

Multi-Family

Robin C.
Kane

CONGRATS for making it to 2011 - You made it!

- The good news is it only gets easier

Cycle begins anew!

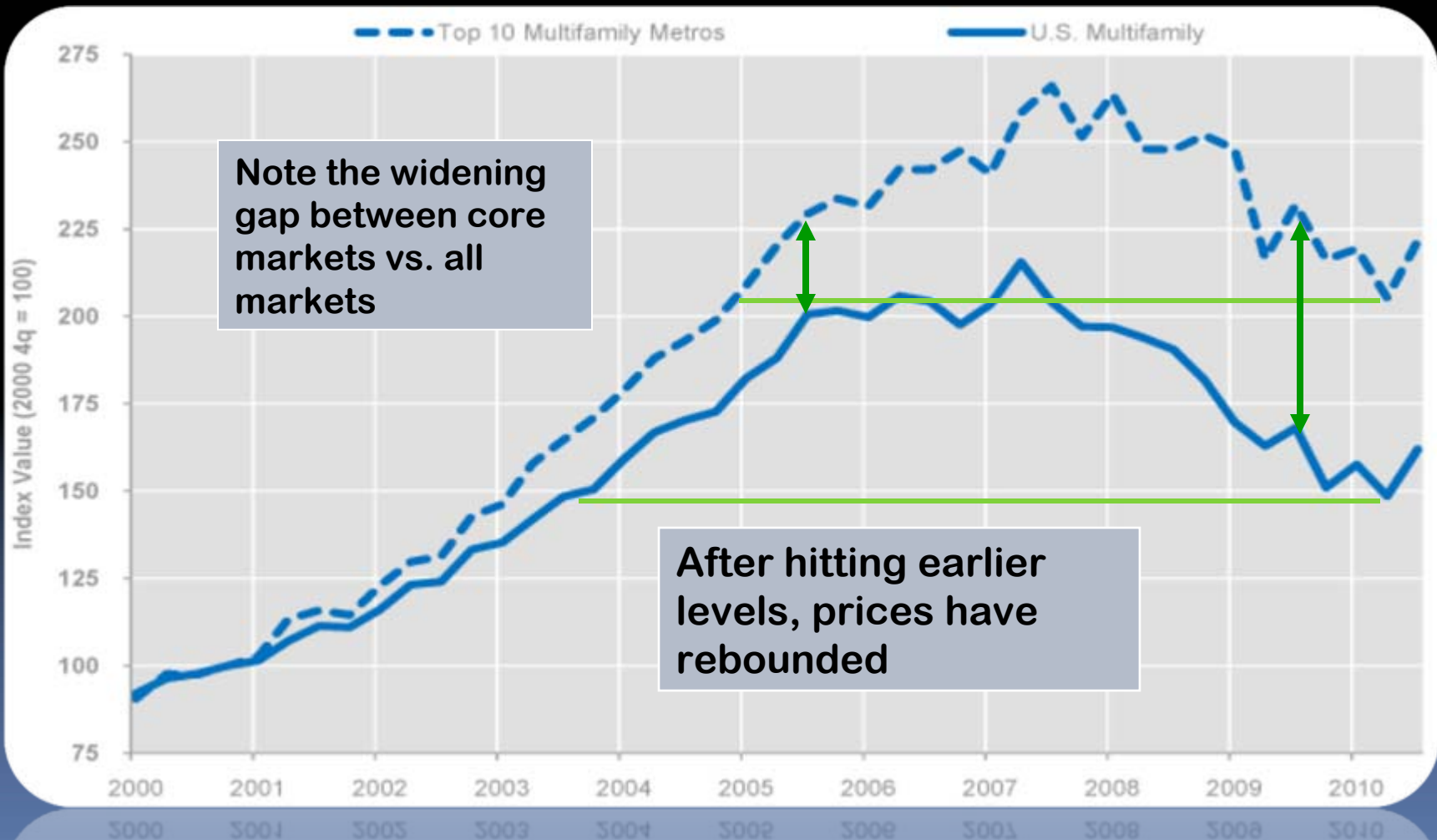
- Core Markets, Trophy Properties overheating
- \$\$ now moving to “B” Markets, Properties
- Watch Inland Empire/ 80 and Hwy 4 Corridor for signs

Fresno Apt Sales - back to a more normal market

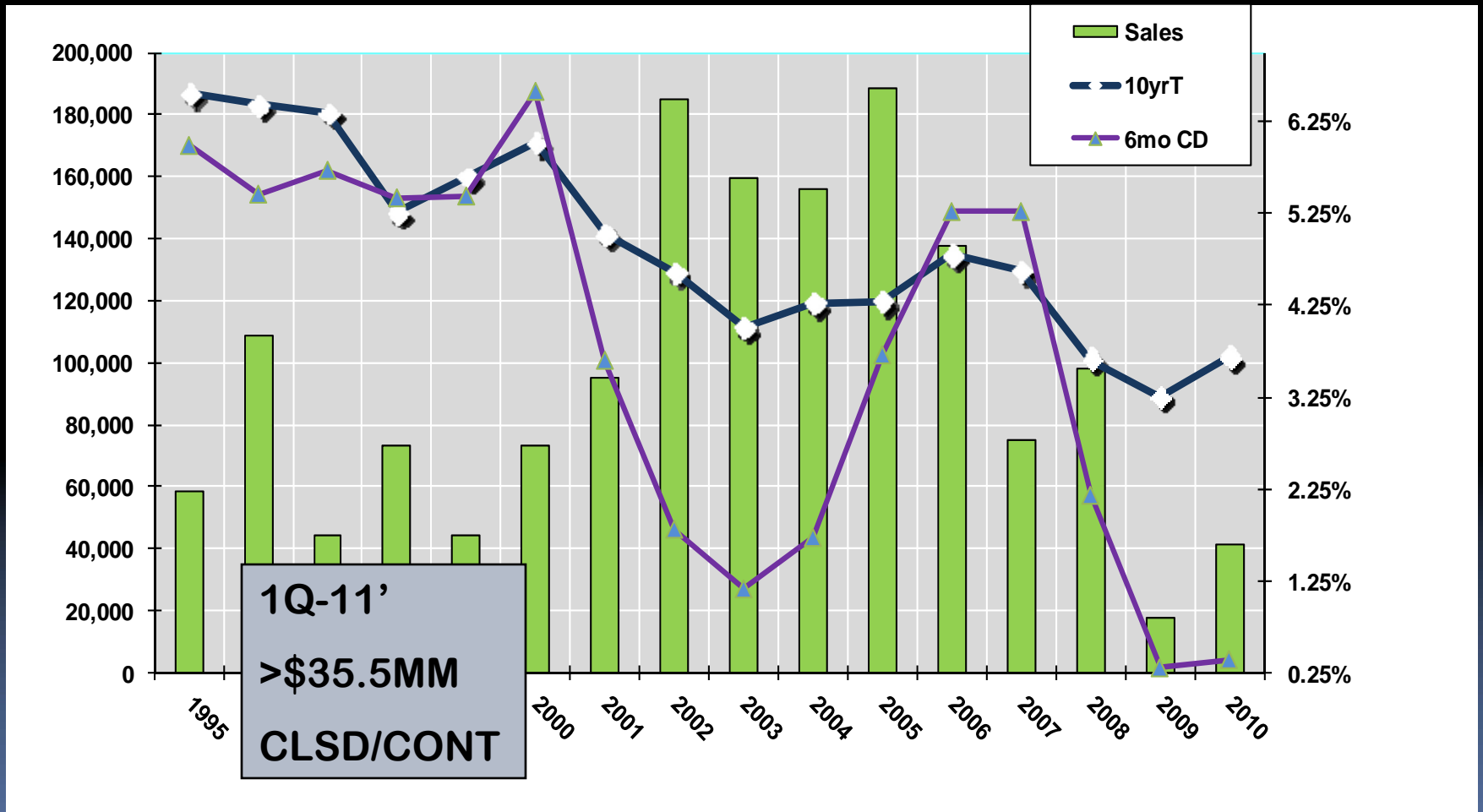
- Sales more than doubled from \$17.8M to \$41.1M
- Rental market challenging- Incentives, SFD Competition
- Signs are showing Doubling up/Nest is unwinding

Risk Premium is OFF, Inflation Fear is GROWING

Apt Prop Index- Top 10 Mkts vs. National Index (2001 - 2Q 2010)

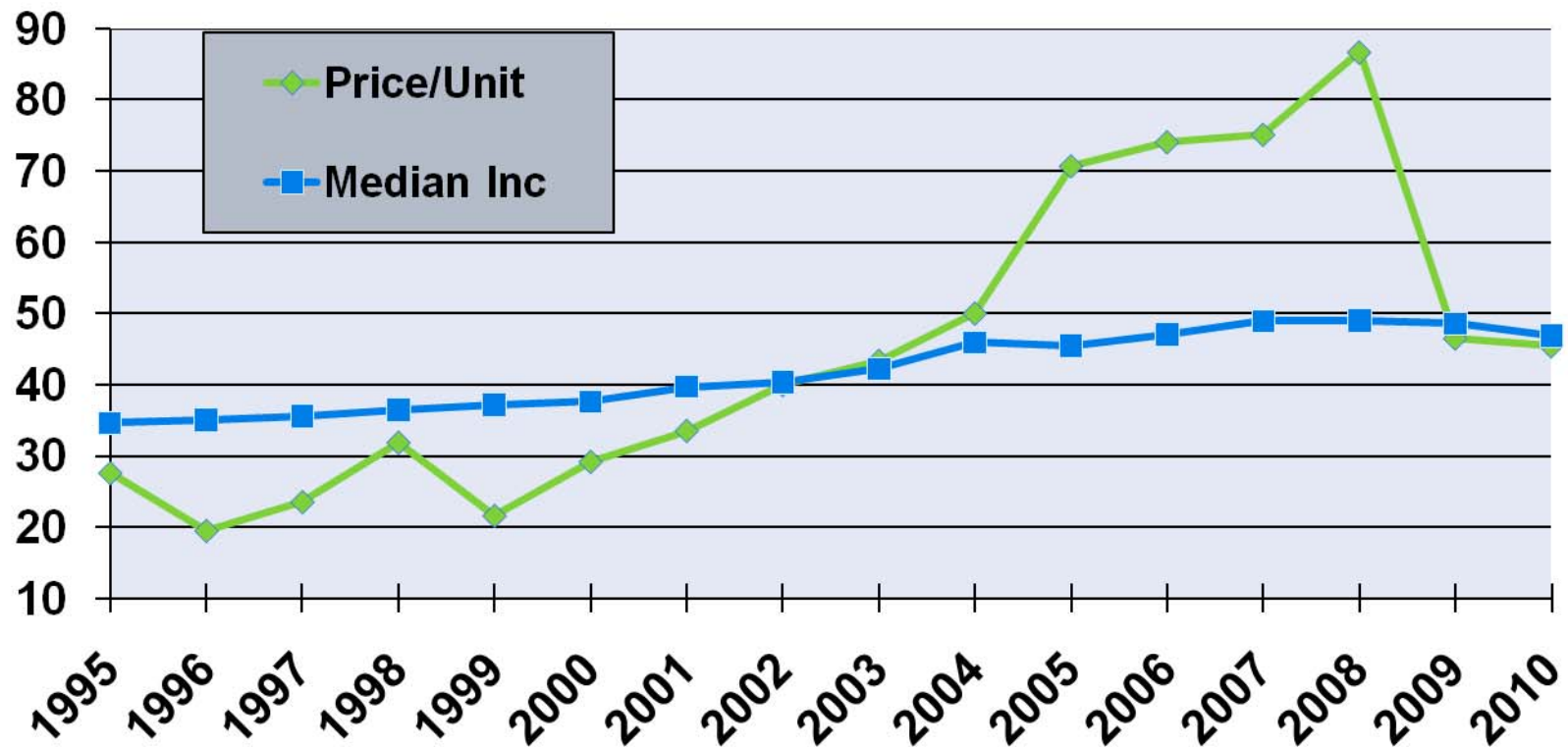


Cent Cal Apt Sales 1995-2010 (w/ 10 Yr T & 6 mo CD rates)



Source: RCK ORGANIZATION, Federal Reserve

Cent Cal Apt. Price/Unit & FC HH Median Income -1995-2010

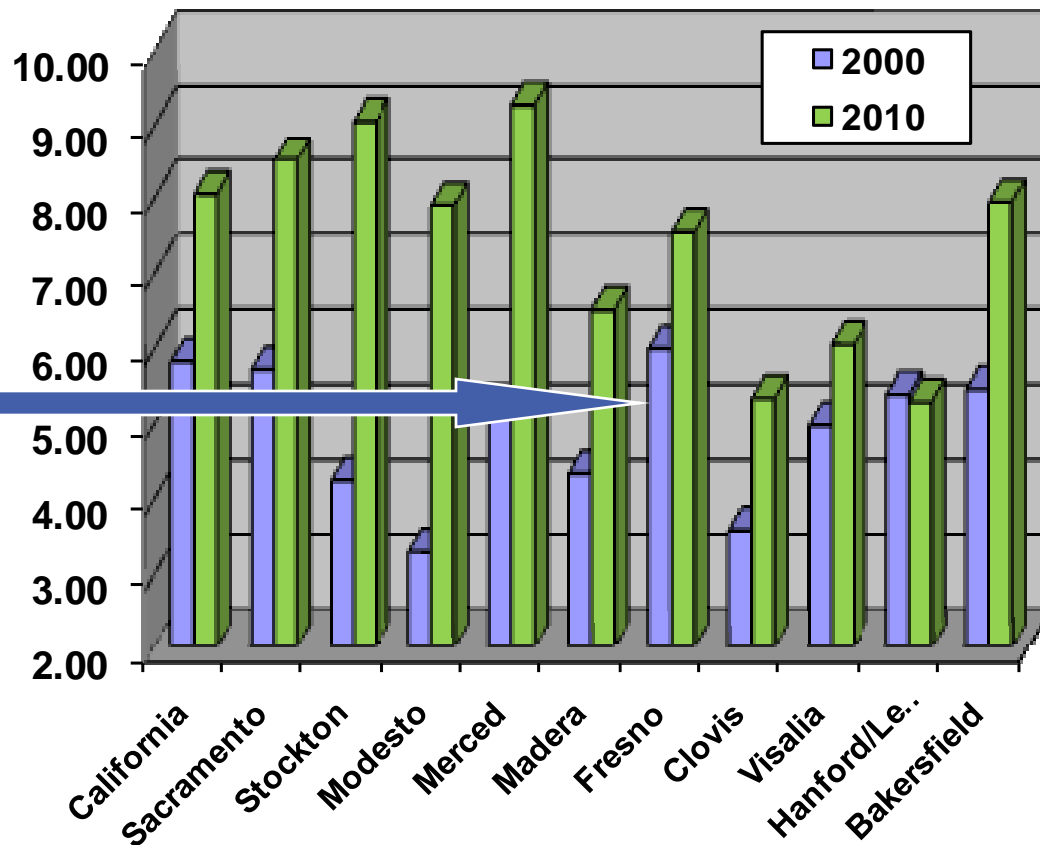


Source: RCK ORGANIZATION, California DOF

US Census - 2000 vs. 2010 Household Vacancy Rate

Note the higher vacancies (ex. Bksfd) in North Valley

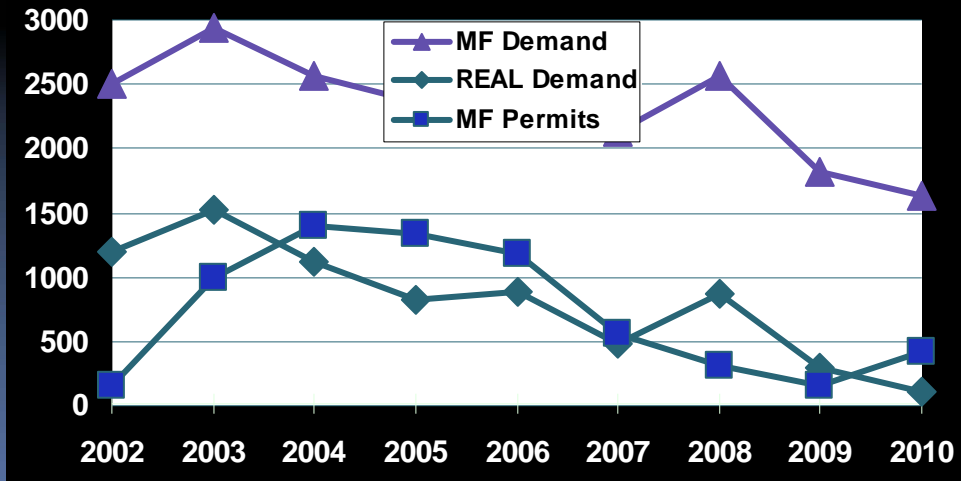
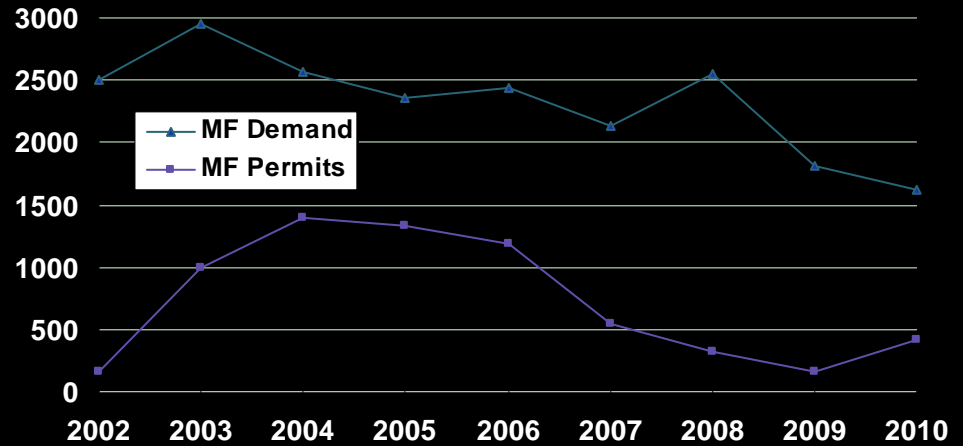
In 2000 Fresno Vacancy highest in Central Valley



Has new construction failed to meet growing population?

Only 895 MF permits from 2008-2010

Source: RCK ORG., Construction Research Board, 2010 US Census



NO! Most of the Population Increase are Births>Deaths.
 Babies don't rent Apts

TOP TEN TRENDS

1. **Recovery will be wobbly: Training wheels off**
2. **Commercial RE infrastructure intact vs. last 2 downturns**
 - More like a “Pause” rather than a complete “Reset”
3. **Line between debt and equity blurring**
 - Lenders selling loans to investors or assets via Rec. Sales
 - Investors aggressively seeking debt to buy (Loan to Own)
 - Over-leveraged?: Owners seeking outside equity to convert debt
4. **REO sales a bust**
 - **FDIC REO:** \$24B vs. \$257M (08-2Q10)
 - **CMBS Spec Servicer Transfers:** 2009- 2,162 loans, 2010-1,646 loans, 1Q- 200 loans
5. **Homeownership % to drop 70 to 65%= 4.5MM new renter HH**
 - Renter Attitudes, Gov’t Subsidies, REO inventory
6. **Don’t OVER-estimate demand (Pent-up?)**
7. **Don’t UNDER-estimate the impact Inflation will have on investing**
8. **New \$\$: Foreign, Farmers & SF Investors**
9. **Out of Area buyers will change the way we see our RE Market**
10. **Be a Player, not a Spectator! You don’t want to miss it this time!**