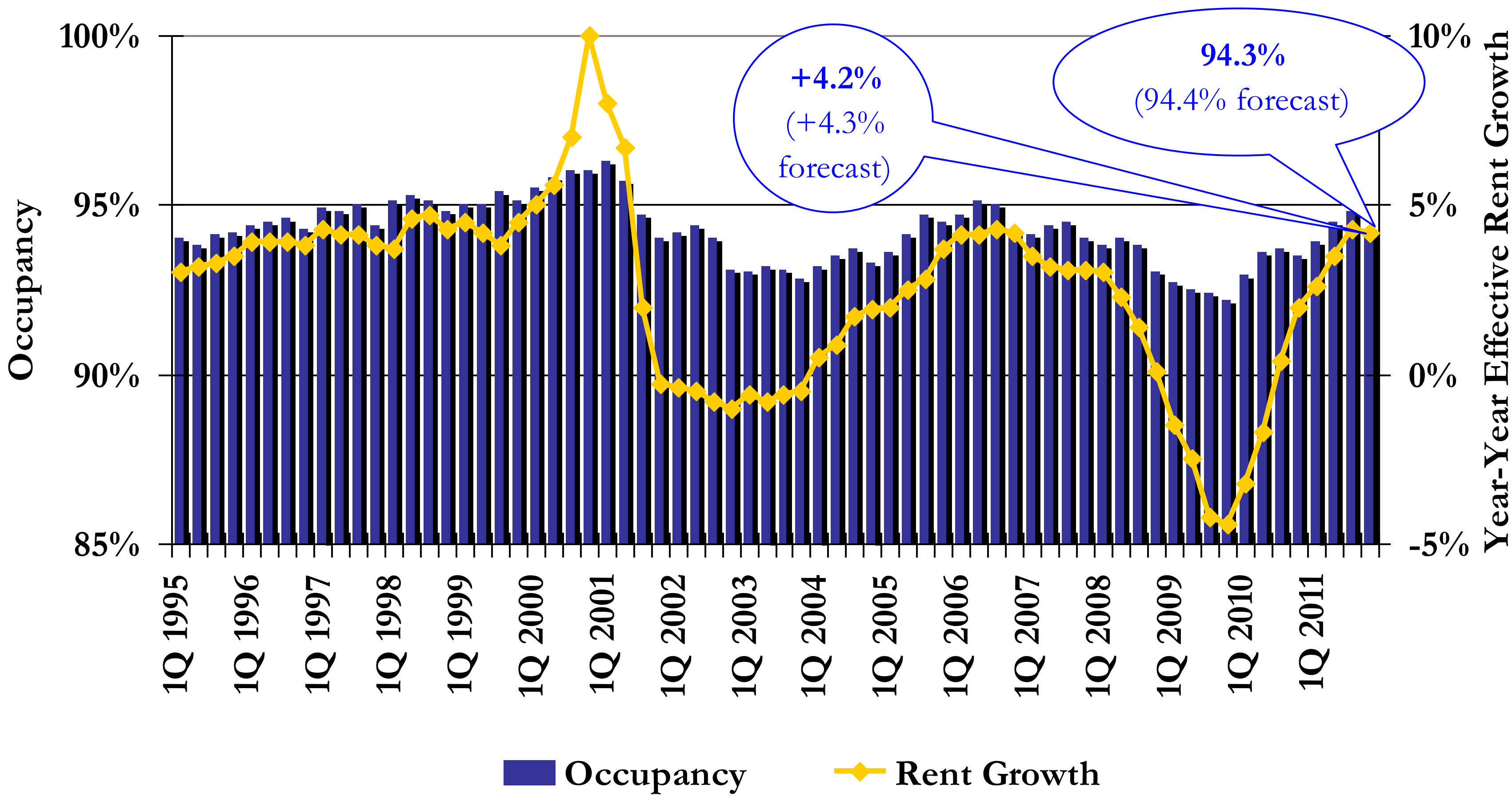
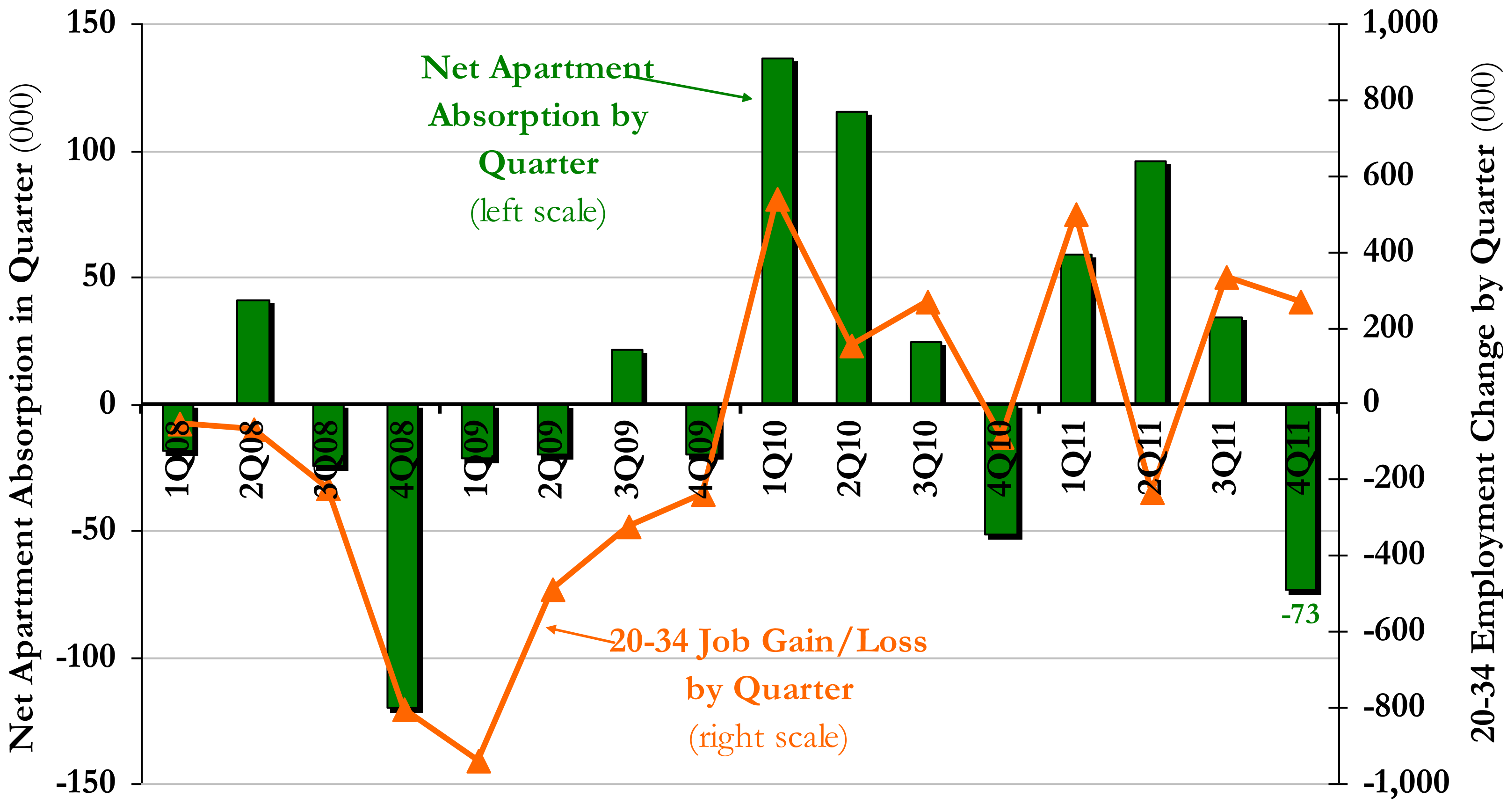
Occupancy, effective rent growth both above trend



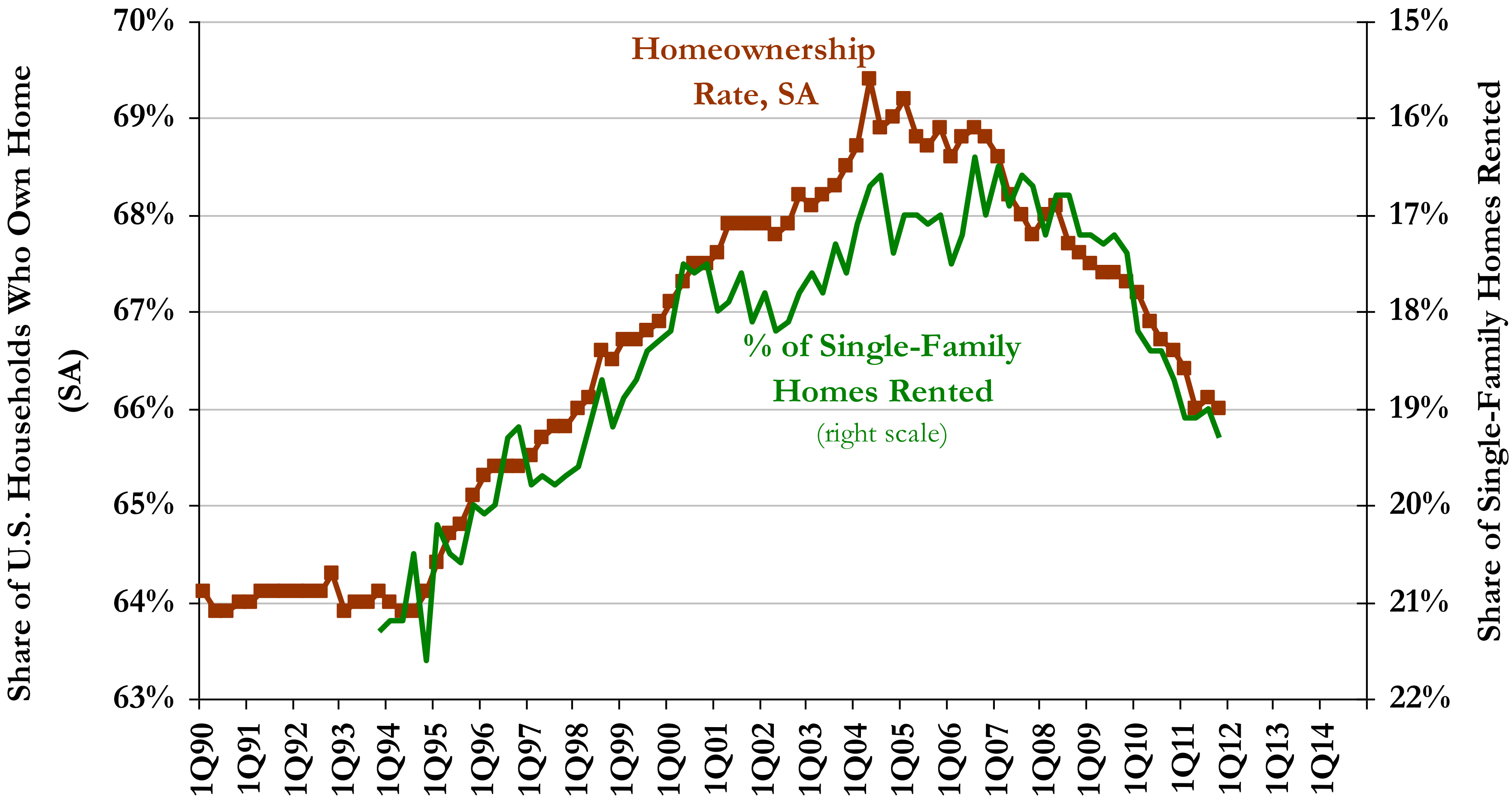
Source: Witten Advisors

Young adults get jobs, lease apartments *(except in 4Q)*



Sources: U.S. Bureau of Labor Statistics household survey, Witten Advisors

SF homes rented in a weak market and vice versa



Sources: U.S. Department of Commerce, Witten Advisors

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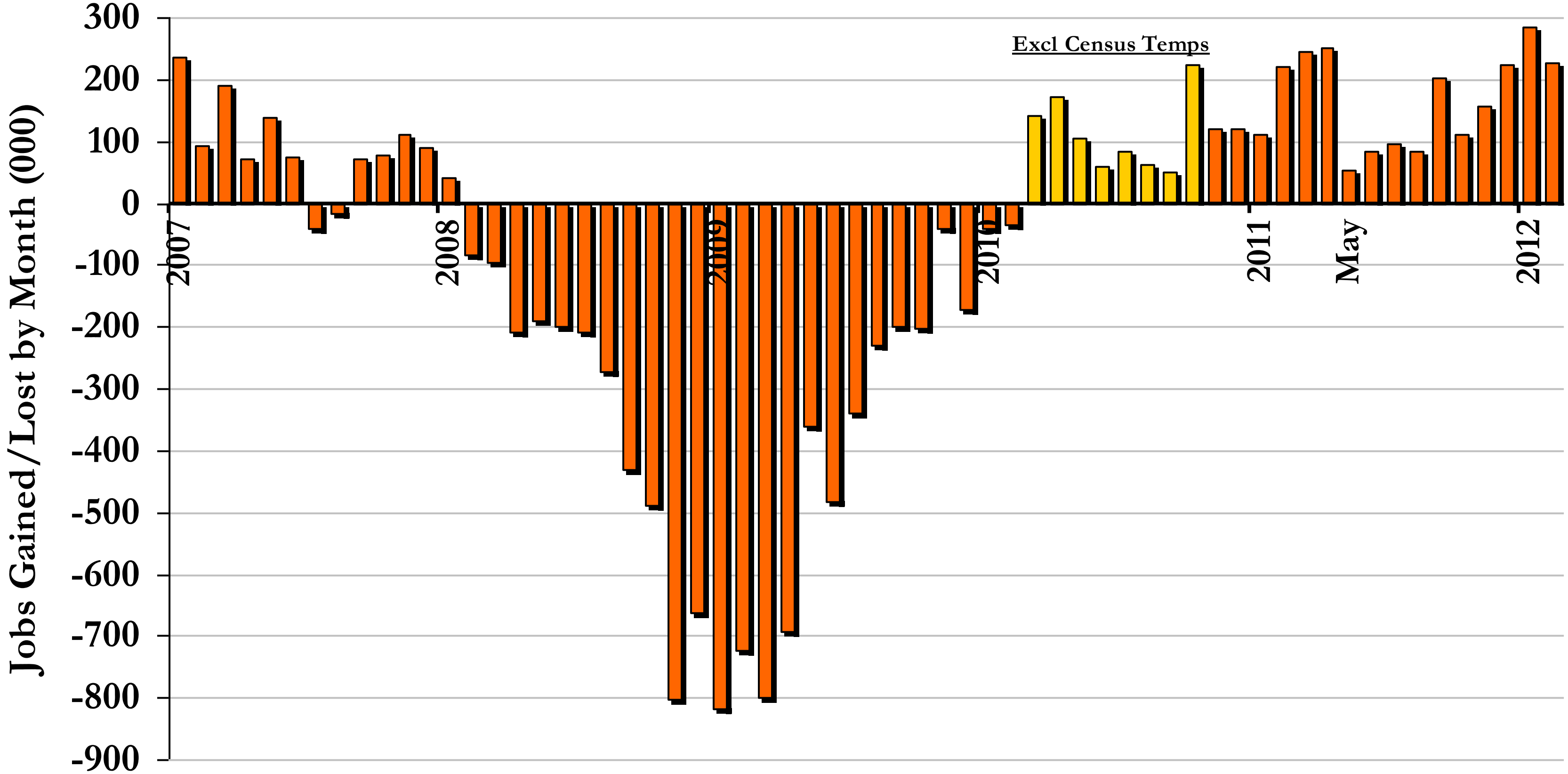
Recent U.S. job growth improving nicely…



Source: U.S. Bureau of Labor Statistics establishment survey

Market insights for apartment owners, developers, investors and lenders

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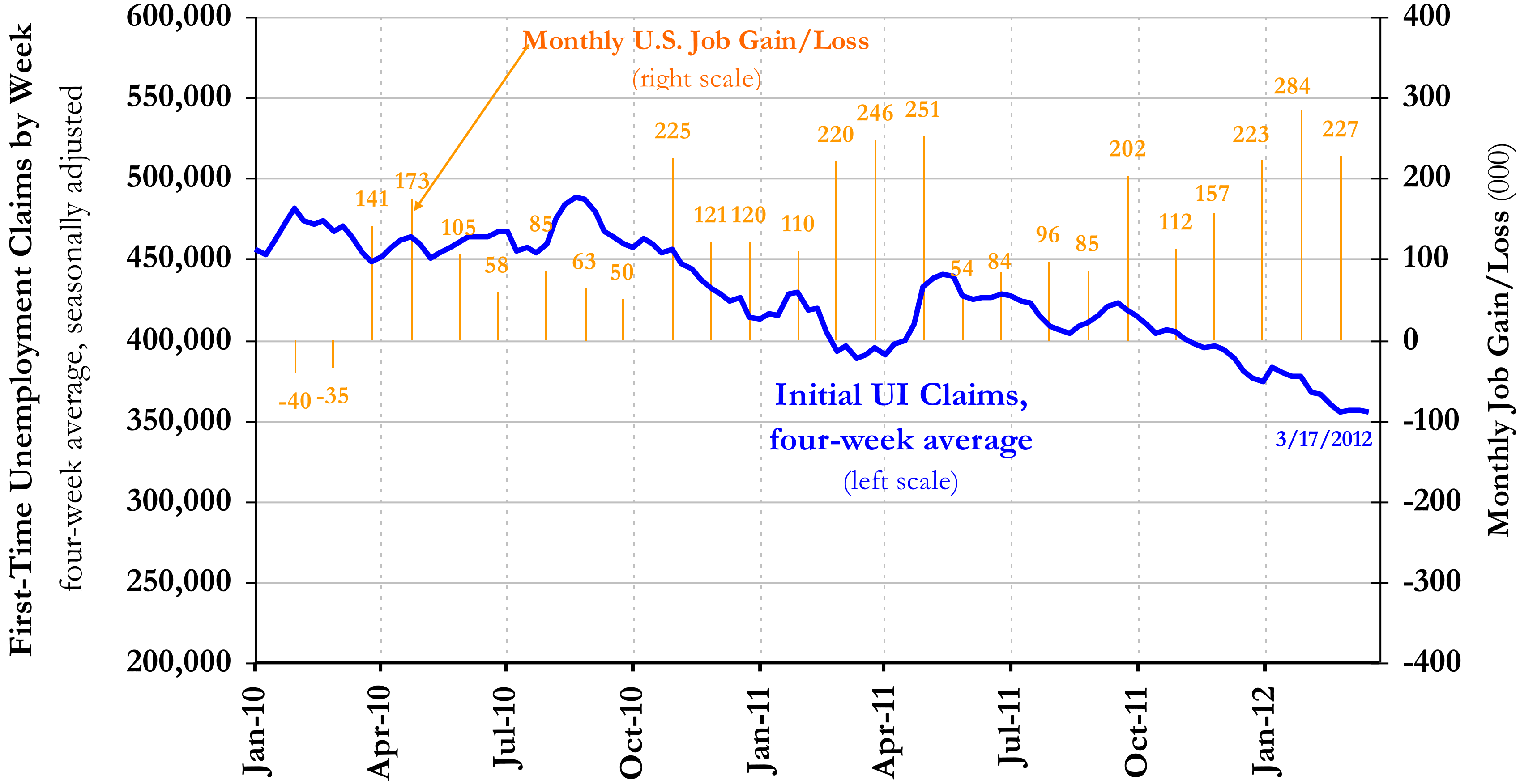
…and initial unemployment claims encouraging



Sources: U.S. Department of Labor, U.S. Bureau of Labor Statistics establishment survey

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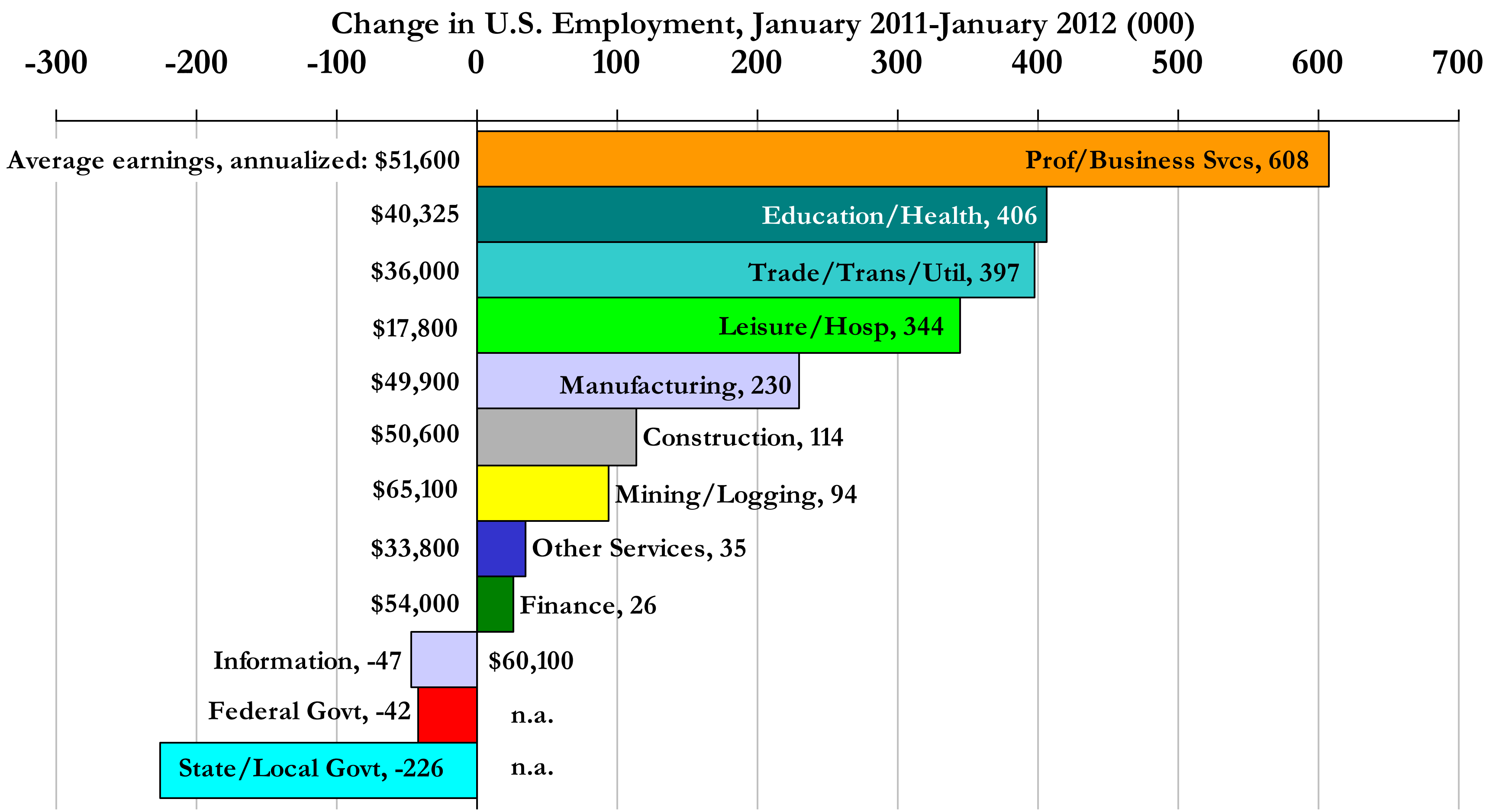
Private payrolls *(mostly)* growing, with good wages



Source: U.S. Bureau of Labor Statistics establishment survey

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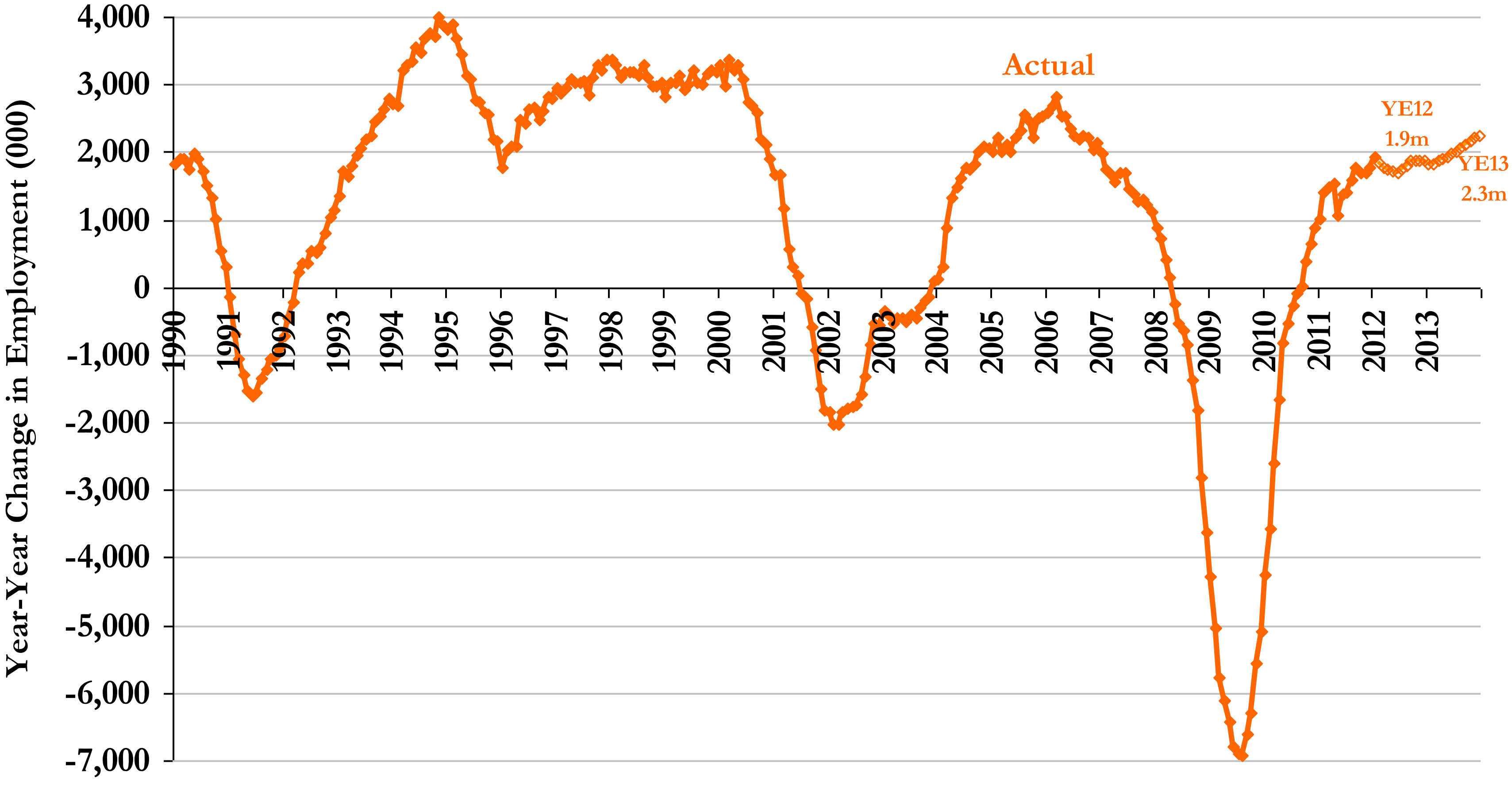
Jobs outlook: 2012 solid, stronger 2013



Sources: U.S. Bureau of Labor Statistics establishment survey; Consensus forecast

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With revised job counts, metro hiring strong

Employment Growth

12 Months ending Jan 2012

1.	New York City	121.3k
2.	Houston	94.7k
3.	Atlanta	68.4k
4.	Dallas	45.3k
5.	Chicago	35.7k
39.	*Philadelphia*	*4.5k*
40.	*Fort Lauderdale*	*4.2k*
41.	*West Palm Beach*	*2.5k*
42.	*St. Louis*	*–1.9k*
43.	*Sacramento*	*–5.1k*

Employment Growth Rate

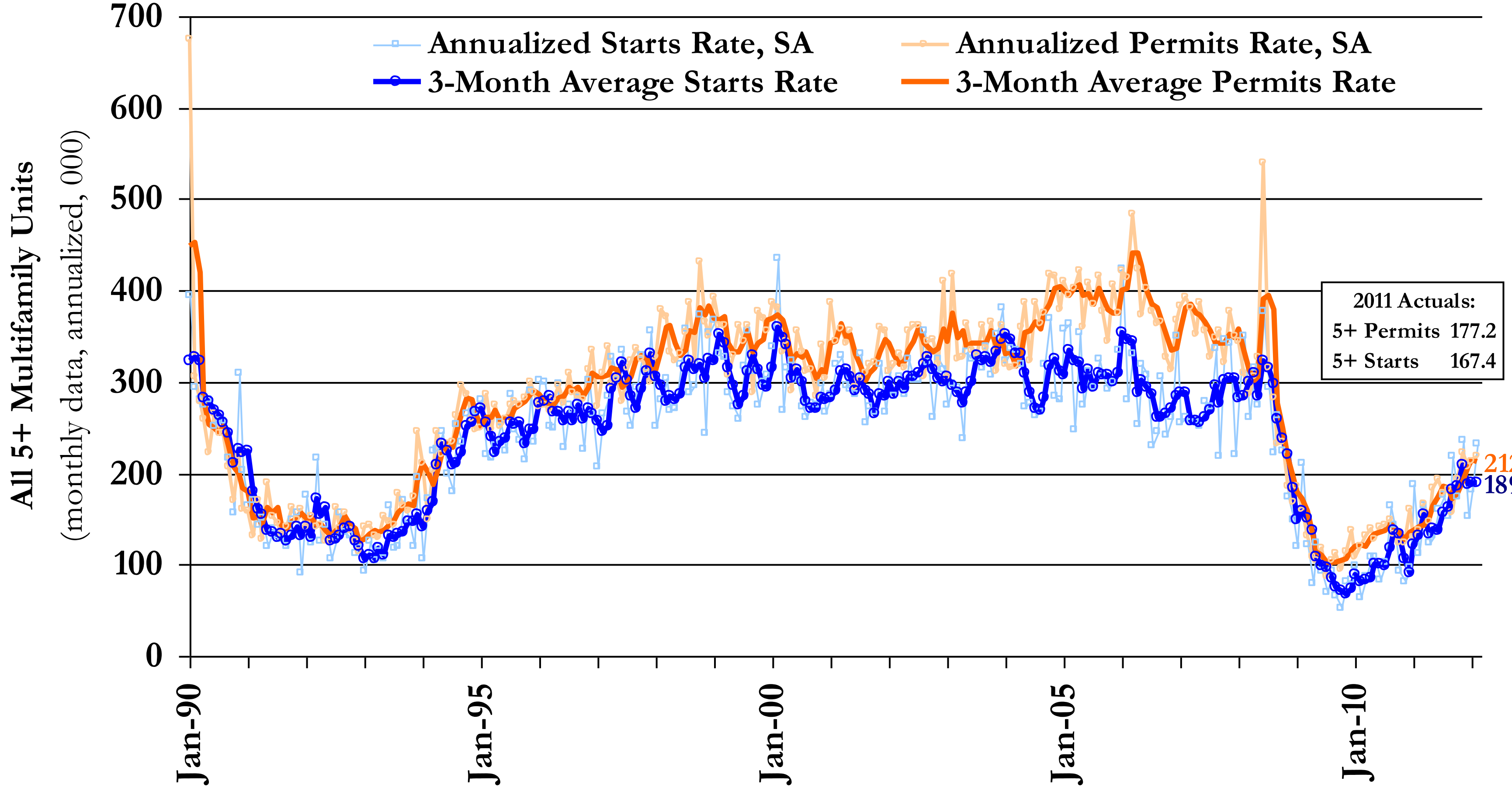
12 Months ending Jan 2012

1.	Houston	+3.7%
2.	Austin	+3.5%
3.	Salt Lake City	+3.4%
4.	Atlanta	+3.1%
5.	Fort Worth	+2.9%
6.	San Jose	+2.9%
7.	Seattle	+2.4%
8.	Denver	+2.4%
9.	Dallas, Raleigh, Nash	+2.2%

U.S. +1.5%

Source: U.S. Bureau of Labor Statistics

Multifamily construction accelerating but moderate



Source: U.S. Department of Commerce

U.S.

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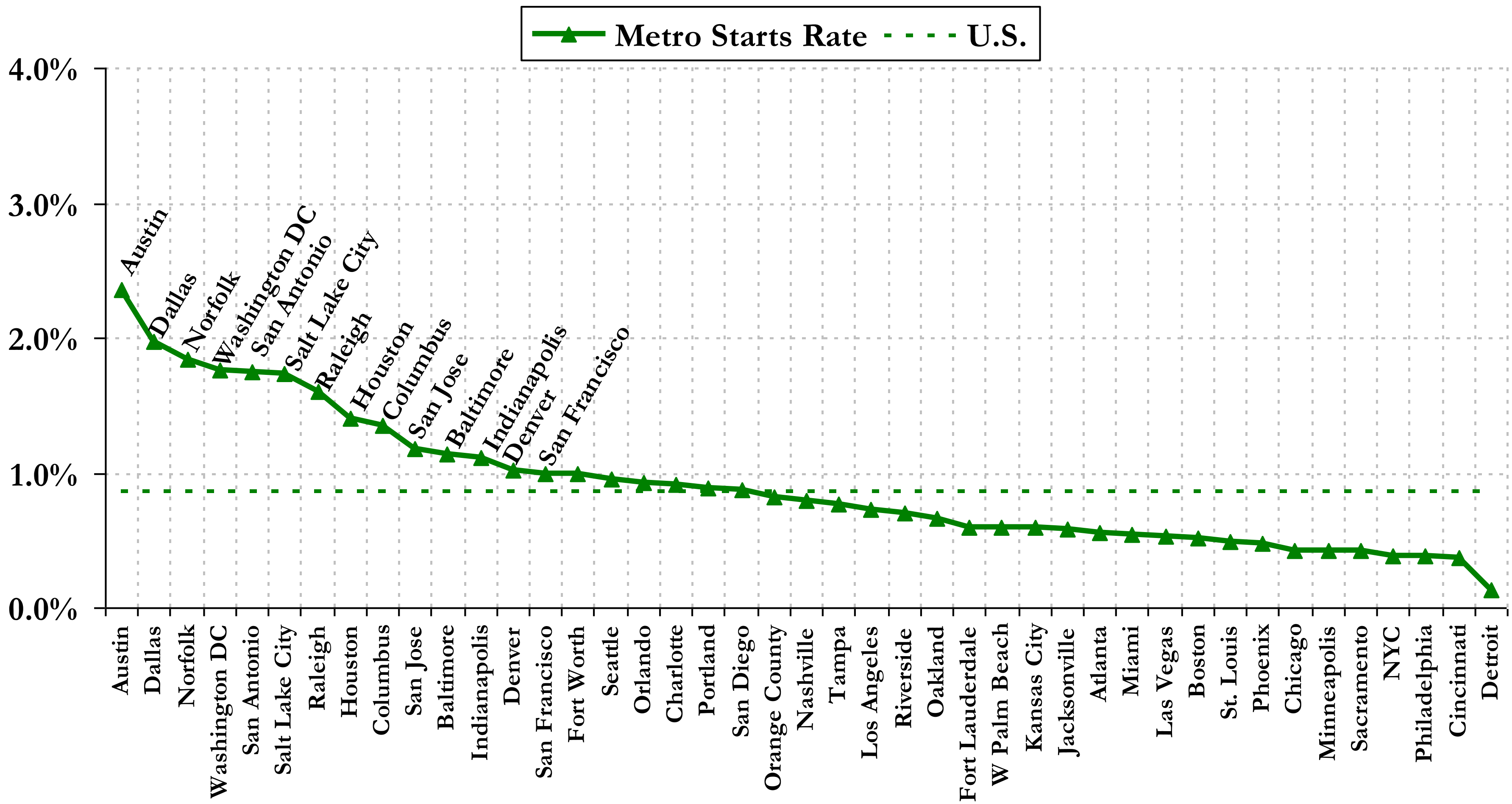
4Q apartment starts rate* low in most markets…



*Starts rate = last 12 months' starts as % of existing apartment stock

Source: Witten Advisors

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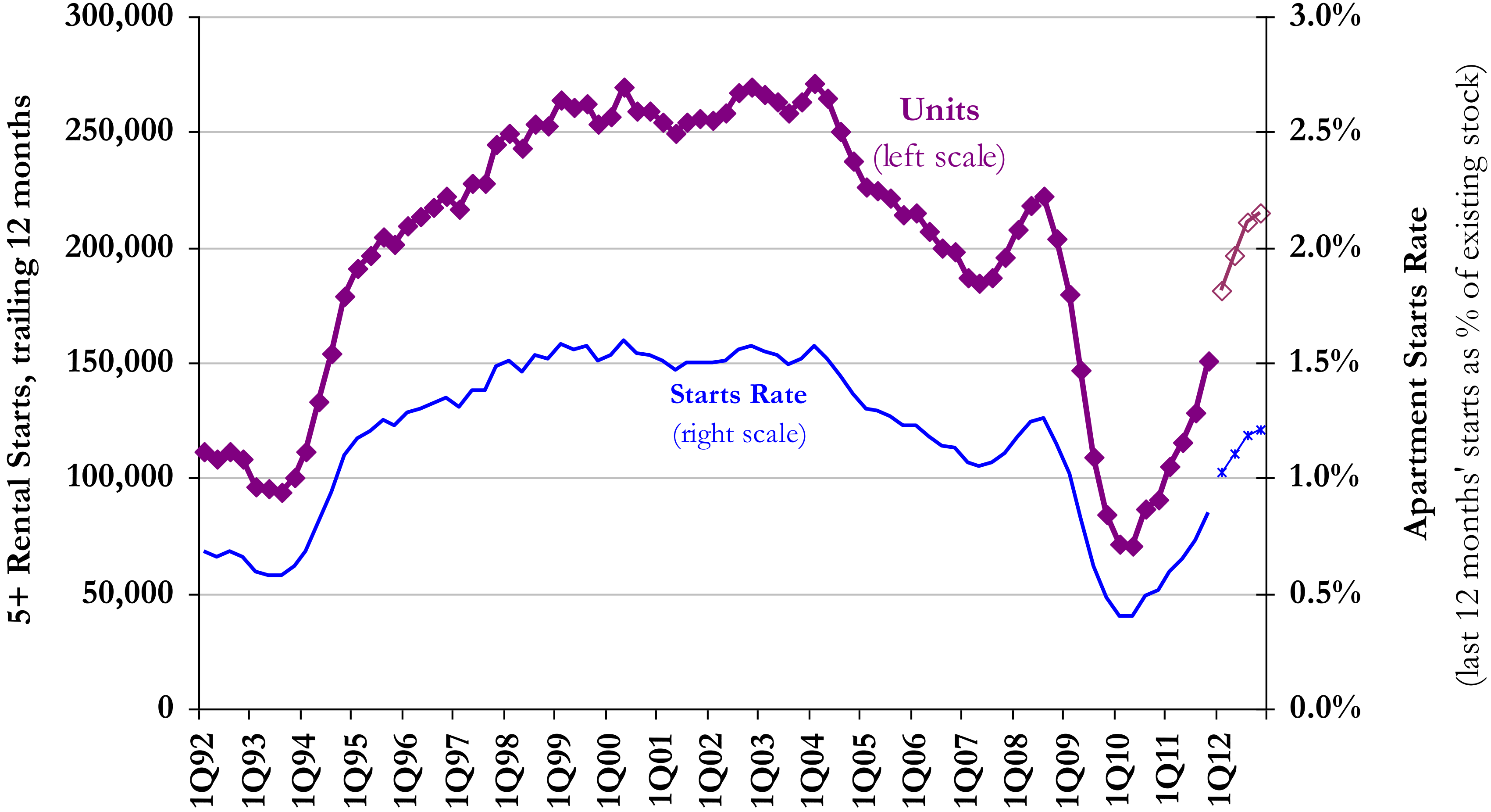
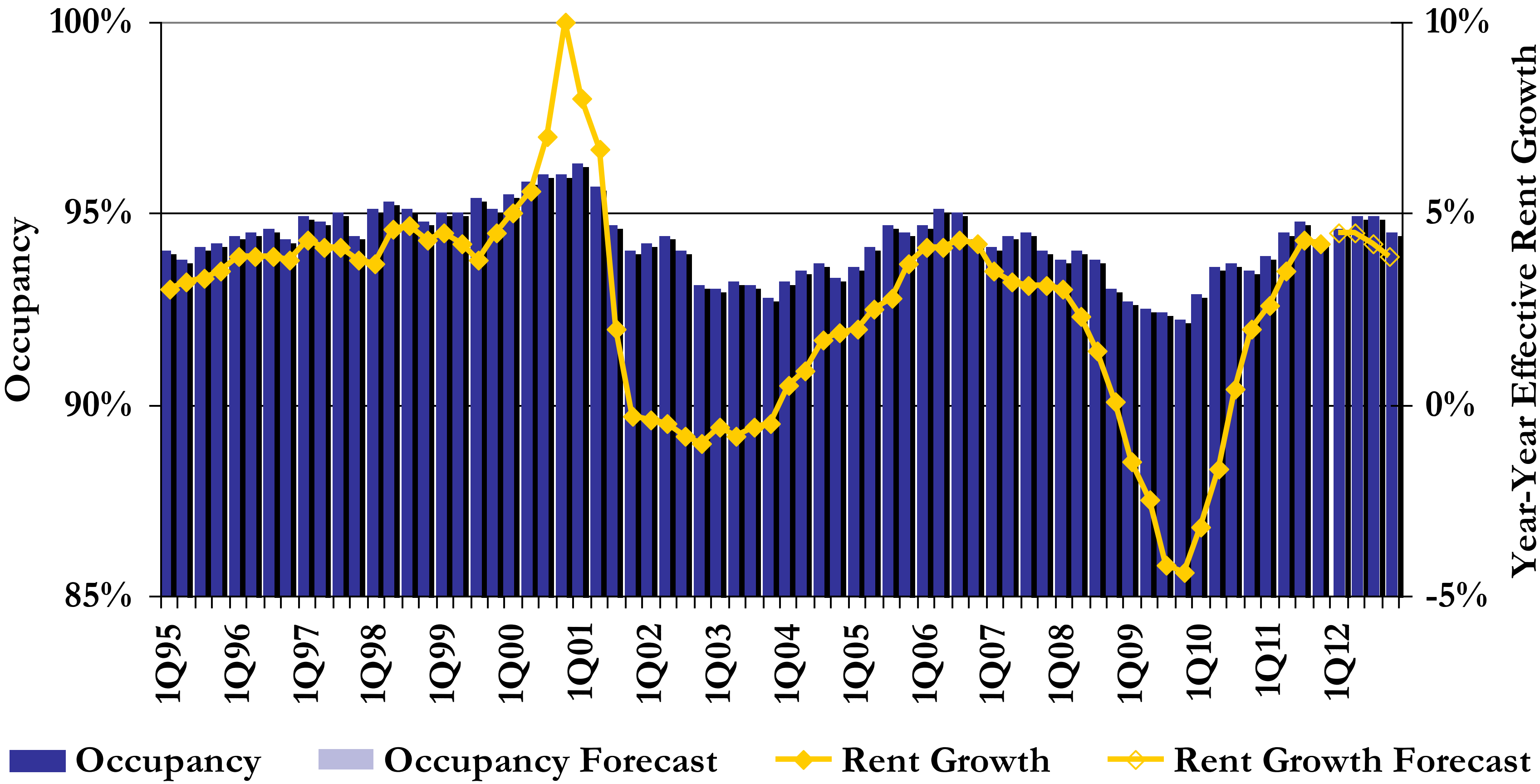
Scarcer equity, then rising costs may limit starts



Source: Witten Advisors

Rent growth, occupancy should remain above trend



Source: Witten Advisors

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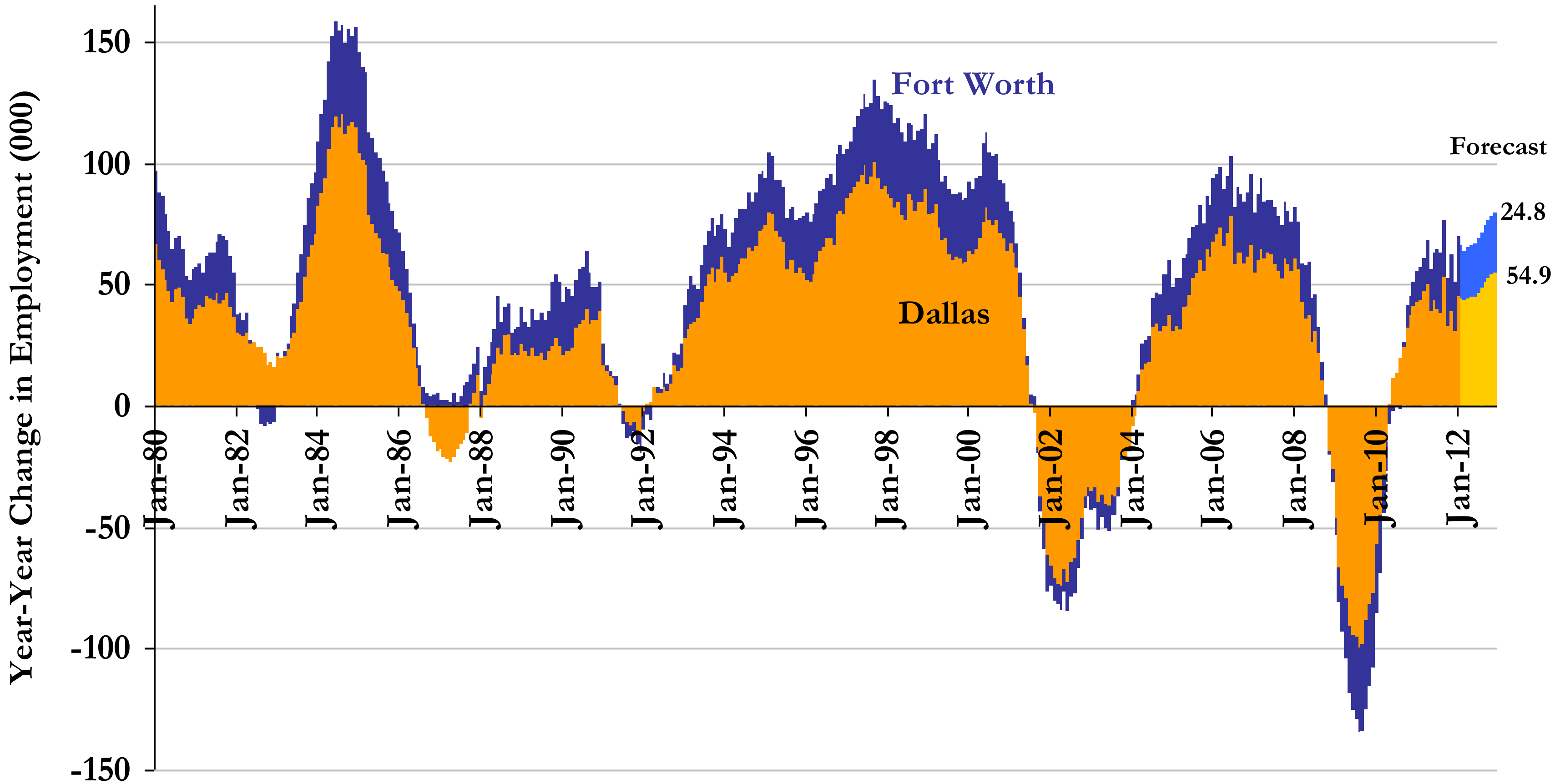
Healthy DFW job gains expected: 80k in 2012



Sources: U.S. Bureau of Labor Statistics; Witten Advisors forecast

Market insights for apartment owners, developers, investors and lenders

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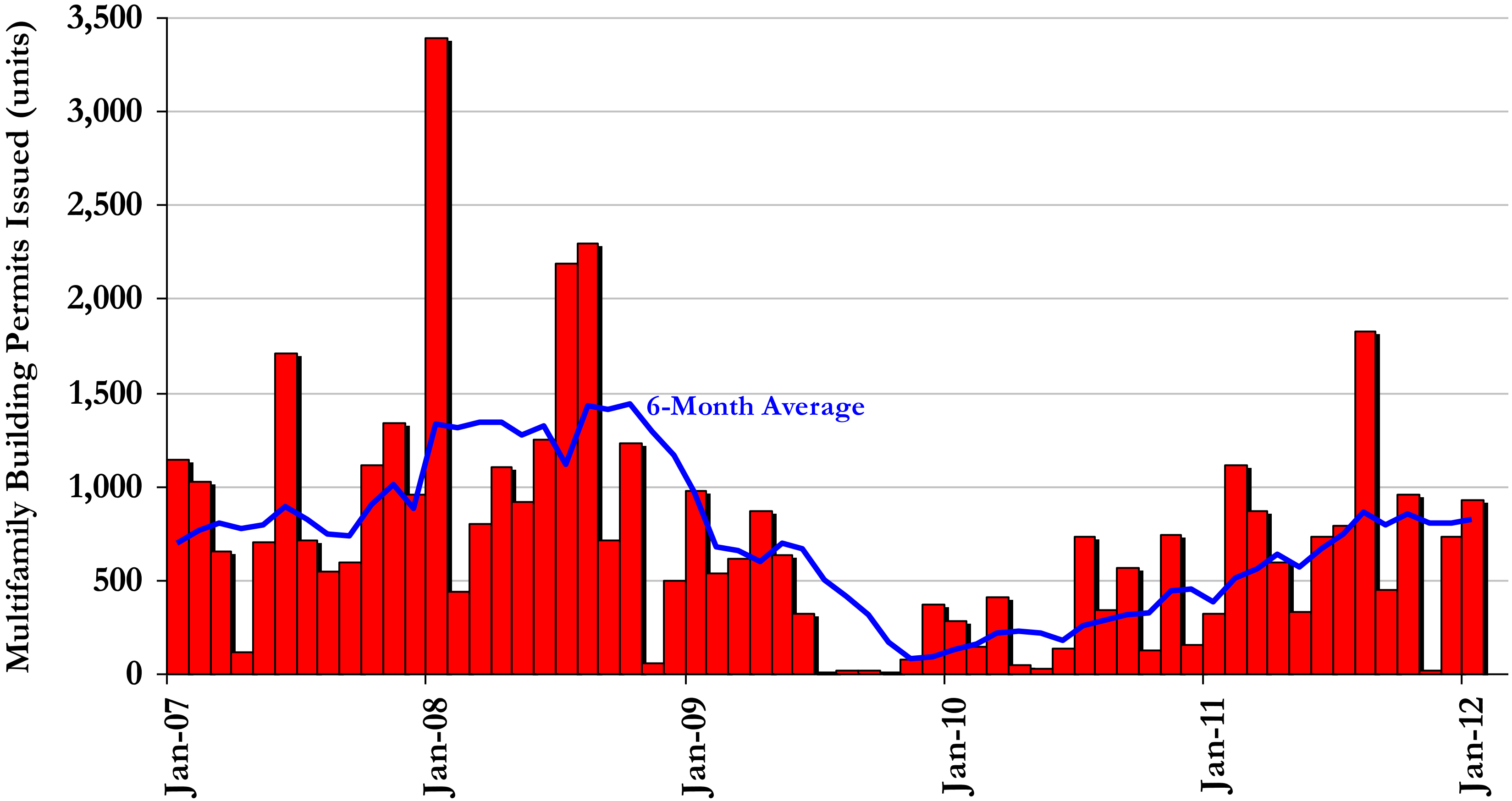
March 29, 2012

Multifamily starts were scarce in metro Dallas…



Source: U.S. Census Bureau

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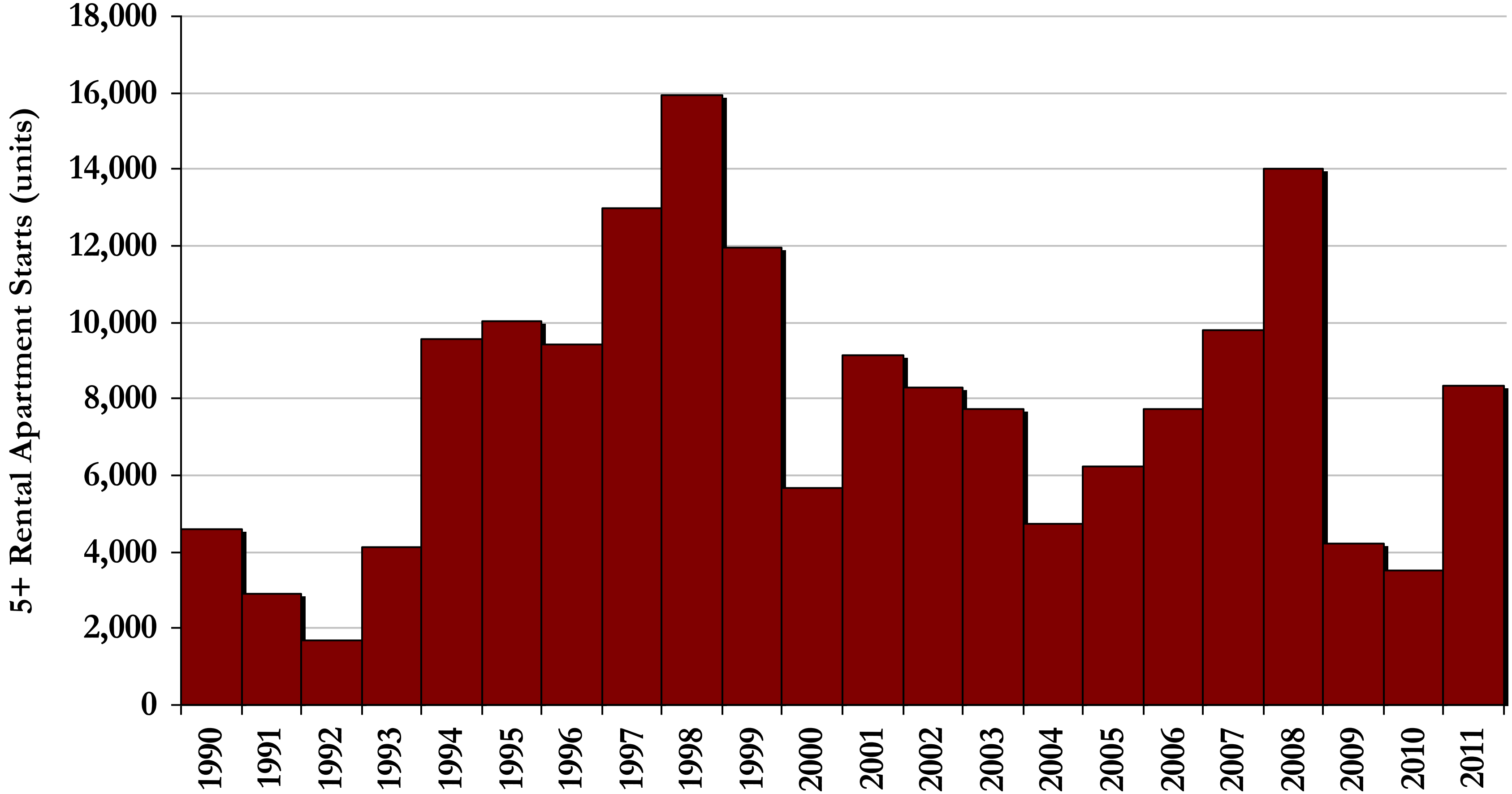
…starts still moderate *(historically)*, but headed higher



Source: U.S. Census Bureau

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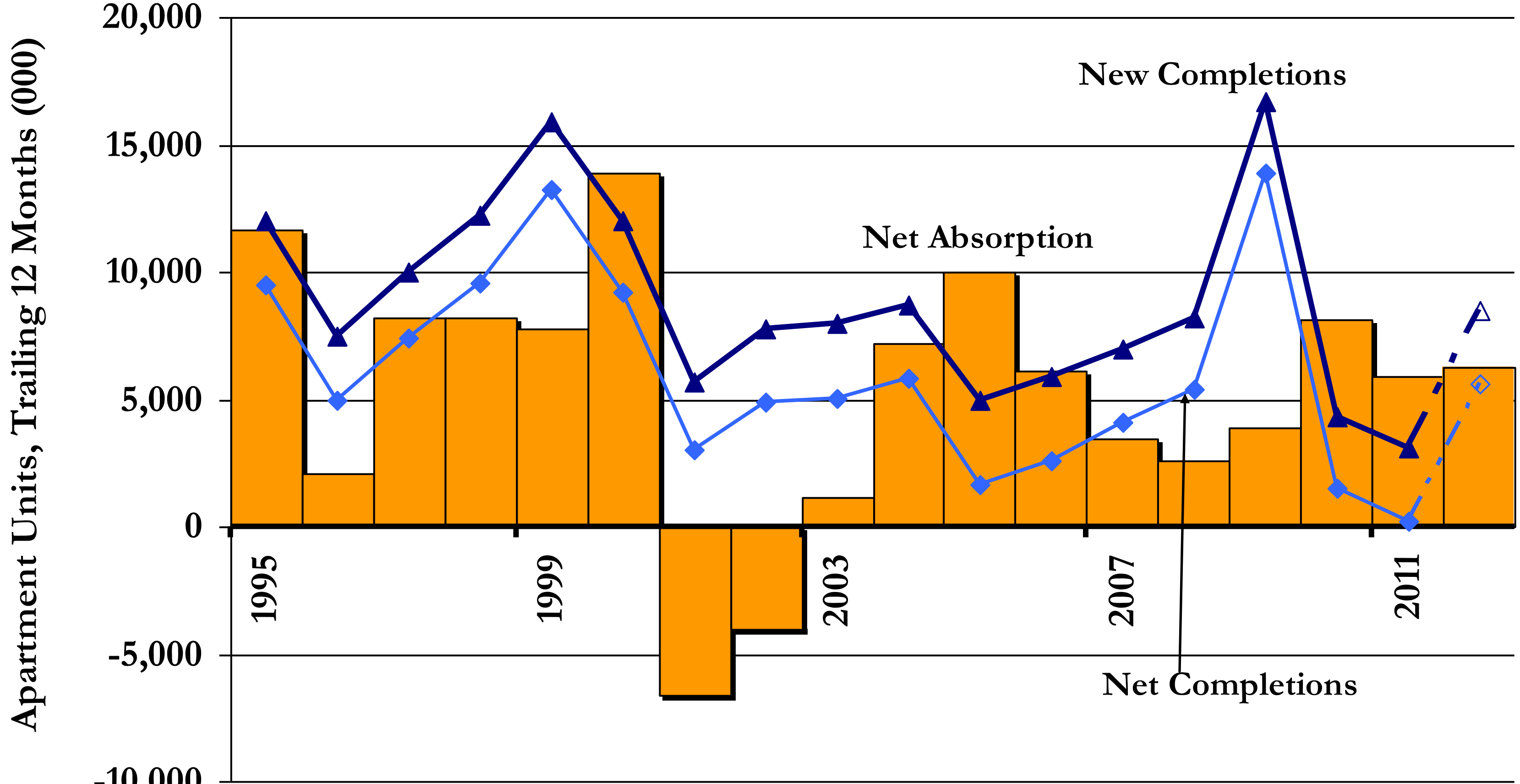
Balanced outlook: more new units, demand steady



Source: Witten Advisors

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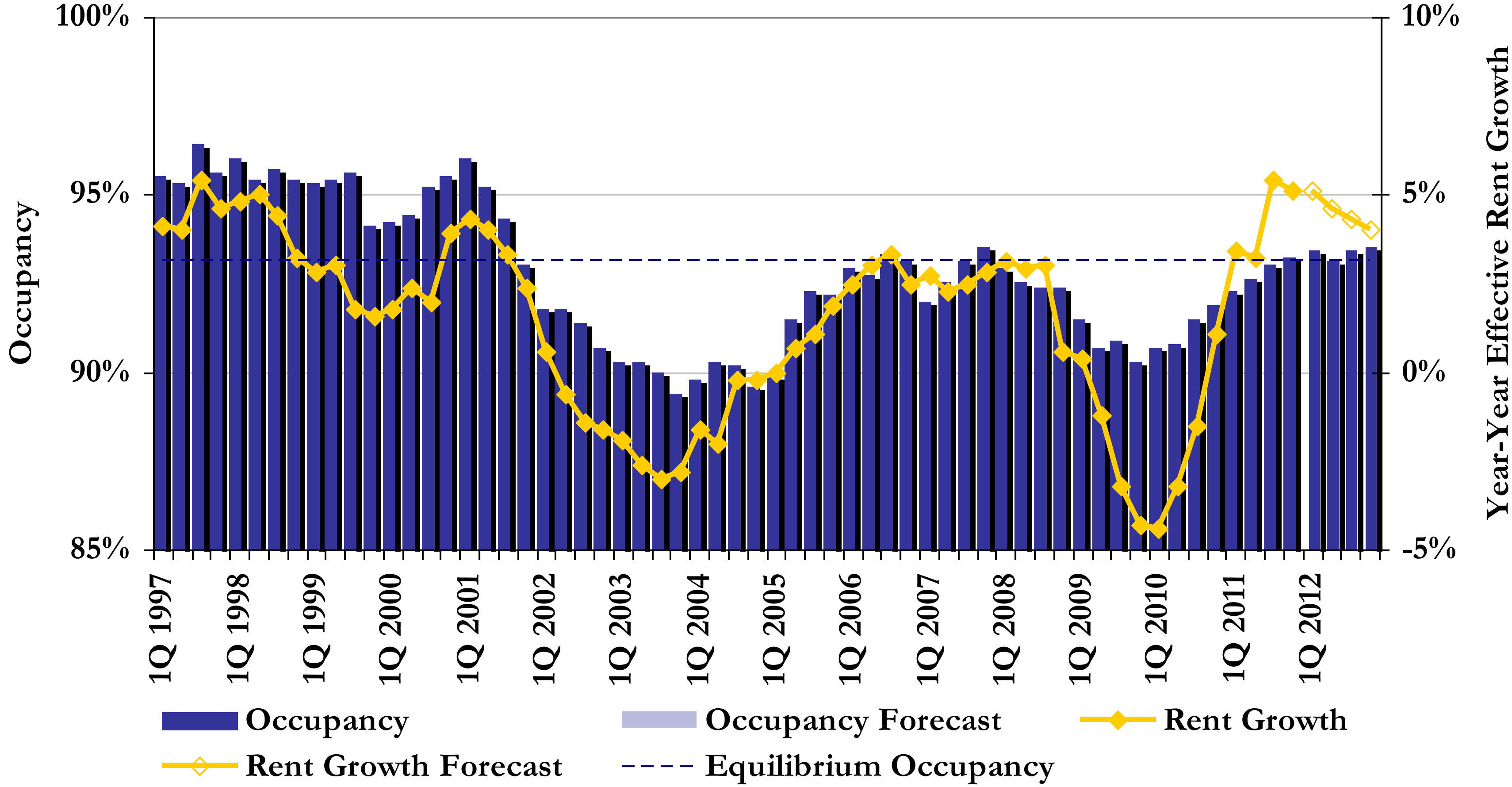
Occupancy up slightly in 2012
Rent increases easing, still above trend



Source: Witten Advisors

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Development, Acquisition Timing in Texas: 2Q12

Current Market Ratings for Apartment		ACQUISITION**	
Markets Covered	DEVELOPMENT*	1-Year	3-Year
United States	B -	A-	A-
Atlanta	B -	A-	A
Austin	A	A	A+
Baltimore	B	B	B
Boston	A -	A	A
Charlotte	A -	A	A
Chicago	B -	A-	B+
Cincinnati	A -	A-	A-
Columbus	A -	B+	B+
Dallas	B -	A-	A-
Denver	B -	A-	A-
Detroit	B -	B+	B+
Fort Lauderdale	B -	B	B
Fort Worth	B -	A-	A-
Houston	B -	A-	B+
Indianapolis	B -	B+	B
Jacksonville	C -	B+	B+
Kansas City	B -	A-	A-
Las Vegas	C -	C+	B
Los Angeles	A -	A	B+
Miami	B -	B+	A-
Minneapolis	A -	A-	B+
Nashville	B -	B+	B+
New York City	B +	A+	A-
Norfolk	B -	B-	B-
Oakland	B -	A-	A
Orange County	B -	A-	A-
Orlando	B -	B+	B+
Philadelphia	B -	B+	A-
Phoenix	B -	A-	A
Portland	A	B+	B+
Raleigh	A -	B+	B+
Riverside	A -	B+	B+
Sacramento	B -	B+	B+
Salt Lake City	B -	B+	A-
San Antonio	B -	B+	B+
San Diego	B -	B	B+
San Francisco	B -	A+	A+
San Jose	B	A+	A+
Seattle	B	A-	A
St. Louis	A -	B-	B-
Tampa	B -	B+	B
Washington DC	B +	B	B
West Palm Beach	C -	B+	B

*Lease-up demand for new completions based on occupancy forecast for next four quarters:
A = 1%+ above norm B = +/-1% of norm C = 1%+ below norm
*Based on development return index spread over current Class A cap rate:
+ = above historical average neutral = 80% - 99% of historical average
- = less than 80% of historical average
**Based on 1- or 3-year rental income growth forecast: A+ =6+% A=5<6% A- =4<5% B+ =3<4% B=2<3% B- =1<2% C+ =0<1% C= -1<0% C- = <-1%

Questions

For more information:
www.wittenadvisors.com