

Market Research

MULTI-FAMILY | THIRD QUARTER | 2007



MARKET INDICATORS

Q3 07 Actual Q4 07 Estimated

VACANCY RATE	↘	↗
NET ABSORPTION	↗	→
CONSTRUCTION	→	→
RENTAL RATE	↗	↗

SIGNIFICANT TRANSACTION



Burningham Apartments

Seller: Condor Corp.
 Buyer: Johnson Management
 Size: 324 units
 Price: \$23,650,000



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Commercial Real Estate Services

Market Fundamentals Continue to Improve

The multifamily housing market has remained strong for the first three quarters of 2007. Vacancy for the metro is down to 3.6%, down from 3.9% last quarter, and 4.0% one year ago. The average overall rent for the market has risen just under two percent during the last year.

All markets but Anoka county and St. Paul saw a decrease in vacancy. Washington County was

the big winner, almost halving their vacancy, while Minneapolis dipped below 3% vacant for the quarter.

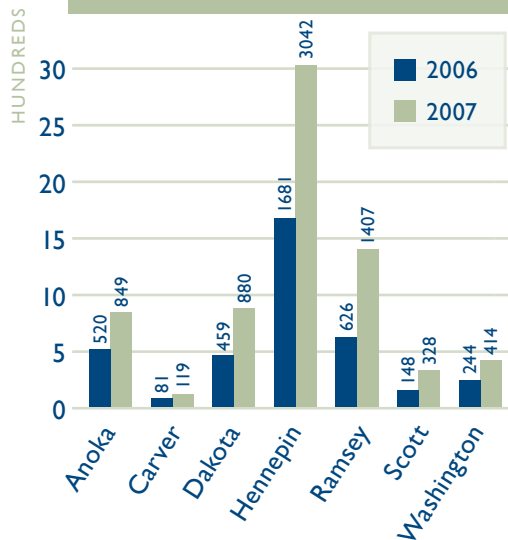
All submarkets saw an increase in average rent and effective rental rates remained steady in most submarkets. The largest increase in rents was in Scott County, where rents have jumped by over 8% in the past year. Scott County also

MULTIFAMILY PROJECTS CURRENTLY UNDER CONSTRUCTION

PROJECT	CITY	NUMBER OF UNITS	DEVELOPER
The Camerata	St. Louis Park	220	Dunbar Development
Eitel Apartments	Minneapolis	213	Village Green
Lake Calhoun City Apartments	Minneapolis	158	Village Green/Ackerberg
Aldrich Avenue Apartments	Minneapolis	242	Greco Development
The Murals at Lyn-Lake	Minneapolis	109	Turnstone
Hiawatha	Minneapolis	229	Klodt
Kenyon Woods	Lakeville	75	Stonebridge
The Exchange Building	Minneapolis	52	Oak Properties

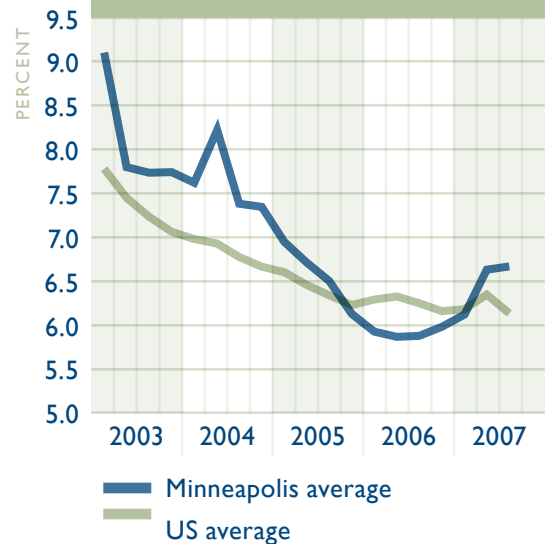
Source: Colliers Turley Martin Tucker

TWIN CITIES METRO FORECLOSURES



Source: GVA Marquette Advisors

CAP RATE COMPARISON



Source: Real Capital Analytics, Inc.

reported the highest average rent of \$980. The Northeast market had the lowest average rent of \$795.

Nationally, there have been some concerns with all real estate, especially those surrounding the increase on defaults of subprime loans. Due to risky lending practices and the great number of no-down, no-document subprime loans, the default rate on residential loans has skyrocketed.

The lack of new development, increased interest rates, and a weak housing market has supported higher prices for multifamily. Despite the fact that apartment market fundamentals are healthy, pricing and deal volume are being affected because of the debt markets. The activity level nationally was down by 19%, the lowest level since February of 2005. The credit crunch has made financing more difficult and more expensive.

As a result, cap rates are up, with average increases of 25 basis points. Our market has remained relatively stable, while the primary markets on the coasts that previously had the lowest cap rates appear to be at the front line for correction. Asking prices have yet to reflect a rise in cap rates, but the gap in expectations between buyers and sellers will need to be addressed.

Even with the changes in the capital markets, buyers are still plentiful for strong multifamily properties in high barrier to entry markets, and for well located Class B and C properties that have upside potential. There is still a huge amount of equity capital in the commercial markets looking for good apartment investments, which is good news for multifamily owners.

MINNEAPOLIS APARTMENT SUBMARKETS

	MINNEAPOLIS		US TOTAL	
	Reported Closed/Contract	Newly Offered	Reported Closed/Contract	Newly Offered
Total Volume (millions)	\$512.3	\$416.8	\$115,859.8	\$73,771.3
Number of Properties	35	30	5,954	6,020
Total Units	6,034	3,612	1,359,046	768,214
Price/Units	\$84,906	\$115,381	\$85,251	\$96,030
Range (millions)	\$2.5 – \$39.3	\$2.5 – \$89	\$0 – \$20,808.5	\$0 – \$2,000
Avg. Property Price (millions)	\$14.6	\$13.9	\$19.5	\$12.3
Weighted Average Cap	6.30%	6.90%	4.73%	6.39%
Median Cap	6.74%	6.99%	6.31%	6.62%

Source: Real Capital Analytics

THIRD QUARTER MULTI-FAMILY RENT AND VACANCY

CITY	UNITS SURVEYED	UNITS VACANT	9/2006 RENT	9/2007 RENT	9/2006 VACANCY	9/2007 VACANCY
Anoka	5,725	246	\$811	\$823	4.2%	4.3%
Dakota	17,077	659	\$907	\$914	5.0%	3.9%
Minneapolis	15,260	423	\$842	\$868	3.6%	2.8%
Northeast	10,600	349	\$779	\$795	3.6%	3.3%
Northwest	11,653	425	\$789	\$806	4.1%	3.6%
Scott	2,221	119	\$905	\$980	6.2%	5.4%
Southwest	16,336	505	\$933	\$949	4.5%	3.1%
St. Paul	13,620	583	\$808	\$825	2.8%	4.3%
Washington	4,592	216	\$875	\$893	9.7%	4.7%
West	135,918	4,940	\$905	\$908	3.6%	3.6%
Total	233,002	8,465	\$852	\$867	4.0%	3.6%

Source: GVA Marquette Advisors

267 OFFICES IN 57 COUNTRIES
ON 6 CONTINENTS

Americas 129
Asia Pacific 53
EMEA 85

\$63.5 billion in annual
transaction volume

672.9 million square feet
under management

10,171 Professionals

CONTACT INFORMATION

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