The Multifamily Group, LLC

THE APARTMENT REPORT

LITTLE ROCK, AR

www.themultifamilygroup.com

First Quarter 2009

Market Overview

As we analyze the multifamily market statistics each quarter, we look for spikes in the numbers to connect them with potential trends in apartment housing. As we discover leasing, pricing, or simply general issues related to rental housing in a given neighborhood, it is usually contained to that jurisdiction. However, the broad effect of the national economic downturn seems to be seen across all strata of multifamily housing for this quarter's report.

Some job losses and skips have been reported among Old Construction properties. In the Northwest submarket the occupancy rate fell by 6.1 percentage points to 87.1%. Rents in the Central submarket for 1980s construction fell by an annualized 5.5%. This translates to a $10 drop on average. Across the market some New Construction properties moved rents downward on select floorplans by $15-$100 per month. New Construction properties in the Northwest submarket again reported an overall occupancy of below 90%, at 89.3%. Specials and concessions have re-emerged after fading to a low level in mid-2008. In second quarter 2008, the occupancy rate for New Construction was 96.2%. Clearly in this belt-tightening economy the trend for new units is down. The Northwest submarket is the largest and generally the most affluent area for all of the construction categories. Both Old and New Construction took a significant hit here while 1980s properties rose slightly in occupancy to 94.0%. Other noteworthy events this quarter include a significant rise in the volume of available single family homes for rent.

Little Rock Submarkets

Occupancy peaked in third quarter 2008 at 93.2%. During the last two quarters occupancy fell to 92.3% and then to its current level of 91.4%. Naturally, absorption has slowed in-line with this trend, moving from 849 units absorbed by year-end 2008 to -207 units for first quarter 2009. Although this trend is negative, it is not uncommon considering the amount of ongoing construction and the slower leasing season. Overall these declines do not seem as steep as other apartment markets in our region.

Construction activity remains slightly above historical trends with 372 units added this quarter and another 520 units coming online by year-end. The Central submarket will add 124 units in the Riverdale area, while the lion's share of pending construction is planned for delivery in the North Little Rock submarket that adjoins Maumelle. In this area 276 units are scheduled to come online at The Links at the Rock (684 total units). Another Lindsey Property, Eagle Hill (Southwest Little Rock) also has a 312 unit addition planned for delivery late this year.

Clearly the trend in mid-2008 was positive for the Pulaski County apartment market. In fact, recent national publicity concerning Little Rock continues to be quite encouraging. Southern Business and Development named Little Rock 1st in their report for "Hot Markets in a Cold Economy". In early 2009 USA Today featured Little Rock as the "Most Stable Economy". Our market was also identified among the Top 10 Best Employment Outlooks by Manpower for 2009. And finally, Forbes ranked Little Rock #17 in their 25 Best Cities for Jobs. Government Jobs, the Little Rock Air Force Base, and our overall economic diversity were the reasons cited for the high mark.

Yearly Performance

↓ **OCCUPANCY RATE**
Occupancy decreased by 0.9 percentage points from year-end 2008 to 91.4%

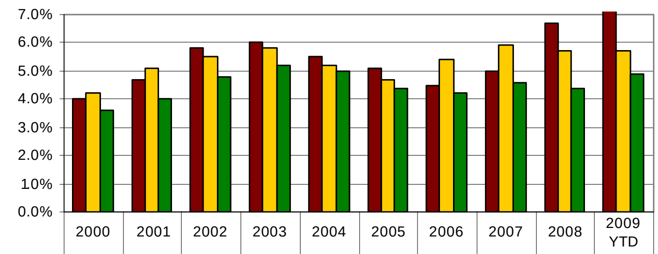
↑ **CONSTRUCTION ACTIVITY**
Construction activity remains strong with 892 units scheduled for delivery by the end of 2009.

→ **STREET RENTS**
Rents are unchanged from year-end 2008, at $650 per unit.

↓ **ABSORPTION**
Absorption dropped sharply, from 849 units at year-end 2008 to -207 units this quarter.

UNEMPLOYMENT RATE

Unemployment

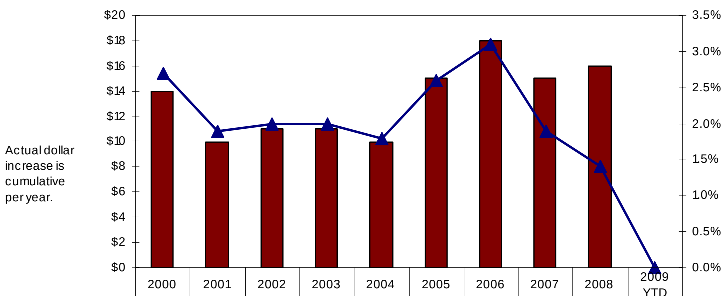


	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009 YTD
National	4.0%	4.7%	5.8%	6.0%	5.5%	5.1%	4.5%	5.0%	6.7%	7.6%
State	4.2%	5.1%	5.5%	5.8%	5.2%	4.7%	5.4%	5.9%	5.7%	5.7%
MSA	3.6%	4.0%	4.8%	5.2%	5.0%	4.4%	4.2%	4.6%	4.4%	4.9%

National unemployment continued to climb this quarter, rising 0.9 percentage points to 7.6%. Unemployment in the State of Arkansas held steady at 5.7%. In the Little Rock MSA, unemployment increased by 0.5 percentage points to 4.9%. **Little Rock – North Little Rock MSA unemployment remains significantly lower than both the state and the national unemployment rates.** The economic recession is having less of an impact in the Little Rock area than in other parts of the country. In December, *Forbes* named Little Rock one of the best middle-class housing markets because median home prices were rising while the national market was plummeting. A February article in *USA Today* noted the strength of the Arkansas economy, attributing it to low unemployment rates, a number of recent new job announcements and a diverse economy.

RENTS

Rent Growth versus Prior Year-End

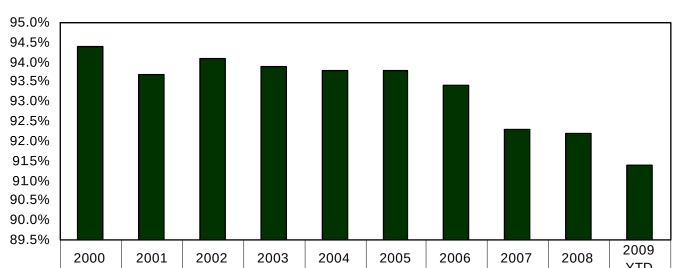


	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009 YTD
Actual $ Incr.	$14	$10	$11	$11	$10	$15	$18	$15	$16	$0
Percent Incr.	2.7%	1.9%	2.0%	2.0%	1.8%	2.6%	3.1%	1.9%	1.4%	0.0%

Street rents were unchanged this quarter at $650 for the overall market. New Construction rents showed a decrease of 2.5%. 1980s Construction increased 0.8%. Old Construction increased 0.9%. The Southwest submarket showed the largest rent gains in Old Construction with an increase of 8.3%. In 1980s Construction, Maumelle showed the largest increase with 6.2%. For New Construction the largest increase was in the Downtown submarket with 3.9%.

OCCUPANCY

Overall Occupancy Percentage

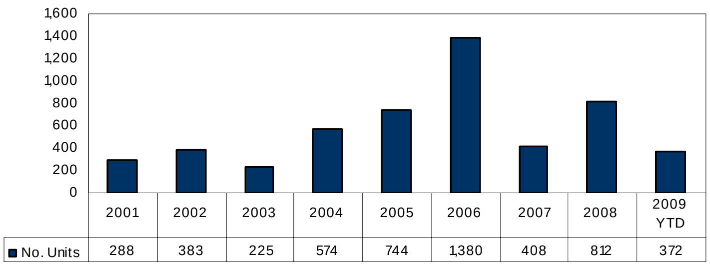


	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009 YTD
Occupancy	94.4%	93.7%	94.1%	93.9%	93.8%	93.8%	93.4%	92.3%	92.2%	91.4%

Occupancy declined by 0.9 percentage points from year-end 2008 at 91.4% for the Little Rock market overall. New Construction decreased 0.3 points to 93.7%. 1980s Construction occupancy increased, rising 0.4 percentage points to 93.5%. Old Construction decreased 2.0 points to 88.6%. The Downtown submarket had the highest overall gain in New Construction at 7.0 percentage points. The Central submarket had the best gain 1980s Construction with an increase of 1.6 percentage points. For Old Construction properties the Jacksonville submarket had the largest increase with 1.6 points. The highest individual occupancy rates were Jacksonville at 92.1% (Old Construction), Southwest at 95.1% (1980s Construction), and Sherwood & Southwest (New Construction) at 99.6%.

NEW CONSTRUCTION

New Units Added to the Market



Construction activity remains strong in 2009, with 892 units scheduled to be added to the market. The Links at the Rock, in the North Little Rock submarket, delivered 372 units, with another 120 scheduled for completion by 2010. The Residences at Riverdale, a 124-unit property in the Central submarket, is scheduled to begin construction later this year. Also scheduled for delivery later in the year is the expansion of The Links at Eagle Hill, a 312-unit property in the Southwest submarket.

TRANSACTIONS

Multifamily Sales in and around Little Rock since January 2005

Property	Submarket	Units	Built	Sale Date	Sales Price	Price Per Unit	Price Per SF
CLASS A							
Wimbledon Green	Southwest	96	2005	Apr-08	$6,750,000	$70,313	$40.27
Stonebridge at The Ranch	Northwest	260	2005	Jan-06	$24,260,000	$93,308	$96.95
Carrington Park	Northwest	202	1999	Feb-06	$19,910,000	$98,564	$94.59
The Arbors of Pleasant Valley	Northwest	184	1999	Sep-05	$13,125,000	$71,332	$82.72
Totals/Averages		742			$64,045,000	$86,314	$85.45
CLASS B							
Shadow Lake	Northwest	296	1984	Mar-08	$19,166,137	$64,750	$77.28
Turtle Creek	Northwest	216	1985	Mar-08	$14,451,770	$66,907	$82.72
Pleasant Valley Pointe	Northwest	112	1986	Jun-07	$9,985,000	$89,152	$66.48
Brightwaters Apartments	Central	256	1984	May-07	$15,910,300	$62,150	$97.54
Chenal Lakes	Northwest	456	1986	May-07	$33,789,700	$74,100	$82.42
Governor's Park	Northwest	154	1985	Dec-06	$8,055,000	$52,305	$63.77
Pleasant Ridge	Northwest	200	1986	Dec-06	$16,050,000	$80,250	$65.19
Riverwalk	Central	262	1988	Dec-06	$18,000,000	$68,702	$84.86
Bent Tree	Hot Springs, AR	74	1986	May-06	$2,800,000	$37,838	$41.67
Law Quad Apartments	Fayetteville, AR	84	1984	Mar-06	$3,478,000	$41,405	$54.42
Totals/Averages		2,110			$141,685,907	$67,150	$77.48
CLASS C							
Crestwood Manor	Central	218	1965	Sep-08	$4,430,000	$20,321	$26.32
Ridgecrest Manor	North	120	1979	Aug-07	$3,704,000	$30,867	$36.75
North Park Apartments	North	64	1977	Aug-07	$2,225,000	$34,766	$40.76
Westgate	Southwest	242	1966	Jul-07	$2,050,000	$8,471	$11.96
Hidden Valley Apartments	Central	46	1986	Jun-07	$1,950,000	$42,391	$54.29
Holcombe Heights	Central	125	1964	Jun-07	$6,400,000	$51,200	$58.84
Riveria Apartments	Central	113	1964	Apr-07	$6,600,000	$58,407	$57.73
Watergate	Northwest	140	1971	Mar-07	$7,710,000	$55,071	$51.32
Willow Creek	Southwest	133	1972	Feb-07	$1,600,000	$12,030	$18.38
Oakwood	Jacksonville	240	1972-85	Feb-07	$5,000,000	$20,833	$23.70
Whispering Oaks	Northwest	206	1970	Jan-07	$7,700,000	$37,379	$39.38
Autumn Park	Southwest	184	1971	Dec-06	$2,800,000	$15,217	$16.06
Squire Court	Southwest	156	1973	Oct-06	$2,179,000	$13,968	$18.80
Towne Oaks	Northwest	228	1974-82	Sep-06	$10,260,000	$45,000	$48.56
Royal Chalet	Jacksonville, AR	90	1970	Jun-06	$1,575,250	$17,503	$28.27
Willow Bend	Jacksonville, AR	100	1972	Jun-06	$1,800,000	$18,000	$19.66
Royal Oaks	Southwest	70	1971	May-06	$1,500,000	$21,429	$25.98
Fair Oaks	West Central	100	1973	May-06	$2,000,000	$20,000	$24.00
Vantage Point	Central	228	1973	May-06	$11,250,000	$49,342	$42.98
Parkway Crossing	North	92	1973	Feb-06	$1,525,000	$16,576	$20.38
Holcombe Heights	Central	125	1964	Jan-06	$5,500,000	$44,000	$50.57
The Reserve at Walnut Ridge	Northwest	252	1973	Sep-05	$11,000,000	$43,651	$52.18
The Reserve at Foxrun	Northwest	337	1974	Sep-05	$17,000,000	$50,445	$56.06
The Reserve at Greenwood	Northwest	450	1974-75	Sep-05	$19,000,000	$42,222	$50.62
The Pines	Southwest	239	1970	Jul-05	$4,000,000	$16,736	$18.00
Rosewood	Southwest	100	1965	May-05	$1,750,000	$17,500	$16.87
Windsor Arms	Central	56	1974	Apr-05	$2,537,500	$45,313	$39.43
Totals/Averages		4,454			$145,045,750	$32,565	$36.41

	Total Units Surveyed	Occupancy	Average Unit Size (SF)	Average Street Rent	Average Street Rent/SF	Ann. % Rent Change from YE08
OLD CONSTRUCTION						
Central	1,910	91.0%	870	$673	$0.774	1.8%
Jacksonville	649	92.1%	775	$452	$0.583	0.9%
North	2,434	91.1%	818	$591	$0.722	0.7%
Northwest	2,818	87.1%	870	$606	$0.697	-2.0%
Sherwood	118	87.0%	780	$519	$0.665	0.0%
Southwest	1,559	83.8%	834	$493	$0.591	8.3%
West Central	591	87.0%	888	$606	$0.682	1.3%
Totals/Averages	10,079	88.6%	846	$587	$0.694	0.9%
1980's CONSTRUCTION						
Central	725	93.6%	773	$715	$0.925	-5.5%
Jacksonville	364	94.2%	716	$450	$0.628	0.0%
Maumelle	242	93.1%	1,010	$588	$0.582	6.2%
North	365	93.3%	887	$661	$0.745	0.0%
Northwest	3,398	94.0%	839	$679	$0.809	1.8%
Sherwood	357	89.9%	938	$560	$0.597	0.0%
Southwest	272	95.1%	775	$567	$0.732	0.0%
West Central	624	92.6%	808	$541	$0.670	3.7%
Totals/Averages	6,347	93.5%	833	$640	$0.768	0.8%
NEW CONSTRUCTION						
Central	222	91.0%	917	$1,106	$1.206	0.0%
Downtown	298	92.3%	947	$1,024	$1.081	3.9%
Maumelle	480	92.7%	906	$769	$0.849	0.0%
North	972	95.1%	919	$700	$0.762	0.0%
Northwest	1,905	89.3%	1,000	$879	$0.879	-7.6%
Sherwood	579	99.6%	792	$551	$0.696	0.7%
Southwest	1,012	99.6%	848	$604	$0.712	0.0%
West Central	404	92.3%	990	$775	$0.783	0.0%
Totals/Averages	5,872	93.7%	926	$769	$0.831	-2.5%
LITTLE ROCK OVERALL	22,298	91.4%	863	$650	$0.753	0.0%

Old Construction (prior to 1980) ● 1980's Construction (1980 - 1989) ● New Construction (1990 - present)

Construction Activity

892 units are scheduled to be added to the market in 2009. 372 units at Links at the Rock were delivered in first quarter 2009. Additional units to be delivered include: Residences at Riverdale (124 units), Links at the Rock (84 units) and Links at Eagle Hill (312 units).

The Multifamily Group, LLC

Principals of The Multifamily Group, LLC have been leaders in Mid-South apartment brokerage for more than 20 years. An associated company, LEDIC Management Group, is one of the largest third-party apartment management firms in the country. The companies have a nationally recognized market research division that handles market research for Memphis, TN; Jackson, MS; and Little Rock, AR.

Acknowledgements

In addition to the over 160 apartment properties which participate in our quarterly surveys, we would like to acknowledge the owners, management firms and businesses that contribute to our apartment research efforts. Without the cooperation of these companies, our reports would not be possible: AGAP Support Services, AIMCO, Anderson Family Partnership, Associated Management, Ltd., Bailey Properties, Bart Gray Realty Co., Inc., Blissard Management Co., Bristol Properties, Brookside Management, C & C Management, Case & Associates, Danny Thomas Management Co., Davis Development, DeHaven Group, LLC, Dickson Flake Partners, Inc., Entrepreneurial Corporate Group, EPT Management, Equity Capital, ERC Management Group, LLC, First Capital management Group, Flake & Kelly Commercial, Fogelman Properties, Fore Property Company, General Properties, Givens Company, Henry Management, Jarrett Property Management, Jim Peacock Realty, Keet Management Company, Kohner Properties, Lead Management, LEDIC Management Group, LFC Properties, LLC, Lindsey Management Co., Inc., Madison Apartment Group, Marshall Property Management, Maxus Properties, McCormack Baron, Mid-America Apartment Communities, Mission Housing, MLP Management, NYE Management Co., Park Development, Park Management, RCP General Properties, Real Estate Management Company, Rector Phillips Morse, Reliance Management, Rental Management, Inc., Resource Real Estate Management, Richardson Properties, Richdale Development, RPM Management, Rush-Hal Properties, Sage Company, SWH Properties, Simpson Property Group, Spectrum Management, Standard Enterprises, Stonemark Management, The Omnicorp Group, The Phillips Company, UAH Management, United Dominion Realty Trust, Vintage Realty, Warren Properties, Waterton Property Management, LLC, Wiliford Weyner Management, Winther Investments.

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