

2008 Multi-Family Market Review

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Topics

- Historic & Current Multi-Family Development
- Economic & Operating Environment
- Outlook



Historic & Current Multi-Family Development



Hampton Roads Communities Under Construction/Proposed

1,112 units under construction

3,287 units proposed

691 units started after June 1, 2007



Source: Real Data

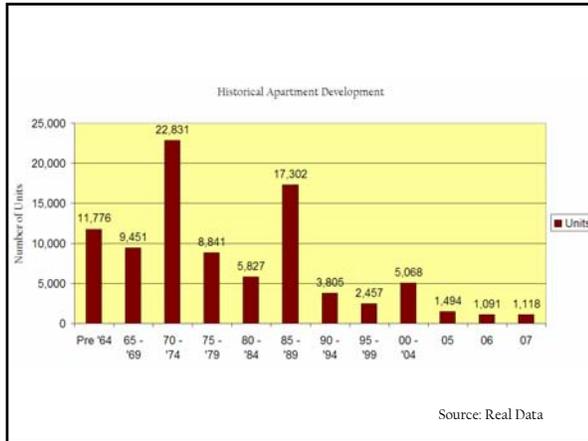


MidTown @ CityView, Virginia Beach 196 units



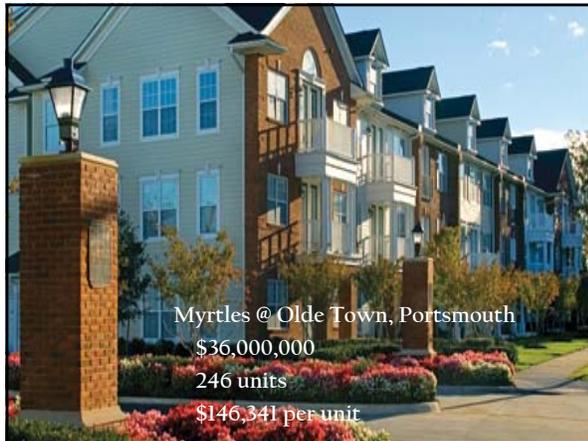
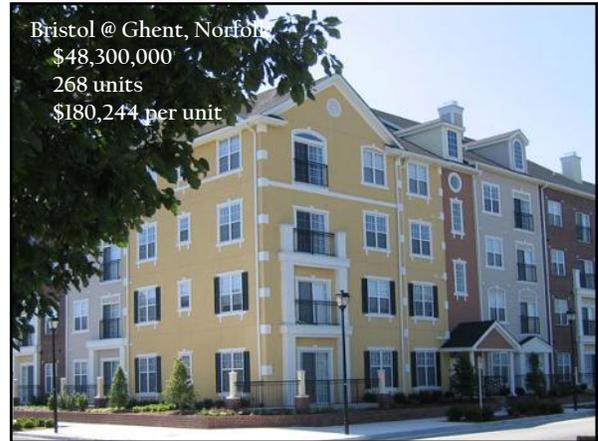
Oxford New Town, Williamsburg

Final 69 units



Economic & Operating Environment

Top 3 Sales



2007 Sales Statistics

Total Deals: 14
 Total Units: 2,760
 Avg. Units/Deal: 197

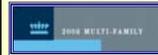
Total Deal Volume: \$277,676,159
 Avg. Price/Deal: \$19,834,000
 Avg. Price/Unit: \$100,607



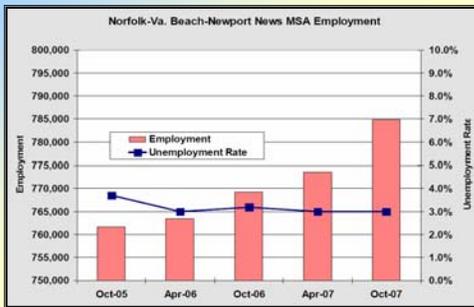
Source: Cushman & Wakefield

Debt & Equity Markets

- Yesterday the Fed launched a new financial tool called the "Term Securities Lending Facility" (TSLF). The Fed will lend up to 200 billion dollars in Treasury Securities. The collateral for the treasuries may be mortgage securities sold by Freddie and Fannie and private mortgage backed securities. The TSLF is designed to restore liquidity to the real estate debt and equity markets.



Economic Overview

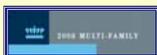


Source: Real Data



Outlook

Market Indicators	2-Yr. Annualized Avg.	Current	1 Year Forecast
Employment Growth	1.5%	2.0%	↔
Rent vs. Buy Ratio	53.9%	52.7%	▲
Supply Growth	1.9%	1.9%	↔
Demand Growth	1.0%	1.0%	↔
Occupancy Rate	95.6%	94.9%	↔
Rent Growth	4.1%	4.1%	▲



Source: Real Data

Outlook

- Employment growth projections appear to be good for 2008 & 2009. Hampton Roads compares favorably to Charlotte and the Raleigh-Durham area regarding employment.
- Vacancy, while at an overall 10 year high of 5.1%, is still relatively low and should remain at this level.
- Vacancy for properties which are 6 to 15 years old is only 2.6%
- Effective Rent Growth overall should be in the 4% to 5% range.



Outlook

- Little impact has been felt from “Shadow Shock” on occupancy levels. “Shadow Shock” is generally defined as “unanticipated” supply from *condo reversions* and the “shadow” supply of vacant *for rent* investor owned condo units.
- Properties in lease up lowered rents .1% between May '07 and November '07, after having raised rents 2.4% in the preceding 6 months
- B & C rated properties may well be the Rent Growth Stars of 2008



Outlook

- Rent vs. Buy ratio favors increased rental demand. Homeownership rates from 2005 – 2007 declined in the age groups of <35 years old, 35 – 44 years old, 45 – 54 years old, and >65 years old.
- Sales volume and cap rates should remain relatively stable. Red Capital Research continues to recommend Hampton Roads as an area where investors should “accumulate assets.” Cushman & Wakefield also confirms continuing investor interest in Hampton Roads.



Outlook

- Hampton Roads is a High Barrier of Entry Market. There are geographic and environmental constraints regarding available land, and political constraints regarding use.
- There have been relatively few units built during the past 20 years. During the period from 1970 – 1989, there were 54,801 units built. From 1990 – 2009 ('08-'09 estimate) approximately 17,257 units will be built. Cumulatively this is 37,544 fewer units or 1,877 fewer units per year on an annualized basis.



Most Important Market Factor

- 70 million “Echo Boomers” will go through college in the next 10 years and enter the marketplace.

