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APARTMENT INVESTORS JOURNAL

Spring 2012 | Creating Value in Investment Real Estate® Brokerage and Management for Apartment Investments | Portland, Oregon

Strengthening Your Investment's Position in the Apartment Market

by Brian Bjornson, Managing Director

Since the downturn of 2007-2008, the good news in the last few years has been the multifamily market's resilience in the face of a down economy. ***While other areas of the housing market declined or worse, apartment rents in Oregon and Southwest Washington dropped only slightly, before beginning a steady rebound.*** Currently, rents for both seasoned and newer apartments exceed 2007 averages.

Likewise, apartment sales prices have bounced back to new average highs, even excluding the sales of very high-end downtown Portland properties.

Part of the strength of the multifamily market is based on the limited supply of units available — which means higher occupancy rates. Demand rose due to continued in-migration into Oregon, despite high unemployment, of a largely younger demographic who are probable renters added to existing renters who had been priced out of the single-family market and people who lost their homes to foreclosure.

Furthermore, many people are reevaluating their focus on the American Dream of home ownership in the face of today's economic realities. Lenders are currently requiring larger down payments and applying stricter standards when evaluating home loans. So, although prices may be attractive, many potential homeowners are encountering hurdles to purchasing a home. In time, banks may regain their footing, and financing may ease. In the meantime, ***we may be seeing a new generation for whom renting is the completely acceptable norm.*** (If so, demand for apartments will remain high into the foreseeable future.)

While demand increased, supply remained fairly stable. During the preceding decade, Portland Metro saw reduced apartment building in many markets, as builders concentrated on condominium development. High infrastructure costs, and the higher initial returns condos brought, made them much more attractive than apartments to developers. In fact, many well-built older apartment communities underwent successful condo conversion during the late '90s and early 2000s. While some high-end condominium projects have re-entered the market as rentals, very few middle and lower income units have been built.

Numbers like we are seeing in our market today, especially in the face of a depressed single family housing market, may make Portland and Southwest Washington more attractive for multifamily development. Should a surge in development begin, how can existing apartment investors protect their income newly-developed competition?

Marketing is part of any comprehensive strategy to preserve and enhance the profitability of your apartment community. Typically, new developments feature smaller units and higher density

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Fed Hints: Low Rates Through 2014???

by Kirk Ward • Senior Multifamily Investment Broker

Despite the recent uptick in Treasuries in March, it is difficult to predict how long the real estate financing rates will remain at historically low levels. With interest rates for multifamily properties starting at 3.7% (and up, depending upon loan terms and the type of lender,) ***this is the best time to be a borrower*** — whether you are repositioning your current financing, or locking in long-term cash flows with a new acquisition.

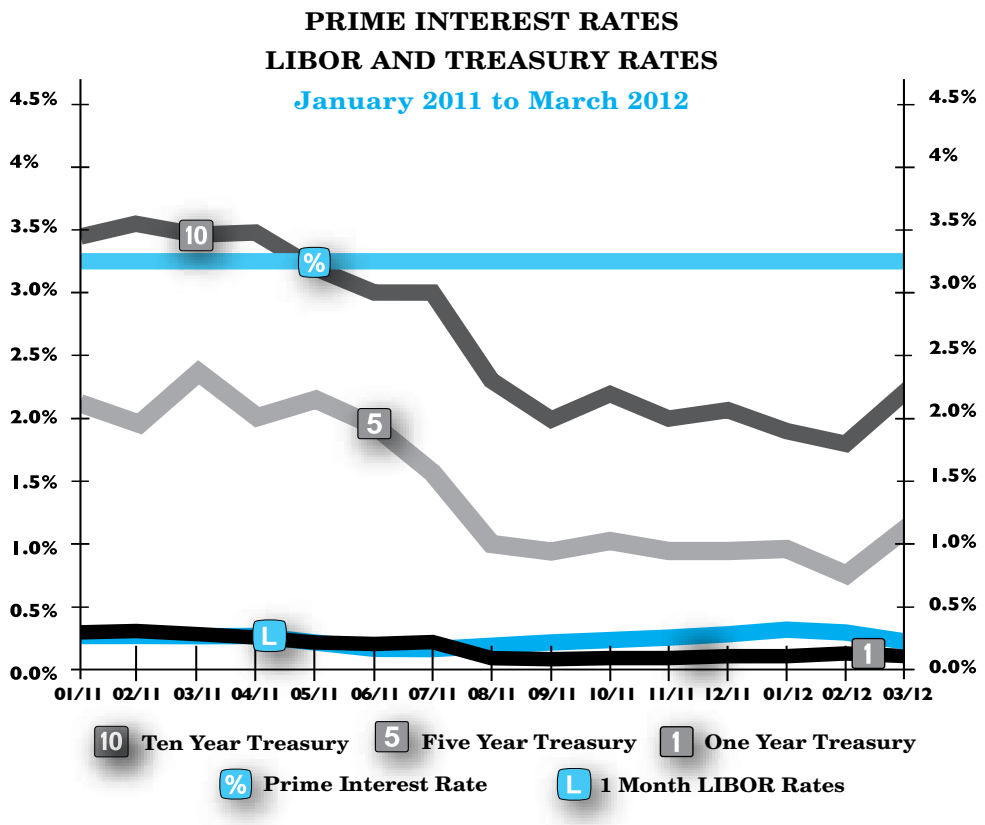
The fundamentals for the multifamily market, with the current interest rates, are very strong. ***Low vacancy rates, climbing rent levels, little new construction, an economic climate that is encouraging Echo Boomers to choose renting over buying, all have had a positive influence on the strength of the multifamily asset*** compared with other types of real estate investments.

The direct result of strong fundamentals for the multifamily assets is increased lender competition and additional choices for the investor. Fannie & Freddie have been the dominant lenders, with 70% to 80% of the apartment financing share, over the last 2 years. ***Now, banks, credit unions and life insurance companies have strongly entered the market to compete in both rates and terms with Fannie and Freddie.*** One type of lender that is notably absent from the list of competitors is the CMBS - conduit loans. With the volatility created by the financial crisis in Europe, these markets closed down lending in the second half of 2011. The conduit markets, which had a volume of $30 billion dollars in 2011, will be required to cover maturities of some $400 billion dollars in conduit loans coming due between 2015 and 2017. This could very well be a period in which demand exceeds the supply of funds available.

The available funds from all sources for real estate loans in 2012-2013 will likely be in excess of the demand for the loans. And, even though investors will have several good alternative choices in financing, expect underwriting standards to continue to remain high, with increased regulatory scrutiny and longer closing times.

Conclusion: While the climate for real estate financing is especially attractive today, and may extend into the near future, unforeseen events can change the market quickly. With today's global financial interdependence, developments in Europe, insecurity in the Middle East, as well as the U.S., or increasing inflation could change the Fed's direction and impact it's ability to control our currency. It would be a mistake for investors not to take a long look at all their real estate financing, and evaluate the opportunity to enhance their returns with a refinance or acquisition. *This may be the best time in decades to be a borrower.* N&S

Kirk can be reached at 503-225-8448 or kirkw@norris-stevens.com



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Rising Expectations and Demands in the Apartment Market

by Tom Davies CPM®, CCIM® • Multifamily Investment Broker

By almost any measure, operations were strong in the multifamily sector in 2011. Occupancy was excellent in the larger markets, and improving in smaller, less urban, markets. Portland Metro occupancy was just under 96% in our most recent market survey and other surveyors have posted even higher occupancy. The U.S. Census Bureau lists a 4.5% vacancy rate for the State of Oregon, and a 2.9% vacancy rate for the Portland Metropolitan market for the 4th Quarter of 2011, or ***the fifth best nationally for larger U.S. cities***.

Asking rents were relatively flat during the 2008 through 2009 period, with only modest increases as the economy floundered amidst poor employment. As occupancies improved in 2010, rents began to rise as well. ***In 2011, our reports show an increase of over 8% in the asking rents for existing 2 bedroom, one bath apartments.*** Actual gross scheduled rent lags behind the upward adjustment of market rents, but the trend is clear. ***While not all buildings reported increased collections depending on condition, location, etc., typical increases in collected income were in the 3% range, with some exceeding 5% growth.*** We expect continued strong rent growth in the coming year, as well as the continued transfer of water, sewer and garbage utility responsibility from landlords to residents for those properties that have not done so already.

Employment figures for the State of Oregon have improved by 1.7% from December 2010 to December of 2011, ending the year at 8.9% unemployment. The Portland Metropolitan Area improved by the same 1.7% compared to last year, ending 2011 at 8.6% unemployment. ***While still a long way from full employment, the pattern is certainly positive, and contributes to the growth and strength of the rental pool.***

Sales activity has picked up for all sizes of properties, from single family to large apartment projects. The 2011 Portland Metropolitan sales volume in single family transactions improved slightly at 19,682 sales, which was an improvement over 2008, 2009, and 2010. The inventory in months at the end of 2011 was 5.3 months, which was the lowest inventory since 2007. As a comparison, however, there were 32,830 single family sales in 2006, and an average inventory of only 3.4 months. Similarly, there were 105 sales of apartment buildings with more than 10 units (bulk sales from multiple markets excluded). While this was an improvement over 2009 and 2010, there were 194 sales in 2006.

Average values in the single family market declined by approximately 6.7% compared with 2010. Compared to the value peak in 2007, single family prices

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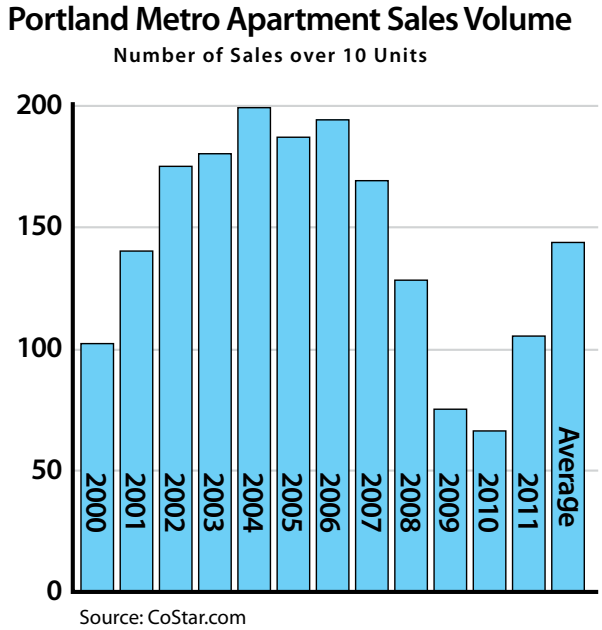

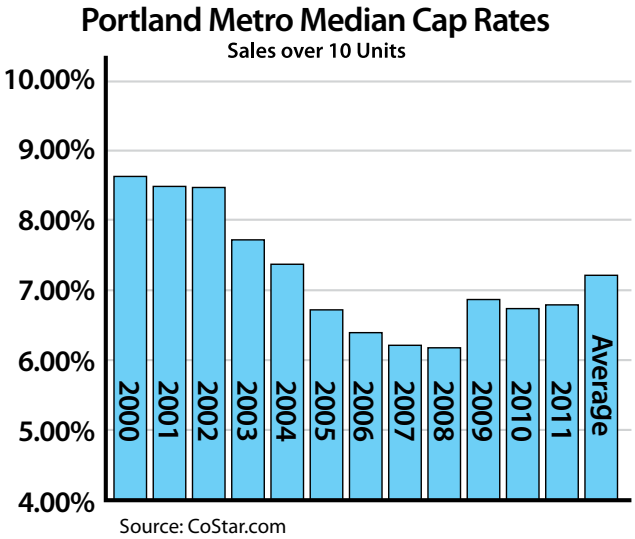

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Hedging Your Bets

Why multifamily is the right investment in uncertain times.

by Charles Conrow, CPM® • Multifamily Investment Broker

Owning apartments, especially in the Northwest, can be one of the best ways to protect your assets in an economic storm. Diversity of investment types is usually a good idea, and ***commercial real estate, especially apartments, can be an important and valuable part of an investment strategy.***

Real estate value is influenced, in large part, by supply and demand. Weak demand causes lower rents and more vacancy, and higher demand produces more income through lower vacancy and higher rents. Due to the short-term leases on rentals found in residential properties, income can change more rapidly than in any other sector except hospitality.

In a weakening economic environment, ***these short-term leases serve to protect revenues for a period of time, while the absence of long-term lease obligations prevents owners from being locked into low rents for extended periods of time when the economy strengthens***. And, unlike other types of commercial property, residents will be more reluctant to vacate because it is their home.

With proper screening and management, the down markets can be minimized, and the gains of the upswings can be quickly captured. Currently, more expenses, like water and sewer, are billed back to the tenants, cushioning the upward pressure of expenses. Apartments can also, within reason, be repositioned to adapt to changing demographics.

In multifamily properties, vacancy risk is spread out over multiple small tenancies, and vacant units can be made ready for a new tenant relatively quickly without major capital outlays. Even in extremely bad economies, vacancy rates rarely approach 10%, while other types of investment property can quickly exceed that, with fewer, larger tenants. Occupancies may change quicker, but the depth of exposure to the downside is less, and the gain from the upswing will also be quicker.

Due to the security of the income stream, ***lenders are more willing to lend on multifamily properties than on other types of commercial property.*** Loans will likely have more flexible terms, with the possibility of longer amortization and lower rates. Because lenders favor apartments, a borrower may find that more lenders will aggressively compete for the loan.

Unlike Europe and Japan, the United States, and especially the Northwest, will experience strong population growth. The highest growth will be in households headed by someone under 35. In 2010, the largest population group was 25 to 44 years old, the new prime age for household formation and likely renters. Added to this group are the immigrants, who will be increasing the likely renter population.

In the late 20th Century, careers became more transient, and the trend is continuing in the 21st. More households are staying in the rental pool so individuals can relocate with their jobs as they advance in their fields. The lethargic single-family housing market, with its stricter lending requirements, has blocked many renters from becoming buyers. (The last Census shows that Oregon's home ownership rate declined 3.2% between 2000 and 2010. ***Statewide, the annual increase in renter households averaged 9,700/year versus an average increase of 8,700/year for home owner households.***) Finally, strong land use planning laws in most Northwestern states work to dampen overbuilding.

In summary, property type characteristics, demographics, job trends, and lending, all contribute to a more stable investment with the ability to take advantage of market upswings quickly. Keeping in mind changing renter preferences, the health of the local economy, and land use restrictions, as well as specific location and property characteristics, multifamily properties are the ideal real estate investment to hedge the downside without sacrificing upside potential.

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Charles can be reached at 503-225-8439 or charlesc@norris-stevens.com

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Rising Expectation/Demand in Apartment Market

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have receded about 23.2%. ***Apartment values, however, have recovered significant ground lost following the ultimate sale prices achieved in 2007/2008.*** Capitalization rates remain higher than they were at the market apex, but occupancy improvements and rent increases have helped narrow the value gap.

2011 was a year of contrasts in the economy, as well as in the apartment market. As conditions improved for owners and investors, it signaled a more difficult environment for renters. New employment statistics show a more positive job picture, but the statewide 8.9% unemployment rate does not indicate the number of people who have given up, and are no longer searching, for work. ***Anecdotal evidence from our management division indicates that times are difficult for some renters.*** More rental applications are being rejected in the screening process, and a greater proportion of applicants present adverse credit histories on their applications. Delinquent rent has become more of an issue compared to several years ago, and the number of FED filings, (evictions) are up. Portland's reputation on the West coast for affordable rents has diminished somewhat with the recent rounds of increases. Though still affordable compared to larger West coast metropolitan areas such as San Francisco, Seattle or Los Angeles, Portland rents have raised quickly relative to the expectations of long-term residents.

With declining vacancy, rising rents, more difficult screening criteria, and minimal new construction, there is little wonder that the rental market, especially in the urban core, has become very tight. This becomes especially evident at the margins, for those rental applicants who fail to meet the most minimal rental requirements. The Portland Housing Bureau reports that on any given night, 1,700 Portlanders sleep on the street, and over 2,700 are homeless. One service organization in downtown Portland, Blanchet House, serves over 800 free meals to the homeless ***per day,*** and there are many groups in Portland working to fill the growing need for basic shelter and subsistence needs. As we all know, this situation is not unique to Portland, and is repeated in major cities throughout the country.

This has created a great opportunity for developers to fill a significant need in the community. There is a strong need and demand for more housing of all types, especially for those with moderate or low incomes. Conditions are improving for all developers, and there are indications that more projects are becoming feasible. ***Development funds for subsidized projects are competitive and while their requirements are complex, there are a number of projects in the works.*** Permits for new construction are also on the rise for conventional apartments, with close to 2,000 new permits in 2011. Applications should increase significantly in 2012, although will stay well below the 5,000+ permits issued in 2006. From a demand perspective, the number of units planned is nowhere near the actual requirements.

Conclusion: Positive operating results contributed to a much improved year for apartment owners. Sales indicators are trending up for landlords as well, with declining capitalization rates and improved net operating incomes. For renters, the news has not been as good, with increasing rents and tight availability. Developers have an opportunity to fill the gap however, especially with projects in the low to medium income bracket. New construction should pick up significantly in the coming months, which will generate much needed positive economic results in the region.

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Tom can be reached at 503-225-8449 or tomd@norris-stevens.com

01/01/2011 - 12/31/2011 Sales Activity by County

Median Values - Sales over 10 Units

County	Sales	Avg # Units	GIM	GRM	Cap Rate	Price/Unit	Price/SF
Clackamas	16	33	7.80	8.23	6.90%	$70,522	$79.10
Clark	6	119	N/A	N/A	6.98%	$56,674	$68.61
Lane	9	24	N/A	8.80	6.50%	$57,735	$67.06
Marion	13	25	8/72	7.10	7.27%	$42,500	$64.67
Multnomah	47	21	5.44	8.38	6.90%	$66,887	$77.21
Washington	22	72	N/A	8.60	6.25%	$74,060	$85.69

Source: CoStar

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The Benefits of Positive Leverage

by Todd VanDomelen • Senior Investment Broker

We are in a time in apartment investing in which record low interest rates are creating an environment of positive leverage. Positive leverage occurs when the yield on the investment (Capitalization Rate) is higher than the cost of money.

The interest rate spread between the loan rates and the capitalization rates creates a situation in which borrowing money magnifies your return, since you are using other people's money — the lender's — and paying less to borrow that money than what the property is projected to earn. Below is an income and expense analysis comparing leveraged and unleveraged cash flows:

The unleveraged real estate purchase required a $1,000,000 dollar down payment that produced a $65,000 dollar cash flow. This is a 6.5% cash-on-cash return. The leveraged purchase of the same property produced a $22,033 dollar cash flow with a $250,000 dollar down, for an 8.81% cash-on-cash return. In this simple analysis, there is a 2.5% spread between the capitalization rate and the loan interest rate. ***The property, in essence, is using the 6.5% capitalization rate to pay a 4% loan.*** This example does not take into consideration the tax advantages of owning real estate, such as depreciation and interest rate deductions.

The example also does not include the true return on owning investment, which is the IRR (Internal Rate of Rate.) IRR measures the annual cash flows, including the disposition sale proceeds.

Leveraging or refinancing an existing property could also allow and investor to diversify. In this unleveraged example, the investor with $1,000,000 dollars to put down is limited to one investment. If the investor leverages, he has $750,000 dollars to buy other properties. ***By purchasing several properties in different markets, an investor can spread the risk of the investment.***

Conclusion: It is a great time to take advantage of this low interest rate environment by investing in the apartment market.

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Todd can be reached at 503-225-8475 or toddv@norris-stevens.com

Example: Leveraged v. Unleveraged Apartment Purchase

	Unleveraged	Leveraged
Purchase Price	$1,000,000	$1,000,000
Capitalization Rate	6.5%	6.5%
Net Operating Income	$65,000	$65,000
Equity [Down Payment]	$1,000,000	$250,000
Terms	No Debt	$750,00 Loan @ 4% 30 Amortization
Debt Service	$0	$42,967
Cash Flow	$65,000	$22,033
Cash on Cash Return	6.5%	8.81%

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Succession Planning: The Heirs' Perspective

by Chase B. Brand • Multifamily Investment Broker

In our on-going series on succession, we have been focusing on the issues that property owners face when planning to pass real estate from one generation to the next. In this article, we are going to look at succession from the perspective of the heirs.

First and foremost, ***it is often difficult for children to bring up the subject of inheritance and succession with their parents for fear of appearing to be greedy or self-serving.*** This is especially true if the parents are in good health, and still active in the business. Some children don't like to consider the possibility of life without their parents, and talking about succession can seem morbid to them.

The unfortunate truth is that there is no avoiding the inevitability of death or its proverbial partner, taxes. And, while no one can predict when death will occur, heirs can at least identify where they get the monies they plan to use to pay the taxes. ***It is important to remember that the current estate tax exemptions are set to expire at the end of 2012.***

The current estate tax rate allows for a $5 million dollar exemption (or a $10 million dollar exemption for couples) and a rate of 35% on the taxable remainder. Previously the exemption was $1 million dollars ($2 million dollars for couples) and a tax rate of 55%. In the current political climate, ***it is likely that, after 2012, the estate tax rate will be closer to the older rate than the current one, and that the exemption level will be lowered as well.***

During a recent discussion with William Manne, an estate attorney with the firm Miller, Nash LLP in Portland, he pointed out that ***"there is no post-mortem tax planning,"*** which is to say that whatever your tax situation is on the day you die is the tax situation the heirs will have to accept. Consequently, ***the more tax planning that has been done, and the longer it has been done, the better off the heirs will be.***

For example under the current estate tax rules if you had a $10 million dollar building with a $4 million dollar loan and $6 million dollars in equity on the day of passing, $350,000 dollars in estate taxes would be due. (This is based on the $5 million dollar exemption, which leaves $1 million dollars to be taxed at 35%.) The heirs would then have 9 months to file the tax return and pay the $350,000 dollars, or face tax liens and possible penalties. Needless to say, when the law changes at the end of 2012, these taxes will probably become more onerous.

Aside from the taxes, ***another consideration is who will be in control of the assets following the death of the parents.*** In the worst case scenario, there is no will, and the estate becomes the responsibility of the court. The heirs are then left to work matters out with a third party, the judge or an appointed executor, who has no understanding of the intentions of the deceased.

The next risk of failing to prepare for succession is a fight among the heirs over ownership. In the event of a legal fight, a significant part of the estate can be eaten up by legal wrangling and the associated legal fees. ***Clear ownership and succession is a gift that the parents can give to their heirs, and through which they can ensure their wishes are being fulfilled.***

It was recommended by Manne, that, at the very least, owners of real estate should put a note in their desk explaining their wishes in the event of their untimely death: who to call, who to trust, and who will be the most help, in the event that they don't wake up one morning.

No one wants to think about the passing of their parents, whether they are young or old, in good health or poor. ***But the reality is that, oftentimes, it takes the urging of the heirs to get the senior generation to put down their wishes in writing, and plan for the future of both the property and the heirs.*** The direct result of doing so will result in lower taxes, no loss in the continuity of good management of the property, and less risk of a costly conflict among the heirs.

At Norris & Stevens we have been working with families for two and three generations, helping them when it is time to buy or sell properties, as well as managing them during the ownership. We will work actively with qualified attorneys and accountants to help with estate planning.

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Chase can be reached at 503-225-8491 or chaseb@norris-stevens.com

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Portland Metro – A Rental Hot Spot

by Cameron Mercer • Multifamily Management & Investment

Owners of multifamily property in the Portland Metro area should be smiling. During 2011 and the first quarter of 2012, the Portland market experienced substantial rent increases. Inner-city Portland and Westside Metro markets saw the largest jump — over 5% in some communities.

From a renter's perspective, this news is less positive. "Renters' Hell" was the headline for a recent article in the *Willamette Week* about the shortage of rental housing in the area. Why is the apartment rental market strengthening, while the economy is still struggling? It all comes down to supply and demand.

We are all aware of the thousands of residential foreclosures in the last two years. The crisis precipitated by overly-lax lending standards has led to the institution of very strict financing requirements by mortgage banks. As a result, many would-be buyers are unable to meet the income and down payment standards to purchase a home - despite lower home prices. Others have lost their home to foreclosure, and now must turn to rental housing, or are simply priced out of the market. Still others are at a stage in their lives in which home ownership is not on the radar screen. Together, these people form a large pool of prospective renters.

On the supply side of the equation, the Portland metro area has lagged in apartment development when compared to the amount of apartments that are currently needed. This has been partly due to the constraints of the Urban Growth Boundary, partly to many developers' economic decisions, and partly to lender hesitation to finance new apartment construction. How much did multifamily development slow? According to the 2011 REIS new construction report, while Oregon has enjoyed a percentage increase in the double digits in apartment supply during every decade from 1970 to the present, the years between 2000 and 2009 showed the slowest development totals in over fifty years. And, since 2009, apartment development has been almost at a standstill at 1% development. Past condo construction has diverted developments which may originally have been apartments.

There are currently several apartment projects planned or under construction in Portland Metro. In Wilsonville, Brenchley Estates, a condo-style development of 363 units, is in the first stage of construction and The Bell Tower at Old Town Square Apartments, with a total of 52 apartments, is also under construction. In Hillsboro, Living Green at Orenco Station, another market-rate property with 190 units is scheduled to open this Spring.

In addition, it seems that several more projects are in the early planning stages. A number of active local multifamily developers explained that they are currently buying land at a very affordable prices. The tougher market for condominium sales makes the economics of apartment development pencil out in a way it did not during the preceding decade, and makes building apartments much more attractive. So, while they are still facing some difficulty in obtaining construction financing, apartment development is likely to grow in the coming years.

Conclusion: The Portland Metropolitan multifamily markets, and by extension the entire Willamette Valley, continues to provide very attractive investment opportunities. Even with the new construction currently in the works, supply will remain limited and demand will remain high for some time – and rents will continue to rise in response to the market dynamic. Now is the time for multifamily investors to capitalize on low rates for financing and move into the profitable Portland multifamily market. Norris & Stevens' Asset Managers and Brokers have the expertise you can depend on at every step of the way - from your initial search through your eventual resale. Please give us a call.

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Inventory by Building Age

Year Built	Percent
Before 1970	12.0%
1970 - 1979	17.0%
1980 - 1989	20.0%
1990 - 1999	38.0%
2000 - 2009	12.0%
After 2009	1.0%
All	100.0%

Chart Courtesy of REIS

Cameron can be reached at 503-225-8456 or cameronm@norris-stevens.com

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Increasing Your Income with Color

by Frank Banton • Multifamily Investment Broker

"Where should I spend my money." That is the question often asked by apartment owners when looking to get the best return on investment from their remodeling efforts. Throughout this economic downturn we have seen an influx of renters into the market. This influx has created the opportunity for rents to increase. This, in turn, is lulling many property owners to sleep with lofty returns. All good things must come to an end, however. ***The bigger question should be, "How can I maintain higher occupancy and higher rents throughout any economic condition?"***

In single-family remodeling, there is a more defined return on investment from improvements. In Remodeling Magazine, they forecast that a kitchen remodel, on average, will see approximately a 91.5% Return on Investment, a bathroom remodel a 75% ROI, while a garage door replacement will see approximately 88% ROI. ***When it comes to multifamily properties, the "value-add" projects are much different than single family homes. The multifamily property Return on Investment will come in the form of higher rents, in addition to a somewhat higher resale value.***

Before a tenant has an opportunity to view the inside of a newly refurbished unit, they will view the exterior of your property. Studies have shown that 100% of your physical prospective tenants have driven by the property. ***The curb appeal of your community is critical. It will either invite or deter prospective tenants from renting.***

Three categories to test your property's curb and unit appeal are: ***Cleanliness, Color, and Dazzle.***

Cleanliness: Spotless common areas free of lawn clippings, tools and clutter; curbs clear of trash. The property should have a "clean walk-through" at least three times a week. Some properties may not have the cash flow to look as new or updated as you would like, but it can look immaculate.

Color: Building colors, landscaping colors, including the grass, plants, and trees, are very important considerations. Adding flowers, as well as other colorful vegetation to visible areas, is pleasing to the eye and inviting to prospective renters. ***Painting the buildings in appropriate colors not only enchants the neighborhood, but also those prospective renters driving by the property.*** Great color combinations can create positive feelings in those future residents.

Brighter colors are used more often on newly-constructed, modern structures, and gray, or off-white are used on older or historic buildings. Using the right color scheme influences those considering renting, which in turn dictates how many people you get in the door looking at your units.

Owners should maximize the life of any paint that is applied. Sunlight (UV radiation) and moisture has an adverse effect on exterior paint, and results in chalking and tint loss. This problem can be overcome by using latex (rubber-based) paint instead of oil-based or alkaloid paints. Latex paint tends to be more resistant to the effects of direct sunlight.

A nicely painted building is an outward sign in pride of ownership.

Dazzle: is that "extra" that gives your community increased appeal, such as dramatic landscaping or professional signage. The dazzle effect also impacts the interior unit paint schemes. Owners should avoid the generic off-white. Experiment with colors, accent walls, and textures. ***When you find a combination that works, change it up from unit to unit. This will give the units variety, and reduce the risk of losing prospects with a sterile, white look.***

In addition to the painting, carpets should be cleaned after every move out. Carpet and pad are the single largest cause of unpleasant odors, and should be cleaned regularly and changed every 2-3 years.

Model units that are shown to prospective tenants should be clean, and have the "dazzle" effect on the tenant. The model must leave a positive, lasting impres-

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Increasing Your Income with Color

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sion on the prospective renter, or you may lose them forever.

In addition to the units and the exteriors, there are other "appeals" that are important. Office/Information areas should be free from smoke and food odors. Furnishings in the office should be updated, and give a warm and homey feel. Manager offices and common areas should be vacuumed daily, and welcome mats, glass and doors should always be clean, especially during inclement weather.

Night time appeal is also very important. What is the appeal of your community from 9:00 p.m. to 6:00 a.m.? This night appeal is very important to your residents and guests. Making sure the property is well-lighted enhances the curb appeal, as well as creates a clean and safe environment in which your tenants can live.

A community with superior appeal gives the owner a singular advantage over his competition. ***The more attractive property will attract a better-qualified resident, who will cause less wear and tear, stay longer, and present fewer problems. Improvements made to a property have a long life and compounding advantages, while advertising benefits are short-lived.*** Furthermore, better-looking properties command substantially higher rents.

The best way to make sure your property is most "appealing" is by constantly improving, enhancing and monitoring. Updating units with new paint, carpet and flooring, and evaluating cabinets and appliances should be on the "To Do" list every few years, or as needed.

Conclusion: The money spent in maintaining a community's appeal can be significant, while the ROI, unfortunately, is generally less than an owner might hope. However, the money spent on improvements protects the money already invested in the property. For the owner, the payback will higher rents, lower vacancy, and happy tenants, who are better qualified, and stay in the community longer.

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Frank can be reached at 503-225-8487 or frankb@norris-stevens.com

CAP Rate Ranges

Representative capitalization of net income [CAP] for larger apartments communities [20 or more units] sold 02/11 - 02/12

Due to lack of sales, historical data, appraiser reconstructed Cap rates and rates from appraisals for refinance have supplemented CoStar reported data.

MULTNOMAH COUNTY
BUILT 1990 - PRESENT **6.00% — 8.66%** BUILT PRIOR TO 1990 **5.28% — 7.00%**
WASHINGTON COUNTY
BUILT 1990 - PRESENT **5.50% — 7.62%** BUILT PRIOR TO 1990 **5.76% — 7.32%**
CLACKAMAS COUNTY
BUILT 1990 - PRESENT **5.76% — 6.80%** BUILT PRIOR TO 1990 **6.93% — 7.20%**
CLARK COUNTY
BUILT 1990 - PRESENT **5.77% — 6.88%** BUILT PRIOR TO 1990 **6.01% — 8.64%**
MARION COUNTY
BUILT 1990 - PRESENT **6.10% — 7.21%** BUILT PRIOR TO 1990 **6.47% — 8.80%**

Smaller-sized apartment communities may have values that vary from these findings. Please refer to a Licensed Appraiser or MAI for specific values.

Information courtesy of William Leavens of Leavens NW, LLC, (Multifamily Specialists) and CoStar Comps

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Strengthening Your Investment's Position

[continued from page one]

than already existing construction. Your management company should emphasize the spaciousness of the units you are offering and the openness available in the community when detailing the amenities of the community. Good management is crucial to maintaining profitability. Your management company should have access to market research, which can help you stay on top of the competition - both in asking rents and any inducements offered to prospective residents.

The best management company will collect the rents effectively, maintain the cleanliness and street appeal of the premises, and recommend and coordinate the completion of strategic upgrades. (Dollar-wise improvements can increase the appeal of your apartment homes when compared with the competition.)

In addition, your management company should train your on-site employees with instruction in salesmanship and customer service, as well as accounting and general maintenance practices. A well-kept community with an attentive staff enjoys residents who want to stay! ***Conclusion: Norris & Stevens offers comprehensive management and brokerage services, to increase the profitability of your investment from purchase, through operation, to sale.***

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Brian can be reached at 503-225-8438 or brianb@norris-stevens.com

Global vs. Local Property Management

by David Keys • Executive Vice-President Property Management

A large multi-national investor (such as an insurance company) with properties and assets located throughout the United States and in foreign countries might want to choose a similarly large national, or even multi-national, property management firm. Their reasoning could well be that such firms provide continuity and uniformity across computer software accounting platforms and perhaps economy of scale purchase pricing. ***Usually, though, using a single, large national property management firm has just one primary advantage for the institutional investor: ease of negotiation for services.***

But the large firms carry many significant disadvantages. Almost by definition, they lack market focus and the inherent knowledge that comes with such emphasis. They are often impersonal and bureaucratic. If they also own their own properties (most of them do), when markets are adverse, their natural inclination is to neglect their fiduciary duty to their third-party clients and, instead, concentrate primarily on their own investments. ***And, perhaps most distressing of all, they often adopt a "take it or leave it" attitude, wherein the smaller investor is simply unimportant on their macro scale and to their bottom line.***

If you are a regional or local investor and appreciate a more personalized approach, a regional or local management company might be a better choice. ***The advantages include: in-depth knowledge of their local market, better interaction with their clients, rigorous attention to their fiduciary duty and flexibility.***

Knowledge of the local market means that your property manager knows what local renters are seeking. Your property manager will be able to make smart and cost-conscious recommendations to you that will increase overall return. Improving the property so that it becomes more desirable will help increase rental rates, lower turnover and decrease vacancy. A local property management firm will often nurture and enhance local vendor relationships, to not only ensure best possible pricing, but also, to secure superior service.

Better interaction with their clients can also be described as being "high touch." ***Just like the large institutional players, smaller investors also often have unique desires or requirements that the enormous property management firms are simply unwilling to accommodate. The local, boutique firm can meet these needs, and often with a better result.***

Your property management company should make sure that your property always stays competitive in the leasing market. In a down market or economy with rising vacancies, ***the truly third-party fee manager has no hidden agenda: they want your***

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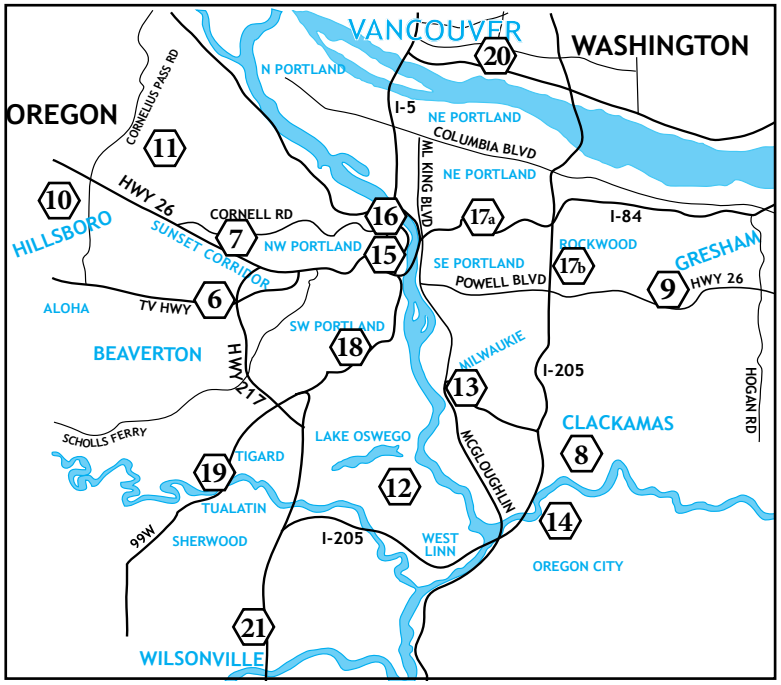
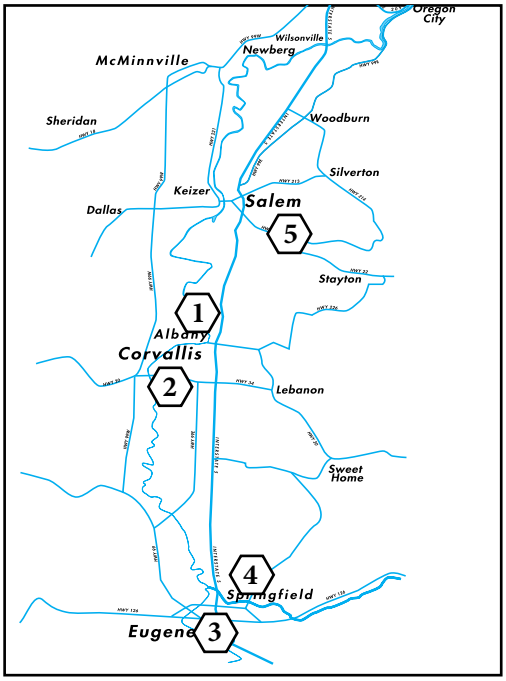
SPRING 2012 RENT SURVEY





Numerical Key to Rent Survey Markets. Norris & Stevens also surveys additional markets not published in this newsletter.

Executive Summary

Norris & Stevens conducts regular rent and vacancy surveys in order to determine the range and depth of the rental market in Portland Metro and the Willamette Valley. The current survey covers 150,206 apartment units. ***The overall vacancy rate for the Portland Metro Area is 4.16% at the time of this survey. This is a decrease of .28%. [Currently Norris & Stevens' management portfolio shows a vacancy rate of 3.6%.] Rents shown below are an average of the stated asking rents, and do not reflect the impact of specials and concessions on rental income. Specials and concessions are also not factored into the vacancy rates, therefore, financial occupancy may be significantly lower than physical occupancy.*** Under-reporting of vacancies may be concealing additional turnover issues. Lease-ups are not included in vacancy rates. Only complexes over 20 units are included.

Please note that there has been a change in the definition of "Newer" and "Older." Previously, older properties were defined as those built prior to 1995. In order to differentiate between the aging apartment inventory and new construction, "Older" buildings are now defined as those built prior to 2000. We feel this better reflects market realities.

Norris & Stevens deems the results reliable. We do not guarantee their accuracy. All information should be verified prior to any real estate transaction use. As we add properties to or drop properties from our survey, any area may show minor data fluctuations. Call a Norris & Stevens broker regarding other submarkets surveyed in Oregon and Southwest Washington.

Area		Studio	1BD/1BA	2BD/1BA	2BD/2BA	2BD/2BA+	3BD/1BA	3BD/2BA
Albany/Newer	Av. Rent/Unit	N/A	$583	$663	$782	N/A	N/A	$877
(Vacancy Rate 3.2%)	Av. Sq. Ft.	N/A	722	896	1021	N/A	N/A	1139
1	Rent/Sq. Ft.	N/A	.81	.74	.77	N/A	N/A	.77
Corvallis/Newer	Av. Rent/Unit	$525	$624	$787	$880	N/A	N/A	$1136
(Vacancy Rate 3.9%)	Av. Sq. Ft.	451	678	844	979	N/A	N/A	1167
2	Rent/Sq. Ft.	1.16	.92	.93	.90	N/A	N/A	.89

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Spring 2012 RENT SURVEY DATA

Area		Studio	1BD/1BA	2BD/1BA	2BD/2BA	2BD/2BA+	3BD/1BA	3BD/2BA
Eugene/[Springfield]/Newer	Av. Rent/Unit	$823* [N/A]	$792 [N/A]	$928 [$769]*	$972 [$862]*	$2019* [N/A]	N/A [N/A]	$1097 [$913]*
(Vacancy Rate 3.7% [3.0%])	Av. Sq. Ft.	543 [N/A]	755 [N/A]	879 [1000]	1079 [1150]	1286 [N/A]	N/A [N/A]	1238 [1250]
3 4 * one building only	Rent/Sq. Ft.	1.51 [N/A]	1.05 [N/A]	1.06 [.77]	.90 [.75]	1.57 [N/A]	N/A [N/A]	.87 [.73]
Eugene/[Springfield]/Pre-2000	Av. Rent/Unit	$567 [$540]	$701 [$538]	$739 [$640]	$874 [$675]*	$1068 [N/A]	$757 [$706]	$1090 [$799]
(Vacancy Rate 2.7% [3.8%])	Av. Sq. Ft.	435 [397]	683 [612]	852 [835]	1020 [884]	1209 [N/A]	944 [915]	1215 [1138]
3 4 * one building only	Rent/Sq. Ft.	1.30 [1.36]	1.03 [.88]	.87 [.77]	.86 [.76]	.88 [N/A]	.80 [.77]	.90 [.70]
Salem Vicinity/Newer	Av. Rent/Unit	$560	$682	$708	$787	$929	N/A	$963
(Vacancy Rate 3.8%)	Av. Sq. Ft.	472	723	931	968	1093	N/A	1219
5	Rent/Sq. Ft.	1.19	.94	.76	.82	.85	N/A	.79
Salem Vicinity/Pre-2000	Av. Rent/Unit	$493	$542	$618	$705	$991	$758	$803
(Vacancy Rate 3.9%)	Av. Sq. Ft.	409	684	870	986	1150	1126	1144
5	Rent/Sq. Ft.	1.21	.79	.71	.72	.86	.67	.70
Beaverton/[Sunset Corr]/Newer	Av. Rent/Unit	N/A [N/A]	$744 [$882]	$840 [$1115]*	$904 [$923]	$1085 [$1214]	N/A [N/A]	$1042 [$1348]
(Vacancy Rate 4.0%/[2.9%])	Av. Sq. Ft.	N/A [N/A]	683 [683]	980 [882]	1004 [946]	1091 [1028]	N/A [N/A]	1188 [1328]
6 7 * one building only	Rent/Sq. Ft.	N/A [N/A]	1.09 [1.29]	.86 [1.26]	.90 [.98]	.99 [1.18]	N/A [N/A]	.89 [1.02]
Beaverton/[Sunset Corr]/Pre-2000	Av. Rent/Unit	$553 [$712]	$712 [$771]	$751 [$843]	$860 [$929]	$1087 [$1256]	$846 [$847]	$999 [$1195]
(Vacancy Rate 4.3%/[4.8%])	Av. Sq. Ft.	395 [494]	679 [672]	885 [890]	959 [955]	1157 [1106]	1000 [952]	1153 [1165]
6 7	Rent/Sq. Ft.	1.40 [1.44]	1.05 [1.15]	.85 [.95]	.90 [.97]	.94 [1.14]	.85 [.89]	.87 [1.03]
Clackamas/Newer	Av. Rent/Unit	N/A	$848	$917	$997	N/A	N/A	$1193
(Vacancy Rate 3.6%)	Av. Sq. Ft.	N/A	768	933	1040	N/A	N/A	1187
8	Rent/Sq. Ft.	N/A	1.10	.98	.96	N/A	N/A	1.01
Clackamas/Pre-2000	Av. Rent/Unit	$559	$685	$784	$850	$1066	$980*	$1026
(Vacancy Rate 3.5%)	Av. Sq. Ft.	426	676	875	967	1147	1232	1128
8 * one building only	Rent/Sq. Ft.	1.31	1.01	.90	.88	.93	.80	.91
Gresham/Newer	Av. Rent/Unit	$617	$712	$772	$868	$1145	N/A	$1044
(Vacancy Rate 4.1%)	Av. Sq. Ft.	498	693	882	985	1215	N/A	1192
9	Rent/Sq. Ft.	1.24	1.03	.88	.88	.94	N/A	.88
Gresham/Pre-2000	Av. Rent/Unit	$593	$637	$732	$758	N/A	$831	$932
(Vacancy Rate 4.5%)	Av. Sq. Ft.	499	683	878	973	N/A	1070	1155
9	Rent/Sq. Ft.	1.19	.93	.83	.78	N/A	.78	.81
Hillsboro & Tanasbourne Newer	Av. Rent/Unit	$875*	$864	$939	$987	$1248	N/A	$1274
(Vacancy Rate 5.1%)	Av. Sq. Ft.	634	742	977	1018	1167	N/A	1297
10 11 * one building only	Rent/Sq. Ft.	1.38	1.16	.96	.97	1.07	N/A	.98
Hillsboro & Tanasbourne Older	Av. Rent/Unit	$571	$797	$876	$944	$1295	$1085	$1190
(Vacancy Rate 5.4%)	Av. Sq. Ft.	448	723	941	1038	1277	1200	1302
10 11	Rent/Sq. Ft.	1.27	1.10	.93	.91	1.01	.90	.91
No New Construction in Lake Oswego		N/A	N/A	N/A	N/A	N/A	N/A	N/A
Lake Oswego & W Linn/Pre-2000	Av. Rent/Unit	$664	$867	$883	$1099	$1367	$790	$1303
(Vacancy Rate 4.3%)	Av. Sq. Ft.	396	728	914	1072	1268	962	1298
12	Rent/Sq. Ft.	1.68	1.19	.97	1.03	1.08	.82	1.00

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SPRING 2012 RENT SURVEY DATA

Area		Studio	1BD/1BA	2BD/1BA	2BD/2BA	2BD/2BA+	3BD/1BA	3BD/2BA
Milwaukie & Gladstone/Newer	Av. Rent/Unit	N/A	$670	$714	$846	N/A	N/A	N/A
(Vacancy Rate 2.9%)	Av. Sq. Ft.	N/A	667	819	982	N/A	N/A	N/A
13	Rent/Sq. Ft.	N/A	1.00	.87	.86	N/A	N/A	N/A
Milwaukie & Gladstone/Pre-2000	Av. Rent/Unit	$594	$674	$715	$841	$1351	$840	$1051
(Vacancy Rate 3.3%)	Av. Sq. Ft.	469	696	877	1009	1288	1085	1213
13	Rent/Sq. Ft.	1.27	.97	.82	.83	1.05	.77	.87
No New Construction in Oregon City		N/A	N/A	N/A	N/A	N/A	N/A	N/A
Oregon City/Pre-2000	Av. Rent/Unit	$613*	$678	$762	$816	N/A	$879	$942
(Vacancy Rate 3.3%)	Av. Sq. Ft.	280	696	881	957	N/A	1000	1095
14 * one building only	Rent/Sq. Ft.	2.19	.97	.86	.85	N/A	.88	.86
PDX Downtown/Newer	Av. Rent/Unit	$941	$1467	$1460	$2454	$3460	N/A	$3976
(Vacancy Rate 5.1%*)	Av. Sq. Ft.	489	724	951	1152	1390	N/A	1966
15 *not including lease-ups	Rent/Sq. Ft.	1.92	2.03	1.54	2.13	2.49	N/A	2.02
PDX Downtown /[Vintage DT] Pre-2000	Av. Rent/Unit	$701 [$695]	$1071 [$886]	$1333 [$1149]	$1633 [$1368]	$1883 [1895]*	$1963*[$1350]*	$2805 [N/A]
(Vacancy Rate 4.3%/[1.9%])	Av. Sq. Ft.	386 [390]	638 [634]	908 [861]	1036 [822]	1282 [2000]	1113 [850]	1850 [N/A]
15 16 * one building only	Rent/Sq. Ft.	1.82 [1.78]	1.68 [1.40]	1.47 [1.33]	1.58 [1.66]	1.47 [.95]	1.76 [1.59]	1.52 [N/A]
PDX Inner Eastside/Newer	Av. Rent/Unit	$748	$918	$942	$1349	$1709	$751*	$1336
(Vacancy Rate 2.9%)	Av. Sq. Ft.	450	656	829	1077	1104	1054	1307
17a * one building only not including lease-ups	Rent/Sq. Ft	1.56	1.40	1.14	1.25	1.55	.71	1.02
PDX Inner Eastside/Pre-2000	Av. Rent/Unit	$649	$773	$842	$1028	$1346	$1023	$934
(Vacancy Rate 3.5%)	Av. Sq. Ft.	428	632	854	1012	1046	1053	1111
17a	Rent/Sq. Ft.	1.52	1.22	.99	1.02	1.29	.97	.84
PDX Outer Eastside/Newer	Av. Rent/Unit	$511	$622	$728	$814	N/A	$813	$907
(Vacancy Rate 3.4%)	Av. Sq. Ft.	418	644	826	964	N/A	1079	1089
17b	Rent/Sq. Ft.	1.22	.97	.88	.84	N/A	.75	.83
PDX Outer Eastside/Pre-2000	Av. Rent/Unit	$500	$614	$722	$767	N/A	$866	$916
(Vacancy Rate 4.7%)	Av. Sq. Ft.	452	651	874	992	N/A	1020	1179
17b	Rent/Sq. Ft.	1.11	.94	.83	.77	N/A	.85	.78
PDX Westside/Newer	Av. Rent/Unit	N/A	$913	$1001	$1232	$1421	N/A	$1488*
(Vacancy Rate 3.8%)	Av. Sq. Ft.	N/A	739	955	1049	1293	N/A	1368
18 * one building only	Rent/Sq. Ft.	N/A	1.23	1.05	1.17	1.10	N/A	1.09
PDX Westside/Pre-2000	Av. Rent/Unit	$588	$685	$882	$917	$1348	$935	$1087
(Vacancy Rate 4.2%)	Av. Sq. Ft.	430	672	905	1007	1162	1084	1253
18	Rent/Sq. Ft.	1.37	1.02	.97	.91	1.16	.86	.94
Tigard-Tualatin/Newer	Av. Rent/Unit	N/A	$683	$875*	$815	N/A	N/A	$986
(Vacancy Rate 4.4%)	Av. Sq. Ft.	N/A	635	948	982	N/A	N/A	1144
19 * one building only	Rent/Sq. Ft..	N/A	1.08	.92	.83	N/A	N/A	.86
Tigard-Tualatin /Pre-2000	Av. Rent/Unit	$625	$697	$757	$875	$1091	$845	$1088
(Vacancy Rate 3.9%)	Av. Sq. Ft.	441	673	846	976	1152	979	1144
19	Rent/Sq. Ft.	1.42	1.04	.89	.90	.95	.86	.95

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Area		Studio	1BD/1BA	2BD/1BA	2BD/2BA	2BD/2BA+	3BD/1BA	3BD/2BA
Vancouver/Newer	Av. Rent/Unit	$644	$721	$813	$903	$1196	$986	$1174
(Vacancy Rate 4.1%)	Av. Sq. Ft.	555	722	914	1081	1248	1108	1330
20	Rent/Sq. Ft.	1.16	1.00	.89	.84	.96	.89	.88
Vancouver/Pre-2000	Av. Rent/Unit	$603	$675	$722	$841	$1088	$884	$1037
(Vacancy Rate 4.0%)	Av. Sq. Ft.	447	688	881	1020	1223	1111	1232
20	Rent/Sq. Ft.	1.35	.98	.82	.82	.89	.80	.84
Wilsonville/Newer	Av. Rent/Unit	$795*	$861	$1005	$1046	$1352	N/A	$1263
(Vacancy Rate 6.5%)	Av. Sq. Ft.	527	757	975	1079	1201	N/A	1292
21 * one building only	Rent/Sq. Ft..	1.51	1.14	1.03	.97	1.13	N/A	.92
Wilsonville/Pre-2000	Av. Rent/Unit	N/A	$710	$721	$828	N/A	N/A	$1023
(Vacancy Rate 4.9%)	Av. Sq. Ft.	N/A	747	848	915	N/A	N/A	1138
21	Rent/Sq. Ft.	N/A	.95	.85	.90	N/A	N/A	.90

Current Long Term Rates Available by Lender Type

Portfolio Lenders & Savings Banks:

5 years	7 years	10 years
3.70%	4.40%	4.75%

Life Insurance Companies

5 years	10 years
3.80%	4.10%

Conduits:
10 year - 5.1%

Fannie Mae & Freddie Mac:

5 years	7 years	10 years
3.60%	4.00%	4.35%

HUD 223-F: approximately 4.0%

Global vs. Local

[continued from page eleven]

property to succeed over all others so that they in turn succeed. They are not going to be looking over their shoulder to ensure that their own investment succeeds at the expense of other properties managed in their portfolio.

Times change. An investor's requirements change. The local or regional property management firm is usually better at being flexible to the myriad changes that day-to-day life brings to an investment.

The key decision factor may be the level of trust you have in the management team of the company that will be taking care of your property. ***That company is the face your residents see, from the time they first view the property to the inevitable moment they call with a request or complaint.*** As such, choose a management firm that is highly professional. Be sure to meet with the staff who will be handling your account. If you don't feel they have good people skills, or if you feel they don't project the image you're looking for, choose someone else.

If the property management company chosen is a good one, they will set up a meeting with the new property owner to strategize a game plan. Getting to know the property manager will help improve the interaction, and can give both the owner and the property manager a good idea of how they will work to improve the return for that property. Each property plan is different and is based on the goals, plans and budget of the owner. ***Designing a property plan that is right for each client's needs is the key to successful property management.***

Regardless of which is chosen, the large national firm with hundreds of thousands of units or the smaller, localized firm with just a few thousand apartments, make certain it is an ***Accredited Management Organization*** (AMO.) Contact ***www.irem.org*** for a firm in your area. Once the property management company is selected, be confident in the selection. If you have done your homework, you will have a team of qualified professionals caring for your property. They will follow the law and abide by a code of ethics.

Our company has many clients that have been with us for over 30 years. We work together as a team to take care of their investments as if they were our own. We would be happy to work with you.

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David can be reached at 503-225-8451 or davidk@norris-stevens.com

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Norris & Stevens
621 SW Morrison, Suite 800
Portland, OR 97205
TEL (503) 223-3171 • FAX (503) 228-2136
www.norris-stevens.com

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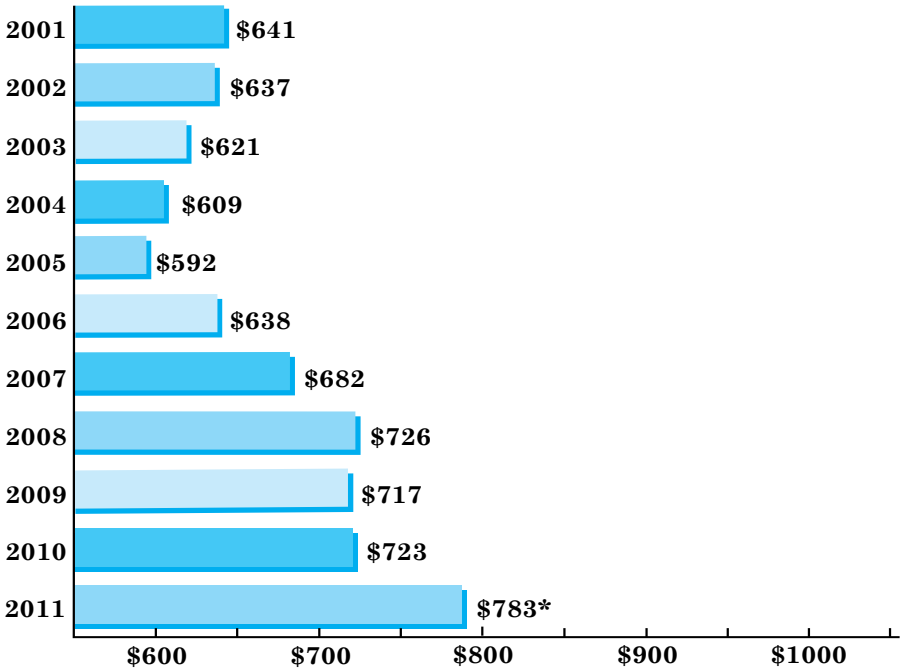
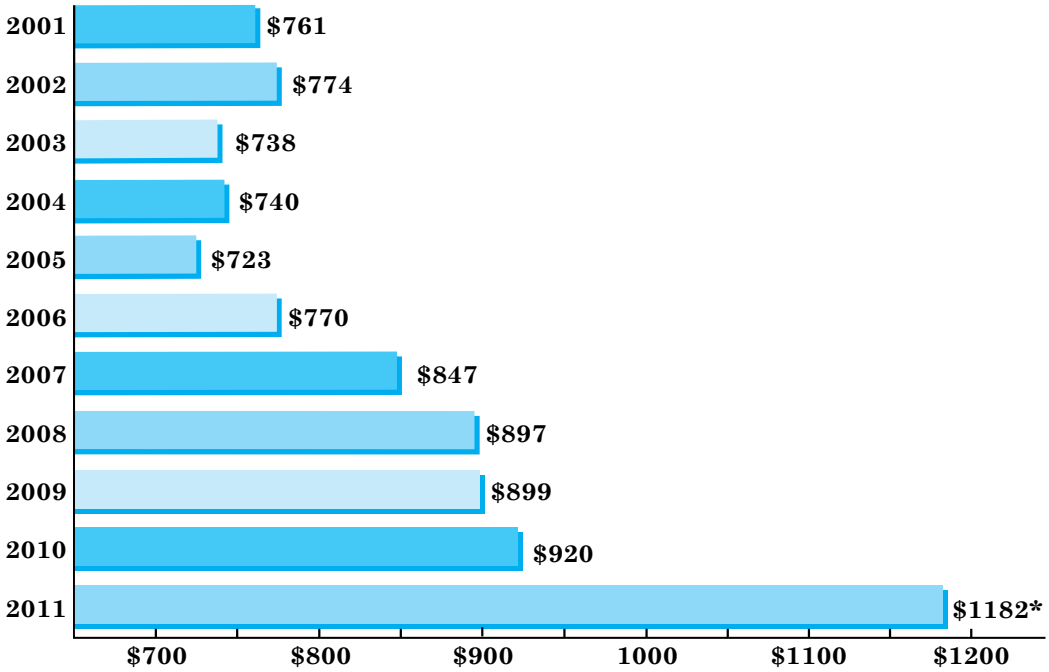
AVERAGE RENTS SEASONED CONSTRUCTION



A HISTORY OF AVERAGE RENTS FOR SEASONED TWO BEDROOM/ONE BATH APARTMENTS IN THE PORTLAND METRO AREA.

*Seasoned apartments defined as built prior to 2000 for the year 2011
Seasoned apartments defined as built prior to 1990 for the years 2001 - 2010

AVERAGE RENTS NEWER CONSTRUCTION



A HISTORY OF AVERAGE RENTS FOR NEWER TWO BEDROOM/TWO BATH APARTMENTS IN THE PORTLAND METRO AREA.

*Newer apartments defined as built 2000 - present for the year 2011 [including those originally built as condos]
Newer apartments defined as built 1990 to the present for the years 2001-2010

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Recent Apartment Sales in Oregon & SW Washington

Property	City	Price	Units	CAP	Price /Unit	Built	Sale Date
Meridian Village	Tualatin	$4,646,000	78	N/A	$59,564	1980	01/12/2011
Woodland Park	Portland	$4,390,000	74	6.9%	$59,324	1969	01/31/2011
Thunderbird Village	Vancouver	$9,075,000	182	7.7%	$49,863	1974	02/28/2011
Russelville Commons	Portland	$31,625,000	283	6.0%	$111,749	1999	03/01/2011
Gardenbrook	Beaverton	$5,500,000	120	6.0%	$45,833	1972	03/03/2011
*Tanasbourne Terrace and	Hillsboro	$69,400,000	373	5.2%	$95,724	1985-9	04/12/2011
*Club @ Tanasbourne	Hillsboro	see above	352	5.2%	$95,724	1990	04/12/2011
Kempton Downs	Gresham	$22,550,000	278	6.9%	$81,115	1990	04/26/2011
One Jefferson Parkway	Lake Oswego	$51,200,000	341	5.3%	$149,708	1985	05/26/2011
Kearney Plaza	Portland	$36.875.000	132	4.8%	$279,356	2000	06/01/2011
St Francis Apts	Portland	$5,000,000	44	N/A	$113,636	1910	06/17/2011
*Country Gables and	Beaverton	$53,930,000	288	5.6%	$99,502	1991	06/22/2011
*Club at the Green	Beaverton	see above	254	5.6%	$99,502	1990	06/22/2011
Heather Falls	Vancouver	$2,760,000	56	7.5%	$46,286	1992	07/15/2011
Cove @ Fishers Landing	Vancouver	$27,500,000	253	N/A	$108,696	1994	07/20/2011
Oakbrook Apts	Salem	$6,507,131	156	9.8%	$41,712	1997	07/29/2011
Lawrence Court	Eugene	$2,558,000	51	N/A	$50,157	1979	07/22/2011
Broadstone Enso	Portland	$54,500,000	152	4.0%	$358,553	2009	08/24/2011
Rivers Edge	Eugene	$6,550,000	95	6.4%	$68,947	1978	08/31/2011
*Willow Grove and	Beaverton	$33,957,000	119	5.5%	$112,440	1988	09/28/2011
*Richmond Park and	Beaverton	see above	100	5.5%	$112,440	1986	09/28/2011
*Richland Terrace	Beaverton	see above	83	5.5%	$112,440	1986	09/28/2011
The Beverly	Portland	$29,000,000	54	N/A	$537,037	2009	10/17/2011
Prairie Park Apts	Vancouver	$21,000,000	244	6.3%	$86,066	2007	11/09/2011
Westridge Meadows	Portland	$29,500,000	198	6.0%	$146,990	2002	11/16/2011
Woodspring Apts	Tigard	$15,250,000	172	N/A	$88,663	1991	12/05/2011
Park Terrace	Portland	$6,300,000	52	6.0%	$121,154	1945	12/12/2011
Lodgepine Apts	Vancouver	$2,675,000	51	N/A	$52,451	1986	12/12/2011
Timber Ridge	Portland	$39,500,000	238	5.3%	$165,966	2010	12/21/2011
Clark Creek Village	Salem	$1,900,000	42	6.7%	$45,238	1994	12/22/2011
Rock Creek 185	Portland	$28,900,000	388	5.8%	$74,485	1971	12/22/2011
Wellesley Park	Salem	$5,700,000	65	6.5%	$87,692	2009	12/29/2011
Museum Place	Portland	$55,300,000	140	5.4%	$395,000	2003	12/30/2011
Farmington Townhomes	Beaverton	$2,750,000	62	8.0%	$44,355	1974	01/11/2012
Parkside Apts	Gresham	$16,450,000	225	6.8%	$73,111	1999	02/15/2012
Christine Court	Milwaukie	$1,600,000	30	8.2%	$53,333	1972	02/28/2012
Fairmount Inn Apts	Portland	$4,200,000	79	N/A	$53,165	1904	02/28/2012
Domaine @ Villebois	Wilsonville	$30,400,000	274	N/A	$110,949	2008	02/28/2012
Edgewood Manor	Tigard	$2,650,000	40	6.7%	$66,250	1969	03/01/2012
LaSalle Apts	Beaverton	$77,200,000	554	N/A	$139,350	1997	03/14/2012
Oak Manor	Salem	$1,500,000	44	7.6%	$34,091	1970	03/14/2012
Centerpointe	Beaverton	$34,320,000	264	N/A	$130,000	1996	03/15/2012

NOTE: CAP rates reported by CoStar may not represent actual operation of the property, since the assumptions made by the information source to calculate CAP rate may differ from the actual operating data.

Sources: CoStar Comps.com, Black & Associates, and Norris & Stevens Sales

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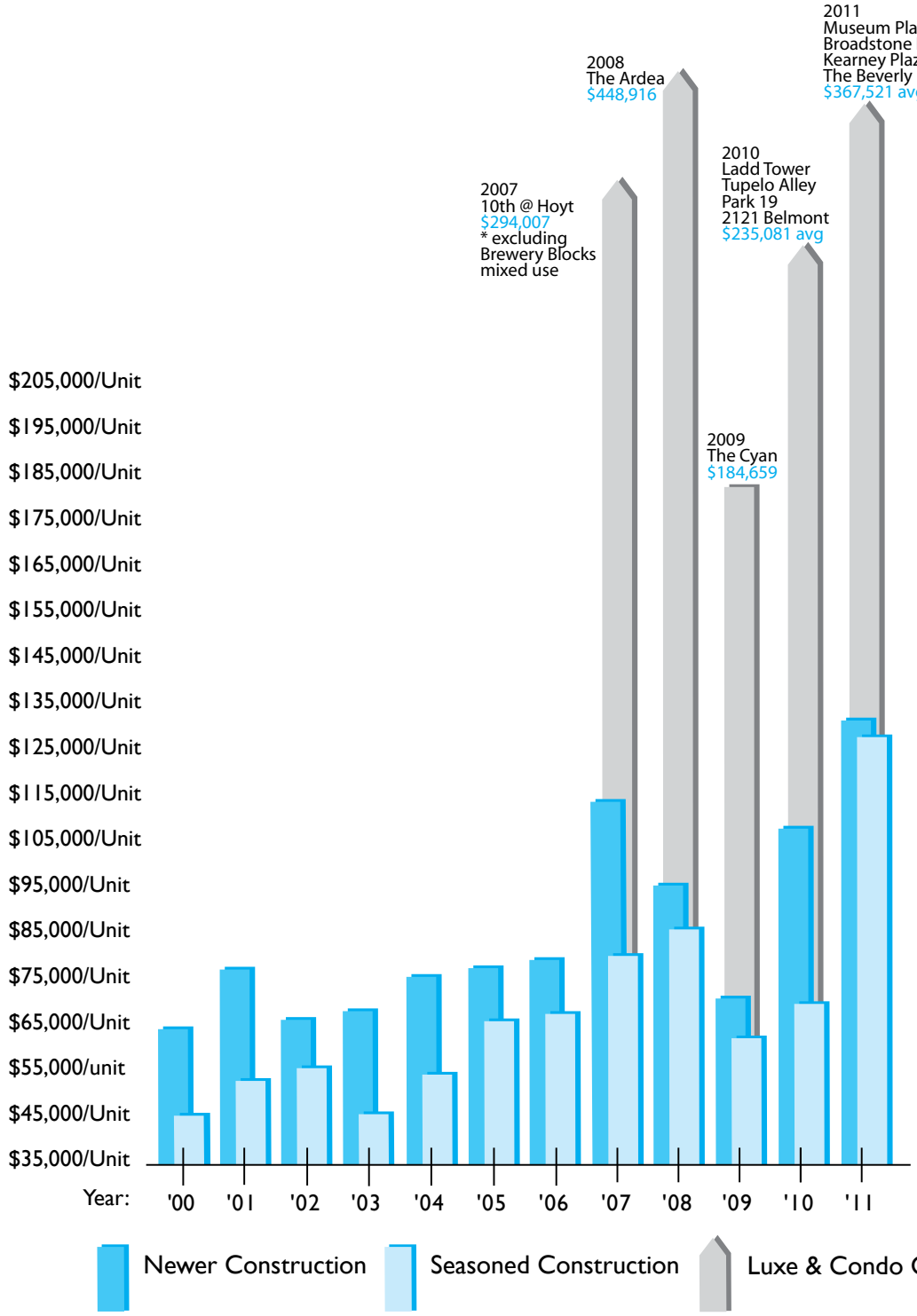
AVERAGE PRICE/UNIT FOR APARTMENT SALES 2001-2011 PORTLAND METROPOLITAN AREA



Seasoned Construction

Year	Price/Unit
2000	$47,642
2001	$54,689
2002	$56,628
2003	$47,709
2004	$55,293
2005	$66,931
2006	$67,164
2007	$80,544
2008	$86,717
2009	$64,815
2010	$70,776
2011	$133,463*

Newer Construction

Year	Price/Unit
2000	$65,103
2001	$77,574
2002	$65,826
2003	$66,899
2004	$76,286
2005	$78,518
2006	$79,112
2007	$114,728
2008	$96,211
2009	$69,373
2010	$107,132
2011	$130,252*

* Paramenters change: Newer Construction is defined as having been built 2000 - present for the year 2011; For the years 2000 - 2010, Newer Construction is defined as having been built 1990 - present. New high-end sales and condo-conversion sales are graphed separately.

Source: CoStar Comps.com

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The N&S Multifamily Investment Team

Brian Bjornson
Over 30 years of experience including all aspects of sales, financing, property management, new project development and planning, receiverships, and community redevelopment of apartments. BS in Economics from Portland State University. Licensed broker in Oregon.

brianb@norris-stevens.com

Kirk Ward
Over 30 years' experience in apartment brokerage, developmental assistance and feasibility for new construction. 25 years with Norris & Stevens. BS in Economics from the University of Oregon. Has taught classes in investment real estate. Licensed broker in Oregon.

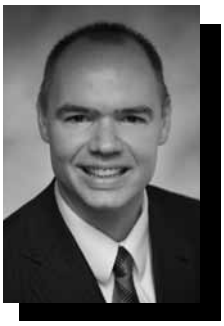
kirkw@norris-stevens.com

Charles Conrow, CPM®
Over 30 years of real estate experience including commercial and multifamily sales, leasing and property management. Attended University of Colorado in Business Administration. Licensed broker in Oregon and Washington.

charlesc@norris-stevens.com

Tom Davies, CPM®, CCIM®
26 years' experience specializing in apartment brokerage and management. Portland State University Masters in Public Administration. Certified Commercial Investment Member®. Licensed broker in Oregon and Washington.

tomd@norris-stevens.com



Todd VanDomelen
22 years of commercial real estate experience. BS in Business Administration (specializing in finance/real estate) from Portland State University. Licensed broker in Oregon and Washington.

toddv@norris-stevens.com

Chase Brand
13 years' experience in apartment brokerage. 18 years of experience in development and construction of residential and multifamily properties. BA in Geology from Colorado College. Licensed broker in Oregon.

chaseb@norris-stevens.com

Frank Banton
21 years' experience in residential construction and land development including; land acquisition, development, and new home construction. BA in Portuguese from Brigham Young University. Licensed broker in Oregon.

frankb@norris-stevens.com

Cameron Mercer
2 years experience in the real estate field. Worked closely with several large banks on residential foreclosures, and works currently at Norris & Stevens as both a broker assistant and an asset manager. Graduate of University of Arizona with a major in Regional Development and a minor in Business Administration. Licensed broker in Oregon.

cameronm@norris-stevens.com