



**The
Multifamily
Group, LLC**



THE APARTMENT REPORT

LITTLE ROCK, AR

www.themultifamilygroup.com

Fourth Quarter 2008

Market Overview

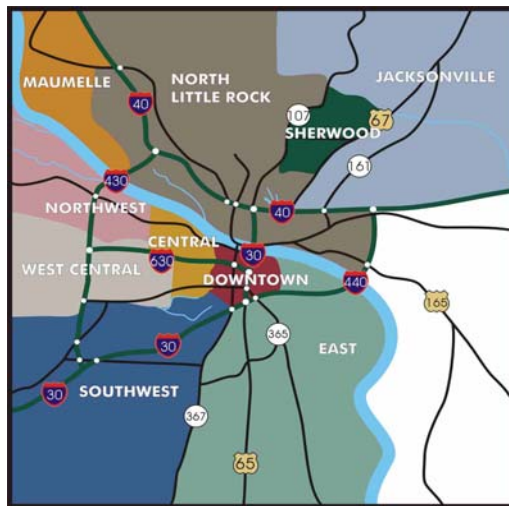
The nation's economy turned downward this past quarter and the apartment market in Pulaski County felt the effect. Most managers reported resident consolidations as the most notable reason for their "on notice" apartments and vacancy turnover. Residents moved into apartments with family members or roommates, moved home to live with their parents, purchased foreclosed homes, or simply lost their jobs. Still, our apartment market remains resilient in the face of troubling economic news. Occupancy for this quarter fell by less than a percent from the 3rd quarter 2008 level of 93.2%. Fourth quarter numbers were down only 0.1 percentage points from 2007 to 92.2%. In 4th quarter 2007, marketwide occupancy was at a similar level at 92.3%.

Absorption figures reveal the underlying strength of the market as 849 units were absorbed overall in 2008. New stabilized communities delivered to our market include The Enclave at the Riverfront, Coleman Place (student housing), and Lexington Park. Undoubtedly, some of the most remarkable growth in our market has occurred in the Maumelle and North Little Rock submarkets. Since the year 2000, Maumelle and North Little Rock have accounted for 44% of all units built in Pulaski County to date. Much of this construction activity has occurred in the area that most people refer to as Maumelle. Actually, the first two miles from I-430 west along Maumelle Boulevard lie inside the boundaries of North Little Rock. This Maumelle / NLR area has been characterized by rapid absorption of new apartments and high occupancies. In fact, New Construction occupancies for NLR and Maumelle were up this quarter from year end 2007 by 7.3% and 5.2% respectively. The affordable nature of this new construction has even begun to draw residents from west Little Rock and Conway who seek attractive rents for new construction apartments.

Rental rate growth seems the most positive and consistent in the Central submarket. Old Construction, 1980s, and New Construction properties reported a 3.1%, 2.7%, and a 5.4% expansion in rents this year. Not surprisingly, occupancies in these sectors softened. They reported very little or negative occupancy growth, perhaps as a response to tougher economic times. Occupancies also fell by 3.2% among the affluent New Construction properties in the Northwest submarket while rents grew by 3.9% for the year.

On the local economic front, Caterpillar, the world's largest manufacturer of construction and mining equipment, recently announced plans to locate its new North American motor grader production facility in North Little Rock. The company will invest \$140 million and employ approximately 600 people. This comes on the heels of other recent job announcements, including: Polymarin and Wind Water Technology, wind energy companies that have partnered to bring 830 new jobs to the MSA over the next 4 years. "Arkansas is rapidly becoming a center for the wind-energy industry," Governor Mike Beebe said in a recent news conference. This new push for sustainable energy joins the previous technological success created locally by Hewlett Packard's announcement of 1,200 jobs coming to nearby Conway.

Little Rock Submarkets



Yearly Performance



OCCUPANCY RATE

Occupancy decreased by 0.1 percentage points from 2007 to 92.2%



CONSTRUCTION ACTIVITY

Construction doubled from 2007, reaching 812 units. 892 units are scheduled for completion in 2009.



STREET RENTS

Rents are up an annualized 1.4% from year-end 2007, to \$650 per unit.

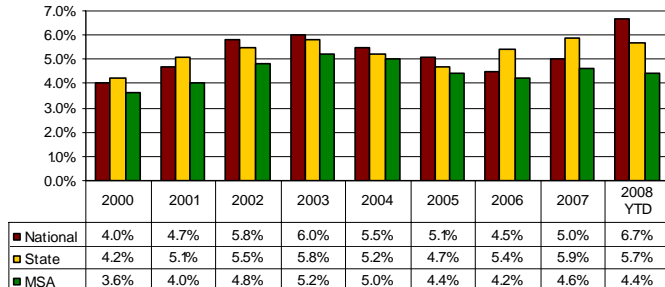


ABSORPTION

Absorption continues an impressive rise, reaching 849 units this quarter.

UNEMPLOYMENT RATE

Unemployment

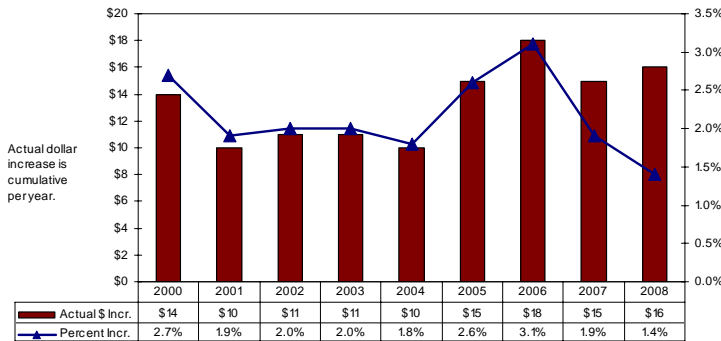


Source: U.S. Department of Labor; Bureau of Labor Statistics

National unemployment continued to climb this quarter, rising 1.0 percentage points to 6.7%. Unemployment increased in the State of Arkansas by 1.2 percentage points from 4.5% to 5.7%. **In the Little Rock – North Little Rock MSA unemployment only increased by 0.2 percentage points from 4.2% to 4.4%.** Caterpillar Inc. has announced plans for a production facility in North Little Rock, bringing with it 600 jobs. The company said it will invest \$140 million in the new plant. Production of commercial motor graders is expected to begin in early 2010. The New Argenta Fund has announced plans for a \$28 million hotel in North Little Rock's Argenta District, which would open in 2010. The hotel will be eight to 12 stories tall and have 130 guest rooms, 25,000-SF of meeting and event space and 15,000-SF of retail and restaurant space.

RENTS

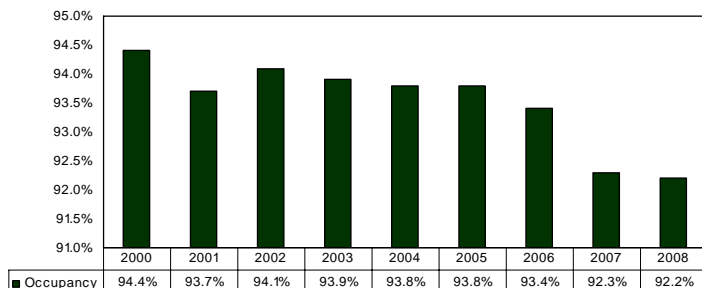
Rent Growth versus Prior Year-End



Street rents continued to climb, increasing an annualized 1.4% over year-end 2007, to \$650 per unit. New Construction had the highest jump in rents with a 3.5% increase for the year. 1980s Construction increased 1.2%. Old Construction increased 0.3%. The Sherwood submarket led all other submarkets in both the Old Construction and 1980s Construction categories with rent gains reflecting a 6.0% and 4.5% annualized jump, respectively. The Downtown submarket showed the largest gain in New Construction with an increase of 12.3% due to the delivery of a Class 'A' Property—The Enclave at the Riverfront.

OCCUPANCY

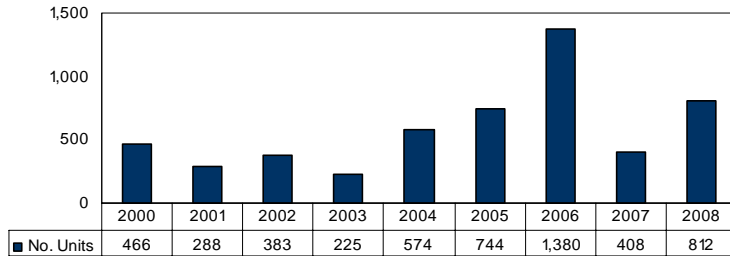
Overall Occupancy Percentage



Occupancy declined slightly from year-end 2007 at 92.2% for the Little Rock market overall. New Construction decreased 0.7% to 94.1%. 1980s Construction also decreased, falling 1.1% to 93.2%. Old Construction increased 0.7% to 90.6%. The North submarket had the highest overall gain in New Construction at 7.3%. The North submarket also had the best gain 1980s Construction with 1.3%. For Old Construction properties the Jacksonville submarket had the largest increase at 5.8%. The highest individual occupancy rates for Old, 1980s and New Construction were Northwest at 93.2%, North at 95.3%, and Sherwood at 99.7%, respectively.

NEW CONSTRUCTION

New Units Added to the Market



Construction activity was strong in 2008, with 812 units added to the market. Valley Heights Phase II, a tax credit property in the Central submarket, delivered 72 units. In the Downtown submarket Enclave at the Riverfront delivered 260 units. Another tax credit property, Phase II of Arrington, delivered 36 units in the North submarket. Lexington Park, also in the North submarket, delivered the final 120 of 288 total units. Coleman Place, a student housing complex, delivered 132 units in the Southwest submarket. Construction scheduled for 2009 includes: The Residences at Riverdale (124 units), and two Lindsey Properties, The Links at the Rock (remaining 456 units) and Links at Eagle Hill (312 units).

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 YE07
OLD CONSTRUCTION						
Central	1,910	91.9%	870	\$670	\$0.770	3.1%
Jacksonville	649	90.5%	775	\$451	\$0.582	4.9%
North	2,434	91.3%	818	\$590	\$0.721	0.0%
Northwest	2,818	93.2%	870	\$609	\$0.700	0.0%
Sherwood	118	87.0%	793	\$550	\$0.694	6.0%
Southwest	1,559	84.6%	834	\$483	\$0.579	0.2%
West Central	591	87.5%	888	\$604	\$0.680	-0.3%
Totals/Averages	10,079	90.6%	846	\$585	\$0.692	0.3%
1980's CONSTRUCTION						
Central	725	92.0%	773	\$725	\$0.938	2.7%
Jacksonville	364	94.9%	716	\$450	\$0.628	1.8%
Maumelle	242	92.5%	1,010	\$579	\$0.573	2.5%
North	365	95.3%	887	\$661	\$0.745	1.1%
Northwest	3,398	93.4%	839	\$676	\$0.806	0.4%
Sherwood	357	89.9%	938	\$560	\$0.597	4.5%
Southwest	272	95.1%	775	\$567	\$0.732	1.3%
West Central	624	92.3%	808	\$536	\$0.663	1.5%
Totals/Averages	6,347	93.2%	833	\$639	\$0.767	1.2%
NEW CONSTRUCTION						
Central	222	91.0%	917	\$1,106	\$1.206	5.4%
Downtown	298	85.3%	947	\$1,014	\$1.071	12.3%
Maumelle	480	96.0%	906	\$769	\$0.849	5.8%
North	972	96.5%	919	\$700	\$0.762	-2.1%
Northwest	1,905	89.4%	1,000	\$896	\$0.896	3.9%
Sherwood	579	99.7%	793	\$550	\$0.694	0.2%
Southwest	1,012	99.6%	848	\$604	\$0.712	1.2%
West Central	404	94.4%	990	\$775	\$0.783	1.7%
Totals/Averages	5,872	94.1%	926	\$774	\$0.836	3.5%
LITTLE ROCK OVERALL	22,298	92.2%	863	\$650	\$0.753	1.4%

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

Construction Activity

Construction nearly doubled from 2007 to 2008 with 812 units added to the market this year. Only 408 units were added in 2007. An additional 892 units are scheduled for completion in 2009.

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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