



**The
Multifamily
Group, LLC**



THE APARTMENT REPORT

LITTLE ROCK, AR

www.themultifamilygroup.com

Second Quarter 2008

Market Overview

Statistics for May 2008 indicate that single family home buying decreased by 16% in Little Rock versus the same time last year. Like most markets across the country, single family home growth skyrocketed over the past several years, wicking away some of the most affluent apartment residents. This downturn in the single family housing market is exciting news for the local apartment industry.

The apartment market continued its upward trend in this quarter. New construction starts are down for the year with a total of only 452 units scheduled to come online this year. Leasing at two of three communities is already going well. The Enclave at the Riverfront in Downtown and Lexington Park in North Little Rock have delivered appealing units that are leasing quickly in their respective submarkets. The third community, Valley Heights, is a tax credit property that is on schedule for delivery of 72 units later this year. Absorption for the 2nd quarter stands at 673 units overall. With limited new deliveries to the market and improving absorption figures, the Pulaski County apartment market is gearing up for a vastly improved year.

Occupancy rose 0.6% over year end 2007 to 93% for the entire Pulaski County market. Significant increases of 8.5% in Jacksonville (Old Construction – 649 units), 5.1% in Maumelle (1980s Construction – 242 units), and 8.8% occupancy growth in the North Little Rock market (New Construction – 468 units) led the individual statistics for each submarket. Old Construction units in Sherwood, Southwest, and West Central Little Rock pulled down occupancy averages with rates of 83.0 – 87.2%.

Repositioning activity is apparent again in the Jacksonville market (Old Construction) with an annualized rental rate growth of 9.8% over 2007 year end. Other notable increases in the 1980s Construction category occurred in Maumelle (242 units – 5.0%), Sherwood (357 units – 6.7%) and in the largest submarket, Northwest Little Rock (3,398 units – 4.8%).

Not surprisingly, the occupancy figures for these areas averaged at or above 95%. The slowdown in new multifamily construction starts and single family home buying also triggered upward pressure on the New Construction properties in the Northwest submarket where 6.5% annualized rental rate growth was recorded for those 1,905 units. Overall rental rates increased an annualized 2.3%. Considering that the peak leasing period is still one quarter away, these are very encouraging signs of an improving market.

Hewlett Packard stole the job growth headlines this quarter with an announcement of 1,200 new jobs at their Conway facility located north of Pulaski County. While the location falls outside the county limits, it will most likely have a positive impact on the larger Little Rock MSA apartment market. Additional increases in nursing school enrollment at UAMS will also favorably affect apartment leasing, as these medical facilities represent the “sweet spot” for potential apartment residents.

Little Rock Submarkets



Yearly Performance



OCCUPANCY RATE

Occupancy continues to rise from year-end 2007, increasing from 92.3% to 93.0%.



CONSTRUCTION ACTIVITY

Construction activity remains slow with 284 units added to the market in the first half of the year and 168 units planned for the rest of the year.



STREET RENTS

Rents are up an annualized 2.3% from year-end 2007, to \$646 per unit.

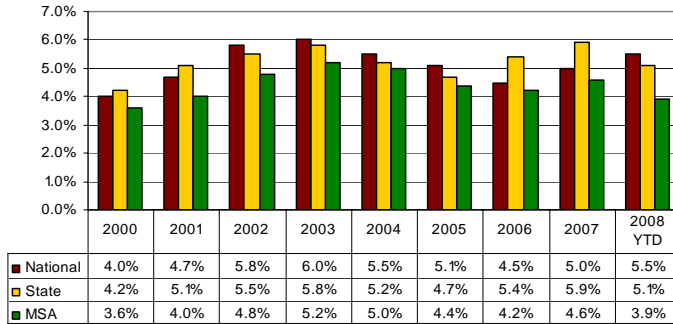


ABSORPTION

Absorption continues to rise, reaching 673 units this quarter.

UNEMPLOYMENT RATE

Unemployment

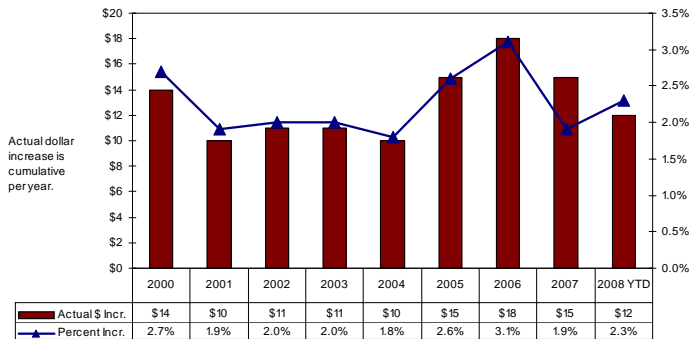


Source: U.S. Department of Labor; Bureau of Labor Statistics

Unemployment continues to climb nationally due to the weak economy, but the picture is brighter in both the Little Rock MSA and the state of Arkansas as a whole. The unemployment rate for the Little Rock-North Little Rock Metropolitan Statistical Area (MSA) dropped from 5.2% in 1Q08 to 3.9% this quarter. The decrease may be partially attributable to the opening of two large plants, LM Glasfiber and Welspun, employing a total of 1,500 people. The State of Arkansas' unemployment rate also dropped from last quarter, from 5.6% to 5.1%. The Arkansas economy should remain strong in the coming year, due to several new job announcements, including: Hewlett Packard (1,200 jobs), Garver Engineering LLC, (120 jobs), Man Industries (250 jobs), and Belleville Shoe Manufacturing Co. (200 jobs).

RENTS

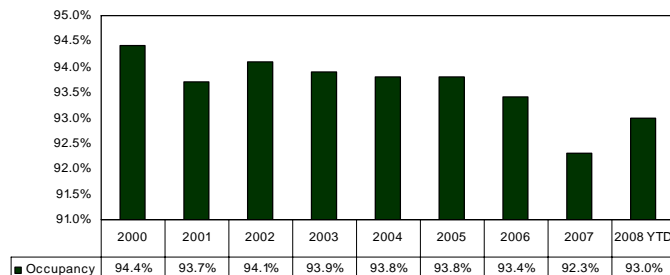
Rent Growth versus Prior Year-End



Street rents continue their growth pattern, increasing an annualized 2.3% over year-end 2007, to \$646 per unit. For the third consecutive quarter 1980s Construction had the highest jump in rents with an annualized 3.5% increase. New Construction rents increased 3.3%. Old Construction increased 1.1%. The Northwest submarket experienced the largest gain for New Construction properties, posting an increase of 6.5%. The Sherwood submarket had the highest increase for 1980s Construction, at 6.7%. The Jacksonville submarket had the largest gain for Old Construction properties with an increase of 9.8%.

OCCUPANCY

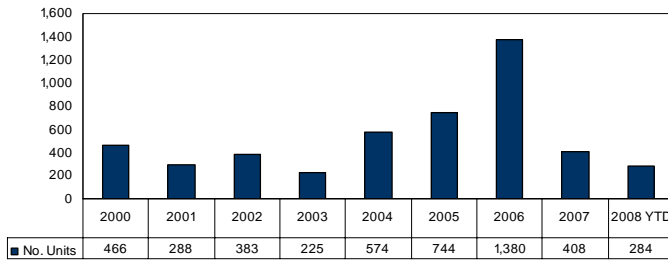
Overall Occupancy Percentage



Occupancy continued to increase, at 93.0% for the Little Rock market overall. Old Construction increased 1.0% to 90.8%. New Construction increased 0.7% to 95.5%; while 1980s Construction increased 0.1% to 94.4%. The North submarket had the highest overall gain in New Construction at 8.8%. The Maumelle submarket had the best gain 1980s Construction with 5.1%. For Old Construction properties the Jacksonville submarket had the largest increase at 8.5%. The highest individual occupancy rates for Old, 1980s and New Construction were North at 94.1%, Maumelle at 96.6%, and Sherwood at 100%, respectively.

NEW CONSTRUCTION

New Units Added to the Market



Construction remains slow, with only 24 units from Lexington Park delivered during the second quarter. The remaining 96 units of Lexington Park are scheduled to be completed in 3Q08, for a total of 288 units. Valley Heights Phase II is also on-track for completion in 3Q, with a total of 72 units. Construction is expected to pick up significantly in 2009 with a total of 1,608 units scheduled for completion. Scheduled projects include: Arrington Phase II (36 units), The Links at the Rock (684 units), Capitol Hill (156 units), Links at Eagle Hill (312 units) and Coleman Place (420 units).

TRANSACTIONS

Multifamily Sales in and around Little Rock since January 2003

Property	Submarket	Units	Built	Sale Date	Sales Price	Price Per Unit	Price Per SF
CLASS A							
Turtle Creek	Northwest	216	1985	Mar-08	\$14,452,000	\$66,907	\$82.72
Stonesbridge 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
The Arbors of Pleasant Valley	Northwest	184	1999	Aug-03	\$11,000,000	\$59,783	\$69.32
The Grove at Pleasant Valley	Northwest	225	1995	Oct-03	\$16,450,000	\$73,111	\$74.01
Totals/Averages		1,271			\$99,197,000	\$78,046	\$84.04
CLASS B							
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
The Fairway at Fianna Hills	Fr. Smith, AR	77	1983	Feb-04	\$2,858,334	\$37,121	NA
Totals/Averages		1,675			\$110,926,334	\$66,225	\$73.28
CLASS C							
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
Plaza Towers	Central	132	1959	Oct-04	\$4,150,000	\$31,439	\$53.53
McCain Park Apts.	North	320	1974	May-04	\$12,300,000	\$38,438	\$45.32
Old Oaks	Southwest	112	1983	Jan-04	\$3,850,000	\$34,375	\$36.40
Berkley Apartments	Northwest	252	1973	Oct-03	\$9,216,554	\$36,574	\$43.73
Pleasant Pointe	Northwest	239	1975	Oct-03	\$16,458,133	\$36,574	\$43.85
The Reserve at Foxrun	Northwest	337	1974	Oct-03	\$12,325,313	\$36,574	\$40.65
Country Club Apartments	North	125	1983	Apr-03	\$4,200,000	\$33,600	\$43.75
Windamere	Southwest	109	1972	Apr-03	\$2,500,000	\$22,936	\$26.53
Chateau West	Southwest	141	1967	Jan-03	\$4,000,000	\$28,369	NA
Totals/Averages		6,003			\$209,615,750	\$33,633	\$37.59

	Total Units Surveyed	Occupancy	Average Unit Size (SF)	Average Street Rent	Average Street Rent/SF	Ann. % Rent Change from YE07
OLD CONSTRUCTION						
Central	2,042	92.3%	851	\$659	\$0.774	2.8%
Jacksonville	649	93.2%	775	\$451	\$0.582	9.8%
North	2,434	94.1%	815	\$596	\$0.731	2.0%
Northwest	2,818	90.6%	870	\$609	\$0.700	0.0%
Sherwood	118	83.0%	780	\$519	\$0.665	0.0%
Southwest	1,375	84.3%	832	\$476	\$0.572	-2.5%
West Central	591	87.2%	888	\$608	\$0.685	0.7%
Totals/Averages	10,027	90.8%	841	\$586	\$0.697	1.1%
1980's CONSTRUCTION						
Central	725	94.5%	773	\$710	\$0.918	1.1%
Jacksonville	364	94.5%	716	\$445	\$0.622	1.4%
Maumelle	242	96.6%	1,010	\$579	\$0.573	5.0%
North	365	94.7%	887	\$661	\$0.745	2.1%
Northwest	3,398	95.2%	839	\$689	\$0.821	4.8%
Sherwood	357	95.1%	928	\$554	\$0.597	6.7%
Southwest	272	93.6%	775	\$556	\$0.717	-1.4%
West Central	624	88.7%	808	\$530	\$0.656	0.8%
Totals/Averages	6,347	94.4%	833	\$643	\$0.772	3.5%
NEW CONSTRUCTION						
Central	222	89.0%	917	\$1,070	\$1.167	4.0%
Downtown	97	92.7%	845	\$864	\$1.022	-8.6%
Maumelle	696	90.8%	919	\$730	\$0.794	0.8%
North	468	98.0%	936	\$722	\$0.771	2.0%
Northwest	1,905	93.8%	999	\$890	\$0.891	6.5%
Sherwood	579	100.0%	792	\$549	\$0.693	0.0%
Southwest	1,012	99.5%	848	\$598	\$0.705	0.3%
West Central	404	96.3%	990	\$765	\$0.773	0.8%
Totals/Averages	5,383	95.5%	926	\$761	\$0.822	3.3%
LITTLE ROCK OVERALL	21,757	93.0%	860	\$646	\$0.751	2.3%

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

Construction Activity

Construction activity remains steady with 284 units added to the market in the first quarter and 168 units planned for the rest of the year.

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

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