



**The
Multifamily
Group, LLC**



THE APARTMENT REPORT

LITTLE ROCK, AR

www.themultifamilygroup.com

Third Quarter 2008

Market Overview

Improving market fundamentals are evident in this quarter's numbers for Pulaski County. Absorption, especially in the New Construction category, rose to 757 units and was up 818 units overall for Pulaski County. Occupancy also continued its upward trend, reporting 93.2% countywide. New Construction led the group with a 95.8% occupancy rate for its 5,444 units. The 1980s category was also strong this quarter at 95.0% for 6,347 units. Old Construction properties, the largest category, came in at 90.6% for the 10,086 units surveyed. Not surprisingly, concessions and specials for properties in the top two categories eased during this time period as well.

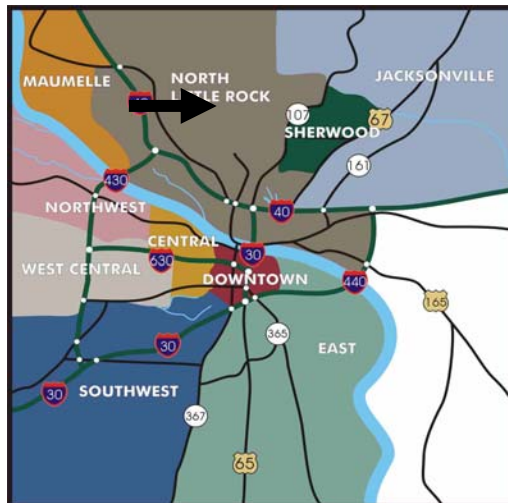
There are some bright spots among Old Construction properties, especially in the Jacksonville submarket. The 649 units in that market saw a 7.9% increase in occupancy over 2007 year-end numbers and a 6.5% jump in rental rate growth. Encouraging growth and increased C-130 activity at the Little Rock Air Force Base may have stimulated that upward shift. Strong rental rate growth also occurred in the Central submarket as New Construction rental rates rose an annualized 7.2%, followed by the 1980s group that saw a 6.0% increase over 2007 year-end.

It seems that apartment living may be shifting to the north side of the river in the Downtown submarket due to the conversion of the 73-unit Riverview Apartments to condominiums and decreased occupancies and ownership changes in some of the tax credit housing. This leaves only limited choices for apartment living on the south side of the riverfront. However, the North Little Rock side of downtown is enjoying increased attention as restaurants and other retailers have developed the riverfront to compliment Little Rock's venue. We have yet to see the effect of the delivery of condominium developments in Downtown Little Rock and in the Northwest submarket as it relates to the housing market, but will track that progress as those deliveries come on-line. In other areas of North Little Rock, specifically the area adjacent to the Maumelle submarket, Class 'A' apartment communities have reported an occupancy average for New Construction of 98%. This solid market will continue to see increased attention from new apartment construction in 2009.

New construction has moved along at a brisk pace with apartment deliveries this quarter at Lexington Park (120 stabilized units) and Coleman Place (student housing). The latter is a new face to the Little Rock scene in that those 132 units are available for rent by the bedroom (420 total beds). Lease-up has been steady at the property, with all units delivered to the market. Other changes to the previous delivery schedule will reflect approximately 300 units ready for occupancy by year end at The Links at the Rock (North Little Rock/Maumelle).

Encouraging 3rd quarter market fundamentals like these should help to stabilize the market as we move forward into the seasonally slower 4th quarter leasing period.

Little Rock Submarkets



Yearly Performance



OCCUPANCY RATE

Occupancy continues to rise from year-end 2007, increasing from 92.3% to 93.2%.



CONSTRUCTION ACTIVITY

Construction activity is right on average for Little Rock with 548 units added to the market to-date and 372 units planned for the rest of the year.



STREET RENTS

Rents are up an annualized 1.8% from year-end 2007, to \$648 per unit.

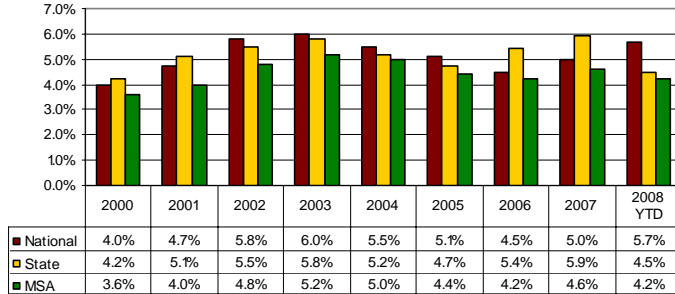


ABSORPTION

Absorption continues to rise, reaching 818 units this quarter.

UNEMPLOYMENT RATE

Unemployment

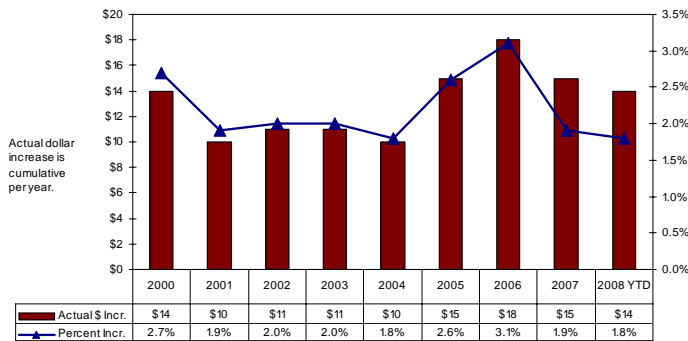


Source: U.S. Department of Labor; Bureau of Labor Statistics

National unemployment continued to climb this quarter, rising 0.2 percentage points to 5.7%. **Unemployment decreased significantly in the State of Arkansas, dropping 0.6 percentage points from 5.1% to 4.5%.** In the Little Rock – North Little Rock MSA unemployment increased by 0.3 percentage points from 3.9% to 4.2%. Garver Engineers, LLC has begun construction on a new corporate headquarters in the North Little Rock NorthShore Business Park. The company plans to hire 120 new workers at an average wage of \$65,000. Pulaski Technical College has opened a new campus in Little Rock-South. Programs offered at the college include diesel technology, small engine repair and transportation facility management. The Promenade at Chenal, a 340,000 square-foot lifestyle center has completed construction and is 89% leased. Future tenants include: Chili’s Restaurant, Finish Line, White House/Black Market and a 1,300 seat movie theatre.

RENTS

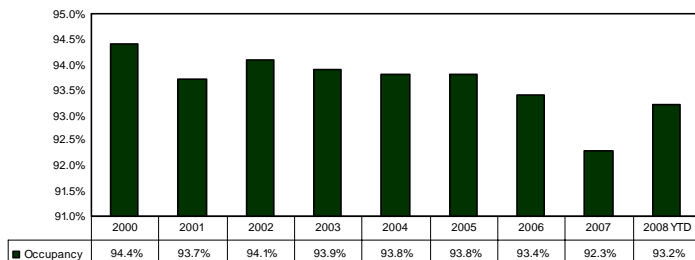
Rent Growth versus Prior Year-End



Street rents continued to climb, increasing an annualized 1.8% over year-end 2007, to \$648 per unit. **New Construction had the highest jump in rents with an annualized 3.2% increase. Close behind was 1980s Construction, with an increase of 3.0%.** Old Construction increased 0.3%. The Central submarket led all other submarkets in both the New Construction and 1980s Construction categories with rent gains reflecting a 7.2% and 6.0% annualized jump, respectively. The Jacksonville submarket had the largest gain for Old Construction properties for the second quarter with an increase of 6.5%.

OCCUPANCY

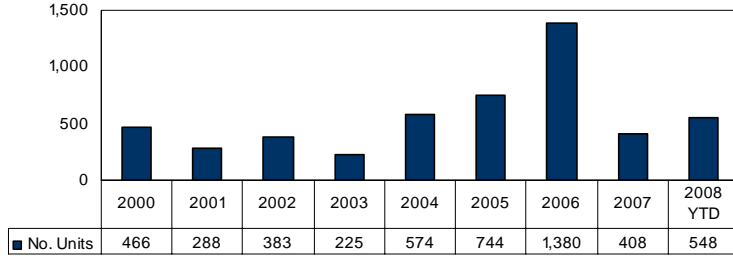
Overall Occupancy Percentage



Occupancy increased by 0.8% over year-end 2007 to 93.2% for the Little Rock market overall. New Construction increased 1.0% to 95.8%. Both 1980s and Old Construction increased 0.7% to 95.0% and 90.6%, respectively. The Maumelle submarket had the highest overall gain in New Construction at 7.2%. The Maumelle submarket also had the best gain 1980s Construction with 3.3%. For Old Construction properties the Jacksonville submarket had the largest increase at 7.9%. The highest individual occupancy rates for Old, 1980s and New Construction were Central at 92.7%, North at 96.6%, and Sherwood at 99.7%, respectively.

NEW CONSTRUCTION

New Units Added to the Market



Construction activity is right on average for Little Rock with 548 units delivered during the third quarter. The remaining 72 units of Valley Heights Phase II are scheduled to be completed during 4Q08 as well as 300 units from The Links at the Rock. Construction is expected to decline by approximately 10% in 2009 with a total of 820 units scheduled for completion. Scheduled projects include: The Residences at Riverdale (124 units), The Links at the Rock (384 units), and The Links at Eagle Hill (312 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							
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
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		1,151			\$91,495,000	\$79,492	\$80.63
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
Low Quoad Apartments	Fayetteville, AR	84	1984	Mar-06	\$3,478,000	\$41,405	\$54.42
The Fairway at Frianna Hills	Ft. Smith, AR	77	1983	Feb-04	\$2,858,334	\$37,121	NA
Totals/Averages		2,187			\$144,544,241	\$66,092	\$74.75
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 Chalef	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	1,917	92.7%	849	\$668	\$0.787	3.7%
Jacksonville	649	92.6%	775	\$451	\$0.582	6.5%
North	2,434	92.4%	818	\$591	\$0.722	0.2%
Northwest	2,818	91.5%	870	\$610	\$0.701	0.2%
Sherwood	118	83.0%	780	\$519	\$0.665	0.0%
Southwest	1,559	85.2%	834	\$480	\$0.576	-0.6%
West Central	591	85.7%	888	\$604	\$0.680	-0.4%
Totals/Averages	10,086	90.6%	842	\$585	\$0.695	0.3%
1980's CONSTRUCTION						
Central	725	92.7%	773	\$738	\$0.955	6.0%
Jacksonville	364	95.2%	716	\$451	\$0.630	2.7%
Maumelle	242	94.8%	1,010	\$579	\$0.573	3.3%
North	365	96.6%	887	\$661	\$0.745	1.4%
Northwest	3,398	95.8%	839	\$686	\$0.818	2.6%
Sherwood	357	92.7%	928	\$555	\$0.598	4.7%
Southwest	272	92.6%	775	\$567	\$0.732	1.7%
West Central	624	94.4%	808	\$536	\$0.663	2.0%
Totals/Averages	6,347	95.0%	833	\$646	\$0.775	3.0%
NEW CONSTRUCTION						
Central	222	91.0%	917	\$1,106	\$1.206	7.2%
Downtown	38	94.0%	856	\$844	\$0.986	-8.7%
Maumelle	696	98.0%	919	\$729	\$0.793	0.4%
North	588	94.1%	946	\$745	\$0.788	5.6%
Northwest	1,905	93.4%	1,001	\$897	\$0.896	5.4%
Sherwood	579	99.7%	792	\$549	\$0.693	0.0%
Southwest	1,012	99.5%	848	\$603	\$0.711	1.3%
West Central	404	94.6%	990	\$775	\$0.783	2.3%
Totals/Averages	5,444	95.8%	929	\$767	\$0.825	3.2%
LITTLE ROCK OVERALL	21,877	93.2%	861	\$648	\$0.752	1.8%

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

Construction Activity

Construction activity remains steady with 548 units added to the market through the third quarter and 372 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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