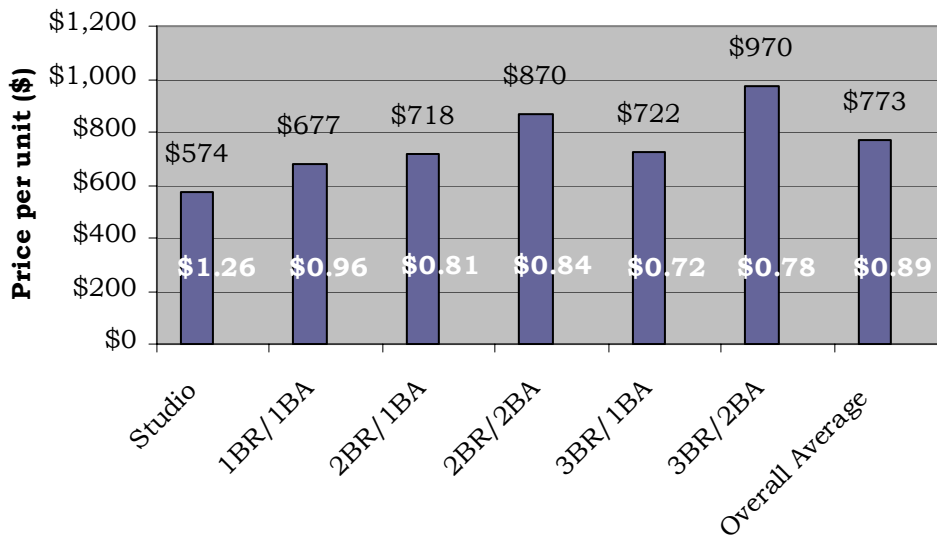


Portland Multifamily Market

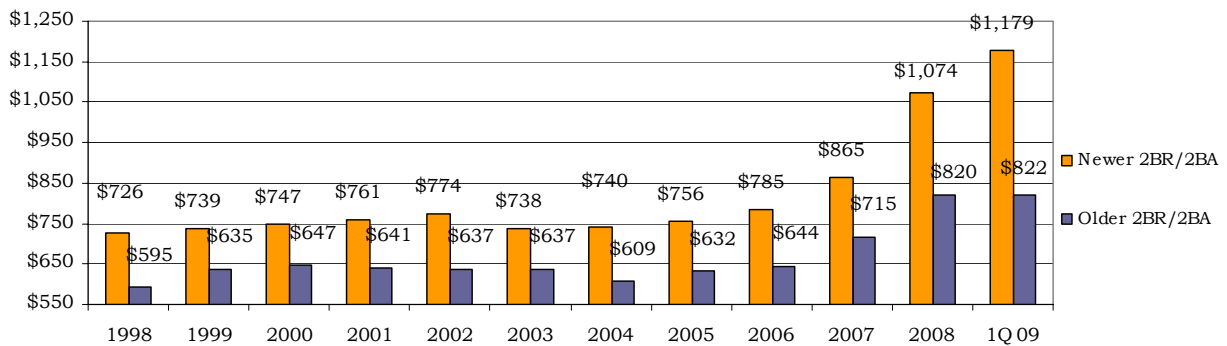
According to Norris, Beggs & Simpson's First Quarter 2009 Multifamily Report, the overall multifamily vacancy rate has increased in the first quarter to 4.96% compared to 3.80% this time last year, which is still much lower than other markets. It reports a total overall average rent of all apartments in the Portland metro area, from studios to 3BR/2BA, both new and seasoned units, to be \$773 per unit or \$0.89 per square foot. Average 2BR/2BA new units rent for \$1,179 per unit, an increase of \$105 over last quarter. Seasoned 2BR/2BA units rent for an average \$822 per unit, which is an increase of only \$2 over last quarter.

Metro-Wide Average Rents First Quarter 2009



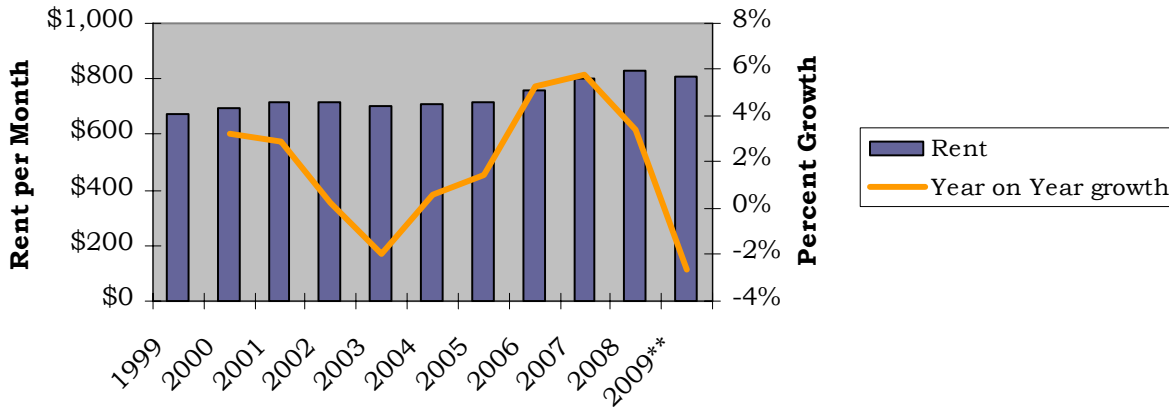
Source: Norris, Beggs & Simpson "Portland Area Multifamily Report First Quarter, 2009,
*Price per square foot shown in white

Average Portland Metro Rents



Source: Norris, Beggs & Simpson "Portland Area Multifamily Report First Quarter, 2009

Average Historical Rents & Rent Growth



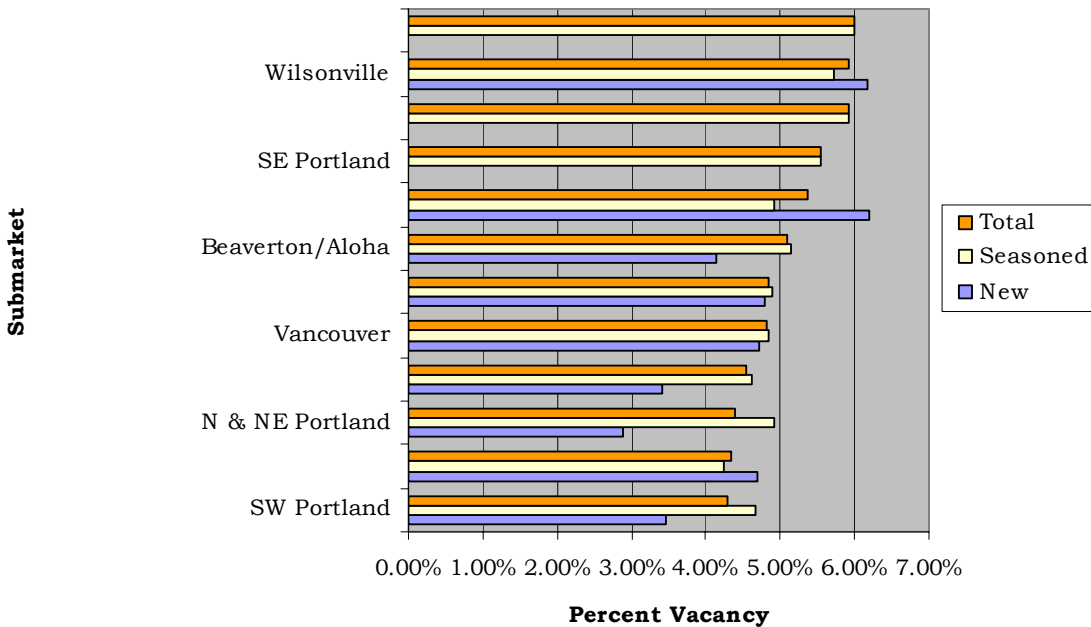
*Based on 1BR rate

**2009 estimated.

Source: Brokers, Gary Winkler, and Beth DuPont, Colliers multifamily investment team, "Portland Multifamily Private Capital News, Year End 2008"

The Clackamas/OR City/Milwaukie submarket shows the highest total vacancy rate at 6%, while SW Portland has the lowest submarket vacancy at 4.28%.

First Quarter 2009 Submarket Vacancy

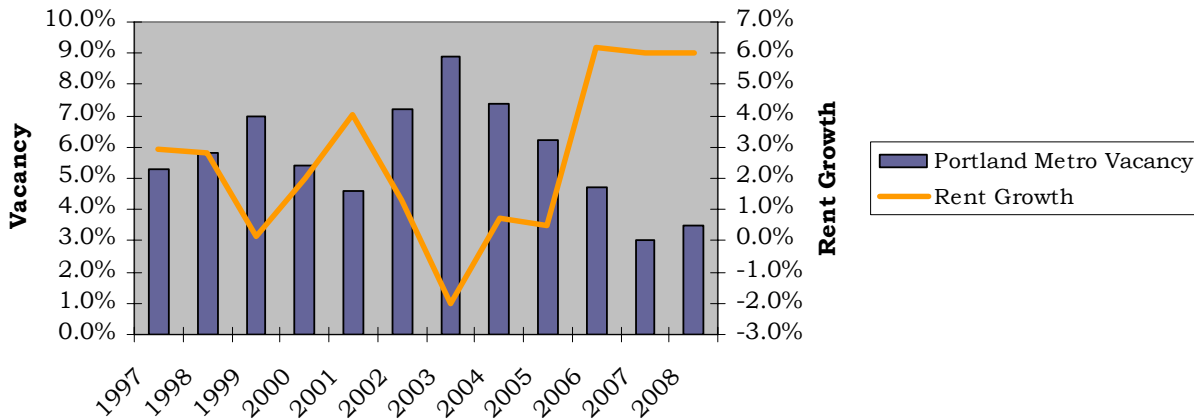


Source: Norris, Beggs & Simpson "Portland Area Multifamily Report First Quarter, 2009

Most sources agree that the single-family market continues to affect the multi-family market, as the “shadow inventory”, or the amount of available single family rentals as well as the rental of unsold condominiums, increased due to problems in those markets. Mark Barry estimates a current 2.5 to 3.5 years of inventory in the condominium market. He expects to see between 2,500 and 3,500 new apartment units in 2009 as some investors take advantage of lower labor and material prices and less competition for high density sites from the condo and row house developers.

As in other markets, landlords are starting to make concessions to attract and keep renters. Brokers from the Colliers Portland office, released results from a recent survey of advertised rental units, noting that “landlords are offering aggressive incentives, including free rent, favorable lease terms, free parking, and lower monthly rental rates to fill vacancy”. The total discount of the net effective rent with parking and concessions in select buildings downtown range from 11% to 25%. Suburban/Outer Portland survey results show lower discounts, in the 4% to 12% range. As the chart below shows, rents have increased significantly since 2005 while vacancy decreased. Brokers at Colliers expect this trend to change in the coming year.

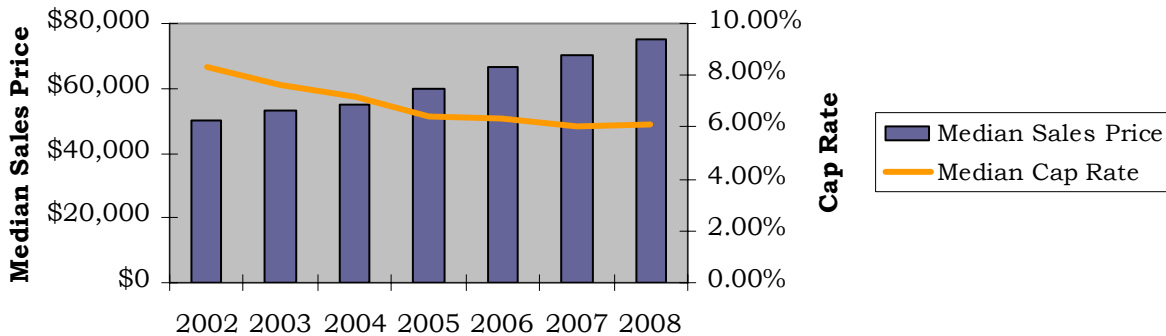
Portland Metro Vacancy and Year on Year Rent Growth



Source: Mark D Barry, the Barry Apartment Report, Winter 2009

Most experts forecast an increase in cap rates, which will decrease the market value of apartment buildings, especially those that were recently purchased. Another challenge that investors face, as noted by Mark Barry, is an increase in utility costs of 11% for water and sewer, 14% for electric and natural gas, and 10% for garbage, which will increase operating costs.

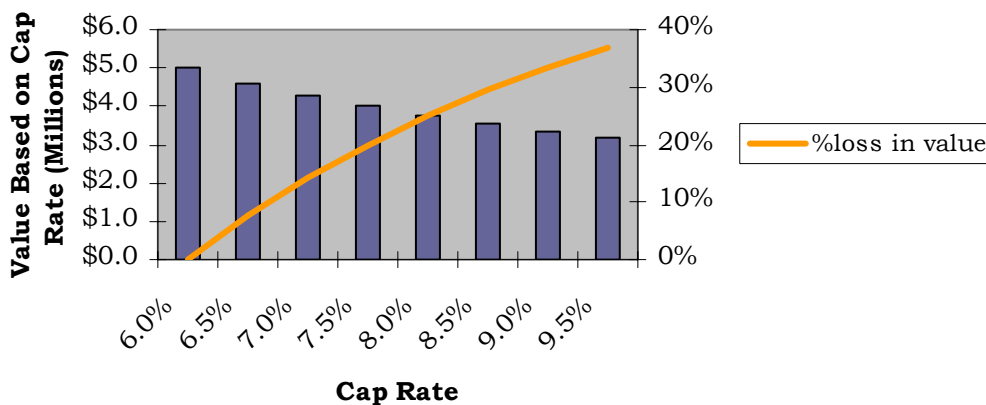
**Median Per Unit Sales Price and Median Cap Rate
Four County Metro Area 2002-2008**



Source: Mark D Barry, the Barry Apartment Report, Winter 2009

The above graph based on the figures reported by Mark Barry, shows the inverse relationship between the median sales price and the cap rate of sales from 2002 to 2008, which illustrates how big the bubble has been. The following graph produced by Colliers gives an example of how a rising cap rate will affect property values, and gives an indication of the expected trend reversal, until we reach the historical average 7% to 9% cap rate. With lower property values as a result of increasing cap rates owners may be reluctant to sell and buyers may wait for further declines, which will reduce the number of transactions in the coming year. Norris, Beggs & Simpson note that “cap rates will be calculated more conservatively with much more scrutiny on underwriting, in-place income, historic performance, cost of capital and market stability.”

**Impact of rising cap rates on values based on
\$300,000 net operating income**



Source: Colliers, "Portland Multifamily Private Capital News, Year End 2008"

MAJOR SALE TRANSACTIONS				
Buyer	Building	Price	Units	Submarket
Dan Piantanida	Las Brisas	\$4,815,000	48	North/NE Portland
David Kornblum	The Village Apartments	\$4,700,000	60	Gresham/Troutdale
Bristol Court Apt.Homes	Bristol Court Apartments Elaine Station	\$3,850,000	48	Clackamas/Milwaukie
RDC Acquisitions Stewart Terrace Apartments	Apartments 21754&21766 SW Sherwood Blvd	\$2,600,000	39	North/NE Portland
Bannon Land 2	Midtown Apartments	\$2,050,000	29	Sherwood
Ivy Tree	Ivy Tree Apartments	\$1,630,000	22	Downtown
		\$1,580,000	24	Southwest Portland

Source: Norris, Beggs & Simpson "Portland Area Multifamily Report First Quarter, 2009"